



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

Room 110 Capitol Building * P.O. Box 201711 * Helena, MT 59620-1711 * (406) 444-2986 * FAX (406) 444-3036

Legislative Fiscal Analyst
CLAYTON SCHENCK

DATE: November 16, 2004

TO: Legislative Finance Committee

FROM: Pat Gervais, Senior Fiscal Analyst

RE: Child and Family Services supplemental

The 2007 biennium proposed budget prepared by the executive indicates that the Child and Family Services Division (CFSD) of the Department of Public Health and Human Services (DPHHS) will request a supplemental appropriation of \$1.1 million for FY 2005. At this time, the department estimates that the total general fund shortfall for FY 2005 for CFSD is \$3.7 million. The department hopes to mitigate about \$2.6 million of the shortfall.

A letter to family foster care providers, dated November 1, 2004 from Shirley K. Brown, Division Administrator, indicates that the "massive" budgetary crisis being experienced by the division is due a "drastic" decrease in the number of children eligible for federal foster care and adoption funding under Title IV-E of the Social Security Act. In the same correspondence, CFSD notified providers that a number of costs savings measures including reductions in foster care support services, were effective that date. Support services being reduced include clothing allowances, respite care, and transportation.

In addition to reductions in foster care costs, the division has also implemented measures such as a hiring freeze, travel reductions, overtime reductions, and a freeze on equipment purchases, in an effort to reduce the projected general fund deficit. To date, cost reductions to mitigate the projected deficit have only been implemented in the CFSD. The department does not plan to reduce services to beneficiaries in other programs. However, if necessary, agency-wide administrative cost reductions such as a hiring freeze and travel reductions may be implemented.

Division staff¹ indicate that the division budget for FY 2005 was based upon the assumption that about 60 percent of the children served would be eligible for federal Title IV-E funding. Due to a number of compliance issues that were identified through internal review of case files and a federal IV-E eligibility review, currently only about 38 percent of the children served by the division are eligible for federal Title IV-E funds.

¹ Personal conversation with Shirley Brown, Administrator, November 12, 2004.

Division staff² indicate the compliance issues are the result of both increased diligence in review of case files and changes in federal interpretation of the Title IV-E requirements. Surrounding states such as North and South Dakota and Utah have Title IV-E eligibility rates of about 50 percent. CFSD believes that these states are comparable to Montana and is working to achieve a IV-E eligibility ratio comparable to surrounding states. The division is taking a multi-pronged approach to the issue and is working with county attorneys, judges, and within the division to address this issue. Additionally, the division is implementing some internal quality assurance measures to monitor this issue.

In addition to impacting the FY 2005 general fund expenditure levels, the decrease in the Title IV-E eligibility rate was not included in the budget proposed for the 2007 biennium. Currently, CFSD anticipates that a greater than anticipated increase in the foster care caseload combined with the decrease in Title IV-E eligibility will result in an increased general fund requirement for the 2007 biennium of about \$1.4 million when compared to the executive budget.

Department staff is monitoring Title IV-E eligibility and the projected general fund deficit on a monthly basis and has indicated they will apprise legislative staff of the status of this issue at least monthly.

S:\Legislative_Fiscal_Division\LFD_Finance_Committee\LFC_Reports\2004\November\03 CFSD supplemental for Nov LFC.doc

² *ibid*