

**Agency Biennium Comparison**

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Agency Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	374,718,661	407,011,991	32,293,330	8.62 %
Operating Expenses	246,033,879	255,486,566	9,452,687	3.84 %
Equipment & Intangible Assets	1,989,442	1,303,442	(686,000)	(34.48)%
Grants	157,755,389	161,027,358	3,271,969	2.07 %
Benefits & Claims	3,404,074,849	3,502,881,628	98,806,779	2.90 %
Transfers	6,836,463	6,367,802	(468,661)	(6.86)%
Debt Service	621,946	584,014	(37,932)	(6.10)%
<b>Total Expenditures</b>	<b>\$4,192,030,629</b>	<b>\$4,334,662,801</b>	<b>\$142,632,172</b>	<b>3.40 %</b>
General Fund	1,027,745,961	1,132,033,474	104,287,513	10.15 %
State/Other Special Rev. Funds	326,141,234	377,902,575	51,761,341	15.87 %
Federal Spec. Rev. Funds	2,838,143,434	2,824,726,752	(13,416,682)	(0.47)%
<b>Total Funds</b>	<b>\$4,192,030,629</b>	<b>\$4,334,662,801</b>	<b>\$142,632,172</b>	<b>3.40 %</b>
<b>Total Ongoing</b>	<b>\$4,167,787,742</b>	<b>\$4,334,662,801</b>	<b>\$166,875,059</b>	<b>4.00 %</b>
<b>Total OTO</b>	<b>\$24,242,887</b>	<b>\$0</b>	<b>(\$24,242,887)</b>	<b>(100.00)%</b>

**Agency Biennium Comparison -**

The biennium comparison table shows a growth of 3.4% total funds and 10.2% for general fund, which for this agency is influenced by the FY 2018 appropriation reductions. Compared to the FY 2019 base appropriation, the growth is 1.5% total funds and 6.7% for general fund.

**Mission Statement**

The mission of the Montana Department of Public Health and Human Services (DPHHS) is to improve and protect the health, well-being, and self-reliance of all Montanans.

DPHHS is divided into four main branches: Operation Services, Medicaid and Health Services, Economic Securities, and Public Health and Safety. Within these four branches, DPHHS administers a wide spectrum of programs, including: public assistance, Medicaid, foster care and adoption, nursing home licensing, long-term care, aging services, alcohol and drug abuse programs, mental health services, vocational rehabilitation, disability services, child support enforcement activities, and public health functions, such as communicable disease control and preservation of public health through chronic disease prevention.

There is additional, more detailed information about the department in the agency profile. The profile may be viewed at: <https://leg.mt.gov/content/Publications/fiscal/BA-2021/Section-B/Agency-Profiles/6901-DPHHS.pdf>.

## Agency Highlights

<b>Department of Public Health and Human Services Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The 2021 biennium HB 2 budget request is 3.4% higher than the 2019 biennium budget and totals \$4,334.6 million</li> <li>• The 2021 biennium budget includes a requested general fund increase of 10.2% due in part to: <ul style="list-style-type: none"> <li>◦ Caseload increases in the Child and Family Services Division (CFSD)</li> <li>◦ Reductions in the Medicaid Federal Medical Assistance Percentage (FMAP)</li> </ul> </li> <li>• The 2021 biennium budget includes a requested increase of 15.9% in state special revenue due in part to a phased reduction of the E-FMAP for the Childre's Health Insurance Program (CHIP): from 98.9% federal funds to about 76.0% federal funds over the 2021 biennium <ul style="list-style-type: none"> <li>◦ The additional requested \$51.8 million state special funds are tied to proposed tobacco tax increases</li> </ul> </li> <li>• Benefit costs are proposed to decrease in FY 2020 and increase in FY 2021 due in part to present law adjustments for Medicaid caseload and a new proposal for provider rate increases</li> <li>• The 2021 biennium budget includes a present law request of \$22.8 million for proposed increases to personal services primarily through the restoration of reductions made during the 2017 Regular Session and the establishment of a 2.0% vacancy savings rate</li> <li>• A total of 87.26 FTE were reduced at the Montana Development Center (MDC) during the 2019 biennium and reallocated to other divisions within the agency</li> <li>• The HELP Act (Medicaid Expansion) will sunset in June 2019 without legislative action</li> </ul>
<b>LFD Issues</b>
<ul style="list-style-type: none"> <li>• If Medicaid Expansion is re-authorized, the legislature should consider including the appropriation in HB 2, rather than as a statutory appropriation</li> <li>• The executive budget funds the additional state match required for CHIP with state special revenue tied to a proposed tobacco tax. If this tax is not passed the potential present law cost for CHIP is an additional \$35.3 million general fund over the 2021 biennium</li> </ul>

## Agency Actuals and Budget Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	2,934.16	2,934.16	2,952.16	2,952.16
Personal Services	181,098,231	184,912,308	189,806,353	203,530,380	203,481,611
Operating Expenses	120,662,419	124,454,958	121,578,921	125,582,582	129,903,984
Equipment & Intangible Assets	642,407	1,337,721	651,721	651,721	651,721
Grants	69,694,191	78,519,710	79,235,679	80,513,679	80,513,679
Benefits & Claims	1,532,392,278	1,663,553,795	1,740,521,054	1,704,679,881	1,798,201,747
Transfers	4,685,579	3,652,562	3,183,901	3,183,901	3,183,901
Debt Service	232,796	329,939	292,007	292,007	292,007
<b>Total Expenditures</b>	<b>\$1,909,407,901</b>	<b>\$2,056,760,993</b>	<b>\$2,135,269,636</b>	<b>\$2,118,434,151</b>	<b>\$2,216,228,650</b>
General Fund	489,863,124	497,080,811	530,665,150	551,846,211	580,187,263
State/Other Special Rev. Funds	147,801,426	160,004,844	166,136,390	180,513,659	197,388,916
Federal Spec. Rev. Funds	1,271,743,351	1,399,675,338	1,438,468,096	1,386,074,281	1,438,652,471
<b>Total Funds</b>	<b>\$1,909,407,901</b>	<b>\$2,056,760,993</b>	<b>\$2,135,269,636</b>	<b>\$2,118,434,151</b>	<b>\$2,216,228,650</b>
<b>Total Ongoing</b>	<b>\$1,898,402,029</b>	<b>\$2,045,223,811</b>	<b>\$2,122,563,931</b>	<b>\$2,118,434,151</b>	<b>\$2,216,228,650</b>
<b>Total OTO</b>	<b>\$11,005,872</b>	<b>\$11,537,182</b>	<b>\$12,705,705</b>	<b>\$0</b>	<b>\$0</b>

### Agency Discussion

#### *FY 2018 Appropriation Compared to FY 2018 Actual Expenditures*

In FY 2018 DPHHS expended 92.8% of its overall HB2 budget, and 98.5% of its general fund budget. The FY 2018 modified budget of \$2,056.8 million was less than the initial FY 2018 budget passed during the 2017 Regular Session of \$2,097.6 million. The reduction in the FY 2018 budget was due to SB 261 reductions and the 17-7-140 reductions made during the November 2017 Special Session.

#### *FY 2018 Appropriation Compared to FY 2019 Appropriation*

FY 2019 total appropriations are \$78.5 million, or 3.8% higher than the FY 2018 total appropriation due to:

- November 2017 Special Session reductions in both fiscal years that were subsequently restored by SB 9 for FY 2019, in the amount of \$30.6 million
- SB 294 pay plan increase in FY 2019 of \$1.3 million
- HB 618 appropriations of \$12.8 million in FY 2018 and \$30.4 million in FY 2019

#### *Comparison of FY 2019 Legislative Budget to FY 2019 Base*

The 2019 base budget was agreed upon by the executive and legislature to be the point from which any changes would be recorded for the 2021 biennium budgeting process. The tables below illustrate the beginning FY 2019 budget as adopted by the 2017 Legislature compared to the finalized 2019 base budget, which includes modifications by the executive, as authorized in statute, during the interim. The tables below show these changes by program and expenditure type for DPHHS. A table showing expenditure types for each DPHHS program is in the appendix.

FY 2019 Legislative Appropriations by Program - DPHHS				
	Legislative Action	Executive Modifications per Statutory Authority	Executive Base	% Change from Legislative Action
01 Disability Emplmnt&Transitns	28,910,449	(57,367)	28,853,082	-0.2%
02 Human & Community Services	326,011,397	(1,105,286)	324,906,111	-0.3%
03 Child & Family Services	75,801,774	(153,097)	75,648,677	-0.2%
04 Directors Office	7,299,036	1,079,080	8,378,116	14.8%

**69010 - Department Of Public Health & Human Services****SUMMARY**

05 Child Support Enforcement	12,440,706	(1,404,816)	11,035,890	-11.3%
06 Business & Financial Services	9,980,810	1,628,054	11,608,864	16.3%
07 Public Health & Safety Div	63,150,817	(1,413,465)	61,737,352	-2.2%
08 Quality Assurance Division	9,467,834	(95,179)	9,372,655	-1.0%
09 Technology Services Division	29,539,736	1,378,667	30,918,403	4.7%
10 Developmental Services Div	297,923,426	(179,043)	297,744,383	-0.1%
11 Health Resources Division	766,201,420	(194,978)	766,006,442	0.0%
12 Medicaid & Health Svcs Mngmt	18,120,542	564,813	18,685,355	3.1%
16 Management & Fair Hearings	2,063,666	495,494	2,559,160	24.0%
22 Senior & Long Term Care Svcs	331,160,978	(27,729)	331,133,249	0.0%
33 Addictive & Mental Disorders	144,491,340	(515,148)	143,976,192	-0.4%
Grand Total	\$2,122,563,931	\$0	\$2,122,563,931	0.0%

FY 2019 Legislative Appropriations by Expenditure Type - DPHHS				
	Legislative Action	Executive Modifications per Statutory Authority	Executive Base	% Change from Legislative Action
61000 Personal Services	191,901,389	(2,181,260)	189,720,129	-1.1%
62000 Operating Expenses	117,214,670	2,086,583	119,301,253	1.8%
63000 Equipment & Intangible Assets	651,721	-	651,721	0.0%
66000 Grants	76,857,698	(469,019)	76,388,679	0.6%
67000 Benefits & Claims	1,732,180,544	845,697	1,733,026,241	0.0%
68000 Transfers-out	3,465,902	(282,001)	3,183,901	-8.1%
69000 Debt Service	292,007	-	292,007	0.0%
Grand Total	\$2,122,563,931	\$0	\$2,122,563,931	0.0%

In addition to executive modifications the FY 2019 budget has been modified by other legislative action including SB 261, HB 618, November 2017 Special Session reductions, and the SB 9 restorations of \$30.6 million.

***Executive Request***

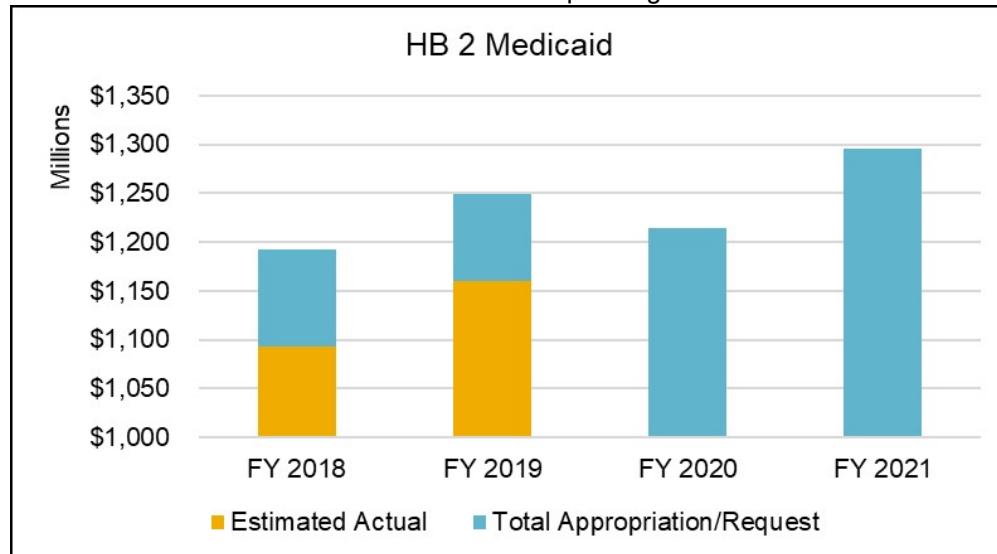
The executive requests an increase in personal services of 7.2% in FY 2020 and FY 2021 as compared to the base year appropriation. Operating expenses are proposed to increase by an average of 5.0% during each year of the 2021 biennium as compared to the base year while benefits and claims are proposed to decrease by 2.1% in FY 2020 and increase by 3.3% in FY 2021. These requests are discussed in detail at the program level of this budget analysis. The following discussion highlights significant areas of the executive budget request for DPHHS.

**Traditional Medicaid**

The executive request for the traditional HB 2 Medicaid caseload (benefits and claims only) in the 2021 biennium totals \$2,476.9 million (see table below). Note that this amount does not include Indian Health Services (IHS) Medicaid expenditures as these expenditures were made statutory in the 2017 session. These expenditures are made in the Developmental Services Division (DSD), Health Resources Division (HRD), Senior and Long-Term Care Division (SLTC), and Addictive and Mental Disorders Division (AMDD).

2021 Biennium HB 2 Medicaid Request (Benefits Only)			
	FY 2020	FY 2021	Total
Disability Services Division	\$265,589,090	\$281,871,253	\$547,460,343
Health Resources Division	610,809,264	660,614,623	271,423,887
Senior and Long-Term Care Division	277,032,310	288,810,562	565,842,872
Addictive and Mental Disorders Division	60,855,705	63,963,452	124,819,157
Total	\$1,214,286,369	\$1,295,259,890	\$2,509,546,259

The chart below illustrates Medicaid actual and estimated spending and Medicaid appropriations/requests for the 2019 and 2021 biennia. Like the table above the chart below excludes IHS spending.



The executive request also includes expenditures for Medicaid administration. The table below breaks out the entirety of the executive Medicaid request by both expenditure type and fund type by DPHHS division.

2021 Biennium HB 2 Medicaid Request					
	Developmental Services Division	Health Resources Division	Medicaid Services Mgmt. Division	Senior & Long-Term Care Division	Addictive & Mental Disorders Division
Administration	\$8,190,531	\$24,228,173	\$38,786,615	\$5,882,844	\$1,369,582
Benefits	547,460,343	1,271,423,887	5,098	565,842,872	124,410,553
Total Expend.	\$555,650,874	\$1,295,652,060	\$38,791,713	\$571,725,716	\$125,780,135
General Fund	\$153,003,531	\$369,084,836	\$5,333,915	\$122,782,489	\$23,509,446
State Special Rev	11,775,568	132,039,863	406,841	72,967,510	18,381,823
Federal Funds	390,871,775	794,527,361	33,050,957	375,975,717	83,888,866
Total Funding	\$555,650,874	\$1,295,652,060	\$38,791,713	\$571,725,716	\$125,780,135

#### FMAP & CHIP changes

Montana's federal fiscal year (FFY) 2020 FMAP is lower than the FFY 2019 FMAP: the rate has dropped from 65.54% to 64.78%. This reduction is a result of comparing the per capita income for Montana to the per capita income for the United States. This decrease in rate will increase the state funds required for Medicaid match. The executive budget includes several decision packages that account for changes in FMAP. Over the 2021 biennium these decision packages increase

general fund expenditures by \$8.5 million and state special fund expenditures by \$3.6 million while reducing federal fund expenditures by \$12.1 million.

CHIP has federal matching rates that are higher than those under traditional Medicaid. The enhanced federal medical assistance percentage (E-FMAP) for CHIP was increased by 23 percentage points, from about 76.0% to about 99.0%, for the 2016-2019 period. This E-FMAP increase declines in future years before going away, which will leave Montana at the standard E-FMAP rate of about 75.35% in 2021 and beyond. The executive requests additional state funds associated with this federal change of \$35.3 million in the 2021 biennium. The executive budget proposes funding this change with state special revenue, some of which is associated with new revenues. If this new revenue source of a proposed additional tobacco tax does not pass the legislature will need to consider alternate funding for the CHIP E-FMAP change described in present law DP 11997. The Medicaid and Health Initiatives Fund, which is proposed to fund the additional state match required for CHIP in the executive budget, is projected to have a fund balance of -\$642,865 starting in FY 2019, and growing increasingly negative in the years beyond.

#### DPHHS Institutions

DPHHS currently operates a total of 6 facilities. The table below shows a biennial summary of the 2021 biennium executive request for DPHHS facilities. The average daily population is based on FY 2018. The personal services costs for facilities are more than 31.0% of the 2021 personal services request for the entire agency.

State Facilities 2021 Biennium Executive Request					
Facility	ADP <sup>1</sup>	FTE	Personal Services	All Other	Annual Per Person Cost
Montana State Hospital	219	535.29	\$74,709,987	\$17,773,718	\$211,150
Intensive Behavior Center	12	106.66	10,617,187	3,352,596	582,074
Mental Health Nursing Care Center	86	133.71	16,746,271	7,506,911	141,500
Montana Chemical Dependency Center	35	54.25	7,890,00	3,335,047	161,187
Montana Veterans' Home	108	141.80	17,087,369	8,284,641	117,889
Eastern Montana Veterans' Home		1.00	137,642	6,667,809	
Southwest Veterans' Home				4,605,262	
Total	459	971.71	\$127,050,817	\$40,252,913	\$242,760
1 - Average Daily Population					

#### **Agency Personal Services**

In order to explain the factors influencing personal services changes, the proposed statewide personal services present law adjustment (DP 1) has been broken down into four categories, as follows:

##### *1. Formula Based*

Formula based changes are calculated independent of agency choices, such as: annualize personal services costs including FY 2019 statewide pay plan adjustments, changes to benefit rates, and longevity adjustments related to incumbents in each position at the time of the personal services snapshot, plus rate changes for workers' compensation and unemployment insurance.

A detailed illustration of this methodology is included in the Budget Analysis Appendix.

## 2. Personal Services Management Decisions

Any agency management decisions that adjusted employee pay or transferred personal services authority between programs. This includes raises or position changes that may increase or reduce a budget, such as hiring FTE at a lower rate to replace retired senior staff or moving FTE and funding between programs.

## 3. Proposed Reinstatement of Personal Services Base Budget Reductions

Most agencies requested reinstatement of personal services budget reductions taken last session. The single largest reinstatement is due to the lower vacancy savings rate requested by the executive. The FY 2019 personal services base included approximately 6.0% vacancy savings reduction as part of the funding adopted in HB 2. Generally, the executive requested a 2.0% vacancy savings reduction for 2021 biennium.

Agencies funded with general fund may have additional personal services reductions such as those reduced from the triggers in SB 261 from last session.

In some instances, the lower personal services budgets caused agencies to make management decisions that lowered the ongoing cost of personal services. When this occurred, the LFD reflected the lower reinstatement requested rather than the total of all personal services reductions made by the previous legislature.

## 4. Budget Modifications

This category includes modifications to the FY 2019 personal services budget such as transfer of personal services authority to operating expenses that occurred during the interim. These transfers may impact the overall size of the personal services present law adjustment (DP 1).

The Figure shows the analysis of the proposed changes.

Department of Public Health and Human Services Personal Services Present Law by Program DP 1 - FY 2020					
Program	Formula Based	Management Decisions	Proposed Reinstatement of PS	Budget Modifications	DP1 SWPL
01 DISABILITY EMPLOYMENT & TRNS	80,518	(270,422)	400,472	85,239	295,807
02 HUMAN AND COMMUNITY SERVICES	236,178	369,891	1,225,593	505,819	2,337,481
03 CHILD & FAMILY SERVICES	236,672	1,903,108	1,162,687	78,908	3,381,375
04 DIRECTOR'S OFFICE	91,080	242,116	231,178	151,629	716,003
05 CHILD SUPPORT ENFORCEMENT	122,548	166,055	457,606	170,236	916,445
06 BUSINESS & FINANCIAL SERVICES DIV	43,398	(20,719)	182,749	-	205,428
07 PUBLIC HEALTH & SAFETY DIVISION	160,349	(143,882)	583,512	(72,928)	527,051
08 QUALITY ASSURANCE DIVISION	49,800	(9,490)	323,303	-	363,613
09 TECHNOLOGY SERVICES DIVISION	69,880	384,567	247,472	105,188	807,107
10 DEVELOPMENTAL SERVICES DIVISION	52,447	(4,834,260)	625,324	183,500	(3,972,989)
11 HEALTH RESOURCES DIVISION	27,374	165,771	178,274	150,000	521,419
12 MEDICAID AND HEALTH SERVICES MGMT	23,331	677,822	43,867	(35,000)	710,020
16 MANAGEMENT AND FAIR HEARINGS	15,769	280,112	105,597	86,198	487,676
22 SENIOR & LONG-TERM CARE	56,823	34,337	350,274	187,500	628,934
33 ADDICTIVE & MENTAL DISORDERS	133,539	1,054,997	1,286,653	375,000	2,850,189
Agency Total	\$1,399,709	\$0	\$7,404,561	\$1,971,289	\$10,775,559

Personal services were \$189.8 million or 8.9% of total FY 2019 appropriations. The executive proposes an increase from the 2019 base of approximately \$13.7 million in each year of the 2021 biennium. In addition to the formula based changes and modifications to the personal services base, the proposed reinstatement of personal services base budget reductions are primarily contributing to the statewide present law adjustment for personal services.

The proposed reinstatement of personal services base is mainly due to vacancy savings. The executive budget includes a proposed reduction of vacancy savings from 6.0% to 2.0% which accounts for \$6.7 million or 61.9% of DP 1. The modifications to the personal services base was primarily due to how the SB 9 restoration of funds were restored by the agency. The agency reduced personal services in the 17-7-140 Governor's reductions and restored some funds in the base to something other than personal services, primarily operating expenses and/or benefits and claims.

Additional details about the statewide present law adjustment for personal services will be discussed at the program level.

#### *Movement of FTE*

Management decisions made significant impacts to the personal services budgets of several divisions, primarily due to FTE movement stemming from the closure of the Montana Developmental Center (MDC).

Senate Bill 411 was approved by the 64th Legislature during the 2015 session and mandated the closure of MDC, a 24-hour facility providing care for people with serious intellectual disabilities. The 65th Legislature during the 2017 session approved HB 387 allowing the retention of a 12 bed Intensive Behavior Center (IBC), and setting a deadline of June 30, 2019 for MDC to close. According to the department, MDC closed on October 26, 2018. The IBC remains at the campus.

During the 2019 biennium, DSD reduced total FTE by 88.26.

DSD transferred 87.26 FTE from MDC to other DPHHS divisions including:

- Child and Family Services Division – 35.07 FTE
- Addictive and Mental Disorders Division – 40.19 FTE
- Medicaid and Health Services Division – 7.00 FTE
- Technology Services Division – 5.00 FTE

Additional information about the closure of MDC and its impacts can be found in the DSD section of this budget analysis.

#### *Hours Worked per Authorized FTE*

The table below illustrates all FTE movement at the agency during the 2019 biennium. The executive has requested FTE levels during the 2021 biennium remain at the FY 2019 level with a request for an additional 18.00 FTE at Quality Assurance Division (QAD). The table below illustrates the FTE movement during the 2019 biennium and does not include the additional FTE requested at QAD.



DPHHS FTE Movement 2019 Biennium				
	FY 2018	FY 2019		
	Beginning	Snapshot	Movement	% Change
Disability Employment and Transitions	140.97	140.97	0	0.0%
Human and Community Services	488.31	488.31	0	0.0%
Child and Family Services	381.65	416.72	35.07	9.2%
Directors Office	49.50	60.50	11.00	22.2%
Child Support Enforcement	157.31	140.31	-17.00	-10.8%
Business & Financial Services	60.00	60.00	0	0.0%
Public Health & Safety	181.26	179.01	-2.25	-1.2%
Quality Assurance Division	104.23	104.23	0	0.0%
Technology Services Division	62.60	66.60	4.00	6.4%
Developmental Services Division	295.17	206.91	-88.26	-29.9%
Health Resources Division	51.62	51.62	0	0.0%
Medicaid & Health Services Management	5.00	15.00	10.00	200.0%
Management & Fair Hearings	22.00	30.00	8.00	36.4%
Senior & Long Term Care	217.55	217.55	0	0.0%
Addictive & Mental Disorders	718.06	757.25	39.19	5.5%
Total	2935.23	2934.98	-0.25	0.0%

A total of 35.07 FTE transferred from DSD to CFSD during the 2019 biennium. This represents a total FTE increase of 9.2% at CFSD during the 2019 biennium. During that time, CFSD has utilized more hours than their FTE equivalent total by an average of 11.1%. The 2021 budget proposal includes a new proposal to transfer an additional 18.00 FTE from DSD to CFSD.

The table below represents the vacancy savings rate as a percentage of FTE hourly utilization from FY 2016 – FY 2018. The numbers in the chart are calculated by multiplying the number of FTE available to each division by 2,080, which is the number of hours worked by an FTE in a fiscal year. The total is then divided by the total hours worked by employees from each division. Negative numbers in the chart indicate that more than 2,080 hours were worked for each available FTE.

The utilization of FTE hours has varied across DPHHS over the past 3 fiscal years. The FTE transferred from MDC all shifted to divisions that have not realized any vacancy savings as a percentage of FTE hour utilization over the past 3 fiscal years. DSD has maintained an average vacancy savings rate of 26.3% over the last 3 years. The FTE transfer from MDC reduced the total FTE appropriation at DSD by 29.9%.

DPHHS has used FTE transfers from DSD to increase FTE at divisions that in recent years have gone over their appropriated hours. At the same time, multiple divisions have utilized fewer hours than required by the vacancy savings rate. Disability Employment and Transitions (DET), Business and Financial Services Division (BFSD), QAD, and HRD combined have averaged 11.7% in vacancy savings as a portion of hours utilized over the past 3 fiscal years. The 2021 budget proposal has requested all 4 of these divisions maintain the same FTE appropriation as in the 2019 biennium. In addition, QAD has averaged more than 10.0% in vacancy savings and a new proposal is requested to add an additional 18.00 FTE representing an increase to overall division FTE of more than 17.3%.

DPHHS Actual Vacancy Savings by Division FY 2016 - FY 2018 <sup>1</sup>				
	2016	2017	2018	Average
01 Disability Employment & Transitions	1.2%	0.7%	17.3%	6.4%
02 Human & Community Services	6.0%	-2.1%	9.2%	4.4%
03 Child & Family Services	-0.2%	-25.4%	-18.2%	-14.6%
04 Directors Office	-1.9%	-24.8%	-18.3%	-15.0%
05 Child Support Enforcement	1.0%	5.6%	21.5%	9.4%
06 Business & Financial Services	16.2%	15.2%	20.9%	17.5%
07 Public Health & Safety Division	4.6%	-7.9%	3.3%	0.0%
08 Quality Assurance Division	10.6%	8.2%	11.1%	10.0%
09 Technology Services Division	5.0%	-28.4%	3.2%	-6.7%
10 Developmental Services Division	12.6%	28.2%	38.1%	26.3%
11 Health Resources Division	11.9%	3.8%	22.6%	12.8%
12 Medicaid & Health Services Management	38.8%	45.4%	-95.9%	-3.9%
16 Management & Fair Hearings	-54.4%	-55.0%	-1.8%	-37.0%
22 Senior & Long Term Care	-16.9%	-2.6%	4.0%	-5.2%
33 Addictive & Mental Disorders Division	-4.4%	-6.1%	-0.1%	-3.5%
Total	1.6%	-2.3%	6.2%	
1 - Figures are calculated based on FTE hours appropriated as compared to total hours worked.				

On December 1, 2018, 417 DPHHS positions, accounting for 399.71 FTE were vacant. This represents 13.6% of the FY 2019 total FTE appropriation of 2,935.23. The table below illustrates the duration of each vacant position on December 1, 2018. Please note that five positions representing 3.06 FTE do not show a position vacancy date in the state human resource (SABHRS) system suggesting they have never been filled. These five positions are not included in the table below.

Duration of Current DPHHS Vacancies (12/1/2018)				
	<3 Months	3 Months - year	Year +	Total
01 Disability Employment & Transitions	5	16	14	35
02 Human & Community Services	11	53	8	72
03 Child & Family Services	11	23	3	37
04 Directors Office	2	2	3	7
05 Child Support Enforcement	4	7	9	20
06 Business & Financial Services	2	5	8	15
07 Public Health & Safety Division	4	4	4	12
08 Quality Assurance Division		8	4	12
09 Technology Services Division	1	7	7	15
10 Developmental Services Division	8	30	13	51
11 Health Resources Division		6	10	16
12 Medicaid & Health Services Management		1	6	7
16 Management & Fair Hearings		1	1	2
22 Senior & Long Term Care	3	9		12
33 Addictive & Mental Disorders Division	13	62	24	99
Total	64	234	114	412

FTE	60.49	226.85	109.31	396.65
Percent of DPPHS FTE Total (2935.23)	2.1%	7.7%	3.7%	13.5%

More than 3.7% of the of the current FTE appropriated to DPHHS have been vacant for more than one year. AMDD received 40.19 FTE that transferred out of MDC. The Montana State Hospital, within AMDD has four positions, including 3 psychiatric registered nurses, that have been vacant for more than 1,000 days, averaging 3.1 years.

The legislature may want to consider if additional FTE movement or all current FTE are needed by the department.

#### LFD COMMENT

#### Legislative Audit Division Findings

1. The Legislative Audit Division conducted a performance audit of State Efforts to Mitigate Fraud, Waste, and Abuse in the Montana Medicaid Program in June 2018. The audit found:

- While many provisions in state law on overpayment audits reduce the administrative burden on Medicaid providers, the six-month records restriction provision unnecessarily reduces the state's ability to identify provider fraud, waste, and abuse
- While the department's centralized intake function assigns allegations of potential child abuse or neglect according to incident-based definitions of abuse or neglect outlined in state law, the department's investigative model focuses on assessing the presence of safety threats to a child and working with families to mitigate those threats. As a result of this difference, the audit work identified numerous inconsistencies in the way final investigative determinations are made for reports of alleged child abuse or neglect

The Legislative Auditor recommends the Montana Legislature amend state law to allow the Department of Public Health and Human Services and its contractors to request at least one year of records from Medicaid providers for overpayment audits.

Additional information on the audit can be found at: <https://leg.mt.gov/content/Publications/Audit/Report/17P-02.pdf>

2. The Legislative Audit Division conducted a performance audit Review of Child Abuse and Neglect Investigations in October 2017. The audit found:

- DPHHS does not actively use data to manage CPS activities due to an outdated information management system. However, the Legislature has prioritized funding for the department to obtain a new data system, including \$350,000 in 2013 to develop an RFP for a new system
- While the department's centralized intake function assigns allegations of potential child abuse or neglect according to incident-based definitions of abuse or neglect outlined in state law, the department's investigative model focuses on assessing the presence of safety threats to a child and working with families to mitigate those threats. As a result of this difference, the audit work identified numerous inconsistencies in the way final investigative determinations are made for reports of alleged child abuse or neglect

The Legislative Auditor recommends:

- The Department of Public Health and Human Services: (A) Develop and implement a plan to actively use data collection measures, standards, and tools within existing resources to make informed management decisions and support intake and investigative activities for reports of child abuse and neglect, and (B) Prioritize a portion of funding provided by the 2015 Legislature for the implementation of an electronic records management system and an integrated, automated case management system to more comprehensively administer Child Protective Service activities

- The Department of Public Health and Human Services address and resolve the inconsistency between state law and the department's safety-based investigative protocol regarding making substantiations or other determinations for child abuse and neglect reports

Additional information on the audit can be found at:

<http://leg.mt.gov/content/Publications/Audit/Report/17SP-13-follow-up-orig-14P-11.pdf>

3. The Legislative Audit Division conducted a financial audit of several components of DPHHS over the interim.

The Legislative Auditor recommends:

- DPHHS comply with state law and federal regulations by following state procurement policies to obtain services for the Temporary Assistance for Needy Families and Foster Care programs
- DPHHS enhance internal controls to ensure provider agreements are obtained and include disclosures regarding ownership and control, business transactions, and persons convicted of crimes, as required by federal regulations
- DPHHS refer all suspected cases of Medicaid fraud to the Medicaid Fraud Control Unit, as required by federal regulations
- DPHHS: (A) Develop internal controls to ensure voided benefits for the Special Supplemental Nutrition Program for Women, Infants, and Children are not subsequently paid by the WIC bank, as required by the state plan and federal regulations and (B) Reimburse the WIC bank only for valid food instruments, as required by federal regulations
- DPHHS comply with federal regulations for the Temporary Assistance for Needy Families program by comparing income information obtained from the Internal Revenue Service to information contained in individual case records in order to determine the effect, if any, on individuals' eligibility or amount of assistance
- DPHHS comply with federal regulations by: (A) Developing internal control procedures to ensure coordination between program and Business and Financial Services Division staffs for recovering Child Care Development Fund overpayments resulting from fraud and (B) Seek timely recovery for all identified fraudulent child care overpayments as required by federal regulations

Additional information on the audit can be found at:

<http://leg.mt.gov/content/Publications/Audit/Report/17-14.pdf>

4. The Legislative Audit Division conducted an information systems audit of the CHIMES-EA system in October of 2015.

The Legislative Auditor recommended:

- The Department of Public Health and Human Services establish a process to limit reliance on data fixes and ensure data fixes are associated with a long-term application fix, if necessary. In following up on this audit, the Audit Division found: The department implemented this recommendation. However, the department needs to continue monitoring these metrics to ensure the process is effectively identifying recurring data defects and reduces the amount of individual data defects being completed
- The Department of Public Health and Human Services strengthen manual change controls by implementing procedures to monitor manual issuances, manual supplemental payments, and overrides. In following up on this audit, the Audit Division found: As of May 2017, the department had partially implemented this recommendation. The department now has metrics showing the number of manual issuances and overrides as part of the new dashboards; however, there is no metric for manual supplements and these reports are not reviewed at lower levels or by user to ensure they are not being misused. Monthly review of total manual issuances could show statewide trends, but may not show if single users are overusing or misusing the privilege

Additional information on the audit can be found at:

<http://leg.mt.gov/content/Publications/Audit/Report/15DP-01.pdf>

*Agency Wide Decision Packages*

DP 6 is a common decision package in several programs across the agency. This DP funds the additional state fund cost of transitioning individuals currently enrolled in Medicaid expansion at a federal match of about 93.0% to traditional Medicaid at a federal match of about 65.6% if the state's current Medicaid expansion program sunsets.

DP 7 reverses the impacts of DP 6 and is predicated on the event that the state's Medicaid expansion program is renewed.

*5.0% Plans*

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%. A summary of the entire 2021 biennium 5.0% Plan submitted for this agency is in the appendix.

The DPHHS 5.0% plan includes general fund savings of \$24.1 million and state special revenue savings of \$4.1 million. Medicaid rate reductions account for \$13.3 million of this total.

**Funding**

The following table shows proposed agency funding by source of authority.

Total Department of Public Health & Human Services Funding by Source of Authority 2021 Biennium Budget Request - Department of Public Health & Human Services						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	1,132,033,474	0	0	127,230,867	1,259,264,341	20.68 %
State Special Total	377,902,575	0	0	8,495,884	386,398,459	6.34 %
Federal Special Total	2,824,726,752	0	0	1,620,336,442	4,445,063,194	72.98 %
Proprietary Total	0	0	0	0	0	0.00 %
Other Total	0	0	0	0	0	0.00 %
<b>Total All Funds</b>	<b>\$4,334,662,801</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,756,063,193</b>	<b>\$6,090,725,994</b>	
<b>Percent - Total All Sources</b>	<b>71.17 %</b>	<b>0.00 %</b>	<b>0.00 %</b>	<b>28.83 %</b>		

DPHHS is funded with general fund, state special funds, and federal funds. The statutory appropriations in the table above are almost entirely for the Indian Health Services Medicaid program and Medicaid Expansion. The table below shows FY 2018 expenditures from selected state special revenue funds by program.

FY 2018 DPHHS Expenditures from Selected State Special Revenue Funds		
Program	Fund	FY 2018 Actuals
Director's Office	02772 Tobacco Health and Medicaid Initiatives	\$ 327,575
	02987 Tobacco Interest	237,000
		<u>\$ 564,575</u>
Public Health & Safety	02772 Tobacco Health and Medicaid Initiatives	25,668
	02790 6901-Statewide Tobacco Settlement	8,119,952
	02987 Tobacco Interest	853,815
		<u>\$ 8,999,435</u>
Developmental Services	02597 Healthy Montana Kids Plan	1,154,754
	02772 Tobacco Health and Medicaid Initiatives	4,683,192
	02987 Tobacco Interest	722,646
		<u>\$ 6,560,592</u>
Health Resources	02597 Healthy Montana Kids Plan	27,872,542
	02772 Tobacco Health and Medicaid Initiatives	13,821,171
	02789 6901-CHIP/MCHA Tobacco Settlement Fund	963,695
	02987 Tobacco Interest	2,631,194
	02989 69010-Hospital Utilization Fee	19,196,051
		<u>\$ 64,484,652</u>
Senior & Long Term Care	02772 Tobacco Health and Medicaid Initiatives	8,942,216
	02987 Tobacco Interest	1,130,324
		<u>\$ 10,072,541</u>
Addictive & Mental Disorders	02772 Tobacco Health and Medicaid Initiatives	8,069,277
	02987 Tobacco Interest	692,255
		<u>\$ 8,761,532</u>

The table below gives recent fund revenues, expenditures, and balances for the major state special revenue funds that support DPHHS programs. The Medicaid and health initiatives fund (02772) is tied to tobacco, which is a declining revenue source. Note that this table includes revenues based on adopted Revenue and Transportation Interim Committee estimates, which may differ from executive revenue estimates which are in some cases contingent upon new revenue sources. Actions available to the legislature during the legislative session can impact the status of these funds from both the expenditure and revenue side.

Selected State Special Revenue Fund Balance Detail					
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Medicaid Hlth. Init. (02772)					
Beginning Fund Balance	\$ 6,628,513	\$ 8,488,112	\$ 4,981,862	\$ (642,865)	\$(12,741,105)
Revenues	36,059,456	33,135,914	32,919,649	32,314,340	31,689,441
Expenditures	(36,050,124)	(35,665,316)	(38,544,376)	(44,412,581)	(50,083,567)
Ending Fund Balance	7,808,784	4,981,862	(642,865)	(12,741,105)	(31,135,231)
Healthy MT Kids (02597)					
Beginning Fund Balance	4,060,151	619,284	1,354,620	3,924,681	5,546,266
Revenues	30,264,692	30,759,256	31,773,771	33,278,003	34,326,497
Expenditures	(33,703,083)	(30,040,425)	(29,203,710)	(31,656,418)	(34,220,768)
Ending Fund Balance	619,284	1,354,620	3,924,681	5,546,266	5,651,995
Tobacco Interest (02987)					
Beginning Fund Balance	754,851	19,568	364,731	1,120,021	1,568,300
Revenues	6,495,007	6,532,980	6,981,012	7,571,454	8,159,461
Expenditures	(7,230,695)	(6,297,399)	(6,711,710)	(7,455,721)	(7,461,253)
Ending Fund Balance	19,568	364,731	634,033	1,235,754	2,266,508
CHIP Tob. Sett. (02789)					
Beginning Fund Balance	2,308,543	6,488,564	9,739,146	13,352,228	14,615,345
Revenues	5,166,660	4,292,765	4,629,835	4,022,996	3,989,091
Expenditures	(986,640)	(1,042,182)	(1,016,753)	(2,759,879)	(8,555,283)
Ending Fund Balance	6,488,564	9,739,146	13,352,228	14,615,345	10,049,153
Statewide Tob. Sett. (02790)					
Beginning Fund Balance	3,781,719	3,467,267	2,899,479	3,274,153	2,492,470
Revenues	9,725,478	8,080,498	8,714,984	7,572,699	7,508,877
Expenditures	(10,039,930)	(8,758,507)	(8,935,507)	(8,997,683)	(8,994,180)
Ending Fund Balance	\$3,467,267	\$2,899,479	\$1,309,613	\$1,849,169	\$1,007,167

### Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	521,881,955	521,881,955	1,043,763,910	92.20 %	2,122,563,931	2,122,563,931	4,245,127,862	97.93 %
SWPL Adjustments	4,318,203	4,267,697	8,585,900	0.76 %	11,912,914	11,417,589	23,330,503	0.54 %
PL Adjustments	47,673,558	69,847,370	117,520,928	10.38 %	54,118,037	128,228,265	182,346,302	4.21 %
New Proposals	(22,027,505)	(15,809,759)	(37,837,264)	(3.34)%	(70,160,731)	(45,981,135)	(116,141,866)	(2.68)%
<b>Total Budget</b>	<b>\$551,846,211</b>	<b>\$580,187,263</b>	<b>\$1,132,033,474</b>		<b>\$2,118,434,151</b>	<b>\$2,216,228,650</b>	<b>\$4,334,662,801</b>	

**Language and Statutory Authority -**

The executive has requested the following language for HB 2:

"The Disability Employment & Transitions Division is appropriated \$775,000 of state special revenue from the Montana Telecommunications Access Program (MTAP) during each year of the 2021 biennium to cover a contingent FCC mandate, which would require states to provide both Video and Internet Protocol relay services for people with severe hearing, mobility or speech impairments."

*Other Agency Information**HELP Act/Medicaid Expansion*

The Health and Economic Livelihood Partnership (HELP) Act of the 2015 Montana Legislature expanded Medicaid in Montana, as allowed by the Patient Protection and Affordable Care Act (ACA). Specifically, this provides Medicaid coverage for adults ages 19-64, without young children, and with incomes less than 138% of the federal poverty rate for Montana. The implementation of HELP has significantly impacted the budget of the State of Montana. Currently, benefits and claims for the expansion population are matched at a rate of 93.0% by federal funds (less an adjustment made for continuous eligibility), with a phased-in reduction to an eventual final federal matching rate of 90.0% (90.0% federal, 10.0% state) in 2020 and beyond. The table below illustrates the HELP FMAP rate.

HELP Federal Match Rate		
Calendar Year	Federal Share	State Share
2016	100.0%	0.0%
2017	95.0%	5.0%
2018	94.0%	6.0%
2019	93.0%	7.0%
2020+	90.0%	10.0%

The HELP Act includes a sunset clause that voids the legislation after June 30, 2019. Without action, Medicaid expansion in Montana will cease to exist at that time.

DPHHS began enrolling HELP participants on November 15, 2015. By the time benefits were made available to HELP enrollees on January 1, 2016, 32,195 people were enrolled in Medicaid expansion. As of October 2018, DPHHS was reporting a total of 95,128 individuals covered by Medicaid expansion. According to department data, the current expansion population peaked in June 2018 at 96,319 and has decreased slightly each month since that time. The robust growth in HELP population members coupled with the phase-in of the state portion of HELP expenditures have had a significant impact on Montana's budget.

HELP act activities are spread across 9 of the DPHHS 15 divisions. The table below illustrates general fund HELP expenditures since January 1, 2016.

Children's Mental Health Bureau (CMHB) at DSD receives 100.0% federal funds for comprehensive school and community treatment services which are available to some HELP enrollees. These do not appear in the table below as DSD does not use any general fund to cover HELP enrollees within their division.



HELP Act General Fund Expenditures FY 2016 - FY 2021						
	2016 Actuals	2017 Actuals	2018 Actuals	2019 Estimated <sup>1</sup>	2020 Requested	2021 Requested
<u>Administration</u>						
Human And Community Services	\$232,507	\$517,064	\$559,953	\$560,087	\$504,755	\$512,326
Director's Office	15,186	22,295	20,069	31,415	31,886	32,365
Business & Financial Services Div.	1,976	28,022	102,739	62,482	85,852	86,800
Technology Services Division	170,102	336,350	67,788	60,450	60,450	60,450
Health Resources Division	3,414,181	6,661,717	7,441,645	5,228,900	5,318,974	5,478,544
Medicaid and Health Services Mgmt	342,968	970,039	2,479,681	2,550,343	3,379,841	3,625,643
Administration Subtotal	\$4,176,918	\$8,535,488	\$10,671,875	\$8,493,677	\$9,381,758	\$9,796,128
<u>Benefits and Claims</u>						
Health Resources Division	1,409,867	14,847,719	29,082,580	36,288,960	45,250,296	51,527,331
Senior and Long Term Care	2,647	245,362	430,202	561,656	833,147	980,867
Addictive & Mental Disorders Div.	13,977	1,182,267	2,449,127	3,303,830	4,346,888	5,114,452
Benefits and Claims Subtotal	\$1,426,491	\$16,275,348	\$31,961,909	\$40,154,446	\$50,430,331	\$57,622,650
Grand Total	\$5,603,410	\$24,810,836	\$42,633,784	\$48,648,123	\$59,812,089	\$67,418,778
1 - Figures represent DPHHS projections from the November 2018 Budget Status Report.						

The executive has requested \$126.4 million in general fund to continue Medicaid expansion during the 2021 biennium. This amount is reflected in relevant program funding tables as statutory per the executive request.

For additional information please see the HELP brochure at: [https://leg.mt.gov/content/Publications/fiscal/leg\\_reference/Brochures/HELP-FYE-2018%20Brochure.pdf](https://leg.mt.gov/content/Publications/fiscal/leg_reference/Brochures/HELP-FYE-2018%20Brochure.pdf)

**LFD  
ISSUE**
Uncapped Statutory Appropriation of General Fund is Inconsistent with Statute

Section [MCA 17-1-508\(2\)](#), MCA provides guidance on when statutory appropriations "may not be considered appropriate" and includes guidelines for the legislature to consider. It also states that a "statutory appropriation from a continuing and reliable source of revenue may not be used to fund administrative costs."

As a part of its recommendations to the 2019 Legislature the Legislative Finance Committee (LFC) passed a recommendation stating:

"The uncapped statutory appropriation of general fund for both administration and benefits & claims is inconsistent with statute and poor fiscal policy. It is strongly recommended that if the legislature renews Medicaid expansion, it do so with appropriations either in HB 2, or appropriated in the bill used to re-authorize Medicaid expansion."

Because it is not present law, the HELP Act is not included in HB 2. The LFC recommendation continues: "The fiscal note for any bill reauthorizing Medicaid expansion would provide information on appropriations for inclusion in HB 2, unless funding is appropriated directly in the Medicaid expansion bill."

If Medicaid expansion is re-authorized for the 2021 biennium the legislature could choose to:

1. Coordinate funding in HB 2 for the bill that is passed; or
2. Appropriate funding directly in the bill authorizing Medicaid expansion, and direct that the appropriation be considered part of the HB 2 base for the 2023 biennium.

### Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	17,899,837	18,974,216	1,074,379	6.00 %
Operating Expenses	9,759,782	9,923,650	163,868	1.68 %
Equipment & Intangible Assets	22,000	0	(22,000)	(100.00)%
Benefits & Claims	30,030,196	29,519,475	(510,721)	(1.70)%
Transfers	50,000	50,000	0	0.00 %
<b>Total Expenditures</b>	<b>\$57,761,815</b>	<b>\$58,467,341</b>	<b>\$705,526</b>	<b>1.22 %</b>
General Fund	12,441,785	12,285,179	(156,606)	(1.26)%
State/Other Special Rev. Funds	1,872,500	1,861,489	(11,011)	(0.59)%
Federal Spec. Rev. Funds	43,447,530	44,320,673	873,143	2.01 %
<b>Total Funds</b>	<b>\$57,761,815</b>	<b>\$58,467,341</b>	<b>\$705,526</b>	<b>1.22 %</b>
<b>Total Ongoing</b>	<b>\$57,761,815</b>	<b>\$58,467,341</b>	<b>\$705,526</b>	<b>1.22 %</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>

### Program Biennium Comparison -

The biennium comparison table shows a total growth of 1.2%. Compared to the FY 2019 base appropriation, the growth is 1.3%.

### Program Description

The Disability Employment and Transitions Division (DET) is composed of two bureaus: Vocational Rehabilitation and Blind Services and Disability Determination Services. The Montana Telecommunications Access Program (MTAP) is administratively attached to DET. In addition, DET includes several small programs serving Montanans with disabilities and their families.

### Program Highlights

Disability Employment and Transitions Division Major Budget Highlights
<ul style="list-style-type: none"> <li>The executive proposes a total increase of 1.2% for the 2021 biennium</li> <li>The executive request includes increases for personal services and operating expenses which are partially offset by a reduction in benefits and claims</li> </ul>
LFD Issues
<ul style="list-style-type: none"> <li>DET has overspent the general fund appropriation for vocational rehabilitation benefits and claims for 3 consecutive fiscal years</li> <li>The Montana Telecommunications Access Program has amassed a fund balance of \$4.0 million as revenues have been larger than expenditures by an average of 32.8% per year from FY 2013- FY 2018</li> </ul>

### Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	140.97	140.97	140.97	140.97
Personal Services	7,467,480	8,707,926	9,191,911	9,487,718	9,486,498
Operating Expenses	4,522,837	4,799,805	4,959,977	4,961,626	4,962,024
Equipment & Intangible Assets	21,547	22,000	0	0	0
Benefits & Claims	11,944,170	15,354,002	14,676,194	14,717,475	14,802,000
Transfers	6,250	25,000	25,000	25,000	25,000
<b>Total Expenditures</b>	<b>\$23,962,284</b>	<b>\$28,908,733</b>	<b>\$28,853,082</b>	<b>\$29,191,819</b>	<b>\$29,275,522</b>
General Fund	6,429,789	6,439,802	6,001,983	6,124,483	6,160,696
State/Other Special Rev. Funds	768,205	928,437	944,063	930,463	931,026
Federal Spec. Rev. Funds	16,764,290	21,540,494	21,907,036	22,136,873	22,183,800
<b>Total Funds</b>	<b>\$23,962,284</b>	<b>\$28,908,733</b>	<b>\$28,853,082</b>	<b>\$29,191,819</b>	<b>\$29,275,522</b>
<b>Total Ongoing</b>	<b>\$23,962,284</b>	<b>\$28,908,733</b>	<b>\$28,853,082</b>	<b>\$29,191,819</b>	<b>\$29,275,522</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### Program Discussion -

#### *FY 2018 Appropriations Compared to FY 2018 Actual Expenditures*

DET expended 82.9% of the total 2018 appropriation including nearly all general fund. Both state special and federal funds had unspent appropriations of 17.3% and 22.2% respectively.

#### *FY 2018 Appropriations Compared to FY 2019 Appropriations*

The FY 2019 appropriation is 0.2% less than the FY 2018 appropriation due primarily to a smaller general fund appropriation in FY 2019 as compared to FY 2018 which is offset by an increase in appropriation for state special revenue and federal funds. The FY 2019 general fund appropriation is 6.8% less than the FY 2018 general fund appropriation. The difference in general fund appropriation is primarily due to:

- Program transfers used to increase the FY 2018 general fund appropriation to cover unexpected benefits and claims costs in the vocational rehabilitation program
- In FY 2019 \$429,949 was restored to the general fund appropriation as authorized by SB 9 (2017 session). Without the restoration, the difference in general fund between FY 2018 and FY 2019 would have been greater

#### *Executive Request*

The executive request for FY 2020 and FY 2021 proposes a total fund increase of 1.2% and 1.5% respectively over the base year appropriation. This includes a 3.2% increase for personal services in FY 2020 and FY 2021 over the base budget appropriation.

#### *Vocational Rehabilitation*

The Vocational Rehabilitation Program provides services intended to assist disabled persons in preparing for and engaging in employment. The Montana Telecommunications Access Program (MTAP) is housed at DET as well. MTAP is responsible for overseeing the Montana Relay Program which allows people who are deaf to use telephone services and offering assistive equipment and services to Montanans whose disabilities make it hard for them to use the phone.

Approximately 50.0% of DET's budget is for benefits and claims associated with the Vocational Rehabilitation Program including more than 90.0% of general fund appropriations. DET increased the FY 2018 general fund appropriation by 18.0% through two program transfers into vocational rehabilitation benefits and claims totaling \$983,774. Despite the increased authority, the FY 2018 general fund portion of benefits and claims were overspent by \$462,198. This balance was offset by unspent general funds in personal services.

**LFD COMMENT** The following table illustrates the general fund portion of DET benefits and claims expenditures from FY 2014 – FY 2018.

Vocational Rehabilitation General Fund Benefits and Claims FY 2014 - FY 2018						
FY	Avg./Month Receiving Services	Appropriation	Executive Modifications	Modified Appropriation	Expenditures	Balance
2014		\$3,826,825	\$150,000	\$3,976,825	\$4,035,542	(\$58,717)
2015	3,011	3,895,541	-	3,895,541	3,792,563	102,978
2016	3,159	4,174,050	252,115	4,426,165	7,841,879	(3,415,714)
2017	3,438	4,161,734	1,652,750	5,814,484	7,567,011	(1,752,527)
2018	2,513	\$3,457,712	\$983,774	\$4,441,486	\$4,903,684	(\$462,198)

DET has increased the general fund appropriation for vocational rehabilitation benefits through executive modifications each year since FY 2016. In FY 2018, the average number of persons served per month in the vocational rehabilitation program decreased by more than 26.9% as compared to FY 2017. The legislature may wish to discuss with the department what factors are contributing to the recent growth in general fund benefits and claims expenditures. In addition, the legislature may wish to discuss what strategies, if any, are being implemented by the department to deal with any additional growth.

### Program Personal Services Narrative

Personal services comprise 31.9% of base appropriations, while the Governor proposes 32.5% for FY 2020 and 32.4% in FY 2021. The increase in personal services costs is primarily due to a proposed reduction in vacancy savings. DET experienced a vacancy savings rate of 17.3% in hours expended to hours budgeted. The executive has included a vacancy savings reduction in its budget submission for the 2021 biennium.

#### 5.0% Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%. A summary of the entire 2021 biennium 5.0% plan submitted for this agency is in the Budget Analysis Appendix.

DET has created a 5.0% reduction plan that includes a total savings of \$321,489 in general fund and \$38,410 in state special. These savings would be realized by eliminating funding for mobility training for blind Montanans, reducing contracts with independent living centers that provide independence training services to Montana children living with a disability, and a reduction in operations for vocational rehabilitation services.

### Funding

The following table shows proposed program funding by source of authority.

## 69010 - Department Of Public Health & Human Services01-Disability Employment & Transitions Div

Department of Public Health & Human Services, 01-Disability Employment & Transitions Div Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	12,285,179	0	0	0	12,285,179	21.01 %
02159 Handicapped Telecommunications	1,808,299	0	0	0	1,808,299	97.14 %
02434 02 Indirect Activity Prog 01	53,190	0	0	0	53,190	2.86 %
<b>State Special Total</b>	<b>\$1,861,489</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,861,489</b>	<b>3.18 %</b>
03234 Promise Grant	0	0	0	0	0	0.00 %
03588 93.802 - Disabil Deter Adm 100	11,571,754	0	0	0	11,571,754	26.11 %
03604 84.126 - Rehab-Sec110 A 78.7%	26,539,678	0	0	0	26,539,678	59.88 %
03365 03 Indirect Activity Prog 01	1,812,133	0	0	0	1,812,133	4.09 %
03554 84.169 - Independent Living 90	456,421	0	0	0	456,421	1.03 %
03555 84.177 - Indep Living Old BLIN	440,313	0	0	0	440,313	0.99 %
03557 84.187 - Vic Sup Employment	728,988	0	0	0	728,988	1.64 %
03558 84.224 - Mon Tech 100%	852,060	0	0	0	852,060	1.92 %
03559 84.265 - In Service Training 9	28,602	0	0	0	28,602	0.06 %
03024 Soc Sec - Trust Funds	1,890,724	0	0	0	1,890,724	4.27 %
03226 VR Supported Empl VI-B Youth	0	0	0	0	0	0.00 %
<b>Federal Special Total</b>	<b>\$44,320,673</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$44,320,673</b>	<b>75.80 %</b>
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
<b>Total All Funds</b>	<b>\$58,467,341</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$58,467,341</b>	

DET is funded primarily by a variety of federal funds accounting for 75.8% of the total. Some programs are fully funded with federal funds including disability determinations and the Montech assistive technology program, while other federally funded programs require varying levels of state matching funds. There are 9 federal funds with ongoing HB 2 authority at DET. Almost 95.0% of federal fund authority is contained in four programs including:

- Rehabilitation Sec. 110A are federal funds granted to states for the purposes of vocational rehabilitation intended to assist individuals with disabilities in preparing for and engaging in competitive employment
- Disability determinations administration funds cover administrative costs related to determining disabled status
- Social security trust funds are federal funds used to cover part of the benefits and claims expenditures in the vocational rehabilitation program
- Federal indirect activities are authorized based on a federally approved formula and are derived from DET functions benefiting or serving other programs in the department

General fund is used to support 21.0% of program costs while state special supports the remaining 3.2%. The majority of state funds at DET are spent on two programs including:

- Over 90.0% of general fund is used to cover the state portion of vocational rehabilitation services
- Over 97.0% of state special is used to fund the MTAP program

### LFD ISSUE

#### Montana Telecommunications Access Program

MTAP is responsible for overseeing the Montana Relay program which allows people who are deaf to use telephone services, and offering assistive equipment and services to Montanans whose disabilities make it hard for them to use the phone.

During the 2015, 2017, and 2019 biennia DET received a HB 2 language appropriation of \$775,000 each fiscal year to cover a contingent Federal Communications Commission mandate, which would require states to provide both video and internet protocol relay services for people with severe hearing, mobility or speech impairments. The executive has requested a language

appropriation for \$775,000 during both years of the 2021 biennium. Through the end of FY 2018, DET has yet to utilize any of this authority and the MTAP program has been building a fund balance.

MTAP revenue is raised by a fee of 10 cents per month assessed on subscriber connections and prepaid wireless telecommunication services per 53-19-311, MCA. The table below shows the actual and projected revenues and expenditures for MTAP through FY 2021. The contingent funding of \$775,000 per year would reduce the fund balance only if federal regulations require the state to pay for technologies related to video relay service (VRS) and internet protocol relay (IP). These services facilitate communication between individuals who use sign language and hearing individuals. VRS uses a sign language interpreter and video; IP Relay uses text to voice via an operator.

Department of Public Health and Human Services 02159 Montana Telecommunications Access Program							
	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Estimated	FY 2020 Proposed	FY 2021 Proposed
Beginning Fund Balance	\$2,261,227	\$2,557,997	\$2,918,744	\$3,428,764	\$3,984,276	\$4,443,086	\$4,907,788
Revenue							
Charges For Services	1,202,276	1,333,735	1,361,681	1,370,772	1,366,226	1,368,499	1,367,363
Expenditures							
Personal Services	231,546	234,247	246,477	240,305	250,267	246,647	247,352
Operating Expenses	648,799	738,741	570,288	553,407	657,150	657,150	657,150
Equipment & Intangible assets	25,162			21,547			
Grants							
Benefits & Claims			34,897				
Transfers Out							
Total Expenditures	905,507	972,988	851,661	815,259	907,417	903,797	904,502
Ending Fund Balance	\$2,557,997	\$2,918,744	\$3,428,764	\$3,984,276	\$4,443,086	\$4,907,788	\$5,370,648
Contingency Appropriation for Relay Services				-	775,000	775,000	775,000
Ending Fund Balance with Contingency					3,668,086	3,357,788	3,045,648

**Legislative Options:**

1. Reduce the fee in 53-19-311, MCA to a level that generates revenues in line with historical levels of expenditures
2. Modify 53-19-310, MCA to allow revenues in the fund to be expended on additional service populations or additional services
3. Approve the request as submitted, with the understanding that this fund balance will likely continue to grow

**Program Budget Summary by Category**

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	6,001,983	6,001,983	12,003,966	97.71 %	28,853,082	28,853,082	57,706,164	98.70 %
SWPL Adjustments	104,688	104,432	209,120	1.70 %	297,456	296,634	594,090	1.02 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	17,812	54,281	72,093	0.59 %	41,281	125,806	167,087	0.29 %
<b>Total Budget</b>	<b>\$6,124,483</b>	<b>\$6,160,696</b>	<b>\$12,285,179</b>		<b>\$29,191,819</b>	<b>\$29,275,522</b>	<b>\$58,467,341</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the 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.

Present Law Adjustments										
	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	104,351	(13,600)	205,056	295,807	0.00	104,014	(13,037)	203,610	294,587
DP 3 - Inflation Deflation	0.00	337	0	1,312	1,649	0.00	418	0	1,629	2,047
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$104,688</b>	<b>(\$13,600)</b>	<b>\$206,368</b>	<b>\$297,456</b>	<b>0.00</b>	<b>\$104,432</b>	<b>(\$13,037)</b>	<b>\$205,239</b>	<b>\$296,634</b>

\*\*\*Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

**DP 1 - Personal Services -**

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

**DP 3 - Inflation Deflation -**

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

**New Proposals**

The "New Proposals" table shows new changes to spending.



New Proposals										
-----Fiscal 2020-----						-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1001 - PRI - Vocation Rehabilitation - DETD	0.00	14,025	0	21,351	35,376	0.00	42,741	0	65,070	107,811
DP 1002 - PRI - Independent Living - DETD	0.00	3,787	0	2,118	5,905	0.00	11,540	0	6,455	17,995
<b>Total</b>	<b>0.00</b>	<b>\$17,812</b>	<b>\$0</b>	<b>\$23,469</b>	<b>\$41,281</b>	<b>0.00</b>	<b>\$54,281</b>	<b>\$0</b>	<b>\$71,525</b>	<b>\$125,806</b>

\*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

#### DP 1001 - PRI - Vocation Rehabilitation - DETD -

This new proposal requests a 0.9% provider rate increase in FY 2020 and a 1.8% increase in FY 2021 for vocational rehabilitation and extended employment providers in the Disability Employment and Transitions Division. The executive requests\$143,187 in total funds over the biennium including \$56,766 in general fund.

#### DP 1002 - PRI - Independent Living - DETD -

This new proposal requests a 0.9% provider rate increase in FY 2020 and a 1.8% increase in FY 2021 for independent living centers in the Disability Employment and Transitions Division. The executive requests \$23,900 in total funds over the biennium including \$15,327 in general fund.

**Program Biennium Comparison**

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	54,459,312	60,871,898	6,412,586	11.78 %
Operating Expenses	15,989,164	15,221,360	(767,804)	(4.80)%
Equipment & Intangible Assets	228,000	50,000	(178,000)	(78.07)%
Grants	46,298,408	51,145,330	4,846,922	10.47 %
Benefits & Claims	530,082,211	539,939,208	9,856,997	1.86 %
Transfers	4,242,220	4,242,220	0	0.00 %
<b>Total Expenditures</b>	<b>\$651,299,315</b>	<b>\$671,470,016</b>	<b>\$20,170,701</b>	<b>3.10 %</b>
General Fund	67,918,740	75,423,533	7,504,793	11.05 %
State/Other Special Rev. Funds	4,350,946	5,166,119	815,173	18.74 %
Federal Spec. Rev. Funds	579,029,629	590,880,364	11,850,735	2.05 %
<b>Total Funds</b>	<b>\$651,299,315</b>	<b>\$671,470,016</b>	<b>\$20,170,701</b>	<b>3.10 %</b>
<b>Total Ongoing</b>	<b>\$645,299,041</b>	<b>\$671,470,016</b>	<b>\$26,170,975</b>	<b>4.06 %</b>
<b>Total OTO</b>	<b>\$6,000,274</b>	<b>\$0</b>	<b>(\$6,000,274)</b>	<b>(100.00)%</b>

**Program Biennium Comparison -**

The biennium comparison table shows a total growth of 3.1%. Compared to the FY 2019 base appropriation, the growth is 2.4%.

**Program Description**

Human and Community Services Division (HCSD) administers multiple public assistance programs that fall into one of three categories: public assistance, early childhood services, or intergovernmental human services.

HCSD public assistance responsibilities include both eligibility determinations and program administration. HCSD public assistance programs include:

- Temporary Assistance for Needy Families (TANF), which is a federal block grant that provides monthly payments to low-income families and children who meet income and resource eligibility standards
- Supplemental Nutrition Assistance (SNAP), which provides benefits to eligible families to supplement their food budget
- Refugee assistance
- Medicaid eligibility determinations, which are provided by HCSD for more than 38 Medicaid programs, spread across the entire agency, for children, pregnant women, seniors, disabled persons, and other eligible adults

HCSD early childhood programs include:

- TANF funds for childcare, working caretaker relatives, and low-income working families
- The Child and Adult Care Food Program, which provides reimbursement to child care providers for the cost of meals served to eligible children and adults
- The Head Start State Collaboration grant

Intergovernmental Human Services include:

- The Low-Income Energy Assistance Program (LIEAP)
- Weatherization programs

- Community Services Block Grant, which is a federal grant managed by HCSD through a partnership with 10 Human Resource Development Councils (HRDC's) throughout the state, intended to support community-based activities to reduce poverty
- The Emergency Solutions Grant, which provides federal funding for emergency shelter and homelessness prevention

HCSD Fiscal Bureau coordinates, analyzes, implements, and monitors the division budget; purchases supplies and equipment; and assists with grant reporting, contracts, and leases.

Statutory Authority is in Title 53, Chapter 2, part 2 MCA and 45 CFR.

### Program Highlights

Human and Community Services Division Major Budget Highlights	
<ul style="list-style-type: none"> <li>• The executive proposes a total increase of 3.1% including an 11.1% increase in general fund while increasing state special and federal funds 18.7% and 2.1% respectively over the 2019 biennium</li> <li>• Reasons for the change in the overall request are primarily due to: <ul style="list-style-type: none"> <li>◦ A present law increase of \$4.7 million for personal services</li> <li>◦ A present law increase of \$7.9 million in federal authority for the Child Care Development Fund program</li> <li>◦ A present law increase of \$1.1 million in federal authority for the Indian Health Services grant</li> </ul> </li> <li>• The primary reason for the increase in general fund authority is a new proposal requesting \$8.0 million in general fund authority for the Stars to Quality Preschool Program</li> </ul>	

### Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	488.30	488.30	488.30	488.30
Personal Services	24,874,218	26,371,037	28,088,275	30,438,482	30,433,416
Operating Expenses	8,349,746	8,501,865	7,487,299	7,610,387	7,610,973
Equipment & Intangible Assets	156,395	203,000	25,000	25,000	25,000
Grants	21,916,741	21,703,743	24,594,665	25,572,665	25,572,665
Benefits & Claims	252,448,870	264,492,175	265,590,036	269,969,604	269,969,604
Transfers	3,553,708	2,121,110	2,121,110	2,121,110	2,121,110
<b>Total Expenditures</b>	<b>\$311,299,678</b>	<b>\$323,392,930</b>	<b>\$327,906,385</b>	<b>\$335,737,248</b>	<b>\$335,732,768</b>
General Fund	31,917,582	32,132,417	35,786,323	37,631,633	37,791,900
State/Other Special Rev. Funds	1,767,382	1,870,432	2,480,514	2,562,393	2,603,726
Federal Spec. Rev. Funds	277,614,714	289,390,081	289,639,548	295,543,222	295,337,142
<b>Total Funds</b>	<b>\$311,299,678</b>	<b>\$323,392,930</b>	<b>\$327,906,385</b>	<b>\$335,737,248</b>	<b>\$335,732,768</b>
<b>Total Ongoing</b>	<b>\$308,512,888</b>	<b>\$320,392,930</b>	<b>\$324,906,111</b>	<b>\$335,737,248</b>	<b>\$335,732,768</b>
<b>Total OTO</b>	<b>\$2,786,790</b>	<b>\$3,000,000</b>	<b>\$3,000,274</b>	<b>\$0</b>	<b>\$0</b>

**Program Discussion -***FY 2018 Appropriations Compared to FY 2018 Actual Expenditures*

HCSD expended 96.3% of the total FY 2018 appropriation including over 99.3% of general fund. Both state special and federal funds had unexpended appropriations of 5.5% and 4.1% respectively.

*FY 2018 Appropriations Compared to FY 2019 Appropriations*

The FY 2019 appropriation is 1.4% greater than the FY 2018 appropriation. The difference in appropriation is primarily due to:

- In FY 2019 \$3.8 million was restored to the general fund appropriation as authorized by SB 9 (2017 special session)
- In FY 2018, \$636,852 was transferred out of the state special appropriation to cover expenditures throughout the rest of the department

**LFD  
COMMENT**

HCSD received SB 9 general fund restoration totaling \$3.8 million in FY 2019. This accounted for more than 10.0% of the total DPHHS SB 9 restoration total. The amount of funds restored varied across HCSD programs and account levels. For a breakdown of where 17-7-140 reductions occurred, and which programs and account levels received SB 9 restorations, see the SB 9 summary table in the appendix.

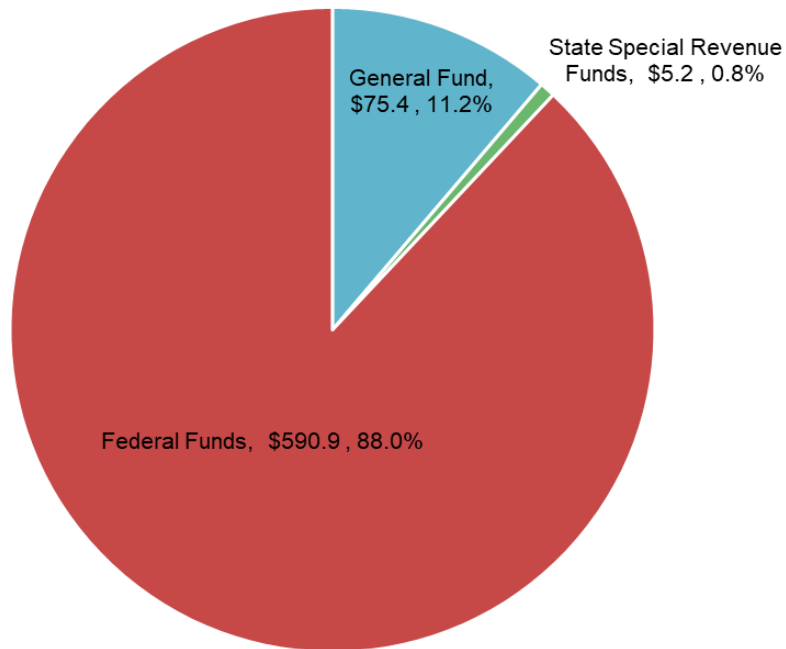
*Executive Request*

The executive request for FY 2020 and FY 2021 proposes a total fund increase of 2.4% over the base year appropriation. The proposed general fund appropriation would increase the base budget appropriation by 5.4% during the 2021 biennium. The proposed increase in total funds is driven primarily by:

- A proposed \$13.7 million total in present law adjustments for the 2021 biennium that is funded with 88.4% federal funds totaling \$11.6 million
- A new proposal for \$8.0 million general fund to continue the Stars to Quality Preschool Program initiated as a pilot by the 2017 legislature, and funded with \$6.0 million as a one-time-only appropriation

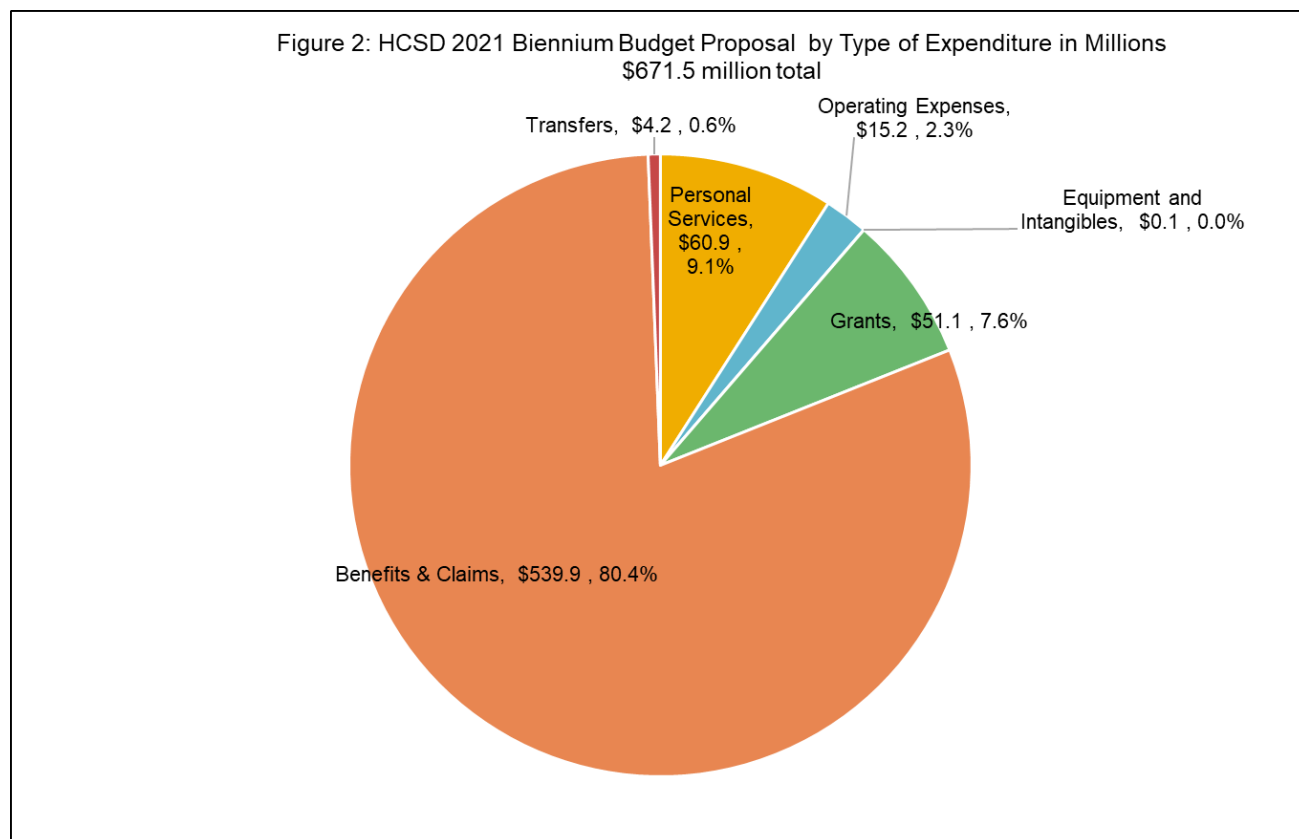
The proposed HCSD 2021 biennium budget request is \$671.5 million. Figure 1 below illustrates the requested budget by fund source.

Figure 1: HCSD 2021 Biennium Proposed Budget by Fund Source in Millions  
\$671.5 million total



Federal funds account for 88.0% of the proposed 2021 biennium HCSD budget while general funds account for 11.2%. In FY 2018 just under 30.0% of HCSD general funds were used to cover personal services while almost 60.0% were used to cover the state portion of benefits and grants. Additional information on HCSD usage of fund sources is available in the funding section below.

The following Figure 2 illustrates the HCSD budget request by expenditure type.

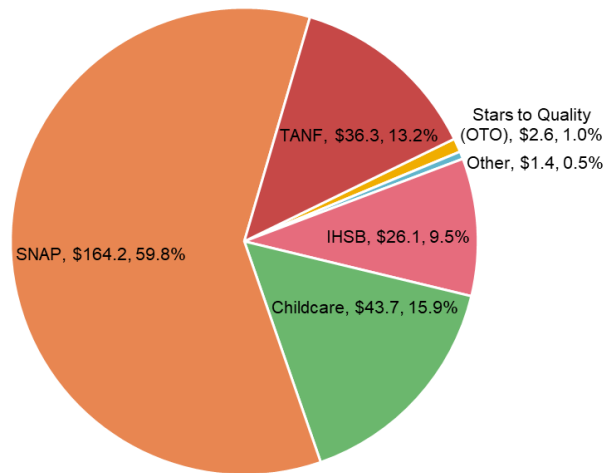


More than 88.0% of the HCSD proposed budget is comprised of benefits and grant funding. Nearly 75.0% of the remaining funds are used to cover personal services, the majority of which occur in the Office of Public Assistance (OPA). HCSD does not administer any Medicaid programs. However, Medicaid eligibility determination functions are HCSD responsibilities, specifically, within OPA.

The benefits and claims at HCSD are non-Medicaid federal funds along with any state match required by the programs administered. For example, TANF funds are block granted to states with a requirement for state match known as “maintenance of effort” (MOE). MOE provisions include specified state spending levels and general requirements on the use of funds. Each state receiving TANF funds must spend at least 75.0% percent of the amount it spent on welfare and related programs in fiscal year 1994, before TANF was created. Montana must meet specific federal requirements related to program participation to meet the 75.0% requirement, otherwise the MOE can be as high as 80.0%. In addition, if the state fails to meet the MOE requirement, it risks having future TANF appropriations reduced.

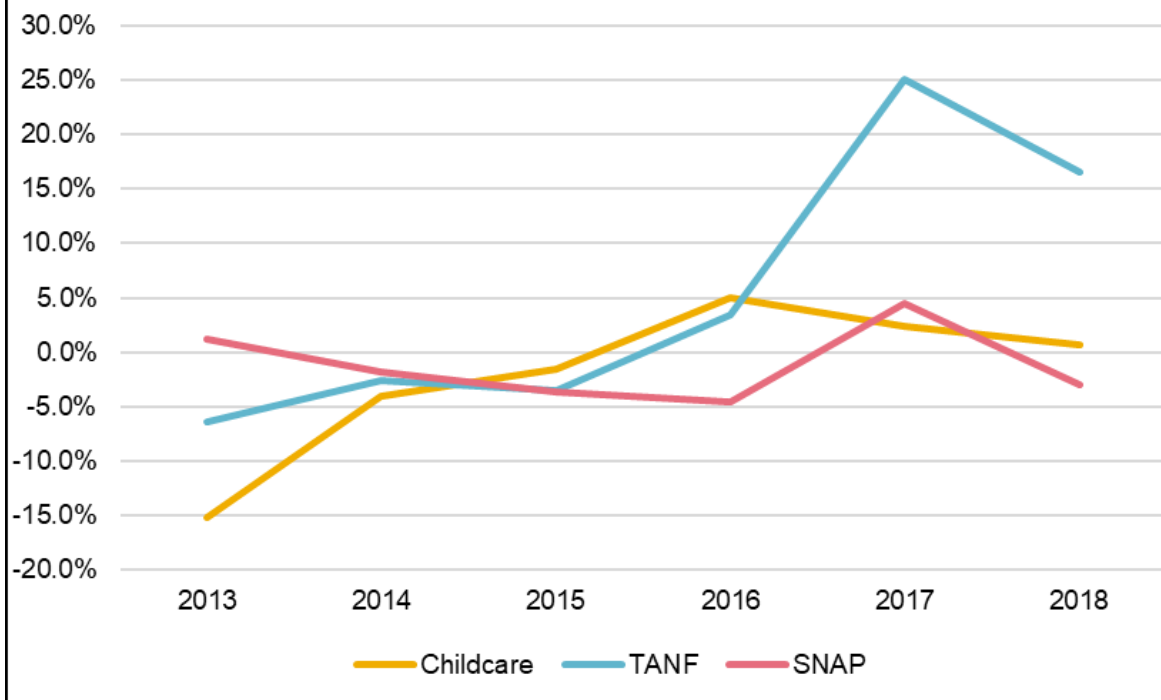
The following Figure 3 illustrates the FY 2018 expenditures on benefits and grants at HCSD by major program type.

Figure 3: FY 2018 Actual HCSD Benefits and Grants Expenditures by Program in Millions  
274.4 million total



Given the large portion of the HCSD budget used to fund benefits and grants, the budget can be significantly impacted by fluctuating caseloads. In FY 2018, SNAP, TANF, and early childcare programs accounted for more than 88.0% of the HCSD benefits and grants expenditures. Figure 4 below illustrates annual eligibility changes for these programs from FY 2013 – FY 2018.

Figure 4: HCSD Year over Year Caseload Changes FY 2013 - FY 2018



For reference, from FY 2013 – FY 2018, a 1.0% change in average caseload is equivalent to a total fund increase or decrease in the following amounts:

- Childcare - \$18,756
- TANF - \$331,369
- SNAP - \$1,786,440

### Program Personal Services Narrative

The executive budget proposes an 8.4%% increase for personal services in FY 2020 and FY 2021 over the base year appropriation. The increase in personal services costs is primarily due to the proposed reinstatement of personal services reductions made during the 2017 special session, as well as a proposed reduction in vacancy savings. In FY 2018 HCSD experienced a vacancy savings rate of 9.2% in hours expended to hours budgeted. The executive has included a 2.0% vacancy savings reduction in its budget submission for the 2021 biennium.

In FY 2018, HCSD was appropriated 488.31 FTE and utilized the equivalent of 443.55 FTE. OPA runs 19 regional field offices across the state accounting for 79.7% of the total FTE. In addition to the programs HCSD administers, OPA is responsible for overseeing eligibility determinations for more than 38 Medicaid programs for children, pregnant women, seniors, disabled persons, and other eligible adults.

FY 2018 HCSD FTE Utilization				
	Hours Appropriated	Hours Utilized	FTE Appropriated	FTE Utilized
HCSD Administration	28,600	30,196	13.75	14.52
Early Childhood Service	31,200	27,225	15.00	13.09
Intergovernmental Serv	34,320	31,408	16.50	15.10
Public Assistance Burea	104,000	56,641	50.00	27.23
Field Services Bureau	817,565	777,117	393.06	373.61
Total	1,015,685	922,588	488.31	443.55

The executive's proposed 2021 biennium budget includes an equal number of overall FTE during the 2021 biennium as the 2019 biennium. However, during the 2019 biennium significant movement of FTE occurred within the division. The table below represents the changes to the FTE distribution across HCSD during the 2019 biennium.

HCSD FTE Movement During 2019 Biennium				
	FY 2018	FY 2019	Difference	Diff. %
Early Childhood Services	15.00	14.27	(0.73)	-4.9%
Human & Community Services Admin	13.75	45.07	31.32	227.8%
IHSB Energy & Commodities Programs	16.50	16.46	(0.04)	-0.2%
Offices of Public Assistance	393.06	383.22	(9.84)	-2.5%
Public Assistance Bureau	50.00	28.22	(21.78)	-43.6%
Stars to Quality		1.06	1.06	0.0%

As can be seen, the executive made significant changes to FTE including an increase to HCSD administration of 31.32 FTE which more than tripled the number of appropriated FTE. Additionally, the number of FTE in the Public Assistance Bureau was reduced by 43.6%. It should be noted, as can be seen in the utilization table above, this reduction would be in line with the FTE utilization by the bureau during FY 2018.

As of this writing (December 1, 2018), HCSD had a total of 60 vacant positions representing 58.75 FTE. Eight of the positions have been vacant for more than one year.

### 5.0% Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%. A summary of the entire 2021 biennium 5.0% plan submitted for this agency is in the Budget Analysis Appendix.



HCSD has created a 5.0% reduction plan that includes a total savings of \$1.5 million in general fund and \$88,369 in state special funds. These savings would be realized by reducing the OPA operations appropriation, reducing Montana Food Bank Network funding, reducing the child care match by restructuring the child care resource and referral agency regions and restructuring the best beginnings scholarship sliding fee schedule.

**Funding**

The following table shows proposed program funding by source of authority.

Department of Public Health & Human Services, 02-Human & Community Services						
Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	75,423,533	0	0	1,017,081	76,440,614	11.32 %
02375 02 Indirect Activity Prog 02	2,692,387	0	0	0	2,692,387	52.12 %
02515 School Lunch OPI/Warehouse	0	0	0	0	0	0.00 %
02597 Healthy Montana Kids Plan	0	0	0	0	0	0.00 %
02688 6901-TANF Overpayments	130,000	0	0	0	130,000	2.52 %
02698 69010-Prevention&Stabilization	1,665,164	0	0	0	1,665,164	32.23 %
02772 Tobacco Hlth and Medicaid Init	71,090	0	0	0	71,090	1.38 %
02931 Food Stamp Recoupment Account	0	0	0	0	0	0.00 %
02974 Univ Low-Income Energy Assist	607,478	0	0	0	607,478	11.76 %
<b>State Special Total</b>	<b>\$5,166,119</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,166,119</b>	<b>0.76 %</b>
03135 HOPWA TriState HELP CFDA14.241	1,040,000	0	0	0	1,040,000	0.18 %
03181 10.561 Food Stamp Perf. Bonus	0	0	0	0	0	0.00 %
03204 Energy Conservation: Exxon	0	0	0	0	0	0.00 %
03236 Child Nutrition	23,132,398	0	0	0	23,132,398	3.90 %
03250 Child Care Manditory/MOE	3,597,650	0	0	0	3,597,650	0.61 %
03251 Child Care Admin	1,010,427	0	0	0	1,010,427	0.17 %
03252 Child Care Matching	11,040,374	0	0	0	11,040,374	1.86 %
03323 Energy Conservation: Stripper	0	0	0	0	0	0.00 %
03573 93.569 - CSBG Adm	6,513,581	0	0	0	6,513,581	1.10 %
03576 LAUNCH Grant	0	0	0	0	0	0.00 %
03580 6901-93.778 - Med Adm 50%	1,500,470	0	0	0	1,500,470	0.25 %
03666 Aging - Caregiver III-E	0	0	0	0	0	0.00 %
03677 6901-CACFP 10.558 & 10.560	1,620,184	0	0	0	1,620,184	0.27 %
03678 6901-Food Stamp Benefits	345,533,644	0	0	0	345,533,644	58.18 %
03679 6901-HOPWA CFDA#14-241	1,004,578	0	0	0	1,004,578	0.17 %
03382 03 Indirect Activity Prog 02	33,392,790	0	0	0	33,392,790	5.62 %
03426 CHIP Program Fed	0	0	0	0	0	0.00 %
03467 6901-Homeless Mgmt Info Systm	154,350	0	0	0	154,350	0.03 %
03518 93.044 - Aging Sup S & Train 1	0	0	0	0	0	0.00 %
03519 93.045 - Aging Meals 100%	117,198	0	0	0	117,198	0.02 %
03530 6901-Foster Care 93.658	2,149,146	0	0	0	2,149,146	0.36 %
03539 93.600 Headstart	262,014	0	0	0	262,014	0.04 %
03544 10.561 - FS E & T - 50%	35,952	0	0	0	35,952	0.01 %
03545 10.561 - FS E & T - 100%	540,028	0	0	0	540,028	0.09 %
03546 10.561 - FS Adm - Fed Exp 50%	1,888,552	0	0	0	1,888,552	0.32 %
03547 10.568 - Emerg Food Assist 100	458,684	0	0	0	458,684	0.08 %
03548 10.569 - Food Distr - Fed Exp	5,301,108	0	0	0	5,301,108	0.89 %
03550 14.231 - Emerg Shelter - HUD 5	1,400,628	0	0	0	1,400,628	0.24 %
03552 81.042 - Weather Ben 100%	5,402,720	0	0	0	5,402,720	0.91 %
03553 Housing Preservation Grant	90,200	0	0	0	90,200	0.02 %
03571 93.566 - Off Ref Reset Adm 10	0	0	0	0	0	0.00 %
03572 93.568 - LIEAP Blk Grt Adm	40,680,111	0	0	0	40,680,111	6.85 %
03063 Preschool Development	(9,070)	0	0	0	(9,070)	(0.00)%
03066 81.042 BPA	994,680	0	0	0	994,680	0.17 %
03074 Aging - Nutrition Services HDM	0	0	0	0	0	0.00 %
03096 Discretionary Child Care	39,792,770	0	0	0	39,792,770	6.70 %
03103 TANF Administration	0	0	0	0	0	0.00 %
03109 TANF Benefits	60,892,392	0	0	0	60,892,392	10.25 %
03826 Healthy Montana Teen Parents 2	(302)	0	0	0	(302)	(0.00)%
03965 CSFP	1,343,107	0	0	0	1,343,107	0.23 %
03974 Medicaid Exp HELP Act Admin	0	0	0	3,017,658	3,017,658	0.51 %
03503 FD PIR Infrastructure	0	0	0	0	0	0.00 %
<b>Federal Special Total</b>	<b>\$590,880,364</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,017,658</b>	<b>\$593,898,022</b>	<b>87.92 %</b>
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
<b>Total All Funds</b>	<b>\$671,470,016</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,034,739</b>	<b>\$675,504,755</b>	

HCSD costs are driven by the benefits delivered by HCSD staff and providers throughout the state, and the administrative costs associated with benefit provisions. HCSD is funded primarily by a variety of federal funds accounting for 87.9% of the 2021 biennium budget request.

General fund is 11.3% of the 2021 budget request. General funds are used to support TANF and child care MOE requirements and are used as a match for federal programs such as Medicaid, SNAP eligibility determinations, and child care benefits.

State special revenue is less than 0.8% of the of 2021 HCSD budget request and is used primarily to fund the childcare match in the prevention and stabilization program. As well as the state portion of energy and weatherization services including LIEAP.

A total of \$1,017,081 is requested in general fund statutory authority for the state portion of administrative costs to determine HELP participant eligibility. This request is contingent upon the passage of a bill for the continuation of Medicaid expansion. It should be noted that all proposed statutory authority at HCSD is associated with the HELP Act. Under present law, the statutory appropriation for the HELP Act does not exist in the 2021 biennium.

### Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	32,786,049	32,786,049	65,572,098	86.94 %	324,906,111	324,906,111	649,812,222	96.77 %
SWPL Adjustments	845,584	1,005,851	1,851,435	2.45 %	2,339,921	2,335,441	4,675,362	0.70 %
PL Adjustments	0	0	0	0.00 %	4,491,216	4,491,216	8,982,432	1.34 %
New Proposals	4,000,000	4,000,000	8,000,000	10.61 %	4,000,000	4,000,000	8,000,000	1.19 %
<b>Total Budget</b>	<b>\$37,631,633</b>	<b>\$37,791,900</b>	<b>\$75,423,533</b>		<b>\$335,737,248</b>	<b>\$335,732,768</b>	<b>\$671,470,016</b>	

### Present Law Adjustments

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the 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.

Present Law Adjustments										
	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	845,584	81,879	1,410,018	2,337,481	0.00	1,005,851	123,212	1,203,352	2,332,415
DP 3 - Inflation Deflation	0.00	0	0	2,440	2,440	0.00	0	0	3,026	3,026
DP 2002 - IHSB Grant Funding	0.00	0	0	557,356	557,356	0.00	0	0	557,356	557,356
DP 2003 - Child Care Federal Authority	0.00	0	0	3,933,860	3,933,860	0.00	0	0	3,933,860	3,933,860
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$845,584</b>	<b>\$81,879</b>	<b>\$5,903,674</b>	<b>\$6,831,137</b>	<b>0.00</b>	<b>\$1,005,851</b>	<b>\$123,212</b>	<b>\$5,697,594</b>	<b>\$6,826,657</b>

\*\*\*Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

#### DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

#### DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

#### DP 2002 - IHSB Grant Funding -

The executive proposes \$1,144,712 in federal funds over the biennium to maintain existing services for the Department of Energy Weatherization program, the Low Income Energy Assistance Program (LIEAP), and the Food Distribution Program on the Indian Reservations in the Human and Community Services Division.

#### DP 2003 - Child Care Federal Authority -

The executive proposes \$7,867,720 in federal funds over the biennium to maintain existing services for the Child Care Development Fund in the Human and Community Services Division.

### **New Proposals**

The "New Proposals" table shows new changes to spending.

New Proposals										
-----Fiscal 2020-----					-----Fiscal 2021-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2004 - STARS Preschool	0.00	4,000,000	0	0	4,000,000	0.00	4,000,000	0	0	4,000,000
<b>Total</b>	<b>0.00</b>	<b>\$4,000,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,000,000</b>	<b>0.00</b>	<b>\$4,000,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,000,000</b>

\*\*\*Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

#### DP 2004 - STARS Preschool -

The executive requests \$8.0 general fund over the biennium to continue the STARS Preschool Program. A total of \$6.0 million was approved by the 2017 Legislature as one-time-only.

### Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

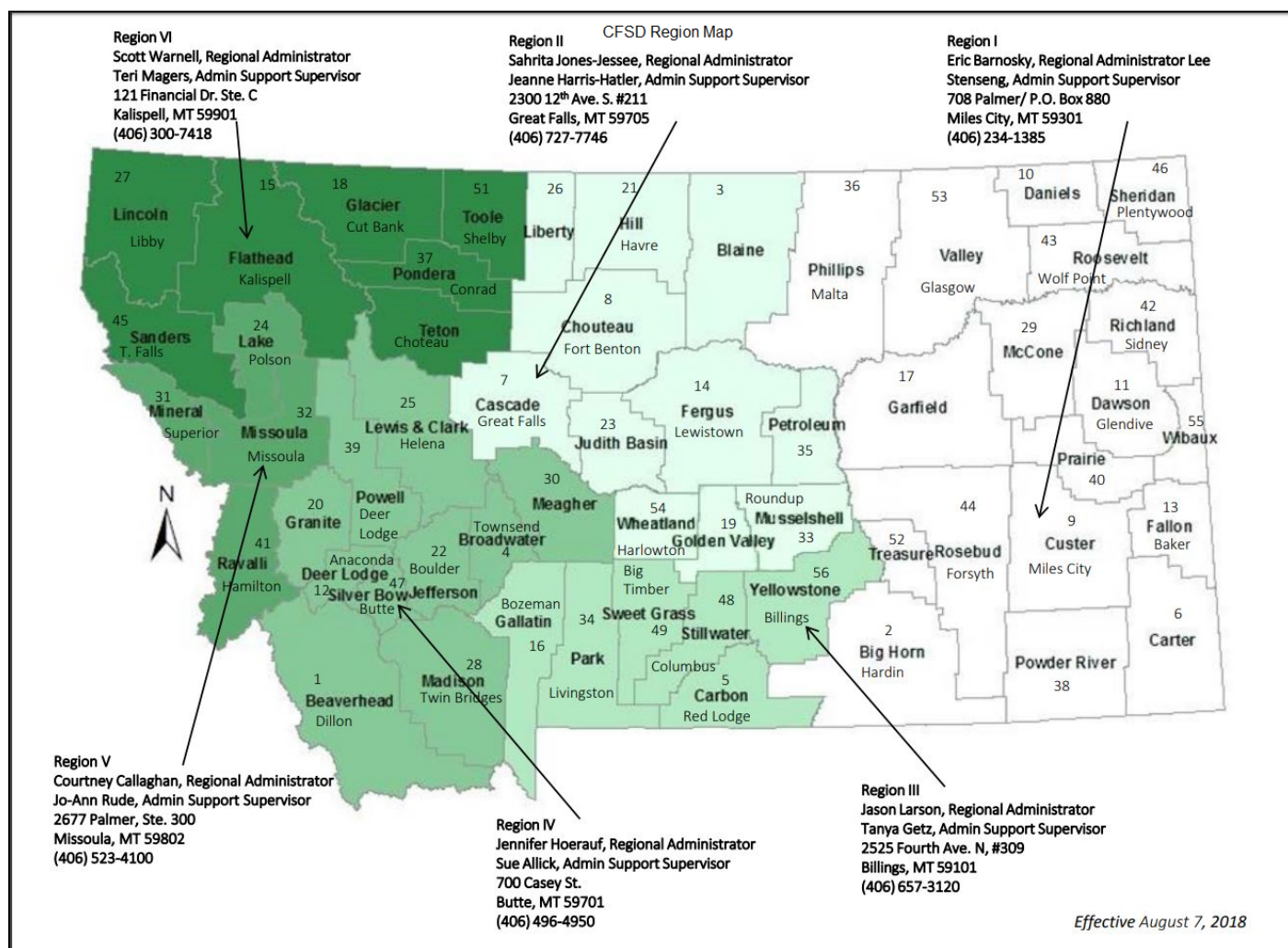
Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	49,714,415	56,470,005	6,755,590	13.59 %
Operating Expenses	13,507,795	12,156,314	(1,351,481)	(10.01)%
Grants	14,757,184	13,626,560	(1,130,624)	(7.66)%
Benefits & Claims	101,008,404	124,378,148	23,369,744	23.14 %
Transfers	476,182	476,182	0	0.00 %
Debt Service	2,316	2,316	0	0.00 %
<b>Total Expenditures</b>	<b>\$179,466,296</b>	<b>\$207,109,525</b>	<b>\$27,643,229</b>	<b>15.40 %</b>
General Fund	101,768,931	121,729,127	19,960,196	19.61 %
State/Other Special Rev. Funds	3,795,228	3,795,228	0	0.00 %
Federal Spec. Rev. Funds	73,902,137	81,585,170	7,683,033	10.40 %
<b>Total Funds</b>	<b>\$179,466,296</b>	<b>\$207,109,525</b>	<b>\$27,643,229</b>	<b>15.40 %</b>
<b>Total Ongoing</b>	<b>\$162,823,683</b>	<b>\$207,109,525</b>	<b>\$44,285,842</b>	<b>27.20 %</b>
<b>Total OTO</b>	<b>\$16,642,613</b>	<b>\$0</b>	<b>(\$16,642,613)</b>	<b>(100.00)%</b>

### Program Biennium Comparison -

The biennium comparison table shows a total growth of 15.4%, which for this program is influenced by the FY 2018 transfers from other DPHHS divisions that increased the FY 2018 budget for this division. It is also influenced by the fact that the caseload increases approved for this division for the 2019 biennium were one-time-only. Compared to the FY 2019 base appropriation, the growth is 22.5%.

### Program Description

The Child and Family Services Division (CFSD) administers child protective services, child abuse and neglect services, prevention services, domestic violence grants, and other programs designed to keep children safe and families strong with the overarching goal of improving safety, permanency, and well-being for children. CFSD is composed of three bureaus and six regions (map below) that administer programs and are advised by Local Family Services Advisory Councils, which serve as the link between local communities and DPHHS. CFSD is the primary user of the statewide Child and Adult Protective Services (CAPS) computer system. Statutory Authority - Titles 41, 42 and 52, MCA 45 CFR, Parts 1355, 1356, 1357 and 1370.



## Program Highlights

<p style="text-align: center;"><b>Child &amp; Family Services Division Major Budget Highlights</b></p>
<ul style="list-style-type: none"> <li>• The budget request for CFSD is a 15.4% increase over the CFSD appropriation for the last biennium (and a 19.6% increase in general fund)</li> <li>• CFSD added 35.00 FTE from other DPHHS divisions during FY 2018. The requested budget adds an additional 18.00 FTE in the 2021 biennium</li> <li>• Montana has experienced a significant increase in child victimization rates (and related foster care cases) over the past decade</li> </ul>

## Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

## 69010 - Department Of Public Health & Human Services 03-Child and Family Services Division

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	416.72	416.72	434.72	434.72
Personal Services	27,139,756	26,388,195	23,326,220	28,236,682	28,233,323
Operating Expenses	7,418,936	7,479,817	6,027,978	6,072,761	6,083,553
Grants	7,274,561	7,943,904	6,813,280	6,813,280	6,813,280
Benefits & Claims	52,343,898	52,861,023	48,147,381	59,624,891	64,753,257
Transfers	189,712	238,091	238,091	238,091	238,091
Debt Service	0	1,158	1,158	1,158	1,158
<b>Total Expenditures</b>	<b>\$94,366,863</b>	<b>\$94,912,188</b>	<b>\$84,554,108</b>	<b>\$100,986,863</b>	<b>\$106,122,662</b>
General Fund	54,369,653	54,394,501	47,374,430	59,413,024	62,316,103
State/Other Special Rev. Funds	1,773,428	1,897,614	1,897,614	1,897,614	1,897,614
Federal Spec. Rev. Funds	38,223,782	38,620,073	35,282,064	39,676,225	41,908,945
<b>Total Funds</b>	<b>\$94,366,863</b>	<b>\$94,912,188</b>	<b>\$84,554,108</b>	<b>\$100,986,863</b>	<b>\$106,122,662</b>
<b>Total Ongoing</b>	<b>\$86,629,671</b>	<b>\$87,175,006</b>	<b>\$75,648,677</b>	<b>\$100,986,863</b>	<b>\$106,122,662</b>
<b>Total OTO</b>	<b>\$7,737,192</b>	<b>\$7,737,182</b>	<b>\$8,905,431</b>	<b>\$0</b>	<b>\$0</b>

### Program Discussion -

#### *FY 2018 Appropriation Compared to FY 2018 Actual Expenditures*

In FY 2018 CFSD expended 99.4% of its overall \$94.4 million budget. The FY 2018 CFSD budget increased by \$13.8 million during the fiscal year due to transfers of authority from other DPHHS divisions.

#### *FY 2018 Appropriation Compared to FY 2019 Appropriation*

- The FY 2019 appropriation for CFSD is lower than the FY 2018 appropriation by \$10.4 million. It is likely that DPHHS will increase this appropriation over the course of FY 2019 in a magnitude similar to the transfers performed in FY 2018 (mentioned above)
- CFSD did restore \$2.1 million in general fund in FY 2019 due to the SB 9 restorations. This majority of this restoration was made to CFSD administration and foster care benefits

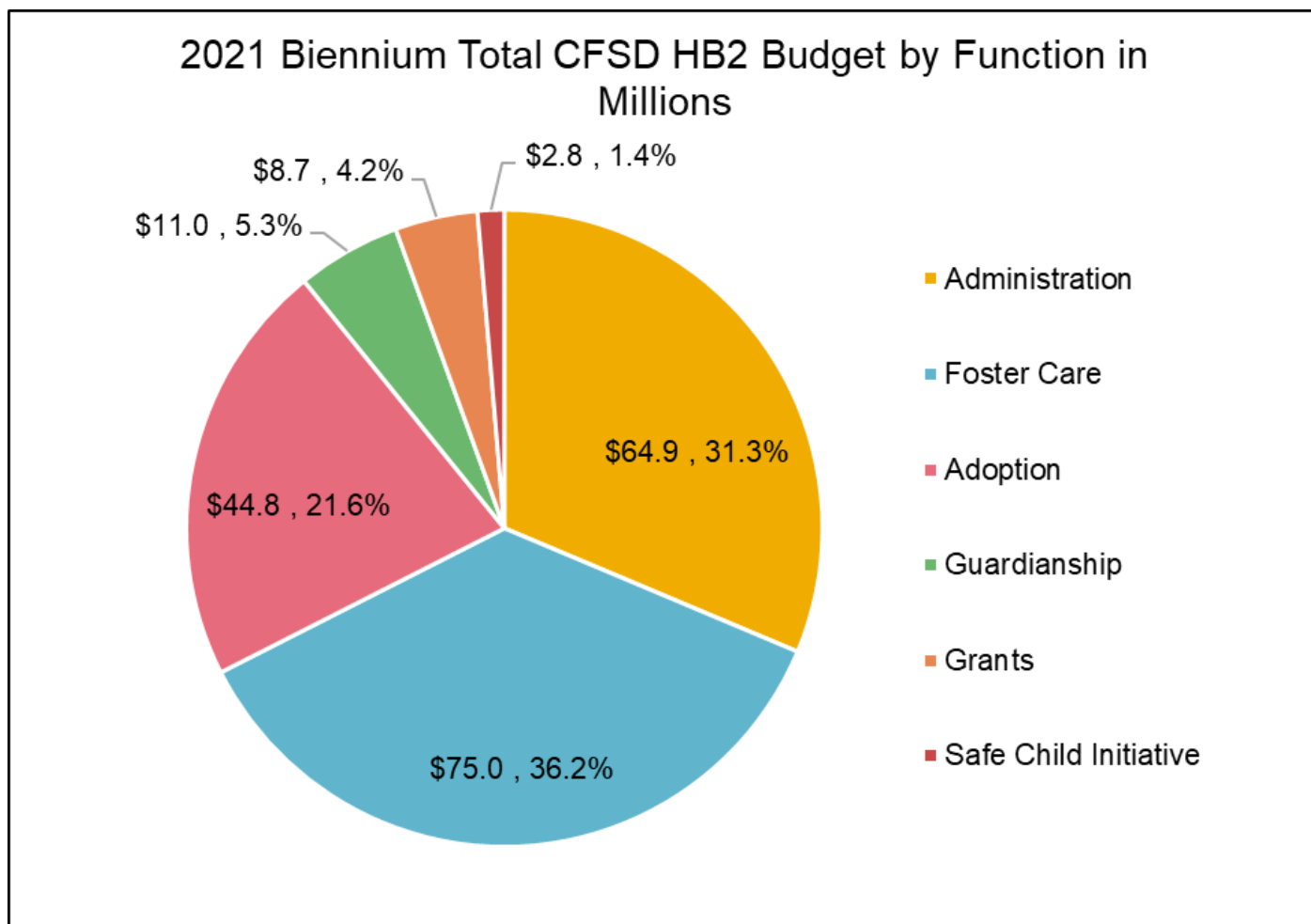
#### *Executive Request*

- The executive request for the CFSD 2021 biennium budget is about 15.4% higher than the 2019 biennium appropriated budget (19.6% higher in general fund). The request includes a larger increase for general fund as compared to federal funds. Federal funds are available to fund only certain functions such as foster care, adoption, and guardianship in CFSD
- The majority of this higher request is tied to caseload increases associated with foster care, guardianship, subsidized adoption, and increased administrative workload resulting in higher personal services costs

Discussion

Expenditure Categories

Personal services compose 27.3% of the biennium budget request, while benefits and claims make up 60.1%. The CFSD budget request is funded with 58.8% general fund and 39.4% federal funds. The chart below illustrates the major function areas of the 2021 CFSD HB 2 budget request. Administration (which includes child protection workers), foster care, and adoption make up the large majority of the request.



**LFD COMMENT**

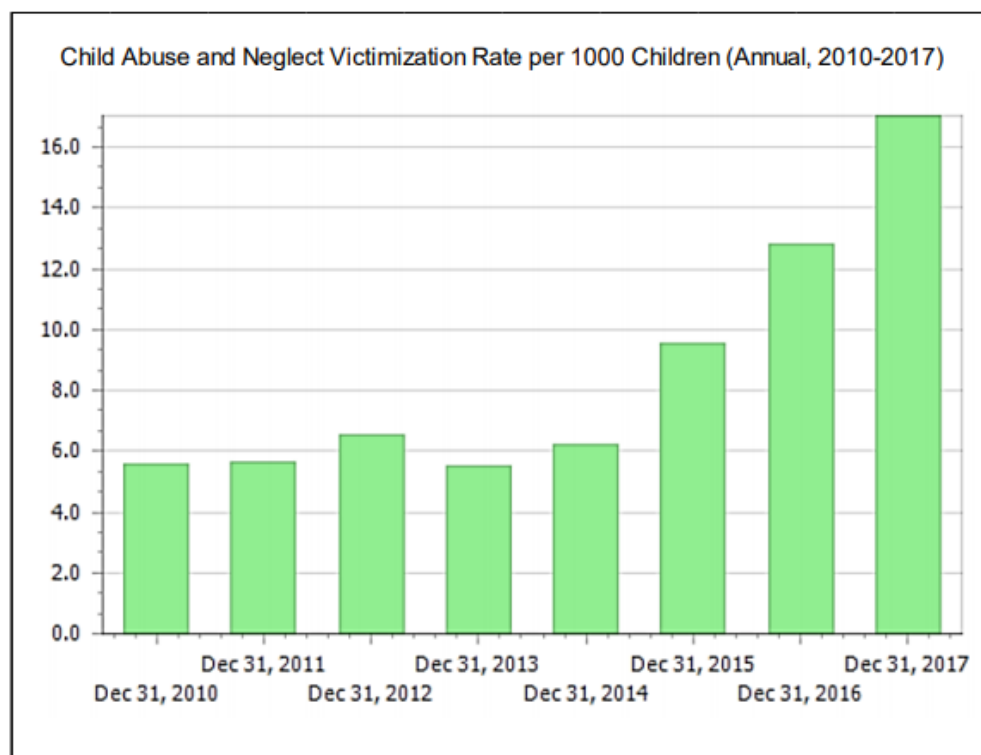
The recent Families First Prevention Services Act could allow CFSD to shift some costs from state-funded to federally-funded. Below is a description of this legislation from the National Conference of State Legislatures. CFSD plans to utilize this new ability to access federal funds for prevention services.

"In February 2018 President Trump signed the Bipartisan Budget Act of 2018 (H.R. 1892). Included in the act is the Family First Prevention Services Act, which has the potential to dramatically change child welfare systems across the country. One of the major areas this legislation changes is the way Title IV-E funds can be spent by states. Title IV-E funds previously could be used only to help with the costs of foster care maintenance for eligible children; administrative expenses to manage the program; and training for staff, foster parents, and certain private agency staff; adoption assistance; and kinship guardianship assistance. Now states, territories, and tribes with an approved Title IV-E plan have the option to use these funds for prevention services that would allow "candidates for foster care" to stay with their parents or relatives. States will be reimbursed for prevention services for up to 12 months. A written, trauma-informed prevention plan must be created, and services will need to be evidence-based." (NCSL)

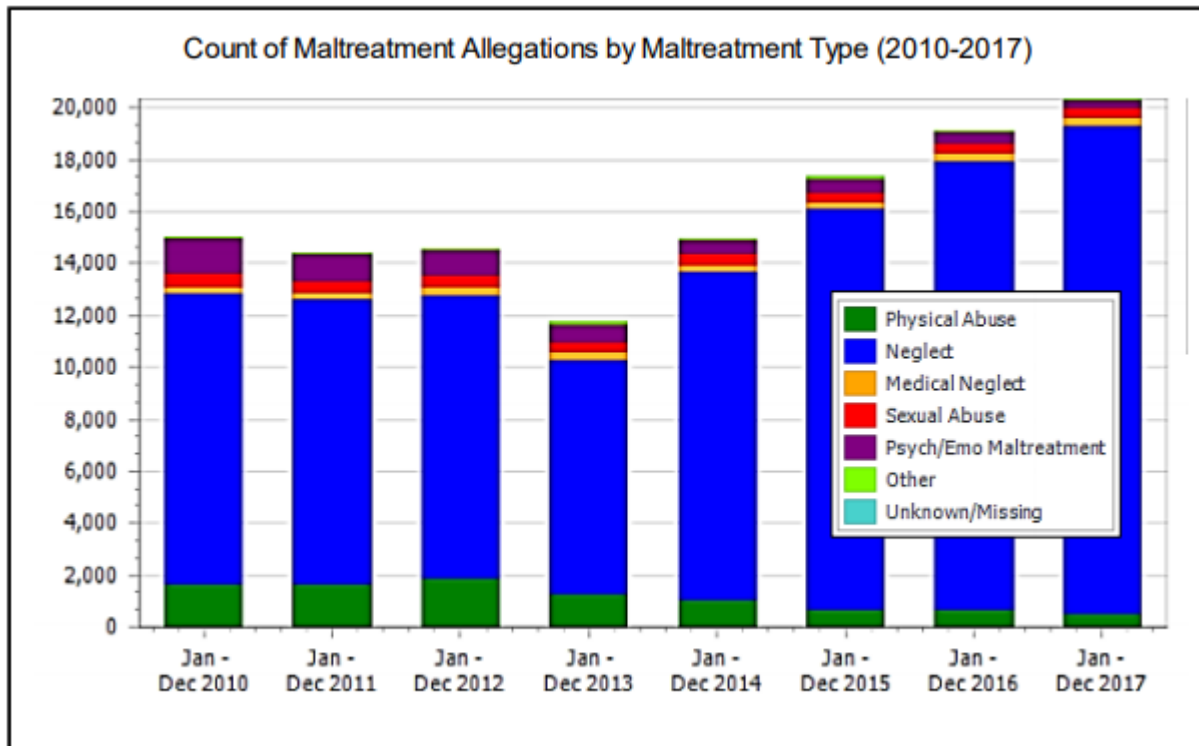


### Caseload

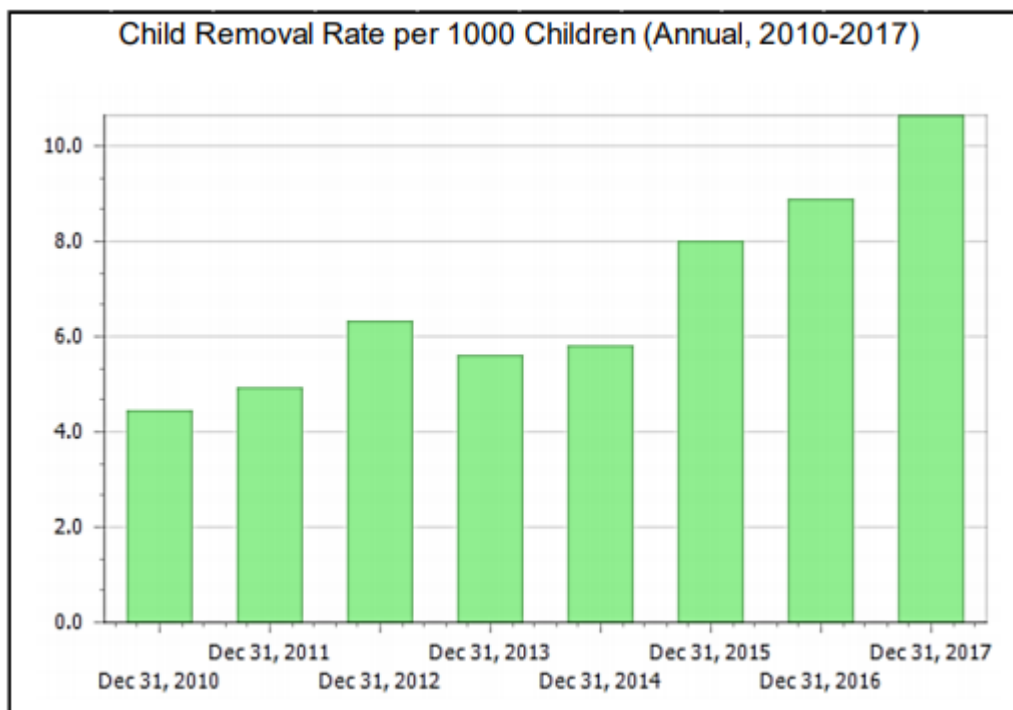
Montana has experienced rapidly rising rates of child abuse and neglect (CAN) over the last decade or so. The chart below illustrates this trend with CAN victimization rates: child victims per 1000 children in a year – for example, in 2017 about 16.4 out of 1000 children were victimized in Montana for a total of 3870 victims in calendar year 2017.



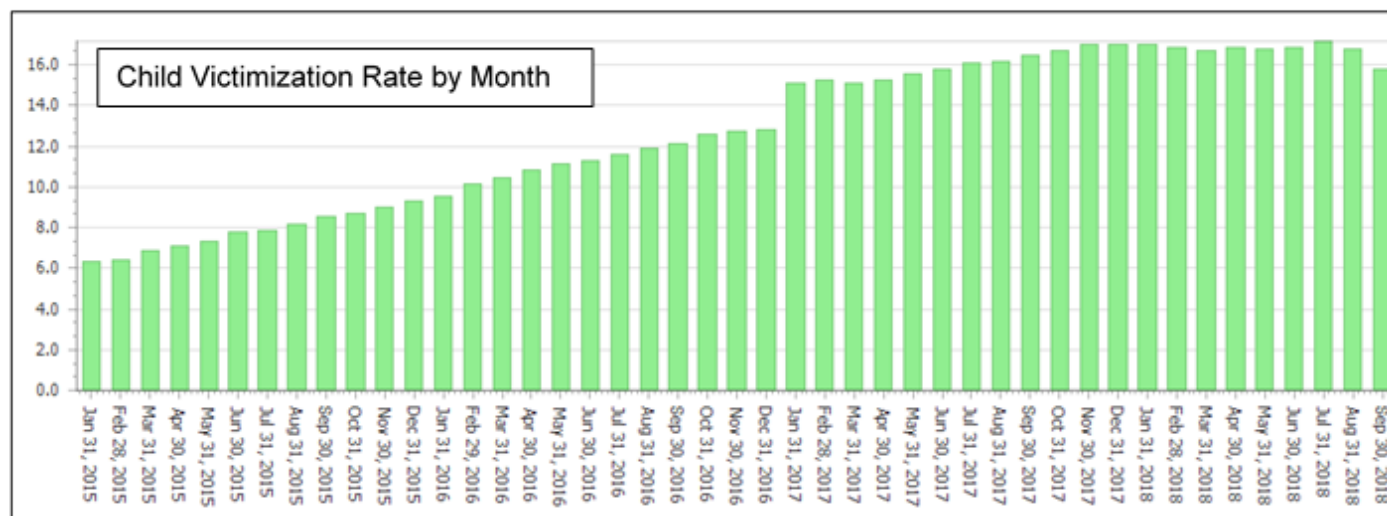
The graph below provides additional detail on the nature of child abuse and neglect allegations in Montana from 2010-2017. This graph includes both substantiated and unsubstantiated allegations. The large majority of allegations over this time period involve neglect. Neglect has been increasing in real terms over this period as well as when compared to other types of maltreatment. For example, allegations of physical abuse declined in the 2010-2017 period.

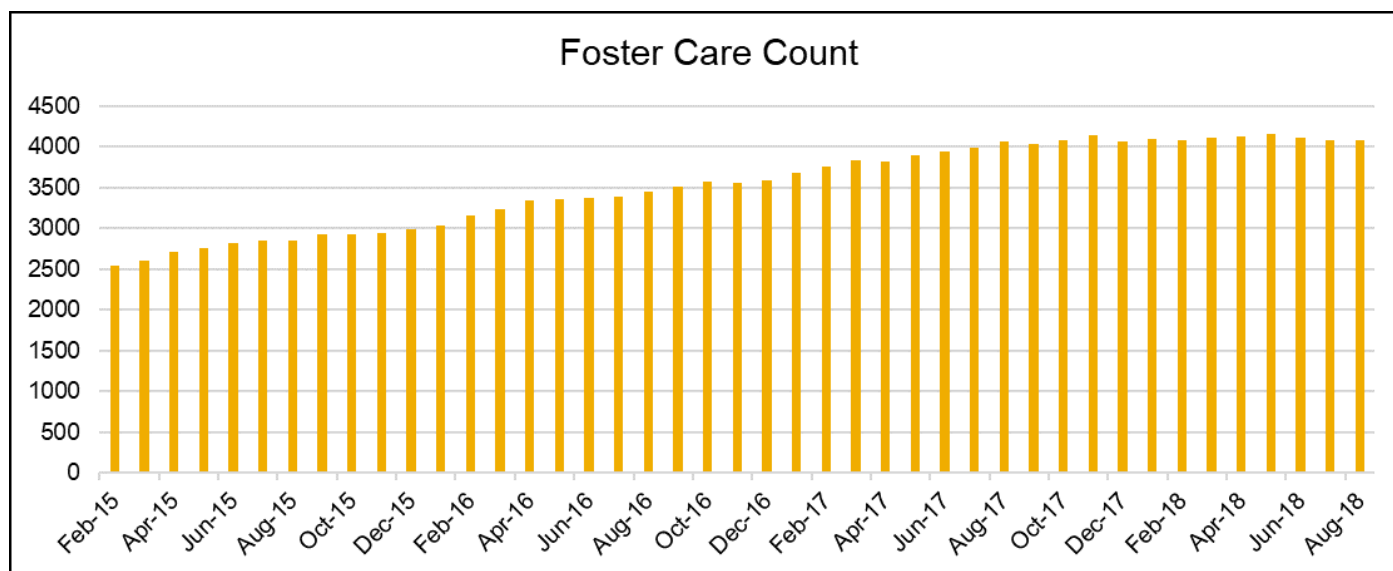


A related trend is the rate at which children who are victims of abuse/neglect are removed from the home. This is generally referred to as “out-of-home-placement” (OOHP) and is an outcome that most research suggests should be avoided whenever possible as it generally has suboptimal long-run impacts on the child (one example of research of this type is Lawrence, Carlson, and Egeland [2006]). The OOHP rate has been rising in Montana over the past decade or so. The graph below gives the removal rate for children in Montana from 2010-2017. Montana has a higher removal (OOHP) rate than most other states. Pew Charitable Trusts analysis indicates Montana’s OOHP rate was about twice the average of 26 other states for which Pew gathered data. Higher OOHP rates are associated with larger numbers of children in foster care. Foster care is a large portion of the total CFSD budget (36.3% in FY 2018), and the executive request includes a \$28.7 million caseload increase for foster care for the 2021 biennium.



While the number of children who are victims of CAN and the number of children in foster care have risen quickly over the past decade or so there is evidence these rates of increase have slowed (or even flattened out) over calendar year 2018. The following graphs provide detail on this trend for both victimization rates (top) and foster care counts (bottom).





#### 5.0% Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%. A summary of the entire 2021 biennium 5.0% plan submitted for this agency is in the Budget Analysis Appendix.

CFSD has created a 5.0% reduction plan that includes a total savings of \$2.5 million in general fund and \$88,671 in state special revenue. These savings are realized by reducing FTE, reducing foster care services, reducing operating costs, and reducing in-home, reunification, and prevention services.

#### LFD COMMENT

A recent federal report highlights some shortcomings in Montana's CPS system. The federal Child and Family Services Review (CFSR) report linked [here](#) indicates Montana is not in "substantial conformity" on 14 out of 14 metrics used to assess the state's CPS system. This report was published in March 2018. Montana's performance may mean the state cannot maximize available federal funds.

#### Program Personal Services Narrative

- The requested CFSD personal services budget includes \$1.2 million for personal services reinstatement
  - The majority of this amount is tied to a proposed vacancy savings level of 2.0% rather than the 6.0% applied in the 2019 biennium
- Management decisions increased the CFSD personal services budget by \$1.9 million due to the transfer of 35.00 FTE from other DPHHS divisions to CFSD. Of these 35.00 FTE 33.00 are categorized as "child and family social workers"
  - In addition to these 35.00 FTE the requested budget adds another 18.00; these FTE would be moved from the Developmental Services Division to CFSD

#### Funding

The following table shows proposed program funding by source of authority.

## 69010 - Department Of Public Health & Human Services 03-Child and Family Services Division

Department of Public Health & Human Services, 03-Child and Family Services Division Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	121,729,127	0	0	0	121,729,127	58.74 %	
02209 Third Party Contributions-F.C.	3,612,060	0	0	0	3,612,060	92.02 %	
02473 Assault Intervention & Trtmnt	169,002	0	0	0	169,002	4.31 %	
02483 Adoption Services / SA	0	0	0	130,000	130,000	3.31 %	
02496 Family Preservation Conference	14,166	0	0	0	14,166	0.36 %	
<b>State Special Total</b>	<b>\$3,795,228</b>	<b>\$0</b>	<b>\$0</b>	<b>\$130,000</b>	<b>\$3,925,228</b>	<b>1.89 %</b>	
03185 CASEWORKER VISITS	0	0	0	0	0	0.00 %	
03224 Access & Visitation Grt 93.597	191,100	0	0	0	191,100	0.23 %	
03579 93.667 - SSBG - Benefits	2,016,024	0	0	0	2,016,024	2.47 %	
03593 03 Indirect Activity Prog 03	18,694,595	0	0	0	18,694,595	22.91 %	
03458 6901 - Chafee - ETV 93.599	353,952	0	0	0	353,952	0.43 %	
03522 93.556 - Family Preservation	1,779,874	0	0	0	1,779,874	2.18 %	
03526 93.643 - Child Justice	199,296	0	0	0	199,296	0.24 %	
03527 93.645 - IV-B CWS	0	0	0	0	0	0.00 %	
03529 IV-E Guardianship	4,859,851	0	0	0	4,859,851	5.96 %	
03530 6901-Foster Care 93.658	25,045,601	0	0	0	25,045,601	30.70 %	
03531 6901-Subsidized Adopt 93.659	21,499,733	0	0	0	21,499,733	26.35 %	
03532 93.669 - Child Abuse	277,752	0	0	0	277,752	0.34 %	
03533 93.671 - Domestic Violence	1,579,890	0	0	0	1,579,890	1.94 %	
03536 93.674 - IV-E Independent Livi	1,134,622	0	0	0	1,134,622	1.39 %	
03103 TANF Administration	0	0	0	0	0	0.00 %	
03109 TANF Benefits	3,952,880	0	0	0	3,952,880	4.85 %	
03964 Adoption Incentive Funds	0	0	0	0	0	0.00 %	
<b>Federal Special Total</b>	<b>\$81,585,170</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$81,585,170</b>	<b>39.37 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$207,109,525</b>	<b>\$0</b>	<b>\$0</b>	<b>\$130,000</b>	<b>\$207,239,525</b>		

CFSD receives general fund, state special revenue fund, and federal special revenue fund authority. The largest federal funds sources are matching funds for foster care, adoption, and guardianship benefits and related indirect activity.

### Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	42,291,509	42,291,509	84,583,018	69.48 %	75,648,677	75,648,677	151,297,354	73.05 %
SWPL Adjustments	2,341,639	2,346,149	4,687,788	3.85 %	3,426,158	3,436,006	6,862,164	3.31 %
PL Adjustments	13,823,766	15,977,980	29,801,746	24.48 %	20,554,750	24,666,269	45,221,019	21.83 %
New Proposals	956,110	1,700,465	2,656,575	2.18 %	1,357,278	2,371,710	3,728,988	1.80 %
<b>Total Budget</b>	<b>\$59,413,024</b>	<b>\$62,316,103</b>	<b>\$121,729,127</b>		<b>\$100,986,863</b>	<b>\$106,122,662</b>	<b>\$207,109,525</b>	

### Present Law Adjustments

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the 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.

## 69010 - Department Of Public Health & Human Services 03-Child and Family Services Division

Present Law Adjustments										
Fiscal 2020						Fiscal 2021				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	2,320,236	0	1,061,139	3,381,375	0.00	2,319,588	0	1,060,843	3,380,431
DP 3 - Inflation Deflation	0.00	21,403	0	23,380	44,783	0.00	26,561	0	29,014	55,575
DP 3001 - Foster Care Caseload - CFSD	0.00	9,216,235	0	2,601,711	11,817,946	0.00	10,387,565	0	3,458,174	13,845,739
DP 3002 - Adoption Caseload - CFSD	0.00	2,320,758	0	2,604,450	4,925,208	0.00	2,866,188	0	3,247,696	6,113,884
DP 3003 - Guardianship Caseload - CFSD	0.00	1,827,142	0	1,491,844	3,318,986	0.00	2,309,764	0	1,904,272	4,214,036
DP 3004 - Guardianship FMAP Adjustment - CFSD	0.00	6,647	0	(6,647)	0	0.00	4,032	0	(4,032)	0
DP 3005 - Adoption FMAP Adjustment - CFSD	0.00	72,739	0	(72,739)	0	0.00	44,121	0	(44,121)	0
DP 3006 - Foster Care FMAP Adjustment - CFSD	0.00	35,417	0	(35,417)	0	0.00	21,482	0	(21,482)	0
DP 3007 - Overtime/Differential - CFSD	0.00	344,828	0	147,782	492,610	0.00	344,828	0	147,782	492,610
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$16,165,405</b>	<b>\$0</b>	<b>\$7,815,503</b>	<b>\$23,980,908</b>	<b>0.00</b>	<b>\$18,324,129</b>	<b>\$0</b>	<b>\$9,778,146</b>	<b>\$28,102,275</b>

\*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

### DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

### DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

### DP 3001 - Foster Care Caseload - CFSD -

The executive proposes changes to fund the projected increases in the number of children entering foster care and to restore one-time-only funding from the 2017 Legislative Session for the current foster care population.

### DP 3002 - Adoption Caseload - CFSD -

The executive proposes changes to fund the projected increases in the number of finalized adoptions and the average cost per day in the subsidized adoption program and to restore one-time-only funding from the 2017 Legislative Session for the current subsidized adoption program.

## 69010 - Department Of Public Health & Human Services 03-Child and Family Services Division

### DP 3003 - Guardianship Caseload - CFSD -

The executive proposes changes to fund the projected increases in the number of finalized guardianships and the average cost per day in the subsidized guardianship program and to restore one-time-only funding from the 2017 Legislative Session for the current subsidized Adoption program.

### DP 3004 - Guardianship FMAP Adjustment - CFSD -

The executive proposes changes to maintain existing services for the guardianship program. The total cost for the program does not change.

### DP 3005 - Adoption FMAP Adjustment - CFSD -

The executive proposes changes to maintain existing services for the subsidized adoption program. The total cost for the program does not change.

### DP 3006 - Foster Care FMAP Adjustment - CFSD -

The executive proposes changes to maintain existing services for the foster care program. The total cost for the program does not change.

### DP 3007 - Overtime/Differential - CFSD -

The executive proposes changes to maintain existing services for the Child and Family Services Division. This increase is for overtime to maintain staffing levels in addition to what is funded in SWPL 1.

## New Proposals

The "New Proposals" table shows new changes to spending.

New Proposals										
	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 3008 - PRI - Foster Care - CFSD	0.00	177,866	0	46,656	224,522	0.00	758,859	0	199,840	958,699
DP 3009 - PRI - Subsidized Adoption - CFSD	0.00	24,936	0	28,395	53,331	0.00	115,334	0	102,278	217,612
DP 3010 - PRI - Subsidized Guardianship - CFSD	0.00	11,504	0	8,401	19,905	0.00	52,844	0	38,267	91,111
DP 3011 - PRI - Grants and Contracts - CFSD	0.00	16,270	0	6,773	23,043	0.00	49,585	0	20,641	70,226
DP 3012 - Transfer of Existing FTE - CFSD	18.00	725,534	0	310,943	1,036,477	18.00	723,843	0	310,219	1,034,062
<b>Total</b>	<b>18.00</b>	<b>\$956,110</b>	<b>\$0</b>	<b>\$401,168</b>	<b>\$1,357,278</b>	<b>18.00</b>	<b>\$1,700,465</b>	<b>\$0</b>	<b>\$671,245</b>	<b>\$2,371,710</b>

\*\*\*Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

### DP 3008 - PRI - Foster Care - CFSD -

The executive proposes a 0.91% provider rate increase in FY 2020 and a 1.83% increase in FY 2021 for foster care in the Child and Family Services Division. This percentage increase in rates is the same percentage applied in the executive budget to K-12 schools, Office of Public Defender providers, and corrections services providers.

## **69010 - Department Of Public Health & Human Services 03-Child and Family Services Division**

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### **DP 3009 - PRI - Subsidized Adoption - CFSD -;**

The executive proposes a 0.91% provider rate increase in FY 2020 and a 1.83% increase in FY 2021 for foster care in the Child and Family Services Division. This percentage increase in rates is the same percentage applied in the executive budget to K-12 schools, Office of Public Defender providers, and corrections services providers.

### **DP 3010 - PRI - Subsidized Guardianship - CFSD -**

The executive proposes a 0.91% provider rate increase in FY 2020 and a 1.83% increase in FY 2021 for foster care in the Child and Family Services Division. This percentage increase in rates is the same percentage applied in the executive budget to K-12 schools, Office of Public Defender providers, and corrections services providers.

### **DP 3011 - PRI - Grants and Contracts - CFSD -**

The executive proposes a 0.91% provider rate increase in FY 2020 and a 1.83% increase in FY 2021 for foster care in the Child and Family Services Division. This percentage increase in rates is the same percentage applied in the executive budget to K-12 schools, Office of Public Defender providers, and corrections services providers.

### **DP 3012 - Transfer of Existing FTE - CFSD -**

The executive proposes the transfer of 18.00 FTE from the Developmental Services Division to support existing operations in the Child and Family Services Division.

### **Language and Statutory Authority -**

The CFSD budget includes \$130,000 state special revenue statutory authority tied to adoption services.



### Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	12,408,109	11,702,097	(706,012)	(5.69)%
Operating Expenses	4,423,073	5,132,281	709,208	16.03 %
Grants	1,723,258	2,348,158	624,900	36.26 %
Transfers	130,000	0	(130,000)	(100.00)%
<b>Total Expenditures</b>	<b>\$18,684,440</b>	<b>\$19,182,536</b>	<b>\$498,096</b>	<b>2.67 %</b>
General Fund	7,913,595	7,641,649	(271,946)	(3.44)%
State/Other Special Rev. Funds	2,467,344	3,370,534	903,190	36.61 %
Federal Spec. Rev. Funds	8,303,501	8,170,353	(133,148)	(1.60)%
<b>Total Funds</b>	<b>\$18,684,440</b>	<b>\$19,182,536</b>	<b>\$498,096</b>	<b>2.67 %</b>
<b>Total Ongoing</b>	<b>\$18,284,440</b>	<b>\$19,182,536</b>	<b>\$898,096</b>	<b>4.91 %</b>
<b>Total OTO</b>	<b>\$400,000</b>	<b>\$0</b>	<b>(\$400,000)</b>	<b>(100.00)%</b>

### Program Biennium Comparison -

The biennium comparison table shows a total growth of 2.7%, which for this program is influenced by the FY 2018 appropriation reductions. Compared to the FY 2019 base appropriation, the growth is 11.8%.

### Program Description

The Director's Office provides overall policy development and administrative guidance for the department. Included in the Director's Office are legal affairs, personnel services, public information, the Prevention Resource Center, and the AmeriCorps \*VISTA Program. The Montana Health Coalition is administratively attached.

Statutory Authority - Title 2, Chapter 15, part 22 and Title 53, Chapter 19, part 3, MCA.

### Program Highlights

Director's Office Major Budget Highlights
<ul style="list-style-type: none"> <li>A reorganization during the interim added a net 11.00 FTE to the Director's Office, including 12.00 legal staff transferred from the Child Support Enforcement Division (6 lawyers, 6 paralegals). This increased total FTE from 49.50 to 60.50</li> <li>The proposed budget includes a request for an additional \$1.0 million state special revenue funds over the biennium to fund efforts related to healthcare data gathering</li> </ul>

**Program Actuals and Budget Comparison**

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	60.50	60.50	60.50	60.50
Personal Services	7,322,235	7,270,103	5,138,006	5,854,009	5,848,088
Operating Expenses	1,159,492	1,857,042	2,566,031	2,566,129	2,566,152
Grants	625,145	849,179	874,079	1,174,079	1,174,079
Transfers	130,000	130,000	0	0	0
<b>Total Expenditures</b>	<b>\$9,236,872</b>	<b>\$10,106,324</b>	<b>\$8,578,116</b>	<b>\$9,594,217</b>	<b>\$9,588,319</b>
General Fund	4,275,185	4,374,216	3,539,379	3,822,361	3,819,288
State/Other Special Rev. Funds	1,041,439	1,329,344	1,138,000	1,685,472	1,685,062
Federal Spec. Rev. Funds	3,920,248	4,402,764	3,900,737	4,086,384	4,083,969
<b>Total Funds</b>	<b>\$9,236,872</b>	<b>\$10,106,324</b>	<b>\$8,578,116</b>	<b>\$9,594,217</b>	<b>\$9,588,319</b>
<b>Total Ongoing</b>	<b>\$9,234,772</b>	<b>\$9,906,324</b>	<b>\$8,378,116</b>	<b>\$9,594,217</b>	<b>\$9,588,319</b>
<b>Total OTO</b>	<b>\$2,100</b>	<b>\$200,000</b>	<b>\$200,000</b>	<b>\$0</b>	<b>\$0</b>

**Program Discussion -***FY 2018 Appropriation Compared to FY 2018 Actual Expenditures*

In FY 2018 the Director's Office expended 91.4% of its overall budget and 97.7% of its general fund budget. Unspent authority was primarily in operating expenses.

*FY 2018 Appropriation Compared to FY 2019 Appropriation*

The FY 2019 appropriation for the Director's Office is somewhat lower than the FY 2018 appropriation and actuals. This appropriation will increase over FY 2019 as other DPHHS divisions transfer funds to the Director's Office to fund termination payouts (described below). The Director's Office did restore interim reductions of \$289,709 due to SB 9 from the November 2017 Special Session. This restoration was made to personal services and operating expenses.

*Executive Request*

The 2021 biennium executive request for the Director's Office is 2.7% lower than the FY 2018-19 appropriated budget, but about \$4.2 million (29.8%) more than the initial 2019 biennium budget request. This increase is mostly in personal services and is due to reorganizations DPHHS made during the interim. There are also proposed increases in the operating expenses and grants budgets.

- DPHHS transferred a net of 11.00 FTE to the Director's Office, including 6 lawyers and 6 paralegals from the Child Support Enforcement Division as part of an effort to reorganize legal staff within DPHHS. This transfer impacts the FY 2019 base budget
- All termination costs (sick leave payouts, etc.) are funded in this division. Other divisions transfer funds to make the payout. In FY 2018, \$2.4 million in total funds and \$1.4 million in general fund were transferred and paid from this division. As a consequence, FY 2018 has inflated costs that are not included in either FY 2019 or the 2021 biennium but will be reflected in transfers from other divisions as the next biennium unfolds

*5.0% Reduction Plan*

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%. A summary of the entire 2021 biennium 5.0% plan submitted for this agency is in the appendix.

The Director's Office has created a 5.0% reduction plan that includes a total savings of \$213,707 in general fund and \$40,222 in state special revenue. These savings are realized by reducing operating expenses. The department indicates this reduction could cause delays and impact program delivery.

**Program Personal Services Narrative**

As mentioned above the Director's Office added a net of 11.00 FTE in the interim (from 49.50 FTE to 60.50 FTE). The personal services budget is \$1.4 million higher than the base budget. This increase is mostly due to the 22.2% FTE increase in this division.

The requested Director's Office personal services budget includes \$231,178 for personal services reinstatement. The majority of this amount is tied to a proposed vacancy savings level of 2.0% rather than the 6.0% applied in the 2019 biennium.

**Funding**

The following table shows proposed program funding by source of authority.

Department of Public Health & Human Services, 04-Director's Office Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	7,641,649	0	0	64,251	7,705,900	39.91 %
02089 Child Abuse & Neglect Program	296,066	0	0	0	296,066	8.78 %
02099 69010-VISTA-Community Cost Shr	112,398	0	0	0	112,398	3.33 %
02362 No Kid Hungry SSR	0	0	0	0	0	0.00 %
02377 02 Indirect Activity Prog 04	962,070	0	0	0	962,070	28.54 %
02772 Tobacco Hlth and Medicaid Init	0	0	0	0	0	0.00 %
02987 Tobacco Interest	2,000,000	0	0	0	2,000,000	59.34 %
<b>State Special Total</b>	<b>\$3,370,534</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,370,534</b>	<b>17.45 %</b>
03578 NKH Americorp	0	0	0	0	0	0.00 %
03580 6901-93.778 - Med Adm 50%	0	0	0	0	0	0.00 %
03594 03 Indirect Activity Prog 04	7,245,762	0	0	63,303	7,309,065	88.77 %
03534 93.672 - Child Abuse Challenge	493,440	0	0	0	493,440	5.99 %
03072 69010-CNS-Grants-VISTA	431,151	0	0	0	431,151	5.24 %
<b>Federal Special Total</b>	<b>\$8,170,353</b>	<b>\$0</b>	<b>\$0</b>	<b>\$63,303</b>	<b>\$8,233,656</b>	<b>42.64 %</b>
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
<b>Total All Funds</b>	<b>\$19,182,536</b>	<b>\$0</b>	<b>\$0</b>	<b>\$127,554</b>	<b>\$19,310,090</b>	

This program receives general fund, state special revenue fund, and federal special revenue fund authority. Most functions within the Director's Office are cost allocated through indirect cost recoveries to the other divisions within DPHHS. The proposed budget includes \$2.0 million in state special revenue from the tobacco settlement interest account. This is a revenue source that did not support the Director's Office in the 2019 biennium budget, but is anticipated to carry a fund balance sufficient to fund this spending over the next biennium.

**Program Budget Summary by Category**

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

-----General Fund-----					-----Total Funds-----			
Budget Item	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	3,439,379	3,439,379	6,878,758	90.02 %	8,378,116	8,378,116	16,756,232	87.35 %
SWPL Adjustments	382,982	379,909	762,891	9.98 %	716,101	710,203	1,426,304	7.44 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	500,000	500,000	1,000,000	5.21 %
<b>Total Budget</b>	<b>\$3,822,361</b>	<b>\$3,819,288</b>	<b>\$7,641,649</b>		<b>\$9,594,217</b>	<b>\$9,588,319</b>	<b>\$19,182,536</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the 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.

Present Law Adjustments										
-----Fiscal 2020-----						-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	382,898	47,476	285,629	716,003	0.00	379,806	47,066	283,210	710,082
DP 2 - Fixed Costs	0.00	(476)	(166)	(700)	(1,342)	0.00	(591)	(205)	(869)	(1,665)
DP 3 - Inflation Deflation	0.00	560	162	718	1,440	0.00	694	201	891	1,786
Grand Total All Present Law Adjustments	0.00	\$382,982	\$47,472	\$285,647	\$716,101	0.00	\$379,909	\$47,062	\$283,232	\$710,203

\*\*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

**DP 1 - Personal Services -**

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

**DP 2 - Fixed Costs -**

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, etc. The rates charged for these services are approved in the section of the budget that provides the services.

**DP 3 - Inflation Deflation -**

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

**New Proposals**

The "New Proposals" table shows new changes to spending.

New Proposals	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 4001 - Montana Healthcare Information Exchange	0.00	0	300,000	0	300,000	0.00	0	300,000	0	300,000
DP 4002 - Improve Healthcare Data Access	0.00	0	200,000	0	200,000	0.00	0	200,000	0	200,000
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$500,000</b>	<b>\$0</b>	<b>\$500,000</b>	<b>0.00</b>	<b>\$0</b>	<b>\$500,000</b>	<b>\$0</b>	<b>\$500,000</b>

\*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

**DP 4001 - Montana Healthcare Information Exchange -**

This new proposal requests funding to support the development of a Montana healthcare information exchange that will enable enhanced sharing of clinical determinatives of care and claims data between providers across the state. This framework will allow the electronic exchange of information across all healthcare sectors working to improve health outcomes built on a value-based system. This change package requests \$300,000 each year of the biennium in state special revenue funds.

**DP 4002 - Improve Healthcare Data Access -**

This new proposal requests funding to enable small and rural providers to submit clinical data for computation of quality measures and risk scores. This will assist in the development of advanced analytics, targeted registries and predictive models for specific diagnoses and population groups. It will also deliver web-based access for providers to registries and analytics to improve the delivery of healthcare. The change package requests \$200,000 each year of the biennium in state special revenue funds (02987 tobacco settlement interest).

### Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	17,858,471	19,944,394	2,085,923	11.68 %
Operating Expenses	3,665,349	3,915,724	250,375	6.83 %
Equipment & Intangible Assets	42,912	42,912	0	0.00 %
<b>Total Expenditures</b>	<b>\$21,566,732</b>	<b>\$23,903,030</b>	<b>\$2,336,298</b>	<b>10.83 %</b>
General Fund	5,764,602	6,925,828	1,161,226	20.14 %
State/Other Special Rev. Funds	1,070,030	755,512	(314,518)	(29.39)%
Federal Spec. Rev. Funds	14,732,100	16,221,690	1,489,590	10.11 %
<b>Total Funds</b>	<b>\$21,566,732</b>	<b>\$23,903,030</b>	<b>\$2,336,298</b>	<b>10.83 %</b>
<b>Total Ongoing</b>	<b>\$21,566,732</b>	<b>\$23,903,030</b>	<b>\$2,336,298</b>	<b>10.83 %</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>

### Program Biennium Comparison -

The biennium comparison table shows a total growth of 10.8%, which for this program is influenced by the FY 2018 appropriation reductions. Compared to the FY 2019 base appropriation, the growth is 8.3%. The biennium change for general fund is 20.1%.

### Program Description

The purpose of the Child Support Enforcement Division (CSED) is to pursue and obtain financial and medical support for children by establishing, enforcing, and collecting financial obligations from non-custodial parents. Program staff locates absent parents, identifies assets, establishes paternity, and ensures obligated parents maintain medical health insurance coverage for their dependent children.

Statutory Authority - Title 40, Chapter 5, MCA, and are mandated by the federal government in accordance with Title IV-D of the Social Security Act, 42 USC 651 et seq., and 45 CFR, Chapter 3.

### Program Highlights

Child Support Enforcement Division Major Budget Highlights
<ul style="list-style-type: none"> <li>A reorganization during the interim moved legal staff from CSED to the Director's Office (10.00 FTE, legal staff) and Management &amp; Fair Hearings Division (5.00 FTE, administrative law judge legal functions)</li> <li>The proposed personal services change of 11.7% or \$2.1 million is primarily the result of restoring reductions to personal services made during the interim (including during the November 2017 Special Session)</li> </ul>

**Program Actuals and Budget Comparison**

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	140.31	140.31	140.31	140.31
Personal Services	8,438,264	8,801,899	9,056,572	9,973,017	9,971,377
Operating Expenses	1,882,751	1,707,487	1,957,862	1,957,862	1,957,862
Equipment & Intangible Assets	0	21,456	21,456	21,456	21,456
<b>Total Expenditures</b>	<b>\$10,321,015</b>	<b>\$10,530,842</b>	<b>\$11,035,890</b>	<b>\$11,952,335</b>	<b>\$11,950,695</b>
General Fund	2,612,837	2,613,001	3,151,601	3,463,193	3,462,635
State/Other Special Rev. Funds	687,139	692,274	377,756	377,756	377,756
Federal Spec. Rev. Funds	7,021,039	7,225,567	7,506,533	8,111,386	8,110,304
<b>Total Funds</b>	<b>\$10,321,015</b>	<b>\$10,530,842</b>	<b>\$11,035,890</b>	<b>\$11,952,335</b>	<b>\$11,950,695</b>
<b>Total Ongoing</b>	<b>\$10,321,015</b>	<b>\$10,530,842</b>	<b>\$11,035,890</b>	<b>\$11,952,335</b>	<b>\$11,950,695</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Program Discussion -***FY 2018 Appropriation Compared to FY 2018 Actual Expenditures*

In FY 2018 CSED expended 98.0% of its overall budget. The FY 2018 CSED budget decreased by \$56,717 during FY 2018 due to transfers of authority to other DPHHS divisions.

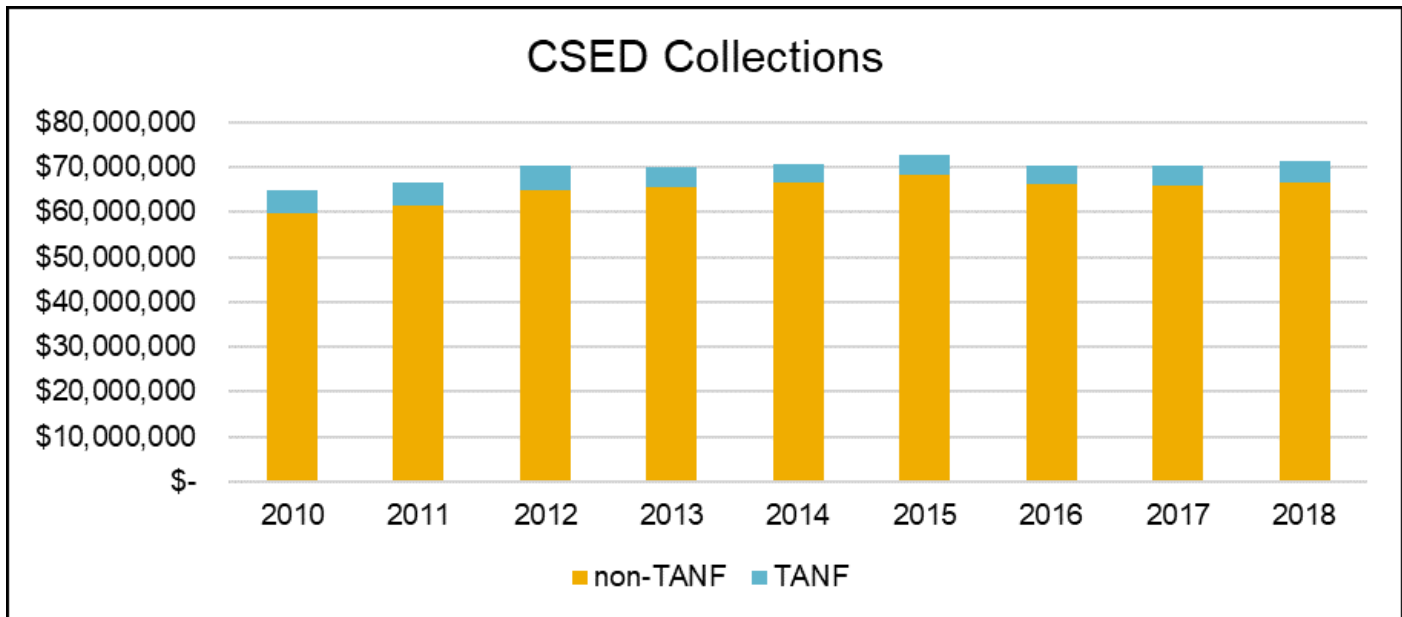
*FY 2018 Appropriation Compared to FY 2019 Appropriation*

- The FY 2019 appropriation for CSED is higher than the FY 2018 appropriation by \$505,000
- CSED did restore \$172,168 in general fund in FY 2019 due to the SB 9 restorations: the entire general fund amount reduced in the 17-7-140 reductions

*Executive Request*

The requested 2021 biennium budget for CSED is \$23.9 million. Federal regulation mandates a child support enforcement program under Title IV-D of the Social Security Act in order for states to maintain eligibility for the federal Temporary Assistance for Needy Families (TANF) block grant. Collection of child support owed to TANF families is automatically assigned to the state and is used to reimburse federal and state governments for benefits paid to the families. Additionally, child support enforcement services must be provided to any applicant regardless of income level.

In FY 2018, CSED collected \$71.5 million on behalf of both TANF and non-TANF children and their custodial parents (see chart below). Non-TANF collections were \$66.7 million and TANF collections were \$4.8 million, of which \$1.4 million went into the CSED state special revenue fund. This TANF collection amount is an increase from FY 2016 of \$4.1 million and reversed a recent trend in falling TANF collection amounts.



#### 5.0% Reduction Plan

The CSED 5.0% plan includes general fund savings of \$130,642 and state special revenue savings of \$34,357. These savings are achieved by leaving positions vacant.

#### Program Personal Services Narrative

The requested CSED personal services budget includes \$748,564 for personal services reinstatement. The majority of this amount is tied to the 2017 Regular Session (\$227,395), vacancy savings (\$203,530), and special session reductions (\$290,958). As mentioned above, the movement of 15.00 FTE out of CSED reduced the personal services budget for this program by about \$1.5 million. The initial personal services budget for CSED for the 2019 biennium was \$21.3 million. The personal services request for the 2021 biennium is \$19.9 million: lower than the 2019 legislative budget due to the transfer of FTE.

#### Funding

The following table shows proposed program funding by source of authority.

Department of Public Health & Human Services, 05-Child Support Division Support & Admin						
Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	6,925,828	0	0	0	6,925,828	28.97 %
02187 Child Support State Share	755,512	0	0	0	755,512	100.00 %
<b>State Special Total</b>	<b>\$755,512</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$755,512</b>	<b>3.16 %</b>
03269 Child Support Incentive	2,373,886	0	0	0	2,373,886	14.63 %
03570 93.563 - Child Support IVD 66%	13,847,804	0	0	0	13,847,804	85.37 %
<b>Federal Special Total</b>	<b>\$16,221,690</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$16,221,690</b>	<b>67.86 %</b>
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
<b>Total All Funds</b>	<b>\$23,903,030</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$23,903,030</b>	



This program is primarily federally funded. Title IV-D eligible expenditures are funded with 67.9% federal funds and 32.1% state funds. The non-IV-D federal funding is an incentive payment for reaching specified federal benchmarks. State match for the Title IV-D spending comes from the child support state special revenue fund and the general fund.

State Special Revenue

State special revenue is generated primarily from the retention of collections made on behalf of TANF participants in addition to small amounts from applications, genetic testing, and federal tax offset fees. Any child support recovered on behalf of TANF recipients is retained by the state at the state share according to the Federal Medical Assistance Percentage (FMAP). No revenue is retained from non-TANF collections, which are simply collected and sent on to the custodial parent.

**Program Budget Summary by Category**

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	3,151,601	3,151,601	6,303,202	91.01 %	11,035,890	11,035,890	22,071,780	92.34 %
SWPL Adjustments	311,592	311,034	622,626	8.99 %	916,445	914,805	1,831,250	7.66 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$3,463,193</b>	<b>\$3,462,635</b>	<b>\$6,925,828</b>		<b>\$11,952,335</b>	<b>\$11,950,695</b>	<b>\$23,903,030</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the 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.

Present Law Adjustments									
	-----Fiscal 2020-----					-----Fiscal 2021-----			
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Total Funds
DP 1 - Personal Services	0.00	311,592	0	604,853	916,445	0.00	311,034	0	603,771
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$311,592</b>	<b>\$0</b>	<b>\$604,853</b>	<b>\$916,445</b>	<b>0.00</b>	<b>\$311,034</b>	<b>\$0</b>	<b>\$603,771</b>

\*\*\*Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

### Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	7,379,146	8,338,003	958,857	12.99 %
Operating Expenses	15,807,626	16,668,727	861,101	5.45 %
Debt Service	11,352	11,352	0	0.00 %
<b>Total Expenditures</b>	<b>\$23,198,124</b>	<b>\$25,018,082</b>	<b>\$1,819,958</b>	<b>7.85 %</b>
General Fund	8,591,910	9,246,621	654,711	7.62 %
State/Other Special Rev. Funds	1,817,891	1,878,550	60,659	3.34 %
Federal Spec. Rev. Funds	12,788,323	13,892,911	1,104,588	8.64 %
<b>Total Funds</b>	<b>\$23,198,124</b>	<b>\$25,018,082</b>	<b>\$1,819,958</b>	<b>7.85 %</b>
<b>Total Ongoing</b>	<b>\$23,198,124</b>	<b>\$25,018,082</b>	<b>\$1,819,958</b>	<b>7.85 %</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>

### Program Biennium Comparison -

The biennium comparison table shows a total growth of 7.9%. Compared to the FY 2019 base appropriation, the growth is 7.8%.

### Program Description

The Business and Financial Services Division (BFSD) provides leadership and guidance in the development and implementation of accounting policies, procedures, and best business practices that support the mission of the Operations Branch.

Statutory Authority - Business and Financial Services Division - Title 17, Chapter 1, part 1, and Chapter 2, MCA, and 45 CFR Subtitle A, Part 92, Subpart C92.2, and Title 50 Chapter 15 MCA.

### Program Highlights

Business and Financial Services Division Major Budget Highlights	
<ul style="list-style-type: none"> <li>The executive proposes a total fund increase of 7.9% primarily due to present law adjustments of: <ul style="list-style-type: none"> <li>A \$409,905 total fund increase for personal services resulting from a reduction in vacancy savings</li> <li>About \$1.4 million total funds to cover fixed costs primarily for legislative audit, statewide indirect costs, and accounting (SABHRS) fees</li> </ul> </li> </ul>	

### Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	60.00	60.00	60.00	60.00
Personal Services	3,122,418	3,415,097	3,964,049	4,169,477	4,168,526
Operating Expenses	8,223,142	8,168,487	7,639,139	8,564,314	8,104,413
Debt Service	6,940	5,676	5,676	5,676	5,676
<b>Total Expenditures</b>	<b>\$11,352,500</b>	<b>\$11,589,260</b>	<b>\$11,608,864</b>	<b>\$12,739,467</b>	<b>\$12,278,615</b>
General Fund	4,288,447	4,364,678	4,227,232	4,724,698	4,521,923
State/Other Special Rev. Funds	901,416	932,627	885,264	953,101	925,449
Federal Spec. Rev. Funds	6,162,637	6,291,955	6,496,368	7,061,668	6,831,243
<b>Total Funds</b>	<b>\$11,352,500</b>	<b>\$11,589,260</b>	<b>\$11,608,864</b>	<b>\$12,739,467</b>	<b>\$12,278,615</b>
<b>Total Ongoing</b>	<b>\$11,352,500</b>	<b>\$11,589,260</b>	<b>\$11,608,864</b>	<b>\$12,739,467</b>	<b>\$12,278,615</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### Program Discussion -

#### *FY 2018 Appropriation Compared to FY 2018 Actual Expenditures*

BFSD expended 98.0% of the total appropriation in FY 2018. Most of the \$0.2 million in total unspent appropriation is biennial funding restricted to legislative audits.

#### *FY 2018 Appropriation Compared to FY 2019 Appropriation*

The appropriation for FY 2019 is 0.2% greater than the FY 2018 appropriation. State funds decrease in the base year. However, an increase in federal funds more than offsets the state fund increase creating a total fund increase of \$19,604. The difference in appropriation in state funds is primarily due to a restricted biennial appropriation for legislative audits. The appropriation occurs in FY 2018 but not FY 2019 which creates most of the difference between the two fiscal years.

#### *Executive Request*

The executive request for FY 2020 is an increase of 9.7% over the base year appropriation while the FY 2021 request is an increase of 5.8% over the base year. The difference in the requested amounts for the 2021 biennium is due mostly to a present law adjustment of \$413,189 for audit fees that only occurs during the first fiscal year (2020) of the biennium. BFSD is responsible for the annual, agency-wide audit expenses at DPHHS.

#### *5.0% Plan*

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%. A summary of the entire 2021 biennium 5.0% plan submitted for this agency is in the Budget Analysis Appendix.

BFSD has created a 5% reduction plan that includes a total savings of \$209,843 in general fund and \$44,878 in state special revenue funds. These savings are achieved through a reduction in operating costs.

### Program Personal Services Narrative

Personal services comprise 34.2% of base appropriation. The executive proposes a 5.2% increase in FY 2020 and FY 2021. The increase in costs is primarily due to a proposed decrease in vacancy savings. The program experienced a vacancy savings rate of 20.9% in hours expended to hours budgeted. The executive has included a 2.0% vacancy savings reduction in its budget submission for the 2021 biennium.

## Funding

The following table shows proposed program funding by source of authority.

Department of Public Health & Human Services, 06-Business and Financial Services Division Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	9,246,621	0	0	172,652	9,419,273	37.14 %
02382 02 Indirect Activity Prog 06	1,878,550	0	0	0	1,878,550	100.00 %
02597 Healthy Montana Kids Plan	0	0	0	0	0	0.00 %
<b>State Special Total</b>	<b>\$1,878,550</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,878,550</b>	<b>7.41 %</b>
03580 6901-93.778 - Med Adm 50%	0	0	0	0	0	0.00 %
03591 03 Indirect Activity Prog 06	13,892,911	0	0	173,344	14,066,255	100.00 %
03382 03 Indirect Activity Prog 02	0	0	0	0	0	0.00 %
03426 CHIP Program Fed	0	0	0	0	0	0.00 %
03974 Medicaid Exp HELP Act Admin	0	0	0	0	0	0.00 %
<b>Federal Special Total</b>	<b>\$13,892,911</b>	<b>\$0</b>	<b>\$0</b>	<b>\$173,344</b>	<b>\$14,066,255</b>	<b>55.46 %</b>
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
<b>Total All Funds</b>	<b>\$25,018,082</b>	<b>\$0</b>	<b>\$0</b>	<b>\$345,996</b>	<b>\$25,364,078</b>	

BFSD 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 benefiting or serving other programs in the department. The general fund, like the state special revenue and federal state special revenue received from the cost allocation formula is used to support internal BFSD functions.

BFSD functions include: accounts payable, audit coordination, cash management, contract management, facility reimbursement, financial and accounting oversight, lease management, mail handling, preparation and filing of federal financial reports, property management, purchasing of supplies and equipment, and records management.

Nearly all BFSD activities are funded with indirect revenues from all fund types. The exception to this are facility reimbursement activities. General funds are used to support facility reimbursement staff who are responsible for collecting private funds, private insurance, Medicaid, and Medicare from patients receiving services at DPHHS facilities. Funds collected reimburse the general fund as well as state special funds used to support facilities such as the Montana Chemical Dependency Center (MCDC) cost recovery fund. In FY 2018, BFSD collected \$17.9 million for facility reimbursements, most of which are deposited into the general fund.

## Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	4,227,232	4,227,232	8,454,464	91.43 %	11,608,864	11,608,864	23,217,728	92.80 %
SWPL Adjustments	497,466	294,691	792,157	8.57 %	1,130,603	669,751	1,800,354	7.20 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$4,724,698</b>	<b>\$4,521,923</b>	<b>\$9,246,621</b>		<b>\$12,739,467</b>	<b>\$12,278,615</b>	<b>\$25,018,082</b>	

## Present Law Adjustments

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the 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.

Present Law Adjustments										
	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	90,389	12,326	102,713	205,428	0.00	89,970	12,269	102,238	204,477
DP 2 - Fixed Costs	0.00	407,051	55,507	462,557	925,115	0.00	204,689	27,912	232,600	465,201
DP 3 - Inflation Deflation	0.00	26	4	30	60	0.00	32	4	37	73
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$497,466</b>	<b>\$67,837</b>	<b>\$565,300</b>	<b>\$1,130,603</b>	<b>0.00</b>	<b>\$294,691</b>	<b>\$40,185</b>	<b>\$334,875</b>	<b>\$669,751</b>

\*\*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

### DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

### DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, etc. The rates charged for these services are approved in the section of the budget that provides the services.

### DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

### Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	25,841,724	27,780,089	1,938,365	7.50 %
Operating Expenses	18,591,998	19,542,020	950,022	5.11 %
Equipment & Intangible Assets	953,482	433,482	(520,000)	(54.54)%
Grants	43,520,762	43,205,990	(314,772)	(0.72)%
Benefits & Claims	30,998,363	32,032,572	1,034,209	3.34 %
Transfers	1,540,200	1,540,200	0	0.00 %
<b>Total Expenditures</b>	<b>\$121,446,529</b>	<b>\$124,534,353</b>	<b>\$3,087,824</b>	<b>2.54 %</b>
General Fund	7,252,464	7,792,478	540,014	7.45 %
State/Other Special Rev. Funds	32,114,223	33,419,445	1,305,222	4.06 %
Federal Spec. Rev. Funds	82,079,842	83,322,430	1,242,588	1.51 %
<b>Total Funds</b>	<b>\$121,446,529</b>	<b>\$124,534,353</b>	<b>\$3,087,824</b>	<b>2.54 %</b>
<b>Total Ongoing</b>	<b>\$121,446,529</b>	<b>\$124,534,353</b>	<b>\$3,087,824</b>	<b>2.54 %</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>

### Program Biennium Comparison -

The biennium comparison table shows a total growth of 2.5%, which for this program is influenced by the FY 2018 appropriation reductions. Compared to the FY 2019 base appropriation, the growth is 0.9%.

### Program Description

The mission of the Public Health and Safety Division (PHSD) is to protect and improve the health of Montanans by advancing conditions for healthy living. The division provides a wide range of public health services to individuals and communities that are aimed at prevention of disease and promotion of health. Services are provided through nearly 500 contracts with a broad range of private and public providers, including local and tribal public health departments, clinics, hospitals, and other community-based organizations. Programs administered by the division include, but are not limited to:

- Clinical and environmental laboratory services
- Chronic and communicable disease prevention and control
- Maternal and child health services
- Public health emergency preparedness
- Public health system improvement
- Vital records
- Epidemiology and scientific support
- and Emergency Medical Services and trauma services

The PHSD strategic plan may be viewed here: <https://dphhs.mt.gov/Portals/85/ahealthiermontana/2019PHSDStrategicPlan.pdf?ver=2018-11-02-105119-683>

Statutory authority for public health functions is in Title 50, MCA, including local public health activities. Rules concerning public health programs are in Title 37 of the Administrative Rules of Montana. Specific citations include: Title V of the Social Security Act; Family Planning Title X of the federal Public Health Service Act and 42 CFR, Subpart A, Part 59; WIC P. L. 95-627, Child Nutrition Act of 1966, and 7CFR part 246.

## Program Highlights

Public Health & Safety Division Major Budget Highlights	
<ul style="list-style-type: none"> <li>• The PHSD 2021 biennium budget request is 2.5% higher than the 2019 biennium appropriated budget. This increase is driven by present law personal services increases</li> <li>• PHSD has approximately 80 different funding sources. Most of these sources are federal grants</li> <li>• General fund authority makes up 6.3% of the 2021 biennium request, while federal special revenue authority makes up about 66.9%</li> <li>• State special revenue authority makes up 26.8% of the 2021 biennium request; about half of this authority is funded by the statewide tobacco settlement and associated interest</li> </ul>	

## Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	179.02	179.02	179.02	179.02
Personal Services	13,321,936	12,476,327	13,365,397	13,892,448	13,887,641
Operating Expenses	10,562,225	8,826,165	9,765,833	9,770,454	9,771,566
Equipment & Intangible Assets	456,181	736,741	216,741	216,741	216,741
Grants	17,629,700	21,917,767	21,602,995	21,602,995	21,602,995
Benefits & Claims	11,628,288	14,982,077	16,016,286	16,016,286	16,016,286
Transfers	536,528	770,100	770,100	770,100	770,100
<b>Total Expenditures</b>	<b>\$54,134,858</b>	<b>\$59,709,177</b>	<b>\$61,737,352</b>	<b>\$62,269,024</b>	<b>\$62,265,329</b>
General Fund	3,488,898	3,492,124	3,760,340	3,896,706	3,895,772
State/Other Special Rev. Funds	14,359,297	15,613,679	16,500,544	16,710,890	16,708,555
Federal Spec. Rev. Funds	36,286,663	40,603,374	41,476,468	41,661,428	41,661,002
<b>Total Funds</b>	<b>\$54,134,858</b>	<b>\$59,709,177</b>	<b>\$61,737,352</b>	<b>\$62,269,024</b>	<b>\$62,265,329</b>
<b>Total Ongoing</b>	<b>\$54,134,858</b>	<b>\$59,709,177</b>	<b>\$61,737,352</b>	<b>\$62,269,024</b>	<b>\$62,265,329</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## Program Discussion -

*FY 2018 Appropriation Compared to FY 2018 Actual Expenditures*

In FY 2018 PHSD expended 90.7% of its overall budget (\$54.1 million in actuals) and 99.9% of its general fund budget. Unspent grants authority was federal fund authority.

*FY 2018 Appropriation Compared to FY 2019 Appropriation*

FY 2019 total appropriations are \$2.0 million, or 3.4% higher than the FY 2018 total appropriation due to:

- November 2017 Special Session reductions in both fiscal years that were subsequently restored by SB 9 for FY 2019, in the amount of \$57,072. This restoration was made to division administration in personal services
- Increase in personal services, including the SB 294 pay plan increase in FY 2019 of \$140,216

*Executive Request*

The executive request for the 2021 biennium PHSD budget is 2.5% higher than the FY 2018-19 appropriated budget, but about \$1.4 million less than the initial 2019 biennium legislative budget approved during the 2017 Legislative Session. The general fund portion of the 2021 biennium request is also slightly lower (by about \$7,000) than the general fund portion of the initial 2019 biennium legislative budget.

*Discussion*

Figure 1 below presents the PHSD 2021 biennium budget request by type of expenditure. This figure includes family planning, which makes up about 3.3% of the total PHSD 2021 biennium budget and is statutorily appropriated. Grants are the largest component at 34.7% and represent funds provided to local entities that contract to provide broad-based public services. Examples include public health education and improvements in emergency preparedness. Benefits and claims are services to individuals who meet specific eligibility criteria and are 25.7% of the total. The primary service funded in this category is the Women, Infants, and Children (WIC) nutrition program. Personal services compose 22.3% of the total while operating expenses make up 15.7%.

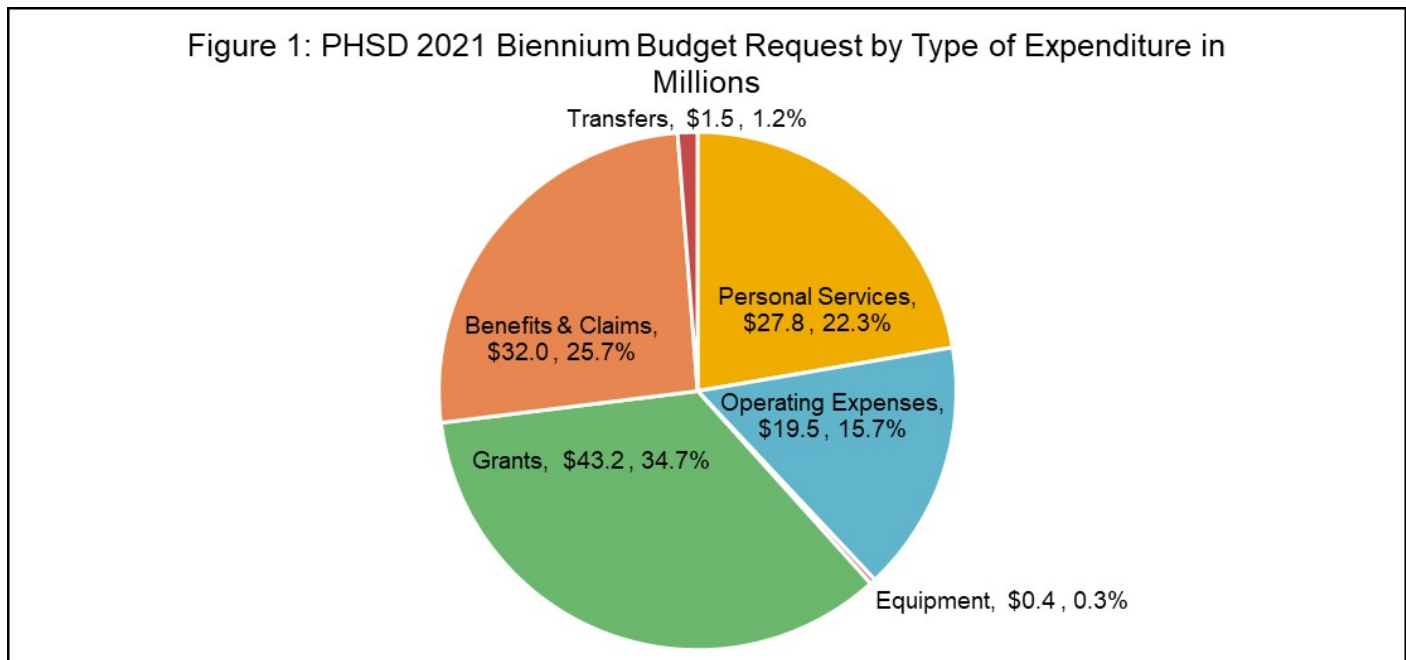


Figure 2 below shows the 2021 biennium budget request by major function. Family and community health is the largest component at 36.1% of the total and includes the following programs:

- Men's and women's health
- Public health home visiting
- Genetics testing
- Maternal and children's health
- Newborn hearing screening
- Children's special health services



Chronic disease prevention is the second largest component of the budget request at 25.8% of the total and includes these programs:

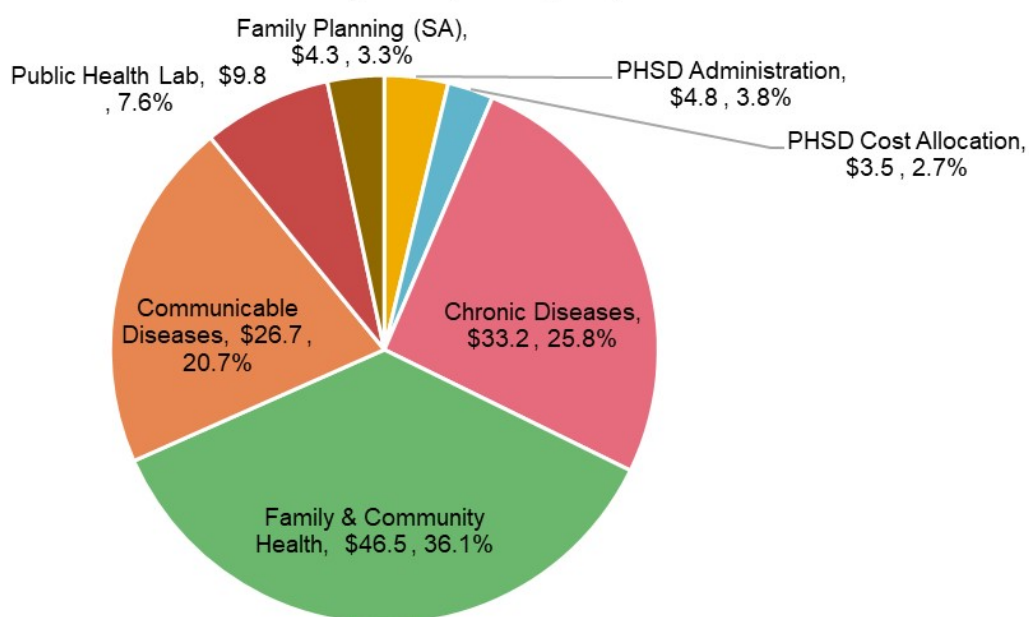
- Cancer control
- Asthma, diabetes, and cardiovascular health
- Emergency medical services and trauma systems
- Tobacco control and prevention

Communicable disease prevention and health promotion is the third largest component of the budget request at 20.7% of the total and includes the following functions:

- Food and consumer safety
- Communicable disease and epidemiology
- Sexually transmitted disease and HIV prevention

The state public health laboratory is 7.6% of the total. Division administration is about 3.8%, and cost allocation is 2.7%. Family planning makes up about 3.3% of the total PHSD 2021 biennium budget and is statutorily appropriated.

Figure 2: PHSD 2021 Biennium Budget Request by Major Function in Millions



#### 5.0% Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%. A summary of the entire 2021 biennium 5.0% plan submitted for this agency is in the Budget Analysis Appendix.

PHSD has created a 5.0% reduction plan that includes a total savings of \$174,445 in general fund. These savings are realized by reducing funding for local communicable disease support as well as emergency medical and trauma services.

**Program Personal Services Narrative**

The requested PHSD personal services budget includes \$583,512 for personal services reinstatement. The majority of this amount is tied to a proposed vacancy savings level of 2% rather than the 6% applied in the 2019 biennium. The PHSD personal services budget realizes some reductions mostly due to the transfer of 2.0 FTE to another DPHHS division.

**Funding**

The following table shows proposed program funding by source of authority.

Department of Public Health & Human Services, 07-Public Health & Safety Div						
Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	7,792,478	0	0	0	7,792,478	6.05 %
02199 DHES Food & Consumer	13,928	0	0	0	13,928	0.04 %
02366 Public Health Laboratory	6,743,682	0	0	0	6,743,682	20.18 %
02379 02 Indirect Activity Prog 07	775,108	0	0	0	775,108	2.32 %
02419 Vital Statistics	821,878	0	0	0	821,878	2.46 %
02462 Food/Lodging License	2,368,549	0	0	0	2,368,549	7.09 %
02512 BRFS SURVEY FEES	113,210	0	0	0	113,210	0.34 %
02765 Insurance Policies Fees SB278	2,581,744	0	0	0	2,581,744	7.73 %
02772 Tobacco Hlth and Medicaid Init	51,338	0	0	0	51,338	0.15 %
02773 Childrens Special Health Svc.	926,474	0	0	0	926,474	2.77 %
02790 6901-Statewide Tobacco Sttlmnt	17,077,044	0	0	0	17,077,044	51.10 %
02987 Tobacco Interest	1,946,490	0	0	0	1,946,490	5.82 %
<b>State Special Total</b>	<b>\$33,419,445</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$33,419,445</b>	<b>25.94 %</b>
03139 PPHF Immunization Capacity	0	0	0	0	0	0.00 %
03146 10.577 WIC BF PEER COUNSELING	416,580	0	0	0	416,580	0.48 %
03159 Tuberculosis Grant	333,760	0	0	0	333,760	0.38 %
03246 WIC Admin	10,170,267	0	0	0	10,170,267	11.61 %
03273 Primary Care Services	317,048	0	0	0	317,048	0.36 %
03274 Ryan White Act - Title II	1,753,602	0	0	0	1,753,602	2.00 %
03275 Adult Viral Hepatitis Prevent	44,506	0	0	0	44,506	0.05 %
03310 ACA MDCC INCNT FOR PREV OF CD	224,554	0	0	0	224,554	0.26 %
03328 Afford Care Act MIECHVP Frmla	0	0	0	0	0	0.00 %
03575 School Health Program - Basic	1,090,159	0	0	0	1,090,159	1.24 %
03596 03 Indirect Activity Prog 07	2,052,361	0	0	0	2,052,361	2.34 %
03602 BRFS Program	924,014	0	0	0	924,014	1.05 %
03603 PHEP Suppl. for Ebola Prep #2	0	0	0	0	0	0.00 %
03606 ELC Ebola Supplement	0	0	0	0	0	0.00 %
03607 Tobacco Control Program	1,710,675	0	0	0	1,710,675	1.95 %
03610 Hospital Preparedness Ebola	0	0	0	0	0	0.00 %
03612 WIC Infrastructure Breastfeed	0	0	0	0	0	0.00 %
03668 WIC Infrastructure Participant	0	0	0	0	0	0.00 %
03690 6901-Rape Prev & Educ 93.126	392,978	0	0	0	392,978	0.45 %
03712 6901-Cancer Registries 93.283	573,708	0	0	0	573,708	0.65 %
03713 6901-WIC Farmer Market 10.572	104,388	0	0	0	104,388	0.12 %
03788 MT Disability & Health	604,158	0	0	0	604,158	0.69 %
03336 Food Inspection Program	187,750	0	0	0	187,750	0.21 %
03346 Highway Safety/EMS Cont	0	0	0	0	0	0.00 %
03362 Data Integration	180,120	0	0	0	180,120	0.21 %
03366 EMSC SPROC	403,032	0	0	0	403,032	0.46 %
03371 Improving Arthritis Outcomes	807,134	0	0	0	807,134	0.92 %
03380 C&Y wSpecial Health Care Needs	0	0	0	0	0	0.00 %
03392 Colorectal Cancer Screening	1,429,351	0	0	0	1,429,351	1.63 %
03402 Addressing Asthma	739,782	0	0	0	739,782	0.84 %
03415 Breast and Cervical Health	4,266,876	0	0	0	4,266,876	4.87 %
03420 Early Hearing Deficit Intrv	275,120	0	0	0	275,120	0.31 %
03535 WIC EBT Implementation	0	0	0	0	0	0.00 %
03540 Ryan White Treatment Rebate	1,591,502	0	0	0	1,591,502	1.82 %
03541 State Loan Repayment Program	144,228	0	0	0	144,228	0.16 %
03551 Preventive Health Block Grant	1,581,801	0	0	0	1,581,801	1.81 %
03569 ACA-ELC Non-PPHF	836,431	0	0	0	836,431	0.95 %
03004 EMS Data Injury	222,498	0	0	0	222,498	0.25 %
03014 MT Retail Food Academy	114,176	0	0	0	114,176	0.13 %
03026 Family Planning Title X	0	0	0	4,305,296	4,305,296	4.91 %
03027 WIC (Women Infants & Children)	19,900,358	0	0	0	19,900,358	22.71 %
03031 Maternal & Child Health	4,560,426	0	0	0	4,560,426	5.20 %
03057 Newborn Hearing Screening	508,456	0	0	0	508,456	0.58 %
03823 Oral Health Workforce	675,555	0	0	0	675,555	0.77 %
03827 Personal Resp Education Prgm	351,088	0	0	0	351,088	0.40 %
03829 PUB HLTH DIAB-HRTD-OBES-SCHLTH	3,012,907	0	0	0	3,012,907	3.44 %
03903 Emergency Preparedness	7,911,776	0	0	0	7,911,776	9.03 %
03904 Bioterr. Hospital Preparedness	1,835,830	0	0	0	1,835,830	2.10 %
03929 Seroprevalence/Surveillance	0	0	0	0	0	0.00 %
03933 Affordable Care Act ELC	1,226,816	0	0	0	1,226,816	1.40 %
03936 Vaccination Program	804,040	0	0	0	804,040	0.92 %
03937 STD Program	636,184	0	0	0	636,184	0.73 %
03938 Aids Fed. Cat. #13.118	2,343,660	0	0	0	2,343,660	2.67 %

03969 Ryan White ADAP Shortfall	2,135,280	0	0	0	2,135,280	2.44 %
03979 69010 Comprehnsv Cancer Contrl	553,878	0	0	0	553,878	0.63 %
03104 DLI MOU Adult Lead	0	0	0	0	0	0.00 %
03206 MIECHV - Service Delivery	1,486,960	0	0	0	1,486,960	1.70 %
03417 PRAMS Pregnancy Risk Assesment	323,358	0	0	0	323,358	0.37 %
03023 Ryan White Part B Supplemental	0	0	0	0	0	0.00 %
03062 MT EHR Project - Title X Sust	0	0	0	0	0	0.00 %
03082 Environmental Health Program	0	0	0	0	0	0.00 %
03379 WIC Infrastr Facility Renovatn	0	0	0	0	0	0.00 %
03418 Immunization Program	1,563,299	0	0	0	1,563,299	1.78 %
03831 Prescription Drug Overdose	0	0	0	0	0	0.00 %
<b>Federal Special Total</b>	<b>\$83,322,430</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,305,296</b>	<b>\$87,627,726</b>	<b>68.01 %</b>
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
<b>Total All Funds</b>	<b>\$124,534,353</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,305,296</b>	<b>\$128,839,649</b>	

The 2021 biennium PHSD budget request is funded 6.1% by general fund, 25.9% state special revenue, and 68.0% by federal funds. General fund is used to fund a portion of each of the major functions discussed above. There are over 75 funding sources that support PHSD, with the majority being federal categorical grants that fund specific activities. The single largest federal source supports the Women, Infants, and Children (WIC) nutrition program. The major sources of state special revenue are:

- Tobacco settlement funds and tobacco settlement trust fund interest - For additional information see the state special revenue fund balance table in the DPHHS Agency Summary for detail on the major funds used in PHSD
- Public health laboratory fees
- Insurance fees for a genetics program - \$1 annually for each Montana resident insured under any individual or group disability or health insurance policy
- Licensing fees for food manufacturers or food sales establishments - 5.0% of an annual license fee of \$115, and penalties for failure to renew licenses in a timely manner

### Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	3,760,340	3,760,340	7,520,680	96.51 %	61,737,352	61,737,352	123,474,704	99.15 %
SWPL Adjustments	136,366	135,432	271,798	3.49 %	531,672	527,977	1,059,649	0.85 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$3,896,706</b>	<b>\$3,895,772</b>	<b>\$7,792,478</b>		<b>\$62,269,024</b>	<b>\$62,265,329</b>	<b>\$124,534,353</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the 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.

Present Law Adjustments										
-----Fiscal 2020-----						-----Fiscal 2021-----				
FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services										
0.00	135,730	210,284	181,037	527,051		0.00	134,603	207,934	179,707	522,244
DP 3 - Inflation Deflation										
0.00	636	62	3,923	4,621		0.00	829	77	4,827	5,733
<b>Grand Total All Present Law Adjustments</b>										
<b>0.00</b>	<b>\$136,366</b>	<b>\$210,346</b>	<b>\$184,960</b>	<b>\$531,672</b>		<b>0.00</b>	<b>\$135,432</b>	<b>\$208,011</b>	<b>\$184,534</b>	<b>\$527,977</b>

\*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

**DP 1 - Personal Services -**

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

**DP 3 - Inflation Deflation -**

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

**Language and Statutory Authority -**

PHSD has statutory authority tied to family planning. The executive estimate for this program for the 2021 biennium is \$4.3 million funded entirely with federal special revenue authority.

### Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	14,016,675	17,158,559	3,141,884	22.42 %
Operating Expenses	2,984,801	4,951,711	1,966,910	65.90 %
Equipment & Intangible Assets	1,050	1,050	0	0.00 %
Grants	1,169,882	1,169,882	0	0.00 %
<b>Total Expenditures</b>	<b>\$18,172,408</b>	<b>\$23,281,202</b>	<b>\$5,108,794</b>	<b>28.11 %</b>
General Fund	4,736,100	5,293,502	557,402	11.77 %
State/Other Special Rev. Funds	680,782	4,709,438	4,028,656	591.77 %
Federal Spec. Rev. Funds	12,755,526	13,278,262	522,736	4.10 %
<b>Total Funds</b>	<b>\$18,172,408</b>	<b>\$23,281,202</b>	<b>\$5,108,794</b>	<b>28.11 %</b>
<b>Total Ongoing</b>	<b>\$18,172,408</b>	<b>\$23,281,202</b>	<b>\$5,108,794</b>	<b>28.11 %</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>

### Program Biennium Comparison -

The biennium comparison table shows a total growth of 28.1%. Compared to the FY 2019 base appropriation, the growth is 24.2%

### Program Description

The Quality Assurance Division (QAD) promotes and protects the safety and well-being of people in Montana by providing responsive and independent assessment and monitoring of human services. This includes activities related to licensing, fraud investigations, fair hearings, ensuring federal compliance, and operating the medical marijuana registry. The division has field offices in Anaconda, Billings, Bozeman, Great Falls, Havre, Kalispell, Miles City, and Missoula.

Statutory Authority - Quality Assurance Division - 42 U.S.C. 1818 and 42 U.S.C. 1919; 45 U.S.C.; Title 50, Chapter 5, parts 1 and 2; Title 50, Chapter 5, part 11; Title 52, Chapter 2, part 7; and Title 53, Chapter 2, section 501, MCA; CFR 21, CFR 49, CFR 10; P.L. 102-359 (10-27-92).

### Program Highlights

Quality Assurance Division Major Budget Highlights
<ul style="list-style-type: none"> <li>The executive requests a total fund increase of 28.1% over the 2019 biennium mostly due to: <ul style="list-style-type: none"> <li>A present law adjustment of \$722,572 for personal services</li> <li>Almost \$3.8 million in state special authority for a total of 18.00 FTE and associated operating costs</li> </ul> </li> </ul>

### Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	104.23	104.23	122.23	122.23
Personal Services	5,941,627	6,812,916	7,203,759	8,579,662	8,578,897
Operating Expenses	1,189,170	1,401,371	1,583,430	2,453,035	2,498,676
Equipment & Intangible Assets	0	525	525	525	525
Grants	568,569	584,941	584,941	584,941	584,941
<b>Total Expenditures</b>	<b>\$7,699,366</b>	<b>\$8,799,753</b>	<b>\$9,372,655</b>	<b>\$11,618,163</b>	<b>\$11,663,039</b>
General Fund	2,246,016	2,246,032	2,490,068	2,646,518	2,646,984
State/Other Special Rev. Funds	261,493	291,555	389,227	2,331,304	2,378,134
Federal Spec. Rev. Funds	5,191,857	6,262,166	6,493,360	6,640,341	6,637,921
<b>Total Funds</b>	<b>\$7,699,366</b>	<b>\$8,799,753</b>	<b>\$9,372,655</b>	<b>\$11,618,163</b>	<b>\$11,663,039</b>
<b>Total Ongoing</b>	<b>\$7,699,366</b>	<b>\$8,799,753</b>	<b>\$9,372,655</b>	<b>\$11,618,163</b>	<b>\$11,663,039</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### Program Discussion -

#### *FY 2018 Appropriation Compared to FY 2018 Actual Expenditures*

QAD expended 87.5% of the total appropriation in FY 2018 including the entire general fund appropriation. Unspent appropriation remained in state special and federal funds representing 10.4% and 17.1% respectively.

#### *FY 2018 Appropriation Compared to FY 2019 Appropriation*

The appropriation for FY 2019 is 6.5% greater than the FY 2018 appropriation due mostly to reductions made during the November 2017 Special Session and program transfers during FY 2018 that reduced the FY 2018 appropriation.

#### *Executive Request*

The executive request for FY 2020 and FY 2021 represent total fund increases of 24.0% and 24.4% respectively over the base year appropriation. The proposed increases are primarily due to the proposed addition of 18.00 FTE to continue to support activities within the Medical Marijuana Program authorized by the 2017 Legislature in SB 333. Personal services are proposed to increase by 19.1% annually during the 2021 biennium as compared to the base year appropriation. The associative operations costs for the 18 additional FTE total \$1.0 million in FY 2020 and FY 2021. Total operations costs are proposed to increase by 54.9% in FY 2020 and 57.8% in FY 2021.

#### **SB 333**

The 2017 Legislature passed SB 333 revising the Montana Medical Marijuana Act. Notable aspects of the bill required the department to institute a seed to sale tracking system, institute licensing of dispensaries and endorsements for chemical manufacturing, license testing laboratories, establish testing requirements, and required testing of samples collected during inspections.

SB 333 appropriated \$1.96 million to the department of public health and human services from the medical marijuana state special revenue account for fiscal years 2018 and 2019 for the administration of the Montana Medical Marijuana Act. In addition, MCA 50-46-344 established license fees for providers and authorized the department to revise the fees to "adequately fund the administration of the Montana medical marijuana act and the seed to sale tracking system".

#### *5.0% Plan*

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%. A summary of the entire 2021 biennium 5.0% plan submitted for this agency is in the Budget Analysis Appendix.

QAD has created a 5% reduction plan that includes a total savings of \$112,301 in general fund and \$13,075 in state special revenue funds. These savings are achieved through a reduction in operating expenses.

### Program Personal Services Narrative

Personal services comprise 77.4% percent of base appropriations. The executive has proposed a 19.1% increase for personal services during both years of the 2021 biennium. The total increase for the biennium would be \$3.8 million. Just over \$2.0 million of the increase is associated with the proposed addition of 18.00 FTE for the Medical Marijuana Program. The remaining proposed increase of \$722,572 million is primarily due to the proposed reinstatement of personal services base budget reductions during the 2017 Regular Session and a proposed decrease in vacancy savings. QAD experienced a vacancy savings rate of 11.1% in hours expended to hours budgeted. The executive has included a 2.0% vacancy savings reduction in the budget submission for the 2021 biennium.

### Funding

The following table shows proposed program funding by source of authority.

Department of Public Health & Human Services, 08-Quality Assurance Division Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	5,293,502	0	0	0	5,293,502	22.74 %
02034 Earmarked Alcohol Funds	180,870	0	0	0	180,870	3.84 %
02043 Med Provider Revalidation Fees	0	0	0	0	0	0.00 %
02380 02 Indirect Activity Prog 08	52,147	0	0	0	52,147	1.11 %
02497 6901-Lien & Estate - SLTCD	144,632	0	0	0	144,632	3.07 %
02566 Medical Marijuana	4,140,261	0	0	0	4,140,261	87.91 %
02585 Recovery Audit Contract	191,528	0	0	0	191,528	4.07 %
02597 Healthy Montana Kids Plan	0	0	0	0	0	0.00 %
<b>State Special Total</b>	<b>\$4,709,438</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,709,438</b>	<b>20.23 %</b>
03251 Child Care Admin	343,546	0	0	0	343,546	2.59 %
03303 Title 18 CLIA	294,630	0	0	0	294,630	2.22 %
03580 6901-93.778 - Med Adm 50%	1,817,967	0	0	0	1,817,967	13.69 %
03597 03 Indirect Activity Prog 08	2,531,672	0	0	0	2,531,672	19.07 %
03335 FDA Mammography Inspections	60,260	0	0	0	60,260	0.45 %
03359 Recovery Audit Program	282,668	0	0	0	282,668	2.13 %
03426 CHIP Program Fed	0	0	0	0	0	0.00 %
03530 6901-Foster Care 93.658	176,826	0	0	0	176,826	1.33 %
03096 Discretionary Child Care	2,144,820	0	0	0	2,144,820	16.15 %
03934 Title 19	700,987	0	0	0	700,987	5.28 %
03935 Title 18	3,300,203	0	0	0	3,300,203	24.85 %
03948 T-19 OBRA Nurse Aid	224,742	0	0	0	224,742	1.69 %
03960 Rural Hospital Flexibility Prog	1,399,941	0	0	0	1,399,941	10.54 %
<b>Federal Special Total</b>	<b>\$13,278,262</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$13,278,262</b>	<b>57.03 %</b>
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
<b>Total All Funds</b>	<b>\$23,281,202</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$23,281,202</b>	

QAD is funded by a variety of federal funds accounting for 57.0% of the proposed total. QAD activities pertaining to certifications, licensure, and program compliance are supported by 12 different federal funding sources, some of which support more than one function.

Federal Medicaid and Medicare funds are used to support multiple activities including certification of nursing homes and home health services, a department of Justice fraud surveillance contract, federal match for the Recovery Audit Program, the nurse aide registry, and more. Clinical laboratory improvements amendments (CLIA) supports reviews of laboratories



that wish to qualify for federal funding. Rural hospital flexibility grants are used to help local hospitals maintain their critical access hospital (CAH) status.

General fund is used to support 22.7% of program costs with state special supporting the remaining 20.2%. General fund supports a wide range of administrative functions including:

- State match for eligible Medicaid costs
- Title IV-E (foster care)
- Federal discretionary child care funds
- Community residential facilities
- Program compliance

State special revenues include:

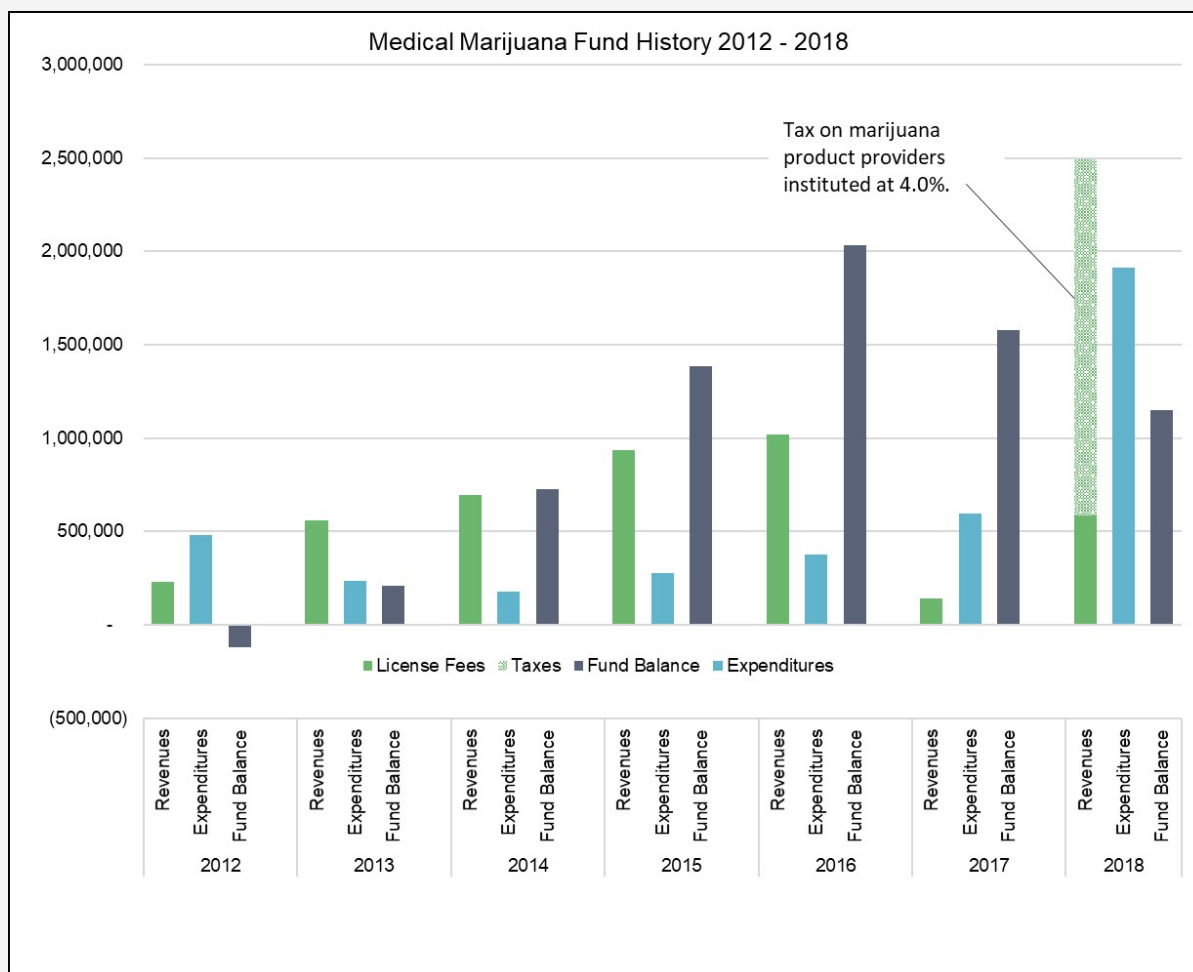
- Alcohol taxes allocated to QAD are used to fund staff and operational costs for the Chemical Dependency Licensure Program
- Lien and estate funds are used to support services to pursue recoveries for Medicaid costs, mainly for nursing home services
- Medical marijuana registry fees are used to cover the cost of maintaining the registry
- Recovery audit contract funds are used to support audits performed by the program to identify waste, fraud, or abuse in Medicaid

The executive has proposed an increase of \$4.0 million to the state special revenue appropriation during the 2021 biennium.

**LFD  
COMMENT**

SB 333 set license fees for providers at \$1,000 for providers serving 10 or fewer registered cardholders and \$5,000 for providers serving more than 10 registered cardholders. The bill also instituted a tax on marijuana product providers at 4.0% during FY 2018. In FY 2019 and thereafter, the tax is reduced to 2.0%. The executive has proposed funding of \$2.0 million and \$2.1 million from the medical marijuana state special fund in FY 2020 and FY 2021 respectively. However, in FY 2018, \$586,773 in revenue was generated from licensing fees while \$1.9 million was generated from the 4.0% tax on providers. Assuming the tax revenues reduce around half when the rate reduces from 4.0% to 2.0%, revenues from the tax will total around \$1.0 million which combined with the FY 2018 revenue from license fees, may not generate the revenues needed to cover the amount of requested appropriated authority without a significant increase in the provider license fee amount. As mentioned, SB 333 gives DPHHS the authority to revise the license fees in order to fund the Medical Marijuana Program.

The following graph illustrates the history of the medical marijuana fund from FY 2012 - FY 2018.



### Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	2,490,068	2,490,068	4,980,136	94.08 %	9,372,655	9,372,655	18,745,310	80.52 %
SWPL Adjustments	156,450	156,916	313,366	5.92 %	373,696	371,472	745,168	3.20 %
PL Adjustments	0	0	0	0.00 %	1,871,812	1,918,912	3,790,724	16.28 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$2,646,518</b>	<b>\$2,646,984</b>	<b>\$5,293,502</b>		<b>\$11,618,163</b>	<b>\$11,663,039</b>	<b>\$23,281,202</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the 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.

Present Law Adjustments										
-----Fiscal 2020-----						-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	152,619	69,828	141,166	363,613	0.00	152,160	69,453	137,346	358,959
DP 3 - Inflation Deflation	0.00	3,831	437	5,815	10,083	0.00	4,756	542	7,215	12,513
DP 8001 - Medical Marijuana	18.00	0	1,871,812	0	1,871,812	18.00	0	1,918,912	0	1,918,912
<b>Grand Total All Present Law Adjustments</b>	<b>18.00</b>	<b>\$156,450</b>	<b>\$1,942,077</b>	<b>\$146,981</b>	<b>\$2,245,508</b>	<b>18.00</b>	<b>\$156,916</b>	<b>\$1,988,907</b>	<b>\$144,561</b>	<b>\$2,290,384</b>

\*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

**DP 1 - Personal Services -**

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

**DP 3 - Inflation Deflation -**

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

**DP 8001 - Medical Marijuana -**

The executive requests 18.00 FTE, operating expenses and personal services, for the biennium to provide existing services for the Medical Marijuana Program in the Quality Assurance Division.

### Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	10,004,639	11,801,947	1,797,308	17.96 %
Operating Expenses	51,613,504	51,424,757	(188,747)	(0.37)%
Equipment & Intangible Assets	418,412	418,412	0	0.00 %
Debt Service	182,532	182,532	0	0.00 %
<b>Total Expenditures</b>	<b>\$62,219,087</b>	<b>\$63,827,648</b>	<b>\$1,608,561</b>	<b>2.59 %</b>
General Fund	24,061,838	26,004,678	1,942,840	8.07 %
State/Other Special Rev. Funds	3,531,942	3,322,550	(209,392)	(5.93)%
Federal Spec. Rev. Funds	34,625,307	34,500,420	(124,887)	(0.36)%
<b>Total Funds</b>	<b>\$62,219,087</b>	<b>\$63,827,648</b>	<b>\$1,608,561</b>	<b>2.59 %</b>
<b>Total Ongoing</b>	<b>\$62,219,087</b>	<b>\$63,827,648</b>	<b>\$1,608,561</b>	<b>2.59 %</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>

### Program Biennium Comparison -

The biennium comparison table shows a total growth of 2.6%. Compared to the FY 2019 base appropriation, the growth is 3.2%

### Program Description

Technology Service Division (TSD) provides a wide range of technology platforms that support DPHHS. The division is comprised of three bureaus organized in areas of project management, database functions, and network/communication systems. TSD services include programming, help desk functions, database support, web development, enterprise architecture, project and contract management, security, and network management.

Statutory Authority - Technology Services Division - Title 17 and Title 40, MCA, and Title IV of the Social Security Act, Section 06, P.L. 96-265.

### Program Highlights

Technology Services Division Major Budget Highlights
<ul style="list-style-type: none"> <li>The executive requests a total fund increase of \$1.6 million or 2.6% including an increase of 18.0% for personal services</li> <li>The requested increase in personal services is primarily due to: <ul style="list-style-type: none"> <li>A present law increase of \$1.6 million total funds including \$580,591 in general fund</li> </ul> </li> </ul>

### Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	66.60	66.60	66.60	66.60
Personal Services	5,201,722	4,910,043	5,094,596	5,901,703	5,900,244
Operating Expenses	24,602,003	26,090,169	25,523,335	25,711,066	25,713,691
Equipment & Intangible Assets	0	209,206	209,206	209,206	209,206
Debt Service	0	91,266	91,266	91,266	91,266
<b>Total Expenditures</b>	<b>\$29,803,725</b>	<b>\$31,300,684</b>	<b>\$30,918,403</b>	<b>\$31,913,241</b>	<b>\$31,914,407</b>
General Fund	11,109,247	11,431,017	12,630,821	13,002,045	13,002,633
State/Other Special Rev. Funds	1,900,982	2,145,944	1,385,998	1,661,366	1,661,184
Federal Spec. Rev. Funds	16,793,496	17,723,723	16,901,584	17,249,830	17,250,590
<b>Total Funds</b>	<b>\$29,803,725</b>	<b>\$31,300,684</b>	<b>\$30,918,403</b>	<b>\$31,913,241</b>	<b>\$31,914,407</b>
<b>Total Ongoing</b>	<b>\$29,803,725</b>	<b>\$31,300,684</b>	<b>\$30,918,403</b>	<b>\$31,913,241</b>	<b>\$31,914,407</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### Program Discussion -

#### *FY 2018 Appropriation Compared to FY 2018 Actual Expenditures*

TSD expended 95.2% of the total appropriation in FY 2018 including 97.2% general fund. Unspent appropriation remained in state special and federal funds representing 11.4% and 5.2% respectively. Personal services were overspent by 5.9% which was offset by operating expenses with a remaining appropriation of 5.7%.

#### *FY 2018 Appropriation Compared to FY 2019 Appropriation*

The appropriation for FY 2019 is 1.2% less than the FY 2018 appropriation. TSD received a \$1.1 million general fund SB 9 restoration in 2019, however, this increase was offset by decreases in state special and federal appropriations in FY 2019 compared to FY 2018 stemming from:

- Program transfers totaling \$716,512 into state special authority resulting in a higher FY 2018 appropriation
- November 2017 Special Session changes that reduced the FY 2019 federal appropriation more than the reduction for FY 2018

#### **LFD COMMENT**

In FY 2018, a total of \$1,142,444 was decreased from the TSD general fund appropriation as a result of the Governor's 17-7-140 reductions. The reduction included \$105,188 from personal services and \$1,037,256 from operating expenses. In FY 2019, the total of \$1,142,444 was restored to TSD as authorized by SB 9. All of the restored funds were appropriated to operating expenses effectively increasing the base for operations and decreasing the base for personal services by \$105,188.

### *Executive Request*

The executive request for FY 2020 and FY 2021 is an increase of 3.2% over the base year appropriation.

#### 5.0% Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%. A summary of the entire 2021 biennium 5.0% plan submitted for this agency is in the Budget Analysis Appendix.

TSD has created a 5.0% reduction plan that includes a total savings of \$555,462 in general fund and \$95,049 in state special revenue funds. These savings are achieved through a reduction in operating costs for the division.

### Program Personal Services Narrative

Personal services comprise 16.5% percent of base appropriations, while the executive proposes about 18.5% for FY 2020 and FY 2021. This includes a 15.8% increase to personal services during FY 2020 and FY 2021. The increase in personal services is primarily due to the transfer of 4.00 FTE from MDC, SB 9 restorations that were originally taken from personal services and restored to operating expenses, a proposed reinstatement of personal services base budget reductions during the 2017 Regular Session and a proposed decrease in vacancy savings. TSD experienced a vacancy savings rate of 3.2% in hours expended to hours budgeted. The executive has included a 2.0% vacancy savings reduction in its budget submission for the 2021 biennium.

#### LFD COMMENT

FTE increased by a total of 4.00 at TSD during the 2019 biennium as a result of agency transfers. There is additional discussion about FTE movement within the agency during the 2019 biennium in the Agency Summary and additional discussion about the FTE movement out of MDC in the DSD portion of the budget analysis. The 2021 Legislature may wish to review and discuss the options presented in the Agency Overview and the DSD portion of the budget analysis.

### Funding

The following table shows proposed program funding by source of authority.

Department of Public Health & Human Services, 09-Technology Services Division Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	26,004,678	0	0	120,900	26,125,578	40.62 %
02381 02 Indirect Activity Prog 09	3,322,550	0	0	0	3,322,550	100.00 %
02597 Healthy Montana Kids Plan	0	0	0	0	0	0.00 %
<b>State Special Total</b>	<b>\$3,322,550</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,322,550</b>	<b>5.17 %</b>
03580 6901-93.778 - Med Adm 50%	0	0	0	0	0	0.00 %
03598 03 Indirect Activity Prog 09	34,500,420	0	0	371,762	34,872,182	100.00 %
03426 CHIP Program Fed	0	0	0	0	0	0.00 %
03974 Medicaid Exp HELP Act Admin	0	0	0	0	0	0.00 %
<b>Federal Special Total</b>	<b>\$34,500,420</b>	<b>\$0</b>	<b>\$0</b>	<b>\$371,762</b>	<b>\$34,872,182</b>	<b>54.22 %</b>
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
<b>Total All Funds</b>	<b>\$63,827,648</b>	<b>\$0</b>	<b>\$0</b>	<b>\$492,662</b>	<b>\$64,320,310</b>	

TSD receives general fund, state special revenue, and federal funds through a federally approved cost allocation formula that is generally referred to as indirect activity. The funding formula is derived from those funds expended on functions benefitting or serving other programs in the department. About 40.6% of requested TSD authority is general fund while federal funds and state special comprise around 54.2% and 5.2% respectively.

Statutory funding at TSD is associated with the HELP Act, currently set to expire, and contingent upon legislative action in order to continue.

**Program Budget Summary by Category**

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

-----General Fund-----					-----Total Funds-----			
Budget Item	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	12,630,821	12,630,821	25,261,642	97.14 %	30,918,403	30,918,403	61,836,806	96.88 %
SWPL Adjustments	371,224	371,812	743,036	2.86 %	994,838	996,004	1,990,842	3.12 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$13,002,045</b>	<b>\$13,002,633</b>	<b>\$26,004,678</b>		<b>\$31,913,241</b>	<b>\$31,914,407</b>	<b>\$63,827,648</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the 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.

Present Law Adjustments										
-----Fiscal 2020-----						-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	290,559	258,274	258,274	807,107	0.00	290,032	257,808	257,808	805,648
DP 2 - Fixed Costs	0.00	80,353	16,818	89,696	186,867	0.00	81,393	17,035	90,855	189,283
DP 3 - Inflation Deflation	0.00	312	276	276	864	0.00	387	343	343	1,073
Grand Total All Present Law Adjustments	0.00	\$371,224	\$275,368	\$348,246	\$994,838	0.00	\$371,812	\$275,186	\$349,006	\$996,004

\*\*Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

**DP 1 - Personal Services -**

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

**DP 2 - Fixed Costs -**

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, etc. The rates charged for these services are approved in the section of the budget that provides the services.

**DP 3 - Inflation Deflation -**

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

### Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	31,853,071	24,832,495	(7,020,576)	(22.04)%
Operating Expenses	10,512,495	10,754,263	241,768	2.30 %
Benefits & Claims	550,158,260	568,031,412	17,873,152	3.25 %
Debt Service	37,932	0	(37,932)	(100.00)%
<b>Total Expenditures</b>	<b>\$592,561,758</b>	<b>\$603,618,170</b>	<b>\$11,056,412</b>	<b>1.87 %</b>
General Fund	175,911,970	180,234,307	4,322,337	2.46 %
State/Other Special Rev. Funds	13,049,383	12,998,494	(50,889)	(0.39)%
Federal Spec. Rev. Funds	403,600,405	410,385,369	6,784,964	1.68 %
<b>Total Funds</b>	<b>\$592,561,758</b>	<b>\$603,618,170</b>	<b>\$11,056,412</b>	<b>1.87 %</b>
<b>Total Ongoing</b>	<b>\$591,361,758</b>	<b>\$603,618,170</b>	<b>\$12,256,412</b>	<b>2.07 %</b>
<b>Total OTO</b>	<b>\$1,200,000</b>	<b>\$0</b>	<b>(\$1,200,000)</b>	<b>(100.00)%</b>

### Program Biennium Comparison -

The biennium comparison table shows a total growth of 1.9%. Compared to the FY 2019 base appropriation, the growth is 1.2%.

### Program Description

The role of the Developmental Services Division (DSD) is to facilitate efficient delivery of effective services to adults and children with developmental disabilities and children with serious emotional disturbances. The division facilitates a wide range of services, all with the underlying goal of assisting Montanans with disabilities in living full lives within their community. The division includes the Developmental Disabilities Program, the Intensive Behavior Center (IBC) at Boulder, and the Children's Mental Health Bureau. The division provides or contracts for institutional care, inpatient care, residential services, home and community based services, and case management.

The Developmental Disabilities Program operates two home and community based Medicaid waivers, the state's Individuals with Disabilities Education Act (IDEA) early intervention program, and the Intensive Behavior Center (IBC) in Boulder. These services include transportation, residential and work habilitation, adaptive equipment, and some medical services not covered by the state Medicaid plan.

The Children's Mental Health Bureau manages a continuum of services to address the needs of youth with serious emotional disturbances and their families. These services are funded by Medicaid and offered by Medicaid enrolled providers. In addition, the bureau builds linkages to other child serving agencies to support the development of a system of care for youth.

Statutory Title 53, MCA, 29USC 721 et seq., 29USC 796, et seq., 29USC 774, et seq., 29USC 777(b), 29USC 2201 et seq., 42 USC 75, 6602, 72USC 1300, 42CFR 441.302(b), 4CFR 441.302(g), 45CFR 74.62, and 34CFR Part 303.



**Program Highlights**

<b>Developmental Services Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The executive proposes a total fund increase of 1.9% including a 2.5% increase in general fund and a 1.7% increase in federal funds</li> <li>• The Executive proposes a 22.0% decrease in personal services primarily due to: <ul style="list-style-type: none"> <li>◦ During the 2019 biennium DPPHS transferred 87.26 FTE from the Montana Developmental Center (MDC) in response to SB 411 (2015 Session) and HB 387 (2017 Session) to other DPHHS divisions</li> <li>◦ A new proposal to transfer an additional 18.00 FTE from DSD to Child and Family Services Division (CFSD)</li> </ul> </li> <li>• The largest factors effecting proposed expenditures include: <ul style="list-style-type: none"> <li>◦ A present law adjustment to reduce general fund \$8.5 million for personal services stemming from the transfer of FTE from MDC to other agency divisions</li> <li>◦ Present law adjustments totaling \$6.0 million in general fund due to a reduction in the Federal Medicaid Assistance Percentage (FMAP) requiring the state to pick up a higher percentage of Medicaid reimbursement costs for Medicaid core and waiver participants</li> <li>◦ A present law increase of \$24.2 million total funds including \$8.5 million general fund for Medicaid waiver caseload</li> <li>◦ A present law decrease of \$17.3 million including \$6.0 million general fund for Medicaid core caseload</li> </ul> </li> </ul>
<b>LFD Issues</b>
<ul style="list-style-type: none"> <li>• DPPHS closed MDC on October 26, 2018 as required by SB 411 (2015 Session). A 12-bed Intensive Behavior Center (IBC), authorized by HB 387 (2017 Session), remains at the Boulder campus</li> <li>• Since 2014 the population at the Boulder campus has declined, however, the cost per client has increased by 76.7%</li> </ul>

**Program Actuals and Budget Comparison**

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	206.91	206.91	188.91	188.91
Personal Services	13,525,559	14,270,845	17,582,226	12,416,190	12,416,305
Operating Expenses	4,478,855	4,751,885	5,760,610	5,382,405	5,371,858
Benefits & Claims	261,236,516	275,156,713	275,001,547	275,776,184	292,255,228
Debt Service	37,932	37,932	0	0	0
<b>Total Expenditures</b>	<b>\$279,278,862</b>	<b>\$294,217,375</b>	<b>\$298,344,383</b>	<b>\$293,574,779</b>	<b>\$310,043,391</b>
General Fund	85,116,321	85,393,284	90,518,686	88,164,099	92,070,208
State/Other Special Rev. Funds	6,560,592	6,560,891	6,488,492	6,496,482	6,502,012
Federal Spec. Rev. Funds	187,601,949	202,263,200	201,337,205	198,914,198	211,471,171
<b>Total Funds</b>	<b>\$279,278,862</b>	<b>\$294,217,375</b>	<b>\$298,344,383</b>	<b>\$293,574,779</b>	<b>\$310,043,391</b>
<b>Total Ongoing</b>	<b>\$278,799,072</b>	<b>\$293,617,375</b>	<b>\$297,744,383</b>	<b>\$293,574,779</b>	<b>\$310,043,391</b>
<b>Total OTO</b>	<b>\$479,790</b>	<b>\$600,000</b>	<b>\$600,000</b>	<b>\$0</b>	<b>\$0</b>

### Program Discussion -

#### *FY 2018 Appropriations Compared to FY 2018 Actual Expenditures*

DSD expended 94.9% of the total 2018 appropriation including 99.7% of general fund, 100.0% of state special, and 92.3% of federal funds.

#### **LFD COMMENT**

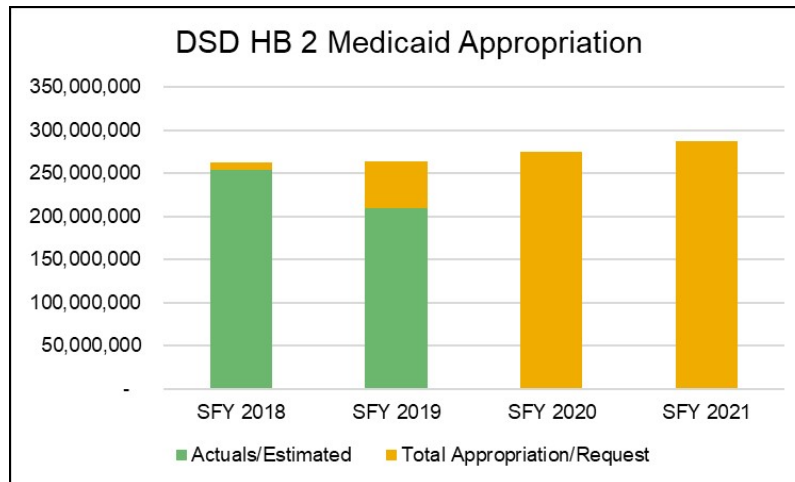
Prior to FY 2018, DSD offered children's autism services through a Medicaid waiver and limited services to those participants that qualified for the waiver. During FY 2018, DPHHS implemented children's autism services as a state plan (regular Medicaid) service. Children's autism services was appropriated \$3.0 million for FY 2018. A total of \$44,418, or 1.5% of the appropriation was expended during FY 2018. According to the department, this was due to difficulties in rolling the service out as part of regular Medicaid.

#### *FY 2018 Appropriations Compared to FY 2019 Appropriations*

The FY 2019 appropriation is 1.4% greater than the FY 2018 appropriation. The difference in appropriation is primarily due to \$4.6 million being restored to the general fund appropriation as authorized by SB 9 (November 2017 Special Session)

#### *Executive Request*

The executive request includes a total fund decrease of 1.6% in FY 2020 and a 3.9% increase in FY 2021 as compared to the base year appropriation. The decrease in FY 2020 and increase in FY 2021 is primarily due to adjustments for Medicaid caseload. Benefits and claims are expected to increase 0.3% in FY 2020 and 6.3% during FY 2021. The chart below illustrates the HB 2 Medicaid appropriation from FY 2018 - FY 2021.

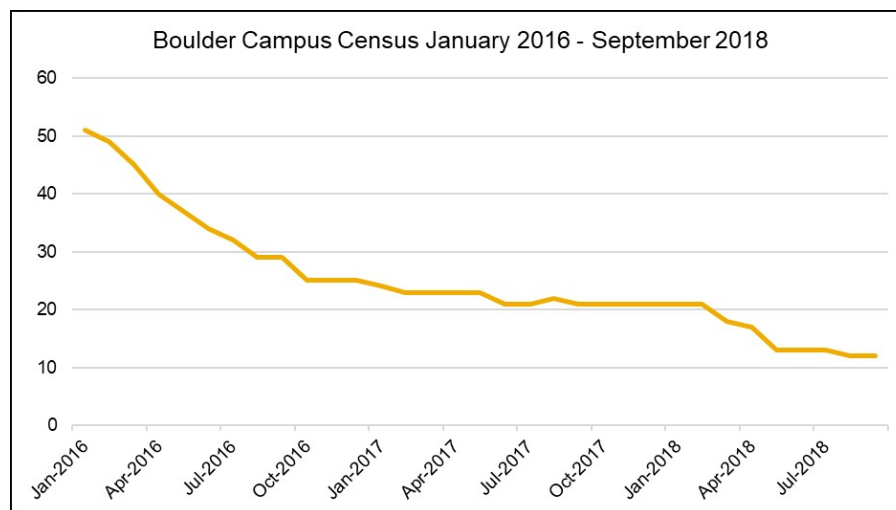


#### *MDC Transition – SB 411 (2015) and HB 387 (2017)*

The 2015 Legislature passed SB 411 requiring the Department of Public Health and Human Services (DPHHS) to develop a plan and close the Montana Developmental Center (MDC). When SB 411 passed, there were 51 residents at MDC. The department was instructed to move most of the residents into community services by December 31, 2016. A final closure date was set for June 30, 2017. The 2017 Legislature passed HB 387 to extend the closure date for the MDC cottages to June 30, 2019. In addition, HB 387 authorized a permanent 12-bed secure Intensive Behavior Center (IBC) at the facility.

#### *Montana Development Center*

The figure below illustrates the decline of residents served at the Boulder campus, formerly MDC. The population of MDC decreased to 1 in May of 2018 and was closed on October 26, 2018. Please note that the chart includes the resident populations of both MDC and the IBC.



The IBC, also referred to as the Assessment and Stabilization Unit (ASU), remains at the Boulder campus and is funded entirely with state general fund. The IBC is a locked and enclosed facility that serves individuals with developmental disabilities in need of intensive treatment due to, “continuous or repeated behaviors that pose an imminent risk of serious harm to self or others.” The IBC has averaged 11.5 residents since January 2016, nearly at its capacity of 12.

**LFD  
COMMENT**

On July 9, 2018 10.00 FTE were transferred from MDC to CFSD. On July 13, 2018, an additional 77.26 FTE were transferred from MDC to CFSD, Technology Services Division (TSD), Medicaid and Health Services Management (MHSM), and Addictive and Mental Disorders Division (AMDD). For a complete analysis of FTE movement across the agency please see the Agency Summary.

A total of 206.91 FTE remained at DSD including 106.70 FTE at MDC following the two transfers to other divisions. The executive has proposed an additional reduction of 18.00 FTE to be transferred from DSD to CFSD during the 2021 biennium. Currently there are 76.79 FTE at the IBC and 29.87 FTE for Boulder Campus administration and support. The executive proposal would reduce the IBC FTE by .19 and the Boulder Campus administration by 17.81 leaving a total at the facility of 88.70 FTE.

**LFD  
COMMENT**

MDC was licensed as a separate facility from the IBC. MDC was as an Intermediate Care Facility for Individuals with Intellectual Disabilities (ICF-IID). The 12 bed IBC is regulated as an Intermediate Care Facility for Developmentally Disabled (ICF-DD). In 2013, MDC was licensed for 56 beds which was reduced to 44 in 2015. As a facility, the Boulder campus has historically been licensed for, and served, many more residents than the 12 that will be the maximum capacity beginning in FY 2020. As the resident and staff population of MDC decreased, the expenditures incurred at the facility did not decrease at a concurrent amount due in part to fixed costs. Moreover, residents in the IBC are not eligible for Medicaid, meaning state funds are the only source of funding for benefits and claims for IBC residents in the 2021 biennium. Montana has received federal revenues for MDC from public institution reimbursements. However, beginning in FY 2020, federal revenue will no longer be provided as the IBC is not eligible. The table below illustrates the costs per client to serve residents at the Boulder campus and the impacts of closing MDC (the ICF-IID portion of the facility). Due to limitations of space, the table below covers FY 2016 - FY 2021. An additional chart covering FY 2014 - FY 2018 actuals is available in the appendix.

Boulder Campus Cost Per Client						
	FY 2016	FY 2017	FY 2018	FY 2019 <sup>2</sup>	FY 2020	FY 2021
Expenditures	Actuals	Actuals	Actuals	Estimated	Requested	Requested
GF	\$16,427,658	\$12,077,846	\$9,677,026	\$7,433,100	\$8,316,634	\$8,306,501
Federal	<u>6,730,292</u>	<u>2,312,741</u>	<u>2,242,938</u>	<u>206,732</u>	<u>0</u>	<u>0</u>
Total	23,157,950	14,390,587	11,919,964	7,639,832	8,316,634	8,306,501
Revenues <sup>1</sup>						
Public Inst. Reimb.	6,784,774	2,379,199	4,734,763	899,156	0	0
Populations						
Avg Census	49	26	20	12	12	12
FTE	192.93	192.93	192.93	106.66	106.66	106.66
Cost/Client						
General Fund	196,794	373,025	247,113	544,495	693,053	692,208
Federal	<u>275,818</u>	<u>180,459</u>	<u>348,885</u>	<u>92,157</u>	<u>0</u>	<u>0</u>
Total	\$472,611	\$553,484	\$595,998	\$636,653	\$693,053	\$692,208

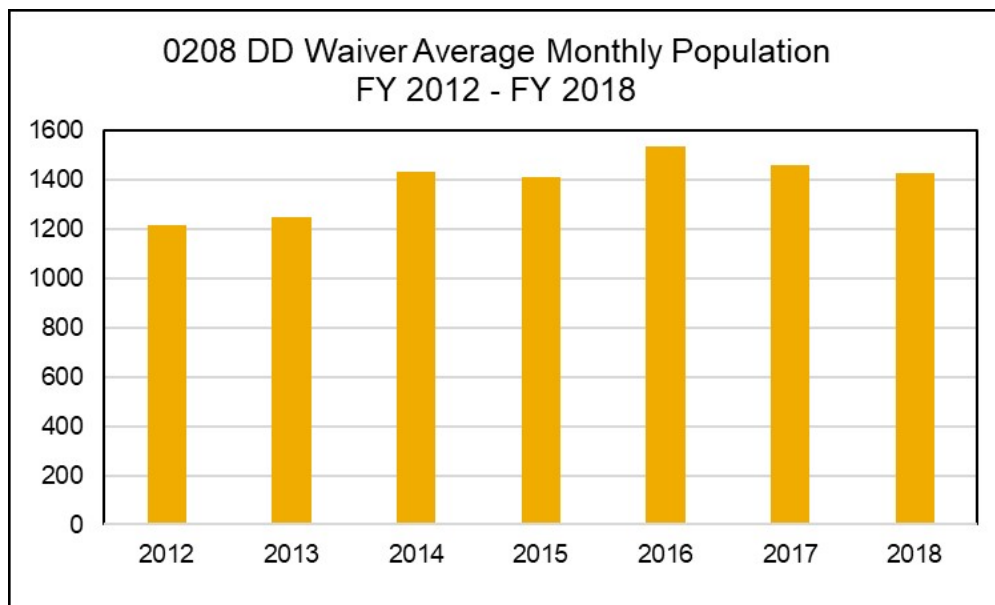
1 - Revenues from federal reimbursements are projected to be zero beginning in FY 2020.

2 - Expenditures and revenues estimated as of Nov. 1, 2018.

Two years ago the Boulder campus had a population of more than 50. Today, only the IBC remains, and the population is no more than 12. A large portion of the campus, including multiple facilities that were used by MDC, are no longer in use. The legislature may wish to engage the department on long term plans for the facility. In addition, the legislature could commission an interim study on the current utilization and costs associated with the Boulder campus.

#### 0208 DD Waiver

From FY 2014 – FY 2018 the average annual population at MDC declined by an average of 9 patients per year. See the Boulder Campus census chart above. Many of the patients leaving MDC were placed on the 0208 DD waiver. Since 2014, an average of 1,453 clients/month have been served on the DD waiver. The reduction in MDC population, if all were placed on the DD waiver, would equate to a total increase of 0.62% in the average number of clients. However, the annual average DD waiver population has been declining since FY 2016. The chart below illustrates the average monthly number of clients on the DD waiver.



**LFD  
COMMENT**

The costs to serve clients on the DD waiver can vary significantly. Many of the MDC patients that have left the facility transitioned into therapeutic group homes. The annual cost to serve DD waiver clients in group homes can exceed \$200,000. Legislative Fiscal Division (LFD) staff requested the number of MDC residents that have transitioned into group homes as well as the total of their individual cost plans. As of publication of this document, the department had not provided the requested information.

The executive has requested a present law Medicaid waiver caseload increase of \$24.2 million in total funds including \$8.5 million in general fund.

The DD waiver maintains a waitlist for clients wishing to receive services. It is unclear what impact the closure of MDC has had on the continued transitions of persons on the DD waiver waitlist. The decrease in the average monthly population on the DD waiver suggests the transition of MDC residents onto the waiver may have had an impact on the total number of clients the department can serve. The legislature may wish to discuss with the department what impacts, if any, the MDC closure has had on waiver transitions.

**5.0% Plan**

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%. A summary of the entire 2021 biennium 5.0% plan submitted for this agency is in the Budget Analysis Appendix.

DSD has created a 5.0% reduction plan that includes a total savings of \$4.2 million in general fund and \$36,132 in state special revenue funds. These savings are achieved through a Medicaid rate reduction and a reduction of operations and personal services for MDC, Children's Mental Health Bureau (CMHB), and Developmental Disabilities Program (DDP).

**Program Personal Services Narrative**

The proposed personal services budget for DSD includes a 22.0% reduction for personal services. The executive has requested a present law decrease of \$4.3 million in general fund for personal services in FY 2020 and FY 2021. In addition, the executive has included a new proposal to transfer an additional 18.00 FTE from DSD to CFSD resulting in a decrease of \$2.4 million.

The executive did not transfer any funding with the 87.26 FTE that were transferred from MDC to multiple other divisions within DPHHS during the 2019 biennium. Therefore, the FY 2019 appropriation was not reduced when the FTE transferred making the biennial difference between the 2019 biennium and the 2021 biennium appear greater. DSD personal services decrease in DP 1, the statewide present law personal services adjustment by more than \$5.0 million as a result of FTE movement.

## Funding

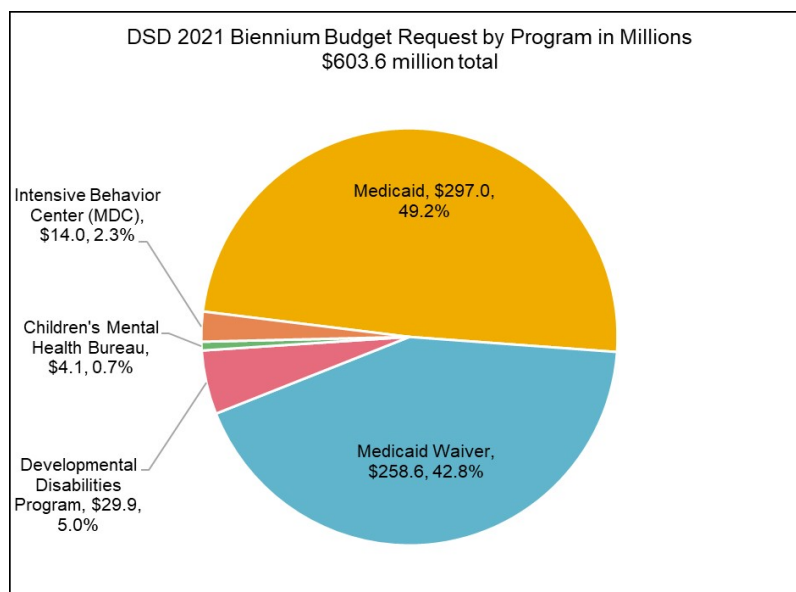
The following table shows proposed program funding by source of authority.

Department of Public Health & Human Services, 10-Developmental Services Division Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	180,234,307	0	0	0	180,234,307	29.86 %
02035 MDC Vocational	2,554	0	0	0	2,554	0.02 %
02597 Healthy Montana Kids Plan	2,309,508	0	0	0	2,309,508	17.77 %
02772 Tobacco Hlth and Medicaid Init	9,366,384	0	0	0	9,366,384	72.06 %
02987 Tobacco Interest	1,320,048	0	0	0	1,320,048	10.16 %
<b>State Special Total</b>	<b>\$12,998,494</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$12,998,494</b>	<b>2.15 %</b>
03579 93.667 - SSBG - Benefits	9,846,266	0	0	0	9,846,266	2.40 %
03580 6901-93.778 - Med Adm 50%	5,776,603	0	0	0	5,776,603	1.41 %
03583 93.778 - Med Ben Fmap	385,095,172	0	0	0	385,095,172	93.84 %
03599 03 Indirect Activity Prog 10	6,470,814	0	0	0	6,470,814	1.58 %
03705 SAMHSA Treatment Enhancement	0	0	0	0	0	0.00 %
03556 84.181 - Part H - Early Interv	3,196,514	0	0	0	3,196,514	0.78 %
03975 Medicaid Exp HELP Act Benefit	0	0	0	9,057	9,057	0.00 %
<b>Federal Special Total</b>	<b>\$410,385,369</b>	<b>\$0</b>	<b>\$0</b>	<b>\$9,057</b>	<b>\$410,394,426</b>	<b>67.99 %</b>
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
<b>Total All Funds</b>	<b>\$603,618,170</b>	<b>\$0</b>	<b>\$0</b>	<b>\$9,057</b>	<b>\$603,627,227</b>	

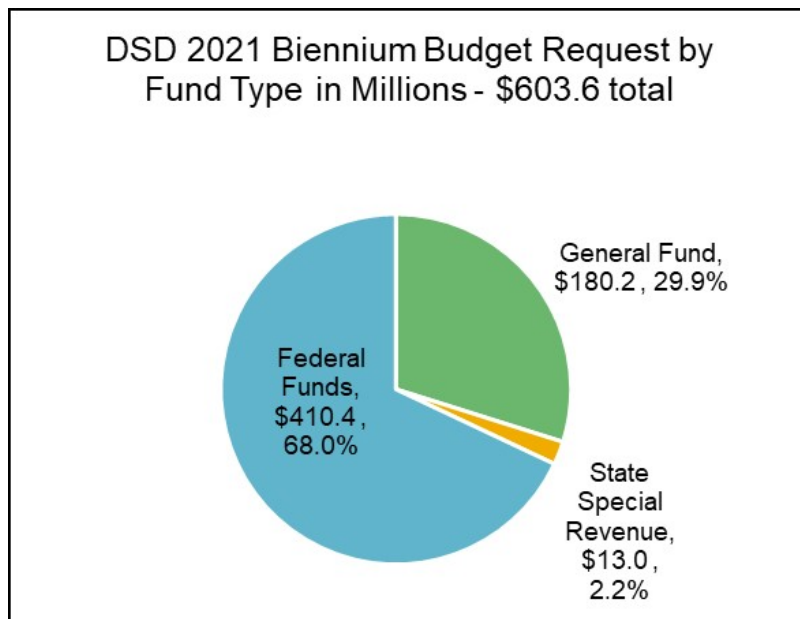
In addition to the IBC, DSD is comprised of two additional programs including:

- Children's Mental Health Bureau (CMHB)
  - Responsible for providing mental health services for children enrolled in Medicaid
  - Administers school-based services including Comprehensive School and Community Treatment (CSCT) which are mental health services for children with Severe Emotional Disturbance (SED)
- Developmental Disabilities Program (DDP)
  - DDP oversees contracts with private and non-profit organizations that provide services to members of the DD community and their families

The following table illustrates the 2021 biennium DSD budget request by program type.



The executive request for DSD during the 2021 biennium totals \$603.6 million. The charts below illustrate the requested budget by expenditure type and by fund type.



Just under 68.0% of the total budget is federal funds. Over 93.8% of federal funds are the federal portion of DSD benefits and claims. DDP and CMHB provide Medicaid services to the DD population which are funded at the Federal Medicaid Assistance Percentage (FMAP) with general fund used to cover the state match.

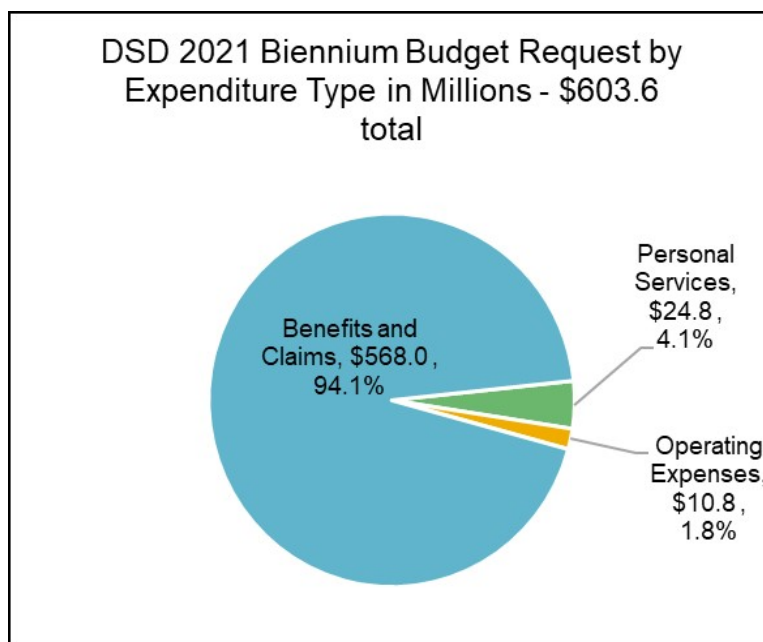
Additional federal funds include the social services block grant and early intervention which are special education grants for infants and families provided by the U.S. Department of Education.

General fund comprises 29.9% of the executive request. In addition to funding the state portion of Medicaid benefits, general fund is used for the IBC.



Montana Federal Medicaid Assistance Percentage (FMAP)					
FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
65.41%	65.48%	65.43%	65.50%	64.97%	64.78%

The FMAP is expected to drop from an average of 65.5% during the 2019 biennium to an average of 64.9% during the 2021 biennium. Benefits and claims are 94.1% of the executive request for the 2021 biennium. The executive has requested an FMAP adjustment (DP 10001 & DP 10002) to increase general fund authority by a total of \$6.0 million during the 2021 biennium to cover the difference.



### Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	89,918,686	89,918,686	179,837,372	99.78 %	297,744,383	297,744,383	595,488,766	98.65 %
SWPL Adjustments	(4,335,441)	(4,346,957)	(8,682,398)	(4.82)%	(4,051,194)	(4,059,882)	(8,111,076)	(1.34)%
PL Adjustments	3,039,398	5,422,204	8,461,602	4.69 %	(1,374,598)	9,925,684	8,551,086	1.42 %
New Proposals	(458,544)	1,076,275	617,731	0.34 %	1,256,188	6,433,206	7,689,394	1.27 %
<b>Total Budget</b>	<b>\$88,164,099</b>	<b>\$92,070,208</b>	<b>\$180,234,307</b>		<b>\$293,574,779</b>	<b>\$310,043,391</b>	<b>\$603,618,170</b>	

### Present Law Adjustments

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the 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.

Present Law Adjustments										
Fiscal 2020						Fiscal 2021				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	(4,254,180)	2,529	278,662	(3,972,989)	0.00	(4,254,413)	2,499	280,784	(3,971,130)
DP 2 - Fixed Costs	0.00	(83,669)	0	0	(83,669)	0.00	(95,530)	0	0	(95,530)
DP 3 - Inflation Deflation	0.00	2,408	0	3,056	5,464	0.00	2,986	0	3,792	6,778
DP 10001 - Medicaid Waiver FMAP - DSD	0.00	2,647,821	0	(2,647,821)	0	0.00	2,371,975	0	(2,371,975)	0
DP 10002 - Medicaid Core Services FMAP - DSD	0.00	577,979	0	(577,979)	0	0.00	425,305	0	(425,305)	0
DP 10003 - Medicaid Waiver Caseload - DSD	0.00	4,233,838	0	7,828,379	12,062,217	0.00	4,241,187	0	7,925,155	12,166,342
DP 10004 - Medicaid Core Caseload - DSD	0.00	(4,420,240)	0	(8,198,202)	(12,618,442)	0.00	(1,616,263)	0	(3,016,190)	(4,632,453)
DP 10011 - Med Fed Caseload	0.00	0	0	(818,373)	(818,373)	0.00	0	0	2,391,795	2,391,795
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>(\$1,296,043)</b>	<b>\$2,529</b>	<b>(\$4,132,278)</b>	<b>(\$5,425,792)</b>	<b>0.00</b>	<b>\$1,075,247</b>	<b>\$2,499</b>	<b>\$4,788,056</b>	<b>\$5,865,802</b>

\*\*\*Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

#### DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

#### DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, etc. The rates charged for these services are approved in the section of the budget that provides the services.

#### DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

#### DP 10001 - Medicaid Waiver FMAP - DSD -

The executive requests a present law adjustment including an increase in general fund of \$2,647,821 in FY 2020 and \$2,371,975 in FY 2021 with federal fund reductions in equal amounts for each year. The fund transfer is requested to maintain existing services for the Medicaid waiver in the Developmental Services Division due to a reduction in the Federal Medicaid Assistance Percentage.

#### DP 10002 - Medicaid Core Services FMAP - DSD -

The executive requests a present law adjustment including an increase in general fund of \$577,979 in FY 2020 and \$425,305 in FY 2021 with federal fund reductions in equal amounts for each year. The fund transfer is requested to maintain

existing services for the Medicaid programs in the Developmental Services Division due to a reduction in the Federal Medicaid Assistance Percentage.

DP 10003 - Medicaid Waiver Caseload - DSD -

The executive requests a present law increase of \$24,228,559 in total funds. Funds are requested to cover caseload growth in the Developmental Services Division Medicaid Waiver. Caseload can include either an increase or decrease in the number of eligible individuals, utilization, acuity levels, and cost per service for medical care. The biennial funding is \$8,475,025 in general fund, and \$15,753,534 in federal funds.

DP 10004 - Medicaid Core Caseload - DSD -

The executive requests a present law reduction of \$17,250,895 in total funds. Funds are requested to cover caseload growth in Medicaid Core at Developmental Services Division. Caseload can include either an increase or decrease in the number of eligible individuals, utilization, acuity levels, and cost per service for care. The biennial funding requested is \$8,475,025 in general fund, and \$15,753,534 in federal funds.

DP 10011 - Med Fed Caseload -

The executive requests a present law increase in federal funds of \$1,573,422 over the biennium. Funds are requested to cover a caseload increase in the Developmental Disabilities Division - Children's Mental Health bureau which covers children receiving comprehensive school and community treatment services. Caseload can include either an increase or decrease in the number of eligible individuals, utilization, acuity levels, and cost per service for care.

**New Proposals**

The "New Proposals" table shows new changes to spending.

New Proposals										
-----Fiscal 2020-----						-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 10005 - PRI - Medicaid Core PRI - DSD	0.00	307,406	0	570,145	877,551	0.00	978,489	0	1,826,009	2,804,498
DP 10006 - PRI - Medicaid Waiver- DSD	0.00	392,867	0	726,414	1,119,281	0.00	1,182,637	0	2,209,896	3,392,533
DP 10007 - PRI - Non-Medicaid - DSD	0.00	34,230	5,461	56,462	96,153	0.00	109,940	11,021	172,073	293,034
DP 10009 - PRI - Medicaid Federal - DSD	0.00	0	0	356,250	356,250	0.00	0	0	1,137,932	1,137,932
DP 10012 - Transfer of Existing FTE - DSD	(18.00)	(1,193,047)	0	0	(1,193,047)	(18.00)	(1,194,791)	0	0	(1,194,791)
<b>Total</b>	<b>(18.00)</b>	<b>(\$458,544)</b>	<b>\$5,461</b>	<b>\$1,709,271</b>	<b>\$1,256,188</b>	<b>(18.00)</b>	<b>\$1,076,275</b>	<b>\$11,021</b>	<b>\$5,345,910</b>	<b>\$6,433,206</b>

\*\*\*Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 10005 - PRI - Medicaid Core PRI - DSD -

This new proposal requests a 0.9% provider rate increase in FY 2020 and a 1.8% increase in FY 2021 for Medicaid Core programs in the Developmental Services Division. The executive requests \$3,682,049 in total funds over the biennium including \$1,285,895 in general fund.

DP 10006 - PRI - Medicaid Waiver- DSD -

This new proposal requests a 0.9% provider rate increase in FY 2020 and a 1.8% increase in FY 2021 for Medicaid Waiver programs in the Developmental Services Division. The executive requests \$4,511,814 in total funds over the biennium including \$1,575,504 in general fund.

DP 10007 - PRI - Non-Medicaid - DSD -

This new proposal requests a 0.9% provider rate increase in FY 2020 and a 1.8% increase in FY 2021 for Non- Medicaid program providers in the Developmental Services Division. The executive requests \$389,187 in total funds over the biennium including \$144,170 in general fund.

DP 10009 - PRI - Medicaid Federal - DSD -

This new proposal requests a 0.9% provider rate increase in FY 2020 and a 1.8% increase in FY 2021 for the Medicaid Federal program providers in the Developmental Services Division. The executive requests \$1,494,182 in federal funds over the biennium.

DP 10012 - Transfer of Existing FTE - DSD -

This new proposal requests the transfer of 18.00 FTE from Developmental Services Division to Child and Family Services Division.

**Program Biennium Comparison**

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	6,786,097	8,192,171	1,406,074	20.72 %
Operating Expenses	20,600,632	22,057,107	1,456,475	7.07 %
Benefits & Claims	1,454,637,239	1,490,526,636	35,889,397	2.47 %
<b>Total Expenditures</b>	<b>\$1,482,023,968</b>	<b>\$1,520,775,914</b>	<b>\$38,751,946</b>	<b>2.61 %</b>
General Fund	315,374,390	369,084,836	53,710,446	17.03 %
State/Other Special Rev. Funds	143,407,188	174,560,451	31,153,263	21.72 %
Federal Spec. Rev. Funds	1,023,242,390	977,130,627	(46,111,763)	(4.51)%
<b>Total Funds</b>	<b>\$1,482,023,968</b>	<b>\$1,520,775,914</b>	<b>\$38,751,946</b>	<b>2.61 %</b>
<b>Total Ongoing</b>	<b>\$1,482,023,968</b>	<b>\$1,520,775,914</b>	<b>\$38,751,946</b>	<b>2.61 %</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>

**Program Biennium Comparison -**

The biennium comparison table shows a total growth of 2.6%, which for this program is significantly influenced by the FY 2018 appropriation reductions. Compared to the FY 2019 base appropriation, the budget is reduced by 0.7%.

**Program Description**

The Health Resources Division (HRD) administers Medicaid primary care services, Healthy Montana Kids (Medicaid and Children's Health Insurance Program services for children in low-income families), the Montana Health and Economic Livelihood Partnership (HELP), and Big Sky Rx. The purpose of the division is to improve and protect the health and safety of Montanans.

The division reimburses private and public providers for a wide range of preventive, primary, and acute care services. The major service providers include: physicians, public health departments, clinics, hospitals, dentists, pharmacies, durable medical equipment, and mental health providers. The division develops tools, measurements, and reports necessary to allow management to administer and control programs and expenditures in the division, and to report those results in an accurate and timely manner to others. The majority of services in the division are funded through Medicaid. Medicaid is a voluntary state/federal partnership that reimburses for medical services for the aged, blind, disabled, children, and low-income families.

The division administers Healthy Montana Kids (HMK) as a separate health insurance program and contracts with Blue Cross Blue Shield to provide third party administrator services. HMK dental and eyeglasses benefits are reimbursed directly by the department. HMK is a voluntary state/federal partnership that reimburses for medical services for children at or below 261.0% of the federal poverty level.

The Montana Health and Economic Livelihood Partnership (HELP) Plan is administered by the division to provide Medicaid coverage to Montanans whose income is below 138.0% of the federal poverty level.

Big Sky Rx is a state funded program that helps Montanans, who are at or below 200.0% of poverty and who are eligible for the Medicare Part D prescription drug program, pay for their Medicare premium. Big Sky Rx eligibility is determined by division staff. A related program, PharmAssist, pays for prescription drug counseling by a pharmacist and provides drug information and technical assistance to all Montanans.

## Program Highlights

Health Resources Division Major Budget Highlights	
<ul style="list-style-type: none"> <li>The proposed HRD 2021 biennium budget is 2.6% or \$38.8 million higher than the 2019 biennium budget. Most of this increase (\$35.9 million) is in benefits and claims</li> <li>Montana's FMAP will decline from the FY 2019 rate of 65.5% to the FY 2020 rate of 64.97% resulting in the need for additional state funds for Medicaid benefits</li> <li>The Children's Health Insurance Program (CHIP) federal matching rate will decline from the FY 2019 rate of 98.5% to the FY 2020 rate of 90.345% and FY 2020 rate of 78.8% resulting in the need for additional state funds of \$35.3 million for the CHIP program. The executive proposes to fund this change with state special revenue, much of which is associated with a new tobacco tax</li> </ul>	

## Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	51.62	51.62	51.62	51.62
Personal Services	2,772,480	3,209,972	3,576,125	4,097,544	4,094,627
Operating Expenses	9,606,163	10,090,909	10,509,723	11,028,532	11,028,575
Benefits & Claims	626,411,423	702,716,645	751,920,594	717,096,856	773,429,780
<b>Total Expenditures</b>	<b>\$638,790,066</b>	<b>\$716,017,526</b>	<b>\$766,006,442</b>	<b>\$732,222,932</b>	<b>\$788,552,982</b>
General Fund	142,595,072	147,582,255	167,792,135	175,921,135	193,163,701
State/Other Special Rev. Funds	65,772,778	71,700,419	71,706,769	80,915,753	93,644,698
Federal Spec. Rev. Funds	430,422,216	496,734,852	526,507,538	475,386,044	501,744,583
<b>Total Funds</b>	<b>\$638,790,066</b>	<b>\$716,017,526</b>	<b>\$766,006,442</b>	<b>\$732,222,932</b>	<b>\$788,552,982</b>
<b>Total Ongoing</b>	<b>\$638,790,066</b>	<b>\$716,017,526</b>	<b>\$766,006,442</b>	<b>\$732,222,932</b>	<b>\$788,552,982</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## Program Discussion -

*FY 2018 Appropriation Compared to FY 2018 Actual Expenditures*

In FY 2018 HRD expended \$638.8 million, or 89.2% of its overall budget; 85.8% of unspent authority was federal authority. HRD also transferred \$13.4 million in budget authority to other DPHHS programs during the fiscal year.

*FY 2018 Appropriation Compared to FY 2019 Appropriation*

FY 2019 total appropriations are \$50.0 million, or 7.0% higher than the FY 2018 total appropriation due to:

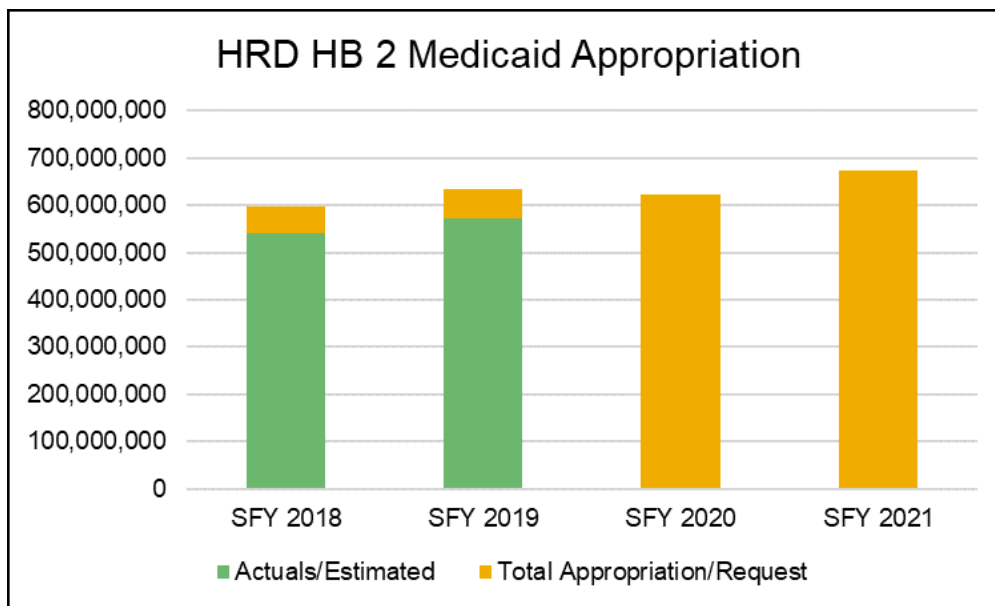
- November 2017 Special Session reductions in both fiscal years that were subsequently restored by SB 9 for FY 2019, in the amount of \$10.1 million

*Executive Request*

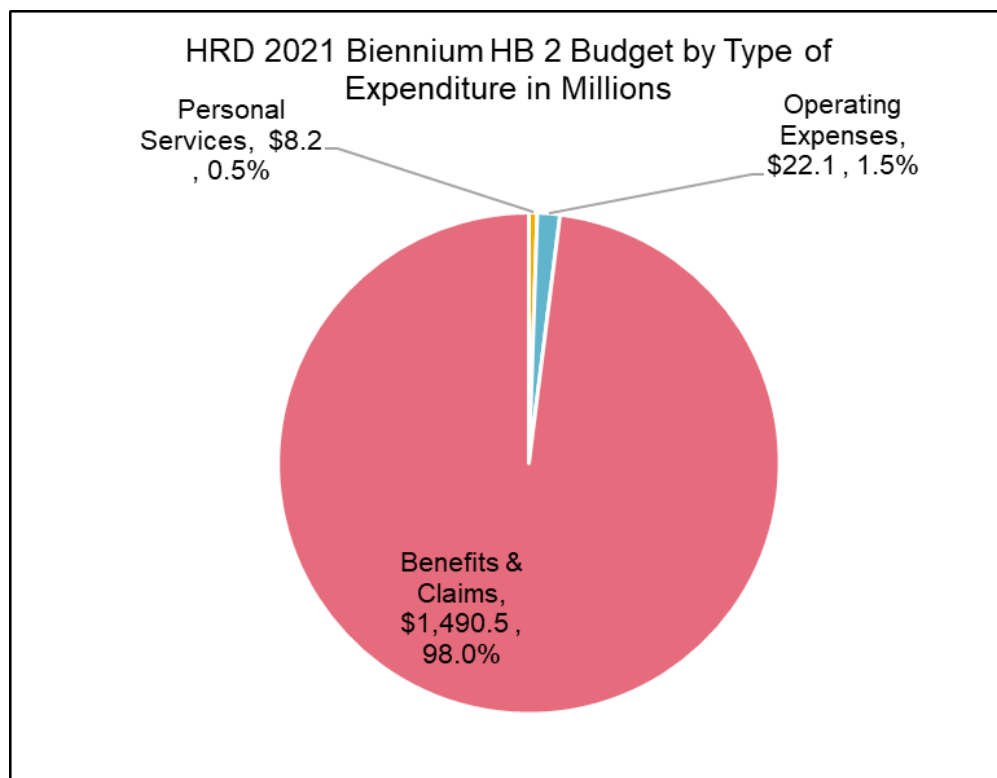
The executive request for the HRD 2021 biennium budget is 2.6% higher than the 2019 biennium appropriated budget due to:

- Lower federal matching rate (E-FMAP) for CHIP phased in over the biennium
- Lower FMAP phased in over the biennium
- Medicaid caseload adjustments
- Medicaid provider rate increases

The figure below illustrates the HB 2 Medicaid appropriation from FY 2018 – FY 2021.

*Discussion*

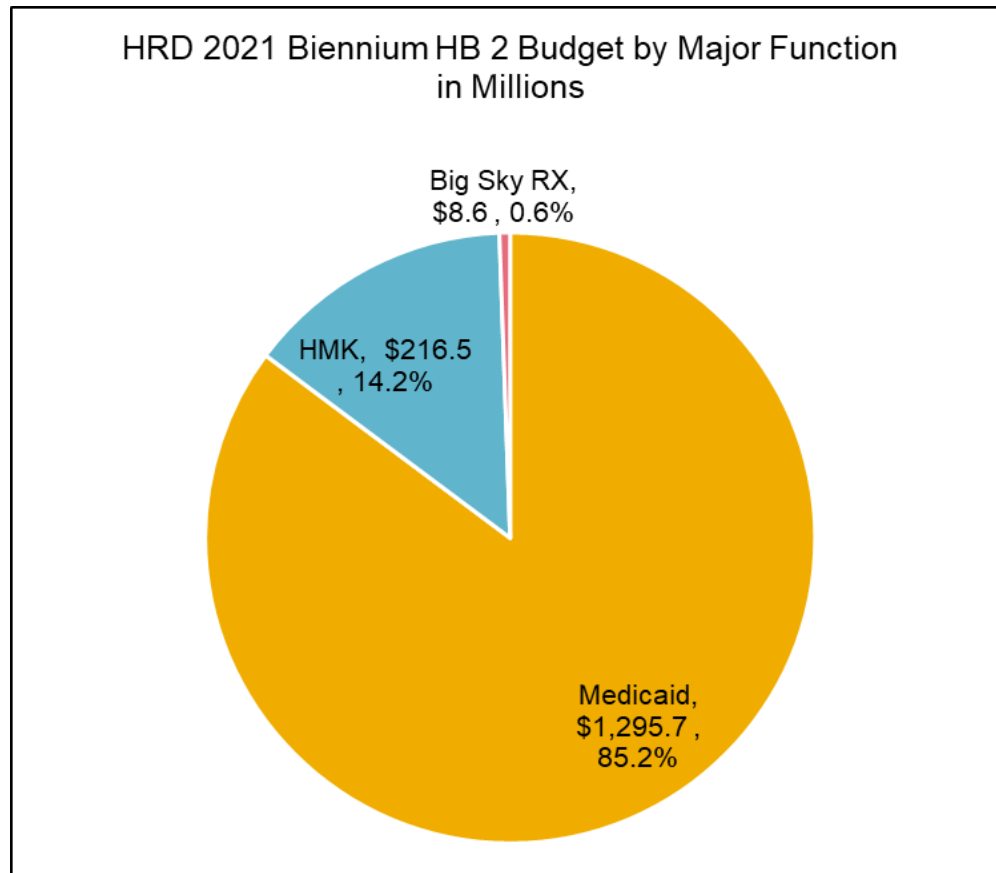
The HRD 2021 biennium HB 2 budget request is \$1,520.8 million. The figure below illustrates the HRD budget request by major type of expenditure.



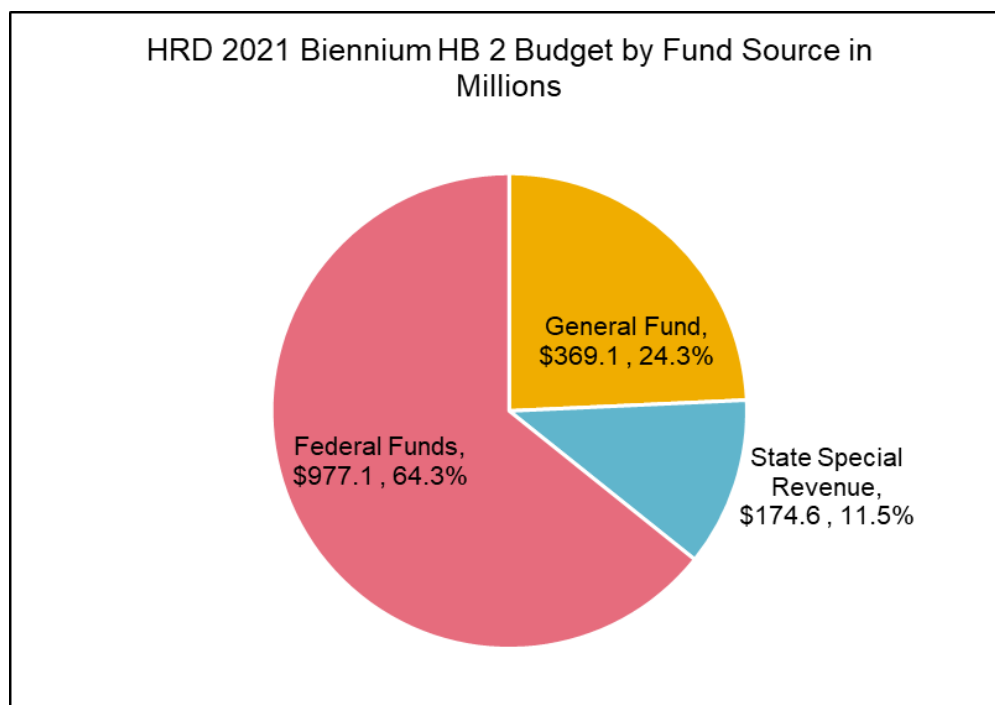
The majority (98.0%) of the HRD budget request supports benefits and claims, or payments for medical services. Operating expenses are 1.5% and personal services are 0.5% of the total. Other DPHHS divisions include personal services and operating costs that support administration of some HRD programs. For instance, eligibility determination for Medicaid and Healthy Montana Kids (HMK) services is managed by the Human and Community Services Division, and funding for MMIS (Medicaid Management Information System) claims payment is budgeted in the Medicaid and Health Services Management Division.

The figure below shows the HRD 2021 biennium HB 2 budget request by major function. Medicaid services (including Medicaid administration) are 85.2% of the budget, while HMK services funded from the federal Children's Health Insurance Program (CHIP grant) are 14.2% of the total. Big Sky Rx, a program which helps low-income Medicare eligible persons pay the premium cost for Medicare Part D drug coverage, is 0.6% of the total.





The figure below shows the 2021 biennium funding by major fund type. General fund is about 24.3% of the total and is used to pay the state Medicaid match.



State special revenue is about 11.5% of the total and includes several sources of revenue. State special revenue is used towards the state match for Medicaid and CHIP, and it fully funds the Big Sky Rx program. Federal funds include Medicaid and CHIP funds. Medicaid is an entitlement fund source, meaning that the federal government will match all eligible expenditures at a certain rate. This rate, known as the Federal Medical Assistance Percentage (FMAP), is determined by comparing the average per capita income of a state to the national average per capita income. The table below presents recent and near-future Montana FMAPs by federal fiscal year (FFY). CHIP is funded with an enhanced federal FMAP. The CHIP matching rate will decline significantly over the next several years after a temporary 23 percentage point increase, leading to a need for more state funds as detailed in the table below.

Montana FMAPs							
	SFY 2015	SFY 2016	SFY 2017	SFY 2018	SFY 2019	SFY 2020	SFY 2021
Montana Standard FMAP	65.90%	65.41%	65.48%	65.43%	65.50%	64.97%	64.78%
Montana E-FMAP for CHIP	76.13%	93.04%	98.84%	98.80%	98.85%	90.35%	78.88%

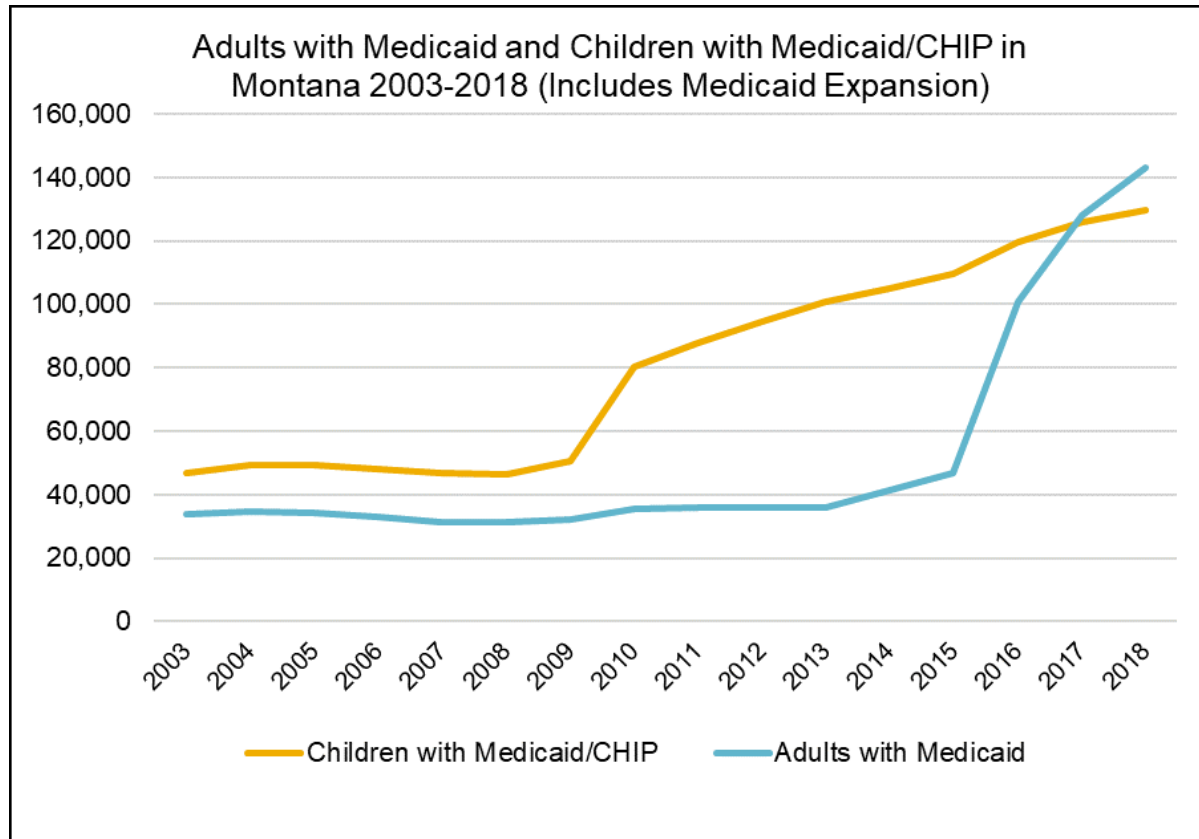
#### *Changes in Children's Health Insurance Program*

CHIP, which is part of Health Montana Kids, has federal matching rates that are higher than those under traditional Medicaid. The enhanced federal medical assistance percentage (E-FMAP) for CHIP was increased by 23 percentage points for the 2016-2019 period: from about 76.0% to about 99.0%. This E-FMAP increase declines in future years before going away, which will leave Montana at the standard E-FMAP rate of about 75.35% in 2021 and beyond. The executive requests additional state funds associated with this federal change of \$35.3 million in the 2021 biennium. The executive budget proposes funding this change with state special revenue, some of which is associated with new tobacco taxes.

State and Federal Shares of CHIP Benefits Funding		
SFY	Federal Share	State Share
SFY 2014	77.2%	22.8%
SFY 2015	77.1%	22.9%
SFY 2016	95.4%	4.6%
SFY 2017	98.9%	1.1%
SFY 2018	98.9%	1.1%
SFY 2019	98.9%	1.1%
SFY 2020	90.3%	9.7%
SFY 2021	78.9%	21.1%
SFY 2022	75.4%	24.7%
SFY 2023	75.4%	24.7%

#### *Enrollment in Medicaid*

An important cost driver in Medicaid and CHIP services is the number of enrollees. The figure below shows total enrollment in Medicaid and CHIP from 2003 to 2018. Enrollment over that time period in Medicaid and CHIP combined has grown from about 80,500 to about 272,500 persons. Medicaid enrollees fit into one or more eligibility categories: children, adults, blind/disabled, or elderly/aged.



Enrollment levels have been influenced by several factors, including macroeconomic conditions and state and national policy changes. Implementation of eligibility changes included in the Affordable Care Act (ACA) effective January 1, 2014 coincided with an increase in both the number of low-income adults and children enrolled in Medicaid. ACA prohibited consideration of assets (checking and savings account balances) when determining eligibility for low-income parents.

In addition, persons who applied for insurance coverage through the federal health insurance marketplace established by ACA could be determined eligible for Medicaid. In some instances, these families were eligible for Medicaid prior to the changes implemented by ACA but either did not know or chose not to apply for Medicaid.

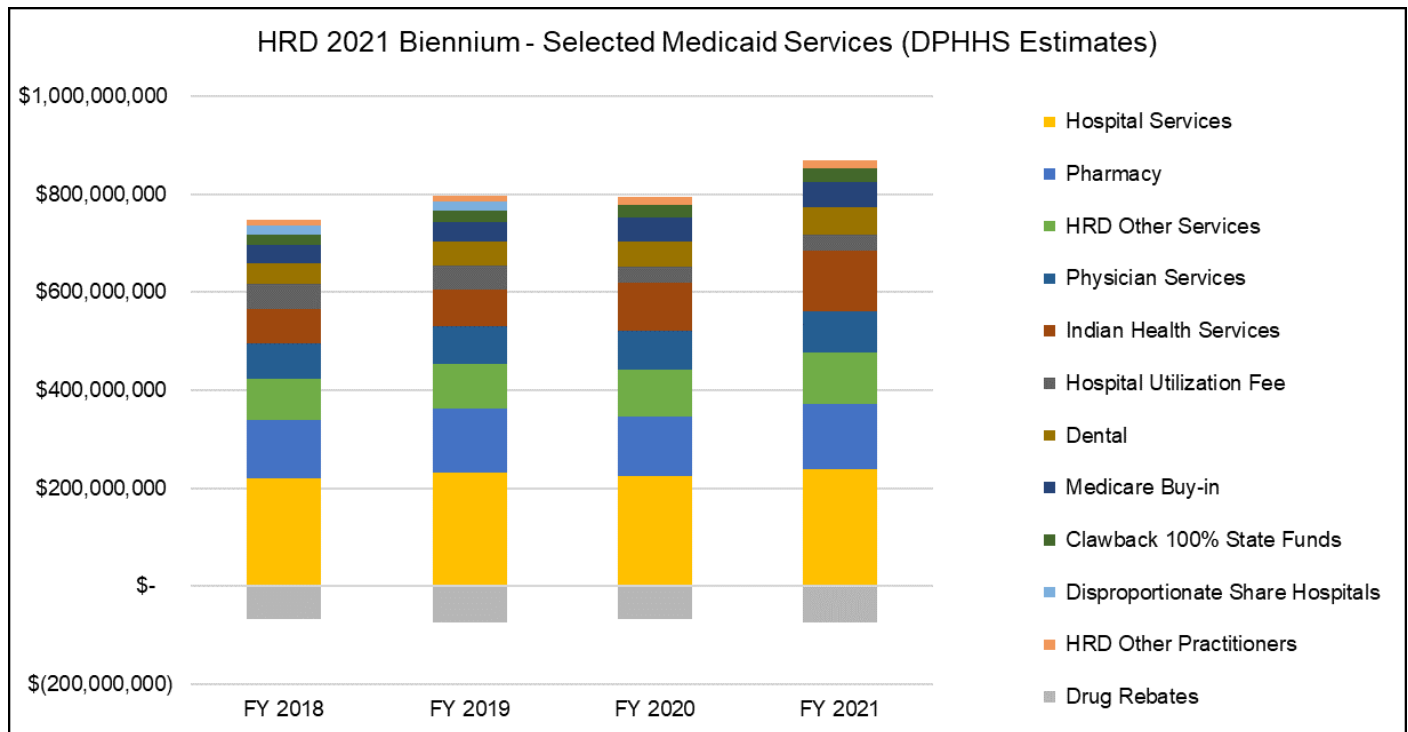
The HELP Act of the 2015 Montana Legislature (effective January 1, 2016) expanded Medicaid eligibility in Montana to adults ages 19-64 with incomes less than 138.0% of the federal poverty level for Montana. As of September 2018 the HELP Act accounted for about 100,000 new Medicaid enrollees.

Note that the average per-enrollee annual cost varies significantly by eligibility category. See the table below for detail. Elderly/aged Medicaid enrollees have especially high per-user costs in Montana as compared to other states.

Per User Medicaid Expenditures - FY 2014	
All Full Benefit Enrollees	\$6,733
Aged	\$21,581
Disabled	\$14,575
Adults	\$9,135
Children	\$3,132
Source: KFF Analysis of MSIS data	

*Medicaid Services*

The figure below shows the HRD Medicaid projections by selected Medicaid major service type from FY 2018 to FY 2021. These projections are made by DPHHS and do not include costs associated with services provided under Medicaid Expansion. This figure is not an exhaustive list of HRD Medicaid services, but focuses on the larger service categories. The largest budgetary components are hospital services and pharmacy services.


**LFD  
COMMENT**

Montana's Hospital Utilization Fee (HUF) is designed to increase the amount for which the state's hospitals are reimbursed for providing care to Medicaid enrollees, per 15-66-102, MCA.

Funds in the HUF state special revenue account are matched with federal Medicaid funds and used to make supplemental payments to hospitals in the state. Supplemental Medicaid payments are made by states to providers and go beyond the state Medicaid provider rate. They can take one of two forms: Medicaid Disproportionate Share Hospital (DSH) payments for hospitals serving low-income populations, and Upper Payment Limit (UPL) payments sent to hospitals to make up the difference between base Medicaid payments for services and the maximum payment level allowed for those services.

The calculation methodology for these UPL supplemental payments is described in Montana's Centers for Medicare and Medicaid Services (CMS) [Medicaid State Plan](#). The state must submit annual documentation to CMS that demonstrates supplemental Medicaid payments do not exceed the UPL.

HUF payments under Medicaid have increased significantly over the past several years (see table). Most of this increase is federal funds associated with the HELP Act. The executive budget proposes a reduction in HUF payments of \$1.5 million state special revenue and \$56.8 million federal funds for the 2021 biennium.

Medicaid Hospital Utilization Fee Expenditures FY 2015-2018			
		Traditional Medicaid	HELP Act
2015	Total	\$ 64,638,563	
	State Funds	22,041,750	
	Federal Funds	42,596,813	
2016	Total	65,214,184	
	State Funds	22,668,450	
	Federal Funds	42,545,734	
2017	Total	187,068,735	
	State Funds	22,257,332	
	Federal Funds	28,747,401	136,064,002
2018	Total	200,913,655	
	State Funds	19,196,051	
	Federal Funds	\$ 16,534,889	\$165,182,716

### Hospital Services

The DPHHS estimate for hospital services for the 2021 biennium is \$466.2 million. This amount includes inpatient hospital, outpatient hospital, and critical access hospital services.

### Physician Services

Physician services are projected to be \$163.1 million over the 2021 biennium.

### Other Major Medicaid Services

Hospital utilization fee (HUF) expenditures, funded with a \$50 assessment for each day of inpatient hospital care, are expected to decline. The fee income is used as the state Medicaid match and then the total is redistributed to hospitals. HUF expenditures under the HELP Act have increased sharply over time.

Indian Health Services (IHS) reimbursements are 100.0% funded with federal special revenue funds. The payments are for Medicaid services. IHS funding is statutory as of the 2017 Regular Session.

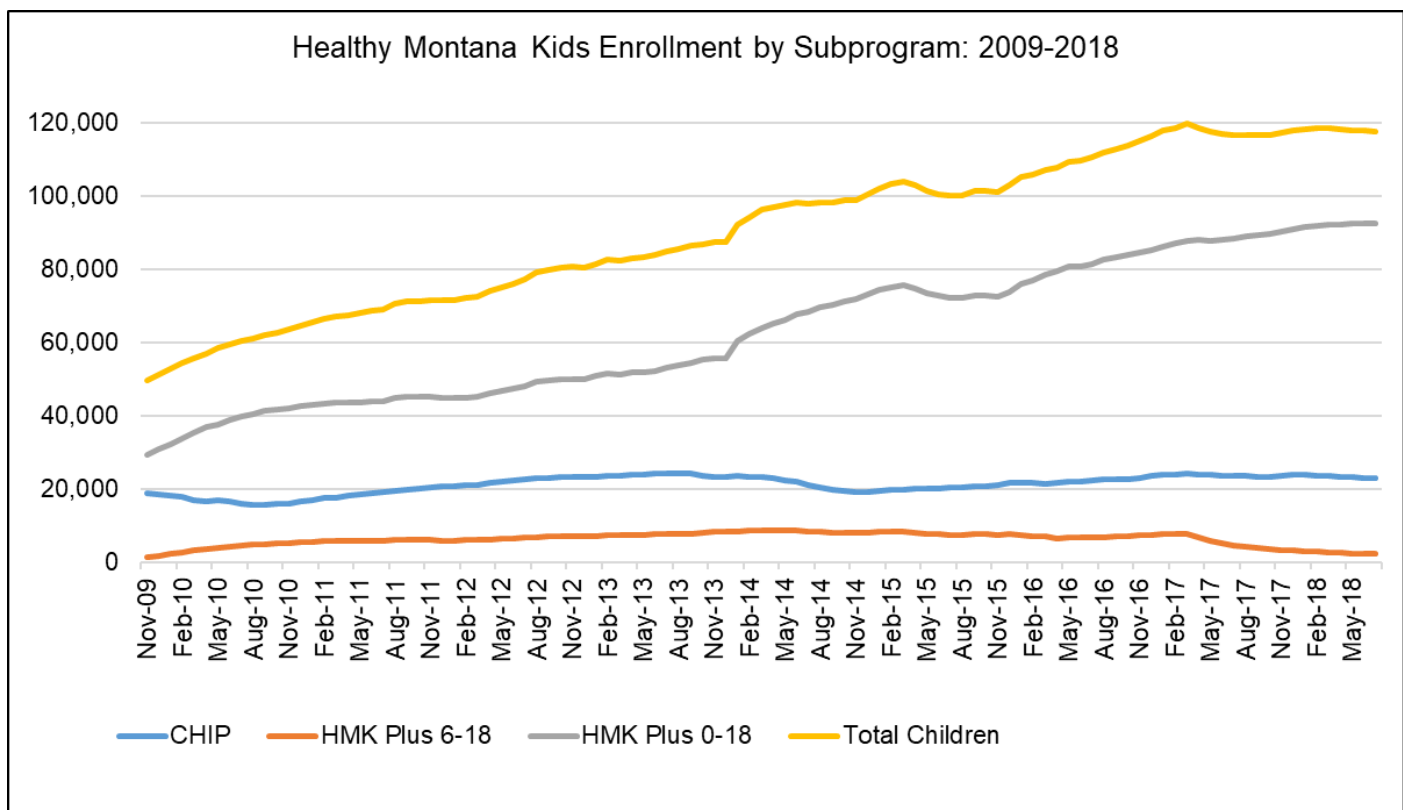
Pharmacy costs total \$252.2 million for the biennial Medicaid services request, but are offset by drug rebates of \$139.9 million. The amount included in HB 2 is net of rebates paid by drug manufacturers as a federal condition of participating in the Medicaid program.

The Medicare buy-in is \$101.9 million in the 2021 biennium request. Some low-income persons are eligible for both Medicaid and Medicare. If it is cost effective, DPHHS pays the Medicare premiums and co-payments for these individuals, making Medicare the first payer for many services. Medicaid then only pays for services that are not covered by Medicare.

The 'clawback' is the state's payment to the federal government for a portion of the savings to the state Medicaid program resulting from the Medicare Part D drug benefit (effective January 1, 2006). The clawback is funded entirely with general fund revenue. Prior to Part D, Medicaid paid the drug costs for persons who were eligible for both Medicare and Medicaid. The clawback represents state savings due to Medicare assuming those costs. The clawback is \$54.9 million in the 2021 biennium budget request.

### *Healthy Montana Kids Enrollment*

The figure below shows enrollment in Healthy Montana Kids (HMK) from 2009 to 2018. Total enrollment has grown from about 49,000 children in late 2009 to about 118,000 children in 2018. The majority of the total enrollment and growth in HMK has occurred in the HMK Plus group funded through Medicaid.



### *5.0% Plan*

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%. A summary of the entire 2021 biennium 5.0% plan submitted for this agency is in the Budget Analysis Appendix.

HRD has created a 5.0% reduction plan that includes a total savings of \$7.2 million in general fund and \$4.7 million in state special revenue funds. These savings are achieved through a 5.0% Medicaid provider rate reduction, eliminating the CPC (comprehensive primary care) Plus program, and eliminating the Big Sky Rx program.

### **Program Personal Services Narrative**

- The requested HRD personal services budget includes \$328,274 for personal services reinstatement. The majority of this amount is tied to:

- A proposed vacancy savings level of 2% rather than the 6% applied in the 2019 biennium
- Reinstating 2017 special session reductions: \$150,000

### Funding

The following table shows proposed program funding by source of authority.

Department of Public Health & Human Services, 11-Health Resource Division Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	369,084,836	0	0	107,575,145	476,659,981	15.32 %
02053 Medicaid IGT's	448,578	0	0	0	448,578	0.26 %
02142 Medicaid Third Party Revenue	1,604,792	0	0	0	1,604,792	0.92 %
02164 MT Univ System Grad Med Ed	(330,602)	0	0	0	(330,602)	(0.19) %
02311 02 Indirect Activity Prog 11	89,489	0	0	0	89,489	0.05 %
02585 Recovery Audit Contract	1,000,000	0	0	0	1,000,000	0.57 %
02597 Healthy Montana Kids Plan	63,699,838	0	0	0	63,699,838	36.49 %
02772 Tobacco Hlth and Medicaid Init	44,773,616	0	0	0	44,773,616	25.65 %
02789 6901-CHIP/MCHA Tobacco Sett Fd	11,315,162	0	0	0	11,315,162	6.48 %
02987 Tobacco Interest	5,974,450	0	0	0	5,974,450	3.42 %
02989 69010-Hospital Utilization Fee	45,985,128	0	0	0	45,985,128	26.34 %
<b>State Special Total</b>	<b>\$174,560,451</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$174,560,451</b>	<b>5.61 %</b>
03580 6901-93.778 - Med Adm 50%	13,863,462	0	0	0	13,863,462	0.56 %
03582 93.778 - Med Ben 100%	0	0	0	252,239,483	252,239,483	10.25 %
03583 93.778 - Med Ben Fmap	779,276,892	0	0	2	779,276,894	31.66 %
03611 03 Indirect Activity Prog 11	1,311,430	0	0	0	1,311,430	0.05 %
03426 CHIP Program Fed	182,678,843	0	0	0	182,678,843	7.42 %
03974 Medicaid Exp HELP Act Admin	0	0	0	2,031,189	2,031,189	0.08 %
03975 Medicaid Exp HELP Act Benefit	0	0	0	1,066,777,712	1,066,777,712	43.34 %
03977 Med Exp HELP Act Indian Health	0	0	0	162,970,822	162,970,822	6.62 %
<b>Federal Special Total</b>	<b>\$977,130,627</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,484,019,208</b>	<b>\$2,461,149,835</b>	<b>79.08 %</b>
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
<b>Total All Funds</b>	<b>\$1,520,775,914</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,591,594,353</b>	<b>\$3,112,370,267</b>	

The 2021 biennium HRD HB 2 budget request is funded by 24.3% general fund, 11.5% by state special revenue, and 64.3% by federal funds. General fund pays for the state Medicaid match, state CHIP match, and Medicare buy-in.

Refer to the state special revenue fund balance table in the DPHHS Agency Summary for detail on the major state special funds used for DPHHS programs. HRD functions supported by state special revenue sources and the major source of funds are:

#### State Medicaid match

- Hospital utilization fee - \$50 per day assessed for each day of an inpatient stay
- Tobacco revenue from the health and Medicaid initiatives account
- Insurance tax proceeds allocated to the HMK account
- Tobacco settlement trust fund interest

#### State CHIP match

- Insurance tax proceeds allocated to the HMK account
- Tobacco state special revenue from the health and Medicaid initiatives account
- Tobacco settlement trust fund interest
- Tobacco settlement funds
- The executive budget proposes spending down the balance in this fund (projected at \$9.9 million at the end of FY 2019) as well as using new revenue from a proposed new tobacco tax to fund the reduction in the CHIP E-FMAP



Big Sky Rx (premium assistance for low-income persons to purchase Medicare Part D drug coverage)

- Tobacco revenue from the health and Medicaid initiatives account
  - This fund currently has a projected balance of -\$470,440 for FY 2019. The executive budget proposes to increase the balance in this fund contingent on the passage of a new tobacco tax

Federal funds support 79.1% of the 2021 biennium budget request, including statutory expenditures. Federal funding sources include:

- Federal Medicaid matching funds: some at a 50.0% match (Medicaid program administration), some at 100.0% (IHS), and some at the FMAP rate discussed above (about 65.0% depending on the year)
- Federal CHIP matching funds - 90.3% in FY 2020, 78.9% in FY 2021

### Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	167,792,135	167,792,135	335,584,270	90.92 %	766,006,442	766,006,442	1,532,012,884	100.74 %
SWPL Adjustments	163,677	162,208	325,885	0.09 %	521,598	518,724	1,040,322	0.07 %
PL Adjustments	25,546,197	40,499,151	66,045,348	17.89 %	17,961,223	67,548,095	85,509,318	5.62 %
New Proposals	(17,580,874)	(15,289,793)	(32,870,667)	(8.91)%	(52,266,331)	(45,520,279)	(97,786,610)	(6.43)%
<b>Total Budget</b>	<b>\$175,921,135</b>	<b>\$193,163,701</b>	<b>\$369,084,836</b>		<b>\$732,222,932</b>	<b>\$788,552,982</b>	<b>\$1,520,775,914</b>	

### Present Law Adjustments

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the 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.

Present Law Adjustments										
-----Fiscal 2020-----						-----Fiscal 2021-----				
FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	163,588	105,742	252,089	521,419	0.00	162,097	107,254	249,151	518,502
DP 3 - Inflation Deflation	0.00	89	0	90	179	0.00	111	0	111	222
DP 6 - Medicaid fund switch from enhanced FMAP to traditional FMAP	0.00	18,725,226	0	37,008,577	55,733,803	0.00	18,898,910	0	37,590,276	56,489,186
DP 11991 - Medicaid Core - HRD	0.00	585,765	232,727	1,531,022	2,349,514	0.00	14,800,649	290,413	28,466,440	43,557,502
DP 11992 - Medicaid Core HUF & GME - HRD	0.00	0	(341,490)	(28,238,695)	(28,580,185)	0.00	0	(1,126,618)	(28,571,820)	(29,698,438)
DP 11993 - HMK Caseload - HRD	0.00	0	(1,516,817)	(14,040,281)	(15,557,098)	0.00	0	(2,006,933)	(7,437,458)	(9,444,391)
DP 11994 - Medicaid Federal Services - HRD	0.00	0	0	503,407	503,407	0.00	0	0	1,410,715	1,410,715
DP 11995 - Medicaid Other Services - HRD	0.00	3,511,782	0	0	3,511,782	0.00	5,233,521	0	0	5,233,521
DP 11996 - Medicaid Ben Core FMAP - HRD	0.00	2,723,424	0	(2,723,424)	0	0.00	1,566,071	0	(1,566,071)	0
DP 11997 - HMK FMAP-HRD	0.00	0	10,708,378	(10,708,378)	0	0.00	0	24,548,061	(24,548,061)	0
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$25,709,874</b>	<b>\$9,188,540</b>	<b>(\$16,415,593)</b>	<b>\$18,482,821</b>	<b>0.00</b>	<b>\$40,661,359</b>	<b>\$21,812,177</b>	<b>\$5,593,283</b>	<b>\$68,066,819</b>

\*\*Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

#### DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

#### DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

#### DP 6 - Medicaid fund switch from enhanced FMAP to traditional FMAP -

This change package addresses the general and federal fund impact of transferring eligible members from expanded Medicaid to traditional Medicaid FMAP in the Health Resources Division due to the sunset of the HELP Act.

#### DP 11991 - Medicaid Core - HRD -

The executive proposes a present law adjustment for caseload growth in the Health Resources Division to cover the change in the number of eligible individuals, utilization, acuity levels, and cost per service for medical care.

#### DP 11992 - Medicaid Core HUF & GME - HRD -

The executive proposes a present law adjustment for caseload growth in the Health Resources Division to cover the change in the number of eligible individuals, utilization, acuity levels, and cost per service for medical care.

DP 11993 - HMK Caseload - HRD -

The executive proposes a present law adjustment for caseload growth in the Health Resources Division to cover the change in the number of eligible individuals, utilization, acuity levels, and cost per service for medical care.

DP 11994 - Medicaid Federal Services - HRD -

The executive proposes a present law adjustment to maintain existing services for the Medicaid School Based Services program in the Health Resources Division.

DP 11995 - Medicaid Other Services - HRD -

The executive proposes a present law adjustment to maintain existing services for the Medicaid Clawback program in the Health Resources Division.

DP 11996 - Medicaid Ben Core FMAP - HRD -

The executive proposes a present law adjustment to maintain existing services for the Medicaid programs in the Health Resources Division.

DP 11997 - HMK FMAP-HRD -

The executive proposes a present law adjustment to maintain existing services for the Healthy Montana Kids program in the Health Resources Division. The change package requests an increase in state special funds with offsetting federal fund adjustment for each year. The total cost for the program does not change.

**New Proposals**

The "New Proposals" table shows new changes to spending.

New Proposals										
	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 7 - Medicaid fund switch from traditional FMAP to enhanced FMAP										
	0.00	(18,725,226)	0	(37,008,577)	(55,733,803)	0.00	(18,898,910)	0	(37,590,276)	(56,489,186)
DP 11989 - PRI Medicaid Core - HRD										
	0.00	1,144,352	0	2,118,683	3,263,035	0.00	3,609,117	0	6,740,495	10,349,612
DP 11990 - PRI - Non-Medicaid - HRD										
	0.00	0	20,444	183,993	204,437	0.00	0	125,752	493,543	619,295
DP 11999 - Realign State Special for HMK FMAP - HRD										
	0.00	0	0	0	0	0.00	0	0	0	0
<b>Total</b>	<b>0.00</b>	<b>(\$17,580,874)</b>	<b>\$20,444</b>	<b>(\$34,705,901)</b>	<b>(\$52,266,331)</b>	<b>0.00</b>	<b>(\$15,289,793)</b>	<b>\$125,752</b>	<b>(\$30,356,238)</b>	<b>(\$45,520,279)</b>

\*\*Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 7 - Medicaid fund switch from traditional FMAP to enhanced FMAP -

The executive proposes a change package addressing the general and federal fund impact of transferring eligible members from traditional Medicaid to expanded Medicaid FMAP in the Health Resources Division. This change package is contingent upon the passage and approval of LC # (Medicaid Expansion).

DP 11989 - PRI Medicaid Core - HRD -

The executive proposes a 0.91% provider rate increase in FY 2020 and a 1.83% increase in FY 2021 Medicaid Core programs in the Health Resources Division. This percentage increase in rates is the same percentage applied in the executive budget to K-12 schools, Office of Public Defender providers, and corrections services providers.

DP 11990 - PRI - Non-Medicaid - HRD -

The executive proposes a 0.91% provider rate increase in FY 2020 and a 1.83% increase in FY 2021 Medicaid Core programs in the Health Resources Division. This percentage increase in rates is the same percentage applied in the executive budget to K-12 schools, Office of Public Defender providers, and corrections services providers.

DP 11999 - Realign State Special for HMK FMAP - HRD -

The executive proposes a fund switch to maintain existing services for the Healthy Montana Kids program in the Health Resources Division. The change package requests an increase in I-149 state special funds (fund 02772) of \$5.0 million in FY 2020 and \$10.0 million in FY 2021 with an offsetting adjustment in I-146 state special funds (fund 02789) for each year. This change package is contingent upon the passage and approval of LC #1373.

**LFD  
COMMENT**

The executive relies on the passage of this new revenue source (LC #1373) in order to provide sufficient state funds (in the form of state special revenue) to fund the state's portion of the CHIP program in the 2021 biennium. If this new revenue source, a proposed additional tobacco tax, does not pass the legislature will need to consider alternate funding for the CHIP E-FMAP change described in Present Law DP 11997. The potential general fund liability could be \$35.3 million for the 2021 biennium.

**Language and Statutory Authority -**

The executive budget for HRD requests \$1,428.7 million in statutory funding for Medicaid Expansion for the 2021 biennium, including \$107.6 million general fund. It also includes \$162.9 million statutory funding for IHS (100% federal). See the Agency Summary section of this analysis for more detail on the HELP Act/Medicaid Expansion.

### Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	1,922,859	3,071,894	1,149,035	59.76 %
Operating Expenses	21,429,569	21,188,023	(241,546)	(1.13)%
Grants	14,743,771	14,520,498	(223,273)	(1.51)%
Benefits & Claims	10,149	5,098	(5,051)	(49.77)%
Transfers	6,200	6,200	0	0.00 %
<b>Total Expenditures</b>	<b>\$38,112,548</b>	<b>\$38,791,713</b>	<b>\$679,165</b>	<b>1.78 %</b>
General Fund	6,034,266	5,333,915	(700,351)	(11.61)%
State/Other Special Rev. Funds	299,722	406,841	107,119	35.74 %
Federal Spec. Rev. Funds	31,778,560	33,050,957	1,272,397	4.00 %
<b>Total Funds</b>	<b>\$38,112,548</b>	<b>\$38,791,713</b>	<b>\$679,165</b>	<b>1.78 %</b>
<b>Total Ongoing</b>	<b>\$38,112,548</b>	<b>\$38,791,713</b>	<b>\$679,165</b>	<b>1.78 %</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>

### Program Biennium Comparison -

The biennium comparison table shows a total growth of 1.8%. Compared to the FY 2019 base appropriation, the growth is 3.8%.

### Program Description

The Medicaid and Health Services Management (MHSM) Division heads the Medicaid and Health Services Branch of DPHHS. The Medicaid Systems Support Program works in conjunction with the state Medicaid director and division administrators by providing oversight and guidance on management of the Medicaid programs. It also oversees the Medicaid Management Information System (MMIS) contractor that is responsible for the processing and payment of Medicaid claims. The Medicaid and Health Services Branch manager is attached to this program for budget purposes.

### Program Highlights

Medicaid & Health Services Management Division Major Budget Highlights
<ul style="list-style-type: none"> <li>MHSM FTE tripled over the interim: from 5.00 to 15.00. As a result, the personal services budget request is considerably larger than the initial legislative budget for the 2019 biennium</li> </ul>

### Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

**69010 - Department Of Public Health & Human Services12-Medicaid & Health Services Management**

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	15.00	15.00	15.00	15.00
Personal Services	972,282	1,097,377	825,482	1,535,502	1,536,392
Operating Expenses	9,433,422	10,835,594	10,593,975	10,594,008	10,594,015
Grants	2,728,222	7,483,522	7,260,249	7,260,249	7,260,249
Benefits & Claims	3,419	7,600	2,549	2,549	2,549
Transfers	675	3,100	3,100	3,100	3,100
<b>Total Expenditures</b>	<b>\$13,138,020</b>	<b>\$19,427,193</b>	<b>\$18,685,355</b>	<b>\$19,395,408</b>	<b>\$19,396,305</b>
General Fund	3,667,542	3,667,542	2,366,724	2,666,768	2,667,147
State/Other Special Rev. Funds	38,564	97,707	202,015	202,849	203,992
Federal Spec. Rev. Funds	9,431,914	15,661,944	16,116,616	16,525,791	16,525,166
<b>Total Funds</b>	<b>\$13,138,020</b>	<b>\$19,427,193</b>	<b>\$18,685,355</b>	<b>\$19,395,408</b>	<b>\$19,396,305</b>
<b>Total Ongoing</b>	<b>\$13,138,020</b>	<b>\$19,427,193</b>	<b>\$18,685,355</b>	<b>\$19,395,408</b>	<b>\$19,396,305</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Program Discussion -***FY 2018 Appropriation Compared to FY 2018 Actual Expenditures*

In FY 2018 MHSM expended \$13.1 million, or 67.6% of its overall budget and 100.0% of its general fund budget. MHSM FY 2018 general fund spending was higher than the initial 2019 biennium legislative appropriation by about \$1.3 million, while federal fund spending was about \$6.9 million lower than the initial appropriation. The MHSM budget increased by \$1.6 million (including \$542,103 in personal services) over FY 2018 due to transfers from other DPHHS divisions.

*FY 2018 Appropriation Compared to FY 2019 Appropriation*

The FY 2019 appropriation for MHSM is somewhat lower than the FY 2018 appropriation but considerably higher than the FY 2018 actuals. Of the 10.00 FTE that were transferred to this division 7.00 are currently vacant positions. The executive request indicates MHSM plans on filling those positions in the 2021 biennium. Most of the difference is in the grants expenditure category. MHSM did restore \$233,317 general fund due to the SB 9 restorations, the entire general fund amount reduced in the 17-7-140 reductions. This restoration was made to Medicaid administration.

*Executive Request*

The executive request for the MHSM 2021 biennium budget is about 1.8% higher than the 2019 biennium appropriated budget, and 3.2% higher than the initial FY 2018-19 budget request. The general fund portion of the 2021 biennium request is very close to the general fund portion of the initial 2019 biennium budget request.

*Discussion*

In FY 2018 MHSM had significant remaining unspent authority of about \$6.3 million, most of which was federal authority.

The MMIS system makes up the bulk of the operating expenses in this division. In FY 2018 MMIS spending accounted for over \$9.6 million of expenditures in this program, most of which was in operating expenses.

### 5.0% Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%. A summary of the entire 2021 biennium 5.0% plan submitted for this agency is in the Budget Analysis Appendix.

MHSM has created a 5.0% reduction plan that includes a total savings of \$183,377 in general fund. These savings are realized by reducing Conduent MMIS or other IT contracts.

### Program Personal Services Narrative

- The requested MHSM personal services budget includes \$43,867 for personal services reinstatement. The majority of this amount is tied to a proposed vacancy savings level of 2.0% rather than the 6.0% applied in the 2019 biennium
- Management decisions increased the MHSM personal services budget by \$959,510 due to the transfer of 10.00 FTE from other DPHHS divisions to MSHM. This transfer increased the FTE in MHSM by 200.0%; from 5.00 to 15.00
  - Of the 10.00 newly transferred FTE, 7.00 are Medicaid program specialists. These 7 positions are currently vacant, though the executive request indicates MHSM plans to fill these positions during the 2021 biennium

### Funding

The following table shows proposed program funding by source of authority.

Department of Public Health & Human Services, 12-Medicaid & Health Services Management						
Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	5,333,915	0	0	7,005,484	12,339,399	19.04 %
02220 02 Indirect Activity Prog 12	406,841	0	0	0	406,841	100.00 %
<b>State Special Total</b>	<b>\$406,841</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$406,841</b>	<b>0.63 %</b>
03305 03 Indirect Activity Prog 12	17,997,134	0	0	0	17,997,134	34.58 %
03580 6901-93.778 - Med Adm 50%	14,295,719	0	0	0	14,295,719	27.47 %
03426 CHIP Program Fed	0	0	0	0	0	0.00 %
03523 93.566 - Refugee Soc. Serv	163,370	0	0	0	163,370	0.31 %
03571 93.566 - Off Ref Reset Adm 10	594,734	0	0	0	594,734	1.14 %
03974 Medicaid Exp HELP Act Admin	0	0	0	14,133,458	14,133,458	27.16 %
03975 Medicaid Exp HELP Act Benefit	0	0	0	4,860,425	4,860,425	9.34 %
<b>Federal Special Total</b>	<b>\$33,050,957</b>	<b>\$0</b>	<b>\$0</b>	<b>\$18,993,883</b>	<b>\$52,044,840</b>	<b>80.33 %</b>
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
<b>Total All Funds</b>	<b>\$38,791,713</b>	<b>\$0</b>	<b>\$0</b>	<b>\$25,999,367</b>	<b>\$64,791,080</b>	

MHSM receives general fund, state special revenue fund, and federal special revenue fund authority. The majority of MHSM funding is federal authority from Medicaid administration (50%-90% federal match) or indirect activity from the cost allocation plan (CAP). The general fund request for the 2021 biennium is somewhat lower than the 2019 biennium general fund appropriation amount. General fund is used for Medicaid administration.

### Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	2,366,724	2,366,724	4,733,448	88.74 %	18,685,355	18,685,355	37,370,710	96.34 %
SWPL Adjustments	300,044	300,423	600,467	11.26 %	710,053	710,950	1,421,003	3.66 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$2,666,768</b>	<b>\$2,667,147</b>	<b>\$5,333,915</b>		<b>\$19,395,408</b>	<b>\$19,396,305</b>	<b>\$38,791,713</b>	

### Present Law Adjustments

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the 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.

Present Law Adjustments										
	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	300,027	834	409,159	710,020	0.00	300,403	1,977	408,530	710,910
DP 3 - Inflation Deflation	0.00	17	0	16	33	0.00	20	0	20	40
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$300,044</b>	<b>\$834</b>	<b>\$409,175</b>	<b>\$710,053</b>	<b>0.00</b>	<b>\$300,423</b>	<b>\$1,977</b>	<b>\$408,550</b>	<b>\$710,950</b>

\*\*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

### DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

### DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

### Language and Statutory Authority -

The executive proposal requests \$26.0 million in statutory authority associated with Medicaid Expansion: \$7.0 million general fund and \$19.0 million federal funds. This authority is contingent on the passage of a bill to continue Medicaid Expansion in Montana.



### Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	4,371,069	5,512,136	1,141,067	26.10 %
Operating Expenses	516,779	569,787	53,008	10.26 %
Equipment & Intangible Assets	10,480	10,480	0	0.00 %
Transfers	71,861	0	(71,861)	(100.00)%
<b>Total Expenditures</b>	<b>\$4,970,189</b>	<b>\$6,092,403</b>	<b>\$1,122,214</b>	<b>22.58 %</b>
General Fund	1,976,902	2,448,193	471,291	23.84 %
State/Other Special Rev. Funds	119,491	156,247	36,756	30.76 %
Federal Spec. Rev. Funds	2,873,796	3,487,963	614,167	21.37 %
<b>Total Funds</b>	<b>\$4,970,189</b>	<b>\$6,092,403</b>	<b>\$1,122,214</b>	<b>22.58 %</b>
<b>Total Ongoing</b>	<b>\$4,970,189</b>	<b>\$6,092,403</b>	<b>\$1,122,214</b>	<b>22.58 %</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>

### Program Biennium Comparison -

The biennium comparison table shows a total growth of 22.6%. Compared to the FY 2019 base appropriation, the growth is 19.0%

### Program Description

Management and Fair Hearings (MFH) provides leadership and planning for the operation of DPHHS, additional responsibilities include:

- Accounting and budget analysis including financial and caseload projections, reporting, and compliance
- The Office of Fair Hearings provides an administrative hearing process for program participants that receive adverse notices from DPHHS

Statutory Authority - Management and Fair Hearings - Title 17, Chapter 1, part 1 and Chapter 2, MCA.

### Program Highlights

Management and Fair Hearings Major Budget Highlights
<ul style="list-style-type: none"> <li>• The executive proposes an increase of \$1.1 million or 22.6% including an increase of 26.1% for personal services</li> <li>• The requested increase in personal services is primarily due to a present law increase of \$973,998</li> </ul>

### Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	30.00	30.00	30.00	30.00
Personal Services	1,910,648	2,102,000	2,269,069	2,756,745	2,755,391
Operating Expenses	290,734	231,928	284,851	284,889	284,898
Equipment & Intangible Assets	0	5,240	5,240	5,240	5,240
Transfers	71,861	71,861	0	0	0
<b>Total Expenditures</b>	<b>\$2,273,243</b>	<b>\$2,411,029</b>	<b>\$2,559,160</b>	<b>\$3,046,874</b>	<b>\$3,045,529</b>
General Fund	947,525	947,626	1,029,276	1,224,365	1,223,828
State/Other Special Rev. Funds	47,959	51,107	68,384	78,137	78,110
Federal Spec. Rev. Funds	1,277,759	1,412,296	1,461,500	1,744,372	1,743,591
<b>Total Funds</b>	<b>\$2,273,243</b>	<b>\$2,411,029</b>	<b>\$2,559,160</b>	<b>\$3,046,874</b>	<b>\$3,045,529</b>
<b>Total Ongoing</b>	<b>\$2,273,243</b>	<b>\$2,411,029</b>	<b>\$2,559,160</b>	<b>\$3,046,874</b>	<b>\$3,045,529</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### Program Discussion -

#### *FY 2018 Appropriation Compared to FY 2018 Actual Expenditures*

MFH expended 94.3% of the total appropriation in FY 2018, and almost 100.0% of the general fund. About 97.6% of unutilized appropriations was federal authority.

#### *FY 2018 Appropriation Compared to FY 2019 Appropriation*

The appropriation for FY 2019 is 6.1% greater than the FY 2018 appropriation. The difference in appropriation between FY 2018 and FY 2019 is primarily due to:

- A restoration of \$86,198 in general fund during FY 2019 as a result of SB 9
- Program transfers that reduced the federal appropriation in FY 2018

### *Executive Request*

The executive request for FY 2020 and FY 2021 is an increase of 19.0% respectively over the base year appropriation.

#### **LFD COMMENT**

DPHHS increased FTE at MFH by 8.00 during the 2019 biennium. A total of 5.00 FTE were transferred in from Child Support Enforcement Division (CSED) through a reorganization of department administrative law judge functions. Legislative Fiscal Division requested information from the department on the number of requests for administrative review, as well as the number of reviews conducted for both claimants and providers. As of publication of this document, DPHHS has not provided information as to the historical workload at MFH. However, according to the department, the transfer "was a management decision to increase operational efficiencies across the agency, and not as a result of increasing workload".

The other positions increased the strategic planning, research and analysis unit "to increase the agency's ability for program planning, implementation and analysis". The additional FTE were transferred in from the Directors Office and Technology Services Division (TSD). Prior to the transfers, MFH had 22.00 total FTE. The additional FTE represent an increase in TSD FTE of 36.4%.

*5.0% Plan*

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%. A summary of the entire 2021 biennium 5.0% plan submitted for this agency is in the Budget Analysis Appendix.

MFH has created a 5.0% reduction plan that includes a total savings of \$47,376 in general fund and \$2,398 in state special revenue funds. These savings are achieved through a reduction in operating costs for the division.

**Program Personal Services Narrative**

Personal services comprise 88.7% percent of base appropriations, while the Governor proposes about 90.5% for FY 2020 and FY 2021. Increases in personal services costs are primarily due to the increase in FTE within the division and the proposed reinstatement of personal services. In FY 2018 MFH utilized more personal services hours than they were appropriated resulting in a negative vacancy savings rate of 1.8% in hours expended to hours budgeted.

**Funding**

The following table shows proposed program funding by source of authority.

Department of Public Health & Human Services, 16-Management and Fair Hearings Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	2,448,193	0	0	0	2,448,193	40.18 %
02221 02 Indirect Activity Prog 16	156,247	0	0	0	156,247	100.00 %
<b>State Special Total</b>	<b>\$156,247</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$156,247</b>	<b>2.56 %</b>
03304 03 Indirect Activity Prog 16	3,487,963	0	0	0	3,487,963	100.00 %
<b>Federal Special Total</b>	<b>\$3,487,963</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,487,963</b>	<b>57.25 %</b>
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
<b>Total All Funds</b>	<b>\$6,092,403</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$6,092,403</b>	

MFH receives general fund, state special revenue, and federal funds through a federally approved cost allocation formula that is generally referred to as indirect activity. The funding formula is derived from those funds expended on functions benefiting or serving other programs in the department. General funds are used to meet the match requirement for federally funded activities. About 40.2% of TSD's HB 2 authority is general fund while federal funds and state special comprise around 57.3% and 2.6% respectively.

**Program Budget Summary by Category**

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	1,029,276	1,029,276	2,058,552	84.08 %	2,559,160	2,559,160	5,118,320	84.01 %
SWPL Adjustments	195,089	194,552	389,641	15.92 %	487,714	486,369	974,083	15.99 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$1,224,365</b>	<b>\$1,223,828</b>	<b>\$2,448,193</b>		<b>\$3,046,874</b>	<b>\$3,045,529</b>	<b>\$6,092,403</b>	

### Present Law Adjustments

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the 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.

Present Law Adjustments										
	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	195,070	9,753	282,853	487,676	0.00	194,529	9,726	282,067	486,322
DP 3 - Inflation Deflation	0.00	19	0	19	38	0.00	23	0	24	47
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$195,089</b>	<b>\$9,753</b>	<b>\$282,872</b>	<b>\$487,714</b>	<b>0.00</b>	<b>\$194,552</b>	<b>\$9,726</b>	<b>\$282,091</b>	<b>\$486,369</b>

\*\*\*Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

### DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

### DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

### Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	25,635,761	27,425,149	1,789,388	6.98 %
Operating Expenses	18,006,803	24,734,681	6,727,878	37.36 %
Equipment & Intangible Assets	62,186	62,186	0	0.00 %
Grants	27,993,194	27,993,194	0	0.00 %
Benefits & Claims	566,227,393	568,366,793	2,139,400	0.38 %
Transfers	8,000	8,000	0	0.00 %
Debt Service	152,568	152,568	0	0.00 %
<b>Total Expenditures</b>	<b>\$638,085,905</b>	<b>\$648,742,571</b>	<b>\$10,656,666</b>	<b>1.67 %</b>
General Fund	144,712,031	142,890,046	(1,821,985)	(1.26)%
State/Other Special Rev. Funds	79,258,346	92,365,967	13,107,621	16.54 %
Federal Spec. Rev. Funds	414,115,528	413,486,558	(628,970)	(0.15)%
<b>Total Funds</b>	<b>\$638,085,905</b>	<b>\$648,742,571</b>	<b>\$10,656,666</b>	<b>1.67 %</b>
<b>Total Ongoing</b>	<b>\$638,085,905</b>	<b>\$648,742,571</b>	<b>\$10,656,666</b>	<b>1.67 %</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>

### Program Biennium Comparison -

The biennium comparison table shows a total growth of 1.7%, which for this program is influenced by the FY 2018 appropriation reductions. Compared to the FY 2019 base appropriation, the budget is reduced by 2.0%. The 2021 biennium general fund request is lower than the 2019 biennium general fund appropriation by 1.3%.

### Program Description

The Senior and Long-Term Care Division (SLTC) plans, administers, and provides publicly-funded long-term care services for Montana's senior citizens and persons with physical disabilities. In addition, the division provides education and support regarding aging and long-term care issues to Montanans of all ages. The division makes services available through six major programs:

- The Office on Aging provides meals, transportation, public education, information and assistance, long-term care ombudsman, and other services
- The Medicaid Community Services Program pays for in-home assisted living, and other community-based services to Medicaid-eligible individuals as an alternative to nursing home care
- The Medicaid Nursing Facility Program pays for care to Medicaid-eligible individuals in 82 Montana nursing homes
- The Protective Services Program investigates abuse, neglect, and exploitation through adult protective services social workers
- Skilled nursing facility care is provided to veterans at the 105-bed Montana Veterans Home (MVH) in Columbia Falls and the 80-bed Eastern Montana Veterans Home in Glendive
- The State Supplemental Payments Program pays for a portion of the room and board costs for SSI eligible individuals residing in designated residential care facilities.

Statutory References: Aging Services, 52-3-201 et seq., MCA, (Protection Services Act for Aged Persons or Disabled Adults), 52-3-501 et seq., MCA, (Montana Older Americans Act), 52-3-801 et seq., MCA, (Montana Elder and Developmentally Disabled Abuse Prevention Act); P.L.89-75 (Federal Older Americans Act), P.L. 93-66 Section 212, P.L. 93-233 (authorizes states to supplement the Supplemental Security Income Amendments to the (SSI) Payments Program Social Security Act); Veteran's Homes, 10-2-401 , MCA (authorizes and establishes Montana Veteran's Homes) ; 53-1- 6

02 , MCA (Eastern Montana Veteran's Home) ; Medicaid, Title 53, Chapter 6, MCA; Title 19, Social Security Act 42 USC 1396 et. seq. (establishes and authorizes Medicaid Program).

### Program Highlights

Senior & Long-Term Care Division Major Budget Highlights	
<ul style="list-style-type: none"> <li>The budget request for SLTC is a 1.7% increase over the SLTC appropriation for the last biennium</li> <li>The Big Sky Waiver waitlist has decreased over the interim and stands at 296 persons as of FYE 2018</li> <li>The first year of operations for the Southwest Veterans' Home in Butte is funded in FY 2021 with \$4.6 million</li> </ul>	

### Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	216.73	216.73	216.73	216.73
Personal Services	12,696,464	12,553,643	13,082,118	13,711,052	13,714,097
Operating Expenses	7,563,720	8,617,936	9,388,867	10,030,975	14,703,706
Equipment & Intangible Assets	0	31,093	31,093	31,093	31,093
Grants	12,939,820	13,996,597	13,996,597	13,996,597	13,996,597
Benefits & Claims	256,568,674	271,673,103	294,554,290	278,236,412	290,130,381
Transfers	0	4,000	4,000	4,000	4,000
Debt Service	61,716	76,284	76,284	76,284	76,284
<b>Total Expenditures</b>	<b>\$289,830,394</b>	<b>\$306,952,656</b>	<b>\$331,133,249</b>	<b>\$316,086,413</b>	<b>\$332,656,158</b>
General Fund	68,460,888	69,648,406	75,063,625	69,826,443	73,063,603
State/Other Special Rev. Funds	34,023,878	36,643,574	42,614,772	44,174,540	48,191,427
Federal Spec. Rev. Funds	187,345,628	200,660,676	213,454,852	202,085,430	211,401,128
<b>Total Funds</b>	<b>\$289,830,394</b>	<b>\$306,952,656</b>	<b>\$331,133,249</b>	<b>\$316,086,413</b>	<b>\$332,656,158</b>
<b>Total Ongoing</b>	<b>\$289,830,394</b>	<b>\$306,952,656</b>	<b>\$331,133,249</b>	<b>\$316,086,413</b>	<b>\$332,656,158</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### Program Discussion -

#### *FY 2018 Appropriation Compared to FY 2018 Actual Expenditures*

In FY 2018 SLTC expended 98.5% of its overall budget, or \$289.8 million. The FY 2018 SLTC budget decreased by \$1.8 million during FY 2018 due to transfers of authority to other DPHHS divisions.

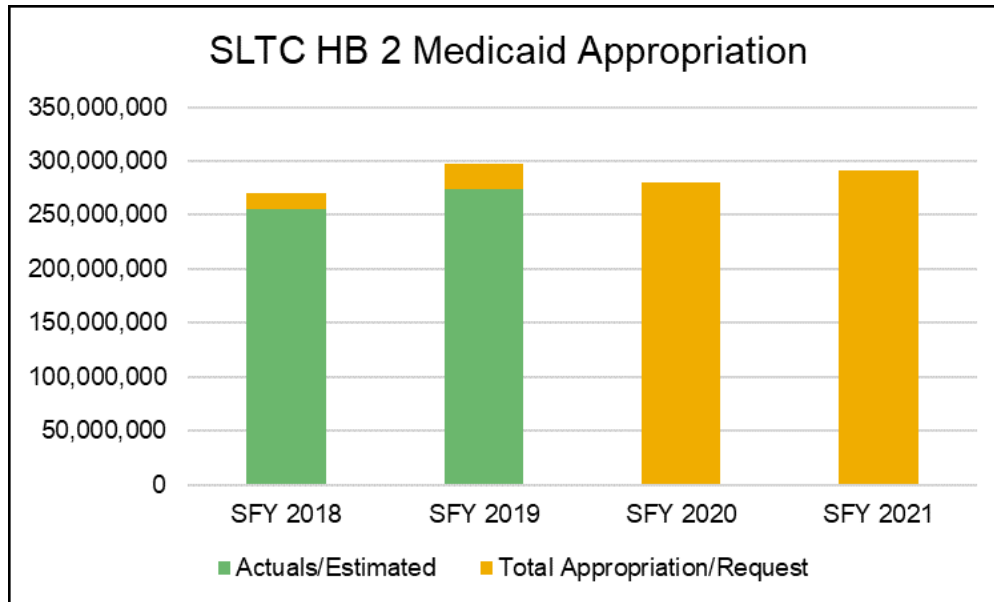
#### *FY 2018 Appropriation Compared to FY 2019 Appropriation*

- The FY 2019 appropriation for SLTC is higher than the FY 2018 appropriation by \$24.2 million
- SLTC did restore \$3.4 million in general fund due to the SB 9 restorations: the entire general fund amount reduced in the 17-7-140, MCA reductions. The majority of this restoration was made to the SLTC Medicaid waiver and Community First Choice benefits

*Executive Request*

The executive request for the SLTC 2021 biennium HB 2 budget is 1.7% higher in total funds than the 2019 biennium appropriated budget and 1.3% lower in general fund. Changes from the 2019 biennium budget are tied to proposed Medicaid caseload funding decreases and Medicaid provider rate increases.

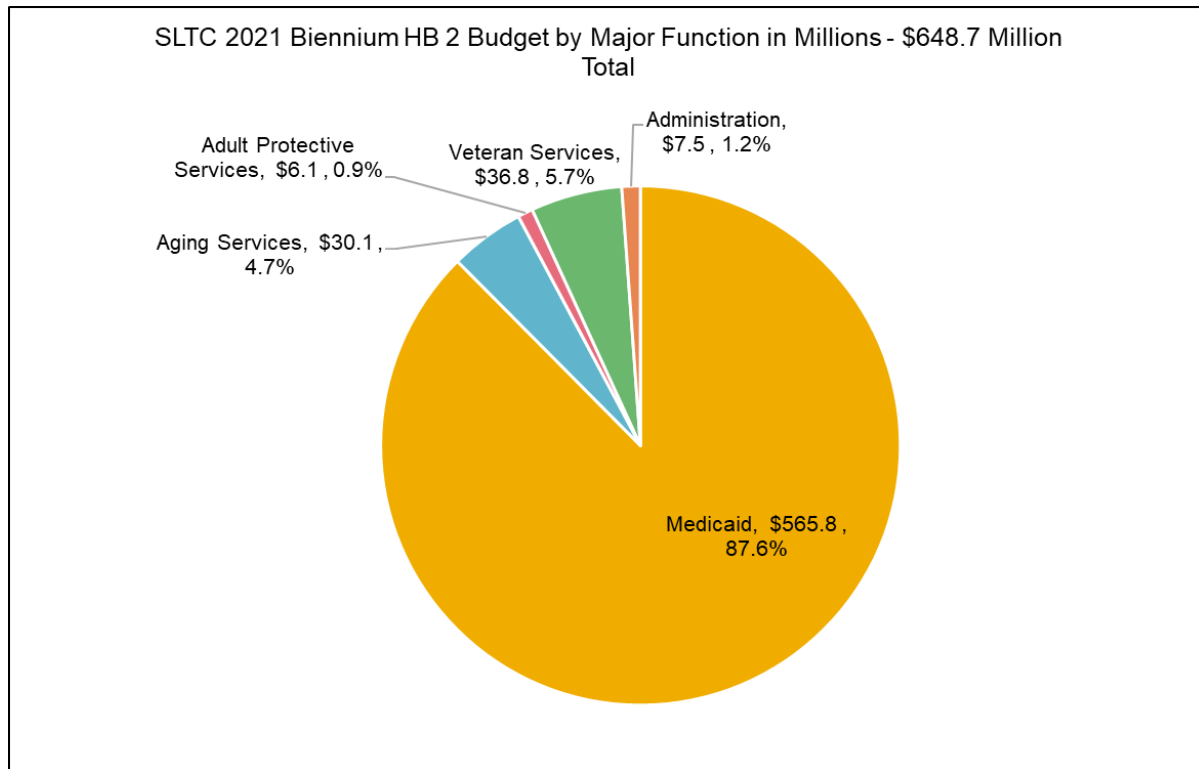
The figure below illustrates the HB 2 Medicaid appropriation from FY 2018 – FY 2021.

*Discussion*

This section discusses the SLTC budget and activities in detail. Some general SLTC budget discussion follows, with more detail provided on the 2021 biennium request in subsequent subsections, along with a discussion of major programs and services within SLTC.

Biennium Budget by Major Function

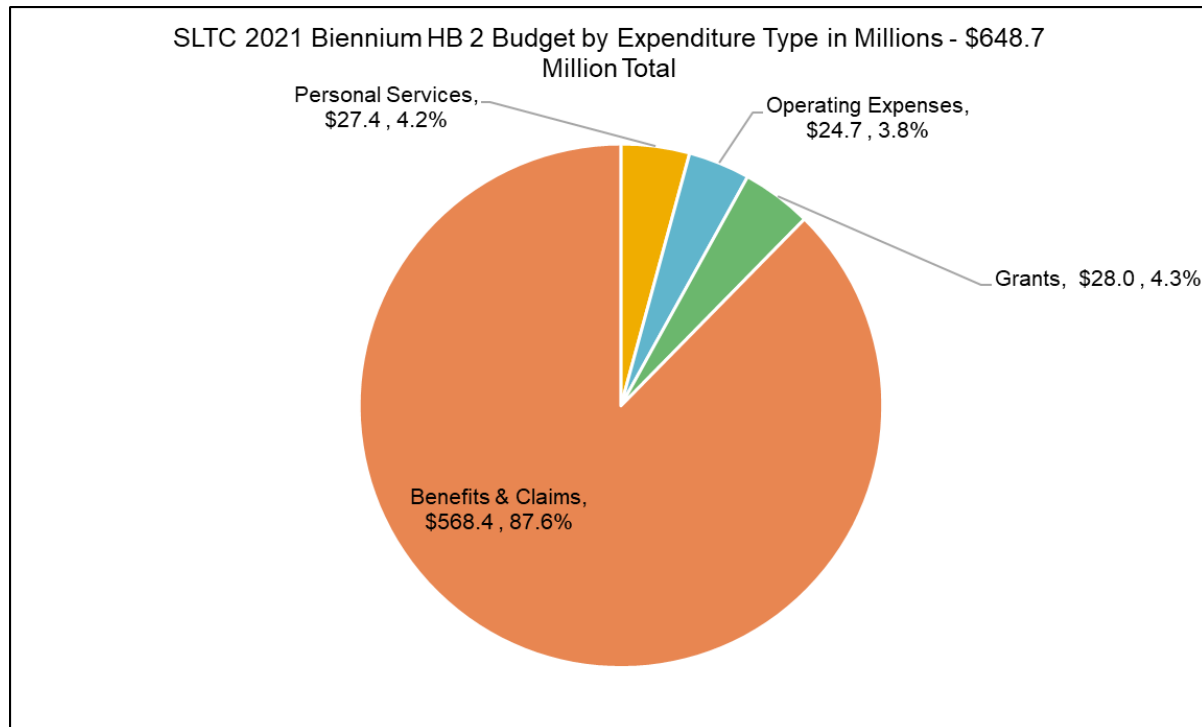
The figure below shows the SLTC 2021 biennium budget request by major function. Appropriations for Medicaid services are the most significant budgetary item, comprising 87.6% of the 2021 biennium SLTC budget request. These charts are HB 2 only and do not include the proposed statutory funding associated with Medicaid expansion, which is an additional \$19.5 million in SLTC. Aging services are 4.7% of the request and veterans' services, both the Montana Veterans' Home and Eastern Montana Veterans' Home, account for 5.7%. Adult protective services are 039%, with division administration making up 1.2% of the total.



#### Biennium Budget by Expenditure Type

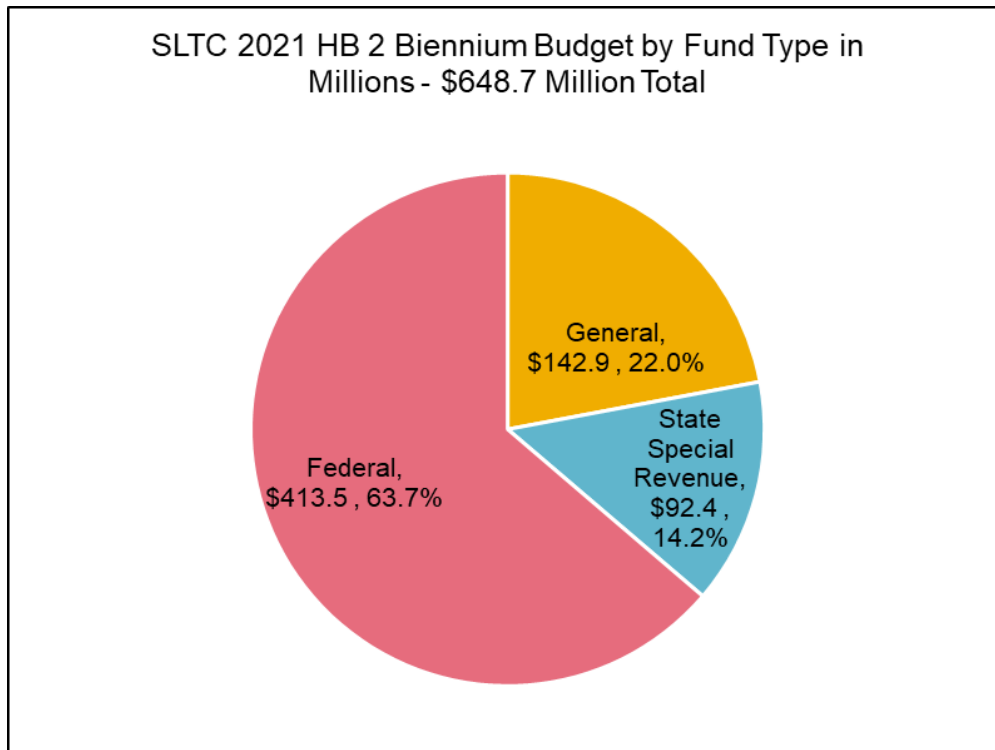
The chart below presents the SLTC 2021 biennium budget request by major expenditure. Benefits and claims, which are payments for services provided to persons who meet specific eligibility criteria, are 87.6% of the total request. Grants are 4.3% of the total and are primarily federal categorical grants for aging services. Most of these grant funds support contracts with Area Agencies on Aging to provide services such as Meals on Wheels, congregate meals, and other support services. Personal services are 4.2% of the total, and fund the cost of state employees. Operating costs are 3.8%. The largest share of personal services and operating costs of the SLTC division pay for staff and operating of the Montana Veterans' Home. Equipment, debt service, and transfers combine for less than 1.0% of the total and are not reflected in the figure below.





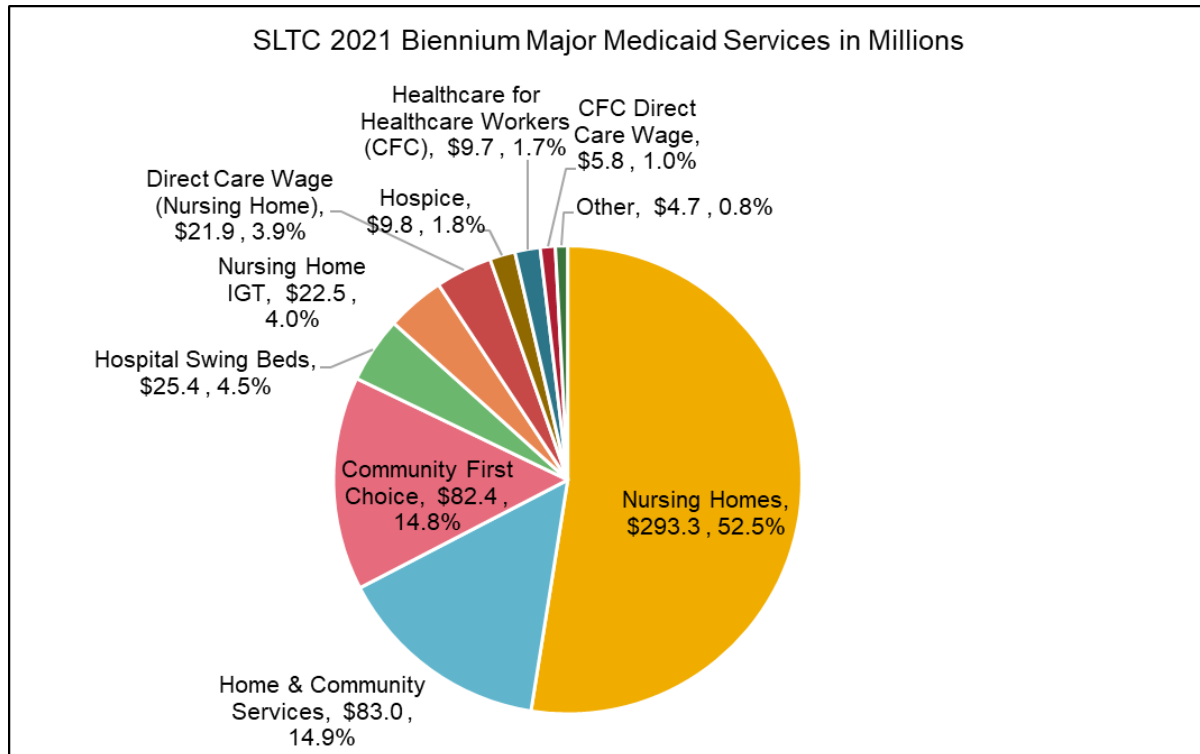
#### Major Funding Sources

The chart below shows the 2021 biennium budget request for SLTC by major funding source. Federal funds support 63.7% of the total and are primarily comprised of Medicaid matching funds, aging services grants, and Veterans' Administration (VA) per diem payments for Montana Veterans' Homes services. General fund comprises 22.0% of the total. The primary uses of general fund include state matching funds for Medicaid services and administration, adult protective services, and other administrative costs. State special revenue makes up 14.2% of the total and is supported by cigarette tax revenue that supports Montana Veterans' Homes, and various taxes and fees that fund a portion of state Medicaid match. Funding is discussed in greater detail in the Funding section below.



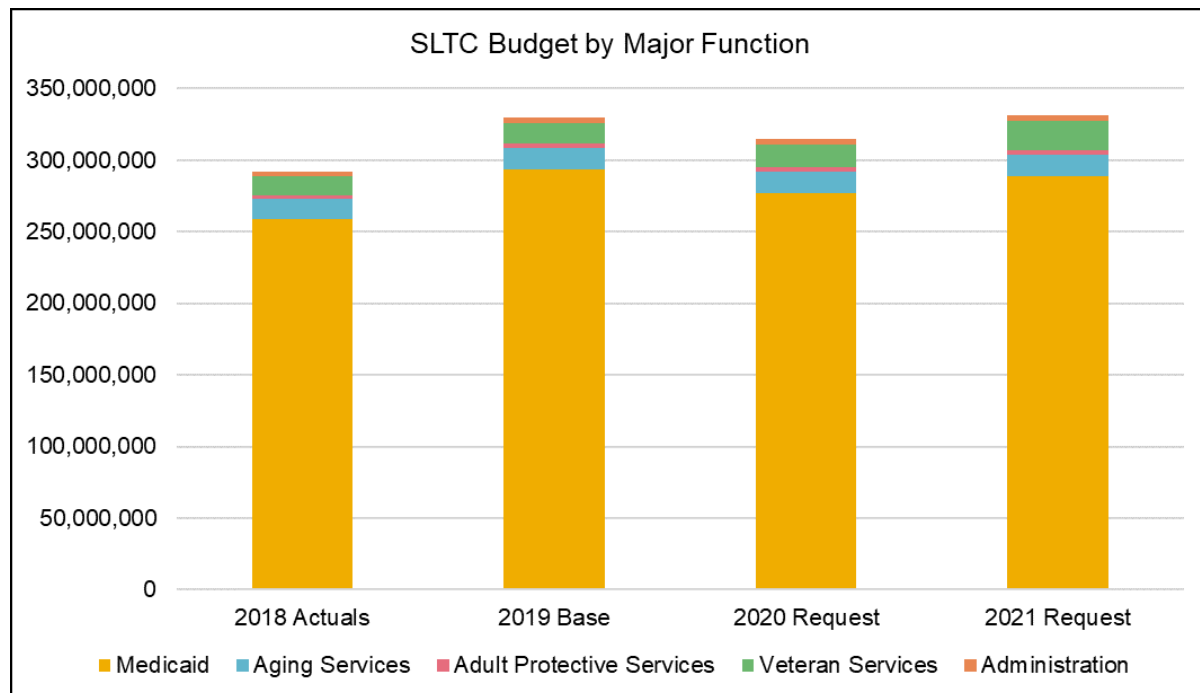
#### Medicaid Services

The figure below presents the Medicaid services distribution in the 2021 biennium budget request. These projections are made by DPHHS and do not include Medicaid Expansion. As noted above, Medicaid services are the largest component of the SLTC division budget request. Nursing home services make up 52.5% of all Medicaid services. The Intergovernmental Transfer (IGT) program allows counties that own and manage nursing homes to transfer county funds to the state to be used as state Medicaid matching funds. Nursing home IGT authority makes up 4.0% of the total. DPHHS uses the county match to draw down federal Medicaid funds and increase the Medicaid nursing home provider rate. The additional funds are distributed to nursing homes based on the number of Medicaid eligible days of care provided. Home and community based services account for 14.9% of the SLTC Medicaid services budget request. Community First Choice funds make up 14.8% of the total request.



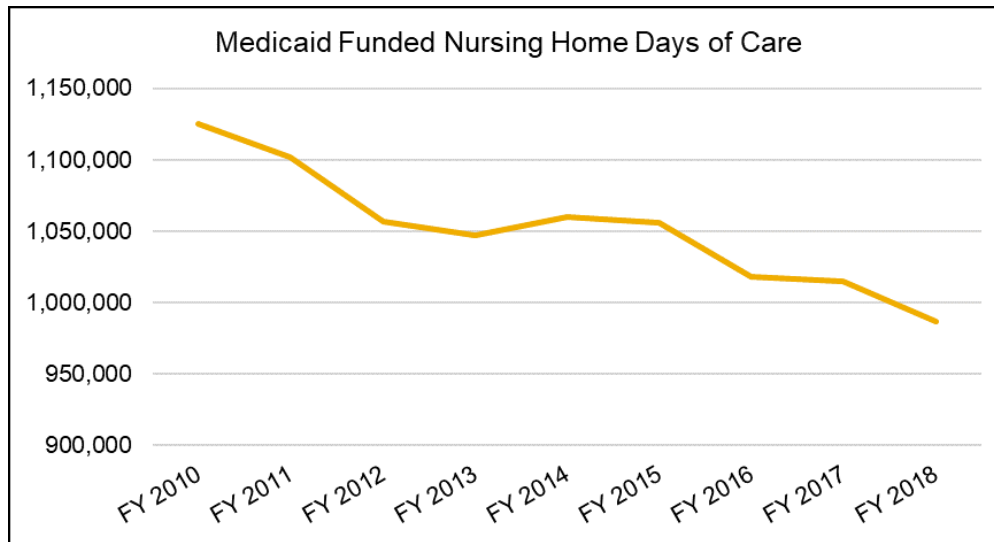
#### SLTC Budget by Major Function: FY 2018-2021

The figure below presents the SLTC division budget by major function by fiscal year. Note that this chart does not include every function performed by SLTC, but highlights the major functions.



Nursing Home Days of Care

The figure below shows the DPHHS/SLTC figures for Medicaid funded days of nursing home services. Nursing home days of care funded by Medicaid have been declining in a fairly consistent pattern over the past several biennia.

Nursing Home Intergovernmental Transfers

DPHHS projects IGT payments at \$11.3 million in both FY 2020 and FY 2021. Actual IGT payments were \$12.7 million in FY 2018.

Community First Choice and Home-Based Services

The 2013 Legislature approved the executive request to implement Community First Choice (CFC), a new optional Medicaid service. Prior to FY 2014, most Medicaid funded personal care services were provided in the home based services category. These services shifted to the CFC program. CFC has an enhanced federal match, which is 6.0% above a state's regular federal match rate.

In addition to provision of personal care services, CFC requires developing a person-centered service plan, including an emergency contact/response component in the plan, establishing and maintaining a comprehensive continuous quality assurance system specifically for the CFC benefit, collecting and reporting information for federal oversight, and completing an evaluation of the program. Community First Choice served 3,296 persons at FYE 2018.

Home & Community Based Services

The 2021 DPHHS biennium request for home and community based services is \$104.4 million total funds. Home and community based waiver service providers develop an individual service plan using a case management team, including the recipient. The service plan must meet the needs of the recipient and be cost effective. It is reviewed every 6 months or as the recipient's condition changes.

Services available to recipients include case management, homemaker, personal care, adult day care, respite, habilitation, medical alert monitor, meals, transportation, environmental modification, respiratory therapy, nursing services, adult residential care provided in a personal care or assisted living facility, or adult foster home, as well as a number of specialized services for recipients with a traumatic brain injury. The community based waiver is managed through allocation of various types of services depending on the health and needs of the individual.

The Big Sky Waiver

The Big Sky Home and Community Based Services Program/Waiver, as defined by DPHHS allows people, who would otherwise be institutionalized, to live in their own home and community. The services are made available through DPHHS and SLTC. DPHHS indicates the Big Sky Waiver served 3,065 persons at FYE 2018 (preliminary estimate).

As of FYE 2018 the waiting list for the Big Sky Waiver stood at 296 persons. This is a decline from FYE 2016, when the waiting list for the Big Sky Waiver stood at 466 persons.

At the end of FY 2018 the Big Sky Waiver had about \$652,318 in excess authority, enough to serve about 18-19 persons based on an average care plan cost of \$35,000. Note that the Developmental Services Division section of this budget analysis contains a discussion of the status of the Developmental Disability (0208) waiver waiting list.

#### Veterans' Services

The 2021 biennium executive budget request for veterans' services is \$36.8 million. The Montana Veterans' Home (MVH) is the most significant component of the request because it is a state administered facility. Eastern Montana Veterans' Home (EMVH) has contracted management, where the state passes through the federal VA reimbursement and some cigarette tax state special revenue. The balance of EMVH revenues is paid directly to the contracted manager. The proposed budget includes \$4.6 million, including \$3.5 million in state special revenue funds, in FY 2021 to help establish the Southwest Veterans' Home in Butte.

#### *5% Plan*

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2021 biennium 5% plan submitted for this agency is in the Budget Analysis Appendix.

SLTC has created a 5% reduction plan that includes a total savings of \$3.4 million in general fund and \$1.3 million in state special revenue. These savings are realized by reducing Medicaid rates and reducing operating expenses.

#### **Program Personal Services Narrative**

- The requested SLTC personal services budget includes \$537,774 in DP 1 due to the proposed reinstatement of previous reductions and interim budget modifications
- The majority of this amount is tied to a proposed vacancy savings level of 2.0% rather than the 6.0% applied in the 2019 biennium
- The movement of SB 9 restorations create an additional \$187,500 reinstatement in DP 1

#### **Funding**

The following table shows proposed program funding by source of authority.

Department of Public Health & Human Services, 22-Senior & Long-Term Care Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	142,890,046	0	0	1,814,014	144,704,060	21.65 %
02023 Private Ins. Medicaid Reim.-Ve	11,202,544	0	0	0	11,202,544	12.13 %
02032 Vets-I&I Lease	35,782	0	0	0	35,782	0.04 %
02053 Medicaid IGT's	10,793,451	0	0	0	10,793,451	11.69 %
02260 Cigarette Tax Revenue	7,445,417	0	0	0	7,445,417	8.06 %
02497 6901-Lien & Estate - SLTCD	2,329,026	0	0	0	2,329,026	2.52 %
02772 Tobacco Hlth and Medicaid Init	22,499,009	0	0	0	22,499,009	24.36 %
02783 6901-Traumatic Brain Injury Dn	8,216	0	0	0	8,216	0.01 %
02959 EMVH Clinic Rent	67,318	0	0	0	67,318	0.07 %
02987 Tobacco Interest	2,287,224	0	0	0	2,287,224	2.48 %
02990 69010-Nursing Home Utilization	35,697,980	0	0	0	35,697,980	38.65 %
<b>State Special Total</b>	<b>\$92,365,967</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$92,365,967</b>	<b>13.82 %</b>
03247 Benefits Enrollment Center BEC	0	0	0	0	0	0.00 %
03279 SLTC Lifespan Respite	200,184	0	0	0	200,184	0.05 %
03579 93.667 - SSBG - Benefits	722,971	0	0	0	722,971	0.17 %
03580 6901-93.778 - Med Adm 50%	3,692,649	0	0	0	3,692,649	0.86 %
03583 93.778 - Med Ben Fmap	373,368,699	0	0	0	373,368,699	86.59 %
03593 03 Indirect Activity Prog 03	(6,059,780)	0	0	0	(6,059,780)	(1.41) %
03666 Aging - Caregiver III-E	1,642,879	0	0	0	1,642,879	0.38 %
03350 Aging-SHIP-ACL	695,576	0	0	0	695,576	0.16 %
03368 MIPPA CMS - SHIP	0	0	0	0	0	0.00 %
03372 MIPPA CMS - ADRC	0	0	0	0	0	0.00 %
03381 MIPPA CMS - AAA	0	0	0	0	0	0.00 %
03456 69010-AOA Aging One-Stop Shop	2	0	0	0	2	0.00 %
03501 64.014 - Vets St. Domic Care 1	239,386	0	0	0	239,386	0.06 %
03512 MFP Demonstration Grant	6,391,284	0	0	0	6,391,284	1.48 %
03514 10.570 - Elderly Feeding 100%	2,843,408	0	0	0	2,843,408	0.66 %
03515 93.041 - Elder Abuse Prev 100%	30,696	0	0	0	30,696	0.01 %
03516 93.042 - Ombudsman Activity 10	197,962	0	0	0	197,962	0.05 %
03517 93.043 - Preventive Hlth 100%	233,704	0	0	0	233,704	0.05 %
03518 93.044 - Aging Sup S & Train 1	3,113,643	0	0	0	3,113,643	0.72 %
03519 93.045 - Aging Meals 100%	7,002,957	0	0	0	7,002,957	1.62 %
03005 EMVH V-A Nursing Reimbursement	6,459,240	0	0	0	6,459,240	1.50 %
03073 Aging - Farmers Market	216,914	0	0	0	216,914	0.05 %
03074 Aging - Nutrition Services HDM	1,122,713	0	0	0	1,122,713	0.26 %
03112 Vets-V.A. Reimb	11,371,471	0	0	0	11,371,471	2.64 %
03974 Medicaid Exp HELP Act Admin	0	0	0	0	0	0.00 %
03975 Medicaid Exp HELP Act Benefit	0	0	0	17,697,084	17,697,084	4.10 %
03141 MBCC_Financial Exploitation	0	0	0	0	0	0.00 %
03157 Alzheimer's Initiative SSS	0	0	0	0	0	0.00 %
03277 Lifespan Respite Expansion	0	0	0	0	0	0.00 %
03329 Elder Justice	0	0	0	0	0	0.00 %
<b>Federal Special Total</b>	<b>\$413,486,558</b>	<b>\$0</b>	<b>\$0</b>	<b>\$17,697,084</b>	<b>\$431,183,642</b>	<b>64.52 %</b>
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
<b>Total All Funds</b>	<b>\$648,742,571</b>	<b>\$0</b>	<b>\$0</b>	<b>\$19,511,098</b>	<b>\$668,253,669</b>	

The table above shows the distribution of funding for the SLTC division. SLTC is funded by general fund, state special revenue, and federal special revenue funds.

The general fund supports:

- State Medicaid match
- Aging services
- Adult protective services
- Administrative costs

General fund expenditures can increase due to:

- Provider rate increases for Medicaid and aging services
- Direct care worker wage increases

- An increased number of Medicaid enrollees
- Higher costs of care for Medicaid enrollees
- Higher state Medicaid matching costs due to the reduction in the federal match rate (FMAP)

Most state revenue sources are used as a match for Medicaid services, including:

- Nursing home utilization fee
- Health and Medicaid initiative tobacco tax revenue
- County intergovernmental transfer revenues (IGT)

The executive budget includes new revenue from proposed tobacco taxes. These new revenues will impact the Cigarette Tax revenue fund as well as the Medicaid and Health Initiatives Fund.

Other state special revenue sources are used to fund the Montana Veterans' Homes including:

- Cigarette taxes
- Payments for facility services

#### *Nursing Home Utilization Fee*

A portion of the state Medicaid match for nursing homes is paid from a fee assessed for each day of nursing home care. Historically, the number of days of nursing home care has fallen steadily since the mid-1990s, with the exception of FY 2010 and FY 2014.

#### *Cigarette Tax Revenue*

By statute, 8.3% of cigarette taxes collected are deposited into a state special revenue account for support of veterans' nursing home costs at state operated veterans' homes. Statute requires that funds in excess of \$2.0 million in the veterans' portion of the cigarette tax revenue be transferred to the general fund at the end of the fiscal year. Cigarette taxes are a declining revenue source. Services supported by the cigarette tax include:

- Operational costs of Montana veterans' homes
- Indirect administrative costs of DPHHS
- Long-range building projects

#### **Program Budget Summary by Category**

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	75,063,625	75,063,625	150,127,250	105.06 %	331,133,249	331,133,249	662,266,498	102.08 %
SWPL Adjustments	(51,073)	(47,443)	(98,516)	(0.07)%	629,787	621,596	1,251,383	0.19 %
PL Adjustments	(4,106,258)	(2,237,988)	(6,344,246)	(4.44)%	(13,348,057)	(6,889,554)	(20,237,611)	(3.12)%
New Proposals	(1,079,851)	285,409	(794,442)	(0.56)%	(2,328,566)	7,790,867	5,462,301	0.84 %
<b>Total Budget</b>	<b>\$69,826,443</b>	<b>\$73,063,603</b>	<b>\$142,890,046</b>		<b>\$316,086,413</b>	<b>\$332,656,158</b>	<b>\$648,742,571</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the 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.

Present Law Adjustments										
-----Fiscal 2020-----						-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Total Funds
DP 1 - Personal Services	0.00	(61,529)	610,185	80,278	628,934	0.00	(60,418)	611,200	81,197	631,979
DP 2 - Fixed Costs	0.00	0	(11,052)	0	(11,052)	0.00	0	(25,155)	0	(25,155)
DP 3 - Inflation Deflation	0.00	10,456	0	1,449	11,905	0.00	12,975	0	1,797	14,772
DP 6 - Medicaid fund switch from enhanced FMAP to traditional FMAP	0.00	1,656,483	0	3,150,490	4,806,973	0.00	1,529,664	0	2,909,290	4,438,954
DP 22001 - Medicaid Ben Core FMAP - SLTC	0.00	1,279,384	0	(1,279,384)	0	0.00	1,154,175	0	(1,154,175)	0
DP 22003 - Medicaid Waiver FMAP - SLTC	0.00	(1,908,621)	0	1,908,621	0	0.00	(2,032,394)	0	2,032,394	0
DP 22004 - Medicaid Waiver Services - SLTC	0.00	(2,614,169)	0	(4,839,977)	(7,454,146)	0.00	(2,597,770)	0	(4,856,376)	(7,454,146)
DP 22005 - Medicaid Core Services - SLTC	0.00	(2,556,371)	0	(5,108,910)	(7,665,281)	0.00	(306,708)	0	(610,756)	(917,464)
DP 22006 - Medicaid Other Services FMAP - SLTC	0.00	37,036	1,525,341	(1,562,377)	0	0.00	15,045	1,486,784	(1,501,829)	0
DP 22007 - Medicaid Other Services - SLTC	0.00	0	(1,299,249)	(2,405,484)	(3,704,733)	0.00	0	(1,291,099)	(2,413,634)	(3,704,733)
DP 22008 - EMVH Per Diem	0.00	0	0	179,989	179,989	0.00	0	0	221,603	221,603
DP 22009 - MVH Per Diem	0.00	0	461,266	0	461,266	0.00	0	461,517	36,840	498,357
DP 22010 - Medicaid Federal Services - SLTC	0.00	0	0	27,875	27,875	0.00	0	0	27,875	27,875
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>(\$4,157,331)</b>	<b>\$1,286,491</b>	<b>(\$9,847,430)</b>	<b>(\$12,718,270)</b>	<b>0.00</b>	<b>(\$2,285,431)</b>	<b>\$1,243,247</b>	<b>(\$5,225,774)</b>	<b>(\$6,267,958)</b>

\*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

**DP 1 - Personal Services -**

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

**DP 2 - Fixed Costs -**

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, etc. The rates charged for these services are approved in the section of the budget that provides the services.

**DP 3 - Inflation Deflation -**

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.



DP 6 - Medicaid fund switch from enhanced FMAP to traditional FMAP -

The executive proposes a change package that addresses the general and federal fund impact of transferring eligible members from expanded Medicaid to traditional Medicaid FMAP in Senior and Long-Term Care Division due to the sunset of the HELP Act.

DP 22001 - Medicaid Ben Core FMAP - SLTC -

The executive proposes a present law adjustment to maintain existing services for the Medicaid programs in the Senior and Long-Term Care Division. The change package requests a general fund increase with offsetting federal fund adjustments for each year. The total cost for the program does not change.

DP 22003 - Medicaid Waiver FMAP - SLTC -

The executive proposes a present law adjustment to maintain existing services for the Medicaid programs in the Senior and Long-Term Care Division. The change package requests a general fund decrease with offsetting federal fund adjustments for each year. The total cost for the program does not change.

DP 22004 - Medicaid Waiver Services - SLTC -

The executive proposes a present law adjustment for caseload growth in the Senior and Long-Term Care Division to cover the change in the number of eligible individuals, utilization, acuity levels, and cost per service for medical care.

DP 22005 - Medicaid Core Services - SLTC -

The executive proposes a present law adjustment for caseload growth in the Senior and Long-Term Care Division to cover the change in the number of eligible individuals, utilization, acuity levels, and cost per service for medical care.

DP 22006 - Medicaid Other Services FMAP - SLTC -

The executive proposes a present law adjustment to maintain existing services for the Medicaid programs in the Senior and Long-Term Care Division. The change package requests a general fund and state special revenue fund increase with offsetting federal fund adjustments for each year. The total cost for the program does not change.

DP 22007 - Medicaid Other Services - SLTC -

The executive proposes a present law change package to align county fiscal participation for the Intergovernmental Transfer (IGT) program in the Senior and Long-Term Care Division.

DP 22008 - EMVH Per Diem -

The executive proposes a present law adjustment to increase federal authority for the federal Veterans Administration per diem rates that will be reimbursed for the nursing facility days of care at the Eastern Montana Veterans Home. The VA per diem rate increases effective October 1st of each year.

DP 22009 - MVH Per Diem -

The executive proposes a present law adjustment to increase federal authority from the federal Veterans Administration for per diem rates and state authority from private pay, Medicare, and Medicaid per diem payments that will be reimbursed for the domiciliary and the nursing facility days of care at the Montana Veterans Home in the Senior and Long-Term Care Division for the 2021 biennium.

DP 22010 - Medicaid Federal Services - SLTC -

The executive proposes a present law adjustment for caseload growth in the Senior and Long-Term Care Division to cover the change in the number of eligible individuals, utilization, acuity levels, and cost per service for medical care.

**New Proposals**

The "New Proposals" table shows new changes to spending.

New Proposals										
-----Fiscal 2020-----						-----Fiscal 2021-----				
FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Federal Special	Total Funds
DP 7 - Medicaid fund switch from traditional FMAP to enhanced FMAP										
0.00	(1,656,483)	0	(3,150,490)	(4,806,973)		0.00	(1,529,664)	0	(2,909,290)	(4,438,954)
DP 22011 - PRI - Medicaid Waiver - SLTC										
0.00	136,259	31,745	320,380	488,384		0.00	416,486	96,758	959,479	1,472,723
DP 22012 - PRI- Non-Medicaid - SLTC										
0.00	57,024	0	0	57,024		0.00	172,741	0	0	172,741
DP 22015 - PRI - Medicaid Core - SLTC										
0.00	383,349	241,532	1,308,118	1,932,999		0.00	1,225,846	736,650	4,016,599	5,979,095
DP 22016 - SW Veterans' Home Operating										
0.00	0	0	0	0		0.00	0	3,500,000	1,105,262	4,605,262
<b>Total</b>	<b>0.00</b>	<b>(\$1,079,851)</b>	<b>\$273,277</b>	<b>(\$1,521,992)</b>	<b>(\$2,328,566)</b>	<b>0.00</b>	<b>\$285,409</b>	<b>\$4,333,408</b>	<b>\$3,172,050</b>	<b>\$7,790,867</b>

\*\*\*Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

#### DP 7 - Medicaid fund switch from traditional FMAP to enhanced FMAP -

The executive proposes a change package addressing the general and federal fund impact of transferring eligible members from traditional Medicaid to expanded Medicaid FMAP in the Senior and Long-Term Care Division. This change package is contingent upon the passage and approval of legislation to renew Medicaid Expansion.

#### DP 22011 - PRI - Medicaid Waiver - SLTC -

The executive proposes a 0.91% provider rate increase in FY 2020 and a 1.83% increase in FY 2021 Medicaid Waiver programs in the Senior and Long-Term Care Division. This percentage increase in rates is the same percentage applied in the executive budget for K-12 schools, Office of Public Defender providers, and corrections services providers.

#### DP 22012 - PRI- Non-Medicaid - SLTC -

The executive proposes a 0.91% provider rate increase in FY 2020 and a 1.83% increase in FY 2021 Non-Medicaid Waiver program providers in the Senior and Long-Term Care Division. This percentage increase in rates is the same percentage applied in the Executive Budget to K-12 Schools, Office of Public Defender providers, and Corrections services providers.

#### DP 22015 - PRI - Medicaid Core - SLTC -

The executive proposes a 0.91% provider rate increase in FY 2020 and a 1.83% increase in FY 2021 Medicaid Waiver programs in the Senior and Long-Term Care Division. This percentage increase in rates is the same percentage applied in the executive budget for K-12 schools, Office of Public Defender providers, and corrections services providers.

#### DP 22016 - SW Veterans' Home Operating -

The executive proposes funding for the Senior and Long-Term Care Division to operate the new Southwest Veterans' Home in Butte with an anticipated opening date of January 2021.

#### **LFD COMMENT**

The legislature may wish to provide input on the operational strategy of the Southwest Veterans' Home (SWVH). The executive has indicated the final decision on the operations style of this facility has not yet been made. SWVH could be operated under a contract like the EMVH or primarily with state employees like the MVH. The executive request related to this facility is designed to permit flexibility along these lines.

**Language and Statutory Authority -**

The proposed budget requests \$19.5 million in statutory funding associated with the renewal of Medicaid Expansion.

**Program Biennium Comparison**

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	94,567,476	104,936,938	10,369,462	10.97 %
Operating Expenses	38,624,509	37,246,161	(1,378,348)	(3.57)%
Equipment & Intangible Assets	250,920	284,920	34,000	13.55 %
Grants	7,548,930	7,017,746	(531,184)	(7.04)%
Benefits & Claims	140,922,634	150,082,286	9,159,652	6.50 %
Transfers	311,800	45,000	(266,800)	(85.57)%
Debt Service	235,246	235,246	0	0.00 %
<b>Total Expenditures</b>	<b>\$282,461,515</b>	<b>\$299,848,297</b>	<b>\$17,386,782</b>	<b>6.16 %</b>
General Fund	143,286,437	159,699,582	16,413,145	11.45 %
State/Other Special Rev. Funds	38,306,218	39,135,710	829,492	2.17 %
Federal Spec. Rev. Funds	100,868,860	101,013,005	144,145	0.14 %
<b>Total Funds</b>	<b>\$282,461,515</b>	<b>\$299,848,297</b>	<b>\$17,386,782</b>	<b>6.16 %</b>
<b>Total Ongoing</b>	<b>\$282,461,515</b>	<b>\$299,848,297</b>	<b>\$17,386,782</b>	<b>6.16 %</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>

**Program Biennium Comparison -**

The biennium comparison table shows a total growth of 6.2%. Compared to the FY 2019 base appropriation, the growth is 4.1%.

**Program Description**

The Addictive and Mental Disorders Division (AMDD) provides chemical dependency and mental health services through contracts with behavioral health providers across the state. People with substance abuse disorders who have family incomes below 200.0% of the federal poverty level (FPL) are eligible for public funding of treatment services. In addition, the Medicaid program funds outpatient and residential chemical dependency treatment services for adolescents and outpatient services for adults who are Medicaid eligible. The mental health program provides services to adults who are eligible for Medicaid as well as non-Medicaid adults up to 150.0% of FPL. The division also manages three inpatient facilities: the Montana State Hospital in Warm Springs, the Montana Chemical Dependency Center in Butte, and the Montana Mental Health Nursing Care Center in Lewistown.

Statutory Authority - Mental health is in Title 53, Chapter 21, parts 1 through 7 and part 10, MCA and PL 102-321, CFR. Chemical dependency is in Title 53, Chapters 1 and 24, MCA, and Part C, Title XIX of the Social Security Act.

Program Highlights

Addictive & Mental Disorders Division Major Budget Highlights	
<ul style="list-style-type: none"> <li>The executive proposes a total fund increase of 6.2% including an 11.0% increase in personal services and a 6.5% increase in benefits and claims. Both increases significantly contribute to a proposed biennial increase of 11.5% for general fund expenditures</li> <li>The largest factors effecting proposed general fund and personal services expenditures include: <ul style="list-style-type: none"> <li>A reduction in the Federal Medicaid Assistance Percentage (FMAP) requiring the state to pick up a higher percentage of Medicaid reimbursement</li> <li>An increase of 39.19 FTE, during the 2019 biennium, including a total of 40.19 FTE added at the Montana State Hospital (MSH)</li> </ul> </li> </ul>	

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	757.25	757.25	757.25	757.25
Personal Services	46,391,142	46,524,928	48,042,548	52,480,149	52,456,789
Operating Expenses	21,379,223	21,094,498	17,530,011	18,594,139	18,652,022
Equipment & Intangible Assets	8,284	108,460	142,460	142,460	142,460
Grants	6,011,433	4,040,057	3,508,873	3,508,873	3,508,873
Benefits & Claims	59,807,020	66,310,457	74,612,177	73,239,624	76,842,662
Transfers	196,845	289,300	22,500	22,500	22,500
Debt Service	126,208	117,623	117,623	117,623	117,623
<b>Total Expenditures</b>	<b>\$133,920,155</b>	<b>\$138,485,323</b>	<b>\$143,976,192</b>	<b>\$148,105,368</b>	<b>\$151,742,929</b>
General Fund	68,338,122	68,353,910	74,932,527	79,318,740	80,380,842
State/Other Special Rev. Funds	17,896,874	19,249,240	19,056,978	19,535,539	19,600,171
Federal Spec. Rev. Funds	47,685,159	50,882,173	49,986,687	49,251,089	51,761,916
<b>Total Funds</b>	<b>\$133,920,155</b>	<b>\$138,485,323</b>	<b>\$143,976,192</b>	<b>\$148,105,368</b>	<b>\$151,742,929</b>
<b>Total Ongoing</b>	<b>\$133,920,155</b>	<b>\$138,485,323</b>	<b>\$143,976,192</b>	<b>\$148,105,368</b>	<b>\$151,742,929</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Program Discussion -

*FY 2018 Appropriations Compared to FY 2018 Actual Expenditures*

AMDD expended 96.7% of the total 2018 appropriation including 99.9% of the general fund appropriation. State special and federal funds had unexpended appropriations totaling 7.0% and 6.3% respectively.

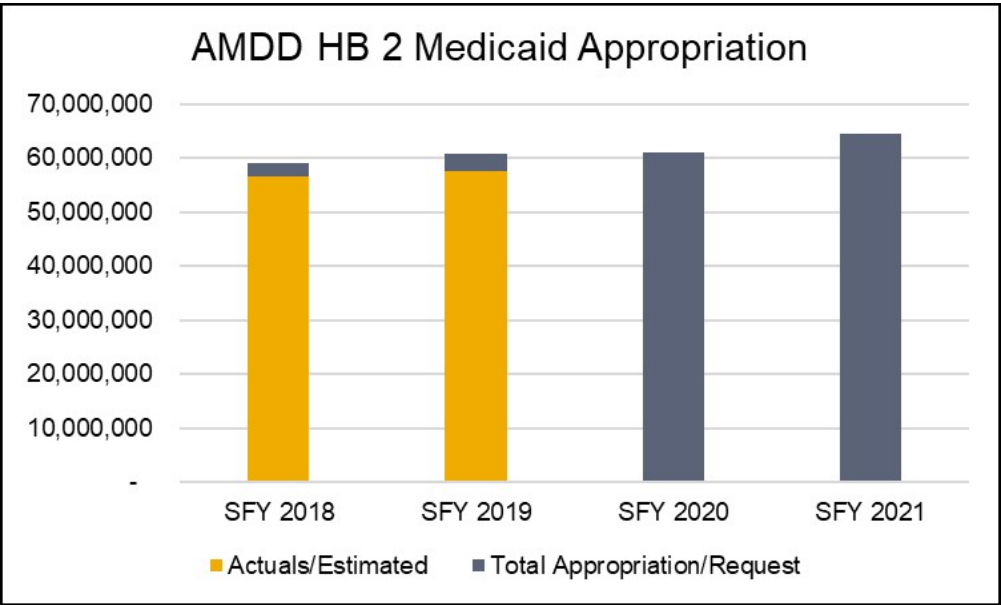
FY 2018 Appropriations Compared to FY 2019 Appropriations

The FY 2019 appropriation is 4.0% greater than the FY 2018 appropriation. The difference in appropriation is primarily due to \$4.1 million that was restored to the FY 2019 general fund appropriation as authorized by SB 9 (November 2017 Special Session)

Executive Request

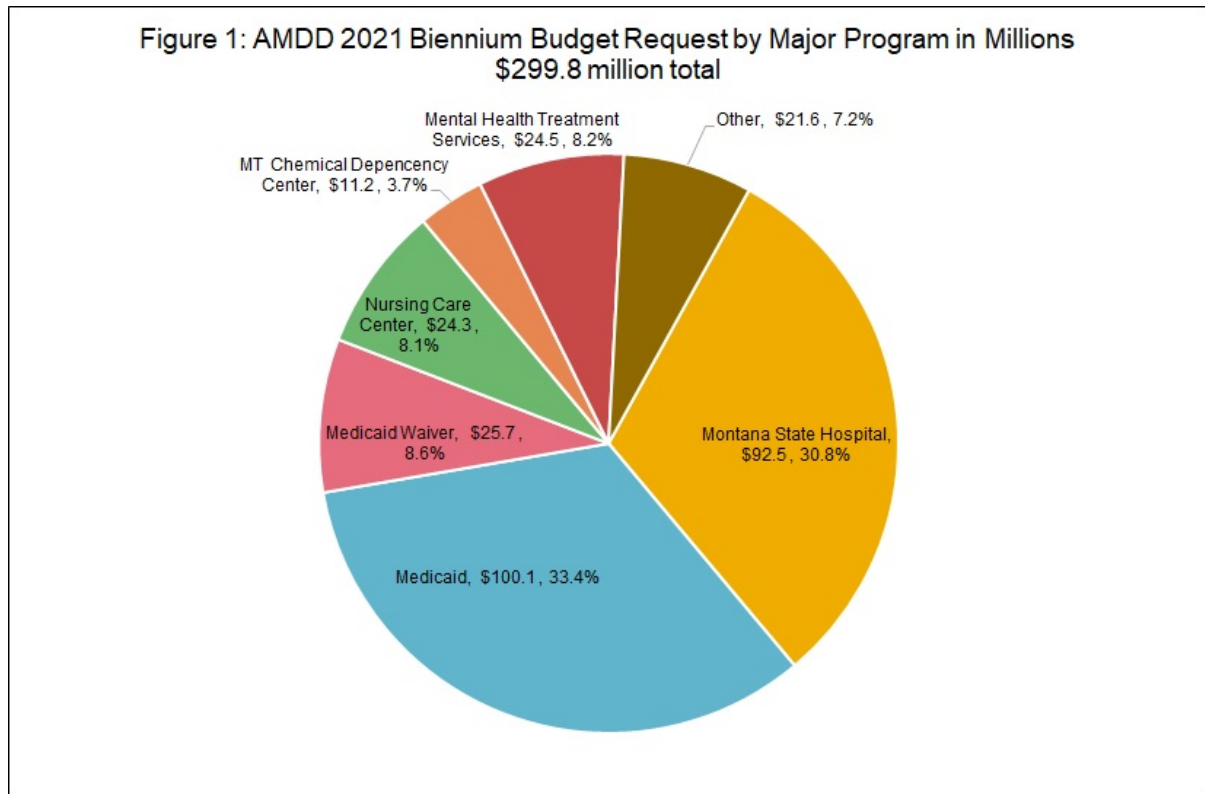
The executive request includes a total fund increase of 2.9% for FY 2020 and 5.4% for FY 2021 over the base year appropriation. The variance between the FY 2020 and FY 2021 request is primarily due to a present law adjustment for Medicaid caseload, utilization and costs for services.

As compared to the 2019 base, the executive projects Medicaid to be \$390,453 lower in FY 2020 and \$2.0 million higher in FY 2021. The overall increase is primarily driven by personal services adjustments totaling \$8.9 million for the 2021 biennium. The figure below illustrates the HB 2 Medicaid appropriation from FY 2018 – FY 2021.



## AMDD Program Budget

Figure 1 shows the major programs administered by AMDD. Medicaid occupies the largest portion of the budget request at 33.4%, followed by MSH at 30.8%, and the AMDD waiver at 8.6%.



### State Facility Costs

A total of 6 facilities are run by the Department of Public Health and Human Services (DPHHS). AMDD is responsible for 3 of them including:

- Montana State Hospital (MSH)
- Montana Chemical Dependency Center (MCDC)
- Montana Mental Health Nursing Care Center (MMHNCC)

The 3 AMDD facilities account for 41.5% of the total proposed budget including large portions of the general fund total. MSH accounts for over 56.3% of the total biennial general fund request and combined with MMHNCC, the two account for over 71.5% of the total general fund request. A large portion of division general fund goes to these two facilities, specifically for personal services. The AMDD request has a total of 757.25 FTE including 535.29 at MSH or 70.7% of the division total. The three facilities combined account for 723.25 FTE or 95.5% of the total request. FTE at AMDD increased by 39.19 during the 2019 biennium.

Figure 2 below contains the revenue and expenditure data for the 3 facilities operated by AMDD. The average daily population is based on FY 2018 census information provided by the department. All 3 facilities generate revenues. MSH and MMHNCC collect revenues from patients with insurance which can be private insurance, Medicare, Medicaid, and others. Revenues collected from insurance sources at these two facilities go to the general fund. MCDC collects revenues from insurance sources, be they public or private as well. However, these revenues go into a cost recovery state special account used to fund the facility.

Figure 2: State Facilities Administered by AMDD 2019 Biennium Compared to 2021 Biennium Budget Request

Facility Cost/Funding	FY 2018 Actuals	FY 2019 Appropriated	FY 2020 Requested	FY 2021 Requested
<u>Montana State Hospital</u>				
FTE	495.10	495.10	535.29	535.29
Personal Services	\$33,193,852	\$33,813,007	\$37,363,277	\$37,346,710
All Other				
Total	46,765,118	42,662,699	46,240,818	46,242,887
General Fund	43,223,621	41,378,354	44,956,473	44,958,542
State Special Revenue	3,541,497	1,284,345	1,284,345	1,284,345
General Fund Revenue <sup>1</sup>	7,664,313	7,906,505	8,156,351	8,414,092
Average Daily Population	220.40	220.40	220.40	220.40
Cost Per Person/Day	\$581	\$530	\$575	\$575
Facility Cost Per Day	\$128,124	\$116,884	\$126,687	\$126,693
Annual Change		-8.8%	8.4%	0.0%
<u>Mental Health Nursing Care Center</u>				
FTE	134.71	134.71	133.71	133.71
Personal Services	\$7,425,053	\$8,256,961	\$8,492,622	\$8,489,310
All Other				
Total	11,913,172	11,885,269	12,126,699	12,126,483
General Fund	11,913,172	11,885,269	12,126,699	12,126,483
General Fund Revenue <sup>2</sup>	4,453,382	4,821,677	5,220,429	5,652,159
Average Population	85.70	85.70	85.70	85.70
Cost Per Person/Day	\$381	\$380	\$388	\$388
Facility Cost Per Day	\$32,639	\$32,562	\$33,224	\$33,223
Annual Change		-0.2%	2.0%	0.0%
<u>Montana Chemical Dependency Center</u>				
FTE	54.25	54.25	54.25	54.25
Personal Services	\$3,538,593	\$3,890,737	\$3,945,357	\$3,944,646
All Other				
Total	4,764,709	5,559,358	5,615,642	5,609,408



General Fund	-	-	-	-
State Special Revenue	4,764,709	5,559,358	5,615,642	5,609,408
Average Population	34.82	34.82	34.82	34.82
Cost Per Person/Day	375	437	442	441
Facility Cost Per Day	13,054	15,231	15,385	15,368
Annual Change		16.7%	1.0%	-0.1%
1 - FY2019 - FY 2021 revenues are estimated based on average growth of 3.16% from FY2014-FY2018.				
2 - FY2019 - FY 2021 revenues are estimated based on average growth of 8.27% from FY2014-FY2018.				

#### 5.0% Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%. A summary of the entire 2021 biennium 5.0% plan submitted for this agency is in the Budget Analysis Appendix.

AMDD has created a 5.0% reduction plan that includes a total savings of \$3.4 million in general fund and \$491,380 in state special revenue funds. These savings are achieved by eliminating secure crisis beds, decreasing Medicaid rates, eliminating mental health crisis intervention and jail diversion grants, eliminating mental health service plans for non-Medicaid eligible adults, and by eliminating the projects for assistance in transition from homelessness grant.

#### Program Personal Services Narrative

The executive has requested an increase of 9.2% for personal services during both years of the 2021 biennium. A total of \$5.7 million is requested for the 2021 biennium to cover the increase. The requested increase is the result of management decisions, the proposed reinstatement of personal services, and modifications to the personal services base. Just under \$1.6 million of the requested annual increase is the result of AMDD adding a total of 39.19 FTE. MSH had an increase of 40.19 FTE during the 2019 biennium bringing their total to 535.29. The proposal includes an additional \$1.3 million request for FY 2020 and FY 2021 for overtime and holiday differential pay.

In FY 2018, AMDD experienced a vacancy savings rate of (0.1%) in hours expended to hours budgeted as a division. Appropriated FTE totaled 718.06 in FY 2018 while 718.90 were utilized. A total of 757.25 FTE have been requested per fiscal year during the 2021 biennium.

AMDD utilized all of their personal service hours in FY 2018 as a division. However, the MSH had unutilized appropriated hours during FY 2018. From FY 2016 – FY 2018, MSH has left an average of 7.5% of their HB2 appropriated FTE hours unutilized.

Montana State Hospital HB2 FTE Utilization			
	FY 2016	FY 2017	FY 2018
Hours Appropriated	954,512	954,512	1,030,016
Hours Utilized	877,508	902,216	937,337
Unused hrs	77,004	52,296	92,679
Hours Unutilized %	8.07%	5.48%	9.00%
FTE Equivalent	37.02	25.14	44.56

## 69010 - Department Of Public Health & Human Services33-Addictive and Mental Disorders Division

The requested operating expense appropriation during the 2021 biennium is proposed to decrease by 3.6% over the 2019 biennium. Since 2013, the operation expenses at AMDD have increased annually by an average of 12.7%. Increases in operating expenses at AMDD have been driven by expenditures for consultation and professional services, primarily at the Montana State Hospital. The table below contains the total AMDD operations expenses from FY 2013 – FY 2018, as well as the expenditures for consultation and professional services.

AMDD Operations Expenses FY 2013 - FY 2018						
	2013	2014	2015	2016	2017	2018
Operations Expenses	\$11,711,132	\$13,323,645	\$15,454,267	\$16,590,554	\$19,408,953	\$21,214,497
Year Over Increase (%)		13.8%	16.0%	7.4%	17.0%	9.3%
MSH Professional Services	\$834,003	\$1,439,517	\$1,483,056	\$2,564,650	\$4,668,841	\$6,042,442
Increase (%)		72.6%	3.0%	72.9%	82.0%	29.4%

### Funding

The following table shows proposed program funding by source of authority.

Department of Public Health & Human Services, 33-Addictive and Mental Disorders Division Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	159,699,582	0	0	9,461,340	169,160,922	41.32 %
02034 Earmarked Alcohol Funds	13,249,770	0	0	4,860,884	18,110,654	38.13 %
02247 MMHNCC DOC INFIRMARY	0	0	0	0	0	0.00 %
02384 02 Indirect Activity Prog 33	683,563	0	0	0	683,563	1.44 %
02394 Montana State Hospital Rev Acc	0	0	0	3,505,000	3,505,000	7.38 %
02598 MCDC COST RECOVERY	5,798,742	0	0	0	5,798,742	12.21 %
02691 6901-MSH/DOC Maint Agreement	280,162	0	0	0	280,162	0.59 %
02772 Tobacco Hlth and Medicaid Init	17,734,711	0	0	0	17,734,711	37.34 %
02987 Tobacco Interest	1,388,762	0	0	0	1,388,762	2.92 %
<b>State Special Total</b>	<b>\$39,135,710</b>	<b>\$0</b>	<b>\$0</b>	<b>\$8,365,884</b>	<b>\$47,501,594</b>	<b>11.60 %</b>
03171 Data Infrastructure Developmnt	288,745	0	0	0	288,745	0.15 %
03580 6901-93.778 - Med Adm 50%	1,107,429	0	0	0	1,107,429	0.57 %
03583 93.778 - Med Ben Fmap	83,681,392	0	0	0	83,681,392	43.43 %
03601 03 Indirect Activity Prog 33	382,334	0	0	0	382,334	0.20 %
03491 Tobacco Retail Inspctn Program	0	0	0	0	0	0.00 %
03504 Strategic Prevention Framework	0	0	0	0	0	0.00 %
03505 93.150 - Mntal Hlth - Homeless	606,034	0	0	0	606,034	0.31 %
03506 93.279 - ADAD - Data Contract	0	0	0	0	0	0.00 %
03507 93.958 - Mntal Hlth - Blk Grt	1,913,102	0	0	0	1,913,102	0.99 %
03508 93.959 - ADAD - Blk Grt 100%	13,033,969	0	0	0	13,033,969	6.76 %
03902 HRSA Flex Rural Hlth Access Pg	0	0	0	0	0	0.00 %
03974 Medicaid Exp HELP Act Admin	0	0	0	0	0	0.00 %
03975 Medicaid Exp HELP Act Benefit	0	0	0	91,685,847	91,685,847	47.58 %
03065 Opioid STR Grant	0	0	0	0	0	0.00 %
<b>Federal Special Total</b>	<b>\$101,013,005</b>	<b>\$0</b>	<b>\$0</b>	<b>\$91,685,847</b>	<b>\$192,698,852</b>	<b>47.07 %</b>
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
<b>Total All Funds</b>	<b>\$299,848,297</b>	<b>\$0</b>	<b>\$0</b>	<b>\$109,513,071</b>	<b>\$409,361,368</b>	

AMDD is funded by general fund, state special and federal funds. General funds are 41.3% of the total funding requested in executive's proposed budget and are used to support:

- State adult mental health facility costs

- State Medicaid match
- Adult mental health community services
- Community chemical dependency group home services for adults with methamphetamine and other addictions

State special revenue funds account for 11.6% of the total funding requested and are used for:

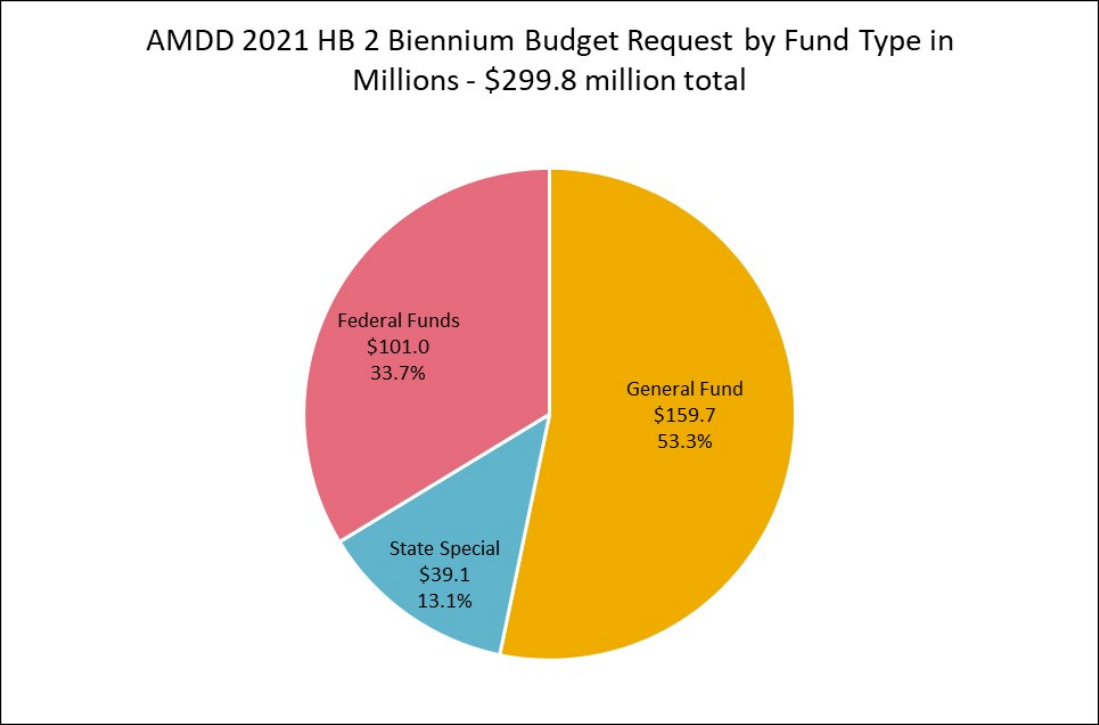
- Montana chemical dependency center state facility costs
- Community chemical dependency services
- State Medicaid match for chemical dependency services

Federal funds are 47.1% of the total funding requested and are used to support a variety of programs including:

- The federal portion of Medicaid administrative and benefits costs
- The Projects for Assistance in Transition from Homelessness Program (PATH)
- Mental health block grant
- Funds to evaluate the mental health needs of nursing home residents

Statutory funds account for 26.9% of the total funding request for the 2021 biennium. The statutory request for general fund and federal funds are for proposed HELP Act expenditures and are contingent upon the passage of a bill for the continuation of Medicaid expansion. State special revenue statutory appropriations are used by AMDD to cover expenses at both the MSH and MCDC.

Over half of the proposed division HB2 budget request is general fund. General fund and state special combined account for more than 66.0% of the total at 53.3% and 13.1% respectively. The remaining third is comprised of federal funds.



If the HELP Act sunsets it will have significant impacts on the executive's proposed 2021 budget. Specifically, the distribution of AMDD state special funds appropriated to MSH and MCDC. Since FY 2017, revenues into the MCDC cost recovery fund have significantly increased from both Medicaid and HELP. The table above illustrates the increase HELP and Medicaid have had on fund revenues. Over 77.1% of the revenue into MCDC cost recovery in FY 2018 was from HELP sources. The executive has requested \$2.9 million annually in MCDC cost recovery state special appropriation to fund MCDC during the 2021 biennium.

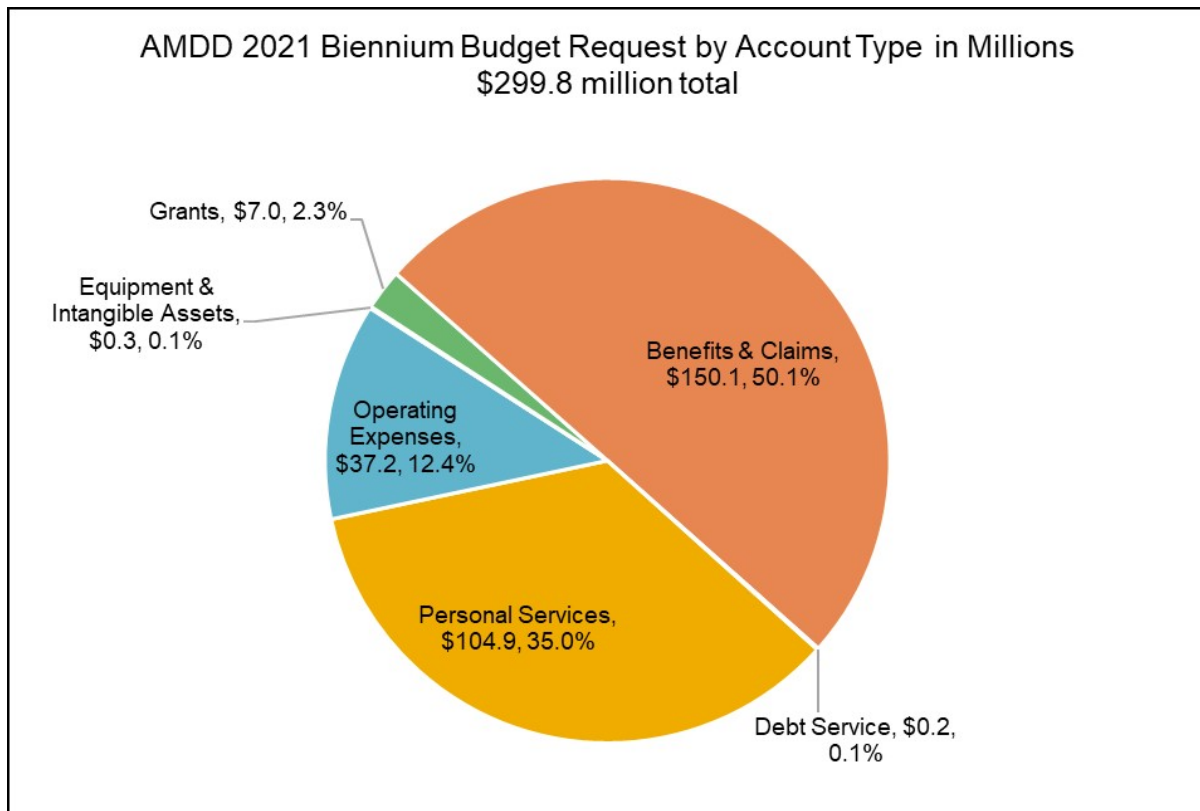
MCDC Cost Recovery Revenue Sources FY2014 - FY2018					
	2014	2015	2016	2017	2018
HELP				\$ 2,044,065	\$1,827,731
Private	4,793	12,677	15,073	6,988	12,624
Medicaid	1,151	39,490	14,088	562,632	481,208
Medicare	2,941	4,050	1,618	3,421	2,827
Other	75,951	133,705	40,529	60,614	44,788
Total	\$84,835	\$189,921	\$71,308	\$2,677,720	\$2,369,179

The table below illustrates the impact changes in the MCDC cost recovery have had on the state special expenditures at MCDC and MSH.

MCDC & MSH State Special Expenditures FY2014 - FY2021						
	2016	2017	2018	2019	2020	2021
<u>MCDC</u>	Actual	Actual	Actual	Appropriated	Requested	Requested
Earmarked Alcohol Funds	\$3,799,887	\$3,919,804	\$1,860,090	\$2,659,987	\$2,716,271	\$2,710,037
MCDC Cost Recovery	<u>893,278</u>	<u>1,040,781</u>	<u>2,904,913</u>	<u>2,899,371</u>	<u>2,899,371</u>	<u>2,899,371</u>
Total	\$4,693,165	\$4,960,584	\$4,765,003	\$5,559,358	\$5,615,642	\$5,609,408
<u>MSH</u>						
Earmarked Alcohol Funds	\$759,000	\$421,063	\$3,443,797	\$1,144,264	\$1,144,264	\$1,144,264
MSH/DOC Maint Agreement	<u>117,870</u>	<u>128,024</u>	<u>97,698</u>	<u>140,081</u>	<u>140,081</u>	<u>140,081</u>
Total	\$876,870	\$549,088	\$3,541,495	\$1,284,345	\$1,284,345	\$1,284,345

In FY 2018, compared to historical trend, a large portion of earmarked alcohol funds at MCDC decreased while MCDC cost recovery funds significantly increased. At the same time, during FY 2018, MSH earmarked alcohol fund expenditures increased significantly compared to historical trend. The executive request for funds from MCDC cost recovery would require the recent revenue trend, specifically from HELP participants, to continue during the 2021 biennium.

Just over half of the 2021 biennium HB 2 budget request is for benefits and claims at 50.1% of the total. More than one-third of the total request is for personal services at 35.0%.



### Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	74,932,527	74,932,527	149,865,054	93.84 %	143,976,192	143,976,192	287,952,384	96.03 %
SWPL Adjustments	2,897,916	2,898,688	5,796,604	3.63 %	2,888,066	2,881,539	5,769,605	1.92 %
PL Adjustments	9,370,455	10,186,023	19,556,478	12.25 %	23,961,691	26,567,643	50,529,334	16.85 %
New Proposals	(7,882,158)	(7,636,396)	(15,518,554)	(9.72)%	(22,720,581)	(21,682,445)	(44,403,026)	(14.81)%
<b>Total Budget</b>	<b>\$79,318,740</b>	<b>\$80,380,842</b>	<b>\$159,699,582</b>		<b>\$148,105,368</b>	<b>\$151,742,929</b>	<b>\$299,848,297</b>	

### Present Law Adjustments

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the 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.

## 69010 - Department Of Public Health & Human Services33-Addictive and Mental Disorders Division

Present Law Adjustments										
-----Fiscal 2020-----						-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	2,861,820	150,610	(162,241)	2,850,189	0.00	2,840,264	149,740	(163,175)	2,826,829
DP 2 - Fixed Costs	0.00	25,514	680	0	26,194	0.00	45,292	(5,081)	0	40,211
DP 3 - Inflation Deflation	0.00	10,582	1,101	0	11,683	0.00	13,132	1,367	0	14,499
DP 6 - Medicaid fund switch from enhanced FMAP to traditional FMAP	0.00	8,028,666	0	15,269,844	23,298,510	0.00	8,090,812	0	15,388,040	23,478,852
DP 33001 - Medicaid Waiver Services - AMDD	0.00	0	(34,855)	(64,532)	(99,387)	0.00	0	(34,636)	(64,751)	(99,387)
DP 33002 - FMAP - AMDD	0.00	(108,660)	310,664	(202,004)	0	0.00	(201,422)	277,692	(76,270)	0
DP 33003 - Medicaid Core Services - AMDD	0.00	(136,963)	0	(253,580)	(390,543)	0.00	709,221	0	1,325,846	2,035,067
DP 33004 - Medicaid Federal Services - AMDD	0.00	0	0	(434,301)	(434,301)	0.00	0	0	(434,301)	(434,301)
DP 33005 - Overtime-Holiday-Differential MSH - AMDD	0.00	1,312,568	0	0	1,312,568	0.00	1,312,568	0	0	1,312,568
DP 33006 - Overtime-Holiday-Differential MMHNCC - AMDD	0.00	274,844	0	0	274,844	0.00	274,844	0	0	274,844
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$12,268,371</b>	<b>\$428,200</b>	<b>\$14,153,186</b>	<b>\$26,849,757</b>	<b>0.00</b>	<b>\$13,084,711</b>	<b>\$389,082</b>	<b>\$15,975,389</b>	<b>\$29,449,182</b>

\*\*\*Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

### DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

### DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, etc. The rates charged for these services are approved in the section of the budget that provides the services.

### DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

### DP 6 - Medicaid fund switch from enhanced FMAP to traditional FMAP -

The executive requests an increase of \$46,777,362 in total biennium funding including \$16,119,478 in general fund. Requested funds would be used to cover the estimated cost of transferring eligible members from expanded Medicaid to traditional Medicaid FMAP in the Addictive and Mental Disorders Division due to the sunset of the HELP Act.

## 69010 - Department Of Public Health & Human Services33-Addictive and Mental Disorders Division

### DP 33001 - Medicaid Waiver Services - AMDD -

The executive proposes a reduction of \$198,774 in total funds for caseload growth in the Addictive and Mental Disorders Division. Caseload can include either an increase or decrease in the number of eligible individuals, utilization, acuity levels, and cost per service for medical care. The biennial funding is a reduction of \$69,491 in state special revenue, and a reduction of \$129,283 in federal funds.

### DP 33002 - FMAP - AMDD -

The executive proposes a federal fund reduction of \$202,004 in FY 2020 and \$76,270 in FY 2021 as well as a general fund reduction of \$108,660 in FY 2020 and a \$201,422 in FY 2021. The reductions are to be offset with a state special fund increase of \$310,664 in FY 2020 and \$277,692 in FY 2021. The adjustment is requested to cover existing services for the Medicaid programs in the Addictive and Mental Disorders Division and is needed due to a reduction in the Federal Medicaid Assistance Percentage (FMAP).

### DP 33003 - Medicaid Core Services - AMDD -

The executive requests \$1,664,524 in total funds over the biennium including \$572,258 in general fund and \$1,072,266 in federal funds. The request is for caseload growth in the Addictive and Mental Disorders Division. Caseload can include either an increase or decrease in the number of eligible individuals, utilization, acuity levels, and cost per service for medical care.

### DP 33004 - Medicaid Federal Services - AMDD -

The executive proposes a reduction of federal funds of \$434,301 in FY 2020 and \$434,301 in FY 2021. The proposal is for caseload growth in the Addictive and Mental Disorders Division. Caseload can include either an increase or decrease in the number of eligible individuals, utilization, acuity levels, and cost per service for medical care.

### DP 33005 - Overtime-Holiday-Differential MSH - AMDD -

The executive requests \$2,625,136 in general fund for the 2021 biennium to fund overtime at the Montana State Hospital, a 24/7 acute services facility. The additional general funds are requested in addition to what is requested in SWPL 1.

### DP 33006 - Overtime-Holiday-Differential MMHNCC - AMDD -

The executive requests \$549,688 in general fund for the 2021 biennium to fund overtime at the Montana Mental Health Nursing Care Center. The funding is requested in addition to what is requested in SWPL 1.

## New Proposals

The "New Proposals" table shows new changes to spending.

New Proposals										
-----Fiscal 2020-----					-----Fiscal 2021-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 7 - Medicaid fund switch from traditional FMAP to enhanced FMAP										
0.00	(8,028,666)	0	(15,269,844)	(23,298,510)	0.00	(8,090,812)	0	(15,388,040)	(23,478,852)	
DP 33007 - PRI - Medicaid Core - AMDD										
0.00	130,581	10,128	260,196	400,905	0.00	405,709	32,999	820,138	1,258,846	
DP 33008 - PRI - Medicaid Waiver - AMDD										
0.00	0	40,233	74,489	114,722	0.00	0	121,112	226,410	347,522	
DP 33009 - PRI - Non-Medicaid - AMDD										
0.00	15,927	0	46,375	62,302	0.00	48,707	0	141,332	190,039	
<b>Total</b>	<b>0.00</b>	<b>(\$7,882,158)</b>	<b>\$50,361</b>	<b>(\$14,888,784)</b>	<b>(\$22,720,581)</b>	<b>0.00</b>	<b>(\$7,636,396)</b>	<b>\$154,111</b>	<b>(\$14,200,160)</b>	<b>(\$21,682,445)</b>

\*\*\*Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

## **69010 - Department Of Public Health & Human Services33-Addictive and Mental Disorders Division**

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### DP 7 - Medicaid fund switch from traditional FMAP to enhanced FMAP -

The executive proposes a total fund reduction of \$46,777,362, including biennial funding of \$16,119,478 in general fund. The funding reduction includes funds requested to cover HELP participants transferring to traditional Medicaid at a reduced FMAP. The funding reduction is contingent upon the passage and approval of a bill to continue Medicaid expansion.

### DP 33007 - PRI - Medicaid Core - AMDD -

The executive requests \$1,659,751 in total funds over the biennium including \$536,290 in general funds. Funding is requested to cover a 0.91% provider rate increase in FY 2020 and a 1.83% increase in FY 2021 for Medicaid Core programs in the Addictive and Mental Disorders Division.

### DP 33008 - PRI - Medicaid Waiver - AMDD -

The executive requests \$462,244 in total funds over the biennium including \$161,345 in state special revenue. Funding is requested to cover a 0.91% provider rate increase in FY 2020 and a 1.83% increase in FY 2021 for Medicaid Waiver programs in the Addictive and Mental Disorders Division.

### DP 33009 - PRI - Non-Medicaid - AMDD -

The executive requests \$252,341 in total funds over the biennium including \$64,634 in general fund. Funding is requested to cover a 0.91% provider rate increase in FY 2020 and a 1.83% increase in FY 2021 for Non-Medicaid program providers in the Addictive and Mental Disorders Division.