

THE DEPARTMENT OF HEALTH AND HUMAN SERVICES

An Agency Profile Prepared by the
Legislative Fiscal Division

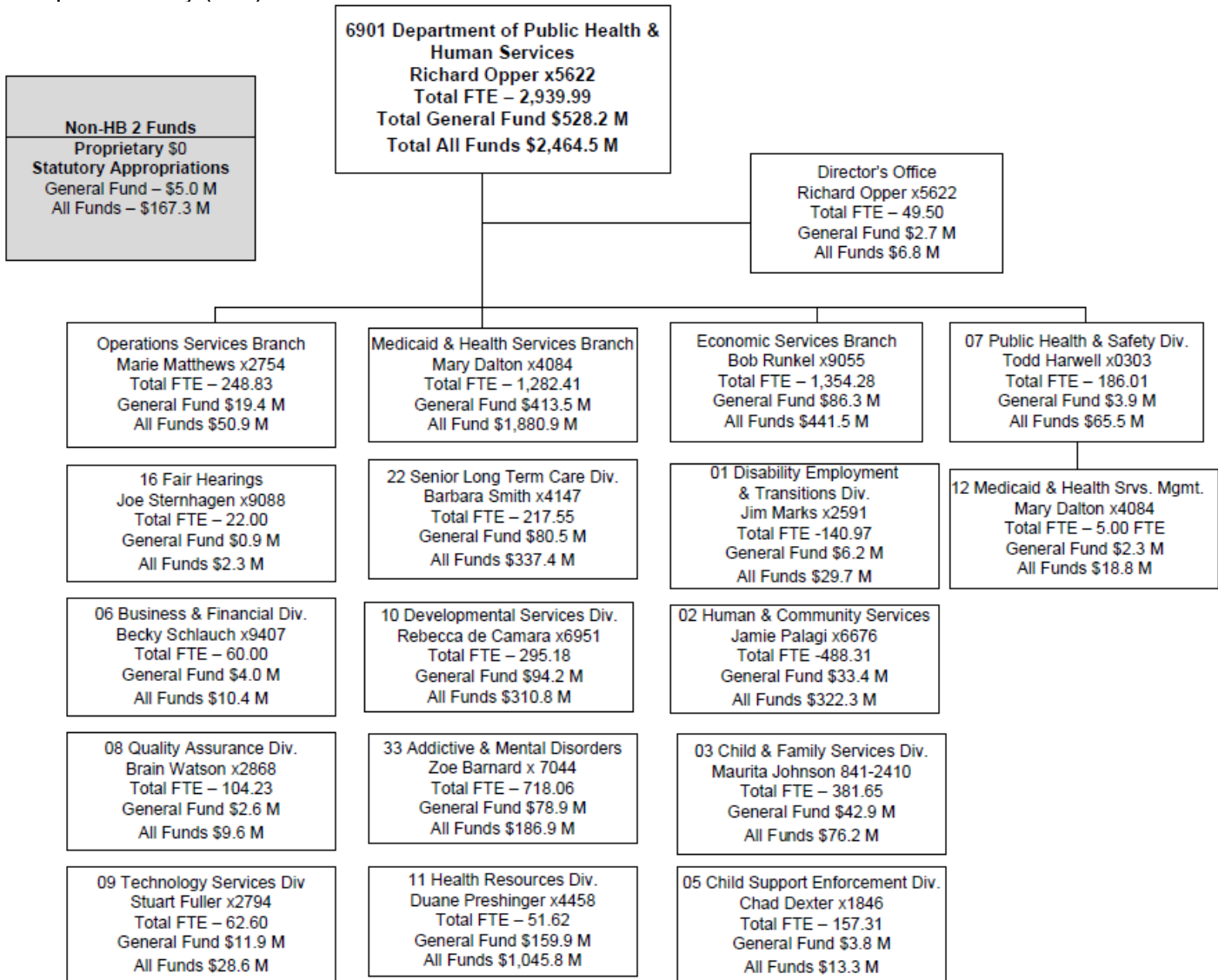
November, 2016



INTRODUCTION

The Department of Public Health & Human Services (DPHHS) mission is: Improving and protecting the health, well-being and self-reliance of all Montanans.

Below is an organizational chart of the branch, including full-time employee (FTE) numbers, HB 2 base general fund appropriations, and the total of all funds. Unless otherwise noted all phone extensions are preceded by (406) 444.



HOW SERVICES ARE PROVIDED

Services administered by DPHHS include: 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).

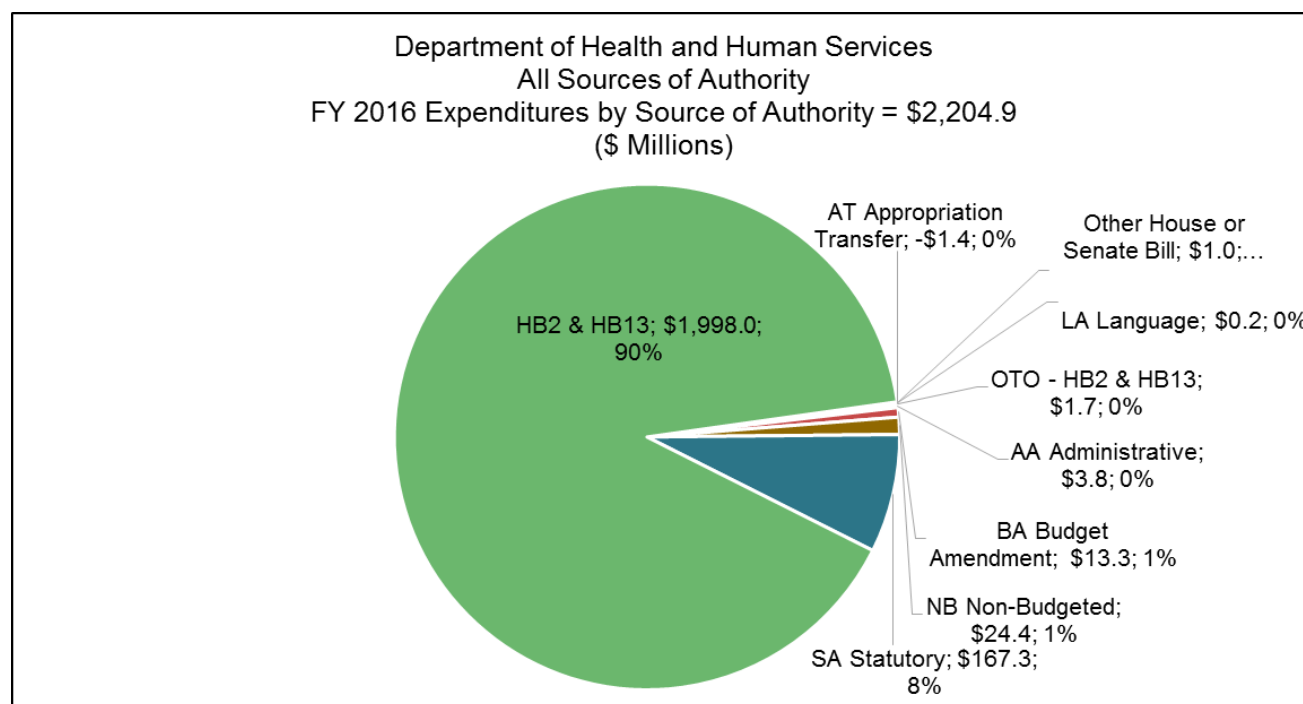
The department is also responsible for all state facilities except correctional institutions. DPHHS facilities include: Montana State Hospital, Warm Springs; Montana Mental Health Nursing Care Center,

Lewistown; Montana Chemical Dependency Center, Butte; Eastern Montana Veterans' Home, Glendive; Montana Veterans' Home, Columbia Falls; and the Montana Developmental Center, Boulder. The Montana Developmental Center will close and discontinue operations by June 30, 2017 per SB 411. Clientele from this facility will be moved into community based settings.

DPHHS administers programs by contracting for and through direct provision of services. Most Medicaid, Healthy Montana Kids (HMK), child care, and other services that directly benefit low income individuals are delivered by contractors enrolled in provider networks with DPHHS. Other services, such as low income energy assistance, out-of-home foster care, and development and maintenance of larger computer systems, are provided by businesses that contract with the department. A significant component of foster care services is provided by families who contract with DPHHS. A number of DPHHS programs employ staff who provide services directly to clients/consumers including: child and adult protective services; eligibility determination; child support enforcement and collection; and some case management functions. In addition, DPHHS operates six state facilities that provide medical care to individuals.

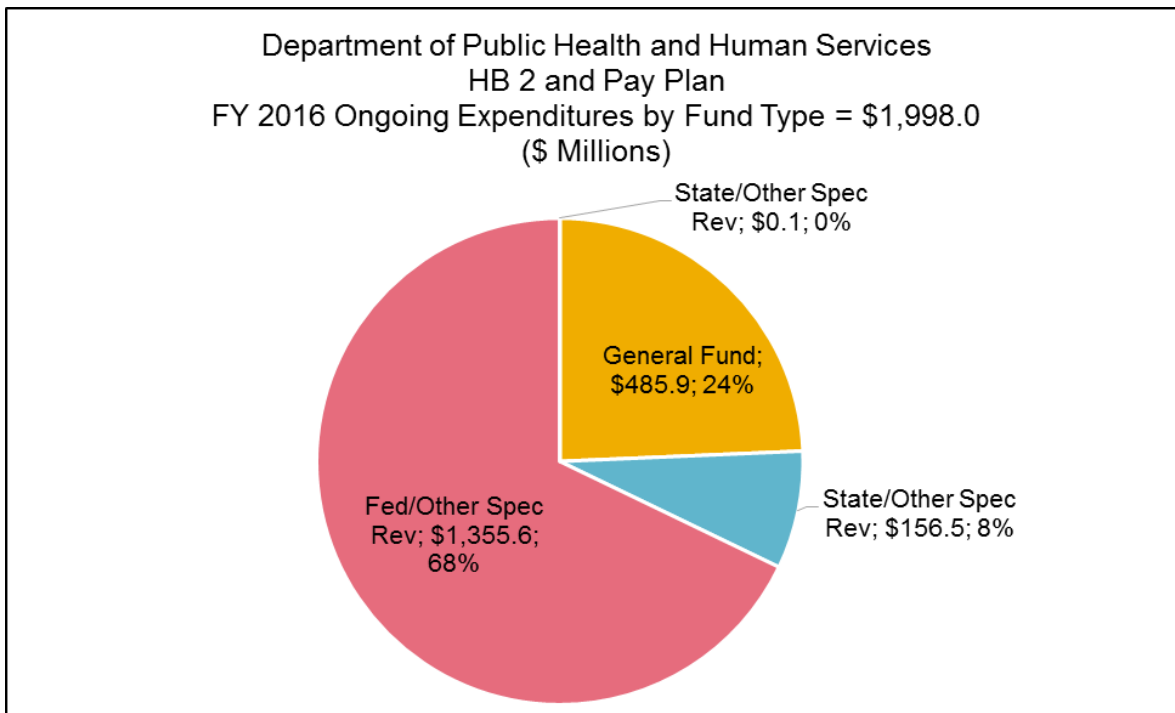
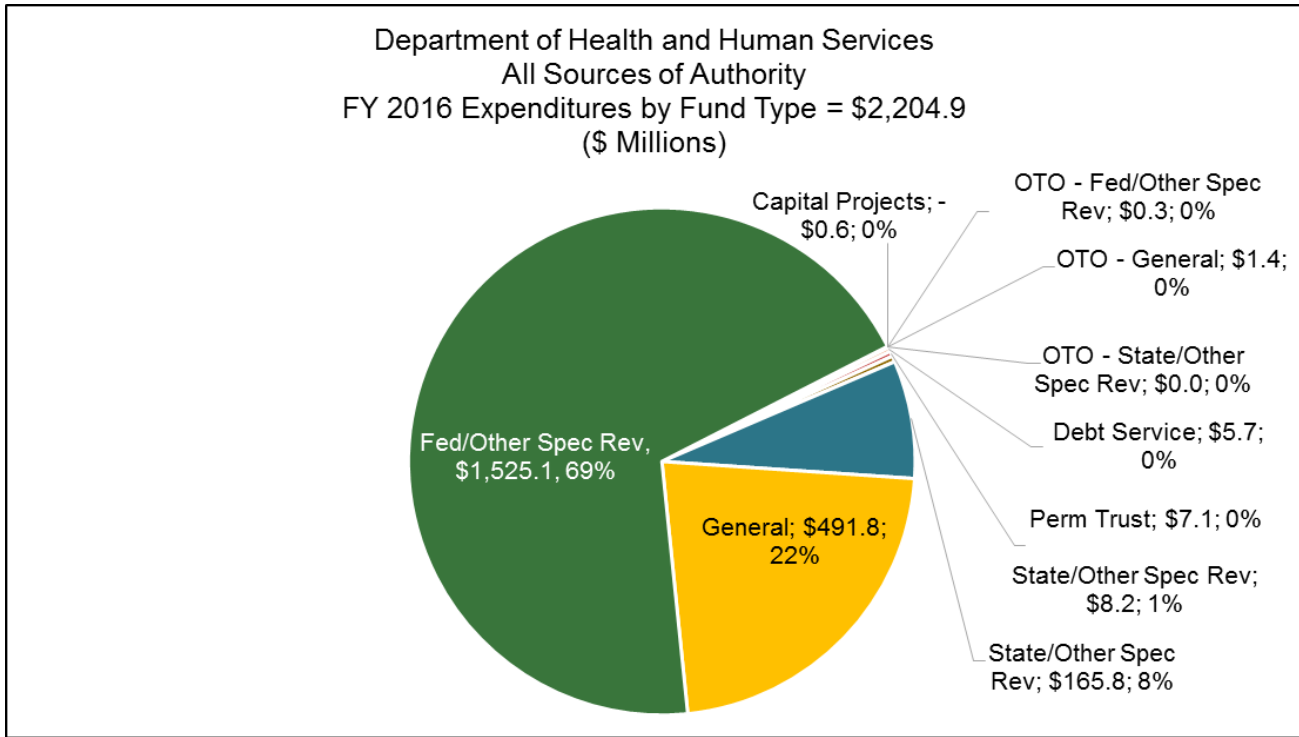
SOURCES OF SPENDING AUTHORITY

The following chart shows the sources of authority that were expended in FY 2016



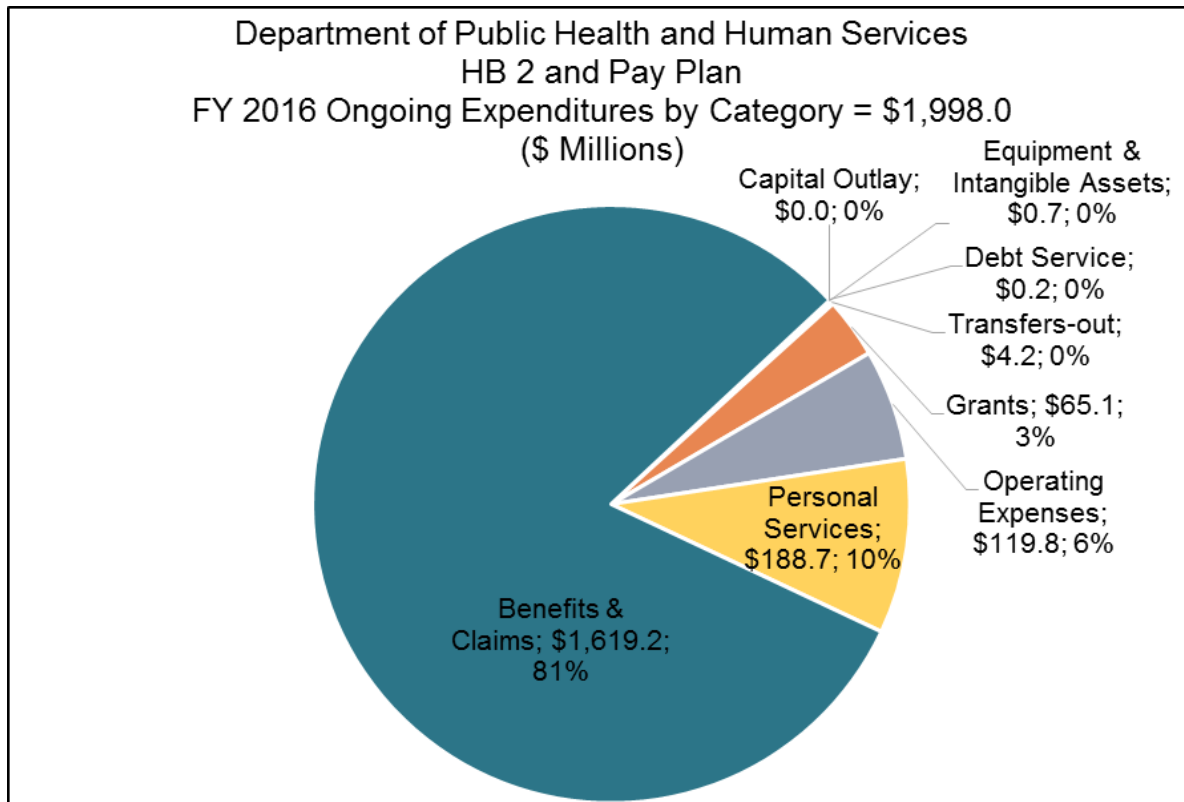
FUNDING

The following charts show the agency's HB 2 & Pay Plan funding authority by fund type and all sources of its total funding authority. DPHHS is primarily funded with Federal funds. The second largest contributor comes from the general fund, followed by state special revenue funds.



EXPENDITURES

The chart below explains how the HB 2 authority is spent. The majority of expenditures are for benefits and claims, which are services provided to individuals who meet specific eligibility criteria. Medicaid services accounted for \$1.2 billion of the total \$1.6 billion in expenditures for benefits and claims.



HOW THE 2017 LEGISLATURE CAN EFFECT CHANGE

DPHHS expenditures are driven by the number of persons receiving or eligible to receive services, the cost of those services, and in some cases the availability of federal grant funds to address specific issues. In order to change expenditure levels and/or DPHHS activity, the legislature must address one or more of the following policies that drive costs:

- Who will receive services
- The level of services that will be provided
- In some instances, the amount paid for a unit of service
- Program management of DPHHS

Major Cost Drivers

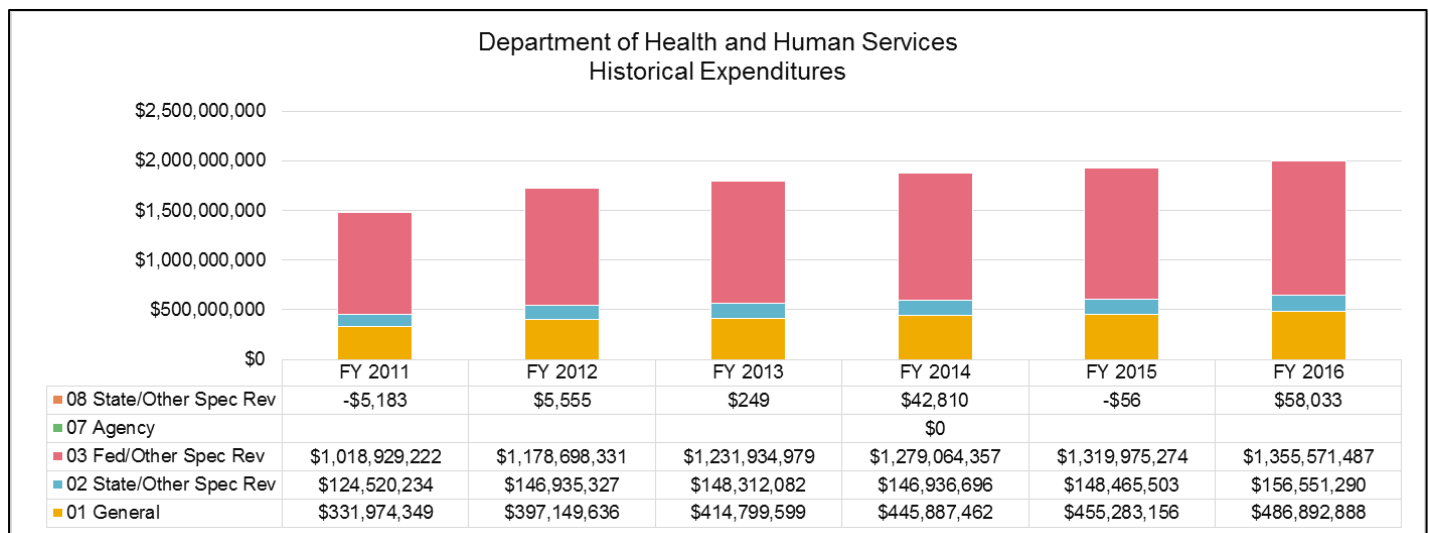
DPHHS Cost Drivers						
Program	FY 2008		FY 2012		FY 2016	
	Annual Cost Units or Users	Annual Cost per Unit or User	Annual Cost Units or Users	Annual Cost per Unit or User	Annual Cost Users in Feb. 2016	Annual Cost per Unit or User
Medicaid Services: Total	\$768,093,083	\$9,611	\$933,731,545	\$9,236	\$1,187,176,754	\$8,533
Avg. Users/Month	79,914		101,095		139,129	
Medicaid Services: Children	\$159,773,031	\$3,649	\$216,206,988	\$3,529	Data not yet available	
Avg. Users/Month	43,785		61,264			
Medicaid Services: Adults	\$79,282,820	\$6,905	\$97,603,024	\$7,571	Data not yet available	
Avg. Users/Month	11,482		12,891			
Medicaid Services: Disabled	\$354,968,219	\$19,122	\$417,491,132	\$20,856	Data not yet available	
Avg. Users/Month	18,563		20,018			
Medicaid Services: Aged	\$174,069,013	\$28,611	\$202,430,401	\$29,244	Data not yet available	
Avg. Users/Month	6,084		6,922			
Medicaid Services: HELP Act					\$158,569,600	\$7,400
Users in Feb. 2016					42,857	
TANF Cash Assistance	\$15,186,912	\$4,791	\$19,354,889	\$5,897	Data not yet available	
Avg. Cases/Month	3,170		3,282			
SNAP (Food Stamps)	\$93,488,662	\$2,655	\$195,440,925	\$3,317	Data not yet available	
Avg. Households/Month	35,210		58,918			
Childcare Subsidy	\$20,432,392	\$3,275	\$24,684,190	\$2,384	Data not yet available	
Avg. Children/Month	6,238		10,352			

The cost driver table above illustrates several of the many ways in which Montanans utilize DPHHS services. It also demonstrates the use of various services and the cost of such services can change over time.

Consider Medicaid services, which (excluding the HELP Act) made up about \$1.2 billion of the DPHHS total budget of \$2.1 billion in FY 2016: while total annual costs and monthly enrollees have increased over time, per user costs have decreased since 2009. Per user Medicaid costs have decreased due to an increasing proportion of enrollees that are children or non-disabled adults, enrollee categories which have relatively low average costs per user. The HELP Act of 2015 significantly expanded Medicaid enrollment in the state starting in January of 2016, largely among non-disabled, childless, low-income adults. Note that the per-user annual costs for aged and disabled Medicaid enrollees are much higher than enrollees in other categories.

FUNDING/EXPENDITURE HISTORY, AUTHORITY USED TO ESTABLISH THE BASE BUDGET

The following chart shows the historical change in the department's base budget authority.



MAJOR LEGISLATIVE CHANGES IN THE LAST 10 YEARS

2015 Session

- Passed the HELP Act to approve Medicaid expansion, with a 2019 sunset
- Passed a 2% annual provider rate increase and additional rate increases for some direct care workers
- Increased mental health community services and provided for the addition of a wing for dementia services at the Montana Mental Health Nursing Care Center, and expansion of the forensic wing and for staff and operating cost support for a new group home at the Montana State Hospital
- Expanded state sponsored mental health facility services

2013 Session

- Funded a 2.0% annual provider rate increase, with additional increases for selected providers
- Approved implementation of the Community First Choice Option for services for elderly and disabled persons funded with an enhanced federal Medicaid match rate
- Added funds to increase community services for disabled persons and partially offset reductions in those services made by DPHHS to contain cost overruns
- Changed the TANF eligibility standards to 30% of the 2011 FPL

2011 Session

- Provided funding for the Health Insurance Flexibility and Accountability (HIFA) waiver to move up to 800 low income persons with a severe and disabling mental illness from a limited state funded services to a Medicaid funded mental health and physical health
- Revised the medical marijuana laws with the passage of SB 423

2009 Session

- Appropriated funds to implement Healthy Montana Kids voter initiative, which:
 - Raised eligibility to 250% of the federal poverty level for CHIP services

- Elimination of household assets
- Created a state special revenue account to fund expanded enrollment by diverting 16.5% of the insurance premium tax proceeds from the general fund to the account
- Used general fund freed up due to the enhanced federal Medicaid match per the American Recovery and Reinvestment Act (ARRA) of 2009 for:
 - One-time provider rate increases
 - Additional community aging services
- Increased benefit levels for TANF to 33% of the 2009 federal poverty level (FPL)
- Raised the TANF eligibility standard to 30% of the 2009 FPL through September 30, 2010, when ARRA funds terminated
- Funded jail diversion mental health crisis community services

For more information, please visit the agency's website, here: <https://dphhs.mt.gov/>.

Agency Biennium Comparison

The following table compares the 2017 biennium appropriated budget to the 2019 biennium requested budget by type of expenditure and source of funding.

Agency Budget Comparison				
Budget Item	Appropriated Budget 16-17	Requested Budget 18-19	Biennium Change	Biennium % Change
Personal Services	387,586,236	389,924,020	2,337,784	0.60 %
Operating Expenses	240,734,149	239,341,073	(1,393,076)	(0.58)%
Equipment & Intangible Assets	1,426,792	1,303,442	(123,350)	(8.65)%
Capital Outlay	19,250	0	(19,250)	(100.00)%
Local Assistance	0	12,000,000	12,000,000	0.00 %
Grants	156,924,594	154,226,407	(2,698,187)	(1.72)%
Benefits & Claims	3,471,506,368	3,242,085,339	(229,421,029)	(6.61)%
Transfers	6,150,742	5,771,802	(378,940)	(6.16)%
Debt Service	629,146	584,014	(45,132)	(7.17)%
Total Expenditures	\$4,264,977,277	\$4,045,236,097	(\$219,741,180)	(5.15)%
General Fund	1,028,069,069	1,049,013,582	20,944,513	2.04 %
State/Other Special Rev. Funds	325,212,712	339,906,839	14,694,127	4.52 %
Federal Spec. Rev. Funds	2,911,695,496	2,656,315,676	(255,379,820)	(8.77)%
Total Funds	\$4,264,977,277	\$4,045,236,097	(\$219,741,180)	(5.15)%
Total Ongoing	\$4,261,398,496	\$4,043,536,097	(\$217,862,399)	(5.11)%
Total OTO	\$3,578,781	\$1,700,000	(\$1,878,781)	(52.50)%

Mission Statement

The mission of the 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: http://leg.mt.gov/content/Publications/fiscal/Budget-Books/2019/Budget-Analysis/section_b/6901-00agency-profile.pdf

Agency Highlights

Department of Public Health and Human Services Major Budget Highlights
<ul style="list-style-type: none"> • The 2019 biennium request is about \$220.0 million (-5.5%) lower than the 2017 biennium budget <ul style="list-style-type: none"> ◦ Federal funds have decreased by \$255.3 million (-8.7%) due to a proposed reclassification of \$359.0 million in the Supplemental Nutrition Assistance Program (SNAP) from HB 2 to a statutory appropriation. The reduction for this reclassification is contingent upon passage of LC 1098 ◦ Although the total biennium request is lower than the 2017 request, state special funds and the general fund are actually higher in the 2019 biennium by \$14.6 million (4.5%) and \$20.9 million (20.4%), respectively • SB 411 passed by the 2015 Legislature required in closure of the Montana Developmental Center (MDC) by June 31, 2017. The executive proposes continued funding for a portion of MDC, contingent upon passage of LC 1096 • Two proposed fund switches in the executive budget replace \$23.6 million in general fund authority with state special revenue authority over the biennium. These fund switches are contingent upon the passage of new tax proposals
Legislative Action Issues
<ul style="list-style-type: none"> • The legislature may wish to restrict the use of certain types of Medicaid benefits and claims authority. Medicaid benefits and claims total \$2,620.9 million in the 2019 biennium executive request

Agency Actuals and Budget Comparison

The following table compares the 2017 biennium appropriated budget to the 2019 biennium requested budget by type of expenditure and source of funding.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2016	Approp. Fiscal 2016	Approp. Fiscal 2017	Request Fiscal 2018	Request Fiscal 2019
FTE	2,935.24	2,935.24	2,935.24	2,935.24	2,935.24
Personal Services	189,251,665	190,619,818	196,966,418	194,759,450	195,164,570
Operating Expenses	119,885,332	121,410,028	119,324,121	119,456,975	119,884,098
Equipment & Intangible Assets	717,043	695,071	731,721	651,721	651,721
Capital Outlay	19,250	19,250	0	0	0
Local Assistance	0	0	0	6,000,000	6,000,000
Grants	66,817,824	78,593,875	78,330,719	77,363,202	76,863,205
Benefits & Claims	1,619,212,542	1,691,538,538	1,779,967,830	1,588,447,432	1,653,637,907
Transfers	4,242,651	3,100,007	3,050,735	2,885,901	2,885,901
Debt Service	231,379	337,139	292,007	292,007	292,007
Total Expenditures	\$2,000,377,686	\$2,086,313,726	\$2,178,663,551	\$1,989,856,688	\$2,055,379,409
General Fund	488,060,008	505,884,832	522,184,237	518,595,248	530,418,334
State/Other Special Rev. Funds	156,565,035	160,993,638	164,219,074	169,862,171	170,044,668
Federal Spec. Rev. Funds	1,355,752,643	1,419,435,256	1,492,260,240	1,301,399,269	1,354,916,407
Total Funds	\$2,000,377,686	\$2,086,313,726	\$2,178,663,551	\$1,989,856,688	\$2,055,379,409
Total Ongoing	\$1,998,679,315	\$2,084,490,353	\$2,176,908,143	\$1,988,756,688	\$2,054,779,409
Total OTO	\$1,698,371	\$1,823,373	\$1,755,408	\$1,100,000	\$600,000

Agency Discussion

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2019 biennium 5% plan submitted for this agency is in the appendix.

The Department of Health and Human Services has created a 5% reduction plan that involves savings of over \$48.5 million in general fund and almost \$9.0 million in state special revenue. The detailed savings plans are outlined at the program level.

SB 411

Senate Bill 411 was approved by the 64th Legislature during the 2015 session and mandates the closure of the Montana Developmental Center (MDC). MDC is a state operated facility providing 24 hour care for people with serious intellectual disabilities. Clients served in the facility include forensic, civil, emergency, and voluntary commitments. Clientele served at MDC during the 2017 biennium are being transferred to community based settings per the mandate of SB 411. The transition council, formed by the governor, met regularly during the interim and recommended a plan to the executive that included:

- Retention of the 12 bed Assessment and Stabilization Unit (ASU)
- OTO funding for ASU remodel and systems consolidation
- Cost plan for transferring 50 individuals from MDC into community homes utilizing the 0208 comprehensive waiver
- Creation of a new waiver called "waiver 2" to serve 50 individuals with higher acuity

Some positions have been transferred from MDC to other programs but it is assumed that a reduction of almost the full 250.67 budgeted positions will occur with the implementation of SB 411. A final plan from the executive has not been shared with the public to date. For more information, refer to the Developmental Disabilities budget analysis.

HELP Act

For an overview of the Medicaid expansion, see the [HELP Act primer](#) developed by the LFD.

The expenditures associated with the Medicaid expansion will not be included in HB 2, but will impact the general fund. For the 2019 biennium, the authority for the Medicaid expansion is statutory.

Because this program is so new, there is little data to rely upon. The totals reported in figure 1 for FY 2016 are subject to revision, as providers have up to a year to submit billable claims. Additionally, these totals are for six months, during which enrollment growth was high.

Figure 1

Fiscal Year 2016 Montana HELP Act Expenditures Including Accruals			
	General Fund	Federal Funds	Total
Benefits & Claims			
Health Resources Division	\$1,300,127	\$129,368,682	\$130,668,809
Senior & Long-Term Care	0	2,374,546	2,374,546
Addictive & Mental Disorders	0	13,793,154	13,793,154
	1,300,127	145,536,382	146,836,508
Administration			
Personal Services	226,800	385,936	612,736
Operating Expenses	2,381,522	6,619,069	9,000,591
	2,608,322	7,005,005	9,613,327
Third Party Administrator	1,059,831	1,059,933	2,119,764
TOTAL	\$4,968,280	\$153,601,319	\$158,569,600

While there is base information to build on, there is significant risk associated with the assumptions utilized in projecting these costs. The primary risk factors associated with the cost of the Medicaid expansion are associated with the continued enrollment growth and the per member benefit. An increase of 1% enrollment in each of the three years FY 2017 – FY 2019, has a cumulative 2019 biennium general fund cost of approximately \$1.0 million. Additionally, if the average annual per member benefit changes by 1% each of those three years, the general fund impact would be a \$1.5 million change. Using the assumptions outlined in figure 2, the total estimated biennial general fund cost is \$70.1 million.

Figure 2
HELP Act
Medicaid Expansion

	FY 16 Actuals	FY 17	FY 18	FY 19
Assumptions				
Growth Rate		15%	7%	3%
Actual Newly Enrolled	47,399			
Reported Refinanced Population	8,458			
Total Annual Average Enrollment		59,412	64,875	67,657
Per Member Per Month (PMPM) cost of TPA	\$26.39	\$25.39	\$26.15	\$26.94
Medical Benefit inflation		4.6%	4.1%	3.0%
Average Annualized Per Member Benefit	\$6,055	\$6,334	\$6,594	\$6,791
Annualized FMAP (Federal Match Rate)	100.0%	97.5%	94.5%	93.5%
Statutory Expenditures				
TOTAL Benefits & Claims	\$146,836,508	\$376,314,553	\$427,762,996	\$459,494,419
General Fund Benefits & Claims	1,300,127	12,785,362	27,372,340	34,003,138
Third Party Administrator Admin Fee (PMPM)	2,119,764	5,148,404	7,072,103	7,476,314
General Fund TPA Admin Fee	1,059,831	1,801,942	2,475,236	2,616,710
TPA IT Expenses		3,000,000		750,000
General Fund TPA IT Expense		300,000		75,000
DPHHS Administration Expenses	9,613,327	7,320,525	7,244,042	7,438,722
General Fund DPHHS Administration	2,608,322	1,986,231	1,965,479	2,018,300
Net General Fund Premium Revenues	0	90,000	198,000	234,000
TOTAL Statutory General Fund Expense	\$4,968,280	\$16,783,534	\$31,615,056	\$38,479,149

The numbers in figure 2 reflect the approach taken by the LFD in projecting the cost of Medicaid expansion for the coming biennium. DPHHS has entered their projection in IBARS as the statutory appropriation for the 2019 biennium, and that general fund estimate is lower by \$8.3 million for the 2019 biennium.

Appropriation for Medicaid Benefits and Claims

The legislature may wish to consider using conditional or restrictive language for Medicaid benefits and claims authority. Currently DPHHS has the discretion to use some Medicaid authority for non-Medicaid purposes. This authority can be shifted across DPHHS programs via program transfers. In FY 2016, DPHHS shifted \$5.4 million in general fund Medicaid benefits and claims authority to other DPHHS divisions for non-Medicaid purposes. The LFD Issue on this topic is in the budget analysis for Medicaid and Health Services Management (Program 12).

Legislative Audit Findings

LFD COMMENT

The Legislative Audit Division conducted a performance audit of the Review of Child Abuse and Neglect Investigations in October of 2015. The audit found:

1. DPHHS does not actively use data to manage Child Protective Services 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.

The Legislative Auditor recommends the Department of Public Health and Human Services :

1. 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.
2. 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 CPS activities.

Additional information on the audit can be found at <http://leg.mt.gov/content/Publications/Audit/Summary/14P-11-summary.pdf>

The Legislative Audit Division conducted a performance audit of the Department of Public Health and Human Services in October of 2015. The audit found:

1. DPHHS did not seek reimbursement for department-caused errors in TANF payments that totaled \$326,410 in fiscal years 2014 and 2015. Department efforts to seek reimbursement are a federal requirement.

The Legislative Auditor recommends the Department of Public Health and Human Services :

1. Comply with federal regulations by attempting to recover Temporary Assistance for Needy Families cash assistance overpayments caused by department errors.

Additional information on the audit can be found at <http://leg.mt.gov/content/Publications/Audit/Summary/15-14-summary.pdf>

The Legislative Audit Division conducted a performance audit of CHIMES-EA in October of 2015. The audit found:

1. Long-term application fix to CHIMES EA would essentially be an amendment to the contract with the system vendor, which may result an increase in cost due to the new requirement.
2. Developing procedures for monitoring manual issuances of benefits can greatly reduce the risk of fraudulent activity and potentially save money associated with inaccurate payments made through CHIMES.

The Legislative Auditor recommends the Department of Public Health and Human Services :

1. Establish a process to limit reliance on data fixes and ensure data fixes are associated with a long-term application fix, if necessary.
2. Strengthen manual change controls by implementing procedures to monitor manual issuances, manual supplemental payments, and overrides.

Additional information on the audit can be found at <http://leg.mt.gov/content/Publications/Audit/Summary/15DP-01-summary.pdf>

Comparison of FY 2017 Legislative Budget to FY 2017 Base

The following table demonstrates the beginning FY 2017 budget as adopted by the 2015 legislature, plus modifications done by the executive (and authorized in statute) during the interim, and the finalized 2017 Base Budget. The columns provide detail showing the changes that occurred over the course of the interim to reach the 2017 Base Budget. The 2017 Base Budget was agreed upon by the Legislative Finance Committee and the executive as a measuring point to start the 2019 biennium budgeting process.

Figure 3

FY 2017 Appropriation Transactions - Public Health & Human Services						
	Leg Approp	Allocations	Program Transfers	2017 Base	% Change from Legislative Approp	% Change from Approp + Allocations
Disability Employment & Transitions	\$29,252,083	\$484,551	(\$83,604)	\$29,653,030	1.4%	-0.3%
Human And Community Services	320,661,410	1,679,599	(1,547,613)	320,793,396	0.0%	-0.5%
Child & Family Services	74,243,476	1,229,387	646,237	76,119,100	2.5%	0.9%
Director's Office	5,498,712	1,071,558	274,004	6,844,274	24.5%	4.2%
Child Support Enforcement	12,805,567	536,857		13,342,424	4.2%	0.0%
Business & Financial Services Div	10,679,770	214,991	(480,497)	10,414,264	-2.5%	-4.4%
Public Health & Safety Division	62,093,668	625,015	850,000	63,568,683	2.4%	1.4%
Quality Assurance Division	9,609,085	378,335	(364,177)	9,623,243	0.1%	-3.6%
Technology Services Division	28,257,164	210,668	113,090	28,580,922	1.1%	0.4%
Developmental Services Division	310,105,292	1,179,471	(1,435,035)	309,849,728	-0.1%	-0.5%
Health Resources Division	798,978,419	175,978		799,154,397	0.0%	0.0%
Medicaid & Health Servs Mgmt	18,826,132	16,693		18,842,825	0.1%	0.0%
Management And Fair Hearings	1,284,228	43,402	949,216	2,276,846	77.3%	71.5%
Senior & Long-Term Care	327,383,168	762,869	(30,926)	328,115,111	0.2%	0.0%
Addictive & Mental Disorders	156,254,569	2,366,026	1,109,305	159,729,900	2.2%	0.7%
Grand Total	\$2,165,932,743	\$10,975,400	\$0	\$2,176,908,143	0.5%	0.0%
Leg Approp = Legislative Appropriations						
Allocations - include Contingency Base and Pay Plan						

Details on specific transfers and budget changes are discussed in detail below using the agency branch structure. The overall \$11.0 million increase includes a pay plan increase of \$10.3 million and \$917,261 of total contingency base funding. Operation plan changes are not reflected in this table as they sum to zero for each division.

Figure 4

FY 2017 Appropriation Transactions - Director's Office							
	Leg Approp	Allocations	Program Transfers	OP Changes	2017 Base	% Change from Legislative Approp	% Change from Approp + Allocations
04 Director's Office							
Personal Services	\$3,830,328	\$413,354	\$196,694		\$0\$4,440,376	15.9%	4.6%
Operating Expenses	1,668,384	658,204	77,310	(146,411)	2,257,487	35.3%	-3.0%
Grants				146,411	146,411	100.0%	100.0%
Program Total	5,498,712	1,071,558	274,004	-	6,844,274	24.5%	4.2%
Grand Total	\$5,498,712	\$1,071,558	\$274,004	\$0	\$6,844,274	24.5%	4.2%
Leg Approp = Legislative Appropriations							
Allocations = include Contingency Base & Pay Plan							
OP Changes = Operating Plan Changes							

Significant budget changes adopted by the executive include:

- One program transfer moved a position and associated funding (1.0 FTE DPHHS Policy Director) from the Disability Employment and Transitions Division to the Director's Office
- The above table includes two contingency base distributions: a contingency base increase of \$658,204 and a personal services contingency base increase of \$259,057, as well as a pay plan allocation of \$154,297

Figure 5

FY 2017 Appropriation Transactions - Operations Services Branch						
	Leg Approp	Allocations	Program Transfers	2017 Base	% Change from Legislative Approp	% Change from Approp + Allocations
06 Business & Financial Services Div						
Personal Services	\$4,012,627	\$214,991	(\$351,705)	\$3,875,913	-3.4 %	-8.3 %
Operating Expenses	6,661,467		(128,792)	6,532,675	-1.9 %	-1.9 %
Debt Service	5,676			5,676	0.0 %	0.0 %
Program Total	10,679,770	214,991	(480,497)	10,414,264	-2.5 %	-4.4 %
08 Quality Assurance Division						
Personal Services	\$7,482,342	\$378,335	(\$442,544)	\$7,418,133	-0.9 %	-5.6 %
Operating Expenses	1,541,277		78,367	1,619,644	5.1 %	5.1 %
Equipment	525			525	0.0 %	0.0 %
Grants	584,941			584,941	0.0 %	0.0 %
Program Total	9,609,085	378,335	(364,177)	9,623,243	0.1 %	-3.6 %
09 Technology Services Division						
Personal Services	\$4,990,010	\$210,668	\$113,090	\$5,313,768	6.5 %	2.2 %
Operating Expenses	22,966,682			22,966,682	0.0 %	0.0 %
Equipment & Intangible Assets	209,206			209,206	0.0 %	0.0 %
Debt Service	91,266			91,266	0.0 %	0.0 %
Program Total	28,257,164	210,668	113,090	28,580,922	1.1 %	0.4 %
16 Management And Fair Hearings						
Personal Services	\$1,137,960	\$43,402	\$856,101	\$2,037,463	79.0 %	72.5 %
Operating Expenses	141,028		93,115	234,143	66.0 %	66.0 %
Equipment & Intangible Assets	5,240			5,240	0.0 %	0.0 %
Program Total	1,284,228	43,402	949,216	2,276,846	77.3 %	71.5 %
Grand Total	\$49,830,247	\$847,396	\$217,632	\$50,895,275	2.1%	0.4%
Leg Approp = Legislative Appropriations						
Allocations = include Contingency Base & Pay Plan						

Significant budget changes adopted by the executive include:

- \$403,000 of Business & Financial Services and \$546,000 of Quality Assurance Division transfers were for reorganization of management functions, and were transferred to the Management and Fair Hearings Program
- \$77,000 of Business & Financial Services authority was transferred to the Director's Office for Workers Comp program fees
- \$60,000 of Developmental Services and Senior & Long Term Care authority was transferred to the Quality Assurance Division in an effort to be compliant with Healthy Community Service Bureau regulations

- \$120,000 of Human and Community Services authority was transferred to the Quality Assurance Division for the legally certified provider program

Figure 6

FY 2017 Appropriation Transactions - Economic Security Services Branch								
	Leg Approp	Allocations	Program Transfers	OP Changes	2017 Base	% Change from Legislative Approp	% Change from Approp + Allocations	
01 Disability Employment & Transitions								
Personal Services	\$9,131,982	\$484,551	(\$83,604)	\$0	\$9,532,929	4.4%	-0.9%	
Operating Expenses	5,144,001			0	5,144,001	0.0%	0.0%	
Benefits & Claims	14,976,100			(25,000)	14,951,100	-0.2%	-0.2%	
Transfers-out				25,000	25,000	10000%	100.0%	
Program Total	29,252,083	484,551	(83,604)	0	29,653,030	1.4%	-0.3%	
02 Human And Community Services								
Personal Services	27,805,742	1,679,599		5,700	29,491,041	6.1%	0.0%	
Operating Expenses	8,703,117		(120,000)	0	8,583,117	-1.4%	-1.4%	
Equipment & Intangible Assets	25,000				25,000	0.0%	0.0%	
Grants	21,056,593			(5,700)	21,050,893	0.0%	0.0%	
Benefits & Claims	260,784,914		(1,427,613)	0	259,357,301	-0.5%	-0.5%	
Transfers-out	2,286,044				2,286,044	0.0%	0.0%	
Program Total	320,661,410	1,679,599	(1,547,613)	0	320,793,396	0.0%	-0.5%	
03 Child & Family Services								
Personal Services	22,881,857	1,229,387	68,624	105,764	24,285,632	6.1%	0.7%	
Operating Expenses	5,994,582			(105,764)	5,888,818	-1.8%	-1.8%	
Grants	6,813,280				6,813,280	0.0%	0.0%	
Benefits & Claims	38,314,508		577,613		38,892,121	1.5%	1.5%	
Transfers-out	238,091				238,091	0.0%	0.0%	
Debt Service	1,158				1,158	0.0%	0.0%	
Program Total	74,243,476	1,229,387	646,237	0	76,119,100	2.5%	0.9%	
05 Child Support Enforcement								
Personal Services	10,507,485	536,857			11,044,342	5.1%	0.0%	
Operating Expenses	2,276,626				2,276,626	0.0%	0.0%	
Equipment & Intangible Assets	21,456				21,456	0.0%	0.0%	
Program Total	12,805,567	536,857			13,342,424	4.2%	0.0%	
Grand Total	\$436,962,536	\$3,930,394	(\$984,980)	\$0	\$439,907,950	0.7%	-0.2%	
Leg Approp = Legislative Appropriation								
Allocations = Allocations include Contingency Base & Pay Plan								
OP = Operating Plan Changes								

Significant budget changes adopted by the executive include:

- Transfer of 1.00 FTE from Disability Employment & Transitions Division to Director's office to properly align with duties performed

- Most changes to the base arose from an effort to realign authority with anticipated expenditures
- Transfer of \$0.6 million from Human and Community Services Division to Child and Family Services Division to support family foster care for increased stipend to family and kinship foster care placements
- Transfer of \$1.4 million federal authority in Supplemental Nutrition Assistance Program Benefits from Human and Community Services Division to Public Health and Safety Division to cover anticipated WIC Food expenses and Ryan White Rebate expenses for FY 2016 and FY 2017

Figure 7

FY 2017 Appropriation Transactions - Public Health and Safety Division						
	Leg Approp	Allocations	Program Transfers	OP Changes	2017 Base	% Change from Legislative Approp + Allocations
07 Public Health & Safety Division						
Personal Services	\$12,882,376	\$625,015		(\$122,394)	\$13,384,997	3.9%
Operating Expenses	10,147,401			917,229	11,064,630	9.0%
Equipment	224,556			(7,815)	216,741	-3.5%
Grants	24,183,058			(1,357,886)	22,825,172	-5.6%
Benefits & Claims	14,656,277		850,000	95,766	15,602,043	6.5%
Transfers-out				475,100	475,100	100.0%
Grand Total	\$62,093,668	\$625,015	\$850,000	\$0	\$63,568,683	2.4%
Leg Approp = Legislative Appropriation						
Allocations = include Contingency Base & Pay Plan						
OP = Operating Plan Changes						

Significant budget changes adopted by the executive include:

- All allocations are pay plan allocations: a total of \$625,015
- A program transfer shifted \$850,000 from the Human and Community Services Division to Public Health & Safety in order to cover anticipated WIC expenses and Ryan White rebate expenses
- A modification increased operating expenses authority by \$917,229 while reducing grants authority by \$1,357,886

Figure 8

FY 2017 Appropriation Transactions - Medicaid and Health Services Branch							
	Leg Approp	Allocations	Program Transfers	OP Changes	2017 Base	% Change from Legislative Approp	% Change from Approp + Allocations
10 Developmental Services Division							
Personal Services	\$19,871,748	\$1,179,471	(\$1,435,035)	(\$767,694)	\$18,848,490	-5.1%	-5.1 %
Operating Expenses	1,735,313			2,999,286	4,734,599	100.0%	172.8 %
Benefits & Claims	288,498,231			-2,231,592	286,266,639	100.0%	-0.8 %
Program Total	310,105,292	1,179,471	-1,435,035	0	309,849,728	-0.1%	-0.1 %
11 Health Resources Division							
Personal Services	3,741,816	175,978		0	3,917,794	4.7%	4.7 %
Operating Expenses	10,353,769			0	10,353,769	100.0%	0.0 %
Benefits & Claims	784,882,834			0	784,882,834	100.0%	0.0 %
Program Total	798,978,419	175,978		0	799,154,397	0.0%	0.0 %
12 Medicaid And Health Services Management							
Personal Services	508,971	16,693			525,664	3.3%	3.3 %
Operating Expenses	11,278,099			0	11,278,099	100.0%	0.0 %
Grants	7,039,062				7,039,062	100.0%	0.0 %
Program Total	18,826,132	16,693		0	18,842,825	0.1%	0.1 %
22 Senior & Long-Term Care							
Personal Services	12,754,325	762,869	-30,926	0	13,486,268	5.7%	5.7 %
Operating Expenses	9,051,976			-4,000	9,047,976	100.0%	-0.0 %
Equipment & Assets	111,093				111,093	100.0%	0.0 %
Grants	13,572,626			423,971	13,996,597	3.1%	3.1 %
Benefits & Claims	291,816,864			-423,971	291,392,893	100.0%	-0.1 %
Transfers-out				4,000	4,000	100.0%	100.0 %
Debt Service	76,284				76,284	100.0%	0.0 %
Program Total	327,383,168	762,869	-30,926	0	328,115,111	0.2%	0.2 %
33 Addictive & Mental Disorders							
Personal Services	45,347,960	2,366,026	1,109,305	165,000	48,988,291	8.0%	8.0 %
Operating Expenses	17,325,710			-325,000	17,000,710	100.0%	-1.9 %
Equipment & Assets	107,460			35,000	142,460	32.6%	32.6 %
Grants	4,329,680			669,193	4,998,873	100.0%	15.5 %
Benefits & Claims	88,003,636			-544,193	87,459,443	-0.6%	-0.6 %
Transfers-out	22,500				22,500	100.0%	0.0 %
Debt Service	117,623				117,623	100.0%	0.0 %
Program Total	155,254,569	2,366,026	1,109,305	0	158,729,900	2.2%	2.2 %
Grand Total	\$1,610,547,580	\$4,501,037	(\$356,656)	\$0	\$1,614,691,961		0.3%

Significant budget changes adopted by the executive include:

- Developmental Services Division
 - Senate Bill 411 (2015 session) required the closure of the Montana Developmental Center by 2017. DPHHS executed a program transfer which shifted 27.5 FTE and about \$1.4 million from the

Developmental Services Division to four other DPHHS divisions in anticipation of the closure of the Montana Developmental Center. This transfer does result in the reallocation of base personal services authority

- Operating expenses were increased by almost \$3.0 million: \$2.2 million from benefits and claims, and \$0.8 million from personal services
- All allocations are pay plan allocations: a total of \$1.2 million
- Health Resources Division
 - All allocations are pay plan allocations: a total of \$0.2 million
- Medicaid and Health Services Management
 - All allocations are pay plan allocations: a total of \$16,693
- Senior and Long Care Term Care Division
 - All allocations are pay plan allocations: a total of \$762,869
 - Shift of \$423,971 from benefits and claims to grants
- Addictive and Mental Disorders Division
 - All allocations are pay plan allocations: a total of \$2.4 million
 - 22.20 FTE and related resources were transferred in from the Developmental Services Division as a result of the closure of the Montana Developmental Center
 - Budget authority was transferred within AMDD to realign internally for FY 2016-FY 2017, with the largest changes being an increase of \$0.7 million in grants, and a reduction of \$0.5 million in benefits and claims

Funding

The following table shows proposed agency funding by source of authority. Funding for each program is discussed in detail in the individual program narratives.

Total Department of Public Health & Human Services Funding by Source of Authority 2019 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	1,047,313,582	1,700,000	0	61,646,843	1,110,660,425	22.73 %
State Special Total	339,906,839	0	0	10,495,884	350,402,723	7.17 %
Federal Special Total	2,656,315,676	0	0	768,918,764	3,425,234,440	70.10 %
Proprietary Total	0	0	0	0	0	0.00 %
Other Total	0	0	0	0	0	0.00 %
Total All Funds	\$4,043,536,097	\$1,700,000	\$0	\$841,061,491	\$4,886,297,588	
Percent - Total All Sources	82.75 %	0.03 %	0.00 %	17.21 %		

Budget Summary by Category

The following 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 2018	Budget Fiscal 2019	Biennium Fiscal 18-19	Percent of Budget	Budget Fiscal 2018	Budget Fiscal 2019	Biennium Fiscal 18-19	Percent of Budget
2017 Base Budget	520,700,289	520,700,289	1,041,400,578	99.27 %	2,176,908,143	2,176,908,143	4,353,816,286	107.63 %
SWPL Adjustments	1,672,593	1,800,361	3,472,954	0.33 %	1,880,888	1,971,654	3,852,542	0.10 %
PL Adjustments	10,643,860	23,963,022	34,606,882	3.30 %	5,166,202	72,809,411	77,975,613	1.93 %
New Proposals	(14,421,494)	(16,045,338)	(30,466,832)	(2.90)%	(194,098,545)	(196,309,799)	(390,408,344)	(9.65)%
Total Budget	\$518,595,248	\$530,418,334	\$1,049,013,582		\$1,989,856,688	\$2,055,379,409	\$4,045,236,097	

Language and Statutory Authority -

The following language is recommended 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 2019 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."

"If legislation authorizing a statutory appropriation for SNAP benefits (LC 1098) is not passed and approved, the appropriation for the Human and Community Services Division is increased by \$179,540,458 federal funds each year."

**LFD
COMMENT**

Because the executive budget proposal is built from an existing base, the reduction to SNAP in HB 2 is not automatic. Positive action by the legislature on DP 2104 (SNAP Benefits Statutory Appropriation) would be required to reduce the federal funds in the amount referenced in the proposed language above. If DP 2104 is not adopted, and LC 1098 is not passed and approved, this language would unnecessarily increase the federal appropriation for SNAP benefits. The legislature may want to consider this language together with DP 2104 in program 02, Human and Community Services.

"Senior and Long Term Care - County Nursing Home Intergovernmental Transfer may be used only to make one-time payments to nursing homes based on the number of Medicaid services provided. State special revenue in County Nursing Home IGT may be expended only after the office budget and program planning has certified that the department has collected the amount that is necessary to make one-time payments to nursing homes based on the number of Medicaid services provided and to fund the base budget in the nursing facility program and the community services program at the level of \$564,785 from the counties participating in the intergovernmental transfer program for the nursing facilities."

Program Budget Comparison

The following table compares the 2017 biennium appropriated budget to the 2019 biennium requested budget by type of expenditure and source of funding.

Program Budget Comparison				
Budget Item	Appropriated Budget 16-17	Requested Budget 18-19	Biennium Change	Biennium % Change
Personal Services	18,697,421	18,737,034	39,613	0.21 %
Operating Expenses	10,739,636	9,776,653	(962,983)	(8.97)%
Benefits & Claims	30,839,872	28,816,730	(2,023,142)	(6.56)%
Transfers	50,000	50,000	0	0.00 %
Total Expenditures	\$60,326,929	\$57,380,417	(\$2,946,512)	(4.88)%
General Fund	12,450,660	11,034,328	(1,416,332)	(11.38)%
State/Other Special Rev. Funds	1,910,683	1,910,541	(142)	(0.01)%
Federal Spec. Rev. Funds	45,965,586	44,435,548	(1,530,038)	(3.33)%
Total Funds	\$60,326,929	\$57,380,417	(\$2,946,512)	(4.88)%
Total Ongoing	\$60,326,929	\$57,380,417	(\$2,946,512)	(4.88)%
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

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

The goals of DETD are to advance the following opportunities for Montanans with disabilities:

- Employment in competitive, integrated settings
- Independence beginning with self-determination, informed choice, and consumer control
- Successful transitions from high school to post-secondary education and/or work

In order to meet these goals, DETD provides or contracts for a variety of services. These include counseling and guidance, career training, transportation, adaptive equipment, orientation and mobility services to the blind, vocational rehabilitation training, independent living services, medical services, job placement, and supported employment.

Program Highlights

**Disability Employment and Transitions Division
Major Budget Highlights**

- The executive request is \$1.02 million lower in FY 2018 and \$2.0 million lower in 2019 than the FY 2017 base
 - Personal services decrease \$0.2 million in FY 2018 and \$0.2 million in FY 2019 compared with the FY 2017 appropriation are mostly attributable to retirements and vacancy savings
 - Operating expenses decrease \$0.3 million in FY 2018 and FY 2019 due to rebasing
 - Benefits & claims decrease \$0.5 million in FY 2018 and FY 2019 due to rebasing

Program Actuals and Budget Comparison

The following table compares the program's FY 2016 actual expenditures with FY 2016 and FY 2017 appropriations and with FY 2018 and FY 2019 requested appropriations.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2016	Approp. Fiscal 2016	Approp. Fiscal 2017	Request Fiscal 2018	Request Fiscal 2019
FTE	140.97	140.97	140.97	140.97	140.97
Personal Services	9,362,273	9,164,492	9,532,929	9,351,732	9,385,302
Operating Expenses	5,578,374	5,595,635	5,144,001	4,888,028	4,888,625
Benefits & Claims	15,616,941	15,888,772	14,951,100	14,408,365	14,408,365
Transfers	15,000	25,000	25,000	25,000	25,000
Total Expenditures	\$30,572,588	\$30,673,899	\$29,653,030	\$28,673,125	\$28,707,292
General Fund	6,277,274	6,290,163	6,160,497	5,514,517	5,519,811
State/Other Special Rev. Funds	940,413	948,820	961,863	954,971	955,570
Federal Spec. Rev. Funds	23,354,901	23,434,916	22,530,670	22,203,637	22,231,911
Total Funds	\$30,572,588	\$30,673,899	\$29,653,030	\$28,673,125	\$28,707,292
Total Ongoing	\$30,572,588	\$30,673,899	\$29,653,030	\$28,673,125	\$28,707,292
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

Of note in the 2017 biennium budget:

- Actual personal services in FY 2016 were higher than the appropriation by just under \$0.2 million, however, overall DETD used \$0.1 million less in FY 2016 than appropriated
- The FY 2017 appropriation is \$1.0 million less than the FY2016 appropriation due to a reduction in Benefits & Claims and savings in operating expenses from a reorganization

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

Executive Proposed Budget: Requested appropriations are down slightly from the previous biennium, mostly due to the appropriation rebase.

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2019 biennium 5% plan submitted for this agency is in the appendix.

The targeted reduction for DETD to equal 5% of the current budget is \$0.31 million in general fund and \$47,021 in state special revenue. DETD's 5% plan exceeds the target by \$0.28 million general fund and \$49,165 in state special, nearly double the required amount. The entire reduction for state special funds is a \$96,186 reduction in MTAP operating costs, a 10% reduction in the operating costs for MTAP resulting in fewer deaf or hard of hearing Montanans receiving access to functionally equivalent telecommunications services. The general fund savings come from reductions in Extended Employment Benefits, the Independent Living Contract, elimination of the Orientation and Mobility Instruction Contract, and a reduction of operating costs in the division. Elimination of the \$87,705 Orientation and Mobility Instruction Contract would eliminate visual services for children in the Blind/Low Vision program. Reduction of the Independent Living Contract would reduce the State Independent Living Center's ability to provide services. The reduction of Extended Employment Benefits would reduce services and essential job site support to approximately 30 individuals with significant disabilities, who would likely be unable to continue working, with some individuals likely ending up in nursing homes or assisted living arrangements.

Personal Services

The LFD calculated an expected personal services budget as a comparison to the executive personal services request. The LFD calculation uses the 2017 base as a starting point, and calculates expected incremental increases based on legislatively approved increases such as the pay plan, workers compensation, longevity increases, health benefit increase, and other expected changes. An illustration of this calculation is included in the Budget Analysis appendix.

The 2017 base included a 2% vacancy savings as stated in HB 2 from the 2015 legislative session. The 2019 biennium executive request for personal services (SWPL 1) includes a 4% vacancy savings, with some exceptions.

Figure 1

Department Of Public Health & Human Services: 01 Disability Employment & Transitions Personal Services Present Law Calculations			
PS Base: \$9,532,929		FY 2018	FY 2019
Executive	DP 1: SWPL Personal Services	(\$181,197)	(\$147,627)
Legislative	Statutory Personal Service Change	63,946	98,927
	Difference	(245,143)	(246,554)
Management Choices Explaining the Difference			
	Additional 2% Vacancy Savings	(194,789)	(195,492)
	Broadband Pay Adjustments	9,931	9,931
	Benefits and Taxes on Pay Adjustment	2,084	2,084
	Other	(62,369)	(63,078)
	Total	(\$245,143)	(\$246,554)

The difference in personal services between the executive and legislative estimates is mostly due to the additional vacancy savings in the executive budget proposal. The program also had some retirements and a reorganization resulting in one bureau justifying a lower personal services request in both years of the 2019 biennium than the 2017 base.

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

Funding

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

Department of Public Health & Human Services, 01-Disability Employment & Transitions						
Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	11,034,328	0	0	0	11,034,328	19.23 %
02159 Handicapped Telecommunications	1,836,402	0	0	0	1,836,402	96.12 %
02434 02 Indirect Activity Prog 01	74,139	0	0	0	74,139	3.88 %
State Special Total	\$1,910,541	\$0	\$0	\$0	\$1,910,541	3.33 %
03234 Promise Grant	0	0	0	0	0	0.00 %
03580 6901-93.778 - Med Adm 50%	0	0	0	0	0	0.00 %
03588 93.802 - Disabil Deter Adm 100	11,852,357	0	0	0	11,852,357	26.67 %
03604 84.126 - Rehab-Sec110 A 78.7%	27,444,810	0	0	0	27,444,810	61.76 %
03365 03 Indirect Activity Prog 01	790,132	0	0	0	790,132	1.78 %
03554 84.169 - Independent Living 90	446,541	0	0	0	446,541	1.00 %
03555 84.177 - Indep Living Old BLIN	401,338	0	0	0	401,338	0.90 %
03557 84.187 - Vic Sup Employment	728,988	0	0	0	728,988	1.64 %
03558 84.224 - Mon Tech 100%	852,056	0	0	0	852,056	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	4.26 %
Federal Special Total	\$44,435,548	\$0	\$0	\$0	\$44,435,548	77.44 %
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$57,380,417	\$0	\$0	\$0	\$57,380,417	

DETD is funded with a variety of state and federal funds. The federal funds have varied matching rates depending on the function. General fund comprises roughly 1/5th of the budget, primarily to match federal funds. Some activities are supported entirely by the general fund, including the extended employment program, visual services medical support, and the Montana Youth Leadership Forum. General fund also supports benefits, grants, and functions serving individuals wishing to live independently, obtain and maintain a job, and acquire necessary assistive technology.

State special revenue makes up about 3% of the budget and fully supports the MTAP program. 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. Figure 2 shows the actual and projected revenues and expenditures for the program through FY 2019. 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.

Figure 2

Figure 2: Handicapped Telecommunications (02159) - Fund Balance							
Revenue, Expenditures, Fund Balance	and Fund	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Beginning Balance		\$1,652,576	\$2,261,227	\$2,557,997	\$2,918,744	\$3,329,507	\$3,745,260
Revenue		1,553,939	1,202,276	1,333,735	1,333,735	1,333,735	1,333,735
Total Funds Available		3,206,516	3,463,503	3,891,732	4,252,480	4,663,242	5,078,995
Expenditures (Pgm 1)							
Personal Services		237,658	231,546	234,247	256,560	251,569	252,007
Operating Expenses		707,631	648,799	738,741	666,413	666,413	666,413
Equipment & Intangible Assets			25,162				
Total Expenditures		945,288	905,507	972,988	922,973	917,982	918,420
Ending Fund Balance		\$2,261,227	\$2,557,997	\$2,918,744	\$3,329,507	\$3,745,260	\$4,160,575
Contingency Appropriation for Relay Services				\$775,000	\$775,000	\$775,000	\$775,000
Ending Fund Balance w/ Contingency		\$2,261,227	\$2,557,997	\$2,143,744	\$2,554,507	\$2,970,260	\$3,385,575

Federal funds comprise a majority of the budget. The disability determination function, the Montech assistive technology program, and supported employment are entirely federally funded. The remaining federally funded programs require state matching funds.

Contingency Language Request

The executive submits the following request: "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 2017 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."

Program Budget Summary by Category

The following 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 2018	Budget Fiscal 2019	Biennium Fiscal 18-19	Percent of Budget	Budget Fiscal 2018	Budget Fiscal 2019	Biennium Fiscal 18-19	Percent of Budget
2017 Base Budget	6,160,497	6,160,497	12,320,994	111.66 %	29,653,030	29,653,030	59,306,060	103.36 %
SWPL Adjustments	(43,315)	(38,021)	(81,336)	(0.74)%	(182,240)	(148,073)	(330,313)	(0.58)%
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	(602,665)	(602,665)	(1,205,330)	(10.92)%	(797,665)	(797,665)	(1,595,330)	(2.78)%
Total Budget	\$5,514,517	\$5,519,811	\$11,034,328		\$28,673,125	\$28,707,292	\$57,380,417	

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

The following summarizes the total budget utilizing the FY 2017 legislative base, present law adjustments, and new proposals.

Present Law Adjustments

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from the FY 2017 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 2018-----					-----Fiscal 2019-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	(43,171)	(6,549)	(131,477)	(181,197)	0.00	(37,961)	(6,155)	(103,511)	(147,627)
DP 2 - Fixed Costs	0.00	7	2	24	33	0.00	27	6	95	128
DP 3 - Inflation Deflation	0.00	(151)	(345)	(580)	(1,076)	0.00	(87)	(144)	(343)	(574)
Grand Total All Present Law Adjustments	0.00	(\$43,315)	(\$6,892)	(\$132,033)	(\$182,240)	0.00	(\$38,021)	(\$6,293)	(\$103,759)	(\$148,073)

***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 annualize personal services costs including FY 2017 statewide pay plan adjustments and increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, and longevity adjustments related to incumbents in each position at the time of the personal services snapshot.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. The rates charged for these services are approved in the section of the budget for the programs that provide 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.

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

New Proposals										
-----Fiscal 2018-----						-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 555 - Appropriation Rebase										
	0.00	(602,665)	0	(195,000)	(797,665)	0.00	(602,665)	0	(195,000)	(797,665)
Total	0.00	(\$602,665)	\$0	(\$195,000)	(\$797,665)	0.00	(\$602,665)	\$0	(\$195,000)	(\$797,665)

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

DP 555 - Appropriation Rebase -

Under 17-7-111, MCA state agencies are required to submit plans to reduce general fund and certain state special revenue funds by 5%. The executive proposes reductions to the present law budget based on either the 5% reduction plans or FY 2016 reversions.

Program Budget Comparison

The following table compares the 2017 biennium appropriated budget to the 2019 biennium requested budget by type of expenditure and source of funding.

Program Budget Comparison				
Budget Item	Appropriated Budget 16-17	Requested Budget 18-19	Biennium Change	Biennium % Change
Personal Services	58,486,898	58,622,084	135,186	0.23 %
Operating Expenses	17,459,432	17,329,403	(130,029)	(0.74)%
Equipment & Intangible Assets	125,000	50,000	(75,000)	(60.00)%
Local Assistance	0	12,000,000	12,000,000	0.00 %
Grants	43,406,468	43,722,399	315,931	0.73 %
Benefits & Claims	515,515,573	172,104,254	(343,411,319)	(66.62)%
Transfers	4,572,088	4,242,420	(329,668)	(7.21)%
Total Expenditures	\$639,565,459	\$308,070,560	(\$331,494,899)	(51.83)%
General Fund	66,291,486	78,589,263	12,297,777	18.55 %
State/Other Special Rev. Funds	5,151,935	5,201,270	49,335	0.96 %
Federal Spec. Rev. Funds	568,122,038	224,280,027	(343,842,011)	(60.52)%
Total Funds	\$639,565,459	\$308,070,560	(\$331,494,899)	(51.83)%
Total Ongoing	\$636,303,678	\$308,070,560	(\$328,233,118)	(51.58)%
Total OTO	\$3,261,781	\$0	(\$3,261,781)	(100.00)%

Program Description

The purpose of the Human and Community Services Division (HCSD) is to support and strengthen families and communities by promoting employment and providing those in need with assistance to meet their basic needs and move out of poverty. The division administers or contracts for a variety of services including, but not limited to, the following: cash assistance, employment training, supplemental nutrition assistance (formerly food stamps), Medicaid, child care, meal reimbursement, nutrition training, energy assistance, and weatherization. Further detail on these programs can be found on the division's website: <https://dphhs.mt.gov/hcscd>

Program Highlights

Human and Community Services Major Budget Highlights	
<ul style="list-style-type: none"> Major decreases to the budget are primarily in federal fund reductions for: <ul style="list-style-type: none"> Reclassification of \$179.5 million in the Supplemental Nutrition Assistance Program (SNAP) from HB 2 to a statutory appropriation for each year in the 2019 biennium Appropriation Rebase reduction of roughly \$1.8 million over the 2019 biennium Two new proposals increase expenditures by \$14.4 million for the biennium <ul style="list-style-type: none"> Best Beginnings STARS to Quality Program, \$2.4 million Provide early education for 4 year olds in Montana, \$12 million 	

Program Actuals and Budget Comparison

The following table compares the program's FY 2016 actual expenditures with FY 2016 and FY 2017 appropriations and with FY 2018 and FY 2019 requested appropriations.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2016	Approp. Fiscal 2016	Approp. Fiscal 2017	Request Fiscal 2018	Request Fiscal 2019
FTE	488.31	488.31	488.31	488.31	488.31
Personal Services	28,938,950	28,455,540	30,031,358	29,349,746	29,272,338
Operating Expenses	10,935,528	8,700,170	8,759,262	8,624,070	8,705,333
Equipment & Intangible Assets	99,899	100,000	25,000	25,000	25,000
Local Assistance	0	0	0	6,000,000	6,000,000
Grants	19,307,979	21,480,085	21,926,383	21,861,198	21,861,201
Benefits & Claims	242,961,074	256,119,816	259,395,757	86,052,127	86,052,127
Transfers	3,525,607	2,286,044	2,286,044	2,121,210	2,121,210
Total Expenditures	\$305,769,037	\$317,141,655	\$322,423,804	\$154,033,351	\$154,037,209
General Fund	31,149,708	31,976,764	34,314,722	39,316,046	39,273,217
State/Other Special Rev. Funds	2,373,510	2,507,327	2,644,608	2,602,190	2,599,080
Federal Spec. Rev. Funds	272,245,819	282,657,564	285,464,474	112,115,115	112,164,912
Total Funds	\$305,769,037	\$317,141,655	\$322,423,804	\$154,033,351	\$154,037,209
Total Ongoing	\$304,137,665	\$315,510,282	\$320,793,396	\$154,033,351	\$154,037,209
Total OTO	\$1,631,372	\$1,631,373	\$1,630,408	\$0	\$0

Program Discussion -

The various programs administered by HCSD can be broken into three categories:

- Public Assistance
- Early Childhood Services
- Intergovernmental Human Services (Energy, Weatherization, and Commodities)

The Public Assistance Field Services Bureau provides eligibility services for and the Public Assistance Policy and Systems Bureau administers:

- Temporary Assistance to Needy Families (TANF)
- Refugee Assistance
- Supplemental Nutrition Assistance Program (SNAP)
- Medicaid coverage including Healthy Montana Kids (HMK)

The Early Childhood Services Bureau:

- Manages child care funds for TANF participants, working caretaker relatives, and low-income working families
- Contracts with resource and referral agencies to administer child care eligibility, recruit providers, and provide technical assistance
- Administers 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
- Administers the Head Start State Collaboration grant
- Administers the Early Childhood Comprehensive Systems Grant
- Manages the funds that pay for quality child care initiatives including professional development

The Intergovernmental Human Services Bureau is responsible for:

- The Community Services block grant, which is used by 10 Human Resource Development Councils to provide a wide range of community-based human services
- The Low-Income Energy Assistance Program

- Weatherization programs
- The Emergency Solutions Grants program
- The Housing Opportunities for Persons with AIDS grants
- Three USDA commodities programs
- Storage and distribution of USDA commodity foods to elderly feeding sites, and USDA commodity foods for school lunch programs

Major Budgetary Changes

The most significant change in the budget is the reduction in federal fund benefits. This reduction is almost entirely due to the executive's recommendation to move SNAP federal funding from HB 2 to a statutory appropriation, which results in a \$359.6 million decrease over the biennium.

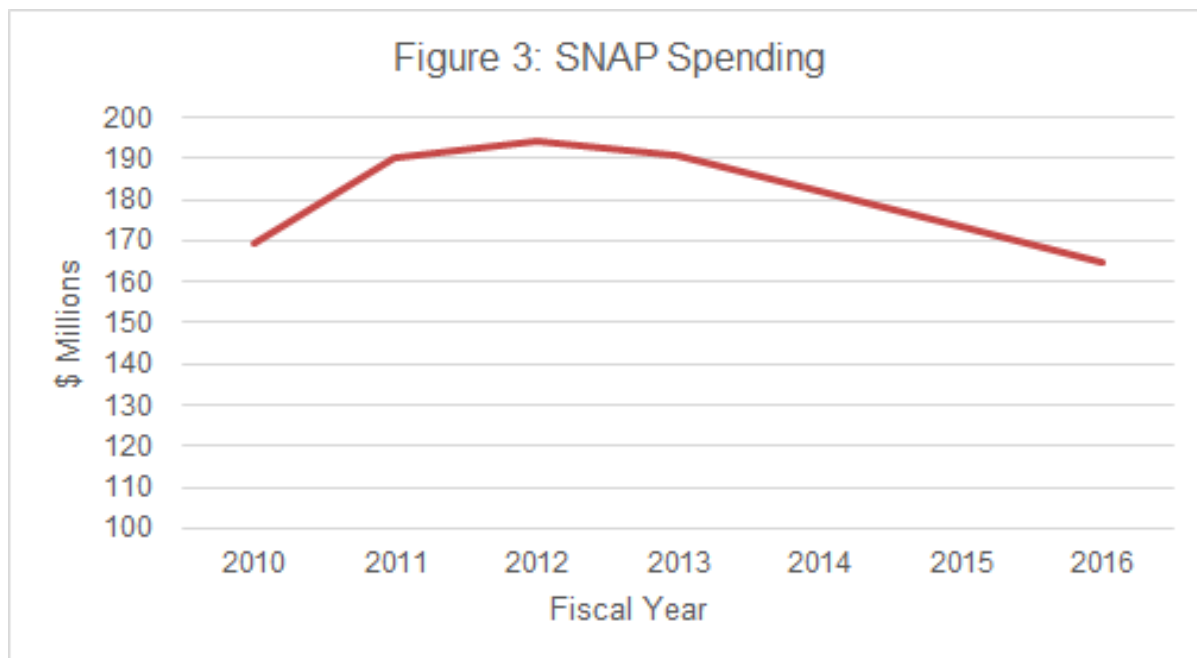
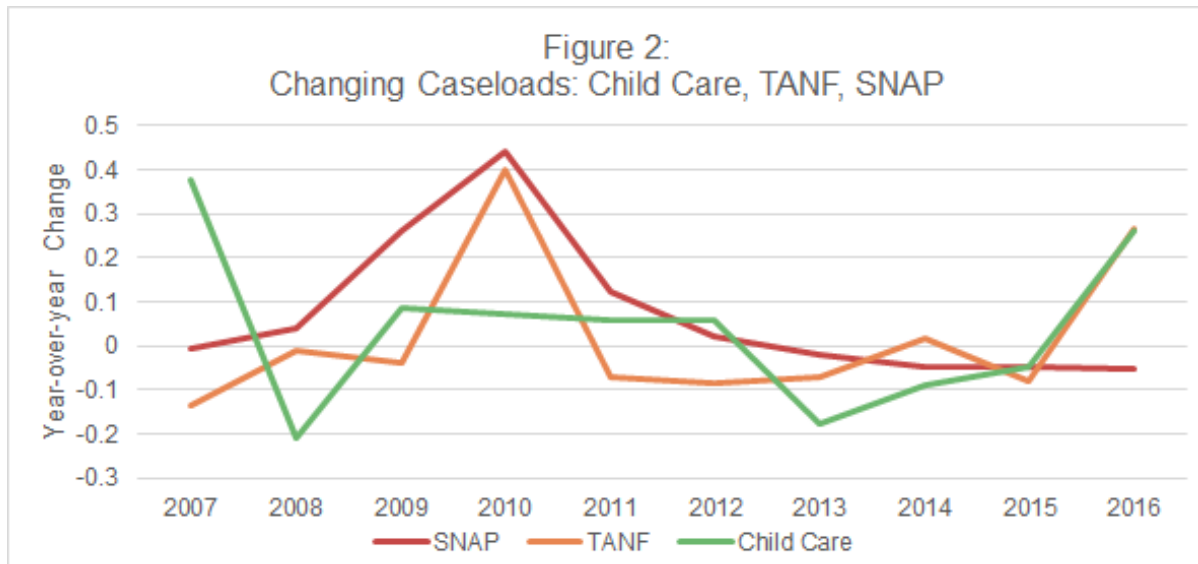
LFD COMMENT

In FY 2016 HCSD expenditures for benefits and claims were roughly 5.0% below the appropriation, however the executive request for Claims & Benefits added to the statutory request for SNAP for each year in the 2019 Biennium is 3.7% higher than the 2016 appropriation and 9.3% higher than 2016 actuals. SNAP will be included in the HCSD budget if it does not become statutory. A comparison of the 2017 Biennium appropriation and the 2019 Biennium request with and without Snap included can be seen in figure 1.

Other benefits funding sees a modest increase in the budget request. In FY 2016, division spending was nearly \$11.4 million below the level anticipated, which was almost entirely unused federal authority and was roughly 4.0% of federal authority or 3.7% of the entire division budget. The 2019 biennium benefits request for HB 2, both as requested by the executive and including SNAP benefits funding, can be seen in figure 3.

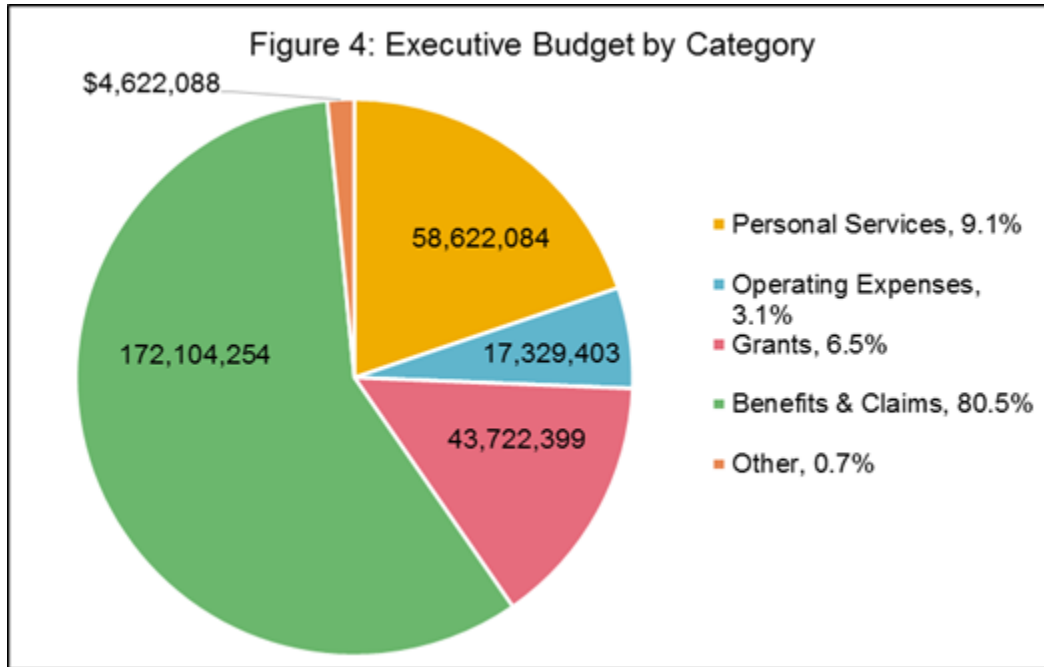
Figure 1: Comparison of Human & Community Services HB 2 Benefits Request (\$ Millions)			
Budget Item	2017 Biennium	2019 Biennium	% Change
Benefits & Claims Inc. SNAP	\$515.5	\$531.2	3.0%
Benefits & Claims Exc. SNAP	\$157.2	\$172.1	9.5%

Although the change from FY 2017 to the FY 2018 request is positive, the request is still below the spending level in previous years. The year-over-year changes in Child Care, TANF and SNAP cases can be seen in figure 2. Child care and TANF caseloads shrank between FY 2011 and FY 2015, but increased in FY 2016. SNAP spending has declined from a high of \$194.5 million in FY 2012 to \$164.8 million in FY 2016.



Primary Expenditures

Benefits and grants combine to make up approximately 87.0% of the executive's proposed budget as seen in figure 4. These funds support TANF – both cash and non-cash assistance, early childhood services such as child care and education, energy and weatherization, the child and adult care food program, SNAP training, and refugee assistance. Note that these figures do not include general SNAP benefits, which the executive recommends for statutory appropriation.



5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2019 biennium 5% plan submitted for this agency is in the appendix.

The base budget reduction target for HCSD is \$1,489,382 of general fund, and \$117,643 state special. HCSD has identified \$64,520 in state special revenue by only spending the minimum of SNAP offset funding. HCSD identified \$0.7 million in general fund for the 5% plan. The reductions in general fund are reduced operating costs, elimination of higher education child care contracts and SNAP employment and training services. As a consequence of these reductions HCSD anticipates impacts to the delivery of program priorities, reduction in employment & training services for adults without dependents, and loss of early childhood coursework for approximately 250 students.

Personal Services

The LFD calculated an expected personal services budget as a comparison to the executive personal services request. The LFD calculation uses the 2017 base as a starting point, and calculates expected incremental increases based on legislatively approved increases such as the pay plan, workers compensation, longevity increases, health benefit increase, and other expected changes. An illustration of this calculation is included in the Budget Analysis appendix.

The 2017 base included a 2% vacancy savings as stated in HB 2 from the 2015 legislative session. The 2019 biennium executive request for personal services (SWPL 1) includes a 4% vacancy savings, with some exceptions.

Figure 5

Department Of Public Health & Human Services: 02 Human And Community Services Personal Services Present Law Calculations			
PS Base: \$29,491,041			
		FY 2018	FY 2019
Executive	DP 1: SWPL Personal Services	(\$141,295)	(\$218,703)
Legislative	Statutory Personal Service Change	<u>401,873</u>	<u>486,901</u>
	Difference	(543,168)	(705,604)
Management Choices Explaining the Difference			
	Additional 2% Vacancy Savings	(608,029)	(609,687)
	Broadband Pay Adjustments	22,188	22,188
	Benefits and Taxes on Pay Adjustment	2,084	4,614
	Other	<u>38,058</u>	<u>(122,720)</u>
	Total	(\$543,168)	(\$705,604)

A number of offsetting changes, including some discretionary decisions of agency management combined for a lower than anticipated budget request.

Pay increases were offset by turnover of staff that generally lowered program salaries when more senior and higher paid employees were replaced by lower paid employees.

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	78,589,263	0	0	855,206	79,444,469	25.52 %
02375 02 Indirect Activity Prog 02	2,726,438	0	0	0	2,726,438	52.42 %
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	2.50 %
02698 69010-Prevention&Stabilization	1,665,164	0	0	0	1,665,164	32.01 %
02772 Tobacco Hlth and Medicaid Init	70,190	0	0	0	70,190	1.35 %
02931 Food Stamp Recoupment Account	0	0	0	0	0	0.00 %
02974 Univ Low-Income Energy Assist	609,478	0	0	0	609,478	11.72 %
State Special Total	\$5,201,270	\$0	\$0	\$0	\$5,201,270	1.67 %
03135 HOPWA TriState HELP CFDA14.241	1,040,000	0	0	0	1,040,000	0.46 %
03181 10.561 Food Stamp Perf. Bonus	0	0	0	0	0	0.00 %
03236 Child Nutrition	23,158,911	0	0	0	23,158,911	10.22 %
03250 Child Care Mandatory/MOE	3,597,650	0	0	0	3,597,650	1.59 %
03251 Child Care Admin	1,122,322	0	0	0	1,122,322	0.50 %
03252 Child Care Matching	11,040,374	0	0	0	11,040,374	4.87 %
03573 93.569 - CSBG Adm	6,528,498	0	0	0	6,528,498	2.88 %
03576 LAUNCH Grant	0	0	0	0	0	0.00 %
03580 6901-93.778 - Med Adm 50%	2,077,066	0	0	0	2,077,066	0.92 %
03666 Aging - Caregiver III-E	0	0	0	0	0	0.00 %
03677 6901-CACFP 10.558 & 10.560	1,654,353	0	0	0	1,654,353	0.73 %
03678 6901-Food Stamp Benefits	0	0	0	0	0	0.00 %
03679 6901-HOPWA CFDA#14-241	1,004,578	0	0	0	1,004,578	0.44 %
03382 03 Indirect Activity Prog 02	33,160,715	0	0	2,048,910	35,209,625	15.53 %
03426 CHIP Program Fed	0	0	0	0	0	0.00 %
03448 Early Childhood Comp Sys	861,226	0	0	0	861,226	0.38 %
03467 6901-Homeless Mgmt Info Systm	154,350	0	0	0	154,350	0.07 %
03518 93.044 - Aging Sup S & Train 1	0	0	0	0	0	0.00 %
03519 93.045 - Aging Meals 100%	160,358	0	0	0	160,358	0.07 %
03523 93.566 - Refugee Soc. Serv	61,112	0	0	0	61,112	0.03 %
03530 6901-Foster Care 93.658	1,287,666	0	0	0	1,287,666	0.57 %
03539 93.600 Headstart	265,754	0	0	0	265,754	0.12 %
03544 10.561 - FS E & T - 50%	(80,247)	0	0	0	(80,247)	(0.04)%
03545 10.561 - FS E & T - 100%	594,370	0	0	0	594,370	0.26 %
03546 10.561 - FS Adm - Fed Exp 50%	2,097,691	0	0	0	2,097,691	0.93 %
03547 10.568 - Emerg Food Assist 100	562,954	0	0	0	562,954	0.25 %
03548 10.569 - Food Distr - Fed Exp	5,434,092	0	0	0	5,434,092	2.40 %
03550 14.231 - Emerg Shelter - HUD 5	1,400,628	0	0	0	1,400,628	0.62 %
03552 81.042 - Weather Ben 100%	5,177,518	0	0	0	5,177,518	2.28 %
03553 Housing Preservation Grant	90,200	0	0	0	90,200	0.04 %
03571 93.566 - Off Ref Reset Adm 10	111,368	0	0	0	111,368	0.05 %
03572 93.568 - LIEAP Blk Grt Adm	39,905,512	0	0	0	39,905,512	17.61 %
03063 Preschool Development	0	0	0	0	0	0.00 %
03066 81.042 BPA	992,708	0	0	0	992,708	0.44 %
03074 Aging - Nutrition Services HDM	0	0	0	0	0	0.00 %
03096 Discretionary Child Care	31,919,977	0	0	0	31,919,977	14.08 %
03103 TANF Administration	0	0	0	0	0	0.00 %
03109 TANF Benefits	47,466,718	0	0	0	47,466,718	20.94 %
03826 Healthy Montana Teen Parents 2	0	0	0	0	0	0.00 %
03965 CSFP	1,431,605	0	0	0	1,431,605	0.63 %
03974 Medicaid Exp HELP Act Admin	0	0	0	324,568	324,568	0.14 %
Federal Special Total	\$224,280,027	\$0	\$0	\$2,373,478	\$226,653,505	72.81 %
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$308,070,560	\$0	\$0	\$3,228,684	\$311,299,244	

The majority of the HB 2 budget for HCSD as requested by the governor comes from federal funding. Federal funds are used for the direct provision of benefits and the programs supporting benefit recipients. State funds primarily cover personal services and maintenance of effort (MOE) requirements for receipt of certain federal funds.

Program Budget Summary by Category

The following 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 2018	Budget Fiscal 2019	Biennium Fiscal 18-19	Percent of Budget	Budget Fiscal 2018	Budget Fiscal 2019	Biennium Fiscal 18-19	Percent of Budget
2017 Base Budget	32,955,774	32,955,774	65,911,548	83.87 %	320,793,396	320,793,396	641,586,792	208.26 %
SWPL Adjustments	(204,134)	(246,963)	(451,097)	(0.57)%	(77,715)	(141,533)	(219,248)	(0.07)%
PL Adjustments	0	0	0	0.00 %	6,543,471	6,611,147	13,154,618	4.27 %
New Proposals	6,564,406	6,564,406	13,128,812	16.71 %	(173,225,801)	(173,225,801)	(346,451,602)	(112.46)%
Total Budget	\$39,316,046	\$39,273,217	\$78,589,263		\$154,033,351	\$154,037,209	\$308,070,560	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from the FY 2017 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 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	(148,118)	(15,150)	21,973	(141,295)	0.00	(192,216)	(18,420)	(8,067)	(218,703)
DP 2 - Fixed Costs	0.00	(51,630)	(6,512)	159,805	101,663	0.00	(50,844)	(6,412)	166,110	108,854
DP 3 - Inflation Deflation	0.00	(4,386)	(549)	(33,148)	(38,083)	0.00	(3,903)	(489)	(27,292)	(31,684)
DP 2101 - Child Care Federal Authority	0.00	0	0	5,900,273	5,900,273	0.00	0	0	5,967,949	5,967,949
DP 2103 - IHSB Grant Funding	0.00	0	0	643,198	643,198	0.00	0	0	643,198	643,198
Grand Total All Present Law Adjustments	0.00	(\$204,134)	(\$22,211)	\$6,692,101	\$6,465,756	0.00	(\$246,963)	(\$25,321)	\$6,741,898	\$6,469,614

**"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 annualize personal services costs including FY 2017 statewide pay plan adjustments and increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, and longevity adjustments related to incumbents in each position at the time of the personal services snapshot.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. The rates charged for these services are approved in the section of the budget for the programs that provide 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 2101 - Child Care Federal Authority -

This present law adjustment is made to maintain existing services for the Child Care Development Fund program in the Human and Community Services Division. The request increases the FY 2017 budgeted expenses by \$5,900,273 in FY 2018 and \$5,967,949 in FY 2019. The increase is necessary to fund the CCDF Reauthorization Act of 2014 requirements. This request is funded with 100% federal funds.

DP 2103 - IHSB Grant Funding -

This present law adjustment is made to maintain existing services for the Department of Energy Weatherization program in the Human and Community Service Division. The request increases the FY 2017 budgeted expenses by \$643,198 in FY 2018 and \$643,198 in FY 2019. The increase is necessary to provide training and weatherize more homes. This service is funded with 100% federal funds.

New Proposals -

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

New Proposals										
Fiscal 2018					Fiscal 2019					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 555 - Appropriation Rebase	0.00	(635,594)	0	(249,749)	(885,343)	0.00	(635,594)	0	(249,749)	(885,343)
DP 2104 - SNAP Benefits Statutory Appropriation	0.00	0	0	(179,540,458)	(179,540,458)	0.00	0	0	(179,540,458)	(179,540,458)
DP 2202 - Child Care STARS to Quality	0.00	1,200,000	0	0	1,200,000	0.00	1,200,000	0	0	1,200,000
DP 24151 - Early Childhood Education (Rst/Bien)	0.00	6,000,000	0	0	6,000,000	0.00	6,000,000	0	0	6,000,000
Total	0.00	\$6,564,406	\$0	(\$179,790,207)	(\$173,225,801)	0.00	\$6,564,406	\$0	(\$179,790,207)	(\$173,225,801)

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

DP 555 - Appropriation Rebase -

Under 17-7-111, MCA state agencies are required to submit plans to reduce general fund and certain state special revenue funds by 5%. The executive proposes reductions to the present law budget based on either the 5% reduction plans or FY 2016 reversions.

DP 2104 - SNAP Benefits Statutory Appropriation -

Due to the pass-through and unpredictable nature of federal Supplemental Nutrition Assistance Program (SNAP) benefits, the Executive has recommended legislation to remove this funding from HB 2 and establish it as a statutory appropriation. This decision package requests that federal funds be reduced by \$179,540,458 during each year of the 2019 biennium. This change package is contingent on passage and approval of LC 1098 and coordination language proposed by the executive in HB 2.

DP 2202 - Child Care STARS to Quality -

The executive requests \$1,200,000 general fund each year of the biennium for the Best Beginnings STARS to Quality Program, which is a voluntary quality-rating and improvement program that aligns achievement of quality indicators with support and grant incentives for early childhood education programs and early childhood professionals. The request will continue the one-time-only funding from the 2015 legislative session, and make this part of the 2019 biennium base.

DP 24151 - Early Childhood Education (Rst/Bien) -

The executive requests \$12 million for the 2019 biennium to provide early education for 4-year olds in Montana. The request is contingent on passage and approval of legislation.

Program Budget Comparison

The following table compares the 2017 biennium appropriated budget to the 2019 biennium requested budget by type of expenditure and source of funding.

Program Budget Comparison				
Budget Item	Appropriated Budget 16-17	Requested Budget 18-19	Biennium Change	Biennium % Change
Personal Services	47,830,714	47,519,025	(311,689)	(0.65)%
Operating Expenses	12,812,594	11,809,503	(1,003,091)	(7.83)%
Grants	13,657,120	13,626,560	(30,560)	(0.22)%
Benefits & Claims	80,870,188	94,426,855	13,556,667	16.76 %
Transfers	524,997	476,182	(48,815)	(9.30)%
Debt Service	2,316	2,316	0	0.00 %
Total Expenditures	\$155,697,929	\$167,860,441	\$12,162,512	7.81 %
General Fund	89,205,573	95,457,615	6,252,042	7.01 %
State/Other Special Rev. Funds	3,509,228	3,795,228	286,000	8.15 %
Federal Spec. Rev. Funds	62,983,128	68,607,598	5,624,470	8.93 %
Total Funds	\$155,697,929	\$167,860,441	\$12,162,512	7.81 %
Total Ongoing	\$155,697,929	\$167,860,441	\$12,162,512	7.81 %
Total OTO	\$0	\$0	\$0	0.00 %

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 that administer programs and are advised by Local Family Services Advisory Councils, which serve as the link between local communities and DPHHS.

Program Highlights

Child and Family Services Division Major Budget Highlights
<ul style="list-style-type: none"> Personal services reductions of \$0.6 million in FY 2018 and \$0.5 million in FY 2019 due to vacancy savings Present law increase of \$16.6 million over the biennium including \$10.2 million in general fund to be used to fund increases in foster care caseload

Program Actuals and Budget Comparison

The following table compares the program's FY 2016 actual expenditures with FY 2016 and FY 2017 appropriations and with FY 2018 and FY 2019 requested appropriations.

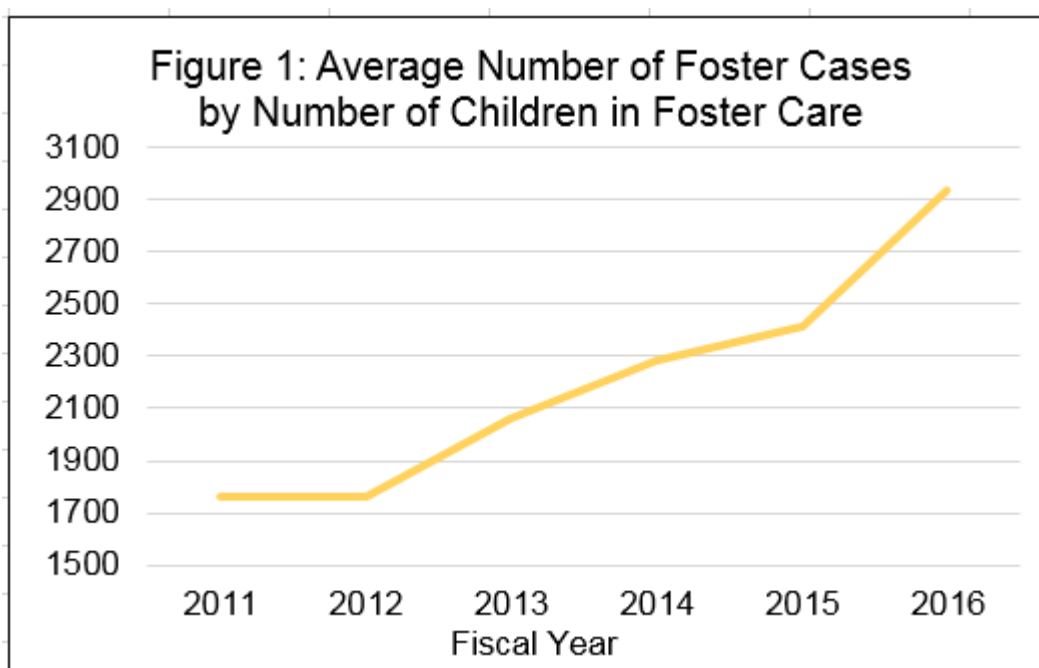
69010 - Department Of Public Health & Human Services 03-Child and Family Services Division

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2016	Approp. Fiscal 2016	Approp. Fiscal 2017	Request Fiscal 2018	Request Fiscal 2019
FTE	381.65	381.65	381.65	381.65	381.65
Personal Services	23,538,770	23,545,082	24,285,632	23,729,964	23,789,061
Operating Expenses	6,569,028	6,923,776	5,888,818	5,900,872	5,908,631
Grants	6,783,923	6,843,840	6,813,280	6,813,280	6,813,280
Benefits & Claims	41,046,385	41,978,067	38,892,121	46,629,303	47,797,552
Transfers	236,875	286,906	238,091	238,091	238,091
Debt Service	0	1,158	1,158	1,158	1,158
Total Expenditures	\$78,174,981	\$79,578,829	\$76,119,100	\$83,312,668	\$84,547,773
General Fund	45,675,653	46,346,578	42,858,995	47,719,031	47,738,584
State/Other Special Rev. Funds	1,606,974	1,611,614	1,897,614	1,897,614	1,897,614
Federal Spec. Rev. Funds	30,892,354	31,620,637	31,362,491	33,696,023	34,911,575
Total Funds	\$78,174,981	\$79,578,829	\$76,119,100	\$83,312,668	\$84,547,773
Total Ongoing	\$78,174,981	\$79,578,829	\$76,119,100	\$83,312,668	\$84,547,773
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

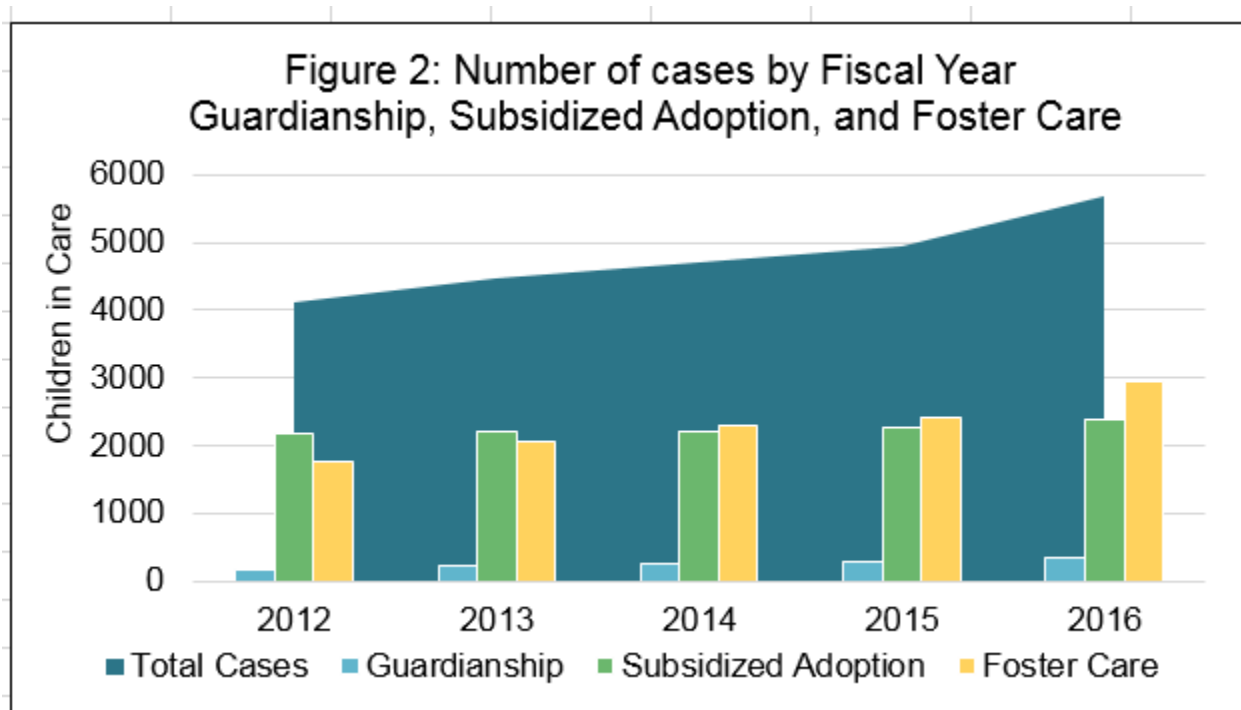
Primary Expenditures

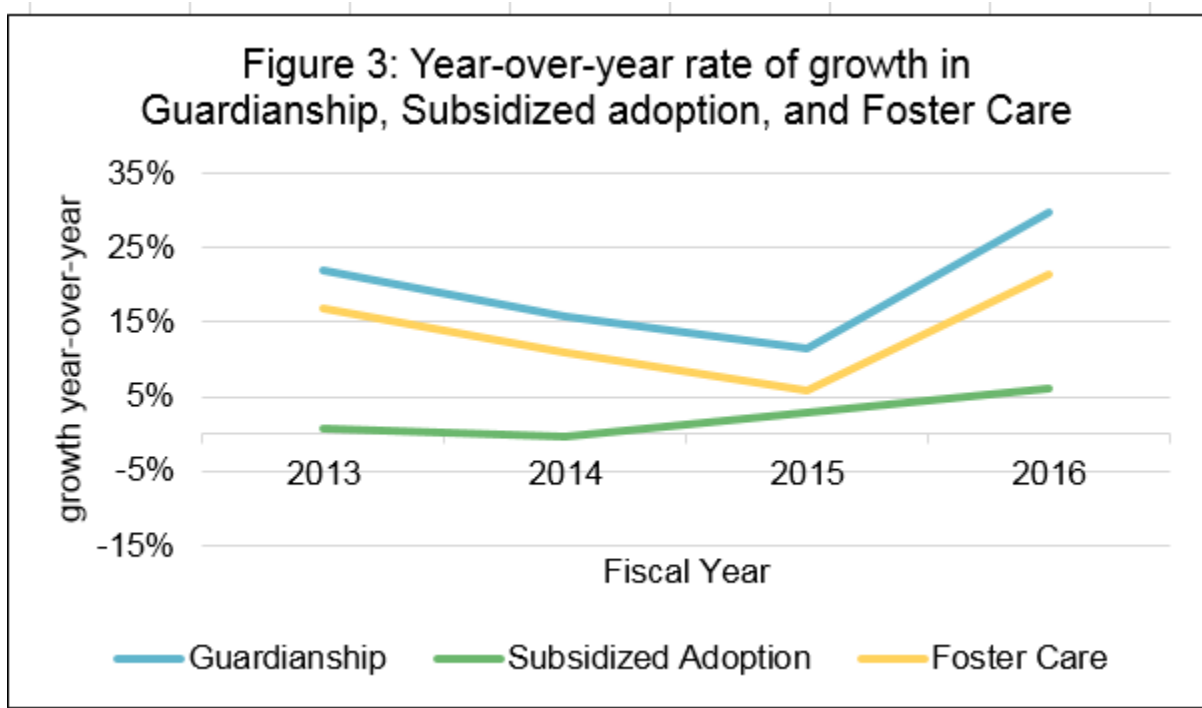
The 2017 biennium appropriations as seen in the table above include executive interim modifications. Between the end of last session and the present the foster care caseload has continually increased by an average of over 30 children per month. As of September, 2016 there were 3,290 children in foster care. The average number of foster cases by fiscal year can be seen in figure 1. For more information see the base budget tables in the DPHHS Agency Summary.



The executive requests an increase in benefits and claims, and seeks to maintain the additional FTE established during the interim.

Benefits and grants compose over half of the executive's proposed budget for CFSD. These funds support foster care, subsidized adoption, subsidized guardianship, and a number of other programs promoting children's safety and family unity. Figure 2 shows the number of children in care under programs supported by the executive request. While the greatest portion of children in care are in foster care, there are still a large number of children being cared for under subsidized adoption, and a small, but increasing portion in guardianship. Although it represents only a small fraction of children in care, guardianship is growing at the fastest rate of the 3 programs shown in figure 2, followed by foster care, while subsidized adoption remains relatively stable. Figure 3 shows the year-over-year growth rate for each of these programs.





5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2019 biennium 5% plan submitted for this agency is in the appendix.

CFSD has identified \$0.1 million in state special revenue funds for its 5% savings plan. The majority of the savings comes from ceasing to spend adoption services revenue, however the fees collected must continue to be deposited in the SSR per statute so this would result in a cash balance that cannot be applied elsewhere. In addition, \$39,400 is identified as a reduction in domestic violence funding. The impact of this would be reduced funding for services to victims of domestic violence, and preventative programs.

Personal Services

The LFD calculated an expected personal services budget as a comparison to the executive personal services request. The LFD calculation uses the 2017 base as a starting point, and calculates expected incremental increases based on legislatively approved increases such as the pay plan, workers compensation, longevity increases, health benefit increase, and other expected changes. An illustration of this calculation is included in the Budget Analysis appendix.

The 2017 base included a 2% vacancy savings as stated in HB 2 from the 2015 legislative session. The 2019 biennium executive request for personal services (SWPL 1) includes a 4% vacancy savings, with some exceptions.

Figure 4

Department Of Public Health & Human Services: 03 Child & Family Services Personal Services Present Law Calculations			
PS Base: \$24,285,632			
		FY 2018	FY 2019
Executive	DP 1: SWPL Personal Services	(\$555,668)	(\$496,571)
Legislative	Statutory Personal Service Change	<u>172,753</u>	<u>234,280</u>
	Difference	(728,421)	(730,851)
Management Choices Explaining the Difference			
	Additional 2% Vacancy Savings	(491,337)	(492,571)
	Broadband Pay Adjustments	309,799	309,799
	Benefits and Taxes on Pay Adjustment	61,351	61,351
	Total	(\$728,421)	(\$730,851)

The legislative estimate for personal services in the 2019 biennium is greater than the executive estimate due to a more conservative vacancy savings estimate.

Funding

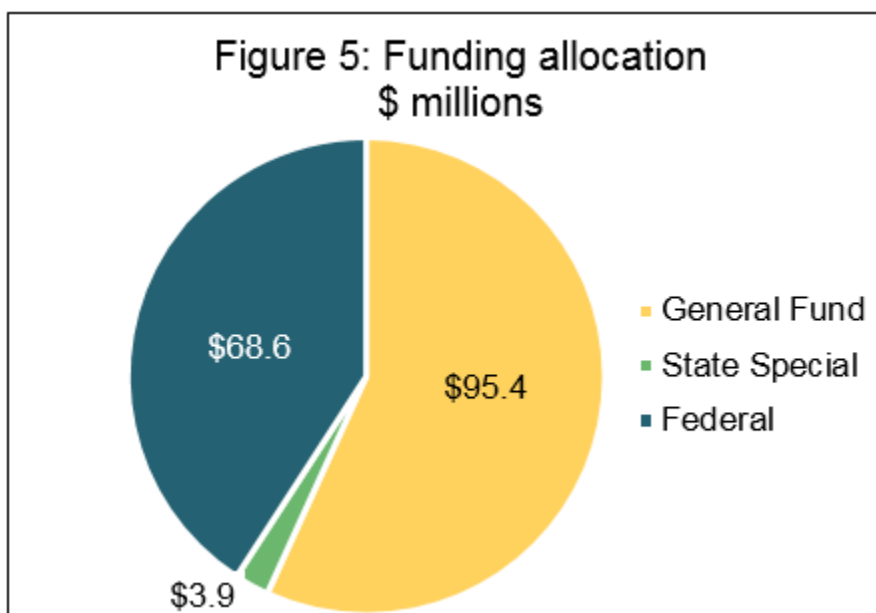
The following table shows proposed program funding by source of authority.

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	95,457,615	0	0	0	95,457,615	56.82 %
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 %
State Special Total	\$3,795,228	\$0	\$0	\$130,000	\$3,925,228	2.34 %
03185 CASEWORKER VISITS	0	0	0	0	0	0.00 %
03224 Access & Visitation Grt 93.597	191,100	0	0	0	191,100	0.28 %
03579 93.667 - SSBG - Benefits	0	0	0	0	0	0.00 %
03593 03 Indirect Activity Prog 03	15,873,613	0	0	0	15,873,613	23.14 %
03458 6901 - Chafee - ETV 93.599	353,952	0	0	0	353,952	0.52 %
03522 93.556 - Family Preservation	1,619,492	0	0	0	1,619,492	2.36 %
03526 93.643 - Child Justice	199,296	0	0	0	199,296	0.29 %
03527 93.645 - IV-B CWS	0	0	0	0	0	0.00 %
03529 IV-E Guardianship	3,017,858	0	0	0	3,017,858	4.40 %
03530 6901-Foster Care 93.658	21,398,919	0	0	0	21,398,919	31.19 %
03531 6901-Subsidized Adopt 93.659	17,882,046	0	0	0	17,882,046	26.06 %
03532 93.669 - Child Abuse	276,120	0	0	0	276,120	0.40 %
03533 93.671 - Domestic Violence	1,579,890	0	0	0	1,579,890	2.30 %
03536 93.674 - IV-E Independent Livi	1,107,208	0	0	0	1,107,208	1.61 %
03103 TANF Administration	0	0	0	0	0	0.00 %
03109 TANF Benefits	5,108,104	0	0	0	5,108,104	7.45 %
Federal Special Total	\$68,607,598	\$0	\$0	\$0	\$68,607,598	40.84 %
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$167,860,441	\$0	\$0	\$130,000	\$167,990,441	

CFSD is funded from a variety of sources and funding and federal matching rates vary by function. Some costs are allocated among funding sources through a federally approved cost allocation plan that includes a random moment in time study of social worker activities, among other factors.

General fund comprises over half of the proposed biennial budget, most of which is used as matching funds to federal funds supporting foster care, subsidized adoption, and family reunification as well as programs promoting safe, non-violent environments for children. Some of the match rates for these programs vary according to the eligibility of the child. Children who are eligible for federal IV-E funding receive a higher match rate, but they have recently been declining as a portion of the caseload. As a result, increases weigh more heavily on the general fund.

Federal funds make up most of the remaining budget and either directly support foster care, adoption, and guardianship or cover expenses associated with the federal cost allocation plan. State special revenue obtained primarily through third party contributions such as parental payments, child support collections, and supplemental security income (SSI) for eligible children is used almost entirely to support foster care. The allocation between general, federal and state special funds can be seen in figure 5.



Program Budget Summary by Category

The following 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 2018	Budget Fiscal 2019	Biennium Fiscal 18-19	Percent of Budget	Budget Fiscal 2018	Budget Fiscal 2019	Biennium Fiscal 18-19	Percent of Budget
2017 Base Budget	42,858,995	42,858,995	85,717,990	89.80 %	76,119,100	76,119,100	152,238,200	90.69 %
SWPL Adjustments	(247,594)	(203,332)	(450,926)	(0.47)%	(543,614)	(476,758)	(1,020,372)	(0.61)%
PL Adjustments	5,107,630	5,082,921	10,190,551	10.68 %	7,737,182	8,905,431	16,642,613	9.91 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$47,719,031	\$47,738,584	\$95,457,615		\$83,312,668	\$84,547,773	\$167,860,441	

Present Law Adjustments -

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

The "Present Law Adjustments" table shows the changes from the FY 2017 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 2018-----						-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	(253,355)	0	(302,313)	(555,668)	0.00	(212,802)	0	(283,769)	(496,571)
DP 2 - Fixed Costs	0.00	0	0	0	0	0.00	0	0	0	0
DP 3 - Inflation Deflation	0.00	5,761	0	6,293	12,054	0.00	9,470	0	10,343	19,813
DP 3991 - Foster Care, Adoption, Guardianship Caseload	0.00	5,107,630	0	2,629,552	7,737,182	0.00	5,082,921	0	3,822,510	8,905,431
Grand Total All Present Law Adjustments	0.00	\$4,860,036	\$0	\$2,333,532	\$7,193,568	0.00	\$4,879,589	\$0	\$3,549,084	\$8,428,673

**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 annualize personal services costs including FY 2017 statewide pay plan adjustments and increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, and longevity adjustments related to incumbents in each position at the time of the personal services snapshot.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. The rates charged for these services are approved in the section of the budget for the programs that provide 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 3991 - Foster Care, Adoption, Guardianship Caseload -

This present law adjustment requests and increase of \$16,642,613 in total funds over the biennium, including general fund of \$5,107,630 in FY 2018 and \$5,082,921 in FY 2019 to fund the projected increases in the number of children entering foster care. This present law adjustment addresses the needs of the combined programs of Foster Care, Subsidized Adoption, and Subsidized Guardianship caseload growth for the Child and Family Services Division.

Program Budget Comparison

The following table compares the 2017 biennium appropriated budget to the 2019 biennium requested budget by type of expenditure and source of funding.

Program Budget Comparison				
Budget Item	Appropriated Budget 16-17	Requested Budget 18-19	Biennium Change	Biennium % Change
Personal Services	10,837,950	8,932,085	(1,905,865)	(17.59)%
Operating Expenses	3,769,585	4,183,122	413,537	10.97 %
Grants	292,822	888,158	595,336	203.31 %
Transfers	4,457	0	(4,457)	(100.00)%
Total Expenditures	\$14,904,814	\$14,003,365	(\$901,449)	(6.05)%
General Fund	6,372,467	5,660,042	(712,425)	(11.18)%
State/Other Special Rev. Funds	1,499,791	1,365,562	(134,229)	(8.95)%
Federal Spec. Rev. Funds	7,032,556	6,977,761	(54,795)	(0.78)%
Total Funds	\$14,904,814	\$14,003,365	(\$901,449)	(6.05)%
Total Ongoing	\$14,904,814	\$13,503,365	(\$1,401,449)	(9.40)%
Total OTO	\$0	\$500,000	\$500,000	100.00 %

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. The director serves on many councils including the Interagency Coordinating Council for State Prevention Programs, which is attached to the Governor's Office.

Program Highlights

Director's Office Major Budget Highlights
<ul style="list-style-type: none"> The Director's Office increased by 2.00 FTE in the base budget as a result of the transfer of \$113,090 in personal services from the Developmental Services Division Another program transfer shifted a position and associated funding (1.0 FTE DPHHS Policy Director) from the Disability Employment and Transitions Division to the Director's Office. The Director's Office received a contingency base increase of \$658,204 and a personal services contingency base increase of \$259,057 and 1.00 FTE in FY 2017.

Program Actuals and Budget Comparison

The following table compares the program's FY 2016 actual expenditures with FY 2016 and FY 2017 appropriations and with FY 2018 and FY 2019 requested appropriations.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2016	Approp. Fiscal 2016	Approp. Fiscal 2017	Request Fiscal 2018	Request Fiscal 2019
FTE	49.50	49.50	49.50	49.50	49.50
Personal Services	6,234,876	6,397,574	4,440,376	4,460,640	4,471,445
Operating Expenses	1,178,589	1,512,098	2,257,487	2,090,238	2,092,884
Grants	238,943	146,411	146,411	694,079	194,079
Transfers	0	4,457	0	0	0
Total Expenditures	\$7,652,408	\$8,060,540	\$6,844,274	\$7,244,957	\$6,758,408
General Fund	3,666,630	3,671,627	2,700,840	3,077,261	2,582,781
State/Other Special Rev. Funds	802,389	866,519	633,272	682,215	683,347
Federal Spec. Rev. Funds	3,183,389	3,522,394	3,510,162	3,485,481	3,492,280
Total Funds	\$7,652,408	\$8,060,540	\$6,844,274	\$7,244,957	\$6,758,408
Total Ongoing	\$7,652,408	\$8,060,540	\$6,844,274	\$6,744,957	\$6,758,408
Total OTO	\$0	\$0	\$0	\$500,000	\$0

Program Discussion -

Two different program transfers shifted a total of 3.00 FTE and associated funding to the Director's Office in FY 2016. These transfers impact the FY 2017 base budget. Of these 3.00, FTE 2.00 were transferred from the Montana Developmental Center within the Developmental Services Division. This transfer is discussed in more detail in the Disability Services Division (Program 10) section of this budget analysis. The Director's Office was the only DPHHS program to receive contingency base funding, a total of \$658,204. Along with this contingency base funding the Director's Office received a total of \$413,354 in personal services contingency base and pay plan funding for a total allocation of \$1.1 million.

The reduction in budget from the 2017 biennium to the 2019 biennium is largely driven by apparent initial reductions in personal services expenditures. DPHHS manages personal services payouts by routing transfers from each division to the Director's Office in the first quarter of each fiscal year. The Director's Office then distributes these payouts for each division over the course of the fiscal year. This mechanism is the reason 2017 biennium personal services appropriations are greater than the 2019 biennium request for personal services.

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2019 biennium 5% plan submitted for this agency is in the appendix.

The Director's Office has created a 5% reduction plan that includes a total savings of about \$147,000 in general fund, \$2.9 million in state special revenue, and \$129,000 in federal special revenue. The state special revenue savings come from unallocated state special sources, while the general and federal fund savings come from the reduction of operating costs in the Director's Office.

Personal Services

The LFD calculated an expected personal services budget as a comparison to the executive personal services request. The LFD calculation uses the 2017 base as a starting point, and calculates expected incremental increases based on legislatively approved increases such as the pay plan, workers compensation, longevity increases, health benefit increase, and other expected changes. An illustration of this calculation is included in the Budget Analysis appendix.

The 2017 base included a 2% vacancy savings as stated in HB 2 from the 2015 legislative session. The 2019 biennium executive request for personal services (SWPL 1) includes a 4% vacancy savings, with some exceptions.

Figure 1 compares the executive budget for personal services to the legislative estimate for personal services.

Figure 1

Department Of Public Health & Human Services: 04 Director'S Office Personal Services Present Law Calculations			
PS Base: \$4,440,376		FY 2018	FY 2019
Executive	DP 1: SWPL Personal Services	\$20,264	\$31,069
Legislative	Statutory Personal Service Change	<u>27,423</u>	<u>38,567</u>
	Difference	(7,159)	(7,498)
Management Choices Explaining the Difference			
	Additional 2% Vacancy Savings	(92,916)	(93,144)
	Broadband Pay Adjustments	35,372	35,372
	Benefits and Taxes on Pay Adjustment	7,366	7,366
	Other	43,019	42,907
Total		(\$7,159)	(\$7,498)

The legislative estimate for personal services exceeds the executive request for personal services increases by a modest amount: just over \$7000 for each of FY 2018 and FY 2019. The Director's Office broadband pay adjustments included \$20,181 in reclassification adjustments, \$6,622 in situational adjustments, and \$7,530 in strategic adjustments.

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	5,160,042	500,000	0	62,830	5,722,872	40.50 %
02089 Child Abuse & Neglect Program	299,156	0	0	0	299,156	21.91 %
02099 69010-VISTA-Community Cost Shr	113,048	0	0	0	113,048	8.28 %
02362 No Kid Hungry SSR	0	0	0	0	0	0.00 %
02377 02 Indirect Activity Prog 04	953,358	0	0	0	953,358	69.81 %
State Special Total	\$1,365,562	\$0	\$0	\$0	\$1,365,562	9.66 %
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	6,034,075	0	0	62,832	6,096,907	86.60 %
03426 CHIP Program Fed	0	0	0	0	0	0.00 %
03534 93.672 - Child Abuse Challenge	495,817	0	0	0	495,817	7.04 %
03072 69010-CNS-Grants-VISTA	447,869	0	0	0	447,869	6.36 %
Federal Special Total	\$6,977,761	\$0	\$0	\$62,832	\$7,040,593	49.83 %
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$13,503,365	\$500,000	\$0	\$125,662	\$14,129,027	

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 2019 biennium request for the Director's Office includes a request for general fund authority that is considerably less than the appropriated 2017 biennium general fund authority.

Program Budget Summary by Category

The following 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 2018	Budget Fiscal 2019	Biennium Fiscal 18-19	Percent of Budget	Budget Fiscal 2018	Budget Fiscal 2019	Biennium Fiscal 18-19	Percent of Budget
2017 Base Budget	2,700,840	2,700,840	5,401,680	95.44 %	6,844,274	6,844,274	13,688,548	97.75 %
SWPL Adjustments	23,690	29,210	52,900	0.93 %	22,049	35,500	57,549	0.41 %
PL Adjustments	0	0	0	0.00 %	155,000	155,000	310,000	2.21 %
New Proposals	352,731	(147,269)	205,462	3.63 %	223,634	(276,366)	(52,732)	(0.38)%
Total Budget	\$3,077,261	\$2,582,781	\$5,660,042		\$7,244,957	\$6,758,408	\$14,003,365	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from the FY 2017 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 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	22,943	(6,063)	3,384	20,264	0.00	27,332	(5,130)	8,867	31,069
DP 2 - Fixed Costs	0.00	525	90	605	1,220	0.00	1,564	268	1,803	3,635
DP 3 - Inflation Deflation	0.00	222	53	290	565	0.00	314	74	408	796
DP 4003 - Children's Trust Fund Funding	0.00	0	54,863	100,137	155,000	0.00	0	54,863	100,137	155,000
Grand Total All Present Law Adjustments	0.00	\$23,690	\$48,943	\$104,416	\$177,049	0.00	\$29,210	\$50,075	\$111,215	\$190,500

**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 annualize personal services costs including FY 2017 statewide pay plan adjustments and increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, and longevity adjustments related to incumbents in each position at the time of the personal services snapshot.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. The rates charged for these services are approved in the section of the budget for the programs that provide 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 4003 - Children's Trust Fund Funding -

The executive proposes a present law adjustment to maintain existing services for the Children's Trust Fund program within the Director's Office. The request increases the FY 2017 budgeted expenses by \$155,000 in FY 2018 and \$155,000 in FY 2019. This request is funded with state special and federal funds.

New Proposals -

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

New Proposals										
-----Fiscal 2018-----						-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 555 - Appropriation Rebase	0.00	(147,269)	0	(129,097)	(276,366)	0.00	(147,269)	0	(129,097)	(276,366)
DP 4004 - Boulder Development Fund OTO	0.00	500,000	0	0	500,000	0.00	0	0	0	0
Total	0.00	\$352,731	\$0	(\$129,097)	\$223,634	0.00	(\$147,269)	\$0	(\$129,097)	(\$276,366)

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

DP 555 - Appropriation Rebase -

Under 17-7-111, MCA state agencies are required to submit plans to reduce general fund and certain state special revenue funds by 5%. The executive proposes reductions to the present law budget based on either the 5% reduction plans or FY 2016 reversions.

DP 4004 - Boulder Development Fund OTO -

The executive proposes \$500,000 general fund to help mitigate impacts to communities due to the closure of the Montana Developmental Center. This one-time-only change package is contingent upon passage of a bill which transfers \$500,000 from the Big Sky Economic Development Trust Fund spendable interest to the general fund.

Program Budget Comparison

The following table compares the 2017 biennium appropriated budget to the 2019 biennium requested budget by type of expenditure and source of funding.

Program Budget Comparison				
Budget Item	Appropriated Budget 16-17	Requested Budget 18-19	Biennium Change	Biennium % Change
Personal Services	21,742,940	21,793,099	50,159	0.23 %
Operating Expenses	4,545,115	3,860,545	(684,570)	(15.06)%
Equipment & Intangible Assets	42,912	42,912	0	0.00 %
Total Expenditures	\$26,330,967	\$25,696,556	(\$634,411)	(2.41)%
General Fund	7,611,737	7,351,876	(259,861)	(3.41)%
State/Other Special Rev. Funds	802,951	793,518	(9,433)	(1.17)%
Federal Spec. Rev. Funds	17,916,279	17,551,162	(365,117)	(2.04)%
Total Funds	\$26,330,967	\$25,696,556	(\$634,411)	(2.41)%
Total Ongoing	\$26,330,967	\$25,696,556	(\$634,411)	(2.41)%
Total OTO	\$0	\$0	\$0	0.00 %

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.

Program Highlights

Child Support Enforcement Division Major Budget Highlights
<ul style="list-style-type: none"> The major budgetary change is a decrease of \$0.6 million for the biennium due to the appropriation rebase

Program Actuals and Budget Comparison

The following table compares the program's FY 2016 actual expenditures with FY 2016 and FY 2017 appropriations and with FY 2018 and FY 2019 requested appropriations.

69010 - Department Of Public Health & Human Services 05-Child Support Enforcement Division

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2016	Approp. Fiscal 2016	Approp. Fiscal 2017	Request Fiscal 2018	Request Fiscal 2019
FTE	157.31	157.31	157.31	157.31	157.31
Personal Services	10,731,795	10,698,598	11,044,342	10,878,182	10,914,917
Operating Expenses	2,149,840	2,268,489	2,276,626	1,930,223	1,930,322
Equipment & Intangible Assets	0	21,456	21,456	21,456	21,456
Total Expenditures	\$12,881,635	\$12,988,543	\$13,342,424	\$12,829,861	\$12,866,695
General Fund	3,767,542	3,772,524	3,839,213	3,669,693	3,682,183
State/Other Special Rev. Funds	382,311	401,457	401,494	396,743	396,775
Federal Spec. Rev. Funds	8,731,782	8,814,562	9,101,717	8,763,425	8,787,737
Total Funds	\$12,881,635	\$12,988,543	\$13,342,424	\$12,829,861	\$12,866,695
Total Ongoing	\$12,881,635	\$12,988,543	\$13,342,424	\$12,829,861	\$12,866,695
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

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 2016, CSED collected about \$70.4 million on behalf of both TANF and non-TANF children and their custodial parents. Non-TANF collections were \$66.2 million and TANF collections were \$4.1 million, of which \$1.1 million went into the CSED state special revenue fund. The share of child support cases that are TANF related has been falling, and as a result the revenue to the state special fund has been declining.

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2019 biennium 5% plan submitted for this agency is in the appendix.

The targeted 5% reduction for CSED is \$0.19 million general fund and \$19,116 in state special revenue, however CSED's 5% plan only identifies a \$0.11 million state special reduction in operating costs. No general fund reductions are identified. The total of the reductions is roughly 2.8% of combined general fund and state special revenue funding. CSED also identified a loss of \$0.2 million in matching federal funds. The consequences of the reduction identified by CSED are delays in staffing, reduced travel and standard office expenditures. The services affected are required by both state and federal statute.

Personal Services

The LFD calculated an expected personal services budget as a comparison to the executive personal services request. The LFD calculation uses the 2017 base as a starting point, and calculates expected incremental increases based on legislatively approved increases such as the pay plan, workers compensation, longevity increases, health benefit increase, and other expected changes. An illustration of this calculation is included in the Budget Analysis appendix.

The 2017 base included a 2% vacancy savings as stated in HB 2 from the 2015 legislative session. The 2019 biennium executive request for personal services (SWPL 1) includes a 4% vacancy savings, with some exceptions.

Figure 1

Department Of Public Health & Human Services: 05 Child Support Enforcement Personal Services Present Law Calculations			
PS Base: \$11,044,342			
		FY 2018	FY 2019
Executive	DP 1: SWPL Personal Services	(\$166,160)	(\$129,425)
Legislative	Statutory Personal Service Change	<u>102,120</u>	<u>140,682</u>
	Difference	(268,280)	(270,107)
Management Choices Explaining the Difference			
	Additional 2% Vacancy Savings	(226,596)	(227,360)
	Broadband Pay Adjustments	17	17
	Benefits and Taxes on Pay Adjustment	4	4
	Other	(41,705)	(42,768)
	Total	(\$268,280)	(\$270,107)

The difference in personal services between the executive and legislative estimates is mostly due to the additional 2% different vacancy savings proposed by the executive.

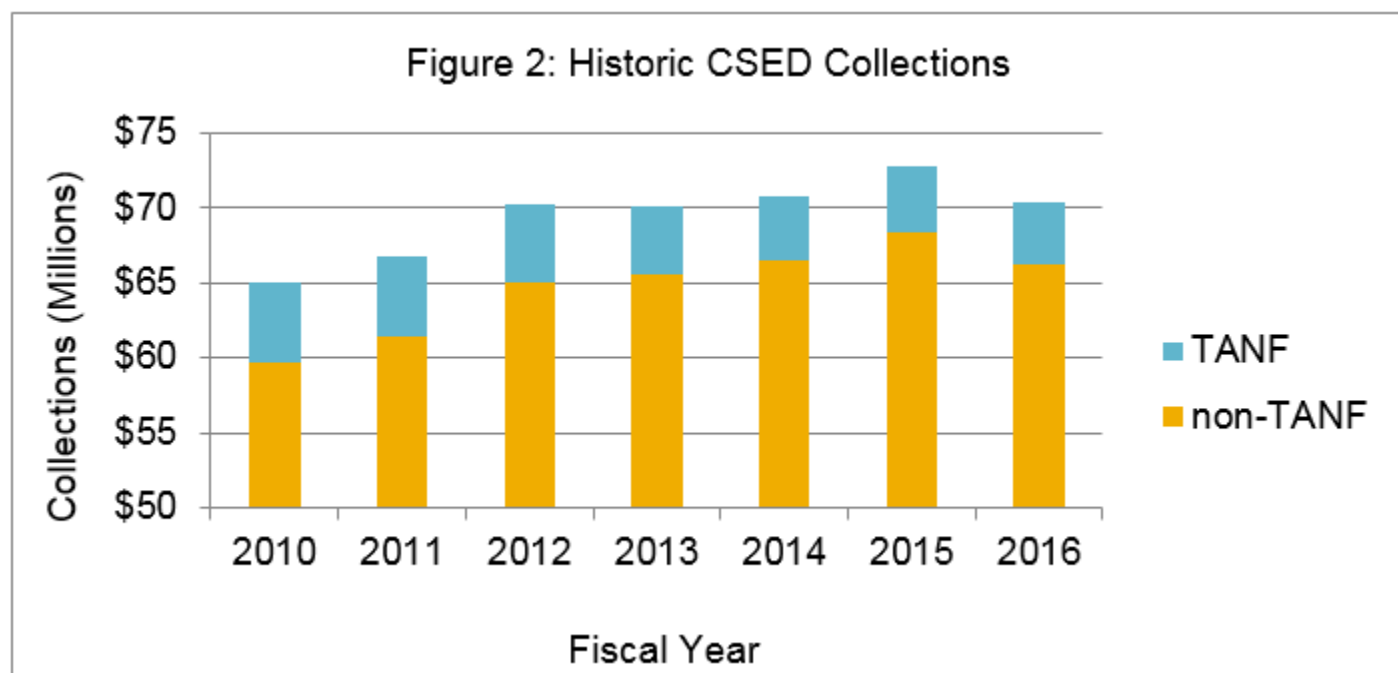
Funding

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

Department of Public Health & Human Services, 05-Child Support Enforcement 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	7,351,876	0	0	0	7,351,876	28.61 %
02187 Child Support State Share	793,518	0	0	0	793,518	100.00 %
State Special Total	\$793,518	\$0	\$0	\$0	\$793,518	3.09 %
03269 Child Support Incentive	2,749,572	0	0	0	2,749,572	15.67 %
03570 93.563 - Child Support IVD 66%	14,801,590	0	0	0	14,801,590	84.33 %
Federal Special Total	\$17,551,162	\$0	\$0	\$0	\$17,551,162	68.30 %
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$25,696,556	\$0	\$0	\$0	\$25,696,556	

This program is primarily federally funded. Title IV-D eligible expenditures are funded with 68.2% federal funds and 31.8% 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 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) (estimated at about 34.6% for FY 2018 and FY 2019). No revenue is retained from non-TANF collections, which are simply collected and sent on to the custodial parent. The proportion of TANF collections to non-TANF collections has been falling in recent years as seen in Figure 2.



Program Budget Summary by Category

The following 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 2018	Budget Fiscal 2019	Biennium Fiscal 18-19	Percent of Budget	Budget Fiscal 2018	Budget Fiscal 2019	Biennium Fiscal 18-19	Percent of Budget
2017 Base Budget	3,839,213	3,839,213	7,678,426	104.44 %	13,342,424	13,342,424	26,684,848	103.85 %
SWPL Adjustments	(56,495)	(44,005)	(100,500)	(1.37)%	(180,136)	(143,302)	(323,438)	(1.26)%
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	(113,025)	(113,025)	(226,050)	(3.07)%	(332,427)	(332,427)	(664,854)	(2.59)%
Total Budget	\$3,669,693	\$3,682,183	\$7,351,876		\$12,829,861	\$12,866,695	\$25,696,556	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from the FY 2017 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 05-Child Support Enforcement Division

Present Law Adjustments										
	Fiscal 2018					Fiscal 2019				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	(56,495)	0	(109,665)	(166,160)	0.00	(44,005)	0	(85,420)	(129,425)
DP 2 - Fixed Costs	0.00	0	0	0	0	0.00	0	0	0	0
DP 3 - Inflation Deflation	0.00	0	(4,751)	(9,225)	(13,976)	0.00	0	(4,719)	(9,158)	(13,877)
Grand Total All Present Law Adjustments	0.00	(\$56,495)	(\$4,751)	(\$118,890)	(\$180,136)	0.00	(\$44,005)	(\$4,719)	(\$94,578)	(\$143,302)

***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 annualize personal services costs including FY 2017 statewide pay plan adjustments and increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, and longevity adjustments related to incumbents in each position at the time of the personal services snapshot.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. The rates charged for these services are approved in the section of the budget for the programs that provide 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 2018					Fiscal 2019				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 555 - Appropriation Rebase	0.00	(113,025)	0	(219,402)	(332,427)	0.00	(113,025)	0	(219,402)	(332,427)
Total	0.00	(\$113,025)	\$0	(\$219,402)	(\$332,427)	0.00	(\$113,025)	\$0	(\$219,402)	(\$332,427)

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

DP 555 - Appropriation Rebase -

Under 17-7-111, MCA state agencies are required to submit plans to reduce general fund and certain state special revenue funds by 5%. The executive proposes reductions to the present law budget based on either the 5% reduction plans or FY 2016 reversions.

Program Budget Comparison

The following table compares the 2017 biennium appropriated budget to the 2019 biennium requested budget by type of expenditure and source of funding.

Program Budget Comparison				
Budget Item	Appropriated Budget 16-17	Requested Budget 18-19	Biennium Change	Biennium % Change
Personal Services	7,474,349	8,022,234	547,885	7.33 %
Operating Expenses	12,915,464	12,591,772	(323,692)	(2.51)%
Debt Service	11,352	11,352	0	0.00 %
Total Expenditures	\$20,401,165	\$20,625,358	\$224,193	1.10 %
General Fund	7,826,346	7,985,558	159,212	2.03 %
State/Other Special Rev. Funds	1,131,785	1,031,432	(100,353)	(8.87)%
Federal Spec. Rev. Funds	11,443,034	11,608,368	165,334	1.44 %
Total Funds	\$20,401,165	\$20,625,358	\$224,193	1.10 %
Total Ongoing	\$20,401,165	\$20,625,358	\$224,193	1.10 %
Total OTO	\$0	\$0	\$0	0.00 %

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.

Program Highlights

Business and Financial Services Division Major Budget Highlights
The executive proposes a 1.1 % increase over the 2017 biennium budget that is primarily due to increases in personal services. Operating expenses decline by 2.5% while personal services increase by 7.3%.

Program Actuals and Budget Comparison

The following table compares the program's FY 2016 actual expenditures with FY 2016 and FY 2017 appropriations and with FY 2018 and FY 2019 requested appropriations.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2016	Approp. Fiscal 2016	Approp. Fiscal 2017	Request Fiscal 2018	Request Fiscal 2019
FTE	60.00	60.00	60.00	60.00	60.00
Personal Services	3,520,841	3,598,436	3,875,913	4,004,883	4,017,351
Operating Expenses	6,145,159	6,382,789	6,532,675	6,527,666	6,064,106
Debt Service	6,938	5,676	5,676	5,676	5,676
Total Expenditures	\$9,672,938	\$9,986,901	\$10,414,264	\$10,538,225	\$10,087,133
General Fund	3,701,318	3,800,888	4,025,458	4,079,931	3,905,627
State/Other Special Rev. Funds	582,249	607,088	524,697	527,082	504,350
Federal Spec. Rev. Funds	5,389,371	5,578,925	5,864,109	5,931,212	5,677,156
Total Funds	\$9,672,938	\$9,986,901	\$10,414,264	\$10,538,225	\$10,087,133
Total Ongoing	\$9,672,938	\$9,986,901	\$10,414,264	\$10,538,225	\$10,087,133
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

The Business and Financial Services Division (BFSD) is the centralized business center for the Department of Public Health and Human Services (DPHHS). As such, all fixed costs for services provided by the Department of Administration and the legislative audit are paid centrally from this division. BFSD services for the department include:

- Accounts payable
- Audit coordination
- Cash and contract management
- Facility Reimbursement
- Property and lease management
- Federal financial reporting

5% Reduction Plan

BFSD has created a 5% reduction plan that involves savings of close to \$148,000 in general fund, \$24,000 in state special revenue, and \$228,000 in matching federal funds. The savings would be realized through reduced travel and lower office expenditures.

Personal Services

The LFD calculated an expected personal services budget as a comparison to the executive personal services request. The LFD calculation uses the 2017 base as a starting point, and calculates expected incremental increases based on legislatively approved increases such as the pay plan, workers compensation, longevity increases, health benefit increase, and other expected changes. An illustration of this calculation is included in the Budget Analysis appendix.

The 2017 base included a 2% vacancy savings as stated in HB 2 from the 2015 legislative session. The 2019 biennium executive request for personal services (SWPL 1) includes a 4% vacancy savings, with some exceptions.

Figure 1

Department Of Public Health & Human Services: 06 Business & Financial Services Div Personal Services Present Law Calculations			
PS Base: \$3,875,913			
		FY 2018	FY 2019
Executive	DP 1: SWPL Personal Services	\$128,970	\$141,438
Legislative	Statutory Personal Service Change	<u>35,983</u>	<u>48,969</u>
	Difference	92,987	92,469
Management Choices Explaining the Difference			
	Additional 2% Vacancy Savings	(83,420)	(83,679)
	Broadband Pay Adjustments	21,749	21,749
	Benefits and Taxes on Pay Adjustment	4,696	4,696
	Other	149,961	149,703
Total		\$92,987	\$92,469

The executive request for each year of the 2019 biennium is roughly \$92,000 above the legislative calculation for each year of the 2019 biennium. There are several reasons that explain the majority of this difference that include

- \$4,695 was given in strategic pay
- \$17,054 was given as competency adjustments.
- ten exempt employees received raises summing to \$15,192
- eight employees received market adjustments summing \$21,357
- one position was reclassified totaling \$3,771
- one position received a training assignment position worth \$5,266.

Funding

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

69010 - Department Of Public Health & Human Services06-Business & Financial Services Division

Department of Public Health & Human Services, 06-Business & 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	7,985,558	0	0	7,904	7,993,462	38.73 %
02382 02 Indirect Activity Prog 06	1,031,432	0	0	0	1,031,432	100.00 %
02597 Healthy Montana Kids Plan	0	0	0	0	0	0.00 %
State Special Total	\$1,031,432	\$0	\$0	\$0	\$1,031,432	5.00 %
03580 6901-93.778 - Med Adm 50%	0	0	0	0	0	0.00 %
03591 03 Indirect Activity Prog 06	11,608,368	0	0	7,904	11,616,272	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 %
Federal Special Total	\$11,608,368	\$0	\$0	\$7,904	\$11,616,272	56.28 %
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$20,625,358	\$0	\$0	\$15,808	\$20,641,166	

The program 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 as mentioned prior.

Program Budget Summary by Category

The following 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 2018	Budget Fiscal 2019	Biennium Fiscal 18-19	Percent of Budget	Budget Fiscal 2018	Budget Fiscal 2019	Biennium Fiscal 18-19	Percent of Budget
2017 Base Budget	4,025,458	4,025,458	8,050,916	100.82 %	10,414,264	10,414,264	20,828,528	100.98 %
SWPL Adjustments	202,425	28,121	230,546	2.89 %	523,837	72,745	596,582	2.89 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	(147,952)	(147,952)	(295,904)	(3.71)%	(399,876)	(399,876)	(799,752)	(3.88)%
Total Budget	\$4,079,931	\$3,905,627	\$7,985,558		\$10,538,225	\$10,087,133	\$20,625,358	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from the FY 2017 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 2018					Fiscal 2019					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 1 - Personal Services	0.00	49,851	6,498	72,621	128,970	0.00	54,670	7,126	79,642	141,438
DP 2 - Fixed Costs	0.00	167,372	21,828	243,952	433,152	0.00	(11,833)	(1,543)	(17,246)	(30,622)
DP 3 - Inflation Deflation	0.00	(14,798)	(1,929)	(21,558)	(38,285)	0.00	(14,716)	(1,918)	(21,437)	(38,071)
Grand Total All Present Law Adjustments	0.00	\$202,425	\$26,397	\$295,015	\$523,837	0.00	\$28,121	\$3,665	\$40,959	\$72,745

***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 annualize personal services costs including FY 2017 statewide pay plan adjustments and increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, and longevity adjustments related to incumbents in each position at the time of the personal services snapshot.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. The rates charged for these services are approved in the section of the budget for the programs that provide 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 2018					Fiscal 2019					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 555 - Appropriation Rebase	0.00	(147,952)	(24,012)	(227,912)	(399,876)	0.00	(147,952)	(24,012)	(227,912)	(399,876)
Total	0.00	(\$147,952)	(\$24,012)	(\$227,912)	(\$399,876)	0.00	(\$147,952)	(\$24,012)	(\$227,912)	(\$399,876)

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

DP 555 - Appropriation Rebase -

Under 17-7-111, MCA state agencies are required to submit plans to reduce general fund and certain state special revenue funds by 5%. The executive proposes reductions to the present law budget based on either the 5% reduction plans or FY 2016 reversions.

Program Budget Comparison

The following table compares the 2017 biennium appropriated budget to the 2019 biennium requested budget by type of expenditure and source of funding.

Program Budget Comparison				
Budget Item	Appropriated Budget 16-17	Requested Budget 18-19	Biennium Change	Biennium % Change
Personal Services	26,193,975	27,392,954	1,198,979	4.58 %
Operating Expenses	21,926,297	20,709,847	(1,216,450)	(5.55)%
Equipment & Intangible Assets	433,482	433,482	0	0.00 %
Grants	45,981,948	43,650,344	(2,331,604)	(5.07)%
Benefits & Claims	31,203,757	31,709,456	505,699	1.62 %
Transfers	960,200	950,200	(10,000)	(1.04)%
Total Expenditures	\$126,699,659	\$124,846,283	(\$1,853,376)	(1.46)%
General Fund	7,776,850	7,851,609	74,759	0.96 %
State/Other Special Rev. Funds	36,050,291	32,159,474	(3,890,817)	(10.79)%
Federal Spec. Rev. Funds	82,872,518	84,835,200	1,962,682	2.37 %
Total Funds	\$126,699,659	\$124,846,283	(\$1,853,376)	(1.46)%
Total Ongoing	\$126,699,659	\$124,846,283	(\$1,853,376)	(1.46)%
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The mission of the Public Health and Safety Division (PHSD) is to improve and protect the health of Montanans by creating 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 public health services
- Public health emergency preparedness
- Women, Infants and Children Special Nutrition Program (WIC)
- Food and Consumer Safety
- Emergency Medical Services.

Program Highlights

**Public Health & Safety Division
Major Budget Highlights**

- The 2019 biennium request is about \$1.8 million lower than the 2017 biennium budget, primarily due to decreases in operating expenses and grants.
- PHSD has approximately 80 different funding sources. Most of these sources are federal grants
- General fund authority makes up only 6.1% of the 2019 biennium request, while federal special revenue authority makes up about 69.0%
- State special revenue authority makes up 24.9% of the 2019 biennium request; 53.8% of this authority is funded by the statewide tobacco settlement and associated interest
 - PHSD proposes a decrease in state special revenue authority of about \$4.9 million over the biennium due to a reduction in Tobacco Master Settlement revenue

Program Actuals and Budget Comparison

The following table compares the program's FY 2016 actual expenditures with FY 2016 and FY 2017 appropriations and with FY 2018 and FY 2019 requested appropriations.

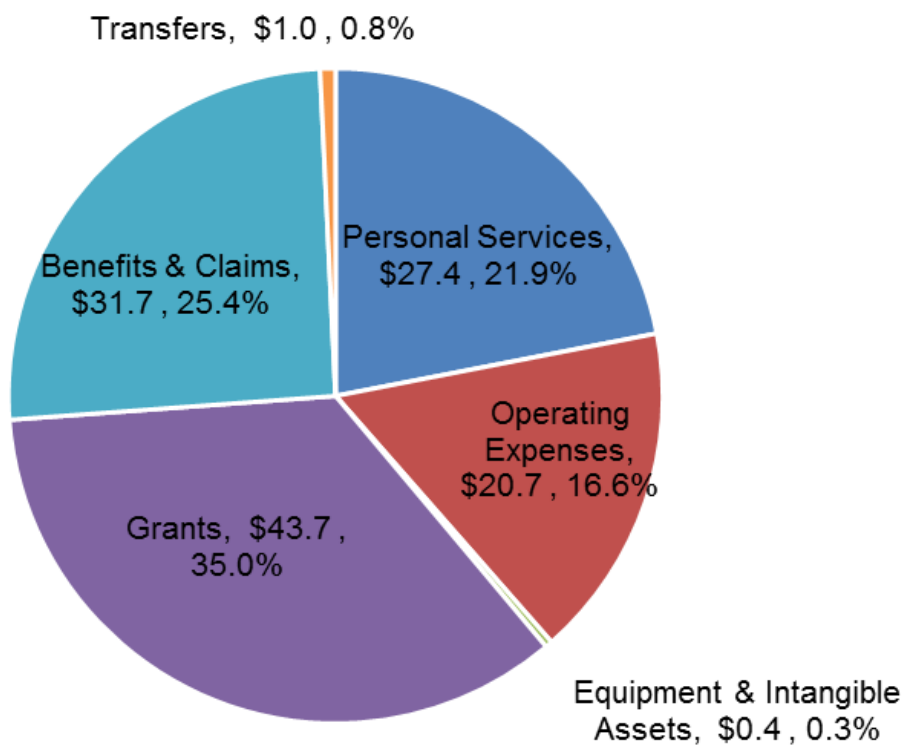
Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2016	Approp. Fiscal 2016	Approp. Fiscal 2017	Request Fiscal 2018	Request Fiscal 2019
FTE	181.26	181.26	181.26	181.26	181.26
Personal Services	13,012,540	12,808,978	13,384,997	13,673,815	13,719,139
Operating Expenses	13,801,602	10,861,667	11,064,630	10,346,916	10,362,931
Equipment & Intangible Assets	105,481	216,741	216,741	216,741	216,741
Grants	19,319,920	23,156,776	22,825,172	21,825,172	21,825,172
Benefits & Claims	14,142,640	15,601,714	15,602,043	15,854,728	15,854,728
Transfers	452,884	485,100	475,100	475,100	475,100
Total Expenditures	\$60,835,067	\$63,130,976	\$63,568,683	\$62,392,472	\$62,453,811
General Fund	3,849,011	3,859,832	3,917,018	3,923,215	3,928,394
State/Other Special Rev. Funds	17,426,179	17,775,611	18,274,680	16,071,454	16,088,020
Federal Spec. Rev. Funds	39,559,877	41,495,533	41,376,985	42,397,803	42,437,397
Total Funds	\$60,835,067	\$63,130,976	\$63,568,683	\$62,392,472	\$62,453,811
Total Ongoing	\$60,835,067	\$63,130,976	\$63,568,683	\$62,392,472	\$62,453,811
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

Program Budget Discussion

Figure 1 below presents the PHSD 2019 biennium budget request by type of expenditure. Grants are the largest component (35.0%) 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 25.4% of the total. The primary service funded in this category is the Women, Infants, and Children (WIC) nutrition program. Personal services make up about 21.9% of the total while operating expenses make up 16.6%.

Figure 1: PHSD Biennium Budget Request by Type of Expenditure in Millions



PHSD 2019 Biennium Request by Major Function

Figure 2 below shows the 2019 biennium budget request by major function. Family and community health is the largest component at 37.6% 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 25.2% of the total and includes these programs:

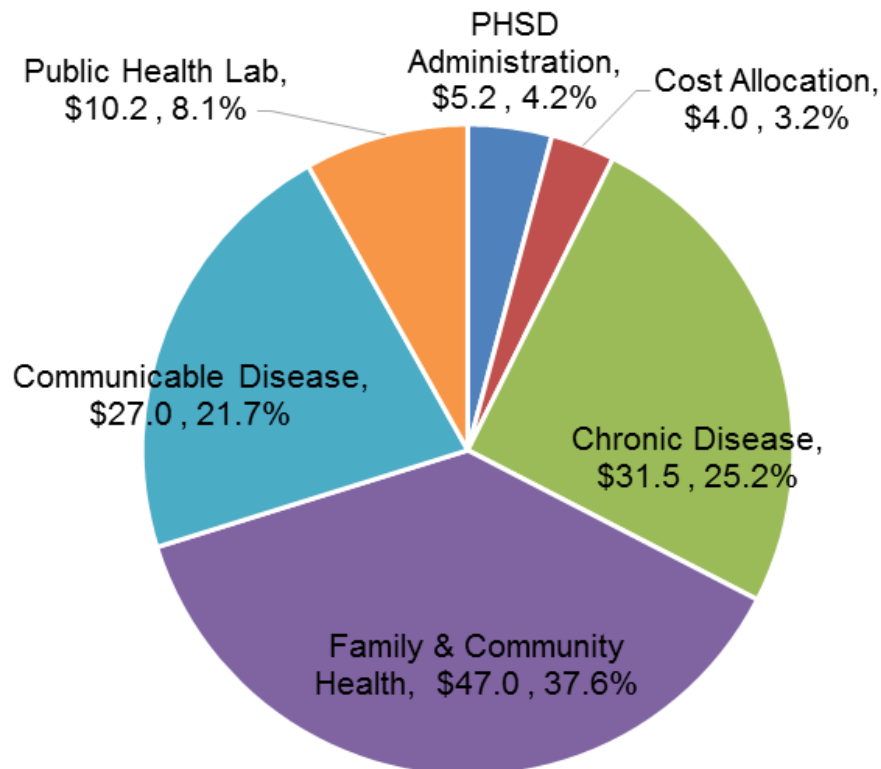
- Cancer control
- Asthma, diabetes, and cardiovascular health
- Emergency medical services and trauma systems
- Tobacco control and prevention

Communicable disease prevention and health promotion is the third largest component of the budget request at 21.7% 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 8.1% of the total. Division administration is about 4.2%, and cost allocation is 3.2%. Family planning makes up about 3.2% of the total PHSD 2019 biennium budget and is statutorily appropriated, and thus not reflected in HB 2 or Figure 2.

Figure 2: PHSD 2019 Biennium Budget Request by Major Function in Millions - \$124.8 Million Total



5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2019 biennium 5% plan submitted for this agency is in the appendix.

The PHSD 5% plan contains a total of \$312,000 in savings, \$12,000 of which is general fund. \$300,000 in state special revenue is saved by reducing vital records (\$50,000) and reductions in the Children with Special Health Care Needs program (\$250,000).

Personal Services

The LFD calculated an expected personal services budget as a comparison to the executive personal services request. The LFD calculation uses the 2017 base as a starting point, and calculates expected incremental increases based on legislatively approved increases such as the pay plan, workers compensation, longevity increases, health benefit increase, and other expected changes. An illustration of this calculation is included in the Budget Analysis appendix.

The 2017 base included a 2% vacancy savings as stated in HB 2 from the 2015 legislative session. The 2019 biennium executive request for personal services (SWPL 1) includes a 4% vacancy savings, with some exceptions.

Figure 3

Department Of Public Health & Human Services: 07 Public Health & Safety Division Personal Services Present Law Calculations			
PS Base: \$13,384,997			
		FY 2018	FY 2019
Executive	DP 1: SWPL Personal Services	\$288,818	\$334,142
Legislative	Statutory Personal Service Change	<u>147,563</u>	<u>194,954</u>
	Difference	141,255	139,188
Management Choices Explaining the Difference			
	Additional 2% Vacancy Savings	(284,825)	(285,769)
	Broadband Pay Adjustments	51,102	51,102
	Benefits and Taxes on Pay Adjustment	10,567	10,567
	Other	364,411	363,288
	Total	\$141,255	\$139,188

This table indicates that the executive request for PHSD personal services exceeds the legislative estimate for the 2019 biennium personal services increment by about \$140,000 in each year. PHSD had about \$27,000 in competency adjustments over fifteen positions and \$18,000 in strategic pay adjustments over six positions.

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	7,851,609	0	0	0	7,851,609	6.09 %
02199 DHES Food & Consumer	13,928	0	0	0	13,928	0.04 %
02366 Public Health Laboratory	7,103,828	0	0	0	7,103,828	22.09 %
02379 02 Indirect Activity Prog 07	870,944	0	0	0	870,944	2.71 %
02419 Vital Statistics	879,327	0	0	0	879,327	2.73 %
02462 Food/Lodging License	2,305,168	0	0	0	2,305,168	7.17 %
02512 BRFS SURVEY FEES	116,052	0	0	0	116,052	0.36 %
02765 Insurance Policies Fees SB278	2,585,927	0	0	0	2,585,927	8.04 %
02772 Tobacco Hlth and Medicaid Init	51,338	0	0	0	51,338	0.16 %
02773 Childrens Special Health Svc.	926,474	0	0	0	926,474	2.88 %
02790 6901-Statewide Tobacco Sttlmnt	15,362,394	0	0	0	15,362,394	47.77 %
02987 Tobacco Interest	1,944,094	0	0	0	1,944,094	6.05 %
State Special Total	\$32,159,474	\$0	\$0	\$0	\$32,159,474	24.94 %
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	0.47 %
03159 Tuberculosis Grant	339,716	0	0	0	339,716	0.38 %
03203 Strengthen PHI Component I	1,868	0	0	0	1,868	0.00 %
03246 WIC Admin	10,311,470	0	0	0	10,311,470	11.59 %
03273 Primary Care Services	322,622	0	0	0	322,622	0.36 %
03274 Ryan White Act - Title II	1,758,768	0	0	0	1,758,768	1.98 %
03275 Adult Viral Hepatitis Prevent	44,284	0	0	0	44,284	0.05 %
03310 ACA MDCC INCNT FOR PREV OF CD	223,780	0	0	0	223,780	0.25 %
03328 Afford Care Act MIECHVP Frmla	2,032,530	0	0	0	2,032,530	2.29 %
03574 Title X Hlth Enroll Assist	0	0	0	0	0	0.00 %
03575 School Health Program - Basic	1,055,436	0	0	0	1,055,436	1.19 %
03596 03 Indirect Activity Prog 07	2,365,569	0	0	0	2,365,569	2.66 %
03602 BRFS Program	931,021	0	0	0	931,021	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	1,517,064	0	0	0	1,517,064	1.71 %
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	401,452	0	0	0	401,452	0.45 %
03711 6901-Breast & Cervical Cancer	66,042	0	0	0	66,042	0.07 %
03712 6901-Cancer Registries 93.283	524,499	0	0	0	524,499	0.59 %
03713 6901-WIC Farmer Market 10.572	104,344	0	0	0	104,344	0.12 %
03788 MT Disability & Health	600,834	0	0	0	600,834	0.68 %
03796 ACA-MIECHV- Expansion	0	0	0	0	0	0.00 %
03822 Tobacco Control	64,308	0	0	0	64,308	0.07 %
03334 ACA Community Transformation	12,062	0	0	0	12,062	0.01 %
03336 Food Inspection Program	186,140	0	0	0	186,140	0.21 %
03346 Highway Safety/EMS Cont	0	0	0	0	0	0.00 %
03362 Data Integration	191,422	0	0	0	191,422	0.22 %
03363 Mgmt Leadership Coordination	58,022	0	0	0	58,022	0.07 %
03366 EMSC SPROC	402,696	0	0	0	402,696	0.45 %
03371 Improving Arthritis Outcomes	818,918	0	0	0	818,918	0.92 %
03380 C&Y wSpecial Health Care Needs	150,152	0	0	0	150,152	0.17 %
03392 Colorectal Cancer Screening	1,367,658	0	0	0	1,367,658	1.54 %
03402 Addressing Asthma	765,122	0	0	0	765,122	0.86 %
03415 Breast and Cervical Health	4,224,414	0	0	0	4,224,414	4.75 %
03420 Early Hearing Deficit Intrv	274,298	0	0	0	274,298	0.31 %
03451 69010-CDP for BRFS	6,670	0	0	0	6,670	0.01 %
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	1.79 %
03541 State Loan Repayment Program	144,228	0	0	0	144,228	0.16 %
03551 Preventive Health Block Grant	1,892,996	0	0	0	1,892,996	2.13 %
03569 ACA-ELC Non-PPHF	861,366	0	0	0	861,366	0.97 %
03004 EMS Data Injury	220,840	0	0	0	220,840	0.25 %
03014 MT Retail Food Academy	114,000	0	0	0	114,000	0.13 %
03020 PH Workforce Development	0	0	0	0	0	0.00 %
03026 Family Planning Title X	11,224	0	0	4,102,209	4,113,433	4.63 %
03027 WIC (Women Infants & Children)	19,900,358	0	0	0	19,900,358	22.38 %
03030 Health Prevention & Services	8,138	0	0	0	8,138	0.01 %
03031 Maternal & Child Health	4,588,770	0	0	0	4,588,770	5.16 %
03057 Newborn Hearing Screening	569,247	0	0	0	569,247	0.64 %
03823 Oral Health Workforce	700,592	0	0	0	700,592	0.79 %

03827 Personal Resp Education Prgm	350,242	0	0	0	350,242	0.39 %
03829 PUB HLTH DIAB-HRTD-OBES-SCHLTH	2,979,339	0	0	0	2,979,339	3.35 %
03903 Emergency Preparedness	7,982,240	0	0	0	7,982,240	8.98 %
03904 Bioterr. Hospital Preparedness	1,863,420	0	0	0	1,863,420	2.10 %
03929 Seroprevalence/Surveillance	230,364	0	0	0	230,364	0.26 %
03933 Affordable Care Act ELC	1,225,726	0	0	0	1,225,726	1.38 %
03936 Vaccination Program	2,370,857	0	0	0	2,370,857	2.67 %
03937 STD Program	644,922	0	0	0	644,922	0.73 %
03938 Aids Fed. Cat. #13.118	1,985,828	0	0	0	1,985,828	2.23 %
03969 Ryan White ADAP Shortfall	2,135,280	0	0	0	2,135,280	2.40 %
03979 69010 Comprehnsv Cancer Contrl	573,960	0	0	0	573,960	0.65 %
03104 DLI MOU Adult Lead	0	0	0	0	0	0.00 %
03206 MIECHV - Service Delivery	0	0	0	0	0	0.00 %
03417 PRAMS Pregnancy Risk Assesment	350,000	0	0	0	350,000	0.39 %
Federal Special Total	\$84,835,200	\$0	\$0	\$4,102,209	\$88,937,409	68.97 %
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$124,846,283	\$0	\$0	\$4,102,209	\$128,948,492	

The 2019 biennium PHSD budget request is funded by general fund (6.1%), state special revenue (24.9%), and federal funds (68.0%). General fund is used to fund a portion of each of the major functions in Figure 2 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
- 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% 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 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 2018	Budget Fiscal 2019	Biennium Fiscal 18-19	Percent of Budget	Budget Fiscal 2018	Budget Fiscal 2019	Biennium Fiscal 18-19	Percent of Budget
2017 Base Budget	3,917,018	3,917,018	7,834,036	99.78 %	63,568,683	63,568,683	127,137,366	101.84 %
SWPL Adjustments	6,197	11,376	17,573	0.22 %	286,454	347,793	634,247	0.51 %
PL Adjustments	0	0	0	0.00 %	799,650	799,650	1,599,300	1.28 %
New Proposals	0	0	0	0.00 %	(2,262,315)	(2,262,315)	(4,524,630)	(3.62)%
Total Budget	\$3,923,215	\$3,928,394	\$7,851,609		\$62,392,472	\$62,453,811	\$124,846,283	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from the FY 2017 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 2018						Fiscal 2019				
FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	5,258	238,246	45,314	288,818	0.00	6,709	250,479	76,954	334,142
DP 2 - Fixed Costs	0.00	650	1,550	2,805	5,005	0.00	3,700	5,500	10,693	19,893
DP 3 - Inflation Deflation	0.00	289	(5,707)	(1,951)	(7,369)	0.00	967	(5,324)	(1,885)	(6,242)
DP 7004 - Ryan White Emergency Relief Fund	0.00	0	0	799,650	799,650	0.00	0	0	799,650	799,650
Grand Total All Present Law Adjustments	0.00	\$6,197	\$234,089	\$845,818	\$1,086,104	0.00	\$11,376	\$250,655	\$885,412	\$1,147,443

***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 annualize personal services costs including FY 2017 statewide pay plan adjustments and increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, and longevity adjustments related to incumbents in each position at the time of the personal services snapshot.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. The rates charged for these services are approved in the section of the budget for the programs that provide 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 7004 - Ryan White Emergency Relief Fund -

The executive proposes a present law increase to maintain existing services for the Ryan White HIV/AIDS Treatment Program. The increase is necessary to accept and spend additional funding for the provision of case management, medications, and support of insurance premiums. This service is funded with 100% federal funds.

New Proposals -

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

New Proposals										
Fiscal 2018						Fiscal 2019				
FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Federal Special	Total Funds
DP 7003 - Pregnancy Risk Assessment Monitoring System (PRAMS)	0.00	0	0	175,000	175,000	0.00	0	0	175,000	175,000
DP 7006 - Adjustment in Tobacco Settlement Funds	0.00	0	(2,437,315)	0	(2,437,315)	0.00	0	(2,437,315)	0	(2,437,315)
Total	0.00	\$0	(\$2,437,315)	\$175,000	(\$2,262,315)	0.00	\$0	(\$2,437,315)	\$175,000	(\$2,262,315)

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

DP 7003 - Pregnancy Risk Assessment Monitoring System (PRAMS) -

The executive proposes adding federal spending authority each year to the Family and Community Health Bureau in the Public Health and Safety Division for the Pregnancy Risk Assessment Monitoring System (PRAMS). The grant will be used to develop public health programs aimed at improving the health of pregnant women and infants.

DP 7006 - Adjustment in Tobacco Settlement Funds -

The executive proposes a reduction in state special revenue (Statewide Tobacco Settlement funds) each year of the biennium in the Chronic Disease Bureau of the Public Health and Safety Division due to a reduction in revenue from the Tobacco Master Settlement.

Program Budget Comparison

The following table compares the 2017 biennium appropriated budget to the 2019 biennium requested budget by type of expenditure and source of funding.

Program Budget Comparison				
Budget Item	Appropriated Budget 16-17	Requested Budget 18-19	Biennium Change	Biennium % Change
Personal Services	14,555,429	14,561,943	6,514	0.04 %
Operating Expenses	3,216,651	3,356,053	139,402	4.33 %
Equipment & Intangible Assets	6,650	1,050	(5,600)	(84.21)%
Grants	1,184,147	1,169,882	(14,265)	(1.20)%
Total Expenditures	\$18,962,877	\$19,088,928	\$126,051	0.66 %
General Fund	4,989,914	5,085,755	95,841	1.92 %
State/Other Special Rev. Funds	922,760	787,517	(135,243)	(14.66)%
Federal Spec. Rev. Funds	13,050,203	13,215,656	165,453	1.27 %
Total Funds	\$18,962,877	\$19,088,928	\$126,051	0.66 %
Total Ongoing	\$18,962,877	\$19,088,928	\$126,051	0.66 %
Total OTO	\$0	\$0	\$0	0.00 %

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, and fair hearings, ensuring federal compliance, and operating the medical marijuana registry.

QAD has field offices in Anaconda, Billings, Bozeman, Great Falls, Havre, Hinsdale, Kalispell, Miles City, and, Missoula.

Program Highlights

Quality Assurance Division Major Budget Highlights
<p>The Governor proposes a 0.7% increase over the 2017 biennium budget primarily due to an increase in operating expenses and reductions in equipment and intangible asset expenditures.</p> <p>State Special Revenue funding decrease by \$135,245 in the 2017 biennium. Loss of the state special revenue offset is made up by increases in general and federal funding.</p> <p>The medical marijuana program state special revenue account currently has in excess of over \$1 million. The department may sweep this fund balance and place in other programs. The legislature may consider requesting a plan for how and where this funding will be used.</p> <p>Also in the medical marijuana program, the executive is planning taxation of medical marijuana through imposing a 6% tax on revenue from sales. The legislature may consider requesting the executive's plan and specifically what programs the revenue stream from the new tax will support.</p>

Program Actuals and Budget Comparison

The following table compares the program's FY 2016 actual expenditures with FY 2016 and FY 2017 appropriations and with FY 2018 and FY 2019 requested appropriations.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2016	Approp. Fiscal 2016	Approp. Fiscal 2017	Request Fiscal 2018	Request Fiscal 2019
FTE	104.23	104.23	104.23	104.23	104.23
Personal Services	6,778,751	7,137,296	7,418,133	7,269,500	7,292,443
Operating Expenses	1,376,511	1,597,007	1,619,644	1,677,066	1,678,987
Equipment & Intangible Assets	5,577	6,125	525	525	525
Grants	552,107	599,206	584,941	584,941	584,941
Total Expenditures	\$8,712,946	\$9,339,634	\$9,623,243	\$9,532,032	\$9,556,896
General Fund	2,415,760	2,420,741	2,569,173	2,539,635	2,546,120
State/Other Special Rev. Funds	498,243	552,424	370,336	393,446	394,071
Federal Spec. Rev. Funds	5,798,943	6,366,469	6,683,734	6,598,951	6,616,705
Total Funds	\$8,712,946	\$9,339,634	\$9,623,243	\$9,532,032	\$9,556,896
Total Ongoing	\$8,712,946	\$9,339,634	\$9,623,243	\$9,532,032	\$9,556,896
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

QAD is requesting \$126,051 or a 0.66% increase for the 2019 biennium as compared to the 2017 biennium. The funding of state special revenue decreases for the biennium by \$135,243 while general fund increases by \$95,841. Federal special revenue increases by \$165,453. The majority of general fund increase for the biennium are located in the various quality assurance licensure programs and include statewide present law increases supporting operating costs and personal services.

5% Reduction Plan

QAD has created a 5% reduction plan that involves savings of \$97,520 in general fund only. The savings would be realized through savings in operating costs by reducing travel and standard office expenditures.

Personal Services

The LFD calculated an expected personal services budget as a comparison to the executive personal services request. The LFD calculation uses the 2017 base as a starting point, and calculates expected incremental increases based on legislatively approved increases such as the pay plan, workers compensation, longevity increases, health benefit increase, and other expected changes. An illustration of this calculation is included in the Budget Analysis appendix.

The 2017 base included a 2% vacancy savings as stated in HB 2 from the 2015 legislative session. The 2019 biennium executive request for personal services (SWPL 1) includes a 4% vacancy savings, with some exceptions.

Figure 1

Department Of Public Health & Human Services: 08 Quality Assurance Division Personal Services Present Law Calculations			
PS Base: \$7,418,133			
		FY 2018	FY 2019
Executive	DP 1: SWPL Personal Services	(\$148,633)	(\$125,690)
Legislative	Statutory Personal Service Change	<u>88,817</u>	<u>112,784</u>
	Difference	(237,450)	(238,474)
Management Choices Explaining the Difference			
	Additional 2% Vacancy Savings	(151,422)	(151,903)
	Broadband Pay Adjustments	24,687	24,687
	Benefits and Taxes on Pay Adjustment	5,281	5,281
	Other	(115,996)	(116,540)
	Total	(\$237,450)	(\$238,474)

Figure 1 shows that the executive personal services adjustment is below the expected legislative personal service change by \$237,450 in FY2018 and \$238,474 in FY2019.

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	5,085,755	0	0	0	5,085,755	26.64 %	
02034 Earmarked Alcohol Funds	165,301	0	0	0	165,301	20.99 %	
02043 Med Provider Revalidation Fees	0	0	0	0	0	0.00 %	
02380 02 Indirect Activity Prog 08	29,403	0	0	0	29,403	3.73 %	
02497 6901-Lien & Estate - SLTCD	147,091	0	0	0	147,091	18.68 %	
02566 Medical Marijuana	253,405	0	0	0	253,405	32.18 %	
02585 Recovery Audit Contract	192,317	0	0	0	192,317	24.42 %	
02597 Healthy Montana Kids Plan	0	0	0	0	0	0.00 %	
State Special Total	\$787,517	\$0	\$0	\$0	\$787,517	4.13 %	
03251 Child Care Admin	322,055	0	0	0	322,055	2.44 %	
03303 Title 18 CLIA	315,218	0	0	0	315,218	2.39 %	
03317 Crib Inspections	0	0	0	0	0	0.00 %	
03580 6901-93.778 - Med Adm 50%	1,799,810	0	0	0	1,799,810	13.62 %	
03597 03 Indirect Activity Prog 08	2,653,599	0	0	0	2,653,599	20.08 %	
03335 FDA Mammography Inspections	60,664	0	0	0	60,664	0.46 %	
03341 Frontier Community Health	0	0	0	0	0	0.00 %	
03359 Recovery Audit Program	282,403	0	0	0	282,403	2.14 %	
03426 CHIP Program Fed	0	0	0	0	0	0.00 %	
03530 6901-Foster Care 93.658	161,491	0	0	0	161,491	1.22 %	
03096 Discretionary Child Care	2,001,311	0	0	0	2,001,311	15.14 %	
03934 Title 19	833,352	0	0	0	833,352	6.31 %	
03935 Title 18	3,617,153	0	0	0	3,617,153	27.37 %	
03948 T-19 OBRA Nurse Aid	225,941	0	0	0	225,941	1.71 %	
03960 Rural Hospital Flexibility Prog	942,659	0	0	0	942,659	7.13 %	
Federal Special Total	\$13,215,656	\$0	\$0	\$0	\$13,215,656	69.23 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$19,088,928	\$0	\$0	\$0	\$19,088,928		

The division is funded primarily with a variety of federal funds accounting for 68.6% of the total. General fund supports 27.8% of program costs with the remaining 3.6% supported by state special revenues. General fund supports some administrative functions including:

- The state match for eligible costs in Medicaid
- Title IV-E (foster care)
- federal discretionary child care funds
- community residential facilities
- program compliance

State special revenue includes alcohol taxes allocated to DPHHS, lien and estate recoveries for Medicaid services, marijuana registry fees, and indirect cost recovery funds that assist with:

- Alcohol taxes that fund staff and operational costs for chemical dependency program licensure
- Lien and estate funds support services to pursue recoveries for the costs of Medicaid, mainly for nursing home services
- Marijuana registry fees cover the cost of administering the registry
- Recovery Audit Contract funds support the audit process addressing fraud, waste, or abuse in Medicaid

There are 12 separate federal funding sources in the Quality Assurance Division budget. Some of the federal sources support more than one function. For instance, Medicaid funds support:

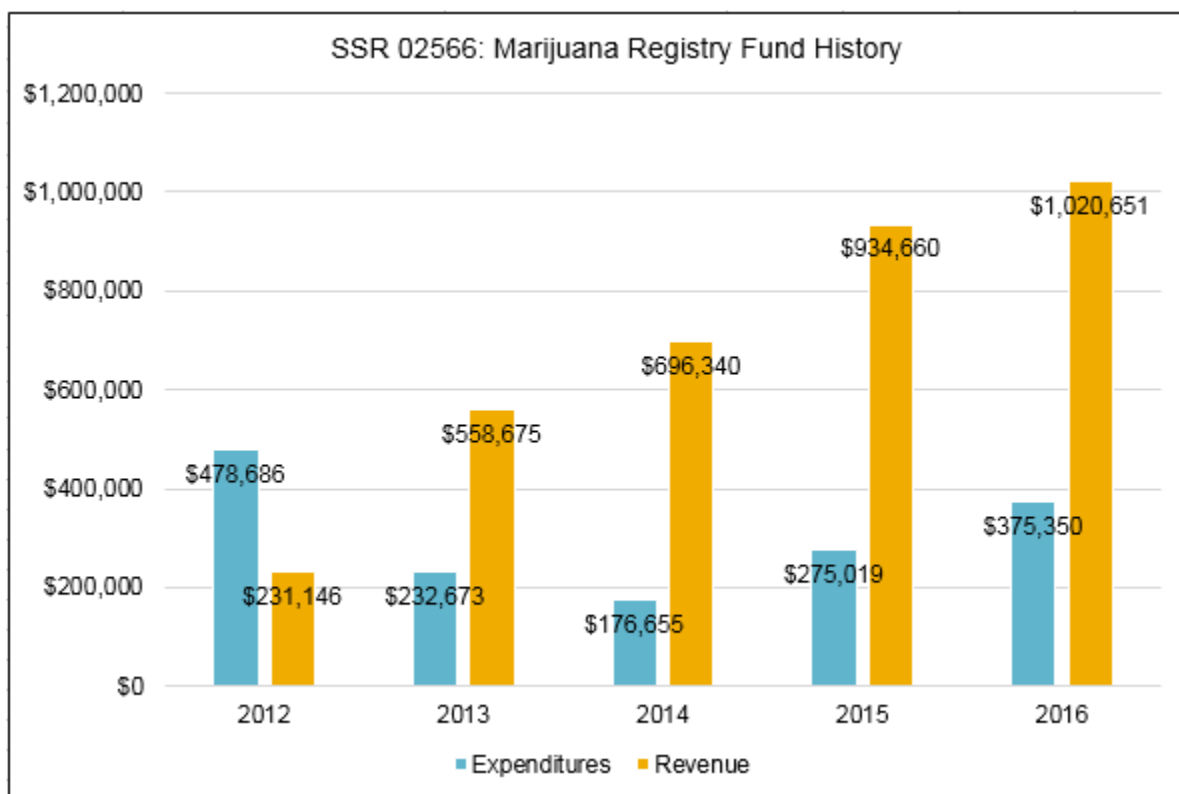
- Third party recovery
- The surveillance, utilization, and review unit (SURS)
- The nurse aide registry for nursing homes
- The federal match of the Recovery Audit Program
- The Department of Justice fraud surveillance contract

Medicaid and Medicare funds support certification of services such as nursing home and home health services. Medicare CLIA (clinical laboratory improvement amendments) pays for reviews of certain laboratories in order to qualify the labs for federal funding. The rural hospital flexibility grant supports grants and other activities for local hospitals to maintain their critical access hospital status. Childcare discretionary and administrative funding supports licensure of childcare facilities. Title IV-E pays the federal share of costs of licensing community residential facilities to provide foster care.

Mammography funds pay for contracted inspections of mammography equipment. Federal indirect funding represents the federal share of allocated administrative costs.

The marijuana registry program is one area that accounts for about 90% of the biennial state special revenue reduction mentioned previously. The division had funding authority for the marijuana program of \$303,957 in FY2016 while the base for FY2017 is \$173,549. Actual expenditures for the administration of the program were \$375,350 in FY2016. However, revenue for the program has exceeded expenditures significantly during the last four years as can be seen by Figure 2.

Figure 2



The fund balance based on the imbalance of expenditures and revenues is approximately \$1.9 million at the time of this writing (November 2016). The division is aware of this issue and has made efforts to reduce the fee for providers and card holders. As an example, the issuance of an approved registry card has been reduced from \$50.00 to \$5.00 during the 2017 biennium by an administrative rule change. This action, will significantly lower the revenue stream associated with this fund.

However, QAD is requesting a state wide present law reduction in each year for FY2018 and FY2019 of approximately \$47,000. This would lead the program budget, if passed, at approximately \$125,000 for each year of the biennium. Again, program costs associated with the marijuana program were \$375,350 in FY2016. It is unclear if carried fund balance of \$1.9 million will be used to fill in the difference of revenue and expenditure for the next biennium. Additionally, this plan may have not given thought to the passage of Initiative I-182 that effectively allows more flexibility and has increased the approved medical conditions for card granting. Given the fact that Initiative 182 passed, and there may be an increase in

program participants, and the amount of funding request is severely below the amount required to administer the program, the legislature may want to ensure that the program plan and funding is adequate.

**LFD
COMMENT**

The legislature may consider requesting the overall plan for the Medical Marijuana Program based on the current fund balance, expenditure/revenue streams, the implications of initiative 182, and the proposed new tax on medical marijuana

Program Budget Summary by Category

The following 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 2018	Budget Fiscal 2019	Biennium Fiscal 18-19	Percent of Budget	Budget Fiscal 2018	Budget Fiscal 2019	Biennium Fiscal 18-19	Percent of Budget
2017 Base Budget	2,569,173	2,569,173	5,138,346	101.03 %	9,623,243	9,623,243	19,246,486	100.83 %
SWPL Adjustments	67,972	74,457	142,429	2.80 %	(147,386)	(122,522)	(269,908)	(1.41)%
PL Adjustments	0	0	0	0.00 %	153,685	153,685	307,370	1.61 %
New Proposals	(97,510)	(97,510)	(195,020)	(3.83)%	(97,510)	(97,510)	(195,020)	(1.02)%
Total Budget	\$2,539,635	\$2,546,120	\$5,085,755		\$9,532,032	\$9,556,896	\$19,088,928	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from the FY 2017 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 2018-----					-----Fiscal 2019-----			
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Total Funds
DP 1 - Personal Services	0.00	67,484	(30,954)	(185,163)	(148,633)	0.00	73,501	(30,374)	(125,690)
DP 2 - Fixed Costs	0.00	8	3	21	32	0.00	29	12	130
DP 3 - Inflation Deflation	0.00	480	(82)	817	1,215	0.00	927	(46)	3,038
DP 8001 - Recovery Audit Contract (Biennial)	0.00	0	54,143	99,542	153,685	0.00	0	54,143	153,685
Grand Total All Present Law Adjustments	0.00	\$67,972	\$23,110	(\$84,783)	\$6,299	0.00	\$74,457	\$23,735	(\$67,029)

*"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 annualize personal services costs including FY 2017 statewide pay plan adjustments and increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, and longevity adjustments related to incumbents in each position at the time of the personal services snapshot.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. The rates charged for these services are approved in the section of the budget for the programs that provide 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 8001 - Recovery Audit Contract (Biennial) -

This biennial present law adjustment requests and increase of \$153,685 each year of state special and federal special revenue for the biennium to maintain existing services for the Recovery Audit program in the Quality Assurance Division. The requested funding would provide payment to the recovery audit contractor for an amount up to 12.5 percent of funds recovered while investigating waste, fraud and abuse in the healthcare system.

New Proposals -

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

New Proposals										
-----Fiscal 2018-----						-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 555 - Appropriation Rebase	0.00	(97,510)	0	0	(97,510)	0.00	(97,510)	0	0	(97,510)
Total	0.00	(\$97,510)	\$0	\$0	(\$97,510)	0.00	(\$97,510)	\$0	\$0	(\$97,510)

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

DP 555 - Appropriation Rebase -

Under 17-7-111, MCA state agencies are required to submit plans to reduce general fund and certain state special revenue funds by 5%. The executive proposes reductions to the present law budget based on either the 5% reduction plans or FY 2016 reversions.

Program Budget Comparison

The following table compares the 2017 biennium appropriated budget to the 2019 biennium requested budget by type of expenditure and source of funding.

Program Budget Comparison				
Budget Item	Appropriated Budget 16-17	Requested Budget 18-19	Biennium Change	Biennium % Change
Personal Services	10,412,992	10,624,231	211,239	2.03 %
Operating Expenses	45,985,715	47,922,622	1,936,907	4.21 %
Equipment & Intangible Assets	418,412	418,412	0	0.00 %
Debt Service	182,532	182,532	0	0.00 %
Total Expenditures	\$56,999,651	\$59,147,797	\$2,148,146	3.77 %
General Fund	23,039,427	25,145,282	2,105,855	9.14 %
State/Other Special Rev. Funds	3,093,897	3,008,631	(85,266)	(2.76)%
Federal Spec. Rev. Funds	30,866,327	30,993,884	127,557	0.41 %
Total Funds	\$56,999,651	\$59,147,797	\$2,148,146	3.77 %
Total Ongoing	\$56,999,651	\$59,147,797	\$2,148,146	3.77 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The mission of the Technology Services Division (TSD) is to implement and improve technology that supports the Department's mission to improve and protect the health, well-being, and self-reliance of all Montanans. TSD is comprised of three bureaus that provide a wide range of technology platforms that support DPHHS. The three bureaus are organized in areas of project management, information systems, 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.

Program Highlights

Technology Services Division Major Budget Highlights
<ul style="list-style-type: none"> The executive requests a total funding increase from the 2017 biennium largely due to fixed cost increases in operating expenses The Director's Office transferred 2.00 FTE along with \$113,090 of general fund in personal services to the Technology Services Division in the 2017 biennium, making it part of the base budget for the 2019 biennium

Program Actuals and Budget Comparison

The following table compares the program's FY 2016 actual expenditures with FY 2016 and FY 2017 appropriations and with FY 2018 and FY 2019 requested appropriations.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2016	Approp. Fiscal 2016	Approp. Fiscal 2017	Request Fiscal 2018	Request Fiscal 2019
FTE	62.60	62.60	62.60	62.60	62.60
Personal Services	5,377,811	5,099,224	5,313,768	5,300,428	5,323,803
Operating Expenses	22,550,951	23,019,033	22,966,682	23,960,406	23,962,216
Equipment & Intangible Assets	421,679	209,206	209,206	209,206	209,206
Debt Service	0	91,266	91,266	91,266	91,266
Total Expenditures	\$28,350,441	\$28,418,729	\$28,580,922	\$29,561,306	\$29,586,491
General Fund	11,103,306	11,108,314	11,931,113	12,566,730	12,578,552
State/Other Special Rev. Funds	1,673,961	1,692,733	1,401,164	1,503,533	1,505,098
Federal Spec. Rev. Funds	15,573,174	15,617,682	15,248,645	15,491,043	15,502,841
Total Funds	\$28,350,441	\$28,418,729	\$28,580,922	\$29,561,306	\$29,586,491
Total Ongoing	\$28,350,441	\$28,418,729	\$28,580,922	\$29,561,306	\$29,586,491
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

The 2019 biennium budget proposed by the executive is 3.5% higher than the 2017 biennium appropriation. Of note in this budget:

- Personal services represent 18.1% of the Technology Services Division 2019 biennium budget request. Operating expenses represent 81.1%. The majority of the increase in operating expenses is in fixed costs
- The Director's Office transferred 2.00 FTE along with \$113,090 of general fund in personal services authority to the Technology Services Division
- As of March 2016, DPHHS collected \$10.3 million in settlement funds and \$0.6 million in liquidation damages from Xerox. A payment of \$6.9 million was applied toward the pharmacy portion of MMIS. Xerox still operates MMIS, however DPHHS will begin RFP's next year to replace specific components of MMIS. MMIS components will be replaced with a best in breed strategy over a best in suite strategy
- The executive requests a total funding increase from the 2017 biennium largely due to fixed costs increases in operating expenses, these costs include SITSD services and rent. The rates charged for these are approved in a separate portion of the budget

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2019 biennium 5% plan submitted for this agency is in the appendix.

Technology Services Division has created a 5% reduction plan, that involves savings of over \$550,000 in general fund and almost \$84,000 in state special revenue. The savings would mostly be realized through contracted services reductions.

Personal Services

The LFD calculated an expected personal services budget as a comparison to the executive personal services request. The LFD calculation uses the 2017 base as a starting point, and calculates expected incremental increases based on legislatively approved increases such as the pay plan, workers compensation, longevity increases, health benefit increase, and other expected changes. An illustration of this calculation is included in the Budget Analysis appendix.

The 2017 base included a 2% vacancy savings as stated in HB 2 from the 2015 legislative session. The 2019 biennium executive request for personal services (SWPL 1) includes a 4% vacancy savings, with some exceptions.

Figure 1

Department Of Public Health & Human Services: 09 Technology Services Division Personal Services Present Law Calculations			
PS Base: \$5,313,768		FY 2018	FY 2019
Executive	DP 1: SWPL Personal Services	(\$13,340)	\$10,035
Legislative	Statutory Personal Service Change	6,469	30,940
	Difference	(19,809)	(20,905)
Management Choices Explaining the Difference			
	Additional 2% Vacancy Savings	(110,409)	(110,896)
	Broadband Pay Adjustments	23,054	23,054
	Benefits and Taxes on Pay Adjustment	4,810	4,810
	Other	62,735	62,128
Total		(\$19,809)	(\$20,905)

A number of offsetting changes, including some discretionary decisions of agency management, combined for a lower than anticipated budget request. The pay increases management made in addition to the statutory \$0.50 per hour pay plan increase were:

- One situational adjustment for a Network Systems Engineer
- Two Website Developers were reclassified
- Two strategic pay adjustments for Network Systems Analysts
- Other pay adjustments, which only represent 1% of the personal services base

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	25,145,282	0	0	80,512	25,225,794	42.48 %
02319 DPHHS JP Morgan Settlement	0	0	0	0	0	0.00 %
02381 02 Indirect Activity Prog 09	3,008,631	0	0	0	3,008,631	100.00 %
02597 Healthy Montana Kids Plan	0	0	0	0	0	0.00 %
State Special Total	\$3,008,631	\$0	\$0	\$0	\$3,008,631	5.07 %
03580 6901-93.778 - Med Adm 50%	0	0	0	0	0	0.00 %
03598 03 Indirect Activity Prog 09	30,993,884	0	0	154,968	31,148,852	100.00 %
03426 CHIP Program Fed	0	0	0	0	0	0.00 %
03530 6901-Foster Care 93.658	0	0	0	0	0	0.00 %
03974 Medicaid Exp HELP Act Admin	0	0	0	0	0	0.00 %
Federal Special Total	\$30,993,884	\$0	\$0	\$154,968	\$31,148,852	52.45 %
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$59,147,797	\$0	\$0	\$235,480	\$59,383,277	

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. Compared to the 2017 Biennium a greater portion of the budget is comprised of general funds, increasing from 39.81% to 42.48%.

Program Budget Summary by Category

The following 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 2018	Budget Fiscal 2019	Biennium Fiscal 18-19	Percent of Budget	Budget Fiscal 2018	Budget Fiscal 2019	Biennium Fiscal 18-19	Percent of Budget
2017 Base Budget	11,931,113	11,931,113	23,862,226	94.90 %	28,580,922	28,580,922	57,161,844	96.64 %
SWPL Adjustments	1,148,533	1,160,355	2,308,888	9.18 %	2,645,281	2,670,466	5,315,747	8.99 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	(512,916)	(512,916)	(1,025,832)	(4.08)%	(1,664,897)	(1,664,897)	(3,329,794)	(5.63)%
Total Budget	\$12,566,730	\$12,578,552	\$25,145,282		\$29,561,306	\$29,586,491	\$59,147,797	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from the FY 2017 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 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	(6,262)	(829)	(6,249)	(13,340)	0.00	4,711	623	4,701	10,035
DP 2 - Fixed Costs	0.00	1,155,036	141,682	1,362,663	2,659,381	0.00	1,155,820	141,786	1,363,446	2,661,052
DP 3 - Inflation Deflation	0.00	(241)	(18)	(501)	(760)	0.00	(176)	(9)	(436)	(621)
Grand Total All Present Law Adjustments	0.00	\$1,148,533	\$140,835	\$1,355,913	\$2,645,281	0.00	\$1,160,355	\$142,400	\$1,367,711	\$2,670,466

**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 annualize personal services costs including FY 2017 statewide pay plan adjustments and increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, and longevity adjustments related to incumbents in each position at the time of the personal services snapshot.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. The rates charged for these services are approved in the section of the budget for the programs that provide 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 2018-----						-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 555 - Appropriation Rebase	0.00	(512,916)	(38,466)	(553,515)	(1,104,897)	0.00	(512,916)	(38,466)	(553,515)	(1,104,897)
DP 556 - IT Convergence Savings	0.00	0	0	(560,000)	(560,000)	0.00	0	0	(560,000)	(560,000)
Total	0.00	(\$512,916)	(\$38,466)	(\$1,113,515)	(\$1,664,897)	0.00	(\$512,916)	(\$38,466)	(\$1,113,515)	(\$1,664,897)

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

DP 555 - Appropriation Rebase -

Under 17-7-111, MCA state agencies are required to submit plans to reduce general fund and certain state special revenue funds by 5%. The executive proposes reductions to the present law budget based on either the 5% reduction plans or FY 2016 reversions.

DP 556 - IT Convergence Savings -

The executive proposes reductions to agency information technology costs for savings generated by migrating information technology assets to the state data center and other enterprise IT solutions.

Program Budget Comparison

The following table compares the 2017 biennium appropriated budget to the 2019 biennium requested budget by type of expenditure and source of funding.

Program Budget Comparison				
Budget Item	Appropriated Budget 16-17	Requested Budget 18-19	Biennium Change	Biennium % Change
Personal Services	39,506,118	36,431,565	(3,074,553)	(7.78)%
Operating Expenses	10,449,688	9,707,397	(742,291)	(7.10)%
Benefits & Claims	554,391,136	580,036,334	25,645,198	4.63 %
Debt Service	37,932	0	(37,932)	(100.00)%
Total Expenditures	\$604,384,874	\$626,175,296	\$21,790,422	3.61 %
General Fund	186,660,878	191,827,544	5,166,666	2.77 %
State/Other Special Rev. Funds	13,266,315	13,266,580	265	0.00 %
Federal Spec. Rev. Funds	404,457,681	421,081,172	16,623,491	4.11 %
Total Funds	\$604,384,874	\$626,175,296	\$21,790,422	3.61 %
Total Ongoing	\$604,134,874	\$624,975,296	\$20,840,422	3.45 %
Total OTO	\$250,000	\$1,200,000	\$950,000	380.00 %

Program Description

The Developmental Services Division (DSD) assists Montanans with disabilities and children with mental health needs to live, work, and participate in their communities. The division includes the Developmental Disabilities Program, the Montana Developmental Center, 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 three home and community based Medicaid waivers, the state's IDEA early intervention program, and the state facility for behavioral treatment at the Montana Developmental Center (MDC) 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 disturbance 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.

Program Highlights

**Developmental Disorders Division
Major Budget Highlights**

The Governor proposes a 3.6% increase over the 2017 biennium budget that is primarily due to increases in benefits and claims. This growth is tempered by reductions in personal services.

The majority of increases for the biennium are due to the executive proposal for caseload growth in Medicaid Services provided by DSD. This includes biennial total fund increases of:

- Mental health case management - \$2.8 million
- Inpatient hospital services - \$1.3 million
- Professional Counseling - \$3.6 million
- Psychiatric Services - \$4.9 million
- Social work services - \$2.9 million
- Therapeutic family care and group home - \$3.6 million

Reductions in other areas include

- Federally funded programs within Medicaid
- Personal Services

**LFD
COMMENT**

The 64th Montana Legislature passed SB411, an act mandating the closure of the Montana Developmental Center (MDC). MDC will close operations and discontinue services as of June 30, 2017. Clientele formerly placed in the facility will move to community based services utilizing the existing 0208 comprehensive waiver and a new proposed waiver for those with higher acuity.

MDC's Intermediate Care Facility for the Intellectually Developmentally Disabled (ICF-IDD) and associated federal license provided by the Center of Medicaid and Medicare Systems (CMMS) will be lost with the closing of the facility. Clientele interested in maintaining this level of care will be referred to other state providers that carry the license.

Program Actuals and Budget Comparison

The following table compares the program's FY 2016 actual expenditures with FY 2016 and FY 2017 appropriations and with FY 2018 and FY 2019 requested appropriations.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2016	Approp. Fiscal 2016	Approp. Fiscal 2017	Request Fiscal 2018	Request Fiscal 2019
FTE	295.18	295.18	295.18	295.18	295.18
Personal Services	19,649,195	20,657,628	18,848,490	18,192,372	18,239,193
Operating Expenses	6,065,879	5,715,089	4,734,599	4,847,868	4,859,529
Benefits & Claims	259,126,158	267,999,497	286,391,639	285,374,319	294,662,015
Debt Service	37,932	37,932	0	0	0
Total Expenditures	\$284,879,164	\$294,410,146	\$309,974,728	\$308,414,559	\$317,760,737
General Fund	91,285,650	92,330,617	94,330,261	94,963,934	96,863,610
State/Other Special Rev. Funds	6,632,598	6,633,025	6,633,290	6,633,290	6,633,290
Federal Spec. Rev. Funds	186,960,916	195,446,504	209,011,177	206,817,335	214,263,837
Total Funds	\$284,879,164	\$294,410,146	\$309,974,728	\$308,414,559	\$317,760,737
Total Ongoing	\$284,879,164	\$294,285,146	\$309,849,728	\$307,814,559	\$317,160,737
Total OTO	\$0	\$125,000	\$125,000	\$600,000	\$600,000

Program Discussion -

The role of the Developmental Services Division 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.

DSD is requesting \$21.8 million or a 3.6% increase for the 2019 biennium as compared to the 2017 biennium. The funding of state special revenue is neutral while general fund increases by \$5.2 million. Federal special revenue increases by \$16.6 million.

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2019 biennium 5% plan submitted for this agency is in the appendix.

DSD has created a 5% reduction plan that involves savings of \$3,907,497 in general fund, \$39,733 in state special revenue, and \$6,980,278 in federal special matching funds. The plan total is a savings of \$10,927,772 and includes:

- Reductions in Targeted Case Management of \$2,407,497 of general fund and \$6,980,275 federal fund
- Reductions in an area to be determined in Community Based Psychiatric Rehabilitation and Support Services (CBPRS) of \$39,733 state special revenue
- Reductions in disability services waver case plans of \$1.5 million general fund

Personal Services

A marked reduction in FTE in DSD and specifically at MDC will likely be a result of the facility closure mandated by SB411. The department received funding for 250.67 FTE during the 2015 session. However, since most of the clientele served there will no longer be receiving services, these positions will either be eliminated or moved to other programs with facility closure at end of FY2017. Transfer of 27.50 FTE were moved from MDC to the Addictive and Mental Disorder Division, the Director's Office, Technology Services Division, and Child and Family Services Division. This position movement is summarized in figure 1.

Figure 1

Positions Moved from the Montana Developmental Center		
Program Receiving Position	FTE	Position Detail
Addictive and Mental Disorders Division	22.50	Direct Care Staffing, Nursing, and other
Technology Services Division	2.00	System Security
Director's Office	2.00	Human Resources
Children and Family Services Division	1.00	Critical Incident Manager
	27.50	

The 27.50 FTE that were transferred by the executive are included in the 2017 Base for each of the receiving Divisions. As a result, they will not be considered in the 2019 biennium as part of DSD and are not presented for consideration as part of any decision package. The remaining positions will either be eliminated or retained as part of further legislation.

**LFD
COMMENT**

If the legislature assumed the closure of MDC would mean direct savings and full reduction of FTE, the legislature may want to consider handling those positions retained through further legislation or transfers in a manner similar to new proposals.

The legislature may consider requesting a full summary of all positions budgeted in the 2015 session for the Montana Developmental Center and an explanation of what positions will be retained, eliminated, or transferred for the 2019 biennium.

The LFD calculated an expected personal services budget as a comparison to the executive personal services request. The LFD calculation uses the 2017 base as a starting point, and calculates expected incremental increases based on legislatively approved increases such as the pay plan, workers compensation, longevity increases, health benefit increase, and other expected changes. An illustration of this calculation is included in the Budget Analysis appendix.

The 2017 base included a 2% vacancy savings as stated in HB 2 from the 2015 legislative session. The 2019 biennium executive request for personal services (SWPL 1) includes a 4% vacancy savings, with some exceptions.

Figure 2 shows the personal services base and the difference between the calculated legislative personal service increase and the executive state wide present law for the next biennium.

Figure 2

Department Of Public Health & Human Services: 10 Developmental Services Division				
Personal Services Present Law Calculations				
PS Base:		\$18,848,490		
			FY 2018	FY 2019
Executive	DP 1: SWPL Personal Services		(\$656,118)	(\$609,297)
Legislative	Statutory Personal Service Change		<u>280,178</u>	<u>328,968</u>
	Difference		(936,296)	(938,265)
Management Choices Explaining the Difference				
	Additional 2% Vacancy Savings		(378,939)	(379,912)
	Broadband Pay Adjustments		11,521	11,521
	Benefits and Taxes on Pay Adjustment		2,872	2,872
	Other		(571,750)	(572,746)
	Total		(\$936,296)	(\$938,265)

The table above shows that the executive personal services adjustment is below the expected legislative personal service change in the 2019 biennium.

SENATE Bill 411 – General Discussion

Senate Bill 411 was approved by the 64th Legislature during the 2015 session and mandates the closure of the Montana Developmental Center (MDC). MDC is a state operated facility providing 24 hour care for people with serious intellectual disabilities. Clients served in the facility include forensic, civil, emergency, and voluntary commitments.

The capacity of MDC in the 2017 biennium was 56 individuals, as compared to over 1000 served in the 1960's. With the deinstitutionalization movement occurring in the 1970's and reform during the last 20 years, there has been a major shift to allow people with intellectual disabilities to be served in community based settings. SB 411 supports this movement by closing MDC and transferring clients to community homes around the state. As of November, the census was 25 at MDC, with 11 of those 25 having referrals for community placement, and with 29 having been transitioned to communities since the passage of SB 411.

Implementation of the closure of MDC is not without challenges. MDC had a total appropriation of approximately \$14.3 million including personal services funding for 250.67 FTE in FY2016. This budget is comprised almost entirely of general fund, although close to \$7.2 million per year was reimbursed to the general fund coffers through federal facility reimbursement funds. This revenue source will no longer be received with the closing of this facility. The loss of employment, the impact of the closure on the Boulder community, funding the change, and ensuring a safe transition for those clients transferred from MDC are just a few issues associated with the closure.

To aid in the process of evaluating all of the challenges and options available, SB 411 created a transition council to help deal with the process. The transition council that was mandated in SB 411 met on a regular basis during the interim and made final recommendations for the Governor's plan described later in this section.

The amount of funding available for clientele formerly in MDC for the 2019 biennium was assumed to be the FY17 base for MDC. In the 2015 Legislative Session, the General Appropriations Act (HB 2) reduced appropriations for the Developmental Services Division (DSD) by almost \$ 2.8 million in FY2017 specifically in recognition of SB 411, and this amount was removed from the 2017 Base within the budget of MDC. This amount was based on general fund expected savings in the original fiscal note attached to SB 411. HB 2 also specifically stated that the appropriation for DSD may be used to fund additional community-based facilities and services in order to provide for placement of MDC clientele.

The budget transactions that have followed in the interim are reported in Figure 3.

Figure 3

Transaction and Appropriation Determining 2017 Base for SB 411	
Accounting Detail	
2017 Legislative Appropriation	\$14,279,388
HB 13 Pay Plan Allocation	755,434
Reduction in HB 2 from SB411	(2,792,472)
Transfer from Childrens Mental Health and Developmental Disabilities	1,895,049
Program Transfer of 27.20 FTE	(1,404,109)
Program Transfer for termination payouts	(166,694)
Other transactions	(238,268)
Total	\$12,328,328
Final FY17 Executive Base	\$12,328,328

The chart above shows the pay plan allocation, a transfer to DSD moving \$1.9 million from children's mental health administration and developmental disabilities, the transfer of 27.20 out of MDC mentioned previously, termination payouts for retirements, and other transactions. This accounting shows the FY2017 base as \$12.3 million. Any decision packages that add or remove money in the 2019 biennium will use this FY2017 base as the starting point.

Various proposals and budget information have been discussed by the transition council for SB 411 during the 2017 interim. However, no firm proposal by the council or executive has been made public at the time of this writing (December 2016). The following information details what may be expected to build the budget for serving clients in community based homes and could provide a comparison point to the executive budget detail when provided. Figure 4 is a summary of transition council recommendations and includes keeping the Assessment and Stabilization Unit (ASU) in service for the biennium.

Figure 4

Cost Estimate for SB411 - General Fund Only			
	FY2018	FY2019	footnote
32 clients @200k per year - (8 in transitional homes at MDC)	\$2,215,680	\$2,354,160	*
17 clients @ 250k per year	1,384,800	1,471,350	**
ASU Improvements OTO in FY16	1,600,000	0	***
ASU Operating Increase 1.03% inflation over FY17 base for AS	2,068,412	2,130,464	****
ASU Operating Increase 20% for shared resource prior to SB4	413,682	426,093	
Institutional Revenue loss	7,200,000	7,200,000	
Institutional Revenue from 8 clients in transitional homes	(2,757,000)	(2,525,000)	
Total Costs	\$12,125,574	\$11,057,067	
Net difference from FY17 base \$12,328,328	(202,754)	(1,271,261)	
* Figures are general fund and calculated using MT state share FMAP =34.62			
** Adds 2 clients in FY2019			
*** Adds 1 client in FY2019			
**** ASU Base for FY2017 =\$2,008,167			

The transition council mentioned earlier approved a proposed plan for executive review as follows:

- Retention of the 12 bed Assessment and Stabilization Unit (ASU)
- OTO funding for ASU remodel and systems consolidation
- Cost plan for transferring 50 individuals from MDC into community homes utilizing the 0208 comprehensive waiver
- Creation of a new waiver called "waiver 2" to serve 50 individuals with higher acuity

"Waiver 2" has not been certified with the federal government and the total number of slots the council is recommending is higher than the current transfer population at MDC. However, waiver 2 will provide more services potentially enabling the transition process a higher probability of client/family satisfaction and success. In addition, the plan recommends the option of out of state transfer to a federally certified Intermediate Care Facility for Individuals with Intellectual Disabilities

(ICF/IDD) for clients that do not want to participate in the private provider program. Montana will lose the ICF/IDD federal certification and roughly \$7.2 million in federal reimbursement with the closure of the MDC campus.

**LFD
COMMENT**

Figure 4 represents an estimate of general fund expenditures related to implementing SB 411 and can be used to compare against the final plan from the Governor when it is released. The table shows a net gain in general fund as compared to the FY17 base of \$1,474,014 for the biennium.

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	190,627,544	1,200,000	0	0	191,827,544	30.54 %
02035 MDC Vocational	598	0	0	0	598	0.00 %
02310 MDC Bond Repayment Revenue	0	0	0	2,000,000	2,000,000	13.10 %
02597 Healthy Montana Kids Plan	2,309,508	0	0	0	2,309,508	15.13 %
02772 Tobacco Hlth and Medicaid Init	9,366,384	0	0	0	9,366,384	61.35 %
02987 Tobacco Interest	1,590,090	0	0	0	1,590,090	10.42 %
State Special Total	\$13,266,580	\$0	\$0	\$2,000,000	\$15,266,580	2.43 %
03579 93.667 - SSBG - Benefits	9,668,048	0	0	0	9,668,048	2.30 %
03580 6901-93.778 - Med Adm 50%	7,384,365	0	0	0	7,384,365	1.75 %
03582 93.778 - Med Ben 100%	0	0	0	0	0	0.00 %
03583 93.778 - Med Ben Fmap	395,317,582	0	0	0	395,317,582	93.88 %
03599 03 Indirect Activity Prog 10	5,549,339	0	0	0	5,549,339	1.32 %
03705 SAMHSA Treatment Enhancement	0	0	0	0	0	0.00 %
03520 MT Capacity Building Project	0	0	0	0	0	0.00 %
03556 84.181 - Part H - Early Interv	3,161,838	0	0	0	3,161,838	0.75 %
03974 Medicaid Exp HELP Act Admin	0	0	0	0	0	0.00 %
03975 Medicaid Exp HELP Act Benefit	0	0	0	0	0	0.00 %
Federal Special Total	\$421,081,172	\$0	\$0	\$0	\$421,081,172	67.03 %
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$624,975,296	\$1,200,000	\$0	\$2,000,000	\$628,175,296	

The division is organized and funded by three major programs.

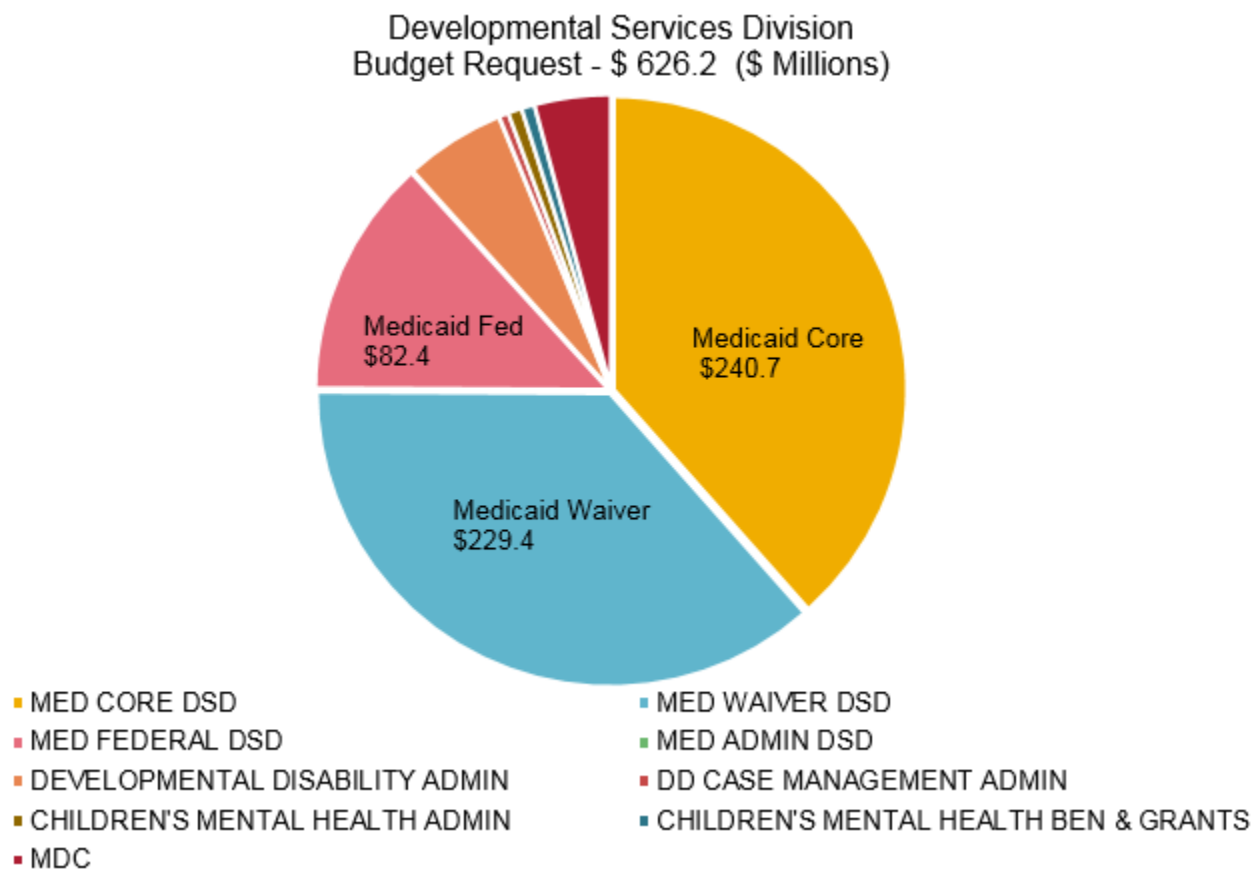
- Children's Mental Health Bureau (CMHB) - CMHB is responsible for providing mental health services for youth enrolled in Medicaid. It is funded almost entirely with federal Medicaid funds and associated matching state funds at the Federal Medical Assistance Program (FMAP) rate. Also administered under CMHB is the Children's Mental Health School Based Services (CMHSBS), which provides school based mental health services for seriously emotional disturbed youth (SED). Funding for CMHSBS is provided by Medicaid federal dollars matched by local school district funds
- Montana Developmental Center (MDC) - MDC is the State of Montana facility for seriously developmentally disabled persons. MDC is the institution of last resort for civil and criminal commitments. MDC is entirely funded with general fund. However, eligible services are billed to Medicaid at the federal match and captured into the MDC Medicaid Services program, which requires bond payments be made first for MDC with the remaining balance returned to the general fund. As mentioned previously, the facility is slated for closure at the end of FY17.

Clientele formally in the center will be served under Medicaid if eligible using the standard FMAP rate and matched with state funding

- Developmental Disabilities Program (DDP) - DDP contracts with private and non-profit organizations to provide services to individuals with developmental disabilities. DDP is funded mostly with federal Medicaid funds and associated matching state funds at the FMAP rate. DDP also receives funding from federal Social Services block grants

Figure 5 shows the total division expenditure by program for the 2019 biennium.

Figure 5



For the 2017 biennium, DSD had offered three Medicaid waiver programs: 1) The Comprehensive Services Waiver; 2) The Community Supports Waiver; 3) The Children's Autism Waiver. The division has proposed integrating the Community Supports Waiver into the Comprehensive Waiver for the 2019 biennium. Other waiver details are as follows:

- The Comprehensive Services waiver will serve about 2,800 persons. Currently there are 1,264 people on the waiting list. The average cost is about \$48,000 per person per year, while cost plans range as high as \$426,046 per person per year and as low as \$1,644 per person per year.
- The autism waiver is scheduled to end 12/31/16. This will depend on the current state plan amendment (SPA) being approved by the Center for Medicaid and Medicare Services (CMMS). Current autism clients will move to the SPA following federal acceptance.

Program Budget Summary by Category

The following 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 2018	Budget Fiscal 2019	Biennium Fiscal 18-19	Percent of Budget	Budget Fiscal 2018	Budget Fiscal 2019	Biennium Fiscal 18-19	Percent of Budget
2017 Base Budget	94,205,261	94,205,261	188,410,522	98.22 %	309,849,728	309,849,728	619,699,456	98.97 %
SWPL Adjustments	231,348	276,548	507,896	0.26 %	(542,849)	(484,367)	(1,027,216)	(0.16)%
PL Adjustments	1,055,732	2,948,755	4,004,487	2.09 %	(295,855)	9,092,416	8,796,561	1.40 %
New Proposals	(528,407)	(566,954)	(1,095,361)	(0.57)%	(596,465)	(697,040)	(1,293,505)	(0.21)%
Total Budget	\$94,963,934	\$96,863,610	\$191,827,544		\$308,414,559	\$317,760,737	\$626,175,296	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from the FY 2017 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 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	119,153	0	(775,271)	(656,118)	0.00	154,084	0	(763,381)	(609,297)
DP 2 - Fixed Costs	0.00	141,619	0	268	141,887	0.00	141,403	0	1,068	142,471
DP 3 - Inflation Deflation	0.00	(29,424)	0	806	(28,618)	0.00	(18,939)	0	1,398	(17,541)
DP 10991 - Medicaid Services DSD	0.00	1,055,732	0	4,996,748	6,052,480	0.00	2,948,755	0	12,491,996	15,440,751
DP 10993 - Medicaid Federal Services DSD	0.00	0	0	(6,348,335)	(6,348,335)	0.00	0	0	(6,348,335)	(6,348,335)
Grand Total All Present Law Adjustments	0.00	\$1,287,080	\$0	(\$2,125,784)	(\$838,704)	0.00	\$3,225,303	\$0	\$5,382,746	\$8,608,049

**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 annualize personal services costs including FY 2017 statewide pay plan adjustments and increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, and longevity adjustments related to incumbents in each position at the time of the personal services snapshot.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. The rates charged for these services are approved in the section of the budget for the programs that provide 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 10991 - Medicaid Services DSD -

This present law adjustment for caseload growth in the Developmental Services Division covers the increase in the number of eligible individuals, utilization, acuity levels, and cost per service for medical care. This change package requests \$21,493,231 in total funds. The biennial funding is \$4,004,486 in general fund and \$17,488,745 in federal funds.

DP 10993 - Medicaid Federal Services DSD -

This present law adjustment requests a reduction of federal funds of \$6,348,335 in FY 2018 and \$6,348,335 in FY 2019 for federally funded Medicaid services within the Developmental Services Division. Funding is 100% federal funds.

New Proposals -

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

New Proposals										
-----Fiscal 2018-----					-----Fiscal 2019-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 555 - Appropriation Rebase	0.00	(1,100,000)	0	0	(1,100,000)	0.00	(1,100,000)	0	0	(1,100,000)
DP 10100 - Youth Crisis Diversion OTO	0.00	600,000	0	0	600,000	0.00	600,000	0	0	600,000
Total	0.00	(\$500,000)	\$0	\$0	(\$500,000)	0.00	(\$500,000)	\$0	\$0	(\$500,000)

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

DP 555 - Appropriation Rebase -

Under 17-7-111, MCA state agencies are required to submit plans to reduce general fund and certain state special revenue funds by 5%. The executive proposes reductions to the present law budget based on either the 5% reduction plans or FY 2016 reversions.

DP 10100 - Youth Crisis Diversion OTO -

This new proposal requests \$600,000 general fund each year of the biennium to continue efforts funded by the 2015 Legislature in accordance with HB 47 for Youth Mental Health Crisis Diversion. This proposal is for one time only funds and therefore will not become part of the 2019 base.

Program Budget Comparison

The following table compares the 2017 biennium appropriated budget to the 2019 biennium requested budget by type of expenditure and source of funding.

Program Budget Comparison				
Budget Item	Appropriated Budget 16-17	Requested Budget 18-19	Biennium Change	Biennium % Change
Personal Services	7,443,320	7,842,193	398,873	5.36 %
Operating Expenses	20,911,447	21,765,616	854,169	4.08 %
Benefits & Claims	1,512,874,822	1,625,356,188	112,481,366	7.43 %
Total Expenditures	\$1,541,229,589	\$1,654,963,997	\$113,734,408	7.38 %
General Fund	298,821,410	306,074,823	7,253,413	2.43 %
State/Other Special Rev. Funds	152,225,290	165,166,114	12,940,824	8.50 %
Federal Spec. Rev. Funds	1,090,182,889	1,183,723,060	93,540,171	8.58 %
Total Funds	\$1,541,229,589	\$1,654,963,997	\$113,734,408	7.38 %
Total Ongoing	\$1,541,229,589	\$1,654,963,997	\$113,734,408	7.38 %
Total OTO	\$0	\$0	\$0	0.00 %

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), and Big Sky Rx. Additionally, a majority of the expenditures associated with the Montana Health and Economic Livelihood Partnership (HELP) Act happen within HRD, though these expenditures are statutorily appropriated and not reflected in HB 2.

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 providers, and mental health providers. The division develops tools, measurements, and reports necessary to allow division 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 adults and 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% the federal poverty level.

The Montana Health and Economic Livelihood Partnership (HELP Act) Plan is administered by the division to provide Medicaid coverage to Montanans whose income is below 138% of the federal poverty level. Blue Cross and Blue Shield of Montana was selected as a third-party administrator for the program, and is responsible for the administration of approximately one-third of the participants. Big Sky Rx is a state funded program that helps Montanans at or below 200% 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.

HRD has the largest budget of any DPHHS program. The total DPHHS budget request for the 2019 biennium is \$4,885 million, and HRD accounts for \$2,368 million of this request.

Program Highlights

**DPHHS Health Resources Division
Major Budget Highlights**

- The 2019 HRD HB 2 budget is \$113.7 million (and 7.4%) higher than the 2017 biennium budget and includes an increase of \$7.3 million general fund
- Montana's FMAP is expected to stay relatively stable over the next 2 fiscal years: the state will be financially responsible for just over one-third of most Medicaid benefit spending for non-expansion enrollees
- A present law adjustment requests \$36.1 million over the 2019 biennium for Medicaid benefits, including \$16.5 million in general fund authority
- A new proposal requests a funding switch: about \$21.3 million over the biennium, from general fund to state special revenue, contingent upon an increase in tobacco taxes

Program Actuals and Budget Comparison

The following table compares the program's FY 2016 actual expenditures with FY 2016 and FY 2017 appropriations and with FY 2018 and FY 2019 requested appropriations.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2016	Approp. Fiscal 2016	Approp. Fiscal 2017	Request Fiscal 2018	Request Fiscal 2019
FTE	51.62	51.62	51.62	51.62	51.62
Personal Services	3,154,837	3,525,526	3,917,794	3,914,739	3,927,454
Operating Expenses	9,862,364	10,557,678	10,353,769	10,770,884	10,994,732
Benefits & Claims	707,556,877	727,991,988	784,882,834	787,737,315	837,618,873
Total Expenditures	\$720,574,078	\$742,075,192	\$799,154,397	\$802,422,938	\$852,541,059
General Fund	138,195,928	145,104,488	153,716,922	147,780,588	158,294,235
State/Other Special Rev. Funds	74,211,676	74,781,146	77,444,144	82,519,660	82,646,454
Federal Spec. Rev. Funds	508,166,474	522,189,558	567,993,331	572,122,690	611,600,370
Total Funds	\$720,574,078	\$742,075,192	\$799,154,397	\$802,422,938	\$852,541,059
Total Ongoing	\$720,574,078	\$742,075,192	\$799,154,397	\$802,422,938	\$852,541,059
Total OTO	\$0	\$0	\$0	\$0	\$0

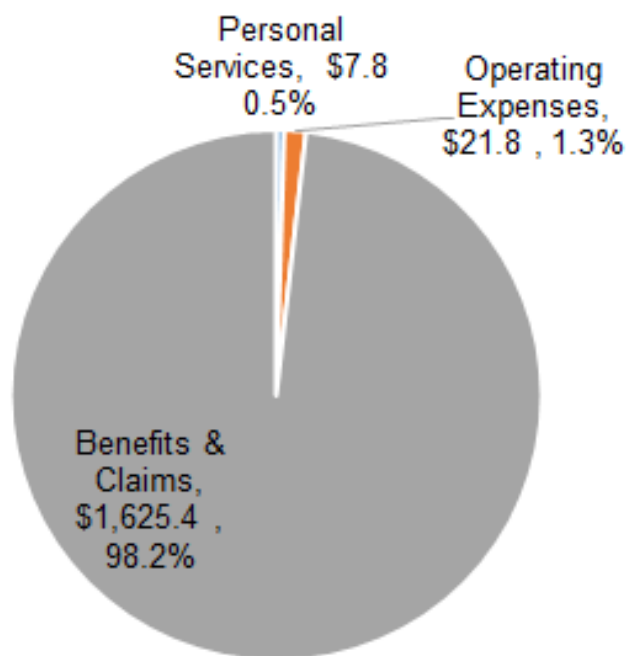
Program Discussion -

This section discusses the HRD budget and activities in some detail. Some general HRD budget discussion follows, with more detail provided on the 2019 biennium request in subsequent subsections, along with a discussion of major programs and services within HRD.

Program Budget Discussion

The Health Resources Division (HRD) 2019 biennium budget request is \$1,655.0 million. The figure below illustrates the HRD budget request by major type of expenditure.

Figure 1: HRD 2019 Biennium Budget by Type of Expenditure in Millions - \$1,655 Million Total



The vast majority (98.2%) of the HRD budget request supports benefits and claims, or payments for medical services. Operating costs are 1.3% 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 Technology Services Division.

Figure 2 shows the HRD 2019 biennium HB2 budget request by major function. Medicaid services (including Medicaid administration) are 85.3% of the budget, while HMK services funded from the federal Children's Health Insurance Program (CHIP grant) are 14.1% 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.

Figure 2: HRD 2019 Biennium Budget by Major Function in Millions - \$1,655 Million Total

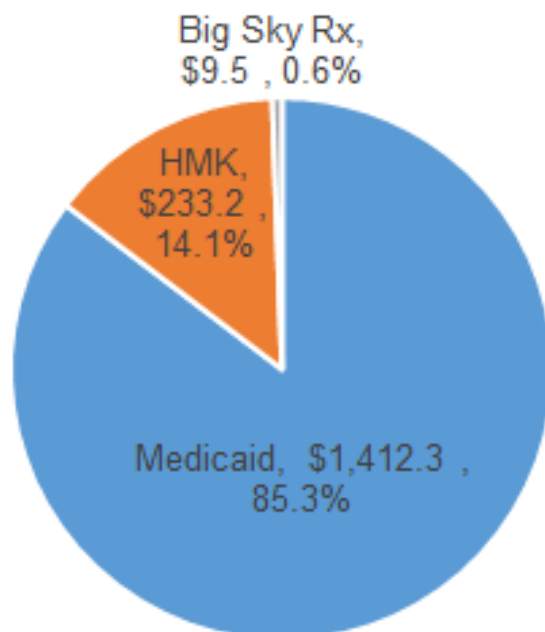
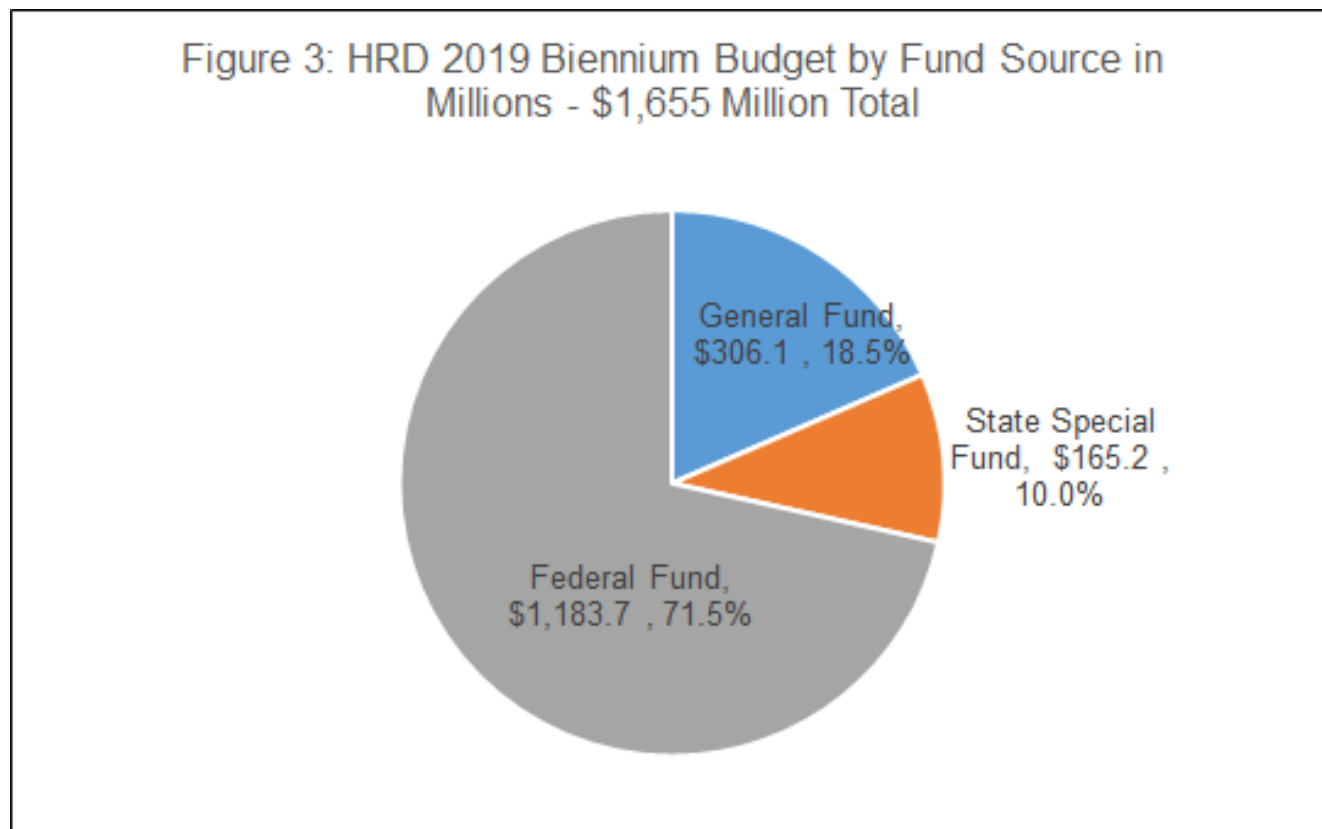


Figure 3 shows the 2019 biennium funding by major fund type. General fund is about 18.5% of the total and is used to pay the state Medicaid match, and some of the state match for the federal CHIP grant.



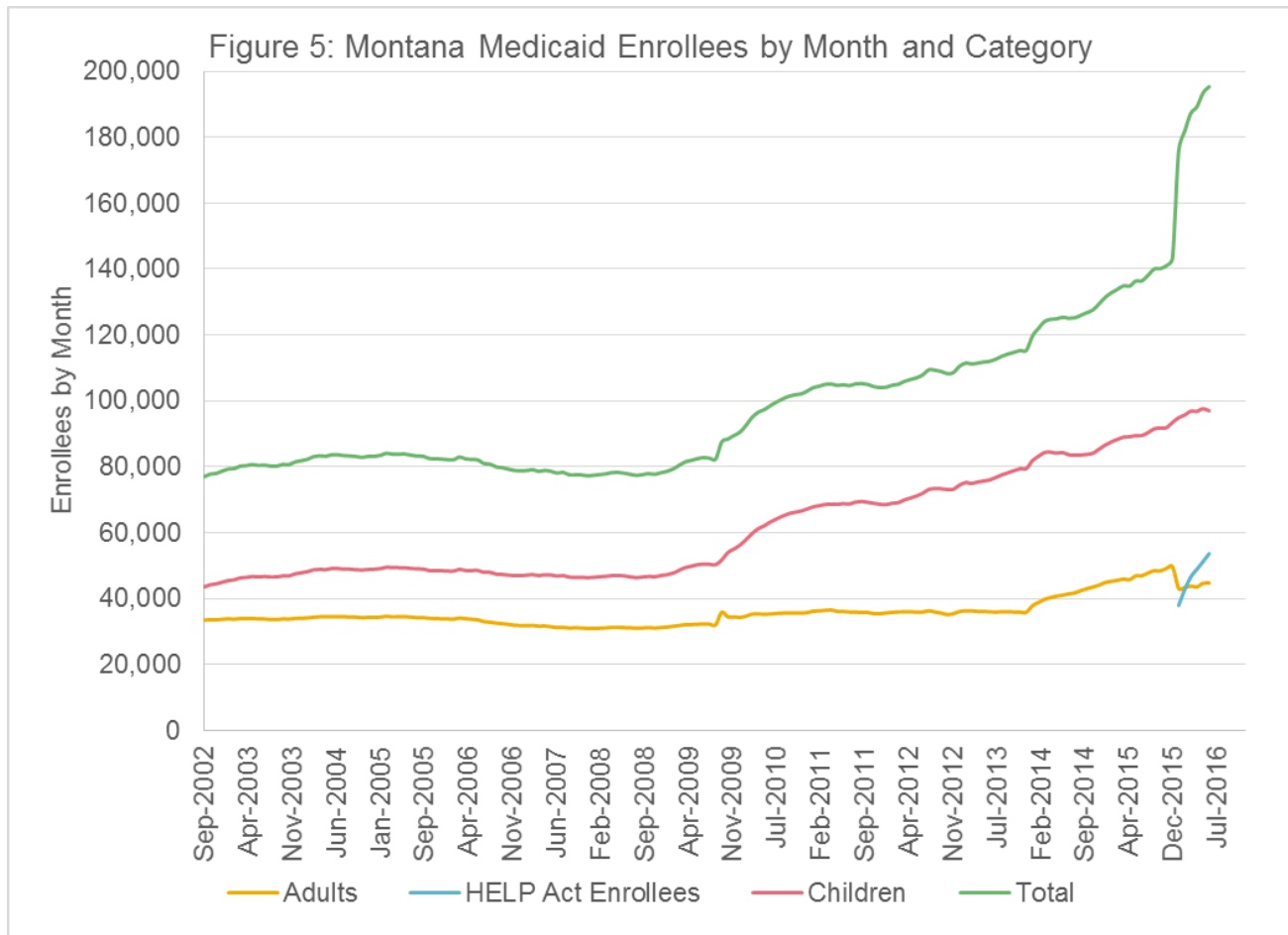
State special revenue is about 10.0% of the total and includes several sources of revenue. State special revenue is used towards the state match for Medicaid and CHIP, and it fully funds the Big Sky Rx program.

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. Figure 4 presents recent and near-future Montana FMAPs by federal fiscal year (FFY). CHIP is funded with an enhanced federal FMAP. See Figure 4 for additional detail. The Medicare Access and CHIP Reauthorization Act of 2015 (MACRA) extended the CHIP program through FFY 2017. Without action by the U.S. Congress states will not receive any new federal funds for CHIP beyond September 2017. Without federal action the enhanced FMAP for CHIP will expire in FFY 2019.

		Figure 4: Montana FMAPs				
		FFY 2014	FFY 2015	FFY 2016	FFY 2017	FFY 2018
Montana	Standard	66.33%	65.90%	65.24%	65.56%	65.38%
Montana	E- FMAP	76.43%	76.13%	98.67%	98.89%	
Source: FFIS						

Enrollment in Medicaid

An important cost driver in Medicaid services is the number of enrollees. Figure 5 shows total enrollment in Medicaid from 2002 to June 2016. Enrollment over that time period has grown from 77,000 to about 195,500 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.

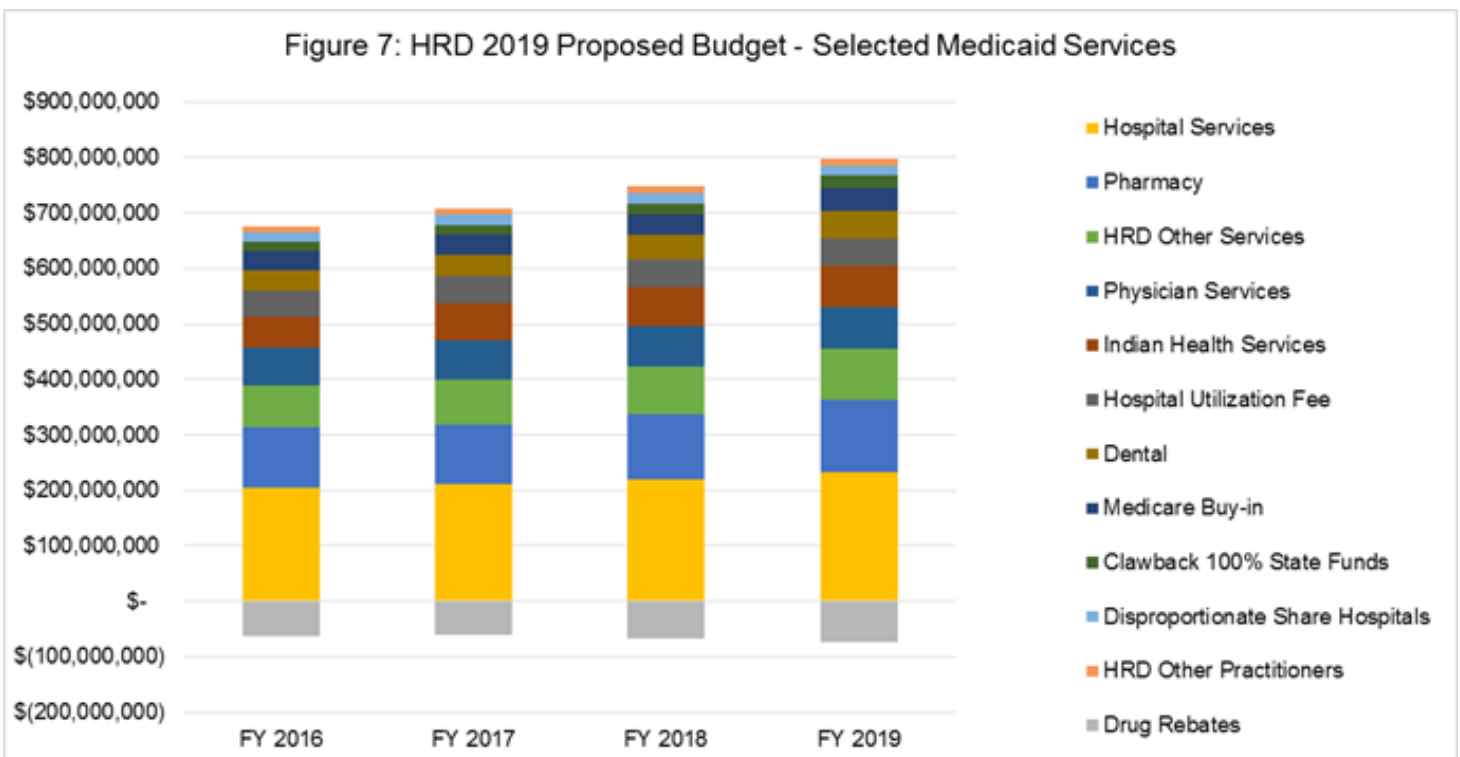
The HELP Act of the 2015 Montana Legislature (effective January 1, 2016) expanded Medicaid eligibility in Montana to adults ages 19-64 with incomes less than 138% of the federal poverty level for Montana. As of September 1, 2016 the HELP Act accounted for 52,817 new Medicaid enrollees.

Note that the average per-enrollee annual cost varies significantly by eligibility category. See Figure 6 for detail. Elderly/aged Medicaid enrollees have especially high per-user costs in Montana as compared to other states. For additional detail on this dynamic see the LFD Comment on per user costs for the elderly in the Program 12 (Medicaid and Health Services Management) section of this document.

Figure 6: Montana Medicaid Expenditures				
	FY 2008		FY 2012	
	Totals	Annual Cost per Unit or User	Totals	Annual Cost per Unit or User
Medicaid Services: Total	\$768,093,083	\$9,611	\$933,731,545	\$9,236
Avg. Users/Month	79,914		101,095	
Medicaid Services: Children	\$159,773,031	\$3,649	\$216,206,988	\$3,529
Avg. Users/Month	43,785		61,264	
Medicaid Services: Adults	\$79,282,820	\$6,905	\$97,603,024	\$7,571
Avg. Users/Month	11,482		12,891	
Medicaid Services: Disabled	\$354,968,219	\$19,122	\$417,491,132	\$20,856
Avg. Users/Month	18,563		20,018	
Medicaid Services: Aged	\$174,069,013	\$28,611	\$202,430,401	\$29,244
Avg. Users/Month	6,084		6,922	

Medicaid Services

Figure 7 below shows the HRD Medicaid projections by selected Medicaid major service type from FY 2014 to FY 2019. These projections are made by DPHHS and do not include costs associated with services provided under the Medicaid expansion. Figure 7 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.



Hospital Services

The DPHHS estimate for hospital services for the 2019 biennium is \$452.0 million. This amount includes inpatient hospital, outpatient hospital, and critical access hospital services.

Physician Services

Physician services are expected to be \$148.9 million over the 2019 biennium. Physician services were estimated to be \$136.6 million over the 2017 biennium by DPHHS. New proposal DP 11997 (below) proposes a change in the calculation of reimbursement rates for physicians.

Other Major Medicaid Services

The hospital utilization fee – a \$50 assessment for each day of inpatient hospital care – is expected to remain constant. The fee income is used as state Medicaid match and then the total is redistributed to hospitals.

Indian Health Services (IHS) reimbursements are 100% funded with federal special revenue funds. The payments are for Medicaid services. With limited exceptions, expenditures for IHS services have generally been lower than appropriations.

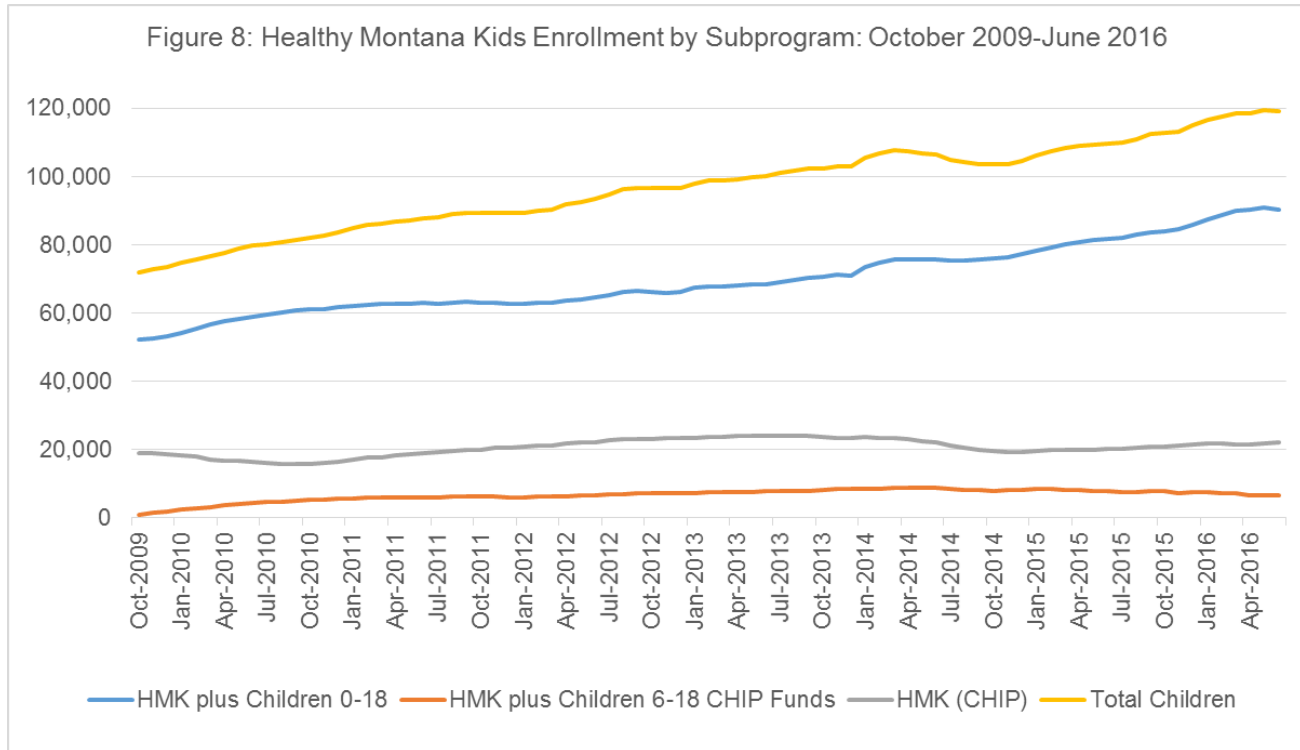
Pharmacy costs total \$249.8 million for the biennial Medicaid services request, but are offset by drug rebates of \$138.6 million. The amount included in HB 2 is net of rebates paid by drug manufacturers as a federal condition of participating in the Medicaid program. Rebates have ranged from a low of 30% of the total cost in FY 2007 to a high of 61% of the cost in FY 2012. In FY 2016 rebates made up about 54% of total drug costs: total drug costs were \$124.7 million and rebates were \$68.1 million.

The Medicare buy-in is \$77.1 million in the 2019 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 \$43.4 million in the 2019 biennium budget request.

Healthy Montana Kids Enrollment

Figure 8 below shows enrollment in Healthy Montana Kids (HMK) from 2009 to 2016. Total enrollment has grown from about 71,000 children in October 2009 to about 119,000 children in June 2016. The majority of the total enrollment and enrollment growth in HMK has occurred in the HMK Plus group funded through Medicaid.



5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2019 biennium 5% plan submitted for this agency is in the appendix.

The HRD 5% plan includes a reduction of \$7.6 million in general fund and \$14.4 million in federal funds. Most of these savings are achieved by eliminating optional Medicaid services, reducing the Health Improvement Program (HIP) and reducing provider rates for Medicaid Durable Medical Equipment (DME).

Personal Services

The LFD calculated an expected personal services budget as a comparison to the executive personal services request. The LFD calculation uses the 2017 base as a starting point, and calculates expected incremental increases based on legislatively approved increases such as the pay plan, workers compensation, longevity increases, health benefit increase, and other expected changes. An illustration of this calculation is included in the Budget Analysis appendix.

The 2017 base included a 2% vacancy savings as stated in HB 2 from the 2015 legislative session. The 2019 biennium executive request for personal services (SWPL 1) includes a 4% vacancy savings, with some exceptions.

Figure 9 Department Of Public Health & Human Services: 11 Health Resources Division Personal Services Present Law Calculations			
PS Base: \$3,917,794			
		FY 2018	FY 2019
Executive	DP 1: SWPL Personal Services	(\$3,055)	\$9,660
Legislative	Statutory Personal Service Change	<u>26,735</u>	<u>40,155</u>
	Difference	(29,790)	(30,495)
Management Choices Explaining the Difference			
	Additional 2% Vacancy Savings	(81,545)	(81,809)
	Broadband Pay Adjustments	18,751	18,751
	Benefits and Taxes on Pay Adjustment	3,886	3,886
	Other	<u>29,118</u>	<u>28,677</u>
	Total	(\$29,790)	(\$30,495)

Figure 9 indicates that the legislative estimate for the 2019 biennium personal services increment exceeds the executive request for HRD personal services by roughly \$60,000. HRD's broadband pay adjustments (not including longevity or statutory increases) included about \$6000 in competency adjustments for 2 employees, \$2000 in performance adjustment for 1 employee, and \$9600 in reclassification adjustments for 2 employees.

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	306,074,823	0	0	52,714,326	358,789,149	15.14 %
02043 Med Provider Revalidation Fees	0	0	0	0	0	0.00 %
02053 Medicaid IGT's	288,110	0	0	0	288,110	0.17 %
02142 Medicaid Third Party Revenue	1,604,792	0	0	0	1,604,792	0.97 %
02164 MT Univ System Grad Med Ed	0	0	0	0	0	0.00 %
02311 02 Indirect Activity Prog 11	102,367	0	0	0	102,367	0.06 %
02585 Recovery Audit Contract	1,000,000	0	0	0	1,000,000	0.61 %
02597 Healthy Montana Kids Plan	56,080,884	0	0	0	56,080,884	33.95 %
02772 Tobacco Hlth and Medicaid Init	50,612,459	0	0	0	50,612,459	30.64 %
02789 6901-CHIP/MCHA Tobacco Sett Fd	2,380,418	0	0	0	2,380,418	1.44 %
02987 Tobacco Interest	5,974,450	0	0	0	5,974,450	3.62 %
02989 69010-Hospital Utilization Fee	47,122,634	0	0	0	47,122,634	28.53 %
State Special Total	\$165,166,114	\$0	\$0	\$0	\$165,166,114	6.97 %
03580 6901-93.778 - Med Adm 50%	14,404,598	0	0	0	14,404,598	0.78 %
03582 93.778 - Med Ben 100%	143,460,260	0	0	0	143,460,260	7.77 %
03583 93.778 - Med Ben Fmap	793,776,296	0	0	(1,635,526)	792,140,770	42.92 %
03611 03 Indirect Activity Prog 11	1,289,439	0	0	11,438,847	12,728,286	0.69 %
03426 CHIP Program Fed	230,792,467	0	0	0	230,792,467	12.50 %
03127 Adult Quality Grant	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	635,612,009	635,612,009	34.44 %
03977 Med Exp HELP Act Indian Health	0	0	0	16,495,060	16,495,060	0.89 %
Federal Special Total	\$1,183,723,060	\$0	\$0	\$661,910,390	\$1,845,633,450	77.89 %
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$1,654,963,997	\$0	\$0	\$714,624,716	\$2,369,588,713	

The 2019 biennium HRD HB2 budget request is funded by general fund (15.1% of HB2 funding authority), state special revenue (7.0% of HB2 funding authority), and federal funds (77.9% of HB2 funding authority). General fund pays for the state Medicaid match, state CHIP match, and Medicare buy-in. 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 funds
- Tobacco settlement trust fund interest

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

Federal funds support 77.9% of the 2019 biennium budget request. Federal funding sources include:

- Federal Medicaid matching funds: some at a 50% match (Medicaid program administration), some at 100% (IHS), and some at the FMAP rate discussed above (about 65% depending on the year)
- Federal CHIP matching funds (98.9% in FY 2017)

HELP Act expenditures in HRD are funded with statutory appropriations in the 2019 biennium and are not reflected in the funding percentages discussed above, though they are reflected in the "Statutory Appropriation" column in the above table.

Program Budget Summary by Category

The following 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 2018	Budget Fiscal 2019	Biennium Fiscal 18-19	Percent of Budget	Budget Fiscal 2018	Budget Fiscal 2019	Biennium Fiscal 18-19	Percent of Budget
2017 Base Budget	153,716,922	153,716,922	307,433,844	100.44 %	799,154,397	799,154,397	1,598,308,794	96.58 %
SWPL Adjustments	73,918	80,840	154,758	0.05 %	(4,479)	12,473	7,994	0.00 %
PL Adjustments	7,550,917	19,109,741	26,660,658	8.71 %	12,523,699	64,165,019	76,688,718	4.63 %
New Proposals	(13,561,169)	(14,613,268)	(28,174,437)	(9.21)%	(9,250,679)	(10,790,830)	(20,041,509)	(1.21)%
Total Budget	\$147,780,588	\$158,294,235	\$306,074,823		\$802,422,938	\$852,541,059	\$1,654,963,997	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from the FY 2017 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 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	73,335	(65,029)	(11,361)	(3,055)	0.00	78,570	(64,643)	(4,267)	9,660
DP 2 - Fixed Costs	0.00	562	170	682	1,414	0.00	2,236	675	2,711	5,622
DP 3 - Inflation Deflation	0.00	21	(2,885)	26	(2,838)	0.00	34	(2,885)	42	(2,809)
DP 11004 - HMK Caseload HRD	0.00	(35,000)	(3,395,782)	3,278,818	(151,964)	0.00	(35,000)	(3,742,603)	11,154,851	7,377,248
DP 11991 - Medicaid Services HRD	0.00	3,518,330	(1,904,545)	(2,153,214)	(539,429)	0.00	12,942,992	(1,904,545)	25,693,037	36,731,484
DP 11993 - Medicaid Federal Services HRD	0.00	0	0	8,987,774	8,987,774	0.00	0	0	13,577,731	13,577,731
DP 11994 - Medicaid Other Services HRD	0.00	3,976,262	0	0	3,976,262	0.00	6,054,926	0	0	6,054,926
DP 11995 - Medicaid Administration HRD	0.00	91,325	4,587	155,144	251,056	0.00	146,823	9,311	267,496	423,630
Grand Total All Present Law Adjustments	0.00	\$7,624,835	(\$5,363,484)	\$10,257,869	\$12,519,220	0.00	\$19,190,581	(\$5,704,690)	\$50,691,601	\$64,177,492

***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 annualize personal services costs including FY 2017 statewide pay plan adjustments and increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, and longevity adjustments related to incumbents in each position at the time of the personal services snapshot.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. The rates charged for these services are approved in the section of the budget for the programs that provide 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 11004 - HMK Caseload HRD -

This present law adjustment for Healthy Montana Kids caseload growth in the Health Resources Division covers the increase in the number of eligible individuals, utilization, acuity levels, and cost per service for medical care. This change package requests \$7,225,284 in total funds. The biennial funding is a reduction of \$70,000 in general fund, \$7,138,385 in state special revenue, as well as an increase of \$14,433,669 in federal funds.

DP 11991 - Medicaid Services HRD -

This present law adjustment for caseload growth in the Health Resources Division covers the increase in the number of eligible individuals, utilization, acuity levels, and cost per service for medical care. This change package requests \$36,192,054 in total funds. The biennial funding is an increase of \$16,461,323 in general fund, a reduction in state special revenue funds of \$3,809,092, and an increase of \$23,539,823 in federal funds.

DP 11993 - Medicaid Federal Services HRD -

This present law adjustment requests federal funds of \$8,987,774 in FY 2018 and \$13,577,731 in FY 2019 to fund growth for federally funded Medicaid services within the Health Resources Division. Funding is 100% federal funds.

DP 11994 - Medicaid Other Services HRD -

This present law adjustment is an increase necessary to maintain existing services for the Medicaid Phased-down State Contribution program in the Health Resources Division. The change package requests \$10,031,189 in general fund for the biennium with \$3,976,262 in FY 2018 and \$6,054,926 in FY 2019.

DP 11995 - Medicaid Administration HRD -

This present law adjustment is an increase necessary to maintain existing services for Medicaid administration in the Health Resources Division. The change package requests total funds of \$674,686 for the biennium, with a general fund amount of \$91,325 in FY 2018 and \$146,823 in FY 2019.

New Proposals -

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

New Proposals										
-----Fiscal 2018-----					-----Fiscal 2019-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 555 - Appropriation Rebase	0.00	(2,674,292)	0	(5,079,526)	(7,753,818)	0.00	(2,674,292)	0	(5,079,526)	(7,753,818)
DP 11996 - Medicaid Caseload Refinance	0.00	(10,439,000)	10,439,000	0	0	0.00	(10,907,000)	10,907,000	0	0
DP 11997 - Physician CPI Adjustment - Medicaid	0.00	(447,877)	0	(1,048,984)	(1,496,861)	0.00	(1,031,976)	0	(2,005,036)	(3,037,012)
Total	0.00	(\$13,561,169)	\$10,439,000	(\$6,128,510)	(\$9,250,679)	0.00	(\$14,613,268)	\$10,907,000	(\$7,084,562)	(\$10,790,830)

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

DP 555 - Appropriation Rebase -

Under 17-7-111, MCA state agencies are required to submit plans to reduce general fund and certain state special revenue funds by 5%. The executive proposes reductions to the present law budget based on either the 5% reduction plans or FY 2016 reversions.

DP 11996 - Medicaid Caseload Refinance -

The executive proposes a refinance for Medicaid caseload in the Health Resources Division. This fund switch will increase state special revenue funds (I-149) and decrease general fund by \$10,439,000 in FY 2018 and \$10,907,000 in FY 2019. The total cost for the program does not change. This change package is contingent upon the passage and approval of LC 1084.

DP 11997 - Physician CPI Adjustment - Medicaid -

The executive proposes a reduction of \$5,033,975 total funds over the biennium for physicians and other practitioners in the Medicaid program, whose current reimbursement rates are tied to the consumer price index for medical care for the previous year as calculated by the Bureau of Labor Statistics of the United States department of labor. This proposal is contingent upon the passage and approval of LC 907.

Program Budget Comparison

The following table compares the 2017 biennium appropriated budget to the 2019 biennium requested budget by type of expenditure and source of funding.

Program Budget Comparison				
Budget Item	Appropriated Budget 16-17	Requested Budget 18-19	Biennium Change	Biennium % Change
Personal Services	963,715	1,019,325	55,610	5.77 %
Operating Expenses	22,295,858	22,556,451	260,593	1.17 %
Grants	13,578,124	14,078,124	500,000	3.68 %
Total Expenditures	\$36,837,697	\$37,653,900	\$816,203	2.22 %
General Fund	4,744,634	4,674,321	(70,313)	(1.48)%
State/Other Special Rev. Funds	213,383	299,847	86,464	40.52 %
Federal Spec. Rev. Funds	31,879,680	32,679,732	800,052	2.51 %
Total Funds	\$36,837,697	\$37,653,900	\$816,203	2.22 %
Total Ongoing	\$36,837,697	\$37,653,900	\$816,203	2.22 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

Medicaid and Health Services Management (MHSM), also known as Program 12, 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 and Health Services Management Division Major Budget Highlights
<ul style="list-style-type: none"> The proposed budget includes a 2.2% increase over the 2017 biennium budget with a decrease in general fund authority of about 1.5% from the 2017 biennium budget Elderly Montana Medicaid enrollees have high per-user costs compared to similar enrollees in other states
Major LFD Issues
<ul style="list-style-type: none"> The legislature may wish to consider using restrictive or conditional language for Medicaid benefits and claims appropriations

Program Actuals and Budget Comparison

The following table compares the program's FY 2016 actual expenditures with FY 2016 and FY 2017 appropriations and with FY 2018 and FY 2019 requested appropriations.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2016	Approp. Fiscal 2016	Approp. Fiscal 2017	Request Fiscal 2018	Request Fiscal 2019
FTE	5.00	5.00	5.00	5.00	5.00
Personal Services	311,589	438,051	525,664	509,068	510,257
Operating Expenses	8,804,974	11,017,759	11,278,099	11,278,157	11,278,294
Grants	1,664,269	6,539,062	7,039,062	7,039,062	7,039,062
Total Expenditures	\$10,780,832	\$17,994,872	\$18,842,825	\$18,826,287	\$18,827,613
General Fund	2,388,903	2,400,512	2,344,122	2,336,867	2,337,454
State/Other Special Rev. Funds	55,634	62,017	151,366	149,869	149,978
Federal Spec. Rev. Funds	8,336,295	15,532,343	16,347,337	16,339,551	16,340,181
Total Funds	\$10,780,832	\$17,994,872	\$18,842,825	\$18,826,287	\$18,827,613
Total Ongoing	\$10,780,832	\$17,994,872	\$18,842,825	\$18,826,287	\$18,827,613
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

MHSM had significant remaining unspent authority (about 7.2 million, nearly all of it federal authority) in FY 2016 but has not reduced appropriation requests for FY 2018-19. The executive proposal either stayed somewhat constant or increased, as detailed in the table above.

As MHSM heads the Medicaid and Health Services Branch within DPHHS, the budget analysis for this program contains LFD comments on system-wide issues across the state Medicaid program. Included in the programs which directly manage Medicaid and for which MHSM has oversight responsibilities, are:

- Developmental Services Division
- Health Resources Division
- Senior & Long Term Care Division
- Addictive & Mental Disabilities Division

LFD ISSUE

The Legislature May Wish to Employ Conditional or Restrictive Language for Some Medicaid Authority

The Legislature may wish to consider using conditional or restrictive language for Medicaid benefits and claims authority. For instance, the Legislature could consider granting conditional authority for certain Medicaid benefits and claims categories if there is a waiting list in that category and restrict the use of the conditional funds so they can only be used to reduce or eliminate the waiting list in that category.

Currently DPHHS has the discretion to use some Medicaid authority for non-Medicaid purposes. This authority can be shifted across DPHHS programs via program transfers. For example, in FY 2016 DPHHS shifted about \$5.4 million in general fund Medicaid benefits and claims authority to other DPHHS divisions for non-Medicaid purposes.

Medicaid's entitlement structure can make it challenging to predict expenditures in any given year. Spending can change significantly based on the number of enrollees and the services provided. For example, we generally witness increased enrollment in Medicaid during national economic contractions. Both the LFD and DPHHS have models which attempt to predict future Medicaid expenditures in the state, but even sophisticated projections are subject to errors. This difficulty in projection can lead to cases in which DPHHS carries more Medicaid benefits and claims authority than is needed to cover enrollee costs over a given time period. If the Legislature wishes excess Medicaid authority not be used for non-Medicaid purposes it may restrict these expenditure categories.

The Legislature has several options with respect to Medicaid expenditure authority held by DPHHS:

1. Continue with the status quo and permit DPHHS to retain discretion with respect to Medicaid authority
2. Restrict all 2019 biennium Medicaid appropriations to Medicaid use in HB2
3. Permanently restrict Medicaid appropriations to Medicaid use via a committee bill

If the Legislature selects option 3 the following is of note:

- A committee bill must be requested no later than Legislative day 39
- The Section B subcommittee cannot request the bill directly, but must forward a recommendation to House Appropriations to consider requesting a committee bill
- Option 3 would eliminate the need to restrict Medicaid funding in HB2 in future biennia

LFD COMMENT

Montana Medicaid Expenditures: FY 2012		
	Annual Cost & Avg. Users/Month	Annual Cost per Unit or User
Medicaid Services: Total Avg. Users/Month	\$933,731,545 101,095	\$9,236
Medicaid Services: Children Avg. Users/Month	\$216,206,988 61,264	\$3,529
Medicaid Services: Adults Avg. Users/Month	\$97,603,024 12,891	\$7,571
Medicaid Services: Disabled Avg. Users/Month	\$417,491,132 20,018	\$20,856
Medicaid Services: Elderly Avg. Users/Month	\$202,430,401 6,922	\$29,244

The above table presents total Montana Medicaid cost, average number of users per month, and annual cost for each user by type of Medicaid enrollee in FY 2012. This data is from DPHHS. Medicaid enrollees are generally placed in one of the following category types: child, adult, disabled, or elderly. The data indicates elderly Montana Medicaid enrollees have significantly greater per-user annual costs than other types of Medicaid enrollees in the state. Montana's per-user spending on elderly Medicaid enrollees is among the highest in the nation. According to MACPAC (Medicaid and CHIP Payment and Access Commission) Montana's 2013 spending on elderly Medicaid enrollees was \$33,225 per user, 6th highest in the nation.

Sources other than DPHHS and MACPAC indicate Medicaid spending on elderly enrollees is high in Montana as compared to other states. According to research from the Kaiser Family Foundation the national average per-user annual expenditure for elderly Medicaid enrollees was \$13,249 in 2011. This figure for Montana from the same source was \$22,543 per elderly Medicaid enrollee in 2010. Only North Dakota and Alaska had higher per user costs for elderly enrollees. Other states in the Rocky Mountain region (such as Utah, Idaho, and Colorado) exhibit much lower elderly per-user costs. In 2011 Wyoming had elderly per-user costs that were similar to costs in Montana.

While DPHHS, MACPAC, and the Kaiser Family Foundation have different per-user cost figures it is clear Montana is an outlier in Medicaid expenditures for elderly enrollees. This dynamic may be of interest to policymakers, especially considering Montana's aging population. One option available to the Legislature would be to direct interim research to more fully consider these costs.

**LFD
COMMENT**

Unlike most other states Montana's Medicaid program does not utilize comprehensive managed care in a significant fashion. According to the Centers for Medicare & Medicaid Services (CMS) Medicaid managed care "is a health care delivery system organized to manage cost, utilization, and quality. Medicaid managed care provides for the delivery of Medicaid health benefits and additional services through contracted arrangements between state Medicaid agencies and managed care organizations (MCOs) that accept a set per member per month (capitation) payment for these services."

It is possible that contracting with MCOs allows states to reduce Medicaid costs and improve health outcomes. CMS notes that some states are employing Medicaid managed care initiatives to improve care for enrollees with chronic health issues or complex medical conditions.

The state formerly used capitated managed care to provide Medicaid benefits to the eligible mental health population. This program was defunded (and thus terminated) by the 1999 Legislature. DPHHS has more recently investigated Medicaid managed care implementation. A 2011 report from an outside consultant (Mercer Government Human Services Consulting) details the potential cost savings that could be generated by implementing managed care in Montana. This report discusses a proposed Medicaid waiver which would have established a Medicaid managed care trial in five Montana counties. This proposal was not implemented.

The 2014 CMS Medicaid Managed Care Enrollment Report indicates that of the 72 million national Medicaid enrollees as of July 2014 about 43 million were enrolled in comprehensive managed care. In July 2014 Montana had about 132,000 Medicaid enrollees and 0 enrolled in comprehensive managed care (about 91,000 were enrolled in partial managed care).

Many of Montana's peer states (including Wyoming and Idaho) make limited use of Medicaid managed care, in part because health plans may be less willing to provide comprehensive managed care in rural states. It can be difficult for health plans to capitalize on economies of scale in states with low population density. However, North Dakota uses comprehensive managed care for about one-eighth of their enrollees, and Utah uses it for about 200,000 of their roughly 287,000 enrollees.

Academic research on the effects of Medicaid managed care on expenditures, access, and health outcomes is somewhat thin, likely due to lack of access to high-quality datasets. However, the existing research does provide some important takeaways (see Sparer 2012, Medicaid Managed Care: Costs, Access, and Quality of Care for a meta-analysis of existing literature):

- The cost-savings effects of Medicaid managed care are nebulous at best. In some cases transitioning from fee-for-service to managed care may lead to higher costs
- The nature of expenditures under managed care are generally somewhat more predictable year-to-year than expenditures in a traditional fee-for-service system. This dynamic may partially explain the increased use of Medicaid managed care over time
- There is some evidence that managed care provides enrollees with improved access to care, but this effect is not consistent across all states
- It is not clear that managed care leads to better quality care or health outcomes, although there is very little academic research on this subject
- Medicaid managed care is traditionally used for lower-cost populations with generally less extensive care needs, especially children and non-disabled non-elderly adults. There is limited potential for cost savings among enrollees

of this type. It is possible that the use of managed care for elderly, disabled, and chronically ill populations could lead to cost containment for these populations

One option available to the Legislature would be to direct interim research to more fully consider managed care implications for Montana.

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. Because this agency has fewer than 20.00 FTE it is exempt from this requirement.

Personal Services

The LFD calculated an expected personal services budget as a comparison to the executive personal services request. The LFD calculation uses the 2017 base as a starting point, and calculates expected incremental increases based on legislatively approved increases such as the pay plan, workers compensation, longevity increases, health benefit increase, and other expected changes. An illustration of this calculation is included in the Budget Analysis appendix.

The 2017 base included a 2% vacancy savings as stated in HB 2 from the 2015 legislative session. The 2019 biennium executive request for personal services (SWPL 1) includes a 4% vacancy savings, with some exceptions.

Figure 1 Department Of Public Health & Human Services: 12 Medicaid And Health Services Personal Services Present Law Calculations			
PS Base: \$525,664		FY 2018	FY 2019
Executive	DP 1: SWPL Personal Services	(\$16,596)	(\$15,407)
Legislative	Statutory Personal Service Change	(99)	1,099
	Difference	(16,497)	(16,506)
Management Choices	Explaining the Difference		
	Additional 2% Vacancy Savings	(10,604)	(10,629)
	Broadband Pay Adjustments	-	-
	Benefits and Taxes on Pay Adjustment	-	-
	Other	(5,893)	(5,877)
	Total	(\$16,497)	(\$16,506)

Figure 1 indicates that the legislative estimate for the 2019 biennium MHSM personal services increment exceeds the executive request for MHSM personal services by a modest amount equivalent to 3.1% of the personal services base. Almost 2/3 of this difference is the result of the additional vacancy savings applied, leaving only a difference of 1.1% unexplained.

Funding

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

Department of Public Health & Human Services, 12-Medicaid & Health Svr Mgt Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	4,674,321	0	0	1,967,010	6,641,331	14.59 %
02220 02 Indirect Activity Prog 12	299,847	0	0	0	299,847	100.00 %
02597 Healthy Montana Kids Plan	0	0	0	0	0	0.00 %
State Special Total	\$299,847	\$0	\$0	\$0	\$299,847	0.66 %
03305 03 Indirect Activity Prog 12	18,601,606	0	0	0	18,601,606	48.21 %
03580 6901-93.778 - Med Adm 50%	14,078,126	0	0	0	14,078,126	36.49 %
03426 CHIP Program Fed	0	0	0	0	0	0.00 %
03100 State innovation Models	0	0	0	0	0	0.00 %
03974 Medicaid Exp HELP Act Admin	0	0	0	5,901,029	5,901,029	15.30 %
Federal Special Total	\$32,679,732	\$0	\$0	\$5,901,029	\$38,580,761	84.75 %
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$37,653,900	\$0	\$0	\$7,868,039	\$45,521,939	

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% federal match) or Indirect Activity from the Cost Allocation Plan (CAP). The general fund request for the 2019 biennium is slightly lower than the 2017 biennium general fund appropriation amount. General fund is used for Medicaid administration.

Program Budget Summary by Category

The following 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 2018	Budget Fiscal 2019	Biennium Fiscal 18-19	Percent of Budget	Budget Fiscal 2018	Budget Fiscal 2019	Biennium Fiscal 18-19	Percent of Budget
2017 Base Budget	2,344,122	2,344,122	4,688,244	100.30 %	18,842,825	18,842,825	37,685,650	100.08 %
SWPL Adjustments	(7,255)	(6,668)	(13,923)	(0.30)%	(16,538)	(15,212)	(31,750)	(0.08)%
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$2,336,867	\$2,337,454	\$4,674,321		\$18,826,287	\$18,827,613	\$37,653,900	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from the FY 2017 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 2018-----						-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	(7,283)	(1,499)	(7,814)	(16,596)	0.00	(6,763)	(1,391)	(7,253)	(15,407)
DP 2 - Fixed Costs	0.00	22	1	22	45	0.00	86	2	88	176
DP 3 - Inflation Deflation	0.00	6	1	6	13	0.00	9	1	9	19
Grand Total All Present Law Adjustments	0.00	(\$7,255)	(\$1,497)	(\$7,786)	(\$16,538)	0.00	(\$6,668)	(\$1,388)	(\$7,156)	(\$15,212)

*"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 annualize personal services costs including FY 2017 statewide pay plan adjustments and increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, and longevity adjustments related to incumbents in each position at the time of the personal services snapshot.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. The rates charged for these services are approved in the section of the budget for the programs that provide 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 Budget Comparison

The following table compares the 2017 biennium appropriated budget to the 2019 biennium requested budget by type of expenditure and source of funding.

Program Budget Comparison				
Budget Item	Appropriated Budget 16-17	Requested Budget 18-19	Biennium Change	Biennium % Change
Personal Services	3,922,445	4,089,480	167,035	4.26 %
Operating Expenses	454,131	343,899	(110,232)	(24.27)%
Equipment & Intangible Assets	10,480	10,480	0	0.00 %
Total Expenditures	\$4,387,056	\$4,443,859	\$56,803	1.29 %
General Fund	1,687,723	1,751,240	63,517	3.76 %
State/Other Special Rev. Funds	120,025	122,522	2,497	2.08 %
Federal Spec. Rev. Funds	2,579,308	2,570,097	(9,211)	(0.36)%
Total Funds	\$4,387,056	\$4,443,859	\$56,803	1.29 %
Total Ongoing	\$4,387,056	\$4,443,859	\$56,803	1.29 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The Management and Fair Hearings Office (MFH) is made up of the Branch Management Office and the Office of Fair Hearings. It is responsible for all the oversight and management of the Operations Branch and for providing fair hearings for many of the department's programs.

Program Highlights

Management and Fair Hearings Major Budget Highlights
The executive proposes a 1.3% increase over the 2017 biennium budget due to increases in personal services while operating expenses decrease.

Program Actuals and Budget Comparison

The following table compares the program's FY 2016 actual expenditures with FY 2016 and FY 2017 appropriations and with FY 2018 and FY 2019 requested appropriations.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2016	Approp. Fiscal 2016	Approp. Fiscal 2017	Request Fiscal 2018	Request Fiscal 2019
FTE	22.00	22.00	22.00	22.00	22.00
Personal Services	1,812,036	1,884,982	2,037,463	2,042,133	2,047,347
Operating Expenses	146,964	219,988	234,143	171,861	172,038
Equipment & Intangible Assets	0	5,240	5,240	5,240	5,240
Total Expenditures	\$1,959,000	\$2,110,210	\$2,276,846	\$2,219,234	\$2,224,625
General Fund	778,876	783,879	903,844	874,550	876,690
State/Other Special Rev. Funds	36,001	58,963	61,062	61,189	61,333
Federal Spec. Rev. Funds	1,144,123	1,267,368	1,311,940	1,283,495	1,286,602
Total Funds	\$1,959,000	\$2,110,210	\$2,276,846	\$2,219,234	\$2,224,625
Total Ongoing	\$1,959,000	\$2,110,210	\$2,276,846	\$2,219,234	\$2,224,625
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

Management and Fair Hearings (MFH) has several responsibilities to DPHHS and the public it serves. This includes:

- Provides leadership and planning for the operation of DPHHS and the programs and public it serves
- Accounting and budget analysis that include financial and caseload projections, reporting, and compliance
- The Office of Fair Hearings that provides an avenue for program participants to receive impartial judgment through a hearing process

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2019 biennium 5% plan submitted for this agency is in the appendix. Management and Fair Hearings has created a 5% reduction plan that involves savings of close to \$31,178 in general fund and \$31,178 in federal matching fund. The savings would be realized through reduced travel and lower office expenditures.

Personal Services

The LFD calculated an expected personal services budget as a comparison to the executive personal services request. The LFD calculation uses the 2017 base as a starting point, and calculates expected incremental increases based on legislatively approved increases such as the pay plan, workers compensation, longevity increases, health benefit increase, and other expected changes. An illustration of this calculation is included in the Budget Analysis appendix.

The 2017 base included a 2% vacancy savings as stated in HB 2 from the 2015 legislative session. The 2019 biennium executive request for personal services (SWPL 1) includes a 4% vacancy savings, with some exceptions.

Figure 1 shows the personal services base and the difference between the calculated legislative personal service increase and the executive state wide present law for the next biennium.

Figure 1

Department Of Public Health & Human Services: 16 Management And Fair Hearings Personal Services Present Law Calculations			
PS Base: \$2,037,463			
		FY 2018	FY 2019
Executive	DP 1: SWPL Personal Services	\$4,670	\$9,884
Legislative	Statutory Personal Service Change	<u>25,797</u>	<u>31,370</u>
	Difference	(21,127)	(21,486)
Management Choices Explaining the Difference			
	Additional 2% Vacancy Savings	(42,539)	(42,648)
	Broadband Pay Adjustments	31,327	31,327
	Benefits and Taxes on Pay Adjustment	7,152	7,152
	Other	(17,068)	(17,318)
	Total	(\$21,127)	(\$21,486)

The table above shows that the executive personal services adjustment is below the expected legislative personal service change by \$21,127 in FY2018 and \$21,486 in FY2019. A reorganization occurred in the department that involved moving operational and personal services dollars for 9.00 FTE into the Management and Fair Hearings program. These positions were audit, budget, and management positions coming from the Quality Assurance and Business & Financial Services programs. Two positions were vacant at the time of the transfer but all positions are included in the personal services base.

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	1,751,240	0	0	0	1,751,240	39.41 %
02221 02 Indirect Activity Prog 16	122,522	0	0	0	122,522	100.00 %
State Special Total	\$122,522	\$0	\$0	\$0	\$122,522	2.76 %
03304 03 Indirect Activity Prog 16	2,570,097	0	0	0	2,570,097	100.00 %
Federal Special Total	\$2,570,097	\$0	\$0	\$0	\$2,570,097	57.83 %
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$4,443,859	\$0	\$0	\$0	\$4,443,859	

All HB 2 categories are funded through cost allocation using a formula that recognizes the multiple funding sources and required general fund matches for costs that benefit common purposes related to work done by Management and Fair Hearings throughout the agency.

Program Budget Summary by Category

The following 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 2018	Budget Fiscal 2019	Biennium Fiscal 18-19	Percent of Budget	Budget Fiscal 2018	Budget Fiscal 2019	Biennium Fiscal 18-19	Percent of Budget
2017 Base Budget	903,844	903,844	1,807,688	103.22 %	2,276,846	2,276,846	4,553,692	102.47 %
SWPL Adjustments	1,884	4,024	5,908	0.34 %	4,744	10,135	14,879	0.33 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	(31,178)	(31,178)	(62,356)	(3.56)%	(62,356)	(62,356)	(124,712)	(2.81)%
Total Budget	\$874,550	\$876,690	\$1,751,240		\$2,219,234	\$2,224,625	\$4,443,859	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from the FY 2017 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 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services										
	0.00	1,854	125	2,691	4,670	0.00	3,924	265	5,695	9,884
DP 2 - Fixed Costs										
	0.00	23	2	33	58	0.00	91	6	132	229
DP 3 - Inflation Deflation										
	0.00	7	0	9	16	0.00	9	0	13	22
Grand Total All Present Law Adjustments	0.00	\$1,884	\$127	\$2,733	\$4,744	0.00	\$4,024	\$271	\$5,840	\$10,135

***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 annualize personal services costs including FY 2017 statewide pay plan adjustments and increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, and longevity adjustments related to incumbents in each position at the time of the personal services snapshot.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. The rates charged for these services are approved in the section of the budget for the programs that provide 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 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 555 - Appropriation Rebase	0.00	(31,178)	0	(31,178)	(62,356)	0.00	(31,178)	0	(31,178)	(62,356)
Total	0.00	(\$31,178)	\$0	(\$31,178)	(\$62,356)	0.00	(\$31,178)	\$0	(\$31,178)	(\$62,356)

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

DP 555 - Appropriation Rebase -

Under 17-7-111, MCA state agencies are required to submit plans to reduce general fund and certain state special revenue funds by 5%. The executive proposes reductions to the present law budget based on either the 5% reduction plans or FY 2016 reversions.

Program Budget Comparison

The following table compares the 2017 biennium appropriated budget to the 2019 biennium requested budget by type of expenditure and source of funding.

Program Budget Comparison				
Budget Item	Appropriated Budget 16-17	Requested Budget 18-19	Biennium Change	Biennium % Change
Personal Services	26,410,901	26,925,529	514,628	1.95 %
Operating Expenses	17,751,718	18,533,580	781,862	4.40 %
Equipment & Intangible Assets	185,936	62,186	(123,750)	(66.56)%
Capital Outlay	19,250	0	(19,250)	(100.00)%
Grants	27,846,219	29,493,194	1,646,975	5.91 %
Benefits & Claims	566,450,387	546,322,744	(20,127,643)	(3.55)%
Transfers	8,000	8,000	0	0.00 %
Debt Service	152,568	152,568	0	0.00 %
Total Expenditures	\$638,824,979	\$621,497,801	(\$17,327,178)	(2.71)%
General Fund	150,966,916	147,534,661	(3,432,255)	(2.27)%
State/Other Special Rev. Funds	72,537,536	70,371,268	(2,166,268)	(2.99)%
Federal Spec. Rev. Funds	415,320,527	403,591,872	(11,728,655)	(2.82)%
Total Funds	\$638,824,979	\$621,497,801	(\$17,327,178)	(2.71)%
Total Ongoing	\$638,824,979	\$621,497,801	(\$17,327,178)	(2.71)%
Total OTO	\$0	\$0	\$0	0.00 %

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 provides six major programs:

- 1) The Office on Aging provides meals, transportation, public education, information and assistance, long-term care ombudsman, and other services;
- 2) 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;
- 3) The Medicaid Nursing Facility Program pays for care to Medicaid-eligible individuals in 82 Montana nursing homes;
- 4) The Protective Services Program investigates abuse, neglect, and exploitation through adult protective services social workers;
- 5) 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; and
- 6) 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.

Program Highlights

Senior & Long Term Care Division Major Budget Highlights	
<ul style="list-style-type: none"> • The 2019 SLTC HB2 budget is \$17.3 million (and 2.7%) lower than the 2017 budget and includes a decrease of \$3.4 million general fund • The proposed budget includes a reduction of \$20.1 million (3.6%) in benefits and claims • A proposed present law adjustment would reduce Medicaid benefits authority by about \$27.2 million over the biennium, including about \$12.1 million in general fund authority 	

Program Actuals and Budget Comparison

The following table compares the program's FY 2016 actual expenditures with FY 2016 and FY 2017 appropriations and with FY 2018 and FY 2019 requested appropriations.

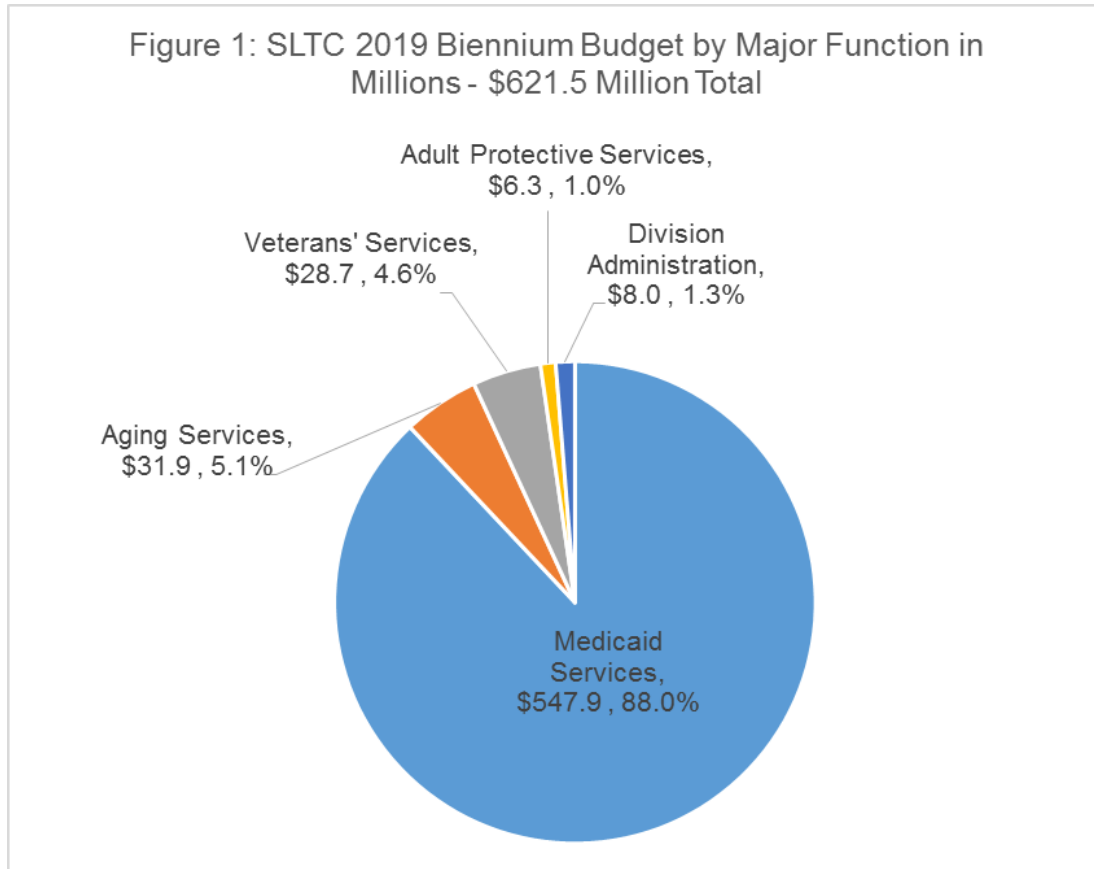
Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2016	Approp. Fiscal 2016	Approp. Fiscal 2017	Request Fiscal 2018	Request Fiscal 2019
FTE	217.55	217.55	217.55	217.55	217.55
Personal Services	13,085,312	12,924,633	13,486,268	13,443,158	13,482,371
Operating Expenses	8,033,431	8,703,742	9,047,976	9,030,493	9,503,087
Equipment & Intangible Assets	24,108	74,843	111,093	31,093	31,093
Capital Outlay	19,250	19,250	0	0	0
Grants	13,169,161	13,849,622	13,996,597	14,746,597	14,746,597
Benefits & Claims	257,571,430	275,057,494	291,392,893	271,931,396	274,391,348
Transfers	3,785	4,000	4,000	4,000	4,000
Debt Service	61,717	76,284	76,284	76,284	76,284
Total Expenditures	\$291,968,194	\$310,709,868	\$328,115,111	\$309,263,021	\$312,234,780
General Fund	69,853,065	70,718,297	80,248,619	74,024,424	73,510,237
State/Other Special Rev. Funds	33,638,759	36,245,577	36,291,959	35,164,572	35,206,696
Federal Spec. Rev. Funds	188,476,370	203,745,994	211,574,533	200,074,025	203,517,847
Total Funds	\$291,968,194	\$310,709,868	\$328,115,111	\$309,263,021	\$312,234,780
Total Ongoing	\$291,968,194	\$310,709,868	\$328,115,111	\$309,263,021	\$312,234,780
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

This section discusses the SLTC budget and activities in some detail. Some general SLTC budget discussion follows, with more detail provided on the 2019 biennium request in subsequent subsections, along with a discussion of major programs and services within SLTC.

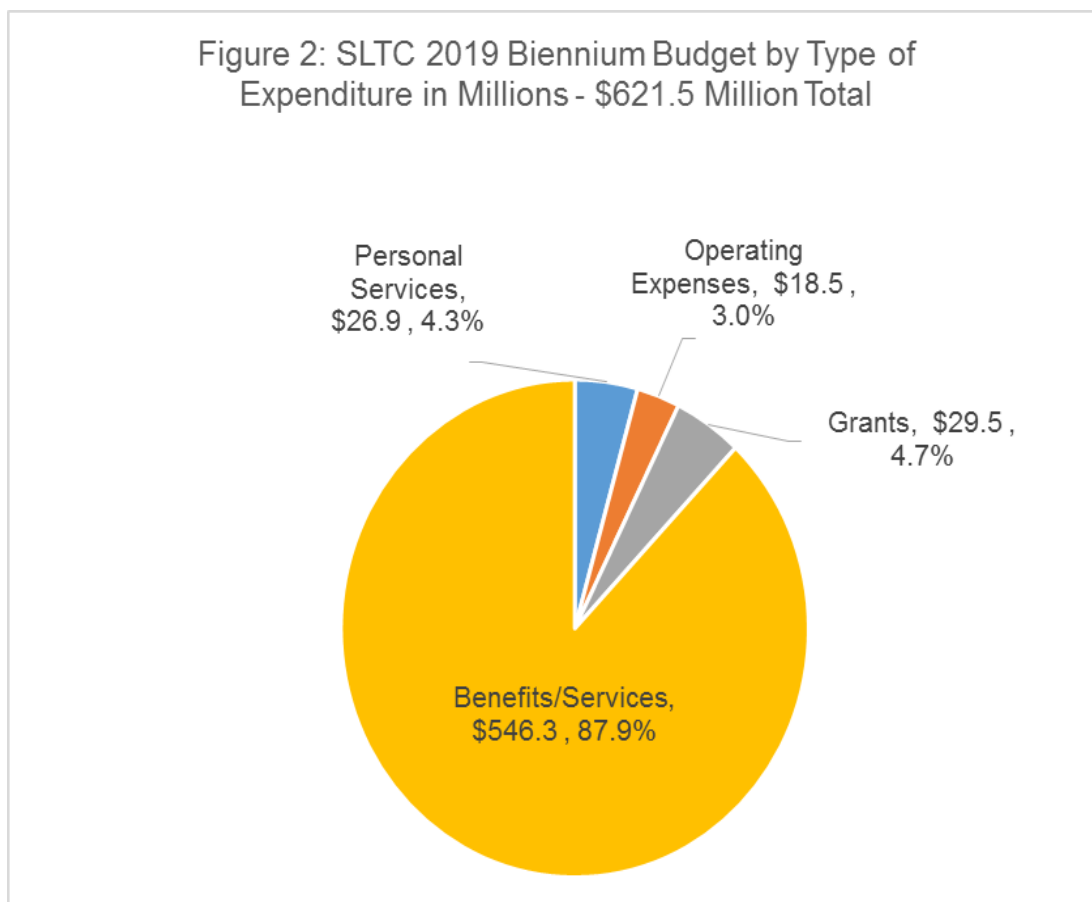
SLTC 2019 Biennium Budget by Major Function

Figure 1 below shows the 2019 SLTC biennium budget request by major function. Appropriations for Medicaid services are the most significant budgetary item, comprising 88.0% of the 2019 biennium SLTC budget request. Aging services are 5.1% of the request and veterans' services account for 4.6%. Adult protective services are 1.0%, with division administration making up 1.3% of the total. HELP Act expenditures in SLTC are funded with statutory appropriations in the 2019 biennium and are not reflected in the following figures or discussion.



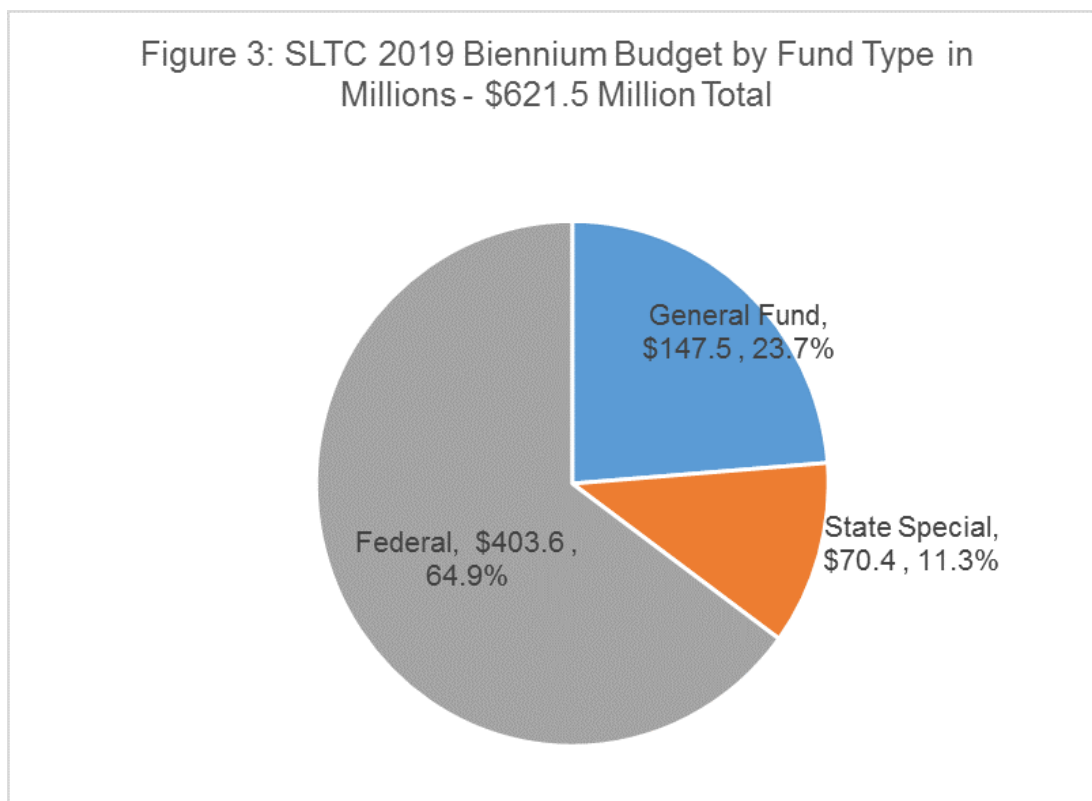
2019 Biennium Request by Major Expenditure

Figure 2 below presents the SLTC 2019 biennium budget request by major expenditure. Benefits and services, which are payments for services provided to persons who meet specific eligibility criteria, are 87.9% of the total request. Grants are 4.7% 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 4.3% of the total, and fund the cost of state employees. Operating costs are 3.0%. 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% of the total and are not reflected in Figure 2.



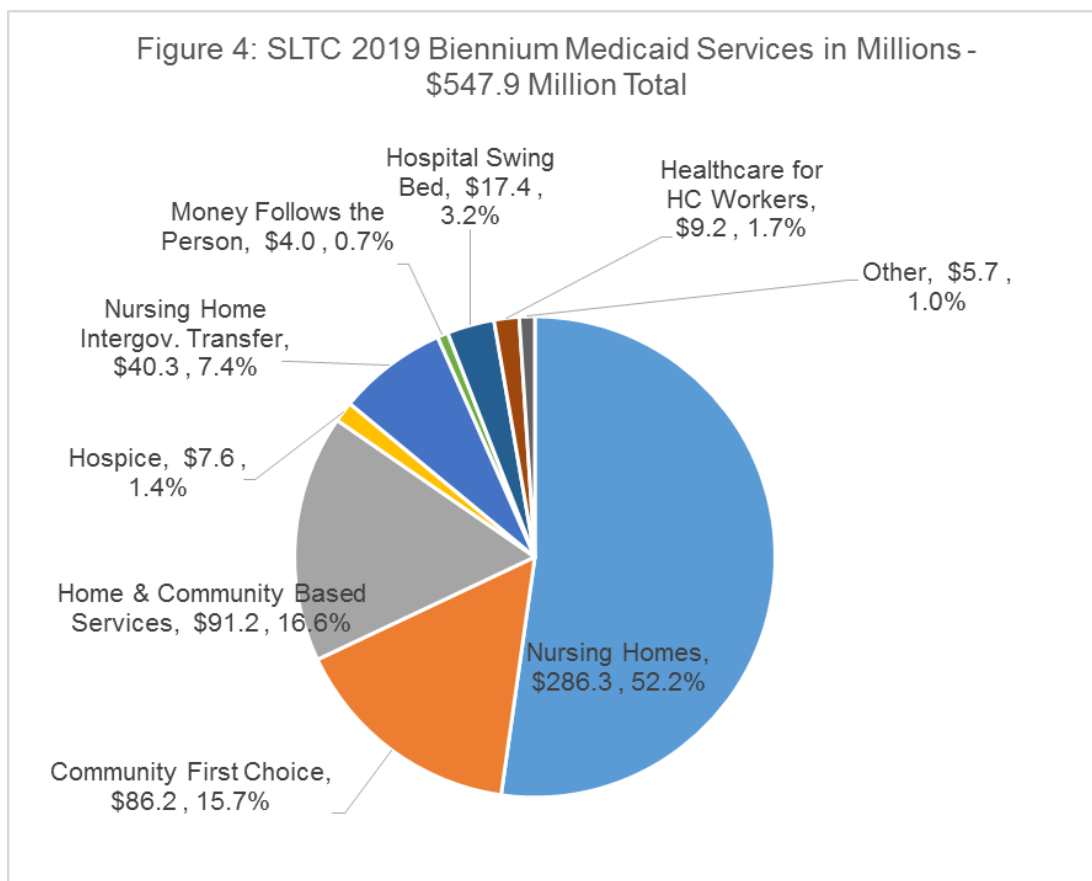
Major Funding Sources

Figure 3 below shows the 2019 biennium budget request for SLTC by major funding source. Federal funds support 64.9% 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 23.7% 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 11.3% 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.



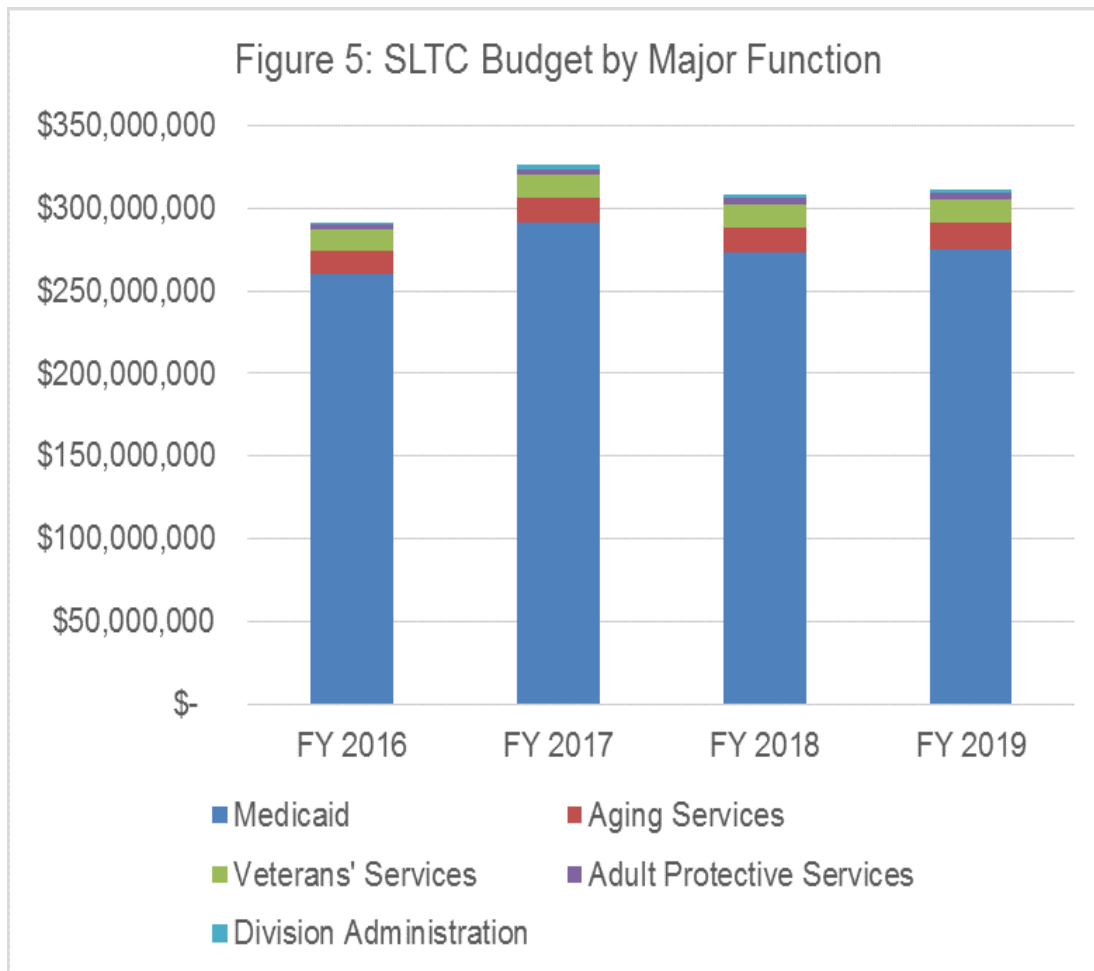
Medicaid Services

Figure 4 below presents the Medicaid services distribution in the 2019 biennium budget request. These projections are made by DPHHS and do not include the HELP Act. Figure 4 is not an exhaustive list of SLTC Medicaid services, but focuses on the larger service categories. As noted above, Medicaid services are the largest component of the SLTC division budget request. Nursing home services make up 52.2% 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 7.4% of the total. DPHHS uses the county match to draw down federal Medicaid funds and Medicaid nursing home 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 16.6% of the SLTC Medicaid services budget request. Community First Choice funds make of 15.7% of the total request. Community First Choice funds make of 15.7% of the total request.



SLTC 2019 Biennium Budget by Major Function and Service Type

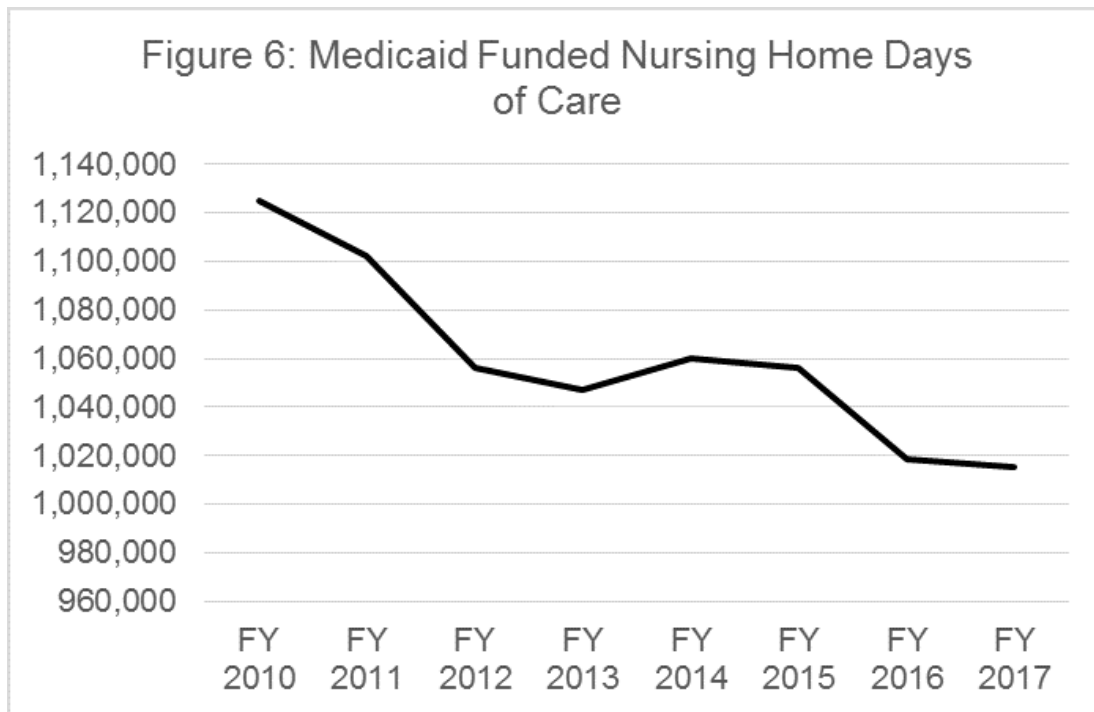
The figure below presents the SLTC Division budget by major function by fiscal year. Most of the proposed reduction from the 2017 base is in benefits and claims, and in particular in Medicaid services.



As noted previously, nursing home services (including IGT payments) are the majority of Medicaid services expenditures for the division. For the most part, the other services support the ability of persons to live in home and community settings while receiving services who might otherwise be served in facility based care.

Nursing Home Days of Care

Figure 6 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 significant growth in IGT payments from FY 2016 to FY 2019, with 0% growth projected between FY 2018 and FY 2019. See Figure 7 below for detail.

Figure 7: DPHHS Nursing Home IGT Estimate				
	FY 2016	FY 2017	FY 2018	FY 2019
Nursing Home IGT	\$12,527,238	\$14,150,700	\$20,150,700	\$20,150,700

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, but shifted to the CFC program. CFC has an enhanced federal match, which is 6% above a state's regular federal match rate.

In addition to provision of personal care, 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. As of December 2016 Community First Choice served 3,346 persons. CFC ended FY 2016 with \$3.3 million in excess authority.

Home & Community Based Services

The 2019 DPHHS biennium request for home and community based services is \$91.2 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.

**LFD
COMMENT**

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 the Department of Public Health & Human Services (DPHHS) and the Senior and Long Term Care Division (SLTC)."

In December 2016 DPHHS indicated the Big Sky Waiver served 2,525 persons. As of December 2016 the waiting list for the Big Sky Waiver stood at 517 persons. This population was 51% elderly, with the remainder disabled. About 56% of this waitlist population was requesting a basic/at-home slot, while 43% were requesting an assisted living slot. The remaining 1% were requesting a high-cost care slot.

At the end of FY 2016 the Big Sky Waiver had about \$848,000 in excess authority, enough to serve about 24 persons based on an average care plan cost of \$35,000. Note that the Developmental Services Division (Program 10) section of this budget analysis contains a discussion of the status of the DD (0208) waiver waiting list.

Money Follows the Person

Money Follows the Person (MFP) is a 5 year federal grant that allows states to fund community services for Medicaid eligible persons leaving facility based care. The 2019 biennium budget requests about \$4.0 million total authority for MFP.

Under MFP, the state match rate for the first year of services is one half the regular state Medicaid match rate and a wider array of services can be funded in the first year of transition to community services compared to other Medicaid community funded programs. The expectation is that persons served in MFP will transition to Medicaid funded home and community based services following the first year of MFP services.

Veterans' Services

The 2019 executive budget request for veterans' services is \$28.7 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.

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2019 biennium 5% plan submitted for this agency is in the appendix.

The SLTC 5% plan identifies \$18.3 million in total savings: \$5.9 million general fund, \$0.4 million state special revenue, and \$11.9 million federal. These savings are largely achieved by reducing Medicaid nursing home rates (\$13.1 million) and reducing Community First Choice services and rates (\$4.7 million).

Personal Services

The LFD calculated an expected personal services budget as a comparison to the executive personal services request. The LFD calculation uses the 2017 base as a starting point, and calculates expected incremental increases based on legislatively approved increases such as the pay plan, workers compensation, longevity increases, health benefit increase, and other expected changes. An illustration of this calculation is included in the Budget Analysis appendix.

The 2017 base included a 2% vacancy savings as stated in HB 2 from the 2015 legislative session. The 2019 biennium executive request for personal services (SWPL 1) includes a 4% vacancy savings, with some exceptions.

Figure 8

Department Of Public Health & Human Services: 22 Senior & Long-Term Care Personal Services Present Law Calculations			
PS Base: \$13,486,268			
		FY 2018	FY 2019
Executive	DP 1: SWPL Personal Services	(\$43,110)	(\$3,897)
Legislative	Statutory Personal Service Change	<u>193,483</u>	<u>233,925</u>
	Difference	(236,593)	(237,822)
Management Choices Explaining the Difference			
	Additional 2% Vacancy Savings	(159,967)	(160,442)
	Broadband Pay Adjustments	300,491	300,491
	Benefits and Taxes on Pay Adjustment	72,369	72,369
	Other	(449,486)	(450,240)
Total		(\$236,593)	(\$237,822)

A number of offsetting changes, including some discretionary decisions of agency management combined for a lower than anticipated budget request. Management made numerous pay increases in addition to the statutory \$0.50 per hour pay plan and longevity increases. The bulk of these increases were market adjustments for employees of the Montana Veterans Home. These increases were offset by turnover of staff that generally lowered program salaries when senior and higher paid employees were replaced by lower paid employees.

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	147,534,661	0	0	1,085,815	148,620,476	23.42 %
02023 Private Ins. Medicaid Reim.-Ve	9,233,824	0	0	0	9,233,824	13.12 %
02032 Vets-I&I Lease	35,782	0	0	0	35,782	0.05 %
02053 Medicaid IGT's	15,620,930	0	0	0	15,620,930	22.20 %
02260 Cigarette Tax Revenue	3,764,230	0	0	0	3,764,230	5.35 %
02497 6901-Lien & Estate - SLTCD	2,329,026	0	0	0	2,329,026	3.31 %
02772 Tobacco Hlth and Medicaid Init	21,392,324	0	0	0	21,392,324	30.40 %
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	0.10 %
02987 Tobacco Interest	2,289,184	0	0	0	2,289,184	3.25 %
02990 69010-Nursing Home Utilization	15,630,434	0	0	0	15,630,434	22.21 %
State Special Total	\$70,371,268	\$0	\$0	\$0	\$70,371,268	11.09 %
03247 Benefits Enrollment Center BEC	0	0	0	0	0	0.00 %
03279 SLTC Lifespan Respite	200,883	0	0	0	200,883	0.05 %
03579 93.667 - SSBG - Benefits	600,002	0	0	0	600,002	0.14 %
03580 6901-93.778 - Med Adm 50%	4,685,561	0	0	0	4,685,561	1.13 %
03583 93.778 - Med Ben Fmap	359,228,161	0	0	0	359,228,161	86.41 %
03666 Aging - Caregiver III-E	1,641,952	0	0	0	1,641,952	0.40 %
03350 Aging-SHIP-ACL	762,859	0	0	0	762,859	0.18 %
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	237,176	0	0	0	237,176	0.06 %
03512 MFP Demonstration Grant	5,970,460	0	0	0	5,970,460	1.44 %
03514 10.570 - Elderly Feeding 100%	2,843,408	0	0	0	2,843,408	0.68 %
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	0.06 %
03518 93.044 - Aging Sup S & Train 1	3,459,431	0	0	0	3,459,431	0.83 %
03519 93.045 - Aging Meals 100%	7,086,953	0	0	0	7,086,953	1.70 %
03005 EMVH V-A Nursing Reimbursement	5,861,604	0	0	0	5,861,604	1.41 %
03073 Aging - Farmers Market	216,914	0	0	0	216,914	0.05 %
03074 Aging - Nutrition Services HDM	1,156,032	0	0	0	1,156,032	0.28 %
03112 Vets-V.A. Reimb	9,178,112	0	0	0	9,178,112	2.21 %
03974 Medicaid Exp HELP Act Admin	0	0	0	0	0	0.00 %
03975 Medicaid Exp HELP Act Benefit	0	0	0	12,134,026	12,134,026	2.92 %
Federal Special Total	\$403,591,872	\$0	\$0	\$12,134,026	\$415,725,898	65.50 %
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$621,497,801	\$0	\$0	\$13,219,841	\$634,717,642	

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:

- Annual 2% 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)

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. The revenue estimates adopted by the Interim Committee on Revenue and Transportation are \$5.69 million for FY 2107, \$5.65 million for FY 2018, and \$5.61 million for FY 2019. Services supported by the cigarette tax include:

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

A present law adjustment discussed below proposes replacing cigarette tax as a funding stream for MVH with federal authority.

Program Budget Summary by Category

The following 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 2018	Budget Fiscal 2019	Biennium Fiscal 18-19	Percent of Budget	Budget Fiscal 2018	Budget Fiscal 2019	Biennium Fiscal 18-19	Percent of Budget
2017 Base Budget	80,248,619	80,248,619	160,497,238	108.79 %	328,115,111	328,115,111	656,230,222	105.59 %
SWPL Adjustments	156,415	168,030	324,445	0.22 %	31,164	88,778	119,942	0.02 %
PL Adjustments	(5,762,130)	(6,287,932)	(12,050,062)	(8.17)%	(14,519,100)	(11,604,955)	(26,124,055)	(4.20)%
New Proposals	(618,480)	(618,480)	(1,236,960)	(0.84)%	(4,364,154)	(4,364,154)	(8,728,308)	(1.40)%
Total Budget	\$74,024,424	\$73,510,237	\$147,534,661		\$309,263,021	\$312,234,780	\$621,497,801	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from the FY 2017 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 2018-----						-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	110,544	(12,306)	(141,348)	(43,110)	0.00	120,465	13,172	(137,534)	(3,897)
DP 2 - Fixed Costs	0.00	41,876	1,647	38,326	81,849	0.00	41,876	1,196	38,326	81,398
DP 3 - Inflation Deflation	0.00	3,995	(11,728)	158	(7,575)	0.00	5,689	5,369	219	11,277
DP 22112 - Contractual Adjustments	0.00	23,579	0	60,219	83,798	0.00	48,264	0	123,437	171,701
DP 22115 - MVH Per Deim PLA	0.00	0	0	18,437	18,437	0.00	0	0	188,683	188,683
DP 22116 - EMVH Fed Auth Per Diem	0.00	0	0	131,008	131,008	0.00	0	0	327,052	327,052
DP 22991 - Medicaid Services SLTC	0.00	(5,785,709)	(700,000)	(8,331,349)	(14,817,058)	0.00	(6,336,196)	(700,000)	(5,388,861)	(12,425,057)
DP 22993 - Medicaid Federal Services SLTC	0.00	0	0	64,715	64,715	0.00	0	0	132,666	132,666
Grand Total All Present Law Adjustments	0.00	(\$5,605,715)	(\$722,387)	(\$8,159,834)	(\$14,487,936)	0.00	(\$6,119,902)	(\$680,263)	(\$4,716,012)	(\$11,516,177)

**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 annualize personal services costs including FY 2017 statewide pay plan adjustments and increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, and longevity adjustments related to incumbents in each position at the time of the personal services snapshot.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. The rates charged for these services are approved in the section of the budget for the programs that provide 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 22112 - Contractual Adjustments -

This present law adjustment requests \$255,498 total funds over the biennium, including general funds of \$23,579 in FY 2018 and \$48,264 in FY 2019. This request reflects the anticipated increase in three Senior and Long Term Care Division contracts: utilization review contract, traumatic brain injury contract and case management contract to recognize growth. The contract for utilization review is also increased to recognize caseload growth to cover the expected increases in contractor time for level of care screens, utilization review, and prior authorizations. Contracts for the utilization review contractor are funded at 75% federal and 25% general funds. The traumatic brain injury contract is 100% general funded and the case management contract is 50% general funds and 50% federal funds.

DP 22115 - MVH Per Deim PLA -

This present law adjustment is requesting an increase in federal authority for funds from the Veterans Administration (VA) for per diem rates 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. The VA per diem rates change on October 1st of each year, and this adjustment assumes the 70%-Disabled, service connected veterans per diem payments and DOM per diem payments will increase approximately 2% and nursing will increase approximately 1.84%. This funding shifts expenses from state special revenue (cigarette taxes) to federal funds. This change package requests \$18,437 in FY 2018 and \$188,683 in FY 2019 in federal funds for the biennium.

DP 22116 - EMVH Fed Auth Per Diem -

This present law adjustment is requesting an increase of federal authority from the Veterans Administration (VA) for per diem rates that will be reimbursed for the nursing facility days of care at the Eastern Montana Veterans Home in the Senior and Long Term Care Division. The VA per diem rates change on October 1st of each year, and this adjustment assumes the 70%-Disabled, service connected veterans per diem payments will increase approximately 2% and nursing will increase approximately 1.84%. The federal VA payments are passed through to the contractor who operates the EMVH facility. This pass through is funded with 100% federal funds. The change package requests \$131,008 in FY 2018 and \$327,052 in FY 2019.

DP 22991 - Medicaid Services SLTC -

This present law adjustment for caseload growth in the Senior and Long Term Care Division covers the increase in the number of eligible individuals in services, utilization, acuity level, and cost per services. This change package requests reductions of \$27,242,115 in total funds. The biennial funding is reduced by \$12,121,905 in general fund, \$1,400,000 in state special revenue, and \$13,720,210 in federal funds.

DP 22993 - Medicaid Federal Services SLTC -

This present law adjustment requests federal funds of \$64,715 in FY 2018 and \$132,666 in FY 2019 to fund growth for federally funded Medicaid services within the Senior and Long Term Care Division. Funding is 100% federal funds.

New Proposals -

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

New Proposals										
-----Fiscal 2018-----					-----Fiscal 2019-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 555 - Appropriation Rebase	0.00	(1,368,480)	(405,000)	(3,340,674)	(5,114,154)	0.00	(1,368,480)	(405,000)	(3,340,674)	(5,114,154)
DP 22119 - Aging Services Funding	0.00	750,000	0	0	750,000	0.00	750,000	0	0	750,000
Total	0.00	(\$618,480)	(\$405,000)	(\$3,340,674)	(\$4,364,154)	0.00	(\$618,480)	(\$405,000)	(\$3,340,674)	(\$4,364,154)

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

DP 555 - Appropriation Rebase -

Under 17-7-111, MCA state agencies are required to submit plans to reduce general fund and certain state special revenue funds by 5%. The executive proposes reductions to the present law budget based on either the 5% reduction plans or FY 2016 reversions.

DP 22119 - Aging Services Funding -

This new proposal requests \$750,000 in general fund each year of the biennium to be allocated to Area Agencies on Aging to provide additional services targeted at keeping individuals in their homes and communities and delaying the need for higher cost services. This funding will help address the increasing need for services, such as respite, homemaker, and meals programs for an expanding aging population in Montana.

Program Budget Comparison

The following table compares the 2017 biennium appropriated budget to the 2019 biennium requested budget by type of expenditure and source of funding.

Program Budget Comparison				
Budget Item	Appropriated Budget 16-17	Requested Budget 18-19	Biennium Change	Biennium % Change
Personal Services	93,107,069	97,411,239	4,304,170	4.62 %
Operating Expenses	35,500,818	34,894,610	(606,208)	(1.71)%
Equipment & Intangible Assets	203,920	284,920	81,000	39.72 %
Grants	10,977,746	7,597,746	(3,380,000)	(30.79)%
Benefits & Claims	179,360,633	163,312,778	(16,047,855)	(8.95)%
Transfers	31,000	45,000	14,000	45.16 %
Debt Service	242,446	235,246	(7,200)	(2.97)%
Total Expenditures	\$319,423,632	\$303,781,539	(\$15,642,093)	(4.90)%
General Fund	159,623,048	152,989,665	(6,633,383)	(4.16)%
State/Other Special Rev. Funds	32,776,842	40,627,335	7,850,493	23.95 %
Federal Spec. Rev. Funds	127,023,742	110,164,539	(16,859,203)	(13.27)%
Total Funds	\$319,423,632	\$303,781,539	(\$15,642,093)	(4.90)%
Total Ongoing	\$319,356,632	\$303,781,539	(\$15,575,093)	(4.88)%
Total OTO	\$67,000	\$0	(\$67,000)	(100.00)%

Program Description

The Addictive and Mental Disorders Division 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% 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% of FPL. The division also manages three inpatient facilities:

- The Montana State Hospital in Warm Springs
- The Montana Chemical Dependency Center in Butte
- Montana Mental Health Nursing Care Center in Lewistown

Program Highlights

Addictive and Mental Disorders Division Major Budget Highlights

The executive branch proposes a 4.9% reduction in expenditures over the 2017 biennium budget primarily due to changes in benefits, claims, and grants. Overall expenditures are reduced for the biennium by \$15.6 million total funds and \$6.6 million general fund.

Medicaid Core Services are reduced overall through transition of HIFA enrollees from traditional Medicaid to the Medicaid expansion.

Increased use of state special revenue for division expenditures are reliant on earmarked alcohol tax being replaced with facility reimbursement at the Montana Chemical Dependency Center and legislative approval of LC895.

The FY 2017 appropriation of 72.75 FTE supporting both the Montana Mental Health Nursing Center and Montana State Hospital contribute to personal service growth of \$4.3 million for the biennium.

Program Actuals and Budget Comparison

The following table compares the program's FY 2016 actual expenditures with FY 2016 and FY 2017 appropriations and with FY 2018 and FY 2019 requested appropriations.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2016	Approp. Fiscal 2016	Approp. Fiscal 2017	Request Fiscal 2018	Request Fiscal 2019
FTE	645.31	645.31	718.06	718.06	718.06
Personal Services	43,742,089	44,283,778	48,823,291	48,639,090	48,772,149
Operating Expenses	16,686,138	18,335,108	17,165,710	17,412,227	17,482,383
Equipment & Intangible Assets	60,299	61,460	142,460	142,460	142,460
Grants	5,781,522	5,978,873	4,998,873	3,798,873	3,798,873
Benefits & Claims	81,191,037	90,901,190	88,459,443	80,459,879	82,852,899
Transfers	8,500	8,500	22,500	22,500	22,500
Debt Service	124,792	124,823	117,623	117,623	117,623
Total Expenditures	\$147,594,377	\$159,693,732	\$159,729,900	\$150,592,652	\$153,188,887
General Fund	73,951,384	81,299,608	78,323,440	76,208,826	76,780,839
State/Other Special Rev. Funds	15,704,138	16,249,317	16,527,525	20,304,343	20,322,992
Federal Spec. Rev. Funds	57,938,855	62,144,807	64,878,935	54,079,483	56,085,056
Total Funds	\$147,594,377	\$159,693,732	\$159,729,900	\$150,592,652	\$153,188,887
Total Ongoing	\$147,527,378	\$159,626,732	\$159,729,900	\$150,592,652	\$153,188,887
Total OTO	\$66,999	\$67,000	\$0	\$0	\$0

* FTE in the program actual and budget comparison table above have been adjusted for FY 2016 and FY 2017. See figure 1 for additional information.

Program Discussion -

Personal Services

AMDD is currently supported by 718.06 full time equivalents (FTE) working in the three facilities and various programs. During the 2015 session, the legislature appropriated additional funding and positions for the Montana State Hospital (MSH) and the Montana Mental Health Nursing Care Center (MMHNCC). MSH received funding for 20 beds and 43.50 FTE to support a new forensic unit while MMHNCC received funding for 25 beds and 29.25 FTE supporting the dementia and alzheimers unit. For both of the facilities, the appropriation began in FY 2017. Additionally, 22.50 FTE were transferred from the Montana Developmental Center (MDC) to AMDD in FY 2017. These positions were categorized as direct care and nursing staff. A summary of AMDD positions is provided in Figure 1.

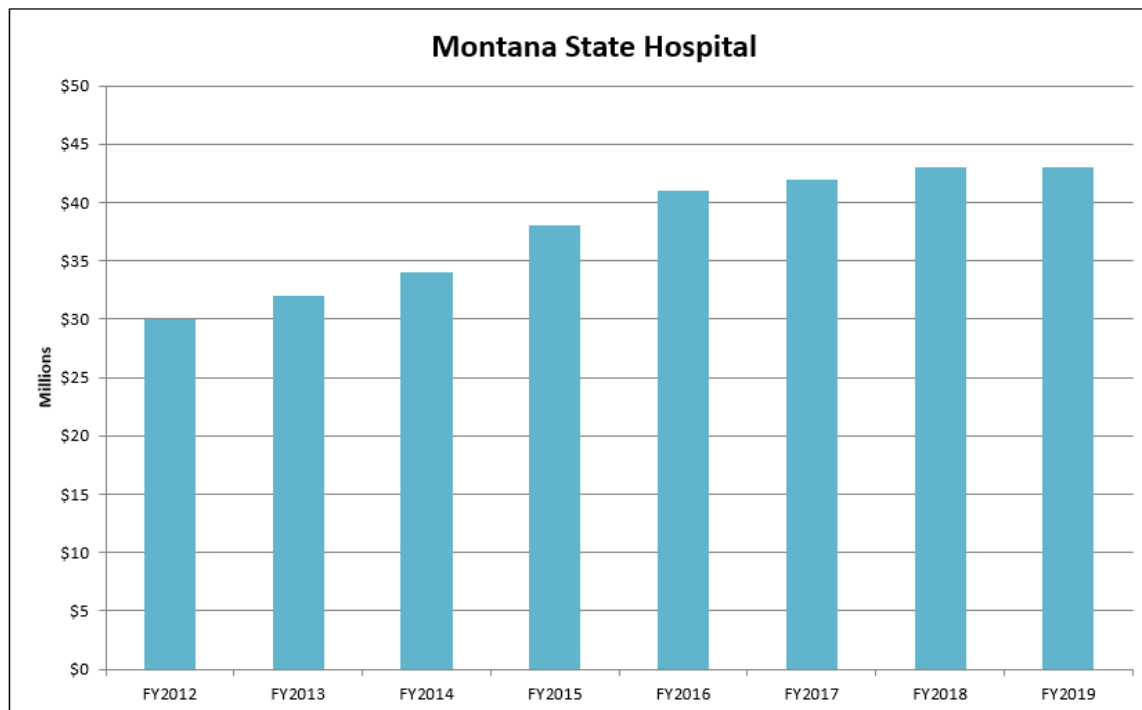
Figure 1

Position Summary AMDD				
	FY 2016	FY 2017	FY 2018	FY 2019
Beginning Year FTE	622.81	645.31	718.06	718.06
Program Transfer from MDC	22.50	0.00	0.00	0.00
Funded Positions Added by 2015 Legislature - MMHNCC	0.00	29.25	0.00	0.00
Funded Positions Added by 2015 Legislature - Forensic Unit	0.00	43.50	0.00	0.00
Total	645.31	718.06	718.06	718.06
Modified Positions for Forensic Unit	34.12			

Additional information about MDC and the specific position transfer can be found in the Developmental Services Division 2019 biennial budget analysis.

Due to continued pressures of occupancy at MSH and in preparation for operation of the forensic unit, 34.12 modified positions were brought on in FY 2016. At the time of the budget request to begin staffing in FY 2016, MSH was licensed for 216 beds but current occupancy was 253. Figure 2 shows MSH expenditures through FY 2016, the budget base for FY 2017, and the executive request for the 2019 biennium.

Figure 2



**LFD
COMMENT**

AMDD staffed 34.12 FTE in FY 2016 to prepare for operation of the Galen forensic unit and to help alleviate occupancy stress at the MSH facility.

AMDD also received 22.20 FTE through program transfers from the Montana Developmental Center in FY 2017.

The LFD calculated an expected personal services budget as a comparison to the executive personal services request. The LFD calculation uses the 2017 base as a starting point, and calculates expected incremental increases based on legislatively approved increases such as the pay plan, workers compensation, longevity increases, health benefit increase, and other expected changes. An illustration of this calculation is included in the Budget Analysis appendix.

The 2017 base included a 2% vacancy savings as stated in HB 2 from the 2015 legislative session. The 2019 biennium executive request for personal services (SWPL 1) includes a 4% vacancy savings, with some exceptions.

Figure 3

Department Of Public Health & Human Services: 33 Addictive & Mental Disorders Personal Services Present Law Calculations			
PS Base: \$48,988,291			
		FY 2018	FY 2019
Executive	DP 1: SWPL Personal Services	(\$184,201)	(\$51,142)
Legislative	Statutory Personal Service Change	<u>560,274</u>	<u>685,783</u>
	Difference	(744,475)	(736,925)
Management Choices Explaining the Difference			
	Additional 2% Vacancy Savings	(477,834)	(479,108)
	Broadband Pay Adjustments	147,544	147,544
	Benefits and Taxes on Pay Adjustment	36,968	36,968
	Other	(451,153)	(442,329)
	Total	(\$744,475)	(\$736,925)

Although the personal services is roughly \$1.5 million below the expected legislative present law, personal services grew by roughly \$4.3 million over the biennium. This is mainly due to the increased appropriation of 72.75 FTE appropriated in FY 2017 for the forensic, alzhiemers, and dementia units and the 22.20 FTE transferred from MDC. Other positive adjustments include:

- \$24,809 in market adjustments
- \$60,254 for re-classifications
- \$15,875 in strategic pay adjustments
- \$26,802 in training assignment progression
- \$21,636 in performance adjustments

Funding

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

69010 - Department Of Public Health & Human Services 33-Addictive & Mental Disorders Division

Department of Public Health & Human Services, 33-Addictive & 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	152,989,665	0	0	4,873,240	157,862,905	39.54 %
02034 Earmarked Alcohol Funds	15,867,442	0	0	4,860,884	20,728,326	42.31 %
02247 MMHNCC DOC INFIRMARY	0	0	0	0	0	0.00 %
02384 02 Indirect Activity Prog 33	660,418	0	0	0	660,418	1.35 %
02394 Montana State Hospital Rev Acc	0	0	0	3,505,000	3,505,000	7.15 %
02598 MCDC COST RECOVERY	5,772,132	0	0	0	5,772,132	11.78 %
02691 6901-MSH/DOC Maint Agreement	280,162	0	0	0	280,162	0.57 %
02772 Tobacco Hlth and Medicaid Init	16,657,860	0	0	0	16,657,860	34.00 %
02987 Tobacco Interest	1,389,321	0	0	0	1,389,321	2.84 %
State Special Total	\$40,627,335	\$0	\$0	\$8,365,884	\$48,993,219	12.27 %
03171 Data Infrastructure Developmnt	203,124	0	0	0	203,124	0.11 %
03580 6901-93.778 - Med Adm 50%	2,028,329	0	0	0	2,028,329	1.05 %
03583 93.778 - Med Ben Fmap	92,305,416	0	0	(195,884)	92,109,532	47.86 %
03601 03 Indirect Activity Prog 33	357,924	0	0	0	357,924	0.19 %
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%	12,750,610	0	0	0	12,750,610	6.63 %
03513 CHIPRA Bonus	0	0	0	0	0	0.00 %
03902 HRSA Flex Rural Hlth Acss 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	82,467,812	82,467,812	42.85 %
Federal Special Total	\$110,164,539	\$0	\$0	\$82,271,928	\$192,436,467	48.19 %
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$303,781,539	\$0	\$0	\$95,511,052	\$399,292,591	

AMDD is funded by general fund, state special revenue, and federal funds. General fund is one half of the division budget request for HB 2 and supports:

- State adult mental health facility costs
- State Medicaid match

Some adult mental health community services such as:

- 72 hour community crisis services
- Drop in centers
- Goal 189 services
- Community mental health crisis jail diversion services
- Community chemical dependency group home services for adults with methamphetamine and other addictions
- Grants to counties to develop mental health crisis jail diversion services
- Training for crisis intervention teams

State special revenue funds about 13.4% of the HB 2 division budget request and supports:

- Montana Chemical Dependency Center (MCDC)
- The state Medicaid match for chemical dependency services and a portion of the match for adult mental health community waiver services and the HIFA/MHSP waiver
- Grants to counties to support state approved chemical dependency programs
- other division administrative costs

Figure 4 shows FY 2016 expenditures, the FY 2017 legislative base budget, and the 2019 biennium budget request for the three state facilities managed by AMDD.

Figure 4

State Facilities Administered by AMDD				
Base Budget Compared to 2017 Biennium Budget Request				
Facility	Base	Executive Budget Request		
Cost/Funding	FY 2016	FY 2017	FY 2018	FY 2019
<u>Montana State Hospital</u>				
FTE	415.40	495.10	495.10	495.10
Personal Services	\$30,366,046	\$33,767,199	\$33,929,251	\$34,024,928
All Other	10,551,983	8,673,302	8,841,910	8,886,068
Total	40,918,029	42,440,501	42,771,161	42,910,996
General Fund	40,041,339	42,300,420	40,332,633	40,466,178
State Special Rev.	876,870	140,081	2,438,528	2,444,818
Federal Funds	-	-	-	-
Facility Revenue*	7,974,861	7,813,566	8,504,738	8,525,909
Average Population	228	228	228	228
Costs Per Person	179,465	186,143	187,593	188,206
Cost Per Day	492	510	514	516
Annual Change		3.7%	0.8%	0.3%
<u>Mental Health Nursing Care Center</u>				
FTE***	120.21	134.71	134.71	134.71
Personal Services	7,557,157	8,110,895	8,271,645	8,289,980
All Other	3,449,593	3,560,846	3,604,155	3,629,020
Total	11,006,750	11,671,741	11,875,800	11,919,000
General Fund	11,006,750	11,671,741	11,875,800	11,919,000
Facility Revenue*	4,478,537	3,848,473	4,188,901	4,199,328
Average Population	93	90	100	100
Cost Per Person	118,352	129,686	118,758	119,190
Cost Per Day	324	355	325	327
Annual Increase		9.6%	-8.4%	0.4%
<u>Montana Chemical Dependency Center</u>				
FTE	53.25	54.25	54.25	54.25
Personal Services	3,294,372	3,858,914	3,871,640	3,858,914
All Other	1,373,058	1,452,064	1,660,621	1,792,842
Total	4,701,455	5,496,119	5,543,796	5,553,863
State Special Funds	4,701,455	5,496,119	5,543,796	5,553,863
Federal Funds	-	-	-	-
Average Population	35	39	39	39
Cost Per Person	134,327	140,926	142,149	142,407
Cost Per Day	368	386	389	390
Annual Change		4.9%	0.9%	0.2%

<u>Total Division Facility Budget</u>				
FTE**	588.86	684.06	684.06	684.06
% of Division Total	95.8%	111.3%	109.8%	98.3%
General Fund	51,048,089	53,972,161	52,208,433	52,385,178
% of Division Total	77.3%	79.4%	67.4%	62.9%
Total Funds	\$56,626,234	\$59,608,361	\$60,190,757	\$60,383,859
Annual Change		5.3%	1.0%	0.3%
Total GF Revenue	\$12,453,398	\$11,662,039	\$12,693,639	\$12,725,237
*Facility revenue includes payments for facility services, which are deposited to the general fund.				
**The FTE for the Nursing Care Center do not include the 20.25 FTE funded by a contract with the Department of Corrections to provide services to inmates needing nursing home level of care.				

Alcohol Taxes

Earmarked alcohol funds are to be used for treatment, rehabilitation, and prevention of alcoholism and chemical dependency. In addition to legislative appropriations there are three statutory appropriations:

1. 20% is distributed as grants to state-approved alcoholism programs
2. 6.6% is distributed as grants to state-approved alcoholism programs that provide services for treatment and rehabilitation for persons with co-occurring serious mental illness and chemical dependency
3. Any funds remaining after legislative appropriations are distributed via grants to state-approved alcoholism programs

Figure 5 shows the alcohol tax state special revenue fund balance for the 2019 biennium budget compared to the executive budget.

Figure 5

Earmarked Alcohol Tax Revenue - 2019 Biennium Budget Compared to 2017 Biennium Budget Request					
Revenue/Expenditures Fund Balance	FY 2016	Base FY 2017	Budget Request FY 2018	FY 2019	% of Total
Revenues*					
Liquor License	6,837,719	7,347,455	7,643,089	7,943,501	70.4%
Wine Tax	1,092,739	1,138,667	1,181,410	1,220,723	10.8%
Additional Wine Tax LC895			1,141,000	1,172,000	10.4%
Beer Tax	941,760	946,662	948,719	949,748	8.4%
Total Revenue	8,872,218	9,432,784	10,914,218	11,285,972	100.0%
Disbursements					
Montana Chemical Dependency Center	3,808,176	5,361,852	2,645,375	2,680,152	25.5%
SA Distribution to Counties	2,410,501	2,430,442	2,430,442	2,430,442	23.2%
AMDD Medicaid Core	493,214	533,289	533,289	533,289	5.1%
Montana State Hospital	759,000	-	2,298,447	2,304,737	22.0%
Adult Substance Abuse Treatment	783,897	871,300	2,435,298	2,436,855	23.2%
Quality Assurance-Licensure	83,821	76,200	82,546	82,755	0.8%
Department of Corrections-Pine Hills	25,523	25,523	25,523	25,523	0.2%
Total Disbursements/HB 2 Appropriations	8,364,132	9,298,606	10,450,920	10,493,753	100.0%
Difference Revenue and Expenditure**	508,086	134,178	463,298	792,219	
*Revenue for liquor, beer, and wine taxes are based those adopted by the Interim Committee on Revenue and Transportation and do not include additional wine tax until acted by the legislature					
**Revenues in excess of appropriations or unencumbered balances remaining at fiscal year end are statutorially appropriated to be distributed to state approved programs.					

The above chart shows the revenue to be greater than expenditures for the 2019 biennium in the amount of \$1.3 million. However, this would be dependent on passage of LC895 and implementation of DP33100 by the legislature. The executive would be deficient by approximately \$1.1 million without passage and approval of LC895.

The influence of the substance abuse treatment refinance decision package can also be recognized in the above chart. In the the 2017 biennium, MCDC was funded through alcohol tax, private insurance, medicaid, and medicare. The executive proposes reductions in the alcohol tax supporting MCDC of roughly \$2.7 million per year. MCDC recently restructured and now includes several 15 bed cottages which make more services Medicaid eligible. This change resulted in MCDC being eligible for federal facility reimbursements. The new federal revenue stream would replace the alcohol tax that currently supports MCDC through passage of the substance abuse refinance.

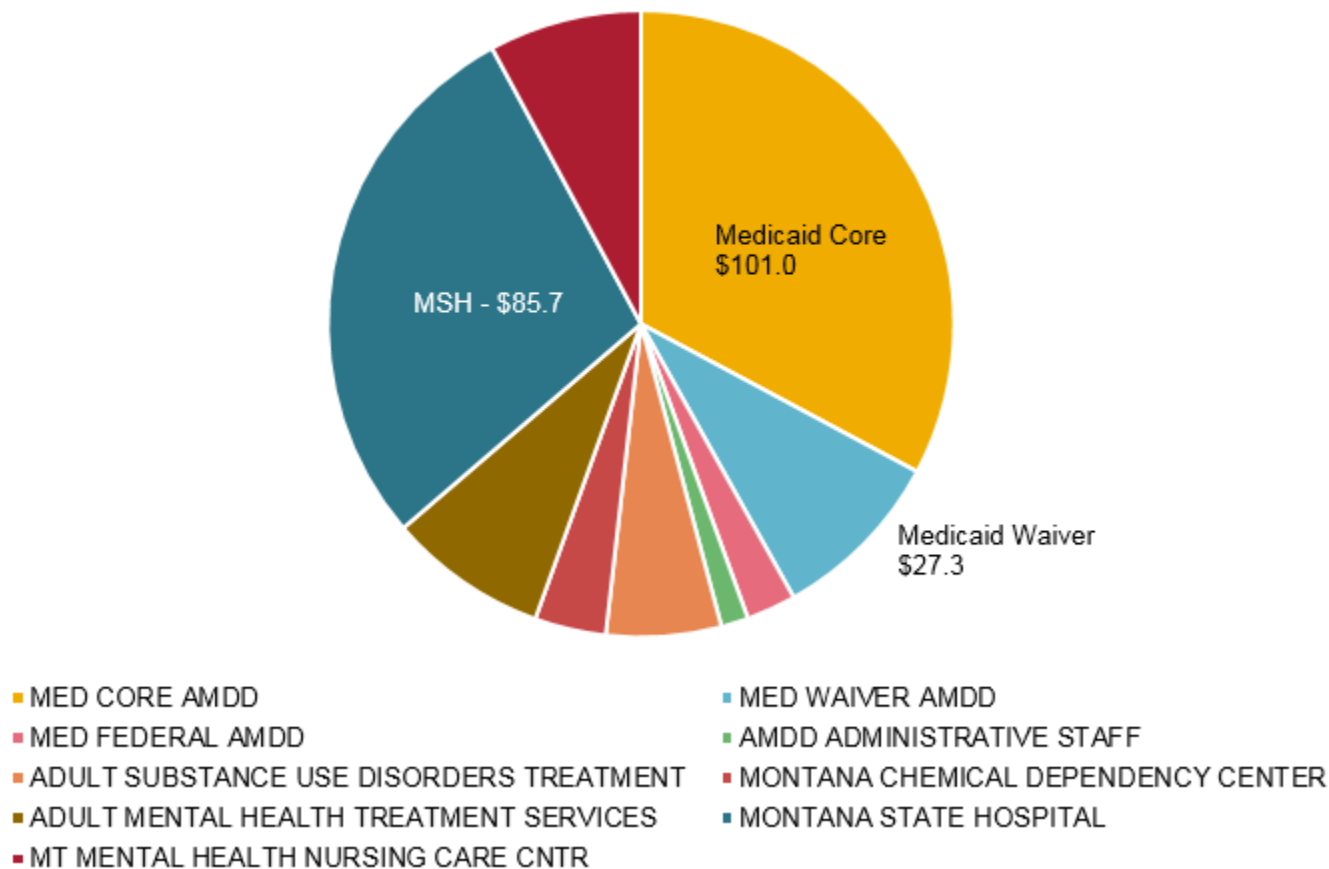
LFD COMMENT

The 2017 legislature has two proposed funding switches to consider. A new wine tax and facility revenue may create general fund savings of approximately \$1.3 million for the biennium.

Figure 5 shows the division expenditures by program for the 2019 biennium.

Figure 5

AMDD Executive Request
2019 Biennium - \$303.8 (\$ Millions)



Program Budget Summary by Category

The following 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 2018	Budget Fiscal 2019	Biennium Fiscal 18-19	Percent of Budget	Budget Fiscal 2018	Budget Fiscal 2019	Biennium Fiscal 18-19	Percent of Budget
2017 Base Budget	78,323,440	78,323,440	156,646,880	102.39 %	159,729,900	159,729,900	319,459,800	105.16 %
SWPL Adjustments	319,004	506,389	825,393	0.54 %	62,316	265,531	327,847	0.11 %
PL Adjustments	2,691,711	3,109,537	5,801,248	3.79 %	(7,931,530)	(5,467,982)	(13,399,512)	(4.41)%
New Proposals	(5,125,329)	(5,158,527)	(10,283,856)	(6.72)%	(1,268,034)	(1,338,562)	(2,606,596)	(0.86)%
Total Budget	\$76,208,826	\$76,780,839	\$152,989,665		\$150,592,652	\$153,188,887	\$303,781,539	

Present Law Adjustments -

69010 - Department Of Public Health & Human Services 33-Addictive & Mental Disorders Division

The "Present Law Adjustments" table shows the changes from the FY 2017 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 2018-----					-----Fiscal 2019-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 1 - Personal Services	0.00	108,359	(163,180)	(129,380)	(184,201)	0.00	226,485	(151,302)	(126,325)	(51,142)
DP 2 - Fixed Costs	0.00	247,271	34,390	0	281,661	0.00	245,839	34,245	0	280,084
DP 3 - Inflation Deflation	0.00	(36,626)	454	1,028	(35,144)	0.00	34,065	1,080	1,444	36,589
DP 33991 - Medicaid Services AMDD	0.00	2,691,711	0	(12,507,696)	(9,815,985)	0.00	3,109,537	0	(10,655,290)	(7,545,753)
DP 33993 - Medicaid Federal Services AMDD	0.00	0	0	1,884,455	1,884,455	0.00	0	0	2,077,771	2,077,771
Grand Total All Present Law Adjustments	0.00	\$3,010,715	(\$128,336)	(\$10,751,593)	(\$7,869,214)	0.00	\$3,615,926	(\$115,977)	(\$8,702,400)	(\$5,202,451)

***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 annualize personal services costs including FY 2017 statewide pay plan adjustments and increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, and longevity adjustments related to incumbents in each position at the time of the personal services snapshot.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. The rates charged for these services are approved in the section of the budget for the programs that provide 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 33991 - Medicaid Services AMDD -

This present law adjustment for caseload growth in the Addictive and Mental Disorders Division covers the increase in the number of eligible individuals, utilization, acuity levels, and cost per service for medical care. This change package requests a reduction in total funds of \$17,361,739. The biennial funding is an increase of \$5,801,249 in general fund and a reduction of \$23,162,987 in federal funds.

DP 33993 - Medicaid Federal Services AMDD -

This present law adjustment requests an increase federal funds of \$1,884,455 in FY 2018 and \$2,077,771 in FY 2019 to fund growth for federally funded Medicaid services within the Addictive and Mental Disorders Division. Funding is 100% federal funds.

New Proposals -

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

New Proposals										
-----Fiscal 2018-----					-----Fiscal 2019-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 555 - Appropriation Rebase										
0.00	(1,200,000)	0	0	(1,200,000)	0.00	(1,200,000)	0	0	(1,200,000)	
DP 33100 - Alcohol Tax Reinvestment in Mental Health										
0.00	(1,141,000)	1,141,000	0	0	0.00	(1,172,000)	1,172,000	0	0	
DP 33300 - Substance Abuse Treatment Refinance										
0.00	(2,764,154)	2,764,154	0	0	0.00	(2,739,444)	2,739,444	0	0	
Total	0.00	(\$5,105,154)	\$3,905,154	\$0	(\$1,200,000)	0.00	(\$5,111,444)	\$3,911,444	\$0	(\$1,200,000)

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

DP 555 - Appropriation Rebase -

Under 17-7-111, MCA state agencies are required to submit plans to reduce general fund and certain state special revenue funds by 5%. The executive proposes reductions to the present law budget based on either the 5% reduction plans or FY 2016 reversions.

DP 33100 - Alcohol Tax Reinvestment in Mental Health -

This budget request proposes a refinance for mental health treatment at the Montana State Hospital in the Addictive and Mental Disorders Division. This fund switch will increase state special revenue funds (Earmarked Alcohol Tax) and decrease general fund by \$1,141,000 in FY 2018 and \$1,172,000 in FY 2019. The total cost for the program does not change. This change package is contingent upon the passage and approval of LC 895.

DP 33300 - Substance Abuse Treatment Refinance -

This new proposal requests a realignment of funding for substance abuse treatment programs in the Addictive and Mental Disorders division. At the Montana Chemical Dependency Center, this change package proposes a reduction in one state special revenue fund (alcohol tax) and an offsetting increase in another state special revenue fund (facility reimbursement) of \$2,764,154 in FY 2018 and \$2,739,444 in FY 2019. Additionally, at the community service level for residential treatment contracts and at the Montana State Hospital, this change package proposes a reduction in general fund and a like increase in state special revenue (alcohol tax) of \$2,764,154 in FY 2018 and \$2,739,444 in FY 2019. The total costs for these programs do not change.

5% Base Budget Reduction Form
17-7-111-3(f)

Department of Public Health and Human Services

		Minimum Requirement		
		General Fund	State Special Revenue Fund	
TARGETED REDUCTION TO EQUAL 5% OF CURRENT BASE BUDGET		\$ 313,864	\$ 47,021	
Priority	SERVICE(S) TO BE ELIMINATED OR REDUCED	General Fund Annual Savings	State Special Revenue Annual Savings	Matching Federal Funds
1	Reduce MTAP Operating Costs		\$ 96,186	-
2	Eliminate Orientation and Mobility Instruction Contract	\$ 87,705	\$ -	-
3	Reduce the Independent Living Contract	\$ 110,103		
4	Reduce Extended Employment Benefits	\$ 344,927		
5	Reduce operating costs in Disability Employment and Transitions Division	\$ 59,930		195,000
6				
7				
8				
9				
10				
11				
	TOTAL SAVINGS	602,665	96,186	195,000
	DIFFERENCE	(288,801)	(49,165)	(195,000)

Form A

5% Base Budget Reduction Form

Department of Public Health and Human Services

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduce MTAP Operating Costs

#2 THE SAVINGS THAT ARE EXPECTED:

Montana Telecommunications Access Program (MTAP) would incur a 10% operating cost reduction. This program is funded 100% by State special revenue fund.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

This reduction would result in fewer Montanans who are deaf or hard of hearing from receiving access to functionally equivalent telecommunications services. Although equipment distribution is not mandated, the Federal Communications Commission (FCC) requires every state to provide relay services and at least some outreach efforts.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

MTAP is a sole source for access to telecommunications services for individuals with disabilities.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

--

Form B

5% Base Budget Reduction Form

Department of Public Health and Human Services

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Eliminate Orientation and Mobility Instruction Contract

#2 THE SAVINGS THAT ARE EXPECTED:

Eliminate entire \$87,705 general fund contract with Montana Independent Living Program for Orientation and Mobility Instruction for children in the Blind/Low Vision program. Formally these funds were used for visual services medical for medical treatments for eye conditions.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

This contract establishes an infrastructure on which other resources can be leveraged to provide orientation and mobility instruction to blind children. If eliminated this program basically will destroy MILP's ability to build the statewide service.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

In the absense of the service, elementary schools would have to provide orientation and mobility instruction on their own.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

--

Form B

5% Base Budget Reduction Form

Department of Public Health and Human Services

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduce the Independent Living Contract

#2 THE SAVINGS THAT ARE EXPECTED:

Reduce the State Independent Living Center's general fund contracts by \$110,103. This would be an overall general fund reduction to IL centers of approximately 25.9% below the current available funding of \$425,028.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Services such as peer advocacy and transition services would be reduced statewide. Reduces the independent living services statewide in an already underfunded system.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

Reduction would be implemented to comply with the State Plan for Independent Living (SPIL) to balance the funding between Montana's four independent living centers.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

--

Form B

5% Base Budget Reduction Form

Department of Public Health and Human Services

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduce Extended Employment Benefits

#2 THE SAVINGS THAT ARE EXPECTED:

Reduction of Extended Employment program general fund of \$344,927. This would be an overall Extended Employment program reduction of approximately 25.9%.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Services to approximately 30 individuals with significant disabilities would be eliminated. Extended employment provides long term sheltered and community based employment to persons with the most significant disabilities. Without these services, these individuals would not receive the essential supports needed at the job site and would likely lose their jobs; some individuals could end up in nursing homes or other assisted living arrangements.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

There is no identified mitigation to this proposed reduction

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

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Form B

5% Base Budget Reduction Form
17-7-111-3(f)

Department of Public Health and Human Services

		Minimum Requirement		
		General Fund	State Special Revenue Fund	
TARGETED REDUCTION TO EQUAL 5% OF CURRENT BASE BUDGET		\$ 1,489,382	\$ 117,643	
Priority		General Fund Annual Savings	State Special Revenue Annual Savings	Matching Federal Funds
	SERVICE(S) TO BE ELIMINATED OR REDUCED			
1	Spend Minimum SNAP Offset Funding		\$ 64,520	
2	Reduce operating costs in the Human and Community Services Division	\$ 344,192		\$ 529,527
3	Eliminate Higher Education Child Care Contracts	\$ 143,820		
4	Eliminate SNAP Employment & Training Services	\$ 245,749	\$ -	\$ 245,749
5				
6				
7				
8				
9				
10				
11				
	TOTAL SAVINGS	\$ 733,761	\$ 64,520	\$ 775,276
	DIFFERENCE	\$ 755,621	\$ 53,123	\$ (775,276)

Form A

5% Base Budget Reduction Form

Department of Public Health and Human Services

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Spend Minimum SNAP Offset Funding

#2 THE SAVINGS THAT ARE EXPECTED:

Cash is received into this fund when clients pay back SNAP benefits under a repayment plan. A minimum amount of funding must be used in place of federal funds to meet the federal funding requirement.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Cash will build in the fund that cannot be spent for other uses

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

none

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Form B

5% Base Budget Reduction Form

Department of Public Health and Human Services

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduce operating costs in the Human and Community Services Division

#2 THE SAVINGS THAT ARE EXPECTED:

Reduce operating and personal services costs by 3%.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Reducing operating expenses would require delays in staffing, reduced travel and standard office expenditures. Program workload would have to be shifted and reduced resources would affect the delivery of program priorities.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

Target reductions to operating expenditures with the smallest impact on constituents and staff. Eligibility work would be shifted to other offices, clients would be directed to use the PAHL, mail, or the self-service portal.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Form B

5% Base Budget Reduction Form

Department of Public Health and Human Services

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Eliminate Higher Education Child Care Contracts

#2 THE SAVINGS THAT ARE EXPECTED:

Provide early childhood coursework to practitioners throughout the state. Provide high quality coursework that is current, research based, relevant and meaningful to students, and that meets the state and national guidelines.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Loss of early childhood coursework for approximately 250 students.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

Meet with the Higher Ed Consortium to discuss possible strategies for providing education to students in lieu of these courses.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Form B

5% Base Budget Reduction Form

Department of Public Health and Human Services

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Eliminate SNAP Employment & Training Services

#2 THE SAVINGS THAT ARE EXPECTED:

Provide employment & training services for adult clients without dependents in an effort to move them into employment or into better employment and reduce or eliminate their dependence on assistance programs.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Reduction in employment & training services for adults without dependents.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

There is no identified mitigation to this proposed reduction.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Form B

5% Base Budget Reduction Form
17-7-111-3(f)

Department of Public Health and Human Services

		Minimum Requirement		
		General Fund	State Special Revenue Fund	
TARGETED REDUCTION TO EQUAL 5% OF CURRENT BASE BUDGET		\$ 2,283,783	\$ 80,349	
Priority	SERVICE(S) TO BE ELIMINATED OR REDUCED	General Fund Annual Savings	State Special Revenue Annual Savings	Matching Federal Funds
1	Cease Spending Adoption Services Revenue	\$ -	\$ 65,000	\$ -
2	Reduce Domestic Violence Funding		\$ 39,400	\$ 175,000
3				
4				
5				
6				
7				
8				
9				
10				
11				
	TOTAL SAVINGS	\$ -	\$ 104,400	\$ 175,000
	DIFFERENCE	\$ 2,283,783	\$ (24,051)	\$ (175,000)

Form A

5% Base Budget Reduction Form

Department of Public Health and Human Services

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Cease Spending Adoption Services Revenue

#2 THE SAVINGS THAT ARE EXPECTED:

Adoption Services

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

The fees collected must continue to be deposited in the SSR (per statute) resulting in a cash balance that cannot be applied elsewhere.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

There is no identified mitigation to this proposed reduction.

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#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Form B

5% Base Budget Reduction Form

Department of Public Health and Human Services

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduce Domestic Violence Funding

#2 THE SAVINGS THAT ARE EXPECTED:

Operating Funds for Shelters, Services to Victims of Domestic Violence, Preventative Programs

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

The Division currently provides operating funding for domestic violence shelters and programs throughout the state. Reducing the funding to the domestic shelter will put a strain on shelter resources resulting in reduced services and possible closure of the shelters. This will greatly reduce the availability of safe havens for women and children that encounter domestic violence situations.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

There is no identified mitigation to this proposed reduction.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Form B

5% Base Budget Reduction Form
17-7-111-3(f)

Department of Public Health and Human Services

		Minimum Requirement		
		General Fund	State Special Revenue Fund	
TARGETED REDUCTION TO EQUAL 5% OF CURRENT BASE BUDGET		\$ 183,332	\$ 39,418	
Priority	SERVICE(S) TO BE ELIMINATED OR REDUCED	General Fund Annual Savings	State Special Revenue Annual Savings	Matching Federal Funds
	1 Unallocated State Special Sources		\$ 2,923,702	
	2 Reduce operating costs in the Director's Office	\$ 147,269	\$ -	\$ 129,097
	3			
	4			
	5			
	6			
	7			
	8			
	9			
	10			
11				
TOTAL SAVINGS		\$ 147,269	\$ 2,923,702	\$ 129,097
DIFFERENCE		\$ 36,063	\$ (2,884,284)	\$ (129,097)

Form A

5% Base Budget Reduction Form

Department of Public Health and Human Services

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Unallocated State Special Sources

#2 THE SAVINGS THAT ARE EXPECTED:

--

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Reducing state special funding will decrease the amount available for operations and service delivery.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

--

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

--

Form B

5% Base Budget Reduction Form

Department of Public Health and Human Services

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduce operating costs in the Director's Office

#2 THE SAVINGS THAT ARE EXPECTED:

Reduce operating and personal services costs by 4%.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Reducing operating expenses would require delays in staffing, reduced travel and standard office expenditures. Program workload would have to be shifted and reduced resources would affect the delivery of program priorities.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

Target reductions to operating expenditures with the smallest impact on constituents and staff

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

No

Form B

5% Base Budget Reduction Form
17-7-111-3(f)

Department of Public Health and Human Services

		Minimum Requirement			
		General Fund	State Special Revenue Fund		
TARGETED REDUCTION TO EQUAL 5% OF CURRENT BASE BUDGET		\$ 188,377	\$ 19,116		
Priority	SERVICE(S) TO BE ELIMINATED OR REDUCED	General Fund Annual Savings	State Special Revenue Annual Savings	Matching Federal Funds	
1	Reduce operating costs in the Child Support Enforcement Division	\$ -	\$ 113,025	\$ 219,402	
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
	TOTAL SAVINGS	\$ -	\$ 113,025	\$ 219,402	
	DIFFERENCE	\$ 188,377	\$ (93,909)	\$ (219,402)	

Form A

5% Base Budget Reduction Form

Department of Public Health and Human Services

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduce operating costs in the Child Support Enforcement Division

#2 THE SAVINGS THAT ARE EXPECTED:

Reduce operating and personal services costs by 3%.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Reducing operating expenses would require delays in staffing, reduced travel and standard office expenditures. Program workload would have to be shifted and reduced resources would affect the delivery of program priorities. Services to custodial and absent parents would be curtailed, consequently resulting in reductions in services intended for the care and welfare of the children which Child Support Enforcement serves. As Child Support Enforcement services would be curtailed, including medical support services, there would be increased financial burdens placed on Medicaid and welfare.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

Existing staff would have an increased workload. The division would have to prioritize services, identifying and serving the needs of Montana families first and placing State of Montana cost recovery and cost avoidance second. This would protect families, but potentially cost the state several millions of dollars.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Yes - Federal: 42 USC 666

Yes - Montana Code Annotated, 40-5-201, et seq.

Form B

5% Base Budget Reduction Form
17-7-111-3(f)

Department of Public Health and Human Services

		Minimum Requirement		
		General Fund	State Special Revenue Fund	
TARGETED REDUCTION TO EQUAL 5% OF CURRENT BASE BUDGET		\$ 182,065	\$ 28,765	
Priority	SERVICE(S) TO BE ELIMINATED OR REDUCED	General Fund Annual Savings	State Special Revenue Annual Savings	Matching Federal Funds
	1 Reduce operating costs in the Business and Financial Services Division	\$ 147,952	\$ 24,014	\$ 227,916
	2			
	3			
	4			
	5			
	6			
	7			
	8			
	9			
	10			
11				
TOTAL SAVINGS		\$ 147,952	\$ 24,014	\$ 227,916
DIFFERENCE		\$ 34,113	\$ 4,751	\$ (227,916)

Form A

5% Base Budget Reduction Form

Department of Public Health and Human Services

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduce operating costs in the Business and Financial Services Division

#2 THE SAVINGS THAT ARE EXPECTED:

Reduce operating and personal services costs by 4%.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Reducing operating expenses would require delays in staffing, reduced travel and standard office expenditures. Program workload would have to be shifted and reduced resources would affect the delivery of program priorities.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

The department will actively manage positions to ensure all available human resources are aligned with department priorities.

The program will target vacancies that result in the least impact to the delivery of program services.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

No

Form B

5% Base Budget Reduction Form
17-7-111-3(f)

Department of Public Health and Human Services

		Minimum Requirement			
		General Fund	State Special Revenue Fund		
TARGETED REDUCTION TO EQUAL 5% OF CURRENT BASE BUDGET					
		\$ 192,451	\$ 870,026		
		General Fund Annual Savings	State Special Revenue Annual Savings	Matching Federal Funds	
Priority	SERVICE(S) TO BE ELIMINATED OR REDUCED				
1	Reduction in Vital Records	\$ -	\$ 50,000		
2	Reduction in Children With Special Health Care Needs Program		\$ 250,000		
3	Reduce Workforce Development Grants	\$ 12,000			
4					
5					
6					
7					
8					
9					
10					
11					
	TOTAL SAVINGS	\$ 12,000	\$ 300,000	\$ -	
	DIFFERENCE	\$ 180,451	\$ 570,026	\$ -	

Form A

5% Base Budget Reduction Form

Department of Public Health and Human Services

- #1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:**
Reduction in Vital Records
- #2 THE SAVINGS THAT ARE EXPECTED:**
Reduce general fund support for Vital Records
- #3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:**
PHSD may need to start charging counties for security paper.
- #4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:**
There is no identified mitigation to this proposed reduction.
- #5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:**
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Form B

5% Base Budget Reduction Form

Department of Public Health and Human Services

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduction in Children With Special Health Care Needs Program

#2 THE SAVINGS THAT ARE EXPECTED:

Reduce in state special revenue support for statewide clinics coordinated by the Children With Special Health Care Needs Program.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

The program will reduce or eliminate the number of clinics for children with special health care needs. These clinics provide medical specialist services that are not available in all communities.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

There is no identified mitigation to this proposed reduction.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

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Form B

5% Base Budget Reduction Form

Department of Public Health and Human Services

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduce Workforce Development Grants

#2 THE SAVINGS THAT ARE EXPECTED:

Reduce general fund support for workforce development grants to counties.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Funding to support workforce development for counties would be reduced.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

There is no identified mitigation to this proposed reduction.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

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Form B

5% Base Budget Reduction Form
17-7-111-3(f)

Department of Public Health and Human Services

		Minimum Requirement		
		General Fund	State Special Revenue Fund	
TARGETED REDUCTION TO EQUAL 5% OF CURRENT BASE BUDGET				
		\$ 120,788	\$ 24,366	
		General Fund Annual Savings	State Special Revenue Annual Savings	Matching Federal Funds
Priority	SERVICE(S) TO BE ELIMINATED OR REDUCED			
1	Reduce operating costs in the Quality Assurance Division	\$ 97,510	\$ -	\$ -
2				
3				
4				
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8				
9				
10				
11				
	TOTAL SAVINGS	\$ 97,510	\$ -	\$ -
	DIFFERENCE	\$ 23,278	\$ 24,366	\$ -

Form A

5% Base Budget Reduction Form

Department of Public Health and Human Services

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduce operating costs in the Quality Assurance Division

#2 THE SAVINGS THAT ARE EXPECTED:

Reduce operating and personal services costs by 4%.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Reducing operating expenses would require delays in staffing, reduced travel and standard office expenditures. Program workload would have to be shifted and reduced resources would affect the delivery of program priorities.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

There is no identified mitigation to this proposed reduction.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

No

Form B

5% Base Budget Reduction Form
17-7-111-3(f)

Department of Public Health and Human Services

		Minimum Requirement		
		General Fund	State Special Revenue Fund	
TARGETED REDUCTION TO EQUAL 5% OF CURRENT BASE BUDGET		\$ 555,165	\$ 83,698	
Priority	SERVICE(S) TO BE ELIMINATED OR REDUCED	General Fund Annual Savings	State Special Revenue Annual Savings	Matching Federal Funds
1	Remove TEAMS fro Mainframe application	\$ 32,232	\$ 705	\$ 52,139
2	Contracted Services Reduction	\$ 435,157	\$ 31,181	\$ 457,698
3	Computer Replacement Reduction	\$ 45,527	\$ 6,580	\$ 43,678
4				
5				
6				
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8				
9				
10				
11				
	TOTAL SAVINGS	\$ 512,916	\$ 38,466	\$ 553,515
	DIFFERENCE	\$ 42,249	\$ 45,232	\$ (553,515)

Form A

5% Base Budget Reduction Form

Department of Public Health and Human Services

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Remove TEAMS fro Mainframe application

#2 THE SAVINGS THAT ARE EXPECTED:

Anticipated savings of \$85,000 total funds in SITSD mainframe storage hosting and application services to remove TEAMS from the mainframe. Estimated savings of \$32,232 general funds and \$705 state special revenue funds

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Eligibility determination staff would not have access to historical data for TANF, SNAP and Medicaid eligibility that is housed in this system. This will cause problems with BFSB staff in collecting on about 250+ cases that are still under active collections in TEAMS. Not having access will also adversely affect Child Support Enforcement for verification of lifetime TANF amounts and some limited "attempt to locate" activities.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

The impact may be mitigated with additional spending on creating a new archive database and application. However that is estimated to cost at least \$100K or more.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

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Form B

5% Base Budget Reduction Form

Department of Public Health and Human Services

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Contracted Services Reduction

#2 THE SAVINGS THAT ARE EXPECTED:

\$924,035 total funds of which \$435,175 is general funds and \$31,181 is state special revenue funds

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

This reduction in operational expenses is equal to 10% of the total contract values for ongoing maintenance and operations of the agencies health human services benefits determination and case management systems. A reduction of this magnitude could result in these systems not being compliant with federal regulations on benefits determination or other program requirements. The reduction will also limit the ability of the program to fix and patch the existing systems in a timely manner.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

There is no mitigation

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

No

Form B

5% Base Budget Reduction Form

Department of Public Health and Human Services

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Computer Replacement Reduction

#2 THE SAVINGS THAT ARE EXPECTED:

\$45,527 general funds and \$6,580 state special revenue funds. Estimated savings by reducing computer and server replacements by 10% is \$95,785 total funds,

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Computer replacement will need to take place on most critical and oldest computers and could result in some computers outliving their life span by two to three years resulting in slower computing processing times and delays in staff performing job duties.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

Mitigation would be to review critical needs replacement on a case by case basis to ensure computing functionality for staff.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

No

Form B

5% Base Budget Reduction Form
17-7-111-3(f)

Department of Public Health and Human Services

		Minimum Requirement		
		General Fund	State Special Revenue Fund	
TARGETED REDUCTION TO EQUAL 5% OF CURRENT BASE BUDGET		\$ 4,564,283	\$ 39,733	
Priority	SERVICE(S) TO BE ELIMINATED OR REDUCED	General Fund Annual Savings	State Special Revenue Annual Savings	Matching Federal Funds
1	Reduce Targeted Case Management and and CBPRS in Children's Mental Health	\$ 2,407,497	\$ -	\$ 6,980,275
2	Reduce Disability Services Waiver Case Plans	\$ 1,500,000		
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9				
10				
11				
	TOTAL SAVINGS	\$ 3,907,497	\$ -	\$ 6,980,275
	DIFFERENCE	\$ 656,786	\$ 39,733	\$ (6,980,275)

Form A

5% Base Budget Reduction Form

Department of Public Health and Human Services

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduce Targeted Case Management and and CBPRS in Children's Mental Health

#2 THE SAVINGS THAT ARE EXPECTED:

Targeted Case Management and CBPRS services for Childrens Mental Health would be reduced.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Targeted Case Management and CBPRS services would be reduced. Higher level services would likely be accessed sooner and the cost of services would increase in the higher level of services. This would likely offset any savings due to the higher cost of the alternate services.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

Administrative Case Management would possibly allow CBPRS to remain in place

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

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Form B

5% Base Budget Reduction Form

Department of Public Health and Human Services

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduce Disability Services Waiver Case Plans

#2 THE SAVINGS THAT ARE EXPECTED:

Decrease waiver case plans by \$1.5 million.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

--

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

--

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

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Form B

5% Base Budget Reduction Form
17-7-111-3(f)

Department of Public Health and Human Services

		Minimum Requirement						
		State Special Revenue Fund						
TARGETED REDUCTION TO EQUAL 5% OF CURRENT BASE BUDGET		General Fund		Fund				
		\$	6,909,796	\$	1,553,280			
Priority			General Fund Annual Savings	State Special Revenue Annual Savings	Matching Federal Funds			
	SERVICE(S) TO BE ELIMINATED OR REDUCED							
	1	DME provider rate moved to the 2017 Medicare rates	\$	1,072,627	\$	-	\$	2,037,338
	2	Incontinence Supply Payment Change	\$	251,678	\$	-	\$	478,035
	3	Reduce Dual Eligible Hospital Crossover Rates	\$	274,477	\$	-	\$	521,339
	4	Reduce Health Improvement Program (HIP)	\$	1,075,510	\$	-	\$	2,042,814
	5	Eliminate Optional Medicaid Services	\$	4,900,246	\$	-	\$	9,307,484
	6							
	7							
	8							
	9							
	10							
	11							
TOTAL SAVINGS		\$	7,574,538	\$	-	\$	14,387,010	
DIFFERENCE		\$	(664,742)	\$	1,553,280	\$	(14,387,010)	

Form A

5% Base Budget Reduction Form

Department of Public Health and Human Services

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

DME provider rate moved to the 2017 Medicare rates

#2 THE SAVINGS THAT ARE EXPECTED:

Adoption of the current Medicare Durable Medical Equipment Prosthetics Orthotics and Supplies (DMEPOS) Fee schedule for the Medicaid Durable Medical Equipment (DME) Program. The Department currently reimburses DME providers based on the 2015 Medicare rates. Montana must align payment with CMS by January 1, 2019.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

This change decreases the price Medicaid pays for Durable Medical Equipment. It will result in reduced provider reimbursement for Medicare competitively bid items and other potentially high cost medical equipment. Member access to DME may also be affected if providers drop out of the Medicaid program.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

The consequences above are expected to be mitigated by directing members to suppliers that continue to accept and participate in the Medicaid program.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Yes - the DME program is a mandatory Medicaid service.

Form B

5% Base Budget Reduction Form

Department of Public Health and Human Services

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Incontinence Supply Payment Change

#2 THE SAVINGS THAT ARE EXPECTED:

Adoption of new rates for incontinence supplies under the Medicaid Durable Medical Equipment (DME) Program. The Department currently reimburses DME providers at 75% of Manufactures Suggested Retail Price (MSRP).

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

This change decreases the price Medicaid pays for incontinence supplies. It will result in reduced provider reimbursement for incontinence supplies. Member access to incontinence supplies may also be affected if providers drop out of the Medicaid program.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

The consequences above are expected to be mitigated by directing members to suppliers that continue to accept and participate in the Medicaid program.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

No

Form B

5% Base Budget Reduction Form

Department of Public Health and Human Services

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduce Dual Eligible Hospital Crossover Rates

#2 THE SAVINGS THAT ARE EXPECTED:

Reduction for Dual Eligible Hospital Crossover Rates.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Hospital providers would see reduced rates for inpatient services and access could erode. Inpatient services currently pay the full deductible and coinsurance for Medicare dual eligibles. This proposal would limit total payments from Medicare and Medicaid to the Medicaid rate.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

--

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

No

Form B

5% Base Budget Reduction Form

Department of Public Health and Human Services

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduce Health Improvement Program (HIP)

#2 THE SAVINGS THAT ARE EXPECTED:

Health Improvement program (HIP) reduction

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Medicaid members with multiple chronic conditions who are identified in the top 5% high risk would receive HIP services. HIP providers will receive Chronic Care Management FFS payments for members utilizing the service instead of receiving capitation payment for all Passport members residing in their coverage area.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

Members would likely seek care in hospitals, emergency rooms, and community health centers. These facilities may have limited capacity to serve them. Staff would have to analyze information to see if utilization of other services would increase due to this change and try to mitigate the consequences. This change must be monitored to assure that impact to constituents is mitigated to the extent possible.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

No

Form B

5% Base Budget Reduction Form

Department of Public Health and Human Services

#1 Reduce operating costs in Disability Employment and Transitions Division

Eliminate Optional Medicaid Services

#2

Reduce operating and personal services costs by 3%.

Elimination of Optional Medicaid Services

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Adult Medicaid beneficiaries would no longer receive services such as physical therapy, eyeglasses, dental, etc. This change could result in physical pain and suffering for clients. This change will also result in a cost shift to other services categories.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

Clients would likely seek care in hospitals and community health centers. These facilities may have limited capacity to serve them. Staff would have to analyze information to see if utilization of other services would increase due to this change and try to mitigate the consequences.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Yes, both State and Federal changes would be required. Services in chapter 42 CFR and State statute changes in chapter 53-6 MCA.

Form B

5% Base Budget Reduction Form
17-7-111-3(f)

Department of Public Health and Human Services

		Minimum Requirement			
		General Fund	State Special Revenue Fund		
TARGETED REDUCTION TO EQUAL 5% OF CURRENT BASE BUDGET					
		\$ 38,944	\$ 1,800		
		General Fund Annual Savings	State Special Revenue Annual Savings	Matching Federal Funds	
SERVICE(S) TO BE ELIMINATED OR REDUCED					
1	Reduce operating costs in the Management and Fair Hearings Division	\$ 31,178	\$ -	\$	31,178
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
TOTAL SAVINGS		\$ 31,178	\$ -	\$	31,178
DIFFERENCE		\$ 7,766	\$ 1,800	\$	(31,178)

Form A

5% Base Budget Reduction Form

Department of Public Health and Human Services

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduce operating costs in the Management and Fair Hearings Division

#2 THE SAVINGS THAT ARE EXPECTED:

Reduce operating and personal services costs by 4%.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Reducing operating expenses would require delays in staffing, reduced travel and standard office expenditures. Program workload would have to be shifted and reduced resources would affect the delivery of program priorities.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

There is no identified mitigation to this proposed reduction.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

No

Form B

5% Base Budget Reduction Form
17-7-111-3(f)

Department of Public Health and Human Services

	Minimum Requirement		
	General Fund	State Special Revenue Fund	
TARGETED REDUCTION TO EQUAL 5% OF CURRENT BASE BUDGET	\$ 3,492,653	\$ 1,147,130	
	General Fund Annual Savings	State Special Revenue Annual Savings	Matching Federal Funds
PRIORITY			
1 SERVICE(S) TO BE ELIMINATED OR REDUCED			
2 MVH Maintenance and Equipment Reduction.		\$ 375,000	
3 EMVH Equipment Reduction		\$ 30,000	
4 Reduce Medicaid Nursing Home Rates	\$ 4,607,825		\$ 8,534,858
5 Reduce Medicaid Community First Choice Services and Rates	\$ 1,368,480		\$ 3,340,674
6			
7			
8			
9			
10			
11			
TOTAL SAVINGS	\$ 5,976,305	\$ 405,000	\$ 11,875,532
DIFFERENCE	\$ (2,483,652)	\$ 742,130	\$ (11,875,532)

Form A

5% Base Budget Reduction Form

Department of Public Health and Human Services

- #1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:**
MVH Maintenance and Equipment Reduction.
- #2 THE SAVINGS THAT ARE EXPECTED:**
Reduce maintenance and equipment costs at Montana Veterans Home in Columbia Falls.
- #3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:**
Montana Veterans Home in Columbia Falls will eliminate to defer maintenance, repairs and equipment costs. Deferred maintenance may result in higher costs in the future.
- #4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:**
MVH will prioritize maintenance and equipment repairs to have the least possible impact to patient health and safety.
- #5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:**
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Form B

5% Base Budget Reduction Form

Department of Public Health and Human Services

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

EMVH Equipment Reduction

#2 THE SAVINGS THAT ARE EXPECTED:

Reduce equipment budget at Eastern Montana Veterans' Home in Glendive.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

This will be a reduction to major non-patient related equipment costs by \$30,000 and will not impact resident care. The State contracts the operation of the facility so the resident related costs are the responsibility of the contractor. The state provides some additional funding for major repairs and maintenance activities at the facility and some major equipment purchases. This will decrease funding for major equipment purchases.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

EMVH will prioritize maintenance and equipment repairs to have the least possible impact to patient health and safety.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

No

Form B

5% Base Budget Reduction Form

Department of Public Health and Human Services

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduce Medicaid Nursing Home Rates

#2 THE SAVINGS THAT ARE EXPECTED:

Reduce private nursing facility services by approximately 9%. This reduces funding available to pay for rates for providers of this service.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

--

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

--

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

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Form B

5% Base Budget Reduction Form

Department of Public Health and Human Services

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduce Medicaid Community First Choice Services and Rates

#2 THE SAVINGS THAT ARE EXPECTED:

Reduce the number of authorized services and the provider rates paid in the Community First Choice program by approximately 9%.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

--

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

--

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

--

Form B

5% Base Budget Reduction Form
17-7-111-3(f)

Department of Public Health and Human Services

		Minimum Requirement			
		State Special Revenue			
		General Fund	Fund		
TARGETED REDUCTION TO EQUAL 5% OF CURRENT BASE BUDGET		\$ 3,655,255	\$ 383,030		
Priority	SERVICE(S) TO BE ELIMINATED OR REDUCED		General Fund Annual Savings	State Special Revenue Annual Savings	Matching Federal Funds
	1	Eliminate of Rimrock IMD (RTEC) Contract	\$ 355,520	\$ 88,880	
	2	Reduce operating costs in the Addictive and Mental Disorders Division	\$ 85,000	\$ -	\$ 85,000
	3	Eliminate Elkhorn Residential Treatment Contract	\$ 203,370	\$ 50,843	
	4	Eliminate Residential Treatment Program Contracts	\$ 1,047,817	\$ 267,587	
	5	Eliminate MHSP Program	\$ 1,238,878		
	6	Reduce Short Term Inpatient Treatment	\$ 50,000		
	7	Reduce Community Secure Crisis Beds	\$ 365,000		
	8	Eliminate Transitional Group Home Program	\$ 1,200,000		
	9				
	10				
11	TOTAL SAVINGS	\$ 4,545,585	\$ 407,310	\$ 85,000	
	DIFFERENCE	\$ (890,330)	\$ (24,280)	\$ (85,000)	

Form A

5% Base Budget Reduction Form

Department of Public Health and Human Services

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Eliminate of Rimrock IMD (RTEC) Contract

#2 THE SAVINGS THAT ARE EXPECTED:

Rimrock IMD services paid through RTEC funds

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

These services cannot be paid by block grant so there would be no funding available in the chemical dependency bureau to fund this.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

Possible mitigation could be to offset costs at MCDC with potential new revenue and move alcohol tax to pay for these services.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

--

Form B

5% Base Budget Reduction Form

Department of Public Health and Human Services

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduce operating costs in the Addictive and Mental Disorders Division

#2 THE SAVINGS THAT ARE EXPECTED:

Reduce operating and personal services costs.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Reducing operating expenses would require delays in staffing, reduced travel and standard office expenditures. Program workload would have to be shifted and reduced resources would affect the delivery of program priorities.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

There is no identified mitigation to this proposed reduction.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

No

Form B

5% Base Budget Reduction Form

Department of Public Health and Human Services

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Eliminate Elkhorn Residential Treatment Contract

#2 THE SAVINGS THAT ARE EXPECTED:

Inpatient services provided at the Elkhorn Residential Treatment Center would be eliminated.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

These services cannot be paid by block grant so there would be no funding available in the chemical dependency bureau to fund this.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

Possible mitigation could be to offset costs at MCDC with potential new revenue and move alcohol tax to pay for these services.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

--

Form B

5% Base Budget Reduction Form

Department of Public Health and Human Services

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Eliminate Residential Treatment Program Contracts

#2 THE SAVINGS THAT ARE EXPECTED:

Services provided for inpatient treatment that cannot be paid out of any other funding source.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

These services cannot be paid by block grant so there would be no funding available in the chemical dependency bureau to fund this.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

Possible mitigation could be to offset costs at MCDC with potential new revenue and move alcohol tax to pay for these services.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

--

Form B

5% Base Budget Reduction Form

Department of Public Health and Human Services

#1 Reduce operating costs in Disability Employment and Transitions Division

Eliminate MHSP Program

#2

Reduce operating and personal services costs by 3%.

Mental Health Services provided to clients under 150% of Federal Poverty level with an SDMI diagnosis, typically those in a detention setting or transitioning from Montana State Hospital.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Approximately 80 clients currently in this program would not receive services as well as any new clients seeking additional help while in a detention setting or transitioning out of Montana State Hospital.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

There is not a mitigation strategy for this proposal.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

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Form B

5% Base Budget Reduction Form

Department of Public Health and Human Services

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduce Short Term Inpatient Treatment

#2 THE SAVINGS THAT ARE EXPECTED:

This is a 14 day diversion program at the mental health centers and hospitals in order to stabilize individuals so that they may be diverted from Montana State Hospital. This program was implemented in October of 2015 with funding received through HB 35.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

A reduction in funding for this program may limit the ability for mental health centers and hospitals to provide this service. This would likely lead to an increase in admissions to Montana State Hospital.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

There is no mitigation strategy for this proposal.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

--

Form B

5% Base Budget Reduction Form

Department of Public Health and Human Services

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduce Community Secure Crisis Beds

#2 THE SAVINGS THAT ARE EXPECTED:

AMDD currently utilizes 5 mental health centers with crisis facilities to offer emergency detention for our clients. To ensure that the mental health centers can continue offering this service AMDD utilizes funding received in HB 34 to guarantee that at least one available bed is funded.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Without this funding contracted mental health centers will no longer be able to provide emergency detention services. This will effect local law enforcement agencies that will then be required to transport these clients to and from Montana State Hospital for court appearances. It will also increase the census at the state hospital.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

There is no mitigation strategy for this proposal.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

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Form B

5% Base Budget Reduction Form

Department of Public Health and Human Services

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Eliminate Transitional Group Home Program

#2 THE SAVINGS THAT ARE EXPECTED:

This funding would allow providers to establish new group homes in their communities that will assist individuals who are guilty but mentally ill as well as those with involuntary civil commitments as they transition out of Montana State Hospital.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

There is not mitigation strategy for this proposal.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

--

Form B

FY 2017 Fund Appropriation Transactions - Public Health & Human Services						
	Legislative Appropriation	Allocations (Contingency Base & Pay Plan)	Program Transfers	2017 Base	% Change from Legislative Approp	% Change from Approp + Allocations
General Fund	\$514,180,561	\$5,504,114	\$0	\$519,684,675	1.1%	1.1 %
State Special Revenue	163,268,118	929,520	-	164,197,638	0.6%	0.6 %
Federal Special Revenue	1,487,484,064	4,509,629	-	1,491,993,693	0.3%	0.3 %
Grand Total	\$2,164,932,743	\$10,943,263	\$0	\$2,175,876,006	0.5%	0.5%

FY 2017 Fund Appropriation Transactions - Public Health & Human Services						
	Legislative Appropriation	Allocations (Contingency Base & Pay Plan)	Program Transfers	2017 Base	% Change from Legislative Approp	% Change from Approp + Allocations
DPHHS						
General Fund	\$515,180,561	\$5,519,728	\$0	\$520,700,289	1.1%	0.0%
State Special Revenue	163,268,118	930,749	-	164,198,867	0.6%	0.0%
Federal Special Revenue	1,487,484,064	4,524,923	-	1,492,008,987	0.3%	0.0%
Grand Total	\$2,165,932,743	\$10,975,400	\$0	\$2,176,908,143	0.5%	0.0%

Medicaid Estimate Summary and Comparison by Major Service Category

Category	2017 Initial Budget	DPHHS			LFD		
		FY 2017	FY 2018	FY2019	FY 2017	FY 2018	FY19
Inpatient Hospital		\$100,174,860	\$102,675,887	\$106,841,986	\$91,188,441	\$92,920,943	\$94,653,445
Outpatient Hospital		56,075,901	59,196,335	63,442,041	66,615,910	71,242,699	74,877,895
Critical Access Hospital		54,397,902	57,709,805	62,155,680	56,681,925	59,590,055	62,573,492
Hospital Utilization Fees/DSH		70,668,465	70,668,465	70,668,465	67,953,744	67,731,347	68,245,963
Other Hospital and Clinical Services		36,202,408	38,287,980	40,957,511	29,799,506	31,701,122	33,862,392
Physician & Psychiatrists		69,609,090	72,489,952	76,639,036	66,770,958	68,752,047	70,897,971
Other Practitioners		25,447,269	27,252,784	29,447,552	23,581,229	24,340,106	25,123,562
Other Managed Care Services		7,794,382	7,802,567	7,928,111	11,719,937	11,994,792	12,278,946
Drugs & Part-D Clawback		125,667,881	139,382,939	153,698,296	131,836,703	137,631,574	143,455,697
Drug Rebates		(65,447,642)	(71,609,344)	(78,406,378)	(63,482,111)	(67,709,197)	(72,033,686)
Dental & Denturists		40,331,786	45,036,429	50,330,729	44,952,548	51,877,735	59,851,303
Durable Medical Equipment		15,890,451	16,166,399	16,613,271	16,407,480	17,071,446	17,691,568
Other Acute Services		4,076,848	4,479,168	4,980,273	4,130,180	4,371,098	4,584,788
Nursing Homes & Swing Beds		151,235,265	151,633,138	152,050,547	147,777,888	142,956,671	144,160,340
Nursing Home IGT		14,150,700	20,150,700	20,150,700	14,150,700	20,150,700	20,150,700
Personal Care		41,746,728	43,059,170	44,413,672	46,396,819	50,405,565	53,187,504
Other SLTC Home Based Services		10,647,972	11,187,347	11,807,437	12,002,926	12,348,934	12,616,041
SLTC HCBS Waiver		45,509,629	48,104,100	48,104,100	49,837,765	53,715,337	54,580,809
Medicare Buy-in		35,272,379	36,778,653	40,371,021	35,484,915	37,216,906	38,893,514
Children's Mental Health		101,408,357	111,238,599	120,440,816	97,095,912	101,975,342	105,529,606
Adult Mental Health and Chem Dep		52,403,638	53,935,546	56,205,778	47,808,152	49,683,631	51,147,686
HIFA Waiver		9,300,128	9,207,127	9,207,127	9,300,128	9,300,128	9,300,128
Disability Services Waiver		120,209,551	120,388,484	120,574,538	116,641,298	120,955,484	125,429,274
Indian Health Services - 100% Fed funds		66,250,575	69,837,196	73,623,065	50,872,235	52,733,117	54,670,775
School Based Services - 100% Fed funds		37,121,512	40,195,270	42,894,868	37,121,512	40,195,270	42,894,868
MDC & ICF Facilities - 100% Fed funds		12,169,821	12,418,646	5,486,608	12,169,821	12,418,647	5,486,608
Total	\$1,310,986,574	1,238,315,856	1,297,673,341	1,350,626,850	1,224,816,522	1,275,571,500	1,314,111,191

Medicaid Estimate Overview & Comparison

Division	DPHHS			LFD			3-Year	3-Year
	FY 2017	FY 2018	FY 2019	FY 2017	FY 2018	FY 2019	\$ Diff.	% Diff.
HRD	\$647,865,834	\$682,319,800	\$726,259,334	\$639,966,878	\$667,630,378	\$696,596,301	\$ (52,251,413)	-2.5%
SLTC	264,584,598	275,493,474	277,953,426	271,460,403	280,936,226	286,122,365	20,487,496	2.5%
AMDD	65,385,977	67,008,994	69,472,542	60,790,491	62,850,081	64,507,452	(13,719,489)	-6.8%
DSD	260,479,447	272,851,073	276,941,548	252,598,750	264,154,815	266,885,073	(26,633,429)	-3.3%
Total	\$1,238,315,856	\$1,297,673,341	\$1,350,626,850	\$1,224,816,522	\$1,275,571,500	\$1,314,111,191	\$ (72,116,835)	-1.9%

2019 BIENNIUM BASE BUDGET

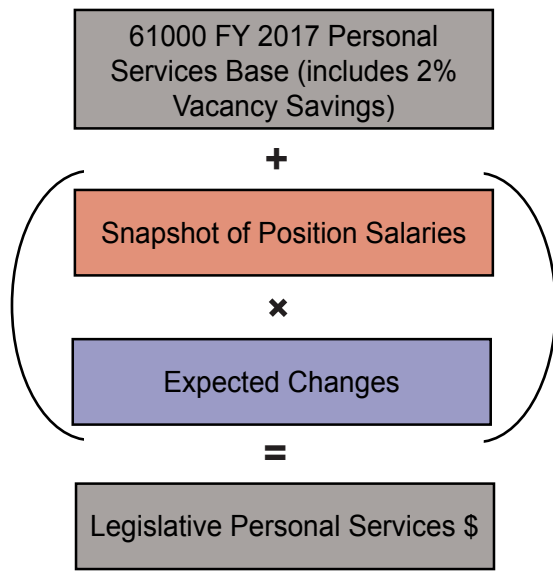
A '17 Leg Budget	+	B '17 Leg Allocations	+	C '17 Exec. BCD	=	D 2017 Base
<ul style="list-style-type: none"> • HB2 Ongoing 		<ul style="list-style-type: none"> • HB13 - Pay Plan Reallocation • OBPP Personal Services Contingency base • OBPP Contingency Base 		Transaction Types <ul style="list-style-type: none"> • AT - Agency Transfer • FT - Consolidation of split biennial appropriation • HA - House Adjustments • HC - House Corrections • OP - Operating Plan • PT - Program Transfers • RO - Reorganization • HB/SB - Cat/Dog bills in base 		

2017 BASE BUDGET

Agency/Program	=	Agency/Program	=	Agency/Program
61000 Personal Services 62000 Operating Expenses 63000 Equipment 64000 Capital Outlay 65000 Local Assistance 66000 Grants 67000 Benefits + Claims 68000 Transfers		Program 1 Program 2 Program 3 Program X		01 - General Fund 02 - State Special Revenue 03 - Federal Special Revenue 06 - Enterprise 06 - Internal Service
Total by 1st Expenditure Level		Total by Program		Total by Fund Type

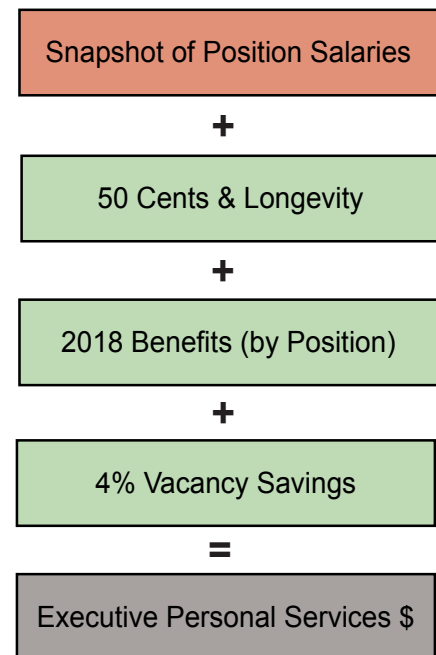
2019 BIENNIUM PERSONAL SERVICES COMPARISON

Legislative



Legislative Personal Services
- 61000 FY 2017 Personal Services Base
= Compare to DP1

Executive



Executive Personal Services
- 61000 FY 2017 Personal Services Base
= DP1 Statewide Present Law Adjustment

LEGISLATIVE PERSONAL SERVICES CALCULATION

(Base 61000 Amount plus Expected-Benefit-Changes-Amount)

