

**Agency Budget Comparison**

The following table compares 2014 actuals expenditures without one-time appropriations plus 2015 estimated appropriations including one-time appropriations, but excluding certain base appropriations to the 2017 biennial total legislative budget. The comparison is listed by year, type of expenditure, and source of funding. The biennial percent change column has been eliminated to allow for the transition to a comparison of the biennial appropriations consistent with SB 140 in the future. The biennial appropriation growth/decline is listed in in the agency highlight tables and the expenditure section of Volume 1 of this Fiscal Report.

Agency Budget Comparison							
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change
Full Time Equivalents (FTE)	2,923.58	2,923.58	2,869.30	2,941.99	2,923.58	2,941.99	18.41
Personal Services	\$170,695,929	\$178,200,890	\$184,639,399	\$187,555,327	\$348,896,819	\$372,194,726	\$23,297,907
Operating Expenses	106,482,041	125,764,489	118,132,243	117,416,309	232,246,530	235,548,552	3,302,022
Equipment & Intangible Assets	628,233	802,994	779,536	704,536	1,431,227	1,484,072	52,845
Grants	74,885,046	76,786,010	79,220,209	79,453,920	151,671,056	158,674,129	7,003,073
Benefits & Claims	1,515,940,213	1,625,209,646	1,696,881,795	1,782,096,820	3,141,149,859	3,478,978,615	337,828,756
Transfers	2,939,272	3,090,204	2,546,635	2,546,635	6,029,476	5,093,270	(936,206)
Debt Service	223,052	292,376	292,007	292,007	515,428	584,014	68,586
<b>Total Costs</b>	<b>\$1,871,793,786</b>	<b>\$2,010,146,609</b>	<b>\$2,082,491,824</b>	<b>\$2,170,065,554</b>	<b>\$3,881,940,395</b>	<b>\$4,252,557,378</b>	<b>\$370,616,983</b>
General Fund	445,923,423	470,181,099	503,772,116	519,042,722	916,104,522	1,022,814,838	106,710,316
State/Other Special Rev. Funds	146,927,323	157,696,682	160,693,938	163,287,515	304,624,005	323,981,453	19,357,448
Federal Spec. Rev. Funds	1,278,943,040	1,382,268,828	1,418,025,770	1,487,735,317	2,661,211,868	2,905,761,087	244,549,219
<b>Total Funds</b>	<b>\$1,871,793,786</b>	<b>\$2,010,146,609</b>	<b>\$2,082,491,824</b>	<b>\$2,170,065,554</b>	<b>\$3,881,940,395</b>	<b>\$4,252,557,378</b>	<b>\$370,616,983</b>

**Agency Description**

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 administers a wide spectrum of programs and projects 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). The department has four branches and the Director's Office. The branches and related divisions are:

*Economic Security Services Branch (page B-1)*

- Disability Employment and Transitions Division
- Human and Community Services Division
- Child and Family Services Division
- Child Support Enforcement Division

*Director's Office (page B-32)*

*Operations Services Branch (page B-37)*

- Business and Financial Services Division
- Quality Assurance Division
- Technology Services Division
- Management and Fair Hearings Division

*Public Health and Safety Division (page B-57)*

*Medicaid and Health Services Branch (page B-64)*

- Developmental Services Division
- Health Resources Division
- Medicaid and Health Services Division
- Senior and Long Term Care Division
- Addictive and Mental Disorders Division

DPHHS is also responsible for the following state facilities:

- Montana State Hospital (MSH), Warm Springs
- Montana Mental Health Nursing Care Center (MMHNCC), Lewistown

- Montana Chemical Dependency Center (MCDC), Butte
- Eastern Montana Veterans’ Home (EMVH), Glendive
- Montana Veterans’ Home (MVH), Columbia Falls
- Montana Developmental Center (MDC), Boulder

**Agency Highlights**

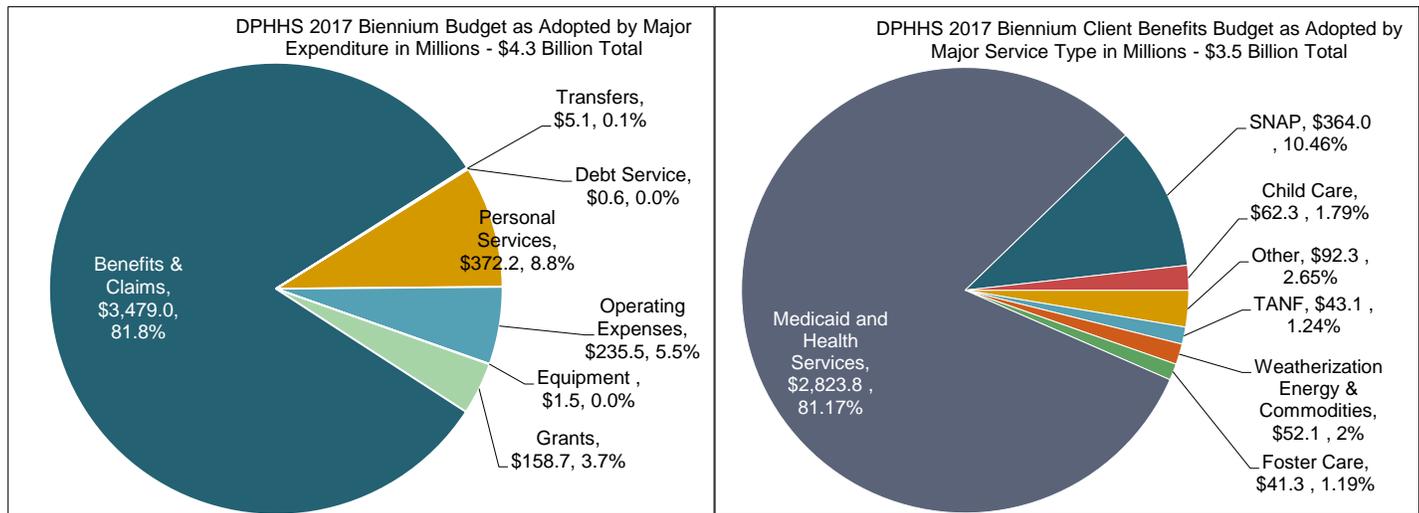
Department of Public Health and Human Services Major Budget Highlights
<ul style="list-style-type: none"> <li>● The 2017 biennial legislative appropriation is 8.0% or \$315.1 million greater than the 2015 biennial appropriation</li> <li>● Increases are primarily due to the following:                             <ul style="list-style-type: none"> <li>○ Medicaid enrollment, service utilization, and pharmacy cost changes - \$318.0 million</li> <li>○ A restricted 2.0% annual provider rate increase for all providers except those that receive a statutorily required cost of living increase - \$52.2 million</li> <li>○ Additional mental health community services - \$9.8 million</li> <li>○ An increase to direct care worker wages - \$6.7 million</li> <li>○ Expansion of state mental health facility services - \$5.0 million and 82.70 new FTE</li> </ul> </li> <li>● Increases are partially offset by:                             <ul style="list-style-type: none"> <li>○ Implementation of the enhanced federal CHIP match rate which lowers the general fund share of the Healthy Montana Kids (HMK) program - \$47.5 million</li> <li>○ Reductions due to lower federal grant amounts and lower anticipated caseloads in the Economic Security Services branch - \$32.8 million</li> </ul> </li> <li>● The legislative biennial appropriation is a net \$277.2 million higher than the executive request. This amount is the product of reductions and increases including such items as:                             <ul style="list-style-type: none"> <li>○ Inclusion of the Supplemental Nutrition Assistance Program (SNAP) appropriation in HB 2 - \$363.9 million</li> <li>○ Adoption of increases for adult mental health services - \$8.0 million</li> <li>○ Adoption of lower CHIP enrollment and changes in per child costs - \$32.2 million</li> <li>○ Adoption of lower estimates for Medicaid enrollment and services utilization changes - \$29.8 million</li> <li>○ Reduction of Medicaid appropriations in anticipation of savings due to SB 405 (HELP Act) - \$10.8 million</li> <li>○ Adoption of one-half of the executive request for increases to direct care worker wages - \$6.7 million</li> <li>○ Movement of federal Title X (family planning) grant funds from HB 2 to a statutory appropriation - \$3.9 million</li> <li>○ Reduction in Operations Services Branch appropriations - \$2.2 million</li> </ul> </li> <li>● Funding for FTE increases by a net 18.41 due to funding new positions for adult mental health facility services expansions that are partially offset by reductions made to comply with 2013 biennium HB 2 boiler plate language</li> </ul>

**Agency Discussion**

The 2017 biennium legislative appropriation for DPHHS is 8.0% or \$315.1 million higher than the 2015 biennium. Benefits and claims (funds to support provision of services to persons who meet specific eligibility criteria) increase, largely due to growth in Medicaid appropriations. Personal services increase between biennia due to approval of the executive request for 82.70 new FTE for state mental health facilities, and 8.00 new one-time-only FTE for eligibility determination. FTE increases are partially offset by reductions made to comply with the 2013 biennium HB 2 boiler plate language. Appropriations for grants increase due to additional funding for tobacco control and prevention, aging services, and community mental health services.

*General Expenditures*

Expenditures in DPHHS are primarily driven by client benefits. The chart below on the left shows the breakdown of the agency budget by category of expenditure. Benefits and claims make up 81.8% of the 2017 biennium budget, personal services is the next largest category at 8.8%.



The chart above on the right shows a more detailed breakdown of benefits and claims across the agency. Medicaid is the largest expenditure category followed by SNAP, with no other single program making up more than 2.0% of the benefits and claims budget. Further detail for these budget items can be found in the program discussions throughout this section.

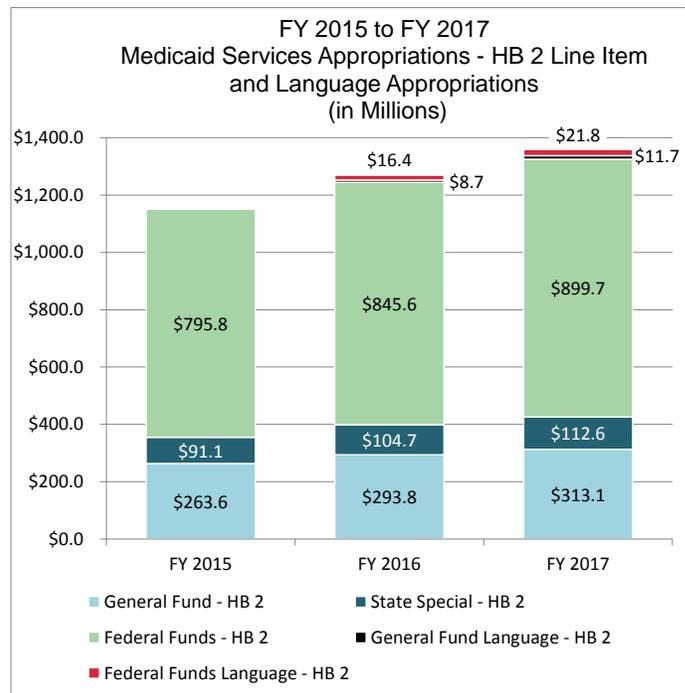
**Summary of Legislative Action**

*Medicaid Services*

Appropriations for Medicaid services are 60.5% of the total 2017 biennium appropriation for DPHHS and 42.0% of the total appropriated in HB 2. However, the legislature also added language appropriations to HB 2 which incrementally add funds for Medicaid services if incurred costs reach certain thresholds. The total appropriated in HB 2, by fund source and component, is shown in the adjacent figure.

The FY 2015 appropriation for Medicaid services totals \$1.2 billion. The total appropriated in HB 2 (including language and line item appropriations) is \$1.3 billion in FY 2016 and \$1.4 billion in FY 2017. The majority of the appropriation in each fiscal year is the FY 2015 base. Incremental changes include:

- Enrollment and service utilization increases
- A 2.0% annual provider rate increase for most services
- Increases to fund direct care worker wage increases and health care for health care workers
- Community services expansions for adult mental health



More detail describing specific legislative actions related to Medicaid appropriations can be found in the Medicaid and Health Services Branch as well as the narratives describing appropriations for Medicaid services.

*SB 405 – Montana Health and Economic Livelihood Partnership Act (HELP Act)*

The legislature passed the HELP Act, which impacts DPHHS programs in several ways. It:

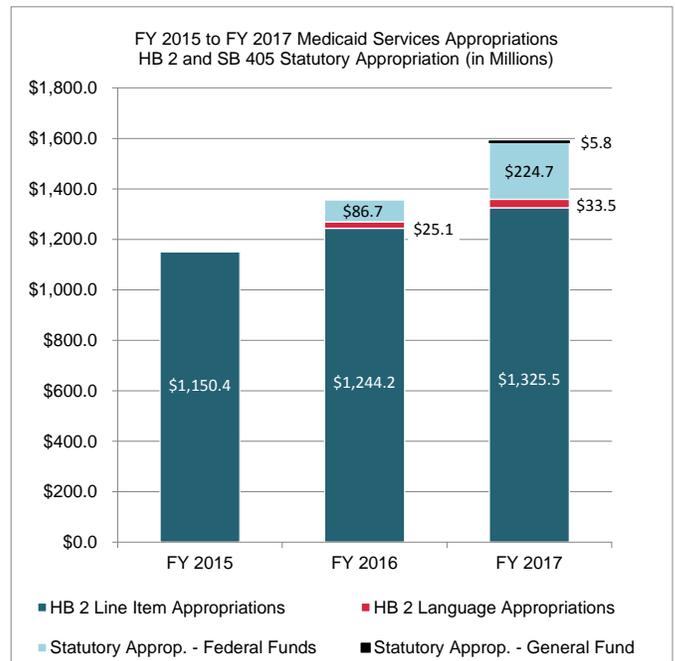
- 1) Adds a new Medicaid eligibility group – adults between the ages of 21 and 64 who are not disabled, who are not pregnant, and who have household incomes below 138% of the federal poverty level (about \$33,500 for a family of four);
- 2) Establishes statutory appropriations of both general fund and federal funds to pay for administrative costs and medical services provided to the new enrollees;
- 3) Requires persons who are newly eligible for Medicaid to pay premiums equal to 2.0% of their adjusted gross income for Medicaid coverage, and co-payments for services;
- 4) Provides that participants with incomes above 100% of the federal poverty level may be disenrolled from Medicaid for nonpayment of premiums, with some exemptions;
- 5) Requires DPHHS to institute Medicaid reforms designed to better coordinate and manage health care as well as improve outcomes;
- 6) Requires DPHHS to contract with a third party administrator (TPA) to manage services for new enrollees, establish provider networks, collect premiums, coordinate medical care, pay providers, and assist with Medicaid health reforms;
- 7) Allows DPHHS to divert certain of the new enrollees from TPA services to the regular Medicaid program, such as persons with exceptional health care needs or those who live in an area that may not have access to the third party administrator provider network;
- 8) Requires DPHHS to reimburse outside medical costs for residents of state facilities at the Medicaid reimbursement rate, which is lower than the current private pay rate; and
- 9) Establishes an oversight committee to HELP Act development and implementation.

These programmatic changes are dependent on federal approval of a waiver of certain federal Medicaid regulations. The legislature assumed that the HELP Act would be implemented no later than January 1, 2016 (midway through FY 2016).

Budgetary Impact of the HELP Act: HB 2 and Statutory Appropriations

The legislature lowered HB 2 general fund appropriations by \$10.8 million in FY 2017 in anticipation of savings related to the HELP Act. Savings occur as persons who are currently enrolled in the regular Medicaid program under various state waivers shift to the new eligibility group, which has a higher federal match rate.

The fiscal note for the HELP Act estimated that there would be an additional 30,020 persons enrolled in Medicaid by FY 2017 due to the new eligibility expansion. As noted earlier, medical services for these enrollees will be paid from a statutory appropriation. The adjacent figure shows the total for Medicaid services appropriated both in HB 2 and statutorily by source of authority for FY 2015 – FY 2017. The legislature assumed that the Medicaid expansion is implemented midyear in FY 2016, which would total \$230.5 million in statutory appropriations for Medicaid services in the 2017 biennium.



*Impact of SB 411 – Closure of Montana Developmental Center*

Most persons who will move from the Montana Developmental Center (MDC) to community services are Medicaid eligible. The fiscal note estimates that new Medicaid community services will cost about \$1.1 million in FY 2016 and \$6.9 million in FY 2017. FY 2017 costs are offset by reductions in MDC operating costs and the increased federal Medicaid share. Revenues to the general fund will decrease by \$7.4 million in FY 2017 due to loss of facility revenues and the facility bond transfer. The general fund match to support the new Medicaid services will be provided by appropriations made to support MDC.

**Agency Funding**

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

Funding by Source of Authority				
Budget Item	HB 2	Statutory Appropriation	Total All	% Total All Funds
General Fund	\$1,022,814,838	26,099,155	\$1,048,913,993	22.7%
State Special Revenue Funds	323,981,453	10,411,350	334,392,803	7.2%
Federal Special Revenue Funds	<u>2,905,761,087</u>	<u>340,530,226</u>	<u>3,246,291,313</u>	70.1%
<b>Total</b>	<b>\$4,252,557,378</b>	<b>\$377,040,731</b>	<b>\$4,629,598,109</b>	
<b>Percent - Total All Sources</b>	<b>91.9%</b>	<b>8.1%</b>		

DPHHS is funded predominantly with federal funds – 68.2% over the biennium, with general fund making up 24.0% of the total. Across the department, general fund is used primarily as a matching source to draw down federal funding for various social and medical assistance programs. The required match rates vary by function throughout the department. The primary match rate is the Federal Medical Assistance Percentage (FMAP) which is about 35% state funds and 65% federal funds. There are enhanced FMAP rates for some services such as the Children’s Health Insurance Program (CHIP). Some state funds are also used for maintenance of effort (MOE), which is spending required in order to receive block grants for services such as Temporary Assistance for Needy Families (TANF) and child care.

The difference between the HB 2 column and the Total All Sources column in the preceding table is in statutory appropriations for:

- o The HELP Act
- o Some of the alcohol tax revenues that are allocated to DPHHS
- o Federal Title X (family planning funds)
- o Debt service on bonds for the Montana State Hospital.

**Budget Summary by Category**

The following table summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 16-17	Percent of Budget	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 16-17	Percent of Budget
2015 Budget	468,734,721	468,734,721	937,469,442	91.66%	2,002,994,740	2,002,994,740	4,005,989,480	94.20%
PL Adjustments	18,372,521	33,884,666	52,257,187	5.11%	42,919,865	115,522,891	158,442,756	3.73%
New Proposals	16,664,874	16,423,335	33,088,209	3.24%	36,577,219	51,547,923	88,125,142	2.07%
<b>Total Budget</b>	<b>503,772,116</b>	<b>519,042,722</b>	<b>1,022,814,838</b>		<b>2,082,491,824</b>	<b>2,170,065,554</b>	<b>4,252,557,378</b>	

**Other Legislation**

**HB 33** – This bill amends statutes governing matching grants provided to counties that establish mental health crisis jail diversion services or programs. The bill requires that appropriations above the level appropriated in FY 2015 must be used in the following order:

- 1) Create crisis intervention or jail diversion services in areas of the state that currently lack services;
- 2) Provide new crisis intervention or jail diversion services in areas of the state that have received funding in previous years;
- 3) Recognized an increase in the demand for or use of services that have received funding in previous years.

The bill requires that DPHHS maintain the level of state matching funds provided to counties in FY 2015 if the county's request continued funding of the services created or provided through use of the matching funds.

HB 47 – This bill appropriates \$1.2 million general fund to DPHHS for youth mental health crisis diversion pilot projects. The department can distribute this money through grants to up to six licensed children's mental health providers. Grant qualifications must meet the needs of the community being served and offer one or more of the following services:

- 24 hour crisis line
- Case management within 24 hours of a crisis situation
- Family assessment for service declaration
- Short-term crisis stabilization services
- A part-time project coordinator

Grantees shall report to the interim Children, Families, Health, and Human Services committee on the use of the grant funds including outcome measures as defined by the department.

HB 223 – This bill increases the cost of death certificates by \$3.00 and uses the funding to support the Board of Funeral Services in the Department of Labor and Industry (DOLI).

HB 337 – This bill increases the resource limits for Medicaid programs for workers with disabilities from \$8,000 to \$15,000 for an individual and from \$12,000 to \$30,000 for a couple. Resource tests are used in conjunction with other eligibility criteria, including income and disability, to determine eligibility for the workers with disabilities. DPHHS estimated that Medicaid costs would increase by \$226,000 over the biennium due to the eligibility change. The legislature did not add funds to HB 2.

HB 237 (VETOED) – This bill establishes requirements for Medicaid overpayment audits. The Governor vetoed the bill and the subsequent override poll was unsuccessful.

HB 472 – This bill makes permanent the Office of the Child and Family Ombudsman that was created one-time-only by the 2013 Legislature. It provides funding for this position by transferring \$85,741 in each year of the biennium from DPHHS to the Department of Justice.

HB 478 – This bill implements safety standards and oversight for cottage food operations and clarifies state regulation of mobile food establishments. The bill also provides certain exemptions for farmers' markets. Other than rule making authority, there is no fiscal impact to DPHHS due to changes in the bill.

HB 606 – This bill establishes a statutory appropriation for federal Title X (family planning) grant funds. Previously, these funds were appropriated in HB 2.

SB 150 – This bill increases the amount of a public utility's minimum annual funding requirement for low-income energy and weatherization assistance. It has no impact on the department's budget.

SB 193 – This bill revises agency liquor store laws and impacts state revenue from the sale of liquor in two ways. First, it increases the state markup on liquor from 40.0% to 40.5%. Second, it replaces the current method of calculating each agency liquor store's discount rate with an alternative method. These changes increase estimated revenue for the state special revenue account for the prevention and treatment of substance abuse disorders.

SB 216 – This bill establishes and requires Medicaid in-home fraud prevention training for certain services. In addition, the bill mandates cost information and reporting while providing rule making authority for fiscal accountability of home and community based services.

SB 217 – This bill revises the rule making authority of the Office of Vital Records and requires that information collected for medical, health, or administrative use is optional and may only be collected after securing the parent's consent. DPHHS did not anticipate additional costs as a result of this bill.

**SB 316 (VETOED)**– This bill generally revises laws governing when particular individuals may be transferred to a correctional facility. The Governor vetoed the bill and the subsequent override poll was unsuccessful.

**SB 399** – This bill authorizes the creation of the Montana Achieving a Better Life Experience Program (ABLE Act). The bill as it pertains to DPHHS:

- Authorizes a tax-exempt savings accounts for disability-related expenses
- Requires the 529 program comply with federal laws
- Authorizes the department to contract with other states' 529 programs for residents using the program in Montana
- Ensures that the 529 utilization does not count in determining eligibility for state programs

**SB 405** – This bill authorizes an expansion of Medicaid eligibility. More detailed information is available in the "Summary of Legislative Action" section.

**SB 411** – This bill requires DPHHS to close the Montana Developmental Center (MDC) by June 30, 2017. Closure of MDC will move persons from the center to community-based services to provide for the necessary care, treatment, and support. The bill also mandates that a transition planning committee be formed to assist the department in the planning and execution of the closure.

### Executive Budget Comparison

The following table compares the legislative budget for the 2017 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget FY 2014	Executive Budget 2016	Legislative Budget 2016	Leg. - Exec. Difference 2016	Executive Budget 2017	Legislative Budget 2017	Leg. - Exec. Difference 2017	Bien. Diff. 16-17
Full Time Equivalents (FTE)	2,923.58	2,872.80	2,869.30	(3.50)	2,945.49	2,941.99	(3.50)	(3.50)
Personal Services	\$170,695,929	\$187,565,687	\$184,639,399	(\$2,926,288)	\$191,548,783	\$187,555,327	(\$3,993,456)	(\$6,919,744)
Operating Expenses	106,482,041	116,150,557	118,132,243	1,981,686	118,223,144	117,416,309	(806,835)	1,174,851
Equipment & Intangible Assets	628,233	728,233	779,536	51,303	653,233	704,536	51,303	102,606
Grants	74,885,046	82,112,783	79,220,209	(2,892,574)	82,112,783	79,453,920	(2,658,863)	(5,551,437)
Benefits & Claims	1,515,940,213	1,546,897,599	1,696,881,795	149,984,196	1,643,033,441	1,782,096,820	139,063,379	289,047,575
Transfers	2,939,272	2,932,772	2,546,635	(386,137)	2,932,772	2,546,635	(386,137)	(772,274)
Debt Service	223,052	226,151	292,007	65,856	231,620	292,007	60,387	126,243
<b>Total Costs</b>	<b>\$1,871,793,786</b>	<b>\$1,936,613,782</b>	<b>\$2,082,491,824</b>	<b>\$145,878,042</b>	<b>\$2,038,735,776</b>	<b>\$2,170,065,554</b>	<b>\$131,329,778</b>	<b>\$277,207,820</b>
General Fund	445,923,423	528,406,791	503,772,116	(24,634,675)	564,413,772	519,042,722	(45,371,050)	(70,005,725)
State/Other Special Rev. Funds	146,927,323	157,347,468	160,693,938	3,346,470	160,489,783	163,287,515	2,797,732	6,144,202
Federal Spec. Rev. Funds	1,278,943,040	1,250,859,523	1,418,025,770	167,166,247	1,313,832,221	1,487,735,317	173,903,096	341,069,343
<b>Total Funds</b>	<b>\$1,871,793,786</b>	<b>\$1,936,613,782</b>	<b>\$2,082,491,824</b>	<b>\$145,878,042</b>	<b>\$2,038,735,776</b>	<b>\$2,170,065,554</b>	<b>\$131,329,778</b>	<b>\$277,207,820</b>

The legislative appropriation for DPHHS is \$277.2 million higher than the executive request for the biennium. This difference is primarily due to the legislature's inclusion of Supplemental Nutrition Assistance Program (SNAP) funding in HB 2 at \$363.9 million for the biennium. HB 148 provided for these funds to become statutorily appropriated rather than included in HB 2. The bill was tabled in the House Appropriations Committee. Adding SNAP funding to the executive's HB 2 request brings that total to \$96.3 million above the final legislative budget.

As noted earlier, the legislative general fund appropriation is lower than the executive request. This difference is primarily due to implementation of the enhanced federal match for CHIP. That change lowered legislative general fund appropriations \$47.5 million from executive request. The legislature reduced the executive Medicaid services request by about \$20.5 million general fund. Additionally, the legislature lowered general fund by \$10.8 million in FY 2017 due to anticipated savings when the HELP Act is implemented. These reductions were partially offset by legislative increases in adult mental health services totaling \$8.0 million above the executive request.

FTE are 3.50 lower than the executive request because the legislature moved Title X funding from HB 2 to a statutory appropriation.

### Language and Statutory Authority

Language governing HB 2 appropriations is discussed in each branch overview.

Agency Budget Comparison

The following table compares 2014 actuals expenditures without one-time appropriations plus 2015 estimated appropriations including one-time appropriations, but excluding certain base appropriations to the 2017 biennial total legislative budget. The comparison is listed by year, type of expenditure, and source of funding. The biennial percent change column has been eliminated to allow for the transition to a comparison of biennial appropriations consistent with SB 140 in the future. The biennial appropriation growth/decline is listed in the agency highlight tables and the expenditure section of Volume 1 of this Fiscal Report.

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Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change
FTE	1,179.47	1,179.47	1,149.25	1,149.25	1,179.47	1,149.25	(30.22)
Personal Services	65,531,552	68,985,311	70,394,543	70,367,383	134,516,863	140,761,926	6,245,063
Operating Expenses	20,722,657	22,231,747	22,212,791	22,294,471	42,954,404	44,507,262	1,552,858
Equipment & Intangible Assets	21,456	144,914	121,456	46,456	166,370	167,912	1,542
Capital Outlay	0	0	0	0	0	0	0
Grants	26,746,239	27,927,656	28,749,065	28,745,363	54,673,895	57,494,428	2,820,533
Benefits & Claims	302,492,619	329,291,306	311,763,665	314,113,978	631,783,925	625,877,643	(5,906,282)
Transfers	2,524,135	2,587,919	2,524,135	2,524,135	5,112,054	5,048,270	(63,784)
Debt Service	1,158	1,527	1,158	1,158	2,685	2,316	(369)
<b>Total Costs</b>	<b>\$418,039,816</b>	<b>\$451,170,380</b>	<b>\$435,766,813</b>	<b>\$438,092,944</b>	<b>\$869,210,196</b>	<b>\$873,859,757</b>	<b>\$4,649,561</b>
General Fund	75,248,669	80,187,551	83,156,587	84,908,468	155,436,220	168,065,055	12,628,835
State/Other Special Rev. Funds	5,639,778	6,904,101	5,819,805	5,821,085	12,543,879	11,640,890	(902,989)
Federal Spec. Rev. Funds	337,151,369	364,078,728	346,790,421	347,363,391	701,230,097	694,153,812	(7,076,285)
<b>Total Funds</b>	<b>\$418,039,816</b>	<b>\$451,170,380</b>	<b>\$435,766,813</b>	<b>\$438,092,944</b>	<b>\$869,210,196</b>	<b>\$873,859,757</b>	<b>\$4,649,561</b>

Agency Description

The Economic Security Services branch delivers a broad range of social and public health services to communities in Montana through the combined efforts of the Disability and Employment Transitions Division (DETD), the Human and Community Services Division (HCSD), the Child and Family Services Division (CFSD), and the Child Support Enforcement Division (CSED).

The primary functions of the branch include:

- Providing eligibility determination for and administration of public assistance in the form of:
  - Supplemental Nutrition Assistance Program (SNAP)
  - Temporary Assistance for Needy Families (TANF)
  - Low income energy assistance (LIEAP) & weatherization
  - Child care subsidies and programs
- Child welfare services including foster care, subsidized adoption, and family stabilization services
- Independent living support
- Vocational Rehabilitation for the blind or disabled
- Child support enforcement including collections, ensuring medical support, and establishing paternity

## Agency Highlights

<b>Economic Security Services Branch Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The 2017 biennial appropriations decreased by 2.6% or \$23.4 million in total funds compared to the 2015 biennium. All values discussed below are biennial</li> <li>• Increased general fund due to: <ul style="list-style-type: none"> <li>◦ Higher state match rates to draw down federal funding for foster care, guardianship, subsidized adoption, and cost allocation</li> <li>◦ Lower revenue into the state special revenue account for the Child Support Enforcement Division</li> </ul> </li> <li>• A contingency appropriation of state special revenue for voice and internet relay services for the Montana Telecommunications Access Program provided these services are delegated to the state by the federal government - \$ 1.5 million, potential</li> <li>• The legislature approved and restricted provider rate increases for service providers across the branch, except child care</li> <li>• The legislature appropriated one-time-only general fund for the Best Beginnings STARS to Quality child care program for the biennium - \$2.4 million</li> <li>• The legislature appropriated funds to support various aspects of the Child and Family Services Division that were originally included in HB 305 - \$4.4 million</li> <li>• The legislature approved the addition of 8.00 one-time-only FTE in the Offices of Public Assistance in the Human and Community Services Division - \$0.8 million</li> </ul>

## Summary of Legislative Action

The legislature considered the budget for the 2017 biennium from a starting point of the FY 2015 appropriation. From this starting point, the economic security services branch had large reductions in benefits and claims, and slight increases in personal services, operating expenses, and grants.

The legislature adjusted benefits down from the level at which they were appropriated for FY 2015 to the lower level at which the department is currently experiencing and anticipating various caseloads. This meant reductions in both TANF cash benefits and SNAP benefits. Though some of the TANF reduction was replaced when the legislature adopted an increase in the level of benefits for TANF recipients from 33% of the 2011 federal poverty level (FPL) to 35% of the most recent year's FPL (2015 for benefits in 2016, and 2016 for benefits in 2017).

The legislature adopted both increases and decreases throughout program budgets in the branch to align expenditures in the coming biennium with the current and anticipated caseloads. This led to increases for Disability Determination Services, Vocational Rehabilitation and Blind (VRB) Services, TANF non-assistance programs, foster care, and subsidized guardianship. This also led to decreases for Montana Telecommunications Access Program (MTAP) Relay Services, the VRB Case Management System, SNAP benefits, TANF cash benefits, Child and Adult Care Food Program (CACFP) benefits, Intergovernmental Human Services Bureau (IHSB) grants, and subsidized adoption.

In addition to these present law adjustments, the legislature adopted provider rate increases of 2.0% in each year for various service providers throughout the branch, provided additional funding for the Montana Youth Transitions program, increased the TANF cash benefits level, funded the Child Care STARS to Quality program, funded 8.00 additional FTE as one-time-only for the Offices of Public Assistance, funded Tribal Foster Care, and appropriated \$4.4 million over the biennium for various program improvements in the Child and Family Services division.

All of these actions will be further addressed in the various program level narratives.

**Funding**

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

Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	168,065,055	0	0	168,065,055	19.23 %
State Special Total	11,640,890	0	130,000	11,770,890	1.35 %
Federal Special Total	694,153,812	0	0	694,153,812	79.42 %
Proprietary Total	0	0	0	0	0.00 %
Other Total	0	0	0	0	0.00 %
<b>Total All Funds</b>	<b>\$873,859,757</b>	<b>\$0</b>	<b>\$130,000</b>	<b>\$873,989,757</b>	
<b>Percent - Total All Sources</b>	<b>99.99 %</b>	<b>0.00 %</b>	<b>0.01 %</b>		

This branch is funded predominantly with federal funds, with general fund as about one-fifth of total funding. Across the branch, general fund is used primarily as a matching source to draw down federal funding for various social assistance programs. The required match rates vary by function throughout the divisions: CFSD and CSED generally receive the Federal Medical Assistance Percentage (FMAP) rate; HCSD primarily uses maintenance of effort (MOE) funding, which is a set dollar amount, rather than a match rate; DETD varies throughout its programs, but in general has a match rate higher than FMAP.

As compared to the 2015 biennium, the general fund appropriation for the 2017 biennium has increased while both the state special revenue and federal special revenue appropriations have decreased. This is due to a number of factors including, but not limited to, the change in FMAP leading to a larger state share of payments for foster care, subsidized adoption, etc., replacing one-time-only federal dollars with general fund to continue the Child Care STARS to Quality program, declining revenue to the state special fund for the Child Support Enforcement division.

**Budget Summary by Category**

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	79,942,503	79,942,503	159,885,006	95.13 %	449,114,518	449,114,518	898,229,036	102.79 %
PL Adjustments	241,010	1,621,063	1,862,073	1.11 %	(20,111,459)	(18,824,274)	(38,935,733)	(4.46)%
New Proposals	2,973,074	3,344,902	6,317,976	3.76 %	6,763,754	7,802,700	14,566,454	1.67 %
<b>Total Budget</b>	<b>\$83,156,587</b>	<b>\$84,908,468</b>	<b>\$168,065,055</b>		<b>\$435,766,813</b>	<b>\$438,092,944</b>	<b>\$873,859,757</b>	

**Other Legislation**

**HB 472** - This legislation makes permanent the office of the child and family ombudsman that was created with one-time-only funding by the 2013 Legislature. It provides funding for this position by transferring \$85,741 in each year of the biennium from the department of public health and human services to the department of justice.

**SB 150** - Increases the amount of a public utility's minimum annual funding requirement for low-income energy and weatherization assistance. This has no impact on the department's budget.

**SB 405** - Some of the administrative costs for the Montana Health and Economic Livelihood Partnership (HELP) Act will fall to the Human and Community Services division.

**Executive Budget Comparison**

The following table compares the legislative budget for the 2017 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2014	Executive Budget Fiscal 2016	Legislative Budget Fiscal 2016	Leg — Exec. Difference Fiscal 2016	Executive Budget Fiscal 2017	Legislative Budget Fiscal 2017	Leg — Exec. Difference Fiscal 2017	Biennium Difference Fiscal 16-17
FTE	1,179.47	1,149.25	1,149.25	0.00	1,149.25	1,149.25	0.00	0.00
Personal Services	65,531,552	70,976,840	70,394,543	(582,297)	70,949,953	70,367,383	(582,570)	(1,164,867)
Operating Expenses	20,722,657	21,807,884	22,212,791	404,907	21,908,766	22,294,471	385,705	790,612
Equipment & Intangible Assets	21,456	121,456	121,456	0	46,456	46,456	0	0
Capital Outlay	0	0	0	0	0	0	0	0
Grants	26,746,239	28,749,065	28,749,065	0	28,749,065	28,745,363	(3,702)	(3,702)
Benefits & Claims	302,492,619	129,061,384	311,763,665	182,702,281	131,992,206	314,113,978	182,121,772	364,824,053
Transfers	2,524,135	2,524,135	2,524,135	0	2,524,135	2,524,135	0	0
Debt Service	1,158	1,158	1,158	0	1,158	1,158	0	0
<b>Total Costs</b>	<b>\$418,039,816</b>	<b>\$253,241,922</b>	<b>\$435,766,813</b>	<b>\$182,524,891</b>	<b>\$256,171,739</b>	<b>\$438,092,944</b>	<b>\$181,921,205</b>	<b>\$364,446,096</b>
General Fund	75,248,669	81,398,731	83,156,587	1,757,856	83,162,583	84,908,468	1,745,885	3,503,741
State/other Special Rev. Funds	5,639,778	5,812,559	5,819,805	7,246	5,815,499	5,821,085	5,586	12,832
Federal Spec. Rev. Funds	337,151,369	166,030,632	346,790,421	180,759,789	167,193,657	347,363,391	180,169,734	360,929,523
<b>Total Funds</b>	<b>\$418,039,816</b>	<b>\$253,241,922</b>	<b>\$435,766,813</b>	<b>\$182,524,891</b>	<b>\$256,171,739</b>	<b>\$438,092,944</b>	<b>\$181,921,205</b>	<b>\$364,446,096</b>

The 2017 biennium legislatively approved budget includes federal funding of \$360.9 million above the level requested by the executive. This includes Supplemental Nutrition Assistance Program (SNAP) funding which the executive had requested (via legislation) be moved out of HB 2 and into a statutory appropriation. The legislative appropriation also includes funding for the Safe Child Initiative in the Child and Family Services Division; this funding had originally been requested in HB 305, which was tabled. Of the \$4.4 million in originally in HB 305, \$3.4 is in the Safe Child Initiative line item with the other \$1.0 million in a language appropriation earmarked for the same purpose.

Appropriations requested by the executive include caseload and provider rate increases throughout the economic security services branch to cover foster care and guardianship programs that are split between federal and state funding sources, and 8.00 one-time-only FTE for the Offices of Public Assistance. The budget also includes a contingency appropriation of \$775,000 in annual allocation of state special revenue held in case the federal government requires the State to take over portions of the Montana Telecommunications Access Program (MTAP) for which administration has historically been federal.

This budget does not fund lease adjustments for the Offices of Public Assistance in the Human and Community Services Division, and it does fund increased overtime and holiday pay for the Child and Family Services division at 50% of the requested amount.

**Language and Statutory Authority**

The following language was included in HB 2:

The Disability Employment and 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 Federal Communications Commission mandate, which would require states to provide both video and internet protocol relay services for people with severe hearing, mobility, or speech impairments.

Provider Rate Increase may be used only to raise rates paid to service providers.

If HB 305 is not passed and approved, then the Safe Child Initiative is appropriated an additional \$500,000 of general fund in each year of the 2017 biennium. (HB 305 was tabled in Senate Finance and Claims.)

**Program Budget Comparison**

The following table summarizes the total Legislative budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	147.00	147.00	141.97	141.97	147.00	141.97	(5.03)	(3.42)%
Personal Services	8,408,617	9,028,213	9,132,344	9,131,982	17,436,830	18,264,326	827,496	4.75%
Operating Expenses	4,690,936	6,342,327	5,115,635	5,144,001	11,033,263	10,259,636	(773,627)	(7.01)%
Benefits & Claims	14,266,466	13,691,777	14,706,157	14,976,100	27,958,243	29,682,257	1,724,014	6.17%
Transfers	0	0	0	0	0	0	0	0.00%
<b>Total Costs</b>	<b>\$27,366,019</b>	<b>\$29,062,317</b>	<b>\$28,954,136</b>	<b>\$29,252,083</b>	<b>\$56,428,336</b>	<b>\$58,206,219</b>	<b>\$1,777,883</b>	<b>3.15%</b>
General Fund	5,726,929	5,777,130	6,040,044	6,129,856	11,504,059	12,169,900	665,841	5.79%
State/Other Special Rev. Funds	930,524	1,029,065	947,359	948,528	1,959,589	1,895,887	(63,702)	(3.25)%
Federal Spec. Rev. Funds	20,708,566	22,256,122	21,966,733	22,173,699	42,964,688	44,140,432	1,175,744	2.74%
<b>Total Funds</b>	<b>\$27,366,019</b>	<b>\$29,062,317</b>	<b>\$28,954,136</b>	<b>\$29,252,083</b>	<b>\$56,428,336</b>	<b>\$58,206,219</b>	<b>\$1,777,883</b>	<b>3.15%</b>

**Program Description**

The Disability Employment and Transitions Division (DET) is composed of three bureaus: Vocational Rehabilitation/ Blind-Low Vision Field Services, Disability Determination Services, and Program Support.

The goals of DET 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, the division 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**

<b>Disability Employment and Transitions Division Major Budget Highlights</b>
<ul style="list-style-type: none"><li>• The 2017 biennial appropriations increased by 1.5% or approximately \$0.9 million in total funds when compared with the 2015 appropriation. This amount was the product of offsetting reductions and increases including:<ul style="list-style-type: none"><li>◦ Reduced operating costs of nearly \$1.0 million in each year</li><li>◦ Reduced information technology costs for the Vocational Rehabilitation and Blind services program</li><li>◦ Reduced MTAP relay services expenditures</li><li>◦ Increased Vocational Rehabilitation and Blind services benefits costs</li><li>◦ Increases for health insurance and reinstatement of vacancy savings</li><li>◦ Increased support for Disability Determination Services</li><li>◦ Increased funding for Montana Youth Transitions</li><li>◦ Provider rate increases for Vocational Rehabilitation, Extended Employment, and Independent Living</li></ul></li><li>• The legislature restricted provider rate increases and the Montana Youth Transitions program to ensure the funds are used for those purposes.</li><li>• Additionally, the legislature provided a contingency appropriation of \$775,000 for state special revenue in each year of the biennium to be used for a potential Federal Communications Commission (FCC) mandate for state provisions of video and internet protocol relay services.</li></ul>

**Program Narrative**

For the 2017 biennium, the legislature approved an increase in total funds of \$0.9 million over the 2015 biennium appropriation. The legislature provided additional funding for caseloads in Disability Determination services and Vocational Rehabilitation and Blind services. It reduced funding for MTAP relay services and case management system support from the amount of the 2015 appropriation to align with expected lower expenditures in those areas. The legislature also funded provider rate increases for the program's various social service providers at 2.0% in each year of the biennium.

*Montana Youth Transitions*

In addition to the executive request, the legislature chose to appropriate an additional \$50,000 each year for Montana Youth Transitions. Montana Youth Transitions (MYTransitions) is a tool for youth with disabilities and their families who are transitioning out of high school. Its purpose is to increase the number of youth with disabilities who achieve their desired post-school outcomes through connection with other students and families in Montana who have either already navigated the transition process or are also currently in transition.

**69020 - Economic Security Services Branch 01-Disability Employment & Transitions Division**

**Funding**

The following table shows program funding by source from all sources of authority.

Economic Security Services Branch, 01-Disability Employment & Transitions Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	12,169,900	0	0	12,169,900	20.91 %	
02159 Handicapped Telecommunications	1,819,628	0	0	1,819,628	95.98 %	
02434 02 Indirect Activity Prog 01	76,259	0	0	76,259	4.02 %	
<b>State Special Total</b>	<b>\$1,895,887</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,895,887</b>	<b>3.26 %</b>	
03024 Soc Sec - Trust Funds	1,890,724	0	0	1,890,724	4.28 %	
03234 Promise Grant	0	0	0	0	0.00 %	
03365 03 Indirect Activity Prog 01	10,201	0	0	10,201	0.02 %	
03554 84.169 - Independent Living 90	548,328	0	0	548,328	1.24 %	
03555 84.177 - Indep Living Old BLIN	464,528	0	0	464,528	1.05 %	
03557 84.187 - Vic Sup Employment	728,988	0	0	728,988	1.65 %	
03558 84.224 - Mon Tech 100%	848,958	0	0	848,958	1.92 %	
03559 84.265 - In Service Training 9	28,600	0	0	28,600	0.06 %	
03588 93.802 - Disabil Deter Adm 100	12,003,736	0	0	12,003,736	27.19 %	
03604 84.126 - Rehab-Sec110 A 78.7%	27,616,369	0	0	27,616,369	62.56 %	
<b>Federal Special Total</b>	<b>\$44,140,432</b>	<b>\$0</b>	<b>\$0</b>	<b>\$44,140,432</b>	<b>75.83 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$58,206,219</b>	<b>\$0</b>	<b>\$0</b>	<b>\$58,206,219</b>		

The division is funded with a variety of sources and both sources and federal matching rates vary by function. General fund comprises 20.91% of the budget, with most used to match federal funds.

Federal funds comprise 75.83% of the 2017 biennium 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.

State special revenue makes up about 3.26% 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.

**Budget Summary by Category**

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

**69020 - Economic Security Services Branch 01-Disability Employment & Transitions Division**

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	5,767,310	5,767,310	11,534,620	94.78 %	29,007,759	29,007,759	58,015,518	99.67 %
PL Adjustments	135,134	135,593	270,727	2.22 %	(368,272)	(340,268)	(708,540)	(1.22)%
New Proposals	137,600	226,953	364,553	3.00 %	314,649	584,592	899,241	1.54 %
<b>Total Budget</b>	<b>\$6,040,044</b>	<b>\$6,129,856</b>	<b>\$12,169,900</b>		<b>\$28,954,136</b>	<b>\$29,252,083</b>	<b>\$58,206,219</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 101 - Personal Services to 2014 Levels	0.00	62,137	13,209	(25,174)	50,172	0.00	62,158	14,599	(26,947)	49,810
DP 102 - General Operations to 2014 Levels	0.00	94,265	(17,094)	(944,934)	(867,763)	0.00	94,347	(17,121)	(944,990)	(867,764)
DP 515 - State Share Health Insurance	0.00	10,231	2,030	56,737	68,998	0.00	10,231	2,030	56,737	68,998
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	3,341	1,665	34,513	39,519	0.00	3,341	1,665	34,513	39,519
DP 525 - Fixed Costs	0.00	516	119	1,187	1,822	0.00	515	122	1,192	1,829
DP 527 - Inflation/Deflation	0.00	(13,999)	(5,042)	(52,690)	(71,731)	0.00	(13,642)	(5,239)	(51,337)	(70,218)
DP 100444 - Statewide 4% FTE Reduction - Program 1	(5.03)	0	0	0	0	(5.03)	0	0	0	0
DP 101001 - DDS Operations Support	0.00	0	0	273,025	273,025	0.00	0	0	299,872	299,872
DP 101003 - VRB Annualization of 2015B Funding	0.00	285,490	0	1,357,910	1,643,400	0.00	285,490	0	1,357,910	1,643,400
DP 101006 - MTAP Annualization of Relay Services	0.00	0	(65,136)	0	(65,136)	0.00	0	(65,136)	0	(65,136)
DP 101008 - VRB Support Fee for Case Mgmt System	0.00	(306,847)	0	(1,133,731)	(1,440,578)	0.00	(306,847)	0	(1,133,731)	(1,440,578)
<b>Grand Total All Present Law Adjustments</b>	<b>(5.03)</b>	<b>\$135,134</b>	<b>(\$70,249)</b>	<b>(\$433,157)</b>	<b>(\$368,272)</b>	<b>(5.03)</b>	<b>\$135,593</b>	<b>(\$69,080)</b>	<b>(\$406,781)</b>	<b>(\$340,268)</b>

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

DP 101 - Personal Services to 2014 Levels -

The legislature appropriated additional funds in each year of the biennium to fund personal services at the current usage level; this net increase includes changes such as longevity, workers compensation rates, movement of 1.00 FTE into Disability Employment and Transitions from the Public Health and Safety division, and various other adjustments.

DP 102 - General Operations to 2014 Levels -

The legislature approved a reduction in funds in each year of the biennium to fund operations at the current usage level; operational expenses are currently lower than anticipated by the FY 2015 appropriation.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance rates as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Costs -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation/Deflation -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 100444 - Statewide 4% FTE Reduction - Program 1 -

FY 2016 and FY 2017 contain reductions in FTE made by the executive to implement the boilerplate language in HB 2. Though intended by the legislature, the FY 2014 and FY 2015 FTE levels do not reflect this language.

DP 101001 - DDS Operations Support -

The legislature approved federal funds of \$273,025 in FY 2016 and \$299,872 in FY 2017 to annualize the costs associated with maintaining existing levels of service for Disability Determination Services.

DP 101003 - VRB Annualization of 2015B Funding -

The legislature approved \$1,357,910 federal funds and \$285,490 general fund in each year of the biennium to annualize benefit increases for the Vocational Rehabilitation and Blind Services (VRB) program implemented during the 2015 biennium.

DP 101006 - MTAP Annualization of Relay Services -

The legislature approved a decrease of \$65,136 in state special funds each year of the biennium to align with current relay service contract rates.

DP 101008 - VRB Support Fee for Case Mgmt System -

The legislature approved reductions of \$306,847 general fund and \$1,133,731 federal funds in each year of the biennium to align with current support needs for the Vocational Rehabilitation and Blind (VRB) program's case management system.

**69020 - Economic Security Services Branch 01-Disability Employment & Transitions Division**

**New Proposals**

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 10201 - Montana Youth Transitions (RST)	0.00	50,000	0	0	50,000	0.00	50,000	0	0	50,000
DP 101009 - PRI - Vocation Rehabilitation (RST)	0.00	47,918	0	177,049	224,967	0.00	96,795	0	357,639	454,434
DP 101010 - PRI - Extended Employment (RST)	0.00	26,048	0	0	26,048	0.00	52,617	0	0	52,617
DP 101011 - PRI - Independent Living (RST)	0.00	13,634	0	0	13,634	0.00	27,541	0	0	27,541
<b>Total</b>	<b>0.00</b>	<b>\$137,600</b>	<b>\$0</b>	<b>\$177,049</b>	<b>\$314,649</b>	<b>0.00</b>	<b>\$226,953</b>	<b>\$0</b>	<b>\$357,639</b>	<b>\$584,592</b>

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

DP 10201 - Montana Youth Transitions (RST) -

The legislature restricted \$90,000 general fund in each year of the biennium for the Montana Youth Transitions program; the restriction included \$40,000 from the base and \$50,000 in additional authority.

DP 101009 - PRI - Vocation Rehabilitation (RST) -

The legislature approved a 2.0% provider rate increase in each year of the biennium for Vocational Rehabilitation providers.

DP 101010 - PRI - Extended Employment (RST) -

The legislature approved a 2.0% provider rate increase in each year of the biennium for Extended Employment providers.

DP 101011 - PRI - Independent Living (RST) -

The legislature approved a 2.0% provider rate increase in each year of the biennium for Independent Living providers.

### Program Budget Comparison

The following table summarizes the total Legislative budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	501.32	501.32	496.32	496.32	501.32	496.32	(5.00)	(1.00)%
Personal Services	26,414,388	27,777,775	28,353,560	28,346,059	54,192,163	56,699,619	2,507,456	4.63 %
Operating Expenses	8,518,672	8,241,535	8,870,170	8,879,262	16,760,207	17,749,432	989,225	5.90 %
Equipment & Intangible Assets	0	90,000	100,000	25,000	90,000	125,000	35,000	38.89 %
Capital Outlay	0	0	0	0	0	0	0	0.00 %
Grants	19,932,959	21,146,654	21,935,785	21,932,083	41,079,613	43,867,868	2,788,255	6.79 %
Benefits & Claims	255,836,642	281,277,033	260,753,429	260,823,370	537,113,675	521,576,799	(15,536,876)	(2.89)%
Transfers	2,286,044	2,587,919	2,286,044	2,286,044	4,873,963	4,572,088	(301,875)	(6.19)%
<b>Total Costs</b>	<b>\$312,988,705</b>	<b>\$341,120,916</b>	<b>\$322,298,988</b>	<b>\$322,291,818</b>	<b>\$654,109,621</b>	<b>\$644,590,806</b>	<b>(\$9,518,815)</b>	<b>(1.46)%</b>
General Fund	30,266,181	34,450,545	33,716,098	33,711,355	64,716,726	67,427,453	2,710,727	4.19 %
State/Other Special Rev. Funds	2,425,380	2,959,004	2,573,375	2,573,449	5,384,384	5,146,824	(237,560)	(4.41)%
Federal Spec. Rev. Funds	280,297,144	303,711,367	286,009,515	286,007,014	584,008,511	572,016,529	(11,991,982)	(2.05)%
<b>Total Funds</b>	<b>\$312,988,705</b>	<b>\$341,120,916</b>	<b>\$322,298,988</b>	<b>\$322,291,818</b>	<b>\$654,109,621</b>	<b>\$644,590,806</b>	<b>(\$9,518,815)</b>	<b>(1.46)%</b>

### Program Description

HCSD's purpose 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, Medicaid, child care, meal reimbursement, nutrition training, energy assistance, and weatherization. Further detail on these programs can be found on the division's website: <http://www.dphhs.mt.gov/hcsd/index.shtml>.

The Human and Community Services Division (HCSD) contains five bureaus: 1) Public assistance policy and systems; 2) Public assistance field services; 3) Early childhood services; 4) Intergovernmental human services (IHSB); and 5) Fiscal.

## Program Highlights

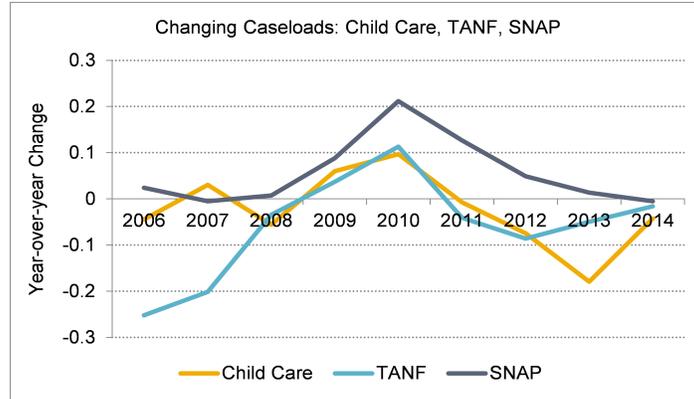
<b>Human and Community Services Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The 2017 biennial appropriations decreased by 5.2% or approximately \$35.2 million in total funds when compared to the 2015 biennium.</li> <li>• Major decreases to the budget are primarily in federal funds due to anticipated caseload reductions: <ul style="list-style-type: none"> <li>◦ \$9.0 million per year in SNAP</li> <li>◦ \$5.5 million per year in TANF</li> <li>◦ \$2.7 million per year in weatherization/LIEAP and other Intergovernmental Human Services bureau programs</li> </ul> </li> <li>• An additional decrease is due to lower operating costs for the division at \$9.8 million for the biennium in primarily federal funds</li> <li>• New proposals that were funded by the legislature include: <ul style="list-style-type: none"> <li>◦ An increase in the TANF benefits threshold to 35% of the most current Federal Poverty Level (up from 33% of 2011) - \$5.4 million for the biennium</li> <li>◦ One-time-only funding for Child Care STARS to Quality - \$2.4 million general fund for the biennium</li> <li>◦ One-time-only funding for 8.00 FTE in the Offices of Public Assistance (OPAs) - \$0.8 million (\$0.3 million general fund) for the biennium</li> </ul> </li> </ul>

## Program Narrative

The legislature approved a biennial decrease in total funds of \$32.0 million under the 2015 biennium appropriation. This reduction is primarily in federal funds and is due to declining numbers of cases in various public assistance programs in the division, this reduction is discussed further below. The only aspects of the executive request not funded by the legislature were lease adjustments for the OPAs. Major budgetary adjustments included the caseload reductions previously mentioned, increases in TANF authority for non-cash assistance and to update the benefit level for cash recipients, reinstatement of some of the vacancy savings from the 2015 biennium, and one-time-only funding for both 8.00 FTE in the OPAs and the child care STARS to Quality program.

### *Caseload Reductions*

The most significant change in the budget is the reduction in federal fund benefits. This reduction was due to decreasing numbers of cases in TANF, SNAP, and child care. The following chart shows the change in average monthly cases from year to year for each of these three programs. Numbers of child care and TANF cases have been shrinking since 2011, and SNAP began to decline from FY 2013 to FY 2014. The numbers of cases are expected to continue to decline under current eligibility levels and therefore expenditures are expected remain below the FY 2015 appropriated amount.

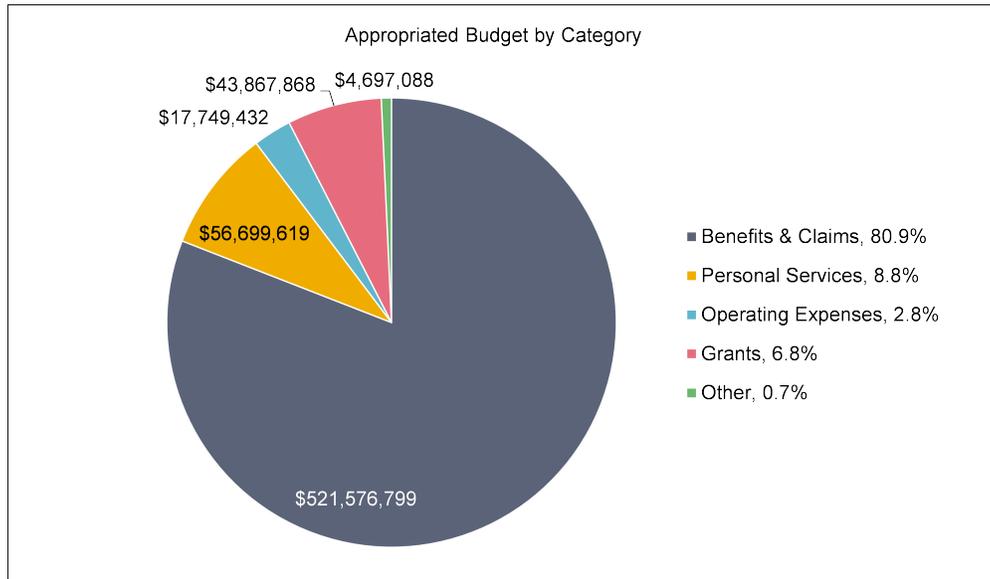


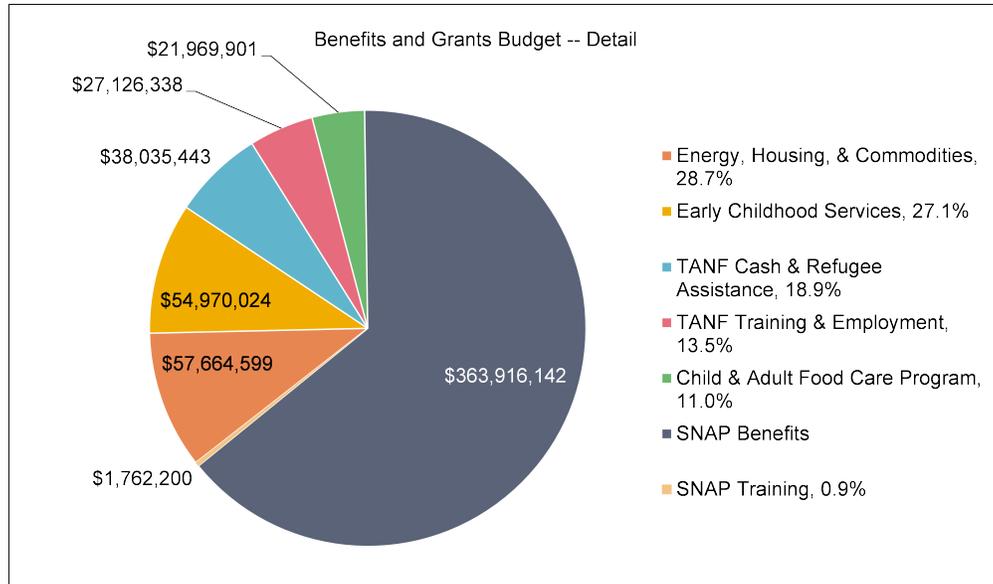
*STARS to Quality*

The Best Beginnings STARS to Quality program works to improve social and emotional development and school readiness for all children. STARS is a voluntary quality rating improvement system that provides support and incentives to early childhood programs and early childhood professionals for working toward and meeting various quality criteria. Montana is one of 49 states that is either operating, piloting, or developing a Quality Rating Improvement System. Childcare centers achieve more “stars” in the program by moving up through or maintaining at a high level on nationally recognized rating scales as assessed by a third party. As of January 30, 2015, the program had 201 participating providers. Details regarding this program can be found at <http://www.dphhs.mt.gov/hcsd/ChildCare/STARS.aspx>.

*Primary Expenditures*

Benefits and grants combine to make up 80.8% of the budget for HCSD as seen in the top figure. 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. The breakdown of the benefit and grant funding can be seen in the bottom figure.





Personal services is the secondary driver in HCSD expenditures at 8.8% of the budget. The decrease in personal services from the FY 2015 legislative appropriation is about \$2.0 million in each year of the biennium. Most of the FTE in HCSD work for Offices of Public Assistance (OPA) throughout the state, completing eligibility determination and working directly with recipients of assistance.

**Funding**

The following table shows program funding by source from all sources of authority.

Economic Security Services Branch, 02-Human and Community Services Division						
Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	67,427,453	0	0	67,427,453	10.46 %	
02375 6901-02 Indrct Actvty Prog 02	2,592,096	0	0	2,592,096	50.36 %	
02515 School Lunch OPI/Warehouse	0	0	0	0	0.00 %	
02688 6901-TANF Overpayments	130,000	0	0	130,000	2.53 %	
02698 69010-Prevention&Stabilization	1,665,164	0	0	1,665,164	32.35 %	
02772 Tobacco Hlth & Medicd Initiative	72,086	0	0	72,086	1.40 %	
02974 UNIV LOW INCOME ENERGY ASSISTANCE	687,478	0	0	687,478	13.36 %	
<b>State Special Total</b>	<b>\$5,146,824</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,146,824</b>	<b>0.80 %</b>	
03066 81.042 BPA	982,372	0	0	982,372	0.17 %	
03096 Discretionary Child Care	21,564,912	0	0	21,564,912	3.77 %	
03109 TANF Benefits	47,090,607	0	0	47,090,607	8.23 %	
03135 HOPWA HELP Plus	960,000	0	0	960,000	0.17 %	
03168 CACFP Child Care Wellness	22,388,254	0	0	22,388,254	3.91 %	
03181 PARIS STATE PARTNERSHIP GRANT	0	0	0	0	0.00 %	
03236 Child Nutrition	634,808	0	0	634,808	0.11 %	
03250 Child Care Manditory/MOE	3,597,650	0	0	3,597,650	0.63 %	
03251 Child Care Admin	973,817	0	0	973,817	0.17 %	
03252 Child Care Matching	11,040,374	0	0	11,040,374	1.93 %	
03299 Support Pregnant & Parent Teen	25,034	0	0	25,034	0.00 %	
03382 03 Indirect Activity Prog 02	32,024,577	0	0	32,024,577	5.60 %	
03448 6901-Early Childhood Comp Sys	0	0	0	0	0.00 %	
03467 6901-Homeless Mgmt Info Systm	154,350	0	0	154,350	0.03 %	
03513 CHIPRA Bonus	0	0	0	0	0.00 %	
03519 93.045 - Aging Meals 100%	116,974	0	0	116,974	0.02 %	
03523 93.566 - Refugee Soc. Serv	61,112	0	0	61,112	0.01 %	
03530 6901-Foster Care 93.658	1,287,666	0	0	1,287,666	0.23 %	
03539 93.600 Headstart	0	0	0	0	0.00 %	
03544 10.561 - FS E & T - 50%	418,006	0	0	418,006	0.07 %	
03545 10.561 - FS E & T - 100%	593,710	0	0	593,710	0.10 %	
03546 10.561 - FS Adm - Fed Exp 50%	2,075,276	0	0	2,075,276	0.36 %	
03547 10.568 - Emerg Food Assist 100	424,641	0	0	424,641	0.07 %	
03548 10.569 - Food Distr - Fed Exp	4,872,125	0	0	4,872,125	0.85 %	
03550 14.231 - Emerg Shelter - HUD 5	2,020,628	0	0	2,020,628	0.35 %	
03552 81.042 - Weather Ben 100%	3,866,316	0	0	3,866,316	0.68 %	
03571 93.566 - Off Ref Reset Adm 10	115,186	0	0	115,186	0.02 %	
03572 93.568 - LIEAP Blk Grt Adm	41,869,655	0	0	41,869,655	7.32 %	
03573 93.569 - CSBG Adm	5,993,194	0	0	5,993,194	1.05 %	
03580 6901-93.778 - Med Adm 50%	707,130	0	0	707,130	0.12 %	
03677 6901-CACFP 10.558 & 10.560	93,250	0	0	93,250	0.02 %	
03678 6901-Food Stamp Benefits	363,916,142	0	0	363,916,142	63.62 %	
03679 6901-HOPWA CFDA#14-241	964,578	0	0	964,578	0.17 %	
03825 Department of Energy WTC	0	0	0	0	0.00 %	
03826 Healthy Montana Teen Parents 2	0	0	0	0	0.00 %	
03901 Head Start St Advs Council ARRA	0	0	0	0	0.00 %	
03965 CSFP	1,184,185	0	0	1,184,185	0.21 %	
<b>Federal Special Total</b>	<b>\$572,016,529</b>	<b>\$0</b>	<b>\$0</b>	<b>\$572,016,529</b>	<b>88.74 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$644,590,806</b>	<b>\$0</b>	<b>\$0</b>	<b>\$644,590,806</b>		

The majority of the HB 2 budget for the division comes from federal funding at 88.74% of total funding. Federal funds are used for the direct provision of benefits and/or the programs supporting benefit recipients. General fund makes up 10.46% of the funding with the remainder covered by state special revenue funds. State funds primarily cover personal services and maintenance of effort (MOE) requirements for receipt of some federal funding sources.

### Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	34,364,835	34,364,835	68,729,670	101.93 %	339,575,661	339,575,661	679,151,322	105.36 %
PL Adjustments	(2,008,040)	(2,012,428)	(4,020,468)	(5.96)%	(21,466,396)	(21,851,476)	(43,317,872)	(6.72)%
New Proposals	1,359,303	1,358,948	2,718,251	4.03 %	4,189,723	4,567,633	8,757,356	1.36 %
<b>Total Budget</b>	<b>\$33,716,098</b>	<b>\$33,711,355</b>	<b>\$67,427,453</b>		<b>\$322,298,988</b>	<b>\$322,291,818</b>	<b>\$644,590,806</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 101 - Personal Services to 2014 Levels	0.00	14,514	1,542	27,651	43,707	0.00	10,794	1,711	24,666	37,171
DP 102 - General Operations to 2014 Levels	0.00	(1,097,422)	(419,971)	(3,046,270)	(4,563,663)	0.00	(1,100,933)	(420,357)	(3,701,565)	(5,222,855)
DP 515 - State Share Health Insurance	0.00	82,484	10,224	144,615	237,323	0.00	82,484	10,224	144,615	237,323
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	28,339	8,298	71,609	108,246	0.00	28,339	8,298	71,609	108,246
DP 525 - Fixed Costs	0.00	57,510	5,781	236,706	299,997	0.00	57,642	5,794	237,294	300,730
DP 527 - Inflation/Deflation	0.00	(15,953)	(1,410)	(42,064)	(59,427)	0.00	(13,242)	(1,087)	(36,758)	(51,087)
DP 20301 - SNAP Caseload Reduction from FY 2015 Appropriated to Projec	0.00	0	0	(8,983,963)	(8,983,963)	0.00	0	0	(8,983,963)	(8,983,963)
DP 20302 - TANF Caseload Reduction from FY at FY 2015 Benefit Level	0.00	(1,077,512)	0	(5,487,693)	(6,565,205)	0.00	(1,077,512)	0	(5,487,693)	(6,565,205)
DP 200444 - Statewide 4% FTE Reduction - Program 2	(13.00)	0	0	0	0	(13.00)	0	0	0	0
DP 202101 - Child and Adult Care Food Ben	0.00	0	0	(784,559)	(784,559)	0.00	0	0	(512,984)	(512,984)
DP 202110 - TANF Authority to Grant Level	0.00	0	0	1,503,367	1,503,367	0.00	0	0	1,503,367	1,503,367
DP 202111 - Displacement and Resettlement Program	0.00	0	0	(3,792)	(3,792)	0.00	0	0	(3,792)	(3,792)
DP 202116 - IHSB Federal Grants to Current	0.00	0	0	(2,698,427)	(2,698,427)	0.00	0	0	(2,698,427)	(2,698,427)
<b>Grand Total All Present Law Adjustments</b>	<b>(13.00)</b>	<b>(\$2,008,040)</b>	<b>(\$395,536)</b>	<b>(\$19,062,820)</b>	<b>(\$21,466,396)</b>	<b>(13.00)</b>	<b>(\$2,012,428)</b>	<b>(\$395,417)</b>	<b>(\$19,443,631)</b>	<b>(\$21,851,476)</b>

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

DP 101 - Personal Services to 2014 Levels -

The legislature appropriated additional funds in each year of the biennium to fund personal services at the current usage level; this net increase includes changes such as longevity, workers compensation rates, movement of 1.00 FTE out of Human and Community Services to the Director's Office, and various other adjustments.

DP 102 - General Operations to 2014 Levels -

The legislature approved a reduction in funds in each year of the biennium to fund program operations at the current usage level; in this division, benefits are currently lower than anticipated by the FY 2015 appropriation.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance rates as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Costs -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation/Deflation -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 20301 - SNAP Caseload Reduction from FY 2015 Appropriated to Projec -

The legislature approved a reduction in federal SNAP funding of \$8,983,963 in each year of the biennium to align with caseload reductions experienced in FY 2014.

DP 20302 - TANF Caseload Reduction from FY at FY 2015 Benefit Level -

The legislature approved a reduction in TANF funding including \$1,077,512 general fund and \$5,487,693 federal TANF funds in each year of the biennium to align with reduced caseload experiences in FY 2014. This change in caseload reflects those eligible at below 30.0% of the 2011 federal poverty level (FPL).

DP 200444 - Statewide 4% FTE Reduction - Program 2 -

FY 2016 and FY 2017 contain any reductions in FTE made by the executive to implement the boilerplate language in HB 2. Though intended by the legislature, the FY 2014 and FY 2015 FTE levels do not reflect this language.

DP 202101 - Child and Adult Care Food Ben -

The legislature approved reductions in federal funds of \$784,559 in FY 2016 and \$512,984 in FY 2017 to align with both anticipated caseload and the annual change in USDA reimbursement rate for the Child and Adult Care Food Program (CACFP).

DP 202110 - TANF Authority to Grant Level -

The legislature approved \$1,503,367 federal TANF block grant funds in each year of the biennium to bring the level of authority for non-cash assistance TANF programs up to the grant amount.

DP 202111 - Displacement and Resettlement Program -

The legislature approved a reduction of \$3,792 in federal funds each year of the biennium to align with the current federal grant amount.

DP 202116 - IHSB Federal Grants to Current -

The legislature approved a federal fund reduction of \$2,698,427 in FY 2016 and \$2,698,427 in FY 2017 to align with current caseload service needs for the Department of Energy (DOE) Weatherization, Food Distribution Program on Indian Reservations (FDPIR), and Commodity Supplemental Food Program (CSFP) services.

**New Proposals**

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 202106 - TANF FPL/Benefits Update	0.00	0	0	2,558,350	2,558,350	0.00	0	0	2,937,225	2,937,225
DP 202217 - Child Care STARS to Quality - OTO	0.00	1,200,000	0	0	1,200,000	0.00	1,200,000	0	0	1,200,000
DP 202219 - OPA Operations - OTO	8.00	159,303	20,252	251,818	431,373	8.00	158,948	20,207	251,253	430,408
<b>Total</b>	<b>8.00</b>	<b>\$1,359,303</b>	<b>\$20,252</b>	<b>\$2,810,168</b>	<b>\$4,189,723</b>	<b>8.00</b>	<b>\$1,358,948</b>	<b>\$20,207</b>	<b>\$3,188,478</b>	<b>\$4,567,633</b>

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

DP 202106 - TANF FPL/Benefits Update -

The legislature approved additional federal TANF funding to support increases in benefits associated with an increase of the payment standard to 35% of the 2015 Federal Poverty Level (FPL) in FY 2016 and 35% of the 2016 FPL in FY 2017.

DP 202217 - Child Care STARS to Quality - OTO -

The legislature approved a one-time-only appropriation to continue funding for the Best Beginnings STARS to Quality child care program.

DP 202219 - OPA Operations - OTO -

The legislature approved one-time-only funding for 8.00 FTE for the Offices of Public Assistance (OPA). These FTE support the work associated with increasing caseloads in communities across the state.

**Program Budget Comparison**

The following table summarizes the total Legislative budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	367.40	367.40	353.65	353.65	367.40	353.65	(13.75)	(3.74)%
Personal Services	20,934,776	21,797,260	22,396,148	22,381,857	42,732,036	44,778,005	2,045,969	4.79%
Operating Expenses	5,279,480	5,626,100	5,950,526	5,994,582	10,905,580	11,945,108	1,039,528	9.53%
Equipment & Intangible Assets	0	32,220	0	0	32,220	0	(32,220)	(100.00)%
Grants	6,813,280	6,781,002	6,813,280	6,813,280	13,594,282	13,626,560	32,278	0.24%
Benefits & Claims	32,389,511	34,322,496	36,304,079	38,314,508	66,712,007	74,618,587	7,906,580	11.85%
Transfers	238,091	0	238,091	238,091	238,091	476,182	238,091	100.00%
Debt Service	1,158	1,527	1,158	1,158	2,685	2,316	(369)	(13.74)%
<b>Total Costs</b>	<b>\$65,656,296</b>	<b>\$68,560,605</b>	<b>\$71,703,282</b>	<b>\$73,743,476</b>	<b>\$134,216,901</b>	<b>\$145,446,758</b>	<b>\$11,229,857</b>	<b>8.37%</b>
General Fund	35,852,945	36,898,108	39,742,403	41,410,812	72,751,053	81,153,215	8,402,162	11.55%
State/Other Special Rev. Funds	1,898,011	2,037,584	1,897,614	1,897,614	3,935,595	3,795,228	(140,367)	(3.57)%
Federal Spec. Rev. Funds	27,905,340	29,624,913	30,063,265	30,435,050	57,530,253	60,498,315	2,968,062	5.16%
<b>Total Funds</b>	<b>\$65,656,296</b>	<b>\$68,560,605</b>	<b>\$71,703,282</b>	<b>\$73,743,476</b>	<b>\$134,216,901</b>	<b>\$145,446,758</b>	<b>\$11,229,857</b>	<b>8.37%</b>

**Program Description**

The purpose of the Child and Family Services Division (CFSD) is to keep children safe and families strong. In pursuit of this goal, the division administers child protective services, child abuse and neglect services, family reunification and preservation services, and domestic violence programs, among others.

CFSD comprises three bureaus and five administrative regions that are advised by local family services advisory councils. The five regions are: Eastern, North Central, South Central, South Western, and Western. Additionally, there is a sixth "interstate" region.

**Program Highlights**

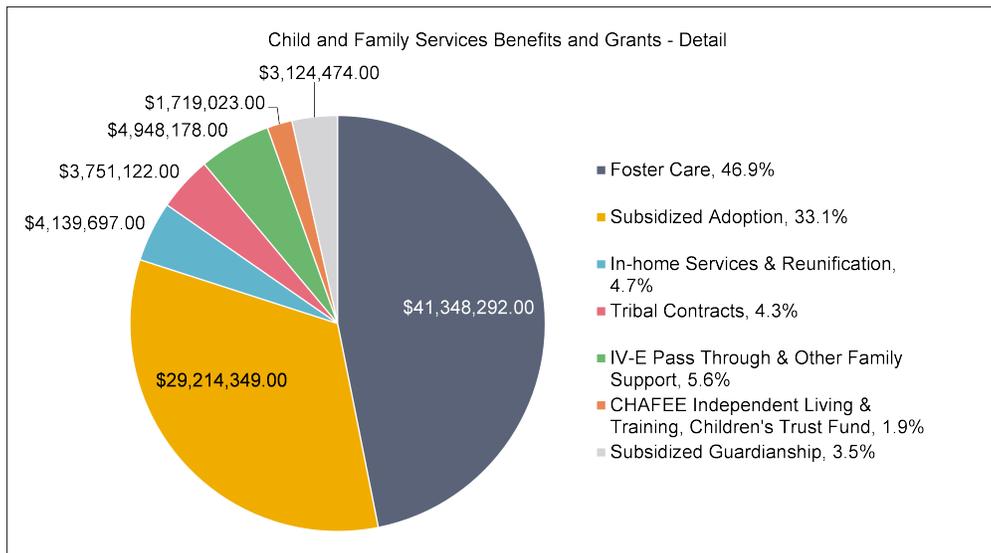
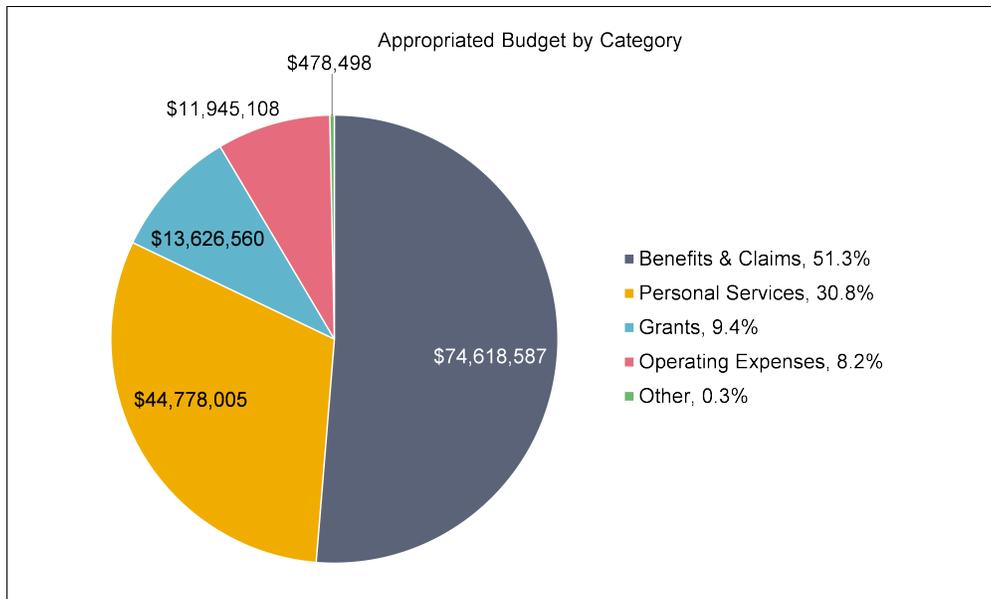
<b>Child and Family Services Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The 2017 biennial appropriations increased by 7.1% or approximately \$9.6 million in total funds over the 2015 biennium</li> <li>• Major increases to the budget include the following (in biennial amounts):                         <ul style="list-style-type: none"> <li>◦ Anticipated foster care caseload increases - \$5.4 million</li> <li>◦ Restricted provider rate increases of 2.0% in each year of the biennium - \$1.2 million</li> <li>◦ Inclusion of funding originally requested in HB 305 for the Safe Child Initiative - \$4.4 million</li> </ul> </li> <li>• Total increases are primarily general fund (\$7.7 million) with small reductions in state special funds (\$0.6 million) and additional increases in federal funds (\$2.2 million)</li> </ul>

**Program Narrative**

The legislature approved an increase in total funds of \$11.5 million for the 2017 biennium as compared to the 2015 biennium appropriation. This increase is primarily in general fund and is driven by increasing caseloads and inclusion of funding for the Safe Child Initiative (originally HB 305). The only aspect of the executive request not funded by the legislature was an increase in holiday and overtime pay which was funded at 50% of the requested amount.

*Primary Expenditures*

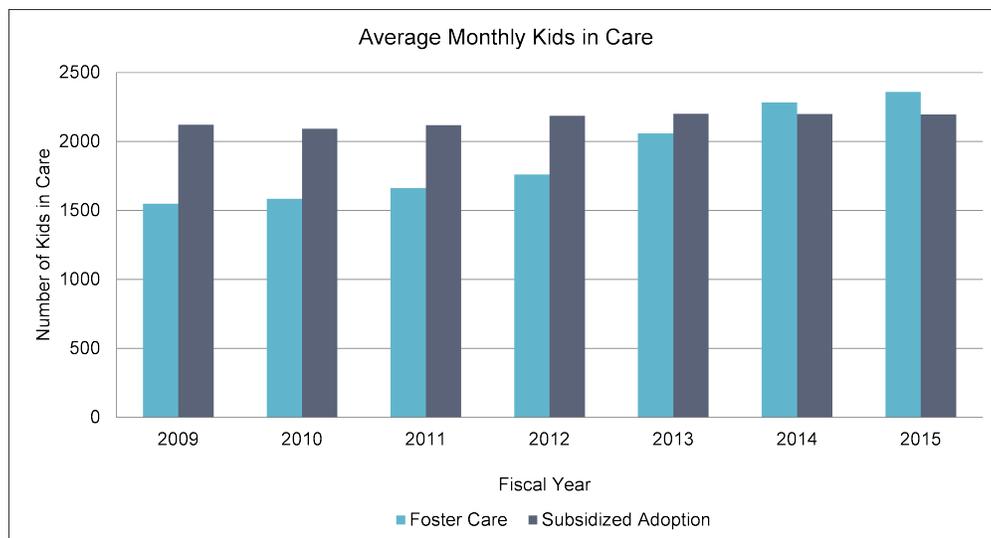
Benefits and grants compose 82.1% of the legislatively approved budget for CFSD as seen in the top figure. These funds support foster care, subsidized adoption, subsidized guardianship, and a number of other programs promoting children's safety and family unity. The breakdown of benefit and grant funding can be seen in the bottom figure.



Personal services and operations costs support the field staff in five regional offices, centralized intake (all general fund), and administration. These functions account for 39.0% of the legislative budget.

**Caseload**

The figure below charts the average number of children in care by fiscal year for the foster care and subsidized adoption programs. Subsidized adoption cases have remained relatively stable. However, FY 2013 and FY 2014 have seen rapid growth in foster care caseload. Most of this has occurred in region 1 in the east which encompasses the Bakken area. At this time, it is expected that the current trends will continue.



The benefits appropriation reflects the continuation of these rates of growth: a slower rate of growth in the subsidized adoption caseload, and a faster rate of growth in the foster care caseload.

**Safe Child Initiative (HB 305)**

The Safe Child Initiative (HB 305) was originally introduced as a cat and dog bill rather than including funding in HB 2. HB 305 was heavily amended in the House Health and Human Services committee with much of the funding removed. Senate Finance and Claims amended the funds into HB 2 that had been amended out of 305 and included contingency language to add the remaining funds to HB 2 if HB 305 was not passed and approved. HB 305 was eventually tabled, and therefore the contingency appropriation is triggered though the additional \$1.0 million general fund is not included in the tables in this document. The appropriation is intended to support movement toward accreditation for Montana’s child and family services, maintenance of staffing levels at established caseload standards, restructurization of the rate matrix for services, coordination with county health departments for in-home services, and implementation of an electronic records management and case management system.

**Funding**

The following table shows program funding by source from all sources of authority.

Economic Security Services Branch, 03-Child & Family Services Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	81,153,215	0	0	81,153,215	55.75 %	
02089 Child Abuse & Neglect Program	0	0	0	0	0.00 %	
02187 Child Support State Share	0	0	0	0	0.00 %	
02209 Third Party Contributions-F.C.	3,612,060	0	0	3,612,060	92.02 %	
02375 6901-02 Indrct Activity Prog 02	0	0	0	0	0.00 %	
02473 Assault Intervention & Trtmnt	169,002	0	0	169,002	4.31 %	
02483 Adoption Services / SA	0	0	130,000	130,000	3.31 %	
02496 Family Preservation Conference	14,166	0	0	14,166	0.36 %	
<b>State Special Total</b>	<b>\$3,795,228</b>	<b>\$0</b>	<b>\$130,000</b>	<b>\$3,925,228</b>	<b>2.70 %</b>	
03109 TANF Benefits	3,952,878	0	0	3,952,878	6.53 %	
03185 CASEWORKER VISITS	0	0	0	0	0.00 %	
03224 Access & Visitation Grt 93.597	191,100	0	0	191,100	0.32 %	
03458 6901 - Chafee - ETV 93.599	353,952	0	0	353,952	0.59 %	
03522 93.556 - Family Preservation	1,619,492	0	0	1,619,492	2.68 %	
03526 93.643 - Child Justice	199,296	0	0	199,296	0.33 %	
03529 IV-E Guardianship	1,340,900	0	0	1,340,900	2.22 %	
03530 6901-Foster Care 93.658	19,044,227	0	0	19,044,227	31.48 %	
03531 6901-Subsidized Adopt 93.659	15,382,980	0	0	15,382,980	25.43 %	
03532 93.669 - Child Abuse	276,113	0	0	276,113	0.46 %	
03533 93.671 - Domestic Violence	1,579,890	0	0	1,579,890	2.61 %	
03534 93.672 - Child Abuse Challenge	0	0	0	0	0.00 %	
03536 93.674 - IV-E Independent Livi	1,097,629	0	0	1,097,629	1.81 %	
03593 03 Indirect Activity Prog 03	15,459,858	0	0	15,459,858	25.55 %	
03964 Adoption Incentive Funds	0	0	0	0	0.00 %	
<b>Federal Special Total</b>	<b>\$60,498,315</b>	<b>\$0</b>	<b>\$0</b>	<b>\$60,498,315</b>	<b>41.56 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$145,446,758</b>	<b>\$0</b>	<b>\$130,000</b>	<b>\$145,576,758</b>		

This division 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 55.75% of the proposed biennial budget, federal funds make up 41.56%, and the remaining 2.7% is state special revenue.

**Budget Summary by Category**

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
	2015 Budget	36,748,590	36,748,590	73,497,180	90.57 %	68,104,556	68,104,556	136,209,112
PL Adjustments	1,517,642	2,903,221	4,420,863	5.45 %	1,339,344	2,988,445	4,327,789	2.98 %
New Proposals	1,476,171	1,759,001	3,235,172	3.99 %	2,259,382	2,650,475	4,909,857	3.38 %
<b>Total Budget</b>	<b>\$39,742,403</b>	<b>\$41,410,812</b>	<b>\$81,153,215</b>		<b>\$71,703,282</b>	<b>\$73,743,476</b>	<b>\$145,446,758</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 101 - Personal Services to 2014 Levels	0.00	383,373	(2,179)	(836,666)	(455,472)	0.00	645,500	(2,179)	(1,113,084)	(469,763)
DP 102 - General Operations to 2014 Levels	0.00	(677,774)	(287,919)	610,554	(355,139)	0.00	(682,562)	(287,919)	615,522	(354,959)
DP 515 - State Share Health Insurance	0.00	118,620	37	53,217	171,874	0.00	118,620	37	53,217	171,874
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	37,737	0	33,942	71,679	0.00	37,737	0	33,942	71,679
DP 525 - Fixed Costs	0.00	(71,874)	0	(35,440)	(107,314)	0.00	(71,874)	0	(35,440)	(107,314)
DP 527 - Inflation/Deflation	0.00	(92,200)	(6)	(45,426)	(137,632)	0.00	(87,204)	(6)	(42,955)	(130,165)
DP 300444 - Statewide 4% FTE Reduction - Program 3	(13.75)	0	0	0	0	(13.75)	0	0	0	0
DP 303100 - Foster Care FMAP Adjustment	0.00	54,311	0	(54,311)	0	0.00	74,225	0	(74,225)	0
DP 303101 - Subsidized Adoption FMAP Adjustment	0.00	108,026	0	(108,026)	0	0.00	147,636	0	(147,636)	0
DP 303102 - Guardianship FMAP Adjustment	0.00	5,832	0	(5,832)	0	0.00	7,970	0	(7,970)	0
DP 303200 - Foster Care Caseload	0.00	1,579,536	0	645,162	2,224,698	0.00	2,248,455	0	918,383	3,166,838
DP 303201 - Subsidized Adoption Caseload	0.00	(285,373)	0	(309,155)	(594,528)	0.00	(44,905)	0	(48,647)	(93,552)
DP 303202 - Guardianship Caseload	0.00	170,140	0	163,467	333,607	0.00	260,012	0	249,815	509,827
DP 303300 - CFSD Overtime and Holiday Pay	0.00	69,747	0	1,832	71,579	0.00	69,747	0	1,832	71,579
DP 303500 - Leased Vehicles	0.00	24,312	0	10,420	34,732	0.00	24,312	0	10,420	34,732
DP 303600 - CFS Private Lease Adjustment	0.00	56,131	0	25,129	81,260	0.00	81,356	0	36,313	117,669
DP 303700 - CFS Cost Allocation Administration	0.00	37,098	0	(37,098)	0	0.00	74,196	0	(74,196)	0
<b>Grand Total All Present Law Adjustments</b>	<b>(13.75)</b>	<b>\$1,517,642</b>	<b>(\$290,067)</b>	<b>\$111,769</b>	<b>\$1,339,344</b>	<b>(13.75)</b>	<b>\$2,903,221</b>	<b>(\$290,067)</b>	<b>\$375,291</b>	<b>\$2,988,445</b>

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

DP 101 - Personal Services to 2014 Levels -

The legislature approved a reduction in funds in each year of the biennium to fund personal services at the current usage level; this covers changes such as longevity, workers compensation rates, and various other adjustments.

DP 102 - General Operations to 2014 Levels -

The legislature approved a reduction in funds in each year of the biennium to fund program operations at the current usage level; operational expenses are currently lower than anticipated by the FY 2015 appropriation.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance rates as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Costs -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation/Deflation -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 300444 - Statewide 4% FTE Reduction - Program 3 -

FY 2016 and FY 2017 contain any reductions in FTE made by the executive to implement the boilerplate language in HB 2. Though intended by the legislature, the FY 2014 and FY 2015 FTE levels do not reflect this language.

DP 303100 - Foster Care FMAP Adjustment -

The legislature approved a funding switch consistent with the change in the Federal Medical Assistance Percentage (FMAP). The biennial funding increases general fund by \$128,566 and includes a corresponding decrease in federal funds. The total cost for the program does not change.

DP 303101 - Subsidized Adoption FMAP Adjustment -

The legislature approved a funding switch consistent with the change in the Federal Medical Assistance Percentage (FMAP). The biennial funding increases general fund by \$255,662 and includes a corresponding decrease in federal funds. The total cost for the program does not change.

DP 303102 - Guardianship FMAP Adjustment -

The legislature approved a funding switch consistent with the change in the Federal Medical Assistance Percentage (FMAP). The biennial funding increases general fund by \$13,802 and includes a corresponding decrease in federal funds. The total cost for the program does not change.

DP 303200 - Foster Care Caseload -

The legislature appropriated \$5,391,536 total funds over the biennium, including general fund of \$1,579,536 in FY 2016 and \$2,248,455 in FY 2017 to fund the projected increases in the number of children entering foster care.

DP 303201 - Subsidized Adoption Caseload -

The legislature approved a reduction of \$688,080 total funds over the biennium to align with the projected number of finalized adoptions and the average cost per day for the Subsidized Adoption Program.

DP 303202 - Guardianship Caseload -

The legislature appropriated \$843,434 total funds over the biennium, including general fund of \$170,140 in FY 2016 and \$260,012 in FY 2017 to fund the projected increases in the number of finalized guardianships and the average cost per day in the Subsidized Guardianship Program.

DP 303300 - CFSD Overtime and Holiday Pay -

The legislature approved funding to support overtime and holiday pay for workers in the Child and Family Services division. This increase was funded at half of that requested by the executive.

DP 303500 - Leased Vehicles -

The legislature appropriated \$69,464 total funds for the biennium, including \$24,312 per year in general fund and \$10,420 per year in federal funds to increase the CFSD leased vehicle fleet as the number of children in care rises.

DP 303600 - CFS Private Lease Adjustment -

The legislature appropriated \$198,929 in total funds over the biennium, including general fund of \$56,131 in FY 2016 and \$81,356 in FY 2017 to maintain existing services for child protection in the Eastern region in the Child and Family Services Division.

DP 303700 - CFS Cost Allocation Administration -

The legislature approved a funding switch consistent with the change in the allowable federal percentage of cost-allocated administration expenses. This results in additional \$111,294 of general fund over the biennium with offsetting federal funds reductions. The total cost for the program does not change.

**New Proposals**

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 303110 - Safe Child Initiative (Biennial)	0.00	1,000,000	0	675,000	1,675,000	0.00	1,000,000	0	675,000	1,675,000
DP 303800 - Tribal Foster Care	0.00	200,000	0	0	200,000	0.00	200,000	0	0	200,000
DP 303900 - PRI - Foster Care (RST)	0.00	207,469	0	66,163	273,632	0.00	420,376	0	132,360	552,736
DP 303901 - PRI - Subsidized Adoption (RST)	0.00	25,847	0	29,842	55,689	0.00	52,792	0	59,700	112,492
DP 303902 - PRI - Subsidized Guardianship (RST)	0.00	3,568	0	2,634	6,202	0.00	7,258	0	5,270	12,528
DP 303903 - PRI - In Home Services (RST)	0.00	33,768	0	0	33,768	0.00	67,537	0	0	67,537
DP 303904 - PRI - Independent Living (RST)	0.00	2,393	0	9,572	11,965	0.00	4,786	0	19,144	23,930
DP 303905 - PRI - Access and Visitation (RST)	0.00	2,126	0	0	2,126	0.00	4,252	0	0	4,252
DP 303906 - PRI - Big Brothers/Big Sisters (RST)	0.00	1,000	0	0	1,000	0.00	2,000	0	0	2,000
<b>Total</b>	<b>0.00</b>	<b>\$1,476,171</b>	<b>\$0</b>	<b>\$783,211</b>	<b>\$2,259,382</b>	<b>0.00</b>	<b>\$1,759,001</b>	<b>\$0</b>	<b>\$891,474</b>	<b>\$2,650,475</b>

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

DP 303110 - Safe Child Initiative (Biennial) -

The legislature approved funding for additional services and support in the Child and Family Services Division. The appropriation is intended to support movement toward accreditation for Montana's child and family services, maintenance of staffing levels at established caseload standards, restructurization of the rate matrix for services, coordination with county health departments for in-home services, and implementation of an electronic records management and case management system.

DP 303800 - Tribal Foster Care -

The legislature appropriated \$200,000 general fund in each year of the biennium to support non-Title IV-E services for tribal children residing on reservations in Montana.

DP 303900 - PRI - Foster Care (RST) -

The legislature approved a 2.0% rate increase in each year of the biennium for Foster Care providers.

DP 303901 - PRI - Subsidized Adoption (RST) -

The legislature approved a 2.0% rate increase in each year of the biennium for Subsidized Adoption providers.

DP 303902 - PRI - Subsidized Guardianship (RST) -

The legislature approved a 2.0% rate increase in each year of the biennium for Subsidized Guardianship providers.

DP 303903 - PRI - In Home Services (RST) -

The legislature approved a 2.0% rate increase in each year of the biennium for In Home Services providers.

DP 303904 - PRI - Independent Living (RST) -

The legislature approved a 2.0% rate increase in each year of the biennium for Independent Living providers.

DP 303905 - PRI - Access and Visitation (RST) -

The legislature approved a 2.0% rate increase in each year of the biennium for Access and Visitation providers.

DP 303906 - PRI - Big Brothers/Big Sisters (RST) -

The legislature approved a 2.0% rate increase in each year of the biennium for Big Brothers/Big Sisters providers.

**Program Budget Comparison**

The following table summarizes the total Legislative budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	163.75	163.75	157.31	157.31	163.75	157.31	(6.44)	(3.93)%
Personal Services	9,773,771	10,382,063	10,512,491	10,507,485	20,155,834	21,019,976	864,142	4.29 %
Operating Expenses	2,233,569	2,021,785	2,276,460	2,276,626	4,255,354	4,553,086	297,732	7.00 %
Equipment & Intangible Assets	21,456	22,694	21,456	21,456	44,150	42,912	(1,238)	(2.80)%
<b>Total Costs</b>	<b>\$12,028,796</b>	<b>\$12,426,542</b>	<b>\$12,810,407</b>	<b>\$12,805,567</b>	<b>\$24,455,338</b>	<b>\$25,615,974</b>	<b>\$1,160,636</b>	<b>4.75 %</b>
General Fund	3,402,614	3,061,768	3,658,042	3,656,445	6,464,382	7,314,487	850,105	13.15 %
State/Other Special Rev. Funds	385,863	878,448	401,457	401,494	1,264,311	802,951	(461,360)	(36.49)%
Federal Spec. Rev. Funds	8,240,319	8,486,326	8,750,908	8,747,628	16,726,645	17,498,536	771,891	4.61 %
<b>Total Funds</b>	<b>\$12,028,796</b>	<b>\$12,426,542</b>	<b>\$12,810,407</b>	<b>\$12,805,567</b>	<b>\$24,455,338</b>	<b>\$25,615,974</b>	<b>\$1,160,636</b>	<b>4.75 %</b>

**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.

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.

**Program Highlights**

<b>Child Support Enforcement Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The appropriation for the 2017 biennium increased by 5.4% or approximately \$1.3 million in total funds over the 2015 biennium</li> <li>• The major budgetary change is a funding switch from state special funds to general fund due to decreasing state special revenue</li> <li>• The marginal increase in the budget is due primarily to increased state share for health insurance payments and increased operating costs</li> </ul>

**Program Narrative**

The legislature approved an increase in total funds of \$1.3 million for the 2017 biennium over the 2015 biennium appropriation. The state special revenue appropriation has been reduced due to decreasing revenue which is discussed briefly in the funding section. Both general fund and federal fund appropriations have increased. The legislature funded the entirety of the executive request for this division, which consisted solely of minor present law adjustments.

**Funding**

The following table shows program funding by source from all sources of authority.

Economic Security Services Branch, 05-Child Support Enforcement Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	7,314,487	0	0	7,314,487	28.55 %	
02159 Handicapped Telecommunications	0	0	0	0	0.00 %	
02187 Child Support State Share	802,951	0	0	802,951	100.00 %	
02375 6901-02 Indrct Activity Prog 02	0	0	0	0	0.00 %	
02434 02 Indirect Activity Prog 01	0	0	0	0	0.00 %	
<b>State Special Total</b>	<b>\$802,951</b>	<b>\$0</b>	<b>\$0</b>	<b>\$802,951</b>	<b>3.13 %</b>	
03269 Child Support Incentive	2,749,556	0	0	2,749,556	15.71 %	
03365 03 Indirect Activity Prog 01	0	0	0	0	0.00 %	
03382 03 Indirect Activity Prog 02	0	0	0	0	0.00 %	
03554 84.169 - Independent Living 90	0	0	0	0	0.00 %	
03555 84.177 - Indep Living Old BLIN	0	0	0	0	0.00 %	
03559 84.265 - In Service Training 9	0	0	0	0	0.00 %	
03570 93.563 - Child Support IVD 66%	14,748,980	0	0	14,748,980	84.29 %	
03604 84.126 - Rehab-Sec110 A 78.7%	0	0	0	0	0.00 %	
<b>Federal Special Total</b>	<b>\$17,498,536</b>	<b>\$0</b>	<b>\$0</b>	<b>\$17,498,536</b>	<b>68.31 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$25,615,974</b>	<b>\$0</b>	<b>\$0</b>	<b>\$25,615,974</b>		

This program is primarily federally funded. Those expenditures that are Title IV-D eligible are funded with 66% federal funds and 34% state funds, but this does not apply to all expenditures in the division. This biennium there is a reduction in state special revenue funding and increases in both general fund and federal funds. State special revenue is generated primarily from the retention of collections made on behalf of TANF participants, because the composition of the child support caseload is changing the state is receiving fewer dollars for this fund and the program is relying more heavily on general fund.

**Budget Summary by Category**

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	3,061,768	3,061,768	6,123,536	83.72 %	12,426,542	12,426,542	24,853,084	97.02 %
PL Adjustments	596,274	594,677	1,190,951	16.28 %	383,865	379,025	762,890	2.98 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$3,658,042</b>	<b>\$3,656,445</b>	<b>\$7,314,487</b>		<b>\$12,810,407</b>	<b>\$12,805,567</b>	<b>\$25,615,974</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 101 - Personal Services to 2014 Levels	0.00	616,372	(592,257)	(13,394)	10,721	0.00	615,383	(592,967)	(16,701)	5,715
DP 102 - General Operations to 2014 Levels	0.00	(61,765)	109,072	163,239	210,546	0.00	(62,405)	109,531	163,420	210,546
DP 515 - State Share Health Insurance	0.00	21,392	2,246	52,814	76,452	0.00	21,392	2,246	52,814	76,452
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	7,078	2,298	33,879	43,255	0.00	7,078	2,298	33,879	43,255
DP 525 - Fixed Costs	0.00	1,390	174	2,953	4,517	0.00	1,390	174	2,953	4,517
DP 527 - Inflation/Deflation	0.00	11,807	1,476	25,091	38,374	0.00	11,839	1,764	24,937	38,540
DP 500444 - Statewide 4% FTE Reduction - Program 5	(6.44)	0	0	0	0	(6.44)	0	0	0	0
<b>Grand Total All Present Law Adjustments</b>	<b>(6.44)</b>	<b>\$596,274</b>	<b>(\$476,991)</b>	<b>\$264,582</b>	<b>\$383,865</b>	<b>(6.44)</b>	<b>\$594,677</b>	<b>(\$476,954)</b>	<b>\$261,302</b>	<b>\$379,025</b>

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

DP 101 - Personal Services to 2014 Levels -

The legislature appropriated additional funds in each year of the biennium to fund personal services at the current usage level; this covers changes such as longevity, workers compensation rates, and various other adjustments.

DP 102 - General Operations to 2014 Levels -

The legislature approved additional funds in each year of the biennium to fund program operations at the current usage level.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance rates as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Costs -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation/Deflation -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For

these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 500444 - Statewide 4% FTE Reduction - Program 5 -

FY 2016 and FY 2017 contain any reductions in FTE made by the executive to implement the boilerplate language in HB 2. Though intended by the legislature, the FY 2014 and FY 2015 FTE levels do not reflect this language.

**Agency Budget Comparison**

The following table compares 2014 actuals expenditures without one-time appropriations plus 2015 estimated appropriations including one-time appropriations, but excluding certain base appropriations to the 2017 biennial total legislative budget. The comparison is listed by year, type of expenditure, and source of funding. The biennial percent change column has been eliminated to allow for the transition to a comparison of biennial appropriations consistent with SB 140 in the future. The biennial appropriation growth/decline is listed in the agency highlight tables and the expenditure section of Volume 1 of this Fiscal Report.

Agency Budget Comparison							
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change
FTE	46.25	46.25	45.50	45.50	46.25	45.50	(0.75)
Personal Services	5,086,951	3,550,477	3,905,278	3,916,069	8,637,428	7,821,347	(816,081)
Operating Expenses	1,394,747	813,369	1,673,281	1,668,384	2,208,116	3,341,665	1,133,549
Grants	366,782	400,937	0	0	767,719	0	(767,719)
<b>Total Costs</b>	<b>\$6,848,480</b>	<b>\$4,764,783</b>	<b>\$5,578,559</b>	<b>\$5,584,453</b>	<b>\$11,613,263</b>	<b>\$11,163,012</b>	<b>(\$450,251)</b>
General Fund	3,128,095	2,029,862	2,510,093	2,514,053	5,157,957	5,024,146	(133,811)
State/Other Special Rev. Funds	746,972	587,222	610,196	610,540	1,334,194	1,220,736	(113,458)
Federal Spec. Rev. Funds	2,973,413	2,147,699	2,458,270	2,459,860	5,121,112	4,918,130	(202,982)
<b>Total Funds</b>	<b>\$6,848,480</b>	<b>\$4,764,783</b>	<b>\$5,578,559</b>	<b>\$5,584,453</b>	<b>\$11,613,263</b>	<b>\$11,163,012</b>	<b>(\$450,251)</b>

**Agency 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 to this office.

**Agency Highlights**

<b>Director's Office Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The 2017 biennial appropriations are \$3.2 million or 42% higher than the 2015 biennium due to:                             <ul style="list-style-type: none"> <li>◦ Reductions to grants</li> <li>◦ Department wide termination pay of over \$1.0 million in FY 2014</li> <li>◦ Reorganizations and including moving tribal relations and the children's trust fund to the Director's Office the majority of the increase is in future operations and expenditures.</li> </ul> </li> </ul>

**Summary of Legislative Action**

The Legislature appropriated additional funds in each year of the biennium to fund personal services as requested. This is for expenses such as longevity and workers compensation rates and includes funding for the transfer of 5.50 FTE into the Director's office to support various functions within the department. In addition, the Legislature approved an increase in each year of the biennium to fund ongoing operations for the Director's office.

**Funding**

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

Total Director's Office Funding by Source of Authority 2017 Biennium Budget - Director's Office						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	5,024,146	0	0	5,024,146	45.01 %	
State Special Total	1,220,736	0	0	1,220,736	10.94 %	
Federal Special Total	4,918,130	0	0	4,918,130	44.06 %	
Proprietary Total	0	0	0	0	0.00 %	
Other Total	0	0	0	0	0.00 %	
<b>Total All Funds</b>	<b>\$11,163,012</b>	<b>\$0</b>	<b>\$0</b>	<b>\$11,163,012</b>		
<b>Percent - Total All Sources</b>	<b>100.00 %</b>	<b>0.00 %</b>	<b>0.00 %</b>			

**Budget Summary by Category**

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	1,764,065	1,764,065	3,528,130	70.22 %	4,027,385	4,027,385	8,054,770	72.16 %
PL Adjustments	746,028	749,988	1,496,016	29.78 %	1,551,174	1,557,068	3,108,242	27.84 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$2,510,093</b>	<b>\$2,514,053</b>	<b>\$5,024,146</b>		<b>\$5,578,559</b>	<b>\$5,584,453</b>	<b>\$11,163,012</b>	

**Executive Budget Comparison**

The following table compares the legislative budget for the 2017 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Budget Item	Base Budget Fiscal 2014	Executive Budget Fiscal 2016	Legislative Budget Fiscal 2016	Leg — Exec. Difference Fiscal 2016	Executive Budget Fiscal 2017	Legislative Budget Fiscal 2017	Leg — Exec. Difference Fiscal 2017	Biennium Difference Fiscal 16-17
FTE	46.25	45.50	45.50	0.00	45.50	45.50	0.00	0.00
Personal Services	5,086,951	3,974,985	3,905,278	(69,707)	3,985,776	3,916,069	(69,707)	(139,414)
Operating Expenses	1,394,747	1,427,178	1,673,281	246,103	1,427,652	1,668,384	240,732	486,835
Grants	366,782	366,782	0	(366,782)	366,782	0	(366,782)	(733,564)
<b>Total Costs</b>	<b>\$6,848,480</b>	<b>\$5,768,945</b>	<b>\$5,578,559</b>	<b>(\$190,386)</b>	<b>\$5,780,210</b>	<b>\$5,584,453</b>	<b>(\$195,757)</b>	<b>(\$386,143)</b>
General Fund	3,128,095	2,595,088	2,510,093	(84,995)	2,601,200	2,514,053	(87,147)	(172,142)
State/other Special Rev. Funds	746,972	625,586	610,196	(15,390)	626,339	610,540	(15,799)	(31,189)
Federal Spec. Rev. Funds	2,973,413	2,548,271	2,458,270	(90,001)	2,552,671	2,459,860	(92,811)	(182,812)
<b>Total Funds</b>	<b>\$6,848,480</b>	<b>\$5,768,945</b>	<b>\$5,578,559</b>	<b>(\$190,386)</b>	<b>\$5,780,210</b>	<b>\$5,584,453</b>	<b>(\$195,757)</b>	<b>(\$386,143)</b>

The 2017 biennium legislative appropriation is \$386,143 lower than the 2017 executive biennial request, largely due to lower personal services and reductions in grants. However, it should be noted that a major portion of the perceived reduction in biennial expenditures is that termination pay is not budgeted for in the 2017 biennium. The Director's Office administers and pays termination balances for employees leaving state government. Termination pay is typically reconciled in even years and normally accounts for expenditures exceeding \$1.0 million over the course of the biennium.

**Present Law Adjustments**

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments	-----Fiscal 2016-----				-----Fiscal 2017-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 101 - Personal Services Adjustment	0.00	274,299	49,108	286,204	609,611	0.00	279,841	49,763	290,798	620,402
DP 102 - Remaining Differences from Executive PL	0.00	491,544	137,953	365,781	995,278	0.00	491,891	138,008	365,379	995,278
DP 515 - State Share Health Insurance	0.00	10,630	2,047	9,436	22,113	0.00	10,630	2,047	9,436	22,113
DP 520 - Fully fund 2015 legislatively authorized FTE	0.00	3,965	1,809	6,646	12,420	0.00	3,965	1,809	6,646	12,420
DP 525 - Fixed Costs	0.00	4,288	743	3,395	8,426	0.00	4,440	769	3,516	8,725
DP 527 - Inflation/Deflation	0.00	1,814	471	1,991	4,276	0.00	1,889	490	2,072	4,451
DP 532 - General Liability Insurance Rate Adjsutment	0.00	(40,512)	(7,726)	(52,712)	(100,950)	0.00	(42,668)	(8,137)	(55,516)	(106,321)
DP 400444 - Statewide 4% FTE Reduction - Program 4	(0.75)	0	0	0	0	(0.75)	0	0	0	0
<b>Grand Total All Present Law Adjustments</b>	<b>(0.75)</b>	<b>\$746,028</b>	<b>\$184,405</b>	<b>\$620,741</b>	<b>\$1,551,174</b>	<b>(0.75)</b>	<b>\$749,988</b>	<b>\$184,749</b>	<b>\$622,331</b>	<b>\$1,557,068</b>

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

DP 101 - Personal Services Adjustment -

The legislature appropriated additional funds in each year of the biennium to fund personal services at the current usage level; this covers changes such as longevity, workers compensation rates, movement of 5.50 FTE into the Director's office, and various other adjustments.

DP 102 - Remaining Differences from Executive PL -

The legislature approved an increase in funds in each year of the biennium to fund operations at the current usage level; this includes program transfers from the Business and Financial Services Division, Children and Family Services, and Health and Community Services.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully fund 2015 legislatively authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Costs -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD

fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation/Deflation -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 532 - General Liability Insurance Rate Adjustment -

The legislature reduced the rate assessed to state agencies for general liability insurance provided by the Risk Management and Tort Defense Division.

DP 400444 - Statewide 4% FTE Reduction - Program 4 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package 400444 includes a reduction of 0.75 FTE.

**Agency Budget Comparison**

The following table compares 2014 actuals expenditures without one-time appropriations plus 2015 estimated appropriations including one-time appropriations, but excluding certain base appropriations to the 2017 biennial total legislative budget. The comparison is listed by year, type of expenditure, and source of funding. The biennial percent change column has been eliminated to allow for the transition to a comparison of biennial appropriations consistent with SB 140 in the future. The biennial appropriation growth/decline is listed in the agency highlight tables and the expenditure section of Volume 1 of this Fiscal Report.

Agency Budget Comparison							
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change
FTE	257.33	257.33	246.83	246.83	257.33	246.83	(10.50)
Personal Services	16,642,612	17,410,008	17,624,286	17,622,939	34,052,620	35,247,225	1,194,605
Operating Expenses	28,365,607	38,039,594	31,859,069	31,310,454	66,405,201	63,169,523	(3,235,678)
Equipment & Intangible Assets	395,167	214,971	214,971	214,971	610,138	429,942	(180,196)
Grants	626,553	584,941	584,941	584,941	1,211,494	1,169,882	(41,612)
Debt Service	3,311	96,942	96,942	96,942	100,253	193,884	93,631
<b>Total Costs</b>	<b>\$46,033,250</b>	<b>\$56,346,456</b>	<b>\$50,380,209</b>	<b>\$49,830,247</b>	<b>\$102,379,706</b>	<b>\$100,210,456</b>	<b>(\$2,169,250)</b>
General Fund	16,921,304	18,485,590	18,526,427	19,013,284	35,406,894	37,539,711	2,132,817
State/Other Special Rev. Funds	2,529,275	2,653,698	2,914,876	2,331,415	5,182,973	5,246,291	63,318
Federal Spec. Rev. Funds	26,582,671	35,207,168	28,938,906	28,485,548	61,789,839	57,424,454	(4,365,385)
<b>Total Funds</b>	<b>\$46,033,250</b>	<b>\$56,346,456</b>	<b>\$50,380,209</b>	<b>\$49,830,247</b>	<b>\$102,379,706</b>	<b>\$100,210,456</b>	<b>(\$2,169,250)</b>

**Agency Description**

The Operations Services Branch (Branch) provides budget management, accounting, and operations. The divisions/offices under this branch are:

- o Management and Fair Hearings Office (MFH)
- o Business & Financial Services Division (BFSD)
- o Quality Assurance Division (QAD)
- o Technology Services Division (TSD)

**Agency Highlights**

<b>Operations Services Branch Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The 2017 legislative biennial budget is 10.9% or \$12.2 million less than the 2015 biennial appropriations                             <ul style="list-style-type: none"> <li>o Majority of this reduction is in the technology service division</li> </ul> </li> </ul>

The Operations Services Branch shows an overall reduction in expenditures for the 2017 biennium as compared to the 2015 biennium. Detailed information and highlights of the Operations Services Branch can be reviewed by examining each respective program.

**Summary of Legislative Action**

Legislative action that was passed for the Operations Services Branch include:

- Personal Services Adjustment - funding adjustments made from the 2015 base to cover such expenses as worker longevity, workers compensation, position transfers, pay adjustments, and other personal service adjustments
- Operations adjustments based on the 2015 base
- Fixed Costs adjustments
- Funding for state share health insurance

- Legislative Audit costs based on the the 2014 appropriations
- Inflation/Deflation adjustments
- Reduction of FTE associated with 4 % FTE.

Program specific change packages can be reviewed in each specific program.

**Funding**

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

Total Operations Services Branch Funding by Source of Authority 2017 Biennium Budget - Operations Services Branch						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	37,539,711	0	0	37,539,711	37.46 %	
State Special Total	5,246,291	0	0	5,246,291	5.24 %	
Federal Special Total	57,424,454	0	0	57,424,454	57.30 %	
Proprietary Total	0	0	0	0	0.00 %	
Other Total	0	0	0	0	0.00 %	
<b>Total All Funds</b>	<b>\$100,210,456</b>	<b>\$0</b>	<b>\$0</b>	<b>\$100,210,456</b>		
<b>Percent - Total All Sources</b>	<b>100.00 %</b>	<b>0.00 %</b>	<b>0.00 %</b>			

The Operations Services branch is funded from a mix of general fund, state special revenue, and federal funds. Each division includes a more detailed description of funding sources.

**Budget Summary by Category**

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	18,074,820	18,074,820	36,149,640	96.30 %	52,330,865	52,330,865	104,661,730	104.44 %
PL Adjustments	451,607	938,464	1,390,071	3.70 %	(1,950,656)	(2,500,618)	(4,451,274)	(4.44)%
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$18,526,427</b>	<b>\$19,013,284</b>	<b>\$37,539,711</b>		<b>\$50,380,209</b>	<b>\$49,830,247</b>	<b>\$100,210,456</b>	

**Other Legislation**

Program specific legislation can be examined by reviewing each particular program under the Operations Services Branch.

**Executive Budget Comparison**

The following table compares the legislative budget for the 2017 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2014	Executive Budget Fiscal 2016	Legislative Budget Fiscal 2016	Leg — Exec. Difference Fiscal 2016	Executive Budget Fiscal 2017	Legislative Budget Fiscal 2017	Leg — Exec. Difference Fiscal 2017	Biennium Difference Fiscal 16-17
FTE	257.33	246.83	246.83	0.00	246.83	246.83	0.00	0.00
Personal Services	16,642,612	17,929,223	17,624,286	(304,937)	17,927,876	17,622,939	(304,937)	(609,874)
Operating Expenses	28,365,607	31,824,981	31,859,069	34,088	31,148,047	31,310,454	162,407	196,495
Equipment & Intangible Assets	395,167	395,167	214,971	(180,196)	395,167	214,971	(180,196)	(360,392)
Grants	626,553	626,553	584,941	(41,612)	626,553	584,941	(41,612)	(83,224)
Debt Service	3,311	3,311	96,942	93,631	3,311	96,942	93,631	187,262
<b>Total Costs</b>	<b>\$46,033,250</b>	<b>\$50,779,235</b>	<b>\$50,380,209</b>	<b>(\$399,026)</b>	<b>\$50,100,954</b>	<b>\$49,830,247</b>	<b>(\$270,707)</b>	<b>(\$669,733)</b>
General Fund	16,921,304	18,834,914	18,526,427	(308,487)	18,666,566	19,013,284	346,718	38,231
State/other Special Rev. Funds	2,529,275	2,809,754	2,914,876	105,122	2,853,228	2,331,415	(521,813)	(416,691)
Federal Spec. Rev. Funds	26,582,671	29,134,567	28,938,906	(195,661)	28,581,160	28,485,548	(95,612)	(291,273)
<b>Total Funds</b>	<b>\$46,033,250</b>	<b>\$50,779,235</b>	<b>\$50,380,209</b>	<b>(\$399,026)</b>	<b>\$50,100,954</b>	<b>\$49,830,247</b>	<b>(\$270,707)</b>	<b>(\$669,733)</b>

The Operations Services Branch shows an overall reduction in expenditures for the 2017 biennium as compared to the executive request. Detailed information and highlights of the division can be reviewed by examining each respective program.

#### Language and Statutory Authority

The legislature included the following language in HB 2.

The Quality Assurance Division is appropriated funding for the 2017 biennium in an amount not to exceed \$108,286 of state special revenue fund share and \$199,083 of federal special revenue share from the recovery audit contract to pay recovery audit costs. Payments to the contractor are contingent upon the amount of funds recovered and may not exceed 12.5% of the amount recovered.

### Program Budget Comparison

The following table summarizes the total Legislative budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	65.50	65.50	63.00	63.00	65.50	63.00	(2.50)	(3.82)%
Personal Services	3,718,669	3,961,394	4,015,592	4,012,627	7,680,063	8,028,219	348,156	4.53 %
Operating Expenses	5,686,817	5,152,123	6,726,704	6,661,467	10,838,940	13,388,171	2,549,231	23.52 %
Equipment & Intangible Assets	7,900	0	0	0	7,900	0	(7,900)	(100.00)%
Debt Service	3,311	5,676	5,676	5,676	8,987	11,352	2,365	26.32 %
<b>Total Costs</b>	<b>\$9,416,697</b>	<b>\$9,119,193</b>	<b>\$10,747,972</b>	<b>\$10,679,770</b>	<b>\$18,535,890</b>	<b>\$21,427,742</b>	<b>\$2,891,852</b>	<b>15.60 %</b>
General Fund	3,672,835	3,453,091	4,079,341	4,144,696	7,125,926	8,224,037	1,098,111	15.41 %
State/Other Special Rev. Funds	625,776	698,787	879,830	539,626	1,324,563	1,419,456	94,893	7.16 %
Federal Spec. Rev. Funds	5,118,086	4,967,315	5,788,801	5,995,448	10,085,401	11,784,249	1,698,848	16.84 %
<b>Total Funds</b>	<b>\$9,416,697</b>	<b>\$9,119,193</b>	<b>\$10,747,972</b>	<b>\$10,679,770</b>	<b>\$18,535,890</b>	<b>\$21,427,742</b>	<b>\$2,891,852</b>	<b>15.60 %</b>

### 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.

Support Services include financial and accounting oversight, cash management, federal financial reporting, purchasing of equipment and supplies, audit coordination, lease, property, and records management.

### Program Highlights

<b>Business and Financial Services Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The legislature approved approximately \$21.4 million to the Business and Financial Services Division for the biennium. This is an increase 13.3 % or \$2.5 million from the previous biennium.</li> <li>• All fixed costs for services provided by the Department of Administration were funded in this division</li> <li>• The Business and Financial Services Division was appropriated the 2015 biennium rate for audit services for the entire department of Health and Human Services.</li> </ul>

### Program Narrative

The Business and Financial Services Division 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. Personal service and operating adjustments were approved by the legislature. No new proposals in the Business and Financial Services Division were adopted in the 2015 legislative session.

**Funding**

The following table shows program funding by source from all sources of authority.

Operations Services Branch, 06-Business & Financial Services Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	8,224,037	0	0	8,224,037	38.38 %	
02380 02 Indirect Activity Prog 08	130,511	0	0	130,511	9.19 %	
02382 6901-02 Indrct Activity Prog 06	1,288,945	0	0	1,288,945	90.81 %	
<b>State Special Total</b>	<b>\$1,419,456</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,419,456</b>	<b>6.62 %</b>	
03591 6901-03 Indrct Activity Prog 06	11,602,668	0	0	11,602,668	98.46 %	
03597 03 Indirect Activity Prog 08	181,581	0	0	181,581	1.54 %	
<b>Federal Special Total</b>	<b>\$11,784,249</b>	<b>\$0</b>	<b>\$0</b>	<b>\$11,784,249</b>	<b>55.00 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$21,427,742</b>	<b>\$0</b>	<b>\$0</b>	<b>\$21,427,742</b>		

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 benefitting or serving other programs in the department.

**Budget Summary by Category**

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	3,540,308	3,540,308	7,080,616	86.10 %	9,332,131	9,332,131	18,664,262	87.10 %
PL Adjustments	539,033	604,388	1,143,421	13.90 %	1,415,841	1,347,639	2,763,480	12.90 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$4,079,341</b>	<b>\$4,144,696</b>	<b>\$8,224,037</b>		<b>\$10,747,972</b>	<b>\$10,679,770</b>	<b>\$21,427,742</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Present Law Adjustments										
DP 101 - Personal Services Adjustment to Executive	0.00	(70,486)	(70,579)	(45,824)	(186,889)	0.00	(71,869)	(71,062)	(46,923)	(189,854)
DP 102 - Other Adjustment to Executive	0.00	55,464	12,005	90,961	158,430	0.00	300,786	2,449	221,681	524,916
DP 510 - Legislative Audit HB 2 2014 Fixed Costs (Restricted/Biennial)	0.00	154,666	12,892	195,740	363,298	0.00	0	0	0	0
DP 515 - State Share Health Insurance	0.00	13,723	1,494	15,401	30,618	0.00	13,723	1,494	15,401	30,618
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	4,143	776	7,925	12,844	0.00	4,143	776	7,925	12,844
DP 525 - Fixed Costs	0.00	293,805	63,606	482,201	839,612	0.00	269,766	58,402	442,747	770,915
DP 527 - Inflation/Deflation	0.00	87,718	17,244	92,966	197,928	0.00	87,839	17,267	93,094	198,200
DP 600444 - Statewide 4% FTE Reduction - Program 6	(2.50)	0	0	0	0	(2.50)	0	0	0	0
<b>Grand Total All Present Law Adjustments</b>	<b>(2.50)</b>	<b>\$539,033</b>	<b>\$37,438</b>	<b>\$839,370</b>	<b>\$1,415,841</b>	<b>(2.50)</b>	<b>\$604,388</b>	<b>\$9,326</b>	<b>\$733,925</b>	<b>\$1,347,639</b>

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

DP 101 - Personal Services Adjustment to Executive -

The legislature reduced funds in each year of the biennium to fund personal services at the current usage level; this covers changes such as longevity, workers compensation rates, movement of 3.00 FTE from this division into the Director's Office and the Technology Service Division, and various other adjustments.

DP 102 - Other Adjustment to Executive -

The legislature approved an increase in funds in each year of the biennium to fund operations at the current usage level.

DP 510 - Legislative Audit HB 2 2014 Fixed Costs (Restricted/Biennial) -

The legislature provided a restricted biennial appropriation for legislative audit. The funding is established at the level of the 2015 biennium contained in HB 2 as enacted by the 2013 Legislature.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Costs -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation/Deflation -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 600444 - Statewide 4% FTE Reduction - Program 6 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package 600444 includes a reduction of 2.50 FTE each year.

**Program Budget Comparison**

The following table summarizes the total Legislative budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	115.23	115.23	110.23	110.23	115.23	110.23	(5.00)	(4.34)%
Personal Services	6,857,070	7,415,770	7,480,196	7,482,342	14,272,840	14,962,538	689,698	4.83 %
Operating Expenses	1,436,925	1,694,581	1,539,905	1,541,277	3,131,506	3,081,182	(50,324)	(1.61)%
Equipment & Intangible Assets	29,337	525	525	525	29,862	1,050	(28,812)	(96.48)%
Grants	626,553	584,941	584,941	584,941	1,211,494	1,169,882	(41,612)	(3.43)%
<b>Total Costs</b>	<b>\$8,949,885</b>	<b>\$9,695,817</b>	<b>\$9,605,567</b>	<b>\$9,609,085</b>	<b>\$18,645,702</b>	<b>\$19,214,652</b>	<b>\$568,950</b>	<b>3.05 %</b>
General Fund	2,476,778	2,724,281	2,609,974	2,611,203	5,201,059	5,221,177	20,118	0.39 %
State/Other Special Rev. Funds	317,579	578,112	376,007	375,586	895,691	751,593	(144,098)	(16.09)%
Federal Spec. Rev. Funds	6,155,528	6,393,424	6,619,586	6,622,296	12,548,952	13,241,882	692,930	5.52 %
<b>Total Funds</b>	<b>\$8,949,885</b>	<b>\$9,695,817</b>	<b>\$9,605,567</b>	<b>\$9,609,085</b>	<b>\$18,645,702</b>	<b>\$19,214,652</b>	<b>\$568,950</b>	<b>3.05 %</b>

**Program Description**

The Quality Assurance Division (QAD) promotes and protects the safety and well-being of people in Montana by providing responsive and independent assessment and monitoring of human services. This includes activities related to licensing, fraud investigations, fair hearings, ensuring federal compliance, and operating the medical marijuana registry.

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

**Program Highlights**

<b>Quality Assurance Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The legislature increased the 2017 biennium total appropriations for the division by approximately 1.0% from the 2015 biennium due to:                             <ul style="list-style-type: none"> <li>◦ Personal Services Adjustments</li> <li>◦ Operational adjustments</li> <li>◦ Fully funding authorized FTE</li> <li>◦ Inflation/Deflation adjustments</li> <li>◦ Fixed Costs Adjustments</li> </ul> </li> </ul>

**Funding**

The following table shows program funding by source from all sources of authority.

Operations Services Branch, 08-Quality Assurance Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	5,221,177	0	0	5,221,177	27.17 %	
02034 Earmarked Alcohol Funds	152,360	0	0	152,360	20.27 %	
02380 02 Indirect Activity Prog 08	59,221	0	0	59,221	7.88 %	
02497 6901-Lien & Estate - SLTCD	132,504	0	0	132,504	17.63 %	
02566 Medical Marijuana	332,454	0	0	332,454	44.23 %	
02585 Recovery Audit Contract	75,054	0	0	75,054	9.99 %	
<b>State Special Total</b>	<b>\$751,593</b>	<b>\$0</b>	<b>\$0</b>	<b>\$751,593</b>	<b>3.91 %</b>	
03096 Discretionary Child Care	1,517,666	0	0	1,517,666	11.46 %	
03251 Child Care Admin	283,918	0	0	283,918	2.14 %	
03303 Title 18 CLIA	314,345	0	0	314,345	2.37 %	
03335 FDA Mammography Inspections	83,092	0	0	83,092	0.63 %	
03341 Frontier Community Health	0	0	0	0	0.00 %	
03359 Recovery Audit Program	75,056	0	0	75,056	0.57 %	
03530 6901-Foster Care 93.658	143,748	0	0	143,748	1.09 %	
03580 6901-93.778 - Med Adm 50%	1,563,212	0	0	1,563,212	11.81 %	
03597 03 Indirect Activity Prog 08	3,275,159	0	0	3,275,159	24.73 %	
03934 Title 19	862,951	0	0	862,951	6.52 %	
03935 Title 18	3,599,141	0	0	3,599,141	27.18 %	
03948 T-19 OBRA Nurse Aid	234,000	0	0	234,000	1.77 %	
03960 Rural Hospital Flexibility Prog	1,289,594	0	0	1,289,594	9.74 %	
<b>Federal Special Total</b>	<b>\$13,241,882</b>	<b>\$0</b>	<b>\$0</b>	<b>\$13,241,882</b>	<b>68.92 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$19,214,652</b>	<b>\$0</b>	<b>\$0</b>	<b>\$19,214,652</b>		

The division is funded primarily with a variety of federal funds at 68.9% of the total. General fund is 27.2% of program costs with the remaining 3.9% supported by state special revenues.

**Budget Summary by Category**

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	2,724,281	2,724,281	5,448,562	104.36 %	9,695,817	9,695,817	19,391,634	100.92 %
PL Adjustments	(114,307)	(113,078)	(227,385)	(4.36)%	(90,250)	(86,732)	(176,982)	(0.92)%
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$2,609,974</b>	<b>\$2,611,203</b>	<b>\$5,221,177</b>		<b>\$9,605,567</b>	<b>\$9,609,085</b>	<b>\$19,214,652</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 101 - Personal Services Adjustment to Executive	0.00	(54,478)	(149,775)	184,826	(19,427)	0.00	(53,104)	(150,225)	186,048	(17,281)
DP 102 - Other Adjustment to Executive	0.00	(68,585)	(60,338)	6,478	(122,445)	0.00	(69,135)	(60,350)	7,040	(122,445)
DP 515 - State Share Health Insurance	0.00	16,398	1,714	35,460	53,572	0.00	16,398	1,714	35,460	53,572
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	5,845	1,909	22,527	30,281	0.00	5,845	1,909	22,527	30,281
DP 525 - Fixed Costs	0.00	(5,975)	0	(11,100)	(17,075)	0.00	(5,975)	0	(11,100)	(17,075)
DP 527 - Inflation/Deflation	0.00	(7,512)	(749)	(17,163)	(25,424)	0.00	(7,107)	(708)	(16,237)	(24,052)
DP 800444 - Statewide 4% FTE Reduction - Program 8	(5.00)	0	0	0	0	(5.00)	0	0	0	0
DP 808003 - Med Admin RAC Program	0.00	0	5,134	5,134	10,268	0.00	0	5,134	5,134	10,268
<b>Grand Total All Present Law Adjustments</b>	<b>(5.00)</b>	<b>(\$114,307)</b>	<b>(\$202,105)</b>	<b>\$226,162</b>	<b>(\$90,250)</b>	<b>(5.00)</b>	<b>(\$113,078)</b>	<b>(\$202,526)</b>	\$228,872	(\$86,732)

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

DP 101 - Personal Services Adjustment to Executive -

The legislature reduced funds in each year of the biennium to fund personal services at the current usage level; this covers changes such as longevity, workers compensation rates, and various other adjustments.

DP 102 - Other Adjustment to Executive -

The legislature approved a reduction in funds in each year of the biennium to fund operations at the current usage level; operational expenses are currently lower than anticipated by the FY 2015 appropriation.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Costs -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation/Deflation -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 800444 - Statewide 4% FTE Reduction - Program 8 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package 800444 includes a reduction of 5.00 FTE each year.

DP 808003 - Med Admin RAC Program -

The legislature appropriated \$20,536 in total funds for the biennium, including \$5,134 of state funds and \$5,134 of federal funds to maintain existing services for the Recovery Audit program in the Quality Assurance Division. The funding provides contracted services of monitoring and reporting on the Recovery Audit Program contract, collections, and payments.

**Program Budget Comparison**

The following table summarizes the total Legislative budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	63.60	63.60	60.60	60.60	63.60	60.60	(3.00)	(4.72)%
Personal Services	5,080,391	5,048,093	4,991,317	4,990,010	10,128,484	9,981,327	(147,157)	(1.45)%
Operating Expenses	21,094,589	31,084,113	23,451,437	22,966,682	52,178,702	46,418,119	(5,760,583)	(11.04)%
Equipment & Intangible Assets	357,930	209,206	209,206	209,206	567,136	418,412	(148,724)	(26.22)%
Debt Service	0	91,266	91,266	91,266	91,266	182,532	91,266	100.00 %
<b>Total Costs</b>	<b>\$26,532,910</b>	<b>\$36,432,678</b>	<b>\$28,743,226</b>	<b>\$28,257,164</b>	<b>\$62,965,588</b>	<b>\$57,000,390</b>	<b>(\$5,965,198)</b>	<b>(9.47)%</b>
General Fund	10,308,657	11,878,584	11,312,259	11,732,206	22,187,241	23,044,465	857,224	3.86 %
State/Other Special Rev. Funds	1,560,864	1,349,887	1,629,621	1,386,761	2,910,751	3,016,382	105,631	3.63 %
Federal Spec. Rev. Funds	14,663,389	23,204,207	15,801,346	15,138,197	37,867,596	30,939,543	(6,928,053)	(18.30)%
<b>Total Funds</b>	<b>\$26,532,910</b>	<b>\$36,432,678</b>	<b>\$28,743,226</b>	<b>\$28,257,164</b>	<b>\$62,965,588</b>	<b>\$57,000,390</b>	<b>(\$5,965,198)</b>	<b>(9.47)%</b>

**Program Description**

The overall mission of the Technology Service Division (TSD) is to use and improve information technology to protect the health, well-being, and self-reliance of all Montanans. The Technology Services Division (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, database functions, and network/communication systems. TSD services include programming, help desk functions, database support, web development, enterprise architecture, project and contract management, security, and network management.

Further information concerning the systems and programs mentioned in this document can be found by viewing the agency's information technology plan. This plan can be found by visiting:

<http://sitsd.mt.gov/Governance/IT-Plans/Agencies-IT-Plans>

**Program Highlights**

<b>Technology Services Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The legislature reduced the 2017 biennium funding for the division by \$15.3 million, or 21.2% compared to the 2015 biennium that is largely due to reductions in IT consulting and professional services</li> <li>• The legislature approved present law adjustments for personal services and operations. The personal services adjustments offset the large adjustment to operations, resulting in the decrease.</li> </ul>

## Program Narrative

The 2015 legislature provided one-time only funding for the Combined Healthcare Information and Montana Eligibility System (CHIMES). CHIMES is a Medicaid eligibility system.

### *MMIS - The Montana Medicaid Management System*

The Montana Medicaid Management System (MMIS) is an automated system for Medicaid claim management. The federal government mandates a MMIS system be used in states participating in Medicaid. In Montana, there exists a legacy system that is currently in use; however the 2009 Legislature appropriated \$65.5 million dollars to develop and build a new system. This project is federally funded at 90% with a 10% state match. Xerox was the fiscal agent selected to co-develop this program with the state of Montana. The project remains the largest information technology project in terms of cost historically for the state of Montana. Significant issues have developed over the last five years in terms of cost, schedule, and product development. Events and milestones for the project are as follows:

- The project is funded from HB 10 under an original appropriation of \$65.5 million.
- Project cost was reevaluated in 2014 and was reported to be in excess of \$84 million
- In June of 2014, performance fines levied against Xerox total \$12.8 million
- The Legislative Finance Committee formed a special sub-committee for oversight and reporting of the project in 2014 called the MMIS sub-committee
- The department of Health and Human Services filed a breach of contract notice to Xerox concerning open issues including the main work plan and substantive missed deadlines and deliverables in June of 2014
- The Legislative Finance Committee voted no confidence in the Xerox project
- The Department of Health and Human Services issued an additional letter to Xerox requiring corrective action plan be developed for project issues including staffing, schedule, missed deliverables, and quality work concerns

### *HB 10 and MMIS*

The legislature utilized HB 10 during the 2015 session to appropriate additional funding for independent validation and verification of the MMIS project. This appropriation to the Department of Public Health and Human Services consists of \$7,500 in general fund and \$67,500 in federal funds for the purpose of securing an independent audit on the progress and contractual requirements of the MMIS project. The audit must produce: (1) An opinion of the MMIS contractor's ability to meet all contractual requirements, terms, and conditions related to project progress and the May 2017 implementation date (2) A review of other states where the vendor has implemented or is in the process of implementing a medicaid management information system to understand and extrapolate experiences, impacts, costs, and delays and project the potential to the state of Montana (3) The current vendor must report, outcomes, and recommendations must be reported to the legislative finance committee no later than July, 1 2015.

Also in HB 10, the legislature authorized the Department of Public Health and Human Services to terminate the medicaid management information systems replacement project based on breach of contract or the event of nonperformance. In the event that the department elects to terminate the contract, the department is directed to take all legal action necessary to recover previously appropriated funds and any other damages caused by or related to the replacement contract.

## Funding

The following table shows program funding by source from all sources of authority.

Operations Services Branch, 09-Technology Services Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	23,044,465	0	0	23,044,465	40.43 %	
02381 02 Indirect Activity Prog 09	3,016,382	0	0	3,016,382	100.00 %	
02598 MCDC COST RECOVERY	0	0	0	0	0.00 %	
<b>State Special Total</b>	<b>\$3,016,382</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,016,382</b>	<b>5.29 %</b>	
03598 03 Indirect Activity Prog 09	30,939,543	0	0	30,939,543	100.00 %	
<b>Federal Special Total</b>	<b>\$30,939,543</b>	<b>\$0</b>	<b>\$0</b>	<b>\$30,939,543</b>	<b>54.28 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$57,000,390</b>	<b>\$0</b>	<b>\$0</b>	<b>\$57,000,390</b>		

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 TSD throughout the agency.

**Budget Summary by Category**

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	11,380,597	11,380,597	22,761,194	98.77 %	32,204,149	32,204,149	64,408,298	113.00 %
PL Adjustments	(68,338)	351,609	283,271	1.23 %	(3,460,923)	(3,946,985)	(7,407,908)	(13.00)%
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$11,312,259</b>	<b>\$11,732,206</b>	<b>\$23,044,465</b>		<b>\$28,743,226</b>	<b>\$28,257,164</b>	<b>\$57,000,390</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 101 - Personal Services Adjustment to Executive	0.00	448,354	13,805	(213,873)	248,286	0.00	323,568	(13,132)	(63,457)	246,979
DP 102 - Other Adjustment to Executive	0.00	(1,681,051)	301,338	(4,945,123)	(6,324,836)	0.00	(2,581,878)	121,511	(6,420,927)	(8,881,294)
DP 515 - State Share Health Insurance	0.00	11,983	2,001	15,468	29,452	0.00	11,983	2,001	15,468	29,452
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	4,546	2,312	12,284	19,142	0.00	4,546	2,312	12,284	19,142
DP 525 - Fixed Costs	0.00	289,268	46,403	279,797	615,468	0.00	308,053	49,416	297,967	655,436
DP 527 - Inflation/Deflation	0.00	(81,082)	(14,308)	(101,415)	(196,805)	0.00	(81,039)	(14,301)	(101,361)	(196,701)
DP 531 - SITSD Adjustment	0.00	308,822	58,891	401,820	769,533	0.00	478,173	91,186	622,169	1,191,528
DP 900444 - Statewide 4% FTE Reduction - Program 9	(3.00)	0	0	0	0	(3.00)	0	0	0	0
DP 909004 - Contractual Adjustments	0.00	224,509	23,899	327,772	576,180	0.00	1,623,147	(43,311)	1,158,973	2,738,809
DP 909005 - CHIMES System Operations	0.00	329,952	0	0	329,952	0.00	329,952	0	0	329,952
DP 909010 - NCB Operations	0.00	38,111	7,578	44,516	90,205	0.00	16,987	3,377	19,841	40,205
DP 909011 - Federal Audit Security Compliance	0.00	38,250	0	344,250	382,500	0.00	7,650	0	68,850	76,500
DP 909012 - EBT Outsourcing	0.00	0	0	0	0	0.00	(89,533)	0	(107,460)	(196,993)
<b>Grand Total All Present Law Adjustments</b>	<b>(3.00)</b>	<b>(\$68,338)</b>	<b>\$441,919</b>	<b>(\$3,834,504)</b>	<b>(\$3,460,923)</b>	<b>(3.00)</b>	<b>\$351,609</b>	<b>\$199,059</b>	<b>(\$4,497,653)</b>	<b>(\$3,946,985)</b>

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

DP 101 - Personal Services Adjustment to Executive -

The legislature increased funds in each year of the biennium to fund personal services at the current usage level; this covers changes such as longevity, workers compensation rates, and various other adjustments.

DP 102 - Other Adjustment to Executive -

The legislature approved a reduction in funds in each year of the biennium to fund operations at the current usage level; operational expenses are currently lower than anticipated by the FY 2015 appropriation.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Costs -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD

fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation/Deflation -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 531 - SITSD Adjustment -

The legislature approved an increase for fixed cost rates included in state agency budgets for information technology services provided by the State Information Technology Services Division (SITSD).

DP 900444 - Statewide 4% FTE Reduction - Program 9 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package 900444 includes a reduction of 3.00 FTE each year.

DP 909004 - Contractual Adjustments -

The legislature appropriated \$3,314,989 total funds over the biennium, including general fund of \$224,509 in FY 2016 and \$1,623,147 in FY 2017 to maintain existing services for the Project Management Bureau in the Technology Services Division.

DP 909005 - CHIMES System Operations -

This present law adjustment requests \$329,952 in general fund in each year of the biennium to maintain existing services for the Project Management Bureau in the Technology Services Division. The increase restores one-time-only funding that is necessary to provide ongoing maintenance and operations support of the agency's eligibility determination systems.

DP 909010 - NCB Operations -

The legislature appropriated \$130,410 in total funds over the biennium, including general fund of \$38,112 in FY 2016 and \$16,987 in FY 2017 to maintain existing services for the Network & Communication Services bureau. Funding supports the DPHHS strategic disaster and recovery plan and to provide for mobile device management, monitoring of security threats on mobile devices, and for enhanced software licensing monitoring.

DP 909011 - Federal Audit Security Compliance -

The legislature appropriated \$459,000 in total funds over the biennium, including general fund of \$38,250 in FY 2016 and \$7,650 in FY 2017 to maintain existing services for the Agencywide Services program. The funding supports the purchase and ongoing maintenance of security software to meet the federal security IT audit compliance for data systems encryption, multi-factor authentication, and review of security incident and event management data.

DP 909012 - EBT Outsourcing -

The legislature approved a reduction of \$196,993 in total funds in FY 2017, including a general fund reduction of \$89,533 to reduce base funding for the Montana Access EBT program in the Technology Services Division. This request was made during the 2013 legislative session; however, the vendor to whom the outsourcing was awarded terminated its EBT services prior to transfer of the process, resulting in the need to maintain the current Montana Access system for an additional two years.

**Program Budget Comparison**

The following table summarizes the total Legislative budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	13.00	13.00	13.00	13.00	13.00	13.00	0.00	0.00 %
Personal Services	986,482	984,751	1,137,181	1,137,960	1,971,233	2,275,141	303,908	15.42 %
Operating Expenses	147,276	108,777	141,023	141,028	256,053	282,051	25,998	10.15 %
Equipment & Intangible Assets	0	5,240	5,240	5,240	5,240	10,480	5,240	100.00 %
<b>Total Costs</b>	<b>\$1,133,758</b>	<b>\$1,098,768</b>	<b>\$1,283,444</b>	<b>\$1,284,228</b>	<b>\$2,232,526</b>	<b>\$2,567,672</b>	<b>\$335,146</b>	<b>15.01 %</b>
General Fund	463,034	429,634	524,853	525,179	892,668	1,050,032	157,364	17.63 %
State/Other Special Rev. Funds	25,056	26,912	29,418	29,442	51,968	58,860	6,892	13.26 %
Federal Spec. Rev. Funds	645,668	642,222	729,173	729,607	1,287,890	1,458,780	170,890	13.27 %
<b>Total Funds</b>	<b>\$1,133,758</b>	<b>\$1,098,768</b>	<b>\$1,283,444</b>	<b>\$1,284,228</b>	<b>\$2,232,526</b>	<b>\$2,567,672</b>	<b>\$335,146</b>	<b>15.01 %</b>

**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**

<b>Management and Fair Hearings Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The Legislature increased the 2017 binnium funding 19.2% or, \$413,000 compared to the 2015 biennium. The increase is mainly due to matching the expenditures in operating expense and personal services in FY 2014 to the 2017 biennium.</li> <li>• There are no budgeted expenditures for equipment and intangible assets in the 2017 biennium</li> </ul>

**Funding**

The following table shows program funding by source from all sources of authority.

Operations Services Branch, 16-Management and Fair Hearings Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	1,050,032	0	0	1,050,032	40.89 %	
02221 02 Indirect Activity Prog 16	58,860	0	0	58,860	100.00 %	
<b>State Special Total</b>	<b>\$58,860</b>	<b>\$0</b>	<b>\$0</b>	<b>\$58,860</b>	<b>2.29 %</b>	
03304 03 Indirect Activity Prog 16	1,458,780	0	0	1,458,780	100.00 %	
<b>Federal Special Total</b>	<b>\$1,458,780</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,458,780</b>	<b>56.81 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$2,567,672</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,567,672</b>		

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.

**Budget Summary by Category**

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	429,634	429,634	859,268	81.83 %	1,098,768	1,098,768	2,197,536	85.58 %
PL Adjustments	95,219	95,545	190,764	18.17 %	184,676	185,460	370,136	14.42 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$524,853</b>	<b>\$525,179</b>	<b>\$1,050,032</b>		<b>\$1,283,444</b>	<b>\$1,284,228</b>	<b>\$2,567,672</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 101 - Personal Services Adjustment to Executive	0.00	72,196	1,966	68,115	142,277	0.00	72,515	1,992	68,549	143,056
DP 102 - Other Adjustment to Executive	0.00	19,864	281	13,114	33,259	0.00	19,869	279	13,111	33,259
DP 515 - State Share Health Insurance	0.00	2,584	145	3,589	6,318	0.00	2,584	145	3,589	6,318
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	994	141	2,700	3,835	0.00	994	141	2,700	3,835
DP 525 - Fixed Costs	0.00	(361)	(27)	(484)	(872)	0.00	(361)	(27)	(484)	(872)
DP 527 - Inflation/Deflation	0.00	(58)	0	(83)	(141)	0.00	(56)	0	(80)	(136)
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$95,219</b>	<b>\$2,506</b>	<b>\$86,951</b>	<b>\$184,676</b>	<b>0.00</b>	<b>\$95,545</b>	<b>\$2,530</b>	<b>\$87,385</b>	<b>\$185,460</b>

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

DP 101 - Personal Services Adjustment to Executive -

The legislature increased funds in each year of the biennium to fund personal services at the current usage level; this covers changes such as longevity, workers compensation rates, and various other adjustments.

DP 102 - Other Adjustment to Executive -

The legislature approved an increase in funds in each year of the biennium to fund operations at the current usage level; operational expenses are currently lower than anticipated by the FY 2015 appropriation.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Costs -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation/Deflation -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

**Agency Budget Comparison**

The following table compares 2014 actuals expenditures without one-time appropriations plus 2015 estimated appropriations including one-time appropriations, but excluding certain base appropriations to the 2017 biennial total legislative budget. The comparison is listed by year, type of expenditure, and source of funding. The biennial percent change column has been eliminated to allow for the transition to a comparison of biennial appropriations consistent with SB 140 in the future. The biennial appropriation growth/decline is listed in the agency highlight tables and the expenditure section of Volume 1 of this Fiscal Report.

Agency Budget Comparison							
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change
FTE	191.95	191.95	181.02	181.01	191.95	181.01	(10.94)
Personal Services	12,406,591	12,750,464	12,884,933	12,882,376	25,157,055	25,767,309	610,254
Operating Expenses	12,314,255	14,072,460	10,139,920	10,147,401	26,386,715	20,287,321	(6,099,394)
Equipment & Intangible Assets	36,500	224,556	224,556	224,556	261,056	449,112	188,056
Grants	21,944,730	24,168,273	24,183,058	24,183,058	46,113,003	48,366,116	2,253,113
Benefits & Claims	14,039,913	14,656,277	14,656,277	14,656,277	28,696,190	29,312,554	616,364
Transfers	390,674	474,785	0	0	865,459	0	(865,459)
<b>Total Costs</b>	<b>\$61,132,663</b>	<b>\$66,346,815</b>	<b>\$62,088,744</b>	<b>\$62,093,668</b>	<b>\$127,479,478</b>	<b>\$124,182,412</b>	<b>(\$3,297,066)</b>
General Fund	3,672,480	4,143,476	3,857,129	3,856,743	7,815,956	7,713,872	(102,084)
State/Other Special Rev. Funds	16,291,732	16,847,018	18,075,780	18,079,732	33,138,750	36,155,512	3,016,762
Federal Spec. Rev. Funds	41,168,451	45,356,321	40,155,835	40,157,193	86,524,772	80,313,028	(6,211,744)
<b>Total Funds</b>	<b>\$61,132,663</b>	<b>\$66,346,815</b>	<b>\$62,088,744</b>	<b>\$62,093,668</b>	<b>\$127,479,478</b>	<b>\$124,182,412</b>	<b>(\$3,297,066)</b>

**Agency 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:

- 1) Clinical and environmental laboratory services;
- 2) Chronic and communicable disease prevention and control;
- 3) Maternal and child public health services;
- 4) Public health emergency preparedness;
- 5) Women's, Infants and Children's Special Nutrition Program (WIC);
- 6) Food and Consumer Safety; and
- 7) Emergency Medical Services.

## Agency Highlights

<b>Public Health and Safety Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The 2017 biennium appropriation is \$3.3 million, or about 3%, and 10.94 FTE lower than the 2015 biennium budget <ul style="list-style-type: none"> <li>◦ FTE reductions are due to: <ul style="list-style-type: none"> <li>▪ Implementation of legislative intent included in HB 2 by the 2013 Legislature, which called for FTE reductions equivalent to a 4% vacancy savings - 7.44 FTE</li> <li>▪ Funding federal Title X (family planning) activities through a statutory appropriation rather than HB 2 - 3.50 FTE</li> </ul> </li> <li>◦ Reductions in operating costs are offset primarily by increases in grant and personal services</li> <li>◦ Increases in grant appropriations are due in part to: <ul style="list-style-type: none"> <li>▪ Increased state special revenue for colorectal cancer screening, expansion of the asthma home visiting, cardiovascular and diabetes prevention programs</li> <li>▪ Reallocation of appropriation authority from operating costs to grants to accurately reflect the type of expenditure</li> </ul> </li> <li>◦ Increases are partially offset by moving Title X federal funding to a statutory appropriation from HB 2</li> <li>◦ Reductions in operating appropriations are due to: <ul style="list-style-type: none"> <li>▪ Decline in federal funding for several categorical grants due to sequestration</li> <li>▪ Transfer of some expenditures to the grant category</li> <li>▪ Use of a statutory appropriation instead of HB 2 funding for Title X grant funds</li> </ul> </li> </ul> </li> </ul>

## Summary of Legislative Action

The legislature approved a reduction of \$3.3 million, or 2.6%, for the PHSD 2017 biennium appropriation compared to the 2015 biennium. The most significant decline is in the operating cost category and is due to federal grant reductions due to federal sequestration and other federal fund reductions, moving appropriation authority from operating expenditures to grants to more accurately reflect the purpose of the appropriation, and moving Title X (family planning funding) to a statutory appropriation.

Grant appropriations increase a net \$2.3 million between biennia. Specific appropriation changes approved by the legislature include:

- An increase of \$2.0 million for additional tobacco prevention and control activities aimed at youth prevention, tobacco use cessation, and smoke free housing
- A reduction of \$1.4 million for Title X family planning funded through a statutory appropriation
- An increase of \$300,000 for colorectal cancer screening
- An increase of \$180,000 for expanded asthma home visiting
- A net change of \$1.2 million due to moving authority from operating expenditures to grants

Benefits and claims increase \$1.2 million from the 2015 biennium budget to the 2017 biennium budget due to adoption of the FY 2015 appropriation as the legislative base budget. The FY 2015 appropriation includes a higher funding level for the Women, Infants, and Children (WIC) nutrition program compared to the FY 2014 expenditure level.

**Funding**

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

Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	7,713,872	0	0	7,713,872	6.21 %
State Special Total	36,155,512	0	0	36,155,512	29.11 %
Federal Special Total	80,313,028	0	0	80,313,028	64.67 %
Proprietary Total	0	0	0	0	0.00 %
Other Total	0	0	0	0	0.00 %
<b>Total All Funds</b>	<b>\$124,182,412</b>	<b>\$0</b>	<b>\$0</b>	<b>\$124,182,412</b>	
<b>Percent - Total All Sources</b>	<b>100.00 %</b>	<b>0.00 %</b>	<b>0.00 %</b>		

**Budget Summary by Category**

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	3,788,496	3,788,496	7,576,992	98.23 %	66,218,973	66,218,973	132,437,946	106.65 %
PL Adjustments	68,633	68,247	136,880	1.77 %	(2,546,995)	(2,542,758)	(5,089,753)	(4.10)%
New Proposals	0	0	0	0.00 %	(1,583,234)	(1,582,547)	(3,165,781)	(2.55)%
<b>Total Budget</b>	<b>\$3,857,129</b>	<b>\$3,856,743</b>	<b>\$7,713,872</b>		<b>\$62,088,744</b>	<b>\$62,093,668</b>	<b>\$124,182,412</b>	

**Executive Budget Comparison**

The following table compares the legislative budget for the 2017 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison	Base Budget	Executive Budget	Legislative Budget	Leg — Exec. Difference	Executive Budget	Legislative Budget	Leg — Exec. Difference	Biennium Difference
Budget Item	Fiscal 2014	Fiscal 2016	Fiscal 2016	Fiscal 2016	Fiscal 2017	Fiscal 2017	Fiscal 2017	Fiscal 16-17
FTE	191.95	184.52	181.02	(3.50)	184.51	181.01	(3.50)	(3.50)
Personal Services	12,406,591	13,363,965	12,884,933	(479,032)	13,361,005	12,882,376	(478,629)	(957,661)
Operating Expenses	12,314,255	12,576,503	10,139,920	(2,436,583)	12,579,287	10,147,401	(2,431,886)	(4,868,469)
Equipment & Intangible Assets	36,500	36,500	224,556	188,056	36,500	224,556	188,056	376,112
Grants	21,944,730	23,707,257	24,183,058	475,801	23,707,257	24,183,058	475,801	951,602
Benefits & Claims	14,039,913	14,039,913	14,656,277	616,364	14,039,913	14,656,277	616,364	1,232,728
Transfers	390,674	390,674	0	(390,674)	390,674	0	(390,674)	(781,348)
<b>Total Costs</b>	<b>\$61,132,663</b>	<b>\$64,114,812</b>	<b>\$62,088,744</b>	<b>(\$2,026,068)</b>	<b>\$64,114,636</b>	<b>\$62,093,668</b>	<b>(\$2,020,968)</b>	<b>(\$4,047,036)</b>
General Fund	3,672,480	3,864,690	3,857,129	(7,561)	3,863,707	3,856,743	(6,964)	(14,525)
State/other Special Rev. Funds	16,291,732	18,152,485	18,075,780	(76,705)	18,155,511	18,079,732	(75,779)	(152,484)
Federal Spec. Rev. Funds	41,168,451	42,097,637	40,155,835	(1,941,802)	42,095,418	40,157,193	(1,938,225)	(3,880,027)
<b>Total Funds</b>	<b>\$61,132,663</b>	<b>\$64,114,812</b>	<b>\$62,088,744</b>	<b>(\$2,026,068)</b>	<b>\$64,114,636</b>	<b>\$62,093,668</b>	<b>(\$2,020,968)</b>	<b>(\$4,047,036)</b>

The 2017 biennium legislative appropriation for the division is a net \$4.0 million lower than the executive request because the legislature:

- Moved funding for the Title X (family planning) federal grant from HB 2 to a statutory appropriation - \$3.9 million
- Did not approve funding for the executive implementation of the 2015 biennium pay plan - \$0.5 lower million
- Adopted the FY 2015 appropriation as a starting point - \$0.4 million higher

**Present Law Adjustments**

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 101 - Remaining Differences from FY 2015 Appropriation - Pers Servs	0.00	(92,742)	(464,604)	740,221	182,875	0.00	(94,492)	(463,698)	738,110	179,920
DP 102 - Remaining Differences from FY 2015 Appropriation - Other Cost	0.00	45,292	174,000	(4,459,209)	(4,239,917)	0.00	46,265	176,497	(4,457,290)	(4,234,528)
DP 515 - State Share Health Insurance	0.00	11,385	31,913	46,379	89,677	0.00	11,385	31,911	46,376	89,672
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	4,324	17,983	37,678	59,985	0.00	4,324	17,983	37,678	59,985
DP 525 - Fixed Costs	0.00	91,411	101,808	110,007	303,226	0.00	91,634	102,057	110,275	303,966
DP 527 - Inflation/Deflation	0.00	8,963	16,205	31,991	57,159	0.00	9,131	16,507	32,589	58,227
DP 700444 - Statewide 4% FTE Reduction - Program 7	(7.43)	0	0	0	0	(7.44)	0	0	0	0
DP 707001 - Tobacco Use Prevention Program	0.00	0	1,000,000	0	1,000,000	0.00	0	1,000,000	0	1,000,000
<b>Grand Total All Present Law Adjustments</b>	<b>(7.43)</b>	<b>\$68,633</b>	<b>\$877,305</b>	<b>(\$3,492,933)</b>	<b>(\$2,546,995)</b>	<b>(7.44)</b>	<b>\$68,247</b>	<b>\$881,257</b>	<b>(\$3,492,262)</b>	<b>(\$2,542,758)</b>

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

DP 101 - Remaining Differences from FY 2015 Appropriation - Pers Servs -

The legislature adjusted from the FY 2015 base appropriation to account for the remainder of differences in personal services between the legislative appropriation and executive request.

DP 102 - Remaining Differences from FY 2015 Appropriation - Other Cost -

The legislature reduced funding to account for the difference between the FY 2015 appropriation and the executive request. The majority of difference is due to lower federal grant funds in the 2017 biennium compared to the FY 2015 appropriation.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Costs -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD

fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation/Deflation -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 700444 - Statewide 4% FTE Reduction - Program 7 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium.

DP 707001 - Tobacco Use Prevention Program -

The legislature appropriated \$1.0 million each year of the biennium in state special revenue tobacco settlement funds for the Montana Tobacco Use Prevention Program. This adjustment will fund youth prevention, tobacco use cessation, and smoke-free housing activities. The FY 2015 base appropriation for grant funding administered by the tobacco control and prevention program is \$4.1 million.

**New Proposals**

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	Fiscal 2016					Fiscal 2017				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 707002 - CV Disease & Diabetes Prevention	0.00	0	100,000	0	100,000	0.00	0	100,000	0	100,000
DP 707003 - Asthma Home Visiting Program	0.00	0	90,000	0	90,000	0.00	0	90,000	0	90,000
DP 707004 - Colorectal Cancer Screening	0.00	0	150,000	0	150,000	0.00	0	150,000	0	150,000
DP 707005 - Move Title X Funding to a Statutory Appropriation	(3.50)	0	0	(1,923,234)	(1,923,234)	(3.50)	0	0	(1,922,547)	(1,922,547)
<b>Total</b>	<b>(3.50)</b>	<b>\$0</b>	<b>\$340,000</b>	<b>(\$1,923,234)</b>	<b>(\$1,583,234)</b>	<b>(3.50)</b>	<b>\$0</b>	<b>\$340,000</b>	<b>(\$1,922,547)</b>	<b>(\$1,582,547)</b>

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

DP 707002 - CV Disease & Diabetes Prevention -

The legislature added funds to expand the Cardiovascular Disease and Diabetes Prevention program. Funds will be used to increase the number of Montana communities that have access to these prevention services.

DP 707003 - Asthma Home Visiting Program -

The legislature added \$90,000 in each year of the biennium in tobacco settlement state special revenue to expand the asthma home visiting program.

DP 707004 - Colorectal Cancer Screening -

The legislature approved \$300,000 for the biennium in state special revenue tobacco settlement funds for the Colorectal Cancer Screening program. This new funding will allow the agency to screen 600 low-income adults for colorectal cancer.

DP 707005 - Move Title X Funding to a Statutory Appropriation -

The legislature passed HB 606, which moved federal Title X funding to a statutory appropriation. Previously these funds had been included in HB 2. This adjustment removes federal authority and funding for 3.50 FTE from HB 2.

**Agency Budget Comparison**

The following table compares 2014 actuals expenditures without one-time appropriations plus 2015 estimated appropriations including one-time appropriations, but excluding certain base appropriations to the 2017 biennial total legislative budget. The comparison is listed by year, type of expenditure, and source of funding. The biennial percent change column has been eliminated to allow for the transition to a comparison of biennial appropriations consistent with SB 140 in the future. The biennial appropriation growth/decline is listed in the agency highlight tables and the expenditure section of Volume 1 of this Fiscal Report.

Agency Budget Comparison							
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change
FTE	1,248.58	1,248.58	1,246.70	1,319.40	1,248.58	1,319.40	70.82
Personal Services	71,028,223	75,504,630	79,830,359	82,766,560	146,532,853	162,596,919	16,064,066
Operating Expenses	43,684,775	50,607,319	52,247,182	51,995,599	94,292,094	104,242,781	9,950,687
Equipment & Intangible Assets	175,110	218,553	218,553	218,553	393,663	437,106	43,443
Grants	25,200,742	23,704,203	25,703,145	25,940,558	48,904,945	51,643,703	2,738,758
Benefits & Claims	1,199,407,681	1,281,262,063	1,370,461,853	1,453,326,565	2,480,669,744	2,823,788,418	343,118,674
Transfers	24,463	27,500	22,500	22,500	51,963	45,000	(6,963)
Debt Service	218,583	193,907	193,907	193,907	412,490	387,814	(24,676)
<b>Total Costs</b>	<b>\$1,339,739,577</b>	<b>\$1,431,518,175</b>	<b>\$1,528,677,499</b>	<b>\$1,614,464,242</b>	<b>\$2,771,257,752</b>	<b>\$3,143,141,741</b>	<b>\$371,883,989</b>
General Fund	346,952,875	365,334,620	395,721,880	408,750,174	712,287,495	804,472,054	92,184,559
State/Other Special Rev. Funds	121,719,566	130,704,643	133,273,281	136,444,743	252,424,209	269,718,024	17,293,815
Federal Spec. Rev. Funds	871,067,136	935,478,912	999,682,338	1,069,269,325	1,806,546,048	2,068,951,663	262,405,615
<b>Total Funds</b>	<b>\$1,339,739,577</b>	<b>\$1,431,518,175</b>	<b>\$1,528,677,499</b>	<b>\$1,614,464,242</b>	<b>\$2,771,257,752</b>	<b>\$3,143,141,741</b>	<b>\$371,883,989</b>

**Agency Description**

This Medicaid and Health Services Branch provides direct supervision over the Senior and Long Term Care Division, Developmental Services Division, Addictive and Mental Disorders Division, Health Resources Division, and the Medicaid and Health Services Management Program. The branch also provides medical, rehabilitative, and mental health services for Montanans through a variety of programs, including all six state institutions. The branch manager oversees and coordinates programs and activities of the branch and, as the state Medicaid director, establishes policy for the Montana Medicaid program.

## Agency Highlights

<b>Medicaid and Health Services Branch Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The 2017 biennium appropriation is \$355.6 million or 12.8% greater than the 2015 biennium appropriation</li> <li>• The majority of the growth is in benefits and claims, which funds medical services for persons who meet financial and other eligibility criteria</li> <li>• Major changes include: <ul style="list-style-type: none"> <li>◦ Medicaid and HMK enrollment and service utilization increases</li> <li>◦ A 2% annual provider rate increase for most providers</li> <li>◦ A provider rate increase to raise direct care worker wages in Medicaid services administered by the Senior and Long Term Care Division</li> <li>◦ Expanded community and state facility adult mental health services</li> </ul> </li> <li>• The legislature approved SB411 enacting closure of the Montana Developmental Center and moving clients to community based programs and services.</li> <li>• The FTE change from FY 2015 to FY 2017 is a net of an increase of 70.82 due to: <ul style="list-style-type: none"> <li>◦ 82.70 new FTE for state facility mental health expansions</li> <li>◦ Reductions to comply with legislative intent to reduce FTE by the amount of the 4% vacancy savings included in the 2013 legislative appropriation</li> </ul> </li> </ul>

## Summary of Legislative Action

The Health and Medicaid Services branch accounts for 73.9% of the 2017 biennium DPHHS appropriation and 44.8% of the total FTE (in FY 2017). Major programs included in the branch are Medicaid services, the Healthy Montana Kids (HMK) program, and six state inpatient medical facilities. The agency overview includes a discussion of components of and major policy changes associated with Medicaid services appropriations. In addition, each division budget discussion includes a more detailed description of the major changes included in the legislative appropriation.

## Funding

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

Total Medicaid and Health Services Branch Funding by Source of Authority 2017 Biennium Budget - Medicaid and Health Services Branch						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	804,472,054	0	0	804,472,054	25.51 %	
State Special Total	269,718,024	0	10,281,350	279,999,374	8.88 %	
Federal Special Total	2,068,951,663	0	0	2,068,951,663	65.61 %	
Proprietary Total	0	0	0	0	0.00 %	
Other Total	0	0	0	0	0.00 %	
<b>Total All Funds</b>	<b>\$3,143,141,741</b>	<b>\$0</b>	<b>\$10,281,350</b>	<b>\$3,153,423,091</b>		
<b>Percent - Total All Sources</b>	<b>99.67 %</b>	<b>0.00 %</b>	<b>0.33 %</b>			

The branch is funded predominantly with federal funds. General fund and state special revenue together are 35% of the total. Funding is discussed in greater detail in each division.

**Budget Summary by Category**

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	365,164,837	365,164,837	730,329,674	90.78 %	1,431,302,999	1,431,302,999	2,862,605,998	91.07 %
PL Adjustments	16,865,243	30,506,904	47,372,147	5.89 %	65,977,801	137,833,473	203,811,274	6.48 %
New Proposals	13,691,800	13,078,433	26,770,233	3.33 %	31,396,699	45,327,770	76,724,469	2.44 %
<b>Total Budget</b>	<b>\$395,721,880</b>	<b>\$408,750,174</b>	<b>\$804,472,054</b>		<b>\$1,528,677,499</b>	<b>\$1,614,464,242</b>	<b>\$3,143,141,741</b>	

**Executive Budget Comparison**

The following table compares the legislative budget for the 2017 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison	Base Budget Fiscal 2014	Executive Budget Fiscal 2016	Legislative Budget Fiscal 2016	Leg — Exec. Difference Fiscal 2016	Executive Budget Fiscal 2017	Legislative Budget Fiscal 2017	Leg — Exec. Difference Fiscal 2017	Biennium Difference Fiscal 16-17
FTE	1,248.58	1,246.70	1,246.70	0.00	1,319.40	1,319.40	0.00	0.00
Personal Services	71,028,223	81,320,674	79,830,359	(1,490,315)	85,324,173	82,766,560	(2,557,613)	(4,047,928)
Operating Expenses	43,684,775	48,514,011	52,247,182	3,733,171	51,159,392	51,995,599	836,207	4,569,378
Equipment & Intangible Assets	175,110	175,110	218,553	43,443	175,110	218,553	43,443	86,886
Grants	25,200,742	28,663,126	25,703,145	(2,959,981)	28,663,126	25,940,558	(2,722,568)	(5,682,549)
Benefits & Claims	1,199,407,681	1,403,796,302	1,370,461,853	(33,334,449)	1,497,001,322	1,453,326,565	(43,674,757)	(77,009,206)
Transfers	24,463	17,963	22,500	4,537	17,963	22,500	4,537	9,074
Debt Service	218,583	221,682	193,907	(27,775)	227,151	193,907	(33,244)	(61,019)
<b>Total Costs</b>	<b>\$1,339,739,577</b>	<b>\$1,562,708,868</b>	<b>\$1,528,677,499</b>	<b>(\$34,031,369)</b>	<b>\$1,662,568,237</b>	<b>\$1,614,464,242</b>	<b>(\$48,103,995)</b>	<b>(\$82,135,364)</b>
General Fund	346,952,875	421,713,368	395,721,880	(25,991,488)	456,119,716	408,750,174	(47,369,542)	(73,361,030)
State/other Special Rev. Funds	121,719,566	129,947,084	133,273,281	3,326,197	133,039,206	136,444,743	3,405,537	6,731,734
Federal Spec. Rev. Funds	871,067,136	1,011,048,416	999,682,338	(11,366,078)	1,073,409,315	1,069,269,325	(4,139,990)	(15,506,068)
<b>Total Funds</b>	<b>\$1,339,739,577</b>	<b>\$1,562,708,868</b>	<b>\$1,528,677,499</b>	<b>(\$34,031,369)</b>	<b>\$1,662,568,237</b>	<b>\$1,614,464,242</b>	<b>(\$48,103,995)</b>	<b>(\$82,135,364)</b>

The Health and Medicaid Services Branch 2017 biennium legislative appropriation is \$82.1 million lower than the executive budget request, including \$73.4 million less general fund. The majority of the difference - \$77.0 million - is in the benefits and claims category, which funds medical services to people who meet specific financial eligibility criteria as well as age and disability criteria in some circumstances. As noted in the agency overview, the legislature adopted lower funding levels for Medicaid and CHIP funded services compared to the executive request.

The legislative appropriation for grants is \$5.7 million lower than the executive request, primarily due to differences in federal grant amounts provided to hospitals and doctors that implement electronic health records. Personal services show the next most significant change with a reduction of \$4.0 million largely due to the legislature not approving the executive implementation of the 2013 biennium pay plan.

Operating costs are \$4.6 million higher than the executive request primarily due to the difference for computer consulting contracts between the legislative starting point - the FY 2015 appropriation - compared to the executive starting point - FY 2014 actual expenditures. The FY 2015 appropriation was \$2.9 million higher than the FY 2014 expenditures. Other changes include increases for some state facility inflation and operating cost increases that exceeded reductions to the new proposals to expand adult mental health facility services in FY 2017.

The difference in general fund appropriations is due to the legislative adoption of lower Medicaid services estimates, and implementation of the enhanced federal funding for CHIP. The majority of the general fund difference - \$47.5 million - is due to the impact of the enhanced federal CHIP match, which was not included in the executive budget request. In addition, the legislature removed \$10.8 million general fund due to savings anticipated due to implementation of SB 405, which expanded Medicaid eligibility. The general fund reductions are partially offset by higher state matching rates for Medicaid services, which raised the general fund cost of Medicaid services by \$18.4 million for this branch over the biennium.

### **Language and Statutory Authority**

The legislature included the following language in HB 2:

Additional Waiver Slots may be used only to fund additional service slots for the comprehensive 0208 waiver above 2,750 service slots in FY 2016 and above 2,750 service slots in FY 2017 administered by the Developmental Service Division.

Provider Rate Increase may be used only to raise rates paid to service providers.

If SB 411 is passed and approved, the Developmental Services Division will be reduced by \$2,792,472 in general fund in FY 2017.

If SB 411 is passed and approved the appropriation for the Disability Services Division may be used to fund additional community-based facilities and services to accommodate individuals who are at or would otherwise be placed at the Montana Developmental Center.

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 Intergovernmental Transfer may be expended only after the Office of 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 each year from counties participating in the intergovernmental transfer program for nursing facilities.

Community Services may be used only for non-Medicaid services provided to elderly and disabled persons.

Direct Care Worker Wage Increase may be used only for a rate increase for direct care worker wages and ancillary worker wages and related benefits or to provide lump-sum payments to workers. Funds may be used only for payments for workers who provide direct care and ancillary services in the nursing facility, personal assistance, community first choice, and elderly and physically disabled home and community-based services waiver programs.

Addictive and Mental Disorders Division includes a general fund reduction of \$10,828,414 in FY 2017. This reduction may be reallocated among divisions when establishing the 2017 biennium operating plan.

Existing Jail Diversion Program Grants may be used only to support increased costs for jail diversion and crisis intervention services established pursuant to 53-21-1203, existing on or before January 1, 2015.

Community Mental Health Crisis Jail Diversion may be used only for community mental health crisis jail diversion grants pursuant to 53-21-1203(2).

Community Secure Psychiatric Treatment Beds may be used only to contract for psychiatric emergency detention beds pursuant to 53-21-1204.

Mental Health Community-Based Medicaid Waiver may be used only to expand service slots for the home and community-based waiver above the level of 198 slots funded in the FY 2015 legislative appropriation.

Community Mental Health Services may only be used as follows: (1) 72-hour crisis intervention, \$500,000 in each year of the biennium; and (2) housing reentry \$300,000 in general fund each year of the biennium.

Short-Term Inpatient Treatment may be used only to pay for mental health inpatient treatment that is provided pursuant to 53-21-1205.

The Department of Public Health and Human Services is appropriated \$2,179,275 of general fund and \$4,104,677 of federal special revenue for FY 2016 if nonrestricted general fund Medicaid benefit expenditures, including accruals, exceed \$290,632,967 by no more than \$2,179,275. The appropriations may be used only to pay Medicaid benefit expenditures made in FY 2016.

The Department of Public Health and Human Services is appropriated \$4,358,549 of general fund and \$8,209,355 of federal special revenue for FY 2016 if nonrestricted general fund Medicaid benefit expenditures, including accruals, exceed \$290,632,967 by more than \$2,179,275 but no more than \$4,358,549. The appropriation may be used only to pay Medicaid benefit expenditures incurred in FY 2016.

The Department of Public Health and Human Services is appropriated \$6,537,824 of general fund and \$12,314,032 of federal special revenue for FY 2016 if nonrestricted general fund Medicaid benefit expenditures, including accruals, exceed \$290,632,967 by more than \$4,358,549 but no more than \$6,537,824. The appropriation may be used only to pay Medicaid benefit expenditures incurred in FY 2016.

The Department of Public Health and Human Services is appropriated \$8,717,098 of general fund and \$16,418,709 of federal special revenue for FY 2016 if nonrestricted general fund Medicaid benefit expenditures, including accruals, exceed \$290,632,967 by more than \$6,537,824. The appropriation may be used only to pay Medicaid benefit expenditures incurred in FY 2016.

The Department of Public Health and Human Services is appropriated \$2,932,580 of general fund and \$5,443,828 of federal special revenue for FY 2017 if nonrestricted general fund Medicaid benefit expenditures, including accruals, exceed \$305,216,366 by no more than \$2,932,580. The appropriation may be used only to pay Medicaid benefit expenditures incurred in FY 2017.

The Department of Public Health and Human Services is appropriated \$5,865,159 of general fund and \$10,887,656 of federal special revenue for FY 2017 if nonrestricted general fund Medicaid benefit expenditures, including accruals, exceed \$305,216,366 by more than \$5,865,159 but no more than \$8,209,355. The appropriation may be used only to pay Medicaid benefit expenditures incurred in FY 2017.

The Department of Public Health and Human Services is appropriated \$8,797,739 of general fund and \$16,331,484 of federal special revenue for FY 2017 if nonrestricted general fund Medicaid benefit expenditures, including accruals, exceed \$305,216,366 by more than \$5,865,159 but no more than \$8,797,739. The appropriation may be used only to pay Medicaid benefit expenditures incurred in FY 2017.

The Department of Public Health and Human Services is appropriated \$11,730,318 of general fund and \$21,775,312 of federal special revenue for FY 2017 if nonrestricted general fund Medicaid benefit expenditures, including accruals, exceed \$305,216,366 by more than \$8,797,739. The appropriation may be used only to pay Medicaid benefit expenditures incurred in FY 2017.

The appropriations provided for in the preceding paragraphs are based on the amount of general fund Medicaid benefit expenditures for fiscal years 2016 and 2017. The amounts of \$295,652,291 for FY 2016 and \$312,172,729 for FY 2017 are superseded by the total of nonrestricted general fund appropriations for each separate fiscal year as reflected in House Bill No. 2 as passed and approved.

The Department of Public Health and Human Services is appropriated \$405,057 of general fund and \$5,406,374 of federal special revenue for FY 2016 if medical services funded from the federal Children's Health Insurance Program grant, including accruals and state matching funds, exceed \$97,141,601. The appropriation may be used only to pay for medical services funded from the federal Children's Health Insurance Program grant for expenditures made in FY 2016.

The Department of Public Health and Human Services is appropriated \$611,659 of general fund and \$10,774,192 of federal special revenue for FY 2017 if medical services funded from the federal Health Insurance Program grant, including accruals and state matching funds, exceed \$107,986,476. The appropriation may be used only to pay for medical services funded from the federal Children's Health Insurance Program grant for expenditures made in FY 2017.

**Program Budget Comparison**

The following table summarizes the total Legislative budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	353.67	353.67	349.67	349.67	353.67	349.67	(4.00)	(1.13)%
Personal Services	18,012,883	18,228,857	20,465,686	20,413,488	36,241,740	40,879,174	4,637,434	12.80 %
Operating Expenses	5,568,783	7,020,870	4,215,622	3,986,045	12,589,653	8,201,667	(4,387,986)	(34.85)%
Benefits & Claims	234,604,673	262,664,408	269,625,308	288,623,231	497,269,081	558,248,539	60,979,458	12.26 %
Debt Service	37,932	0	0	0	37,932	0	(37,932)	(100.00)%
<b>Total Costs</b>	<b>\$258,224,271</b>	<b>\$287,914,135</b>	<b>\$294,306,616</b>	<b>\$313,022,764</b>	<b>\$546,138,406</b>	<b>\$607,329,380</b>	<b>\$61,190,974</b>	<b>11.20 %</b>
General Fund	78,774,795	86,453,802	92,222,812	97,570,514	165,228,597	189,793,326	24,564,729	14.87 %
State/Other Special Rev. Funds	6,632,940	6,632,940	6,632,891	6,632,881	13,265,880	13,265,772	(108)	0.00 %
Federal Spec. Rev. Funds	172,816,536	194,827,393	195,450,913	208,819,369	367,643,929	404,270,282	36,626,353	9.96 %
<b>Total Funds</b>	<b>\$258,224,271</b>	<b>\$287,914,135</b>	<b>\$294,306,616</b>	<b>\$313,022,764</b>	<b>\$546,138,406</b>	<b>\$607,329,380</b>	<b>\$61,190,974</b>	<b>11.20 %</b>

**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 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 mental health issues and their families. These services are funded by Medicaid and offered by Medicaid enrolled providers. In addition, the bureau builds links to other child-serving agencies to support the development of a system of care for youth.

**Program Highlights**

<b>Developmental Services Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The legislature increased appropriations for the 2017 biennium by \$52.7 million or 9.5% when compared to 2015 biennium appropriations</li> <li>• Major factors driving growth in expenditures are:                             <ul style="list-style-type: none"> <li>◦ Caseload adjustments for core children's mental health and developmental disabilities, as well as, comprehensive school and community treatment programs</li> <li>◦ Autism services for eligible youth</li> <li>◦ Provider rate increases for children's mental health and developmental disability services</li> <li>◦ Present law adjustments for personal services and operating expenses</li> </ul> </li> </ul>

**Program Narrative**

*SB411 - Closure of MDC*

The 2015 legislature passed SB 411, an act requiring the department of health and human services to close the Montana Developmental Center (MDC) located in Boulder by June 30, 2017. Closure of MDC would remove clients from the center and relocate them in community-based services necessary for care and treatment. The bill also mandates that a transition planning committee be formed to assist the department in the planning and execution of the closure. According to the SB411 fiscal note, the bill will cost an additional \$976,750 in FY2016 and \$4,564,920 in FY2017 in general fund above the amount already budgeted for MDC. This cost is offset by an estimated general fund savings of \$2.5 million in FY2018, and \$2.1 million in FY2019.

HB2 also contains language related to SB411 that allows the program to utilize program authority for community based services for individuals transitioning out of MDC.

**Funding**

The following table shows program funding by source from all sources of authority.

Medicaid and Health Services Branch, 10-Developmental Services Division					
Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	189,793,326	0	0	189,793,326	31.15 %
02035 MDC Vocational	592	0	0	592	0.00 %
02220 02 Indirect Activity Prog 12	118	0	0	118	0.00 %
02310 MDC Bond Repayment Revenue	0	0	2,000,000	2,000,000	13.10 %
02597 Montana Healthy Kids Initiative	2,309,508	0	0	2,309,508	15.13 %
02772 Tobacco Hlth & Medicd Initiative	9,366,266	0	0	9,366,266	61.35 %
02987 Tobacco Interest	1,589,288	0	0	1,589,288	10.41 %
<b>State Special Total</b>	<b>\$13,265,772</b>	<b>\$0</b>	<b>\$2,000,000</b>	<b>\$15,265,772</b>	<b>2.51 %</b>
03237 Alternative to Psych Treatment Fac	1,840,928	0	0	1,840,928	0.46 %
03513 CHIPRA Bonus	0	0	0	0	0.00 %
03520 MT Capacity Building Project	0	0	0	0	0.00 %
03556 84.181 - Part H - Early Interv	3,159,285	0	0	3,159,285	0.78 %
03579 93.667 - SSBG - Benefits	7,708,549	0	0	7,708,549	1.91 %
03580 6901-93.778 - Med Adm 50%	5,611,454	0	0	5,611,454	1.39 %
03583 93.778 - Med Ben Fmap	377,424,384	0	0	377,424,384	93.36 %
03599 03 Indirect Activity Prog 10	8,525,682	0	0	8,525,682	2.11 %
<b>Federal Special Total</b>	<b>\$404,270,282</b>	<b>\$0</b>	<b>\$0</b>	<b>\$404,270,282</b>	<b>66.35 %</b>
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
<b>Total All Funds</b>	<b>\$607,329,380</b>	<b>\$0</b>	<b>\$2,000,000</b>	<b>\$609,329,380</b>	

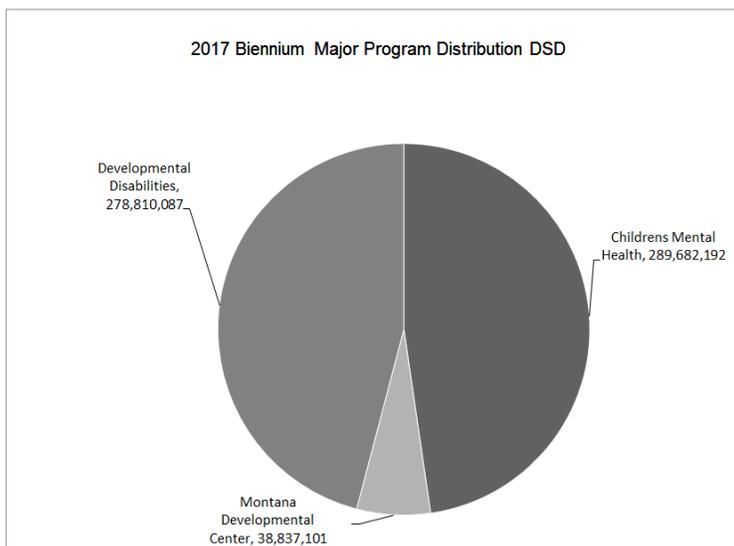
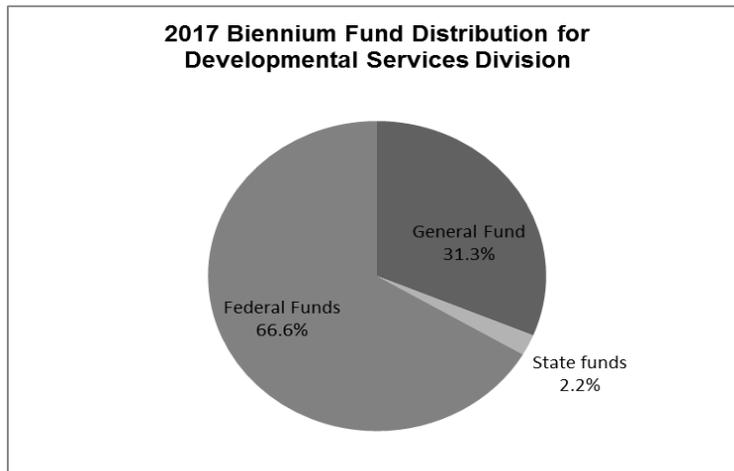
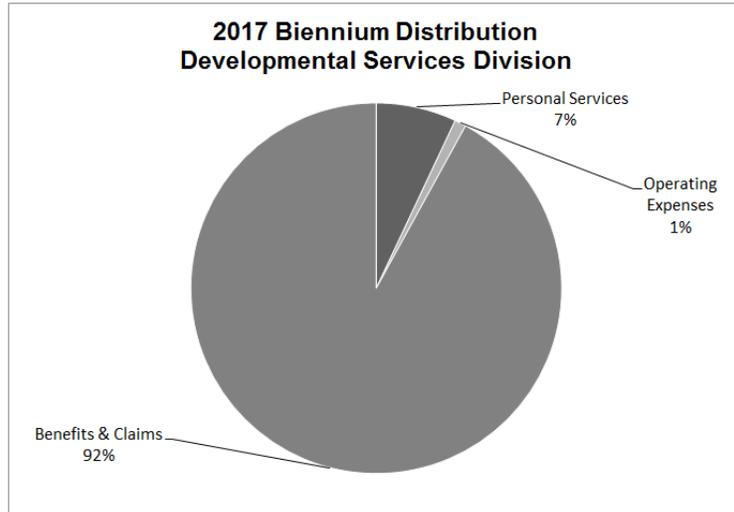
The division is organized and funded by three major areas.

- Children’s Mental Health Bureau (CMHB) - CMHB provides 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. CMHB also administers 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. This arrangement requires payments be made first for MDC bonds, with the remaining balance returned to the general fund.

- 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

The following charts show budget distribution:



**Budget Summary by Category**

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	86,403,724	86,403,724	172,807,448	91.05 %	287,873,258	287,873,258	575,746,516	94.80 %
PL Adjustments	2,671,982	5,612,708	8,284,690	4.37 %	(3,076,609)	7,977,630	4,901,021	0.81 %
New Proposals	3,147,106	5,554,082	8,701,188	4.58 %	9,509,967	17,171,876	26,681,843	4.39 %
<b>Total Budget</b>	<b>\$92,222,812</b>	<b>\$97,570,514</b>	<b>\$189,793,326</b>		<b>\$294,306,616</b>	<b>\$313,022,764</b>	<b>\$607,329,380</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 101 - Personal Services Adjustment	0.00	1,408,216	7,499	596,587	2,012,302	0.00	1,355,301	7,505	597,298	1,960,104
DP 102 - Other Differences for Executive PL	0.00	(1,674,984)	(7,219)	(1,000,581)	(2,682,784)	0.00	(1,683,007)	(7,225)	(1,232,881)	(2,923,113)
DP 515 - State Share Health Insurance	0.00	140,465	59	29,416	169,940	0.00	140,465	59	29,416	169,940
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	36,771	0	17,816	54,587	0.00	36,771	0	17,816	54,587
DP 525 - Fixed Costs Adjustment	0.00	(46,443)	0	(11,658)	(58,101)	0.00	(46,016)	0	(11,551)	(57,567)
DP 527 - Inflation/Deflation	0.00	(81,453)	72	32,995	(48,386)	0.00	(70,317)	62	28,484	(41,771)
DP 532 - General Liability Insurance Rate Adjustment	0.00	(15,977)	0	0	(15,977)	0.00	(12,374)	0	0	(12,374)
DP 1000444 - Statewide 4% FTE Reduction - Program 10	(4.00)	0	0	0	0	(4.00)	0	0	0	0
DP 1010010 - Med Ben Waiver FMAP Adjustment DDP	0.00	979,970	0	(979,970)	0	0.00	1,368,215	0	(1,368,215)	0
DP 1010011 - Med Ben Core FMAP Adjustment CMH	0.00	738,619	0	(738,619)	0	0.00	1,045,336	0	(1,045,336)	0
DP 1010012 - Med Ben Core CLoad CMH	0.00	2,176,525	0	4,105,089	6,281,614	0.00	4,462,189	0	8,416,023	12,878,212
DP 1010013 - Med Ben Core CLoad DDP	0.00	(566,328)	0	(659,506)	(1,225,834)	0.00	(500,487)	0	(546,517)	(1,047,004)
DP 1010014 - Med Ben Waiver CLoad DDP	0.00	(423,399)	0	(827,220)	(1,250,619)	0.00	(483,368)	0	(944,385)	(1,427,753)
DP 1010016 - Med Ben Fed CLoad CMH	0.00	0	0	(6,313,351)	(6,313,351)	0.00	0	0	(1,575,631)	(1,575,631)
<b>Grand Total All Present Law Adjustments</b>	<b>(4.00)</b>	<b>\$2,671,982</b>	<b>\$411</b>	<b>(\$5,749,002)</b>	<b>(\$3,076,609)</b>	<b>(4.00)</b>	<b>\$5,612,708</b>	<b>\$401</b>	<b>\$2,364,521</b>	<b>\$7,977,630</b>

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

DP 101 - Personal Services Adjustment -

The legislature adopted all other personal service cost adjustments, except the annualization of the 2015 biennium pay plan.

DP 102 - Other Differences for Executive PL -

The legislature adopted all other operating cost adjustments.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Costs Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation/Deflation -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 532 - General Liability Insurance Rate Adjustment -

The legislature reduced the rate assessed to state agencies for general liability insurance provided by the Risk Management and Tort Defense Division.

DP 1000444 - Statewide 4% FTE Reduction - Program 10 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package 1000444 includes a reduction of 4.00 FTE each year of the biennium.

DP 1010010 - Med Ben Waiver FMAP Adjustment DDP -

The legislature approved an adjustment of FMAP (federal medical assistance participation) rates to the new FY 2016 and FY 2017 rates. This provides general fund of \$979,970 in FY 2016 and \$1,368,215 in FY 2017 with offsetting federal funds reductions for each year. The total cost for the program does not change.

DP 1010011 - Med Ben Core FMAP Adjustment CMH -

The legislature approved an adjustment of FMAP (federal medical assistance participation) rates to the new FY 2016 and FY 2017 rates. This adjustment provides general fund of \$738,619 in FY 2016 and \$1,045,336 in FY 2017 with offsetting federal funds reductions for each year. The total cost for the program does not change.

DP 1010012 - Med Ben Core CLoad CMH -

The legislature approved \$19,159,826 total funds over the biennium including general fund of \$2,176,525 in FY 2016 and \$4,462,189 in FY 2017 to fund caseload growth (number of eligible people, utilization of services, acuity level, and cost per service) for the Children's Mental Health program.

DP 1010013 - Med Ben Core CLoad DDP -

The legislature approved a reduction of \$2,272,838 total funds over the biennium including a general fund reduction of \$566,328 in FY 2016 and \$500,487 in FY 2017 to adjust caseload in the Developmental Disabilities program (Case Management).

DP 1010014 - Med Ben Waiver CLoad DDP -

The legislature approved a reduction in total funds of \$2,678,372 over the biennium including a reduction of general fund of \$1,2250,619 in FY 2016 and \$1,427,753 in FY 2017 to adjust for caseload for waiver programs.

DP 1010016 - Med Ben Fed CLoad CMH -

The legislature approved a reduction of \$6,313,351 in federal funds in FY 2016 and \$1,575,631 in federal funds in FY 2017 to adjust caseload growth for the Comprehensive School and Community Treatment (CSCT) program.

**New Proposals**

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1010017 - Med Ben Medicaid Autism Services	0.00	693,000	0	1,307,000	2,000,000	0.00	693,000	0	1,307,000	2,000,000
DP 1010019 - PRI - Med Ben DD Waiver	0.00	804,453	0	1,517,201	2,321,654	0.00	1,624,995	0	3,064,746	4,689,741
DP 1010020 - PRI Med Ben DD TCM	0.00	29,301	0	55,261	84,562	0.00	59,731	0	111,084	170,815
DP 1010021 - PRI DDP Non-Medicaid	0.00	82,976	0	71,511	154,487	0.00	167,612	0	144,453	312,065
DP 1010022 - PRI Med Ben Children's Mental Health	0.00	636,752	0	1,244,063	1,880,815	0.00	1,316,404	0	2,571,939	3,888,343
DP 1010023 - PRI CMH Federal Only	0.00	0	0	762,800	762,800	0.00	0	0	1,624,002	1,624,002
DP 1010024 - PRI CMH Non-Medicaid	0.00	30,649	0	0	30,649	0.00	61,910	0	0	61,910
DP 1010026 - 100 Additional Waiver slots	0.00	744,975	0	1,405,025	2,150,000	0.00	1,505,430	0	2,794,570	4,300,000
<b>Total</b>	<b>0.00</b>	<b>\$3,022,106</b>	<b>\$0</b>	<b>\$6,362,861</b>	<b>\$9,384,967</b>	<b>0.00</b>	<b>\$5,429,082</b>	<b>\$0</b>	<b>\$11,617,794</b>	<b>\$17,046,876</b>

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

DP 1010017 - Med Ben Medicaid Autism Services -

This legislature adopted \$4.0 million in total funds for the 2017 biennium including general fund of \$693,000 in FY16 and FY17 to finance Medicaid autism services for eligible youth through age 20. These services would replace most of the autism waiver which currently limits services to 55 individuals.

DP 1010019 - PRI - Med Ben DD Waiver -

The legislature approved a 2% provider rate increase in each year of the biennium for the Developmental Disabilities Waiver Services. This appropriation includes \$2,429,448 general fund for the biennium.

DP 1010020 - PRI Med Ben DD TCM -

The legislature approved 2% provider rate increase in each year of the biennium for developmental disabilities targeted case management. This appropriation includes \$89,032 in general fund for the biennium.

DP 1010021 - PRI DDP Non-Medicaid -

The legislature approved a 2% provider rate increase in each year of the biennium for the Developmental Disabilities program, non-Medicaid. This appropriation includes \$250,588 in general fund for the biennium.

DP 1010022 - PRI Med Ben Children's Mental Health -

The legislature approved a 2% provider rate increase in each year of the biennium for Children's Mental Health in the Developmental Services Division. This appropriation includes \$2,067,229 in general fund for the biennium.

DP 1010023 - PRI CMH Federal Only -

The legislature approved a 2% provider rate increase in each year of the biennium for children's mental health school-based services. This appropriation includes \$2,386,802 in federal funds for the biennium.

DP 1010024 - PRI CMH Non-Medicaid -

The legislature approved a 2% provider rate increase in each year of the biennium for Children's Mental Health Non-Medicaid. This change package provides \$92,559 in general fund for the biennium.

DP 1010026 - 100 Additional Waiver slots -

The legislature approved 50 additional waiver slots each of the biennium for the developmentally disabled waiver by appropriating \$6,450,000 total funds. This includes general fund of \$744,975 for FY 2016 and \$1,505,430 in FY 2017. This waiver provides a broad range of services to eligible developmentally disabled participants. The legislature approved the reservation of 7 slots and associated funding per year to support MDC transfers to a less restrictive level of care.

### Program Budget Comparison

The following table summarizes the total Legislative budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	54.00	54.00	51.62	51.62	54.00	51.62	(2.38)	(4.41)%
Personal Services	2,941,704	3,591,880	3,718,946	3,741,816	6,533,584	7,460,762	927,178	14.19 %
Operating Expenses	9,569,124	8,777,561	10,949,030	10,353,769	18,346,685	21,302,799	2,956,114	16.11 %
Benefits & Claims	640,048,260	659,061,176	727,683,696	784,882,834	1,299,109,436	1,512,566,530	213,457,094	16.43 %
<b>Total Costs</b>	<b>\$652,559,088</b>	<b>\$671,430,617</b>	<b>\$742,351,672</b>	<b>\$798,978,419</b>	<b>\$1,323,989,705</b>	<b>\$1,541,330,091</b>	<b>\$217,340,386</b>	<b>16.42 %</b>
General Fund	136,047,384	137,311,959	145,498,617	153,667,279	273,359,343	299,165,896	25,806,553	9.44 %
State/Other Special Rev. Funds	67,041,676	69,165,712	74,780,080	77,435,878	136,207,388	152,215,958	16,008,570	11.75 %
Federal Spec. Rev. Funds	449,470,028	464,952,946	522,072,975	567,875,262	914,422,974	1,089,948,237	175,525,263	19.20 %
<b>Total Funds</b>	<b>\$652,559,088</b>	<b>\$671,430,617</b>	<b>\$742,351,672</b>	<b>\$798,978,419</b>	<b>\$1,323,989,705</b>	<b>\$1,541,330,091</b>	<b>\$217,340,386</b>	<b>16.42 %</b>

### 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. The purpose of the division is to improve and protect the health and safety of Montanans. The division reimburses private and public providers for a wide range of preventive, primary, and acute care services. Major service providers include: physicians, public health departments, clinics, hospitals, dentists, pharmacies, durable medical equipment, and mental health providers. The division develops tools, measurements and reports necessary to allow 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 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% of poverty.

Big Sky Rx is a state funded program that helps Montanans, who are 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.

## Program Highlights

<b>Health Resources Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The 2017 biennium appropriation is \$234.8 million or 18.0% higher higher than the 2015 biennium appropriation</li> <li>• Major changes include: <ul style="list-style-type: none"> <li>◦ Medicaid enrollment and service utilization increases as well as changes in the state match rate - \$175.5 million total funds, including \$27.1 million general fund</li> <li>◦ Adopting the FY 2015 appropriation as a starting point - \$13.8 million</li> <li>◦ Enrollment and cost growth in the component of Healthy Montana Kids funded from the federal Children's Health Insurance Program grant - \$10.0 million total funds</li> <li>◦ A 2% annual provider rate increase for most providers - \$13.3 million, including \$5.1 million general fund</li> </ul> </li> <li>• The enhanced federal match rate for the Children's Health Insurance Program (CHIP), which begins October 1, 2016, lowers general fund costs for children's medical services by \$47.5 million over the biennium</li> </ul>

## Program Narrative

The 2017 biennium legislative appropriation for the Health Resources Division (HRD) is \$234.8 million higher than the 2015 biennium. The majority of the increase is in the benefits and claims expenditure category, which funds Medicaid and Healthy Montana Kids (HMK) services for persons who meet specific eligibility criteria, including financial eligibility.

The major changes from the FY 2015 appropriation that were adopted by the legislature are:

- Medicaid enrollment and service utilization increases - \$175.5 million
- Annual 2% provider rate increases for all providers except those who receive statutorily required cost of living adjustments and except for hospital services, which receive a 2% increase in FY 2016 that is removed in FY 2017 - \$11.5 million
- HMK services funded from the Children's Health Insurance Program for enrollment increases - \$10.0 million

The net increase in general fund between the two biennia is \$25.8 million. Major components of that change are:

- An increase for Medicaid enrollment, service utilization, and pharmacy inflation - \$64.4 million
- An increase for a higher state Medicaid match rate - \$8.5 million

- Provider rate increase - \$4.0 million
- A reduction due to the enhanced federal match for CHIP - \$47.5 million

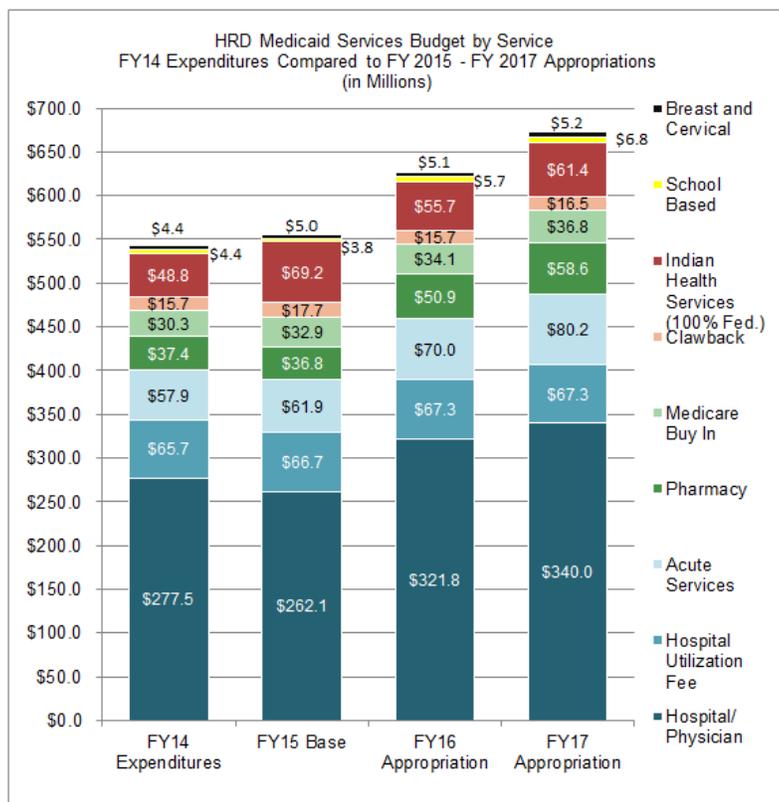
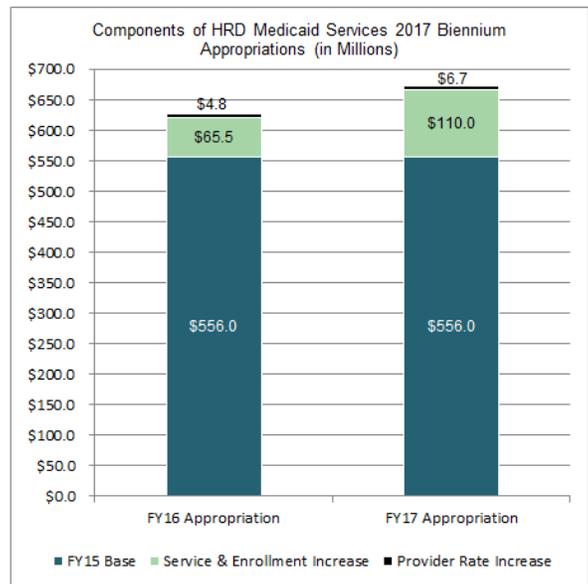
*Components of Medicaid Services Appropriations*

The majority - \$1.3 billion or 84.3% - of the HRD appropriation for the 2017 biennium is for Medicaid services. The graph on the right compares the major elements of the 2017 biennium appropriation for total Medicaid services. The FY 2015 base amount is 88.8% of the FY 2016 appropriation and 82.7% of the FY 2017 appropriation. Adjustments for enrollment and service utilization are the next most significant component with 10.5% of the total in FY 2016 and 16.4% in FY 2017. Provider rate increases are about 1% of the total appropriation each year.

Legislative Appropriations by Service

HRD administers Medicaid services that are most comparable to private insurance such as hospital, physician, and prescription drug services. The figure below shows the 2015 biennium expenditures and appropriation compared to the 2017 biennium appropriation.

Hospital and physician services are the major component of HRD Medicaid expenditures and appropriations, accounting for 50.9% of the 2017 biennium appropriation. Increases for hospital and physician services are due primarily to estimated enrollment and service utilization growth. A small part is related to the statutorily required cost of living adjustment for physician services and a 2% provider rate increase for hospitals in FY 2016 only.



Reimbursement for Medicaid hospital services is augmented by the funding generated by the hospital utilization fee - a \$50 per day fee for each inpatient day of hospital care. The fee revenue is used to draw down federal Medicaid matching funds, and then the total funds are redistributed to hospitals. The hospital utilization fee is 10.4% of the total 2017 biennium appropriation and when added to the amount for hospital and physician services the combined total accounts for 61.3% of the 2017 biennium appropriation for HRD administered Medicaid services.

Acute services include services such as dental, physical therapy, speech therapy, and ambulance services. All together these services account for 11.6% of the 2017 biennium appropriation.

Pharmacy appropriations are 8.4% of the 2017 biennium total. Pharmacy services appropriations are the net cost of prescription drugs offset by rebates from drug manufacturers. Pharmacy appropriations increase due to anticipated inflation in the cost of prescription drugs as well as the development of new, sometimes expensive drug therapies.

The clawback payment is a 100% general fund reimbursement paid by the state to the federal government as a result of savings that the state Medicaid program experienced due to implementation of Medicare Part D drug coverage. Some persons are eligible for both Medicaid and Medicare. Medicaid covered the cost of prescription drugs prior to implementation of Part D drug coverage. Since states experienced savings, some of those savings are captured through the clawback payment. It constitutes 2.5% of the total cost and if it is included with the pharmacy appropriation, the total for prescription drug coverage is 10.9%.

Indian Health Services (IHS) appropriations are 100% federal reimbursements for payments to IHS providers for services provided to Medicaid eligible persons.

School based services are federal reimbursement for Medicaid eligible physical health services provided by schools to Medicaid eligible children. Examples of services are speech and occupational therapy. Schools provide the state match.

Breast and cervical cancer services are a limited set of Medicaid services provided to persons screened through the Montana Breast & Cervical Health Program between the ages of 50 to 64 with incomes under 200% of the federal poverty level.

#### *HB 2 Language Appropriations for Medicaid Services*

The legislature added a language appropriation to HB 2 for Medicaid services (see the “Language and Statutory Authority” section in the Medicaid and Health Services Branch Overview). The language authorizes incremental amounts of general fund and federal funds in the event that total Medicaid expenditures, including year-end accruals, exceed certain amounts. The total increase included in the language appropriation is \$53.3 million total funds over the biennium, including \$20.4 million general fund. The funds can be used for any Medicaid service, including those administered by HRD. The language appropriation is discussed in greater detail in the agency overview.

#### *SB 405 – Montana Health and Economic Livelihood Partnership Act (HELP Act)*

The HELP Act established in SB 405 adds a new eligibility coverage group to the Medicaid program – nondisabled, nonpregnant individuals between the ages of 21 and 64 with household incomes below 138% of the federal poverty level.

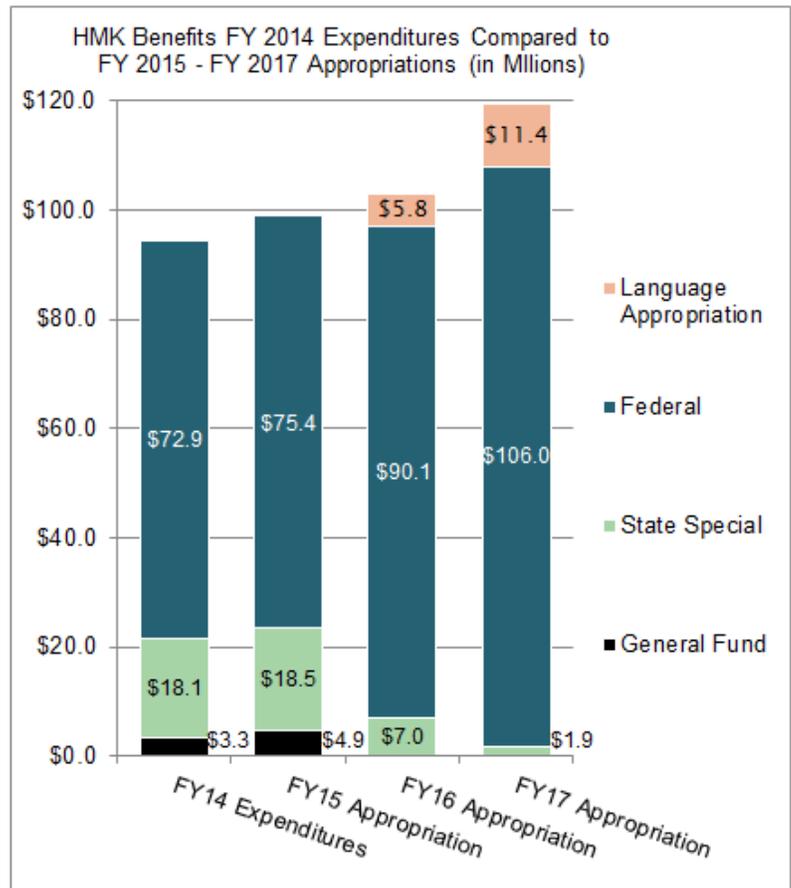
The Medicaid eligibility expansion is dependent on federal approval. Services provided to the expansion population will be funded through a statutory appropriation.

The majority of the newly eligible populations will most likely use the types of primary care services administered by HRD. DPHHS will contract with a third party administrator to establish service provider networks, set rates, and pay claims. If the program is implemented by January 1, 2016, the fiscal note for SB 405 estimated that an additional \$86.7 million of Medicaid services would be provided in FY 2016 and an additional \$230.5 million in FY 2017.

*Healthy Montana Kids (HMK)*

The figure on the right shows FY 2014 expenditures compared to the FY 2015 to FY 2017 appropriations for HMK services funded from the federal CHIP grant. The adjacent graph does not include the appropriations for HMK Medicaid services, which are included in the appropriations discussed previously.

In addition to the direct appropriations for CHIP funded services in HB 2, the legislature included a language appropriation if incurred costs exceed a certain threshold in either year of the biennium. As shown in the adjacent figure, the language appropriation increases total appropriation authority by 8.4% over the 2017 biennium.



HMK State Match Rate and General Fund Savings

The Affordable Care Act (ACA) raises the federal match rate for CHIP by 23% effective October 1, 2015. As of that date, the state match rate for CHIP will decline from 24.22% to 1.22% for the remainder of FY 2016 and in FY 2017 the state match rate will be 1.49%.

The reduction in the state CHIP match rate reduced the general fund needed for HMK services by \$47.5 million over the biennium. The legislature lowered general fund appropriations for the Medicaid services component of HMK since the majority of children enrolled in HMK are eligible for Medicaid, which requires a state match of about 35% each year of the 2017 biennium. The legislature did fund the state match for the language component of HMK services from general fund, which adds about \$1.0 million of general fund if HMK service costs exceed the appropriations included in line items in HB 2.

**Funding**

The following table shows program funding by source from all sources of authority.

Medicaid and Health Services Branch, 11-Health Resources Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	299,165,896	0	0	299,165,896	19.41 %	
02053 Medicaid Nursing Home Match	123,110	0	0	123,110	0.08 %	
02142 Medicaid Third Party Revenue	1,604,792	0	0	1,604,792	1.05 %	
02164 MT Univ System Grad Med Ed	636,660	0	0	636,660	0.42 %	
02311 6901-02 Indrct Activity Prog 11	(2,642,574)	0	0	(2,642,574)	(1.74)%	
02597 Montana Healthy Kids Initiative	58,020,956	0	0	58,020,956	38.12 %	
02772 Tobacco Hlth & Medicd Initiative	31,828,712	0	0	31,828,712	20.91 %	
02789 6901-CHIP/MCHA Tobacco Sett Fd	8,142,064	0	0	8,142,064	5.35 %	
02987 Tobacco Interest	7,599,610	0	0	7,599,610	4.99 %	
02989 69010-Hospital Utilization Fee	46,902,628	0	0	46,902,628	30.81 %	
<b>State Special Total</b>	<b>\$152,215,958</b>	<b>\$0</b>	<b>\$0</b>	<b>\$152,215,958</b>	<b>9.88 %</b>	
03127 Montana Within Us Grant	0	0	0	0	0.00 %	
03426 CHIP Program Fed	200,532,069	0	0	200,532,069	18.40 %	
03580 6901-93.778 - Med Adm 50%	0	0	0	0	0.00 %	
03582 93.778 - Med Ben 100%	117,119,284	0	0	117,119,284	10.75 %	
03583 93.778 - Med Ben Fmap	766,418,607	0	0	766,418,607	70.32 %	
03611 6901-03 Indrct Activity Prog 11	5,878,277	0	0	5,878,277	0.54 %	
<b>Federal Special Total</b>	<b>\$1,089,948,237</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,089,948,237</b>	<b>70.71 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$1,541,330,091</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,541,330,091</b>		

HRD is funded from general fund, state special revenue, and federal funds. General fund is 19.4% of the total and pays the state matching cost for Medicaid and CHIP.

State special revenue is 9.9% of the HRD budget request. Functions supported by state special revenue sources are state Medicaid match, CHIP match, and Big Sky Rx. The major sources include hospital utilization fees, insurance tax, and multiple accounts tied to tobacco tax.

Federal funds are 70.7% of the HRD appropriation. The majority of federal funding is Medicaid matching funds and CHIP federal grant funds.

**Budget Summary by Category**

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	137,311,959	137,311,959	274,623,918	91.80 %	671,430,617	671,430,617	1,342,861,234	87.12 %
PL Adjustments	9,113,708	17,313,911	26,427,619	8.83 %	65,479,061	119,661,368	185,140,429	12.01 %
New Proposals	(927,050)	(958,591)	(1,885,641)	(0.63)%	5,441,994	7,886,434	13,328,428	0.86 %
<b>Total Budget</b>	<b>\$145,498,617</b>	<b>\$153,667,279</b>	<b>\$299,165,896</b>		<b>\$742,351,672</b>	<b>\$798,978,419</b>	<b>\$1,541,330,091</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments	-----Fiscal 2016-----				-----Fiscal 2017-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 101 - Personal Services Adjustment	0.00	28,251	(155,531)	214,667	87,387	0.00	37,366	(154,256)	227,147	110,257
DP 102 - Other Differences for Executive PL	0.00	312,681	(1,126,948)	2,609,022	1,794,755	0.00	330,923	(1,276,573)	2,145,123	1,199,473
DP 515 - State Share Health Insurance	0.00	7,255	949	16,883	25,087	0.00	7,255	949	16,883	25,087
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	3,193	1,943	9,456	14,592	0.00	3,193	1,943	9,456	14,592
DP 525 - Fixed Costs Adjustment	0.00	(1,385)	(690)	(3,247)	(5,322)	0.00	(1,385)	(690)	(3,247)	(5,322)
DP 527 - Inflation/Deflation	0.00	20,297	0	45,465	65,762	0.00	20,304	0	45,479	65,783
DP 1100444 - Statewide 4% FTE Reduction - Program 11	(2.38)	0	0	0	0	(2.38)	0	0	0	0
DP 1111002 - Med Ben Other Cload Clawback	0.00	(1,986,095)	0	0	(1,986,095)	0.00	(1,201,381)	0	0	(1,201,381)
DP 1111008 - HMK CHIP-Funded Caseload	0.00	0	(28,196)	(2,282,941)	(2,311,137)	0.00	0	117,663	7,779,186	7,896,849
DP 1111010 - MED Admin Contractual Adjustments	0.00	158,137	0	158,137	316,274	0.00	158,137	0	158,137	316,274
DP 1111012 - Med Ben Other FMAP Breast and Cervical	0.00	29,065	0	(29,065)	0	0.00	42,595	0	(42,595)	0
DP 1111013 - HMK FMAP Change All CHIP Funded Admin and Benefits	0.00	(5,094,321)	(11,790,525)	16,884,846	0	0.00	(5,162,320)	(17,262,698)	22,425,018	0
DP 1111015 - Med Ben Core FMAP Hospital, Clinic, Physician	0.00	1,982,196	0	(1,982,196)	0	0.00	2,730,326	0	(2,730,326)	0
DP 1111016 - Med Ben Core FMAP Managed Care	0.00	737,684	0	(737,684)	0	0.00	966,559	0	(966,559)	0
DP 1111017 - Med Ben Core FMAP Acute Services	0.00	556,667	0	(556,667)	0	0.00	760,778	0	(760,778)	0
DP 1111018 - Med Ben Core FMAP Medicare Buy In	0.00	295,653	0	(295,653)	0	0.00	404,059	0	(404,059)	0
DP 1111019 - Med Ben Core FMAP Pharmacy	0.00	0	0	0	0	0.00	0	0	0	0
DP 1111020 - Enhanced CHIP FMAP Funding Change	0.00	(15,153,885)	15,153,885	0	0	0.00	(22,193,109)	22,193,109	0	0
DP 1111021 - Med Ben Other FMAP Hosp. Util Fee	0.00	0	600,018	(600,018)	0	0.00	0	820,024	(820,024)	0
DP 1111026 - Med Ben Other Hospital Utilization Fee Cslid	0.00	0	220,638	415,573	636,211	0.00	0	220,638	415,573	636,211
DP 1111030 - Med Ben Fed Indian Health Services	0.00	0	0	(13,566,591)	(13,566,591)	0.00	0	0	(7,798,449)	(7,798,449)
DP 1111031 - Med Ben Fed School Based Services	0.00	0	0	1,923,954	1,923,954	0.00	0	0	2,976,086	2,976,086
DP 1111060 - Med Ben Core Hospital, Physician	0.00	19,472,801	0	36,677,145	56,149,946	0.00	25,794,874	0	47,883,714	73,678,588
DP 1111061 - Med Ben Core Acute Services	0.00	2,474,158	0	4,660,092	7,134,250	0.00	5,728,379	0	10,633,742	16,362,121
DP 1111062 - Med Ben Core Medicare Buy In	0.00	438,751	0	826,390	1,265,141	0.00	1,374,812	0	2,552,101	3,926,913
DP 1111063 - Med Ben Core Pharmacy	0.00	4,832,605	0	9,102,242	13,934,847	0.00	7,512,546	0	13,945,740	21,458,286
<b>Grand Total All Present Law Adjustments</b>	<b>(2.38)</b>	<b>\$9,113,708</b>	<b>\$2,875,543</b>	<b>\$53,489,810</b>	<b>\$65,479,061</b>	<b>(2.38)</b>	<b>\$17,313,911</b>	<b>\$4,660,109</b>	<b>\$97,687,348</b>	<b>\$119,661,368</b>

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

DP 101 - Personal Services Adjustment -

The legislature adopted all other personal service cost adjustments, except the annualization of the 2015 biennium pay plan.

DP 102 - Other Differences for Executive PL -

The legislature adopted all other operating cost adjustments.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Costs Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation/Deflation -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 1100444 - Statewide 4% FTE Reduction - Program 11 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package 1100444 includes a reduction of 2.38 FTE each year of the biennium.

DP 1111002 - Med Ben Other Clload Clawback -

This adjustment reduces general fund as the FY 2015 legislative base budget is higher than the 2017 biennium appropriation. The funding is 100% general fund and represents the payment to the federal government for Medicaid program savings due to implementation of the Medicare Part D drug benefit.

DP 1111008 - HMK CHIP-Funded Caseload -

This adjustment reflects enrollment and service utilization changes for the cost of medical services for enrollees in the Healthy Montana Kids Medicaid CHIP-funded eligibility groups. FY 2016 costs are anticipated to be lower than the FY 2015 legislative appropriation, while FY 2017 costs are expected to exceed the FY 2015 base appropriation.

DP 1111010 - MED Admin Contractual Adjustments -

This adjustment increases funding for contracts related to administration of the Medicaid program, including contracts to administer prior authorization functions for high cost services.

DP 1111012 - Med Ben Other FMAP Breast and Cervical -

This adjustment changes the funding mix for Medicaid services to account for the increase in the state match rate and the reduction in the federal match rate that occurs each year of the 2017 biennium. This adjustment provides funding changes to the FY 2015 legislative appropriation at the correct match rate. The total cost for the base appropriation does not change.

DP 1111013 - HMK FMAP Change All CHIP Funded Admin and Benefits -

This adjustment changes the funding mix for CHIP administrative and services expenditures to account for the increase in the federal CHIP match rate effective October 1, 2015 and the reduction in the state match rate. This adjustment provides funding changes so that the FY 2015 legislative appropriation is funded at the correct match rate. The total cost for the base appropriation does not change. The state match rate for CHIP after October 1, 2015 is 1.22% and after June 30, 2016 is 1.49%.

DP 1111015 - Med Ben Core FMAP Hospital, Clinic, Physician -

This adjustment increases state funds and reduces federal funds to account for the change in the Medicaid services match rate, which is adjusted annually based on a federal formula. This adjustment provides the funding change needed to align FY 2015 base budget appropriations with the new Medicaid funding ratios. There is no overall change in funding.

DP 1111016 - Med Ben Core FMAP Managed Care -

This adjustment increases state funds and reduces federal funds to account for the change in the Medicaid services match rate, which is adjusted annually based on a federal formula. This adjustment provides the funding change needed to align FY 2015 base budget appropriations with the new Medicaid funding ratios. There is no overall change in funding.

DP 1111017 - Med Ben Core FMAP Acute Services -

This adjustment increases state funds and reduces federal funds to account for the change in the Medicaid services match rate, which is adjusted annually based on a federal formula. This adjustment provides the funding change needed to align FY 2015 base budget appropriations with the new Medicaid funding ratios. There is no overall change in funding.

DP 1111018 - Med Ben Core FMAP Medicare Buy In -

This adjustment increases state funds and reduces federal funds to account for the change in the Medicaid services match rate, which is adjusted annually based on a federal formula. This adjustment provides the funding change needed to align FY 2015 base budget appropriations with the new Medicaid funding ratios. There is no overall change in funding.

DP 1111019 - Med Ben Core FMAP Pharmacy -

This adjustment increases state funds and reduces federal funds to account for the change in the Medicaid services match rate, which is adjusted annually based on a federal formula. This adjustment provides the funding change needed to align FY 2015 base budget appropriations with the new Medicaid funding ratios. There is no overall change in funding.

DP 1111020 - Enhanced CHIP FMAP Funding Change -

The legislature made adjustments to reflect the 23% increase in the federal share of CHIP funding beginning October 1, 2015, which lowered the amount of state special revenue needed to fund CHIP services during the 2017 biennium by \$37.3 million. This present law adjustment uses the state special revenue that is no longer needed as state match for CHIP services and applies it to Medicaid funded HMK services that were previously funded from the general fund. There is an increase in state special revenue equal to the general fund reduction. There is no change in total funding.

DP 1111021 - Med Ben Other FMAP Hosp. Util Fee -

This adjustment increases state funds and reduces federal funds to account for the change in the Medicaid services match rate, which is adjusted annually based on a federal formula. This adjustment provides the funding change needed to align FY 2015 base budget appropriations with the new Medicaid funding ratios. There is no overall change in funding.

DP 1111026 - Med Ben Other Hospital Utilization Fee Cslid -

The legislature added appropriation authority for hospital utilization fee revenues. The fee income is used as state Medicaid match and the additional revenue is distributed to hospitals based on a formula that takes into account the proportion of low income persons served and Medicaid days of service.

DP 1111030 - Med Ben Fed Indian Health Services -

The legislature adjusted appropriations for reimbursements for Indian Health Services providers to fund the executive present law request for the 2017 biennium. The reimbursements are 100% federal funds.

DP 1111031 - Med Ben Fed School Based Services -

The legislature made adjustments for reimbursements to schools that provide Medicaid services to eligible children. The DPHHS portion of the expenditures is 100% federal and the schools provide the necessary state match.

DP 1111060 - Med Ben Core Hospital, Physician -

The legislature added appropriation authority based on legislative staff estimates of the 2017 biennium cost for hospital and physician Medicaid services.

DP 1111061 - Med Ben Core Acute Services -

The legislature added funds for acute services such as transportation, speech therapy, occupational therapy, and private duty nursing. The amount of the appropriation was based on legislative staff estimates of the 2017 biennium expenditures.

DP 1111062 - Med Ben Core Medicare Buy In -

The legislature added appropriation authority to pay the Medicare Part A and Part B premiums for persons eligible for both Medicare and Medicaid. The appropriation is based on legislative staff estimates for the 2017 biennium.

DP 1111063 - Med Ben Core Pharmacy -

The legislature added appropriation authority for pharmacy services based on legislative staff estimates of the cost of services in the 2017 biennium.

## **New Proposals**

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1111022 - PRI - HMK (CHIP)	0.00	35,000	20,763	174,474	230,237	0.00	35,000	78,553	346,922	460,475
DP 1111023 - PRI HMK (CHIP-Funded)	0.00	0	98,491	308,160	406,651	0.00	0	200,560	612,742	813,302
DP 1111024 - PRI Med Ben Medicaid Core	0.00	1,636,937	0	3,083,182	4,720,119	0.00	3,305,027	0	6,135,212	9,440,239
DP 1111025 - PRI Med Ben Breast & Cervical Cancer	0.00	20,584	0	64,403	84,987	0.00	59,508	0	110,466	169,974
DP 1111064 - Additional HMK State Special Revenue	0.00	(2,619,571)	2,619,571	0	0	0.00	(3,331,934)	3,331,934	0	0
DP 1111065 - Eliminate FY 2017 Hospital Rate Increase	0.00	0	0	0	0	0.00	(1,026,192)	(990)	(1,970,374)	(2,997,556)
<b>Total</b>	<b>0.00</b>	<b>(\$927,050)</b>	<b>\$2,738,825</b>	<b>\$3,630,219</b>	<b>\$5,441,994</b>	<b>0.00</b>	<b>(\$958,591)</b>	<b>\$3,610,057</b>	<b>\$5,234,968</b>	<b>\$7,886,434</b>

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

DP 1111022 - PRI - HMK (CHIP) -

This adjustment funds a 2% provider rate increase in each year of the biennium for HMK CHIP program.

DP 1111023 - PRI HMK (CHIP-Funded) -

This adjustment funds a 2% provider rate increase in each year of the biennium for HMK Medicaid services that are funded from the CHIP grant.

DP 1111024 - PRI Med Ben Medicaid Core -

This adjustment funds a 2% provider rate increase in each year of the biennium for the following Medicaid services: hospital, pharmacy, managed care, and acute care services. See DP 1111065 Eliminate FY 2017 Hospital Rate Increase for an adjustment made to this appropriation.

DP 1111025 - PRI Med Ben Breast & Cervical Cancer -

This adjustment funds a 2% provider rate increase in each year of the biennium for Medicaid funded breast and cervical cancer services.

DP 1111064 - Additional HMK State Special Revenue -

The legislature increased HMK state special revenue and reduced general fund match for Medicaid services provided to children enrolled in HMK. There is no net change in overall funding for the program.

DP 1111065 - Eliminate FY 2017 Hospital Rate Increase -

The legislature did not continue the 2% provider rate increase for hospital services from FY 2016 into FY 2017. The reduction was offset by increased revenue from SB 405, which authorizes a Medicaid expansion subject to federal approval.

### Program Budget Comparison

The following table summarizes the total Legislative budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	5.00	5.00	5.00	5.00	5.00	5.00	0.00	0.00 %
Personal Services	273,890	506,820	508,602	508,971	780,710	1,017,573	236,863	30.34 %
Operating Expenses	7,852,221	10,792,776	10,819,143	11,278,099	18,644,997	22,097,242	3,452,245	18.52 %
Grants	9,859,359	7,039,062	7,039,062	7,039,062	16,898,421	14,078,124	(2,820,297)	(16.69)%
<b>Total Costs</b>	<b>\$17,985,470</b>	<b>\$18,338,658</b>	<b>\$18,366,807</b>	<b>\$18,826,132</b>	<b>\$36,324,128</b>	<b>\$37,192,939</b>	<b>\$868,811</b>	<b>2.39 %</b>
General Fund	1,988,770	2,837,618	2,095,866	2,337,938	4,826,388	4,433,804	(392,584)	(8.13)%
State/Other Special Rev. Funds	146,522	94,504	150,856	150,863	241,026	301,719	60,693	25.18 %
Federal Spec. Rev. Funds	15,850,178	15,406,536	16,120,085	16,337,331	31,256,714	32,457,416	1,200,702	3.84 %
<b>Total Funds</b>	<b>\$17,985,470</b>	<b>\$18,338,658</b>	<b>\$18,366,807</b>	<b>\$18,826,132</b>	<b>\$36,324,128</b>	<b>\$37,192,939</b>	<b>\$868,811</b>	<b>2.39 %</b>

### Program Description

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

<b>Medicaid and Health Services Management Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The 2017 biennia budget is less than 1 % of the 2015 biennial budget:               <ul style="list-style-type: none"> <li>◦ An increase in grants of almost \$3.0 million</li> <li>◦ A reduction in the contract administration of the Montana Medicaid Management System (MMIS) of approximately \$5.0 million in comparison to the FY 2015 base</li> <li>◦ Reductions in operating expenses of approximately \$2.0 million</li> </ul> </li> </ul>

### Funding

The following table shows program funding by source from all sources of authority.

Medicaid and Health Services Branch, 12-Medicaid and Health Services Management Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	4,433,804	0	0	4,433,804	11.92 %	
02034 Earmarked Alcohol Funds	95,364	0	0	95,364	31.61 %	
02220 02 Indirect Activity Prog 12	189,312	0	0	189,312	62.74 %	
02260 Cigarette Tax Revenue	17,043	0	0	17,043	5.65 %	
<b>State Special Total</b>	<b>\$301,719</b>	<b>\$0</b>	<b>\$0</b>	<b>\$301,719</b>	<b>0.81 %</b>	
03305 03 Indirect Activity Prog 12	13,222,369	0	0	13,222,369	40.74 %	
03580 6901-93.778 - Med Adm 50%	14,080,841	0	0	14,080,841	43.38 %	
03583 93.778 - Med Ben Fmap	4,948,359	0	0	4,948,359	15.25 %	
03599 03 Indirect Activity Prog 10	205,712	0	0	205,712	0.63 %	
03611 6901-03 Indrct Actvity Prog 11	135	0	0	135	0.00 %	
<b>Federal Special Total</b>	<b>\$32,457,416</b>	<b>\$0</b>	<b>\$0</b>	<b>\$32,457,416</b>	<b>87.27 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$37,192,939</b>	<b>\$0</b>	<b>\$0</b>	<b>\$37,192,939</b>		

The majority of funding is federally based either from Medicaid or Indirect Activity from the Cost Allocation Plan (CAP).

**Budget Summary by Category**

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	2,837,618	2,837,618	5,675,236	128.00 %	18,338,658	18,338,658	36,677,316	98.61 %
PL Adjustments	(741,752)	(499,680)	(1,241,432)	(28.00)%	28,149	487,474	515,623	1.39 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$2,095,866</b>	<b>\$2,337,938</b>	<b>\$4,433,804</b>		<b>\$18,366,807</b>	<b>\$18,826,132</b>	<b>\$37,192,939</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 101 - Personal Services Adjustment	0.00	(214,433)	15,975	195,801	(2,657)	0.00	(13,267)	1,068	9,911	(2,288)
DP 102 - Other Differences for Executive PL	0.00	411,076	40,225	2,426,511	2,877,812	0.00	300,825	55,139	2,521,848	2,877,812
DP 515 - State Share Health Insurance	0.00	269	20	2,141	2,430	0.00	269	20	2,141	2,430
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	491	132	1,386	2,009	0.00	491	132	1,386	2,009
DP 527 - Inflation/Deflation	0.00	13	0	109	122	0.00	13	0	111	124
DP 1212002 - Med Admin MMIS Contract	0.00	(939,168)	0	(1,912,399)	(2,851,567)	0.00	(788,011)	0	(1,604,602)	(2,392,613)
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>(\$741,752)</b>	<b>\$56,352</b>	<b>\$713,549</b>	<b>\$28,149</b>	<b>0.00</b>	<b>(\$499,680)</b>	<b>\$56,359</b>	<b>\$930,795</b>	<b>\$487,474</b>

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

DP 101 - Personal Services Adjustment -

The legislature adopted all other personal service cost adjustments, except the annualization of the 2015 biennium pay plan.

DP 102 - Other Differences for Executive PL -

The legislature adopted all other operating cost adjustments.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 527 - Inflation/Deflation -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 1212002 - Med Admin MMIS Contract -

The legislature approved a reduction of \$5,244,180 in total funds over the biennium in order to maintain existing services for the administration of contracts in the Medicaid and Health Services branch. These services are funded at a blended rate of 35% general fund and 65% federal match.

### Program Budget Comparison

The following table summarizes the total Legislative budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	221.05	221.05	217.55	217.55	221.05	217.55	(3.50)	(1.58)%
Personal Services	11,707,257	12,731,317	12,880,154	12,754,325	24,438,574	25,634,479	1,195,905	4.89 %
Operating Expenses	7,156,221	10,182,788	9,461,179	9,051,976	17,339,009	18,513,155	1,174,146	6.77 %
Equipment & Intangible Assets	68,049	111,093	111,093	111,093	179,142	222,186	43,044	24.03 %
Grants	11,644,859	12,615,529	13,335,213	13,572,626	24,260,388	26,907,839	2,647,451	10.91 %
Benefits & Claims	249,362,661	281,469,496	280,107,465	291,816,864	530,832,157	571,924,329	41,092,172	7.74 %
Transfers	163	5,000	0	0	5,163	0	(5,163)	(100.00)%
Debt Service	66,657	76,284	76,284	76,284	142,941	152,568	9,627	6.73 %
<b>Total Costs</b>	<b>\$280,005,867</b>	<b>\$317,191,507</b>	<b>\$315,971,388</b>	<b>\$327,383,168</b>	<b>\$597,197,374</b>	<b>\$643,354,556</b>	<b>\$46,157,182</b>	<b>7.73 %</b>
General Fund	64,118,404	70,788,909	76,199,420	80,078,714	134,907,313	156,278,134	21,370,821	15.84 %
State/Other Special Rev. Funds	33,772,598	38,937,842	35,873,984	35,902,623	72,710,440	71,776,607	(933,833)	(1.28)%
Federal Spec. Rev. Funds	182,114,865	207,464,756	203,897,984	211,401,831	389,579,621	415,299,815	25,720,194	6.60 %
<b>Total Funds</b>	<b>\$280,005,867</b>	<b>\$317,191,507</b>	<b>\$315,971,388</b>	<b>\$327,383,168</b>	<b>\$597,197,374</b>	<b>\$643,354,556</b>	<b>\$46,157,182</b>	<b>7.73 %</b>

### Program Description

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

- The Office on Aging provides meals, transportation, public education, information and assistance, long-term care ombudsman and other services;
- 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;
- Medicaid Nursing Facility Program pays for care to Medicaid-eligible individuals in 82 Montana nursing homes;
- Protective services, including the investigation of abuse neglect and exploitation are provided by adult protective services social workers;
- Skilled nursing facility care is provided to veterans at the 105-bed Montana Veterans' Home (MVH) in Columbia Falls and the 80-bed Eastern Montana Veterans' Home in Glendive; and
- State Supplemental Payments Program pays for a portion of the room and board costs for Supplemental Security Income (SSI) eligible individuals residing in designated residential care facilities.

**Program Highlights**

<b>Senior and Long Term Care Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The 2017 biennium appropriation is \$31.7 million higher than the 2015 biennium appropriation</li> <li>• Major changes are: <ul style="list-style-type: none"> <li>◦ A 2% annual provider rate increase - \$16.2 million</li> <li>◦ Other rate increases including a direct care worker rate increase - \$7.2 million</li> <li>◦ Inflation and facility operating cost increases for the Montana veterans' homes - \$0.7 million</li> <li>◦ Additional nonMedicaid community services for elderly and disabled persons - \$0.5 million</li> </ul> </li> <li>• Medicaid enrollment and service utilization changes are lower in each year of the 2017 biennium compared to the FY 2015 base appropriation offsetting other increases by \$13.2 million</li> <li>• General fund increases a net \$21.4 million between the 2017 and 2015 biennia due primarily to: <ul style="list-style-type: none"> <li>◦ A 2% annual provider rate increase and a direct care worker rate increase - \$7.7 million</li> <li>◦ The difference between the FY 2015 appropriation base and FY 2014 expenditures - \$6.7 million</li> <li>◦ A higher state Medicaid match rate - \$6.3 million</li> </ul> </li> </ul>

**Program Narrative**

The 2017 biennium legislative appropriation totals \$643.4 million, which is \$23.3 million higher than the 2015 biennium. The most significant difference is in the benefits and claims category, which funds services for persons who meet specific age, disability, or financial eligibility criteria.

Most of the difference between the biennia is due to increases anticipated for Medicaid services. In addition, the legislature approved a 2% provider rate increase, other rate increases, and veterans' homes inflation and operating cost increases.

Increases in grant appropriations are due to anticipated changes in the funding of federal categorical grants for aging services. Personal services increases are due to annualization of the 2015 biennium pay plan including increases in the employer share of employee health benefits. Operating cost increases are due primarily to inflation and operating increases for the veterans' homes.

**Medicaid Services**

2017 biennium appropriations for Medicaid services administered by SLTC are 88.4% of the total. The figure on the right shows the components of the Medicaid services appropriation each year of the 2017 biennium.

The FY 2015 legislative appropriation is the majority of the funding in each year. The FY 2015 legislative appropriation is higher than the FY 2016 appropriation by \$1.1 million due to anticipated reductions in nursing home services. FY 2017 exceeds the FY 2015 legislative appropriation by \$10.6 million due to provider rate increases, which are offset by continued estimated reductions in the level of nursing home services.

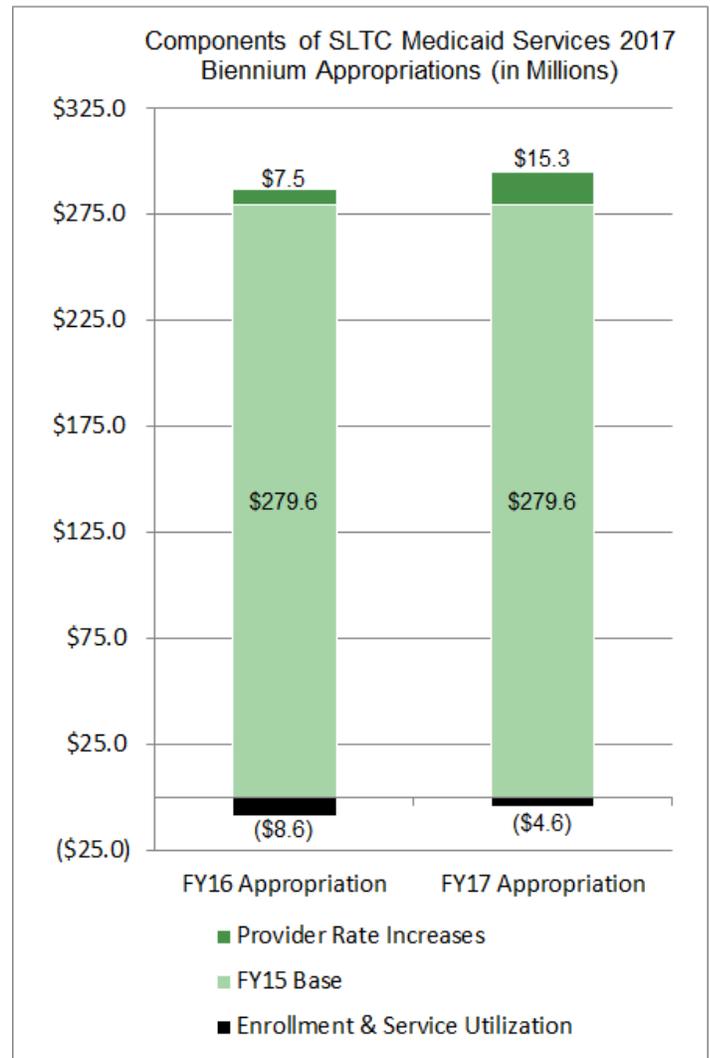
*Medicaid Expenditures and Appropriations by Fiscal Year and Service*

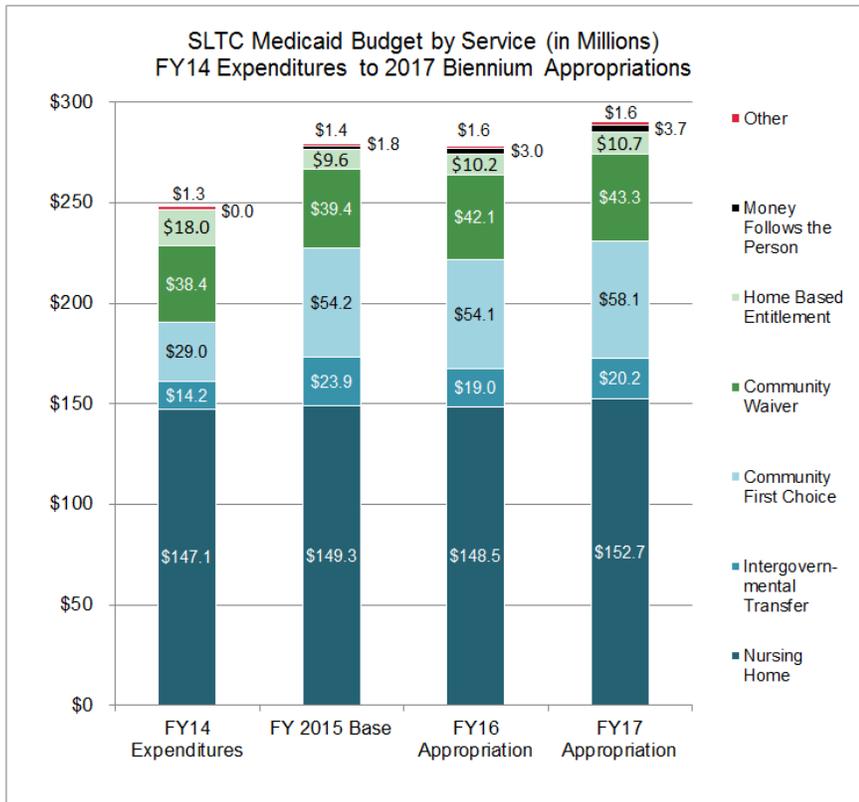
The following figure shows FY 2014 expenditures compared to appropriations for FY 2015 through FY 2017 by major Medicaid service category. Nursing home services are the largest component each year, ranging from a high of 59.3% of the total in FY 2014 to a low of 52.6% of the total in FY 2017. Nursing home services comprise a lower proportion of total Medicaid appropriations due to anticipated reductions in the number of days of care. The total reduction is partially offset by increased provider rates.

The intergovernmental transfer (IGT) is a funding mechanism to provide additional reimbursement for nursing home care. Counties that fund county nursing homes can send in a portion of the county funds used to support a nursing home. DPHHS uses the county funds as a state match to draw down additional federal funds. The total generated from the IGT is redistributed to nursing homes based on the number of Medicaid-funded days of care.

IGT funding is considered a one-time source by the legislature and is subject to federal rules and limitations. IGT appropriations decline from the FY 2015 legislative appropriation due to a lower number of county funded nursing homes and expected lower levels of participation. IGT funding is about 7.0% of the total each year of the 2017 biennium, bringing the total for nursing home services to about 60%.

Community First Choice (CFC) provides home and community services to individuals including personal assistance services. CFC has an enhanced federal match rate that is 6% above the normal federal Medicaid match. DPHHS implemented the CFC program in FY 2014, with increased funding in FY2015, and incremental increases add an additional \$3.9 million in FY 2017. The total appropriated for CFC rises to one-fifth of the FY 2017 appropriation compared to about 11.7% of the total in FY 2014.





Community waiver services help persons live in their own homes or in smaller facilities such as assisted residential facilities. Waiver services are not an entitlement and SLTC can limit the number of services provided. Persons receiving waiver services must meet nursing home level of care criteria. The 2017 biennium appropriation increases about \$4.0 million from the FY 2014 expenditures due to rate increases and growth in the number of service slots.

Home based services are entitlement service such as home health and hospice services. The appropriation for home based services is lower each year of the 2017 biennium compared to the FY 2015 legislative appropriation. About \$8.0 million of the services funded in home based component shifted to CFC during FY 2014 when federal approval to implement CFC was received. Home based services comprise 3.7% of the total appropriation each year of the 2017 biennium.

Money Follows the Person (MFP) is a federal grant with an enhanced match rate. The MFP grant is originally awarded to states for 5 years, but can be extended. Montana implemented MFP in FY 2014. MFP must be used to provide community services to individuals who have been in facility based care for 90 days, with at least one day of that care funded by Medicaid. The first year of services provided through MFP is funded at an enhanced federal match rate that reduces the state share of Medicaid costs to one-half the normal amount, which is about 17.5% each year of the 2017 biennium. After the first year of services provided through MFP, persons must transition to either regular funded or waiver funded Medicaid services. MFP transitions contribute to the expected increase in SLTC community waiver growth. Legislative appropriations anticipate MFP to more than double from the FY 2015 base appropriation.

Medicaid Expansion

SB 405 or the Montana Health and Economic Livelihood Program (HELP) raises Medicaid eligibility for nondisabled, nonpregnant individuals between the ages of 21 and 64 to 138% of the federal poverty level (\$21,983 for a two person household in 2015). SLTC Medicaid services expenditures will not likely be impacted much by the expansion since persons served in most SLTC Medicaid programs are elderly or disabled.

Veterans' Services

SLTC administers two veterans' homes. The adjacent figure compares FY 2014 actual expenditures, the FY 2015 legislative appropriation, and the FY 2016 and FY 2017 appropriations for each facility. The cost per person cannot be compared between the two facilities because of the different management systems. Montana Veterans' Home (MVH) is a state-owned facility staffed by state employees and it resides on a much larger campus than the Eastern Montana Veterans' Home (EMVH), which is run by a contractor. EMVH has a single state FTE that acts as a contract liaison. The adjacent table shows all expenses and funding for MVH, but only part of the expense and funding for EMVH. The EMVH contractor receives Medicaid, Medicare, and private pay revenues that are not reflected in the table. Neither are staffing and operating costs incurred by the EMVH contractor.

The legislative appropriation for MVH is lower each year of the biennium compared to the FY 2015 legislative appropriation. Part of the reason is that the average daily population (ADP) is expected to be lower so variable operating costs would be lower. Additionally, the legislature adopted inflationary assumptions for certain medical and food costs, which lowered the 2017 biennium appropriation.

2017 biennium EMVH appropriations are higher than the FY 2015 legislative appropriation largely due to the agreement with the contractor that federal Veterans' Administration (VA) per diem payments will be passed through. DPHHS is contractually bound to cover certain costs such as the contract liaison and some repair and maintenance costs that are funded through the cigarette tax. MVH FTE decline by 1.00 in compliance with legislative intent that FTE levels be reduced to make permanent the 4% vacancy savings imposed by the 2013 Legislature.

Senior and Long Term Care Division - Veterans' Homes				
2015 Biennium Budget Compared to 2017 Biennium Appropriation and Revenues				
Facility/Cost/ Funding	Expenditures		Legislative Appropriation	
	FY 2014*	FY 2015	FY 2016	FY 2017
<b>Montana Veterans' Home</b>				
FTE	141.86	141.86	141.86	141.86
Personal Services**	\$7,294,525	\$7,229,131	\$7,229,131	\$7,229,131
All Other	2,300,513	3,520,761	3,397,470	3,478,982
Total Cost	9,595,038	10,749,892	10,626,601	10,708,113
State Special Rev.	5,801,863	7,049,140	6,145,851	6,227,363
Federal Revenue*	3,793,175	3,700,752	4,480,750	4,480,750
Total Funding	9,595,038	10,749,892	10,626,601	10,708,113
Average Daily Population**	112	110	105.5	105.5
Annual Cost Per Person***	86,031	97,726	100,726	101,499
Cost Per Day	236	268	276	278
Annual Change		13.6%	3.1%	0.8%
Annual Per Person Reimbursement				
State Special Revenue	52,021	64,083	58,255	59,027
Annual Change		23.2%	-9.1%	1.3%
Federal Special Revenue*	34,010	33,643	42,472	42,472
Annual Change		-1.1%	26.2%	0.0%
<b>Eastern Montana Veterans' Home</b>				
FTE	2.06	2.06	1.06	1.06
Personal Services	66,746	71,080	71,080	71,080
All Other	2,384,668	2,458,392	2,908,343	2,908,337
Total Cost	2,451,414	2,529,472	2,979,423	2,979,417
State Special Revenue	273,384	278,702	278,654	278,648
Federal Special Revenue*	2,178,030	2,250,770	2,700,769	2,700,769
Total Funding	2,451,414	2,529,472	2,979,423	2,979,417
Average Daily Population#	68	65	74	75
<b>Southwest Montana Veterans' Home</b>				
FTE	-	1.00	-	-
Personal Services	-	60,595	-	-
All Other	-	1,259,723	-	-
Total Cost	-	1,320,318	-	-
State Special Revenue	-	206,703	-	-
Federal Special Revenue	-	1,113,615	-	-
Total Funding	-	1,320,318	-	-
<b>Grand Total</b>				
State Special Revenue	6,075,247	7,534,545	6,424,505	6,506,011
Federal Special Revenue	5,971,205	7,065,137	7,181,519	7,181,519
Total Funding	\$12,046,452	\$14,599,682	\$13,606,024	\$13,687,530
*FY 2014 expenditures and funding for MVH do not include an additional \$0.8 million of federal VA reimbursement added by budget amendment. EMVH expenditures and funding do not include an additional \$0.5 million also added by budget amendment.				
**The FY 2015 average daily population is based on DPHHS estimates as of January 16, 2015 and the appropriation amounts are those included in HB 2.				
***Annual per person costs cannot be compared across facilities. There are other costs and revenues associated with EMVH that are not included in HB 2 appropriations.				
****Funding for construction of SWMVH was not reauthorized. However, the appropriation is included in the legislative base budget according to guidelines that HB 2 appropriations that were not designated as one-time be included in the base.				

## Funding

The following table shows program funding by source from all sources of authority.

Medicaid and Health Services Branch, 22-Senior & Long-Term Care Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	156,278,134	0	0	156,278,134	24.29 %	
02023 Private Ins. Medicaid Reim.-Ve	9,370,830	0	0	9,370,830	13.06 %	
02032 Vets-I&I Lease	34,716	0	0	34,716	0.05 %	
02053 Medicaid Nursing Home Match	15,109,516	0	0	15,109,516	21.05 %	
02260 Cigarette Tax Revenue	3,356,517	0	0	3,356,517	4.68 %	
02497 6901-Lien & Estate - SLTCD	2,931,337	0	0	2,931,337	4.08 %	
02772 Tobacco Hlth & Medicd Initiative	21,392,324	0	0	21,392,324	29.80 %	
02783 6901-Traumatic Brain Injury Dn	8,335	0	0	8,335	0.01 %	
02959 EMVH Clinic Rent	67,318	0	0	67,318	0.09 %	
02987 Tobacco Interest	2,291,198	0	0	2,291,198	3.19 %	
02990 69010-Nursing Home Utilization	17,214,516	0	0	17,214,516	23.98 %	
<b>State Special Total</b>	<b>\$71,776,607</b>	<b>\$0</b>	<b>\$0</b>	<b>\$71,776,607</b>	<b>11.16 %</b>	
03005 EMVH V-A Nursing Reimbursement	5,404,610	0	0	5,404,610	1.30 %	
03073 Aging - Farmers Market	199,562	0	0	199,562	0.05 %	
03112 Vets-V.A. Reimb	4,104,401	0	0	4,104,401	0.99 %	
03193 MIPPA AAA	91,630	0	0	91,630	0.02 %	
03202 MIPPA CMS	127,244	0	0	127,244	0.03 %	
03279 SLTC Lifespan Respite	367,500	0	0	367,500	0.09 %	
03350 Aging-SHIP-ACL	3,072	0	0	3,072	0.00 %	
03368 MIPPA CMS - SHIP	0	0	0	0	0.00 %	
03372 MIPPA CMS - ADRC	0	0	0	0	0.00 %	
03381 MIPPA CMS - AAA	0	0	0	0	0.00 %	
03456 69010-AOA Aging One-Stop Shop	146,425	0	0	146,425	0.04 %	
03501 64.014 - Vets St. Domic Care 1	1,826,337	0	0	1,826,337	0.44 %	
03511 SW MT Vet Home Cnstr	2,227,230	0	0	2,227,230	0.54 %	
03512 MFP Demonstration Grant	0	0	0	0	0.00 %	
03514 10.570 - Elderly Feeding 100%	2,843,408	0	0	2,843,408	0.68 %	
03515 93.041 - Elder Abuse Prev 100%	30,696	0	0	30,696	0.01 %	
03516 93.042 - Ombudsman Activity 10	197,962	0	0	197,962	0.05 %	
03517 93.043 - Preventive Hlth 100%	233,704	0	0	233,704	0.06 %	
03518 93.044 - Aging Sup S & Train 1	3,907,122	0	0	3,907,122	0.94 %	
03519 93.045 - Aging Meals 100%	7,128,557	0	0	7,128,557	1.72 %	
03537 93.779 - Hlth Info Counseling	776,794	0	0	776,794	0.19 %	
03563 Community Living	647,952	0	0	647,952	0.16 %	
03579 93.667 - SSBG - Benefits	741,987	0	0	741,987	0.18 %	
03580 6901-93.778 - Med Adm 50%	5,219,965	0	0	5,219,965	1.26 %	
03583 93.778 - Med Ben Fmap	377,393,028	0	0	377,393,028	90.87 %	
03666 Aging - Caregiver III-E	1,645,661	0	0	1,645,661	0.40 %	
03819 MIPPA ADRC	34,968	0	0	34,968	0.01 %	
<b>Federal Special Total</b>	<b>\$415,299,815</b>	<b>\$0</b>	<b>\$0</b>	<b>\$415,299,815</b>	<b>64.55 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$643,354,556</b>	<b>\$0</b>	<b>\$0</b>	<b>\$643,354,556</b>		

SLTC is funded by general fund, state special revenue, and federal funds. General fund supports: Medicaid match, aging services, adult protective services and administrative costs.

## State Special Revenue

Most state revenue sources are used as a match for Medicaid services including: the nursing home utilization fee, tobacco tax revenue and intergovernmental transfer revenues (IGT)

A portion of the state Medicaid match for nursing homes is paid from a fee assessed for each day of nursing home care. The total fee levied is \$8.30 per day, with \$2.80 of the fee deposited to the general fund and the balance (\$5.50) deposited to a state special revenue account.

Two sources of state special revenue that support the veterans' homes are: cigarette taxes and reimbursements through private insurance, Medicaid and Medicare

*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 amounts in excess of \$2.0 million in the veterans' portion of the cigarette tax fund be transferred to the general fund at the end of the fiscal year. The table on the right shows the estimated revenue, expenditures, and fund balance for the cigarette state special revenue account.

Senior and Long Term Care Division Veterans' Services - Cigarette Tax Fund Balance					
Fund Balance	Actual	Appropriated	Legislative	Appropriation	% of
Deposits/Expenditures	FY 2014	FY 2015	FY 2016	FY 2017	Total
Beginning Fund Balance*	\$2,086,942	\$2,000,000	\$2,000,000	\$2,000,000	
Revenue/Transfers In**					
Cigarette Tax	5,789,774	5,428,664	5,361,269	5,260,314	
Total Revenue	7,876,716	7,428,664	7,361,270	7,260,314	
Expenditures/Transfers Out***					
<u>Veterans' Homes Operations</u>					
Montana Veterans' Home	750,173	2,073,745	1,170,456	1,251,968	42.1%
Eastern Montana Veterans' Home	225,813	245,043	230,171	230,335	7.7%
Southwest Montana Veterans' Home****	-	206,703	-	-	0.0%
<u>Transfers/DPHHS Administrative Costs</u>					
Long Range Building MVH	4,157,425	-	-	-	
DPHHS Cost Allocated Admin	380,911	392,338	404,108	416,232	14.0%
SLTC Division Admin Cost	61,055	267,233	194,455	249,654	8.4%
Subtotal Expenditures	5,575,377	3,185,062	1,999,190	2,148,189	72.2%
Annual Rate of Increase		-43%	-37%	7%	
Adjustments	(30,606)	-	-	-	
<i>Transfer to the General Fund</i>	<i>270,733</i>	<i>2,243,601</i>	<i>3,362,079</i>	<i>3,115,125</i>	
Ending Fund Balance	\$2,000,000	\$2,000,000	\$2,000,000	\$1,997,000	

\* Statute requires that at fiscal year end unexpended cash balances in excess of \$2.0 million be transferred to the general fund.  
 \*\* Revenue estimates are based on those adopted in HJ2.  
 \*\*\*2017 biennium appropriations do not include pay plan increases authorized by the 2015 Legislature.  
 \*\*\*\*The legislature did not reauthorize funds to construct the Southwest Montana Veterans' Home.

Cigarette taxes are a declining revenue source. Revenue estimates adopted by the legislature decline from FY 2014 actual collections of \$6.8 million to \$5.3 million in FY 2017. Services supported by the cigarette tax include:

- Operational costs of the two Montana veterans' homes
- Long-range building projects for the veterans' homes
- Cost allocated and direct division administrative costs

*Federal Funds*

Federal funds support: Medicaid services, Montana Veterans' Homes, aging services, adult protection services and administrative costs.

**Budget Summary by Category**

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	70,446,633	70,446,633	140,893,266	90.16 %	316,849,512	316,849,512	633,699,024	98.50 %
PL Adjustments	2,738,163	3,760,241	6,498,404	4.16 %	(8,906,706)	(5,436,999)	(14,343,705)	(2.23)%
New Proposals	3,014,624	5,871,840	8,886,464	5.69 %	8,028,582	15,970,655	23,999,237	3.73 %
<b>Total Budget</b>	<b>\$76,199,420</b>	<b>\$80,078,714</b>	<b>\$156,278,134</b>		<b>\$315,971,388</b>	<b>\$327,383,168</b>	<b>\$643,354,556</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 101 - Personal Services Adjustment	0.00	0	36,655	0	36,655	0.00	0	(89,174)	0	(89,174)
DP 102 - Other Differences for Executive PL	0.00	(22,452)	583,817	(308,197)	253,168	0.00	(378,319)	(43,383)	94,492	(327,210)
DP 515 - State Share Health Insurance	0.00	19,165	42,402	44,162	105,729	0.00	19,165	42,402	44,162	105,729
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	6,085	33,000	22,232	61,317	0.00	6,085	33,000	22,232	61,317
DP 525 - Fixed Costs Adjustment	0.00	0	(23,623)	0	(23,623)	0.00	0	(23,623)	0	(23,623)
DP 527 - Inflation/Deflation	0.00	769,646	(723,554)	(220,113)	(174,021)	0.00	373,065	(350,724)	(106,693)	(84,352)
DP 532 - General Liability Insurance Rate Adjustment	0.00	0	(8,972)	0	(8,972)	0.00	0	(9,986)	0	(9,986)
DP 2200444 - Statewide 4% FTE Reduction - Program 22	(3.50)	0	0	0	0	(3.50)	0	0	0	0
DP 2222101 - Med Ben Core Cload NH	0.00	(1,273,613)	(548,102)	(3,431,214)	(5,252,929)	0.00	(1,260,265)	(732,184)	(3,698,635)	(5,691,084)
DP 2222102 - Med Ben Core FMAP NH	0.00	1,382,327	0	(1,382,327)	0	0.00	1,874,896	0	(1,874,896)	0
DP 2222103 - Med Ben Core Cload Home Based	0.00	159,334	0	300,107	459,441	0.00	291,283	0	540,716	831,999
DP 2222104 - Med Ben Core FMAP Home Based	0.00	86,533	0	(86,533)	0	0.00	118,261	0	(118,261)	0
DP 2222105 - Med Ben Waiver Cload SLTC HCBS	0.00	662,130	0	1,247,126	1,909,256	0.00	668,430	0	1,240,825	1,909,255
DP 2222106 - Med Ben Waiver FMAP SLTCD HCBS	0.00	354,196	0	(354,196)	0	0.00	484,066	0	(484,066)	0
DP 2222108 - Med Ben Other Cload NH IGT	0.00	0	(1,569,919)	(3,371,894)	(4,941,813)	0.00	0	(1,137,524)	(2,656,946)	(3,794,470)
DP 2222109 - Med Ben Other FMAP NH IGT	0.00	0	215,506	(215,506)	0	0.00	0	294,525	(294,525)	0
DP 2222110 - Med Ben Core Caseload CFC	0.00	(607,474)	0	(1,510,637)	(2,118,111)	0.00	(78,880)	0	(193,026)	(271,906)
DP 2222111 - Med Ben Core FMAP CFC	0.00	597,321	0	(597,321)	0	0.00	776,129	0	(776,129)	0
DP 2222112 - Med Ben MFP SLTC	0.00	190,217	0	906,771	1,096,988	0.00	312,991	0	1,475,018	1,788,009
DP 2222113 - State Supplemental Payments	0.00	42,422	0	0	42,422	0.00	50,190	0	0	50,190
DP 2222115 - Facility Inflation MVH	0.00	0	(114,367)	0	(114,367)	0.00	0	(31,847)	0	(31,847)
DP 2222116 - MVH Fed Auth Per Diem	0.00	0	(779,998)	779,998	0	0.00	0	(779,998)	779,998	0
DP 2222117 - EMVH Fed Auth Per Diem	0.00	0	0	449,999	449,999	0.00	0	0	449,999	449,999
DP 2222118 - Aging Grant Funding	0.00	0	0	236,927	236,927	0.00	0	0	236,927	236,927
DP 2222120 - Med Ben Other Facility Reimbursement - MVH	0.00	0	0	133,484	133,484	0.00	0	0	133,484	133,484
DP 2222121 - Contractual Adjustments	0.00	26,758	0	121,898	148,656	0.00	26,758	0	121,898	148,656
DP 2222122 - MFP Waiver Annualizations	0.00	29,148	0	54,852	84,000	0.00	162,994	0	299,006	462,000
DP 2222201 - Med Ben FMAP Money Follows the Person	0.00	301,717	0	(301,717)	0	0.00	298,689	0	(298,689)	0
DP 2222203 - Nurse Aide Testing	0.00	14,703	0	14,703	29,406	0.00	14,703	0	14,703	29,406
DP 2222600 - Adjust Base - SW Montana Veterans' Home	0.00	0	(206,703)	(1,113,615)	(1,320,318)	0.00	0	(206,703)	(1,113,615)	(1,320,318)
DP 2222602 - County Nursing Home IGT (Restricted)	0.00	0	0	0	0	0.00	0	0	0	0
<b>Grand Total All Present Law Adjustments</b>	<b>(3.50)</b>	<b>\$2,738,163</b>	<b>(\$3,063,858)</b>	<b>(\$8,581,011)</b>	<b>(\$8,906,706)</b>	<b>(3.50)</b>	<b>\$3,760,241</b>	<b>(\$3,035,219)</b>	<b>(\$6,162,021)</b>	<b>(\$5,436,999)</b>

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

DP 101 - Personal Services Adjustment -

The legislature adopted all other personal service cost adjustments, except the annualization of the 2015 biennium pay plan.

DP 102 - Other Differences for Executive PL -

The legislature adopted all other operating cost adjustments.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Costs Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation/Deflation -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 532 - General Liability Insurance Rate Adjustment -

The legislature reduced the rate assessed to state agencies for general liability insurance provided by the Risk Management and Tort Defense Division.

DP 2200444 - Statewide 4% FTE Reduction - Program 22 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package 2200444 includes a reduction of 3.50 FTE each year of the biennium.

DP 2222101 - Med Ben Core Cload NH -

The legislature reduced appropriations for Medicaid funded nursing home (NH) services in anticipation of fewer days of care.

DP 2222102 - Med Ben Core FMAP NH -

The legislature appropriated additional general fund and reduced federal funds to account for the change in the federal Medicaid match rate. The total cost for the program does not change.

DP 2222103 - Med Ben Core Cload Home Based -

The legislature added funds for anticipated enrollment and utilization increases for home based services, which include personal assistance, home health, and hospice programs.

DP 2222104 - Med Ben Core FMAP Home Based -

The legislature added general fund and reduced federal funds to adjust for the reduction in the federal Medicaid match rate. The total cost for the program does not change.

DP 2222105 - Med Ben Waiver Cload SLTC HCBS -

The legislature added funds for the Medicaid home and community based services (HCBS) waiver administered by SLTC. This appropriation funds the annualized cost of nursing facility transitions and diversions from institutional placements into community settings.

DP 2222106 - Med Ben Waiver FMAP SLTCD HCBS -

The legislature added general fund and reduced federal funds to account for the change in the federal Medicaid match rate. The total cost for the program does not change.

DP 2222108 - Med Ben Other Cload NH IGT -

The legislature adjusted the FY 2015 appropriation base to match the executive request for nursing home intergovernmental transfer (NH IGT) Medicaid payments. The amount of IGT payment in the 2017 biennium decreases from the FY 2015 appropriated level as there are fewer county nursing homes and participation has declined.

DP 2222109 - Med Ben Other FMAP NH IGT -

The legislature approved an adjustment to increase state special revenue and reduce federal appropriation authority to account for the reduction in the federal Medicaid match rate. There is no overall change in the level of program funding.

DP 2222110 - Med Ben Core Caseload CFC -

The legislature reduced funding from the FY 2015 legislative appropriation to reflect the anticipated costs for the Community First Choice (CFC) program. The 2017 biennium costs are anticipated to be lower than the FY 2015 appropriation.

DP 2222111 - Med Ben Core FMAP CFC -

The legislature added general fund and reduced federal appropriation authority to reflect the reduction in federal Medicaid match rate changes. The total cost for the program does not change.

DP 2222112 - Med Ben MFP SLTC -

The legislature added \$2.9 million in total funds to serve additional persons in the Money Follows the Person (MFP) program. This grant provides individuals the opportunity to transition from institutional settings into community options at

an enhanced federal Medicaid match rate for 365 days. Individuals must transition to regular community based services after the year of eligibility for Money Follows the Person.

DP 2222113 - State Supplemental Payments -

This adjustment funds the caseload growth for the State Supplemental Payment program. The rate of growth for this program is estimated at 30 additional people in FY 2016 and an additional 5 people in FY 2017, who are expected to move from institutional disability services into the community during 2017 biennium. State supplemental payments provide an extra monetary benefit to the Social Security payment made to SSI-eligible individuals, who reside in designated residential care facilities. The monthly benefit is \$94. Additionally, DPHHS pays to the Social Security Administration an administrative fee to process these payments. The fee per payment is estimated to increase to \$11.54 in FY 2016 and \$11.66 in FY 2017.

DP 2222115 - Facility Inflation MVH -

This adjustment funds facility based inflation for the Montana Veterans' Home (MVH) in the areas of operations, medical and pharmacy costs. However, despite these increases, the 2017 biennium appropriation is lower than the FY 2015 base appropriation, resulting in a reduction of cigarette tax state special revenue.

DP 2222116 - MVH Fed Auth Per Diem -

This adjustment increases federal authority for per diem rates that will be reimbursed for the domiciliary and the nursing facility days of care at the Montana Veterans' Home. Veterans' Administration (VA) per diem rates change on October 1 of each year, and this adjustment assumes the 70%-disabled, service connected veterans per diem payments will increase approximately 2%, and the traditional veterans' per diem payments will increase approximately 5% each year of the biennium. The increase in federal revenue is offset by a like reduction in state special revenue.

DP 2222117 - EMVH Fed Auth Per Diem -

This adjustment adds federal authority for each year of the biennium for the Veterans' Administration (VA) per diem rates that will be reimbursed for nursing facility days of care at the Eastern Montana Veterans' Home (EMVH). These funds are passed through to the contractor that operates EMVH.

DP 2222118 - Aging Grant Funding -

The legislature added federal appropriation authority each year of the biennium to account for federal grant increases for aging services. These grants are awarded as renewal contracts to the Area Agencies on Aging and support services such as home visiting and nutrition programs.

DP 2222120 - Med Ben Other Facility Reimbursement - MVH -

The legislature adjusted federal authority for reimbursements for Medicaid services provided by MVH.

DP 2222121 - Contractual Adjustments -

The legislature approved funds to annualize the utilization review contract. Increases are due to the anticipated cost of living adjustments growth, an estimated 4% caseload growth due to Community First Choice requirements, an increase in level of care screens, and additional staff time for contractor to perform utilization review, prior authorization and level of care activities through FY 2017. The majority of the contract is funded at a 75% federal and 25% general fund match.

DP 2222122 - MFP Waiver Annualizations -

The legislature added funds to annualize the cost of Money Follows the Person (MFP) transitions into the elderly and physically disabled Home and Community Based Services (HCBS) waiver. Under MFP, individuals transition into qualified community placements from facility based settings with 365 days of enhanced MFP Medicaid match rate. After 365 days, these individuals continue their community placements in their respective waiver programs, but are funded at the regular Medicaid match rate. This adjustment continues the funding for those placements in the 2017 biennium.

DP 2222201 - Med Ben FMAP Money Follows the Person -

The legislature increased general fund and reduced federal funds to account for changes in the federal and state matching rates for Medicaid services for each year of the 2017 biennium. The state match increases by the amount that the federal match rates declines for no net change in funding.

DP 2222203 - Nurse Aide Testing -

The legislature added authority for of the cost of nurse aide testing in nursing homes that is reimbursed through Medicaid. This cost is funded half from state funds and half from federal funds.

DP 2222600 - Adjust Base - SW Montana Veterans' Home -

The legislature removed appropriation authority for operating costs for the proposed Southwest Montana Veterans' Home. The FY 2015 legislative base included funds to operate the home in anticipation of its construction in FY 2016. However, the federal share of construction costs was not received so the home was not built. The legislature did not reauthorize funds to construct the home in the 2017 biennium.

DP 2222602 - County Nursing Home IGT (Restricted) -

The legislature restricted the use of county funds transferred to DPHHS to be used as state match for Medicaid funds to supplement payments for nursing home services. This change package does not alter funding levels, as it is an offset between decreasing the base budget and creating a positive line item appropriation in HB 2.

**New Proposals**

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2222204 - Med Ben HCHCW Increase	0.00	56,570	0	138,430	195,000	0.00	113,139	0	276,861	390,000
DP 2222205 - Direct Care Worker Wage Increase	0.00	763,612	0	1,436,997	2,200,609	0.00	1,546,595	0	2,910,452	4,457,047
DP 2222206 - PRI Med Ben Core Nursing Homes	0.00	1,045,177	0	1,968,597	3,013,774	0.00	2,131,347	0	3,956,477	6,087,824
DP 2222207 - PRI Med Ben Core Home Based Services	0.00	37,866	0	71,322	109,188	0.00	77,218	0	143,342	220,560
DP 2222208 - PRI Med Ben Community Based Waiver	0.00	272,964	0	514,129	787,093	0.00	556,634	0	1,033,294	1,589,928
DP 2222209 - PRI Aging Services	0.00	232,757	0	0	232,757	0.00	470,170	0	0	470,170
DP 2222210 - PRI Med Ben Community First Choice	0.00	342,119	0	850,765	1,192,884	0.00	699,032	0	1,710,594	2,409,626
DP 2222211 - PRI Med Ben Money Follows the Person	0.00	13,559	0	33,718	47,277	0.00	27,705	0	67,795	95,500
DP 2222601 - NonMedicaid Community Aging Services (Restricted)	0.00	250,000	0	0	250,000	0.00	250,000	0	0	250,000
<b>Total</b>	<b>0.00</b>	<b>\$3,014,624</b>	<b>\$0</b>	<b>\$5,013,958</b>	<b>\$8,028,582</b>	<b>0.00</b>	<b>\$5,871,840</b>	<b>\$0</b>	<b>\$10,098,815</b>	<b>\$15,970,655</b>

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

DP 2222204 - Med Ben HCHCW Increase -

The legislature added funds for a provider rate increase to support the cost of health insurance for Medicaid-funded health care workers (HCHCW) who provide direct home based care. Funding is adequate to fund participation for an additional 50 workers.

DP 2222205 - Direct Care Worker Wage Increase -

The legislature funded a Medicaid rate increase to allow providers to give wage increases or lump sum payments to workers who provide direct care and ancillary services in the nursing facility, personal assistance, CFC, and community waiver programs. Funding is based on an estimated \$0.20 hourly increase in combined wages and benefits in FY 2016 and up to \$0.50 hourly increase in FY 2017. About 70% of this funding would go towards wage increases and 30% would fund employee benefits and employer taxes.

DP 2222206 - PRI Med Ben Core Nursing Homes -

The legislature approved a 2% annual provider rate increase (PRI) in each year of the biennium for nursing home services.

DP 2222207 - PRI Med Ben Core Home Based Services -

The legislature approved a 2% annual provider rate increase in each year of the biennium for home based services, which consist primarily of home health, personal care, and hospice services.

DP 2222208 - PRI Med Ben Community Based Waiver -

The legislature approved a 2% annual provider rate increase in each year of the biennium for community waiver services.

DP 2222209 - PRI Aging Services -

The legislature approved a 2% annual provider rate increase in each year of the biennium for aging services. The increase is fully funded from the general fund.

DP 2222210 - PRI Med Ben Community First Choice -

The legislature approved a 2% provider rate increase in each year of the biennium for Community First Choice services, which include personal assistance and other services that provide supports for elderly and disabled persons to live in community settings.

DP 2222211 - PRI Med Ben Money Follows the Person -

The legislature approved a 2% annual provider rate increase in each year of the biennium for services provided under the Money Follows the Person grant.

DP 2222601 - NonMedicaid Community Aging Services (Restricted) -

The legislature added general fund to expand nonMedicaid community services for the elderly and disabled and restricted funds for that use. Examples of services that will be funded include meals, home based services, and counseling about health insurance options.

### Program Budget Comparison

The following table summarizes the total Legislative budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	614.86	614.86	622.86	695.56	614.86	695.56	80.70	1.30 %
Personal Services	38,092,489	40,445,756	42,256,971	45,347,960	78,538,245	87,604,931	9,066,686	11.54 %
Operating Expenses	13,538,426	13,833,324	16,802,208	17,325,710	27,371,750	34,127,918	6,756,168	24.68 %
Equipment & Intangible Assets	107,061	107,460	107,460	107,460	214,521	214,920	399	0.19 %
Grants	3,696,524	4,049,612	5,328,870	5,328,870	7,746,136	10,657,740	2,911,604	37.59 %
Benefits & Claims	75,392,087	78,066,983	93,045,384	88,003,636	153,459,070	181,049,020	27,589,950	17.98 %
Transfers	24,300	22,500	22,500	22,500	46,800	45,000	(1,800)	(3.85)%
Debt Service	113,994	117,623	117,623	117,623	231,617	235,246	3,629	1.57 %
<b>Total Costs</b>	<b>\$130,964,881</b>	<b>\$136,643,258</b>	<b>\$157,681,016</b>	<b>\$156,253,759</b>	<b>\$267,608,139</b>	<b>\$313,934,775</b>	<b>\$46,326,636</b>	<b>17.31 %</b>
General Fund	66,023,522	67,942,332	79,705,165	75,095,729	133,965,854	154,800,894	20,835,040	15.55 %
State/Other Special Rev. Funds	14,125,830	15,873,645	15,835,470	16,322,498	29,999,475	32,157,968	2,158,493	7.20 %
Federal Spec. Rev. Funds	50,815,529	52,827,281	62,140,381	64,835,532	103,642,810	126,975,913	23,333,103	22.51 %
<b>Total Funds</b>	<b>\$130,964,881</b>	<b>\$136,643,258</b>	<b>\$157,681,016</b>	<b>\$156,253,759</b>	<b>\$267,608,139</b>	<b>\$313,934,775</b>	<b>\$46,326,636</b>	<b>17.31 %</b>

### Program Description

The Addictive and Mental Disorders Division (AMDD) provides chemical dependency and mental health services through contracts with behavioral health providers across the state. People with substance abuse disorders who have family incomes below 200% of the federal poverty level 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, Montana Chemical Dependency Center in Butte, and Montana Mental Health Nursing Care Center in Lewistown.

**Program Highlights**

<b>Addictive and Mental Disorders Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The 2017 biennium appropriation is \$45.1 million or 16.8% higher than the 2015 biennium appropriation</li> <li>• Major changes include: <ul style="list-style-type: none"> <li>◦ Medicaid enrollment and service utilization - \$32.9 million total funds (\$10.9 million general fund)</li> <li>◦ Additional adult mental health community services - \$6.8 million general fund</li> <li>◦ State facility mental health services - \$5.0 million general fund, including funds for 82.70 new FTE in FY 2017</li> <li>◦ Transitional mental health group homes - \$3.5 million (\$3.0 million general fund)</li> <li>◦ A 2% annual provider rate increase - \$4.7 million total funds (\$1.8 million general fund)</li> </ul> </li> <li>• Increases are partially offset by a \$10.8 million general fund reduction due to anticipated savings from the Medicaid eligibility expansion authorized in SB 405 <ul style="list-style-type: none"> <li>◦ SB 405 savings can be distributed throughout the agency since savings will occur in several programs</li> </ul> </li> </ul>

**Program Narrative**

The 2017 biennium AMDD legislative appropriation is \$45.1 million higher than the 2015 biennium budget. Most of the increase is in benefits and claims, which are funds that pay for services for persons who meet specific programmatic eligibility criteria.

Personal services increases are due to approval of the executive request to expand adult mental health facilities and fund an additional 82.70 FTE in FY 2017. Operating cost increases are primarily due to inflationary adjustments that are included in all agency budgets and additional increases for state facilities due to population and medical services cost inflation. Grants are higher due to additional community mental health funding.

The major changes adopted by the legislature are:

- Medicaid services adjustments including:
  - Expansion of the HIFA/MHSP waiver, which moves adults with a serious and disabling mental illness (SDMI) and incomes below 150% of the federal poverty level from a state funded program with a limited mental health benefit to Medicaid funded services including an expanded array of mental health services and addition of physical health services - \$16.1 million
  - Present law changes to fund increased enrollment and service utilization in adult mental health Medicaid services - \$5.4 million
  - A 2% annual provider rate increase for all medical providers except those that receive a statutorily required annual increase - \$2.6 million
  - Expansion of the AMDD community based waiver services for adults with SDMI and who need nursing home level of care to add 50 service slots in FY 2016 and an additional 50 slots in FY 2017 (total of 100 new slots) - \$0.9 million
- NonMedicaid community services increases including:
  - Mental health crisis jail diversion services - \$2.0 million
  - Community secure psychiatric treatment beds - \$1.2 million
  - New short-term inpatient voluntary treatment - \$1.6 million

- A 2% annual provider rate increase - \$1.1 million
- Additional 72 hour crisis services funding - \$1.0 million
- Additional housing and re-entry services for transitions from facility based care - \$0.6 million
- Support for existing mental health crisis jail diversion services - \$0.5 million
- Peer support services - \$0.5 million
- New funding for adult mental health transitional group homes - \$3.5 million
- Montana State Hospital increases including:
  - Staff and operating costs for a new forensic wing and for ongoing costs of a new group home - \$3.5 million and 53.50 new FTE
  - Facility inflation and operating cost increases - \$1.8 million
  - Contracted services to provide medical staff for positions that are difficult to recruit and retain - \$1.5 million
- Montana Mental Health Nursing Care Center increases including:
  - Staff and operating costs for a new Alzheimer's unit - \$1.5 million and 29.20 new FTE

*Impact of SB 405 - the Montana Health and Economic Livelihood Program (HELP Act)*

About \$10.8 million of the total increase for AMDD is offset by a reduction due to savings anticipated from the passage of SB 405 – the Montana Health, Economic, and Livelihood Program (HELP Act). Although the reduction was taken in AMDD, the savings occur in other programs as well and can be distributed throughout DPHHS when it develops its operating plan at the beginning of the 2017 biennium.

The AMDD budget was reduced due to the impact of the Medicaid expansion on its current Medicaid costs and due to the requirement in SB 405 that state facilities reimburse the cost of community medical services provided to patients of the state facility at the applicable Medicaid rate rather than a private pay rate. The fiscal note anticipated that there would be a savings of 30% when state facilities use Medicaid reimbursement rates for outside medical costs.

The Medicaid expansion adds a new eligibility group – persons between the ages of 21 and 64 who are not pregnant or disabled and who have incomes below 138% of the federal poverty level. AMDD has a waiver (HIFA waiver) of Medicaid regulations to provide persons with a serious and disabling mental illness and incomes below 150% of the federal poverty level with Medicaid services. Since these persons would be eligible as part of the new expansion population, the state cost would decline from a 35% match rate to 0% through January 1, 2017 and then gradually increase to 10% by 2020. Medicaid expansion costs are paid from a statutory appropriation, therefore a large portion of the current HB 2 expenditures

for the HIFA waiver would shift to the statutory appropriation once federal approval to implement Medicaid expansion is granted.

*Medicaid Services Appropriations by Component*

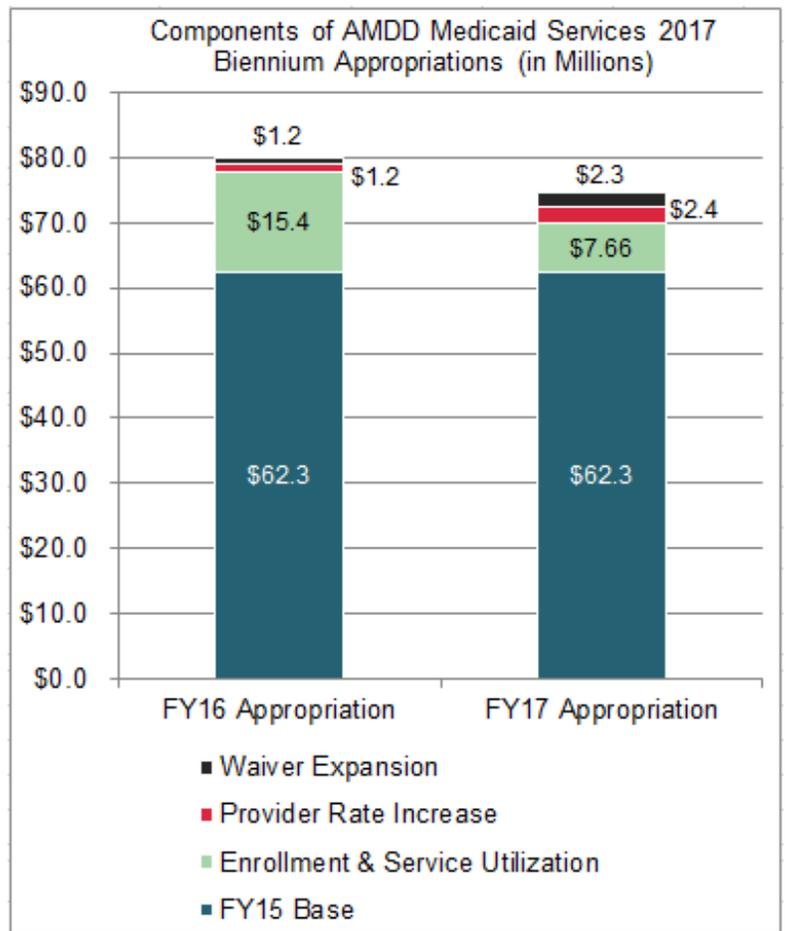
Medicaid services are 52.4% of the 2017 biennium appropriation for AMDD. The table on the right shows the components of the Medicaid services appropriation for each year of the 2017 biennium.

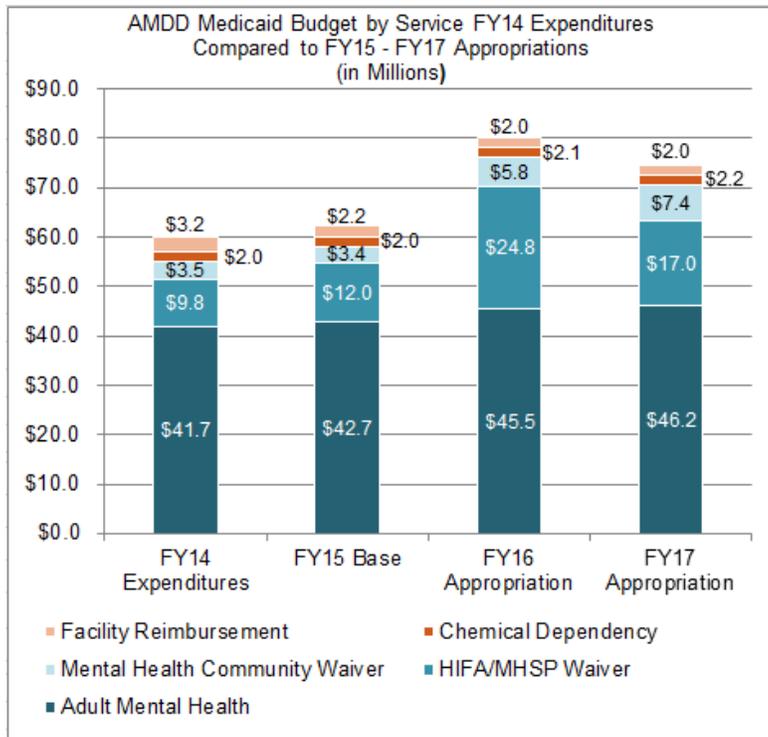
The FY 2015 ongoing appropriation is the majority of the funding each year – more than two-thirds - followed by anticipated changes in enrollment and service utilization. As noted earlier, a significant share of the HIFA waiver costs shift out of HB 2 subject to federal approval to implement the Medicaid expansion, which results in a lower total cost in FY 2017. In the adjacent figure, the \$9.8 million reduction due to lower HIFA waiver costs is included in the enrollment and service utilization changes.

Other new proposals, including the 2% annual provider rate increase, and funding for additional community based services add small amounts each year of the biennium.

*Legislative Appropriations by Medicaid Service*

AMDD administers Medicaid services that are comparable to private insurance such as hospital, physician, and prescription drug services as well as services that specifically treat mental illness and chemical dependency. The following figure shows the 2015 biennium expenditures and appropriation compared to the 2017 biennium appropriation.





Adult mental health services are 59.2% of the 2017 biennium Medicaid services appropriations and are estimated to grow slowly over the 2017 biennium.

The increase from FY 2014 to FY 2015 for the HIFA waiver is due to anticipated enrollment increases throughout FY 2016. Subsequent reductions in FY 2017 are due to anticipated savings related to the HELP Act.

The mental health community waiver provides home and community based services to persons with a serious and disabling mental illness who meet nursing home or hospital level of care. The legislature funded 100 new service slots in FY 2016 and an additional 100 new services slots for a total of 200 new slots in FY 2017.

Chemical dependency services and Medicaid reimbursement for state facility services are close to the same amount and a relatively small proportion of the total.

*Mental Health State Facility Services*

The three state facilities administered by AMDD account for nearly one-third of the 2017 biennium division appropriation and 95.1% of the total FTE. The following table shows FY 2014 expenditures as well as the appropriations for FY 2015 through FY 2017 for each facility as well as other data.

The Montana State Hospital (MSH) is the largest of the facilities with half of the division employees in FY 2017. It serves over 200 people per day in the 2017 biennium. Funding for an additional 20 forensic beds adds 43.50 FTE in FY 2017 and funding for the McCollom group home opened in late FY 2014 adds 10.00 FTE each year of the biennium.

MSH also receives payment for some of its services from Medicare, private health insurance, private payments, counties, and Indian Health Services. The revenue is first pledged to repay bonds that financed the state hospital and then any remainder is deposited to the general fund.

The Montana Mental Health Nursing Care Center (MMHNCC) is the second largest facility administered by AMDD. Funding and FTE increase from FY 2016 to FY 2017 to support operating and staff costs for a new 25 bed Alzheimer's and dementia unit. This adds 29.25 FTE in FY 2017. MMHNCC also receives revenue for services from Medicaid, Medicare, and private payments.

The Montana Chemical Dependency Center (MCDC) is the smallest of the three state facilities administered by DPHHS. It was recently reconfigured from a single structure to several smaller structures, making its services Medicaid eligible. When the Medicaid eligibility expansion authorized by SB 405 is implemented, more of MCDC services will most likely be funded through a statutory appropriation. The amounts listed in the adjacent table reflect facility costs as if they would be fully funded from HB 2 appropriations from the alcohol state special revenue fund.

State Facilities Administered by AMDD				
FY14 Expenditures Compared to FY15 - FY17 Appropriations				
Facility	FY 2014	Legislative	Legislative Appropriation	
Cost/Funding	Expenditures	Base	FY 2016	FY 2016
		FY 2015		
<b>Montana State Hospital</b>				
FTE	405.40	405.40	415.40	458.90
Personal Services	\$26,320,250	\$25,574,612	\$26,266,960	\$28,409,013
All Other	8,039,567	7,067,429	8,660,028	8,242,646
<b>Total</b>	<b>34,359,817</b>	<b>32,642,041</b>	<b>34,926,988</b>	<b>36,651,659</b>
General Fund	33,265,957	31,503,298	34,788,245	36,512,916
State Special Rev.	107,670	138,743	138,743	138,743
Federal Funds	986,190	1,000,000	-	-
Facility Revenue*	8,407,412	8,661,714	8,944,869	9,174,172
Average Population	187	208	208	228
Costs Per Person	184,097	156,933	167,918	160,753
Cost Per Day	504	430	460	440
Annual Change		-14.8%	7.0%	-4.3%
<b>Mental Health Nursing Care Center</b>				
FTE**	120.21	119.21	120.21	149.41
Personal Services	6,922,852	6,183,935	6,183,935	7,254,617
All Other	3,066,572	4,085,281	3,462,838	3,984,413
<b>Total</b>	<b>9,989,424</b>	<b>10,269,216</b>	<b>9,646,773</b>	<b>11,239,030</b>
General Fund	9,989,424	10,269,216	9,646,773	11,239,030
Facility Revenue*	4,076,588	4,443,248	4,850,515	5,145,508
Average Population	82	95	95	120
Cost Per Person	122,509	108,097	101,545	93,659
Cost Per Day	336	296	278	257
Annual Increase		-11.8%	-6.1%	-7.8%
<b>Montana Chemical Dependency Center</b>				
FTE	53.25	52.65	53.25	53.25
Personal Services	2,768,442	3,448,824	3,448,824	3,448,824
All Other	1,373,058	1,452,064	1,547,002	1,792,842
<b>Total</b>	<b>4,141,500</b>	<b>4,900,888</b>	<b>4,995,826</b>	<b>5,085,003</b>
State Special Funds	4,141,500	4,900,888	4,995,826	5,085,003
Federal Funds	-	-	-	-
Average Population	35	39	39	39
Cost Per Person	118,329	125,664	128,098	130,385
Cost Per Day	324	344	351	357
Annual Change		6.2%	1.9%	1.8%
<b>Total Division Facility Budget</b>				
FTE**	578.86	577.26	588.86	661.56
% of Division Total	94.1%	93.9%	94.5%	95.1%
General Fund	43,255,381	41,772,514	44,435,018	47,751,946
% of Division Total	33.0%	30.6%	28.2%	30.6%
<b>Total Funds</b>	<b>\$48,490,741</b>	<b>\$47,812,145</b>	<b>\$49,569,587</b>	<b>\$52,975,692</b>
Annual Change		-1.4%	3.7%	6.9%
General Fund Revenue		13,104,962	13,795,384	14,319,679
*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.				

Funding

The following table shows program funding by source from all sources of authority.

Medicaid and Health Services Branch, 33-Addictive & Mental Disorders Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	154,800,894	0	0	154,800,894	48.04 %	
02034 Earmarked Alcohol Funds	13,009,852	0	4,781,350	17,791,202	43.99 %	
02053 Medicaid Nursing Home Match	0	0	0	0	0.00 %	
02247 MMHNCC DOC INFIRMARY	0	0	0	0	0.00 %	
02384 02 Indirect Activity Prog 33	817,516	0	0	817,516	2.02 %	
02394 Montana State Hospital Rev Acc	0	0	3,500,000	3,500,000	8.65 %	
02598 MCDC COST RECOVERY	268,545	0	0	268,545	0.66 %	
02691 6901-MSH/DOC Maint Agreement	279,248	0	0	279,248	0.69 %	
02772 Tobacco Hlth & Medicd Initiative	16,389,742	0	0	16,389,742	40.53 %	
02987 Tobacco Interest	1,393,065	0	0	1,393,065	3.44 %	
<b>State Special Total</b>	<b>\$32,157,968</b>	<b>\$0</b>	<b>\$8,281,350</b>	<b>\$40,439,318</b>	<b>12.55 %</b>	
03171 Data Infrastructure Development	203,897	0	0	203,897	0.16 %	
03491 Tobacco Retail Inspctn Program	0	0	0	0	0.00 %	
03504 Strategic Prevention Framework	0	0	0	0	0.00 %	
03505 93.150 - Mntal Hlth - Homeless	606,034	0	0	606,034	0.48 %	
03507 93.958 - Mntal Hlth - Blk Grt	1,884,730	0	0	1,884,730	1.48 %	
03508 93.959 - ADAD - Blk Grt 100%	12,613,055	0	0	12,613,055	9.93 %	
03513 CHIPRA Bonus	0	0	0	0	0.00 %	
03580 6901-93.778 - Med Adm 50%	2,068,430	0	0	2,068,430	1.63 %	
03582 93.778 - Med Ben 100%	0	0	0	0	0.00 %	
03583 93.778 - Med Ben Fmap	108,998,472	0	0	108,998,472	85.84 %	
03601 03 Indirect Activity Prog 33	601,295	0	0	601,295	0.47 %	
03611 6901-03 Indrct Actvty Prog 11	0	0	0	0	0.00 %	
03902 HRSA Flex Rural Hlth Acces Pg	0	0	0	0	0.00 %	
<b>Federal Special Total</b>	<b>\$126,975,913</b>	<b>\$0</b>	<b>\$0</b>	<b>\$126,975,913</b>	<b>39.41 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$313,934,775</b>	<b>\$0</b>	<b>\$8,281,350</b>	<b>\$322,216,125</b>		

AMDD is funded by general fund, state special revenue, and federal funds. General fund is 48.0% of the division budget request and supports state adult mental health facility costs and some community services, state Medicaid match, community chemical dependency group home services for adults with methamphetamine and other addictions, and grants to counties to develop mental health crisis jail diversion services.

State special revenue funds 12.6% of the division budget request and supports the Montana Chemical Dependency Center, state Medicaid match for chemical dependency services and a portion of the Medicaid state match for adult mental

health community waiver services, grants to counties to support state approved chemical dependency programs, and other division administrative costs.

Federal sources provide 39.4% of division funding and are primarily used for Medicaid matching funds and categorical block grants for mental health, and chemical dependency treatment and prevention.

*Alcohol State Special Revenue*

A portion of beer and wine taxes and liquor license fees is allocated to a state special revenue account directed to DPHHS for the treatment, rehabilitation, and prevention of alcoholism and chemical dependency. The table to the right shows the FY 2014 expenditures compared to the FY 2015 through FY 2017 appropriations, expenditures, and projected revenues.

There are several statutory appropriations from the alcohol tax state special revenue account in addition to HB 2 appropriations. The statutory appropriations include:

- 20.0% to counties for distribution to state approved public or private programs for the treatment and prevention of chemical dependency
- 6.6% to counties for distribution to state approved public or private programs for treatment of persons with both chemical dependency and a mental health diagnosis
- Any unencumbered funds remaining in the account at fiscal year end to counties for distribution to state approved public or private programs for the treatment and prevention of chemical dependency

Earmarked Alcohol Tax Revenue - FY 2014 Expenditures Compared to FY 2015 to FY 2017 Appropriations and Estimated Revenues					
Revenue/Expenditures	FY 2014	Legislative Base FY 2015**	Legislative Appropriation FY 2016	Legislative Appropriation FY 2017	% of Total
Fund Balance					
Beginning Balance	\$1,514,092	\$0	\$0	\$0	
<b>Revenues*</b>					
Liquor License	6,328,906	6,512,023	6,691,229	6,975,805	76.8%
Wine Tax	1,030,618	1,053,288	1,083,865	1,116,223	12.3%
Beer Tax	935,365	957,594	969,281	987,373	10.9%
Total Revenue	8,294,889	8,522,905	8,744,375	9,079,401	100.0%
Annual Percent Change		5.7%	5.7%	5.7%	
Total Funds Available	9,808,981	8,522,905	8,744,375	9,079,401	
<b>Disbursements</b>					
Montana Chemical Dependency Center	4,007,219	4,766,605	4,865,333	4,953,434	51.2%
Statutory Distribution to Counties***	2,031,981	1,704,581	1,748,875	1,815,880	18.8%
Statutory Distribution to Counties - Services for Dually Diagnosed***	547,463	562,512	577,129	599,240	6.2%
Cost Allocated Administration	515,950	541,748	568,835	597,277	6.2%
CD Medicaid Services	422,524	444,413	493,214	533,289	5.5%
CD Benefits - nonMedicaid	450,088	487,256	487,256	487,256	5.0%
CD Operations	340,809	343,990	343,990	343,990	3.6%
Mental Health Administration	-	252,146	291,841	250,474	2.6%
Quality Assurance-Licensure	78,003	75,362	76,160	76,200	0.8%
Department of Corrections-Pine Hills	25,523	25,523	25,523	25,523	0.3%
Total Disbursements	8,419,559	9,204,135	9,478,156	9,682,563	100.0%
Accounting and Spending Adjustments****	(1,159,680)	(681,230)	(733,781)	(603,163)	
Ending Fund Balance	\$229,742	(\$0)	\$0	\$0	
Spending Adjustments Needed to Balance Account		(\$0)	\$0	\$0	

\*Revenue for liquor, beer, and wine taxes are based those adopted by the Interim Committee on Revenue and Transportation.  
 \*\* FY 2015 budgeted amounts are based on legislative appropriations, except indirect costs, which are based on LFD estimates.  
 \*\*\*26.6% of alcohol tax revenues are statutorially appropriated for distribution as grants to state approved public or private alcoholism programs. A portion (6.6% of total revenue) is statutorially required to be used to treat persons with alcoholism who also have a mental illness. Revenues in excess of appropriations or unencumbered balances remaining at fiscal year end, also are statutorially appropriated to be distributed to state approved programs.  
 \*\*\*\*Adjustments include those made to comply with generally accepted accounting principles (GAAP) as well as actions needed to maintain the account in a positive balance.

Revenues, Expenditures, and SB 405

The ending balance in the alcohol state special revenue account shows \$0. However, the HB 2 appropriations from the account exceed the estimated funding available for HB 2 by \$1.3 million for the 2017 biennium, potentially requiring spending adjustments as shown in the "Accounting and Spending Adjustments" line in the table.

On the other hand, if the Medicaid expansion authorized in SB 405 is implemented by January 1, 2016 as assumed by the legislature, the alcohol tax fund may have excess funds that would augment the statutory appropriation amounts distributed to counties. MCDC is funded entirely from the alcohol tax account and its services are eligible for Medicaid reimbursement. It is anticipated that a significant number of persons served by MCDC would become eligible for Medicaid when Medicaid expansion is implemented. The costs for those services would shift to the statutory appropriation that supports expansion costs, freeing up HB 2 alcohol tax appropriations.

**Budget Summary by Category**

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	68,164,903	68,164,903	136,329,806	88.07 %	136,810,954	136,810,954	273,621,908	87.16 %
PL Adjustments	3,083,142	4,319,724	7,402,866	4.78 %	12,453,906	15,144,000	27,597,906	8.79 %
New Proposals	8,457,120	2,611,102	11,068,222	7.15 %	8,416,156	4,298,805	12,714,961	4.05 %
<b>Total Budget</b>	<b>\$79,705,165</b>	<b>\$75,095,729</b>	<b>\$154,800,894</b>		<b>\$157,681,016</b>	<b>\$156,253,759</b>	<b>\$313,934,775</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments	Fiscal 2016					Fiscal 2017				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 101 - Personal Services Adjustment	0.00	58,070	0	416,564	474,634	0.00	(133,445)	(13,032)	499,365	352,888
DP 102 - Other Differences for Executive PL	0.00	113,753	97,925	(383,264)	(171,586)	0.00	174,300	203,176	(556,292)	(178,816)
DP 515 - State Share Health Insurance	0.00	261,884	30,035	5,931	297,850	0.00	261,884	30,035	5,931	297,850
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	89,021	24,625	10,118	123,764	0.00	89,021	24,625	10,118	123,764
DP 525 - Fixed Costs Adjustment	0.00	(7,725)	(777)	0	(8,502)	0.00	(3,370)	(339)	0	(3,709)
DP 527 - Inflation/Deflation	0.00	194,722	(944)	(7,844)	185,934	0.00	614,441	(2,978)	(24,754)	586,709
DP 532 - General Liability Insurance Rate Adjustment	0.00	(30,140)	(1,054)	(7,190)	(38,384)	0.00	(28,227)	(943)	(6,433)	(35,603)
DP 3300444 - Statewide 4% FTE Reduction - Program 33	(2.00)	0	0	0	0	(2.00)	0	0	0	0
DP 3333101 - Med Ben Waiver FMAP HIFA MHSP	0.00	0	112,784	(112,784)	0	0.00	0	152,451	(152,451)	0
DP 3333102 - Med Ben Core FMAP Adult MH	0.00	307,712	78,117	(385,829)	0	0.00	420,195	106,673	(526,868)	0
DP 3333103 - Med Ben Core FMAP CD	0.00	0	17,089	(17,089)	0	0.00	0	23,588	(23,588)	0
DP 3333104 - Med Ben Waiver FMAP HCBS	0.00	0	31,208	(31,208)	0	0.00	0	42,355	(42,355)	0
DP 3333105 - Med Ben Core Cload Adult MH	0.00	657,589	0	1,238,573	1,896,162	0.00	1,213,154	0	2,252,010	3,465,164
DP 3333106 - Med Ben Core Cload Chem Dep	0.00	0	16,571	31,213	47,784	0.00	0	34,034	63,178	97,212
DP 3333108 - Med Ben Waiver Cload HCBS	0.00	0	400,656	754,639	1,155,295	0.00	0	555,248	1,030,722	1,585,970
DP 3333109 - Med Ben Facility Reimbursement	0.00	0	0	(241,529)	(241,529)	0.00	0	0	(241,529)	(241,529)
DP 3333303 - Med Ben Waiver HIFA MHSP	0.00	0	(58,231)	8,123,863	8,065,632	0.00	0	(65,675)	8,131,307	8,065,632
DP 3333307 - Facility Inflation MMHNCC	0.00	(612,463)	0	0	(612,463)	0.00	(520,580)	0	0	(520,580)
DP 3333308 - Facility Inflation MCDC	0.00	0	34,019	0	34,019	0.00	0	122,120	0	122,120
DP 3333309 - Facility Inflation MSH	0.00	781,328	0	0	781,328	0.00	1,029,960	0	0	1,029,960
DP 3333311 - AMDD Suicide Mortality Review Team - OTO	0.00	67,000	0	0	67,000	0.00	0	0	0	0
DP 3333312 - Contracted Medical Staff	0.00	772,670	0	0	772,670	0.00	772,670	0	0	772,670
DP 3333318 - Private Lease Adjustment MCDC	0.00	0	64,709	0	64,709	0.00	0	64,709	0	64,709
DP 3333601 - SAMSHA Federal Grant Adjustment	0.00	0	0	(695,742)	(695,742)	0.00	0	0	(695,742)	(695,742)
DP 3333602 - Intensive Community Services - Difference from FY 2015	0.00	237,373	0	(237,373)	0	0.00	237,373	0	(237,373)	0
DP 3333603 - Operating Cost Adjustment - Difference from FY 2015	0.00	0	62,983	0	62,983	0.00	0	62,983	0	62,983
DP 3333611 - Pay Changes due to Longevity, Career Ladder	0.00	192,348	0	0	192,348	0.00	192,348	0	0	192,348
<b>Grand Total All Present Law Adjustments</b>	<b>(2.00)</b>	<b>\$3,083,142</b>	<b>\$909,715</b>	<b>\$8,461,049</b>	<b>\$12,453,906</b>	<b>(2.00)</b>	<b>\$4,319,724</b>	<b>\$1,339,030</b>	<b>\$9,485,246</b>	<b>\$15,144,000</b>

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

DP 101 - Personal Services Adjustment -

The legislature adopted all other personal service cost adjustments, except the annualization of the 2015 biennium pay plan.

DP 102 - Other Differences for Executive PL -

The legislature adopted all other operating cost adjustments.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Costs Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation/Deflation -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 532 - General Liability Insurance Rate Adjustment -

The legislature reduced the rate assessed to state agencies for general liability insurance provided by the Risk Management and Tort Defense Division.

DP 3300444 - Statewide 4% FTE Reduction - Program 33 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package 3300444 includes a reduction of 2.00 FTE each year of the biennium.

DP 3333101 - Med Ben Waiver FMAP HIFA MHSP -

This adjustment increases state funds and reduces federal funds to account for the change in the Medicaid services match rate, which is adjusted annually based on a federal formula. This adjustment provides the funding change needed to align FY 2015 base budget appropriations with the new Medicaid funding ratios. There is no overall change in funding.

DP 3333102 - Med Ben Core FMAP Adult MH -

This adjustment increases state funds and reduces federal funds to account for the change in the Medicaid services match rate, which is adjusted annually based on a federal formula. This adjustment provides the funding change needed to align FY 2015 base budget appropriations with the new Medicaid funding ratios. There is no overall change in funding.

DP 3333103 - Med Ben Core FMAP CD -

This adjustment increases state funds and reduces federal funds to account for the change in the Medicaid services match rate, which is adjusted annually based on a federal formula. This adjustment provides the funding change needed to align FY 2015 base budget appropriations with the new Medicaid funding ratios. There is no overall change in funding.

DP 3333104 - Med Ben Waiver FMAP HCBS -

This adjustment increases state funds and reduces federal funds to account for the change in the Medicaid services match rate, which is adjusted annually based on a federal formula. This adjustment provides the funding change needed to align FY 2015 base budget appropriations with the new Medicaid funding ratios. There is no overall change in funding.

DP 3333105 - Med Ben Core Cload Adult MH -

This adjustment funds enrollment and service utilization increases for the 2017 biennium for Medicaid funded adult mental health services.

DP 3333106 - Med Ben Core Cload Chem Dep -

This adjustment funds enrollment and service utilization increases for the 2017 biennium for Medicaid funded chemical dependency services.

DP 3333108 - Med Ben Waiver Cload HCBS -

This adjustment funds the Home and Community Based Services (HCBS) waiver program in AMDD. The funding is anticipated to provide services to 198 persons annually.

DP 3333109 - Med Ben Facility Reimbursement -

The legislature adjusted the amount of federal Medicaid reimbursement expected for services provided by the Montana Mental Health Nursing Care Center (MMHNCC).

DP 3333303 - Med Ben Waiver HIFA MHSP -

This legislature appropriated funds to transition additional persons served in the state funded Mental Health Services Plan (MHSP) program to a Medicaid program that provides mental health and physical health services. General fund is shifted from the MHSP program to pay the state Medicaid match for the increased enrollment in the HIFA/MHSP waiver.

DP 3333307 - Facility Inflation MMHNCC -

The legislature approved a 4% annual inflation in selected medical and operating costs for certain medical and food costs for MMHNCC for the 2017 biennium. The legislature applied inflation forward from FY 2014. Since FY 2014 expenditures for these items were significantly below the FY 2015 base appropriation, the adjustment is negative.

DP 3333308 - Facility Inflation MCDC -

This present law adjustment adds state special revenue to fund inflationary increases in certain operating and medical costs for Montana Chemical Dependency Center (MCDC).

DP 3333309 - Facility Inflation MSH -

This present law adjusts various operating and medical costs for inflation for Montana State Hospital (MSH).

DP 3333311 - AMDD Suicide Mortality Review Team - OTO -

This adjustment continues existing services for the suicide mortality review team established by the 2013 Legislature in HB 583. The funding maintains the appropriation established in FY 2015 through FY 2016, when the team is no longer statutorily required.

DP 3333312 - Contracted Medical Staff -

The legislature added funds for contracted medical staff. MSH contracts for psychiatric services and other medical staff services when it is unable to fill positions or does not have enough staff to cover all shifts.

DP 3333318 - Private Lease Adjustment MCDC -

This adjustment funds increased lease payments for the Montana Chemical Dependency Center (MCDC). MCDC moved operations to a new facility in FY 2014. This lease is funded with 100% state special revenue alcohol tax.

DP 3333601 - SAMSHA Federal Grant Adjustment -

The legislature reduced federal grant authority to align the 2017 biennium appropriation with the amount requested in the executive budget.

DP 3333602 - Intensive Community Services - Difference from FY 2015 -

The legislature increased general fund and reduced federal funds to support intensive adult mental health community services.

DP 3333603 - Operating Cost Adjustment - Difference from FY 2015 -

The legislature funded various operating cost adjustments.

DP 3333611 - Pay Changes due to Longevity, Career Ladder -

The legislature added funds for longevity, career ladder, training assignment, and negotiated pay schedules for MSH and MMHNCC.

**New Proposals**

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 600 - Replace Federal CHIPRA Bonus Funds - MSH	0.00	1,000,000	0	(1,000,000)	0	0.00	1,000,000	0	(1,000,000)	0
DP 3333319 - Expanded Community Mental Health Services (RST)	0.00	800,000	0	0	800,000	0.00	800,000	0	0	800,000
DP 3333320 - Med Ben MFP AMDD Community Placements	0.00	0	60,604	114,653	175,257	0.00	0	102,204	189,891	292,095
DP 3333501 - McCollom Group Home Staffing MSH	10.00	500,000	0	0	500,000	10.00	500,000	0	0	500,000
DP 3333502 - Occupational Therapist MSH	0.00	63,215	0	0	63,215	0.00	63,215	0	0	63,215
DP 3333504 - B Wing Dementia Unit MMHNCC (RST)	0.00	0	0	0	0	29.20	1,500,000	0	0	1,500,000
DP 3333505 - Forensic Unit D Wing Montana State Hospital (RST)	0.00	0	0	0	0	43.50	2,500,000	0	0	2,500,000
DP 3333506 - Suicide Prevention Grants (OTO/RST/Biennial)	0.00	0	0	0	0	0.00	0	0	0	0
DP 3333507 - Adjustment for SB 405 - Medicaid Expansion	0.00	0	0	0	0	0.00	(10,828,414)	0	0	(10,828,414)
DP 3333604 - Mental Health Crisis Jail Diversion - Community Grants (R)	0.00	1,000,000	0	0	1,000,000	0.00	1,000,000	0	0	1,000,000
DP 3333605 - Community Secure Psychiatric Treatment Beds (Restricted)	0.00	600,000	0	0	600,000	0.00	600,000	0	0	600,000
DP 3333606 - Peer Support Services (Restricted)	0.00	250,000	0	0	250,000	0.00	250,000	0	0	250,000
DP 3333607 - Short Term Inpatient Treatment (Restricted)	0.00	500,000	0	0	500,000	0.00	500,000	0	0	500,000
DP 3333608 - Additional Community Waiver Services - AMDD (Restricted)	0.00	344,407	0	648,693	993,100	0.00	695,369	0	1,290,831	1,986,200
DP 3333609 - Crisis Jail Diversion - Existing Programs (Restricted)	0.00	250,000	0	0	250,000	0.00	250,000	0	0	250,000
DP 3333610 - Replace County IGT Funds	0.00	1,049,904	(1,049,904)	0	0	0.00	1,049,904	(1,049,904)	0	0
DP 3333612 - Transitional Mental Health Group Home (RST/Biennial)	0.00	1,500,000	0	238,761	1,738,761	0.00	1,500,000	0	237,555	1,737,555
DP 3333901 - PRI CD SAPT Block Grant	0.00	0	0	121,266	121,266	0.00	0	0	247,383	247,383
DP 3333902 - PRI Med Ben Waiver Services	0.00	107,315	0	203,024	310,339	0.00	221,518	0	411,573	633,091
DP 3333903 - PRI Med Ben Chemical Dependency	0.00	0	15,141	28,645	43,786	0.00	0	31,254	58,069	89,323
DP 3333904 - PRI Med Ben Mental Health	0.00	291,106	0	550,872	841,978	0.00	599,116	0	1,113,194	1,712,310
DP 3333905 - PRI MHSP	0.00	117,097	0	27,281	144,378	0.00	238,878	0	55,653	294,531
DP 3333906 - PRI Community Support	0.00	43,717	0	0	43,717	0.00	89,184	0	0	89,184
DP 3333907 - PRI RTEC Meth Substance Abuse	0.00	40,359	0	0	40,359	0.00	82,332	0	0	82,332
<b>Total</b>	<b>10.00</b>	<b>\$8,457,120</b>	<b>(\$974,159)</b>	<b>\$933,195</b>	<b>\$8,416,156</b>	<b>82.70</b>	<b>\$2,611,102</b>	<b>(\$916,446)</b>	<b>\$2,604,149</b>	<b>\$4,298,805</b>

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

DP 600 - Replace Federal CHIPRA Bonus Funds - MSH -

The legislature reduced federal funds by \$1.0 million and added \$1.0 million of general fund each year of the biennium to pay overtime costs at MSH. The 2015 legislative appropriation included \$1 million in one-time funding from the Children's Health Insurance Program Reauthorization (CHIPRA) bonus funds awarded to Montana for enacting certain policy changes and increased enrollment in the Children's Health Insurance Program (CHIP). The 2013 Legislature used the one-time federal funds in place of general fund. Since CHIPRA bonus funds will not continue, the legislature funded overtime costs with general fund.

DP 3333319 - Expanded Community Mental Health Services (RST) -

The legislature added general fund for additional community mental health services. Funding is restricted to support housing, re-entry, and additional 72 hour crisis services.

DP 3333320 - Med Ben MFP AMDD Community Placements -

The legislature added funds for additional service slots for the Home and Community Base Services Waiver through the Money Follows the Person (MFP) program. Funding will support an additional 9 slots in FY 2016 and 15 slots in FY 2017 for individuals transitioning out of facility based care into community services. Eligible individuals receive services for one year through MFP at an enhanced federal Medicaid match, which lowers the state match rate by one half. When MFP funding ends, the person must be moved to regular Medicaid funded waiver services.

DP 3333501 - McCollom Group Home Staffing MSH -

The legislature added funds for operating costs and 10.00 FTE to operate the McCollom group home at MSH. The home was opened in late FY 2014 to alleviate overcrowding at the state hospital. Personnel include 7 psychiatric technicians, 1 social worker, 1 registered nurse, and 1 licensed practical nurse.

DP 3333502 - Occupational Therapist MSH -

The legislature approved the program request to contract for occupational therapist services at MSH. The contract would augment the services performed by the one occupational therapist who serves more than 190 individuals. The number of older, physically, and mentally challenged individuals at MSH is increasing.

DP 3333504 - B Wing Dementia Unit MMHNCC (RST) -

The legislature added funds for a 25 bed dementia unit at MMHNCC. The funding supports 29.20 FTE in FY 2017 and personal services and operating expenses. The proposal is funded with general fund and is contingent on approval of funds to renovate and refurbish MMHNCC.

DP 3333505 - Forensic Unit D Wing Montana State Hospital (RST) -

The legislature added funds to expand the Forensic Unit D Wing at MSH including the addition of 43.50 new FTE. The expansion will provide space for containing aggressive patients and could decrease the need for intervention by a high profile corrections operation. This proposal is funded with 100% general fund and is contingent on approval of funds to renovate and refurbish MSH.

DP 3333506 - Suicide Prevention Grants (OTO/RST/Biennial) -

This proposal would use general fund to provide grants for suicide prevention.

DP 3333507 - Adjustment for SB 405 - Medicaid Expansion -

The legislature reduced general fund in AMDD due to implementation of SB 405, which authorizes expansion of Medicaid. The legislature also added language allowing the reduction to be allocated among programs. SB 405 is discussed in greater detail in the agency narrative.

DP 3333604 - Mental Health Crisis Jail Diversion - Community Grants (R -

The legislature expanded funding for mental health crisis jail diversion grants and restricted the appropriation to that use pursuant to 53-21-1203(2), MCA . The FY 2015 appropriation includes about \$850,000 each year for these services, bringing the annual total to \$1.85 million each year of the 2017 biennium.

DP 3333605 - Community Secure Psychiatric Treatment Beds (Restricted) -

The legislature increased and restricted funding to pay for additional secure psychiatric treatment services in community settings. The legislature restricted the base appropriation as well as the new funding. The total available for this service is \$815,000 general fund each year of the 2017 biennium.

DP 3333606 - Peer Support Services (Restricted) -

The legislature added general fund for peer support services and restricted the funds to that use. The services were initiated with a grant from the mental health trust.

DP 3333607 - Short Term Inpatient Treatment (Restricted) -

The legislature added funds each year of the biennium for short term inpatient treatment (up to 14 days) in an appropriate mental health facility. The appropriation is restricted to services as authorized in 53-21-1205, MCA.

DP 3333608 - Additional Community Waiver Services - AMDD (Restricted) -

The legislature added funding for 50 new services slots for the home and community services waiver administered by AMDD in FY 2016 and added another 50 new slots in FY 2017 for a combined total of 100 new service slots in FY 2017. The funds are restricted for that use.

DP 3333609 - Crisis Jail Diversion - Existing Programs (Restricted) -

The legislature added funds to pay increased costs for programs that provide mental health crisis jail diversion services. The appropriation is limited to funding those programs in existence as of January 1, 2015.

DP 3333610 - Replace County IGT Funds -

The legislature added general fund to replace county funds transferred to DPHHS to be used as Medicaid match for community mental health services. Counties will be able to retain funds that were previously transferred to use for local mental health needs. There is no net funding change due to this action.

DP 3333612 - Transitional Mental Health Group Home (RST/Biennial) -

The legislature added general fund for one or more transitional mental health group homes.

DP 3333901 - PRI CD SAPT Block Grant -

This new proposal funds a 2% annual provider rate increase for chemical dependency community services funded from the federal substance abuse prevention block grant.

DP 3333902 - PRI Med Ben Waiver Services -

This new proposal funds a 2% annual provider rate increase for Medicaid community waiver services and the HIFA/MHSP waiver.

DP 3333903 - PRI Med Ben Chemical Dependency -

This adjustment funds a 2% annual provider rate increase in each year of the biennium for Medicaid chemical dependency services.

DP 3333904 - PRI Med Ben Mental Health -

This adjustment funds a 2% annual provider rate increase for Medicaid adult mental health services.

DP 3333905 - PRI MHSP -

This new proposal funds a 2% annual provider rate for the state funded MHSP program. The rate increase is funded partially from general fund and from the federal mental health block grant.

DP 3333906 - PRI Community Support -

This adjustment funds a 2% annual provider rate increase for intensive community support services.

DP 3333907 - PRI RTEC Meth Substance Abuse -

This adjustment funds a 2% annual provider rate increase in each year of the biennium for community group home services to treat methamphetamine addiction and other types of chemical dependency.