

MEMORANDUM

June 30, 2021

TO: Legislative Finance Committee

FROM: Kurt Alme, Budget Director

RE: Updates

1. American Rescue Plan Act (ARPA) – Comments to Interim Final Rule to Section 602

Please see the draft letter from Governor Gianforte to officials at the U. S. Treasury, attached.

2. ARPA Section 602 Funds

HB 632 estimated State Recovery Funds from ARPA Section 602 to be \$910,084,646. The actual amount awarded to the state was \$906,418,527, or \$3,666,119 less than was anticipated. HB 632 appropriated and allocated funds for many purposes, all of which were for specific amounts, except the competitive Water/Sewer Infrastructure allocation set forth in Section 3 of HB 632. Since no specific amount was allocated for that purpose, the reduced award will apply to that allocation.

3. Performance Manager for ARPA and Management Purposes

State agencies have considerable need to develop performance measurements. Most time sensitive, HB 632 Section 27 and ARPA Section 8 of the Interim Final Rule both require agencies to develop, track and report on various performance measurements.

In addition, other state laws require performance data to be gathered and measured. MCA Section 17-7-111(3)(c) requires each agency to state its mission, “goals and objectives for each program, and sufficient specific information and quantifiable information to enable the legislature to formulate an appropriations policy regarding the agency and its programs and to allow a determination, at some future date, on whether the agency has succeeded in attaining its goals and objectives.” Although program measures are not explicitly required by HB 497 which created the Interim Budget Committees, they are implicit in the committees’ directive to review implementation of new programs, and review programs discussed by the subcommittee during the session, set forth in Subsections 4(b) and (c).

And performance measures are critical for managers in the executive branch to manage state programs.

To help agencies develop and track these performance measures, the executive is considering creating a modified position, funded with both federal coronavirus funds and general funds, perhaps from SB 191, for the biennium to assist agencies develop needed performance measures.

4. State Internal Control Coordinator

This position was created and funded in HB 2.

The Coordinator will serve as a liaison between the Governor's Office and state agencies to help agency staff minimize the likelihood of noncompliance with state and federal law, and the likelihood of waste, fraud and abuse.

The Coordinator will help agencies design, implement, and test, as appropriate, internal control procedures to close gaps in their current procedures. The position will also help agencies address internal control findings identified in the Legislative Audit Division's financial and financial-compliance audit reports, and help them develop, implement, and track corrective action responses.

In addition, the Coordinator will assist the Governor's Office of Budget and Program Planning (OBPP) in the preparation of the state's annual Schedule of Expenditure of Federal Awards (SEFA) report and the biennial Montana Single Audit Report.

5. Federal Spending Authority for Medicaid

Because of higher than anticipated utilization, DPHHS did not have sufficient federal spending authority to fund Medicaid Expansion services for the remainder of FY 2021. So, in May and June, by two budget change documents (BCDs) DPHHS moved \$17.7 of traditional federal Medicaid spending authority from the CSCT program to Medicaid Expansion.

Medicaid Expansion services for Intensive Outpatient Treatment and Medication Assisted Treatment in AMDD were higher than projected, in part because substance use disorders have increased during the COVID-19 Pandemic. The CSCT program had additional federal authority because of the change in funding during the year and because COVID interrupted the provision of these children's mental health services in schools.

OBPP approved the BCDs and notified LFD that the BCDs triggered Section 17-7-139/139, MCA.

6. Hiring Challenges for State Agencies

In June, DPHHS notified OBPP of serious challenges hiring nurses at the State Hospital in Warm Springs. This shortage of permanent nurses is causing several issues, including requiring DPHHS to hire a majority of the nursing staff from contracted nursing pools at a significantly higher cost. After notifying OBPP, DPHHS instituted an increase in salary for entry level nurses, and shifted the pay scale up for all nurses.

Other agencies have reported similar hiring challenges as the state emerges from COVID, and people go back to work. Information is being reviewed to determine if these challenges are likely to be short-lived, or whether certain jobs and certain areas are likely to have recruitment and retention problems for some time. Various options to address these issues are also being considered, including flexibility to allow agencies to offer recruitment and retention bonuses.