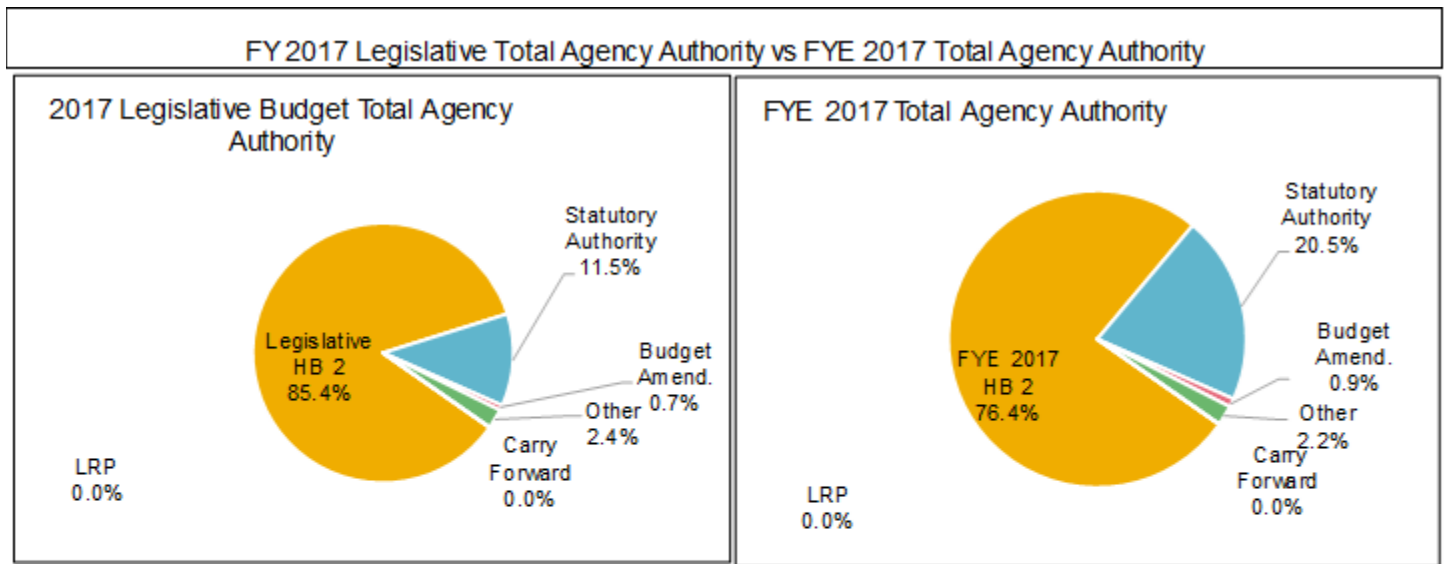


DEPARTMENT OF PUBLIC HEALTH AND HUMAN SERVICES

BUDGET AND EXPENDITURE HIGHLIGHTS

- Over 75% of total authority for the Department of Health and Human Services (DPHHS) is established in HB 2, with remaining authority primarily established in the statutorily appropriated HELP Act
- The department's budget was reduced by \$8.3 million between December and July. The majority of the reduction was due to the passage of HB 3, which removed \$5.0 million from the Health Resources Division (HRD) and \$4.0 million from the Addictive and Mental Disorders Division (AMDD). The \$9.0 million HB 3 reduction was slightly tempered due to a personal services contingency in the Child and Family Services Division (CFSD) and continuing language authority, for the biennial recover audit contract, in the Quality Assurance Division (QAD)
- Although the department's total HB 2 budget only decreased by 0.4% as compared to the December modified budget, there was a significant amount of movement within the department, primarily in the form of program transfers. The department increased the budget of five programs by almost \$30.0 million in total since December, with CFSD receiving over half of those transfers. The department decreased the budgets of nine other divisions by the same amount. The Senior and Long Term Care Division (SLTC) and Developmental Services Divisions (DSD) accounted for the largest portion of these transfers, with \$9.8 million and \$7.6 million in reductions respectively
- The department expended \$2.1 billion in FY 2017, 95.5% of their fiscal year end HB 2 budget. General fund accounted for \$514.2 million of the total spend, 99.8% of their fiscal year end HB 2 budget

TOTAL APPROPRIATION AUTHORITY OVERVIEW



Authority	Legislative Budget	Budget Modifications	FYE Budget
2017 HB 2	2,178,438,551	(4,127,479)	2,174,311,072
Statutory Authority	292,925,716	291,234,976	584,160,692
Budget Amendments	16,790,018	9,875,421	26,665,440
Other	62,325,040	(289,225)	62,035,815
Carry Forward	-	-	-
Sum of Long Range Planning	-	-	-
Total Budgeted Authority	2,550,479,326	296,693,694	2,847,173,020
Non-Budgeted Proprietary	\$ -	\$ -	\$ -

Total Expended	2,682,776,011
Total Budgeted Authority	2,847,173,020
% Expended	94.2%

This chart shows current FYE authority compared to legislative budget authority for the agency (Appendix B). Budget Amendment authority is not legislative authority, instead it is added authority through the budget amendment process.

Statutory Appropriations

FY 2017 Statutory Authority by Program			
Program	Legislative Budget	Budget Modifications	FYE Budget
2 Human And Community Services	1,462,238	467,505	1,929,743
3 Child & Family Services	65,000		65,000
4 Director'S Office	-	43,298	43,298
6 Business & Financial Services Div	-	56,194	56,194
7 Public Health & Safety Division	1,922,547	40,000	1,962,547
9 Technology Services Division	-	3,245,358	3,245,358
10 Developmental Services Division	1,000,000	2,297	1,002,297
11 Health Resources Division	250,461,494	269,925,390	520,386,884
12 Medicaid And Health Services Management	1,561,575	2,296,484	3,858,059
22 Senior & Long-Term Care	9,329,342	(1,794,098)	7,535,244
33 Addictive & Mental Disorders	27,123,520	16,952,548	44,076,068
TOTAL	\$292,925,716	\$291,234,976	\$584,160,692

This chart shows current FYE statutory authority compared to legislative statutory authority by program.

The 2015 Legislature authorized \$293.0 million in statutory appropriations, with 97.6% of this total designated for the HELP Act, which is discussed in detail in the HELP Act section of Medicaid Monitoring Report. The remaining 2.4% is comprised of earmarked alcohol taxes associated with state approved alcohol programs, alcohol treatment and rehabilitation and chemical dependency programs, the Montana State Hospital and Montana Developmental Center Bond Payments, Adoption Service Fees and Title X Family Planning.

The statutory appropriation budget was increased by \$291.2 million over the course of FY 2017; all but \$133,000 of this increase was related to the HELP Act. AMDD received an additional \$93,000 for earmarked alcohol tax and Public Health and Safety Division (PHSD) received an additional \$40,000 for Title X Family Planning.

Budget Amendments

FY 2017 Budget Authority by Program			
Program	Legislative Budget	Budget Modifications	FYE Budget
1 Disability Employment & Transitions	2,371,778	-	2,371,778
2 Human And Community Services	824,791	2,377,600	3,202,391
3 Child & Family Services	1,066	153,125	154,191
7 Public Health & Safety Division	10,036,487	3,846,580	13,883,067
10 Developmental Services Division	2,295,350	760,000	3,055,350
12 Medicaid And Health Services Management	-	320,625	320,625
22 Senior & Long-Term Care	298,835	373,581	672,416
33 Addictive & Mental Disorders	961,711	2,043,911	3,005,622
TOTAL	\$16,790,018	\$9,875,421	\$26,665,440

This chart shows current FYE budget amendment authority compared to legislative budget amendment authority by program.

At the beginning of FY 2017 there were \$16.8 million in budget amendments in DPHHS, 60% of which involved PHSD (\$10.0 million). The entirety of this \$10.0 million was continuing authority for federal grants for programs like Ebola prevention, WIC (Women, Infants, and Children), and immunization. The Economic Security Services Branch Accounts for 19% of the budget amendments and Medicaid and Health Services Branch makes up the remaining portion. Within the Medicaid and Health Services Branch, DSD received \$3.0 million for Substance

Abuse and Mental Health Services Administration (SAMHSA) and the Social Services Block Grant (SSBG). AMDD received \$3.0 million in budget amendments at the beginning of FY 2017, with the vast majority of this authority for the Chemical Dependency Framework Grant (CDFG). SLTC received about \$0.3 million in federal funds for the Money Follows the Person program.

Budget amendments for DPHHS increased by \$9.8 million over the course of FY 2017. The majority of these transactions happened within three divisions: HCSD, PHSD and AMDD. Budget amendments in HCSD include nearly \$1.0 million for the Healthy Montana Teen Parent Program, \$800,000 in continuing federal authority for Project LAUNCH (Linking Unmet Needs in Children's Health,) and \$600,000 in federal authority for FDPIR (Food Distribution Program on Indian Reservations.) AMDD received \$1.9 million in budget amendments to establish authority for grant year 2016 for the Montana Strategic Prevention Framework Grant (which falls under the Chemical Dependency Framework Grant previously mentioned.) Part of this authority establishment required the addition of .75 modified FTE. PHSD budget amendment changes added \$3.8 million in federal authority for programs like the Ryan White HIV/AIDS program, WIC, laboratory services, and immunization.

Other Authority

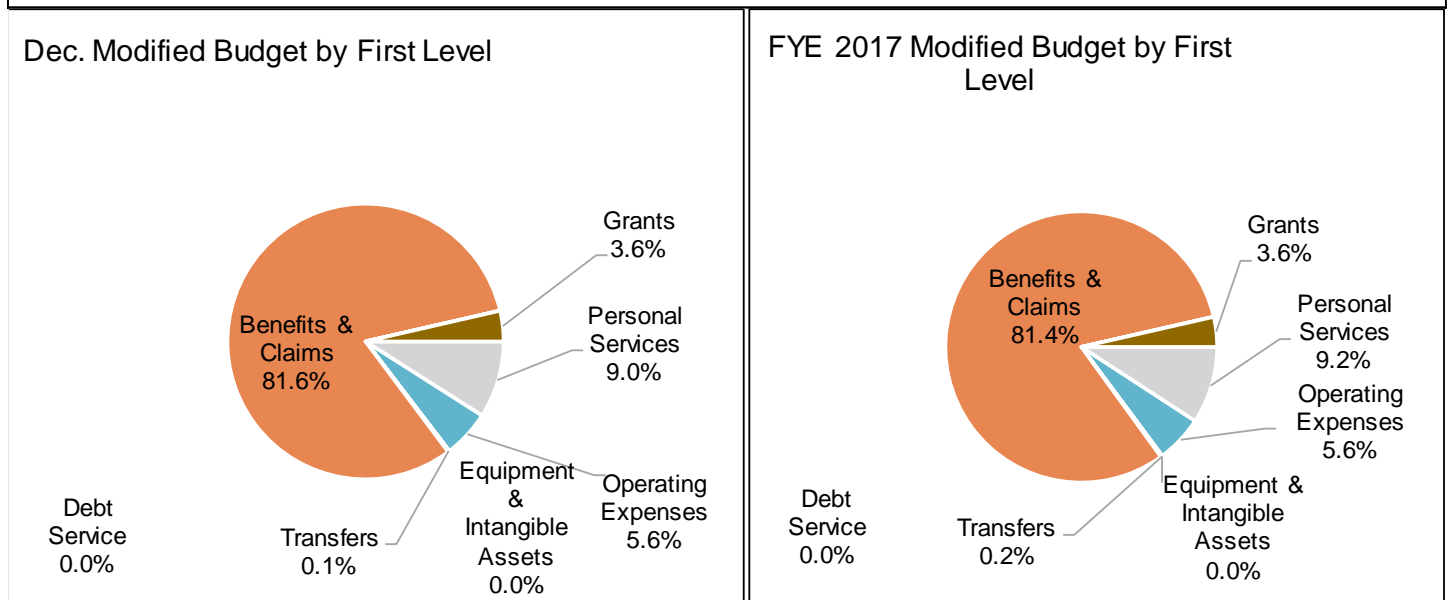
Other authority for DPPHS included continuing authority appropriation associated with long range IT costs, workers compensation reductions, HB 47 (youth crisis diversion) and HB 33 (jail diversion)

In FY 2017, almost 97.0% of other authority for DPHHS was continuing authority for long range IT projects within the Technology Services Division (TSD). The long range IT projects included the Medicaid Management Information System (MMIS) and the A-87 Cost Allocation Waiver. There were no budget modifications for TSD. The only budget modifications for all of FY 2017 in other authority, were in the Director's Office and in AMDD. The Director's Office had an increase in workers compensation reductions of \$20,000 and AMDD decreased by \$309,000 due to reductions in HB 47 and HB 33.

DPHHS HB 2 BUDGET MODIFICATIONS

Budget Modification by First Level

December HB 2 Modified Budget vs FYE 2017 HB 2 Modified Budget



December to FYE 2017 HB 2 Budget Modification by First Level

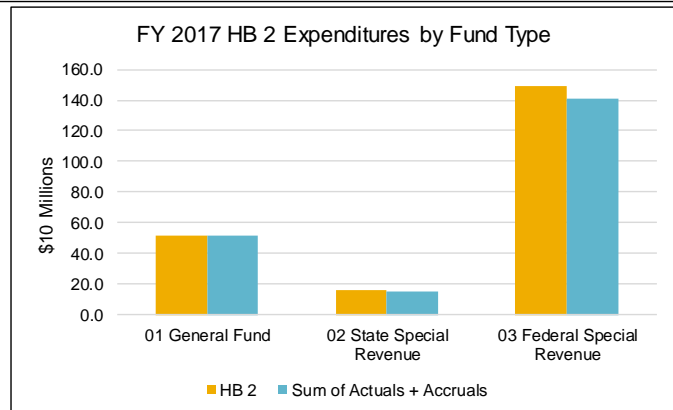
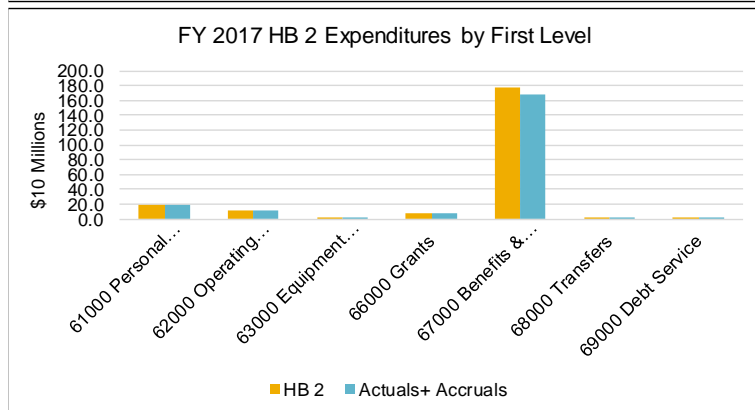
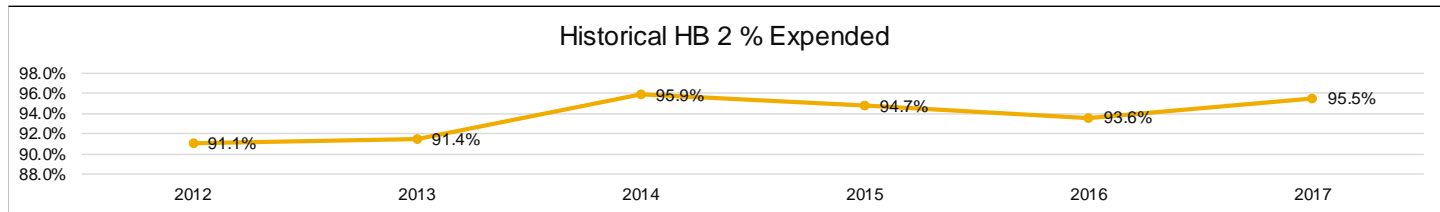
First Level	Dec. Modified Budget	Modifications			FYE Modified Budget	Variance to Dec.
		Increases	Decreases	Total		
61000 Personal Services	\$197,105,064	6,773,491	(\$3,784,130)	2,989,361	200,094,425	1.5%
62000 Operating Expenses	\$121,837,534	8,763,723	(\$8,075,681)	688,042	122,525,576	0.6%
63000 Equipment & Intangible Assets	\$731,721	-	(\$160,000)	(160,000)	571,721	-21.9%
66000 Grants	\$78,325,672	1,448,588	(\$2,295,461)	(846,873)	77,478,799	-1.1%
67000 Benefits & Claims	\$1,781,297,222	26,286,257	(\$37,980,043)	(11,693,786)	1,769,603,436	-0.7%
68000 Transfers	\$3,092,550	614,627	\$0	614,627	3,707,177	19.9%
69000 Debt Service	\$292,007	37,932	\$0	37,932	329,939	13.0%
Grand Total	\$2,182,681,770	\$43,924,618	(\$52,295,315)	(\$8,370,697)	\$2,174,311,072	-0.4%

The above charts show December HB 2 modified budget by first level compared to FYE 2017 HB 2 modified budget by first level.

Overall DPHHS reduced their HB 2 budget by \$8.4 million. The majority of this reduction is due to the passage of HB 3, which reduced the budget by \$9.0 million. HRD and AMDD were reduced by \$5.0 million and \$4.0 million respectively, primarily in benefits and claims. Budget modifications are discussed in detail within each branch section of this report.

DPHHS HB 2 EXPENDITURES

Expenditure By First Level Account and Fund Type



First Level	FYE Modified		Percent Expended
	HB 2	Expended	
61000 Personal Services	200,094,425	195,311,713	97.6%
62000 Operating Expenses	122,525,576	122,011,243	99.6%
63000 Equipment & Intangible Assets	571,721	81,875	14.3%
66000 Grants	77,478,799	71,245,105	92.0%
67000 Benefits & Claims	1,769,603,436	1,683,059,563	95.1%
68000 Transfers	3,707,177	4,935,231	133.1%
69000 Debt Service	329,939	235,920	71.5%
Grand Total	\$2,174,311,072	\$2,076,880,650	95.5%

Fund Type	FYE Modified		Percent Expended
	HB 2	Expended	
01 General Fund	515,060,061	514,209,729	99.8%
02 State Special Revenue	165,054,505	154,431,833	93.6%
03 Federal Special Revenue	1,494,196,506	1,408,239,087	94.2%
Grand Total	\$2,174,311,072	\$2,076,880,650	95.5%

The above charts show HB 2 modified budget compared to expenditures by first level and fund type. Additionally, the first chart provides historical HB 2 expenditures

The department expended \$2.1 billion in FY 2017, 95.5% of their fiscal year end HB 2 budget. This was a 4.0% increase in overall expenditures compared to 2016. General fund accounted for \$514.2 million of the total spend, 99.8% of their fiscal year end HB 2 budget. The department's spending was in line with previous year's spending and increased at a similar rate as previous years. Department spending is discussed in detail at the branch level within this report.

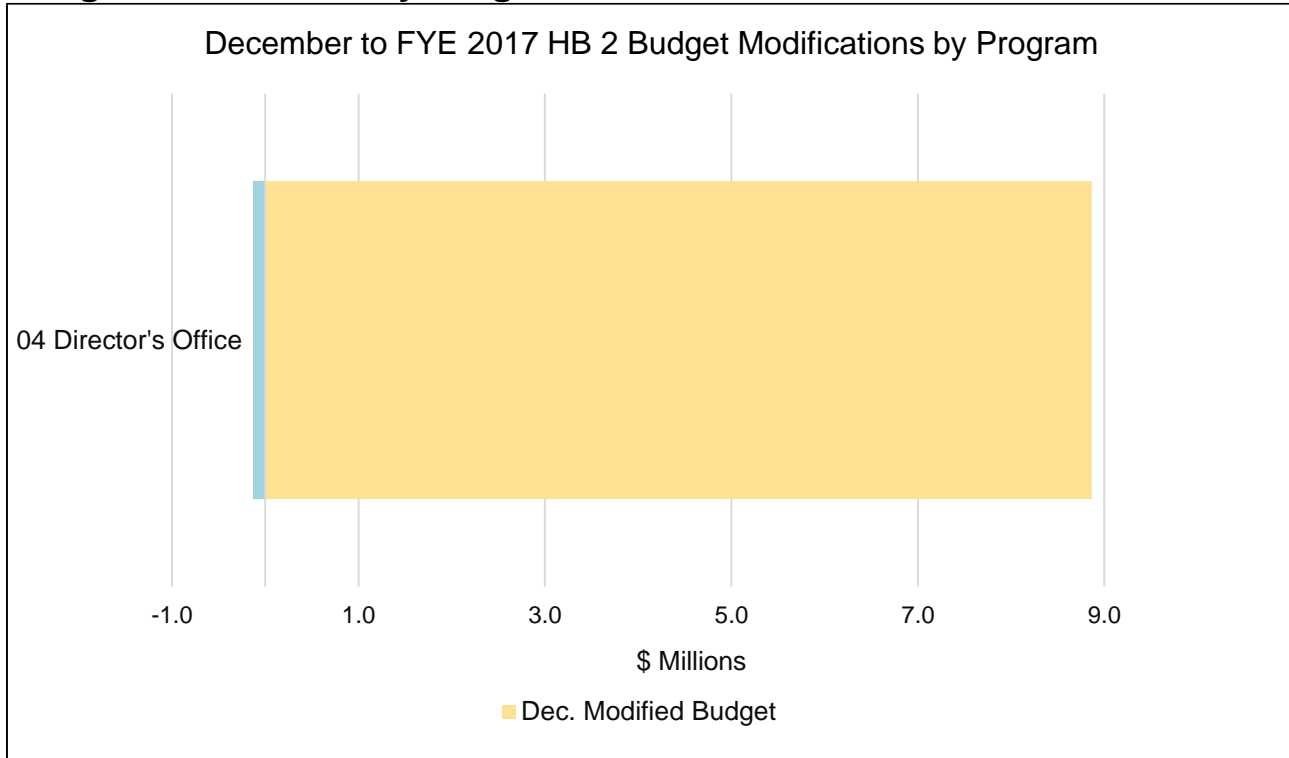
DIRECTOR'S OFFICE

BUDGET AND EXPENDITURE HIGHLIGHTS

- The Director's Office was involved in several program transfers that lowered total authority by \$131,004 over the second half of FY 2017
- The Director's Office expended 96.0% of its budget over FY 2017, and 100.0% of its general fund budget

HB 2 BUDGET MODIFICATIONS

Budget Modification by Program



Program	Dec. Modified Budget	Modifications			FYE Modified Budget	Variance to Dec.
		Increases	Decreases	Total		
04 Director's Office	8,864,094	470,200	(601,204)	(131,004)	8,733,090	-1.5%
Grand Total	\$8,864,094	\$470,200	(\$601,204)	(\$131,004)	\$8,733,090	-1.5%

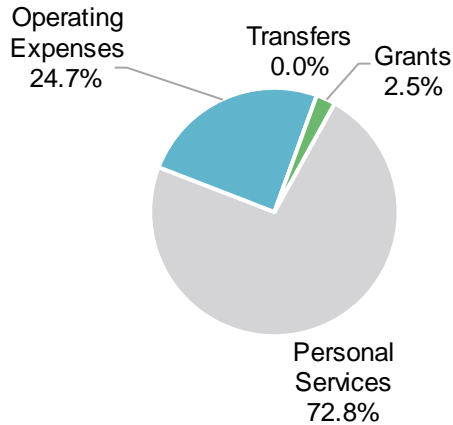
This chart shows budget modifications by program from December through FYE.

Total budget modifications for the Director's Office from December to July were a reduction of \$131,004. Most of this change is accounted for by three program transfers processed for FYE realignment. Two added a total of \$315,000 general fund (\$200,000 in operating expenses and \$115,000 in personal services) over this time while one shifted \$0.5 million federal authority to CFSD.

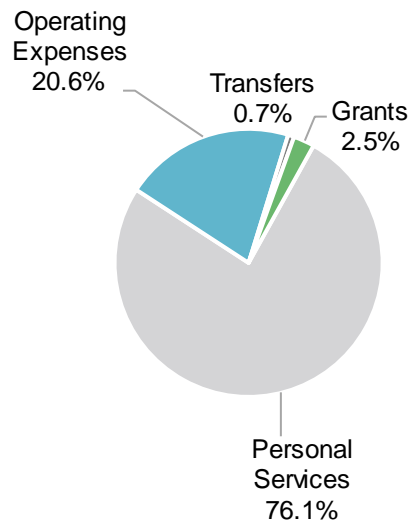
Budget Modification by First Level

December HB 2 Modified Budget vs FYE 2017 HB 2 Modified Budget

Dec. Modified Budget by First Level



FYE 2017 Modified Budget by First Level



December to FYE 2017 HB 2 Budget Modification by First Level

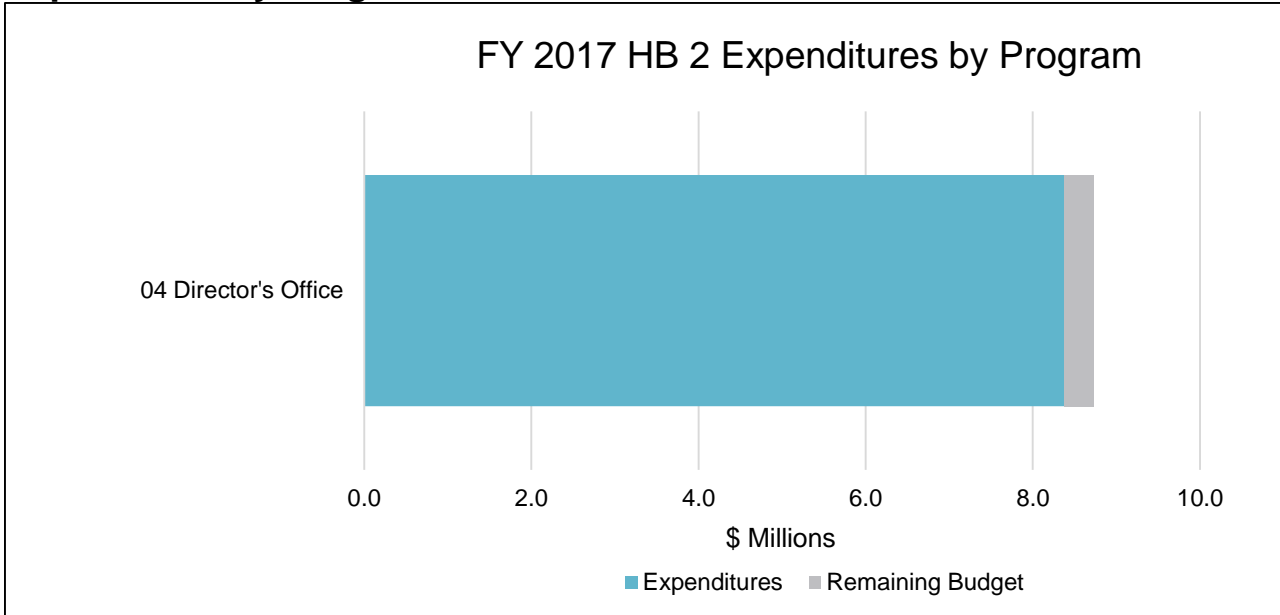
First Level	Dec. Modified Budget	Modifications			Modified Budget	Variance to Dec.
		Increases	Decreases	Total		
61000 Personal Services	\$6,455,196	193,500	\$0	193,500	6,648,696	3.0%
62000 Operating Expenses	\$2,187,487	211,700	(\$601,204)	(389,504)	1,797,983	-17.8%
66000 Grants	\$221,411	-	\$0	-	221,411	0.0%
68000 Transfers	\$0	65,000	\$0	65,000	65,000	0.0%
Grand Total	\$8,864,094	\$470,200	(\$601,204)	(\$131,004)	\$8,733,090	-1.5%

The above charts show December HB 2 modified budget by first level compared to FYE 2017 HB 2 modified budget by first level.

All budget modifications in the Director's Office budget during the December to July period were program transfers. The majority of these changes occurred in operating expenses.

AGENCY HB 2 EXPENDITURES

Expenditure by Program

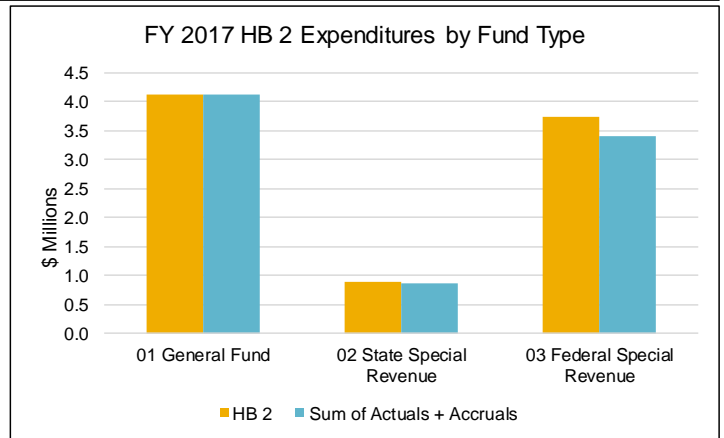
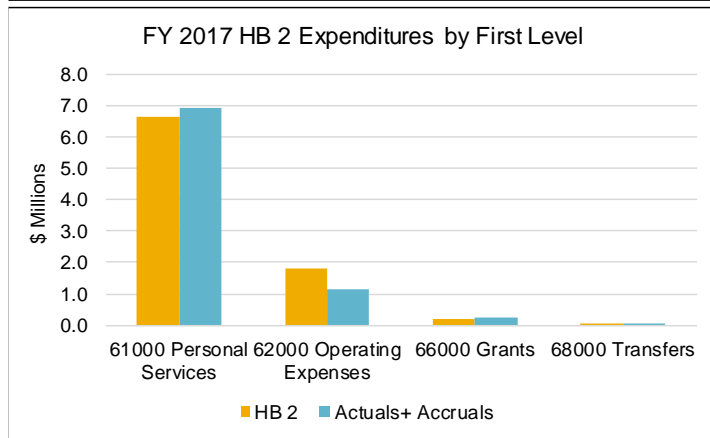
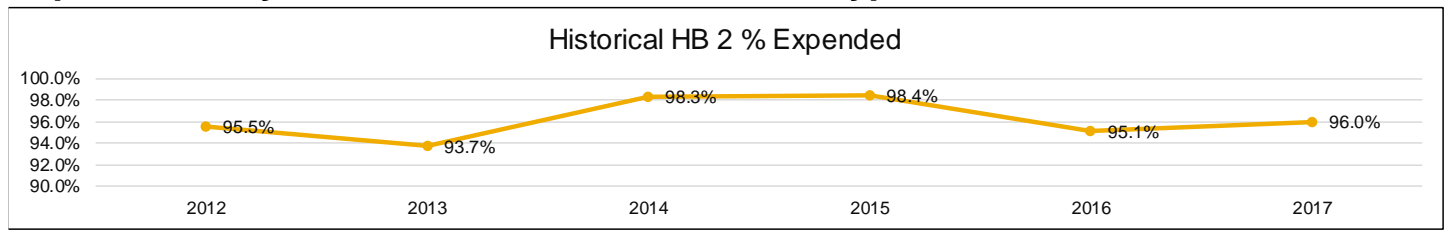


Program	FYE Modified Budget	Expenditures	Remaining Budget	Percent Expended
04 Director's Office	8,733,090	8,381,343.8	351,747	96.0%
Grand Total	\$8,733,090	\$8,381,344	\$351,747	96.0%

This chart shows current FY 2017 expenditures by program and remaining authority for HB 2 budget.

The Director's Office budget was 96.0% expended over the fiscal year. This is in line with behavior over the last several years.

Expenditure By First Level Account and Fund Type



FY 2017 HB 2 Expended by First Level			
First Level	FYE Modified HB 2	Expended	Percent Expended
61000 Personal Services	6,648,696	6,912,966	104.0%
62000 Operating Expenses	1,797,983	1,132,256	63.0%
66000 Grants	221,411	271,122	122.5%
68000 Transfers	65,000	65,000	100.0%
Grand Total	\$8,733,090	\$8,381,344	96.0%

FY 2017 HB 2 Expended by Fund Type			
Fund Type	FYE Modified HB 2	Expended	Percent Expended
01 General Fund	4,121,431	4,121,373	100.0%
02 State Special Revenue	875,623	849,646	97.0%
03 Federal Special Revenue	3,736,036	3,410,324	91.3%
Grand Total	\$8,733,090	\$8,381,344	96.0%

The above charts show HB 2 modified budget compared to expenditures by first level and fund type. Additionally, the first chart provides historical HB 2 expenditures for reference.

The Director's Office personal services expenditures were 104.0% expended. Operating expenses were considerably lower than budgeted, and most of the authority used in program transfers was in operating expenses.

The general fund budget was entirely expended, as was most of the state special revenue budget. The federal special revenue budget was only 91.3% expended, with some of this authority used in program transfers.

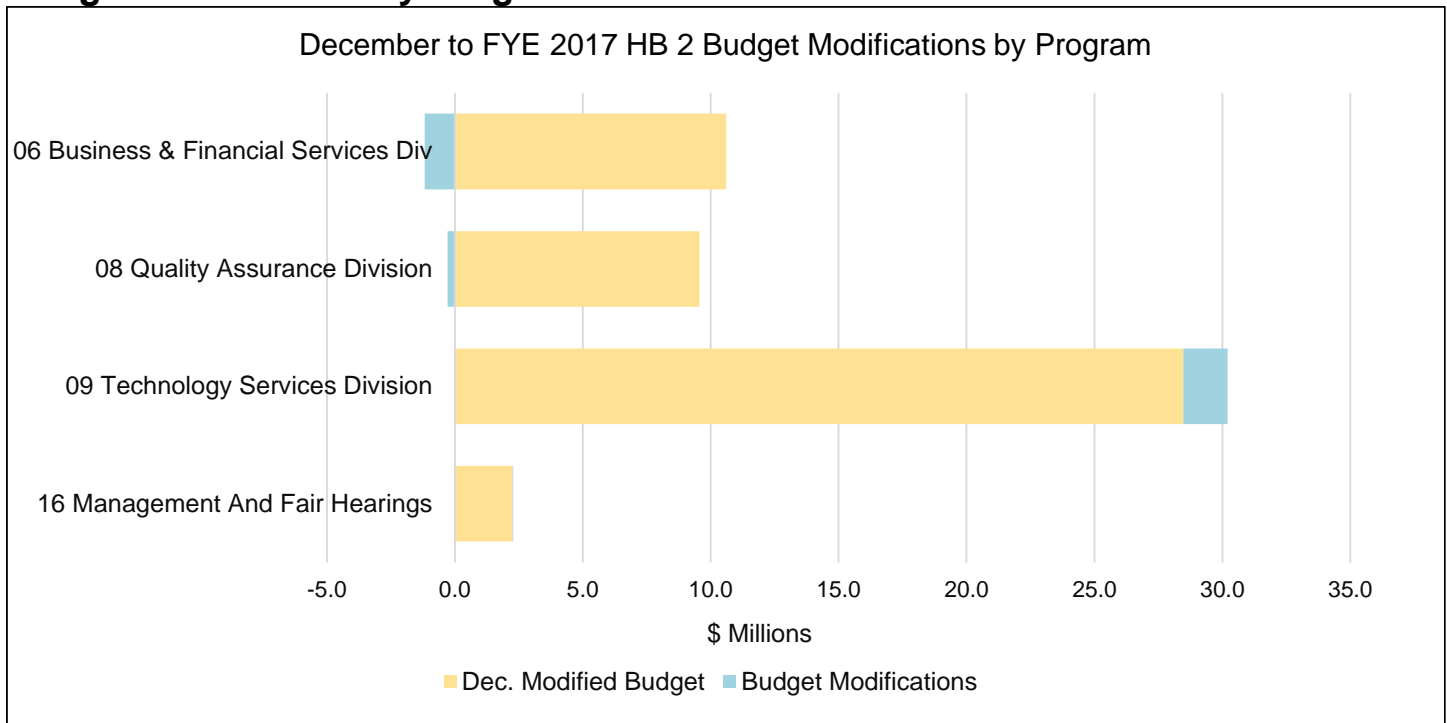
OPERATIONS SERVICES BRANCH

BUDGET AND EXPENDITURE HIGHLIGHTS

- The overall budget for the Operations Services Branch increased by less than 1.0% since the December modified budget
- TSD had fiscal year end costs due to unanticipated required services within the program. They received \$1.7 million in program transfers to handle these costs
- Business and Financial Services division (BFSD) reduced their budget by \$1.2 million dollars primarily due to program transfers. BFSD had excess authority at fiscal year-end

HB 2 BUDGET MODIFICATIONS

Budget Modification by Program



Program	Dec. Modified Budget	Modifications			FYE Modified Budget	Variance to Dec.
		Increases	Decreases	Total		
06 Business & Financial Services Div	10,607,024	8,206	(1,183,000)	(1,174,794)	9,432,230	-11.1%
08 Quality Assurance Division	9,558,551	429,088	(711,700)	(282,612)	9,275,939	-3.0%
09 Technology Services Division	28,473,083	1,901,220	(167,755)	1,733,465	30,206,548	6.1%
16 Management And Fair Hearings	2,257,610	159,227	(137,650)	21,577	2,279,187	1.0%
Grand Total	\$50,896,269	\$2,497,741	(\$2,200,105)	\$297,636	\$51,193,904	0.6%

This chart shows budget modifications by program from December through FYE.

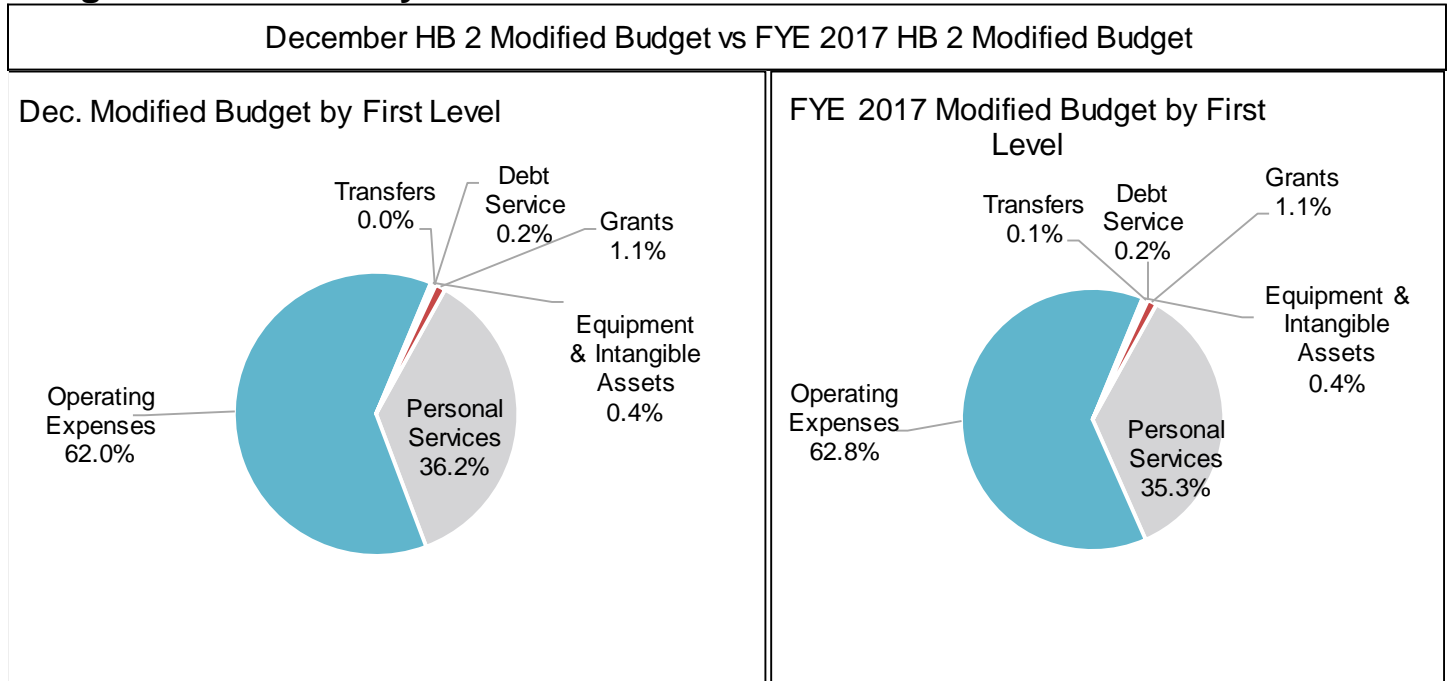
BFSD transferred out \$1.2 million in program transfers between December and July. The department transferred out several times. Approximately one-third of the transfers were general fund transfers to the Director's Office, the remaining transfers were federal special revenue authority transfers to Human and Community Services Division (HCSD). The program had excess authority at fiscal year-end.

QAD transferred out \$711,700 in program transfers, comprised of a number of small transactions. The largest transaction was a federal authority transfer of \$271,000 to CFSD. The program also had \$155,000 of continuing language authority from the biennial recovery audit contract. This transaction should have been included in the December Budget Status Report, but was omitted in error.

TSD received \$1.7 million in program transfers due to unanticipated fiscal year end costs. These costs included professional services for security and security risk assessment (not included in the budget), higher than

anticipated costs in storage hosting and mainframe costs, and an increased need for personal services due to an increase in development projects.

Budget Modification by First Level



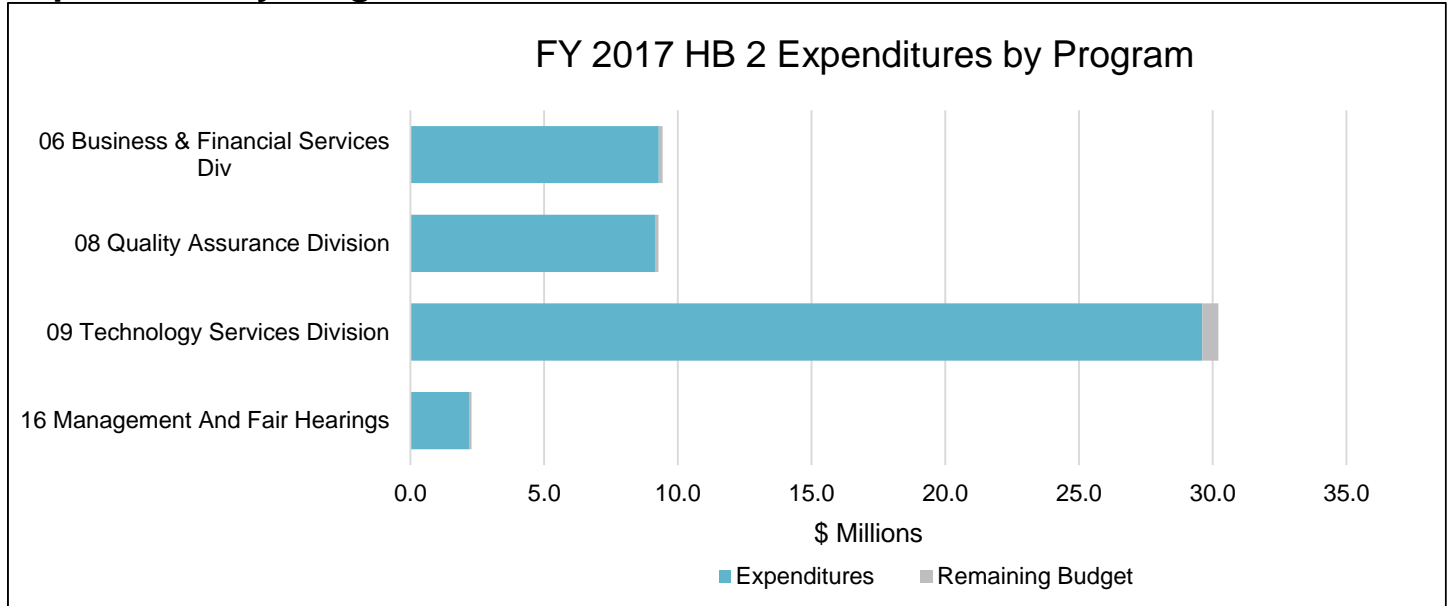
December to FYE 2017 HB 2 Budget Modification by First Level							
First Level	Dec. Modified Budget	Modifications			Modified Budget	Variance to Dec.	
		Increases	Decreases	Total			
61000 Personal Services	\$18,429,786	754,514	(\$1,095,657)	(341,143)	18,088,643	-1.9%	
62000 Operating Expenses	\$31,569,628	1,692,000	(\$1,104,448)	587,552	32,157,180	1.9%	
63000 Equipment & Intangible Assets	\$214,971	-	\$0	-	214,971	0.0%	
66000 Grants	\$584,941	-	\$0	-	584,941	0.0%	
68000 Transfers	\$0	51,227	\$0	51,227	51,227	0.0%	
69000 Debt Service	\$96,942	-	\$0	-	96,942	0.0%	
Grand Total	\$50,896,269	\$2,497,741	(\$2,200,105)	\$297,636	\$51,193,904	0.6%	

The above charts show December HB 2 modified budget by first level compared to FYE 2017 HB 2 modified budget by first level.

The Operation Services Branch increased operating expenses between December and July. This was due to unanticipated fiscal year end costs in TSD. Operating Expense increased by \$1.1 million dollars in the program, this increase was partially offset by personal service decreases within the other programs in the branch.

AGENCY HB 2 EXPENDITURES

Expenditure by Program

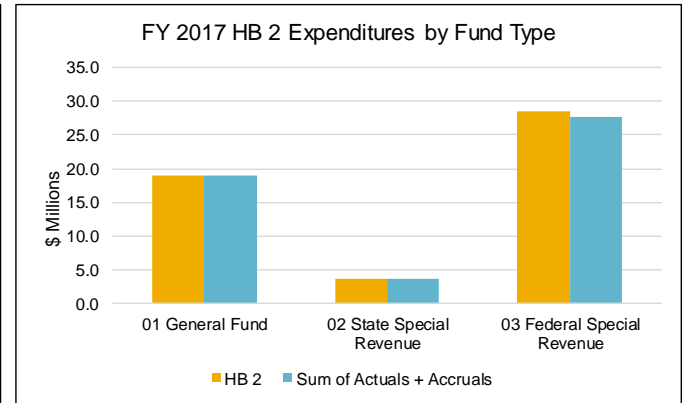
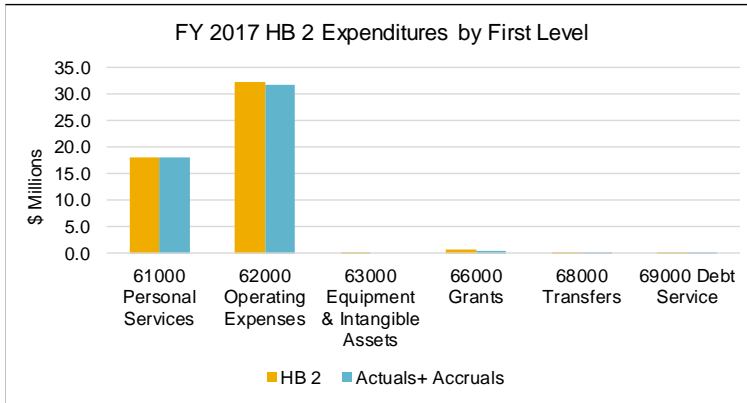


Program	FYE Modified Budget	Expenditures	Remaining Budget	Percent Expended
06 Business & Financial Services Div	9,432,230	9,290,211.1	142,019	98.5%
08 Quality Assurance Division	9,275,939	9,140,696.4	135,242	98.5%
09 Technology Services Division	30,206,548	29,611,160.7	595,388	98.0%
16 Management And Fair Hearings	2,279,187	2,185,751.6	93,435	95.9%
Grand Total	\$51,193,904	\$50,227,820	\$966,085	98.1%

This chart shows current FY 2017 expenditures by program and remaining authority for HB 2 budget.

The branch expended 3.0% more in FY 2017 than in FY 2016, due to operating expense increases in TSD. Within TSD, email, server and network fees, development costs and CAPS administrative costs increased versus FY 2016. Additionally, the Medical Marijuana program within QAD increased operating expense, however revenue within this program also increased significantly, so this increase was expected. Although the dollar amount was small, Management and Fair Hearings doubled their operating expense spend due to a booked liability for an anticipated employee settlement.

Expenditure By First Level Account and Fund Type



FY 2017 HB 2 Expended by First Level			
First Level	FYE Modified HB 2	Expended	Percent Expended
61000 Personal Services	18,088,643	17,989,023	99.4%
62000 Operating Expenses	32,157,180	31,627,627	98.4%
63000 Equipment & Intangible Assets	214,971	-	0.0%
66000 Grants	584,941	553,004	94.5%
68000 Transfers	51,227	51,227	100.0%
69000 Debt Service	96,942	6,938	7.2%
Grand Total	\$51,193,904	\$50,227,820	98.1%

FY 2017 HB 2 Expended by Fund Type			
Fund Type	FYE Modified HB 2	Expended	Percent Expended
01 General Fund	18,902,371	18,901,956	100.0%
02 State Special Revenue	3,695,961	3,665,254	99.2%
03 Federal Special Revenue	28,595,573	27,660,610	96.7%
Grand Total	\$51,193,904	\$50,227,820	98.1%

The above charts show HB 2 modified budget compared to expenditures by first level and fund type. Historical HB 2 expenditures not available for the Operations Services Branch.

Expenditures in the Operations Service Branch were in line with spending in FY 2016. The branch typically spends about 36.0% on personal services and the remainder on operating expense. FY 2017 followed this trend.

A little over half of the branch funding is through federal special revenue authority, the remainder is funded by the state, 38.0% is general fund and 7.0% is state special revenue. The state share is slightly higher than in years past, this is due to the unanticipated fiscal year end costs within TSD.

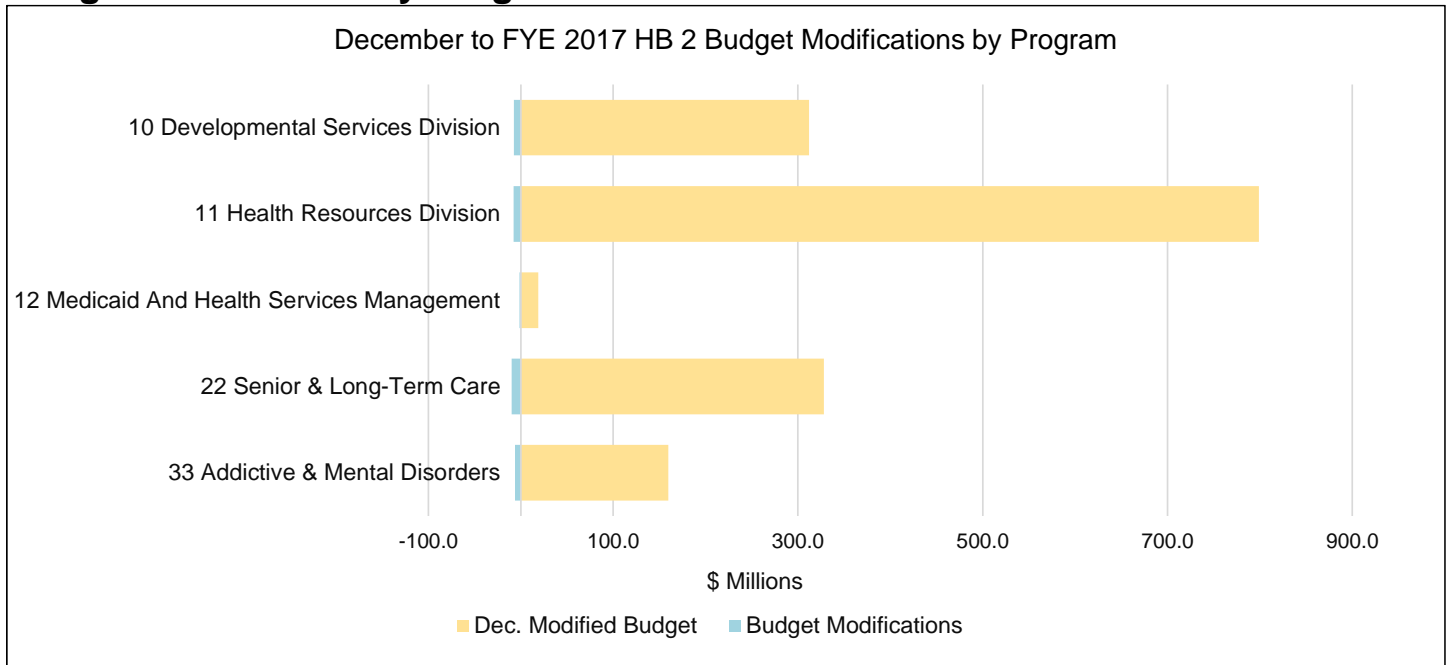
MEDICAID SERVICES BRANCH

BUDGET AND EXPENDITURE HIGHLIGHTS

- The Medicaid Services Branch budget was reduced by \$33.2 million between December and July due to \$24.0 million in program transfers (primarily involving benefits and claims) and reductions associated with HB 3. HB 3 reduced the HRD budget by \$5.0 million general fund (as mandated by the 2017 Legislature) and the AMDD budget was reduced by \$4.0 million general fund as a part of the Governor's reductions associated with this bill
- The total HB 2 budget in this branch was reduced by \$33.2 million total funds versus the December modified budget: a 2.0% decrease

HB 2 BUDGET MODIFICATIONS

Budget Modification by Program



Program	Dec. Modified Budget	Modifications			FYE Modified Budget	Variance to Dec.
		Increases	Decreases	Total		
10 Developmental Services Division	311,874,798	287,932	(7,908,093)	(7,620,161)	304,254,637	-2.4%
11 Health Resources Division	799,120,249	1,445,700	(9,360,947)	(7,915,247)	791,205,002	-1.0%
12 Medicaid And Health Services Management	18,842,825	149,047	(1,579,150)	(1,430,103)	17,412,722	-7.6%
22 Senior & Long-Term Care	327,996,382	1,465,000	(11,299,582)	(9,834,582)	318,161,800	-3.0%
33 Addictive & Mental Disorders	159,765,794	4,955,562	(11,310,355)	(6,354,793)	153,411,001	-4.0%
Grand Total	\$1,617,600,048	\$8,303,241	(\$41,458,127)	(\$33,154,886)	\$1,584,445,162	-2.0%

This chart shows budget modifications by program from December through FYE.

DSD:

DSD transferred out a total of \$7.6 million between December and July, a 2.4% decrease compared to the December modified budget. Of these transactions, 62% came out of the Medicaid Children's Mental Health program. The program had excess authority, primarily due to the reduced number of children on high cost treatment plans. In FY 2017, the department was able to find alternative lower cost treatment plans for patients. CFSD has been the primary recipient of these funds. Additionally, AMDD received \$1.1 million dollars from the Medicaid Children's program to assist with the Medicaid Adult Mental Health program.

HRD:

HRD authority decreased by \$7.9 million between December and July 2017. About \$3.0 million of this decrease is due to several program transfers during this time. The department determined HRD's Healthy Montana Kids (HMK) program had excess federal authority and transferred some of this authority to other divisions. One of

these program transfers sent \$0.5 million in state special revenue authority to the Montana Chemical Dependency Center (MCDC). HB 3 reduced HRD general fund by \$5.0 million general fund at the direction of the legislature.

Medicaid and Health Services Management Division (MHSM):

MHSM authority declined by \$1.4 million. Most of this decline was due to a program transfer that shifted \$1.0 million in federal authority across nine other divisions in the department in order to realign authority for fiscal year end.

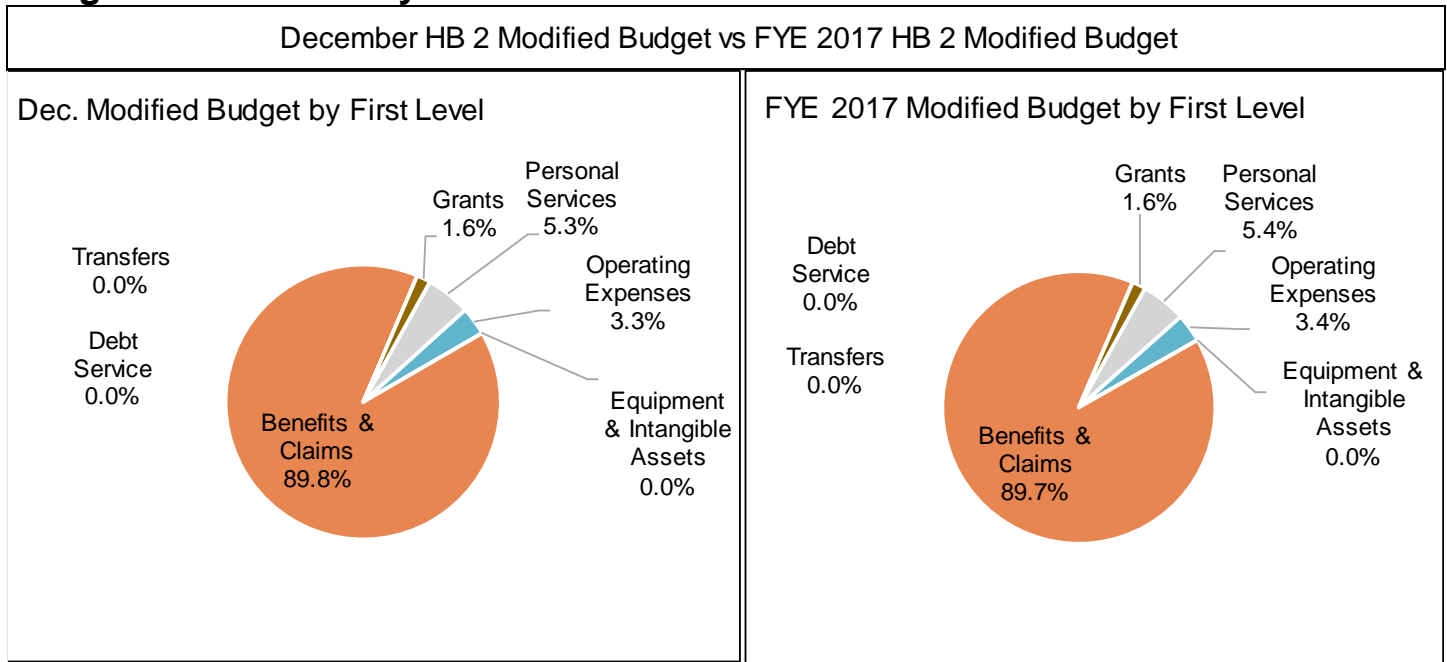
SLTC:

SLTC authority decreased by a total of \$9.8 million between December and July 2017. Most of this decrease was due to several program transfers that moved general fund and federal authority to CFSD for costs associated with foster care, adoption, and guardianship. This authority was moved from benefits and claims authority in the Community First Choice and Medicaid nursing home programs.

AMDD:

AMDD decreased by a total of \$6.3 million as compare to the December modified budget. AMDD transferred \$6.4 million out via program transfers, but received \$3.8 million in program transfers. The majority of the transfers out were from the HIFA waiver. The HIFA waiver had excess authority in 2017 because expansions in Medicaid allowed for more clients to qualify for Medicaid expansion instead of the waiver. The transfers that increased the budget were for MCDC, the state hospital and for Medicaid adult mental health services. Additionally, AMDD had a \$4.0 million dollar reduction due to the passage of HB 3, as a part of the Governor's reductions. The cuts from HB 3 came from mental group home health services, community-based mental health services, short-term inpatient services and the HIFA waiver.

Budget Modification by First Level



December to FYE 2017 HB 2 Budget Modification by First Level						
First Level	Dec. Modified Budget	Modifications			FYE Modified Budget	Variance to Dec.
		Increases	Decreases	Total		
61000 Personal Services	\$85,032,180	1,002,000	(\$1,209,544)	(207,544)	84,824,636	-0.2%
62000 Operating Expenses	\$53,777,326	3,469,301	(\$4,060,579)	(591,278)	53,186,048	-1.1%
63000 Equipment & Intangible Assets	\$253,553	-	(\$160,000)	(160,000)	93,553	-63.1%
66000 Grants	\$26,034,532	-	(\$952,006)	(952,006)	25,082,526	-3.7%
67000 Benefits & Claims	\$1,452,282,050	3,704,008	(\$35,075,998)	(31,371,990)	1,420,910,060	-2.2%
68000 Transfers	\$26,500	90,000	\$0	90,000	116,500	339.6%
69000 Debt Service	\$193,907	37,932	\$0	37,932	231,839	19.6%
Grand Total	\$1,617,600,048	\$8,303,241	(\$41,458,127)	(\$33,154,886)	\$1,584,445,162	-2.0%

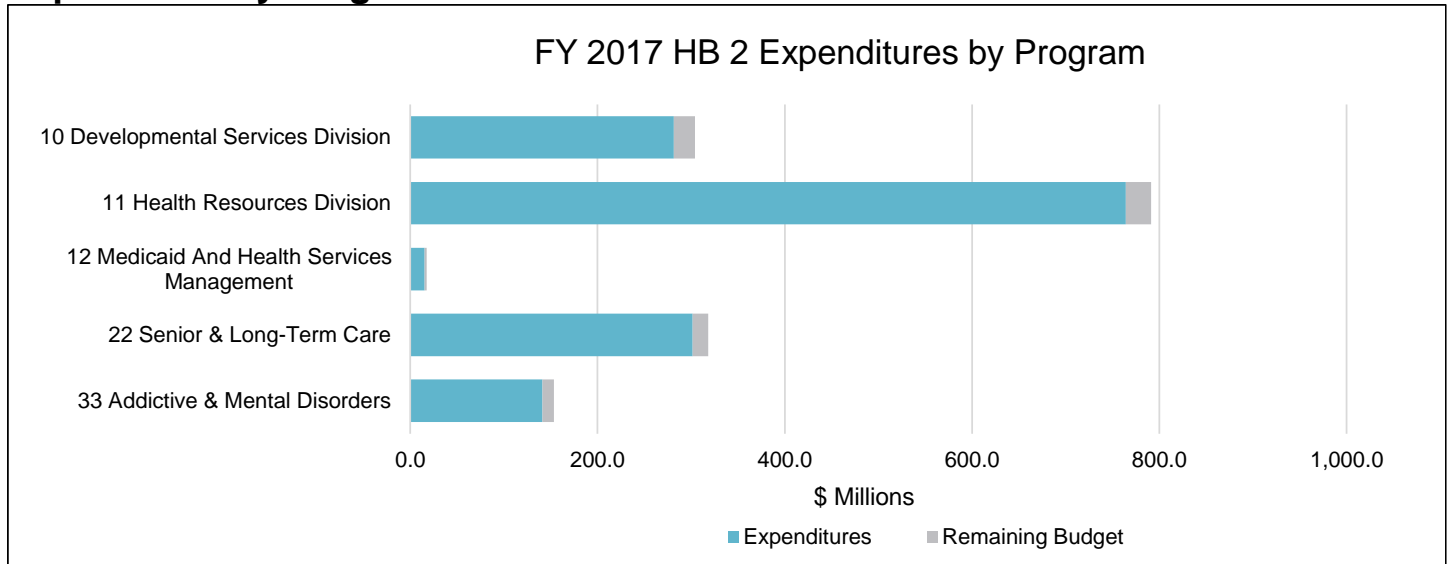
The above charts show December HB 2 modified budget by first level compared to FYE 2017 HB 2 modified budget by first level.

The majority of the budget reductions in the Medicaid and Health Services Branch came from reductions in benefits and claims, due to both program transfers and the passage of HB 3. The savings from transferring clients to lower cost treatment plans within the Medicaid children’s mental health program and fewer clients on the HIFA waiver resulted in excess authority in benefits and claims, which was transferred to other programs within the department.

HB 3 reduced benefits and claims within HRD and AMDD.

AGENCY HB 2 EXPENDITURES

Expenditure by Program

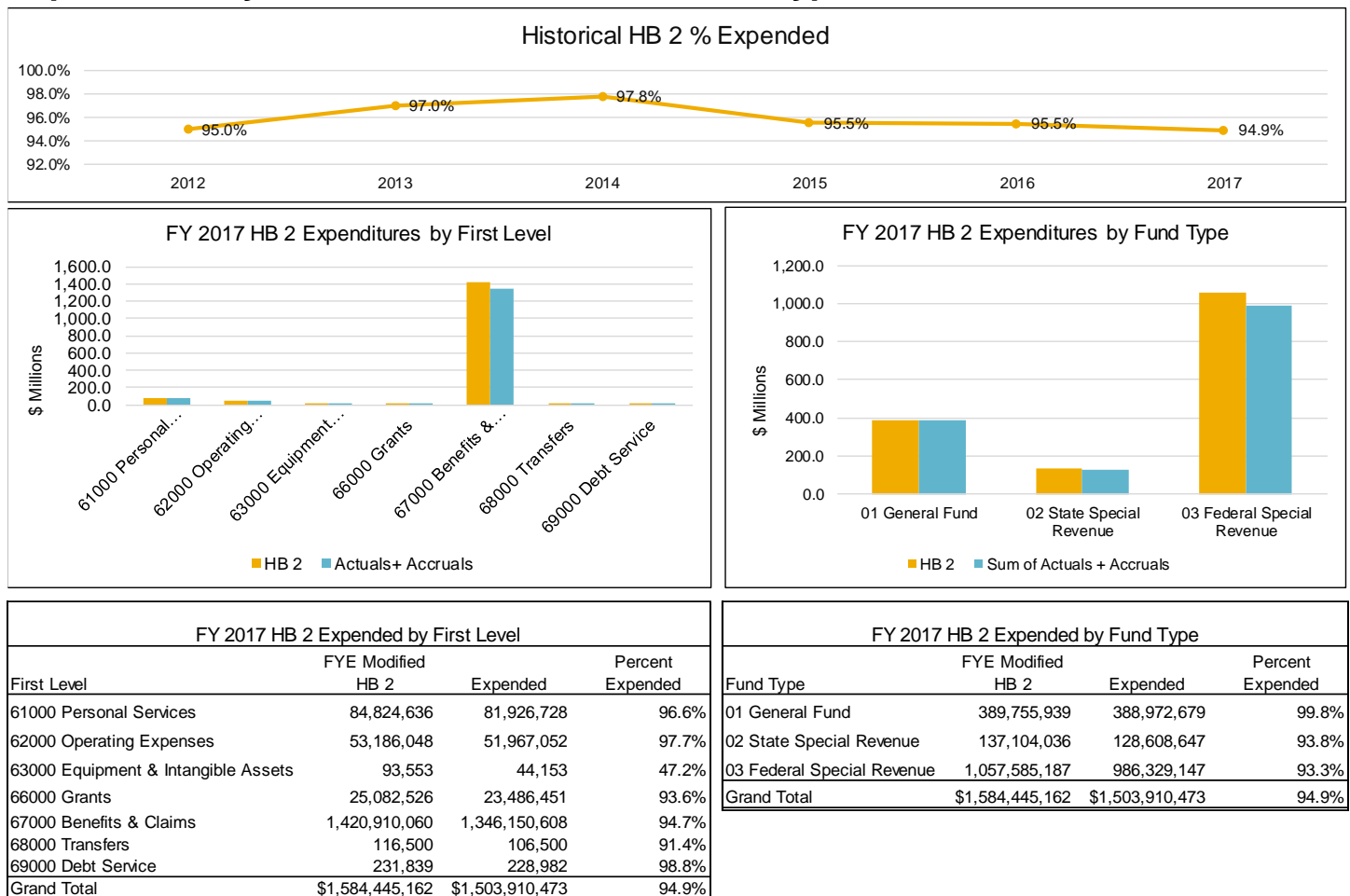


Program	FYE Modified Budget	Expenditures	Remaining Budget	Percent Expended
10 Developmental Services Division	304,254,637	281,422,928.7	22,831,708	92.5%
11 Health Resources Division	791,205,002	764,135,904.0	27,069,098	96.6%
12 Medicaid And Health Services Management	17,412,722	15,420,921.4	1,991,801	88.6%
22 Senior & Long-Term Care	318,161,800	301,738,334.8	16,423,465	94.8%
33 Addictive & Mental Disorders	153,411,001	141,192,384.2	12,218,617	92.0%
Grand Total	\$1,584,445,162	\$1,503,910,473	\$80,534,689	94.9%

This chart shows current FY 2017 expenditures by program and remaining authority for HB 2 budget.

DSD spent slightly less of HB 2 than in years past due to the savings in Medicaid children’s mental health services, decreased expenditures in MDC and decreased expenditures associated with Medicaid facilities associated with MDC. HRD spent 96.6% of its HB 2 budget, largely in line with past behavior. MHSM spent 88.6% of its budget, considerably higher than the last fiscal year when the grants budget was largely not expended for this division. SLTC HB 2 spending was largely in line with past behavior. AMDD spent less than in past years due to the decreased use of the HIFA waiver.

Expenditure By First Level Account and Fund Type



The above charts show HB 2 modified budget compared to expenditures by first level and fund type. Additionally, the first chart provides historical HB 2 expenditures for reference.

Approximately 89.5% of expenditures from the Medicaid Services Branch were in benefits and claims. This is in line with the past five years of spending. Federal authority represents about 65.6% of these expenditures, while 25.8% are general fund expenditures and the remaining 8.6% are state special revenue funds. This distribution is in line with the last 5 years of branch funding.

DSD:

Within DSD, Medicaid developmental disability waivers, children's mental health services, comprehensive school and community treatment, developmental disabilities and the Montana Developmental Center (MDC) account for 91.0% of expenditures. Medicaid developmental disability waivers and children's mental health services have increased over the last few years, while MDC has decreased, and developmental disabilities have stayed relatively flat. Benefits and claims account for the biggest portion of DSD spending at 92.0%.

HRD:

Benefits and claims payments (mostly Medicaid and CHIP) made up 98.2% of expenditures for this division; in line with past behavior. Just over 81.0% of funds expended are federal in HRD, while 5.7% are from state special revenue and 13.2% are general fund.

MHSM:

All MSHM expenditures are personal services, operating expenses, and grants. This is in line with past expenditures.

SLTC:

SLTC expenditures are about 88.7% benefits and claims. This is similar to the past distribution of expenditures. The SLTC budget did significantly decline overall due to program transfers to other divisions. About 65.4% of

SLTC expenditures were from federal authority, while general fund made up roughly 23.6% and state special authority the remaining 10.9%.

AMDD:

AMDD had a higher portion of personal services expenditures than the other programs within the Medicaid and Health Services Branch due to the state run institutions within the branch. Personal services expense increased by 4.0% compared to 2016. Increased AMDD expense was due to increased costs within the Montana Mental Health Nursing Care Center, the Chemical Dependency Center and the Mental Health Group Home. The Montana State Hospital, the Montana Mental Health Nursing Care Center and the Chemical Dependency Center all require a significant amount of personnel. Operating expenses were also higher than the other programs due to the state run institutions as well. Medicaid services make up the remaining expenditures within AMDD.

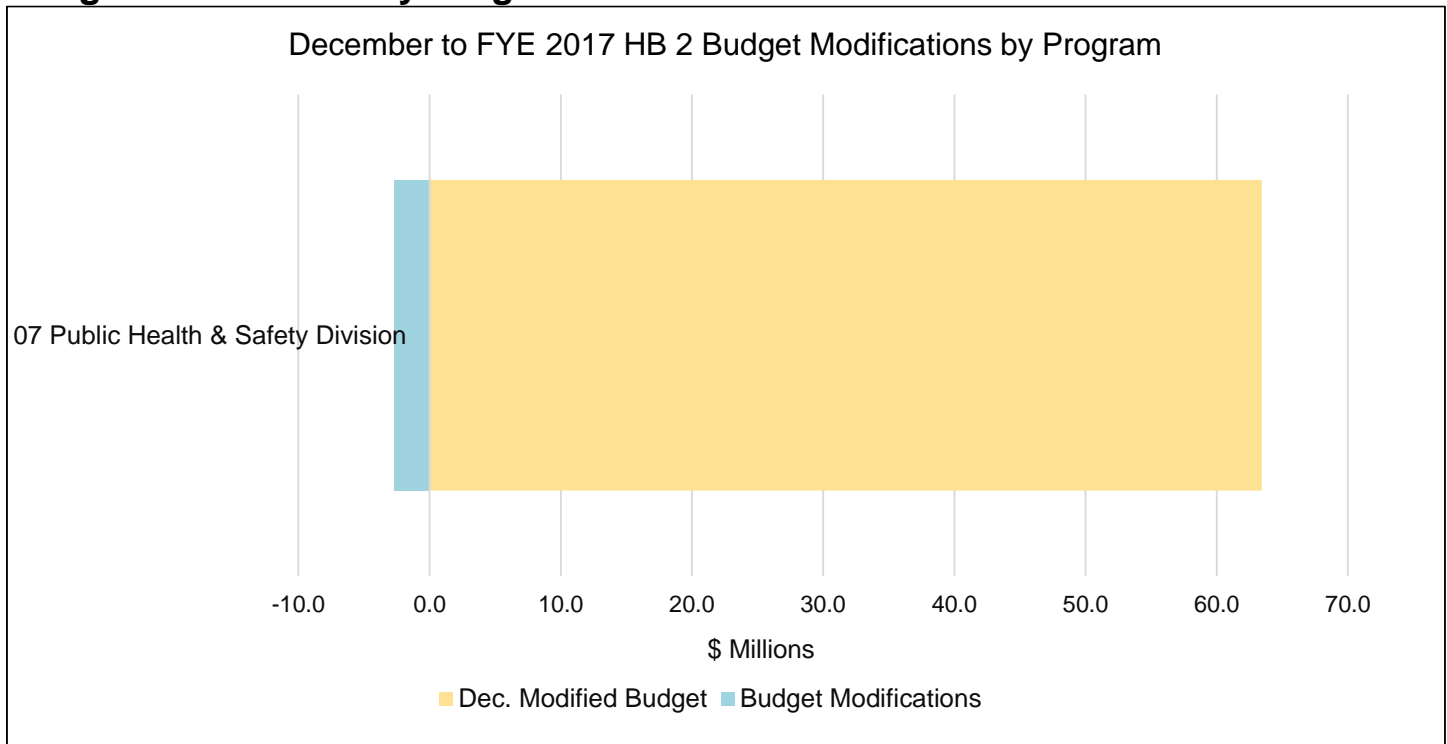
PUBLIC HEALTH AND SAFETY

BUDGET AND EXPENDITURE HIGHLIGHTS

- The PHSD was involved in several significant program transfers that lowered HB 2 authority by \$2.7 million over the second half of FY 2017
- Largely in line with past behavior PHSD expended 95.2% of its budget over FY 2017, and 100.0% of its general fund budget

HB 2 BUDGET MODIFICATIONS

Budget Modification by Program



Program	Dec. Modified Budget	Modifications			FYE Modified Budget	Variance to Dec.
		Increases	Decreases	Total		
07 Public Health & Safety Division	63,446,787	120,000	(2,831,350)	(2,711,350)	60,735,437	-4.3%
Grand Total	\$63,446,787	\$120,000	(\$2,831,350)	(\$2,711,350)	\$60,735,437	-4.3%

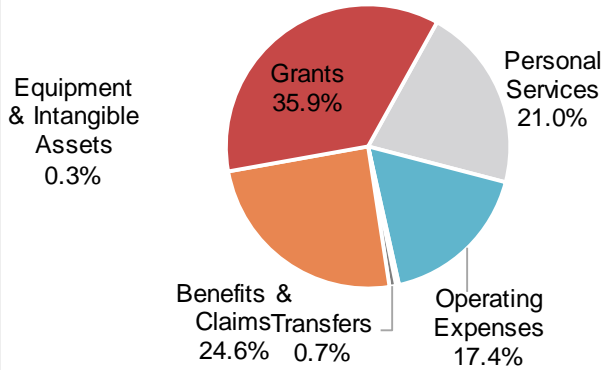
This chart shows budget modifications by program from December through FYE.

Total budget modifications for PHSD for the December-July period resulted in a decrease of \$2.7 million total authority. All of these changes were due to program transfers, the largest of which sent \$0.8 million federal authority to the Disability Employment and Transitions Division (DETD) for vocational rehabilitation. This program transfer is discussed in more detail in the Economic Security Services Branch section of this report. Of this decrease in authority \$1.7 million was federal authority, about \$1.0 million was state special revenue authority, and about \$59,000 was general fund. Most of the state special revenue authority transferred out of PHSD was for FYE realignment, but \$284,000 went to the Chemical Dependency/MCDC program in AMDD.

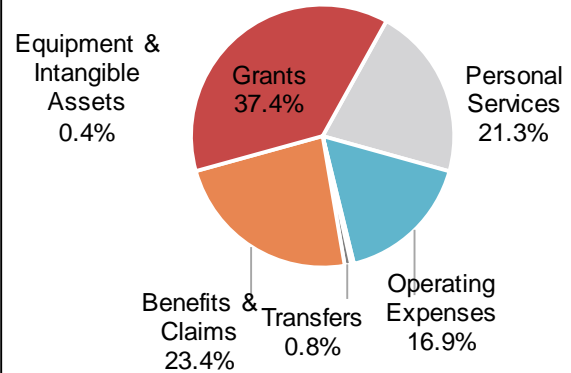
Budget Modification by First Level

December HB 2 Modified Budget vs FYE 2017 HB 2 Modified Budget

Dec. Modified Budget by First Level



FYE 2017 Modified Budget by First Level



December to FYE 2017 HB 2 Budget Modification by First Level

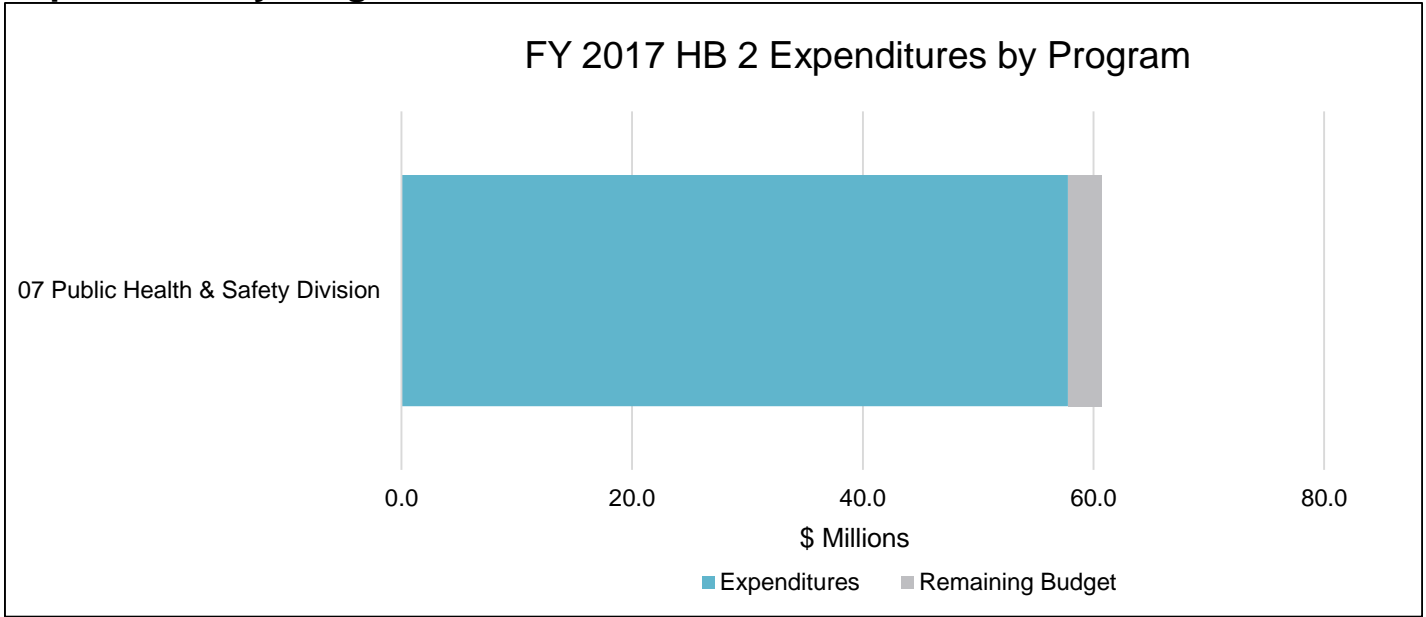
First Level	Dec. Modified Budget	Modifications			Modified Budget	Variance to Dec.
		Increases	Decreases	Total		
61000 Personal Services	\$13,327,648	15,843	(\$428,543)	(412,700)	12,914,948	-3.1%
62000 Operating Expenses	\$11,064,630	44,157	(\$873,007)	(828,850)	10,235,780	-7.5%
63000 Equipment & Intangible Assets	\$216,741	-	\$0	-	216,741	0.0%
66000 Grants	\$22,760,625	60,000	(\$135,900)	(75,900)	22,684,725	-0.3%
67000 Benefits & Claims	\$15,602,043	-	(\$1,393,900)	(1,393,900)	14,208,143	-8.9%
68000 Transfers	\$475,100	-	\$0	-	475,100	0.0%
Grand Total	\$63,446,787	\$120,000	(\$2,831,350)	(\$2,711,350)	\$60,735,437	-4.3%

The above charts show December HB 2 modified budget by first level compared to FYE 2017 HB 2 modified budget by first level.

The majority of the decreases to the PHSD budget in the second half of FY 2017 were to benefits and claims, with smaller amounts reduced in operating expenses and personal services.

AGENCY HB 2 EXPENDITURES

Expenditure by Program

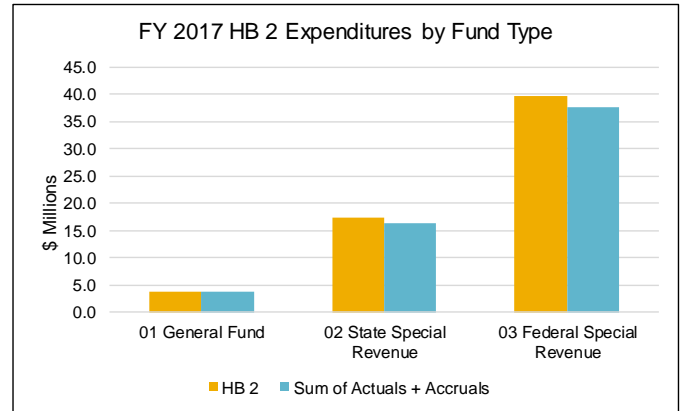
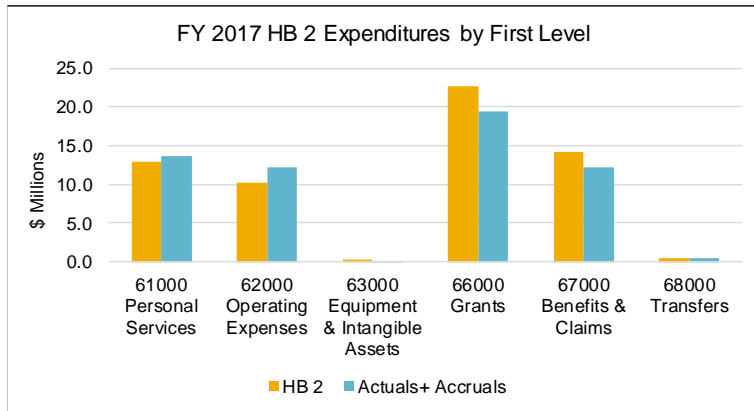
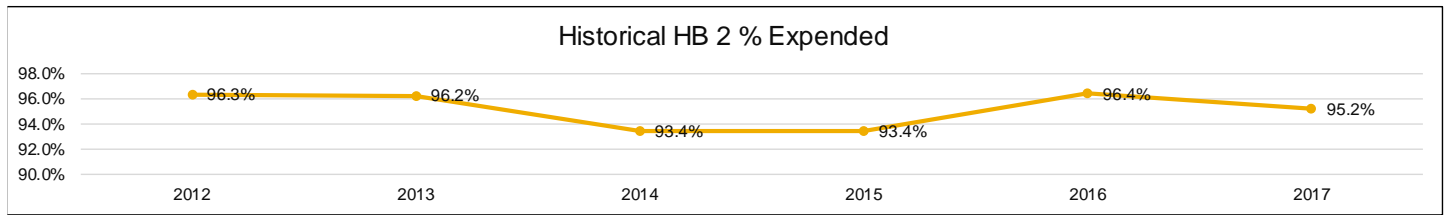


Program	FYE Modified Budget	Expenditures	Remaining Budget	Percent Expended
07 Public Health & Safety Division	60,735,437	57,795,849.1	2,939,588	95.2%
Grand Total	\$60,735,437	\$57,795,849	\$2,939,588	95.2%

This chart shows current FY 2017 expenditures by program and remaining authority for HB 2 budget.

The PHSD budget was 95.2% expended in FY 2017. This is very close to the average expenditure percentage over the last five fiscal years.

Expenditure By First Level Account and Fund Type



First Level	FYE Modified HB 2	Expended	Percent Expended
61000 Personal Services	12,914,948	13,580,404	105.2%
62000 Operating Expenses	10,235,780	12,114,229	118.4%
63000 Equipment & Intangible Assets	216,741	37,722	17.4%
66000 Grants	22,684,725	19,426,529	85.6%
67000 Benefits & Claims	14,208,143	12,177,683	85.7%
68000 Transfers	475,100	459,283	96.7%
Grand Total	\$60,735,437	\$57,795,849	95.2%

Fund Type	FYE Modified HB 2	Expended	Percent Expended
01 General Fund	3,842,042	3,841,049	100.0%
02 State Special Revenue	17,286,509	16,348,777	94.6%
03 Federal Special Revenue	39,606,886	37,606,024	94.9%
Grand Total	\$60,735,437	\$57,795,849	95.2%

The above charts show HB 2 modified budget compared to expenditures by first level and fund type. Additionally, the first chart provides historical HB 2 expenditures for reference.

PHSD expended over 100.0% of their personal services and operating expenses budgets while also making program transfers from those accounts. In contrast, grants (the largest account for PHSD) and benefits and claims were about 85.6% expended. This pattern is similar to expenditures in FY 2016.

PHSD expended 100% of its general fund budget, 94.6% of its state special revenue budget, and 94.9% of its federal special revenue budget. The division also made the bulk of its program transfers with state special and federal authority.

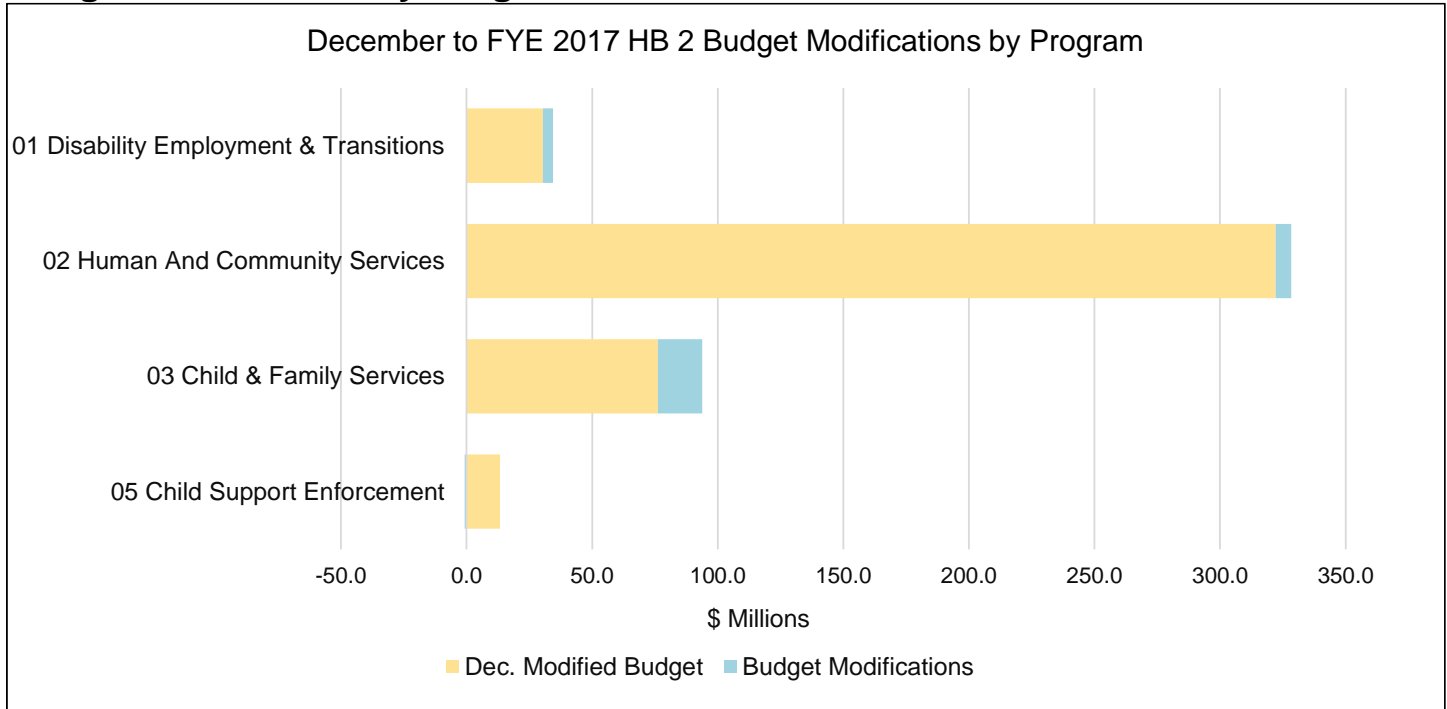
ECONOMIC SECURITIES BRANCH

BUDGET AND EXPENDITURE HIGHLIGHTS

- CSFD budget was increased by 23% due to increase foster caseload
- DETD budget was increased by 13.5% due to the Vocational Rehabilitation program exhausting it's authority sooner than expected

HB 2 BUDGET MODIFICATIONS

Budget Modification by Program



Program	Dec. Modified Budget	Modifications			FYE Modified Budget	Variance to Dec.
		Increases	Decreases	Total		
01 Disability Employment & Transitions	30,354,825	4,262,950	(150,000)	4,112,950	34,467,775	13.5%
02 Human And Community Services	322,117,504	9,932,548	(3,718,051)	6,214,497	328,332,001	1.9%
03 Child & Family Services	76,110,960	18,222,938	(499,735)	17,723,203	93,834,163	23.3%
05 Child Support Enforcement	13,291,283	115,000	(836,743)	(721,743)	12,569,540	-5.4%
Grand Total	\$441,874,572	\$32,533,436	(\$5,204,529)	\$27,328,907	\$469,203,479	6.2%

This chart shows budget modifications by program from December through FYE.

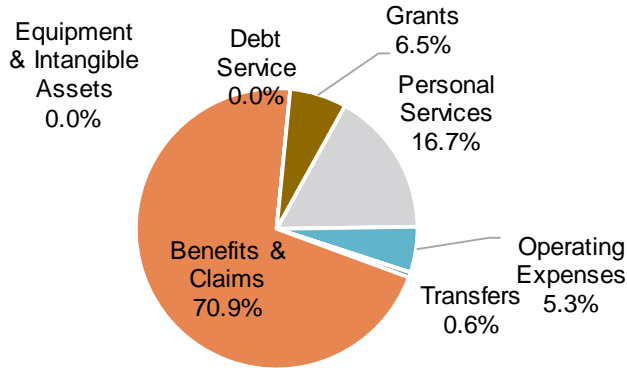
The most significant budget modifications were in DETD and CFSD. CFSD used more general fund than allocated due to increased foster care caseloads. Caseloads have recently been increasing by an average of 42 children per month. Currently there are roughly 3,700 children in care. A large portion of foster care cases were not eligible for federal assistance.

DETD modifications went to the Vocational Rehabilitation program which needed general fund to match greater than expected spending.

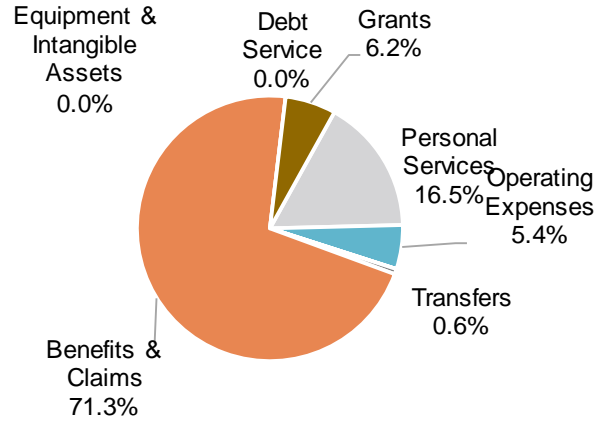
Budget Modification by First Level

December HB 2 Modified Budget vs FYE 2017 HB 2 Modified Budget

Dec. Modified Budget by First Level



FYE 2017 Modified Budget by First Level



December to FYE 2017 HB 2 Budget Modification by First Level

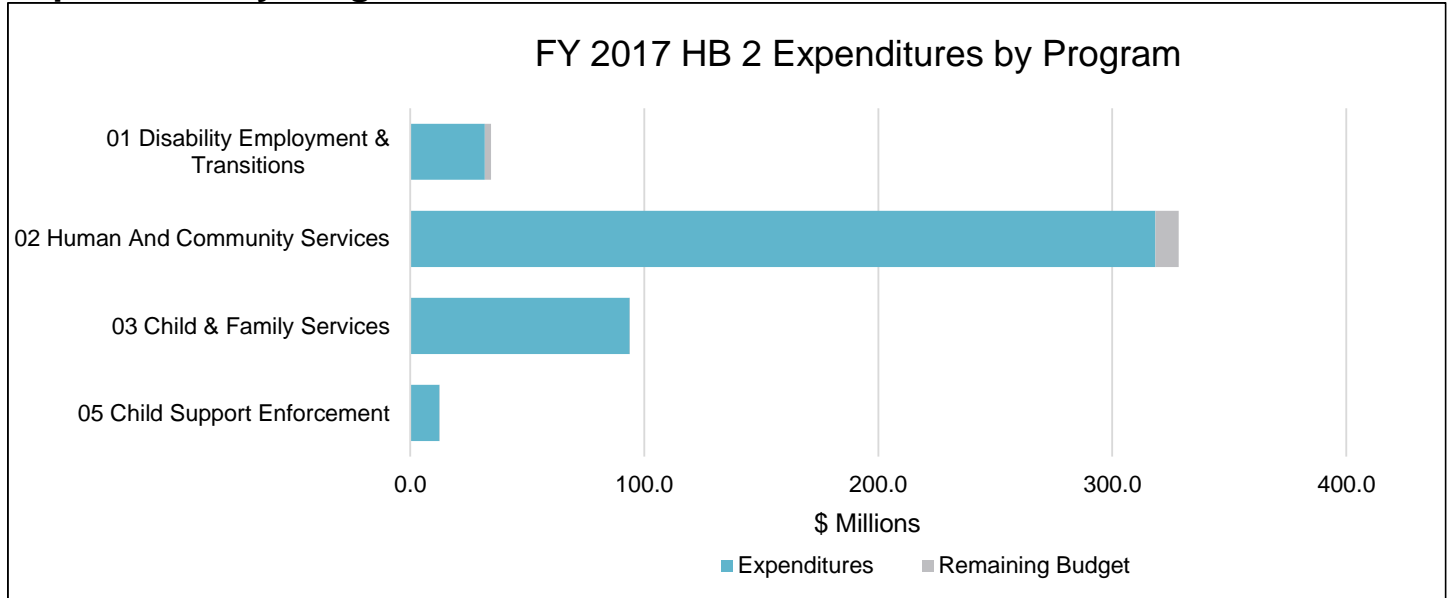
First Level	Dec. Modified Budget	Modifications			Modified Budget	Variance to Dec.
		Increases	Decreases	Total		
61000 Personal Services	\$73,860,254	4,807,634	(\$1,050,386)	3,757,248	77,617,502	5.1%
62000 Operating Expenses	\$23,238,463	3,346,565	(\$1,436,443)	1,910,122	25,148,585	8.2%
63000 Equipment & Intangible Assets	\$46,456	-	\$0	-	46,456	0.0%
66000 Grants	\$28,724,163	1,388,588	(\$1,207,555)	181,033	28,905,196	0.6%
67000 Benefits & Claims	\$313,413,129	22,582,249	(\$1,510,145)	21,072,104	334,485,233	6.7%
68000 Transfers	\$2,590,950	408,400	\$0	408,400	2,999,350	15.8%
69000 Debt Service	\$1,158	-	\$0	-	1,158	0.0%
Grand Total	\$441,874,572	\$32,533,436	(\$5,204,529)	\$27,328,907	\$469,203,479	6.2%

The above charts show December HB 2 modified budget by first level compared to FYE 2017 HB 2 modified budget by first level.

Of note in the budget modifications for the Economic Security Services branch were transfers totaling \$22.6 million to benefits and claims expenditures. Over half were general fund transfers into CFSD, due to increasing foster caseloads. \$5.6 million was transferred to HCSD, although this was federal authority that was not used. The remaining \$3.6 million was transferred to DETD for the vocational rehabilitation program.

AGENCY HB 2 EXPENDITURES

Expenditure by Program

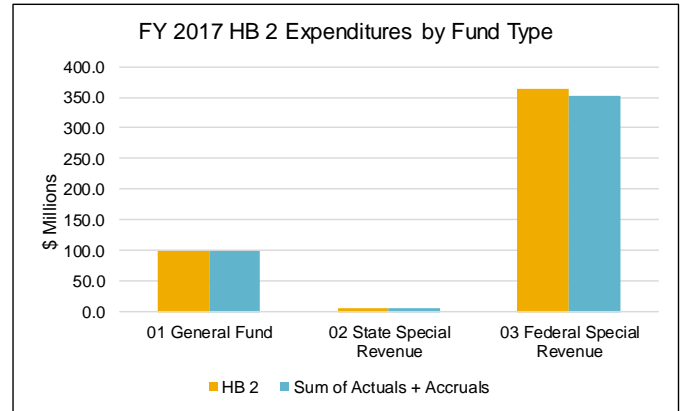
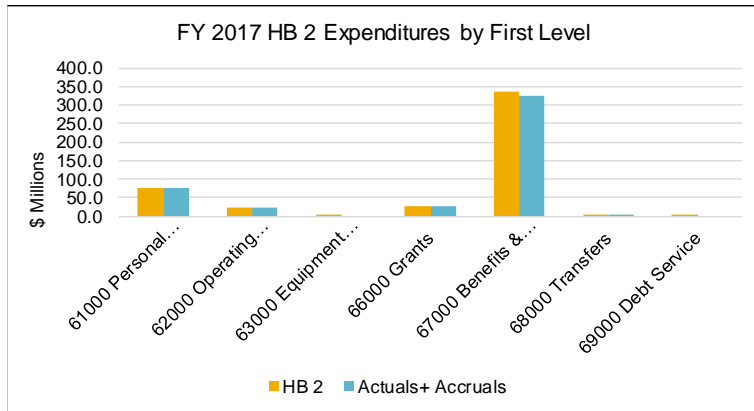
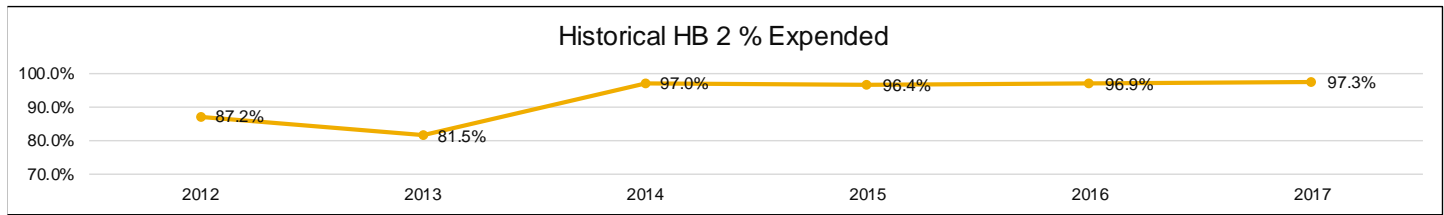


Program	FYE Modified Budget	Expenditures	Remaining Budget	Percent Expended
01 Disability Employment & Transitions	34,467,775	31,901,102.8	2,566,672	92.6%
02 Human And Community Services	328,332,001	318,460,847.4	9,871,154	97.0%
03 Child & Family Services	93,834,163	93,709,900.5	124,262	99.9%
05 Child Support Enforcement	12,569,540	12,493,313.4	76,227	99.4%
Grand Total	\$469,203,479	\$456,565,164	\$12,638,315	97.3%

This chart shows current FY 2017 expenditures by program and remaining authority for HB 2 budget.

The remaining budget of DEDT primarily consisted of the \$775,000 MTAP language appropriation, and \$1.7 million in federal appropriation that lacked federal grant authority. Human and Community Services Division (HCSD) also had leftover federal appropriation, as is often the case.

Expenditure By First Level Account and Fund Type



First Level	FYE Modified HB 2	Percent Expended
61000 Personal Services	77,617,502	96.5%
62000 Operating Expenses	25,148,585	100.1%
63000 Equipment & Intangible Assets	46,456	0.0%
66000 Grants	28,905,196	95.2%
67000 Benefits & Claims	334,485,233	97.1%
68000 Transfers	2,999,350	141.8%
69000 Debt Service	1,158	0.0%
Grand Total	\$469,203,479	97.3%

Fund Type	FYE Modified HB 2	Percent Expended
01 General Fund	98,438,278	99.9%
02 State Special Revenue	6,092,376	81.4%
03 Federal Special Revenue	364,672,825	96.9%
Grand Total	\$469,203,479	97.3%

The above charts show HB 2 modified budget compared to expenditures by first level and fund type. Additionally, the first chart provides historical HB 2 expenditures for reference.

The branch spent most of their HB 2 benefits and claims appropriation, however this varies by program. CFSD had their budget modified to \$50.9 million for benefits and claims from \$30.1 million in the December Modified Budget, due to an increased foster care population. The actuals and accruals for HCSD were \$8.5 million below the modified budget.

CFSD spent \$18.6 million in benefits and claims, \$3.7 million above the December Modified Budget, mostly on the Vocational Rehabilitation program. DPHHS provided three reasons for the shortfall in program:

1. No additional funding was provided with a federal mandate that a minimum of 15.0% of total program expenditures be utilized for Pre-Employment Transition Services.
2. Cost control is limited once individuals are identified as eligible for services, those services are required to be maintained.
3. Increased system costs to comply with new reporting requirements in the Workforce Innovation and Opportunity Act (WIOA).

ADDITIONAL DISCUSSION

Points of Concern:

The department transferred \$1.3 million of general fund to DETD because the federal funds were insufficient to meet the obligations of the program. There is concern that the costs of this program will continue to exceed resources in the future.