MINUTES

MONTANA HOUSE OF REPRESENTATIVES
52nd LEGISLATURE - 2nd SPECIAL SESSION

SUBCOMMITTEE ON HUMAN SERVICES & AGING

Call to Order: By **DOROTHY BRADLEY**, on July 8, 1992, at 8:30 a.m.

ROLL CALL

Members Present:
Rep. Dorothy Bradley, Chair (D)
Sen. Mignon Waterman, Vice Chairman (D)
Rep. John Cobb (R)
Rep. John Johnson (D)
Sen. Tom Keating (R)
Sen. Dennis Nathe (R)

Members Excused: Rep. John Johnson

Staff Present:
Carroll South, Senior Fiscal Analyst
Bill Furois, Budget Analyst (OBPP)
Billie Jean Hill, Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Announcements/Discussion:
CHAIR BRADLEY wished to begin with the Department of Social and Rehabilitation Services's (SRS) presentation of the State Medical Program. Some changes were proposed as of 4:00 p.m. yesterday after the committee had adjourned. **CHAIRMAN BRADLEY** requested to hear the changes and to have them added to the agenda.

HEARING ON SRS

Julia Robinson, Director of SRS said the changes they proposed and presented yesterday morning were to eliminate the State Medical Program and to have a program subject to the county. The State would return 3 mills to the county. This is the same program that is run by the non-assumed counties. The non-assumed counties' program is much less expensive than the program for state-assumed counties.

SEN. NATHE questioned whether changes in the statutes were needed in all 12 assumed counties when they levy the maximum mills so that the State may return three mills back to the county. He asked if the counties still qualified for the other assumptions.

Ms. Robinson replied that **SEN. NATHE** and **SEN. KEATING** had the bills which are part of his G.A.. The procedure is that the State collects the 12 mills; we simply don't take 3 mills. It's up to the county then.

Russ Cater, member of the Chief Legal Council for SRS replied that yesterday afternoon he took a copy of the changes to David Ness of the Legislative Council, that were needed for the General Relief Drug Medical Program, for the counselors who were working on this for Senator Keating. The bill would reduce the current 12 mill levy, which is required for State assumptions, by 3 mills (3.3%) for those counties. The 3 mills are the equivalent to what it currently costs for in-patient hospitalization. The counties would be given the option of deciding whether or not they want to continue a State Medical Program, whether or not they want to put this money into some other type of preventive health care issues, or whether they just want to return this money to the general populace in their counties. Under the current scenario, Mr. Cater was not sure of those counties that have already levied their 12 mills, but they would actually have that cash on hand. They would be asked to turn over their entire 12 mills to the State special revenue accounts. He stated he would answer other questions later.

CHAIR BRADLEY asked if this had been discussed with the Association of Counties? Their assessment would be helpful.

SEN. KEATING advised the committee that he had requested a bill draft to repeal the assumed counties statutes but changed his mind. He cancelled that request. He stated that if there were any rumors to that effect, the bill had been cancelled.

CHAIR BRADLEY asked Senator Keating or someone from SRS if this touched any of the counties besides the assumed counties?

SEN. KEATING replied "No".

CHAIR BRADLEY asked how did you arrive at the 3.3%?

Ms. Robinson answered that 6 million dollars is about 3.3 on the mills, as her staff worked it out. They ran the State Medical Program for the assumed counties whereas the non-assumed counties ran their own program which is much less expensive. SRS has an obligation to the Governor to put forward a certain amount of cuts. When Ms. Robinson could no longer keep the hospital tax at 2%, she was forced to present this particular change to maintain the tax at 2%. The staff went through the entire budget and looked at which program was best changed at this point. The State Medical assumed counties spend a great deal more money than the non-assumed counties. If the counties don't wish to run a program, they don't have to. She thought many of them will put in for a public health program.

SEN. WATERMAN said that recognizing that's probably what is going to happen, have the folks who run the public health departments been made aware of this? It seems to her that this is going to impact them. Are they aware of this proposal?

Ms. Robinson answered that when they first started working on this they did call the Department of Health and worked with Peter Blouke about whether it would be better to give block grants back to the counties. That was one of their ideas; to close down the State Medical Program and gave back block grants. But this could be administratively cumbersome. Someone would have to supervise the block grants. Another idea was to give the cash to the County Commissioners. In other words, the State would continue to collect the 12 mills as they're doing and then put together some kind of block grant. It was the Department of Health, in fact, that suggested that perhaps that was not how they should move. She said she had not worked in the public health field.

SEN. WATERMAN questioned if they asked them to notify those 12 assumed counties? She wanted the counties to know and wanted to hear their responses to the impact. She suspected that they're not going to be really enthused about it, but thought they should have the opportunity for that input.

Ms. Robinson replied we would be happy to do that because all of this comes up in Senator Keating's bill when it is heard in committee. It's part of the bill; it isn't part of the budget cuts. She wanted the committee to be aware of that.

SEN. WATERMAN asked has that bill been set for hearing?

SEN. KEATING it's being drafted.

SEN. KEATING stated there would be sufficient notice to all parties concerned. There are the difficulties in trying to arrange for the reductions in expenditures. There are several plans that have been developed to some extent by trial and error. Then, of course, the one plan was totally rejected. There had to be some adjustments. It would take a day or two to work out the problems. He was sure everybody would have sufficient notice to understand the proposal and to provide testimony.

CHAIR BRADLEY asked **SEN. KEATING** whether he, or **Mr. Cater** could say if the bill would treat the assumed counties differently than the non-assumed?

Ms. Robinson replied that it treated them the same.

CHAIR BRADLEY asked what about the present law? And what exactly did it require from the non-assumed counties?

Ms. Robinson said it doesn't require anything from the non-assumed counties. We provide a much better medical program than the State does for the non-assumed counties. There's no question about it. One gets the entire Medicaid package if one dealt with assumed counties. The non-assumed counties, if one followed their expenses, spend millions more than we do. We were proposing that we roll back from 150% poverty to 100% poverty in the State. We are not proposing that any more. Our latest proposal, in Senator Keating's bill, is simply to eliminate the program and allow counties to run across Montana the same kind of thing. It won't be as good in the 12 counties; I don't think there's any question about that. It won't be any worse than the non-assumed.

CHAIR BRADLEY asked **Mr. Morris**, do you have anything you'd like to tell the committee? Obviously, we don't have the bill and we don't have to make the final decision. It would be nice to know since we're dealing with these budgets and I believe the responsibility is upon us as much as anyone to make a judgement on the situation.

Mr. Gordon Morris, Executive Director, Montana Association of Counties, (MACO) said I would be glad to make a very brief statement in regard to the issue that is before you. As I understand it, it would be to return medical assistance to the 12 state-assumed counties and continue G.A. If that is correct, I would go on record today saying that we would vigorously oppose that. All 56 counties would oppose that without exception. Right now, we still live under I-105, and those 12 state-assumed counties are now currently levying 12 mills. That 12 mills go to the State of Montana to cover all the costs of welfare administration, both G.A. and medical assistance in those 12 counties. I guess the question would arise in regard to the effective date of such legislation. If you make it effective July 1, 1992, that's fiscal year 1993, and those preliminary budgets are basically already in place and adopted. You are going to do major damage to county budgets at a time when they have the total incapacity to respond. I want to go on record today indicating to the committee members that MACO, on behalf of those 12 counties and the 44 non-assumed counties would, in fact, oppose this proposal.

Ms. Robinson stressed that she wants to make sure that **Mr. Morris** understood we would be providing the money. We'll still collect the 12 mills and then we'll give 3 mills back to the county. If they want to run a medical program, they can. If they don't want to run one, they don't have to.

REP. COBB asked **Mr. Morris** what would the major change be? We're giving you the 3 mills back. If you don't want to run a program, let the hospital keep the cost.

Mr. Morris stated with apologies to the committee members, I was not aware that there was a proposal contained in this concept, if you give three mills back. I'm not sure what the relationship between the total medical assistance costs would be in Missoula or Cascade, and the three mills they see returning.

SEN. WATERTMAN asked what do you project the savings would be with this and do you have a "breakout" of what that savings is county by county in the 12 counties and how that relates to what

3 mills raise?

Ms. Robinson replied we can have that this afternoon, sometime.

SEN. WATERMAN added I think that would be valuable information.

SEN. KEATING said I think, as of now, there are about $6 million that are available for the state medical program. If we return $2 million, there is roughly a $4 million savings of General Fund money.

CHAIR BRADLEY questioned how much would 3 mills for those 12 counties be?

SEN. KEATING answered $2 million. I might point out that the State medical program is 100% General Fund. There is no federal match, county match or other money involved. It is 100% General Fund money.

Mike Billings, Office of Management Analysis and Systems said The $6 million figure is for the current fiscal year. For this to go into effect, it would probably be implemented on October 1, because it is going to take some time to work it out. we will spend $4.5 million for state medical this year. That means that we would spend roughly 1.5 million in the first three months of the year, leaving 3 million dollars unexpended from the appropriation. Hereafter, it will be $4 million per year.

SRS spokesperson said the group of people that we are dealing with are the general assistance people who are generally single males, somewhere above the poverty level but below 63% of the poverty level. These are people able to take care of themselves, so it isn't working a real hardship on those of whom are incapable of taking care of themselves.

SEN WATERMAN asked what the percentage or number of those individuals who are 55 and above? Would you review for us what the income category is and how much money these people are making? We're covering medical expenses for them, is that correct?

Ms. Robinson we cover them the same as the those for Medicaid.

SEN. KEATING said I have a follow-up on **SEN. WATERMAN'S** concerns. This isn't an entire abandonment of that group. We're still sending money to the counties. They can still establish their own state medical program and apply that Medicaid out of those 3 mills they will retain. It's local control, it's local government. They know best which people are in dire need of Medicaid or medical coverage. Yellowstone County has been running their own program for some time and they seem to get along quite well. I suspect that other local governments are every bit as capable as Yellowstone County. Certainly they can provide for those truly needy in that category and they will have money to do that.

SEN. WATERMAN said I have worked with these individuals in this community and also at the mission in Dillon.

Jack Lowney, SRS said the percentage of individuals that are over 55, is 6.7% of the population, 106 people.

CHAIR. BRADLEY suggested taking Executive Action at this point. She said she is trying to make budget cuts between $.5 million - $1.0 million.

EXECUTIVE ACTION ON SRS

Discussion:
This committee has worked very hard to keep the benefits as low as they can which go up every year based on a federal formula. If those benefits were to be frozen as they are right now, this past year, we'd be saving $340,448 and the index would be 40.5%. **SEN. NATHE** said this simply changes the budgeting methodology. **CHAIR BRADLEY** replied it did not. In fact, it would stay on the books. Mr. South can correct me if I'm wrong, but it would still continue to be indexed thereafter because that change was made. In a year from now, it would continue to move up with the federal poverty index. This is a one-year freeze only. The law, as we changed it is attached to that annual adjustment that comes from the federal level. That would continue to take place. In the future there would be the option, on this committee, to put it back to 42%. Being attached to the annual adjustment is the most important part of the whole thing. People must be assured that this will continue.

REP. COBB asked if that was part of the proposal that it be attached. **Mr. South** said that under state law at least the G.A. benefit payment has to be set as a percent of the federal poverty index. State law requires the appropriation bill itself, state the percentage. What this would do would be to amend the appropriation bill that from 42% to 44.5% for 1993. That's temporary because the new appropriation bill for the next biennium has to set the percentage at the poverty level. **SEN. NATHE** says it is 42% now and the proposal was to go to 38%. By going to 38%, it does not impact any of the things we are talking about; it's still temporary for one year, it's still tied to the increase if the consumer price index goes up. **Mr. South** replied that under current law, the payment rates are already set at the 42%. That had to be done effective this month. The proposal, under the executive action, would be to pay at that 42% rate for two months, and then amend the rule and make the rate 38%. The payment would actually go down in September. The 40.5% would be treated exactly the same. In either case, it is an amendment in the Appropriation bill. The amount would be reduced and the language would be changed to 40.5%. The 40.5% will self-destruct in time. It's up to this committee to set the percentage each year. **SEN. NATHE** said the index that we use to establish this, changes annually, and is more than one index.

<u>Motion:</u> **SEN. KEATING** moved that we reduce AFDC benefits to 38% and the earned income not be accounted as income under the proposal.

<u>Discussion:</u>
EXHIBIT 1, SEN. KEATING called attention to page 4 of the handout. You can see that when the state payment goes down, the food stamps go up. The difference is going to be about $27 a month. With the opportunity to do some part-time work people can earn some money on their own and develop some skills which will help to move them into the work force where they can provide for themselves to some extent. Twenty $27 is a lot of money to some people, but that kind of money can be earned without too many hours of work.

REP. COBB said he wants to treat these separately; one for the benefits and one for the budgeting.

EXHIBIT 2.
<u>Substitute Motion:</u> **SEN. KEATING** moved the Executive budget for Item No. 2, AFDAC Benefits at 38%.

Mr. Jack Lowney, Dept. of SRS, spoke about changing how we compute the amount of money for a recipient. We will subtract their due amount from a higher amount. What that does is to give people who are earning money a higher grant, therefore costing us more.

<u>Substitute Motion:</u> **REP. COBB** moved the AFDC benefits down to 38% contingent upon passage and approval of HB21 in a form which reduces the Foundation Program payments by 4% in fiscal year '93. HB21 is the Education 4% cut bill.

<u>Discussion:</u>
SEN. NATHE said we will not cut poor people unless other sub-committees make the same cuts. We're stressing that education must make cuts also. **SEN. WATERMAN** said we're pitting education against human service programs, but pitting subcommittee against each other is not in our best interests. **SEN. KEATING** said the coordinating language is just a message. The Appropriation Committee can alter language if they wish. **CHAIR BRADLEY** believes that taking it out on schools translates to taking it out on the students who happen to be in poor school districts. Therefore, what we're doing here is not only hurting dramatically the budget of the welfare families, but the quality of education their children are trying to get, plunging the State into more cumbersome litigation. The foster care budgets are supposedly at $2.5 million supplemental with over 200 children on waiting lists. We know that about half of those children are from AFDC families. **REP.COBB** said that most of the AFDC people live in towns that have the best schools. They're not getting cut; it's the smaller schools in rural districts where there are a lot less

AFDC people. **SEN. WATERMAN** said she was opposed to any cuts in the AFDC. She quoted the local paper's article which said Montana is among the fastest growth in poverty rate for its children. She said she would like to make an amendment to a substitute motion. **CHAIR BRADLEY** said that she could move a substitute motion for all motions pending.

Amendment to Substitute Motion: **SEN. WATERMAN** moved to amend the motion so that the reduction in AFDC would be to 40.5%. They would be held at the same level as they were last time.

Discussion:
SEN. KEATING said if we go to 40.5% AFDC benefits, as we see under #2, that is changing 38% to 40.5%, that reduces the $800,865 figure to around $600,000. **Mr. Billings** said to look at the worksheet for the AFDC benefits for 38% and lower down the sheet,(#6), are G.A. benefits at 38%. He was assuming that the action had to be the same in both cases. The $340,000 that the Chairperson referred to earlier, is comprised of a 240,000 dollar savings on the AFDC line (#2) and the G.A. benefits would save $101,000 at the 40.5% level as opposed to the $285,000 that is there now. Both of those together equal the $340,000. **SEN. KEATING** added that if we reduce the benefits to 40.5%, then there is a G.F. savings of $238,000.

SEN. WATERMAN said this action would also change the number on #3 because the gap is different now. Am I not correct? The dollar amount is going to change. **CHAIR BRADLEY** said she believed they were separate votes and will be debated on their own merits. She asked if the motion is 40.5% without any connection to the education budgets? **SEN. WATERMAN** replied "no" because there is an amendment to the substitute motion. It is still tied to the education. **REP. COBB** asked the **CHAIRMAN** if she wanted to do it separately. **SEN. WATERMAN** didn't agree.

Substitute Motion for All Motions Pending/Vote: **SEN. WATERMAN** moved to make a substitute motion for all motions pending that we reduce the AFDC benefits to 40.5% for the remainder of FY '93.

Vote: Motion **FAILED.**

Motion/Vote: **CHAIR BRADLEY** reverted to **REP. COBB'S** motion.

Vote: Motion **CARRIED UNANIMOUSLY.**

CHAIR BRADLEY said the committee was now at #3, AFDC Budget Methodology. **EXHIBIT 2.**

Motion: **SEN. KEATING** moved the Executive Budget on Line #3.

Discussion:
SEN. WATERMAN said if the reduction in benefits goes through, I will tell you that #3 makes it more palatable. If it weren't for the economic situation, **Ms. Robinson** made it very clear that this

would have been one of her recommendations in the next session, in fact, at a higher level.

SEN. KEATING said I'm going to talk about #2 and #3 together. I have been serving on the Children and Families interim committee as well as the Galen Montana State Hospital interim committee. The testimony within those two committees tied together because it deal with the mental health of families and children in this State and how state government impacts those families; how the delivery of services, particularly from the Department of Family Services, entwines in all of this. We heard testimony before this committee from people who are in these situations, but the one factor that comes through loud and clear each time we hear from someone who is in a difficult situation, they say "my self-esteem was at rock bottom and I was in bad shape, but my self-esteem now is at a higher level and I'm able to help myself a little bit more." This plan is designed to allow people to fend for themselves to some extent so that they can buildup their self-esteem. There isn't a soul in this world that can make an alcoholic sober unless he wants to get sober. They can get counseling, find jobs, and be trained and we are encouraging them to take that first step. This state cannot afford all of the expenditures that we've laid on it. We can't spend all the money we want to spend. We have to do things with what we have. The only way to get out of this hole in Montana is to work our way out. I wish that people could understand all of the thoughts that go into these things.

CHAIR BRADLEY said she might have made one statement that was misleading. The only measures here that will be heard in separate legislation are listed with an asterisk. I had thought for a moment that your Methodology was in your legislation, which it is not. It's right here, it's in our budget. This is where it begins and ends.

Motion/Vote: **SEN. KEATING** moved the executive proposal for Item No. 3, AFDC Budget Methodology. **EXHIBIT 2.**

Vote: Motion **CARRIED UNANIMOUSLY.**

EXHIBIT 2.
Motion/Vote: **SEN. KEATING** moved not to accept No. 4, AFDC Time Limit. **EXHIBIT 2.**

Vote: Motion **CARRIED UNANIMOUSLY.**

Discussion:
EXHIBIT 2. **SEN. KEATING** said No. 5 is a very touchy item. It deals with two different groups on AFDC: self-initiated being those who are going to school and the at-risk" who are not on the AFDC but are on the edge. The way it is proposed, it would be reducing 500 self-initiated slots to about 320, leaving about 200 slots for at-risk people. Those who are within a year of graduation in the self-initiated group would not be dropped from

the rolls. The self-initiated who would not get into the program, with this proposal, would be those just started or been in a year or two. I hate to disrupt that, but the at-risk group is critical. I'm wondering if there is a way to change the language to have the 400 slots for the self-initiated and have 100 slots for the at-risk group. so that we can help some not fall into AFDC and yet continue of more of those who are in the self-initiated group.

SEN. WATERMAN stated that at the end of the meeting yesterday, they were trying to leverage additional money here with some child protective money in DFS. Were we able to do anything about that overnight?

Penny Robbe, Family Assistance Division said they have been working with the Department of Family Services to see whether or not we can match some of the child protective service money to open the at-risk program. Several weeks ago we met with some federal representatives on ideas of how to overcome some of those problems. I think we have been relatively successful. There is still one major problem; that's defining an at-risk child. My understanding is that there is a state law which prohibits DFS from investigating finances of CPS families. One of the criteria in qualifying for at-risk, is that you are below the 75% of state median income. We think we may still be able to overcome that with some creative definition writing. Of course, it would take federal approval of that definition. We are working together with DFS to try to make that happen. I cannot guarantee that it will happen but it's a lot more positive than it was in the past. The letter you have before you outlines this initiative.

CHAIR BRADLEY said people interested in the broad expanse of child care, protective care, self-initiated and at-risk groups can work together and come up with some proposals rather than have us charge into it. I don't think it is good for appearance with this short notice and this short testimony to get involved with a whole new program when we we're cutting ones we already have. It doesn't make any sense to me. Why can't this wait until January?

REP. COBB agreed.

SEN. WATERMAN encouraged the groups to find money from other areas rather than from the self-initiated.

EXHIBIT 2.
Motion: **SEN. KEATING** moved to skip No. 5, At Risk Day Care Transfer.

Discussion:
CHAIR BRADLEY said the Department was asking for our direction on this. Do we want to consider inserting language saying "not now"? Would the committee want language to be inserted to that? Since we have been asked for our opinion, we should give it.

<u>**Substitute Motion/Vote:**</u> **SEN. KEATING** the language would be "no administrative change in the self-initiated program".

<u>**Vote:**</u> On the motion for the language, **CARRIED UNANIMOUSLY.**

SEN. NATHE suggested it should be specifically put in the minutes that the volunteers interested in the at-risk program can go ahead developing it as a future program to be brought up next January.

CHAIR BRADLEY addressed the G.A. benefits, No. 6, **EXHIBIT 2.**

<u>**Motion/Vote:**</u> **REP. COBB** moved the G.A. benefits be reduced to 38% contingent upon the Foundation Program being reduced, as well.

<u>**Vote:**</u> Motion **CARRIED** 3 to 2, with **CHAIRMAN BRADLEY** and **SEN. WATERMAN** voting no.

CHAIR BRADLEY addressed the Project Work Program Increases, No. 7, **EXHIBIT 2.**

<u>**Motion:**</u> **REP. COBB** moved to approve the Executive Budget on Item No. 7, Project Work Program Increase.

<u>**Discussion:**</u>
CHAIR BRADLEY stated this was another expenditure. **SEN KEATING** pointed out that it is a training program for those who really need the help. It teaches people how to apply successfully for a job. **SEN. NATHE** had a question about the 10 outside chemical dependency counselors. **SEN. KEATING** said they were not just chemical dependency counselor, they are regular social workers as well as counselors. **Ms. Robbe** said this proposal had two major components: place a chemical dependency counselor on site in 10 locations and to serve a new classification of individuals called the temporarily unemployable. We need more administrative people to provide these services for this new classification. **SEN. WATERMAN** asked her to expand on what the Medical Services Management is. **Ms. Robbe** said they need the Medical Services Management because this new classification, (temporarily unemployable), is comprised of people who have been excused from Project Work because of disabilities, either physical or mental, or chemical dependency problems. They needed an intensive program of making sure they go to the doctor and to get the appropriate services necessary to overcome their particular condition. **SEN. KEATING** concurred that this is a good program. **CHAIR BRADLEY** has some reservations about the program. She believes what is saved is marginal to what is spent in Project Work. Did you happen to get the figures I requested yesterday? The number of dollars saved by the welfare from '87 and the jobs programs? Yes, I see it here.

John Lowney, Family Assistance Program, SRS said they were trying to predict the number of people who go through the process, because they don't want to wait the four-week period, plus the additional problem for those who are not residents of Montana. Both of these impacted the same population, a population we believe would not be waiting four weeks for benefits. We estimate between 1200 to 1500 people might be affected. But it is still a lot of guesswork. That's why the actual savings might be higher.

Vote: Motion **CARRIED** 4 to 1 with **SEN. NATHE** voting no.

CHAIR BRADLEY asked if there was a motion for No. 8. **EXHIBIT 2**

Motion: SEN. KEATING moved for a **DO PASS** on No. 8, GA Waiting Period/$50 Reduction.

Discussion:
SEN. WATERMAN asked if it was the legal opinion of the Department that this is constitutional. **CHAIR BRADLEY** said this would be for them just an assumption since this will be in **SEN. KEATING** proposed bill that will be held in another committee. This is just a recommendation.

Russ Cater, Chief Legal Counsel said he would be less than forthright with the committee if he said this was definitely constitutional and there could not be a problem. The issue of constitutionality arises due to the reduction of $50. In 1967 there was a US Supreme Court case, Shapiro vs Thompson that addressed the issue of treating a durational residency requirement. That situation was slightly different but there are many similarities. In that particular case, a state wanted a one-year waiting period before someone was eligible for the AFDC program. The court said that would violate the right to travel, which is a constitutional right. In <u>this</u> case, our Director is saying 'think positively', 'think of ways to develop programs'. This was one of the proposals. My first thought was that this would cause problems similar to Shapiro vs Thompson. Recently I heard the State of California was proposing a somewhat similar situation where people coming to California could not receive a higher benefit. I reanalyzed the Shapiro case where all benefits were denied for a period of 12 months. In our case, we are denying benefits for two months which amounts to a $50 reduction. It could come before the courts, again.

Vote: Motion **CARRIED UNANIMOUSLY.**

CHAIR BRADLEY presented No. 9. **EXHIBIT 2.**

Motion: REP. COBB moved to Do Pass No. 9, GA 4/6 Months in 18 Months.

Discussion:
Mr. Lowney explained people would not be denied benefits for a period of time. **REP. COBB** asked how many benefits are we denying them. **Mr. Lowney** replied that on an annual basis it's

approximately $30 to $40 in food stamps. **SEN. WATERMAN** said every dollar counts but this is a tough way to get them. To try to save $10,000 by less benefits, is difficult. **SEN. KEATING** said that in the testimony yesterday, we heard that our G.A. expenditures had increased by 25% as affected by out-of-state people. We're taking care of our in-staters and it's not much money, but it does establish a level and set a precedent. Maybe they will learn to take care of themselves. **SEN. WATERMAN** said if you assume that the 25% is correct, the vast majority of these people are Montanans.
CHAIRMAN BRADLEY said, she carried a bill in 1987 which set up these classifications and saved the state $7 million. I believe the problem we are trying to resolve, is not to have Montana perceived as a magnet of benefits. The action we just took for a waiting period and a decrease in benefits for newcomers takes care of that issue.

Motion/Withdrawn: **REP. COBB WITHDREW** motion.

CHAIRMAN BRADLEY suggested they take no action on Item No. 10 until they hear from the individual counties as to what the impact will be.

SEN. KEATING said, there were a lot of things going into his bill the he doesn't know about so he would prefer not to take action at this time.

CHAIRMAN BRADLEY said, there are a lot things we don't know about with this medical program and doesn't feel they should take any action until they have more information.

SEN. KEATING said, the scenario would be, because it is a Senate bill the hearing would have to be in the Senate. It would then go to the House and in the mean time HB 2 is going through House Appropriations and on to the House floor. At some point, when they come together, HB 2 can be amended and could wind-up in Conference Committee.

SEN. COBB asked **Hank Hudson, Governor's Office on Aging** asked if they could take out the money and not have a bill change? **Mr. Hudson** said, if you took the money out of the Medical Program, you would still have statutory language obligating the money for those services. Therefore, you could not take action until the bill passes, but you could make comments as to your preference.

SEN. COBB said this was a result of the failure of the hospital bed tax. In order to achieve the reduction in spending that was required by the Executive the department had to go to Plan A and that failed so this is Plan B. **REP. COBB** asked, on those options for state medical, did they need a legal change. **Mr. Hudson** said this proposal was part of the presentation by **Roger La Voie. Ms. Robinson** also pointed out in a hearing yesterday, that this was a major change she was proposing for complete elimination of the State Medical Program.

SEN. COBB said, this plan was actually developed before the special session was called. The gross receipts from the hospital bed tax seemed to be a more palatable proposal and would have achieved the goal. When that proposal failed this was brought forward.

CHAIRMAN BRADLEY said, this committee will remain neutral and will take no action on the Medical Program.

EXHIBIT 2.
Motion/Vote: **REP. COBB** moved **DO PASS** on Item No. 11, Child Support Enforcement.

Vote: Motion **PASSED UNANIMOUSLY.**

HEARING ON HEALTH AND ENVIRONMENTAL SCIENCES

EXHIBIT 3.
Raymond Hoffman, Director, Centralized Service Division, Health and Environmental Science,

REP. COBB asked Why do you need a Legislative statute change on the Subdivision Program? Is that an automatic $50,000 every year?

Mr. Hoffman answered that is current legislation and requires that all subdivision fees are added to the general fund by law.

REP. COBB said that if we tell you to charge more fees, it goes to the general fund.

Mr. Hoffman answered yes, there has been a lot of activity within the subdivision program. The current appropriation to it is being expanded. If we were to come in and request an increase in fees for subdivision activities, we would also come before you and ask for an increase in the level of funding of the subdivision program.

REP. COBB said then we could make a motion that the $50,000 savings in the Subdivision Program would go to fees.

Mr. Hoffman said that is correct.

SEN. WATERMAN asked, if the reduction stays at the $93,000 what would the department's preference be? Would you exercise No. 3 or No. 4. **Mr. Hoffman** said the Director asked him to tell the committee that all of the items are legislative initiatives The were implemented and approved by the Legislature. He said they would like the committee to decide where they wished to cut.

SEN. KEATING asked **Mr. Hoffman**, do you only have one legal counsel in your department?

Mr. Hoffman said the department has 15 attorneys, but only one legal counsel. There has been some recent reorganization taking place and with the limited amount of general fund in that agency, hard decisions must be made. He said we do not wish to minimize the impact that the chief legal counsel has.

EXECUTIVE ACTION ON HEALTH & ENVIRONMENTAL SCIENCES

Motion: **SEN. KEATING** moved to take a lump-sum general fund reduction of $93,000 from the executive budget and asked that the department not increase fees.

Discussion:
CHAIRMAN BRADLEY asked **Mr. Hoffman** you wanted to raise the fees, is that correct? **Mr. Hoffman** said, that is part of the flexibility that we are looking at. As we proceed within the fiscal year there may be avenues that we can do that with rather than making a reduction of the whole package coupled with increases in fees to come up with the $93,000.

SEN. KEATING said he didn't think that the general fund should be paying for Air Quality. I would like a motion that says to raise the fees by $303,312 for Air Quality.

CHAIRMAN BRADLEY asked **Mr. Hoffman** to work out the percentages in the first paragraph because they were based on his assumptions. **Mr. Hoffman** said those percentages were taken from HB 2 and are correct. **EXHIBIT 3.**

Lisa Smith, Associate Fiscal Analyst said the percentages that are reflected in the LFA book are strictly operations. Items such as funding switches, and grants and benefits have been taken out of this. That is why there is a difference in percentages.

CHAIRMAN BRADLEY said she would do her best to describe why it is more complicated than what you see. She said she would like the analyst to work-out those percentages.

She said, **SEN. DOHERTY** would you like to enter into this discussion?

SEN. DOHERTY said I noticed in your projected cuts you have a number of programs with the exception of the Chief Legal Counsel. He asked **Mr. Hoffman** why he proposed cutting the Chief Legal Counsel?

Mr. Hoffman said in the last session this committee authorized approximately $76,000 general fund contingency and changed the funding for the legal counsel within the office. The Legislature said they were going to cut that contingency by one-half and the attorneys would have to bill their clients for services with the other agencies. The revenue that was needed did not materialize.

We not only spent all of the general fund but went in the hole in trying to bill the other agencies.

He said, when you look at the very limited resources within that agency then you have to look at priorities. Therefore, we believed this was the best area to cut.

SEN. DOHERTY asked how much of the Chief Legal Counsel fund comes from federal funds? **Mr. Hoffman** said 50% of the legal unit is federal funds and 50% is general fund. That 50% is from fee funds which can be charged to any funding sources within the agency.

SEN. DOHERTY asked if the only way to save administrative funds is to eliminate the Chief Legal Counsel?

Mr. Hoffman said, the department didn't recommend any of these cuts, but the committee directed us to look at specific areas we felt, while important, would have the least impact upon the agency.

SEN. DOHERTY asked if the committee gives you the flexibility to do this will you eliminate the Chief Legal Counsel? **Mr. Hoffman** said I cannot say that will happen for sure, but in order to come up with the $93,000 that will be one of the areas we will consider.

CHAIRMAN BRADLEY said since we may not be eager to take the specific cuts as outlined, maybe we could give them the flexibility to deal with the personal services in the next 6 months. **REP. COBB** said, he would like to eliminate the vacant positions and then deal with personal services.

Mr. Hoffman said this agency does not have one vacant general fund position that had not been filled within 6 months. This committee told the Department of Health to maximize the federal funds. If we do that, we will put additional tax revenue into the state general fund. If you want us to get rid of all of our vacant positions, that are federally funded that is a legislative prerogative. I think you will have to cut the funding.

Vote: Motion **FAILED.**

Motion/Vote: **SEN. WATERMAN** moved to decrease the Department of Health's budget by $93,352 giving them flexibility to manage their budget in the best manner they see possible.

Vote: Motion **PASSED** 4 - 2 (**REP. COBB** & **SEN. NATHE** voting no).

HEARING ON DEPARTMENT OF FAMILY SERVICES

EXHIBIT 4.

REP. COBB said they are looking at proposals for refinancing projects to get federal dollars.

EXECUTIVE ACTION - FAMILY SERVICES

Motion: **REP. COBB** made a motion to recommend that no contract be issued for a proposal for the refinancing project unless it is brought before the Finance Committee first.

SEN. WATERMAN said for their own protection before they enter into this it should be reviewed by some legislative committee such as the Finance Committee. Therefore, I would support **REP. COBB'S** motion.

Discussion:
Jess Monroe, Deputy Director, Family Services, reviewed the impact on Family Services in HB 2. **EXHIBIT 4.**

He said, they used some examples, see **EXHIBIT 4.** The adjusted spending would help us in moving it up to 10% The flexibility would give us the ability to address problems and reduce our supplemental requests.

SEN. WATERMAN suggested they re-write the supplemental request to read "not to exceed 10%".

SEN. KEATING said my concern is moving funds from operations to personal services. According to the legislation we put into the statutes, the agency requires a certain number of personnel. If they need money in operations to run the program, it is because we have underestimated what the requirements are for that program to be satisfied under the law. He said if there is indiscriminate moving of funds from personal services to operations, it distorts the cost of management and the cost of the program.

He said, if there are vacancy savings, that means there is no personnel to do the job and if they don't need the people to do the job there shouldn't be vacant slots. It bothers me that we don't operate personal services and operating expenses in accordance with our own laws.

CHAIRMAN BRADLEY encouraged **SEN. KEATING** to come to the Appropriations Committee hearing so he could give testimony on this issue.

Vote: **CHAIRMAN BRADLEY** said since everyone had their own opinions on this issue, there wasn't any point in taking any action.

HEARING ON DEPARTMENT OF LABOR

EXHIBIT 5.
CHAIRMAN BRADLEY said these are just the arguments on flexibility.

Mr. Mike Micone, Commissioner Department of Labor and Industry said he would like some clarification on proposing flexibility for a specific department. He said, they had a vacant FTE in the unemployment insurance agency. We knew there was a federal mandate coming out for FY93 and we held the FTE vacant so that we would have that available in FY93, but the FTE was taken away because it was vacant for too long. He said, now we have to go through the process of requesting a FTE and hope that eventually we will get that FTE.

He said, he believed his department was penalized because of vacancy savings. We know that flexibility is essentially a management tool and allows the managers to do their job.

He said, he would like flexibility and budgets being considered similar to Block Grants where agencies are given a mandate to perform a certain function. He would like the Legislature to give them the flexibility to move the funds to where it is needed. Our mandate is to provide a service by you and to operate within our budget. He said he had a further mandate for the Legislature and that is to save some money, so don't put restrictions on us.

He said, I know that flexibility works because of a former federal program in Butte where he used flexibility and it does work.

ADJOURNMENT

Adjournment: 11:15 A.M.

Dorothy Bradley
DOROTHY BRADLEY, Chair

Billie Jean Hill
BILLIE JEAN HILL, Secretary

DB/bjh

HOUSE OF REPRESENTATIVES

HUMAN SERVICES SUBCOMMITTEE

ROLL CALL DATE July 8, 1992 (8:30-10:15)

NAME	PRESENT	ABSENT	EXCUSED
REP. JOHN COBB	✓		
SEN. TOM KEATING	✓		
REP. JOHN JOHNSON			✓
SEN. DENNIS NATHE	✓		
SEN. MIGNON WATERMAN, VICE-CHAIR	✓		
REP. DOROTHY BRADLEY, CHAIR	✓		

DATE 7/8/92
HB

DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

STAN STEPHENS
GOVERNOR

JULIA E. ROBINSON
DIRECTOR

STATE OF MONTANA

P.O. BOX 4210
HELENA, MONTANA 59604-4210

July 7, 1992

Honorable Dorothy Bradley, Chair
Human Services Appropriation Subcommittee

Dear Representative Bradley:

A number of questions were posed during and after the Family Assistance Division testimony regarding changes to AFDC and GA. The questions and answers are:

1. What is the budget impact of implementing the AFDC budgeting methodology change, if the payment standard is left at 42% of poverty?

ANSWER: The estimated cost is approximately $1.4 million. This is approximately $300,000 less than the cost of the budgeting method change if the payment standard is at 38 % of poverty.

2. Is the $311 figure on point 2 of page 5 of the GA testimony correct?

ANSWER: No, the correct figure for a family of two at 42% of poverty should be $322. We apologize for this error.

3. What are the total dollars saved in the GA program since GA reform began in 1989?

ANSWER: Total savings in GA since FY89 is approximately $6 million.

4. What were the migration figures like in GA prior to the 1989 reforms?

ANSWER: Migration information was not collected from recipients until the Project Work Program revisions took place in January, 1990.

Attached is a chart which shows GA client migration for SFY91 and SFY92.

DATE 1/8/92
HB

5. Why not use vouchers for housing payments in the GA program?

ANSWER: Formerly, vouchers were used in a number of counties for paying GA rent, utility and non-food costs. The Department decided that was contrary to promoting client responsibility and went to the check system.

6. Please provide further definitions regarding who would be subject to receiving AFDC time limited benefits.

ANSWER: The Department believes that advocate, client, and county involvement should occur whenever possible in determining AFDC policy guidelines. We would form a task force to make recommendations to the Department in the development of time limited benefits definitions. Such things as who is considered an able bodied adult, and how long should those AFDC households receive a time limited benefit would be developed by that task force.

If the Legislature supports the concept of time limited AFDC benefits, the Department requests language be included to that effect, understanding the above process would be followed.

7. Can we move some of the CPS Day Care funds currently appropriated to the Department of Family Services to SRS to operate the At Risk Child Care program, while still ensuring that DFS has no reduction in total Day Care dollars they currently have?

ANSWER: If you refer to the chart on page 9 of the AFDC packet, you will see that the amount of money for CPS day care is approximately $600,000 for SFY93. However, what the chart does not show is that CPS money is further allocated to two categories--AFDC CPS day care and non AFDC CPS day care. The AFDC CPS day care is already matched with federal dollars, so the total dollars listed are already partially federal money. The non AFDC CPS dollars are the 100% general fund dollars and they amount to about $256,000 (SFY92 figures).

To use non AFDC CPS funds as match, CPS families must be eligible for At Risk as well. DFS has estimated that approximately 47% of CPS families would qualify. Therefore, approximately $120,000 appears to be available in 100% general fund dollars.

SRS and DFS have been working cooperatively on overcoming the problems with implementing At Risk with non AFDC CPS monies. However, there is still one major problem. State law prohibits DFS from investigating finances for CPS cases. In order to show "dual eligibility", we must have income information for At Risk. We are in the process of writing a definition of an At Risk family which we hope will be acceptable to the federal representatives, while not violating state law.

EXHIBIT
DATE 7/8/92

8. How many AFDC dollars have been saved since the inception of JOBS?

ANSWER: While total AFDC savings because of the JOBS program are not known yet, the Department does have statistics on employment and average wages.

The regular JOBS program serves one parent AFDC families. During SFY91, 563 JOBS participants were placed in employment. Statistics for the first 11 months of SFY92 indicate 551 JOBS participants have been placed in employment. The average wage at placement was $5.09. Final SFY92 statistics will not be available until early August. We expect the total number placed in employment to increase beyond the SFY91 figure.

The JOBS-UP program, which serves two parent AFDC families, was implemented on July 1, 1991.

Data is not yet complete. However, during the last 6 months of SFY92, 245 JOBS-UP participants from the state assumed counties were placed in employment at an average wage of $5.18 per hour. During that same time period, 162 participants were referred for sanction for failure to cooperate with the JOBS program. Sanction results in the removal of the needs of the non-cooperating parent from the AFDC grant.

By the January regular session of the legislature we expect more data to be available.

9. How many individuals will be affected if the state medical program is totally eliminated?

ANSWER: Each month an average of 1570 people are eligible for state medical. Of those, approximately 895 people use state medical services.

I hope this information has been useful. If you have further questions, please let me know.

Sincerely,

Roger La Voie
Administrator

testquest.pmr

cc Committee Members
Bill Furois
Julia Robinson
Mike Billings
Hank Hudson

EXHIBIT
DATE 7/8/92
HB

GENERAL RELIEF ASSISTANCE MIGRATION

CLIENT MIGRATION RESIDENCY SUMMARY
Fiscal Years 1991 and 1992 (to date)
06/12/92 Report Date

Moved From:	How Long Ago:	1991	1992
Washington	1 month or less	188	208
	1 - 6 months	131	121
	6 - 12 months	28	20
	TOTAL	347	349
California	1 month or less	113	151
	1 - 6 months	72	115
	6 - 12 months	33	18
	TOTAL	218	284
Idaho	1 month or less	70	48
	1 - 6 months	26	41
	6 - 12 months	12	13
	TOTAL	108	102
Oregon	1 month or less	77	100
	1 - 6 months	41	53
	6 - 12 months	6	14
	TOTAL	124	167
Colorado	1 month or less	65	61
	1 - 6 months	20	32
	6 - 12 months	7	9
	TOTAL	92	102
Texas	1 month or less	38	56
	1 - 6 months	18	34
	6 - 12 months	4	21
	TOTAL	60	111
TOTAL All States			
	1 month or less	1017	1166
	1 - 6 months	552	670
	6 - 12 months	203	179
	TOTAL	1772	2015

EXHIBIT 1
DATE 7/9/92
HB

TESTIMONY OF THE DEPARTMENT OF

SOCIAL AND REHABILITATION SERVICES

PRESENTED BY ROGER LA VOIE, ADMINISTRATOR

FAMILY ASSISTANCE DIVISION

Aid to Families With Dependent Children (AFDC) is a program established by the Social Security Act, that provides temporary financial assistance to needy children and their families. The roots of AFDC go back to the early part of this century with the public recognition that it is better for children to be raised in their own homes by their own parents than to be raised in an institution. Eligibility for AFDC is determined by evaluating specific nonfinancial and financial criteria established by federal and state regulations and laws.

As currently structured, the AFDC program provides recipients with a disincentive to work. They currently gain little net dollar benefit by going to work. The Department proposes action to make employment a more attractive alternative and thus reduce the length of stay on public assistance.

1. AFDC benefit standards are proposed to be reduced from 42% of the federal poverty level (FPL) to 38% for FY93 ($405 to $366 for a family of three). The Department would implement this change September 1, 1992. Theoretically, reduced benefits should encourage able-bodied recipients to rejoin the workforce or to

EXHIBIT ___
DATE 7/8/92
HB ___

participate in employment and training programs to develop the tools to become self-sufficient. Thus AFDC becomes a less attractive way of life. The safety net of AFDC will remain available for those individuals not able to gain employment, but in reduced amounts.

2. AFDC Budget Method Example:

	FY 93	Proposed
Standard of Need*	$ 497	$ 497
Benefit Standard*	$ 405	$ 366
Countable Income	$ 150	$ 150
Computation	$405 Benefit Standard 150 (less) $255	$497 Stand. of Need 150 (less) $347
Monthly Payment	$ 255 (Benefit standard less countable income)	$ 347 (Standard of Need less countable income)

* This amount is defined by state policy for a household of three.

The budgeting method used to determine the AFDC monthly payment is proposed to be changed. The Department would also implement this change September 1, 1992. To be eligible, the AFDC household's countable income must be below specific income and benefit standards for household size. The monthly payment is then determined by subtracting net countable income from the benefit standard.

In many situations currently, income earned at a minimum wage job

EXHIBIT /
DATE 7/1/92
HB

exceeds allowable standards and households lose eligibility. However, these households are not able to sustain self-sufficiency through minimum employment alone and soon come back on the rolls.

The proposed change determines the monthly payment by subtracting net countable income from the standard of need. (The standard of need represents the monthly cost of the family's basic needs, i.e. food, shelter, clothing, household supplies, and personal care items.) This difference is then compared to the benefit standard and the household would receive the lesser amount. The benefit standard remains the value for the maximum payment allowed per household size.

The working AFDC recipient remains eligible for reduced benefits for an extended period. This extension allows a gradual transition from dependence on public assistance to self-sufficiency and reduces the possibility that a return to the rolls will occur. The charts on pages 4 and 5 demonstrate what a typical welfare benefit package is.

EXHIBIT 1
DATE 7/8/92
HB

June 26, 1992

AFDC WELFARE BENEFIT PACKAGE
Non Working Household

Assumptions

3 person household, rent is $250 per month, 2 bedroom/natural gas and phone, no income.

Program	FY92 (42%)	FY93 (42%)	Proposed (38%)
AF Grant	$ 390	$ 405	$ 366
Food Stamps	269	265	277
LIEAP	17	17	17
Phone Assistance	7	7	7
Subtotal	$ 683	$ 694	$ 667
Medicaid*	$ 587 Comparable Ins. prem.	$ 587	$ 587
Total	$1,270	$ 1,281	$1,254

* Medicaid is not a cash benefit - this is estimated cash value.

Additional benefits (not available to all AFDC participants)

Program	FY92	FY93	Proposed
Day Care (for training or education)	$ 200	$ 200	$ 200
Public Housing	$ 254	$ 254	$ 254

Federal Poverty Level 100% = $964 per month.

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EXHIBIT /
DATE 7/8/92
HB

June 26, 1992

AFDC WELFARE BENEFIT PACKAGE
Working Household

Assumptions

3 person household, rent is $250 per month, 2 bedroom/natural gas and phone, working at $500 per month, 1 child under 2 in day care, and job started 2 months ago.

Program	FY92 (42%)	FY93 (42%)	Proposed (38%)
Income	$ 500	$ 500	$ 500
AFDC	336	351	366
Food Stamps	226	221	217
LIEAP	17	17	17
Phone Assistance	7	7	7
Subtotal	$1,086	$1,096	$1,107
Medicaid*	$ 587	$ 587	$ 587
Total	$1,673	$1,683	$1,694

* Medicaid is not a cash benefit - this is estimated cash value.

Additional benefits (not available to all AFDC participants)

Program	FY92	FY93	Proposed
Public Housing	$ 254	$ 254	$ 254

Federal Poverty Level 100% = $964 per month.

WelBen.jl

EXHIBIT 1
DATE 2/8/92
HB

3. To reaffirm the temporary nature of AFDC and to encourage recipients to move back into the workforce, the Department proposes to seek a federal waiver which would allow the establishment of a time-limited AFDC grant for households headed by able-bodied adults. The AFDC family would receive the time-limited grant during the first 12 months of eligibility. However, if employment of 30 hours per week at minimum wage or above was not obtained after 12 months on AFDC, the grant would be reduced.

AFDC time-limited benefits for households with able-bodied adult(s).*

Time-limited grant (Recipient for 12 months or less)	$596**
Basic Grant (Recipient for more than 12 months)	$507**

** Based on California's proposed changes which limits grants at six months.

Teen parents attending full time high school and families not headed by an able-bodied adult would remain at the time-limited benefit payment until their status changes.

The Department asks the approval of the legislature to seek the

EXHIBIT
DATE 6/8/92
HB

federal waiver, and, if federally approved, to implement this change.

4. The At-Risk Child Care Program is a new child care assistance program which is offered to non-AFDC working families who are low income (below 75% of the state median income - for a family of 3, 75 % of state median income is $1,779), need the child care in order to work and are at risk of coming onto the AFDC Program. Families must pay a portion of their own child care based on a family income sliding fee scale.

Low income families often pay a disproportionate amount of their income for child care. By providing subsidized child care, this program encourages families to work and remain self-sufficient. The co-payment requirement is also indicative of this program's strategy for recipient responsibility for self-support. By keeping families working and off AFDC, we save the state funds which would have been spent on the AFDC program. We also break the pattern of welfare dependency for future generations by giving young children working parents as role models.

The Interim Finance Committee has given their approval for the At-Risk Program to begin a pilot project in Yellowstone County, July 1, 1992, using a $44,000 donation from the United Way of Yellowstone County. This money will be matched at the Federal Medical Assistance Percentage rate (FMAP) to the federal funding

EXHIBIT 1
DATE 7/8/92
HB

available. Since there was no new state funding available to begin this program, alternate private funding was sought.

We are proposing to expand this program state-wide by using funds which would have been used for the Self-Initiated Child Care Program (a program which pays child care for AFDC recipients who are going to school). The Department estimated $1,430,000 would be available during SFY93 to fund Self-Initiated child care slots for approximately 525 families. The Department intends to use $530,000 of the $1.4 million to provide child care assistance for approximately 200 working low-income families through the At Risk Child Care program. Funding of $900,000 remains available for approximately 325 Self-Initiated slots for post secondary and GED students. We also will continue to seek out other sources of private and non-private funding to match to the federal dollars available. We have chosen to seek legislative approval, rather than making the change administratively.

We agree that AFDC recipients who are motivated will often choose schooling, and thus seek that path to self-sufficiency. However, we also believe that with Montana's economic picture, a number of low income working families are at risk of coming onto AFDC. We hope to decrease that risk by implementing this program.

The chart on page 9 shows day care expenditures.

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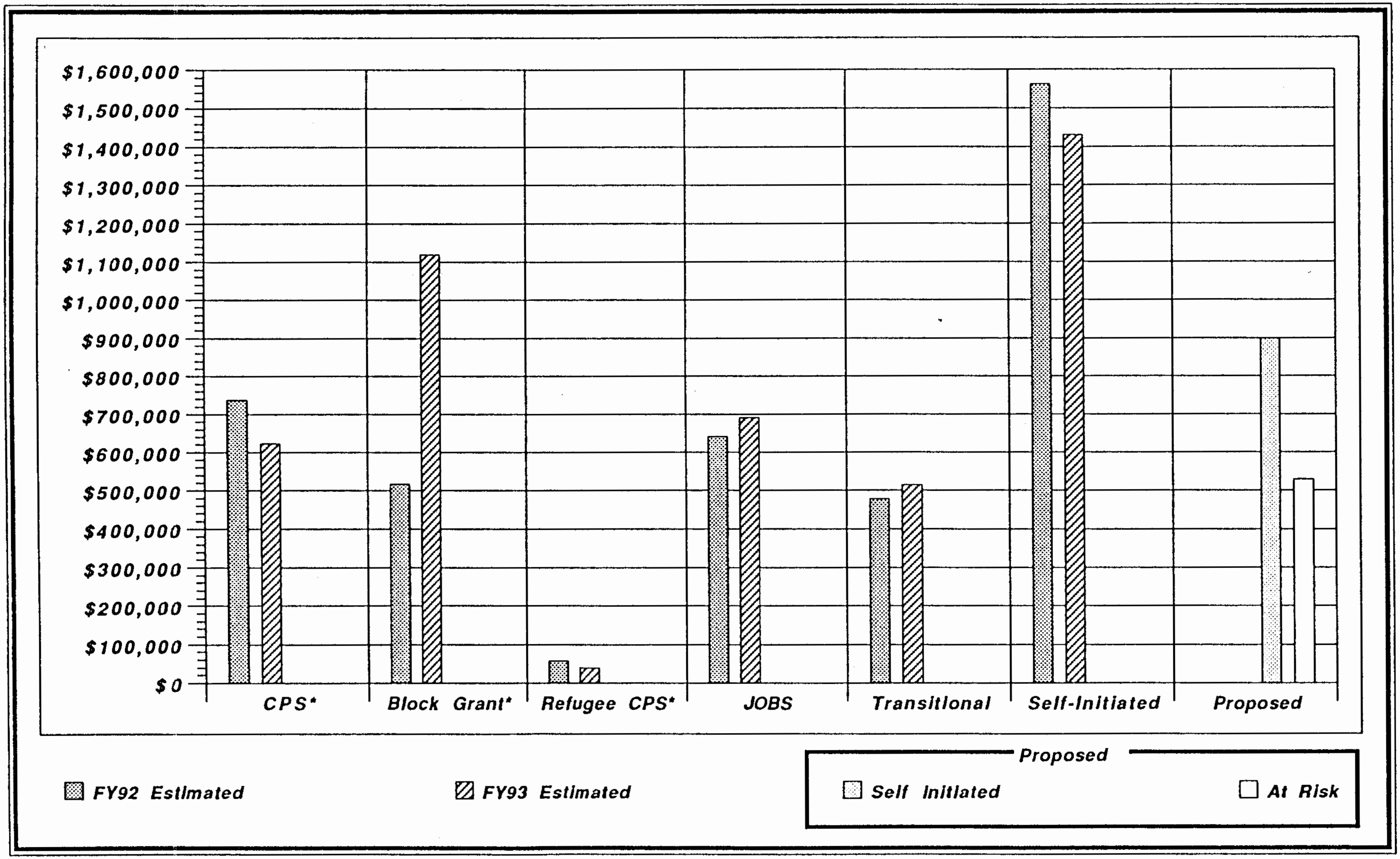
EXHIBIT 1
DATE 7/8/92
HB

MONTANA SRS/DFS DAY CARE EXPENDITURES



*Department of Family Services Expenditure.
CPS = Child Protective Service

EXHIBIT

DATE [illegible]

HB

IV-A (AFDC RELATED) CHILD CARE PROGRAMS

(All IV-A Department of Social and Rehabilitation child care programs are funded at the FMAP rate, which is approximately 28% state general fund matched to 7~~9~~2% federal. * designates Department of Family Services Programs)

I. Transitional Child Care began in Montana April 1, 1990. This program provides for up to 12 months of child care subsidy for working families who lost their eligibility for AFDC due to increased income, increased hours of employment or loss of time limited disregards. Families pay a co-payment based on their income. Montana is required to provide child care for all families who meet the eligibility requirements for this program.

II. The JOBS program (Job Opportunities and Basic Skills) began in Montana in July, 1990. Certain AFDC recipients are required to participate in JOBS components which include: education, training, work activities, and supportive services. JOBS child care is provided to all clients who are participating in JOBS and need child care in order to participate. Montana is required to provide child care for JOBS participants.

III. The Self-Initiated child care program is a program which pays for child care for AFDC families while they are attending training or educational activities. These families start their education or training activities prior to being required to participate in JOBS. Montana is required to pay for child care for families who are approved for participation in self-initiated education or training activities.

IV. The At-Risk child care program is scheduled to begin in Montana in July, 1992. It will start with a pilot program in Yellowstone County, using private donations as match for available federal funding. This program is designed to subsidize child care for low income families who need child care in order for the family to work and to avoid becoming eligible for AFDC. Families are required to pay a portion of their own child care based on their income.

*V. The Child Care Block Grant day care program is 100% federally funded and is for families who are working at least 15 hours per week, and whose income falls below 75% of the State Median Income. It is designed to serve working families in need of child care assistance. A sliding fee scale sets income limits and is used to determine the required co-payment amount each family must pay.

*VI. Child Protective Services Day Care is provided to protect children who have been abandoned, neglected or abused. CPS day care gives the family an opportunity to remain together instead of removing the child from the home. These services are funded 100% with state general fund and are determined by the local Department of Family Services or are court ordered.

*VII Refugee Child Protective Services Day Care is provided to refugee families for education, training, or child protective reasons for up to 8 months. Funding is 100% federal.

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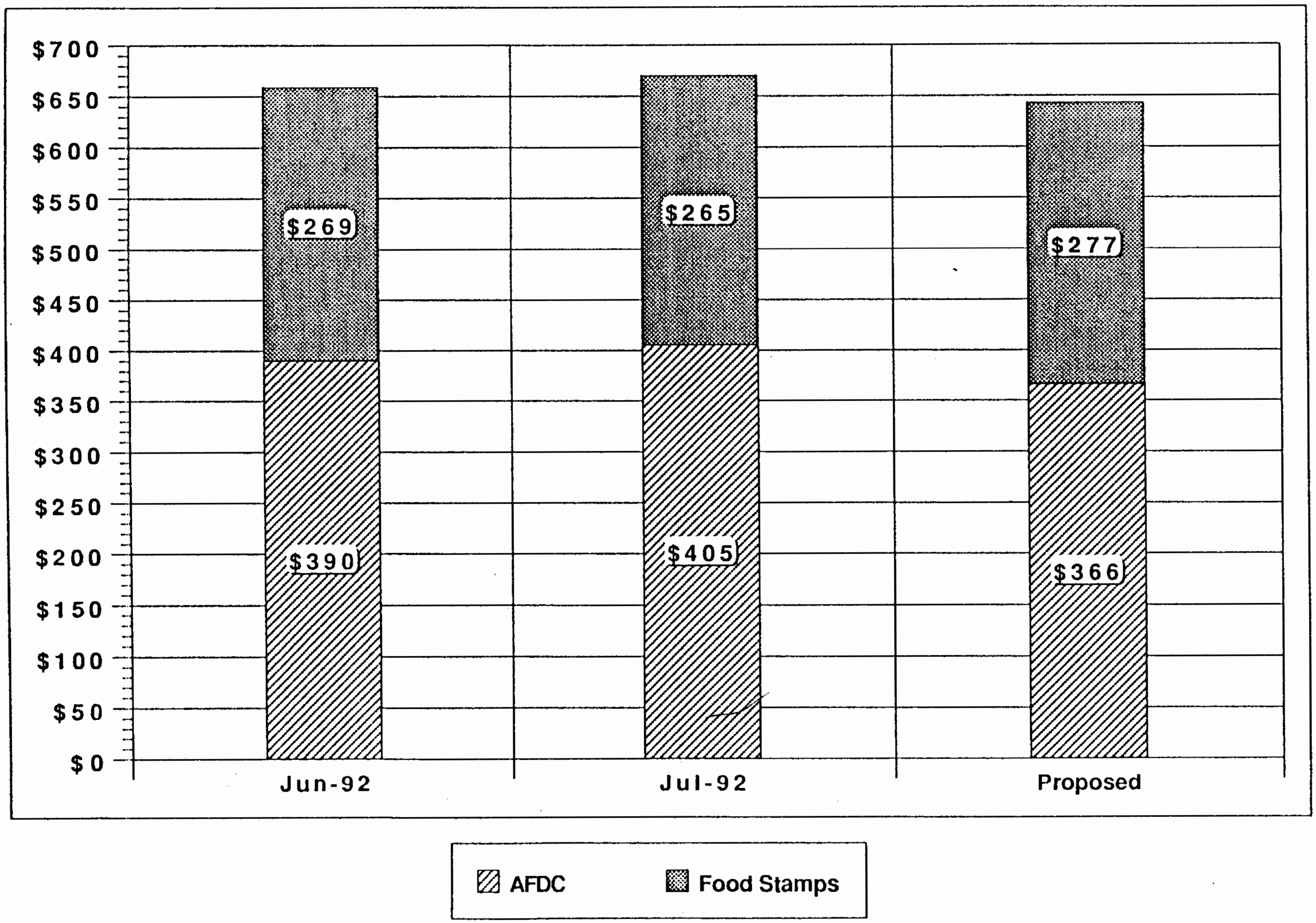
EXHIBIT 1
DATE 7/9/92
HB

AFDC/Food Benefit Package

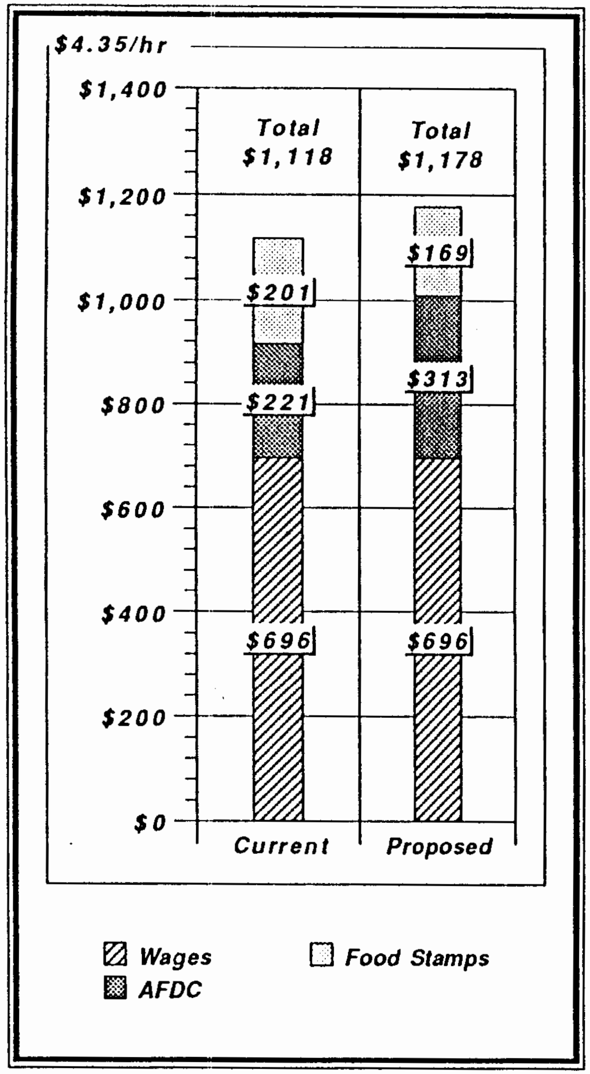
Benefits based on family of three; no income; $250 rent

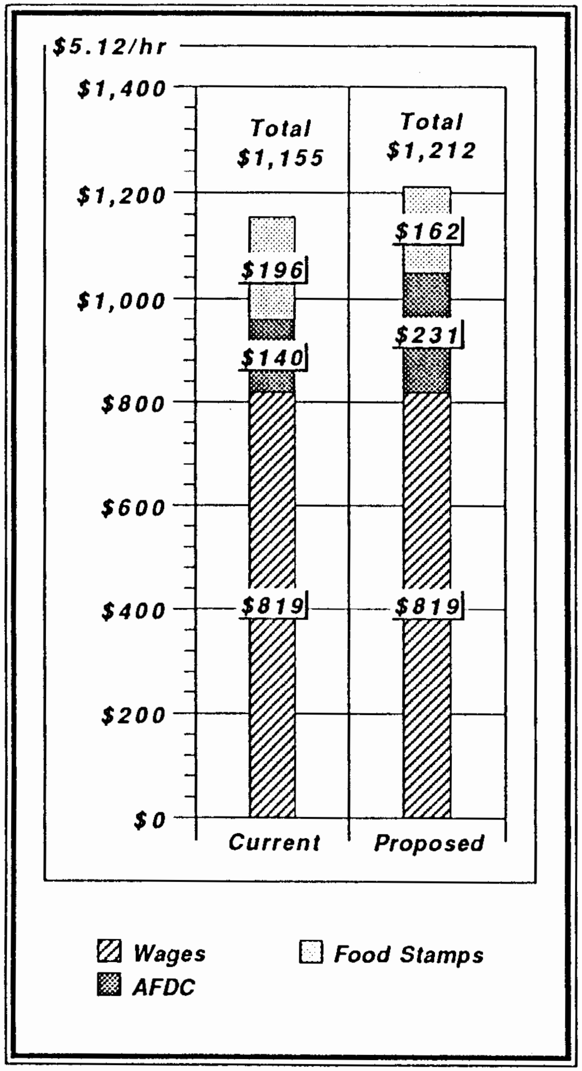
	Jun-92	Jul-92	Proposed
AFDC	$390	$405	$366
Food Stamps	$269	$265	$277

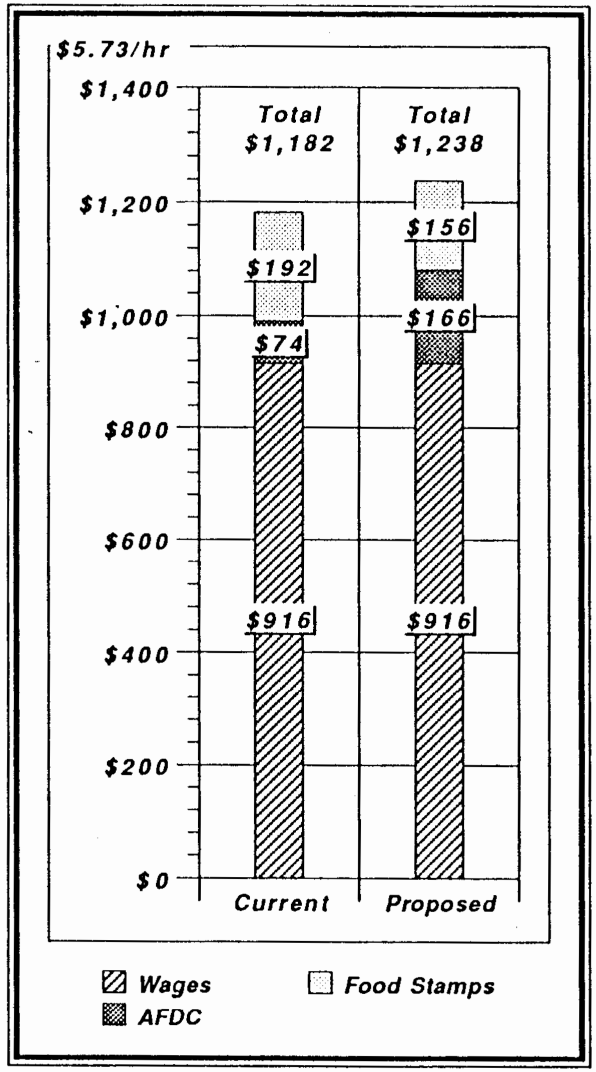


AFDC/Food Stamp Benefits

Family of 3 with Earned Income







<u>Assumptions:</u> Family 1 adult & 2 children; employed 2 months; one child under two in Day Care at $200/month; rent of $250/month; employed 40 hrs per week.
<u>Current:</u> AFDC benefit set at 42% of poverty with current budgeting method.
<u>Proposed:</u> AFDC benefit set at 38% of poverty with proposed budgeting method.

At $5.74/hr, 40 hrs/week, AFDC Closes

EXHIBIT 1
DATE 7/8/92
HB

EXHIBIT 1
DATE 7/3/92
HB

TESTIMONY OF THE DEPARTMENT OF

SOCIAL AND REHABILITATION SERVICES

PRESENTED BY

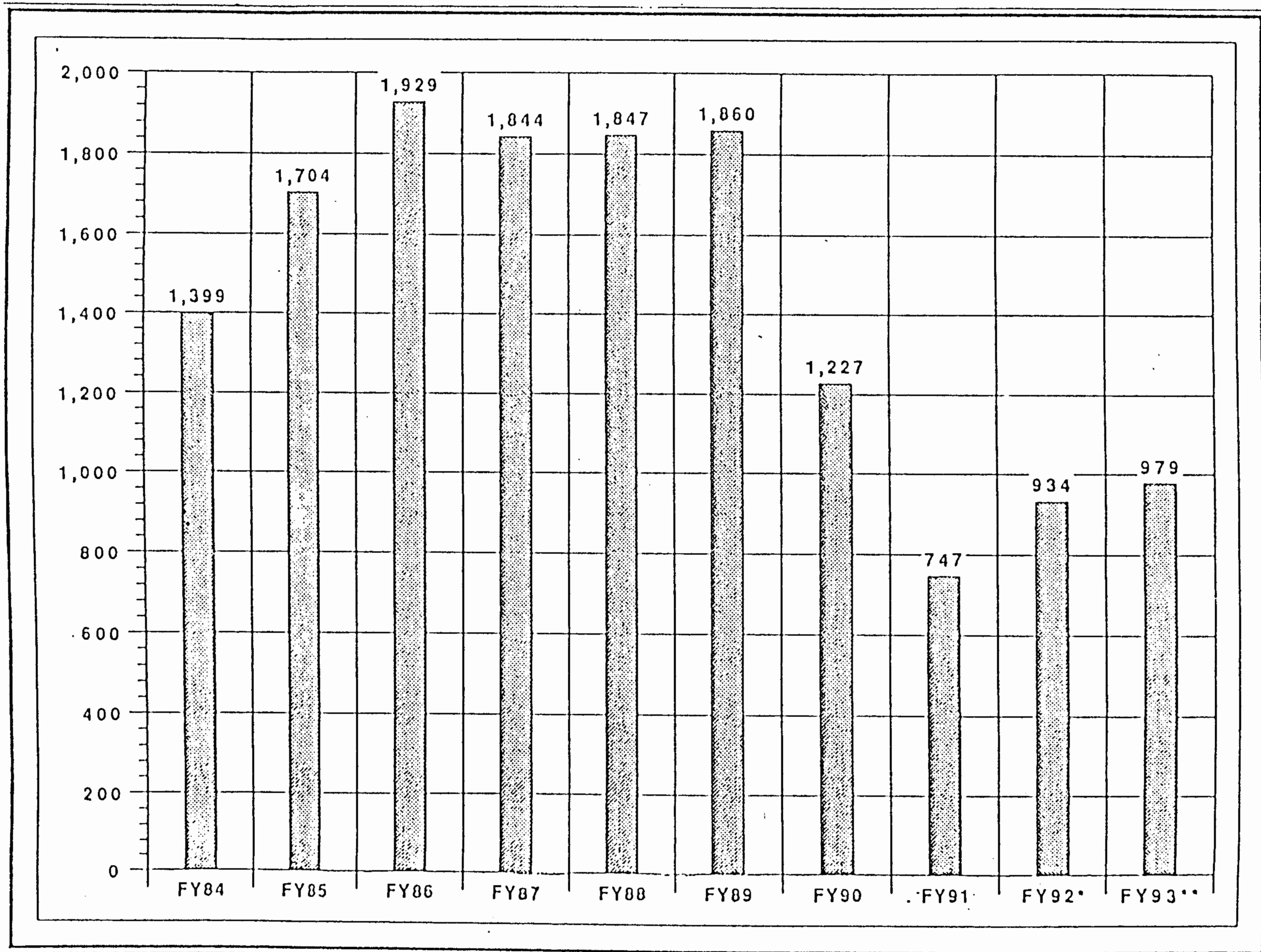
ROGER LA VOIE, ADMINISTRATOR

FAMILY ASSISTANCE DIVISION

General Assistance (GA) is a 100% state funded benefit program in the twelve state assumed counties. These counties are identified by the chart on page 10 of your packet. GA cash assistance is used to meet the needs of single persons or families who do not have enough income or resources to support themselves. These people are not eligible for any other state or federal assistance programs.

The GA program was substantially changed in July, 1989. Changes were made to allow stricter penalties for GA recipients who refuse to look for work or quit a job. As you will see on by the chart on page 2, the caseload has been substantially reduced as a direct result of those changes.

General Assistance Average Monthly Caseload
State Fiscal Years 84 - 93**



*July, 1991 to Mid-June, 1992
**Estimated

EXHIBIT
DATE 7/2/92
HB

Other changes took place January 1, 1990. These changes caused persons to be sorted as employable, employable with serious barriers or unemployable. Persons who are employable or employable with serious barriers are limited to four and six months of help, respectively, in a twelve month period. Those who are unemployable have no time limits on benefits.

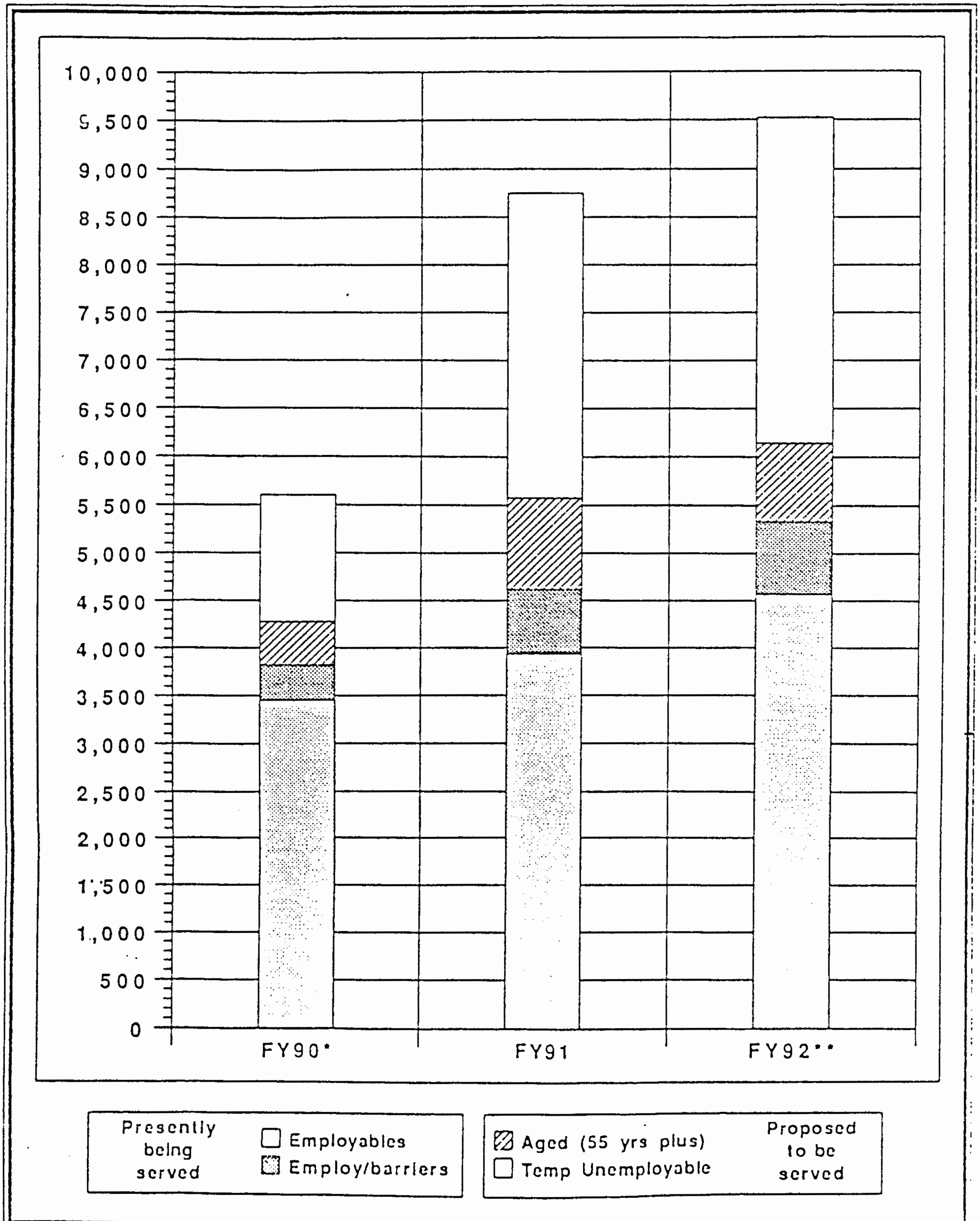
Persons who are employable or employable with serious barriers are required to participate for 40 hours each week in a program designed to place them into employment. This employment and training program is the Project Work Program (PWP).

The Department proposes to start a new program component (track) of self-sufficiency services to those who are unemployable because of a temporary disability, and to those who are aged 55 or older who have limited work skills. These individuals currently receive no employment and training services.

This track would enable recipients to remove or alleviate the condition making them temporarily unemployable or to enable them to secure SSI. Besides being able to access all current services through Project Work, these individuals would receive medical services management, chemical dependency counselling as necessary, as well as a self-sufficiency plan designed to make them no longer GA dependent. The chart on page 4 shows the population we are currently serving, as well as those we propose to now add.

GENERAL ASSISTANCE
PWP CLIENTS (SERVED AND PROPOSED TO BE SERVED) FY90-91-92

	FY90*	FY91	FY92**
Employables	3,457	3,936	4,575
Employ/barriers	367	687	763
Aged (55 yrs plus)	454	956	810
Temp Unemployable	1,330	3,166	3,374



*Program changes began January, 1990
**Mid-June figures (figures for May and June are not complete)

EXHIBIT
DATE 7/2/92
HB

In order to fund the proposed self-sufficiency track and mold the existing GA program into a more responsive, efficient program, we propose to make the following changes:

1. add an on site chemical dependency counselor in ten of the twelve PWP sites (Mineral County would access Missoula County, and Powell County would access Deer Lodge County).

2. reduce the GA payment levels from 42% to 38% of poverty.

Family Size	FY93 42%	FY93 38%
1	$238	$216
2	$311	$291

3. change time limits on benefits to 4 or 6 months in an 18 month period instead of the current 12 month period, for those individuals who are employable, employable with serious barriers and the new classification of temporarily unemployable.

4. change the start date for applying penalty periods. Currently, when a recipient does not comply with program requirements, the penalty begins the next month. If the non-compliance occurs during the last month of eligibility, it

does not present a deterrent. We are proposing to have the penalty period begin with the next month the person is program eligible.

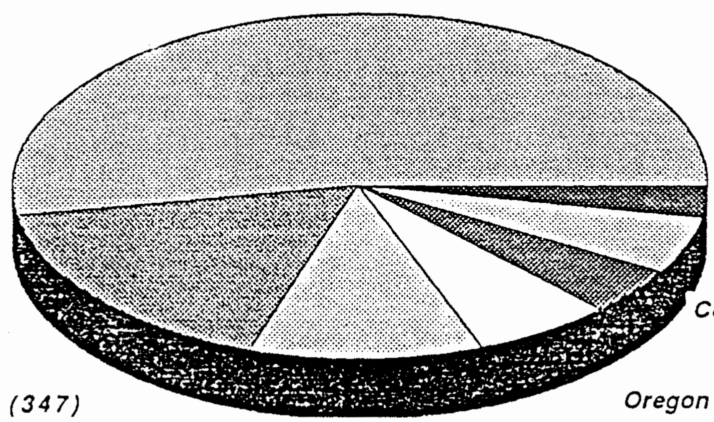
5. change the payment after performance period from two weeks to four weeks.

6. reduce the benefit for the initial two months for those persons who apply for GA within the first month of Montana residency. Since January, 1990, we have seen a rise in the number of persons who move into Montana and apply for GA within the first month of their residency. The Department proposes to reduce the benefit amount by $50 in each of the first two months. There may be constitutional issues with this proposal; however, the previous constitutional challenge was the situation where all benefits were denied. The State of California recently passed a law affecting AFDC recipients which limits the amount of AFDC to that which was received in the previous residence state, if that AFDC amount was lower. Federal approval has been requested, but not yet granted. The chart on page 7 shows the number of individuals who have been applying for GA after a recent move from another state.

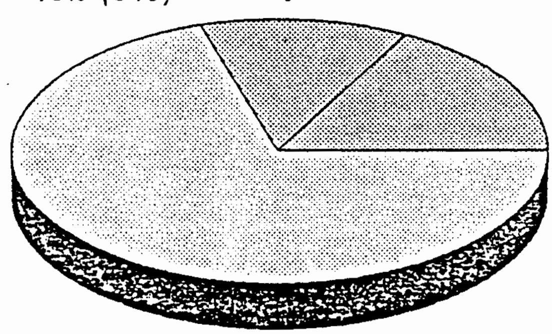
EXHIBIT 1
DATE 7/2/92
HB

GENERAL RELIEF ASSISTANCE
Client Migration Residency Summary
Unduplicated client residency for Fiscal Year 1992
as of Report Date: 06/12/92

Residency of Migrating Clients
as percent of US total 2,015



This graph represents this piece of the pie



Total General Assistance Relief Applicants (6,777)

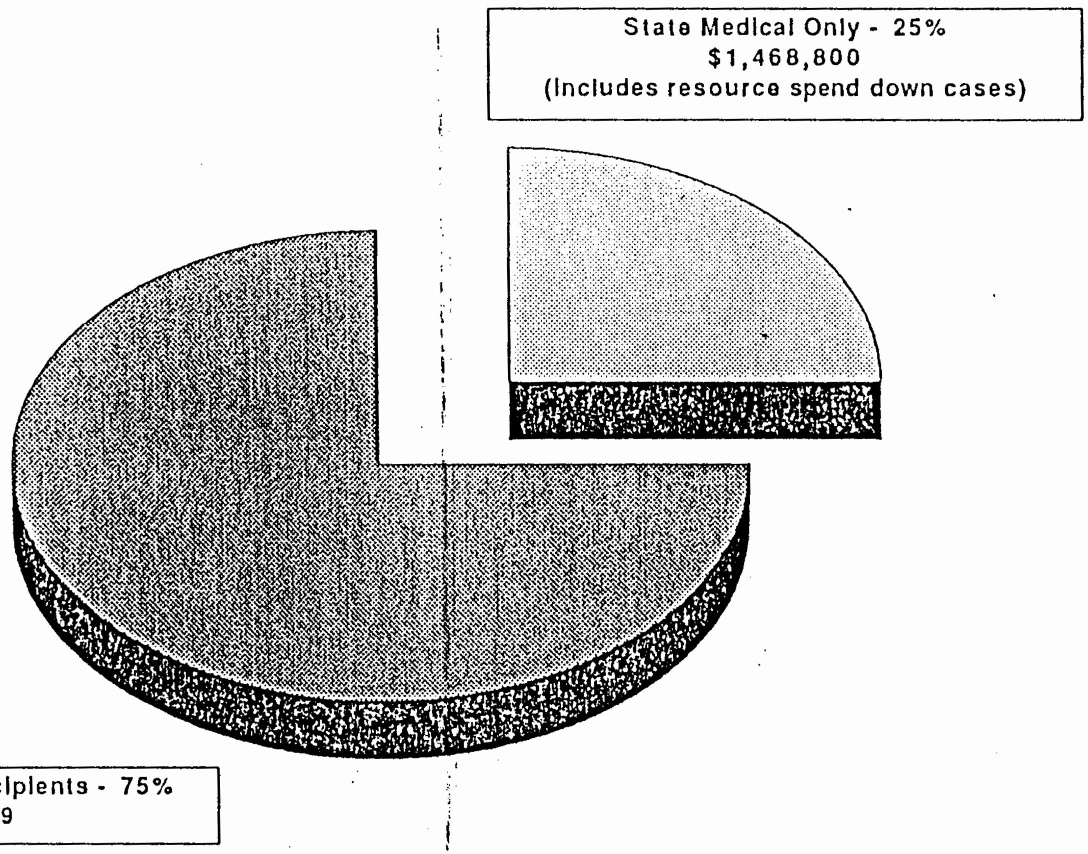
EXHIBIT
DATE 7/8/92
HB

7. **eliminate the state medical program.** Under this proposal the Department would reduce the mill levy to allow the state assumed counties to retain an amount equal to approximately $2 million. County Commissioners would be free to use the money as they deem appropriate. For example, they may choose to implement a county medical program of their own design, start a preventive health care program, or reduce the overall mill levy.

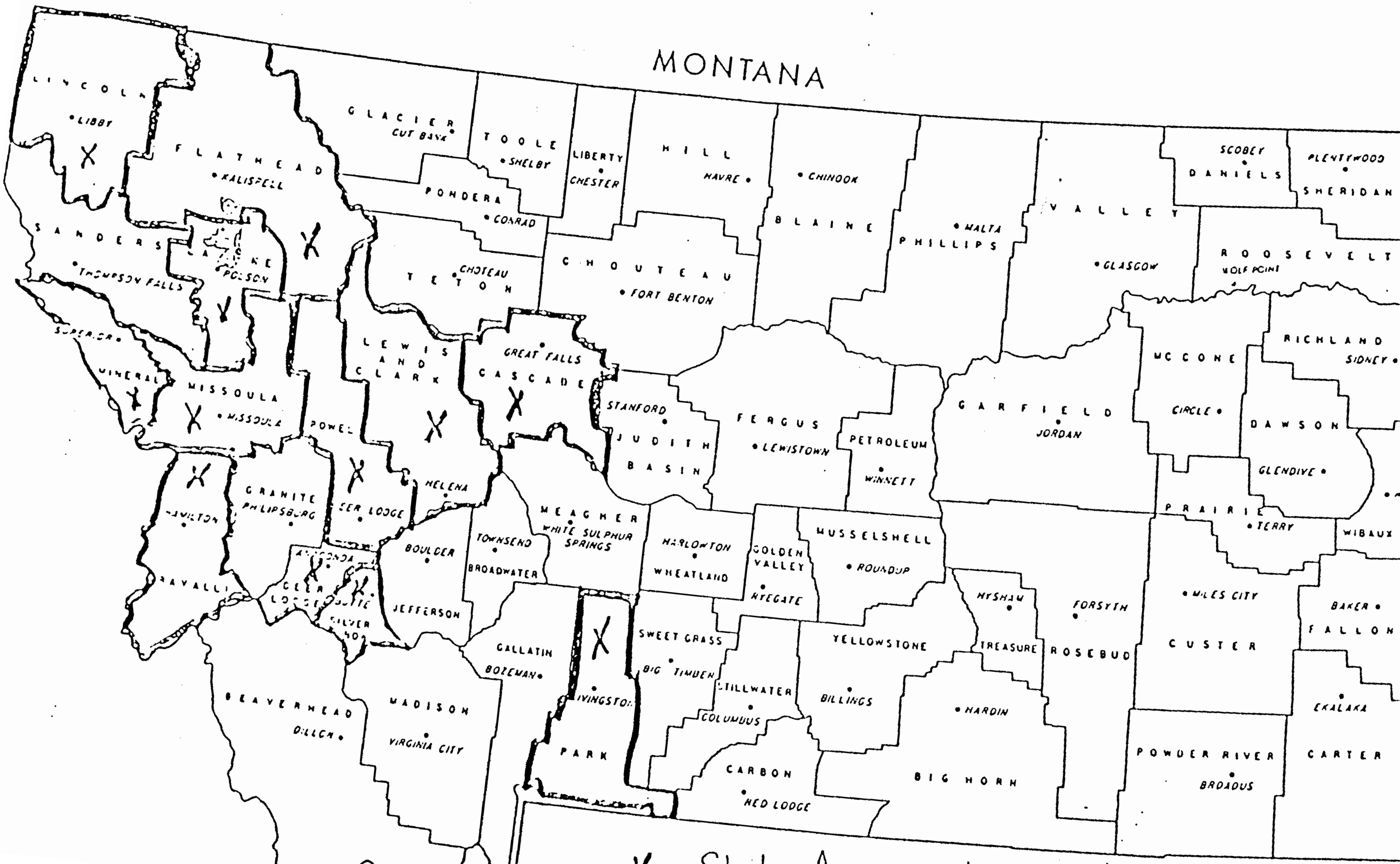
EXHIBIT 1
DATE 7/8/92
HB

FY91 State Medical Costs

as of 4-30-92



Total FY91 State Medical Costs $5,898,755

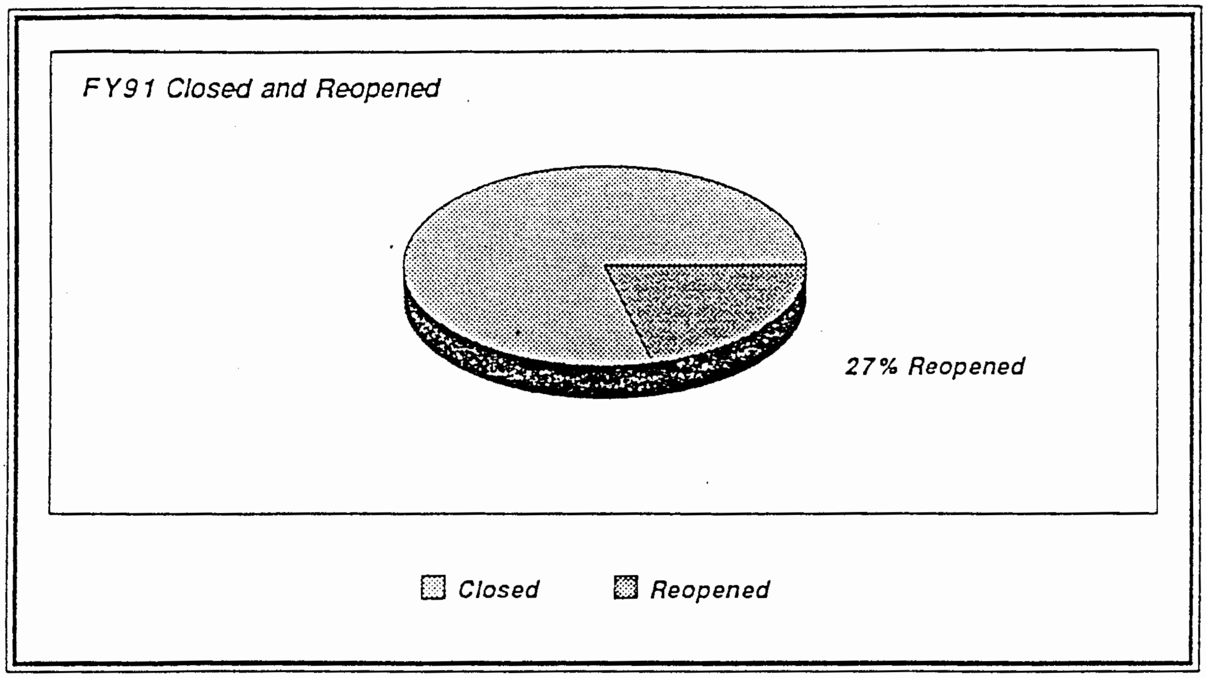


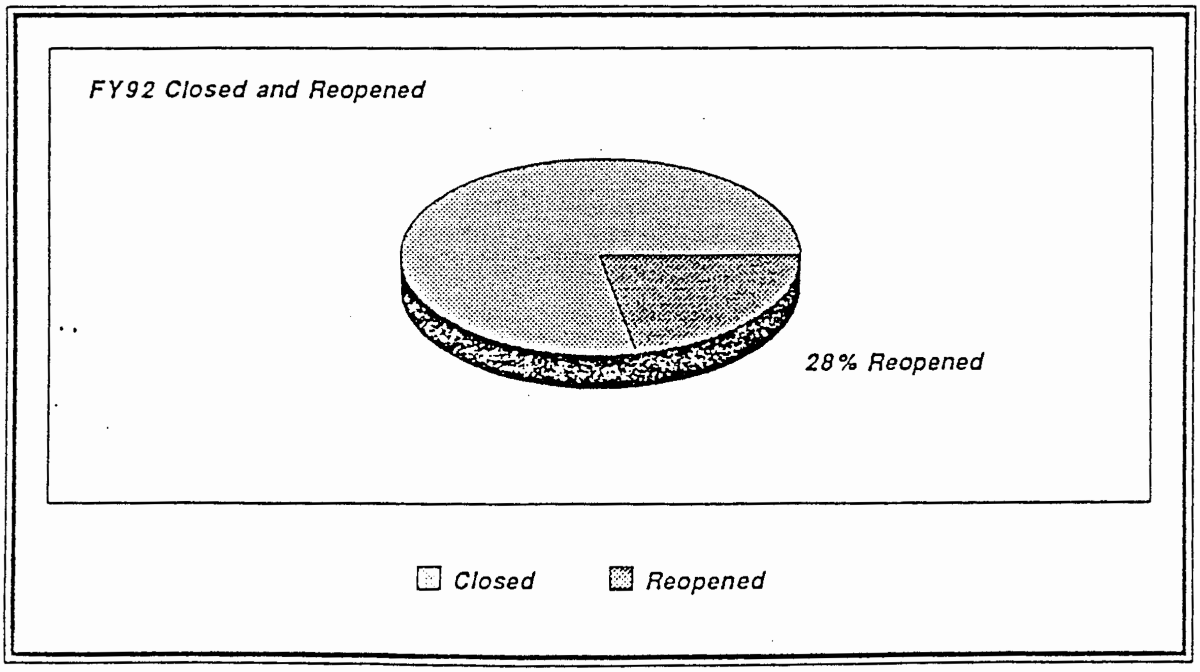
X- State Assumed Counties

EXHIBIT ______
DATE 7/2/92
HB ______

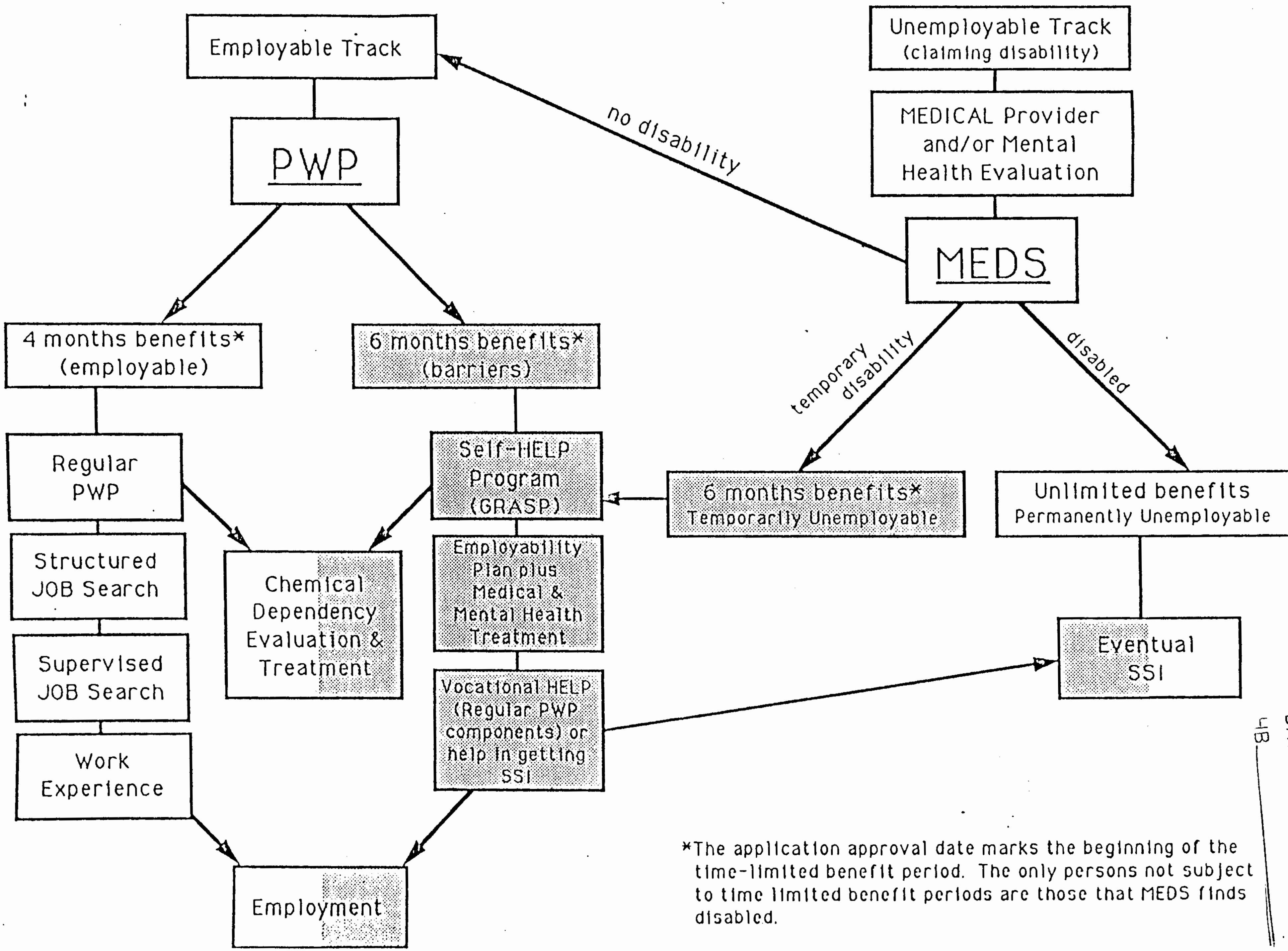
GRA--RECIDIVISM
Persons closed due to exhaustion of time limited benefits and who come back on GRA.

	FY91	FY92*
Closed	391	492
Reopened	105	138
% Reopened	27%	28%





GRA CLASSIFICATION & PROGRAM DETERMINATION



*The application approval date marks the beginning of the time-limited benefit period. The only persons not subject to time limited benefit periods are those that MEDS finds disabled.

EXHIBIT ___
DATE 1/8/02
HB ___

EXHIBIT 2
DATE 7/8/92
HB

Office of Legislative Fiscal Analyst
Budget Worksheet

Description	Pg	Executive Budget Proposal			Legislative Budget Action			Difference (Leg. – Exec.)		
		Fiscal 1993			Fiscal 1993			Fiscal 1993		
		General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds
House Bill 2										
1 General Budget Reduction	00	($295,929)	$0	($295,929)	($295,929)	$0	($295,929)	No Change	No Change	No Change
2 AFDC Benefits @ 38%	01	(865,812)	(2,903,509)	(3,769,321)				865,812	2,903,509	3,769,321
3 AFDC Budget Methodology	01	371,987	1,044,651	1,416,638			0	(371,987)	(1,044,651)	(1,416,638)
4 AFDC Time Limit	01	Language					0	0	0	0
5 At Risk Day Care Transfer	01	Language					0	0	0	0
6 GA Benefits @ 38%	01	(285,761)		(285,761)			0	285,761	0	285,761
7 Project Work Program Increase	01	219,788	99,788	319,576			0	(219,788)	(99,788)	(319,576)
8 GA Waiting Period/$50 Reduction*	01	(100,000)		(100,000)			0	100,000	0	100,000
9 GA 4/6 Months in 18 Months*	01	(10,000)		(10,000)			0	10,000	0	10,000
10 Eliminate State Medical Program*	07	(1,500,000)	0	(1,500,000)				1,500,000	No Change	1,500,000
11 Child Support Enforcement	05	0	1,989,139	1,989,139				No Change	(1,989,139)	(1,989,139)
Other Appropriation Bills										
12 Hospital Rate Increase	07	1,358,050	2,941,950	4,300,000				(1,358,050)	(2,941,950)	(4,300,000)
13 Hospital Gross Receipts Tax	07	(4,300,000)	0	(4,300,000)				4,300,000	No Change	4,300,000
Totals		($5,407,677)	$3,172,019	($2,235,658)	($295,929)	$0	($295,929)	$5,111,748	($3,172,019)	$1,939,729

ebr

* Requires Legislation

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EXHIBIT 3
DATE 7-8-92
HB

Office of Legislative Fiscal Analyst
Budget Worksheet

Health & Environ. Sciences		Executive Budget Proposal			Legislative Budget Action			Difference (Leg. – Exec.)		
		Fiscal 1993			Fiscal 1993			Fiscal 1993		
Description	Pg	General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds
House Bill 2										
1 General Budget Reduction	00	($93,352)		($93,352)	________			93,352	No Change	93,352
Totals		($93,352)	$0	($93,352)	$0	$0	$0	$93,352	$0	$93,352

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DEPARTMENT OF
HEALTH AND ENVIRONMENTAL SCIENCES

EXHIBIT 3
DATE 7/8/92
HB

STAN STEPHENS, GOVERNOR

COGSWELL BUILDING

STATE OF MONTANA

FAX # (406) 444-2606

HELENA, MONTANA 59620

July 7, 1992

To: Dorothy Bradley, Chairman
Human Services Subcommittee

From: Dennis Iverson, Director
Department of Health and Environmental Sciences

Subject: Response to Subcommittee Request

The following is in response to the Subcommittee's request for specific information regarding how this department would address general fund reductions for the remainder of the 1993 biennium.

1. As previously discussed with the Subcommittee, action taken by the legislature during the first special session reduced this department's general fund appropriation by $672,783 or an overall reduction of 9.3 percent. The reduction of $93,352 proposed by the executive budget (as revised) would mean that over the 1993 biennium this department will have reduced our general fund appropriation by over $765,000 or 10.6 percent which is 2.6 percent more than requested from most other state agencies. Such a large reduction in general fund has a very significant impact on this agency due to the fact that general funds are concentrated in only a few essential program areas that can not otherwise be funded through federal funds or state special revenue.

2. The department is prepared to reduce its general fund appropriation by at least an additional $93,000. However, to accomplish such a reduction with the minimum impact on services or people, we are requesting the Subcommittee give the department flexibility in identifying where the additional cuts would need to be made and flexibility in how the cuts might be potentially offset with other sources of funds.

   Although the department supports the recommendations for changes in the language of House Bill 2 as contained in the Executive Budget, these changes will not have as significant an impact on this agency as for other agencies with

EXHIBIT 2
DATE 2/1/92
HB

substantially more general fund. The flexibility this department is requesting is the ability to prudently manage our resources and make fiscal decision based upon the reality of circumstances during the remainder of fiscal 1993. Thus, rather than have the Subcommittee target a particular program for reduction, we would like the flexibility to move positions, adjust operating costs, and adjust funding sources wherever possible. For example, if a position becomes vacant the department may opt not to fill the position and shift some responsibilities to other programs; we may move existing general funded positions to other funding sources with an adjustment in responsibilities; some fees may be increased; or a reallocation of federal funds may be possible. The above examples of management decisions are best made in response to specific circumstances which we are simply unable to accurately predict at this time.

3. The Subcommittee specifically asked the department to identify programs that could be eliminated to reduce general fund expenditures. The department is not recommending that these programs be eliminated but provides the list in response to the Subcommittee's request. Savings identified are approximate amounts and are based on annualized reductions. Some program eliminations would require changes in existing statutes.

Service/Program	Savings	Leg
Chief Legal Counsel	$ 50,000	no
Health Planning/CON	75,000	yes
Tumor Registry	50,000	yes
Reduction Food Consumer Safety	150,000	no
Family Planning	46,000	no
Reduction in Occupational Health	75,000	no

We are prepared to discuss the consequences of each of the above program reductions at the Subcommittee's convenience.

4. The Subcommittee also asked the department to identify program areas where fees could be increased to offset general fund. The following list shows the maximum amount that could be offset by increases in fees. If the department is given the flexability requested, the department will make appropriate adjustments to the fees as part of our commitment to reduce general fund oblgations by at least $93,000.

Service/Program	Savings	Leg
Subdivision Program	$ 50,000	yes
Air Quality	303,312	no
Birth/Death Certificates	50,000	no
Public Health Lab	194,987	no
Chemistry Lab	94,344	no
Food/Consumer Safety	361,325	yes

EXHIBIT 4
DATE 7/8/92
HB

DEPARTMENT OF FAMILY SERVICES

July 7, 1992

Response to the Impact of the proposed changes to HB2.

1. Eliminate the limits on personal services transfers.

   IMPACT: By eliminating this restriction, vacancy savings could be used to offset benefits or operating expenses. This would allow a more aggressive approach to managing the budget.

   EXAMPLE: For the fiscal year ending 1992, personal services' balance could have been used to offset the supplemental requests in Foster Care. This action would reduce the $2,800,000 supplemental request by about $350,000.

2. Eliminate the requirement that first-level expenditures are adopted as legislative intent.

   IMPACT: By not restricting departments to the first level intent, it would be easier to transfer authority to the needed category.

   EXAMPLE: For the fiscal year ending 1992, personal services balance could have been used to offset the supplemental requests in Foster Care. In addition, the excess personal services and operating funding in Corrections and any balances in grant programs could have been used to offset the Foster Care supplement. This action would reduce the $2,800,000 supplemental request by another $20,000 to $40,000.

3. Eliminate the requirement of an approving authority before filling a position which has remained vacant for more than six months and the elimination of the FTE if vacant for more than a year.

   IMPACT: Currently, this requirement forces the department to fill positions for programs that may need to be left vacant for a longer period than six months to cover vacancy savings. The major expense associated with this requirement is the administrative cost in monitoring the positions.

   This usage of time could be allocated in a more useful manner.

   EXAMPLE: This restriction causes extensive paper shuffling in order to achieve the maximum service and still maintain the required vacancy savings. The most utilized incident is when a position becomes vacant in a critical area and the payout is not completed, it becomes necessary to fill the

7/8/92

position. In this case, a non-critical area may ~~have to~~ leave a vacant position open longer than the six months to adjust for the critical area.

4. Add a new provision which enables agencies to adjust spending authority within and among programs for personal services, operating expenses, equipment, capital outlay, grants and transfers without regard for the 5% operating budget restrictions.

   IMPACT: This provision would enable a more aggressive budget management but would not generate any additional authority for benefit payments.

   One program could be eliminated to support another program.

   EXAMPLE: This new provision would provide the authority for the implementation for 1, 2 and 3. If it were necessary to have more than a 5% supplemental request, this provision would allow the department to transfer the funding from other areas that had generated a 5% savings.

It is estimated the impact from all the above would make a total amount of possible transfers, from all funding sources, of about $395,800.

EXHIBIT 5
DATE 7/3/92

DEPARTMENT OF LABOR AND INDUSTRY

COMMISSIONER'S OFFICE

STAN STEPHENS, GOVERNOR

P.O. BOX 1728

STATE OF MONTANA

(406) 444-3555
FAX (406) 444-1394

HELENA, MONTANA 59624

July 7, 1992

TO: Lisa Smith, Associate Analyst
Legislative Fiscal Analyst Office

FROM: Mike Micone, Commissioner Mike Micone
Department of Labor and Industry

RE: Human Services Appropriations Committee request for agency opinion regarding budget flexibility

First of all, I would like to express my sincere thanks to the committee for allowing this agency to provide input into this issue which, in my opinion, would be a great stride forward in terms of giving government agencies the ability to manage their budgets.

It was mentioned that budget flexibility may not be as apropos for the Department of Labor and Industry as the other agencies in this Appropriations Subcommittee. It is my assumption that this opinion is incumbent upon federal versus state revenue sources. Although general funded agency services and programs are the center of your concern and attention during the special session, I would contend that the flexibility issue is much broader than the present focus of budget containment.

My purpose for desiring greater budget management autonomy and flexibility is to promote an enhanced atmosphere for providing improved customer and client services. In my opinion, an agency's budget should be a reflection of its statutory mission responsibilities and social justification --- its purpose for existence.

Good budget management starts with sound, strategic agency planning that advocates client and customer input into the development of an agency's budget. In that line, this committee's time would be better spent by directing the subcommittee's agencies to provide a human services system strategic plan rather than micro-managing budgets. Cooperative and collective long-range systematic strategic planning would give the subcommittee and the agencies an improved "system vision" beyond the next biennium.

Managing this agency should be my responsibility. The legislature's roles, and specifically the role of this subcommittee, should be continuing to assist in setting the

EXHIBIT 5
DATE 7/8/92
HB

policy direction of the services we provide and holding us accountable, on behalf of the public, for those services.

Today's restrictions, rules, regulations, and in some ways, powers separation oversight, hamper and limit our ability to pursue innovation, implement new management practices and deliver effective, efficient quality services. To enable agencies to provide truly quality customer-focused services to the public as effectively and efficiently as possible, I believe that flexible agency budget management is imperative. Flexibility is essentially a management tool that allows managers to do their jobs.

Existing budget methodology acts as a disincentive to encouraging the innovative ideas of the many bright state employees that are associated with the programs delivered. We need to encourage and cultivate this innovative spirit, not stifle it due to the present practice of reduced allocations and budget authority.

The problem with government today is not the people in the system, but rather the systems within government. The systems are archaic and designed to accommodate people to the system rather than tailor the system to meet the service needs of the clients. Only through flexibility and freedom from the many restrictive walls can our delivery systems be truly reengineered to meet the public's demands.

Further, as we look ahead at the not too distant future, changing technologies and demographics will cause significant changes in the workplace and workforce. The lack of higher skilled workers, continued conversion from an agricultural and manufacturing economy to a service-based economy, the aging and shrinking workforce, and the proportional growing number of women and minority workers are factors that will transform the way we do business. But, in order to retain and attract skilled and quality individuals it will be necessary for us to provide incentives and alter our present management practices.

Therefore, traditional autocratic, hard-line, top-down management styles will not work in the future. To garner staff support for the changing directions and commitment required to accomplish service and productivity improvement with, at best, static resources a quid pro quo relationship will need to exist.

In exchange for increased staff commitment and acceptance of responsibility and accountability, management must allow for total employee involvement by granting staff a voice in the governance of their daily work lives, encouraging their imagination and innovation, granting staff the autonomy to make day-to-day decisions, providing employment security where applicable, providing for staff development and training that keeps pace with changing technology, and creating flexible work environments that reflect an understanding of workers' personal lives.

These changes will alter the structure of government agencies. The movement to highly skilled and empowered workers will lead to a flattening of agency organizational structures and staff will work in team environments. But, again, flexibility will be necessary to provide the remuneration system that will pay staff for their accepted increased commitment to productivity, quality, responsibility, and accountability.

Ideally, I believe that agencies should be given total control of their respective budgets as a form of "block grant" with total discretionary authority to marshall resources where needed during the biennium. Obviously, this would require some form of trust and mutual oversight and accountability between the legislative and executive branches.

What the Governor has advocated in the HB 2 boilerplate and statutory changes will move us a great stride in the direction we need so desperately to go. The Governor's recommendations will put agencies in an improved management position. The advantages I see from the recommendations are as follow:

- o saves substantial paperwork which equates to a tremendous waste of scarce resources in terms of staff time. Staff spend time abiding by rules rather than providing productive services to internal or external customers of the agency.

- o would facilitate the handling of emergencies that come up relative to the need to focus an agency's attention to a particular service need for a particular period of time.

- o allowing fund movement between first level expenditures would enable agencies to improve priority ranking of initiatives without fear of losing FTE positions.

- o would provide for improved management decisions regarding maintenance agreements and year end purchases of equipment. Since unspent funds are reverted, agencies execute maintenance agreements on computers, vehicles, or other major pieces of equipment even if not in the department's best interest. Likewise, funds are "flushed-out" at year end for major equipment purchases after agencies know what funds will be available after accounting for the many variables that could effect the funds available (eg. budget guidelines, revenues received, approp. authority, etc.). If funds could be carried forward beyond year end better decision making would take place.

EXHIBIT 5
DATE 7/8/92
HB

Finally, if an issue is to provide the general funded agencies with an incentive for retaining unexpended funds, I would like to have the same privilege extended to this department. We could pursue some method of granting additional spending authority in the subsequent year.

Again, thank you for the opportunity to provide this agency's insight.

HOUSE OF REPRESENTATIVES
VISITOR REGISTER

H. S. SUBCOMMITTEE DATE July 8

DEPARTMENT(S) ______________ DIVISION ______________

PLEASE PRINT **PLEASE PRINT**

NAME	REPRESENTING	
Dave Deper	MPEA	

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.