



*The Big Sky Country*

MONTANA STATUTE UNDER THE GOV. REPRESENTATIVES

APPROPRIATIONS COMMITTEE  
SPECIAL SESSION/MINUTES  
NOVEMBER 17, 1981

The meeting of the House Appropriations Committee was called to order at 9:45 a.m. on November 17, 1981 by Chairman Gene Donaldson. All members were present.

Chairman Donaldson said that he would allow testimony or presentations from anyone who wished to address issues considered by Subcommittee II. (Subcommittee II report was given on 11/16/81.)

Bob Johnson, health officer for Lewis & Clark County, stated that he was representing the local county and also the organization of local health departments which represents most of the departments throughout the state. He said they support the proposals of Subcommittee II distributing block grant funds from the MCH and Preventive Health block grants in a number of ways. He commented on the \$900,000 which would go to aid local health departments stating that the departments are in need of these funds to continue services they have provided over the past years.

Leo Berry, Department of Natural Resources, stated that the department has reviewed the budget and agrees with the committee recommendation.

There were no questions by the committee.

Chairman Donaldson said that the committee would now receive the REPORT FROM SUBCOMMITTEE III.

Representative Chuck Cozzens, Chairman of Subcommittee III, introduced his committee and the LFA staff members and legal council who worked with the committee.

Representative Cozzens began his presentation with the Department of Social and Rehabilitation Services. A "SRS HB 500 Comparison with Subcommittee III Recommendation" is attached and is EXHIBIT 1 of these minutes. Representative Cozzens explained these figures and how they were arrived at. He referred to page -B9-.

APPROPRIATIONS COMMITTEE

November 17, 1981

Page 2

DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

-Aid to Families with Dependent Children (AFDC)-

The subcommittee recommends reductions in the AFDC program for a savings of \$6,145,917 of which \$1,752,000 is general fund. Table 1 on page -B10- reflects the changes in the AFDC program as a result of federal changes and subcommittee action. Representative Cozzens gave an overview of the committee action resulting in those changes. He referred to the SRS Response to Federal Budget Reductions dated September 11, 1981. A copy is attached and is EXHIBIT 2 of the minutes. This, he stated, will give you some background information on how these changes came about. The subcommittee recommendations are addressed on pages -B11- and -B12-

Chairman Donaldson opened the meeting to questions on this portion of the subcommittee report.

Bardanouve: I have reservations about allowing money for a "possible court settlement" of which has not been judicially determined. In the past we have never "pre-supposed" that we would lose a court case. If there has been doubt we waited for the outcome and then if necessary made up the money to the department with a supplemental appropriation in the regular session.

Cozzens: This is a question that the committee considered carefully. It is my understanding that there has not been a formal court case filed in Montana. This same SSI issue has been in courts in the east and I believe the outcome has been settled in some cases. The SRS considered this issue very carefully and looked at the precedent that has been set elsewhere in the country. They feel that if this goes to court we really don't have a very good leg to stand on and they are recommending that we settle out of court and possibly save the state a few dollars.

Bardanouve: How would we save money?

Cozzens: One thing would be legal fees.

Waldron: In response to Representative Bardanouve's concern, we are going to lose that case if it goes to court. It is our lawyers opinion that we should settle.

Waldron: In regard to "Unemployed Parents", part of SRS rational was that part of these unemployed parents cut from the program would go over to county assistance.

APPROPRIATIONS COMMITTEE

November 17, 1981

Page 3

Cozzens: Mr. LaFaver indicated that possibly one-third would end up on general assistance.

Waldron: We need a bill to choose those numbers because I believe the Unemployed Parents program is based on law.

Quilici: How is the county going to pick up this assistance to past participants of Unemployed Parents unless we give them some type of appropriation for this general assistance.

Cozzens: We are dealing with unknowns, however, Mr. LaFaver is very optimistic that due to the new screening levels the number of parents that will turn to general assistance will be low.

Bardanouve: If the parents are receiving unemployment compensation are they eligible for AFDC.

Cozzens: No.

Bardanouve: If their unemployment compensation has run out would they be able to get AFDC.

Cozzens: If there are two able bodied parents, both unemployed they would not be able to get AFDC. They could go to the county for general assistance.

-Medicaid-

Refer to page -B12- through -B16-

The subcommittee recommends general fund of \$2,044,186 to offset federal medicaid cuts as a result of the following factors. The federal government reduced their percentage participation in the medicaid program. The federal match will decrease from 65.15 percent to 63.20 percent in FY '82 and from 65.34 percent to 62.73 percent in FY '83. Also, the subcommittee approved \$1,402,473 of general fund to replace federal funds that were withheld because of a federal sanction taken against the state. Due to reductions in the AFDC case load, the medicaid case load will also decrease. Therefore, some of this federal funds loss will be offset by reductions in the medicaid program.

Chairman Donaldson opened the meeting to question on this portion of Subcommittee III report.

APPROPRIATIONS COMMITTEE

November 17, 1981

Page 4

Bardanouve: Have there been any calculations made on the possible county cost in comparison to the savings made by discontinuing the unemployed parent program? My concern is that the savings here could shift a more costly burden to the counties and we could be losing money in the long run.

Cozzens: The committee also considered that question. This is an unpredictable situation. Some of these people could migrate to other states. Mr. LaFaver indicated in his testimony that some of these people can make more money on welfare so it doesn't make sense to them to go to work.

Quilici: I understand the SRS position on this but I wonder if the committee could look at the possibility of getting some of these "hard figures" and also seeing if we could get a smaller general fund appropriation and retain some of this federal money to get into the state for this program rather than put the burden on local government. How can you just do away with this program when you don't have these figures in front of you?

Cozzens: In part we are relying on the attorneys and the people from SRS. The majority of the committee felt there was enough evidence to support our recommendations. Your suggestion is another alternative.

Waldron: In their testimony SRS conceded that some of these people under the unemployed parent program would end up on county assistance. If we do away with the program and never address picking up some cost to the county we have done a tremendous disservice to the county, don't you agree.

Cozzens: As I indicated earlier, the county proposal has been updated and possibly something can come out of that to help them.

Hannah: If these people do go to the county for assistance is the county required by state statute to pick them up?

Cozzens: From the testimony of the counties it varies from county to county as to how strict they are and what is required of participants in order to qualify for assistance.

Being no further questions, Representative Cozzens proceeded with his presentation.

APPROPRIATIONS COMMITTEE

November 17, 1981

Page 5

-Alternative Accounting for Medicaid Accrual-

Since April, SRS has examined the budget control problems with the medicaid program. They have done two things. First, they have implemented a program to determine the date of service for bills being paid. This will enable them to properly record expenditures for services in the year the services were rendered. Second, separate responsibility centers are established in SBAS which will allow a better track to compare cash outlays to the Dikewood Report. Refer to page -B15- and -B16-.

The subcommittee included language in the appropriations bill to clarify the legislature's position on the medicaid accrual. Refer to page -B17- and -B18- for this language.

-Social Services Block Grant-

Refer to -B18-

-Matching Requirement-

Refer to -B18-

-Transfer Authority-

Refer to -B18-

-Title XX Funds Distribution-

Refer to -B18- and -B19-

Chairman Donaldson opened this portion of the presentation to questions from the committee.

Sen. Van Valkenburg: In discussing the Title XX Funds distribution I think you indicated that there is no longer a requirement for a general fund match. Did your committee discuss reducing the appropriation for that match out of our expenditures with respect to those Title XX funds?

Cozzens: No, we did not.

Van Valkenburg: In the subcommittee that I served on dealing with health issues (Subcommittee II) that was one area that raised a bit of controversy in respect to the Family Planning Title XX money. Our committee took out that general fund match.

APPROPRIATIONS COMMITTEE

November 17, 1981

Page 6

Cozzens: The general feeling of the committee was that the types of programs that these particular dollars would fund such as the DD program, social services program etc. were critical enough nature that we felt the dollars should remain in.

Van Valkenburg: I think the House should consider some consistency in regard to that general fund match money. It would be easier to take the ten percent match out and add it back into the other program funds. Either the match money should come out in both areas or stay in in both areas

Cozzens: History shows that Title XX funds have fallen short in funding programs such as DD and County Social Service programs and that we have been way over-matched in general fund monies for years.

Bengtson: Under the Transfer Authority on -B18- it says the state is authorized to transfer up to ten percent per fiscal year of its Title XX money for use in the health and/or low income energy assistance programs. Did your committee discuss this at all?

Cozzens: There wasn't a lot of discussion on this other than we felt these programs were priorities and we didn't want to shift any money out of the Title XX funds.

-Reduced Administrative Costs to Administer the Community Services and Low Income Energy Assistance Block Grants  
Refer to -B20-

-Low Income Energy Assistance Block Grant-

Refer to -B21- and -B22-

The subcommittee recommends transferring \$1,668,724 (10%) from this block grant to offset social service block grant cuts.

-Administrative Savings From Reorganization-

Refer to page -B23-

-Developmental Disabilities Division-

Refer to -B24- The department of SRS recommended reductions of current level DD services of \$625,000. The subcommittee approved reductions of \$325,000.

APPROPRIATIONS COMMITTEE

November 17, 1981

Page 7

Chairman Donaldson opened the meeting for questions on this portion of the meeting.

In regard to the Low Income Energy Assistance, there were some questions concerning abuses by the suppliers because they receive the money up front based on an estimation of the amount of fuel that will be used by the participants.

Moore: Under the new plan will payment be made directly to the provider.

Cozzens: From the information I have received, ideally they would like to pay directly from the bill but we don't have all that information at this time. Possibly Mr. LaFaver could address that later.

Bardanouve: Where is the unknown amount of dollars?

Cozzens: It is in the accounts of the suppliers.

Bardanouve: It appears that we are giving these suppliers an interest free loan if they have had this money since last year and will have it next year.

Waldron: There seems to be an unknown dollar amount as to how much the suppliers have in advance payments. Could we get some figures from at least Montana Power and Dakota Utilities as to how much this is since they are the two largest suppliers?

Cozzens: From the information submitted to our committee we were told that there are request letters out all over the state to suppliers and that the results of those inquiries have not yet come back.

There was discussion concerning abuses of this program by persons receiving benefits who really don't need them.

Representative Waldron pointed out that last year retroactive payments were made to people that came into the program late in the winter. SRS rule change proposed that the program starts paying when a person comes into the program and no retroactive payments would be made.

Ellison: Did you question the department on this outstanding money? It looks to me that they will have to audit the books of all the providers unless they just take their word for it. I am appalled by the lack of administration on handling these funds.

APPROPRIATIONS COMMITTEE

November 17, 1981

Page 8

Nordtvedt: Some of the figures I have heard that are paid for fuel under this program are higher than my own and I have a large house. What incentive do these people have to conserve energy.

Cozzens: SRS has developed a standard based on the size of the home and the number of people living in the home and they base the payments on the average cost to heat a home. The payments are made according to the schedule and the amount of the bill is not considered. If the bill is over the allotted amount it comes out of the persons own pocket. This is in a sense a built in incentive. The committee discussed a possible 5 or 10 percent match by the participant but decided it would cost more to administer such a program than it would save.

Quilici: In our area the fuel assistance programs and the weatherization programs are working together to make the homes energy efficient.

Representative Quilici also said that he has some problems with the abuses of this program and the way the payment is made to the suppliers because someone is getting a tax free loan, however, he stated, let's not forget that the fuel assistance program was implemented for people who need fuel assistance in the winter and we should look at the benefits of the overall program and not cut it just because there are discrepancies.

Representative Bardanouve said that during the hearing on November 3rd when the county testified, one of the things that they were concerned about was some of the rules that SRS passed in regard to general assistance. Chairman Donaldson said that he has asked Lee Heiman to look into the situation from a legal standpoint. It appears to be a complicated issue.

At this time Representative Stobie gave a report of the meeting on the Merit System Council. He stated that the subcommittee concurs with the report that is presently in the "Report to the House Appropriations Committee from Subcommittees I, II, and III.

Chairman Donaldson said that the meeting would adjourn until 1:30 and when we reconvened we would hear testimony from the various agencies and others wishing to testify.

Meeting adjourned at 12:00.

The meeting of the House Appropriations Committee reconvened at 1:30 p.m.

Chairman Donaldson opened the meeting regarding the report of Subcommittee III.

John LaFaver, Department of SRS, stated that the department is happy to learn that the subcommittee approved the basic request that was proposed by SRS. Mr. LaFaver said that the department did ask for general funds in three areas: as an offset to the \$7 million reduction for DD programs, for county assistance to help them carry the added burden that will fall to them, and a contingency measure to help the department cope with added federal cutbacks should they occur. He said that there are three areas that they will take issue with the committee. First is the Low Income Energy Assistance Program. The subcommittee has transferred \$1.7 million from the energy assistance program to the social services area and has reduced the general fund appropriation by that same amount. The consequence of doing that is simply to move \$1.7 million dollars to the general fund. He stated that the department has these basic objections with that. First, it is contrary to the intent of congress. Mr. LaFaver said that this is not a good example when it comes to the State trying to defend its position to congress on the block grant issue. The second concern is that this 10% cut will be placed on top of what appears to be a federal reduction of one-fifth. Therefore, the department will have a 30% cut in the LIEAP. In regard to the accountability of this program, Mr. LaFaver stated that he shares the concern of the committee and these problems are being looked into. He feels that the people who need this assistance should not be penalized because of discrepancies in the program.

The second area Mr. LaFaver addressed was the county assistance. He said that the department requested \$8.7 million which through an agreement with most of the counties has been reduced to \$8 million to offset state mandated cost in welfare programs. These costs include a portion of the county employees salaries, the county portion of foster care and the indirect cost that the department now charges the counties for doing their work. The subcommittee while not opposing this, sort of left it in limbo. Mr. LaFaver referred to the chart on page -B9- of the subcommittee report when he stated the following comments. He said that the staff reports that the subcommittee increased the appropriation to the department of SRS by \$4.9 million. That figure is not accurate. If you turn to page -B4-, he stated, and compare what the new general fund appropriation is to the old one you will learn that the appropriation has not been increased \$4.9 million it has been cut by \$4.2

APPROPRIATIONS COMMITTEE

November 17, 1981

Page 10

million. The difference between that \$4.9 million increase and the \$4.2 million decrease is \$9.1 million. (That is found on page -B4- grey page, lines 11 & 12) Medicaid accrual was \$9.1 million which was appropriated by the 1981 legislature and in reserve. This money was taken out of the general fund surplus. Our proposal, he stated, in regard to aiding the counties was not to increase the general fund appropriation from 1981 but to utilize this \$9.1 million reserve to meet the needs of the counties.

The third area Mr. LaFaver addressed was the \$5 million contingency fund requested by the department. This money was requested specifically to meet the needs of the medicaid program and the DD programs should further federal cuts be made. Mr. LaFaver said that he is very concerned about these two programs. He referred to a poll in the Great Falls Tribune that showed 75% of Montanan's polled did not agree with cuts in the Medicaid or DD programs and if it took added tax resources to keep the programs intact they would be in favor of that. In conclusion he asked that the committee reconsider some of their actions in these three areas.

The meeting was opened for questions by the committee.

Waldron: Congress has proposed to take an additional 5% cut in medicaid by changing the match formula. What dollar affect would this have on the program if implemented?

LaFaver: My recollection of that calculation is that it would take the State \$5 million in cash to make up for that cut. If it were not possible for us to make that cash up then it would come back to us in about a \$15 million program cutback because of the matching ratio there.

Bardanouve: In regard to the unemployed parent program do you think that we will come out ahead with many of these people falling back on county assistance?

LaFaver: In the long-run I think we will come out ahead. The long-run being 3 or 4 years down the road. In the short-run, from talking with the counties, I think we will break even since about one out of three on the program will go on county assistance and the county pays about one-third of the assistance it will be a wash out.

Bardanouve: In regard to the concerns expressed by the counties on the rules and regulations regarding making general assistance payments. Can we not make some changes in these rules?

APPROPRIATIONS COMMITTEE

November 17, 1981

Page 11

LaFaver: I think that we can. The bill that Representative Waldron has put in takes a step in that direction. We have also agreed with representatives of the counties as to how we would structure a program that would allow the counties, within the limits imposed by the state, to set maintenance standards and the open building criteria. It is a complex issue and one that is not going to be solved in a period of a few months.

Stobie: Who are the main recipients of the Low Income Energy Assistance?

LaFaver: About 6,000 out of the 17,000 participants are senior citizens.

Stobie: Isn't there some type of alternative heat some of these younger people could use such as wood stoves. Some of the people seem to me to be capable people who since they are out of work could go out and find their own fuel.

LaFaver: Contrary to some opinions, we do not pay whatever bill is run up. We have a payment standard that we pay by.

Cozzens: With reference to the 10% going to social services and this being a misuse of the transfer, as you stated earlier, it was my understanding that under the block grant, referring to page 289 of the LFA's report book 1, that transfer of up to 10% of the block grant funds was acceptable in the areas stated on that page. It was the understanding of the committee that those programs which would receive this money would fall under the social services program. I can not understand your conclusion based on that fact.

LaFaver: We are not going to run to the Fed's and say that the legislature acted incompetently. But, the bottom line is that administration asked for an increase of about \$6 million and the subcommittee approved \$4.3 million a difference of \$1.7 million. While that money ends up in social services it is not there by added services, it is there to offset general fund money and it simply adds to the state's general fund surplus.

Cozzens: In regard to your statement on the accrual fund, I thought that HB 500 line itemed this accrual, refer to B-4 of the grey copy line 12, and language put in the bill, on page B-7 line 3 thru 8, stating no cash expenditures could be made against this appropriation during FY '82, '83 or '84. That statement coupled with the boilerplate language on BP-7 line 20 sec. 18 makes it difficult for me to understand your statement.

APPROPRIATIONS COMMITTEE

November 17, 1981

Page 12

LaFaver: I am not saying that the totals are appropriations I am saying that item number 4 is an appropriation. Not an appropriation to spend but an appropriation to create a reserve. We are proposing that a portion of that reserve be allocated to the county.

Following questions by the committee, Chairman Donaldson opened the meeting for further testimony on the SRS portion of Subcommittee III report.

Grace Hicks from Great Falls testified representing the Low Income Senior Citizens Advocates. Ms. Hicks said that in regard to screening of nursing homes, she is very opposed to the proposal to screen them only once every three years instead of every year. She also stated that she is very much against the 10% transfer of funds from the Low Income Energy Assistance program. She said that this program originated from the wind fall tax from the oil companies and people should be aware of where this money comes from. She urged that the committee consider how little most of the senior citizens have to live on and reconsider cutbacks in the program. "When you cut back these programs you are jeopardizing the lives of the very ones who pioneered this country and struggled through the depression so you could have it so good."

Clara Dorn, senior citizen speaking on behalf of herself and other senior citizens in Montana, urged the committee not to cut the Low Income Energy program. Ms. Dorn, 81 years of age, said she was narrowly spared from freezing to death because she received assistance from this program. Ms. Dorn said that she will need help again this winter especially with the rising costs. She stated that she has two children who would take care of her but she does not want them to. She wants to remain an independent person and make her own way.

Opal Hougen, President of Chapter 198 of American Assoc. of Retired Persons, concurred with other testimony urging the legislators not to cut the Low Income Energy Program.

Howard Schwartz, Missoula, testified in support of the county-administration plan to provide counties with financial aid for new welfare costs due to Federal budget cuts, along with new county flexibility in setting benefit standards and eligibility requirements. A copy of Mr. Schwartz testimony is attached and is EXHIBIT 3.

APPROPRIATIONS COMMITTEE

November 17, 1981

Page 13

Millic Tiedemann, Great Falls M.P.P., stated that she believes the State of Montana has a responsibility to fund the energy assistance program for any citizen who has low income and is not able to pay their utility bills.

Rose Overton, representing Low Income Senior Citizens Advocates, concurred with other testimony.

Noreen Eddards, M.P.P., also testified concerning Low Income Energy Assistance and urged the committee not to cut the program.

Katherine Florez, coordinator of Project Energy and also representing LISCA, addressed the Low Income Energy issue and said that she is often told that there are other programs that will assist the elderly if they cannot get fuel assistance. However, she said, many elderly have saved a little money for their funeral expenses so they will not be a burden on their families and this disqualifies them from the other types of assistance. She said that her greatest concern is that if the 10% is removed the money will not be there when the elderly apply since it is a first come first serve program.

Linda Christians, Great Falls, said that she appeared before the subcommittee last week and testified in favor of the energy assistance program and against cutbacks in that program. She said that the money for this program originally came from social security as was brought out earlier.

Jane Delage, from Helena representing herself, submitted testimony from Marshall Shelden from Ekalaka (EXHIBIT 4) and Mardella B. Hardesty from Hot Springs (EXHIBIT 5). Ms. Delage concurred with the points brought out in this prepared testimony which is attached to these minutes.

Bob Peterson, representing himself, stated that he has worked in Montana for twelve years and paid taxes. He is not necessarily a supporter of the welfare system but he stated he has had a turn of bad luck lately and has been forced to turn his mortgage over to the creditor. He said his home is pretty cold and he does not own a chain saw, 4-wheel drive or a wood stove and has no other means of keeping his home warm. Mr. Peterson said that in answer to comments made earlier he would submit that in many cases there is no alternative way of keeping a house heated. Mr. Peterson said "I noticed in these

APPROPRIATIONS COMMITTEE

November 17, 1981

Page 14

chambers that the temperature is set at 72°, there are windows open throughout the building and the congress has passed legislation against this. I hope you guys sweat in peace up here".

Representative Pistoria read a letter from Dr. William A. Shields of Great Falls endorsing the concept of community action programs. A copy is attached and is EXHIBIT 6 of the minutes.

Chairman Donaldson announced that the committee would recess for a ten minute break. (3:20 to 3:30)

Following the break Chairman Donaldson said that at this time Representative Cozzens would present the remainder of the report for Subcommittee III.

LABOR & INDUSTRY

Representative Cozzens gave an overview of the committee action in the Department of Labor and Industry. There are four changes to their budget. The net effect is a reduction in federal authority of \$1,826,012 in FY '82 and \$1,940,587 in FY '83. There is also an overall reduction in FTE's of 115.62 in FY '82 and an additional 6.30 FTE's in FY '83. The changes are discussed on page -B7- and -B8-.

There were no questions by the committee on this portion of the subcommittee report.

Dave Hunter, Department of Labor & Industry, stated that the department supports the recommendations of the committee, however, he does have two concerns in regard to the programs they operate in Montana. First of all in the CETA area: CETA is really the only job training program in Montana. It is 100% federally funded and if the federal government continues to remove funds from this program we may end up without a job training program in Montana. The department will probably be addressing this in the next legislature. One alternative that the department has is being discussed at the national level and would require state match for CETA. If this happens we would be asking the legislature for additional general fund money. The other concern that I have, he stated, is related to the unemployment insurance program. Mr. Hunter said that they will be able to keep open all of the job service offices in the state with the present funding. Any

APPROPRIATIONS COMMITTEE

November 17, 1981

Page 15

additional cutbacks will mean that some offices will have to start closing. Some of the smaller communities would have to go to larger towns to file claims and then would have to mail their claims in for subsequent weeks. Mr. Hunter said this makes the unemployment insurance system a "mail order benefit operation". It will be my recommendation, he stated, to the Governor that if this happens there be some general fund to support this operation.

There were no further witnesses on this portion.

Representative Donaldson presented a comparison of general fund revenue estimates. He used charts to illustrate his presentation. An overview of this presentation is attached and is EXHIBIT 7 of these minutes.

Following this presentation Chairman Donaldson announced that the committee would recess until 4:30 at which time they would reconvene in room 104 for executive session on HB 2.

Meeting recesses at 4:00 p.m.

Respectfully submitted:

  
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GENE DONALDSON/Chairman

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Cathy Martin/Secretary

Briefing Paper for House Appropriations Committee Members

Prepared by: Montana Department of Commerce

EDA Line Item Budget Request

Summary of Request:

Shift line items of \$235,000 federal funds with \$59,000 in state match from grant/pass-through to operating costs. This would allow for support of two FTE's for in-state business assistance as well as retain \$150,000 of the total for grant/pass-through activities in keeping with the original program guidelines of the 304 program.

The shift would allow the Department to maintain a moderate effort of 2.5 FTE's for in-state business assistance, which would be added to a continuing function of two FTE's for out-of-state requests and one FTE for the business licensing center, for a total of 5.5 FTE's.

Background

The funds in question for the Department's economic development program (\$235,000 of federal funds with \$59,000 in General Fund match) fall under the program guidelines of the EDA 304 program. In order to shift use of these funds from all grant/pass-through to cover some operating expenses, the Department submitted a project proposal to EDA which outlined a work plan for the use of the funds. EDA approved use of the funds with this work plan in mind.

Work Plan for Use of the Funds

The EDA grant agreement commits the state to the following budget:

Direct Costs:

Personnel Costs	\$ 113,303
Contractual	152,154
Other	16,300
Indirect Costs	12,000
Total Budget	\$ 293,757

The category of funds labeled Contractual will be used to carry out grant and assistance activities of direct benefit to local communities and businesses. These activities will include:

- training seminars in business skills for small businesspeople  
(to be planned to compliment existing training organizations)
- management and retail sales training
- feasibility of profitability for specific businesses in specific locations
- training seminars for community leaders in community development skills,  
to help communities prepare for business expansion in a professional  
fashion
- grants to contract specialized technical assistance for businesses and  
communities, such as marketing studies
- training and assistance to businesses in areas of export and international  
trade

## SRS HB 500 Comparison with Subcommittee III Recommendation

	<u>Fiscal 1982</u> <u>General Fund</u>	<u>Fiscal 1982</u> <u>Other Funds</u>	<u>Fiscal 1983</u> <u>General Fund</u>	<u>Fiscal 1983</u> <u>Other Funds</u>	<u>Total</u> <u>General Fund</u>
HB 500	\$82,343,700	\$24,612,726	\$31,867,418	\$25,479,633	\$114,211,118
Subtract Accrual not to be Spent	(4,350,000)		(4,785,000)		(9,135,000)
Adjust Medicaid for 2 Years	(27,931,063)		27,931,063		
HB 500 Adjusted (Separated medicaid into 2 years & Subtracted Accrual)	<u>50,062,637</u>	<u>24,612,726</u>	<u>55,013,481</u>	<u>25,479,633</u>	<u>105,076,118</u>
Subcommittee	<u>54,143,224</u>	<u>23,300,181</u>	<u>55,836,770</u>	<u>24,706,738</u>	<u>109,979,994</u>
	\$ 4,080,587	\$(1,312,545)	\$ 832,289	\$ (772,895)	\$ 4,903,876

DEPARTMENT OF  
SOCIAL AND REHABILITATION SERVICES

EXHIBIT 2



TED SCHWINDEN, GOVERNOR

P.O. BOX 4210

STATE OF MONTANA

HELENA, MONTANA 59604

September 11, 1981

To: Governor Ted Schwinden  
From: John D. LaFaver, Director   
Subject: SRS Response to Federal Budget Reductions

When you set the standard of a "cost-conscious, people-sensitive administration" in your State of the State message, few of us appreciated what a challenging standard that would be to bear.

Within the first year of the administration we are faced at SRS with federal budget action that would reduce agency budgets by \$31.8 million during the next two years. These reductions were based on the premise that fewer federal regulations would enable the state to preserve services even in the face of fewer federal dollars. While the federal budget cuts have been made with some abandon, there are few examples where the department has been provided additional flexibility in spending federal dollars.

Our challenge has been to develop a proposal that will keep basic services intact while identifying and eliminating costs not vital to providing basic services.

We are not recommending state dollars to offset cuts in programs that are entirely federally funded. In most of these areas we are precluded from offsetting federal reductions (e.g. food stamp and AFDC eligibility).

We do recommend reallocating dollars within the department's existing appropriation from programs that, while partially supported with federal funds, have strong state legislative mandates and fiscal commitments. In many of these areas we have previously used federal dollars to meet what would otherwise have been state fiscal commitments.

As we have discussed, Montana's counties would bear a significant added burden under the federal proposal. Included within our proposal are \$8.8 million to move certain state-mandated welfare costs from the counties to the state. In this way we can help counties provide basic services without further property tax burden.

Our proposal would require an additional general fund appropriation of \$7.3 million during the biennium.

Finally, I would like you to know of the tremendous effort on the part of department employees, provider organizations, county officials, advisory groups, and many interested citizens in developing cost-saving techniques incorporated in this proposal. The effort has truly been "cost-conscious and people sensitive".

I. SUMMARY

Federal action would reduce the SRS budget by \$31.8 million over the biennium. Of that amount, \$8.2 million is not recommended to be offset by state action. The remaining \$23.6 million is proposed to be offset by reducing administrative costs, tightening eligibility and spending unneeded reserves.

In addition, we propose to assist the counties in coping with increased welfare costs occasioned by the reductions.

A total of \$7.3 million added general fund appropriation is needed during the biennium.

Even after the recommended changes, state programs will experience an \$18.1 million reduction over the biennium. While these reductions are substantial, they come basically as a result of strengthening eligibility requirements and effecting administrative savings.

II. FISCAL SUMMARY OF PROPOSAL

I. <u>Federal Changes</u>	<u>FY82</u>	<u>FY83</u>	<u>Biennium</u>
A. <u>Cuts With No State Assumption</u>			
AFDC Eligibility.....	1,108,000	1,972,000	3,080,000
Medicaid Reduction From			
AFDC Ineligibles.....	835,000	1,559,000	2,394,000
CSA Block Grants.....	1,361,265	1,361,265	2,722,530
2 - TOTAL	3,304,265	4,892,265	8,196,530
B. <u>Cuts With Recommended State Offset</u>			
Medicaid Matching Rate.....	1,636,849	2,759,113	4,395,962*
Medicaid Fiscal Sanction.....	1,402,473	-0-	1,402,473*
Social Services Cuts.....	4,720,604	2,667,304	7,387,908
TOTAL	7,759,926	5,426,417	13,186,343

*Match 3/1*

II. Action Taken Or General Fund Needed To Offset Federal Reductions

General Fund Savings Of Federal			
AFDC Cut.....	315,865	562,172	878,037
General Fund Savings Of Federal			
AFDC Medicaid.....	289,411	540,349	829,760
State AFDC Cuts Of \$1,620,000 In FY			
82 and \$676,000 In FY 83 Generate			
General Fund Savings Of.....	461,825	192,712	654,537
Medicaid Ineligibility Resulting			
From State AFDC Change Cuts			
Medicaid By \$981,000 and			
\$2,158,000.....			
	340,015	747,963	1,087,978
Other Medicaid Cuts Of \$1,597,732			
And \$1,017,371 Generate General			
Fund Of.....	547,554	337,124	884,678

Social Service Cuts Of \$752,913 and \$1,117,952 Generate General Fund Of.....	609,282	952,312	1,561,594
Reduce Accrual Reserve.....	5,195,974	2,093,785	7,289,759
TOTAL	7,759,926	5,426,417	13,186,343

\*If this \$5.8 million reduction is not offset by state action, total welfare spending would need to be reduced by \$16.2 million because federal dollars are generated through a 3:1 match.

III. Recommended Budget Reductions

Federal Cuts With No State Offset.....	3,304,265	4,892,265	8,196,530
Tighten State AFDC Eligibility.....	1,620,000	676,000	2,296,000
Medicaid Savings From State AFDC Changes.....	981,000	2,158,000	3,139,000
Other State Medicaid Savings.....	1,597,732	1,017,371	2,615,103
Social Service Savings.....	752,913	1,117,952	1,870,865
TOTAL Reductions Recommended	8,255,910	9,861,588	18,117,498

III. GENERAL FUND SUMMARY OF SRS PLAN

1. Welfare:

AFDC	\$ 777,690	\$ 754,884
Medicaid	(1,862,342)	(1,133,677)
Total Additional Welfare Needs	(1,084,652)	( 378,793)

2. Total Additional  
Social Services Needs

(4,111,322)	(1,714,992)
-------------	-------------

Additional Resources  
For State Needs

(5,195,974)	(2,093,785)
-------------	-------------

3. Assistance to Counties

(2,765,677)	(6,023,906)
-------------	-------------

Total Additional  
Resources Needed

(7,961,651)	(8,117,691)
-------------	-------------

Accrual Reserve Offset

8,800,000	2,
-----------	----

Net Additional General  
Fund Required

<u>(7,279,342)</u>
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IV. AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC)

2

Under Congressional changes to this program, expenditures during the biennium will be less than the State Legislature appropriated. These changes come about through more restrictive definitions of who can be eligible for benefit payments. The changes will reduce the size of the payment working recipients may receive and reduce the number of recipients covered by the program. In addition, the Department has taken or is proposing initiatives allowed by federal regulations which will further reduce expenditures. These initiatives will delay raising the payment standard from 50% of the poverty index to 55% and will remove coverage for intact families with both parents unemployed.

Both Federal law changes and SRS initiatives will cause a \$2,728,000 expenditures reduction in FY 82 (of which \$777,690 are State general funds and \$167,833 are county funds). In FY 83 there will be a \$2,648,000 expenditure reduction (of which \$754,884 are State general funds and \$162,913 are county funds). The total caseload will eventually be reduced from 7125 households per month to 5475 during the biennium.

GF

1651  
less

A. Federal Law Changes

1. Changes in the method of calculating recipient payments affect 800 households per month which earn some income. These changes include limiting the work expenses that may be offset from income (i.e. travel and day care primarily) and reducing the amount of earnings that may be excluded from consideration. The earnings exclusion is limited to four months. In addition, the federal earned income tax credit must be included as income whether the recipient has actually arranged to receive the amount or not. The number of households with workers covered by the program is projected to be reduced from 800 to 560 per month. These changes will reduce the average payment of the remaining households with workers by \$50 in FY 82 and by \$54 in FY 83. All together there will be a \$320,000 reduction in FY 82 and a \$520,000 reduction in FY 83. General fund effect is:

GF \$ 91,225 \$148,240

2. Income of stepparents will now be considered in calculating payments which will affect 780 households per month now covered

General Fund  
Saved/(Required)  
FY82      FY83

by this program. Once this requirement is in effect, there will be no household with both a stepparent and a natural parent receiving a payment. The effect is a \$523,000 reduction in FY 82 and an \$875,000 reduction in FY 83 with general fund savings of:

\$149,095    \$249,443

- 3. The number of months that a pregnant woman with no other children may be covered by the program is reduced from the full term of pregnancy to the last trimester. In addition, only the payment requirement of the woman may be considered; no payment may be included for the unborn child. The current average monthly caseload of 400 households with unborn children will be reduced to 260 households per month. The remaining households will experience a payment reduction of \$63 per month in FY 82 and \$69 per month in FY 83 ( the amount that would have been included for the unborn child). All together there will be a \$265,000 reduction in FY 82 and \$577,000 reduction in FY 83 with general fund savings of:

\$ 75,545    \$164,489

- 4. There are two other changes for which no reductions have been estimated. Recipients or applicants who receive occasional "lump sum" income will be ineligible for the period of time that this income would have met basic living needs. Also, strikers cannot be eligible for program payments. General fund effect is:

\$ -0-      \$ -0-

B. SRS Initiatives

- 1. In the last legislative session, the Legislature approved raising the payment standard from 50% of the poverty index to 55%. With evidence that the number of families using the program was higher than the number used to calculate the appropriation, SRS delayed adjusting the payment standard to 55%, implementing only the cost-of-living adjustment on the existing base in August 1981. SRS is continuing to postpone this increase until January 1982 in order to adjust for the unbudgeted caseload and to offset other federal reductions. This affects an average of 7038 households per month for six months causing payments to be \$13 per month less

2

General Fund  
Saved/(Required)  
FY82      FY83

on the average than they would have been if the payment standard had been increased in July. This causes a \$559,000 savings in FY 82. The general fund effect is:

\$159,358 (\$466,101)

2. SRS is proposing elimination of the "unemployed parent" group from AFDC coverage effective January 1982. Unlike other AFDC cases, these households have an intact family with two potential earners. In two-thirds of the households currently assisted per month, the primary earner who has lost his job has already had benefit of six months of unemployment compensation, providing considerable time for one of the parents to have obtained employment. The availability of AFDC after unemployment compensation runs out may be a disincentive for a person to actively pursue employment outside one's traditional field or present residential area during the unemployment compensation coverage. The one-third who have not had benefit of unemployment compensation may very well apply for county general assistance once AFDC is no longer available. Counties have well established work requirements which can better limit benefits to those willing to work. Although there may be increased county expenditures, the costs will be offset by our proposal to pick up certain administrative and program costs previously paid by counties. The result of this proposal would be elimination of payments to 490 households per month for the last six months of FY 82 and throughout FY 83, amounting to a \$1,061,000 FY 82 reduction (of which \$302,467 are State general funds) and a \$2,311,000 FY 83 reduction (of which \$658,813 are State general funds). General fund effect is:

\$302,467      \$658,813

Total AFDC General Fund Effect:

\$777,690      \$754,884

V. MEDICAID

Congress has both reduced the percentage of federal funds that may be matched with State funds and provided new opportunities for states to contain program costs. The federal match will fall from 65.15 % to 63.20 % in FY 82 and from 65.34% to 62.73% in FY 83. The reduced federal funds will cause an increased general fund requirement of:

(\$1,636,849)(\$2,759,113)

*assuming pickup*  
6

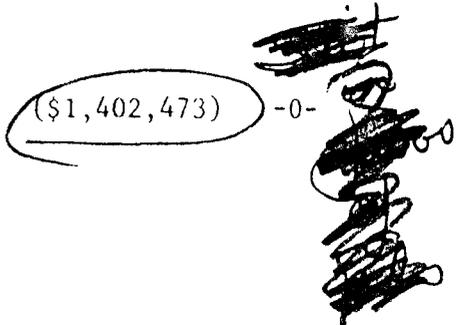
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General Fund  
Saved/(Required)  
FY82      FY83

SRS proposes making up for the loss in the federal share by reducing certain Medicaid program expenditures and transferring general fund savings made in the AFDC program. Expenditures will be reduced as a result of federal and state reductions in the number of AFDC recipients who can use the Medicaid program, the consolidation of intensified Early and Periodic Screening, Diagnosis and Treatment (EPSDT), postponement of non-institutional medical provider rate increases, and limiting payment for Medicaid's share of joint Medicaid/Medicare claims to State Medicaid rates.

These savings allow the present biennium general fund appropriation for Medicaid along with general fund transfers from reductions in the AFDC program to support the State's higher match requirement. In addition, the Department is requesting a \$1.4 million general fund appropriation to replace federal funds withdrawn due to a sanction taken against the State. The action was pending during the legislative session and the appropriation sub-committee was informed of the potential liability. The increased general fund need is:

((\$1,402,473) -0-)



New cost containment opportunities will be made effective as federal regulations are published and reviewed. Once the regulations are received, SRS will evaluate the cost effectiveness of each approach to cost containment and implement accordingly, although such efforts may generate further reductions, no estimate can be made at this time. Public hearings will be held prior to any implementation of further efforts to contain Medicaid costs.

A. Savings Generated

1. The reductions in AFDC eligibility requirements will reduce the average monthly number of AFDC recipients who would use the Medicaid program. The reduced Medicaid usage reduces Medicaid expenditures by \$1,816,000 in FY 82 and \$3,717,000 in FY 83. General fund savings are:

\$629,426    \$1,288,312

2. Effective October 1, 1981, information about EPSDT services will be distributed through county eligibility workers and periodic notices included with AFDC checks. The active outreach efforts of the recent past will be terminated. Contracts for special health screening clinics will also

2

General Fund  
Saved/(Required)  
FY82      FY83

be terminated, relying on regular medical practitioners for this service. Medicaid expenditures will be reduced by \$185,232 in FY 82 and \$267,371 in FY 83. General fund savings are:

\$ 53,476    \$ 77,174

3. In the last legislative session, payment rates to Medical providers (other than nursing homes, hospitals and home health agencies which are on cost reimbursable basis) were raised 10% beginning on July 1, 1981 and another 10% increase on July 1, 1982. SRS has delayed making the first increase until January 1, 1982, to minimize the deficit that must be made up due to be reduced federal financial participation. This six-month postponement reduces Medicaid expenditures in FY 82 by \$850,000. General funds savings are:

\$299,115    -0-

4. Certain recipients are eligible for both Medicaid and Medicare benefits. SRS coordinates with Medicare about paying for the 20% for allowable charges not covered by Medicare. Until recently, SRS has paid this balance according to Medicare rates which are, on the average, higher than rates paid by the State's Medicaid Program. By paying the balance according to Medicaid rates and on the same basis as all other Medicaid claims are paid, expenditures will be reduced by \$562,500 in FY 82 and \$750,000 in FY 83. General fund savings are:

\$194,963    \$259,950

Total Medical General Fund Effect:    (\$1,862,342)    (\$1,133,677)

VI. FOOD STAMPS

The federal changes in food stamp are going to primarily affect those food stamp recipients having earned income. The change will reduce the amount of food stamps to about 5,000 food stamp cases in which there is earned income, at an average change of about \$40. Of these 5,000 cases that will receive less food stamps, it is estimated that about 1,500 cases will be closed.

There are about 18,000 cases receiving food stamps, 6,000 of which are elderly, 5,000 of which are on AFDC, about 5,000 of which have earned income and the remaining 2,000 are singles or families, either disabled or unemployed. The federal changes will not

affect the elderly and handicapped and their earned income. But the 130% of poverty ceiling of eligibility will affect about 5 to 10% of these groups.

Congressional changes will not affect state appropriations. State and county matching funds are required only for administrative costs, which remain unchanged. Food stamp outreach contracts are terminated October 1. It makes little sense to conduct outreach at the same time eligibility for the program is being restricted. Other changes in eligibility and amount of food stamps to be made available are federally mandated and do not allow for state options. Total food stamp general fund effect:

\$ -0-    \$ -0-

VII. LOW INCOME ENERGY ASSISTANCE PROGRAM (LIEAP)

Congress has left LIEAP almost unchanged and has authorized expenditures for FY 82 at the same level it is now (estimated to be \$11.1 million in federal FY 82). If the President receives his request for a 25% reduction in the amount to be appropriated, \$8.2 million will be available in federal FY 82. Since ~~there~~ is no state match required, state funds are not involved. However, there is the option to transfer 10% of the LIEAP funds to the Social Services block grant program.

SRS will implement a series of cost containment efforts to meet the possible 25% reduction, a possible transfer of 10% to other block grant programs, and the possible use of up to 15% of the LIEAP grant for weatherization (i.e. insulation and weather stripping) of low income residences. The weatherization option will be implemented only to the extent that, within a relatively short period of time, the weatherization investment would be offset by reduced fuel assistance payments.

SRS will implement the following cost containment efforts in sequential order until the expenditures are in balance with federal funds available.

- A. Pay actual fuel bill costs incurred, rather than the amount estimated at the beginning of the year.
- B. Limit eligibility criteria to include only the financially needy elderly and disabled.
- C. Limit coverage to winter months only, rather than the entire year.

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General Fund  
Saved/(Required)  
FY82      FY83

D. Cut off intake of applicants when estimated expenditures meets federal funds available.

Public briefings will be held prior to the publication of state rules and their implementation.

Total Energy Assistance General Fund Effect:      \$ -0-      \$ -0-

VIII. COMMUNITY SERVICES BLOCK GRANT (CSBG)

The community services block grant replaces categorical programs formerly authorized by the Economic Opportunity Act and administered by the federal community services administration (CSA), the successor agency to the office of economic opportunity (OEO). The new block grant will be federally administered by the department of health and human services (HHS). The purpose of the block grant is to "provide services having a measurable and potentially major impact on the causes of poverty" including activities in employment, education, housing, emergency assistance, self-sufficiency and community involvement.

Appropriations

During FY 81, CSA granted \$2,291,615 to the state's ten human resource development councils (HRDCs), \$240,500 to the seven tribal organizations, \$103,100 to low income senior citizen advocates (LISCA), and \$67,650 to the state economic opportunity office, for a total of \$2,702,865. ?

Congress has authorized \$389,375,000 for FY 82 and the succeeding four years. The actual appropriation is expected to be less. We anticipate a state allocation of \$900,000 to \$1,341,600, a substantial decrease. In addition, the Secretary of HHS is authorized to make grants directly to Indian tribes and organizations. These grants would be substracted from the state allocation.

Implementation

In FY 82, no less than 90% of the state allocation must be channeled to existing HRDCs for local anti-poverty efforts and for coordination with other programs administered locally by the HRDCs, e.g., fuel assistance, weatherization, youth employment. In FY 82, no less than 90% must go either to HRDCs or to local governments for anti-poverty efforts.

Up to 10% of the state allocation may be transferred by the state to senior citizen programs, headstart programs, or energy crisis intervention programs. No more than 5% can be used for state administration.

An equitable formula is being devised by the state for distribution of funds. Consideration will be given to administrative efficiency and program effectiveness as well as to population, percent of poverty, and land area. Competition for grants may also be advisable.

No federal regulations are expected for this block grant. The law requires biennial audits, legislative public hearings, and publication of the use to be made of the funds. HHS is allowed to administer the program based on present grantees and pro-rated budgets until the state assumes administration or until September 30, 1982 at the latest. SRS recommends state assumption of this block grant on January 1, 1982. Three HRDCs would need funds from HHS between October 1 and January 1.

The department requests no additional general fund to offset federal reductions. Administrative savings of \$800,000 realized as the department assumed responsibility for the HRDC programs serve to partially offset reductions in community services, low income energy, and labor programs.

IX.    SOCIAL SERVICE BLOCK GRANT

Congress has combined federal social services funds (commonly referred to as "Title XX" funds) with social service training funds into a block grant and proposed funding at approximately 80% of fiscal year 81 levels. The funds are presently utilized in large part to provide social services, including social worker and homemaker services, in county welfare offices and for services to the developmentally disabled. The funding reduction would cause an increased state general fund requirement of:      (2,648,104) (2,667,304)

The federal department of health and human services is expected to pay funds to states on a quarterly basis rather than the current method of reimbursing for qualified expenditures as they occur. Because the federal fiscal year differs from the state fiscal year, the state, on a one-time basis only, will receive only three-fourths of the federal funds in state FY 82. This procedure has a one-time general fund effect of:      (2,072,500)      -0-

SRS proposes to partially offset the loss of federal funds by reducing or eliminating program expenditures:

A.    Program Reduction

1.    Reorganization of the economic assistance and community services divisions will serve to reduce expenditures by \$172,200 in FY 82 and \$191,270 in FY 83. General fund savings are:      145,400      159,702
2.    Decentralization of the merit system would allow for continuation of employment based on merit and still yield savings of \$40,000 in FY 82 and \$80,000 in FY 83. General fund savings are:      17,716      38,792
3.    SRS has provided legal assistance to low income individuals through a contract which supplements funds available to Montana legal services. Terminating the contract would reduce expenditures by \$50,000 in FY 82 and \$100,000 in FY 83. The total savings are general fund:      50,000      100,000
4.    By consolidating functions of central office and regional staff of the developmental disabilities division and reducing supplies, travel and rent, expenditures can be reduced by \$113,000 in FY 82 and by \$149,400 in FY 83, all of which is general fund:      113,000      149,400

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General Fund  
Saved/(Required)  
FY82      FY83

5.	Proposed reductions in administrative costs of contract providers of services to the developmentally disabled would reduce costs by \$208,000 in FY 82 and by \$417,000 in FY 83. All saving are general fund:	208,000	417,000
6.	By eliminating 7½ vacant administrative positions, foregoing proposed equipment acquisitions, reducing the number of telephones, and changing mail procedures, expenditures can be reduced by \$169,713 in FY 82 and by \$180,282 in FY 83. General fund savings are:	<u>75,166</u>	<u>87,418</u>
Total Social Services General Fund Effect:		<u>(4,111,322)</u>	<u>(1,714,992)</u>

2

X. ASSIST THE COUNTIES IN COPING WITH FEDERAL WELFARE CHANGES

The federal action limiting AFDC eligibility carries with it the potential for a substantial adverse impact for Montana's counties. While a portion of the individuals whose benefits are discontinued will likely support themselves in other ways, some may continue to be indigent and qualify for county general assistance. Even if only a fraction of the caseload shifts to general assistance, the additional financial burden on the county tax base would be substantial. Presently counties pay only about six percent of AFDC costs and do not share in Medicaid expenses. General assistance costs are borne entirely by the counties.

In order to keep the financial impact from being shifted from the federal to the county governments, we propose that the state offset what would otherwise be the counties' added costs.

We recommend the state pay all of the state-mandated staff costs in which the counties presently participate. Since the state presently determines how many employees county welfare offices employ and how much each may be paid, the counties have no control over these expenditures. It is only fair, then, for the state to pay staff costs not paid by the federal government.

In addition we recommend that the state pay state mandated costs relating to foster care and indirect costs.

The total savings to the counties (and cost to the state) is detailed below.

Proposed Cost Savings to Counties

	<u>FY 82</u>	<u>FY 83</u>
County Directors and Eligibility Staff.....	1,473,904	3,205,029
State Indirect Costs.....	283,508	589,769
Foster Care.....	529,548	1,165,006
Social Workers.....	403,742	897,397
Homemakers.....	74,975	166,705
	-----	-----
Total County Savings.....	\$2,765,677	\$6,023,906

In summary, our proposal to assist the counties in coping with federal welfare changes will accomplish the following:

- 1) Reduce the county fiscal burden of what are basically state mandates;

- 2) Provide property tax relief;
- 3) Eliminate continuing controversies with counties over who should pay what; and
- 4) Simplify an overly complex and administratively costly accounting structure;
- 5) Allocate state dollars to offset the increasing county welfare burden resulting in federal action.

XI. REDUCE ACCRUAL APPROPRIATION

The last legislature appropriated \$9 million for SRS medicaid accruals. The purpose of these accruals is to reserve an amount of general fund needed to pay medicaid bills incurred but not yet paid. The procedure of appropriating separate items for these accruals was initiated last session and served to overstate the department's biennium operating budget by over ten per cent.

The department proposes to eliminate what we feel is an unnecessary and awkward procedure for accounting for these accruals. The result would be to reduce the appropriation for the accrual by \$8.8 million and use the freed up amount to make up for federal cuts the department is not able to make up through administrative action. In this way, resources will be allocated to areas most in need. The recommended change is consonant with the state's accounting procedures and with prior legislative action.

XII. ADMINISTRATION OF AGING PROGRAMS

During the last legislature, debate over the administrative structure of aging programs centered on House Bill 755. The bill would have created a single state level administrative structure in place of the recent seven area agencies.

Since the legislature, controversy has continued, particularly in Cascade, Flathead, Hill and Missoula Counties. These counties contend that the areas they are a part of are overly costly and unresponsive to their requirements. On the other hand, the smaller counties in those areas fear that if the large counties were to leave the areas, there would be inadequate resources remaining to administer their affairs.

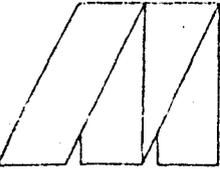
Last year approximately \$645,000 was spent by the state and area agencies to administer approximately \$2.8 million of actual services. Administrative costs represent about 25 percent of program costs. By any reasonable standard, administrative overhead of 25 percent is excessive.

State administrative costs in FY 82 have been reduced by nearly 25 percent as a result of reorganization. The \$70,000 savings helps assure continuation of basic services to the elderly through the Medicaid program. We recommend that area budgets likewise be trimmed 25 percent, from \$375,000 to \$280,000. This change would allow total state and area administrative costs of \$480,000 or 17 percent. The savings would be allocated to provide additional services at the county level.

In order to establish tighter administrative accountability with the areas, we intend to allocate funds to them through contracts rather than through grants.

We hope these procedures will serve to strengthen administrative ties with the larger counties and services to senior citizens particularly in underserved areas.

D09/R-V



# MISSOULA COUNTY

BOARD OF COUNTY COMMISSIONERS

• Missoula County Courthouse • Missoula, Montana 59801

(406) 721-5700

November 12, 1981  
BCC-81-846*Presented by  
Howard  
Schwartz*

TO: ALL MISSOULA LEGISLATORS  
FROM: BOARD OF COUNTY COMMISSIONERS  
RE: WELFARE PROPOSALS

We are writing in support of the County-Administration Plan to provide counties with financial aid for new welfare costs due to Federal budget cuts, along with new county flexibility in setting benefit standards and eligibility requirements.

We are presenting the following information: I. A statement of the problem; II. A brief financial analysis; and III. A statement of our preferred solution.

## I.

It seems to us that the major impact on the County stems from changes in the AFDC eligibility requirements. In general, people who will no longer be eligible for AFDC will still be eligible for County general assistance and County medical payments. The law mandates that the County Commissioners are responsible for providing assistance to those who are needy. The changes in AFDC eligibility can be placed in two categories: 1) those that are mandated by the Federal government as a result of Congressional action and changes in Federal regulations; and 2) those that have been initiated by the State.

Since we have no control over Federal laws and Federal regulations at this time, there is no need to deal with them at any length. As far as the State regulations are concerned, that is one of the critical questions to confront you. The principal proposal that has been made is to eliminate the unemployed parent group from AFDC coverage starting January, 1982. The analysis we have made on our own indicates that the impact on Missoula County could be considerable. If only one-half of the families who are currently receiving AFDC on this program went on County general assistance, the cost to the County for the remainder of the biennium could be as much as \$150,000. This figure does not include expenses for County medical payments, which could be sizable for this group of people.

The uncertainty about County medical payments for unemployed fathers is only a very, very small part of the uncertain picture that we face. There is very little way of knowing the percentage of those people who are no longer eligible for other AFDC payments because of Federal changes that will ultimately wind up on the County welfare rolls. In addition, the uncertain economic climate in Missoula has made all of us in Missoula very uneasy. The Job Service Office in

Missoula tells us that there are currently 1,600 recipients of unemployment compensation. A number of them are exhausting their unemployment compensation each week. Given the state of the Missoula economy and the difficulty in finding work, it seems likely that a good percentage of them will wind up on either AFDC or County general assistance. It is, of course, impossible to calculate the number of cases involved here; but what must be stressed is that some portion of the people who will run out of unemployment benefits, who would have been covered under the old rules for AFDC, will now not be eligible for AFDC, but will be eligible for County welfare. It is these costs--that we can't anticipate--that the County will have to bear as a result of the changes at the Federal level and changes proposed at the State level. Therefore, it seems to us that, since the State has proposed certain changes in the eligibility requirements and since the State bears the ultimate responsibility for implementing Federal assistance programs, the State owes the County a share of the costs involved in the implementation of these programs.

Missoula County is willing to pay its fair share, but it is unwilling to assume greater costs that have been thrust upon it by decisions made outside of the County. We have done all we can to contain costs at the local level. The County Commissioners cut back the request of the Welfare Director significantly during the budget process, and the Welfare Director does all she can within the law to minimize payments to welfare recipients. We do not necessarily feel proud about this; but given the hard economic times, it is perhaps the best thing to do.

There is virtually no place to cut in general assistance programs. By and large, recipients do not receive any cash. They receive vouchers for rent and food; medical costs are paid directly by the County. Possibilities of fraud are so few that it will be unrewarding to look there for savings. Tightening eligibility requirements will certainly help, especially in excluding some single able-bodied people; but since the new influx of County recipients are likely to be families with children, we are not optimistic that the welfare load can be reduced. We are planning to institute a working welfare program. As in the other counties, this will discourage some applicants for general assistance; but in the face of a worsening economy, there will still be an increase in need.

II.

Our analysis of the situation yields the following data. The County Poor Fund budget for FY'82 is approximately \$1.4 million--this breaks down as follows:

Salaries (County share of State personnel)	418,000
GA/County Medical	518,000
Foster Care (County share)	125,000
AFDC (County Share)	210,000
Emergency Aid (County Share)	18,000
Other County Programs	125,000

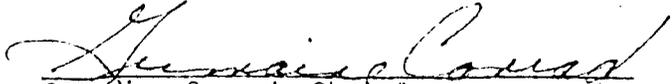
We anticipate at least a 20% reduction in AFDC cases due to changes in Federal eligibilities. This will save the County \$40,000. Offsetting this gain will be the increase in AFDC caseloads due to exhaustion of unemployment benefits. Many of these individuals and families are already applying for general assistance. Further increases are expected as AFDC termination notices are sent out. If unemployed fathers are removed from AFDC eligibility as Mr. LaFaver proposes, some 50 families will lose their eligibility for AFDC and become eligible for general assistance and County medical. Even if only half are ultimately granted County aid (because of tightened eligibility and "workfare" requirements), it would constitute a 70% increase over the FY'81 average of 36 families per month. Since there is likely to be a large number of additional families on County welfare, a doubling of the general assistance and County medical caseload is a fair estimate. A similar increase is likely among singles and transients as well. If we accept a doubling of the general assistance and County medical conditions as possible, we could expect an increase of \$250,000 in the figures for the rest of FY'82 (January-June), and an increase of \$500,000 for FY'83 or a total of \$750,000 for the biennium. This figure coincides closely with what Mr. LaFaver suggested returning to the Counties in salary costs and foster care costs--this all suggests that Mr. LaFaver knew what he was doing in making that suggestion. An increase of \$500,000 in Poor Fund expenses would bring it well over the 13.5 Poor Fund mill levy limit. Cascade and Silver Bow Counties are already at the limit. It seems that State grants-in-aid are already imminent.

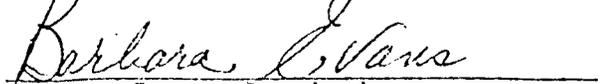
III.

Given all this, we support any proposal that: 1) gives us the flexibility to set our own standards and eligibility criteria with State floors and ceilings; 2) provides us the flexibility to set up medical programs that minimize expenses (i.e. contracting with a hospital or group of doctors); and 3) provides actual State general fund dollars to enable us to provide the benefits mandated by State laws and regulations.

In other words, we are prepared to reduce the quality and amount of services provided to Missoula County welfare recipients, since the State and Federal governments mandate that we do so; but we are prepared to insist that the State provide us with the resources to maintain even a minimum level of benefits.

Sincerely,

  
 Germaine Conrad, Chairman

  
 Barbara Evans, Commissioner

  
 Bob Palmer, Commissioner

BCC:HS:11

cc: Governor Ted Schwinden; Lt. Governor George Turman; Dale Harris, Lt. Governor's Office; Mike Stephen, MACo; John Wilkenson, Lewis & Clark County Commissioner; John LaFaver, Director of SRS; and Liz Johnson, Missoula County Welfare Director.

4

CHAIRMAN COZZENS AND MEMBERS OF THE COMMITTEE I AM MARSHALL  
SHELDEN FROM EKALAKA AND I REPRESENT THE LOW INCOME PEOPLE  
IN MY AREA. I WOULD LIKE TO SPEAK TO YOU TODAY ABOUT THE ENERGY  
BLOCK GRANT. I AM OPPOSED TO A 10% TRANSFER OF FUNDS BECAUSE  
WE HAVE ALREADY BEEN CUT 25% AND MONEY MAY BE NEEDED TO MEET  
THE FUEL NEEDS OF LOW INCOME PEOPLE. MONTHLY PAYMENT TO FUEL  
DEALERS WILL INCREASE ADMINISTRATIVE COSTS SUCH AS STATIONARY,  
STAMPS AND BOOKKEEPING. PAYMENTS EVERY THREE MONTHS WOULD CUT  
DOWN ADMINISTRATIVE COSTS. I SUPPORT A 15% TRANSFER TO ENERGY  
CONSERVATION (WEATHERIZATION) BECAUSE IT SAVES ENERGY, REDUCES  
FUEL COSTS, SAVES ON MEDICAL COSTS BECAUSE HOUSES WILL BE WARMER.  
I SUPPORT THE 3% FOR WINTER RELATED EMERGENCIES. THIS MONEY  
COULD BE USED TO PROVIDE HELP TO PEOPLE IN CRISIS SITUATIONS. I  
DOUBT THAT \$1000 WOULD COVER ALL SITUATIONS FOR EXAMPLE A THREE  
ROOM HOUSE WITH FIVE CHILDREN. I ALSO SUPPORT THAT THIS PROGRAM  
BE RUN BY THE HUMAN RESOURCE DEVELOPMENT COUNCILS. THEREFORE I  
REQUEST YOUR INDULGENCE IN CONSIDERING THE ABOVE MATTERS.

TO: Special Session Appropriations Committee on Social Welfare and Labor.

Chairman Cozzens and members of the committee.

I am Mardella B. Hardesty from Northwest Montana, Town of Hot Springs. I believe the LIEAP (Low Income Energy Assistance Program) program should continue to the low-income, Senior Citizens, the handicapped and disabled, and working poor because they do not have enough income to meet the high raises in fuel costs.

As a representative of low-income citizens of Northwest Montana, I would like to provide you with some information. In the 1980-81 fuel assistance program, there were 1443 low-income households assisted providing help to 3377 individuals. 42.5% of the households were elderly on fixed income, 14.9% were handicapped or disabled, 14.4% were on public assistance, and 38.5% were working poor. Since 1977, fuel costs have soared beyond the low-income citizens' and senior citizens' ability to pay. In example, natural gas has increased 84%, electricity has increased 159.9%, propane has increased 69.9%, and heating oil has increased a whopping 171.6%. In Northwestern Montana, over 52% of the total households use heating oil thereby increasing over half of the population's heating costs by 171.6%

In view of the statistics, we urge you to retain the fuel assistance program to the fullest appropriation possible. Transferring 10% of the fuel assistance block grant to other block grant programs would only add to an already reduced appropriation....last year over 13 million...estimated total of 11 million this year.

I believe that the fuel assistance program should continue to be operated by local HRDCs throughout the state. Elderly citizens participate in this program because there is no welfare stigma in

TO: Special Session Appropriations Sub-Committee on Social  
Welfare and Labor (continued)

Human Resource Development Councils. HRDCs have well-established, accountable delivery systems for this program, thus establishing good relationships with both their clientele, and the fuel vendors. Cost-effectiveness has been attained through a 5.53% administrative rate which no other service delivery agency can match.

Dr. W. A. Shields  
53 Prospect Dr.  
Great Falls, MT  
59405

November 16, 1981

The Honorable Jack Moore  
House of Representatives  
Capitol Station  
Helena, MT 59601

Dear Mr. Moore:

This letter is written to give my personal endorsement to the concept of community action programs, and in particular, my support of Opportunities, Inc. as an outstanding example of what can be accomplished through such programs. Specifically, I urge you to support legislation that continues community action agencies as they are currently structured.

Concern for the continuance of CAP's and the specific activities of agencies such as Opportunities, Inc. has become critical in light of recent and projected continuing changes in the role of the Federal Government in funding human and social service programs now and in the foreseeable future. These changes, especially budget cuts affecting block grant funding, are certain to create difficult funding decisions for state and local governments.

While budgetary decisions at the Federal level designed to reduce "Big Government" and to balance the Federal budget are indeed generally laudable, such broad ax methods result in considerably troublesome concerns in the specific instance.

When faced with unemployment, ill health, and the ravages of inflation, people do need help. But the notion of a "safety net" for the "truly needy" fails to truly define the realities of the problem and consequently cannot provide an adequate solution. The social service programs that are bound to grow out of such a policy position potentially do more harm than good in that they create greater dependency and fail to build a sense of personal self worth. People tend to lose their dignity and the ability to control their lives. Being "on the dole" becomes a way of life. Once this occurs, the initial malady is thereby exasperated.

Now, more than ever, what is needed is an approach that involves people in solving their own problems while providing the support they need to take control of their lives. This is what community action programs are all about. "Give a man a fish and he eats for a day. Teach him how to fish and he eats for a lifetime."

Over the years, community action programs have proven their effectiveness in Montana and throughout the country. Opportunities, Inc. of Great Falls has been no exception of this record of success.

From its beginning in 1965, Opportunities, Inc. has consistently demonstrated that the helping hand is superior to the handout.

Early on, Opportunities, Inc. brought Indian parents together with school officials and cooperatively they worked on the problem of student retention. The result was a program in the public schools that has succeeded in reducing the dropout rate among Indian students from 16.9% in 1976 to 11.8% in 1980.

Opportunities, Inc. has also supported Indian people in their quest for higher education by developing a teacher training program that works with colleges and universities to prepare and educate Indian teachers.

Add to this program in nutrition education, consumer education, gardening, food storage, energy conservation, job training and personal development and the results speak for themselves.

Therefore it is my fervent hope as state and local officials wrestle with the difficult decisions of funding social service programs within the vacuum created by budgetary changes at the Federal level that they be ever mindful of the record of CAP's and especially that of Opportunities, Inc.

These, indeed, will be difficult decisions, coming as they do at a time when state and local governments, faced with increasing costs and inflationary pressures, are struggling just to maintain existing programs. This notwithstanding, I am confident that the legitimate needs of the poor, minorities, the unemployed and the disadvantaged will be forthrightly acknowledged and effectively addressed.

Sincerely,



Dr. William A. Shields

WAS:mtb

## 7 COMPARISON OF GENERAL FUND REVENUE ESTIMATES

Revenue Category	LFA	OBPP	OBPP Over (Under)		OBPP	OBPP Over (Under)	
			LFA	LFA		LFA	LFA
Personal & Corp.	\$106,719,000	\$111,411,139	4.4%	\$115,911,000	\$118,660,920	2.4%	
Long Range Bond	18,293,000	19,005,504	3.9%	23,069,000	23,755,785	3.0%	
Coal Severance	18,202,000	17,615,248	(3.2%)	20,364,000	20,873,758	2.5%	
Interest	37,904,000	39,886,393	5.2%	43,666,000	45,563,598	4.3%	
Insurance	13,523,000	12,441,031	(8.0%)	14,750,000	13,612,657	(7.7%)	
Liquor Profits	6,500,000	7,200,000	10.8%	6,500,000	7,200,000	10.8%	
Oil Production	46,435,000	51,979,913	11.9%	52,264,000	54,393,520	4.1%	
Inheritance	5,551,000	5,300,000	(4.5%)	5,382,000	5,100,000	(5.2%)	
Inst. Reimb.	11,254,000	12,099,724	7.5%	10,142,000	11,321,642	11.6%	
Liquor/Wine Tax	8,096,300	7,621,613	(5.9%)	8,974,700	8,126,433	(9.4%)	
Cigarette	-0-	-0-		-0-	-0-		
Metal Mines	2,715,000	1,500,000	(44.8%)	3,020,000	1,500,000	(50.3%)	
Energy	2,122,000	2,275,000	7.2%	2,169,000	2,358,716	8.7%	
Drivers License	1,807,000	1,797,134	(0.5%)	1,843,000	1,813,345	(1.6%)	
Telephone	2,337,000	2,250,302	(3.7%)	2,445,000	2,499,435	2.2%	
Beer	1,520,000	1,257,099	(17.3%)	1,560,000	1,277,481	(18.1%)	
Natural Gas	2,034,000	2,082,574	2.4%	2,268,000	2,296,167	1.2%	
Gross Receipts	355,000	700,000	97.2%	445,000	700,000	57.3%	
Other	<u>11,770,000</u>	<u>9,720,058</u>	<u>(17.4%)</u>	<u>13,142,000</u>	<u>10,026,316</u>	<u>(23.7%)</u>	
Total	<u>\$297,137,300</u>	<u>\$306,143,051</u>	<u>3.0%</u>	<u>\$327,914,700</u>	<u>\$331,079,773</u>	<u>1.0%</u>	

Schedule A

Office of Budget and Program Planning  
Public School Support  
(figures in millions)

	<u>FY '82</u>	<u>FY '83</u>	<u>FY '84</u>	<u>FY '85</u>
Percent Increase in Schedules Maximum-General Fund	<u>18</u>	<u>15</u>	<u>9</u>	<u>9</u>
Without-a-Vote*	223.11	250.76	269.83	292.74
County Equalization				
40 mills	80.40	94.47	100.37	106.65
Forest Funds	2.50	2.50	2.50	2.50
Grazing Funds	.15	.15	.15	.15
Elementary Transportation	(2.57)	(2.73)	(2.90)	(3.08)
High School Tuition	<u>(1.75)</u>	<u>(1.94)</u>	<u>(2.15)</u>	<u>(2.39)</u>
Total	78.73	92.45	97.97	103.83
State Equalization				
25 percent Income Tax	33.88	36.69	39.63	42.80
25 percent Corporation Tax	9.64	9.66	10.24	10.85
10 percent Coal Tax	4.60	5.40	6.22	7.20
Interest and Income	46.55	40.08	35.83	32.78
U.S. Oil and Gas	9.19	10.11	11.12	12.23
Coal Trusts - Local Impact	<u>2.38</u>	<u>2.94</u>	<u>3.39</u>	<u>3.92</u>
Total	106.24	104.88	106.43	109.78
District Share of Permissive (nine and six mills)	23.50	24.86	27.60	29.33
Account Balances Used	14.64	28.57	33.63**	0.00
Total Non-General Fund	223.11	250.76	269.23	292.74
General Fund Appropriation	0.00	0.00	4.20	49.80

\*Excluding Special Education

\*\*Includes \$32.0 million general fund transferred to the 02217 account.

Basic Assumptions for '84 and '85 Calculations

- Enrollment decline 1.3% in 84
- Enrollment decline .5% in 85
- Growth in personal income tax 8.0% in 84 and 8.0% in 85
- Growth in corporate tax 6.0% in 84 and 6.0% in 85
- Growth in interest and income -10.6% in 84 and -8.5% in 85
- Growth in U.S. oil and gas 10.0% in 84 and 10.0% in 85
- Growth in coal trust interest 15.3% in 84 and 15.6% in 85
- Windfall profit tax average 27 percent of gross value of oil production
- Average price of oil in 1980 = \$22.59 1981 = \$35.84 1981 = \$36.86;  
1983 = \$39.58.

LFA 4/20/81 Update  
Public School Support  
(figures in millions)

Assumption: Indexing  
 SB 47 - Livestock  
 SB 30 - Surtax Removal  
 SB 337 - Circuit Breaker @ \$150 limit  
 SB 283 - Inventories - As an Income Tax Credit  
 SB 150 - Investment Credit  
 HB 18 - Interest, \$800, 65 and Older  
 HB 870 - Standard Deduction \$1,500  
 Exemption Level = \$800  
 SB 200 100%

	<u>FY '82</u>	<u>FY '83</u>	<u>FY '84</u>	<u>FY '85</u>
Percent Increase in Schedules	18	15	8	8
Maximum-General Fund Without-a-Vote*	221.30	248.95	265.10	285.00
County Equalization				
40 mills	82.57	91.10	96.35	102.60
Forest Funds	2.80	2.50	2.70	2.90
Grazing Funds	.15	.15	.20	.20
Elementary Transportation	(2.57)	(2.73)	(2.90)	(3.10)
High School Tuition	<u>(1.75)</u>	<u>(1.94)</u>	<u>(2.10)</u>	<u>(2.20)</u>
Total	81.20	89.08	94.25	100.40
State Equalization				
25 percent Income Tax	31.17	33.88	36.30	38.80
25 percent Corporation Tax	10.52	11.58	12.70	14.00
10 percent Coal Tax	4.79	5.36	6.00	6.70
Interest and Income	47.00	40.00	39.00	39.00
U.S. Oil and Gas	9.00	9.50	10.00	10.50
Coal Trusts - Local Impact	<u>2.15</u>	<u>2.54</u>	<u>2.80</u>	<u>3.10</u>
Total	104.63	102.86	106.80	112.10
District Share of Permissive (nine and six mills)	23.50	24.86	25.60	26.90
Account Balances Used	11.97	30.91	0.00	0.00
Total Non-General Fund	221.30	232.73	224.35	237.40
General Fund Appropriation	0.00	1.24	38.45	45.60
	=====	=====	=====	=====

\*Excluding Special Education

Basic Assumptions for '84 and '85 Calculations

Enrollment decline 1.5%-84, .5%-85  
 Income Tax + 7%/year  
 Corporate Tax + 10%/year  
 Coal Tax + 12%/year  
 U.S. Oil and Gas + 5.25%/year  
 Coal Trust Interest + 10%/year  
 Windfall Profit Tax Averages 27% of Gross Value of oil produced.  
 Average Price of oil 1980=\$22, 1981=\$31, 1982=\$36, 1983=\$40.