



MINUTES OF THE MEETING OF THE JOINT APPROPRIATIONS SUBCOMMITTEE  
ON HUMAN SERVICES  
February 3, 1983

Tape 30 Side Two

The meeting was called to order at 8:40 a.m. by Chairman John Shontz.

All subcommittee members were present.

Also present were: Mr. John LaFaver, Director of Social and Rehabilitations and his Deputy Mr. Benjamin Johns. Ron Weiss was also present from the budget office.

Peggy Williams and Mason Niblack, Legislative Fiscal Analyst's will be handling the Social and Rehabilitative Services Division and were introduced to the committee.

SOCIAL AND REHABILITATIVE SERVICES

Mr. John LaFaver, Director of Social and Rehabilitations then presented an overview of the SRS spending request in 1985. He also introduced Mr. Benjamin Johns, Deputy Director, who will be answering the committee's questions on financial details of the SRS.

Mr. LaFaver told the committee the SRS budget for 1984 is just over \$400 million dollars in total spending. Thirty-five percent of this is from state general fund. The way the hearings are set up are to settle the more complex issues first so there is ample time to work through the details as time goes on. We will start with the DD and Medicaid and go through AFDC, Foster Care and the smaller areas will be left till last. He told the committee the differences they have are not really with substance; that is, if the committee recommends cutting back on programs they are prepared to argue those proposals. The basic contention they feel is that in the analyst's numbers that multimillion dollar cuts can happen and yet current level services can be maintained. They will emphasize and bring to the committee documentation that would suggest what the ramifications of the cutbacks are. If the bottom line is that the money isn't there, then he would hope that the best they would all agree to is what the consequences of those cutbacks might be. He felt that the worst thing that could happen would be to accept significant cuts with the idea that no program cutbacks would occur. They will emphasize in their presentations the consequences as they see them of appropriating the level the analyst's contend is current level. He felt that by past standards of spending and past standards of executive budgets he feels their proposal is conservative.

He then referred the committee to exhibit 1 which was a set of charts which show the spending hikes that were asked for over the last ten years. (Page 1 of exhibit) They are asking for a 6.5% increase annually in the original budget request and since this came about

the AFDC caseload has increased and they have amended their budget to make it a 10% increase. He still said this was the lowest increase asked for in ten years.

This is not only the lowest increase asked for but it comes on the heels of probably the most dramatic cost cutback that SRS or any area of state government has experienced. Those cutbacks carried over the period of time through FY85 will total \$50million worth of cuts below the level that was approved by this subcommittee in 1981. He feels that a \$2.7 million annual increase will not keep current services in place. This is what the legislative analysts' budget contends is current level hike. The initial request was asking for 23.1 Million dollars of new general fund spending.

Page number 2 of exhibit 1 explained the components of SRS general fund increase in the governor's budget. Broken down, the \$23.1 showed \$3.7 million for federal fund changes or a changing match rate on federal moneys; \$1.8 million consists of transfers from other budgets or spending items that used to be another budget that has been transferred to SRS; \$800,000 comes about as they annualized DD case loads; \$2.3 million was for program improvements in 6 or 7 different areas they will detail later; and \$14.5 million is a result of increases in case loads and inflation over the two year time span.

As a result of the revision of the executive budget, they have added an additional \$7.4 million for revised AFDC caseload making the total \$30.5 million. The executive budget is build on a \$5,875 person caseload and they expect to add an additional 1,700 more caseload. This will result in no net adverse impact on the budget because he feels revenues will increase at least as much as this through medicaid payments, thus spending will be higher but revenues will be higher also.

Chart No. 3 showed a pie chart of the proportions the budget is cut into. One/quarter of the entire budget increase comes as a result of new projections for AFDC. Forty-eight percent is due to the increase in the caseloads and the inflation factors that are built into the budget. One/fifth of the amount is uncontrollables or transfers from other budgets, annualized DD caseloads, etc. Seven and a half percent is for program improvements; they are a lower priority and are ongoing programs but hopes the committee is interested.

Chart No. 4 showed the breakdown of the major transfers from other budgets that relate to their budget. These included the mental health centers or \$465,000; \$394,000 for the children's facilities in Billings, and the transfer of 16 people from Boulder for a total of \$969,000 making a total of \$1,828,000.

Chart No. 5 showed the three basic fund changes. In Medicaid their federal matching ratio fell from 1982 to 1983 and it falls again in 1984. If the program remains the way it was it will cost the state an additional \$1,914,000 to roll with this punch. This is also true for the aid to families with dependent children or AFDC. In the social services block grant they are anticipating that it will stay constant. This area will lever \$1,421,000 of cost back up to the general fund. These three items relate to \$3,699,000 of impacts to federal funds.

Chart No. 6 showed the program improvements proposed for the budget. They include DD Foster Care, DD Group Home Salaries, Foster Care for emotionally disturbed children, medicaid waivers, mandated audits and error rate correction and third party liability for a total of \$2,342,000. He explained each of these briefly for the committee.

In closing he told the committee that from past sessions and discussions with subcommittees there were a number of management issues that were prominent. One of these being the problem of nursing home costs. He said last July they put in place the last building plot of the nursing home cost containment plan and he feels this is as good as one can find anywhere and it assures that the costs can be controlled within the level of appropriations and at the same time recognizes levels of care and needs of patients.

The other concern the committee had was in financial accountability. The committee wrote language into the appropriations act that mandated a uniform accounting of the local DD corporations. This is now in place and they are routinely collecting cost data, income and loss statements and they feel it is much more accountable now than it was previously.

On the audit division last time this was debated thoroughly as to whether in fact they should even exist. At that time he asked the legislators to give them two years to straighten it out and he feels they now have reorganized, had a number of personnel changes and they now have CPA's on staff and the audits are being accepted by the legislative auditor as being up to the standards they require. He is anxious for the committee to look at this division now and feels very good about their division at this time.

Chairman Shontz then remarked to Mr. LaFaver that he hoped that as we progress through the SRS budget they spend more time addressing and detailing their requests rather than addressing the shortfalls in the SRS's opinion that the fiscal analyst's budget has. Mr. LaFaver felt it was important that when laying out current level there is a difference of opinion as to what current level consists of and he hopes that the department has the opportunity to lay out their arguments as to why that lower figure won't be current level.

Rep. Winslow commented that the analyst doesn't have the opportunity to lobby to the people as the staff from SRS has and the committee is being deluged with calls and letters from people from all over expressing concern their programs were being cut. Sen. Aklestad expressed his concern that the department's tactics change throughout the hearings and that he did not appreciate the "dog and pony" show the department has run across the state already. They have portrayed the fact that everybody is going to be reduced in service and he felt in going over the budget himself that there is no place where they are going to be reduced from what was put in last legislative session. There might be even some increases even with the LFA figures but the letters and calls the committee are getting say that everyone is going to be cut. There might be an inflationary difference as far as what they are projecting and what they would like to have but what is being portrayed to the people across the state is completely different.

Rep. Menahan felt however that this is his job and he feels they are justified in what the department is doing in promoting the executive budget.

Mr. LaFaver feels that if the LFA is accepted there will be cuts. Sen. Regan felt the LFA did not cut anything out, what they have done is given options as to what they may or may not find. She also feels the department should have come to the committee first before going to the public as they have.

Mr. LaFaver felt this was not an attempt to be critical or derogate the responsibilities of the subcommittee but when asked what the consequences will be he feels he has the responsibility to state his feelings.

Rep. Menahan told the committee that he felt the LFA is a recommendation and not an analysis of what they should spend.

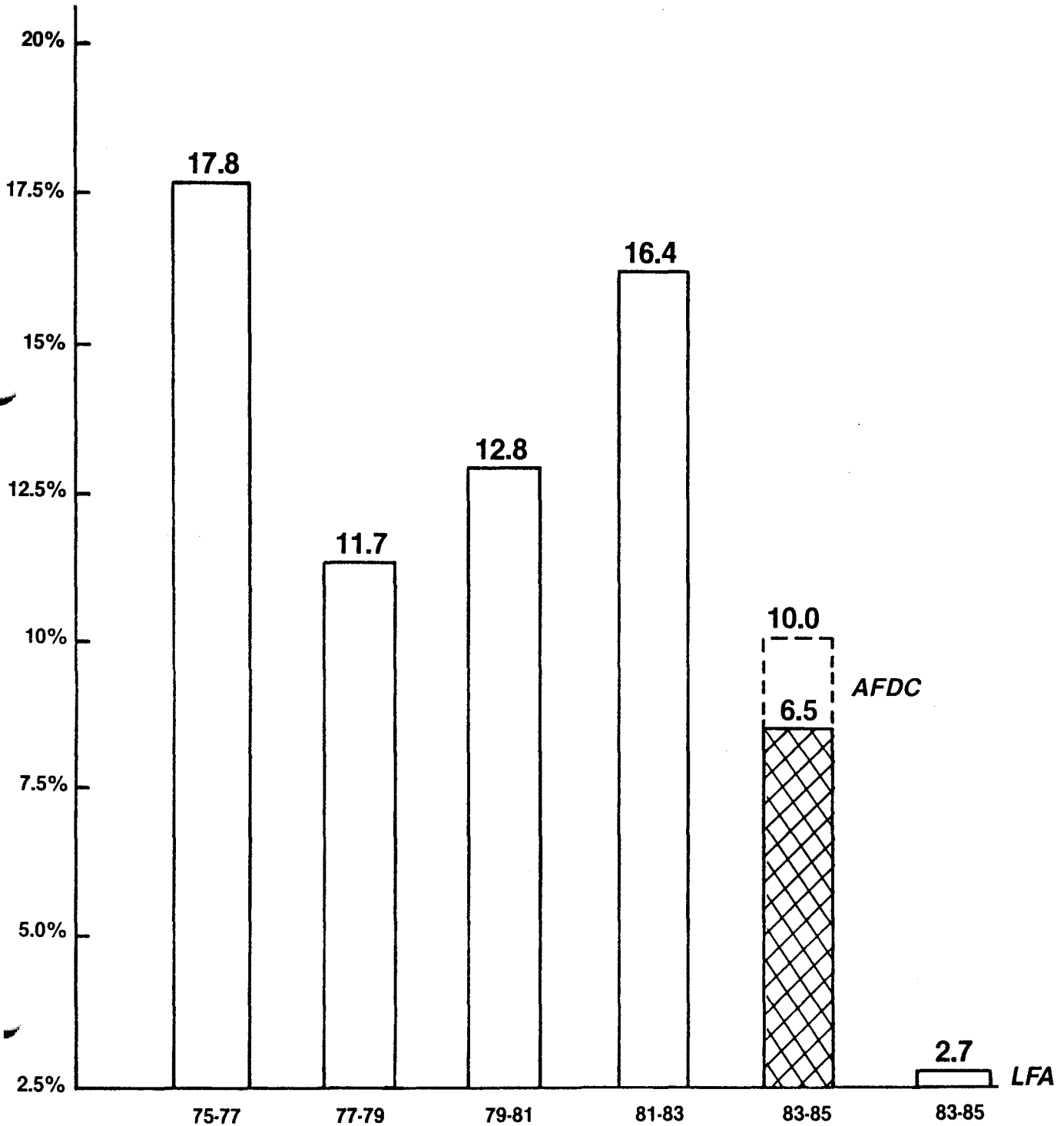
Rep. Winslow then stated he felt he had the right to express his concerns to the public but he felt he should be cautioned that some of the actions of the department are doing more harm than good to the families of those concerned.

The meeting was adjourned at 9:25 a.m. Tomorrow's meeting will meet at 7 a.m. here for the Department of Labor's presentation on Human Rights and executive action and at 9 a.m. the meeting will move to the Scot Hart Building auditorium for hearings on DD.  
End of Tape 30 Side 2

  
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John Shortt, Chairman

  
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Carol Duval, Secretary

# Executive Budget Recommendations — Total Spending Annual % Increase 1975 — 1985

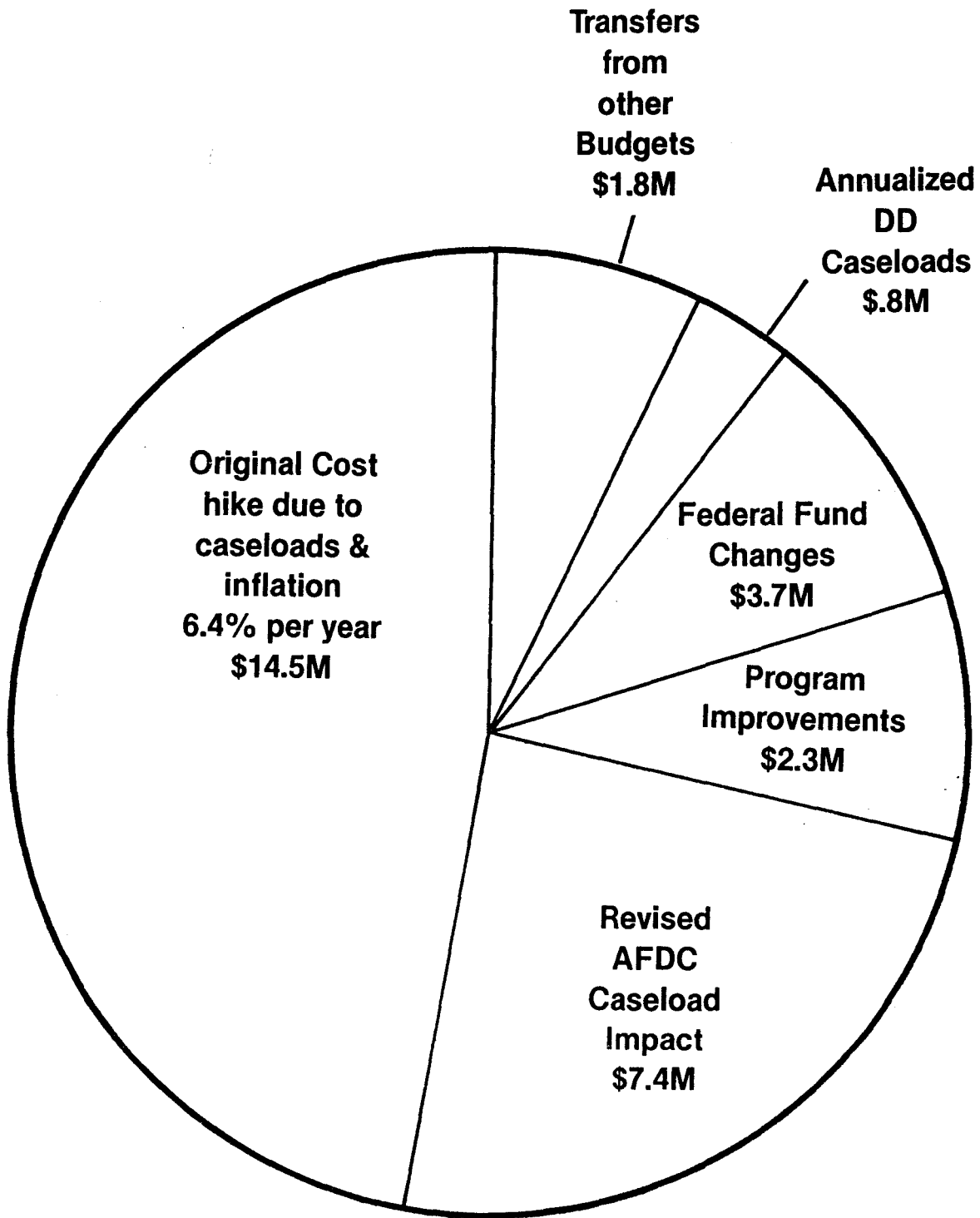


# Components of SRS

## General Fund Increase

### Governor's Budget

* Federal Fund Changes	\$ 3.7 million
* Transfers from other Budgets	1.8
* Annualized Case Loads DD	.8
* Program Improvements	2.3
* 6.4% Annual Increase for caseloads & inflation	<u>14.5</u>
	\$23.1
* Revised AFDC Caseload Impact	<u>7.4</u>
Revised Governor's Budget	\$30.5 million



**Revised Executive Budget  
General Fund Increase  
SRS  
\$30.5 million**



# Transfers From Other Budgets

* Mental Health Centers	\$465,000
* Children's Facility — Billings	394,000
* 16 Persons from Boulder	<u>969,000</u>
	\$1,828,000

# Federal Fund Changes

* Medicaid	\$1,914,000
* Social Services Block Grant	1,421,000
* Aid to Families with Dependent Children (AFDC)	<u>364,000</u>
	\$3,699,000

# **Program Improvements (General Fund)**

<b>* DD Foster Care</b>	<b>\$275,000</b>
<b>* DD Group Home Salaries</b>	<b>300,000</b>
<b>* Foster Care—Emotionally Dist. Kids</b>	<b>500,000</b>
<b>* Medicaid Waiver</b>	<b>844,000</b>
<b>* Mandated Audits</b>	<b>313,000</b>
<b>* Error Rate Correction &amp; TPL Recoveries</b>	<b><u>110,000</u></b>
	<b>\$2,342,000</b>