

**MINUTES**

**MONTANA HOUSE OF REPRESENTATIVES  
52nd LEGISLATURE - REGULAR SESSION**

**SUBCOMMITTEE ON HUMAN SERVICES & AGING**

**Call to Order:** By CHAIRMAN DOROTHY BRADLEY, on January 22, 1991,  
at 8 a.m.

**ROLL CALL**

**Members Present:**

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

**Staff Present:** Carroll South, Senior Fiscal Analyst (LFA)  
Bill Furois, Budget Analyst (OBPP)  
Faith Conroy, Secretary

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

**Announcements/Discussion:**

**DEPARTMENT OF SOCIAL AND REHABILITATIVE SERVICES (SRS)**

**HEARING ON ADMINISTRATIVE AND SUPPORT SERVICES DIVISION (CONT.)**

**Tape 1A**

**Carroll South, Legislative Fiscal Analyst, distributed and reviewed budget items and fund sources for the Administrative and Support Services Division budget. EXHIBIT 1.** He said the executive budget includes a modification for several FTEs in the Legislative Auditor's Office. The positions apparently will be added, so the LFA adopted executive figures for the legislative audit. The money will be a biennial appropriation, appropriated in the first year of the biennium. Operating expenses in EXHIBIT 1 include executive figures for the legislative audit, all in 1992, and the funding mix is as the agency, LFA and Budget Office have agreed.

**EXECUTIVE ACTION ON ADMINISTRATIVE AND SUPPORT SERVICES DIVISION (CONT.)**

**MOTION:** REP. COBB moved approval of the fund sources clarified by Mr. South.

**VOTE:** The motion passed unanimously.

**HEARING ON OFFICE OF MANAGEMENT, ANALYSIS AND SYSTEMS**

**Julia Robinson, SRS Director,** said the budget for the Office of Management, Analysis and Systems includes the Telecommunications Project for the Handicapped, which is administratively attached to SRS.

**Dan Pouliot, Director of the Telecommunications Project for the Handicapped,** said the program is run by an 11-member committee appointed by Gov. Stan Stephens. It enables telephone handicapped people to obtain equipment on loan. The program began July 1, 1989, when telephone companies began collecting a monthly fee to fund the program. Since the committee began its work, 260 applications have been received, 170 pieces of equipment have been distributed and a relay contract is pending with AT&T to begin service in April.

During planning and organization, the program did not spend at the level anticipated. The cost for Montana to be a relay center would be \$300,000 in the first year, up to \$600,000 in the fifth year, which far exceeds annual revenue collections.

The program's proposed budget is conservative considering needs. Equipment purchases and distribution expenses will not come to the \$255,000 budgeted this year, but will spill into the next biennium and cause the equipment request for the next biennium to be understated. The request is for \$50,000 each year of the biennium. The budget also reflects 2 FTEs, but 3 FTEs are needed because the program is short a secretary. Goals and objectives for the current biennium were not fully achieved, but are well on their way.

Deaf individuals represent about 30 percent of the total eligible population for this service. The Americans with Disabilities Act requires the telephone industry to provide relay services to all customers by July 1993. The telephone industry and existing relay service providers will study the feasibility of turning relay services over to the telephone industry. The project committee will make a recommendation to the 1993 Legislature on the issue. In the meantime, Montana will begin relay services through AT&T's Chicago network.

Concerns have been expressed that the project's fund balance is too high and the budget should be cut. The program has been in the planning stage. The money is needed.

**Bill Furois, Office of Budget and Program Planning,** said the program is attached to SRS by law for administrative purposes only. Two FTE from the Department's HB 100 two years ago are in the budget as well as an additional FTE in an executive budget modification.

**SEN. KEATING** said the idea behind linking the program with SRS

was to enable the group to receive telephone tax funds, but it was really a self-help program that saves state money. He asked if the 3 FTEs, which are the two already on board and one modified position, are state employees. Mr. Furois said yes. They are included in the governor's budget. The program is funded with telephone taxes and is not seeking additional funds.

**CHAIRMAN BRADLEY** asked what happens when the balance is drawn down in the future. Mr. Pouliot said relay service usage will determine costs. He believes use will be higher than projections. The committee has proposed a per-minute call fee, but fluctuations in call volume could exceed projections by 25-30 percent, which would eat up the fund balance. Other states have had problems providing sufficient service because they lacked sufficient operator stations. State agency status requires program officials to go through the appropriations-spending authority process to fill positions. In two years he will have a better answer about where the money goes for the program. Ms. Robinson noted that the requested FTEs come from voluntary staff cuts in SRS.

**Tape 1B**

She said the program has 43.5 FTEs and none is new. The positions had been scattered throughout the Department. She explained The Economic Assistance Management System (TEAMS). It is costly because it must be connected to the mainframe across the state and offices must be remodeled for the equipment. SRS had difficulty getting federal approval for TEAMS. Other states' systems are written in a different computer language. Montana's system had to be built from scratch. The work was contracted out because the state can't keep staff in place to build the system on time. State agencies take months to recruit staff so there would be a lot of down time while waiting for the positions to be filled. Newly trained employees leave because salaries are not competitive with the private sector.

The federal government pays 90 percent of the costs to build the system if it is built by a certain time and within a certain cost. If it isn't built within requirements, the money must be paid back. Implementation of TEAMS is on schedule and the system will be operational next fall. It couldn't have been done by in-house staff.

The Department erred in the 1989 session in its estimate of operational costs. It was believed ongoing operational costs would be \$1.3 million per year. That's what it cost for the mainframe. The actual cost is \$4.4 million per year. Federal officials involved in the program had said they wouldn't approve TEAMS because the Department did not understand the complexity of the system. They cited the operational cost error as an example of SRS's lack of understanding. New staff was hired to oversee the system and the figures were recalculated, but the Legislature had already adjourned.

The system is needed to keep up with changes in the federal

welfare system. It is cost-effective. Development costs are high at \$12 million, but system costs in other states are higher. Washington state spent \$32 million and was unable to put a system in place. The state is now negotiating with the federal government on how much money must be paid back. Oregon spent \$26 million and had to stop building its system because in-house staff did not know how to build it. There is historical record that using state employees for such a specialized system may not result in a satisfactory product. The cost of running the system is comparable to other states.

**George Shanley, Cascade County field staff employee,** said an AFDC and Food Stamp case takes about 2-3 hours to process because the paperwork is voluminous. TEAMS will reduce the number of required forms from 50 pages to five. The average caseload in Cascade County is 170 cases per worker. It takes about one-half hour to process monthly benefits. About 300 applications are processed each month, which amounts to about 14 new cases each month per eligibility technician. An eligibility technician has about one and three-quarter hours per day for other duties not directly involved with a case. TEAMS will allow better caseload management, more consistent policy implementation, and more efficient and controlled review procedures. It will help reduce errors, enhance management and supervisory functions at the county level, and help shorten application processing time.

**Boni Braunbeck, Fergus County Human Services representative,** said 42 other states use the same system. It will decrease paperwork and increase communication between field offices, clients and the central office, and allow more timely delivery of services and faster implementation of policy changes. It is hoped the system will be able to interface with the Department of Labor, Workers Compensation and other agencies with information on client eligibility. Caseloads continue to increase. Fergus County's Medicaid caseload has increased 72 percent in the last five years because of federal changes due to the Catastrophic Health Care Act.

**Tape 2A**

The Food Stamps caseload has increased 17 percent in three months. The Food Stamps Benefit Standard rose 6 percent. Accuracy is impaired by the volume of paperwork. TEAMS will improve efficiency, reduce errors, free staff from clerical work, increase and improve services, maintain the current paper flow and staffing patterns, and provide a higher level of professionalism.

**Ms. Robinson** said TEAMS will allow the central office to communicate with its field offices statewide. It's cheaper to contract out system maintenance.

**Mr. Furois** said the agency narrative on Page 113 outlines estimated savings from TEAMS. Some savings have been incorporated into the executive budget in Medicaid and AFDC programs.

**SEN. KEATING** asked if TEAMS will actually reduce costs. **Mike Billings, Office of Management, Analysis and Systems Director**, said the Department will be able to reduce the number of the overpayments made in the AFDC and Medicaid programs, and recoup more of the overpayments that are made.

**SEN. KEATING** asked if there would be an actual reduction in staff or non-growth. **Ms. Robinson** said there would be a reduction in the number of FTEs in SRS, but there is a limit to what a computer system can do. A manageable caseload is 170 cases per worker. SRS voluntarily gave up 12 positions, but if caseloads increase dramatically, the agency will ask for the flexibility to add some positions back in.

**CHAIRMAN BRADLEY** asked for an example of how SRS achieved upward of six figures in savings for case closure time. **Mr. Billings** said the analysis was erroneous. There were no improved case closure times and no dollars saved. **Ms. Robinson** said there is a cost to clients when a case is not handled in a timely manner.

**CHAIRMAN BRADLEY** said the subcommittee must decide how much to allocate per average AFDC payment and this will be reflected. She asked if there were other errors. **Mr. Billings** said the increased third-party liability collections will be closer to \$150,000 than \$205,000. It will carry over to the second year.

**SEN. WATERMAN** asked if the reduction in paperwork means people will be eligible for benefits faster and if a cost is associated with that. **Mr. Billings** said eligibility is retroactive.

**SEN. KEATING** asked if caseloads are expected to continue increasing. **Ms. Braunbeck** said the Food Stamp caseload generally peaks in March or April. She doesn't know why it was up so much in the last three months. Eligibility hasn't changed.

**REP. COBB** asked if the state was spending \$4.4 million per year to save \$2.3 million to \$2.5 million per year. **Mr. Billings** said he looked at fiscal years 1992 through 1998 and the system becomes cost-effective in the sixth year. The \$4.4 million annual cost remains about the same in the next eight years. But the recovery and staff avoidance in 1993 benefits exceed the \$4.4 million cost and continue to exceed costs at a growing rate through 1998. It takes awhile to become cost-effective because of front-end costs.

**REP. COBB** asked to see caseload projections when the revised analysis is completed. **Mr. Billings** said OK. He believes the figures will be in line with LFA projections.

**REP. COBB** asked about savings incorporated in the executive budget. **Mr. Furois** said he would get the information for the subcommittee.

**SEN. WATERMAN** asked for clarification on the 12 FTEs eliminated

by SRS. Ms. Robinson said the Department is giving up other positions. Of the total, 7.8 FTEs relate to TEAMS.

SEN. WATERMAN asked how savings could be so high in the first year when it will take time to get employees accustomed to the new system. Ms. Robinson said she and the program manager believe they should keep the vacant positions until the system is up and running. The decision to eliminate the positions was made because of the way the budgets were constructed.

SEN. WATERMAN said it would be better to line-item the positions with language that says they won't be filled if they aren't needed and the funds would revert. The program is notorious for cost overruns. Overpayments of \$3 million over a biennium are supposed to be recouped by a system that won't be up until halfway through next year. Mr. Billings said most overpayments are projected in the Food Stamps Program and don't show up in the SRS budget. Error rates show overpayments of \$3 million. The base in Food Stamps is \$40 million. It doesn't take a very high error rate to reach \$3 million. The average error rate in the Food Stamps Program is about 5.2 percent. The Medicaid error rate is about 2.25 percent over the last four or five years.

SEN. WATERMAN asked if outreach in the Food Stamp Program is causing the numbers to increase because more people are going to be found eligible, thereby reducing savings. Ms. Robinson said the Department planned to discuss the Food Stamp Outreach Program later, but the Department's philosophy is that anyone entitled to food stamps should get them. Food stamps are 100 percent federally funded and bring money into the state. When considering the error rate, more money will be lost if more stamps are issued.

SEN. NATHE asked about the capacity of the system and whether it could handle a switch to the National Modified Health Care System. Mr. Billings said the system is flexible but it depends on the design of the other system. The national system would have to be designed to fit systems already in place. Montana's Medicaid management system is similar to other states' systems. Capacity and the number of people that can be processed will never be a problem as long as the computer system is large, and it is.

SEN. NATHE asked if other programs can be added to the system. Mr. Billings said the Department is contracting out the work to get the maximum expertise because enhancements will be needed. A lot of the enhancements are covered in the \$4.4 million annual operations costs. The system will have a high level of flexibility.

CHAIRMAN BRADLEY said she didn't feel equipped to justify costs of the facility management contract to the Appropriations Committee. It involves \$3.7 million in General Fund money. She asked Ms. Robinson to explain the contract as if she were trying

to sell it to the committee. **Ms. Robinson** said such systems don't maintain themselves. Someone has to be able to continue to build into the system as changes are mandated by the federal government. It requires skilled people who understand the system and benefit programs--not just a computer expert.

**CHAIRMAN BRADLEY** asked for a breakdown on salaries. **Mr. Billings** said the total cost of operations is about \$4.4 million. Of the total, \$2.8 million is for the facility management contract. Roughly \$1.3 million is what will be paid to the state Department of Administration for processing. **Ms. Robinson** said that figure was provided in the 1989 session. **Mr. Billings** said \$2.8 million covers such things as anticipated enhancements to the system. As many as 14 people will work full time making changes to the system. Federal regulations change all the time. SRS also is contracting out assistance to counties.

**CHAIRMAN BRADLEY** asked if the cost would drop once training is completed. **Mr. Billings** said employee turnover and system changes will make ongoing training necessary.

**CHAIRMAN BRADLEY** asked what the 14 people will be paid. **Mr. Billings** said he didn't know. They will receive approximately 18-25 percent more than their counterparts in state government. The Department is not privy to their salary schedule.

**CHAIRMAN BRADLEY** asked how she can justify that when the state has highly trained people already on staff.

**Tape 2B**

**Mr. Billings** said the people who will be under contract with SRS built the system. They know the system. A minor change by someone who lacks understanding of the system can cause it to crash. The state has bright staff, but the Department would be defeated by retention problems. It takes a year to a year and a half to train someone on TEAMS. The Department would be locked into a state pay schedule. Employees leave for better pay after being trained. Retention is as critical as expertise.

**CHAIRMAN BRADLEY** asked if privatization is a way to pay people more. **Ms. Robinson** said yes. The system can't be run with the high turnover rate in state government.

**SEN. WATERMAN** asked if there will be the same turnover rate and retraining problems in county field offices because of low salaries. **Ms. Robinson** said field office staff won't be maintaining the system.

**Ms. Robinson** provided an overview of SEARCHS, the Child Support Enforcement computer system. She said the purpose of the system is to secure federal certification for child support enforcement and to ensure caseworkers process cases according to federal time frames. The system will increase data reliability; interface with TEAMS, the AFDC and Medicaid system; track worker performance; and more effectively manage the child care program.

SRS intends to buy a pre-designed computer system, not build it from scratch. The federal government will pay 90 percent of the costs of development and the state will pay 10 percent. The 1988 Family Support Act mandated states establish a comprehensive automated system capable of meeting federal certification criteria by Oct. 1, 1995. Failure to meet the requirement will result in sanctions of 1-5 percent of what the federal government contributes to the AFDC program. A 5 percent sanction would be about \$1.3 million per year in federal money. The state also could lose federal monies in the Child Support Program, which receives about \$2.4 million in federal money per year. The Department recommends the system be run with a facilities management contract, but costs won't be known until it is bid. It is easier to contract out the work, as with TEAMS, than to run it with in-house staff.

**REP. COBB** asked how TEAMS and SEARCHS would be integrated, and whether the budget includes operational costs. **Mr. Billings** said TEAMS will pass data to SEARCHS. The total cost of development and four months of operation have been built into the budget. The Department anticipates the system to be up in March 1993. Operational costs won't be known until the project is bid in March. The bid will be for transfer costs and a three-year facilities management contract.

**REP. COBB** asked what the federal and state match will be once operations begin. **Mr. Billings** said it will drop from 90-10 to about 66 percent-34 percent.

**CHAIRMAN BRADLEY** asked where and who will be working the system. **Mr. Billings** said district offices have computer terminals for child support enforcement. The existing system is not adequate to pass federal audits. It will be replaced by the SEARCHS system, which will be installed on the state's mainframe computer. There will be no need for new equipment in the field.

**Ms. Robinson** said only AFDC clients in the Child Support system will be affected by TEAMS. The Child Support pool includes non-public assistance individuals. TEAMS is being set up to transfer data from the AFDC population to Child Support. SEARCHS will process the data, along with non-public assistance cases. The two systems need to interface, but they do different things. One system calculates benefits and the other processes cases.

**CHAIRMAN BRADLEY** asked how the systems will work. **Jon Meredith, Child Support Enforcement Division Administrator**, said collections are used to reimburse state AFDC payments. The money goes into the General Fund. In non-AFDC cases, the money goes straight to the obligee. The federal government pays incentive money based on the cost-effectiveness of the state's non-AFDC efforts.

**SEN. KEATING** asked in what percentage of AFDC cases is the state unable to find a responsible father. **Mr. Meredith** said the



paternity caseload is about 4,200. About 1,300-1,500 of those cases are unworkable because of inadequate information.

**SEN. KEATING** asked if the Department can use blood test results. **Mr. Meredith** said yes. The state also uses highly accurate DNA fingerprinting to determine fatherhood.

**SEN. KEATING** asked if the computer system's hardware would be connected to a national network so that an obligor can be tracked out of state. **Mr. Meredith** said a system is being developed to allow such tracking.

**SEN. WATERMAN** asked if Montana's system will connect into that system. **Ms. Robinson** said SEARCHS will. The existing system can't.

**SEN. NATHE** asked if SEARCHS would be tied into other agencies data systems. **Mr. Meredith** said SEARCHS will automatically search a number of state agencies' data systems, including the Vital Statistics Bureau, Workers Compensation, etc.

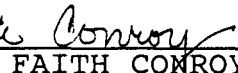
**REP. COBB** asked if the \$226,000 in the budget for fiscal year (FY) 1993 is too low for operations and if the Department could transfer money from the Child Support Enforcement Bureau if needed or if SRS would have to seek a supplemental appropriation. **Mr. Meredith** said SEARCHS will be financed with collections. No General Fund money is involved. It will be enterprise fund money. If the Department runs short, the money can be transferred.

**CHAIRMAN BRADLEY** said the subcommittee needs some idea of the costs. **Ms. Robinson** said it will cost \$120,000 per month to operate. **CHAIRMAN BRADLEY** asked what the annual cost would be. **Mr. Billings** said state computer operating costs will be about \$400,000 per year and the cost of operating the system will be about \$1 million to \$1.2 million per year.

#### ADJOURNMENT

Adjournment: 11 a.m.

  
\_\_\_\_\_  
REP. DOROTHY BRADLEY, Chairman

  
\_\_\_\_\_  
FAITH CONROY, Secretary

HOUSE OF REPRESENTATIVES  
HUMAN SERVICES SUBCOMMITTEE

ROLL CALL

DATE 1-22-91

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

HR:1991  
CS10DLRLCALHUMS.MAN

DEPARTMENT OF SOCIAL & REHAB SERVICES  
 DIVISION 4 ADMINISTRATIVE & SUPPORT SERVICES

Budget Item	1992	1993
Personal Services	1,441,850	1,440,696
Operating Expenses	1,180,307	1,037,816
Equipment	30,464	30,464
<b>Total Expenditures</b>	<b>2,652,621</b>	<b>2,508,976</b>
<b>And Sources</b>		
General Fund	704,056	635,403
State Revenue Fund	213,835	213,508
Federal Revenue Fund	1,627,846	1,557,746
Proprietary Fund	106,884	102,319
<b>Total Funds</b>	<b>2,652,621</b>	<b>2,508,976</b>

315 1  
 1-22-91

Exhibit #1  
 1/22/91  
 Human Serv.  
 Subc.

VISITOR'S REGISTER

Human Services

SUBCOMMITTEE

AGENCY (S) SRS

DATE 1.22.91

DEPARTMENT \_\_\_\_\_

NAME	REPRESENTING	SUP- PORT	OP- POSE
DAN POWLIOT	MT. TEL. <sup>Comm</sup> <del>PRCC. TEL.</del> <sup>for the</sup> <del>LAND.</del>	✓	
JOHN DELANO	TDD <sup>supervisor for the</sup> Comm	✓	
BEN HAVDAHL	TDD Chrm. of Comm	✓	
NOAM ECK	TDD Comm	✓	
ERIK ECK	TDD Comm	✓	
Mitzy Billing	SRS OMAS	✓	
<del>Krista Braunbeck</del>	SRS - <sup>dir</sup> Jergus C. Human Serv.	✓	
George Shanley	SRS - Cascade Cty Hum Serv <sup>dir</sup>		
Jon Meredith	SRS - Child Support	✓	
Dave Depew	MPEX		

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT.  
 IF YOU HAVE WRITTEN COMMENTS, PLEASE GIVE A COPY TO THE SECRETARY.