

Office of the
Legislative Fiscal Analyst

FY 2003 Budget Recommendations

Joint Appropriations Subcommittee for
Health and Human Services

Utah Department of Human Services
Summary

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1.0 Department of Human Services

Summary

The Department of Human Services is established and functions under authority of Title 62A of the Utah Code. In addition to the Executive Director Operations budget, there are seven divisions within the Department of Human Services. These include the Divisions of Substance Abuse, Mental Health, Services for People with Disabilities, Aging and Adult Services, Office of Recovery Services, Child and Family Services, and Youth Corrections. The Youth Corrections budget is heard in the Executive Offices and Criminal Justice appropriations subcommittee.

1.1 Department Budget Summary

The following table summarizes the Analyst’s recommended base FY 2003 budget and recommended changes. The *Analyst FY 2003 Base* budget recommendation includes the *Revised Estimate* from FY 2002 as approved by the Executive Appropriations Committee and the following items:

- Adjustment for FY 2002 one-time programs;
- Payroll cost of an extra day in FY 2003;
- Transfers of Market Comparability Adjustments; and,
- Net changes for Internal Service Fund rates.

FY 2003 changes reflect the incremental costs of across the board reductions and annualization of partial budget cuts approved for FY 2002. It also includes the reduction of \$140,000 (General Fund) in the budget of Office of Recovery Services for its “Fraud and Overpayment” function being transferred to the Department of Workforce Services.

	Analyst FY 2003 Base	Analyst FY 2003 Changes	Analyst FY 2003 Total
Financing			
General Fund	207,677,100	(2,578,300)	205,098,800
Federal Funds	113,957,300	(1,015,100)	112,942,200
Dedicated Credits Revenue	8,015,400	(79,700)	7,935,700
GFR-Children's Trust	350,000		350,000
GFR-Domestic Violence	650,000		650,000
GFR-Intoxicated Driver Rehab	1,050,000		1,050,000
GFR-Tobacco Settlement	1,647,200		1,647,200
GFR-Trust for People with Disabilities	200,000		200,000
Transfers-H-Medical Assistance	118,795,000	(773,300)	118,021,700
Transfers-Other Agencies	5,595,100	(36,400)	5,558,700
Total	<u>\$457,937,100</u>	<u>(\$4,482,800)</u>	<u>\$453,454,300</u>
Programs			
Human Services	457,937,100	(4,482,800)	453,454,300
Total	<u>\$457,937,100</u>	<u>(\$4,482,800)</u>	<u>\$453,454,300</u>
FTE/Other			
Total FTE	3,639	(29)	3,611

For FY 2003, the Analyst recommends a budget of \$453.5 million, with \$205.1 million from the General Fund. These adjustments will be described in detail in the various division budget reports.

2.0 Issues: Department of Human Services

2.1 The Analyst’s FY 2003 Base Budget

The Analyst’s starting point for the FY 2003 recommended budget is the “Analyst FY 2003 Base” budget. This amount starts with the original FY 2002 appropriation less one-time appropriations. It is then adjusted by the budget reductions previously approved by the subcommittee that continue into FY 2003. It also includes the impact of Administrative Services’ FY 2003 rate changes charge by its internal service funds, funds for the extra eight hours paid in FY 2003, and continuation funding for last year’s market cost adjustments. This last item appears as a transfer in the FY 2002 budget (as the funds were originally appropriated to the Division of Finance, but appears as General Funds in the FY 2003 budget. General Fund impacts are summarized below:

DEPARTMENT OF HUMAN SERVICES	
FY 2003 General Fund Base Budget	
Original FY 2002 Appropriation	\$ 216,369,500
One-time Funding:	
DSPD to use Nursing Home Account in FY02	\$ (1,600,000)
Aging Svc: Transportation Equipment	250,000
Aging Svc: In-home Services	250,000
Aging Svc: Meals	300,000
Mental Health Centers	300,000
Net One-time Funds	(500,000)
FY 2002 Appropriation Less 1-time funds	<u>\$ 216,869,500</u>
Continue FY 2002 reductions into FY 2003	(9,537,300)
FY 2003 ISF Rate Changes	(235,600)
FY 2002 Market Cost Adjustments	301,200
FY 2003 Extra Eight Hours	279,300
FY 2003 General Fund Base Budget	<u><u>\$ 207,677,100</u></u>

2.2 The Analysts FY 2003 Changes

The “Analyst’s FY 2003 Changes” amount includes the FY2003 incremental increased reductions from the FY 2002 budget reductions previously approved. It also includes two transfers. One is a transfer of a function in the Office of Recovery Services to the Department of Workforce Service. The other is a transfer in from the Division of Finance for operation of the 800 MHz communication system. The General Fund impacts are summarized below:

DEPARTMENT OF HUMAN SERVICES	
Analyst FY 2003 Changes	
Administrative Reductions *	\$ (1,160,900)
FACT "Restructuring" *	(417,700)
State Hospital Geriatric Bed Closure *	(435,600)
Mental Health : Health Providers' payment rate	(29,200)
DSPD Direct Service Staff *	(300,000)
DCFS Regional Fiscal Performance *	(100,000)
Transfer "Fraud & Overpayment" unit to Workforce Svc	(140,000)
Transfer in of 800 MHz operation funds	5,100
Total Analyst FY 2003 Changes (General Fund)	<u><u>\$ (2,578,300)</u></u>
<p><i>*Continuation of FY 2002 budget reductions. (Only the increased amount over the FY 2002 reduction is included.)</i></p>	

The following items of discussion are brief synopsis of funding items of concern in the Department. Due to funding restrictions, none have been included in the Analyst's FY 2003 recommended figures.

2.3 Division of Child and Family Services Adoption Assistance

The State makes available several forms of financial assistance to families adopting children from State custody, both on-going and one-time assistance. As part of its budget control efforts in FY 2000, DCFS reviewed, and in many cases reduced or eliminated, special needs subsidies. Some of the reduced or eliminated subsidies were later restored. The Division is requesting an FY 2003 increase of \$783,100 (General Fund) for adoption subsidies due to growth in the number of adoptions.

2.4 Division of Child and Family Services - Court Oversight

When the four-year David C. settlement agreement expired in 1998, the federal district court decided to continue its oversight of the Division by requiring the creation and monitoring of a "Performance Milestone Plan." The State appealed the court's decision to the 10th Circuit Court of Appeals in Denver. The Appeals Court ruled in favor of the plaintiffs' claim that DCFS should remain under review by the federal courts to ensure compliance with the Milestone Plan. The State appealed to the U.S. Supreme Court, but on October 1, it refused to consider the appeal. The Division is requesting \$590,300 in on-going General Funds for FY 2003 to cover staff training and case review costs directed by the Milestone Plan. For the last two years, the Legislature has appropriated one-time funds to meet these costs.

2.5 TANF Funds Replacement

During the last three sessions, the Legislature has approved transfers of Temporary Assistance to Needy Families (TANF) funds to the Social Services Block Grant (SSBG) to fund a variety of human services needs. The 2000 Legislature increased the transfer amount by \$1.8 million for FY 2001 to a total transfer amount of \$4,737,000. The 2001 Legislature also included intent language directing the Legislative Fiscal Analyst, in the FY 2003 budget recommendations, to consider replacing this \$1.8 million increase in TANF transfers with sufficient General Funds to provide the equivalent amount of service. By next year, Congress will likely reauthorize TANF and the current “surplus” of TANF funds available for transfers may not be there. Funding restrictions precluded the Fiscal Analyst from including this item in the recommended budget.

2.6 Federal Medical Assistance Payments Match Rate Change

The Federal Medical Assistance Payments (FMAP) match rate changes from 70.36 percent to 70.93 percent effectively for State Fiscal Year 2003. In previous years this match rate has been declining and the State has had to pick up the increased required State match to maintain the same level of services. For FY 2003, this rate change will realize a projected savings to the department of \$1,037,800 in General Funds. This amount is not reflected in the Analyst’s FY 2003 recommended budget, but is available to the subcommittee for re-appropriation within the Department, if it so chooses.

2.7 Services for People with Disabilities – Waiting List and Emergency Services

The State has made significant efforts in recent years to provide services for people with disabilities waiting for services. Yet there are still a significant number of people waiting for services, ranging from community group home placements to less costly services such as daily living assistance in the person’s home, caregivers’ assistance, and day training. The Division of Services for People with Disabilities (DSPD) currently estimates the number of people on the waiting list in need of immediate services at about 1,400. Under current service policies, it would take between five and eight million dollars in State funds to fully fund the current waiting list. The Legislative Auditor recently completed an audit of certain aspects of DSPD, including the waiting list. They will present this audit to the subcommittee during the 2002 Session. If the Legislature decides to act on recommendations in the audit, state funds currently in the budget could be used to treat a significant number of additional clients or could be redirected for other purposes.

While the Division of Services for People with Disabilities is not formally requesting an increase for waiting list funding, it is requesting \$662,400 (General Fund) for emergency services for cases when a caregiver dies or becomes unable to continue care, and cases where the Court orders the Division to provide care.

2.8 DCFS Workforce Improvements

The Division is attempting to enhance the training and mentoring of new child protective service (CPS) workers. The quality of their training is hampered by excessive caseloads of these newer workers, which is averaging 12 cases. DCFS is requesting funds to hire an additional 37 caseworkers, mainly to reduce the caseload of newer caseworkers still in training to three cases. It is also hoped that better training and mentoring of new employees will reduce the current CPS worker turnover rate, which is currently at 25 percent per year. The Division requests a base budget increase of \$1,835,000 (\$1,504,700 General Fund).

2.9 Expansion of Drug Courts and Drug Boards

Drug Courts offer nonviolent drug abusing offenders intensive court-supervised drug treatment as an alternative to prison if the offender completes the program. Private providers and local area substance abuse authorities provide treatment services. Drug Boards is a similar program offered by the correction system to individuals entering parole. Estimated needs for drug court services total \$12.3 million in state funds that would provide services to approximately 3,500 offenders. The Department is requesting \$1 million in new General Funds for FY 2003, which would replace the \$1 million lost in the FY 2002 cutbacks.

2.10 Increased Funding for METH Abuse Treatment

The Department is requesting an additional \$500,000 from the General Fund for treatment of the growing METH epidemic. Federal matching funds would provide another \$684,000. With the average cost of treatment at about \$5,900, this would provide treatment to about 200 individuals. The Division of Substance Abuse believes the funds should be targeted at women, especially pregnant women or women with dependent children.

2.11 Utility Cost Increases

Both the State Hospital and the Developmental Center experienced significant natural gas and electricity rate increases in FY 2001. Natural gas rates doubled and electrical rates increased by more than ten percent. The 2001 Legislature provided one-time supplemental appropriations to cover these costs in FY 2001. Both institutions are requesting supplemental appropriations for FY 2002 (\$314,200 General Fund) and base adjustments for FY 2003 totaling \$328,600 General Fund. The FY 2002 need has been partially funded with a supplemental appropriation. No funding increases for FY 2003 are included with the Analyst's recommendation.

2.12 Increased Medication Costs

Medical costs at the Developmental Center and the State Hospital are increasing sharply. Prescription drugs' cost at the Hospital has increased from just over \$1.0 million in FY 1996 to over \$2.4 million in FY 2001. Both institutions are requesting budget increases totaling \$298,800 (General Fund) for FY 2003 for these cost increases.

2.13 COLA: Local Authorities and Service Providers

State law requires the Governor to "consider" a budget adjustment to local health, mental health, substance abuse, and aging authorities, as well as private corporate service providers for the Division of Services for People with Disabilities and the Division of Child and Family Services. The Governor is to consider a rate increase that will provide a comparable employee salary increase to that recommended for state employees. Current estimates indicate that each one percent adjustment equals approximately \$1.0 million (General Fund). The Executive Appropriations Committee will consider this issue along with other compensation issues.

2.14 Services for the Elderly

There are waiting lists for elderly residents who need in-home services, which can prevent or delay their move into more costly services such as nursing homes. These in-home services include "meals-on-wheels," respite for the caregiver, personal aids, transportation services, etc. For FY 2003, the Division requests a one-time appropriation of \$250,000 (General Fund) for use by local area aging authorities to purchase meals delivery vehicles and vans.

2.15 Substance Abuse Treatment for Early Release Parolees

The Division estimates about 700 non-violent substance-abusing offenders will be released early from prison this year due to overcrowding. The Division is requesting additional state funds (\$1,225,000 General Fund) to provide treatment to a portion of this population to reduce the recidivism rate.

2.16 Foster Parent Retention

Currently, the State has about 1,200 foster parents. However, a third of them leave the system each year. The Foster Care Foundation, through DCFS, is requesting an increase in its contract with DCFS by \$381,600 (\$286,200 General Fund) to expand its foster parent retention services statewide.

2.17 Long Term Care Ombudsman Needs

The long-term care ombudsman program staff and volunteers regularly visit all licensed long-term care facilities, such as nursing homes and assisted living facilities. They also respond to complaints from residents and their families. Due to workload increases, the Division is requesting \$283,800 (General Fund) for four new full-time ombudsmen at the local level, plus one FTE in the State Office.

2.18 Utah State Developmental Center Staff Funding

The Developmental Center has not experienced as much staff reductions as were planned when the client out-movement and related fund transfers began. Service delivery has been restructured at the Center and Medicaid requirements have resulted in a lower caregiver to resident ratio. The Center is requesting funding for 45 direct care staff currently employed but not funded. The Division requests \$405,000 (General Fund).

2.19 Federal Funds Increases

Federal funds, including Medicaid transfers have increased significantly in various human service programs. The Substance Abuse Treatment and Prevention program increased by \$1.1 million in FY 2002 and the Community Mental Health Services grant is up by about \$500,000. Aging services has been awarded a new "National Family Caregiver Support Program" grant which provided the Division \$827,900 in additional federal revenues in FY 2002. In other areas, such as child welfare services and disability services, the State has been increasing its effort to identify Medicaid qualified clients and services.

4.0 Additional Information: Department of Human Services Summary

4.1 Funding History

	1999	2000	2001	2002	2003
Financing	Actual	Actual	Actual	Estimated	Analyst
General Fund	180,571,099	193,430,900	202,792,800	216,869,500	205,098,800
General Fund, One-time				(10,325,400)	
Federal Funds	101,703,400	103,940,412	103,601,347	114,976,200	112,942,200
Dedicated Credits Revenue	7,363,836	8,088,622	8,321,815	8,072,000	7,935,700
Federal Mineral Lease		0			
GFR-Children's Trust	350,000	350,000	350,000	350,000	350,000
GFR-Domestic Violence	550,000	550,000	550,000	650,000	650,000
GFR-Intoxicated Driver Rehab	950,000	950,000	950,000	1,050,000	1,050,000
GFR-IT Innovation Fund			100,000		
GFR- obacco Settlement			1,647,200	1,647,200	1,647,200
GFR- rust for People with Disabilities	690,000			200,000	200,000
Transfers-H-Medical Assistance	100,069,931	111,086,037	115,773,049	119,103,800	118,021,700
Transfers-Other Agencies	2,287,202	6,379,959	5,957,355	7,514,500	5,558,700
Transfers-TANF	466,936				
Transfers-USDA	409,299				
Transfers-Within Agency	1,753,250				
Beginning Nonlapsing	2,151,885	523,349	5,089	1,450,200	
Closing Nonlapsing	(523,349)	(5,089)	(1,450,210)		
Lapsing Balance	(1,661,036)	(88,205)	(5,459,052)		
Total	\$397,132,453	\$425,205,985	\$433,139,393	\$461,558,000	\$453,454,300
Programs					
Human Services	397,132,453	425,205,985	433,139,393	461,558,000	453,454,300
Total	\$397,132,453	\$425,205,985	\$433,139,393	\$461,558,000	\$453,454,300
Expenditures					
Personal Services	143,092,672	153,007,844	161,475,260	165,669,300	162,005,200
In-State Travel	1,457,943	1,313,523	1,092,140	1,064,300	995,100
Out of State Travel	327,221	361,375	309,981	297,100	281,600
Current Expense	36,270,015	40,997,405	41,723,477	39,016,900	36,817,800
DP Current Expense	21,492,617	16,316,612	14,565,930	14,426,100	14,040,500
DP Capital Outlay	166,255	987,208	191,377	84,700	81,900
Capital Outlay	224,261	362,211	363,642	409,000	409,000
Other Charges/Pass Thru	194,101,469	211,859,807	213,417,586	240,590,600	238,808,200
Total	\$397,132,453	\$425,205,985	\$433,139,393	\$461,558,000	\$453,439,300
FTE/Other					
Total FTE	3,478	3,615	3,600	3,625	3,611