

NEWS RELEASE

Office of Performance Evaluations (OPE) Idaho Legislature

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The Department of Health and Welfare's Management of Appropriated Funds

Full report available on OPE's website: <http://www.legislature.idaho.gov/ope/>

(BOISE) Today, the Legislature's independent, nonpartisan Office of Performance Evaluations released a report that explains how Idaho's Department of Health and Welfare manages funds appropriated by the Legislature. In March 2013 the bipartisan Joint Legislative Oversight Committee approved a request to study how appropriated funds move through the department and to explain whether the budget management practices are complicated by the department's size and structure.

Evaluators conclude that the processes Health and Welfare uses to manage its budget are understandable despite their complex nature. Evaluators found that the complexity is driven by federal reporting requirements and data systems' limitations.

Two-thirds of the department's \$2.4 billion budget is from federal dollars, and the department must follow prescriptive federal grant reporting requirements to legitimately claim those dollars. The department's budget management processes and financial data systems prioritize collecting and tracking the data necessary for federal reporting. This means that answers to questions legislators have about financial data may not be readily available, especially if they involve data that the department does not already collect and track.

Evaluators note that removing Health and Welfare programs from the cooperative welfare fund will not necessarily make information more accessible or transparent.

The department pools funds from multiple sources into a single fund known as the cooperative welfare fund. This single fund allows the department flexibility to more efficiently process payments and receipts. A potential down side of using this single fund is that it can obstruct policymakers' view of how the department used funds from a specific source.

From time to time, Health and Welfare makes adjustments to its budget in the form of transferring spending authority between programs and services. The significance of the transfers the department made (\$101.3 million or 4.2% of its total budget) in fiscal year 2013 was small when compared with the enormity of the department's \$2.4 billion budget. Eighty-two percent of transferred funds were between Medicaid programs, specifically exempted from transfer limitations.

Evaluators found that although states often reorganize their health and human service programs, states have recently tended to consolidate programs and services into fewer agencies.

Health and Welfare's size and structure fall in line with how 13 other states, including two of Idaho's neighbors (Montana and Nevada), organize their health and human services agencies.

Evaluators offer a set of considerations. Three of those considerations are suggestions for improvement that could be implemented immediately:

- **Policymakers should consider requesting a report from Health and Welfare that documents all transfers made and the reasons for those transfers.**
- **Policymakers should consider making inquiries of Health and Welfare as early in the budget setting process as possible with the understanding that an answer may not be immediately available.**
- **Health and Welfare should consider increasing the automation of the department's year-end reporting process.**

Responding to the evaluation, Health and Welfare Director Richard Armstrong said the report is "a fair and accurate review of the complexities associated with the management of Health and Welfare's budget." Armstrong agreed with the evaluators' recommendation to increase the automation of the department's year-end reporting process.

State Controller Brandon Woolf, who provided technical feedback on the report, complimented evaluators: "Reports like this one, and others produced by OPE, are critical for helping policy makers and other stakeholders ensure the inner workings of state government more transparent, and ensuring the people's money—tax dollars—are spent prudently and in accordance with the law."

Governor Otter also responded to the evaluation positively saying the "analysis will provide valuable assistance for future planning."