

N00B
Child Welfare
Department of Human Resources

Operating Budget Data

(\$ in Thousands)

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 02-04</u> <u>Change</u>	<u>FY 05</u>	<u>FY 04-05</u> <u>Change</u>
Operations	\$159,193	\$157,030	\$145,380	-\$13,813	\$154,112	\$8,732
Contractual Services	38,615	29,226	25,553	-13,063	26,141	589
Grants	230,831	244,754	220,729	-10,102	257,948	37,219
FY 2004 Deficiencies	0	0	36,016	36,016	0	-36,016
Contingent & Back of Bill Reductions	0	0	0	0	-939	-939
Adjusted Grand Total	\$428,640	\$431,010	\$427,677	-\$962	\$437,262	\$9,584
General Funds	178,468	217,373	204,837	26,370	255,100	50,263
FY 2004 Deficiencies	0	0	36,016	36,016	0	-36,016
Contingent & Back of Bill Reductions	0	0	0	0	-469	-469
Adjusted General Funds	\$178,468	\$217,373	\$240,853	\$62,386	\$254,631	\$13,777
Special Funds	18,763	15,803	9,223	-9,540	1,110	-8,113
Contingent & Back of Bill Reductions	0	0	0	0	-7	-7
Adjusted Special Funds	\$18,763	\$15,803	\$9,223	-\$9,540	\$1,103	-\$8,120
Federal Funds	220,550	188,489	168,058	-52,492	171,753	3,695
Contingent & Back of Bill Reductions	0	0	0	0	-463	-463
Adjusted Federal Funds	\$220,550	\$188,489	\$168,058	-\$52,492	\$171,290	\$3,232
Reimbursable Funds	10,859	9,346	9,543	-1,316	10,238	695
Adjusted Grand Total	\$428,640	\$431,010	\$427,677	-\$962	\$437,262	\$9,584
Annual % Change		0.6%	-0.8%		2.2%	

- Cost containment between fiscal 2002 and 2004 has affected primarily personnel and contractual services. Elimination of 183 positions accounts for the personnel change. Affected contractual services include the Martin Pollack Project, Family Support Centers, and discretionary child welfare funds.

Note: Numbers may not sum to total due to rounding.

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- The Governor has proposed a fiscal 2004 deficiency appropriation of \$36 million in general funds to address higher than budgeted foster care costs and overestimated federal fund attainment. After the deficiency appropriation, funding for foster care payments increases less than \$1 million in fiscal 2005.
- The primary cause of the budget increase of \$9.6 million in fiscal 2005 is personnel costs in local child welfare operations.

Personnel Data

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 02-04</u> <u>Change</u>	<u>FY 05</u>	<u>FY 04-05</u> <u>Change</u>
Regular Positions	2,456.2	2,511.5	2,549.1	92.9	2,549.1	0.0
Contractual FTEs	4.9	1.3	0.0	-4.9	0.0	0.0
Total Personnel	2,461.1	2,512.8	2,549.1	88.0	2,549.1	0.0

Vacancy Data: Regular Positions

Turnover Expectancy	145.8	5.72%
Positions Vacant as of 12/31/03	244.7	9.60%

- As the State has tried to reach child welfare caseload standards, 93 positions have been added since fiscal 2002.
- With current vacancies much higher than turnover expectancy, the agency could afford to fill almost 100 positions if given relief from the hiring freeze.

Analysis in Brief

Major Trends

Caseload Declines While Median Length of Stay Stabilizes: As in previous years, the overall foster care and adoptions caseload is declining. Regular foster care is declining, while adoptions and institutional foster care are increasing.

Children Reside in Permanent Homes: The percentage of children who exit care to permanency is declining as the percentage of children who “age out” of care is increasing. With the percentage of children in care over the age of 10 increasing, this trend will likely continue for several years.

Maryland Undergoes Federal Child Welfare Review with Mixed Results Likely: Maryland is the forty-seventh state to undergo a federal child welfare review. Pending a final report, preliminary results praise the State for its successes ensuring the safety of children, find permanency planning to be a continuing challenge, and show mixed results related to ensuring the well-being of children and families in care. The State will likely be cited for an inadequate child welfare information system.

Issues

Most Jurisdictions Do Not Meet Caseload-to-staff Standards, but More Could: Nine jurisdictions meet the caseload-to-staff standards set by the Child Welfare League of America (CWLA) for both caseworkers and supervisors. In the remaining jurisdictions, 204 additional caseworkers and supervisors are needed to meet CWLA standards. With budgeted funding adequate to fill 98 currently vacant positions, the State could significantly reduce the number of workers and supervisors needed to meet CWLA standards if the department were given relief from the hiring freeze and if it were willing to transfer vacant positions among jurisdictions.

Allowance Based on More Realistic Federal Funds: Federal Title IV-E fund attainment appears to be trending downward, decreasing from 34% of total foster care spending in fiscal 2000 to 26% in fiscal 2003. In contrast to recent years, the allowance assumes Title IV-E funds will provide 30% of total foster care spending in fiscal 2005, an attainment level more consistent with recent experience.

Recommended Actions

1. Amend language to require the Department of Human Resources to submit information related to accruals for services provided near the end of a fiscal year.

Updates

Illegal Placement of Foster Children from the District of Columbia Continues: The District of Columbia often places its foster children in homes in Maryland, mostly in Prince George’s County, sometimes without notifying child welfare officials in Maryland. Many of these children are placed in unapproved or illegal homes, putting the safety of the children at risk. The Department of Human Resources (DHR) is developing regional approaches to alleviate the problem, including a joint effort to recruit and train foster parents in both jurisdictions.

Foster Care Audit Follow-up Shows Improvements Are Underway: At the request of the budget committees, the Office of Legislative Audits conducted a follow-up review of audit findings in the Social Service Administration’s out-of-home care program, i.e., foster care. The follow-up review found that DHR has made some progress in resolving the issues in the audit, but corrective action is still in progress on nearly every issue.

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Operating Budget Analysis

Program Description

The mission of the Department of Human Resources' (DHR) Child Welfare programs is to support the healthy development of families, assist families and children in need, and protect abused and neglected children. The department conducts programs that facilitate family preservation and family reunification by providing early intervention and prevention services and intensive case management to families. Specific services for families and children include adoptive services, intensive family services, protective services, and placement of abused or neglected children in foster care homes. Staff in local departments of social services typically provide or coordinate the delivery of these services.

Key goals of the Social Services Administration (SSA) include:

- children reside in permanent homes;
- children are safe from abuse and neglect; and
- children receive appropriate social services consistent with their overall well being.

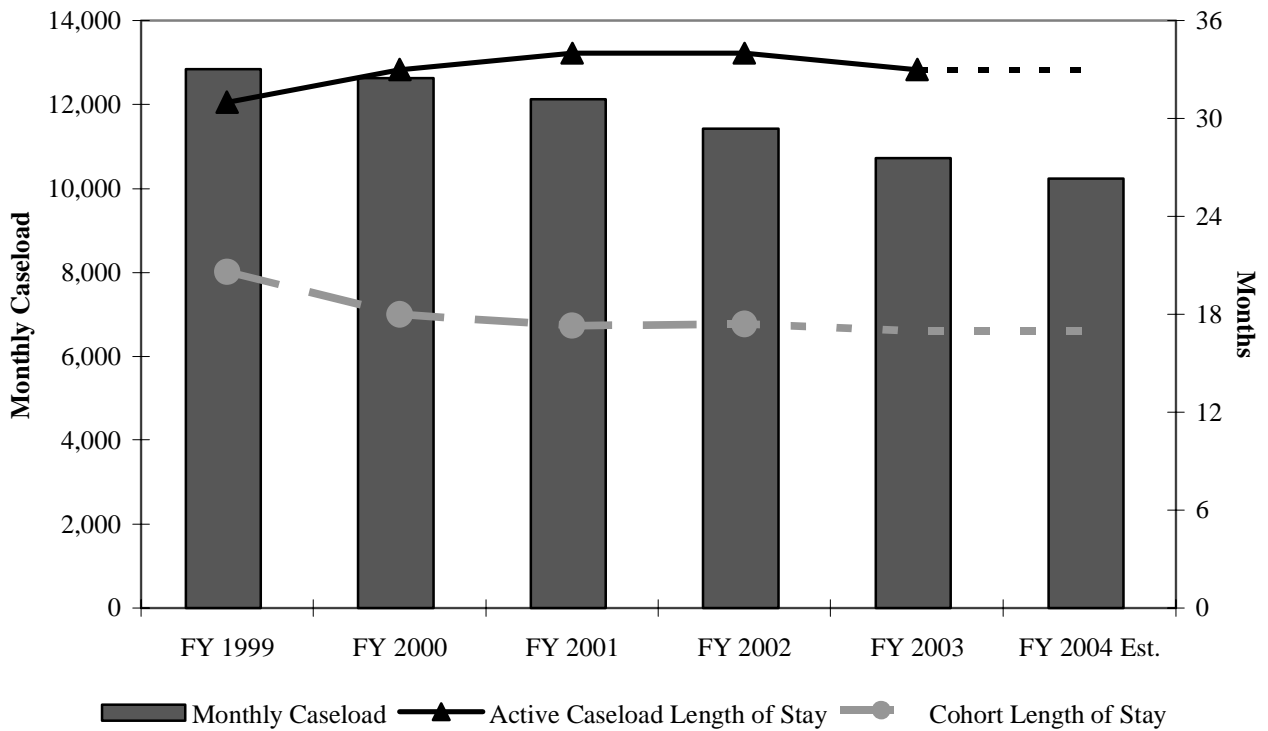
Performance Analysis: Managing for Results

Caseload Declines While Median Length of Stay Stabilizes

Exhibit 1 shows the trends in out-of-home placements. As in previous years, the overall child welfare caseload is declining. Family foster care and kinship care are declining, while institutional foster care and adoptions are increasing.

The average length of stay for the entire active caseload had increased until fiscal 2002 but decreased from 34 to 33 months in fiscal 2003. The length of stay when measured for a given cohort of entering children is much shorter because it is not affected by children who were placed in out-of-home care years ago and are "aging in place." Children entering foster care today tend to stay for shorter periods. A growing percentage of the caseload is over the age of 10, and many of those older children will remain in care until they are old enough to live independently.

**Exhibit 1
Out-of-home Care
Caseload and Length of Stay
Fiscal 1999 – 2004**



Notes: “Active Caseload Length of Stay” measures how long children have been in their current episode of care, for all children in care on a single day (the last day of the fiscal year). Data shown are the median.

“Cohort Length of Stay” measures how long children who enter care in a given fiscal year stay in their first episode of care. This measure better represents the short stay of many children, because so few of them are in care on a single day.

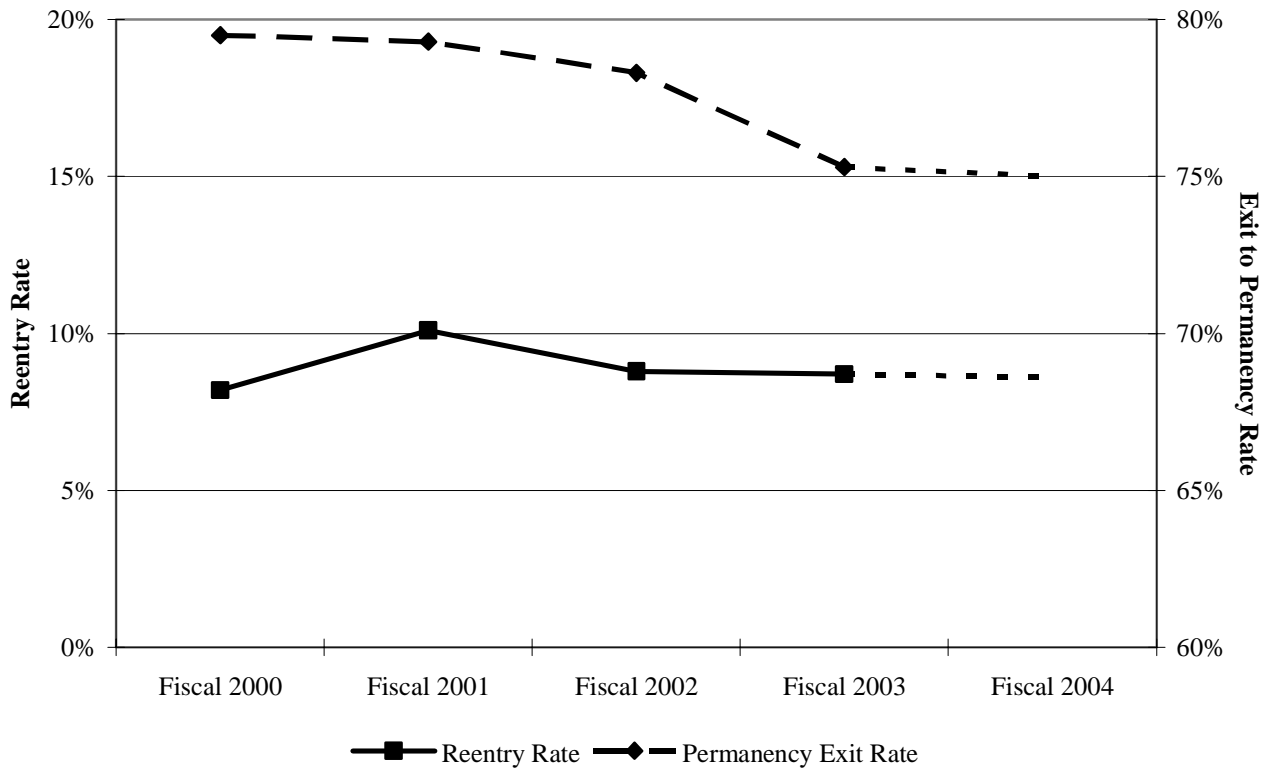
The dotted portion of each line indicates the department’s projections for length of stay.

Source: Department of Human Resources

Children Reside in Permanent Homes

Exhibit 2 shows the trends related to permanency. The percentage of children who reenter foster care within one year of their last out-of-home placement appears to have stabilized after increasing in fiscal 2001. The percentage of children who exit foster care to a permanent home is declining, primarily due to an increasing percentage of children exiting care because they have reached the age of independence. (The department does not consider independent living an exit to permanency.) The department hopes to increase the permanency exit rate, but the increasing proportion of older children in the caseload will likely cause this measure to continue to decrease for several more years.

Exhibit 2
Permanency Measures
 Fiscal 2000 – 2004



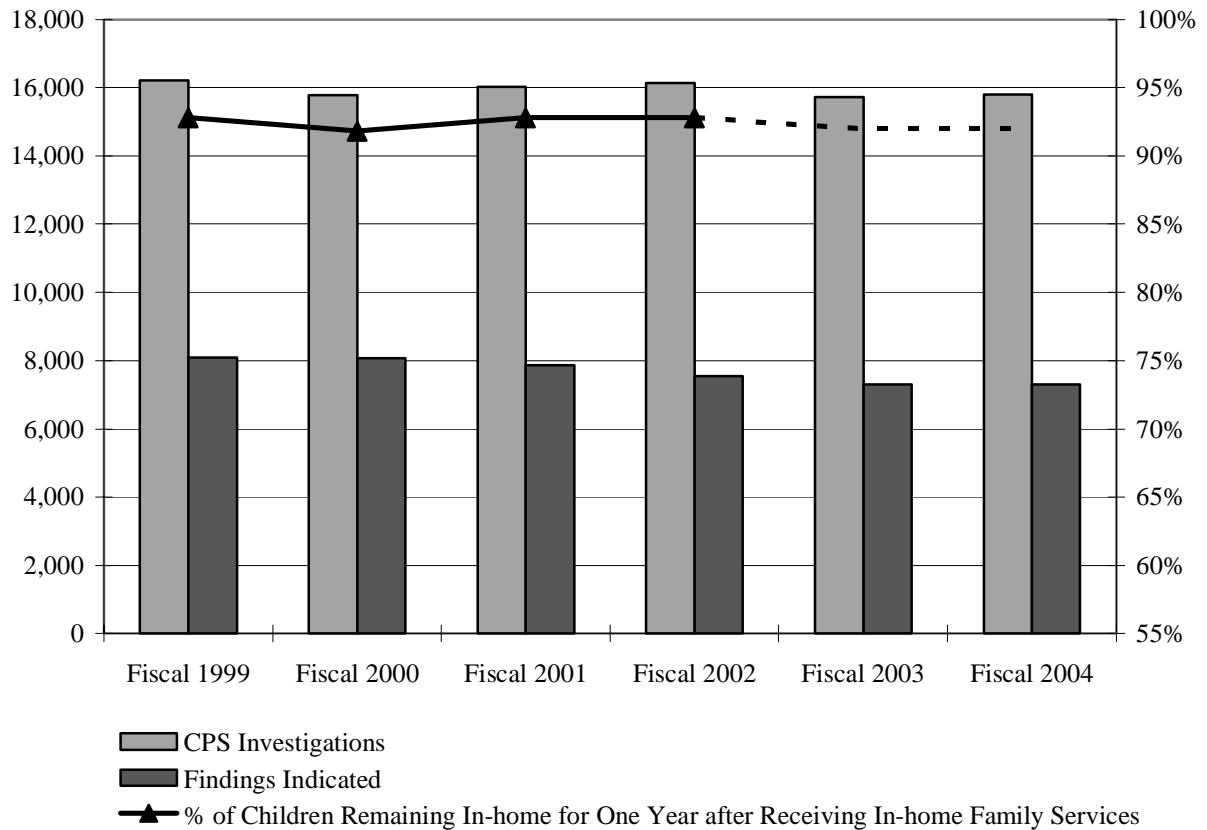
Note: The dotted portion of each line indicates the department’s projection for future performance.

Source: Department of Human Resources

Children Are Safe from Abuse and Neglect

Exhibit 3 relates to the safety of children. While the number of Child Protective Services investigations has remained fairly steady, the number with findings of abuse or neglect is trending downward. The success of in-home family services is consistent with past years: about 92% of children do not enter foster care within one year of receiving in-home family services. **The Secretary should comment on why the department has been unable to increase the percentage of children who do not enter foster care after receiving in-home family services.**

**Exhibit 3
Safety Measures
Fiscal 1999 – 2004**



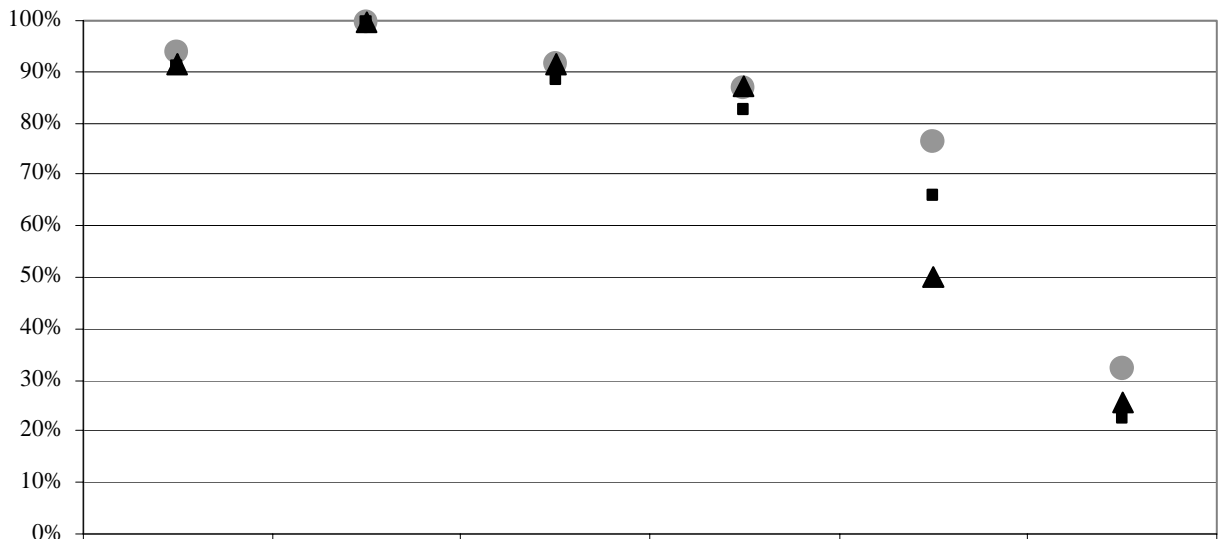
Note: The dotted line indicates the department’s projected performance.

Source: Department of Human Resources

Maryland’s Performance Better Than National Average but Misses Federal Targets

Exhibit 4 illustrates Maryland’s performance on six federal child welfare performance measures. As last year, Maryland exceeded the national average in all but one measure. This year, Maryland increased federal targets met from one to two. While Maryland has improved that one measure, the State’s performance worsened on every other measure.

**Exhibit 4
Comparison of Maryland’s Child Welfare Indicators to
Federal Standards and National Average**



	Children without a substantiated recurrence of maltreatment within six months of case closure ¹	Children not subject of substantiated maltreatment by foster parent or facility staff ^{1,2}	Children not re-entering foster care within 12 months of prior episode ^{1,3}	Children in foster care less than one year who have had two or fewer placements ³	Children exiting foster care through reunification who do so within one year of entry ⁴	Children exiting foster care through adoption who do so within two years of entry ⁵
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- Federal Target
- National Average
- ▲ Maryland

93.9%	99.4%	91.4%	86.7%	76.2%	32.0%
91.1%	99.5%	88.5%	82.7%	65.7%	22.3%
91.3%	99.5%	91.3%	87.1%	50.0%	25.5%

¹For ease of illustration, these measures were inverted from the federal measure.
²Maryland data does not include facility staff.
³In Maryland data, out-of-home care includes kinship care and foster care.
⁴For Maryland, time in care includes trial home visits or after care.
⁵In Maryland data, adoptive placement is used as a proxy for adoptive finalization in many cases.

Source: Department of Human Resources

Maryland Undergoes Federal Child Welfare Review with Mixed Results Likely

Maryland's performance in child welfare was the subject of scrutiny in fall 2003 as the State underwent a federal child welfare review. Maryland is the forty-seventh state to undergo a federal review. Federal reviewers have published reports on 32 states. The review included both a data profile and on-site reviews of local departments in Allegany and Anne Arundel counties and Baltimore City.

The federal review covers seven outcome measures and seven systemic factors, as listed in **Exhibit 5**.

Exhibit 5 Federal Child Welfare Review

Outcome Measures

Safety	Children are safe from abuse and neglect. Children are safely maintained at home when possible.
Permanency	Children have permanent and stable living arrangements. Continuity of family relationships is preserved.
Child and Family Well-being	Families have enhanced capacity to care for children's needs. Children receive appropriate educational services. Children receive adequate services for physical and mental health needs.

Systemic Factors

Statewide information system
Case review system
Quality assurance system
Staff and provider training
Service array
Agency responsiveness to community
Foster and adoptive home licensing

Source: Department of Human Resources

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Based on the review, Maryland will be judged “in substantial conformity” or “not in substantial conformity” on each measure or factor. Of the 32 states on which a report has been released, no state has yet been found in substantial conformity on all seven outcome measures, and only two states have been found in substantial conformity on all seven systemic factors. There are significant federal penalties associated with nonconformance, but penalties are suspended if a State submits an adequate Program Improvement Plan. Federal reviewers have indicated that they expect every state to begin operating under a program improvement plan.

Federal reviewers were to issue an initial report within 30 days of the on-site visits, which concluded November 21, 2003. As yet, no report has been issued. Preliminary results, which could change in the final report, were discussed by federal officials at the close of the on-site review. According to those preliminary findings, Maryland shows strong performance on the outcome measures related to safety. Federal officials praised Maryland for its timeliness in pursuing investigations, its risk assessment process, and its special services, such as Families Now. In contrast, preliminary findings indicate weaknesses on the permanency measures. Federal officials cited difficulties implementing “concurrent planning” for reunification and adoption and collaborating with the court system. Preliminary findings related to well-being were mixed. Among the systemic factors, the statewide information system was the most problematic. In the preliminary findings, federal officials praised Maryland for its focus on family-based assessments and services but noted that the emphasis on family reunification creates tension in pursuing timely permanency in some cases.

The Secretary should comment on the department’s expectations with regard to findings anticipated in the federal report. The Secretary should also comment on the likely composition and timing of the department’s Program Improvement Plan, including any additional resources needed to implement it.

Fiscal 2004 Actions

Impact of Cost Containment

In July 2003, the Board of Public Works (BPW) made both programmatic and administrative reductions to the child welfare budget. Those reductions are listed in **Exhibit 6**. The largest programmatic reduction the board made to DHR was \$3.0 million from foster care based on making more cost-effective institutional placements. It is unclear whether the department has been able to make more cost-effective institutional placements in response to the reduction because a shortfall in the program required a deficiency.

Exhibit 6
Fiscal 2004 Cost Containment

Kinship care conferences	\$38,831
Tuerk House substance abuse program	78,000
Family support centers	290,400
Cost effective institutional placements	3,023,517
Administrative reduction	1,237,950
Subtotal – General Funds	\$4,668,698
Special fund impact	132,619
Federal fund impact	4,496,093
Total	\$9,297,410

Source: Department of Budget and Management; Department of Human Resources

Proposed Deficiency

The Governor has proposed a deficiency appropriation of \$36 million for foster care payments. The deficiency is related to lower than budgeted federal fund attainment and higher than budgeted costs. **Exhibit 7** illustrates the role of these two factors in determining the amount of the deficiency.

Fiscal 2004 Deficiency May Not Be Enough

In fiscal 2002 and 2003, foster care program expenditures through December were less than 50% of the total expenditures for the year. Those years showed similar caseload trends to those continuing in fiscal 2004. Fiscal 2004 program expenditures may be slightly depressed by the cap on rates for institutional providers, but other than that, it is reasonable to assume that fiscal 2004 expenditure trends would be similar to prior years.

Exhibit 7
Fiscal 2004 Deficiency Appropriation

	<u>FY 2004</u> <u>Allowance</u>	<u>FY 2004</u> <u>Working</u>	<u>Deficiency</u>
Title IV-E	\$83,345,402	\$66,159,557	-\$17,185,845
Adoption Assistance	11,948,021	9,492,901	-2,455,120
Medicaid	6,000,000	0	-6,000,000
Independent Living		1,345,430	1,345,430
Reimbursable Funds	1,219,389	0	-1,219,389
Subtotal – Unattainable Funds	\$102,512,812	\$76,997,888	-\$25,514,924
Caseload Adjustment			-10,501,015
Total Deficiency			-\$36,015,939

Note: Title IV-E funds in the fiscal 2004 allowance figure have been reduced by \$3,023,517 to reflect the federal fund impact of cost containment action taken by the Board of Public Works in July 2003.

Source: Maryland State Budget, fiscal 2004 and 2005

As shown in **Exhibit 8**, however, program expenditures through December 2003 make up more than 50% of the current working appropriation, including the deficiency. Conservatively, if year-to-date expenditures were 50% of the total program cost, the fiscal 2004 working appropriation, including the deficiency, leaves the program with a shortfall of \$15.6 million. The general fund portion of the shortfall is an estimated \$10.9 million.

The Department of Legislative Services (DLS) recommends that the Secretary explain to the committees, and provide data that illustrates, why the department believes that its current working appropriation will be adequate for fiscal 2004.

Exhibit 8
Comparison of Year to Date Expenditures
Predicts Fiscal 2004 Shortfall

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
December Year-to-date Expenditures	\$108,341,148	\$116,705,440	\$134,475,435
Total Appropriation	241,553,789	249,271,526	253,372,863
% Expended by December	45%	47%	53%
Projected Shortfall ¹			-15,578,007
Projected General Fund Shortfall ²			-10,904,605

¹ Assumes that December year-to-date expenditures represent 50% of spending for the year.

² Assumes federal Title IV-E funds will provide 30% of necessary funding.

Source: Department of Human Resources

Proposed Bonus Spending

In addition to the proposed deficiency appropriation of general funds, the department plans to increase child welfare spending in fiscal 2004 using unanticipated federal revenue.

First, the department received a federal bonus of \$712,000 for increasing adoptions of foster care children over a five-year period. The bonus must be reinvested in the adoptions program. The department will use the additional funds for adoption promotion and post-adoption services, such as:

- recruitment of adoptive families;
- child-specific adoption recruitment for older and disabled children;
- home studies performed by private agencies;
- counseling services for adoptive parents and adopted children; and
- one-time adoption reimbursements for out-of-country adoptions.

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Second, from federal bonuses and an unanticipated fiscal 2003 closing balance, the department plans to spend an additional \$1.3 million in Temporary Assistance for Needy Families revenue for child welfare social workers, local services, and related administrative support.

Governor’s Proposed Budget

After accounting for proposed deficiencies in fiscal 2004 and cost containment in fiscal 2004 and 2005, the budget for the department increases \$9.6 million. Of that change, 82% is attributable to personnel expenses, including increments, health insurance, workers’ compensation, and reclassifications. Of the personnel increases, 87% occurs in local child welfare services. **Exhibit 9** illustrates the changes in the department’s budget.

**Exhibit 9
Governor's Proposed Budget
Child Welfare
(\$ in Thousands)**

	FY 03	FY 04	FY 05	FY 04-05	FY 04-05
	<u>Actual</u>	<u>Approp.</u>	<u>Allowance</u>	<u>Change</u>	<u>% Change</u>
General Funds	\$217,373	\$204,837	\$255,100	\$50,263	24.5%
FY 2004 Deficiencies	0	36,016	0	-36,016	
Contingent & Back of Bill Reductions	0	0	-469	-469	
Adjusted General Funds	\$217,373	\$240,853	\$254,631	\$13,777	5.7%
Special Funds	\$15,803	\$9,223	\$1,110	-\$8,113	-88.0%
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Federal Funds	\$188,489	\$168,058	\$171,753	\$3,695	2.2%
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Reimbursable Funds	\$9,346	\$9,543	\$10,238	\$695	7.3%
Adjusted Grand Total	\$431,010	\$427,677	\$437,262	\$9,584	2.2%

Where It Goes:

Personnel Expenses

Increments and other compensation	\$1,853
Employee and retiree health insurance	1,971
Workers' compensation premium assessment.....	1,414

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Where It Goes:

Turnover adjustments	-1,692
Reclassification	1,011
Overtime	651
Accrued leave payout	372
Other – including funding for 44 positions transferred from other units during fiscal 2004	2,246
Children Reside in Permanent Homes	
Additional funds for foster care maintenance payments	863
Contractual legal services for Baltimore City Department of Social Services per L.J. consent decree	1,247
Other Changes	
Purchase of new vehicles	331
Align budget with expected administrative hearings usage	-491
Other reductions	-192
Total	\$9,584

Note: Numbers may not sum to total due to rounding.

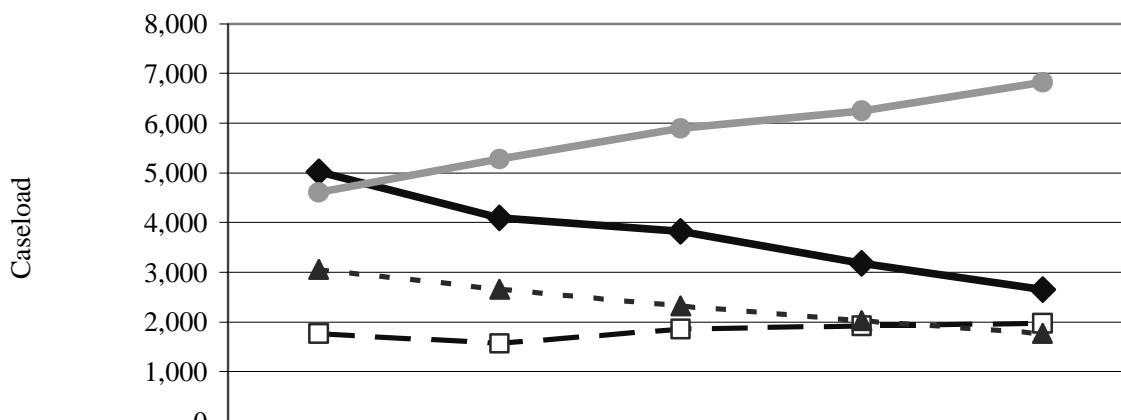
Impact of Cost Containment

The fiscal 2005 allowance reflects the elimination of \$0.9 million, the appropriation for matching employee deferred compensation contributions up to \$600, contingent upon enactment of a provision in budget reconciliation legislation.

Caseload and Expenditure Trends

Exhibit 10 shows trends in the foster care and adoptions caseload and expenditures from fiscal 2001 through 2005, as projected by DHR. The caseload decline in regular foster care slowed in fiscal 2003, but the department is projecting a return to the sharper decline experienced in fiscal 2002. The department is projecting continued increase in the subsidized adoption caseload, moderate increases (3% per year) in institutional foster care, and continuing decline in other foster care. As the foster care caseload declines and subsidized adoptions increase, fiscal 2005 will be the first year when the adoption caseload is greater than the foster care caseload. This trend would mean declining or moderating costs, except that institutional foster care is projected to grow and is the highest cost placement type. The cost of institutional care was checked in fiscal 2004 because the budget bill capped the reimbursement rates set by the Interagency Rates Committee. The budget as introduced does not contain a similar limit for fiscal 2005.

**Exhibit 10
Caseload and Expenditures
Fiscal 2001 – 2005**



	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
◆ Regular	5,017	4,096	3,828	3,189	2,656
□ Institutional	1,769	1,572	1,858	1,920	1,975
▲ All Other FC	3,056	2,655	2,323	2,025	1,769
● Adoptions	4,608	5,273	5,899	6,250	6,820
Total	14,450	13,596	13,908	13,384	13,220
Average Cost Per Case*	\$1,203	\$1,414	\$1,447	\$1,523	\$1,547
Total Funds (in Millions)	\$208.3	\$230.4	\$241.4	\$244.6	\$245.5

*Monthly.

Source: Department of Human Resources

DLS believes that the fiscal 2005 allowance is inadequate to support the caseload expected. In years of declining caseload (fiscal 2002 and 2003), total spending on foster care increased an average of 6.4% per year. The change from fiscal 2004 to 2005 is less than 1%. A conservative estimate of 5% growth in total program costs per year results in a \$20.6 million shortfall in fiscal 2005, \$14.4 million of which would likely require general funds. **DLS recommends that the Secretary explain, and provide data that illustrates, why the department believes that its allowance for foster care will be adequate in fiscal 2005.**

Issues

1. Most Jurisdictions Do Not Meet Caseload-to-staff Standards, but More Could

Early in this decade, there was an effort to ensure that child welfare staffing throughout the State met caseload-to-staff ratio standards set by the Child Welfare League of America (CWLA). Beginning in fiscal 2002, the fiscal condition of the State resulted in a hiring freeze and position abolitions that reversed progress toward meeting the CWLA standards.

Exhibit 11 shows that most jurisdictions continue to fall short of CWLA staffing ratios. Nine jurisdictions meet the CWLA standards for both caseworkers and supervisors. They are Calvert, Caroline, Carroll, Dorchester, Garrett, Kent, Queen Anne's, Somerset, and Washington counties. In the 14 remaining counties and Baltimore City, 204 additional caseworkers and supervisors are needed to meet CWLA staffing ratios. The greatest number of caseworkers and supervisors are needed in Baltimore City (60), Prince George's County (37), and Frederick County (29). Six jurisdictions have less than 85% of the caseworkers and supervisors needed to meet CWLA standards. They are, in order of increasing need Howard, Prince George's, Charles, Worcester, Wicomico, and Frederick counties.

Exhibit 11 also compares each jurisdiction's achievement or need related to CWLA standards to its current vacancies. In 16 of 23 jurisdictions, vacancies equal or exceed the number of caseworkers and supervisors needed to meet CWLA standards. Statewide the number of vacancies exceeds the number of needed caseworkers and supervisors by 38 positions. As shown earlier in this analysis, the department's budget for personnel is sufficient to fill 98 currently vacant positions. If these positions were exempted from the hiring freeze, the State could make significant progress toward meeting the CWLA standards. Four factors constrain the potential for using current vacancies to improve the State's staffing levels relative to CWLA standards.

- First, both staffing needs and budgetary constraints make it unrealistic to expect the department could fill 98 caseworker and supervisor positions. Various other types of staff are necessary to support additional caseworkers and supervisors, so some of the 98 would have to be filled with other types of workers. From a budgetary perspective, the department has adequate funding to fill 98 positions, but it is unlikely that it could fill 98 caseworker and supervisor positions, as the turnover calculation assumes a range of salaries.
- Second, the department has held harmless all jurisdictions, so no attempt is made to transfer positions from a jurisdiction meeting the standard to a jurisdiction with fewer authorized positions than it needs. To maximize progress toward the CWLA standards, the department must be willing to transfer vacancies among jurisdictions.

**Exhibit 11
Local Child Welfare Staffing**

<u>Local Department</u>	<u>Filled Positions</u>		<u>CWLA Standards</u>			<u>12/31/2003 Vacancies</u>	<u>Vacancies Beyond Need</u>
	<u>Workers</u>	<u>Supervisors</u>	<u>Workers</u>	<u>Supervisors</u>	<u>Need</u>		
Allegany	42	5	36	7	-2	2	0
Anne Arundel	86	16	93	19	-10	19	10
Baltimore	112	19	120	24	-13	20	8
Calvert	17	3	15	3	0	5	5
Caroline	12	3	10	2	0	5	5
Carroll	24	7	22	5	0	1	1
Cecil	29	9	32	7	-4	6	2
Charles	33	4	42	9	-14	11	-3
Dorchester	15	4	10	2	0	1	1
Frederick	36	7	60	12	-29	8	-21
Garrett	15	3	12	3	0	4	4
Harford	45	9	50	10	-6	12	7
Howard	28	9	35	7	-7	6	-1
Kent	7	1	4	1	0	1	1
Prince George's	114	26	148	29	-37	36	-1
Queen Anne's	10	2	8	2	0	3	3
St. Mary's	26	3	24	5	-2	4	2
Somerset	15	3	13	3	0	3	3
Talbot	10	4	12	3	-2	1	-1
Washington	56	13	56	11	0	7	7
Wicomico	26	7	40	8	-15	1	-14
Worcester	14	4	20	4	-7	6	-1
Baltimore City	733	152	787	158	-60	81	22
Total	1,501	313	1,642	330	-204	241	38

Source: Department of Human Resources

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- Third, the vacant positions may not be the optimal mix of caseworker, supervisor, and other classifications. While the department has resisted reclassifying filled positions, to maximize progress toward the CWLA standards, the department must be willing to reclassify vacant positions.
- Finally, any progress toward the CWLA standards depends on the Administration's willingness to provide the department with relief from the hiring freeze.

DLS recommends that the Secretary comment on the status of conversations with the Department of Budget and Management regarding exempting child welfare positions from the hiring freeze, especially in jurisdictions with greatest need. The Secretary should also comment on the department's willingness to transfer positions to areas and jurisdictions of greatest need.

2. Allowance Based on More Realistic Federal Funds

In recent years, deficiency appropriations have been necessary not only due to rising costs but also to underattainment of federal funds. The assumption in the fiscal 2005 allowance about the availability of federal Title IV-E funds appears more reasonable than in previous years.

The ability of the State to draw federal Title IV-E funds hinges on the eligibility of children in the caseload and the ability of local departments to accurately determine that eligibility. A child in foster care is eligible if he or she:

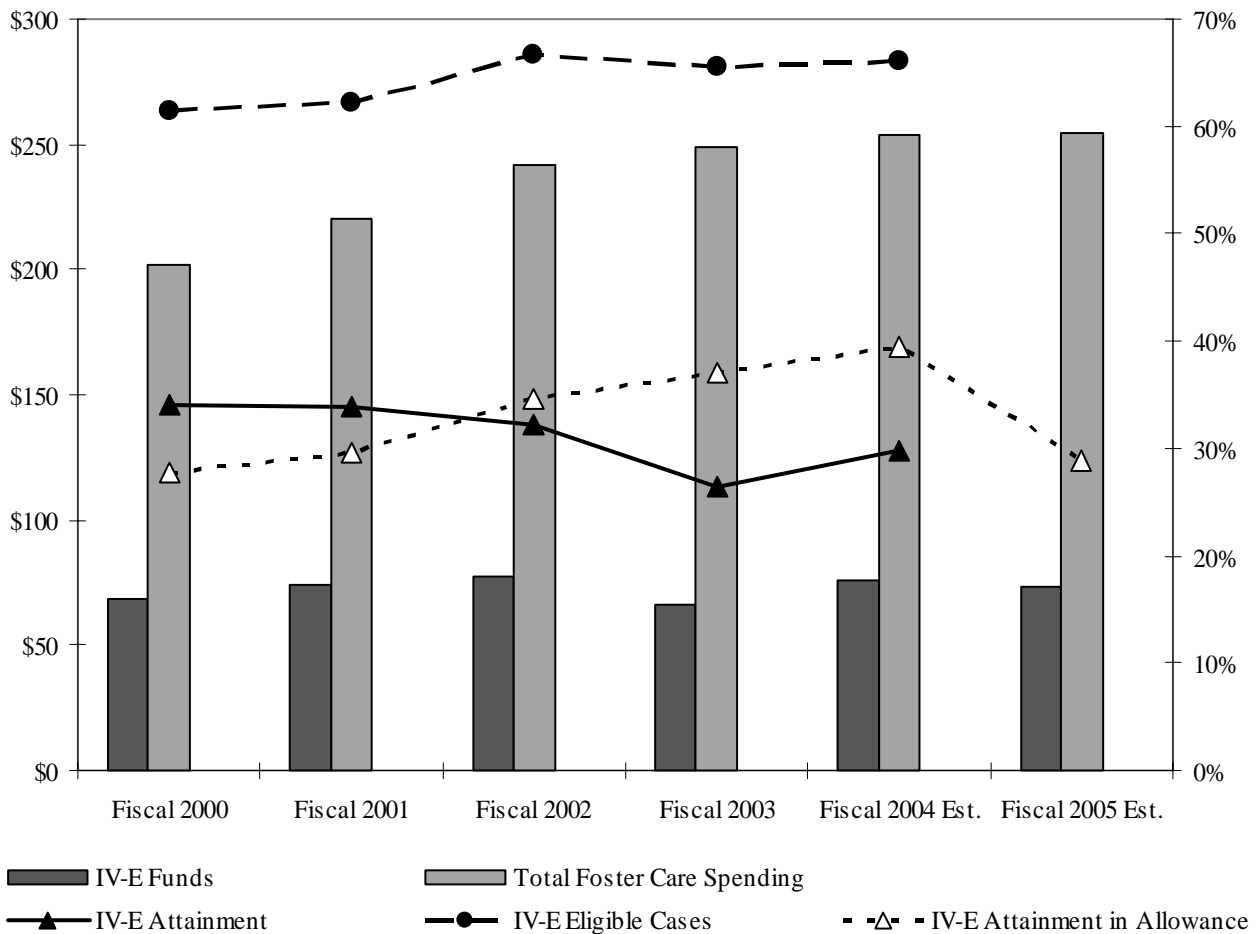
- has been removed from his or her home by court order;
- has received Temporary Cash Assistance (TCA) in the removal month; or
- would have received TCA if an application had been made in the removal month or any of the six prior months; and
- is placed with a licensed foster care provider.

A child in the adoption caseload is Title IV-E eligible if he or she:

- is eligible for TCA or Supplemental Security Income;
- is adopted by parents who sign a written binding adoption assistance agreement; and
- is older than six years, of minority race, in a sibling group, physically or mentally disabled or emotionally disturbed, or at a high risk of physical or mental disease.

Exhibit 12 shows the trends in Title IV-E eligible children in the caseload as well as projected and actual Title IV-E fund attainment since fiscal 2000. The percentage of children who are Title IV-E eligible grew slightly in fiscal 2002 and has remained steady. A private contractor helps the department ensure that all Title IV-E eligible children are identified.

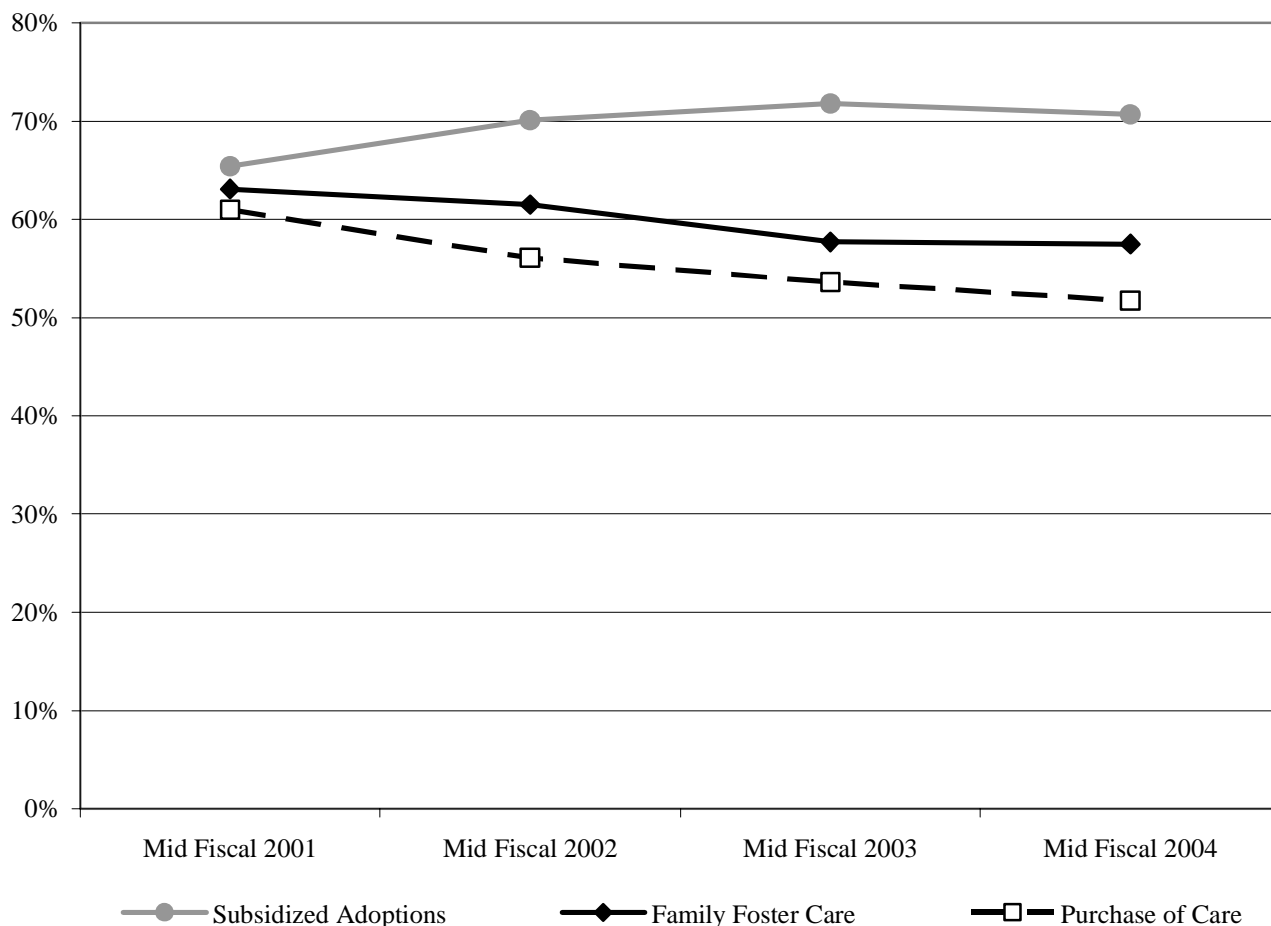
**Exhibit 12
Title IV-E Trends
Eligibility and Federal Fund Attainment**



Source: Department of Human Resources and Maryland State Budgets

Even with the percentage of Title IV-E eligible children holding steady, Title IV-E fund attainment appears to be trending downward. Fiscal 2003 was especially low at only 26.4%. Decreasing federal fund attainment appears to be because institutional care, an expensive and increasing part of the caseload, is increasingly made up of children who are not Title IV-E eligible. (See **Exhibit 13**.)

Exhibit 13
Title IV-E Attainment by Type of Care
Mid Fiscal 2001 – 2004



Source: Department of Human Resources

While actual federal fund attainment appears to be trending downward, through fiscal 2004, the allowance assumed increasing Title IV-E attainment. The greatest disparity occurred in fiscal 2003 when the allowance assumed that Title IV-E funds would pay for 37.0% of total foster care costs, and they actually paid for only 26.4%. In contrast to recent years, the fiscal 2005 allowance assumes Title IV-E fund attainment at a level more consistent with recent experience.

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Currently, the department publishes the percentage of Title IV-E eligible children in the active caseload each month, by jurisdiction, in its SSA Monthly Management Report. **To allow for better forecasting of total foster care costs and Title IV-E federal fund attainment, DLS recommends that the department publish the percentage of Title IV-E eligible children by type of care, including regular foster care, institutional care, other foster care, and subsidized adoptions.**

The Secretary should comment on and provide data that helps to explain why federal Title IV-E attainment decreased in fiscal 2003. The Secretary should also comment on the department's efforts to ensure that it maximizes federal Title IV-E fund attainment, including the performance of the contractor hired to ensure that all Title IV-E eligible children are identified.

Recommended Actions

1. Amend the following language:

SECTION 23. AND BE IT FURTHER ENACTED, That:

- (1) The Secretary of Health and Mental Hygiene shall maintain the accounting systems necessary to determine the extent to which funds appropriated for fiscal 2004 in program M00Q01.03 Medical Care Provider Reimbursements have been disbursed for services provided in that fiscal year and shall prepare and submit the periodic reports required under this section for that program.
- (2) The State Superintendent of Schools shall maintain the accounting systems necessary to determine the extent to which funds appropriated for fiscal 2004 to program R00A02.07 Students With Disabilities for Non-Public Placements have been disbursed for services provided in that fiscal year and to prepare periodic reports as required under this section for that program.
- (3) The Secretary of Human Resources shall maintain the accounting systems necessary to determine the extent to which funds appropriated for fiscal 2004 in program N00G00.01 Foster Care Maintenance Payments have been disbursed for services provided in that fiscal year and to prepare the periodic reports required under this section for that program.
- ~~(3)~~ (4) For the programs specified, reports shall indicate total appropriations for fiscal 2004 and total disbursements for services provided during that fiscal year up through the last day of the second month preceding the date on which the report is to be submitted and a comparison to data applicable to those periods in the preceding fiscal year. The report related to N00G00.01 Foster Care Maintenance Payments shall include a comparison to data applicable to those periods in the three preceding fiscal years.
- ~~(4)~~ (5) Reports shall be submitted to the budget committees, the Department of Legislative Services, the Department of Budget and Management, and the Comptroller on November 1, 2004, March 1, 2005, and June 1, 2005.
- ~~(5)~~ (6) It is the intent of the General Assembly that general funds appropriated for fiscal 2004 to the programs specified which have not been disbursed within a reasonable period, not to exceed 12 months from the end of the fiscal year, shall revert.

Explanation: This language requires the Department of Human Resources to report to the committees on the disbursement during fiscal 2005 of funds accrued during fiscal 2004 and compare those accruals to accruals from three previous fiscal years. This information will improve the accuracy of projections related to deficiencies and foster care costs.

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Information Request	Author	Due Date
Report on accrued funds for fiscal 2004 services	DHR	November 1, 2004 March 1, 2005 June 1, 2005

Updates

1. Illegal Placement of Foster Children from the District of Columbia Continues

The District of Columbia often places its foster children in homes in Maryland, mostly in Prince George's County. Maryland and the District are part of the Interstate Compact on the Placement of Children (ICPC). This binding contract among jurisdictions establishes legal and administrative procedures governing the interstate placement of children. According to DHR, the most recent agreement between Maryland and the District on foster placements expired in December 2002.

Despite the compact, the District's Child and Family Services Agency sometimes places children in Maryland homes without notifying child welfare officials in Maryland. According to Maryland officials, many of these children are placed in unapproved or illegal homes, putting the safety of the children at risk.

DHR has established a committee to resolve outstanding issues with the District's compliance with ICPC requirements. One of the ideas under consideration for alleviating the problem is a joint effort to recruit and train foster parents in both jurisdictions. DHR is in the process of identifying funding for both jurisdictions to pursue this regional initiative.

DLS recommends the Secretary update the committees on the progress of efforts to reestablish a relationship with the District that conforms to ICPC standards. Specifically, the Secretary should discuss ideas, initiatives, and funding under consideration for alleviating the problem of foster children from the District illegally placed in Maryland. The Secretary should also discuss the opportunities and challenges of ensuring the safety of the affected children.

2. Foster Care Audit Follow-up Shows Improvements Are Underway

In May 2002, the Office of Legislative Audits published an audit report on SSA's out-of-home care program, which is primarily foster care. At the request of the budget committees, the auditors conducted a follow-up review of DHR's actions to address the audit findings. The follow-up review found that DHR has made some progress in resolving the issues raised in the audit, but corrective action is still in progress on nearly every issue.

To address many of the findings of the 2002 report, SSA modified its Child Welfare and Adult Services Performance Review System (CAPS). CAPS provides the primary means to monitor compliance with service requirements. **Exhibit 14** compares noncompliance rates from the follow-up review with noncompliance rates in the original report. It shows improvement on 11 of the 15 issues raised in the original report.

Exhibit 14
Audit Follow-up Review

<u>Audit Finding</u>	<u>Identified Issue</u>	<u>Noncompliance Rate Original Report</u>	<u>Noncompliance Rate Follow-up</u>
1	Required annual well-child exams received	33%	32%
1	Specific health needs addressed	14%	n/a
1	Required annual dental exams received	69%	67%
2	Recommended therapy received	28%	48%
3	Child attending school	35%	18%
4	Monthly face-to-face contact with child	44%	22%
4	Face-to-face meetings with child in provider's home every three months	20%	16%
4	Face-to-face meetings with provider every three months	17%	n/a
4	Monthly contact with the provider	38%	27%
5	Concurrent permanency plans prepared	26%	13%
5	Case reassessment performed timely	24%	n/a
8	Evidence of criminal background check and/or review of child abuse registry	46%	22%
9	Annual fire safety inspection performed	77%	18%
9	Annual health and sanitary inspections performed	69%	21%
10	Timely, comprehensive reevaluations performed	37%	24%

Source: Office of Legislative Audits

DLS recommends that the Secretary comment on the department's progress in addressing the issues raised in the audit report. The Secretary should comment, in particular, on the four items on which the follow-up review could not document progress: special health needs addressed; recommended therapy received; face-to-face meetings with provider every three months; and case reassessment performed timely.

In addition, the follow-up review found improvements in progress related to quality assurance processes to ensure acceptable, consistent caseworker performance.

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Finally, the follow-up noted some improvement related to addressing administrative issues that impede effective case monitoring. One of the key initiatives to address some of the shortcomings in the audit report was the purchase of personal digital assistants (PDA) for caseworkers at a cost of \$763,300. The follow-up review found that local departments were not using the PDAs' full capabilities. Some did not have the software necessary to print the photographs the PDAs can take. Workers had to manually transcribe their PDA notes onto required forms, because the appropriate computer interfaces were not available. As a result, PDAs did not reduce paperwork or ease caseloads.

DLS recommends that the Secretary update the committees on the PDA initiative, including the extent to which the appropriate training, software, and computer interfaces have been provided to local departments.

Current and Prior Year Budgets

Current and Prior Year Budgets Child Welfare (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2003					
Legislative Appropriation	\$186,366	\$11,403	\$207,552	\$9,964	\$415,284
Deficiency Appropriation	29,868	0	-24,968	0	4,900
Budget Amendments	2,522	4,492	27,026	0	34,040
Cost Containment	-1,383	0	0	0	-1,383
Reversions and Cancellations	0	-93	-21,121	-618	-21,831
Actual Expenditures	\$217,373	\$15,803	\$188,489	\$9,346	\$431,010
Fiscal 2004					
Legislative Appropriation	209,506	9,355	196,858	10,775	\$426,494
Cost Containment	-4,669	0	0	0	-4,669
Budget Amendments	0	-133	-28,799	-1,232	-30,164
Working Appropriation	\$204,837	\$9,223	\$168,058	\$9,543	\$391,661

Note: Numbers may not sum to total due to rounding.

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Fiscal 2003

In fiscal 2003 the department spent 3.8%, or \$15.7 million more than originally appropriated. This relatively small overall change masks significant changes in spending by fund.

General fund spending increased \$31.0 million, or almost 17% more than originally budgeted. General funds were increased by deficiency or through budget amendment for Baltimore City Department of Social Services child welfare legal staff (\$2.2 million), higher than anticipated placement costs for institutional care (\$4.9 million), rejection by the federal government of the State's targeted case management waiver request (\$6.0 million), and lower than budgeted Title IV-E fund attainment (\$19.0 million). Cost containment reduced general funds by about \$1.4 million.

Federal fund spending decreased in fiscal 2003 by \$19.0 million, or 9% compared to the legislative appropriation. A reduction of \$22.6 million is attributable to lower than budgeted federal fund attainment in Titles IV-E and XIX funds. A reduction of \$6.3 million is attributable to cost containment. Reductions are offset by an increased Promoting Safe and Stable Families grant (\$3 million) and federal matching funds for higher than budgeted institutional care costs.

Fiscal 2004

The fiscal 2004 working appropriation is \$34.8 million less than the legislative appropriation. Of the reduction, 26% is due to cost containment. The largest cost containment to child welfare is in Foster Care Maintenance Payments, which is an entitlement program. The department hopes to achieve savings with better case management. The remaining decline is related to unattainable federal and reimbursable funds removed by budget amendment, including \$19.6 million in Title IV-E funds and \$6.0 million in Medicaid funds, offset by \$1.3 million in additional federal funding for foster children transitioning to independent living.

**Object/Fund Difference Report
DHR – Child Welfare**

<u>Object/Fund</u>	<u>FY03 Actual</u>	<u>FY04 Working Appropriation</u>	<u>FY05 Allowance</u>	<u>FY04 - FY05 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	2511.50	2549.12	2549.12	0	0%
02 Contractual	1.25	0	0	0	0.0%
Total Positions	2512.75	2549.12	2549.12	0	0%
Objects					
01 Salaries and Wages	\$ 141,560,063	\$ 130,634,582	\$ 139,471,395	\$ 8,836,813	6.8%
02 Technical & Spec Fees	1,392,892	898,235	898,235	0	0%
03 Communication	2,007,234	1,566,319	1,563,720	-2,599	-0.2%
04 Travel	1,376,407	1,115,771	1,115,771	0	0%
06 Fuel & Utilities	165,894	237,471	237,471	0	0%
07 Motor Vehicles	436,018	494,120	784,867	290,747	58.8%
08 Contractual Services	29,226,058	25,552,550	26,141,053	588,503	2.3%
09 Supplies & Materials	1,139,368	554,804	554,804	0	0%
10 Equip - Replacement	4,564	0	0	0	0.0%
11 Equip - Additional	1,166,762	0	0	0	0.0%
12 Grants, Subsidies, Contracts	244,754,480	220,728,907	257,948,247	37,219,340	16.9%
13 Fixed Charges	7,780,408	9,878,816	9,485,540	-393,276	-4.0%
Total Objects	\$ 431,010,148	\$ 391,661,575	\$ 438,201,103	\$ 46,539,528	11.9%
Funds					
01 General Fund	\$ 217,372,500	\$ 204,837,220	\$ 255,100,032	\$ 50,262,812	24.5%
03 Special Fund	15,802,892	9,222,775	1,109,855	-8,112,920	-88.0%
05 Federal Fund	188,489,121	168,058,376	171,753,039	3,694,663	2.2%
09 Reimbursable Fund	9,345,635	9,543,204	10,238,177	694,973	7.3%
Total Funds	\$ 431,010,148	\$ 391,661,575	\$ 438,201,103	\$ 46,539,528	11.9%

Note: The fiscal 2004 appropriation does not include deficiencies, and the fiscal 2005 allowance does not reflect contingent reductions.

**Fiscal Summary
DHR – Child Welfare**

<u>Unit/Program</u>	<u>FY03 Actual</u>	<u>FY04 Legislative Appropriation</u>	<u>FY04 Working Appropriation</u>	<u>FY03 - FY04 % Change</u>	<u>FY05 Allowance</u>	<u>FY04 - FY05 % Change</u>
04 General Administration – State	\$ 31,751,802	\$ 25,980,211	\$ 25,110,378	-20.9%	\$ 25,854,373	3.0%
01 Foster Care Maintenance Payments	249,271,526	248,926,558	217,356,979	-12.8%	254,236,660	17.0%
03 Child Welfare Services	149,986,820	151,586,871	149,194,218	-0.5%	158,110,070	6.0%
Total Expenditures	\$ 431,010,148	\$ 426,493,640	\$ 391,661,575	-9.1%	\$ 438,201,103	11.9%
General Fund	\$ 217,372,500	\$ 209,505,917	\$ 204,837,220	-5.8%	\$ 255,100,032	24.5%
Special Fund	15,802,892	9,355,393	9,222,775	-41.6%	1,109,855	-88.0%
Federal Fund	188,489,121	196,857,624	168,058,376	-10.8%	171,753,039	2.2%
Total Appropriations	\$ 421,664,513	\$ 415,718,937	\$ 382,118,371	-9.4%	\$ 427,962,926	12.0%
Reimbursable Fund	\$ 9,345,635	\$ 10,774,703	\$ 9,543,204	2.1%	\$ 10,238,177	7.3%
Total Funds	\$ 431,010,148	\$ 426,493,640	\$ 391,661,575	-9.1%	\$ 438,201,103	11.9%

Note: The fiscal 2004 appropriation does not include deficiencies, and the fiscal 2005 allowance does not reflect contingent reductions.