

N00I00
Family Investment
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	\$137,684	\$132,653	\$131,880	-\$5,804	\$133,459	\$1,579
Contractual Services	63,268	52,939	55,133	-8,134	45,861	-9,272
Grants	378,259	416,580	386,448	8,189	436,095	49,647
FY 2004 Deficiencies	0	0	400	400	0	-400
Contingent & Back of Bill Reductions	0	0	0	0	-865	-865
Adjusted Grand Total	\$579,210	\$602,172	\$573,861	-\$5,349	\$614,551	\$40,689
General Funds	134,656	117,443	136,171	1,516	142,303	6,132
FY 2004 Deficiencies	0	0	400	400	0	-400
Contingent & Back of Bill Reductions	0	0	0	0	-355	-355
Adjusted General Funds	\$134,656	\$117,443	\$136,571	\$1,915	\$141,948	\$5,377
Special Funds	24,687	23,701	29,848	5,161	19,499	-10,349
Contingent & Back of Bill Reductions	0	0	0	0	-18	-18
Adjusted Special Funds	\$24,687	\$23,701	\$29,848	\$5,161	\$19,481	-\$10,367
Federal Funds	419,868	461,029	407,443	-12,425	453,613	46,171
Contingent & Back of Bill Reductions	0	0	0	0	-492	-492
Adjusted Federal Funds	\$419,868	\$461,029	\$407,443	-\$12,425	\$453,121	\$45,679
Adjusted Grand Total	\$579,210	\$602,172	\$573,861	-\$5,349	\$614,551	\$40,689
Annual % Change		4.0%	-4.7%		7.1%	

- Cost containment has reduced the Family Investment budget by less than 1%. The impact has been muted by the maintenance of federal funds in assistance programs. Savings in operations are largely attributable to reductions in staffing levels.
- The positive change in the Family Investment budget in fiscal 2005 is attributable to increased federal funds for the Food Stamps Program.
- The decrease in special funds in fiscal 2005 is the result of exhausting the Family Investment Dedicated Purpose Fund in fiscal 2004.

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

For further information contact: M. Kathleen Gardiner

Phone: (410) 946-5530

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	2,276.5	2,257.9	2,199.0	-77.5	2,193.0	-6.0
Contractual FTEs	75.0	53.0	137.0	62.0	130.0	-7.0
Total Personnel	2,351.5	2,310.9	2,336.0	-15.5	2,323.0	-13.0

Vacancy Data: Regular Positions

Turnover Expectancy	76.76	3.50%
Positions Vacant as of 12/31/03	151.50	6.89%

- Cost containment has caused the elimination of regular positions since 2002, but contractual employment has increased almost as much as regular positions have decreased.
- Six Family Investment staff are transferred to other agencies in fiscal 2005 with no reported impact on the operations of the Department of Human Resources.
- Current vacancies are almost double the number necessary to stay within the fiscal 2005 budget for personnel.

Analysis in Brief

Major Trends

Speedy and Lasting Exit: Among cases with an employable parent and children under age one, the percentage of case closures that remain closed for 12 consecutive months has declined.

Increase Earnings After Leaving Welfare: About half of families formerly receiving cash assistance are working for at least three years after leaving welfare. That proportion drops only slightly in the fourth, fifth, and sixth years. Median earnings among these families increase substantially over time.

Issues

Temporary Cash Assistance (TCA) Funding Appears More Than Adequate: The Department of Legislative Services (DLS) is projecting a fiscal 2005 surplus of \$2 million and recommends leaving the surplus funds available for transfer to foster care, in which DLS is projecting shortfalls in both fiscal 2004 and 2005.

Transitional Assistance Program in Transition Itself: In response to an anticipated shortfall, the Department of Human Resources has announced a moratorium for the remainder of fiscal 2004 on cash assistance payments to new clients of Transitional Emergency Medical and Housing Assistance. To operate the program within the fiscal 2005 allowance, which is less than program expenditures in fiscal 2002, the department is planning regulatory changes to reduce or eliminate the program's cash benefit for all individuals who are unlikely to qualify for federal disability payments.

Is Maryland Prepared to Significantly Increase Work Participation Among TCA Clients? Under anticipated federal welfare reform reauthorization legislation, Maryland's required work participation rate among cash assistance clients is likely to increase from under 2 to 50%. The State's current participation rate is 8%. Funding for Maryland's job preparation, training, and placement program has been reduced in recent years. No additional Temporary Assistance for Needy Families funding appears to be available for the program in future years.

N00I00 - DHR - Family Investment

Recommended Actions

	<u>Funds</u>	<u>Positions</u>
1. Delete vacant PINs in the Director's Office and delete funding for them.	\$ 265,917	5.0
2. Add language to require notice to the committees before changes to TEMHA regulations become effective.		
3. Add language to restrict transfers from Assistance Payments to any other program except Foster Care Maintenance Payments.		
4. Add language to ensure the opportunity for the General Assembly's input on changes in Temporary Assistance for Needy Families spending in fiscal 2005.		
5. Add language to ensure the opportunity for the General Assembly's input on changes in Temporary Assistance for Needy Families spending in fiscal 2004.		
Total Reductions	\$ 265,917	5.0

N00I00
Family Investment
Department of Human Resources

Operating Budget Analysis

Program Description

The Department of Human Resources' (DHR's) Family Investment Administration (FIA), along with local Family Investment programs, administers cash benefit and other grant programs that provide assistance to individuals and families in financial need, as well as employment programs to promote self-sufficiency. Programs administered include:

- **Temporary Cash Assistance (TCA)**, the State's largest cash assistance program, provides financial assistance to dependent children and other family members deprived of support due to the death, incapacitation, underemployment, or unemployment of one or both parents. Federal welfare reform legislation enacted in August 1996 eliminated an individual entitlement to cash assistance and replaced it with a Temporary Assistance for Needy Families (TANF) block grant. States receive their share of the block grant as long as they comply with a maintenance of effort requirement of 80% (75% if a state is successful in meeting the federal work participation rate). Under the legislation, states determine the eligibility criteria for TCA. The federal legislation also requires welfare recipients to work in order to receive assistance for more than two years and establishes a five-year time limit on the receipt of benefits with a hardship exemption for as much as 20% of the State's caseload.
- **Family Investment Program (FIP)**, the State's program for serving welfare recipients, encompasses the provision of TCA and efforts to divert potential applicants through employment, move recipients to work, and provide retention services to enhance skills and prevent recidivism. The goal of FIP is to assist TCA applicants/recipients in becoming self-sufficient. After assessing each family's specific needs and resources, staff focus on the services required to move clients into work. TCA is provided only as a last resort. Applicants for cash assistance are required to cooperate with child support enforcement staff as a condition of eligibility and must undertake job search activities if asked. Recipients are sanctioned if they fail to comply with any work or training requirements. Screening of TCA recipients for substance abuse is mandatory, with participation in treatment required of individuals offered appropriate treatment.
- **Transitional Emergency Medical and Housing Assistance**, the State's program for disabled adults, provides a limited monthly cash benefit. The State is responsible for clients with a short-term disability (less than 12 months). If the disability will last longer, the client may be eligible for federal disability payments through Supplemental Security Income (SSI). If so, they are required to pursue an SSI application and may receive help doing so. Those clients receive State cash assistance until their SSI applications are approved. The federal government reimburses the State for cash assistance paid during the processing of approved SSI applications.

N00100 - DHR - Family Investment

- **The Burial Assistance Program** subsidizes funeral expenses of public assistance recipients, children receiving foster care, and Medical Assistance recipients. The program is funded by State and local governments.
- **Emergency Assistance to Families with Children** offers limited grants for families experiencing crises such as eviction, disaster, and breakdown of essential appliances.
- **The Food Stamp Program** provides benefits solely for the purchase of food items to individuals and families who meet income and resource requirements. Benefit costs are 100% federally funded, while the administrative costs are split evenly between the State and federal government. Maryland provided State-funded food stamps to legal immigrant children until October 1, 2003, when the Farm Security and Rural Investment Act of 2002 (commonly known as the Farm Bill) authorized federal food stamp benefits for qualified immigrant children.
- **Public Assistance to Adults** provides payments to indigent clients residing in licensed domiciliary care homes and to Project Home clients. Recipients include mentally and physically disabled adults and individuals with Acquired Immune Deficiency Syndrome who remain in their homes.

The local departments of social services (LDSS) are responsible for making eligibility determinations and re-determinations for the aforementioned programs, the State's subsidized child care program called Purchase of Care, and the Medical Assistance program which is administered by the Department of Health and Mental Hygiene (DHMH). Local departments have the flexibility to create their own tailor-made welfare program and determine what training and job search activities will be required of applicants. In addition, the local departments are responsible for networking with employers and determining the most appropriate use for job training funds.

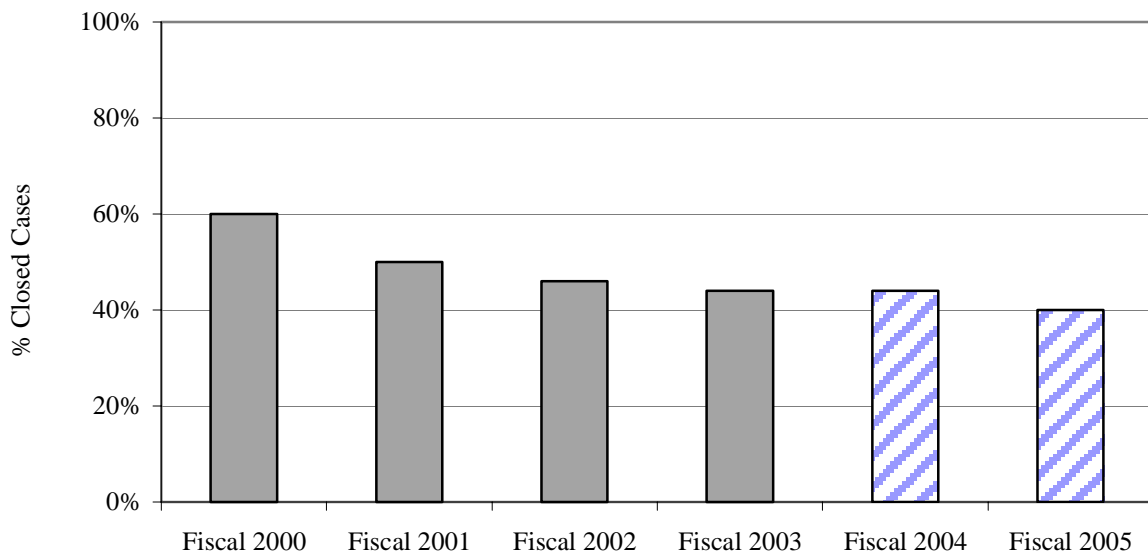
Key goals for the FIA include:

- moving families with an employable parent and no children under the age of one toward a speedy and lasting exit from TCA;
- assuring individuals and families receive appropriate benefits;
- placing TCA individuals in employment where earnings increase over time; and
- increasing the number of TCA families where an adult family member obtains and retains employment.

Performance Analysis: Managing for Results

The first goal of FIA is to move families with an employable adult and no children under the age of one toward a speedy and lasting exit from TCA. **Exhibit 1** shows that performance relative to this goal has decreased over time. The graph shows, among cases with an employable parent and no children under age one, the percentage of case closures that remain closed for 12 consecutive months. **The Secretary should comment on why the percentage of cases remaining closed after 12 months is declining.**

Exhibit 1
Speedy and Lasting Exit from TCA

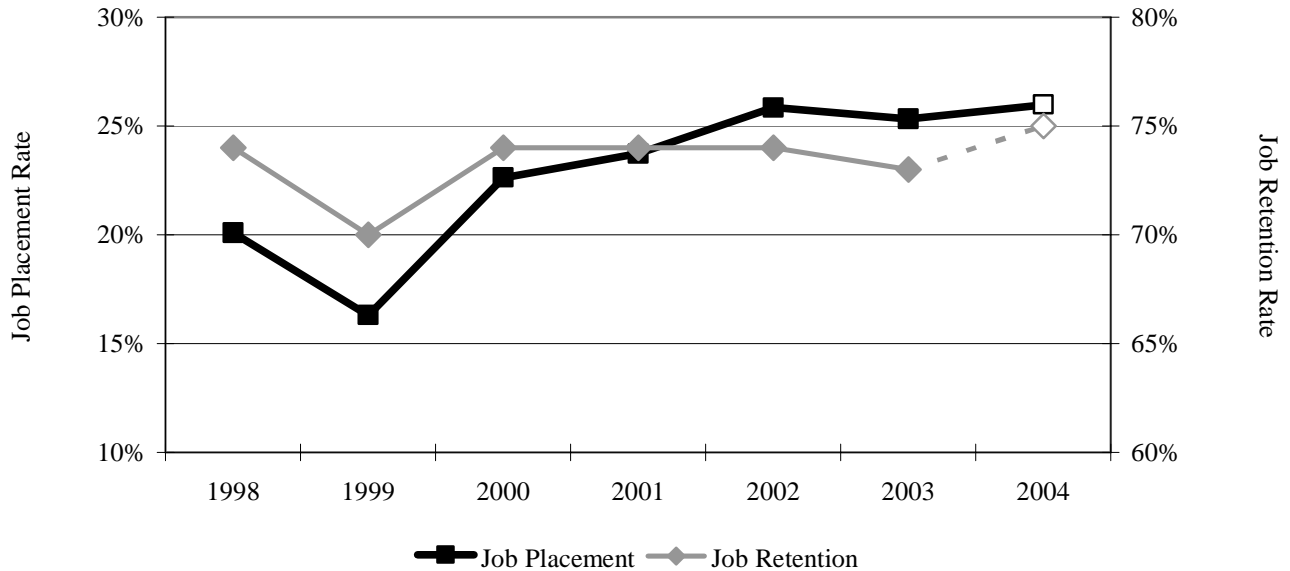


Note: Measures, among TCA cases with an employable adult and no children under the age of one, the percentage of closed cases that remain closed for 12 months.

Source: Maryland State Budget

The hope of welfare reform is not only that welfare caseloads will decline, but also that parents will get jobs and keep them, eliminating their families' need for cash assistance. **Exhibit 2** illustrates DHR's success in this regard, showing the job placement rate and job retention rate. Job placement has increased since fiscal 1999, but the job placement rate declined slightly in fiscal 2003. DHR expects it to rebound in fiscal 2004. The job retention rate has remained fairly stable over time at just under 75%. It also declined in fiscal 2003, but DHR is expecting it to rebound and increase even more in fiscal 2004. **The Secretary should comment on why the department believes job placement and job retention will increase in fiscal 2004 and provide year-to-date data demonstrating the likelihood of realizing the projected gains.**

Exhibit 2
Job Placement and Job Retention
Fiscal 1998 – 2004

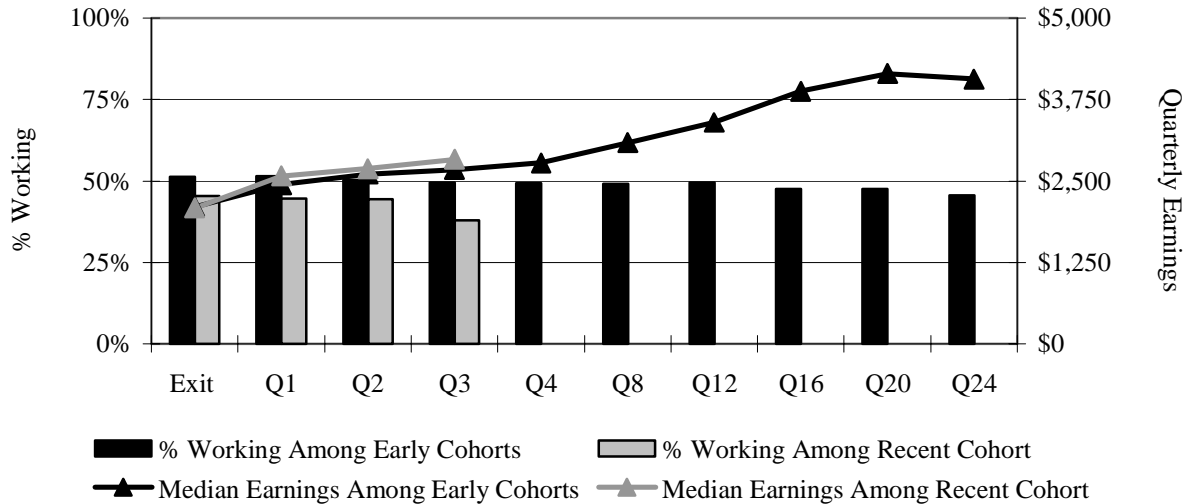


Notes: Job Placement Rate = job placements divided by TCA cases.
Job Retention Rate = % of individuals who obtained employment in one calendar quarter and remain employed in the following quarter.

Source: Department of Human Resources; Maryland State Budget

Exhibit 3 demonstrates the extent to which families exiting TCA are able to increase their earnings over time. It shows the level of employment among former TCA families is maintained for at least three years after leaving TCA and drops only slightly after up to six years. Data not presented in Exhibit 3 shows that 60% of those who worked in the first quarter after exit worked in all four quarters following exit, suggesting a degree of job stability in the first year after exit.

**Exhibit 3
Employment and Earnings After Leaving TCA**



Note: This figure is derived from data collected by the University of Maryland School of Social Work and presented in *Life After Welfare: Eighth Report*, October 2003. It follows a sample of TCA leavers beginning in October 1996 through March 2003, adding 5% of new TCA leavers every quarter and excluding any that return to TCA within 30 days. These data include TCA leavers employed in Maryland in jobs covered by unemployment insurance. Because the data does not include employment in other states, with the federal government, and in jobs not covered by unemployment insurance, it underestimates the level of post-TCA employment.

Source: *Life After Welfare: Eighth Report*, October 2003, University of Maryland School of Social Work.

Exhibit 3 also shows that among families leaving TCA most recently, fewer are employed than in earlier cohorts. This may mean that more recent leavers need more help with job skills and job readiness. It may also reflect the economic situation of the time they left TCA, a “period of rising unemployment and job loss,” according to researchers following the TCA leavers. Other data (not shown) suggests that having worked within the last two years increases the likelihood that one will be employed after leaving TCA.

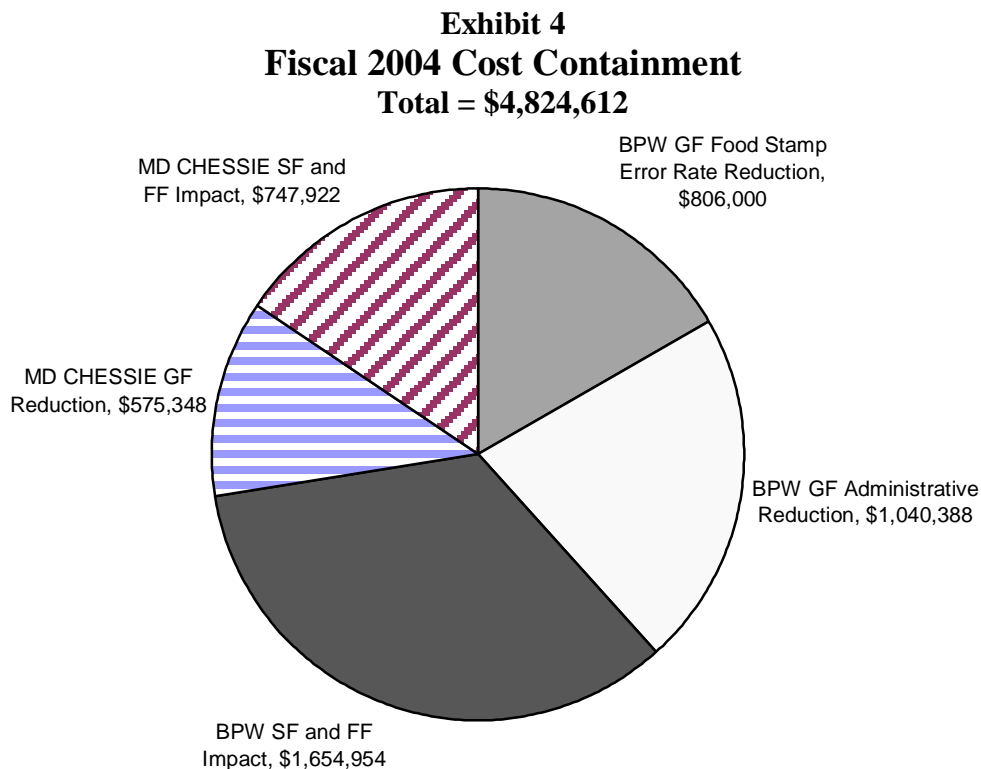
Finally, Exhibit 3 shows that median earnings among former TCA families who are working increase over time. Earnings immediately after leaving TCA, as well as earnings growth in the first year, are similar in both earlier cohorts and the most recent cohort. After three years, the median quarterly income of families with an adult working is \$3,400, equivalent to \$13,600 per year, if the employment lasted for an entire year. This represents 108% of the federal poverty level for a family of two in 2004. After six years, the median quarterly income is \$4,067, equivalent to \$16,268 annually, or 130% of the poverty level.

Fiscal 2004 Actions

Impact of Cost Containment

In July 2003 the Board of Public Works (BPW) reduced the general fund budget for FIA programs, specifically the Food Stamp program error reduction efforts, by \$806,000. The board also reduced DHR's administrative budget by \$6 million, leaving the allocation of the reduction to the department. FIA absorbed \$1,040,388, or 17.3%. Finally, DHR has elected to impose \$3.3 million more administrative cost containment to make funds available for the Maryland Children's Electronic Social Services Information Exchange (MD CHESSIE) computer system. FIA absorbed \$575,348, or 17.5%, of this agency-imposed general fund cost containment.

General fund reductions of \$2,421,736 reduced federal and special funds by \$2,402,876, resulting in \$4,824,612 in total cost containment for FIA. **Exhibit 4** shows the distribution of FIA's cost containment by fund and cause. (The portion of cost containment taken to fund MD CHESSIE, \$1,323,270 has been transferred within the department or restricted internally, but the working appropriation has not been reduced.)



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

N00I00 - DHR - Family Investment

Proposed Deficiency

The Governor has proposed a deficiency appropriation of \$399,538 for the Burial Assistance program. The fiscal 2004 legislative appropriation did not include any general funds for the program, so the deficiency represents the program's annual general fund budget.

The department is projecting a shortfall in TCA of \$4.4 million in fiscal 2004. The allowance does not include a deficiency appropriation for the shortfall, but the department intends to use a budget amendment to increase federal funds for the program to alleviate the shortfall. The federal fund source is TANF.

In addition, the department intends to increase TANF spending in FIA in fiscal 2004 by \$3.2 million. The department has indicated to the Joint Committee on Welfare Reform that from that amount, it will spend \$355,187 on a computer hardware and software package to track in real time the engagement and work participation rates of TCA clients. The department has indicated that the remaining \$2.9 million will be used to prepare for, or respond to, new work requirements expected in the federal reauthorization of TANF. Except for the computer package mentioned, the department has offered no specific information about how the funds will be spent.

Governor's Proposed Budget

The total budget for FIA increases in fiscal 2005 by 7.1%, primarily due to increased federal funds for the Food Stamp program. (See **Exhibit 5**.) Without the increase for Food Stamps, the budget would decrease \$1.5 million, or less than one-third of 1%.

Exhibit 5
Governor's Proposed Budget
Family Investment
(\$ 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	\$117,443	\$136,171	\$142,303	\$6,132	4.5%
FY 2004 Deficiencies	0	400	0	-400	
Contingent & Back of Bill Reductions	0	0	-355	-355	
Adjusted General Funds	\$117,443	\$136,571	\$141,948	\$5,377	3.9%
Special Funds	\$23,701	\$29,848	\$19,499	-\$10,349	-34.7%
Contingent & Back of Bill Reductions	0	0	-18	-18	
Adjusted Special Funds	\$23,701	\$29,848	\$19,481	-\$10,367	-34.7%
Federal Funds	\$461,029	\$407,443	\$453,613	\$46,171	11.3%
Contingent & Back of Bill Reductions	0	0	-492	-492	
Adjusted Federal Funds	\$461,029	\$407,443	\$453,121	\$45,679	11.2%
Adjusted Grand Total	\$602,172	\$573,861	\$614,551	\$40,689	7.1%

Where It Goes:

Personnel Expenses

Positions eliminated in fiscal 2004.....	-\$3,825
Abolished/transferred positions.....	-296
Increments and other compensation	1,531
Reclassifications	1,148
Turnover adjustments.....	1,011
Employee and retiree health insurance	312
Other personnel adjustments	121

Benefit Programs

Increase Food Stamps	42,172
Increase TCA due to projected caseload growth.....	7,084
Decrease Work Opportunities	-6,669
Reduce Emergency Assistance to Families with Children	-1,086
Increase other benefit programs	805

N00100 - DHR - Family Investment

Where It Goes:

Other Changes

Reduce or eliminate contracts with higher education institutions.....	-1,508
Eliminate TCA purchase account contract.....	-1,070
Increase rent in local offices.....	695
Other adjustments	263
Total	\$40,689

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

Impact of Cost Containment

The fiscal 2005 allowance reflects the elimination of \$865,020, the appropriation for matching employee deferred compensation contributions up to \$600, contingent upon enactment of a provision in budget reconciliation legislation.

The fiscal 2005 allowance also reflects the elimination or reduction of several contracts, including two research contracts. The allowance eliminates the department’s contract with the University of Baltimore’s Schaefer Center for determining workload and staffing standards for local Family Investment Programs. It also reduces the contract with the University of Maryland School of Social Work, according to which researchers track the experiences and activities of former TCA clients (see Performance Analysis, Exhibit 3). According to DHR, the reduction will affect neither the contract nor the expected deliverables. Finally, the allowance eliminates funding for the TCA Purchase Account, which provides for special job-related projects that may not meet requirements for TANF funding.

Personnel and Administrative Changes

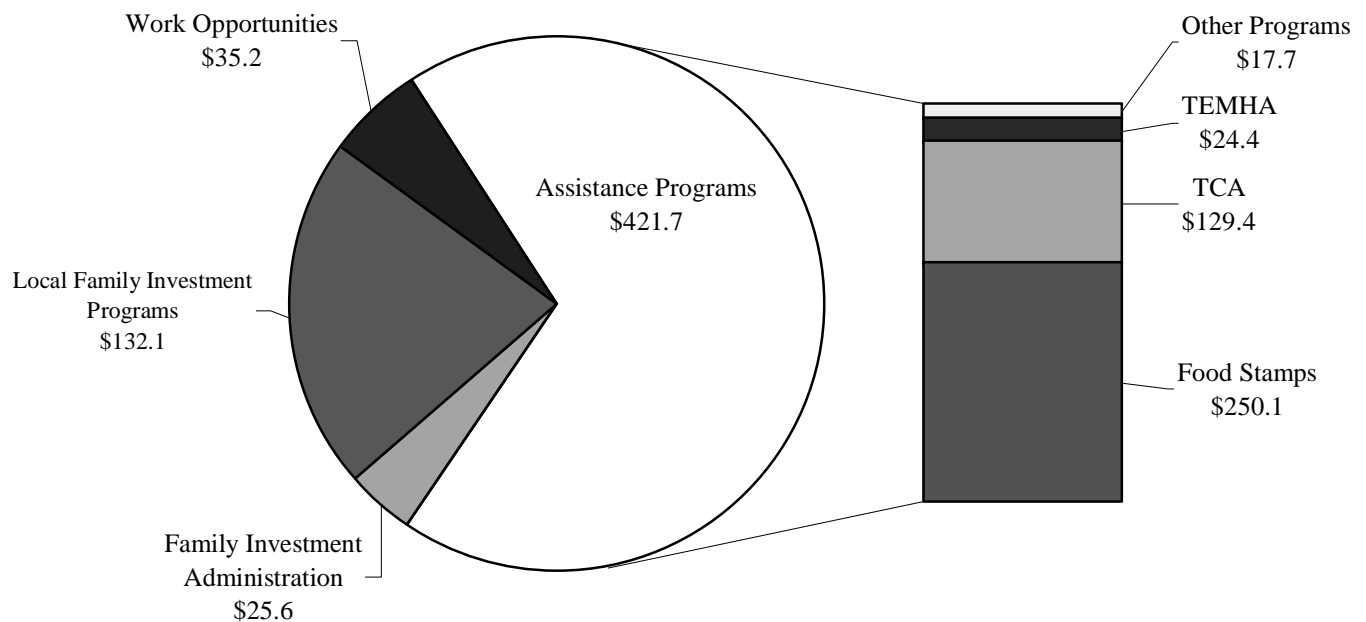
The fiscal 2005 allowance includes \$2,159 in increased spending related to personnel. This small overall change masks several underlying factors. Increments and reclassifications require increases of \$1.5 million and \$1.1 million, respectively, and health insurance requires an increase of over \$300,000. Lowering turnover expectancy requires an additional \$1.0 million. These increases are offset by \$4.1 million in reductions because the fiscal 2004 working budget includes money for salaries for positions eliminated by BPW and because the allowance transfers six positions to other agencies.

The allowance also includes \$694,720 in increased rent at local offices and \$263,192 in other increases.

Benefits and Services to Clients

The largest portion of the FIA budget is in assistance programs. **Exhibit 6** shows the fiscal 2005 allowance for Family Investment, including the major assistance programs, which make up over two-thirds of the total.

Exhibit 6
Family Investment
Fiscal 2005 Allowance
(\$ in Millions)



Note: Other programs include: Public Assistance to Adults, Emergency Assistance to Families with Children, Welfare Avoidance Grants, Eviction Assistance, Burial Assistance, and General Public Assistance.

Source: Department of Human Resources; Maryland State Budget

- **Food Stamps:** The primary change in the Family Investment budget is the addition of \$42.2 million in federal funds for the Food Stamp program. This includes food stamp benefits for immigrant children, who were made eligible for federal food stamps on October 1, 2003. The State provided general funds for food stamps for immigrant children prior to October 2003. With the change in federal law, the Food Stamp program no longer includes any State general funds.

N00I00 - DHR - Family Investment

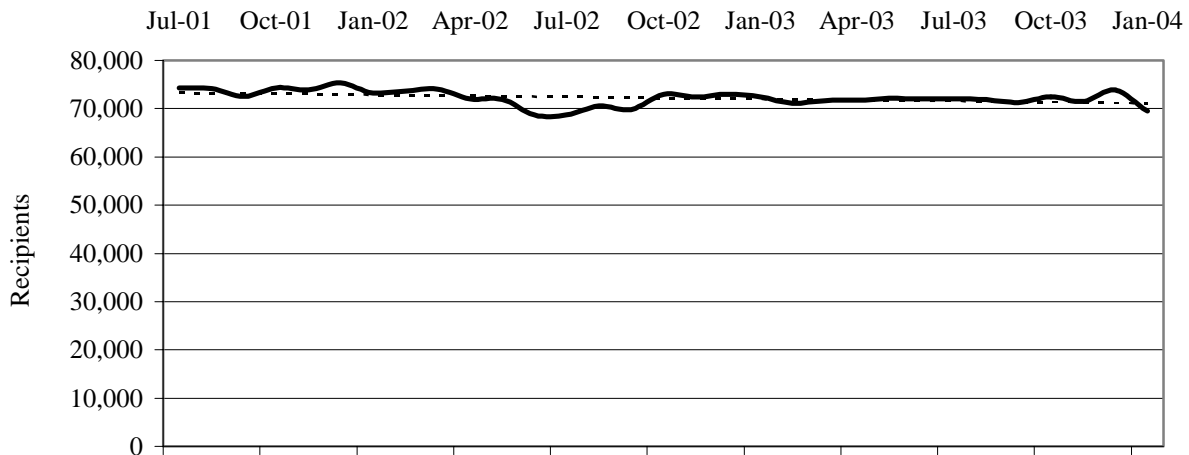
- ***Temporary Cash Assistance (TCA):*** The allowance includes \$7.1 million in increased spending for TCA. The increase is in federal funds (\$4.7 million) and general funds (\$2.4 million). Increased federal funds are available, in part, due to reductions in support for the Work Opportunities program. *Issue 1* includes a discussion of the caseload and expenditures trends in TCA.
- ***Transitional Emergency Medical and Housing Assistance (TEMHA):*** The allowance does not include an increase for TEMHA, despite the higher than expected caseload in fiscal 2003 and 2004. *Issue 2* includes a discussion of caseloads, expenditures, and expected changes in TEMHA.
- ***Public Assistance to Adults:*** The allowance restores \$635,988 in special funds for DHMH Clients' Personal Needs, which the fiscal 2004 budget inadvertently omitted. The allowance also reduces \$229,284 in general funds for Project HOME clients, reflecting fiscal 2003 actual spending, rather than the fiscal 2004 working appropriation.
- ***Emergency Assistance to Families with Children (EAFC):*** The allowance reduces the allocation for EAFC to the fiscal 2003 actual level, despite increased caseload in fiscal 2004. More importantly, federal funds (TANF) increase \$2.9 million, and general funds decrease \$4.0 million, for a net decrease of \$1.1 million. Increased federal funds are possible, in part, due to reductions in the Work Opportunities program.
- ***Welfare Avoidance Grants:*** Welfare Avoidance Grants are level-funded in fiscal 2005.
- ***Eviction Assistance:*** The allowance increases funding for this State-only program by \$134,658, reflecting fiscal 2003 actual expenditures.
- ***Burial Assistance:*** The allowance provides level funding for this program in fiscal 2005, assuming the fiscal 2004 deficiency is approved.
- ***General Public Assistance:*** This federally funded program is level-funded in the fiscal 2005 allowance.
- ***Work Opportunities:*** The Work Opportunities program is not a benefit program but pays for services to clients, such as skill assessment, job readiness, job training, and job search services. The fiscal 2005 allowance decreases funding for the program by \$6.7 million in federal TANF funds. The TANF is transferred instead to TCA and EAFC.

Issues

1. Temporary Cash Assistance Funding Appears More Than Adequate

In the early years of welfare reform, Maryland experienced rapid reductions in the number of TCA recipients. After dropping at rates exceeding 20% per year during the late 1990s, the pace of caseload decline has leveled off. As shown in **Exhibit 7**, the caseload has been nearly flat since the beginning of fiscal 2002.

Exhibit 7
TCA Caseload by Month



Note: Dotted line represents trend line.

Source: Department of Human Resources

Exhibit 8 shows TCA caseload, average grant amount, general fund appropriation, and total appropriation for fiscal 2002 through 2005. Italicized items are projections made by the Department of Legislative Services (DLS). Based on the past four complete fiscal years, DLS believes the caseload projections are conservatively high. The funding trends reflect \$4.4 million in additional TANF for TCA in fiscal 2004.

Exhibit 8
TCA Enrollment and Funding Trends
Fiscal 2002 – 2005

	<u>FY 2002</u> <u>Actual</u>	<u>FY 2003</u> <u>Actual</u>	<u>FY 2004</u> <u>Estimate</u> ¹	<u>FY2005</u> <u>Allowance</u> ²
Average Monthly Enrollment	73,135	71,420	71,793	71,793
Average Monthly Grant	\$139.00	\$146.39	\$147.26	\$147.86
<u>Funds (\$ in Millions)</u>				
General Fund Appropriation	\$30.8	\$9.7	\$47.0	\$49.4
Total Fund Appropriation	122.0	\$125.0	\$126.7	\$129.4
DLS Estimate				\$127.4
Difference				\$2.0

¹The fiscal 2004 caseload is projected using August 2003 through January 2004 actual data. In the past four complete fiscal years, the average caseload from August to January closely approximates, but slightly exceeds, the annual caseload. The fiscal 2004 average monthly grant amount is based on the most recent actual expenditures available. The fiscal 2004 total appropriation includes the planned addition of \$4.4 million in unanticipated TANF revenue.

²The fiscal 2005 caseload estimate is the same as fiscal 2004, given the stability illustrated in Exhibit 7. The fiscal 2005 grant amount reflects a 1% increase in fiscal 2004. It does not reflect an increase in fiscal 2005 because the Department of Budget and Management advises DLS that there will be no grant increase.

Source: Department of Human Resources; Department of Legislative Services

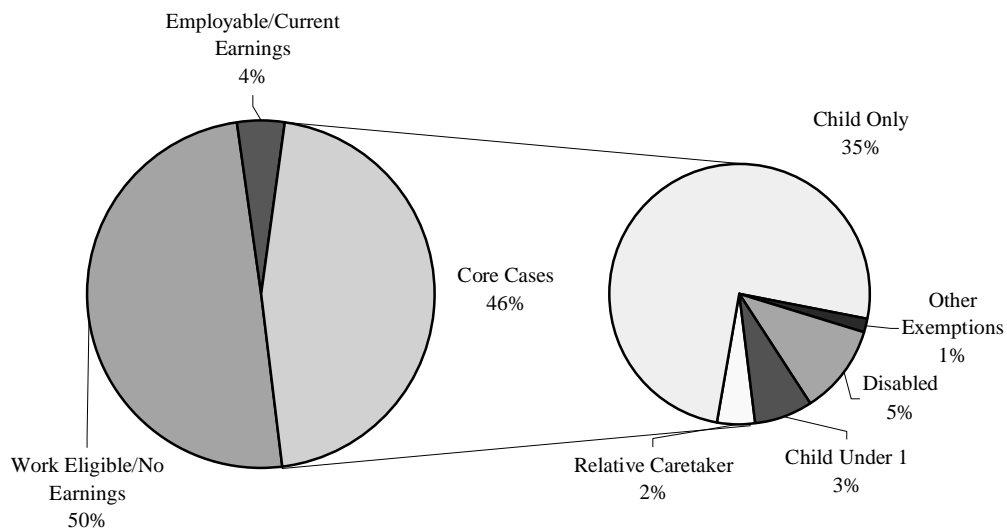
Based on these projections, DLS projects that DHR will have \$2.0 million available in fiscal 2005. DLS recommends that the funds remain available to DHR due to the projected deficit in foster care. If \$2.0 million is, in fact, available in TCA in fiscal 2005, the department could use the full amount of TANF appropriated and transfer the surplus amount in general funds to foster care, in which DLS is projecting a \$14.4 million general fund shortfall. **To ensure that general funds, should they become available, are used for either other benefit programs (such as TEMHA) or foster care maintenance payments, DLS is recommending restrictive budget bill language.**

Characteristics of the Current Caseload

To track recipients needing employment services, DHR divides the caseload into two main groups: (1) the “core” caseload; and (2) cases headed by an employable adult. The core cases include child-only cases, women with children under age one, disabled cases, relative caretakers, and other cases exempted from work requirements. With the exception of women with children under age one, the department does not expect the core cases to transition off cash assistance by seeking employment. Child-only cases, for example, typically leave the rolls when the child reaches adulthood. As employable adults have successfully entered the labor market, the core cases have

represented an increasing percentage of the total TCA caseload. As shown in **Exhibit 9**, core cases comprised 46% of the TCA caseload in July 2003, dipping below the previous year's rate of 49% but still up from 37% in December 1998.

Exhibit 9
Characteristics of TCA Cases
July 2003



Source: Department of Human Resources

DHR focuses its employment programs on the cases headed by an employable adult. Exhibit 9 shows that these cases represented 54% of the total TCA caseload in July 2003. A small percentage of the employable cases currently participate in the labor market but because of insufficient earnings, they continue to receive cash assistance. Most of the remaining employable adults are in work-related activities but not receiving any earnings.

In the early years of welfare reform, DHR concentrated on serving those easiest to place in employment. Through its successful efforts, most of these cases have transitioned from welfare to work. Now, the remaining cases headed by an employable adult typically face multiple barriers to employment such as substance abuse and/or mental health issues, poor work histories, low educational attainment, and limited access to transportation and child care. To realize further caseload reductions, DHR must continue to provide intensive services to help these employable adults enter and remain in the labor force.

Five-year Lifetime Limit on Receipt of Cash Assistance

Moving employable adults to jobs is particularly important in light of the federal lifetime limit placed on receipt of cash assistance. Federal law prohibits cases headed by an adult from receiving TANF-funded cash benefits for more than five cumulative years. However, federal law also provides exemptions to the time limit for “hardship,” as defined by the State. Under this provision, 20% of the adult-headed caseload receiving TANF-funded cash assistance from the previous federal fiscal year may continue to receive these benefits beyond five years.

July 2003 was the nineteenth month in which some families had reached the five-year benefit limit. Of the 22,883 cases in that month, 1,081 had received TCA benefits for 60 months or longer. Since this number was below the 20% exemption limit of 4,577, no one was removed from the caseload. According to DHR’s projections, the earliest that any recipient would lose benefits because of the time limit is fiscal 2014. Until that time, the department expects to accommodate, under the federal hardship exemption, all families who cooperate with program requirements.

2. Transitional Assistance Program in Transition Itself

Transitional Emergency Medical and Housing Assistance (TEMHA) provides cash assistance of \$185 per month to disabled adults who have no other source of earned income. In January 2004, DHR announced a moratorium on cash assistance to clients who applied after December 15, 2003. The moratorium is the result of a projected shortfall in the program of \$5.6 million and will affect an estimated 8,500 TEMHA applicants. Current recipients will continue to receive assistance.

How the Program Works

To be eligible for TEMHA, an individual must:

- be a citizen or legal immigrant;
- be a Maryland resident and a resident of the local jurisdiction;
- be unemployed and financially in need;
- be determined by a physician to have a disability for which the recovery period is at least three months;
- be ineligible for a cash assistance program in which there is federal financial participation, e.g., TCA;

N00I00 - DHR - Family Investment

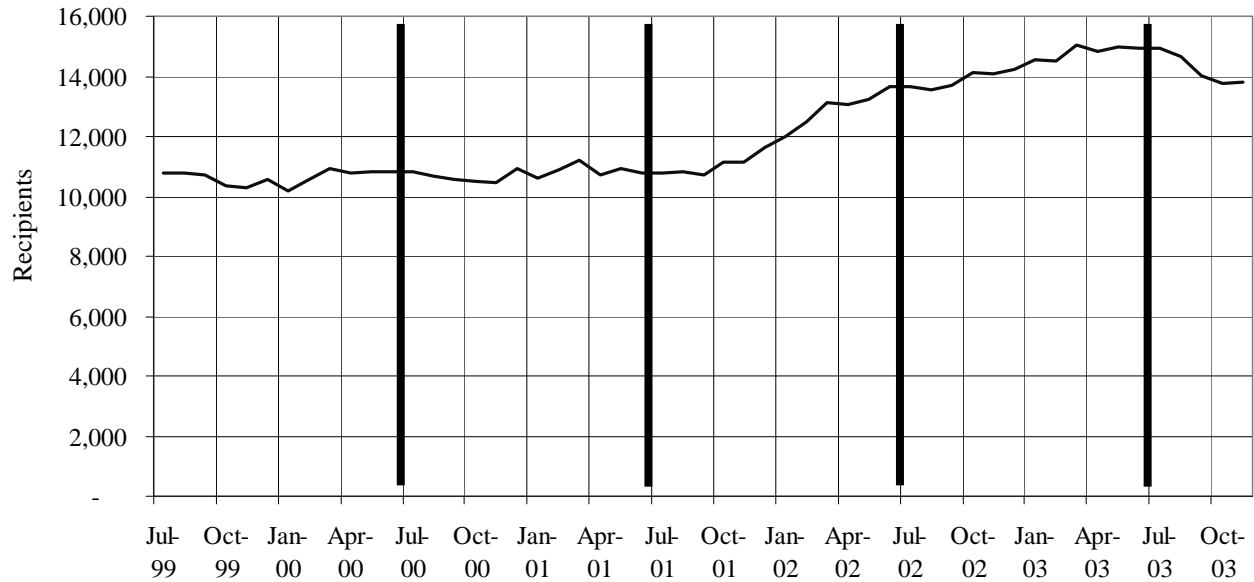
- agree to pursue other sources of income and resources;
- sign an interim payment reimbursement authorization, if applying for SSI benefits; and
- provide a Social Security number or apply for one.

Eligible clients may receive TEMHA benefits for no more than 12 months out of 36, unless they have a pending SSI application or have been determined medically disabled by the State Review Team (SRT). A client's eligibility is approved for a specified period of time, based on his or her expected recovery. If recovery takes longer than expected, a client may renew his or her eligibility as long as it does not exceed 12 months and as long as the client continues to meet need and residency requirements.

Caseload Experience

TEMHA caseloads had been fairly level for fiscal 2000 and 2001, as shown in **Exhibit 10**. In fiscal 2002, beginning in fall 2001, the caseload began to increase. Growth continued, but at a slightly lower rate, in fiscal 2003. Fiscal 2004, to date, shows some caseload decline, at least in part due to the program integrity efforts of the department that resulted in a caseload decline of 585 cases.

**Exhibit 10
TEMHA Caseload by Month**



Source: Department of Human Resources; Department of Legislative Services

There are two primary components of the TEMHA caseload. First, there are clients with a disability expected to last longer than 12 months. Second, there are clients with a short-term disability of less than 12 months.

Long-term Clients: Until fiscal 2004, many clients were referred to the Disability Entitlement Advocacy Program (DEAP) for help pursuing a federal SSI application. About 70% of new TEMHA clients were referred to DEAP to fiscal 2001, 2002, and 2003, as shown in **Exhibit 11**. Only 16% have been referred to DEAP in fiscal 2004, because the department is now referring only clients who have already applied for SSI.

The number of DEAP-referred clients who eventually establish eligibility for federal SSI disability benefits has declined since fiscal 2001. When eligibility for federal benefits is established, the federal government reimburses the State for the cash assistance received by the client during the federal application period. The time from federal application to approval is almost two years. The average application period has risen from 21 months in fiscal 2001 to an estimated 23 months in fiscal 2003. Despite reports that an increasing federal application period is the cause of the current TEMHA shortfall, the trend in federal reimbursements does not indicate that as a source of the problem.

Given DEAP's role is assisting clients with pursuing SSI eligibility, the change in policy on DEAP referrals (referring only clients who have already applied for SSI) could affect the quality of

N00100 - DHR - Family Investment

clients' initial SSI applications and lengthen the application period. **The Secretary should comment on the change in the DEAP referral policy and the barrier it presents to individuals with long-term disabilities. As the DEAP contract will be up for renewal in April 2004, the Secretary should comment on the ideal role for DEAP and any changes the department intends to make in the DEAP contract.**

**Exhibit 11
Disability Entitlement Advocacy Program
Referrals of TEMHA Clients
Fiscal 2000 – 2005**

	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
TEMHA caseload	\$10,768	\$11,922	\$14,313	\$14,459	
New TEMHA cases ¹	12,216	14,220	15,900	17,009	
Referred to DEAP	8,827	9,739	11,593	2,745	
% New cases referred to DEAP	72%	68%	73%	16%	
Converted to SSI	3,360	2,892	1,920	1,123	
% Converted ²	38%	30%	17%	41%	
Avg. months from TEMHA application to SSI approval	21	22	23	22	21
SSI reimbursements to the State	\$3,961,185	\$3,128,818	\$4,719,550	\$5,003,276	\$5,003,276

¹Fiscal 2004 New TEMHA cases is estimated using the year-to-date monthly average through November 2003.

²Percent Converted = Conversions compared to cases referred to DEAP during the same fiscal year, but most of the conversions actually relate to cases referred in prior years.

Source: Department of Human Resources; Department of Legislative Services

In what DHR describes as a “loophole,” current regulations allow an individual to receive TEMHA for longer than 12 months if he or she is pursuing SSI benefits, regardless of whether the SRT believes he or she meets federal disability requirements. DHR did not provide statistics indicating the portion of the long-term caseload in this situation.

DHR reports that 61% of TEMHA clients eventually received SSI benefits but has provided no data that indicates a conversion rate nearly that high. Of DEAP-referred cases, 30% to 40%, at best, begin receiving SSI benefits. Using average monthly payments, the average time it takes to start receiving federal benefits, and the actual federal reimbursements, it appears that the State receives reimbursement for no more than 10% of TEMHA clients.

Short-term Clients: Short-term clients are those with disabilities expected to last between 3 and 12 months. These clients are not eligible for federal disability benefits. DHR reports that in fiscal 2004, short-term clients make up 29% of the caseload.

What's Next for TEMHA?

Given stable or slightly declining caseload projections, there is no reason to think the caseload will decrease more quickly than it has increased. As a result, spending at or near the fiscal 2003 actual level, about \$31 million, is not unreasonable to expect in fiscal 2005, unless program provisions change. The 2005 allowance provides \$24.4 million for TEMHA, \$1 million less than fiscal 2002 actual expenditures and \$6.4 million less than fiscal 2003.

The department is planning regulatory changes prior to the start of fiscal 2005 to ensure that the TEMHA program operates within its allowance. It is not clear whether all options under consideration have been shared with DLS, but it appears that DHR is considering at least the following policy options:

- reduce the cash payment eligibility period from 12 months to 6 months out of 36, or eliminate completely cash benefits for short-term disability cases;
- require that long-term disability cases be certified as medically disabled, accepted by the DEAP program, and have a pending SSI application;
- recoup payments made to individuals not entitled to receive them;
- reduce the monthly grant amount; and
- expand the regulatory options available to the Secretary for addressing shortfalls in the program.

The first proposed change will affect all clients with disabilities expected to last less than 12 months, or about 29% of the caseload according to DHR. These clients either would not be eligible for cash benefits at all or would receive benefits for half the time the program now allows.

The second proposed change will affect any client whose long-term disability is not likely to meet SSI eligibility standards. Currently, clients may receive TEMHA benefits for as long as their SSI applications are active, even if the SRT does not believe they are likely to meet SSI requirements. DHR has not provided data that indicates how many clients have an SSI application but not a positive SRT determination. Under the second proposed change, an applicant would need to have a disability the State believes will meet SSI requirements, apply for SSI independently, be referred to DEAP, and cooperate with DEAP. This change would make the long-term portion of the program essentially a program to loan \$185 per month to recipients until federal benefits are provided.

DLS estimates that should both the first and second changes be made, the program would serve an average annual caseload equal to 58% of the current caseload with total expenditures of \$18.4 million, compared to the current projected need of \$30 million. This estimate is based on the reported conversion rate of long-term disability cases to SSI (61%). If the SRT is more liberal than federal reviewers in its interpretation of federal disability determination guidelines, it will certify

N00I00 - DHR - Family Investment

more clients as disabled than will eventually be eligible for SSI. If so, the DLS estimate understates the percentage of the current caseload that will be served under the new regulations.

The third and fourth proposed changes are self-explanatory. The fifth one, however, would increase the discretion of the Secretary if a program shortfall occurred again. Currently, DHR believes that its only option for dealing with the projected shortfall was to suspend cash payments to newly approved clients. It is not clear what alternatives would become available to the Secretary. A different option was used in fiscal 2002 and 2003, increasing funding for the program, an option that remains in fiscal 2004 should the administration choose it.

Availability of Benefits in Fiscal 2005 Questionable

The department intends to apply new program rules to all clients who have applied since December 15, 2003. As a result, some short-term disability clients who would still be eligible under the current regulations will not begin receiving cash assistance payments in July when the new fiscal year's appropriation is available, as has been reported in the press.

Given the fiscal 2004 shortfall in the program and the dramatic changes contemplated by DHR, DLS recommends budget bill language to require the Department of Human Resources (DHR) to operate the Transitional Emergency Medical and Housing Assistance program as it would have prior to December 1, 2003, unless and until DHR notifies the committees of any regulatory, policy, and procedural changes to the program. DHR's notice to the committees should include a full account of the proposed changes and the projected impact of the changes, including the effect of the changes had they been applied to the fiscal 2003 caseload. The language provides that the committees shall have 45 days to review and comment on the proposed changes prior to their effective date.

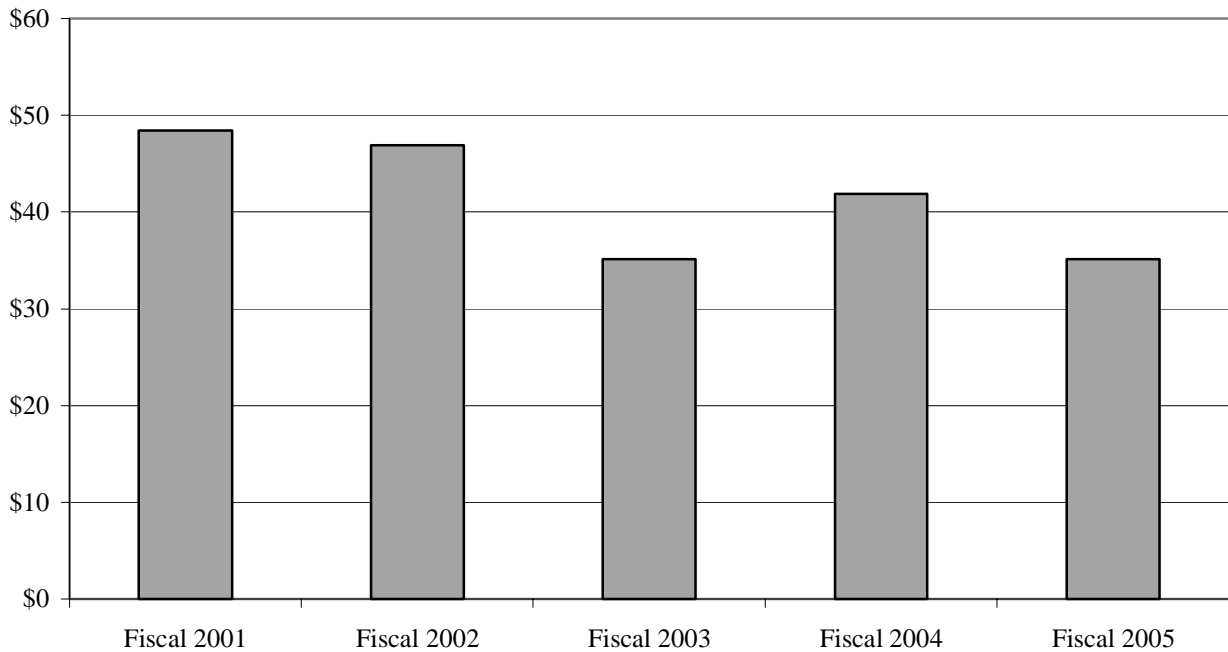
3. Is Maryland Prepared to Significantly Increase Work Participation Among TCA Clients?

Under federal welfare reform law, states must require certain cash assistance recipients to participate in job-related activities aimed at helping recipients find and keep employment. Generally, at least 50% of clients who have no children under six and who have been on cash assistance for two years must participate in 30 hours per week of work and work-related activities. Federal law gives Maryland a credit toward the 50% rate for significantly reducing the TCA caseload in the early years of welfare reform, so Maryland's required work participation rate is only 1.2%.

To facilitate work participation, DHR's Work Opportunities program, administered by local departments of social services and funded with federal TANF funds, helps TCA clients find and retain jobs through direct training and placement assistance. It also provides support services, such as transportation and child care. Because Maryland has had a very low required participation rate, most Work Opportunities funding has been spent on support services, rather than on direct job-related

assistance and services. In addition, DHR has reduced the Work Opportunities budget in recent years, as shown in **Exhibit 12**.

Exhibit 12
Work Opportunities Funding
(\$ in Millions)



Source: Maryland State Budgets

Exhibit 13 shows adult TCA clients who can be engaged in work activity, the Work Opportunities budget for fiscal 2005, and fiscal 2004 year-to-date work participation, by jurisdiction. The exhibit shows wide disparity in the funding available to each jurisdiction per TCA recipient who can be engaged in work activity. **The Secretary should comment on the cause and appropriateness of the disparity.**

**Exhibit 13
Adult TCA Clients, Work Participation, and Work Opportunities Funding
by Jurisdiction**

<u>Jurisdiction</u>	<u>Fiscal 2004 YTD Participation Rate</u>	<u>November 2003 Engageable TCA Clients</u>	<u>Fiscal 2005 Work Opportunities Allocation</u>	<u>Grant per Engageable TCA Client</u>
Allegany	23%	21	\$574,060	\$27,336
Anne Arundel	12%	597	1,474,327	2,470
Baltimore	5%	757	3,450,809	4,559
Calvert	36%	33	250,233	7,583
Caroline	10%	31	166,491	5,371
Carroll	12%	36	335,497	9,319
Cecil	50%	71	426,999	6,014
Charles	13%	159	503,428	3,166
Dorchester	11%	173	322,452	1,864
Frederick	27%	134	411,118	3,068
Garrett	25%	30	118,023	3,934
Harford	5%	338	661,273	1,956
Howard	19%	96	310,099	3,230
Kent	37%	6	96,285	16,048
Montgomery	32%	354	2,073,066	5,856
Prince George's	9%	1,692	5,579,823	3,298
Queen Anne's	7%	26	112,229	4,317
Somerset	40%	46	165,924	3,607
St. Mary's	16%	129	407,372	3,158
Talbot	25%	18	127,661	7,092
Washington	40%	31	678,870	21,899
Wicomico	7%	245	661,155	2,699
Worcester	38%	39	202,246	5,186
Baltimore City	5%	9,260	16,053,746	1,734
Maryland	8%	14,322	\$35,163,186	\$2,455

Source: Department of Human Resources

Anticipated Federal Changes

Federal welfare reform reauthorization legislation currently under consideration would increase work requirements in three primary ways:

N00I00 - DHR - Family Investment

- First, states' required work participation rates would likely increase by 5% each year from 50% until reaching 70%. Some credit may be available for caseload decline, but it is unlikely that as large a credit as Maryland has had will be available.
- Second, both major versions of the bill increase the number of hours a client must participate in work or other activities from the current 30 hours to 40 hours per week.
- Both versions also include a universal engagement requirement, meaning that participation in work-related activities is required immediately, rather than after the client receives assistance for two years. The Senate version includes partial credit for fewer hours and extra credit for effort over the threshold.

Thus, a much greater number of clients will have to participate for more hours for the State to meet work participation requirements. Failure to meet the stricter requirements will likely result in large fiscal penalties. If penalized, Maryland could lose federal funds, be forced to replace those funds with State funds, and have a higher maintenance of effort (MOE) requirement. DHR estimates that the total impact of the federal financial penalty for not achieving universal engagement would be \$34 million. It expects the impact of not meeting required work participation would be an additional \$34 million.

Getting Ready

To avoid federal penalties, meeting stricter work requirements will likely require additional funding for work-related programs and services to TCA clients. Until federal changes are certain and the extent of additional resources necessary is determined, DHR has three efforts underway or planned aimed at preparing the State to meet stricter work requirements. According to DHR, none of the three require additional resources.

Universal Engagement: Maryland has already established a universal engagement requirement for TCA clients and has achieved it in 19 of the 24 jurisdictions. Engagement rates as of November 2003 are shown in **Exhibit 14**. Engagement requires participation in activities such as up-front job search, orientation, assessment of employability, developing an Independence Plan, training, and subsidized employment. According to DHR, universal engagement does not require additional funding.

Exhibit 14
Achieving Universal Engagement
November 2003

<u>Local Departments</u>	<u>Total Cases</u>	<u>Total Engageable</u>	<u>Total Engaged</u>	<u>Engaged</u>
Allegany	206	21	31	147.6%
Anne Arundel	1,276	597	732	122.6%
Baltimore County	2,217	757	880	116.2%
Calvert	122	33	71	215.2%
Caroline	128	31	41	132.3%
Carroll	153	36	63	175.0%
Cecil	251	71	86	121.1%
Charles	399	159	200	125.8%
Dorchester	281	173	183	105.8%
Frederick	345	134	119	88.8%
Garrett	71	30	50	166.7%
Harford	738	338	360	106.5%
Howard	273	96	81	84.4%
Kent	43	6	21	350.0%
Montgomery	883	354	565	159.6%
Prince George's	3,285	1,692	1,494	88.3%
Queen Anne's	71	26	23	88.5%
Somerset	116	46	63	137.0%
St. Mary's	315	129	188	145.7%
Talbot	88	18	37	205.6%
Washington	290	31	95	306.5%
Wicomico	476	245	254	103.7%
Worcester	113	39	61	156.4%
Baltimore City	14,510	9,260	6,951	75.1%
State	26,650	14,322	12,649	88.3%

Source: Department of Human Resources

N00I00 - DHR - Family Investment

Rewriting Work Opportunities Contracts: Most Work Opportunities funds are spent on annual contracts to operate programs and provide services to TCA clients. DHR has provided guidance to local departments encouraging them to alter contracts when they expire to ensure compliance with anticipated federal requirements. DHR has not provided specific information about that guidance or its cost. It is unclear how contractors could be required to provide additional hours of programming or service without more funding.

Data Analysis for Enhanced Oversight: DHR plans to implement a management tool developed for use in policing and currently used by the City of Baltimore. (In Baltimore, the tool is called CityStat.) DHR will use a similar approach to enhance oversight of progress increasing work participation, provide feedback to local departments, and engage leaders at all levels in identifying and addressing needs. Although the model popularized on television requires sophisticated computer technology, DHR believes that a similar tool is possible using existing technology.

Next Steps?

While some progress is possible without additional resources, DHR has not said definitively whether Maryland can meet stricter federal work requirements without additional resources. Assuming that additional resources will be necessary, it is unclear from where those resources will come or how they will be used.

As discussed in the DHR Overview analysis, DHR has plans to spend all available TANF in fiscal 2004 and 2005, including \$3.2 million in Family Investment for work participation activities. To date, information has been unavailable about how DHR will spend the \$3.2 million in new TANF to increase work participation rates. Despite having a projected negative TANF balance by the end of fiscal 2005, DHR has proposed a fiscal 2003 closeout audit corrective action plan that will require \$19 million in TANF. Thus, it appears unlikely that any additional TANF will be available to enhance the Work Opportunities program in support of increasing Maryland's work participation rate and meeting the anticipated stricter federal requirements.

DLS recommends that the Secretary discuss the following with the committees:

- **What specific uses are planned for the \$3.2 million in planned additional TANF spending in Family Investment? If specific uses are yet to be determined, the Secretary should discuss the process and timeframe for developing plans to spend the additional TANF.**
- **Does DHR have a plan, or is DHR developing a plan, to increase Maryland's work participation rate significantly? What is the planning process? Who is involved? What alternatives are under consideration?**
- **Can Maryland increase its work participation rate to 50% without additional resources for the Work Opportunities program? If so, how?**

- If additional resources for the Work Opportunities program will be necessary, how will DHR fund the increased expenditures necessary for meeting stricter work requirements?
- From what programs will the department redirect TANF to support enhanced work-related services?

As discussed in the DHR Overview analysis, to ensure that the General Assembly has the opportunity to provide input related to any decision made to alter programs, policies, or spending in anticipation of, or in response to TANF reauthorization, DLS recommends the following budget bill language:

Provided that it is the intent of the General Assembly that the department spend federal Temporary Assistance for Needy Families (TANF) funds in accordance with the budget detail presented to the General Assembly. If federal legislation reauthorizing the TANF program or extending it with changes, is signed into law, the department shall provide the budget committees with a report on the provisions of the federal law, their implications in Maryland, and the opportunities and challenges presented by the federal law. The report shall be due to the committees within 30 days of final passage of the federal law reauthorizing TANF or extending it with changes. Should the department wish for any reason to make a regulatory, policy, procedural, or budgetary change that transfers among programs, increases, or decreases TANF funds of \$1,000,000 or more, it shall notify the budget committees of its intent, and the committees shall have 30 days to review and consider the proposed change before it becomes effective.

In addition, to ensure the opportunity for legislative input regardless of when DHR chooses to implement any such changes, DLS recommends attaching the above budget bill language to the fiscal 2004 deficiency appropriation as well as the fiscal 2005 appropriation.

Recommended Actions

	<u>Amount Reduction</u>		<u>Position Reduction</u>
1. Delete vacant PINs in the Director’s Office and delete funding for them. This action deletes vacant PINs in the central office but leaves vacancies in the local offices.	\$ 148,978	GF	5.0
	\$ 116,939	FF	

2. Add the following language:

, provided that the Department of Human Resources (DHR) must provide from this appropriation a cash benefit of \$185 per month to all applicants to the Transitional Emergency Medical and Housing Assistance program who would have received a cash benefit had their application been submitted under the eligibility guidelines in place on December 1, 2003, unless DHR provides a report to the committees on all proposed regulatory, policy, or procedural changes affecting the administration of the program. DHR’s report to the committees shall include a full account of the proposed changes and the projected impact of the changes of caseload, eligibility, benefit level, benefit duration, and additional services, including the effect of the changes had they been applied to the fiscal 2003 caseload. The committees shall have 45 days to review and comment on the proposed changes prior to their effective date.

Explanation: This language would require the Department of Human Resources (DHR) to operate the Transitional Emergency Medical and Housing Assistance program as it would have prior to December 1, 2003, unless and until DHR notifies the committees of any regulatory, policy, or procedural changes to the program. DHR’s notice to the committees should include a full account of the proposed changes and the projected impact of the changes. The committees shall have 45 days to review and comment on the proposed changes prior to their effective date. This language does not preclude the implementation of changes effective July 1, 2004, if DHR has provided the required report at least 45 days prior to the start of the fiscal year.

Information Request	Author	Due Date
Report on proposed changes to the TEMHA program and their impact	DHR	45 days prior to the effective date of the proposed changes

N00I00 - DHR - Family Investment

3. Add the following language:

All appropriations provided for the program N00G00.08 Assistance Payments are to be used only for the purposes herein appropriated, and there shall be no budgetary transfer to any other program or purpose except that funds may be transferred to program N00G00.01 Foster Care Maintenance Payments.

Explanation: The appropriation for Temporary Cash Assistance (TCA) is likely \$2.0 million more than will be necessary in fiscal 2005. If funds are available in TCA, the Department of Human Resources should transfer the surplus amount in general funds to Foster Care Maintenance Payments, in which a \$15.6 million shortfall is projected. This language ensures that should funds become available in TCA, they are used for either other benefit programs or foster care maintenance payments.

4. Add the following language:

Provided that it is the intent of the General Assembly that the department spend federal Temporary Assistance for Needy Families (TANF) funds in accordance with the budget detail presented to the General Assembly. If federal legislation reauthorizing the TANF program or extending it with changes, is signed into law, the department shall provide the budget committees with a report on the provisions of the federal law, their implications in Maryland, and the opportunities and challenges presented by the federal law. The report shall be due to the committees within 30 days of final passage of the federal law reauthorizing TANF or extending it with changes. Should the department wish for any reason to make a regulatory, policy, procedural, or budgetary change that transfers among programs, increases, or decreases TANF funds of \$1,000,000 or more, it shall notify the budget committees of its intent, and the committees shall have 30 days to review and consider the proposed change before it becomes effective.

Explanation: It is currently unclear what will happen with federal TANF reauthorization legislation, when Congress will act, and when any new legislation may take effect. Should Congress act, or should the effective date occur while the General Assembly is not in session, the General Assembly should ensure a process through which it has input into any decision made to alter programs, policies, or spending in response to the reauthorization. This language would require advance notice to the committees of any regulatory, policy, procedural, or budgetary change that transfers among programs, increases, or decreases TANF funds of \$1,000,000 or more in fiscal 2005. It would also require a report to the committees on the provisions of federal TANF reauthorization legislation within 30 days of final passage of the federal law reauthorizing TANF or extending it with changes.

N00I00 - DHR - Family Investment

Information Request	Authors	Due Date
Notice of any regulatory, policy, procedural, or budgetary change that transfers among programs, increases, or decreases TANF funds of \$1,000,000 or more	DHR	30 days prior to the effective date of the change
Report on provisions of passed federal TANF reauthorization legislation	DHR	Within 30 days of final passage of the federal law

5. Add the following language:

. provided that it is the intent of the General Assembly that the department spend federal Temporary Assistance for Needy Families (TANF) funds in accordance with the budget detail presented to the General Assembly. If federal legislation reauthorizing the TANF program or extending it with changes, is signed into law, the department shall provide the budget committees with a report on the provisions of the federal law, their implications in Maryland, and the opportunities and challenges presented by the federal law. The report shall be due to the committees within 30 days of final passage of the federal law reauthorizing TANF or extending it with changes. Should the department wish for any reason to make a regulatory, policy, procedural, or budgetary change that transfers among programs, increases, or decreases TANF funds of \$1,000,000 or more, it shall notify the budget committees of its intent, and the committees shall have 30 days to review and consider the proposed change before it becomes effective.

Explanation: It is currently unclear what will happen with federal TANF reauthorization legislation, when Congress will act, and when any new legislation may take effect. Should Congress act, or should the effective date occur while the General Assembly is not in session, the General Assembly should ensure a process through which it has input into any decision made to alter programs, policies, or spending in response to the reauthorization. This language, applied to the deficiency appropriation for Family Investment, would require advance notice to the committees of any regulatory, policy, procedural, or budgetary change that transfers among programs, increases, or decreases TANF funds of \$1,000,000 or more in fiscal 2004. It would also require a report to the committees on the provisions of federal TANF reauthorization legislation within 30 days of final passage of the federal law reauthorizing TANF or extending it with changes.

N00I00 - DHR - Family Investment

Information Request	Authors	Due Date	
Notice of any regulatory, policy, procedural, or budgetary change that transfers among programs, increases, or decreases TANF funds of \$1,000,000 or more	DHR	30 days prior to the effective date of the change	
Report on provisions of passed federal TANF reauthorization legislation	DHR	Within 30 days of final passage of the federal law	
Total Reductions		\$ 265,917	5.0
Total General Fund Reductions		\$ 148,978	
Total Federal Fund Reductions		\$ 116,939	

Current and Prior Year Budgets

**Current and Prior Year Budgets
Family Investment
(\$ 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	\$126,801	\$20,515	\$416,770	\$0	\$564,086
Deficiency Appropriation	\$0	\$0	\$0	\$0	0
Budget Amendments	-\$8,025	\$3,324	\$45,767	\$0	41,066
Cost Containment	-\$1,333	\$0	\$0	\$0	-1,333
Reversions and Cancellations	\$0	-\$138	-\$1,508	\$0	-1,646
Actual Expenditures	\$117,443	\$23,701	\$461,029	\$0	\$602,172
Fiscal 2004					
Legislative Appropriation	\$138,018	\$30,024	\$408,922	\$0	\$576,963
Cost Containment	-\$1,846	\$0	\$0	\$0	-1,846
Budget Amendments	\$0	-\$176	-\$1,479	\$0	-1,655
Working Appropriation	\$136,171	\$29,848	\$407,443	\$0	\$573,462

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

N00100 - DHR - Family Investment

Fiscal 2003

In fiscal 2003, the Family Investment Administration spent \$38.1 million, or almost 7.0%, more than originally appropriated. The biggest change was in federal fund spending, which increased \$44.3 million, or more than 10.5%. Within federal funds, the biggest change was an increase of almost \$62.0 million for Assistance Payments. Offsetting reductions to the Work Opportunities program and TANF funds for FIA local operations were actually fund transfers to Assistance Payments. In the Food Stamp program, about \$1.5 million was cancelled due to the timing of contracts, program startups, and invoicing.

Increases in federal fund spending (mostly TANF) made general funds available for transfer to other areas of the department, primarily to child welfare to mitigate the effect of lower than anticipated federal fund attainment. Special fund spending increased about \$3.2 million, primarily because the child support offset was higher than budgeted.

Fiscal 2004

The fiscal 2004 working appropriation is about \$3.5 million less than the legislative appropriation due to cost containment.

**Object/Fund Difference Report
DHR - Family Investment**

<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	2257.85	2199.00	2193.00	-6.00	-0.3%
02 Contractual	53.00	137.00	130.00	-7.00	-5.1%
Total Positions	2310.85	2336.00	2323.00	-13.00	-0.6%
Objects					
01 Salaries and Wages	\$ 113,661,915	\$ 109,597,572	\$ 110,464,752	\$ 867,180	0.8%
02 Technical & Spec Fees	2,035,554	4,542,490	4,320,007	-222,483	-4.9%
03 Communication	2,885,009	2,739,017	3,308,635	569,618	20.8%
04 Travel	322,731	346,030	343,903	-2,127	-0.6%
06 Fuel & Utilities	569,304	591,151	591,151	0	0%
07 Motor Vehicles	24,398	88,430	20,783	-67,647	-76.5%
08 Contractual Services	52,939,389	55,133,490	45,861,186	-9,272,304	-16.8%
09 Supplies & Materials	1,275,495	478,180	470,742	-7,438	-1.6%
10 Equip - Replacement	7,839	0	0	0	0.0%
11 Equip - Additional	293,661	0	0	0	0.0%
12 Grants, Subsidies, Contracts	416,580,114	386,448,116	436,095,318	49,647,202	12.8%
13 Fixed Charges	11,577,028	13,497,440	13,939,100	441,660	3.3%
Total Objects	\$ 602,172,437	\$ 573,461,916	\$ 615,415,577	\$ 41,953,661	7.3%
Funds					
01 General Fund	\$ 117,443,013	\$ 136,171,462	\$ 142,303,145	\$ 6,131,683	4.5%
03 Special Fund	23,700,704	29,847,893	19,499,023	-10,348,870	-34.7%
05 Federal Fund	461,028,720	407,442,561	453,613,409	46,170,848	11.3%
Total Funds	\$ 602,172,437	\$ 573,461,916	\$ 615,415,577	\$ 41,953,661	7.3%

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

**Fiscal Summary
DHR - Family Investment**

<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>
02 Local Family Investment Program	\$ 128,037,114	\$ 131,345,547	\$ 129,461,768	1.1%	\$ 132,918,287	2.7%
08 Assistance Payments	415,004,947	372,685,345	372,685,345	-10.2%	421,660,647	13.1%
10 Work Opportunities	35,126,724	41,832,488	41,832,488	19.1%	35,163,182	-15.9%
04 Director's Office	24,003,652	31,099,875	29,482,315	22.8%	25,673,461	-12.9%
Total Expenditures	\$ 602,172,437	\$ 576,963,255	\$ 573,461,916	-4.8%	\$ 615,415,577	7.3%
General Fund	\$ 117,443,013	\$ 138,017,849	\$ 136,171,462	15.9%	\$ 142,303,145	4.5%
Special Fund	23,700,704	30,023,904	29,847,893	25.9%	19,499,023	-34.7%
Federal Fund	461,028,720	408,921,499	407,442,561	-11.6%	453,613,409	11.3%
Total Appropriations	\$ 602,172,437	\$ 576,963,255	\$ 573,461,916	-4.8%	\$ 615,415,577	7.3%

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