

**R00A04  
Subcabinet Fund**

***Operating Budget Data***

	(\$ in Thousands)					
	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 02-04 Change</u>	<u>FY 05</u>	<u>FY 04-05 Change</u>
Operations	\$5	\$1	\$0	-\$5	\$0	\$0
Grants	75,226	73,913	73,759	-1,467	62,719	-11,040
<b>Adjusted Grand Total</b>	<b>\$75,231</b>	<b>\$73,913</b>	<b>\$73,759</b>	<b>-\$1,472</b>	<b>\$62,719</b>	<b>-\$11,040</b>
General Funds	40,142	38,120	31,839	-8,303	33,766	1,927
Special Funds	0	3	2,522	2,522	2,405	-117
Federal Funds	24,339	24,891	28,499	4,159	25,049	-3,450
Reimbursable Funds	10,750	10,900	10,900	150	1,500	-9,400
<b>Adjusted Grand Total</b>	<b>\$75,231</b>	<b>\$73,913</b>	<b>\$73,759</b>	<b>-\$1,472</b>	<b>\$62,719</b>	<b>-\$11,040</b>
<b>Annual % Change</b>		<b>-1.8%</b>	<b>-0.2%</b>		<b>-15.0%</b>	

- The general fund reduction between fiscal 2003 and 2004 is primarily attributable to a reduction for Local Management Board administrative funding approved by the General Assembly.
- Fiscal 2003 general fund cost containment (\$1,964,101) was taken entirely from the Return/Diversion Program. Fiscal 2004 general fund cost containment (\$2,419,365) was applied to community partnership funding, the Laurel Boys and Girls Club, and Choice Program for Youth.
- In fiscal 2005, federal Temporary Assistance for Needy Families funds are reduced by \$3.45 million due to the transfer of responsibility for certain programs from the Community Partnership in Montgomery County back to the Department of Juvenile Services.
- In prior years, funds from the Maryland After School Opportunity Fund (MASOF) have transferred to the subcabinet from the Department of Human Resources (DHR) as reimbursable funds. In fiscal 2005 those reimbursable funds are no longer available to the subcabinet (-\$9.4 million) but the After School program is budgeted directly in the subcabinet with federal funds.
- The subcabinet accumulated a fund balance of \$10.4 million as of June 30, 2003, contrary to the provisions of Article 49D of the Annotated Code of Maryland.

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

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## ***Analysis in Brief***

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### **Issues**

***Misuse of the Subcabinet Fund Balance:*** The accumulation of a \$10.4 million balance at the end of fiscal 2003 is not permitted under Article 49D. The Department of Legislative Services recommends transfer of the balance and a portion of 2003 recovered funds to the general fund, unless a supplemental appropriation addressing the use of these funds is submitted before the budget committees begin final deliberations.

***What Does the Interagency Rate Committee Plan for Fiscal 2005?:*** The Interagency Rate Committee is asked to report on its plans for rate setting in fiscal 2005.

### **Recommended Actions**

	<b><u>Funds</u></b>
1. Reduce funding for Interagency Family Preservation Services	\$118,554
2. Adopt narrative providing for out-of-home placement data.	
<b>Total Reductions</b>	<b>\$118,554</b>

### **Updates**

***Work Sampling System and Kindergarten Readiness:*** A review of the most recent statewide results is provided.

## **R00A04 Subcabinet Fund**

### ***Operating Budget Analysis***

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#### **Program Description**

It is now over a decade since Maryland embarked on the restructuring of its human service delivery systems to make them more effective, efficient, and responsive to the needs of children and families. Known as the Systems Reform Initiative (SRI), this restructuring has included changes to:

- the way decisions about services for children and families are made at the State level;
- the role of local jurisdictions in the provision of services to children and families; and
- the way these services are funded.

Legislation adopted during the 1994 session required the Subcabinet for Children, Youth, and Families to phase in a statewide system of interagency budgeting and funding to support SRI. In the fiscal 1996 budget, funds formerly budgeted in the Department of Juvenile Services (DJS), Department of Health and Mental Hygiene (DHMH), Department of Human Resources (DHR), and Maryland State Department of Education (MSDE) for out-of-state placements and family preservation services were consolidated into a new Subcabinet Fund. The fund is administered by the Office for Children, Youth, and Families (OCYF), with MSDE acting as the fiscal agent. Subcabinet monies are in turn, for the most part, granted to Local Management Boards (LMBs), which are the statutory bodies created to be the dominant local mechanism through which the goals of SRI are to be accomplished.

In fiscal 1996, monies in the Subcabinet Fund were primarily used for two activities: family preservation and return/diversion. During the 1996 session, through the regular and supplemental budget process, the fiscal 1997 legislative appropriation was increased to almost \$97 million. Most of these funds (58%) were for institutional and out-of-state placements. However, LMBs did not want the responsibility for these and other programs. The responsibility and funding for these programs were ultimately returned to the State agencies from the Subcabinet Fund, leaving family preservation and return/diversion as the primary focus for Subcabinet Fund spending.

In fiscal 1998, the Administration, with significant input from LMBs, adopted a new and expansive direction in the funding approach to SRI. The Subcabinet Fund was divided into two parts. The first, known as the LMB Fund, consisted of family preservation and return/diversion monies plus almost \$11 million made available to LMBs for a variety of community-based programs that were previously budgeted in State agencies. The second part, known as the Subcabinet Collaborative Fund, consisted of \$17 million in funds supporting a variety of other State programs addressing children and family issues. The funding was included in the Subcabinet Fund although the administration of these programs continued through the State agencies rather than the LMBs. By adding program funds to the Subcabinet Fund in this way, it was hoped that in subsequent years the funding would be made directly available to LMBs.

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The fiscal 2002 budget marked another change in policy direction for the Subcabinet Fund with the elimination of the Subcabinet Collaborative Fund. Because the programs in the Subcabinet Collaborative Fund showed no signs of being placed under control of the LMBs, the fiscal 2002 budget returned funding for the programs to the State agencies that administered them.

By fiscal 2003 the Subcabinet for Children, Youth, and Families had entered into a Community Partnership Agreement (CPA) with each of 24 LMBs. Thirteen LMBs now have five-year agreements, demonstrated in **Exhibit 1**.

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**Exhibit 1**  
**Duration and Expiration Date of Community Partnership Agreements**

<u>Local Management Board</u>	<u>CPA Length</u>	<u>Expiration Date</u>
Allegany County	1	06/30/04
Anne Arundel County	5	06/30/04
Baltimore City	5	06/30/06
Baltimore County	1	06/30/04
Calvert County	1	06/30/04
Caroline County	1	06/30/04
Carroll County	1	06/30/04
Cecil County	5	06/30/06
Charles County	1	06/30/04
Dorchester County	5	06/30/04
Frederick County	5	06/30/06
Garrett County	1	06/30/04
Harford County	1	06/30/04
Howard County	5	06/30/07
Kent County	5	06/30/04
Montgomery County	1	06/30/04
Prince George's County	5	06/30/04
Queen Anne's County	5	06/30/06
St. Mary's County	1	06/30/04
Somerset County	1	06/30/04
Talbot County	5	06/30/05
Washington County	5	06/30/06
Wicomico County	5	06/30/04
Worcester County	5	06/30/07

Source: Office for Children, Youth, and Families

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The LMBs are delegated the authority, resources, and responsibility to support services for children and families. As part of the CPA, each LMB is responsible for assessing the needs of its community and, in collaboration with service providers, policy makers, community leaders, and others, developing and implementing a strategic plan to assure that children and families get needed services. These agreements include measurable performance goals that must be achieved. The degree to which LMBs' collaborators support LMB operations are demonstrated through revenues from alternative funding sources (**Appendix 5**).

### **Performance Analysis: Managing for Results**

The Subcabinet Fund uses data from other sources to provide information about trends related to programs supported by the Subcabinet Fund. Indicators related to two of the Subcabinet Fund's major programs, community service initiatives (return/diversion) and family preservation, are discussed below.

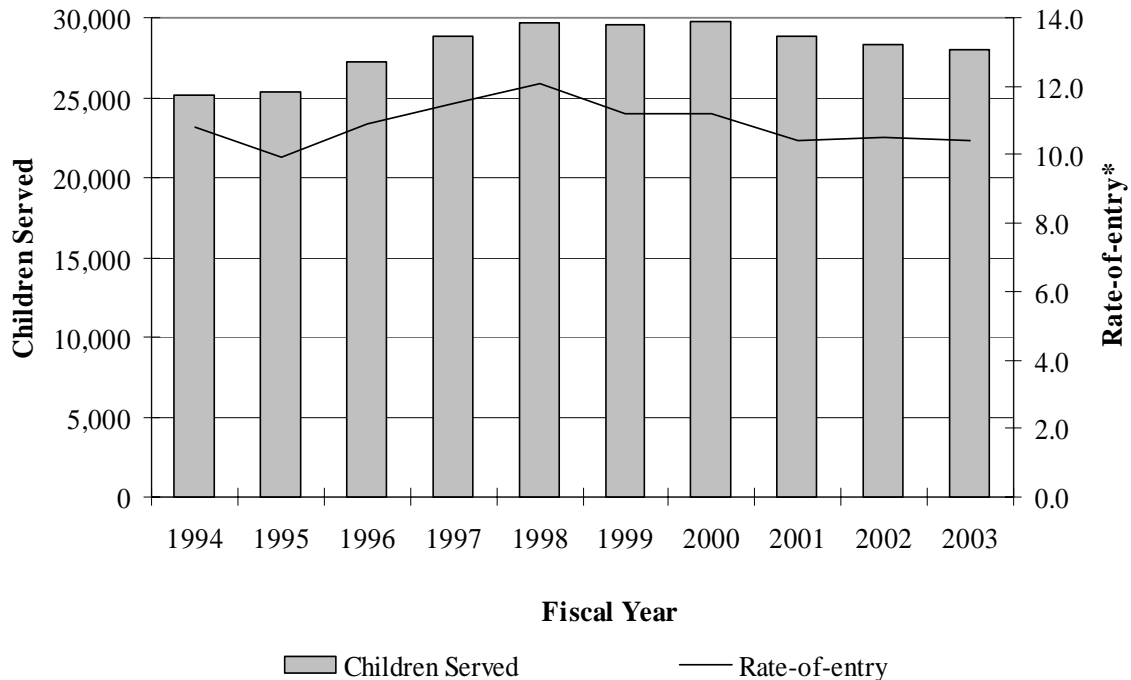
#### **Out-of-state Placements**

In 1992 the General Assembly established the goal of returning all children from out-of-state placements by July 1, 1997. While not meeting this goal, the State has made significant progress in this area. Out-of-state placements have fallen from a peak of 545 at the end of fiscal 1992 to 89 at the end of fiscal 2001. There was a slight increase in fiscal 2002 to 93, but then a more alarming increase to 137 at the end of fiscal 2003. The largest share of this increase is from DJS. It is difficult to find in-State providers who are able to immediately treat hard-to-place children, and DJS has chosen to turn to out-of-state placements sooner than in the past. **The Department of Legislative Services (DLS) recommends that the subcabinet comment on this significant increase and provide possible solutions.**

#### **Out-of-home Placements**

For most of the second half of the 1990s, the total number of children (including those in Kinship Care) served in out-of-home placements rose steadily, as did the rate of entry into such placements. As shown in **Exhibit 2**, this trend began to reverse in fiscal 1999, with a slight drop in total placements and a more notable drop in the rate of entry into out-of-home placements. After rising slightly in fiscal 2000, the total number of placements continued to drop through fiscal 2003. The rate of entry continued its decline until fiscal 2002 when it rose very slightly, from 10.4 to 10.5 per 1,000 children under the age of 18, but then decreased again in fiscal 2003 suggesting that the rate has stabilized somewhat. The subcabinet suggests that this stabilization is an indication that the drop in the children served and the rate of entry may not be simply a function of changes in child populations. In the past, the subcabinet has explained the improvement to such factors as favorable juvenile arrest rates, the impact of family preservation programs, and efforts to maintain community treatment for mentally ill and developmentally disabled children.

**Exhibit 2  
Children Served in Out-of-home Placements and  
Rate-of-entry into Out-of-home Placements**



\*Per 1,000 children under 18 years of age.

Source: Office for Children, Youth, and Families

Despite these promising trends in the number of out-of-home placements of children and the rate of entry into these placements, the total costs for placements continue to rise. The subcabinet reports that in fiscal 2001 costs exceeded a half billion for the first time. In fiscal 2003, the cost is \$576.2, a 4.3% increase over fiscal 2002. Factors contributing are (1) a greater proportion of foster children being placed into group care or institutions rather than less costly family foster care; (2) a substantial portion of Medicaid payments made for children in out-of-home care; and (3) small increases in Mental Hygiene Administration and Developmental Disabilities Administration placement costs.

The proportion of children in out-of-home placement by each agency has remained relatively steady, with a small shift in the proportion placed by DHR and DJS. The proportion placed by DHR has dropped from 57.3% in fiscal 2002 to 55.6% in fiscal 2003; at the same time, the proportion placed by DJS increased from 36.2% to 38.0%, as demonstrated in **Exhibit 3**.

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**Exhibit 3**  
**Proportion of Children in Out-of-home Placements by Referring Agency**  
**Fiscal 1994 – 2003**

<u>Fiscal Year</u>	<u>DHR</u>	<u>DHMH</u>	<u>MSDE</u>	<u>DJS</u>
1994	56.8%	6.6%	4.0%	32.6%
1995	53.5%	6.5%	3.4%	36.7%
1996	58.5%	5.6%	2.9%	33.0%
1997	58.9%	5.3%	2.8%	33.0%
1998	58.9%	6.3%	2.5%	32.3%
1999	60.8%	4.1%	2.0%	33.1%
2000	59.8%	4.0%	1.8%	34.4%
2001	59.0%	4.8%	1.8%	34.5%
2002	57.3%	4.8%	1.6%	36.2%
2003	55.6%	4.8%	1.6%	38.0%

Source: Office for Children, Youth, and Families

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### **Family Preservation Programs and the Safety of Children**

There have been questions about whether the State’s focus on diverting children from out-of-home placements jeopardizes the safety of the children. To help address that issue, the 2000 through 2003 *Joint Chairmen’s Reports* requested data on indicated findings of child abuse or neglect based on Child Protective Services (CPS) investigations for those receiving family preservation services and for those children residing at home in the 12 months following case closure. **Exhibit 4** provides the requested data for DHR Family Preservation, for total Interagency Family Preservation Services (IFPS), and for IFPS by referring agency.

- Overall, the safety of children, as measured by indicated findings of abuse and neglect, has improved between fiscal 1999 and 2002; some agencies have shown strong improvement. DJS was the only agency for which the rate of abuse and neglect increased between fiscal 2001 and 2002; it showed a slight increase from 1.0 to 1.5%. Nonetheless, DJS has shown a marked drop in the rate of families with CPS findings within a year of case closure in the same time period. MSDE shows the opposite pattern; while families with indicated CPS findings while receiving service has decreased from 2.8 to 1.5% between fiscal 2001 and 2002, findings within one year of case closure have increased from 5.0 to 6.3%.
- A higher proportion of families participating in DHR’s family preservation program and referred to IFPS by DHR have indicated findings compared to families referred to IFPS by other State agencies. Families identified by DHR typically present with child maltreatment issues. Because of this, they are more likely to experience indicated findings both while receiving services and in the year after case closure.

**Exhibit 4**  
**Family Preservation Services and Indicated CPS Findings**  
**Fiscal 1999 – 2002**

	Families with an Indicated CPS Finding While Receiving Services (% of Families Served)				Families with an Indicated CPS Finding Within One Year of Receiving Services (% of Families Whose Cases Closed)			
	FY 1999	FY 2000	FY 2001	FY 2002	FY 1999	FY 2000	FY 2001	FY 2002
DHR Family Preservation	6.1	5.1	3.6	4.1	12	9.9	9.3	8.5
<b>Interagency Family Preservation Services: Total</b>	<b>4.8</b>	<b>4.1</b>	<b>3.8</b>	<b>3.3</b>	<b>11.4</b>	<b>8.9</b>	<b>8.2</b>	<b>7.0</b>
<i>Referred by DHMH</i>	<i>3.8</i>	<i>2.4</i>	<i>1.5</i>	<i>1.4</i>	<i>4.4</i>	<i>6.6</i>	<i>5.5</i>	<i>4.1</i>
<i>Referred by DHR</i>	<i>6.4</i>	<i>6.3</i>	<i>6.5</i>	<i>5.8</i>	<i>16.1</i>	<i>13.1</i>	<i>12.6</i>	<i>11.5</i>
<i>Referred by DJS</i>	<i>2.8</i>	<i>1.4</i>	<i>1.0</i>	<i>1.5</i>	<i>4.4</i>	<i>3.2</i>	<i>3.1</i>	<i>1.7</i>
<i>Referred by MSDE</i>	<i>2.6</i>	<i>2.9</i>	<i>2.8</i>	<i>1.5</i>	<i>10.1</i>	<i>5.5</i>	<i>5.0</i>	<i>6.3</i>

Source: Office for Children, Youth, and Families

- A significant portion of IFPS families referred by DHMH, DJS, and MSDE also have indicated findings within a year of case closure, even though child maltreatment is not thought to be as significant an issue for these families.

The State should provide family preservation services only to those families in which the child can remain safely in the home. Services should also be targeted to families that have children who are truly at imminent risk of out-of-home placement. One of the ways that OCYF determines the level and change in family functioning is through the North Carolina Family Assessment Scale (NCFAS). NCFAS measures changes in family functioning by assessing the family. The assessment examines environment, parental capability, family interactions, family safety, and child well-being when a child first comes into contact with a case worker and again after the delivery of family preservation services. In its December 2003 report on out-of-home placements, OCYF notes that:

The NCFAS data reveal that the IFPS appears to be drifting away from its requirement to provide services to families with at least one child at imminent risk of out-of-home placement. The eligibility criteria for accepting families to IFPS have always been difficult to define and operationalize – it seems evident, however, that the IFPS client population has become increasingly functional at the outset of services.

As indicated by Exhibit 4, the State has made progress in percentage of CPS findings both while families are receiving services and for families who are within a year of case closure. OCYF reports that the Subcabinet Partnership Team has been investigating and is putting together a methodology

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for improving selection/eligibility requirements to be ready for fiscal 2005. **DLS recommends that OCYF and the Subcabinet Partnership Team present to the committees their plan for implementation of improved Interagency Family Preservation Services eligibility criteria. DLS also recommends reducing general funds by the increase in Interagency Family Preservation Services funding in the allowance (\$118,554). If eligibility criteria are tightened, participation should go down.**

Through collection and analysis of the data, the subcabinet agencies can continue to identify the factors most likely to lead to maltreatment and the progress the State has made in averting out-of-home placements. **To that end, DLS recommends the adoption of the following committee narrative so the General Assembly can continue to monitor out-of-home placement activities and indicate findings of abuse and neglect for families that participate in family preservation programs:**

**Out-of-home Placement Data:** To facilitate evaluation of Maryland’s family preservation programs in stemming the flow of children from their homes, OCYF is requested to submit to the committees data on the total number of out-of-home placements and entries by jurisdiction over the previous three years. OCYF should also provide information on the cost per child served, the reasons for new placements, and an evaluation of data derived from the application of the North Carolina Family Assessment Scale. Data should also be collected concerning the reports of new child abuse and neglect while an individual is receiving family preservation services or residing at home in the 12 months following case closure. Other subcabinet agencies should provide the appropriate information to OCYF by October 1, 2004.

<b>Information Requested</b>	<b>Author</b>	<b>Due Date</b>
Out-of-home placement data	OCYF	December 1, 2004

**Fiscal 2004 Actions**

**Impact of Cost Containment**

Fiscal 2004 cost containment reductions of \$2,419,365 in general funds are reflected in reductions in Community Partnership Funding (\$2,233,971), the Laurel Boys and Girls Club (\$25,000), and Choice Program for Youth (\$160,394).

**Governor’s Proposed Budget**

As shown in **Exhibit 5**, the Subcabinet Fund budget decreases by \$11,040,298, or 14.9% compared to the fiscal 2004 working appropriation. The significant budgetary changes are discussed after Exhibit 5.

**Exhibit 5  
Governor’s Proposed Budget  
Subcabinet Fund  
Fiscal 2003 – 2005**

<u>LMB Spending</u>	<u>FY 2003 Actual</u>	<u>FY 2004 Approp.</u>	<u>FY 2005 Allowance</u>	<u>FY 04 - FY 05</u>	
				<u>\$ Increase</u>	<u>% Increase</u>
LMB Administration	\$7,889,674	\$4,099,424	\$4,099,424	\$0	0.0%
Interagency Family Preservation <sup>1</sup>	19,398,283	11,424,933	11,543,487	\$118,554	1.0%
Community Service Initiative (Return/Diversion)	11,295,545	12,175,052	12,181,080	\$6,028	0.0%
Community Partnerships	9,941,870	8,938,955	5,003,021	-\$3,935,934	-44.0%
Home Visiting	5,075,306	5,100,950	5,183,335	\$82,385	1.6%
<b>Subtotal</b>	<b>\$53,600,678</b>	<b>\$41,739,314</b>	<b>\$38,010,347</b>	<b>-\$3,728,967</b>	<b>-8.9%</b>
Other Direct Programs <sup>2</sup>	20,312,422	32,020,033	24,708,702	-\$7,311,331	-22.8%
<b>Total LMB Fund</b>	<b>\$73,913,100</b>	<b>\$73,759,347</b>	<b>\$62,719,049</b>	<b>-\$11,040,298</b>	<b>15.0%</b>

<sup>1</sup> Funding for IFPS was combined with Intensive Family Services (IFS) and Families Now in fiscal 2003; IFS and Families Now are in the “other” category in this table for fiscal 2004 and 2005.

<sup>2</sup> Funding for each of the pass-through programs are provided in **Appendix 4**.

Source: Office for Children, Youth, and Families

- Two five-year CPA that were to be implemented in fiscal 2005 in Harford County and Carroll County have been postponed, accounting for part for the decrease in total CPA funding in fiscal 2005. Special funds that were to be used for this purpose in fiscal 2004 were instead used for the Subcabinet for Children, Youth, and Families Information System (SCYFIS) and to support OCYF.
- In fiscal 2005, CPA funds are reduced by \$3.45 million due to the transfer of responsibility for certain activities of the Community Partnership in Montgomery County back to DJS. The relationship between the subcabinet and Montgomery County’s Community Partnership began in 1998, when the Governor’s Office directed the subcabinet to institute the transfer of \$3,450,000 from the DJS appropriation to the subcabinet. These funds were to be used for a program known at the time as Vision-to-Scale, now called Community Partnership. Montgomery County was to reimburse DJS for any placements of the county’s youth into State-owned DJS or contractual commitment facilities and then pay for the placements on a per diem basis. The original concept for the program was that Montgomery County, through local control, would be able to develop community-based alternatives with anticipated per diem savings. This concept failed, evidenced by a substantial increase in per diem expenses. As a result, in October 2003, all the parties agreed to sever the relationship.
- In fiscal 2005, the After School program is budgeted directly in the subcabinet. In prior years, Maryland After School Opportunity Fund (MASOF) funds had transferred to the subcabinet from

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the Department of Human Resources (DHR) as reimbursable funds. (-\$9.4 million in “Other Direct Programs”).

- State spending for after school programs has declined in the State from \$10.0 million in fiscal 2003, to \$3.9 million in fiscal 2004, to \$2.8 million in fiscal 2005. The funding level would be even lower in fiscal 2005 if the subcabinet had not chosen to divert \$1.5 million from the Disruptive Youth Program to the After School program. There is also indication that the administration intends to use \$1.4 million in currently unclassified funds in the After School program.

**Temporary Assistance for Needy Families (TANF) in the Subcabinet Fund**

During the 2000 legislative session, the State began substituting federal TANF funds for general funds in certain subcabinet programs. Many of those substitutions continue in fiscal 2005, demonstrated in **Exhibit 6**.

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**Exhibit 6**  
**TANF in the Subcabinet Fund**  
**Fiscal 2002 – 2005**

	<u>FY 02</u> <u>Actual</u>	<u>FY 03</u> <u>Actual</u>	<u>FY 04</u> <u>Approp.</u>	<u>FY 05</u> <u>Allowance</u>	<u>FY 04-05</u> <u>Change</u>
Interagency Family Preservation	\$8,195,185	\$8,111,948	\$4,833,568	\$3,491,568	-\$1,342,000
Community Partnerships	6,723,472	6,917,936	7,259,527	3,809,527	-3,450,000
Home Visiting	3,750,000	3,638,273	5,000,000	5,000,000	0
Youth Service Bureau	1,536,328	1,492,000	2,048,438	2,048,438	0
Prevention Services (Disruptive Youth)	1,125,300	1,092,540	1,500,000	0	-1,500,000
Consolidated Education Grants	1,043,937	1,064,755	1,455,891	1,455,891	0
GCAP*	533,202	589,972	810,000	810,000	0
After School program	0	0	0	2,842,000	2,842,000
<b>Total</b>	<b>\$22,907,424</b>	<b>\$22,907,424</b>	<b>\$22,907,424</b>	<b>\$19,457,424</b>	<b>-\$3,450,000</b>

\*Governor’s Council on Adolescent Pregnancy

Source: Office for Children, Youth, and Families

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Exhibit 6 shows that TANF funding in the Subcabinet Fund decreased from \$22.9 million in fiscal 2004 to \$19.5 million in the fiscal 2005 allowance. In fiscal 2005, TANF funds were reduced by \$3.45 million with the transfer of responsibility for the Community Partnership Program in Montgomery County.

## *Issues*

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### **1. Misuse of the Subcabinet Fund Balance**

Article 49D of the Annotated Code of Maryland authorizes two funds:

- A Subcabinet Fund with the Maryland State Department of Education (MSDE) as the fiscal agent. This fund functions as the operating fund for the subcabinet. Unexpended funds are to revert to the general fund at the close of the fiscal year.
- A Subcabinet for Children, Youth, and Families Resource Fund, which is a special nonlapsing fund. Expenditures from the fund may only be made pursuant to an appropriation approved by the General Assembly in the annual State budget bill and any amount in the fund in excess of \$1,000,000 on June 30 of each year shall revert to the general fund.

Contrary to State law, the subcabinet has carried a significant balance in the Subcabinet Fund from one year to the next since 1997. The Subcabinet Fund closed fiscal 2003 with a balance of \$10.4 million and failed to revert any of it as required by law. Over the past four years, the subcabinet received tacit approval for use of the fund balance from the General Assembly in that it reported its “available balance” and indicated how the funds would be spent. However, the subcabinet intentionally misled the General Assembly by under reporting the available funding. OCYF claimed during the 2002 and 2003 sessions that the fund balance at the close of fiscal 2002 was only about \$139,000, when it appears the fund balance actually exceeded that amount.

**The new leadership at OCYF has brought to the attention of DLS the full extent of this past subterfuge and should be commended for its candor.** However, DLS is concerned with the ease with which this ruse appears to have happened. From 1997 and 1998, when significant fund balances emerged, up until the beginning of the tenure of the current leadership of OCYF, the office has maintained that these funds were obligated. If they had truly been obligated, the balance would have been spent down, but it was not. In fact, after DLS first questioned a fund balance totaling \$6.7 million during the 2000 session, OCYF began to report only the portion of the balance for which “obligations” had not been made by calling the balance the “available fund balance.”

### **Moving Forward**

These accumulated funds of \$10.4 million and the additional \$4.8 million in fiscal 2003 funds recovered from Local Management Boards during fiscal 2004 are detailed in **Exhibit 7**. As noted in Exhibit 7, the subcabinet has proposed spending \$11.7 million of the unappropriated fund balance in fiscal 2004. **DLS recommends that OCYF comment on the specific uses proposed for the July 1, 2003, balance and fiscal 2003 recovered funds.**

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**Exhibit 7**  
**Use of the Subcabinet Fund Balance**

<b>Balance July 1, 2003</b>	<b>\$10,389,808</b>
Net funding recovery in Local Management Boards	4,761,013
Proposed expenditures	-11,676,851
Special funds already appropriated	
Subcabinet for Children, Youth, and Families Information System	-457,778
Conferences and training	-42,222
Infant mortality prevention media campaign	-166,767
Custody relinquishment and children with intensive needs	-133,233
Healthy families training	-200,000
Interagency Family Services	-1,213,000
School Based Health Centers	-260,970
<b>Balance June 30, 2004</b>	<b>\$1,000,000</b>
School Based Health Centers*	-260,970
DHR Interagency Family Service/Families Now*	-1,713,000
Custody Relinquishment Initiative Training (one-time)*	-200,000
Home Visiting Training (one-time)*	-182,970
DLS Estimated Recoveries	1,356,940
<b>Projected Balance June 30, 2005</b>	<b>\$0</b>

\* Included in the fiscal 2005 allowance.

Source: Office for Children, Youth, and Families; Department of Legislative Services

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To ensure that the General Assembly has an opportunity to make fully-informed decisions about the use of the fund balance and other funds available for subcabinet programs:

- **DLS recommends that programs that OCYF intends to fund in fiscal 2004 and 2005 with the fund balance from fiscal 2003 be appropriated through a supplemental deficiency appropriation and supplemental appropriation. The budget committees can then make decisions about the appropriateness of each proposed expenditure in the same way they would have if the funds had been expended properly from the beginning.**

**If the supplemental budget used for this purpose is not submitted to the General Assembly before the budget committees begin their final deliberations, DLS also recommends that \$11.7 million of the fund balance be transferred to the general fund. These actions will be recommended in budget reconciliation legislation.**

## *R00A04 - Subcabinet Fund*

- **DLS recommends that the Children, Youth, and Families Resource Fund be abolished through budget reconciliation legislation. Subcabinet funds unspent at the end of the fiscal year may either be encumbered in accordance with proper accounting procedures or revert to the general fund as they are in other agencies. If funds are needed in the next year to complete a project or continue a program, OCYF and the subcabinet can submit the request through the regular budget process and the Governor and the General Assembly can determine at that point whether or not the expenditure warrants continuation.**

## **2. What Does the Interagency Rate Committee Plan for Fiscal 2005?**

The General Assembly passed two bills in the late 1990s to address problems with the rate-setting process for residential and nonresidential child care programs and nonpublic general education schools. Chapter 609, Acts of 1998 (SB 426) required the MSDE to act as the lead agency in redesigning the rate-setting process in conjunction with the Department of Budget and Management (DBM), DHMH, DHR, DJS, and OCYF. According to the legislation, the agencies were to use the new structure in preparing the State budget for fiscal 2000. Chapter 541, Acts of 1999 (SB 291) transferred rate-setting responsibilities from OCYF to MSDE. It also required the agencies to pilot the redesigned process in developing the State budget for fiscal 2001 and to fully implement the new process in the budget for fiscal 2002. The new process which was developed raised concerns over possible inequity between providers within rate categories; it also raised concern that it provided a disincentive for providers to cultivate outside funding sources.

The Budget Reconciliation and Financing Act of 2003 (Chapter 203, Acts of 2003) provided that rates paid on January 17, 2003, would continue to be paid through fiscal 2004 except in cases of extreme hardship. In the fiscal 2005 allowance, it does not appear that agencies have assumed large rate increases for providers in fiscal 2005 either. **DLS recommends that MSDE provide information to the budget committees describing its current plans for rate setting in preparation for fiscal 2005, especially as it relates to the moratorium on rate increases during fiscal 2004. MSDE's current plan to fully integrate the rate setting structure with the budget process for fiscal 2006 should be discussed.**

## ***Recommended Actions***

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- |   | <b><u>Amount<br/>Reduction</u></b> |
|---|------------------------------------|
| 1. Reduce funding for Interagency Family Preservation Services (IFPS). The subcabinet intends to tighten eligibility criteria so that services are only available to families who have children at imminent risk of out-of-home placement. If the eligibility criteria are tightened, the program should be serving fewer families. This reduction returns funding to fiscal 2004 levels. | \$ 118,554 GF                      |

2. Adopt the following narrative:

**Out-of-home Placement Data:** To facilitate evaluation of Maryland's family preservation programs in stemming the flow of children from their homes, the Office for Children, Youth, and Families (OCYF) is requested to submit to the committees data on the total number of out-of-home placements and entries by jurisdiction over the previous three years. OCYF should also provide information on the cost per child served, the reasons for new placements, and an evaluation of data derived from the application of the North Carolina Family Assessment Scale. Data should also be collected concerning the reports of new child abuse and neglect while an individual is receiving family preservation services or residing at home in the 12 months following case closure. Other subcabinet agencies should provide the appropriate information to OCYF by October 1, 2004.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Out-of-home placement data	OCYF	December 1, 2004

<b>Total General Fund Reductions</b>	<b>\$118,554</b>
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## Updates

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### 1. Work Sampling System and Kindergarten Readiness

New data addressing the degree to which children are prepared for school is not yet available from MSDE but will be released by the end of March 2004. **Exhibit 8** shows baseline (2001-2002 school year) Work Sampling System (WSS) data and data gathered during the 2002-2003 school year. All public school kindergarten teachers are using the Maryland Model for School Readiness, of which the WSS is a part, as a framework for their curriculum. The assessments result in an indication of full readiness, approaching readiness, or developing readiness in the following curricular domains: social and personal, language and literacy, mathematical thinking, scientific thinking, social studies, the arts, and physical development.

**Exhibit 8**  
**Work Sampling System – Statewide Trends**

<u>Domain</u>	<u>School Year 2001-2002</u> <u>Readiness Levels</u>			<u>School Year 2002-2003</u> <u>Readiness Levels</u>			<u>Difference</u> <u>Readiness Levels</u>		
	<u>Full</u>	<u>Approach</u>	<u>Devel.</u>	<u>Full</u>	<u>Approach</u>	<u>Devel.</u>	<u>Full</u>	<u>Approach</u>	<u>Devel.</u>
Composite	49%	44%	7%	52%	41%	7%	3%	-3%	0%
Social/Personal	55%	36%	9%	60%	33%	8%	5%	-3%	-1%
Language and Literacy	36%	50%	14%	42%	46%	12%	6%	-4%	-2%
Mathematical Thinking	40%	47%	13%	44%	43%	12%	4%	-4%	-1%
Scientific Thinking	24%	59%	17%	29%	57%	14%	5%	-2%	-3%
Social Studies	32%	55%	13%	37%	52%	11%	5%	-3%	-2%
The Arts	51%	42%	7%	58%	36%	5%	7%	-6%	-2%
Physical Develop. and Health	60%	35%	4%	66%	30%	3%	6%	-5%	-1%

Key: Full = Percentage at full readiness level.  
 Approach = Percentage approaching readiness level.  
 Devel. = Percentage developing readiness level.

Note: Numbers may not add to 100% due to rounding.

Source: Maryland State Department of Education

These data show that while the percentage of students reaching full readiness has improved in all domains over the last year, only slightly more than half of all kindergarten students (composite domain) have reached full readiness. The domains showing the strongest improvement are in language and literacy, the arts, and physical development and health. In fact, physical development and health exhibits the strongest performance in any domain since WSS began to be used – 66% of kindergartners are fully ready in this area. Performance in social/personal skills and the arts is also better than average – 60 and 58% of kindergartners, respectively, are fully ready in these areas.

***R00A04 - Subcabinet Fund***

Although showing improvement over 2001-2002 performance levels, the domains with a more academic focus (linguistic and cognitive domains) – language and literacy, mathematical thinking, scientific thinking, and social studies – all show comparatively low levels of full readiness. The percentage of children who are developing readiness (composite domain) has remained constant at 7% over the last year.

## ***Current and Prior Year Budgets***

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### **Current and Prior Year Budgets Subcabinet Fund (\$ in Thousands)**

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2003</b>					
Legislative Appropriation	\$40,084	\$1,761	\$29,307	\$10,750	\$81,902
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	0	0	349	349
Cost Containment	-1,964	0	0	0	-1,964
Reversions and Cancellations	0	-1,758	-4,417	-199	-6,374
<b>Actual Expenditures</b>	<b>\$38,120</b>	<b>\$3</b>	<b>\$24,891</b>	<b>\$10,900</b>	<b>\$73,913</b>
<b>Fiscal 2004</b>					
Legislative Appropriation	\$34,258	\$2,522	\$28,499	\$10,900	\$76,179
Cost Containment	-2,419	0	0	0	-2,419
Budget Amendments	0	0	0	0	0
<b>Working Appropriation</b>	<b>\$31,839</b>	<b>\$2,522</b>	<b>\$28,499</b>	<b>\$10,900</b>	<b>\$73,759</b>

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

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- Cost containment in fiscal 2003 (-\$1,964,101) resulted in a reduction to the return/diversion program.

***R00A04 - Subcabinet Fund***

- Fiscal 2004 cost containment (-\$2,419,365) included but was not limited to reductions to the Family League of Baltimore City (\$1.0 million), Caroline County Human Services Council (\$0.1 million), Prince George's County Commission for Children, Youth, and Families (\$0.5), Washington County Community Partnership for Children and Families (\$0.6), and the Choice Program (\$0.2 million). The primary program affected by the reductions was the Return/Diversion program in Baltimore City and Prince George's County, realized through fewer new cases being brought into the program.

**Object/Fund Difference Report  
Subcabinet Fund**

<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>
<b>Objects</b>					
09 Supplies & Materials	\$ 515	\$ 0	\$ 0	\$ 0	0.0%
12 Grants, Subsidies, Contracts	73,912,585	73,759,347	62,719,049	-11,040,298	-15.0%
<b>Total Objects</b>	<b>\$ 73,913,100</b>	<b>\$ 73,759,347</b>	<b>\$ 62,719,049</b>	<b>-\$ 11,040,298</b>	<b>-15.0%</b>
<b>Funds</b>					
01 General Fund	\$ 38,119,592	\$ 31,838,835	\$ 33,765,567	\$ 1,926,732	6.1%
03 Special Fund	2,808	2,521,682	2,404,652	-117,030	-4.6%
05 Federal Fund	24,890,700	28,498,830	25,048,830	-3,450,000	-12.1%
09 Reimbursable Fund	10,900,000	10,900,000	1,500,000	-9,400,000	-86.2%
<b>Total Funds</b>	<b>\$ 73,913,100</b>	<b>\$ 73,759,347</b>	<b>\$ 62,719,049</b>	<b>-\$ 11,040,298</b>	<b>-15.0%</b>

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

**Fiscal Summary  
Subcabinet Fund**

<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>
01 Local Management Board Fund	\$ 73,913,100	\$ 76,178,712	\$ 73,759,347	-0.2%	\$ 62,719,049	-15.0%
<b>Total Expenditures</b>	<b>\$ 73,913,100</b>	<b>\$ 76,178,712</b>	<b>\$ 73,759,347</b>	<b>-0.2%</b>	<b>\$ 62,719,049</b>	<b>-15.0%</b>
General Fund	\$ 38,119,592	\$ 34,258,200	\$ 31,838,835	-16.5%	\$ 33,765,567	6.1%
Special Fund	2,808	2,521,682	2,521,682	89703.5%	2,404,652	-4.6%
Federal Fund	24,890,700	28,498,830	28,498,830	14.5%	25,048,830	-12.1%
<b>Total Appropriations</b>	<b>\$ 63,013,100</b>	<b>\$ 65,278,712</b>	<b>\$ 62,859,347</b>	<b>-0.2%</b>	<b>\$ 61,219,049</b>	<b>-2.6%</b>
Reimbursable Fund	\$ 10,900,000	\$ 10,900,000	\$ 10,900,000	0%	\$ 1,500,000	-86.2%
<b>Total Funds</b>	<b>\$ 73,913,100</b>	<b>\$ 76,178,712</b>	<b>\$ 73,759,347</b>	<b>-0.2%</b>	<b>\$ 62,719,049</b>	<b>-15.0%</b>

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

**Subcabinet Funding  
Fiscal 2002 – 2005**

	<b>Fiscal 2003 <u>Actual</u></b>	<b>Fiscal 2004 <u>Working Appropriation</u></b>	<b>FY 2005 <u>Allowance</u></b>
Administration	\$7,889,674	\$4,099,424	\$4,099,424
Interagency Family Preservation (IFP)	19,398,283	11,424,933	11,543,487
IFS and Families Now*	0	10,827,656	11,649,158
Community Services Initiative (Return/Diversion)	11,295,545	12,175,052	12,181,080
Community Partnerships	9,941,870	8,938,955	5,003,021
Youth Service Bureau	2,048,438	2,048,438	2,048,438
Consolidated Education	1,455,891	1,455,891	0
DJJ Prevention Services	167,822	167,822	167,822
Safe and Stable Families	1,983,244	2,147,780	2,153,808
School Based Health Centers (SBHC)	2,054,100	2,454,945	2,467,001
GCAP-Grants	810,000	810,000	814,019
Infant Mortality Grants	150,000	150,000	150,000
Infant Mortality Campaign	0	500,000	0
Boys and Girls Club	25,000	0	0
Prevention Services-Disruptive Youth Choice	1,500,000 717,895	1,500,000 557,501	0 577,595
MASOF(2003, 2004)/After School (2005)	9,400,000	9,400,000	2,842,000
Custody Relinquishment Initiative	0	0	200,000
Home Visiting Training	0	0	182,970
Home Visiting	5,075,306	5,100,950	5,183,335
Pending Classification**	0	0	1,455,891
<b>Total</b>	<b>\$73,913,068</b>	<b>\$73,759,347</b>	<b>\$62,719,049</b>

\*IFS and Families Now was combined with the Interagency Family Preservation Services in the fiscal 2003 budget, but was broken out in fiscal 2004 and 2005.

\*\*There are indications that the administration intends to use these funds for the After School program.

MASOF = Maryland After School Opportunity fund

Source: Office for Children, Youth, and Families

**Local Management Board Fiscal 2004 Non-community Partnership Agreement Funding  
and Local Management Board Funding for Fiscal 2003**

County	Fee Income	Foundation Grants and Donations	Local Government	Direct Federal Funding	Other State	Total Non-CPA Funding	LMB Actual FY 2003	Non-CPA As % of FY 2003 CPA*
Allegany					\$422,146	\$422,146	\$985,971.82	43%
Anne Arundel			25,000	16,000	967,310	1,008,310	2,721,156.10	37%
Baltimore City		3,358,000	581,552	824,554	4,425,032	9,189,138	12,348,123.00	74%
Baltimore					1,416,685	1,416,685	3,318,918.07	43%
Calvert					265,216	265,216	1,049,053.50	25%
Caroline					239,706	239,706	1,636,604.00	15%
Carroll					292,559	292,559	1,154,857.30	25%
Cecil			10,000		280,000	290,000	1,356,628.64	21%
Charles					1,738,158	1,738,158	1,748,277.27	99%
Dorchester					573,123	573,123	1,522,491.57	38%
Frederick			387,484		412,806	800,290	2,030,782.50	39%
Garrett	17,000			150,000	693,883	860,883	1,514,580.63	57%
Harford			82,830		350,050	432,880	1,635,471.70	26%
Howard		50,000	65,000		377,497	492,497	2,141,218.65	23%
Kent				99,345	859,319	958,664	1,024,053.75	94%
Montgomery					984,211	984,211	11,120,056.45	9%
Prince George's					767,975	767,975	6,421,543.08	12%
Queen Anne's	42,880	3,965		688,197	591,173	1,326,215	1,173,942.27	113%
St. Mary's					437,070	437,070	611,019.41	72%
Somerset					118,084	118,084	1,040,193.34	11%
Talbot				310,330	163,478	473,808	1,291,876.03	37%
Washington			157,170		583,700	740,870	2,470,966.02	30%
Wicomico				173,445	411,700	585,145	1,514,711.43	39%
Worcester					335,800	335,800	712,020.10	47%
	<b>\$59,880</b>	<b>\$3,411,965</b>	<b>\$1,309,036</b>	<b>\$2,261,871</b>	<b>\$17,706,681</b>	<b>\$24,749,433</b>	<b>\$62,544,516.63</b>	<b>40%</b>

Distributed for Non-CPA Use (grants, recovered funds, etc.)

11,368,551.28

**Total**                    **59,880**      **3,411,965**      **1,309,036**      **2,261,871**      **17,706,681**      **24,749,433**      **73,913,068**      **33%**

\* Funds have not been fully distributed for fiscal 2004; fiscal 2003 and 2004 total State funding is approximately the same.