

N00I00
Family Investment
Department of Human Resources

Operating Budget Data

(\$ in Thousands)

	<u>FY 04</u> <u>Actual</u>	<u>FY 05</u> <u>Working</u>	<u>FY 06</u> <u>Allowance</u>	<u>FY 05-06</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$118,522	\$136,395	\$100,491	-\$35,903	-26.3%
Special Fund	31,506	19,469	18,394	-1,076	-5.5%
Federal Fund	<u>477,125</u>	<u>452,625</u>	<u>519,369</u>	<u>66,744</u>	<u>14.7%</u>
Total Funds	\$627,154	\$608,489	\$638,254	\$29,765	4.9%
Contingent & Back of Bill Reductions			-851	-851	
Adjusted Total	\$627,154	\$608,489	\$637,403	\$28,913	4.8%

- General funds decrease as more reliance is placed on federal Temporary Assistance for Needy Families (TANF) funding (\$29.7 million). Most of the remaining increase in federal funding is due to additional funding for Food Stamps (\$36.5 million).
- The special fund decrease represents a decline in Child Support Offset funds which are budgeted at the fiscal 2004 actual level.

Personnel Data

	<u>FY 04</u> <u>Actual</u>	<u>FY 05</u> <u>Working</u>	<u>FY 06</u> <u>Allowance</u>	<u>FY 05-06</u> <u>Change</u>
Regular Positions	2,158.71	2,168.00	2,161.00	-7.00
Contractual FTEs	<u>41.35</u>	<u>130.00</u>	<u>130.00</u>	<u>0.00</u>
Total Personnel	2,200.06	2,298.00	2,291.00	-7.00

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	86.44	4.00%
Positions Vacant as of 12/31/04	223.00	10.29%

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

For further information contact: Steve McCulloch

Phone: (410) 946-5530

N00100 – DHR Family Investment

- Seven vacant positions are eliminated in the fiscal 2006 allowance as part of the department's cost saving efforts. When the vacancy rate is adjusted to remove the abolished positions the vacancy rate falls to 10%.
- There are currently two and a half times more vacancies than the number necessary to stay within the fiscal 2006 budget for personnel.

Analysis in Brief

Major Trends

Speedy and Lasting Exit: Among cases with an employable parent and no children under age one, the percentage of case closures that remain closed for 12 consecutive months has declined.

Increased 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 slightly in the fourth, fifth, and sixth years. Median earnings among these families increases steadily over time. The most recent leavers experienced slightly lower levels of employment likely reflecting the lingering effects of the recession of 2001.

Issues

Temporary Cash Assistance Funding Appears Adequate: While there is likely to be a small surplus in the current fiscal year, the Department of Legislative Services is projecting a \$1.7 million shortfall for fiscal 2006. Sufficient fund balance will exist to address the shortfall.

Temporary Disability Assistance Program (TDAP) Replaces the Transitional Emergency Medical and Housing Assistance (TEMHA) Program: Prompted by funding shortfalls in fiscal 2004 TEMHA was replaced at the beginning of fiscal 2005 by TDAP. TDAP is substantially similar to the former TEMHA but changes were made in eligibility and benefit duration in order to reduce program costs.

Position Vacancy Rate Reaches Ten Percent: Although public attention has primarily focused on position vacancies in the child welfare area, vacancies in Family Administration have reached 10%.

Recommended Actions

1. Add language requiring a report on changes to Temporary Assistance for Needy Families (TANF) made through any reauthorizing legislation and prior notification if the department wishes to make regulatory, policy, procedural or budgetary changes that affect TANF funds in excess of \$500,000.
2. Add language deleting vacant positions and associated funding.
3. Add language restricting funds budgeted for assistance payments to the purposes for which they are appropriated or for transfer for use for foster care maintenance payments.
4. Adopt committee narrative requiring quarterly reports on Temporary Assistance for Needy Families spending.

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.
- **Temporary Disability Assistance Program**, the State's program for disabled adults, provides a limited monthly cash benefit. The State is responsible for clients with a short-term disability (at least 3 months but 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.
- **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% federal 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 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. 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.

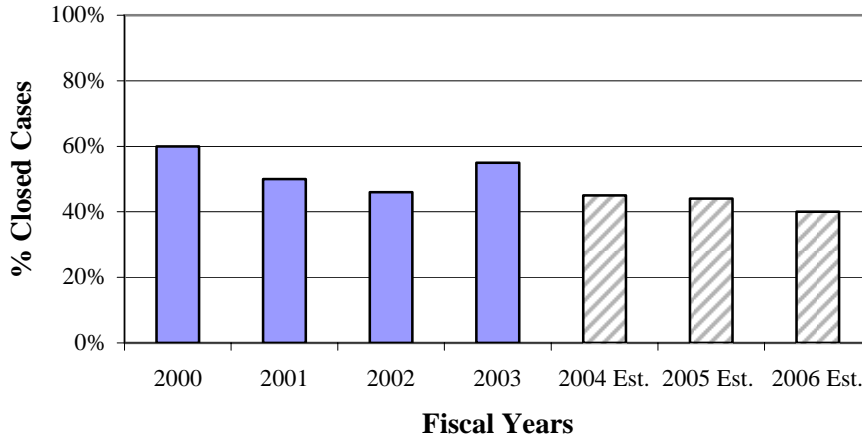
Key goals for the FIA include:

- 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 been variable over time and is estimated to be in decline since fiscal 2003. The exhibit graphs the percentage over time of case closures that remain closed for 12 consecutive months for the population of families with an employable adult and no children under the age of one. **DHR should comment on the factors contributing to the projected decline in this performance measure.**

**Exhibit 1
Speedy and Lasting Exit from TCA**

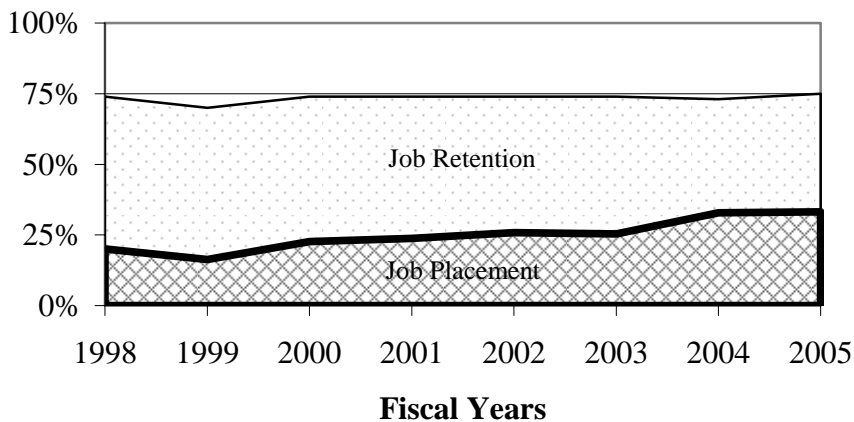


Note: This graph shows the percentage of cases with an employable adult and no children under the age of one that remain closed for at least 12 consecutive months.

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' needs for cash assistance. **Exhibit 2** illustrates DHR's success in this regard, showing the job placement rate and job retention rate. Job placements have increased since fiscal 1999 while job retention has remained fairly stable over time at just under 75%.

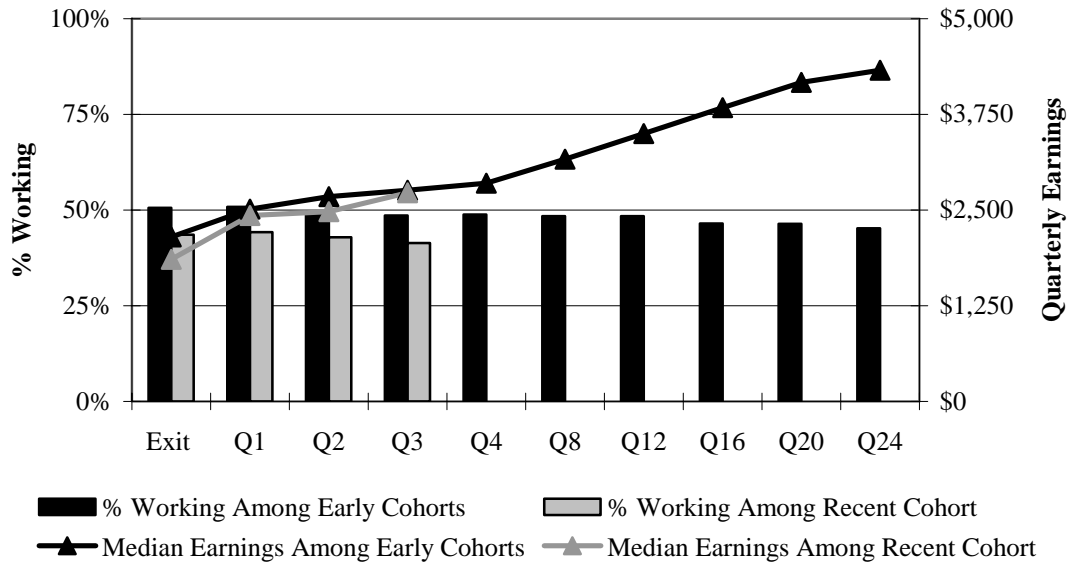
**Exhibit 2
Job Placement and Job Retention
Fiscal 1998 – 2005**



Source: Maryland State Budget; Department of Human Resources

Exhibit 3 shows the rates of employment and earnings over time for those exiting TCA. It graphs the performance on these indicators for the most recent cohort (those who exited between April 2003 and March 2004) and for earlier cohorts (those who exited between October 1996 and March 2003).

**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: Ninth Report*, October 2004. It follows a sample of TCA leavers beginning in October 1996 through March 2004, 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 do 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: Ninth Report*, October 2004, University of Maryland School of Social Work

For earlier cohorts employment was maintained for three years before dropping slightly. Median earnings among earlier cohorts also steadily increases with the rate of increase growing after the first year. Data not presented in Exhibit 3 shows that 61.7% of those who worked in the first quarter after exit also worked in all four quarters following exit, suggesting a degree of employment stability in the first year after exit.

For the most recent cohort, the employment level shows a slight increase in the second quarter then small declines in the remaining two quarters for which data is available. Median earnings also increase in each quarter after exit.

In comparing the most recent cohort to earlier cohorts, both the percent working and median earnings are lower for the most recent cohort. It is likely that these findings reflect the lingering affects of the recession of 2001.

Governor's Proposed Budget

As shown in **Exhibit 4**, the total budget for FIA increases in fiscal 2006 by \$28.9 million representing a 4.8% increase. A net increase in benefit programs of \$31.5 million is responsible for the majority of the increase. Without the increase for benefit programs, the budget would decrease \$2.5 million or less than one-half of one percent.

Exhibit 4
Governor's Proposed Budget
DHR Family Investment
(\$ in Thousands)

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Total</u>
2005 Working Appropriation	\$136,395	\$19,469	\$452,625	\$608,489
2006 Governor's Allowance	100,491	18,394	519,369	638,254
Contingent & Back of Bill Reductions	-355	-17	-480	-851
Adjusted Allowance	<u>100,137</u>	<u>18,376</u>	<u>518,889</u>	<u>637,403</u>
Amount Change	-\$36,258	-\$1,093	\$66,264	\$28,913
Percent Change	-26.6%	-5.6%	14.6%	4.8%

Where It Goes:

Personnel Expenses

Increments and other compensation.....	\$2,083
Employee retirement charges.....	786
Abolished seven positions.....	-280
Turnover adjustments.....	-542
Reclassifications	-607
Eliminate additional assistance	-832
Employee and retiree health insurance	-3,208
Other fringe benefit adjustments.....	-174

Benefit Programs

Increase Food Stamps	36,490
Increase Work Opportunities	508
Increase General Public Assistance – Refugees.....	206
Decrease TCA due to projected caseload decline	-5,743

N00100 – DHR Family Investment

Other Changes

Increase in Montgomery County block grant (increments, COLA, etc.)	1,038
Data processing contractual services.....	593
Supplies and materials (still below 2004 actual).....	165
Decrease rent in local offices	-1,133
Other.....	-437

Total \$28,913

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

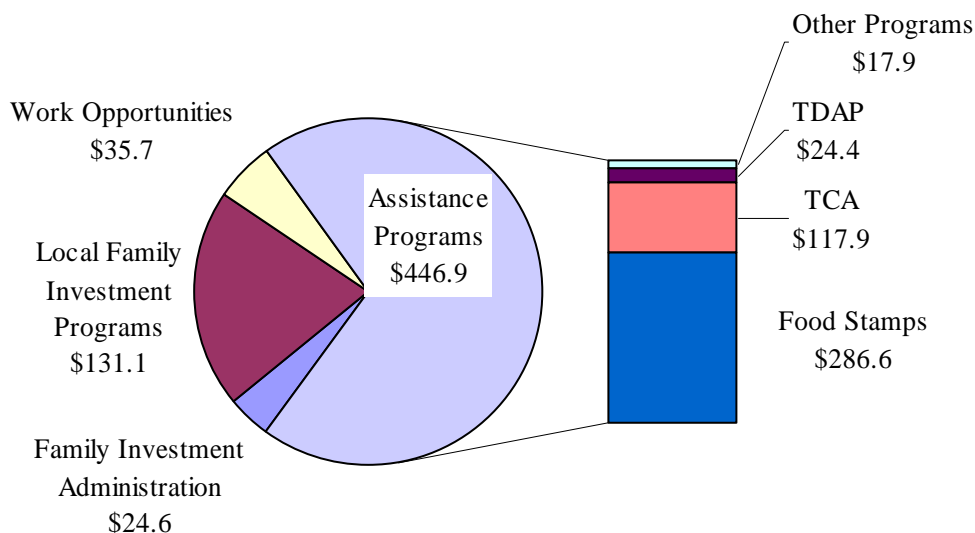
Personnel and Administrative Changes

The fiscal 2006 allowance includes reductions in personnel costs of \$2.8 million. Increases related to increments and retirement costs are offset by the abolition of seven positions, increased turnover, reclassifications, elimination of additional assistance, and a \$3.2 million decrease in health insurance. The health insurance decrease is due in part to the elimination of 20 vacant positions during fiscal 2005. The positions were eliminated, but the funds remained in the fiscal 2005. A reduction of \$851,000 to remove funding for the State deferred compensation match is contingent on enactment of legislation.

Benefits and Services to Clients

The largest portion of the FIA budget is in assistance programs. **Exhibit 5** shows the fiscal 2006 allowance for Family Investment, including the major assistance programs which make up nearly three-quarters of the total.

Exhibit 5
Family Investment
Fiscal 2006 Allowance*
(\$ in Millions)



Note: “Other Programs” comprises Public Assistance to Adults, Emergency Assistance to Families with Children, Welfare Avoidance Grants, Eviction Assistance, Burial Assistance, and General Public Assistance.

*Figures are not adjusted for contingent reductions.

Source: Maryland State Budget, Department of Human Resources

- **Food Stamps:** The largest increase in assistance payments occur in Food Stamps which increases by nearly \$36.5 million over fiscal 2005. Since October 1, 2003, when immigrant children were made eligible for federal food stamps, no State funds have been budgeted for the food stamp program.
- **Temporary Cash Assistance (TCA):** The allowance for TCA decreases by \$5.7 million reflecting a declining caseload. Issue 1 includes a discussion of the caseload and expenditure trends in TCA.
- **Temporary Disability Assistance Program (TDAP):** The allowance does not include an increase for TDAP despite an expected shortfall in the current fiscal year of \$3.8 million. Issue 2 discusses the differences between TDAP and the Transitional Emergency Medical and Housing Assistance (TEMHA) program which it replaced.
- **Public Assistance for Adults:** Level-funded in fiscal 2006.
- **Emergency Assistance to Families with Children:** Level-funded in fiscal 2006.

N00100 – DHR Family Investment

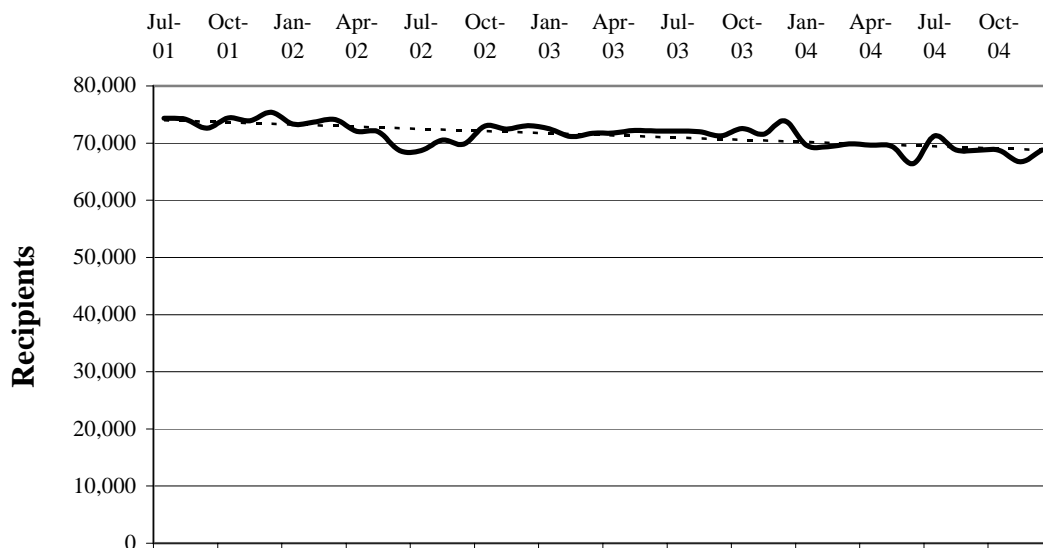
- ***Welfare Avoidance Grants:*** Level-funded in fiscal 2006.
- ***Eviction Assistance:*** Level-funded in fiscal 2006.
- ***Burial Assistance:*** Level-funded in fiscal 2006.
- ***General Public Assistance – Refugees:*** This federal funded program is level-funded in fiscal 2006.
- ***Work Opportunities:*** The Work Opportunities program is not a benefit program but pays for services to clients such as skills assessment, job readiness, job training, and job search services. The program is funded entirely from federal TANF funds and increases by \$508,474 in fiscal 2006.

Issues

1. Temporary Cash Assistance Funding Appears 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 1990s, the pace of caseload decline has slowed considerably. As shown in **Exhibit 6**, the caseload has fluctuated but generally trended downward since the beginning of fiscal 2002. Part of the recent decline is believed to be related to DHR's new policy of universal engagement.

Exhibit 6
TCA Caseload by Month



Note: Dotted line represents trend line.

Source: Department of Human Resources

Exhibit 7 shows TCA caseload, average grant amount, general fund appropriation, and total appropriation for fiscal 2003 through 2006. *Italicized items are projections made by the Department of Legislative Services (DLS).* No increase in the grant amount is included in the fiscal 2006 allowance. Section 52 (c) of the DHR Article requires the Governor to provide sufficient funds to ensure that the value of Temporary Cash Assistance, combined with federal food stamps, is at a minimum equal to 61% of the State minimum living level unless the Governor reports to the General Assembly on the reasons for the reduced funding for Temporary Cash Assistance and food stamps. The Department of Budget and Management advises that the required notification will be forthcoming. **DHR should comment on the rationale for not providing a grant increase.**

Exhibit 7
TCA Enrollment and Funding Trends
Fiscal 2003 – 2006

	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Average Monthly Enrollment	71,554	71,179	68,842	67,647
Average Monthly Grant	\$145.60	\$146.15	\$147.33	\$147.37
<u>Funds in Millions</u>				
General Funds	\$9.7	\$23.3	\$43.6	\$16.7
Total Funds	\$132.9	\$123.8	\$123.7	\$117.9
DLS Estimate				\$119.6
Difference				-\$1.7

¹The fiscal 2005 caseload is projected using July 2004 through December 2004 actual data. In the past four complete fiscal years the average caseload from July to January closely approximates, but slightly exceeds, the annual caseload. The fiscal 2005 average monthly grant amount is based on the most recent actual expenditures available.

²The fiscal 2006 caseload estimate represents an almost 1% decline from fiscal 2005 to reflect the general downward trend. The fiscal 2006 grant amount does not reflect an increase over fiscal 2005 because the Department of Budget and Management advises DLS that there will be no grant increase.

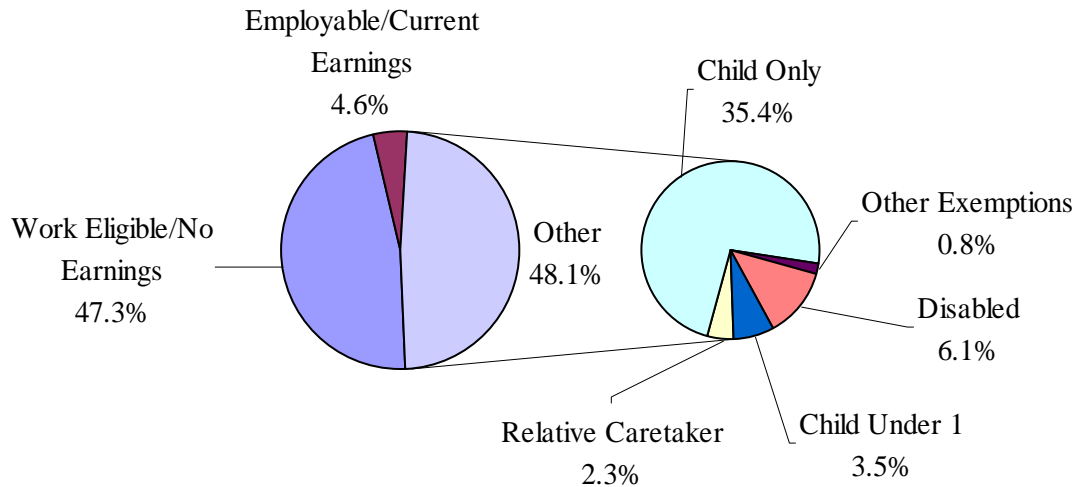
Source: Department of Human Resources; Department of Legislative Services

Based on these projections, DLS estimates that the fiscal 2006 budget may be slightly under funded but should be manageable given that the projected TANF balance is well in excess of the projected TCA deficit.

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 8**, core cases comprised 48.1% of the TCA caseload in July 2004, an increase over the 46% the previous year.

Exhibit 8
Characteristics of TCA Cases
July 2004



Source: Department of Human Resources

DHR focuses its employment programs on the cases headed by an employable adult. Exhibit 8 shows that these cases represented 51.9% of the total TCA caseload in July 2004. 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 is of particular importance in light of the federal 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 caseload receiving TANF-funded cash assistance from the previous federal fiscal year may continue to receive these benefits beyond five years.

N00100 - DHR Family Investment

July 2004 was the thirty-first month in which some families had reached the five year benefit limit. Of the 12,300 cases headed by an adult in that month, 1,741 had received TCA benefits for more than 60 months. Since this number was below the 20% exemption limit of 5,086, 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 federal hardship exemption, all families who cooperate with program requirements.

2. Temporary Disability Assistance Program (TDAP) Replaces the Transitional Emergency Medical and Housing Assistance (TEMHA) Program

At the beginning of fiscal 2005, TDAP replaced TEMHA as the State's benefit program for adults with temporary disabilities. The change was made in response to shortfalls experienced in TEMHA during fiscal 2004 which led to the suspension of the program for new applicants as a cost saving measure. While TDAP is similar in many respects to TEMHA, key changes were made in the transition.

Things That Remain the Same

Similar to TEMHA, TDAP provides cash assistance of \$185 per month to disabled adults who have no other source of income. To be eligible for benefits 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;
- 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 participation (e.g. TCA);
- agree to pursue other sources of income and resources; and
- sign an interim payment reimbursement authorization if applying for SSI benefits.

Things That Are Different

Changes in eligibility and benefits were made in transitioning to TDAP both as cost saving measures and to limit long-term recipients unlikely to be accepted into the federal SSI program.

N00I00 - DHR Family Investment

Under TDAP:

- An individual with a disability of at least 3 months but less than 12 months is eligible for benefits for a maximum of 9 months out of 36 unless applying for SSI benefits (TEMHA provided benefits for 12 months out of 36).
- To receive benefits beyond 9 months, an individual must have a disability of 12 months or longer, apply for SSI benefits, cooperate with the Disability Entitlement Advocacy Program (DEAP) which helps disabled individuals establish eligibility for federal disability programs, and be certified as medically “disabled” by the State Review Team (SRT). SRT certification was not required under TEMHA.
- Benefits are reduced dollar-for-dollar for certain unearned income. TEMHA allowed unearned income of up to \$157/month with no reduction in benefit.
- TDAP will require substance abuse screening and treatment if funding permits. No such requirement existed under TEMHA.
- Local departments may contract with a specific entity for medical examination services and require applicants to use that entity for medical evaluation. TEMHA applicants could use the health provider of their choice to complete the medical examination needed to evaluate their disability.

The two changes expected to reduce costs the most are the requirement to receive medical certification by the SRT and the reduction in the short-term eligibility from 12 to 9 months. The SRT will not certify applicants for long-term benefits that are unlikely to be accepted into the federal SSI program. This is expected to save the program approximately \$3.3 million per year and will affect approximately 1,500 applicants. The reduction in the short-term eligibility period is expected to save the program almost \$1.4 million per year and will affect approximately 2,500 applicants. The average monthly caseload for TDAP through December 2004 was 13,228. The average caseload has declined each month except for a slight increase in September. The consistent decline suggests the changes in eligibility and benefit length are beginning to reduce program costs by reducing the caseload.

Funding Outlook

The fiscal 2006 allowance of \$24.4 million matches the fiscal 2005 working appropriation. DHR is expecting a shortfall in fiscal 2005, however, of approximately \$3.8 million. It intends to cover this shortfall through the transfer of funds at the fiscal 2005 closeout (See DHR Overview – Issue 1). Since the transition from TEMHA to TDAP was almost entirely complete by the beginning of fiscal 2005, it is unclear why DHR believes \$24.4 million will be adequate in fiscal 2006. **DHR should comment on the factors which lead it to believe no increase in funding is needed despite an expected shortfall in funding projected for the current year. Further, the department should inform the committees on the actions it will take should it become apparent during the fiscal year that the program will experience a shortfall.**

3. Position Vacancy Rate Reaches Ten Percent

The vacancy rate for Family Investment has increased dramatically since the beginning of fiscal 2004 with most of the vacancies occurring in the local departments. As vacancies in the local departments increase, customer service may begin to suffer. Anecdotal evidence suggests that clients at some local departments of Social Services are spending entire days waiting to be served and that some services, such as health services, have initially been denied because eligibility paperwork had not been processed. At the beginning of fiscal 2004 there were 76 vacant positions in Family Investment representing a vacancy rate of 3.47%. As of December 31, 2004, the number of vacancies had increased to 216 (excluding 7 vacant positions being abolished in the 2006 allowance) representing a vacancy rate of 10%. Of the 216 vacancies, 210.8 are in the local departments which have an overall vacancy rate of 10.6%. **Exhibit 9** shows the filled and vacant positions by jurisdiction in descending order by vacancy rate. The eight jurisdictions with the highest vacancy rates account for 88% of the vacancies.

Exhibit 9
Family Investment – Local Departments
Position Status as of December 31, 2004

<u>County</u>	<u>Filled</u>	<u>Vacant</u>	<u>Rate</u>	<u>Total</u>
Washington	39.5	10.0	20.2%	49.5
Saint Mary's	26.5	5.0	15.9%	31.5
Prince George's	218.0	37.0	14.5%	255.0
Caroline	12.0	2.0	14.3%	14.0
Calvert	19.0	3.0	13.6%	22.0
Baltimore City	809.0	108.0	11.8%	917.0
Kent	8.5	1.0	10.5%	9.5
Baltimore Co.	173.0	19.5	10.1%	192.5
Dorchester	18.5	2.0	9.8%	20.5
Anne Arundel	86.5	8.0	8.5%	94.5
Harford	52.5	4.0	7.1%	56.5
Howard	30.0	2.0	6.3%	32.0
Cecil	37.0	2.0	5.1%	39.0
Frederick	28.0	1.5	5.1%	29.5
Worcester	20.5	1.0	4.7%	21.5
Somerset	22.5	1.0	4.3%	23.5
Charles	30.5	1.0	3.2%	31.5
Wicomico	41.0	1.0	2.4%	42.0
Allegany	46.0	0.8	1.7%	46.8
Carroll	24.0	0.0	0.0%	24.0
Garrett	17.5	0.0	0.0%	17.5
Queen Anne's	10.5	0.0	0.0%	10.5
Talbot	13.0	0.0	0.0%	13.0
Missing Data	0.0	1.0	–	1.0
State Total	1,783.5	210.8	10.6%	1,994.3

Source: Department of Budget and Management

N00100 - DHR Family Investment

The majority of the vacant positions are in positions dealing directly with the determination of benefits. **Exhibit 10** summarizes the vacancies by job class title. Over three-quarters of the vacancies occur in the Income Maintenance Specialist and Supervisor categories.

Exhibit 10
Vacancies by Position Class Title
As of December 31, 2004

<u>Position Class</u>	<u>Vacancies</u>
Fiscal Accounts Clerks/Technicians	5.0
Human Services Administrators	7.0
Human Services Specialists	4.0
Income Maintenance Specialists	144.8
Income Maintenance Supervisors	14.0
Office Clerks/Secretaries/Supervisors	32.0
Personnel Associates	2.0
Program Managers	2.0
Total	210.8

Source: Department of Budget and Management

Much of the public focus over the past year has been on DHR's vacancies in child welfare caseworkers and supervisors and the department has shown great progress in hiring for those positions. Large vacancy rates in the Family Administration also can have negative impacts on the welfare of children, however, as the Food Stamps, Temporary Cash Assistance, and Temporary Disability Assistance Programs all directly affect children and their care givers. Given that the total number of positions authorized in the allowance statewide exceeds the level recommended by the Spending Affordability Committee, some of the positions that have remained vacant for an extended period could be abolished if there is no likelihood of them being filled during fiscal 2006. **DHR should discuss the factors which have lead to the high vacancy rates, the impact of the vacancies on timely and accurate eligibility determinations and redeterminations, and actions it intends to take to reverse this trend.**

Recommended Actions

1. 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 \$500,000 or more, it shall notify the budget committees of its intent, and the committees shall have 45 days to review and consider the proposed change before it becomes effective.

Explanation: The current TANF extension expires March 31, 2005. Should Congress act, or should the effective date of congressional action occur, while the General Assembly is not in session, the General Assembly is interested in ensuring a process through which it has input into any decision made to alter programs, policies, or spending in response to the reauthorization. This language requires advance notice to the budget committees of any regulatory, policy, procedural, or budgetary change that transfers among programs, increases, or decreases TANF funds of \$500,000 or more in fiscal 2006. It also requires 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.

Information Request	Author	Due Date
Report on TANF reauthorization; and notification of intent to make budgetary changes of \$500,000 or more.	Department of Human Resources	Within 30 days of reauthorization legislation being signed into law; 45 days before TANF budgetary changes become effective.

2. Add the following language:

Provided that 29 vacant positions in Program N00G00.02 shall be abolished by June 30, 2005. The department shall submit to the budget committees a list of positions abolished by July 1, 2005.

Further provided that the general funds in Program N00G00.02 shall be reduced by \$411,785 and the federal funds shall be reduced by \$841,876.

N00I00 - DHR Family Investment

Explanation: There were 29 positions that had been vacant for more than 18 months as of December 31, 2004. This language requires the department to abolish an equal number of positions, but allows the department to determine which positions it can most easily do without. The language also requires the department to provide a list of the positions it abolishes to the budget committees. The reduction in funding represents the average salary with benefits of the vacant positions as of December 31, 2004.

Information Request	Author	Due Date
List of positions abolished.	Department of Human Resources	July 1, 2005

3. Add the following language:

All appropriations provided for 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: This language ensures that funds budgeted for assistance payments are used only for that purpose or for foster care maintenance payments.

4. Adopt the following narrative:

Quarterly Reports on Temporary Assistance for Needy Families (TANF) Spending: The committees would like to continue monitoring TANF expenditures of the Department of Human Resources (DHR). DHR should submit quarterly reports to the committees that track TANF expenditures by budget code, obligations by budget code, and report the TANF balance available at the end of each quarter. DHR should submit its first quarterly report on September 1, 2005, and this report should cover the quarter ending June 30, 2005.

Information Request	Author	Due Date
Quarterly reports on TANF spending.	Department of Human Resources	Quarterly beginning September 1, 2005.

Current and Prior Year Budgets

Current and Prior Year Budgets Family Investment Administration (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2004					
Legislative Appropriation	\$138,018	\$30,024	\$408,922	\$0	\$576,963
Deficiency Appropriation	3,350	0	0	0	3,350
Budget Amendments	-20,999	1,688	77,795	0	58,485
Cost Containment	-1,846	0	0	0	-1,846
Reversions and Cancellations	0	-207	-9,591	0	-9,798
Actual Expenditures	\$118,522	\$31,506	\$477,125	\$0	\$627,154
Fiscal 2005					
Legislative Appropriation	\$135,853	\$19,469	\$453,002	\$0	\$608,324
Budget Amendments	542	0	-377	0	166
Working Appropriation	\$136,395	\$19,469	\$452,625	\$0	\$608,489

Note: Numbers may not sum to total due to rounding

N00100 - DHR Family Investment

Fiscal 2004

The Family Investment Administration spent approximately \$50.2 million more in fiscal 2004 than included in the original legislative appropriation. Federal fund spending increased by \$68.2 million primarily in the Food Stamp and TCA programs. The federal fund increase was partially offset by general fund decreases for cost containment (\$1.8 million), and net transfers of \$21.0 to other areas of the department with Foster Care receiving the bulk of these transfers. Special funds increased slightly (\$1.5 million) representing greater than expected local participation.

Fiscal 2005

The fiscal 2005 budget for the Family Investment Administration has increased by a net of \$166,000. General fund increases for the cost-of-living allowance were partially offset by transfers to support development of the Maryland Children's Social Services Information Exchange system. The federal fund reduction represents unattainable federal funds due to the transfer of the general funds which were the State match.

Audit Findings

Audit Period for Last Audit:	July 1, 1997 - September 12, 2000
Issue Date:	June 2001
Number of Findings:	10
Number of Repeat Findings*:	4
% of Repeat Findings:	40%
Rating: (if applicable)	NA

*One finding from the previous audit was separated into two findings for the current audit.

Finding 1: Food stamp payment error rates continued to exceed federal target rates. Resulting federal sanctions totaled \$8.3 million during federal fiscal 1994 through 1999.

Finding 2: Payment accuracy measurement system for the Temporary Cash Assistance program had not been fully implemented as required by State law.

Finding 3: The Administration did not adequately monitor the results of the Comprehensive Program Review System or ensure that local departments implemented appropriate corrective action based on system findings.

Finding 4: Computer match results disclosing potential unreported customer income were not resolved in a timely manner, and system problems have prevented certain unreported customer income from being identified for further follow-up.

Finding 5: Approximately 540 TCA customers who have received benefits for 24 months were not engaged in a work activity during fiscal 2000 as required by law.

Finding 6: The Administration did not adequately monitor a welfare research and reporting contract entered into with a State university to ensure that payments were in accordance with the terms of the contract.

Finding 7: System access capabilities for the Clients' Automated Resources and Eligibility System were not adequately restricted.

Finding 8: The Administration did not adequately monitor contract costs resulting in funds totaling \$1.9 million being advanced to the vendor beyond actual expenditures.

Finding 9: Adequate procedures were not in place to ensure that disabled TCA customers were referred to DEAP by the local departments as required.

N00I00 - DHR Family Investment

Finding 10: The Administration did not ensure that the local departments were obtaining reimbursement for federal retroactive assistance payments.

*Bold denotes item repeated in full or part from preceding audit report.

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

<u>Object/Fund</u>	<u>FY04 Actual</u>	<u>FY05 Working Appropriation</u>	<u>FY06 Allowance</u>	<u>FY05 - FY06 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	2158.71	2168.00	2161.00	-7.00	-0.3%
02 Contractual	41.35	130.00	130.00	0	0%
Total Positions	2200.06	2298.00	2291.00	-7.00	-0.3%
Objects					
01 Salaries and Wages	\$ 108,254,247	\$ 110,002,725	\$ 108,120,490	-\$ 1,882,235	-1.7%
02 Technical & Spec Fees	1,591,023	4,318,468	4,476,246	157,778	3.7%
03 Communication	2,753,853	3,210,013	3,095,527	-114,486	-3.6%
04 Travel	238,987	332,076	315,268	-16,808	-5.1%
06 Fuel & Utilities	561,359	591,151	627,850	36,699	6.2%
07 Motor Vehicles	83,680	20,783	41,920	21,137	101.7%
08 Contractual Services	43,752,526	45,386,605	48,105,984	2,719,379	6.0%
09 Supplies & Materials	826,356	453,728	626,380	172,652	38.1%
10 Equip – Replacement	100,143	0	0	0	0.0%
11 Equip – Additional	97,328	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	456,495,398	430,234,851	460,431,774	30,196,923	7.0%
13 Fixed Charges	12,398,782	13,938,761	12,412,565	-1,526,196	-10.9%
Total Objects	\$ 627,153,682	\$ 608,489,161	\$ 638,254,004	\$ 29,764,843	4.9%
Funds					
01 General Fund	\$ 118,522,433	\$ 136,394,823	\$ 100,491,471	-\$ 35,903,352	-26.3%
03 Special Fund	31,505,839	19,469,359	18,393,645	-1,075,714	-5.5%
05 Federal Fund	477,125,410	452,624,979	519,368,888	66,743,909	14.7%
Total Funds	\$ 627,153,682	\$ 608,489,161	\$ 638,254,004	\$ 29,764,843	4.9%

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.

**Fiscal Summary
DHR Family Investment**

<u>Program/Unit</u>	<u>FY04 Actual</u>	<u>FY05 Wrk Approp</u>	<u>FY06 Allowance</u>	<u>Change</u>	<u>FY05 - FY06 % Change</u>
02 Local Family Investment Program	\$ 122,081,633	\$ 132,405,514	\$ 131,089,861	-\$ 1,315,653	-1.0%
08 Assistance Payments	454,905,441	415,929,312	446,882,832	30,953,520	7.4%
10 Work Opportunities	27,938,425	35,163,182	35,671,656	508,474	1.4%
04 Director's Office	22,228,183	24,991,153	24,609,655	-381,498	-1.5%
Total Expenditures	\$ 627,153,682	\$ 608,489,161	\$ 638,254,004	\$ 29,764,843	4.9%
General Fund	\$ 118,522,433	\$ 136,394,823	\$ 100,491,471	-\$ 35,903,352	-26.3%
Special Fund	31,505,839	19,469,359	18,393,645	-1,075,714	-5.5%
Federal Fund	477,125,410	452,624,979	519,368,888	66,743,909	14.7%
Total Appropriations	\$ 627,153,682	\$ 608,489,161	\$ 638,254,004	\$ 29,764,843	4.9%

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.

**Fiscal 2006 Cost Containment Actions
As Submitted by the Agency
Estimated Fiscal 2006 Savings
Compared to fiscal 2005**

<u>Cost Saving Action/Efficiency Measure</u>	<u>Sub-Program Name</u>	<u>Compared to FY 2005</u>			<u>Positions Reduced</u>	<u>Impact of Action</u>
		<u>Total Funds</u>	<u>General Funds</u>	<u>Special Funds</u>		
Position Abolition	Baltimore County	49,216	20,374	15	2.00	Note 1
Position Abolition	Caroline	37,002	15,319	11	1.00	Note 1
Position Abolition	Harford	35,772	14,810	11	1.50	Note 1
Position Abolition	Prince George's	10,550	4,369	3	0.50	Note 1
Position Abolition	Baltimore City	23,848	9,872	7	1.00	Note 1
Position Abolition	Cares Enhancement	48,453	26,891		1.00	Note 1
Pamphlet & Printing Reduction	Allocated Local FIA	904	374			Note 2
Program Contract Adjustment	Allocated Local FIA	70,000	70,000			Note 2
Program Contract Adjustment	Medical Assistance Operations	90,000	90,000			Note 2
Background Checks	Allocated Local FIA	657	273			Note 2
Unallocated Program Adjustment to Grants	Allocated Local FIA	300,000	300,000			Note 2
Unallocated Program Adjustment to Lease Related Costs	Allocated Local FIA	75,177	31,123			Note 2

Notes: 1) Duties assumed by existing staff
2) Minimal