N00I00
Family Investment
Department of Human Resources

Operating Budget Data

($ in Thousands)

	FY 05 Actual	FY 06 Working	FY 07 Allowance	FY 06-07 Change	% Change Prior Year
General Fund	$114,809	$100,769	$98,232	-$2,537	-2.5%
Special Fund	19,755	18,388	15,462	-2,925	-15.9%
Federal Fund	508,390	519,205	554,461	35,256	6.8%
Total Funds	**$642,954**	**$638,362**	**$668,156**	**$29,794**	**4.7%**

- Federal funds for food stamps increase by $29.7 million.

- Funding for Temporary Cash Assistance (TCA) decreases by $12.1 million overall. This results from a $19.8 million decrease due to projected caseload decline, partially offset by a $7.7 million increase to bring the value of the TCA grant, when combined with the value of the federal food stamps, to 61% of the State minimum living level.

Personnel Data

	FY 05 Actual	FY 06 Working	FY 07 Allowance	FY 06-07 Change
Regular Positions	1,988.60	2,113.92	2,115.92	2.00
Contractual FTEs	47.02	130.00	130.00	0.00
Total Personnel	**2,035.62**	**2,243.92**	**2,245.92**	**2.00**

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	85.06	4.02%
Positions Vacant as of 12/31/05	118.5	5.61%

- Two new positions are added for Baltimore City pursuant to the local department's action plan to improve human service delivery.

- The vacancy rate is much lower than a year ago (see Issue 2).

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

For further information contact: Steve McCulloch Phone: (410) 946-5530

Analysis in Brief

Major Trends

Increased Earnings After Leaving Welfare: Just over half of families formerly receiving cash assistance are working for almost four years after leaving welfare. The proportion drops slightly thereafter. Median earnings among these families increase steadily over time. The most recent leavers experienced slightly lower levels of employment (likely due to the lingering effects of the 2001 recession) but had higher median incomes than earlier leavers.

Job Placement Rate for TCA Recipients Increasing: The job placement rate for TCA recipients has increased steadily since fiscal 1999. The job retention rate has remained steady at or just under 75% since fiscal 2000.

Issues

TCA Caseload Decline Accelerated in Fiscal 2005 but Has Moderated in Recent Months: The TCA caseload declined 6.9% in fiscal 2005, which was considerably faster than the annual average decline of 2.9% experienced between fiscal 2000 and 2004. During the first half of fiscal 2006, however, the caseload has leveled off.

The Department of Human Resources Reduces Vacancies in Local Departments: During fiscal 2005 the vacancy rate for the Family Investment local departments was 10.6%, and customer service problems were increasing. DHR was urged by the budget committees to increase efforts to fill positions, especially ones directly dealing with benefit determinations. The Department of Human Resources has been successful in filling positions, but more efforts are needed for some local departments.

Recommended Actions

1. Add language to the general fund appropriation restricting expenditure of funds until the Department of Human Resources reports on changes it plans to make due to new provisions of the Temporary Assistance for Needy Families program.

2. Adopt committee narrative requesting quarterly reports on Temporary Assistance for Needy Families spending.

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.

- **The Burial Assistance Program** subsidizes funeral expenses of public assistance recipients, children receiving foster care, and Medical Assistance recipients. The program is funded by the 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% 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 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 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;

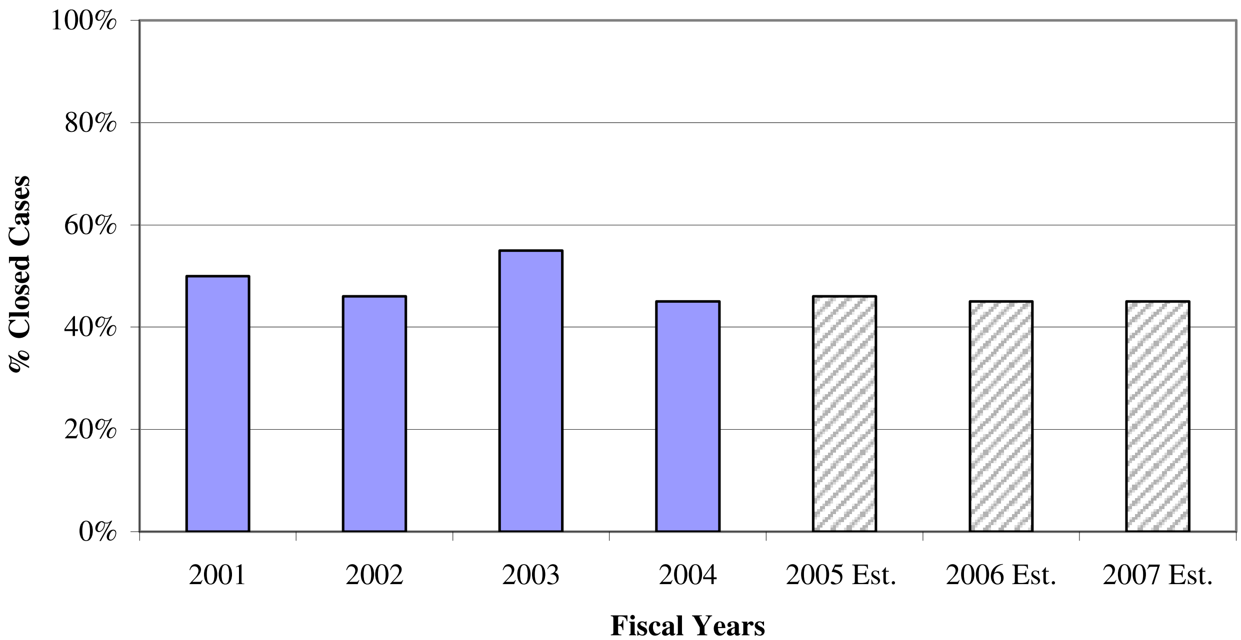
- placing TCA individuals in employment where earnings increase over time; and

- 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 fluctuated over time but is projected to remain at around 45%.

Exhibit 1
Speedy and Lasting Exit from TCA
Fiscal 2001 – 2007

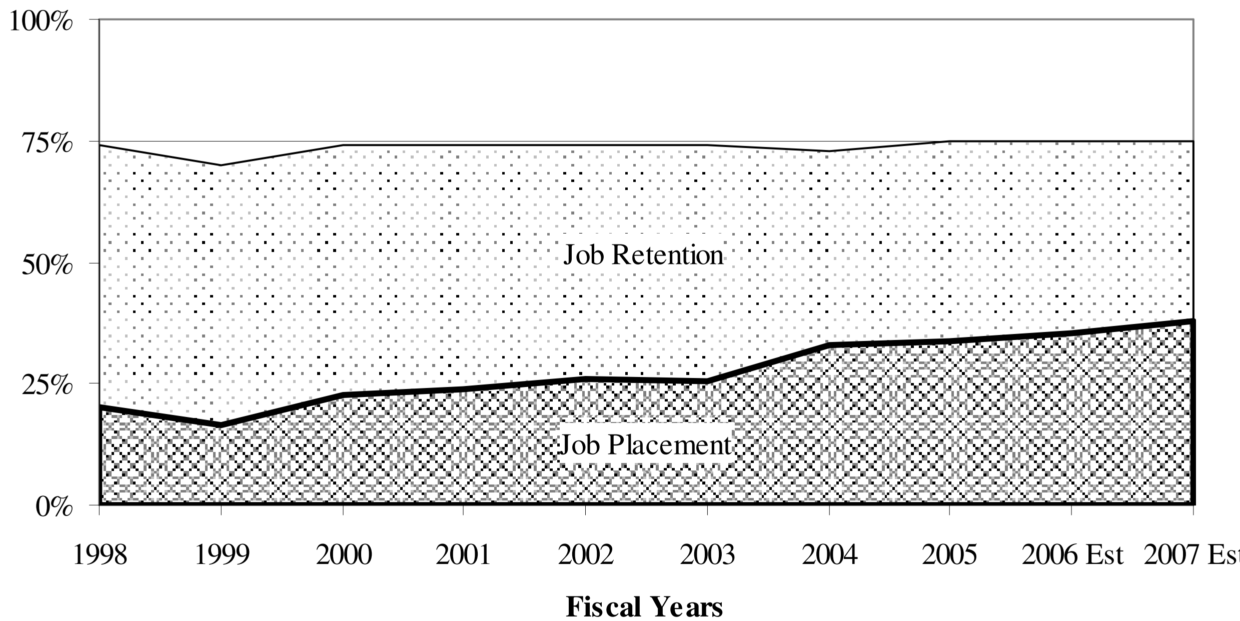


Note: This graph shows the percentage of cases with an employable adult and no children under the age of one that remain closed for at least 12 consecutive months.

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 and job retention rates. Job placements have increased since fiscal 1999 while job retention has remained stable over time at just under or at 75%.

Exhibit 2
Job Placement and Job Retention
Fiscal 1998 – 2006



Note: Job placement measures the total number of placements as a percent of the total number of TCA cases. Job retention measures the percent of individuals who obtained employment in one calendar quarter and remain employed in the following quarter.

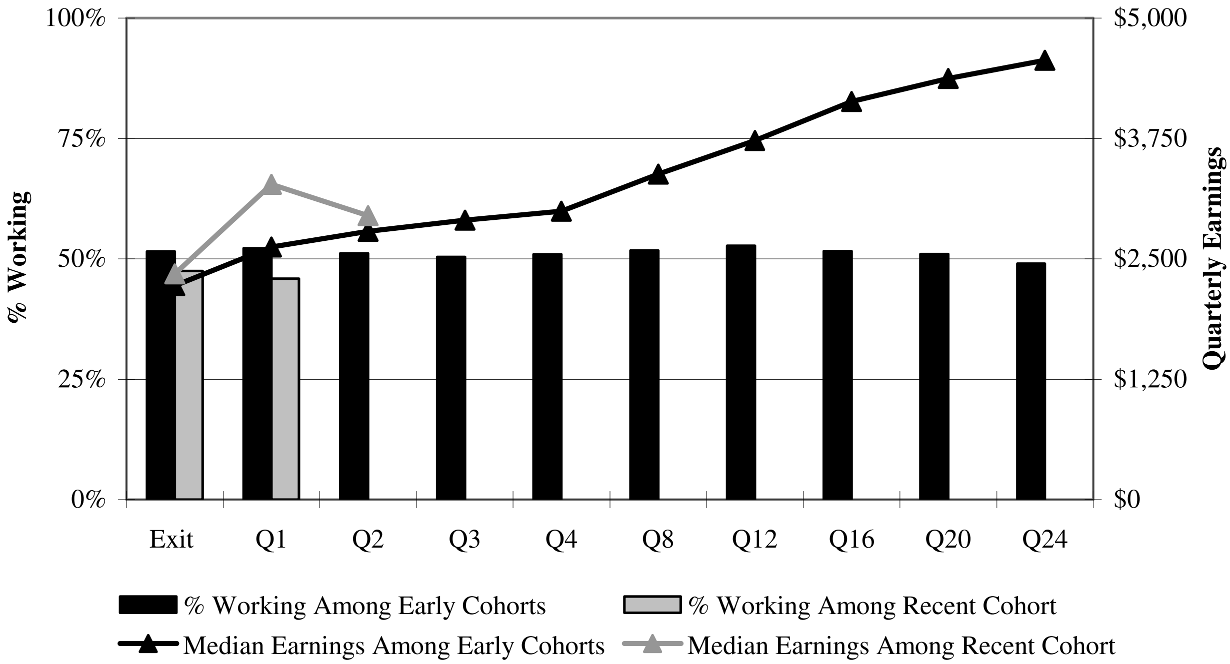
Source: Maryland State Budget; Department of Human Resources

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 2004 and March 2005) and for earlier cohorts (those who exited between October 1996 and March 2004.)

For earlier cohorts, employment remained slightly above the 50% level until the twenty-fourth quarter. Median earnings among earlier cohorts also steadily increase throughout the study period. Data not presented in Exhibit 3 shows that 60.6% 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.

In comparing the most recent cohort to earlier cohorts, the percent working is lower for the most recent cohort but median earnings are higher. The *Life After Welfare* report speculates that the lower employment rate is still due to the lingering affects of the 2001 recession.

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: Tenth Report*, October 2005. It follows a sample of TCA leavers beginning in October 1996 through March 2005, 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 and those working in a border state. Because the data do not include employment in non-border states, with the federal government, with multi-state employers, and in jobs not covered by unemployment insurance, it underestimates the level of post-TCA employment.

Source: *Life After Welfare: Tenth Report*, October 2005, University of Maryland School of Social Work

Governor's Proposed Budget

As shown in **Exhibit 4**, the total budget for FIA increases in fiscal 2007 by $29.8 million representing a 4.7% increase. A net increase in benefit programs of $17.6 million is responsible for just over 59% of the increase. Without the increase for benefit programs, the budget would increase just over 1.9%.

Exhibit 4

Governor's Proposed Budget

DHR – Family Investment

($ in Thousands)

How Much It Grows:	**General Fund**	**Special Fund**	**Federal Fund**	**Total**
2006 Working Appropriation	$100,769	$18,388	$519,205	$638,362
2007 Governor's Allowance	98,232	15,462	554,461	668,156
Amount Change	-$2,537	-$2,925	$35,256	$29,794
Percent Change	-2.5%	-15.9%	6.8%	4.7%

Where It Goes:	
Personnel Expenses	
Employee and retiree health insurance	$2,844
Increments	2,127
Retirement and deferred compensation	1,145
Underfunding of health insurance in fiscal 2006	995
Reduce turnover	780
New positions	83
Vacancies budgeted at base level	-1,314
Additional assistance	-354
Other fringe benefit adjustments	146
Benefit Programs	
Federal Food Stamp Program	29,725
TCA grant increase to 61% of minimum living level	7,740
TCA caseload decline	-19,848
Other Changes	
Disability Entitlement Advocacy Program (DEAP) new contract	1,566
Food Stamps Nutrition Education contract	1,028
Temporary Disability Assistance Program (TDAP) substance abuse screening and treatment	993
Cost containment relief	860
Increase in Montgomery County block grant (increments, cost-of-living adjustment, etc.)	658
Medical Assistance eligibility review contract	250
Utility rate increase	180
Disabled exam contractual services	179
Other	11
Total	**$29,794**

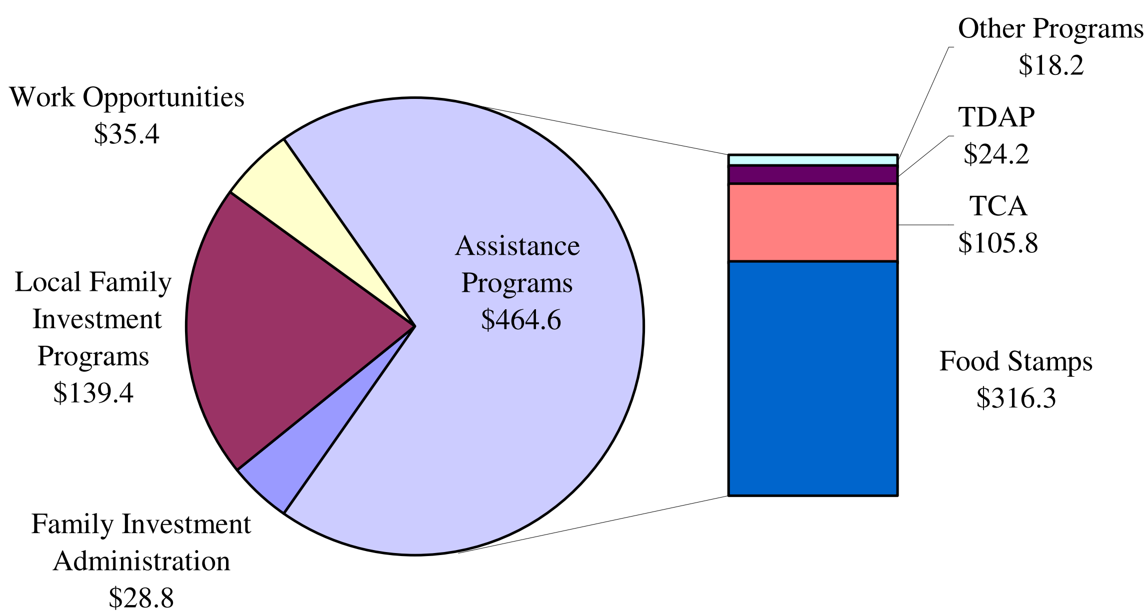
Note: Numbers may not sum to total due to rounding.

Benefits and Services to Clients

The largest portion of the FIA budget is in assistance programs. **Exhibit 5** shows the fiscal 2007 allowance for Family Investment, including major assistance programs which make up nearly three-quarters of the total.

- ***Food Stamps:*** Almost all of the increase in assistance payments occurs in Food Stamps which increases $29.7 million over fiscal 2006. 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.

Exhibit 5
Family Investment
Fiscal 2007 Allowance
($ in Millions)



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

Source: Maryland State Budget; Department of Human Resources

- ***TCA:*** The allowance for TCA decreases by a net of $12.1 million comprising a $19.8 million decrease, due to a declining caseload, partially offset by a $7.7 million increase to fund the TCA grants at a level sufficient to bring the combined value of food stamp benefits and the TCA grant to 61% of Maryland's minimum living level.

- ***Temporary Disability Assistance Program (TDAP):*** The allowance for TDAP decreases slightly ($227,450) to reflect a small projected decline in caseload.

- ***Public Assistance for Adults:*** The increase of $305,000 in fiscal 2007 is due to increased local participation.

- ***Emergency Assistance to Families with Children, Welfare Avoidance Grants, Eviction Assistance, Burial Assistance, and General Public Assistance – Refugees:*** These programs are all level-funded in fiscal 2007.

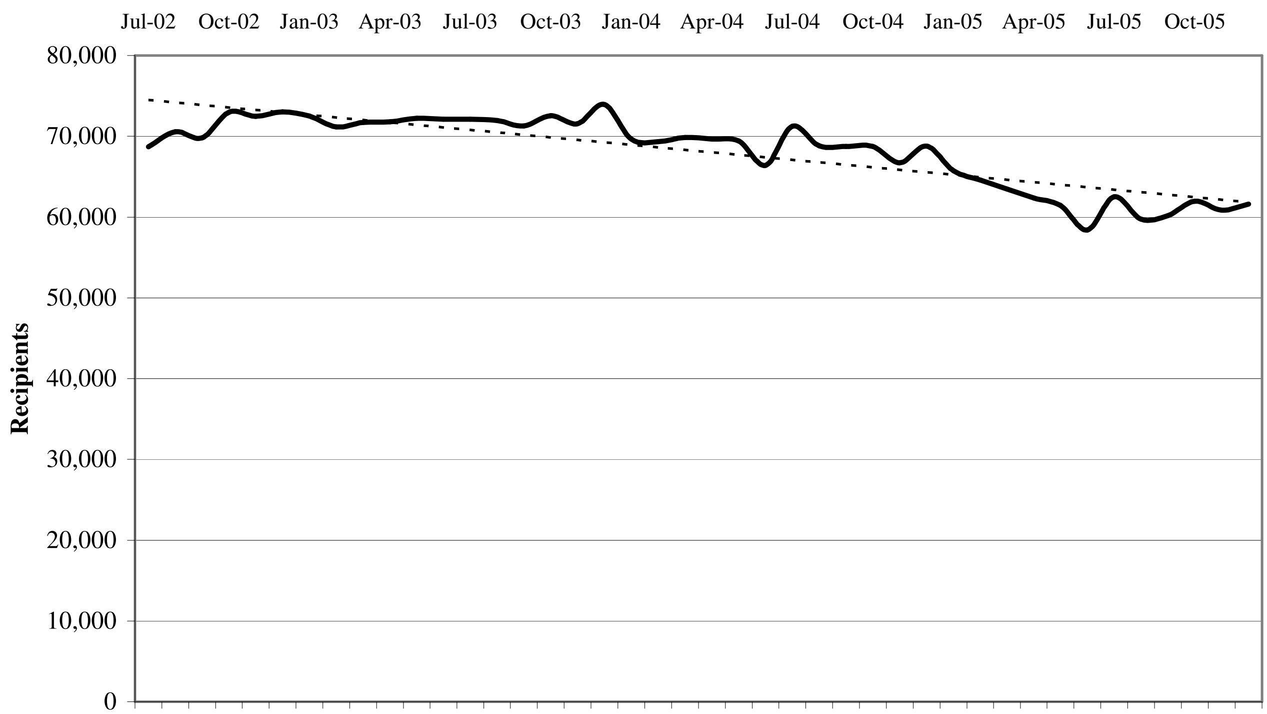
- ***Work Opportunities:*** The Work Opportunities program is not a benefit program but pays for services to clients such as skills assessment, job readiness, job training, and job search services. The program is funded entirely from federal TANF funds and decreases by $282,979 in fiscal 2007 due to decreases in numerous contractual services throughout the State.

Issues

1. TCA Caseload Decline Accelerated in Fiscal 2005 but Has Moderated in Recent Months

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 slowed considerably. The average annual decline between fiscal 2000 and 2004 period was just 2.9%. The pace of caseload decline picked up considerably in fiscal 2005 with a decline of 6.9%, likely related to DHR's policy of universal engagement which it instituted in September 2003. **Exhibit 6** shows the caseload from the beginning of fiscal 2003. The graph also shows that the caseload decline stopped, at least temporarily, in the first few months of fiscal 2006.

Exhibit 6
TCA Caseload by Month



Note: The dotted line is the trend line.

Source: Department of Human Resources

Exhibit 7 shows the TCA caseload, average grant amount, general fund appropriation, and total appropriation for fiscal 2004 through 2007. Italicized items are projections made by the Department of Legislative Services (DLS). The fiscal 2007 average monthly grant includes an increase to bring the value of the TCA grant, when combined with federal food stamps, to 61% of the State minimum living level as required by Section 52(c) of the DHR Article.

Exhibit 7
TCA Enrollment and Funding Trends
Fiscal 2004 – 2007

	FY 2004 Actual	FY 2005 Actual	FY 2006 Estimate	FY 2007 Estimate
Average Monthly Enrollment	71,179	65,748	*61,143*	*60,531*
Average Monthly Grant	$146.15	$147.24	*$149.03*	*$154.55*
Budgeted Funds in Millions				
General Funds	$23.3	$14.8	$16.7	$11.8
Total Funds	**$123.8**	**$115.4**	**$117.9**	**$105.8**
DLS Estimate			*$109.3*	*$112.3*
Difference			*8.6*	*-6.4*

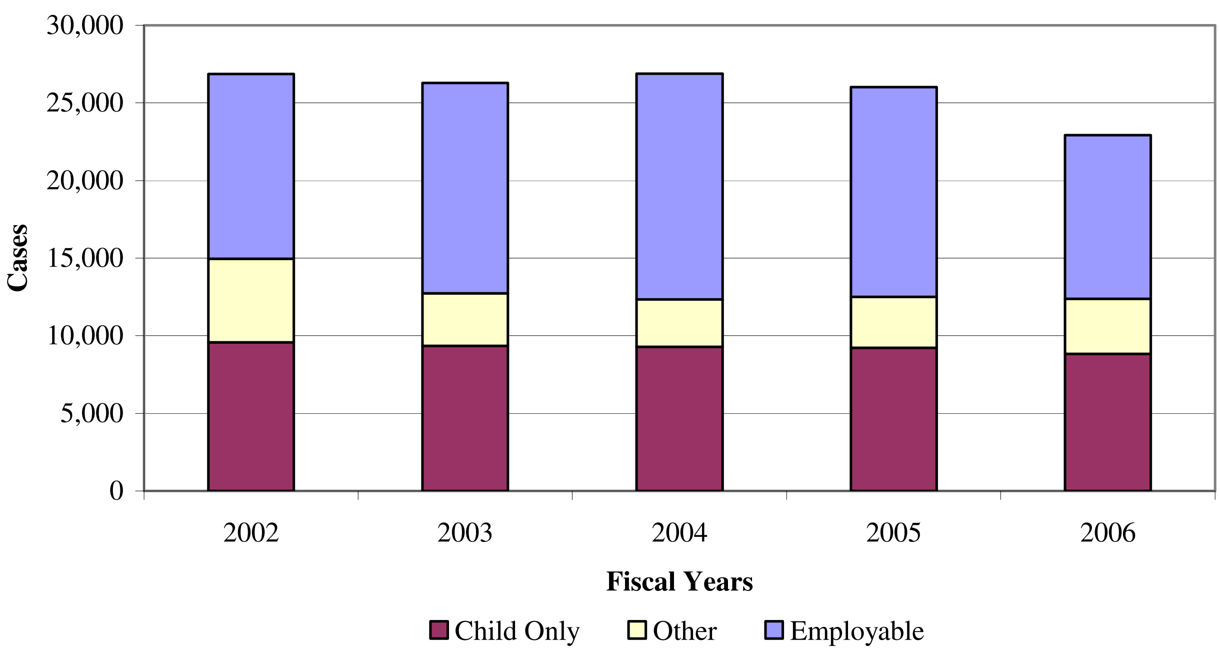
Source: Department of Human Resources; Department of Legislative Services

Based on these projections, DLS estimates that fiscal 2006 is overfunded by approximately $8.6 million and fiscal 2007 is underfunded by approximately $6.4 million. The projected TANF balance should be sufficient to cover any shortfall in fiscal 2007. It is important to note that these projections are based on recent trends in the caseload. Changes to the TANF program and DHR's response to those changes may alter the behavior of people on the TCA rolls. **DHR should comment on its projections for continued caseload decline in light of the halt in the decline that has occurred thus far in fiscal 2006. The department should further comment on its estimate of how the TANF reauthorization will affect the caseload.**

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, DHR does not expect the core cases to transition off cash assistance by seeking employment. Child only cases, for example, typically leave the rolls after reaching 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**, while the total caseloads have declined since 2003, the non-employable core caseload has remained virtually the same. As a result, the non-employable core caseload as a percent of total caseload has increased from just under 45% in 2003 to 54% in 2005. The employable caseload declined from just over 54% in 2003 to 46% in 2005.

Exhibit 8
TCA Caseload Characteristics
July Caseloads
Fiscal 2002 – 2006



Note: "Other" category includes Child Under One, Relative Caretaker, Disabled, and Other Exemptions.

Source: Department of Human Resources

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 self-sufficiency 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.

September 2005 was the forty-fifth month in which some families had reached the five-year benefit limit. The annual average number of families receiving TANF assistance during federal fiscal 2005 was 23,134. The annual average number of cases headed by adults that received assistance for more than 60 months during federal fiscal 2005 was 1,774. Since this number is below the 20% exemption limit for federal fiscal 2005 of 4,627, 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 federal fiscal 2014. Until that time, the department expects to accommodate, under federal hardship exemptions, all families who cooperate with program requirements.

2. DHR Reduces Vacancies in Local Departments

In fiscal 2005, DHR had a high number of vacancies in the local departments and customer service began to suffer as a result. Anecdotal evidence of clients at some local departments of social services spending entire days waiting to be served was common as were stories of initial denial of health services due to eligibility paperwork not being processed in a timely manner. As of December 31, 2004, there were 210.8 vacancies in local departments equating to a 10.6% vacancy rate. The committees urged DHR to focus more attention on filling positions dealing directly with the determination of benefits, and the General Assembly added language to the fiscal 2006 budget abolishing 29 positions that had been vacant for more than 18 months.

DHR had made improvements over the past year. As shown in **Exhibit 9**, there were 58.4 more filled positions in the local departments on December 31, 2005, than the previous year, and the vacancy rate had dropped to 5.8%. DHR has received a blanket hiring freeze exemption for caseworker positions in FIA which has helped reduce the amount of time it takes to fill positions. As Exhibit 9 shows, however, there are jurisdictions with rates much higher than the rate for local departments as a whole and continued effort is needed. **DHR should brief the committees on its efforts to fill front line positions in the local offices.**

Exhibit 9

Family Investment – Local Departments

Position Status as of December 31

County	2004 Filled	2005 Filled	2004 Vacant	2005 Vacant	Vacancy Rate 2004 Rate	Vacancy Rate 2005 Rate
Allegany	46.0	46.8	0.8	0.0	1.7%	0.0%
Anne Arundel	86.5	87.5	8.0	8.0	8.5%	8.4%
Baltimore City	809.0	849.0	108.0	42.0	11.8%	4.7%
Baltimore Co.	173.0	179.0	19.5	7.0	10.1%	3.8%
Calvert	19.0	19.0	3.0	3.0	13.6%	13.6%
Caroline	12.0	14.0	2.0	0.0	14.3%	0.0%
Carroll	24.0	23.0	0.0	1.0	0.0%	4.2%
Cecil	37.0	39.0	2.0	0.0	5.1%	0.0%
Charles	30.5	25.0	1.0	4.0	3.2%	13.8%
Dorchester	18.5	18.5	2.0	0.0	9.8%	0.0%
Frederick	28.0	27.0	1.5	4.5	5.1%	14.3%
Garrett	17.5	17.5	0.0	0.0	0.0%	0.0%
Harford	52.5	56.0	4.0	0.0	7.1%	0.0%
Howard	30.0	30.0	2.0	2.0	6.3%	6.3%
Kent	8.5	10.0	1.0	0.0	10.5%	0.0%
Prince George's	218.0	224.0	37.0	27.0	14.5%	10.8%
Queen Anne's	10.5	10.5	0.0	0.0	0.0%	0.0%
Saint Mary's	26.5	26.5	5.0	3.0	15.9%	10.2%
Somerset	22.5	22.6	1.0	0.0	4.3%	0.0%
Talbot	13.0	13.0	0.0	0.0	0.0%	0.0%
Washington	39.5	44.0	10.0	5.0	20.2%	10.2%
Wicomico	41.0	42.0	1.0	1.0	2.4%	2.3%
Worcester	20.5	18.0	1.0	0.0	4.7%	0.0%
Missing Data	0.0	0.0	1.0	0.0	--	--
State Total	**1,783.5**	**1,841.9**	**210.8**	**107.5**	**10.6%**	**5.5%**

Fiscal 2005 total authorized positions = 1,994.3
Fiscal 2006 total authorized positions = 1,956.4[(1)]

[(1)]Includes seven positions for which data was missing for both the county designation and the filled vs. vacant status.

Source: Department of Budget and Management

Recommended Actions

1. Add the following language to the general fund appropriation:

   , provided that $1,000,000 of this appropriation may not be expended until:

   (1) the Department of Human Resources submits a report to the budget committees by August 1, 2006 that:

   a. summarizes the regulatory changes made by the U.S. Department of Health and Human Services to implement the reauthorization of the Temporary Assistance for Needy Families (TANF) program;

   b. details the policy, administrative, and regulatory changes it has made or intends to make in response to the reauthorization of TANF;

   c. indicates how the department intends to deal with potential federal penalties given the changes in TANF; and

   d. explains how it intends to address populations currently being served in State Only Programs that will be included in the work participation rate calculation under the new TANF provisions; and

   (2) the committees have reviewed and commented on the report or 60 days have elapsed from the date the committees received the report.

   Explanation: States face several challenges in avoiding federal penalties under the reauthorized TANF program. This language requires the Department of Human Resources (DHR) to report to the budget committees on the federal regulation changes made to implement the reauthorization of TANF and the changes the department intends to make in response.

Information Request	**Author**	**Due Date**
Report on federal regulatory changes related to the reauthorization of TANF and DHR's planned actions in response to TANF reauthorization	DHR	August 1, 2006

2. 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. The reports should track TANF expenditures and 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, 2006, and this report should cover the quarter ending June 30, 2006.

Information Request	**Author**	**Due Date**
Quarterly reports on TANF spending	DHR	Quarterly beginning September 1, 2006

Appendix 1

Current and Prior Year Budgets

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

	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2005					
Legislative Appropriation	$135,853	$19,469	$453,002	$0	$608,324
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	-21,043	1,041	84,917	0	64,915
Reversions and Cancellations	0	-756	-29,528	0	-30,284
Actual Expenditures	**$114,809**	**$19,755**	**$508,390**	**$0**	**$642,954**
Fiscal 2006					
Legislative Appropriation	$100,370	$18,388	$519,205	$0	$637,963
Budget Amendments	399	0	0	0	399
Working Appropriation	**$100,769**	**$18,388**	**$519,205**	**$0**	**$638,362**

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

Fiscal 2005

The fiscal 2005 budget for Family Investment closed out $34.6 million higher than the legislative appropriation. This increase was the net result of additions by budget amendments totaling $64.9 million partially offset by reversions totaling $30.3 million.

General fund budget amendments reduced the budget for Family Investment by a net of $21.0 million. General funds were reallocated to help pay for foster care shortfalls ($21.6 million) and to help cover the costs of developing the Maryland Children's Electronic Social Information Exchange (MD CHESSIE – $360,575). These reductions were partially offset by general funds added for the cost-of-living adjustment (COLA) allowance ($902,859.)

Special fund amendments added a total of $1,041,024 to reflect higher than anticipated local government participation.

Federal fund amendments increased the budget by a net of $84.9 million. Increased activity in the food stamp program accounted for $62.5 million of the increase. TANF funds totaling $22.8 million were transferred in to allow the reallocation of general funds to help cover foster care shortfalls. Federal funds also decreased by $376,652 as a result of the general fund reallocation to pay for MD CHESSIE.

At the end of fiscal 2005, $30.3 million, primarily federal funds were cancelled. The $756,666 special fund cancellation was due to lower-than-expected child support offset collections in the TCA program. The federal fund reversion consisted of approximately $10.5 million in the Work Opportunities program, $11 million in TANF funding, and $8 million in food stamp funding. The Work Opportunities cancellation comprised unspent funds from a Baltimore City job training and retention contract ($5 million) and a Prince George's County welfare to work program ($10.5 million.) The TANF and food stamp cancellations represent revised funding levels based on cost allocations determined by the Random Moment Sampling cost allocation methodology.

Fiscal 2006

The fiscal 2006 working appropriation for Family Investment is $399,000 higher than the legislative appropriation. The additional general funds were added by budget amendment to cover the COLA allowance.

Appendix 2

Audit Findings

Audit Period for Last Audit:	September 13, 2000 – August 10, 2003
Issue Date:	March 2005
Number of Findings:	11
Number of Repeat Findings:	6
% of Repeat Findings:	54.5%
Rating: (if applicable)	n/a

Finding 1: **FIA did not adequately monitor the Comprehensive Program Review System (CPRS) and ensure that local departments implemented appropriate corrective actions based on CPRS findings.**

Finding 2: Because of deficiencies in CPRS, there was reduced assurance as to the accuracy and propriety of assistance payments for all benefit programs.

Finding 3: **FIA did not ensure the accuracy of TCA customer work participation data reported to the federal government and used to compute the State's annual work participation rates.**

Finding 4: **Instances of potentially unreported public assistance income identified by computer matches and referrals were not resolved timely.**

Finding 5: Adequate monitoring procedures were not established to ensure local departments initiated timely collection of public assistance overpayments identified by the Office of the Inspector General.

Finding 6: **Adequate procedures were not in place to ensure that disabled TCA customers were referred to DEAP by the local departments as required.**

Finding 7: **The State did not always recover its share of benefits paid to customers from retroactive federal assistance payments.**

Finding 8: A local department awarded Welfare Avoidance Grants, totaling approximately $6,000, to two employees without adequate documentation and approvals. In addition, applications did not require applicants to sign under penalty of perjury.

Finding 9: Allegations of State procurement law violations and mismanagement at one local department had not been referred to the Attorney General and the Chief Counsel to the Governor for possible legal action, as required.

Finding 10: **FIA did not adequately monitor welfare research and reporting contracts with two State universities to ensure that contractor billings were based upon contractor costs and that services were provided in accordance with the terms of the contracts.**

Finding 11: Nine contracts with public higher education institutions, valued at approximately $18.5 million, were not reported to the General Assembly as required by law.

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

Object/Fund Difference Report
DHR – Family Investment

Object/Fund	FY05 Actual	FY06 Working Appropriation	FY07 Allowance	FY06 - FY07 Amount Change	Percent Change
Positions					
01 Regular	1988.60	2113.92	2115.92	2.00	0.1%
02 Contractual	47.02	130.00	130.00	0	0%
Total Positions	**2035.62**	**2243.92**	**2245.92**	**2.00**	**0.1%**
Objects					
01 Salaries and Wages	$ 108,057,816	$ 108,228,546	$ 114,681,077	$ 6,452,531	6.0%
02 Technical & Spec Fees	1,222,271	4,476,246	4,868,476	392,230	8.8%
03 Communication	3,170,852	3,095,527	3,133,101	37,574	1.2%
04 Travel	301,304	315,268	288,850	-26,418	-8.4%
06 Fuel & Utilities	691,337	627,850	808,090	180,240	28.7%
07 Motor Vehicles	38,265	41,920	48,822	6,902	16.5%
08 Contractual Services	38,384,576	48,105,984	52,239,715	4,133,731	8.6%
09 Supplies & Materials	791,370	626,380	686,458	60,078	9.6%
10 Equip - Replacement	71,048	0	0	0	0.0%
11 Equip - Additional	449,397	0	8,100	8,100	N/A
12 Grants, Subsidies, and Contributions	477,676,627	460,431,774	478,929,585	18,497,811	4.0%
13 Fixed Charges	12,099,429	12,412,565	12,463,480	50,915	0.4%
Total Objects	**$ 642,954,292**	**$ 638,362,060**	**$ 668,155,754**	**$ 29,793,694**	**4.7%**
Funds					
01 General Fund	$ 114,809,164	$ 100,769,060	$ 98,232,378	-$ 2,536,682	-2.5%
03 Special Fund	19,754,717	18,387,796	15,462,430	-2,925,366	-15.9%
05 Federal Fund	508,390,411	519,205,204	554,460,946	35,255,742	6.8%
Total Funds	**$ 642,954,292**	**$ 638,362,060**	**$ 668,155,754**	**$ 29,793,694**	**4.7%**

Appendix 3

Fiscal Summary
DHR – Family Investment

Program/Unit	FY05 Actual	FY06 Wrk Approp	FY07 Allowance	Change	FY06 - FY07 % Change
02 Local Family Investment Program	$ 122,471,872	$ 131,174,917	$ 139,396,216	$ 8,221,299	6.3%
08 Assistance Payments	472,605,587	446,882,832	464,577,050	17,694,218	4.0%
10 Work Opportunities	24,692,976	35,671,656	35,388,677	-282,979	-0.8%
04 Director's Office	23,183,857	24,632,655	28,793,811	4,161,156	16.9%
Total Expenditures	**$ 642,954,292**	**$ 638,362,060**	**$ 668,155,754**	**$ 29,793,694**	**4.7%**
General Fund	$ 114,809,164	$ 100,769,060	$ 98,232,378	-$ 2,536,682	-2.5%
Special Fund	19,754,717	18,387,796	15,462,430	-2,925,366	-15.9%
Federal Fund	508,390,411	519,205,204	554,460,946	35,255,742	6.8%
Total Appropriations	**$ 642,954,292**	**$ 638,362,060**	**$ 668,155,754**	**$ 29,793,694**	**4.7%**

Appendix 4