

N00C01
Adult and Community Services
Department of Human Resources

Operating Budget Data

(\$ in Thousands)

	FY 06	FY 07	FY 08	FY 07-08	% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Fund	\$38,907	\$35,518	\$35,807	\$290	0.8%
Special Fund	36,571	43,507	63,728	20,221	46.5%
Federal Fund	91,421	120,760	100,375	-20,385	-16.9%
Reimbursable Fund	<u>455</u>	<u>375</u>	<u>375</u>	<u>0</u>	
Total Funds	\$167,354	\$200,160	\$200,286	\$126	0.1%

- The Community Services Administration (CSA) has requested three federal fund deficiency appropriations: (1) \$371,579 for the Hurricane Katrina Victims Initiative Program; (2) \$208,477 for positions to work with child victims of sexual offenses; and (3) \$31,420 for the Emergency Food Assistance Program.
- The fiscal 2008 allowance is almost equal to the fiscal 2007 working appropriation with only a 0.1% increase of \$125,744. Adjusting for the use of one-time employee health insurance savings, costs increase \$1.7 million, or 0.8%.
- Special funds increase by 47% in the fiscal 2008 allowance, and the increase offsets the federal fund decrease of \$20.4 million. The fiscal 2007 working appropriation includes a one-time federal appropriation in the amount of \$20.1 million for the Maryland Energy Assistance Program, and the Office of Home Energy Programs (OHEP) is replacing the decrease in federal funds with \$26.5 million in special funds from the Dedicated Purpose Account.

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

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Personnel Data

	<u>FY 06 Actual</u>	<u>FY 07 Working</u>	<u>FY 08 Allowance</u>	<u>FY 07-08 Change</u>
Regular Positions	603.03	603.03	603.03	0.00
Contractual FTEs	<u>2.25</u>	<u>2.30</u>	<u>2.30</u>	<u>0.00</u>
Total Personnel	605.28	605.33	605.33	0.00

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	24.12	4.00%
Positions Vacant as of 12/31/06	50.00	8.29%

- The number of regular and contractual positions remains constant from the fiscal 2007 working appropriation to the fiscal 2008 allowance.
- As of December 31, 2006, the actual turnover for Adult and Community Services was more than double the budgeted turnover. Of the 50 vacant positions, 29 positions had been vacant for less than 6 months, and 6 positions had been vacant for more than a year.

Analysis in Brief

Major Trends

OHEP Outcomes Tied to Budget but Still Not Reaching Goals: In the past, the Office of Home Energy Program’s budget allocation dictated the number of energy benefits paid out, but the department estimates this trend will change in fiscal 2008. Also, the percent of eligible households certified to receive the Maryland Energy Assistance Program and the Electric Universal Service Program benefits is consistently below the department’s goal.

Some Outcomes Are Tied to Funding While Others Are Not: The budget for Victims Services is significantly higher in fiscal 2007 and 2008, but the department estimates the outcomes will drop by 25%. The Shelter and Nutrition program is expecting performance outcomes to reduce with a funding decrease in fiscal 2007.

Issues

Increased Demand for Energy Assistance Programs Expected: Even though natural gas prices are expected to drop this winter, it is expected that the increased cost of other types of heating fuel coupled with the Baltimore Gas & Electric rate hikes will significantly increase the demand for the

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energy assistance programs. OHEP has increased the eligibility threshold for the programs to reduce the burden of increased energy costs on low-income households.

Performance Contracting for Adult and Community Services: Over the last few years, the State has emphasized results and accountability. To ensure the State’s vendors are focused on the State’s objectives, payments and continuation of the contract should be linked to specific performance measures. Of the seven types of contracts reviewed, all seven contracts included reporting requirements, six contracts included monitoring, four contracts have performance measures, one contract included incentives, and none of the contracts include penalties.

Recommended Actions

	<u>Funds</u>
1. Increase budgeted turnover to 5%.	\$ 301,385
Total Reductions	\$ 301,385

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Adult and Community Services
Department of Human Resources

Operating Budget Analysis

Program Description

The Department of Human Resources (DHR) Community Services Administration (CSA) provides programs and services that foster independence and safety for vulnerable individuals and families in their communities. CSA works in partnership with local departments of social services (LDSS) and Maryland's community-based and faith-based organizations by providing leadership and resources. Key goals are:

- to ensure that individuals and families in crisis will have their needs met through emergency services;
- to ensure that individuals and families will have their safety needs met; and
- to ensure that individuals and families served by CSA achieve their maximum level of economic and personal independence.

CSA consists of the following programs:

Maryland Office for New Americans

The Maryland Office for New Americans' (MONA) mission is to provide services to ensure that refugees in Maryland become economically self-sufficient and to assist refugees and immigrants in their adjustment to mainstream society. MONA manages a federally funded refugee resettlement program that provides cash, medical assistance, and social services such as employment services, English language, cultural training, and support services to refugees residing in Maryland. MONA also helps legal foreign-born residents successfully complete the naturalization process. MONA's services are intended to lead to refugees' early economic independence and social adjustment.

Maryland Legal Services Program

The Maryland Legal Services Program's (MLSP) mission is to protect the legal rights and interests of the Department of Human Resources' (DHR) customers in legal proceedings by providing effective legal counsel. MLSP provides the legal representation for children in Child in Need of Assistance (CINA) and Termination of Parental Rights proceedings and for disabled indigent adults in Adult Public Guardianship proceedings. MLSP contracts with legal organizations, or pays for court-appointed private attorneys if a conflict of interest exists, to provide effective legal counsel.

Shelter and Nutrition

The Shelter and Nutrition Program includes departmental initiatives to provide emergency shelter, transitional housing, emergency food, housing counseling, supportive services, and related activities for homeless persons and persons at risk of becoming homeless. The program includes the following subprograms: (1) Emergency and Transitional Housing and Services Program; (2) Housing Counseling Program; (3) Service-Linked Housing Program; (4) Homeless Women-Crisis Shelter Home Program; (5) Emergency Food Assistance Program; (6) Maryland Emergency Food Program; (7) Meal Delivery to Patients with AIDS Program; (8) Statewide Nutrition Assistance Program; and (9) Homelessness Prevention Program, which is administered by CSA but budgeted through the Family Investment Administration.

Adult Services

Adult Services provides protective services for vulnerable adults, case management, supportive housing, assistance of in-home aides, and respite for family caregivers through LDSS and community-based agencies. These services prevent or delay unnecessary or premature institutional care. Also, Adult Services funds the fatherhood programs, Responsible Choices, Access and Visitation, and the Healthy Marriage Initiative.

Office of Victim Services

The mission of the Office of Victim Services is to meet the needs of victims in crisis and transition, former Temporary Assistance for Needy Families customers, unemployed, and qualifying displaced homemakers. The Office of Victim Services promotes departmental initiatives to provide an environment of greater safety for victims of crime and their families, especially for victims of domestic violence, rape, sexual assault, and child abuse. It includes the following subprograms: Victims of Crime Assistance Program; Domestic Violence Program; and Rape Crisis Program. Funded under the Office of Victim Services but administered by the Office of Community Initiatives are the Displaced Homemaker Program; Project Retain; and Child First Authority. The Homeless Women-Crisis Shelter Program is also funded by the Office of Victims Services.

Office of Home Energy Programs

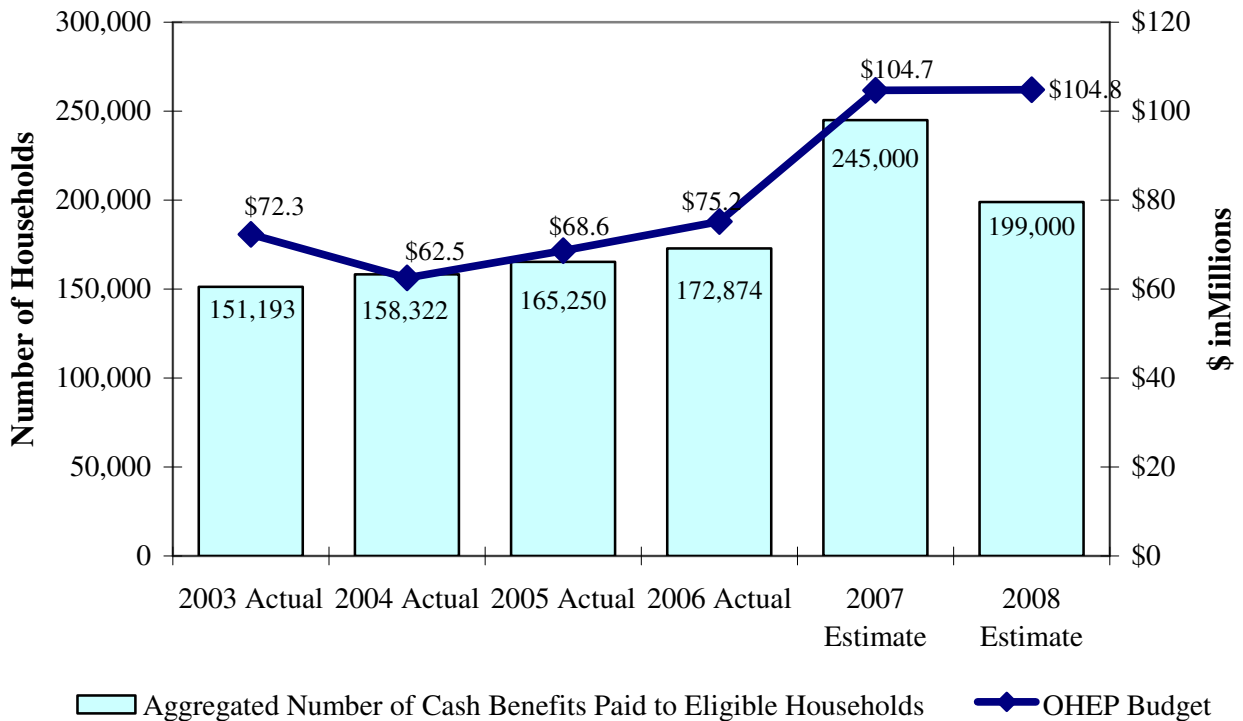
The Office of Home Energy Programs (OHEP) administers home energy assistance programs that provide services for low-income families who are vulnerable to the costs of higher energy consumption. These services, administered through local agencies in each State jurisdiction, include direct cash payments (benefits); indirect assistance (budget counseling, vendor arrangements, and referrals); and non-cash assistance (energy heating/cooling equipment repair and replacement). OHEP administers the Maryland Energy Assistance Program (MEAP) and the Electric Universal Services Program (EUSP).

Performance Analysis: Managing for Results (MFR)

Office of Home Energy Programs

Exhibit 1 shows the number of households receiving energy assistance payments next to the budget allocation for OHEP. The outcomes appear to be directly related to the budget allocation for fiscal 2004 through 2007, but the department estimates that the number of households receiving a benefit in fiscal 2008 will drop while the budget allocation remains level from the previous year. **The department should explain why the number of households receiving energy assistance benefits is expected to drop by 20% from fiscal 2007 to 2008 while the budget will remain at the fiscal 2007 level.**

**Exhibit 1
Managing for Results – Office of Home Energy Programs
Outcomes versus Funding
Fiscal 2003-2008**

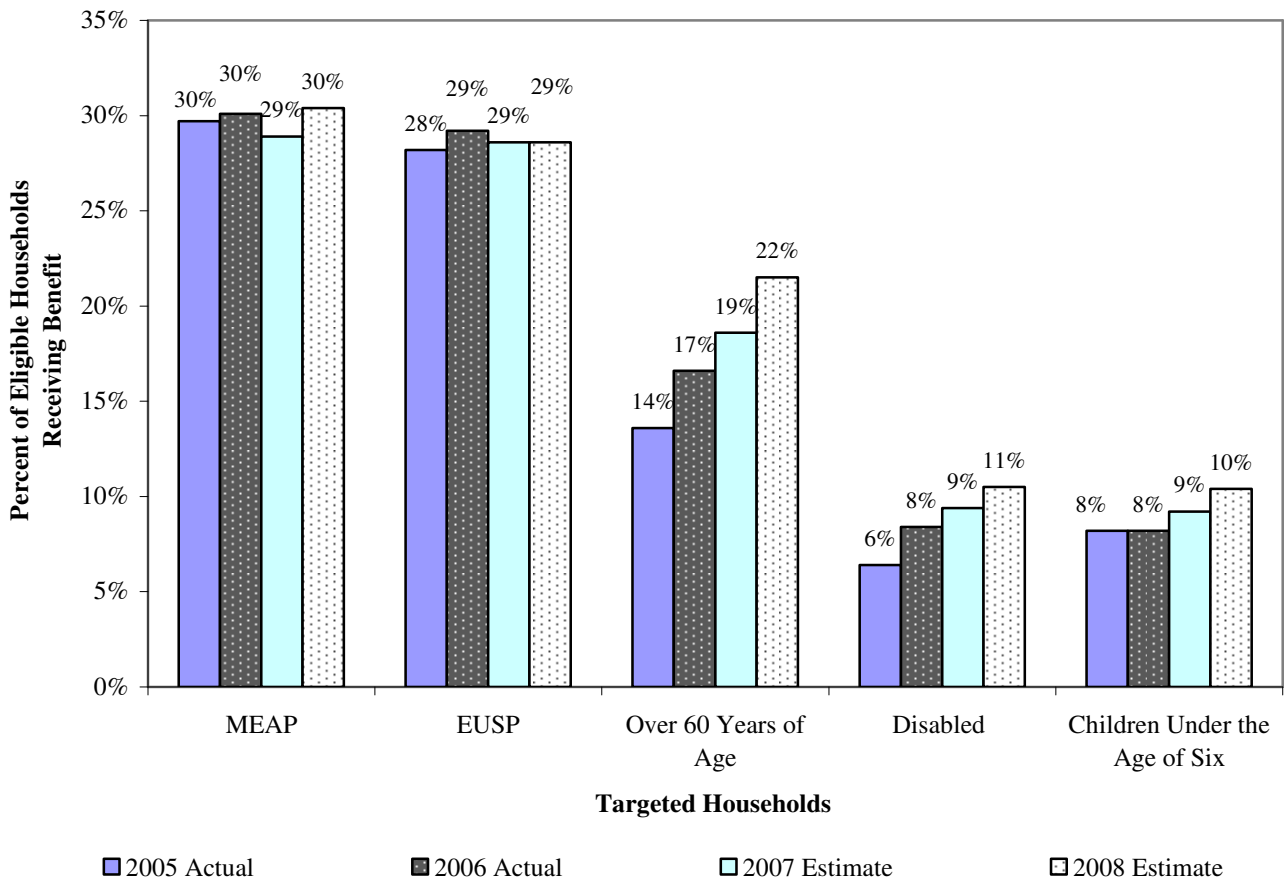


OHEP: Office of Home energy Programs

Source: Department of Human Resources

For years, OHEP had been having trouble reaching its MFR goal for percentage of eligible households receiving an energy assistance benefit. The goal had been to provide benefits to 34.0% of the eligible households, but the goal has been readjusted for fiscal 2007 and 2008 to 29.9%. The goal was readjusted to reflect the increased eligibility threshold, which went from 150.0% of the federal poverty level to 175.0%. **Exhibit 2** shows OHEP is expecting to come close to achieving the readjusted goal of providing 29.9% of eligible households with MEAP and EUSP benefits in fiscal 2007 and 2008. In fiscal 2008, OHEP is expecting to reach the goal with MEAP benefits.

Exhibit 2
Managing for Results – Office of Home Energy Programs
Percent of Households Receiving Benefit
Fiscal 2005-2008



EUSP: Electric Universal Services Program
 MEAP: Maryland Energy Assistance Program

Source: Department of Human Resources

OHEP also sets goals for providing benefits to specific types of households, such as households with individuals over the age of 60, disabled individuals, or children under the age of six. As shown in Exhibit 2, in fiscal 2006, OHEP was far below reaching the goals for each of these targeted households, but OHEP estimates that in fiscal 2008, all three of these goals will be achieved. **The department should provide detail about the targeted outreach plan that will result in OHEP significantly increasing the number of benefits provided to the three targeted household types.**

Office of Victims Services

CSA's Office of Victim Services performance data is shown in **Exhibit 3**. From fiscal 2004 through 2006, performance and funding both increased, but the department estimates that despite increased funding in fiscal 2007 and 2008, performance will drop dramatically. Specifically, the budget for Victims Services increased 12% from fiscal 2006 to 2007, but the outcomes are estimated to drop 25% to fiscal 2004 levels for crime victims and homeless women and children. Also, in fiscal 2007 and 2008, the number of women and children receiving emergency shelter services is expected to be almost half the number provided in fiscal 2004.

Shelter and Nutrition

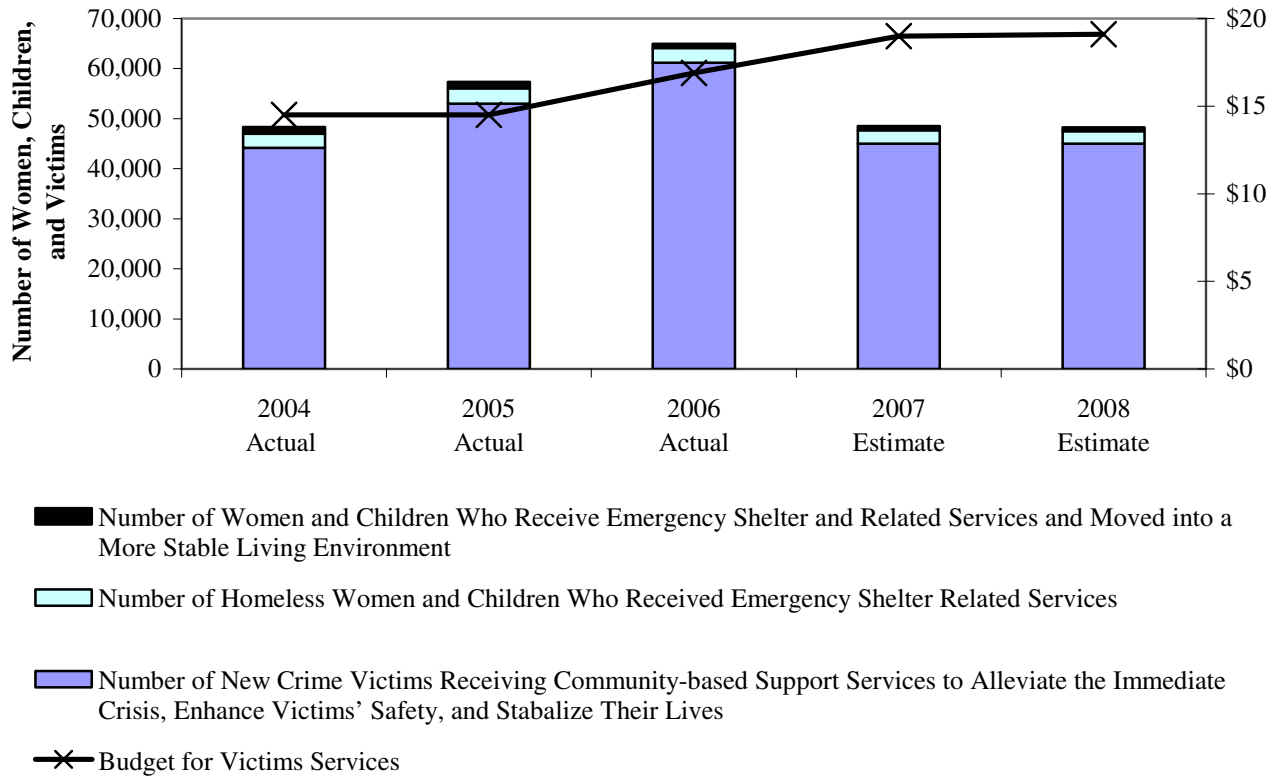
MFR data for CSA's Shelter and Nutrition Program is portrayed in **Exhibit 4**. The performance measures for the number of evictions prevented and the number of vulnerable households that maintain their existing housing have remained fairly constant since fiscal 2004. On the other hand, the numbers of bed-nights in emergency shelter and transitional housing have both decreased by more than 20% since fiscal 2004. With the \$1 million budget decrease in fiscal 2007, all four outcomes are expected to serve slightly fewer people. In fiscal 2008, both funding and the number of services provided are expected to remain at the fiscal 2007 level.

Fiscal 2007 Actions

Proposed Deficiency

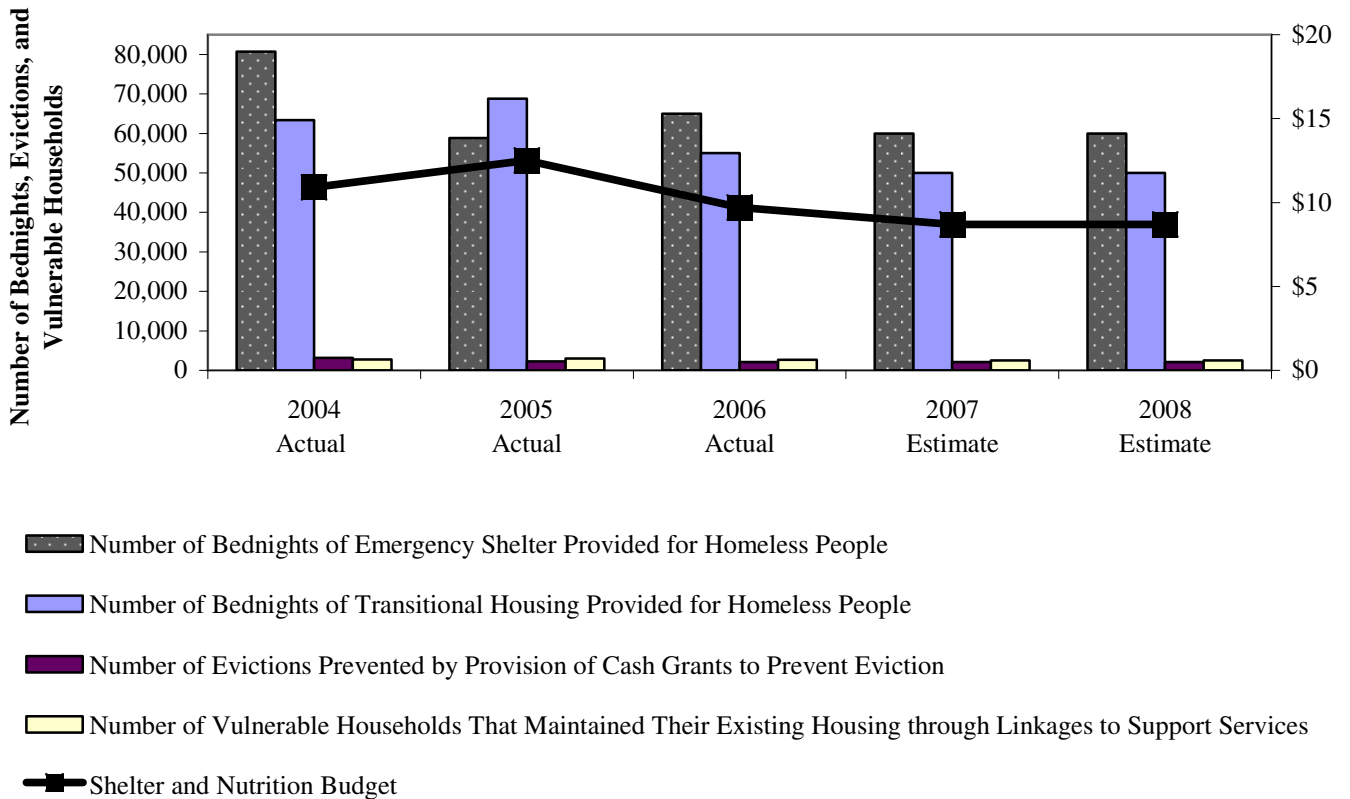
CSA has requested three federal fund deficiency appropriations to recognize federal grants for which notification was not provided until after the fiscal 2007 budget had been prepared. First, CSA's Shelter and Nutrition Program received \$371,579 for the emergency disaster relief activities for the Hurricane Katrina Victims Initiative Program. Also, the Office for Victims Services received \$208,477 to support four positions that will provide advocacy for child victims of sexual offenses in four different local departments of social services. Third, the Office of Transitional Services received \$31,420 to fund additional grants through the Emergency Food Assistance Program.

**Exhibit 3
Managing for Results – Victims Services
Fiscal 2004-2008
(\$ in Millions)**



Source: Department of Human Resources

Exhibit 4
Managing for Results – Shelter and Nutrition
Fiscal 2004-2008
(\$ in Millions)



Source: Department of Human Resources

Governor’s Proposed Budget

As shown in **Exhibit 5**, the Adult and Community Services’ budget is almost equal to the fiscal 2007 working appropriation with only a \$125,774 increase, or 0.1%. However, the actual cost of the allowance is masked by the use of one-time health insurance savings to fund retiree health insurance costs. The Adult and Community Services underlying costs are increasing \$1.7 million, or 0.8%.

Exhibit 5
Governor’s Proposed Budget
DHR – Adult and Community Services
(\$ in Thousands)

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
2007 Working Appropriation	\$35,518	\$43,507	\$120,760	\$375	\$200,160
2008 Governor’s Allowance	<u>35,807</u>	<u>63,728</u>	<u>100,375</u>	<u>375</u>	<u>200,286</u>
Amount Change	\$290	\$20,221	-\$20,385	\$0	\$126
Percent Change	0.8%	46.5%	-16.9%		0.1%

Where It Goes:

Personnel Expenses

Salary increments	\$1,073
Retirement	490
Turnover decreased 0.2%	78
Accrued leave payout	50
Deferred compensation.....	49
Reclassification.....	35
Health insurance costs decline due to one-time savings.....	-1,111
Other fringe benefit adjustments	86

Other Changes

MONA employment services and skills training targeting the Baltimore, Montgomery, and Prince George’s areas.....	967
Funding to Montgomery County	339
Electric Universal Service Program outreach activities	168
Local administration of energy assistance programs agencies	131
MONA employment and English training.....	111
Local funding for Prince George’s emergency same day payments.....	99
Social Services Administration/Department of Health and Mental Hygiene Project Home Agreement that assists disabled adults.....	92
Travel and new postage machines	92
MONA refugee health screenings contract.....	82
Inmate payments and special fees overfunded in fiscal 2007.....	-30
Training for adult services staff.....	-35
Respite care contracts	-43
Office supplies and equipment	-50

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Where It Goes:

MONA health literacy instruction and women’s leadership	-75
Fuel and utilities overfunded in fiscal 2007	-86
Project Retain that supports former Temporary Cash Assistance recipients and non-custodial parents	-103
Baltimore City’s telephone cost.....	-123
Baltimore City’s rent	-966
MONA private-public partnership.....	-1,200
Other	4
Total	\$126

MONA: Maryland Office of New Americans

TCA: Temporary Cash Assistance

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

Personnel

Personnel costs are shown as increasing \$750,000 in Exhibit 5, but the actual costs of personnel are increasing by \$2.3 million. The Adult and Community Services retiree health insurance premiums are projected to cost \$1.5 million in fiscal 2008, but a portion of the health insurance premiums are going to be funded with health insurance savings from previous years. Therefore, the funds are not included in the Adult and Community Services allowance.

Energy Assistance

The amount of funding for the energy assistance programs remains level from the fiscal 2007 working appropriation to the fiscal 2008 allowance, but the level of funding from each source changes. The fiscal 2007 working appropriation includes a one-time federal appropriation in the amount of \$20.1 million for the Maryland Energy Assistance Program, and the Office of Home Energy Programs is replacing the decrease in federal funds with \$26.5 million in special funds from the Dedicated Purpose Account. Also, the special funds collected from ratepayers that fund the Electric Universal Service Program are decreasing by \$6.2 million in fiscal 2008.

Issues

1. Increased Demand for Energy Assistance Programs Expected

The energy assistance programs administered by DHR's OHEP comprise roughly half of the Adult and Community Services' budget. Budgeting for these programs is very difficult because there are many moving parts such as weather and utility rates. This issue looks at the programs provided by OHEP, discusses the factors affecting energy assistance programs, and estimates the budgetary needs for these programs.

Maryland's Energy Assistance Programs

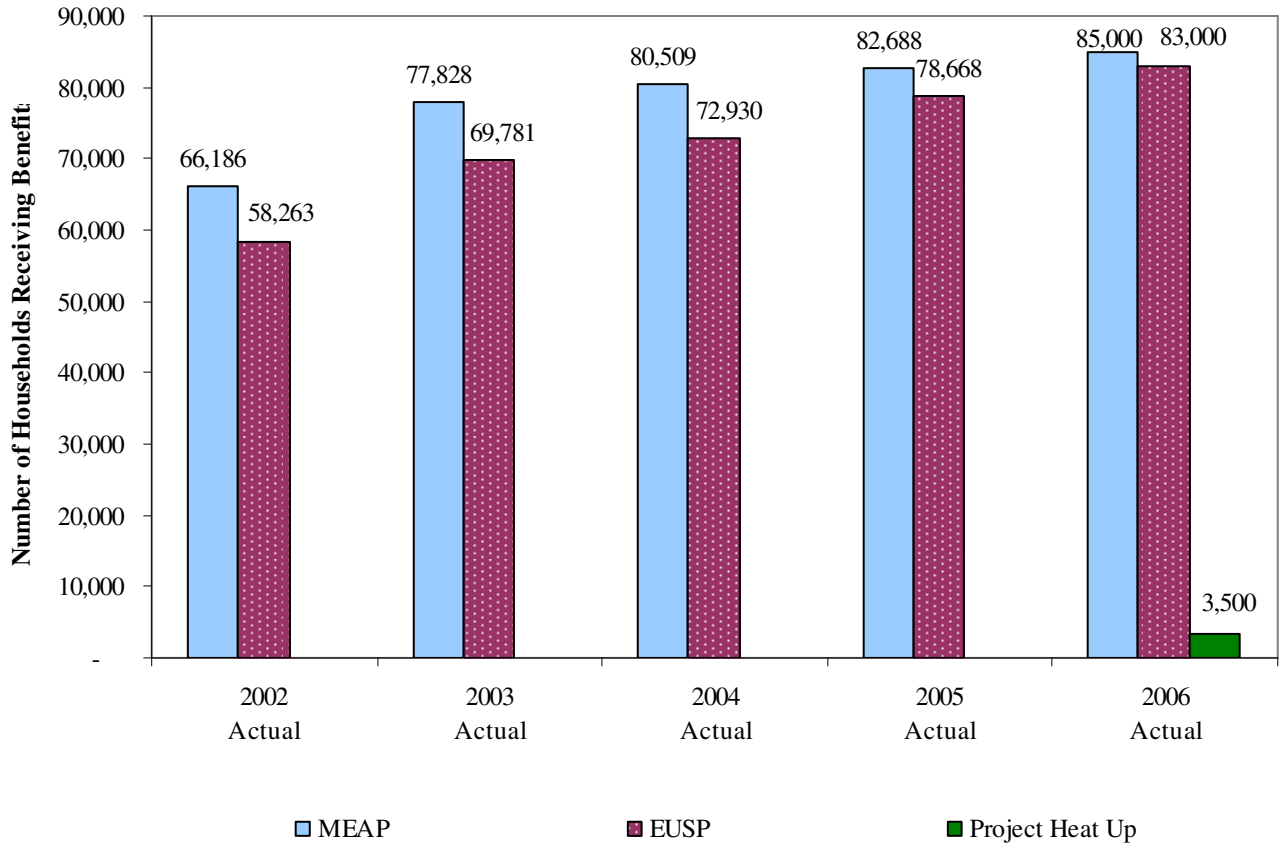
OHEP helps low-income citizens pay their heating bills, minimize heating crises, and make energy costs more affordable. The established energy programs are MEAP and EUSP. For winter 2006, a program was initiated for households with incomes above the income eligibility levels for MEAP and EUSP, which was named Project Heat Up. **Exhibits 6 and 7** show the number of households served by each program over the past few years and the amount paid out to those households, and **Exhibit 8** shows the proportion of fuel types used by beneficiaries in fiscal 2006.

In the past, both MEAP and EUSP provided assistance with home heating bills to households with an income level equal to or less than 150% of the federal poverty level. In recent years, OHEP has increased the eligibility threshold for the programs to reduce the burden of increased energy costs on low-income households. In fiscal 2006, the eligibility for energy assistance was temporarily lifted to 175% of the federal poverty level with Project Heat Up. In fiscal 2007, the eligibility for energy assistance was lifted from 175 to 200% of the federal poverty level. In fiscal 2008, OHEP anticipates dropping the program eligibility back to 175% of the federal poverty level. Also, in fiscal 2007 and 2008, households with incomes above the 150% of the federal poverty level will be included in MEAP and EUSP rather than considered a separate program.

New in Fiscal 2007

Each year, OHEP adjusts the benefits provided according to the utility rates throughout the State, and **Exhibit 9** provides detail about the exact benefit depending on income level for fiscal 2007. In addition to the increased eligibility threshold, this year OHEP began weighting the benefits provided to households according to the utility provider and the rates of that provider, which is the reason benefits in Garrett, Montgomery, and Prince George's counties are higher as noted in Exhibit 9. Also, OHEP has augmented their outreach efforts this year. An advertisement for the energy assistance programs is running during the previews at movie theaters for 20 weeks, and OHEP expects this campaign to reach 83,000 people per week. In addition, a DVD explaining the energy assistance program has been distributed to community organizations to share with their members.

Exhibit 6
Number of Households Certified for Energy Assistance*
Fiscal 2002-2006

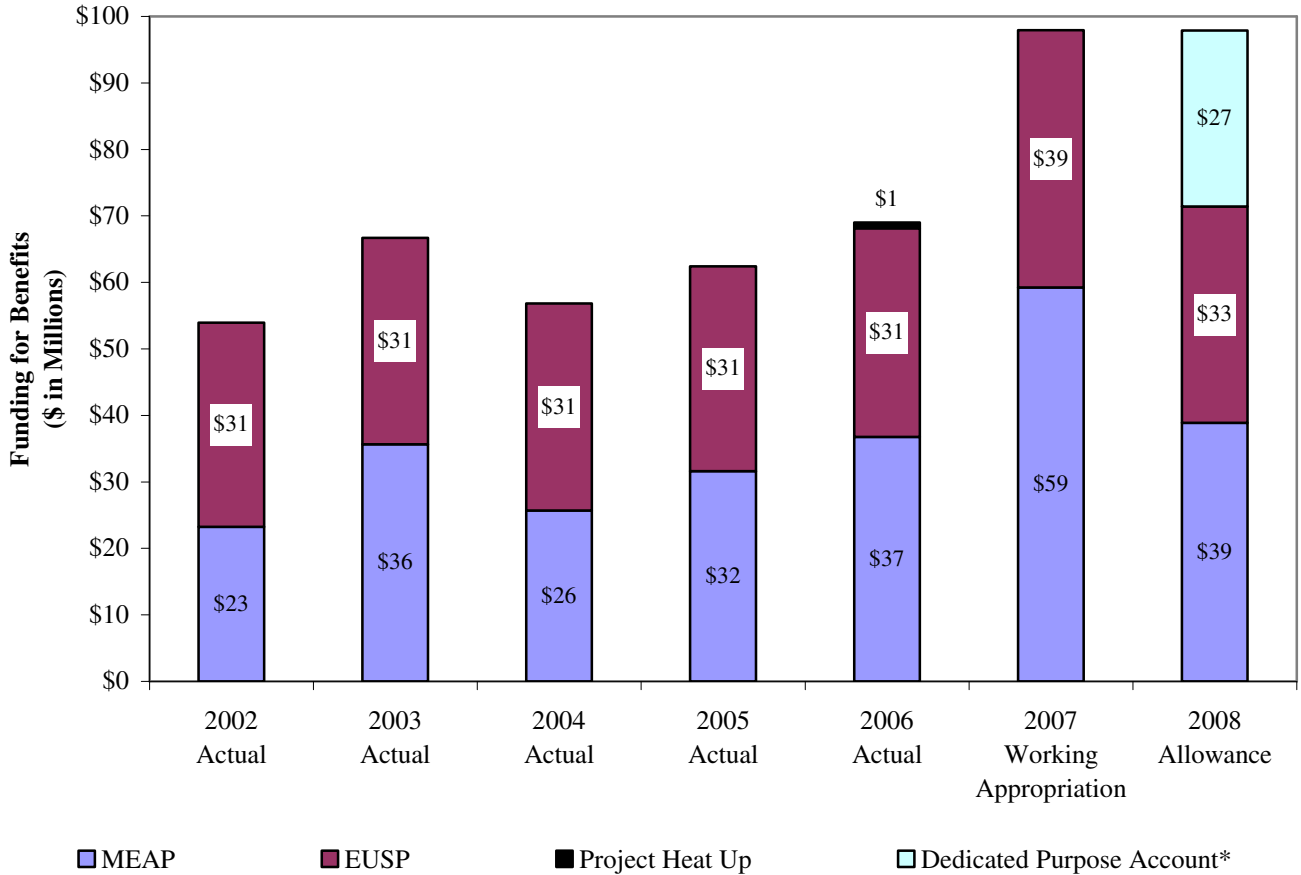


EUSP: Electric Universal Services Program
MEAP: Maryland energy Assistance Program

* Some households receive a benefit from both programs, and therefore, are counted in both programs.

Source: Department of Human Resources

**Exhibit 7
Amount Paid to Certified Households
Fiscal 2002-2008**

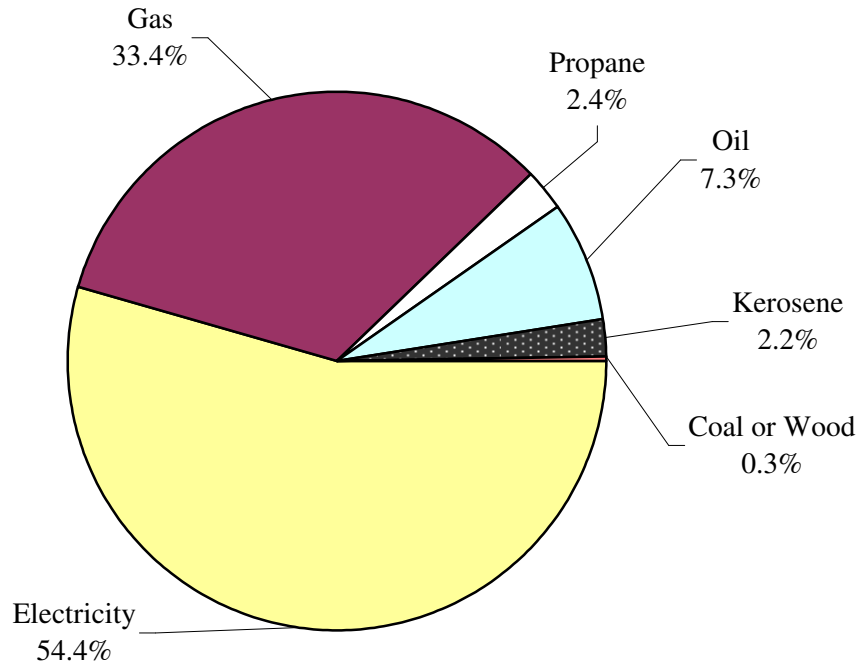


EUSP: Electric Universal Services Program
MEAP: Maryland energy Assistance Program

* The funding from the dedicated purpose account will be allocated to the Maryland Energy Assistance Program and the Electric Universal Services Program as needed, but the Department of Human Resources does not have an estimate of how the funds will be distributed.

Source: Department of Human Resources

Exhibit 8
Households Receiving Benefit by Fuel Type
Fiscal 2006



Source: Department of Human Resources

Exhibit 9
Energy Assistance Benefit Matrix
Fiscal 2007

<u>Poverty Level</u>	<u>Fuel Type</u>	<u>Benefit*</u>
Level I (0 – 75% of Poverty)	Electricity	\$600
	Utility Gas	550
	Propane	935
	Oil	1,062
	Kerosene	893
	Coal/Wood	468
Level II (76 – 110% of Poverty)	Electricity	500
	Utility Gas	450
	Propane	770
	Oil	875
	Kerosene	735
	Coal/Wood	385
Level III (111 – 150% of Poverty)	Electricity	400
	Utility Gas	350
	Propane	715
	Oil	812
	Kerosene	682
	Coal/Wood	357
Level IV (151 – 175% of Poverty)	Electricity	300
	Utility Gas	300
	Propane	440
	Oil	500
	Kerosene	420
	Coal/Wood	220
Level V (175 – 200% of Poverty)	Electricity	250
	Utility Gas	250
	Propane	330
	Oil	375
	Kerosene	315
	Coal/Wood	165

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<u>Poverty Level</u>	<u>Fuel Type</u>	<u>Benefit*</u>
Subsidized Housing	Electricity	0
	Utility Gas	0
	Propane	330
	Oil	375
	Kerosene	315
	Coal/Wood	165

* Benefit for all jurisdictions except Garrett, Montgomery, and Prince George’s counties. In Prince George’s County, the benefit is approximately \$72 more than the benefit listed, and Montgomery County benefit is approximately \$40 more than the benefit listed. Garrett County residents receive a larger benefit for every type of fuel, except electricity and utility gas.

Source: Department of Human Resources

Electric Rates

In the United States, the need for energy assistance is growing rapidly. The total number of households receiving heating assistance in calendar 2005 increased by 12% to almost 5.8 million households, the highest number in 13 years. The increased demand for energy assistance is primarily related to the increased cost of energy, which disproportionately affects Maryland’s electric consumers. Of all the 13 approved rate increases throughout the country in calendar 2006, Maryland had the top 3 spots for the highest approved rate increases¹:

- 72% (\$743/year) Baltimore Gas & Electric (BGE);
- 39% (\$468/year) Potomac Electric Power Company (PEPCO) in Maryland; and
- 35% (\$464/year) Delmarva Power & Light Company in Maryland.

However, the 72% increase for BGE was not implemented because the General Assembly prevented the full increase during a special session in the summer of 2006. During the 2006 special session, the General Assembly capped the fiscal 2007 BGE increase at 15% and delayed the onset of the market price until July 2007. When the market prices take effect in fiscal 2008, BGE customers will experience a 47% increase over the fiscal 2007 rates.

¹ Wolfe, Mark. (June 19, 2006). “States Report Highest Level of Households Receiving Energy Assistance in 13 Years Additional \$1 Billion Appropriated for LIHEAP Provides Essential Support State-By-State Survey Results.” National Energy Assistance Directors’ Association.

Estimating the Demand for Energy Assistance

It is very difficult to predict how much rate increases will affect the demand for energy assistance programs because there is not much history to fall back on. The closest comparison is the deregulation of PEPCO and Delmarva's rates in July 2004; however, that history provides mixed results. PEPCO's rates went up 16.0%, and the demand for energy assistance among PEPCO customers went up 6.3% in fiscal 2005, while Delmarva's rates increased 12.0%, and the demand for energy assistance among Delmarva customers went up 0.4%. The cause for this contradiction is probably the demographics of the areas each company serves and the outreach efforts in the different regions. PEPCO services the Washington, DC metro region where OHEP outreach efforts are concentrated, and Delmarva services the Eastern Shore where OHEP's outreach efforts are weaker.

Using the fiscal 2005 energy assistance demand as a guide, PEPCO customers' demand for energy assistance can be expected to increase 1.0% with every 2.5% increase in the electric rates, and Delmarva customers' demand for energy assistance can be expected to be negligible. At the beginning of fiscal 2007, PEPCO customers experienced a 39.0% rate increase, which can be expected to increase the demand for energy assistance among PEPCO customers by 15.6%. In fiscal 2008, the demand for energy assistance among PEPCO customers can be expected to remain level because the PEPCO rates are not anticipated to change significantly in fiscal 2008.

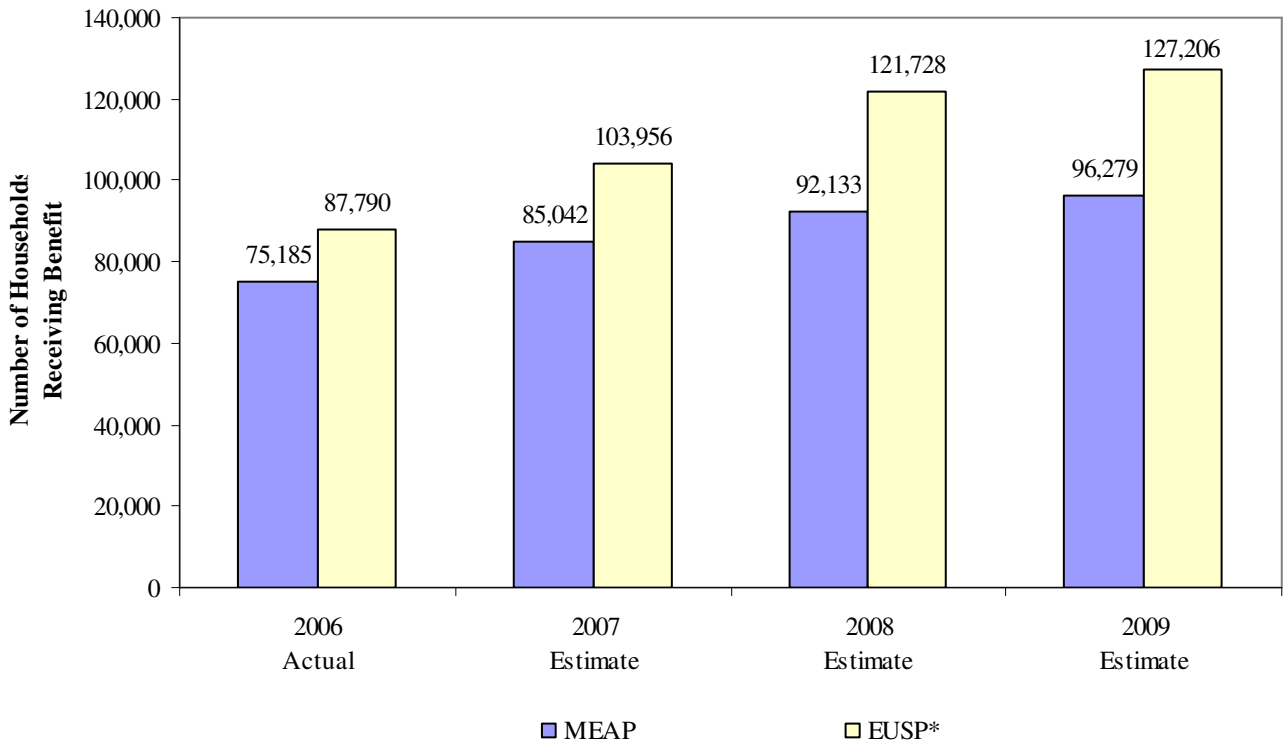
Since the demographics and outreach effort in the BGE region are similar to the PEPCO region, the fiscal 2005 energy assistance demand for PEPCO can be used as a guide to BGE customer's demand for energy assistance in fiscal 2007 and 2008. According to the PEPCO example, the demand for energy assistance among BGE customers can be expected to increase 6.0% in fiscal 2007 and 18.8% in fiscal 2008.

With respect to the increased eligibility, fiscal 2006 could be used as a guide because OHEP increased the eligibility from 150 to 175% of federal poverty level in fiscal 2006. However, the increased demand for the program due to the increased eligibility was almost insignificant (only \$870,000 was expended) in fiscal 2006, which has been attributed to the program being new and people not knowing the program was available. Improved outreach efforts should increase the demand for energy assistance at about 6.5% in fiscal 2007.

Exhibit 10 shows the estimated increase in demand for the energy assistance programs taking into consideration rate increases and increased eligibility for the program.

The actual experience for OHEP, so far in fiscal 2007, is a 2.9% increase in demand for energy assistance over the fiscal 2006 level this time last year. Specifically, as of January 2007, OHEP had received 2,200 more applications than at the same time in January 2006. Of the total 87,988 applications received so far in fiscal 2007, 8,914 of the applications were from households with incomes between 151 and 200% of the federal poverty level. At this point, in fiscal 2006, only a minimal number of Project Heat Up applications would have been entered in the OHEP database because the program was not operational until mid-January 2006.

Exhibit 10
Estimated Increased Demand for Energy Assistance Programs
Fiscal 2007-2009



EUSP: Electric Universal Services Program
 MEAP: Maryland energy Assistance Program

* Includes both the Bill Payment and Arrearage Assistance Programs.

Source: Department of Human Resources; Department of Legislative Services

This means that so far in fiscal 2007, the main cause for the increased demand for energy assistance is the households above 150% of the federal poverty level. For households with incomes at 150% or less of the federal poverty level, there seems to be a decreased demand for energy assistance with those applications decreasing 7.5% over this time last year. However, it is important to note that the data were collected when the State had experienced mild winter weather, but since that time, the State has experienced colder than normal winter weather. As a result, there will almost certainly be an increase in applications when the February utility bills arrive.

Funding

Exhibit 11 shows the funding level for the energy assistance programs from fiscal 2006 through 2009. Energy assistance programs are funded with a mix of federal and special funds. In the past, federal funds accounted for a little more than half of the total funding. The federal funds are provided through the Low-Income Home Energy Assistance Program (LIHEAP) and are used to fund MEAP. Each year states receive a base allocation, and if a state experiences extreme weather conditions or significant increases in fuel costs, the President of the United States may release contingency funds. States are required to expend LIHEAP funds by the end of the federal fiscal year with the exception of 10% of the total allotment that may be carried over to the next fiscal year.

Exhibit 11 Funding for Energy Assistance Programs Fiscal 2006-2009

<u>Funding Source</u>	<u>Actual 2006</u>	<u>Working Appropriation 2007</u>	<u>Allowance 2008</u>	<u>Estimate 2009</u>
Federal LIHEAP	\$39.9	\$62.4	\$42.3	\$42.3
Special Funds Collected from Ratepayers	32.4	42.3	36.1	37.0
Dedicated Purpose Account	2.9	0.0	26.5	6.6
Total Available Funding	\$75.2	\$104.7	\$104.8	\$85.9

LIHEAP: Low-Income Home Energy Assistance Program

Source: Department of Human Resources; Department of Legislative Services

In the past couple of years, the State received above average LIHEAP funding due to the significant rates increases experienced by consumers. In fiscal 2006, the LIHEAP allocation was slightly above average, while in fiscal 2007, the LIHEAP allocation is significantly above what the State normally receives.

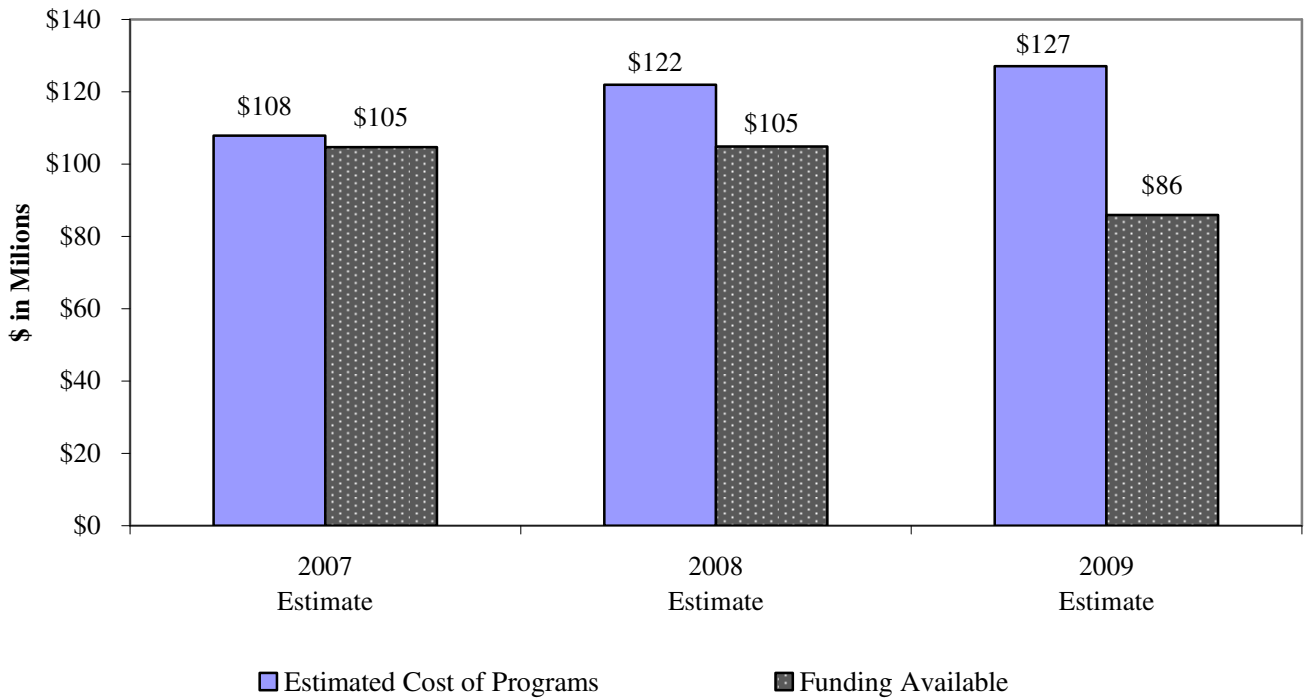
The other main source of funding for the energy assistance programs are special funds collected from commercial and residential ratepayers that fund EUSP. During the 2006 special session, the General Assembly increased the amount collected from ratepayers from \$34 million to \$43 million in fiscal 2007 and \$37 million for subsequent years. Also, during the fiscal 2007 budget process, \$36 million in general funds and Energy Overcharge Restitution Fund (EORF)²

² The Maryland Energy Administration administers the EORF, which is composed of federal court settlement monies from oil and gas producers who have violated federal regulations.

funds were put into the State’s Dedicated Purpose Account to augment the OHEP budget as needed in the upcoming years.

As **Exhibit 12** shows, according to the Department of Legislative Services (DLS) calculations, the energy assistance programs will need \$108.0 million in fiscal 2007, \$122.0 million in fiscal 2008, and \$127.0 million in fiscal 2009. The working appropriation for fiscal 2007 has \$104.7 million, which according to the estimates is \$3.0 million less than the anticipated cost for the energy assistance programs in fiscal 2007. The fiscal 2008 allowance includes \$104.8 million to fund the energy assistance programs, which is \$17.0 million short of what is expected to be needed for fiscal 2008. In fiscal 2009, if federal funding stays at the fiscal 2008 level, the special funds collected from ratepayers are capped at \$37.0 million, and the remainder of the funds in the Dedicated Purpose Account are used, OHEP will have a budget that is \$41.0 million short of the estimated cost of the programs. However, if the estimated deficits occur in fiscal 2007 and 2008, then the \$6.6 million from the Dedicated Purpose Account will not be available in fiscal 2009.

Exhibit 12
Estimated Program Expenditures versus Funding
Based on the Department of Legislative Services Estimate

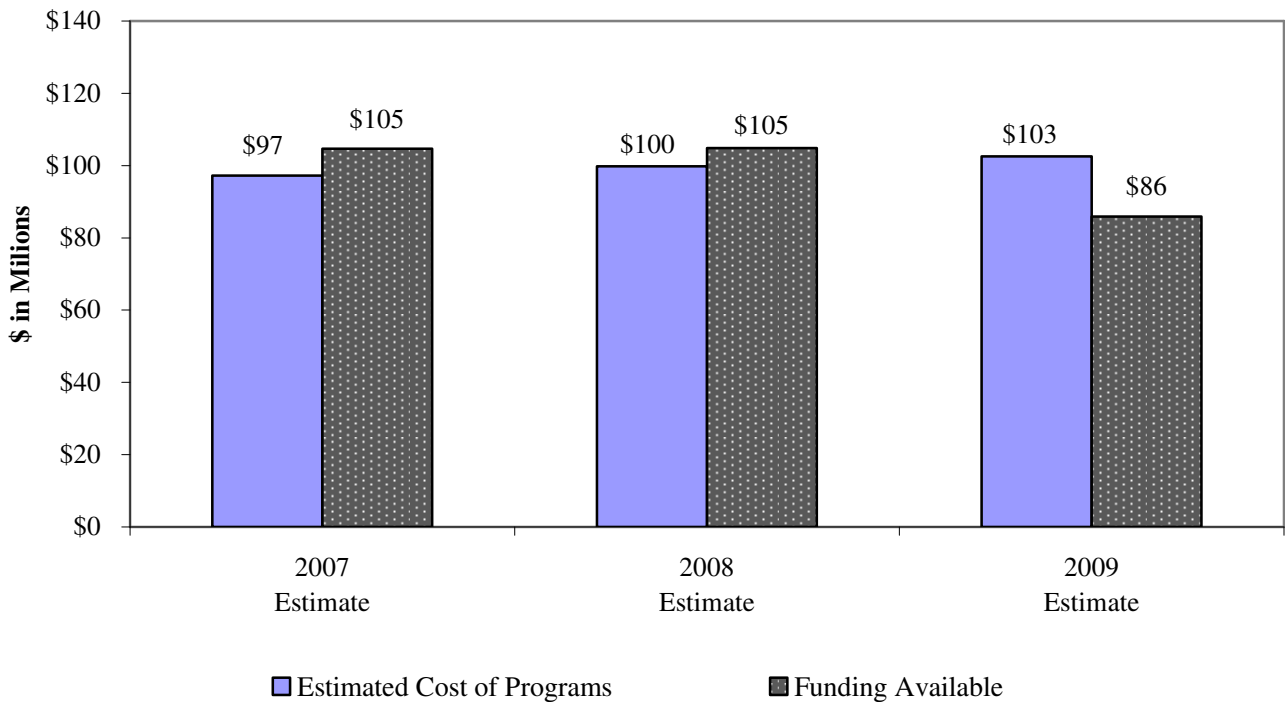


Source: Department of Human Resources; Department of Legislative Services

Exhibit 12 uses the data from the DLS calculation of the estimated increase in demand for energy assistance, which appears to be higher than the actual experience so far in fiscal 2007. **Exhibit 13** provides a lower range funding estimate based on the actual experience in fiscal 2007. The estimate used in Exhibit 13 assumes an annual growth in the demand for energy assistance of 2.9%, which would be an extremely low estimate based on past experience. However, even with this low estimate, Exhibit 13 shows the program will experience a small budget shortfall in fiscal 2009, which could mostly be covered with surplus funds from the Dedicated Purpose Account not required in fiscal 2007 and 2008.

The Department of Human Resources should comment on the long-term plan for keeping the energy assistance programs available to those households throughout the State in need of assistance paying utility bills.

Exhibit 13
Estimated Program Expenditures versus Funding
Based on Fiscal 2007 Experience



Source: Department of Human Resources; Department of Legislative Services

2. Performance Contracting for Adult and Community Services

Over the last few years, the State has taken steps to better evaluate the outcomes produced by its programs. The Department of Budget and Management (DBM) is spearheading this effort through its Managing for Results Initiative which attempts to link State spending to outcomes. DBM has required every agency to develop a mission, vision, key goals, objectives, and performance measures for each budgetary program. For the State's emphasis on results and accountability to be effective, it must permeate throughout the agency, as well as throughout all vendors doing business on the State's behalf. Managers in public agencies and vendors delivering services on the State's behalf must be equally aware of the relevant goals and objectives and share responsibility for producing the desired outcomes. The best way to ensure that vendors focus on the State's objectives is to link payments or continuation of the contract to specific performance measures.

Performance contracting is especially critical for DHR's CSA to use because the agency relies heavily on the services provided through contracts and grants. CSA funds a number of programs administered by local jurisdictions, community organizations, and private companies. The funding for these programs is predominantly provided through contract arrangements. In fact, contracts account for 63.5% of CSA's budget in fiscal 2007. The contracts administered by CSA are generally quite small in financial terms. However, for some services, the total expenditure for all contracts providing the same services is a significant amount of money, and these are shown in **Exhibit 14**.

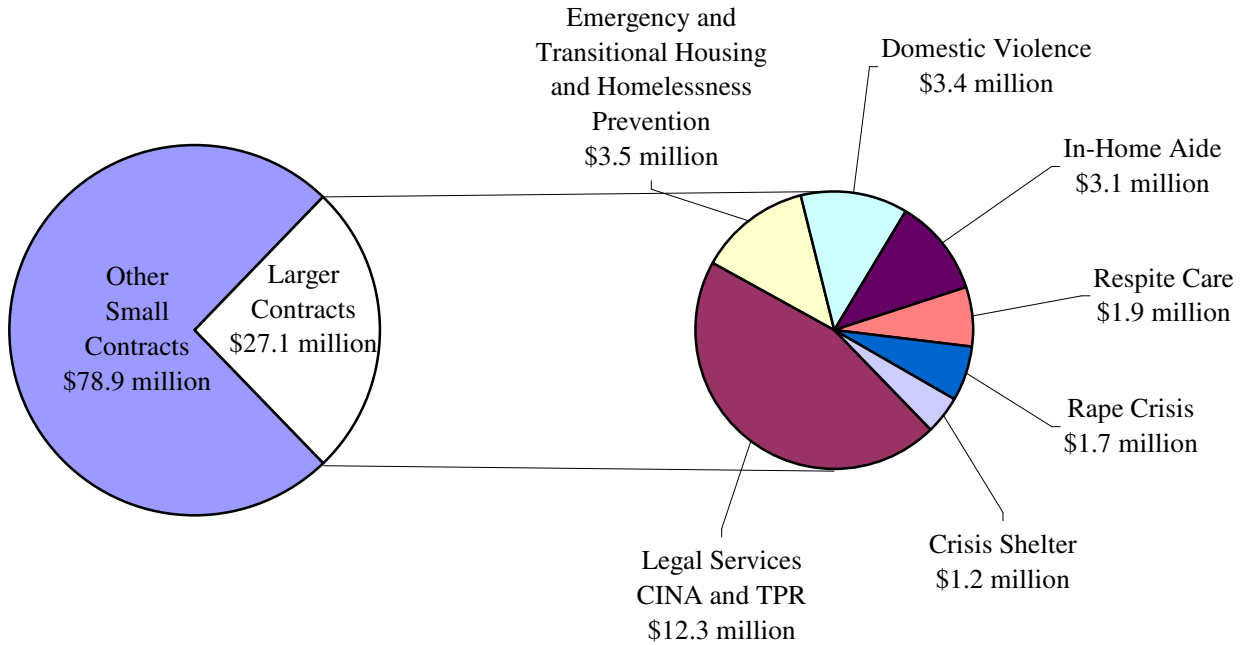
In the fiscal 2008 allowance, funding for respite care, domestic violence, and rape crisis services moves from the contracts to the grants area of the budget. However, there will be no change in how the services will be administered. As a result, DLS recommendations remain applicable because the nonprofit organizations are providing services on the State's behalf.

Each contract for a service is identical to the other contracts for that service. The contracts for different services vary dramatically with respect to performance measures, monitoring, and reporting requirements as shown in **Exhibit 15**. **Appendix 4** has information about each contract including the use of these requirements. Below the findings for each type of contract are provided.

Includes Performance Measures and Incentives

CINA and TPR contracts have a good level of reporting and monitoring, and the numerous requirements (including some performance measures) ensure the legal service providers are adequately representing their clients. Also, the incentives ensure that the complex and difficult cases are represented.

Exhibit 14
Adult and Community Services Contracts
Fiscal 2007



CINA: Child in Need of Assistance
TPR: Termination of Parental Rights

Source: Department of Human Resources

**Exhibit 15
Requirements Included in Contracts**

<u>Contract</u>	<u>Monitoring</u>	<u>Reporting</u>	<u>Performance Measures</u>	<u>Incentives</u>	<u>Penalties</u>
Legal Services for CINA and TRP	√	√	√	√	
Domestic Violence Services	√	√	√		
Rape Crisis Services	√	√	√		
Crisis Shelter Services	√	√	√		
Emergency and Transitional Housing and Homelessness Prevention	√	√			
Respite Care Services	√	√			
In-Home Aide Services		√			

CINA: Child in Need of Assistance
TPR: Termination of Parental Rights

Source: Department of Human Resources

Includes Performance Measures

The domestic violence, rape crisis, and crisis shelter contracts have a good amount of reporting and monitoring aspects, but the contracts are deficient in the area of performance measures. Each of the three contracts has only one performance measure, but a few of the requirements of the contract lend themselves to performance measures. **CSA should consider amending the current contract or grant to include additional performance measures when the contracts and grants are up for renewal.**

In addition, the services provided through the domestic violence contracts are client-focused, but there are no outcomes related to how the clients perceive the services or whether the services protect the clients as intended. **CSA should also consider amending the domestic violence grants to include client surveys when the contracts are up for renewal.**

Only Monitoring and Reporting

The Emergency and Transitional Housing and Homelessness Prevention and the respite care services contracts have sufficient reporting and monitoring, but the contracts have no requirements or

performance measures. **CSA should consider amending the current contract or grant to include additional performance measures when the contracts or grants are up for renewal.**

No Monitoring or Performance Measures

The In-Home Aide Services contracts are complex, and the contracts impose a reporting burden on the vendor. In contrast to the heavy reporting requirements, these contracts do not have any monitoring requirements or performance measures. **DHR needs to establish a system of monitoring the In-Home Aide Services' vendors and formulate performance measures to be achieved by the vendors. In addition, DHR should explore the possibility of simplifying the process of getting a vendor to an individual in need of services, the payment process, and the reporting requirements.**

Recommended Actions

	<u>Amount Reduction</u>	
1. Increase budgeted turnover to 5%. As of December 31, 2006, the actual turnover for Adult and Community Services was more than double the budgeted turnover of 4%. Also, in the past three years, the Adult and Community Services' turnover rate has not been below 6%.	\$ 68,566	GF
	\$ 232,819	FF
Total Reductions	\$ 301,385	
Total General Fund Reductions	\$ 68,566	
Total Federal Fund Reductions	\$ 232,819	

Current and Prior Year Budgets

Current and Prior Year Budgets DHR – Adult and Community Services (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2006					
Legislative Appropriation	\$43,007	\$34,400	\$94,774	\$375	\$172,555
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	-4,100	4,248	8,587	175	8,910
Reversions and Cancellations	0	-2,077	-11,940	-94	-14,111
Actual Expenditures	\$38,907	\$36,571	\$91,421	\$455	\$167,354
Fiscal 2007					
Legislative Appropriation	\$35,249	\$43,483	\$96,214	\$375	\$175,321
Budget Amendments	269	24	24,546	0	24,839
Working Appropriation	\$35,518	\$43,507	\$120,760	\$375	\$200,160

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

Fiscal 2006

Actual fiscal 2006 spending on adult and community services was \$5.2 million less than the legislative appropriation. In net, general funds decreased \$4.1 million. General funds increased \$3.0 million mainly due to lower than budgeted turnover (\$2.7 million), treatment services (\$235,000), and the Citizen Promotion Program (\$53,000). General fund decreased \$7.1 million due to greater than budgeted turnover (\$4.0 million), the transfer of the Office of Personal Assistance Services (\$1.2 million), office improvement costs (\$1.0 million), and lower activity for legal services (\$890,000).

Special funds increased by \$4.3 million with the major increase being a \$4.0 million transfer from the Dedicated Purpose Fund for the energy assistance programs. The rest of the special funds increases are due to program expansions (\$89,000), indirect EUSP costs (\$87,000), and greater than expected local government participation (\$72,000).

Federal funds increased \$8.6 million with the major increases due to a grant from the federal Low Income Home Energy Assistance Program (\$3.0 million) and a grant from the Department of Justice's Victim of Crime Assistance and Services grant (\$3.0 million). The rest of the federal fund increase is due to food assistance (\$1.0 million), lower than budgeted turnover (\$630,000), Hurricane Katrina efforts (\$400,000), and the Baltimore Healthy Marriage Initiative (\$400,000), and the remaining increases due to administrative costs. Also, reimbursable funds increased by \$175,000 due to DHR's Hurricane Katrina efforts.

In fiscal 2006, the cancellations for Adult and Community Services amounted to \$14.1 million. Adult and Community Services cancelled \$2.1 million in special funds due to overestimation of funds needed for the energy assistance programs. Federal funds were cancelled in the amount of \$11.9 million due to the receipt of matching funds for the Living at Home Waiver that has been transferred to the Department of Health and Mental Hygiene (\$7.0 million), delayed program expansions (\$3.2 million), and lower than anticipated program expenses (\$1.7 million). Also, reimbursable funds were cancelled in the amount of \$94,000 due to overestimations of the cost of Hurricane Katrina efforts.

Fiscal 2007

The working appropriation for Adults and Community Services is \$24.8 million more than the legislative appropriation. Employee cost-of-living adjustments account for an increase of \$274,885 (\$268,910 in general funds and \$5,975 in special funds). Most of the increase is \$24.2 million in federal funds, which are Low Income Home Energy Assistance Program funds carried over from fiscal 2006. Also, funds increased by \$358,941 (\$340,994 in federal funds and \$17,947 in special funds) for the Baltimore Healthy Marriage Initiative Program.

**Object/Fund Difference Report
DHR – Adult and Community Services**

<u>Object/Fund</u>	<u>FY06 Actual</u>	<u>FY07 Working Appropriation</u>	<u>FY08 Allowance</u>	<u>FY07-FY08 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	603.03	603.03	603.03	0	0%
02 Contractual	2.25	2.30	2.30	0	0%
Total Positions	605.28	605.33	605.33	0	0%
Objects					
01 Salaries and Wages	\$ 34,725,439	\$ 33,622,100	\$ 34,371,598	\$ 749,498	2.2%
02 Technical and Spec. Fees	295,049	198,431	187,192	-11,239	-5.7%
03 Communication	593,312	557,636	468,265	-89,371	-16.0%
04 Travel	393,019	281,380	351,157	69,777	24.8%
06 Fuel and Utilities	54,807	162,435	76,666	-85,769	-52.8%
07 Motor Vehicles	44,300	11,906	11,019	-887	-7.5%
08 Contractual Services	115,354,365	139,226,248	133,364,035	-5,862,213	-4.2%
09 Supplies and Materials	390,443	270,700	277,989	7,289	2.7%
10 Equipment – Replacement	16,628	0	3,107	3,107	n/a
11 Equipment – Additional	126,466	63,574	3,667	-59,907	-94.2%
12 Grants, Subsidies, and Contributions	13,687,306	22,452,144	28,820,071	6,367,927	28.4%
13 Fixed Charges	1,672,691	3,313,271	2,350,833	-962,438	-29.0%
Total Objects	\$ 167,353,825	\$ 200,159,825	\$ 200,285,599	\$ 125,774	0.1%
Funds					
01 General Fund	\$ 38,906,657	\$ 35,517,623	\$ 35,807,251	\$ 289,628	0.8%
03 Special Fund	36,571,178	43,507,341	63,728,374	20,221,033	46.5%
05 Federal Fund	91,420,534	120,759,861	100,374,974	-20,384,887	-16.9%
09 Reimbursable Fund	455,456	375,000	375,000	0	0%
Total Funds	\$ 167,353,825	\$ 200,159,825	\$ 200,285,599	\$ 125,774	0.1%

Note: The fiscal 2007 appropriation does not include deficiencies, and the fiscal 2008 allowance does not reflect contingent reductions.

**Fiscal Summary
DHR – Adult and Community Services**

<u>Program/Unit</u>	<u>FY06 Actual</u>	<u>FY07 Wrk Approp</u>	<u>FY08 Allowance</u>	<u>Change</u>	<u>FY07-FY08 % Change</u>
01 General Administration	\$ 802,460	\$ 885,665	\$ 972,621	\$ 86,956	9.8%
03 Maryland Office of New Americans	4,332,056	6,407,226	6,336,628	-70,598	-1.1%
04 Legal Services	11,810,301	13,356,725	13,379,568	22,843	0.2%
05 Shelter and Nutrition	9,749,562	8,676,212	8,709,836	33,624	0.4%
07 Adult Services	11,467,634	4,412,076	4,566,952	154,876	3.5%
11 Victim Services	16,929,145	19,014,249	19,141,608	127,359	0.7%
12 Office of Home Energy Programs	75,188,977	104,713,474	104,822,809	109,335	0.1%
04 Adult Services	37,073,690	42,694,198	42,355,577	-338,621	-0.8%
Total Expenditures	\$ 167,353,825	\$ 200,159,825	\$ 200,285,599	\$ 125,774	0.1%
General Fund	\$ 38,906,657	\$ 35,517,623	\$ 35,807,251	\$ 289,628	0.8%
Special Fund	36,571,178	43,507,341	63,728,374	20,221,033	46.5%
Federal Fund	91,420,534	120,759,861	100,374,974	-20,384,887	-16.9%
Total Appropriations	\$ 166,898,369	\$ 199,784,825	\$ 199,910,599	\$ 125,774	0.1%
Reimbursable Fund	\$ 455,456	\$ 375,000	\$ 375,000	\$ 0	0%
Total Funds	\$ 167,353,825	\$ 200,159,825	\$ 200,285,599	\$ 125,774	0.1%

Note: The fiscal 2007 appropriation does not include deficiencies, and the fiscal 2008 allowance does not reflect contingent reductions.

Performance Contracting Analysis

Includes Performance Measures and Incentives

Legal Services for CINA and TPR

To ensure quality and effective legal representation in the State's circuit court to any child in which the local Department of Social Services is a party to the case, DHR provides legal representation for Child in Need of Assistance and Termination of Parental Rights cases. DHR monitors each legal service provider annually either by reviewing files or observing court performance. The legal service providers are required to submit weekly, monthly, and annual reports.

CINA and TPR contracts include a number of requirements of the legal services provider with many of these requirements spelled out by federal regulations. Many of the requirements are subjective and difficult to measure, but some of the requirements are good performance measures. In addition to the performance measures, the CINA and TPR legal services contract includes incentives.

CINA and TPR contracts have a good level of reporting and monitoring, and the numerous requirements (including some performance measures) ensure the legal service providers are adequately representing their clients. Also, the incentives ensure that the complex and difficult cases are represented.

Includes Performance Measures

Domestic Violence Services

DHR administers 25 contracts for domestic violence services. The vendor is required to provide DHR with monthly, quarterly, and annual reports providing statistical, expenditure, and financial information. Also, contracts awarded under the Domestic Violence Program are monitored annually. There is one performance measure that is associated with contracts awarded under the Domestic Violence Program. The performance measure tracks the percentage of domestic violence victims who, at case closing, have developed a safety plan ready for implementation if needed.

The contracts have a good amount of reporting and monitoring aspects, but the Domestic Violence contract is deficient in the area of performance measures. The domestic violence services contracts have only one performance measure, but a few of the requirements of the contract lend themselves to performance measures. For instance, the requirements of having a hotline available 24 hours a day; helping battered women and their children escape battering situations permanently; preventing domestic violence from occurring; and, providing swift and effective intervention. In addition, the services provided through the domestic violence contracts are client-focused, but there are no outcomes related to how the clients perceive the services or whether the services protect the clients as intended.

Rape Crisis Program

DHR administers 24 rape crisis contracts with community-based organizations. The contract requires the vendors to submit monthly expenditure and statistical reports. In addition, the vendors must submit a quarterly outcome measures report that provides data about the percentage of victims served that have short-term and long-term counseling plans. Also, the vendors are required to adhere to an annual fiscal audit and provide written responses to the audit findings. DHR monitors the crisis shelter contracts by visiting the vendor's office once per contract cycle and the years when a visit is not conducted the vendor is responsible for conducting a self-review.

The rape crisis contracts have a sufficient level of reporting and a decent level of monitoring. However, there is only one performance measure for the crisis shelter contracts, which is the percentage of victims served that have short-term and long-term counseling plans.

Crisis Shelter Home Program

DHR administers 13 crisis shelter services contracts with community-based organizations to provide services to homeless women. The contract requires the vendors to submit monthly expenditure and statistical reports. In addition, the vendors must submit a quarterly outcome measures report that provides data about the percentage of victims served with a safety plan in place before they left the crisis shelter. DHR monitors the crisis shelter contracts by visiting the vendor's office once per contract cycle, and the years when a visit is not conducted, the vendor is responsible for conducting a self-review.

The crisis shelter contracts have a sufficient level of reporting and a decent level of monitoring. However, there is only one performance measure for the crisis shelter contracts, which is the percentage of victims served with a safety plan in place before they left the crisis shelter.

Only Monitoring and Reporting

Emergency and Transitional Housing Services and Homelessness Prevention

DHR contracts with each local jurisdiction to provide emergency and transitional housing services and homelessness prevention programs. The local jurisdictions are provided a certain amount of flexibility in how they spend the funds, but the funds are intended to fund shelters, motel stays for families or individuals when a shelter stay is not possible, rental assistance to prevent evictions, and transportation (*i.e.* to shelter or motel).

The vendor is required to provide DHR with monthly activities a report detailing how much money was spent and how many people they assisted in which ways. Once a year, DHR conducts an onsite visit to one of the vendor's providers to monitor the services delivered. The Emergency and Transitional Housing and Homelessness Prevention contracts have sufficient reporting and monitoring, but the contracts have no requirements or performance measures.

Respite Care Services

DHR provides respite care services through local departments of social services or community organizations. Respite care services provide short-term periodic care to individuals with developmental or functional disabilities. Contracted respite care services vendors provide a list of their own goals, which are included in the contract. These goals include things such as the accomplishment of specific program activities (such as a plan for outreach); evaluation of consumer satisfaction; number of hours of respite to be provided; and anticipated outcomes (such as, the number of consumers served and the number of hours of service provided per customer). DHR is able to ensure the vendor is adhering to the self-imposed goals through monthly reports and monthly monitoring.

The respite care services contracts have good level of monitoring and reporting, and the contracts do have performance measures. However, the performance measures are self-imposed, and the measures are not uniform among the nine respite care contracts.

No Monitoring or Performance Measures

In-Home Aide Services

DHR contracts with 18 vendors throughout the State to provide In-Home Aide Services, which include personal care; chore services; and, nursing evaluation and supervision services. The process for getting a vendor to a client's home is complicated because jurisdictions do not necessarily use the same vendor each time they are in need of services. The 18 contracted vendors are placed on a rank-ordered lists (established based on their hourly rates), which serve as a pool of qualified aide providers for each jurisdiction.

Each month the vendors provide DHR with a number of different reports. DHR conducts absolutely no monitoring over the In-Home Aide Services contracts, and the State does not require that the local jurisdictions to monitor the contracts. Problems with vendors are reported to the State by the locals, but dealt with by the local jurisdictions. However, DHR intervenes if there is a problem pertaining to compliance with the contract.

The In-Home Aide Services contracts are complex, and the contracts impose a reporting burden on the vendor. In contrast to the heavy reporting requirements, these contracts do not have any monitoring requirements or performance measures.