

N00C01
Adult and Community Services
Department of Human Resources

Operating Budget Data

(\$ in Thousands)

	<u>FY 07</u> <u>Actual</u>	<u>FY 08</u> <u>Working</u>	<u>FY 09</u> <u>Allowance</u>	<u>FY 08-09</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$35,178	\$35,751	\$62,395	\$26,644	74.5%
Special Fund	56,861	53,741	37,242	-16,499	-30.7%
Federal Fund	110,860	101,932	98,672	-3,259	-3.2%
Reimbursable Fund	<u>375</u>	<u>375</u>	<u>375</u>	<u>0</u>	<u>0.0%</u>
Total Funds	\$203,274	\$191,799	\$198,685	\$6,886	3.6%

- Three deficiency appropriations are proposed for fiscal 2008 for the Community Services Administration (CSA): (1) \$5.6 million for legal services for the Child in Need of Assistance (CINA) and Termination of Parental Rights (TPR) programs; (2) \$4.9 million for the Electric Universal Service Program (EUSP); and (3) \$4.9 million for the Maryland Energy Assistance Program (MEAP).
- The fiscal 2009 allowance increases the CSA budget by \$6.9 million, or 3.6%, over fiscal 2008. General funds increase by \$26.6 million, or 74.5%. Special funds decrease by \$16.5 million, or 30.7%. Federal funds decrease by \$3.3 million, or 3.2%.
- The major changes relate to personnel, CINA/TPR contract costs, low-income energy assistance, and the availability of federal funding for energy assistance and victims of crime assistance.
- The underlying change for fiscal 2009, absent health insurance and Other Post Employment Benefits funding which distorts year-to-year comparisons, is an increase of \$4.6 million, or 2.5%.

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

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Personnel Data

	<u>FY 07</u> <u>Actual</u>	<u>FY 08</u> <u>Working</u>	<u>FY 09</u> <u>Allowance</u>	<u>FY 08-09</u> <u>Change</u>
Regular Positions	603.03	602.03	591.53	-10.50
Contractual FTEs	<u>2.30</u>	<u>2.30</u>	<u>1.50</u>	<u>-0.80</u>
Total Personnel	605.33	604.33	593.03	-11.30

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	59.86	10.12%
Positions Vacant as of 1/1/08	39.35	6.54%

- The fiscal 2009 allowance eliminates 10.5 regular positions as part of the Board of Public Works statewide reduction of positions action. There is also a decrease of 0.8 full-time equivalent (FTE) contractual positions in the Office of the Executive Director.
- There were 39.35 FTE regular vacant positions as of January 1, 2008. In fiscal 2009, CSA needs to hold 59.86 positions open to meet its budgeted turnover of 10.12%. The turnover rate of 10.12% largely reflects changes in personnel that will occur with the reorganization of CSA.

Analysis in Brief

Major Trends

The Office of Home Energy Programs (OHEP) Anticipates Reaching More Eligible Households through Fiscal 2009: Despite a decline in fiscal 2007 of the percent of eligible households receiving MEAP and EUSP bill assistance, OHEP anticipates increasing the percent of eligible households receiving each type of benefit in fiscal 2008 and 2009. Similarly, the percent of eligible households served having a person over 60 years of age, disabled, or having a child under 6 is projected to increase through fiscal 2009.

Victim Services Outcomes Not Tied to Budget: Despite a steady increase in the Victim Services budget, the number of households served has been declining in recent years. The fiscal 2009 allowance decreases over fiscal 2008; however, the number of households served is projected to remain stable.

Issues

Reorganization of CSA: The Department of Human Resources (DHR) intends to reorganize CSA in fiscal 2009. DHR has introduced legislation regarding the reorganization during the 2008 legislative session.

Energy Assistance: Several pressures on OHEP are expected to lead to a shortfall in the amount of funding available to OHEP to address demand for assistance. These pressures include participation trends, outreach efforts, energy costs, costs of administration, and benefit levels.

Recommended Actions

1. Add budget bill language restricting the general fund appropriation for the Office of Home Energy Programs until all special funds have been exhausted.
2. Add budget bill language restricting the general fund appropriation for the Office of Home Energy Programs to be used only for the purpose it was appropriated.
3. Add budget bill language restricting the deficiency appropriation for the Electric Universal Services Program until all special funds have been expended.
4. Add budget bill language restricting the deficiency appropriation for the Electric Universal Services Program to the purposes for which it was appropriated.

Updates

EUSP Evaluation: In May 2007, an evaluation of EUSP was released. This evaluation focused on both the process and impact of EUSP.

N00C01 – DHR – Adult and Community Services

N00C01
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. The key goals of CSA are to meet the needs of individuals and families in crisis through emergency services, meet the safety needs of individuals and families, ensure a maximum level of economic and personal independence for individuals and families whom they serve, and assist the individuals served by employment programs to obtain and retain employment.

CSA consists of several components. The Office of the Executive Director provides central direction for the programs of CSA and for several advisory and advocacy bodies.

Maryland Office for New Americans

The Maryland Office for New Americans (MONA) oversees a federally funded refugee settlement program that provides various services to refugees and asylees residing in Maryland. The key goals of MONA are to assist refugees and asylees to attain economic independence and early social adjustment and increase the number of foreign-born residents who successfully complete the naturalization process.

Maryland Legal Services Program

The Maryland Legal Services Program (MLSP) provides legal representation for children involved in Child in Need of Assistance (CINA) and Termination of Parental Rights (TPR) proceedings. MLSP also provides legal representation for indigent adults involved in Adult Public Services Guardianship proceedings. MLSP largely contracts these services with legal organizations.

Shelter and Nutrition

The Shelter and Nutrition program includes programs to provide emergency shelter, transitional housing, emergency food, housing counseling, supportive services, and related services for homeless persons and those persons at risk of becoming homeless. The key goals of the program are to direct emergency resources to address immediate needs of hungry and/or homeless persons for shelter, food and related services, as well as prevent new incidents of homelessness and provide services to move homeless households into more stable housing.

Adult Services

The Adult Services program provides services to elderly and individuals with disabilities. The Adult Services program protects vulnerable persons, promotes self-sufficiency, and prevents or delays institutional care. Adult Services are administered through LDSS and community-based agencies. The key goals of the program are to keep adults served by the program safe from abuse, help individuals served by the program to achieve their maximum level of independence, and to increase the physical, emotional, and financial involvement in their children's lives for those served by the parenthood program.

Office of Victim Services

The Office of Victim Services (OVS) administers programs to provide an environment of greater safety and that help stabilize the lives of the victims of crime and their families, in particular domestic violence, rape, sexual assault, and child abuse. OVS also provides other services to assist victims in crisis and in transition. The key goals of OVS are (1) to provide community-based support to victims of domestic violence, rape, sexual assault, child abuse, and other crimes to alleviate the immediate crisis, enhance safety, and help stabilize their lives; (2) to assist displaced homemakers attempting to enter or re-enter the workforce through life skills counseling, career counseling, education, training, and job placement; and (3) address immediate needs of homeless women and their children for shelter, food, and related services.

Office of Home Energy Programs

The Office of Home Energy Programs (OHEP) consists of three programs which provide home energy assistance through local agencies in each jurisdiction:

- The Maryland Energy Assistance Program (MEAP) which provides, under the federal Low Income Home Energy Assistance Program (LIHEAP) block grant, financial assistance for home energy costs for low-income citizens, crisis assistance, and furnace repair/replacements.
- The Electric Universal Service Program (EUSP) which helps make electric bills more affordable to low-income customers through bill assistance and arrearage retirement.
- The Utility Services Protection Program, which is a program of the Public Service Commission (PSC), to provide a winter shutoff protection for customers eligible for MEAP.

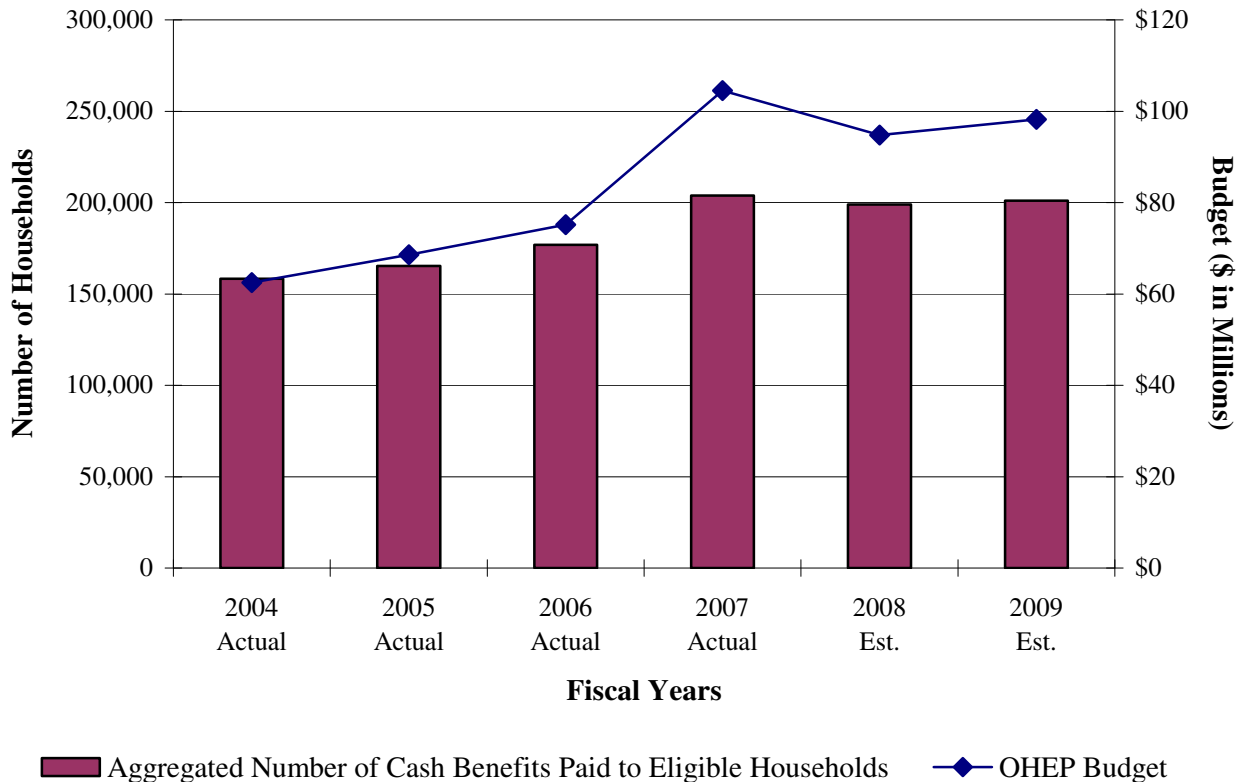
The key goals of OHEP are to provide access to services to as many eligible households as possible to help reduce home energy cost burdens, provide services to targeted groups, and to meet immediate home energy needs of eligible households experiencing energy crises by preventing or remedying off-service or out-of-fuel emergencies.

Performance Analysis: Managing for Results

OHEP

As seen in **Exhibit 1**, the budget for OHEP and the aggregated number of cash benefits has followed a similar trend. Both increased modestly from fiscal 2004 to 2006. Each increased significantly in fiscal 2007, to 203,773 for the number of aggregated cash benefits provided and to \$104.5 million for the OHEP budget. Modest changes are projected for both in fiscal 2008 and 2009.

Exhibit 1
OHEP Outcomes versus Funding
Fiscal 2004-2009
 (\$ in Millions)



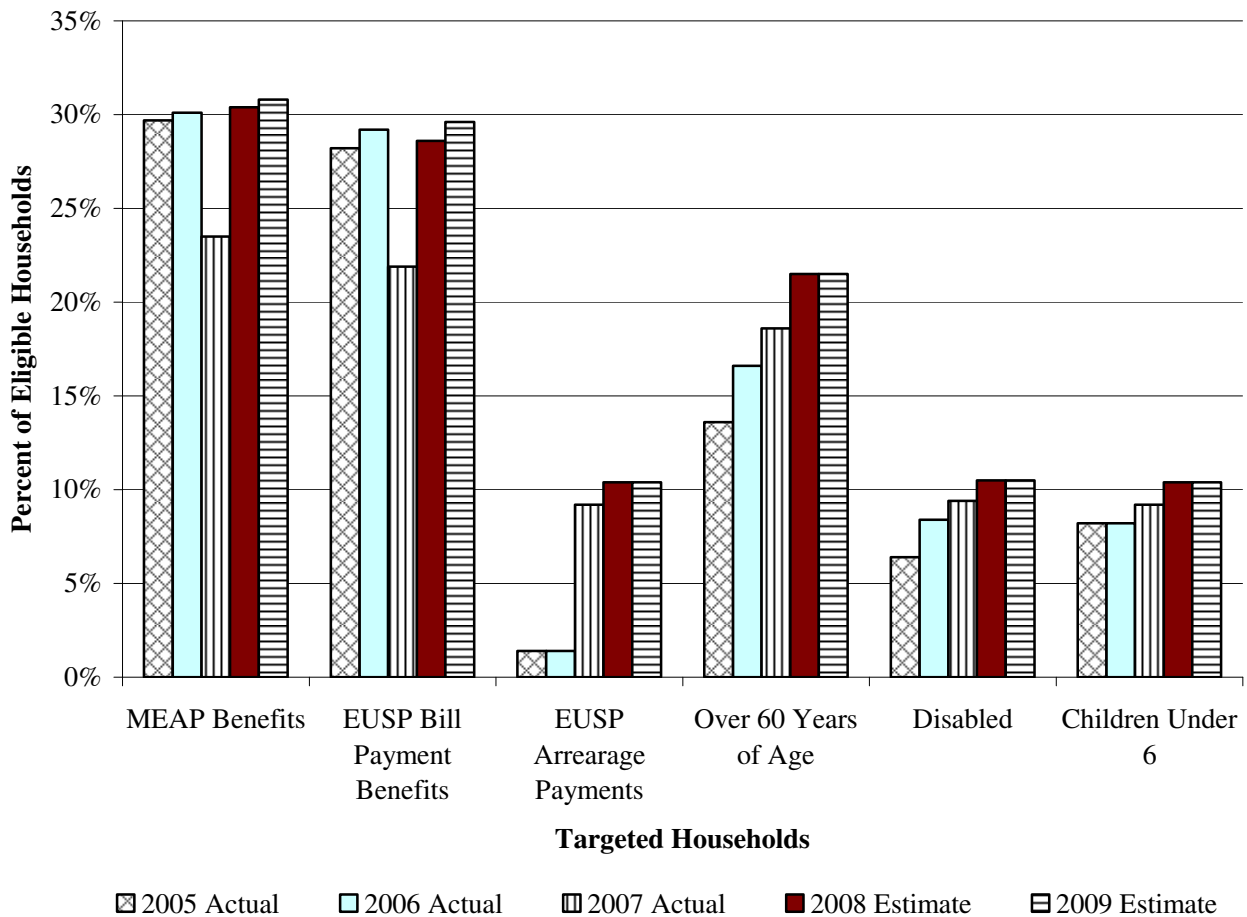
OHEP: Office of Home Energy Programs

Note: Eligibility levels changed in fiscal 2007 and 2008. Fiscal 2008 funding does not include proposed deficiency appropriations.

Source: Department of Human Resources

The percent of eligible households receiving MEAP and EUSP bill payment benefits increased between fiscal 2005 and 2006, as seen in **Exhibit 2**. However, both had a substantial decrease between fiscal 2006 and 2007 to 23.5% for MEAP and 21.9% for EUSP bill payment. Both are projected to increase to near or above the fiscal 2006 level in fiscal 2008 and 2009. The percent of eligible households receiving EUSP arrearage benefits increased from 1.4% in fiscal 2006 to 9.2% in fiscal 2007. The percent of eligible households receiving benefits is expected to increase slightly in fiscal 2008. Changes in eligibility were made during this time which impacted number of eligible households.

Exhibit 2
OHEP Percent of Eligible Households Receiving Benefit
Fiscal 2005-2009



OHEP: Office of Home Energy Programs

Note: Eligibility levels changed in fiscal 2007 and 2008.

Source: Department of Human Resources

The percent of eligible households over 60 years of age and disabled households receiving benefits increased from fiscal 2005 to 2007. Both are expected to continue to increase in fiscal 2008. The percent of eligible households with children under 6 increased in fiscal 2007 and is projected to do so again in fiscal 2008.

Shelter and Nutrition

Exhibit 3 provides various performance data for the Shelter and Nutrition program of CSA. The trend in declining performance measures generally follows the trend of the budget from fiscal 2005 to 2009 with two exceptions. First, the number of bednights of emergency shelter provided increased from 58,832 in fiscal 2005 to 61,036 in fiscal 2006 despite an overall decrease in the Shelter and Nutrition budget. Second, the budget increased from \$9.7 million in fiscal 2006 to \$11.7 million in fiscal 2007 while all four performance measures are estimated to decline. The number of persons served is expected to hold relatively steady through fiscal 2009, despite a continued decline in the overall Shelter and Nutrition budget.

Victim Services

As shown in **Exhibit 4** some of the performance measures for the Victim Services program have declined even as the budget increased. Between fiscal 2006 and 2007, both the number of new crime victims receiving community-based support and the number of homeless women and children receiving emergency shelter and related services decreased. The decrease is projected to continue through fiscal 2009 for the number of new crime victims receiving community-based support. The number of homeless women and children is expected to stabilize in fiscal 2008 and 2009. One important outcome measure of the number of homeless women and children receiving these services is the percent that move into a more stable home. After an increase to 48% in fiscal 2007, the number is projected to decline to 30% in fiscal 2008 and 2009.

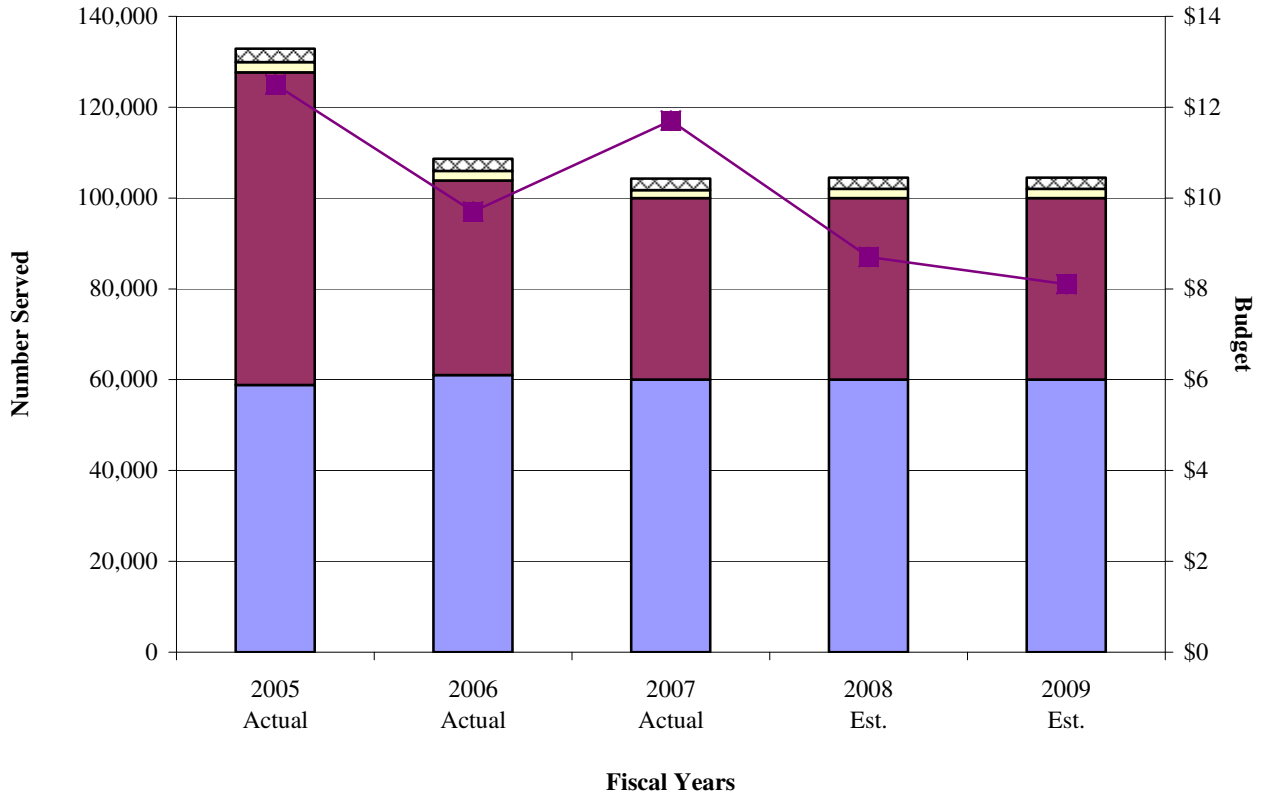
The department should comment on the reason for the projected decrease in the number of new crime victims receiving community-based support and the number of homeless women and children receiving emergency shelter and related services despite an increase in the Victim Services budget in fiscal 2008. The department should also comment on how they will continue to meet the performance measures despite a decrease in the availability of funding in fiscal 2009 for the Shelter and Nutrition and Victim Services Program.

Fiscal 2008 Actions

Proposed Deficiency

There are three deficiency appropriations proposed for CSA for fiscal 2008. These deficiency appropriations are:

**Exhibit 3
Shelter and Nutrition Outcomes versus Funding
Fiscal 2005-2009
(\$ in Millions)**

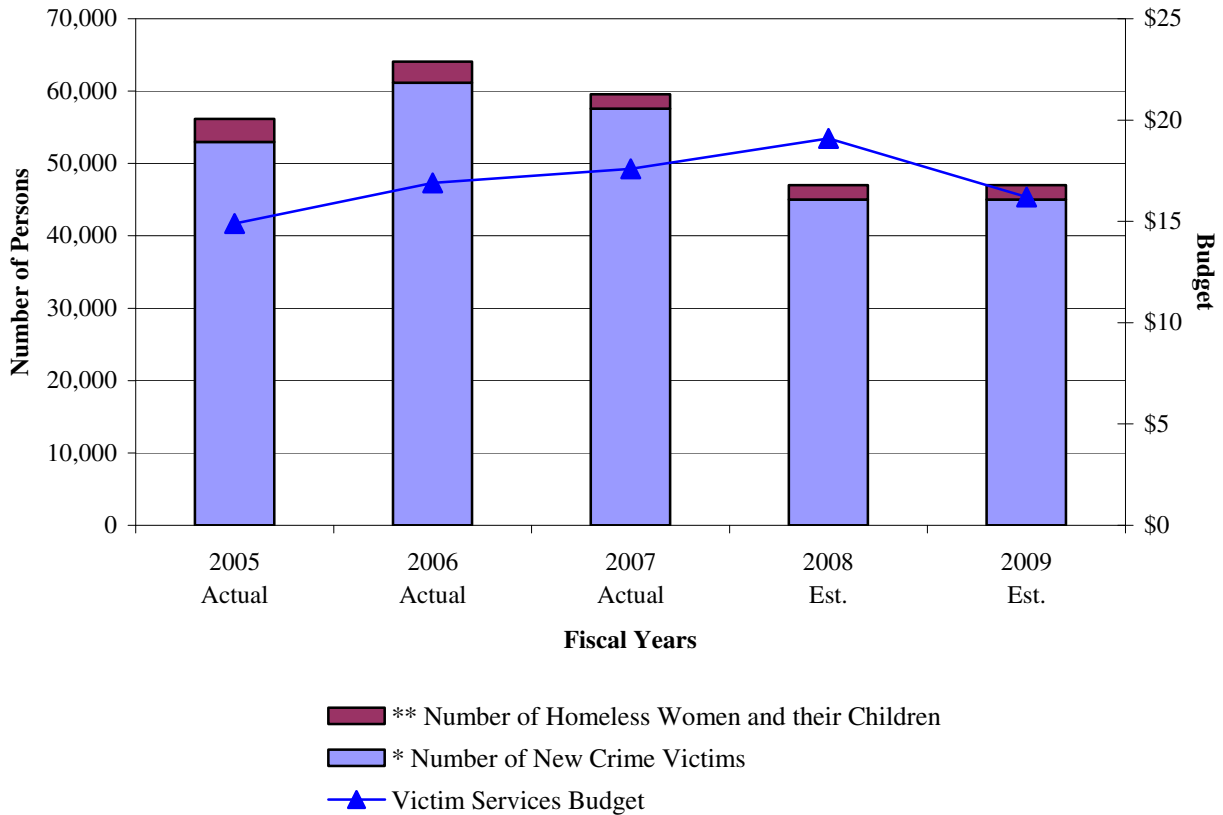


- ▤ No. of Vulnerable Households That Maintain Their Existing Housing through Linkages to Support Services
- ▨ No. of Evictions Prevented by Provision of Cash Grants
- No. of Bednights of Transitional Housing
- No. of Bednights of Emergency Shelter
- Shelter and Nutrition Budget

Note: Fiscal 2007 performance measures are estimates.

Source: Department of Human Resources

Exhibit 4
Victim Services Outcomes versus Funding
Fiscal 2005-2009
(\$ in Millions)



* Number of new crime victims receiving community-based support services to alleviate the immediate crisis, ensure victims' safety and help stabilize their lives after victimization.

** Number of homeless women and their children receiving emergency shelter and related services.

Source: Department of Human Resources

- A \$5.6 million deficiency appropriation provides funds for CINA/TPR legal services contracts. Of this \$5.6 million, \$3.7 million is from general funds and \$1.9 million is from federal funds. This provides funding for new contracts.
- A \$4.9 million federal fund deficiency appropriation for MEAP. This deficiency appropriation will allow OHEP to use MEAP carry over funds in fiscal 2008.

- A \$4.9 million general fund deficiency appropriation for EUSP. This deficiency appropriation will supplement the fiscal 2008 appropriations for low-income energy assistance.

Impact of Cost Containment

CSA had reductions of \$42,675 in general funds and \$222,653 in federal funds from the fiscal 2008 legislative appropriation as a result of cost containment measures. The general fund reductions occurred among most CSA programs. Federal fund reductions occurred in three areas: CSA general administration, Shelter and Nutrition, and local adult services. These reductions occurred mostly among operating expenses. DHR indicates that these reductions will not impact the programs of CSA.

Governor's Proposed Budget

As shown in **Exhibit 5**, the fiscal 2009 allowance increases the CSA budget by \$6.9 million, or 3.6%. General funds increase by \$26.6 million, or 74.5%. Special funds decrease by \$16.5 million, or 30.7%. Federal funds decrease by \$3.3 million, or 3.2%. The major changes occur in personnel, low-income energy assistance, and other contractual services and grants.

Personnel

Several significant changes occur in the allowance for personnel. Two of the largest personnel increases are related to health insurance. There is a \$1.8 million increase for the new category for Other Post Employment Benefits. An increase of \$602,483 is the result of employee and retiree health insurance. In fiscal 2008, the retiree health insurance premiums were not included in the allowance because these costs were paid out of savings from previous years. In fiscal 2009, these costs are included in the allowance. An increase of \$1.5 million is associated with salary increments.

The fiscal 2009 allowance abolishes 10.5 positions in CSA. These abolished positions are part of the Board of Public Works statewide reduction of positions action. The majority of these positions are from local offices, particularly Prince George's County and Baltimore City. The remaining positions come from the legal services, shelter and nutrition, and victim services programs. The abolition of these positions accounts for a decrease of \$506,609.

DHR has indicated its intention to reorganize CSA. Cost savings from this reorganization are included in the fiscal 2009 allowance. The fiscal 2009 allowance assumes salary savings of \$1.6 million as a result of these reductions.

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

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
2008 Working Appropriation	\$35,751	\$53,741	\$101,932	\$375	\$191,799
2009 Governor’s Allowance	<u>62,395</u>	<u>37,242</u>	<u>98,672</u>	<u>375</u>	<u>198,685</u>
Amount Change	\$26,644	-\$16,499	-\$3,259	\$0	\$6,886
Percent Change	74.5%	-30.7%	-3.2%		3.6%

Where It Goes:

Personnel Expenses

Health insurance – Other Post Employment Benefits.....	\$1,769
Increments.....	1,495
Health insurance – pay as you go	602
One time fiscal 2008 hiring freeze savings and cost containment.....	183
Social Security contributions	136
Retirement.....	87
Other fringe benefit adjustments.....	26
Turnover adjustments	-56
Abolish 10.5 positions	-507
Salary savings from reprogramming.....	-1,637

Other Changes

New contracts for Child in Need of Assistance/Termination of Parental Rights	4,000
Low income energy assistance.....	3,286
Changes in grants and contracts for Maryland Office of New Americans	882
Rent.....	506
Family Violence Prevention program.....	103
Changes in grants in local adult service operations	79
Changes to local adult services technical and special fees	61
Local senior care programs.....	59
Local security guard services contracts	51
Elimination of 0.8 full-time equivalent contractual position	-31
Realignment of expenditures in the Healthy Marriages program	-76
Purchase of Care for local adult services.....	-199

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Where It Goes:

Change in budgeting for the Temporary Disability Assistance Program/Disability Entitlement Advocacy Project – transfer to the Family Investment Administration	-309
End of Baltimore Healthy Marriages Initiatives	-359
Realigning funding for fatherhood programs for the fiscal year	-522
Decrease in availability of federal funding for victims assistance.....	-2,698
Other changes	-45
Total	\$6,886

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

Energy Assistance

There were several significant funding changes for low income energy assistance. The total increase in energy assistance was \$3.3 million, absent changes in personnel and other administrative costs. The largest increase occurred in the State Special Benefit Program. In recent years, additional funding for energy assistance has been available through special funds from the Dedicated Purpose Account. In fiscal 2008, the funding available through the Dedicated Purposed Account is \$16.5 million. In fiscal 2009, the additional funding available for energy assistance is from general funds, \$21.7 million. This is an increase of \$5.2 million over fiscal 2008.

In addition, there is a decrease of \$2.3 million for MEAP in the fiscal 2009 allowance. This is largely related to an anticipated decrease in carry over LIHEAP funds.

The OHEP Administration budget, absent personnel and other administrative changes, increases in the fiscal 2009 allowance by \$709,309 which is largely the result of the increased cost of new contracts and software maintenance and support. Some of this increase is offset by adjustments to funding in EUSP.

Other Changes

Several additional significant changes appear in the fiscal 2009 allowance. An increase of \$4.0 million is included in the allowance for new legal services contracts for CINA/TPR. The new contracts provide for a higher base pay for attorneys and funding to reduce the attorney client ratio from 1:200 to 1:150.

An increase of \$881,730 occurs in MONA among contractual services and grants, subsidies, and contributions. This increase is largely the result of increases in the refugee social services program and federal funding associated with the Public Private Partnership, which were partially offset by decreases due to federal funding for the targeted assistance discretionary and formula grant.

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A decrease of \$2.7 million occurs in the Victim Services Program as the result of a decrease in the availability of federal funding for victim of crime assistance.

Issues

1. Reorganization of CSA

DHR operates through several major administrations: the Family Investment Administration (FIA), Social Services Administration (SSA), Child Support Enforcement Administration (CSEA), and CSA.

CSA has had the mission of supplementing the services provided by FIA, SSA, and CSEA. This work is accomplished through a network of community- and faith-based organizations, LDSS, and other State and local agencies. The work of CSA encompasses the MONA, Legal Services, Victim Services, the Shelter and Nutrition program, OHEP, Adult Services, and local Adult Services.

DHR indicates that CSA is not achieving the maximum service integration with the other DHR programs. As a result, DHR has announced its intention of reorganizing the Community Services Administration. House Bill 1443 of 2008, a departmental bill, has been introduced for the reorganization.

DHR believes that reorganization will lead to better service integration and efficiency in programs.

The reorganization plan includes several features, as seen in **Exhibit 6**. These include:

- transferring OHEP and MONA to FIA;
- transferring Adult Services to SSA;
- transferring the Legal Services Program to the Office of the Secretary;
- repealing CSA and abolishing the Office of the Executive Director and Deputy Executive Director;
- creating the Office of Grants Management, which will analyze and administer grants to transitional services; and
- administering grants formerly associated with the Office of Transitional Services, Office of Victim Services, and Office of Community Initiatives in the Office of Grants Management.

**Exhibit 6
Reorganization Plan for CSA**

<u>Community Services Administration Unit</u>	<u>Action</u>	<u>Location</u>
Office of Home Energy Programs Maryland Office for New Americans	Transfers to	Family Investment Administration
Office of Adult Services	Transfers to	Social Services Administration
Maryland Legal Services Program	Transfers to	Office of the Secretary
Office of Victim Services Office of Transitional Services Office of Community Initiatives	Consolidated into newly created	Office of Grants Management

CSA: Community Services Administration

Source: Department of Human Resources

DHR indicates that this reorganization allows some similar services to function together. For example, the department indicates that the role of adult services is an expansion of the current role of SSA in protecting vulnerable children. DHR suggests that these changes will also make the program provision more convenient for customers. **The department should comment on the reorganization plan, including the purpose, expected improvements to customer service, and improvements in efficiencies.**

DHR expects the reorganization to have some impact on personnel. The personnel of OHEP, MONA, Legal Services, and the Office of Adult Services are expected to transfer in tact. The Offices of Victim Services, Transitional Services, and Community Initiatives currently contain 23 regular positions. Of these 23 positions, 12 will be assigned to the new Office of Grants Management. These positions will include a director, deputy director, and analysts. Three of the remaining 11 positions are vacant. The persons filling the other 8 positions will be reassigned within the department. DHR expects that most of the 9.5 persons in the Office of the Executive Director will be reassigned. **The department should comment on whether the number of authorized positions will be reduced as a result of these actions.**

DHR anticipated this reorganization in the budgetary process. The Governor's allowance included a reduction for CSA of \$1.9 million due to the reorganization, including \$1.5 million in general funds. The allowance includes funding for one month for positions in fiscal 2009 to allow for a transition period.

Most of the reduction included in the allowance is a result of savings in salaries and wages, \$1.6 million. DHR indicates the remaining savings assumed in the allowance occur in the areas of telephones, travel, supplies, stipends and tuition, dues, and subscriptions.

DHR noted that that needed budgetary changes will occur in a supplemental budget, including actions to move the remaining funds to the appropriate location.

DHR anticipates beginning to implement these changes upon approval of legislation, with an expected completion date by the first month of fiscal 2009. **Since cost savings are assumed in the allowance, the department should comment on the impact on the fiscal 2009 operations if the reorganization legislation is not adopted.**

2. Energy Assistance

OHEP administers two major energy assistance programs. The first program is MEAP which is federally funded through LIHEAP. LIHEAP provides assistance for residential heating bills of all fuel types. The second program is EUSP that was established as part of the Electric Deregulation Act of 1999 and amended with Chapter 5 of the 2006 special session. EUSP provides funding for three programs: bill assistance, arrearage assistance, and weatherization. The weatherization component is administered through the Department of Housing and Community Development.

Recent events have impacted the ability of OHEP to meet the need for energy assistance with the funding available. In the OHEP fiscal 2007 annual report to PSC several factors are noted as impacting the need for energy assistance and the need for funding. These factors include:

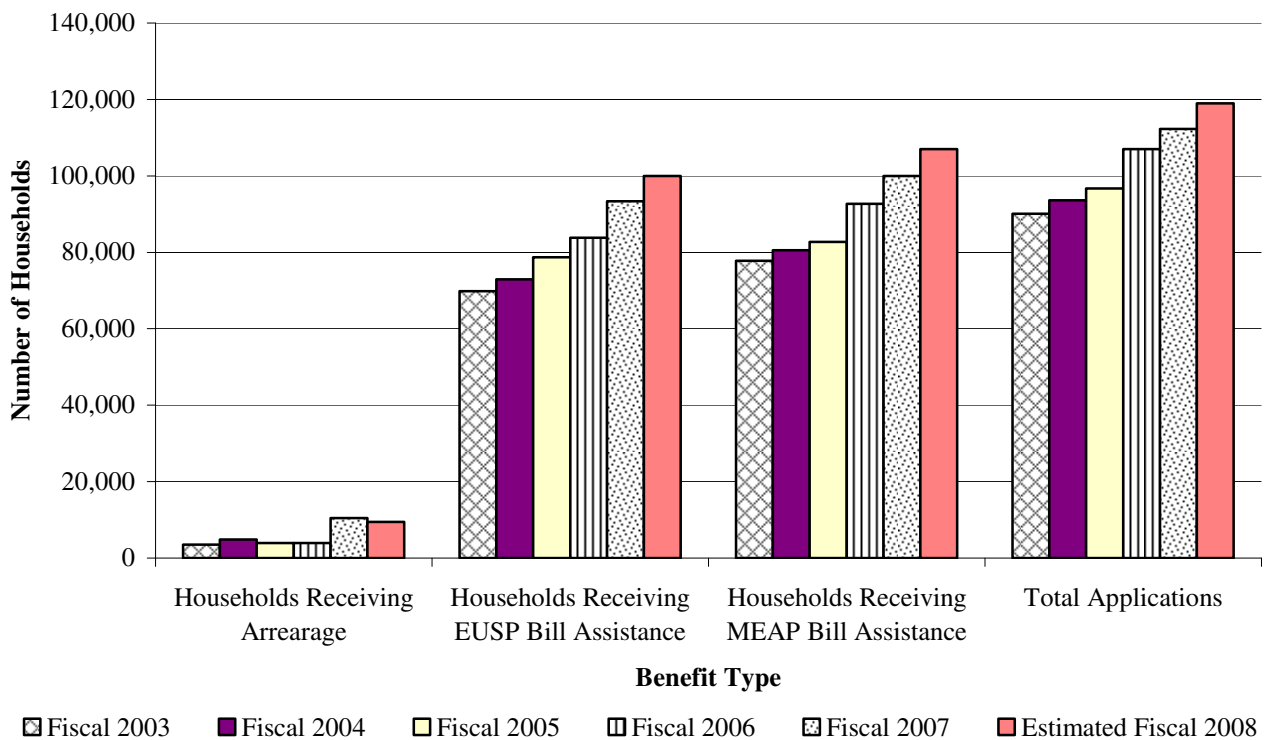
- trends of increasing enrollment;
- income eligibility guidelines;
- upward trends of electric rates;
- higher demand for electricity resulting from an increasing number of products that require electricity;
- potentially higher demand based on the possibility of a colder than normal winter; and
- the capacity of administrative units to handle the flow of increasing applications.

This issue will discuss several of these factors, recent trends in OHEP funding, and the potential for a gap in funding between need and the fiscal 2009 allowance.

Trends in Participation

The number of households receiving benefits has been in an upward trend in recent years, as seen in **Exhibit 7**. One important factor potentially impacting the participation level is changing eligibility requirements. Until fiscal 2007, the maximum eligibility, defined in statute, was 150% of the federal poverty line. In fiscal 2007, the maximum eligibility level for assistance was raised to 200% of the federal poverty line. In fiscal 2008, the maximum eligibility level was set at 175% of the federal poverty line.¹

Exhibit 7
Participation Trends by Program
Fiscal 2003-2008



Source: Department of Human Resources

¹ Chapter 5 of the 2006 special session raised the statutory maximum eligibility from 150% to 175% of the federal poverty line for EUSP.

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The number of households applying for OHEP benefits has been steadily increasing since 2003. The total number of households applying for benefits in fiscal 2007 was 112,285. This was a 5% increase over fiscal 2006. DHR estimates 6% more households will apply in fiscal 2008 than did in fiscal 2007.

EUSP bill assistance has steadily increased in the number of households served since fiscal 2003. In fiscal 2007, 93,323 households receive EUSP bill assistance. The EUSP bill assistance program served 11.3% more households in fiscal 2007 than in fiscal 2006. DHR anticipates serving 7.2% more households with this program in fiscal 2008 than in fiscal 2007.

EUSP arrearage assistance held relatively steady, as did the funding, between fiscal 2003 and 2006. In fiscal 2007, additional funds were available for arrearage assistance. Between fiscal 2006 and 2007, the number of households receiving arrearage assistance increased by 165.9% to 10,468. DHR projects serving 9.2% fewer households in fiscal 2008 than in fiscal 2007 with the arrearage benefit.

The MEAP bill assistance program has also seen increases since fiscal 2003 in the number of households served. There was a 7.8% increase in the number of households receiving MEAP assistance between fiscal 2006 and 2007. In fiscal 2007, the number of households receiving MEAP assistance was 99,982. DHR anticipates serving 7.0% more households with MEAP assistance in fiscal 2008 than in fiscal 2007.

The number of households in fiscal 2008 who have applied for benefits in total, for MEAP, and EUSP bill assistance has increased through February 6 compared to the same time period in fiscal 2007. Only EUSP arrearage assistance has seen a decline in applications. **Exhibit 8** provides information on the number of households receiving benefits for July 1 through February 6 in fiscal 2007 and 2008 by benefit level for each program. This allows for the adjustment of the households not eligible for benefits in fiscal 2008 that were in fiscal 2007.

Exhibit 8 shows that the total number of households receiving a benefit in all three programs has decreased in fiscal 2008 from the same time period in fiscal 2007. However, when the change in eligibility is accounted for both programs, MEAP assistance and EUSP bill assistance have both seen increases of over 3% in the number of households served over the same time period in fiscal 2007. These trends indicate that the demand for energy assistance has not lowered in fiscal 2008. Even without accounting for the changing eligibility, the decrease in participation in these two programs is very modest, particularly for EUSP bill assistance.

In fiscal 2007, additional funding was available for arrearage assistance; DHR indicates it intends to provide additional funding for arrearage assistance in fiscal 2008 as well. The number of households served with arrearage assistance has decreased by over 40% through February 6 over the same time period in fiscal 2007, even after accounting for the change in eligibility. In fiscal 2008, the minimum level of arrearages needed to qualify for this benefit was increased to \$300 from \$100. As a result, fewer people can be served even with the same amount of funds available. **The department should comment on the increased usage of arrearage assistance in fiscal 2007 and 2008, whether it anticipates continuing to provide additional funds for arrearage assistance in future years, and whether these additional funds provided for arrearage assistance impacts the ability of OHEP to meet the needs of households requiring bill assistance.**

Exhibit 8
Households Receiving Benefits by Program and Benefit Level
Year-to-date Fiscal 2007 and 2008

<u>Category</u>	<u>MEAP</u>			<u>EUSP Bill Assistance</u>			<u>EUSP Arrearage</u>		
	<u>2007</u>	<u>2008</u>	<u>Change</u>	<u>2007</u>	<u>2008</u>	<u>Change</u>	<u>2007</u>	<u>2008</u>	<u>Change</u>
0% – 75%	15,407	16,167	4.9%	14,084	14,856	5.5%	4,279	1,940	-54.7%
>75% – 110%	13,527	13,884	2.6%	12,789	13,233	3.5%	1,959	960	-51.0%
>110% – 150%	13,384	14,039	4.9%	12,668	13,413	5.9%	1,981	1,056	-46.7%
>150% – 175%	4,824	5,777	19.8%	4,574	5,515	20.6%	951	672	-29.3%
>175% – 200%	5,037	0	-100.0%	2,888	0	-100.0%	725	0	-100.0%
Subsidized	19,920	19,574	-1.7%	21,037	20,387	-3.1%	0	807	100.0%
Rent with Heat	877	846	-3.5%	59	67	13.6%			
Roomer/Boarder	107	88	-17.8%						
Subsidized Submetered	94	107	13.8%						
Total	73,177	70,482	-3.7%	68,099	67,471	-0.9%	9,895	5,435	-45.1%
Total without 175% – 200%	68,140	70,482	3.4%	65,211	67,471	3.5%	9,170	5,435	-40.7%

Note: The fiscal 2007 and 2008 numbers include only those that had received a benefit between July 1 and February 6.

Source: Department of Human Resources

Other Potential Pressures on Demand

The end of the electricity rate freezes, in addition to the increasing cost of electric supply, has led to increases in the cost of electricity to consumers in Maryland. Following the end of the Baltimore Gas & Electric (BGE) rate stabilization plan, BGE customers faced a significant increase in the cost of energy in fiscal 2008. Potomac Electric Power Company (PEPCO) and Delmarva Power & Light customers also experienced an increase in electric supply costs during fiscal 2008, though this increase was much lower than for BGE customers. In addition, customers of both PEPCO and Delmarva Power & Light faced increases in the distribution rate in fiscal 2008.

However, the results of the supply bidding process through the January bids indicate that increases in electric costs for residential customers will be smaller this year than in recent years and may decline for one company. According to the PSC *Office of Staff Counsel Report* dated January 17, 2008, the increase in the average total annual bill for BGE is estimated at 5.5% for BGE. PEPCO residential customers are expected to see an average total annual bill increase estimated at 1.6%. Delmarva Power & Light residential customers are estimated to have a decrease in the average total annual bill of 0.8%. Lower increases in electric costs, or potential declines in electric costs like

these bid results indicate, may lead to a reduction in the expected increase in demand. However, the electric rates would still be higher than those of several years ago, potentially keeping demand at a higher level than in other years.

In addition, in fiscal 2009, the rate freeze for Allegheny Power is set to end. Allegheny Power serves 217,439 residential customers and had a total customer base of 247,535.² In preparation for the end of the rate freeze Allegheny Power has created a rate stabilization plan to lessen rate shock. However, any increase in energy bills could lead to an increased demand.

OHEP intends to actively engage in outreach activities in fiscal 2008. Outreach activities in previous years included presentations at various events, mass mailings, and advertisements. This may cause an additional increase in demand for energy assistance as more households become aware of the programs. Some of the impacts of the fiscal 2008 outreach could be felt in fiscal 2009.

Potential Budgetary Pressures

In addition to pressures on energy assistance from demand, several other factors contribute to pressure on the budget of OHEP.

First, as shown in **Exhibit 9**, average benefits in each benefit level category have risen in fiscal 2008 through February 6. Benefit levels are customized for households based on income, usage, cost, territory, and whether the household resides in subsidized housing. However, the average benefit by the benefit level provides a good comparison of the trends in benefit levels over time. Rising benefit levels would increase the cost of the program even if the number of persons served remained the same. The average benefit for MEAP has remained relatively stable.

The average benefits for EUSP bill assistance have generally increased by more than 10.0%. The only exception to this is for the benefit category of rent with heat included which increased by 5.8%. The most significant changes in average benefit levels have occurred among the arrearage assistance. Each benefit level has seen an increase of over 60.0% in fiscal 2008 for arrearage assistance. **The department should also comment on whether they anticipate being able to continue to increase the benefit level in EUSP bill and arrearage assistance in fiscal 2009.**

Another potential budgetary pressure is the administration costs of the energy assistance programs. DHR has suggested that the administration costs of OHEP may increase based on the new requests for proposals that are being prepared for the local administrations that provide the direct service of the program. The fiscal 2009 allowance includes a significant increase in the OHEP Administration budget related to the cost of local administration contracts, approximately \$446,000.

² This customer base is for November 2007 as reported by the Public Service Commission.

Exhibit 9
Average Benefit by Program and Benefit Level
Year-to-date Fiscal 2007 and 2008

<u>Category</u>	<u>MEAP</u>			<u>EUSP Bill Assistance</u>			<u>EUSP Arrearage</u>		
	<u>2007</u>	<u>2008</u>	<u>Change</u>	<u>2007</u>	<u>2008</u>	<u>Change</u>	<u>2007</u>	<u>2008</u>	<u>Change</u>
0% – 75%	\$651	\$645	-0.9%	\$831	\$939	13.0%	\$477	\$778	63.1%
>75% – 110%	551	569	3.3%	643	715	11.2%	468	794	69.7%
>110% – 150%	481	491	2.1%	552	612	10.9%	480	772	60.8%
>150% – 175%	362	356	-1.7%	339	384	13.3%	481	814	69.2%
>175% – 200%	301	0	-100.0%	285	0	-100.0%	477	0	-100.0%
Subsidized	229	209	-8.7%	251	284	13.1%	0	716	100.0%
Rent with Heat	532	561	5.5%	277	293	5.8%			
Roomer/Boarder	168	187	11.3%						
Subsidized Submetered	288	298	3.5%						
Total	\$441	\$452	2.5%	\$508	\$577	13.6%	\$476	\$761	59.9%

Note: The fiscal 2007 and 2008 numbers include only those that had received a benefit between July 1 and January 3.

Source: Department of Human Resources

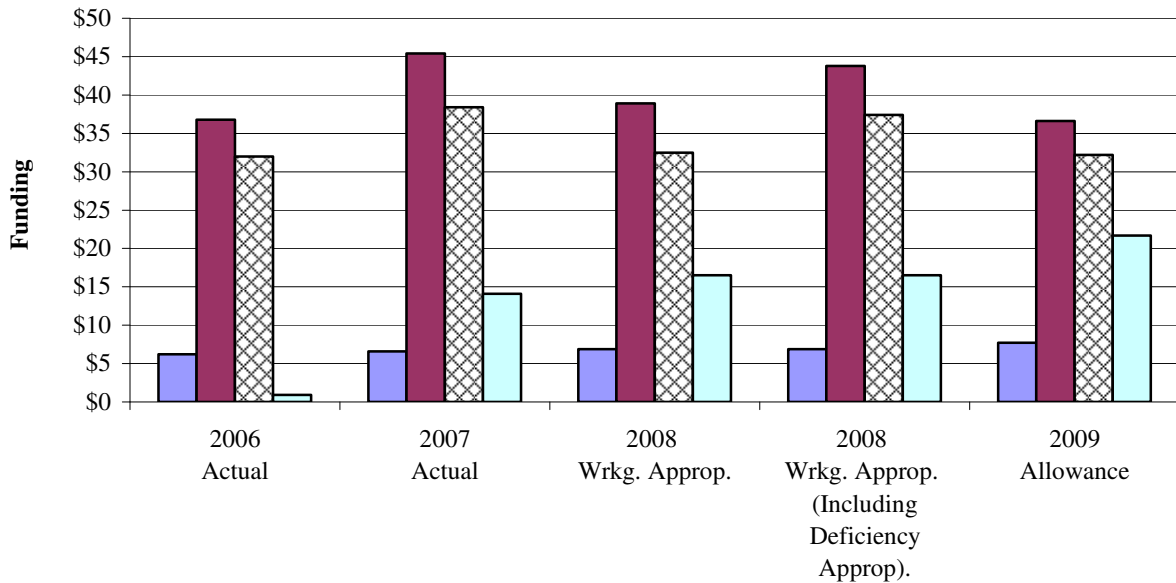
OHEP Funding

Exhibit 10 shows funding trends for OHEP by program from fiscal 2006 through 2009 allowance. MEAP funding is available through LIHEAP and, as a result, is determined by the federal government. LIHEAP funds are available through a base allocation, as well as, emergency contingency funds and leveraging amounts. MEAP funding increased in fiscal 2007, but the appropriation decreased in fiscal 2008, even when the deficiency appropriation is included.

The fiscal 2009 allowance for MEAP is \$2.3 million lower than in fiscal 2008, not accounting for the deficiency appropriation. This decline is the result of concerns over the availability of carry over funds from fiscal 2008. This concern may be somewhat mitigated by the recent allotment of emergency contingency LIHEAP funds. However, the recently released fiscal 2009 budget proposed by the President would reduce funding for LIHEAP by \$570.0 million compared to the 2008 level.³ The decrease in the availability of LIHEAP funding for MEAP could create additional budgetary pressures for OHEP.

³ National Conference of State Legislatures (February 5, 2008). Federal Budget and Revenue Update: President Releases Fiscal 2009 Budget. <http://www.ncsl.org/print/standcomm/scbudg/scbv14n3.pdf>

**Exhibit 10
Recent Funding Levels for OHEP
Fiscal 2006-2009
(\$ in Millions)**



■ OHEP Administration ■ MEAP ▨ EUSP Collected from Ratepayers □ State Special Benefit Program

	<u>2006 Actual</u>	<u>2007 Actual</u>	<u>2008 Working Approp.</u>	<u>2008 Working Approp. (Including Deficiency Approp.)</u>	<u>2009 Allowance</u>
OHEP Administration	\$6.2	\$6.6	\$6.9	\$6.9	\$7.7
MEAP	36.8	45.4	38.9	43.8	36.6
EUSP Collected from Ratepayers	32.0	38.4	32.5	37.4	32.2
State Special Benefit Program	0.9	14.1	16.5	16.5	21.7
Total Funding	\$75.2	\$104.5	\$94.8	\$104.6	\$98.2

OHEP: Office of Home Energy Programs
MEAP: Maryland Energy Assistance Program
EUSP: Electric Universal Service Program

Source: Department of Human Resources

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EUSP, as developed, had a mandated funding level of \$34.0 million. This funding is paid by both residential and commercial ratepayers. This ratepayer funding level was increased to \$37.0 million in Chapter 5 of the 2006 special session. Of this \$37.0 million, \$1.0 million is dedicated to weatherization, and \$1.5 million is dedicated to arrearage assistance. The \$1.0 million of funding for weatherization is not available to DHR.

In recent years additional State funds have been appropriated to OHEP, shown in Exhibit 10 as the State Special Benefit Program. Until fiscal 2009, this additional funding was recorded as special funds which come from the Dedicated Purpose Account, typically used for EUSP. The fiscal 2009 allowance includes additional funds of \$21.7 million in general funds. This is a \$5.2 million increase in the amount of additional energy assistance in fiscal 2008.

Two deficiency appropriations have been proposed for fiscal 2008, which would increase the total appropriation to slightly above the fiscal 2007 level.⁴ One of these deficiency appropriations is \$4.9 million and specifically for MEAP assistance. The second is \$4.9 million for EUSP assistance.

The Department of Budget and Management indicates that in addition to the \$16.5 million appropriated for fiscal 2008 from the Dedicated Purpose Account, another \$4.1 million remains in this account. This additional \$4.1 million would provide DHR with more funding for low-income energy assistance than was available in fiscal 2007, a time when eligibility limits were more generous.

Including the two deficiency appropriations in fiscal 2008, there is a decline in total funding for OHEP between fiscal 2008 and 2009 of \$6.4 million. Including the additional \$4.1 million that may be available in the Dedicated Purpose Account in fiscal 2008, creates a potential decrease of \$10.5 million between fiscal 2008 and 2009.

Potential Funding Gap in Fiscal 2009

Exhibit 11 shows two Department of Legislative Services' calculations of the potential funding gap for fiscal 2009 for EUSP. The potential funding gap for each estimate is calculated by the difference between the projection and the amount of ratepayer funding for EUSP available to OHEP.

The first estimate provided in the OHEP fiscal 2007 annual report to PSC projects a total need for EUSP of \$60.2 million. This estimate includes \$51.6 million for bill assistance, \$4.5 million for arrearage assistance, and \$4.1 million for administration costs. This assumes a level of 97,617 households served with bill assistance and a lower average benefit than the fiscal 2008 year-to-date amounts. This projected level of need leaves a potential funding gap in EUSP of \$2.5 million over what is included in the allowance.

⁴ Fiscal 2007 included an additional \$6.0 million in funding from the availability of a one-time State corporate income tax revenues. Most of this one-time funding was used for arrearage retirement.

Exhibit 11
Potential Funding Gap for EUSP
Fiscal 2009
(\$ in Millions)

	<u>Fiscal 2007</u> <u>Annual Report</u>	<u>Recent OHEP</u> <u>Estimate</u>
OHEP projected total need	\$60.2	\$73.9
Legislatively mandated funding by ratepayers (minus \$1 million of weatherization funds)	36.0	36.0
Difference between need and mandated funding	24.2	37.9
Additional Energy Assistance funding	21.7	21.7
Difference between need for additional funding based on OHEP calculation and additional funding provided	\$2.5	\$16.2

EUSP: Electric Universal Service Program

OHEP: Office of Home Energy Programs

Notes: \$1.0 million of the \$37.0 million in mandated ratepayer funding of EUSP is transferred to the Department of Housing and Community Development and is not available to OHEP. In the fiscal 2007 annual report, OHEP projected need assumes 97,617 households served with bill assistance and lower benefit levels than the fiscal 2008 year-to-date. The recent OHEP estimate assumes 100,000 households served.

Source: Department of Human Resources; Department of Legislative Services

A recent projection provided by DHR, projects the need for EUSP in fiscal 2009 of \$73.9 million. This includes \$62.3 million for bill assistance, \$5.5 million for arrearage assistance, and \$6.1 million for administration of the program. This assumes 100,000 households served with bill assistance benefits. This results in a potential funding gap of \$16.2 million.

These potential funding gaps do not measure any shortfalls in MEAP that may occur if demand remains at the same level, but funding is reduced.

Conclusions

Pressures in terms of costs of energy, knowledge of the program, and the general upward trend in participation could lead to an increased demand in fiscal 2009. Two estimates of need for fiscal 2009 indicate a potential funding gap in EUSP compared to the amount of funds available in the fiscal 2009 allowance. One estimate reveals a potential funding gap of \$2.5 million. The second estimate points to a potential funding gap of \$16.2 million. These two calculations focus only on

potential funding gaps for EUSP. Given the lower amount of funding available to MEAP in the fiscal 2009 allowance, it is possible that a funding gap could occur for this program as well if demand remains at the same level. **The department should comment on a potential funding gap projected for MEAP in fiscal 2008 or 2009. The department should comment on whether the declining MEAP funding is impacting the number of households served or the size of the average benefit for recipients.**

In the DHR response to the 2007 *Joint Chairmen's Report* request about energy assistance, DHR noted several potential resources for additional funding to meet the demand. These potential resources included:

- support for increases in LIHEAP appropriation be sent to Congress;
- State general funds;
- unclaimed utility security deposits; and
- utilities through forgiveness options.

DHR indicates that the latter two approaches may not be helpful in providing additional funds, due to needed statutory changes and funds available through the option. The recently released fiscal 2009 budget proposed by the President would lower the amount of LIHEAP funds available. In addition, the fiscal 2009 allowance includes additional energy assistance funding from the State general funds, but a potential funding gap remains. **The department should comment on how it intends to meet the demand for energy assistance given the potential gap in funding in fiscal 2009. DHR should specifically comment on how the benefits that households receive will be impacted by any gap in funding.**

Although not mentioned by DHR, another potential funding option would be to increase the ratepayer funding of EUSP. Chapter 5 of the 2006 special session increased the ratepayer funding for EUSP. This increase was restricted to commercial customers. **DHR should comment on the potential for increasing the ratepayer funding to lessen some of the budgetary pressures.**

Recommended Actions

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

, provided that \$21,700,000 of the general fund appropriation for the Office of Home Energy Programs may not be expended until all special funds available to the Universal Service Benefit Program have been exhausted.

Explanation: This language restricts the use of the \$21.7 million in general fund appropriation for the State Special Benefit Program of the Office of Home Energy Programs until all special funds have been exhausted.

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

Further provided that \$21,700,000 of the general fund appropriation for the Office of Home Energy Programs be used only for the purpose herein appropriated, and there shall be no budgetary transfer to any other program or purpose. Funds unexpended at the end of the fiscal year shall revert to the general fund.

Explanation: This language restricts the general fund appropriation made for the purpose of low-income energy assistance to that purpose. It also requires that all unexpended funds be reverted at the end of the fiscal year. The funding available for EUSP through ratepayer funding has been inadequate in recent years to meet the needs of households. As a result, additional funding has been available for low income energy assistance, through the Dedicated Purpose Account in prior years and general funds in the fiscal 2009 allowance. All funding available for the purpose of helping to meet the energy assistance demand should be used for this purpose to ensure all households who qualify and apply receive a benefit. If reduced demand lessens the need for additional assistance the money should revert to the general fund.

3. Add the following language to the general fund deficiency appropriation:

, provided that \$4,943,000 of the general fund deficiency appropriation for the Electric Universal Services Program (EUSP) may not be expended until the Department of Human Resources (DHR) has exhausted all special funds available to the Universal Services Benefit Program, State Special Benefits Program, including the monies appropriated to the Dedicated Purpose Account (DPA) in the State Reserve Fund available for low-income energy assistance in fiscal 2008.

Explanation: The fiscal 2008 general fund deficiency appropriation provides supplemental funding for DHR Office of Home Energy Programs to be used for the EUSP in the amount of \$4.9 million. The Department of Budget and Management indicates that in addition to the \$16.5 million that appears in the DHR working appropriation from the DPA, an additional

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\$4.1 million exists within the DPA. DHR should use all funding available to this program, provided through ratepayer funding and the DPA in the State Reserve Fund, for low-income energy assistance before general funds become available. This language restricts access to the general fund deficiency appropriation until these funding sources have been exhausted.

4. Add the following language to the general fund deficiency appropriation:

Further provided that \$4,943,000 of this general fund deficiency appropriation for the Electric Universal Services Program (EUSP) may be used only for the purposes herein appropriated, and there shall be no budgetary transfer to any other program or purpose. Funds unexpended at the end of the fiscal year shall revert to the general fund.

Explanation: This language restricts the deficiency appropriation for EUSP to be used only for that purpose. The language also requires that any remaining funds unexpended at the end of fiscal 2008 be reverted to the general fund. The funding available for EUSP through ratepayer funding has been inadequate in recent years to meet the needs of households. As a result, additional funding has been available for low-income energy assistance, through the Dedicated Purpose Account in fiscal 2008. This deficiency appropriation makes available general funds for this purpose. All funding available for the purpose of helping to meet the energy assistance demand should be used for this purpose to ensure that all households who qualify and apply receive a benefit. If EUSP does not meet the level of service which would require this additional funding the money should revert to the general fund at the end of the fiscal year.

Updates

1. EUSP Evaluation

In May 2007, an evaluation of EUSP was released.⁵ PSC hired PA Government Services Inc., and Innovologie, LLC., to conduct the evaluation. This evaluation began July 1, 2004, and was completed June 30, 2006. There were two main components of the evaluation: process evaluation and impact evaluation.

The process evaluation involved program documentation review and the development of a program theory logic model, interviews, customer surveys, and a demographic analysis. The impact evaluation used some sections of the customer surveys, but was largely focused on a pre/post bill payment impact assessment. The evaluation used measures of the average payments, average of payments when a payment was made, average percent of total bills that were paid (referred to as completeness), regularity of payment, and continuity of payment. There were four groups studied: new participants, continuing participants, all households, and near neighbors. New participants were the key test group.

Process Evaluation Findings

The process evaluation focused on several aspects of the program. Two important findings were the trend of increasing participation and that the program is reaching those with high energy burdens. It also reported that satisfaction with the program application process was high. In addition, the evaluation indicated that EUSP is fairly well coordinated with MEAP. However, the evaluation included some findings that suggested that there was room for improvement in the implementation of the program.

First, the evaluation noted that approximately one-third of participants do not re-apply the following year, most for reasons other than financial stability.

Second, the evaluation reported the importance of continuing outreach, but at a broad scale in which households not currently in contact with social service agencies are reached. Concern was particularly expressed that households are not aware of the program.

Third, the evaluation reported concerns over education. In particular, it was mentioned that those applying through mail do not receive the same education as those applying in person, and there are problems with participants understanding their bills.

Fourth, the evaluation discussed issues related to communication and coordination between OHEP, local aging agencies (LAAs), and the utilities. In general, communication and coordination between groups was discussed positively. However, the evaluators noted that LAAs and utilities would like more communication about program changes and input into policy decisions.

⁵ The full report can be found at <http://www.psc.state.md.us/psc/Reports/EUSP051107.pdf>

The process evaluation also focused on issues of funding for the local administration and shortcomings in the IT system. The shortcomings in the IT system were discussed as the result of an underinvestment of capital, short period of development, and having staff to manage the systems.

Finally, the process evaluation noted concerns that all groups had about the arrearage program. In particular, the evaluators mentioned that it was reported as an important part of EUSP, but was most often cited as needing improvement.

Impact Evaluation Findings

The impact evaluation had several main findings. Most notably, the payment behaviors of new participants did not improve in the one-year period after involvement with the program. In fact, each of the measures of bill payment for these new participants were worse during this period; most of these declines were statistically significant. However, the evaluators noted that the survey results indicated that bill payment would have been worse without the program for these participants. The two comparison groups also had statistically significant decreases in some bill payment behaviors.

Another important finding was that the bill payment behaviors improved for continuing participants, with most being statistically significant.

Finally, the evaluators found that the measure of completeness in bill payment behavior was worse for all four groups in the post period. The evaluators noted that this meant a smaller percentage of the utility bills were being paid, and households were not as consistent in paying the utility bills.

Conclusions and Recommendations

The evaluators drew three main conclusions from this evaluation.

- EUSP is reaching households with the most severe need.
- New participants do not, and the evaluators say probably cannot, improve their bill payment behavior in the short run.
- Continuing participants do show improvements in bill payment behavior.

The evaluators also noted that during the evaluation, several changes to EUSP were made which addressed some issues discussed in the evaluation. In particular, they noted the broader outreach activities conducted, revising of the arrearage policies, changing to a benefit formula from a benefit matrix, improving the communication and coordination with LAAs, and the expansion of eligibility for EUSP.

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Finally, the evaluators made several recommendations in the report. These recommendations focused on issues of funding, staffing, consistency in program implementation and understanding of goals, addressing equity issues between the LAAs, communication and coordination of OHEP with LAAs and utilities, improvements to the data system, and the education of program participants.

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 2007					
Legislative Appropriation	\$35,249	\$43,483	\$96,214	\$375	\$175,321
Deficiency Appropriation	0	14,500	1,282	0	15,782
Budget Amendments	-71	36	30,012	0	29,977
Reversions and Cancellations	0	-1,159	-16,648	0	-17,807
Actual Expenditures	\$35,178	\$56,861	\$110,860	\$375	\$203,274
Fiscal 2008					
Legislative Appropriation	\$35,719	\$53,728	\$102,154	\$375	\$191,977
Cost Containment	-43	0	-223	0	-265
Budget Amendments	75	12	0	0	87
Working Appropriation	\$35,751	\$53,741	\$101,932	\$375	\$191,799

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

Fiscal 2007

The general funds appropriation decreased by a net of \$70,557 for CSA of DHR from the fiscal 2007 legislative appropriation. There were general fund increases totaling \$4.0 million, largely due to increased costs of legal services and new contracts for the CINA program. There were also increases of \$449,534 for the Young Fathers Responsible Program and \$268,910 for employee cost-of-living adjustments (COLA). The remaining increases were for Purchase of Services for clients in the Domestic Violence program and Emergency and Transitional Housing and for consultants relating to the federal Supportive Housing Program. These increases were more than offset by decreases of \$4.1 million. The largest decrease was \$1.7 million due to changes in salary funding. There was a decrease of \$1.1 million resulting from changing program funding for the Healthy Marriage and Fatherhood Initiatives and higher than expected turnover. There were decreases of \$613,058 in stipends and tuition, \$430,092 for rent, and \$146,056 for the Senior Care program and Adult Purchase of Care. The remaining decreases were for telephones, fuel and utilities, and supplies.

Overall, the special funds appropriation increased by \$14.5 million over the fiscal 2007 legislative appropriation. There was a \$14.5 million deficiency appropriation for OHEP to provide funds for additional low-income electric bill assistance. There were additional increases from budget amendments for the Baltimore Healthy Marriage Initiative Program, indirect costs for EUSP, and COLAs. CSA cancelled approximately \$1.2 million. These cancellations are largely due to unspent Dedicated Purpose Account funds, lower than expected funds for the Utility Service Protection Program. Other cancellations are from lower than expected spending in Senior Care and Purchase of Care, vacant positions, funding changes, and adult services.

A cancellation of \$422,060 was the result of lower than expected administrative expenses mostly in EUSP which has a mandated funding level of \$37 million. In fiscal 2007, EUSP expended more than the mandated funding level as a result of the Dedicated Purpose Account and the funding provided during the 2006 special session.

Overall, the federal funds appropriation increased by a \$31.3 million over the fiscal 2007 legislative appropriation. Federal fund deficiency appropriations accounted for approximately \$1.3 million of this increase. These deficiency appropriations were:

- \$670,752 to provide assistance to fathers relating to parenting skills and financing responsibility;
- \$371,579 for the Hurricane Katrina Victims Initiative Program to provide funding for Emergency Disaster Relief activities;
- \$208,477 to provide funding to support positions for child victim advocacy; and
- \$31,420 to fund additional assistance in the Emergency Food Assistance Program.

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There was an increase totaling \$30.0 million from budget amendments. Most of the increase resulted from an increase of \$24 million for OHEP to user carry over funds from fiscal 2006 in MEAP and \$340,994 for the Baltimore Healthy Marriage Initiatives Program. The remaining increase resulted from approximately \$2.6 million for the Temporary Emergency Food Assistance Program, \$1.3 million for increased costs of legal services and new contracts for the CINA program, \$868,720 for changes in program funding, \$773,440 for changes in salary funding, and \$38,720 for the housing counselor program. These were partially offset by a decrease in federal funds of \$38,720 for unspent funds for Project Retain. CSA cancelled approximately \$16.6 million, largely due to lower the anticipated LIHEAP contingency and other grant funding and lower expenses in LIHEAP due to a mild winter. The remaining cancellations resulted from overestimating the need for the Crime Victim Assistance grant, an overestimation of funds available in Adult Services and the Office of the Executive Director, Targeted Assistance Program – Discretionary grant funds, and legal services.

Fiscal 2008

The general fund appropriation has increased by \$31,960 over the 2008 fiscal appropriation. An increase of \$74,635 was related to COLAs. This was partially offset by a decrease of \$42,674 for cost containment measures.

The special fund appropriation has increased by \$12,281 over the fiscal 2008 legislative appropriation due to COLAs. The federal fund appropriation has decreased by \$222,653 from the fiscal 2008 legislative appropriation as a result of cost containment measures.

Audit Findings

Audit Period for Last Audit:	November 24, 2003 – July 31, 2006
Issue Date:	April 2007
Number of Findings:	2
Number of Repeat Findings:	1
% of Repeat Findings:	%
Rating: (if applicable)	n/a

Finding 1: CSA had not performed site visits during fiscal 2005 and 2006 of legal firms contracted to represent indigent adults and children.

Finding 2: **CSA had not established adequate control over collections.**

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

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

<u>Object/Fund</u>	<u>FY07 Actual</u>	<u>FY08 Working Appropriation</u>	<u>FY09 Allowance</u>	<u>FY08-FY09 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	603.03	602.03	591.53	-10.50	-1.7%
02 Contractual	2.30	2.30	1.50	-0.80	-34.8%
Total Positions	605.33	604.33	593.03	-11.30	-1.9%
Objects					
01 Salaries and Wages	\$ 36,922,562	\$ 33,886,828	\$ 35,987,187	\$ 2,100,359	6.2%
02 Technical and Spec. Fees	469,360	187,143	217,645	30,502	16.3%
03 Communication	467,802	465,780	459,265	-6,515	-1.4%
04 Travel	437,506	348,555	288,867	-59,688	-17.1%
06 Fuel and Utilities	58,452	76,666	135,589	58,923	76.9%
07 Motor Vehicles	45,143	11,019	12,762	1,743	15.8%
08 Contractual Services	143,302,710	123,356,293	130,016,127	6,659,834	5.4%
09 Supplies and Materials	390,318	276,544	279,746	3,202	1.2%
10 Equipment – Replacement	11,827	3,107	0	-3,107	-100.0%
11 Equipment – Additional	96,268	3,667	2,925	-742	-20.2%
12 Grants, Subsidies, and Contributions	18,928,419	30,832,224	28,428,555	-2,403,669	-7.8%
13 Fixed Charges	2,143,725	2,350,814	2,856,028	505,214	21.5%
Total Objects	\$ 203,274,092	\$ 191,798,640	\$ 198,684,696	\$ 6,886,056	3.6%
Funds					
01 General Fund	\$ 35,178,055	\$ 35,751,226	\$ 62,395,297	\$ 26,644,071	74.5%
03 Special Fund	56,861,028	53,740,655	37,241,999	-16,498,656	-30.7%
05 Federal Fund	110,860,009	101,931,759	98,672,400	-3,259,359	-3.2%
09 Reimbursable Fund	375,000	375,000	375,000	0	0%
Total Funds	\$ 203,274,092	\$ 191,798,640	\$ 198,684,696	\$ 6,886,056	3.6%

Note: The fiscal 2008 appropriation does not include deficiencies.

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

<u>Program/Unit</u>	<u>FY07 Actual</u>	<u>FY08 Wrk Approp</u>	<u>FY09 Allowance</u>	<u>Change</u>	<u>FY08-FY09 % Change</u>
01 General Administration	\$ 813,004	\$ 973,271	\$ 229,791	-\$ 743,480	-76.4%
03 Maryland Office of New Americans	6,120,125	6,336,628	7,249,648	913,020	14.4%
04 Legal Services	17,263,487	13,380,558	17,401,311	4,020,753	30.0%
05 Shelter and Nutrition	11,743,536	8,711,821	8,135,502	-576,319	-6.6%
07 Adult Services	4,857,388	6,579,530	5,091,906	-1,487,624	-22.6%
11 Victim Services	17,629,935	19,142,701	16,202,938	-2,939,763	-15.4%
12 Office of Home Energy Programs	104,481,545	94,831,347	98,212,624	3,381,277	3.6%
04 Adult Services	40,365,072	41,842,784	46,160,976	4,318,192	10.3%
Total Expenditures	\$ 203,274,092	\$ 191,798,640	\$ 198,684,696	\$ 6,886,056	3.6%
General Fund	\$ 35,178,055	\$ 35,751,226	\$ 62,395,297	\$ 26,644,071	74.5%
Special Fund	56,861,028	53,740,655	37,241,999	-16,498,656	-30.7%
Federal Fund	110,860,009	101,931,759	98,672,400	-3,259,359	-3.2%
Total Appropriations	\$ 202,899,092	\$ 191,423,640	\$ 198,309,696	\$ 6,886,056	3.6%
Reimbursable Fund	\$ 375,000	\$ 375,000	\$ 375,000	\$ 0	0%
Total Funds	\$ 203,274,092	\$ 191,798,640	\$ 198,684,696	\$ 6,886,056	3.6%

Note: The fiscal 2008 appropriation does not include deficiencies.