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# **Department of Human Resources Fiscal 2009 Budget Overview**

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**Department of Legislative Services  
Office of Policy Analysis  
Annapolis, Maryland**

**January 2008**

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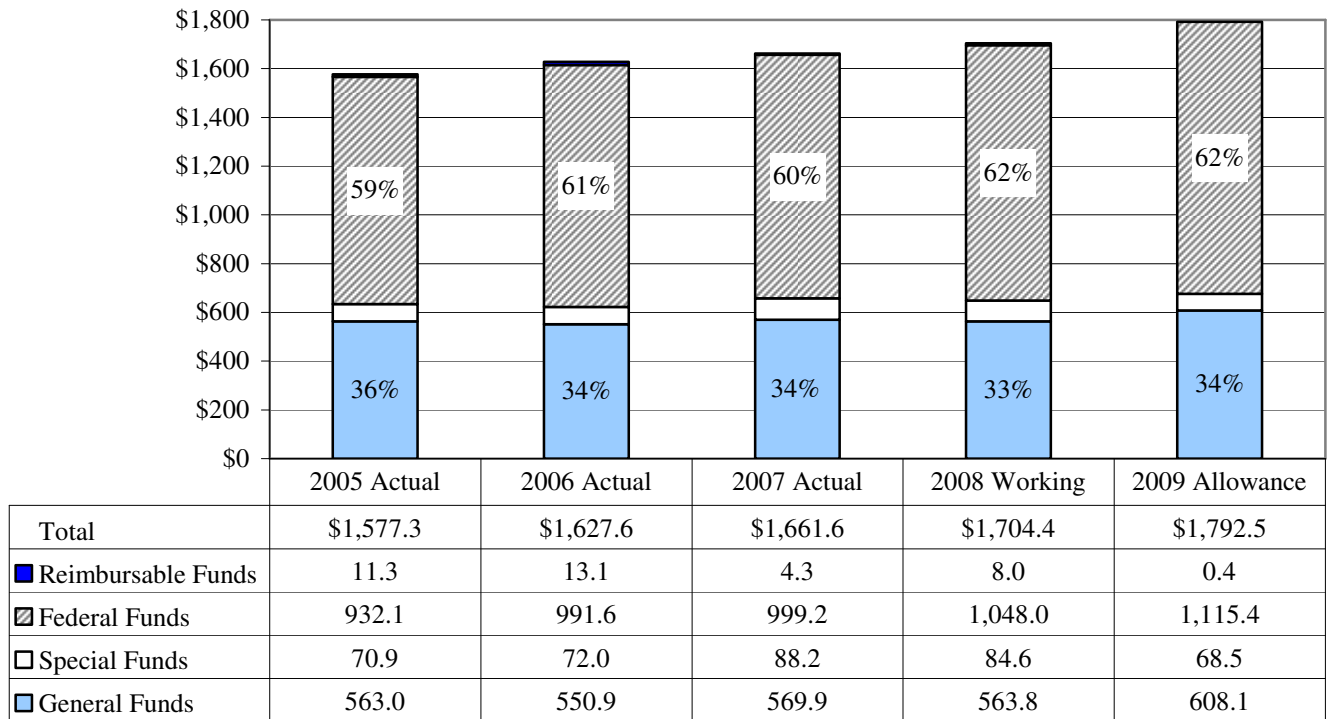
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*Analysis of the FY 2009 Maryland Executive Budget, 2008*

*N00 – Department of Human Resources – Fiscal 2009 Budget Overview*

**Department of Human Resources – Funding by Source**  
**Fiscal 2005-2009**  
**(\$ in Millions)**



Note: Numbers may not sum due to rounding.

Source: Maryland State Budget

The fiscal 2009 budget for the Department of Human Resources (DHR) grows 5.2% compared to the fiscal 2008 working appropriation. However, the underlying fiscal 2009 budget change, absent health insurance and Other Post Employment Benefits (OPEB) funding which distorts year-to-year comparisons is \$57.8 million, or 3.5%. General funds in the DHR allowance, which increase by \$44.4 million, comprise 33.9% of the total budget, up slightly from 33.1% in fiscal 2008.

Special funds – derived primarily from assessments on electricity customers to fund the Home Energy Program, child support recoveries, and local government participation in aid programs – decrease from 5.0% of the budget in fiscal 2008 to 3.8% in the allowance representing a dollar decrease of \$16.1 million. The decrease is due to nearly exhausting the funds originally budgeted in the Dedicated Purpose Fund for the Electric Universal Service Program. Ongoing funding for this program is included as general funds in the DHR budget.

*N00 – Department of Human Resources – Fiscal 2009 Budget Overview*

Federal funds increase by \$67.4 million growing only slightly as a proportion of the total budget from 61.5% in fiscal 2008 to 62.2% in fiscal 2009. Major increases in federal funding occur for food stamps (\$24.2 million), Title IV-E Foster Care (\$20.4 million), Temporary Assistance for Needy Families (TANF) (\$9.6 million), Mandatory and Matching Child Care (\$7.3 million), Child Support Enforcement (\$6.9 million) and Medical Assistance (\$5.8 million). These increases are partially offset by decreases totaling \$9.5 million in various other federal funds. The largest decreases occur in Crime Victim Assistance (\$2.7 million), Healthy Marriage Promotion & Responsible Fatherhood Grants (\$2.0 million); and Low-income Home Energy Assistance (\$1.8 million.)

N00 – Department of Human Resources – Fiscal 2009 Budget Overview

**Department of Human Resources  
Budget Overview: All Funds  
Fiscal 2006-2009  
(\$ in Thousands)**

	<u>2006</u> <u>Actual</u>	<u>2007</u> <u>Actual</u>	<u>2008</u> <u>Working</u>	<u>2009</u> <u>Allowance</u>	<u>2008-09</u> <u>% Change</u>
<b>Family Investment</b>	<b>\$660,793</b>	<b>\$683,488</b>	<b>\$697,960</b>	<b>\$735,576</b>	<b>5.4%</b>
TCA Payments	102,938	98,135	105,392	105,417	0.0%
TDAP	23,831	24,257	24,420	24,420	0.0%
Food Stamps	334,312	349,190	340,107	364,319	7.1%
Other Public Assistance	17,402	17,306	16,678	16,832	0.9%
Work Opportunities	26,901	33,087	46,648	47,458	1.7%
Administration	155,409	161,511	164,714	177,130	7.5%
<b>Child Welfare</b>	<b>\$498,275</b>	<b>\$542,723</b>	<b>\$574,666</b>	<b>\$605,801</b>	<b>5.4%</b>
Foster Care/Adoption	313,951	344,066	351,072	362,469	3.2%
Programs/Administration	184,324	198,657	223,594	243,332	8.8%
<b>Child Care</b>	<b>\$87,437</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>--</b>
POC	86,721	0	0	0	--
Programs/Administration	715	0	0	0	--
<b>Adult and Community Services</b>	<b>\$167,354</b>	<b>\$203,274</b>	<b>\$191,799</b>	<b>\$198,685</b>	<b>3.6%</b>
<b>Child Support Enforcement</b>	<b>\$80,603</b>	<b>\$81,565</b>	<b>\$93,214</b>	<b>\$91,526</b>	<b>-1.8%</b>
<b>Administration</b>	<b>\$133,128</b>	<b>\$150,569</b>	<b>\$146,724</b>	<b>\$160,884</b>	<b>9.7%</b>
Office of the Secretary	12,796	13,660	12,993	13,480	3.7%
Operations	23,952	25,131	24,371	24,460	0.4%
Information Management	55,045	68,959	65,626	76,911	17.2%
Local Department Operations	41,336	42,819	43,734	46,034	5.3%
<b>Total Program Funding</b>	<b>\$1,627,590</b>	<b>\$1,661,619</b>	<b>\$1,704,361</b>	<b>\$1,792,471</b>	<b>5.2%</b>
General Funds	550,864	569,924	563,768	608,128	7.9%
Special Funds	72,016	88,206	84,592	68,538	-19.0%
Federal Funds	991,639	999,214	1,048,033	1,115,430	6.4%
Reimbursable Funds	13,070	4,275	7,968	375	-95.3%
<b>Total Funds</b>	<b>\$1,627,590</b>	<b>\$1,661,619</b>	<b>\$1,704,361</b>	<b>\$1,792,471</b>	<b>5.2%</b>

POC: Purchase of Care

TCA: Temporary Cash Assistance

TDAP: Temporary Disability Assistance Program

Numbers may not sum to total due to rounding.

Source: Maryland State Budget; Department of Human Resources

*N00 – Department of Human Resources – Fiscal 2009 Budget Overview*

**Department of Human Resources  
Budget Overview: General Funds  
Fiscal 2006-2009  
(\$ in Thousands)**

	<u>2006 Actual</u>	<u>2007 Actual</u>	<u>2008 Working</u>	<u>2009 Allowance</u>	<u>2008-09 % Change</u>
<b>Family Investment</b>	<b>\$111,761</b>	<b>\$111,378</b>	<b>\$98,612</b>	<b>\$98,987</b>	<b>0.4%</b>
TCA Payments	16,361	12,689	6,962	6,588	-5.4%
TDAP	18,495	19,122	19,417	19,417	0.0%
Food Stamps	0	0	0	0	--
Other Public Assistance	11,894	11,299	9,122	9,496	4.1%
Work Opportunities	0	0	0	0	--
Administration	65,010	68,267	63,111	63,486	0.6%
<b>Child Welfare</b>	<b>\$285,023</b>	<b>\$331,212</b>	<b>\$335,280</b>	<b>\$346,371</b>	<b>3.3%</b>
Foster Care/Adoption	212,227	248,784	246,325	239,649	-2.7%
Programs/Administration	72,795	82,428	88,956	106,721	20.0%
<b>Child Care</b>	<b>\$34,852</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>--</b>
POC	34,680	0	0	0	--
Programs/Administration	172	0	0	0	--
<b>Adult and Community Services</b>	<b>\$38,907</b>	<b>\$35,178</b>	<b>\$35,751</b>	<b>\$62,395</b>	<b>74.5%</b>
<b>Child Support Enforcement</b>	<b>\$15,836</b>	<b>\$16,348</b>	<b>\$20,003</b>	<b>\$21,358</b>	<b>6.8%</b>
<b>Administration</b>	<b>\$64,486</b>	<b>\$75,808</b>	<b>\$74,122</b>	<b>\$79,017</b>	<b>6.6%</b>
Office of the Secretary	7,558	8,128	8,298	7,148	-13.9%
Operations	13,383	13,790	14,033	13,408	-4.4%
Information Management	21,964	31,042	27,853	33,329	19.7%
Local Department Operations	21,581	22,848	23,939	25,132	5.0%
<b>Total</b>	<b>\$550,864</b>	<b>\$569,924</b>	<b>\$563,768</b>	<b>\$608,128</b>	<b>7.9%</b>

POC: Purchase of Care

TCA: Temporary Cash Assistance

TDAP: Temporary Disability Assistance Program

Numbers may not sum to total due to rounding.

Source: Maryland State Budget; Department of Human Resources

*N00 – Department of Human Resources – Fiscal 2009 Budget Overview*

**Department of Human Resources  
Budget Overview: Fiscal 2008 Deficiencies**

<u>Unit</u>	<u>Amount</u>		<u>Use</u>
Community Services	\$3,700,000	GF	Additional funds for the legal services contracts for Children in Need of Assistance and Termination of Parental.
Administration – Legal Services	1,900,000	FF	
Community Services – Office of Home Energy Programs	\$4,943,000	GF	Additional funds for the Electric Universal Service Program.
Community Services – Office of Home Energy Programs	\$4,870,563	FF	Additional funds for the Maryland Energy Assistance Program.
DHR Administration – Office of Technology for Human Services	\$637,807	GF	Additional funds for modifications to the Client Automated Resource and Eligibility Systems and Service Access Information Link systems.
	854,281	FF	
Child Support Enforcement Administration – Local Department Operations	\$491,379	FF	Funds in Prince George’s County for the Erasing Borders Program.
Family Investment Administration – Director’s Office	\$1,104,772	FF	Additional funds to improve the Program Access Index that measures the ratio of food stamp participants to the number of people below 125% of poverty based on census data.
<b>Total FY 2008 Deficiencies</b>	<b>\$9,280,807</b>	<b>GF</b>	
	<b>9,220,995</b>	<b>FF</b>	
	<b>\$18,501,802</b>	<b>Total</b>	

DHR: Department of Human Resources  
FF: Federal Funds  
GF: General Funds

Source: Maryland State Budget

*N00 – Department of Human Resources – Fiscal 2009 Budget Overview*

**Department of Human Resources  
Major Changes in the Fiscal 2009 Allowance  
(\$ in Millions)**

	<b>Total Funds</b>
<b>Departmentwide</b>	
Increments	\$12.9
Health insurance – pay-as-you-go costs	9.7
Health insurance – reduce long-term OPEB liability	21.6
Abolition of 90 vacant positions – transfer of 6	-4.4
Fiscal 2008 Budget Section 45 – one time hiring freeze savings	0.8
Increased turnover	-2.9
Other personnel expenses	1.5
<b>Administration</b>	
Transfer in Child Support Enforcement computer system funding	3.0
Increased cost of combined outsourcing contract	2.5
Information technology infrastructure upgrades	2.5
Transfer in WORKS computer system funding	2.3
Client Automated Resources Eligibility System enhancements	1.6
Savings in Electronic Benefits Transfer contract	-4.4
<b>Child Support Enforcement</b>	
Transfer out Child Support Enforcement computer system funding	-3.1
Decrease in central collections contracts	-1.3
<b>Child Welfare</b>	
Increase in average foster care/adoption payments	27.6
Foster family rate increase of \$100/month	3.0
Baltimore City Health Suite – annualize operations	3.0
Increase use of Mobile Crisis Teams to 14 jurisdictions	1.2
Caseload decline from monthly average of 15,209 to 14,377	-19.2
<b>Community Services</b>	
Increase in State Special Benefit Program for energy assistance	5.2
Increase in CINA/TPR legal services contracts	4.0
Decrease in MD Energy Asst Program due to carryover LIHEAP funds	-2.3
Decreased funding for Victims of Crime Assistance Program	-2.5
<b>Family Investment</b>	
Federal Food Stamp payments	24.2
Transfer out WORKS computer system funding	-1.6
<b>Other Adjustments</b>	3.4
<b>Total</b>	<b>\$88.1</b>

CINA: Child in Need of Assistance  
LIHEAP: Low Income Home Energy Assistance Program  
OPEB: Other Post Employment Benefits

TPR: Termination of Parental Rights  
WORKS: Work Opportunities Information System

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

Source: Maryland State Budget; Department of Human Resources

*N00 – Department of Human Resources – Fiscal 2009 Budget Overview*

- For institutional foster care placements, the fiscal 2009 allowance assumes an increase in the average monthly payment of \$177 – going from \$1,924 in fiscal 2008 to \$2,101 in fiscal 2009. This adds \$27.6 million to the fiscal 2009 budget but is partially offset by a \$19.2 million decrease due to an estimated decline in the caseload from an average monthly caseload of 15,209 in fiscal 2008 to 14,377 in fiscal 2009.
- The monthly stipend for foster families will increase by \$100 in fiscal 2009 to \$835.
- The Temporary Cash Assistance (TCA) rate remains unchanged from fiscal 2008 to 2009. The budget includes an additional \$12.2 million for an increase in the food stamp rate which is estimated to be sufficient to maintain the combined TCA/food stamp benefits at the 61% of the Minimum Living Level required by law. The average food grant will increase from \$204.33 in fiscal 2008 to \$211.41 in fiscal 2009 representing a 3.5% increase.

*N00 – Department of Human Resources – Fiscal 2009 Budget Overview*

**Department of Human Resources  
Caseload Estimates  
Fiscal 2006-2009**

<b><u>Program</u></b>	<b><u>2006 Actual</u></b>	<b><u>2007 Actual</u></b>	<b><u>2008 Estimated</u></b>	<b><u>2009 Estimated</u></b>	<b><u>2006-07 % Change</u></b>
<b>Cash Assistance</b>					
TCA	57,589	50,149	49,239	49,250	0.0%
TDAP	10,972	11,639	11,000	11,000	0.0%
<b>Child Welfare</b>					
Foster Care	6,845	6,653	6,747	6,787	0.6%
Subsidized Adoptions	7,111	7,153	7,300	7,590	4.0%
<b>Child Support Enforcement</b>					
TCA Collections	\$20,356,754	\$18,908,936	\$20,167,230	\$20,167,230	0.0%
Non-TCA Collections	\$462,241,983	\$476,968,506	\$480,668,987	\$485,677,349	1.0%

TCA: Temporary Cash Assistance

TDAP: Temporary Disability Assistance Program

Source: Maryland State Budget; Department of Human Resources

- The Department of Human Resources is projecting a Temporary Cash Assistance (TCA) monthly caseload of just over 49,000 for fiscal 2008 and 2009. These projections may be optimistic. As of November 2007, the average monthly caseload stood at 51,496.
- DHR projects the foster care caseload to remain relatively flat while subsidized adoptions are forecasted to grow 4% representing an additional 290 cases in fiscal 2008.
- Child support enforcement collections are projected to grow modestly. TCA collections remain unchanged in the allowance while non-TCA collections are expected to increase by 1.0%

*N00 – Department of Human Resources – Fiscal 2009 Budget Overview*

**Department of Human Resources  
Employment: Full-time Equivalent Regular Positions  
Fiscal 2007-2009**

	<u>2007 Actual</u>	<u>2008 Legislative</u>	<u>2008 Working</u>	<u>2008 Change</u>	<u>2009 Allowance</u>	<u>2008-09 Change</u>
Child Welfare	2,541.70	2,542.70	2,544.20	1.5	2,530.20	-14.00
Family Investment	2,139.42	2,138.42	2,124.92	-13.5	2,089.42	-35.50
Administration	1,034.00	1,028.00	1,039.00	11.0	1,007.00	-32.00
Adult and Community Services	603.03	603.03	602.03	-1.0	591.53	-10.50
Child Support Enforcement	703.25	740.25	741.25	1.00	737.25	-4.00
<b>Total Positions</b>	<b>7,021.40</b>	<b>7,052.40</b>	<b>7,051.40</b>	<b>-1.00</b>	<b>6,955.40</b>	<b>-96.00</b>
<b>% Change</b>				<b>0.0%</b>		<b>-1.4%</b>

Source: Maryland State Budget

- The overall number of authorized positions declines by one in fiscal 2008 – the net result of two transfers from the Maryland State Department of Education to DHR’s Office of the Inspector General offset by elimination of three positions as part of cost containment efforts. In addition, several position changes occurred among DHR’s units as follows:
  - Child Welfare received 1.5 positions from the Family Investment Administration;
  - Family Investment Administration also transferred 11 positions to the Office of Technology for Human Services;
  - Adult and Community Services transferred 1 position to the Child Support Enforcement Administration.
- The fiscal 2009 allowance includes 96 fewer positions than the fiscal 2008 working appropriation. Six Commissions positions in the Administration budget were transferred to the Governor’s Office of Community Initiatives. The remaining 90 positions were abolished pursuant to the position reductions mandated by legislation passed during the 2007 special session.

*N00 – Department of Human Resources – Fiscal 2009 Budget Overview*

**Department of Human Resources  
Regular Positions: Filled as of December 31\*  
Fiscal 2006-2008**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<b>Change <u>2007-08</u></b>
Administration	953.0	958.0	950.0	-8.0
Child Welfare	2,371.2	2,367.7	2,392.4	24.7
Adult and Community Services	545.0	553.0	562.7	9.6
Child Support Enforcement	670.8	674.3	700.8	26.5
Family Investment	1,995.4	2,001.4	1,914.4	-87.0
<b>Total</b>	<b>6,535.4</b>	<b>6,554.4</b>	<b>6,520.2</b>	<b>-34.2</b>

\*Fiscal 2006 and 2008 data as of January 1.

Source: Department of Budget and Management

- DHR had 441 positions vacant on January 1, 2008, (net of positions abolished in the fiscal 2009 allowance), which equates to a vacancy rate of 6.3%. The turnover rate in the fiscal 2009 allowance is 5.4%. Thus, DHR will have capacity in its 2009 budget to fill an additional 63.5 positions compared to January 1, 2008.
- Overall, filled positions decreased across the department by 34 positions between fiscal 2007 and 2008.
- Filled position reductions in Family Investment (-87) and Administration (-8) were partially offset by gains in Child Support Enforcement (26.5), Child Welfare (24.7) and Adult and Community Services (9.6)

*N00 – Department of Human Resources – Fiscal 2009 Budget Overview*

**Department of Human Resources  
Employment: Contractual Positions  
Fiscal 2006-2008**

	<u>2007 Actual</u>	<u>2008 Working</u>	<u>2009 Allowance</u>	<u>2008-09 Change</u>
Child Welfare	2.00	2.50	2.50	0.00
Family Investment	32.00	121.00	121.00	0.00
Administration	12.95	3.67	2.90	-0.77
Adult and Community Services	2.30	2.30	1.50	-0.80
Child Support Enforcement	5.00	0.00	0.00	0.00
<b>Total Positions</b>	<b>54.25</b>	<b>129.47</b>	<b>127.90</b>	<b>-1.57</b>

Source: Maryland State Budget

- Departmentwide contractual positions decline by 1.57 full-time equivalents.
- Most of the contractual positions are in Family Investment in the Work Opportunities program to allow the local departments flexibility in designing work programs.

## Issues

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### 1. Department of Human Resources to Reorganize

The fiscal 2009 allowance assumes \$1.9 million total savings due to a reorganization of the department with a general fund savings of just over \$1.5 million. DHR intends to reorganize services currently provided by the Community Services Administration by merging them into the Office of the Secretary and the Social Services and the Family Investment Administrations and by creating an Office of Grants Management to handle programs not transferred to any other unit. The reorganization is intended to achieve better service integration and programmatic efficiency. The reorganization will require statutory changes, and DHR indicates a departmental bill will be introduced to make the necessary changes.

**Exhibit 1** shows the proposed changes.

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#### Exhibit 1 Proposed Department of Human Resources Reorganization

<u>Community Services Administration Unit</u>	<u>Action</u>	<u>Location</u>
Office of Home Energy Programs MD Office for New Americans	Transfer 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 Assistance Office of Transitional Services Office of Community Initiatives	Consolidated into newly created	Office of Grants Management

Source: Department of Human Resources

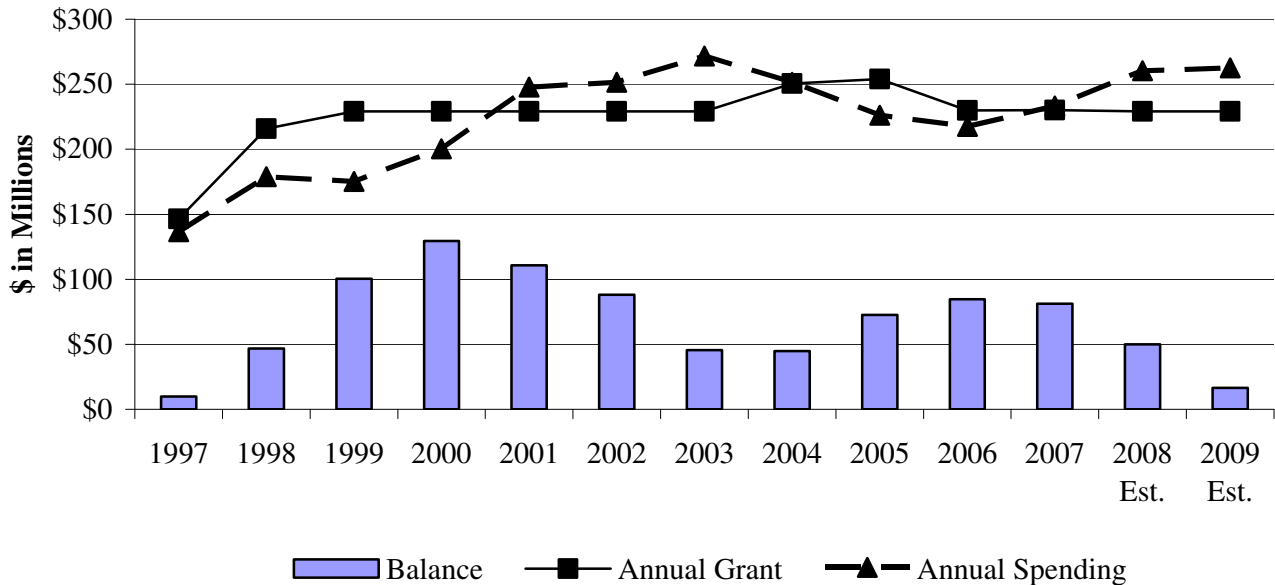
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DHR anticipates a reduction in the number of authorized positions for the department as a result of this reorganization. Although most employees will either move with their offices or be reassigned to other positions within the department, some layoffs are possible. If available, additional details on this reorganization will be included in the Community Services Administration's budget analysis. **The department should brief the committees on the expected decrease in authorized positions and the projected magnitude of layoffs due to this reorganization.**

## 2. TANF Balance Declining

The TANF balance at the beginning of fiscal 2007 was \$84.6 million and resulted from declining spending levels since fiscal 2003 combined with increased TANF grants due to bonuses for reducing out-of-wedlock births and for high performance. **Exhibit 2** shows the relationship between TANF grant levels, spending, and balance. As the graph illustrates, the TANF annual grant exceeded the annual spending from the inception of TANF in fiscal 1997 until 2001. As a result, the balance increased each year until it reached \$129.4 million at the end of fiscal 2000. Annual spending exceeded the annual grant from fiscal 2001 until 2004 when the spending and grant levels were equal. The balance reached a low of \$44.7 million at the end of fiscal 2004, then grew again as spending fell once again below the level of the grant. Spending in fiscal 2008 and 2009 is projected to be well above the grant level and will reduce the balance to \$16.4 million by the end of fiscal 2009. Actual TANF spending has generally been less than the amount originally budgeted, which will likely result in a higher than projected ending balance. Since the Temporary Cash Assistance caseload is currently higher than the levels budgeted for fiscal 2008 and 2009, the TANF balance could be used to fund higher than expected assistance payments.

**Exhibit 2**  
**TANF Balance, Grant, and Spending**  
**Fiscal 1997-2009**



TANF: Temporary Assistance for Needy Families

Source: Department of Human Resources

*N00 – Department of Human Resources – Fiscal 2009 Budget Overview*

**Exhibit 3** shows the beginning and ending TANF balances for fiscal 2007 through 2009. This shows the steady decline in the projected ending balances and demonstrates that the levels of spending projected for fiscal 2008 and 2009 are not sustainable. DHR will need some combination of additional revenue (presumably general funds) and/or spending reductions once the TANF balance has been exhausted.

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**Exhibit 3**  
**Availability of TANF Funding**  
**Fiscal 2007-2009**  
**(\$ in Millions)**

	<u>FY 2007</u> <u>Actual</u>	<u>FY 2008</u> <u>Working</u>	<u>FY 2009</u> <u>Allowance</u>
<b>Beginning Balance</b>	<b>\$84.642</b>	<b>\$81.203</b>	<b>\$49.866</b>
TANF Grant	229.098	229.098	229.098
Less: Data Reliability Penalty	-1.573		
Cancelled obligation	2.466	--	--
<b>Total Grant Funds</b>	<b>\$314.633</b>	<b>\$310.301</b>	<b>\$279.001</b>
DHR Appropriation	-\$203.637	-\$230.641	-\$239.535
Local Management Boards	-14.917	-14.917	-7.324
MSDE: Healthy Families/Home Visiting	-4.590	-4.590	-4.590
MSDE: Child Care Subsidy Program	-10.286	-10.286	-10.286
MSDE: Rehabilitative Services			-0.900
<b>Total Expenditures</b>	<b>-\$233.430</b>	<b>-\$260.434</b>	<b>-\$262.635</b>
<b>Ending Balance</b>	<b>\$81.203</b>	<b>\$49.866</b>	<b>\$16.329</b>

DHR: Department of Human Resources  
MSDE: Maryland State Department of Education  
TANF: Temporary Assistance for Needy Families

Source: Department of Human Resources

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**Exhibit 4** shows the changes in TANF spending in the DHR budget. Most of the increase between fiscal 2007 and 2008 occurs in Cash Assistance (\$13.7 million.) and Work Opportunities (\$13.6 million). The increase in Work Opportunities is part of DHR's efforts to ensure Maryland achieves the federal work participation rate target. In fiscal 2009, caseworkers and related administrative support in Family Investment and Child Welfare account for the majority of the increased spending.

**Exhibit 4**  
**Changes in TANF Spending in DHR’s Budget**  
**Fiscal 2007-2009 Allowance**  
**(\$ in Millions)**

<u>Activity</u>	<u>FY 2007</u> <u>Actual</u>	<u>FY 2008</u> <u>Working</u>	<u>FY 2009</u> <u>Allowance</u>	<u>FY 08-09</u> <u>Change</u>
Cash assistance	\$83.3	\$97.0	\$97.4	\$0.4
Foster care maintenance payments	2.6	6.9	6.9	0.0
Work opportunities	33.1	46.6	47.5	0.8
Caseworkers and other LDSS family investment services	32.6	38.1	41.6	3.5
Child welfare social workers, local services, and related administrative support	34.2	19.0	24.5	5.5
Local Adult and Victims’ Services	7.8	2.9	5.0	2.1
General Administration	10.0	20.0	17.5	-2.6
<b>Total DHR Expenditures</b>	<b>\$203.6</b>	<b>\$230.6</b>	<b>\$240.3</b>	<b>\$9.7</b>
Other Agencies	29.8	29.8	23.1	-6.7
<b>Grand Total</b>	<b>\$233.4</b>	<b>\$260.4</b>	<b>\$263.4</b>	<b>\$3.0</b>

DHR: Department of Human Resources  
LDSS: local departments of social services

Source: Maryland State Budget; Department of Human Resources

**DHR should brief the committees on its plan for aligning TANF spending with the grant level once the balance is exhausted. Specifically, the department should indicate the extent to which it expects to receive additional general funds in future budgets and the areas of spending that would be reduced to close any funding gaps.**

**3. Fiscal 2009 TANF Maintenance of Effort (MOE) Depends on Non-traditional Sources**

In return for its annual TANF block grant of \$229.1 million, the State must spend \$177.7 million of its own money to meet federal MOE requirements. Spending for assistance that helps needy children stay in their own homes or in relatives’ homes and programs that promote job preparation, work, or marriage count toward MOE. **Exhibit 5** provides a summary of the MOE funding in the fiscal 2007 budget and estimates for fiscal 2008 and 2009.

**Exhibit 5**  
**TANF Maintenance of Effort**  
**Fiscal 2007-2009 Allowance**  
**(\$ in Thousands)**

	<u>2007</u> <u>Actual</u>	<u>2008</u> <u>Working</u>	<u>2009</u> <u>Allowance</u>	<u>2008-09</u> <u>Change</u>
<b>Traditional Sources of Maintenance of Effort (MOE)</b>				
Cash Assistance	\$18,380	\$22,908	\$22,381	-\$527
Child Care Subsidies	23,301	23,301	23,301	0
Employment Services/Caseworkers Administration	22,157	22,157	22,157	0
Kinship Care/Foster Care Payments	2,383	13,158	13,158	0
Social Services Administration	100	100	100	0
<b>Subtotal</b>	<b>\$72,419</b>	<b>\$87,722</b>	<b>\$87,195</b>	<b>-\$527</b>
<b>Other Sources of MOE</b>				
Refundable State Earned Income Tax Credit	\$93,702	\$93,702	\$93,702	\$0
Montgomery County Earned Income Tax Credit	15,416	10,399	10,399	0
Local Government/State Agencies	1,996	1,996	1,996	0
Electric Universal Service Program	1,953	1,953	1,953	0
<b>Subtotal</b>	<b>\$113,067</b>	<b>\$108,050</b>	<b>\$108,050</b>	<b>\$0</b>
<b>Total</b>	<b>\$185,486</b>	<b>\$195,772</b>	<b>\$195,245</b>	<b>-\$527</b>

TANF: Temporary Assistance for Needy Families

Source: Department of Human Resources; Department of Legislative Services

Spending on cash assistance, child care subsidies, employment services, caseworkers, administration related to the Family Investment Program, and foster care payments for kinship care have constituted the traditional sources of MOE spending. Spending in these categories is expected to be \$87.2 million in fiscal 2009 which accounts for 44.7% of the estimated total MOE spending. To meet the balance of MOE, DHR has turned in recent years to other spending on eligible families including the refundable earned income tax credits for the State and Montgomery County, local government and State agency spending on eligible populations, and the Electric Universal Service Program. In all, the State plans to claim an estimated \$108.0 million (55.3%) in fiscal 2009 from non-traditional sources.

The fiscal 2009 estimate of MOE shows that in fiscal 2009, DHR will be able to claim \$195.2 million, or \$17.5 million more than the federal government requires.

**4. General Funds Needed in Local Family Investment Program – Local Department Operations to Match Federal Dollars**

Almost two-thirds of the federal funds budgeted in the Local Family Investment Program – Local Department Operations budget require a State match. In fiscal 2007, the budget as passed did not contain sufficient general funds to provide the required matches. During the 2007 session, deficiency appropriations in the first supplemental budget added an additional \$8 million in federal funds to the Child Welfare Services budget and withdrew an equal amount of general funds which were credited to the Local Family Investment Program to provide the required matching funds. While the fiscal 2008 budget for the Local Family Investment Program has sufficient general funds to match the budgeted federal funds, the fiscal 2009 allowance does not. **Exhibit 6** shows the federal funds budgeted in the Local Family Investment Program in fiscal 2008 and 2009 and the required general fund match. As Exhibit 6 indicates, an additional \$8.9 million of general funds will be needed in fiscal 2009 to match the federal dollars

**Exhibit 6**  
**Local Family Investment – Federal Funds and Required Match**  
**Fiscal 2008 and 2009 Allowance**

	<u>Federal Match</u>	<u>2008 Federal Funds</u>	<u>2008 Required Match</u>	<u>2009 Federal Funds</u>	<u>2009 Required Match</u>
State Administrative Matching					
Grants for Food Stamp Program	50%	\$26,690,798	\$26,690,798	\$28,842,924	\$28,842,924
Medical Assistance	50%	20,391,053	20,391,053	21,854,763	21,854,763
Foster Care Title IV-E	50%	92,445	92,445	98,516	98,516
Child Support Enforcement	67%	237,752	122,478	253,328	130,502
Mandatory and Matching Child Care Funds	50%	4,966,429	4,966,429	10,555,359	10,555,359
<b>Total</b>		<b>\$52,378,477</b>	<b>\$52,263,203</b>	<b>\$61,604,890</b>	<b>\$61,482,064</b>
Budgeted			52,433,680		52,590,867
<b>Surplus/Shortfall</b>			<b>\$170,477</b>		<b>-\$8,891,197</b>

Source: Maryland State Budget

DHR indicates that the general funds included in its allowance to cover OPEB are sufficient to cover the shortfall in the Local Family Investment Program and simply need to be transferred. These funds are currently budgeted in the Child Welfare Services program. Given that language prohibiting the transfer of funds has been added to the Child Welfare Services program the past two years, DHR may need to seek the transfer of these funds in a supplemental budget. **DHR should discuss with the committees the actions it intends to take to provide the required matching funds in the Local Family Investment Program.**

## **5. Unfunded Receivable Balances to Be Eliminated in Fiscal 2008**

The Legislative Auditor's report on the fiscal 2005 closeout noted that DHR recorded unsubstantiated federal fund revenues of approximately \$35.5 million. This represented spending that had already occurred, but for various reasons, no revenue source backed the expenditures. Of this amount, \$10.5 million represented accounting entries dating back to March 1999 in which DHR charged 75% of spending against the Title IV-E Foster Care grant, even though under the terms of the grant, only 50% of expenditures were eligible.

The remaining \$25 million related to various TANF expenditures dating as far back as fiscal 2001. In one instance, expenditures of \$17.3 million were made against a TANF grant that had already been exhausted. In another instance, expenditures had originally been incorrectly charged against the Title IV-E grant. When those expenditures were disallowed, they were resubmitted for TANF funding, but the period for allowable claims had already passed.

As of June 30, 2007, the unfunded receivable balances had been reduced to \$12.4 million. Of the \$10.5 million Title IV-E funds at issue, DHR received a favorable ruling from the federal government which reduced the amount to \$3.1 million. By the end of 2007, DHR had reduced the TANF receivable to \$9.3 million by amending the State TANF plan to expand the uses of and populations for which TANF could be used, thereby freeing up general funds to pay down the balance. DHR expects to eliminate the unfunded receivables by the end of fiscal 2008. **DHR should brief the committees on how it expects to attain the remaining savings needed to eliminate the unfunded receivables.**