
Department of Human Resources Fiscal 2010 Budget Overview

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

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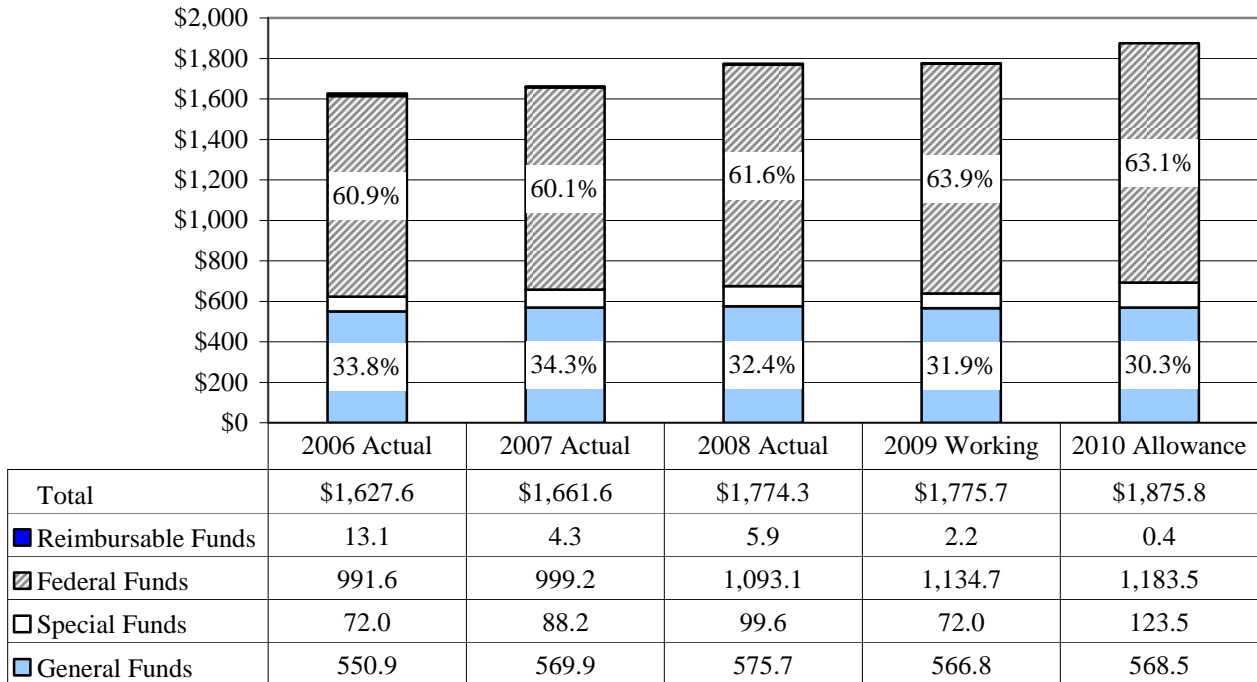
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Analysis of the FY 2010 Maryland Executive Budget, 2009

N00 – Department of Human Resources – Fiscal 2010 Budget Overview

Department of Human Resources – Funding by Source
Fiscal 2006-2010
 (\$ in Millions)



Note: Numbers may not sum due to rounding.

Source: Maryland State Budget

The fiscal 2010 budget for the Department of Human Resources (DHR) grows 5.6% compared to the fiscal 2009 working appropriation. General funds in the DHR allowance, which increase by \$1.7 million, comprise 30.3% of the total budget, down from 31.9% in fiscal 2009.

Special funds increase as a percent of the budget from 4.1% in fiscal 2009 to 6.6% in the allowance representing a net dollar increase of \$51.5 million. The net increase results from budgeting of the new Strategic Energy Investment Fund (\$53.6 million), revenue for which is derived through the sale of carbon dioxide emission allowances through the Regional Greenhouse Gas Initiative, partially offset primarily by a decrease in the Cooperative Reimbursement Monitoring Fees (-\$1.1 million.)

Federal funds increase by a net \$48.8 million between fiscal 2009 and 2010 and decrease slightly as a percent of total funding from 63.9% in fiscal 2009 to 63.1% in fiscal 2010. Increases totaling \$91.5 million in some federal fund programs are partially offset by decreases totaling \$42.7 million in other federal fund programs. The increase in federal funds is due primarily to food stamps, funding for which increases \$85.5 million. The largest decreases occur in Low Income Home Energy Assistance (\$20.1 million,) Foster Care Title IV-E (\$8.0 million,) Temporary Assistance for Needy Families (TANF) (\$5.3 million,) and Child Support Enforcement (\$3.1 million.)

N00 – Department of Human Resources – Fiscal 2010 Budget Overview

**Department of Human Resources
Budget Overview: All Funds
Fiscal 2008-2010
(\$ in Thousands)**

	2008 <u>Actual</u>	2009 <u>Working</u>	2010 <u>Allowance</u>	2009-10 <u>% Change</u>
Family Investment	\$873,463	\$827,979	\$947,288	14.4%
TCA Payments	104,165	105,417	110,871	5.2%
TDAP	24,962	24,420	24,420	0.0%
Food Stamps	409,897	364,319	499,783	23.5%
Other Public Assistance	19,397	15,532	17,933	15.5%
Work Opportunities Administration	37,969	47,411	37,518	-20.9%
Social Services	\$606,620	\$639,330	\$658,629	3.0%
Foster Care/Adoption Programs/Administration	352,622	360,219	367,110	1.9%
	253,998	279,111	291,519	4.4%
Child Support Enforcement	\$90,037	\$87,510	\$89,216	2.0%
Administration	\$204,218	\$201,984	\$202,887	0.4%
Office of the Secretary	64,026	56,939	57,669	1.3%
Operations	27,941	23,284	24,875	6.8%
Information Management	70,029	77,649	75,564	-2.7%
Local Department Operations	42,223	44,113	44,780	1.5%
Total Program Funding	\$1,774,339	\$1,756,803	\$1,898,021	8.0%
General Funds	\$575,743	\$580,645	\$620,918	6.9%
Special Funds	99,642	68,415	88,001	28.6%
Federal Funds	1,093,086	1,105,523	1,188,727	7.5%
Reimbursable Funds	5,868	2,219	375	-83.1%
Total Funds	\$1,774,339	\$1,756,803	\$1,898,021	8.0%
Planned Actions and Deficiencies		\$18,852	-\$22,232	
Adjusted Total		\$1,775,655	\$1,875,789	5.6%

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 2010 Budget Overview

**Department of Human Resources
Budget Overview: General Funds
Fiscal 2008-2010
(\$ in Thousands)**

	<u>2008 Actual</u>	<u>2009 Working</u>	<u>2010 Allowance</u>	<u>2009-10 % Change</u>
Family Investment	\$108,827	\$111,856	\$130,592	16.8%
TCA Payments	5,502	6,588	6,588	0.0%
TDAP	20,137	19,417	19,417	0.0%
Food Stamps	0	0	0	0.0%
Other Public Assistance	8,075	8,196	9,496	15.9%
Work Opportunities	0	0	0	0.0%
Administration	63,126	55,955	59,534	6.4%
Social Services	\$347,566	\$347,658	\$364,544	4.9%
Foster Care/Adoption	246,325	237,849	249,640	5.0%
Programs/Administration	101,241	109,808	114,904	4.6%
Child Support Enforcement	\$16,818	\$18,807	\$19,703	4.8%
Administration	\$102,532	\$102,325	\$106,079	3.7%
Office of the Secretary	35,911	33,389	32,872	-1.5%
Operations	15,572	12,530	13,548	8.1%
Information Management	28,384	32,589	35,310	8.3%
Local Department Operations	22,664	23,818	24,349	2.2%
Total	\$575,743	\$580,645	\$620,918	6.9%
Planned Actions and Deficiencies		-\$13,855	-\$52,463	
Adjusted Total		\$566,791	\$568,455	0.3%

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 2010 Budget Overview

**Department of Human Resources
Budget Overview: Planned Actions Affecting Fiscal 2009 and 2010 Budgets**

Fiscal 2009

	<u>General</u>	<u>Special</u>	<u>Federal</u>	<u>Total</u>
Furlough Savings	-\$1,578,450	\$0	\$0	-\$1,578,450
Planned reversion – Energy Assistance	-21,700,000	0	0	-21,700,000
Planned budget amendment – Energy Assistance	0	0	21,700,000	21,700,000
Deficiencies	9,423,678	3,571,245	7,435,997	20,430,920
Total	-\$13,854,772	\$3,571,245	\$29,135,997	\$18,852,470

Fiscal 2010

	<u>General</u>	<u>Special</u>	<u>Federal</u>	<u>Total</u>
Sect. 18 – Abolish 200 Vacant Positions	-\$3,806,069	\$0	\$0	-\$3,806,069
Sect. 19 – Personnel Class. Consolidation	-112,423	0	-59,838	172,261
Sect. 21 – Deferred Compensation	-1,652,868	-52,311	-2,356,506	-4,061,685
Sect. 23 – Contractual Employees	-25,261	0	0	-25,261
Sect. 24 – Contractual Services	-5,762,367	0	0	-5,762,367
Contingent – FC Provider Rate Freeze	-5,546,994	0	-2,857,542	-8,404,536
Contingent – RGGI Fund Swap	-35,556,999	35,556,999	0	0
Total	-\$52,462,981	\$35,504,688	-\$5,273,886	-\$22,232,179

FC: Foster Care

RGGI: Regional Greenhouse Gas Initiative

Source: Maryland State Budget; Department of Legislative Services

- The fiscal 2010 budget as introduced assumes an additional \$54.2 million general fund reduction to State agencies in fiscal 2009, the allocation of which could affect the DHR budget.
- Additional reductions to the fiscal 2010 DHR budget may occur as part of a \$30 million unallocated general fund across-the-board reduction to personnel (Section 22 of the budget bill) and a \$24.6 million (all funds) unallocated reduction to health insurance subsidy which is contingent on enactment of legislation authorizing the use of Medicare Part D funds for this purpose (Section 20 of the budget bill.)

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**Department of Human Resources
Budget Overview: Fiscal 2009 Deficiencies**

<u>Unit</u>	<u>Amount</u>		<u>Use</u>
DHR Administration – Office of Technology for Human Services	\$4,287,502 4,462,502	GF FF	Additional funding for DHR to fully cover the cost of the existing combined computer systems hosting and maintenance costs.
Social Services Administration – Foster Care Maintenance Payments	\$5,136,176 2,645,909	GF FF	Additional funding to pay for foster care placements.
Local Child Support Enforcement	\$327,586	FF	Provides funding for the Erasing Borders project in Prince George’s County.
Family Investment Administration – Office of Home Energy Programs	\$3,571,245	SF	Additional funding for the Electrical Universal Service Program to assist low-income Marylanders pay for electricity.

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

Source: Maryland State Budget

N00 – Department of Human Resources – Fiscal 2010 Budget Overview

**Department of Human Resources
Major Changes in the Fiscal 2010 Allowance
(\$ in Millions)**

	<u>Total</u>
Departmentwide	
Health insurance	\$16.7
Retirement contributions	4.3
Annualize increments	3.1
Decreased turnover	1.4
Overtime/Workers' Compensation	1.4
Reduced reclassification funding	-2.3
Abolition of 50 vacant positions/transfer of 3 positions	-2.6
Health insurance – eliminate OPEB funding	-4.6
Other personnel expenses	0.1
Increased rent	2.6
Administration	
Additional and replacement IT equipment	3.9
Software licenses	1.2
Eliminate Displaced Homemakers program	-1.1
Remove fiscal 2009 IT infrastructure upgrades	-1.4
CARES modifications	-1.8
New IT contract and changes to system enhancement funding	-5.3
Social Services	
Foster care average monthly caseload increase from 14,377 to 15,120	18.6
Decrease in average foster care monthly payment from \$2,088 to \$2,023	-11.7
Remove one-time Social Services cost containment	1.9
Family Investment	
Federal Food Stamp payments	85.5
Home Energy Programs	34.5
Increased TCA caseload	5.5
Increased Emergency Assistance to Families with Children caseload	1.1
Increased Public Assistance to Adults caseload	1.3
Reduce TANF funding for Work Opportunities to historic level	-9.9
Decreased contracts for DEAP Advocacy Program, UMB research and technical support, and Food Stamp Improvement Program	-2.8
Other Adjustments	1.7
Total	\$141.2

CARES: Client Automated Resource Eligibility System

DEAP: Disability Entitlement Advocacy Program

IT: Information Technology

OPEB: Other Post Employment Benefits

TCA: Temporary Cash Assistance

TANF: Temporary Assistance for Needy Families

UMB: University of Maryland, Baltimore

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

Source: Maryland State Budget; Department of Human Resources

N00 – Department of Human Resources – Fiscal 2010 Budget Overview

- Foster care maintenance payments increase by a net \$6.9 million. The increase comprises costs associated with an increase in the average monthly caseload of 743 (\$18.6 million) offset by a decrease in the average payments due to a shift in the overall mix of placements to lower cost placements (-\$11.7 million).
- The Temporary Cash Assistance (TCA) rate remains unchanged from fiscal 2009 to 2010. The expected increase in the food stamp benefit is estimated to be sufficient, when combined with the current TCA rate, to maintain the combined TCA/food stamp benefits at 61% of the Minimum Living Level as required by law. The food stamp benefit increased for a family of three by 8.7% between fiscal 2008 and 2009. The Minimum Living Level increased by 4.7% between those two years.

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**Department of Human Resources
Caseload Estimates Assumed in the Budget
Fiscal 2007-2010**

<u>Program</u>	<u>2007 Actual</u>	<u>2008 Actual</u>	<u>2009 Estimated</u>	<u>2010 Estimated</u>	<u>2009-10 % Change</u>
Cash Assistance					
TCA	50,149	51,554	49,250	51,600	4.8%
TDAP	11,639	11,689	11,000	11,645	5.9%
Child Welfare					
Foster Care	6,653	7,287	7,501	7,470	-0.4%
Subsidized Adoptions	7,153	7,552	7,650	7,650	4.0%
Child Support Enforcement					
TCA Collections	\$18,908,936	\$20,437,718	\$20,167,230	\$20,368,902	1.0%
Non-TCA Collections	\$476,968,506	\$490,183,828	\$499,987,505	\$504,987,380	1.0%

TCA: Temporary Cash Assistance

TDAP: Temporary Disability Assistance Program

Source: Maryland State Budget; Department of Human Resources

- DHR is projecting a TCA monthly caseload of 49,250 for fiscal 2009 and 51,600 for fiscal 2010. These projections are well below the levels experienced through the first half of fiscal 2009. The TCA average monthly caseload for the July – December 2008 period is 56,546. Moreover, the caseload has increased every month during fiscal 2009. Given the continued deterioration in the economy, coupled with the fact that DHR indicates the TCA caseload has been a lagging indicator of economic recovery in past recessions, it is almost certain that the estimated TCA caseload and budget are significantly understated for both fiscal 2009 and 2010.
- DHR projects the foster care and adoption caseloads to grow slightly in fiscal 2009 and remain relatively flat in fiscal 2010.
- Child support enforcement collections are projected to grow modestly. TCA and non-TCA collections are expected to increase by 1.0%.

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**Department of Human Resources
Employment: Full-time Equivalent Regular Positions
Fiscal 2008-2010**

	<u>2008 Actual</u>	<u>2009 Legislative</u>	<u>2009 Working</u>	<u>2009 Change</u>	<u>2010 Allowance</u>	<u>2009-10 Change</u>
Social Services	3,054.20	3,047.20	3,044.20	-3.00	3,031.20	-13.00
Family Investment	2,113.95	2,113.95	2,058.95	-55.00	2,044.95	-14.00
Administration	1,056.00	1,057.00	1,018.00	-39.00	994.00	-24.00
Child Support Enforcement	737.25	737.25	730.25	-7.00	728.25	-2.00
Total Positions	6,961.40	6,955.40	6,851.40	-104.00	6,798.40	-53.00
Adjusted Total (Less unspecified 200 positions to be reduced pursuant to Section 18 of the budget bill)					6,598.40	-253.00
% Change				-1.5%		-3.7%

Source: Maryland State Budget

- The overall number of authorized positions declines by 104 in fiscal 2009 as part of cost containment efforts.
- The fiscal 2010 allowance includes 253 fewer positions than the fiscal 2009 working appropriation. Of these, 50 are specific vacant positions abolished as a cost saving measure, 200 are unspecified vacant positions to be reduced pursuant to budget bill language, and 3 are transferred from DHR Administration as follows:
 - two transferred to the Governor’s Office of Community Initiatives are associated with commissions previously transferred from DHR to the Governor’s Office; and
 - one transferred to the Governor’s Office which had previously been detailed to the Governor’s Office and will henceforth be budgeted directly in the Governor’s Office.

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**Department of Human Resources
Regular Positions: Filled as of December 31
Fiscal 2007-2009**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	Change <u>2008-09</u>
Administration	958.0	950.0	935.5	-14.5
Social Services	2,367.7	2,392.4	2,876.6	484.3
Community Services Administration	550.0	562.7	–	–
Child Support Enforcement	674.3	700.8	690.4	-10.4
Family Investment	2,001.4	1,914.4	1,848.9	-65.5
Total	6,554.4	6,520.2	6,351.5	-168.8

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

Source: Department of Budget and Management

- DHR had 499.95 positions vacant on January 1, 2009, which equates to a vacancy rate of 7.3%. The budgeted turnover rate in the fiscal 2010 allowance is 5.0%. Thus, DHR will have capacity in its fiscal 2010 budget to fill an additional 160 positions compared to January 1, 2009.
- Overall, the number of filled positions has decreased across the department by 168.8 between fiscal 2008 and 2009. However, the budget has sufficient funds to fill an additional 160 positions in fiscal 2010, as noted above.
- Filled position reductions were greatest in Family Investment (-65.5) followed by Administration (-14.5) and Child Support Enforcement (-10.4).
- The transfer of Adult Services from the Community Services Administration (CSA) as part of a departmental reorganization and elimination of CSA masks the change in filled positions in Social Services. Excluding Adult Services positions and vacancies, Social Services had 2.75 more filled positions on January 1, 2009, than a year prior.

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**Department of Human Resources
Employment: Contractual Positions
Fiscal 2008-2010**

	<u>2008 Actual</u>	<u>2009 Working</u>	<u>2010 Allowance</u>	<u>2009-10 Change</u>
Social Services	3.39	3.00	3.00	0.00
Family Investment	40.38	122.00	68.00	-54.00
Administration	29.00	2.90	2.90	0.00
Child Support Enforcement	5.27	0.00	0.00	0.00
Total Positions	78.04	127.90	73.90	-54.00

Source: Maryland State Budget

- The number of contractual positions in DHR does not change between the fiscal 2009 working appropriation and the fiscal 2010 allowance except in Family Investment.
- Most of the contractual positions in Family Investment are in the Work Opportunities program and are intended to allow the local departments flexibility in designing work programs. Historically, the number of contractual positions utilized has been much lower than allowed in the budget. Contractual positions in Family Investment decrease by 54 to recognize the historic underutilization.

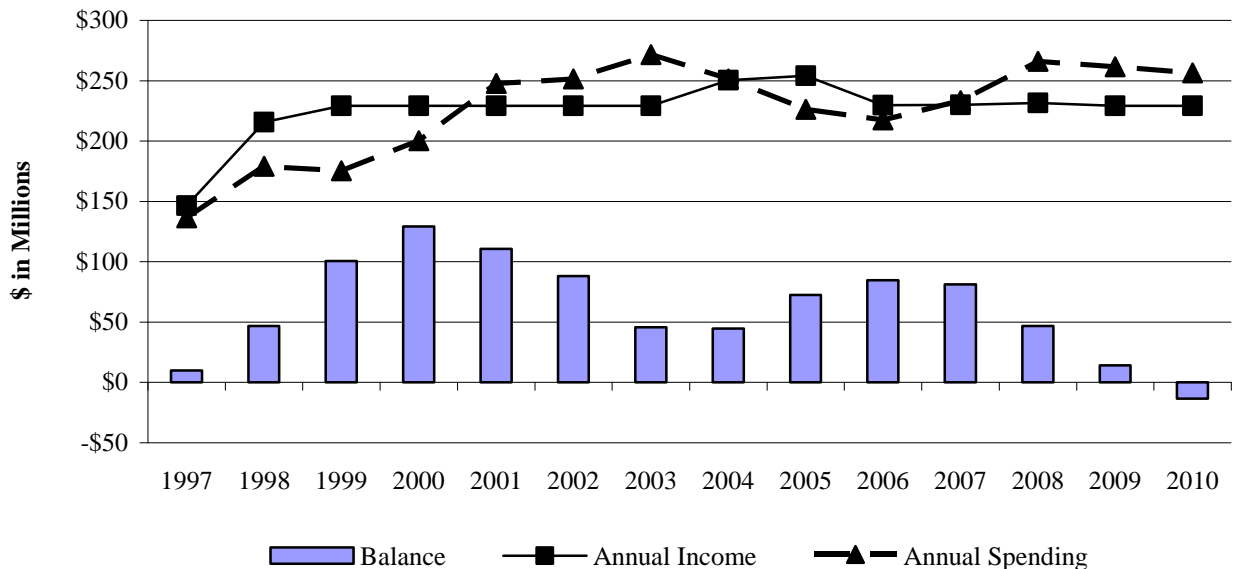
Issues

1. TANF Balance – Going, Going, Gone

After 13 years of maintaining TANF balances of varying amounts, current projections indicate that absent receipt of additional TANF dollars and/or reductions to planned spending, Maryland will overspend available TANF funds by just over \$13 million by the end of fiscal 2010. DHR is applying for additional TANF funds under a program which makes additional funding available to states with high food stamp caseloads. Additional TANF funds may also be made available to states as part of a federal stimulus package. On the spending side, not all the funds budgeted are expended in a given year, and upon cancellation of an appropriation, funds are freed up for other uses.

Exhibit 1 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 once again fell below the level of the grant. Spending in fiscal 2008 exceeded the grant by nearly \$34.5 million, and spending is projected to be well above the grant level in both fiscal 2009 and 2010.

Exhibit 1
TANF Balance, Income, and Spending
Fiscal 1997-2010



TANF: Temporary Assistance for Needy Families

Source: Department of Human Resources

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Exhibit 2 shows the beginning and ending TANF balances for fiscal 2008 through 2010. This shows the steady decline in the projected ending balances and demonstrates that the levels of spending projected for fiscal 2009 and 2010 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.

Exhibit 2
Availability of TANF Funding
Fiscal 2008-2010
(\$ in Millions)

	<u>FY 2008</u> <u>Actual</u>	<u>FY 2009</u> <u>Working</u>	<u>FY 2010</u> <u>Allowance</u>
Beginning Balance	\$81.202	\$46.752	\$14.197
TANF Grant	229.098	229.098	229.098
Cancelled Obligation	2.466	–	–
Total Grant Funds	\$312.766	\$275.850	\$243.295
DHR Appropriation	-\$239.424	-\$238.553	-\$233.495
Local Management Boards	-11.838	-7.324	-7.324
MSDE: Healthy Families/Home Visiting	-4.466	-4.590	-4.590
MSDE: Child Care Subsidy Program	-10.286	-10.286	-10.286
MSDE: Rehabilitative Services		-0.900	-0.900
Total Expenditures	-\$266.014	-\$261.653	-\$256.595
Ending Balance	\$46.752	\$14.197	-\$13.300

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

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

Source: Department of Human Resources

Exhibit 3 shows the changes in TANF spending in the DHR budget. Increases in cash assistance (\$6.6 million) and spending in Social Services (\$5.9 million) are offset by decreases in the Work Opportunities Program (-\$9.9 million), Family Investment (-\$7.7 million), and General Administration (-\$0.2 million).

Exhibit 3
Changes in TANF Spending in DHR’s Budget
Fiscal 2008-2010 Allowance
(\$ in Millions)

<u>Activity</u>	<u>FY 2008</u> <u>Actual</u>	<u>FY 2009</u> <u>Working</u>	<u>FY 2010</u> <u>Allowance</u>	<u>FY 09-10</u> <u>Change</u>
Cash assistance	\$101.3	\$97.4	\$104.0	\$6.6
Foster care maintenance payments	6.9	6.9	6.9	0.0
Work opportunities	38.0	47.4	37.5	-9.9
Caseworkers and other LDSS family investment services	31.3	40.7	33.0	-7.7
Child welfare social workers, local services, and related administrative support	48.1	29.2	35.1	5.9
General Administration	13.8	17.2	17.1	-0.2
Total DHR Expenditures	\$239.4	\$238.8	\$233.5	-\$5.3
Other Agencies	26.6	23.1	23.1	0.0
Grand Total	\$266.0	\$261.9	\$256.6	-\$5.3

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

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

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.

2. Fiscal 2009 TANF Maintenance of Effort Depends on Nontraditional 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 Maintenance of Effort (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 4** provides a summary of the MOE funding in the fiscal 2008 budget and estimates for fiscal 2009 and 2010.

Exhibit 4
TANF Maintenance of Effort
Fiscal 2008-2010 Allowance
(\$ in Thousands)

	<u>2008</u> <u>Actual</u>	<u>2009</u> <u>Working</u>	<u>2010</u> <u>Allowance</u>	<u>2009-10</u> <u>Change</u>
Traditional Sources of Maintenance of Effort (MOE)				
Cash Assistance	\$18,700	\$18,700	\$18,700	\$0
Child Care Subsidies	23,301	23,301	23,301	0
Employment Services/Caseworkers	20,797	22,157	17,474	-4,683
Administration	12,540	6,098	5,325	-773
Kinship Care/Foster Care Payments	7,090	13,158	12,559	-599
Social Services Administration	249	100	249	149
Subtotal	\$82,677	\$83,514	\$77,608	-\$5,906
Other Sources of MOE				
Refundable State Earned Income Tax Credit	\$72,496	\$108,600	\$114,030	\$5,430
Montgomery County Earned Income Tax Credit	9,800	9,800	9,800	0
Local Government/State Agencies	2,191	2,191	2,191	0
Electric Universal Service Program	10,000	10,000	13,857	3,857
Subtotal	\$94,487	\$130,591	\$139,878	\$9,287
Total	\$177,164	\$214,105	\$217,486	\$3,381

MOE: Maintenance of Effort

TANF: Temporary Assistance for Needy Families

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

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 \$77.6 million in fiscal 2010 which accounts for 35.7% 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 \$139.9 million (64.3%) in fiscal 2010 from nontraditional sources.

This estimate of MOE spending shows that in fiscal 2010 DHR will be able to claim \$217.5 million, or \$39.8 million more than the federal government requires. Excess MOE spending can be used to reduce the federal work participation rate target the State must meet under TANF program requirements. Should Maryland receive additional TANF funds under the program targeted toward states with high food stamp caseloads, an additional \$2 in MOE spending will be required for every \$1 of additional TANF received. It is, therefore, advisable to account for as much MOE spending as possible.

3. Federal Stimulus May Provide Additional Funding for DHR Programs

On January 15, 2009, the Appropriations Committee of the U.S. Congress released a broad outline of legislation entitled “The American Recovery and Reinvestment Bill of 2009” which it indicated that Congress would begin considering within two weeks. Included in the legislation is \$2.5 billion for TANF and \$1 billion each for the Low Income Home Energy Assistance Program and for Child Support Enforcement. While the amount and mix of funding to be provided by the federal government is likely to change in the normal course of passing the legislation, it now appears likely that the states will get additional federal funding which may ameliorate reductions to state budgets that would otherwise have to be made.

4. For DHR, StateStat Focuses on Foster Care and Energy Assistance

StateStat is a performance measurement and management tool implemented by Governor Martin J. O’Malley with the goal of making State government more accountable and more efficient. The StateStat unit in the Governor’s office meets with participating agencies on a bi-weekly or monthly basis to review various measures pertinent to the operation of each particular agency. The importance placed on StateStat by the Administration is reflected by the meeting attendance – sometimes the Governor attends all or a portion of these meetings, most other times the Chief of Staff or a Deputy Chief of Staff is the highest ranking member of the Governor’s staff to attend.

DHR participates in the StateStat process on a bi-weekly basis and submits current data on a variety of measures. Departmentwide measures on Minority Business Enterprise contracting, overtime, and sick and accident leave are reported, followed by measures of key functions of the various administrations within DHR. Each meeting, the StateStat staffers produce tables and charts from the data provided by DHR which serve to guide the discussion on the department’s performance. In the roughly half dozen meetings attended by the Department of Legislative Services staff, the areas receiving the greatest attention were foster care and energy assistance.

While many areas of foster care were discussed over time, two areas seemed to dominate. The first was getting the Maryland Children’s Electronic Social Services Information Exchange (CHESSIE) system fully functional. CHESSIE is Maryland’s version of the federally required Statewide Automated Child Welfare Information System. The development phase for CHESSIE recently ended with the completion of the final module which will generate payment invoices for foster care providers.

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Transitioning to full functionality has not gone flawlessly. Two of the issues faced by DHR were the timeliness of entering of data into the system and the accuracy of the data. StateStat monitored these issues by requiring DHR to report the percent of CHESSIE records completed by jurisdiction and to compare out-of-home placement counts in CHESSIE with hand counts completed by local departments of social services. DHR was asked to report on steps being taken to bring lagging jurisdictions in line with expectations.

The second foster care issue often discussed was efforts to recruit and retain foster families. Foster families are generally the best placement for a child that has to be removed from the home and are also the cheapest. Lack of enough foster families has led to more group home and institutional placements at a much greater cost. Through StateStat, DHR reports on recruitment efforts with discussions focusing on barriers to recruitment and how those barriers could be removed. As a result, DHR has analyzed the entire process from how it recruits foster families to how it follows through with orientation and training. Recruitment strategies have been modified to focus on targeted recruitment rather than general advertising and on utilization of current foster families in the recruitment efforts.

Energy assistance is the second issue which has received much of attention in the StateStat process. Energy cost increases in recent years, combined with the deteriorating economy have led to a large increase in applications for energy assistance. StateStat discussions have focused on eliminating application processing backlogs and the status of funding. As a result of StateStat discussions, DHR has devoted extra attention and resources to ensure applications are processed in a timely manner.

For DHR, StateStat appears to be an effective process for identifying areas needing additional attention and leads to the improvement of department operations. The StateStat fosters greater accountability on the part of the department which knows that the status of its efforts will be the subject of discussion at the next meeting.

5. Unfunded Receivable Balances Reduced to Just Under \$3 Million

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.

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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. As of June 30, 2008, the unfunded receivable balances had been reduced to \$2.9 million. **Given the current fiscal conditions, DHR should comment on the likelihood of eliminating the unfunded receivable balances in fiscal 2009.**