
Department of Human Resources Fiscal 2014 Budget Overview

**Department of Legislative Services
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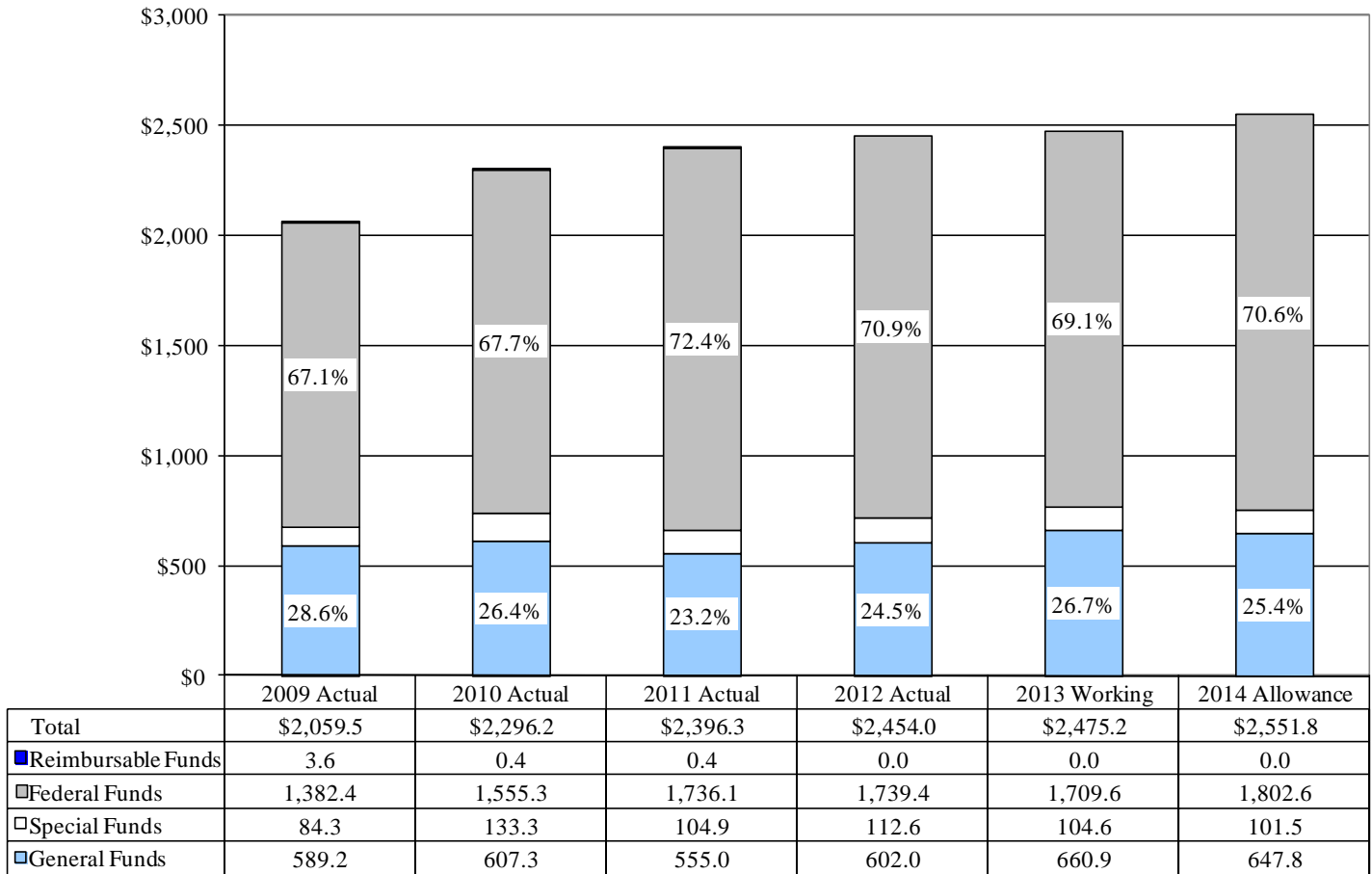
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Analysis of the FY 2014 Maryland Executive Budget, 2013

N00 – Department of Human Resources – Fiscal 2014 Budget Overview

Department of Human Resources – Funding by Source
Fiscal 2009-2014
 (\$ in Millions)



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

Source: Maryland State Budget

N00 – Department of Human Resources – Fiscal 2014 Budget Overview

The fiscal 2014 budget for the Department of Human Resources (DHR) increases 3.1% compared to the fiscal 2013 working appropriation, including deficiencies. General funds decrease by \$13.1 million (2.0%) and comprise 25.4% of the total budget, down slightly as a percent of the total budget from the fiscal 2013 working appropriation level of 26.7%. If the Budget Restoration Fund appropriation is counted as the general fund spending it essentially is, the general fund decreases in fiscal 2014 by \$15.3 million, or 2.3%.

Special funds decrease by a net \$3.2 million and decrease as a percent of the budget, from 4.2% in fiscal 2013, to 4.0% in the allowance. Increases in six special funds totaling \$7.6 million are more than offset by decreases totaling \$10.8 million in five other special funds. Increases occur in the Child Support Foster Care Offset (\$4.1 million), Child Support Offset (\$1.5 million), Universal Services Benefit Program (\$1.4 million), Foster Care Education (\$502,508), Adoption Search Registry (\$58,523), and Cooperative Reimbursement Monitoring Fees (\$6,519). Decreases occur in the Child Support Reinvestment Fund (\$4.6 million), Strategic Energy Investment Fund (\$2.3 million), Budget Restoration Fund (\$2.2 million), Local Government Payments (\$1.7 million), and Interim Assistance Reimbursement (\$368). If the Budget Restoration Fund is removed from the special fund appropriation, special funds decrease in fiscal 2014 by \$972,433, or 0.9%.

Federal funds increase by a net \$93.4 million between fiscal 2013 and 2014 and increase as a percentage of total funding from 69.1% in fiscal 2013 to 70.6% in fiscal 2013. Decreases in 7 federal programs of \$7.1 million are more than offset by increases totaling \$100.4 million in 11 other federal programs. The largest reductions occur in the Social Services Block Grant (\$3.0 million), Low-income Home Energy Assistance (\$1.8 million), Healthy Marriage Promotion and Responsible Fatherhood Grants (\$1.5 million), and Child Welfare Services – State Grants (\$485,774). Programs with increases of at least \$1.0 million comprise the Supplemental Nutrition Assistance Program budgeted at the fiscal 2012 actual level (\$53.9 million), Temporary Assistance for Needy Families (\$24.5 million), Child Support Enforcement (\$5.9 million), Medical Assistance Program (\$5.6 million), Foster Care Title IV-E (\$3.7 million), Refugee and Entrant Assistance (\$3.3 million), and State Administrative Matching Grants for the Food Stamp Program (\$2.8 million.)

**Department of Human Resources
Budget Overview: All Funds
Fiscal 2012-2014
(\$ in Thousands)**

	<u>2012</u> <u>Actual</u>	<u>2013</u> <u>Working</u>	<u>2014</u> <u>Allowance</u>	<u>2013-14</u> <u>% Change</u>
Family Investment	\$1,515,518	\$1,453,152	\$1,519,746	4.6%
TCA Payments	151,148	143,796	141,954	-1.3%
TDAP	43,680	44,168	44,168	0.0%
SNAP	1,087,398	1,033,480	1,087,398	5.2%
Other Public Assistance	19,262	16,337	19,166	17.3%
Work Opportunities	35,491	34,781	34,857	0.2%
Administration	178,540	180,590	192,203	6.4%
Office of Home Energy Programs	\$120,279	\$145,580	\$142,983	-1.8%
Child Welfare	\$550,561	\$608,284	\$616,567	1.3%
Foster Care/Adoption	306,403	316,359	327,007	3.4%
Programs/Administration	244,158	291,925	289,206	-0.9%
Child Support Enforcement	\$88,461	\$87,854	\$89,808	2.2%
Administration	\$179,172	\$180,314	\$183,091	1.5%
Office of the Secretary	42,302	39,585	39,478	-0.3%
Operations	29,153	31,076	30,894	-0.6%
Information Management	67,260	68,474	70,452	2.9%
Local Department Operations	40,458	41,180	42,375	2.9%
Total Program Funding	\$2,453,990	\$2,475,184	\$2,551,843	3.1%
General Funds	602,031	660,913	647,812	-2.0%
Special Funds	112,601	104,636	101,477	-3.0%
Federal Funds	1,739,359	1,709,635	1,802,554	5.4%
Total Funds	\$2,453,990	\$2,475,184	\$2,551,961	3.1%

SNAP: Supplemental Nutrition Assistance Program

TCA: Temporary Cash Assistance

TDAP: Temporary Disability Assistance Program

Note: Fiscal 2013 includes deficiencies, and fiscal 2014 reflects the reductions to health insurance contributions made in Section 19 of the budget bill.

Numbers may not sum to total due to rounding.

Source: Maryland State Budget

**Department of Human Resources
Budget Overview: General Funds
Fiscal 2012-2014
(\$ in Thousands)**

	<u>2012 Actual</u>	<u>2013 Working</u>	<u>2014 Allowance</u>	<u>2013-14 % Change</u>
Family Investment	\$136,818	\$157,356	\$135,015	-14.2%
TCA Payments	25,032	58,233	30,005	-48.5%
TDAP	34,164	36,165	36,165	0.0%
SNAP	0	0	0	0.0%
Other Public Assistance	10,671	6,610	10,262	55.2%
Work Opportunities	0	0	0	0.0%
Administration	66,951	56,348	58,582	4.0%
Office of Home Energy Programs	\$0	\$0	\$0	0.0%
Child Welfare	\$347,488	\$392,745	\$399,940	1.8%
Foster Care/Adoption	208,760	234,321	237,946	1.5%
Programs/Administration	138,728	158,424	161,944	2.3%
Child Support Enforcement	\$17,555	\$17,662	\$18,195	3.0%
Administration	\$100,170	\$93,151	\$94,661	1.6%
Office of the Secretary	28,062	25,053	25,256	0.8%
Operations	17,023	17,191	17,126	-0.4%
Information Management	31,505	29,654	29,931	0.9%
Local Department Operations	23,580	21,252	22,348	5.2%
Total	\$602,031	\$660,913	\$647,812	-2.0%

SNAP: Supplemental Nutrition Assistance Program

TCA: Temporary Cash Assistance

TDAP: Temporary Disability Assistance Program

Note: Fiscal 2013 includes deficiencies, and fiscal 2014 reflects the reductions to health insurance contributions made in Section 19 of the budget bill.

Numbers may not sum to total due to rounding.

Source: Maryland State Budget; Department of Human Resources

**Department of Human Resources
Budget Overview: Fiscal 2013 Deficiencies**

<u>Unit</u>	<u>Amount</u>		<u>Use</u>
Child Welfare Services	\$9,606,858	GF	Provides funding to resolve a fiscal 2009 Title IV-E reimbursement disallowed by the federal government.
Child Welfare Services	\$40,769,889	GF	Provides general funds in lieu of federal Title IV-E funds to reflect a lower level of IV-E attainment than had been assumed in the budget as introduced.
	-40,769,889	SF	
Assistance Payments	\$19,281,943	GF	Provide additional general funds for the Temporary Cash Assistance Program and reduce the appropriation of TANF funds in order to eliminate the negative TANF fund balance.
	-24,524,665	SF	

GF: general funds

SF: special funds

TANF: Temporary Assistance for Needy Families

Source: Maryland State Budget

Section 19

Reduction to Reflect Health Insurance Savings from Favorable Cost Trends

- Section 19 of the budget bill reduces funding in Executive Branch agencies by \$5.0 million in general funds, \$1.4 million in special funds, and \$1.0 million in federal funds to reflect lower cost trends. DHR's share of the reduction is \$795,663 (\$315,000 general, \$11,825 special, and \$468,838 federal).

**Department of Human Resources
Major Changes in the Fiscal 2014 Allowance
(\$ in Millions)**

Departmentwide	Total
Retirement contributions	\$8.5
Health/retiree health	4.2
Fiscal 2013 general salary increase annualization.....	3.5
Decreased turnover.....	1.0
Reclassifications.....	0.3
Overtime.....	0.1
Accrued leave payout	-0.3
Workers’ compensation premium assessment.....	-0.4
Vacant position salaries reset to base	-1.3
Remove one-time funding to resolve fiscal 2009 IV-E disallowance	-9.6
Other personnel	0.1
Montgomery County Dept. of Health & Human Services block grant	1.0
Administration	
Information technology contracts.....	2.3
Replacement and additional information technology equipment	1.0
Transfer information technology modification project to Health Benefit Exchange.....	-1.0
Promoting Responsible Fatherhood federal grant ends	-1.5
Social Services	
Rate increase for foster care institutional care vendors	4.9
Shift in foster care caseload mix to high cost placements.....	5.7
Child Support Enforcement	
Cooperative reimbursement agreements	0.9
Family Investment	
Increase in SNAP caseload.....	83.9
TCA grant increase to meet 61% Minimum Living Level requirement.....	5.2
Services to refugees and asylees.....	3.2
Public Assistance to Adults caseload and average grant increase	2.8
TCA average monthly caseload decrease from 71,243 to 65,127	-7.1
Decrease in SNAP average monthly grant – ARRA premium ends	-30.0
Office of Home Energy Programs	
Energy Assistance benefits.....	-3.1
Other Adjustments	2.4
Total	\$76.7

ARRA: American Recovery and Reinvestment Act
SNAP: Supplemental Nutrition Assistance Program

TCA: Temporary Cash Assistance

Note: Numbers may not sum to total due to rounding

Source: Maryland State Budget; Department of Human Resources

N00 – Department of Human Resources – Fiscal 2014 Budget Overview

- The average monthly Temporary Cash Assistance (TCA) benefit increases by \$7.31 from \$174.33 in fiscal 2013 to \$181.64 in fiscal 2014. This increase is necessary to ensure that the combined Supplemental Nutrition Assistance Program (SNAP)/TCA benefit will equal at least the 61.0% of the Minimum Living Level as required by law.
- The allowance includes a 2.5% rate increase for institutional foster care vendors.

**Department of Human Resources
Caseload Estimates Assumed in the Budget
Fiscal 2011-2014**

<u>Program</u>	<u>2011 Actual</u>	<u>2012 Actual</u>	<u>2013 Estimated</u>	<u>2014 Estimated</u>	<u>2013-14 % Change</u>
Cash Assistance					
TCA	72,211	72,413	68,828 *	65,127	-5.4%
TDAP	20,461	19,939	19,895	19,895	0.0%
Child Welfare					
Foster Care	5,797	5,714	5,770	5,680	-1.6%
Subsidized Adoption/ Guardianship	8,863	10,199	9,330	9,410	0.9%
Child Support Enforcement					
TCA Collections	\$21,706,996	\$23,474,202	\$23,708,944	\$23,946,033	1.0%
Non-TCA Collections	\$497,537,009	\$520,927,374	\$526,136,648	\$531,398,014	1.0%

*Reflects the fiscal 2013 deficiency which reduces funding in response to declines in the caseload.

TCA: Temporary Cash Assistance

TDAP: Temporary Disability Assistance Program

Source: Maryland State Budget; Department of Human Resources

- A fiscal 2013 deficiency appropriation provides for a net decrease of \$5.2 million for TCA to reflect declines in the caseload.
- DHR projects a continued decline in the foster care caseload combined with a small increase in the number of subsidized adoptions and guardianships.
- Child support enforcement collections, both TCA and non-TCA, are projected to grow by 1% between fiscal 2013 and 2014.

**Department of Human Resources
Employment: Full-time Equivalent Regular Positions
Fiscal 2012-2014**

	<u>2012</u> <u>Actual</u>	<u>2013</u> <u>Legislative</u>	<u>2013</u> <u>Working</u>	<u>2013</u> <u>Change</u>	<u>2014</u> <u>Allowance</u>	<u>2013-14</u> <u>Change</u>
Social Services	2,905.61	2,899.61	2,892.61	-7.00	2,892.61	0.00
Family Investment	2,039.42	2,038.42	2,037.42	-1.00	2,037.42	0.00
Administration	896.00	889.00	892.00	3.00	892.00	0.00
Child Support Enforcement	690.00	698.20	693.20	-5.00	693.20	0.00
Office of Home Energy Programs	13.87	13.87	13.87	0.00	13.87	0.00
Total Positions	6,544.90	6,539.10	6,529.10	-10.00	6,529.10	0.00

Source: Maryland State Budget

- Section 25 of Chapter 1 of the First Special Session of 2012 (the Budget Reconciliation and Financing Act of 2012) required the Governor to abolish at least 100 vacant positions as of January 1, 2013, saving at least \$6.0 million in general funds. DHR’s share of the reduction was 10 positions and \$519,275 in general funds. The annualized salary savings due to the abolition of these positions is expected to be \$618,681 in general/special/federal funds.
- In fiscal 2013, 4 internal auditor positions were transferred from Child Support Enforcement to Administration to assure the independence of the internal audit process. The increase of 3 positions shown in the table above for the Administration unit is the net of the four transfers in and the abolition of 1 vacant position as part of the statewide abolitions discussed above.
- There is no change in the number of positions in the 2014 allowance.

**Department of Human Resources
Regular Positions: Filled as of January 1
Fiscal 2011-2012**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Change 2011-12</u>	<u>% Change 2011-12</u>
Administration	860.00	823.20	822.00	-1.20	-0.1%
Social Services	2,799.90	2,737.00	2,652.60	-84.80	-3.0%
Child Support Enforcement	681.00	644.00	648.90	4.90	0.7%
Family Investment	1,925.30	1,886.30	1,912.79	26.50	1.4%
Total	6,266.20	6,091.00	6036.30	-54.60	-0.9%

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

Source: Department of Budget and Management

- Overall, the number of filled positions has decreased across the department by 54.6 between fiscal 2012 and 2013 representing a 0.9% decreased in filled positions. Social Services shows the largest decrease in the filled positions both in number (84.8 positions) and on a percentage basis (-3.00%) reflecting declines in the foster care caseload.
- DHR had 492.8 positions vacant (net of positions being abolished) on January 1, 2013, which equates to a vacancy rate of 7.50%. The budgeted turnover rate in the fiscal 2014 allowance is 6.35%. DHR will need to maintain just 414.6 positions vacant for all of fiscal 2014 in order to meet turnover, which means it can fill an additional 78.2 positions and still meet the turnover rate.

**Department of Human Resources
Employment: Contractual Positions
Fiscal 2012-2014**

	<u>2012 Actual</u>	<u>2013 Working</u>	<u>2014 Allowance</u>	<u>2013-14 Change</u>
Social Services	9.35	1.00	10.50	9.50
Family Investment	53.44	68.00	68.00	0.00
Administration	39.86	2.90	2.90	0.00
Child Support Enforcement	8.22	1.00	1.00	0.00
Office of Home Energy Programs	0.50	0.00	0.00	0.00
Total Positions	111.37	72.90	82.40	9.50

Source: Maryland State Budget

- There are 9.5 additional contractual positions in Social Services. This represents the Foster Care Title IV-E Eligibility unit which is being transferred from DHR Administration. The number of contractual positions for other units of DHR remains unchanged from the fiscal 2013 working appropriation.
- Most of DHR's contractual positions are located in the Work Opportunities Program of Family Investment and are utilized in job training activities.

Issues

1. Infusion of General Funds Helps Address Chronic Budgetary Deficiencies and Federal Fund Underattainment

In recent years, DHR has been faced with a number of budgetary challenges related to increasing public assistance caseloads and declining federal fund attainment, particularly with respect to Title IV-E Foster Care funding. It has had to rely on a variety of strategies in managing these challenges, some of which run counter to budgetary best practices. These have included annual deficiency appropriations, year-end closeout transfers among units, borrowing against future federal grants, and carrying unpaid accruals on its balance sheet.

In the fiscal 2012 closeout, DHR reported \$58.2 million in accrued payables – \$52.7 million general, \$1,230 special, and \$5.5 million federal. In simple terms, it spent money for which it had no appropriation. The primary reason it did so was that it did not attain Title IV-E Foster Care funding at the level assumed in the budget. DHR’s fiscal 2012 budget assumed a total of \$144.9 million in IV-E funding despite the fact that when the 2012 budget was proposed it was known that only \$93.1 million in IV-E funding had been received in fiscal 2010, the most recent year of actual attainment. IV-E attainment in fiscal 2012 was just \$76.0 million.

Adding to DHR’s budget woes was the depletion of the Temporary Assistance for Needy Families (TANF) balance which totaled \$81.2 million at the end of fiscal 2007 but fell to zero in fiscal 2011 due to the elevated cash assistance caseload caused by the recession. In fact, in order to close out fiscal 2011, DHR had to utilize \$51.4 million of the fiscal 2012 block grant. TANF spending was reduced to the \$229.1 million level of the annual block grant with the submission of the fiscal 2013 budget, which contained fiscal 2012 deficiency appropriations withdrawing TANF funds and replacing them with general funds. However, the shortfall caused by the fiscal 2011 closeout remained.

Both the Title IV-E attainment issue and the TANF shortfall are addressed in the fiscal 2014 budget. A deficiency appropriation for the Child Welfare Services program reduces the Title IV-E appropriation by \$40.8 million and replaces it with a general fund appropriation of the same amount. This reduces the amount of IV-E funding assumed in the budget for fiscal 2013 to \$98.2 million which, while \$22.0 million more than was attained in fiscal 2012, is slightly less than the actual attainment in fiscal 2011. A second general fund deficiency appropriation of \$9.6 million is also provided to resolve a disallowed IV-E claim of the same amount from fiscal 2009, which has been noted in the legislative auditor’s closeout reports for the past few years.

With respect to the TANF shortfall, a fiscal 2013 general fund deficiency of \$19.3 million is included in the allowance. When combined with TANF contingency funds received in both fiscal 2012 and 2013, there is a projected TANF balance of \$91,000 at the end of fiscal 2014.

While some underfunding appears to remain in parts of DHR’s budget (e.g. legal services and information technology contracts), these shortfalls are of a much lower magnitude. The fiscal 2014 allowance for DHR provides a spending plan that has a reasonable likelihood of being successfully implemented. **DHR should comment on the sufficiency of its fiscal 2014 allowance, especially in light of the low IV-E attainment in fiscal 2012, and indicate how it intends to manage the portions of its budget where smaller shortfalls remain.**

2. Temporary Assistance for Needy Families Is Back in Black

Maryland receives a base TANF block grant of \$229.1 million each year. Over the past few years, Maryland has also received TANF contingency funds which have been available to states experiencing high rates of increase in the SNAP caseload and are intended to assist states with increased cash assistance caseloads experienced during the recession and slow economic recovery.

As discussed above in Issue 1, Maryland’s TANF balance went into the red in fiscal 2011 and necessitated the use of a portion of the fiscal 2012 block grant. The TANF deficit continued through 2012 but is addressed in the current year’s budget through reduced overall spending associated with a reduction in the TCA caseload and a deficiency appropriation replacing \$24.5 million of the TANF appropriation with a \$19.3 million general fund appropriation. In fiscal 2014, TANF spending is limited to the level of the base TANF block grant. **Exhibit 1** shows the TANF beginning and ending balances for fiscal 2012 through 2014. An estimated \$91,000 balance is projected at the end of fiscal 2014.

Exhibit 1
Availability of TANF Funding
Fiscal 2012-2014
(\$ in Millions)

	<u>2012</u> <u>Actual</u>	<u>2013</u> <u>Working</u>	<u>2014</u> <u>Allowance</u>
Beginning Balance	-\$51.422	-\$45.041	\$0.000
TANF Grant	\$229.098	\$229.098	\$229.098
Contingency TANF	19.928	20.425	--
Total Income	\$249.026	\$249.523	\$229.098
Available Funding (Balance + Income)	\$197.604	\$204.483	\$229.098
DHR Appropriation	-\$242.645	-\$204.483	-\$229.007
Ending Balance	-\$45.041	\$0.000	\$0.091

DHR: Department of Human Resources

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

Exhibit 2 shows the changes in TANF spending in the DHR budget. The amount of TANF spending increases by \$24.5 million in fiscal 2014 reflecting the reduced TANF spending that occurs in fiscal 2013 made possible by the provision of additional general funds via deficiency appropriation. The fiscal 2013 fund swap occurred in cash assistance which shows a \$26.4 million increase between the current year and the allowance. The other areas of TANF spending within DHR show little or no change between the two years.

Exhibit 2
Changes in TANF Spending in DHR’s Budget
Fiscal 2012-2014 Allowance
(\$ in Millions)

<u>Activity</u>	<u>2012 Actual</u>	<u>2013 Working*</u>	<u>2014 Allowance</u>	<u>2013-14 Change</u>
Cash Assistance	\$120.0	\$83.3	\$110.2	\$26.4
Work Opportunities	35.5	34.8	34.9	0.1
Family Investment Services	28.4	38.2	35.7	-2.5
Foster Care Maintenance Payments	6.9	6.9	6.9	0.0
Child and Adult Social Services	38.6	28.4	27.2	-1.2
General Administration	13.2	12.4	14.1	1.7
Total TANF Expenditures	\$242.6	\$204.5	\$229.0	\$24.5

DHR: Department of Human Resources
TANF: Temporary Assistance for Needy Families

*Reflects deficiency appropriations which reduced \$24.5 million of budgeted TANF and replaced it with a general fund appropriation of \$19.3 million.

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

Source: Maryland State Budget; Department of Human Resources

3. Comfortable Cushion Exists in TANF Maintenance of Effort

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. In addition, TANF contingency fund allotments require \$3 in MOE for every \$1 received. Spending 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 3** provides a summary of MOE funding in the fiscal 2012 budget and estimates for fiscal 2013 and 2014.

Exhibit 3
TANF Maintenance of Effort
Fiscal 2012-2014 Allowance
(\$ in Thousands)

	<u>2012</u> <u>Actual</u>	<u>2013</u> <u>Working</u>	<u>2014</u> <u>Allowance</u>	<u>2013-14</u> <u>Change</u>
Cash Assistance	\$22,199	\$58,233	\$30,005	-\$28,228
Employment Services/Caseworkers Administration	3,193	3,209	3,225	16
Kinship Care/Foster Care Payments	1,591	1,599	1,607	8
Social Services Administration	1,325	1,332	1,338	6
Community Services-Emergency Food, Shelter, Child 1st	1,509	1,517	1,525	8
Refundable State Earned Income Tax Credit	4,010	4,030	4,050	20
Montgomery County Earned Income Tax Credit	114,688	115,261	115,838	577
MSDE Pre-K	9,615	9,663	9,711	48
Local Government/State Agencies	84,772	85,196	85,622	426
Electric Universal Service Program	3,346	3,362	3,379	17
Subtotal	\$270,619	\$307,895	\$280,915	-\$26,980
Required Maintenance of Effort				
Base	\$176,965	\$177,850	\$178,740	890
Contingency Fund Add-on	35,942	36,122	36,302	180
Contingency Fund Match	17,972	18,062	18,152	90
Total Required	\$230,879	\$232,034	\$233,194	\$1,160
Excess Maintenance of Effort	\$39,740	\$75,861	\$47,721	-\$28,140

TANF: Temporary Assistance for Needy Families

MSDE: Maryland State Department of Education

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

Source: Department of Human Resources; Department of Legislative Services

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The estimated MOE eligible spending is more than adequate to meet the TANF MOE requirements even with the additional MOE required due to the receipt of Contingency TANF funds.