N00B
Social Services Administration
Department of Human Resources

Operating Budget Data

($ in Thousands)

	FY 13 Actual	FY 14 Working	FY 15 Allowance	FY 14-15 Change	% Change Prior Year
General Fund	$379,588	$402,189	$401,484	-$705	-0.2%
Contingent & Back of Bill Reductions	0	-2,314	-1,401	913	
Adjusted General Fund	**$379,588**	**$399,874**	**$400,083**	**$208**	**0.1%**
Special Fund	10,359	7,981	8,295	313	3.9%
Contingent & Back of Bill Reductions	0	0	-16	-16	
Adjusted Special Fund	**$10,359**	**$7,981**	**$8,278**	**$297**	**3.7%**
Federal Fund	207,097	209,462	221,910	12,448	5.9%
Contingent & Back of Bill Reductions	0	-3,400	-1,061	2,339	
Adjusted Federal Fund	**$207,097**	**$206,062**	**$220,848**	**$14,786**	**7.2%**
Adjusted Grand Total	**$597,044**	**$613,918**	**$629,209**	**$15,291**	**2.5%**

- The allowance includes a fiscal 2014 deficiency appropriation for prior year shortfalls in foster care payments ($19.3 million), fund swaps to recognize available special funds for foster care education ($0.4 million), shortfalls in federal funds ($1.2 million for Home Visiting Program and $2.2 million for local adult services), and withdrawn appropriations for health insurance ($1.2 million) and pension reinvestment ($0.7 million).

- The allowance grows $15.3 million, or 2.5%, after accounting for the withdrawn appropriations in fiscal 2014 and across-the-board reductions in fiscal 2015. The growth is driven by federal funds, which increase $14.8 million in the Governor's budget plan.

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

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Personnel Data

	FY 13 Actual	FY 14 Working	FY 15 Allowance	FY 14-15 Change
Regular Positions	2,892.61	2,861.11	2,852.11	-9.00
Contractual FTEs	11.04	11.00	11.00	0.00
Total Personnel	**2,903.65**	**2,872.11**	**2,863.11**	**-9.00**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	203.64	7.14%
Positions and Percentage Vacant as of 12/31/13	278.75	9.74%

- The allowance abolishes 9.0 vacant local caseworker positions.
- The Social Services Administration has a budgeted turnover of 7.1%, or 203.6 positions but had a vacancy rate of 9.7%, or 278.8 positions, as of December 31, 2013.

Analysis in Brief

Major Trends

Children Reside in Permanent Homes: The percent of children who reunite with their families within 12 months of entry grew for the first time since fiscal 2009, from 50.7% in fiscal 2012 to 58.5% in fiscal 2013. However, this rate is still below the agency goal of 60.0%.

Children Are Safe from Abuse and Neglect: Performance related to safety was mixed with improvements to the recurrence of maltreatment measure, while the rate for children that are the victims of abuse or neglect while in care was steady but above the agency goal in fiscal 2013. **The Secretary should comment on improving child safety for children who are receiving child welfare services from the State.**

Issues

Audit Finds $5.8 Million in Medicaid Claims at Risk: The Office of Legislative Audits (OLA) fiscal 2013 closeout audit found that the Department of Human Resources (DHR) had recorded $5.8 million in Medicaid claims that lacked proper documentation. OLA believes that amount of general funds may be required to cover the cost of care if the federal funds are not received. **The Secretary should comment on the likelihood of receiving the $5.8 million from Medicaid.**

Child Welfare Staff-to-caseload Ratios: In prior years, DHR was unable to adequately maintain sufficient staffing levels for caseworkers and supervisors in many jurisdictions. Recently, the overall staffing level is above the recommended levels statewide, but some jurisdictions are still short: 3 for caseworkers and 10 for supervisors. **The Secretary should comment on why jurisdictions are unable to meet the minimum recommended staffing levels if vacant positions are available. The Secretary should also comment on why vacant positions have not been transferred to jurisdictions that are below the minimum recommended staffing level.**

Reviewing Rate Setting: Maryland uses a uniform rate setting process to determine rates paid by the State to residential childcare providers. The current process has been in place for over 10 years, and the Interagency Rates Committee (IRC) was asked to evaluate the current process and determine if changes are needed. IRC recommends developing a new rate structure and redesigning the rate setting process. **IRC should comment on the progress of this new workgroup.**

Recommended Actions

		Funds
1.	Reduce the Department of Human Resources Social Services Administration foster care surplus by $3 million.	$ 3,000,000
2.	Add language to N00G00.01 restricting the general fund appropriation for Foster Care Maintenance Payments to that purpose or only for transfer to Child Welfare Services.	
3.	Add language to N00G00.03 restricting the general fund appropriation for Child Welfare Services to that purpose only or for transfer to Foster Care Maintenance Payments.	
4.	Adopt committee narrative requesting a report on child welfare caseload data.	
	Total Reductions	**$ 3,000,000**

Updates

Child Fatalities Involving Abuse or Neglect Reported: DHR reported the number of child fatalities in which child abuse or neglect was a factor for calendar 2008 through 2012. There were 29 such fatalities in 2012.

Operating Budget Analysis

Program Description

The Social Services Administration (SSA) supervises child welfare social service programs provided through Maryland's Local Departments of Social Services that are intended to prevent or remedy neglect, abuse, or exploitation of children; preserve, rehabilitate, or reunite families; help children to begin or continue to improve their well-being; prevent children from having to enter out-of-home care when services can enable them to remain safely in their own homes; and for children who need out-of-home care, provide appropriate placement and permanency services. The administration is responsible for Child Welfare policy development, training and staff development, monitoring and evaluation of local department programs, oversight of development and maintenance of the child welfare information system (Maryland Children's Electronic Social Services Information Exchange), and all other aspects of program management.

SSA supervises adult social services programs for vulnerable adults and individuals with disabilities. This service delivery system protects vulnerable adults, promotes self-sufficiency, and avoids unnecessary institutional care. These services are delivered in a manner that maximizes a person's ability to function independently.

The key goals of SSA are that:

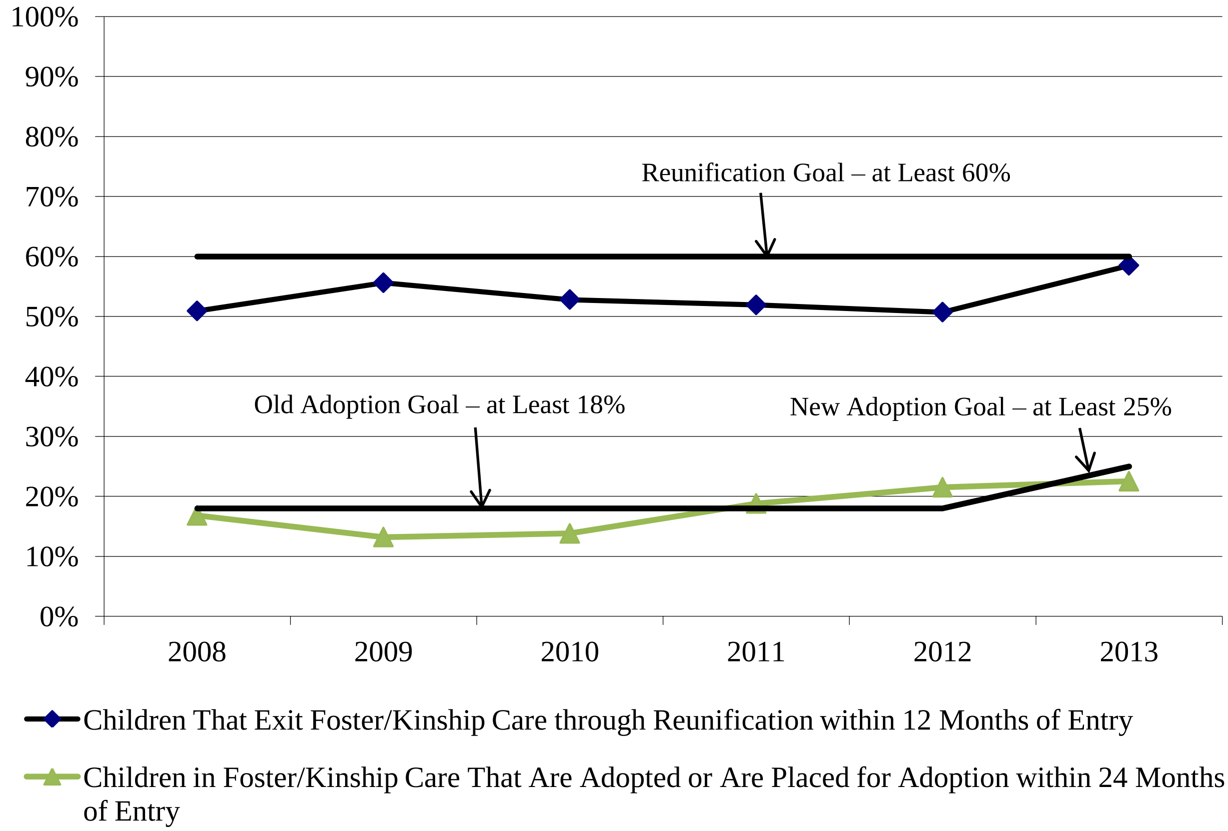
- children served by the Department of Human Resources (DHR) reside in permanent homes;
- children served by the department are safe from abuse and neglect;
- individuals served by Adult Services are safe from abuse (including neglect, self-neglect, and exploitation); and
- individuals served by Adult Services achieve their maximum level of independence.

Performance Analysis: Managing for Results

1. Children Reside in Permanent Homes

Exhibit 1 shows the percent of children leaving foster/kinship care through reunification that do so within 12 months of entry and the percent of children in foster/kinship care that are adopted or placed for adoption within 24 months of entering the child welfare system.

Exhibit 1
Exits from Foster Care through Reunification or Adoption
Fiscal 2008-2013

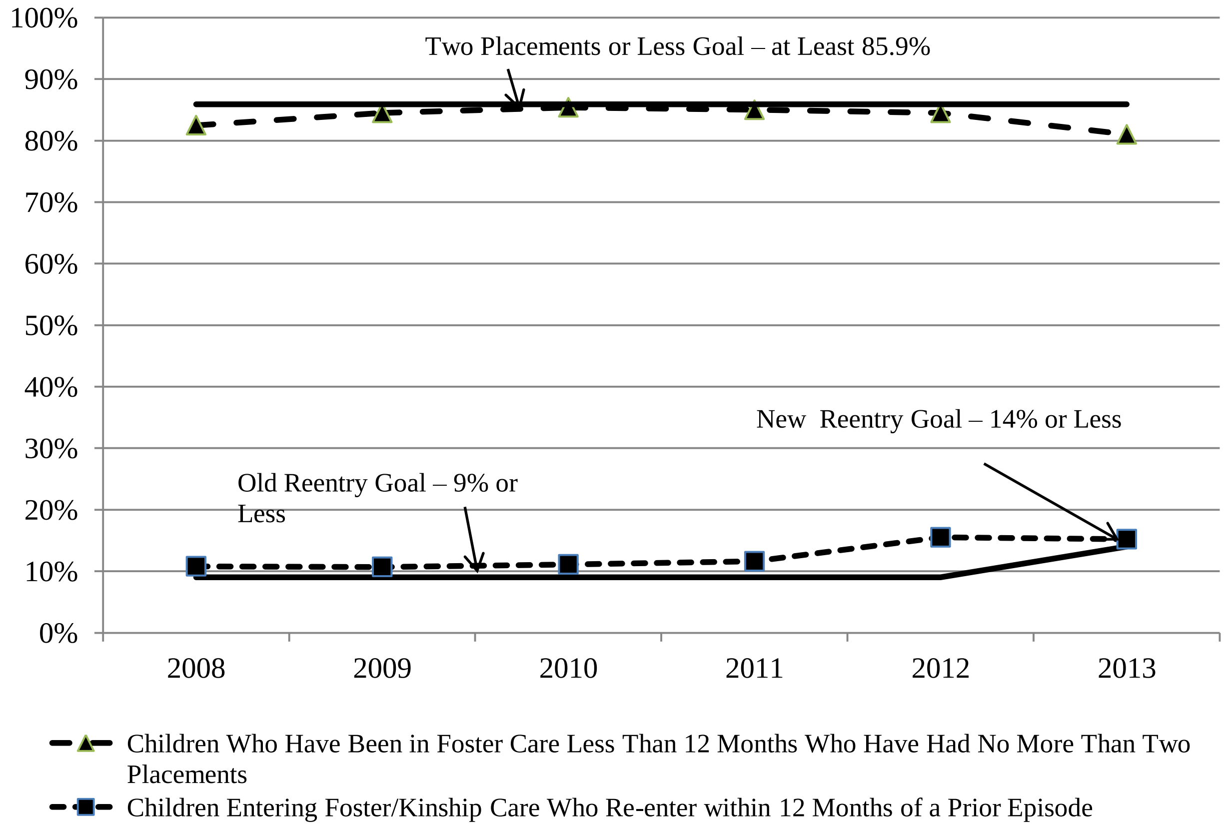


Source: Governor's Budget Books, Fiscal 2010-2015

The solid straight lines show the goals for each of these measures. In the case of adoption within 24 months of entry, the goal was revised upward after two consecutive years of exceeding the mark. Improvement continued with this measure, growing 1 percentage point. With respect to the goal of reunification within 12 months of entry, performance improved after three years of declines, increasing to 58.5%, nearly meeting the agency's 60.0% goal.

Exhibit 2 shows the percent of children who have been in foster care less than 12 months who have had no more than two placement settings and the percent of children re-entering care within 12 months of exiting to reunify with their family of origin. DHR did not meet either of these goals in fiscal 2013. In the case of re-entry after reunification, the department lowered the goal from no more than 9.0% to no more than 14.0% after missing the mark for several years; in fiscal 2013, DHR achieved a rate of 15.2% The rate for two or fewer placements declined to 81.0%, below the 85.9% goal.

Exhibit 2
Placement Stability and Permanent Exit from Care
Fiscal 2008-2013

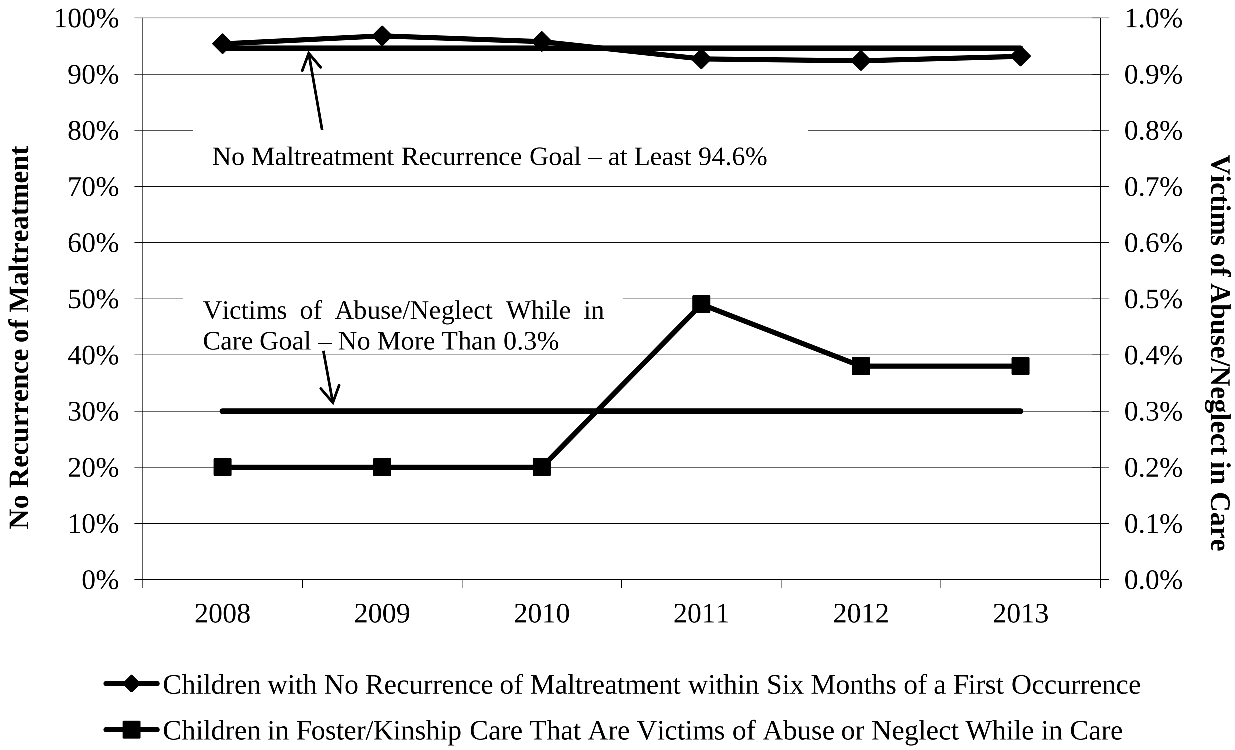


Source: Governor's Budget Books, Fiscal 2010-2015

2. Children Are Safe from Abuse and Neglect

Exhibit 3 shows the percent of children with no recurrence of maltreatment within six months of a first occurrence and the percent of children in foster/kinship care who are victims of abuse or neglect while in care. With respect to no recurrence of maltreatment, DHR had been meeting the goal, but following a federally required change in the methodology used for calculating safety measures, the fiscal 2011 number was revised downward and no longer exceeded the goal. Performance in fiscal 2012 declined slightly but improved 0.8 percentage points in fiscal 2013. There was also an upward spike in 2011 in the percent of children who were victims of abuse or neglect while in care. Performance on this measure was flat in fiscal 2013. **The Secretary should comment on improving child safety for children who are receiving child welfare services from the State.**

Exhibit 3
Children Served by DHR Are Safe from Abuse and Neglect
Fiscal 2008-2013



DHR: Department of Human Resources

Source: Governor's Budget Books, Fiscal 2010-2015

Fiscal 2014 Actions

Proposed Deficiency and Fund Swaps

The Governor's proposed budget includes one deficiency appropriation and two fund swaps for SSA. The first totals $19.3 million for foster care maintenance payments to address a shortfall in the fiscal 2013 budget. At the close of that year, funds from foster care maintenance payments were shifted to local child welfare services to cover a shortfall in employee salaries as the need for salary funding was more pressing than for the foster care payments, which are delayed due to their nature as reimbursements. This deficiency fully funds foster care maintenance payments for fiscal 2014.

The two fiscal 2014 fund swaps add general and special funds to the SSA budget. The first adds $1.2 million in general funds due to lower than expected federal funds for avoidance programs through the Promoting Safe and Stable Families grant, reduced through the federal sequestration. The second adds $1.0 million in general funds and $1.2 million in special funds from the dedicated purpose account to offset a $2.2 million withdrawal of funding from the social services block grant, which was also a result of sequestration. These funds will mainly be used for salaries in the Local Adult Services program.

Cost Containment

There are three across-the-board withdrawn appropriations that offset the increase in deficiency appropriations. This includes reductions to employee/retiree health insurance and retirement reinvestment. These actions are fully explained in the analyses of the Department of Budget and Management (DBM) – Personnel and the State Retirement Agency (SRA), respectively. For SSA, the amount is a combined $1.9 million in general funds.

There was an additional fund swap of $385,599 in general funds for an equal amount of special funds available from local education agencies to support the education of children in foster care.

Proposed Budget

Funding for SSA grows $15.3 million, as shown in **Exhibit 4**. This growth is net of withdrawn appropriations in fiscal 2014 and across-the-board reductions assumed in the Governor's fiscal 2015 budget plan. Salary adjustments for fiscal 2015 increase $4.9 million, although that figure accounts for a $2.2 million withdrawn federal fund appropriation in the fiscal 2014 budget. The federal funds are replaced with $2.2 million in general and special funds. Adjusting for the fiscal 2014 deficiency proposed to replace the lost federal funds in fiscal 2014, the change from fiscal 2014 to 2015 decreases from the $4.9 million shown in Exhibit 4 to $2.7 million.

The annualization of salary increases from fiscal 2014 adds $2.3 million. Employee retirement spending grows as well, by $1.6 million. Employee and retiree health insurance spending is the one major decrease in the SSA budget, declining $3.7 million.

Under programmatic changes, the biggest increase is foster care maintenance payments, which grow $6.0 million based on participation trends in the different foster care programs. Spending on family unification and foster care avoidance grows $1.2 million to offset the federal grant funds that were decreased in fiscal 2014, while the Montgomery County block grant grows $1.1 million. Montgomery County operates its own child welfare programs.

Exhibit 4
Proposed Budget
DHR – Social Services
($ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Total
2014 Working Appropriation	$399,874	$7,981	$206,062	$613,918
2015 Allowance	400,083	8,278	220,848	629,209
Amount Change	$208	$297	$14,786	$15,291
Percent Change	0.1%	3.7%	7.2%	2.5%

Where It Goes:	
Personnel Expenses	
Increments and other compensation	$4,895
Annualized salary increase	2,262
Employee retirement programs	1,555
Accrued leave payout	674
Workers' compensation premium assessment	456
Social Security	230
Unemployment	3
Turnover adjustments	-380
Abolished/transferred positions	-434
Employee and retiree health insurance	-3,667
Other Changes	
Foster care maintenance payments	5,980
Family unification and foster care avoidance	1,200
Increase in the Montgomery County block grant	1,088
Flex funds for local departments	560
Motor vehicle purchase or lease	473
Office of Administrative Hearings	362
Residential placement prevention for children in need of medical care	149
Adoption Together Services Grant enhancement	126
Other changes	125
Family Kin Connection and Independent Living Services	-365
Total	**$15,291**

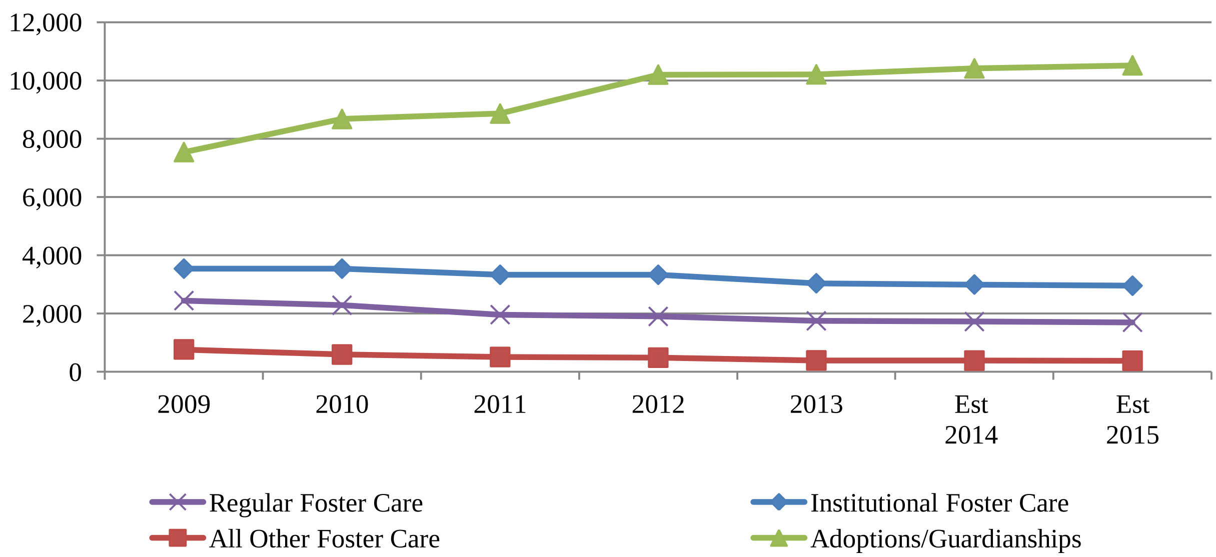
Note: The fiscal 2014 working appropriation reflects negative deficiencies and contingent reductions. The fiscal 2015 allowance reflects back of the bill and contingent reductions. Numbers may not sum to total due to rounding.

Similar to the $4.9 million increase in salary spending shown in Exhibit 4, it should be noted that the total change of $15.3 million shown in Exhibit 4 accounts for the withdrawn appropriations that are a part of fiscal 2014 fund swaps assumed in the Governor's budget plan but not the related deficiency appropriations replacing those withdraws. The three fund swaps reduce the fiscal 2014 appropriation by $3.8 million, and their deficiency appropriations add an equal amount of general and special funds. After accounting these deficiency appropriations, the overall increase in spending slows to $11.5 million, or 1.9%.

Foster Care and Subsidized Adoption/Guardianship Caseload and Expenditure Trends

Exhibit 5 shows the average monthly foster care and subsidized adoption/guardianship caseloads from fiscal 2009 through 2015. The fiscal 2014 to 2015 numbers are estimates of the Department of Legislative Services (DLS). Since fiscal 2012, the trends for the three components shown have been fairly consistent. The number of subsidized adoptions and guardianships has continued to increase (although at a much slower rate than the few years prior), while the numbers of institutional and other foster care placements have gradually declined. These trends reflect the philosophy behind the Place Matters Initiative, which DHR has followed for many years. Adoptions and guardianships provide permanency for children who have entered the foster care system.

Exhibit 5
Foster Care and Subsidized Adoption/Guardianship
Average Monthly Caseloads
Fiscal 2009-2015



Source: Department of Human Resources; Department of Legislative Services

Exhibit 6 shows foster care and adoption/guardianship caseload and expenditure data for fiscal 2013, budgeted expenditures for fiscal 2014 and 2015, and DLS estimated spending for fiscal 2014 and 2015. The DLS estimates differ from the DHR assumptions upon which the budgets for fiscal 2014 and 2015 were built.

Exhibit 6
Foster Care and Subsidized Adoption/Guardianship
Caseload and Expenditure Trends
Fiscal 2013-2015

	2013*	**DLS Estimate 2014**	**DLS Estimate 2015**	**% Change 2014-15**
Monthly Caseload				
Foster Care	5,177	5,105	5,033	-1.4%
Adoptions/Guardianships	10,209	10,413	10,517	1.0%
Total	**15,386**	**15,518**	**15,550**	**0.2%**
Monthly Cost Per Case	$1,488	$1,615	$1,608	-0.4%
Forecasted Expenditures ($ in Millions)				
General Funds	$203.1	$228.8	$228.3	-0.2%
Total Funds	298.4	324.4	323.7	-0.2%
Budgeted Expenditures ($ in Millions)				
General Funds	$203.1	$237.9	$237.6	-0.2%
Total Funds	298.4	327.0	333.7	2.0%
Surplus\Shortfall (Compared to Budget)		**$2.7**	**$10.0**	

DLS: Department of Legislative Services

*Fiscal 2013 includes $24.2 million in incurred expenses for which payment was deferred.

Source: Department of Human Resources; Department of Legislative Services

DLS is projecting that the foster care caseload will continue to decline and that the number of subsidized adoptions and guardianships will continue to increase over the three-year period. Based on the DLS estimates, the fiscal 2014 budget has a surplus of $2.7 million, and the fiscal 2015 budget has a surplus of $10.0 million, or 3.1%, of total projected foster care spending. Although DHR carried over $24.2 million in accrued expenses from fiscal 2013 into 2014, the agency is confident that the $19.3 million deficiency appropriation and the federal matching funds are enough to fully address that shortfall and that the fiscal 2014 budget is fully funded. **Therefore, DLS recommends reducing the SSA foster care allowance by $3.0 million, leaving a $7.0 million cushion for unexpected changes to caseload levels or federal funds.**

Cost Containment

There is one across-the-board reduction and one contingent reduction reflected in the Governor's spending plan for the fiscal 2015 allowance. This affects funding for employee/retiree health insurance and retirement reinvestment. These actions are fully explained in the analyses of DBM – Personnel and SRA. For SSA, this totals $2.5 million in all funds.

Finally, the Budget Reconciliation and Financing Act (BRFA) of 2014 includes a provision to moderate cost increases for residential childcare, which includes group home and treatment foster care. The provision limits the maximum provider rate increase set by the Interagency Rates Committee (IRC) to 1.5% and delays the rate increase to January 1, 2015. That delay is estimated to save $3.4 million, but the full cost of the rate increase will be reflected in the fiscal 2016 budget, as this rate level will be in effect for all of that year. The additional cost is $3.4 million.

Issues

1. Audit Finds $5.8 Million in Medicaid Claims at Risk

The Office of Legislative Audits (OLA) fiscal 2013 closeout audit found that SSA had recorded $5.8 million in federal funds for Medicaid claims of children in foster care that received medical services. However, OLA found the claims to be incomplete because they did not include the proper documentation from medical services providers and that the claims were at risk of not being paid as a result.

DHR received $19.8 million in Medicaid reimbursements for foster care programs in fiscal 2013 but may have been eligible for up to $26.6 million with proper documentation. DHR believes the claims will in fact be paid, but that by December 2013, the reimbursements had not been received. **The Secretary should comment on the likelihood of receiving the $5.8 million from Medicaid.**

2. Child Welfare Staff-to-caseload Ratios

For many years, DHR had trouble maintaining an adequate number of filled child welfare caseworker and supervisor positions to address the caseload. In 1998, the General Assembly passed the Child Welfare Workforce Initiative requiring DHR and DBM to ensure that staffing levels were sufficient to meet the staff-to-caseload ratio recommendations developed by the Child Welfare League of America (CWLA). High caseload levels and high turnover in child welfare positions resulted in chronic understaffing, and many jurisdictions were unable to have a sufficient number of filled positions to meet the CWLA guidelines.

Beginning in 2007, DHR made changes to the way it managed the child welfare caseload. The Place Matters Initiative began, with an emphasis on keeping children with their families whenever safely possible, reducing reliance on out-of-home group care, and minimizing the length of time when removal from the home is necessary. DHR also adopted the Family Centered Practice model, which involves working with families, both formally and informally, to enhance their capacity to care for and protect their children. It focuses on the needs and welfare of children within the context of their families and communities. These two initiatives have helped to reduce the caseload to the point where, on a statewide aggregate level, the number of filled caseworker and supervisor positions both exceed the CWLA recommended minimum levels.

Despite the State-level adequacy, some jurisdictions have not yet reached the recommended staffing levels, as Baltimore, Cecil, and Harford counties currently do not meet the recommended staffing levels for caseworkers, and 10 counties are not meeting the staffing levels as it relates to supervisors (though it is down from 12 a year ago). **Exhibit 7** shows, by jurisdiction, the number of filled positions as of December 1, 2013, the number required to meet the CWLA standards based on

Exhibit 7
Child Welfare Position Status by Local Department
As of December 1, 2013

County	CWLA Caseworker Standard	Filled Caseworker Positions	Over/ (Under)	Vacant Caseworker Positions	CWLA Supervisor Standard	Filled Supervisor Positions	Over/ (Under)	Vacant Supervisor Positions
Allegany	21.66	40.50	18.84	1.00	4.33	5.00	0.67	1.00
Anne Arundel	63.82	83.80	19.98	6.00	12.76	15.00	2.24	1.00
Baltimore City	383.69	536.50	152.81	104.00	76.74	105.50	28.76	26.00
Baltimore	122.44	117.50	-4.94	7.25	24.49	17.00	-7.49	0.00
Calvert	16.99	18.50	1.51	1.00	3.40	2.00	-1.40	0.00
Caroline	12.34	17.00	4.67	0.00	2.47	3.00	0.53	0.00
Carroll	19.86	26.00	6.14	2.00	3.97	4.00	0.03	1.00
Cecil	34.41	32.50	-1.91	2.50	6.88	5.00	-1.88	0.00
Charles	27.05	32.00	4.95	2.00	5.41	4.00	-1.41	0.00
Dorchester	10.49	17.00	6.51	0.00	2.10	2.00	-0.10	1.00
Frederick	31.53	41.00	9.47	0.50	6.31	7.00	0.70	0.00
Garrett	8.71	15.00	6.29	1.00	1.74	2.00	0.26	0.00
Harford	51.56	49.00	-2.56	2.00	10.31	7.00	-3.31	0.00
Howard	21.51	32.00	10.49	1.00	4.30	2.00	-2.30	1.00
Kent	3.72	7.00	3.28	0.00	0.74	0.00	-0.74	1.00
Prince George’s	102.81	128.00	25.19	14.00	20.56	18.00	-2.56	4.00
Queen Anne’s	5.82	10.00	4.18	0.00	1.16	2.00	0.84	0.00
St. Mary’s	19.83	26.60	6.77	2.00	3.97	3.00	-0.97	0.00
Somerset	6.76	16.00	9.24	0.00	1.35	2.00	0.65	0.00
Talbot	6.52	12.00	5.48	0.00	1.30	4.00	2.70	0.00
Washington	36.35	57.50	21.16	4.00	7.27	10.00	2.73	0.00
Wicomico	15.68	33.00	17.32	3.00	3.14	7.00	3.86	0.00
Worcester	16.74	17.00	0.26	4.50	3.35	4.00	0.65	0.00
Total	**1,040.28**	**1,365.40**	**325.12**	**157.75**	**208.06**	**230.50**	**22.45**	**36.00**
Hold Harmless Shortfall and Surplus Positions			**-9.41**	**148.34**			**-22.16**	**13.84**

CWLA: Child Welfare League of America

Note: The Hold Harmless shortfall reflects the fact that filled positions cannot be transferred from jurisdictions exceeding the CWLA standards to those jurisdictions experiencing a shortfall. Therefore, an additional 9.4 caseworker and 22.1 supervisor positions would need to be filled in jurisdictions not meeting the standards in order for all jurisdictions to have the requisite number of filled positions.

Source: Department of Human Resources; Department of Budget and Management; Department of Legislative Services the caseload reported for September 2013, and the surplus or shortage in filled positions based on the standards. The "Hold Harmless" shortfall, at the bottom of the exhibit, reflects the fact that filled positions cannot be transferred between jurisdictions, and this is the number of additional positions that would need to be filled in jurisdictions not meeting the standards in order for all jurisdictions to be in compliance.

In response to questions regarding jurisdictions exceeding the minimum staffing recommendations, DHR notes that the CWLA standards do not take into account long-term absences due to illness or other unforeseen circumstances. In order to rebalance positions between jurisdictions that exceed the minimum recommended staffing levels and those not yet meeting them, DHR has instituted an internal review process that allows vacant positions to be filled only if failing to do so would result in the jurisdiction falling below the minimum recommended staffing level. DHR also explains that as a position becomes vacant in jurisdictions above the minimum staffing level, the position is transferred to ones that are below the standard.

However, when considering vacant positions by jurisdiction, several that are below the minimum recommended staffing level have the vacant positions available that would bring them up to the standard. Cecil County, for example, is 1.91 filled caseworker positions below the minimum recommended staffing level but has 2.5 vacant caseworker positions. Prince George's County is 2.56 supervisor positions below the standard but has 4.0 vacant supervisor positions. **The Secretary should comment on why jurisdictions are unable to meet the minimum recommended staffing levels if vacant positions are available.**

In addition, throughout the State, there are 157.75 vacant caseworker positions and 36.0 vacant supervisor positions, the majority of which are in Baltimore City for both categories. Therefore, for jurisdictions that do not already have the vacant positions to fill, there are positions available to be transferred. In fact, after accounting for the "Hold Harmless" shortfall and the 9.0 vacant positions abolished in the allowance, there are still 139.34 vacant caseworker positions and 13.84 vacant supervisor positions throughout the State. **The Secretary should also comment on why vacant positions have not been transferred to jurisdictions that are below the minimum recommended staffing level.**

3. Reviewing Rate Setting

Maryland uses a uniform rate setting process to determine the rates paid by the State to nonpublic schools and residential and nonresidential childcare providers. The current process for the State's residential childcare providers is administered by IRC, housed inside the Maryland State Department of Education (MSDE) with representatives from DBM, the Department of Health and Mental Hygiene, the Department of Juvenile Services, the Governor's Office for Children, DHR, and MSDE.

The current rate setting process has been used since fiscal 2002, although for several years, the BRFA has limited the growth of rates set by IRC, including three consecutive years (fiscal 2010 through 2012) when rates were frozen. Growth was limited to no more than 2.5% in fiscal 2014, and the BRFA of 2014 proposes to limit growth to no more than 1.5% in fiscal 2015.

Nevertheless, given the length of time since its last revision, the 2013 *Joint Chairmen's Report* (JCR) asked IRC, with input from residential childcare providers, to evaluate the current process and determine if changes are needed.

The Current Rate Setting Process

The State's current rate setting process lasts eight months, starting in November when providers receive an application from IRC and ends in the June preceding the fiscal year when the new rates are being applied (for example, November 2012 through June 2013 were start and end dates for setting the fiscal 2014 rate). Provider budgets are due to IRC in February and reviewed by IRC through May, when IRC makes its decisions.

The rate setting process is as follows:

- Similar residential childcare providers are grouped together into categories for comparison based on characteristics of children served and the services provided.
- Providers submit proposed budgets to the MSDE staff, who review it for errors and compare it with other category providers.
- IRC then calculates an intensity score for the providers based on the "extent and intensity of services provided."
- The residential childcare providers then take the intensity score and calculate their own rates, which are reviewed by their licensing agency and compared with other category providers by IRC.
- Programs are then labeled "preferred" and "nonpreferred" based on an IRC comparison of proposed budgets and intensity scores, with nonpreferred being ones whose proposed rates are outside of an allowable variance. The preferred providers' rates are within the allowable variance.
- Finally, IRC determines the final rate after considering the providers' preferred or nonpreferred status and comparing them to other category providers.

Evaluation of Process

In preparing the report, IRC consulted with the provider community for feedback on the rate setting process. The review considered the strengths and weaknesses of the current process and included comparisons with other states.

Strengths of the current process include its nature as a uniform and predictable procedure for the providers and IRC and that similar providers are compared with each other. Identified weaknesses include the fact that the rates are not tied to provider performance or child outcomes, that there is no ability to incorporate innovations of services, that the rates are based on licensing category rather than services offered, and that provider location and cost of living are not factors.

IRC concludes with two recommendations:

- First, create a new rate structure that incorporates provider flexibility and service innovation, incorporates performance based funding into the rates, and maximizes the receipt of federal Medicaid funds.

- Second, the State should redesign the rate setting process to account for the new rate structure proposed in the first recommended action.

IRC concludes by outlining a new workgroup to develop a new rate structure, rate setting process, and an implementation plan. The agency expects the Casey Family Programs foundation to assist in this work, and that it will take 18 months to complete. **IRC should comment on the progress of this new workgroup.**

Recommended Actions

	Amount Reduction	
1. Reduce the Department of Human Resources (DHR) Social Services foster care surplus by $3 million. DHR is estimated to have a $10 million surplus in the fiscal 2015 allowance.	$ 3,000,000	GF

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

<u>Further provided that these funds are to be used only for the purposes herein appropriated, and there shall be no budgetary transfer to any other program or purpose except that funds may be transferred to program N00G00.03 Child Welfare Services. Funds not expended or transferred shall revert to the General Fund.</u>

Explanation: This language restricts general funds appropriated for foster care payments to that use only or for transfer to N00G00.03 Child Welfare Services, which is where child welfare caseworker positions are funded.

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

<u>, provided that these funds are to be used only for the purposes herein appropriated, and there shall be no budgetary transfer to any other program or purpose except that funds may be transferred to program N00G00.01 Foster Care Maintenance Payments. Funds not expended or transferred shall revert to the General Fund.</u>

Explanation: This language restricts general funds appropriated for child welfare services to that use only or for transfer to N00G00.01 Foster Care Maintenance Payments.

4. Adopt the following narrative:

Child Welfare Caseload Data: The committees believe that maintaining an adequate child welfare workforce is essential to improving outcomes for children entering the State's care. Therefore, in order to maintain oversight of this important issue, the committees request that the Department of Human Resources (DHR), on November 24, 2014, report to the committees on the actual number of cases and filled positions assigned, by jurisdiction, for the following caseload types using data current within 70 days:

1. Intake Screening;

2. Child Protective Investigation;

3. Consolidated Home Services;
4. Interagency Family Preservation Services;
5. Services to Families with Children – Intake;
6. Foster Care;
7. Kinship Care;
8. Family Foster Homes – Recruitment/New Applications;
9. Family Foster Home – Ongoing and Licensing
10. Adoption;
11. Interstate Compact for the Placement of Children; and
12. Caseworker Supervisors

Information Request	**Author**	**Due Date**
Report on caseload data and filled positions assigned by jurisdiction for specified caseload types	DHR	November 24, 2014

Total General Fund Reductions **$ 3,000,000**

Updates

1. Child Fatalities Involving Abuse or Neglect Reported

Committee narrative included in the 2005 JCR requested DHR to provide a report listing, by jurisdiction, the number of child fatalities that involved child abuse and/or neglect. The narrative requested that the report be updated annually. **Exhibit 8** displays the data provided by the department for calendar 2008 through 2012.

Exhibit 8
Child Deaths Reported to DHR Where Child Abuse or Neglect Are Determined By DHR Staff to Be a Contributing Factor
Calendar 2008-2012

County	2008	2009	2010	2011	2012	Total
Allegany		1		1	0	**2**
Anne Arundel	1	2	1	3	4	**11**
Baltimore City	2	4	2	3	2	**13**
Baltimore	6	1	3	5	8	**23**
Calvert					1	**1**
Caroline				1	4	**5**
Carroll	1	1			1	**3**
Cecil	2	1	1	3	0	**7**
Charles		1			1	**2**
Dorchester		2			1	**3**
Frederick	1	3	3	2	1	**10**
Garrett	1				0	**1**
Harford		1	2		0	**3**
Howard	1			1	1	**3**
Kent	1				0	**1**
Montgomery		2		5	1	**8**
Prince George's	1	1		1	2	**5**
Queen Anne's			1		0	**1**
St. Mary's			1	1	0	**2**
Somerset					0	**0**
Talbot					0	**0**
Washington	1	3	1		0	**5**
Wicomico		1		1	2	**4**
Worcester			1		0	**1**
Total	**18**	**24**	**16**	**27**	**29**	**114**

DHR: Department of Human Resources

Source: Department of Human Resources

Appendix 1

Current and Prior Year Budgets

Current and Prior Year Budgets
DHR – Social Services Administration
($ in Thousands)

	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2013					
Legislative Appropriation	$342,368	$5,703	$249,277	$0	$597,348
Deficiency Appropriation	50,377	0	-40,770	0	9,607
Budget Amendments	-13,157	5,004	21,174	0	13,021
Reversions and Cancellations	0	-348	-22,584	0	-22,932
Actual Expenditures	**$379,588**	**$10,359**	**$207,097**	**$0**	**$597,044**
Fiscal 2014					
Legislative Appropriation	$399,940	$7,953	$208,320	$0	$616,214
Budget Amendments	2,248	28	1,142	0	3,419
Working Appropriation	**$402,189**	**$7,981**	**$209,462**	**$0**	**$619,632**

Note: The fiscal 2014 working appropriation does not include deficiencies or contingent reductions. Numbers may not sum to total due to rounding.

Fiscal 2013

The legislative appropriation increased by $960,040 in federal funds and $368,590 in special funds for the fiscal 2013 employee cost-of-living adjustment (COLA). SSA also received an additional $20,843 in general funds to reflect a realignment of telecommunications expenses between agencies. Two large budget amendments realigned funding within DHR and appropriated new money, resulting in an overall increase of $11.7 million to SSA.

In those realignments, general funds declined $13.2 million through several spending reductions. A total of $10.4 million in salary and benefits spending was shifted to be spent on salaries in other areas, coming from Adult Services ($7.9 million, an amount that was offset by a $6.5 million increase in federal funds) and the SSA budget program ($2.6 million). Lower than expected spending on Respite Care reduced general funds by $1.7 million, and the charging of expenditures for Family Preservation to Local Child Welfare Services reduced spending by $1.0 million.

There was also a $31.3 million fund shift from Foster Care Maintenance Payments to local departments to support salary spending at the local departments. DHR later reported a $19.3 million deficiency in Foster Care Maintenance Payments. The agency reported that salary spending was a more immediate expense and that foster care payments, which are reimbursements that must be submitted to DHR, are normally delayed until after the fiscal year.

Special funds grew by $4.6 million, mainly from an increase of funds from the Child Support Foster Care Offset in Foster Care Maintenance Payments, $4.4 million, and local contributions increased grants spending by $0.3 million.

Federal funds in SSA also increased during the fiscal year by $20.2 million. Attainment of Title IV-E funds for Foster Care Maintenance Payments was higher than budgeted ($13.2 million), salary spending from the Social Services Block Grant freed general fund salary spending to be used elsewhere ($6.5 million), and additional Independent Living funds increased spending in the Foster Care Maintenance Payments budget program ($0.5 million).

At the end of the fiscal year, SSA cancelled $22.9 million in special and federal funds. The special fund cancellation totaled $348,030 and was the result of lower than expected funds from local government funding for child welfare and adult services.

The federal cancellation was much larger, $22.6 million. Lower than expected Medical Assistance revenues in local child welfare services was the main factor, $17.1 million, in addition to receiving less than the $13.2 million in Title IV-E Foster Care that was appropriated by budget amendment ($5.0 million). The remaining $0.4 million was from lower than budgeted Independent Living revenue.

Fiscal 2014

The legislative appropriation was increased by budget amendment to fund employee COLA and increment adjustments to salaries and benefits: $2,248,450 in general funds, $1,141,865 in federal funds, and $28,384 in special funds.

Object/Fund Difference Report
DHR – Social Services Administration

Object/Fund	FY 13 Actual	FY 14 Working Appropriation	FY 15 Allowance	FY 14 - FY 15 Amount Change	Percent Change
Positions					
01 Regular	2,892.61	2,861.11	2,852.11	-9.00	-0.3%
02 Contractual	11.04	11.00	11.00	0.00	0%
Total Positions	**2,903.65**	**2,872.11**	**2,863.11**	**-9.00**	**-0.3%**
Objects					
01 Salaries and Wages	$ 243,211,801	$ 208,787,289	$ 212,730,604	$ 3,943,315	1.9%
02 Technical and Spec. Fees	3,047,619	2,070,290	2,152,234	81,944	4.0%
03 Communication	1,908,190	1,536,832	1,708,308	171,476	11.2%
04 Travel	1,721,303	1,191,157	1,213,218	22,061	1.9%
06 Fuel and Utilities	483,357	505,075	651,320	146,245	29.0%
07 Motor Vehicles	1,672,059	1,671,453	2,104,234	432,781	25.9%
08 Contractual Services	43,660,720	42,663,229	43,537,476	874,247	2.0%
09 Supplies and Materials	1,179,774	756,618	764,989	8,371	1.1%
10 Equipment – Replacement	22,506	350,000	350,000	0	0%
11 Equipment – Additional	71,748	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	288,998,946	346,277,818	353,285,976	7,008,158	2.0%
13 Fixed Charges	11,065,876	13,822,626	13,190,396	-632,230	-4.6%
Total Objects	**$ 597,043,899**	**$ 619,632,387**	**$ 631,688,755**	**$ 12,056,368**	**1.9%**
Funds					
01 General Fund	$ 379,587,823	$ 402,188,781	$ 401,484,099	-$ 704,682	-0.2%
03 Special Fund	10,358,725	7,981,389	8,294,757	313,368	3.9%
05 Federal Fund	207,097,351	209,462,217	221,909,899	12,447,682	5.9%
Total Funds	**$ 597,043,899**	**$ 619,632,387**	**$ 631,688,755**	**$ 12,056,368**	**1.9%**

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.

Fiscal Summary
DHR – Social Services Administration

Program/Unit	FY 13 Actual	FY 14 Wrk Approp	FY 15 Allowance	Change	FY 14 - FY 15 % Change
00 Social Services	$ 21,143,536	$ 27,403,599	$ 29,899,623	$ 2,496,024	9.1%
00 Local Department Operations	575,900,363	592,228,788	601,789,132	9,560,344	1.6%
Total Expenditures	**$ 597,043,899**	**$ 619,632,387**	**$ 631,688,755**	**$ 12,056,368**	**1.9%**
General Fund	$ 379,587,823	$ 402,188,781	$ 401,484,099	-$ 704,682	-0.2%
Special Fund	10,358,725	7,981,389	8,294,757	313,368	3.9%
Federal Fund	207,097,351	209,462,217	221,909,899	12,447,682	5.9%
Total Appropriations	**$ 597,043,899**	**$ 619,632,387**	**$ 631,688,755**	**$ 12,056,368**	**1.9%**

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.