Department of Human Resources
Fiscal 2017 Budget Overview

Department of Legislative Services
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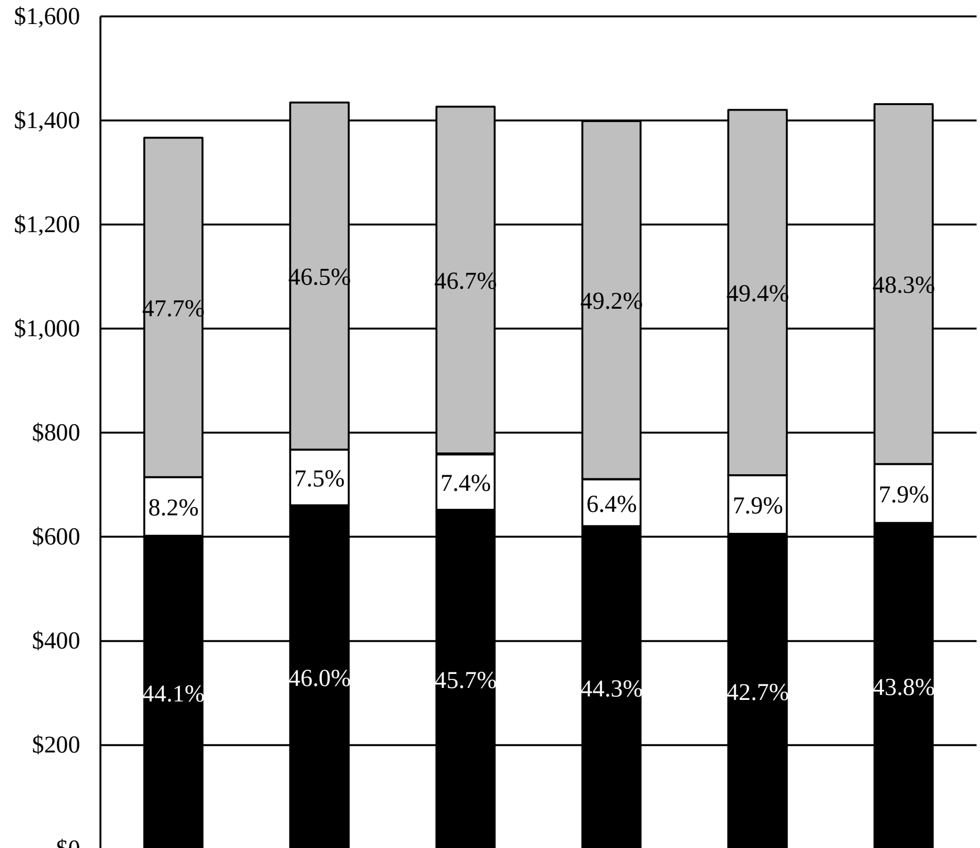
Department of Human Resources
Fiscal 2017 Budget Overview

Department of Human Resources – Funding by Source
Fiscal 2012-2017
($ in Millions)



	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Working	2017 Allowance
Federal Funds (Excluding SNAP)	$652.0	$667.2	$666.3	$688.0	$701.5	$691.5
Reimbursable Funds	0.0	0.0	2.1	0.4	0.6	0.0
Special Funds	112.6	107.1	106.0	90.0	112.0	113.5
General Funds	602.0	660.3	652.1	620.3	606.1	626.5
Total (Excluding SNAP)	$1,366.6	$1,434.6	$1,426.5	$1,398.8	$1,420.2	$1,431.5

SNAP: Supplemental Nutrition Assistance Program

Note: Figures exclude Supplemental Nutrition Assistance Program benefit payments. Fiscal 2016 figures reflect planned reversions assumed in the Governor's fiscal 2017 budget plan. Fiscal 2017 figures include the back of the bill reduction for health insurance. Numbers may not sum to total due to rounding.

Source: Maryland State Budget

The fiscal 2017 allowance for the Department of Human Resources (DHR) increases by $7.4 million, or 0.3%, compared to the fiscal 2016 working appropriation, after accounting for planned reversions in fiscal 2016 and the back of the bill reduction for health insurance in fiscal 2017. When excluding benefit payments for the Supplemental Nutrition Assistance Program (SNAP), a large low-income nutrition program funded 100.0% by the federal government, spending increases by $11.4 million, or 0.8%. Despite the limited change overall, the fiscal 2017 allowance includes a more substantial change in the fund sources. Specifically:

- General funds increase by $20.4 million, or 3.4%, in the fiscal 2017 allowance after accounting for planned reversions and the back of the bill reduction included in the Governor's budget plan. With this increase, general funds comprise 43.8% of the DHR budget (excluding SNAP), an increase from 42.7% in the fiscal 2016 working appropriation. Major general fund changes occur in:

  - administrative areas (for example, the Family Investment Administration (FIA), increases $11.8 million, or 23.1%, largely in the area of personnel);

  - support for the Temporary Cash Assistance (TCA) program, which increases by $6.0 million (or 31.3%) in the fiscal 2017 allowance; and

  - foster care maintenance payments, which decrease by $7.4 million, or 4.0%.

- Special funds increase by a net of $1.5 million, or 1.3%, in the fiscal 2017 allowance largely in:

  - Strategic Energy Investment Funds available for energy assistance, which increase by $7.2 million, or 20.7%, due to anticipated revenue from the Regional Greenhouse Gas Initiative carbon dioxide emission allowance auctions;

  - Child Support Offset Funds (for TCA-related cases), which decreases by $3.1 million, and Child Support Foster Care Offset Funds, which decrease by $0.7 million; and

  - Foster Care Education Funds, which decrease by $1.9 million.

- Federal funds decrease by a net of $13.9 million in the fiscal 2017 allowance when including SNAP, or $10.0 million when excluding SNAP. With this reduction, excluding SNAP, federal funds comprise 48.3% of the DHR fiscal 2017 allowance, a decrease from 49.4% in the fiscal 2016 working appropriation. Despite this decrease, some federal fund revenue assumptions appear optimistic based on recent history. This issue will be discussed further in other DHR analyses. Major federal fund changes include:

  - a decrease of $7.8 million in child care-related federal funds due to the transition of the eligibility determination function to the Maryland State Department of Education (MSDE), providing $6.1 million of this funding for remaining activities;

- a decrease of approximately $4.0 million in Low-Income Home Energy Assistance Program funds, providing $64.6 million, slightly less than has been received in recent years;

- a decrease of $3.9 million in SNAP to align with the fiscal 2015 expenditures;

- a decrease of $3.1 million in Medical Assistance Program funding resulting from the inability to bill Medicaid for rehabilitative services in Foster Care ($16.4 million) partially offset by increases elsewhere in the budget;

- a decrease of $1.9 million in Foster Care Title IV-E funding, which is more than offset by an increase of $3.9 million in Title IV-E Waiver funding;

- an increase of $1.4 million in administrative funding for SNAP; and

- an increase of $1.8 million in Temporary Assistance for Needy Families (TANF).

Department of Human Resources
Budget Overview: All Funds
Fiscal 2015-2017
($ in Thousands)

	2015 Actual	2016 Working	2017 Allowance	2016-17 $ Change	2016-17 % Change
Family Investment	**$461,963**	**$436,775**	**$451,052**	**$14,278**	**3.3%**
TCA Payments	141,580	130,728	133,306	2,579	2.0%
TDAP	40,600	40,104	40,104	0	0.0%
Other Public Assistance	17,839	15,616	16,039	423	2.7%
Work Opportunities	34,680	33,288	33,311	23	0.1%
Office of Grants Management	18,973	13,129	13,181	52	0.4%
Administration	208,291	203,910	215,111	11,201	5.5%
Office of Home Energy Programs	**$123,471**	**$137,572**	**$140,800**	**$3,228**	**2.3%**
Social Services	**$548,252**	**$580,317**	**$571,880**	**-$8,437**	**-1.5%**
Foster Care/Adoption	269,292	288,730	262,320	-26,410	-9.1%
Programs/Administration	278,960	291,587	309,560	17,973	6.2%
Child Support Enforcement	**$88,368**	**$90,781**	**$91,870**	**$1,089**	**1.2%**
Administration	**$176,750**	**$174,734**	**$175,947**	**$1,213**	**0.7%**
Office of the Secretary	27,751	29,292	29,470	178	0.6%
Operations	33,986	30,857	30,658	-200	-0.6%
Information Management	72,119	71,320	70,792	-529	-0.7%
Local Department Operations	42,894	43,264	45,028	1,764	4.1%
Total	**$1,398,804**	**$1,420,179**	**$1,431,550**	**$11,371**	**0.8%**
General Funds	$620,343	$606,097	$626,536	$20,439	3.4%
Special Funds	90,047	112,026	113,490	1,464	1.3%
Federal Funds (Excluding SNAP)	687,999	701,486	691,524	-9,962	-1.4%
Reimbursable Funds	414	569	0	-569	-100.0%
Total Funds (Excluding SNAP)	**$1,398,804**	**$1,420,179**	**$1,431,550**	**$11,371**	**0.8%**
SNAP	**$1,147,618**	**$1,151,553**	**$1,147,618**	**-$3,935**	**-0.3%**
Total (Including SNAP)	**$2,546,422**	**$2,571,732**	**$2,579,167**	**$7,436**	**0.3%**

SNAP: Supplemental Nutrition Assistance Program
TCA: Temporary Cash Assistance
TDAP: Temporary Disability Assistance Program

Note: Fiscal 2016 figures include planned reversions assumed in the Governor's fiscal 2017 budget plan. Fiscal 2017 figures include the back of the bill reductions for health insurance. Health insurance reductions assumed in the Governor's 2017 budget plan are applied to administrative units; in Administration, the amount is fully applied to the Local Department Operations row of that unit. Numbers may not sum to total due to rounding.

Source: Maryland State Budget; Department of Human Resources

Department of Human Resources
Budget Overview: General Funds
Fiscal 2015-2017
($ in Thousands)

	2015 Actual	2016 Working	2017 Allowance	2016-17 $ Change	2016-17 % Change
Family Investment	**$145,024**	**$125,046**	**$143,274**	**$18,228**	**14.6%**
TCA Payments	26,962	19,266	25,305	6,039	31.3%
TDAP	35,467	34,065	34,065	0	0.0%
SNAP	0	0	0	0	0.0%
Other Public Assistance	10,644	8,524	8,826	301	3.5%
Work Opportunities	0	0	0	0	0.0%
Office of Grants Management	11,915	11,963	12,007	43	0.4%
Administration	60,036	51,227	63,071	11,845	23.1%
Office of Home Energy Programs	**$0**	**$0**	**$0**	**$0**	**0.0%**
Social Services	**$363,737**	**$368,080**	**$365,823**	**-$2,258**	**-0.6%**
Foster Care/Adoption	186,069	185,234	177,800	-7,434	-4.0%
Programs/Administration	177,668	182,847	188,023	5,176	2.8%
Child Support Enforcement	**$17,942**	**$18,800**	**$19,025**	**$225**	**1.2%**
Administration	**$93,640**	**$94,172**	**$98,415**	**$4,243**	**4.5%**
Office of the Secretary	18,629	20,342	20,717	375	1.8%
Operations	17,333	17,244	18,254	1,009	5.9%
Information Management	32,425	30,988	31,574	586	1.9%
Local Department Operations	25,254	25,597	27,870	2,273	8.9%
Total	**$620,343**	**$606,097**	**$626,536**	**$20,439**	**3.4%**

SNAP: Supplemental Nutrition Assistance Program
TCA: Temporary Cash Assistance
TDAP: Temporary Disability Assistance Program

Note: Fiscal 2016 figures include planned reversions assumed in the Governor's fiscal 2017 budget plan. Fiscal 2017 figures include the back of the bill reductions for health insurance. Health insurance reductions assumed in the Governor's 2017 budget plan are applied to administrative units; in Administration, the amount is fully applied to the Local Department Operations row of that unit. Numbers may not sum to total due to rounding.

Source: Maryland State Budget; Department of Human Resources

Fiscal 2016 Actions

DHR's fiscal 2016 appropriation was reduced by $10.7 million in total funds as part of the 2% across-the-board reductions ($6.9 million in general funds and $3.8 million in federal funds). **Exhibit 1** provides information on the reductions made by the department.

Exhibit 1
Fiscal 2016 Across-the-board Reductions

	General Fund	Federal Fund	Total
82 vacant position abolitions	$2,956,262	$2,769,438	$5,725,700
Caseload Changes			
Public Assistance to Adults due to declining caseloads resulting from changes in regulations requiring stronger medical justification for placement in assisted living facilities	1,557,885	0	1,557,885
Foster care maintenance payments due to declining caseloads	1,316,011	0	1,316,011
Operational Expenses			
Office of Technology for Human Services including reductions for information technology contracts due to lower utilitization and actual costs, reductions in equipment replacement, reductions in maintenance contracts	$767,494	$678,181	$1,445,675
Montgomery County grant in Local Family Investment, Local Child Welfare Services, and Local General Administration programs	152,285	147,207	299,492
Division of Administrative Services for reductions to building projects, equipment replacement, printing, copying, and emergency shelter supplies	113,809	136,087	249,896
Social Services Administration and Local Child Welfare Services program for facility rentals for meetings and training events and interpreter services	24,254	37,301	61,555
Total Reductions	**$6,888,000**	**$3,768,214**	**$10,656,214**

Source: Department of Budget and Management; Department of Human Resources

Planned Reversions

- Section 48 of the fiscal 2016 budget bill restricted $13.0 million from the TCA program as part of a larger group of restrictions to restore legislative priorities. The Governor's fiscal 2017 budget plan assumes some of the restrictions included in Section 48 will revert to the General Fund, including the $13.0 million restricted from TCA.

- The Governor's fiscal 2017 budget plan also assumes a reversion of $6.4 million in general funds from the Foster Care Maintenance Payments program due to anticipated savings from caseload declines.

Back of the Bill Sections

- Section 19 of the fiscal 2017 budget bill includes an across-the-board reduction for employee health insurance, based on a revised estimate of the amount of funding needed. The DHR share of these reductions is $1.8 million in total funds ($871,985 in general funds, $25,722 in special funds, and $873,521 in federal funds).

- There is an additional across-the-board reduction to abolish positions statewide, but the amounts have not been allocated by agency. During fiscal 2016, DHR abolished 82.0 vacant positions in addition to the 23.0 vacant positions abolished in the fiscal 2016 budget as introduced. The fiscal 2017 allowance abolishes an additional 21.0 positions. Combined, these actions eliminated 126.0 vacant positions. DHR had a total of 496.5 vacant positions on January 1, 2016, some of which are those abolished in the fiscal 2017 allowance. DHR needs to maintain 445.4 vacant positions to meet fiscal 2017 turnover expectancy.

Department of Human Resources
Major Changes in the Fiscal 2017 Allowance
($ in Millions)

Where It Goes:	
Personnel Expenses	
Employee and retiree health insurance	$8,916
Employee retirement	8,228
Overtime	5,021
Turnover adjustments	2,148
General fund support provided to Local Family Investment Program to account for shortfall from transition of Child Care Subsidy eligibility determination function to the Maryland State Department of Education	2,000
Accrued Leave Payout	775
Unemployment and Workers Compensation	-527
Social Security Contributions	-747
Regular earnings	-1,681
Abolition of 21 regular positions and transfer of 2 positions to another State agency	-1,885
Administration	
Contract for maintenance of the Enterprise Content Management System	1,469
Contract for Technical Operations Support Services	-1,334
Social Services Administration	
Title IV-E Waiver Intervention Services and Evidence-based practice assessments	-678
Foster care maintenance payments accounting for a planned reversion and the transfer of waiver intervention services to another area of the administration	-17,732
Child Support Enforcement Administration	
Cooperative Reimbursement Agreements	1,327
Family Investment Administration	
Temporary Cash Assistance after accounting for a planned reversion of restricted funds	2,579
Supplemental Nutrition Assistance Program benefits to align with recent experience	-3,935
Office of Home Energy Programs	
Energy assistance based on anticipated availability of funding	2,277
Local Administering Agency contracts	900
Other Adjustments	315
Total	**$7,436**

Note: Fiscal 2016 figures include planned reversions assumed in the Governor's fiscal 2016 budget plan. Fiscal 2017 figures include the back of the bill reductions for health insurance. Numbers may not sum to total due to rounding.

The average TCA benefit is projected to decrease slightly from the budgeted amount of $192.60 in fiscal 2016 to $192.30 in the fiscal 2017 allowance. However, through November 2015 (the most recent data available), the average monthly benefit in fiscal 2016 was $191.73. Based on that benefit level, the fiscal 2017 average monthly benefit estimate would be a slight increase compared to fiscal 2016. Overall, the fiscal 2017 allowance increases funding for TCA despite a lower estimated caseload and benefit. It appears that TCA may be over-budgeted in the fiscal 2017 allowance.

Foster care maintenance payments decrease in the fiscal 2017 allowance by $17.7 million compared to the fiscal 2016 working appropriation to better align with the fiscal 2015 actual caseloads and expenditures, after accounting for the planned reversion and a transfer of funding for waiver intervention services. The fiscal 2017 allowance is approximately $7.0 million, or 2.6%, lower than fiscal 2015 expenditures. Although other areas of the State budget that include rates set by the Interagency Rates Committee (such as nonpublic placements in MSDE) assume an inflationary increase for providers in fiscal 2017, the institutional foster care payments do not. In fact, the average estimated payments generally reflect a slight decrease.

The fiscal 2017 allowance includes funding for employee increments within the Department of Budget and Management (DBM). The funding will be distributed to agencies by budget amendment at the beginning of the fiscal year. The DHR share of the employee increments totals $7.9 million in total funds ($4.1 million in general funds, $119,110 in special funds, and $3.7 million in federal funds).

Department of Human Resources
Caseload Estimates Assumed in the Budget
Fiscal 2014-2017

Program	2014 Actual	2015 Actual	2016 Estimated	2017 Estimated	2016-2017 % Change
Cash Assistance					
TCA	63,746	61,739	62,191	57,768	-7.1%
TDAP	18,477	18,500	18,281	18,281	0.0%
Child Welfare					
Foster Care	4,987	3,908	4,250	3,849	-9.4%
Subsidized Adoption\Guardianship	9,576	9,569	9,750	9,546	-2.1%
Child Support Enforcement					
TCA Collections	$20,391,666	$19,928,688	$19,530,114	$19,139,512	-2.0%
Non-TCA Collections	538,170,746	543,836,476	549,872,701	555,957,331	1.1%

TCA: Temporary Cash Assistance
TDAP: Temporary Disability Assistance Program

Note: The fiscal 2016 estimates for both TCA and foster care/subsidized adoptions/guardianships are higher than what the budget could support based on planned reversions and other fiscal 2016 cost containment actions.

Source: Maryland State Budget; Department of Human Resources

- The fiscal 2017 allowance projects a decrease in the average monthly recipients for TCA of 7.1% compared to fiscal 2016. However, the fiscal 2016 estimate has not been updated since the budget introduction in the 2015 session and is higher than could be supported with the budget as a result of the restriction of funding for legislative priorities in Section 48 of the fiscal 2016 budget bill. Through November 2015 (the most recent data available), the fiscal 2016 average monthly recipients was 58,869, and in November 2015, the number of recipients was 57,734.

- The average monthly recipients in the Temporary Disability Assistance Program are expected to remain level between fiscal 2016 and 2017 at 18,281. Through November 2015, the average monthly recipients in fiscal 2016 is higher than the estimate (18,486); however, in November 2015, the number of recipients was 18,257.

- The fiscal 2017 allowance projects a decrease of 9.4% in the foster care caseload and 2.1% in the subsidized adoption and guardianship caseload compared to fiscal 2016. The fiscal 2016 estimate of foster care cases is substantially higher than the fiscal 2015 actual caseload. The fiscal 2017 allowance projects a foster care caseload that is 1.5% lower and a subsidized adoption and guardianship caseload that is 0.2% lower than the fiscal 2015 actual average monthly caseload.

- TCA-related child support collections are projected to decrease by 2.0% in fiscal 2017 compared to fiscal 2016 estimates, while non-TCA-related collections are expected to increase by 1.1%, which reflects recent experience. The combined change would result in a 1.0% increase in child support collections in fiscal 2017.

Department of Human Resources

Employment: Full-time Equivalent Regular Positions and Contractual Positions

Fiscal 2015-2017

	2015 Actual	2016 Legislative	2016 Working	2016 Change	2017 Allowance	2016-17 Change
Regular Positions						
Social Services	2,807.9	2,786.9	2,738.9	-48.0	2,737.9	-1.0
Family Investment	2,113.4	2,113.4	2,093.4	-20.0	2,089.4	-4.0
Administration	861.0	859.0	846.0	-13.0	831.0	-15.0
Child Support Enforcement	665.9	665.9	664.9	-1.0	661.9	-3.0
Office of Home Energy Programs	16.9	16.9	16.9	0.0	16.9	0.0
Total Positions	**6,465.1**	**6,442.1**	**6,360.1**	**-82.0**	**6,337.1**	**-23.0**
Contractual Positions						
Social Services	2.56	2.50	2.50	0.00	2.50	0.00
Family Investment	88.42	68.00	68.00	0.00	68.00	0.00
Administration	28.61	2.90	2.90	0.00	2.90	0.00
Child Support Enforcement	12.71	1.00	1.00	0.00	1.00	0.00
Office of Home Energy Programs	3.95	0.00	0.00	0.00	0.00	0.00
Total Positions	**136.25**	**74.40**	**74.40**	**0.00**	**74.40**	**0.00**

Source: Maryland State Budget

- As part of the agency's actions to meet the 2% across-the-board reduction in fiscal 2016, DHR abolished 82 positions. This action accounts for the decrease in positions between the fiscal 2016 legislative appropriation and working appropriation. DHR abolished 47 positions in the Social Services Administration (SSA), 23 positions in FIA, and 12 positions in DHR Administration.

- DHR also transferred some positions internally within fiscal 2016, resulting in a net increase in 3 positions in FIA, and a 1 position decrease in each of SSA, Child Support Enforcement Administration, and DHR Administration.

- The fiscal 2017 allowance abolishes 21 regular positions and transfers 2 regular positions to another State agency. The majority of these abolished positions occur in DHR Administration primarily in the Office of Technology for Human Services.

- There are no changes in the number of contractual full-time equivalent positions in the fiscal 2017 allowance.

Department of Human Resources
Filled Regular Positions
Fiscal 2014-2016
January 1 Data

	2014	2015	2016	Change 2015-16	% Change 2015-16
Administration	816.0	820.5	776.0	-44.5	-5.4%
Social Services	2,582.4	2,560.7	2,528.4	-32.3	-1.3%
Child Support Enforcement	630.4	636.1	608.9	-27.2	-4.3%
Family Investment	1,958.0	1,926.0	1,951.3	25.3	1.3%
Total	**5,986.8**	**5,943.3**	**5,864.6**	**-78.7**	**-1.3%**

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

Source: Department of Budget and Management

- The number of filled regular positions decreased by 78.7 positions, or 1.3%, between January 1, 2015, and January 1, 2016. The only increase in filled positions occurred in FIA, which had 25.3 more filled positions (1.3%), in fiscal 2016 than in fiscal 2015, despite having 33.0 fewer positions. DHR Administration had the largest decrease in filled regular positions, 44.5 positions (or 5.4%), largely because it had 42.0 fewer positions.

- In total, as of January 1, 2016, DHR had 496.5 vacant regular positions. The budgeted turnover rate for DHR in fiscal 2016 is 7.65%, which would require 486.8 positions to be vacant through fiscal 2016. DHR could fill 9.7 positions and still meet its turnover rate. Agencywide, the turnover rate decreases in the fiscal 2017 allowance to approximately 7.0%.

Issues

1. DHR Continues to Rely on Temporary Assistance for Needy Families Contingency Funds

Maryland receives $229.1 million annually from the federal government for the State's TANF block grant, and since fiscal 2009, Maryland has also received contingency funds that are available to states meeting certain criteria in SNAP participation or unemployment. In order to receive TANF contingency funds, a state must meet one of two conditions:

- an unemployment rate of at least 6.5% that is 110.0% higher in a three-month period compared to the same three-month period in either of the two prior years; or

- a food stamp caseload that is 110.0% higher than in a three-month period than in a corresponding three-month period in 1994 or 1995.

Maryland continues to qualify for these funds because of the increase in SNAP cases. For example, in January 1996 (the earliest date for which data is readily available), households in Maryland certified for SNAP totaled 160,593, while in November 2015, SNAP cases totaled 405,131, 252.3% of the January 1996 cases. The amount of contingency funds received by Maryland has varied but since fiscal 2012, has been near or higher than $20.0 million.

Despite the contingency funds, Maryland began to run a deficit in TANF funding following the recession. DHR took steps to reduce the deficit, and by fiscal 2014, the deficit fell to $6.8 million. However, as is shown in **Exhibit 2**, in fiscal 2015, the deficit began to grow again after decreasing in the prior two years, reaching approximately $16.0 million. The growth in the deficit occurred as DHR spent $263.8 million of TANF in fiscal 2015 despite having received only $254.6 million. The spending in that year was the highest since fiscal 2011, the year that DHR began to run a TANF deficit. To fund these deficits, DHR primarily uses the following year's appropriation to cover expenditures.

DHR projects the TANF deficit will continue to grow in fiscal 2016 and 2017, reaching $30.4 million by the end of fiscal 2017, as DHR continues to budget more TANF than it anticipates receiving. DHR projections are conservative and do not account for any additional contingency funds beyond the amount DHR had in hand as of January 2016 ($7.6 million). Given that Maryland is likely to remain eligible for contingency funds in fiscal 2016 and 2017, and contingency funds have been funded at the same level nationwide in federal fiscal 2016 as in federal fiscal 2015, Maryland should receive additional contingency funds. If DHR were to receive the same level of contingency funds in fiscal 2016 and 2017 as it did in fiscal 2015 ($25.5 million), the deficit would be virtually eliminated in fiscal 2016, and there would be a balance in TANF of approximately $13.1 million in fiscal 2017.

Exhibit 2
Availability of TANF Funding
Fiscal 2014-2017
($ in Millions)

	2014 Actual	2015 Actual	2016 Working	2017 Allowance
Beginning Balance	**-$13.086**	**-$6.754**	**-$15.965**	**-$18.429**
TANF Grant	$229.098	$229.098	$229.098	$229.098
Contingency TANF	22.749	25.522	7.636	0.000
Total Income	**$251.848**	**$254.620**	**$236.734**	**$229.098**
Available Funding (Balance + Income)	**$238.761**	**$247.866**	**$220.769**	**$210.669**
DHR Appropriation	-$245.515	-$263.831	-$239.198	-$241.026
Total Expenditures	**-$245.515**	**-$263.831**	**-$239.198**	**-$241.026**
Ending Balance	**-$6.754**	**-$15.965**	**-$18.429**	**-$30.357**

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

Exhibit 3 provides information on the spending of TANF between fiscal 2014 and 2017. Total TANF spending in the fiscal 2017 allowance is $241.0 million, an increase of $1.8 million compared to fiscal 2016. This level of spending is $11.9 million higher than Maryland's base TANF grant.

As shown in this exhibit, the amount of funding used for cash assistance decreased by $15.8 million from fiscal 2014 to 2015 and $12.5 million between fiscal 2015 and 2016. In fiscal 2016 and 2017, $107.9 million of TANF is expected to be spent on cash assistance. Spending in other areas of the budget, particularly Child and Adult Social Services and Family Investment Services, increased between fiscal 2014 and 2015. While this increase appears to be one-time for Child and Adult Social Services, the TANF spending on FIA Services increases by $11.5 million in fiscal 2016 to $55.7 million and is expected to remain at that level in fiscal 2017.

Exhibit 3
Changes in TANF Spending in the DHR Budget
Fiscal 2014-2017 Allowance
($ in Millions)

Activity	2014 Actual	2015 Actual	2016 Working	2017 Allowance	2016-17 Change
Cash assistance	$136.3	$120.5	$107.9	$107.9	$0.0
Work opportunities	34.6	34.7	33.3	33.3	0.0
Family Investment Services	29.7	44.2	55.7	55.7	0.0
Foster Care Maintenance Payments	6.9	6.9	6.9	6.9	0.0
Child and Adult Social Services	22.5	39.3	22.2	24.3	2.1
General Administration	15.6	18.3	13.2	13.0	-0.3
Total DHR Expenditures	**$245.5**	**$263.8**	**$239.2**	**$241.0**	**$1.8**

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

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

Source: Maryland State Budget; Department of Human Resources

State's Maintenance of Effort Requirement Met

In return for the annual TANF block grant, the State must spend $177.7 million of its own money to meet a federal Maintenance of Effort (MOE) requirement, which is 75% of its spending on TANF's predecessor programs in fiscal 1994. Additional MOE funds are required when a state receives contingency funds, specifically, a state must spend 100% of what it spent on the predecessor programs, and then contingency funds must be matched by MOE spending.

Exhibit 4 provides a summary of MOE funding from fiscal 2015 through 2017. Although Maryland has received only a limited amount of contingency funds through January 2016 and is not currently reflecting any additional contingency funds through fiscal 2017, Exhibit 4 shows that the State has accounted for MOE spending to accommodate approximately $22.8 million of contingency funds. Even with the additional MOE required for contingency funds, the State would have $114.5 million of excess MOE spending in fiscal 2016 and 2017.

Exhibit 4
TANF Maintenance of Effort
Fiscal 2015-2017 Allowance
($ in Thousands)

	2015 Actual	2016 Working	2017 Allowance	2016-17 Change
Cash Assistance	$15,322	$17,822	$17,822	$0
Employment Services/Caseworkers	7,197	7,197	7,197	0
Administration	4,112	4,112	4,112	0
Kinship Care/Foster Care Payments	3,363	3,363	3,363	0
Social Services Administration	15,527	15,527	15,527	0
Community Services – Emergency Food, Shelter, Child 1st	2,758	2,758	2,758	0
Refundable State Earned Income Tax Credit	141,369	141,369	141,369	0
Montgomery County Earned Income Tax Credit	17,118	17,118	17,118	0
MSDE Pre-K	86,193	86,193	86,193	0
Electric Universal Service Program	54,699	54,699	54,699	0
Subtotal	***$347,658***	***$350,158***	***$350,158***	***$0***
Required Maintenance of Effort				
Base	$176,965	$176,965	$176,965	$0
Contingency Fund Add-on	35,941	35,941	35,941	0
Contingency Fund Match	25,522	22,749	22,749	0
Total Required	**$238,428**	**$235,655**	**$235,655**	**$0**
Excess Maintenance of Effort	**$109,230**	**$114,503**	**$114,503**	**$0**

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; Department of Legislative Services

2. Child Care Subsidy Eligibility Determination Transition

On July 1, 2006, the administration of the Child Care Subsidy program was transferred to MSDE from DHR. However, DHR, through the local departments of social services (LDSS), continued to conduct certain child care subsidy tasks (mailing, invoice processing, and case management including eligibility determination) through a Memorandum of Agreement with MSDE. In early 2010, MSDE assumed the role of mailing and invoice processing and contracted these services to a private vendor.

DHR Funding and the Child Care Subsidy Program

DHR received federal funds (Child Care Mandatory and Matching Funds and Child Care and Development Block Grant funds) from MSDE for performing the mailing, invoicing, case management, and eligibility determination activities. **Exhibit 5** presents information on the fiscal 2014 and 2015 actual expenditures in DHR of these funds and the funds budgeted in fiscal 2016 and 2017 for this purpose.

Exhibit 5
Child Care Federal Funds in the Department of Human Resources
Fiscal 2014-2017

		2014 Actual	2015 Actual	2016 Working	2017 Allowance
N00A01.01	Office of the Secretary	$298,302	$327,813	$302,928	$0
N00B00.04	Social Services Administration		$195		0
N00E01.01	Division of Budget, Finance, and Personnel	273,544	316,373	403,736	0
N00E01.02	Division of Administrative Services	104,998	90,557	147,240	0
N00F00.02	Major Information Technology Development Project	46,794	2,370	0	0
N00F00.04	Office of Technology for Human Services	178,609	147,612	1,176,846	0
N00G00.02	Local Family Investment Administration	7,270,510	8,842,997	10,644,641	6,127,094
N00G00.03	Local Child Welfare Services	25,105	19,891	20,317	0
N00G00.04	Local Adult Services	7,196	6,242	0	0
N00G00.05	Local General Administration	682,049	690,692	1,079,594	0
N00I00.04	Director's Office – Family Investment Administration	141,236	163,959	187,481	0
	Total	**$9,028,343**	**$10,608,701**	**$13,962,783**	**6,127,094**

Source: Governor's Budget Books

DHR uses these funds primarily to support the LDSS work in determining eligibility and for case management. Other funds are used to support the information technology (IT) system used for these purposes and other administrative support in the department. The funds that are used in LDSS contribute to the funding for the caseworker positions.

Transition of Eligibility Determination and Case Management Functions

During the 2014 session, the Department of Legislative Services (DLS) learned that MSDE intended to transfer the eligibility and case management services from DHR. The transfer allows the administration of the program to be fully consolidated.

Fiscal 2015 budget bill language withheld $100,000 of general funds in DHR and MSDE until a report was jointly submitted by the agencies on:

- how the shift in eligibility determinations improves the Child Care Subsidy program both for individuals receiving the subsidy and MSDE;
- how MSDE's vendor will implement the child care subsidy eligibility determinations;
- the impact on services provided to individuals wishing to apply for multiple social services programs including the child care subsidy;
- the impact on DHR's eligibility determination function with respect to quality of performance, positions required, budgetary needs, and how DHR can reduce spending on eligibility determinations by $13.1 million;
- how and when funding will shift from DHR to MSDE and how much DHR will need as a replacement; and
- an accounting of costs and savings for MSDE and the vendor contract.

The report was due on July 1, 2014, with a follow-up report including budget costs and savings and other substantive changes to the program to be submitted December 1, 2014. MSDE requested an extension to submit the reports due to procurement delays. An extension was granted to allow the initial report to be due the same month as the contract was approved by the Board of Public Works, and the follow-up report due six months later.

The contract for the centralized case management services, including eligibility determinations, case management, and payment processing was awarded in May 2015 to Xerox with the transition from DHR completed in August 2015. On June 30, 2015, DHR and MSDE submitted the initial report. Due to the timing of the initial report and the contract award, the agencies could not submit the follow-up report six months after the contract award and still submit the report during the fiscal year; however, the restricted funds were released.

Following the submission of the report, DLS learned that DHR will continue to conduct eligibility determinations for the Child Care Subsidy cases that involve TCA recipients. **DHR should explain to the committees the reason for retaining this portion of the Child Care Subsidy program activities. DHR should also explain how it is working with MSDE on these cases.**

Impact of the Transition on DHR Funding and Agency Operations

Due to delays in the procurement and the timing of the contract award, DHR had already budgeted federal funds related to child care in fiscal 2016 to support the case management and eligibility determination functions within the agency.

LDSS staff that provided Child Care Subsidy eligibility determination services also provide services for a variety of other benefits including SNAP, TCA, and Medical Assistance. DHR attributes staff time for funding purposes by time studies using a federally approved Random Moment Sample. These studies and the time attributed to various work and, therefore, federal funding will be impacted by the change in eligibility determination from the date of the transition including the loss of federal funds associated with the program.

Between fiscal 2007 and 2015, the agencies reported receiving federal funds ranging from a low of approximately $9.0 million in fiscal 2014 to a high of $13.7 million in fiscal 2010. As shown previously in Exhibit 5, DHR budgeted nearly $14.0 million in fiscal 2016 for this purpose but can only expect to receive reimbursements for time spent before the transition (July and August) and time spent to determine eligibility for the TCA-related cases.

To the extent that LDSS staff, post Child Care Subsidy transition, spend more of their time on other benefit programs, DHR may be able to claim a higher share of federal funds from those programs to support caseworker positions. At the time of the report, the agencies reported that DHR and DBM were working together to recover lost revenue through maximizing other federal fund sources. However, there is expected to be a loss to DHR from the transition. Initially, DHR estimated a shortfall between $6 million and $8 million from the transition. This shortfall would be expected to be lower than this amount, to the extent that DHR continues to perform work related to TCA cases.

The budget does not include a fiscal 2016 deficiency appropriation to account for this anticipated shortfall. The fiscal 2017 allowance includes a $2 million increase in general funds in the Local Family Investment Program to address the shortfall from the transition in that year and $6.1 million of federal funds remain in the program to account for the services still provided. It is not clear that the full $6.1 million will be available to DHR, given that in fiscal 2014 and 2015, the agency received less than $11.0 million for work on all cases, and in September 2015, children in TCA cases were only 30% of children in the program. Although these additional funds should assist in reducing the shortfall, it is not clear whether this fully resolves any shortfall that may occur.

DHR should comment on the budget shortfall that resulted from the transition in fiscal 2016 and whether any shortfall is expected for fiscal 2017. DHR should also comment on the plans of the department to address this shortfall in fiscal 2016 and 2017.

3. Local Department Operations Audit

In July 2015, the Office of Legislative Audits (OLA) released a fiscal compliance audit for the DHR Local Department Operations Unit covering the period July 1, 2011, through December 14, 2014. The Local Department Operations audit is handled differently than a standard fiscal compliance audit conducted by OLA. The Office of Inspector General (OIG) in DHR audits the individual LDSS. OLA determines whether it can rely on the work of the OIG to meet OLA's audit objectives. If OLA determines it can rely on the work of the OIG, the audit findings are generally based on the OIG's work. For the fiscal compliance audit released in July 2015, OLA determined it could rely on the OIG's audits of LDSS as a basis for its work.

The audit contained eight findings, of which five were repeated from the prior audit, as shown in **Exhibit 6**. Some of the findings included in the audit were also included in audits of the individual DHR administrations. The five repeat findings are discussed in this issue.

Exhibit 6
Audit Findings

Audit Period for Last Audit:	July 1, 2011 to December 14, 2014
Issue Date:	July 2015
Number of Findings:	8
Number of Repeat Findings:	5
% of Repeat Findings:	62.5%
Rating: (if applicable)	n/a

Finding 1: **The most recent Office of Inspector General (OIG) audits of the Local Departments of Social Services (LDSS) contained a significant number of reportable conditions and repeat findings.**

Finding 2: OIG corrective action monitoring process for LDSS audits was not effectively followed.

Finding 3: OIG audit reports of LDSS were not distributed to all appropriate parties.

Finding 4: **Controls were insufficient over bank accounts, procurements, and gift cards.**

Finding 5: **Numerous LDSS deficiencies existed related to critical Family Investment Administration policies.**

Finding 6: Numerous LDSS deficiencies existed related to critical Social Services Administration policies.

Finding 7: **Users' access to certain key computer systems was not properly restricted and monitored.**

Finding 8: **Medicaid eligibility determinations for long-term care recipients were not always proper.**

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

Source: Office of Legislative Audits

Monitoring of Corrective Actions

Finding 1 stated that the OIG audits of LDSS contained a significant number of reportable conditions, including many repeat findings and that DHR executive management had not established a formal process to provide oversight and monitoring of corrective actions. OLA noted that while OIG did have a corrective action monitoring process, the department's executive management did not. A separate (nonrepeat) finding, however, noted that OIG was not effectively following its corrective action monitoring process.

Specifically, OLA noted that in the audit reports for LDSS issued as of December 2014, there were a total of 299 findings, of which 89 were repeated from the prior OIG audit of LDSS. OLA noted that five of these audit reports contained at least 20 findings, one of which had 30 findings. **Exhibit 7** provides the number of findings and repeat findings by jurisdiction.

Exhibit 7
Number of Findings by Jurisdiction

	Total Findings	Repeat Findings	% of Findings That Are Repeat
Allegany	9	1	11.1%
Anne Arundel	16	5	31.3%
Baltimore City	28	14	50.0%
Baltimore County	14	8	57.1%
Calvert	12	4	33.3%
Caroline	9	1	11.1%
Carroll	7	1	14.3%
Cecil	9	2	22.2%
Charles	20	6	30.0%
Dorchester	6	2	33.3%
Frederick	7	1	14.3%
Garrett	7	2	28.6%
Harford	9	1	11.1%
Howard	26	8	30.8%
Kent	5	0	0.0%
Montgomery	30	13	43.3%
Prince George's	26	14	53.8%
Queen Anne's	5	1	20.0%
St. Mary's	10	4	40.0%
Somerset	11	0	0.0%
Talbot	6	0	0.0%
Washington	7	0	0.0%
Wicomico	11	0	0.0%
Worcester	9	1	11.1%
Total	**299**	**89**	**29.8%**

Source: Office of Legislative Audits

OLA noted that the total count of findings was lower than the prior audit report (a decrease of 74 findings), but the number of repeat findings had increased (an increase of 12 findings). In addition, the percent of total findings that were repeat findings had also increased from 21% in the prior audit report to 30% in the current report. OLA recommended that DHR (the Office of the Secretary and management of the administrations in DHR) establish a process to actively monitor corrective actions taken to address repeat audit findings.

Financial Management Findings

Finding 4 stated that controls were insufficient over bank accounts, procurements, and gift cards. Specifically, OLA noted that there were 97 findings from audit reports for 23 of LDSS related to these fiscal areas. Findings included that:

- bank accounts maintained by LDSS were not reconciled in a timely manner;
- bank accounts had checks outstanding for long periods;
- bank accounts had former employees that continued as authorized check signers;
- LDSS had inadequate physical security over blank check inventories;
- State procurement regulations were not always followed including making payments without written contracts; and
- LDSS had not established accountability of prepaid gift cards including failure to document physical inventories of these gift cards.

OLA recommended that DHR establish appropriate accountability and control over fiscal operations and specifically ensure LDSS establish adequate control over bank accounts and blank check inventories including the timely preparation of account reconciliations and resolution of outstanding checks, comply with State procurement regulations, and establish proper accountability over prepaid gift cards.

FIA-related Findings

Finding 5 stated that numerous LDSS deficiencies existed related to critical FIA policies, such as ensuring eligibility for public assistance and food benefits. Specifically, OLA noted that there were 70 findings from audit reports for 22 of the LDSS related to FIA policies. Findings in this area included that:

- critical duties over Electronic Benefits Transfer System (EBT) cards were not properly segregated and, therefore, LDSS could not ensure that benefits were issued to the intended recipients;

- physical inventory counts of EBT cards found differences between the number of EBT cards on hand and records of these cards;

- the required number of public assistance case files were not subject to supervisory review; and

- potential payment or client eligibility errors noted in periodic OIG computer matches were not pursued timely.

OLA recommended that DHR ensure that FIA program requirements are complied with by LDSS and that DHR ensure that the LDSS establish appropriate controls over the EBT card inventories, perform supervisory reviews on the required number of case files, and perform timely follow-up on all potential payment or eligibility errors identified by the OIG.

OIG conducted a separate review of the DHR Bureau of Long-Term Care, which is included in OLA's review of the Local Department Operations Unit audits. This bureau performs eligibility determinations for Medicaid long-term care recipients for Anne Arundel, Baltimore, and Prince George's counties, and Baltimore City. Finding 8 stated that Medicaid eligibility determinations for long-term care recipients were not always adequately documented. Specifically, OLA noted that:

- certain case records could not be located;

- certain eligibility documentation was missing;

- real property searches to assist in determining if financial resources were within the limit established by State regulations were not conducted.

OLA recommended that DHR ensure that the Bureau of Long-Term Care properly performs Medicaid eligibility determinations.

Information Technology Security

Finding 7 stated that users' access to certain key computer systems was not properly restricted and monitored. Specifically, OLA noted that 40 findings from 21 LDSS related to IT security, including inadequate controls over the granting of user access to critical systems and employees' assigned access capabilities were not properly monitored. OLA recommended that DHR establish appropriate accountability and control over information system access and ensure that LDSS maintain a properly completed and approved authorization form for all user accesses granted, assign access capabilities appropriate to each employee's job duties, and perform formal and periodic monitoring of employee system access and delete the access of former employees.

Corrective Actions

DHR stated in its response to the audit that it agreed with most of the recommendations made by OLA. DHR explained that it had taken action in response to many of the findings and recommendations for those recommendations with which it agreed. In instances where the agency disagreed, actions to respond to the finding were not generally provided. One of the actions taken by DHR in response to the OLA recommendations was that the department established a Corrective Action Monitoring and Resolution team that meets on a regular basis, identifies root causes of findings, provides solutions for resolving findings, and keeps parties accountable.

The Joint Audit Committee (JAC) continues to be concerned with the number and frequency of repeat audit findings across State agencies as cited by OLA. In an effort to satisfactorily resolve these findings, JAC has asked the budget committees to consider action in the agency budgets where such findings occur. As noted this audit contained five repeat audit findings. **Recognizing the challenges in resolving all of the repeat findings, DLS instead recommends that a portion of the Office of the Secretary's appropriation be withheld until OLA has assessed the status of the repeat findings.** This language does not require all of the repeat findings to be resolved.

Recommended Actions

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

, provided that since the Department of Human Resources (DHR) Local Department Operations Unit has had four or more repeat audit findings in the most recent fiscal compliance audit issued by the Office of Legislative Audits (OLA), $100,000 of this agency's administrative appropriation may not be expended unless:

(1) DHR has reported the corrective action taken with respect to all repeat findings on or before January 1, 2017; and

(2) a report is submitted to the budget committees by OLA listing each repeat finding along with an assessment of the corrective action taken by DHR for each repeat finding. The budget committees shall have 45 days to review and comment to allow funds to be released prior to the end of fiscal 2017.

Explanation: The Joint Audit Committee has requested that budget bill language be added for each unit of State government that has four or more repeat audit findings in its most recent fiscal compliance audit. Each such agency is to have a portion of its administrative budget withheld pending the adoption of corrective action by the agency and a determination by OLA that each finding was corrected. Due to the nature of the Local Department Operation Unit audit and the volume of findings to be corrected by the Local Departments of Social Services an alteration to the standard language is prudent. This language requires DHR to report on corrective actions and have OLA assess the corrective actions taken by DHR rather than having the findings resolved.

Information Request	**Author**	**Due Date**
Assessment of corrective actions related to the most recent fiscal compliance audit	OLA	45 days before the release of funds