Department of Human Resources
Fiscal 2002 Budget Overview

Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland

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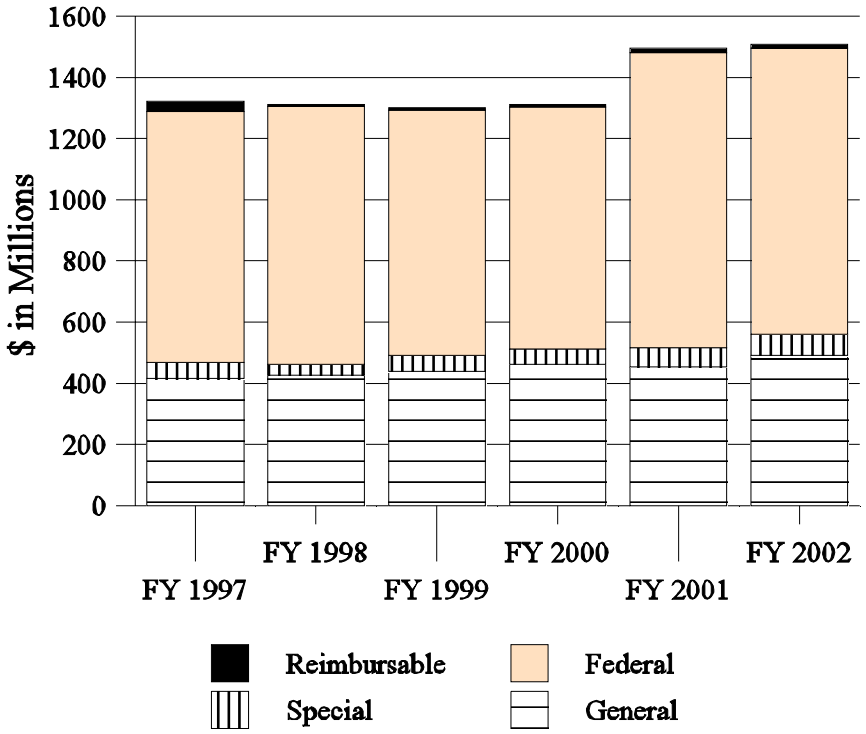
Department of Human Resources
Fiscal 2002 Budget Overview

DHR Funding by Source
Fiscal 1997 through 2002
($ in Millions)



Fund	FY 1997 Actual	FY 1998 Actual	FY 1999 Actual	FY 2000 Actual	FY 2001 Approp.	FY 2002 Allowance
General	$416.5	$426.8	$438.0	$462.9	$453.8	$491.1
Special	50.8	36.5	52.4	49.4	62.8	69.5
Federal	821.8	841.0	802.5	791.6	965.6	935.6
Reimbursable	33.5	8.0	8.1	7.3	13.8	11.4
Total	**$1,322.6**	**$1,312.3**	**$1,301.0**	**1,311.2**	**1,496.1**	**$1,507.5**

Note: Numbers may not sum due to rounding.

Source: Maryland State Budget

Department of Human Resources
Budget Overview: All Funding Sources
($ in Thousands)

Program	FY 2000 Actual	FY 2001 Working Approp.	FY 2002 Allowance	FY 01-02 Change	Percent Change
Family Investment/Cash Assistance	**$545,015**	**$557,982**	**$556,127**	**($1,855)**	**(0.3%)**
Temporary Cash Asst. Payments	115,591	96,609	92,419	(4,190)	(4.3%)
TEMHA Assistance Payments	15,282	15,696	23,457	7,761	49.4%
Food Stamps for Immigrants	275	250	275	25	10.0%
Other Public Assistance	221,723	280,578	226,837	(53,741)	(19.2%)
Work Opportunities	58,229	24,241	41,431	17,190	70.9%
Administration	133,915	140,609	171,708	31,099	22.1%
Social Services	**355,527**	**368,455**	**411,546**	**43,091**	**11.7%**
Foster Care/Subs. Adopt. Grants	202,209	201,119	227,222	26,103	13.0%
Programs/Administration	153,317	167,336	184,324	16,988	10.2%
Child Care	**118,039**	**168,954**	**181,817**	**12,863**	**7.6%**
Purchase of Care	97,342	130,856	137,259	6,404	4.9%
Administration/Program Direction	20,698	38,098	44,557	6,460	17.0%
Community Services/Adult Services	**97,443**	**134,413**	**149,378**	**14,965**	**11.1%**
Child Support	**71,472**	**77,094**	**76,512**	**(581)**	**(0.8%)**
Administration	**123,736**	**189,172**	**132,125**	**(57,047)**	**(30.2%)**
Office of the Secretary	9,712	9,529	13,186	3,657	38.4%
Operations Office	17,100	77,223	17,429	(59,794)	(77.4%)
Information Management	60,338	65,178	59,672	(5,506)	(8.4%)
Local Department Administration	36,586	37,241	41,838	4,597	12.3%
Total: All Funding Sources	**$1,311,232**	**$1,496,069**	**$1,507,505**	**$11,436**	**0.8%**
General Funds	462,905	453,812	491,056	37,244	8.2%
Special Funds	49,412	62,762	69,452	6,690	10.7%
Reimbursable Funds	7,318	13,847	11,352	(2,495)	(18.0%)
Federal Funds	791,597	965,648	935,645	(30,003)	(3.1%)

TEMHA - Transitional Emergency Medical and Housing Assistance

Source: Maryland State budget

Department of Human Resources
Budget Overview: General Funds Only
($ in Thousands)

Program	FY 2000 Actual	FY 2001 Working Approp.	FY 2002 Allowance	FY 01-02 Change	Percent Change
Family Investment/Cash Assistance	**$148,845**	**$134,209**	**$130,193**	**($4,017)**	**(3.0%)**
Temporary Cash Asst. Payments	40,655	39,249	31,249	(8,000)	(20.4%)
TEMHA Assistance Payments	12,006	13,518	18,918	5,400	39.9%
Food Stamps for Immigrants	275	250	275	25	10.0%
Other Public Assistance	15,156	12,243	12,218	(25)	(0.2%)
Work Opportunities	5,670	0	0	0	n/a
Administration	75,083	68,949	67,532	(1,417)	(2.1%)
Social Services	**169,692**	**166,542**	**197,210**	**30,667**	**18.4%**
Foster Care/Subs. Adopt. Grants	123,054	113,357	129,311	15,954	14.1%
Programs/Administration	46,638	53,185	67,899	14,714	27.7%
Child Care	**40,210**	**40,617**	**40,731**	**114**	**0.3%**
Purchase of Care	30,432	29,897	29,897	0	0.0%
Administration/Program Direction	9,778	10,720	10,834	114	1.1%
Community Services/Adult Services	**30,539**	**29,294**	**36,905**	**7,611**	**26.0%**
Child Support	**14,569**	**16,646**	**18,860**	**2,214**	**13.3%**
Administration	**59,049**	**66,503**	**67,157**	**654,258**	**1.0%**
Office of the Secretary	5,730	5,815	7,518	1,703	29.3%
Operations Office	10,382	8,371	10,487	2,116	25.3%
Information Management	22,944	32,043	26,320	(5,723)	(17.9%)
Local Department Administration	19,994	20,274	22,832	2,558	12.6%
Total: All Funding Sources	**$462,905**	**$453,812**	**$491,056**	**$37,244**	**8.2%**

Source: Maryland State budget

Department of Human Resources
Fiscal 2001 Allowance Changes
($ in Millions)

	All Funds
Public Assistance	
Foster care caseload and expenditure growth ($9.8 million deficit is projected for fiscal 2001)	$10.0
Increased grant amount for TEMHA	7.8
Decline in Temporary Cash Assistance (TCA) caseload	(4.2)
Food stamp spending declines to reflect current trends	(54.5)
Family Investment	
Work opportunities funding (addition of $15.8 million for fiscal 2001 anticipated through budget amendment)	17.2
Temporary Assistance for Needy Families-funded (TANF)legislative initiatives required by the Welfare Innovation Act of 2000, Job Skills Enhancement Program, Job Access and Reverse Commute Program, and other initiatives (similar amount to be added by budget amendment for fiscal 2001)	9.6
Food Stamp reinvestment strategies to improve the Food Stamp accuracy rate (includes 15 new positions)	2.3
Funds to transfer to Department of Health and Mental Hygiene for 75 Addiction Specialists to provide screening for TCA applicants and certain recipients and the Integration of Substance Abuse Treatment and Child Welfare (addition of $4.4 million expected for fiscal 2001)	2.2
Social Services	
Initiative to reduce caseload-to-staff rates in Local Departments (includes $3.6 million in salaries for 109 new positions)	4.7
Continued Development of Automated Child Welfare Information System (MD CHESSIE)	(5.7)
Child Care	
Enhanced funding for Purchase of Care (POC) subsidies (including tiered reimbursements)	6.4
Creation of Office of Credentialing to promote higher quality day care and providers	2.1
Administration and management of grant programs, and the Child Care Automated Management Information System II	1.0
Community Services/Adult Services	
Purchase of Care Services and related operating expenses for new Home- and Community-based Services Waiver for Adults with Physical Disabilities (Attendant Care Waiver) to be implemented January 2001	8.0
Purchase of care services for Respite Care Program	1.3

N.00 - DHR - Fiscal 2002 Budget Overview

	All Funds
Child Support Enforcement	
Privatization contracts with Maximus for Baltimore City and Queen Anne's County reduced to more accurately reflect actual expenditures	(2.8)
Increased operational expenses related to Prince George's County child support enforcement responsibilities transferred to the State offset by the county's termination of cooperative reimbursement agreement	(4.1)
Administration	
Increase in Annapolis Data Center contract	1.8
Administrative contractual services in State and local offices	1.2
Decrease in Anderson Consulting data processing contract to reflect actual cost experience	(8.3)
Accounting correction for Empowerment Zone federal grant needed for computer glitch	(63.3)
Operating Costs/Other	
Employee Benefits (Increments, Health Insurance, Retirement, and Deferred Compensation)	30.4
Other new positions (including 272 contractual conversions) throughout the department	21.0
General salary increase	5.9
Rent	3.2
Other Changes	18.2
Total	**$11.4**

Source: Maryland State Budget

Department of Human Resources
Fiscal 2001 Deficiency Requests
($ in Millions)

Explanation	Funding
• Higher-than-anticipated foster care placement costs and slightly higher-than-expected caseload result in a funding shortfall. In addition, the fiscal 2001 budget assumed that the federal Medical Assistance Program would cover certain foster care costs. The Department of Human Resources (DHR), however, has not identified eligible expenses to claim against Medical Assistance. Therefore, this appropriation also provides general funds to replace the federal funds originally anticipated from the Medical Assistance Program.	$6.2 GF 9.6 FF
• Congressional reductions to the Social Services Block Grant (SSBG) created a federal fund deficit. This appropriation restores the dollars with general funds to provide continued support for the delivery of child welfare services.	10.0 GF (10.0) FF
Total	**$16.2 GF** **($0.4) FF** **$15.8 TF**

Department of Human Resources
Caseload Estimates

Program	FY 2000 Actual	FY 2001 Approp.	FY 2002 Allowance	FY 01-02 % Change
Cash Assistance				
TCA*	$79,065	$63,479	$59,911	(5.6)%
TEMHA	10,566	11,237	10,566	(6.0)%
Social Services				
Foster Care**	10,143	10,649	11,001	3.3%
Subsidized Adoptions	4,038	4,712	4,901	4.0%
Child Care				
Child Care Subsidies	20,070	28,870	25,511	(11.6)%
Child Support Enforcement				
TCA Collections	$24,674,109	$27,939,756	$27,939,756	0.0%
Non-TCA Collections	$362,717,643	$389,106,616	$393,277,080	0.1%

*The fiscal 2001 average monthly TCA caseload from July through December 2000 was 76,027. The Department of Legislative Services (DLS) estimates that current trends will create a deficit of $20.2 million.

**The fiscal 2001 average monthly foster care caseload from July through October 2000 was 10,150.

Source: Maryland State Budget

Department of Human Resources
Fiscal 2002 Budget Overview: Regular Positions

Programs	FY 00 Actual	FY 01 Approp.	FY 02 Allowance	FY 01-02 Change	Percent Change
Social Services	2,280.0	2,599.7	2,720.2	120.5	4.6%
Family Investment	2,217.5	2,437.5	2,627.5	190.0	7.8%
Administration	898.0	1,098.4	1,169.4	71.0	6.5%
CSA/Adult Services	643.0	759.2	800.4	41.2	5.4%
Child Support	542.9	636.8	733.8	97.0	15.2%
Child Care	196.5	231.5	245.5	14.0	6.0%
Total Positions	**6,777.9**	**7,763.0**	**8,296.7**	**533.7**	**6.9%**

CSA - Community Services Administration

Source: Maryland State Budget

- 274.7 contractual conversions throughout the department. The largest numbers are found in family investment (159), administration (66), and community services (34.2).

- 109 positions for the local departments to reduce caseload-to-staff ratios for child welfare services.

- 97 new positions to transfer Prince George's County child support enforcement employees to the State.

- 16 positions to implement provisions of the Welfare Innovation Act of 2000 requiring Family Investment Program demonstration sites for incentive pay and the development of plans to encourage local governments to hire TCA recipients.

- 15 positions for Food Stamp Reinvestment Strategies developed as part of negotiations with the federal government to eliminate cash penalties and improve Maryland's Food Stamp error rate.

- 7 positions to create the new Office of Credentialing in the Child Care Administration.

- 5 positions in administration to support various activities in the Office of the Secretary and the Division of Budget, Finance, and Personnel.

- 4 positions in the Community Services Administration to undertake various responsibilities including staffing the Governor's Council on the Status of Girls, monitoring Children In Need of Assistance (CINA) cases, monitoring meal programs, and providing support for the Displaced Homemaker program and Project Retain.

- 3 positions to implement the Attendant Care Waiver program in the Community Services

Administration.

- 2 licensing coordinators for the Social Services Administration.
- 1 position to serve as the help desk coordinator for the MD CHESSIE project.

Department of Human Resources
Fiscal 2002 Budget Overview: Contractual Positions

Programs	FY 00 Actual	FY 01 Approp.	FY 02 Allowance	FY 01-02 Change	Percent Change
Social Services	129	40	4	(36)	(90.1)%
Family Investment*	321	310	150	(160)	(51.6)%
Administration	173	72	6	(66)	(92.2)%
CSA/Adult Services	57	41	13	(27)	(66.9)%
Child Support	97	9	6	(3)	(35.3)%
Child Care	11	7	0	(7)	(100.0)%
Total Positions	**789**	**478**	**179**	**(300)**	**(62.7)%**

CSA - Community Services Administration

*These figures differ from those shown in the Governor's budget books as an error was made in the budget books.

Source: Maryland State Budget

- 274.7 positions are eliminated due to contractual conversions concentrated in family investment (159), administration (66), and community services (34.2).
- Reduction of 28.8 positions reflects change in method for budgeting for overtime. The local departments of social services (LDSS) used funds associated with these positions to pay for the provision of 24-hour emergency coverage for child welfare services. In the fiscal 2002 allowance these funds are appropriately budgeted as overtime expenses.
- 7 positions added in the CSA.
- 1 position deleted in Family Investment due to loss of local and federal funding.

Issues

1. Spending in Fiscal 2002 Expected to Exhaust TANF Revenues

As shown in **Exhibit 1**, the Department of Legislative Services (DLS) estimates a $43 million TANF deficit at the end of fiscal 2002. This represents a dramatic change from years past when the State enjoyed sizeable TANF surpluses. Last session, using the new federal welfare regulations as a guide, the budget included innovative ways of using TANF dollars. By drawing down TANF reserves, the State addressed concerns that the federal government might reduce prior years' appropriations because of states' difficulties in spending TANF funds.

A majority of the projected shortfall anticipated at the end of fiscal 2002 reflects the accumulation of anticipated TCA deficits estimated by DLS for fiscal 2001 and 2002. It is important to eliminate this deficit prior to fiscal 2003. Otherwise, as shown in the exhibit, the State will face spending constraints in fiscal 2003. The department has several options to ensure that TANF expenditures in fiscal 2001 and 2002 do not exceed available revenues. These options are listed below:

- DHR reports that it may reduce the planned transfer from TANF to CCDF in fiscal 2002. In addition, under federal regulations, the department may access TANF funds previously transferred to CCDF. Use of these TANF funds is limited to direct assistance, such as TCA payments. In addition, fiscal 2001 funds currently dedicated to fund child care subsidies for TCA recipients may not be spent. This could result in a TANF savings of $9.2 million. Issue # 2 discusses the department's ability to support child care expenses given the need to reduce reliance on TANF.

- DHR plans to request over $30.0 million in TANF through budget amendments for fiscal 2001. While a majority of these funds may be needed for work opportunities allocations to LDSS and for legislative mandates in welfare innovation acts, it may be necessary to deny funding for other initiatives. The budget amendment items are discussed in Issue #3.

- In a limited number of cases, the fiscal 2002 allowance provides TANF to expand existing programs or to fund new initiatives. These are shown in **Exhibit 2**. It may be necessary to limit new funding and expansions or, when possible, use another funding source. As appropriate, DLS will recommend reductions in its budget analyses.

- At the end of fiscal 2002, the balance in the Dedicated Purpose Fund will be at least $77.6 million. It may be necessary to access a portion of these funds. The General Assembly, however, developed this fund as a cushion against reductions to the TANF block grant or economic instability. This fund source should be accessed only as a last resort.

Exhibit 1

Availability of TANF Funding and Status of the Dedicated Purpose Fund
($ in Millions)

	Expenditures	TANF Balance	Dedicated Purpose Fund Balance*
TANF Balance at End of Fiscal 2000		**$83.1**	**$38.0**
Fiscal 2001 Budget			
TANF Grant	$229.1		
Estimated Expenditures/Transfers SSBG	(201.2)		
Transfer to CCDF	(45.8)		
DLS Estimated TCA Deficit	(20.2)		
Proposed Work Opportunities Budget Amendment	(15.8)		
Proposed Budget Amendments for Other Initiatives	(18.2)		
Subtotal Fiscal 2001	**($72.1)**		
TANF Balance at End of Fiscal 2001		**$11.0**	**$68.0**
Fiscal 2002 Allowance			
TANF Grant	$229.1		
Estimated Expenditures/Transfer to SSBG	(227.3)		
Transfer to CCDF**	(36.8)		
DLS Estimated TCA Deficit	(18.6)		
Subtotal Fiscal 2002	**($53.6)**		
TANF Balance at End of Fiscal 2002		**($42.6)**	**$77.6 *** **
Proposed Reductions to CCDF Transfers/Child Care Savings		28.1	
Revised TANF Balance at End of Fiscal 2002		**($14.5)**	
Fiscal 2003 Budget			
TANF Grant	$229.1 ****		
Deficit from Fiscal 2002	(14.5)		
Funds Available for Fiscal 2003 Expenditures	214.6		

CCDF - Child Care Development Fund

*Consists entirely of general funds.
**The Department of Human Resources reports plans to reduce the transfer to $24.9 million.
***Language in the fiscal 2001 budget bill prohibits DHR from spending $4.8 million of its general fund appropriation; it authorizes the Governor to transfer these funds, by budget amendment, to the Dedicated Purpose Fund.
****Grant amount subject to congressional reauthorization.

Source: Maryland State budget; Department of Human Resources; and Department of Legislative Services

Exhibit 2

Programs Receiving New or Enhanced TANF Funding in the Fiscal 2002 Allowance ($ in Millions)

Program	FY 2001 TANF Appropriation	FY 2002 TANF Allowance	Change FY 01 - 02
Family Investment Administration			
Work Opportunities	$40.0 *	$41.4	$1.4
Child Care Administration (DHR)			
Office of Credentialing	0.0	2.2	2.2
Quality Improvement Grants	0.0	1.0	1.0
Child Care Resources and Referral Network	0.0	1.0	1.0
Grant for Child Care Administration Management Information System	0.0	1.0	1.0
Community Services Administration (DHR)			
Responsible Choices Program	0.6 **	0.9	0.3
Project Retain	0.0	0.2	0.2
Subcabinet Fund			
Healthy Families (Home Visiting)	5.0	6.0	1.0
Governor's Council on Adolescent Pregnancy	0.6	1.1	0.5
IFS/Families Now***	0.0	0.1	0.1
Total New/Enhanced Funding			**$8.7**

*Includes $15.8 million to be requested by budget amendment.
**Amount anticipated to be added by budget amendment.
***Cost-of-living adjustment for workers in this program were erroneously funded using TANF dollars when this personnel expense should have been budgeted with Title IV-E funds. A recommendation to delete these funds is contained in the Subcabinet Fund analysis. The program can restore the dollars with Title IV-E funding through budget amendment.

Source: Maryland State Budget; Department of Human Resources; Department of Legislative Services

Current Pace of TANF Spending Cannot Be Sustained

While the department can align fiscal 2001 and 2002 expenditures with available TANF revenues, the State cannot maintain current levels of TANF spending in fiscal 2003 and beyond. Exhibit 1 shows that Maryland's annual block grant is $229.1 million; fiscal 2002 expenditures exceed the block grant amount by over $50 million. Accounting for a reduced fiscal 2002 transfer to CCDF, this amount drops to about $40 million. **Exhibit 3** illustrates that, even with no child care transfer in fiscal 2003, an annual grant of $229.1 million would fall short of expenditures by nearly $17 million. To the extent that the General Assembly limits program expansions and funding for new programs in the fiscal 2002 budget, the potential problems associated with sustaining long-term funding can be mitigated.

Exhibit 3 assumes an annual block grant of $229.1 million. Fiscal 2002, however, marks the final year of the six-year annual block grant. At this time, therefore, the amount of the Maryland's fiscal 2003 grant is unknown. In light of dramatic caseload reductions and states' accumulation of substantial TANF reserves, some fear that Congress will reauthorize the block grant at a lower level. Others believe that, with former governors as U.S. President and Secretary of the Department of Health and Human Services, total funding for TANF and child care will remain the same. In the later case, possible reductions to the TANF block grant may be offset by increased funding for child care.

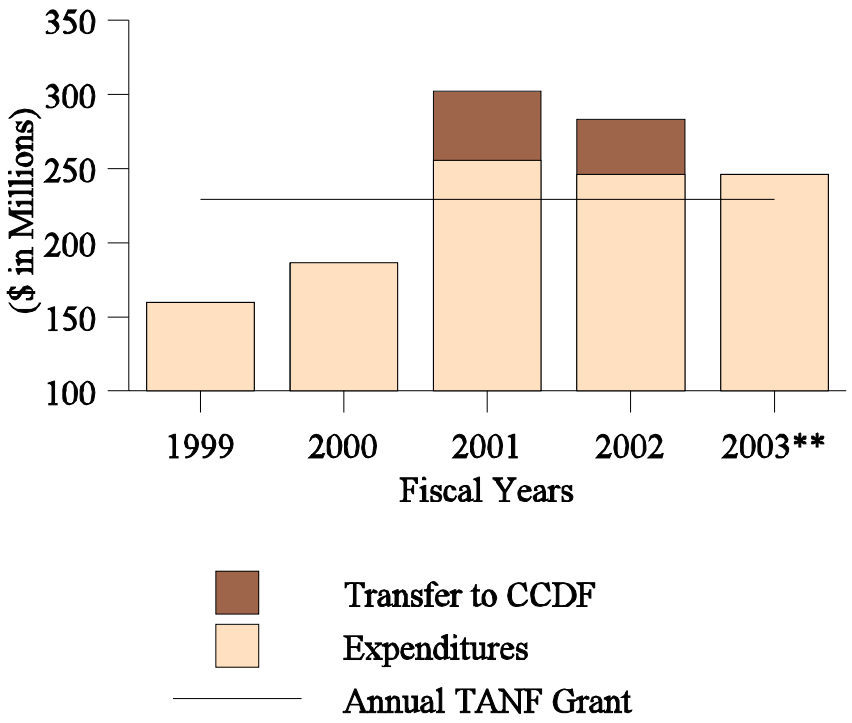
The expenditure of $283 million in TANF dollars for ongoing programs is not sustainable as the State's annual TANF allocation is only $229.1 million. Unlike in years past, surplus TANF dollars will not be available to support expenditures that exceed the amount of the annual block grant. Therefore, many of the programs funded with TANF in fiscal 2002 will require a new source of funding in fiscal 2003 and subsequent years. The general fund, the Dedicated Purpose Fund, and the Child Care Development Fund could all be tapped to support these programs.

DHR should be prepared to brief the committees on:

- **what it believes is a reasonable level of reserves given the changing economic situation; and**
- **how the programs financed in fiscal 2002 with TANF dollars will be funded in fiscal 2003 when surplus TANF dollars are no longer available.**

Exhibit 3

TANF Expenditures and Transfers to Child Care Development Fund
Fiscal 1999 through Projected Fiscal 2003



*In fiscal 1999 DHR made retroactive child care transfers totaling $91.6 million for fiscal 1997 and 1998.

**Assumes Congress will reauthorize TANF block grant at the current level and that spending on cash payments for the TCA caseload will be the same as that projected for fiscal 2002.

Source: Maryland State Budget; Department of Human Resources; Department of Legislative Services

2. Funds Earmarked for Child Care Needed to Finance Projected TANF Deficit

In the past, DHR has transferred TANF funds to the CCDF to pay for its POC program. However, DLS projections show that the TANF surplus has been depleted, leaving TANF dollars in the Governor's budget oversubscribed. Therefore, DHR plans to reduce its reliance on TANF to fund child care programs.

Exhibit 4 demonstrates funding balances for the Child Care Administration through fiscal 2005. DLS projects that DHR will be able to maintain the current level of services into fiscal 2005, and end the year with a $9.7 million fund balance, given certain assumptions. Key assumptions include:

- TANF expenditures on child care (both direct and through transfers to CCDF) will be reduced below levels originally planned for fiscal 2001 ($16.2 million) and 2002 ($11.9 million). The Governor's budget books show a $55.0 million and $36.8 million TANF expenditure for fiscal 2001 and 2002, respectively. DHR advises that transfers might be decreased even further than shown in Exhibit 4 if TANF dollars are required to cover deficits elsewhere.

- No TANF funds are transferred to CCDF beyond fiscal 2002. At this point, it is unknown to what level Congress will fund the TANF block grant under the reauthorization of the welfare reform law in 2002. If the block grant is reduced or further restricted, DHR will not have the flexibility to transfer funds into the CCDF.

- CCDF funding remains unchanged from fiscal 2003 through 2005. Given the willingness of Congress to increase funding for this block grant in recent years, any possible changes to the grant under reauthorization in fiscal 2002 are likely to be increases, and may balance possible decreases in the TANF reauthorization.

- Beyond fiscal 2002, Congress reauthorizes the TANF block grant at 1996 funding levels in federal fiscal 2002 and or increases the CCDF block grant funding level. If the TANF block grant is reduced, TANF funds now in the CCDF may have to be pulled out to pay for other existing programs funded with TANF.

- Monthly number of POC children served remains the same through fiscal 2001. The POC caseload has stabilized to an average of 26,593 children per month in the first five months of fiscal 2001. Full impact of the recent expansion is not likely to be felt until fiscal 2003. However, should outreach to former welfare recipients be successful, caseloads and total expenditures will increase.

Certain scenarios can either help or hurt the future fiscal outlook for CCA. For example, if the Governor provides additional general funds, then CCA will be able to expand its POC program and overall be financially secure. However, if more POC eligible families apply for POC subsidies, the fund balance will dwindle and may be depleted. This is unlikely, though, due to recent history showing a 35% participation rate by eligible families. Also, should the TANF caseload increase significantly in fiscal 2001 or 2002, even less TANF funds will be available to fund current CCA programs.

DHR should comment on the impact further reductions in TANF spending on child care will have on its ability to sustain current service levels.

Exhibit 4

Child Care Administration Balances
Fiscal 2000 through 2005
($ in Thousands)

Fiscal Year	FY 00	FY 01[2]	FY 02	Estimated FY 03	Estimated FY 04	Estimated[1] FY 05
Balance[1]	**$98,975**	**$98,348**	**$97,003**	**$102,101**	**$78,404**	**$44,064**
TANF transfer to CCDF[3]	0	38,820	24,860	0	0	0
Revenues						
CCDF	$77,823	$60,800	$86,291	$95,075	$95,075	$95,075
GF	39,576	40,667	40,884	40,884	40,884	40,884
TANF for CCA costs	12	12,465	17,831	17,831	17,831	17,831
Total Revenues	**$216,387**	**$251,100**	**$266,869**	**$153,790**	**$232,194**	**$197,854**
Expenditures -- POC						
CCDF[4]	$66,817	$86,103	$90,313	$97,737	$102,379	$102,379
SF	93					
GF	30,432	29,897	29,897	29,897	29,897	29,897
Subtotal	**$97,342**	**$116,000**	**$120,210**	**$127,634**	**$132,277**	**$132,277**
Admin/Quality Enhancement Projects						
GF	$9,778	$10,720	$10,834	$10,834	$10,834	$10,834
FF	10,919	27,378	33,723	39,019	45,019	45,019
Subtotal	**$20,698**	**$38,098**	**$44,557**	**$49,853**	**$55,853**	**$55,853**
Total Expenditures	**$118,039**	**$154,098**	**$164,768**	**$177,487**	**$188,130**	**$188,130**
Balance	**$98,348**	**$97,003**	**$102,101**	**$78,404**	**$44,064**	**$9,724**

[1]DLS estimates.
[2]TANF transfer for SFY 2001 actually reported in September 2000 Federal Report (FFY 2000).
[3]DHR originally planned to transfer $45 million of its $55 million TANF appropriation for POC in fiscal 2001, and transfer $36.8 million in fiscal 2002.
[4]CCDF = CCDF + transferred TANF funds.

Source: Department of Human Resources

3. DHR Plans to Request Over $30.0 Million in TANF Dollars for Fiscal 2001

DHR plans to request an additional $34.2 million in TANF through fiscal 2001 budget amendments. The full amount is accounted for in DLS' estimated $42.6 million deficit at the end of fiscal 2002. To date, the Department of Budget and Management (DBM) has forwarded to the budget committees amendment items totaling $10.6 million in TANF. Given the limited availability of TANF dollars and the need to restrict activities that require ongoing TANF funding, the budget chairs asked that DHR discuss all possible fiscal 2001 amendment items at its budget hearings. In correspondence dated January 25, the budget chairs requested that the Governor not sign the amendment so that these discussions could take place.

Exhibit 5 shows the 13 items that DHR hopes to fund with the $34.2 million in TANF. In four cases, the requested funds would provide support for ongoing initiatives or legislative mandates for which an equivalent amount of funding is also provided in the fiscal 2002 allowance. DLS has concerns about the remaining nine items and these concerns are detailed below.

- ***Work Opportunities Encumbrances from Prior Year Had Been Available in Fiscal 2001:*** Last session, the General Assembly reduced funding for Work Opportunities by $15 million because LDSS had funds available from prior years' encumbrances. The budget amendment seeks to restore the $15 million so that the fiscal 2001 allocations to the LDSS total $40 million. The State has historically appropriated this amount for work opportunities. During the first half of fiscal 2001, LDSS spent nearly $10 million in funds that had been encumbered in fiscal 2000. This should reduce the need for fiscal 2001 funding. **The department should discuss the LDSS' ability to spend its fiscal 2000 encumbrances plus an additional $40 million in fiscal 2001. It should address how this can be done without creating substantial encumbrances for use in fiscal 2002 or the need for reductions in program scope in fiscal 2002 when the available dollars decline.**

- ***Funding Not Available to Sustain Requested Level of Fiscal 2001 Funding:*** For six programs, the budget amendments would increase funding beyond that included in the fiscal 2002 allowance. Because surplus TANF dollars will not be available in fiscal 2002, the programs would have to reduce service levels below those provided in fiscal 2001. The six programs in this situation are: Job Access and Reverse Commute, Project Access, Sojourner Douglas Transit Van Operator Program, From the Ground Up, Job Skills Enhancement Program, and the Baltimore City Community College Work Activity/Work Study Program. **The department should comment on how each initiative would be affected by reduced funding levels in fiscal 2002 and the possibility of using other funding sources to maintain the fiscal 2001 funding level established through budget amendment in fiscal 2002 and future years.**

- ***Equity Among Jurisdictions:*** The budget amendments would provide a supplemental work opportunities allocation to Montgomery County. **The department should explain why Montgomery County should receive a separate grant to supplement the existing work opportunities allocation. The department should also identify any projects in Exhibit 3 that qualify as eligible work opportunities programs and why the LDSS are not required to use their work opportunities dollars to fund these projects.**

Exhibit 5

Proposed Fiscal 2001 Budget Amendment Items Funded with TANF
($ in Millions)

Proposed FY 01 Budget Amendment Items	Recommended for Discussion	Budget Amendment Request Amount	Total FY 01 Funding with Amendment	FY 02 Allowance
Work Opportunities: Allocations for local departments to fund initiatives that help persons obtain and retain employment.	Yes	$15.8	$40.0	$41.4
Work Opportunity Dollars for Montgomery County: Supplemental allocation to provide initiatives that help persons obtain and retain employment.	Yes	0.5	1.6	2.0
Job Access/Reverse Commute: Funds for local departments to address transportation issues for those leaving welfare for work. Used as match for funds from the Mass Transit Administration.	Yes	2.0	3.9	2.0
Project Access: Regional transportation system operated by Salisbury State University in three lower Eastern Shore counties. Used as match for funds from the Mass Transit Administration.	Yes	1.4	1.4	unknown *
Sojourner Douglas Transit Van Operator Program: Provides transportation from inner city to suburban jobs. Used as match for funds from the Mass Transit Administration.	Yes	0.8	0.8	0.0
From the Ground Up: Demonstration project at Baltimore County Department of Social Services intended to redesign the service delivery system for TCA recipients at the local level.	Yes	3.1	4.5	3.0
Job Skills Enhancement Program: Pilot projects provide upgrade skills training to TCA recipients.	Yes	0.1	1.1	0.1

Proposed FY 01 Budget Amendment Items	Recommended for Discussion	Budget Amendment Request Amount	Total FY 01 Funding with Amendment	FY 02 Allowance
Baltimore City Community College Work Activity/Work Study: Allows TCA recipients to count classes and work study positions as the work activity required of those receiving TANF-funded assistance.	Yes	0.9	1.8	0.9
Community Partnerships for Children and Families: Funding for the subcabinet's Community Partnership Agreement with the Prince George's County Local Management Board.	Yes	4.0	4.0	4.6 **
Addictions Specialists: Staff at DHMH to provide substance abuse screening and referrals to certain TCA applicants and recipients as required by HB 1160. Also for the integration of child welfare and substance abuse treatment services as required by SB 671 and HB 7.	No	4.4	4.4	2.2 ***
Second Chance Home: Case management and counseling for teen parents to help them become self-sufficient and to improve parenting skills.	No	0.1	0.1	0.1
Family Investment Program Demonstration Sites: Intended to increase the efficiency and effectiveness of Family Investment Program employees by providing pay incentives based on performance.	No	1.3	1.3	1.3
Responsible Choice Demonstration Project: Program to reduce subsequent non-marital births among teenage mothers and fathers.	No	0.6	0.6	0.9
Total		**$34.0**		

Numbers do not sum to total due to rounding.
*The fiscal 2002 allowance contains $1.35 million in TANF to support departmental initiatives. A portion of these funds may be used to support Project Access.
**Amount set forth in the multi-year Community Partnership Agreement.
***Additional funds will be needed to fund these services in fiscal 2002.

Source: Department of Human Resources; Department of Legislative Services

- ***Community Partnership Agreements Should Be Funded within Existing Resources:*** Under Community Partnership Agreements (CPA), the Local Management Boards (LMBs) assume responsibility for providing services typically rendered by State agencies. In exchange, the LMB receives the funds that each State agency would have used to support the service. The subcabinet has entered into a multi-year CPA with the Prince George's County LMB which includes the development of home visiting services. The agreement includes a four-year commitment of TANF dollars totaling $17.6 million. **The department should discuss its reasons for requesting additional funds for the CPA with the Prince George's County LMB (rather than funding the program out of the existing budget) and its plans for ensuring that it meets its future funding commitments set forth in the agreement.**

DLS recommends that, to the extent possible, DHR fund approved budget amendment items with unspent funds currently budgeted for child care subsidies. By doing so, the State will limit the need to provide unappropriated TANF dollars to the department.

4. Full Amount of General Funds Not Provided for "TANF Substitutions"

The administration introduced "TANF substitutions" in its proposed fiscal 2001 budget. The concept, however, is not applied in the fiscal 2002 allowance. Under the "TANF substitutions" concept, the State used surplus TANF dollars to finance nine programs previously supported by general funds. An equivalent amount of general funds were then deposited in the Dedicated Purpose Fund to cover future Family Investment Program costs.

While the fiscal 2002 allowance continues to fund the nine programs with TANF dollars, it does not provide an equivalent amount of general funds for the Dedicated Purpose Fund. As shown in **Exhibit 6**, the fiscal 2002 allowance provides $30.0 million in TANF funding for the nine programs. However, only $9.6 million in general funds is set aside for the Dedicated Purpose Fund. As discussed in Issue #1, estimated TANF expenditures in the fiscal 2002 allowance exceed the amount of the current annual block grant by over $50 million. Because the State cannot maintain current TANF spending levels, the nine programs may need an alternate funding source in fiscal 2003.

The use of TANF substitutions addressed two important concerns. First, because states had accumulated substantial TANF surpluses, some feared that the federal government might reduce prior year authorizations. By converting welfare reserves from TANF funds to State dollars, Maryland would not have TANF funds available for such reductions. At the same time, Maryland could save for welfare costs resulting from an economic downturn or future reductions to the annual grant. Second, given the uncertainties of TANF block grant levels, there were concerns about financing well-regarded programs with a potentially unstable funding source. By placing an equivalent amount of general funds in the Dedicated Purpose Fund, the State essentially reserved these funds for the nine programs in the event that TANF funds were no longer available. The Governor's fiscal 2002 proposed budget diverts most of the general funds that had supported these programs to other initiatives.

Exhibit 6

Use of TANF in Previously State-funded Programs
($ in Millions)

Agency	Program	FY 2000	FY 2001	FY 2002
MSDE	Drop Out Prevention Program	$7.5	$9.7	$9.7 **
DHR	Child First Authority	0.4	0.5	0.5
	YouthBuild Sandtown	0.1	0.1 *	0.1 *
Subcabinet	Youth Service Bureaus	1.5	2.0	2.0
	Healthy Families	2.4	3.5	3.5 **
	Consolidated Education Grant	1.1	1.5	1.5
	Family Preservation	4.4	4.8	4.8
	Community Partnerships	4.4	7.3	7.3
	Council on Adolescent Pregnancy	0.5	0.6	0.6 **
Total		**$22.3**	**$30.0**	**$30.0**
Amount Committed to Dedicated Purpose Fund		**$22.3**	**$30.0**	**$9.6**
Difference		**$0**	**$0**	**$20.4**

MSDE - Maryland State Department of Education

*Supplemental fiscal 2001 budget increased appropriation to $0.2 million. The fiscal 2002 allowance also provides $0.2 million for this program.
**Fiscal 2002 allowance expands use of TANF beyond amount shown in this table.

Source: Department of Human Resources and Maryland State Budget

To allay concerns about continued funding for these programs, should the TANF Bock Grant be reduced, the General Assembly may wish to add budget language expressing its intent that the Governor hold the programs harmless if TANF funding is no longer available to support these programs.

Add the following language:

It is the intent of the General Assembly that the following programs be held harmless if funding for the Temporary Assistance to Needy Families Block Grant is reduced:

NC01.07	Adult Services (YouthBuild)	$100,000
NC01.11	Women's Services Program (Child First Authority)	$500,000
RA04.01	Local Management Board Fund (Youth Service Bureaus, Healthy Families, Consolidated Education Grant, Community Partnerships, Council on Adolescent Pregnancy, and Family Prevention)	$19,657,424
RA02.04	Children at Risk	$9,731,335

5. Fiscal 2002 Allowance Contains Sufficient MOE

In return for its annual TANF block grant, the State must spend $177.7 million of its own money to meet federal maintenance of effort (MOE) requirements. **Exhibit 7** provides a summary of the funding in the fiscal 2001 appropriation and fiscal 2002 allowance that DHR plans to count as MOE.

Exhibit 7

TANF Maintenance of Effort Dollars
Fiscal 2000 and 2001
($ in Millions)

	FY 2001	FY 2002
Traditional Sources of MOE		
Cash Assistance	$62.0	$52.7
Child Care Subsidies	23.3	23.3
Employment Services/Caseworkers	35.4	21.4
Administration	13.2	15.4
Subtotal Traditional MOE	**$134.0**	**$112.8**
Other Sources of MOE		
Refundable State Earned Income Tax Credit	42.0	41.5
Kinship Care	10.0	8.0
Poverty and Targeted Improvement Grants (MSDE)	21.0	21.0
HotSpots	1.6	1.6
Subtotal Other Sources of MOE	**$74.6**	**$72.1**
Total MOE*	**$208.6**	**$184.9**

*Minimum MOE requirement is $177.7 million.

Source: Maryland State Budget

The fiscal 2002 allowance exceeds the minimum MOE requirement by approximately $7 million. If federal auditors interpret federal regulations more narrowly than states, they may reject innovative approaches to claiming MOE. **As such, DLS recommends a $5 million cushion of MOE funds. This means that the fiscal 2002 allowance should contain a minimum of $182 million in MOE.**

The department should discuss the availability of other sources of MOE such as Family Preservation funds budgeted in the Subcabinet Fund and Montgomery County's refundable earned income tax credit.

Updates

1. Allowance Continues to Use TANF/MOE Dollars for "Non-traditional" Expenditures

Last session, the TANF surplus and flexibility provided by federal regulations issued in April 1999 allowed the State to begin spending TANF and Maintenance of Effort (MOE) dollars on "non-traditional" welfare expenditures. In the fiscal 2001 budget, TANF funds were used to substitute general fund support for ongoing activities and existing general fund spending (that had not previously been considered MOE eligible) was counted as MOE. This practice continues in the fiscal 2002 allowance. **Exhibit 8** compares fiscal 1996 welfare expenditures to those in the fiscal 2002 allowance. Prior to welfare reform, over 60% of expenditures supported cash assistance payments. The caseload decline between fiscal 1996 and 2002 is expected to produce savings of over $195 million. As shown in Exhibit 8, less than one-quarter of the savings generated from the caseload reduction is used to expand core welfare services in the fiscal 2002 allowance. Instead, a majority of these savings support new types of welfare expenditures. Many of these "non-traditional" expenditures were authorized last session.

Exhibit 8

TANF/MOE Expenditures
Fiscal 1996 Compared to Fiscal 2002
($ in Millions)

	FY 1996	FY 2002	Difference
Core Welfare Services			
Cash Assistance	$296.0	$100.8	($195.2)
Child Care Subsidies	45.6	60.1	14.5
Employment Services/State Family Investment	43.7	63.4	19.8
Caseworkers and Associated Costs	40.6	41.0	0.4
Information Systems/General Administration	28.5	38.5	10.0
Child Welfare/Foster Care	25.5	20.0	(5.6)
Subtotal Core Services	**$480.0**	**$323.8**	**($156.1)**
Non-Traditional Welfare Expenditures			
Refundable Earned Income Tax Credit	$0	$41.5	$41.5
Former "TANF Substitutions"[1]	0	30.0	30.0
Poverty Grants (MSDE)	0	21.0	21.0
After School Opportunity Fund	0	12.5	12.5
Kinship Care (DHR)	0	8.0	8.0
Child Care Administration Initiatives (DHR)[2]	0	5.4	5.4
Healthy Families (enhanced TANF funding)[3]	0	2.5	2.5
HotSpots (multi-agency partnership)	0	1.6	1.6
Disruptive Youth (Subcabinet Fund)	0	1.5	1.5
Other Initiatives[4]	0	1.4	1.4
Subtotal Non-Traditional Expenditures	**$0**	**$125.3**	**$125.3**
Grand Total All Categories	**$480.0**	**$449.1**	**($30.9)**
General/Special Funds	$239.0	$184.9	($54.1)

[1]See Exhibit 1 for a detailed list.
[2]See Exhibit 6 for a detailed list.
[3]Also funded with $3.5 million in TANF as part of former "TANF Substitutions."
[4]Includes funding for five programs, four of which also receive TANF funding as former "TANF Substitutions". The five programs are Family Support Centers ($536,152), Governor's Council on Adolescent Pregnancy ($500,000), IFS/Families Now ($126,000), Children at Risk ($115,854), and YouthBuild ($100,000). IFS/Families Now funds are erroneously budgeted as TANF.

Note: Numbers may not sum due to rounding.

Source: Maryland State Budget; Department of Human Resources; Department of Legislative Services