

**N00I00**  
**Family Investment**  
**Department of Human Resources**

***Operating Budget Data***

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	(\$ in Thousands)				
	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 03 - 04</u>	<u>FY 03 - 04</u>
	<u>Actual</u>	<u>Approp.</u>	<u>Allowance</u>	<u>Change</u>	<u>% Change</u>
General Funds	\$134,656	\$126,801	\$139,934	\$13,132	10.4%
Contingent & Back of Bill Reductions	0	-65	-307	-243	
<b>Adjusted General Funds</b>	<b>\$134,656</b>	<b>\$126,737</b>	<b>\$139,626</b>	<b>\$12,890</b>	<b>10.2%</b>
Special Funds	24,687	20,515	30,130	9,616	46.9%
Contingent & Back of Bill Reductions	0	-2	-95	-93	
<b>Adjusted Special Funds</b>	<b>\$24,687</b>	<b>\$20,512</b>	<b>\$30,035</b>	<b>\$9,523</b>	<b>46.4%</b>
Federal Funds	419,868	416,770	410,098	-6,672	-1.6%
Contingent & Back of Bill Reductions	0	-58	-527	-469	
<b>Adjusted Federal Funds</b>	<b>\$419,868</b>	<b>\$416,712</b>	<b>\$409,571</b>	<b>-\$7,141</b>	<b>-1.7%</b>
<b>Adjusted Grand Total</b>	<b>\$579,210</b>	<b>\$563,961</b>	<b>\$579,232</b>	<b>\$15,271</b>	<b>2.7%</b>

- After accounting for cost containment, the fiscal 2004 allowance grows by \$15.3 million, or 2.7% over the fiscal 2003 working appropriation.
- Personnel expenses account for a net increase of \$6.4 million, which primarily consists of restored turnover, increased health insurance, and the abolition of 75 vacant positions.
- Public assistance grows by \$8.3 million, or 2.3% over the working appropriation.

***Personnel Data***

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	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>Change</u>
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	
Regular Positions	2,276.50	2,386.00	2,311.00	-75.00
Contractual FTEs	74.95	137.00	137.00	0.00
<b>Total Personnel</b>	<b>2,351.45</b>	<b>2,523.00</b>	<b>2,448.00</b>	<b>-75.00</b>

***Vacancy Data: Regular Positions***

Budgeted Turnover: FY 04	92.44	4.00%
Positions Vacant as of 12/31/02	134.5	5.64%

- 75 vacant positions are eliminated. Of this amount, 58 assisted in determining benefit eligibility; 16 provided supervisory and clerical support; and 1 provided fiscal support.

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

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## ***Analysis in Brief***

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### **Major Trends**

***Obtaining and Retaining Employment:*** The rate at which adults in paid Temporary Cash Assistance (TCA) cases obtained employment declined in fiscal 2002, reflecting a shift in the caseload mix to recipients with significant barriers to employment and those exempt from work requirements. The job retention rate remained relatively stable between fiscal 2000 and 2002 at 74%.

***Working in Jobs Where Earnings Increase Over Time:*** In the first post-TCA quarter measured, well over half of the individuals were employed; this trend continued through the 20th quarter with almost 58% still employed. Median earnings also grew over time, from a little less than \$2,000 in the first post-TCA quarter to \$4,200 in the 20th quarter.

***Receiving Supports in Order to Successfully Transition into Employment:*** Over 95% of those who left the rolls due to earnings received continuing assistance in each of the past three years. Those that were ineligible for cash assistance due to non-earnings reasons on average received other support services at a lesser rate, between 55% and 60%.

### **Issues**

***Deficits Projected for Temporary Cash Assistance:*** After dropping at rates exceeding 20% per year during the late 1990s, the pace of caseload declines leveled off. The Department of Legislative Services' projections for fiscal 2004 resemble these trends, assuming a caseload of 71,534 and a monthly grant payment per individual of \$153. In contrast, the fiscal 2004 allowance assumes a caseload of 70,904 and grant payment of about \$144. As a result, DLS is projecting a \$9 million shortfall in fiscal 2004 as well as a \$6 million shortfall in fiscal 2003.

***Low Work Participation Rates Could Hurt Maryland:*** Under the federal work requirements for TCA recipients, Maryland historically had low work participation rates. The federal government has not penalized Maryland because it is given credit for its progress in overall caseload declines. However, under proposed, stricter federal work requirements, Maryland will have to redirect expenditures toward job assistance and preparation so as not to face financial penalties.

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**Recommended Actions**

	<u><b>Funds</b></u>
1. Add language eliminating the grant increase for Temporary Cash Assistance payments.	
2. Reduce State funds for food stamps to legal immigrant children, as federal funds will become available during fiscal 2004.	\$ 273,543
3. Reduce funding for janitorial services to reflect fiscal 2002 expenditures plus 2% inflation for each of fiscal 2003 and 2004.	47,580
4. Reduce funding for out-of-state travel to reflect fiscal 2002 expenditures plus 2% inflation for each of fiscal 2003 and 2004.	4,755
5. Delete funding for Towson University contract, as cash assistance forecasts are unnecessary given the stabilizing of the caseload.	1,659,708
<b>Total Reductions</b>	<b>\$ 1,985,586</b>

**Updates**

***Improving the Food Stamp Error Rate:*** Historically, Maryland had a high food stamp error rate and consequently was penalized by the federal government. Over the past several years, Maryland has taken advantage of the federal option to reinvest the dollars it would have spent on federal penalties on efforts to reduce its error rate to just over the national error rate.

***Addictions Specialists Provide Screening at Local Departments:*** Based on three months of data, July through September 2002, addiction specialists screened a total of 11,770 clients. This is more than double the number screened in a similar time period the year before.

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**Family Investment**  
**Department of Human Resources**

## ***Operating Budget Analysis***

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### **Program Description**

The Department of Human Resources (DHR) administers a variety of State and federal public assistance programs. Programs administered include:

- **Temporary Cash Assistance (TCA)**, formerly Aid to Families with Dependent Children (AFDC), the State's largest cash assistance program, provides financial assistance to dependent children and other family members deprived of support due to the death, incapacitation, underemployment, or unemployment of one or both parents. Prior to October 1, 1996, AFDC was a federal entitlement with the State paying 50% of the costs. Federal welfare reform legislation enacted in August 1996 eliminated the individual entitlement to AFDC and replaced it with a Temporary Assistance for Needy Families (TANF) block grant. States receive their share of the block grant as long as they comply with a maintenance of effort requirement of 80%, 75% if a state is successful in meeting the federal work participation rate. Under the legislation, states determine the eligibility criteria for TCA. The federal legislation also requires welfare recipients to work in order to receive assistance for more than two years and establishes a five-year time limit on the receipt of benefits with a hardship exemption for as much as 20% of the State's caseload.
- **Family Investment Program (FIP)**, the State's program for serving welfare recipients, encompasses the provision of TCA and efforts to divert potential applicants through employment, move recipients to work, and provide retention services to enhance skills and prevent recidivism. The goal of FIP is to assist TCA applicants/recipients in becoming self-sufficient. After assessing each family's specific needs and resources, staff focus on the services required to move clients into work. TCA is provided only as a last resort. Applicants for cash assistance are required to cooperate with child support enforcement staff as a condition of eligibility and must undertake job search activities if asked. Recipients are sanctioned if they fail to comply with any work or training requirements. Screening of TCA recipients for substance abuse is mandatory, with participation in treatment required of individuals offered appropriate treatment.
- The **Burial Assistance Program** subsidizes funeral expenses of public assistance recipients, children receiving foster care, and Medical Assistance recipients.
- **Emergency Assistance to Families with Children** offers limited grants for families experiencing crises such as eviction, disaster, and breakdown of essential appliances.

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- **The Food Stamp Program** provides benefits solely for the purchase of food items to individuals and families who meet income and resource requirements. Benefit costs are 100% federally funded, while the administrative costs are split evenly between the State and federal government. Maryland provides State-funded food stamps to legal immigrant children who are barred from the federal program. However, the Farm Security and Rural Investment Act of 2002 (commonly known as the Farm Bill) will allow qualified immigrant children to receive federal food stamp benefits, effective October 1, 2003.
- **Public Assistance to Adults** provides payments to indigent clients residing in licensed domiciliary care homes and to Project Home clients. Recipients include mentally and physically disabled adults and individuals with Acquired Immune Deficiency Syndrome who remain in their homes.

The local departments of social services (LDSS) are responsible for making eligibility determinations and re-determinations for the aforementioned programs, the State's subsidized child care program called Purchase of Care (POC), and the Medical Assistance program which is administered by the Department of Health and Mental Hygiene (DHMH). Local departments have the flexibility to create their own tailor-made welfare program and determine what training and job search activities will be required of applicants. In addition, the local departments are responsible for networking with employers and determining the most appropriate use for job training funds.

Key goals for the Family Investment Administration include:

- moving families with an employable parent and no children under one toward a speedy and lasting exit from Temporary Cash Assistance;
- assuring individuals and families receive appropriate benefits;
- placing TCA individuals in employment where earnings increase over time; and
- increasing the number of TCA families where an adult family member obtained and retained employment.

## **Performance Analysis: Managing for Results**

### **Obtaining and Retaining Employment**

**Exhibit 1** shows the progress DHR has made in helping families transition off welfare by obtaining employment. The rate at which adults in paid TCA cases obtained employment first declined in fiscal 1999 but then rebounded in the next two years. This rate declined again in fiscal 2002, reflecting a shift in the caseload mix to recipients with significant barriers to employment and those exempt from the work requirements (such as child only cases). As discussed later in Issue 1, approximately half of the fiscal 2002 caseload was considered employable. Therefore, approximately two in five eligible adults were placed in jobs in fiscal 2002. DHR expects the rate of job placements to continue to decline through fiscal 2004 due to a weakening economy that has largely affected the service sector, where most TCA recipients find jobs.

Also, the department anticipates a continued shift in the caseload mix toward individuals with significant employment barriers and child-only cases.

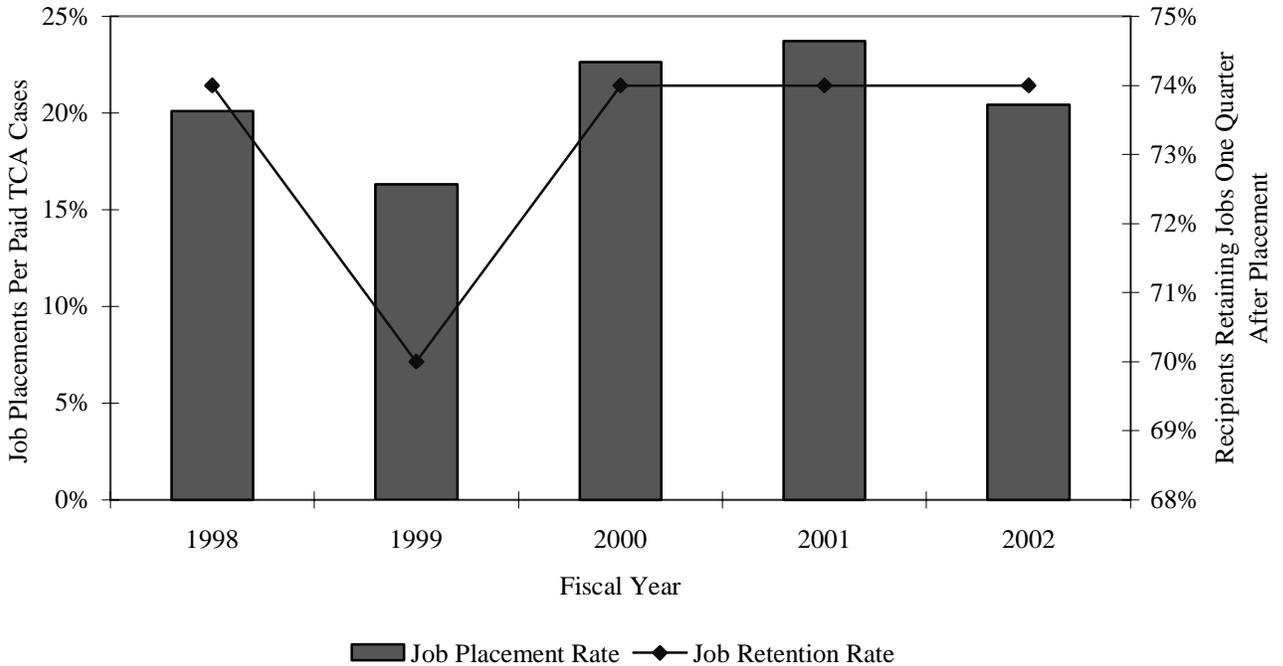
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The job retention rate remained relatively stable between fiscal 2000 and 2002 at 74% after a slight drop in fiscal 1999 and is expected to slightly increase to 75% in fiscal 2003 and 2004.

**Exhibit 1**

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**Families Obtain and Retain Employment Over Time**



Source: Department of Human Resources; Department of Legislative Services

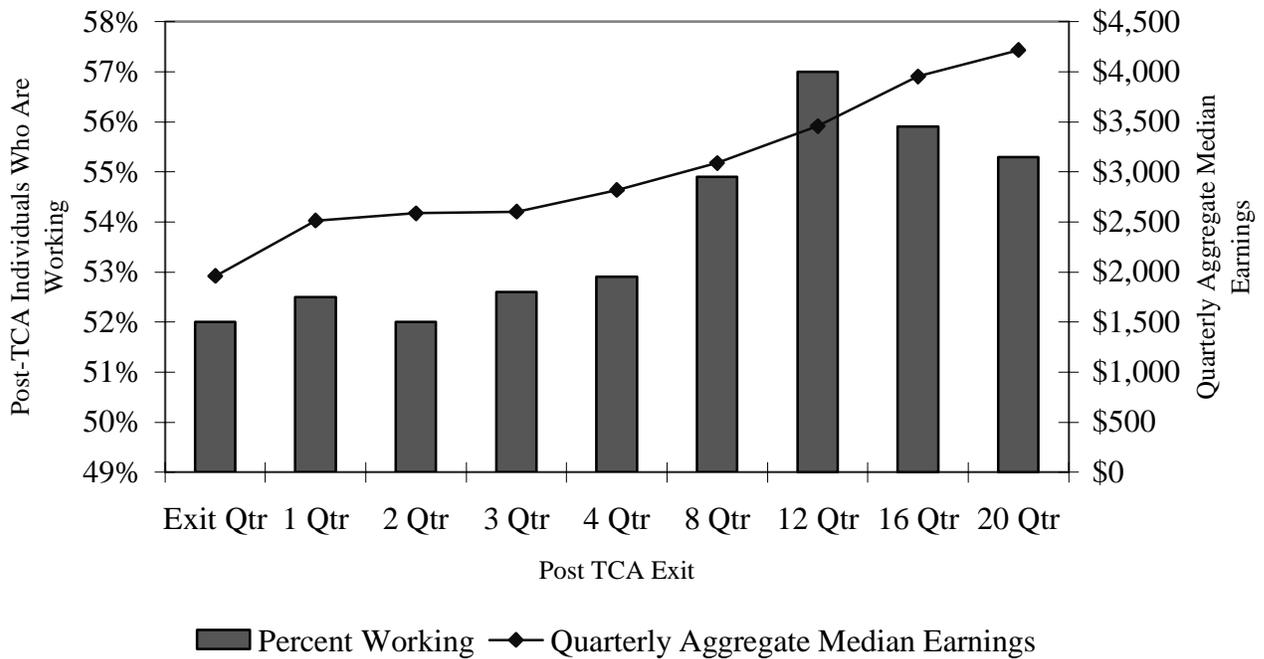
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**Working in Jobs Where Earnings Increase Over Time**

**Exhibit 2** demonstrates the extent to which families exiting welfare are able to increase their earnings over time and, therefore, reduce the likelihood of returning to the rolls. This figure is derived from data collected by the University of Maryland, School of Social Work and presented in “Life After Welfare: Seventh Report”, October 2002. It follows a sample of TCA leavers beginning October 1996 through December 2001, adding 5% of new TCA leavers every quarter. It is important to note that these data include out-of-state employment of TCA leavers but do not include federal employees or those in jobs that are not supported by the federal unemployment insurance program. Therefore, the data underestimate the level of post-TCA employment and earnings.

**Exhibit 2**

**UI-Covered Employment in Maryland and Bordering States in  
Post-TCA Exit Quarters  
October 1996 through December 2001**



UI=Unemployment Insurance

Source: “Life After Welfare: Seventh Report”, October 2002, University of Maryland, School of Social Work

The exhibit shows that the level of employed former TCA families continues to increase many quarters after leaving welfare. In the first post-TCA quarter measured, well over half of the individuals were employed; this trend continued through the 20th quarter (five years after welfare reform began) with almost 58% still employed. Median earnings also grew over time, from a little less than \$2,000 in the first post-TCA quarter to \$4,200 in the 20th quarter. It is important to note that these earnings reflect all sources of income and, therefore, do not demonstrate an increase in the hourly wage.

The University’s research (not shown) also found that those who left TCA earlier in the welfare reform period (October 1996 through March 2001) were working at higher rates than those leaving later (April 2001 through March 2002), suggesting a higher existence of work barriers among the more recent caseload. Research also found that those who had pre-exit employment wage history had higher rates of employment post-exit. This seems to suggest that DHR needs to focus on helping current TCA recipients engage in some level of work activity while receiving assistance, in particular those that may have stronger barriers to employment.

## Receiving Supports in Order to Successfully Transition into Employment

Another major goal of DHR is ensure that families leaving cash assistance receive the supports they need in order to transition successfully into employment. **Exhibit 3** demonstrates the level of benefits received once cash assistance cases are closed. These benefits include a combination of food stamps, Medicaid, or child care subsidies. As shown, over 95% of those who left the rolls due to earnings received at least one of these three benefits in each of the past five years except fiscal 1999. Those that were ineligible for cash assistance due to non-earnings reasons on average received these benefits at a smaller rate, between 55% and 60%. This rate, however, jumped to almost 100% in fiscal 2002, matching the other case closure group. DHR attributes this large increase to automated system changes, particularly the delinking of the Medical Assistance program from the TCA program. Also, the department provided additional training to local department staff and educational outreach efforts to the TCA population regarding post case-closure benefits. In addition, DHR modified its data collection method for this measure by excluding TCA families who quickly came back on the rolls. DHR expects both groups to receive post case closure support services at relatively the same rate, almost 100%, in fiscal 2003 and 2004.

### Exhibit 3

**Post-Case Closure Services:  
Percentage of Closures Receiving Food Stamps,  
Medicaid, or Child Care Assistance**



Source: Department of Human Resources

## Fiscal 2003 Actions

### Impact of Cost Containment

There is a \$124,817 reduction in general, special, and federal funds related to the employee transit subsidy program. The reduction is contingent upon enactment of a provision in the Budget Reconciliation and Financing Act (BRFA) of 2003.

## Governor’s Proposed Budget

After accounting for cost containment, the fiscal 2004 allowance grows by \$15.3 million, or 2.7% over the fiscal 2003 appropriation, shown in **Exhibit 4**. Personnel expenses account for a net increase of \$6.4 million, which primarily consists of restored turnover and increased health insurance, offset by the abolition of 75 vacant positions. Public assistance grows by \$8.3 million, or 2.3% over the working appropriation. There is an additional increase of approximately \$189,000 to provide assistance through the Work Opportunities Program. Approximately \$11.4 million in Family Investment Dedicated Purpose Account dollars are used to support local family investment operations in fiscal 2004. This expenditure is a one-time revenue source for the budget, as it completely exhausts the account. **DHR should discuss how it will be able to support the ongoing local operations in fiscal 2005 without the availability of these reserve funds.**

### Exhibit 4

<b>Governor’s Proposed Budget</b>					
<b>Family Investment Administration</b>					
(\$ in Thousands)					
	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 03 - 04</u>	<u>FY 03 - 04</u>
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<b>Adjusted Grand Total</b>	<b>\$579,210</b>	<b>\$563,961</b>	<b>\$579,232</b>	<b>\$15,271</b>	<b>2.7%</b>

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**Where It Goes:**

**Personnel Expenses**

Restored turnover offset by other personnel decreases.....	\$4,715
State employee and retiree health insurance cost increases .....	4,368
Retirement contribution cost increases .....	113
Abolition of 75 vacant positions, of which 58 assisted in determining benefit eligibility; 16 provided supervisory and clerical support; and 1 provided fiscal support.....	-2,834

**Moving Families Toward a Speedy and Lasting Exit from Temporary Cash Assistance (TCA)**

Increased food stamps to reflect actual expenditures in fiscal 2002 .....	8,403
Increased food stamps for legal immigrants funded with State dollars .....	138
Temporary Cash Assistance caseload reduced by 2,931 individuals .....	-861

**Other Public Assistance**

Transitional Emergency Medical and Housing Assistance caseload increased by 4.1% to better reflect the actual fiscal 2002 experience.....	975
Higher average monthly grants for eviction assistance to reflect 2002 actual experience..	234
Burial Assistance caseload declines by 10% .....	-45
Public Assistance for disabled and indigent adults caseload declines by 8.5% .....	-506

**Assisting Adults in TCA Families Obtain and Retain Employment Where Earnings Increase Over Time**

Increased post-placement assistance; education and job training; stipends and other in-kind support to prepare for work; intensive case management; and other support services in the Work Opportunities Program.....	189
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**Administrative Costs**

Increased rent and insurance offset partially by decreased subscriptions.....	309
Increased capital lease payments for telecommunications at headquarters offset by decreased telecommunications payments to DBM .....	283
Decreased contract with Regional Economic Studies Institute that provides research and technical assistance on caseload projections and welfare reform .....	-553

**Other** 343

**Total** **\$15,271**

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

**Moving Families Toward a Speedy and Lasting Exit from Temporary Cash Assistance**

There is a reduction of \$861,128 in cash assistance grants in anticipation of a reduced TCA caseload, shown in **Exhibit 5** and discussed in more detail in Issue 1. This reduction is offset by an \$8.4 million increase in food stamps assistance to 4,849 additional families in order to reflect actual 2002 expenditures.

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There is an additional increase of approximately \$138,000 for food stamps to legal immigrants, which is funded through Maryland’s State food stamp program. The Farm Bill enables legal immigrant children to be eligible for the federal food stamp program, effective October 1, 2003. The fiscal 2004 allowance includes \$438,543 in general funds for food stamps to legal immigrants children. **DLS recommends that this appropriation be reduced by the amount the State can receive in federal funds once the Farm Bill becomes effective.**

**Other Public Assistance**

There is a net increase of \$658,000 in support for families not eligible for TCA and those trying to avoid going on the welfare rolls. There is a \$975,000 increase over fiscal 2003 for Transitional Emergency Medical and Housing Assistance (TEMHA) to serve 11,000 individuals. Also, there is a \$0.5 million decrease in funding for public assistance to adults. The fiscal 2004 allowance assumes a caseload of 2,727. This number appears low as past caseload experience has averaged 2,930. Fiscal 2004 support for other cash assistance, such as emergency assistance to families and children and refugee assistance, appears on par with past caseload history.

**Exhibit 5**

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**Caseload Trends in Public Assistance Programs  
Fiscal 1999 through 2004**

	<u>Actual FY 99</u>	<u>Actual FY 00</u>	<u>Actual FY 01</u>	<u>Actual FY 2002</u>	<u>Estimated FY 03</u>	<u>Estimated FY 04</u>	<u>% Change FY 04-03</u>
Food Stamp Households	145,924	105,457	97,500	102,349	97,500	102,349	5.0%
TCA	99,600	79,065	75,710	73,135	73,835	70,904	-4.0%
TEMHA	11,700	10,566	10,768	11,922	10,566	11,000	4.1%
Public Assistance to Adults	2,852	2,865	2,981	3,024	2,981	2,727	-8.5%
Emergency Assistance	960	987	1,066	1,265	1,066	1,265	18.7%
Burial Assistance	817	725	699	681	700	630	-10.0%
Refugee Assistance	181	149	278	228	278	228	-18.0%

Source: Department of Human Resources

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**Impact of Cost Containment**

The fiscal 2004 allowance reflects the elimination of the appropriation for matching employee deferred compensation contributions up to \$600 (\$0.9 million), contingent upon enactment of a provision in the 2003 BRFA.

## *Issues*

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### **1. Deficits Projected for Temporary Cash Assistance**

In the early years of welfare reform, efforts to transition individuals from welfare to work and a growing economy led to rapid reductions in the number of TCA recipients. From January 1995 to January 2000, the caseload plummeted from an all-time high of 227,887 to only 77,340 individuals. After dropping at rates exceeding 20% per year during the late 1990s, the pace of caseload declines leveled off. Since the start of fiscal 2001, the caseload has fluctuated from month to month. Despite these fluctuations, the caseload continues to exhibit an overall downward trend. For example, the August 2002 caseload was lower than the August 2001 caseload by 3,199 individuals. In December 2002, the latest month for which data are available, the caseload dropped by 2,348 individuals compared to a year earlier.

**Exhibit 6** shows trends in TCA enrollment and average grant amounts. In fiscal 2002, there were on average 73,135 enrollees per month receiving grants of \$139 per individual; total expenditures in that year were approximately \$122 million. During the first half of fiscal 2003, there were on average 72,284 enrollees per month receiving grants of about \$149 per individual. The increased grant amount between fiscal 2002 and 2003 can be partially explained by a 7.5% grant increase effective October 2001. Law requires that the monthly grants keep pace with the State's minimum living level (MLL). The combined value of food stamps and cash assistance must equal 61% of the MLL. This grant increase was in effect for three quarters of fiscal 2002 and was annualized for fiscal 2003. According to DHR, another reason for the increased average grants was the change in the composition of the caseload. While the total caseload declined at a moderate rate, those left on the rolls qualified for a larger TCA grant, thereby driving up the overall average monthly cost.

**Exhibit 6**

**Trends in TCA Enrollment and Grants  
Fiscal 2002 through 2004**

	<u>Enrollment</u>	<u>Average Monthly Grant</u>	<u>Total Expenditures</u>
Fiscal 2002 Actual	73,135	\$139	\$121,988,978
<b>Fiscal 2003</b>			
July	74,214	\$142	
August	70,984	143	
September	69,992	145	
October	73,019	150	
November	72,461	152	
December	73,036	149	
<b>Fiscal 2003 – Year-to-date</b>	72,284	149	
Fiscal 2003 – DLS Estimate*	72,257	149	\$129,158,775
Fiscal 2003 Appropriation	73,835	139	\$123,190,160
<b>Projected Surplus (Deficit)</b>			<b>-\$5,968,615</b>
<b>Fiscal 2004</b>			
Allowance	70,904	\$144	\$122,329,032
DLS Estimate**	71,534	153	131,357,144
<b>Projected Surplus/(Deficit)</b>			<b>-\$9,028,112</b>
<b>Projected Deficit with No Grant</b>			<b>-\$5,668,185</b>
<b>Increase in October 2003***</b>			

\*Monthly cash grant increased by \$1 (from \$472 to \$473 for a family of three) January 2003 in order to meet the statutory requirement that the combined value of food stamps and Temporary Cash Assistance equal 61% of the State's minimum living level.

\*\*Includes annualization of monthly cash grant increase from January 2003 plus a 3.5% grant increase effective October 2003.

\*\*\*Assumes average monthly grant remains at January 2003 value of \$149.11.

Source: Department of Human Resources; Department of Legislative Services

**\$6 Million TCA Shortfall Projected for Fiscal 2003**

DLS projections for fiscal 2003 resemble year-to-date statistics with an average enrollment of 72,257 and a monthly grant of about \$149, which takes into account a \$1 grant increase effective January 2003. This cash grant increase would normally have been in effect October 2002, again due to the statutory requirement mentioned above. However, during the 2002 session, the legislature delayed the increase until January 2003 as a cost savings measure. Also, the General Assembly adopted budget bill language allowing the Joseph Fund to be tapped for the grant increase in fiscal 2003 and the annualized costs in fiscal 2004 if there were not enough funds in DHR's budget to support the increase. Since the grant

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increase was minimal compared to previous increases, the department will be able to absorb the cost of the grant increase without the help of the Joseph Fund. The Governor's fiscal 2004 allowance proposes redirecting these Joseph Fund dollars to cover child welfare expenses.

The fiscal 2003 appropriation assumes a higher caseload of 73,835 but a lower monthly grant amount of \$139. Comparing DLS projections of \$129 million in total expenditures to the appropriation of \$123 million, a \$6 million shortfall is anticipated. DHR has also projected a shortfall, but only at the level of \$3.2 million, as discussed in the DHR Overview analysis. Although the department has set aside a portion of its TANF surplus to address its projections, it will need to find an additional \$2.8 million to eliminate the deficit. In previous years, surplus TANF and Dedicated Purpose funds were available to correct for overly optimistic caseload assumptions. As discussed in the DHR Overview analysis, and later in this issue, these revenue sources are no longer available.

#### **\$9 Million Shortfall Projected for Fiscal 2004**

The fiscal 2004 allowance includes \$122 million for TCA, compared to DLS estimates of \$131 million. The allowance assumes the average enrollment will drop to 70,904, almost 4% below the fiscal 2003 appropriation and almost 2% below projections for that year. In contrast, DLS estimates only a moderate 1% decline based on past historic trends. Furthermore, the allowance assumes a smaller grant amount (\$144) than the average grant amount thus far in fiscal 2003 (\$149) and DLS estimates for fiscal 2004 (\$153). DLS's projected average monthly payment reflects an additional statutory grant increase of 3.5%, effective October 1, 2003. Hence, DLS is projecting a significant TCA shortfall in fiscal 2004 of \$9.0 million. If the General Assembly decides not to allow a cash grant increase in fiscal 2004, the department would save an estimated \$3.4 million, thereby reducing the deficit to \$5.7 million.

#### **New Found \$17 Million in TANF Not Enough to Cover Projected Deficits**

As discussed in the DHR Overview analysis, DHR will be able to realize a \$17 million TANF surplus after addressing the concerns of the Office of Legislative Audits regarding inappropriate TANF expenditures. This surplus can be used to address several projected deficits in the DHR budgets for fiscal 2003 and 2004, including the projected TCA deficits. However, as **Exhibit 7** demonstrates, the \$17 million TANF surplus will be totally exhausted in fiscal 2004. Further, it will not even cover all of the projected shortfalls in fiscal 2004.

Exhibit 7

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**TANF Surplus and Projected Deficits**  
**Fiscal 2003 and 2004**  
**(\$ in Millions)**

<b>TANF Surplus</b>		\$17
<b>Fiscal 2003</b>		
Purchase of Care deficit	\$5.8	
Projected TCA shortfall exceeds DHR estimate	\$2.8	
<b>Balance</b>		\$8.4
<b>Fiscal 2004</b>		
TANF appropriation exceeds annual grant	\$5.6	
Projected TCA Shortfall	\$9.0	
<b>Balance</b>		-\$6.2

Source: Department of Legislative Services

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**DHR should discuss its projections for fiscal 2003 and 2004 in relation to recent trends. The department should also discuss how it would address higher-than-anticipated deficits in these two years, given the limited availability of general and federal fund revenues as well as the lack of reserves.**

As stated earlier, the TCA grant amount increases every October so that the combination of food stamps and TCA benefits equates to 61% of the State's minimum living level. Although the most recent grant increase effective January 2003 was minimal, previous rate increases have been significant; the grants grew by 5.3% and 7.5% in fiscal 2001 and 2002, respectively. These rate increases exceeded those offered State employees in those years. Furthermore, while there may be a grant increase in fiscal 2004, there will be no salary increases for State employees in fiscal 2003 and 2004. **To help address the State's overall budget crisis, DLS recommends that the annual TCA grant increase provided every October not be provided in fiscal 2004.**

### **Characteristics of the Current Caseload**

To track recipients needing employment services, DHR divides the caseload into two main groups: the "core" caseload and cases headed by an employable adult. The core cases include child only cases, parents with a child under age one, disabled cases, and relative caretakers. Of these four types of core cases, only parents with a child under age one will require employment services in the near future. Until the baby turns one-year-old, these parents may temporarily suspend work activities. In general, the department

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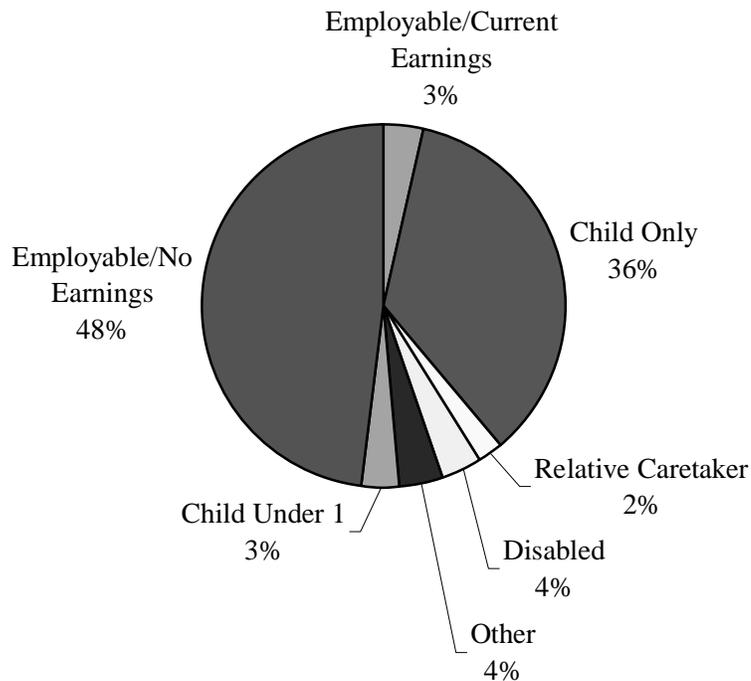
does not expect the remaining three types of core cases to transition off cash assistance by seeking employment. Child-only cases, for example, typically leave the rolls after reaching adulthood. As employable adults have successfully entered the labor market, the core cases have represented an ever increasing percentage of the total TCA caseload.

As shown in **Exhibit 8**, core cases comprised slightly less than half of the TCA caseload in July 2002, dipping below the previous year's rate at 56% but still up from 37% in December 1998. The department focuses its employment programs on the cases head by an employable adult. These cases represented about 51% of the total TCA caseload in July 2002. A small percentage of the employable cases currently participate in the labor market, but because of insufficient earnings, they continue to receive cash assistance.

**Exhibit 8**

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**Characteristics of TCA Cases  
July 2002**



Source: Department of Human Resources

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In the early years of welfare reform, the department concentrated on serving those easiest to place in employment. Through its successful efforts, most of these cases have transitioned from welfare to work. Now, the remaining cases headed by an employable adult typically face multiple barriers to employment such as substance abuse and/or mental health issues, poor work histories, low educational attainment, and

limited access to transportation and child care. To realize further caseload reductions, the department must continue to provide intensive services to help these employable adults enter and remain in the labor force.

### **Five-year Lifetime Limit on Receipt of Cash Assistance**

Moving employable adults to jobs is particularly important in light of the federal lifetime limit placed on receipt of cash assistance. Federal law prohibits cases headed by an adult from receiving TANF-funded cash benefits for more than five cumulative years. However, federal law also provides exemptions to the time limit for “hardships,” as defined by the State. Under this provision, 20% of the adult-headed caseload receiving TANF-funded cash assistance from the previous federal fiscal year may continue to receive these benefits beyond five years.

January 2002 was the first month under welfare reform that families reached the five-year benefit limit in Maryland. Of the 27,910 cases, 346 had been receiving TCA benefits for five years. Since this number was below the 20% exemption limit of 5,582, no one was removed from the caseload. According to DHR’s projections, the earliest that any recipient would lose benefits because of the time limit is fiscal 2010. Until that time, the department expects to accommodate, under the federal hardship exemption, all families who cooperate with program requirements.

## **2. Low Work Participation Rates Could Hurt Maryland**

Under the federal work requirements for TCA recipients, Maryland historically had low participation rates. The federal government has not penalized Maryland because it is given credit for its progress in overall caseload declines. However, under proposed, stricter federal work requirements, Maryland will have to redirect expenditures toward job assistance and preparation so as not to face financial penalties.

### **Maryland’s Performance under Current Work Requirements**

States must meet a federal work participation rate for their total caseload in order to avoid federal financial penalties. In Maryland, 50% of the eligible recipients must be involved in a qualified work activity for 30 hours or more per week. This rate is reduced in relation to the State’s reduction of the total caseload since the beginning of welfare reform, known as the caseload reduction credit. Maryland’s target rate under the current law is 1.2% due to the fact that the caseload declined since 1997. Maryland exceeded its target at 6.8% in fiscal 2002 but was still far below the 50% target rate, a major concern should the stricter work participation rates be adopted. In fiscal 2002, about 63% of the non-exempt TCA customers were engaged in some level of federal work activities or in a pre-sanction conciliation process, shown in **Exhibit 9**. However, a large number of these individuals did not work enough hours to be counted toward the work participation rate. If the caseload reduction credit is eliminated or altered, DHR must work to increase this group’s work participation levels in order to meet the 50% target.

**Exhibit 9**

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**Maryland’s Activity Participation Rates by Jurisdiction\*  
Fiscal 2002**

<b><u>Jurisdiction</u></b>	<b><u>Participation Rate</u></b>
Allegany	122%
Anne Arundel	85%
Baltimore City	57%
Baltimore	67%
Calvert	81%
Caroline	71%
Carroll	81%
Cecil	79%
Charles	43%
Dorchester	78%
Frederick	80%
Garrett	89%
Harford	76%
Howard	124%
Kent	150%
Montgomery	142%
Prince George’s	61%
Queen Anne’s	65%
Somerset	114%
St. Mary’s	91%
Talbot	124%
Washington	104%
Wicomico	61%
Worcester	120%
<b>Maryland</b>	<b>63%</b>

\*Includes all individuals involved at some level in an eligible work activity, even if they are not counted towards the federally required work participation rate.

Source: Department of Human Resources

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**Stricter Work Requirements Expected under Welfare Reauthorization**

During debate on welfare reform reauthorization last year, several proposals were made to change the work requirements. Although Congress did not take any action, these proposals provide insight into what the new Congress may pass this year. **Exhibit 10** compares the current law to proposals adopted by the House of Representatives and the Senate Finance Committee.

**Exhibit 10**

**Proposals for Reauthorization of the 1996 Welfare Reform Law**

<u>Provision</u>	<u>Current Law</u>	<b>Senate Proposal S.2648 Work, Opportunity, and Responsibility for Kids (WORK) Act of 2002, adopted June 26, 2002</b>	<b>House Proposal H.R. 4737 The Personal Responsibility, Work, and Family Promotion Act of 2002, adopted May 16, 2002</b>
Weekly hours worked	30	30: includes partial pro-rated credit of hours earned less than 30	40: includes partial pro-rated credit of hours earned less than 30
Percentage of caseload in work activity	50%	Increases by 5% every year until reaching 70%	Increases by 5% every year until reaching 70%
Caseload reduction credit	Based on caseload decline since 1996	Replaces credit with an “employment credit”; based on individuals leaving TANF for a job; receiving a diversion grant; working in higher paying jobs; and those in certain priority activities	Based on more recent years: 2004 based on decline since 1998 2005 based on decline since 2001 2006 based on decline since 2002 2007 based on decline since 2003
Universal Engagement	No	Yes	Yes

Source: Department of Human Resources; National Conference of State Legislatures

Congressional proposals seek to replace the 24-month work requirement with a universal engagement requirement, which means that all recipients would have to have an independence plan established and be involved in some level of work-activity almost immediately upon receiving assistance. The proposals also raise the State’s overall work participation rate from 50% to 70%; require recipients to be working an increased number of hours per week; and restrict the definition of work activities. For example, the House proposal excludes job search and vocational education as a countable work activity for the first 24 hours of work.

The stricter work provisions will increase the total number of welfare recipients needed to be in work activities as well as increase the number of hours these welfare recipients are involved in work activities. DHR’s Work Opportunities program, run through the local departments of social services, currently helps welfare recipients find and retain jobs through direct training and placement assistance. It also provides support services, such as transportation and child care subsidies, to help recipients stay in their jobs. Since DHR currently has a reasonably low target work participation rate, as result of a high caseload reduction credit, expenditures have been focused more on support services rather than direct job assistance and training. For example, in fiscal 2002, DHR only spent \$7.6 million of its \$41.5 million work opportunities budget on services aimed directly at meeting the required work requirements, with the remaining funding focused on support services. Under welfare reform reauthorization, expenditures will have to be redirected toward direct job assistance and training activities.

**Fiscal Impact of the Stricter Work Requirements**

DHR has estimated the increased expenditures needed to achieve the target work rates under the two Congressional proposals, shown in **Exhibit 11**. These increases are above an assumed base budget of \$7.6 million for direct expenditures on work requirement activities.

**Exhibit 11**

**Estimated Impact of Work Participation Requirements  
in TANF Reauthorization Proposals  
(\$ in Thousands)**

FFY	Minimum Work Participation Requirement <sup>(1)</sup>		Increased Costs to Achieve Minimum Requirement		FIP Infrastructure Costs <sup>(4)</sup>	Total Increased Costs to Achieve Minimum Requirements	
	HB 4737 <sup>(2)</sup>	Senate Finance <sup>(3)</sup>	HB 4737	Senate Finance		HB 4737	Senate Finance
2004	11.1%	20%	\$2,538	\$10,772	\$9,400	\$11,938	\$20,172
2005	53.3%	30%	\$41,438	\$19,979	\$5,300	\$46,738	\$25,279
2006	59.4%	40%	\$47,046	\$29,185	\$5,300	\$52,346	\$34,485
2007	64.4%	50%	\$51,650	\$38,392	\$5,300	\$56,950	\$43,692

FIP – Family Investment Program

<sup>(1)</sup> Assumes no increase or decrease in the caseload between 2003 and 2007.

<sup>(2)</sup> Assumes Maryland would receive the Superachiever credit, an additional provision in the House proposal of 5.6% based on caseload decline between federal fiscal 1995 and 2001, in addition to the caseload reduction credit based on later years of caseload declines.

<sup>(3)</sup> Assumes a maximum credit of 35% in 2004, 30% in 2005, 25% in 2006, and 20% in 2007.

<sup>(4)</sup> Includes \$5.3 million for staff in each local department to make referrals, provide support services and monitor compliance of TCA customers in work activities. Fiscal 2004 costs include the \$5.3 million plus \$4.1 million in staff training, consulting services and renegotiation of multi-year contracts.

Source: Department of Human Resources

Exhibit 11 shows that with the change in the caseload reduction credit, there will be a significantly higher work participation requirement. For example, under the House proposal, the required work rate jumps from 11.1% in fiscal 2004 to 53.3% in 2005 due to the fact that the credit will be based on caseload decline since 2001, a year when TCA enrollment began to stabilize. This large rate increase translates into greater spending on assistance to meet the work requirements. Under the House plan, increased expenditures directly for job assistance would jump from \$2.5 million in fiscal 2004 to \$41.4 million in fiscal 2005. Under the Senate plan, the increase in expenditures would be less dramatic, from \$10.8 million in fiscal 2004 to approximately \$20 million in fiscal 2005.

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Above the required costs for direct job assistance, DHR projects an additional \$9.4 million needed in fiscal 2004 for infrastructure costs, which would then drop to \$5.3 million in the succeeding years. Total increased expenditures in fiscal 2004, therefore, are projected at approximately \$11.9 million or \$20.2 million, depending on the proposal. The fiscal 2004 allowance for the Work Opportunities budget is \$41.8 million, which will be sufficient to cover these estimated total costs plus provide additional employment support services. However, as noted earlier, DHR historically spent a small percentage of its budget (approximately 18% in fiscal 2002) on direct work activities assistance. In contrast, DHR would have to spend 25% under the House proposal and 44% under the Senate proposal on direct job assistance services. These rates would increase in later years, requiring the department to shift funding away from employment support services.

The current work opportunities budget is 100% funded with federal TANF funds. Although projections show DHR will have sufficient funding to cover the higher work rates in fiscal 2004, it will not have access to additional TANF funds to support the increased work requirements. As discussed earlier, the department will use what little it has left in TANF surplus (\$17 million) to fund deficits throughout the department in fiscal 2003 and 2004. Moreover, the budget is currently exceeding its annual TANF grant. DHR will have to reduce its TANF expenditures to adjust for this over-expenditure, plus reduce TANF funding elsewhere in the budget to support the increased support needed in the work opportunities program. Increased general fund support seems unlikely given the structural deficit facing the State in fiscal 2005.

**Given the unavailability of surplus TANF, reserves, and general funds, DHR should discuss how it will fund the increased expenditures projected under stricter work requirements. The department should comment on the extent to which it will have to redirect funding from elsewhere in the budget to support the Work Opportunities Program. The department should also discuss the potential federal financial liability for not meeting the required work requirements.**

## Recommended Actions

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1. Add the following language:

It is the intent of the General Assembly that no grant increase be provided for Temporary Cash Assistance payments in fiscal 2004.

**Explanation:** The fiscal 2003 and 2004 budgets do not contain sufficient funding to cover costs associated with Temporary Cash Assistance (TCA) benefits. Given the State's fiscal situation, it seems unlikely that significant deficiency appropriations will be available next year to cover shortfalls. Further, the budget passed by the General Assembly does not include a general salary increase for State employees. As such, the action to freeze TCA grants at their current level is consistent with actions taken in other parts of the budget. This action will reduce the projected deficit for fiscal 2004 by approximately \$3.4 million.

	<b><u>Amount</u></b>	
	<b><u>Reduction</u></b>	
2. Reduce State funds for food stamps to legal immigrant children, as federal funds will become available during fiscal 2004. The Farm Security and Rural Investment Act of 2002 will allow qualified immigrant children to receive federal food stamp benefits, effective October 1, 2003. Therefore, general funds for this purpose will only be needed for the first quarter of fiscal 2004. Even with this reduction, the Department of Human Resources should still be able to meet and exceed its Temporary Assistance for Needy Families maintenance of effort requirement by approximately \$4 million.	\$ 273,543	GF
3. Reduce funding for janitorial services to reflect fiscal 2002 expenditures plus 2% inflation for each of fiscal 2003 and 2004.	47,580	GF
4. Reduce funding for out-of-state travel to reflect fiscal 2002 expenditures plus 2% inflation for each of fiscal 2003 and 2004.	4,755	GF

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5. Delete funding for the Towson University contract as the need for cash assistance forecasts is unnecessary given the stabilizing of the caseload. The university’s Regional Economic Studies Institute provides technical support and development of an econometric forecasting model of the cash assistance caseload. Despite having this assistance, the budget has still overestimated the decline in the cash assistance caseload over the past several years, necessitating significant deficiencies. Moreover, the cash assistance caseload has reached a stabilizing level, eliminating the need for sophisticated model forecasts. The department’s Office of Policy and Research has the ability to continue the work of the current contractor, as it has followed welfare reform closely over the past year and developed cost projection models under welfare reform reauthorization proposals.

890,266 GF  
769,442 FF

<b>Total Reductions</b>	<b>\$ 1,985,586</b>
<b>Total General Fund Reductions</b>	<b>\$ 1,216,144</b>
<b>Total Federal Fund Reductions</b>	<b>\$ 769,442</b>

## Updates

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### 1. Improving the Food Stamp Error Rate

Maryland historically has had a high food stamp error rate and consequently has been penalized by the federal government. The federal government has given states the option to reinvest the money they would have paid in penalties to the federal government on innovative ways to lower the error rate. Over the past several years, Maryland has taken this opportunity to lower the error rate to just over the national average error rate.

#### Federal Financial Penalties Diminished Significantly

**Exhibit 12** compares Maryland’s food stamps error rate to the national average error rate. The national error rate is considered the target tolerance level, and as such is the standard from which financial penalties are calculated. As shown, between federal fiscal 1996 and 1998, Maryland was assessed over \$2 million annually. These penalties began to decline in federal fiscal 1999 and were reduced to almost \$15,000 in federal fiscal 2001. This success can be attributed to Maryland reinvesting the financial penalties back into the program to reduce the error rate.

#### Exhibit 12

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#### Food Stamp Error Rate and Financial Penalties in Maryland Federal Fiscal 1996 through 2002

<u>Federal Fiscal Year</u>	<u>National Average Error Rate</u>	<u>Maryland’s Error Rate</u>	<u>Financial Penalty</u>
1996	9.22%	11.26%	\$2,015,974*
1997	9.75%	12.81%	\$2,776,268
1998	10.70%	15.40%	\$2,483,950
1999	9.68%	13.62%	\$1,019,283
2000	8.91%	11.08%	\$624,322
2001	8.66%	8.92%	\$14,895
2002	n/a until June 2003	8.49% **	n/a

\*The United States Department of Agriculture combined sanctions for federal fiscal 1994 through 1996 into one amount.

\*\*Weighted DHR calculation.

Source: Department of Human Resources

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## **New Federal Farm Bill Law Contains Less Punitive Food Stamp Error Provisions**

On May 13, 2002, President Bush signed the Farm Security and Rural Investment Act of 2002 (Farm Bill). Among other changes to the Food Stamp program, this new law contains less punitive food stamp error provisions. As mentioned above, states are subject to financial penalties when their food stamp error rate is above that of the national average. Under the new law, a state may only be penalized if there is a 95% statistical probability that its error rate was above 105% of the national average error rate for two consecutive years. Also, states will be held harmless for quality control purposes (i.e. calculation of the State's error rate) for 120 days while they are implementing new provisions of the law.

## **2. Addictions Specialists Provide Screening at Local Departments**

To ensure that TCA applicants and recipients receive substance abuse treatment as necessary, the Welfare Innovation Act of 2000 requires the placement of addiction specialists in every LDSS. The program is known as Substance Abuse Treatment Services (SATS). DHR has entered into a memorandum of understanding (MOU) with DHMH to carry out the provisions of the bill. Under the MOU, DHR transfers funding to DHMH. In turn, DHMH provides funds to local health departments or nonprofit agencies to hire addiction specialists. These specialists are placed at LDSS to screen TCA applicants, provide referrals to treatment programs, and monitor the progress of those participating in treatment programs. The fiscal 2004 allowance includes approximately \$3.4 million for the SATS program. This is a 48% increase over the fiscal 2002 actual expenditures of \$2.3 million and the fiscal 2003 working appropriation of the same amount.

According to DHR, all 74 addiction specialists have been hired to date. Each jurisdiction has at least one addictions specialist. The following jurisdictions have more than one:

- Anne Arundel County (2)
- Baltimore City (32)
- Baltimore County (6)
- Montgomery County (3)
- Prince George's County (11)
- Washington County (2)

In the latest quarterly report required by the 2001 *Joint Chairmen's Report* (JCR), DHR provided statistics related to program activities. Based on three months of data, July 2002 through September 2002, addiction specialists screened a total of 11,770 clients. This is more than double the number screened in a similar time period the year before. A majority, or 11,628, of the clients screened were TCA

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applicants or recipients. An additional 95 who are linked to the child welfare system were screened and assessed as required under the Integration of Child Welfare and Substance Abuse Treatment law (Chapters 550 and 551, Acts of 2000 (SB 671/HB 7). The remaining clients were screened as part of the food stamp and other programs.

**Exhibit 13** demonstrates the progression of these clients through the substance abuse treatment process. Addictions specialists determined that 1,097, or 9.3%, of the clients they screened should receive substance abuse assessment or drug testing. Of those applicants or recipients, approximately 60% actually underwent the assessment or drug testing. Of the 622 clients who were assessed, about 80% were referred to substance abuse treatment. Of these, 337 enrolled in a treatment program, while the remaining clients were placed on a waiting list. During the three-month period for which the data are available, approximately 20% of those receiving treatment successfully completed the program.

**Exhibit 13**

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**Screening, Assessment, and Referral Results  
July through September 2002**

	<u>Number of Clients</u>	<u>Percent of Clients Participating in the Next Step of the Process</u>
Screened*	11,770	n/a
Referred for assessment and/or drug testing	1,097	9.3%
Assessed	622	56.7%
Referred for treatment	496	79.7%
Enrolled or entered treatment	337	67.9%
Placed on waiting list	171	34.5%
Successfully completed treatment program	67	19.9%

\*Total includes TCA (11,628), child welfare (95), food stamps (17), and other (30).

Note: The number of those enrolled or entered into treatment and those placed on a waiting list do not sum to total referred for treatment.

Source: Department of Human Resources

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***Current and Prior Year Budgets***

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**Current and Prior Year Budgets  
Family Investment Administration  
(\$ in Thousands)**

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2002</b>					
Legislative Appropriation	\$129,999	\$24,247	\$397,017	\$0	\$551,263
Deficiency Appropriation	0	5,911	24,000	0	29,911
Budget Amendments	14,391	-3,369	8,813	0	19,834
Reversions and Cancellations	-9,735	-2,102	-9,962	0	-21,799
<b>Actual Expenditures</b>	<b>\$134,656</b>	<b>\$24,687</b>	<b>\$419,868</b>	<b>\$0</b>	<b>\$579,210</b>
<b>Fiscal 2003</b>					
Legislative Appropriation	\$126,801	\$20,515	\$416,770	\$0	\$564,086
Budget Amendments	-65	-2	-58	0	-125
<b>Working Appropriation</b>	<b>\$126,737</b>	<b>\$20,512</b>	<b>\$416,712</b>	<b>\$0</b>	<b>\$563,961</b>

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

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**Explanation of Significant Budgetary Changes During Fiscal 2002**

Through budget amendments and deficiencies, the FIA legislative appropriation increased by 9.0%, or \$49.7 million. This increase, however, was offset by \$21.8 million in reversions and cancellations. Explanations for changes to the legislative appropriation are provided below.

## **Fiscal 2002 Deficiencies**

Of the \$29.9 million in deficiencies, \$24 million was unappropriated TANF block grant dollars and \$5.9 million were special funds from the Family Investment Dedicated Purpose Account. Almost all of the deficiency, \$28.9 million, was used for TCA payments as the fiscal 2002 budget assumed overly optimistic caseload declines. The remaining dollars were for cost containment relief in the administration.

## **Fiscal 2002 Budget Amendments**

**Appendix 1** shows that budget amendments added nearly \$20 million to the legislative appropriation during fiscal 2002. Significant budget amendments are listed below:

- \$6.2 million reduction in general funds due to the department originally estimating a lower need for TANF maintenance of effort dollars;
- \$22.6 million increase in general funds as the department later calculated that it would not be able to meet its TANF maintenance of effort requirement;
- \$1.2 million reduction in general funds due to less than expected spending for contracts with Towson University's Regional Economic Studies Institute and the University of Maryland, Baltimore;
- \$3.4 million decrease in special funds due to less than anticipated TCA child support offsets;
- \$22 million increase in federal TANF funds to support cash assistance payments;
- \$3.1 million transfer of federal TANF funds to the Prince George's County Local Management Board for the Work Opportunities budget; and
- \$16.5 million reduction in federal TANF funds that were transferred to foster care/subsidized adoption to fill a funding gap.

## **Fiscal 2002 Reversions and Cancellations**

In fiscal 2002, a total of \$21.8 million was reverted or cancelled. There was a \$2.5 million general fund reversion and \$1.4 million special fund cancellation due to cost containment measures. In addition, \$7.2 million in general funds restricted for transfer to the Family Investment Dedicated Purpose Account was reverted to pay for statewide deficits. Also, \$6.8 million in federal funds were cancelled as the department used general funds instead to achieve the TANF required maintenance of effort level. An additional \$3.2 million in federal funds was cancelled due to less than budgeted expenditures in the local offices for the Jobs Skills Enhancement program and other employment assistance. Due to less than anticipated child support offset payments, \$527,741 in special funds were also cancelled.

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Appendix 2

Object/Fund		Object/Fund Difference Report DHR – Family Investment				Percent Change
		FY 02 Actual	FY 03 Working Appropriation	FY 04 Allowance	FY 03 – FY 04 Amount Change	
<b>Positions</b>						
01	Regular	2276.50	2386.00	2311.00	-75.00	-3.1%
02	Contractual	74.95	137.00	137.00	0	0%
<b>Total Positions</b>		<b>2351.45</b>	<b>2523.00</b>	<b>2448.00</b>	<b>-75.00</b>	<b>-3.0%</b>
<b>Objects</b>						
01	Salaries and Wages	\$ 118,016,068	\$ 104,058,049	\$ 111,224,732	\$ 7,166,683	6.9%
02	Technical & Spec Fees	2,430,450	4,543,787	4,615,860	72,073	1.6%
03	Communication	2,978,589	2,786,717	3,122,130	335,413	12.0%
04	Travel	624,460	665,813	607,824	-57,989	-8.7%
06	Fuel & Utilities	567,329	596,367	591,151	-5,216	-0.9%
07	Motor Vehicles	29,965	43,768	88,430	44,662	102.0%
08	Contractual Services	63,267,624	57,845,197	58,088,551	243,354	0.4%
09	Supplies & Materials	1,428,874	1,115,292	1,072,649	-42,643	-3.8%
10	Equip - Replacement	89,080	0	0	0	0.0%
11	Equip - Additional	969,189	0	0	0	0.0%
12	Grants, Subsidies, Contr	378,258,661	379,230,661	387,241,553	8,010,892	2.1%
13	Fixed Charges	10,550,016	13,200,192	13,509,192	309,000	2.3%
<b>Total Objects</b>		<b>\$ 579,210,305</b>	<b>\$ 564,085,843</b>	<b>\$ 580,162,072</b>	<b>\$ 16,076,229</b>	<b>2.8%</b>
<b>Funds</b>						
01	General Fund	\$ 134,655,572	\$ 126,801,442	\$ 139,933,868	\$ 13,132,426	10.4%
03	Special Fund	24,686,727	20,514,675	30,130,263	9,615,588	46.9%
05	Federal Fund	419,868,006	416,769,726	410,097,941	-6,671,785	-1.6%
<b>Total Funds</b>		<b>\$ 579,210,305</b>	<b>\$ 564,085,843</b>	<b>\$ 580,162,072</b>	<b>\$ 16,076,229</b>	<b>2.8%</b>

Note: Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.

Fiscal Summary  
DHR – Family Investment

<u>Unit/Program</u>	FY 02		FY 03		FY 03		FY 02 – FY 03		FY 03 – FY 04	
	<u>Actual</u>	<u>Legislative Appropriation</u>	<u>Legislative Appropriation</u>	<u>Working Appropriation</u>	<u>Working Appropriation</u>	<u>Allowance</u>	<u>% Change</u>	<u>Allowance</u>	<u>% Change</u>	
02 Local Family Investment Program	\$ 128,992,646	\$ 122,380,099	\$ 125,424,683	\$ 132,817,416			-2.8%	\$ 132,817,416	5.9%	
08 Assistance Payments	374,539,809	364,617,860	364,617,860	372,958,888			-2.6%	372,958,888	2.3%	
10 Work Opportunities	46,915,952	44,712,556	41,667,972	41,832,488			-11.2%	41,832,488	0.4%	
04 Director's Office	28,761,898	32,375,328	32,375,328	32,553,280			12.6%	32,553,280	0.5%	
<b>Total Expenditures</b>	<b>\$ 579,210,305</b>	<b>\$ 564,085,843</b>	<b>\$ 564,085,843</b>	<b>\$ 580,162,072</b>			<b>-2.6%</b>	<b>\$ 580,162,072</b>	<b>2.8%</b>	
General Fund	\$ 134,655,572	\$ 126,801,442	\$ 126,801,442	\$ 139,933,868			-5.8%	\$ 139,933,868	10.4%	
Special Fund	24,686,727	20,514,675	20,514,675	30,130,263			-16.9%	30,130,263	46.9%	
Federal Fund	419,868,006	416,769,726	416,769,726	410,097,941			-0.7%	410,097,941	-1.6%	
<b>Total Appropriations</b>	<b>\$ 579,210,305</b>	<b>\$ 564,085,843</b>	<b>\$ 564,085,843</b>	<b>\$ 580,162,072</b>			<b>-2.6%</b>	<b>\$ 580,162,072</b>	<b>2.8%</b>	

Note: Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.