N00I00
Family Investment
Department of Human Resources

Operating Budget Data

($ in Thousands)

	FY 09 Actual	FY 10 Working	FY 11 Allowance	FY 10-11 Change	% Change Prior Year
General Fund	$95,034	$88,287	$109,067	$20,779	23.5%
Contingent & Back of Bill Reductions	0	0	-1,330	-1,330	
Adjusted General Fund	**$95,034**	**$88,287**	**$107,736**	**$19,449**	**22.0%**
Special Fund	23,109	15,547	18,492	2,945	18.9%
Contingent & Back of Bill Reductions	0	0	-39	-39	
Adjusted Special Fund	**$23,109**	**$15,547**	**$18,453**	**$2,906**	**18.7%**
Federal Fund	853,747	765,646	970,573	204,927	26.8%
Contingent & Back of Bill Reductions	0	0	-1,398	-1,398	
Adjusted Federal Fund	**$853,747**	**$765,646**	**$969,175**	**$203,529**	**26.6%**
Adjusted Grand Total	**$971,891**	**$869,481**	**$1,095,365**	**$225,884**	**26.0%**

Note: For purposes of illustration, the Department of Legislative Services has estimated the distribution of selected across-the-board budget reductions. The actual allocations are to be developed by the Administration.

- The budget as introduced includes five deficiency appropriations. Four deficiencies add funds ($18.8 million general, $4.8 million federal) and one is a fund swap which increases general funds and decreases federal Temporary Assistance for Needy Families (TANF) funds by an equal amount ($43.7 million.)

- The fiscal 2011 allowance increases by $225.9 million over the current year working appropriation. The majority of the increase results from increases in assistance programs, primarily the federal Supplemental Nutrition Assistance Program (Food Stamps).

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

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Personnel Data

	FY 09 Actual	FY 10 Working	FY 11 Allowance	FY 10-11 Change
Regular Positions	2,041.42	2,049.42	2,046.42	-3.00
Contractual FTEs	33.90	68.00	68.00	0.00
Total Personnel	**2,075.32**	**2,117.42**	**2,114.42**	**-3.00**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	147.34	7.20%
Positions and Percentage Vacant as of 12/31/09	201.00	9.81%

- The fiscal 2011 allowance includes 3 fewer regular positions representing the abolition of vacant positions as part of the cost containment effort.

- Budgeted turnover in fiscal 2011 is 7.20%, which equates to holding 147 positions vacant during the entire fiscal year. As of December 31, 2009, Family Investment had 201 vacant positions of which 45 are new federal grant funded Family Investment Aid positions created by the Board of Public Works in September 2009. Absent the new positions, the number of vacancies totaled 156 – about the level of budgeted turnover in fiscal 2011.

Analysis in Brief

Major Trends

Speedy and Lasting Exit from Temporary Cash Assistance: The Department of Human Resources (DHR) did not report on the percent of Temporary Cash Assistance (TCA) case closures that remain closed for 12 consecutive months with its fiscal 2011 Managing for Results submission. **As the better of the two measures for the first key goal of a speedy and lasting exit, DHR should resume reporting on this measure.**

TCA Families Where an Adult Family Member Obtains and Retains Employment: Job placements decrease, mirroring the general employment climate.

Issues

TCA Underbudgeted as Caseloads Continue to Increase: Projected TCA caseloads for fiscal 2010 and 2011 are higher than those upon which the budget is predicated. The TANF balance should be sufficient to cover the resulting shortfalls.

Temporary Disability Assistance Program Caseload Growth Slows – Program Overfunded: The high rate of growth in the Temporary Disability Assistance Program caseload in fiscal 2009 has moderated in the first half of 2010. Based on projected caseloads, funding for the program in fiscal 2010 and 2011 is higher than necessary.

Benefits Eligibility Determination Delays Lead to Lawsuit, Injunction: A decision in a Baltimore City Circuit Court case found that DHR was not complying with federal and State laws regarding processing times for certain benefits. The court ordered DHR to comply with the required processing times within 12 months.

Recommended Actions

		Funds
1.	Reduce funding for the Temporary Disability Assistance Program to reflect slowing caseload growth.	$ 6,500,000
2.	Reduce fiscal 2010 deficiency for the Temporary Disability Assistance Program to reflect slowing caseload growth.	1,700,000
	Total Reductions to Fiscal 2010 Deficiency Appropriation	**$ 1,700,000**
	Total Reductions to Allowance	**$ 6,500,000**

Updates

DHR on Track to Meet Federal Work Participation Rate for Federal Fiscal 2010: As of November 2009, there were 545 more cases meeting the federal work requirements than are needed to meet the work participation rate for federal fiscal 2010.

Operating Budget Analysis

Program Description

The Department of Human Resources' (DHR) Family Investment Administration (FIA), along with local Family Investment programs, administers cash benefit and other grant programs that provide assistance to individuals and families in financial need, as well as employment programs to promote self-sufficiency. Programs administered include:

- **Temporary Cash Assistance (TCA) –** 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. Federal welfare reform legislation enacted in August 1996 eliminated an individual entitlement to cash assistance 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.

- **Temporary Disability Assistance Program (TDAP) –** the State's program for disabled adults, provides a limited monthly cash benefit. The State is responsible for clients with a short-term disability (at least 3 months but less than 12 months). If the disability will last longer, the client may be eligible for federal disability payments through Supplemental Security Income (SSI). If so, they are required to pursue an SSI application and may receive help doing so. Those clients receive State cash assistance until their SSI applications are approved. The federal government reimburses the State for cash assistance paid during the processing of approved SSI applications.

- **The Burial Assistance Program –** subsidizes funeral expenses of public assistance recipients, children receiving foster care, and Medical Assistance recipients. The program is funded by the State and local governments.

- **The Supplemental Nutrition Assistance Program (SNAP) –** 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 provided State-funded food assistance to legal immigrant children until October 1, 2003, when the Farm Security and Rural Investment Act of 2002 (commonly known as the Farm Bill) authorized federal food benefits for qualified immigrant children.

- **Emergency Assistance to Families Program –** provides financial assistance to resolve an emergency situation as defined by the local department.

- **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 are responsible for making eligibility determinations and redeterminations for the aforementioned programs, the State's subsidized child care program called Purchase of Care, and the Medical Assistance program which is administered by the Department of Health and Mental Hygiene. 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 Family Investment include:

- moving families with an employable parent and no children under the age of one toward a speedy and lasting exit from TCA;

- 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 obtains and retains employment.

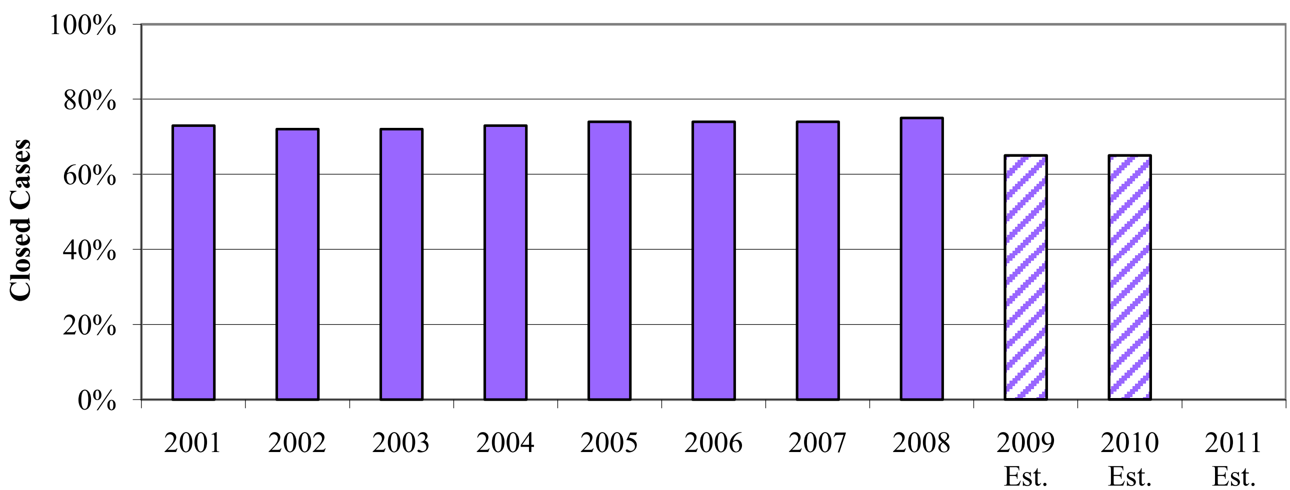
Maryland Office for Refugees and Asylees

The Family Investment Administration also includes the Maryland Office for Refugees and Asylees (MORA). MORA oversees a federally funded refugee settlement program that provides various services to refugees and asylees residing in Maryland. The key goals of MORA are to assist refugees and asylees to attain early economic independence and social adjustment and increase the number of foreign-born residents who successfully complete the naturalization process.

Performance Analysis: Managing for Results

The first goal of FIA is to move families with an employable adult and no children under the age of one toward a speedy and lasting exit from TCA. **Exhibit 1** shows the percentage of cases with an employable adult and no children under the age of one that remain closed for at least 12 consecutive months. DHR did not include this measure in its Managing for Results submission for the fiscal 2011 budget books. As the graph demonstrates, the performance relative to this goal has fluctuated over time, between approximately 72 to 74%, but was projected to drop to about 65% beginning with fiscal 2009 as a result of the recession. **DHR should resume reporting on this measure with future budget submissions.**

Exhibit 1
Speedy and Lasting Exit from Temporary Cash Assistance
Fiscal 2001-2011

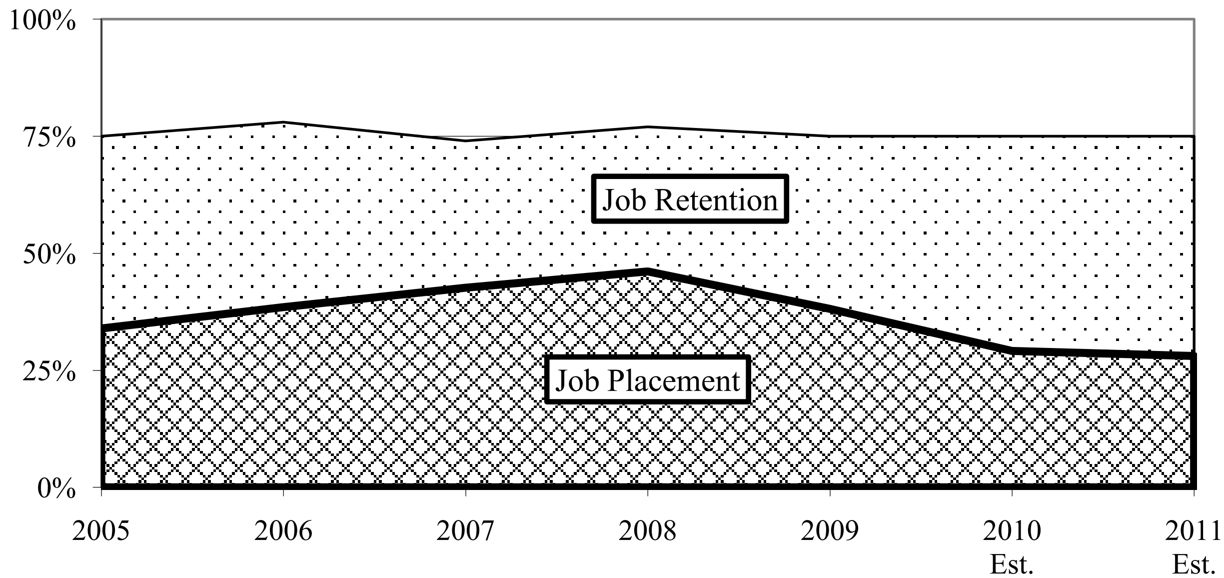


Note: This graph shows the percentage of cases with an employable adult and no children under the age of one that remain closed for at least 12 consecutive months.

Source: Governor's Budget Books, Fiscal 2010

The hope of welfare reform is not only that welfare caseloads will decline, but also that parents will get jobs and keep them, eliminating their families' needs for cash assistance. **Exhibit 2** illustrates DHR's performance in this regard, showing the job placement and job retention rates. Job placements increased from fiscal 2005 to 2008 but decreased in fiscal 2009 and are projected to be lower in 2010 and 2011 due to the recession. Job retention has remained stable over time at 75%.

Exhibit 2
Job Placement and Job Retention
Fiscal 2005-2011



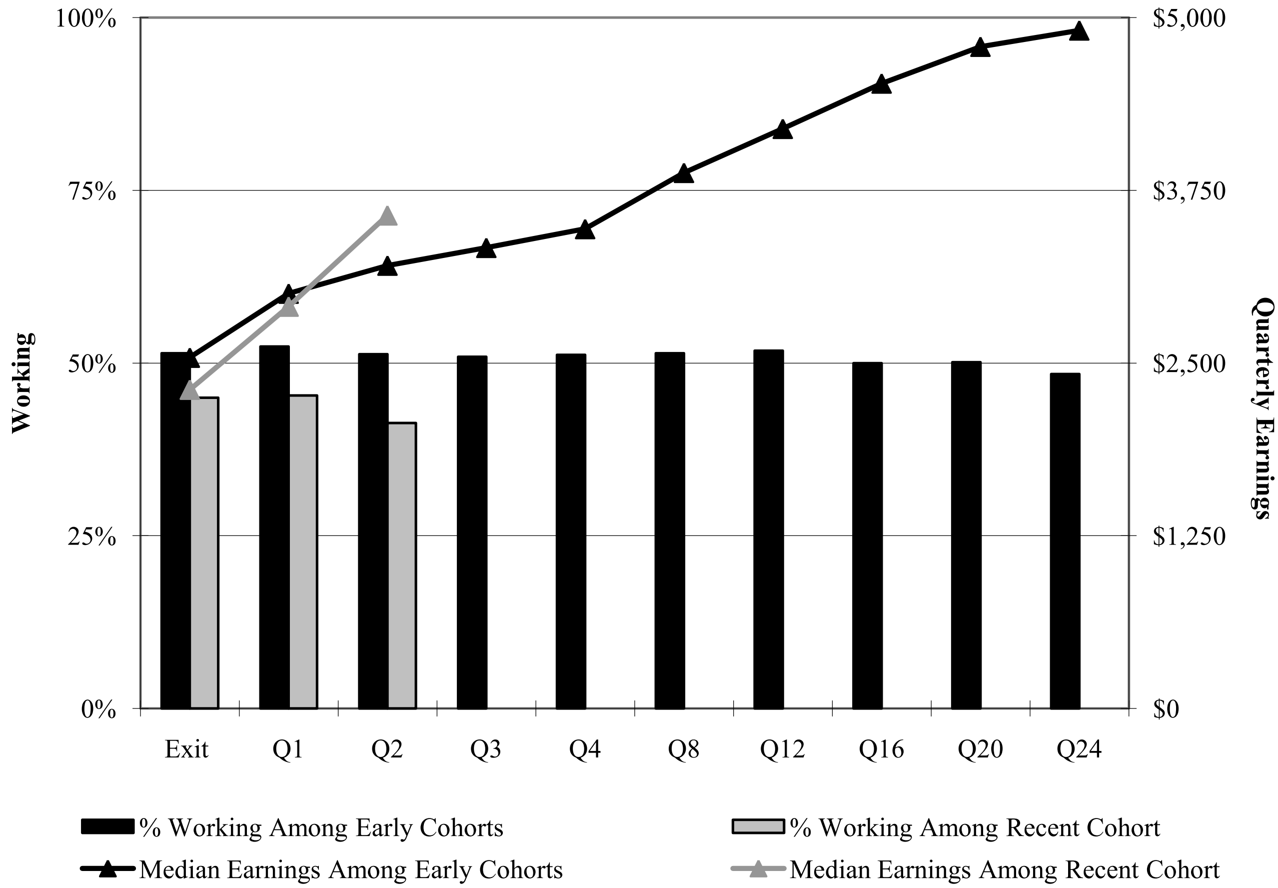
Note: Job placement measures the total number of placements as a percent of the total number of Temporary Cash Assistance cases. Job retention measures the percent of individuals who obtained employment in one calendar quarter and remain employed in the following quarter.

Source: Governor's Budget Books, Fiscal 2011; Department of Human Resources

Exhibit 3 shows the rates of employment and earnings over time for those exiting TCA. It graphs the performance on these indicators for the most recent cohort (those who exited between April 2008 and March 2009) and for earlier cohorts (those who exited between October 1996 and March 2007).

For earlier cohorts, employment remained at or slightly above the 50% level until the twenty-fourth quarter following exit. Median earnings among earlier cohorts also steadily increase throughout the study period.

Exhibit 3
Employment and Earnings after Leaving TCA



TCA: Temporary Cash Assistance

Note: This figure is derived from data collected by the University of Maryland School of Social Work and presented in *Life After Welfare: Annual Update*, October 2009. It follows a sample of TCA leavers beginning in October 1996 through March 2009, adding 5% of new TCA leavers every quarter and excluding any that return to TCA within 30 days. This data includes TCA leavers employed in Maryland in jobs covered by unemployment insurance and those working in a border state. Because the data does not include employment in non-border states, with the federal government, with multi-state employers, and in jobs not covered by unemployment insurance, it underestimates the level of post-TCA employment.

Source: *Life After Welfare: Annual Update*, October 2009, University of Maryland School of Social Work

In comparing the most recent cohort to earlier cohorts, the percent working is much lower for the most recent cohort than earlier cohorts through the second quarter after exit. This is a reversal from the trend shown in the previous three reports where the percent working for the most recent cohort exceeded that of earlier cohorts for at least two of the quarters following exit, and is an indication of the difficulties those leaving TCA are having due to the recession.

Fiscal 2010 Actions

Proposed Deficiency

There are five deficiency appropriations proposed for Family Investment which add $62.5 million in general funds and decrease federal funds by a net $38.9 million as follows:

- **Local Family Investment** – $3,712,153 federal funds for 99 grant funded aide positions created by the Board of Public Works (BPW) to hire TCA clients to assist in benefit eligibility determinations and redeterminations;

- **Assistance Payments** – $18,778,808 general funds to supplement the appropriation for TDAP due to caseload increases;

- **Assistance Payments** – $43,700,000 increase in general funds, $43,700,000 decrease in federal TANF funds. This fund swap provides additional general funds to help meet federal maintenance of effort requirements and does not increase appropriations across the budget as a corresponding fund swap is made in the Maryland Higher Education Commission budget to reduce general funds and replace with TANF funds;

- **Work Opportunities** – $1,000,000 federal funds to provide funds for Weatherization Paid Internship/Apprentice Partnership program; and

- **Family Investment Administration** – $43,177 federal funds for one grant funded aide position created by BPW to hire TCA clients to assist in benefit eligibility determinations and redeterminations. This position will monitor and randomly sample the verification of customer eligibility previously approved by local departments of social services.

Impact of Cost Containment

As shown in **Exhibit 4**, cost containment actions by BPW through November 2009 reduced the Family Investment budget by $6.1 million. The reduction made to the noncustodial parent employment program is restored in the allowance.

Exhibit 4
Fiscal 2010 Board of Public Works Cost Containment Actions
Through November 2009

Board Action	General	Special	Federal	Total
Eliminate general funds for noncustodial parent employment program	$1,500,000			$1,500,000
Food Stamp corrective action plan funding – action complete	692,056		$725,801	1,417,857
Employee furloughs	1,221,026	$39,680		1,260,706
Public Assistance for Adults – Caseload decline	1,000,000			1,000,000
Vacant position salary savings	217,392		217,391	434,783
Montgomery County grant – remove COLA	134,000		135,000	269,000
Electricity savings	100,000			100,000
Eliminate Citizen Promotion Program general funds	52,445			52,445
Statewide reductions in communications	25,792			25,792
Statewide reduction in out-of-state travel	13,547			13,547
Total	**$4,956,258**	**$39,680**	**$1,078,192**	**$6,074,130**

COLA: cost-of-living adjustment

Source: Department of Legislative Services

Federal Stimulus Fund

American Recovery and Reinvestment Act of 2009 (ARRA) funding for fiscal 2010 totals $68.3 million, an increase of over $21.3 million from the previous year. Funding in fiscal 2010 comprises:

- Food Stamps – $42,865,000;
- State Administrative Matching Grants for Food Stamp Program – $2,133,000;
- TANF – $21,755,330; and
- State Fiscal Stabilization Funds – Discretionary – $1,500,000.

Proposed Budget

As shown in **Exhibit 5**, the fiscal 2011 allowance for Family Investment increases by a net $225.9 million. Personnel expenses decrease by a net $1.9 million driven primarily by increased turnover and the full effect of employee furloughs (the fiscal 2010 budget amendment withdrawing funds for employee furloughs did not reduce federal funds – the fiscal 2011 estimated furlough savings includes federal funds). Benefit programs increase by a net $228.5 million with the largest increase attributable to SNAP but with a large increase also included for TDAP. General operations decrease by a net $748,000 despite restoration of funding for the noncustodial parent employment program and a increase in the Food Nutrition Education Program.

Impact of Cost Containment

The fiscal 2011 budget reflects several across-the-board actions to be allocated by the Administration. This includes a combination of employee furloughs and government shut-down days similar to the plan adopted in fiscal 2010; a reduction in overtime based on accident leave management; streamlining of State operations; hiring freeze and attrition savings; a change in the injured workers' settlement policy and administrative costs; and a savings in health insurance to reflect a balance in that account. For purposes of illustration, the Department of Legislative Services (DLS) has estimated the distribution of selected actions relating to employee furloughs, health insurance, and the Injured Workers' Insurance Fund cost savings.

For Family Investment, the reductions for items for which estimated savings could be calculated total $2.8 million as follows: employee furloughs ($2,117,488), health insurance ($632,284), and workers' compensation ($17,432).

A series of negative entries in the allowance for salaries, wages and fringe benefits for DHR has the effect of reducing the department's general fund allowance by $7.1 million ($17.4 million total funds). For Family Investment, these negative entries total $1.8 million general funds ($5.0 million total funds). Budget language is recommended in the DHR Overview that would require DHR to submit a plan to the Department of Budget and Management detailing the actual objects to be reduced so that the budget as published in the Fiscal 2011 Fiscal Digest is an accurate picture of planned spending.

Exhibit 5
Proposed Budget
DHR – Family Investment
($ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Total
2010 Working Appropriation	$88,287	$15,547	$765,646	$869,481
2011 Allowance	109,067	18,492	970,573	1,098,132
Amount Change	$20,779	$2,945	$204,927	$228,651
Percent Change	23.5%	18.9%	26.8%	26.3%
Contingent Reductions	-$1,330	-$39	-$1,398	-$2,767
Adjusted Change	$19,449	$2,906	$203,529	$225,884
Adjusted Percent Change	22.0%	18.7%	26.6%	26.0%

Where It Goes:	
Personnel Expenses	
Employee and retiree health insurance net of Section 19 reductions	$1,075
Employee retirement and social security	997
Unemployment compensation	151
Reclassifications	75
Workers' compensation (including sections 21 & 23)	-64
Overtime and accrued leave payout	-184
Abolished/transferred positions	-200
Employee furlough – Section 18, includes federal fund reduction (fiscal 2010 budget amendment implementing the furlough withdrew general and special funds only)	-1,533
Increased turnover	-2,223
Benefit Programs	
Supplemental Nutrition Assistance Program caseload increase	189,125
Temporary Disability Assistance Program caseload increase	27,779
Temporary Cash Assistance caseload increase	10,582
Emergency Assistance to Families with Children grant increase	1,604
Public Assistance to Adults caseload decrease	-552
Operations	
Fully Fund Food Nutrition Education Program	2,207
Restore contractual services for Noncustodial Parent Employment program	1,500

Where It Goes:

University of Maryland research contract	707
MORA public-private partnership grants	626
MORA grants for services to refugees	572
Contractual employees	360
Work Opportunities workforce development contractual services	288
MORA refugee medical screening and initial treatment contractual services	265
MORA Office of Refugee Resettlement contractual services	210
Food Supplement Program Outreach grants	147
Rent	145
MORA Citizen Preparation and Outreach for Older Refugees contractual services	109
Increased telecommunications	64
MORA vocational English and employment services grants	-34
Elimination of stipends and tuition reimbursement	-58
Elimination of conference travel and reduction to routine in-state travel	-100
Montgomery County grant	-267
Efficiency reduction in electricity	-298
Remove ARRA funding for SNAP administrative funding	-2,133
Unallocated budget reduction	-5,039
Other	-19
Total	**$225,884**

ARRA: American Recovery and Reinvestment Act of 2009
MORA: Maryland Office for Refugees and Asylees
SNAP: Supplemental Nutrition Assistance Program

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

Federal Stimulus Fund

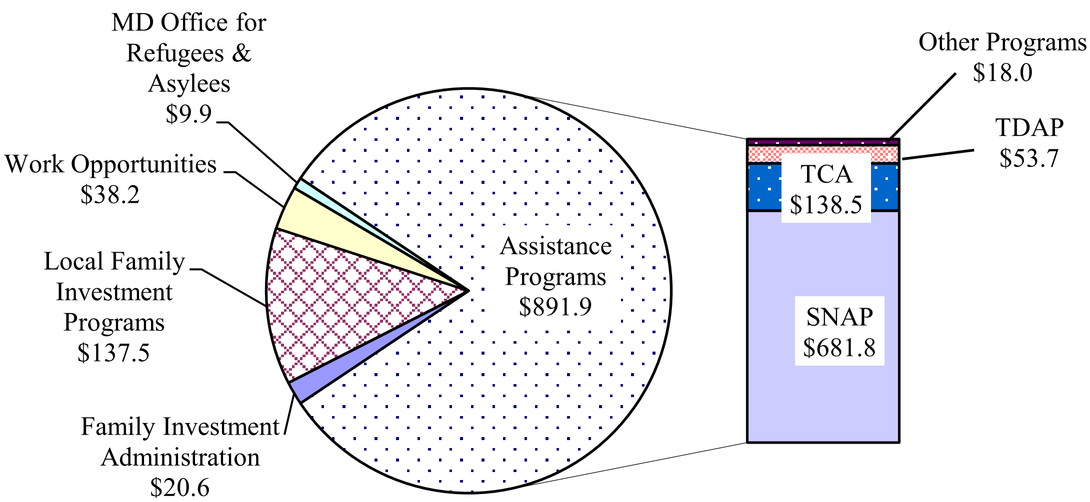
ARRA funding for fiscal 2011 totals $32.7 million, an decrease of $35.5 million from the current year. Funding in fiscal 2011 comprises:

- Food Stamps – $21,697,563;
- TANF – $9,550,267; and
- State Fiscal Stabilization Funds – Discretionary – $1,500,000.

Benefits and Services to Clients

Exhibit 6, shows the fiscal 2011 allowance for Family Investment. Assistance programs make up over 81% of the total.

Exhibit 6
Family Investment
Fiscal 2011 Allowance
($ in Millions)



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

Note: "Other Programs" comprises General Public Assistance, Burial Assistance, Eviction Assistance, Welfare Avoidance Grants, Emergency Assistance to Families with Children, and Public Assistance to Adults.

Source: Maryland State Budget

- **SNAP:** Funding increases by $189.1 million due to continuing increases in the caseload. The average number of individuals receiving benefits through the first six months of fiscal 2010 totaled 515,271 per month, up from an average of 423,856 per month for fiscal 2009. The increased funding is based on an additional 62,046 cases per month which translates to approximately 130,300 additional recipients.

- **TDAP:** Funding increases by $27.8 million to provide for an increase in the budgeted average monthly caseload from 11,645 to 23,961. The budget as introduced also includes a deficiency of $18.8 million.

- **TCA:** The allowance for TCA increases by $10.6 million to provide for a budgeted average monthly caseload of 63,987. The budget for the current year is based on an average caseload of 51,600, but this is well below levels experienced during the first half of the fiscal year.

- **Public Assistance to Adults:** The allowance assumes a decrease in the average caseload from 587 to 423, resulting in a decrease in funding of $551,785.

- **Emergency Assistance to Families with Children:** The increase of $1.6 million is based on a projected increase in the average grant from $311.56 to $508.71 and a decrease in average caseload increase 1,576 to 1,228.

- **Welfare Avoidance Grants, General Public Assistance, Burial Assistance, and Eviction Assistance:** These programs are all level funded in fiscal 2011.

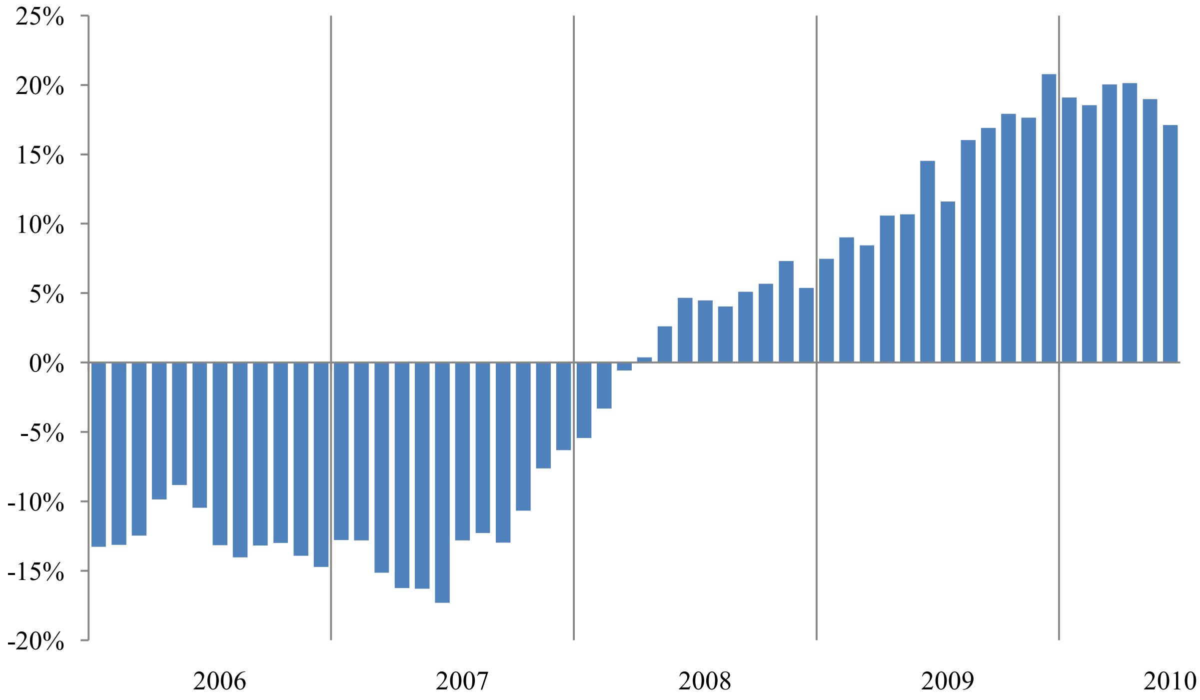
- **Work Opportunities:** Although not a benefit program, the Work Opportunities Program pays for services to clients such as skills assessment, job readiness, job training, and job search services. The program is funded entirely from federal TANF dollars and increases by $696,353. A fiscal 2010 deficiency of $1.0 million provides funds to train clients in weatherization programs.

Issues

1. TCA Underbudgeted as Caseloads Continue to Increase

Exhibit 7 shows the year-over-year percent change in the TCA monthly caseload from July 2005 through December 2009. As demonstrated in Exhibit 7, there was a downward trend in the monthly caseload on a year-over-year basis from the beginning of fiscal 2006 through mid-2007. After this point, the trend reversed with the slowing in the caseload decline becoming an increase shortly after the beginning of fiscal 2008.

Exhibit 7
TCA Monthly Caseload
Percent Change Over Prior Year
Fiscal 2006-2010

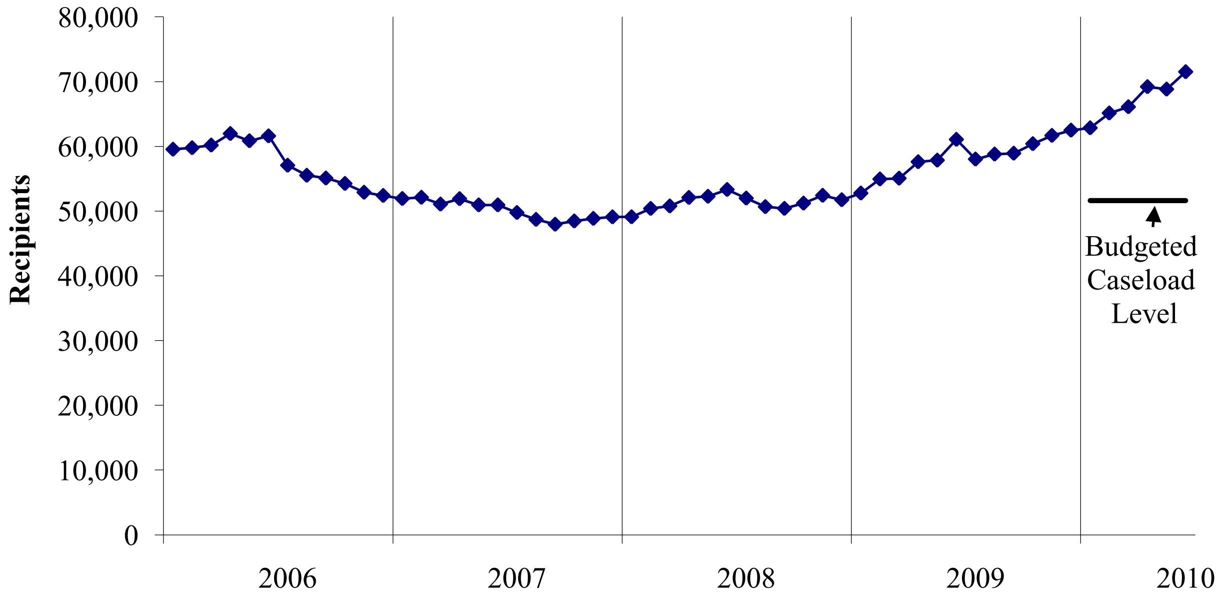


TCA: Temporary Cash Assistance

Source: Department of Human Resources; Department of Legislative Services

Exhibit 8 shows the monthly caseload from July 2005 through December 2009. The caseload has generally been increasing since March 2007, decreasing only 7 out of 34 months since that time. The TCA budgets for fiscal 2010 and 2011 do not anticipate the caseload growth currently being experienced. The fiscal 2010 budget assumes an average monthly caseload of 51,600, which is well below the levels being experienced as clearly demonstrated in Exhibit 8. The fiscal 2011 budget allows for an increase to 63,987 which is also lower than the average monthly caseload of 67,264 experienced in the first six months of fiscal 2010.

Exhibit 8
TCA Caseload by Month
Fiscal 2006-2010



TCA: Temporary Cash Assistance

Source: Department of Human Resources; Department of Legislative Services

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Looking forward, DLS projects that the average monthly caseload will reach 71,309 in fiscal 2010 and, assuming employment improves, will decrease 2% per month throughout fiscal 2011, resulting in an average monthly caseload in fiscal 2011 of 68,732. **Exhibit 9** shows the caseload and funding trends from fiscal 2008 through 2011.

DLS estimates that due to the higher than budgeted caseload levels in fiscal 2010, an additional $22.5 million will be needed for TCA. For fiscal 2011, DLS is projecting a budget shortfall of $6.5 million. No general funds will be needed to address these shortfalls due to the estimated TANF balance at the end of fiscal 2011 which is projected to be $32.9 million based on caseloads assumed in the budget.

Exhibit 9
TCA Enrollment and Funding Trends
Fiscal 2008-2011

	2008	2009	2010 Est.	2011 Est.
Average Monthly Enrollment	51,554	58,426	71,309	68,732
Average Monthly Grant	$170.39	$175.70	$175.70	$175.70
Budgeted Funds in Millions				
General Funds	$5.5	$2.6	$50.3	$7.1
Total Funds	**$104.2**	**$122.2**	**$127.9**	**$138.5**
DLS Estimate			$150.3	$144.9
Shortfall			-$22.5	-$6.5

DLS: Department of Legislative Services
TCA: Temporary Cash Assistance

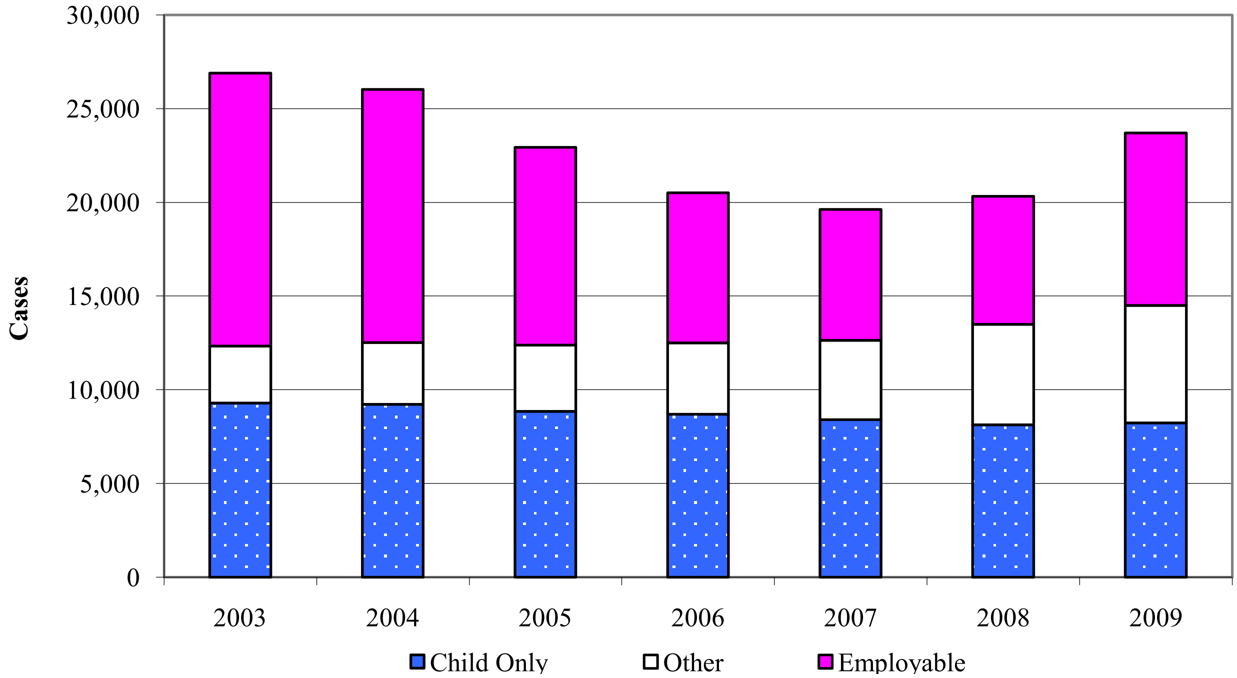
Note: Fiscal 2010 general fund appropriation reflects a $43.7 million fund swap which increased general funds and decreased TANF funds. The fund swap was necessary to meet federal maintenance of effort requirements and did not change the overall program funding, merely the mix of funding sources.

Source: Department of Human Resources; Department of Legislative Services

Characteristics of the Current Caseload

To track recipients needing employment services, DHR divides the caseload into two main groups – (1) the "core" caseload; and (2) cases headed by an employable adult. The core cases include child only cases, women with children under age one, disabled cases, caretaker relatives, and other cases exempted from work requirements. With the exception of women with children under age one, DHR does not expect the 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 increasing percentage of the total TCA caseload. Due to the economic downturn, the caseload increased in 2008 and 2009, reversing the downward trend since 2003 as shown in **Exhibit 10**. The employable caseload, as a percent of the entire caseload, also increased from 2008 to 2009, going from 33.6% of the total caseload in 2008 to 38.8%

Exhibit 10
Characteristics of the Current Caseload
July Caseloads
Fiscal 2003-2009



Source: Department of Human Resources

In the early years of welfare reform, DHR concentrated on serving those easiest to place in employment. Through its successful efforts, most of those cases transitioned from welfare to work. Except for recent additions to the caseload due to the poor economy, 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, DHR must continue to provide intensive services to help these employable adults enter and remain in the labor force.

In 2008, DHR restructured its programs to improve employment outcomes with an initiative called Reaching Independence and Stability through Employment (MD RISE). DHR is collaborating with the Department of Labor, Licensing, and Regulation, the Department of Business and Economic Development and community colleges with the goals of training TCA recipients for, and placing them in, jobs that pay a living wage, provide health benefits, and provide career mobility. The hope is this initiative will do more than simply move TCA recipients off the rolls and into low-wage jobs that keep them dependent on an array of government supported services.

Five-year Lifetime Limit on Receipt of Cash Assistance

Moving employable adults to self-sufficiency is of particular importance in light of the federal limit placed on receipts 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 "hardship" as defined by the State. Under this provision, 20% of the caseload receiving TANF-funded cash assistance from the previous federal fiscal year may continue to receive these benefits beyond five years.

September 2009 was the ninety-third month in which some families had reached the five-year benefit limit. The annual average number of families receiving TANF assistance during federal fiscal 2009 was 22,422. The annual average number of cases headed by adults that received assistance for more than 60 months during federal fiscal 2009 was 1,444. Since this number is below the 20% exemption limit for federal fiscal 2009 of 4,484, 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 federal fiscal 2014. Until that time, the department expects to accommodate, under federal hardship exemptions, all families who cooperate with program requirements.

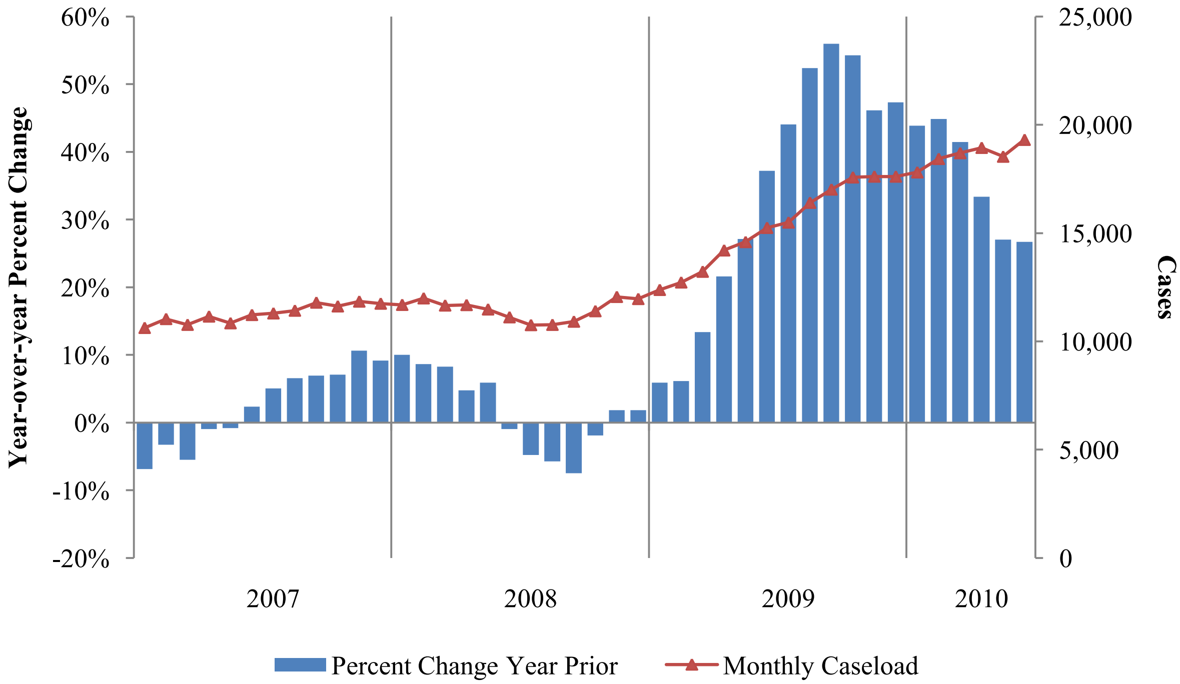
DHR should comment on the sufficiency (or lack thereof) of the current and proposed budgets for funding the TCA caseload and the likely magnitude of the TANF balance drawdown necessary to address any budgetary deficiencies.

2. TDAP Caseload Growth Slows – Program Overfunded

The TDAP caseload has grown steadily since January 2008 from 10,752 recipients in that month to 19,315 recipients in December 2009. TDAP provides $185/month in cash assistance to adults with no children who have no other source of income and who have been certified as unable to work due to a medical disability. **Exhibit 11** shows the year-over-year percent change in the caseload as well as the monthly caseload level for fiscal 2007 through the first half of the current fiscal year.

The growth in the caseload is attributable to the deterioration in the economy with disabled persons seeking benefits upon loss of employment. The original fiscal 2010 budget for TDAP was based on an average monthly caseload of 11,645. This is well below the average monthly caseload of 18,623 experienced during the first six months of the fiscal year. The fiscal 2011 allowance includes a fiscal 2010 general fund deficiency of $18.8 million and a combined $9.0 million general and special fund increase over the enhanced fiscal 2010 funding level.

Exhibit 11
TDAP Caseload
Percent Change over Prior Year and Monthly Caseload
Fiscal 2007-2010



TDAP: Temporary Disability Assistance Program

Source: Department of Human Resources

Slowing Growth in Caseload Results in Program Overfunding

After growing at an average monthly rate of 3.26% during fiscal 2009, the TDAP caseload has grown at only half that rate (1.6%) for the first six months of fiscal 2010. In order to approach the average monthly caseload of 23,961 assumed in the fiscal 2011 budget as introduced, the caseload would have to continue to increase at the current monthly rate of 1.6% for the rest of fiscal 2010 and all of fiscal 2011. With signs of economic recovery starting to appear, it is likely that the caseload will stabilize in fiscal 2011 if not begin to decline. **Exhibit 12** shows the caseload and funding for fiscal 2008 and 2009 and the DLS estimated caseload and funding needs for fiscal 2010 and 2011 based on continued growth at a monthly rate of 1.6% for the second half of fiscal 2010 and no growth (nor decline) in the caseload for fiscal 2011. Base on these assumptions, the TDAP budget has surpluses of $2.3 million and $7.5 million in fiscal 2010 and 2011, respectively. **Recommendations for reductions to the fiscal 2010 deficiency and fiscal 2011 TDAP budget are included in the Recommended Actions section of this analysis.**

Exhibit 12
TDAP Enrollment and Funding Trends
Fiscal 2008-2011

	2008	2009	2010 Est.	2011 Est.
Average Monthly Enrollment	11,645	15,355	19,524	21,245
Budgeted Funds in Millions				
General Funds	$20.1	$27.4	$38.2	$44.2
Total Funds	**$25.0**	**$33.4**	**$44.7**	**$53.7**
DLS Estimate			$42.4	$46.2
Surplus			$2.3	$7.5

DLS: Department of Legislative Services
TDAP: Temporary Disability Assistance Program

Source: Department of Human Resources; Department of Legislative Services

3. Benefits Eligibility Determination Delays Lead to Lawsuit, Injunction

In April 2009, a lawsuit was filed against DHR by two Baltimore County plaintiffs who claimed that the department was violating federal and State law by failing to process applications and determine eligibility for food stamps, Medicaid, and TCA benefits within the required 30 days timeframe. Plaintiffs sought unsuccessfully to have the suit granted class action status but prevailed in a three-day trial in December 2009 in the Circuit Court for Baltimore City with the court issuing a declaratory judgment and permanent injunction. The order states that:

- DHR is permanently enjoined from failing to comply fully with federal and State time requirements for processing applications and determining eligibility for the three benefit programs;
- DHR must submit a statewide corrective action plan demonstrating how it will achieve full compliance within 45 days of the order;
- plaintiffs will have 15 days to comment on the proposed action plan;
- DHR must be in full compliance within 12 months;

- DHR must provide plaintiffs with monthly reports reflecting the average length of delay for cases coded "Agency Delay"; and

- full compliance shall mean compliance in all cases within a 4% margin of error statewide for each program.

DHR declined to provide a copy of the action plan until the judge accepts the plan, although justification for funding for business practices improvements, including development of a document imaging system, has been based on the need to comply with the court order. DHR has also delayed providing an evaluation of other local department of social services' (DSS) timeliness issues related to processing applications and determining eligibility until a draft assessment is reviewed and approved by the Secretary.

DHR should brief the committees on the broad parameters of the action plan it developed to comply with the court order and indicate which other local DSS are failing, or are at risk for failing, to meet the federal and State application processing timelines.

Benefit Eligibility Determination Staffing Levels at Local Departments Relatively Unchanged from a Year Ago

The adequacy of staffing levels in local DSS offices in positions responsible for benefit eligibility determinations has been raised as an issue in the Family Investment budget several times over the past few years. Large numbers of vacant positions have been experienced in some local offices in recent years with anecdotal evidence suggesting clients were not receiving eligibility determinations in a timely manner. **Exhibit 13** shows the number of filled and vacant income maintenance and family investment specialist positions by local DSS as of December 31, 2009.

There were 56 more filled positions as of December 31, 2009, than there were a year earlier. This increase is almost entirely due to the filling of 55 of the 99 federal grant funded Family Investment Aide positions created by BPW in September 2009 to allow DHR to hire and train TCA clients to assist in benefit application processing. Absent this new class of position, no progress has been made in increasing the number of filled positions. Further, the total number of authorized positions, excluding the new aide positions, has decreased by 51 as part of the statewide position reductions required by Section 18 of the fiscal 2010 budget.

DHR should comment on the role benefit eligibility determination position staffing levels has played in the failure to process applications in a timely manner, and whether additional positions will be needed in order to meet the federal and State processing timelines.

Exhibit 13

Benefits Determination Position Status by Local Department

As of December 31, 2009

Local DSS	Filled	Vacant	Total	% Vacant
Allegany	36.80	1.00	37.80	2.6%
Anne Arundel	63.50	7.00	70.50	9.9%
Baltimore City	482.00	38.00	520.00	7.3%
Baltimore	112.00	9.00	121.00	7.4%
Calvert	16.50	1.00	17.50	5.7%
Caroline	11.00	1.00	12.00	8.3%
Carroll	17.00	2.00	19.00	10.5%
Cecil	26.00	1.00	27.00	3.7%
Charles	22.00	1.00	23.00	4.3%
Dorchester	17.50		17.50	0.0%
Frederick	22.50	1.00	23.50	4.3%
Garrett	14.50		14.50	0.0%
Harford	36.00	2.00	38.00	5.3%
Howard	18.00	3.00	21.00	14.3%
Kent	6.00		6.00	0.0%
Prince George's	154.00	11.00	165.00	6.7%
Queen Anne's	8.50		8.50	0.0%
St. Mary's	19.00	1.00	20.00	5.0%
Somerset	13.62	1.00	14.62	6.8%
Talbot	11.00		11.00	0.0%
Washington	38.50	2.00	40.50	4.9%
Wicomico	33.00		33.00	0.0%
Worcester	13.00		13.00	0.0%
Family Investment Aides	55.00	44.00	99.00	44.4%
MA Determinations	39.50	15.00	54.50	27.5%
Other	8.00	6.00	14.00	42.9%
Total	**1,294.42**	**147.00**	**1,441.42**	**10.2%**

DSS: Department of Social Services
MA: Medical Assistance

Note: Montgomery County is not included because it receives a block grant from the State and administers its own Department of Social Services, the employees of which are county, not State employees.

Source: State Personnel Database, Department of Budget and Management

Recommended Actions

		Amount Reduction	
1.	Reduce funding for the Temporary Disability Assistance Program to reflect slowing caseload growth. The rate of caseload increase in the first six months of fiscal 2010 is half that experienced in fiscal 2009. This reduction leaves $1 million more than current projections indicate will be needed.	$ 6,500,000	GF
2.	Reduce fiscal 2010 deficiency for the Temporary Disability Assistance Program to reflect slowing caseload growth. The rate of caseload increase in the first six months of fiscal 2010 is half that experienced in fiscal 2009. This reduction leaves $500,000 more than current projections indicate will be needed.	1,700,000	GF
	Total Reductions to Fiscal 2010 Deficiency	**$ 1,700,000**	
	Total General Fund Reductions to Allowance	**$ 6,500,000**	

Updates

1. DHR on Track to Meet Federal Work Participation Rate for Federal Fiscal 2010

Under TANF, 50% of the eligible caseload must be engaged at least 30 hours per week in federally approved work activities or states face a reduction in the annual TANF grant and an increased maintenance of effort requirement. For Maryland, the penalties and increased maintenance of effort requirement would total approximately $34 million per year.

For federal fiscal 2010, Maryland's target work participation rate is 33.9%, based on a 16.1% caseload reduction credit. DHR reports that 545 more cases were meeting the work participation requirements as of November 2009 than were needed to meet the target rate of 33.9%. Provisions of the federal stimulus package related to TANF will provide states with a two-year hold harmless to the caseload reduction credit to assist them in meeting the work participation requirement.

Appendix 1

Current and Prior Year Budgets

Current and Prior Year Budgets
DHR – Family Investment
($ in Thousands)

Fiscal 2009	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Legislative Appropriation	$97,076	$15,598	$626,916	$0	$739,590
Deficiency Appropriation	5,000	0	55,716	0	60,716
Budget Amendments	2,781	7,532	190,202	0	200,515
Cost Containment	-9,822	-21	-2,892	0	-12,736
Reversions and Cancellations	0	0	-16,195	0	-16,195
Actual Expenditures	**$95,034**	**$23,109**	**$853,747**	**$0**	**$971,891**
Fiscal 2010					
Legislative Appropriation	$93,244	$15,587	$766,724	$0	$875,555
Cost Containment	-4,956	-40	-1,078	0	-6,074
Budget Amendments	0	0	0	0	0
Working Appropriation	**$88,287**	**$15,547**	**$765,646**	**$0**	**$869,481**

Note: Numbers may not sum due to rounding

Fiscal 2009

The fiscal 2009 budget for Family Investment closed out $232.3 million higher than the legislative appropriation. This increase was the result of increases by deficiency appropriations ($60.7 million) and budget amendments ($200.l5 million) partially offset by cost containment reductions ($12.7 million) and year-end federal fund cancelations ($16.2 million).

Deficiency appropriations added $55.7 million in federal funds authorized through the ARRA to cover caseload increases for SNAP benefits ($32.1 million), for TCA ($20 million), for SNAP administrative expenses ($2.1 million), and for TDAP ($1.5 million). TDAP also received a general fund deficiency appropriation of $5.0 million.

General purpose budget amendments were processed to add funds for the general salary increase ($635,359 general, 34,066 special); for hiring bonuses for Income Maintenance Specialist positions ($74,144 general); and to realign telecommunications funding (-$93,000 general). Year-end closing amendments realigned general funds within the department and brought in additional special and federal funds. The Family Investment budget received a net $2,164,386 general fund increase in the year-end closing amendment process. Special funds added by budget amendment comprised additional local government contributions ($3,840,977), Child Support Offset funds used for TCA benefits ($3,645,482), and Universal Services Benefits Program funding to help cover administrative costs for the program ($11,703). Federal funds added by budget amendment included additional SNAP funding ($187,672,038), refugee assistance ($1,413,730), and TANF funds for the Subsidized Jobs and Incentives program ($1,116,433).

In the year-end closeout, Family Investment had a $16.2 million federal fund cancelation due to lower than budgeted activity levels in TANF ($11,563,504), Medical Assistance ($1,537,194), the Noncustodial Parent Employment Program ($925,073), and SNAP Nutrition Education and Outreach ($1,126,060).

Cost containment reductions comprised:

- savings resulting from furloughs, the elimination of positions (130 FTEs), removal of Other Post Employment Benefits prefunding, and removal of funds for health insurance for which nonbudgeted statewide employee health insurance balances were substituted ($5,001,249 general, $3,839 special);

- a reduction to Assistance Payments due to lower than expected caseload and grant payments ($2,300,000 general);

- savings from the hiring freeze and using nonbudgeted funds for health insurance subsidies ($1,154,140 general, $17,304 special, $1,251,787 federal);

- elimination of funding for Food Stamp error reduction due to completion of the Program Improvement Plan to improve accuracy ($867,000 general, $867,000 federal); and

- a reduction to the Disability Entitlement Advocacy Program contract to reflect decreased contractor responsibilities/workload following changes in federal regulations prohibiting non-State personnel from accessing certain federal databases and information systems ($500,000 general, $773,561 federal).

Fiscal 2010

The fiscal 2010 working appropriation is $6.1 million lower than the legislative appropriation due to cost containment actions taken by BPW through November 2009. Cost containment reductions comprise:

- elimination of general fund support for the Noncustodial Parent Employment Program ($1,500,000 general);

- removal of Food Stamp corrective action plan funding due to completion of the plan ($692,056 general, $725,801 federal);

- furlough savings ($1,221,026 general, $39,680 special);

- a reduction to Public Assistance for Adults due to caseload decline ($1,000,000 general);

- salary savings from keeping positions vacant ($217,392 general, $217,391 federal);

- a technical correction to remove the cost-of-living increase from the block grant the State gives to Montgomery County to operate its local department of social services ($134,000 general, $135,000 federal);

- across-the-board reduction to electricity funding ($100,000 general);

- elimination of general funds for the Citizen Promotion Program ($52,445 general);

- across-the-board reduction to communications funding ($25,792 general); and

- across-the-board reduction to out-of-state travel ($13,547 general).

Object/Fund Difference Report
DHR – Family Investment

Object/Fund	FY09 Actual	FY10 Working Appropriation	FY11 Allowance	FY10 - FY11 Amount Change	Percent Change
Positions					
01 Regular	2,041.42	2,049.42	2,046.42	-3.00	-0.1%
02 Contractual	33.90	68.00	68.00	0	0%
Total Positions	**2,075.32**	**2,117.42**	**2,114.42**	**-3.00**	**-0.1%**
Objects					
01 Salaries and Wages	$ 117,571,832	$ 115,249,929	$ 111,570,108	-$ 3,679,821	-3.2%
02 Technical and Spec. Fees	1,575,297	2,037,331	2,398,033	360,702	17.7%
03 Communication	1,698,143	1,767,653	1,833,442	65,789	3.7%
04 Travel	321,617	245,900	146,598	-99,302	-40.4%
06 Fuel and Utilities	1,338,292	1,261,568	971,383	-290,185	-23.0%
07 Motor Vehicles	32,059	22,562	18,952	-3,610	-16.0%
08 Contractual Services	68,819,183	51,927,895	56,687,200	4,759,305	9.2%
09 Supplies and Materials	1,140,269	714,048	713,956	-92	0%
10 Equipment – Replacement	41,816	0	1,759	1,759	N/A
11 Equipment – Additional	83,590	2,059	0	-2,059	-100.0%
12 Grants, Subsidies, and Contributions	765,052,532	682,318,775	909,682,456	227,363,681	33.3%
13 Fixed Charges	14,216,476	13,933,132	14,107,886	174,754	1.3%
Total Objects	**$ 971,891,106**	**$ 869,480,852**	**$ 1,098,131,773**	**$ 228,650,921**	**26.3%**
Funds					
01 General Fund	$ 95,034,158	$ 88,287,479	$ 109,066,704	$ 20,779,225	23.5%
03 Special Fund	23,109,466	15,547,431	18,491,947	2,944,516	18.9%
05 Federal Fund	853,747,482	765,645,942	970,573,122	204,927,180	26.8%
Total Funds	**$ 971,891,106**	**$ 869,480,852**	**$ 1,098,131,773**	**$ 228,650,921**	**26.3%**

Note: The fiscal 2010 appropriation does not include deficiencies.

Fiscal Summary
DHR – Family Investment

Program/Unit	FY09 Actual	FY10 Wrk Approp	FY11 Allowance	Change	FY10 - FY11 % Change
02 Local Family Investment Program	$ 134,863,747	$ 142,573,924	$ 137,496,370	-$ 5,077,554	-3.6%
08 Assistance Payments	758,654,820	663,372,609	891,911,277	228,538,668	34.5%
10 Work Opportunities	42,150,017	37,503,950	38,200,303	696,353	1.9%
04 Director's Office	27,572,835	17,899,542	20,631,877	2,732,335	15.3%
05 Maryland Office for New Americans	8,649,687	8,130,827	9,891,946	1,761,119	21.7%
Total Expenditures	**$ 971,891,106**	**$ 869,480,852**	**$ 1,098,131,773**	**$ 228,650,921**	**26.3%**
General Fund	$ 95,034,158	$ 88,287,479	$ 109,066,704	$ 20,779,225	23.5%
Special Fund	23,109,466	15,547,431	18,491,947	2,944,516	18.9%
Federal Fund	853,747,482	765,645,942	970,573,122	204,927,180	26.8%
Total Appropriations	**$ 971,891,106**	**$ 869,480,852**	**$ 1,098,131,773**	**$ 228,650,921**	**26.3%**

Note: The fiscal 2010 appropriation does not include deficiencies.