N00I00
Family Investment
Department of Human Resources

Operating Budget Data

($ in Thousands)

	FY 11 Actual	**FY 12 Working**	**FY 13 Allowance**	**FY 12-13 Change**	**% Change Prior Year**
General Fund	$105,398	$106,948	$138,259	$31,311	29.3%
Adjusted General Fund	**$105,398**	**$106,948**	**$138,259**	**$31,311**	**29.3%**
Special Fund	21,342	19,082	22,103	3,021	15.8%
Adjusted Special Fund	**$21,342**	**$19,082**	**$22,103**	**$3,021**	**15.8%**
Federal Fund	1,293,177	1,476,939	1,297,756	-179,183	-12.1%
Adjusted Federal Fund	**$1,293,177**	**$1,476,939**	**$1,297,756**	**-$179,183**	**-12.1%**
Adjusted Grand Total	**$1,419,917**	**$1,602,968**	**$1,458,118**	**-$144,851**	**-9.0%**

- Two deficiency appropriations withdraw $29.8 million in Temporary Assistance for Needy Families (TANF) funds, replace $25.8 million of the withdrawn funds with general funds, and add an additional $12.1 million in general funds to support increases in the Temporary Cash Assistance (TCA) caseload.

- The fiscal 2013 allowance is $144.9 million less than the current year working appropriation. The majority of the reduction occurs in funding for Supplemental Nutrition Assistance Program (SNAP) benefits which are funded entirely with federal funds.

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

For further information contact: Steven D. McCulloch Phone: (410) 946-5530

Personnel Data

	FY 11 Actual	FY 12 Working	FY 13 Allowance	FY 12-13 Change
Regular Positions	2,066.42	2,039.42	2,038.42	-1.00
Contractual FTEs	48.85	68.00	68.00	0.00
Total Personnel	**2,115.27**	**2,107.42**	**2,106.42**	**-1.00**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	138.20	6.78%
Positions and Percentage Vacant as of 12/31/11	173.00	8.48%

- The Department of Human Resources (DHR) – Family Investment lost 3.0 positions pursuant to Section 47 of the fiscal 2012 budget bill which required 450.0 positions to be abolished prior to January 1, 2012. One additional position is abolished in the allowance as a general cost containment measure.

- As of December 31, 2011, DHR – Family Investment had 173.0 vacant positions which equates to a vacancy rate of 8.48%. Turnover in the allowance is budgeted at 6.78% which will require the department to maintain the equivalent of 138.2 positions vacant for the entire year. Therefore, DHR – Family Investment will have sufficient funding to fill almost 35.0 additional positions in fiscal 2013.

Analysis in Brief

Major Trends

Job Placement and Retention: While still lower than pre-recession levels, job placements increased slightly in fiscal 2011.

Employment and Earnings After Leaving TCA: Those most recently exiting TCA are employed at lower levels than those who exited prior to the 2008 recession. Earnings for both groups grew over time.

Issues

TANF Operating under Short-term Extension: TANF is currently authorized through February 2012. Policy changes have been considered by Congress and could be included in long-term re-authorization legislation.

Maryland Penalized for Second Year for High SNAP Error Rate: For the second year in a row, Maryland has been assessed a penalty due to a SNAP error rate that is in excess of the national rate. In federal fiscal 2010, Maryland had the highest combined error rate of any state.

Despite Meeting Requirements for More Than a Year, DHR Remains under Court Order on Timeliness of Benefit Determinations: For over a year, DHR has been in compliance with a court order on timeliness of benefit determinations and redeterminations. The court has not, however, ruled on the motion to dissolve the injunction.

Recommended Actions

1. Concur with Governor's allowance.

Updates

No Wrong Door Final Report Issued: The committee studying how Maryland could move to a no wrong door system for providing public benefits issued its final report in June 2011. The report included both short- and long-term recommendations for improving services to those seeking assistance.

DHR on Track to Meet Federal Work Participation Rate for Federal Fiscal 2012: As of November 2011, there were 231 more cases meeting the federal work requirements than are needed to meet the work participation rate for federal fiscal 2012.

In Response to Audit and Committee Narrative, DHR Revises Policy on Missing or Invalid Social Security Numbers in Benefit Applications: In response to an audit released in February 2011 and at the direction of the budget committees expressed through committee narrative, DHR revised its policy for addressing invalid or missing Social Security numbers. A written policy, effective July 2011, was distributed to all local Departments of Social Services.

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) of the amount the State spent under the former Aid to Families with Dependent Children program. 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 focuses 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.

- **Welfare Avoidance Grants** – allows a local department to divert customers from cash assistance when a one-time payment resolves a specific problem and allows the customer to become or remain independent.

The local Departments of Social Services (DSS) are responsible for making eligibility determinations and redeterminations for the aforementioned programs, the State's subsidized child care program, which is administered by the Maryland State Department of Education, 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 DHR – 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;
- increasing the number of TCA families where an adult family member obtains and retains employment; and
- placing Maryland Reaching Independence and Stability through Employment participants into self-sustaining career jobs.

Maryland Office for Refugees and Asylees

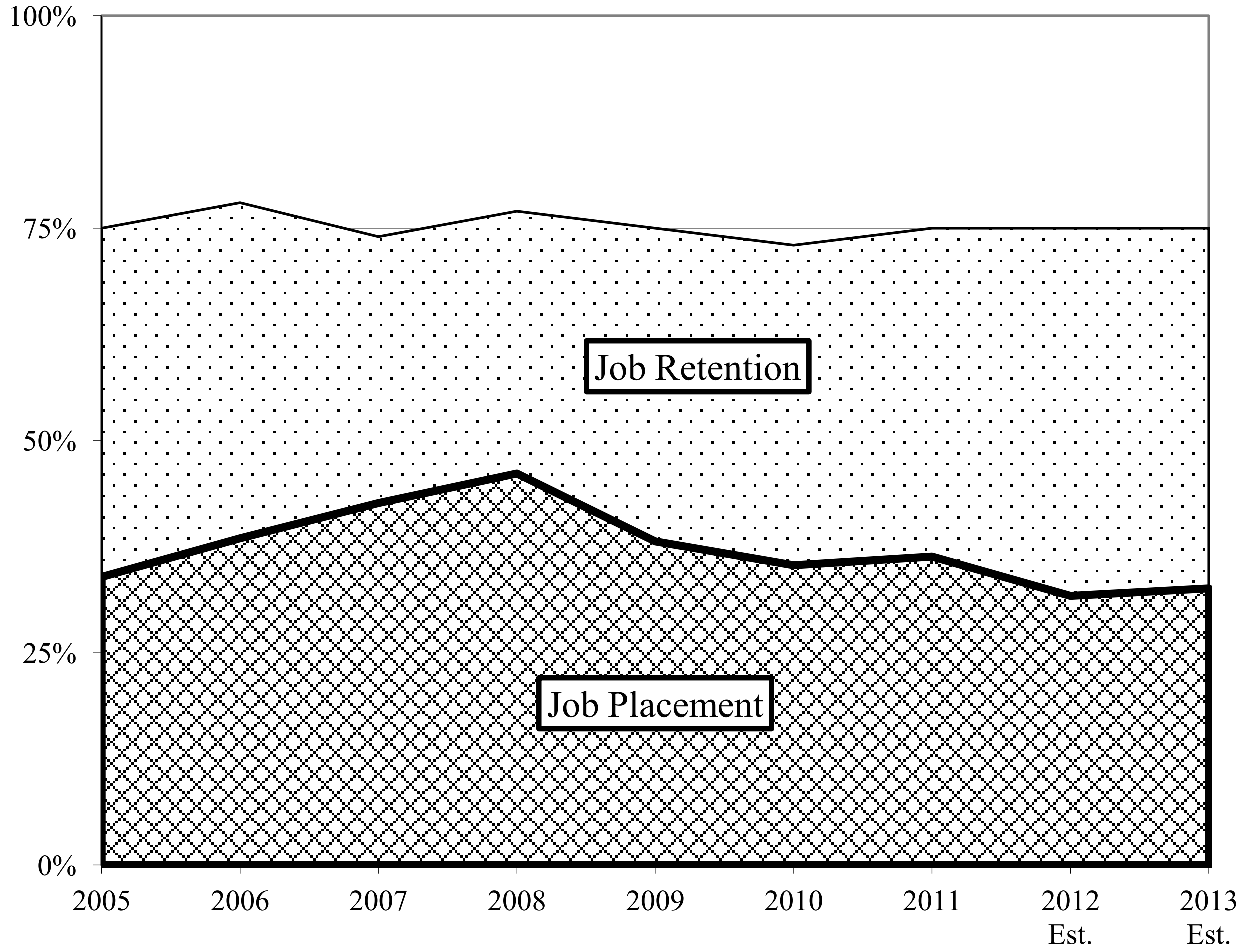
FIA also includes the Maryland Office for Refugees and Asylees (MORA). MORA oversees a federally funded refugee settlement program that provides various services to refugees and asylees residing in Maryland. The key goals of MORA are to assist refugees and asylees to attain early economic independence and social adjustment.

Performance Analysis: Managing for Results

Job Placement and Retention

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' need for cash assistance. **Exhibit 1** illustrates DHR's performance in this regard, showing the job placement and job retention rates. Job placements increased as a percent of cases in fiscal 2011 but are projected to decline slightly as the number of projected placements remains the same while the number of cases is expected to increase. Over time, job retention has fluctuated around 75%.

Exhibit 1
Job Placement and Job Retention
Fiscal 2005-2013

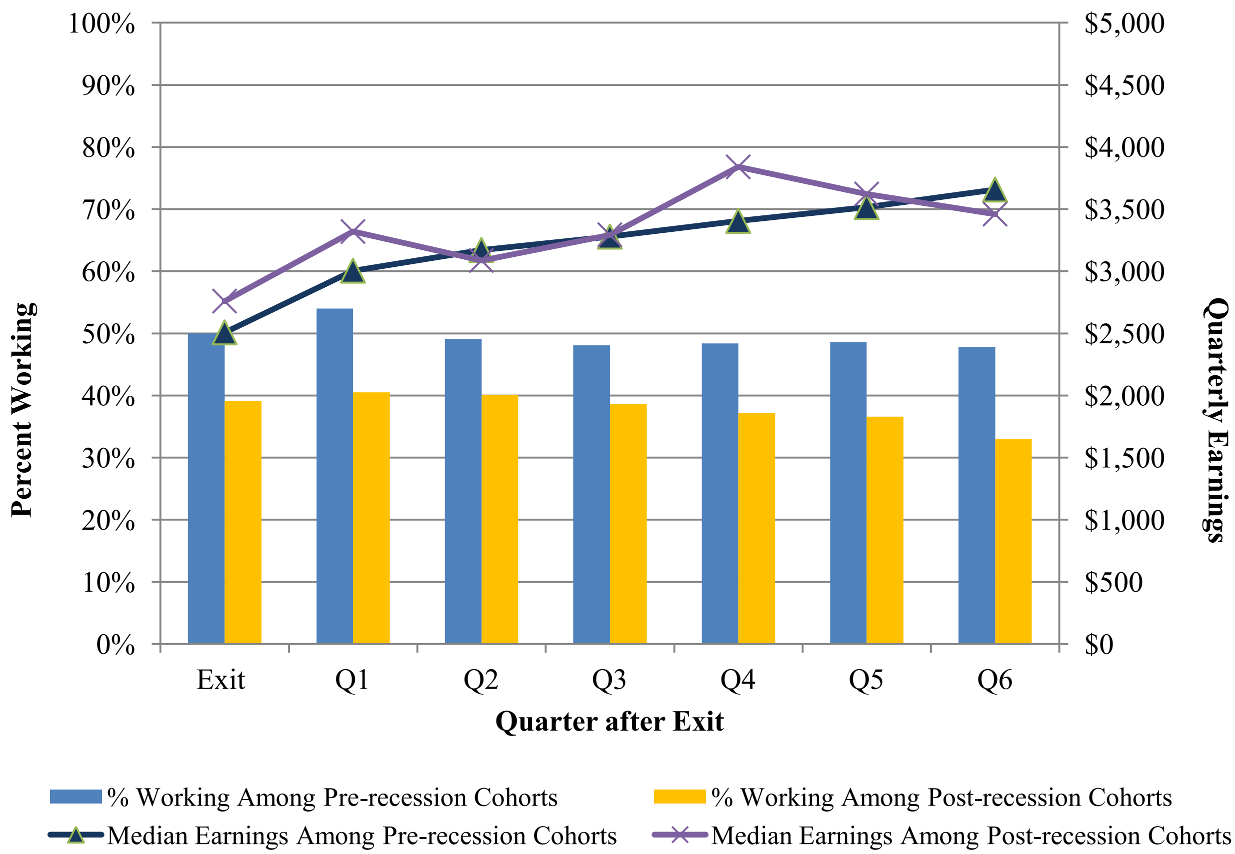


Note: Job placement measures the total number of placements as a percent of the total number of Temporary Cash Assistance (TCA) cases. Job retention measures the percent of individuals who obtained employment in one calendar quarter and remain employed in the following quarter. Fiscal 2012 and 2013 job placement percentage estimates are based on the estimated TCA caseload levels assumed in the budget.

Source: Department of Human Resources; Department of Legislative Services

Exhibit 2 shows the rates of employment and earnings for those exiting TCA. It graphs the performance on these indicators for the pre-recession cohorts (those who exited between October 1996 and December 2007) and for the post-recession cohorts (those who exited between July 2009 and March 2011).

Exhibit 2
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 2011. It follows a sample of Temporary Cash Assistance (TCA) leavers beginning in October 1996 through March 2011, adding 5% of new TCA leavers every month and excluding any that return to TCA within 30 days. This data includes TCA leavers employed in jobs in Maryland covered by unemployment insurance. Because the data does not include employment in other 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 2011, University of Maryland School of Social Work

For the pre-recession cohorts, employment remained at or slightly below the 50% level through the sixth quarter following exit. Median earnings among the earliest cohorts also steadily increased during the period.

In comparing the post-recession cohorts to the pre-recession cohorts, the percent working is much lower for the post-recession cohorts, with 40.5% working in the first quarter after exit but falling to just 33.0% in the sixth quarter after exit. This is an indication of the difficulties those leaving TCA are having due to continued weakness in the economy. The median earnings among the post-recession cohorts also increased between exit and the sixth quarter after exit but displays more volatility than for the pre-recession cohorts.

Fiscal 2012 Actions

Proposed Deficiency

Two deficiency appropriations withdraw $29.8 million in TANF funds, replace $25.8 million of the withdrawn funds with general funds, and add an additional $12.1 million general funds to support increases in the TCA caseload. The $4.0 million TANF withdrawal not being replaced with general funds occurs in the Work Opportunity Program and aligns funding with actual expenditure experience.

Cost Containment

Section 47 of the fiscal 2012 budget bill required the Governor to abolish 450 positions as of January 1, 2012. This agency's share of the reduction was 3 positions. The annualized salary savings due to the abolition of these positions is expected to be $118,824 in general and federal funds.

Proposed Budget

As shown in **Exhibit 3**, the fiscal 2013 allowance for DHR– Family Investment decreased by a net $144.9 million from the current year working appropriation. The decrease is driven by the $150.3 million reduction in federal funding for SNAP benefits. Funding for SNAP benefits was increased by $502.0 million in fiscal 2012, but the caseload did not warrant such a large increase. This decrease in the allowance will more closely align the federal fund appropriation with the expected funding needs and does not represent a reduction in the caseload nor actual spending.

Personnel expenses increase by a net $55,000 with increases driven by employee and retiree health insurance and retirement contributions mostly offset by reductions related to the removal of the one-time employee bonuses and the annualization of position reductions experienced due to the Voluntary Separation Program and Section 47 position abolitions.

Exhibit 3
Proposed Budget
DHR – Family Investment
($ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Total
2012 Working Appropriation	$106,948	$19,082	$1,476,939	$1,602,968
2013 Allowance	138,259	22,103	1,297,756	1,458,118
Amount Change	$31,311	$3,021	-$179,183	-$144,851
Percent Change	29.3%	15.8%	-12.1%	-9.0%
Contingent Reductions	$0	$0	$0	$0
Adjusted Change	$31,311	$3,021	-$179,183	-$144,851
Adjusted Percent Change	29.3%	15.8%	-12.1%	-9.0%

Where It Goes:

Personnel Expenses	
Employee and retiree health insurance	$1,898
Retirement contributions	983
Decreased turnover	414
Abolished/transferred positions	-40
Accrued leave payouts and reclassifications	-193
Annualization of Voluntary Separation Program, abolished positions and Section 47 position reductions	-1,501
Remove one-time $750 employee bonuses	-1,507
Other fringe benefit adjustments	1
Benefit Programs	
TCA average monthly caseload increase from 65,004 to 71,243	8,117
Refugee assistance drop in average monthly caseload from 34 to 20	-34
Reduced funding for Work Opportunities training and placement programs due to reduced availability of TANF funds	-4,260
SNAP benefits – reflects smaller than budgeted caseload increase in fiscal 2012	-150,263
Operations	
Call center contract	1,020
Employment verification services contract	764

Where It Goes:	
Disability examinations contract	676
Postage	21
Supplemental Nutrition Assistance Employment and Training contract	-117
Telephone	-157
Adult Workforce Development Partnership grant ends	-250
Rent	-354
Other	-69
Total	**-$144,851**

TANF: Temporary Assistance for Needy Families
TCA: Temporary Cash Assistance
SNAP: Supplemental Nutrition Assistance Program

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

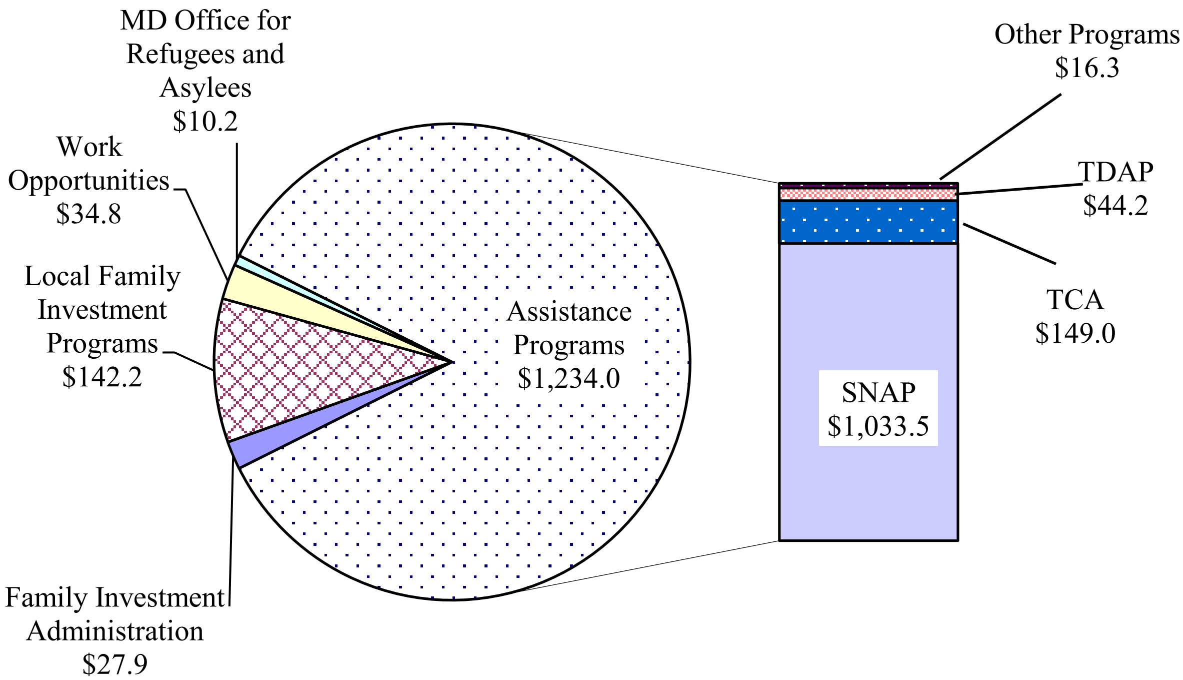
In addition to the decrease in SNAP benefit funding, major changes to benefit programs include an additional $8.1 million to cover increases in the TCA caseload, and a reduction of $4.3 million in funding budgeted for work training and placement programs. This carries forward the reduction made through the fiscal 2012 deficiency appropriation.

General operations increase by just over $1.5 million due primarily to increases in three contracts and partially offset by reductions in funding for telephone usage, a workforce development grant, and rent.

Benefits and Services to Clients

Exhibit 4 shows the DHR – Family Investment fiscal 2013 allowance by category of spending. Assistance programs make up over 84% of the total.

Exhibit 4
Family Investment
Fiscal 2013 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 decreases by $150.3 million to more accurately reflect caseload levels. The fiscal 2012 budget included an increase of $502.0 million to reflect substantial growth in the caseload; however, the magnitude of the funding increase was greater than necessary, and a substantial federal fund cancellation will occur at the end of fiscal 2012.

- **TCA:** The allowance for TCA increases by $8.1 million to provide for a budgeted average monthly caseload of 71,243. If the fiscal 2012 deficiency is included, however, funding for TCA decreases by $4.0 million.

- **General Public Assistance:** The allowance decreases by $34,691 which allows funding at a level just higher than the fiscal 2011 actual expenditures.

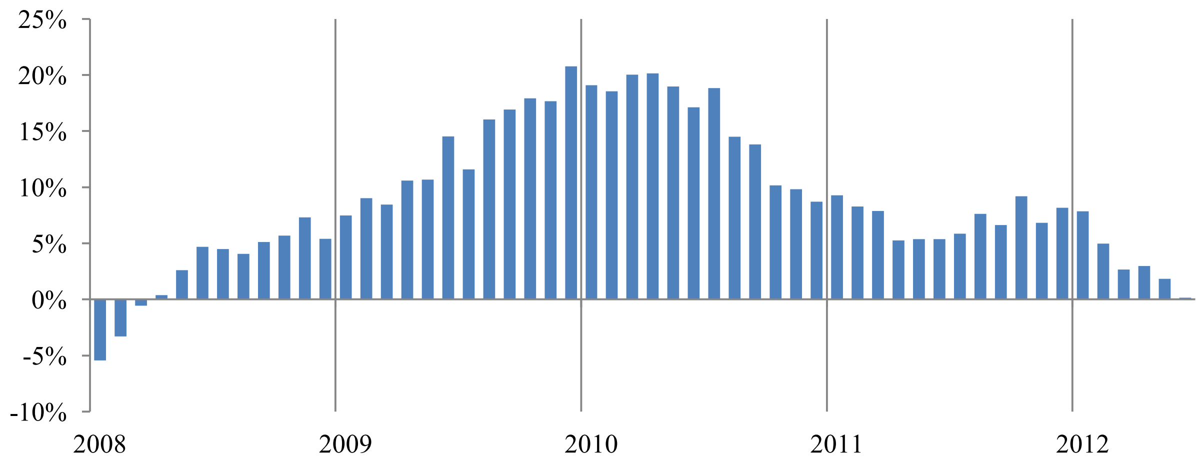
- **Temporary Disability Assistance Program, Emergency Assistance, Emergency Assistance to Families with Children, Public Assistance to Adults and Welfare Avoidance Grants:** These programs are level funded in fiscal 2013.

- **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 decreases by $4.2 million reflecting the realignment of TANF spending with the annual grant and a better reflection of actual expenditures.

Temporary Cash Assistance Caseload and Expenditure Trends

Exhibit 5 shows the year-over-year percent change in the TCA monthly caseload from July 2007 through December 2011. As demonstrated in Exhibit 5, the caseload, which had been declining going into fiscal 2008, reversed course and has increased on a year-over-year basis every month since October 2008. The December 2011 year-over-year increase was just 0.1%, the lowest increase since 2008 and perhaps a signal that the caseload may be peaking.

Exhibit 5
TCA Monthly Caseload
Percent Change Over Prior Year
Fiscal 2008-2012

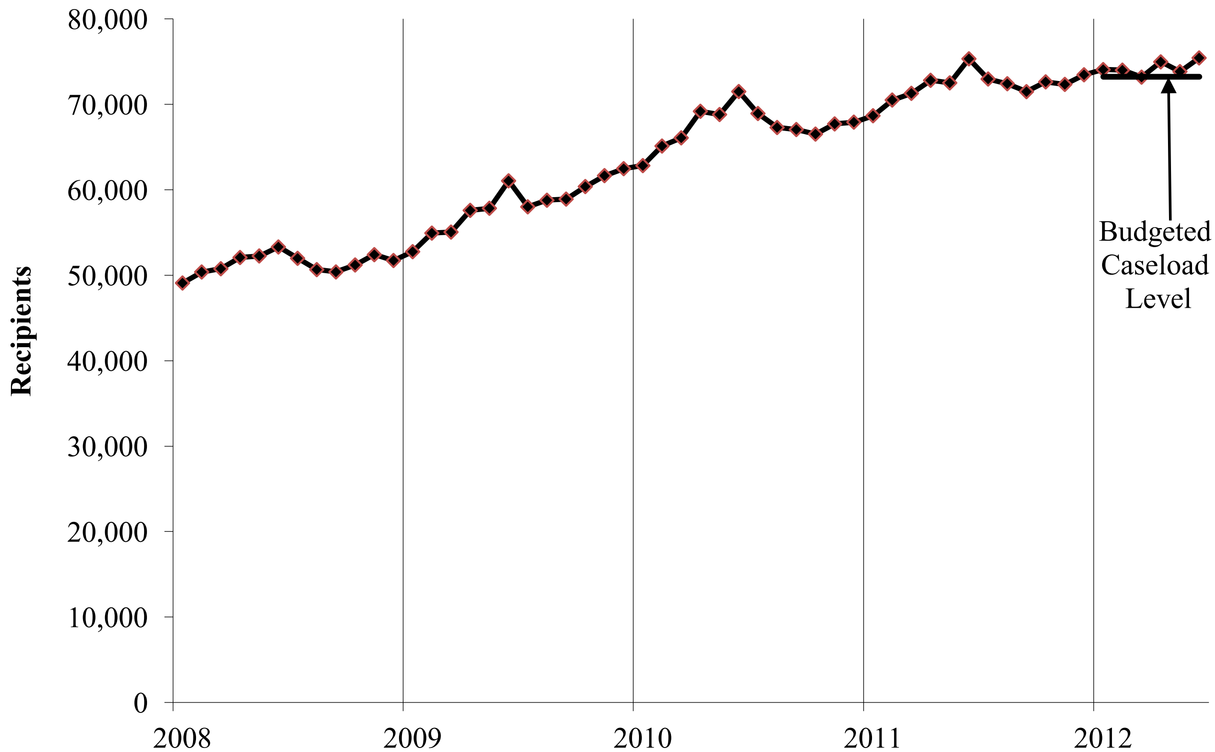


TCA: Temporary Cash Assistance

Source: Department of Human Resources; Department of Legislative Services

Exhibit 6 shows the monthly caseload from July 2007 through December 2011. The caseload has generally been increasing since March 2007, decreasing only 18 out of 57 months since that time. In calendar 2011, however, the caseload decreased in 7 of the 12 months, the first time there has been more monthly decreases than increases since calendar 2006. The TCA budgets for fiscal 2012 and 2013 do not completely fund the current caseload levels but are much closer to current levels than the budgets as introduced have been the past few years. The fiscal 2012 budget, bolstered by the $12.1 million deficiency, funds an average monthly caseload of 73,222 which is 1,036 lower than the average monthly caseload of 74,258 experienced in the first six months of fiscal 2012. The fiscal 2013 budget assumes the caseload will begin to decline and provides funding for an average monthly caseload of 71,243.

Exhibit 6
TCA Caseload by Month
Fiscal 2008-2012



TCA: Temporary Cash Assistance

Source: Department of Human Resources; Department of Legislative Services

Looking forward, the Department of Legislative Services (DLS) projects that the average monthly caseload will reach 74,021 in fiscal 2012, and assuming the caseload is reaching its peak, will stabilize in fiscal 2013 at the 2012 level. **Exhibit 7** shows the caseload and funding trends from fiscal 2010 through 2013.

Exhibit 7

TCA Enrollment and Funding Trends

Fiscal 2010-2013

	2010	2011	2012 Est.	2013 Est.
Average Monthly Enrollment	67,422	72,211	74,021	74,021
Average Monthly Grant	$174.17	$175.09	$175.09	$175.09
Budgeted Funds in Millions				
General Funds	$50.5	$0.2	$45.0	$39.0
Total Funds	**$140.9**	**$151.1**	**$153.0**	**$149.0**
DLS Estimate			$155.5	$155.5
Shortfall			-$2.5	$-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 Temporary Assistance for Needy Families 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. Fiscal 2012 reflects deficiency appropriations.

Source: Department of Human Resources; Department of Legislative Services

DLS estimates that due to the higher than budgeted caseload levels in fiscal 2012 and 2013, an additional $2.5 million for fiscal 2012 and an additional $6.5 million for fiscal 2013 will be needed for TCA. **Exhibit 8** shows the combined effects of the unaddressed TANF balance shortfall combined with the TCA underbudgeting based on projected caseloads. Over the two-year period, the shortfall totals $43.3 million. These shortfalls will likely be carried forward by borrowing against the next year federal TANF grant to close out each year with a $0 TANF balance. The amount of shortfall carried into 2013 will be reduced to the extent additional TANF contingency funds are received. DHR anticipates a final fiscal 2012 TANF contingency allocation of $3.8 million.

Exhibit 8
TANF/TCA Shortfalls
Fiscal 2012-2013
($ in Millions)

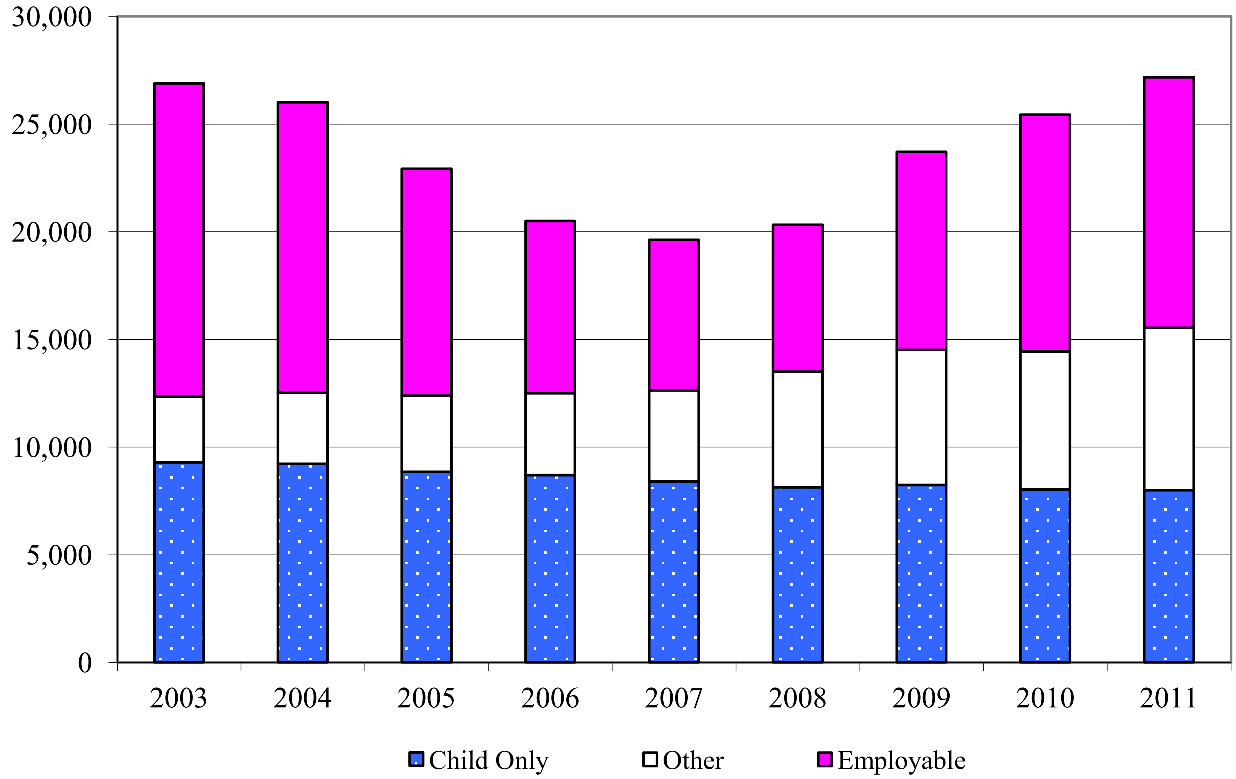
	2012	2013	Total
Temporary Assistance for Needy Families (TANF) Balance	$34.4	-0.1	**$34.3**
Temporary Cash Assistance (TCA) Caseload Underbudgeting	2.5	6.5	**9.0**
Total	**$36.9**	**$6.4**	**$43.3**

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 successfully entered the labor market, the core cases represented an increasing percentage of the total TCA caseload. Due to the economic downturn, the total caseload has increased each year since 2007 reversing the downward trend since 2003, as shown in **Exhibit 9**. In July 2011, child only cases comprised 29.4% of the total caseload, down from 31.6% a year prior. Cases headed by an employable adult decreased slightly between 2010 and 2011 from 43.2% of the caseload in July 2010 to 42.9% a year later.

Exhibit 9
Characteristics of the Current Caseload
July Caseloads
2003-2011



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, which include well-educated individuals with lengthy employment experience, 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.

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.

December 2011 was the one hundred and twentieth month in which some families had reached the five-year benefit limit. The annual average number of families receiving TANF assistance during federal fiscal 2011 was 25,272. The annual average number of cases headed by adults that received assistance for more than 60 months during federal fiscal 2011 was 1,795. Since this number is below the 20% exemption limit for federal fiscal 2011 of 5,054, 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 2015. Until that time, the department expects to accommodate, under federal hardship exemptions, all families who cooperate with program requirements.

Issues

1. TANF Operating under Short-term Extension

TANF was last authorized by the Deficit Reduction Act of 2005 which authorized the program through September 2010. Since then, Congress has not acted on a re-authorization bill and the program has continued under a series of short-term extensions. Most recently, Congress extended TANF through February 29, 2012, as part of the Temporary Payroll Cut Continuation Act of 2011.

Policy Changes Considered by Congress

Although the TANF extension through the Temporary Payroll Cut Continuation Act of 2011 was a "clean" extension of TANF (*i.e.*, no policy changes), the House of Representatives has proposed new policy provisions in various pieces of legislation it has considered. The original House-passed Middle Class Tax Relief and Job Creation Act included two policy changes. The first would have mandated data standardization to improve matching to combat fraud and abuse. The second would have required states, the District of Columbia, and territories to adopt policies and practices to prevent the use of TANF funds through Electronic Benefit Transactions (EBTs) in liquor stores, casinos or gaming establishments, and adult-entertainment venues. On February 1, 2012, the House passed this second provision as separate legislation entitled the Welfare Integrity Now for Children and Families Act. This legislation would penalize states that do not, within two years of enactment of the legislation, adopt the required policies by imposing a penalty equal to 5% of a states block grant amount. The penalty would be assessed each year a state was not in compliance. For Maryland, the penalty would be almost $11.5 million.

DHR currently does not restrict the locations where benefit recipients can withdraw funds through EBTs. It indicates that implementing such restrictions would be expensive and would yield little to no public policy benefit in return.

The department should comment on the likely costs and challenges that would be involved with instituting location restrictions on EBTs.

2. Maryland Penalized for Second Year for High SNAP Error Rate

Every year in June, the U.S. Department of Agriculture (USDA) releases the state SNAP payment error rates for the preceding federal fiscal year. The payment error rate is based on a sampling of cases and measures the overpayment and underpayment error rates for each state. When a state exceeds 105% of the national average payment error rate for two consecutive years, a penalty based on the value of all SNAP benefit allotments made by the state is assessed.

In 2010 Maryland was assessed a penalty of $742,238 for exceeding the national error rate for two consecutive years. In a negotiated settlement the penalty was reduced to $423,563. In June 2011, the USDA Food and Nutrition Service (FNS) again notified DHR that Maryland's payment error rate of 7.68% exceeded the federal fiscal 2010 national average of 3.81%. In fact, Maryland had the highest combined error rate (overpayment errors plus underpayment errors) of any state in federal fiscal 2010. FNS indicated that since it was the second consecutive year that Maryland's error rate exceeded the national average, a penalty of $1,474,999 was being assessed. DHR appealed the penalty based on the large caseload increase experienced between federal fiscal 2008 and 2010 and was successful in having the penalty reduced to $948,525. DHR is required to invest half the amount into administrative changes designed to reduce future payment errors. The remaining penalty amount is to be set aside as an "at-risk" reserve to be used for additional administrative improvements if the error rate is not met in future years. Because Maryland was penalized for the second year in a row, it was notified in February 2012 that it must forfeit the "at-risk" reserve half of the $423,563 federal fiscal 2009 penalty.

Maryland's 2010 error rate also counts as the first of two possible consecutive years of excessive payment rate errors, which would result in another penalty should Maryland's 2011 error rate also exceed the national average. DHR indicates that it has reduced "both the number and dollar value of errors throughout federal fiscal 2011 but indicates it is not possible to predict whether Maryland will incur an error rate penalty for a third year in a row.

DHR should brief the committees on the steps it has taken to address the problems that have led to high error rates.

3. Despite Meeting Requirements for More Than a Year, DHR Remains under Court Order on Timeliness of Benefit Determinations

After a 3-day trial in December 2009 in a lawsuit filed by two Baltimore County plaintiffs who claimed DHR was violating federal and State law by failing to process applications and determine eligibility within the required 30-day timeframe for Food Stamps and TCA benefits, the Circuit Court for Baltimore City ordered DHR to achieve full compliance – defined as compliance in at least 96.0% of cases – within a year.

After months of sustained efforts to eliminate benefit application backlogs, improve business practices, and address staffing issues through the expedited filling of vacant positions, DHR came into compliance in November 2010. In December 2010, the Attorney General (AG), on DHR's behalf, filed a motion to dissolve the injunction. The court has not yet ruled on this motion. After a full year of remaining in compliance, the AG filed a Supplemental Memorandum in Support of Motion to Dissolve Injunction in December 2011. DHR continues to await a court ruling on its motion along with a motion by plaintiffs' council, which DHR opposes, requesting that the court award attorneys' fees and costs in the total sum of $954,864.30.

DHR should brief the committee on any new developments in this case.

Recommended Actions

1. Concur with Governor's allowance.

Updates

1. No Wrong Door Final Report Issued

The 2010 *Joint Chairmen's Report* (JCR) included committee narrative requesting DHR, in consultation with the Advisory Board for Maryland Access Point, to convene a committee with representatives from a broad range of State agency and community organizations to study the issues around and make recommendations to improve the provision of public assistance and services. The ultimate goal of this effort is to establish a "no wrong door" system that would allow people in need to find out about and apply for all assistance for which they are eligible at any point they access public benefits.

The final report of the committee was issued June 30, 2011. Some of the key recommendations include:

- implement no wrong door efforts in coordination with health care reform;
- develop and improve cross-agency communication and expertise in all available benefits regardless of which agency is responsible;
- develop a single uniform application for all benefits;
- eliminate administrative and legal barriers that are stumbling blocks for those seeking benefits;
- connect information technology systems to match and share data across systems;
- utilize a uniform technology platform for health care and for social welfare programs; and
- improve marketing and outreach.

Some of the recommendations encompass low-cost efforts already underway such as improving interagency understanding of benefits available through sister agencies. Other recommendations, particularly utilization of a uniform technology platform, are both costly and would require a tremendous amount of effort to achieve.

2. DHR on Track to Meet Federal Work Participation Rate for Federal Fiscal 2012

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 2012, Maryland's target work participation rate is 44.1%, based on a 5.9% caseload reduction credit for caseload reductions achieved after 2005. DHR reports that 231 more cases were meeting the work participation requirements as of November 2011 than were needed to meet the target rate of 5.9%.

3. In Response to Audit and Committee Narrative, DHR Revises Policy on Missing or Invalid Social Security Numbers in Benefit Applications

The February 2011 legislative audit for the DHR's FIA included a finding that FIA did not adequately ensure that the results of computer matches and system alerts triggered by missing or invalid Social Security numbers (SSN) were always investigated and resolved in a timely and adequate manner. In the 2011 JCR, the budget committees requested that FIA develop a written policy requiring benefit eligibility determination personnel to verify that a valid SSN has been provided within six months of a case being entered into the Client Automated Resource and Eligibility system, or that a valid, documented justification exists for the absence of a valid SSN (*e.g.*, that application for a SSN has been made but that the number has not yet been received, that the case involves an infant and federal regulations require a longer grace period, etc.). FIA's policy was to verify that a valid SSN existed at the first redetermination, usually a year after benefits were first provided. The committee narrative requested FIA to provide a copy of the written policy report to the committees by July 1, 2011, along with an assessment of budgetary and/or personnel impacts that would result from implementing the policy.

FIA developed a written policy, distributed it to the local DSSs for immediate implementation, and provided a copy to the committees by the July 1, 2011 due date. The policy requires local DSSs to review all cases of invalid or missing SSN within six months and to follow the appropriate program policies for halting benefits if there is not a valid, documented reason for the missing SSN. DHR reports that while there would be some staffing and budgetary impacts, the department would manage the change within existing resources.

Appendix 1

Current and Prior Year Budgets

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

	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2011					
Legislative Appropriation	$98,917	$18,435	$968,739	$0	$1,086,091
Deficiency Appropriation	0	-1,000	501,969	0	500,969
Budget Amendments	6,481	4,874	6,822	0	18,177
Reversions and Cancellations	0	-967	-184,353	0	-185,321
Actual Expenditures	**$105,398**	**$21,342**	**$1,293,177**	**$0**	**$1,419,917**
Fiscal 2012					
Legislative Appropriation	$106,237	$19,050	$1,476,174	$0	$1,601,462
Budget Amendments	711	31	764	0	1,506
Working Appropriation	**$106,948**	**$19,082**	**$1,476,939**	**$0**	**$1,602,968**

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

Fiscal 2011

The fiscal 2011 budget for DHR – Family Investment closed out $333.8 million higher than the legislative appropriation. Increases through deficiency appropriations ($501.0 million) and budget amendments ($18.2 million) were partially offset by year-end cancellations ($185.3 million.)

General funds increased by a net $6,480,945 through year-end budget amendments which transferred the funds from other parts of the DHR budget to the local department operations to cover salaries and wages.

Special funds increased by a net $2,907,024 with increases through budget amendments which added local government contributions ($4,874,236) partially offset by a deficiency appropriation which withdrew $1 million due to underattainment of reimbursements in TDAP and cancellation of $967,212 representing underattainment of local government payments due to cost-shared Medical Assistance Eligibility positions remaining unfilled.

Federal funds increased by a net $324,437,494. Increases occurred through a deficiency appropriation which added funds for SNAP benefits ($502.0 million) and budget amendments which added funding for food stamp administration ($3,289,016), Medicaid eligibility ($1,973,247) and refugee assistance ($1,559,409). These increases were partially offset by year-end cancellations due to lower than estimated SNAP benefits ($171,772,757), underattainment of Medicaid and Matching Child Care funds in the local department operations ($7,296,847), and insufficient TANF availability in the Works Opportunities Program ($5,283,838).

Fiscal 2012

The fiscal 2012 working appropriation for DHR – Family Investment is $1,506,449 higher than the legislative appropriation and represents funds added by budget amendment for the one-time $750 employee bonuses.

Appendix 2

Audit Findings

Audit Period for Last Audit:	Performance Audit: Using the Federal Death Master File to Detect and Prevent Medicaid Payments Attributable to Deceased Individuals
Issue Date:	December 2011
Number of Findings:	3
Number of Repeat Findings:	0
% of Repeat Findings:	n/a
Rating: (if applicable)	n/a

Finding 1: Maryland's Medicaid eligibility file should be periodically matched to a nationwide death database to identify payments made attributable to deceased individuals. DHMH and DHR agreed with the recommendations to develop a process for using the Social Security Administration's Death Master File to detect deceased individuals improperly identified in the Medicaid Management Information System II as eligible to receive Medicaid benefits and for whom benefits have been improperly paid and to recover payments improperly made as a result of the audit review.

Finding 2: Other cases identified by the audit should be investigated to identify any data inaccuracies and overpayments. The departments concurred with the recommendation.

Finding 3: DHMH and DHR should evaluate the factors that contributed to the overpayments detected during the audit and make any necessary system or process charges. The departments agreed with the recommendations to evaluate factors contributing to the overpayments and periodically verify the continued eligibility of individuals who were approved for Medicaid benefits because of their approval for SSI benefits.

Object/Fund Difference Report
DHR – Family Investment

Object/Fund	FY 11 Actual	FY 12 Working Appropriation	FY 13 Allowance	FY 12 - FY 13 Amount Change	Percent Change
Positions					
01 Regular	2,066.42	2,039.42	2,038.42	-1.00	0%
02 Contractual	48.85	68.00	68.00	0.00	0%
Total Positions	**2,115.27**	**2,107.42**	**2,106.42**	**-1.00**	**0%**
Objects					
01 Salaries and Wages	$ 123,602,517	$ 118,376,210	$ 118,430,809	$ 54,599	0%
02 Technical and Spec. Fees	2,086,035	2,396,607	2,329,280	-67,327	-2.8%
03 Communication	1,442,089	1,675,609	1,451,058	-224,551	-13.4%
04 Travel	245,471	129,096	138,929	9,833	7.6%
06 Fuel and Utilities	1,404,863	1,264,592	1,442,899	178,307	14.1%
07 Motor Vehicles	55,447	17,054	18,255	1,201	7.0%
08 Contractual Services	55,271,540	61,069,024	55,510,320	-5,558,704	-9.1%
09 Supplies and Materials	1,070,436	625,524	632,574	7,050	1.1%
10 Equipment – Replacement	69,000	0	0	0	0.0%
11 Equipment – Additional	64,642	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	1,220,064,403	1,403,043,509	1,264,132,636	-138,910,873	-9.9%
13 Fixed Charges	14,540,429	14,370,942	14,030,797	-340,145	-2.4%
Total Objects	**$ 1,419,916,872**	**$ 1,602,968,167**	**$ 1,458,117,557**	**-$ 144,850,610**	**-9.0%**
Funds					
01 General Fund	$ 105,397,617	$ 106,948,066	$ 138,259,017	$ 31,310,951	29.3%
03 Special Fund	21,342,359	19,081,563	22,102,629	3,021,066	15.8%
05 Federal Fund	1,293,176,896	1,476,938,538	1,297,755,911	-179,182,627	-12.1%
Total Funds	**$ 1,419,916,872**	**$ 1,602,968,167**	**$ 1,458,117,557**	**-$ 144,850,610**	**-9.0%**

Note: The fiscal 2012 appropriation does not include deficiencies.

Fiscal Summary
DHR – Family Investment

Program/Unit	FY 11 Actual	FY 12 Wrk Approp	FY 13 Allowance	Change	FY 12 - FY 13 % Change
02 Local Family Investment Program	$ 139,564,802	$ 142,648,680	$ 142,226,368	-$ 422,312	-0.3%
08 Assistance Payments	1,210,307,629	1,385,204,192	1,243,023,926	-142,180,266	-10.3%
10 Work Opportunities	32,821,542	39,010,085	34,773,962	-4,236,123	-10.9%
04 Director's Office	25,781,495	25,905,973	27,916,447	2,010,474	7.8%
05 Maryland Office for New Americans	11,441,404	10,199,237	10,176,854	-22,383	-0.2%
Total Expenditures	**$ 1,419,916,872**	**$ 1,602,968,167**	**$ 1,458,117,557**	**-$ 144,850,610**	**-9.0%**
General Fund	$ 105,397,617	$ 106,948,066	$ 138,259,017	$ 31,310,951	29.3%
Special Fund	21,342,359	19,081,563	22,102,629	3,021,066	15.8%
Federal Fund	1,293,176,896	1,476,938,538	1,297,755,911	-179,182,627	-12.1%
Total Appropriations	**$ 1,419,916,872**	**$ 1,602,968,167**	**$ 1,458,117,557**	**-$ 144,850,610**	**-9.0%**

Note: The fiscal 2012 appropriation does not include deficiencies.

Appendix 4