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# **Department of Human Resources Fiscal 2018 Budget Overview**

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**Department of Legislative Services  
Office of Policy Analysis  
Annapolis, Maryland**

**January 2017**

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

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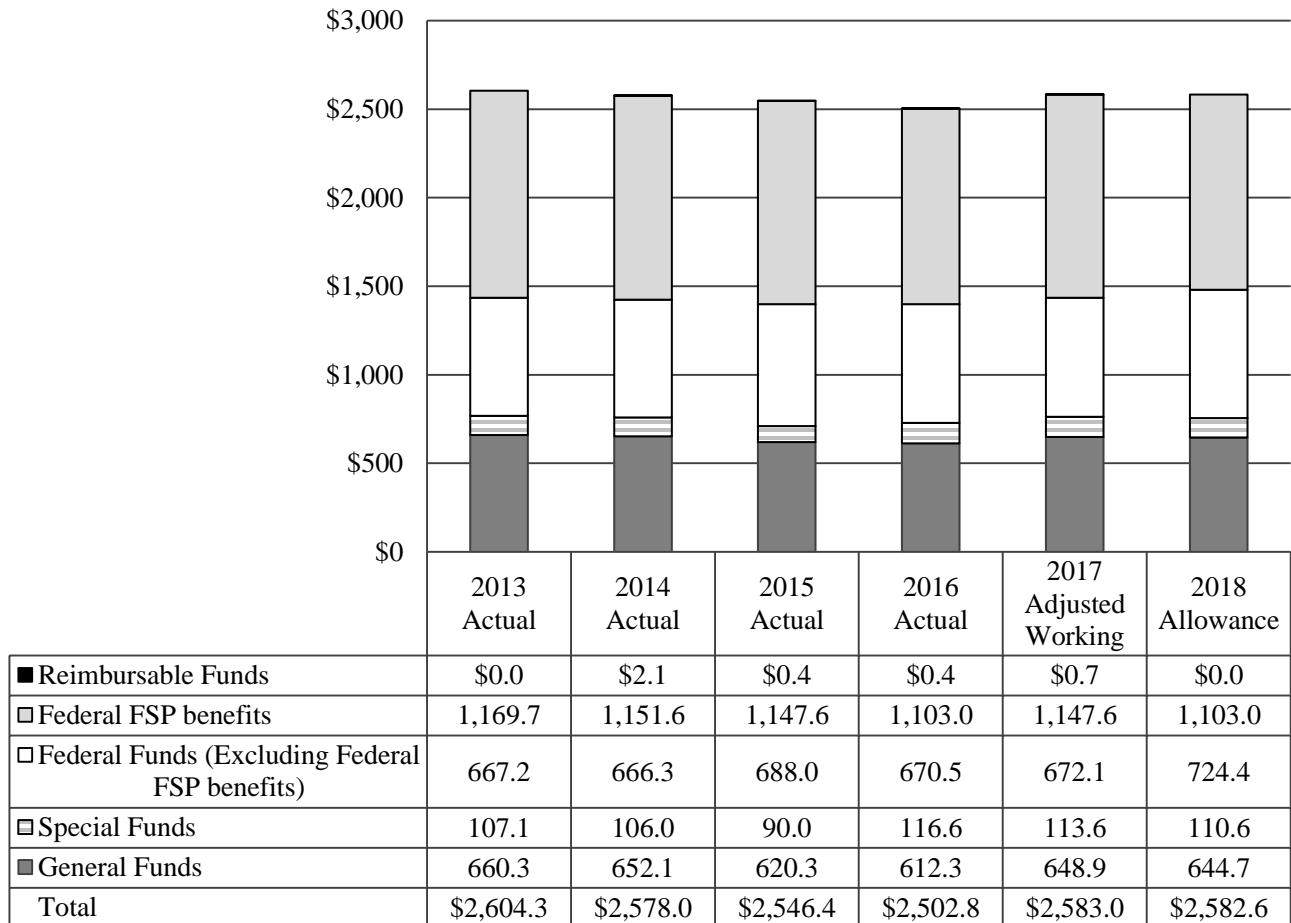
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*Analysis of the FY 2018 Maryland Executive Budget, 2017*



**N00**  
**Department of Human Resources**  
**Fiscal 2018 Budget Overview**

**Department of Human Resources – Funding by Source**  
**Fiscal 2013-2018**  
**(\$ in Millions)**



FSP: Food Supplement Program

Note: Numbers may not sum to total due to rounding. Fiscal 2017 includes deficiency appropriations. The fiscal 2018 allowance includes a reduction to retirement contributions specified in Section 19 of the budget bill.

Source: Maryland State Budget

*N00 – Department of Human Resources – Fiscal 2018 Budget Overview*

**Department of Human Resources  
Budget Overview: All Funds  
Fiscal 2016-2018  
(\$ in Thousands)**

	<u>2016 Actual</u>	<u>2017 Working</u>	<u>2018 Allowance</u>	<u>2017-18 \$ Change</u>	<u>2017-18 % Change</u>
<b>Family Investment</b>	<b>\$442,803</b>	<b>\$449,315</b>	<b>\$431,124</b>	<b>-\$18,191</b>	<b>-4.0%</b>
TCA Payments	128,651	129,606	114,376	-15,231	-11.8%
TDAP	40,083	40,104	40,104	0	0.0%
FSP Supplemental Benefit	0	0	1,900	1,900	0.0%
Other Public Assistance	16,281	16,039	16,794	754	4.7%
Work Opportunities	31,289	33,332	31,651	-1,681	-5.0%
Office of Grants Management	20,633	13,183	12,622	-561	-4.3%
Administration	205,866	217,051	213,679	-3,372	-1.6%
<b>Office of Home Energy Programs</b>	<b>\$143,011</b>	<b>\$140,818</b>	<b>\$144,085</b>	<b>\$3,267</b>	<b>2.3%</b>
<b>Social Services Administration</b>	<b>\$553,356</b>	<b>\$574,107</b>	<b>\$573,054</b>	<b>-\$1,053</b>	<b>-0.2%</b>
Foster Care/Adoption	267,584	262,320	262,698	378	0.1%
Programs/Administration	285,772	311,787	310,356	-1,431	-0.5%
<b>Child Support Enforcement</b>	<b>\$90,192</b>	<b>\$92,506</b>	<b>\$92,002</b>	<b>-\$504</b>	<b>-0.5%</b>
<b>Administration</b>	<b>\$170,404</b>	<b>\$178,618</b>	<b>\$239,382</b>	<b>\$60,764</b>	<b>34.0%</b>
Office of the Secretary	29,816	30,864	28,988	-1,876	-6.1%
Operations	31,395	30,761	30,296	-464	-1.5%
Information Management	65,413	71,546	135,595	64,049	89.5%
Local Department Operations	43,779	45,447	44,502	-944	-2.1%
<b>Total</b>	<b>\$1,399,766</b>	<b>\$1,435,363</b>	<b>\$1,479,647</b>	<b>\$44,284</b>	<b>3.1%</b>
General Funds	\$612,331	\$648,932	\$644,681	-\$4,251	-0.7%
Special Funds	116,565	113,618	110,570	-3,048	-2.7%
Federal Funds (Excluding FSP)	670,459	672,124	724,397	52,272	7.8%
Reimbursable Funds	411	689	0	-689	
<b>Total Funds (Excluding Federal FSP)</b>	<b>\$1,399,766</b>	<b>\$1,435,363</b>	<b>\$1,479,647</b>	<b>\$44,284</b>	<b>3.1%</b>
<b>Federal FSP Benefits</b>	<b>\$1,102,997</b>	<b>\$1,147,618</b>	<b>\$1,102,997</b>	<b>-\$44,620</b>	<b>-3.9%</b>
<b>Total (Including Federal FSP)</b>	<b>\$2,502,763</b>	<b>\$2,582,981</b>	<b>\$2,582,645</b>	<b>-\$337</b>	<b>0.0%</b>

FSP: Food Supplement Program

TCA: Temporary Cash Assistance

TDAP: Temporary Disability Assistance Program

Note: Numbers may not sum to total due to rounding. Fiscal 2017 includes deficiency appropriations. The fiscal 2018 allowance includes a reduction to retirement contributions specified in Section 19.

Source: Maryland State Budget; Department of Human Resources

**Department of Human Resources  
Budget Overview: General Funds  
Fiscal 2016-2018  
(\$ in Thousands)**

	<b><u>2016 Actual</u></b>	<b><u>2017 Working</u></b>	<b><u>2018 Allowance</u></b>	<b><u>2017-18 \$ Change</u></b>	<b><u>2017-18 % Change</u></b>
<b>Family Investment</b>	<b>\$137,207</b>	<b>\$147,569</b>	<b>\$149,724</b>	<b>\$2,155</b>	<b>1.5%</b>
TCA Payments	12,074	21,605	22,167	563	2.6%
TDAP	35,223	34,065	34,065	0	0.0%
FSP Supplemental Benefit	0	0	1,900	1,900	0.0%
Other Public Assistance	9,417	8,826	9,180	354	4.0%
Work Opportunities	0	0	0	0	0.0%
Office of Grants Management	11,769	12,001	11,493	-508	-4.2%
Administration	68,724	71,073	70,918	-154	-0.2%
<b>Office of Home Energy Programs</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>
<b>Social Services Administration</b>	<b>\$362,742</b>	<b>\$382,247</b>	<b>\$379,444</b>	<b>-\$2,803</b>	<b>-0.7%</b>
Foster Care/Adoption	183,679	177,800	\$184,521	6,721	3.8%
Programs/Administration	179,063	204,447	\$194,923	-9,524	-4.7%
<b>Child Support Enforcement</b>	<b>\$18,800</b>	<b>\$19,156</b>	<b>\$19,221</b>	<b>\$64</b>	<b>0.3%</b>
<b>Administration</b>	<b>\$93,583</b>	<b>\$99,959</b>	<b>\$96,293</b>	<b>-\$3,667</b>	<b>-3.7%</b>
Office of the Secretary	21,903	22,057	\$21,748	-308	-1.4%
Operations	18,193	18,283	\$15,215	-3,069	-16.8%
Information Management	28,352	31,574	\$32,109	535	1.7%
Local Department Operations	25,134	28,045	\$27,221	-824	-2.9%
<b>Total</b>	<b>\$612,331</b>	<b>\$648,932</b>	<b>\$644,681</b>	<b>-\$4,251</b>	<b>-0.7%</b>

FSP: Food Supplement Program

TCA: Temporary Cash Assistance

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Note: Numbers may not sum to total due to rounding. Fiscal 2017 includes deficiency appropriations. The fiscal 2018 allowance includes a reduction to retirement contributions specified in Section 19.

Source: Maryland State Budget; Department of Human Resources

## **Fiscal 2017 Actions**

### **Board of Public Works Cost Containment**

The Department of Human Resources (DHR) budget was reduced by \$3.7 million in the cost containment actions approved at the November 2, 2016 Board of Public Works (BPW) meeting. The reduction occurred entirely in the Assistance Payments Program of the Family Investment Administration (FIA) to reflect reductions in the Temporary Cash Assistance (TCA) caseload.

### **Section 20 Position Reductions**

Section 20 of the fiscal 2017 budget bill required 657 vacant positions to be abolished throughout State government. The DHR share of the position abolitions was 72 positions. The majority of these positions were in FIA (38 positions). The remaining positions were abolished in:

- Social Services Administration (SSA) – 15 positions;
- Administration – 11 positions;
- Child Support Enforcement Administration (CSEA) – 5 positions; and
- Office of Home Energy Programs (OHEP) – 3 positions.

In general, these positions were long-term vacant positions. As a result, the impact on the agency is expected to be limited. Some of the positions were caseworkers or caseworker supervisors (11 caseworkers and 3 supervisors in FIA and 5 caseworkers and 1 supervisor in SSA). On a statewide basis, SSA met the caseworker to case ratio standards, after accounting for these abolitions. As part of Section 20, \$2.2 million of general funds were also reduced in DHR. The general fund share of the salaries and fringe benefits of the abolished positions was slightly less (less than \$100,000) than the amount of general funds reduced. However, the difference is relatively small and should be able to be absorbed within the overall budget of the department.

### **Proposed Deficiency Appropriations**

The fiscal 2018 budget bill includes three proposed deficiency appropriations for DHR. In total, these proposed deficiency appropriations would increase general funds in the fiscal 2017 appropriation by \$24.4 million and decrease federal funds by \$23.0 million. Specifically, these proposed deficiency appropriations:

- provide general funds in lieu of federal funds from the Medical Assistance Program based on revised assumptions of federal fund attainment in the Local Child Welfare Services Program (\$15.7 million);

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- provide general funds in lieu of federal funds from the Medical Assistance Program based on revised assumptions of federal fund attainment in the Local Family Investment Program (\$7.3 million); and
- provide \$1.4 million in general funds in the Office of Secretary to pay for attorney's fees related to the *L.J. vs. Massinga* case in Baltimore City approved at the January 4, 2017 BPW meeting.

**Department of Human Resources  
Major Changes in the Fiscal 2018 Allowance  
(\$ in Thousands)**

**Where It Goes:**

**Personnel Expenses**

Annual cost of Child Welfare Services caseworker salary increases.....	\$2,551
Reclassification .....	759
Workers' compensation premium assessment .....	236
Turnover adjustments.....	417
Accrued leave payout to reflect recent experience .....	-572
Social Security contributions .....	-603
Employee retirement .....	-2,697
Employee and Retiree health insurance .....	-4,754
Regular earnings .....	-6,384
Other fringe benefit adjustments.....	-32

**Administration**

Federal funds for Maryland Total Human Services Information Network (MD THINK) MITDP .....	65,218
Enterprise budget system allocation ended statewide .....	-978
Legal Services for Children to align with actual experience .....	-992
Automated Financial System MITDP primarily because fiscal 2018 general funds are in MITDPF .....	-1,361
One-time fiscal 2017 deficiency appropriation for attorney's fees for <i>L.J. vs. Massinga</i> .....	-1,400

**Social Services Administration**

Subsidized guardianship caseload increase partially offset by a decrease in caseload for subsidized adoptions .....	4,232
2% provider rate increase for foster care providers .....	2,501
Title IV-E Waiver project support and evaluation costs .....	2,411
New Foster Youth Savings program for transition aged youth to promote savings and asset building .....	1,700
Foster care placement costs due to declining caseloads and changes in placement types.....	-8,050

**Assistance Payments**

Public assistance to adults to reflect recent experience .....	799
Temporary Cash Assistance due to declining caseloads.....	-15,231
Food Supplement Program to reflect recent experience partially offset by new supplemental benefit for certain seniors .....	-42,720

**Family Investment Administration**

Supplemental Nutrition Assistance Program nutrition education and outreach contract costs .....	2,757
New asset verification and increased cost of employment and income verification contracts for public assistance and energy assistance.....	1,712
Disability determination services contract .....	-1,683



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**Where It Goes:**

Work opportunities program grants and contracts for employment services, job training, and subsidized employment to reflect recent experience..... -1,928

**Office of Home Energy Programs**

Energy assistance benefits due to increased federal funding partially offset by reduced special funds ..... 1,204

Local administering agency contracts..... 1,103

**Other Changes**

Montgomery County block grant..... 1,392

Other ..... 58

**Total** **-\$336**

MITDP: Major Information Technology Development Project

MITDPF: Major Information Technology Development Project Fund

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

## **Fiscal 2018 Budget Changes**

### **Assistance Payments**

#### **TCA**

The fiscal 2018 allowance for TCA decreases by \$15.2 million compared to the fiscal 2017 working appropriation. The decrease occurs primarily among Temporary Assistance for Needy Families (TANF) (\$14.5 million), while special funds decrease by \$1.3 million, and general funds increase by approximately \$0.6 million. The change in funding source for TCA will be discussed further in Issue 1.

The average TCA benefit is projected to increase by approximately 1.1% from the budgeted amount of \$192.46 in fiscal 2017 to \$194.54 in the fiscal 2018 allowance. This increase is generally consistent with the recent increases in the Maryland Minimum Living Level (1.0% in fiscal 2017). The fiscal 2018 allowance for TCA assumes an anticipated decrease in the average monthly number of recipients of 7,125 (or 12.7%), to 48,994. The size of the estimated caseload decline between fiscal 2017 and 2018 is overstated because the fiscal 2017 working appropriation is significantly overbudgeted compared to the amount likely necessary to support benefits in that year.

#### **Food Supplement Program**

Chapter 696 of 2016 created a new supplemental Food Supplement Program (FSP) benefit for households with an individual over age 62 who receives less than \$30.00 in monthly benefits. The supplemental benefit provides the difference between the federal benefit (which has a minimum of \$16.00) and \$30.00. The new benefit began to be provided in October 2016. Through the first two months of implementation, the average benefit has been \$13.22 (slightly less than the maximum benefit of \$14.00). Although DHR began providing this benefit, the fiscal 2017 working appropriation contains no dedicated funding for the benefit. DHR intends to fund this benefit in fiscal 2017 with savings from the declines in TCA and Temporary Disability Assistance Program (TDAP) caseloads. The fiscal 2018 allowance includes \$1.9 million for the new supplemental FSP benefit. This funding would support an average monthly number of recipients of 17,695 (near the levels in the first two months of provision). However, the funding assumes an average benefit of \$8.95, well under the current average benefit. Outside of this change, the federal funds for FSP decrease by \$44.6 million to better align with recent experience.

### **Out-of-home Placements**

Funding in the foster care maintenance payments program is virtually level funded in the fiscal 2018 allowance compared to the fiscal 2017 working appropriation (an increase of less than \$400,000). The near overall level funding masks several significant changes within the program. Funding for foster care placements decreases by \$8.1 million due to a combination of caseload declines and changes in placement types. This decrease is offset by an increase in subsidized guardianship/subsidized adoption cases (\$4.2 million); a planned 2% provider rate increase

(\$2.5 million); and a new program that has a goal of promoting savings, enhancing savings habits, expanding financial literacy, and establishing a financial safety net for transition aged foster youth (\$1.7 million). The provider rate increase and new foster youth savings program are funded entirely with general funds.

In addition to changes in spending on placement types, there are several changes in the source of funding within the foster care maintenance payments program. Most notably, the fiscal 2018 allowance includes an increase of \$1.6 million in special funds to reflect Cost of Care Reimbursement Funds. These funds are the Social Security payments received on behalf of children in out-of-home care that are used to support the cost of care. These funds were reflected in the program as a special fund in fiscal 2016 but are not included in the fiscal 2017 working appropriation. The remaining special and federal fund changes are designed to better reflect recent experience, an increase of \$527,482 in special funds and decrease of \$8.4 million in federal funds.

## **Major Information Technology Development Project**

The Maryland Total Human services Information NetworK Major Information Technology Development Project seeks to create a cloud-based shared infrastructure and data repository that will integrate all of DHR's legacy information technology systems as well as the human services systems at the Department of Labor, Licensing, and Regulation; the Department of Juvenile Services; the Maryland Health Benefit Exchange; and the Department of Health and Mental Hygiene. The fiscal 2017 budget includes funds for the project only in the Major Information Technology Development Project Fund (MITDPF). The fiscal 2017 funding for the project in the MITDPF were restricted until certain information was provided such as the State and federal costs, including an approved Advanced Planning Document, the project timeline and procurement process among other pieces of information. The requested information has not been submitted, and the funds remain in the MITDPF. Fiscal 2018 is the first year that funding for the project is included in the DHR budget. The fiscal 2018 allowance includes \$71.75 million for the project (\$6.53 million in the MITDPF and \$65.22 million in federal funds in DHR Administration). The total estimated project cost is \$253.25 million with a federal/general fund split of approximately 70%/30%.

## **Back of the Bill Section**

Section 19 of the fiscal 2018 budget bill includes a contingent reduction to reduce the retirement reinvestment contribution across State agencies, DHR's share of this reduction is \$1.7 million (\$872,106 in general funds, \$20,096 in special funds, and \$803,409 in federal funds).

**Department of Human Resources  
Caseload Estimates Assumed in the Budget  
Fiscal 2015-2018**

<b><u>Program</u></b>	<b><u>2015 Actual</u></b>	<b><u>2016 Actual</u></b>	<b><u>2017 Estimated</u></b>	<b><u>2018 Estimated</u></b>	<b><u>2017-2018 % Change</u></b>
<b>Cash Assistance</b>					
TCA	61,739	56,115	56,119	48,994	-12.7%
TDAP	18,500	18,249	18,281	18,281	0.0%
FSP Supplemental Benefit	0	0	0	17,695	
Federal FSP Cases	404,194	395,935	404,194	395,935	-2.0%
<b>Child Welfare</b>					
Foster Care	3,908	3,790	3,692	3,600	-2.5%
Subsidized					
Adoption\Guardianship	9,569	9,620	9,695	9,899	2.1%
<b>Child Support Enforcement</b>					
TCA Collections	\$19,928,688	\$19,185,608	\$18,470,235	\$18,100,831	-2.0%
Non-TCA Collections	543,836,476	546,474,840	550,753,874	554,709,390	0.7%

FSP: Food Supplement Program

TCA: Temporary Cash Assistance

TDAP: Temporary Disability Assistance Program

Note: Although FSP Supplemental Benefits are being provided, there is no funding currently in the budget. As a result, the fiscal 2017 estimate is listed at 0. Federal FSP is provided in average monthly cases, all other cash assistance figures are provided in average monthly recipients.

Source: Maryland State Budget; Department of Human Resources

- The fiscal 2018 allowance projects a decrease in the average monthly TCA recipients of 12.7% compared to fiscal 2017. However, the fiscal 2017 estimated caseload is considerably higher than the actual experience to date in fiscal 2017. The estimated fiscal 2018 caseload is 7.5% lower than the average monthly number of recipients in fiscal 2017 (52,955) through November 2016, and 6.4% lower than the number of recipients in November 2016 (52,320).
- The average monthly recipients in TDAP is expected to remain at 18,281 in fiscal 2018, However, in fiscal 2017 year-to-date, the average number of recipients is 17,329, 5.5% lower than the fiscal 2017 and 2018 estimate. The number of recipients in November 2016 was 16,846, 8.5% lower than the fiscal 2017 and 2018 estimate. Based on recent trends and the current caseload of TDAP, the program is likely overfunded in both fiscal 2017 and 2018.

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- The fiscal 2018 allowance projects an average monthly number of FSP supplemental benefit recipients of 17,695. Due to the brief period since program implementation began, it is difficult to predict how these figures may change over time. However, in the first two months of implementation, the average number of recipients was very similar to this projection (17,671). As noted above, of more concern is the estimated benefit level.
- Overall, DHR projects the same average monthly number of federal FSP cases in fiscal 2018 as in fiscal 2016 (395,935). DHR traditionally uses the most recent actual experience to budget federal FSP benefits as these funds can be canceled (if excess) or added by budget amendment (if short) during the closeout process. In a period of caseload decline, as is currently being experienced, this has the impact of inflating the budget of the program itself and DHR as a whole. In fiscal 2017 year-to-date, the average monthly number of cases is 373,603 and the number of cases in December 2016 was 367,095.
- The fiscal 2018 allowance assumes a net decrease of 2.5% in the average monthly foster care caseload compared to the most recent fiscal 2017 projections. The fiscal 2018 allowance assumes an increase in the average monthly subsidized guardianships/adoptions caseload of 2.1% compared to fiscal 2017. This increase is driven by subsidized guardianships, which are expected to increase by 8.8%, while subsidized adoptions are expected to decrease by 2.6%.
- Child support collections are expected to increase by \$3.2 million combined, or 0.6%, in total between federal fiscal 2017 and 2018 consistent with recent experience. This increase is driven by non-TCA child support cases, which represent the majority of child support collections, an increase of \$3.6 million (or 0.7%). TCA-related child support collections are expected to decrease by \$0.4 million (or 2.0%) between federal fiscal 2017 and 2018.

**Department of Human Resources  
Employment: Full-time Equivalent Regular Positions and  
Contractual Positions  
Fiscal 2016-2018**

	<b><u>2016 Actual</u></b>	<b><u>2017 Legislative</u></b>	<b><u>2017 Working</u></b>	<b><u>2017 Change</u></b>	<b><u>2018 Allowance</u></b>	<b><u>2017-18 Change</u></b>
<b>Regular Positions</b>						
Social Services	2,738.9	2,722.9	2,686.3	-36.6	2,686.3	0.0
Family Investment	2,093.4	2,051.4	2,045.2	-6.2	2,045.2	0.0
Administration	846.0	820.0	819.4	-0.6	819.4	0.0
Child Support Enforcement	664.9	656.9	658.4	1.5	658.4	0.0
Office of Home Energy Programs	16.9	13.9	14.9	1.0	14.9	0.0
<b>Total Positions</b>	<b>6,360.1</b>	<b>6,265.1</b>	<b>6,224.1</b>	<b>-41.0</b>	<b>6,224.1</b>	<b>0.0</b>
<b>Contractual Positions</b>						
Social Services	3.15	2.50	2.50	0.0	2.50	0.0
Family Investment	95.00	68.00	68.00	0.0	68.00	0.0
Administration	28.60	2.90	2.90	0.0	2.90	0.0
Child Support Enforcement	14.06	1.00	1.00	0.0	1.00	0.0
Office of Home Energy Programs	1.85	0.00	0.00	0.0	0.00	0.0
<b>Total Positions</b>	<b>142.66</b>	<b>74.40</b>	<b>74.40</b>	<b>0.0</b>	<b>74.40</b>	<b>0.0</b>

Source: Maryland State Budget

- SSA abolished 40.0 positions during fiscal 2017 (effective January 1). These positions were abolished as part of a plan to provide salary increases to certain child welfare caseworkers. These increases ensure that all child welfare caseworker positions have a consistent base level in the salary plan. These changes are intended to improve the ability to hire and retain caseworkers as well as reduce salary inequities for individuals performing the same work.
- One position was transferred from the Office of Technology of Human Services to another State agency in fiscal 2017.
- DHR also transferred some positions internally within fiscal 2017, resulting in a net decrease of 6.2 positions in FIA, an increase of 1.5 positions in CSEA, an increase of 1.0 position in OHEP, and partially offsetting the losses in SSA and DHR Administration.
- There are no changes in the number of regular or contractual positions in the fiscal 2018 allowance.

**Department of Human Resources  
Filled Regular Positions  
Fiscal 2015-2017  
January 1 Data**

	<u>2015</u>		<u>2016</u>		<u>2017</u>			
	<u>Filled</u>	<u>% of Authorized</u>	<u>Filled</u>	<u>% of Authorized</u>	<u>Filled</u>	<u>% of Authorized</u>	<u>Change in Filled 2016-17</u>	<u>% Change in Filled 2016-17</u>
Administration	820.5	92.4%	775.0	91.6%	742.9	90.7%	-32.2	-4.1%
Social Services	2,560.7	90.5%	2,528.4	92.3%	2,466.8	91.8%	-61.6	-2.4%
Child Support Enforcement	636.1	93.6%	607.9	91.4%	586.8	89.1%	-21.1	-3.5%
Family Investment	1,926.0	89.9%	1,951.3	92.5%	1,910.6	92.7%	-40.7	-2.1%
<b>Total</b>	<b>5,943.3</b>	<b>90.9%</b>	<b>5,862.6</b>	<b>92.2%</b>	<b>5,707.0</b>	<b>91.7%</b>	<b>-155.6</b>	<b>-2.7%</b>

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

Source: Department of Budget and Management

- The number of filled regular positions in DHR decreased by 155.6 positions, or 2.7%, between January 1, 2016, and January 1, 2017. The decrease occurred in all areas of DHR. DHR Administration experienced the largest percentage decrease in filled positions (4.1%), while SSA experienced the largest decrease in the number of filled positions (61.6 positions).
- In total, on January 1, 2017, DHR had 136.0 fewer positions than on January 1, 2016, accounting for the majority of the decrease in filled regular positions.
- However, even with the fewer number of positions departmentwide, the number of filled positions as a share of authorized positions decreased slightly on January 1, 2017, compared to the same period in 2016. While this type of decrease occurred across most of DHR, FIA saw a slight increase in the share of authorized positions that were filled on January 1, 2017. In total as well as in two of the administrations, DHR had a higher share of authorized positions that were filled on January 1, 2017, compared to January 1, 2015.
- In total, as of January 1, 2017, DHR had 517.1 vacant regular positions. The budgeted turnover rate for DHR in fiscal 2017 is 7.07%, which would require 440.0 positions to be vacant throughout fiscal 2017. DHR could fill 77.0 vacant positions and still meet its turnover.
- In the fiscal 2018 allowance, all administrations of DHR have the same turnover rate of 7.07%. While, departmentwide the turnover rate is unchanged between the fiscal 2017 working

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appropriation and the fiscal 2018 allowance, individual administrations experience changes. Most notably:

- in CSEA, the turnover rate decreases from 8.83%;
- in OHEP, the turnover rate decreases from 9.98%; and
- in FIA, the turnover rate increases from 6.21%.



## *Issues*

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### **1. DHR Continues to Rely on TANF Contingency Funds**

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

- an unemployment rate of at least 6.5% that is 110.0% higher in a three-month period compared to the same three-month period in either of the two prior years; or
- a food stamp caseload that is 110.0% higher in a three-month period than in a corresponding three-month period in 1994 or 1995.

Maryland continues to qualify for these funds because of the general increase in FSP cases over that period. Even with recent decreases in the number of FSP cases, Maryland is still likely to continue to qualify. For example, in January 1996 (the earliest date for which data is readily available), households in Maryland certified for FSP totaled 160,593, while in December 2016, FSP cases totaled 367,095, 228.6% of the January 1996 cases. The amount of contingency funds received by Maryland has been higher than \$20.0 million in each year since fiscal 2013.

Despite the receipt of contingency funds, Maryland began to run a deficit in TANF funding following the recession. DHR took steps to reduce the deficit, and by fiscal 2014, the deficit fell to \$6.8 million. However, as is shown in **Exhibit 1**, the deficit began to grow again in fiscal 2015 and 2016, reaching approximately \$20.4 million. The growth in the deficit in fiscal 2015 occurred as DHR spent \$263.8 million of TANF despite having received only \$254.6 million. The spending in that year was the highest since fiscal 2011. In fiscal 2016, DHR spent \$256.0 million in TANF, despite having received only \$251.6 million. To fund these deficits, DHR primarily uses the following year's appropriation to cover expenditures.

DHR projects that the TANF deficit will decrease in fiscal 2017, as the department is currently projected to spend less than the funding it expects to receive. Despite these efforts, the department is still projected to have a TANF deficit of nearly \$11 million at the close of fiscal 2018. The projections assume DHR will continue to receive contingency funds at the level in fiscal 2016. In fact, the ability to decrease the deficit depends on the availability of these funds, as DHR expects to spend more than the base grant in each fiscal 2017 and 2018. Although it is reasonable to project that Maryland will remain eligible for contingency funds, the current federal climate should encourage some caution about the availability of these funds in fiscal 2018 and going forward. **To ensure that the TANF deficit does not increase due to spending exceeding receipt of these funds, the Department of Legislative Services recommends limiting TANF spending to the level in the fiscal 2018 allowance.**

**Exhibit 1**  
**Availability of TANF Funding**  
**Fiscal 2015-2018**  
**(\$ in Millions)**

	<b><u>2015</u></b> <b><u>Actual</u></b>	<b><u>2016</u></b> <b><u>Actual</u></b>	<b><u>2017</u></b> <b><u>Working</u></b>	<b><u>2018</u></b> <b><u>Allowance</u></b>
<b>Beginning Balance</b>	<b>-\$6.754</b>	<b>-\$15.965</b>	<b>-\$20.416</b>	<b>-\$12.678</b>
TANF Grant	\$229.098	\$229.098	\$229.098	\$229.098
Contingency TANF	25.522	22.499	22.499	22.499
<b>Total Income</b>	<b>\$254.620</b>	<b>\$251.597</b>	<b>\$251.597</b>	<b>\$251.597</b>
<b>Available Funding (Balance + Income)</b>	<b>\$247.866</b>	<b>\$235.633</b>	<b>\$231.181</b>	<b>\$238.919</b>
DHR Appropriation	-\$263.831	-\$256.049	-\$243.859	-\$249.874
<b>Total Expenditures</b>	<b>-\$263.831</b>	<b>-\$256.049</b>	<b>-\$243.859</b>	<b>-\$249.874</b>
<b>Ending Balance</b>	<b>-\$15.965</b>	<b>-\$20.416</b>	<b>-\$12.678</b>	<b>-\$10.955</b>

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

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

Source: Department of Human Resources

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**Exhibit 2** provides information on the spending of TANF between fiscal 2015 and 2018. Total TANF spending in the fiscal 2018 allowance is \$250.0 million, an increase of \$6.0 million compared to fiscal 2017 and \$20.8 million higher than Maryland's base TANF grant.

**Exhibit 2**  
**Changes in TANF Spending in the DHR Budget**  
**Fiscal 2015-2018 Allowance**  
**(\$ in Millions)**

<b><u>Activity</u></b>	<b><u>2015 Actual</u></b>	<b><u>2016 Actual</u></b>	<b><u>2017 Working</u></b>	<b><u>2018 Allowance</u></b>	<b><u>2017-18 Change</u></b>
Cash assistance	\$120.5	\$116.9	\$107.9	\$93.3	-\$14.6
Work opportunities	34.7	31.3	33.3	31.7	-1.7
Family Investment Services	12.3	8.6	9.4	9.7	0.3
Local Family Investment Program	31.9	28.8	47.4	57.1	9.7
Foster care maintenance payments	6.9	15.9	6.9	6.9	0.0
Local Child Welfare Services	17.6	16.8	18.3	30.7	12.4
Local Adult Services	9.6	9.6	5.0	4.6	-0.4
Social Services Administration State Operations	12.2	12.3	2.3	2.5	0.1
General Administration	18.3	15.9	13.2	13.4	0.2
<b>Total DHR Expenditures</b>	<b>\$263.8</b>	<b>\$256.0</b>	<b>\$243.9</b>	<b>\$249.9</b>	<b>\$6.0</b>

DHR: Department of Human Resources

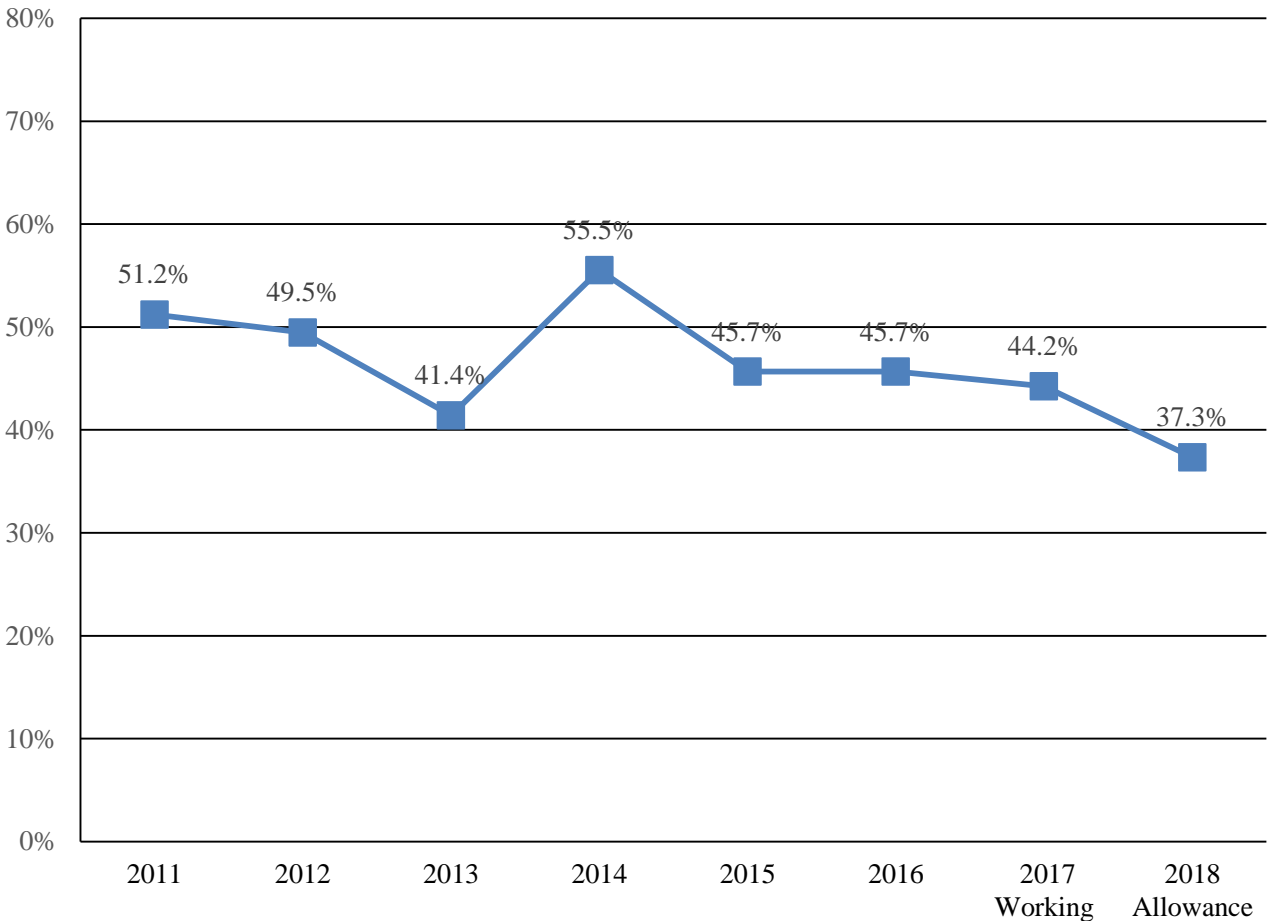
TANF: Temporary Assistance for Needy Families

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

Source: Maryland State Budget; Department of Human Resources

As shown in this exhibit, the amount of funding used for cash assistance has decreased each year since fiscal 2015. The amount of TANF spent for cash assistance in the fiscal 2018 allowance (\$93.3 million) is \$14.6 million (or 13.5%) lower than the fiscal 2017 working appropriation. In total, from fiscal 2015 to the fiscal 2018 allowance, the amount of TANF spent on cash assistance is projected to decrease by 22.6%. As shown in **Exhibit 3**, the share of TANF spending on cash assistance in the fiscal 2018 allowance is 37.3%, the lowest in recent history.

**Exhibit 3**  
**Cash Assistance as a Share of TANF Spending**  
**Fiscal 2011-2018**



TANF: Temporary Assistance for Needy Families

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

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

While spending on cash assistance decreases, TANF spending in the Local Family Investment and Local Child Welfare Services programs increases by a combined \$22.1 million. The Local Family Investment Program, where caseworkers are budgeted, increases by \$9.7 million in the fiscal 2018 allowance compared to fiscal 2017. TANF spending in the Local Family Investment Program in the fiscal 2018 allowance (\$57.1 million) is \$28.3 million higher than was spent in fiscal 2016. Local Child Welfare Services, where child welfare caseworkers are budgeted, increases by \$12.4 million in the fiscal 2018 allowance. The TANF included in the fiscal 2018 allowance for Local Child Welfare

Services (\$30.7 million) is \$13.9 million higher than was spent in fiscal 2016 for this purpose. These increases allow the department to maintain general fund spending in these two programs at similar, or even lower, levels than in fiscal 2016, even as the total budget for these programs has increased between these years.

### **State's Maintenance of Effort Requirement Met**

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

**Exhibit 4** provides a summary of MOE funding from fiscal 2015 through 2018. As shown in Exhibit 3, MOE spending decreased by nearly \$32.0 million between fiscal 2015 and 2016. MOE requirements slightly decreased between fiscal 2015 and 2016, due to receiving slightly fewer contingency funds in fiscal 2016. However, Maryland was able to exceed the required MOE by more than \$80.3 million, even with the lower level of MOE spending in fiscal 2016. DHR projects MOE requirements will remain the same through fiscal 2018, consistent with its expectation of continued receipt of contingency funds. DHR also projects MOE spending to remain at similar levels through fiscal 2018 as in fiscal 2016.

**Exhibit 4**  
**TANF Maintenance of Effort**  
**Fiscal 2015-2018 Allowance**  
**(\$ in Thousands)**

	<b><u>2015</u></b> <b><u>Actual</u></b>	<b><u>2016</u></b> <b><u>Actual</u></b>	<b><u>2017</u></b> <b><u>Working</u></b>	<b><u>2018</u></b> <b><u>Allowance</u></b>
Cash Assistance	\$15,322	\$18,650	\$18,650	\$18,650
Employment Services/Caseworkers	7,197	24,393	24,393	24,393
Administration	4,112	6,452	6,452	6,452
Kinship Care/Foster Care Payments	3,363	3,087	3,087	3,087
Social Services Administration	15,527	65	65	65
Community Services – Emergency Food, Shelter, Child 1st	2,758	408	408	408
Refundable State Earned Income Tax Credit	141,369	138,873	138,873	138,873
Montgomery County Earned Income Tax Credit	17,118	19,986	19,986	19,986
MSDE Pre-K	86,193	73,817	73,817	73,817
Electric Universal Service Program	54,699	29,964	29,964	29,964
<b>Subtotal</b>	<b>\$347,658</b>	<b>\$315,695</b>	<b>\$315,695</b>	<b>\$315,695</b>
<b>Required Maintenance of Effort</b>				
Base	\$176,965	\$176,965	\$176,965	\$176,965
Contingency Fund Add-on	35,941	35,941	35,941	35,941
Contingency Fund Match	25,522	22,499	22,499	22,499
<b>Total Required</b>	<b>\$238,428</b>	<b>\$235,405</b>	<b>\$235,405</b>	<b>\$235,405</b>
<b>Excess Maintenance of Effort</b>	<b>\$109,230</b>	<b>\$80,290</b>	<b>\$80,290</b>	<b>\$80,290</b>

MSDE: Maryland State Department of Education  
TANF: Temporary Assistance for Needy Families

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

Source: Department of Human Resources; Department of Legislative Services

## ***Recommended Actions***

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1. Add the following language:

Provided that the spending in fiscal 2018 of the Temporary Assistance for Needy Families federal funds shall not exceed \$249,874,106.

**Explanation:** The Department of Human Resources (DHR) has run a deficit of the Temporary Assistance for Needy Families (TANF) funds since fiscal 2011. At the close of fiscal 2016 the deficit was \$20.4 million. The fiscal 2017 working appropriation and fiscal 2018 allowance should assist DHR in reducing the deficit if TANF spending is not increased during the fiscal year beyond the levels currently budgeted. The level of TANF spending included in the fiscal 2018 allowance is near the maximum that could be spent based on anticipated TANF receipts in that year. To ensure that the department does not further increase the deficit by increasing TANF spending and to ensure the department can begin to reduce the deficit, this language restricts TANF spending to the amount included in the fiscal 2018 allowance.

## ***Updates***

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### **1. Local Department Operations Audit**

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

The audit contained eight findings, of which five were repeated from the prior audit, as shown in **Exhibit 5**. Some of the findings included in the audit were also included in audits of the individual DHR administrations. Among the repeat findings was that the OIG audits of LDSS contained a significant number of reportable conditions, including many repeat findings and that DHR executive management had not established a formal process to provide oversight and monitoring of corrective actions. Specifically, OLA noted that in the audit reports for LDSS issued as of December 2014, there were a total of 299 findings, of which 89 were repeated from the prior OIG audit of LDSS. OLA noted that five of these audit reports contained at least 20 findings, one of which had 30 findings. **Exhibit 6** provides the number of findings and repeat findings by jurisdiction. OLA noted that the total count of findings was lower than the prior audit report (a decrease of 74 findings), but the number of repeat findings had increased (an increase of 12 findings). In addition, the percent of total findings that were repeat findings had also increased from 21% in the prior audit report to 30% in the current report.



**Exhibit 5**  
**Audit Findings**

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

- Finding 1:**    **The most recent Office of Inspector General (OIG) audits of the local departments of social services (LDSS) contained a significant number of reportable conditions and repeat findings.**
- Finding 2:**    **OIG’s corrective action monitoring process for LDSS audits was not effectively followed.**
- Finding 3:**    **OIG audit reports of the LDSSs were not distributed to all appropriate parties.**
- Finding 4:**    **Controls were insufficient over bank accounts, procurements, and gift cards.**
- Finding 5:**    **Numerous LDSS deficiencies existed related to critical Family Investment Administration policies.**
- Finding 6:**    **Numerous LDSS deficiencies existed related to critical Social Services Administration policies.**
- Finding 7:**    **Users’ access to certain key computer systems was not properly restricted and monitored.**
- Finding 8:**    **Medicaid eligibility determinations for long-term care recipients were not always proper.**

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

Source: Office of Legislative Audits

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**Exhibit 6**  
**Findings by Jurisdiction**

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

Source: Office of Legislative Audits

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The Joint Audit Committee (JAC) continues to be concerned with the number and frequency of repeat audit findings across State agencies as cited by OLA. In an effort to satisfactorily resolve these findings, JAC has asked that the budget committees consider action in the agency budgets where such findings occur. Consistent with that request, the General Assembly adopted language withholding \$100,000 of DHR's administrative appropriation pending a report on the status of corrective actions taken by the department with respect to the repeat audit findings. To have the funds released, OLA is to submit an assessment of the corrective action taken by DHR for each repeat finding. DHR's report

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to OLA was due on or before January 1, 2017. Due to the timing, as of this writing, OLA has not submitted its assessment of the corrective actions taken by DHR in response to this language. As a result, the funding will continue to be withheld.