Department of Legislative Services

Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE
Revised

House Bill 884 (Delegate Rosenberg, *et al.*)
Appropriations

Family Investment Program - Earned Income Disregard Pilot Program

This bill establishes the Earned Income Disregard Pilot Program within the Family Investment Program (FIP) of the Department of Human Resources (DHR).

The bill terminates September 30, 2016.

Fiscal Summary

State Effect: General fund expenditures increase by a total of $396,200 in FY 2014 to reflect temporary cash assistance (TCA) payments for pilot program participants and computer reprogramming expenditures. Future years reflect additional pilot program participation, as discussed below. Revenues are not affected.

(in dollars)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Revenues	$0	$0	$0	$0	$0
GF Expenditure	396,200	414,900	414,900	0	0
Net Effect	($396,200)	($414,900)	($414,900)	$0	$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: DHR must select two or more rural counties and one urban or suburban county to participate in the pilot program. For applicants to the pilot program, the amount of assistance for FIP must be computed by counting no more than four weeks of earned income in any month and disregarding 20% of that earned income. For eligible recipients who obtain unsubsidized employment, the amount of assistance must be computed by counting no more than four weeks of earned income in any month and disregarding (1) 100% of the earned income for the first 3 months of employment; (2) 60% of the earned income for employment exceeding 3 months, but less than 10 months; and (3) 40% of the earned income for employment exceeding 9 months.

DHR must collect information necessary to assess the effectiveness of the pilot program, including (1) the number of clients receiving FIP benefits after receiving benefits under the pilot program; (2) the number of clients working for an employer covered by Maryland Unemployment Insurance; and (3) whether the clients made progress in their quarterly earnings. By September 30, 2015, DHR must submit an interim report of its findings to the Senate Finance Committee, the House Appropriations Committee, and the Joint Committee on Welfare Reform. A final report must be submitted by September 30, 2016.

DHR must adopt any regulations necessary to implement the pilot program.

Current Law: FIP within local departments of social services has the primary purpose of supporting family efforts to achieve and maintain self-sufficiency through services and financial aid geared to individual family needs. FIP for a recipient must include supportive services activities, appropriate referrals to family planning counseling and services, and temporary cash assistance, as a last resort.

For FIP applicants, DHR calculates the amount of assistance they will receive by counting no more than four weeks of earned income in any month and disregarding 20% of that earned income. DHR calculates TCA benefits for eligible FIP recipients who obtain unsubsidized employment by counting no more than four weeks of earned income in any month and disregarding 40% of that earned income.

State Expenditures: General fund expenditures increase by $396,209 in fiscal 2014, which accounts for the bill's October 1, 2013 effective date. This estimate reflects TCA payments to 100 participants in the first year of the pilot program and computer reprogramming expenditures. General fund expenditures increase by $414,900 in both fiscal 2015 and 2016 for additional pilot program participation. The information and assumptions used in calculating the estimate are stated below:

- the pilot program has 400 participants (100 beginning October 1, 2013; 150 beginning July 1, 2014; and 150 beginning July 1, 2015);

- DHR directs individuals to the pilot program who are currently not eligible for TCA benefits based on current income levels;

- a pilot program participants' average income totals $1,007 per month;

- there are no additional expenditures after the first nine months of a participant's employment, as a participant will no longer be eligible for TCA once 40% of earned income is disregarded;

- any impact from the last group of participants is incurred exclusively during the first nine months of fiscal 2016;

- computer reprogramming expenditures of $119,609 in fiscal 2014 only; and

- general funds cover 100% of costs so that participants are not subjected to federal time limits on receiving TCA benefits while earning an income from work.

While the estimate above is based on pilot program participation of 400 individuals, the Department of Legislative Services notes that a less ambitious pilot program can still fulfill the bill's requirements and minimize expenditures. For example, a pilot program with 50 participants per year would increase expenditures by $138,300 annually (exclusive of the computer reprogramming costs in the first year). In addition, as noted above, the estimate assumes that recipients who are not otherwise eligible for any TCA benefits participate in the program. To the extent that DHR instead redirects current TCA recipients to the pilot program and uses the higher disregard standards established within the bill, actual pilot program expenditures will be partially offset by amounts that DHR would have otherwise paid in benefits based on the specific eligibility of the participants.

DHR can adopt regulations and submit the required reports using existing resources.

Additional Information

Prior Introductions: None.

Cross File: SB 686 (Senator Garagiola) - Finance.

Information Source(s): Department of Human Resources; Department of Legislative Services

Fiscal Note History: First Reader - February 27, 2013
ncs/lgc Revised - Updated Information - March 26, 2013

Analysis by: Jennifer K. Botts

Direct Inquiries to:
(410) 946-5510
(301) 970-5510