

---

# **Department of Human Resources Fiscal 2016 Budget Overview**

---

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

**January 2015**

---

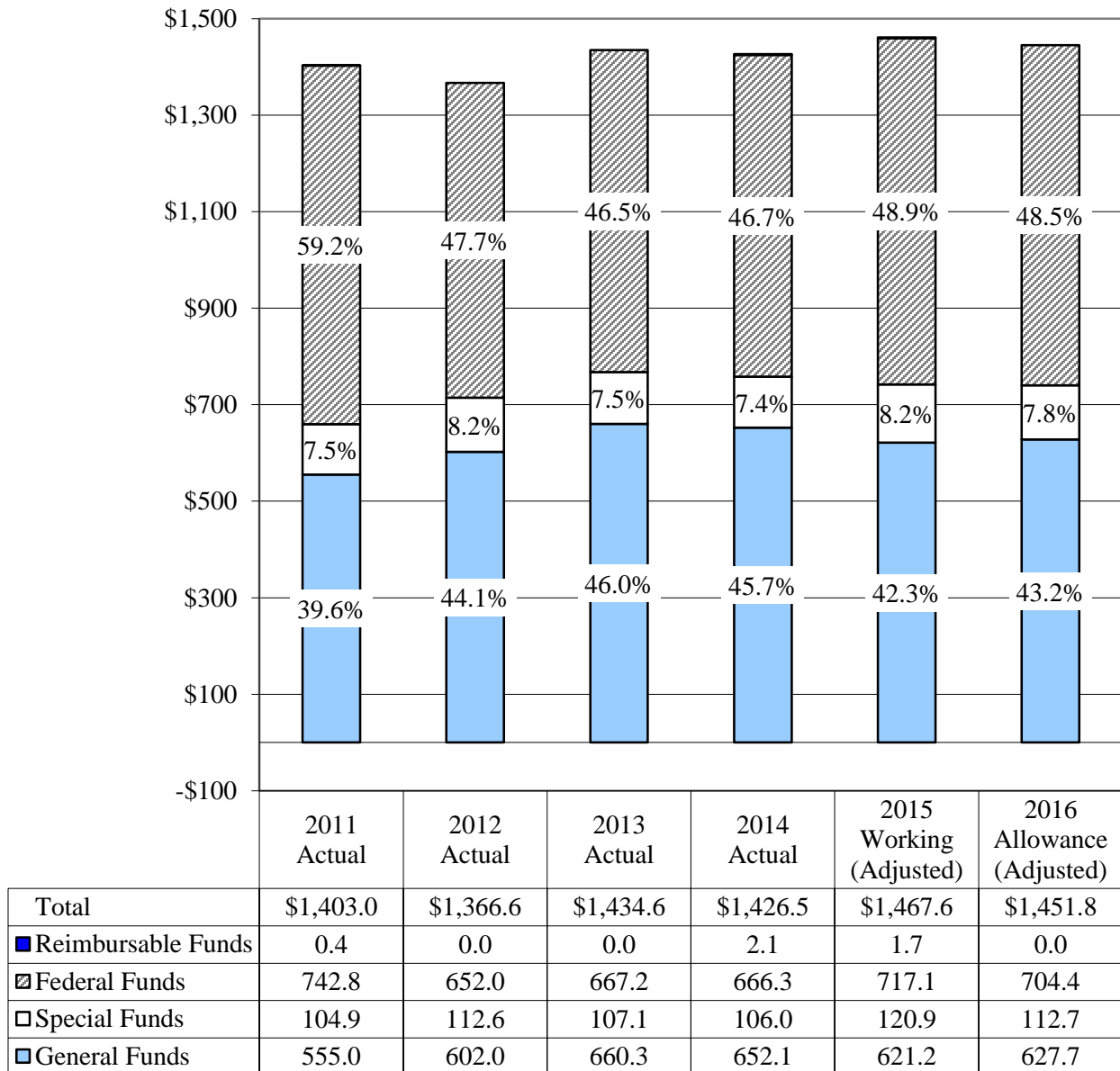
For further information contact: Richard H. Harris

Phone: (410) 946-5530

*Analysis of the FY 2016 Maryland Executive Budget, 2015*



**Department of Human Resources – Funding by Source**  
**Fiscal 2011-2016**  
 (\$ in Millions)



Note: Figures exclude Supplemental Nutrition Assistance Program benefit payments. Fiscal 2015 includes deficiencies, withdrawn appropriations, and reductions approved by the Board of Public Works in January 2015. Fiscal 2016 figures reflect back of the budget bill reductions assumed in the Governor's fiscal 2016 budget plan. Numbers may not sum to total due to rounding.

Source: Maryland State Budget

*N00 – Department of Human Resources – Fiscal 2016 Budget Overview*

The fiscal 2016 budget for the Department of Human Resources (DHR) declines by \$117.2 million, or 4.3%, compared to the fiscal 2015 working appropriation, after accounting for deficiency and withdrawn appropriations in fiscal 2015, and back of the budget bill reductions in fiscal 2016. When excluding benefit payments for the Supplemental Nutrition Assistance Program (SNAP), a large low-income nutrition program administered and funded by the federal government, spending decreases more modestly, at 1.1%, or \$16.2 million and, excluding SNAP, the fiscal 2016 DHR budget is roughly at the level of fiscal 2010. SNAP alone declines 8.1%, or \$101.1 million, in the allowance.

General funds increase \$6.5 million in the allowance, after accounting for deficiencies, withdrawn appropriations, and other reductions to fiscal 2015 approved by the Board of Public Works in January 2015, and back of the bill reductions to fiscal 2016 included in the Governor's budget plan. The increase is largely due to growth in administration spending. General funds comprise 43.2% of the DHR allowance (excluding SNAP benefit payments), up from 42.3% in fiscal 2015. The share of the budget that is federal funds declines slightly to 48.5%.

Special funds decline by \$8.2 million to 7.8% of the allowance, from 8.2% in fiscal 2015. **Exhibit 1** details the changes by special fund source.

Federal funds, excluding SNAP benefit payments, decline \$12.6 million, or 0.9%, to \$704.4 million. Though less than fiscal 2015, it is more than the agency received in fiscal 2012 and 2013. Changes by federal fund source are shown in **Exhibit 2**.

Although reimbursable funds have been appropriated for DHR in prior years, most recently to help Maryland residents sign up for the Maryland Health Benefit Exchange, none are present in the fiscal 2016 allowance. However, the allowance includes a \$2.0 million deficiency appropriation (\$1.5 million in federal funds, \$0.5 million in general funds) to fund 45 regular positions added by the Board of Public Works in October 2014 to help process Medicaid applications.

**Exhibit 1**  
**Changes to Special Funds in the Allowance**  
**Fiscal 2015-2016**  
**(\$ in Thousands)**

<b><u>Special Fund Source</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>Change</u></b> <b><u>2015-2016</u></b>
<b>Notable Increases</b>			
Foster Care Education	\$1,388	\$2,489	\$1,101
Local Government Payments	8,767	9,374	608
Child Support Reinvestment Fund	6,822	7,073	251
<b><i>Subtotal</i></b>	<b><i>\$16,976</i></b>	<b><i>\$18,936</i></b>	<b><i>\$1,960</i></b>
<b>Notable Decreases</b>			
Child Support Foster Care Offset	\$4,091	\$2,341	-\$1,750
Interim Assistance Reimbursement	8,003	6,038	-1,965
Strategic Energy Investment Fund	37,151	34,794	-2,357
Universal Services Benefit Program	40,943	37,017	-3,926
<b><i>Subtotal</i></b>	<b><i>\$90,188</i></b>	<b><i>\$80,191</i></b>	<b><i>-\$9,998</i></b>
<b>Miscellaneous Changes</b>	<b><i>\$13,785</i></b>	<b><i>\$13,785</i></b>	<b><i>\$0</i></b>
<b>Grand Total</b>	<b><i>\$120,949</i></b>	<b><i>\$112,912</i></b>	<b><i>-\$8,038</i></b>

Note: Fiscal 2015 figures reflect back of the bill reductions assumed in the Governor's fiscal 2016 budget plan. Numbers may not sum to total due to rounding.

Source: Governor's Budget Books, Fiscal 2015

---

**Exhibit 2**  
**Changes to Federal Funds in the Allowance**  
**Fiscal 2015-2016**  
**(\$ in Thousands)**

<b><u>Federal Fund Source</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>Change</u></b> <b><u>2015-2016</u></b>
<b>Notable Increases</b>			
Foster Care-Title IV-E	\$102,002	\$105,859	\$3,856
Child Support Enforcement	79,678	83,139	3,461
Low-income Home Energy Assistance	66,979	68,576	1,597
Child Welfare Services-State Grants	4,013	5,108	1,096
State Administrative Matching Grants for Food Stamp Program	57,430	58,269	839
<b><i>Subtotal</i></b>	<b><i>\$310,101</i></b>	<b><i>\$320,952</i></b>	<b><i>\$10,850</i></b>
<b>Notable Decreases</b>			
Temporary Assistance For Needy Families	\$239,650	\$239,445	-\$204
Refugee And Entrant Assistance – State Administered Program	13,345	12,602	-743
Medical Assistance Program	99,558	81,224	-18,334
<b><i>Subtotal</i></b>	<b><i>\$352,553</i></b>	<b><i>\$333,271</i></b>	<b><i>-\$19,282</i></b>
<b>Miscellaneous Changes</b>	<b><i>\$54,432</i></b>	<b><i>\$56,924</i></b>	<b><i>\$2,492</i></b>
Unallocated Back of the Bill Changes		-\$6,703	
<b>Grand Total</b>	<b>\$717,086</b>	<b>\$704,444</b>	<b>-\$12,642</b>

Note: Fiscal 2015 includes deficiency appropriations. The \$6.7 million fiscal 2016 back of the bill reduction assumed in the Governor's budget plan cannot be allocated by fund sources at this time. Numbers may not sum to total due to rounding.

Source: Governor's Budget Books, Fiscal 2015

---

**Department of Human Resources  
Budget Overview: All Funds**

**Fiscal 2014-2016  
(\$ in Thousands)**

	<b><u>2014 Actual</u></b>	<b><u>2015 Adjusted</u></b>	<b><u>2016 Adjusted</u></b>	<b><u>2015-16 \$ Change</u></b>	<b><u>2015-2016 % Change</u></b>
<b>Family Investment</b>	<b>\$448,768</b>	<b>\$450,751</b>	<b>\$452,702</b>	<b>\$1,951</b>	<b>0.4%</b>
TCA Payments	144,759	144,822	143,728	-1,094	-0.8%
TDAP	40,535	42,068	40,104	-1,965	-4.7%
Other Public Assistance	17,703	17,489	17,174	-315	-1.8%
Work Opportunities	34,566	34,119	33,332	-788	-2.3%
Administration	192,465	199,286	205,207	5,921	3.0%
<b>Office of Home Energy Programs</b>	<b>\$153,276</b>	<b>\$142,274</b>	<b>\$137,553</b>	<b>-\$4,721</b>	<b>-3.3%</b>
<b>Child Welfare</b>	<b>\$567,526</b>	<b>\$612,767</b>	<b>\$592,114</b>	<b>-\$20,653</b>	<b>-3.4%</b>
Foster Care/Adoption	303,401	318,982	296,457	-22,525	-7.1%
Programs/Administration	264,125	293,785	295,657	1,872	0.6%
<b>Child Support Enforcement</b>	<b>\$89,582</b>	<b>\$88,628</b>	<b>\$91,616</b>	<b>\$2,988</b>	<b>3.4%</b>
<b>Administration</b>	<b>\$167,317</b>	<b>\$173,183</b>	<b>\$177,767</b>	<b>\$4,585</b>	<b>2.6%</b>
Office of the Secretary	29,737	28,396	30,089	1,693	6.0%
Operations	31,116	32,207	32,129	-78	-0.2%
Information Management	65,385	69,893	72,818	2,925	4.2%
Local Department Operations	41,078	42,687	42,730	43	0.1%
<b>Unallocated Reductions</b>		<b>-\$6,578</b>	<b>-\$6,888</b>	<b>-\$310</b>	<b>4.7%</b>
<b>Total Program Funding</b>	<b>\$1,426,470</b>	<b>\$1,461,024</b>	<b>\$1,444,863</b>	<b>-\$16,161</b>	<b>-1.1%</b>
General Funds	\$652,142	\$621,244	\$627,697	\$6,454	1.0%
Special Funds	106,001	120,949	112,722	-8,228	-6.8%
Federal Funds (Excluding SNAP)	666,270	717,086	704,444	-12,642	-1.8%
Reimbursable Funds	2,057	1,745	0	-1,745	-100.0%
<b>Total Funds (Excluding SNAP)</b>	<b>\$1,426,470</b>	<b>\$1,461,024</b>	<b>\$1,444,863</b>	<b>-\$16,161</b>	<b>-1.1%</b>
<b>SNAP</b>	<b>\$1,151,553</b>	<b>\$1,252,632</b>	<b>\$1,151,553</b>	<b>-\$101,079</b>	<b>-8.1%</b>
<b>Total (Including SNAP)</b>	<b>\$2,578,023</b>	<b>\$2,713,656</b>	<b>\$2,596,416</b>	<b>-\$117,240</b>	<b>-4.3%</b>

SNAP: Supplemental Nutrition Assistance Program

TCA: Temporary Cash Assistance

TDAP: Temporary Disability Assistance Program

***N00 – Department of Human Resources – Fiscal 2016 Budget Overview***

Note: Fiscal 2015 includes deficiencies, withdrawn appropriations, and reductions approved by the Board of Public Works in January 2015. Fiscal 2016 figures reflect back of the bill reductions assumed in the Governor's fiscal 2016 budget plan. Salary reductions assumed in the Governor's 2016 budget plan are applied to units with the most salaries for each budget (for example, the Family Investment Administration's salary reductions are applied in full to the local department operations row of that unit). Numbers may not sum to total due to rounding.

Source: Maryland State Budget



**Department of Human Resources  
Budget Overview: General Funds  
Fiscal 2014-2016  
(\$ in Thousands)**

	<b><u>2014 Actual</u></b>	<b><u>2015 Adjusted</u></b>	<b><u>2016 Adjusted</u></b>	<b><u>2015-16 \$ Change</u></b>	<b><u>2015-2016 % Change</u></b>
<b>Family Investment</b>	<b>\$139,068</b>	<b>\$139,298</b>	<b>\$140,764</b>	<b>\$1,466</b>	<b>1.1%</b>
TCA Payments	14,511	29,766	32,266	2,500	8.4%
TDAP	40,341	34,065	34,065	0	0.0%
SNAP	0	0	0	0	
Other Public Assistance	10,782	10,082	10,082	0	0.0%
Work Opportunities	0	0	0	0	
Administration	63,039	53,596	52,368	-1,228	-2.3%
<b>Office of Home Energy Programs</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	
<b>Child Welfare</b>	<b>\$402,778</b>	<b>\$383,524</b>	<b>\$378,203</b>	<b>-\$5,321</b>	<b>-1.4%</b>
Foster Care/Adoption	230,602	222,846	192,960	-29,886	-13.4%
Programs/Administration	172,176	160,678	185,243	24,565	15.3%
<b>Child Support Enforcement</b>	<b>\$21,791</b>	<b>\$18,645</b>	<b>\$19,110</b>	<b>\$464</b>	<b>2.5%</b>
<b>Administration</b>	<b>\$88,505</b>	<b>\$86,355</b>	<b>\$96,508</b>	<b>\$10,154</b>	<b>11.8%</b>
Office of the Secretary	19,544	17,100	20,932	3,833	22.4%
Operations	17,713	17,227	18,131	904	5.2%
Information Management	28,145	29,663	31,909	2,247	7.6%
Local Department Operations	23,103	22,366	25,536	3,171	14.2%
<b>Unallocated Reductions</b>		<b>-\$6,578</b>	<b>-\$6,888</b>	<b>-\$310</b>	<b>4.7%</b>
<b>Total</b>	<b>\$652,142</b>	<b>\$621,244</b>	<b>\$627,697</b>	<b>\$6,454</b>	<b>1.0%</b>

SNAP: Supplemental Nutrition Assistance Program

TCA: Temporary Cash Assistance

TDAP: Temporary Disability Assistance Program

Note: Fiscal 2015 includes deficiencies, withdrawn appropriations, and reductions approved by the Board of Public Works in January 2015. Fiscal 2016 figures reflect back of the bill reductions assumed in the Governor's fiscal 2016 budget plan. Salary reductions assumed in the Governor's 2016 budget plan are applied units with the most salaries for each budget (for example, the Family Investment Administration's salary reductions are applied in full to the local department operations row of that unit). Numbers may not sum to total due to rounding.

Source: Maryland State Budget; Department of Human Resources

**Department of Human Resources  
Budget Overview: Fiscal 2015 Deficiencies and  
Withdrawn Appropriations**

<u>Unit</u>	<u>Amount</u>		<u>Use</u>
<b>Deficiencies</b>			
Local Family Investment Program	\$500,000 GF 1,500,000 FF		Provides funding to support 45 employees added by the Board of Public Works in November 2014 to handle the increased Medicaid enrollments.
Assistance Payments	11,454,903 FF		Provides additional TANF funds received through the program's contingency fund.
<b>Withdrawn Appropriations</b>			
Foster Care Maintenance Payments	-\$215,000 GF		Withdrawal of general funds to reflect cost containment actions adjusting current year residential provider rates.
Work Opportunities	-800,000 FF		Withdrawal of fiscal 2015 TANF funds to reduce spending, allowing the funds to address a prior-year shortfall.

GF: general funds

FF: federal funds

TANF: Temporary Assistance for Needy Families

Source: Maryland State Budget

### **Back of the Bill Sections**

- Section 19 includes an across-the-board general fund reduction to all State agencies, totaling \$6.9 million for DHR. This equates to 1.1% of DHR's general fund budget.
- Section 20 and 21 contains statewide reductions related to a rebasing of employee salaries by cutting salaries by 2.0% and eliminating increments. DHR's reductions total \$6.8 million in general funds, \$6.7 million in federal funds, and \$0.2 million in special funds.

### **Notable Rate Changes**

- A withdrawn appropriation reduces DHR's spending by \$215,000 to reflect cost containment reductions by reducing residential provider rates.

**Department of Human Resources**  
**Major Changes in the Fiscal 2016 Allowance**  
(\$ in Millions)

**Where It Goes:**

**Departmentwide**

Employee and retiree health insurance .....	\$14,530
Regular earnings (before cost containment) .....	10,100
Retirement.....	5,845
Social Security .....	896
Unemployment compensation premium assessment .....	25
Overtime .....	-11
Accrued leave payout.....	-22
Workers' compensation premium assessment .....	-91
Reclassifications .....	-179
Turnover adjustments.....	-233
Abolished/transferred positions .....	-1,553
Back of bill salary changes .....	-13,733
Increase in the Montgomery County block grant.....	429

**Administration**

Project management, operations, and maintenance cost for Enterprise Management System .....	1,724
---	-------

**Child Support Enforcement**

Cooperative reimbursement agreements .....	1,553
--	-------

**Office of Home Energy Programs**

Local administered agency contracts .....	1,076
Increase in Low-income Home Energy Assistance Program funds offset by decreases in Electric Universal Service Program and Strategic Energy Investment Funds .....	-5,756

**Social Services**

Growth in subsidized adoption and guardianship .....	7,164
Reduction in unspent grant dollars .....	-4,036
Reduction in foster care caseload .....	-29,905

**Family Investment**

Temporary Cash Assistance caseload changes after deficiency .....	-1,094
Temporary Disability Assistance Program caseload reduction .....	-1,965
Reduction in Supplemental Nutrition Assistance Program Caseload .....	-101,079

**Other Adjustments**

	-635
--	------

<b>Total</b>	<b>-\$117,240</b>
--------------	-------------------

***N00 – Department of Human Resources – Fiscal 2016 Budget Overview***

Note: The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

Source: Maryland State Budget; Department of Human Resources

**Department of Human Resources  
Caseload Estimates Assumed in the Budget  
Fiscal 2013-2016**

<b><u>Program</u></b>	<b><u>2013 Actual</u></b>	<b><u>2014 Actual</u></b>	<b><u>2015 Estimated</u></b>	<b><u>2016 Estimated</u></b>	<b><u>2015-2016 % Change</u></b>
<b>Cash Assistance</b>					
TCA	67,876	63,746	60,421	62,191	2.9%
TDAP	19,660	18,477	19,183	18,281	-4.7%
<b>Child Welfare</b>					
Foster Care	5,177	4,987	5,205	4,924	-5.4%
Subsidized Adoption/Guardianship	10,209	9,576	9,517	9,830	3.3%
<b>Child Support Enforcement</b>					
TCA Collections	\$23,708,944	\$20,391,666	\$26,830,816	\$26,825,260	0.0%
Non-TCA Collections	526,136,648	538,170,746	537,317,220	542,964,256	1.1%

TCA: Temporary Cash Assistance

TDAP: Temporary Disability Assistance Program

Source: Maryland State Budget; Department of Human Resources

- Temporary Cash assistance (TCA) caseloads are projected to increase 2.9% between fiscal 2015 and 2016, although the fiscal 2015 figure has not been updated since the legislative appropriation (the Department of Legislative Services (DLS) projects 62,217).
- TDAP is expected to decline 4.7% in fiscal 2016 to 18,281, though it too has not been updated since the fiscal 2015 legislative appropriation. DLS projects an enrollment of 18,224 for that fiscal year.
- Similarly, the fiscal 2016 allowance projects a 5.4% decline in the foster care caseload and a 3.3% increase in the subsidized adoption/guardianship program, compared to the fiscal 2015 legislative appropriation.
- Child support enforcement collections, both TCA and non-TCA, are projected to grow by a combined 1.0% between fiscal 2015 and 2016.

**Department of Human Resources  
Employment: Full-time Equivalent Regular Positions and  
Contractual Positions  
Fiscal 2014-2016**

	<b><u>2014 Actual</u></b>	<b><u>2015 Legislative</u></b>	<b><u>2015 Working</u></b>	<b><u>2015 Change</u></b>	<b><u>2016 Allowance</u></b>	<b><u>2015-2016 Change</u></b>
<b>Regular Positions</b>						
Social Services	2,861.11	2,841.41	2,828.91	-12.50	2,807.91	-21.00
Family Investment	2,082.42	2,076.42	2,126.42	50.00	2,125.42	-1.00
Administration	879.50	871.50	880.00	8.50	879.00	-1.00
Child Support Enforcement	688.20	679.90	679.90	0.00	679.90	0.00
Office of Home Energy Programs	17.87	17.87	16.87	-1.00	16.87	0.00
<b>Total Positions</b>	<b>6,529.10</b>	<b>6,487.10</b>	<b>6,532.10</b>	<b>45.00</b>	<b>6,509.10</b>	<b>-23.00</b>

**Contractual Positions**

	<b><u>2014 Actual</u></b>	<b><u>2015 Legislative</u></b>	<b><u>2015 Working</u></b>	<b><u>2014-15 Change</u></b>	<b><u>2016 Allowance</u></b>	<b><u>2015-16 Change</u></b>
Social Services	8.07	11.00	11.00	0.00	2.50	-8.50
Family Investment	97.49	68.00	68.00	0.00	68.00	0.00
Administration	32.31	2.90	2.90	0.00	2.90	0.00
Child Support Enforcement	7.45	1.00	1.00	0.00	1.00	0.00
Office of Home Energy Programs	1.10	0.00	0.00	0.00	0.00	0.00
<b>Total Positions</b>	<b>146.42</b>	<b>82.90</b>	<b>82.90</b>	<b>0.00</b>	<b>74.40</b>	<b>-8.50</b>

Source: Maryland State Budget

- The allowance abolishes 23.0 vacant regular positions in the DHR budget.
- The allowance deletes 8.5 contractual full-time equivalent positions from the Social Services Administration.
- The 45.0 regular position increase between the fiscal 2015 legislative appropriation and the working budget were approved by the Board of Public Works in October 2014 to assist the agency's increased workload in helping individuals sign up for Medicaid.
- The other changes within fiscal 2015 are reassigning regular positions from one unit of DHR to another. The Social Services Administration had 12.5 positions transferred to DHR Administration due to the transfer of staff to the Office of Emergency Operations.

**Department of Human Resources  
Filled Regular Positions\*  
Fiscal 2013-2015**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Change</u> <u>2014-15</u>	<u>%</u> <u>Change</u> <u>2014-15</u>
Administration	822.0	816.0	812.0	-4.0	-0.5%
Social Services	2,652.6	2,582.4	2,612.4	30.0	1.2%
Child Support Enforcement	648.9	630.4	636.4	6.0	1.0%
Family Investment	1,912.8	1,958.0	1,977.7	19.7	1.0%
<b>Total</b>	<b>6,036.3</b>	<b>5,986.8</b>	<b>6,038.5</b>	<b>51.7</b>	<b>0.9%</b>

\*2013 and 2014 data is from January 1, 2015; 2015 data is from November 1, 2015.

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

Source: Department of Budget and Management

- The number of filled regular positions grew by 0.9%, or 51.7 positions, between fiscal 2014 and 2015. The only decline was in DHR Administration, with 4.0 fewer filled positions in fiscal 2015 than in 2014. The Social Services Administration experienced the greatest increase, with a growth of 30.0 filled positions. The Family Investment Administration's filled positions grew by 19.7 regular positions between January 1, 2014, and November 1, 2014.
- The agency had 493.6 regular positions vacant in November 1, 2014, the most recent month available. DHR's budgeted turnover rate is 6.9%, requiring 452.8 regular positions be vacant throughout fiscal 2016. Using the November 1, 2014 vacancy count, DHR is able to fill 40.8 positions and still meet its turnover rate. The November 2014 vacancy count of 493.6 regular positions is down from 542.3 vacancies on January 1, 2014.



## Issues

---

### 1. Temporary Assistance for Needy Families Deficit Continues in Allowance

Maryland receives \$229.1 million annually from the federal government for the State's Temporary Assistance for Needy Families (TANF) block grant and in the past few years received contingency funds that are available to states with growth in SNAP participation. Despite these funds, after the recession and steep growth in TCA caseloads, Maryland began to run a deficit in TANF funding, growing to \$52.2 million at the start of fiscal 2012. To fund this deficit, DHR primarily used the following year's appropriation to cover expenditures incurred in the prior year.

The deficit continued into fiscal 2015 but is expected to be fully addressed by the end of the fiscal year due to the availability of TANF contingency funds. **Exhibit 3** shows Maryland's TANF appropriation and how much spending DHR is allocating to the program from fiscal 2014 to 2016.

---

**Exhibit 3**  
**Availability of TANF Funding**  
**Fiscal 2014-2016**  
**(\$ in Millions)**

	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<b><u>Actual</u></b>	<b><u>Working</u></b>	<b><u>Allowance</u></b>
<b>Beginning Balance</b>	<b>-\$13.086</b>	<b>-\$6.754</b>	<b>\$4.805</b>
TANF Grant	\$229.098	\$229.098	\$229.098
Contingency TANF	22.749	11.455	
<b>Total Income</b>	<b>\$251.848</b>	<b>\$240.553</b>	<b>\$229.098</b>
<b>Available Funding (Balance + Income)</b>	<b>\$238.761</b>	<b>\$233.799</b>	<b>\$233.903</b>
 DHR Appropriation	 -\$245.515	 -\$228.995	 -\$239.445
<b>Total Expenditures</b>	<b>-\$245.515</b>	<b>-\$228.995</b>	<b>-\$239.445</b>
 <b>Ending Balance</b>	 <b>-\$6.754</b>	 <b>\$4.805</b>	 <b>-\$5.542</b>

DHR: Department of Human Resources

TANF: Temporary Assistance for Needy Families

Note: Fiscal 2015 includes \$11.5 million in TANF contingency funds added through deficiency. Numbers may not sum to total due to rounding.

Source: Department of Human Resources

---

Maryland received \$22.7 million in TANF contingency funds in fiscal 2014. These federal funds are available to states that spend more on SNAP in one year than they did in the previous year. The Governor's allowance includes a deficiency appropriation of \$11.4 million in TANF contingency funds, and as currently budgeted, the program has an estimated surplus of \$4.8 million at the end of fiscal 2015. In fiscal 2012 and 2013, the State received roughly \$20.0 million in TANF contingency funds. If that continues in fiscal 2015, the TANF program will have a surplus of \$13.3 million at the end of fiscal 2015.

Fiscal 2016 spends down that surplus and the block grant appropriation creating a projected deficit in the program. If Maryland continues to receive TANF contingency funds, however, the projected deficit will be erased. The likelihood of Maryland continuing to receive this fund source is discussed later in this issue.

**Exhibit 4** shows where in DHR the TANF appropriation is spent between fiscal 2014 and 2016, as reported by DHR. When accounting for the TANF contingency funds added by deficiency, spending is generally flat, declining \$0.2 million. The largest changes are an increase of \$16.5 million in TANF spending in Family Investment Administration and an \$11.3 million decrease in Child and Adult Social Services. TANF spending also declines \$3.9 million in cash assistance programs.

---

**Exhibit 4**  
**Changes in TANF Spending in DHR's Budget**  
**Fiscal 2014-2016 Allowance**  
**(\$ in Millions)**

<b><u>Activity</u></b>	<b><u>2014 Actual</u></b>	<b><u>2015 Working</u></b>	<b><u>2016 Allowance</u></b>	<b><u>2015-2016 Change</u></b>
Cash Assistance	\$136.3	\$111.8	\$107.9	-\$3.9
Work Opportunities	34.6	34.1	33.3	-0.8
Family Investment Services	29.7	39.3	55.8	16.5
Foster Care Maintenance Payments	6.9	6.9	6.9	0.0
Child and Adult Social Services	22.5	33.6	22.3	-11.3
General Administration	15.6	13.9	13.2	-0.7
<b>Total DHR Expenditures</b>	<b>\$245.5</b>	<b>\$239.6</b>	<b>\$239.4</b>	<b>-\$0.2</b>

DHR: Department of Human Resources

TANF: Temporary Assistance for Needy Families

Note: Fiscal 2015 includes \$11.5 million in TANF contingency funds added through deficiency. Numbers may not sum to total due to rounding.

Source: Maryland State Budget; Department of Human Resources

---

## **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. **Exhibit 5** provides a summary of MOE funding for the fiscal 2014 through 2016 allowance. Spending that is eligible for MOE exceeds the MOE requirement by more than \$140.0 million in fiscal 2015 and 2016.

Although the State has not yet been awarded TANF contingency funds, the exhibit shows that the State's MOE requirements will still be met in that event. To meet MOE on TANF contingency funds, states are required to match \$3 for every \$1 received. Spending that helps needy children stay in their own homes or with relatives and programs that promote job preparation, work, or marriage count toward MOE.

In order to receive TANF contingency funds, a state must meet one of two conditions:

- an unemployment rate of at least 6.5% and 10.0% greater in a three-month period compared to the same three-month period in either of the two years, or
- a food stamp caseload that is more than 10.0% greater over a three-month period than in a corresponding three-month period in 1994 or 1995.

In January 1996, Maryland's food stamp caseload was 156,044. Although caseload peaked in November 2013, the State's December 2014 caseload was 404,626. As a result, Maryland is likely to receive about \$20 million annually in TANF contingency funds as long as the funding is available. **The department should comment on the availability of TANF contingency funds in fiscal 2015 and 2016.**

**Exhibit 5**  
**TANF Maintenance of Effort**  
**Fiscal 2014-2015 Allowance**  
**(\$ in Thousands)**

	<b><u>2014</u></b> <b><u>Working</u></b>	<b><u>2015</u></b> <b><u>Allowance</u></b>	<b><u>2016</u></b> <b><u>Allowance</u></b>	<b><u>2015-2016</u></b> <b><u>Change</u></b>
Cash Assistance	\$15,322	\$15,322	\$17,822	\$2,500
Employment Services/Caseworkers	7,197	7,197	7,197	0
Administration	4,112	4,112	4,112	0
Kinship Care/Foster Care Payments	3,363	3,363	3,363	0
Social Services Administration	15,527	15,527	15,527	0
Community Services – Emergency Food, Shelter, Child 1st	2,758	2,758	2,758	0
Refundable State Earned Income Tax Credit	141,369	141,369	141,369	0
Montgomery County Earned Income Tax Credit	14,841	14,841	14,841	0
MSDE Prekindergarten	86,120	86,120	86,120	0
Child Care	23,552	23,552	23,552	0
Local Government/State Agencies	0	0	0	0
Electric Universal Service Program	30,227	30,227	30,227	0
<b>Subtotal</b>	<b>\$344,388</b>	<b>\$344,388</b>	<b>\$346,888</b>	<b>\$2,500</b>
<b>Required Maintenance of Effort</b>				
Base	\$176,965	\$176,965	\$176,965	\$0
Contingency Fund Add-on	45,498	45,498	45,498	0
Contingency Fund Match	22,749	22,749	22,749	0
<b>Total Required</b>	<b>\$245,212</b>	<b>\$245,212</b>	<b>\$245,212</b>	<b>\$0</b>
<b>Excess Maintenance of Effort</b>	<b>\$99,176</b>	<b>\$99,176</b>	<b>\$101,676</b>	<b>\$2,500</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

## **2. Earned Income Tax Credit and Department of Human Resources**

Chapters 568 and 569 of 2012 (the Tax Credit Evaluation Act of 2012) established a legislative process for evaluating certain tax credits. As part of the Tax Credit Evaluation Act of 2012, DLS assists the Tax Credit Evaluation Committee by evaluating various tax credits based on a number of factors including (1) the purpose for which the tax credit was established; (2) whether the original intent of the tax credit is still appropriate; (3) whether the tax credit is meeting its objectives; (4) whether the goals of the tax credit could be more effectively carried out by other means; and (5) the cost of the tax credit to the State and local governments. The chapters established a date by which each tax credit is to be evaluated and a timeline for evaluation activities. The Earned Income Credit (EIC) is required to be evaluated by July 1, 2015. As was prepared, the draft evaluation and the Tax Credit Evaluation Committee held a public hearing during fall 2014 for the EIC. The final report of the Tax Credit Evaluation Committee (including whether or not the tax credit should be continued with or without changes or terminated) is required to be submitted by the twentieth day of session (February 2, 2015). As of this writing, the final evaluation was not available, and the discussion of the evaluation and recommendations are based on the draft evaluation.

### **History**

The federal Earned Income Tax Credit (EITC) was first enacted in 1975. Although initially intended to be temporary, the federal EITC was made permanent in 1978. Since that time, the federal EITC has been expanded in both eligibility and credit value. Maryland began providing a nonrefundable State EIC in 1987 equal to 50% of the federal credit for eligible taxpayers. The EIC was limited to the taxpayer's tax liability. Chapter 5 of 1998 established a refundable credit for taxpayers who meet the eligibility requirements of the federal credit and have at least one dependent. The value of Maryland's refundable EIC has increased over time. Under Chapter 389 of 2014, the value of Maryland's refundable EIC increased again and will be 28% of the federal EITC in tax year 2018.

### **Evaluation and Recommendations**

The evaluation included a number of findings and recommendations related to potential improvements to the State EIC program including several related to DHR.

The evaluation noted the EIC program was not as responsive as other safety net programs during the recession (*i.e.*, slower increases in participation). The evaluation indicated that some factors in the lower responsiveness may be the result of the awareness of the program. Also, by contrast to other programs that increased more immediately in response to the recession (for example DHR actively promoted certain programs such as SNAP), no State agency was responsible for promoting the State EIC program. DHR administers a number of State antipoverty programs but not the State EIC. The Maryland Office of the Comptroller administers the program but does not set the goals, objectives, or performance measures of the program. One recommendation in the evaluation is that the General Assembly designate DHR, in consultation

with the Office of the Comptroller, to promote the credit and gather information regarding participation rates and credit effectiveness. A second recommendation is that DHR integrate the State EIC into its goals, objectives, and performance measures.

The evaluation stated that DHR should investigate causes contributing to deficiencies in the EIC participation rate, including area poverty rates, work participation rates, and public awareness of the credit and that DHR should employ creative ways to reach out to those populations not claiming the credit. For example, DHR and the Maryland Office of the Comptroller should explore coordinating information regarding working recipients of SNAP and State EIC recipients to ensure that SNAP recipients have applied for the EIC where eligible. The evaluation highlighted the federal Internal Revenue Service (IRS) best practices for government agencies to promote the EITC, which include:

- adding EITC messages in public assistance checks;
- adding EITC messages on Form 1099s issued for tax refunds, unemployment, *etc.*;
- adding EITC messages on state employee W-2 forms;
- coordinating EITC communication activities among state agencies;
- collaborating with other partners to promote state credits in conjunction with the federal credit;
- placing EITC information on public transportation vehicles and at bus stops; and
- encouraging public utilities to include EITC messages in utility bills.

Another recommendation in the evaluation is that DHR employ innovative methods in outreach.

Throughout the report, it was explained that refund anticipation products, which are targeted to low-income taxpayers, reduce the effectiveness of the EITC, because they erode the EITC funds received by low-income taxpayers and transfer funds to lenders and tax preparers. Among the recommendations related to this issue is a recommendation that the General Assembly consider providing additional funding for free tax preparation services and that the Maryland Office of the Comptroller and DHR coordinate efforts to increase public awareness of free tax preparation services offered in the State.

### **DHR Activities Related to EITC**

DHR indicates that the local departments of social services currently promote or publicize the availability of the EITC either directly or with local community resources. DHR also notes that it either directly funds or actively collaborates with community-based organizations to provide

*N00 – Department of Human Resources – Fiscal 2016 Budget Overview*

EITC outreach, education, and filing assistance. Examples of the EITC activities are described below:

- Baltimore County – the Baltimore County Department of Social Services (DSS) funds EITC outreach through financial literacy programs offered through its work opportunities activities;
- Frederick County – the Frederick County DSS promotes EITC at a workshop that is mandatory for TCA clients;
- Harford County – the Harford County DSS provides EITC outreach during its work program orientation; and
- Washington County – the Washington County DSS has EITC information posted in its Job Readiness Center and publishes a press release annually with EITC information.

DHR also indicates that Howard County DSS plans to begin financial literacy and EITC outreach during calendar 2015. Five of the Local Administering Agencies for Office of Home Energy Programs (Baltimore City Department of Housing and Community Development, Garrett Community Action Council, Harford Community Action Agency, Montgomery County Community Action Agency, and Shore UP!) provide free tax preparation services through its Maryland Creating Assets Savings and Hope Campaign relationships.

DHR also notes that case managers explain to clients that the EITC (as other tax refunds are) is an excludable source of income when calculating benefits.

**DHR should comment on the feasibility of adding performances measures related to EITC outreach to its Managing for Results submission beginning in fiscal 2017. DLS recommends committee narrative requesting these additions. The recommendation will appear in the DHR Administration analysis.**