BILL NUMBER: HB 559 **COMMITTEE:** Appropriations

BILL TITLE: Family Investment Program – Temporary Cash Assistance - Funding

DHS POSITION: Letter of Information

The Department of Human Services (DHS) respectfully offers this letter of information regarding House Bill 559. As drafted, HB 559 provides an incremental increases of Temporary Cash Assistance (TCA, known federally as Temporary Assistance for Needy Families or TANF) benefits by creating phased-in increase of the State minimum living level (MLL). HB 559 would require that TCA and Supplemental Nutrition Assistance Program (SNAP) benefits combined be equal or greater than the MLL reflected below:

- SFY2021, 61% of the State MLL;
- SFY2022, 63% of the State MLL;
- SFY2024, 65% of the State MLL;
- SFY2025, 69% of the State MLL; and
- SFY2026 and each state fiscal year thereafter, 71% of the State MLL.

To reach 71% of the State MLL, an additional $32.5 million, 100% which is state general funds, will be required annually on top of the federally funded 61% MLL TCA benefit amount.

Temporary Assistance to Needy Families (TANF)

Congress created the TANF block grant through the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996.TANF replaced Aid to Families with Dependent Children (AFDC), which had provided cash welfare to low-income families with children since 1935.

Under TANF, the federal government provides a block grant to the states, which then use these funds to operate their own programs. In order to receive federal funds, states must also spend some of their own dollars on programs for needy families as defined by the state (they face severe fiscal penalties if they fail to do so). This state-spending requirement, known as the “maintenance of effort” (MOE) requirement, replaced the state match that AFDC required.

States can use federal TANF and state MOE dollars to meet any of the four goals set out in the 1996 law:

1. Provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
2. End the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;
3. Prevent and reduce the incidence of out of wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and

4. Encourage the formation and maintenance of two parent families.

In Maryland, over half of TANF funds are spent in three core areas:

1. Assistance payments;
2. Work opportunities programs; and
3. Child care assistance

TCA is an assistance payment and one of Maryland's TANF programs which provides cash assistance to families with dependent children when available resources do not fully address the family's needs and while preparing program participants for independence through work.

TANF Funding

The federal TANF block grant and state MOE contributions are the primary sources of funding for state TANF programs. The basic TANF block grant has been set at $16.5 billion each year since 1996.

Maryland receives 1.5% of this grant funding to spread across eligible programs. The dollar value of the grant has not increased since its creation in 1996. This means that over time with inflation the block grant has lost more than 30% of its original value. Furthermore, the Consolidated Appropriations Act of 2017 effectively reduced the basic block grants in each state by 0.33%. The federal fiscal 2019 budget proposed would reduce states' block grants by another 10.0%. In recent years states have turned to the TANF Contingency Fund, which was created for states to draw upon during periods of economic downturns by making funds available to states experiencing certain conditions (including increased food assistance recipients or unemployment rates). Maryland has received these funds in each year since fiscal 2009 and has received more than $20 million annually since fiscal 2013.

TANF/TCA Grant Allotments

Maryland determines its TCA grants by calculating the State Minimum Living Level (MLL). Maryland law currently requires that the combined TCA and SNAP benefit equal 61% of the MLL. In order to maintain the 61% of the MLL, the TCA benefit is adjusted according to the need. Effective October 1, 2019, TCA households saw a 2.5% increase in their grant amount. TCA grants for a household of three increased from $709 in Federal Fiscal Year (FFY) 2019 to $727 in FFY 2020.

TCA grants for a household of three for the last five years:

- FFY2020: $727 (+2.5% from previous year)
- FFY2019: $709 (+4.5%)
- FFY2018: $677 (+4.5%)
- FFY2017: $648 (+1.9%)
- FFY2016: $636

Maryland is one of three states that has consistently increased TCA grants to account for inflation and an increased cost of living. While other states have either failed to adjust grants to keep up with an increased cost of living or have decreased grant amounts due to inflation adjusted value. Maryland also continues to remain one of the top five highest TANF benefit amounts nationwide. Refer to Attachment 1: Monthly TANF Benefit Levels.

TANF/TCA Work Requirement

The TCA program is a temporary assistance benefit to families that provides families with the necessary supportive services to move them to financially viable employment. To this aim, PRWORA added a requirement of 30 hours per week of "work activities."

States must meet TANF work participation standards or risk a reduction in their block grant. For the states, the law sets standards stipulating that at least 50% of all families and 90% of two-parent families be "engaged in work."

TCA Job Placement and Strategies

For the fifth consecutive year DHS surpassed our job placement target and secured over 10,000 jobs for TCA related customers. This represents a 1% increase in the job placement participant rate year over year.

Each year, the Family Investment Administration along with the Local Departments of Social Services (LDSS) develop a strategic document with strategies to help customers achieve economic self sufficiency called the PASS (Public Assistance to Self-Sufficiency) Plan. Within this plan, the LDSSs provide its workforce strategies around the following key areas:

- Barrier removal (i.e. provide for transportation, childcare, clothing/uniforms, licensing fees, substance abuse, emergency housing related assistance: preventing eviction, or lights turn off)
- Work experience opportunities
- Teaching job readiness/life skills
- Vocational training (In demand trainings that lead to certification)
- Job Placement/Retention services
- Connection with business community (i.e. Vehicles for Change who provides full-time employed customers with the opportunity to obtain a vehicle at a low cost of $800)
- Partnering with our sister agency, Maryland Department of Labor (allows for our customers to participate in apprenticeships, receive labor market information and access to job placement services).

Other TANF Funded Programs

The use of Earned Income Tax Credits (EITC) – Maryland used 30.5% of the state's TANF dollars to support the Maryland Earned Income Tax Credit program whereas the national average is 9%. This is a refundable tax credit for working people with low to moderate income. The program supports customers transitioning to independence by providing additional tax incentives for employment which aligns with the work component of the TANF program;

Pre-K Education – Maryland used 11.6% of the state's TANF funds to support expanding Pre-K education, the national average is 8.3%. Maryland leverages an additional 1.5% of its TANF expenditures for direct child care support. Research consistently illustrates that strong early education is instrumental in disrupting the cycle of poverty. Parents have an increased likelihood of securing and maintaining viable employment when they have access to licensed, credentialed daycare facilities for their children. In addition it supports parents having the ability to look for, accept, and maintain stable employment when they can be confident that their children are in safe learning environments;

Child Welfare – Maryland used 5.2% of TANF funds to support child welfare which aligns with the national average of 7.5%.

The Department appreciates the opportunity to share the aforementioned information regarding HB559 and respectfully requests that this information be considered during the Committee's deliberations.