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Family Investment Administration
Department of Human Resources

Operating Budget Data

($ in Thousands)

	FY 16 Actual	**FY 17 Working**	**FY 18 Allowance**	**FY 17-18 Change**	**% Change Prior Year**
General Fund	$137,207	$140,269	$149,877	$9,607	6.8%
Adjustments	0	7,300	-153	-7,453	
Adjusted General Fund	**$137,207**	**$147,569**	**$149,724**	**$2,155**	**1.5%**
Special Fund	17,400	16,253	15,287	-967	-5.9%
Adjustments	0	0	-9	-9	
Adjusted Special Fund	**$17,400**	**$16,253**	**$15,277**	**-$976**	**-6.0%**
Federal Fund	1,391,193	1,440,410	1,369,438	-70,972	-4.9%
Adjustments	0	-7,300	-318	6,982	
Adjusted Federal Fund	**$1,391,193**	**$1,433,110**	**$1,369,121**	**-$63,989**	**-4.5%**
Adjusted Grand Total	**$1,545,800**	**$1,596,933**	**$1,534,122**	**-$62,811**	**-3.9%**

Note: Includes targeted reversions, deficiencies, and contingent reductions.

- The fiscal 2018 budget bill includes one proposed deficiency appropriation for the Department of Human Resources (DHR) Family Investment Administration (FIA), which replaces $7.3 million of federal funds from the Medical Assistance Program with the same amount of general funds in the Local Family Investment Program. The proposed deficiency appropriation corrects the federal fund revenue assumptions to a level more in line with experience.

- The fiscal 2018 allowance of FIA decreases by $62.8 million, or 3.9%, compared to the fiscal 2017 working appropriation after accounting for the deficiency appropriation in fiscal 2017 and a contingent reduction in fiscal 2018. General funds increase by $2.2 million, or 1.5%, which is more than offset by special and federal fund decreases.

- Special funds decrease by $976,095 primarily due to Child Support Offset Funds in the Assistance Payments Program ($1.3 million) to reflect recent experience.

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

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- Federal funds decrease by approximately $64.0 million, or 4.5%, primarily due to aligning the federal Food Supplement Program (FSP) benefit funding with recent experience ($44.6 million). Other major changes in federal funds result from an understatement of administrative matching funds for the FSP ($6.6 million), Temporary Assistance for Needy Families (TANF) funds due to changes in priorities for use of the funds ($6.2 million), and the elimination of Child Care Mandatory and Matching Funds ($6.1 million) after the transition of Child Care Subsidy benefit determination to the Maryland State Department of Education.

Personnel Data

	FY 16 Actual	FY 17 Working	FY 18 Allowance	FY 17-18 Change
Regular Positions	2,093.42	2,045.18	2,045.18	0.00
Contractual FTEs	95.00	68.00	68.00	0.00
Total Personnel	**2,188.42**	**2,113.18**	**2,113.18**	**0.00**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	144.59	7.07%
Positions and Percentage Vacant as of 1/1/17	149.50	7.31%

- There are no changes in the number of regular positions or contractual full-time equivalents in the fiscal 2018 allowance of FIA.

- The turnover expectancy increases from 6.21% to 7.07% to align with the departmentwide turnover expectancy.

- As of January 1, 2017, FIA had a vacancy rate of 7.3%, or 149.5 vacant positions. To meet its fiscal 2018 turnover expectancy, FIA needs to maintain 144.6 vacant positions. FIA could fill approximately 5.0 positions and still meet the turnover expectancy.

Analysis in Brief

Major Trends

Job Placement and Retention: Although the number of job placements decreased slightly in federal fiscal 2016, the job placement rate continued to increase as it has in each year since federal fiscal 2010. In federal fiscal 2016, the job placement rate was 59%. The job retention rate held steady in federal fiscal 2015 (the most recent year for which data is available) at 79%.

Employment and Earnings: According to data presented in the *Life After Welfare* 2016 update, all three cohorts (mid-2000s recovery, Great Recession, and Great Recession recovery) saw increases in the percent of leavers that worked at some point in the year prior to Temporary Cash Assistance (TCA) receipt and a year after exiting TCA. The Great Recession recovery leavers had the largest increase in those who worked at some point in the year after exit (10.2 percentage points), but the mid-2000s recovery leavers had the highest rate (68.8%) of leavers that worked at some point in the year after exit. All three cohorts also had an increase in median annual earnings in the year before TCA entry and the year after TCA entry, but the recession era leavers lagged the other cohorts in the size of the increase and median earning in the year after TCA exit.

Permanency of TCA Exit: Approximately 23% of Great Recession era and Great Recession recovery era leavers returned to TCA within 6 months. Nearly one-third of these leavers returned to TCA within 12 months. The rate of return for these groups was higher than the mid-2000s recovery leavers at both 6 and 12 months.

Receipt of Public Assistance After TCA Exit: One year after TCA exit, the vast majority of leavers received Medical Assistance and FSP benefits. More than 96.0% of leavers of all three cohorts received Medical Assistance benefits one year after TCA exit. The use of FSP benefits after TCA exit increased among the three cohorts from 78.5% of mid-2000s recovery leavers to 88.2% of Great Recession recovery leavers.

Office of Grants Management: The number of meals distributed to hungry Marylanders decreased by approximately 14% due to the receipt of fewer federal food commodities and rising administrative costs that decreased the value of grants to feeding organizations. Even with the decrease, more than 14 million meals were distributed from programs funded by FIA.

Issues

TCA Eligibility and Benefit Amounts: The 2016 *Joint Chairmen's Report* (JCR) requested that DHR conduct an analysis on the feasibility of incrementally increasing the percent of the Maryland minimum living level that must be met through a combination of TCA and FSP benefits (currently 61%) by 1 percentage point per year over the next 10 years. DHR was also asked to provide information on the feasibility of altering eligibility criteria to increase the number of individuals eligible for TCA. DHR estimated that increasing the benefit by 1 percentage point per year would increase the maximum TCA benefit for a three-person household from $648 in fiscal 2017 to $919 in fiscal 2027, which is $210 higher than would be expected to occur under the current 61% calculation. As requested, DHR presented two options for increasing the number of individuals eligible for benefits (increasing the earnings disregard and changing eligibility criteria to a percent of the federal poverty level (FPL)). DHR noted that some currently eligible households would become ineligible if the criteria were changed to a percent of the FPL. DHR estimated that changing the eligibility criteria to 100% of the FPL would have increased the caseload by less than 5% in federal fiscal 2016. DHR stated that increasing the earned income disregard to 40% would have allowed 443 households determined ineligible in federal fiscal 2016 to become eligible. In either case, DHR cautioned of budget limitations.

Child Support Pass-through and Disregard for TCA: The federal Deficit Reduction Act of 2005 provided states with the option to pass through a portion of child support payments received on behalf of TCA recipients to families and disregard the pass-through portion in the calculation of benefits. Maryland has not implemented this option. The 2016 JCR requested that DHR conduct an analysis on whether implementing such a policy would be beneficial to TCA recipients and the State. While DHR submitted a report that contained information related to the factors that the department was asked to consider in its analysis, the report contained no analysis of whether such a policy would be beneficial to TCA customers and the State. Subsequently, DHR provided information that estimated the cost to the State of passing through a portion of child support received at $3.8 million annually. Based on this calculation, the Department of Legislative Services estimates that $7.6 million of child support could be passed through to TCA recipients if Maryland implemented the option allowed under the Deficit Reduction Act.

Re-authorization of TANF: TANF's most recent re-authorization ended in federal fiscal 2010. Since that time, TANF has operated under a series of temporary extensions. The current extension expires April 28, 2017. Bills have been introduced in Congress in recent years that would have re-authorized or made changes to the program, including changing work participation rate calculations and limiting State spending of TANF. Uncertainty exists about the plans for re-authorization in the current session of Congress.

Able-bodied Adults without Dependents Time Limit: A statewide waiver of a requirement in FSP that limits able-bodied adults without dependents to 3 months of benefits in a 36-month time period unless the individual is complying with certain work requirements expired in Maryland on December 31, 2015. The 2016 JCR requested that DHR report on the number of individuals removed from FSP benefits as a result of the end of this waiver and the number of individuals that were able to return to the program after complying with the requirements. DHR reported that from January through November 2016, 13,937 individuals were determined ineligible for benefits for noncompliance with these requirements. More than one-third of those determined ineligible were determined ineligible in March (the first month in which individuals became ineligible due to the requirements). Of the individuals determined ineligible, 1,489 returned within 4 months by either providing evidence that they were exempt or beginning to comply with the requirements.

Recommended Actions

		Funds
1.	Add language limiting Temporary Assistance for Needy Families spending to the level of the fiscal 2018 allowance.	
2.	Reduce general funds based on the availability of additional federal funds from the State Administrative Matching Grants for the Food Stamp Program.	$ 9,300,000
3.	Adopt committee narrative requesting an update on outcomes in the Food Supplement Employment and Training program.	
4.	Reduce funds for the Temporary Disability Assistance Program due to lower caseload estimates.	4,000,000
5.	Adopt committee narrative requesting notification about changes to the Temporary Assistance for Needy Families program.	
	Total Reductions	**$ 13,300,000**

Updates

Cold Weather Shelter Planning and Cold Weather-related Deaths: The 2016 JCR included committee narrative requesting that the Interagency Council on Homelessness (ICH) submit a report detailing local cold weather shelter planning processes, identifying service gaps, establishing standards for local cold weather shelter planning, and recommending any legislative changes. The 2016 JCR also requested that DHR, the Office of the Chief Medical Examiner, and the Department of Health and Mental Hygiene collaborate to create a reporting system for cold weather deaths of people experiencing homelessness. In October 2016, DHR and ICH submitted a response addressing both requests. ICH made a number of recommendations for cold weather shelter planning process, including holding a retrospective meeting after the season to discuss service gaps and identify opportunities for improvement and planning for the cold weather season beginning in the summer. ICH also noted that there were 1,029 deaths of those presumed to be homeless between January 2007 and May 2016, of which 36.6% were from natural causes. Of the nonnatural caused deaths (652), the leading cause of death was related to drugs or alcohol.

Earned Income Disregard Pilot Program Interim Report: Chapter 526 of 2013 established an Earned Income Disregard Pilot Program in DHR. The department was required to submit an interim report on the pilot on September 30, 2016. The report indicated that it had limited participation in the program (21 customers). Of the customers that participated, 14 had the case closed after participation began. Eight of the cases were closed due to income over the eligibility limits, even with a 60% disregard in the second phase of the program.

FIA Audit: In April 2015, the Office of Legislative Audits (OLA) released a fiscal compliance audit for FIA covering the period July 1, 2010, through November 24, 2013. The audit contained five findings, including four findings repeated from the prior audit. The fiscal 2017 budget bill included language withholding funds from the director's office in FIA until OLA determines that each repeat finding is corrected. The report containing the determination by OLA has not yet been submitted, and the funds continue to be withheld.

N00I00
Family Investment Administration
Department of Human Resources

Operating Budget Analysis

Program Description

The Department of Human Resources (DHR) Family Investment Administration (FIA), along with the local Family Investment Programs (FIP), administers cash benefits and other grant programs that provided 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 exception for as much as 20% of a state's caseload.

- ***FIP:*** The State's program for serving welfare recipients encompasses the provision of TCA and the efforts to divert potential applicants through employment, move recipients to work, and provide retention services to enhance skills and prevent recidivism. The goal of the 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. 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 also 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. Individuals receive assistance if income is less than the benefit amount ($185) and countable assets are less than or equal to $1,500.

- ***The Burial Assistance Program:*** Subsidizes funeral expenses of public assistance recipients, children in foster care, and Medical Assistance recipients. The program is funded by State and local governments.

- ***The Food Supplement Program:*** Provides benefits solely for the purchase of food items to individuals and families who meet income (generally, gross income of 130% of the federal poverty level (FPL) and a net income of 100% of the FPL) and resource requirements. Nationally, the program is known as the Supplemental Nutrition Assistance Program (SNAP). Benefit costs are traditionally 100% federally funded. Chapter 696 of 2016 created a new supplemental benefit for seniors receiving less than $30 per month in the Food Supplement Program (FSP) benefits that is 100% State funded. Administrative costs are split evenly between the State and federal government.

- ***The 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 assisted living homes, Project Home clients, and adult foster care clients.

- ***Welfare Avoidance Grants:*** Allow 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 (LDSS) are responsible for making eligibility determinations and redeterminations for the aforementioned programs and for certain populations in the Medical Assistance program, which is administered by the Department of Health and Mental Hygiene (DHMH). Local departments have the flexibility to determine what training and job search activities will be required of applicants. In addition, LDSS are responsible for networking with employers and determining the most appropriate use for job training funds.

DHR has one key goal related to the work of FIA, that Maryland residents have access to essential services to support themselves and their families. In addition, DHR has an overall goal to be recognized as a national leader among human service agencies.

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. Since fiscal 2016, these services are primarily provided by local resettlement agencies through grants from MORA.

Office of Grants Management

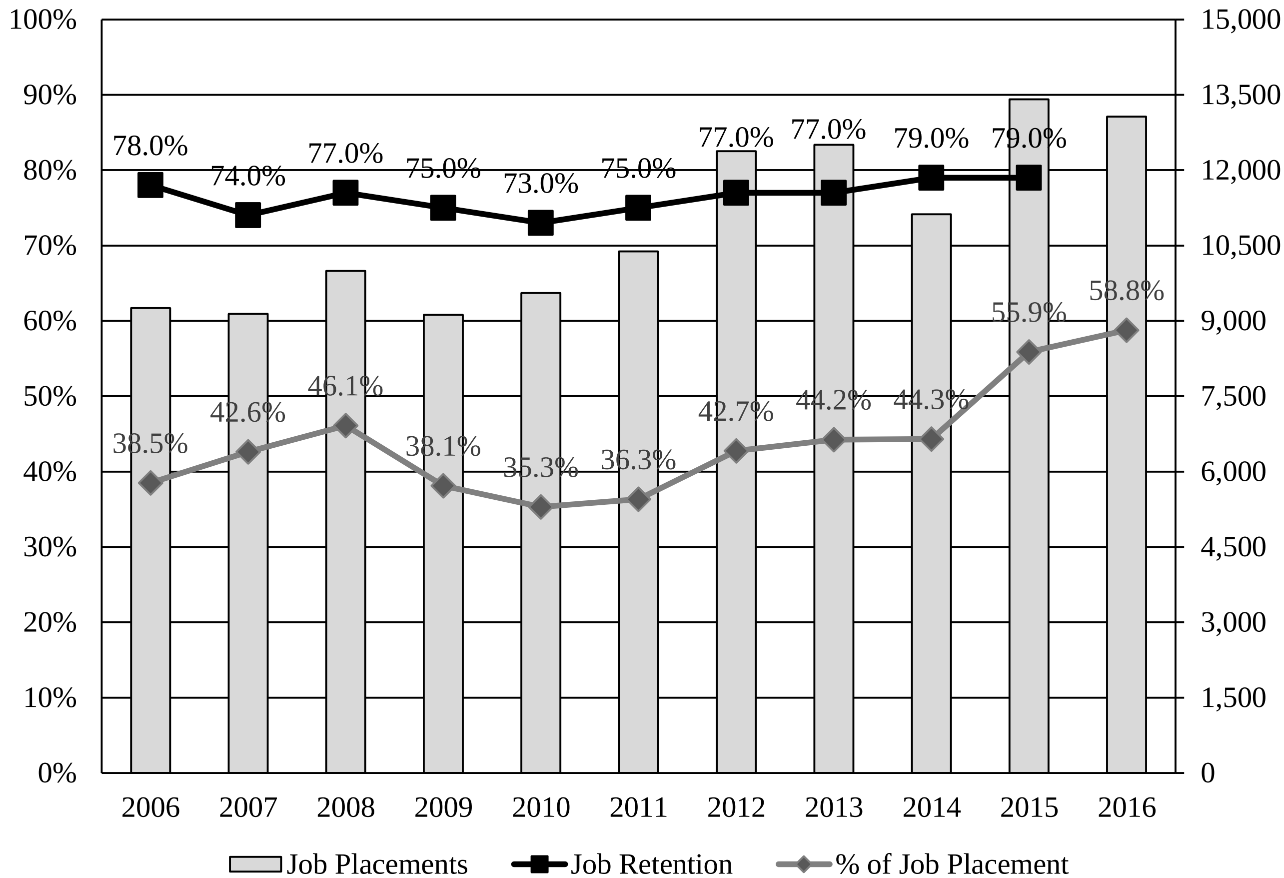
The Office of Grants Management is also administered by FIA. The Office of Grants Management provides funding to government and community-based organizations for homelessness programs, hunger programs, and other community initiatives.

Performance Analysis: Managing for Results

1. Job Placement and Retention

The goal of welfare reform was not only that welfare caseloads would decrease but that customers would get jobs and keep them, eliminating the family's need for cash assistance. As shown in **Exhibit 1**, the number of job placements has increased in all but two years since federal fiscal 2009. In federal fiscal 2016, the number of job placements decreased by 2.6%, but at 13,068, it was still the second highest number of job placements in at least 10 years. DHR indicates that the slight decrease in job placements is likely the result of fewer cases. Despite the slight decrease in the number of job placements in federal fiscal 2016, the rate of job placements continued to increase (3 percentage points) and reached 59%. Since reaching a low point in federal fiscal 2010, the job placement rate for TCA cases has increased by more than 20 percentage points. The job retention rate has held relatively steady since federal fiscal 2012. Federal fiscal 2016 job retention rate data is not yet available.

Exhibit 1
Job Placement and Job Retention
Federal Fiscal 2006-2016



Note: Job placement measures the total number of placements as a percent of the average monthly Temporary Cash Assistance cases in each State fiscal year. Job retention measures the percent of individuals who obtained employment in one calendar quarter and remained employed in the following quarter. Job retention rate information for federal fiscal 2016 is not expected to be available until November 2017.

Source: Department of Human Resources; Department of Budget and Management; Governor's Budget Books; Department of Legislative Services

2. Employment and Earnings

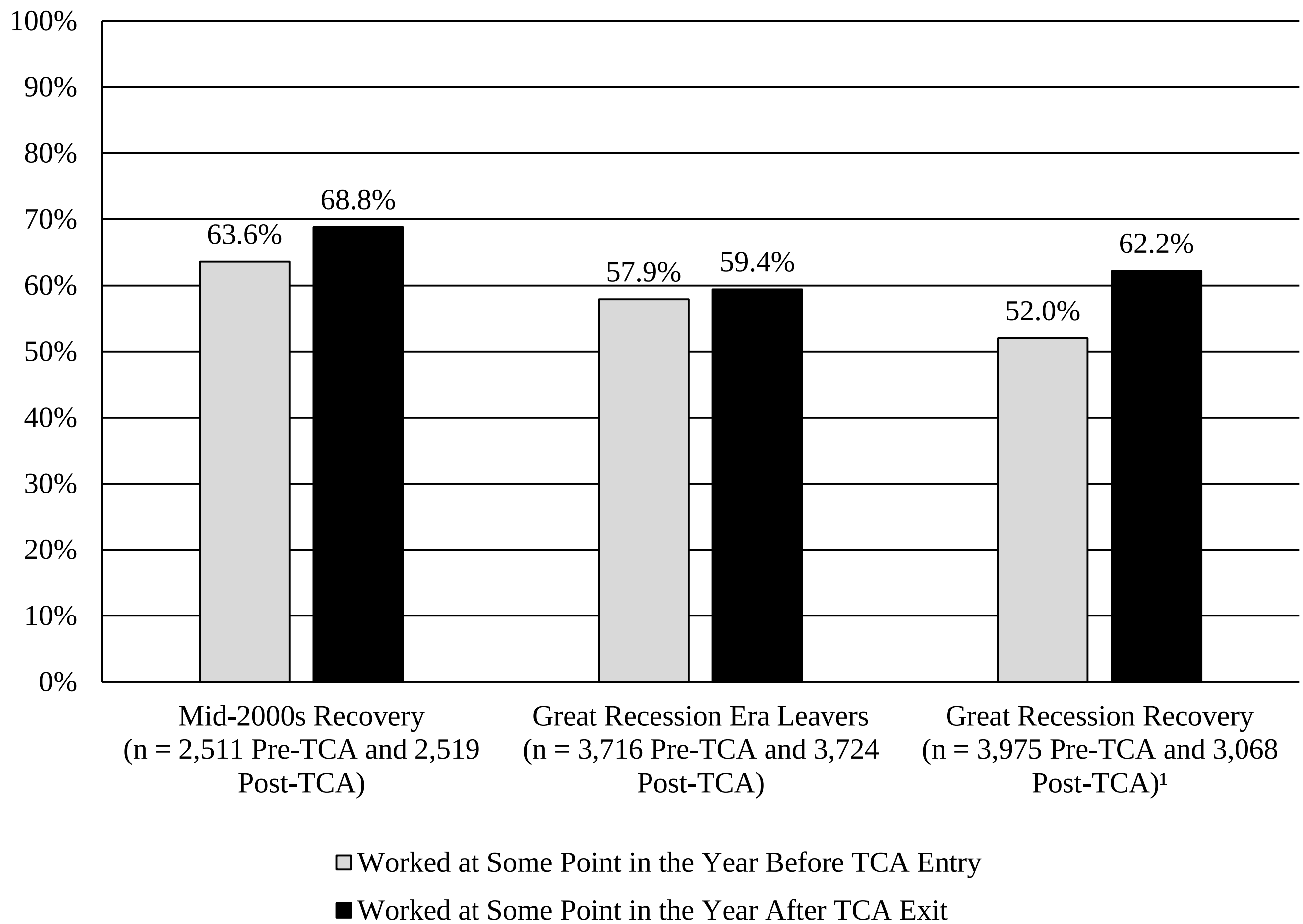
The 2016 *Life After Welfare* annual update reports on individuals leaving TCA between January 2004 and March 2016. The report compares three groups of leavers: (1) mid-2000s recovery (exited between January 2004 and March 2007); (2) Great Recession leavers (exited between

April 2007 and December 2011); and (3) Great Recession recovery leavers (exited between January 2012 and March 2016). The 2016 update also made several methodological changes compared to prior reports, which exclude nonrecipient payees (for example adult payees in child only cases) and included other adult recipients (for example a spouse or other parent of the children on the case). As a result, data may be different than shown in prior years but is comparable within the cohorts shown.

Exhibit 2 presents information from this report on the percent of leavers who worked at some point in the year before receiving TCA and at some point in the year after leaving TCA. A substantially lower portion of Great Recession era leavers and Great Recession recovery era leavers worked at some point in the year before receiving TCA than mid-2000s recovery leavers. For example, only 52.0% of Great Recession recovery era leavers worked at some point in the year before receiving TCA compared to 63.6% of mid-2000s recovery era leavers. Despite the very different starting points, all three cohorts of leavers had higher rates of individuals who worked at some point in the year after the TCA exit compared to the year before receiving TCA. To some degree, this might be expected as some portion of cases would have left due to receipt of employment. Great Recession recovery era leavers had the largest increase between the percent that worked at some point in the year prior to and after exit (an increase of 10.2 percentage points). Mid-2000s recovery era leavers, however, had the highest rate of those working at some point in the year after exit (68.8%).

Exhibit 3 presents data on the median earnings for individuals in the year prior to receiving TCA and the year after exiting TCA. Each of the three groups of leavers had higher median earnings in the year after exiting TCA than the year prior to receiving TCA. Both the mid-2000s recovery era leavers and the Great Recession recovery era leavers had substantial increases in median earnings from the year prior to receiving TCA to the year after exit (increases of more than 65%). The Great Recession era leavers, which had the highest median earnings in the year prior to receiving TCA, had the lowest median earnings in the year after receiving TCA.

Exhibit 2
Employment Prior to Receiving and After Leaving TCA



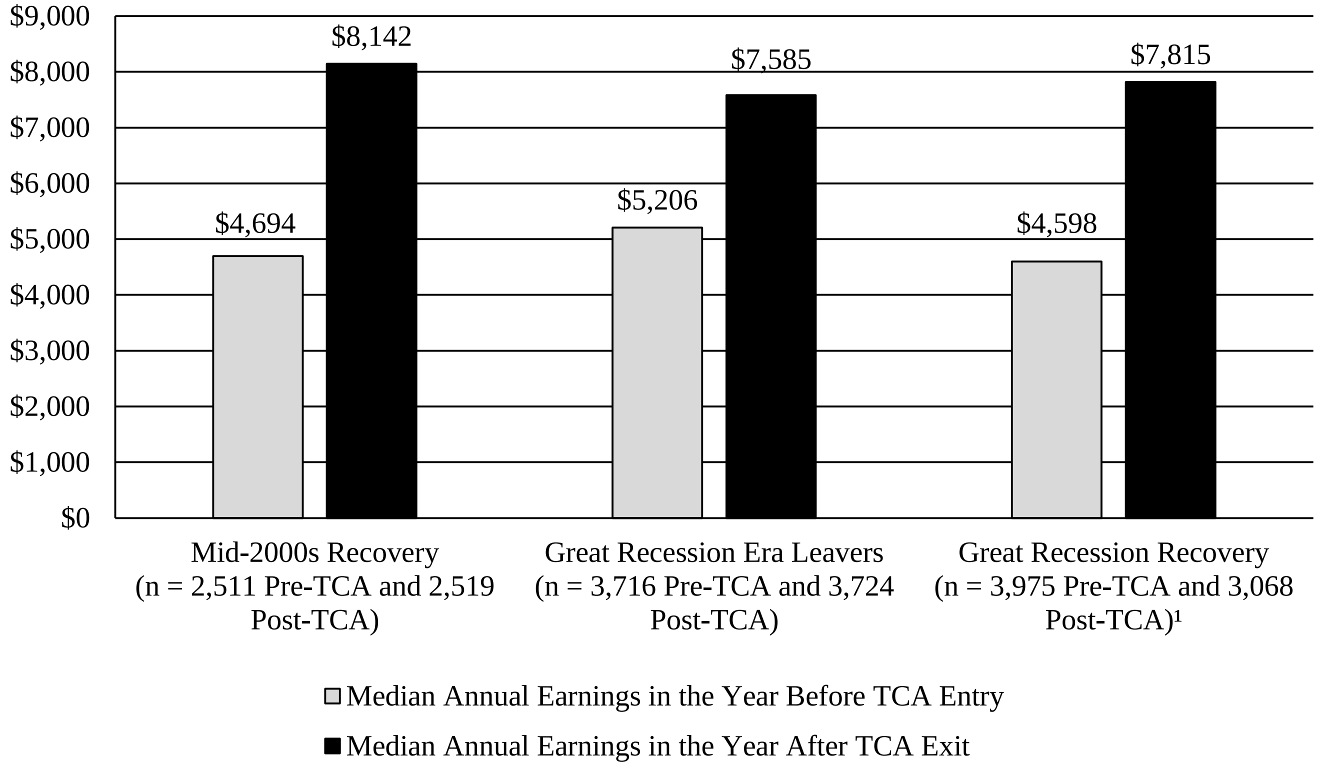
TCA: Temporary Cash Assistance

[1]Due to the timing of the report, one year of employment data for the most recent TCA leavers is not yet available.

Note: This exhibit is derived from data collected by the University of Maryland School of Social Work and presented in the *Life After Welfare; Annual Update*, December 2016. It follows a sample of TCA leavers from October 1996 (although the data presented in the report is only for leavers beginning January 2004) through March 2016, the sample excludes leavers that returned to TCA within 30 days. This data includes TCA leavers employed in jobs in Maryland covered by unemployment insurance.

Source: *Life After Welfare, Annual Update*, December 2016, University of Maryland School of Social Work

Exhibit 3
Median Earnings Prior to Receiving and After Leaving TCA
(in 2016 Dollars)



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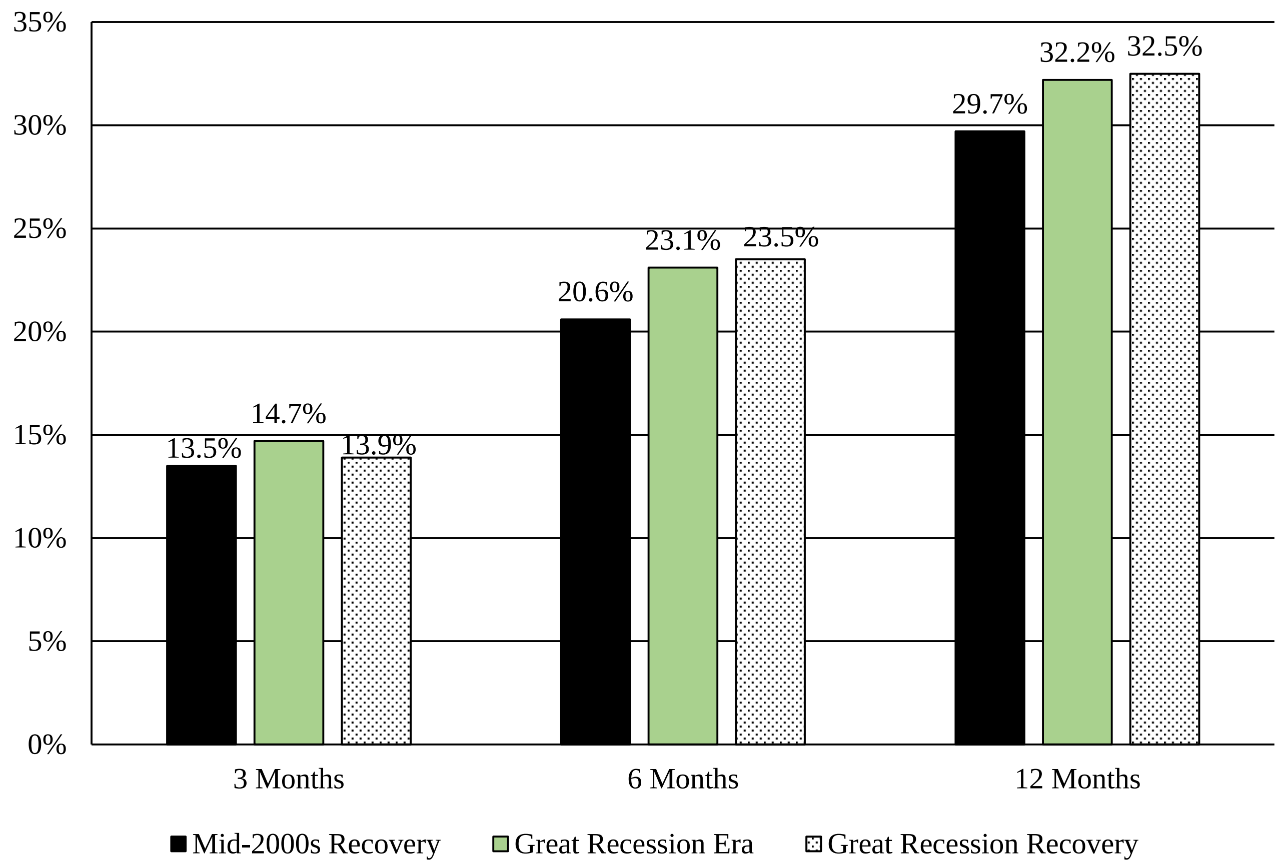
Source: *Life After Welfare, Annual Update*, December 2016, University of Maryland School of Social Work

3. Permanency of TCA Exit

Exhibit 4 presents data from the 2016 *Life After Welfare* update on the cumulative percent of those that returned to TCA within 3 months, 6 months, and 12 months. There was very little difference in the percent of Great Recession leavers and percent of Great Recession recovery era leavers that returned to TCA within 6 months (approximately 23%) and 12 months (approximately 32%). However, both groups of leavers had a slightly higher rate of return to TCA than the mid-2000s recovery era leavers. The difference among the three groups of leavers primarily occurred in the percent that returned by 6 months.

Exhibit 4
TCA Recidivism



TCA: Temporary Cash Assistance

[1]Due to the timing of the report, data one year after exit is not yet available for all recent TCA leavers.

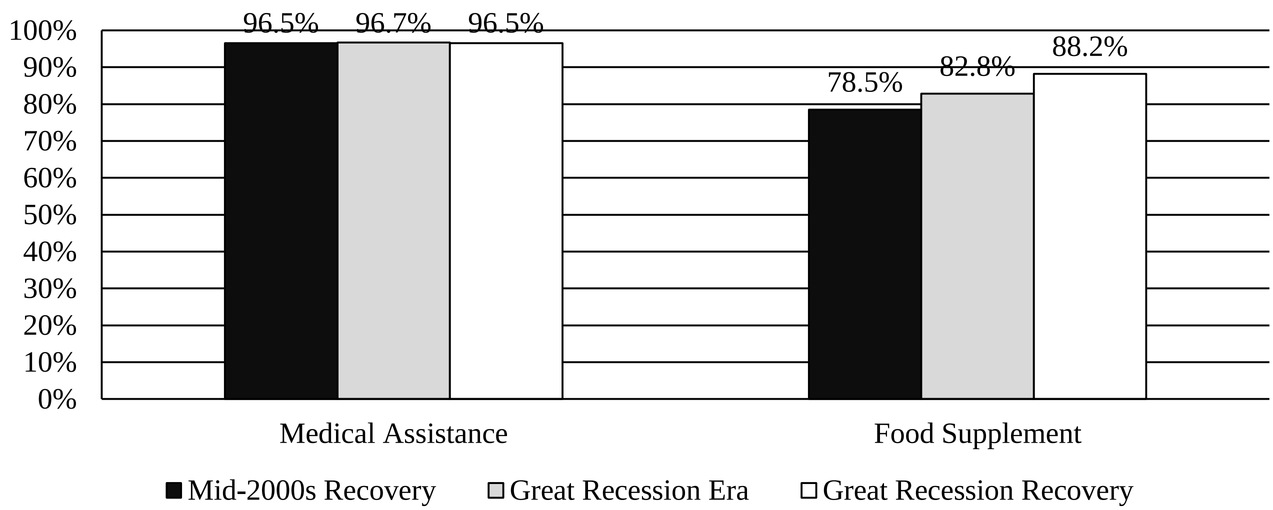
Note: This exhibit is derived from data collected by the University of Maryland School of Social Work and presented in the *Life After Welfare; Annual Update*, December 2016. It follows a sample of TCA leavers from October 1996 (although the data presented in the report is only for leavers beginning January 2004) through March 2016, the sample excludes leavers that returned to TCA within 30 days.

Source: *Life After Welfare, Annual Update*, December 2016, University of Maryland School of Social Work

4. Receipt of Public Assistance After TCA Exit

The *Life After Welfare* update includes data on the percent of leavers that participate in other public assistance programs following TCA exit. These other programs, with higher eligibility levels, can be work supports as individual's transition from TCA. As shown in **Exhibit 5**, most leavers of all three cohorts received Medical Assistance or FSP benefits one year after exit. In fact, nearly all leavers (more than 96.0%) received Medical Assistance benefits one year after exit. The rate of FSP benefit use was lower than that of Medical Assistance among all three groups. However, the rate of use of FSP benefits one year after exit increased among each group of leavers and was more than 88.0% for the Great Recession recovery leavers. The *Life After Welfare* report indicates that the rate of receipt for Medical Assistance and FSP program benefits remains high even several years after leaving TCA. For example, among all leavers for which information was available, 80.6% received Medical Assistance, and 67.1% received FSP benefits five years after exit. Over time, the percent of leavers receiving Medical Assistance benefits five years after exit would be expected to increase due to the increase in eligibility limits.

Exhibit 5
Receipt of Medical Assistance and Food Supplement Program Benefits One Year After TCA Exit



TCA: Temporary Cash Assistance

[1]Due to the timing of the report, data one year after exit is not yet available for all recent TCA leavers.

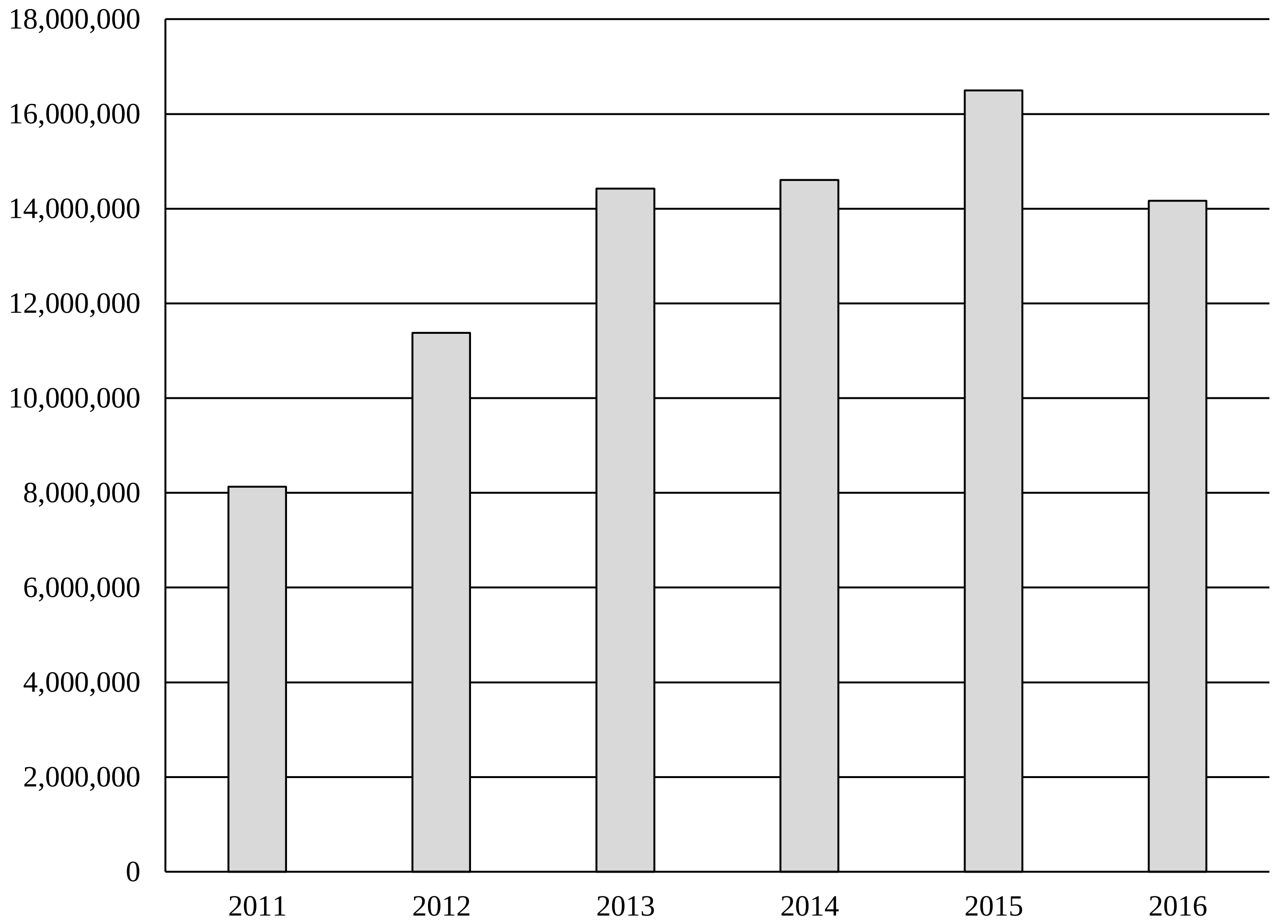
Note: This exhibit is derived from data collected by the University of Maryland School of Social Work and presented in the *Life After Welfare; Annual Update*, December 2016. It follows a sample of TCA leavers from October 1996 (although the data presented in the report is only for leavers beginning January 2004) through March 2016, the sample excludes leavers that returned to TCA within 30 days.

Source: *Life After Welfare, Annual Update*, December 2016, University of Maryland School of Social Work

5. Office of Grants Management

As shown in **Exhibit 6**, the number of meals distributed to hungry Marylanders returned to a level closer to that of recent history in fiscal 2016, with 14.2 million meals distributed. DHR indicates that the decrease in fiscal 2016 was the result of the receipt of fewer federal food commodities in the Temporary Emergency Food Assistance Program and the impact of level funded grants in a period of increased costs for organizations receiving grants. Without an increase in the grant amount, any increased costs for food, storage, and other operating costs reduces the impact of the grants provided to organizations.

Exhibit 6
Meals Distributed to Hungry Marylanders
Fiscal 2011-2016



Source: Department of Human Resources; Department of Budget and Management; Governor's Budget Books

Fiscal 2017 Actions

Proposed Deficiency

The fiscal 2018 budget bill includes one proposed deficiency appropriation for FIA, which would replace $7.3 million of federal funds from the Medical Assistance Program with the same amount of general funds in the Local Family Investment Program to better reflect recent experience. With the proposed deficiency appropriation, federal fund attainment from the Medical Assistance Program in the Local Family Investment Program is very near the level of the fiscal 2016 actuals (approximately $36,000 lower). The fiscal 2018 allowance maintains federal fund attainment from the Medical Assistance Program at near that level. Without the proposed deficiency appropriation, the Medical Assistance Program funds in the Local Family Investment Program would be nearly 50% higher than the fiscal 2016 expenditures.

Cost Containment

There was one cost containment action impacting FIA approved at the November 2016 Board of Public Works meeting. This action reduced $3.7 million of general funds in the Assistance Payments Program due to TCA caseload reductions. Despite this reduction, the Department of Legislative Services (DLS) projects a surplus of more than $9.0 million in TCA in fiscal 2017.

Section 20 Position Reductions

Section 20 of the fiscal 2017 budget bill required 657 vacant positions to be abolished throughout State government and $20.0 million of general funds and $5.0 million of special funds to be cut. DHR had 72 positions abolished as a result of this section. Of these 72 positions, the largest share (38) were in FIA. Of the 38 positions abolished in FIA, 11 were caseworker positions and 3 were caseworker supervisor positions. DHR anticipates limited impact of the abolitions on the work of FIA, because the positions were all long-term vacant positions. Also as part of Section 20, $2.2 million in general funds was reduced throughout DHR. This amount was slightly more than the general fund share of the salaries and fringe benefits for the abolished positions. DHR is expected to be able to cover the difference (less than $100,000) through other areas of the budget.

Proposed Budget

As shown in **Exhibit 7**, the fiscal 2018 allowance of FIA decreases by $62.8 million (3.9%) compared to the fiscal 2017 working appropriation after accounting for a proposed deficiency appropriation in fiscal 2017 and a contingent reduction in fiscal 2018. The majority of the decrease occurs among federal funds ($64.0 million). There are two major federal fund decreases that are not the result of caseload changes:

- a decrease of $6.6 million for the State matching grants for the FSP due to an understatement of anticipated revenue in the fiscal 2018 allowance; and

- a decrease of $6.1 million in the Child Care Mandatory and Matching Funds due to the transition of the eligibility determination function for the Child Care Subsidy program to the Maryland State Department of Education in fiscal 2016, but for which the fiscal 2017 working appropriation still included funding.

Exhibit 7
Proposed Budget
DHR – Family Investment
($ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Total
Fiscal 2016 Actual	$137,207	$17,400	$1,391,193	$1,545,800
Fiscal 2017 Working Appropriation	147,569	16,253	1,433,110	1,596,933
Fiscal 2018 Allowance	149,724	15,277	1,369,121	1,534,122
Fiscal 2017-2018 Amount Change	$2,155	-$976	-$63,989	-$62,811
Fiscal 2017-2018 Percent Change	1.5%	-6.0%	-4.5%	-3.9%

Where It Goes:	
Personnel Expenses	
Reclassification	$204
Social Security contributions	-150
Turnover expectancy increases from 6.21% to 7.07%	-749
Retirement contributions, including the contingency reduction ($480,065)	-1,063
Employee and retiree health insurance	-1,690
Regular earnings primarily due to the impact of Section 20 position abolitions	-3,841
Other fringe benefit adjustments	-2
Assistance Payments	
Food Supplement Program supplemental benefit	1,900
Public Assistance to Adults to align with recent experience	799
Temporary Cash Assistance due to declining caseloads	-15,231
Federal Food Supplement Program benefits	-44,620
Work Opportunities Program	
Contracts and grants for job readiness, placement, retention, subsidized employment, and other services to align with recent experience	-601
Contracts for administrative support to align with recent experience	-1,342

Where It Goes:	
Maryland Office of Refugees and Asylees	
RTCA program primarily due to an increase in refugees resettled by the International Rescue Committee in the Baltimore metropolitan region	737
Higher than anticipated grant for a Women's Employability Program	100
Grants to resettlement agencies for provision of services primarily due to the Hebrew Immigrant Aid Society ending refugee resettlement in Maryland	-155
Available funding for contracts and grants for services following federal grants restructuring	-560
Other Program Changes	
Supplemental Nutrition Assistance Program nutrition and education contract	2,757
Federally mandated asset verification contract for certain Medicaid populations	700
Employment and income verification contract	422
Food stamp employment and training federal funds to be matched by community-based organizations providing services	201
Contracts for disability determination services primarily due to the Affordable Care Act reducing those applying for Medicaid under the Aged, Blind, and Disabled program	-1,975
Administrative Changes	
Montgomery County grant primarily for salaries	572
Electricity primarily to align with experience	218
Rent including rent paid to the Department of General Services	156
Call center contract	136
Other changes	266
Total	**-$62,811**

DHR: Department of Human Resources
RTCA: Refugee Transitional Cash Assistance

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

Special funds have a net decrease of $976,095, primarily in the Child Support Offset fund to better align with recent experience. These decreases are partially offset by an increase of $2.2 million (1.5%) in general funds.

Benefits and Services to Clients

The Assistance Payments Program continues to be the largest share of the FIA budget. In the fiscal 2018 allowance, this program totals $1.28 billion, or 83.2%, of the FIA budget. The overall size of the Assistance Payments Program is driven by the federal FSP benefits, which comprise 86.4% of the Assistance Payments Program funding. In total, the fiscal 2018 allowance for the Assistance Payments Program decreases by $57.2 million.

Food Supplement Program

Federal FSP Benefits: The majority of the decrease in the Assistance Payments Program is $44.6 million in federal FSP benefits to align with the fiscal 2016 experience ($1.1 billion). Even with this decrease, the fiscal 2018 allowance likely significantly overstates federal FSP spending. The fiscal 2018 allowance is based on the average monthly number of FSP cases in fiscal 2016 (395,935), but the number of FSP cases has continued to decline. Year to date in fiscal 2017, the average monthly number of FSP cases was 373,603, and in December 2016, the number of FSP cases totaled 367,095. The overstatement of federal FSP benefit spending has no significant impact other than inflating the overall size of DHR's and FIA's budgets.

There has been some discussion at the federal level about the possibility of turning this program into a block grant. As highlighted by the Federal Funds Information for States, these proposals also include the potential for implementing additional work requirements, from which states could not receive waivers, and limiting current connections between FSP and other public benefit programs. It is not clear how such a block grant would be structured or the impact on recipients of FSP. The Medical Assistance Program has also been the subject of block grant discussions. Currently, statute provides some oversight by the Legislative Policy Committee for transitions to block grants of current federal grant-in-aid programs. However, given the uncertain impact of these types of changes and the magnitude of the programs, DLS is recommending in the Medical Assistance Programs analysis an addition to the Budget Reconciliation and Financing Act (BRFA) that would provide additional legislative oversight over changes to these programs that impact eligibility and benefits. Additional discussion of this recommendation is included in the analysis of the Medical Assistance Programs in DHMH.

FSP Supplemental Benefit: Chapter 696 of 2016 created a supplemental FSP benefit for households, including for an individual who is at least 62 years old and who receives a federal FSP benefit of less than $30 per month. The supplemental benefit provides the amount that is required to increase the total benefit to $30. The current minimum federal FSP benefit is $16, so the maximum supplemental benefit a household can receive is $14. The supplemental FSP benefit is solely State funded, while the regular FSP benefit remains federally funded. The chapter became effective October 1, 2016, and DHR began providing the benefit in that month. Current FSP recipients eligible for the benefit were automatically enrolled without the need for an application. The additional funds are added to the current Electronic Benefit Transfer card.

While DHR began implementing the new benefit in October 2016, there is no dedicated funding for the program in fiscal 2017. DHR anticipates covering the cost of the benefit in fiscal 2017 with funds available due to caseload declines in TCA and TDAP. Because this benefit has only been available since October, there is little experience with the monthly spending and number of households served. In the first three months of operation, the number of recipients has been relatively stable (averaging 17,743). The average benefit is near the maximum possible benefit ($13.23). At the current rate, the estimated spending in fiscal 2017 for the benefit would be approximately $2.1 million. As will be discussed, there is sufficient surplus in TCA and TDAP to cover the fiscal 2017 need for this program.

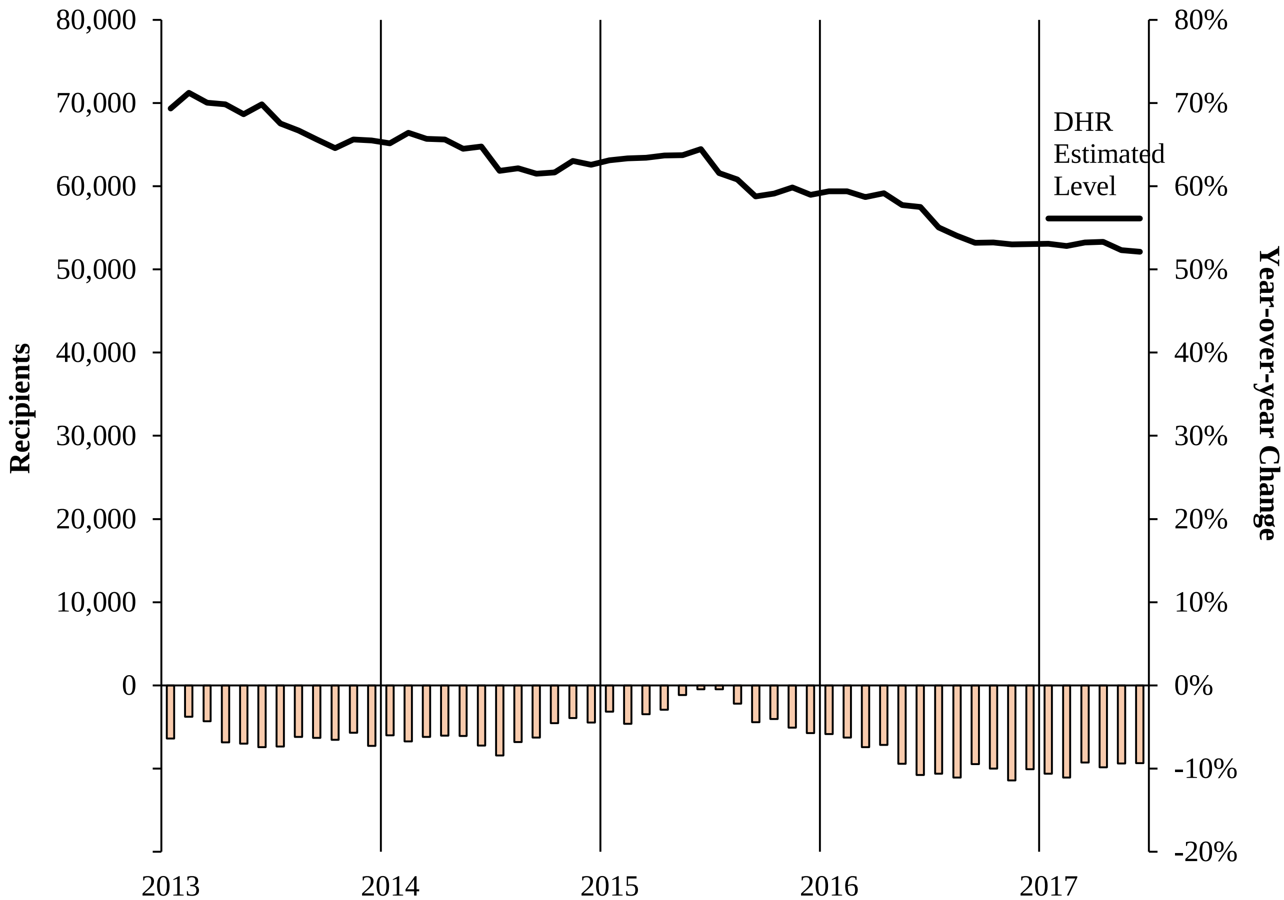
The fiscal 2018 allowance includes $1.9 million of general funds for this benefit. This funding assumes an average monthly number of households of 17,695 and average grant of $8.95 per month. While there is much uncertainty about the impact of the program in the long term, the first few months of implementation have shown relative stability in the average benefit: between $13.13 and $13.32. At this point, it appears unlikely that without a significant increase in the federal minimum benefit, the average grant assumed in the budget will be achieved. Based on the initial experience, DLS projects fiscal 2018 spending of approximately $2.84 million, resulting in a shortfall of slightly more than $940,000.

TCA Caseload and Expenditure Trends

Exhibit 8 provides the monthly count of TCA recipients from July 2012 through December 2015. After peaking in December 2011 (75,442), the number of recipients has generally declined since then. While some months have seen an increase compared to the prior month (most notably the first half of fiscal 2015), as shown in Exhibit 8, the caseload has declined on a year-over-year basis in each month. The number of recipients in December 2016 (52,109) was 9.4% lower than December 2015 and 30.9% lower than the December 2011 peak. Year to date in fiscal 2017, the average monthly number of recipients (52,814) is 5.9% lower than the DHR fiscal 2017 budget estimate (56,119).

Exhibit 9 shows the average monthly caseload, average monthly grant, and total spending for fiscal 2016 and estimated spending for fiscal 2017 and 2018 contained in the budget compared to the DLS estimates for fiscal 2017 and 2018. Primarily due to a lower estimated caseload, DLS projects a surplus in fiscal 2017 totaling $9.4 million. This surplus should be used to reduce the TANF deficit, which at the close of fiscal 2016 totaled $20.4 million. Based on current spending plans, if the full surplus was used to reduce the deficit, the TANF deficit would be less than $3.5 million at the close of fiscal 2017. **DLS recommends a BRFA provision that would require DHR to use savings in the Assistance Payments Program in fiscal 2017 to reduce the TANF deficit.**

Exhibit 8
Temporary Cash Assistance Recipients
Fiscal 2013-2017 YTD



YTD: year-to-date

Note: Fiscal 2017 data is through December 2016.

Source: Department of Human Resources; Department of Legislative Services

Exhibit 9
Temporary Cash Assistance Enrollment and Funding
Fiscal 2016-2018 Est.

	2016 Actual	2017 Working	2017 DLS Estimate	2018 Allowance	2018 DLS Estimate
Average Monthly Enrollment	56,115	56,119	52,144	48,994	50,040
Average Monthly Grant	$192.65	$192.46	$192.17	$194.54	$193.61
Total Funding ($ in Millions)	**$128.7**	**$129.6**	**$120.2**	**$114.4**	**$116.3**
Budgeted Funds ($ in Millions)					
General Funds			$21.6		$22.2
Total Budgeted Funds			**$129.6**		**$114.4**
DLS Estimated Deficit/Surplus			**$9.4**		**-$1.9**

DLS: Department of Legislative Services

Source: Department of Human Resources; Department of Legislative Services

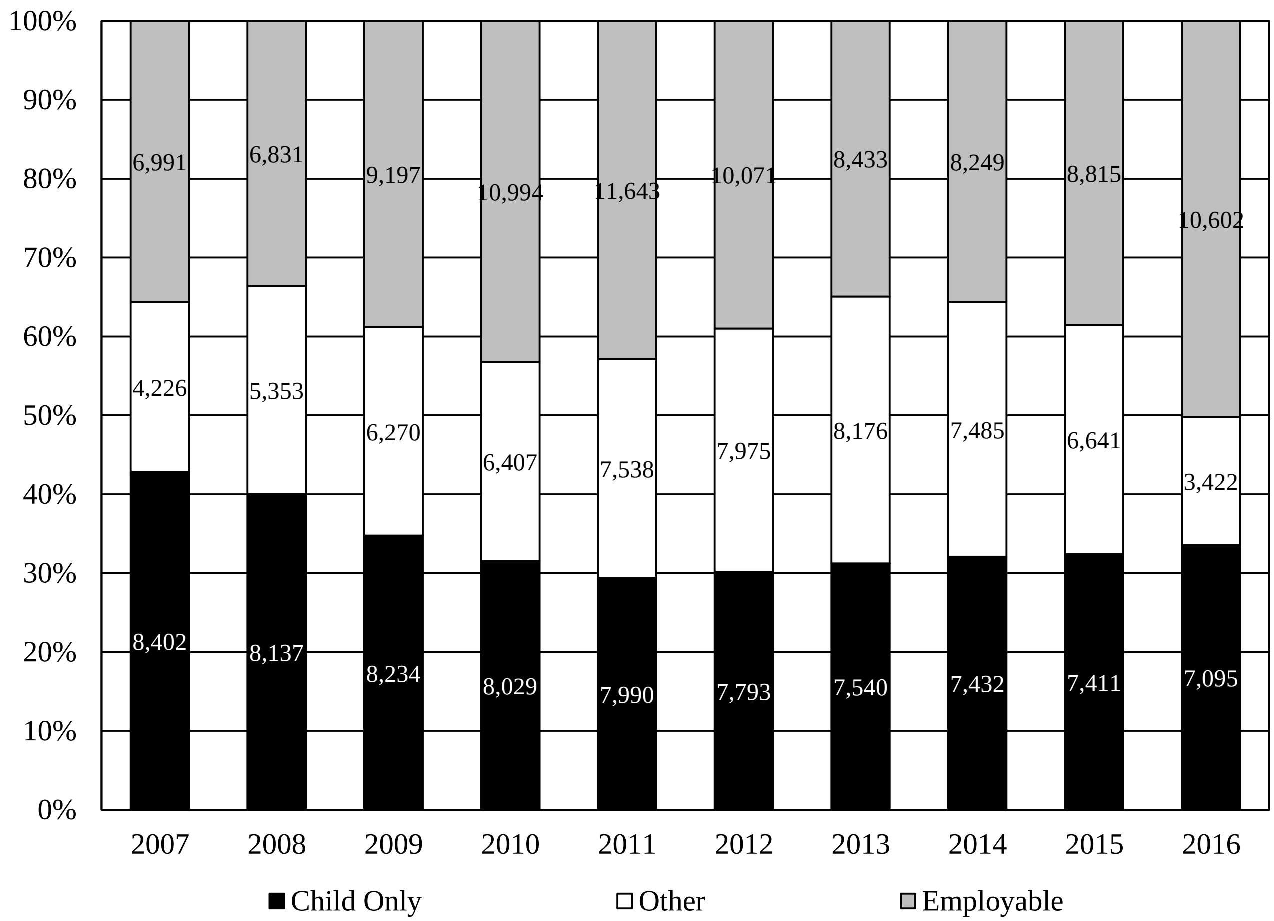
For fiscal 2018, DHR is estimating an average monthly number of recipients of 48,994, the lowest in TCA history. The current lowest average monthly number of recipients occurred in fiscal 2007 (50,138). The number of TCA recipients has, in fact, only been below 50,000 for a total of seven months (January through July 2007) in program history. As a result, and consistent with a recent slowing of the caseload decline, DLS is projecting a slower decrease through fiscal 2018 than the decline estimated by DHR (50,040). Even with a slower caseload decline, the DLS estimate would result in an average number of recipients for fiscal 2018 that is the lowest in program history. In total, the DLS estimate assumes a 4.0% decline compared to fiscal 2017 and 10.8% compared to the fiscal 2016 actual experience. Largely due to the higher estimated caseload, DLS projects a modest shortfall ($1.9 million) in fiscal 2018. However, a small reduction in the caseload compared to the estimate would resolve this shortfall.

Characteristics of the TCA Core Caseload

The TCA caseload can be divided 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 1, cases headed by individuals with disabilities, caretaker relatives, and other cases exempt from work requirements. With the exception of women with children under age 1, DHR does not expect the core cases to transition off of cash assistance by seeking employment. Child only cases, for example, typically leave the TCA rolls after reaching adulthood.

Exhibit 10 presents information on TCA cases (which may consist of multiple recipients) in July 2016 compared to prior years. These cases are categorized into employable, child only, and other. Other cases represent all other core cases except child only cases. Although there was a slight decrease in the number of child only cases (316) between July 2015 and July 2016, there was a slight increase in the share of cases that were child only (32.4% to 33.6%). The share of cases that were child only in July 2016 was the highest level since July 2009.

Exhibit 10
Temporary Cash Assistance Caseload Characteristics
July 2007-2016



Source: Department of Human Resources

In general, as employable adults successfully enter the labor market, the core cases typically represent a larger share of the TCA caseload. As shown in Exhibit 10, there are some exceptions to this general trend. For example, during the Great Recession and in the immediate aftermath, the share of the caseload that was employable increased and was around 40% from July 2009 through 2012. Beginning October 1, 2015 (federal fiscal 2016), DHR ended its use of State funds for cases with an individual with a long-term disability. By using State funds, these individuals were exempt from work requirements. Under the new policy where these cases are part of the regular TANF program, these cases are subject to the work requirement. Primarily as a result of this change, the number of cases that were work eligible increased (1,787), and the number of cases with an individual with a disability decreased (3,273) between July 2015 and July 2016. The net result of this change was a substantial increase in the share of cases that were employable (38.5% in July 2015 to 50.2% in July 2016). **DHR should comment on why it made this change and its efforts to continue to meet the work participation requirement given the resulting increase in work eligible customers.**

Five-year Lifetime Limit on a Recipient of Cash Assistance

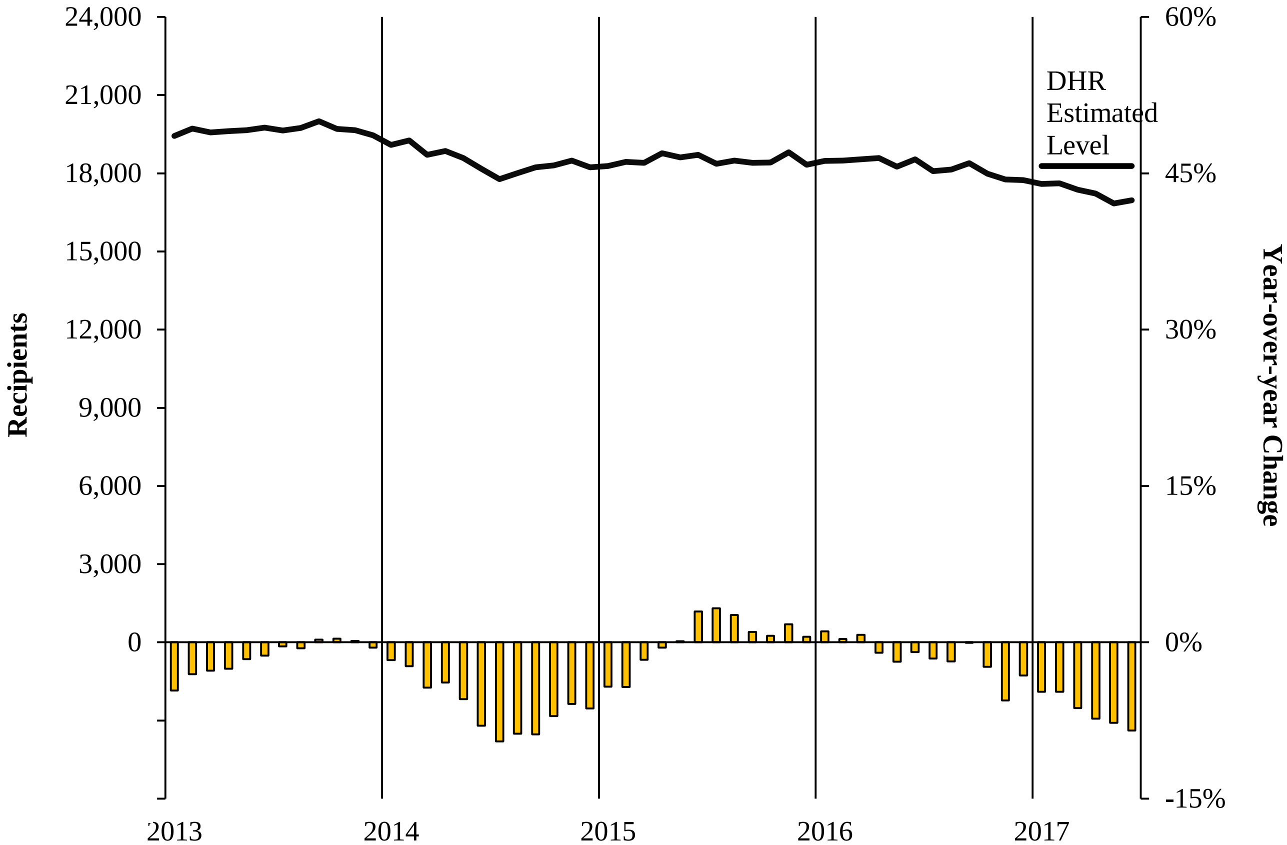
Federal law prohibits cases headed by an adult from receiving TANF-funded cash benefits for more than five cumulative years (60 months). However, federal law also provides for exemptions to the time limit for "hardship." Under this provision, 20% of the caseload receiving TANF-funded cash assistance from the previous fiscal year may continue to receive these benefits beyond five years.

December 2016 was the one hundred-eightieth consecutive month in which some families had reached the 60-month benefit limit. The annual average number of cases receiving TCA subject to the 60-month time limit was 21,252. Of this number, the annual average number of cases headed by adults that received assistance for more than 60 months that were subject to the time limit was 2,068 (9.7% of those subject to the time limit). Since this number is below the 20% exemption limit for federal fiscal 2016 (4,250), no one was removed from the caseload.

TDAP Caseload and Expenditures

Exhibit 11 shows the number of TDAP recipients by month, from July 2012 through December 2016. The number of monthly TDAP recipients peaked in March 2011 (20,841) and generally declined after that time through calendar 2013. For a period of time in calendar 2014 and 2015, the caseload was relatively stable with minor month-to-month fluctuations. The number of recipients began to decline on a year-over-year basis again in October 2015, and the pace of the decline has increased in recent months. The number of TDAP recipients in December 2016 (16,968) is 8.5% lower than December 2015 and 3.6% lower than July 2016. Fiscal 2017 year-to-date, the average monthly number of TDAP recipients (17,269) is 5.5% lower than the DHR fiscal 2017 budget estimate (18,281).

Exhibit 11
Temporary Disability Assistance Program Recipients
Fiscal 2013-2017 YTD



YTD: year-to-date

Note: Fiscal 2017 data is through December 2016.

Source: Department of Human Resources; Department of Legislative Services

Exhibit 12 shows the average monthly caseload, average monthly grant, and total spending for fiscal 2016 and budgeted spending for fiscal 2017 and 2018. This exhibit also presents the DLS estimates for fiscal 2017 and 2018. The budget assumes that the caseload is flat in fiscal 2018 compared to fiscal 2017. Both years have a higher estimated caseload than the fiscal 2016 actual. DLS is projecting that the caseload decreases by 7.3% and 7.5%, respectively, in fiscal 2017 and 2018. As a result of the lower estimated caseload, DLS is projecting surpluses in both fiscal 2017 ($3.1 million) and 2018 ($5.8 million). The fiscal 2017 surplus could be used to cover the currently unfunded costs of the FSP supplemental benefit ($2.1 million). In fiscal 2018, DLS projects the surplus in TDAP to be more than sufficient to cover the projected shortfalls in the FSP supplemental benefit. **DLS**

recommends reducing the funding for TDAP in the fiscal 2018 allowance to better reflect the anticipated caseload. The proposed reduction leaves adequate funding to cover the projected shortfall in the FSP supplemental benefit.

Exhibit 12
Temporary Disability Assistance Program Enrollment and Funding
Fiscal 2016-2018 Est.

	2016 Actual	2017 Working	2017 DLS Estimate	2018 Allowance	2018 DLS Estimate
Average Monthly Enrollment	18,249	18,281	16,913	18,281	15,647
Average Monthly Grant	$183.66	$182.81	$182.53	$182.81	$182.53
Total Funding ($ in Millions)	**$40.1**	**$40.1**	**$37.0**	**$40.1**	**$34.3**
DLS Estimated Deficit/Surplus			**$3.1**		**$5.8**

DLS: Department of Legislative Services

Source: Department of Human Resources; Department of Legislative Services

Public Assistance to Adults

The fiscal 2018 allowance increases the funding for the Public Assistance to Adults program by $798,745 primarily to reflect the recent experience. At the level of funding provided in the allowance ($8.8 million), DHR should have sufficient funds to support the program in that year. However, based on the current rate of expenditures in fiscal 2017, DLS projects a shortfall of approximately $800,000. Sufficient surpluses should exist in TCA and TDAP in fiscal 2017 to cover this shortfall.

Transfer of Homeless Services Programs

The Office of Grants Management currently houses a number of emergency food and shelter programs, along with grants to individual organizations. Legislation (HB 134) proposed by DHR would transfer the Interagency Council on Homelessness (ICH), the Bureau of Homeless Services, and the Homeless Women's Crisis Shelter program to the Department of Housing and Community Development (DHCD). Though not specifically identified in the legislation, the transfer is expected to include the Service-Linked Housing Program, the Housing Counselor Program, and the Emergency and Transitional Housing Services Program (ETHS), none of which are currently established in statute. The employees associated with the Bureau of Homeless Services are also expected to be transferred to DHCD.

The fiscal 2018 allowance includes 4 regular positions and associated funding of $378,553 for the management of these programs and the operations of the Bureau of Homeless Services in the Office of Grants Management. The fiscal 2018 allowance of the Office of Grants Management includes a total of $4.8 million for grants from:

- ETHS ($2.8 million);
- Homeless Women's Crisis Shelter program ($1.2 million);
- Service-Linked Housing program ($550,000); and
- Housing Counselor program ($258,414).

The funds and positions would be transferred on the effective date of the Act (July 1, 2017), if the legislation is enacted.

Issues

1. TCA Eligibility and Benefit Amounts

The Welfare Innovation Act of 1996 included language requiring the Governor to provide sufficient funds to ensure that the value of TCA benefits when combined with the federal FSP benefit, is a minimum of 61% of the Maryland minimum living level (MML). Under Section 5-316 of the Human Services Article, the Governor is required to report to the General Assembly on the reasons for reduced funding if the amount is lower than this level. Consistent with this language, the benefit levels of TCA continue to be provided at 61% of the Maryland MML. In fiscal 2017, the maximum benefit levels were increased to account for an inflation in the Maryland MML. The maximum benefit for a three-person household in fiscal 2017 is $648, an increase from $636 in fiscal 2016.

Committee narrative in the 2016 *Joint Chairmen's Report* (JCR) expressed the concern of the committees about whether this level of benefit is adequate. The committee narrative also requested that DHR conduct an analysis to determine the feasibility of incrementally increasing the percent of the Maryland MML that must be met by the combined benefits over the next 10 years by 1 percentage point per year. The analysis was expected to include the projected cost, the impact on the caseload (including whether this change impacts the number of eligible households), and the impact of the projected increase on other benefits that TCA recipients receive and for which they are eligible.

TCA Benefit Amounts

Assumptions Used to Calculate Impact on Benefit

DHR made a number of assumptions in the calculation of the impact of increasing the percent of the MML covered by TCA plus FSP benefits including that:

- the Maryland MML continues to rise by 1% per year for each of the 10 years (average increase in the Consumer Price Index-All Urban Consumers during 2012 through 2017);

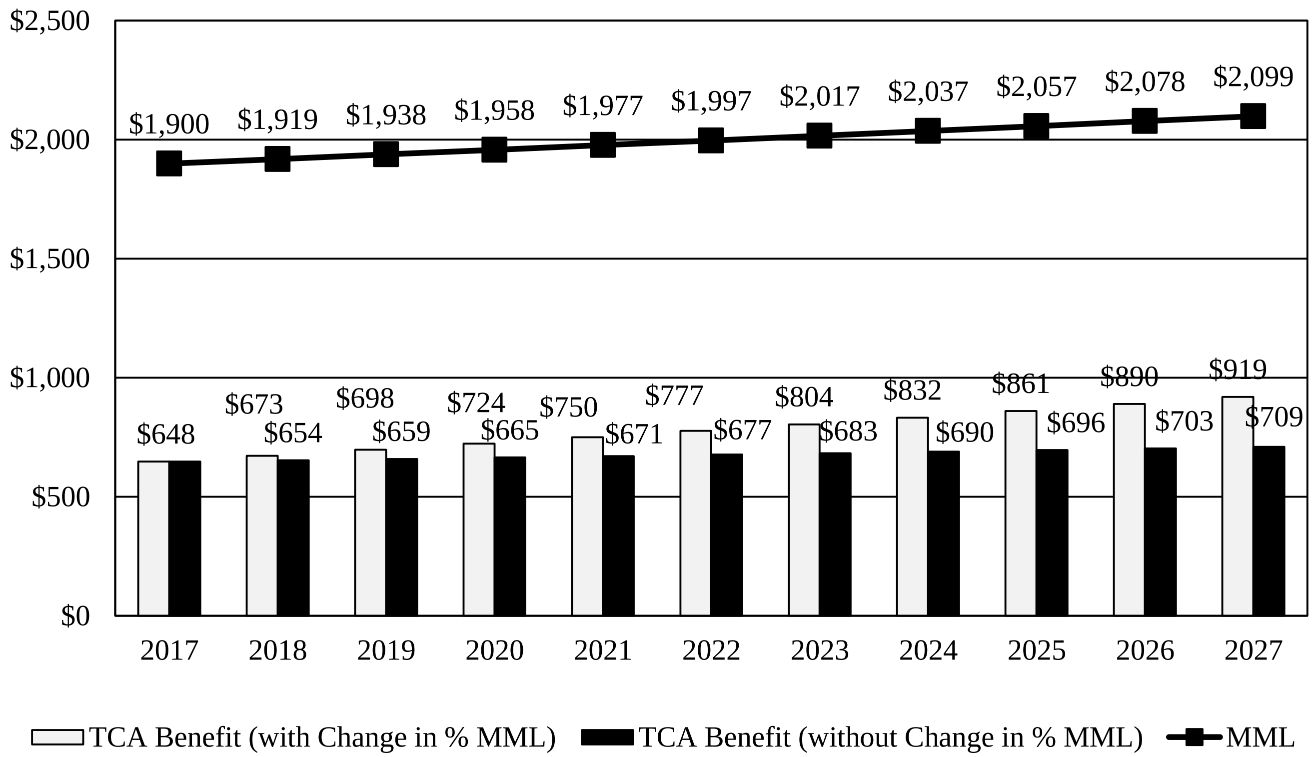
- the average increase in FSP benefits, which is set by the U.S. Department of Agriculture (USDA) annually, between federal fiscal 2012 through 2017 of $6 per year will continue through 2027; and

- the caseload would remain constant during the period, this assumption allows the impact of the change in benefit to be isolated from any change in caseload.

Estimated Change in Benefits

The TCA benefit would be expected to increase over time due to inflationary adjustments in Maryland MML, even without increasing the percent of the Maryland MML provided as benefits (DHR assumed 1%). **Exhibit 13** presents a comparison of the anticipated increase in benefits based solely on inflationary increases in the Maryland MML and the increase that would result from both increasing the percent of MML provided as benefits and inflation. The average benefit for a three-person household is estimated to increase by $61 (to $709) in fiscal 2027 solely as a result of the increase in the Maryland MML over time. With the combination of inflation adjustments and a higher percent of MML provided as benefits, the average benefit for a three-person household would be expected to increase by an additional $210 (to $919) by fiscal 2027. DHR does not anticipate that an increase in the benefit level would have a direct impact on other benefits received by TCA recipients or the number of households eligible for benefits.

Exhibit 13
Comparison of the Estimated Change in TCA Benefit for a Three-person Household
Federal Fiscal 2017-2027



MML: Maryland minimum living level
TCA: Temporary Cash Assistance

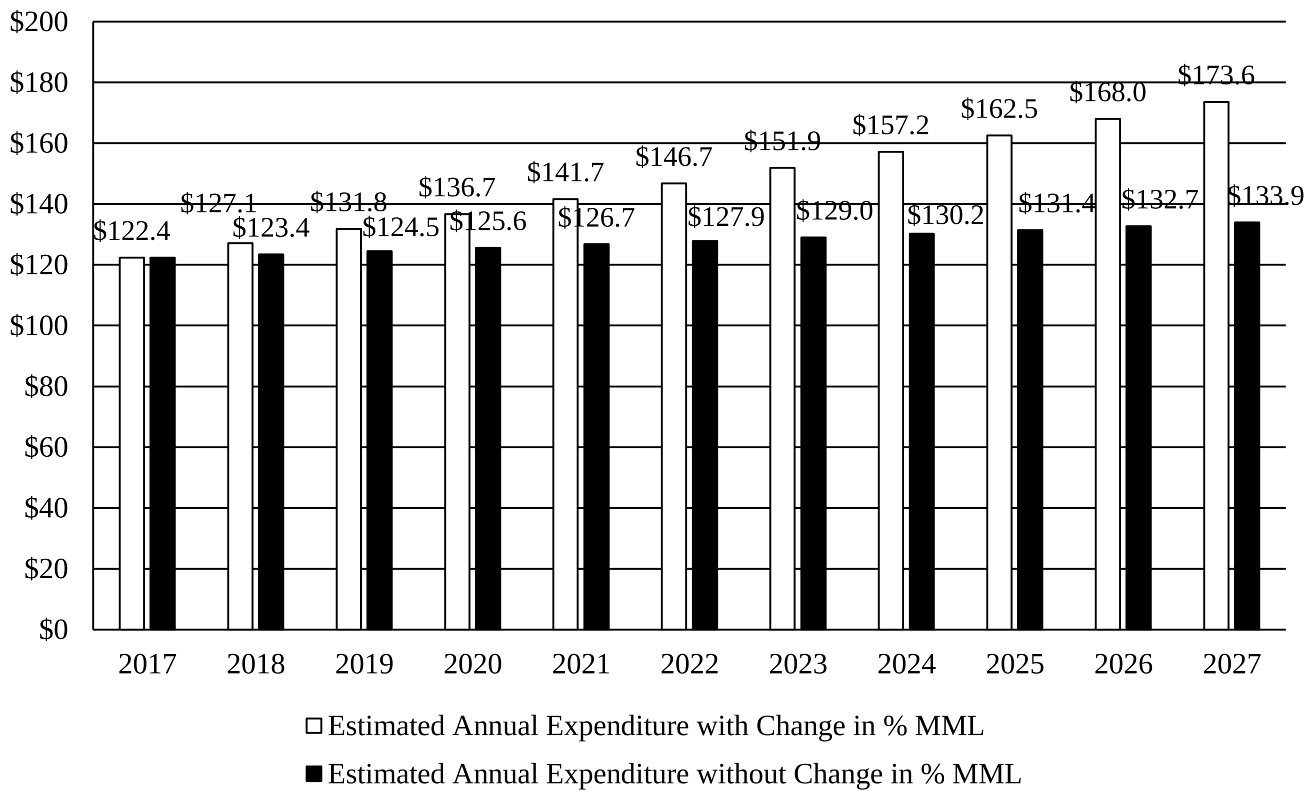
Note: The increase in benefits due to a higher Maryland Minimum Living Level was estimated by the Department of Legislative Services using the assumptions presented by the Department of Human Resources in the report.

Source: Department of Human Resources; Department of Legislative Services

Estimated Impact on Cost

DHR also calculated an estimate of the impact of the combined change of the inflationary increase for the MML and the increase in the percent of MML provided as benefits on the monthly and annual expenditures. Using the assumptions provided by DHR, DLS estimated the costs over time if benefits increased solely due to inflation. **Exhibit 14** compares the estimated annual costs of the program under these two assumptions, holding the caseload constant. The annual cost of TCA benefits would increase under both scenarios. However, if the benefit calculation was changed, the fiscal 2027 cost would be $39.6 million higher than if benefits were increased only for inflation.

Exhibit 14
Estimated Budgetary Impact of an Increase in Benefit Levels
Federal Fiscal 2017-2027
($ in Millions)



MML: Maryland minimum living level

Note: The estimated annual expenditure without a change in the percent of the Maryland minimum living level that is provided as benefits was calculated by the Department of Legislative Services.

Source: Department of Human Resources; Department of Legislative Services

Maryland's annual TANF grant of $229.1 million would be sufficient to cover the increased expenditures of a higher benefit level at least through federal fiscal 2027, using the assumptions made by DHR. However, DHR expressed concern about the impact that this type of change in benefit levels would have on other programs funded with TANF. For example, in fiscal 2027, the annual cost of the benefit ($173.6 million) would require DHR to dedicate 75.6% of its TANF block grant to the program, if all of these benefits were paid for through federal dollars, compared to the 37.3% spent in the fiscal 2018 allowance. DHR does not fund TCA solely through TANF, but TANF represents the bulk of TCA spending. In total, the fiscal 2018 allowance spends $156.6 million of its annual TANF grant and anticipated contingency funds on other areas of DHR (including work programs, foster care maintenance payments, child and adult services, and administration).

Changes in Eligibility Criteria

Currently, TCA eligibility is determined by a standard of need. Under this determination, the net countable income (income minus an income disregard, payments for child care or care of an incapacitated adult, and child support) is subtracted from the allowable benefit for the assistance unit size. The household is eligible for benefits as long as the benefit (the difference between the income and allowable benefit) is more than $10. In most instances the income disregard is 20% when determining initial eligibility.

The 2016 JCR also requested that DHR provide information on the feasibility of altering eligibility criteria to increase the number of eligible cases, including providing options for altering eligibility criteria. DHR described two options for increasing the number of eligible individuals:

- increasing the earnings disregard from 20% to 40%. This would increase the monthly amount of earnings that households could have and still qualify for benefits from $776 to $907 for a family of three ($9,312 in annual earnings to $10,884); or

- changing the income eligibility test to a percentage of the FPL (similar to other programs such as FSP).

DHR noted that some states currently used a percentage of the FPL to calculate eligibility for their cash assistance programs. For example, Ohio uses 50% of the FPL, and Nevada uses 130% of the FPL.

Estimated Impact on Caseload

Although not included in the initial submission of the report, DHR later provided an estimate of the impact of both changes on the number of TCA cases. The analysis focused on cases currently included in the TCA program and applicants who were denied benefits because the applicant's current income was too high to qualify under the current criteria (in federal fiscal 2016). As a result, the estimated impact does not reflect any increase in applicants that might result from changes in the eligibility criteria.

DHR estimated that if the earnings disregard was increased from 20% to 40%, 443 of the 2,514 cases denied benefits due to earnings over the income eligibility criteria in federal fiscal 2016 would become eligible. For the option of altering the criteria to a percent of the FPL, DHR explained that while some cases that were denied benefits for having income over the current eligibility limits might become eligible, other cases might become ineligible under revised criteria. The reason some individuals may become ineligible under this type of change is that DHR assumes that certain expenses that are currently deducted as part of the current standard of need calculation (*e.g.*, child care, *etc.*) would no longer be deducted. However, there is no reason that similar deductions from income could not occur under a percent of the FPL calculation similar to FSP or Medical Assistance. **Exhibit 15** provides the DHR estimate of the impact on the caseload at various eligibility limits. Altering the eligibility criteria to 130% of the FPL is the only one of these options that would increase the caseload by more than 5%.

Exhibit 15

Estimated Impact of Change in Eligibility Criteria on TCA Caseload

	Maximum Monthly Income	Additional Eligible Cases	Cases that Would Become Ineligible	Net Impact on Cases	Net Impact as a % of July 1, 2016 Caseload
50% FPL	$837	127	2,476	-2,349	-11.1%
85% FPL	1,424	1,075	917	158	0.7%
100% FPL	1,675	1,357	688	669	3.2%
130% FPL	2,177	1,786	363	1,423	6.7%

FPL: federal poverty level

Note: Maximum monthly income is calculated using the 2016 Federal Poverty Guidelines. On July 1, 2016, there were 21,119 cases.

Source: Department of Human Resources

Estimated Impact on Cost

DHR did not calculate the impact on TCA spending that would result from these types of changes in eligibility as part of the report, but as with the increase in benefit level, expressed concern that the ability to serve more families with TCA is limited by the TANF block grants level funding. **DHR should comment on the potential cost of altering the eligibility criteria to these options.**

2. Child Support Pass-through and Disregard for TCA

Under Section 408 of the Social Security Act, states are required to make the assignment of child support rights a condition of receiving assistance under the TANF program. The support received on behalf of TCA recipients is used to reimburse the federal government and the State for the assistance provided to the families. The federal share is based on the Federal Medical Assistance Percentage, which is 50% in Maryland. The share of funds available to the State has declined in recent years, consistent with the overall declines in the TCA caseload. DHR uses the State share of funds primarily in the Assistance Payments Program (as part of the funding for TCA) and the State offices of Child Support Enforcement (generally for contracts related to child support). In fiscal 2016, $5.3 million of the State share was used for TCA, and $3.6 million was used for child support enforcement. DHR anticipates a similar split in the use of these funds in the fiscal 2018 allowance. If the amount of child support received exceeds the amount of the TCA grant, the TCA recipient receives the child support rather than the TCA, and the TCA case is closed.

The federal Deficit Reduction Act (DRA) of 2005, allowed states the option of passing through up to $100 per month (or $200 per month if there are two or more children) to beneficiaries and not having to reimburse the federal government for its share of the collection if the amount is disregarded as income in the calculation of eligibility. This option became effective October 1, 2009. Maryland has not implemented a pass-through and disregard option.

The 2016 JCR requested that DHR conduct an analysis to determine whether it would be beneficial to TCA customers and the State to choose the option to pass through a portion of payments and disregard the amount passed through. The analysis was to consider for fiscal 2013 through 2016:

- the number and percent of TCA recipients with a support order;
- the number and percent of TCA-related child support cases for which a payment was received;
- the average amount of child support payments collected by the State on behalf of families receiving TCA;
- the average frequency of child support payment receipt by the State on behalf of families receiving TCA;
- the number of TCA-related cases that were closed due to the receipt of a child support payment that exceeded the TCA grant in one month but were subsequently reopened because the amount of the child support payments was less than the grant in the subsequent month;
- the experiences of other states in implementing a child support pass-through and disregard policy specifically related to changes in payment frequency and dollar amount, the impact on arrearages, and the impact on parental involvement by the noncustodial parent; and

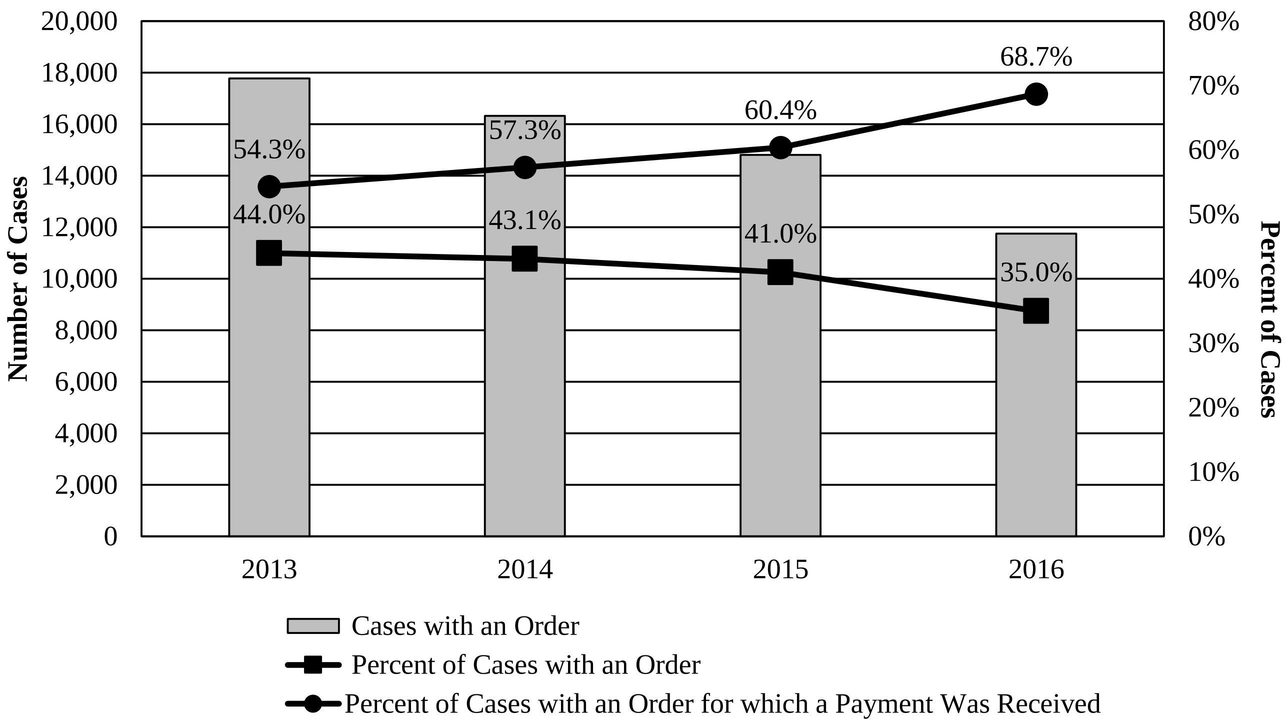
- the potential for implementing the change in policy as part of an information technology (IT) modernization project or under the existing IT system.

DHR Analysis of the Child Support Pass-through Policy

TCA Cases with a Child Support Order

The number of cases with a support order is a function of both where a case may be in the child support process and the total number of TCA cases. The number of TCA cases has declined in each year from fiscal 2013 to 2016. In fiscal 2016, there were 33,548 TCA cases (at some point during the fiscal year). The percent of TCA cases with a child support order has also declined in each year, decreasing from 44.0% in fiscal 2013 to 35.0% in fiscal 2016. **Exhibit 16** provides information on the number and percent of TCA cases with a child support order.

Exhibit 16
TCA Cases with a Support Order
Fiscal 2013-2016



TCA: Temporary Cash Assistance

Source: Department of Human Resources

Of the cases with a support order, more than half received a payment during each fiscal year. In fact, the percent of cases with a support order for which a payment was received increased each year, reaching 68.7% in fiscal 2016. The average number of months that a payment was received (4.6 in fiscal 2016) has slightly increased between fiscal 2013 and 2016. The average monthly amount of child support received ($265 in fiscal 2016) has been relatively steady between fiscal 2013 and 2016.

Child Support Payments Paid to Custodial Parents

DHR also included an analysis of payments made to custodial parents. This analysis only includes cases in which the household received TCA at some point during the year. These are generally cases in which the TCA case was closed during some months of the year because either the income was too high or the child support amount received on behalf of TCA recipients was larger than the TCA grant amount. As might be expected, particularly when the TCA case was closed due to the size of the child support payment, the average monthly support payment is slightly higher (approximately $285 in fiscal 2016), and the average number of months a payment was received was also slightly higher (5.33 in fiscal 2016). DHR noted that relatively few of these cases that are closed due to the high amount of support received are subsequently reopened because of lower payments in subsequent months (ranging from 19 in fiscal 2014 to 33 in fiscal 2016).

States Experiences with Child Support Pass-through and Disregard Policy

According to the National Conference of State Legislatures, 25 states pass through some portion of the child support received on behalf of cash assistance recipients. Some pass through less than is allowed under the DRA rules, while a limited number pass through more. Five states pass through the amount as limited by DRA. Each of these states disregards the pass-through amount, although one state (Minnesota) that provides a higher pass-through amount, limits the amount that is disregarded to the amount allowed under the DRA. DHR reported on findings from some studies of states with these policies including that:

- noncustodial parents are more likely to make informal (such as cash or in-kind goods) rather than formal payments when payments are not passed through to families (from a national study);

- noncustodial parents were more likely to make a payment and paid 19% more when payments were fully passed through than those whose payments were only partially passed through (in Wisconsin);

- more noncustodial parents made a payment, and the amount of payments were higher in the first year after the pass-through policy was implemented, and the increase in payments continued in the subsequent years studied (in Washington, DC); and

- noncustodial parents with orders in the amount passed through or lower were more likely to make payments than those with orders higher than the passed through amount (in Washington, DC).

Ability to Incorporate Implementation in IT Modernization

DHR explained that the implementation of a pass-through and disregard policy is possible in the planned IT modernization project. DHR explained the system replacement is scheduled for a go-live date in September 2019. DHR would determine during the planning stage if this change (if it is implemented) could be incorporated in the initial launch or implemented at a later date. However, DHR anticipates a one-time system enhancement cost of $500,000 related to this type of change, even if the change in policy is made before the launch of the rollout of the planned IT modernization project. It is not clear however, why additional costs would be necessary if the policy change is included in the system design.

Impact on Recipients and the Agency

In the report submitted in December 2016, DHR did not conduct the analysis requested. DHR stated only that such a policy, if it were implemented, would result in less funding available to cover other initiatives within the department. However, DHR later provided an estimate of the impact on the agency budget. DHR estimated the cost of passing through the funds to TCA recipients to the State would be $3.8 million per year (based on the estimated fiscal 2017 TCA case related collections). The federal share is also passed through. Using that estimate, a total amount of $7.6 million would be passed through to TCA recipients as a result of this type of change.

3. Re-authorization of TANF

TANF must be periodically re-authorized by Congress. TANF’s most recent re-authorization occurred in the DRA of 2005. This re-authorization ended in federal fiscal 2010 (September 30, 2010). Since that time, TANF has operated on a series of temporary extensions. TANF is currently operating under a temporary extension approved in December 2016 as part of the federal fiscal 2017 continuing resolution (Further Continuing and Security Assistance Appropriations Act, 2017). The temporary extension expires April 28, 2017. The contingency funds were extended for federal fiscal 2017 as part of the fiscal 2016 omnibus budget legislation and are, therefore, not part of the temporary extension.

Congress may be interested in passing a full re-authorization during this session. In recent years, bills have been introduced in both the U.S. House of Representatives and U.S. Senate to re-authorize or change TANF. These efforts included the release of a discussion draft by the U.S. House of Representatives Ways and Means Committee during calendar 2015. Some of the ideas included in these bills would alter and strengthen work requirements, for example, to reduce the states’ ability to use caseload reduction credits to reduce its work participation rate. These bills would also have made changes to the type of work activities that are countable in the work participation rate to allow for additional education and job readiness activities. These bills would have also placed stricter requirements on the use of TANF for core activities (cash assistance, child care, transportation) and the use of TANF for households earning more than 200% of the FPL.

Due to the uncertainty about the impact of any re-authorization on TCA recipients or the use of TANF, DLS recommends committee narrative requesting notification of any federal changes to TANF that impact either recipients of TANF-related benefits, work participation requirements, work participation rate calculations, or TANF and Maintenance of Effort spending.

4. Able-bodied Adults without Dependents Time Limit

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 added a requirement that limited the length of time able-bodied adults without dependents (ABAWD) could receive SNAP benefits (3 months in a 36-month period) if not working, participating in, or complying with the requirements of a work program for 20 hours or more per week. Exemptions from the requirement are available for individuals (1) under age 18; (2) age 50 or older; (3) caring for a child or incapacitated household member; (4) medically certified as physically unfit for employment or pregnant; or (5) already exempt from SNAP general work requirements. States are also allotted exemptions equal to 15% of the State's caseload that is ineligible for benefits because of the ABAWD time limit. The exemptions allow the State to continue providing benefits to these individuals. Each of the exemptions extends eligibility for one month. In federal fiscal 2017, USDA estimated Maryland's exemptions under this policy to total 18,048.

States were able to request a waiver for the ABAWD provision for areas with an unemployment rate over 10% or for areas with insufficient jobs based on various criteria. During and following the recession, many states operated with a statewide waiver of the ABAWD time limits for TCA receipt, including Maryland. As the recovery has continued, many states no longer qualify to receive a statewide waiver. Maryland's statewide waiver of the ABAWD time limits, which it had held since April 2009, expired December 31, 2015. Even in states where a statewide waiver is no longer available, local waivers are available for certain jurisdictions. In Maryland, 12 counties (Allegany, Caroline, Cecil, Dorchester, Garrett, Harford, Kent, Queen Anne's, Somerset, Talbot, Wicomico, and Worcester) and Baltimore City have local waivers.

DHR began implementing the ABAWD requirements:

- in 6 counties on January 1, 2016 (Anne Arundel, Baltimore, Carroll, Howard, Montgomery, and Prince George's);
- in 2 counties on April 1, 2016 (Frederick and Washington); and
- in 3 counties on September 1, 2016 (Calvert, Charles, and St. Mary's).

Impact of the End of the ABAWD Waiver

Implementation of the requirement results in a 3-month count for individuals to begin complying with the work requirement. As a result, no individuals were determined ineligible in Maryland until the end of March (for the six counties implementing January 1), end of June (for the two counties implementing April 1), and the end of November (for the three counties implementing September 1) and were removed from the rolls in the subsequent month. Those determined ineligible are able to receive benefits again if either the individual provides evidence that they qualify for an exemption or they comply with work requirements. However, if an individuals does not comply or does not receive an exemption, the individual is ineligible for benefits until after the 36-month period concludes (at least December 31, 2018).

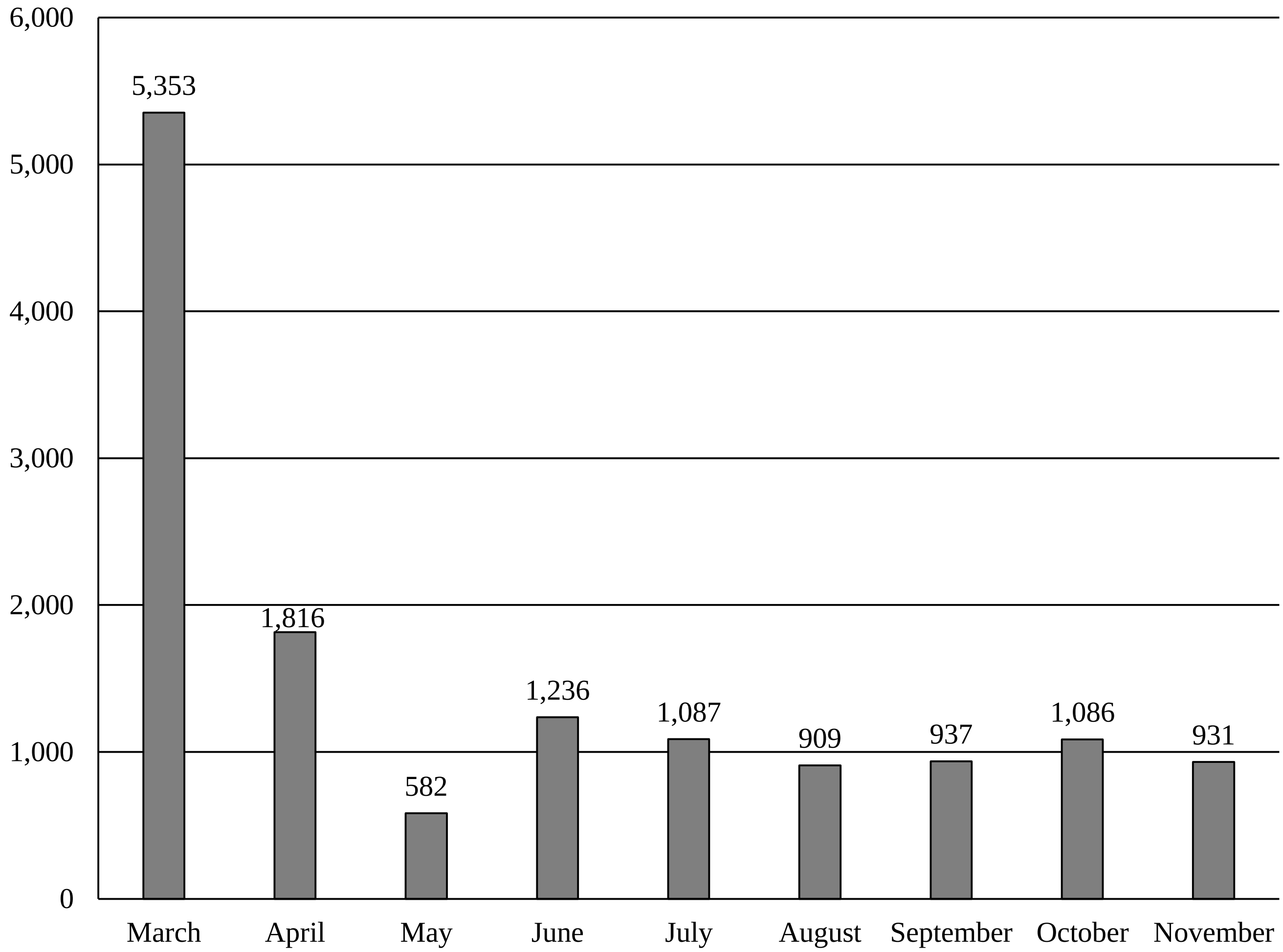
DHR indicates that it reviews each potential ABAWD case individually to determine if the case does qualify as an ABAWD or is eligible for an exemption. DHR has determined that a number of cases are eligible for exemption. For example, as of August 2016, Maryland had determined that 17,234 cases (55%) of potential ABAWD cases were exempt.

The 2016 JCR requested that DHR provide information on the number of individuals removed from FSP benefits from January through November 2016 and the number that were able to return to the program after complying with work requirement by month and jurisdiction. The department was also expected to include a discussion of the impact of the end of the waiver on ABAWD individuals and the agency. Due to the timing of the data, no information is available on those who became ineligible for benefits in Calvert, Charles, and St. Mary’s counties (since the reporting date coincided with the month in which the individuals could first be determined ineligible).

Ineligibility for Benefits

From March through November 2016, a total of 13,937 individuals were determined to be ineligible due to noncompliance with the ABAWD work requirements. As shown in **Exhibit 17**, the largest number of these individuals were determined ineligible in March (38.4% of those determined ineligible), the first month in which individuals could become ineligible. From July through November, the number of individuals determined ineligible fluctuated within a small range. A small spike in these determinations would be expected in December when three additional counties have individuals becoming ineligible for the first time. April was the first month that individuals were removed from the caseload due to the requirements. Individuals ineligible under ABAWD requirements accounted for more than 40% of the overall reduction in the number of FSP participants in April and May. Following that initial period, the share of the decline attributable to the ABAWD requirement was considerably less.

Exhibit 17
Individuals Determined Ineligible for FSP Benefits Due to ABAWD Requirement Noncompliance by Month
March-November 2016



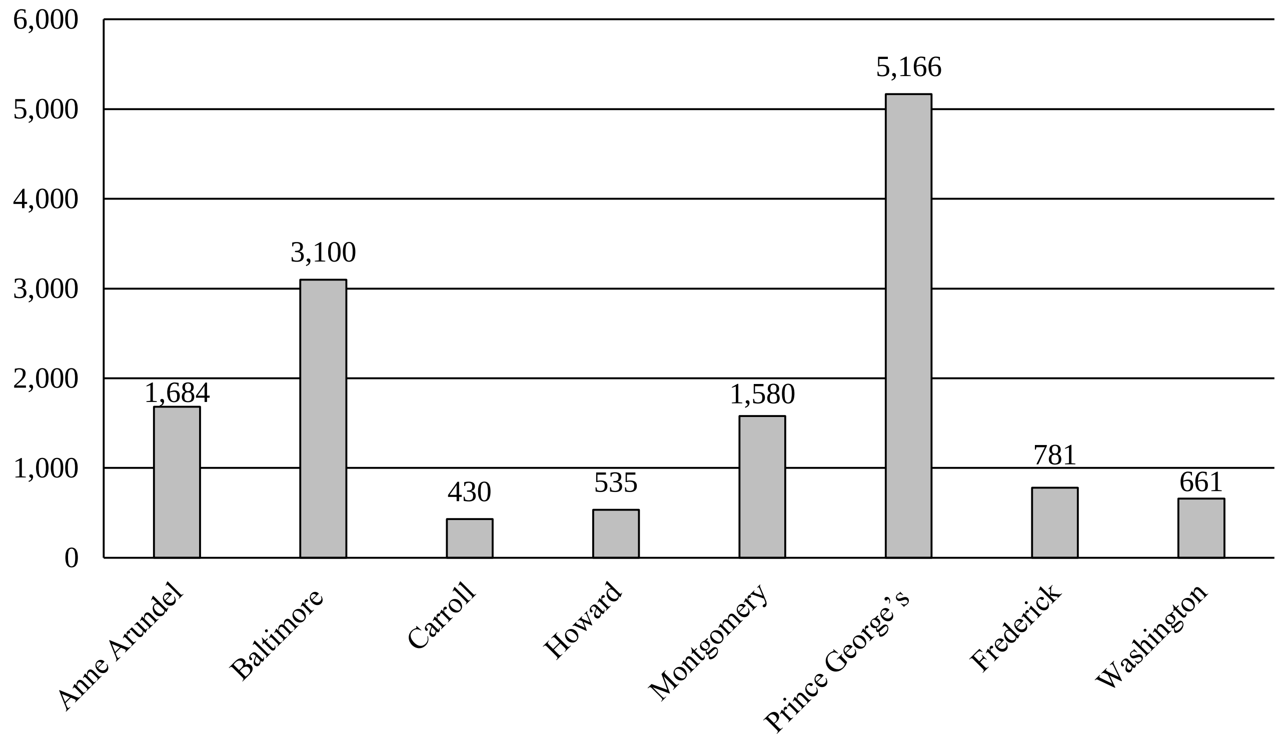
ABAWD: able-bodied adults without dependents
FSP: Food Supplement Program

Note: Data from March through May is for six jurisdictions and from June through November covers eight jurisdictions.

Source: Department of Human Resources

Exhibit 18 provides information on the number of individuals determined ineligible by jurisdiction. Prince George's County has the highest number of individuals determined ineligible (5,166 or 37.1%). Frederick and Washington counties had more individuals determined ineligible than two jurisdictions in which the policy has been in effect for three more months (Carroll and Howard counties). Frederick and Washington counties represent a larger share of the FSP cases than Carroll County, but Frederick and Howard counties have very similar size caseloads. DHR indicates that the number of individuals determined ineligible in any given jurisdiction is impacted by caseload characteristics as well as the availability of work or other activities that allow individuals to remain compliant with the requirements.

Exhibit 18
Individuals Determined Ineligible for FSP Benefits Due to ABAWD Requirement Noncompliance by Jurisdiction
March-November 2016



ABAWD: able-bodied adults without dependents
FSP: Food Supplement Program

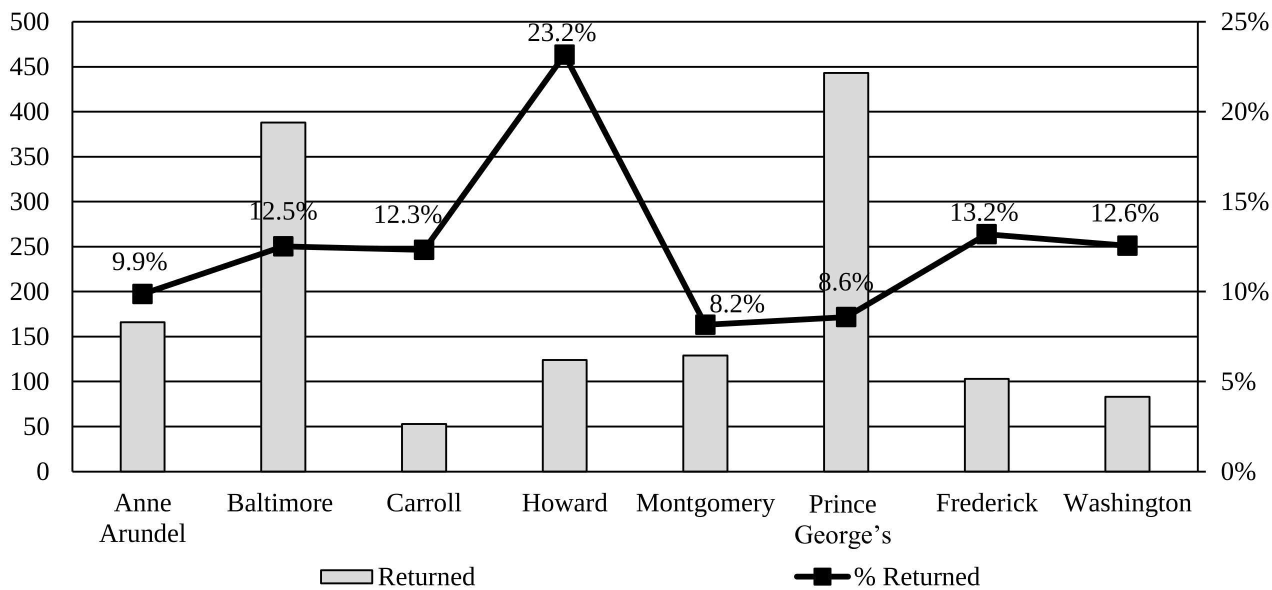
Note: Six jurisdictions (Anne Arundel, Baltimore, Carroll, Howard, Montgomery, and Prince George's counties) had individuals who could potentially be determined ineligible for the entire period. Two jurisdictions (Frederick and Washington counties) had individuals who could potentially be determined ineligible only from June through November 2016.

Source: Department of Human Resources

Returns to FSP Benefits

DHR also provided information on the number of individuals who returned to benefits within 4 months or the initial determination of ineligibility. DHR is unable to distinguish whether individuals complied with work requirements or were determined exempt. Of those determined ineligible through November 2016, 1,489 individuals (10.7%) returned to benefits within 4 months. However, this figure likely understates the full amount that will return to benefits. Due to the timing of the report submission 4 months had not passed for individuals whose benefits were terminated between September and November 2016. **Exhibit 19** provides information on the number of individuals and percent of individuals that returned to benefits within 4 months by jurisdiction. Howard County had the highest rate of individuals returning to benefits (23.2%). Three jurisdictions had fewer than 10.0% of individuals return to benefits within 10 months, representing three of the four jurisdictions with the highest number of individuals determined ineligible. **DHR should comment on efforts to assist individuals in complying with the requirements so that the individual is able to return to benefits.**

Exhibit 19
Individuals Returning to FSP Benefits within Four Months by Jurisdiction
March-November 2016



FSP: Food Supplement Program

Note: Six jurisdictions (Anne Arundel, Baltimore, Carroll, Howard, Montgomery, and Prince George's counties) had individuals who could potentially be determined ineligible for the entire period. Two jurisdictions (Frederick and Washington counties) had individuals who could potentially be determined ineligible only from June through August 2016.

Source: Department of Human Resources

Other Impacts on DHR and Individuals Subject to ABAWD Requirements

DHR noted in its response that during the period of January to November 2016, the percent of the ABAWD population that is employed has increased. DHR provided information on three periods (April, July, and November 2016), which showed the percent of ABAWDs that were employed increased from 48% in April, to 58% in July, and to 63% in November. It should be noted that to the extent that ABAWDs that are not complying with the work requirements are removed from benefits, a higher share of ABAWDS that are receiving benefits would be employed, even without absolute increases in the numbers that were employed.

DHR explained that there were two other impacts on the department: (1) enhancements to IT systems to allow for the screening of FSP recipients and applicants to determine whether the individuals were considered ABAWDS for the purposes of the requirements or were exempt and the need to track compliance for those determined to be ABAWDS; and (2) the intensity of effort for staff related to the requirements similar to TCA's work program.

Employment and Training Programs

There are two primary sources of funding for Food Supplement Employment and Training (FSET) programs, which can be used to assist ABAWDs in complying with the work requirements. The first source, referred to as 100% funds, requires no State match and is available for administrative costs of the program only. The funds are determined based on the number of work registrants and ABAWDs in the State. The second source, 50% funds, are available for administrative costs and participant reimbursements (for example transportation, uniforms, child care). These funds must be matched by either State funds or funds of the community-based organization providing the FSET program. DHR is providing the 11 jurisdictions implementing the ABAWD policy, along with other jurisdictions (including Somerset, Wicomico, and Worcester counties), an allocation of FSET funds ($1.2 million). These funds are used by the jurisdictions for either contracts with workforce development vendors or internal work programs. Most of these funds are 100% funds requiring no match. However, a portion of the funds, which are used for participant reimbursements, require a general fund match.

DHR also operates a central FSET program using third-party partners that enables the leveraging of nonfederal dollars. The partners can include community-based organizations and community colleges. These partners provide training, case management, support services, job placement, and job retention services. The fiscal 2018 allowance includes $201,125 in federal funds for partnerships with Humanim and the Job Opportunities Task Force. The match for these funds is provided by the individual organizations rather than the State.

Under federal regulations, states are required to collect certain performance measures related to the FSET programs to be submitted in the State's annual report. Each of these measures must specifically be reported for participants in ABAWDs. The measures include:

- the number and percentage of FSEP participants and former participants in unsubsidized employment during the second quarter and fourth quarter after completing the program;
- the median quarterly earnings of FSEP participants and former participants who are in unsubsidized employment during the second quarter after completion of the program;
- the number and percentage of participants that completed a training, educational, work experience, or an on-the-job training component;
- the number of all participants that are (1) voluntary vs. mandatory participants; (2) high school graduates (or equivalent) prior to being provided with services; (3) ABAWDs; (4) speak English as a second language; and (5) certain demographic groups (gender and age ranges).

The regulations also required states to determine its own measures for employment and training components that the State projects to have 100 or more participants. Maryland projects the following components to have 100 or more participants: (1) job readiness; (2) job retention; (3) basic education; (4) vocational training; (5) workfare; and (6) work experience. Maryland intends to collect two performance measures for each of those components:

- the number and percentage of program participants who received services and are in unsubsidized employment following receipt of the services; and
- the number and percentage of participants who attained an industry recognized credential and/or occupational skills certificate.

To understand whether the FSET programs are effective, including whether ABAWDs are receiving services that will assist them in maintaining compliance with the program, DLS recommends committee narrative requesting a report on the impacts of the FSET program and performance measures.

Recommended Actions

1. Add the following language:

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

   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 the 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 that the department can begin to reduce the deficit, this language restricts TANF spending to the amount included in the fiscal 2018 allowance.

		Amount Reduction	
2.	Reduce general funds based on the availability of additional federal funds. The fiscal 2018 allowance includes $27.3 million in federal funds available from the State Administrative Matching Grants for the Food Stamp Program in the Local Family Investment Program, a decrease of approximately $9.3 million compared to the fiscal 2017 working appropriation and $17.3 million compared to fiscal 2016. Given the declining caseloads, some reduction in federal funds receipt would be expected. However, the Department of Human Resources estimates that funds should still be received at near the level in the fiscal 2017 working appropriation. This action reduces general funds by an amount equivalent to the additional federal funds that should be available to the program. The reduction should be allocated among the programs and activities of the Local Family Investment Program. Even with this reduction, the Local Family Investment Program has sufficient funds to match the estimated federal fund spending in fiscal 2018.	$ 9,300,000	GF

3. Adopt the following narrative:

Food Supplement Employment and Training Performance Measures: With the end of the waiver of the time limit for the able-bodied adults without dependents (ABAWD), the performance of the Food Supplement Employment and Training (FSET) program has increased in importance. In fiscal 2018, $1.2 million is available for jurisdictions including those in which the ABAWD time limit is in effect and an additional $201,125 is available for two community-based organizations to operate an FSET program. The committees are interested in understanding more about the effectiveness of these programs, particularly for ABAWD participants. The committees request that the Department of Human Resources (DHR) provide information on:

- a description of the programs offered;
- performance in each of the national performance measures for the FSET program for federal fiscal 2017, including both the total population and ABAWD population;
- performance in the State option measures identified in the State plan for program components serving 100 or more individuals for federal fiscal 2017, including both the total population and ABAWD population;
- the number of individuals determined ineligible for benefits due to the ABAWD time limit; and
- the number of individuals that regained eligibility after complying with or showing an exemption from the ABAWD time limit.

Information Request	**Author**	**Due Date**
Report of FSET performance measures	DHR	November 1, 2017

		Amount Reduction	
4.	Reduce funds for the Temporary Disability Assistance Program (TDAP) due to an estimated lower caseload. The fiscal 2018 budget assumes an average monthly TDAP caseload of 18,281. However, year to date in fiscal 2017, the average monthly TDAP caseload is 17,269. The December 2016 caseload was less than 17,000. This reduction accounts for a continuing	4,000,000	GF

decline in the caseload while leaving sufficient surplus funds to cover the anticipated shortfall in the Food Supplement Program Supplemental Benefit program.

5. Adopt the following narrative:

Changes to the Temporary Assistance for Needy Families Program: The most recent re-authorization for the Temporary Assistance for Needy Families (TANF) program ended in federal fiscal 2010. Since that time, TANF has operated under a series of extensions. The current extension ends April 28, 2016. In recent sessions of Congress, bills have been introduced or discussed to re-authorize or make changes to the program. These bills would have modified work participation requirements and made changes to rules related TANF and Maintenance of Effort (MOE) spending. The committees are concerned about the potential impact of any changes to TANF or contained as part of any re-authorization of TANF. The committees request that the Department of Human Resources (DHR) provide notification of any federal changes to TANF that the State must adopt as a condition of accepting TANF or that the State chooses to adopt that would impact TANF-related benefits (eligibility, benefit levels, or types of benefits provided), work participation requirements, work participation calculations, State spending including spending of TANF or MOE, or changes to the type of spending that counts towards MOE.

Information Request	**Author**	**Due Date**
Notification of changes to TANF	DHR	Within 30 days of federal changes

Total General Fund Reductions **$ 13,300,000**

Updates

1. Cold Weather Shelter Planning and Cold Weather-related Deaths

The 2016 JCR made two requests related to homelessness. The first request required ICH to submit a report that details cold weather shelter planning processes, identifies service and funding gaps in local cold weather shelter plans, establishes standards for local cold weather shelter planning, and recommends legislative changes. The second request required DHR, the Office of the Chief Medical Examiner, and DHMH to collaborate to create a reporting system for cold weather deaths of people experiencing homelessness. DHR and ICH submitted one report in October 2016 that addressed both requests.

Cold Weather Shelter Planning

ICH explained that in many jurisdictions, there are two separate cold weather shelter planning processes (a general planning process conducted by emergency management officials and a second process focusing on the homeless). ICH noted that in most jurisdictions homeless services providers or the LDSS starts the cold weather shelter planning for homeless populations.

ICH noted that nine jurisdictions operate season-long cold year-to-date weather shelters while other jurisdictions open cold weather shelters as needed based on daily temperatures. Each has advantages and disadvantages, including the need for communication related to the daily decision for as-needed shelters and more daily staffing for season-long shelters. ICH explained that in many jurisdictions, the operation of cold weather shelters depends on community- and faith-based organizations providing the shelter. These shelters may not be stable options because the shelter will be available only as long as the organization can support the additional cost. Some jurisdictions have local resources that can assist with the costs of cold weather sheltering, but the amounts vary widely. For example, Baltimore City reported spending $1.1 million in fiscal 2016, while Washington County spends $17,000.

ICH made a number of recommendations for local communities to consider:

- collaborative planning processes involving homeless services providers, emergency managers, local government leaders, LDSS representatives, local health department representatives, and others;

- beginning planning processes during the summer;

- holding meetings after the conclusion of the season to determine resource gaps and identify opportunities for improvements;

- providing publicly owned buildings as a shelter resource;

- encouraging jurisdictions to identify weather-related shelter spending separate from other homeless services spending for improved tracking and transparency;

- conducting a cost-benefit analysis of season long versus daily shelters; and

- evaluating local needs and funding opportunities for dedicated transportation resources, additional clinical support staff, and resources for extended hours staffing for emergency management warming and cooling centers.

Cold Weather Deaths of Individuals Experiencing Homelessness

The State Chief Medical Examiner indicated that deaths of individuals presumed to be homeless were already being recorded for deaths investigated by the Office of the Chief Medical Examiner (OCME). OCME shared the data on these deaths with DHR and DHMH in May 2016. DHMH began including these deaths in weekly reports of weather-related injuries and deaths beginning June 8, 2016.

Statewide, from January 2007 to May 2016, there were 1,029 deaths of individuals presumed to be homeless. Approximately 36.6% (377) of these deaths were from natural causes. Of the 652 deaths from nonnatural causes, the majority (55%) were related to drugs or alcohol. Other leading factors in these deaths were accident or injury (13%), hypothermia (11%), and homicide (10%). The vast majority of the nonnatural causes deaths of individuals believed to be homeless were male (82%). More than half (61%) of the individuals were Caucasian, while 33% were African American. Approximately 32% of the nonnatural cause deaths occurred in suburban counties, while 30% occurred in Baltimore City. There were no suspected deaths of homeless individuals in the 2016 summer season.

2. Earned Income Disregard Pilot Program Interim Report

Chapter 526 of 2013 established an Earned Income Disregard Pilot Program in DHR. An interim report on the pilot was due September 30, 2016, and a final report on September 30, 2017. Chapter 526 is effective between October 1, 2014, and September 30, 2017.

DHR was to establish the pilot in a county that has more than one district office and could choose a rural county to participate. DHR and the local department were to select and assign eligible individuals to the pilot and inform participants of the assignment to the pilot. Participants could not have received TCA between May 1, 2014, and September 30, 2014, and had to apply and qualify for TCA on or after October 1, 2014.

Participants who obtained unsubsidized employment and work less than 25 hours per week could disregard 40% of earned income. Participants who obtained unsubsidized employment and work more than 25 hours per week could disregard 100% of the earned income for the first 3 months of employment, 60% for employment longer than 3 months but less than 10 months, and 40% for employment exceeding 9 months. Typically, individuals may disregard 20% of earned income.

Outcomes

DHR chose to implement the pilot in Anne Arundel County. DHR had a target of 100 participants. Actual participation between October 1, 2014, and June 30, 2016, totaled 21 participants. Of the 21 participants, through June 2016, 17 completed phase 1 (the 100% disregard phase) and 1 was still in phase 1; however, only 2 had completed phase 2 (the 60% disregard phase) and 4 were still in phase 2. Of the 21 cases, 14 closed after participation began in the program. Eight of the closures occurred due to income being over the eligible levels, even with the 60% disregard in phase 2.

Employment data was available for only 19 of the 21 participants, of which 16 were employed. Only two quarters of earnings data was available. DHR found lower median quarterly earnings in the second quarter after program participation began than the first quarter. However, DHR cautioned that there were fewer participants with second quarterly earnings data (8 participants for which data was available and 7 working in the first quarter versus 11 participants for which data was available and 9 were working in the second quarter).

3. FIA Audit

In April 2015, the Office of Legislative Audits (OLA) released a fiscal compliance audit for FIA covering the period from July 1, 2010, to November 24, 2013. The audit contained five findings, four of which were repeated from the prior audit. The repeated audit findings were:

- FIA lacked documentation of required computer matches and system alerts were not always adequately resolved;
- documentation required to support energy assistance recipient eligibility and the validity of payments was not always maintained;
- certain contract costs and deliverables were not adequately monitored; and
- FIA lacked procedures and documentation to support TDAP recipient eligibility for certain cases examined and federal funds were not always recovered.

The Joint Audit Committee, concerned about the number of repeat audit findings in recent audits, requested that budget bill language be added for each unit of State government that has four or more repeat audit findings in its most recent fiscal compliance audit. Consistent with that request, the General Assembly adopted budget bill language withholding $100,000 of FIA’s administrative appropriation until DHR has taken corrective action related to all repeat audit findings. To have the funds released, OLA must certify that the repeat audit findings have been corrected. DHR’s report to OLA was due November 1, 2016. As of this writing, OLA has not submitted certification regarding FIA’s correction of its repeat audit findings, and the funds continue to be withheld.

Appendix 1
Current and Prior Year Budgets
DHR – Family Investment Administration
($ in Thousands)

	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2016					
Legislative Appropriation	$138,351	$19,364	$1,443,543	$0	$1,601,257
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	11,856	3,339	13,399	0	28,594
Reversions and Cancellations	-13,000	-5,303	-65,748	0	-84,051
Actual Expenditures	**$137,207**	**$17,400**	**$1,391,193**	**$0**	**$1,545,800**
Fiscal 2017					
Legislative Appropriation	$142,882	$16,200	$1,439,196	$0	$1,598,277
Cost Containment	-3,700	0	0	0	-3,700
Budget Amendments	1,088	54	1,214	0	2,356
Working Appropriation	**$140,269**	**$16,253**	**$1,440,410**	**$0**	**$1,596,933**

DHR: Department of Human Resources

Note: Does not include targeted reversions, deficiencies, and contingent reductions. Numbers may not sum to total due to rounding.

Fiscal 2016

The fiscal 2016 actual expenditures of the Family Investment Administration (FIA) were $55.5 million lower than the legislative appropriation. The FIA general fund expenditures were $1.1 million lower than the legislative appropriation. Budget amendments increased the appropriation by a net of $11.9 million. Increases occurring by budget amendment totaling $18.0 million were due to salary and wage adjustments including the restoration of the 2% pay reduction. These increases were offset by decreases occurring by budget amendment ($6.2 million). The largest decrease ($5.1 million) occurred in the Assistance Payments Program primarily due to caseload declines and the availability of federal funds. Other decreases resulted in technical adjustments to implement the across-the-board reduction included in the fiscal 2016 budget ($832,528) and lower than anticipated expenditures in the Emergency and Transitional Housing Services Program in the Office of Grants Management ($194,245). FIA also reverted $13.0 million largely due to the restriction of funds in Section 48 of the fiscal 2016 budget bill, which required the funds not transferred for the purposes described in that section to be reverted.

The special fund expenditures of FIA were $2.0 million lower than the legislative appropriation. Increases occurring by budget amendment totaled $3.3 million for salary and wage adjustments, including the restoration of the 2% pay reduction. These increases were more than offset by cancellations totaling $5.3 million primarily due to lower than anticipated attainment of the Child Support Offset fund in the Temporary Cash Assistance (TCA) program and Interim Assistance Reimbursement in Temporary Disability Assistance Program.

The FIA federal fund expenditures were $52.3 million lower than the legislative appropriation. Increases of a net $13.4 million occurred by budget amendment. The largest increase ($7.6 million) represents the value of the federal food commodities in Temporary Emergency Food Assistance Program. Other increases occur as a result of:

- salary and wage adjustments, including the restoration of the 2% pay reduction ($4.2 million);
- contractual services related to the Food Supplement Program (FSP) nutrition education ($2.0 million);
- technical and special fees for administrative support related to eligibility for Supplemental Security Income ($654,494); and
- the Promoting Responsible Fatherhood Program in Baltimore City ($134,990).

These increases were partially offset by decreases occurring by budget amendment totaling $1.2 million to account for federal fund components of the across-the-board reductions. In addition, FIA canceled $65.7 million of federal funds, the majority of which related to caseload declines in FSP ($39.5 million). Other decreases resulted from lower than anticipated attainment or changes in the use of federal funds between department programs of a variety of federal fund sources including Child Care Mandatory and Matching Funds, Temporary Assistance for Needy Families, Medical Assistance, Refugee and Entrant Assistance-State Administered program, and Discretionary Targeted Assistance grants in Local FIA, the Maryland Office for Refugees and Asylees, and the Work Opportunities program.

Fiscal 2017

To date, the FIA fiscal 2017 appropriation has decreased by a net of $1.3 million. Increases totaling $2.3 million ($1.1 million in general funds, $53,597 in special funds, and $1.2 million in federal funds) are due to the distribution of centrally budgeted funds for employee increments. These increases are more than offset by a reduction of $3.7 million of general funds in the TCA program due to caseload declines made by the Board of Public Works on November 2, 2016.

Appendix 2
Object/Fund Difference Report
DHR – Family Investment Administration

Object/Fund	FY 16 Actual	FY 17 Working Appropriation	FY 18 Allowance	FY 17 - FY 18 Amount Change	Percent Change
Positions					
01 Regular	2,093.42	2,045.18	2,045.18	0.00	0%
02 Contractual	95.00	68.00	68.00	0.00	0%
Total Positions	**2,188.42**	**2,113.18**	**2,113.18**	**0.00**	**0%**
Objects					
01 Salaries and Wages	$ 149,435,223	$ 147,506,497	$ 140,695,958	-$ 6,810,539	-4.6%
02 Technical and Spec. Fees	3,896,864	2,592,524	2,609,291	16,767	0.6%
03 Communication	1,218,089	1,039,570	1,084,901	45,331	4.4%
04 Travel	229,066	178,086	188,326	10,240	5.8%
06 Fuel and Utilities	1,714,382	1,575,769	1,792,976	217,207	13.8%
07 Motor Vehicles	83,471	19,781	20,647	866	4.4%
08 Contractual Services	58,759,290	59,490,036	61,735,210	2,245,174	3.8%
09 Supplies and Materials	1,236,134	1,037,593	1,074,459	36,866	3.6%
10 Equipment – Replacement	11,318	0	118	118	N/A
11 Equipment – Additional	82,110	0	40,498	40,498	N/A
12 Grants, Subsidies, and Contributions	1,314,511,906	1,368,805,850	1,310,532,195	-58,273,655	-4.3%
13 Fixed Charges	14,622,482	14,687,132	14,827,353	140,221	1.0%
Total Objects	**$ 1,545,800,335**	**$ 1,596,932,838**	**$ 1,534,601,932**	**-$ 62,330,906**	**-3.9%**
Funds					
01 General Fund	$ 137,207,197	$ 140,269,496	$ 149,876,874	$ 9,607,378	6.8%
03 Special Fund	17,399,847	16,253,356	15,286,751	-966,605	-5.9%
05 Federal Fund	1,391,193,291	1,440,409,986	1,369,438,307	-70,971,679	-4.9%
Total Funds	**$ 1,545,800,335**	**$ 1,596,932,838**	**$ 1,534,601,932**	**-$ 62,330,906**	**-3.9%**

DHR: Department of Human Resources

Note: Does not include targeted reversions, deficiencies, and contingent reductions.

Appendix 3
Fiscal Summary
DHR – Family Investment Administration

Program/Unit	FY 16 Actual	FY 17 Wrk Approp	FY 18 Allowance	Change	FY 17 - FY 18 % Change
02 Local Family Investment Program	$ 158,250,649	$ 168,310,346	$ 162,948,855	-$ 5,361,491	-3.2%
08 Assistance Payments	1,288,011,995	1,333,367,106	1,276,170,192	-57,196,914	-4.3%
10 Work Opportunities	31,289,360	33,331,699	31,650,929	-1,680,770	-5.0%
04 Director's Office	36,388,639	34,518,269	36,566,087	2,047,818	5.9%
05 Maryland Office for New Americans	11,226,533	14,222,665	14,643,916	421,251	3.0%
07 Office of Grants Management	20,633,159	13,182,753	12,621,953	-560,800	-4.3%
Total Expenditures	**$ 1,545,800,335**	**$ 1,596,932,838**	**$ 1,534,601,932**	**-$ 62,330,906**	**-3.9%**
General Fund	$ 137,207,197	$ 140,269,496	$ 149,876,874	$ 9,607,378	6.8%
Special Fund	17,399,847	16,253,356	15,286,751	-966,605	-5.9%
Federal Fund	1,391,193,291	1,440,409,986	1,369,438,307	-70,971,679	-4.9%
Total Appropriations	**$ 1,545,800,335**	**$ 1,596,932,838**	**$ 1,534,601,932**	**-$ 62,330,906**	**-3.9%**

DHR: Department of Human Resources

Note: Does not include targeted reversions, deficiencies, and contingent reductions.