

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

Revised

House Bill 1061 (Chairman, Appropriations Committee, et al.)
(Departmental - Human Resources)

Appropriations

Family Investment Program

This departmental bill establishes a Family Investment Program in the Department of Human Resources. The bill eliminates the Aid to Families with Dependent Children (AFDC) program and replaces it with temporary cash assistance grants. The bill also repeals the Welfare Reform Pilot Program in Anne Arundel County, Baltimore City, and Prince George's County that was enacted in 1995.

If required federal waivers have not been approved by the U.S. Department of Health and Human Services and the U.S. Department of Agriculture by December 31, 1996, the provisions that require such waivers will not take effect. This bill takes effect July 1, 1996.

Fiscal Summary

State Effect: None. The Department of Human Resources (DHR) advises that this bill would not result in additional State expenditures because cost savings would be used to fund program enhancements (i.e., welfare avoidance grants, job training, and child care services). The Department of Fiscal Services advises that the ability to fund program enhancements with existing resources will depend upon the department's success at moving welfare recipients into unsubsidized employment. Furthermore, the number of welfare recipients finding employment and no longer requiring cash assistance will be affected primarily by the State's job market and the individual's education and employment skills.

Local Effect: None.

Small Business Effect: The Department of Human Resources has determined that this bill has a meaningful impact on small business (attached). Fiscal Services concurs with this assessment.

Fiscal Analysis

Bill Summary: This bill reforms the State's welfare system by establishing a Family Investment Program. The bill provides for the following:

- eliminates the current Aid to Families with Dependent Children (AFDC) program;
- provides local departments of social services with funds for child care, welfare avoidance grants, emergency assistance, administration, and job training/job search/work activities in lump sum amounts;
- bases lump sum funding to local departments upon relevant factors such as the number of cash assistance cases and the number of children living in poverty in the jurisdiction;
- enables local departments to contract with private and religious organizations for providing clients with assistance;
- provides applicants with an initial needs assessment;
- provides for one-time-only welfare avoidance grants, temporary cash assistance, referrals to family planning counseling and services, and job training and work experience;
- enables DHR to provide services to noncustodial parents who are in need of employment services in order to pay for child support obligations;
- authorizes the Secretary of Human Resources to establish a schedule of reductions and terminations of temporary cash assistance for noncooperation with program requirements;
- requires temporary cash assistance to be paid beginning 14 days after the application date;
- limits temporary cash assistance payments to 60 months (five years) and to 24 months (two years) if the recipient is not participating in a program activity;
- eliminates the increment in cash benefits due to the birth of an additional dependent child and provides child specific benefits to affected individuals;

- considers the income and resources of a legal immigrant’s sponsor in determining immigrants’ eligibility for cash assistance;
- establishes a Second Chance Home Pilot Program to provide supervised living arrangements and health care to needy teen parents and their children; and
- requires the Secretary of Human Resources to report to the General Assembly on the first full year of operation of the Family Investment Program before the start of the 1998 Session of the General Assembly.

State Effect: This bill is not supposed to result in any additional State expenditures in that program enhancements are expected to be funded with proposed cost savings within the current AFDC program. In fiscal 1997, approximately \$33.1 million in cost savings is diverted to fund welfare avoidance grants, job training programs and child care services. In fiscal 1997, additional child care costs consume roughly one-half of the projected cost savings. However, by fiscal 2001, child care services take up nearly 82% of the projected cost savings. Accordingly, in order for DHR to provide subsidized child care to program participants within existing resources, the department must be successful at moving clients off cash assistance and into unsubsidized employment. However, the Secretary of Human Resources has the authority to adjust the amount of cash grants in order to make the program cost neutral. A more detailed discussion on the proposed savings and additional costs of the Family Investment Program is provided below.

Proposed Savings

DHR estimates cost savings from eligibility policy, administration, and cash assistance programs would total approximately \$33.1 million in fiscal 1997 and \$70.3 million by fiscal 2001. These savings come from the following:

Policy/Administration Changes	\$19.3 million
Welfare Avoidance Grants	2.0 million
Child Support First	1.9 million
Up-front Job Search	2.3 million
Job Program	7.1 million
Child Support Collections	0.5 million
Total FY 1997 Savings	\$33.1 million

Eligibility Policy and Administration Changes

DHR has proposed seven policy initiatives that would reduce State expenditures by \$19.3 million in fiscal 1997 and \$32.2 million on an annualized basis. Five of these initiatives require federal waivers or the enactment of federal block grant legislation.

Welfare Avoidance Grants

Approximately 5% (136) of employable eligible cases would request one-time-only welfare avoidance grants each month. State expenditures are expected to decrease by \$2 million in fiscal 1997.

Child Support First Provision

This provision requires individuals to apply for child support services at the time they apply for AFDC. Under current law DHR begins to collect child support payments only after an individual becomes eligible for AFDC. This would reduce State expenditures by \$1.9 million in fiscal 1997. Future year cost savings increase to \$2.2 million in fiscal 1998 and \$3.8 million by fiscal 2001. In addition, this provision will increase AFDC related child support enforcement collections.

Up-front Job Search

Approximately 2,546 new applicants each month and 2,495 current recipients who are not in a job training program will participate in up-front job search programs. Approximately 2% (101) of these individuals will find employment, thereby reducing State expenditures by approximately \$1.5 million in fiscal 1997. Also, approximately 1% (25) of current cases each month would find part-time employment, thereby resulting in a reduction in their AFDC grant. This would reduce, State expenditures by \$220,000 in fiscal 1997. In addition, approximately 3% (76) new applicants each month and 3% (75) of current recipients each month would be sanctioned for non-cooperation. This would reduce State expenditures by approximately \$532,700 in fiscal 1997. In sum, State expenditures would decrease by approximately \$2.3 million in fiscal 1997.

JOBS Program

Approximately 62,000 current recipients are eligible to participate in employment training programs. Federal mandated participation rates require that 20% of current recipients be enrolled in some type of employment training program. These mandatory participation rates increase to 40% by fiscal 2001. It is estimated that 15,700 recipients would participate in employment training in the first year, which is an 8,100 increase from the prior year. Of the additional participants, approximately 50% or 325 each month will find employment. It is assumed that 100 of these individuals would have found employment through the initial up-

front job search. Therefore, 225 cases each month or 2,700 cases annually will find employment and no longer require public assistance. Accordingly, State expenditures would decrease by \$3.5 million in fiscal 1997.

An additional 325 cases a month would find a part-time job, thereby reducing State expenditures by \$2.3 million annually. In addition, approximately \$1.3 million in AFDC expenditures is saved due to sanctions for non-cooperation. In sum, the JOB program requirement reduces State expenditures by \$7.1 million in fiscal 1997. **The Department of Fiscal Services advises that the number of job placements will depend upon the economic condition and the number of entry level/service related jobs in each jurisdiction.**

Additional Program Costs

DHR estimates that program enhancements would total approximately \$33.1 million in fiscal 1997 and \$70.3 million by fiscal 2001. These costs include the following:

Information Management and Reporting	\$5.3 million
Welfare Avoidance Grants	1.5 million
Job Training	10.0 million
Child Care Services	<u>16.3 million</u>
Total FY 1997 Additional Program Costs	\$33.1 million

Information Management

DHR advises that \$5.3 million would be needed in fiscal 1997 and 1998 for information management and reporting costs. The Department of Fiscal Services advises that DHR has indicated in previous discussions that modifying the department's current computer system could cost up to \$15 million.

Welfare Avoidance Grants

It is estimated that 136 applicants each month or 1,632 annually would request welfare avoidance grants. Assuming individuals receive a grant totaling three months of AFDC payments, State expenditures would increase by \$1.5 million annually.

JOBS Program

An additional 8,000 participants will be required to enroll in job training or work experience programs, which is mandated under federal work requirement provisions. By fiscal 2001, an additional 22,000 participants will be required to enroll in job training. Currently, Project Independence serves approximately 7,600 individuals annually at a cost of \$18 million. DHR advises that an additional \$10 million would be needed to provide job training and work experience services for the added caseload annually. The Department of Fiscal Services advises that additional funds may be required in future years to accommodate the projected 290% increase in program participants.

Child Care Costs

DHR estimates that an additional \$16.3 million is needed to provide child care services to program participants. Of this amount \$4.3 million is targeted to cash assistance recipients, \$7.5 million is for working poor JOBS graduates, and \$4.5 million is for working poor families. This estimate is based on the following assumptions:

- Approximately 20% of applicants in up-front job search would request subsidized child care at a cost of \$150 per applicant;
- Approximately 55% of program participants in job training and work experience activities would request child care at a cost of \$308 a month; and
- Approximately 55% of working poor families would request subsidized child care at a cost of \$243 a month.

In sum, DHR proposes to provide \$16.3 million in additional child care funding in fiscal 1997 and \$57.8 million by fiscal 2001. Additional child care services are funded primarily with savings that result from clients obtaining unsubsidized employment. In fiscal 1996, 49% of all the potential savings went for additional child care and by fiscal 2001, nearly 82% of the savings will go to child care. **Accordingly, unless DHR is successful at diverting current welfare recipients into unsubsidized employment, the department will not be able to fund the additional child care slots with existing resources.**

Local Departments of Social Services Flexible Funding Allocation

The bill requires DHR to provide local departments of social services with funds for child care, welfare avoidance grants, emergency assistance, administration, and job training/job search/work activities. In fiscal 1997, local departments would receive approximately \$155.5 million in flexible fund allocations. This funding comes from the following:

FIP Cost Savings*	\$27.9 million
Child Care Funds	61.9 million

Emergency Assistance Payments	5.2 million
Project Independence	18.0 million
Local Administration	<u>42.5 million</u>

Total \$155.5

million

**excludes the \$5.3 million needed for information management and reporting costs.*

Additional Comments: This bill repeals the welfare reform pilot program enacted during the 1995 Session (Chapter 491 of the Acts of 1995). The pilot program targeted 3,000 families from Baltimore City and Anne Arundel and Prince George’s counties. DHR advises that the cost to implement the pilot program statewide would total approximately \$187 million in the first year. Major provisions of the pilot program include a three-month limit on AFDC benefits, welfare avoidance grants, up-front job search and mandatory work requirements. DHR was also required to provide participants with supportive services, including child care and transportation.

Information Source(s): Department of Human Resources, Department of Fiscal Services

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