

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 614 (Senator Madden)
Finance

The Welfare Innovation Act of 1996

This bill requires the Secretary of Human Resources to allocate 5% of the State's Aid to Families with Dependent Children (AFDC) budget to demonstration projects administered by nonprofit organizations. The bill also establishes a 14-member joint committee on welfare reform consisting of members of the General Assembly. The Department of Human Resources must contract with one of the "Big Six" accounting firms to evaluate the effectiveness of the demonstration projects.

This bill takes effect July 1, 1996.

Fiscal Summary

State Effect: General fund expenditures could increase by \$1.2 million in FY 1997; future year expenditures increase by inflation. In addition, approximately \$15.6 million in general funds are redirected from the AFDC program to specified demonstration projects. Revenues would not be affected.

(\$ in millions)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
GF Revenues	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
GF Expenditures	1.2	1.2	2.2	1.2	1.2
Net Effect	\$(1.2)	\$(1.2)	\$(2.2)	\$(1.2)	\$(1.2)

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

Local Effect: None.

Fiscal Analysis

State Effect: The Secretary of Human Resources is required to allocate at least 5% of the State's AFDC budget for demonstration projects. The fiscal 1997 State budget appropriation provides \$298.5 million for AFDC grants. Accordingly, \$14.9 million must be targeted for certain demonstration projects involving case management programs, cooperative living initiatives, and school based programs. It is assumed that 5% of the AFDC caseload or 3,600 cases would participate in the demonstration projects. The cost to administer the demonstration projects is illustrated below:

Administrative Costs	\$655,715
Pilot Management Costs	189,998
Computer Reprogramming	58,676
Loss Child Support Collections	<u>702,608</u>
Total Impact	\$1,606,997

State General Funds	\$1,154,803
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Future year expenditures reflect inflation, with expenditures increasing by an additional \$1 million in fiscal 1999 in order to conduct a program evaluation by one of the "big-six" accounting firms.

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

Fiscal Note History: First Reader - April 5, 1996

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