HB 42

Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE
Revised

House Bill 42 (Delegate McIntosh, *et al.*)
Appropriations

Family Investment Program - Earned Income Disregard

This bill increases the percentage of earned income from 20% to 35% that will be disregarded in determining the amount of assistance an individual may be eligible to receive under the Family Investment Program.

The bill takes effect July 1, 1997.

Fiscal Summary

State Effect: FY 1998 expenditures could increase by $5.2 million, of which 50% is general funds and 50% is federal funds, exclusive of other potentially significant costs. Future year expenditures grow with increased federal work participation requirements. Revenues would not be affected.

(in millions)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
GF Revenues	$0	$0	$0	$0	$0
GF Expenditures	2.6	3.3	4.1	4.7	5.4
FF Expenditures	2.6	3.3	4.1	4.7	5.4
Net Effect	($5.2)	($6.6)	($8.2)	($9.4)	($10.8)

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

Local Effect: None.

Small Business Effect: Meaningful effect on small businesses as discussed below.

Fiscal Analysis

State Expenditures: By raising the percentage of income disregarded in calculating welfare benefits, the bill would increase the Temporary Cash Assistance (TCA) available to welfare recipients engaging in work. The Department of Human Resources (DHR) advises that expenditures could increase by an estimated $2.9 million in fiscal 1998 as a result of going from a 20% disregard to a 35% disregard. The estimate assumes that the disregard will be applied to a total of 4,271 recipients who are currently working.

The Department of Fiscal Services advises, however that expenditures could increase by an estimated $5.2 million in fiscal 1998 as a result of going from a 20% disregard to a 35% disregard, as shown in Exhibit 1. The estimate reflects the assumption that a growing number of TCA recipients will be working part-time as a result of federal and State welfare reform. Fiscal Services assumes that additional recipients will be working each year, since the State welfare reform program began in fiscal 1997. Therefore, the Fiscal Services estimate assumes that the disregard can be applied to a total of 7,524 working recipients in fiscal 1998, which represents 16% of the projected fiscal 1998 caseload available for work. Sixteen percent of the caseload must be participating in the workforce in fiscal 1997 to avoid federal sanctions. Caseworkers at the local departments of social services have been instructed to encourage recipients to participate in the workforce and to assist them in overcoming obstacles to working, such as finding adequate child care and transportation to work. As a result, it is unlikely that the number of TCA recipients will remain stagnant as estimated by the Department of Human Resources.

As a result of federal welfare reform, the State is expected to receive a Temporary Assistance to Needy Families (TANF) block grant amount of $229.1 million in fiscal 1998 for temporary cash assistance and other social services such as child care. To the extent that a higher disregard increases expenditures for cash assistance, fewer TANF funds will be available for purposes other than cash assistance.

In addition, three other factors could serve to either significantly increase or decrease State expenditures. Increasing the income disregard would allow some low-income individuals who do not currently qualify for assistance to receive small monthly payments. DHR advises that income disregards apply to new as well as to existing applicants. It is not possible at this time to reliably estimate the number of additional recipients who might qualify under an increased disregard. The Regional Economic Studies Institute (RESI) of Towson State University is under contract with the Department of Human Resources to provide such an estimate. A final report from RESI is forthcoming.

An increased disregard could also significantly increase Medicaid costs because recipients will retain TCA benefits for a longer period or gain eligibility which they would not have had otherwise. It is not possible at this time to reliably estimate the number of additional Medicaid benefits that would result from the bill's requirements. For illustrative purposes, however, the average cost per TCA recipient on Medicaid is $1,800 per year.

The bill could also result in cost savings. An estimated $34.6 million could be needed in fiscal 1998 to provide community service slots for adults who have received assistance for 24 months and are required to work. To the extent that a higher disregard allows more individuals to work and still receive assistance, fewer community service slots will be needed. Federal welfare reform requires that adults who have received assistance for more than 24 months must participate in work activities. Individuals in that position are likely to be the hardest to place in the workforce and may need community service slots to satisfy these work requirements.

Small Business Effect: To the extent that a higher disregard encourages more individuals to participate in the workplace and still retain cash assistance, small businesses would have a larger workforce available to them. Accordingly, there could be an increased need for child care services, which would benefit child care providers in areas of the State that are currently underserved. Child care services are almost entirely provided by small businesses. There are approximately 14,300 child care homes (12,300) and child care centers (2,000) in Maryland. Businesses in general would benefit from an increase in the workforce as a larger labor pool would make it easier for businesses to fill positions and help keep labor costs down.

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

Fiscal Note History: First Reader - January 22, 1997
lc Revised - Correction - February 17, 1997

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