Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE

House Bill 1264 (Delegate Muse*, et al.*)
Appropriations

Welfare Reform - Termination of Benefits - Temporary State Employment

This bill requires the Department of Human Resources (DHR) to provide temporary contractual employment to an adult in a family receiving temporary cash assistance (TCA) if the adult (1) has participated in a work activity as required under TCA requirements and has not obtained employment; and (2) is included in a family that has received more than 24 months of cash assistance and is subject to termination of its temporary cash assistance.

Fiscal Summary

State Effect: No effect on FY 1998 expenditures. FY 1999 and subsequent year general fund expenditures could increase by an indeterminate but significant amount, depending on how employment is structured, as discussed below. Potential increase in general fund tax revenues. DHR did not respond to requests for information.

Local Effect: Potential increase in local tax revenues. Expenditures would not be affected.

Small Business Effect: The bill would not directly affect small businesses because its provisions apply only to TCA recipients who have been unable to find employment.

Fiscal Analysis

State Revenues: General fund tax revenues could increase to the extent that paying jobs are created that would not otherwise have occurred. The amount of increased revenues will depend upon the income earned, the number of exemptions claimed by an individual, and any qualifying earned income tax credit claimed.

State Expenditures: TCA recipients must engage in work after 24 months of assistance as a condition of maintaining their eligibility. Currently, more than 50% of Maryland's caseload receives assistance for two consecutive years. If this trend continues, an estimated 20,000 individuals could be affected by fiscal 1999. Maryland received federal Temporary Assistance to Needy Families (TANF) block grant funds beginning in December 1996;

therefore, 20,000 recipients could be subject to termination of cash assistance in December 1998, or halfway through fiscal 1999.

DHR did not respond to requests for information. In the absence of DHR's fiscal information, the Department of Fiscal Services assumes that the least expensive option would be for DHR to provide unpaid community service type jobs for recipients and continue to provide cash assistance. State general fund expenditures would increase by an indeterminate amount because a certain amount of job supervision would be required. The amount of supervision needed would depend on where recipients were placed, i.e., concentrated in certain agencies or units, or more uniformly spread throughout State government.

A more expensive option would be for DHR, or other State agencies, to provide paid jobs for recipients in danger of losing cash assistance. State general fund expenditures could increase by an indeterminate but significant amount, depending on the amount paid and the extent to which recipients fill existing jobs. For illustrative purposes, the proposed fiscal 1998 budget includes $325 million for a total of 9,371 contractual positions statewide. Increased expenditures for salaries would be at least partially offset by a reduction in cash assistance.

Although the bill provides that DHR is to provide temporary contractual employment, the length of employment is not specified. If employment is to be provided for the period in which a recipient is eligible to receive cash assistance, then the temporary contractual employment could last up to three years for each recipient because federal welfare reform mandates a five-year lifetime limit on the receipt of assistance.

Local Revenues: Local governments would gain 54.5% of any State increase in tax revenues.

Information Source(s): Department of Business and Economic Development; Department of Budget and Management; Department of Labor, Licensing, and Regulation; Department of Fiscal Services

Fiscal Note History: First Reader - February 26, 1997
lc

Analysis by: Sue Friedlander
Reviewed by: John Rixey

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 841-3710
(301) 858-3710