HB 891

Department of Legislative Services

Maryland General Assembly
2001 Session

FISCAL NOTE

House Bill 891 (Delegate Rosenberg, *et al.*)
Appropriations

Welfare Innovation Act of 2001

This bill provides for the mentoring of former and current Family Investment Program (FIP) recipients and requires the Secretary of Human Resources to initiate an Individual Development Account Demonstration Program.

The bill also proposes the establishment of a Commission for Responsible Fatherhood to identify obstacles and propose solutions for problems created when a child is raised without the presence of a responsible father.

Fiscal Summary

State Effect: General fund expenditures could increase by $218,900 in FY 2002. Future year expenditures reflect implementation of the Individual Development Account program, annualization, and inflation.

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Revenues	$0	$0	$0	$0	$0
GF Expenditure	218,900	1,044,900	1,052,700	1,061,000	349,900
Net Effect	($218,900)	($1,044,900)	($1,052,700)	($1,061,000)	($349,900)

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

Local Effect: Minimal.

Small Business Effect: Minimal.

Analysis

Bill Summary:

Student Volunteer Mentoring Program: This bill adds mentoring to the list of services (literacy training, resume writing, and job interview skills) that the Maryland Higher Education Commission (MHEC), in cooperation with DHR, is required to promote and coordinate among institutions of higher education. MHEC must also encourage and identify student volunteers to help provide these services to FIP recipients.

Mentoring Program for Former FIP Recipients: The Secretary of Human Resources, in cooperation with the local departments of social services (LDSSs) is required to establish a mentoring program for former FIP recipients (in the previous six months). Mentoring may be provided by caseworkers (and may receive financial or other incentives) or purchased from other organizations. Program participation is limited to six months.

Job Skills Enhancement Program Change in Eligibility: Increases the time period for determining the eligibility of a former FIP recipient to participate in the Job Skills Enhancement Program. Previously, the individual must have been a FIP recipient within the past 18 months; this is increased to 36 months. Moreover, local departments of social services are authorized to work with businesses to train and place former FIP recipients in jobs that provide benefits and have an upward career path.

Individual Development Account for FIP Recipients Who Receive Child Support: The Secretary of Human Resources is required to initiate an Individual Development Account demonstration program whose purpose is to show that FIP recipients can save for asset purchase. The individual development account is a savings account for individuals who contract to save funds for educational expenses, a home, home repairs, or for deposit into a business capitalization account. To be eligible, the individual must be an applicant or recipient in the FIP program, be receiving child support payments that they have assigned to the State, and demonstrate a willingness to enter into a contract to save money for asset purchase.

Each account is active for a three-year period from the time the account is opened; a maximum of 600 accounts may be established. The individual account holder will be assisted in account management and goal attainment by a service provider. A technical assistance organization is to provide overall program management.

The Secretary must solicit and select technical assistance organizations, with overall funding of up to $80,000 annually, for a maximum of five years. Technical assistance organizations design the program and: (1) manage the reserve fund and matching funds; (2) solicit additional funds; (3) select service providers; and (4) provide technical assistance, training in financial literacy, and tracking and evaluation of program participation. Technical assistance organizations must provide an annual report to the Department of Human Resources (DHR) by December 31 of each year with detailed financial information, including the number of program participants.

Service providers are public entities or non-profit organizations that serve as intermediaries between the account holders and the financial institutions to give educational assistance in account management, thereby helping participants to reach pre-set goals. The service provider is also required to recruit and select eligible program participants; maintain matching funds; foster independence; and assist, educate, and support the success of the program participant. Each provider will assist a maximum of 150 program participants for a maximum of three years. Child support payments assigned to the State on behalf of an applicant or recipient in the FIP shall be used to match program participant's contributions to their savings accounts as provided under federal law.

The participant must: (1) enter into a contract with a service provider regarding the opening and management of the account; (2) make monthly deposits; (3) select purchase goals; (4) inform the noncustodial father of the FIP recipients program participation; and (5) communicate regularly with the service provider regarding the account. The bill also sets limits on emergency withdrawals, sets penalties for unauthorized withdrawals, addresses grievance procedures, and addresses account termination.

The State must provide a $2 match for each dollar saved, up to a maximum match of $1,000 per account annually. Pooled Temporary Assistance to Needy Families (TANF) and Maintenance of Effort funds may be used to provide State matching funds. The program will run from July 1, 2002 to June 30, 2007. The program cannot be allocated more than $2.56 million for the five-year period of the program. The Secretary shall submit an annual evaluation of the program including a financial statement for the program by July 1 to the Senate Finance Committee, the Senate Budget and Taxation Committee, and the House Appropriations Committee. At the end of the five-year demonstration period, a report detailing the program's effect and the Secretary's recommendations on program extension must be submitted to the appropriate committees.

Commission on Responsible Fatherhood: The bill also proposes the establishment of an 18-member Commission for Responsible Fatherhood to identify obstacles and propose solutions for problems created when a child is raised without the presence of a responsible father. The commission is required, among other things, to develop a statewide plan, and collect data and perform analysis on ongoing and new efforts aimed at increasing responsible fatherhood. The commission may not operate any programs or provide any direct services.

The commission is to be independent and located in DHR for budgetary and administrative purposes only. The commission is required to hire a staff director and support staff as provided for in the State budget.

Expanded New Hires Reporting Requirements: The bill expands the reporting requirements for employers who hire new employees to include: (1) starting wage; and (2) whether health insurance is provided by the employer. Currently, when an employer hires a new employee, the employer must report to the State, for purposes of unemployment insurance, the employee's Social Security number, the name of the employee, the address of the employee, the date of employment, the employing unit's name and address, the federal employer identification number of the employing unit, and the State unemployment insurance account number of the employing unit.

Pilot Procurement Project Extended: The bill extends the sunset date of the DHR pilot procurement project from last year's Welfare Innovation Act of 2000 to June 30, 2002. The project allows a procurement officer to award a contract on the basis of noncompetitive negotiation if the procurement is for human, social, or educational services to be provided directly to individuals who are aged, indigent, disadvantaged, unemployed, mentally or physically ill, handicapped, or displaced or minors, including direct or indirect work-related services to benefit current recipients, former recipients or non-custodial parents of children who are current or former recipients of family investment program benefits.

State Fiscal Effect: General fund expenditures could increase by an estimated $218,935 in fiscal 2002. A portion of this estimate, that related to the fatherhood commission, reflects the bill's October 1, 2001 effective date. The estimate reflects the cost of hiring one program director, one human services specialist, and one office secretary to staff the commission, and includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. It also includes $100,000 in funds to support the mentoring program for former FIP recipients, detailed below.

Beginning in fiscal 2003, general fund expenditures reflect the implementation of the IDA program, detailed below. The estimate assumes that general funds would be required to support the program, as TANF dollars are likely to be fully subscribed to other uses.

Future year expenditures with respect to the fatherhood program reflect: (1) full salaries with a 6.5% increase each year thereafter, with 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses. Future year expenditures with respect to the IDA program reflect a three-year matching limit.

Student Volunteer Mentoring Program: No fiscal impact.

Mentoring Program for Former FIP Recipients:

•	incentives to caseworkers that volunteer as mentors	$40,000
•	training to strengthen case managers' ability to provide optimum counseling to FIP recipients	10,000
•	contracts with outside agencies to acquire mentors for former FIP	
•	recipients	50,000
	Subtotal FY 2002 State Expenditures	**$100,000***
	*****no start-up delay incorporated	

Job Skills Enhancement Program Change in Eligibility: No fiscal impact.

Individual Development Account for FIP Recipients Who Receive Child Support: The IDA Program does not commence until fiscal 2003:

•	technical assistance	$ 80,000
•	service providers	120,000
•	matching funds	600,000
	Subtotal FY 2003 State Expenditures	**$800,000**

Total estimated expenditures for the IDA program over the fiscal 2002 to 2007 period are listed below:

	FY 2002	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Technical Assistance	$0	80,000	80,000	80,000	80,000	80,000
Service Providers*	$0	120,000	120,000	120,000	0	0
Matching Funds*	$0	600,000	600,000	600,000	0	0
TOTAL	**$0**	**$800,000**	**$800,000**	**$800,000**	**$80,000**	**$80,000**

*The disbursement of these funds may be distributed in different proportions over the 2003-2006 period.

The program is limited to 600 accounts with a maximum grant amount of $1,000 per account per year for a maximum of three years, for a total of $1.8 million over the life of the program. The technical assistance organizations will be provided with $80,000 each year for five years for a total of $400,000. The service providers will receive $200 annually per participant for 600 accounts for a total of $120,000 per year with a three-year limit, for a total of $360,000. Consequently, the cost over a five-year period for the program is $2.56 million, which is the limit the bill places on the allocation of funds ($2.56) over the life of the demonstration project.

Commission on Responsible Fatherhood:

•	salaries and fringe benefits	$100,672
•	one-time start-up costs	14,314
•	ongoing operating costs	3,949
	Subtotal FY 2002 State Expenditures	**$118,935***
	***90 day start-up delay incorporated	

Expanded New Hires Reporting Requirements: No fiscal impact.

Pilot Procurement Project Extended: No fiscal impact.

Local Fiscal Effect: Local departments of social services could experience an increase in their State budget appropriation to pay for funds for mentoring incentive bonuses.

Additional Information

Prior Introductions: None.

Cross File: SB 541 (Senator Madden, *et al.*) – Finance.

Information Source(s): Department of Human Resources; Department of Labor, Licensing, and Regulation; Maryland Higher Education Commission; Department of Legislative Services

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