HB 530

Department of Legislative Services

Maryland General Assembly
2002 Session

FISCAL NOTE
Revised

House Bill 530 (Delegate McIntosh, *et al*.)
Appropriations Finance

Family Investment Program - Earned Income Disregard

This bill increases the Department of Human Resources' earned income disregard for Family Investment Program (FIP) recipients who obtain unsubsidized employment from 35% to 40% of earned income, contingent on the availability of federal funds.

Fiscal Summary

State Effect: Assuming federal funds are available, federal fund expenditures for Temporary Cash Assistance (TCA) would increase by $227,700 in FY 2003. Beginning in FY 2004, Medicaid expenditures would increase by $101,600 ($50,800 federal funds/$50,800 general funds) as recipients retain their Medicaid eligibility. Future years reflect annualization and inflation. Revenues would not be affected.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Revenues	$0	$0	$0	$0	$0
GF Expenditure	0	50,800	54,400	58,200	62,300
FF Expenditure	227,700	280,800	286,600	292,800	301,200
Net Effect	($227,700)	($331,600)	($341,000)	($351,000)	($363,500)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill repeals requirements for the Secretary of the Department of Human Resources (DHR) to monitor federal legislative and regulatory actions for any changes under the federal Social Security Act (SSA) or SSA regulations that would subject the State's extended period of TCA benefits for welfare recipients to the federal time limits.

This bill also requires that if the Secretary determines that federal funding under the Temporary Assistance to Needy Families Block Grant (TANF) has declined to the extent that an increase in State funds is necessary to finance the extended State cash assistance benefits for welfare recipients pursuant to this bill, the Secretary must certify this to the Joint Committee on Welfare Reform. Upon certification, this bill is null and void.

Subject to federal law and regulation, if a FIP recipient's eligibility for cash assistance is extended because of this bill, the extended period of cash assistance is not subject to federal and State time limits.

The increase in the earned income disregard may not increase State general fund expenditures or expenditures from the Dedicated Purpose Fund, a reserve fund for future welfare costs.

This bill also eliminates the provision from Chapter 469 of 1999 that requires the earned income disregard to return to 26% on July 1, 2002.

Current Law: FIP is the State's program for serving welfare recipients and provides TCA benefits along with medical assistance, child care, food stamps, and other social services to the State's residents who meet eligibility requirements. The program's goal is for each family receiving assistance to become self-sufficient.

For FIP applicants, DHR calculates the amount of assistance they will receive by counting no more than four weeks of earned income in any month and disregarding 20% of that earned income. DHR calculates TCA benefits for eligible FIP recipients who obtain unsubsidized employment by counting no more than four weeks of earned income in any month and disregarding 35% of that earned income.

The 35% earned income disregard for recipients employed in unsubsidized jobs terminates June 30, 2002, at which time the disregard will revert to 26% of recipients earned income.

State Expenditures: DHR federal fund expenditures would increase by $227,665 in fiscal 2003, which accounts for the bill's October 1, 2002 effective date. This estimate reflects a $219,255 annual increase in TCA benefits for 853 households already receiving benefits (an annual increase of $257 per household) and a $8,410 annual increase for an average of 71 households (an annual increase of $118 per household) that would continue receiving TCA benefits as their incomes increase.

Congress must reauthorize TANF in the federal fiscal year that begins October 2002. If TANF funds after reauthorization increase minimally to account for inflation, as the Department of Legislative Services predicts, there will not be enough money to fund additional expenditures.

DHR may not directly spend TANF funds on these TCA recipients because they are not subject to federal and State time limits for receiving TCA benefits. As a result, only general funds may be spent on assistance for those individuals. However, DHR can spend the federal funds on other expenses, such as administrative costs, to free up an equal amount of general funds that may be applied to the recipients receiving TCA as a result of the earned income disregard for whom the time limits do not apply.

Department of Health and Mental Hygiene expenditures would increase by $101,650 in fiscal 2004 ($50,825 general funds/$50,825 federal funds) to provide Medicaid coverage for one adult in each of the average 38 households per month who would continue receiving TCA benefits as their incomes increase under the 40% earned income disregard. There is no effect in fiscal 2003 because individuals who leave TCA receive one year of transitional Medicaid for themselves before they must find other health coverage. This estimate also assumes that Medicaid expenditures will increase by 7% annually and that children in each of the families are already covered by the Maryland Children's Health Program or Medicaid.

Additional Information

Prior Introductions: None.

Cross File: SB 53 (Senator Lawlah) – Finance.

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

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