Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

House Bill 261 (Delegates Rosenberg and Branch)
Appropriations

Welfare Innovation Act of 2003

This bill requires local departments of social services to enter into hiring agreements with entities doing business with a county to employ Family Investment Program (welfare) recipients. It also eliminates the restriction on benefits for the children of Temporary Cash Assistance (TCA) recipients who are born ten months or more after the parent's initial TCA application. The bill removes the Commission on Responsible Fatherhood from the Department of Human Resources' Child Support Enforcement Administration.

The bill takes effect July 1, 2003.

Fiscal Summary

State Effect: General fund expenditures would increase by $49,000 in FY 2004 for one additional employee for the Family Investment Program (FIP). Future years reflect annualization and inflation. Revenues would not be affected.

(in dollars)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Revenues	$0	$0	$0	$0	$0
GF Expenditure	49,000	60,600	64,100	67,900	72,000
Net Effect	($49,000)	($60,600)	($64,100)	($67,900)	($72,000)

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

Local Effect: The bill is not expected to have a significant impact on local government finances.

Small Business Effect: Minimal.

Analysis

Bill Summary: County governing bodies and the Department of Human Resources (DHR) must determine by October 1, 2003 which county procurement contracts are appropriate for the execution of a hiring agreement. Under the hiring agreements, contractors must alert the local department of job openings, help create job training programs, and give priority to qualified FIP recipients.

DHR must create a model hiring agreement form for local departments and entities with eligible contracts to use by December 1, 2003. DHR and the local departments of social services must submit an annual report to the Joint Committee on Welfare Reform on the initiative's progress by December 1.

The bill also allows existing FIP recipients to participate in a mentoring program that currently only involves former welfare recipients.

The bill also states that the FIP dedicated purpose account may only be used for the four purposes outlined in the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 and adds a fifth purpose, "reducing poverty," as an additional use for the funds in the dedicated purpose account. DHR's dedicated purpose account, funded with State dollars, can only be used if welfare caseloads start increasing.

In addition, the bill requires the Commission on Responsible Fatherhood to study the feasibility of requiring unemployed fathers who owe child support to participate in work-related activities or community service. The commission must report its findings and recommendations to the Joint Committee on Welfare Reform by November 1, 2003. The bill removes the commission from DHR's Child Support Enforcement Administration for budgetary and administrative purposes only. As a result, the commission will be placed under DHR's Community Service Administration.

Current Law:

Family Investment Program Contracts and Hiring Agreements

FIP provides temporary cash assistance, medical assistance, child care, food stamps, and other social services to State residents who meet eligibility requirements. The program's goal is for each family receiving assistance to become self-sufficient. DHR is required to place FIP recipients in jobs with principal State agencies, local governments, and with entities doing business with the State. DHR is not required to place FIP recipients in jobs with entities doing business with local governments.

Limitations on Child-specific Benefits

Except when births result from rape or incest, TCA benefits may not be increased when a recipient gives birth to a child ten months or more after initially applying for benefits. Instead, DHR indirectly gives these recipients a child-specific benefit up to the value of the cash assistance increment they are denied for the purchase of specific goods for caring for the child, such as diapers.

This child-specific benefit must be given to a third party that will distribute the goods to the child's family or whomever the Social Services Administration has placed the child with. A local department of social services may pay an administration fee to a third-party payee to cover the administrative costs for managing the child-specific benefit.

Commission on Responsible Fatherhood

Chapter 395 of 2001 established the Commission on Responsible Fatherhood within DHR's Child Support Enforcement Administration for budgetary and administrative purposes. An executive order established the Governor's Fatherhood Advisory Council. The commission and the council were merged October 1, 2001 and retained the commission's name. DHR's Community Services Administration has historically administered father-focused programs and now has administrative and budgetary responsibility for the commission.

Background:

Family Investment Program Contracts and Hiring Agreements

As of December 31, 2002, DHR has placed 708 FIP recipients in local government jobs, 137 recipients in jobs with principal State agencies, and 143 recipients in jobs with entities contracting with the State.

Limitations on Child-specific Benefits

In August 2002, the General Assembly's Joint Committee on Welfare Reform approved a DHR request to waive the requirement under statute that except when births result from rape or incest, TCA benefits may not be increased when a recipient gives birth to a child ten months or more after initially applying for benefits. However, the two-year waiver does not eliminate the child-specific benefit limitation. Only the General Assembly can do so through legislation. When DHR requested the waiver last year, there were 5,000 children who were born to welfare recipients, only 900 of whom were receiving the child-specific benefits.

DHR advises that the number of children born to recipients ten months or later after the mother signed up for TCA benefits was 2,636 in 1999, 3,199 in 2000, and rose to 3,359 in 2001. Local departments of social services have had difficulties recruiting third-party payees to administer the child-specific benefit to these clients. So, although providing the child-specific benefit was required, it was not being done in practice.

State Fiscal Effect: General fund expenditures could increase by $48,986 in fiscal 2004, which accounts for a 90-day start-up delay. This estimate reflects the cost of DHR hiring a full-time human service administrator to work with county governments, entities contracting with county governments, and local departments of social services to create the hiring agreements. The administrator also will collect data on the local departments' progress and write a report for the General Assembly's Joint Committee on Welfare Reform each year. The estimate includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	$42,835
Operating Expenses	6,151
Total FY 2004 State Expenditures	**$48,986**

Future year expenditures reflect: (1) a full salary with 4.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

Federal fund expenditures would not decrease in fiscal 2004 and out-years because local departments of social services have already cancelled contracts with faith-based or nonprofit organizations that served as third-party vendors who administered child-specific benefits to TCA clients who gave birth ten months or later after the mother signed up for TCA. TANF federal block grant fund expenditures for child-specific benefits would not decrease because instead of receiving the benefit in goods, such as diapers, the mother would receive an increase in cash benefits worth an equivalent amount.

DHR estimates that it would cost $12,000 in fiscal 2004 to administer the Commission on Responsible Fatherhood under the Community Services Administration (CSA) and conduct the study required under this bill. The Department of Legislative Services (DLS) disagrees. CSA already has administrative and budgetary responsibility for the commission.

Local Fiscal Effect: Montgomery County reports that its local department of social services would need $44,200 in fiscal 2004 to hire a full-time program specialist to administer the mentoring program and facilitate the hiring initiative and $50,000 to contract with a vendor to provide the mentoring program for current FIP recipients. DLS disagrees. Local departments of social services throughout the State are already required to provide a mentoring program for former FIP recipients. DLS believes that local departments of social services can use existing staff and resources to fulfill the requirements of this bill. Allegany County reports that there would be no fiscal impact to the county but that the reporting requirements might discourage some small businesses from bidding on procurement contracts.

Additional Information

Prior Introductions: A similar bill, SB 178, was introduced in the 2002 session. It passed in the Senate and the House but was not adopted by a conference committee. Its cross file, HB 186, was assigned to the Appropriations Committee but did not receive a hearing.

Cross File: None.

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

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ncs/jr

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