Department of Legislative Services

Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE

House Bill 731 (Delegate Costa)
Appropriations and Ways and Means

Human Services - Public Assistance - Program Modifications

This bill modifies provisions relating to the eligibility and administration of several public assistance programs. The bill increases the scope of substance abuse treatment programs in local departments of social services to include mental health screening and treatment. The bill also creates an income tax credit for employers who hire Family Investment Program (FIP) recipients.

The bill takes effect July 1, 2010, and applies to tax year 2010 and beyond.

Fiscal Summary

State Effect: General fund revenues decrease by $2.3 million in FY 2011 and Transportation Trust Fund (TTF) revenues decrease by $0.4 million due to the tax credit established by the bill. Federal fund revenues decrease by $5.0 million in FY 2011 due to a reduction in federal funding for Temporary Cash Assistance (TCA). General fund expenditures increase by $0.9 million in FY 2011, which reflects implementation costs at the Department of Human Resources (DHR) and Comptroller's Office. Federal fund expenditures decrease by $20.0 million annually, due to a reduction in TCA payments.

($ in millions)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
GF Revenue	($2.3)	($2.7)	($3.2)	($4.3)	($3.8)
SF Revenue	($.4)	($.4)	($.5)	($.7)	($.6)
FF Revenue	($5.0)	$0	$0	$0	$0
GF Expenditure	$.9	-	-	-	-
FF Expenditure	($20.0)	($20.0)	($20.0)	($20.0)	($20.0)
Net Effect	$11.5	$16.9	$16.2	$15.0	$15.6

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

Local Effect: Local highway user revenues decrease by $114,700 in FY 2011 and by $180,600 in FY 2015.

Small Business Effect: Minimal.

Analysis

Bill Summary/Current Law: Currently, the Maryland Higher Education Commission (MHEC) must coordinate efforts among institutions of higher education to encourage and identify student volunteers to help recipients with educational and employment-related services. This bill will require MHEC to also coordinate efforts at job training programs.

In addition to other specified criteria, FIP must only provide assistance to an eligible applicant or recipient that resides in the State at the time of the application. This bill alters this criteria by specifying that assistance can only be provided if the applicant or recipient is a State resident.

The amount of welfare avoidance grants that can be provided to a recipient is reduced from three to two months of TCA. Under current law, if DHR determines that there is a compelling need the grants may be extended to 12 months. This bill reduces the maximum extension to six months.

A recipient of FIP benefits must have an agreement with DHR that includes specified provisions, including a requirement for the recipient to participate in specific work activities and to cooperate with the child support enforcement agency to obtain support from a noncustodial parent. This bill adds an additional requirement that the agreement also include a provision for the recipient to comply with job training programs.

The amount of assistance for applicants to FIP is calculated by counting no more than four weeks of earned income in any month and disregarding 20% of the earned income. Assistance for eligible recipients who obtain unsubsidized employment is calculated in the same manner except that 40% of earned income is disregarded. Pursuant to this bill, the amount of income disregarded is decreased to 10% and 30%, respectively. Under current law, recipients who have established eligibility may not lose eligibility solely because one or more wage earners in the family work more than 100 hours per month. This bill allows a recipient to work 120 hours without losing eligibility. This bill also repeals the provision that two-parent families are exempt from any requirement that the principal wage earner must have worked for a specified time before applying to the family investment program.

Currently, a child who is living with the child's parent and a stepparent in a household in which the household income exceeds State eligibility standards may receive assistance if specified criteria is met. This bill establishes that the household income cannot exceed more than 10% of State eligibility standards in order for the child to receive assistance. A dependent child over the age of 17 is eligible for inclusion in the FIP grant if the child is a full-time student in secondary school or the equivalent and the education program is expected to be completed in the calendar year that the child attains the age of 19. This bill extends eligibility if the child is in a job training program.

Currently, all public assistance granted under FIP is subject to periodic revision. This bill codifies the current practice for all assistance to be subject to annual recertification.

Under current law, if a TCA recipient does not comply with a work activity, for the first instance of noncompliance, TCA resumes immediately on compliance. For the second instance of noncompliance, TCA resumes after 10 days of compliance, and for each subsequent instance of noncompliance, TCA resumes after 30 days of compliance. This bill alters these requirements and instead establishes that TCA must resume after 30 days of compliance for the second instance of noncompliance and after 60 days for the third and fourth instances of noncompliance. A fifth instance of noncompliance results in permanent TCA termination.

Unless an exemption for hardship is established, a local department of social services cannot pay TCA to a family that includes an adult who has received more than 60 cumulative months of TCA funded wholly or partly by federal funds or a family that includes an adult who has received more than 24 months of TCA funded wholly or partly by federal funds who is not participating in a work activity. This bill alters both of these requirements to prohibit payment of TCA in either case if an adult has received more than 10 cumulative months of TCA.

Currently, the statutory definition of an "addictions specialist" applies only to individuals who are located on-site at a local health department. This bill extends the definition to include other individuals who are identified by the local department. The bill extends the current requirement for addictions specialist at a local health department to assess the needs of any adult, minor parent applicant, or recipient for substance abuse to include an assessment for mental health treatment. The bill establishes that a failure to comply with mental health screening, referral, and treatment requirements are cause for application denial or sanctions for active cases, as specified.

Under current law, a recipient who obtains employment remains eligible for medical assistance for up to 12 months after the date of employment. This bill decreases eligibility to six months if the employer offers an employer sponsored health benefit plan.

Under current law, any savings made available for reallocation due to a reduction in the TCA caseload may be used for specified items, including child care, emergency funds, and drug treatment. This bill specifies that job training and mental health treatment are also allowable expenditures. The bill directs any unexpended savings at the end of the fiscal year to the general fund.

The Secretary of Human Resources must establish demonstration projects through grants to specified entities, including local management boards, nonprofit organizations, and local health departments. This bill adds job training programs to the list of entities. The bill also increases the priority budget allocation for joint demonstration projects between two or more counties from 20% to 25%.

Under current law, participation in job skills enhancement programs is voluntary. In addition to other specified criteria, in order to be eligible to participate, an individual must have been a recipient during the 36 months before beginning participation in the program or a former recipient, child of a current or former recipient, a foster youth or obligor. This bill makes participation mandatory and reduces, from 36 to 24, the number of months that an individual must have been a recipient prior to participation in the program. The bill also extends the current authorization for local departments to work with businesses to train and place individuals to allow the local department to work with trade organizations.

Under current law, an applicant for the Public Assistance to Adults (PAA) Program is not allowed to assign or transfer property to establish eligibility for assistance during the three years before filing an application for assistance or receiving assistance. This bill increases the time limit to five years. Assistance paid before a recipient received the property or income that exceeds the recipient's need may currently be recovered by the local department as a debt due. This bill mandates that recovery.

A PAA applicant or recipient may file an appeal if the local department does not act on an application within a reasonable time. This bill specifies that an applicant or recipient may file on an appeal if the local department does not act within 30 days.

On the death of a PAA recipient, the total amount of assistance paid must be allowed as a claim against the estate and the net amount recovered must be divided between the State and county in proportion to the amount of assistance paid by each. The claim may not be enforced against real estate occupied by the recipients' surviving spouse or dependents. This bill establishes that a lien in the amount of the claim must attach to real estate occupied by the recipient's surviving spouse or dependents. The amount of the lien must be paid on the sale of the property or the settlement of the estate of the surviving spouse.

A local department may pay the reasonable funeral expenses, up to $900, of certain individuals as specified in statute. This bill specifies that the funeral expenses may not exceed $500.

Unless otherwise authorized by law, a person may not sell or purchase food stamp program benefits or knowingly buy or sell merchandise that has been purchased with food stamp program benefits. If the value of the money or goods involved is $1,000 or more, a violator is guilty of a felony and subject to maximum penalties of five years imprisonment and/or a fine not exceeding $10,000. If the value of the money or goods involved is $1,000 or less, a violator is guilty of a misdemeanor and subject to maximum penalties of three years imprisonment and/or a $1,000 fine. This bill lowers the threshold amount for felonies from $1,000 to $500.

Tax Credit Program

Numerous federal and State tax credits are designed to promote employment. Some of these State credits are focused on specific groups and/or specific areas as discussed below. In addition to these State tax credits, businesses can typically deduct employee compensation costs; which typically lowers federal and State income tax liability.

This bill creates a credit against the State income tax for employers who hire FIP recipients. Employers may claim a credit equal to 15% of the annual salary paid during the first year of employment to the eligible employee if the employee was employed for at least six months during the year. If the tax credit exceeds the tax liability in the tax year, any unused amount may not be carried over to any other tax year.

Background:

Employment Tax Credits

Three State income tax credits – the Employment Opportunity, Long-Term Employment of Ex-Felons, and Maryland Disability Employment Tax Credits – offer businesses a tax credit for hiring certain populations. These credits are generally equal to a portion of the wages, up to a maximum amount, paid to qualified individuals. In addition, businesses who hire eligible individuals may claim credits under the Enterprise Zone, One Maryland Economic Development, and Job Creation Tax Credit Programs.

Under the State Employment Opportunity Tax Credit (Work, not Welfare), an income tax credit is available to employers who hire an individual who is a recent recipient of TCA for certain wages paid to the employee and for child care and transportation expenses paid on behalf of the employee in the first two years of employment. The credit may only be claimed with regard to individuals hired through June 30, 2009.

The federal Work Opportunity Tax Credit, which was first authorized by the Small Business Job Protection Act of 1996, is designed to provide incentive to employers to hire groups of individuals thought to face significant employment barriers. The program has been modified over time, most recently by the federal American Recovery and Reinvestment Act of 2009, which provides a consolidated credit program for employment of 12 target groups, including Temporary Assistance for Needy Families and Supplemental Nutrient Assistance Program recipients. The credit may be claimed for qualifying individuals hired after December 31, 2006, but before September 1, 2011. The value of the maximum value of the credit ranges from $2,400 for each new adult hire to $9,000 for each new long-term family assistance recipient hired over a two-year period. In federal fiscal 2008, a total of 691,421 individuals were certified under the program nationwide.

State Revenues:

Tax Credit Program

Tax credits may be claimed beginning in tax year 2010. As a result, general fund revenues decrease by $2.3 million in fiscal 2011; TTF revenues decrease by $382,400. This estimate is based on the history of the State Employment Opportunity Tax Credit, adjusted for limited data on the estimated increase in eligible individuals and value of the credit. Revenue losses may be significantly higher than estimated. In addition, unlike the federal and State credit, the credit proposed by the bill does not require employers to receive certification in order to claim the credit; resulting in an increased participation rate for the proposed credit. The estimated amount claimed in each year is adjusted based on the forecasted number of total jobs created in the State in each year.

Family Investment Program Changes

Federal fund revenues from American Recovery and Reinvestment Act decrease by approximately $5.0 million in fiscal 2011 due to a change in TCA eligibility standards and caseloads.

In addition, potential decrease in general fund revenue as a result of fewer cases being heard in the District Court and more cases being heard in circuit courts due to the decrease in the amount of money required in cases involving food stamp fraud that is necessary to trigger a felony violation.

State Expenditures: Federal fund expenditures will decrease by about $20.0 million annually beginning in fiscal 2011. The vast majority of the funding decrease results from a decline in TCA payments due to the provision of the bill limiting TCA benefits to a maximum of 10 months. This decrease is partially offset by additional federal expenses due to (1) mental health services under the Substance Abuse Treatment Services program; (2) changes to the transitional Medicaid program; and (3) mandatory job skills enhancement program participation.

Department of Human Resources

General fund expenditures increase by a net amount of $827,800 in fiscal 2011. This reflects a decrease of $137,200 in benefits for FIP recipients offset by an expenditure increase of $965,000 in order to implement the bill. This estimate reflects the cost of hiring 3.5 individuals to implement TCA program changes. It includes salaries, fringe benefits, one-time start-up costs (including about $775,000 in computer programming expenses), and ongoing operating expenses.

Position	3.5
Salary and Fringe Benefits	$168,400
One-time Start-up Costs	789,667
Ongoing Operating Costs	6,930
Total FY 2011 DHR Expenditures	**$964,997**

Future year expenditures reflect full salaries with 4.4% annual increases and 3% employee turnover; and 1% annual increases in ongoing operating expenses.

General fund expenditures may increase minimally beginning in fiscal 2012, which reflects increased ongoing implementation costs at DHR, offset by a decrease in benefits for FIP recipients.

Comptroller's Office

The Comptroller's Office reports that it will incur a one-time expenditure increase of $37,400 in fiscal 2011 to add the income tax credit to the income tax forms. This amount includes data processing changes to the SMART income tax return processing and imaging systems and systems testing.

Maryland Higher Education Commission

MHEC advises that as long as the bill is construed to only require it to coordinate efforts among the job training programs it currently regulates the bill's requirements can be handled with existing resources. However, if the bill is intended to require MHEC to coordinate efforts among all of the job training programs in the State, including those that are not currently regulated by MHEC, additional staff will be required.

Department of Public Safety and Correctional Services

General fund expenditures increase minimally as a result of the bill's incarceration penalty due to additional people being committed for longer periods of time to Division of Correction facilities for convictions in Baltimore City. Generally, persons serving a sentence of one year or less in a jurisdiction other than Baltimore City are sentenced to a local detention facility. The Baltimore City Detention Center, a State-operated facility, is used primarily for pretrial detentions.

Local Revenues: Local highway user revenues will decrease as a result of credits claimed against the corporate income tax. Local highway user revenues will decrease by $114,700 in fiscal 2011, and by $180,600 in fiscal 2015.

Revenues increase minimally as a result of the bill's monetary penalty provision from more cases being heard in the circuit courts due to the decrease in the amount of money required in cases involving food stamp fraud that is necessary to trigger a felony violation.

Local Expenditures: Expenditures increase minimally as a result of the bill's incarceration penalty and any additional circuit court cases. Counties pay the full cost of incarceration for people in their facilities for the first 12 months of the sentence. Per diem operating costs of local detention facilities are expected to range from $57 to $157 per inmate in fiscal 2011.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Human Resources; Maryland Higher Education Commission; Comptroller's Office; Judiciary (Administrative Office of the Courts); Department of Legislative Services

Fiscal Note History: First Reader - March 1, 2010
ncs/hlb

Analysis by: Robert J. Rehrmann

Direct Inquiries to:
(410) 946-5510
(301) 970-5510