

Department of Legislative Services
 Maryland General Assembly
 2020 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 559
 Appropriations

(Delegate Valentino-Smith, *et al.*)

Family Investment Program - Temporary Cash Assistance - Funding

This bill requires the Governor to provide sufficient funds in the budget to ensure that the value of Temporary Cash Assistance (TCA), combined with federal food stamps, is equal to at least the following percentages of the State minimum living level (MLL): (1) for fiscal 2022, 63%; (2) for fiscal 2023, 65%; (3) for fiscal 2024, 67%; (4) for fiscal 2025, 69%; and (5) for fiscal 2026 and thereafter, 71%.

Fiscal Summary

State Effect: No effect in FY 2021. General fund expenditures increase by \$6.2 million in FY 2022 to reflect increased benefits to the TCA caseload and the associated impact on the Temporary Disability Assistance Program (TDAP). Future year expenditures reflect increased levels of funding, as discussed below. Revenues are not affected. **The bill increases the cost of an entitlement program beginning in FY 2022.**

| (\$ in millions) | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
|------------------|---------|---------|----------|----------|----------|
| Revenues | \$0 | \$0 | \$0 | \$0 | \$0 |
| GF Expenditure | 0 | 6.2 | 12.5 | 19.0 | 25.6 |
| Net Effect | \$0.0 | (\$6.2) | (\$12.5) | (\$19.0) | (\$25.6) |

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law/Background: The Maryland MLL represents a minimal standard of living for a family in Maryland. It is calculated using a standard household of three persons. The Governor must provide sufficient funds in the budget to ensure that the value of TCA, combined with federal food stamps, is equal to at least 61% of the State MLL.

State Expenditures:

Cost to Increase Temporary Cash Assistance Benefits

General fund expenditures increase by \$4,607,692 in fiscal 2022 to reflect increased TCA benefits in order to ensure the required percentages of State MLL. The information and assumptions used in calculating this estimate are stated below:

- the TCA population declines by approximately 0.05% annually;
- there are 39,935 TCA recipients per month in fiscal 2022;
- the food supplement program benefit does not change;
- the MLL standard in fiscal 2022 is \$2,116 and increases by 2.2% annually; and
- the MLL standard is adjusted based on the federal fiscal year.

To the extent that the TCA population increases or decreases at a different rate than that estimated above (based on estimates from the Department of Human Services and the Department of Legislative Services) expenditures are affected. In addition, any changes in the food supplement benefit also impact estimated expenditures. As shown in **Exhibit 1**, general fund expenditures increase in future years as TCA benefits continue to increase to meet the mandatory percentages of the MLL level, as required by the bill.

Exhibit 1
Estimated Expenditures for Temporary Cash Assistance
Under House Bill 559 of 2020 vs. Current Law
(\$ in Millions)

| | <u>FY 2022</u> | <u>FY 2023</u> | <u>FY 2024</u> | <u>FY 2025</u> | <u>FY 2026</u> |
|-------------------|----------------|----------------|----------------|----------------|----------------|
| House Bill 559 | \$115.3 | \$121.9 | \$128.5 | \$135.1 | \$141.8 |
| Current Law | 110.7 | 112.6 | 114.6 | 116.6 | 118.6 |
| Difference | \$4.6 | \$9.2 | \$13.9 | \$18.5 | \$23.3 |

Numbers may not sum due to rounding.

Source: Department of Human Services; Department of Legislative Services

Associated Impact on the Temporary Disability Assistance Program

Pursuant to Chapter 408 of 2018, beginning in fiscal 2021, the Governor must provide sufficient funds to ensure that the value of the maximum monthly benefit for TDAP correlates with TCA, as specified. The TDAP population is assumed to decline by approximately 1% in fiscal 2022 and 0.5% thereafter. Thus, general fund expenditures for TDAP increase by \$1,557,104 in fiscal 2022 in correlation with increased TCA benefits, as shown in **Exhibit 2**.

Exhibit 2
Estimated Expenditures for Temporary Disability Assistance Program
Under House Bill 559 of 2020 vs. Current Law
(\$ in Millions)

| | <u>FY 2022</u> | <u>FY 2023</u> | <u>FY 2024</u> | <u>FY 2025</u> | <u>FY 2026</u> |
|-------------------|----------------|----------------|----------------|----------------|----------------|
| House Bill 559 | \$38.5 | \$42.8 | \$47.4 | \$52.1 | \$57.2 |
| Current Law | 37.0 | 39.6 | 42.2 | 45.0 | 47.8 |
| Difference | \$1.6 | \$3.3 | \$5.2 | \$7.1 | \$9.4 |

Numbers may not sum due to rounding.

Source: Department of Legislative Services

Additional Information

Prior Introductions: HB 339 of 2019 received a hearing in the House Appropriations Committee, but no further action was taken. Its cross file, SB 456, received a hearing in the Senate Budget and Taxation Committee, but no further action was taken. HB 1729 of 2018 received a hearing in the House Appropriations Committee but was withdrawn. Its cross file, SB 1164, received a hearing in the Senate Budget and Taxation Committee, but no further action was taken.

Designated Cross File: SB 452 (Senator McCray, *et al.*) - Budget and Taxation.

Information Source(s): Department of Budget and Management; Department of Human Services; Department of Legislative Services

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