
Department of Human Services Fiscal 2026 Budget Overview

**Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland**

January 2025

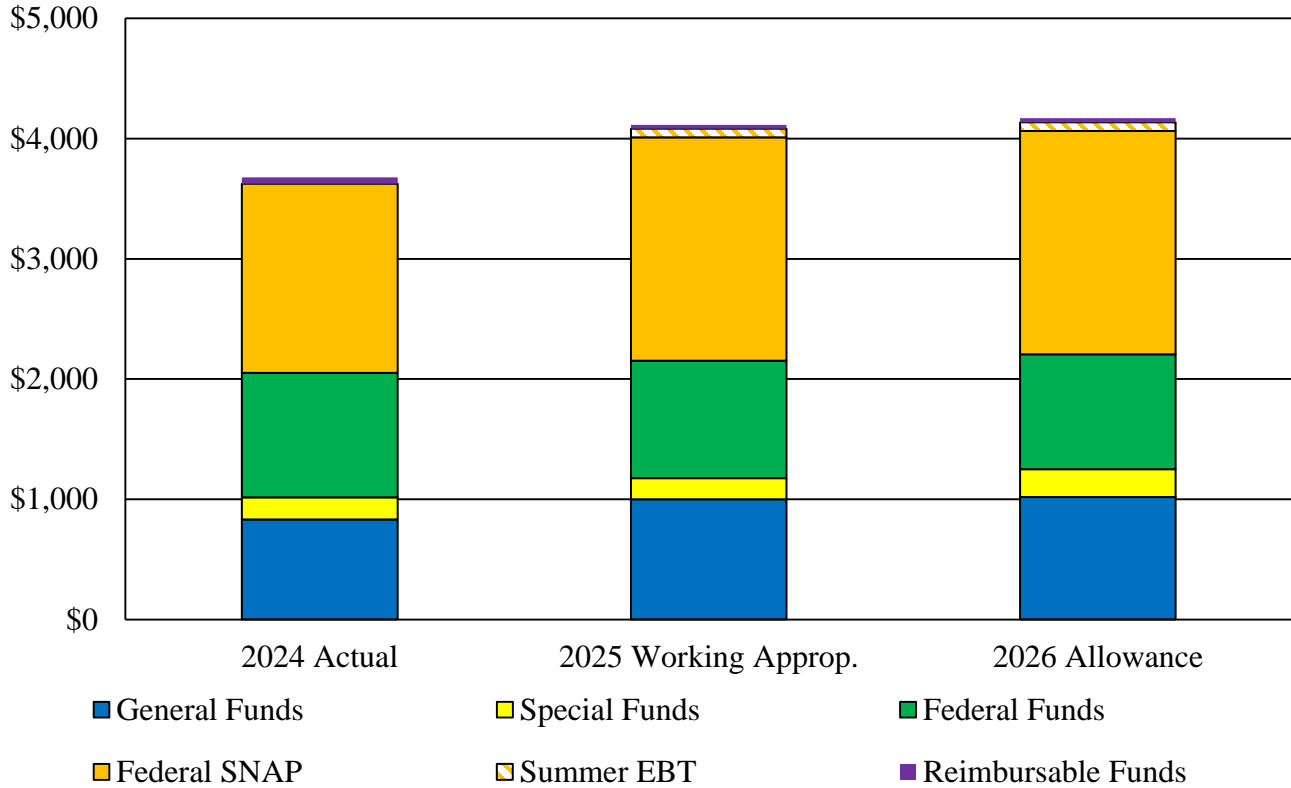
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Analysis of the FY 2026 Maryland Executive Budget, 2025

N00
Department of Human Services
Fiscal 2026 Budget Overview

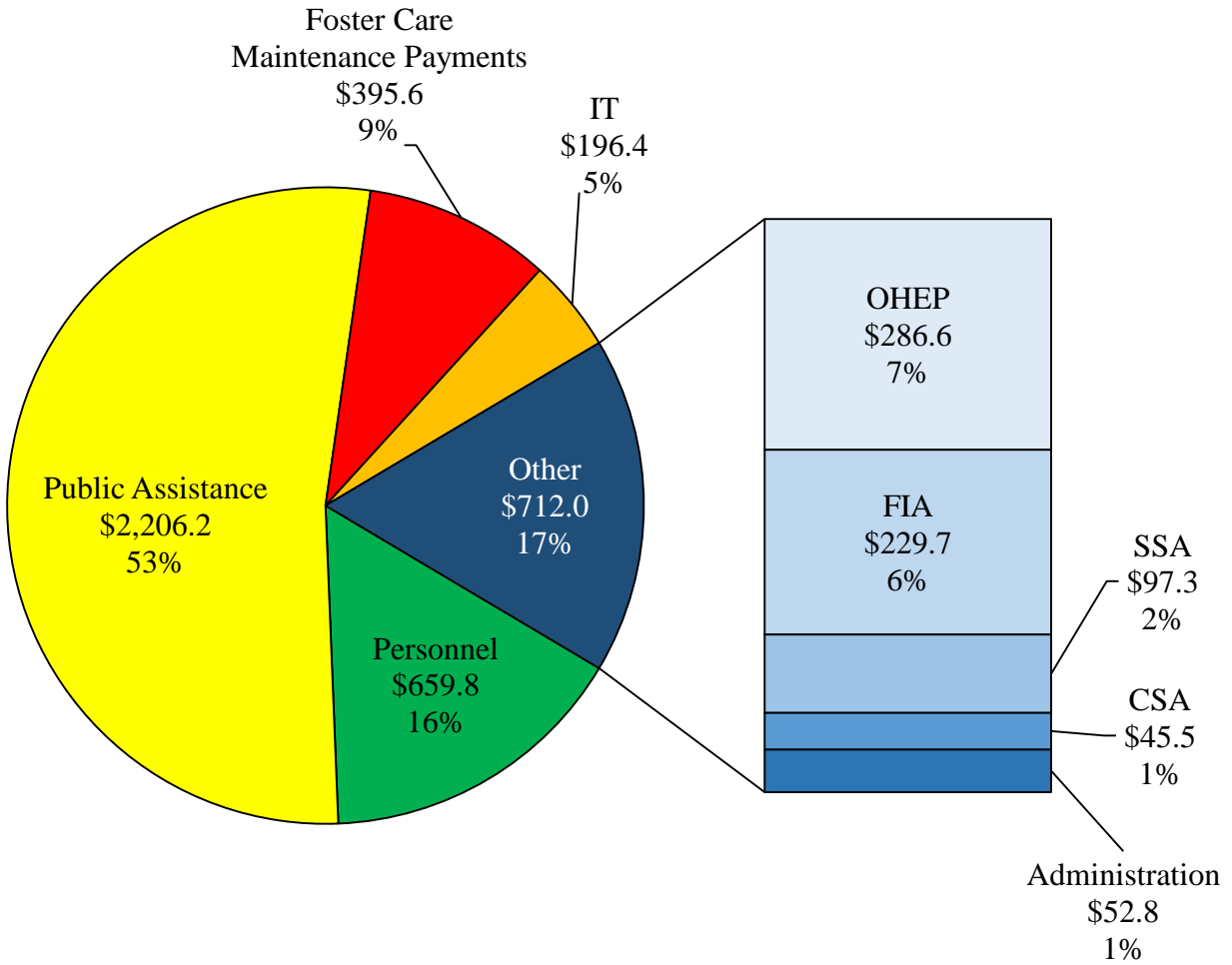
Funding by Source
Fiscal 2024-2026 Allowance
(\$ in Millions)



EBT: Electronic Benefits Transfer
 SNAP: Supplemental Nutrition Assistance Program

Note: Numbers may not sum to total due to rounding. Fiscal 2024 actual reflects numbers reported in the Governor’s Fiscal 2026 Budget Books, which differ from actual expenditures for the Foster Care Maintenance Payments and Assistance Payments programs. The fiscal 2025 working appropriation accounts for deficiencies. The fiscal 2025 impacts of statewide salary adjustments are centrally budgeted in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency’s budget. The fiscal 2026 impacts of the fiscal 2025 statewide salary adjustments appear in this agency’s budget. The fiscal 2026 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency’s budget.

Functional Breakdown of Spending Fiscal 2026 Allowance (\$ in Millions)



CSA: Child Support Administration
 FIA: Family Investment Administration
 IT: information technology
 OHEP: Office of Home Energy Programs
 SSA: Social Services Administration

Note: The fiscal 2026 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency’s budget

Source: Governor’s Fiscal 2026 Budget Books; Department of Legislative Services

Budget Overview: All Funds
Fiscal 2024-2026 Allowance
(\$ in Thousands)

	<u>Actual</u> <u>2024</u>	<u>Working App.</u> <u>2025</u>	<u>Allowance</u> <u>2026</u>	<u>\$ Change</u> <u>2025-2026</u>	<u>% Change</u> <u>2025-2026</u>
Family Investment (Excluding SNAP and SUN Bucks)	\$652,054	\$684,827	\$706,478	\$21,651	3.2%
TCA and Transitional Benefit	224,598	166,743	166,904	160	0.1%
TDAP	19,698	57,075	59,850	2,775	4.9%
Supplemental SNAP Benefits	5,507	14,899	15,566	667	4.5%
Other Public Assistance	45,420	33,854	33,854	0	0.0%
Work Opportunities	20,229	24,666	24,734	68	0.3%
Office of Grants Management	27,648	28,867	27,542	-1,325	-4.6%
Administration	308,954	358,722	378,028	19,306	5.4%
Office of Home Energy Programs	\$212,187	\$232,192	\$288,151	\$55,960	24.1%
Social Services Administration	\$717,245	\$771,323	\$791,200	\$19,877	2.6%
Foster Care/Adoption	343,764	388,392	395,582	7,190	1.9%
Programs/Administration	373,481	382,931	395,619	12,687	3.3%
Child Support	\$128,891	\$101,655	\$109,359	\$7,704	7.6%
Administration	\$393,842	\$315,508	\$344,732	\$29,224	9.3%
Office of the Secretary	38,306	38,498	42,689	4,190	10.9%
Operations	46,898	38,882	39,089	207	0.5%
Information Management	260,100	187,061	209,794	22,733	12.2%
Local Department Operations	48,538	51,067	53,160	2,093	4.1%
Total	\$2,104,218	\$2,105,504	\$2,239,920	\$134,415	6.4%
Deficiency Related to Fiscal 2024		\$79,839			
Total Funds (Including Deficiency Related to Fiscal 2024)	\$2,104,218	\$2,185,344	\$2,239,920	\$54,576	2.5%
General Funds	832,497	1,000,451	1,019,708	19,256	1.9%
Special Funds	183,765	174,188	229,730	55,541	31.9%
Federal Funds (Excluding SNAP and SUN Bucks)	1,035,750	979,027	957,200	-21,827	-2.2%
Reimbursable Funds	52,206	31,677	33,282	1,605	5.1%
Total Funds (Excluding Federal SNAP and SUN Bucks)	\$2,104,218	\$2,185,344	\$2,239,920	\$54,576	2.5%
Federal SNAP Benefits	\$1,572,642	\$1,858,011	\$1,858,011	\$0	0.0%
Federal SUN Bucks Benefits		71,500	72,000	500	0.7%
Total (Including Federal SNAP and SUN Bucks)	\$3,676,860	\$4,114,855	\$4,169,931	\$55,076	1.3%

SNAP: Supplemental Nutrition Assistance Program
SUN BUCKS: Summer Electronic Benefits Transfer

TCA: Temporary Cash Assistance
TDAP: Temporary Disability Assistance Payment

Note: Numbers may not sum to total due to rounding. Fiscal 2024 actual reflects numbers reported in the Governor’s Fiscal 2026 Budget Books, which differ from actual expenditures for the Foster Care Maintenance Payments and Assistance Payments programs. The fiscal 2025 working appropriation accounts for deficiencies. The fiscal 2025 impacts of statewide salary adjustments are centrally budgeted in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency’s budget. The fiscal 2026 impacts of the fiscal 2025 statewide salary adjustments appear in this agency’s budget. The fiscal 2026 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency’s budget.

Source: Governor’s Fiscal 2026 Budget Books; Department of Legislative Services; Department of Budget and Management

Budget Overview: General Funds

Fiscal 2024-2026 Allowance

(\$ in Thousands)

	<u>Actual</u> <u>2024</u>	<u>Working</u> <u>App.</u> <u>2025</u>	<u>Allowance</u> <u>2026</u>	<u>\$ Change</u> <u>2025-2026</u>	<u>%</u> <u>Change</u>
Family Investment	\$163,529	\$276,043	\$299,140	\$23,097	8.4%
TCA Payments	31,135	49,100	61,035	11,935	24.3%
TDAP	16,230	53,993	56,618	2,625	4.9%
Supplemental SNAP	5,507	14,899	15,566	667	4.5%
Other Public Assistance	5,560	18,358	19,929	1,571	8.6%
Office of Grants Management	10,217	21,196	19,871	-1,325	-6.3%
Administration	94,881	118,497	126,121	7,624	6.4%
Office of Home Energy Programs	\$80	\$420	\$15	-\$405	-96.5%
Social Services Administration	\$477,700	\$494,707	\$548,103	\$53,396	10.8%
Foster Care/Adoption	268,463	279,049	320,600	41,551	14.9%
Programs/Administration	209,237	215,658	227,503	11,845	5.5%
Child Support	\$19,848	\$19,486	\$20,707	\$1,221	6.3%
Administration	\$171,339	\$138,082	\$151,743	\$13,661	9.9%
Office of the Secretary	26,117	23,973	26,764	2,790	11.6%
Operations	25,024	21,436	22,027	591	2.8%
Information Management	90,927	61,875	70,341	8,467	13.7%
Local Department Operations	29,272	30,798	32,611	1,813	5.9%
Total	\$832,497	\$928,738	\$1,019,708	\$90,970	9.8%
Deficiency Related to Fiscal 2024		\$71,714			
Total (Including Deficiency Related to Fiscal 2024)	\$832,497	\$1,000,451	\$1,019,708	\$19,256	1.9%

SNAP: Supplemental Nutrition Assistance Program

TCA: Temporary Cash Assistance

TDAP: Temporary Disability Assistance Payment

Note: Numbers may not sum to total due to rounding. Fiscal 2024 actual reflects numbers reported in the Governor's Fiscal 2026 Budget Books, which differ from actual expenditures for the Foster Care Maintenance Payments and Assistance Payments programs. The fiscal 2025 working appropriation accounts for deficiencies. The fiscal 2025 impacts of statewide salary adjustments are centrally budgeted in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency's budget. The fiscal 2026 impacts of the fiscal 2025 statewide salary adjustments appear in this agency's budget. The fiscal 2026 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency's budget.

Source: Governor's Fiscal 2026 Budget Books; Department of Budget and Management; Department of Legislative Services

Fiscal 2025 Actions

Deficiency Appropriations

The fiscal 2026 budget proposes deficiency appropriations totaling \$200.1 million across the Department of Human Services (DHS), including \$99.1 million in general funds. The largest fiscal 2025 deficiency appropriation replaces \$64.3 million in the Assistance Payments program that was reverted in error during the fiscal 2024 closeout and is needed to cover fiscal 2024 expenditures. Deficiencies totaling \$47.3 million are allocated for the Social Services Administration (SSA), including \$38.3 million for foster care shortfalls in fiscal 2025 and \$8.1 million for foster care shortfalls in fiscal 2024. An additional \$30.9 million is provided for the Office of Home Energy Programs for bill assistance and operational shortfalls.

Deficiency Appropriations, by Purpose

Fiscal 2025
(\$ in Thousands)

	General Fund	Special Fund	Federal Fund	Total Fund
Family Investment Administration	\$77,173	-\$1,967	\$37,551	\$112,757
Assistance Payments Reversions in Error	64,314			64,314
Assistance Payments for TDAP Due to Higher Than Expected Caseload	15,987	-1,450		14,537
Assistance Payments for TCA Due to Higher Than Expected Caseload		-1,105	11,260	10,155
Refugee Transitional Cash Assistance			10,014	10,014
Assistance Payments Fiscal 2024 Shortfalls	7,400	588		7,989
Refugee Support Services for the Maryland Office of Refugees and Asylees			7,921	7,921
Revised Estimate of SUN Bucks			5,700	5,700
Contracts in Family Investment Administration			2,655	2,655
Overtime for Local Family Investment Program	-500			-500
SNAP Senior Supplement based on Anticipated Caseload	-1,668			-1,668
Revised Estimate for SNAP Benefits EBT Fraud Reimbursement expenditure	-3,256			-3,256
Revised Estimate for Cash Assistance EBT Fraud Reimbursement	-5,103			-5,103

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	<u>General</u>	<u>Special</u>	<u>Federal</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
Social Services Administration	\$18,483	\$382	\$28,484	\$47,349
Foster Care Fiscal 2025 Shortfalls	17,749	382	20,169	38,300
Foster Care Fiscal 2024 Shortfalls Covered with TANF			8,126	8,126
Contractual Services for the Foster Care Rate Reform	1,234		189	1,423
Overtime Payment Expenditure for Child Welfare Services	-500			-500
Office of Home Energy Programs		\$8,720	\$22,171	\$30,891
Bill Assistance and Operations Shortfalls for the Office of Home Energy Programs		8,720	22,171	30,891
Administration	\$3,434	\$2,484	\$3,216	\$9,134
Departmentwide Call Center Expenditures	2,561	2,484	2,716	7,761
Legal Services Program contract	873			873
Maryland Indigenous Family Partnership Grant			500	500
Total	\$99,090	\$9,619	\$91,422	\$200,131

EBT: Electronic Benefits Transfer
 SNAP: Supplemental Nutrition Assistance Program
 TANF: Temporary Assistance for Needy Families
 TCA: Temporary Cash Assistance
 TDAP: Temporary Disability Assistance Payment

**Proposed Budget Changes
Department of Human Services
Fiscal 2025-2026
(\$ in Thousands)**

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
2025 Working Appropriation	\$1,000,451	\$174,188	\$2,909,538	\$31,677	\$4,114,855
2026 Governor’s Allowance	1,019,708	229,730	2,887,211	33,282	4,169,931
Amount Change	19,256	55,541	-21,327	1,605	55,076
Percent Change	1.9%	31.9%	-0.7%	5.1%	1.3%

Where It Goes: **Change**

Personnel Expenses

Salary increases and associated fringe benefits, including fiscal 2025 COLA and increments	\$35,311
Turnover adjustments	12,401
Employee and retiree health insurance	-15,692
Workers’ compensation premium assessment.....	-140
Other fringe benefit adjustments	15

Office of Home Energy Programs

SEIF fund revenue allocated for energy assistance	55,950
EUSP benefits.....	500
Office of Home Energy Programs Local Administering Agency administrative contracts.....	-167
One-time legislative addition for the Fuel Fund of Maryland.....	-420

Administration

MD THINK system contracts for operating and maintenance expenses accounting for fiscal 2024 deficiency.....	21,069
Constituent services call center contract, after accounting for a deficiency appropriation	1,926

Child Support Administration

Cooperative reimbursement agreements with units of local government	5,477
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Family Investment Administration

Refugee health screening.....	2,000
SNAP nutrition education.....	650
End of contract required under Chapter 506 of 2022 to complete a review of the Family Investment Program	-241
One-time legislative additions in the Office of Grants Management	-1,325

Foster Care Maintenance Payments

Foster Care Maintenance Payments, reflecting estimated caseload increases and changes in placement costs.....	7,190
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Where It Goes:	<u>Change</u>
One-time deficiency related to fiscal 2024 shortfalls	-8,126
Social Services Administration	
Family support/preservation	-397
Track costs to develop a revised rate setting process for child placing agencies and residential child care providers	-476
Outcome-based system of accountability for CWS	-550
Assistance Payments	
TDAP anticipated benefit changes	2,775
Senior SNAP to annualize eligibility and benefit changes from Chapters 374 and 375 of 2024	667
SUN BUCKS	500
TCA primarily due to benefit changes offsetting caseload decline	160
One-time deficiency appropriations related to fiscal 2024 shortfalls and replacing funds reverted in error	-71,714
Other Changes	
Rent	8,757
Supplies	254
Cost allocations	-1,794
Other	514
Total	\$55,076

- COLA: cost-of-living adjustment
- CWS: Child Welfare Services
- EUSP: Electric Universal Service Program
- MD THINK: Maryland Total Human Services Integrated Network
- SEIF: Strategic Energy Investment Fund
- SNAP: Supplemental Nutrition Assistance Program
- SUN BUCKS: Summer Electronic Benefits Transfer
- TCA: Temporary Cash Assistance
- TDAP: Temporary Disability Assistance Payment

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Source: Governor’s Fiscal 2026 Budget Books; Department of Legislative Services

**Caseload Estimates Assumed in the Budget
Fiscal 2023-2026 Estimated**

<u>Program</u>	<u>Actual 2023</u>	<u>Actual 2024</u>	<u>Estimated 2025</u>	<u>Estimated 2026</u>	<u>% Change 2025-2026</u>
Cash Assistance					
TCA	53,517	55,143	52,250	50,900	-3%
TCA Transitional Benefit	3,264	3,186	4,264	3,264	-23%
TDAP	8,646	11,251	12,500	12,500	0%
SNAP Supplemental Benefit ¹	32,536	28,280	30,330	31,000	2%
Federal SNAP Cases	361,814	379,611	464,063	451,862	-3%
Child Welfare					
Foster Care	2,579	2,425	2,425	2,425	0%
Subsidized Adoption/ Guardianship	7,740	7,738	7,738	7,738	0%
Child Support					
TCA Collections	\$12,295,670	\$14,068,730	\$15,475,604	\$17,023,164	10%
Non-TCA Collections	445,540,921	442,259,849	446,682,447	451,149,242	1%
Total Collections	\$457,836,591	\$456,328,579	\$462,158,051	\$468,172,406	1%

SNAP: Supplemental Nutrition Assistance Program

TCA: Temporary Cash Assistance

TDAP: Temporary Disability Assistance Payment

¹Represents the average number of recipients for the period of February through June 2023. Benefits were not provided under the SNAP Supplemental Benefit program in fiscal 2023 prior to February 2023 due to the availability of SNAP emergency allotments.

Note: Federal SNAP cases for fiscal 2025 and 2026 are an estimate produced by the Department of Legislative Services based on total funding providing. All other caseload estimates for fiscal 2025 and 2026 are as provided by the Department of Budget and Management.

Source: Governor’s Fiscal 2025 and 2026 Budget Books; Department of Human Services; Department of Budget and Management; Department of Legislative Services

**Employment: Full-time Equivalent Regular Positions and
Contractual Positions
Fiscal 2024-2026**

	<u>Actual</u> <u>2024</u>	<u>Working</u> <u>2025</u>	<u>Allowance</u> <u>2026</u>	<u>Change</u> <u>2025-2026</u>
Regular Positions				
Social Services	2,627.18	2,627.18	2,629.18	2.00
Family Investment	1,917.30	1,917.30	1,918.30	1.00
Administration	760.00	760.00	763.00	3.00
Child Support	660.20	660.20	654.20	-6.00
Office of Home Energy Programs	14.00	14.00	14.00	0.00
Total Positions	5,978.68	5,978.68	5,978.68	0.00
Contractual Positions				
Social Services	2.50	2.50	2.50	0.00
Family Investment	42.00	70.00	70.00	0.00
Administration	6.33	3.33	3.33	0.00
Child Support	1.00	1.00	1.00	0.00
Office of Home Energy Programs	0.00	0.00	0.00	0.00
Total Positions	51.83	76.83	76.83	0.00

Note: Does not account for contractual full-time equivalents deployed in the Family Investment Administration under a Supplemental Nutrition Assistance Program administrative grant available through federal stimulus funds in a portion of fiscal 2024.

Source: Governor’s Fiscal 2026 Budget Books

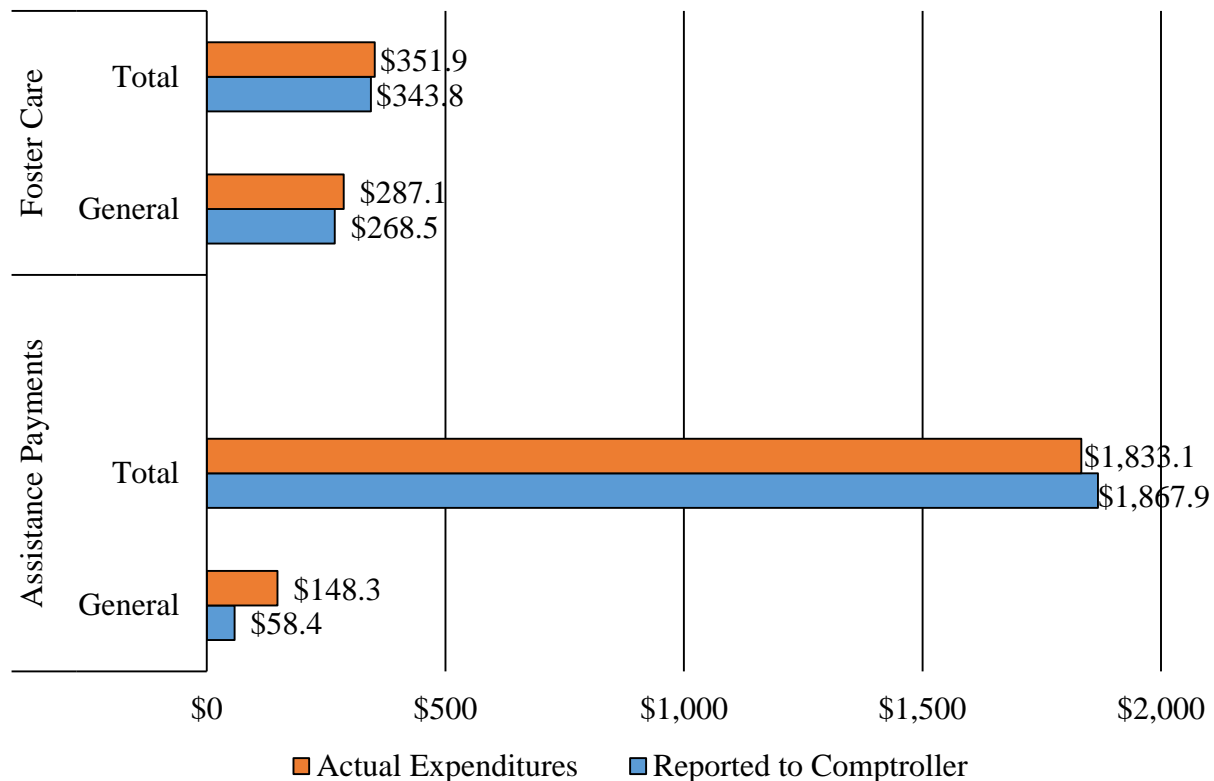
Issues

1. Fiscal 2024 Closeout Concerns

During the fiscal 2024 closeout process, DHS made several errors, including reverting general funds in error, spending on entitlement programs greater than the appropriation level without reporting this as required, and incorrectly reporting expenditures both in total and by fund source for entitlement programs. In addition, DHS has been unable to explain fully the cause of the errors.

Exhibit 1 provides information by fund source on the difference between the amounts reported to the Comptroller at closeout and the actual expenditures reported by DHS in fall 2024 to the Department of Legislative Services (DLS) and the Department of Budget and Management (DBM) for the Assistance Payments and Foster Care Maintenance Payments programs. In total, DHS reported \$34.8 million of higher Assistance Payments expenditures and \$8.1 million lower Foster Care Maintenance Payments expenditures to the Comptroller than it subsequently reported to DLS and DBM as its actual expenditures in the program. However, among individual fund sources with the exception of federal funds, DHS reported lower expenditures to the Comptroller than was intended to have occurred. The higher reported expenditures to the Comptroller for the Assistance Payments program was driven by reporting greater federal fund expenditures to the Comptroller than actually occurred. Even for Foster Care Maintenance Payments, in which the reported expenditures were short overall, DHS reported a higher level of federal fund expenditures than it initially intended. It is unclear why the excess appropriation was not canceled at closeout.

Exhibit 1
Expenditures Reported to the Comptroller
and Actual Expenditures Reported to DLS in Fall 2024
Fiscal 2024
(\$ in Millions)



DLS: Department of Legislative Services

Source: Department of Human Services; Department of Legislative Services

Throughout fall 2024, DHS was unable to reconcile expenditures reported to the Comptroller by benefit program in the Assistance Payments program and inconsistently reported intended expenditures by fund source within the program. As of this writing, DHS has also not provided sufficient information to fully describe the reason for the higher than expected expenditures or a new fund source reported in the Foster Care Maintenance Payments program. Throughout fall 2024, DHS was delayed in responding to questions about its closeout, and as of this writing has not yet responded to some questions, including those related to the cause of the increased expenditures in the Foster Care Maintenance Payments program and certain federal fund

sources that were used to support the expenditures. DHS has also not provided a complete explanation for the cause of the errors in reporting to the Comptroller.

General Funds

As shown in Exhibit 1, DHS reported lower general fund expenditures to the Comptroller than what it reported to DLS and DBM as its actual expenditures for each the Assistance Payments and Foster Care Maintenance Payments programs, which is a combined shortfall of \$108.4 million. In the Assistance Payments program, there were multiple contributing factors to the \$89.8 million difference in reported versus actual expenditures:

- \$64.3 million of general funds in the program was reverted in error due to a journal entry error that misreported these expenditures as federal funds to the Comptroller; and
- \$25.5 million of higher expenditures than the available appropriation, which was caused by higher than expected caseloads in various programs, the most significant of which was the Temporary Disability Assistance Program, and a different allocation of general and federal funds than expected in the Temporary Cash Assistance (TCA) program.

The \$18.6 million difference in reported versus actual expenditures in the Foster Care Maintenance Payments program was driven by an insufficient general fund appropriation. The overall cause of the higher than appropriated expenditures appears to result at least in part due to increased levels of flexible fund spending. The likely cause of the increased flexible fund spending is discussed further in Issue 3.

Aside from the reversion in error, DHS reverted \$4.36 million of fiscal 2024 general funds that were not in error. A portion of this (\$100,000) was related to funds that were withheld for a report and were not released due to the conditions for release not being met. Therefore, these funds were not available to be transferred, but some or all of the remaining funds should have been available. It is unclear why DHS did not transfer most of the general funds reverted from other programs to at least offset these shortfalls. Although the reverted funds beyond those reverted in error would have been insufficient to fully offset the shortfalls, it would have limited the liability in fiscal 2025 for these expenses. In addition, DHS did not follow established procedures to report expenditures greater than the appropriation to Comptroller at closeout.

Subsequent to the initial reporting of expenditures to DLS and DBM, DHS indicated that federal funds from the Temporary Assistance for Needy Families (TANF) program can be used to cover a portion of the Assistance Payments general fund shortfall, which bring the TANF share of TCA expenditures more in line with the original appropriation. TANF funds are also being used to cover the Foster Care Maintenance Payments shortfall in its entirety through both a deficiency appropriation and by using the excess federal fund appropriation that it had previously reported to replace some of the general funds that it intended to spend. The fiscal 2026 budget includes three deficiency appropriations for the two programs to support these fiscal 2024 expenditures totaling \$80.4 million, including \$71.7 million of general funds, \$0.6 million of special funds, and \$8.1 million of federal funds.

Special Funds

DHS also reported lower special fund expenditures in each program than it indicates actually occurred, with a difference of \$1.1 million in the Assistance Payments Program and \$1.3 million in the Foster Care Maintenance Payments program. The cause of both shortfalls is unclear. In the Assistance Payments Program, DHS had sufficient appropriation to cover the expenditures but transferred \$6.2 million to other programs and canceled \$534,550 from within its remaining special fund appropriation in the program. Although DHS did not have sufficient appropriation to cover the special fund expenditures in the Foster Care Maintenance Payments program, the agency could have processed a budget amendment to provide sufficient appropriation, assuming it had sufficient revenue to justify that level of expenditures. However, given that the department later determined federal funds would be used to resolve the shortfalls, it may not have had sufficient special fund revenue to justify that level of expenditures.

DHS should discuss its plans to improve its closeout processes to ensure that reporting to the Comptroller reflects actual expenditures and shortfalls are reported as required. DLS will make a recommendation related to the reporting of closeout information in the analysis N00I – DHS – Family Investment Administration.

2. Temporary Assistance for Needy Families Update

TANF is the primary federal fund support for cash assistance. Uses of TANF must meet one of four purposes:

- providing assistance to needy families so that children can be cared for in their homes;
- reducing the dependence of needy families by promoting job preparation, work, and marriage;
- preventing and reducing out-of-wedlock pregnancies; and
- encouraging the formation and maintenance of two-parent families.

TANF may also be used for items authorized under the prior federal law (for programs that it was replacing). A certain percentage of the funding is also authorized to be transferred to certain other block grants and funds.

Funding through TANF is primarily provided through a block grant amount, which is largely unchanged since the program's initiation. Since fiscal 2017, Maryland has annually received \$228 million from the federal TANF block grant. The same amount is expected to be available in fiscal 2026. Maryland has also received TANF contingency funds each year since the Great Recession. Contingency funds are available to states meeting certain criteria related to the

Supplemental Nutrition Assistance Program (SNAP) participation or unemployment. In order to receive TANF contingency funds, a state must meet one of two conditions:

- an unemployment rate of at least 6.5% and that is 10% higher in a three-month period compared to the same three-month period in either of the two prior years; or
- a SNAP caseload that is 10% higher in a three-month period than in a corresponding three-month period in 1994 or 1995.

Maryland continues to qualify for these funds because of SNAP caseload changes over that period, and as long as the criteria remain unchanged, it will continue to qualify for the foreseeable future. The amount of contingency funds received year to year has varied throughout the period of receipt but has been relatively steady in recent years. In fiscal 2024, DHS reported receiving approximately \$26 million, which is slightly less than prior years (\$26.9 million in fiscal 2023 and \$27.2 million in fiscal 2022). DHS anticipates receiving the same level in fiscal 2025 and 2026.

Temporary Assistance for Needy Families Balance

Between fiscal 2021 and 2022, the State replaced \$140 million of planned TANF spending on cash assistance with State Fiscal Recovery Funds available from the American Rescue Plan Act. The use of these funds for this purpose was intended to assist the State with the higher-than-expected TCA caseload and allow the State to retain TANF balance for future years. Although this planned action was expected to lead to higher general fund spending in fiscal 2021 and 2022, the action was expected to reduce general fund spending at a future time when there were less general funds available, because there would be TANF balance available to be used.

Ultimately, DHS increased TANF expenditures in fiscal 2022 beyond what was anticipated with the fund swap. However, despite this, the TANF balance at the close of fiscal 2022 was \$63.5 million, approximately \$22.8 million higher than the fiscal 2019 (the final prepandemic-impacted year) balance, even though it was about one-half of the balance that was expected with the planned swap. The TANF balance at the close of fiscal 2023 was \$47.2 million, which is a decrease of \$16.3 million compared to fiscal 2022. This decrease occurred due to expenditures exceeding revenue. The use of fund balance in a year during which general funds remained plentiful has reduced the availability for years beginning in fiscal 2026 during which the State is experiencing significant cash and structural shortfalls.

As shown in **Exhibit 2**, the closing fiscal 2024 balance of TANF increased by approximately \$10.3 million compared to fiscal 2023 due to substantially lower expenditures, particularly in several administrative programs, including the Local Family Investment Program (where funding for caseworkers for the benefit programs are funded), Child Welfare Services, and the State offices of SSA. As discussed in Issue 1 of this analysis, DHS overspent its fiscal 2024 appropriation in the Foster Care Maintenance Payments and Assistance Payments programs. Although not initially reported in this manner, to relieve the general fund need for these overexpenditures, DHS has restated its fiscal 2024 spending for the two programs compared to that initially reported, which is reflected in Exhibit 2.

Exhibit 2
Availability of TANF Funding
Fiscal 2023-2026 Allowance
(\$ in Millions)

	<u>2022</u> <u>Actual</u>	<u>2023</u> <u>Actual</u>	<u>2024</u> <u>Actual</u>	<u>2025</u> <u>Working</u>	<u>2026</u> <u>Allowance</u>
Beginning Balance	\$35.791	\$63.502	\$47.157	\$57.421	\$7.424
TANF Grant	\$228.342	\$228.342	\$228.342	\$228.342	\$228.342
Contingency TANF	27.202	26.871	26.028	26.028	26.028
TANF Pandemic Emergency Assistance Funds	17.756				
Total Income	\$273.300	\$255.213	\$254.370	\$254.370	\$254.370
Available Funding (Balance + Income)	\$309.091	\$318.715	\$301.527	\$311.790	\$261.794
Total Expenditures	-\$245.589	-\$271.559	-\$244.106	-\$304.366	-\$256.975
Ending Balance	\$63.502	\$47.157	\$57.421	\$7.424	\$4.819

TANF: Temporary Assistance for Needy Families

Note: Numbers may not sum due to rounding. Expenditures in fiscal 2024 do not match total TANF expenditures reported in the Governor’s Fiscal 2026 Budget Books due to errors in the fiscal 2024 closeout process. Fiscal 2024 actual expenditures reflect planned re-statements of fiscal 2024 expenditures.

Source: Department of Budget and Management; Department of Legislative Services

The fund balance is expected to decline by nearly \$50 million by the close of fiscal 2025 to \$7.4 million. In addition to previously anticipated expenditures, the fiscal 2025 working appropriation accounts for proposed deficiency appropriations. The most substantive of these impacts are two deficiency appropriations for TCA and the Foster Care Maintenance Payments program. TANF is used to fully cover the projected \$11.3 million fiscal 2025 shortfall in TCA and \$14.8 million of the \$38.3 million fiscal 2025 shortfall in Foster Care Maintenance Payments. An additional \$8.1 million deficiency appropriation for Foster Care Maintenance Payments from TANF also covers the remaining fiscal 2024 shortfall in that program beyond the restated fiscal 2024 expenditure levels. Combined, these three deficiency appropriations account for \$34.2 million of the decline in balance. The remaining decline is related to previously planned higher levels of TANF spending, particularly in Foster Care Maintenance Payments.

The fund balance is expected to further decrease in fiscal 2026 to \$4.8 million. With the limited projected balance at the close of fiscal 2025 and 2026, DHS will have limited ability to

relieve general fund pressure in TCA and the Foster Care Maintenance Payments program going forward and will have to largely align spending within the level of TANF received each year.

Temporary Assistance for Needy Families Spending

Exhibit 3 provides detail on TANF spending by activity by fiscal year, including a comparison of planned fiscal 2024 expenditures with actual expenditures. As with Exhibit 2, this exhibit reflects a revised reporting of TANF for fiscal 2024 and will not match information reported to the Comptroller of Maryland or in the Governor’s Budget Books in some programs. In total, the fiscal 2026 allowance for TANF expenditures decreases by \$47.4 million to \$257.0 million, primarily in the Foster Care Maintenance Payments program (\$30.4 million) and in cash assistance (\$11.3 million). Both decreases are driven by the use of TANF to relieve general fund need for fiscal 2025 shortfalls. With the decline in TANF, the use of general funds in both programs increase. Aside from these programs, there is limited change in TANF spending by program. Despite the decline in expenditures, TANF spending overall in fiscal 2026 exceeds most recent years of actual spending.

Exhibit 3
Changes in TANF Spending
Fiscal 2023-2026 Allowance
(\$ in Millions)

Activity	2023 Actual	2024 Working	2024 Actual	Working to Actual	2025 Working	2026 Allowance	2025-2026 Change
Cash Assistance	\$101.1	\$112.9	\$112.1	-\$0.8	\$126.3	\$115.0	-\$11.3
Work Opportunities	22.5	29.2	20.2	-9.0	24.7	24.7	0.1
Family Investment Services	8.4	6.8	8.8	1.9	7.1	6.7	-0.4
Local Family Investment Program	33.0	26.2	26.1	-0.1	32.5	31.5	-1.0
Foster Care Maintenance Payments	34.9	16.7	28.7	12.0	57.6	27.2	-30.4
Local Child Welfare Services	37.7	25.8	18.6	-7.2	20.8	18.7	-2.1
Local Adult Services	10.8	11.9	11.9	0.0	12.1	11.0	-1.0
Social Services Administration State Operations	9.0	10.0	3.3	-6.7	10.2	10.0	-0.2
General Administration	14.2	12.8	14.5	1.6	13.1	12.0	-1.1
Total Expenditures	\$271.6	\$252.3	\$244.1	-\$8.2	\$304.4	\$257.0	-\$47.4

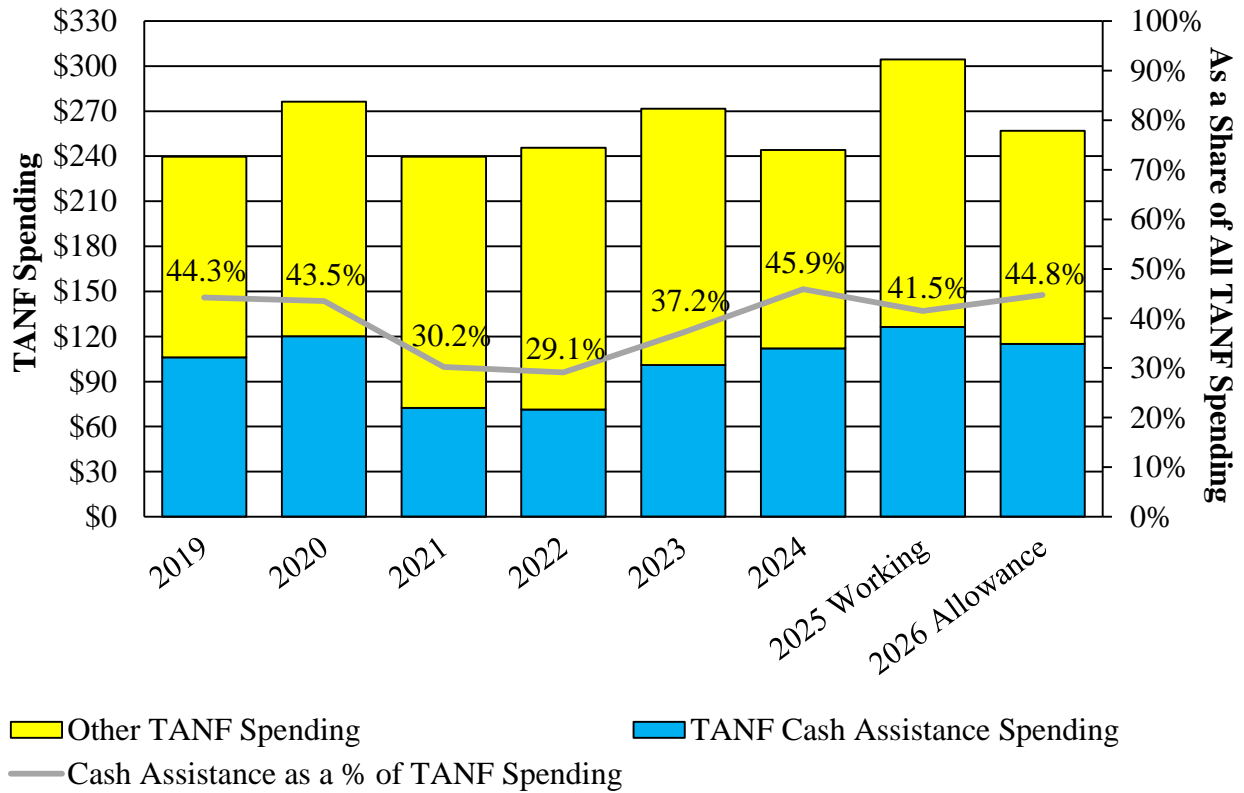
TANF: Temporary Assistance for Needy Families

Note: Numbers may not sum due to rounding. Fiscal 2025 working appropriation includes deficiency appropriations. Expenditures in fiscal 2024 do not match total TANF expenditures reported in the Governor’s Fiscal 2026 Budget Books due to errors in the fiscal 2024 closeout process. Fiscal 2024 actual expenditures reflect planned restatements of fiscal 2024 expenditures.

Source: Department of Budget and Management; Department of Legislative Services

In general, cash assistance comprises more than 40% of TANF expenditures. The exception to this occurs in fiscal 2021 and 2022, years in which the State intentionally reduced TANF spending on cash assistance to save TANF for future years. After returning to historical levels of cash assistance as a share of overall TANF spending in fiscal 2024, the share decreases in fiscal 2025 from 45.9% to 41.5%, due to the substantial use of TANF to support Foster Care Maintenance Payments. However, as shown in **Exhibit 4**, the fiscal 2026 allowance returns cash assistance spending to historical levels at 44.8%.

Exhibit 4
Cash Assistance as a Share of TANF Spending
Fiscal 2019-2026 Allowance
(\$ in Millions)



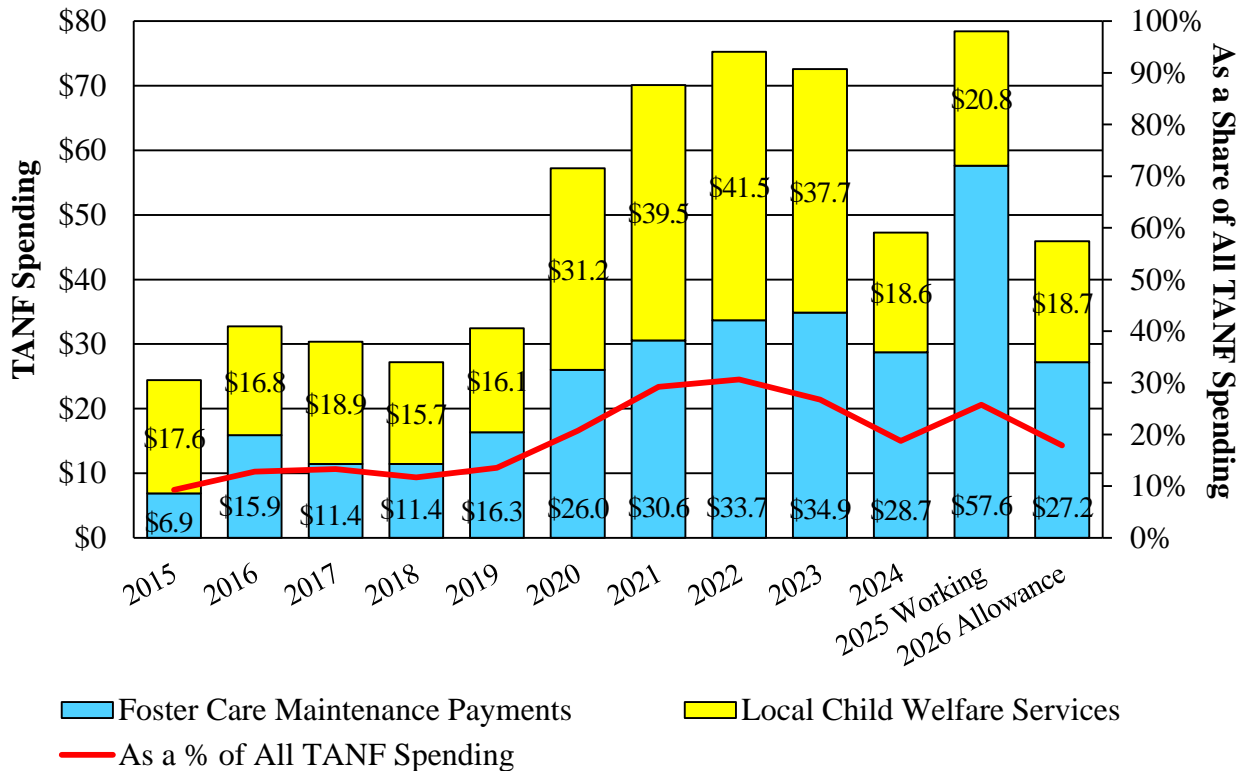
TANF: Temporary Assistance for Needy Families

Note: Numbers may not sum due to rounding. Fiscal 2025 working appropriation includes deficiency appropriations. Expenditures in fiscal 2024 do not match total TANF expenditures reported in the Governor’s Fiscal 2026 Budget Books due to errors in the fiscal 2024 closeout process. Fiscal 2024 actual expenditures reflect planned restatements of fiscal 2024 expenditures.

Source: Department of Budget and Management; Department of Legislative Services

As shown in **Exhibit 5**, between fiscal 2020 and 2023, DHS spent more than \$30 million of TANF on local Child Welfare Services each year compared to less than \$20 million each year from fiscal 2015 through 2019. In the 2023 session, DHS indicated that the increased use of TANF in this program in recent years was due to declining attainment in other sources including the Title IV-E program (the primary federal funding source of child welfare and foster care). DLS notes that in those years with higher child welfare spending, the budget as introduced generally included funding of a lower amount. However, DHS returned to spending lower amounts of TANF on this purpose in fiscal 2024, and the budget remains at that lower level through the fiscal 2026 allowance.

Exhibit 5
TANF Spending on Child Welfare Purposes
Fiscal 2015-2026 Allowance
(\$ in Millions)



TANF: Temporary Assistance for Needy Families

Note: Numbers may not sum due to rounding. Fiscal 2025 working appropriation includes deficiency appropriations. Expenditures in fiscal 2024 do not match total TANF expenditures reported in the Governor’s Fiscal 2026 Budget Books due to errors in the fiscal 2024 closeout process. Fiscal 2024 actual expenditures reflect planned restatements of fiscal 2024 expenditures.

Source: Department of Budget and Management; Department of Legislative Services

TANF spending on Foster Care Maintenance Payments has also increased substantially since fiscal 2015, when it totaled less than \$7 million, compared to more than \$30 million in each year from fiscal 2021 through 2023. Although TANF spending was reported at \$28.7 million in fiscal 2024, DLS notes that a deficiency appropriation provides \$8.1 million of TANF in fiscal 2025 to support fiscal 2024 expenditures, which would bring the total TANF spending for fiscal 2024 to \$36.8 million, which would be the highest in at least 10 years. The fiscal 2025 working appropriation, including deficiency appropriations, totals \$57.6 million (but only \$49.5 million to cover fiscal 2025 costs). The fiscal 2026 allowance reduces TANF spending for this program by approximately \$30 million; however, it remains substantially above pre-fiscal 2020 levels. In total, even with the lower levels of spending in both programs, the share of TANF spent on these two programs is nearly 18% in the fiscal 2026 allowance, compared to less than 10% in fiscal 2015.

Maintenance of Effort

In return for the annual TANF block grant, the State must spend \$177 million of its own money to meet a federal maintenance of effort (MOE) requirement equal to 75% of its spending on TANF's predecessor programs in fiscal 1994. A higher MOE is required if a state does not meet its federal work participation rates (WPR). Additional MOE funds are required when a state receives contingency funds. Specifically, a state must spend 100% of what it spent on the predecessor programs, and then contingency funds must be matched by MOE spending. Due to the required MOE for the base block grant and the receipt of contingency funds, Maryland has been required to spend \$240.1 million of its own funds. In fiscal 2024, DHS reported approximately \$559.5 million of MOE spending, a slight decrease (\$5.0 million) compared to fiscal 2023. Fiscal 2024 is the fourth consecutive year that the State has exceeded its required MOE spending by more than \$100 million.

The Earned Income Tax Credits at both the State and local level alone have been more than sufficient to meet the required MOE since fiscal 2022. In fiscal 2024, these amounts total \$310.6 million. Additional significant contributors to MOE spending in fiscal 2024 were prekindergarten (\$166.8 million) and cash assistance (\$58.9 million). Excess MOE spending assists the State in meeting the WPR, as it can be used in the calculation of the caseload reduction credit, which significantly contributes to the State's ability to meet the required rate

3. Children in Out-of-home Care Placed in Hotels

Children in State custody are placed in hotels when no other options are available in foster care and group homes. **Exhibit 6** displays the number of children in foster care placed in hotels in fiscal 2023, 2024, and year-to-date fiscal 2025 broken down by jurisdiction. In fiscal 2025 as of November 2024, 63 children were placed in hotels. In fiscal 2023 and 2024, 154 and 180 children were placed in hotels, respectively. Baltimore County has the highest number of children in hotel placements, totaling 116, with 58 in fiscal 2023, 57 in fiscal 2024 and 1 in fiscal 2025 year-to-date. An additional three counties and Baltimore City have placed more than 45 children in hotels combined over these three fiscal years, while five counties have 0 placements.

Exhibit 6
Children in Foster Care Placed in Hotels
Fiscal 2023-2025

	<u>2023</u>	<u>2024</u>	<u>YTD 2025</u>	<u>Total</u>
Allegany	1	0	1	2
Anne Arundel	3	2	3	8
Baltimore City	22	15	11	48
Baltimore	58	57	1	116
Calvert	0	4	0	4
Caroline	0	0	0	0
Carroll	1	0	0	1
Cecil	0	11	3	14
Charles	1	1	3	5
Dorchester	0	0	1	1
Frederick	2	2	1	5
Garrett	0	0	0	0
Harford	2	2	3	7
Howard	4	10	7	21
Kent	0	0	0	0
Montgomery	8	31	7	46
Prince George’s	17	29	6	52
Queen Anne’s	0	0	0	0
St. Mary’s	0	0	0	0
Somerset	2	3	0	5
Talbot	0	1	0	1
Washington	24	9	13	46
Wicomico	4	1	3	8
Worcester	5	2	0	7
Total	154	180	63	397

YTD: year to date

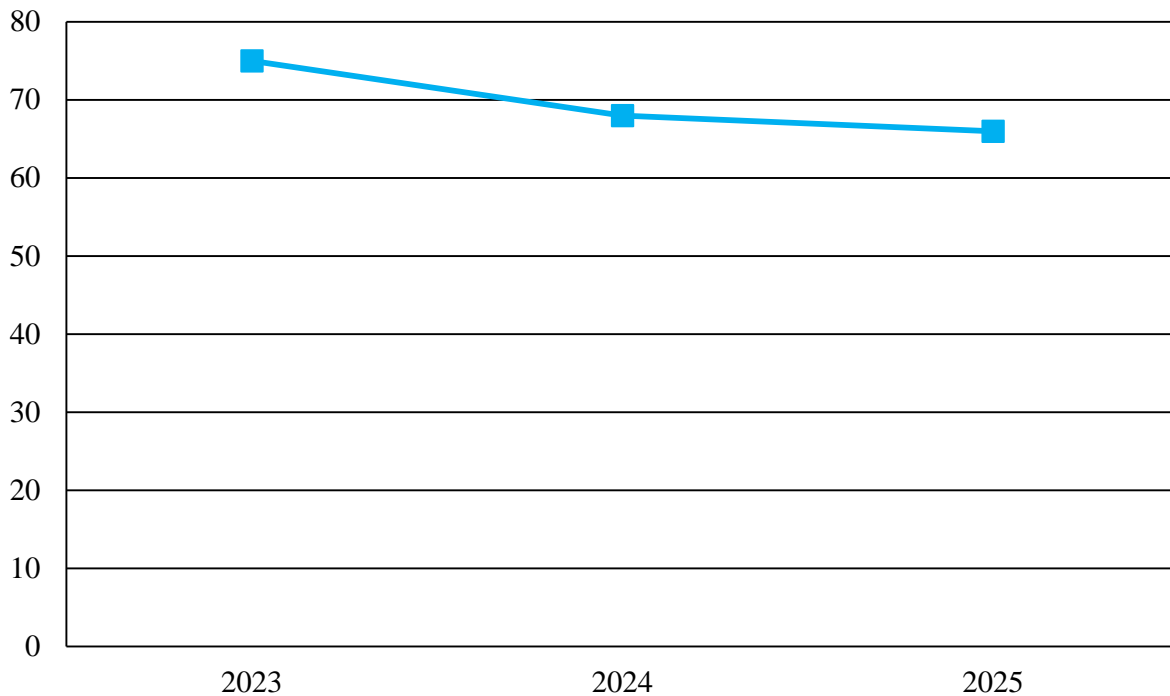
Note: Fiscal 2025 includes data from July 2024 through November 2024.

Source: Department of Human Services

DHS reports that the fiscal 2023 numbers might not account for all the children placed in hotels due to the absence of a formal data collection process. This is reflected in the increase in the number of children placed in hotels from fiscal 2023 to 2024 following the implementation of formal data collection process in fiscal 2024.

As shown in **Exhibit 7**, the average length of stay (ALOS) decreased by 9.3% in fiscal 2024, from 75 days in fiscal 2023 to 68 days. As of November 2024, the ALOS was 66 days in fiscal 2025 year to date, which is a decrease of 2.9% from fiscal 2024.

Exhibit 7
ALOS for Children Placed in Hotels
Fiscal 2023-2025
(Time in Days)

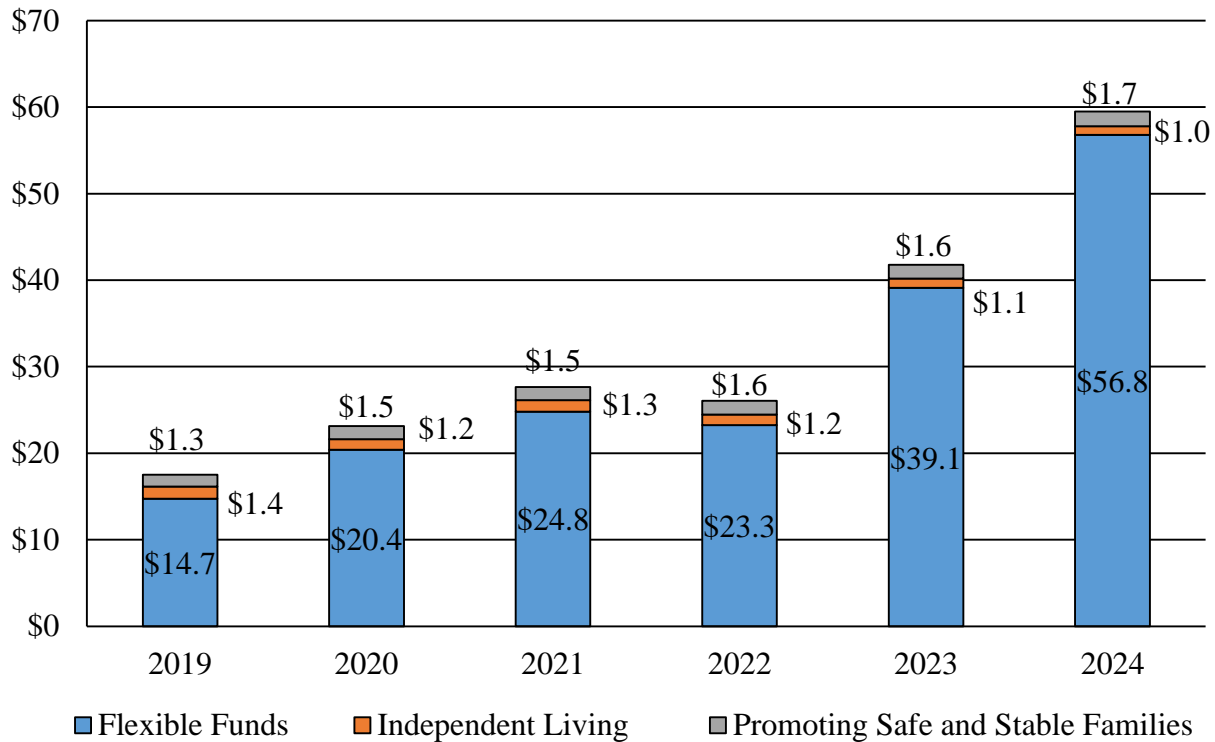


ALOS: average length of stay

Source: Department of Human Services

DHS estimates that the cost per child, per stay is \$96,269, and per child, per day is \$1,415. According to DHS, the expense for the children placed in hotels is accounted under flexible funds (which include emergency services and ancillary services), independent living, and promoting safe and stable families in monthly reports provided to DLS. As shown in **Exhibit 8**, the expenditures for these categories, specifically flexible funds, have gone up drastically in the last two years. While improved reporting may account for some of the increase in the number of children placed in hotels, the increase in spending in these categories indicate that the number of children placed in hotels has increased if the reporting of the expenditure categories has been consistent.

Exhibit 8
Expenditures Associated with Hotel Placements
Fiscal 2019-2024
(\$ in Millions)



Source: Department of Human Services

DHS should discuss the situations in which children are placed in hotels and the efforts made by the department to reduce placements in hotels.

DLS recommends adding language to the fiscal 2026 Budget Bill restricting funds pending a report on children in out-of-home care that are placed in hotels. This recommendation will be included in the analysis for N00B – DHS – SSA.

4. Department of Human Services Unresponsiveness

During the fiscal 2024 closeout process, DHS provided delayed responses and was unresponsive to certain requests from DLS. Several follow-ups were required to obtain answers, while some requests remain outstanding. In addition to this unresponsiveness, DHS has been delayed in submitting responses to report requests contained in the *Joint Chairmen’s Report (JCR)*. As shown in **Exhibit 9**, the 2024 JCR requests that DHS prepare 18 reports, of which only 1 was submitted by the due date. As of January 18, 2025, there are 4 reports outstanding. This does not include reports with multiple submission requirements for which at least 1 report was submitted.

Exhibit 9
JCR Reports Requested from DHS
Fiscal 2025

<u>JCR Requested</u>	<u>Due Date</u>	<u>Date Received</u>
Report on MD THINK Status and Utilization	12/15/2024	1/17/2025
Report on DHS – Administration to Fill Vacant Positions	8/1/2024	12/9/2024
Report on Caseload Data and Filled Positions Assigned by Jurisdiction for Specified Caseload Types	11/1/2024	1/2/2025
Report on Hospital Stays, ALOS, and Placement After Discharge	12/1/2024	
Update on the Implementation of Provisions of the Federal FFPSA	11/1/2024	1/17/2025
Report on the New Foster Care Provider Rate Structure	7/1/2024	7/31/2024 10/30/2024
Effectiveness and Use of Two-generation Model Grant	12/1/2024	
TCA, TDAP, and SNAP Applications and Case Closures	10/5/2024, 1/5/2025, 4/5/2025, 6/30/2025	12/20/2024 (Agency Extension Requested for January, April and June Reports to 1/31, 4/30 and 7/31)

N00 – Department of Human Services – Fiscal 2026 Budget Overview

<u>JCR Requested</u>	<u>Due Date</u>	<u>Date Received</u>
Summer EBT Program Implementation and Participation	10/1/2024	12/9/2024 (Agency Extension Was Requested to 11/1)
Child Support Performance Reports	8/15/2024, 11/15/2024, 2/15/2025	10/31/2024 (Agency Extension Was Requested)
Report on DHS CSA to Fill Vacant Positions	8/1/2024	12/9/2024
Energy Assistance Program Application Processing Times and Denial Rates	12/31/2024	
Report on the Status of Implementation of Categorical Eligibility	1/1/2025	1/17/2025
Report on the Transition to a Centralized Administrative Model for Energy Assistance Programs	1/15/2025	1/2/2025
Report on Customer Service Availability for Energy Assistance Programs	9/1/2024	

ALOS: average length of stay
 CSA: Child Support Administration
 DHS: Department of Human Services
 EBT: electronic benefits transfer
 FFPSA: Family First Prevention Services Act
 JCR: *Joint Chairmen’s Report*
 MD THINK: Maryland Total Human Services Integrated Network
 SNAP: Supplemental Nutrition Assistance Program
 TCA: Temporary Cash Assistance
 TDAP: Temporary Disability Assistance Payment

Source: Department of Legislative Services

DHS should comment on the measures that it is taking to improve the timeliness of submissions of reports and other requested information.