LARRY HOGAN
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Maryland
DEPARTMENT OF BUDGET AND MANAGEMENT

DAVID R. BRINKLEY
Secretary

MARC L. NICOLE
Deputy Secretary

HOUSE BILL 1532 Human Services – Food Supplement Program – Eligibility (Solomon, et al)

STATEMENT OF INFORMATION

DATE: March 10, 2020

COMMITTEE: House Appropriations Committee

SUMMARY OF BILL: HB 1532 requires the State to provide Food Supplement Program benefits to individuals who were eligible for federal Supplemental Nutrition Assistance Program (SNAP) benefits under the federal eligibility rules in place prior to July 1, 2019, but for whom federal funding is not available.

EXPLANATION: Currently, Maryland administers the federal SNAP benefit. SNAP is fully federally funded and eligibility is determined by the federal government. Maryland administers add-on food supplement benefits with state funds for targeted populations (children during summer months and seniors). For example, households that receive federal SNAP benefits that have someone 61 or older can receive up to $15 (on average) additional per month.

The bill provides a state-funded benefit should changes to federal eligibility rules make individuals ineligible for the federal SNAP benefit. Federal eligibility changes are expected to occur April 1, 2020, pending a court ruling. Proposed rule changes are under review.

The chart below shows the FY 2019 actuals through FY 2021 Budget allowance for the federal SNAP benefit and the two state benefit add-ons. Summer SNAP begins in FY 2021. The state currently spends less than $5 million on food supplement benefits.

	FY 2019 Actuals	FY 2020 Working	FY 2021 Allowance
Federal Funds - SNAP	$885,756,162	$931,488,261	$931,488,261
State Funds - Summer benefit	-	-	$200,000
State Funds - Senior benefit	$3,746,097	$4,109,130	$4,580,632

The estimated cost to the State to provide benefits to those that would no longer be eligible for federal benefits under the federal eligibility change expected April 1 is $39 million in FY 2021 and $52 million in FY 2022.

DBM's focus is not on the underlying policy proposal being advanced by the legislation, but rather on whether the aggregate increased spending is sustainable when spending growth continues to exceed revenue growth.

The Department of Budget and Management (DBM) is charged with submitting a balanced budget to the General Assembly annually and strives to create a structurally balanced budget, in which the growth in spending is less than the growth in revenues. Actions by the General Assembly to assume the costs of a loss in federal funds and increase entitlement spending levels make it exceedingly difficult for the Administration to achieve structural balance.

General Fund Budget Outlook
Fiscal 2022 - 2025

	Est. 2022	Est. 2023	Est. 2024	Est. 2025
Cash Balance	-$833	-$1,135	-$1,201	-$1,298
Structural Balance	-$701	-$905	-$984	-$1,071

Department of Legislative Services, January 2020 Fiscal Briefing

For FY 22 – FY 25, the cumulative impact of an ongoing imbalance between spending and revenues is a $3.6 billion structural gap. Our structural budget problem reflects a spending problem; not a revenue problem.

The ever-increasing use of mandates and entitlement spending by the General Assembly is a more recent practice, making the State's structural budget deficit a chronic challenge. According to the Department of Legislative Services (DLS), 70.2% of the FY 2020 General Fund allowance is mandated or entitlement spending.

Until we achieve long-term structural balance, programs cannot rely on a consistent funding level. Constituencies for these proposed programs or enhanced spending bills should be forewarned that passage of this legislation does not guarantee future funding. Whatever specific funding is mandated will likely be repealed or otherwise modified in a subsequent Budget Reconciliation and Financing Act (BRFA) – this action is necessary to ensure a constitutionally required balanced budget in the next fiscal year.

The Administration is cognizant of the downside risks facing our economy and, in the FY 2021 Budget, has set aside $1.3 billion in reserves. The Rainy Day Fund balance is equal to 6.25% of revenues, $48 million more than recommended by the Spending Affordability Committee (SAC). Moody's Analytics has recently advised of a slowdown in employment growth in the latter part of FY 2021, which DLS estimates would add $241 million to the structural budget gap in FY 2021 and $419 million in FY 2022. Historic increases in funding for both K-12 education, as proposed by the Kirwan Commission, and school construction will further aggravate the budget gap.

The 2019 SAC commentary encourages a cautious fiscal approach -- **"Out-year fiscal stress is anticipated despite the expectation that personal income and employment will continue to grow**

steadily, and entitlement and prison caseloads will hold steady or decline. An imbalance is forecast before accounting for any recommendations from the Commission on Innovation and Excellence in Education."

For additional information, contact Barbara Wilkins at
(410) 260-6371 or barbara.wilkins1@maryland.gov