**N00I00**

# Family Investment Administration

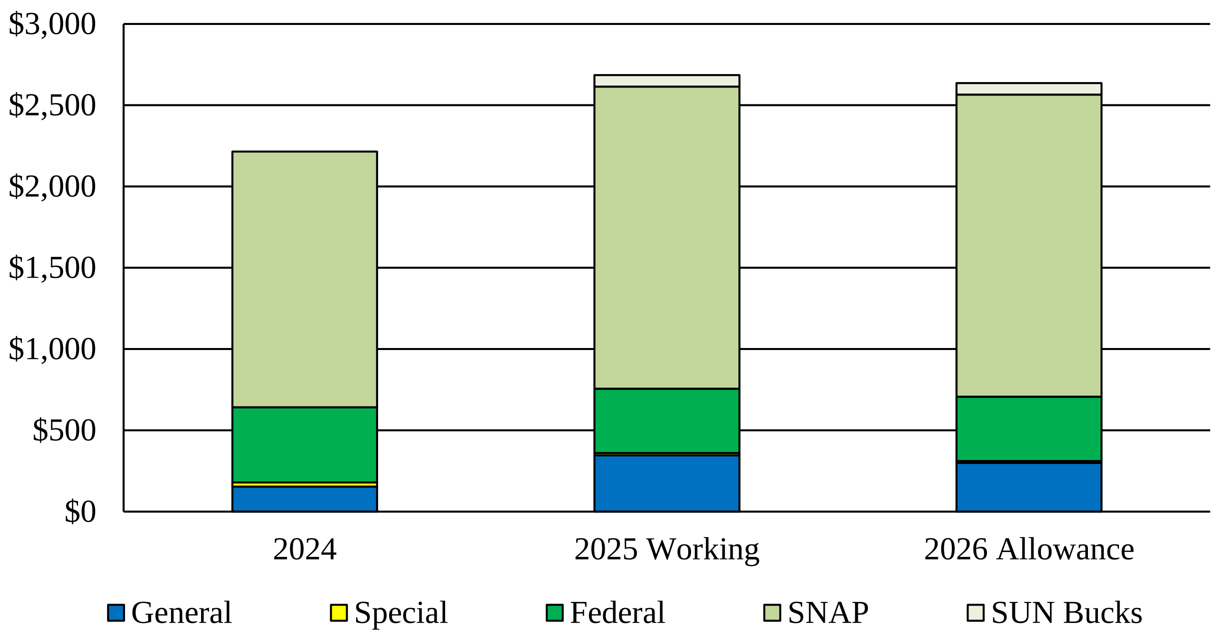
## Department of Human Services

## *Executive Summary*

The Department of Human Services (DHS) Family Investment Administration (FIA) administers cash benefits and other grant programs that provide assistance to individuals and families in financial need as well as employment programs to promote self-sufficiency.

## *Operating Budget Summary*

**Fiscal 2026 Budget Decreases $49.6 Million, or 1.8%, to $2.6 Billion**
**($ in Millions)**




SNAP: Supplemental Nutrition Assistance Program

Note: Numbers may not sum due to rounding. The fiscal 2024 actual expenditures reflect those reported to the Comptroller of Maryland but do not reflect actual expenditures, including overstating SNAP expenditures. 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.

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- The fiscal 2026 allowance of FIA decreases by $49.6 million, or 1.9%, compared to the fiscal 2025 working appropriation, accounting for proposed deficiency appropriations. When excluding approximately $72 million of deficiencies related to fiscal 2024 expenditures, the fiscal 2026 allowance would increase by $22.7 million, or 0.9%.

- Two proposed deficiency appropriations totaling $72 million resolve shortfalls in Assistance Payments in fiscal 2024, which include a reversion in error of $64.3 million needed for benefit payments, and an additional $7.4 million in general funds and $0.6 million in special funds due to expenditures higher than the appropriation.

- Excluding deficiency appropriations related to fiscal 2024 costs, the fiscal 2026 budget includes proposed deficiency appropriations totaling $40.5 million in total funds. These deficiency appropriations increase general funds by $5.5 million and federal funds by $37.6 million. Special funds decrease by $2.6 million. Excluding the deficiency appropriations relating to fiscal 2024 costs, Assistance Payments increase by a net $20.4 million through deficiency appropriations, primarily due to higher-than-expected caseloads in the Temporary Cash Assistance (TCA) and the Temporary Disability Assistance Program (TDAP). Deficiency appropriations increase funding in the Maryland Office for Refugees and Asylees (MORA) by $17.9 million. The remaining deficiency appropriations reduce overtime expenditures in the Local Family Investment Program ($0.5 million) and provide additional funding for contracts ($2.7 million).

## *Key Observations*

- ***Benefit Increases for Cash Assistance Programs Delayed:*** State law requires funding be provided for TCA at a level that would support, in combination with Supplemental Nutrition Assistance Program (SNAP) benefits, 61.25% of the Maryland Minimum Living Level (MMLL). Traditionally, this benefit calculation is completed in advance of October 1 of each year so that any resultant benefit increases begin in October, consistent with the timing of SNAP benefit changes. In fiscal 2025, DHS was delayed in completing the calculation, and the benefit increase was not provided until January 2025. In addition, DHS has not confirmed that it also provided a benefit increase to TDAP recipients, which under State law are tied to the TCA benefit level of a one-person household.

- ***Voluntary Settlement Agreement:*** In October 2024, a Voluntary Settlement Agreement was announced by the U.S. Department of Health and Human Services (DHHS) Office for Civil Rights (OCR) with Maryland covering all programs receiving DHHS funding, related to complaints regarding individuals with disabilities. The agreement was effective August 13, 2024. As part of the agreement, DHS is required to send certain notices to individuals whose cases were closed due to work sanctions and noncooperation with eligibility since July 1, 2021. Between July 2021 and October 2024, 14,821 TCA cases alone were reported to be closed due to noncooperation. DHS indicates that these notices will be sent by April 18, 2025. After these notices, individuals may appeal benefit reductions or case closures, which could result in reinstatement of cases and retroactive benefits. DHS is unable to provide a cost estimate for any potential liability at this time.

- ***TCA Closures Due to 60-month Time Limit:*** In October 2022, the Office of Legislative Audits (OLA) released a fiscal compliance audit for FIA that included a finding related to FIA not closing cases that reached the required 60-month time limit on benefits. In response to the finding, DHS revised its policies, and the number of case closures due to this reason increased substantially beginning in fiscal 2024. In fiscal 2024 and 2025 (through October 2024), a total of 6,661 cases have been closed due to reaching the time limit. A break from the historical practice when few, if any, cases were closed due to this reason.

- ***Able-bodied Adults without Dependents (ABAWD) Time Limit Enforcement:*** Under federal requirements, ABAWD recipients may only receive SNAP for three months without working or participating in employment and training (E&T) programs for an average of 20 or more hours per week. Due to the public health emergency (PHE) and availability of discretionary exemptions, cases had not been closed due to this reason since the start of the COVID-19 pandemic until June 2024. Between June and October 2024, 18,494 cases were closed due to this reason, of which 4,862 have reopened as of January 13, 2025.

## Operating Budget Recommended Actions

| | | Funds |
|---|---|---|
| 1. | Add language restricting funds in the Office of the Secretary pending submission of certain fiscal 2025 closing documentation. | |
| 2. | Add language restricting appropriations for the Assistance Payments program to that purpose only. | |
| 3. | Reduce administrative funds for the SUN Bucks program based on staffing levels. | -$ 2,200,000 |
| 4. | Delete administrative funds for SUN Bucks to be added to an administrative program. | -$ 9,400,000 |
| 5. | Reduce funding for the Public Assistance to Adults due to caseload trends. | -$ 1,750,000 |
| 6. | Reduce federal funds for the Supplemental Nutrition Assistance Program based on lower estimated caseload. | -$ 200,000,000 |
| 7. | Adopt committee narrative requesting a report on SUN Bucks participation and administrative costs. | |

8. Add language restricting funds pending resolution of repeat audit findings.

9. Add language restricting funds pending quarterly reports on application processing times, denial rates, and case closures.

10. Add language restricting funds pending a report on the status of notifications related to the Voluntary Settlement Agreement.

11. Add language to restrict general funds in the deficiency appropriation for the Temporary Disability Assistance Payments Program to that purpose.

12. Add funding for administrative expenses for the SUN Bucks program reflecting a transfer from the Assistance Payments program.

| | |
|---|---|
| **Total Net Change** | **-$ 213,350,000** |

# Operating Budget Analysis

## Program Description

DHS FIA through local departments of social services (LDSS) administers cash benefits and other grant programs that provide assistance to individuals and families in financial need as well as E&T programs to promote self-sufficiency. Benefit programs administered by FIA include the following.

- ***TCA:*** The State's largest cash assistance program provides financial assistance to dependent children and other family members due to death, incapacitation, underemployment, or unemployment of one or both parents. Although primarily funded through the Temporary Assistance for Needy Families (TANF) block grant, the State determines the eligibility criteria and benefit levels for cash assistance.

- ***TDAP:*** The State's cash assistance program for disabled adults provides a limited monthly benefit for individuals with a short-term disability (at least 3 months but less than 12 months) or a long-term disability. If the individual has a long-term disability, they are required to pursue a Supplemental Security Income (SSI) application and can receive benefits until a final decision has been reached. Although primarily funded with general funds, the federal government reimburses the State for benefits paid during the processing of approved applications, which are budgeted as special funds within the program.

- ***SNAP and SUN Bucks:*** These federal programs provide benefits solely for the purchase of food. These benefits are 100% federally funded. SNAP is provided to individuals and families, while the SUN Bucks program provides benefits to children eligible for free and reduced-price meals (FRPM) and certain other means-tested programs in the summer months when school is not in session. Administrative costs of federal SNAP and SUN Bucks are split evenly between the State and the federal government. In addition, the State operates a general fund supported program that provides a benefit to seniors in the amount of the difference between the benefit that they qualify for and $50.

- ***Transitional Support Services:*** This TANF-funded program provides a benefit at the same level as a case received prior to a TCA exit due to employment or income too high for three months after the TCA exit.

- ***Child Support Pass-through:*** This program distributes a maximum of $100 of child support collections for the first child and $200 for two or more children to TCA recipients. The remainder of collections are retained with half used to reimburse the State and half to the federal government.

- ***Public Assistance to Adults (PAA):*** This State program provides payments to indigent clients residing in licensed assisted-living homes, Project HOME clients, and adult foster care clients.

- ***Emergency Assistance to Families with Children:*** This TANF-funded program provides financial assistance to resolve an emergency situation as defined by LDSS in which the recipient resides. There is also a separate State-funded emergency assistance program.

- ***Welfare Avoidance Grants:*** These TANF-funded grants allow LDSS to divert customers from cash assistance when a one-time payment resolves a specific problem and allows the customer to become or remain independent.

- ***Burial Assistance Program:*** This State program subsidizes funeral expenses of public assistance recipients, youth in foster care, and Medicaid recipients.

LDSS, which are arms of DHS in each jurisdiction, are responsible for making eligibility determinations and redeterminations for the various benefit programs and certain populations in the Medicaid program, which is administered by the Maryland Department of Health (MDH).

FIA also administers the Family Investment Program, which provides services including efforts to divert potential TCA applicants through employment, move recipients to work, and provide job-retention services to enhance skills and prevent recidivism. The goal of the program is to assist TCA applicants/recipients in becoming self-sufficient. After assessing each family's specific needs and resources staff focus on the services required to move clients into work. Local departments have the flexibility to determine what training and job search activities will be required of applicants. In addition, LDSS are responsible for networking with employers and determining the most appropriate job training.

Two other programs are administered through FIA. MORA oversees a federally funded refugee resettlement program that provides cash assistance and services to refugees and asylees residing in Maryland. These services are primarily provided by local resettlement agencies through grants from MORA, though some services are provided by community colleges and other State agencies. The Office of Grants Management provides funding to organizations for hunger programs and other community initiatives and organizations.

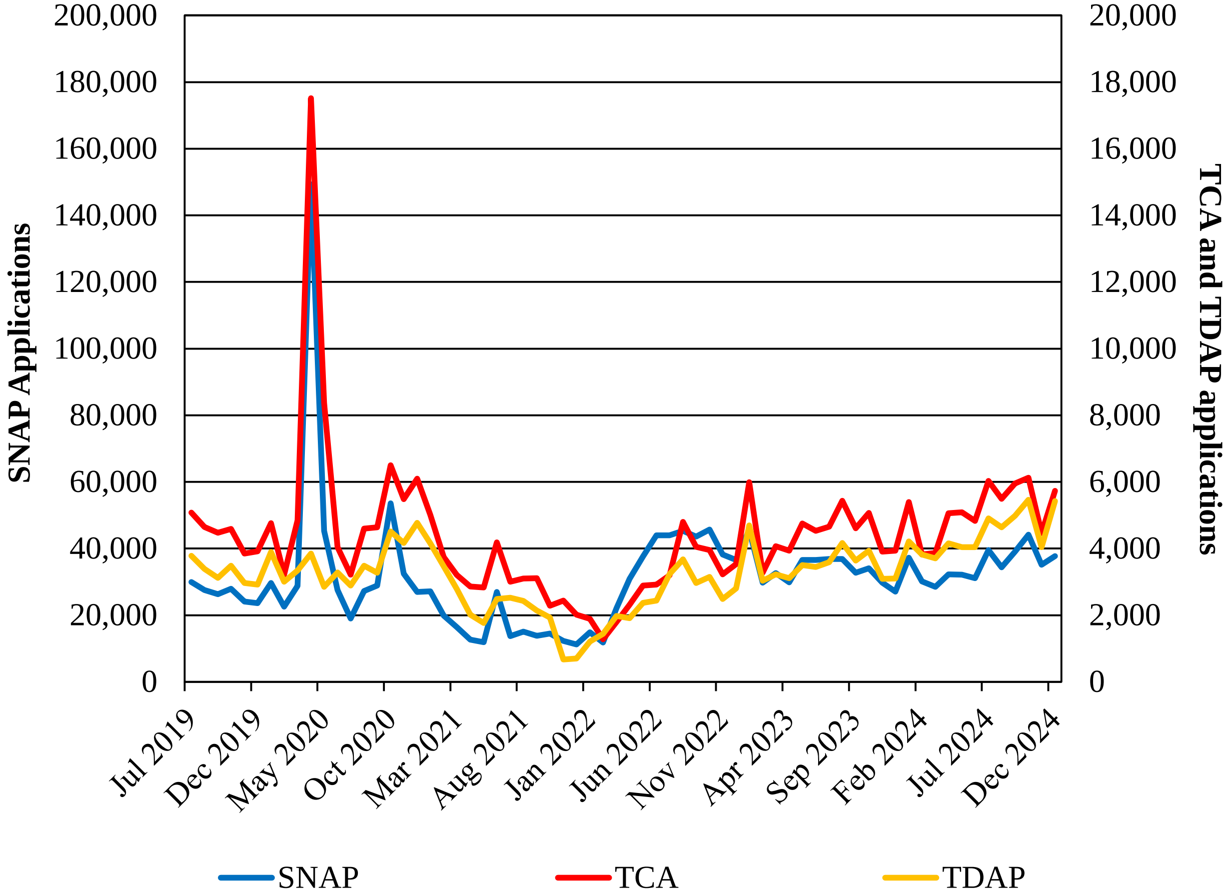
# *Performance Analysis: Managing for Results*

## 1. Application Processing Timeliness Improves

A key measure of the success of FIA and LDSS is the ability to process applications in a timely manner to ensure that eligible households are receiving benefits timely. Annual committee narrative beginning with the 2021 *Joint Chairmen's Report* (JCR) has requested that DHS submit regular reports on application processing timeliness, among other data. In the 2024 JCR, quarterly reports were requested, of which two have been submitted with the remaining two due later in the year.

After an initial surge in applications for SNAP and TCA at the start of the COVID-19 pandemic, applications returned to more typical levels in June and July 2020. After that, however, applications generally remained lower than typical, except for a period in which recertification of extensions lapsed in calendar 2020, until several months into the restart of recertifications for benefits in January 2022. This occurred because a portion of applications come from cases that previously closed. Since April 2022, applications for SNAP, TCA, and TDAP have generally been not only higher than the period before the end of the extension of recertifications but higher than the year prior to the COVID-19 pandemic. Although applications were generally higher in calendar 2022, in the immediate aftermath of the restart of recertification for SNAP, applications remain about 33% higher than the pre-COVID-19 period. TCA and TDAP applications have also increased overall compared to the pre-COVID-19 period, but the period of highest applications was not at the immediate end of the restart of recertifications. For example, as shown in **Exhibit 1**, two of the highest application months for TCA post recertification restart occurred in July and October 2024. The highest number of TDAP applications post recertification restart also occurred in October 2024. Overall, TDAP applications have been higher in calendar 2024 (through December) than in the earlier periods, with only two months of fewer than 4,000 applications compared to only two months exceeding 4,000 in calendar 2022 and 2023 combined.

**Exhibit 1**
**Applications by Benefit Type**
**July 2019 through December 2024**

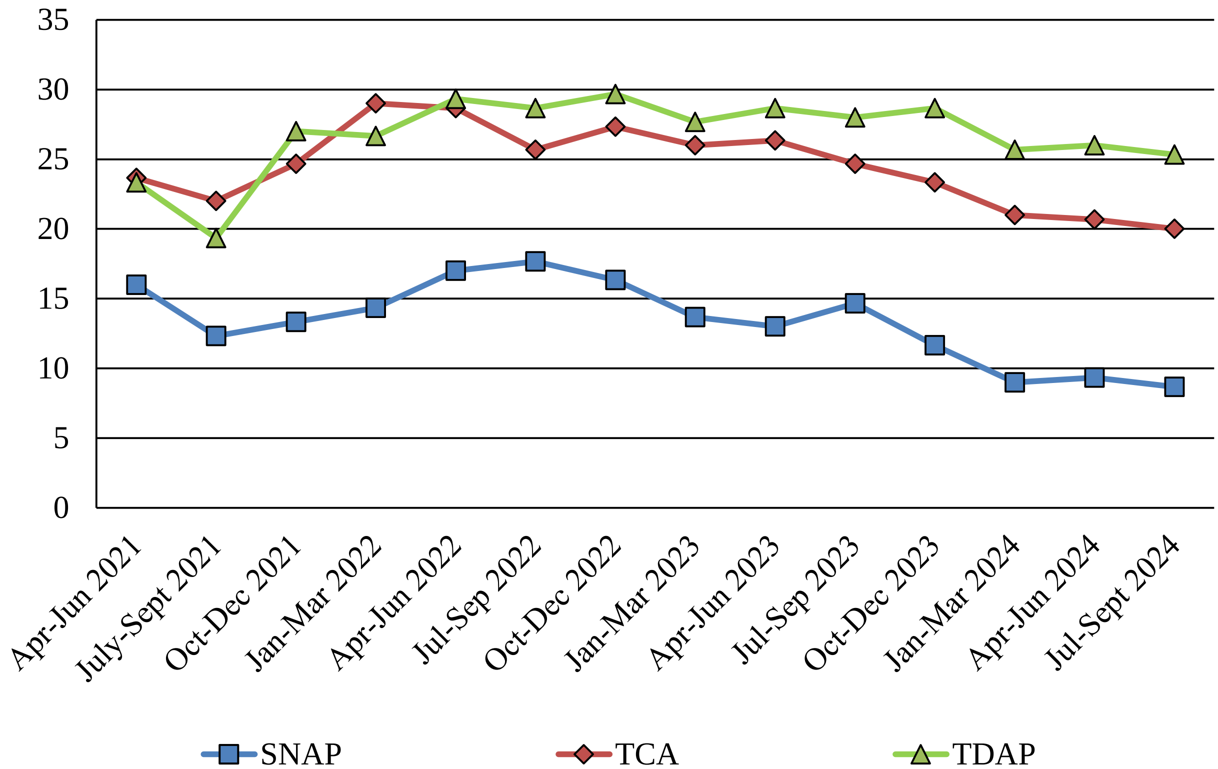



SNAP: Supplemental Nutrition Assistance Program
TCA: Temporary Cash Assistance
TDAP: Temporary Disability Assistance Program

Source: Department of Human Services

In general, applications for benefits are to be processed within 30 days, though expedited SNAP applications are required to be processed within 7 days. DHS notes that applications can take up to 60 days to be processed due to delays in submitting all documentation, completing other requirements (such as interviews), or agency delays. **Exhibit 2** provides information on the average number of days to process applications for SNAP, TCA, and TDAP for each quarter since April 2021 (the first month of data availability). Due to the requirements for some applications to be processed within shorter time frames, average processing times are substantially lower for SNAP than TCA and TDAP. For example, in the most recently completed quarter of available data (July to September 2024), the average number of days to process applications is approximately 11 days higher for TCA than SNAP and 17 days higher for TDAP than SNAP.

**Exhibit 2**
**Average Days to Process Applications Each Quarter by Benefit Type**
**April 2021 through September 2024**




SNAP: Supplemental Nutrition Assistance Program
TCA: Temporary Cash Assistance
TDAP: Temporary Disability Assistance Program

Source: Department of Human Services; Department of Legislative Services

Application processing times generally rose after the restart of recertification, with calendar 2022 average processing times 2.4 days longer for SNAP, 4.2 days longer for TCA, and 5.4 days longer for TDAP than prior to the restart. Subsequently, application processing times declined among all three benefit types. In fact, the average number of days to process applications in calendar 2024 (through October – the last month of available data) is nearly 5 days lower for SNAP and nearly 3 days lower for TCA than prior to the restart of recertification. However, the average number of days to process TDAP applications remains higher than the period prior to the restart of recertifications, despite declining by approximately two days since calendar 2022. **DHS should comment on the cause of the recent increases in applications particularly for TCA and TDAP and efforts to reduce application process times for TDAP.**

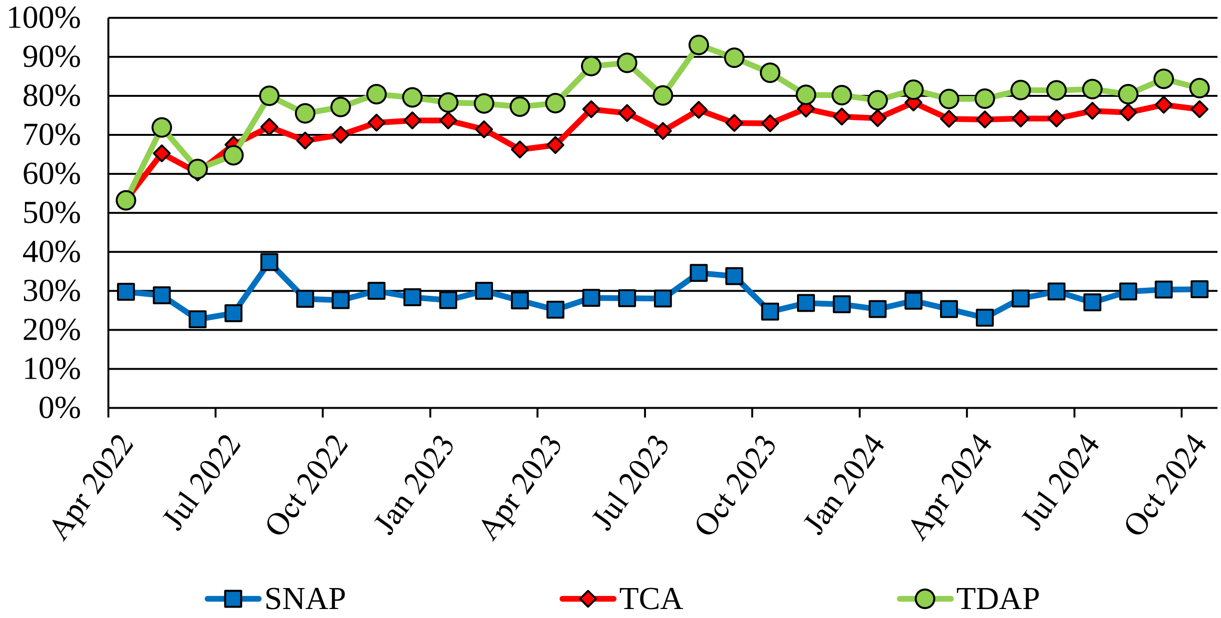
Annually, the U.S. Department of Agriculture (USDA) publishes application processing timeliness rates for SNAP for each state. Under this measure, applications are considered to be processed timely if the household has the opportunity to participate in SNAP within 30 days of the application date (or 7 days for expedited benefits), excluding applications that are noted as pending due to failure to provide verification. Under this measure, in federal fiscal 2023 (the most recent data available), Maryland processed 84.8% of applications timely, twenty-seventh among states and territories.

## 2. Application Denial Rates Hold Relatively Steady

Along with application processing times, it is important to understand application denials for a complete picture of the customer experience when applying for benefits. Data on application denial rates has been available only since April 2022. Information on the reasons for denial has been available since April 2021; however, data provided is only for top reasons, meaning that no data provided in a particular month could mean no denials due to that reason or that it was not one of the top reasons for denial. As with application processing times, data is available only through October 2024, with the most recently completed quarter ending September 2024.

As shown in **Exhibit 3**, application denial rates are substantially higher for TCA and TDAP than the rates for SNAP. Denial rates for TDAP have exceeded 70% in all but three months of available data. In general, application denial rates for TDAP have remained near or slightly above 80% since September 2023. While the highest of the three primary benefit programs, this is lower than during earlier portions of calendar 2023 in which application denial rates approached or exceeded 90%. Application denial rates for TCA also generally exceed 70%. In comparison, application denial rates for SNAP have generally remained below 30%. Higher denial rates for TDAP are consistent with the additional program requirements that apply to the program. For example, TDAP applicants must meet criteria related to disability, length of disability, and cooperate with processes for obtaining SSI or Social Security Disability Insurance (SSDI) that make it more challenging to receive approval.

**Exhibit 3**
## Application Denial Rates by Benefit Type
**April 2022 through October 2024**

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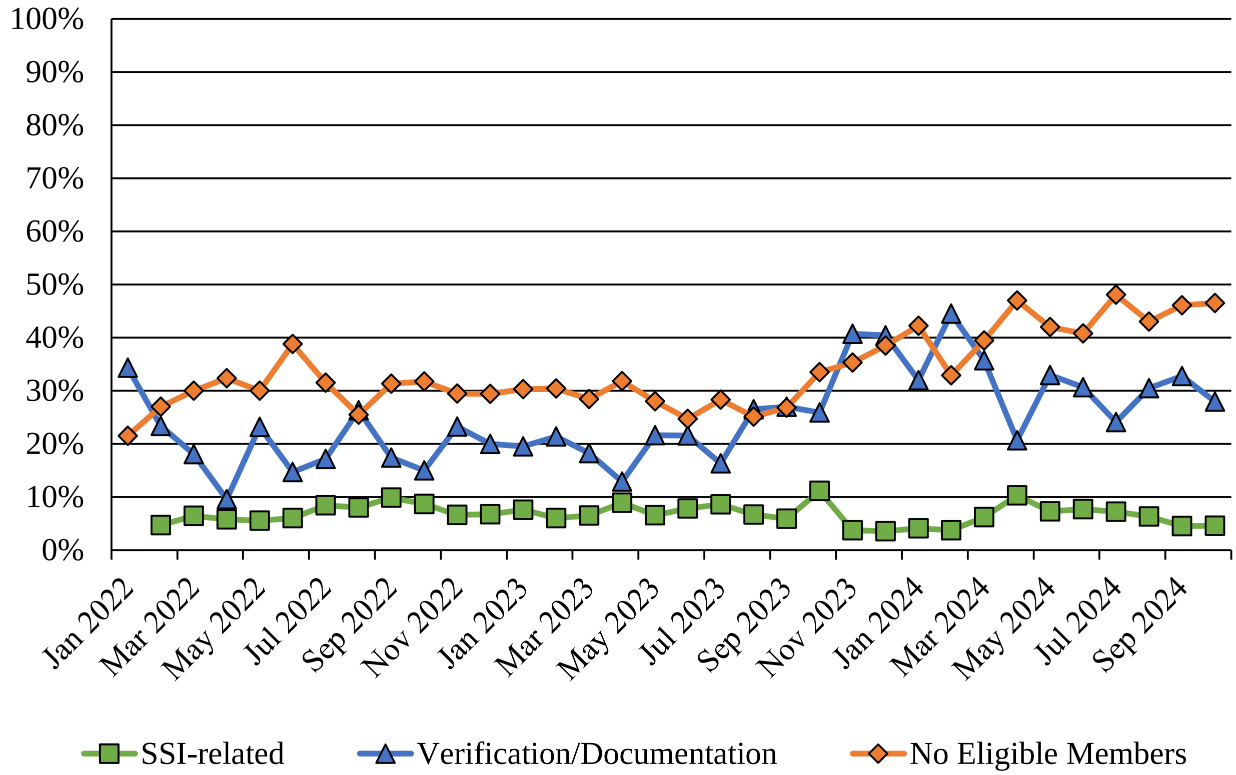
TDAP: Temporary Disability Assistance Program

Source: Department of Human Services; Department of Legislative Services

**Exhibit 4** provides information on the share of TDAP application denials due to causes related to these higher barriers. The category no eligible members includes disability-related factors. In most months during this period, no eligible members was the leading cause of application denials for TDAP, with this cause generally accounting for more than 25% of denials. This cause led to more than 40% of denials in 8 of 10 months of available data in calendar 2024. Verification/noncooperation-related denials are generally the second highest share of denials, though in some months are the leading cause of denials. While verification/noncooperation is also a leading cause of TCA denial, the additional verifications required for TDAP make it particularly noteworthy as a factor in TDAP denials. SSI-related factors include not completing the form to allow for reimbursement for benefits provided during a pending application as well as failure to apply. The share of denials due to this cause varies some month to month but is generally over 6% of denials. In the two most recent months of available data, SSI-related denials represented about 4.5% of denials but ranged between 7% and 8% of denials in parts of calendar 2024. **DHS should discuss efforts to reduce TDAP application denials due to verification and SSI-related cooperation.**

**Exhibit 4**
## Select Reasons for TDAP Application Denials
**January 2022 through September 2024**

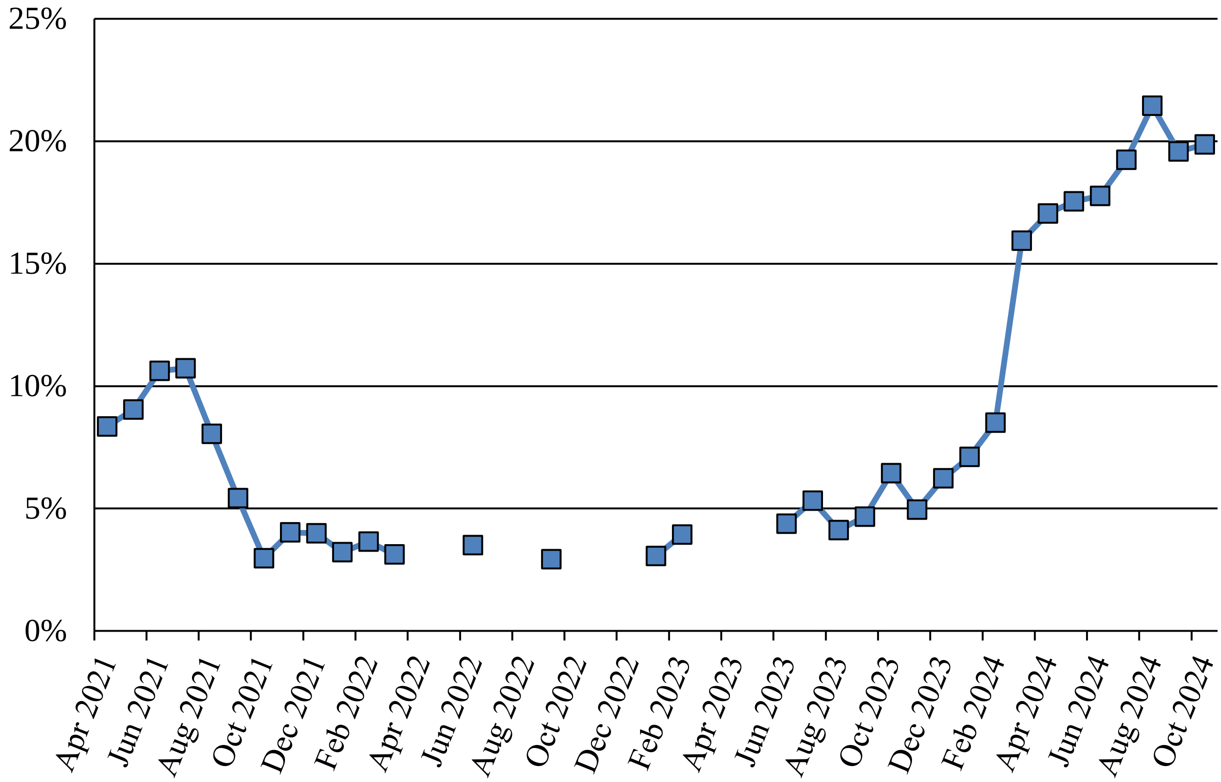



SSI: Supplemental Security Income
TDAP: Temporary Disability Assistance Program

Source: Department of Human Services; Department of Legislative Services

As shown in **Exhibit 5**, a recent growing cause of application denials for TCA is noncooperation with child support. Although Chapter 457 of 2020 altered the sanction policy for noncooperation with child support requirements to reduce the benefit by 25% rather than a case closure, DHS may still deny applications for failure to cooperate with child support requirements. From October 2021 through September 2023, noncooperation with child support represented fewer than 5% of application denials in all but 1 month, and in 10 of the months in that period, it was not a top cause of denial resulting in no separate reporting of denials due to this reason. Beginning in calendar 2024, noncooperation with child support has grown as a cause of denials, increasing from 6% in December 2023 to 21% in August 2024. The share of denials due to this reason has stayed at 20% in each September and October 2024. **DHS should discuss factors contributing to the growth in application denials due to failure to cooperate with child support and efforts it is undertaking to increase cooperation to reduce denials due to this reason.**

**Exhibit 5**
**Share of TCA Application Denials Due to Noncooperation with Child Support**
**April 2021 October 2024**

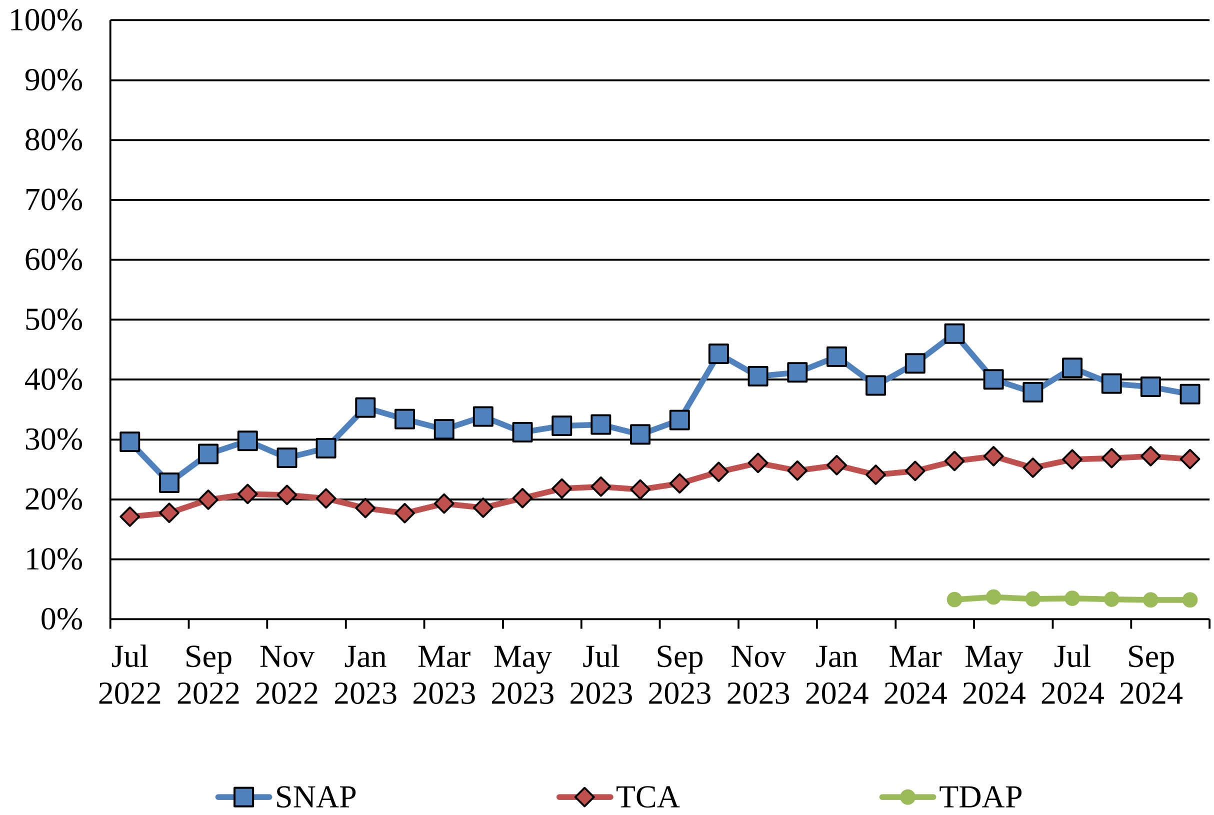



TCA: Temporary Cash Assistance

Source: Department of Human Services; Department of Legislative Services

As shown in **Exhibit 6**, income being too high is a common reason for denial for both SNAP and TCA. It is a less common cause of denial for TDAP, and since January 2022, has been a top cause in only the months of April through October 2024 (around 3% to 4% of denials). Income-related reasons have led to more than 30% of application denials for SNAP in each month since January 2023 and 40% or more of denials in 5 of the 10 months of available data in calendar 2024. Income-related reasons represent a lower share of denials for TCA but exceeded 20% of denials in each month since June 2023 and have represented 27% of denials in each month between July and October 2024.

**Exhibit 6**
**Income-related Reasons as a Share of Application Denials**
**July 2022 through October 2024**

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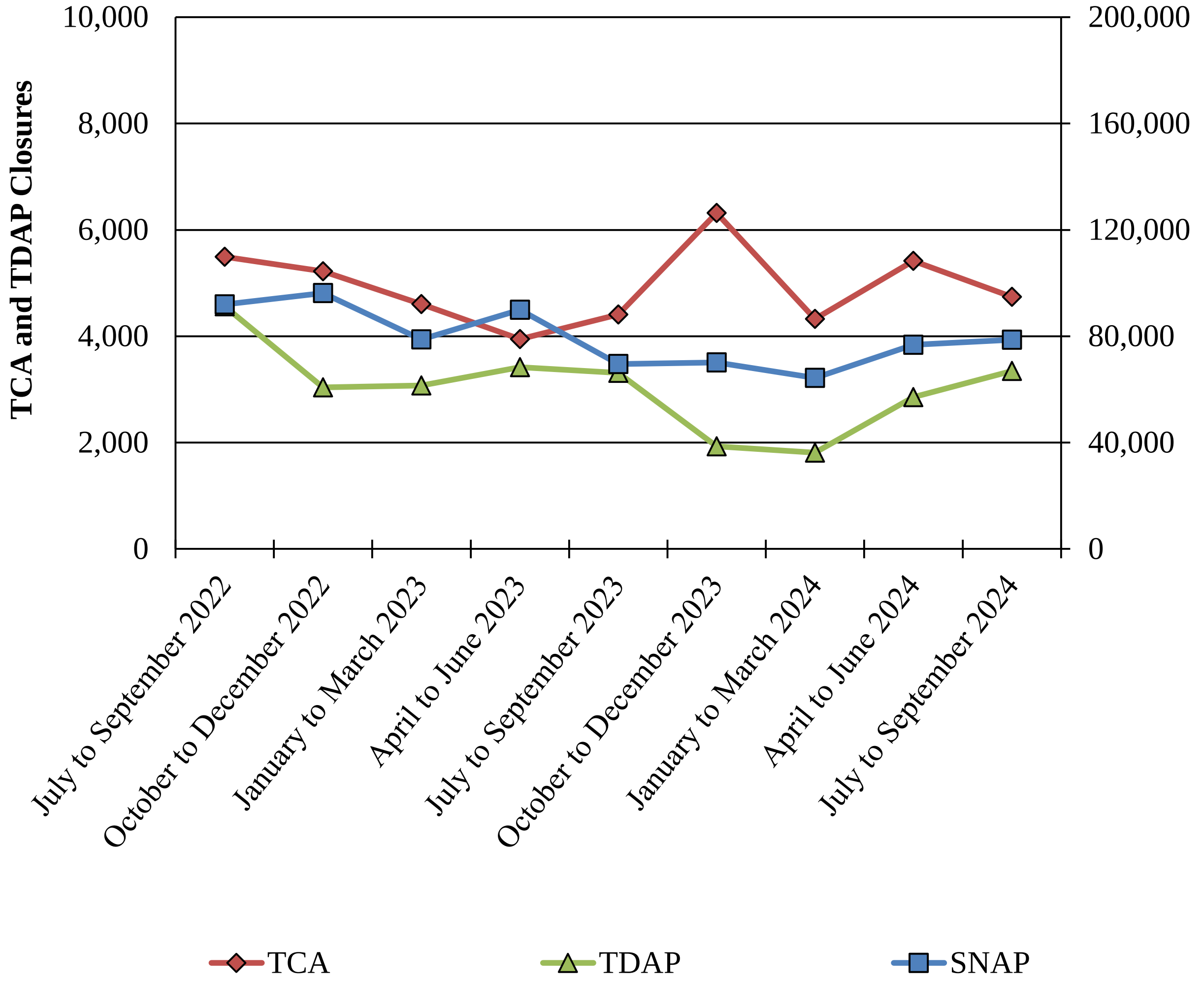
TDAP: Temporary Disability Assistance Program

Source: Department of Human Services; Department of Legislative Services

## 3. Reasons for Case Closure

Recertifications for benefits were extended for most of the period from April 2020 through December 2021, though there were brief periods in which recertifications were required while the department was awaiting approvals for additional waivers. Recertifications for the programs began in January 2022, and by March of that year, case closures each month began to substantially increase. The initial spike in closures generally lasted through June 2022 before beginning to level out. **Exhibit 7** provides information on case closures by quarter for the period beginning after the end of the initial spike in closures through September 2024.

**Exhibit 7**
**Case Closures by Program Per Quarter**
**July 2022 through September 2024**




SNAP: Supplemental Nutrition Assistance Program
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TDAP: Temporary Disability Assistance Program

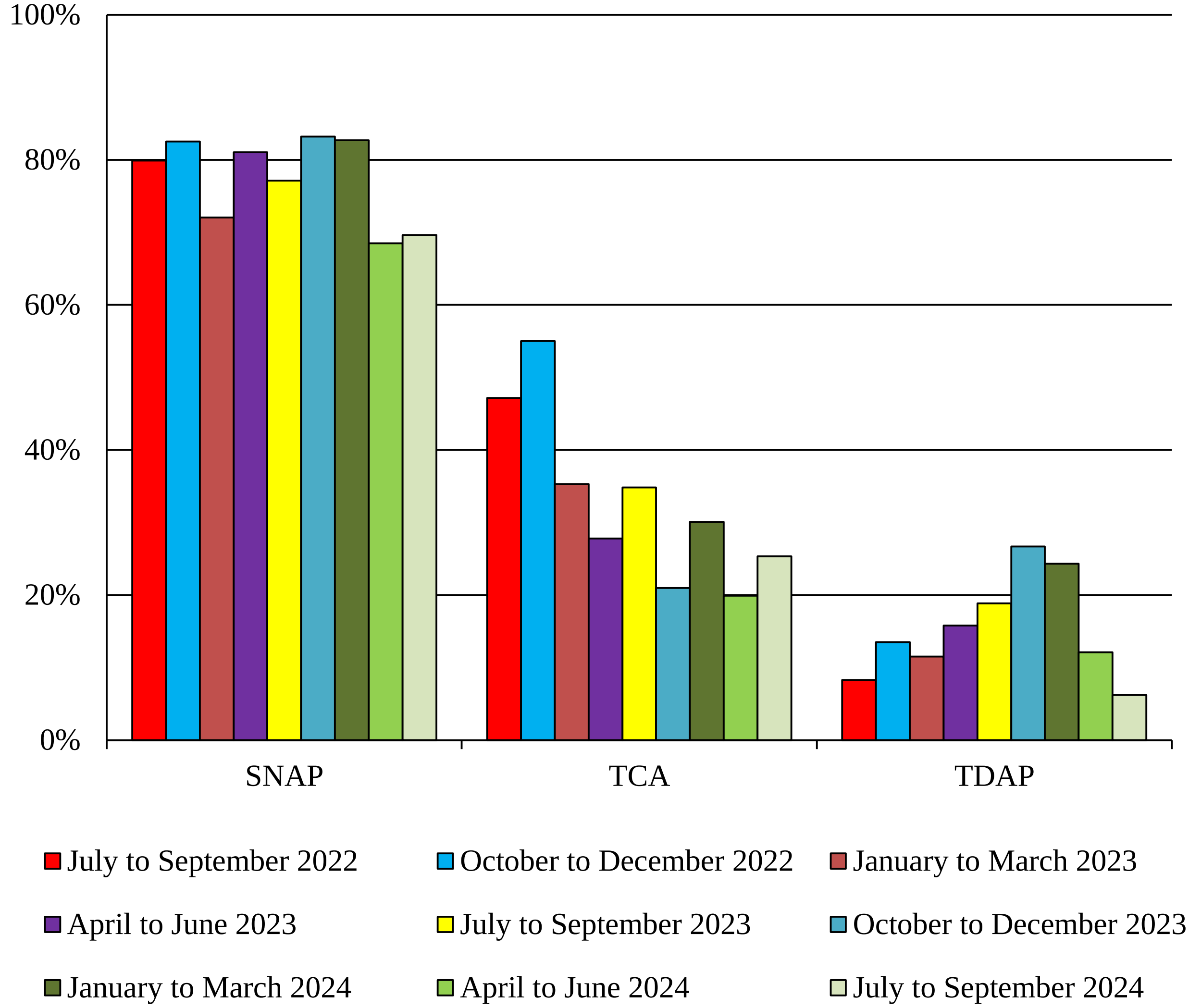
Source: Department of Human Services; Department of Legislative Services

As shown in Exhibit 7, although the number of case closures for SNAP declined substantially, the period from July 2022 through June 2023 was elevated compared to the most recent year of available data. Quarterly closures were near or above 80,000 over that period, while in the most recent year, closures were near or below 70,000 in three of the four quarters. Closures have increased to the highest levels in this period in the last two quarters. This spike was driven by closures related to ABAWD requirements, for which closures due to reaching the time limit had been suspended during the national PHE, and use of discretionary exemptions prevented closures for approximately a year after the end of the PHE. Beginning in June 2024, discretionary exemption use has been limited, though some jurisdictions continue to receive waivers from the requirements. ABAWD-related requirements and closures are discussed more fully in Issue 4 of this analysis. In similar fashion, TDAP closures by quarters declined further after that initial elevation following the restart of recertification. Fewer than 2,000 cases were closed in the two quarters from October 2023 to March 2024 before spiking again in the most recent two quarters of available data.

In contrast to TDAP and SNAP, TCA closures actually peaked post recertification in the second half of calendar 2022 and have shown more quarter to quarter variability.

As shown in **Exhibit 8**, failure to reapply/recertify has been the predominant cause of SNAP closures through the July 2022 through September 2024 period. Greater than 70% of closures were due to this reason in all quarters during this period, except the most recent two quarters, which have been impacted by the ABAWD closures. The share of closures due to failure to reapply/recertify are lower for TCA but still represent a substantial share of closures. The share of TCA closures due to this reason has generally declined over time but varies substantially quarter to quarter. During most of the period, the share of case closures due to the failure to reapply was the lowest for TDAP. After increasing to over 20% of closures from October 2023 to March 2024, the share of TDAP closures due to failure to recertify/reapply declined to its lowest levels in the most recent quarter. Although the rates of case closure due to this cause appear to be high, particularly for SNAP cases, which could indicate challenges in the recertification process, the Department of Legislative Services (DLS) notes that some recipients may choose not to reapply because the individual/household believes that they are no longer eligible due to age or another circumstance.

**Exhibit 8**
## Share of Case Closures Due to Failure to Reapply by Program Per Quarter
**July 2022 through September 2024**

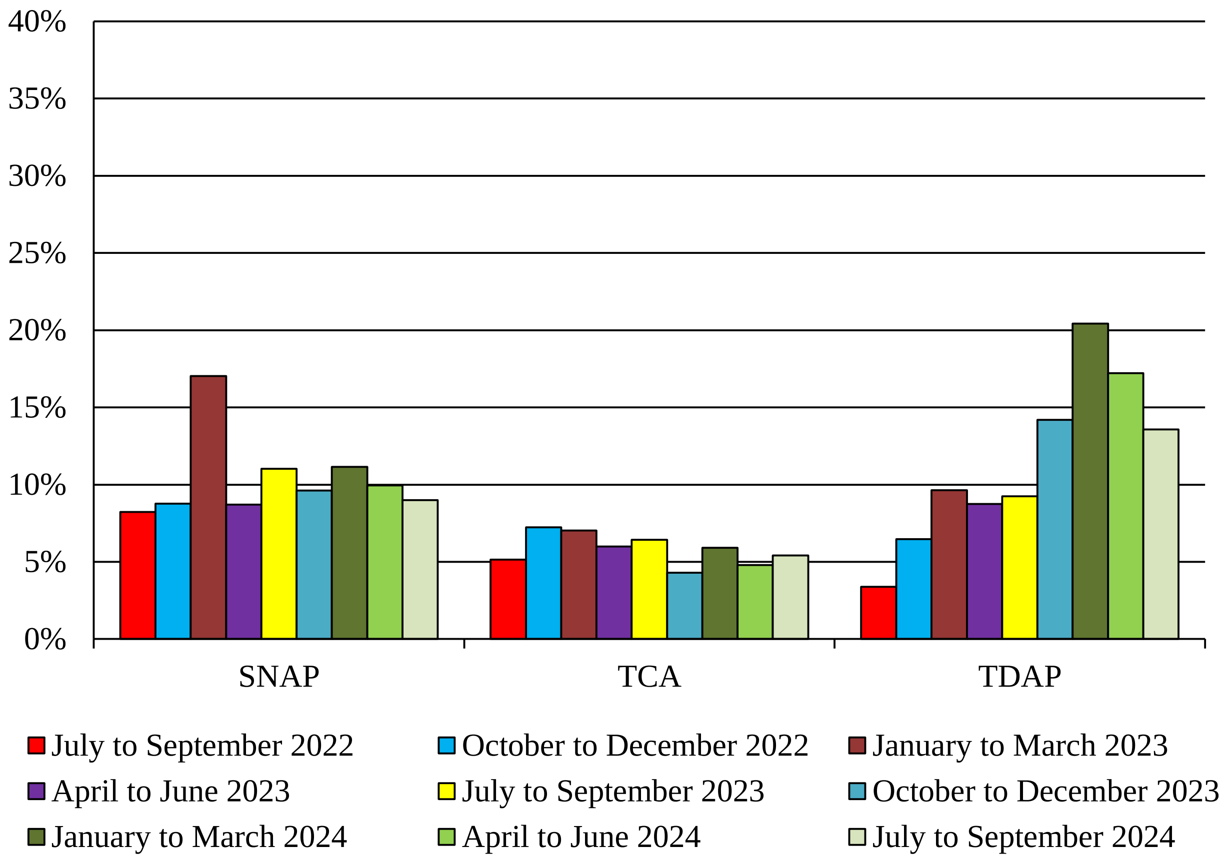



SNAP: Supplemental Nutrition Assistance Program
TCA: Temporary Cash Assistance
TDAP: Temporary Disability Assistance Program

Source: Department of Human Services; Department of Legislative Services

As shown in **Exhibit 9**, the share of case closures due to income has generally trended upward for TDAP in recent quarters. During fiscal 2023, the share of TDAP closures due to this reason was consistently under 10% before increasing to 20% of closures in January to March 2024. Although the share of closures due to income decreased in the subsequent two quarters for TDAP, at 13.6%, it is still 4.4 percentage points above the same period in the prior year.

**Exhibit 9**
**Share of Case Closures Due to Income-related Reasons by Program Per Quarter**
**July 2022 through September 2024**




SNAP: Supplemental Nutrition Assistance Program
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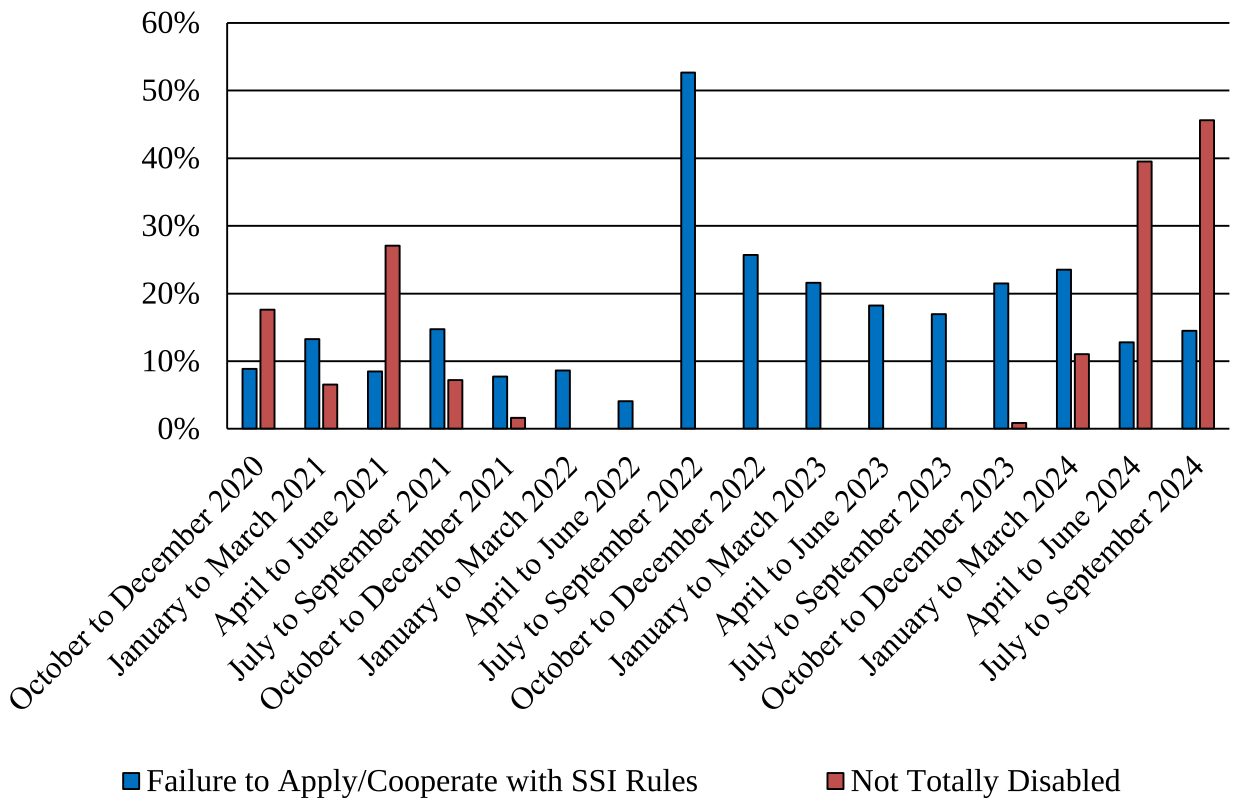
TDAP: Temporary Disability Assistance Program

Source: Department of Human Services; Department of Legislative Services

As noted earlier, TDAP has additional program requirements that also lead to substantial shares of case closures at times, including requirements related to disability status. Due to a change in its reporting of closure codes with the transition in eligibility systems, DHS was not able to report on the number of case closures due to disability status from the period December 2021 through October 2023. As shown in **Exhibit 10**, the share of case closures for this reason exceeded 45% in the most recent quarter. The other additional TDAP specific set of factors in case closures are related to SSI/SSDI, particularly noncompliance with the process. As with application denials, this includes both failure to apply and cooperate with SSI as well as failure to complete the forms needed to allow for reimbursement to the State for benefits paid during the approval process. Failure to apply or cooperate with the SSI/SSDI process spiked in the quarter including July through September 2022 to more than 50% of closures. Following that spike, the share of closures due to this reason has fluctuated but generally been below 30%. **DHS should discuss cause of the recent increase in closures related to disability status.**

**Exhibit 10**
**Select Causes of TDAP Case Closures by Quarter**
**October 2020 through September 2024**




SSI: Supplemental Security Income
TDAP: Temporary Disability Assistance Program

Source: Department of Human Services; Department of Legislative Services

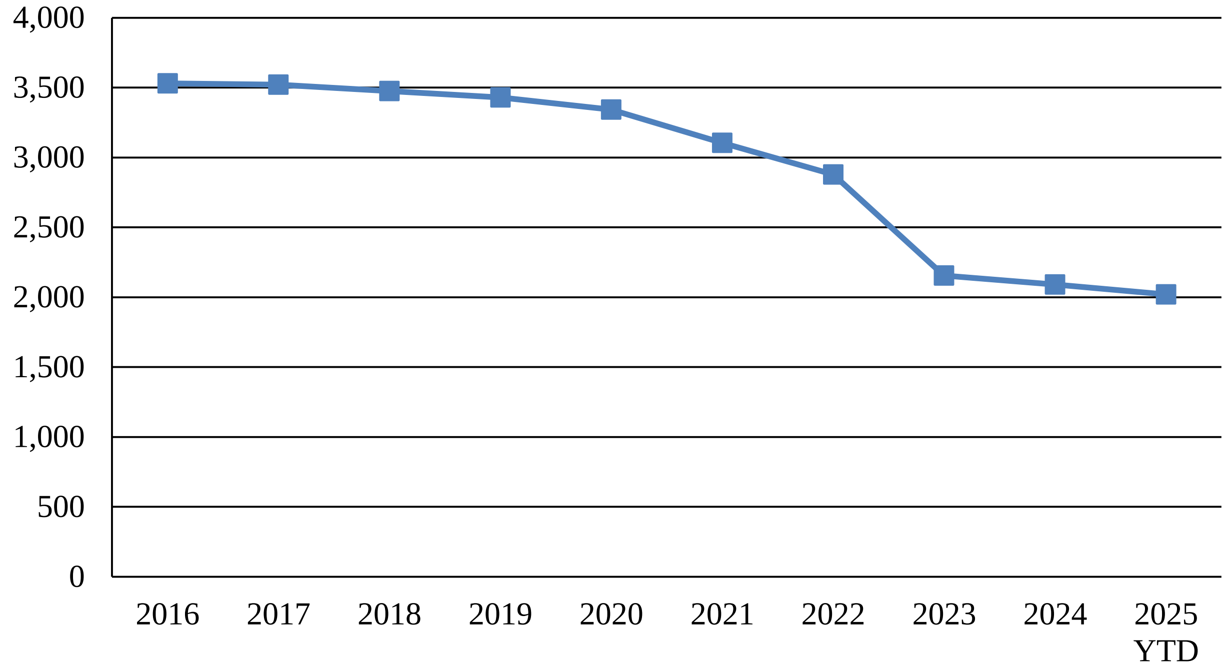
Failure to provide all required verifications or cooperate with the eligibility process is a primary cause of case closures for TCA. The share of case closures due to this reason exceeded 40% in three of the nine quarters between July 2022 and June 2024. However, after the quarter ending September 2023, the share of closures due to this reason has been generally lower and was just under 25% of case closures in two of four most recent quarters of completed data. Failure to provide verifications or cooperate with eligibility is a much lower factor in case closures for SNAP and TDAP. For example, in the most recent quarter, it was listed as a reason for 7.4% of SNAP case closures and 8.7% of TDAP case closures.

## 4. Public Assistance to Adults Caseload Decline and Reasons for Case Closure

The PAA program provides a monthly benefit to assist individuals in certain types of living situations: (1) Certified Adult Residential Environment (CARE) – an alternative to institutional care that is similar to foster care for adults, involving supervised residential living; (2) MDH rehabilitative residences for individuals recently discharged from State psychiatric hospitals; and (3) assisted living. Individuals must have a verified need for a protected living arrangement and must be applying for SSI or SSDI. To be financially eligible for a benefit, individuals must not have assets exceeding $2,000, and countable income cannot exceed an amount set as allowable needs. Allowable needs vary by placement type and level of care within the CARE placements and are meant to account for cost of care and personal needs. For example, individuals in assisted living have an allowable need of $894 per month, while the highest level of care in a CARE facility has an allowable need of $1,376 per month. The personal needs allowance is $93 per month.

DHS generally offered the same flexibilities, including extensions on recertifications, to individuals receiving PAA as was provided to those individuals receiving SNAP, TCA, and TDAP. As a result, recertifications began for individuals receiving PAA also in January 2022. As shown in **Exhibit 11**, the average monthly number of individuals receiving PAA declined slightly from fiscal 2016 through 2019, a decline of approximately 100 recipients, or less than 1.5% per year. The average monthly number of recipients continued this slight decline in the period of fiscal 2020 prior to the start of the COVID-19 pandemic, with an additional decrease of 34 individuals. Despite the extension of recertifications, the pace of decline in recipients accelerated with decreases of more than 7% in each fiscal 2021 and 2022. In fiscal 2023, the pace of decline further accelerated, with a decrease in average monthly recipients of 25% compared to fiscal 2022. Although the pace subsequently slowed, the PAA caseload declined by 3% in fiscal 2024 and has declined by 3.4% through December 2024 in fiscal 2025. Overall, the average number of PAA recipients through December 2024 in fiscal 2025 (2,020) is 41.1% lower than fiscal 2019.

**Exhibit 11**
**Public Assistance to Adults Average Monthly Recipients**
**Fiscal 2016-2025 (through December 2024)**

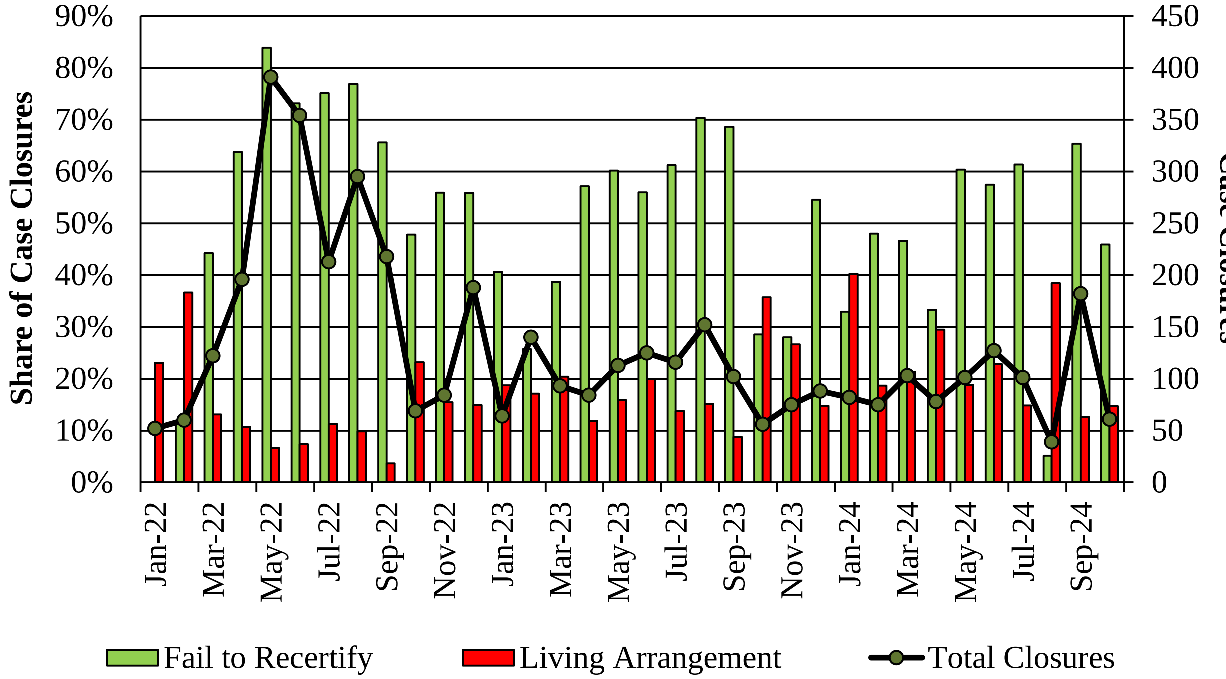



YTD: year to date

Source: Department of Human Services

Although some decline might be expected with the restart of recertification, the rapid decline is of concern, as this caseload had not experienced significant changes in the years prior to the pandemic and, while slowing, the pace of decline remains higher than pre-pandemic levels. As with other public assistance cases, the reasons for case closure vary, but the two primary causes of case closure in most months (with the revised data) are failure to recertify and failing the living arrangement requirements. As shown in **Exhibit 12**, in more than half of the months between January 2022 and October 2024, more than half of PAA case closures have been due to failure to recertify, peaking at 84% in May 2022. After initially representing more than 20% of case closures in the initial months of recertification, failing the living arrangement as a reason for case closure declined in subsequent months. However, this cause has generally been higher since October 2022 and in 5 of the 10 months from January to October 2024, more than 20% of closures were due to this reason.

**Exhibit 12**
**Public Assistance to Adults Reasons for Case Closure**
**January 2022 through October 2024**




Note: Data has been revised since the information presented in the 2024 session, based on revised data provided by the department which recategorized case closures by reason.

Source: Department of Human Services; Department of Legislative Services

## Fiscal 2024

As discussed further in Issue 1 of the N00 – DHS Overview analysis, the department reverted $64.3 million in general funds and canceled $534,550 in special funds from the Assistance Payments program in error. In addition, even if these funds had not been reverted and canceled in error, the department did not have sufficient appropriation to cover all the benefit payments. The department did not report this overexpenditure to the Comptroller of Maryland as required. The fiscal 2026 budget includes two proposed deficiency appropriations to support fiscal 2024 expenditures in the program including one totaling $72.3 million, of which $71.7 million is general funds. As part of the closeout errors, DHS had reported a higher amount of federal fund expenditures than it had intended. The remaining fiscal 2024 shortfall of $18.1 million was resolved by restating fiscal 2024 expenditures using a portion of the higher than needed federal fund expenditures reported to the Comptroller of Maryland.

In addition to the reversions in error, DHS reverted $162,517 in general funds from the Director's Office in FIA. Of this amount, $100,000 was required to be reverted, as these funds were restricted pending the resolution of repeat audit findings for which the criteria for release was not met. In May 2024, OLA submitted a report on the status of the repeat audit findings indicating that the department had resolved only one of the five repeat findings included in the fiscal compliance audit released by OLA in October 2022. As the language requires the resolution of all repeat findings, the funds were not authorized to be released. **DLS recommends adding language restricting funds pending resolution of the repeat audit findings consistent with a request of the Joint Audit and Evaluation Committee.**

## Fiscal 2025

### Cost Containment

Language added by the General Assembly to the fiscal 2025 Budget Bill restricted the $950,000 in general funds for a grant for a nonprofit association that advocates on behalf of Community Action Agencies (CAA) and partnering organizations to support the transition of CAAs and other community organizations to a two-generation model of service delivery. As part of the cost containment actions approved by the Board of Public Works on July 17, 2024, this $950,000 in general funds was deleted.

### Implementation of Legislative Priorities

Section 21 of the fiscal 2025 Budget Bill added a total of $1,325,000 to the Office of Grants Management for four grantees. As of January 3, 2025, DHS reported that it has made progress on completing grant agreements for each of the grantees; however, only one of the grantees has reached a stage where an invoice for payment has been submitted. The status of the grant agreements as of that date are:

- $500,000 for the Maryland Food Bank – grant agreement pending with the department's procurement office;

- $500,000 for the Capital Area Food Book – signatures being obtained prior to sending the department's procurement office;

- $250,000 for A Wider Circle – grant agreement is pending review by the Attorney General's Office; and

- $75,000 for Lighthouse, Inc. – an invoice was submitted for payment on December 16, 2024.

The fiscal 2026 allowance does not continue funding added in Section 21; however, the Maryland Food Bank and Capital Area Food Bank receive funding through other grants and programs.

## Proposed Deficiency

The fiscal 2026 budget includes 12 proposed deficiency appropriations for FIA totaling $112.8 million, including $77.2 million in general funds, $37.6 million in federal funds, and a decrease of $2.0 million in special funds. As noted previously, approximately $72 million of these proposed deficiency appropriations relate to fiscal 2024 costs; excluding those, the proposed deficiency appropriations to cover fiscal 2025 costs total $40.5 million, of which $37.6 million is federal funds, $5.5 million is general funds, and special funds decrease by a total of $2.6 million. Approximately $20.4 million of these proposed deficiency appropriations align funding in the Assistance Payments programs with anticipated expenditures including:

- $14.5 million for TDAP primarily due to higher-than-expected caseloads as well as lower expected special funds from the federal reimbursement for approved SSI/SSDI cases;

- $10.2 million for TCA primarily due to higher-than-expected caseloads as well as lower expected special funds from the child support offset;

- $5.7 million for the SUN Bucks program based on benefits provided in summer 2024 and anticipated needs for one month of summer 2025 benefits;

- decreases totaling $8.4 million in the cash assistance and SNAP Electronic Benefit Transfer (EBT) fraud replacement programs based on anticipated expenditures consistent with year-to-date experience; and

- a decrease of $1.7 million in the Supplemental Benefit for Seniors program based on anticipated expenditures, despite the increase in benefit level and eligibility changes in Chapters 374 and 375 of 2024.

Of the remaining proposed deficiency appropriations, $17.9 million are federal funds for MORA to support refugee support services and the refugee cash assistance program due to continued increases in the number of refugee and humanitarian immigrant populations resettled in the State. As a result, additional funding is required to support public-private partnerships that provide services under the program, as well as for Refugee Medical Assistance and Refugee Transitional Cash Assistance (RTCA) programs. Specifically, DHS reports an expected increase of 52% in the RTCA program. In addition, DHS reports the funds will support new social services programs including Chesapeake Refugee Support services (supporting an increase in humanitarian immigrants on the Eastern Shore) and the Afghan Support to School Impact program.

A deficiency appropriation of $2.7 million in federal funds will support fiscal 2025 contract levels for SNAP Nutrition Education ($1.4 million) and the Substance Abuse Treatment Program

($1.3 million). The remaining proposed deficiency withdraws $500,000 in the Local Family Investment Program due to lower anticipated overtime expenditures.

## Cash Assistance Benefit Levels

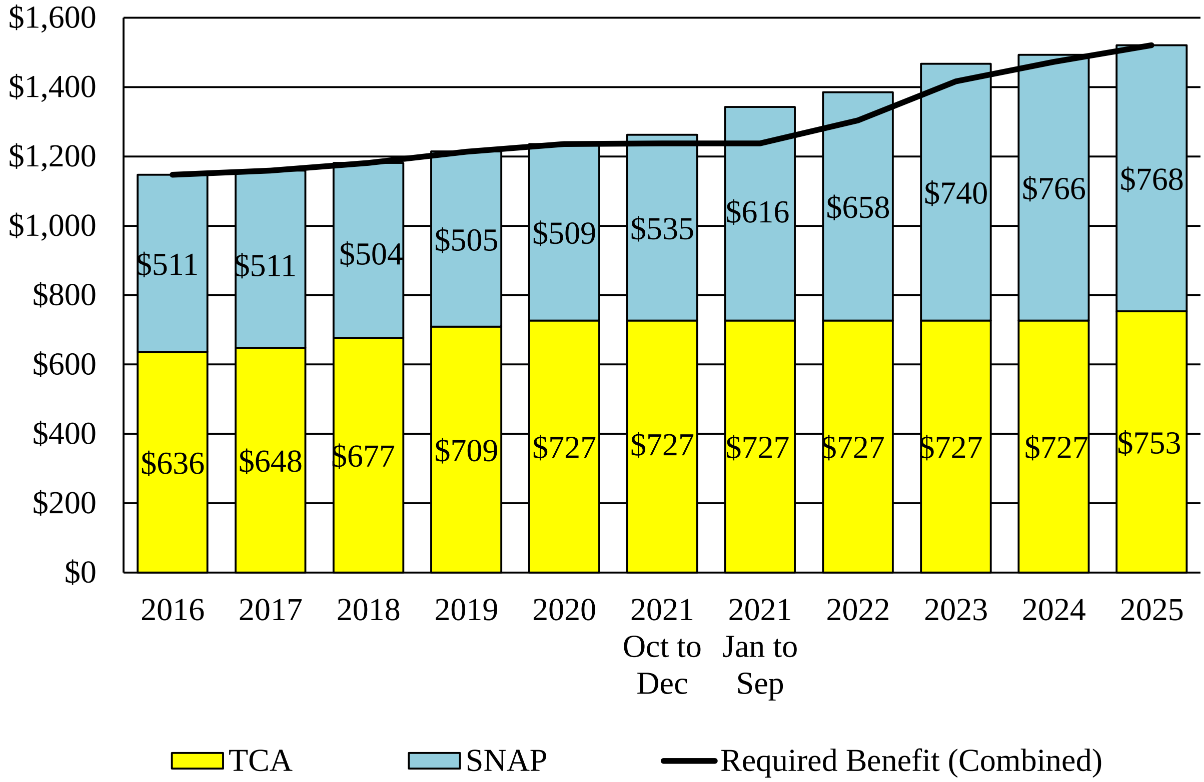
Section 5-316(a)(1)(i) of the Human Services Article requires the Governor to provide sufficient funding to ensure that the TCA benefit, when combined with the SNAP benefit, equals 61.25% of the MMLL. The statute allows the Governor to provide less funding than is required to meet this level if the Governor reports to the General Assembly on the reasons for the reduced funding.

Under the MMLL, TCA benefits each year are impacted by not only inflation, but the level of benefits set for SNAP each year by USDA. Chapter 408 of 2018 tied the TDAP benefit level to the maximum TCA benefit level for a one-person household. Although Chapter 408 provided a phased-in schedule for this increase so that it would reach the full one-person household level in fiscal 2027, in practice, the State has provided the full one-person household level of benefits to TDAP recipients since January 2022.

The MMLL calculation has been updated annually based on inflation for each federal fiscal year since federal fiscal 1980 except in federal fiscal 1981. Since fiscal 1995, the calculation has been based on a three-person household. The inflation update has historically been based on the May year-over-year change in the Consumer Price Index for All Urban Consumers (CPI-U). Historically, the calculation has been made in advance of the start of the federal fiscal year (October) coinciding with the change in the SNAP benefits as determined by USDA, which is the second component of the TCA benefit calculation under Section 5-316(a)(1)(i). This timing means that both changes go into effect October 1. In a break with historical practice, DHS did not calculate the update for federal fiscal 2025 until November 2024, submitted on November 20, 2024.

While benefits typically increase annually due to inflation, in some years, when SNAP benefit increases exceed inflationary increases, TCA benefits may not be required to increase to comply with statute. However, in other years, the increase may be higher than inflation, if the SNAP benefit increase does not fully cover inflation. A combination of factors, including low inflation early in the COVID-19 pandemic and a reevaluation of the Thrifty Food Plan upon which SNAP benefits are based plus higher than inflationary benefit increases, led to no changes in the TCA benefit in recent years. **Exhibit 13** provides a recent history of the MMLL level as well as the maximum TCA benefit under the required calculation and maximum SNAP benefit for a three-person household in recent years.

**Exhibit 13**
**Combined SNAP and TCA Maximum Allotments for a Household of Three Compared to the Required Percentage of the MMLL**
**Fiscal 2016-2025**




MMLL: Maryland Minimum Living Level
SNAP: Supplemental Nutrition Assistance Program
TCA: Temporary Cash Assistance

Note: Excludes a flat per recipient per month additional benefits provided to TCA recipients at various levels (most recently $45) in most months since January 2021, which is not part of the benefit calculation.

Source: Department of Human Services; *Welfare Rules Databook;* U.S. Department of Agriculture; Department of Legislative Services

On August 2, 2024, USDA released the maximum monthly allotment for SNAP benefits beginning October 1, 2024 (federal fiscal 2025). For a household of three, these benefits increased by $2 per month, from $766 to $768. The year-over-year inflation increase based on May 2024 CPI-U data resulted in a 3.3% increase. As a result, DHS calculated the maximum benefit for a three-person household in federal fiscal 2025 to meet the 61.25% of MMLL level would need to be $753. This amount represents a $26 per month increase in the maximum benefit for a three-person household compared to the federal fiscal 2024 level ($727). Although the calculation showed an increase in the benefit was needed to provide benefits at the 61.25% level, DHS reported in November 2024 that it would not be providing the benefit increase until January 1, 2025, and no retroactive benefits would be paid for the months between that date and the traditional date for increases in benefits (October). DLS notes that by delaying the benefit increase, households that receive the maximum TCA benefit level received $78 less than they would have over the course of October through December 2024. TDAP recipients received $11 per month less than they would have received during this period (a total of $33). DLS estimates that this reduced overall benefit payments by $1.46 million.

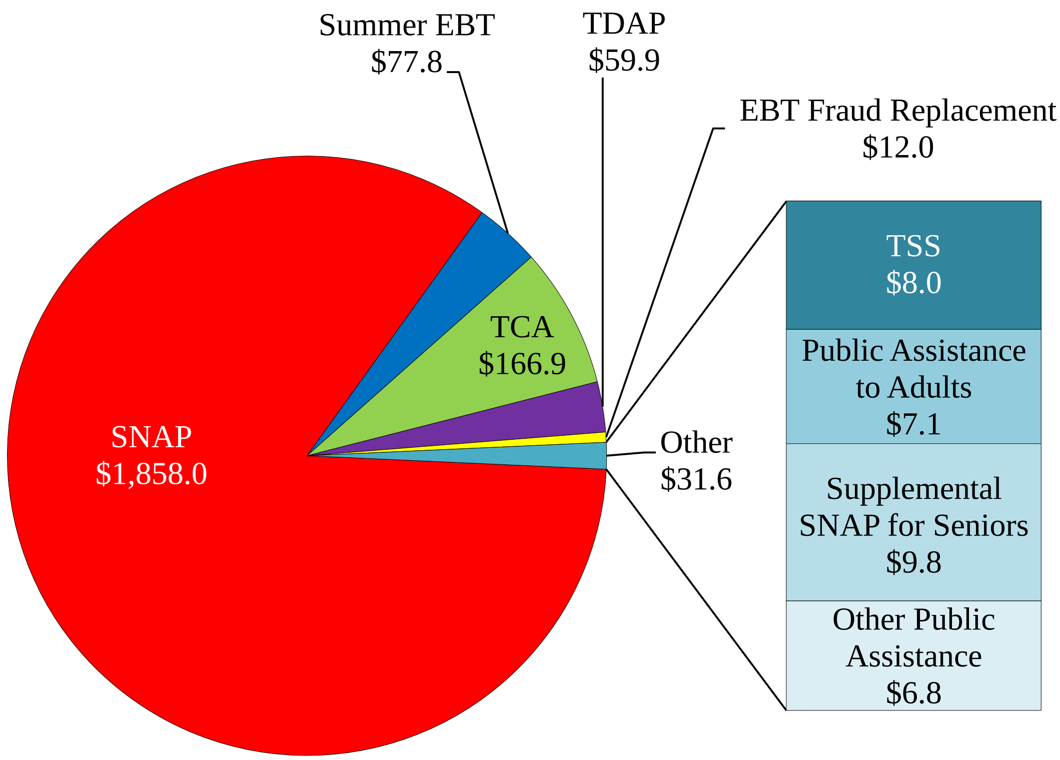
Monthly benefit data provided by DHS to DLS appears to confirm that TCA recipients received an increase in benefits consistent with DHS' stated intent to increase benefits for January 2025. However, the same monthly data does not show an increase in benefits for TDAP recipients. As of this writing, DHS has been unable to confirm whether TDAP recipients received a benefit increase. Although because State law does not require the department to provide a benefit equal to the one-person TCA benefit until fiscal 2027, the department could have chosen to not provide the increase for TDAP recipients without conflicting with statute. However, it would be a break in practice that began in January 2022, and the proposed deficiency appropriation for TDAP was provided at a level that was intended to support a benefit increase in addition to the higher caseload.

**DHS should discuss the cause of the delay in completing the calculation, and why, in a break from historical practice, it did not provide the benefit increase in October nor make the benefit increase retroactive to October. DHS should also discuss whether the increase in benefits was provided to TDAP recipients, and, if not, why the increase in benefits was not provided.**

## Fiscal 2026 Overview of Agency Spending

The fiscal 2026 allowance of FIA totals $2.6 billion. Approximately 84% of the fiscal 2026 allowance for FIA occurs in the Assistance Payments program, the program in which public benefits are budgeted. **Exhibit 14** describes the Assistance Payments spending by benefit type in fiscal 2026. The vast majority of this funding ($1.86 billion) is budgeted for SNAP, which comprises 84% of the Assistance Payments spending and 70.5% of the total FIA budget. TCA benefits are budgeted at $166.9 million and comprise 7.6% of the Assistance Payments spending, or 6.3% of the fiscal 2026 allowance of FIA. All other benefit programs account for 6.9% of the fiscal 2026 allowance.

**Exhibit 14**
**Assistance Payments Program Spending**
**Fiscal 2026 Allowance**
**($ in Millions)**

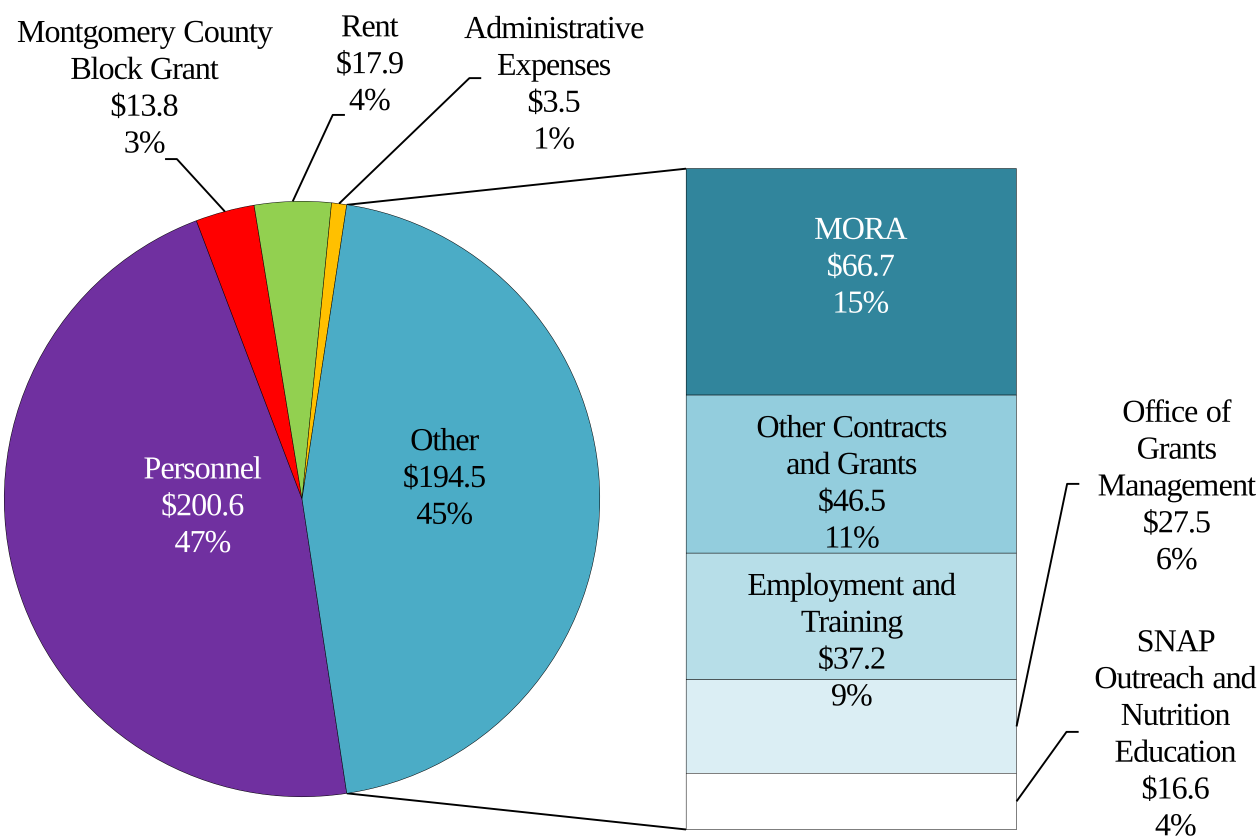



EBT: Electronic Benefit Transfer
SNAP: Supplemental Nutrition Assistance Program
TCA: Temporary Cash Assistance
TDAP: Temporary Disability Assistance Program
TSS: Transitional Support Services

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

As shown in **Exhibit 15**, excluding Assistance Payments, the fiscal 2026 allowance for FIA totals $430.3 million, of which approximately 46.6% is for personnel, including contractual employee payroll primarily in LDSS. Contracts and grants comprise approximately 48.3% of this spending. E&T-related contracts and grants, which include the SNAP E&T program, the Noncustodial Parent Employment Program, and the Work Opportunities Program under TANF, total $37.2 million, or 8.7% of non-Assistance Payments spending in FIA. Contracts and grants for MORA represent 15.5% of the non-Assistance Payments spending and totals $66.7 million. This program is almost exclusively funded with federal funds specific to supporting refugees and asylees. This program generally provides supportive services, including funding for refugee health screening, and organizations that provide the services. A portion of the refugee cash assistance program is also provided through this program. The budget continues for a third-year general funds first added for immigrant services resettled from other areas.

**Exhibit 15**
**Overview of Agency Spending**
**Fiscal 2026 Allowance**
**($ in Thousands)**




MORA: Maryland Office for Refugees and Asylees
SNAP: Supplemental Nutrition Assistance Program

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

Another significant source of grant spending ($13.8 million) is the Montgomery County Block Grant. Under State law, Montgomery County receives a block grant for child welfare, adult services, family investment, and administrative expenditures rather than operating like other LDSS. This allows the county the ability to offer higher pay and other flexibility. The State supports employees at a level comparable to what they would receive if they were State employees. Although the fiscal 2026 allowance includes funding for a 1% general salary increase and increments for State employees, the funding for the block grant is level compared to fiscal 2025.

Other contracts and grants total $46.5 million, or 11%, of non-Assistance Payments spending. Approximately $22.0 million of this funding supports the call center; in fiscal 2024, the expenditures in FIA for the call center were approximately $1.0 million. The call center also receives funding through other programs and administrations in the department. During the 2024 session, DHS indicated that the budgeting of the significant amount of funding for the call center in FIA was an error. However, while Supplemental Budget No. 2 to the fiscal 2025 budget moved a related deficiency appropriation, the fiscal 2025 funds remained in FIA. The fiscal 2026 allowance continues funding at the same level for the call center contract in FIA. DHS indicates that the funds will be realigned to the appropriate programs. The overall funding for the call center is discussed further in the analysis for N00A – DHS Administration. **DHS should discuss when this realignment will occur for fiscal 2025 and 2026.**

## Proposed Budget Change

As shown in **Exhibit 16**, the fiscal 2026 allowance decreases by $49.6 million, or 1.8%, compared to the fiscal 2025 working appropriation after accounting for proposed deficiency appropriations. Excluding proposed deficiency appropriations relating to fiscal 2024 costs, the fiscal 2026 allowance would increase by $22.7 million, or 0.9%, with the increase occurring almost exclusively among general funds ($23.1 million).

**Exhibit 16**
**Proposed Budget**
**DHS – Family Investment**
**($ in Thousands)**

| How Much It Grows: | General Fund | Special Fund | Federal Fund | Total |
|---|---|---|---|---|
| Fiscal 2024 Actual | $163,529 | $25,687 | $2,035,480 | $2,224,696 |
| Fiscal 2025 Working Appropriation | 347,756 | 11,867 | 2,326,428 | 2,686,051 |
| Fiscal 2026 Allowance | 299,140 | 11,698 | 2,325,651 | 2,636,488 |
| Fiscal 2025-2026 Amount Change | -$48,617 | -$169 | -$777 | -$49,563 |
| Fiscal 2025-2026 Percent Change | -14.0% | -1.4% | | -1.8% |

| **Where It Goes:** | **Change** |
|---|---|
| **Personnel Expenses** | |
| Salary increases and related fringe, benefits including the impact of filling vacant family investment specialists at higher salaries and the fiscal 2025 COLA and increments | $10,436 |
| Turnover expectancy decreases from 8.64% to 6.01% | 3,914 |
| Overtime | 174 |
| Workers' compensation | -6 |
| Employee and retiree health insurance | -6,435 |
| **Assistance Payments** | |
| Temporary Disability Assistance Program due to anticipated increase in benefits | 2,775 |
| Senior SNAP benefits due to annualization of change in eligibility and benefits in Chapters 374 and 375 of 2024 | 667 |
| Summer EBT program (known as SUN Bucks) | 500 |
| TCA due to anticipated increases in benefits partially offset by anticipated caseload decline | 160 |
| Deficiencies related to fiscal 2024 shortfalls for benefit payments | -71,714 |
| **Other Changes** | |
| Rent primarily for local departments of social services, particularly Baltimore City due to anticipated increased rent at lease renewal and mechanical system upgrades for one location and for Baltimore and Caroline counties to better align with lease costs | 8,754 |
| Refugee health screening, agreement with MDH, due to anticipated number of refugees resettled requiring a domestic health screening | 2,000 |
| SNAP Nutrition Education based on approved contract levels | 650 |
| Contractual employee health insurance | 171 |
| Funding to support a contract required under Chapter 506 of 2022, requiring an evaluation of the Family Investment Program, which was completed as required by October 1, 2024 | -241 |
| One-time legislative additions | -1,325 |
| Other | -45 |
| **Total** | **-$49,563** |

COLA: cost-of-living adjustment
EBT: Electronic Benefits Transfer
MDH: Maryland Department of Health
SNAP: Supplemental Nutrition Assistance Program
TCA: temporary cash assistance

Note: The fiscal 2024 actual expenditures reflect those reported to the Comptroller of Maryland but do not reflect actual expenditures, including overstating SNAP expenditures. 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.

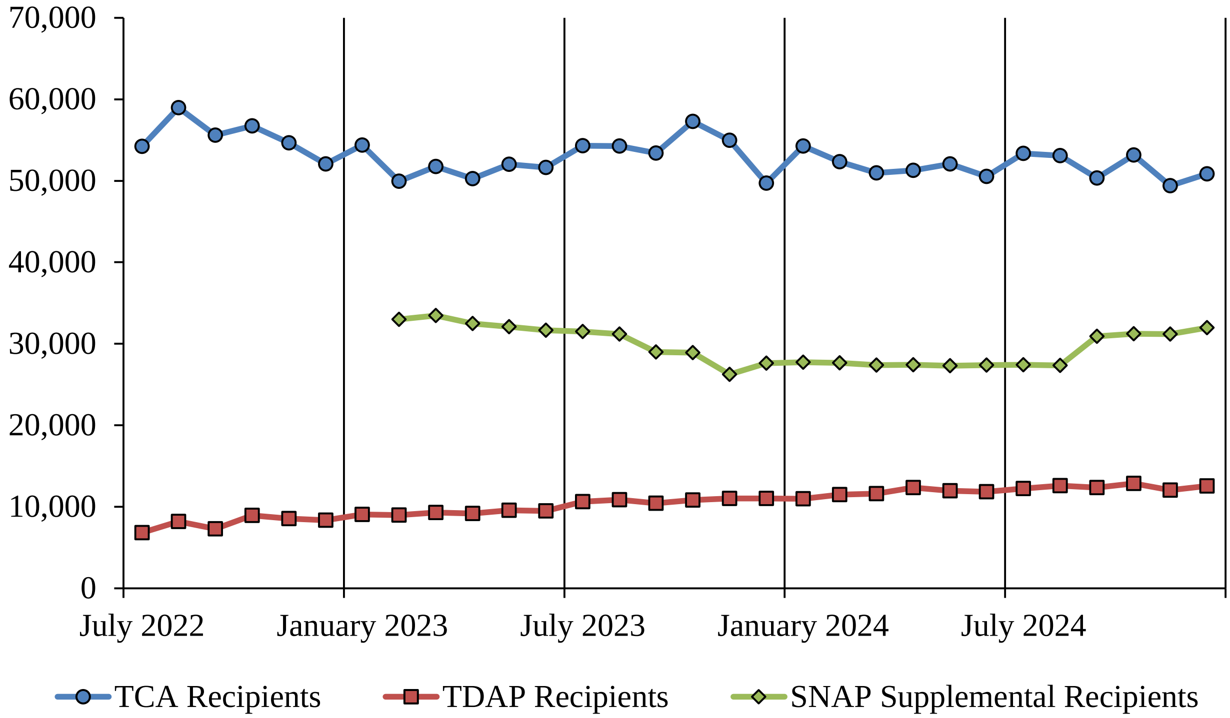
Excluding the Assistance Payments program, the fiscal 2026 allowance increases by $18.0 million. An increase of $8.8 million in rent is driven by an increase of $7.1 million in rent for the Baltimore City Department of Social Services. DHS notes that the lease for one location expires at the end of fiscal 2025, and in addition to the anticipated cost of a new lease, the increase accounts for an expected major mechanical systems upgrade.

## Caseload Changes

In the early months of the pandemic, caseloads for TCA and TDAP rose quickly, increasing by 81.9% and 47.2%, respectively, between February and June 2020. After peaking in June 2020, the caseloads began to decline due to a temporary end to an extension of recertifications in place at the beginning of the pandemic. The caseload for TCA began to stabilize after the restart of the extension on recertifications in fall 2020; however, the number of TDAP recipients continued to decline and was 41% below prepandemic levels in January 2021 primarily due to the reinstatement of certain program requirements and verifications that were difficult to obtain. Chapter 39 of 2020 required the reinstatement of certain TDAP cases and prevented case closures except in limited circumstances through June 2021. With the implementation of Chapter 39, the TDAP caseload returned to near prepandemic levels.

The extension on recertifications remained largely in place through December 2021; in January 2022, DHS began recertifying cases. The number of recipients declined by 15.5% between January and April 2022 due to the restart of recertifications. As shown in **Exhibit 17**, the number of TCA recipients since June 2022 has fluctuated month to month but has generally remained above 50,000. In calendar 2024, recipients ranged from a low of 49,408 in November 2024 to 54,240 in January 2024. The fiscal 2025 budget as introduced assumed recipients would decline to 50,000. As the number of recipients has increased, the proposed deficiency appropriation would support an average of 52,250 recipients. Although this is slightly higher than the year-to-date average (51,697), it is in line with the DLS forecast. The fiscal 2026 allowance assumes the number of recipients decreases by approximately 2.6%, and at 50,900, is slightly lower than the DLS forecast.

**Exhibit 17**
**Recipients by Program**
**July 2022 through December 2024**




SNAP: Supplemental Nutrition Assistance Program
TCA: Temporary Cash Assistance
TDAP: Temporary Disability Assistance Program

Source: Department of Human Services

TDAP recipients began declining leading up to the restart of recertifications due to lingering impacts at the end of the prohibition on case closures in Chapter 39. Between November 2021 and May 2022, the number of TDAP recipients decreased by 33.6% and was at historic lows in the program in June 2022 (4,630). However, as shown in Exhibit 17, the number of TDAP recipients has increased in most months from July 2022 through December 2024. Between June 2022 (the historic program low) and December 2024, the number of TDAP recipients increased by approximately 171%. The number of recipients in December 2024 (12,566) is approximately 6% higher than February 2020. The fiscal 2025 budget as introduced reflected the lower levels of recipients near the start of fiscal 2024 and therefore supported a much lower caseload than has occurred. A proposed deficiency appropriation would support 12,500 recipients, near the December 2024 level, which is slightly below the DLS forecast. Both the fiscal 2026 allowance and the DLS forecast assume a stable caseload for TDAP in that year.

Chapter 696 of 2016 created a supplemental benefit for households that include an individual who is at least 62 years old and receive a federal SNAP benefit of less than $30 per month. Chapter 324 of 2022 subsequently revised that level to $40 per month effective October 1, 2022. Chapters 374 and 375 further increased the level to $50 and altered eligibility to include households with individual at least 60 years old effective October 1, 2024.

From April 2020 through February 2023, emergency allotments were authorized by the federal government for SNAP recipients. Under the Emergency Allotments program, households received the maximum allotment for their household size. During the period of the issuance of emergency allotments, the Supplemental Benefit for Seniors program was effectively suspended, as no households received less than the amount in statute. Benefits began to be issued in the program once again in February 2023. In the first month of benefits, the number of recipients was just under 33,000 before generally declining through November 2023. The number of recipients stabilized around 27,400 until the implementation of Chapters 374 and 375. The number of recipients has increased to near 32,000 by December 2024, representing approximately 23% of SNAP recipients age 60 or older. Section 21 of the fiscal 2025 budget bill added $4.2 million to support the expansion of the program in Chapters 374 and 375; in combination with funding already available in the program, this appears to be more than needed to meet program demand, and a proposed deficiency appropriation reduces funding in the program. With this change, the fiscal 2025 budget would support approximately 30,330 recipients per month, slightly less than the DLS forecast. The fiscal 2026 allowance anticipates the annualization of the benefit and eligibility changes, and therefore, supports 31,000 recipients.

## Forecasted Expenditures Compared to the Budget

In general, as shown in **Exhibit 18**, the DLS forecast is in agreement with the funding provided in fiscal 2025 and the fiscal 2026 allowance for TCA, TDAP, and the Supplemental Benefit for Seniors program. Slight differences in the recipient counts are mostly offset by slight differences in benefit assumptions. The larger differences in the DLS forecast with the fiscal 2025 working appropriation and allowance occur in other benefit programs and more than offset slight shortfalls projected in TCA in both years and TDAP in fiscal 2025.

**Exhibit 18**
**Adequacy of General Funds for Benefits**
**Fiscal 2025-2026**

| | **2025** | **2026** |
|---|---:|---:|
| Temporary Cash Assistance | -$1,436,332 | -$170,160 |
| Temporary Disability Assistance Program | -615,951 | 363,261 |
| SNAP Supplemental Benefit for Seniors | 148,559 | 117,100 |
| EBT Fraud Replacement (Cash and SNAP) | 2,529,739 | -891,696 |
| Other Public Assistance | 2,838,284 | 2,838,284 |
| **Net Surplus/Shortfall** | **$3,464,299** | **$2,256,789** |

EBT: Electronic Benefit Transfer
SNAP: Supplemental Nutrition Assistance Program

Note: Other public assistance includes general funded emergency assistance and Public Assistance to Adults.

Source: Department of Legislative Services

The difference of $2.5 million in EBT fraud replacement in fiscal 2025 is primarily due to the higher availability of federal funds for SNAP EBT replacement, as federal funding remained available through December 20, 2024, while the budget assumes general funds are needed for three quarters of the years, rather than effectively two. The remaining difference is driven by the PAA caseload. As discussed in the Performance Analysis section, the caseload has declined substantially in recent years. Although the decline has slowed in fiscal 2025 year to date, based on year-to-date expenditures, the fiscal 2025 appropriation is nearly $3.0 million higher than needed. This difference continues into fiscal 2026. In combination, DLS projects surpluses of $3.5 million in fiscal 2025 and $2.3 million in fiscal 2026. As caseload trends have been somewhat uncertain, a modest surplus is appropriate.

## SNAP

The fiscal 2026 allowance levels funds SNAP benefits at $1.86 billion. The overall funding level substantially exceeds DLS estimates of SNAP benefits in both fiscal 2025 and 2026. Based on the DLS estimated benefit levels, the fiscal 2026 allowance would support approximately 452,000 SNAP cases. In fiscal 2025 (through December 2024), the average number of cases has been 382,035. **DLS recommends reducing the federal funds for SNAP by $200 million to better align with anticipated spending while leaving a surplus of approximately $150 million in the event of unexpected caseload growth.**

## *Personnel Data*

| | FY 24 Actual | FY 25 Working | FY 26 Allowance | FY 25-26 Change |
|---|---|---|---|---|
| Regular Positions | 1,917.30 | 1,917.30 | 1,918.30 | 1.00 |
| Contractual FTEs | 42.00 | 70.00 | 70.00 | 0.00 |
| **Total Personnel** | **1,959.30** | **1,987.30** | **1,988.30** | **1.00** |

***Vacancy Data: Regular Positions***

| | | |
|---|---|---|
| Turnover and Necessary Vacancies, Excluding New Positions | 115.29 | 6.01% |
| Positions and Percentage Vacant as of 12/31/24 | 145.80 | 7.60% |
| Vacancies Above Turnover | 30.51 | |

- The fiscal 2026 allowance reflects a net increase of 1 position in FIA; however, DHS reports that this is a technical correction to align the position with the funding.

- As of December 31, 2024, FIA had a vacancy rate of 7.6% (145.8) positions. This level of vacancy is slightly higher (9.8 positions) than December 31, 2023. Despite the higher level of vacancies, the fiscal 2026 allowance reduces the turnover expectancy from 8.64% to 6.01%. Although some level of decrease is appropriate, given the lower vacancy level in fiscal 2025 than its budgeted turnover in that year, the new lower rate is substantially lower than its current level of vacancies. As a result, DHS has approximately $2.4 million more in personnel funding for FIA than would be needed at this vacancy rate.

- The number of filled family investment specialist positions declined to 891 in June 2022 (80.1% of authorized family investment specialist positions). These positions bear the primary responsibility for eligibility determinations and other case management for public benefits programs. DHS undertook substantial efforts to improve recruitment and increase the number of filled family investment specialist positions beginning in fiscal 2022 and 2023, including using a portion of a SNAP administrative grant under the American Rescue Plan Act to hire contractual full-time equivalents (FTE) to assist in case processing (which had the opportunity to convert into regular State positions), altering education and experience requirements for these positions, and hiring of positions in these classifications at higher than typical levels. In general, there has been notable improvement in the number of filled family investment positions since that time. In December 2024, 94.7% of family investment specialist positions were filled. The number of vacant positions has decreased from 222 in June 2022 to 62.8 in December 2024. The number of vacant family investment specialists is 7.2 lower than December 2023.

# *Issues*

## 1. Voluntary Settlement Agreement

On October 10, 2024, the DHHS OCR announced a settlement agreement with Maryland related to protecting civil rights of persons with disabilities. Specifically, the focus of the agreement is under § 504 of the Rehabilitation Act of 1973 and Title II of the Americans with Disabilities Act and relates to protecting individuals with disabilities from discrimination on the basis of disability in the provision of benefits and services. The agreement requires DHS to take certain actions to ensure that Marylanders with disabilities applying for or receiving benefits from TANF-funded program or any other DHHS-funded human services programs providing financial and medical support receive appropriate accommodations and supports. DHS reports that OCR believes that the agreement covers all DHHS-funded programs, which would include those beyond the benefits through Assistance Payments such as Medicaid, child support, and energy assistance.

As part of the announcement, DHHS indicates that OCR received a number of complaints from both individuals and advocacy groups that alleged that DHS did not properly screen individuals for disability-related service needs or provide accommodations. In particular, the released settlement agreement covered 12 complaint files, covering periods from 2011 through 2022. According to the announcement, the investigation by OCR found systemic concerns including that (1) LDSS lacked a consistent approach for assessing disabilities and related modifications or accommodations for customers to participate in and meet requirements of the program and (2) a need for statewide policies and procedures related to providing reasonable modifications and accommodations as well as staff training, grievance procedures, and monitoring and oversight of compliance with these federal laws.

### Comprehensive Review

Chapter 506 of 2022 required DHS to hire a consultant to conduct a review of the Family Investment Program. The required report *Maryland TANF Program: A Comprehensive Review* was posted on the DHS website in October 2024. The review covered a number of findings and recommendations relevant to the settlement agreement. The relevant findings are discussed in the following.

As described in the comprehensive review completed under Chapter 506, LDSS have a choice of assessment tools. Assessment tools are used to identify employment barriers to assist in the development of Independence Plans. According to the comprehensive report, most jurisdictions (19) use the Online Work Readiness Assessment (OWRA), but some jurisdictions use tools developed in house. These assessment tools vary in terms of terms of length, questions asked, language used, and who is covered under questions. For example, the report indicates that some tools ask questions about family members but not all. In addition, the report noted that some assessments ask questions that may not be relevant to the program but may discourage customers from sharing information. The report also noted that some tools do not screen for reading, writing, and memory challenges, which may create barriers in employment, while the OWRA asks the most questions about substance use.

In addition, the report indicated that in fiscal 2023, only approximately 19% of the payees in cases in jurisdictions using the OWRA completed part or all of the assessment. The report found variations by race and ethnicity, language, citizenship status, and location in this figure. The report also noted that 33% of disabled payees completed part or all of this assessment, compared to 19% of nondisabled payees. The report also identified differences in completion for various parts of the assessment, for example, the percentage of payees completing questions about substance use was higher than other categories. In sum, the report stated that its "findings show that OWRAs are completed differently by subgroup, and notably, there are differences in which questions case managers ask payees (or payees complete). All payees should receive a comprehensive assessment to identify their skills and barriers to inform independence plans)." (p. 103-104)[1]

The report indicates that in fiscal 2023, of all adult recipients, 25% were assigned to a barrier removal code. The most common barrier removal code was family crisis; overall, 11% of all adult recipients were assigned to a disability-related barrier removal code. The report indicates that jurisdictions reported difficulty serving customers with disabilities. Customers with long-term disabilities (greater than 12 months) are required to apply for federal SSI/SSDI benefits. The wait times are long for these benefits. During this period, the individuals are still included in the calculation of the Work Participation Rate. The report also noted that LDSS staff identified difficulties in finding work activities for customers with disabilities. In particular, the report stated that the Division of Rehabilitation Services (DORS) was the primary referral historically for individuals with disabilities but that staff noted long wait lists for services have made the referral partnership challenging.

The report also discussed examples of potential inequities in the granting of good-cause exemptions for work requirements and hardship exemptions from the program time limit. For example, the report notes that the requirement to provide medical verification of disability may create a barrier to receipt of good cause. In addition, the report notes that at least one jurisdiction denies hardship exemptions to customers who apply for federal SSI/SSDI benefits close to their time limit. The report states a participant indicated that customers should not wait to apply for these benefits. However, TCA policy only requires customers to be cooperating with the process to be eligible, specifically stating, "[d]enying exemptions for disabled customers may be considered an inequitable application of hardship exemptions for those with disabilities." (p. 133).

The report included one specific recommendation related to customers with disabilities, which was to explore options for improving service delivery for these customers including options related to engaging in work activities, rebuilding relationships with DORS offices or developing other partnerships, and ensuring that these customers receive hardship exemptions when appropriate. However, another recommendation included a relevant subcomponent, to explore the

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[1] University of Maryland School of Social Work. *Maryland's TANF Program: A Comprehensive Review*. October 2024. https://dhs.maryland.gov/documents/Data%20and%20Reports/FIA/Other/2024%20Comprehensive%20TCA%20Review%20(H.B.%201041).pdf

impacts, benefits, or concerns with eliminating the requirement for medical verification of disability.

## Requirements of the Agreement

The settlement agreement requires a number of different actions by the department; most are based on certain times from the effective date of the agreement, which DHS reports was August 13, 2024. Some of the provisions of the settlement are discussed in the remainder of the issue.

### Notifications

DHS is required, within 90 days of the effective date of the agreement, to provide a general notice of the terms of the agreement and the availability of free assessments and evaluations of the need for reasonable modifications for current and potential participants, including those who previously received benefits and reapply. The notice must be provided in other languages. Specifically, the notice is required to:

- be posted on the department's website and social media throughout the monitoring period;
- posted in both the State and LDSS offices during the monitoring period; and
- be mailed to all those whose TCA cases were closed since July 1, 2021, under certain circumstances, particularly the closure code for noncooperation with eligibility and related to work sanctions.

Although the language of the agreement required the notice to be posted within 90 days of the effective date of the agreement on the department's website, DHS did not post the notice until February 3, 2025.

In regard to the requirement to provide notice to certain TCA cases, DLS has estimated the number of notices required to be mailed using reports submitted by the department under recent committee narrative requesting case closure information for TCA. In total, between July 2021 and October 2024, DHS reported 14,821 closures due to noncooperation with eligibility, which was 25.7% of all closures during that period. Data beyond this period is not yet available, so the total numbers of those who must be sent notices is unknown. During this period, few cases were closed due to work sanctions, due to suspensions of the work requirements and a change in State law that reduces benefits rather than closes cases for work sanctions. DLS is unable to estimate the number of cases that might be impacted by the reduced benefits. DHS reports that it will send the required notices by April 18, 2025. **DHS should comment on why the agency was delayed in posting the notice as required on the DHS website and the delays in sending the notices to the TCA recipients whose cases had closed. DHS should also discuss whether it has posted the notices at the LDSS offices as required.**

## Assessment Tools

The Secretary of Human Services is required to identify one universal assessment tool to be used by all LDSS that is capable of determining a customer's strengths and weaknesses, educational level, work history, job skills and readiness, interests, health (including if the customer has a disability including learning disabilities, cognitive, or behavioral health disorder) or other barriers to participation in program requirements. The new assessment, including any algorithms used in it, is required to be tested to identify biases. If biases are identified, steps are required to be taken to remove them. The new assessment is required to be identified within 120 days of the effective date and implemented within 180 days. As part of this requirement, DHS must have certain written procedures, which are to be submitted to OCR to review within 150 days, including:

- when the assessment is to be used;
- who will provide subsequent evaluations (if indicated by the initial assessment);
- when the evaluations are to be offered and certain documentation and notification if the evaluation is declined;
- instructions for storing the assessment and evaluation reports in the case record;
- instructions regarding how information from assessments and evaluations are to be considered in the Independence Plan, including incorporating all recommended accommodations or modifications within 30 days of receipt of the evaluation; and
- instructions related to sharing of the accommodations with vendors and work activity assignments, including monitoring to ensure services and accommodations are to be provided.

DHS indicates that it is currently evaluating assessment models used throughout the country. The department anticipates that after a tool is selected, it will undergo a policy review and be shared with LDSS for feedback and implementation. DHS anticipates the new assessment tool will be implemented in December 2025.

## Potential Costs

Additionally, DHS must modify the Enrollment and Eligibility (E&E) system within 180 days of the effective date to have (1) a field on the first observable screen and made prominent by an alert when an individual has disability requiring an accommodation; (2) fields to identify the disability and details of accommodations; (3) an alert on certain screens to prompt a call when certain notifications are required for individuals requiring oral notification or who need appropriate language services; (4) a method of tracking types of disabilities and reasonable accommodations; and (5) an alert to contact the customer to determine whether an accommodation is needed when customers with disabilities requiring accommodations are scheduled to have benefits terminated or reduced.

DHS indicates that the required changes will be implemented throughout calendar 2025. As of December 15, 2024, DHS indicates that the cost of the modifications has not yet been calculated. **DHS should discuss the timeline for determining the cost of the changes and how these costs will be covered within its fiscal 2025 and 2026 budgets.**

Two additional portions of the settlement agreement could create a potential cost liability for DHS: (1) reviews of the cases that were the basis of the agreement; and (2) cases that are required to be notified of the agreement and the availability of assessments/evaluations and the right to appeal. DHS notes that any potential liability could be paid for with TANF, though DLS notes that limited balance remains of TANF as discussed in the analysis for N00 – DHS Overview. DHS indicates that it has preliminarily reviewed the 12 cases that were the basis for the agreement but, in conjunction with DHHS, has determined that a reassessment is required after the new assessment tool is implemented. In addition, as individuals are notified of the right to appeal the case closure or sanction, it is possible that DHS may be required to reopen cases and/or issue retroactive benefits for periods of underpayment due to sanctions or case closures if the department loses appeals that are filed. As the notifications have not yet been sent, it is unclear how many cases are impacted and how many notifications will result in an appeal. DHS states that it cannot yet estimate the potential cost of these underpayments. **DHS should discuss the number of individuals expected to provide notification, the timeline for appeals after the notifications are sent, and the timeline for issuance of any benefits related to underpayment if appeals are lost. DLS also recommends restricting funds pending a report on the number of notifications sent, the number of appeals filed, the number of appeals lost, the dollar value of benefits required due to lost appeals, the timeline for providing these benefit issuances, as well as other status updates on the agreement.**

### Monitoring and Other Requirements

DHS is required to develop a tracking system to collect and analyze data to monitor the program within 180 days of the effective date. Specific data to be tracked include:

- the number of customers assessed, found to have a disability in the assessment and offered an evaluation, agreed to the evaluation, and completed the evaluation;

- the number of customers identified with disabilities, the activity to which the customer was referred, accommodations implemented, whether the customer was successful in the program, and employment outcomes (if available);

- customers being sanctioned including their disability status and data on whether the disability contributed to noncompliance;

- vendor compliance, including copies of procedures for providing reasonable modifications and documentation of vendor workforce training on federal civil rights;

- vendor documentation of the number of participants with disabilities being served, accommodations implemented, and the status in TCA work activity; and

- data supporting whether the universal assessment tool and evaluation reports are being used consistently and are adequate, whether the tool is resulting in any biases, and whether assistance provided by DHS is meeting the needs of customers with disabilities so they are in compliance with Independence Plans.

Other provisions require activities such as designating a compliance coordinator, updating regulations and policy manuals, completing a self-evaluation annually, revising the existing grievance process to include federal civil rights complaints/grievances and implementing corrective actions, and providing ongoing training.

The settlement agreement is to remain in effect for three years or OCR's written acceptance of the final required quarterly report (whichever is later). Under the terms of the agreement, if OCR determines that DHS has failed to substantially comply with any provision in the agreement after following certain steps, OCR could terminate the agreement and take additional measures, including reopening the investigation into the cases, and any other remedies available under the federal law. These remedies could include an enforcement proceeding to terminate federal financial assistance to the department.

## 2. TCA Case Closures Due to Time Limit

Federal law prohibits cases headed by an adult from receiving TANF-funded cash benefits for more than five cumulative years. However, federal law provides the option for exemptions to the time limit for hardship. Under this provision, 20% of caseloads receiving TANF-funded cash assistance from the previous year may continue to receive benefits beyond five years. Historically, DHS has granted hardship exemptions to all cases reaching the time limit, as the percentage of cases receiving the exemption was below the 20% limit. Therefore, few, if any, cases were closed due to reaching the time limit as the total number of individuals reaching the time limit remained below the 20% maximum.

### Fiscal Compliance Audit Finding

In October 2022, OLA released a fiscal compliance audit for FIA covering the period May 1, 2017, through May 31, 2021. Among the 10 findings was a repeat finding that FIA allowed recipients to continue receiving TCA benefits beyond the five years allowed by statute. OLA noted that State regulations require the case manager for a recipient to document the applicable reason(s) that a hardship exemption is granted. The case manager is also required to develop a plan, within 60 days after the hardship exemption is granted, designed to achieve independence by the recipient.

OLA noted that as of May 2021, 3,273 recipients had received benefits beyond the five-year limit. OLA tested 15 recipient case records from six different LDSS that had received benefits beyond the five-year limit and noted that there was not documentation of a hardship exemption for 9 of the recipients. Of the 9, 2 had been specifically recommended not to have a hardship exemption granted. OLA also noted that of the 15, 13 did not have a plan to achieve independence. OLA explained that the automated system did not automatically terminate benefits but that DHS was working on a feature to prevent an automatic extension without a hardship exemption and independence plan.

## Policy Change

To resolve the finding, but contrary to long standing practice of the department, DHS began closing cases reaching the time limit without a documented hardship exemption. The change in department policy was disseminated through an Action Transmittal in November 2019 (20-07). The policy transmittal describes that LDSS are to periodically review TCA cases to "make every attempt to prevent households from needing TCA beyond 60 months." As part of this, the LDSS is to:

- at between 42 and 48 months of receipt, issue a notice to the customer requesting an interview, during which the case manager will review the most recent assessment and independence plan and update each;
- at 58 months, issue a notice to the household to complete a face-to-face interview within 30 days; and
- at 59 or 60 months, the household is to complete the last interview, and the case would be closed if they do not. If the household does have an interview, the assessment and Independence Plan are to be updated, and the hardship exemption is to be completed.

The policy indicates that the hardship exemption should be granted only under certain conditions, such as facing significant barriers. If a hardship exemption is to be provided, the exemption form must be signed, and there must be documentation of the reasons why it was granted.

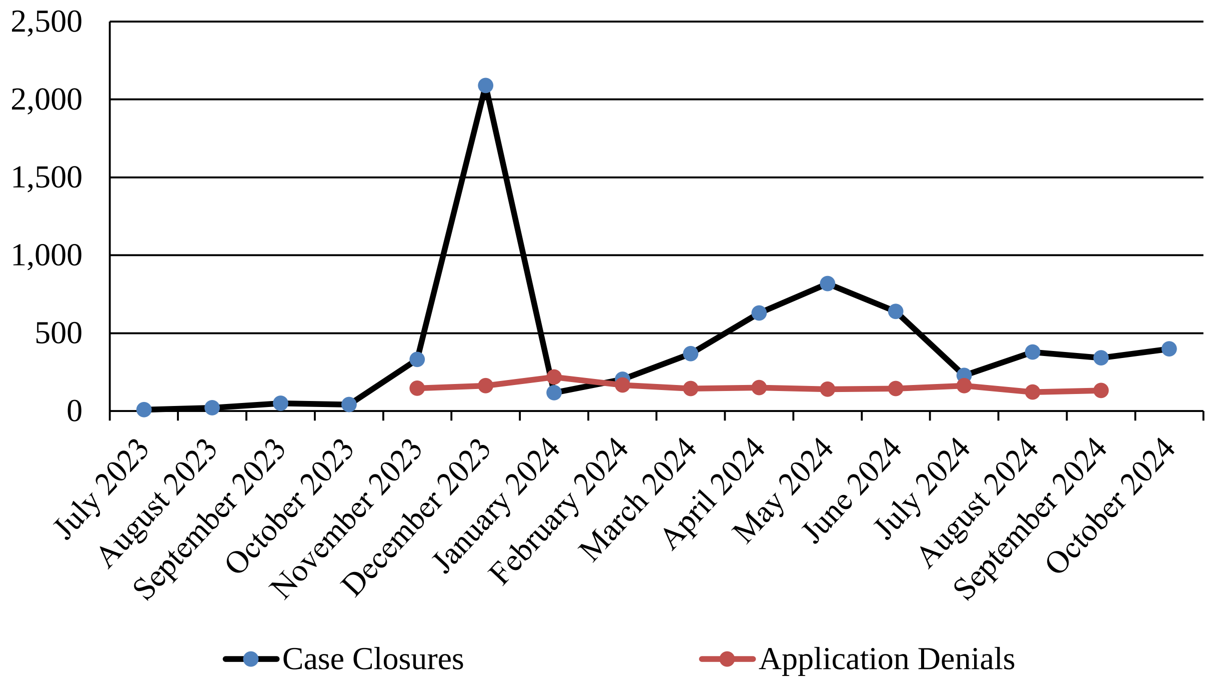
The comprehensive evaluation noted that LDSS generally follows this policy with limited differences by characteristics. However, it noted that there may be differences in the granting or denial of exemptions. As noted in Issue 1, the evaluation founds that at least one jurisdiction denies exemptions if disabled customers apply for SSI/SSDI benefits close to the time limit.

Although this change occurred in November 2019, there was not initially an increase in case closures due to reaching the time limit. Factors that likely impacted the delay were COVID-19-related flexibilities and the prior system not having a process to automatically close cases. Beginning in fiscal 2024, however, a significant increase occurred in the number of cases closed due to this reason. Based on the submitted quarterly reports on case closures, in State fiscal 2024, 5,316 cases were closed due to this reason, representing 26% of all closures during this period. Of these case closures, 2,090 closed in December 2023 alone. In State fiscal 2025 (through October 2024), 1,345 cases have been closed due to reaching the time limit, for a total of 6,661 across the two years. As shown in **Exhibit 19**, prior to November 2023, 50 or fewer cases were closed each month due to this reason; however, after that date, 8 months had greater than 300 cases closed due to this reason. During federal fiscal 2024, DHS reports an average of 1,626 cases remained open with receipt greater than 60 months. However, overall, the number of cases remaining open greater than 60 months was lower at the end of the fiscal year (1,461 in September 2024) than at the beginning (2,084 in October 2023).

**Exhibit 19**

**TCA Case Closures and Application Denials Due to 60 Month Time Limit**

**July 2023 through October 2024**




TCA: Temporary Cash Assistance

Note: The Department of Human Services only reports the top reasons for denial; months with no data could mean either that there were no denials due to that reason or that it was not a top reason.

Source: Department of Human Services; Department of Legislative Services

In addition to an increase in case closures due to this reason, application denials due to having reached the time limit became one of the top reasons for denial in November 2023 and were a top reason for denial in each subsequent month except October 2024 (the most recent month of data available). More than 100 applications were denied due to this reason in each month of this period. From April 2021 (the earliest data available to DLS) until November 2023, this cause had not been reported as a top reason for denial in any month.

## 3. Summer Food Benefits for Children

The federal Consolidated Appropriations Act of 2023 authorized a new optional nationwide permanent Summer EBT program, now known as SUN Bucks, that began in summer 2024. The program is administered by USDA. In the initial year, the benefit was $40 per month per eligible child (a total of $120 for the three-month period), which will increase with inflation in subsequent years. The Act requires that states electing to participate:

- automatically enroll those eligible for FRPMs in the school year immediately preceding the summer without additional application;

- make an application available for others who were not eligible at that time; and

- develop procedures to allow households to opt out of receiving the benefit.

States must make an individual determination of eligibility, which can be determined through the existing National School Lunch Program (NSLP) application process or a separate application. Because of the requirement for an individual determination, those eligible for free lunches under the Community Eligibility Provision must separately apply to receive SUN Bucks unless the child receives certain other means-tested benefits that allow for a direct certification. To be eligible, children must be attending a school that participates in the NSLP and/or School Breakfast Program (SBP). However, children enrolled in a school that does not participate in NSLP/SBP may be determined eligible if they participate in SNAP, the state's TANF assistance program (in Maryland TCA), or certain other means-tested programs.

Households can establish eligibility at any time from the beginning of the school year immediately preceding the summer through the end of the summer operational period. Regardless of when during the period that the child is determined to be eligible, the child is to receive the full summer benefit. States are required to provide the benefit during the summer operational period and may provide either in a lump sum or in multiple issuances. Benefits remain available to households for only four months from the issuance.

States are required to submit a Notice of Intent to participate in the program by January of each year. In addition, states must submit an Interim and Final Plan of Operations. Maryland submitted the required notice and plans for summer 2024. In addition, DHS submitted the required notice and Interim Plan of Operations for summer 2025. The Interim Plan was approved by USDA on September 11, 2024, and DHS plans to submit the Final Plan of Operations by the deadline of

February 15, 2025. In total, in summer 2024, 37 states and the District of Columbia, along with five territories and two tribal nations, participated.

Committee narrative in the 2024 JCR requested that DHS submit a report on implementation of the program, including administrative costs, efforts to work with local education agencies (LEA) to implement the program, barriers or challenges faced in the implementation of the program, timing of benefit distribution, and the number of participants and dollar value of benefits. The report was submitted December 9, 2024.

## Collaboration with Other Agencies

DHS indicated that it worked with the Maryland State Department of Education (MSDE) to plan communications and outreach. In addition, DHS noted that MSDE worked with LEAs to collect necessary student data for performing direct certification at regular intervals. DHS explained that this enabled accurate data management, including tracking changes in enrollment status. DHS also developed data sharing agreements with the Maryland Health Benefit Exchange to assist in the direct certification process.

## Participation

DHS indicates that more than 99% of children receiving the benefit were automatically enrolled in the program without additional application. In addition, to children receiving FRPM, SNAP, or TCA, DHS stated that children who receive Medicaid, live in out-of-home care, or are unhoused or homeless also received benefits automatically. For those needing to apply separately, DHS created an online application.

Children who live in households that have an existing EBT card due to receipt of other benefits had benefits loaded directly onto this card. Other benefits were provided through a separate Maryland SUN Bucks card. Overall, DHS reported that 35% of eligible students received benefits on an existing EBT card, while the other 65% received through the separate card.

As shown in **Exhibit 20**, DHS reported a total of 594,287 children received benefits, with total benefit issuances of $71.5 million, for summer 2024. Generally, DHS reported using monthly issuances for June, July, and August. Specifically, DHS notes that benefits were issued during the last week of each month to make them distinguishable from other benefits received earlier in the month and to provide assistance at a time other benefits may have been exhausted. These issuances cover the summer operational period June through September 2024, though benefits were paid generally in the July through October 2024 period.

**Exhibit 20**
## Unique Recipients of SUN Bucks
**Summer 2024**

| | Recipients | Benefits Provided |
|---|---|---|
| Allegany | 7,071 | $853,840 |
| Anne Arundel | 46,415 | 5,584,520 |
| Baltimore City | 76,919 | 9,280,440 |
| Baltimore | 86,930 | 10,466,160 |
| Calvert | 5,982 | 719,520 |
| Caroline | 4,837 | 582,320 |
| Carroll | 9,533 | 1,148,040 |
| Cecil | 10,751 | 1,294,680 |
| Charles | 16,479 | 1,982,960 |
| Dorchester | 4,390 | 529,800 |
| Frederick | 21,260 | 2,557,440 |
| Garrett | 2,705 | 325,480 |
| Harford | 19,670 | 2,370,360 |
| Howard | 22,488 | 2,707,360 |
| Kent | 1,708 | 205,400 |
| Montgomery | 88,738 | 10,670,960 |
| Prince George’s | 111,896 | 13,458,160 |
| Queen Anne’s | 3,179 | 382,520 |
| St. Mary’s | 8,778 | 1,056,920 |
| Somerset | 3,317 | 400,520 |
| Talbot | 3,202 | 385,640 |
| Washington | 20,265 | 2,439,640 |
| Wicomico | 13,481 | 1,624,120 |
| Worcester | 2,501 | 302,200 |
| Out of State | 1,792 | 217,280 |
| **Total** | **594,287** | **$71,546,280** |

Note: Out of state represents students enrolled and participating in the National School Lunch Program in a Maryland school whose residential addresses are out of state, typically bordering jurisdictions.

Source: Department of Human Services

This program effectively replaced the previous State and locally funded Summer SNAP for Children Program. That program, which began in fiscal 2021, provided benefits in the summer months and December when children were out of school. However, due to limited funding and the requirements for a local match, participation was limited to only certain jurisdictions (4 jurisdictions in fiscal 2021 and 2022 and 14 in fiscal 2023 and 2024). In only a few participating jurisdictions, in fiscal 2023 and 2024, were sufficient funds available from State and local funding for all eligible children to receive the benefit. Even in those jurisdictions, more children receive benefits under the new SUN Bucks program due to the broader eligibility. For comparison purposes, fewer than 100,000 children received benefits under the Summer SNAP for Children program, in fiscal 2024 (summer 2023).

## Administrative Costs

The fiscal 2025 budget as enacted included $11.6 million ($5.8 million in each general and federal funds) for administrative expenses of the program. These funds were budgeted in the Assistance Payments program, which is used for only benefit payments. As a result, language in the fiscal 2025 budget bill requires the funds to be transferred to the Director's Office in FIA. As of January 20, 2025, DHS has not yet initiated this transfer through a budget amendment. DHS indicates that to date it has been covering these expenditures within existing appropriation and will transfer funds when needed. **DHS should discuss the timeline of transferring the appropriation from the Assistance Payments program.**

Although requested to provide details on the administrative expenses, in the response to the committee narrative, DHS provided limited information. However, subsequently, in January 2025, DHS provided DLS anticipated expenditures that it indicated that it reported to USDA in fall 2024 for summer 2025 benefits. Most reported costs are related to personnel, including $7.1 million for personnel costs for 95 case managers, 1 deputy director, 2 senior policy analysts, and 2 ombudsmen. An additional $802,900 is for equipment for those positions (desks, supplies, and computer equipment). The next highest cost is $1.9 million for EBT issuances, based on the anticipated new and replacement cards issued. A total of $825,680 is expected to be used for information technology needs including $500,000 for MSDE to revise its system for the different information needed for these benefits and $325,680 for an online application. The remaining costs of $914,376 relate to outreach, primarily for postage and staff travel. DHS indicates that the 100 positions are contractual FTEs, though DLS notes that data submitted with the budget does not reflect this level of FTEs in FIA. **DHS should discuss why position counts for the department do not reflect these 100 contractual FTEs and why the department is using contractual FTEs for ongoing activities given the available vacant positions.**

The fiscal 2026 allowance again includes $11.6 million in total funds ($5.8 million in general funds and $5.8 million in federal funds) in the Assistance Payments program for administrative expenses despite the language requiring fiscal 2025 funds to be transferred out of this program. DHS notes that this is a technical error, which it anticipates resolving either through a budget amendment or supplemental budget. Given that, as of January 29, 2025, DHS reports that only 80 of the 100 contractual FTEs are currently filled and most children received benefits through direct certification, not all of the personnel funding appears to be necessary. In addition, DHS had a higher vacancy level than is needed to meet budgeted turnover, which leaves excess funding available in the department's budget. **Therefore, DLS recommends reducing the administrative funds by $2.2 million based on current staffing levels and the availability of**

**funding through vacancy savings to support the administrative expenses. DLS also recommends deleting the remaining $9.4 million from the Assistance Payments program and adding these funds to the Director's Office for this purpose. In addition, DLS recommends adopting committee narrative requesting a report on summer 2025 participation, issuances, and details on administrative expenses and positions supporting the program.**

## 4. Able-bodied Adults without Dependents Time Limit

SNAP contains two types of work requirements. General work requirements apply to individuals between ages 16 and 59 and require individuals to register for work and participate in a program if offered. The second pertains to ABAWDs, which limits SNAP receipt for those determined to be ABAWDs between certain ages in a 36-month period unless working or participating in an E&T program for an average of 20 or more hours per week. In general, ABAWD requirements have applied to individuals ages 18 through 49. Under the Fiscal Responsibility Act of 2023, the upper age limit was increased through October 1, 2030, on a phased-in basis: (1) up to age 50, beginning September 1, 2023; (2) up to age 52, beginning October 1, 2023; and (3) up to age 54, beginning October 1, 2024.

This limitation does not apply to individuals who are unable to work due to a physical or mental limitation, are pregnant, have an individual under age 18 living in the home, are meeting work requirements for another program, are participating regularly in an alcohol or drug treatment program, or are studying in school or a training program at least half-time. The Fiscal Responsibility Act also temporarily added three additional exceptions to the ABAWD requirements for individuals who are homeless, veterans regardless of the conditions of discharge or release, and individuals who are 24 years of age or younger and were in foster care under the responsibility of the State on the date of aging out of foster care.

### Status of Enforcement

Under the Families First Coronavirus Relief Act, ABAWD requirements were suspended during the national PHE until one month after its end. As a result, ABAWD requirements remained suspended through June 30, 2023. Waivers of the requirement have been in place for portions of the State since the end of the national PHE suspension based on unemployment rates in particular locations. During the initial period after the suspension (through June 30, 2024), waivers were in place for Prince George's, Somerset, Wicomico, and Worcester counties and Baltimore City. As reported on the USDA website, from July 1, 2024, through June 30, 2025, waivers are in place for Dorchester, Kent, Somerset, and Worcester counties as well as Baltimore City, College Park, Laurel, and Salisbury.

In addition to exceptions for individuals meeting certain criteria, States also receives discretionary exemptions, which can be used to relieve the requirement for one month for each exemption. Historically, these were provided to 12% of the caseload subject to the requirement. The Fiscal Responsibility Act lowered new issuances beginning in fiscal 2024 to 8% of those subject to the requirement. In addition, historically, states were able to carry over all exemptions previously allotted but not used. Under the Fiscal Responsibility Act, beginning in federal fiscal 2026, states are only able to carry over unused exemptions from the prior federal fiscal year. The delayed impact of the change provided states the opportunity to use accumulated exemptions from prior years.

Initially, DHS was able to use the accumulated discretionary exemptions to prevent case closures due to the time limit. However, DHS reported that beginning in June 2024, it would be issuing exemptions only for those newly subject to the time limit due to the change in age requirements. As a result, beginning in May 2024, DHS began to close cases due to individuals reaching the time limit. Between May and October 2024 (the most recent data available), a total of 18,494 SNAP cases were closed due to the ABAWD requirement; approximately, 45% of these closures (8,355) occurred in May 2024. Closures due to this reason accounted for 11.7% of SNAP closures during this period. The largest number of closures occurred in the jurisdictions with the largest numbers of SNAP cases, with Prince George's County having the greatest number of closures (3,811). DHS reported some closures in all jurisdictions, despite the USDA website indicating waivers were in place in some jurisdictions. For example, DHS reported 1,097 closures in Baltimore City, which, according to USDA, has a waiver in effect. **DHS should discuss the reason for ABAWD-related closures occurring in jurisdictions with waivers in place. DHS should also discuss outreach and other efforts undertaken to work with ABAWD recipients prior to closure to limit the number of closures due to the time limit.**

DHS has reported using 70,893 discretionary exemptions in federal fiscal 2024, of the 80,974 available to it, leaving 10,081 to be available in federal fiscal 2025. The final number of new exemptions available for federal fiscal 2025 is not yet available according to DHS, but the agency anticipates that it will have about 6,982. Although some carryover exemptions were reported as remaining by DHS after federal fiscal 2024, the agency reported using only 3 total exemptions in October and November 2024. Given the limited availability of discretionary exemptions going forward, DLS anticipates that closures due to the ABAWD time limit could increase.

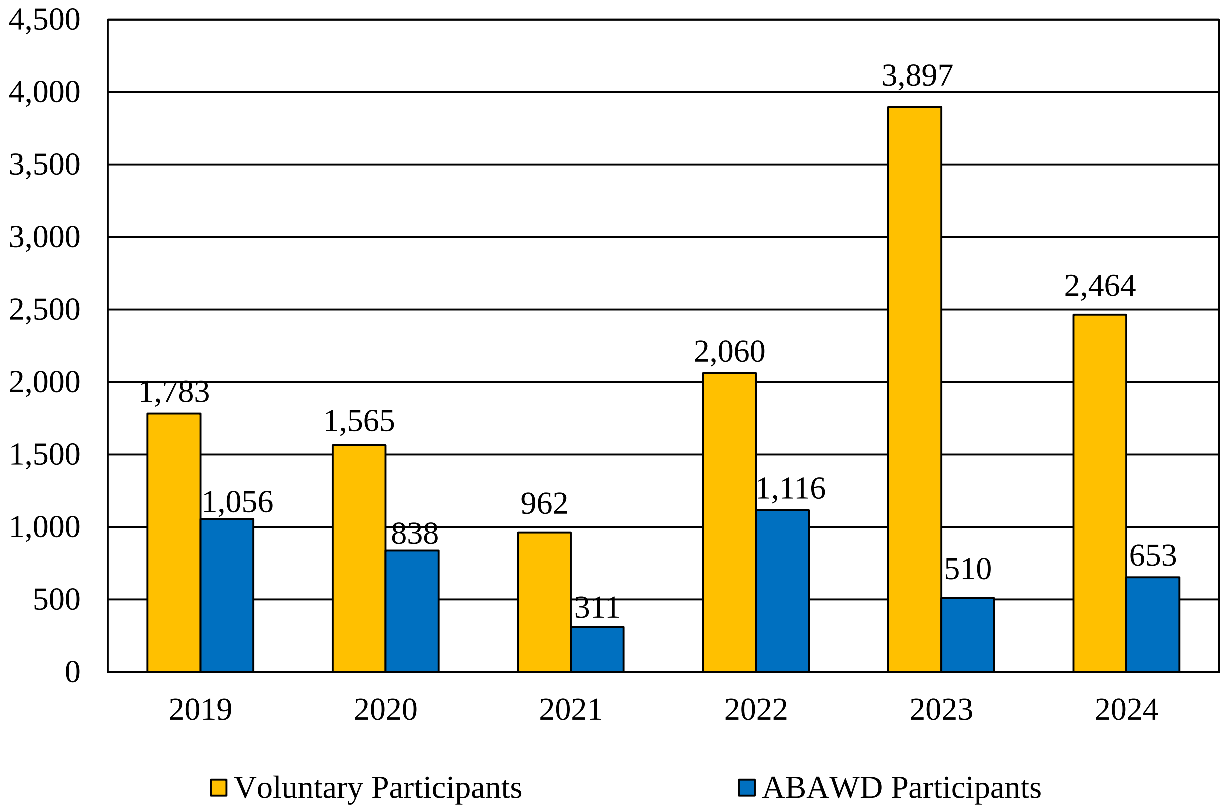
## SNAP E&T

The federal SNAP E&T program provides funding to support E&T programs for SNAP recipients. For ABAWD cases, SNAP E&T participation can assist individuals in meeting the requirements. The fiscal 2026 allowance includes a total of $14.2 million to support SNAP E&T.

As shown in **Exhibit 21**, the number of voluntary and ABAWD participants in SNAP E&T programs decreased substantially between federal fiscal 2019 and 2021. A decrease during this period would be expected given the impact of the COVID-19 pandemic and suspension of ABAWD requirements. As noted previously, the ABAWD requirements were not reinstated until the final quarter of federal fiscal 2023. Despite that, the number of SNAP E&T participants more than doubled for both voluntary and ABAWD participants between federal fiscal 2021 and 2022. In federal fiscal 2023, the number of voluntary participants increased by 89% compared to federal fiscal 2022, but the number of ABAWD participants decreased by 54%. In federal fiscal 2024, however, the number of voluntary participants decreased by nearly 37%, while

ABAWD participants increased by 28%. Given the enforcement of the time limit began during that year, an increase in participation would be expected. DHS also notes that the change in the number of individuals subject to the requirement due to the increase in the upper age also likely contributes to the increase in ABAWD recipients.

**Exhibit 21**
**SNAP Employment and Training Participation**
**Fiscal 2019-2024**




ABAWD: able-bodied adults without dependents
SNAP: Supplemental Nutrition Assistance Program

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

DHS reports that, for federal fiscal 2023, the number of participants who remained in unsubsidized employment in the second quarter after completing a SNAP E&T program totaled 533 and that 244 remained in unsubsidized employment in the fourth quarter after completion. Median earnings for those in unsubsidized employment in the second quarter after completion in federal fiscal 2023 were $6,162. Data for federal fiscal 2024 will not be available until April 2025.

## *Operating Budget Recommended Actions*

1. Add the following language:

, provided that $500,000 of this appropriation made for the purpose of administrative expenses in the Office of the Secretary may not be expended until the Department of Human Services submits a report detailing for the fiscal 2025 working appropriation as reflected during the 2025 legislative session and fiscal 2025 actual expenditures:

(1) Assistance Payments program spending by public benefit program separately by program and fund source;

(2) Foster Care Maintenance Payments program spending by placement type including average monthly cases, average monthly placement costs, and expenditures, along with detail on flexible fund spending by type of spending with detail for the program by fund source;

(3) Temporary Assistance for Needy Families revenues, expenditures by program, and ending balance;

(4) special and federal fund sources of expenditures by program.

The actual spending detail shall reconcile to information reported to the Comptroller of Maryland or include an explanation of why the information does not reconcile. The report shall also provide explanations of General Fund reversions and special, federal, and reimbursable fund cancellations by program. In addition to the report submission, data shall be provided in an electronic format subject to the concurrence of the Department of Legislative Services. The report shall be submitted by October 1, 2025, and the budget committees shall have 45 days from the date of the receipt of the report to review and comment. Funds restricted pending the receipt of a report may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the report is not submitted.

**Explanation:** The fiscal 2024 closeout process of the Department of Human Services (DHS) included a number of errors including reporting expenditures to the Comptroller of Maryland that did not reflect actual expenditures for certain programs in total or by fund, general fund reversions in error, and overspending certain appropriations without reporting these expenditures. In addition, DHS was delayed in providing information on closeout for entitlement programs and other program spending to the Department of Legislative Services, and data provided was not always able to be reconciled against other reported data or data reported to the Comptroller of Maryland at closeout. This language restricts funds in the DHS Office of the Secretary pending the submission of a report with fiscal 2025 closeout information that reconciles to information provided to the Comptroller of Maryland and provides explanations of reverted and canceled funds.

| **Information Request** | **Author** | **Due Date** |
|---|---|---|
| Fiscal 2025 closeout information | DHS | October 1, 2025 |

2. Add the following language:

Provided that all appropriations provided for program N00G00.08 Assistance Payments are to be used only for the purposes herein appropriated, and there shall be no budgetary transfer to any other program or purpose. Funds not expended shall be reverted or canceled.

**Explanation:** This language restricts funding for the Assistance Payments program, which supports public benefits programs administered to the Department of Human Services (DHS), to that purpose only and prevents budgetary transfers to any other program. This language is consistent with actions on other entitlement programs and is generally similar to language added in prior years, except that it expands the restriction to all fund sources instead of just general funds. In the fiscal 2024 closeout process, DHS transferred special fund appropriation from the Assistance Payments program, which was needed to cover costs in the Assistance Payment program.

| | **Amount Change** | |
|---|---|---|
| 3. Reduce administrative funds for the SUN Bucks program based on current staffing levels and vacancy savings. The Department of Human Services reports that only 80 of the 100 contractual full-time equivalents (FTE) are filled as of January 29, 2025. In addition, the current vacancy rate of 7.6% is substantially higher than budgeted turnover (6.1%), which produces approximately $2.4 million of savings. A portion of the vacancy savings can be used to support these contractual FTEs. | -$ 1,100,000<br>-$ 1,100,000 | GF<br>FF |
| 4. Delete administrative funds for the SUN Bucks program to be added to an administrative program. Although for administrative purposes, these funds are included in the budget for the Assistance Payments program, which is used solely for the payment of public benefits. A separate action adds these funds to the Director's Office of the Family Investment Administration. | -$ 4,700,000<br>-$ 4,700,000 | GF<br>FF |

| | | | |
|---|---|---|---|
| 5. | Reduce funding for the Public Assistance to Adults program to better reflect current caseload trends. The caseload declined by 25% in fiscal 2023 and an additional 3% in fiscal 2024, which is not reflected in the fiscal 2026 allowance. This level of reduction would still leave a modest surplus to cover forecasted shortfalls in other public assistance programs. | -$ 1,750,000 | GF |
| 6. | Reduce federal funds in the Supplemental Nutrition Assistance Program (SNAP) based on lower than expected caseload. The fiscal 2026 allowance includes approximately $1.86 billion for SNAP benefits. This level of funding could support more than 450,000 recipients, while the caseload in fiscal 2025 year to date is approximately 382,000. This reduction would leave an anticipated surplus of approximately $150 million in the event that caseloads or benefits are higher than anticipated. | -$ 200,000,000 | FF |

7. Adopt the following narrative:

**SUN Bucks Participation and Administration:** The fiscal 2026 allowance includes funding to support the second year of participation in the SUN Bucks program, formerly known as Summer Electronic Benefit Transfer program. The committees are interested in continuing to monitor the operation of the program. The committees request that the Department of Human Services (DHS) submit a report that:

- provides details on the administrative costs of the program separately for fiscal 2025 and 2026, including the allocations by object of expenditure and purpose;
- the number of regular positions or contractual full-time equivalents (FTE) supporting the program (including total and filled) and how these positions and contractual FTEs are allocated by budgetary program and/or jurisdiction if allocated within specific jurisdiction position complements;
- the number of children receiving benefits by jurisdiction and month of issuance, the total number of unique recipients, and the dollar amount of benefits provided by jurisdiction and month of issuance;
- the number of children receiving benefits that were directly certified and the number of children receiving benefits for which a separate application was submitted;

- describes collaboration with the Maryland State Department of Education and local education agencies to implement the program; and

- an update on the status of the Summer 2026 program including the timing of submission of the Notice of Intent to Participate and Interim and Final Plan of Operations.

| **Information Request** | **Author** | **Due Date** |
|---|---|---|
| SUN Bucks participation and administration | DHS | November 1, 2025 |

8. Add the following language to the general fund appropriation:

<u>, provided that since the Department of Human Services (DHS) Family Investment Administration (FIA) has had four or more repeat audit findings in the most recent fiscal compliance audit issued by the Office of Legislative Audits (OLA), $250,000 of this agency's administrative appropriation may not be expended unless:</u>

<u>(1)</u> <u>DHS FIA has taken corrective action with respect to all repeat audit findings on or before November 1, 2025; and</u>

<u>(2)</u> <u>a report is submitted to the budget committees by OLA listing each repeat audit finding along with a determination that each repeat finding was corrected. The budget committees shall have 45 days from the receipt of the report to review and comment to allow for funds to be released prior to the end of fiscal 2026.</u>

**Explanation:** The Joint Audit and Evaluation Committee (JAEC) has requested that budget bill language be added for each unit of State government that has four or more repeat audit findings in its most recent fiscal compliance audit. Each agency is to have a portion of its administrative budget withheld pending the adoption of corrective actions by the agency and a determination by OLA that each finding was corrected. OLA shall submit a report to the budget committees on the status of repeat findings.

If OLA reports that an agency failed to completely resolve or make adequate progress toward resolving those repeat audit findings, JAEC requests that $250,00 in general funds be withheld from each agency's appropriation in the fiscal year following the OLA report until more satisfactory progress has been made toward resolution of those repeat findings.

| **Information Request** | **Author** | **Due Date** |
|---|---|---|
| Status of corrective actions related to the most recent fiscal compliance audit | OLA | 45 days before the release of funds |

9. Add the following language to the general fund appropriation:

Further provided that $250,000 of this appropriation made for the purpose of administrative expenses may not be expended until the Department of Human Services submits quarterly reports to the budget committees on application processing times, application denial rates, and case closures for benefit programs. In particular, the report shall include:

(1) the number of applications processed by benefit type for Temporary Cash Assistance (TCA), Supplemental Nutrition Assistance Program (SNAP), Temporary Disability Assistance Program (TDAP), and Public Assistance to Adults (PAA) separately by month;

(2) the average number of days to process applications by benefit type for TCA, SNAP, TDAP, and PAA separately by month;

(3) the percentage of applications processed in 0 to 30 days, 31 to 45 days, and longer than 45 days by benefit type for TCA, SNAP, TDAP, and PAA separately by month of application;

(4) the number and percentage of applications denied by benefit type for TCA, SNAP, TDAP, and PAA separately by month;

(5) the number and percentage of applications denied by reason for denial and by benefit type for TCA, SNAP, TDAP, and PAA separately by month;

(6) the number of case closures by benefit type for TCA, SNAP, TDAP, and PAA separately by month; and

(7) the reasons for case closure by benefit type for TCA, SNAP, TDAP, and PAA separately by month.

The first quarterly report shall include data for February through April 2025, and each subsequent report shall provide data for the appropriate quarter. The first report shall be submitted by August 1, 2025, the second report shall be submitted by November 1, 2025, the third report shall be submitted by February 1, 2026, the fourth report shall be submitted by May 1, 2026, and the budget committees shall have 45 days from the date of the receipt of the fourth report to review and comment. Funds restricted pending the receipt of a report may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the report is not submitted to the budget committees.

**Explanation:** The General Assembly remains interested in tracking the timeliness of application processing as well as the reason for denials and case closures. This language restricts funds pending submission of four quarterly reports on application processing times; application denial rates; reasons for application denials; and case closures for TCA, SNAP, TDAP, and PAA. Similar reports have been requested since fiscal 2022.

| **Information Request** | **Author** | **Due Date** |
|---|---|---|
| TCA, SNAP, TDAP, and PAA applications and case closures | DHS | August 1, 2025<br>November 1, 2025<br>February 1, 2026<br>May 1, 2026 |

10. Add the following language to the general fund appropriation:

<u>Further provided that $100,000 of this appropriation made for the purpose of administrative expenses may not be expended until the Department of Human Services (DHS) submits a report to the budget committees on implementation of required actions under the Voluntary Settlement Agreement with the U.S. Department of Health and Human Services Office for Civil Rights including the number of notifications required to be sent under the agreement, the number of notifications sent, the timeline for sending the notifications, the number of appeals filed as a result of the notifications and any other provisions of the settlement, the number of appeals that resulted in additional benefits required to be paid by DHS, the dollar value of benefits required due to the appeals, the timeline for benefit issuances due to the appeals, and other status updates related to the implementation of the agreement. The report shall be submitted by October 15, 2025, and the budget committees shall have 45 days from the date of the receipt of the report to review and comment. Funds restricted pending the receipt of a report may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the report is not submitted.</u>

**Explanation:** In October 2024, the U.S. Department of Health and Human Services Office for Civil Rights announced a settlement agreement with Maryland related to protecting civil rights of persons with disabilities, particularly as it relates to assessments, modifications, or accommodations for individuals with disabilities in the Temporary Assistance for Needy Families program. The settlement agreement includes a number of requirements of DHS including to provide notices to individuals whose cases were closed under certain circumstances and the development of a new assessment tool. DHS anticipates sending required notifications in spring 2025 and indicates that cases may be required to be reopened and/or retroactive benefits issued if individuals who receive notifications appeal the case closure or sanctions. This language restricts funds pending a report on the notifications sent and the outcomes of appeals as well as other status updates related to the agreement.

| **Information Request** | **Author** | **Due Date** |
|---|---|---|
| Status of voluntary settlement agreement implementation | DHS | October 15, 2025 |

11. Add the following language to the general fund appropriation:

    , provided that these funds are to be used only for the purposes herein appropriated and there shall be no budgetary transfer to any other program or purpose. Funds not expended shall revert to the General Fund.

    **Explanation:** This language restricts the general fund portion of the deficiency appropriation in the Assistance Payments program for the Temporary Disability Assistance Program to that purpose only. This restriction prevents a transfer of general funds to other programs consistent with actions on other entitlement programs and on the funding for the Assistance Payments program in fiscal 2025 included in the budget as enacted.

12. Add the following language:

    $4,700,000 in general funds and $4,700,000 in federal funds is added to the appropriation for N00I00.04 Director's Office within the Family Investment Administration within the Department of Human Services to be used for administrative expenses for the federal SUN Bucks program. Funds not expended for this added purpose may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund or be canceled.

    **Explanation:** The fiscal 2026 allowance includes funding intended to support the administrative expenses of the federal SUN Bucks program within the Assistance Payments program, which is used only for payment of public benefits. There are two related actions. One reduces the funding available for administrative expenses due to the availability of vacancy savings to support a portion of these expenditures and also due to current staffing levels for these costs. A second action deletes the administrative funds from that program to be added in this program. This action adds the funds to an administrative program to be used for the same purpose.

| | |
|---|---|
| **Total Net Change** | **-$ 213,350,000** |
| **Total General Fund Net Change** | **-$ 7,550,000** |
| **Total Federal Fund Net Change** | **-$ 205,800,000** |

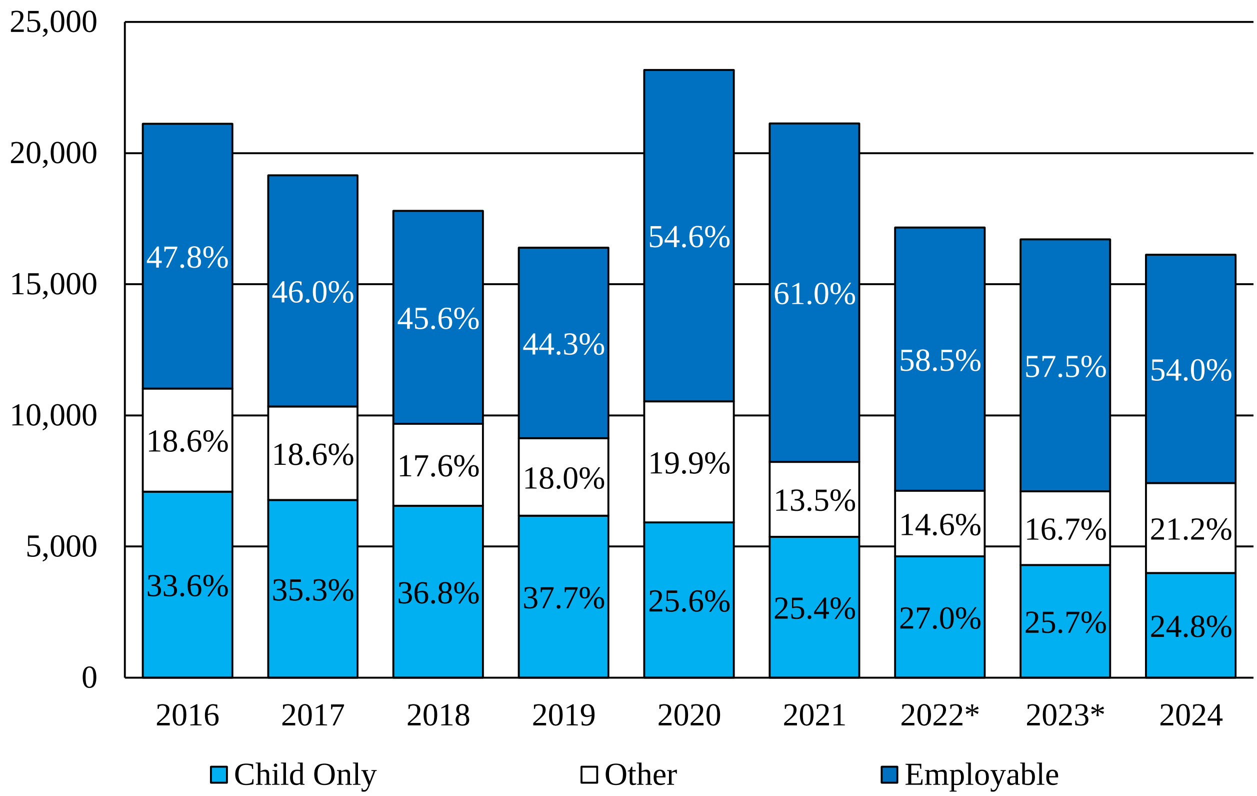
# *Updates*

## 1. Work-eligible and Work-exempt Temporary Cash Assistance Caseload

The TCA caseload can be divided into two main groups: (1) the core caseload; and (2) cases headed by an employable adult. Core cases include child-only cases, cases with children under age one, caretaker relatives, and other cases exempt from work requirements. Prior to federal fiscal 2016 (October 1, 2016), DHS classified cases with a long-term disability as work exempt. However, following this date, these cases began to be counted as work eligible. Cases with individuals who have a short-term disability are still classified as work exempt.

**Exhibit 22** presents information on TCA cases (which may consist of multiple recipients) categorized into employable, child only, and other as of July in each year. Other cases represent all other core cases except child-only cases. In general, as employable adults successfully enter the labor market, core cases represent a larger share of the TCA caseload. This pattern generally alters during and immediately after recessions. Prior to the COVID-19 pandemic, the only recent exception to this pattern was the impact of the policy change regarding individuals with long-term disabilities, which increased the share of cases classified as employable between July 2015 and July 2016. At that time, the 47.8% of cases deemed employable in July 2016 was the highest share since July 2004. Following that initial change, prior to the COVID-19 pandemic, the share of cases considered employable resumed the typical trend of declines but remained elevated compared to the period prior to the change.

**Exhibit 22**
**TCA Caseload and Share of TCA Caseload That Is Work Eligible or Work Exempt**
**July 2016 through 2024**




TCA: Temporary Cash Assistance

Note: Data for July 2022 and July 2023 has been revised since the 2024 session.

Source: Department of Human Services; Department of Legislative Services

In July 2020, consistent with periods of economic uncertainty, the share of cases that were considered employable increased substantially compared to the prior year (an increase of slightly more than 10 percentage points) along with the number of cases. Between July 2020 and July 2021, the number of cases deemed employable increased slightly (254 cases), while overall cases declined (2,044), leading to a further increase in the share of employable cases (an increase of 6.4 percentage points) to 61%, the highest level since at least 2001. Since that time, the number and share of cases deemed employable has declined but remains elevated compared to pre-COVID-19 pandemic. In July 2024, the share of cases deemed employable (54%) was the lowest since the start of the COVID-19 pandemic but was 9.7 percentage points higher than July 2019.

Since the policy change regarding individuals with disabilities, the number of core cases had declined in all but one year (July 2020) until July 2024 when the number of core cases increased by 318, or 4.5%, compared to July 2023. The increase occurred across several categories, with the largest increases occurring among those with an exemption due to temporary disability (395 cases), State-only cases (220), and those with children under age one under the federal exemption (101). DHS reports that the increase in State-only cases is primarily among two-parent households. The number and share of cases that are child-only cases continue to decline, with a decrease of 309 cases between July 2023 and 2024. The share of child only cases in July 2024 (24.8%) was the lowest since at least July 2001.

### State Exemptions

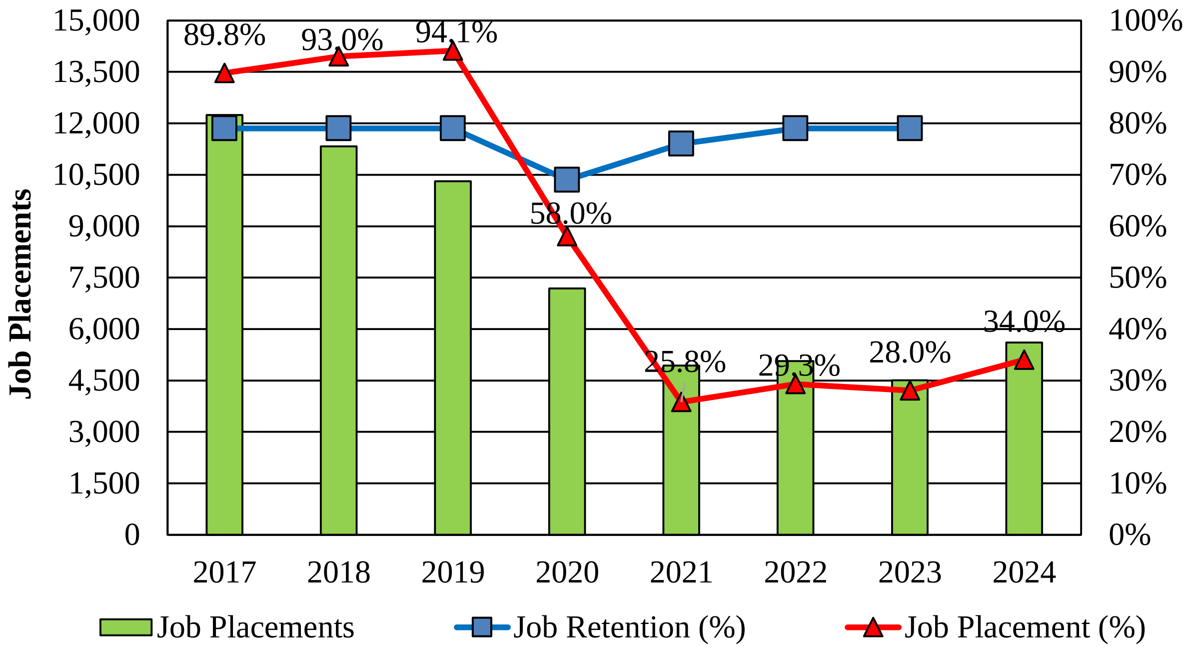
Chapter 509 of 2022, among other changes, added and altered State exemptions from federal work requirements effective October 1, 2022. Under federal rules, there is a 12-month limit on exemptions for having a child under age one, which the State previously followed. Chapter 509 prohibits a lifetime limit on exemptions related to having a child under age one. DHS applies this exemption after the federal exemption is exhausted. Chapter 509 also created a new State exemption for new TCA customers that have not received benefits for more than six months. Although individuals in this category receive State exemptions, the individuals are still counted in the employable categories because the individuals are not exempt under federal rules. DHS reports that there on average 47 cases per month exempt under the State child under age one exemption and 1,326 cases per month exempt under the new case exemption.

## 2. TCA Job Placements and Retention

Early in the COVID-19 pandemic (March through September 2020) TCA work requirements were suspended. Following the end of the suspension, DHS modified the requirements rather than returning to regular enforcement. As a result, most TCA cases were in the good-cause designation. DHS once again suspended work requirements in October 2021 due to the transition to the new E&E system. The suspension occurred at the same time as changes resulting from Chapter 457, which altered the sanction process, defined good cause, and established a conciliation process for cases of noncompliance, became effective. DHS returned to enforcement of work requirements on January 3, 2022, using the new requirements from Chapter 457. As a result, the work requirements were in effect for the majority of federal fiscal 2022 and all of fiscal 2023 and 2024. However, DHS noted that even after the initial resumption of enforcement, it continued to provide a good cause exemption for barriers directly related to the COVID-19 pandemic.

As shown in **Exhibit 23**, the ability to place TCA recipients in jobs varies to a large extent with the economy. This was compounded during the COVID-19 pandemic by widespread economic shutdowns and temporary suspensions and modifications to the work requirements. The job placement number in typical economic times is also sensitive to the overall caseload size. For example, the number of job placements may decline in a year, even though the rate of job placements increases, due to declines in the overall caseload size. To calculate the job placement rate, DLS uses the average number of adult recipients in the State fiscal year. DHS notes that an individual might be counted multiple times in one year in the number of job placements if the individual is placed in multiple jobs in the federal fiscal year. As a result, the job placement rate potentially overstates the number of unique job placements per adult recipient.

**Exhibit 23**
**Job Placement and Retention**
**Federal Fiscal 2017-2024**




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

### 3. *Life After Welfare* Annual Update

The *Life After Welfare: 2024 Annual Update*, published by the University of Maryland School of Social Work, provides information on characteristics and outcomes of households exiting the TCA program. The 2024 annual update specifically analyzes 61,735 households exiting TCA between July 2016 and June 2023 through a comparison of three cohorts. The three cohorts are based on changes in economic conditions and are:

- ***Economic Stability Cohort:*** households exiting TCA between July 2016 and March 2020;

- ***Pandemic Period Cohort:*** households exiting TCA between April 2020 and December 2021; and

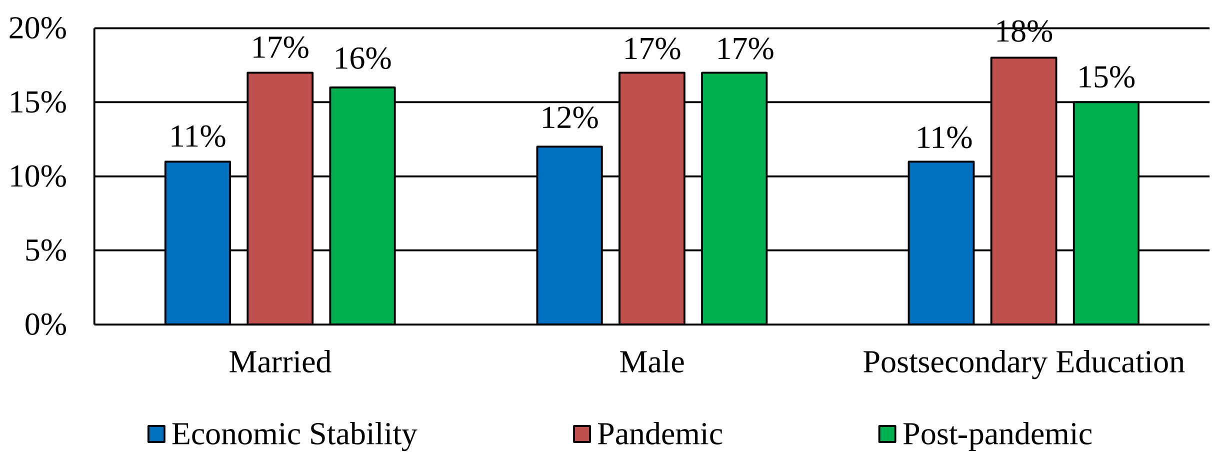
- ***Post-pandemic Period Cohort:*** households exiting TCA between January 2022 and June 2023.

As is traditionally the case, the analysis excludes cases that closed and reopened within two months and only includes one closure for those households that experienced multiple closures during the period. The 2024 annual update is the first year for which there is a full year of data for those in the post pandemic cohort.

## Demographic Changes

During the early portions of the pandemic, the number of TCA cases rapidly increased. Cases entering TCA during that time had some differences in characteristics from historical demographics in the program. These changes have subsequently impacted demographic characteristics of exiting households. As shown in **Exhibit 24**, cases exiting TCA in the pandemic and post-pandemic cohorts were more likely than the economic stability cohort to contain currently married individuals, males, and individuals with postsecondary education. The higher number of male exiters appears to be driven by the higher number of exiters that are married. Although there has been a shift with more married and more male exiters, the vast majority of case exits are by never-married households and females.

**Exhibit 24**
**Select Characteristics of Exiting Cases**

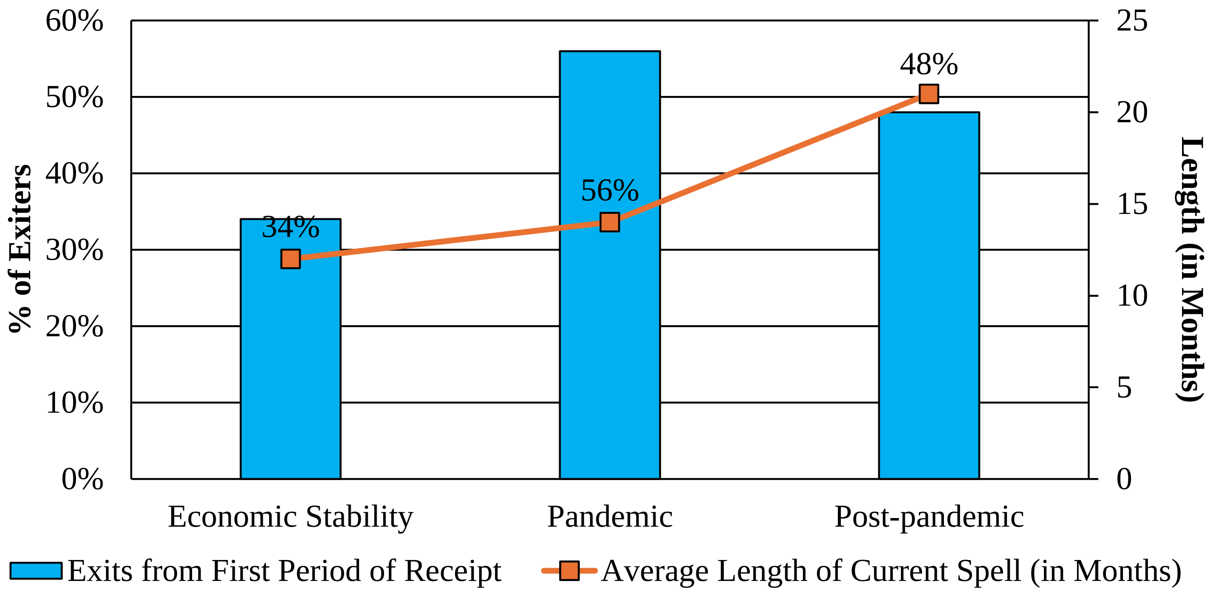



Source: University of Maryland School of Social Work, *Life After Welfare: 2024 Annual Update*

## TCA Receipt

As shown in **Exhibit 25**, more than half of those exiting TCA during the pandemic were exiting from their first period of receipt, an increase of 12 percentage points compared to the economic stability cohort, reflecting the economic impacts of the pandemic with closures of both employment and schools and child care. This led to households that had not previously received benefits to begin receipt. As shown earlier, this led to changes in demographic characteristics of recipients and exiters.

**Exhibit 25**
**Temporary Cash Assistance Exiters in First Period of Receipt**



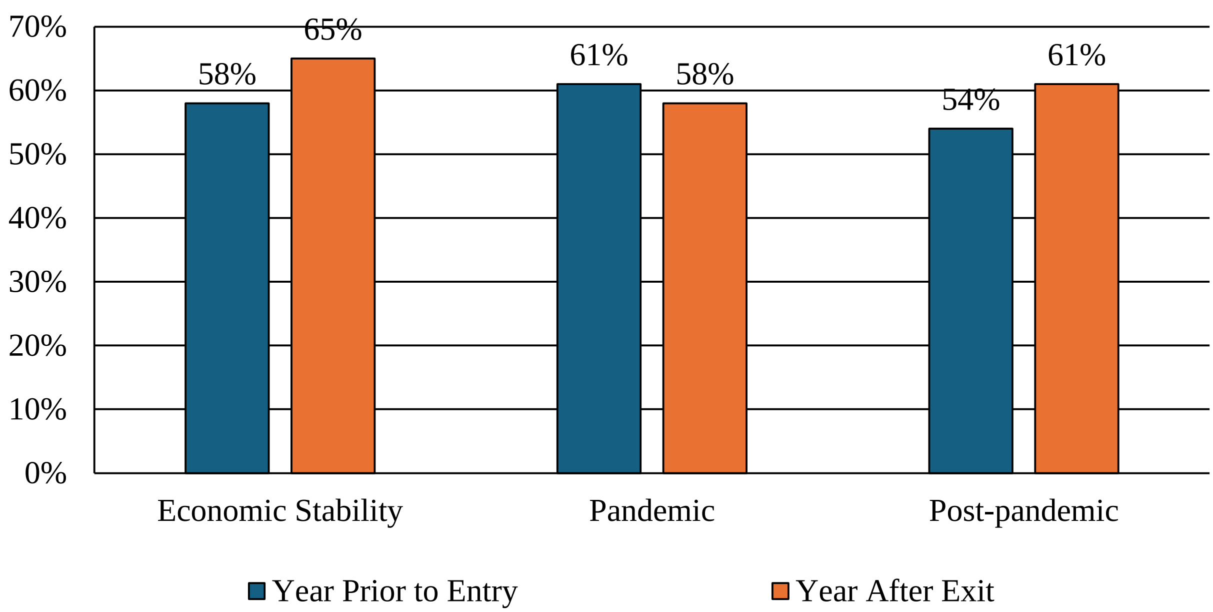

Source: University of Maryland School of Social Work, *Life After Welfare: 2024 Annual Update*

The report also highlighted impacts of the pandemic on lengths of spell on TCA. These impacts occurred not only due to economic conditions and limited accessibility of schools and day care centers during portions of the pandemic but also flexibility in policies. For example, DHS generally paused redeterminations during most of the pandemic through December 2021, consistent with waivers received for SNAP, which likely contributed to longer lengths of stay. In addition, expansions of eligibility in the Unemployment Insurance (UI) program during the pandemic, may have led to some families exiting TCA due to receipt of UI benefits. This, in turn, lowered lengths of stay during the pandemic for some families. The report noted that 19% of leavers during the pandemic cohort received UI after exit. As shown in Exhibit 25, the average length of current TCA receipt for those exiting was nine months longer for those in the post-pandemic cohort compared to the economic stability cohort and seventh months longer compared to the pandemic cohort.

## Employment and Earnings

Historically, the *Life After Welfare* annual updates have found that employment in the year after exit was higher than in the year prior to exit. Similarly, earnings have historically been found to have increased in the year after exit compared to the year prior to entry. Consistent with historical experience, as shown in **Exhibit 26**, the economic stability cohort and post-pandemic cohort had a higher percentage of leavers employed in the year after exit than the year prior to entry. The post-pandemic cohort had lower rates of employment in both the year before entry and the year after exit. However, those exiting during the pandemic had a lower rate of employment in the year after exit than the year prior to entry. The report notes that a possible explanation for this anomaly is related to the receipt of UI noted previously, which it states is much higher than the other cohorts. The report also notes the challenges leavers would have faced obtaining employment during the pandemic, as leavers most often work in industries that were substantially impacted by the pandemic (restaurant and general retail). The final contributing factor identified in the report was the rise of gig work during the pandemic, which is not captured in the data used in the comparisons.

**Exhibit 26**
**Adult Recipient Employment in the Year Prior to Entry and Year After Exit**

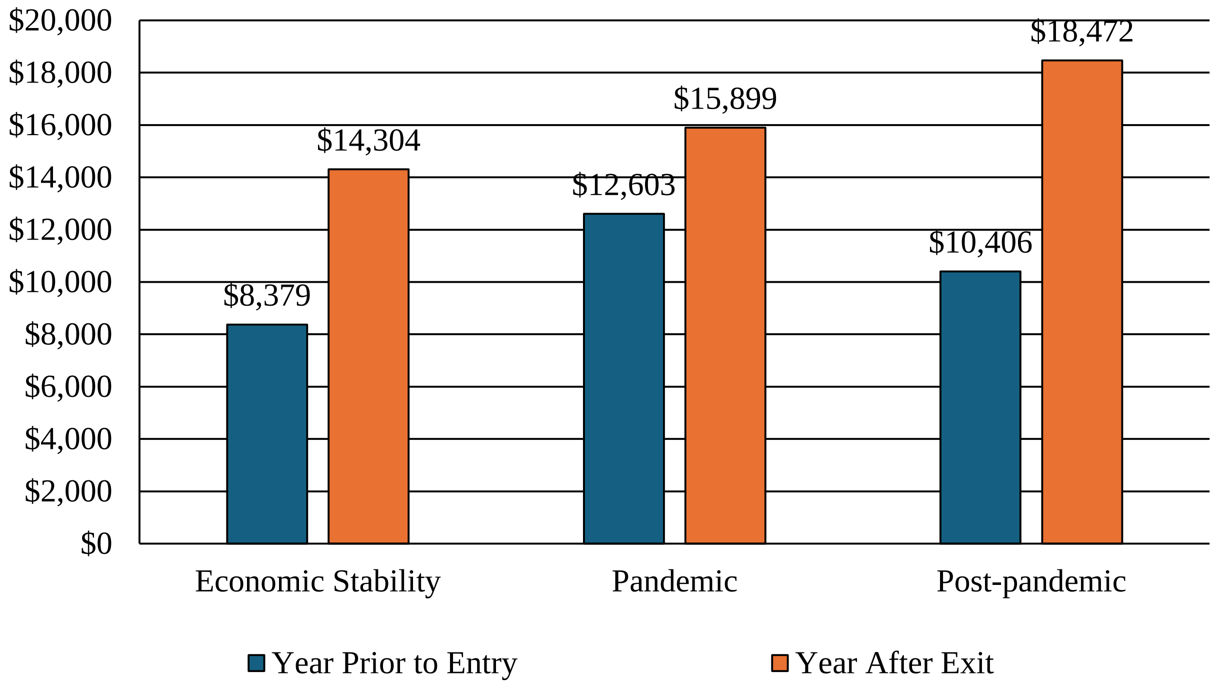



Source: University of Maryland School of Social Work, *Life After Welfare: 2024 Annual Update*

Similarly, median earnings have also historically increased in the year after exit compared to the year prior to entry. While this remains true for all three cohorts, there are notable trends, particularly as it relates to the pandemic cohort. As shown in **Exhibit 27**, the rise in median annual earnings between the year prior to entry and year after exit was the smallest for the pandemic cohort. The smaller rise is in part due to higher earnings in the year prior to entry, likely influenced by some of the differences in demographic characteristics such as more recipients with postsecondary education. The report also notes the other contributing factors in the smaller rise are related to the UI receipt after exit for this group, which is not captured in the median annual earnings data, and the difficulty in finding employment that likely occurred for those exiting during the pandemic. In contrast, leavers during the post-pandemic period experienced the largest change in earnings between these periods. The report notes that this was likely, in part, due to reduced earnings prior to entry due to the pandemic, as more than half of the cohort entered TCA during the pandemic. The other contributing factor cited in the report, was the strong post-pandemic economy, which likely increased wages after exit.

**Exhibit 27**

**Median Annual Earnings for Employed Adult Recipients in the Year Prior to Entry and Year After Exit**

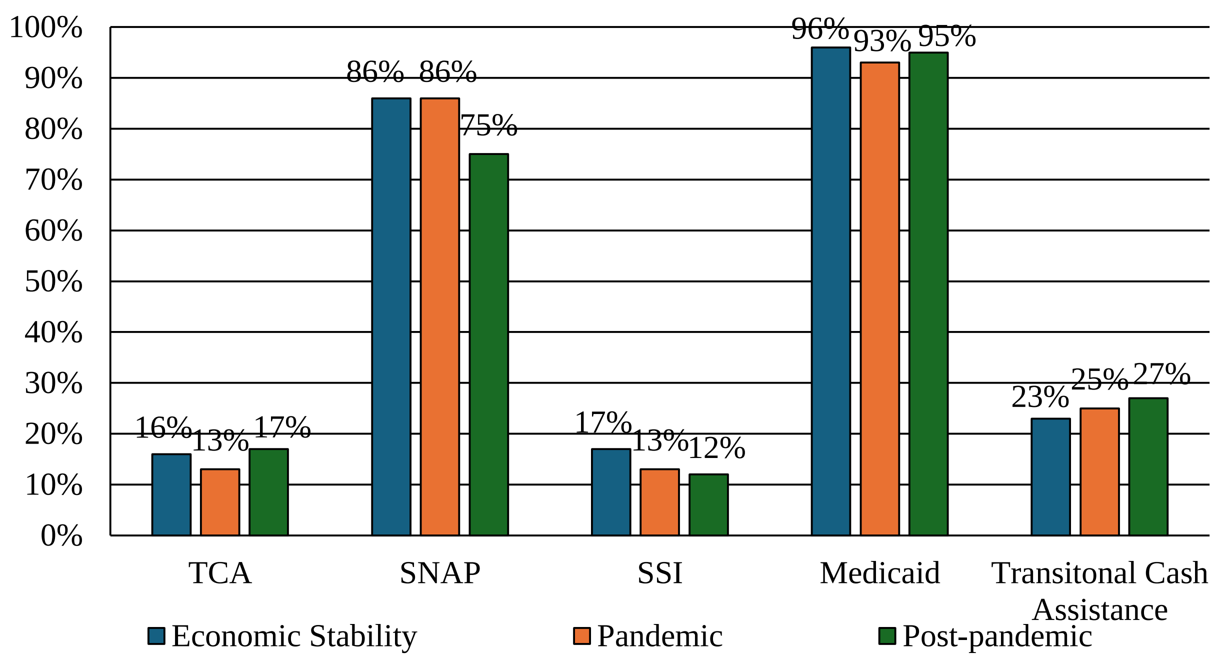



Source: University of Maryland School of Social Work, *Life After Welfare: 2024 Annual Update*

## Program Participation After Exit

Although earnings are generally higher in the year after exit than prior to entry into TCA, incomes remain relatively low. As a result, participation in public benefits continues for many exiters in the first year after exit. As shown in **Exhibit 28**, receipt of SNAP, Medicaid, and the transitional cash assistance remain relatively similar across cohorts. However, it is notable that receipt of SNAP is lower for post-pandemic exiters (75%) than economic stability and pandemic exiters (each at 86%). Returns to TCA were also higher for post-pandemic exiters (17%) than pandemic exiters (13%); however, the level for post-pandemic exiters was consistent with the economic stability cohort. Consistent with prior findings, the receipt of SNAP and Medicaid declines in the years after exit. However, by the fifth year after exit 87% of exiters continue to receive Medicaid while 63% receive SNAP. Receipt of TCA and SSI remain consistent across years after exit at around 15%.

**Exhibit 28**
**Program Participation in the Year After Exit**



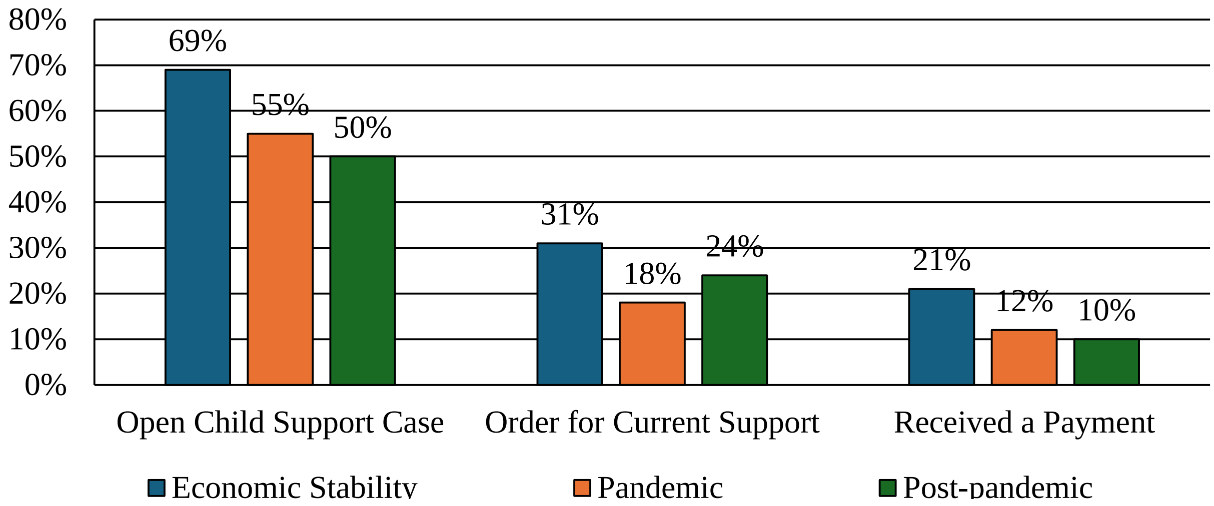

TCA: Temporary Cash Assistance
SNAP: Supplemental Nutrition Assistance Program
SSI: Supplemental Security Income

Source: University of Maryland School of Social Work, *Life After Welfare: 2024 Annual Update*

## Child Support

As a condition of receiving TCA, households must generally comply with the child support process or receive a good-cause waiver, for example, in cases of domestic violence. Heads of TCA cases that do not cooperate with child support receive sanctions for noncompliance. Although individuals are required to comply, cases may be in varying places in the process even upon exit. For example, overall, in the year after exit, only 66% of cases had an open child support case, while 29% had an order for current support. **Exhibit 29** shows that there is variation by cohort in exiters with an open child support case, an order for current support, and a payment received in the first quarter after exit. In particular, while 69% of economic stability exiters had an open child support case, only 50% of post-pandemic exiters had a case. Exiters with an order for current support was lowest for pandemic exiters (18%). Despite having the lowest percentage of open child support cases, post-pandemic exiters had a higher rate of cases with an order for current support, with nearly half of open child support cases having an order. The report notes a couple of factors that contribute to the lower share of exiters with an open child support case and an order for current support for pandemic and post-pandemic exiters. First, due to court closures or reduced operations during the pandemic, there were delays in establishing child support orders, and families may decide not to continue to pursue child support after exit. In addition, there were more two-parent families in the pandemic and post-pandemic cohorts. Finally, the report cited the change in sanction policy that has occurred, which eliminated a full-family sanction for noncompliance and instead reduces the benefit by 25%.

**Exhibit 29**
**Child Support Status in the First Quarter After Exit**




Source: University of Maryland School of Social Work, *Life After Welfare: 2024 Annual Update*

## Appendix 1
## 2024 *Joint Chairmen's Report* Responses from Agency

The 2024 JCR requested that DHS FIA prepare six reports, of which four are from one request for quarterly reports. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***Effectiveness and Use of Two-generation Model Grant:*** Language in the fiscal 2025 Budget Bill restricted $950,000 in the Local Family Investment Program for a grant to support CAAs and other community organization in the transition to a two-generation model of service delivery. The language also required the submission of a report on the effectiveness of the grant program and information on the uses of the funding from fiscal 2020 through 2025. The report submitted by DHS noted that in the early years of the program (from 2019 to 2022), The Maryland Community Action Partnership (MCAP) (the grantee) provided funding across participating CAAs, which were used to establish program infrastructure and develop data collection. During the 2022 through 2024 period, a two-year pilot was undertaken. In the first year, 261 families including 851 individuals were engaged in the pilot; in the second year, 443 families including 1,248 were engaged. DHS attached as part of its submission MCAP reports on the two pilot years as well as the startup period. In the report on the first year, MCAP reported gains across most measures, except health insurance and health status for adults and children and substance use, with the largest gains in employment. The outcome reporting changed for the second year, but MCAP reported gains across all seven measures, with three measures moving from vulnerable to stable (between intake and follow-up) (income/finances, employment, and food/nutrition) and four moving from stable to safe (shelter/housing, life skills, child care/early childhood education, and social capital).

- ***Application Processing Times, Application Denials, and Case Closures:*** Committee narrative requested quarterly reports on application processing times, application denial rates and reasons for denial, and case closures including reasons for case closure for TCA, TDAP, and SNAP. The first quarterly report was submitted December 20, 2024, and the second quarterly report was submitted January 31, 2025. DHS requested extensions for the remaining two reports. Further discussion of the data in these reports can be found in the Performance Analysis section as well as Issues 2 and 4 of this analysis.

- ***Summer Food Benefits for Children:*** Committee narrative requested a report on implementation of the new SUN Bucks program, including actions taken to implement it, administrative expenses, collaboration with LEAs, barriers or challenges faced in implementation, the timing of benefit distribution, as well as participation by jurisdiction. The report was submitted December 9, 2024. Further discussion of this data can be found in Issue 3 of this analysis.

**Appendix 2**
**Object/Fund Difference Report**
**Department of Human Services – Family Investment Administration**

| Object/Fund | FY 24 Actual | FY 25 Working Appropriation | FY 26 Allowance | FY 25 - FY 26 Amount Change | Percent Change |
|---|---|---|---|---|---|
| **Positions** | | | | | |
| 01 Regular | 1,917.30 | 1,917.30 | 1,918.30 | 1.00 | 0.1% |
| 02 Contractual | 42.00 | 70.00 | 70.00 | 0.00 | 0% |
| **Total Positions** | **1,959.30** | **1,987.30** | **1,988.30** | **1.00** | **0.1%** |
| **Objects** | | | | | |
| 01 Salaries and Wages | $ 169,599,538 | $ 189,161,720 | $ 196,745,867 | $ 7,584,147 | 4.0% |
| 02 Technical and Special Fees | 1,647,286 | 3,714,992 | 3,886,157 | 171,165 | 4.6% |
| 03 Communication | 962,754 | 1,118,884 | 1,118,884 | 0 | 0% |
| 04 Travel | 139,189 | 153,812 | 153,812 | 0 | 0% |
| 06 Fuel and Utilities | 1,011,301 | 991,826 | 991,826 | 0 | 0% |
| 07 Motor Vehicles | 25,108 | 9,435 | 9,440 | 5 | 0.1% |
| 08 Contractual Services | 66,098,323 | 88,483,353 | 93,502,565 | 5,019,212 | 5.7% |
| 09 Supplies and Materials | 1,101,468 | 1,015,502 | 1,015,502 | 0 | 0% |
| 10 Equipment – Replacement | 15,252 | 47,765 | 47,765 | 0 | 0% |
| 11 Equipment – Additional | 29,947 | 141,490 | 141,490 | 0 | 0% |
| 12 Grants, Subsidies, and Contributions | 1,965,197,417 | 2,279,276,489 | 2,320,939,588 | 41,663,099 | 1.8% |
| 13 Fixed Charges | 18,868,274 | 9,178,993 | 17,935,531 | 8,756,538 | 95.4% |
| **Total Objects** | **$ 2,224,695,857** | **$ 2,573,294,261** | **$ 2,636,488,427** | **$ 63,194,166** | **2.5%** |
| **Funds** | | | | | |
| 01 General Fund | $ 163,528,977 | $ 270,583,562 | $ 299,139,600 | $ 28,556,038 | 10.6% |
| 03 Special Fund | 25,687,207 | 13,833,254 | 11,697,830 | -2,135,424 | -15.4% |
| 05 Federal Fund | 2,035,479,673 | 2,288,877,445 | 2,325,650,997 | 36,773,552 | 1.6% |
| **Total Funds** | **$ 2,224,695,857** | **$ 2,573,294,261** | **$ 2,636,488,427** | **$ 63,194,166** | **2.5%** |

Note: The fiscal 2025 appropriation does not include deficiencies. The fiscal 2026 allowance does not include statewide salary adjustments budgeted within the Department of Budget and Management.

**Appendix 3**
**Fiscal Summary**
**Department of Human Services – Family Investment Administration**

| Program/Unit | FY 24 Actual | FY 25 Wrk Approp | FY 26 Allowance | Change | FY 25 - FY 26 % Change |
|---|---|---|---|---|---|
| 02 Local Family Investment Program | $ 196,142,260 | $ 200,704,647 | $ 215,468,654 | $ 14,764,007 | 7.4% |
| 08 Assistance Payments | 1,867,864,077 | 2,181,130,065 | 2,206,184,741 | 25,054,676 | 1.1% |
| 10 Work Opportunities | 20,229,222 | 24,665,768 | 24,733,670 | 67,902 | 0.3% |
| 04 Director's Office | 62,753,092 | 90,410,509 | 95,074,755 | 4,664,246 | 5.2% |
| 05 Maryland Office for Refugees | 50,059,127 | 47,516,539 | 67,484,874 | 19,968,335 | 42.0% |
| 07 Office of Grants Management | 27,648,079 | 28,866,733 | 27,541,733 | -1,325,000 | -4.6% |
| **Total Expenditures** | **$ 2,224,695,857** | **$ 2,573,294,261** | **$ 2,636,488,427** | **$ 63,194,166** | **2.5%** |
| | | | | | |
| General Fund | $ 163,528,977 | $ 270,583,562 | $ 299,139,600 | $ 28,556,038 | 10.6% |
| Special Fund | 25,687,207 | 13,833,254 | 11,697,830 | -2,135,424 | -15.4% |
| Federal Fund | 2,035,479,673 | 2,288,877,445 | 2,325,650,997 | 36,773,552 | 1.6% |
| **Total Appropriations** | **$ 2,224,695,857** | **$ 2,573,294,261** | **$ 2,636,488,427** | **$ 63,194,166** | **2.5%** |

Note: The fiscal 2025 appropriation does not include deficiencies. The fiscal 2026 allowance does not include statewide salary adjustments budgeted within the Department of Budget and Management.