
Department of Human Services

Fiscal 2027 Budget Overview

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

January 2026

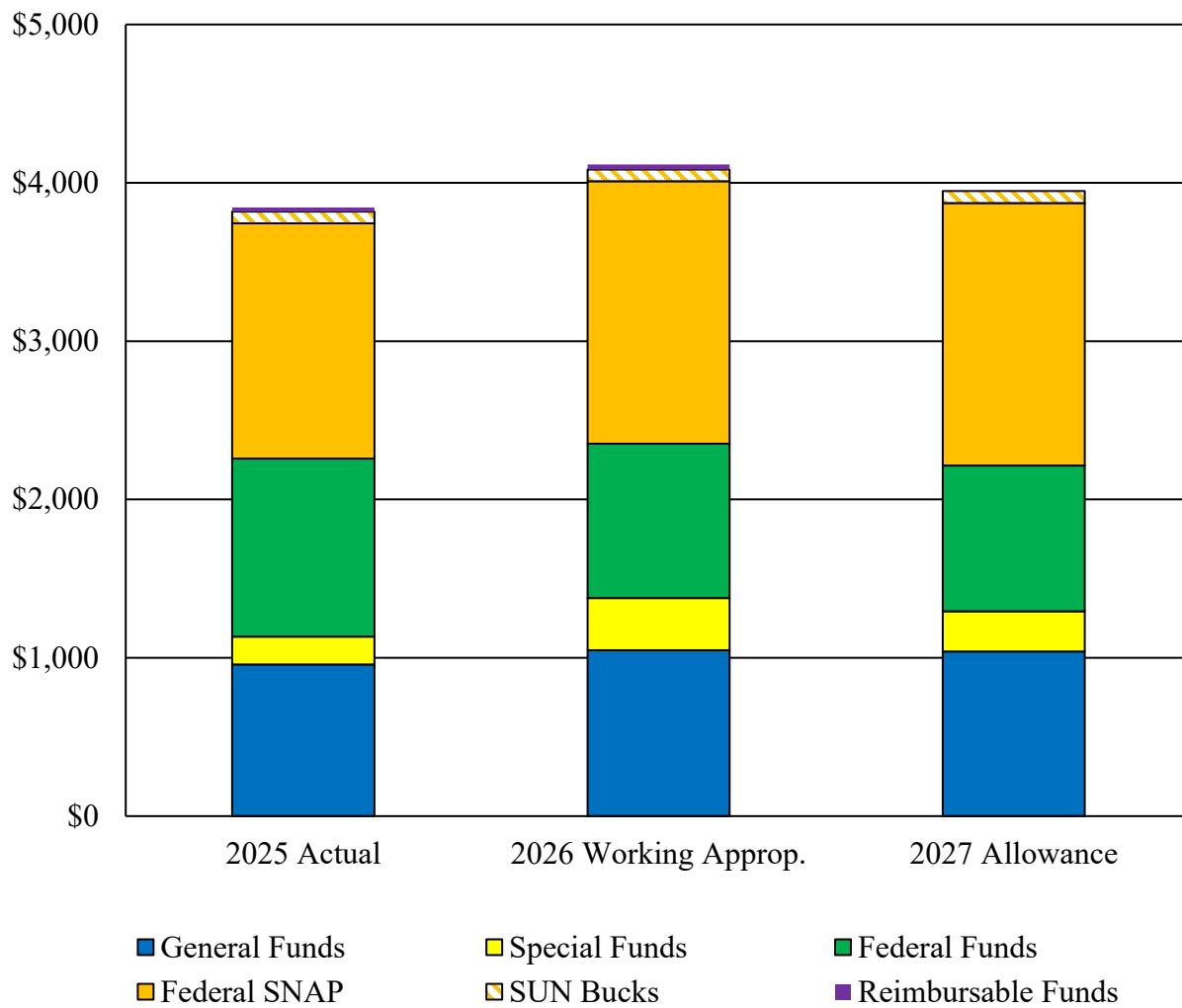
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Analysis of the FY 2027 Maryland Executive Budget, 2026

N00
Department of Human Services
Fiscal 2027 Budget Overview

Funding by Source
Fiscal 2025-2027 Allowance
($\$$ in Millions)

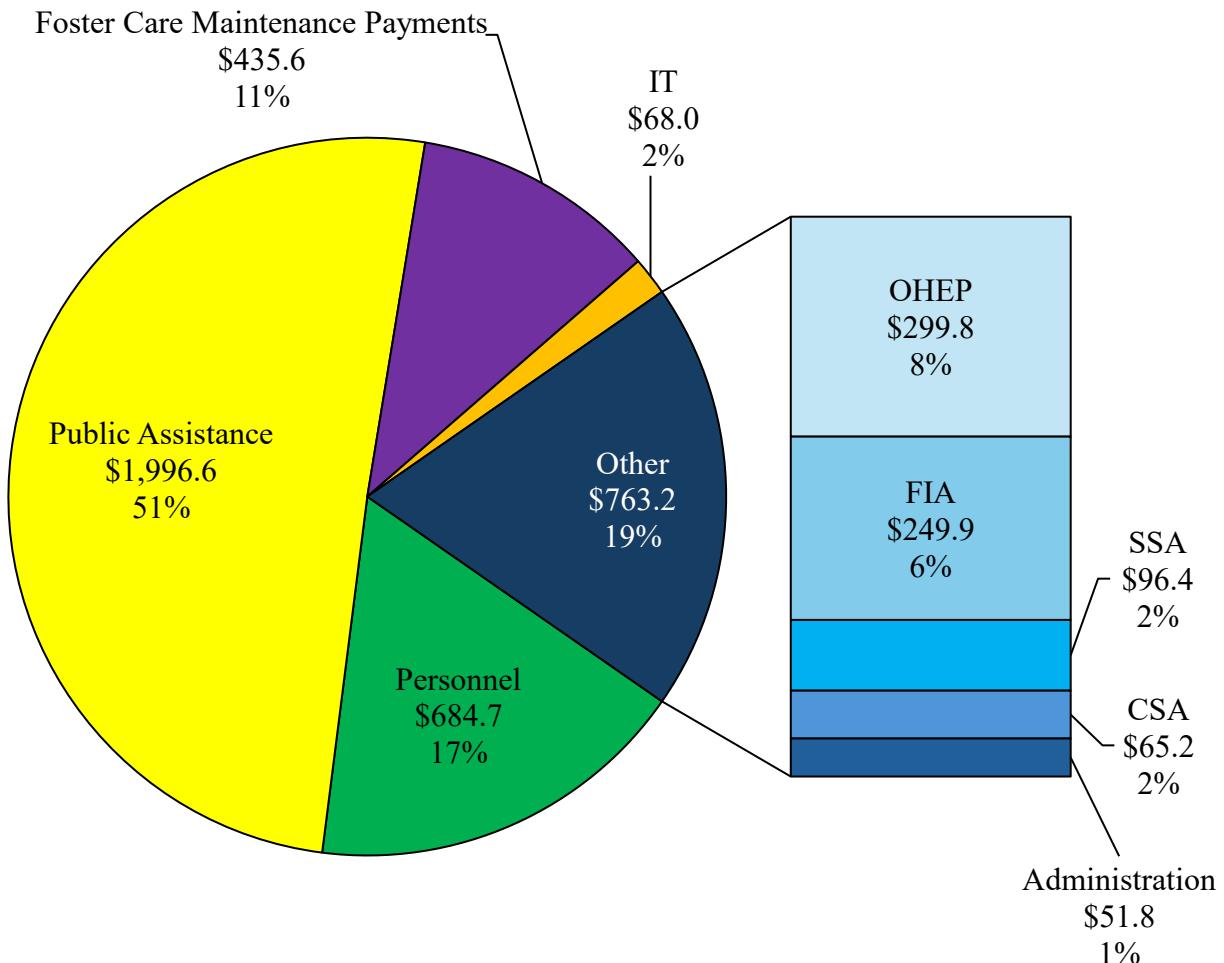


SNAP: Supplemental Nutrition Assistance Program

SUN Bucks: Summer Electronic Benefits Transfer

Note: Numbers may not sum to total due to rounding. Fiscal 2025 actual reflects numbers reported in the Governor's Fiscal 2027 Budget Books, which differ from actual expenditures for the Foster Care Maintenance Payments and Assistance Payments programs. The fiscal 2026 working appropriation accounts for deficiencies. The fiscal 2027 allowance accounts for contingent reductions. The fiscal 2027 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency's budget.

Functional Breakdown of Spending
Fiscal 2027 Allowance
(*\$* in Millions)



CSA: Child Support Administration

FIA: Family Investment Administration

IT: information technology

OHEP: Office of Home Energy Programs

SSA: Social Services Administration

Note: The fiscal 2027 allowance accounts for contingent reductions. The fiscal 2027 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 2027 Budget Books; Department of Legislative Services

Budget Overview: All Funds
Fiscal 2025-2027 Allowance
(\$ in Thousands)

	<u>Actual 2025</u>	<u>Working App. 2026</u>	<u>Allowance 2027</u>	<u>\$ Change 2026-2027</u>	<u>% Change 2026-2027</u>
Family Investment (Excluding SNAP and SUN Bucks)	\$763,785	\$803,541	\$709,958	-\$93,583	-12.3%
TCA and Transitional Benefit	158,264	155,954	160,555	4,601	2.9%
TDAP	67,834	63,590	70,150	6,560	9.7%
Supplemental SNAP Benefit ¹	8,803	71,066	8,866	-62,200	-706.6%
Other Public Assistance	119,944	32,404	24,904	-7,500	-6.3%
Work Opportunities	33,197	24,693	24,361	-333	-1.0%
Office of Grants Management	37,131	37,792	27,542	-10,250	-27.6%
Administration	338,613	418,042	393,580	-24,462	-7.2%
Office of Home Energy Programs	\$213,602	\$301,643	\$300,900	-\$744	-0.3%
Social Services					
Administration	\$788,890	\$816,355	\$841,771	\$25,416	3.2%
Foster Care/Adoption	403,091	425,782	435,564	9,782	2.4%
Programs/Administration	385,799	390,573	406,207	15,634	4.1%
Child Support	\$111,793	\$112,271	\$136,145	\$23,874	21.4%
Administration	\$327,398	\$352,412	\$227,117	-\$125,296	-38.3%
Office of the Secretary	36,766	48,870	47,108	-1,762	-4.8%
Operations	45,824	38,524	41,502	2,978	6.5%
Information Management	191,528	212,770	80,209	-132,561	-69.2%
Local Department Operations	53,280	52,249	58,298	6,049	11.4%
Total	\$2,205,468	\$2,386,222	\$2,215,890	-\$170,332	-7.7%
Expenditures Related to Fiscal 2024		\$79,839			

	Actual 2025	Working App. 2026	Allowance 2027	\$ Change 2026-2027	% Change 2026-2027
Total Funds (Including Expenditures Related to Fiscal 2024)	\$2,285,307	\$2,386,222	\$2,215,890	-\$170,332	-7.5%
General Funds	\$958,531	\$1,048,765	\$1,039,174	-\$9,592	-1.0%
Special Funds	176,008	329,404	253,694	-75,710	-43.0%
Federal Funds (Excluding SNAP and SUN Bucks)	1,123,223	974,771	922,194	-52,577	-4.7%
Reimbursable Funds	26,947	33,282	828	-32,454	-120.4%
Total Funds (Excluding Federal SNAP and SUN Bucks)	\$2,284,710	\$2,386,222	\$2,215,890	-\$170,332	-7.5%
Federal SNAP Benefits	1,486,151	1,658,011	1,658,011		0.0%
Federal SUN Bucks Benefits	73,324	72,500	74,100	1,600	2.2%
Total (Including Federal SNAP and SUN Bucks)	\$3,844,185	\$4,116,733	\$3,948,001	-\$168,732	-4.1%

SNAP: Supplemental Nutrition Assistance Program

SUN Bucks: Summer Electronic Benefits Transfer

TCA: Temporary Cash Assistance

TDAP: Temporary Disability Assistance Payment

¹Supplemental SNAP includes \$62.0 million provided to support SNAP benefits during the federal government shutdown.

Note: Numbers may not sum to total due to rounding. Fiscal 2025 actual reflects numbers reported in the Governor's Fiscal 2027 Budget Books, which differ from actual expenditures for the Foster Care Maintenance Payments and Assistance Payments programs. The fiscal 2026 working appropriation accounts for deficiencies. The fiscal 2027 allowance accounts for contingent reductions. The fiscal 2027 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 2027 Budget Books; Department of Legislative Services; Department of Budget and Management

Budget Overview: General Funds
Fiscal 2025-2027 Allowance
(*\$* in Thousands)

	Actual 2025	Working App. 2026	Allowance 2027	\$ Change 2026-2027	% Change 2026-2027
Family Investment	\$208,020	\$317,803	\$315,308	-\$2,494	-0.8%
TCA Payments	58,526	57,035	58,735	1,700	3.0%
TDAP	57,670	55,258	60,956	5,698	10.3%
Supplemental SNAP	8,803	9,066	8,866	-200	-2.2%
Other Public Assistance	11,351	18,479	10,979	-7,500	-40.6%
Office of Grants Management	20,840	20,121	19,871	-250	-1.2%
Administration	50,830	157,844	155,902	-1,942	-1.2%
Office of Home Energy Programs	\$420	\$0	\$46	\$46	
Social Services Administration	\$515,978	\$559,779	\$573,857	\$14,079	2.5%
Foster Care/Adoption	279,049	336,382	346,101	9,719	2.9%
Programs/Administration	236,929	223,397	227,756	4,360	2.0%
Child Support	\$17,525	\$20,302	\$24,163	\$3,862	19.0%
Administration	\$144,875	\$150,882	\$125,798	-\$25,084	-16.6%
Office of the Secretary	27,659	26,253	27,102	849	3.2%
Operations	23,098	21,534	23,162	1,627	7.6%
Information Management	62,245	71,262	40,755	-30,508	-42.8%
Local Department Operations	31,872	31,832	34,780	2,948	9.3%
Total	\$886,818	\$1,048,765	\$1,039,174	-\$9,592	-0.9%
Expenditures Related to Fiscal 2024		\$71,714			
Total Including Expenditures Related to Fiscal 2024	\$958,531	\$1,048,765	\$1,039,174	-\$9,592	-0.9%

SNAP: Supplemental Nutrition Assistance Program

TCA: Temporary Cash Assistance

TDAP: Temporary Disability Assistance Payment

Note: Numbers may not sum to total due to rounding. Fiscal 2025 actual reflects numbers reported in the Governor's Fiscal 2027 Budget Books, which differ from actual expenditures for the Foster Care Maintenance Payments and Assistance Payments programs. The fiscal 2026 working appropriation accounts for deficiencies. The fiscal 2027 allowance accounts for contingent reductions. The fiscal 2027 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 2027 Budget Books; Department of Budget and Management; Department of Legislative Services

Fiscal 2026 Actions

Deficiency Appropriations

The fiscal 2027 budget includes 28 proposed deficiency appropriations totaling \$80.2 million across the Department of Human Services (DHS), including \$40.5 million in general funds. Of these, \$32.3 million is for the Family Investment Administration (FIA), the largest net increase among the administrations. The largest of these proposed deficiency appropriations is \$28.0 million in general funds for penalties in the federal fiscal 2023 and 2024 Supplemental Nutrition Assistance Program (SNAP) payment error rate. Proposed deficiency appropriations totaling \$30.2 million are provided for the Social Services Administration (SSA) for foster care maintenance payments. An additional \$10.2 million is provided for the administration, including \$6.8 million for departmentwide call center expenditures and \$3.4 million for expenses associated with a change in the Electronic Benefit Transfer (EBT) and system modernization.

Deficiency Appropriations by Purpose Fiscal 2026 (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Total Fund</u>
Family Investment Administration	\$23,456	\$4,990	\$3,812	\$32,258
Penalties Incurred for High SNAP Payment Error Rates in Federal Fiscal 2023 and 2024	27,958	0	0	27,958
Employment and Income Verification Services	3,772	0	7,946	11,718
SUN Bucks Benefits	0	0	6,300	6,300
TDAP Due to Higher Than Expected Caseload and Available Special Funds	-1,360	5,100	0	3,740
SNAP Employment and Training Grants	0	0	982	982
SNAP Outreach Partner Contracts	0	\$0	548	548
Replacement of Electronically Stolen Cash Assistance and SNAP Benefits	300	0	0	300
Screening and Assistance with Filing for Social Security Benefits on Behalf of Disabled Children in Foster Care and Certain Public Assistance Cases	86	0	86	173
Supplemental SNAP Benefit for Seniors Program	-700	0	0	-700
Public Assistance to Entrepreneurship	0	0	3	3
Call Center Services	0	0	-2,612	-2,612

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	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Total Fund</u>
SUN Bucks Program Administrative Expenses	-2,600	0	-2,600	-5,200
TCA Benefits Due to Lower-than-expected Caseloads	-4,000	-110	-6,840	-10,950
Social Services Administration	\$15,782	\$758	\$13,665	\$30,205
Foster Care Maintenance Payments Due to Higher Than Expected Caseload and Monthly Average Payments	15,782	758	13,660	30,200
Kinship Navigator Contract	0	0	8	8
Call Center Services	0	0	-3	-3
Administration	\$1,297	\$7,468	\$1,404	\$10,169
Departmentwide Call Center Expenditures	0	7,468	-711	6,757
Electronic Benefit Transfer Vendor and System Modernization	1,297	0	2,115	3,412
Office of Home Energy Program	\$0	\$2,377	\$1,484	\$3,861
MEAP	0	0	24,000	24,000
OHEP Contracts	0	-697	-3	-700
Local Administering Agencies	0	3,074	29	3,102
MEAP Funds Labeled as Call Center in Error in Fiscal 2026 Budget	0	0	-22,541	-22,541
Child Support	\$0	\$2,550	\$1,154	\$3,703
Call Center Services	0	1,859	-307	1,552
Privatized Child Support Services in Baltimore City	0	310	602	912
Research Projects and Data Analysis	0	211	409	620
Independent Verification and Validation Services	0	170	330	500
Treasury Offset Program	0	0	119	119
Total	\$40,535	\$18,143	\$21,519	\$80,198

MEAP: Maryland Energy Assistance Program

OHEP: Office of Home Energy Programs

SNAP: Supplemental Nutrition Assistance Program

SUN Bucks: Summer Electronic Benefits Transfer

TCA: Temporary Cash Assistance

TDAP: Temporary Disability Assistance Payment

Proposed Budget Changes
Department of Human Services
Fiscal 2026-2027
(\$ in Thousands)

	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Working Appropriation	\$1,048,765	\$329,404	\$2,705,282	\$33,282	\$4,116,733
Governor's Allowance	1,039,174	253,694	2,654,305	828	3,948,001
Amount Change	-9,592	-75,710	-50,977	-32,454	-168,732
Percent Change	-0.9%	-23.0%	-1.9%	-97.5%	-4.1%

Where It Goes:

Personnel Expenses

Employee and retiree health insurance	\$29,555
Salary increases and associated fringe benefits	17,010
Deferred compensation Match due to statewide change in budgeting	1,448
Workers' compensation premium assessment.....	773
Turnover adjustments	-3,667
Better align agency personnel funding with actual expenditures	-9,649
Other fringe benefit adjustments	8

Child Support Administration

Cooperative Reimbursement Agreements (federal pass-through funding)	17,392
Training services for employees under Central Disbursement Unit.....	1,250
Research and Technical Assistance by the University of Maryland School of Social Work	682
To improve employability, provide job readiness training, personal development and enrichment activities for noncustodial parents.....	600
Baltimore City privatization	-912
Child Support Reinvestment funds	-1,292

Foster Care Maintenance Payments

Foster Care Maintenance Payments, reflecting estimated caseload increases, net of contingent reduction due to level funding provider rates	7,744
Flex Funds	1,648

Office of Home Energy Programs

SEIF revenue allocated for energy assistance	10,080
Electric Universal Service Program	700
Local Administering Agencies	-1,044
Emergency MEAP Funding due to delays in the release of federal fiscal 2026 LIHEAP funds to support MEAP	-10,100

Where It Goes:	Change
Family Investment Administration	
Change in the SNAP administrative match rate beginning October 1, 2026	43,120
Asset Verification contract	-977
Refugee TANF Coordination Grant due to the end of the award period	-1,264
Employment and Income Verification contract.....	-2,192
Refugee medical screenings due to decline in admissions	-5,000
MORA Public Private Partnership, including Refugee Transitional Cash Assistance, due to declining admissions and reduced eligibility period	-8,997
Fiscal Responsibility One-time Funds for funding for feeding organizations due to shutdown.....	-10,000
SNAP E&T due to timing of approval of State plan	-11,726
One-time funds for the SNAP Payment Error Rate penalties for federal fiscal 2023 and 2024	-27,957
Assistance Payments	
Temporary Cash Assistance due to anticipated changes in benefit levels.....	4,601
TDAP due to anticipated changes in caseload and benefit levels	6,560
SUN Bucks to reflect anticipated caseloads	1,600
Senior Supplemental Benefit to reflect anticipated caseloads.....	-200
EBT Fraud Replacement due to anticipated savings after implementation of additional security features.....	-7,500
Fiscal Responsibility Funds provided for the State to partially pay SNAP benefits during the government shutdown (not fully utilized)	-62,000
Administration	
EBT Contract.....	-891
Maryland Benefits transfer to Department of Information Technology.....	-130,117
Other Changes	
Rent.....	-3,949
Cost allocations.....	-1,553
Call Center contract	-12,031
Other	-485
Total	-\$168,732

E&T: employment and training

EBT: Electronic Benefit Transfer

LIHEAP: Low Income Home Energy Assistance Program

MEAP: Maryland Energy Assistance Program

MORA: Maryland Office for Refugees and Asylees

SEIF: Strategic Energy Investment Fund

SNAP: Supplemental Nutrition Assistance Program

SUN Bucks: Summer Electronic Benefits Transfer

TANF: Temporary Assistance for Needy Families

TDAP: Temporary Disability Assistance Payment

Note: Numbers may not sum to total due to rounding. The fiscal 2026 working appropriation accounts for deficiencies. The fiscal 2027 allowance accounts for contingent reductions. The fiscal 2027 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 2027 Budget Books; Department of Legislative Services.

The budget bill as introduced includes language reducing \$6.5 million for foster care maintenance payments, pending enactment of legislation prohibiting Interagency Rates Committee (IRC) from increasing the rate for providers over the rates in effect on January 21, 2026. Of the \$6.5 million, \$5.1 million is from general funds, \$64,473 is from special funds, and \$1.3 million is from federal funds. A provision in the Budget Reconciliation and Financing Act (BRFA) of 2026 as introduced fulfills this requirement by prohibiting the increase of rates for agencies that are set by IRC. A similar provision was included in the BRFA of 2025.

Caseload Estimates Assumed in the Budget
Fiscal 2024-2027 Estimated

<u>Program</u>	<u>Actual 2024</u>	<u>Actual 2025</u>	<u>Estimated 2026</u>	<u>Estimated 2027</u>	<u>% Change 2026-2027</u>
Cash Assistance					
TCA	55,143	50,088	48,131	48,100	0%
TCA Transitional Benefit	3,186	3,323	3,024	3,264	8%
TDAP	11,251	12,693	13,543	14,500	7%
SNAP Supplemental Benefit	28,280	30,220	29,313	29,300	0%
Federal SNAP Cases ¹	379,611	377,827	364,603	348,196	-4%
Child Welfare					
Foster Care	2,425	2,607	2,626	2,676	2%
Subsidized Adoption\Guardianship	7,738	7,618	7,768	7,821	1%
Child Support					
TCA Collections	\$14,068,730	\$15,475,604	\$17,023,164	\$18,725,480	10%
Non-TCA Collections	442,259,849	434,909,536	439,258,631	443,651,218	1%
Total Collections	\$456,328,579	\$450,385,140	\$456,281,795	\$462,376,698	1%

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¹Represents the estimate produced by the Department of Legislative Services. Fiscal 2026 and 2027 budget could support 421,515 SNAP cases in each fiscal year.

Note: Federal SNAP cases for fiscal 2026 and 2027 are an estimate produced by the Department of Legislative Services based on total funding provided. All other caseload estimates for fiscal 2026 and 2027 are as provided by the Department of Budget and Management.

Source: Governor's Fiscal 2026 and 2027 Budget Books; Department of Human Services; Department of Budget and Management; Department of Legislative Services

Employment: Full-time Equivalent Regular Positions and Contractual Positions
Fiscal 2025-2027

	2025 Actual	2026 Working	2027 Allowance	2026-2027 Change
Regular Positions				
Social Services	2,627.18	2,590.68	2,548.15	-42.53
Family Investment	1,917.30	1,885.50	1,856.50	-29.00
Administration	760.00	733.00	806.53	73.53
Child Support	660.20	648.20	648.20	0.00
Office of Home Energy Programs	14.00	13.00	11.00	-2.00
Total Positions	5,978.68	5,870.38	5,870.38	0.00
Contractual Positions				
Social Services	2.50	2.50	2.50	0.00
Family Investment	70.00	70.00	70.00	0.00
Administration	3.33	3.33	3.33	0.00
Child Support	1.00	1.00	1.00	0.00
Office of Home Energy Programs	0.00	0.00	0.00	0.00
Total Positions	76.83	76.83	76.83	0.00

Source: Governor's Fiscal 2027 Budget Books

In October 2025, the Board of Public Works approved the abolition of 502.7 positions statewide, including 332 positions associated with the Voluntary Separation Program (VSP) and 170.7 vacant positions. Of these positions, 90.3 were from DHS. Of the total abolished positions, 65.0 were part of VSP, and the remaining 25.3 were vacant positions. By DHS programs, 19 positions were from DHS – Administration, 30.5 positions from SSA, 31.8 positions from FIA, and 9 positions from the Child Support Administration.

Additionally, authority over Maryland Benefits (formerly Maryland Total Human Integrated Network) transferred from DHS to the Department of Information Technology (DoIT) in fiscal 2026. As part of this transfer in authority, 18 positions were from DHS to DoIT. The transfer included operations of the Shared Platform and the Eligibility and Enrollment System.

Filled Regular Positions
Fiscal 2024-2026
December 31 Data

	2024			2025			2026			<u>Change in Filled</u>	<u>Change in % Filled</u>
	<u>Filled</u>	<u>Authorized</u>	<u>% Filled</u>	<u>Filled</u>	<u>Authorized</u>	<u>% Filled</u>	<u>Filled</u>	<u>Authorized</u>	<u>% Filled</u>		
Administration Social Services	700.0	760.0	92.1%	697.0	760.0	91.7%	673.0	733.0	91.8%	-24	0.1%
Administration Child Support	2,297.9	2,627.2	87.5%	2,407.6	2,627.2	91.6%	2,417.9	2,590.7	93.3%	10.24	1.7%
Administration Family Investment	600.7	660.2	91.0%	605.6	660.2	91.7%	598.7	648.2	92.4%	-6.9	0.6%
Administration	1,787.8	1,931.3	92.6%	1,785.5	1,931.3	92.5%	1,785.5	1,898.5	94.0%	0	1.6%
Total DHS	5,386.4	5,978.7	90.1%	5,495.7	5,978.7	91.9%	5,475.1	5,870.4	93.3%	-20.7	1.3%

DHS: Department of Human Services

Note: Numbers may not sum to total due to rounding.

Source: Governor's Fiscal 2026 and 2027 Budget Books; Department of Budget and Management; Department of Legislative Services

Issues

1. Fiscal 2025 Closeout Concerns

During the fiscal 2024 closeout process, DHS made several errors, including reverting \$64.3 million in general funds in error and not reporting shortfalls in entitlement programs, resulting in significant levels of deficiency appropriations. DHS also incorrectly reported expenditures both in total and by fund source for the entitlement programs. DHS was unable to fully explain the cause of the errors. As a result, language in fiscal 2026 budget restricted funds in DHS pending submission of closeout information by October 1, 2025, including information on Assistance Payment, Foster Care Maintenance Payments and Temporary Assistance for Needy Families (TANF). The report also required the closeout information to reconcile information provided by the Comptroller of Maryland. DHS was also requested to provide explanations of reverted and canceled funds.

DHS submitted a report on October 17, 2025. However, the report only included a portion of the requested information, providing only fiscal 2025 expenditures for Assistance Payments and Foster Care Maintenance Payments – it did not provide information on the reversions and cancellations, TANF spending or balance, or special and federal fund expenditures as required. Although only limited data was provided, concerns about the accuracy of the fiscal 2025 closeout were apparent, as neither the Assistance Payments nor Foster Care Maintenance Payments detail reconciled to the information reported to the Comptroller of Maryland. Issues identified in the submitted information are listed in the following.

Assistance Payments

- total expenditures do not match the information reported to Comptroller, including reporting a higher level of total spending;
- expenditures by benefit were inconsistently reported between documents for some benefits, including fund source, and did not always match monthly data reported by the department;
- most documents report approximately \$10 million higher in Temporary Disability Assistance Program total spending than the monthly data indicates due to counting both special fund expenditures of that level and the general funds that it was meant to offset;
- expenditures reported for the Emergency Assistance to Families with Children (EAFC) program are about \$3 million less than monthly reported data indicates;
- some documents misreported federal fund expenditure in the EBT Fraud Replacements; and

- no documents explain more than \$70 million of federal fund expenditures. Data reported with the fiscal 2027 budget indicate it is TANF but with no specific costs attached to the TANF charge.

Foster Care Maintenance Payments

- Total expenditures did not match the information reported to the Comptroller, and it is unclear if funds were used to resolve a fiscal 2024 shortfall of \$8.1 million.

Throughout fall 2025, DHS was delayed in responding to these questions and, as of this writing, most questions remain unanswered. DHS submitted additional information to the Department of Legislative Services (DLS) that was intended to be included in the report, though not through a formal submission, on January 15, 2026, which provided explanations on some reversions for general funds but not for federal and special funds. The explanations provided for general funds were not always clear.

During the fiscal 2025 budget hearing, DHS had noted major challenges during closeout stemmed from lack of use of Fiscal Management Information System (FMIS) to keep track of internal finances for all unit budgets, which meant that budget tracking and reconciliation occurred only during closeout. DHS also reported that starting fiscal 2025, all unit budgets had been loaded into FMIS, signaling better budget tracking and closeout process. However, as discussed, the closeout issue has persisted in fiscal 2025 closeout. **DHS should discuss its efforts to reconcile its fiscal 2025 closeout and plans to improve its closeout processes to ensure that reporting to the Comptroller reflects actual expenditures. DLS will make a recommendation related to the reporting of closeout information in the analysis N00A01 – DHS – Administration.**

In addition, DLS received a budget amendment related to fiscal 2025 on December 19, 2025, that was part of the department's closeout. The amendment requested to increase special fund appropriation by \$20.5 million and to realign \$69.2 million and \$192.7 million in general and federal funds, respectively. The amendment did not provide clear reasoning for the appropriations being realigned or increased. One such instance includes realignment of general funds to increase Child Welfare Services appropriation by \$55.4 million; however, at closeout DHS reported reverting \$26.7 million from this program, indicating that nearly half of the funds transferred were not needed, so it is unclear why such realignments would have been requested instead of reverting from the original program location. Of the \$20.5 million in special funds, the amendment requested appropriation of \$7.6 million from the Child Support Offset account. The opening fund balance for this special fund account was reported in the amendment as a negative \$80.0 million in fiscal 2025, with a closing balance after accounting for the amendment of negative \$98.8 million. DHS requested funds be appropriated from the account despite the negative starting balance. As of January 26, 2026, DHS has not provided explanations to questions raised by DLS to explain the increases, realignments, or the negative reported balance.

2. Office of Legislative Audits Review of Budget Closeout Transactions

In December 2025, the Office of Legislative Audits (OLA) published the *Statewide Review of Budget Closeout Transactions for Fiscal 2025*. This report included four findings for DHS, all of which were repeat findings.

One finding stated that DHS could not document certain federal fund revenue entries or whether these funds were recovered. At the end of fiscal 2025, OLA noted that DHS recorded 55 accrued federal fund revenue entries totaling \$3.84 billion. These entries include 45 positive accruals totaling \$2.23 billion. OLA examined 5 entries totaling \$1.31 billion and determined that DHS could not verify whether federal funds revenue entries were accurate or properly recovered. OLA also found that DHS did not identify questionable accrued revenue entries, including \$339.1 million revenue accrual in an account that only had \$33.2 million in federal expenditures in fiscal 2025. OLA noted that similar questionable entries were recorded in this account in fiscal 2020 through 2024. Also, DHS could not show that the \$1.31 billion in accrued funds was collected from the federal government. As of September 2025, in fiscal 2026 the department had received only \$386.3 million but could not confirm if that money was connected to the earlier accruals.

OLA's report included two findings noting unresolved deficit balances. In one, OLA found that DHS had a \$103.6 million deficit balance in a nonbudgeted fund account that OLA indicated may require general funds to resolve. Specifically, OLA explained that this account is a clearing account used to record initial expenditures related to various assistance payments. These expenditures are eventually meant to be transferred to the correct budgetary unit and allocated among fund types. OLA reported that as of October 2025, DHS had not researched this fund balance to determine the how to resolve the deficit. In the second, OLA reported that DHS had deficit balances in certain special funds at the end of the fiscal year that may require general funds to resolve if special funds are not available or permitted to cover these deficits. OLA stated that at the close of fiscal 2025, five special funds had accounts with deficits totaling \$205.0 million. However, OLA also explained that other special fund accounts had positive balances. As of October 2025, DHS had not determined the extent to which the deficit and positive balances were related.

OLA's remaining findings related to DHS noted that the department had not reported a combined \$28.0 million potential general fund payable resulting from federal penalties to the Comptroller as required. These liabilities relate to the SNAP payment error rate penalties assessed for federal fiscal 2023 and 2024. DHS has appealed these penalties. The fiscal 2027 budget includes a proposed deficiency appropriation to pay these penalties in the event the penalties are upheld.

DHS should provide an update on the status of the recovery of accrued federal funds. DHS should also discuss its plans to address findings related to unresolved deficit balances.

3. Temporary Assistance for Needy Families Update

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

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

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

Funding through TANF is primarily provided through a block grant amount, which is largely unchanged since the program's initiation. Since fiscal 2017, Maryland has annually received \$228 million from the federal TANF block grant. The same amount is expected to be available in fiscal 2027. Maryland has also received TANF contingency funds each year since the Great Recession. Contingency funds are available to states meeting certain criteria related to SNAP participation or unemployment. In order to receive TANF contingency funds, a state must meet one of two conditions:

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

Maryland continues to qualify for these funds because of SNAP caseload changes of that period and as long as the criteria remains unchanged, it will continue to qualify for the foreseeable future. The amount of contingency funds received year to year has varied throughout the period of receipt but has been relatively steady in recent years. Approximately \$26 million is expected to be received from this source in both fiscal 2026 and 2027.

TANF Authorizations

In calendar 2006, most TANF grants were extended through federal fiscal 2010 under the Deficit Reduction Act of 2005, and certain program changes were made. Since federal fiscal 2010, TANF has operated under a series of temporary extensions, generally (though not always)

concurrent with continuing resolutions. TANF's authorization expired September 30, 2025, until the enactment of the continuing resolution on November 12, 2025. The continuing resolution extended TANF through January 30, 2026; authorization temporarily lapsed again after that date. Although the authorization temporarily lapsed, states can use any existing balance but do not receive new allocations during the lapses. As a result, there has been no impact of these shutdowns on TANF funded programs.

TANF Spending

Exhibit 1 provides details on TANF spending activity in the fiscal 2027 allowance compared to the fiscal 2026 working appropriation. In total, the fiscal 2027 allowance includes \$259.5 million of TANF spending, an increase of \$10.4 million compared to the fiscal 2026 working appropriation after accounting for proposed deficiency appropriations. The largest proposed deficiency appropriation impacting TANF withdraws \$6.8 million of TANF spending for the Temporary Cash Assistance (TCA) program as part of a larger reduction due to caseload trends. The largest increase in spending between years (\$5.9 million) occurs in the Local Family Investment Program, the program in which funding to support caseworkers is budgeted. Local child welfare services increases by \$3.6 million to \$22.2 million. Assistance payments spending increases by \$2.2 million due to higher estimated costs for TCA.

Exhibit 1
Changes in TANF Spending
Fiscal 2026-2027 Allowance
(\$ in Millions)

<u>Activity</u>	<u>2026 Working</u>	<u>2027 Allowance</u>	<u>2026-2027 Change</u>
Cash Assistance	\$108.2	\$111.1	\$2.9
Work Opportunities	24.7	24.4	-0.3
Family Investment Services	6.7	3.6	-3.1
Local Family Investment Program	31.4	37.2	5.9
Foster Care Maintenance Payments	27.2	25.2	-2.0
Local Child Welfare Services	18.6	22.2	3.6
Local Adult Services	11.0	12.3	1.4
Social Services Administration State Operations	10.0	11.0	1.0
General Administration	11.3	12.5	1.2
Total Expenditures	\$249.0	\$259.5	\$10.4

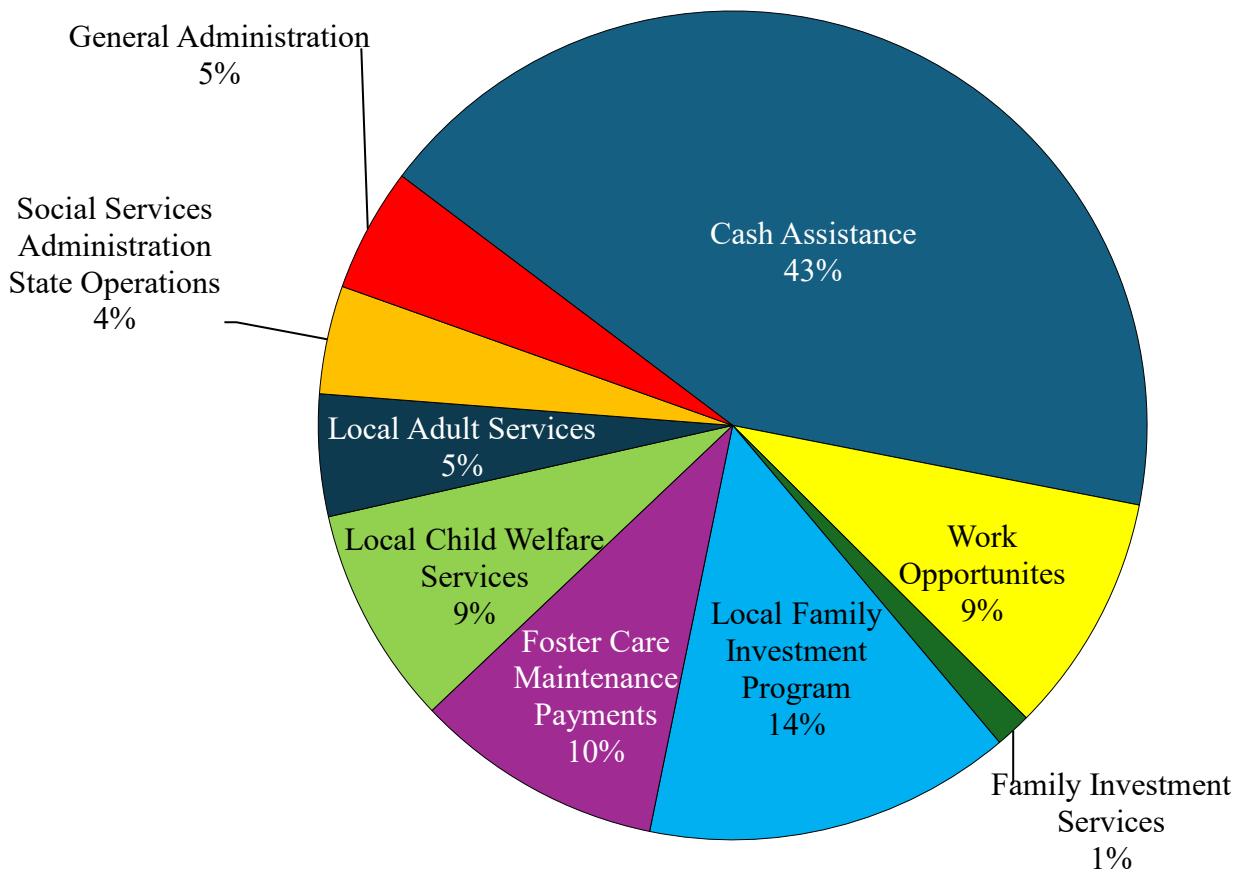
TANF: Temporary Assistance for Needy Families

Note: Numbers may not sum due to rounding.

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

In general in Maryland, cash assistance has comprised more than 40% of TANF expenditures. As shown in **Exhibit 2**, the fiscal 2027 allowance allocates 43% of TANF appropriations to cash assistance. Combined, the core TANF programs (cash assistance, work opportunities, and family investment administrative expenses) comprise 68% of TANF appropriations in the fiscal 2027 allowance. In recent years, child-welfare-related purposes including foster care have comprised larger than historical shares of expenditures, peaking at 30.6% in fiscal 2022 primarily due to declining availability of other fund sources to support these programs. The fiscal 2027 allowance anticipates 18.3% of expenditures would be dedicated towards these purposes, which would be the lowest level since fiscal 2019. However, DLS notes that expenditures in these areas are often higher than initially appropriated.

Exhibit 2
Changes in Temporary Assistance for Needy Families Spending
Fiscal 2027 Allowance



Note: Numbers may not sum due to rounding.

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

Risks to the TANF Balance

A significant risk related to the fiscal 2026 working appropriation and the fiscal 2027 allowance for the department is the availability of TANF to support planned expenditures. Based on the fiscal 2025 information reported by DHS to the Department of Budget and Management (DBM) and the budgeted amounts in fiscal 2026 and 2027, the closing balances would total \$11.1 million in fiscal 2026, decreasing to \$6.3 million in fiscal 2027 due to the use of fund balance to support planned expenditures. However, as discussed in Issue 1, in both fiscal 2024 and 2025, DHS has made errors in closeout and, as it relates to fiscal 2025, has been unable to explain its reported expenditures in closeout. These errors lead to significant questions about the amount of TANF used in those years and undermine the credibility of the estimated TANF balance. The net impact of the errors and incomplete reporting is uncertain and will remain so until the numbers are reconciled and explained.

In addition, the balance data presented by DHS significantly increased the fiscal 2025 starting balance compared to that provided in the 2025 session, an increase from \$57 million to \$73 million. It is unclear how such an increase could have occurred, leading to questions about whether the expected recasting of fiscal 2024 reported expenditures as TANF to assist in resolving fiscal 2024 shortfalls occurred as planned. Although combined, if this information is accurate, it leads to higher balances than might have otherwise occurred. It is not clear if this information is accurate, or if the fiscal 2024 shortfalls were addressed.

Potentially unrealistic assumptions of lower TANF spending in fiscal 2026 and 2027 on various programs also pose a risk to the TANF balance. For example, the budgeted level of spending in the Work Opportunities program in both fiscal 2026 and 2027 is about \$8 million lower than the actual level of expenditures reported for fiscal 2025. In addition, according to monthly data reported by the department, EAFC spending in fiscal 2026 through November totals \$2.4 million compared to a budgeted level of \$2.7 million. Monthly data reported by DHS indicate that spending in the EAFC program in fiscal 2025 totaled \$6.7 million. It is therefore likely that the final expenditures in fiscal 2026 will be substantially higher than the budgeted level. If spending on Work Opportunities and EAFC is at the fiscal 2025 level in both years, and all other spending occurs at the budgeted level, the TANF balance would be negative after both fiscal 2026 and 2027.

DHS should comment on how it is working to reconcile TANF expenditures for fiscal 2024 and 2025 to determine the availability of TANF in fiscal 2026 and 2027. DHS should also discuss how it will address any shortfalls that might occur following that reconciliation.

Maintenance of Effort

In return for the annual TANF block grant, the State must spend \$177 million of its own money to meet a federal maintenance of effort (MOE) requirement equal to 75% of its spending on TANF's predecessor programs in fiscal 1994. A higher MOE (80%) is required if a state does not meet its federal work participation rates (WPR). Additional MOE funds are required when a

state receives contingency funds. Specifically, a state must spend 100% of what it spent on the predecessor programs and then, contingency funds must be matched by MOE spending. Due to the required MOE for the base block grant and the receipt of contingency funds, DHS has been required to spend approximately \$240 million for MOE in all recent years. In fiscal 2025, DHS reported approximately \$591.1 million of MOE spending, an increase of \$31.7 million compared to fiscal 2024. Fiscal 2025 is the fifth consecutive year that MOE spending exceeded required levels by more than \$100 million and the third consecutive year that MOE spending has exceeded required levels by more than \$300 million. Excess MOE spending assists the State in meeting the WPR, as it can be used in the calculation of the caseload reduction credit, which significantly contributes to the State's ability to meet the required rate.

The Earned Income Tax Credits (EITC) at both the State and local level alone have been more than sufficient to meet the required MOE since fiscal 2022. In fiscal 2025, these amounts total \$343.9 million. Spending on prekindergarten programs is the next highest contributor to MOE spending, with more than \$100 million of spending counting toward MOE between fiscal 2023 and 2025. In fiscal 2025, this spending totaled \$179 million. In large part due to the growth of MOE spending on these programs, the State exceeded required MOE levels in fiscal 2023 through 2025, even when excluding the EITC programs.