



**House
Legislative
Analysis
Section**

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**WORK REQUIREMENTS FOR FIP
ASSISTANCE**

**Senate Bill 817 (Substitute H-1)
First Analysis (12-11-01)**

**Sponsor: Sen. Shirley Johnson
House Committee: Family and Children
Services
Senate Committee: Families, Mental
Health, and Human Services**

THE APPARENT PROBLEM:

Recent state and federal welfare reform efforts have resulted in strict time limitations and employment requirements for those receiving public assistance benefits. While Michigan does not have a time limit as to how long a person can receive welfare benefits, the goal of the Family Independence Agency (FIA) has been to help welfare recipients obtain employment and strive toward self-sufficiency and independence from public assistance. To help recipients find employment, they are referred by the Family Independence Agency to the Work First program, which is administered statewide by the Department of Career Development (DCD) and locally through 25 Michigan Works agencies. The Work First program offers a wide variety of services designed to help recipients obtain gainful employment.

With certain exceptions, all able-bodied adults are required to participate in a minimum of 30 hours of work-related activities. Failure to do so results in sanctioning by the FIA. It is believed by many involved in the sanctioning process that the policy is confusing, as it sets different standards depending on the length of a participant has been receiving Family Independence Program (FIP) assistance. Legislation has been introduced to provide for immediate sanctioning of noncompliant participants. It is also believed that this would serve as a greater deterrent for those who do not comply with the program. In addition, there have been several instances where Work First participants have not been willing to participate in employment-related activities beyond the federally mandated minimum, when offered the opportunity to participate for more hours. As such, legislation has been introduced to allow the FIA to require up to 40 hours of employment-related activities.

THE CONTENT OF THE BILL:

The bill would amend the Social Welfare Act to require the Family Independence Agency to use an electronic benefit transfer system (EBT) to issue food stamps; modify certain provisions pertaining to the initial eligibility for family independence assistance after participation in a joint orientation; require up to 40 hours per week of certain employment-related activities for family assistance; revise certain Work First requirements; and revise penalties for noncompliance. The bill would take effect January 1, 2002.

Food Stamps. The bill would require the FIA to use an electronic benefit transfer system to issue food stamps. To the extent that any rules or parts of rules promulgated under the act conflict with the food stamp provisions of the bill, the provisions of the bill would take precedence. In addition, the bill would also rescind the following administrative rules of the Michigan Administrative Code:

- R 400.3002 through R 400.3004, which pertain to food stamp groups receiving warrants rather than food stamp coupons in certain situations.
- R 400.3007, which pertains to disqualification or penalty for noncompliance with certain requirements.
- R 400.3008, which pertains to application for food stamp benefits after denial or case closure.
- R 400.3012, which pertains to the food stamp eligibility requirements for a person who is in food stamp student status.
- R 400.3013, which excludes a person on strike and his or her spouse and children, if they live with the striker, from being eligible to receive food stamp benefits.

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- R 400.3125, which pertains to the disqualification of family independence program (FIP) benefits for failing to cooperate in obtaining child support, without good cause.

Joint Orientation/Initial Eligibility. Under the act, the Department of Career Development (DCD) and the FIA are required to conduct joint orientation programs for family independence assistance applicants. When the FIA makes an initial determination that an adult or child at least 16 years old (who does not attend elementary or secondary school on a full-time basis) might be eligible for assistance, that person is required to attend a joint orientation session as a condition of eligibility prior to receiving assistance. Once the orientation session is completed, the individual and the FIA develop the family's social contract, outlining the responsibilities of members of the family independence assistance group.

The bill would delete the requirement that the FIA provide family independence assistance to the family for not more than two months if all eligibility requirements are met. The bill would also delete the requirement that the FIA review the individual's compliance with the social contract two months after the orientation session.

Under the act, if an individual fails to cooperate with Work First requirements after the two-month review, the family is ineligible for family independence assistance. In addition, if the individual fails to cooperate with any other social contract requirement, the FIA must impose penalties, as provided in the act. The bill would amend this provision to specify that if a person fails to cooperate with a joint orientation session or other employment and training activities, his or her family would be ineligible to receive family independence assistance. The bill also specifies that the FIA would impose penalties, as provided in the act, on an individual who fails to comply with Work First activities, employment and training activities, or child support requirements. The bill further specifies that the FIA could impose penalties on an individual who fails to comply with his or her social contract.

Social Contract. Under the act, the social contract must address the individual needs and abilities of the particular family. Among other requirements, the contract must include the obligation of each adult to engage in at least 20 hours per week of employment, Work First activities, education or training, community service activities, or self-improvement activities. The bill would delete the 20 hour per week

requirement and, instead, require that these listed activities, as determined appropriate by the FIA, be done up to 40 hours per week.

In addition, the act requires the FIA to monitor each family's compliance with the social contract. The bill would delete the requirement that the FIA impose penalties on a family that has failed to comply with the social contract.

Work First. The act requires, with certain exceptions, that every member of a family independence group be referred to and participate in Work First. The details of the Work First program including allowable and required activities and the number of hours required are developed by the FIA and the DCD, and are stated in a recipient's social contract.

The bill would delete a provision that allows a recipient to enroll in a job-related program no more than two years in duration that is offered by a college or university, community college, or state-licensed vocational or technical education program, or state-licensed proprietary school, should the Work First agency determine that there were no jobs available. However, the bill adds language that would allow the recipient to enroll in a training or education program approved by the local workforce development board, if the recipient has cooperated with Work First. The bill states that, with the exception of a high school or GED program, the program would have to be occupationally relevant and in demand in the labor market, as determined by the workforce development board, and could be no more than two years in duration. Participants would have to make satisfactory progress in the program.

The act exempts certain individuals from Work First requirements. The bill would delete the exemption for individuals who are working the minimum number of hours determined by the FIA to be necessary to meet federal requirements. Among others, the act also exempts the following from Work First requirements:

- A recipient of Social Security disability, or medical assistance to due to disability.
- An individual suffering from a physical or mental impairment that meets federal SSI disability standards, except that no minimum duration is required.
- The spouse of an above individual who serves as that individual's full-time caregiver.

The bill specifies that above individuals would be exempt from Work First requirements only to the extent that they are severely restricted from participating in employment or training activities, based on medical evidence and a needs assessment by the FIA.

The bill also specifies that the parent of a child less than three months old would be exempt from Work First. However, the FIA could require a parent exempted from Work First, as part of his or her social contract, to participate in family services, including, but not limited to, parenting instruction, nutrition, and child development while the child is between six weeks of age and three months of age. Currently, the act states that a mother is exempt from Work First and may be permitted to attend such programs.

Penalties. The act requires that the FIA develop a system of penalties to be imposed on a recipient who fails to comply with the social contract or commits fraud. Under the bill, penalties would be imposed on a recipient who fails to comply with applicable rules or other provisions of the bill. Under the act, a person cannot be penalized if he or she has demonstrated good cause for failing to comply. The bill would require the following penalties:

- FIP benefits would have to be terminated should a recipient fail, without good cause, to comply with applicable child support requirements, including any effort to establish paternity and obtain child support. The assistance group would be ineligible for FIP assistance for at least one calendar month. Once assistance has been terminated for at least one calendar month, assistance could be restored if the recipient complies with child support requirements, including an action to establish paternity and obtain support.
- For any instance of noncompliance, the FIA would determine if good cause for noncompliance exists, before determining that a penalty would be imposed. The FIA would notify the recipient that he or she has 10 days to demonstrate good cause for noncompliance. If good cause were determined not to exist, assistance would be terminated. Once assistance is terminated, the group would be ineligible for FIP assistance for at least one calendar month.

For the purposes of the penalty provisions, “noncompliance” would be defined to mean that the recipient quits a job; is fired for misconduct or absenteeism without good cause; voluntarily reduces the hours of employment or otherwise reduces

earnings; or does not participate in Work First activities. In addition, should the recipient not meet the requirements of his or her social contract, the FIA could impose a penalty.

Once assistance is terminated for noncompliance, the assistance group would be ineligible for assistance for at least one calendar month. Assistance could then be approved if the recipient completes a “willingness to comply” test, which means that the individual would, within 10 working days, participate in Work First or other self-sufficiency activities for up to 40 hours. In addition, any time a penalty were imposed, the FIA would have to notify the recipient of his or her option to immediately reapply for FIP assistance and that he or she could complete a willingness to comply test during the penalty period.

MCL 400.57d et al.

HOUSE COMMITTEE ACTION:

The House Committee on Family and Children Services adopted a substitute that incorporates the following changes:

- *Except for those who are deferred from the Work First Participation requirements*, the social contract would include the obligation of each adult to participate in employment-related activities.
- After assistance has been terminated for one calendar month, it could be *approved* (rather than restored) if the *recipient* (rather than person) completes a willingness to comply test.
- The FIA would notify a recipient of his or her ability to reapply and complete a willingness to comply test during the penalty period.
- The substitutes strikes language in the Senate-passed version that would have allowed the FIA to find a participant noncompliant for any reason it deemed necessary.
- The substitute would allow the *parent*, rather than the mother, of a child less than three months old be exempted from Work First.
- A recipient who fails, *without good cause*, to comply with child support requirements would have his or her benefits terminated.
- The substitute would set penalties for any instance of noncompliance. Under the Senate-passed version, there were separate penalties for the first instance of

noncompliance and for each subsequent instance of noncompliance.

- The substitute would specify that a determination of good cause would have to take place *before a penalty is imposed*.
- The substitute would strike language in the Senate-passed version requiring the FIA to determine if good cause for noncompliance exists, *within 10 days of notifying the recipient*.
- The substitute would require that any training or occupational program, other than high school or GED, be occupationally relevant, in demand, and less than two years in duration.

The committee rejected two amendments that would have:

- Allowed the participant to count “volunteer activities” toward his or her participation requirements.
- Maintained language currently in the act, and deleted language in the Senate-passed version, pertaining to deferrals for individuals with disabilities and their caretakers.

BACKGROUND INFORMATION:

Food Stamps and EBT. The federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) mandated that all states must issue food stamps by way of an electronic benefits transfer system (EBT) by October of 2002. Currently, 39 states, the District of Columbia and Puerto Rico have completely implemented the EBT system. The EBT system replaces the traditional system of issuing paper food stamp coupons.

In Michigan, recipients receive a “Michigan Bridge Card”, similar to a debit card, to purchase food products and access cash benefits. The bridge card can be used throughout the state at approximately 4,400 retailers and over 4,000 ATMs displaying the “quest” logo. Implementation of the state’s EBT system began in Jackson County on June 1, 2000. Statewide implementation was completed on July 1, 2001.

Work First. Work First was first implemented in October 1994, to assist participants in obtaining and retaining employment in striving toward self-sufficiency and independence from public assistance. Since the program’s inception, the number of FIP assistance cases has declined dramatically.

According to the *Detroit Free Press*, Michigan had 67,877 people on welfare as of November 1, down significantly from over 226,000 in 1994.

The FIA refers individuals to a Work First program. Individuals eligible for the Work First program are those receiving FIP cash assistance, non-cash assistance (child day care, food stamps, or Medicaid), or non-custodial parents, referred by the Friend of the Court, who have, or have the imminent danger of having, overdue child support payments due to the lack of employment or being underemployed.

The types of services offered by Work First programs vary among the different Michigan Works agencies. Programs often include improving basic job seeking skills, such as resume and cover letter writing or interviewing skills. Other programs seek to improve retention skills, by covering such issues as career planning, employment issues, and workplace management. Work First programs also bring in employers to conduct on-site interviews, take clients to job fairs, and give clients access to job posting on the Internet, in newspapers, or in phone banks.

According to the 2001-2002 fiscal year budget for the DCD (Public Act 80 of 2001), if a participant has not found employment after the program’s job search requirements have been completed, the Work First site must identify the barriers which may have prevented the participant from obtaining employment and assist the client in removing those barriers. If no prohibitive barriers are found, the individual has to comply with the Work First program, or be subject to appropriate penalties. The Work First site must also identify any appropriate educational and job training opportunities available to the participant. Furthermore, the act states that the DCD must make every effort to place a minimum of 50 percent of Work First clients in positions that provide at least \$6 per hour.

Survey of Former Work First Participants. Pursuant to Public Acts 292 and 294 of 2000, the DCD and FIA budget acts for fiscal year 2000-2001, the Lansing-based Institute for Human Services Research prepared for the DCD and FIA a report on former Work First participants. The report surveyed the former participants focusing on their employment status, job training and skill enhancement after Work First, health care coverage, quality of life, and the impact of Work First. Two groups of former Work First participants were surveyed; those with cases that closed between October 1, 1998 and December 31, 1998 and those with cases that closed between October 1, 1999 and June 30, 2000. The overall

response rate was 13.2 percent for a population of 11,100.

Respondents were asked a battery of questions pertaining to their current employment status. Approximately 75 percent of respondents in both populations reported having a job. Of those holding a job, 92 percent reported holding only one job, while 7 percent reported working at two jobs. Over half of the respondents (56 percent in Population I and 66 percent in Population II) had been at their jobs for less than a year, with over 30 percent of each group reporting that they had worked at their job for no more than six months. However, the average time respondents had been with their current employer was 16.6 months (Population I) and 15.8 months (Population II).

In terms of hourly wage, seven percent of those employed reported an hourly wage of less than \$5.15 (minimum wage). Fourteen percent of those employed reported an hourly wage of \$10.30. The average reported hourly wage was \$8.78 (Population I) and \$8.27 (Population II). Hourly wages reported ranged from less than \$5.15 per hour to over \$25 per hour.

The top five most recent jobs reported were cashier/customer service; manufacturing/light industrial; health care/medical; administrative/support services/clerk; and restaurant/food service. Of those respondents reporting holding a job within the past year, the top five jobs were restaurant/food service; manufacturing/light industrial; cashier customer service; health care/medical; and administrative/support services/clerk.

Over half of the employed respondents in both groups reported that they were working at least 40 hours per week. Approximately 10 percent of the employed respondents were employed for less than 20 hours per week. On average, employed respondents worked 36 hours per week.

For those unemployed respondents, over half were out of work for at most six months. Nineteen percent (Population I) and 16 percent (Population II) reported being out of work for at least one year. On average, unemployed respondents reported being out of work for eight months (Population I) and 8.5 months (Population II). Most of the reasons cited for unemployment included illness, injury, or a new child. However, over a tenth of the unemployed respondents cited layoffs, low wages, or inadequate hours.

In terms of job training and skill enhancement following the Work First program, responses indicated that 39 percent of employers offered training programs to improve one's job skills. The most common type of training was on-the-job training, as reported by 27 percent of the respondents.

In terms of health care coverage, 41 percent of the respondents reported that they received publicly funded health care coverage, while 30 percent reported that their employer provided them with insurance. Twenty-seven percent reported that they were uninsured. Of the employed respondents, 57 percent reported that their employer offered health coverage. In terms of health care coverage for the respondents' children, 73 percent were covered by Healthy Kids or Medicaid, while 11 percent were covered by both the employer and Healthy Kids or Medicaid. The rate of uninsured was slightly less than that of the general population.

In terms of quality of life, 34 percent of the respondents reported that another household member had a paying job. Fifty-two percent reported that they had trouble paying housing or utility bills within the past year. Forty-seven percent reported that they still received some sort of public assistance. Nearly every respondent (97 percent) reported that he or she had a child at home, while 27 percent of those reported that they had a child in child care or pre-school. Almost half of the respondents (44 percent in Population I and 46 percent in Population II) reported that their household income was better, while nearly 40 percent in both groups that their income was about the same. Less than a fifth in both groups reported their income to be worse off.

The results of the survey indicate the respondents were at least the same or better off because of the Work First program. Thirty-nine percent reported that the program helped them find a job. Other respondents noted that the program helped them with money management and paying their bills.

Employment-Related Activities. FIA policy mandates that all clients receiving FIP assistance, unless deferred, meet federal work participation requirements. All eligible adults, plus dependent children ages 16 and 17 not attending school on a full-time basis, must meet the federal work participation requirement, meet the criteria for a deferral, or accept referral to Work First for employment-related activities, or have good cause for not meeting the employment requirements. Family Independence Program recipients are required to participate in employment-related activities unless

they are deferred. The FIA only has the authority to refer an individual to Work First. The DCD and Michigan Works administer the Work First programs and are responsible for an individual's participation in the program.

Single Parents. Single parent participants must participate in employment-related activities for a minimum average of 30 hours per week. Single parents with children under six years of age are required to participate for a minimum average of 20 hours per week. Single parent families can also include some two parent families in which at least one parent receives SSI, is disqualified, or deferred. An employment related penalty is not considered to be a disqualification.

Two Parent Families. If FIA Child Development and Care is not being utilized, the combined hours of participation of the two parents must be a minimum average of 35 hours per week. If FIA Child Development and Care is being utilized, the combined hours of participation of the two parents must be a minimum of 55 hours per week.

Dependent Children. Dependent children ages 16 and 17 who are full-time students are not referred to Work First. Sixteen- and seventeen-year-olds not attending a elementary or secondary school must participate in employment-related activities for a minimum average of 30 hours per week. Dependent children ages 18 and 19 who are full-time students and expect to graduate (or complete graduation requirements) by age 20 are not referred to Work First.

Teen Parents. Teen parents include any person under age 20 who is pregnant or the parent of a dependent child who is living with him or her. Teen parents with a high school diploma, or an equivalent, are referred to Work First. Completing high school is the preferred activity for teen parents. Those parents attending elementary or high school full-time also are not referred to Work First. Teen parents required to enroll in Work First are those who are permanently expelled from a school and for whom enrollment in another school is not feasible, or those who are not currently enrolled in a school and refuse to enroll. If an educational assessment indicates that the teen parent will be unable to make satisfactory progress toward high school graduation prior to age 20, he or she is then referred to Work First. Failing to progress toward high school graduation due to absenteeism or a failure to participate constitutes noncompliance.

Deferrals. The FIA allows several categories of individuals to be temporarily exempt ("deferred") from employment-related activities. According to the *Detroit Free Press*, of the nearly 68,000 on the state's welfare rolls, 21,235 were deferred, including 6,212 who were taking care of a disabled child.

Clients less than 16 years of age or greater than 65 years are deferred. A mother of a child less than three months of age is deferred for reasons of post-partum recovery. A single parent of a child less than six years of age is deferred if he or she is unable to obtain adequate child care.

Disability Deferrals. A person with a mental or physical illness, incapacity, or limitation expected to last less than three months and one that prevents participation may be deferred up to three months. A person with a disability expected to last at least three months is deferred if he or she applies for supplemental security income (SSI) and is awaiting a final decision from the Social Security Administration (SSA). A person who is denied SSI because of a lack of duration or for a non-disability reason, though he or she otherwise meets the SSA disability standards may also be deferred. Clients with mental or physical limitations that merely limit, but do not prevent, participation must participate in Work First as medically permissible.

A recipient of SSI, Social Security disability, or medical assistance due to a disability or blindness is deferred, as is an individual suffering from a physical or mental impairment that meets federal SSI disability requirements, except that no minimum duration is required. The spouse of such a person who serves as his or her full-time caretaker is also deferred from Work First. The parent of caretaker of a child who is suffering from a physical or mental impairment that meets federal SSI disability requirements, except that no minimum duration is required, is also deferred from Work First. A second caretaker may also be deferred if there are multiple dependent children in the home also suffering from a mental or physical impairment as described above and if a physician verifies that the continuous care of the second adult is also needed.

Domestic Violence Deferrals. Parents and caretakers with a documented claim of threatened or actual domestic violence, against either themselves or their dependent children, that reasonably interferes with work requirements are also deferred. The maximum deferral time for instances of domestic violence is three months. However, with the approval of the

Family Independence Manager, the deferral may be extended.

Allowable Participation Activities. Participants may meet the participation requirements by participating in employment, education, or both. Participants may be employed, self-employed, or in a work-study program for the average number of required hours and earning at least minimum wage.

The FIA is responsible for all minor parents and teen parents who are attending school full-time. The Michigan Works agencies are responsible for any other clients who want to pursue a high school diploma or wish to enroll in post-secondary education. The Michigan Works agencies must approve all post-secondary education plans for FIP applicants or recipients. Enrollment in a post-secondary education program does not defer a FIP participant from the Work First program.

Individuals may enroll in a high school or GED program. For meeting the work requirement, up to 10 hours of classroom time per week may be counted. Study time does not count toward the work requirement hours. GED completion is limited to six months, while there is no time limit for high school completion.

Vocational or occupational training programs must be occupationally relevant and in demand as determined by the Michigan Works agency. Vocational or occupational training is limited to 12 months. The final year of a two-year or four-year undergraduate degree is allowable if it is designed to lead to immediate employment. Graduate education does not count toward the work requirement. The Michigan Works agency may apply study hours toward the work requirement. Up to 10 hours of classroom time per week may be applied to the work requirement. One hour of study time per hour actually spent in class may also be applied to the work requirement.

The Michigan Works agency may allow a person to participate in an approved condensed vocational educational program. The participant must be in the classroom for at least 30 hours per week. In addition, the program must be completed within six months.

The Michigan Works agency may approve an internship, practicum, or clinical experience if it is occupationally relevant and in demand, and it can be shown that the participant is making satisfactory progress. In addition, the program must be necessary

to obtain licensure, professional certification, or degree completion.

Failure to meet the employment requirement for a family independence program. The FIA requires recipients of FIP assistance to participate in employment related activities. Should recipients fail, without good cause, to comply with these employment requirements, it is the FIA's philosophy that clients must experience the consequences of their decisions and actions. When a participant fails to comply, he or she is terminated from the Work First program by Michigan Works agency or the DCD. Any further sanctioning against the participant is dealt with by the FIA.

Noncompliance. Noncompliance with an employment-related activity means to do any of the following without good cause:

- Failing or refusing to complete the general and/or individual steps of an orientation.
- Failing or refusing to appear for a scheduled appointment or meeting.
- Failing or refusing to participate in employment-related activities.
- Failing or refusing to accept a job referral, as required by the Michigan Works agency.
- Failing or refusing to complete a job application, as required by the Michigan Works agency.
- Threatening or physically abusing or otherwise disrupting anyone conducting or participating in an employment-related activity.
- Refusing employment support services if the refusal prevents participation in an employment-related activity.

However, an ongoing FIP recipient who is meeting the participation requirement or a deferred volunteer is not penalized for non-compliance.

Refusing Suitable Employment. A mandatory participant or individual that is meeting the federal work participation requirement cannot refuse suitable employment up to 40 hours per week. Refusing suitable employment means to do any of the following without good cause:

- Failing or refusing to appear for a job interview as required by a Michigan Works agency, except for certain individuals in post-secondary education.
- Refusing an offer of employment (paying at least minimum wage) or additional hours of employment up to 40 hours per week, as required by a Michigan Works agency.
- Voluntarily reducing hours or otherwise reducing earnings, except if the client reduces hours in order to participate in an approved education or training program, or a teen parent of dependent child reduces hours at a seasonal job to return to a high school or GED program.
- Quitting a job, with the same exception as above.
- Being fired for misconduct or absenteeism.

Good Cause. A recipient may fail to participate in an employment-related program or refuse suitable employment if he or she has good cause. Good cause can be any of the following:

- A recipient is deferred.
- He or she meets the participation requirements, except this is not good cause to refuse suitable employment.
- The wage offered, including tips, is less than minimum wage.
- He or she is physically or mentally unfit, or he or she cares for an immediate family member.
- The working hours or the nature of the employment conflict with the client’s religious beliefs.
- The employment would result in a net loss of cash income.
- There is no adequate, suitable, or affordable child care within a reasonable distance from the client’s home or work, for a Child Development and Care-eligible child.
- Reasonably priced transportation is not available.
- The employment involves illegal activities.
- The client experiences discrimination on the basis of his or her age, race, religion, gender, color, national origin, or religious tenets.

- There exists credible information that indicates that an unplanned event prevents or significantly interferes with employment-related activities.
- He or she quits to assume comparable employment. He or she must be hired from the second job, before he or she can quit the first.
- The employment interferes with an approved education or job training program and he or she is meeting the work requirement.
- The total commuting time exceeds two hours per day, not including to and from child care facilities, or three hours per day including time to and from child care facilities.

Noncompliance within the first two months of receiving benefits. If a client in the first two months of receiving benefits is not meeting the participation requirement and is not complying with an employment-related activity, the client has ten days after notification to show good cause for failing to comply. If good cause exists, the client is referred to Work First. If good cause does not exist, the client is notified of the closure of FIP assistance and, if applicable, the reduction of food stamps. The case must be closed within the first month possible and must remain closed for at least one month.

The FIA may end the penalty early if the noncompliant person’s needs are removed from the group; the person reports a deferral from participation, provided it is verified; and the person reports meeting the participation requirements, provided it is also verified. However, this only applies to a person who was found to be noncompliant; it does not apply to a person who refused suitable employment.

Noncompliance after two months of receiving benefits. Within five days of learning of the noncompliance, the FIA notifies the client, and allows him or her 10 calendar days to show good cause for failing to comply. If the client shows good cause, he or she is then re-referred to Work First. If the client fails to show good cause, his or her benefits are reduced by 25 percent. The penalty remains in effect for at least one month unless he or she meets the requirements to end the penalty early. A noncompliant client can be penalized for up to four months. After four months, if the client continues to be noncompliant the case is closed. For example, if a client received \$100, he or she would receive \$75 for each month he or she continued to be noncompliant. If benefits are restored and the client

fails to comply, the four-month count starts over with a new 25 percent penalty period.

Immediate Closure Pilot Programs. Beginning in 1997, the FIA has conducted several immediate closure pilot programs, using the same sanctioning policy as proposed in the bill. The immediate closure pilot sites included the counties of Benzie, Calhoun, Charlevoix, Emmet, Genesee, Kent, Leelanau, Van Buren, Wexford, and the Fort Wayne district in Wayne County.

The FIA tracked the number of cases that were closed due to earnings and the number of cases involving employment-related sanctioning. The FIA found that in immediate closure pilot sites, the number of employment-related sanctions dropped 19.3 percent in the second year. For counties that did not operate the immediate closure pilot, the number of employment related sanctions dropped 4.9 percent. For the number of case closures due to earnings, immediate closure resulted in a 37 percent increase. Non-pilot sites saw an increase of 7.7 percent in the number of case closures due to earnings.

FISCAL IMPLICATIONS:

According to the House Fiscal Agency, the bill would have an indeterminate fiscal impact on the state. The bill could require recipients to spend up to 40 hours per week in work or work related activities, as opposed to the current requirement of 20 to 30 hours per week. This could lead to an increase in client wages, resulting in savings for the FIA in the form of lower assistance grants or perhaps even increased case closures.

Additionally, under Senate Bill 817, an indeterminate amount of savings can be anticipated, resulting from the immediate elimination of assistance payments to individuals who have received cash assistance for more than two months and are now in noncompliance (without good cause) with their social contract provisions. This immediate sanction provision proposed under the bill is in contrast to current state administrative rules. Currently if an individual is noncompliant without good cause, the household's FIP assistance grant is reduced by 25 percent each month for four months, at which time if the individual has not achieved compliance, the case is closed.

Conversely, the additional required work related activities could lead to increased usage of child day care services and other employment related costs resulting in greater costs to the state. (12-7-01)

ARGUMENTS:

For:

Allowing the FIA to require up to 40 hours of employment-related activities better prepares the FIA to move people from public assistance to self-sufficiency and independence. The additional 10 hours would not necessarily have to be actual employment. Current policy allows for additional training and education. Welfare rolls have decreased dramatically in recent years. However, those remaining are becoming increasingly difficult to place in employment. Many current recipients lack the basic skills necessary to find gainful employment, or even further education. Currently, very few participants are taking advantage of the educational opportunities provided to them. The additional hours that may be required may be used as a means to further one's education. In doing so, the participant gradually makes strides toward a better job and, eventually, self-sufficiency.

Response:

Current policy does not provide for enough educational opportunities. There are many restrictions as to what sort of program can count toward meeting the work requirements. While the program seems to encourage anyone without a high school diploma to obtain one, it does not place as great a value on higher education. These programs are limited by time, demand, and what is "occupationally relevant". However, obtaining an associates degree can go a lot further in helping a person obtain self-sufficiency, than a series of low-end jobs.

Against:

This bill comes are a terrible time. With the economy in a recession, many more people will be out of work. Increases in the unemployment rate result in even greater increases in the number of welfare recipients. As a result, there will be greater numbers of individuals seeking employment in an increasingly tight job market, resulting in cost increases for FIP assistance. It will be increasingly difficult to meet current participation requirements under the current system. These new requirements could result in noncompliant participants due to a lack of participation. Since the bill also provides for immediate sanctioning, more participants will be denied their benefits, something so desperately needed in the absence of gainful employment. If sanctions are imposed immediately, the impact on families would be severe. While state assistance stops, bills and other financial obligations do not.

Families would then be very susceptible to losing utilities, their vehicle, or even their homes.

Response:

The immediate sanctioning pilots conducted throughout the state have proved to be very successful. Compared to counties using current FIA policy, immediate closure pilots have actually resulted in fewer employment-related sanctions and significantly more case closures due to earnings. The pilots have been an integral part in helping participants become self-sufficient.

Against:

The bill specifies that FIA workers would assess a disabled individual's ability to meet the participation requirements, if he or she seeks to be deferred. However, FIA workers do not have the necessary training or ability to make such a determination.

Against:

While the bill allows for more hours of participation, it does not address ways to help participants meet these requirements. The biggest barriers to employment for many recipients are the lack of transportation and adequate child care. Additional hours place additional strain on recipients' abilities to obtain transportation and child care. Many of the available jobs are at times when these necessary services are not readily available.

Response:

The Work First programs currently work with available providers to meet the transportation needs of the participants. There are programs to help individuals purchase and maintain an automobile. In addition, agencies work with local public transportation agencies to help shuttle participants between work, school, and child care. For example, the Capital Area Michigan Works agency works with Eatran and CATA to transport program participants. While transportation remains a significant barrier, steps have been taken to address these issues. Furthermore, the lack of transportation or adequate child care is seen as a good cause reason for noncompliance, and will not result in a penalty.

POSITIONS:

The Family Independence Agency supports the bill. (12-6-01)

The Michigan County Social Services Association supports the bill. (12-6-01)

The Michigan Catholic Conference takes a neutral position on the bill. (12-6-01)

The Center for Civil Justice takes a neutral position on the bill. (12-6-01)

The Michigan Association for the Education of Young Children takes a neutral position on the bill. (12-6-01)

UAW Local 6000, which represents over 20,000 state employees in the Human Services Administrative Support Units, takes a neutral position on the bill. (12-6-01)

Analyst: M. Wolf

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.