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BILL ANALYSIS

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Senate Bill 501 (Substitute S-2 as reported)
House Bill 4502 (as enrolled)
Sponsor: Senator Mark H. Schauer (Senate Bill 501)
Sandra Caul (House Bill 4502)
Senate Committee: Commerce and Labor
House Committee: Family and Children Services (House Bill 4502)

Date Completed: 7-23-03

RATIONALE

Michigan's administration of Federal antipoverty programs has undergone a number of changes since 1964, when the Federal Economic Opportunity Act was enacted. The Act created a variety of programs aimed at combating poverty, and established the Federal Community Service Administration (CSA) to designate local community action agencies (CAAs) and assist them in carrying out the purposes of the legislation. In Michigan, a 1965 executive order of the Romney administration granted the Bureau of Community Services, within the Michigan Department of Labor, the authority to administer programs established under the Federal Act. Subsequently, the Federal Omnibus Budget Reconciliation Act of 1981 abolished the CSA and established the Community Service Block Grant (CSBG) program, which gave states greater flexibility in and more responsibility for administering Federal antipoverty programs.

The abolition of the CSA created a void in the State's administration of the Federal programs and the funding for them. Although the 1965 executive order authorized the Bureau of Community Services to administer the CSA programs, the Bureau lacked authority to administer the CSBG. Therefore, the Michigan Economic and Social Opportunity Act of 1981 created a three-tiered structure under the direction of the Department of Labor to administer programs under the CSBG: The Bureau of Community Services was charged with coordinating and administering State CSBG activities; the Commission on Economic and Social Opportunity was to serve as a statewide policy forum on issues pertaining to poverty and low-income individuals; and CAAs were redesignated as local entities responsible for implementing the antipoverty programs.

In the 20-plus years since the Michigan statute was enacted, the responsibility for the administration of the CSBG has shifted to various State departments and agencies. In 1992, the Bureau of Community Services merged with the Bureau of Employment and Training to form the Bureau of Employment Training and Community Services (BETCS). In 1993, then-Governor Engler issued Executive Order (EO) 1993-4, which transferred to the Michigan Jobs Commission all authority of the Department of Labor under the Michigan Economic and Social Opportunity Act, the BETCS, and the Commission on Economic and Social Opportunity. This EO also abolished the Bureau and the Commission. Executive Order 1995-2 then transferred all authority of the Jobs Commission for the administration of the Act and the programs established pursuant to the CSBG to the Department of Social Services, which later was renamed the Family Independence Agency (FIA), where responsibility for the programs remains.

Recently, a member of a local CAA expressed concerns regarding certain provisions that restrict Commission members to two full terms. This led to a thorough review of the 1981 Act and suggestions to update it.

CONTENT

The bills (which are identical) would amend the Michigan Economic and Social Opportunity Act to:

-- Revise the responsibilities of the Bureau of Community Services, which the bills would rename the "Bureau of Community Action and Economic Opportunity".
-- Revise the membership of the Commission on Economic and Social Opportunity, which the bills would rename the "Commission on Community Action and Economic Opportunity".
-- Increase the responsibilities of the Commission.
-- Allow a CAA to engage in additional activities.
-- Revise membership requirements for the board of a CAA, and delete responsibilities of a board.
-- Delete a requirement that each CAA and other agency desiring funds develop a program budget request.
-- Provide that the distribution of funds to CAAs would have to meet Federal requirements.

The bills also would repeal a section of the Act allowing a CAA that is a public office or agency of a local unit of government to establish either a board of directors or an advisory board.

Department Designation

The bills would define "department" as the Family Independence Agency or another department or agency designated by the Governor to receive and distribute community services block grant funds under Community Services Block Grant Act of the Omnibus Budget Reconciliation Act of 1981.

Bureau

The Michigan Economic and Social Opportunity Act permits the Bureau to engage in certain activities, such as coordinating State activities designed to reduce poverty, receiving and spending funds for authorized purposes, assisting local units of government to establish and operate a CAA, and conducting performance assessments of CAAs. Under the bills, these activities would be mandatory. The bills also would require the Bureau to serve as an advocate within the executive branch to remove administrative barriers to self-sufficiency services and to seek additional resources for antipoverty strategies.

The bills would delete provisions under which Bureau may do the following:

-- Participate in the development of the State program budget and make budget recommendations based on program budget requests.
-- Administer the neighborhood assistance program established under the Neighborhood Assistance and Participation Act.
-- Administer other programs and services designated by the department director or the Legislature.

Commission

The Act requires the Commission to consist of 15 members, including at least five who are low-income individuals. Of the members who are not low income, the Commission must include at least one representative of local government, at least one representative of organized labor, at least one representative of the business community, and at least three representatives of local CAA governing boards. At least five members must reside in rural communities.

The bills would delete these requirements. Instead, the Commission would have to consist of six to 15 members, including equal numbers of elected public officials, private sector members, and low-income individuals, or as nearly equal in number as possible. At least one-third of the members would have to be CAA representatives as either staff or board members.

The bills would require the Commission to do the following, in addition to its current responsibilities:

-- Every two years, convene a State forum that included representatives from the public, private, nonprofit, and low-income sectors to analyze poverty trends and make recommendations to reduce poverty.
-- Receive reports from the Bureau on strategies to reduce poverty and make recommendations based on those reports to the Governor.
-- Evaluate State statutes and programs relevant to the reduction of poverty and recommend appropriate changes to the Governor and the Legislature.

The Commission also would have to participate with the Bureau to implement a public education program designed to increase public awareness regarding the nature and extent of poverty in Michigan; and, in coordination with CAAs, establish an education and public information program designed to increase public awareness regarding the nature and extent of poverty in Michigan and regarding existing community social and economic programs.

In addition, the Commission would have to submit reports to the Governor, the Legislature, the Congressional delegation, and other appropriate Federal officials regarding the needs, problems, opportunities, and contributions of low-income individuals and the effectiveness of existing State and Federal policies and programs, and recommend actions to improve economic and social opportunities for low-income individuals.

Community Action Agencies

Designation. Under the Act, the executive director of the Bureau must designate CAAs to fulfill the requirements of the Act in service areas governed by one or more local units of government. The executive director may rescind the designation of a CAA for cause, and must follow procedures set forth in the Act for the designation of a CAA or rescission of a designation (i.e., consulting with the department director, local chief elected officials, and the Commission, and holding at least one public hearing in the service area). The bills also would require the executive director, when rescinding a designation, to follow the procedures set forth in the Community Services Block Grant Act.

Activities. The Michigan Act permits a CAA to engage in activities necessary to fulfill the intent of the Act, including activities specified in the Act. Under the bills, a CAA also could do the following:

-- Provide a range of services and activities having a measurable and potentially major impact on causes of poverty in the community or in the community's service areas.
-- Provide on an emergency basis for the provision of supplies and services, nutritious food items, and related services necessary to counteract conditions of starvation and malnutrition among the poor.
-- Provide and establish linkages between governmental and other social services programs to assure the effective delivery of services to low-income individuals.
-- Encourage the use of entities in the private sector of the community in efforts to reduce poverty.

In addition, a CAA could provide activities designed to assist low-income participants, including the elderly poor, to do the following: secure and retain meaningful employment; attain an adequate education; make better use of available income; obtain and maintain adequate housing and a suitable living environment; obtain emergency assistance through loans or grants to meet immediate and urgent individual and family needs; remove obstacles and solve problems that block the achievement of self-sufficiency; and make more effective use of other related programs.

The bills also would allow CAAs to mobilize community involvement from private and nonprofit sectors, including businesses, economic and job development organizations, nonprofit faith-based communities, technical colleges and institutions of higher education, and the public sector, including townships, cities, counties, and the State, to address issues of poverty. Community action agencies would have to coordinate with welfare-to-work strategies and implement strategies that increase household income and assets leading to long-term economic self-sufficiency.

Further, a CAA could serve populations with barriers to self-sufficiency, such an individuals and families with low income, senior citizens, young children, homeless individuals, physically and developmentally disabled people, low-wage workers, and adults without literacy skills or basic education or adequate skills needed for the workplace.

One of the current activities of CAAs is increasing interagency coordination and cooperation in serving low-income people. The bills also provides that, if possible, CAAs would have to enter into partnership and collaboration with other organizations to meet economic self-sufficiency goals.

The Act permits CAAs to develop an annual program budget request, and to receive and accept grants or gifts to support or promote the authorized activities. The bills would delete these provisions.

Budget. Under the Act, each CAA and each public agency, nonprofit private agency, and nonprofit organization desiring funds annually must develop and submit a program budget request for funds appropriated from the State program budget. Each year the executive director must publish guidelines detailing the nature and extent of information required in a program budget request. The bills would delete these requirements.

Board of Directors. Under the Act, a CAA that is a nonprofit agency must establish a governing board of directors that consists of at least 15 but not more than 51 members. One-third of the board members must be low income, elderly, or consumers with disabilities residing in the CAA's service area. One-third of the members must be representatives of local units of government and public agencies within the service area. One-third must represent the private sector, including representatives of business and industry, agriculture, labor, and religious and civic organizations located within the CAA's service area.

The bills would omit the minimum and maximum size of a board. The bills generally would retain the current composition of a board, but would require that one-third of the members be elected public officials, rather than representatives of local units of government and public agencies within the service area. The bills also would delete the requirements that the other members reside or be located in a CAA's service area.

Currently, a CAA board is responsible for activities listed in the Act (e.g., approving contracts and budget requests; performing an annual audit; establishing policies for the CAA; convening public meetings; and evaluating the CAA's programs and policies). Also, a CAA may establish standing committees, as long as each committee has the same proportional representation of consumers, public, and private members as the board. The bills would delete these provisions.

Repealer

Section 12 of the Act permits a CAA that is a public office or agency of a local unit of government to establish a board or directors or an advisory board. If a CAA has an advisory board, the chief elected official of the local unit of government is responsible for certain activities of a board of directors under the Act, and the advisory board is responsible for others. The bills would repeal Section 12.

The bills also would repeal Section 20, which set an effective date of October 1, 1981, for the Act.

MCL 400.1103 et al.

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The bills would update a statute that has remained virtually unchanged since its enactment over 20 years ago, despite the transfer of the programs it authorizes to different State departments and agencies and the executive order abolition of the bureau and commission statutorily charged with administering the programs. The proposed changes include placing responsibility for administration of the programs under the Michigan Economic and Social Opportunity Act and the Federal CSBG program with the FIA (or other department designated by the Governor) and changing the composition of local CAA boards. The bills also would delete a provision limiting the number of terms an individual may serve on the State Commission. This provision could make it difficult to find community members willing to serve on the reconstituted Commission and deprive it of much-needed expertise on an important and complex area of public policy.

Beyond updating the Act, the bills also would reconstitute within the FIA the Bureau and Commission originally established in the former Department of Labor under the Act. After years of being shuffled around in the executive branch, both were abolished and their functions absorbed by the FIA. By statutorily restructuring the Bureau and the Commission, the bills would demonstrate the

State's commitment to fight the causes and effects of poverty among its residents. This is particularly important during the current economic downturn, as the programs that are offered by the 30 local CAAs, which serve residents in all 83 counties, sustain low-income families in times of need. Further, these amendments would provide for increased coordination among the State, local units of government, CAAs, and other nonprofit human service organizations in the delivery of antipoverty services. This is particularly important when public funding is becoming more and more limited.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bills could have an indeterminate fiscal impact on the State. The State's Federal CSBG allocation for FY 2003-04 is $24.4 million, $2.4 million of which is in Federal Temporary Assistance for Needy Families (TANF) funds. The majority, or 90%, of the CSBG funds and all of the TANF funds are passed through to CAAs for direct services or administration. The remaining funds are limited at 5% each for discretionary spending (training, technical assistance, and special CAA projects) and State administrative costs. The costs for administration could exceed the 5% limit as a result of an increase in the Commission's responsibilities. The State could experience cost increases associated with salaries and wages and contractual services, supplies and materials, and would be required to use General Fund or other fund sources to augment CSBG funding availability for this purpose.

In Senate Bill 283 (H-1) CR-1* (the FY 2003-04 FIA budget conference report), Section 417 limits expenditures of the Bureau and the Commission to 3.75% of CSBG funds, or $825,000, and requires a report to the Legislature on the use of the funds.

Fiscal Analyst: Constance Cole