

Legislative Analysis



WELFARE REFORM

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House Bill 6580 (Substitute H-1 as reported)
Sponsor: Rep. Jerry O. Kooiman

House Bill 6587 (Substitute H-1 as reported)
Sponsor: Rep. Chris Kolb

Complete to 11-30-06

BRIEF SUMMARY: The proposed legislation amends the Social Welfare Act to revise the eligibility policies and work requirements related to the Department of Human Services Family Independence Program. The two bills are tie-barred to one another, meaning neither can take effect unless both are enacted.

INTRODUCTION:

The Family Independence Program is the state's cash assistance program for low-income families with children. Currently, the program serves around 80,000 recipient groups, or about 212,000 individual recipients. These groups receive an average benefit of \$415 per month to assist them in meeting basic needs. Except for those groups deferred from work requirements – for example, groups where the adult is disabled or caring for a disabled child or spouse - FIP recipients are expected to participate in up to 40 hours per week of work-related activities (e.g. actual employment, job search, GED preparation). The Work First Program within the Department of Labor and Economic Growth is responsible for administering and overseeing these work-related activities.

BILL ANALYSES:

HB 6580 (H-1, as reported)

The bill amends provisions of the Social Welfare Act related to the Family Independence Program. In particular, the bill amends the process of evaluating FIP recipients applying for exemption from Work First, imposes a lifetime benefits limit for recipients deemed eligible for Work First, revises current sanction policies, and requires the statewide expansion of the current Jobs Education and Training (JET) program that aims to increase work participation and self-sufficiency for FIP recipients. Changes are reviewed below in more detail.

Work First Exemptions

- Requires the evaluation and assessment of FIP recipients who are applying for federal Supplemental Security Income (SSI) and seeking exemption from the Work First Program due to disability. Based on the evaluation and assessment, individuals would be either be referred to Work First; referred to a sheltered work environment or subsidized employment; or referred to a legal services association for SSI advocacy efforts.
- Authorizes the DHS to contract with a legal services association to assist recipients with the process of applying for SSI, and with a nonprofit rehabilitation organization to perform the evaluation and assessments discussed above.

- Requires the DHS to contract with an independent entity to conduct annual auditing of the evaluation and assessment process.
- Adds low intellectual capacity and learning disabilities, and certain mental and physical limitations to the current list of criteria for Work First exemptions. The section regarding Work First exemptions in general would expire on September 30, 2011.

Lifetime Limit on Benefits

- Establishes a 48 month cumulative lifetime limit on FIP cash assistance for persons who are determined eligible to participate in Work First. Allows the recipient to apply for one 12-month extension to the time limit if the recipient is meeting all family self-sufficiency plan requirements, has never been sanctioned for noncompliance, and labor market conditions or employment barriers prevent an employment placement.
- Exempts months from the 48 month cumulative time limit during which a) individuals were temporarily exempt from Work First requirements; b) the recipient is employed and meeting the requirements of his or her self-sufficiency plan; c) the unemployment rate in the recipient's county of residence exceeds 9%; and d) the recipient is exempt from FIP requirements due to a domestic violence issue.
- The time limit provisions expire on September 30, 2011.

Sanctions Policies

- Removes current law regarding FIP program sanctions for noncompliance and replaces these provisions with a new graduated sanctions policy. Beginning April 1, 2007, FIP recipients would be subject to a 3 month benefits sanction for the first and second instances of noncompliance with provisions of his or her family self-sufficiency plan. The third instance of noncompliance would result in a 12 month sanction. Section 57g(2) of the bill defines "noncompliance".
- Requires a joint meeting with both the DHS and Work First caseworker to review and modify, as necessary, the family self-sufficiency plan in order to restore benefits after the sanction period. The meeting shall include a discussion and warnings regarding possible future sanctions for further noncompliance.
- The months during which the FIP recipient is sanctioned would count towards the cumulative 48 month lifetime limit.
- Provides an opportunity for the recipient to meet with his or her caseworker after being noticed regarding his or her **first** instance of noncompliance. The sanction can be avoided if the recipient is able to verify compliance with the family self-sufficiency plan within 10 business days
- These sanction provisions also expire on September 30, 2011.

Other Items

- Requires the DHS to develop and implement a plan to incrementally increase the current \$200 plus 20% earned income disregard to a level of not more than 67% of earned income by September 30, 2010.
- Requires the statewide expansion of the current Jobs Education and Training pilot program by September 30, 2007.

- Codifies a current policy that a transitional FIP benefit of \$10 per month be paid to individuals leaving the FIP program due to increased earned income as long as those individuals continue to meet federal work participation guidelines.
- Section 57T of the bill requires new reporting to the Legislature, including information on exemptions from Work First, sanctions issued, compliance exemptions granted under Section 57G, and referrals to non-profit agencies for disability assessment and evaluation and SSI advocacy.

Fiscal impact

The bill's provisions would have fiscal implications for the State. However, some of the requirements are at least partially funded in the current budget.

The changes to Work First exemption procedures would increase costs to DHS. In the FY 2007 DHS budget, \$7.3 million was added to support the costs of assessing and evaluating disabled FIP clients in both JET pilot and non-pilot counties. Thus, these costs are likely covered in the current budget. The costs of SSI advocacy services would also likely be offset by FIP savings if the services are successful in more efficiently gaining SSI eligibility for relevant clients.

The time limit provisions are not expected to have any immediate impact as Committee discussion indicated the limits are meant to be non-retroactive. No FIP clients would be affected by the time limits for at least four years in these circumstances.

The graduated sanctions policy outlined in the bill would likely lead to additional FIP program savings. Moving from a 30 day to a 3 month sanction could reduce FIP payments by around \$5 million to \$10 million annually. However, savings could vary significantly depending on how the sanction policy is implemented – for instance, how frequently clients utilize the one-time opportunity to verify compliance and avoid a sanction. The FY 2007 budget already includes a \$3 million reduction linked to the JET program's 90 day sanction policy, which covers roughly 50% of the overall FIP caseload.

A change in the FIP earned income disregard would affect FIP costs, but the overall impact would depend upon the new level determined by the DHS. Currently, FIP recipients in non-JET counties are allowed to disregard the first \$200 of their earned income and 20% of any remaining income without having that income reduce their FIP benefit level. In JET counties, an enhanced disregard of \$200 plus 50% is now offered as a work incentive. An additional \$4.4 million in funding was added to cover this increase for roughly 50% of the FIP caseload. A further increase in the disregard percentage applied statewide would increase FIP grant costs. However, the bill, however, does not require the DHS to maintain the fixed \$200 portion of the disregard. If the State moves to flat percentage disregard, cost increases could be mitigated or completely eliminated. However, such a disregard would reduce FIP benefits to clients who have low levels of employment hours.

The Transitional FIP program required in the bill was part of the FY 2007 budget agreement. \$460,000 was included in the budget to cover these costs.

Finally, statewide expansion of the JET program would significantly increase staffing and services costs for DHS. However, the \$23.5 million in staffing and services costs of the

initial expansion of the JET pilot included in the FY 2007 budget agreement assumed that JET costs would be roughly offset by savings achieved in the FIP program through increased work hours, increased case closures and fewer case reopenings. Thus, the net cost of statewide expansion could be minimal if these assumptions hold true.

HB 6587 (H-1, as reported)

The bill modifies current provisions of the Social Welfare Act regarding the development of a family self-sufficiency plan for families receiving FIP cash assistance. The bill makes the following changes to current law:

- Requires the execution of a "family self-sufficiency plan" outlining the responsibilities of FIP group members, the contractual nature of assistance, and the focus on the goal of attaining self-sufficiency. Current law requires the execution of a "social contract" but does not emphasize a listing of responsibilities and the contractual nature of the plan.
- Requires the Department of Human Services (DHS) to complete a thorough assessment of the FIP group to facilitate development of the family self-sufficiency plan. The assessment is to include consideration of referral to a life skills program and a determination as to whether adult group members should be referred to the Work First program or should be exempt from work requirements.
- Require that the family self-sufficiency plan meet the following requirements:
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 - That the requirements, at a minimum, meet federal guidelines for work participation.
 - That the plan require enrollment in a GED preparation program, high school completion program, or literacy training program, if the assessment demonstrates these issues present a barrier to family self-sufficiency.

Fiscal impact

The bill mandates an upfront assessment and evaluation of all FIP cases that would increase costs to the DHS. Also, the bill requires certain education activities for appropriate cases such as literacy training and GED preparation within Work First that would increase costs by an indeterminate amount. Both of these elements are already included in funding for the current JET pilot program that was part of the FY 2007 DHS budget. Expansion of these activities statewide could further increase costs, however.

In general, these costs could be offset if the assessment and education efforts increase self-sufficiency for FIP recipients and lead to more employment hours for FIP recipients and fewer re-applications for FIP assistance after families leave the program.

TIE-BARS:

The two bills are tie-barred to one another.

Fiscal Analyst: Bob Schneider

■ 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.