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Senate Bill 757 (as enrolled)

Senate Bill 894 (as enrolled)

House Bill 5442 (as enrolled)

Sponsor: Senator Shirley Johnson (S.B. 757)

Senator Irma Clark-Coleman (S.B. 894)

Representative Richard Ball (H.B. 5442)

Senate Committee: Appropriations (S.B. 757)

Families and Human Services (S.B. 894 & H.B. 5442)

House Committee: Family and Children Services (S.B. 894 & H.B. 5442)

Date Completed: 1-12-06

PUBLIC ACT 333 of 2005

PUBLIC ACT 323 of 2005

PUBLIC ACT 324 of 2005

RATIONALE

The Social Welfare Act was last subject to major revision about a decade ago, when Public Acts 223 and 224 of 1995 were enacted. The amendments established new eligibility criteria for assistance, imposed stricter penalties for fraud or noncompliance with the Act, and required recipients to develop a social contract with the newly renamed Family Independence Agency (now the Department of Human Services). The social contract outlined the responsibilities of the recipient as a condition for receiving assistance, and included an agreement to participate in the Work First program, with some exceptions.

Work First is a training and employment program for recipients of family independence assistance. Recipients must participate in Work First work or training activities for 40 hours a week to remain eligible for assistance, unless they are exempted under the Act. Exempt individuals include a child under the age of 16, a child over 16 or a minor parent who is attending elementary or secondary school full-time, the parent of a child under the age of three months, an individual over the age of 65, a recipient of Supplemental Security Income, an individual with certain physical or mental disabilities, and the spouse/full-time caregiver of a disabled individual.

The Act included a sunset provision under which some of these exemptions from Work

First requirements, along with penalties for noncompliance with the Act, were due to expire at the end of 2005. Many people believed that the extension of these provisions was necessary to maintain the orderly functioning of the family independence program. It also was suggested that several changes be made in regard to the determination of eligibility for assistance.

In addition, it was suggested that the Department of Human Services (DHS) should examine the impact of increasing the amount of earned income that is disregarded in determining a program group's eligibility for assistance. A program group is a family and all those individuals living with a family whose income and assets are considered in determining financial eligibility for family independence assistance. The present formula for calculating a group's eligibility disregards the first \$200 and an additional 20% of an individual's earned income.

CONTENT

Senate Bill 757 amended the Social Welfare Act to delay until December 31, 2006, the expiration of certain exemptions from Work First requirements and penalties for noncompliance with the Act.

Senate Bill 894 amended the Act to require individuals to develop a family

independence plan rather than a social contract as a condition for receiving family independence assistance; postpone a required joint orientation session until after the Department of Human Services has determined that an individual is eligible for family independence assistance; and require the DHS to reassess a recipient's eligibility for assistance within 24 months after the initial approval.

House Bill 5442 amended the Act to require the DHS to study the impact and cost of increasing the amount of earned income that is disregarded in determining a program group's continued eligibility for family independence assistance, and report its findings to the Legislature and other agencies by April 1, 2006.

Senate Bill 757 took effect on December 31, 2005. Senate Bill 894 and House Bill 5442 took effect on December 19, 2005.

Senate Bill 757

The Act specified that certain provisions of Sections 57f and 57g would not apply after December 31, 2005. Under the bill, these provisions will remain in effect until after December 31, 2006.

Section 57f provides exemptions from Work First requirements for certain individuals. The sunset applies to exemptions for the parent of a child under three months, a recipient of Supplemental Security Income, an individual suffering from a physical or mental impairment under certain conditions, a spouse who is the full-time caregiver of an impaired individual, and a parent or caretaker of a child suffering from certain physical or mental impairments.

Section 57g establishes penalties for noncompliance with the Act, and defines a recipient as noncompliant if he or she quits a job, is fired for misconduct or absenteeism without good cause, voluntarily reduces his or her hours of employment or otherwise reduces earnings, or does not participate in Work First activities. Additionally, if a recipient does not meet his or her social contract requirements, the DHS may impose a penalty. If a recipient fails, without good cause, to comply with applicable child support requirements, assistance must be

terminated for at least one month. For any instance of noncompliance, the DHS must notify the recipient that he or she has 10 days to demonstrate good cause for noncompliance. If good cause is not determined, assistance must be terminated for at least one month. Assistance may be reinstated after one month if the recipient completes a willingness to comply test. Willingness to comply means participating in Work First or other self-sufficiency activities for up to 40 hours within 10 working days. The DHS must give the recipient written notice of his or her option immediately to reapply for family independence assistance and that he or she may complete the willingness to comply test during the penalty period.

Senate Bill 894

Previously, the Act required an individual, as a condition of eligibility before receiving family independence assistance, to attend a joint orientation session conducted by the DHS and the Department of Labor and Economic Growth after the DHS had made an initial determination that the individual might be eligible for assistance. The bill, instead, requires an individual to attend a joint orientation session after the DHS has determined that he or she is eligible for assistance.

The Act stated that if an individual failed to cooperate with Work First joint orientation or other required employment and training activities, the family was ineligible for family independence assistance. The bill retained this provision but removed the reference to joint orientation.

Previously, the Act permitted the DHS to impose penalties if an individual failed to comply with his or her social contract requirements. Under the bill, the DHS must impose penalties. Rather than a social contract, the bill refers to a family self-sufficiency plan.

Previously, if an individual was complying with the social contract, the DHS and the recipient were required to revise the contract if necessary. Under the bill, if an individual is complying with the family self-sufficiency plan, the DHS, the recipient, and a Work First representative must revise the plan if necessary.

The bill requires the DHS to reassess the recipient's eligibility for family independence assistance within 24 months after the date the assistance is approved. At that time, the recipient also must meet with his or her caseworkers from the DHS and Work First to redevelop the family self-sufficiency plan.

House Bill 5442

The bill requires the DHS to study the impact and cost of increasing the amount of earned income that is disregarded in determining a program group member's income for continued eligibility for family independence assistance. The DHS must provide a written report of its findings by April 1, 2006, to the Senate and House Appropriations Committees, the Senate and House Appropriations Subcommittees on the DHS, the Senate and House Fiscal Agencies, and the Senate and House policy staff.

MCL 400.14i (S.B. 757)
400.57d (S.B. 894)
400.57o (H.B. 5442)

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

Failing to extend the expiring provisions would have created serious difficulties for the DHS and confusion for recipients of family independence assistance. If the provisions were allowed to expire, then individuals previously exempt from Work First requirements would have had to comply with Work First as a condition for receiving assistance. Individuals receiving exemptions under the Act, however, have serious barriers to employment and in many cases would be unable to comply. Without the exemptions, individuals suffering from physical or mental impairments, recipients of Supplemental Security Income, and parents of children under the age of three months either would have to find employment under Work First or would be found in noncompliance with the Act.

Additionally, since penalties for noncompliance also were set to expire on December 31, 2005, the DHS would have been faced with many noncompliant recipients who are unable to comply with

Work First requirements and no system of penalties for noncompliant recipients. These are key provisions of the Social Welfare Act, without which the system would not be able to function properly. By postponing the sunset, Senate Bill 757 keeps the DHS out of an untenable situation and prevents massive confusion.

Supporting Argument

The purpose of a joint orientation session is to develop a social contract (now a family independence plan) for the recipient and to establish an understanding about the responsibilities of all participants in the family assistance program. However, because the orientation meeting was required after only a preliminary determination of eligibility, the DHS caseworkers sometimes spent time meeting with individuals who later turned out to be ineligible for assistance. Senate Bill 894 enables caseworkers to make better use of their time and scarce resources by postponing the joint orientation session until after an individual has been approved for assistance, allowing caseworkers to focus more attention on those individuals who will definitely be entering the program.

Supporting Argument

In determining whether a program group member is eligible for continued family independence assistance, the DHS currently disregards \$200 plus 20% of the individual's income. The remainder is the countable income that is used to determine whether the individual is eligible for continued assistance. Some have suggested that the amount of income that is disregarded should be increased to 50%, to give individuals a greater incentive to work, and allow families to remain on assistance until their income is high enough for them to be self sufficient. Many families that go off of family independence assistance end up back on assistance at some point, and some are concerned that the current method of determining earned income takes people off assistance before they are fully able to cover their expenses. Increasing the amount of income that is disregarded in the determination of eligibility would give recipients more time to become fully self sufficient before they are removed from the welfare rolls, decreasing the likelihood that they will end up back on assistance.

The cost of such an increase must be considered, however, because the change likely would lead to families' remaining on assistance for a longer period of time. House Bill 5442 therefore requires the DHS to study the impact and cost of increasing the amount of earned income that is disregarded, and report its findings to the Legislature by April 1, 2006. Based on the findings, the Legislature will be able to evaluate whether the positive impact of such a change would outweigh the costs.

Opposing Argument

The Social Welfare Act last underwent a serious revision in 1995, and it is time to make substantive improvements, rather than simply extending a sunset and making relatively minor changes. The current penalties are not sufficient to act as a deterrent to noncompliant recipients, and stricter penalties should be established. Also, the existing system allows recipients to remain on assistance too long; the Act should impose life-time limits on family independence assistance for able-bodied individuals, as most other states reportedly do.

Legislative Analyst: Curtis Walker

FISCAL IMPACT

Senate Bill 757

The bill will have no fiscal impact on State or local government.

Senate Bill 894

The bill will have an indeterminate fiscal impact on State government. As a result of the full determination of eligibility prior to Work First referral, more cases will receive assistance before referral to Work First-related activities. This will increase costs in maximum assistance payments. However, the referral of fewer cases to Work First will result in reduced costs. The program information necessary for a specific cost analysis is not available at this time.

House Bill 5442

The bill will have an indeterminate fiscal impact on State government. The DHS study will require some additional funds

for administrative activities related to the caseload data collection, information analysis, and reporting.

Fiscal Analyst: Constance Cole

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.