



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536


 BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bills 1500 and 1501 (as introduced 11-14-06)
Sponsor: Senator Bill Hardiman
Committee: Families and Human Services

Date Completed: 11-28-06

CONTENT

Senate Bill 1500 would amend the Social Welfare Act to delay from December 31, 2006, to June 30, 2007, the expiration of specific exemptions from Work First requirements and penalties for noncompliance with the Act.

Senate Bill 1501 would amend the Social Welfare Act to do the following:

- Require the Department of Human Services (DHS) and the Department of Labor and Economic Growth (DLEG) to track Work First participants and Family Independence Program (FIP) recipients using Social Security numbers and to maintain only one case number for each individual.
- Require the DHS and DLEG to develop program goals, including a goal that at least 50% of the FIP caseload would be involved in employment activities.
- Require verification from a physician or psychologist for certain individuals seeking an exemption from Work First, and specify that an individual who was applying for Supplemental Security Income would not automatically be exempt from Work First during the application process.
- Require an FIP recipient who did not have a high school diploma or a GED to enroll in one or more basic educational programs, if available.
- Allow a recipient, with the caseworker's approval, to count up to 20 hours per week of education or

training toward his or her 40-hour-per-week work requirement for a lifetime maximum of two years, or receive a lifetime maximum six-month exemption from Work First requirements to participate in an approved education or training program.

- Require a recipient who was unable to find employment to participate either in relevant occupational work or in training or counseling, as determined appropriate by his or her caseworker.
- Require DLEG to report annually to the Legislature on the Work First program, including specific measurements of the progress of participants.
- Require the DHS to report annually to the Legislature on the Family Independence Program, including the number of recipients in noncompliance and the number of sanctions imposed.

The bills are described in detail below.

Senate Bill 1500

The Social Welfare Act specifies that certain provisions of Sections 57f and 57g do not apply after December 31, 2006. Under the bill, these provisions would remain in effect until June 30, 2007.

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. Under the provisions subject to the sunset, a recipient is deemed 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 1501

Tracking Information

Under the bill, the DHS would have to track all FIP recipients by Social Security number, so that tracking information was traceable for a recipient's lifetime. The tracking information would have to be limited to information regarding the receipt of public assistance or participation in Work First programs.

The Department of Labor and Economic Growth would have to track Work First participants by Social Security number and the recipient's job status for a period of at least one year after job placement. That information would have to be shared

between DLEG and the DHS, and would have to be provided to the House and Senate Appropriations Committees during the annual budget review.

When the DHS or DLEG opened a case on a recipient, it would have to use the same case number previously used for him or her, and could not assign a new case number if the recipient previously had received assistance or had participated in Work First.

Program Goals

The bill would require the DHS and DLEG to develop individual program goals and measurable performance indicators to be reviewed for success or failure annually. The annual success or failure rates would have to be reported to the Legislature. The goals would have to include a State goal for the percentage of the Family Independence Program caseload involved in employment activities. That goal would have to be developed jointly by the DHS and DLEG and could not be less than 50% of the FIP caseload. If the percentage were below the goal for more than two consecutive quarters, the DHS would have to develop a program for increasing the percentage of the caseload that was involved in employment-related activities, and would have to deliver the plan during the following annual budget presentations to the House and Senate Appropriations Subcommittees on the DHS.

Exemptions from Work First

The Act exempts certain individuals, including the parent of a child under the age of three months from participating in Work First. The DHS *may* require a parent exempted under this provision to participate in family services, including instruction in parenting, nutrition, and child development, beginning six weeks after the birth of the child until the child is three months old. Under the bill, the DHS would have to require the parent to participate in those services, which would have to include instruction or counseling in one or more of the following:

- Marriage.
- Fatherhood.
- Parenting.
- Abstinence-based family planning.
- Child development.
- Nutrition.

The Act also exempts from Work First participation a recipient of Supplemental Security Income (SSI). The bill specifies that an individual who was applying for SSI would not be automatically exempt from participation in Work First during the application process.

Under the Act, an individual who has a physical or mental impairment, or who is a caretaker of such an individual, is exempt from Work First participation to the extent that the individual, based on medical evidence and an assessment of need by the DHS, is severely restricted in his or her ability to participate in employment or training activities. Under the bill, that exemption would have to be based on written medical verification provided by a physician, psychiatrist, or psychologist and an assessment of need by the DHS.

The Act permits the DHS to grant a temporary exemption from Work First participation of up to 90 days, to an individual suffering from a documented short-term mental or physical illness, limitation, or disability that severely restricts his or her ability to participate in employment or training activities. Under the bill, that condition would have to be documented in writing by a physician, psychiatrist, or psychologist.

Education & Training

The Act requires every recipient to develop a social contract with the DHS. Among other things, the social contract must specify the particular activities in which the recipient is required or authorized to participate under Work First, the number of hours of work required, and other details of Work First. The bill would refer to a family self-sufficiency plan, rather than a social contract.

Under the Act, a recipient who has cooperated with Work First may enroll in an education or training program approved by the local workforce development board. With the exception of high school completion and GED preparation, the training must be occupationally relevant and in demand in the labor market. The bill also would make an exception for an English-as-a-second-language program and a fast track literacy program.

The bill would require a recipient who did not have a high school diploma or GED, or had reading proficiency at the eighth grade level or lower, to enroll in one or more of the following, if available:

- An English-as-a-second-language program.
- A fast track literacy program.
- A high school completion course.
- A GED preparation course.

The Act limits education and training to two years in duration, and requires participants to make satisfactory progress while in training or education. The bill would remove those provisions, instead permitting the Work First caseworker, at his or her discretion, to authorize a recipient's request to enroll in education or training and count up to 20 hours per week of that education or training toward his or her 40-hour-per-week work requirement under Work First, for a maximum cumulative total of 24 months in the recipient's lifetime.

Alternatively, the caseworker could authorize a recipient's exemption from Work First requirements for a lifetime maximum of six months if the recipient were able to demonstrate a current demand for workers with the education or training he or she was seeking.

In either case, the education or training course requirements and responsibilities, including attendance, performance, and grade point average, would have to be outlined in the expectations section of the recipient's family self-sufficiency plan.

A recipient who was granted a six-month exemption from Work First work requirements under these provisions, or who was participating in education or training to meet the work requirements, would have to meet with his or her Work First caseworker at least once every 45 days.

If the recipient were not in compliance with the expectations outlined in his or her family self-sufficiency plan, he or she would be prohibited from using education or training toward his or her 40-hour-per-week work requirement and would be ineligible for a six-month exemption from Work First requirements as described above.

If a recipient were unable to find employment or be placed by the Work First program into a job, and therefore were not fulfilling his or her obligation to participate in Work First, he or she would have to participate either in relevant occupational work as determined appropriate by the Work First caseworker, or in at least 10 hours of training or counseling per week in any of the following areas that the caseworker considered relevant and appropriate: marriage, fatherhood, parenting, self-improvement, substance abuse, or volunteer activities.

Reporting Requirements

The bill would require the DHS, within 90 days after the bill's effective date and annually thereafter by March 31, to provide a written report to the Legislature, the House and Senate Fiscal Agencies, the House and Senate standing committees that handle family and children's issues, and the House and Senate Appropriations Subcommittees on the DHS. The report would have to include at least the following information by district office for that time period:

- The number of sanctions imposed for first and second instances of noncompliance and reapplications made.
- The number of sanctions imposed for third instances of noncompliance.
- The number of FIP cases reopened.
- The number of FIP cases permanently closed.

In addition, DLEG would have to provide a written report to the House and Senate Appropriations Subcommittees on the DHS within 90 days after the bill's effective date, and annually thereafter by March 31. The report would have to include at least all of the following:

- The number and percentage of Work First participants achieving personal development plan goals.
- The number and percentage of Work First participants placed in employment, and the number of those who remained employed for a period of 180 days and 365 days or more.
- The number and percentage of Work First participants whose cases were closed due to earnings.

- The number and percentage of Work First participants enrolled in a two-year or four-year educational program, including information on the degree programs enrolled in and the graduation rate among the local Work First program's participants.
- The number and percentage of Work First participants participating in a fast track literacy program and the local Work First program's participants' success rate in the program.
- The number and percentage of Work First participants participating in a high school completion program or a GED program and the graduation rate among the local Work First program's participants.

Provider Contracts

The bill specifies that in granting contracts to Work First providers, DLEG could use incentives in contracts or could require performance-based measures in payment of contracts.

MCL 400.14i (S.B. 1500)
400.57f et al. (S.B. 1501)

Legislative Analyst: Curtis Walker

FISCAL IMPACT

Senate Bill 1500

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

Senate Bill 1501

The bill would have an indeterminate fiscal impact on State government. The administrative tracking and reporting provisions as well as the cash assistance recipient work participation provisions are required by the Federal Temporary Assistance for Needy Families block grant, which was reauthorized by the Federal Deficit Reduction Act of 2005. The new Federal rules and regulations require, in addition to other provisions such as minimum work participation, the State to "establish and maintain work verification procedures that ensure an accurate measurement of work participation". The State faces a penalty of 1% to 5% reduction in the State's block grant for failure to comply with the requirement. This is a

possible penalty of \$38.8 million. The penalty is in addition to the possible loss of 5% for failure to reach 50% caseload participation in work activities and the maintenance of effort in historical State program spending. Those penalties could amount up to approximately \$62.2 million. In losing Federal funds, the State must make up both penalties with State funds. The FY 2006-07 appropriation bill for the DHS includes a transfer of \$12.3 million Gross, \$8.0 million GF to the Department of Labor and Economic Growth for Work Force Development as part of the Jobs, Education and Training Program. It is assumed that no additional funds for this purpose will be necessary.

In FY 2005-06, Department of Labor and Economic Growth (DLEG) expenditures for administrative costs related to the Work First program totaled approximately \$2.5 million. The current appropriation bill for DLEG (Public Act 345 of 2006, Article 12) includes \$113,798,600 in FY 2006-07 that is awarded to the local agencies that provide training and job placement services to Work First participants.

Fiscal Analyst: Constance Cole
Elizabeth Pratt

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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.