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House Bill 5438 (Substitute H-1 as passed by the House)
House Bill 5439 (Substitute H-1 as passed by the House)
House Bill 5440 (Substitute H-1 as passed by the House)
House Bill 5441 (Substitute H-2 as passed by the House)
House Bill 5442 (Substitute H-1 as passed by the House)
House Bill 5443 (Substitute H-2 as passed by the House)
House Bill 5444 (Substitute H-2 as passed by the House)
House Bill 5445 (Substitute H-2 as passed by the House)
House Bill 5446 (Substitute H-1 as passed by the House)
Sponsor: Representative Jerry O. Kooiman (H.B. 5438 & 5445)

Representative Rick Shaffer (H.B. 5439)
Representative Tom Pearce (H.B. 5440)
Representative David Farhat (H.B. 5441)
Representative Richard Ball (H.B. 5442)
Representative Leslie Mortimer (H.B. 5443)
Representative John Stahl (H.B. 5444)
Representative Chris Kolb (H.B. 5446)

House Committee: Family and Children Services
Senate Committee: Families and Human Services

Date Completed: 12-7-05

CONTENT

All of the bills would amend the Social Welfare Act.

House Bill 5438 (H-1) would do the following:

- Postpone the expiration of provisions exempting certain individuals from Work First requirements, and establishing penalties for noncompliance with the Act, from December 31, 2005, to December 31, 2015.
- Establish a maximum cumulative lifetime total of 48 months of family independence assistance for individuals determined eligible to participate in Work First, excluding months when the local unemployment rate was above 10%.
- Require that on the bill's effective date, individuals who had received family independence assistance for at least 36 months and were not exempt from Work First

requirements could not receive more than one year of assistance.

- Revise exemptions from Work First participation.
- Require documentation of certain medical conditions by a physician, psychiatrist, or psychologist, for specified exemptions from Work First.
- Require reevaluation every 120 days of individuals exempted from Work First.
- Require that individuals exempt from Work First be evaluated for eligibility in the Supplemental Security Income (SSI) program.
- Provide that if an individual were employed under the Work First program, his or her assistance payment standard would be reduced by 10%.

House Bill 5439 (H-1) would require the Department of Human Services (DHS) to include as a member of a program

group any individual receiving SSI assistance who was living with the family.

House Bill 5440 (H-1) would require that cash assistance received in other states be counted toward an individual's 48-month lifetime total of family independence assistance.

House Bill 5441 (H-2) would revise the penalties for noncompliance with the Act. The penalty for the first offense would be termination of assistance for one month; the penalty for a second offense would be termination for three months; and the penalty for a third offense would be permanent ineligibility. The bill also would require each county office to report to the Legislature every 90 days the number of sanctions imposed and other information.

House Bill 5442 (H-1) provides that if an individual were working 20 hours or more each week, the DHS would have to disregard \$200 of his or her income as well as 50% of the remainder of the individual's income for the purpose of determining his or her continued eligibility for family independence assistance.

House Bill 5443 (H-2) would allow individuals to count time spent in educational programs or training toward their Work First work requirements under certain conditions, and to require each local program to report specified information on the Work First program and participants to the Legislature.

House Bill 5444 (H-2) would require each individual who received family independence assistance to develop a personal development plan, rather than a social contract. The plan would have to include compliance goals to be met by members of the assistance group.

House Bill 5445 (H-2) provides that if an individual were eligible to participate in Work First, assistance could not be paid to him or her for more than a cumulative total of 48 months during his or her lifetime, excluding months when the local unemployment rate was

above 10% or the individual was temporarily deferred from Work First participation.

House Bill 5446 (H-1) would require the DHS and the Department of Labor and Economic Growth (DLEG) to identify barriers preventing Work First participants from obtaining employment and self-sufficiency; revise exemptions from Work First participation; and require documentation by a physician, psychiatrist, or psychologist for certain exemptions.

All the bills are tie-barred to each other.

House Bill 5438 (H-1)

Under the Act, provisions exempting certain individuals from Work First requirements, and a provision establishing penalties for noncompliance with the Act, will not apply after December 31, 2005. Under the bill, the provisions would not apply after December 31, 2015.

The bill would require the Department of Human Services, when it determined an individual was eligible to receive family independence assistance, to determine whether that individual was eligible to participate in the Work First program or if he or she was exempt from Work First participation under the Act. If the DHS determined that an individual was eligible to participate in Work First, assistance could not be paid to that individual for more than a cumulative total of 48 months during his or her lifetime. Any month in which the unemployment rate in the metropolitan statistical area where the individual resided was above 10% would not be counted toward the lifetime cumulative total of 48 months.

Within 90 days after the bill's effective date, the DHS would have to determine the number of months each family independence assistance recipient who was not exempt from Work First participation had received assistance. If the DHS determined that a recipient had received assistance for a cumulative total of 36 months or more as of the bill's effective date, the recipient would not be eligible to receive assistance for more than one year after that effective date.

The DHS would have to reassess a recipient's eligibility for assistance within 24 months after the date the application for assistance was approved.

The bill would require the DHS to work with DLEG to identify barriers that prevented Work First participants from obtaining employment and self-sufficiency.

Under the bill, all family independence recipients would be "work or training eligible" unless exempted from Work First participation. The Act currently exempts the following individuals from participation:

- A child under the age of 16.
- A child aged 16 or older, 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 aged 65 or older.
- A recipient of Supplemental Security Income (SSI).

The bill would retain these exemptions but would refer to the "custodial" parent of a child under three months. Currently, the DHS may require a parent exempted under this provision to participate in family services, including instruction in parenting, nutrition, and child development. Under the bill, the DHS would have to require an exempt parent to participate in family services, which also could include abstinence-based family planning.

The bill specifies that an individual who was applying for Supplemental Security Income would not automatically be exempt from Work First participation during the application process for SSI.

The Act also exempts an individual who meets one or more of the following criteria to the extent that he or she, 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:

- A recipient of Social Security Disability, or Medical Assistance due to disability or blindness.
- 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 individual in either of the above provisions who is his or her full-time caregiver.

-- A parent or caretaker of a child who is suffering from a physical or mental impairment that meets the SSI disability standards, except that no minimum duration is required.

The bill would retain these exemptions, but would require that an individual's eligibility be based on medical verification provided by a physician, psychiatrist, or psychologist (instead of written medical evidence).

In addition, the Act permits the DHS to grant a temporary exemption from participation in Work First, for up to 90 days, to an individual who is 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, the individual's condition would have to be documented by a physician, psychiatrist, or psychologist.

The bill would require the DHS to evaluate individuals exempted from participation in Work First to determine eligibility to participate in other work-related activities. If an individual were eligible to participate in other activities, the DHS would have to refer him or her to those activities.

The DHS would have to reevaluate an individual exempt from participation in Work First every 120 days to determine whether the individual continued to be exempt.

An individual exempt from participation in Work First due to a mental or physical illness, limitation, or disability as documented in writing by a physician, psychiatrist, or psychologist would have to be evaluated for eligibility in the SSI program within 90 days after the DHS received that documentation.

If a program group member were employed as part of his or her Work First participation requirement, that program group's family independence assistance payment standard would have to be reduced by 10% within 90 days after the member's initial job placement.

House Bill 5439 (H-1)

The bill would require the DHS to include as a member of a program group any individual receiving SSI assistance who was living with the family. The DHS would have to include the amount that member received in SSI assistance as part of the program group's income when determining eligibility for family independence assistance.

House Bill 5440 (H-1)

Under the bill, if an applicant for family independence assistance who resided in this State for less than one year asserted that he or she did not receive cash assistance or other medical assistance from the state or states where he or she previously resided, the DHS would have to determine the applicant's state or states of residence in the year immediately preceding the date of the application for family independence assistance, and whether the applicant received any type of cash assistance or medical assistance benefits from those states.

If the DHS determined that an individual received assistance in a state other than Michigan, the DHS would have to determine the amount of time that the applicant received assistance in that state, and that amount of time would have to be counted in the applicant's 48-month lifetime cumulative total for receipt of family independence assistance.

House Bill 5441 (H-2)

Under the Act, if a recipient of family independence assistance does not meet his or her social contract requirements, the Department may impose a penalty. Under the bill, the DHS would be required to impose penalties, and rather than a social contract, the bill would refer to a personal development plan.

The Act provides that after termination for noncompliance with the Act or applicable rules, the assistance group is ineligible for assistance for at least one month. Under the bill, this provision would apply to the first instance of noncompliance. The Act states that after assistance has been terminated for at least one month, family independence assistance may be approved if the recipient completes a willingness to

comply test. The bill would require, in addition, that a reevaluation of the personal development plan be approved and amended by a family independence specialist and a Work First representative.

After termination for a second instance of noncompliance, the assistance group would be ineligible for assistance for at least three months. After three months, family independence assistance could be approved if the recipient completed a willingness to comply test and a reevaluation of the personal development plan were approved and amended by a family independence specialist and a Michigan Works agency worker.

Currently, when any penalty is imposed under the Act, the DHS must give the recipient written notice of his or her option to reapply immediately for family independence benefits during the penalty period. Under the bill, this provision would apply only to a first or second penalty.

When a third penalty was imposed, the DHS would have to give the recipient written notice that he or she was no longer eligible to receive assistance and that he or she could not reapply. After the third termination for noncompliance, the assistance group would be ineligible to receive any family independence assistance.

The bill would require each county office to submit a report every 90 days to the Legislature, the House and Senate Fiscal Agencies, the House and Senate committees that handle family and children's issues, and the House and Senate Appropriations Subcommittees for the DHS budget. The report would have to contain all of the following information:

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

Each time a recipient was scheduled to participate in activities to fulfill the Work First requirement but failed to do so, the assistance group's family independence

assistance would have to be reduced by an amount per hour equal to the current minimum wage rate as set in State or Federal law, whichever was higher at the time. A reduction of family independence assistance under this provision could be imposed on the assistance group without the reduction being considered a termination of benefits for noncompliance.

House Bill 5442 (H-1)

The bill provides that within 90 days after its effective date, if a program group member were working 20 hours or more each week, the DHS, in determining the member's income for continued family independence eligibility, would have to disregard \$200 of that member's income as well as 50% of the remainder of that member's income if he or she were participating in Work First activities.

House Bill 5443 (H-2)

Under the bill, a Work First participant could meet the Work First participation requirement by participating in a comprehensive basic education or job skills program for a minimum of 30 hours per week. Participation under this provision could not exceed a period longer than 180 days.

A Work First participant who had not earned a high school diploma or successfully completed a GED test would have to enroll in a GED preparation course and could count up to 10 hours each week in attendance at that course toward his or her Work First requirement for up to 180 days.

A Work First participant who had a reading proficiency at the eighth grade level or lower would have to participate in a fast track literacy program for up to 180 days. Participation in the program would count toward the participant's Work First work requirement.

Upon approval of the Work First program director, an individual who was accepted into a two-year postsecondary education program or who had completed two years of a four-year postsecondary education program could attend a community college or four-year university for up to 24 months. The individual would have to maintain at least a 2.5 grade point average and a 90%

attendance record in classroom activity. The individual also would have to work 20 hours a week while attending the program to meet the Work First participation requirement.

Each local Work First program would have to provide to the Legislature a report that included all of the following regarding Work First participants:

- The number and percentage achieving personal development plan goals.
- The number and percentage placed in employment.
- The number and percentage placed in employment who remained employed for 180 days or more.
- The number and percentage whose cases were closed due to self-sufficiency.
- The number and percentage enrolled in a two-year or four-year educational program with information on the degree programs enrolled in and their graduation rate.
- The number and percentage participating in a fast track literacy program and their success rate in this program.
- The number and percentage participating in a high school completion program or GED program and their graduation rate.

Funding provided to Work First programs or providers contracted to administer Work First programs would have to be based on the following areas:

- The number and percentage of Work First participants achieving the goals stated in their personal development plans.
- The number and percentage of Work First participants placed in employment and maintaining employment for 180 days or more.
- The number and percentage of Work First cases closed by each local Michigan Works agency due to self-sufficiency.

House Bill 5444 (H-1)

The bill would replace the term "social contract", which means a document described in the Act that is executed by a family in return for the receipt of family independence assistance, with "personal development plan", which would have the same definition.

The Act requires an individual applying for family independence assistance to

participate in a joint orientation with DLEG and the DHS before receiving assistance. After the joint orientation session, the individual and the DHS must develop the family's social contract in accordance with the Act. The bill also would require a Work First representative to participate, and would refer to a personal development plan rather than a social contract.

The personal development plan would have to be developed jointly by the DHS, a Work First representative, and the adult family members of the family independence assistance group. The DHS and the Work First representative would have to complete a thorough assessment to facilitate development of the personal development plan, including consideration of referral to a life skills program, and a determination whether the assistance group's adult members were eligible to participate in the Work First program or were exempt from Work First participation.

The Act requires the social contract to identify compliance goals that are to be met by members of the assistance group. Under the bill, the personal development plan would have to meet the current requirements for the social contract, as well as outline the goals and responsibilities of the members of the assistance group, the DHS, and the Work First program.

House Bill 5445 (H-2)

The bill would require the DHS, when it determined that an individual was eligible to receive family independence assistance, to determine whether he or she was eligible to participate in the Work First program or was exempt from Work First participation under Section 57f (which House Bills 5438 (H-1) and 5446 (H-1) would amend).

If the DHS determined that an individual was eligible to participate in Work First, family independence assistance could not be paid to him or her for longer than a cumulative total of 48 months in the individual's lifetime. Any month in which the unemployment rate in the metropolitan statistical area in which the person resided was above 10% could not be counted toward the cumulative 48-month lifetime total. Any month in which an individual was temporarily deferred from Work First

participation also could not be counted toward the 48-month total.

Within 90 days after the bill's effective date, the DHS would have to determine the number of months each family independence assistance recipient who was not exempt from Work First participation had received assistance. If the Department determined that a recipient had received family independence assistance for a cumulative total of 36 months or more as of the bill's effective date, he or she would not be eligible to receive assistance for more than one year after that date.

The DHS would have to reassess a recipient's eligibility for family independence assistance within 24 months after the date the application for assistance was approved.

House Bill 5446 (H-1)

Under the Act, subject to specific exemptions, every member of a family independence assistance group must be referred to and participate in Work First. The particular activities, the number of hours required, and other details of Work First must be developed by the DHS and DLEG and be set forth in the recipient's social contract. Under the bill, the activities, hours, and details would have to be developed by DLEG and set forth in the recipient's personal development plan.

The bill contains the same amendments to the Work First exemptions as proposed by House Bill 5438 (H-1), as well as provisions concerning the identification of barriers, the evaluation of exemption individuals, and documentation of various conditions.

MCL 400.14i et al. (H.B. 5438)
400.57b (H.B. 5439)
Proposed MCL 400.57q (H.B. 5440)
MCL 400.57g (H.B. 5441)
Proposed MCL 400.57o (H.B. 5442)
Proposed MCL 400.57n (H.B. 5443)
MCL 400.57 et al. (H.B. 5444)
400.57a (H.B. 5445)
400.57f (H.B. 5446)

Legislative Analyst: Curtis Walker

FISCAL IMPACT

The package of bills would have a fiscal impact on State government.

House Bills 5438 (H-1) and 5445 (H-1)

According to the House Fiscal Agency (HFA), the 48-month lifetime limit on family independence assistance, affecting 8,100 cases, would reduce costs by \$40.3 million through case closures. The required 10% reduction in the Family Independence Program monthly grant payments for all Work First participants required to work, affecting 13,300 cases, would reduce the family independence payments by approximately \$8.6 million.

House Bill 5439 (H-1)

The provision to include the Federal Supplemental Security Income benefit payment received by a recipient of family independence assistance in the family's available income would have an impact on about 15,500 cases that have at least one family member who receives an SSI payment. If all of these cases were closed immediately due to excess earnings, the average FIP savings could be in the range of \$38.0 million for the six months of the fiscal year. The HFA did not have a total fiscal impact estimate for this provision of this bill.

House Bill 5441 (H-1)

The bill proposed increased sanctions that would affect an average of 13,500 cases required to participate in work activities, which would reduce benefits, according to the HFA, in the range of \$16.0 million. Although information is not currently available to evaluate the number of recipients who might fall under the second and third sanctions for noncompliance, the HFA states that an average of 1,400 cases at a time could be under sanction status, which could annually reduce benefit payments by \$7.0 million.

House Bill 5442 (H-1)

The HFA indicates that the change in the earned income disregard, affecting families that have a member who works 20 hours or more per week, would affect approximately 9,900 cases and annually cost the State about \$24.5 million. This increase would likely be for a short period as the disregard allows caseloads to increase as a result of families' earning larger incomes and remaining eligible for some FIP benefit payments.

House Bills 5440 (H-1), 5443 (H-1), 5444 (H-1) and 5446 (H-1)

The confirmation of residence and benefits received from other states, changes in Work First participation requirements, expanded personal development plan (compared with the existing social contract), and the Work First Program exemptions would have an impact on Department administrative and information and technology costs, according to the HFA, but additional information necessary to make an estimate of the cost is not currently available.

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.