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BILL ANALYSIS

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House Bill 4409 (Substitute S-2 as passed by the Senate)
House Bill 4410 (Substitute S-2 as passed by the Senate)
Sponsor: Representative Ken Horn (H.B. 4409)
Representative Sharon Tyler (H.B. 4410)
House Committee: Families, Children, and Seniors
Senate Committee: Families, Seniors, and Human Services

CONTENT

House Bill 4409 (S-2) would amend the Social Welfare Act to do the following:

-- Prohibit the payment of Family Independence Program (FIP) assistance to any individual for longer than a cumulative total of 48 months during his or her lifetime, with some months exempted from the limit for certain recipients, replacing the current 48-month cumulative limit on FIP assistance and deleting the September 30, 2011, sunset on the limit.
-- Delete 19-year-old full-time high school students living with a parent or caretaker from the definition of "child" for purposes of being counted as a child in a FIP household.
-- Impose a penalty of six months of ineligibility for FIP assistance for a second instance of noncompliance with family self-sufficiency plan requirements, and permanent ineligibility for a third instance of noncompliance, replacing the current penalty of at least three months' ineligibility for a second instance and 12 months' ineligibility for a third.
-- Require the Department of Human Services (DHS) to disregard $200 plus 50% of an FIP assistance group's earned income for purposes of determining whether it exceeded income and asset limits throughout the duration of the receipt of assistance (i.e., at case closure).
-- Require a family self-sufficiency plan executed with each family receiving FIP assistance to include notification of the 48-month lifetime limit; a prohibition against using FIP assistance to buy lottery tickets, alcohol, or tobacco or for gambling, illegal activities, or any other nonessential items; and information regarding sanctions for noncompliance.
-- Require the DHS to reassess a recipient's eligibility for FIP assistance every 12 months, rather than at least every 24 months.
-- Require the DHS to inform a minor parent who applied for FIP assistance of the requirement to attend school full-time.
-- Require the DHS to verify an applicant's immigration status using the Federal Systematic Alien Verification for Entitlements (SAVE) program, if the applicant indicated that he or she was not a U.S. citizen.
-- Require the DHS to terminate a landlord's or housing provider's participation in the rent vendoring program, if the Department were notified that the landlord or housing provider was delinquent on payment of property taxes or if the title to the property reverted to the State for nonpayment of property taxes.

Currently, if the DHS determines that an individual is eligible to participate in the Work First program and lives in a county where a Jobs, Education, and Training (JET) Program is available, FIP assistance may be paid to that individual for not longer than a cumulative total of 48 months during the individual's lifetime. Under the bill, instead, FIP assistance could not be paid to any individual for longer than a cumulative total of 48 months during the individual's lifetime. The bill would delete provisions under which an individual may apply to the DHS for an extension of benefits beyond the 48-month limit and a provision specifying that the limit does not prevent the DHS from providing assistance to individuals who are determined to be exempt from Work First participation. The bill also would delete a provision under which certain months are not counted toward the 48-month cumulative limit on FIP assistance; instead, any month in which a recipient had been exempted from the JET Program for certain purposes would not be counted toward the 48-month limit. The bill would delete a September 30, 2011, sunset on the 48-month cumulative limit on FIP assistance.

The Act required the DHS to develop and implement, by September 30, 2010, a plan to increase incrementally the earned income disregard for FIP recipients from $200 plus 20% to not more than 67% of earned income. The bill, instead, would require the DHS, beginning October 1, 2011, upon an initial application for FIP benefits, to disregard $200 plus 20% of a FIP assistance group's earned income for purposes of determining if the applicant's earned income exceeded the Department's income and asset limits. Beginning on that date, the DHS also would have to disregard $200 plus 50% of the group's earned income for the purpose of determining whether the group's income exceeded the income and asset limits throughout the duration of its receipt of FIP assistance.

The bill would repeal several sections of the Act, including sections that provide for direct payments to a recipient's child-care provider under certain circumstances (MCL 400.57h), and require the DHS to operate a program allowing a FIP assistance recipient to establish an individual development account for certain purposes (MCL 400.57k).

The bill is tie-barred to House Bill 4410.

<u>House Bill 4410 (S-2)</u> would amend the Social Welfare Act to require the DHS to enter into an agreement with the Michigan Economic Development Corporation or a successor entity to facilitate the administration of the JET Program, and delete a requirement that the DHS enter into an agreement with the former Department of Labor and Economic Growth to facilitate the administration of Work First. The Act requires the DHS to determine whether an individual eligible to receive FIP assistance is eligible to participate in Work First or is exempt from participation. The bill would refer to the JET Program rather than Work First, and would revise exemptions from participation. The bill would delete the September 30, 2011, expiration of the program.

Both bills would take effect on October 1, 2011.

MCL 400.57 et al. (H.B. 4409) Legislative Analyst: Patrick Affholter
400.57f (H.B. 4410)

FISCAL IMPACT

The enactment of House Bills 4409 (S-2) and 4410 (S-2) would result in more than $60.0 million in GF/GP savings in FY 2011-12. The savings would come from a variety of provisions that would alter eligibility requirements and impose new restrictions on the Family Independence Program.

<u>48-Month Time Limit on FIP</u>. The most substantial restriction would come from the elimination of the sunset clause for the 48-month time limit on FIP assistance, which is currently due to expire on September 30, 2011. Eliminating the sunset would implement a policy change contained in the budget enacted for FY 2011-12. This would result in the closure of more than 12,600 FIP cases, each of which averages a monthly cost of $511.

The total estimated savings in FY 2011-12 are $77.4 million Gross and $65.0 million GF/GP. Data on the number of cases that would be disenrolled in the future are not available.

Exemptions. In FY 2011-12, more than 6,100 cases that will have reached the 48-month limit would be able to remain in FIP for the duration of the year. Beginning in FY 2012-13, however, some of the cases with temporary exemptions from the JET Program could be subjected to the time limit.

House Bills 4409 (S-2) and 4410 (S-2) would refine the exemptions that were accounted for in the FY 2011-12 budget, by defining temporary and permanent exemptions to the JET Program work requirements. The exemptions include the groups that are permanently exempt from JET, such as child-only cases and adults over the age of 65, as well as victims of domestic violence who receive temporary exemptions. In FY 2011-12, an estimated 155 domestic violence victims will be exempt from the 48-month limit (and are already figured into the $77.4 million Gross savings of the policy change). Ongoing caseload projections are not available.

House Bill 4409 (S-2) would add caregivers of disabled spouses and children to the recipients exempt under Section 57p. (Under that section, the months when certain exemptions from the JET Program applied would not be counted toward the 48-month limit.) As provided for domestic violence cases, but at the Department of Human Services' discretion, the months in which caregivers were temporarily exempt from the JET Program would not count toward the 48-month time limit. As the caregiver cases are already being counted in both the current caseload and the FY 2011-12 caseload, it is unlikely that there would be additional overall expenditures in the budget's FIP line in FY 2012-13, compared to FY 2011-12, as a result of the change. Each individual caregiver case that received the year-long exemption beginning in FY 2012-13, however, would have an annual cost of approximately $6,000 (based on current figures).

According to the most recently available data, approximately 900 caregivers receiving FIP assistance either have already reached the 48-month limit or will have reached the limit in October 2011. These caregivers are expected to remain exempt from the limit for the duration of FY 2011-12. Caregiver cases would be reviewed on an annual basis, at which time the Department would decide whether to grant a year-long extension of the JET Program exemption. Individual caregiver cases currently average approximately $510 per month, or $6,000 a year. It has not been determined how many caregiver cases would receive an extension in FY 2012-13 or in subsequent years.

Sanctions for Noncompliance. The proposed sanctions on FIP recipients who were responsible for two or more instances of noncompliance would result in estimated $7.5 million Gross and GF/GP savings in FY 2011-12. The proposal would increase the sanction for the second instance of noncompliance from three to six months, affecting more than 3,000 cases. The revised sanction for the third instance of noncompliance would result in permanent ineligibility for up to 1,500 cases. Those groups with more than three instances of noncompliance would no longer be eligible to reapply for FIP assistance.

Earned Income Disregard. Changes to the FIP earned income disregard at case closure would result in projected increased spending of $10.0 million Gross and GF/GP. The earned income disregard would effectively allow a household to earn more income while retaining the same level of FIP assistance income than is currently allowed. To be eligible for FIP assistance, an individual or family must be below a defined income limit, which varies depending on the number of people in the household. Currently, the income disregard at case opening and case closure is the same: The income disregard calculates the countable income by subtracting $200 and an additional 20% from the total monthly income. Under the bills, the income disregard at case opening would remain the same, but the calculation to determine the countable monthly income required to close a FIP case would change so that $200 and an additional 50% of monthly income would be subtracted from the net income. For example, under the proposal, a family of four with a monthly income of $947, of which $374 would be countable toward FIP eligibility, would be able to receive FIP assistance in the amount of $224 per month.

Definition of a Child. The bills would change the definition of "child" to exclude youths who are 19 years old from being counted as a child in a FIP household, bringing the State's definition in line with the Federal definition. In May 2011, there were 1,115 children over the age of 18 in the FIP. By excluding the older youths, the State would reduce the marginal monthly payments to some households, resulting in savings that could be as high as $1.1 million. It is not clear whether all of these individuals would become ineligible for FIP as a result of the proposed change.

Date Completed: 7-27-11 Fiscal Analyst: Frances Carley

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