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House Bill 6580 (Substitute H-2 as passed by the House)
House Bill 6587 (Substitute H-2 as passed by the House)
Sponsor: Representative Jerry O. Kooiman (H.B. 6580)
Representative Chris Kolb (H.B. 6587)
House Committee: Family and Children Services
Senate Committee: Families and Human Services

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CONTENT

House Bill 6580 (H-2) would amend the Social Welfare Act to do the following:

- Require a recipient to be evaluated and assessed before a family self-sufficiency plan was developed for the recipient's family assistance program group.
- Establish a 48-month lifetime cumulative limit on Family Independence Program (FIP) assistance for an individual who resided in a county where a Jobs, Education and Training (JET) program was available.
- Permit a 12-month extension of FIP assistance beyond the 48-month limit under certain circumstances.
- Exempt from Work First requirements certain individuals with low intellectual capacity, chronic and untreatable mental health problems, or physical limitations combined with low intellectual capacity.
- Establish penalties for noncompliance with a self-sufficiency plan, including a three-month termination of assistance for a first and second instance, and a 12-month termination of assistance for a third instance.
- Specify that the penalty periods would count toward the individual's 48-month lifetime limit on FIP assistance.
- Specify that a month would not count toward the 48-month lifetime limit under certain circumstances, including the individual's receipt of

- certain temporary exemptions from Work First, and a local unemployment rate greater than 9%.
- Require the DHS to develop and implement a plan to increase the earned income disregard for FIP recipients to a maximum of 67% of earned income by September 30, 2010.
- Require the DHS to pay \$10 per month for six months, under certain conditions, to an individual who left the FIP program because he or she no longer met the financial eligibility requirements.
- Require the DHS to collect from district and county offices certain information on the Family Independence Program and Work First and provide annual reports to the Legislature on those programs.

Certain provisions of the bill would not apply after September 30, 2011.

House Bill 6587 (H-2) would amend the Social Welfare Act to do the following:

- Require the DHS to develop a family self-sufficiency plan, rather than a social contract, for an individual who qualified for FIP assistance.
- Specify that the plan would have to meet, at a minimum, the Federal guidelines for work participation.
- Require an individual's plan to include an obligation to enroll in certain basic education programs if

the individual's initial assessment under the program indicated that those issues presented a barrier to the recipient's meeting the plan's requirements.

The two bills are tie-barred together, and are described in detail below.

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Application for Assistance

Under the bill, beginning December 31, 2006, if a recipient who otherwise was eligible for FIP assistance under the Act currently was applying for Supplemental Security Income (SSI) and seeking exemption or deferment from the Work First program, the recipient would have to be evaluated and assessed before a family self-sufficiency plan was developed. Based on a report resulting from the evaluation and assessment, the caseworker would have to make a determination and a referral as follows:

- A determination that the recipient was work eligible and a referral to the Work First program.
- A determination that the recipient was work exempt and a referral to a sheltered work environment or subsidized employment.
- A determination that the recipient was work exempt and a referral to a legal services organization for SSI advocacy.

The DHS could contract with a legal services organization to assist recipients with the process for applying for SSI. The DHS also could contract with a nonprofit rehabilitation organization to perform the evaluation and assessment. If the DHS contracted with either a nonprofit legal organization or a rehabilitation services organization, uniform contracts that included uniform rates and performance measures would have to be used statewide.

The DHS would have to contract with an independent entity to conduct annual auditing of the evaluation and assessment process.

When the DHS determined that an individual was eligible to receive FIP assistance, it would have 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.

Lifetime Limit on FIP Assistance

Under the bill, if the DHS determined that an individual was eligible to participate in the Work First program and resided in a county in which a JET program was available, FIP assistance could be paid to that individual for not more than a cumulative total of 48 months during his or her lifetime. If a recipient were meeting all of the requirements outlined in his or her family self-sufficiency plan and had not received a penalty under the Act after December 31, 2006, and labor market conditions or employment barriers prevented employment placement, the recipient could apply to the DHS for an extension of FIP benefits for a period of up to 12 months over the 48-month cumulative lifetime total. The bill specifies that nothing in the provisions would prevent the DHS from providing assistance to individuals who were determined to be exempt from Work First participation.

Exceptions to the Lifetime Limit

The bill provides that any month in which any of the following occurred would not count toward the maximum cumulative lifetime total of 48 months of FIP assistance:

- An individual had been exempted temporarily from Work First under Sections 57f(3)(c) and 57f(4) (which provide a temporary exemption from Work First requirements for the parent of a child under the age of three months, and a maximum 90-day exemption to an individual suffering from a temporary physical or mental illness, limitation, or disability).
- A recipient was employed and meeting the requirements of his or her self-sufficiency plan.
- The unemployment rate in the recipient's county of residence was higher than 9%.
- Compliance with certain FIP requirements was waived under Section 56i(1)(c) (which allows the DHS to waive certain program requirements if compliance would make it more difficult for a recipient to escape domestic violence, or would penalize individuals who are or have been victimized by domestic

violence or who are at risk of further domestic violence).

These provisions would not apply after September 30, 2011.

Work First Participation

The Act exempts from Work First work requirements certain individuals, including a child under 16, the parent of a child under the age of three months, an individual over the age of 65, and an individual with certain physical or mental impairments.

The bill also would exempt the following individuals:

- An individual with low intellectual capacity or learning disabilities that impeded comprehension and prevented success in acquiring basic reading, writing, and math skills, including an individual with an intelligence quotient less than 80.
- An individual with documented chronic mental health problems that could not be controlled through treatment or medication.
- An individual with physical limitations on his or her ability to perform routine manual labor tasks, including bending or lifting, combined with intellectual capacity or learning disabilities.

These provisions would not apply after September 30, 2011.

Education & Training

The Act requires that any and all training or education under the Work First program, with the exception of high school completion and GED preparation, be occupationally relevant and in demand in the labor market. The bill also would make an exception for literacy training.

Noncompliance with Work First

Under the Act, noncompliance with the Work First program means one or more of the following:

- A recipient quits a job.
- A recipient is fired for misconduct or for absenteeism without good cause.

- A recipient voluntarily reduces the hours of employment or otherwise reduces earnings.
- A recipient does not participate in Work First activities.

Under the bill, a recipient also would be considered noncompliant if he or she were noncompliant with his or her self-sufficiency plan. The bill would remove reference to good cause from the provision regarding firing for misconduct or absenteeism.

The bill provides that for all instances of noncompliance resulting in termination of FIP assistance for any period of time, assistance could be approved to begin at the conclusion of the penalty period if the recipient attended a joint meeting with his or her FIP specialist caseworker and a Work First program caseworker, and the family self-sufficiency plan were reviewed, modified as necessary, and approved by the caseworkers. The re-evaluation would have to include a discussion and official warning regarding penalties that could be imposed for future instances of noncompliance.

In addition, the period of time that the recipient was ineligible to receive FIP assistance would apply toward his or her 48-month cumulative lifetime total.

Under the bill, for the first instance in which a caseworker determined a recipient to be noncompliant, the DHS would have to notify the recipient within three business days of making that determination. The notice would have to include the reason that he or she had been determined to be noncompliant, the penalty that would be imposed for the noncompliance, and an opportunity for the recipient to meet in person with the caseworker within 10 business days of the determination that the recipient was noncompliant.

If the recipient met with a caseworker within 10 business days, the caseworker and the recipient would have to review and modify the family self-sufficiency plan as determined necessary by the caseworker. The caseworker also would have to discuss and provide an official warning regarding penalties that would have to be imposed if the recipient continued to be noncompliant. The caseworker would have to inform the recipient that he or she would have to verify

compliance with his or her self-sufficiency plan within 10 business days.

If the recipient failed to meet with the caseworker within 10 business days of the determination, or failed to verify compliance with his or her self-sufficiency plan within 10 business days as required, he or she would be subject to the penalties for noncompliance described below.

The meeting with the caseworker would be available only for the first time a recipient was determined to be noncompliant, regardless of whether he or she became subject to the penalties under the bill.

These provisions would not apply after September 30, 2011.

Deletion of Current Penalties

The Act requires the DHS to develop a system of penalties to be imposed if a recipient fails to comply with applicable rules or the provisions of the Act. The penalties may be cumulative and may include reduction of the individual's grant received under the Act, removal of an individual from the family independence assistance group, and termination of assistance to the family.

A penalty may not be imposed if the recipient has demonstrated that there was good cause for failing to comply. The DHS must determine the circumstances that constitute good cause based on factors that are beyond a recipient's control.

Recipients who are willing to participate in activities leading to self-sufficiency but who require child care or transportation in order to participate may not be penalized if the DHS determines that child care or transportation is not reasonably available or provided.

The system of penalties must include the termination of benefits if a recipient fails without good cause to comply with the applicable child support requirements, including efforts to establish paternity and obtain child support. In that instance, the assistance group is ineligible for FIP assistance for not less than one calendar month. Assistance may be restored after at least one month if the noncompliant recipient complies with the specified child support requirements.

In addition, the Act requires the DHS, before determining that a penalty must be imposed for an instance of noncompliance, to determine if good cause for noncompliance exists. 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 to exist, assistance must be terminated for the assistance group for at least one calendar month.

After assistance has been terminated for at least one calendar month, FIP assistance may be approved if the recipient completes a willingness to comply test, which means participating in Work First or other self-sufficiency activities for up to 40 hours within 10 working days. When any penalty is imposed under these provisions, the DHS must give the recipient written notice of his or her option to reapply immediately for FIP benefits and that he or she may complete a willingness to comply test during the penalty period.

The bill would delete these provisions.

Penalties for Noncompliance

Under the bill, the DHS would have to implement a schedule of penalties for instances of noncompliance as follows:

- For the first and second instances of noncompliance, the recipient would be ineligible to receive FIP assistance for at least three calendar months.
- For the third instance of noncompliance, the recipient would be ineligible to receive FIP assistance for 12 calendar months.

Reporting Requirements

The DHS would have to provide a quarterly report of exemptions under the Act by district office and by criteria to the House and Senate standing committees dealing with appropriations for human services, the House and Senate Fiscal Agencies, and the Senate Majority Leader and the Speaker of the House of Representatives.

The DHS also would have to provide a report by district office on the number of sanctions issued, the number of compliance exemptions granted, and the success rate of recipients given the compliance exception under Section 57g. (That section would

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permit a recipient who was determined to be noncompliant to demonstrate compliance within 10 business days of that determination, as described above.)

In addition, the DHS would have to require district managers to track caseworkers' performance with regard to sanctions under the bill.

The DHS would have to require reporting by county office on referrals to nonprofit rehabilitation organizations under the bill, as well as referrals pending less than 90 days, pending 90 to 180 days, and pending 180 to 365 days.

The DHS would have to require a quarterly report on cases in which the recipient had applied for SSI as provided under the bill, including the following information:

- The number of cases assessed.
- The number of cases referred to Work First.
- The number of cases placed in subsidized employment.
- The number of cases referred to legal services advocacy programs.
- The number of cases granted SSI.

The DHS would have to report annually by April 1 on the progress and implementation of the plan required under the bill to raise incrementally the earned income disregard.

Other Provisions

Under the bill, the DHS would have to develop and implement a plan to increase incrementally the earned income disregard for FIP recipients from \$200 plus 20% to a maximum of 67% of earned income by September 30, 2010.

The DHS would have to implement the JET program statewide by September 30, 2007.

The DHS would have to pay \$10 per month for six months to individuals who left FIP programs because they no longer met the financial eligibility criteria based on earned income, if those individuals continued to meet the Federal guidelines for work participation.

The Social Welfare Act requires each family receiving FIP assistance to develop a social contract outlining the responsibilities of members of the assistance group. The bill instead would refer to a family self-sufficiency plan, and would require the plan to include the contractual nature of FIP assistance, and the focus on the goal of attaining self-sufficiency.

Under the bill, if a recipient met the requirements under the Act and were eligible for FIP assistance, the DHS would have to complete a thorough assessment to facilitate the development of the family self-sufficiency plan, including consideration of referral to a life skills program and a determination whether the family independence assistance program 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 family self-sufficiency plan would have to include those goals as well, and also would have to include the goals and responsibilities of the members of the program group, the DHS, and the Work First program.

The Act requires the social contract to include the obligation of each adult to engage in employment, Work First activities, education or training, community service activities, or self-improvement activities, as determined appropriate by the DHS, up to 40 hours per week. Under the bill, those provisions would apply to a family self-sufficiency plan, but the bill would remove the reference to 40 hours a week.

The family self-sufficiency plan also would have to include the obligation that the requirements of the plan, at a minimum, meet Federal guidelines for work participation, and would have to include the recipient's obligation to enroll in a GED preparation program, a high school completion program, or a literacy training program if the assessment and self-sufficiency plan demonstrated that these issues presented a barrier to the recipient's meeting the requirements in the plan.

MCL 400.57 et al. (H.B. 6580)
400.57e (H.B. 6587)

Legislative Analyst: Curtis Walker

FISCAL IMPACT

The bill would have an indeterminate fiscal impact on State government. The family self-sufficiency plan is required by the Federal Temporary Assistance for Needy Families block grant regulations reauthorized by the Deficit Reduction Act of 2005. Under the new Federal rules and regulations, the states must require cash assistance clients to participate in work or work, education or training activities that would prepare them for work. The FY 2006-07 appropriation for the Department of Human Services assumes pilot program implementation for districts representing 50% of the cash assistance caseload. There is insufficient information to determine at this time how much in additional costs the State would increase if more than 50% of the caseload were affected by the bill's provisions.

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.