Legislative Analysis

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FOSTER YOUTH BENEFITS

House Bill 4750 (H-1) as reported from committee
Sponsor: Rep. Kathy Schmaltz
Committee: Families and Veterans
Complete to 9-9-25

SUMMARY:

House Bill 4750 would amend the Foster Care and Adoption Services Act to require the Department of Health and Human Services (DHHS), within 60 days after a child enters foster care and annually thereafter while the child is in foster care, to screen the child for potential eligibility for ***benefits*** and apply for benefits the child may be eligible for and is not already receiving. When applying for benefits for a child in foster care under the bill, DHHS would, in cooperation with the child's attorney, have to identify a representative payee or fiduciary in accordance with applicable federal regulations.[1]

Benefits would mean all of the following:

- Federal Supplemental Security Income.
- Social Security benefits.
- United States Department of Veterans Affairs benefits.
- Other applicable benefits the child in foster care is eligible for.

DHHS could apply to become the representative payee only if no other suitable candidate is available. If DHHS acts as the representative payee, it would have to annually review whether someone else is available to act as representative payee that could better serve the best interests of the child in that role. Consistent with federal law, when DHHS serves as the representative payee or in any other fiduciary capacity for a child receiving benefits, it would have to do all of the following:

- Use or conserve the benefits in the child's best interests, including using benefits for services for special needs not otherwise provided by DHHS or conserving the benefits for the child's reasonably foreseeable future needs. DHHS could not use any benefits of the child to reimburse the state for the cost of care of the child in foster care.
- Ensure that when the child attains the age of 14 years and until DHHS no longer serves as the representative payee or fiduciary, a minimum percentage of the child's benefits is not used to reimburse the state for the cost of care and is used or conserved as described below, as follows:
    - From age 14 through age 15, at least 40%.
    - From age 16 through age 17, at least 80%.
    - From age 18 through age 20, 100%.
- For the child's benefits or resources that are below or not subject to any federal asset or resource limit, use discretion in accordance with federal law and in the best interests of the child to conserve the funds for services for special needs not otherwise provided

[1] 20 CFR 404.2021: https://www.ecfr.gov/current/title-20/chapter-III/part-404/subpart-U/section-404.2021
and 20 CFR 416.621: https://www.ecfr.gov/current/title-20/chapter-III/part-416/subpart-F/section-416.621

by DHHS, including choosing one or more of options described in the next bulleted item.

- Appropriately monitor any federal asset or resource limits for the benefits and ensure that the child's best interests are served by using or conserving the benefits in a way that avoids violating any federal asset or resource limits that would affect the child's eligibility to receive the benefits, including the following:
  - Applying to the Social Security Administration to establish a plan for achieving self-support (PASS) account[2] for the child under the federal Social Security Act[3] and determining whether it is in the best interests of the child to conserve all or part of the benefits in the account.
  - Establishing a plan under section 529A of the Internal Revenue Code for the child and conserving the child's benefits in that account.[4]
  - Establishing an individual development account for the child and conserving the child's benefits in that account in a manner that appropriately avoids any federal asset or resource limits.
  - Establishing a special needs trust for the child and conserving the child's benefits in the trust in a manner that is consistent with federal requirements and appropriately avoids any federal asset or resource limits.
  - If DHHS determines that using the benefits for services for current special needs not already provided by DHHS is in the best interests of the child, using the benefits for those services.
  - If federal law requires certain back payments of benefits to be placed in a dedicated account, complying with the applicable requirements.
  - Applying any other exclusions from federal asset or resource limits available under federal law and using or conserving the child's benefits in a manner that appropriately avoids any federal asset or resource limits.
- Provide an annual accounting to the child, to the appropriate contact at the supervising child placement agency, and to the child's attorney of how the child's resources, including VA benefits, SSI, and Social Security benefits, have been used.
- Provide the child with financial literacy training, as further described below, when the child has attained the age of 14 years. The training would have to include all of the following:
  - A definition of *personal finance* and how its concepts fit into key life events or stages.
  - An explanation of the importance of personal financial planning using such information sources as instructional materials, news articles, blogs, personal narratives, and industry publications.
  - The writing of short-term (within one year), mid-term (one to five years in the future), and long-term (more than five years in the future) financial goals. The goals would have to define the child's desired education, career, and earnings milestones, as well as savings and spending plans, and would have to involve evaluating factors that could influence the child's personal financial goals, such as family responsibilities, individual values, financial factors, and economic conditions.

[2] https://choosework.ssa.gov/library/faq-plan-to-achieve-self-support
[3] https://www.law.cornell.edu/uscode/text/42/chapter-7
[4] https://www.law.cornell.edu/uscode/text/26/529A

- The completion of one or more career aptitude surveys and an analysis of the survey results and how they align with the child's strengths and interests. The analysis would have to evaluate training path options to prepare the child for identified jobs or careers of interest.
- The creation of an annotated chart, table, or graphic based on the child's identified career of interest that evaluates the following:
  - Education and training. including admission and tuition requirements.
  - Available positions.
  - Salaries.
  - Costs and benefits of education and training.
  - Potential lifetime earnings.
  - Employer benefits.
  - Possible need for relocation to advance.
- An exploration and evaluation of the options for financing postsecondary education, including an evaluation of the Free Application for Federal Student Aid (FASFA) requirements to apply for financial aid and identification of strategies for reducing the overall cost of postsecondary education. The evaluation also would have to discuss scholarships, grants, work study, and other forms of assistance and the applicable application process.
- An explanation of how borrowing money to finance postsecondary education could have an impact on future financial security and stability, including an assessment of research from multiple viewpoints on the use of student loan debt to pay for postsecondary education.
- A requirement that the child craft an argumentative essay, citing specific textual evidence, that supports or opposes the use of student loan debt to finance postsecondary education and develops both sides of the question.
- A description of factors that affect take-home pay, including insurance benefits, retirement options, tax withholdings, and other payroll deductions. As part of this instruction, the child would have to analyze how to complete a 1040 tax return and W-4 withholding allowance form and review a W-2 wage and tax statement.
- Instructions on the use of such money management tools as online and paper budgeting tools and cost-of-living calculators. As part of this instruction, the child would have to create a personal balance sheet, determine assets and liabilities, and calculate net worth for an identified career.
- The creation of a monthly personal budget that reflects hypothetical household living expenses, taxes, potential savings, and an emergency fund, using research from local sources such as newspapers, chambers of commerce, local governments, and company websites.
- Development by the child of a savings and spending plan for a week. As part of this instruction, the child would have to compare the plan to their actual spending for the week.
- Instruction on the availability and reliability of consumer protection laws, agencies, and resources that assist consumers in making buying decisions, including, as appropriate, national, state, and local resources.
- Information on a variety of financial institutions, including digital financial services and how to reconcile an account, write a check, and verify account accuracy. As part of this instruction, the child would have to compare and

contrast services and products, including at least checking accounts, savings accounts, and certificates of deposit.

- An evaluation of the various sources and types of consumer credit, including student loans, auto loans, store credit cards, flex loans, consumer installment loans, title loans, and payday loans, and instructions on the impact that taking on debt early in life will have on financial stability later in life.
- An overview of credit reporting agencies, including Equifax, Experion, TransAmerica, and federal organizations, that describes credit reports and credit scores. The overview would have to do all of the following:
  - Describe the relationship between consumers, credit reports, and credit scores and discuss the importance of this relationship using specific textual evidence from research.
  - Analyze a simple credit report and interpret how the contents could affect the credit score.
  - Explain how a credit score could impact borrowing opportunities and the cost of credit.
  - Summarize specific activities used to maintain a good credit score.
- A comparison of the various types of credit, including all of the following:
  - A calculation of the real cost of borrowing.
  - An explanation of the factors that can affect the approval process associated with each type of credit.
  - Identification of the information and procedures typically required as part of the application process.
- An analysis of factors associated with the purchase of an automobile, including all of the following:
  - A definition and understanding of factors most often included in negotiations, such as cash payment compared to financing and the inclusion of a trade-in.
  - An evaluation of costs and benefits of different service contracts and warranty options.
  - A comparison of available financing options and the amount of the down payment.
  - A discussion of the differences between owning and leasing a car, including down payment, terms, and contracts.
- An analysis of the benefits and costs associated with various types of insurance, including health, life, property, and automobile insurance, and a description of the risks associated with the lack of appropriate coverage in specific situations. The analysis would also have to discuss the role of insurance in personal financial planning to preserve and build wealth with financial stability and security.
- An assessment of various types of identity theft situations and scams and of strategies and plans to safeguard against identity theft and a discussion of steps that should be taken by a victim of identity theft to report the incident and reestablish their identity.
- An explanation of how savings and investing contribute to financial well-being, building wealth, and helping to meet personal financial goals. This instruction would have to compare saving and investment strategies, including savings accounts, certificates of deposit, stocks, bonds, mutual funds, employer-sponsored savings plans, physical assets, and commodities.

DHHS would have to immediately notify the child through the child's attorney and the appropriate contact at the supervising child placing agency of any of the following:

- An application for benefits made on the child's behalf or any application to become representative payee for those benefits on the child's behalf.
- A decision or communication from the state or the federal government regarding an application for benefits.
- An appeal or other action requested by DHHS regarding an application for benefits.

If DHHS serves as the representative payee or otherwise receives benefits on the child's behalf, DHHS would have to provide notice of the following to the child through the child's attorney and to the appropriate contact at the supervising child placement agency before each juvenile court hearing regarding the child:

- The date and the amount of benefit funds received since any previous notification to the child's attorney.
- Information regarding all of the child's assets and resources, including, insurance, cash assets, trust accounts, earnings, and other resources.

All payments from benefits received under the bill would be the property of the child in foster care. Upon termination of DHHS's responsibility for the child in foster care as described above, DHHS would have to release any funds remaining to the child's credit under the requirements of the funding source or, in the absence of any requirements, as follows:

- To the child, if the child is at least 18 years of age or is emancipated.
- To the person responsible for the child in foster care if the child is under 18 years of age and is not emancipated.

The bill would not affect any additional notice required by a state court.

Proposed MCL 722.968e

FISCAL IMPACT:

House Bill 4750 would increase state expenditures to the Department of Health and Human Services by up to $3.5 million GF/GP and would have no significant fiscal impact on local units of government. Under the provisions of the bill, the department would not be able to use the entirety of that revenue on the cost of a child's care but instead would need to redirect a portion of these revenues to be saved, based on the age of the child, starting at age 14 and ending at age 20. The minimum percentage that the department is required to save for a youth in foster care ranges from 40% to 100% unless a child has special needs that require more funding to maintain the current level of care. The FY 2025-26 Executive Recommendation includes a $3.5 million GF/GP increase to offset the loss of restricted funding that was made up of foster youth benefits.

Additional increase in state expenditure would be dependent on the administrative cost of providing financial literacy supports that are not already being provided to youth transitioning out of foster care. For FY 2024-25, $8.2 million Gross ($4.1 million GF/GP) has been appropriated to support youth transitioning out of foster care.

POSITIONS:

A representative of the Jackson Interfaith Shelter testified in support of the bill. (8-19-25)

The following entities indicated support for the bill (8-19-25):

- Michigan Association of United Ways
- Michigan Federation for Children and Families
- Michigan Poverty Law Program (support "in concept")

The Children's Law Section of the State Bar of Michigan indicated opposition to the bill as written (with support for the concept). (8-26-25)

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