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BILL ANALYSIS

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Senate Bill 18 (as enacted) **PUBLIC ACT 52 of 2026**
House Bill 4750 (as enacted) **PUBLIC ACT 51 of 2026**
Sponsor: Senator Jeff Irwin (S.B. 18)
Representative Kathy Schmalz (H.B. 4750)
Senate Committee: Housing and Human Services (H.B. 4750 discharged)
House Committee: Families and Veterans (S.B. 18 discharged)

Date Completed: 7-31-26

RATIONALE

According to testimony before the Senate Committee on Housing and Human Services, approximately 600 children enter the foster system each year with State and Federal benefits, assets, or income. This may include disability benefits, Social Security benefits from a deceased parent, or veteran benefits from a deceased parent. The Department of Health and Human Services (DHHS) seized these funds to defray the cost of that child's care. In 2023, this amounted to $3.2 million in confiscated funds.[1] Testimony also indicates that children in foster care often struggle financially after leaving the system. Foster children may lack guidance during times of financial insecurity and financial knowledge and may have missed milestones, like the opening of a bank account or credit card.[2] Such obstacles may lead to poor outcomes. According to the Kids Count Data Center, 33% of former foster children aged 21 had reported experiencing homelessness in the past two years.[3] The National Foster Youth Institute reports that only 50% of former foster children find gainful employment by the age of 24.[4] Foster children who age out of the system also have a lower chance of obtaining a college degree than children who were not placed in the system.[5] Some contend that allowing children to retain assets would reduce these negative outcomes. As such, it was suggested that the DHHS's practice be discontinued to allow a child in foster care with State or Federal benefits, assets, or income, to retain those funds for the child's immediate and future use.

CONTENT

House Bill 4750 amends the Foster Care and Adoption Services Act to do the following:

-- Require the DHHS to screen a child for potential eligibility for benefits within 60 days after a child enters foster care and annually thereafter.[6]

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[1] House Fiscal Agency, Introduced Summary of House Bill 4694, 11-9-23. Available on the Michigan Legislature website: https://www.legislature.mi.gov/.

[2] Weybright, Scott, "Study finds foster youth lack critical financial skills", *Washington State University Insider*, March 24, 2021.

[3] "Youth transitioning out of foster care: Experienced homelessness in the past two years in Michigan", Kids Count Data Center, the Annie E. Casey Foundation. Retrieved 6-13-25. https://datacenter.aecf.org/data/tables/10857-youth-transitioning-out-of-foster-care-experienced-homelessness-in-the-past-two-years?loc=1&loct=2#detailed/2/24/true/1698,1697/6259/21108.

[4] "51 Useful Aging Out of Foster Care Statistics", National Foster Youth Institute. Retrieved on 6-11-25. https://nfyi.org/51-useful-aging-out-of-foster-care-statistics-social-race-media/.

[5] *Id.*

[6] These benefits include Federal Supplemental Security Income, Social Security benefits, State Supplemental Security Income, United States Department of Veterans Affairs benefits, and other applicable benefits for which the child is eligible.

-- Require the DHHS to identify a representative payee or fiduciary for a child in foster care to apply for benefits and apply to become the representative payee if no suitable candidate is available.
-- Prohibit the DHHS from using benefits to reimburse the State for the cost of a child's foster care.
-- Require at least 50% of a child in foster care's benefits to be conserved or used for specified purposes between the child's age of 14 years old and 17 years old.
-- Require the DHHS to monitor Federal asset or resource limits for the benefits and ensure the best interests of the child in foster care are being served.
-- Require the DHHS to provide an annual accounting to the child in foster care and the child's contact at the supervising child placement agency of how the resources and benefits have been used or conserved.
-- Require the DHHS to provide specific financial training to the child in foster care.
-- Require the DHHS to make monthly payments from a child's benefits to the child, using an established process for reviewing and approving allowable expenses.
-- If another person serves as the representative payee for a child, require the DHHS to keep track of the activities of the payee, provide guidance, and require the payee to provide an annual accounting report to the DHHS and to the child in foster care.

Senate Bill 18 amends the Foster Care and Adoption Services Act to do the following:

-- Require the DHHS to notify a child in foster care through the child's guardian ad litem and the appropriate contact at the supervising child placement agency of any application, communication, and appeal or other actions regarding a child's benefits.
-- **Require the DHHS, if serving as the representative payee or receiving benefits on behalf of the child, to provide notice of the most up to date information regarding the child's assets prior to each permanency planning hearing.**
-- Require the DHHS to release funds remaining to the child's credit to the child, the person responsible for the child, or the heirs of the child, upon certain life events.

The bills will take effect October 1, 2026.

House Bill 4750

"Benefits" means Federal Supplemental Security Income, Social Security benefits, State Supplemental Security Income, and United States Department of Veterans Affairs benefits, and other applicable benefits identified by the DHHS if the child in foster care is eligible.

The DHHS screens a child in foster care within 60 days of the child entering foster care, and annually thereafter, for potential eligibility for benefits and applies for benefits for which a child may be eligible and is not already receiving. When applying for these benefits, the DHHS cooperates with a child in foster care's guardian ad litem to identify a representative payee or fiduciary. The DHHS applies to become the representative payee only if no other suitable candidate is available to be a representative payee.

Under the bill, consistent with Federal law, when the DHHS serves as the representative payee or in any other fiduciary capacity for a child in foster care receiving benefits, the DHHS must do the following:

-- Use or conserve the benefits in the child's best interests, including using the benefits as authorized for special needs services not otherwise provided by the DHHS or conserving

the benefits for the child's reasonably foreseeable future needs; the DHSS may not use any of the child's benefits to reimburse the State for the cost of care.

-- Ensure that when the child in foster care is between the ages of 14 and 17, and until the DHHS no longer serves as the representative payee or fiduciary, at least 50% of the benefits of the child is conserved.
-- For the benefits or resources of the child in foster care that are described below or not subject to any Federal asset or resource limit, exercise discretion in accordance with Federal law and in the best interests of the child in foster care to conserve that funds or use the funds for services for special needs not otherwise provided by the DHHS, including choosing one or more of the asset management options below.
-- Provide an annual accounting to the child in foster care, the appropriate contact at the supervising child placement agency, and the child in foster care's guardian at litem of how the resources of the child in foster care, including benefits, have been used or conserved in accordance with the bills.
-- If appropriate, as determined by the DHHS, provide the child with financial literacy training when the child in foster care has attained the age of 14 years through the teaching of personal financial management skills and the basic principles involved with earning, spending, saving, borrowing, and investing; training must include an exploration and evaluation of the options for financing postsecondary education, including an evaluation of the Free Application for Federal Student Aid (FAFSA) requirements to apply for postsecondary financial aid, identification of strategies for reducing the overall cost of postsecondary education, and the impact of scholarships, grants, work study, and other forms of assistance and the application process for each.
-- Make monthly payments from the benefits of the child to the child in foster care for allowable expenses; the DHHS must establish a process for reviewing and approving all allowable expenses requested by the child in foster care and approve the payment of allowable expenses requested by the child in foster care unless the DHHS determines that the expenses are not in the best interests of the child.

Under the bill, "allowable expenses" means expenses incurred or needed by the child in foster care that are related to the following:

-- Education.
-- Medicaid or health insurance co-pays or deductibles or out-of-pocket expenses for medical treatment received by the child in foster care.
-- Job training.
-- Transportation.
-- Immediate living expenses.

The DHHS must appropriately monitor any Federal asset or resource limits for the benefits and ensure that the best interests of the child foster care are served by using or conserving the benefits in a way that avoids violating any Federal asset or resource limits that would affect the eligibility of the child in foster care to receive the benefits, including the following:

-- Applying to the Social Security Administration to establish a plan for achieving self-support account for the child in foster care under the Social Security Act and determining whether it is in the best interests of the child to conserve all or part of the benefits in the self-support account.
-- Establishing a plan under the Internal Revenue Code for the child in foster care and conserving the benefits of the child in that account in a manner that appropriately avoids any Federal asset or resource limits.
-- Establishing an individual development account for the child in foster care and conserving the benefits of the child 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 benefits of the child in the trust in a manner that is consistent with Federal requirements for special needs trusts and that appropriately avoids any Federal asset or resource limits.
-- If the DHHS determines that using the benefits for services for current special needs not already provided by the DHHS is in the child's best interests, using the benefits for those services.
-- Applying any other exclusions from Federal asset or resource limits available under Federal law and using or conserving the benefits of the child in foster care in a manner that appropriately avoids and Federal asset or resource limit.

The bill requires the DHHS to do the following if another person serves as the representative payee for a child in foster care:

-- Keep track of the activities of the representative payee.
-- Provide guidance, as needed, for the representative payee.
-- Require the representative payee to provide an annual accounting report to the DHHS and the child in foster care.

Senate Bill 18

Under the bill, the DHHS must immediately notify a child in foster care, through the child's guardian ad litem if one has been appointed, of any of the following:

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

If the DHHS serves as the representative payee or otherwise receives benefits on behalf of a child in foster care, the DHHS must provide notice to the child, through the child's guardian ad litem if one has been appointed, and appropriate contact at the supervising child placement agency of the following before each permanency planning hearing regarding the child:

-- The date and the amount of benefit funds received on the child's behalf since any previous notification to the child's guardian ad litem, if one has been appointed, and the date of each receipt.
-- Information regarding all of the child's assets and resources, including the child's benefits, insurance, cash assets, trust accounts, earnings, and other resources.

The bill specifies that all payments from benefits are the property of the child in foster care. Notwithstanding any provision of law to the contrary, on termination of the responsibility of DHHS for the child in foster care, the DHHS must release any funds remaining to the child's credit under the requirements of the funding source or, in the absence of any requirements, release the remaining funds 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.
-- To the heirs of the child in foster care, if the child dies.

Finally, the bill specifies that it and House Bill 4750 do not affect any additional notice requirements by a court of the State.

MCL 722.958f (H.B. 4750)
MCL 722.958g (S.B. 18)

PREVIOUS LEGISLATION
(This section does not provide a comprehensive account of previous legislative efforts on this subject matter.)

Senate Bill 18 is a reintroduction of Senate Bill 872 of the 2023-2024 Legislative Session. Senate Bill 872 passed the Senate and was reported from the House Committee on Families, Children, and Seniors but received no further action. House Bill 4750 is similar to House Bill 4694 from the 2023-2024 Legislative Session.

ARGUMENTS
(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument
Allowing foster youth to retain their own assets will improve foster youth outcomes. Testimony before the Senate Committee on Housing and Human Services indicates that funding seized by the State could instead be used to launch former foster children into successful adult lives. Retirement, veteran, and disability benefits paid to a child could pay a downpayment on a car used to travel to interviews, to make a deposit on college tuition, and more. A child still in the foster system could use the child's assets to pay for medical expenses not covered by health insurance. Additionally, a child who is placed in foster care because of a family unable to afford that child's needs could return to the child's family of origin with additional revenue, stabilizing the household. Allowing foster youth to retain benefits also could help those with a disabling impairment transition to adulthood. Testimony further indicates that the standards for disability certification for children (under 18) and adults (18 or older) differ. As a result, young adults must certify their disability at age 18. Young adults with previous certification experience may find the transition easier, as past medical or benefit records and more can be used to certify their disabling impairment. Under the current system, children may not have access to these records because the DHHS applies for and receives benefits on their behalf, often without notification. Allowing foster youth to retain their assets also gives them medical and benefit records that will be used to access adult disability benefits. Overall, foster youth and former foster youth, regardless of impairment, will benefit from the retention of assets.

Supporting Argument
Foster children should not be obligated to pay for their own care. Testimony before the Senate Committee on Housing and Human Services during the 2023-2024 Legislative Session indicated that foster children receive the same level of care, whether they enter the system with assets. Despite this, the DHHS seizes foster youths' assets to pay for that care, while providing it to other foster children free of charge. This is not fair to foster youth. When the State assumes responsibility of a child, the State should pay for that child's care. All foster youths should have access to free, quality care, regardless of their portfolios.

Additionally, the DHHS' practice is unethical. Individuals pay into retirement systems, through pay contributions or service, to ensure that their dependents are taken care of upon retirement, disability, or death. In fact, testimony before the Senate Committee on Housing and Human Services indicates that the Social Security Administration recommends that a child's relative or guardian serve as that child's benefit payee, which are standards that the DHHS does not fit. Even the DHHS recognizes that it is the improper recipient of benefits, pledging to end this practice, according to testimony submitted to the Senate Committee on Housing and Human Services. The funds seized by the DHHS belong to Michigan workers and their dependents. The bills ensure the funds are paid to the rightful recipients.

Lastly, the bills create a more sustainable funding structure for the State's foster care system. Most of the assets and benefits seized by the State to pay for foster youths' care result from Federal programs and initiatives. If the Federal government rolled back these programs or initiatives, the DHHS would face a shortfall in foster care funding. By returning funds to foster youth, the bills require the DHHS to seek different, potentially more stable, sources of funding. Overall, the bills return fairness to the foster care system.

Supporting Argument

The bills will ultimately result in cost savings for the State. Upon aging out of the foster care system, many foster children struggle to make ends meet. They may rely on public assistance programs, such as temporary food assistance, temporary heat and utility assistance, or Medicaid. They also may end up incarcerated. According to the Kids Count Data Center, 25% of former foster children aged 21 reported that they had been incarcerated in the past two years.[7] In Michigan, the annual per-person cost of imprisonment ranges from $34,000 to $48,000 depending on security level.[8] The bills will reduce the number of former foster children incarcerated and the costs associated with them. By allowing foster youths to retain assets, the State will see a reduction in public assistance claims and potentially imprisonments and an increase in associated savings to offset the loss of DHHS revenue.

Legislative Analyst: Jessica Gebbie

FISCAL IMPACT

The bills will have a negative fiscal impact on the State and local governments. They will prevent the DHHS from collecting Federal benefits, unqualified benefits, assets, or income of foster care youth and using the funds to offset the costs of their care.

The bills will amount to lost revenue of between approximately $3.5 and $3.8 million that will have to be replaced by General Fund/General Purpose in fiscal year 2026-27 and adjusted accordingly in future appropriations.

Additionally, the DHHS may incur additional administrative costs if the existing financial education curriculum for youth aging out of the foster care system needs to be expanded to cover all the areas of financial education as outlined in the bills.

Fiscal Analyst: Jaymie Tibbits

[7] "Youth transitioning out of foster care: Incarcerated in the past two years in Michigan", Kids Count Data Center, the Annie E. Casey Foundation. Retrieved 6-13-25. https://datacenter.aecf.org/data/tables/10865-youth-transitioning-out-of-foster-care-incarcerated-in-the-past-two-years?loc=1&loct=2#detailed/2/24/true/1698,1697/6259/21124.

[8] "A Second Look at Long-Term Imprisonment in Michigan", *The Sentencing Project*, February 23, 2023.

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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.