



Walking a Tightrope Without a Net

Help Eludes Many Victims of the Current Recession

These are difficult times for Michigan. Our state's unemployment rate has led the nation for much of the past several years, having gone from 3.1 percent in October 2000 to 10.6 percent in December 2008.¹ (Fig 1.) There have been massive job losses in a number of sectors, particularly in manufacturing, resulting in many workers either becoming unemployed or having to take jobs that pay far less than what their families need. Four out of the six highest-paying jobs in Michigan pay wages that will not lift a family of four out of poverty.²

Taken together, these difficult economic conditions have had devastating consequences. Ten percent of all families in Michigan and nearly one out of every five children were in poverty in 2007, and many other families were in an economically precarious position.³ (Fig. 2) Many struggling families cannot afford rent

or health insurance. There has also been a sharp increase in home foreclosures in the state during the past several years. In the first quarter of 2008, one out of every 153 households in Michigan filed for foreclosure. In the Detroit metro area, this rate was one out of every 68 households.⁴



¹ U.S. Department of Labor Bureau of Labor Statistics

² See Michigan League for Human Services, *Labor Day Report: Economic Challenges Underscore Needs of Low-Income Workers*, October 2008

³ U.S. Census Bureau American Community Survey

⁴ RealtyTrac, *U.S. Foreclosure Market Statistics by State - Q1 2008* (www.RealtyTrac.com)

In the face of such hardship, government has a responsibility to provide a safety net for its most vulnerable citizens, and to make sure the safety net remains strong through periodic adjustments and necessary policy modifications. In Michigan, however, years of inaction, half-hearted adjustments and misguided policy changes

have left holes in the net through which an increasing number of families is falling. The last time unemployment was in the double digits, for example, the state was helping three times as many families with cash assistance as it is today. Many families in poverty are prohibited from receiving any cash assistance at all, because the program allows only the poorest of the poor (those 44% or more below the poverty line in 2007) to be eligible. Those who do qualify are able to

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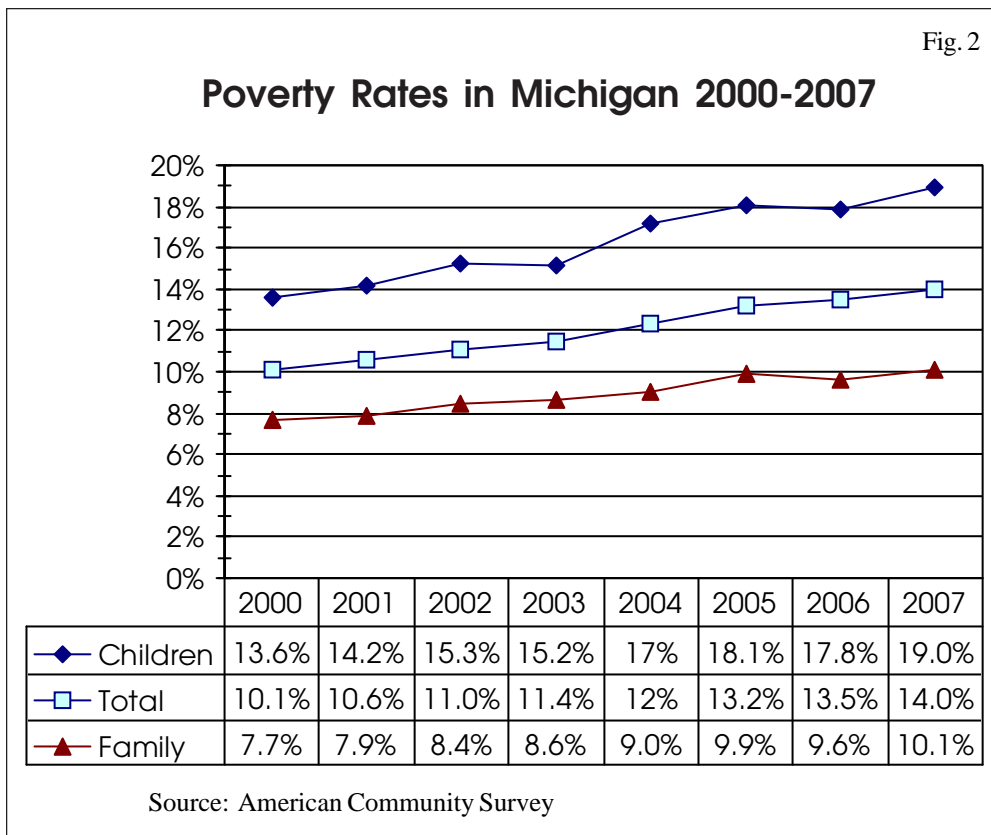
buy far fewer of their necessities with their monthly grant due to inflation and the low benefit amount.

This paper examines several programs serving poor and low-income residents of Michigan. It shows how, despite Michigan's dire economic situation and the increase in family need, inflation combined with government inaction and poor policy decisions have weakened the safety net. With the infusion of federal stimulus funds, however, Michigan has the opportunity to better meet the needs of struggling families and individuals.

The Family Independence Program

The Family Independence Program (FIP) is the ongoing cash assistance (welfare) program in Michigan for low-income families who need help in meeting their basic needs. Funded through the federal Temporary Assistance for Needy Families (TANF) block grant, it replaced the Aid to Families with Dependent Children (AFDC) program in 1997 as the safety net to help

families who are experiencing economic hardship due to unemployment or unexpected life circumstances. The process of receiving FIP assistance involves two state agencies: families in need file their applications with the Michigan Department of Human Services (DHS), and are then referred to the local Michigan Works! agencies for work readiness screening and job search. Based on the idea that work is the means to overcoming economic hardship, FIP requires recipients to work up to 40 hours per week (as



determined by their caseworker) in paid employment, and provides work supports such as child care to help facilitate this.⁵

The Jobs, Education and Training (JET) program replaced Work First in 2006 as the program through which cash assistance recipients meet their work requirements. This change was seen as signaling an end, at least in name, to the longstanding emphasis on job placement over skill building, and as a recognition that a low-wage job alone will not enable a worker without skills to become self-sufficient. Michigan is currently looking at ways to improve access to skills training by such adults.

How Income Eligibility and the Cash Assistance Basic Grant are Determined

The Department of Human Services has established a payment standard for families that receive FIP assistance. (Fig. 3) The payment standard serves two functions:

- 1) It is the basis for determining whether a family is eligible for FIP. If a family has earnings from employment, they may or may not be eligible depending on their income. A portion of the earnings is disregarded; the *earned income disregard* is \$200 plus 20 percent of the remainder of earnings. The amount of earnings left is deducted from the payment standard; if there is no amount remaining, that family is not eligible for FIP. The payment standard combined with the earned income disregard establishes a *maximum eligible income*, which in 2008 was \$814 for a family of three. A family cannot have a combined total of earnings and FIP grant that exceeds this amount.
- 2) It is the basis for the grant amount that a family receives as a monthly assistance payment. If a family has no earned income, it receives the full amount. If the family has earnings, the amount remaining after application of the earned income disregard is what the family will receive as a monthly cash assistance benefit.

FIP Payment Standard in 2008 Effective 10/1/2008 (Employable Adult Living Arrangement)

<u>Group Size</u>	<u>Amount</u>
1	\$306
2	403
3	492
4	597
5	694
6	828
7	905
8+	Add \$80 for each additional person

Source: Michigan Department of Human Services

The payment standard was determined by county of residence until 2006. During that year, the Legislature voted to merge all counties into one payment standard (\$489 for a family of three), resulting in a raise for most, but not all, counties. The payment standard was raised again by \$3 per month in 2008, to \$492 a maximum grant of for a family of three. (In this paper, all payment standard figures prior to 2006 are represented by the Wayne County payment standard, which was \$459 per month for a family of three.)

Because the monthly welfare benefit is not decreased dollar for dollar as earnings increase, the earned income disregard is an effective work incentive. The current disregard formula has been in place for many years. A more generous disregard (\$200 plus 50% of the remainder) was included in the state's JET plan but was never implemented due to budget constraints.

The Erosion of the Cash Assistance Benefit and Eligibility Level

In 1993, when Michigan's first phase of welfare reform took place, the payment standard was set at \$459 for a family of three in Wayne County (the

⁵This work requirement exceeds the federal minimum, which is 20 hours for a parent with children under 6 years of age, 30 hours for a parent whose children are all at least 6 years of age, 35 hours for a two-parent family not receiving federally funded child care, and 55 hours for a two-parent family who is receiving federally funded child care.

amount in place since 1990 under AFDC).⁶ This amount continued to be the payment standard until 2006, as there was no adjustment for inflation implemented during that time. As a result, with each passing year a family in economic hardship was able to purchase less with its monthly assistance check than a family in similar circumstances the year before. Moreover, because the payment standard determines eligibility, families had to be in deeper hardship year to year to even qualify for cash assistance. When Michigan finally took action in 2006 to modify the

payment standard, the result was “a day late and a dollar short”—most recipients’ benefits increased by no more than \$30 per month (depending on county of residence) and a very large number of recipients did not get an increase at all. 2008 saw a slight raise of \$3 per month for a family of three, bringing the payment standard to \$492 per month.

The result of the years of inaction, followed by two inadequate adjustments, is that cash assistance recipients can purchase much less than they could

Fig. 4

The Failure of Michigan’s Cash Assistance Program to Keep Up with Inflation (Family of Three)								
Year	Maximum Cash Assistance Monthly Grant			Income Eligibility Level (Combined Grant and Earnings)				
	Actual Amount	Amount in 1993 Dollars ¹	Amount if adjusted for inflation each year since 1993 ¹	Actual Amount	Amount in 1993 Dollars ¹	Amount if adjusted for inflation each year since 1993 ¹	Current Year Percent of 1993 Dollars	Reduction of Purchasing Power Since 1993
1993	\$459	\$459	**	\$774	\$774	**	**	**
1994	\$459	\$448	\$471	\$774	\$755	\$794	98%	2%
1995	\$459	\$435	\$484	\$774	\$734	\$816	95%	5%
1996	\$459	\$423	\$498	\$774	\$713	\$840	92%	8%
1997	\$459	\$413	\$510	\$774	\$697	\$860	90%	10%
1998	\$459	\$407	\$518	\$774	\$686	\$873	89%	11%
1999	\$459	\$398	\$529	\$774	\$671	\$892	87%	13%
2000	\$459	\$385	\$547	\$774	\$649	\$922	84%	16%
2001	\$459	\$375	\$563	\$774	\$632	\$949	82%	18%
2002	\$459	\$369	\$571	\$774	\$622	\$964	80%	20%
2003	\$459	\$360	\$584	\$774	\$608	\$986	79%	21%
2004	\$459	\$351	\$600	\$774	\$592	\$1,012	76%	24%
2005	\$459	\$340	\$620	\$774	\$573	\$1,046	74%	26%
2006	\$489	\$351	\$640	\$810	\$581	\$1,080	75%	25%
2007	\$489	\$341	\$659	\$810	\$565	\$1,111	73%	27%
2008	\$492	\$341	\$670	\$814	\$554	\$1,138	72%	28%

¹ Values obtained through the Bureau of Labor Statistics’ CPI Inflation Calculator
Prepared by the Michigan League for Human Services

⁶ Under FIP, the payment standards varied by county. Each of Michigan’s 83 counties fell into one of six “shelter areas”; Wayne County was in Shelter Area IV, and because it is the county with the highest cash assistance caseload, its payment standard was the one generally used in FIP-related discussions and documents.

several years ago. In 1993, a single mother with two children would lose her benefits if she had earned income higher than \$774 per month, but in 2008 that amount is equal to only \$554 per month in 1993 dollars (a 28% loss in purchasing power). Had the payment standard kept up with inflation, a similar family would be eligible for some level of cash assistance until the mother's earnings reached \$1,138 per month, and if the family had no earned income it would receive a benefit of \$670, not \$492, per month. (Fig. 4)

Perhaps the erosion of the FIP grant is most stark when viewed in the context of housing costs. While in the 1980s the monthly AFDC grant for a single parent with two children equaled 110 percent of the Fair Market Rent for a two-bedroom dwelling in Wayne County (allowing the parent to pay her rent out of her monthly benefit check and have money leftover

for other needs), the grant amount for a similar family in 2008 covers only 61 percent of rent costs. (Fig. 5) Parents with extremely low earnings, or none at all, are unlikely to be able to find the money for the remainder of the rent and may need to put off paying other expenses in order to do so. Conversely, had the FIP grant been adjusted for inflation each year, the \$670 monthly benefit would cover 83 percent of the rental costs.

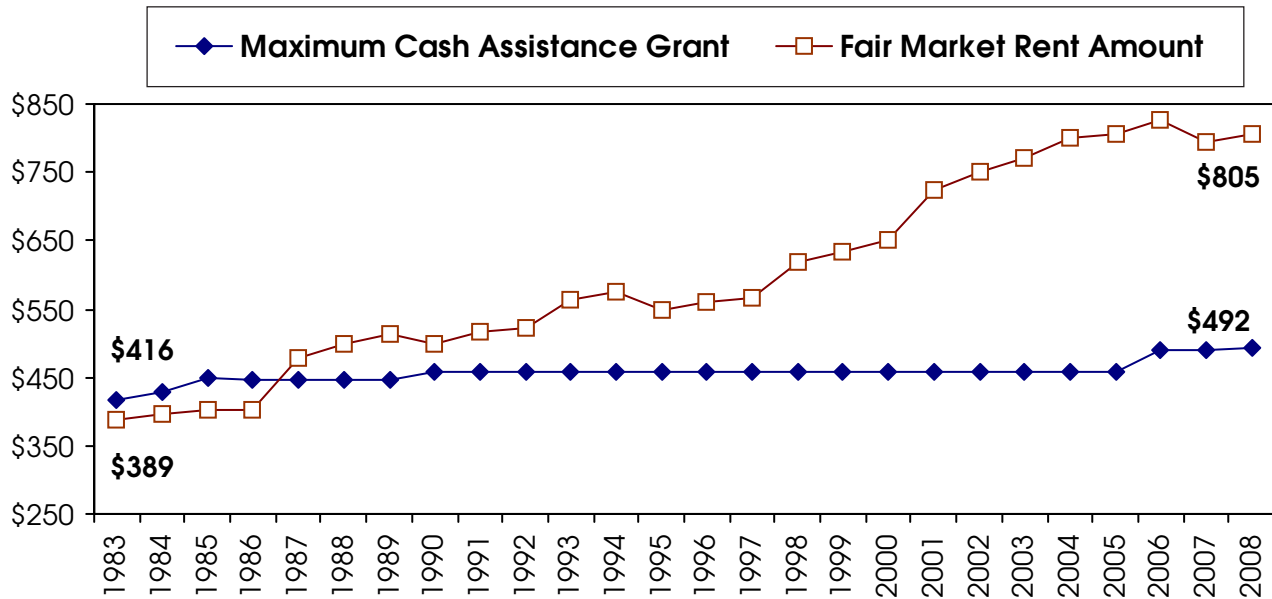
As more families fall below the maximum eligible income, earning too much to be eligible for FIP assistance yet not enough to meet their basic needs, FIP becomes less accessible each year. Many families whose income would have qualified them for

FIP assistance in 1993 are being denied such assistance now. Moreover, it cannot be assumed that employment providing an income that is barely over the eligibility limit will continue. The earnings of

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Fig. 5

Maximum 3 Person Cash Assistance Grant Compared to the Fair Market Rent of a Two Bedroom Dwelling in Wayne County



Sources: U.S. Department of Housing and Urban Development; Michigan Department of Human Services
Prepared by Michigan League for Human Services

Fig. 6

The FIP Grant, Eligibility Level, and Poverty Threshold (Family of Three)				
Year	Poverty Threshold (Monthly)	FIP Grant as % of Poverty Threshold	ELIGIBILITY LEVEL	
			as % of Poverty Threshold	as % BELOW Poverty Threshold
1993	\$970	47%	80%	20%
1994	\$995	46%	78%	22%
1995	\$1,023	45%	76%	24%
1996	\$1,053	44%	73%	27%
1997	\$1,078	43%	72%	28%
1998	\$1,094	42%	71%	29%
1999	\$1,119	41%	69%	31%
2000	\$1,156	40%	67%	33%
2001	\$1,189	39%	65%	35%
2002	\$1,208	38%	64%	36%
2003	\$1,235	37%	63%	37%
2004	\$1,268	36%	61%	39%
2005	\$1,311	35%	59%	41%
2006	\$1,354	36%	60%	40%
2007	\$1,392	35%	58%	42%
2008	\$1,446	34%	56%	44%

Sources: MI Department of Human Services; American Community Survey
Prepared by Michigan League for Human Services

percent between 2000 and 2008.⁷ Yet Michigan’s cash assistance program will not allow most poor families to receive a monthly FIP benefit. In other words, a family must be at or near “deep” or “extreme” poverty (defined as 50% below the poverty level) to even qualify for assistance. This is in contrast to 1993, when a family of three did not lose its cash assistance until its earnings were just 20 percent below the poverty level, compared to today’s limit of 44 percent. (Fig. 6)

A related problem is the amount of the monthly benefit for the families that do qualify. A parent who is unable to find a job and whose family depends entirely on cash assistance receives a benefit equal to only 34 percent of the poverty threshold. (By contrast, in 1982, the AFDC grant combined with Food Stamps brought a family without earnings to 85% of the poverty threshold.) The gap between the maximum eligibility level and the poverty threshold will get larger in the absence of a significant

recipients and recent welfare leavers often come from jobs that are vulnerable to economic downturns such as the state is experiencing now, causing employers to make short-term layoffs or to temporarily reduce work hours. Families whose income fluctuates around the eligibility cutoff point often must reapply for assistance or suffer sporadic reductions in their weekly income.

Cash Assistance and Poverty in Michigan

Family poverty is rising at an alarming rate. In 2008, 19 percent of all Michigan children were in poverty, and the number of families in poverty increased by 32

increase in the payment standard. As more workers experience underemployment, more of the working poor will fall into that gap. (Fig. 7)

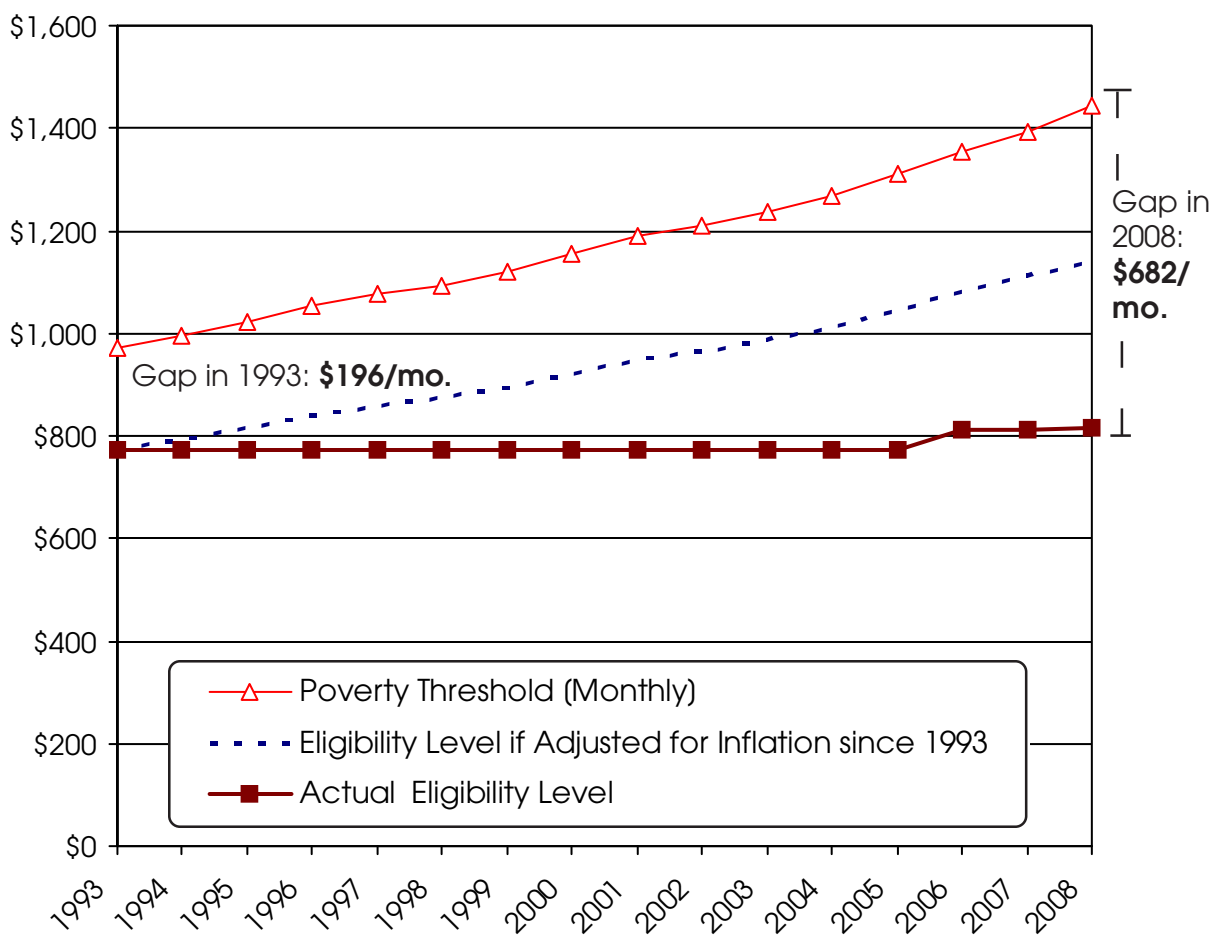
As can be expected, the state’s inaction on FIP has made a large number of poor families ineligible for any cash assistance at all. The U.S. Census Bureau estimates that in 2007, approximately 257,488 Michigan families were in poverty; however, an average of only 82,329 families each month (32% of poor families) received cash assistance that year.⁸ (Fig. 8)

⁷ U.S. Census Bureau, American Community Survey Multi-Year Profiles

⁸ FIP figures used in this paper do not include Extended FIP (E-FIP), which allows families to receive \$10 per month in cash assistance for six months after they become ineligible for FIP due to earnings.

Fig. 7

Gap Between the FIP Eligibility Level and the Poverty Threshold



Sources: Michigan Department of Human Services; American Community Survey
Prepared by Michigan League for Human Services

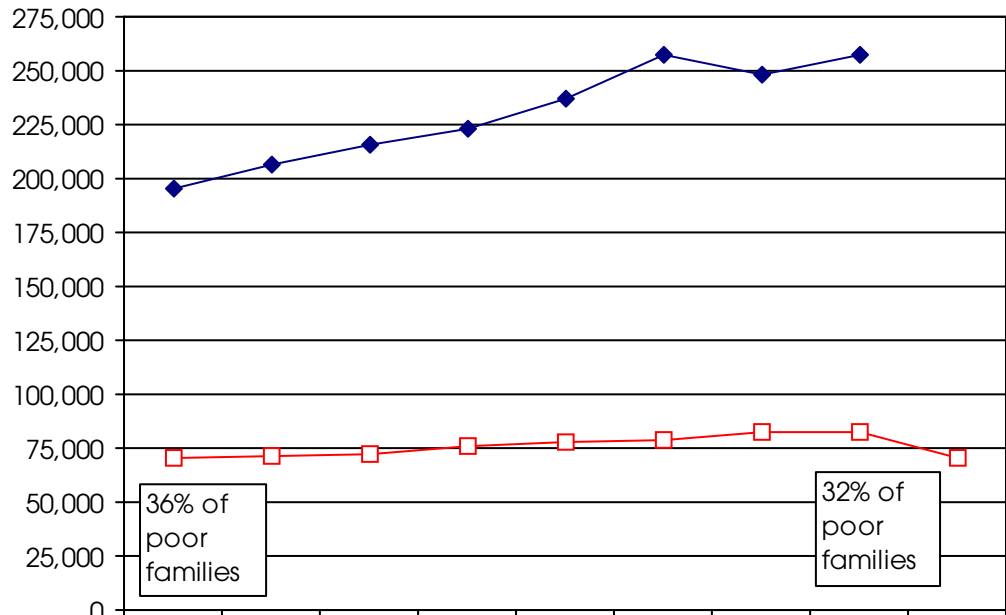
One reason that many of the working poor do not qualify for FIP is that since 1997 full-time workers have been ineligible due to their income exceeding the limit. (Fig. 9) Ironically, while state law requires that FIP recipients work “up to 40 hours per week,” recipients currently lose their benefits if they work in paid employment more than 25 hours a week on a regular basis.

The number of permitted hours is so low because Michigan, to its credit, raised its minimum wage in 2006 to regain lost ground due to the erosion of the

federal minimum wage. Raising the minimum wage that year helped many low-wage workers and was necessary and appropriate. Prior to the increase, a parent of two children working 40 hours at minimum wage was at 32 percent below the poverty threshold, a situation that a large number of Michigan residents found unacceptable. The fact that some families may have been made ineligible for benefits due to the minimum wage increase must be blamed on the inadequate updating of the FIP payment standard, not on the minimum wage increase itself.

Fig. 8

Number of Poor Families Compared with Families Receiving FIP



	2000	2001	2002	2003	2004	2005	2006	2007	2008
◆ Families in Poverty	195,658	206,366	215,758	223,579	236,888	257,314	248,142	257,488	
□ FIP Cases (Calendar Yr Avg)	70,186	71,286	72,461	75,946	78,141	78,352	82,685	82,329	70,738
Avg. Percent of Poor Families Receiving FIP Each Month	36%	35%	34%	34%	33%	30%	33%	32%	

Sources: Michigan Department of Human Services; American Community Survey
 Prepared by Michigan League for Human Services

Fig. 9

Minimum Wage and FIP				Minimum Wage and FIP (cont'd.)			
Year	Minimum Wage (per hour)	Eligible Income for FIP	Hours Allowed to Work at Minimum Wage While Receiving Benefits	Year	Minimum Wage (per hour)	Eligible Income for FIP	Hours Allowed to Work at Minimum Wage While Receiving Benefits
1993	\$4.25	\$774	40	2001	\$5.15	\$774	34.7
1994	\$4.25	\$774	40	2002	\$5.15	\$774	34.7
1995	\$4.25	\$774	40	2003	\$5.15	\$774	34.7
1996	\$4.75	\$774	37.6	2004	\$5.15	\$774	34.7
1997	\$5.15	\$774	34.7	2005	\$5.15	\$774	34.7
1998	\$5.15	\$774	34.7	2006	\$6.95	\$810	26.9
1999	\$5.15	\$774	34.7	2007	\$7.15	\$810	26.1
2000	\$5.15	\$774	34.7	2008	\$7.40	\$814	25.4

Prepared by Michigan League for Human Services

Despite the increase, however, a full-time job at minimum wage will not bring a family with children out of poverty. (Fig. 10) Families who remain poor despite working full time should not be ineligible for some cash assistance to help them meet their daily needs and secure economic stability. Updating the minimum wage was an important step; Michigan now has a moral obligation to update its FIP eligibility scale so that working poor families do not lose all of their cash assistance when working just over 25 hours.

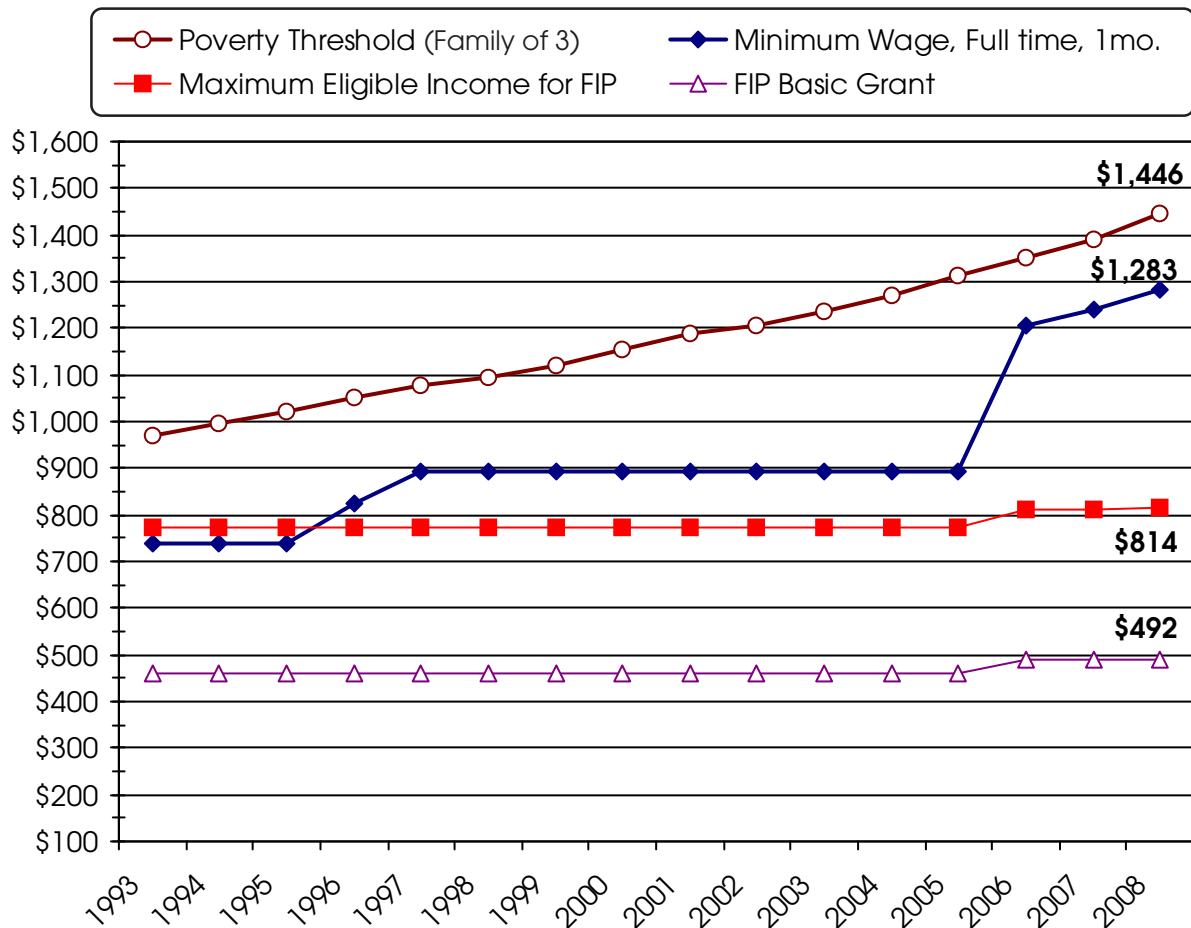
Comparison with Other States

Michigan’s eligibility level for cash assistance, in addition to being far below the federal poverty level, is

far lower than that of most other Midwestern states. (Fig. 11) Nearly all other Midwestern states have a maximum eligibility level that increases after the first month of cash assistance, as an incentive to work. While Michigan’s level for initial eligibility is at the median among the seven Midwestern states, its ceiling for ongoing eligibility is lower than five others (all with maximum levels of more than \$1,000). In fact, Michigan’s ongoing maximum is the twelfth-lowest in the country, despite the fact that its cost of living is higher than that of many other states. Moreover, Michigan’s limit of allowed minimum wage hours is well below the other Midwestern states.

Fig. 10

The FIP Grant in Relation to Michigan's Minimum Wage



Prepared by Michigan League for Human Services

**Comparison of Michigan's Cash Assistance Income Eligibility Level
with that of Other Midwestern States**
(Family of Three)¹

State	Allowable Monthly Income for Initial Eligibility		State	Allowable Monthly Income for Ongoing Eligibility		Maximum Allowable Hours at Minimum Wage
	Amount	Increased Since 2003?		Amount	Increased Since 2003?	
Minnesota	\$1,087	6%	Minnesota	\$1,583	6%	40.0
Iowa	\$1,061	no	Illinois	\$1,185	no	35.3
Ohio	\$980	no	Indiana	\$1,151	no	40.0
Michigan	\$814	5%	Ohio	\$1,067	7%	33.7
Illinois	\$486	no	Iowa	\$1,064	no	33.9
Indiana	\$378	no	Michigan	\$814	5%	25.4

Note: Wisconsin is not included because eligibility is determined on a case-by-case basis by number of hours worked and level of income.
¹Except for Michigan, all state information is from 2007.
Source: The Urban Institute, Welfare Rules Databook: State TANF Policies as of July 2007

The Recent Drop in the FIP Caseload

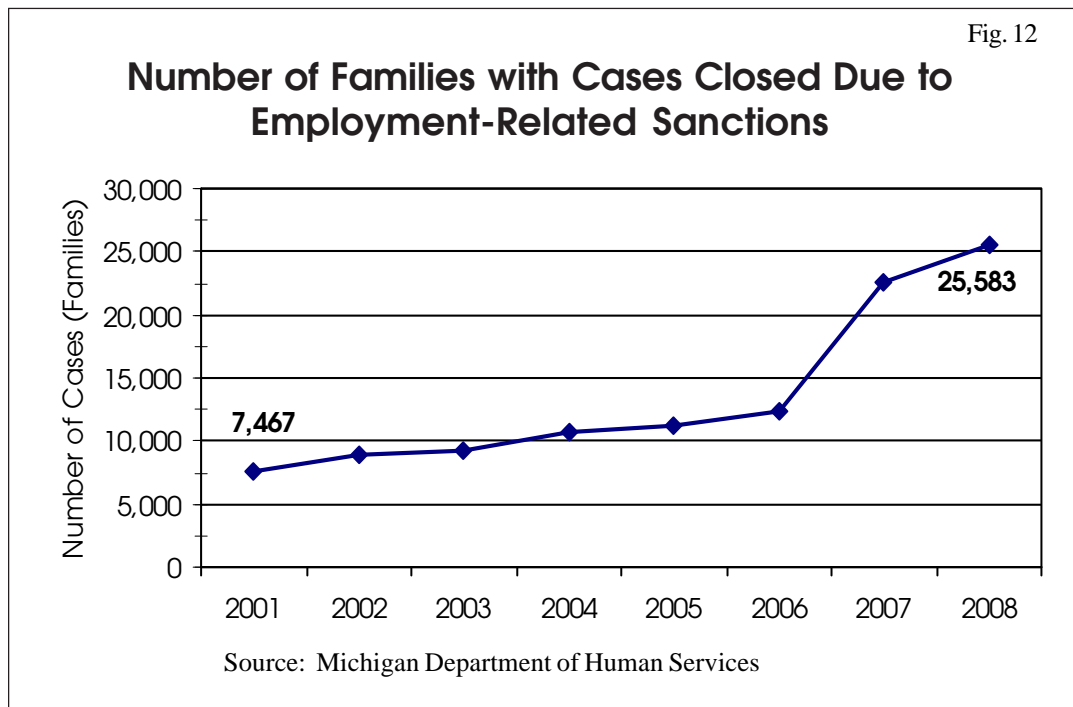
While in 2007 there was a monthly average of 85,389 FIP cases, that number dropped sharply to 72,568 cases in 2008. Trends in unemployment and poverty suggest an increase rather than a drop in family need. It is likely, then, that in addition to the overall erosion of the payment standard that has required families to be increasingly poor in order to qualify, three recent changes in FIP policies and administrative practice have contributed to the sudden decline.

First, in 2007, the Department of Human Services implemented a policy change that requires FIP applicants to go to their local Michigan Works! Agency for work readiness screening and job search before their cases can be opened. Prior to this change, applicants' cases were opened by the department before they went to the one-stop center, and the change may be posing a barrier to some applicants who are not work ready or who have difficulty making an increased number of trips in order to apply for assistance (due to child care, transportation difficulties, etc.).

A second policy change that has likely affected FIP caseloads is the new federal "citizen documentation" requirement for Medicaid, under which applicants must prove their citizenship by providing a passport or birth certificate, along with a driver's license or other state ID, before receiving assistance. Although this is not a federal requirement for cash assistance, the Department of Human Services has begun requiring FIP applicants to provide similar documentation as a prerequisite to opening their cases. This has certainly posed difficulty for a large number of applicants. At a cost of more than \$100, a passport is unlikely to be possessed by a parent poor enough to qualify for FIP, and a birth certificate is often difficult and costly to obtain. This new requirement further inhibits many otherwise eligible families from receiving FIP.

A third likely factor in the FIP caseload decline is the increased use of employment-related sanctions that result in case closure. (Fig. 12) While in 2006 there were 12,441 cases closed due to such sanctions, by 2008 that number had nearly doubled. This corresponded to the enactment of legislation in late

Fig. 12



2006 that increased penalties for, among other things, “failing to participate in Work First activities.”⁹ The decline in the jobs available to FIP recipients has likely also contributed to the rise in closures due to employment-related sanctions, especially for parents who have transportation difficulties that prevent them from going outside their communities to find work. Moreover, the time in which sanctions are imposed counts against the recipient’s 48-month lifetime limit, which may prevent many eligible families from being able to return to FIP at a later time if circumstances again become difficult (i.e. recipients who receive a 12-month sanction, but would have had their cases closed due to employment earnings before the completion of those 12 months, still have those months counted against their lifetime limit).

The new policy, which took effect in April 2007, imposes sanctions as follows:¹⁰

- First instance of non-compliance: 90 day sanction
- Second instance of non-compliance: 90 day sanction
- Third instance of non-compliance: 12 month sanction

The wisdom of stricter employment-related sanctions is questionable when Michigan’s job shortage is the worst in the nation. While there is certainly a role for punitive work incentives in any welfare program, the new sanction policy appears to be unnecessarily severe. A comparison with other Midwestern states’ sanction policies shows that Michigan’s sanctions go much further than others. (Fig. 13)

While it is difficult to determine the extent that the new work orientation, citizen documentation, and sanction policies have kept or pushed families off of FIP, one thing is clear: This is the wrong time for

⁹ “Work First” was the name of the FIP welfare-to-work program prior to its being renamed “Jobs, Education and Training (JET).”

¹⁰ Sanctions can be avoided if the recipient meets with the caseworker within 10 days of the determination that a sanction be imposed.

Sanction Policies for Noncompliance with Work Requirements for Single-Parent Head of Unit, July 2007				
	Initial Sanction:		Most Severe Sanction:	
	Reduction in Benefit	Length of Sanction (months)	Reduction in Benefit	Length of Sanction (months)
Illinois	50% (ineligible if longer than 3 mos.)	Until compliance	Entire benefit	3 months +
Indiana	Adult portion of benefit	Until compliance or 2 mos. (whichever is shorter)	Case is closed	Until compliance
Iowa	Entire benefit	Must reapply	Entire benefit	6 months +
Michigan	Case is closed	3 months	Case is closed	12 months
Minnesota	10% of the standard	1 month +	Case is closed	1 month +
Ohio	Entire benefit	1 month +	Entire benefit	6 months +
Wisconsin	Minimum wage times the hours of nonparticipation	Until compliance	Entire benefit	Permanently ineligible in the specific component that was violated.*

+ The unit is sanctioned for the specified number of months or until the sanctioned individual complies with the activity requirements, whichever is longer.
 * There is no permanent sanction for individuals in Unsubsidized Employment
 Source: The Urban Institute, Welfare Rules Databook: State TANF Policies as of July 2007

Michigan to put unnecessary obstacles in the way of vulnerable families in dire need.

A Historical Look at Cash Assistance in Michigan

Examining the cash assistance caseload over time shows that cases are at their lowest in 30 years. (Fig. 14) Throughout the 1980s and the first half of the 1990s, Michigan’s Aid to Families with Dependent Children (AFDC) caseload was above 200,000. Following Michigan’s welfare reform of the mid 1990s, caseloads began to drop. This drop was accelerated by the 1996 passage of the legislation in Congress that replaced the AFDC entitlement program with the TANF block grant. The

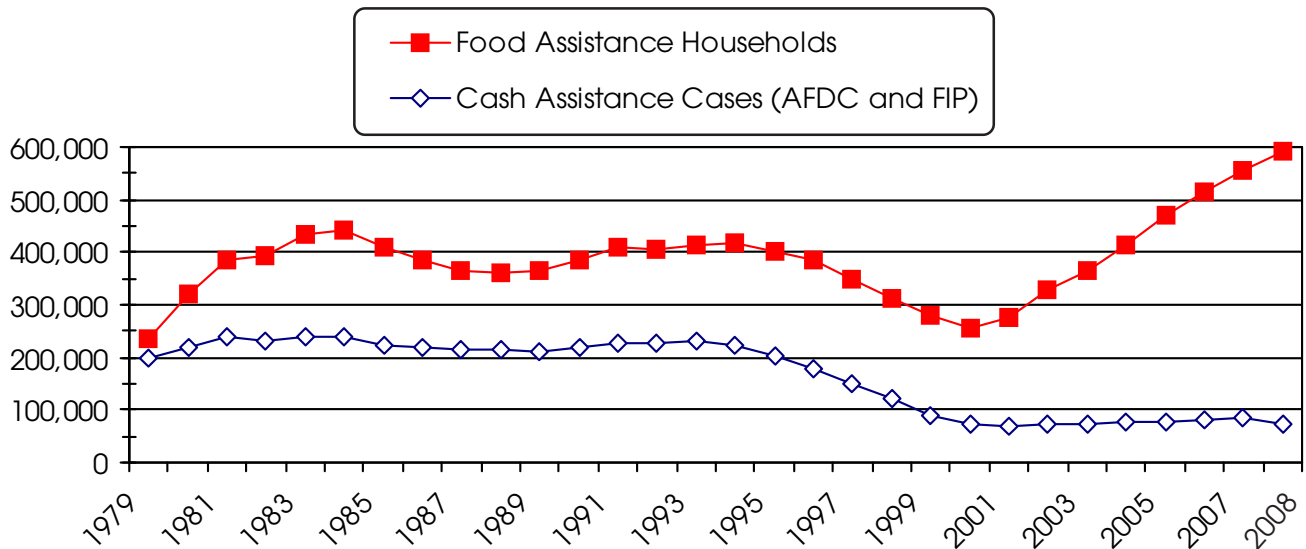
As the state’s economy went sour in the beginning of this decade and has gotten progressively worse, FIP has failed to keep up with the increasing need.

caseload fell to just over 72,000 in 2000 and has had a monthly average of under 80,000 for most of the years since. While unemployment in the middle and late 1980s was at or below current unemployment rates, during that time the cash assistance program served nearly three times the number of families that it serves today.

The FIP caseload decline during the 1990s, when Michigan’s economy flourished, has been hailed as a positive achievement, as has the overall increase in the percentage of cash assistance recipients with earned income. But as the statistics show, these trends

Fig. 14

Cash Assistance and Food Assistance Households in Michigan 1979-2008



Source: Michigan Department of Human Services
Prepared by Michigan League for Human Services

have masked a significant weakening of the cash assistance safety net. As the state's economy went sour in the beginning of this decade and has gotten progressively worse, FIP has failed to keep up with the increasing need. This has resulted in the shameful situation we have today, in which many poor families are unable to meet many of their basic needs yet are without access to cash assistance. It is imperative that the state act decisively to make its welfare system more responsive to Michigan's struggling families.

The Food Assistance Program

Food Assistance, formerly known as Food Stamps, is available to individuals and families with income under 130 percent of the federal poverty threshold. As shown in Figure 14, the Food Assistance Program has seen a consistent and sharp increase in its caseload since 2000 (this is concurrent with national trends). Prior to that year, the ebbs and flows of the program were similar to that of cash assistance; caseloads

tended to increase when unemployment was high, and they would decrease as the economy recovered. After 2000, however, Food Assistance cases rose while those of FIP remained generally flat.

Comparing the two trendlines reveals two things: the increasing need in Michigan and the disparity in the effectiveness of the two programs in reaching their intended populations. There has been much outreach done by state agencies and community programs (such as food pantries) to encourage qualified families to apply for Food Assistance, and there has not been comparable outreach on behalf of FIP. The push to enroll eligible families in Food Assistance is understandable; those dollars are federal dollars that serve as a stimulus to local economies, while cash assistance dollars must come out of a limited pot of money (the \$775 million annual TANF block grant plus a 80% state match) that is also needed to fund support services and other programs.

The need for strengthening the FIP program has been discussed earlier in this paper, but the increase in Food

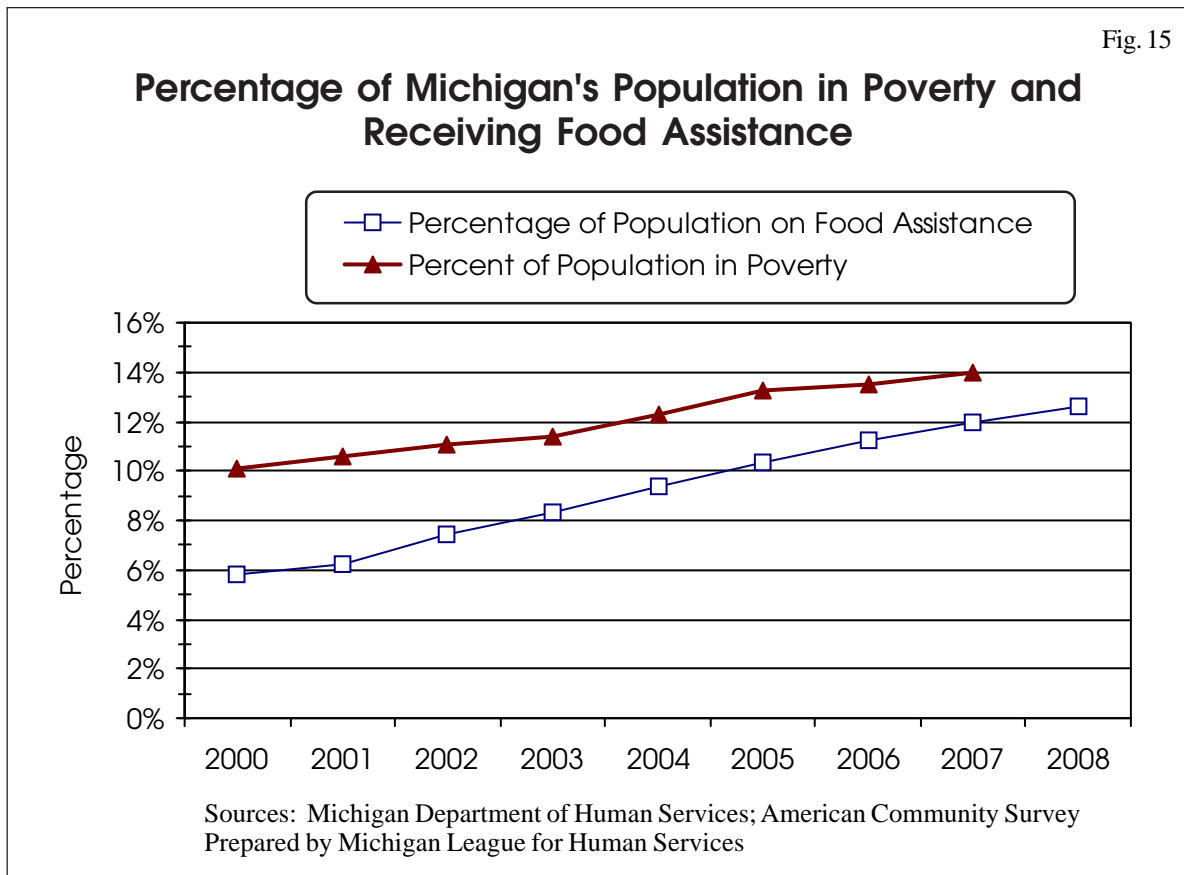
Assistance is a very positive trend. Figure 15 shows the decreasing gap since 2001 between the number of Michigan residents in poverty and the number receiving Food Assistance. The State of Michigan should continue its efforts to enroll eligible families in Food Assistance.

Child Care

One of the key barriers to employment for many single parents is the availability and affordability of safe child care. Lack of suitable child care is often the cited reason for unemployment among FIP recipients. Child care for young children costs more than \$500 per child per month in many counties, and in high-expense counties such as Washtenaw and Oakland, over \$700 per month.¹¹ Michigan's Child Development and Care (CDC) subsidy alleviates some of this cost for working parents who receive

FIP, and in some cases, for other low-income parents including those who have left the FIP. Funded through both federal and state dollars, it is an indispensable work support for low-income families.

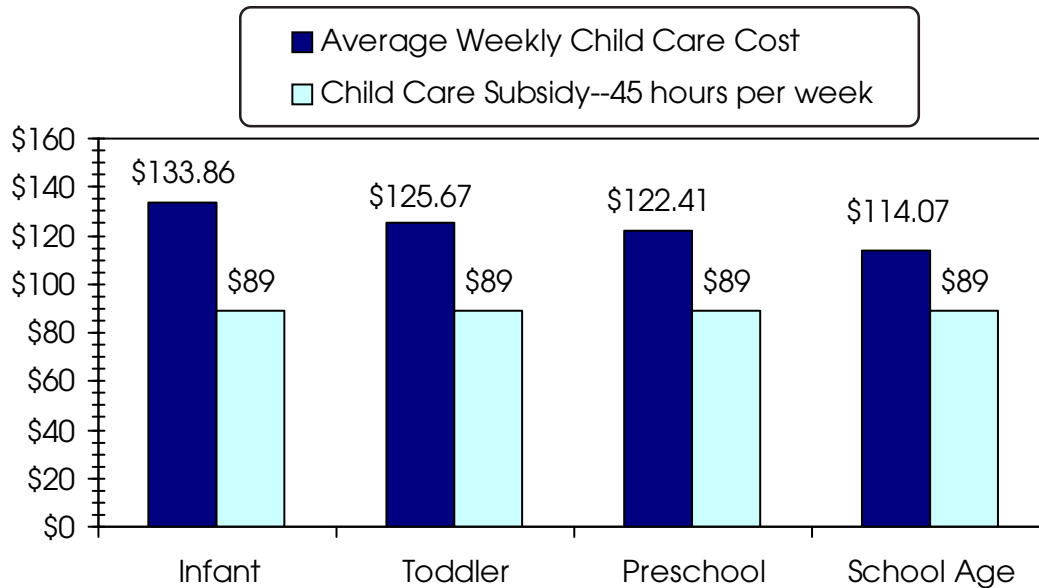
Recipients of child day care subsidies fall into three eligibility groups. Group I (families receiving protective and preventive services, licensed foster parents, and FIP families exempted from work) and Group II (all FIP and Food Assistance recipients who need child care for employment and work participation) are categorically eligible and receive a full child care subsidy of up to 100 percent of the established maximum. Group III (low-income families who are not included in the other two groups, including former FIP recipients) are eligible if their income falls below specified levels. They do not receive the maximum subsidy rate, but receive assistance based on a sliding scale—an amount ranging from 70 percent to 95 percent based on the family's income. Group III is the



¹¹ Michigan 4C Association

Fig. 16

The Child Care Subsidy and Average Weekly Child Care Cost (Family and Group Homes) Wayne County, 2008



Sources: Michigan 4C Assocation; Michigan Department of Human Services
Prepared by Michigan League for Human Services

largest of the groups, comprising approximately three-fourths of CDC families in a given month.

16, this reimbursement rate falls far short of the actual weekly cost of child care.

Unfortunately, the amount of the child care subsidy, like the amount of the FIP payment standard, has gone for too long without adjustment for inflation, and the eventual increase was insubstantial. From 1995 through 2007, the maximum subsidy rate was \$2.00 per child per hour in a family or group home and \$1.88 per child per hour in a relative home. These rates were raised slightly in 2008 (\$2.03 and \$1.91 respectively) and 2009 (\$2.08 and \$1.95)—in short, a raise of only 8 cents in 14 years. A single parent with two children working full-time at minimum wage receives 95 percent of the subsidy, or \$1.98 per hour (\$89 per week for 45 hours). As shown in Figure

Michigan's child care subsidy for working poor parents has increased by only 8 cents an hour in 14 years.

Having low reimbursement rates discourages providers from providing care to poor and low-income families who need child care. In addition, the way the reimbursement rate is calculated is not concurrent with how many day care providers set their rates. While the subsidy is determined on an hourly basis, many providers charge on a weekly, full-day or half-day basis. This may further discourage providers from accepting children of CDC-subsidized families and, because in some situations families may need to pay for hours they don't actually use, can further erode the percentage of the child care costs that the subsidy covers.

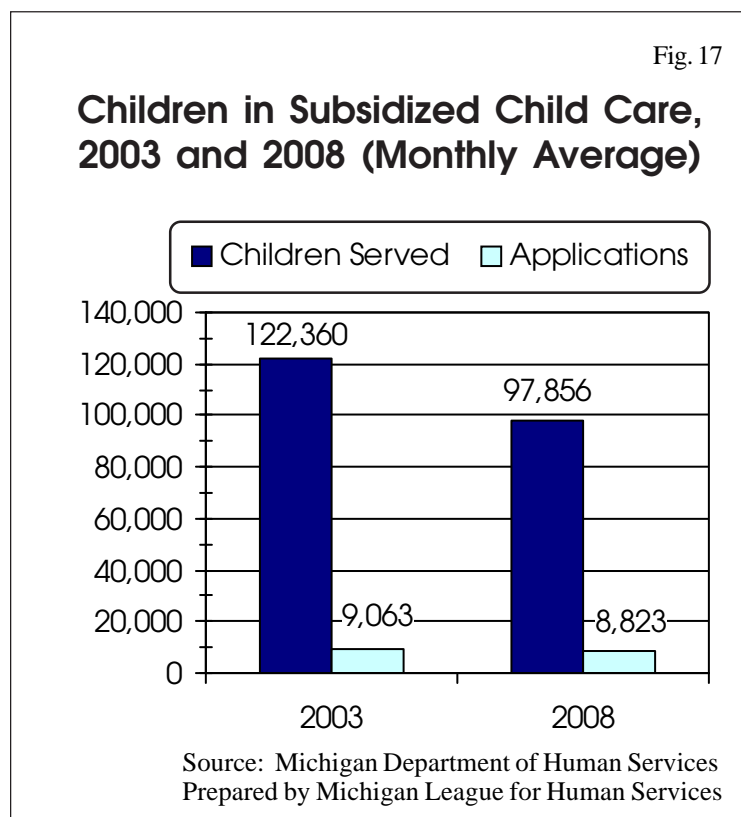
For workers who must drive a long way to child care and/or their jobs, the percentage has been further eroded by a policy enacted in 2008 that reduced the maximum number of child care hours covered from 100 hours every two weeks to 90 hours. For a parent working five eight-hour days per week, this means that any driving time beyond fifteen minutes each way to and from work and child care is not covered by the child care subsidy. (The maximum was lowered in order to accommodate budget constraints, not due to a perception that poor families generally spend a half hour or less per day driving to work.)

One indicator that the child care subsidy is not adequately responding to actual need is the fact that while applications for the subsidy have declined only slightly in the past several years, the number of children served has dropped substantially. The number of children covered in 2008 is 20 percent lower than the number in 2003, while applications have only decreased by 3 percent. (Fig. 17)

General Assistance

In 1991, Michigan eliminated its General Assistance (GA) program, a cash assistance program that provided aid to adults without dependent children who were not eligible for any other form of state or federal cash assistance. During March of that year, the GA population was 106,000 and the program provided beneficiaries with a maximum grant of approximately \$240 per month. (Fig. 18)

The impact of the program's termination was immediately apparent. Newspaper articles reported that several adults died due to lack of medicine, heat or other necessities, and the demand for space in Detroit homeless shelters more than doubled. While some recipients were able to go into other programs (such as disability), most others were not. "Able bodied" clearly did not equate to "employable". More than half of those terminated were unable to find work within two years.¹²



Despite the fact that hardship has increased greatly since the end of the 1990s, Michigan has not put in place a cash assistance program for single, non-disabled adults. With the scarcity of available jobs in many parts of the state, and with several recent newspaper articles once again reporting deaths due to homelessness and lack of heat, perhaps now is a good time to re-examine the safety net options for this population.

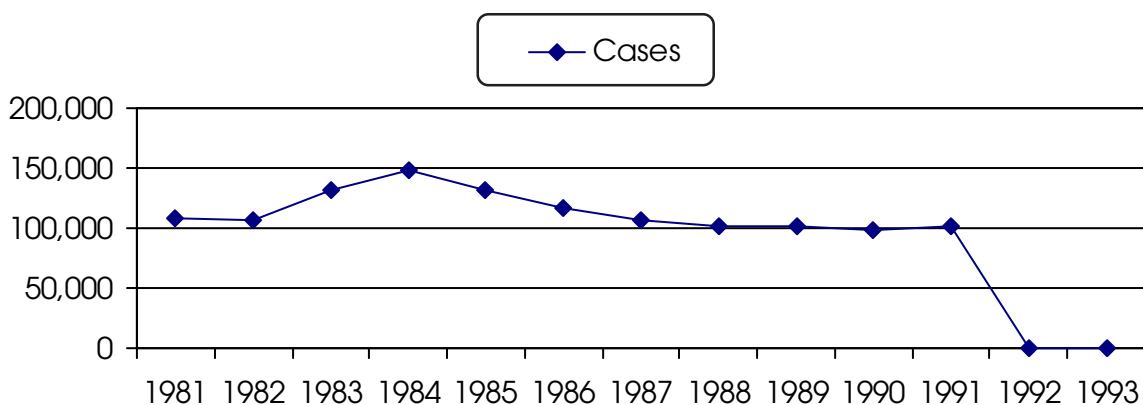
State Emergency Relief

One important component of a state safety net is an emergency program to help families and individuals who are in a short-term difficult situation and do not expect to need ongoing cash assistance. In Michigan, the program is State Emergency Relief (SER). It is funded with both federal TANF funds (to serve TANF-eligible cases) and state funds (to assist

¹² Danziger, Sandra and Sherrie Kossoudji, "When Welfare Ends: Subsistence Strategies of Former General Assistance Recipients," *Final Report of the General Assistance Project*, February 1995.

Fig. 18

General Assistance in Michigan, 1981-1991



Source: Michigan Department of Human Services
Prepared by Michigan League for Human Services

childless adults and others ineligible for TANF). SER covers some burials as well as emergency needs.

SER replaced the Emergency Needs Program (ENP) in Fiscal Year 1992, the same year that GA was terminated. The distinctive features of SER were the much more strict rules for receiving help, the elimination of certain services, lowered benefit maximums, and imposed or increased co-payment amounts for those receiving assistance. This program change was part of an effort to reduce state spending on emergency needs, with funding dropping from \$39.5 million in Fiscal Year 1991 to \$7.1 million the following year—an 82 percent decrease. Not surprisingly, emergency needs cases dropped 75 percent during those two years, despite the fact that Michigan’s unemployment rate was over 9 percent during both years. Michigan’s average monthly SER

caseload has stayed at or below its 1992 levels during every subsequent year save one, despite the rising need in recent years. There were 3,205 cases in 2008, with expenditures of \$12.4 million. (Fig. 19)

Michigan’s average monthly SER caseload has stayed at or below its 1992 levels during every subsequent year save one.

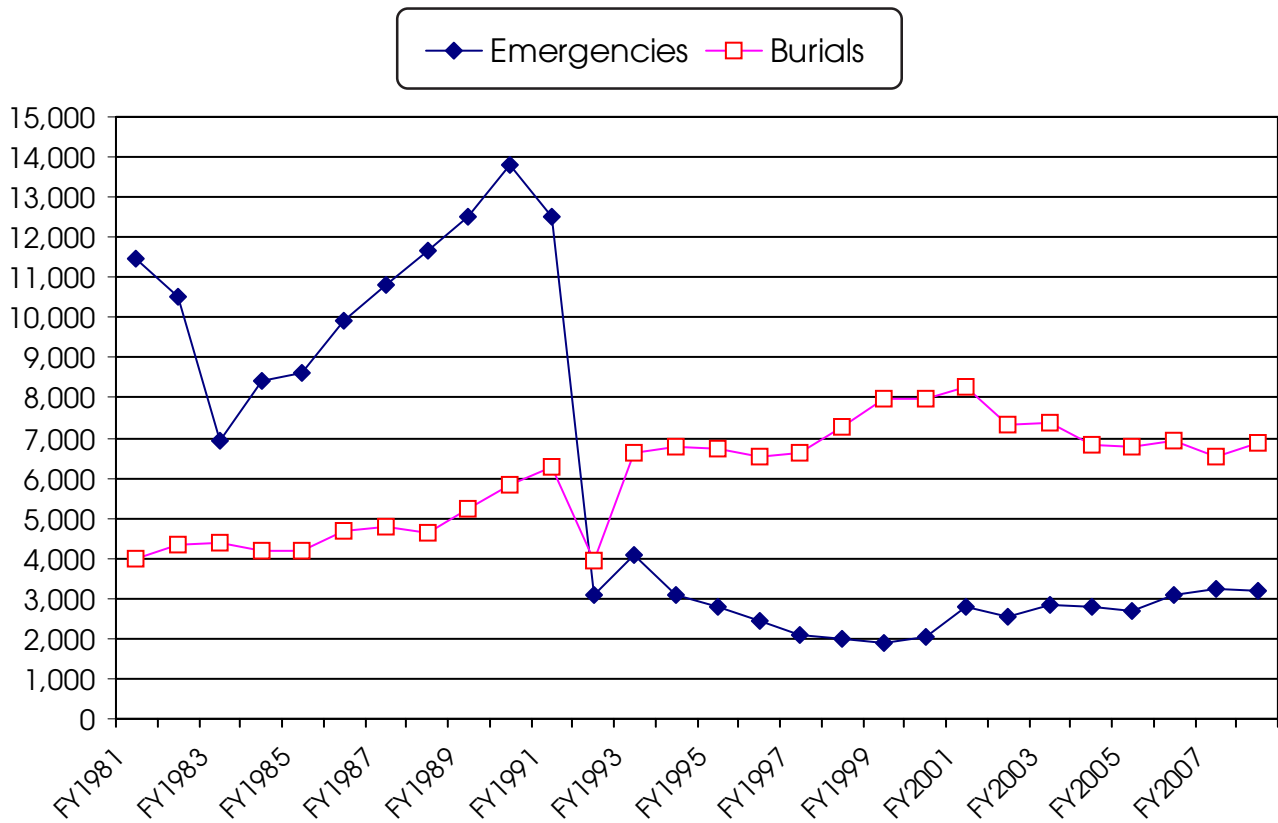
One reason for the low numbers of emergency relief cases is likely that the strict criteria for eligibility make it difficult for families and individuals in crisis to qualify. The State Emergency Relief Manual of the Department of Human Services states that “good cause for failure to meet obligations for shelter, energy, or utilities exists if the SER group’s net countable income from all sources during each month the group failed to pay shelter/energy/utility obligations was less than the amount shown for the SER group size in the ‘good cause’ table.”¹³ (Fig. 20)

According to the table, a single parent with two children must have total household income below \$255

¹³ Michigan Department of Human Services, *State Emergency Relief Manual*, ERM 204, April 2008.

Fig. 19

Emergency Needs/State Emergency Relief (SER), Average Monthly Cases 1981-2008



Source: Michigan Department of Human Services
Prepared by Michigan League for Human Services

Fig. 20

for the month (this amount equals roughly 8 hours of work per week at minimum wage before taxes). In other words, a family must be in a dangerously desperate situation before qualifying for emergency needs assistance. Yet with rising fuel, energy and health care costs and increasing unemployment and underemployment, there are many families who face serious crises who are not eligible for SER. An effective emergency needs program would enable families to receive one-time assistance to avoid falling into a disastrous situation or having to go onto longer-term cash assistance, rather than only helping those already in deep poverty.

Good Cause Determination Table

SER Group Size	Good Cause Amount
1	\$225
2	\$240
3	\$255
4	\$270
5	\$285
6	\$300

Groups larger than 6 persons: Add \$15 for each additional person to the "group size 6" amount shown in the table.

Source: Michigan Department of Human Services

Conclusion

Michigan has had to contend with a structural budget deficit for several years due to ill-advised tax decisions put into place when the economy was thriving, along with an antiquated tax structure. It is wrong for the state to address the deficit by cutting away at its safety net when times are bad, and when the safety net is most crucial.¹⁴ Such cuts to the safety net jeopardize the well-being of the most vulnerable of Michigan's residents. Further, the safety net should protect many middle-class working families, for whom one layoff or health crisis can begin a downward spiral toward financial disaster.

In the early 1990s, the state addressed its budget problems by eliminating cash assistance for childless adults and making it difficult for individuals and families in crisis to access emergency assistance. For more than 18 years since, it put off updating its cash assistance safety net for families. This set the bar of eligibility lower and lower each year so that by 2008, a family had to have an income less than 44 percent below the poverty line to qualify.

Michigan is poised to receive an unprecedented amount of federal aid as the American Recovery and Reinvestment Act is implemented. These funds can help to forestall further cuts in critical safety net programs and may make it possible to extend help to additional families and individuals suffering hardship in the current economic environment. With this opportunity, Michigan must stop allowing its safety net to erode through inaction and counterproductive policies, and step up with bold policy decisions that will restore both its budget and its safety net.

¹⁴ In December 2008, Michigan lost 59,000 jobs (about one in every 10 jobs lost nationwide) as the economy went into a deep recession; during the same month, an Executive Order reduced FIP spending by \$23 million to reflect smaller caseloads.