



Michigan League for Human Services

February 14, 2007

Recent Changes to Michigan's Family Independence Program

On December 20, 2006 the Governor signed a package of bills that make changes to Michigan's Social Welfare Act. The bills are Senate Bills 1500 (Public Act 470) and 1501 (Public Act 471), as well as House Bills 6580 (Public Act 468) and 6587 (Public Act 469). The bills 1500, 1501 and 6580 address time limits, impose extra sanctions, and define what is to be included in the family self-sufficiency plan. Senate Bill 1500 specifically extends the sunset of certain sections of the Michigan's current Social Welfare Act until March 31, 2007 which were set to expire on December 31, 2006; the new provisions will be effective April 1, 2007.

Once the legislation becomes fully implemented, Michigan will join the other 48 states that have time limits on the receipt of cash assistance. However, Michigan's new legislation contains many reasons for which the 48-month cumulative clock may stop. Additionally, there are numerous provisions included that will help working families, such as an increase in the earned income disregard, exemptions to the 48-month clock and advocacy services for those who are determined to be eligible to receive SSI.

New Family Independence Program Provisions

Time Limits: Starting October 1, 2007, Family Independence Program (FIP) recipients who are eligible to participate in the Work First program and reside in a Jobs Education and Training (JET) county will be subject to a 48 month, non-retroactive time limit on the receipt of benefits. The applicant may apply for this time limit to be extended for no more than 12 months under the following conditions:

- If the recipient has not received more than two penalties after December 31, 2006;
- If the recipient has not received a penalty in the 12 months before the request for extension; and
- Labor market conditions or employment barriers prevent employment.

Sanctions: Starting April 1, 2007 the sanction policy will consist of the following:

- 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 recipient may avoid the first sanction if he/she meets with their caseworker within 10 days of the determination that a sanction be imposed. The caseworker and recipient will review and modify the family self-sufficiency plan as needed and the recipient will receive an official warning. If the recipient does not meet with the caseworker within 10 days of the sanction determination, the

sanction will be imposed. Time in which sanctions are imposed will count toward the recipient's 48-month lifetime limit.

Good Cause/Non-compliance: A previous version of the legislation removed good cause provisions. However, House Bill 6580, now Public Act 468, keeps good cause for non-compliance in the law. The following chart displays reasons a recipient may be non-compliant as well as non-compliance with good cause.

Exemptions: Beginning April 1, 2007 recipients exempt from Work First requirements will include those previously exempt, as well as:

- An individual with learning disabilities or low intellectual capacity that impedes their comprehension and prevents success in basic reading, math, and writing skills. This is including, but not limited to, an individual with an IQ of lower than 80;
- An individual with chronic mental health problems that cannot be controlled through treatment or medication;

Non-Compliance/Good Cause

• Non-Compliance

- Quitting a job
- Being fired for misconduct or absenteeism
- Failing to participate in Work First activities
- Being non-compliant with his or her family self-sufficiency plan

• Good Cause for Non-Compliance

- The recipient or an immediate family member suffers from a debilitating illness or injury and the recipient is needed to care for the family member
- The recipient lacks childcare as defined by the federal Personal Responsibility and Work Opportunity Reconciliation Act
- Transportation is not available at a reasonable cost
- Commuting time for employment or training is more than two hours/day or is more than three hours/day when there are unique and compelling circumstances, such as:
 - ▶ a salary at least twice the applicable minimum wage or the job is the only available job within a three hour/day commute, not including the time required to transport a child to child care facilities
- Employment or participation involves illegal activities
- The recipient is physically or mentally unfit to perform activities related to employment as documented by medical evidence or reliable information from other sources
- Illegal discrimination occurs against the recipient based on one of the following:
 - ▶ age, race, gender, disability, color, national origin, or religion
- Credible information or evidence establishes that one or more unplanned or unexpected events or factors have occurred that could be expected to prevent, or significantly interfere with the recipient's ability to be in compliance with employment or training requirements
- The recipient quits employment due to obtaining comparable employment elsewhere

- An individual with physical limitations on their ability to perform routine labor tasks such as bending or lifting, combined with learning disabilities or intellectual capacity concerns.

A temporary exemption from Work First activities, not to exceed 90 days, may be granted to a recipient who is suffering from a documented short-term mental or physical illness, limitation, or disability that severely restricts his or her ability to participate in training or employment activities. However, if an individual has a documented short-term physical or mental illness, limitation, or disability that does not severely restrict their ability to participate in Work First activities, he/she will be required to participate as medically permissible.

Clock-stoppers: There are several circumstances under which the 48-month lifetime limit on receiving assistance will be stopped and the months the recipient is receiving assistance will not be counted against them. They are:

- The recipient has been temporarily exempted from Work First due to being a mother of a child under three months of age or due to short-term mental or physical illness;
- The recipient is employed and meeting the requirements of his or her family self-sufficiency plan;
- The recipient's county of residence has an unemployment rate that is 25 percent above the state average for unemployment; or
- The recipient is experiencing domestic violence and therefore, certain FIP requirements are waived.

The Department of Human Services (DHS) director may grant exemptions to recipients due to extenuating circumstances beyond the exemptions listed. DHS will be required to provide a report to the legislature on an annual basis regarding the number of exemptions issued and the reason for the exemptions. The report is due at the same time as the governor's departmental budget proposal.

Education: A recipient may participate in an education or training program approved by the

local workforce development board, if they have cooperated with Work First. With the exception of GED preparation, high school completion, and literacy training, all other education or training must be occupationally relevant and the labor market must have a demand for such training, as determined by the local workforce development board. FIP recipients engaged in education or training must make satisfactory progress and the training may not last for more than two years.

SSI: Starting December 31, 2006 a FIP recipient currently applying for SSI is no longer automatically exempt or deferred from Work First requirements. The recipient will now be evaluated and assessed by a non-profit organization as to the likelihood he/she would be eligible to receive SSI. The report would include a recommendation for the individual to be placed into one of the following groups:

- Work First referral;
- Referral to a sheltered work environment;
- Subsidized employment or;
- A referral for SSI advocacy assistance.

Family Self-Sufficiency Plan: PA 469 (House Bill 6587) clarifies, and places into law, what must be included in the Family Self-Sufficiency Plan. The plan will be developed by the adult members of the FIP group, DHS and the local Michigan Works! agency. Specifically, the plan must include the following:

- the responsibilities of members of the FIP assistance group;
- the contractual nature of FIP;
- an agreement that the focus of FIP is attaining self sufficiency;
- the obligation that each adult and child aged 16 or older who is not attending elementary or secondary school full-time participate in Work First, unless otherwise exempt;
- the obligation that each minor parent who has not completed secondary school to attend school;

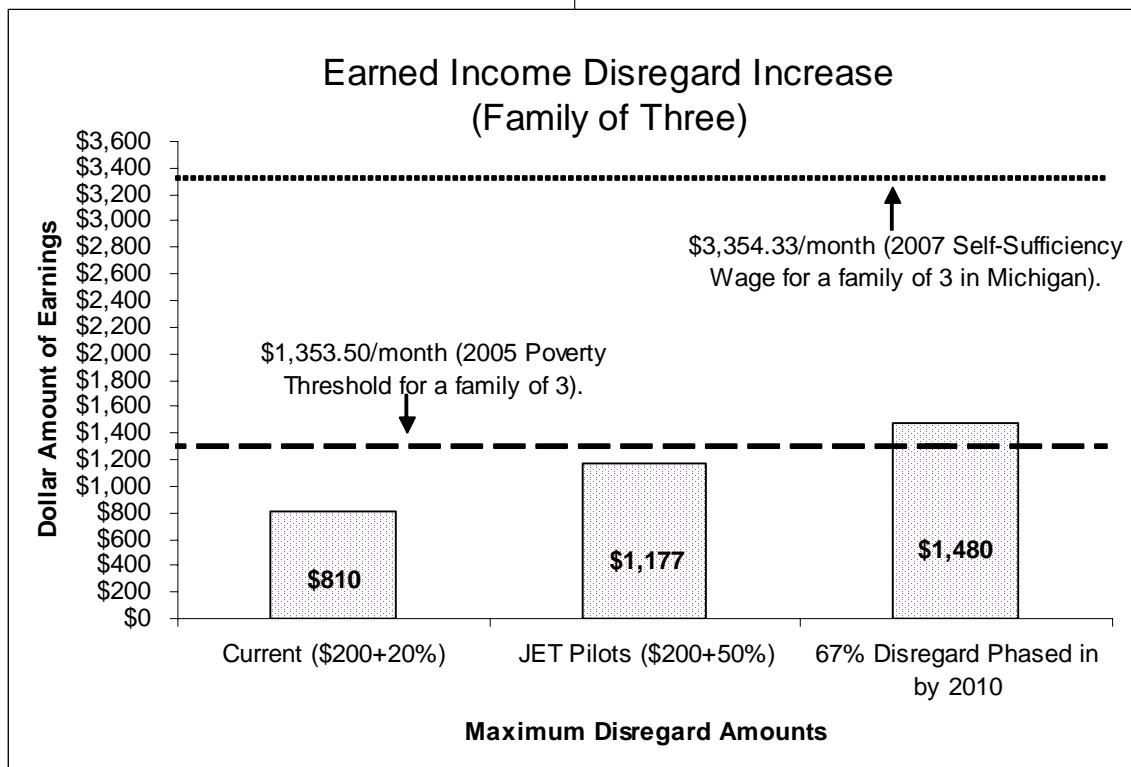
- the obligation that each adult in the program group engage in employment, Work First activities, community service, self-improvement activities, or education or training activities as determined appropriate by DHS;
- where necessary the obligation to cooperate in the establishment of paternity and procurement of child support;
- if a recipient fails to comply with compliance goals due to substance abuse, participate in substance abuse treatment and submit to any periodic drug tests, as required;
- the recipient must enroll in GED preparation, high school completion or literacy program if DHS determines the resources are available and these issues present a barrier to the recipient meeting the requirements in his/her self-sufficiency plan.

In addition to including the points above, the family self-sufficiency plan must also include the details of participation in the Work First program.

If the recipient is determined eligible to participate in Work First, participation must, at a minimum, meet federal requirements.

Earned Income Disregard: The current earned income disregard of \$200 + 20 percent of additional earned income in non-JET counties and \$200 + 50 percent of additional earned income in JET pilot counties would be incrementally increased to 67 percent (without \$200 being disregarded as well) by September 30, 2010. This would allow JET recipients to earn a substantial amount more per month and maintain their FIP eligibility. The following chart displays how much the plan for the new earned income disregard will help families receiving FIP assistance.

The current cut-off point for earnings per month to receive FIP assistance is \$810 per month for a parent and two children and \$1,177 per month in JET pilot counties. However, under the proposed increase to 67 percent, even without disregarding \$200 per month, a family would be



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able to earn \$1,480 per month before becoming ineligible for cash assistance.

This phased increase will allow more families to earn more while still receiving their FIP benefits. Under the current policy, a family of three is \$543 (40 percent) below the 2006 federal poverty threshold when their benefits end due to earned income. For those currently in JET pilot counties, the cutoff of \$1,177 per month leaves the family \$176 (13 percent) below the 2006 federal poverty threshold.

However, allowing a family to disregard 67 percent of their monthly earnings and remain eligible for FIP assistance will place the family \$127 (9 percent) above the 2006 federal poverty threshold before they become ineligible for assistance. While the increase in the earned income disregard will assist working families in moving out of poverty, a family of three will still be \$1,874 (56 percent) below the 2007 self-sufficiency wage of \$3,354.33 a month.

Employment Subsidy: DHS will pay a recipient who leaves FIP due to no longer meeting financial eligibility criteria a subsidy of \$10 a month for six months, as long as the recipient continues to meet federal guidelines for work participation. While the amount of the subsidy is low, allowing families to have a subsidy after leaving FIP will allow DHS to count those families towards meeting the federal work participation requirements.

Jobs, Education, and Training (JET) Program Implementation: By September 30, 2007 the JET program must be fully implemented statewide.

While results from the JET program thus far are encouraging, full implementation before all data is received and changes are made and reviewed may be pre-mature. However, expansion will allow FIP recipients statewide to receive the same services, instead of part of the state receiving some services and another part not.

Reporting Requirements: New stringent reporting requirements are in place that will require DHS to report quarterly, by district office:

- The number of sanctions given;
- The number of compliance exemptions granted and the success rate of those given the exception;
- The number of exemptions granted and criteria by which they were granted; and
- the tracking of caseworkers with regard to sanctions.

DHS will be required to submit a quarterly report on cases in which the recipient has applied for SSI, including the number of cases assessed, the number referred to Work First, the number placed in subsidized or sheltered employment, and the number referred for SSI assistance.

County offices must report quarterly the number of referrals given to nonprofit rehabilitation organizations. The report must also include the number of referrals pending for less than 90 days, those pending for 90 to 180 days, and those pending for 180 to 365 days.

DHS will also be required to report progress annually regarding its plan and implementation of the increase in the earned income disregard.

Analysis of Michigan's New Welfare Changes

In the past, attempts to reform Michigan's cash assistance programs have contained measures that were far more punitive than this most recent package passed and signed into law. While the time limits set by the welfare legislation are arbitrary, and the time in which a recipient is being

sanctioned counts towards the 48-month clock, the clock is not retroactive, as it had been in previous versions of the legislation. The sanctioning policy now also clearly spells how non-compliance is defined and plainly states under what circumstances a FIP recipient may be out of

compliance and still not receive a sanction. It is worth noting, however, that harassment on the job is not explicitly stated as good cause for terminating employment while participating in Work First.

Lack of Education May Be a Barrier to Employment

Allowing FIP recipients to engage in education and training will allow them to further develop skills needed for competition in the labor market. However, those not in compliance with Work First will not be able to participate in education or training programs, even though this may be the reason they are out of compliance as failure to find employment may very well be due to educational or skill deficits. A FIP recipient may not be able to gain employment, even if he/she has a high school diploma or GED, since in today's labor market these credentials are not always enough to find

employment. However, while allowing education or training to last for two years will assist FIP recipients in gaining or enhancing skills to aid them in attaining employment, Michigan is now in violation of the federal TANF regulations, which state that education and training programs may last for not longer than 12 months.

Required Elements in the Family Self-Sufficiency Plan Create Uniformity

Finally, stating what is to be included in the Family Self-Sufficiency Plan assists the Michigan Works! agencies and the DHS in clarifying what the role of the family and recipient will be, along with the department roles while the family is receiving FIP assistance. The Family Self-Sufficiency Plan provides a clear picture as to the program requirements and is to be written with input from the adult members of the FIP group.

Summary

In light of the rising number of families seeking cash assistance due to Michigan's economic woes, the new provisions of this legislation such as the increase in the earned income disregard and the ability to stop the clock will prove helpful for Michigan's low-income working families. However, the implementation of these new provisions, along with the others may prove

difficult in light of Michigan's budgetary concerns. While the changes to Michigan's cash assistance program have both punitive measures and benefits, Michigan must make it a priority to actively assist working families despite budgetary concerns and create a strong safety net for all of Michigan's working families.