



## Testimony Presented to the House Appropriations Subcommittee for the Department of Human Services

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Good afternoon, Chairman and members of the Subcommittee. I am Gilda Jacobs, President and CEO of the Michigan League for Public Policy, formerly the Michigan League for Human Services. The League has been advocating for low-income families and children in Michigan for more than 100 years, and I am pleased today to have the opportunity to present our concerns about the Governor's proposed DHS budget for the upcoming fiscal year.

The governor's budget cuts funding for the DHS by nearly 10%, continuing a trend of decreasing investments in low-income families and individuals—despite continued high unemployment and underemployment, and in the face of disturbing increases in poverty, particularly among children.

The latest census data show that over the past 20 years, poverty in Michigan grew by 66%, the fastest growth in the nation. Nearly 1.7 million Michigan residents live in poverty, including one in every four children, and one in every five families with children.

Unemployment has been a driving force behind the increase in poverty in Michigan. Michigan had the highest unemployment rate in the nation for several years, and the December 2012 rate of 8.9% was the sixth highest in the nation.

In the face of poverty and unemployment, policy decisions made in Lansing have restricted access to basic assistance. If the governor's budget is adopted, without reversal of prior policy and funding decisions, we expect the following to occur:

- **Fewer children and low-income families will have access to basic food assistance.** The governor assumes that FAP caseloads will fall, with a total drop of 9% between 2011 and 2014. Caseloads began to fall in 2011 after the Legislature approved an asset test for food assistance, requiring families to have less than \$5,000 in total assets, including the value of vehicles after certain exclusions. Because FAP is federally funded, this decision limited access to food for many poor children and their families, without saving the state money, and we urge you to reconsider the policy.

The impact of these eligibility restrictions is underscored by a recent study showing that one of every five Michigan residents doesn't have enough money to buy food for themselves or their families, and ranking Michigan 20<sup>th</sup> in food hardship.

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- **More children and families will live in deep poverty, facing homelessness and other hardships that affect not only their health and development, but success in school.** In the last two years, FIP caseloads fell by one third, while funding fell by 38%. While economic improvements might account for some case closures, stricter sanctions and the more rigid enforcement of lifetime limits on assistance adopted in 2011 are major causes.

One FIP policy that raises strong questions of fairness is the counting of Extended FIP benefits (EFIP)—a mere \$10 per month for six months—toward families' lifetime limits, and we urge you to reconsider that policy.

In addition, because FIP payments have not been raised to reflect increases in the costs of housing and other basic needs, more children now live in very deep, debilitating poverty. For example, in 2012, the DHS estimated that fair market rents consume between 119% and 131% of the maximum FIP grant.

Sadly, research shows that children who are born poor and live in persistently poor families are more likely to have health problems, suffer from learning and other disabilities, drop out of high school, have babies as teens, and ultimately have trouble finding consistent employment as adults.

- **Fewer disabled adults will have a lifeline.** Under the governor's budget, funding for the State Disability Assistance Program will fall by more than 20% between 2010 and 2014. This assistance is provided to disabled adults with incomes below \$5,400 annually. Beginning in October of 2011, the monthly SDA payment for a single adult was reduced from \$269 to \$200 for new recipients.
- **Assistance with energy costs will continue to be limited.** Since 2010, federal LIHEAP funding to Michigan has been reduced from \$285 to \$190 million. While we appreciate and support the funding mechanism provided by the governor to create a permanent Low-income Energy Assistance Fund, the funding level, \$60 million, falls below what was available in 2010 for the Low Income and Energy Efficiency Fund (LIEFF).

The League is very concerned about the continued disinvestment in programs for low-income families and individuals in the face of continued economic hardship. Sadly, the effects for children growing up in persistent poverty can be long-lasting, and could derail Michigan's attempts to improve educational achievement and fuel economic growth.

Exacerbating the problem this year is the deep cut in the Earned Income Tax Credit, an effective anti-poverty tool that helps hard-working, low-income families. The evidence is clear: the EITC supports work and reduces poverty, and has long-term benefits, particularly for children. While not under the purview of this Subcommittee, we urge you to work with your colleagues to restore the EITC.

Thank you. You will find more information in the League's attached *Budget Brief*. We look forward to working with you on this critical state budget.