

Senate and House Subcommittees Approve Department of Human Services FY 2015 Budget

Appropriations subcommittees in both the Michigan Senate and House of Representatives have approved their versions of the Department of Human Services budget for Fiscal Year 2015, which begins on Oct. 1, 2014, and ends Sept. 30, 2015.



million children—who receive some form of public assistance to help them hold low-wage jobs, feed and shelter their children, access healthcare, or survive when faced with serious illnesses or disabilities.

After years of declining investments, the DHS budgets approved by the House and Senate subcommittees further reduce total funding for DHS. The governor’s budget cut DHS by \$397 million or 6.6% from the current year appropriation. The Senate subcommittee cut DHS by approximately 7% or \$418 million, while the House subcommittee reduced funding by \$436 million or 7.2%.

Reductions in spending partly reflect policy decisions that have made fewer families and children eligible for public assistance benefits, including lifetime limits on income assistance, and new asset tests for food assistance.

In the current fiscal year, the DHS budget is the state’s third largest, accounting for 12.3% of total spending from federal and state resources. Federal funds now account for more than 80% of DHS funding, up from 70% in Fiscal Year 2004. Other sources of revenue for DHS are state General Funds (17%); and state restricted, local and private funds.

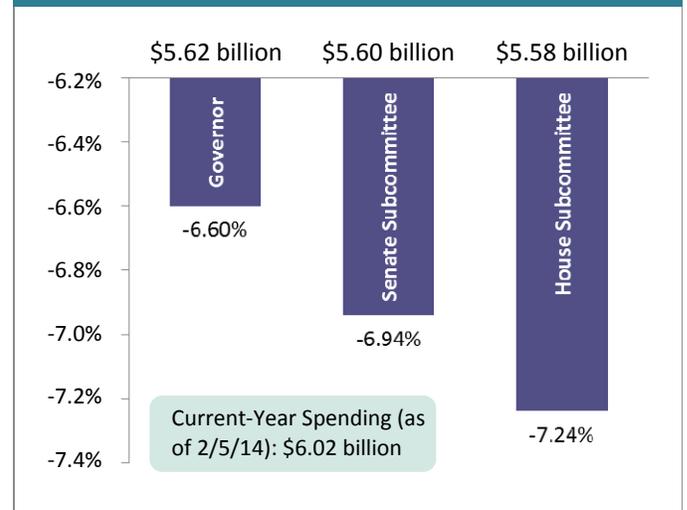
DHS administers a range of services, including the Family Independence Program; the Food Assistance Program; State Disability Assistance; State Emergency Relief; and child protective, foster care, adoption and juvenile justice services. Decisions made by the Legislature will affect nearly 2.4 million Michigan residents—including over 1

INCOME ASSISTANCE

Governor’s Budget:

- **Another deep reduction in funding for income assistance for families with children.** The governor’s budget for Fiscal Year 2015 includes \$151.6 million for the FIP program, a reduction of 29% from the amount appropriated in the current fiscal

Governor, House and Senate Recommend Further Cuts in Total DHS Spending in FY 2015



Prepared by Michigan League for Public Policy

year (\$214.3 million). The governor assumes that FIP caseloads will fall from 44,400 this year to 33,200 in 2015, a reduction of 25% in a single fiscal year.

- **Expansion of funds for out-stationed DHS workers.** The governor recommends \$19.3 million in federal, private and local funds to expand the number of out-stationed DHS workers by 150. With this funding, DHS would be able to expand the number of workers in hospitals, long-term care facilities, school-based centers or businesses that agree to pay a portion of the cost, using their contributions to draw down federal funding.
- **Continuation of the current Extended-FIP policy,** which gives households leaving FIP due to earnings \$10 per month in FIP assistance for six months. In 2011, when the state tightened its 48-month lifetime limit on FIP, those six months of very minimal assistance began to count against a family's lifetime limit. The governor's budget also removes language requiring DHS to notify persons eligible for Extended-FIP that receiving it will count toward federal and state lifetime limits.
- **Continuation of the current FIP children's clothing allowance.** The governor's budget includes \$2.9 million for the annual clothing allowance for children. The allowance was originally designed to make sure that school-age children have the opportunity to at least start the school year with a set of clothes. The program was restricted in 2011 to only those children in FIP cases that do not include an adult—e.g., children living with ineligible grandparents or other caregivers.

House Subcommittee:

- The House subcommittee agrees with the governor's recommended FIP caseload of 33,200, and total funding of \$151.6 million.
- The House subcommittee also allocates \$2.9 million for the annual FIP children's clothing allowance, but expands eligibility to all children ages 4 through 18.
- The House subcommittee continues current policy of counting minimal Extended-FIP benefits against lifetime limits, but expands budget language requiring DHS to notify families of the effect on

lifetime benefits on both the FIP application and the form that informs families of their eligibility.

- The subcommittee agrees with the governor's expansion of out-stationed workers, but transfers current DHS staff and funding, rather than increasing funding or the number of workers.

Senate Subcommittee:

- The Senate subcommittee agrees with the governor's projected FIP caseload of 33,200, a reduction of 11,200 cases monthly, reducing FIP funding by \$62.3 million.
- The Senate subcommittee adds budget language requiring DHS to report quarterly on: (1) the number and percentage of nonexempt FIP recipients who are employed; (2) the average and range of wages of employed FIP recipients; and (3) the number and percentage of employed FIP recipients who remain employed for 6 months or more.
- The Senate subcommittee agrees with the governor's expansion of out-stationed workers by \$19.3 million and 150 full-time positions.
- The Senate subcommittee agrees with the governor by continuing to count minimal Extended-FIP benefits against a family's lifetime limits—affecting 1,105 families next year. The subcommittee retains the current requirement to notify families that Extended-FIP will count toward federal and state lifetime limits.
- The Senate subcommittee includes new budget language requiring DHS to create a workgroup to determine how Michigan Works! job training programs can be revised to reflect declining FIP caseloads, including possible reductions in the amount of federal Temporary Assistance for Needy Families (TANF) funding that is provided to Michigan Works!

FOOD ASSISTANCE

Governor's Budget:

- **A reduction of \$444.5 million in FAP funding, to a total of \$2.4 billion.** The cut reflects the loss of federal ARRA funding as well as a projected drop in FAP households, from 894,750 this year to 890,000

in Fiscal Year 2015. Nearly 1.7 million Michigan residents received FAP benefits in January 2014, including over 700,000 children. Of those children, 242,408, or more than one-third, were under the age of 6.

- **Continuation of the optional state asset test for FAP benefits.** Beginning in October 2011, DHS adopted an asset test for FAP eligibility that is not required under federal law. FAP households/groups must now have less than \$5,000 in assets, including the value of vehicles after certain exemptions.
- **No resolution of the “Heat and Eat” provisions of the federal Farm Bill.** The governor’s budget was released right before the Farm Bill was passed by Congress and therefore does not address federal cuts related to the “Heat and Eat” provisions of the bill. The Heat and Eat option, which has been utilized by 16 states including Michigan, allows states to use a standard utility allowance in determining food assistance benefits, including situations where eligible households receive a nominal \$1 per year in energy assistance through the Low Income Health and Energy Assistance Program (LIHEAP). As a result, Michigan has been able to enhance the very modest Food Assistance benefits for some households, particularly important on the heels of a cut in benefits for all FAP recipients in November of 2013 due to the loss of funds from the American Recovery and Reinvestment Act.

Under the new Farm Bill, the nominal LIHEAP payment was increased to a minimum of \$20 per year. Eight states, including New York, Pennsylvania, Connecticut, Rhode Island, Oregon, Montana, Massachusetts and Vermont have already announced that they will meet the new \$20 minimum and continue current benefits for low income families, while two additional states and the District of Columbia are considering the change.

The House Fiscal Agency estimates—based on Fiscal Year 2010 data—that continuing the Heat and Eat option in Fiscal Year 2015 will require an additional \$8.4 million in LIHEAP spending, but will prevent the loss of approximately \$250 million in federal food assistance. Failure to raise the LIHEAP payment to \$20 will result in the loss of \$88 per month in food assistance for more than 235,000 low income families.

House Subcommittee:

- The House subcommittee agrees with the governor on the projected FAP caseload of 890,000, as well as the loss of ARRA funding, resulting in a total cut in FAP funding of \$445.5 million.
- The House subcommittee also retains the FAP asset test.
- The subcommittee’s budget bill does not address the “Heat and Eat” provisions of the federal Farm Bill.

Senate Subcommittee:

- The Senate subcommittee concurred with the governor and the House on FAP caseloads and related funding.
- The Senate subcommittee also retained the FAP asset test.
- The subcommittee did not address the “Heat and Eat” provisions of the federal Farm Bill.

STATE DISABILITY ASSISTANCE AND SERVICES

Governor’s Budget:

- **A reduction in funding for State Disability Assistance of 14%.** The governor’s budget includes \$17.9 million for the SDA, down from the \$20.8 million appropriated in the current fiscal year. SDA caseloads have been decreasing since Fiscal Year 2010, in part because of efforts to ensure that SDA recipients who are eligible for federal Supplemental Security Income are transferred to that program.
- **A continued reduction in SDA cases.** The governor assumes that the SDA caseload will also fall by 14% from the level budgeted in the current fiscal year, with total cases of 6,693 next year.
- **An increase in funding for Michigan Rehabilitative Services.** The governor includes \$4.4 million (\$2.4 million in one-time funding) to allow DHS to draw down federal matching funds for rehabilitative services and avoid waiting lists.

House Subcommittee:

- The House subcommittee agrees with the governor on a caseload of 6,693 for SDA, a reduction in

funding of \$2.9 million in state General Funds, and total funding for SDA payments of \$17.9 million.

- The House subcommittee includes only \$2 million for Michigan Rehabilitative Services (down from the governor's recommendation of \$4.4 million), along with a \$100 "placeholder" to ensure later budget discussions about the remaining \$2.4 million that the governor designated as "one-time" funding.
- The House subcommittee appropriates \$1 million to expand a pilot project begun this year through the Centers for Independent Living, bringing total funding to \$2.5 million. The goal is to develop accessible, comprehensive and coordinated services for persons with disabilities to improve financial self-sufficiency.

Senate Subcommittee:

- The Senate subcommittee agrees with the governor's overall reduction in funding for SDA payments from \$20.8 million this year to \$17.9 million in Fiscal Year 2015, as well as the projected SDA caseload of 6,693.
- The Senate subcommittee agrees with the governor and expands funding for Michigan Rehabilitative Services by \$4.4 million. In addition, the subcommittee adds \$3 million to match \$11.1 million in funding in the Department of Corrections to provide vocational and other services to persons with histories of probation and parole violations (not currently incarcerated), as well as those with severe mental health needs.
- The Senate subcommittee also appropriates \$1 million to continue and expand the Center for Independent Living pilot project.
- The subcommittee includes new budget language that would limit the number of times persons could apply for disability assistance to two times per year—subject to federal approval.

STATE EMERGENCY SERVICES

Governor's Budget:

- **Continuation of current energy assistance policies and appropriations.** In addition to federal funding from the Low Income Home Energy Assistance Program (LIHEAP), in the past, Michigan received funds through the state's Public Service

Commission for energy assistance. After the courts ruled that the PSC did not have authority to collect restricted fee revenues, a decision that reduced funding by \$60 million annually, the Legislature approved a new surcharge on electric meters to fund the Michigan Energy Assistance Program (MEAP). The MEAP was created in state law (P.A. 615 of 2012), and required DHS to establish a consolidated energy assistance program with a single, simplified application. For Fiscal Year 2015, the governor includes nearly \$175 million in LIHEAP funding, as well as \$60 million for the MEAP.

- **Continuation funding for State Emergency Relief services,** including \$13.6 million for local DHS office emergency services, \$15.7 million for homeless services through the Salvation Army, \$4.3 million for indigent burial services, \$1.8 million for the Food Bank Council, and \$3 million for multicultural services.

House Subcommittee:

- The House subcommittee includes \$165 million for LIHEAP—\$10 million less than the governor—including approximately \$85 million for home heating credits and \$80 million for energy crisis assistance. The subcommittee used \$10 million in federal LIHEAP to fund the MEAP, reflecting a statutory cap on the new surcharge of \$50 million in collections, and bringing total spending for the MEAP in the House subcommittee budget to \$60 million.
- The House subcommittee concurs with the governor and provides \$13.6 million for local office emergency services, \$15.7 million for homeless programs, \$4.3 million for indigent burials, \$1.8 for food banks, and \$3 million for multicultural integration funding and the Chaldean Community Foundation.

Senate Subcommittee:

- The Senate subcommittee concurred with the governor, providing \$175 million for LIHEAP, and \$60 million for the MEAP.
- The Senate subcommittee includes a \$200,000 increase in funding for food banks, bringing total funding to nearly \$2 million.

CHILD WELFARE AND FAMILY SERVICES

Governor's Budget:

Foster Care and Protective Services

- **A slight increase in funding for foster care services.** The governor recommends \$190.3 million for foster care payments, up slightly from the \$187.7 million appropriated for this year.
- **A small reduction in projected foster care cases.** The governor cuts \$2.4 million (\$1 million state General Funds) to reflect a projected decline in foster care cases from 6,250 this year to 6,075 in Fiscal Year 2015. Foster care cases have been falling and, with the governor's projections, will be down 43% between Fiscal Years 2005 and 2015.
- **Funding to pay 100% of private agency administrative rates.** The governor includes a \$5 million increase in funding to pay 100% of the private child placing agency administrative rate for new cases entering care. Those costs are currently split between the state and counties.
- **An increase of 4% in the County Child Care Fund.** The governor includes \$178 million for the Child Care Fund, an increase of 4% over the current year appropriation. The Child Care Fund provides for the care and treatment of delinquent or maltreated children who are court wards and not eligible for federal payments through Title IV-E. The primary sources of funding for the Child Care Fund are state General Funds (49.8%) and federal TANF (48.5%).
- **Increased funding for medical and psychiatric evaluations of abused and neglected children.** The governor includes an additional \$2.1 million for medical and psychiatric evaluations for children in the child welfare system, increasing total funding from \$6.6 million to \$8.7 million.
- **Funding to launch a new performance-based contracting model for child welfare services.** The governor includes \$1.4 million for the first phase of a new financing model for child welfare services.

Adoption Services

- **A small decrease in funding for adoption subsidies.** The governor includes \$241 million for adoption subsidies, a small decrease from the current year appropriation of \$244 million. Subsidies are

provided to families adopting children with special needs, and include both cash and medical subsidies for pre-existing medical or mental health conditions. Adoption subsidy average monthly caseloads increased by 11% between Fiscal Years 2005 and 2010, and have since stabilized at approximately 27,000. The major sources of funding for adoption subsidies are Title IV-E (46%), state General Funds (33%), and federal TANF (21%).

- **An increase in incentive payments for private agencies finalizing adoptions.** The governor includes a total of \$3.2 million—an increase of 5%—for private agencies that are placing children for adoption, including incentive payments to encourage more timely adoption turnaround times.

Family Preservation and Prevention

- **No reinvestment in prevention and family preservation services.** The governor provides continuation funding for Strong Families/Safe Children (\$12.35 million), Family Reunification (\$3.98 million), and family preservation and prevention services programs (\$2.5 million). Small cuts were made in the Families First program (from \$17.2 million to \$16.9 million), and the Child Protection and Permanency program (\$13.2 million to \$12.9 million). Total funding for family preservation and prevention programs fell from \$60.6 million in Fiscal Year 2005 to \$49.3 million in the current fiscal year—a reduction of nearly 19%, in the face of a 20% increase in the number of substantiated victims of child abuse and neglect.

Other Child and Family Services

- **An increase in funding for domestic violence prevention.** The governor includes \$514,200 for domestic violence prevention and treatment programs, increasing total funding from \$15.2 million to \$15.7 million.
- **Small increase in funding for juvenile justice reentry services.** The governor recommends \$800,000 for services for youths in the juvenile justice system to ease their re-entry into the community.
- **Funding for the Healthy Michigan Plan call center.** The governor recommends \$20.6 million (all federal funding) for a call center for Healthy Michigan Plan/Medicaid applicants and recipients.

House Subcommittee:

Foster Care and Protective Services

- The House subcommittee recommends total funding for foster care payments of \$188.4 million, slightly below the governor's budget, but accepts the governor's estimated foster care caseload of 6,075, at a projected cost of \$28,061 per case for the year.
- The House subcommittee increases the Child Care Fund to \$185.2 million. The subcommittee agrees with the governor to pay 100% of the private agency administrative rate for new cases next year (rather than splitting costs with the counties), but appropriated those funds to the Child Care Fund, rather than to the foster care portion of the budget.
- The House subcommittee includes the governor's recommended increase in funding for incentive payments for private agencies that finalize adoptions in a timely manner (\$3.2 million).
- The subcommittee revises the goal limiting the number of children in foster care for longer than 24 months from 31% to 25%.
- The House subcommittee appropriates an additional \$3.7 million to increase rates paid to private agency residential care providers by slightly over 2%—provided the county match rate is eliminated for the increase.
- The House subcommittee agrees with the governor to fund the launching of a new performance-based contracting model for child welfare services. In addition to the \$1.4 million provided by the governor, the subcommittee provides \$100,000 for a technical assistance contract for Kent County—the first county to pilot the new financing approach. Under the subcommittee bill, Kent County would privatize all foster care and adoption services (not child protective services) by Oct. 31, 2014, with performance-based funding in place at that time.
- The House subcommittee accepts the governor's proposed increase in funding (additional \$2.1 million) for medical and psychiatric evaluations of abused and neglected children.

Adoption Services

- The House subcommittee agrees with the governor on the projected adoption subsidy caseload of

26,800 at an estimated cost of \$732 per month per case, as well as total spending for the program of \$241.1 million.

- The House subcommittee added budget language prohibiting DHS from using the income of the adoptive parent in determining eligibility for adoption support subsidies.
- The House subcommittee adds \$1 million for a "Parent to Parent" program to provide support for adoptive parents.

Family Preservation and Prevention

- The House subcommittee concurs with the governor's recommendation on funding for family preservation and prevention programs, with continuation funding for Strong Families/Safe Children, Family Reunification, and family preservation and prevention services programs, as well as small cuts in the Families First and Child Protection and Permanency programs.

Other Child and Family Services

- The House subcommittee allocates \$3 million for before- and after-school programs, as well as \$500,000 for a school success partnership program through the Northeast Michigan Community Services Agency.
- The House subcommittee approves the governor's recommendation of \$800,000 for services for youths in the juvenile justice system to ease their re-entry into the community.
- The House subcommittee cuts \$8.2 million (\$3 million in state General Fund) by closing the Maxey Training School for delinquent youths, transferring those youths to other facilities.
- The House subcommittee also approves \$20.6 million in federal funding for the Healthy Michigan Plan call center.
- The House subcommittee accepts the governor's proposed increase in funding for domestic violence and prevention services.
- The House subcommittee approves \$350,000 for the Michigan Reading Corps to provide literacy services and tutors for students in kindergarten through third grade who are identified as being at risk of reading failure.

Senate Subcommittee:

Foster Care and Protective Services

- The Senate subcommittee agrees with the governor on foster care caseloads and costs, projecting a decline in foster care cases to 6,075 next year, and a total reduction in related foster care costs of \$2.4 million.
- The Senate subcommittee agrees with the governor on a nearly \$7 million increase (4%) in the County Child Care Fund, with total funding of \$178 million.
- The Senate subcommittee agrees with the governor's recommendation to allocate \$1.4 million for the new performance-based contracting model for child welfare services.
- The Senate subcommittee increases funding for medical and psychiatric evaluations of children in the protective services and foster care systems by \$2 million over the governor's recommendation (an increase of \$2.1 million), bringing total funding up to \$10.7 million—up nearly 63% from the current fiscal year.
- The Senate subcommittee agrees with the governor in approving a \$5 million increase in funding to pay 100% of the private child placing agency administrative rate for new cases entering care.
- The Senate subcommittee includes \$300,000 to cover the costs foster parents incur in transporting their foster children to parent-child visitations.
- The Senate subcommittee revises budget language to change the goal of limiting the number of children in foster care for longer than 24 months from 31% to 30%.
- The Senate subcommittee adds new budget language requiring DHS to set clear policies for parent-child visitations, including written plans with a minimum of 3 hours per child per week.

Adoption Services

- The Senate subcommittee concurs with the governor and includes \$241 million for adoption subsidies, a decrease of \$2.9 million from the current year based on a projected drop in the caseload of 350 cases to 26,800.

- The Senate subcommittee increases funding for incentives payments for private agency adoptions by only 3.3% (compared to the 5% recommended by the governor), for a total increase of \$2.2 million.
- The Senate subcommittee includes \$18.8 million to allow adoptive parents to claim enhanced payment rates for children who had special needs that existed at the time of adoption, but were not identified until later. Adoptive parents would be allowed to receive the enhanced rate one time for any eligible child from birth to age 18. This recommended change is in response to complaints filed by adoptive parents claiming that they were not notified that their adopted children had special needs, and includes physically disabled children needing greater supervision and care, as well as children with special mental health needs, requiring special diets, or with antisocial behaviors.
- The Senate subcommittee includes budget language prohibiting DHS from negotiating adoption subsidies that are below the standard payment for foster care.

Family Preservation and Prevention

- The Senate subcommittee concurs with the governor's recommendation on funding for family preservation and prevention programs, with continuation funding for Strong Families/Safe Children, Family Reunification, and family preservation and prevention services programs; and small cuts in the Families First and Child Protection and Permanency programs.

Other Child and Family Services

- The Senate subcommittee agrees with the governor's recommended increase in funding for domestic violence prevention and treatment.
- The Senate subcommittee includes \$125,000 in state funds to match federal funding for the Michigan Reading Corps—for the purpose of literacy and tutoring services for children in kindergarten through third grade—as well as \$300,000 to expand the School Success Partnerships program to four new counties through the Northeast Michigan Community Services Agency.

- The Senate subcommittee includes \$2.9 million for a database to track youths in the juvenile justice system.
- The Senate subcommittee includes \$500,000 to expand grants to rural communities to fund new and expanded in-home juvenile justice programs, bringing total funding to \$1.5 million.
- The Senate subcommittee includes the governor's proposed increase in funding for juvenile justice reentry services of \$800,000.
- The Senate subcommittee includes funding for the Healthy Michigan Plan call center (\$20.6 million in federal funds).