

## Senate and House Approve DHS FY 2015 Budget

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. Differences between the Senate and House versions will now be reconciled in a joint House/Senate conference committee.



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 further reduce total funding for DHS. The governor’s budget cuts DHS by \$427 million or 7.1% from current year-to-date spending. The Senate cuts DHS by 7.4% or \$448 million, while the House reduces funding by \$466 million or 7.7%.

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 a new asset test 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.

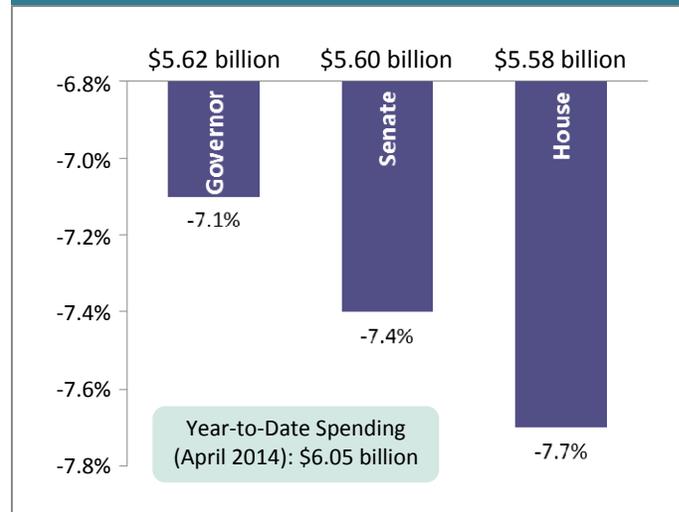
DHS administers a range of services, including the Family Independence Program; the Food Assistance Program; State Disability Assistance; State Emergency Relief; and child protective, foster care, adoption and juvenile justice services. Decisions made by the Legislature will affect nearly 2.4 million 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 \$152 million for the FIP program, a reduction of 29% from the current level of \$214.3 million. The

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



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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. The governor projects monthly Extended-FIP caseloads of 1,105 next year, down by 155 cases.
- **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.
- **New contract to verify eligibility for public assistance.** The governor includes \$5 million for a contract to verify assets and other financial information for public assistance applicants and recipients.

#### HOUSE:

- The House agrees with the governor's recommended FIP caseload of 33,200, and total funding of \$152 million.
- The House also allocates \$2.9 million for the annual FIP children's clothing allowance, but expands eligibility to *all* FIP children ages 4 through 18.

- The House 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 notifies families of their eligibility.
- The House agrees with the governor's expansion of out-stationed workers, but reduces the number of non-child welfare DHS staff by 150 (\$19.3 million) to offset the expected increase in donated funds positions.
- The House concurs with the governor and includes \$5 million for a contract to verify assets and other financial information of public assistance applicants and recipients.

#### SENATE:

- The Senate 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 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 agrees with the governor's expansion of out-stationed workers by \$19.3 million and 150 full-time positions.
- The Senate agrees with the governor by continuing to count minimal Extended-FIP benefits against families' lifetime limits. The Senate retains the current requirement to notify families that Extended-FIP will count toward federal and state lifetime limits.
- The Senate 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!
- The Senate concurs with the governor and the House by including \$5 million for a contract to verify

assets and other financial information of public assistance applicants and recipients.

## 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:

- The House 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 also retains the FAP asset test.
- The House budget bill does not address the "Heat and Eat" provisions of the federal Farm Bill.

### SENATE:

- The Senate concurred with the governor and the House on FAP caseloads and related funding.
- The Senate also retained the FAP asset test.
- The Senate 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), allowing DHS to draw down an additional \$14.8 million in federal matching funds for rehabilitative services and avoid waiting lists.

- **Additional disability determination staff.** The governor’s budget includes an additional \$20.6 million in available federal funding, allowing the state to add 80 staff positions to determine eligibility for disability services.

#### HOUSE:

- The House 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 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 appropriates an additional \$1 million for the Centers for Independent Living for accessible, comprehensive and coordinated services for persons with disabilities—with the goal of improving financial self-sufficiency.
- The House concurs with the governor on the expansion of federal disability determination workers.

#### SENATE:

- The Senate 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 agrees with the governor and expands funding for Michigan Rehabilitative Services by \$4.4 million, drawing down an additional \$14.8 million in federal funds. In addition, the Senate 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 concurs with the governor on the expansion of federal disability determination workers, and takes savings of \$2.2 million in the budget, assuming that additional staff support would reduce the average number of months individuals would receive state disability assistance from 12 months to 9 months (for half the caseload).

- The Senate agrees with the House and appropriates \$1 million to continue and expand the Center for Independent Living project.
- The Senate 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:

- The House 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 House uses \$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 budget to \$60 million.

- The House 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:

- The Senate concurs with the governor, providing \$175 million for LIHEAP, and \$60 million for the MEAP.
- The Senate 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, including \$1 million in state General Fund) 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 reduc-

tion 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 \$20.3 million for a call center for Healthy Michigan Plan/Medicaid applicants and recipients.

### **HOUSE:**

#### *Foster Care and Protective Services*

- The House 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 increases the Child Care Fund to \$185.2 million. The House 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 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 House revises the goal limiting the number of children in foster care for longer than 24 months from 31% to 25%.
- The House appropriates an additional \$3.7 million (including \$3.3 million in state funds) 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 agrees with the governor to fund the launching of a new performance-based contracting model for child welfare services. The House shifts \$100,000 of state funds (from the total \$1.4 million recommended by the governor) for a technical assistance contract for Kent County—the first county to pilot the new financing approach. Under the House 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 expands the governor's proposed increase in funding for medical and psychiatric evaluations of abused and neglected children by \$100,000 to a total of \$2.2 million.

#### *Adoption Services*

- The House 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 concurs with the governor and adds \$3.2 million in state funds for incentives for private agency adoptions.
- The House adds budget language prohibiting DHS from using the income of the adoptive parent in determining eligibility for adoption support subsidies.
- The House adds \$1 million for a "Parent to Parent" peer mentoring program to provide support for adoptive parents.

#### *Family Preservation and Prevention*

- The House 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 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 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 cuts \$8.1 million (\$3 million in state General Fund) by closing the Maxey Training School for delinquent youths, transferring those youths to other facilities.
- The House approves \$20.3 million for the Healthy Michigan Plan call center.
- The House accepts the governor’s proposed increase in funding for domestic violence and prevention services.
- The House 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:**

### *Foster Care and Protective Services*

- The Senate 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 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 agrees with the governor’s recommendation to allocate \$1.4 million for the new performance-based contracting model for child welfare services.
- The Senate 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, for a total increase of \$4.1 million. Total funding would rise to \$10.7 million—up nearly 63% from the current fiscal year.
- The Senate 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 includes \$300,000 to cover the costs foster parents incur in transporting their foster children to parent-child visitations.

- The Senate 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 adds new budget language requiring DHS to set clear policies for parent-child visitations, including written plans with a minimum of three hours per child per week.

### *Adoption Services*

- The Senate 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 increases funding for incentive payments for private agency adoptions by only 3.3% (compared to the 5% recommended by the governor and approved by the House), for a total increase of \$2.2 million.
- The Senate 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 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 includes budget language prohibiting DHS from negotiating adoption subsidies that are below the standard payment for foster care.

### *Family Preservation and Prevention*

- The Senate 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 agrees with the governor's recommended increase in funding for domestic violence prevention and treatment.
- The Senate 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 includes \$2.9 million for a database to track youths in the juvenile justice system, funding not included in the governor's budget or the House budget.
- The Senate 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 includes the governor's proposed increase in funding for juvenile justice re-entry services of \$800,000.
- The Senate includes \$20.3 million for the Healthy Michigan Plan call center.
- The Senate includes budget language requiring the DHS to work with the Department of Community Health and the Michigan State Housing Development Authority to establish a lead abatement task force with recommendations by March 1, 2015. Senate language also requires the DHS and Community Action Agencies to give first priority for weatherization services to families with children with elevated blood lead levels.