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SFA



BILL ANALYSIS

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Senate Bill 817 (as enrolled)
Sponsor: Senator Shirley Johnson
Senate Committee: Families, Mental Health and Human Services
House Committee: Family and Children Services

PUBLIC ACT 280 of 2001

Date Completed: 3-28-02

CONTENT

The bill amended the Social Welfare Act to do all of the following:

- **Require the Family Independence Agency (FIA) to use an electronic benefit transfer system to distribute food stamps.**
- **Rescind certain administrative rules pertaining to the food stamp and family independence assistance programs.**
- **Revise provisions pertaining to initial family independence assistance eligibility after participation in a joint orientation program.**
- **Delete from "social contract" requirements for family independence assistance a 20-hour employment requirement and require, instead, certain activities for up to 40 hours per week.**
- **Revise Work First (employment and training) requirements, including some of the exemptions to them.**
- **Revise penalty provisions for noncompliance with certain requirements for receiving family independence assistance, including child support requirements.**
- **Require the FIA to report to the Legislature.**

The bill took effect on March 22, 2002. The bill specifies that sections revising exemptions from Work First requirements and revising the FIA's penalty system for noncompliance do not apply after December 31, 2004.

Food Stamps & Rule Rescission

The bill requires that the FIA use an electronic benefit transfer system for distribution of food

stamps. The bill specifies that, to the extent that rules or parts of rules promulgated under the Act conflict with this requirement, the bill supersedes those rules or parts of rules.

The bill rescinded the following rules of the Michigan Administrative Code:

- R 400.3002 through R. 400.3004, which provided for food stamp groups to receive warrants instead of food stamp coupons in certain situations.
- R 400.3007, which dealt with disqualification or penalty for noncompliance with certain requirements.
- R 400.3008, which provided for application for food stamp benefits after denial or case closure.
- R 400.3012, which contained food stamp eligibility requirements for a person in food stamp student status.
- R 400.3013, which provided that a person who was on strike on the last day of a calendar month and his or her spouse or children, if they lived with the striker, were excluded from food stamp eligibility.
- R 400.3125, which provided that failure to cooperate in obtaining child support without good cause resulted in disqualification, causing a minimum one-month period of ineligibility for Family Independence Program (FIP) benefits for the person who failed to cooperate. Under the rule, remaining family group members could continue to receive benefits, but the entire case was closed if the noncooperating person remained disqualified for four consecutive months.

Family Independence Assistance

Initial Eligibility. Under the Act, the

Department of Career Development (DCD) and the FIA must conduct joint orientation sessions for family independence assistance applicants. After the FIA makes an initial determination that an adult or a child 16 years old or older who is not attending elementary or secondary school full-time might be eligible for family independence assistance, that individual must attend a joint orientation session before receiving family independence assistance, as a condition of eligibility. After completing the orientation, the individual and the FIA must develop the family's social contract. (Under the Act, each family receiving family independence assistance must execute a social contract outlining the responsibilities of members of the family independence assistance group.)

The bill deleted a requirement that the FIA provide family independence assistance to the family for up to two months, if all eligibility criteria were met, and a requirement that the FIA review the individual's compliance with the social contract by the end of two months after the orientation session.

The Act previously provided that, if an individual failed to cooperate with Work First, the family was ineligible for further family independence assistance, after the initial two months, and if the individual failed to cooperate with any other social contract requirement, the FIA had to impose penalties as provided under the Act. The bill specifies, instead, that if an individual fails to cooperate with Work First, joint orientation, or other required employment and training activities, the family is ineligible for family independence assistance, and the FIA must impose penalties if the individual fails to comply with Work First activities, employment and training activities, or child support requirements. The bill also specifies that the FIA may impose penalties if the individual fails to comply with his or her social contract requirements. (Work First is a program of employment and training administered by the DCD for applicants and recipients of family independence assistance.)

Social Contract. Under the Act, a social contract must reflect the individual needs and abilities of the particular family. This requirement included, among other things, the obligation of each adult to engage in at least 20 hours per week of employment, Work First activities, education or training, community

service activities, or self-improvement activities. The bill deleted the 20-hour minimum and requires instead that the social contract include the obligation of each adult to engage in employment or the other listed activities as determined appropriate by the FIA, up to 40 hours per week.

The Act requires the FIA to monitor each family's compliance with the social contract. The bill deleted a requirement that the FIA impose penalties under the Act if a family failed to comply with the compliance goals set forth in the social contract.

Work First. Except as otherwise provided for certain individuals, the Act requires every member of a family independence group to be referred to and participate in Work First. The bill deleted a provision under which, if a recipient had cooperated with Work First but the Work First agency determined that a job was not available, the recipient could enroll in a program that was specifically job-related and of no more than two years' duration that was offered by a college or university, community college, State-licensed vocational or technical education program, or State-licensed proprietary school. Instead, the bill provides that, if a recipient has cooperated with Work First, he or she may enroll in a program approved by the local workforce development board. The bill specifies that any and all training or education, with the exception of high school completion and GED preparation, must be occupationally relevant and in demand in the labor market as determined by the local workforce development board, and may be of no more than two years' duration.

Under the Act, certain individuals are exempt from Work First requirements. The bill removed from that list an individual who was working a minimum number of hours determined by the FIA to be necessary to meet Federal requirements.

The following also have been exempt from Work First requirements:

- A recipient of Social Security disability or medical assistance due to disability or blindness.
- An individual suffering from a physical or mental impairment that meets Federal Supplemental Security Income (SSI)

disability standards, except that no minimum duration is required.

- The spouse of a person described above who is the full-time caregiver of that individual.
- A parent or caretaker of a child who is suffering from a physical or mental impairment that meets the SSI standards, except that no minimum duration is required.

Under the bill, those individuals are exempt from Work First requirements only to the extent that an individual, based on medical evidence and an assessment of need by the FIA, is severely restricted in his or her ability to participate in employment or training activities.

The Act previously exempted from participation in Work First the mother of a child under three months old. The Act specified that, beginning six weeks after the birth of a child until the child was three months old, the FIA could "permit" a mother exempted from Work First to receive instruction in parenting, nutrition, and child development as fulfillment of her social contract obligation. Under the bill, that exemption applies to either parent of a child under three months old and the FIA may "require" the parent's participation in family services, including instruction in parenting, nutrition, and child development, in order to fulfill his or her social contract obligation.

Penalties

The Act required the FIA to develop a system of penalties to be imposed if a recipient failed to comply with the compliance goals set forth in the family independence assistance group's social contract or committed fraud. Under the bill, the penalties must be imposed if a recipient fails to comply with applicable rules or the section of the Act dealing with penalties. The bill provides that the system of penalties must include a requirement that Family Independence Program benefits be terminated if a recipient, without good cause, fails to comply with applicable child support requirements, including efforts to establish paternity and obtain child support. The assistance group is ineligible for FIP assistance for at least one calendar month. After termination for not less than one calendar month, assistance may be restored if the noncompliant recipient complies with child

support requirements.

Also, for any instance of noncompliance, the FIA must determine if good cause for noncompliance exists, before determining that a penalty is to be imposed. The FIA must notify the recipient that he or she has 10 days to demonstrate good cause for noncompliance. If good cause is not determined to exist, assistance must be terminated. After termination, the assistance group is ineligible for FIP assistance for at least one calendar month.

For purposes of the penalty provisions, the bill defines "noncompliance" as one or more of the following:

- A recipient quits a job.
- A recipient is fired for misconduct or for absenteeism without good cause.
- A recipient voluntarily reduces the hours of employment or otherwise reduces earnings.
- A recipient does not participate in Work First activities.

The bill also allows the FIA to impose a penalty if a recipient does not meet his or her individual social contract requirements.

Under the bill, after termination for noncompliance, the assistance group is ineligible for FIP assistance for at least one calendar month. After assistance has been terminated for at least one month, it may be approved if the recipient completes a "willingness to comply" test. "Willingness to comply" means participating, within 10 working days, in Work First or other self-sufficiency activities for up to 40 hours. The bill requires that, at the time a penalty is imposed, the FIA provide the recipient with written notice of his or her option to reapply immediately for FIP benefits and that he or she may complete a willingness to comply test during the penalty period.

FIA Report

The bill requires the FIA to submit a report for the period between February 1, 2002, and December 31, 2002, to the Legislature, the Senate and House Fiscal Agencies, and the Senate and House committees that handle family and children's issues. The report must contain all of the following for that time period:

- The number of sanctions imposed and reapplications made.
- The number of FIP cases reopened.
- The number of referrals to emergency shelters by the FIA.
- The number of sanctions imposed on families with at least one disabled parent.
- The number of sanctions imposed on families with disabled children.

MCL 400.14h et al.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill will have an indeterminate fiscal impact on State government. The elimination of a two-month "grace" period, and the termination of assistance for failure to cooperate immediately with work-related requirements, such as Work First orientation, social contract, or employment and training activities, will result in quicker case closure. A reduction of open cases of individuals expected to work and persons with temporary deferrals will result in fewer grant payments. Any Federal or State fund savings that might result, however, will be offset by the expenditure of State and Federal funds. Unlike other states, Michigan does not close cases once the Federal assistance five-year time limit is reached, but uses State General Fund/General Purpose dollars to fund those cases. In addition, Michigan is spending more Federal Temporary Assistance for Needy Families (TANF) funds for FIP grant payments than originally anticipated. The increase in FIP payments is a result of the State's economic recession as it contributes to the growth in the FIP caseload, due to fewer available employment hours and a decrease in job placement activity, for example.

Fiscal Analyst: Connie Cole

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.