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SFA

BILL ANALYSIS

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Senate Bill 817 (Substitute S-1 as passed by the Senate)
Sponsor: Senator Shirley Johnson
Committee: Families, Mental Health and Human Services

Date Completed: 12-3-01

CONTENT

The bill would amend 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.**

The bill would take effect on January 1, 2002.

Food Stamps & Rule Rescission

The bill would require 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 conflicted with this requirement, the bill would supersede those rules or parts of rules.

The bill would rescind the following rules of the Michigan Administrative Code:

- R 400.3002 through R. 400.3004, which provide for food stamp groups to receive warrants instead of food stamp coupons in certain situations.
- R 400.3007, which deals with disqualification or penalty for noncompliance with certain requirements.
- R 400.3008, which provides for application for food stamp benefits after denial or case closure.
- R 400.3012, which contains food stamp eligibility requirements for a person who is in food stamp student status.
- R 400.3013, which provides that a person who is on strike on the last day of a calendar month and his or her spouse or children, if they live with the striker, are excluded from the food stamp eligibility.
- R 400.3125, which provides that failure to cooperate in obtaining child support without good cause results 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 may continue to receive benefits, but the entire case is closed if the noncooperating person remains 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 would delete a requirement that the FIA provide family independence assistance to the family for up to two months, if all eligibility criteria are 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 provides that, if an individual fails to cooperate with Work First, the family is ineligible for further family independence assistance, after the initial two months, and if the individual fails to cooperate with any other social contract requirement, the FIA must impose penalties as provided under the Act. The bill specifies, instead, that if an individual failed to cooperate with Work First, joint orientation, or other required employment and training activities, the family would be ineligible for family independence assistance, and the FIA would have to impose penalties if the individual failed to comply with Work First activities, employment and training activities, or child support requirements. The bill also specifies that the FIA could impose penalties if the individual failed 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 and must include, among other things, the obligation of each adult to engage in at least 20 hours of employment per week, Work First activities, education or training, community service activities, or self-improvement activities. The bill would delete the 20-hour employment minimum and would require instead that the social contract include the obligation of each adult to engage in employment, Work First activities, education or training, community service activities, or self-improvement 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 would delete 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 would delete a provision under which, if a recipient has cooperated with Work First but the Work First agency determines that a job is not available, the recipient may enroll in a program that is specifically job-related and of no more than two years' duration that is offered by a college or university, community college, State-licensed vocational or technical education program, or State-licensed proprietary school.

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

The following also are 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 Federal SSI standards, except that no minimum duration is required.

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

Penalties

The Act requires the FIA to develop a system of penalties to be imposed if a recipient fails to comply with the compliance goals set forth in the family independence assistance group's social contract or commits fraud. Under the bill, the penalties would have to be imposed if a recipient failed to comply with applicable rules or the section of the Act dealing with penalties. The bill would require that the system of penalties include all of the following:

- Family Independence Program benefits would have to be terminated if a recipient failed to comply with applicable child support requirements, including efforts to establish paternity and obtain child support. The assistance group would be ineligible for FIP assistance for at least one calendar month. After termination for not less than one calendar month, assistance could be restored if the noncompliant recipient complied with child support requirements.
- For the first instance of noncompliance, the FIA would have to determine within 10 days of notifying the recipient if good cause for noncompliance existed. If good cause were not determined to exist, assistance would have to be terminated. After termination, the assistance group would be ineligible for FIP assistance for at least one calendar month.
- For a second or subsequent instance of noncompliance, the FIA would have to take action to terminate FIP assistance and notify the recipient that he or she would have 10 days to demonstrate good cause or assistance would be terminated. After termination, the assistance group would be ineligible for FIP assistance for at least one calendar month.

For purposes of the penalty provisions, "noncompliance" would mean one or more of the following:

- A recipient quit a job.
- A recipient was fired for misconduct or for absenteeism without good cause.
- A recipient voluntarily reduced the hours of employment or otherwise reduced earnings.
- A recipient did not participate in Work First activities.
- Other instances as determined by the FIA.

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

After termination for noncompliance, the assistance group would be ineligible for FIP assistance for at least one calendar month. After assistance had been terminated for at least one month, it could be restored if the person completed a "willingness to comply" test. "Willingness to comply" would mean participating, within 10 working days, in Work First or other self-sufficiency activities for up to 40 hours.

MCL 400.57d et al.

Legislative Analyst: P. Affholter

FISCAL IMPACT

The bill would 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, employment and training activities, would result in quicker case closure. A reduction of open cases of individuals expected to work and persons with temporary deferrals would result in fewer grant payments. Any Federal or State fund savings that might result, however, would 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: C. 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.