



Background Briefing

HUMAN SERVICES

Kevin Koorstra, Senior Fiscal Analyst

December 2012

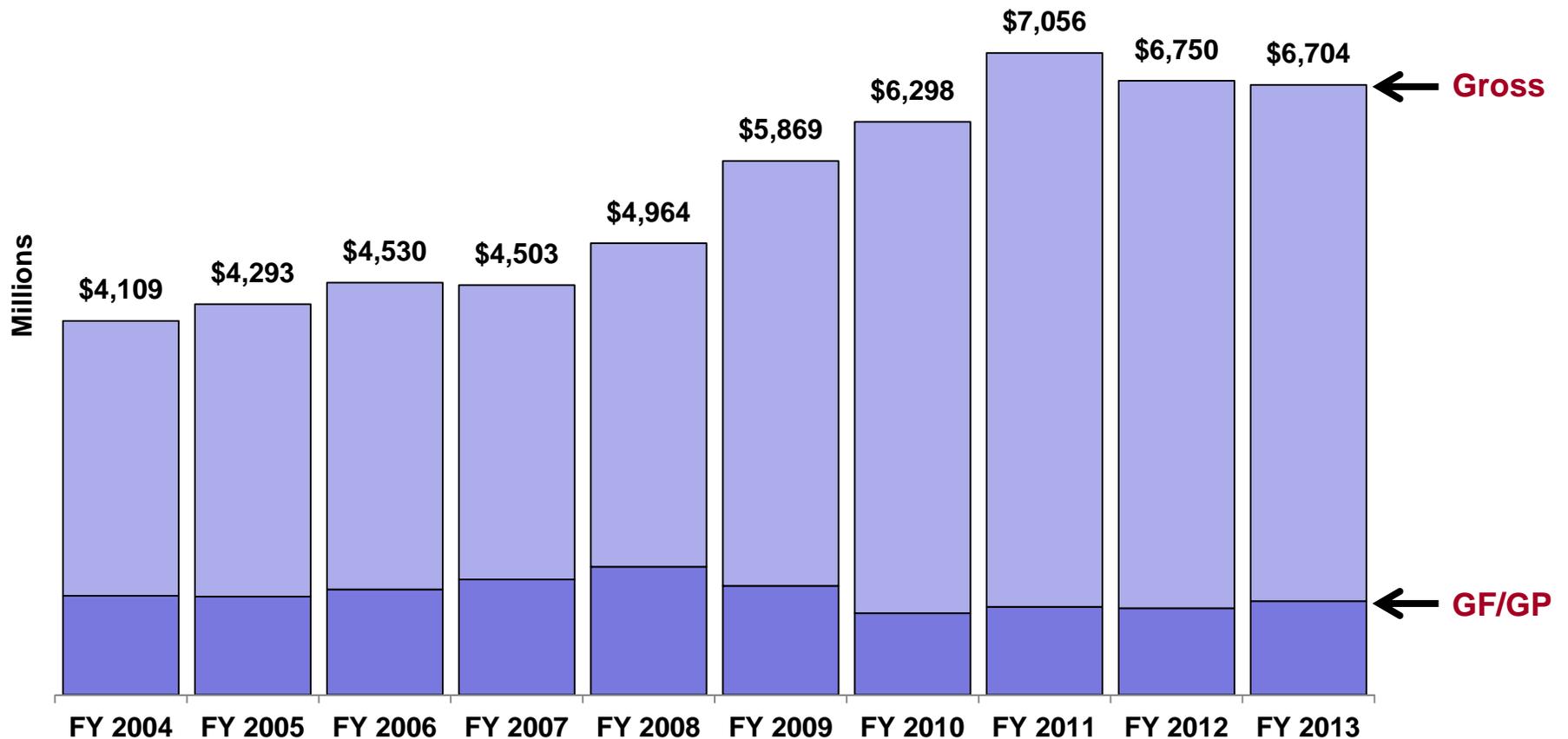
The fiscal information in this background briefing is based on data through December 31, 2012.

Department of Human Services (DHS)

- Michigan's public assistance, child and family welfare agency
- Administers a wide range of assistance and service programs through network of county and district DHS offices
- DHS mission: "Improving the quality of life in Michigan by providing services to vulnerable children and adults that will strengthen the community and enable families and individuals to move toward independence."
- DHS vision:
 - Compassion
 - Protection
 - Independence

Human Services Gross Appropriations

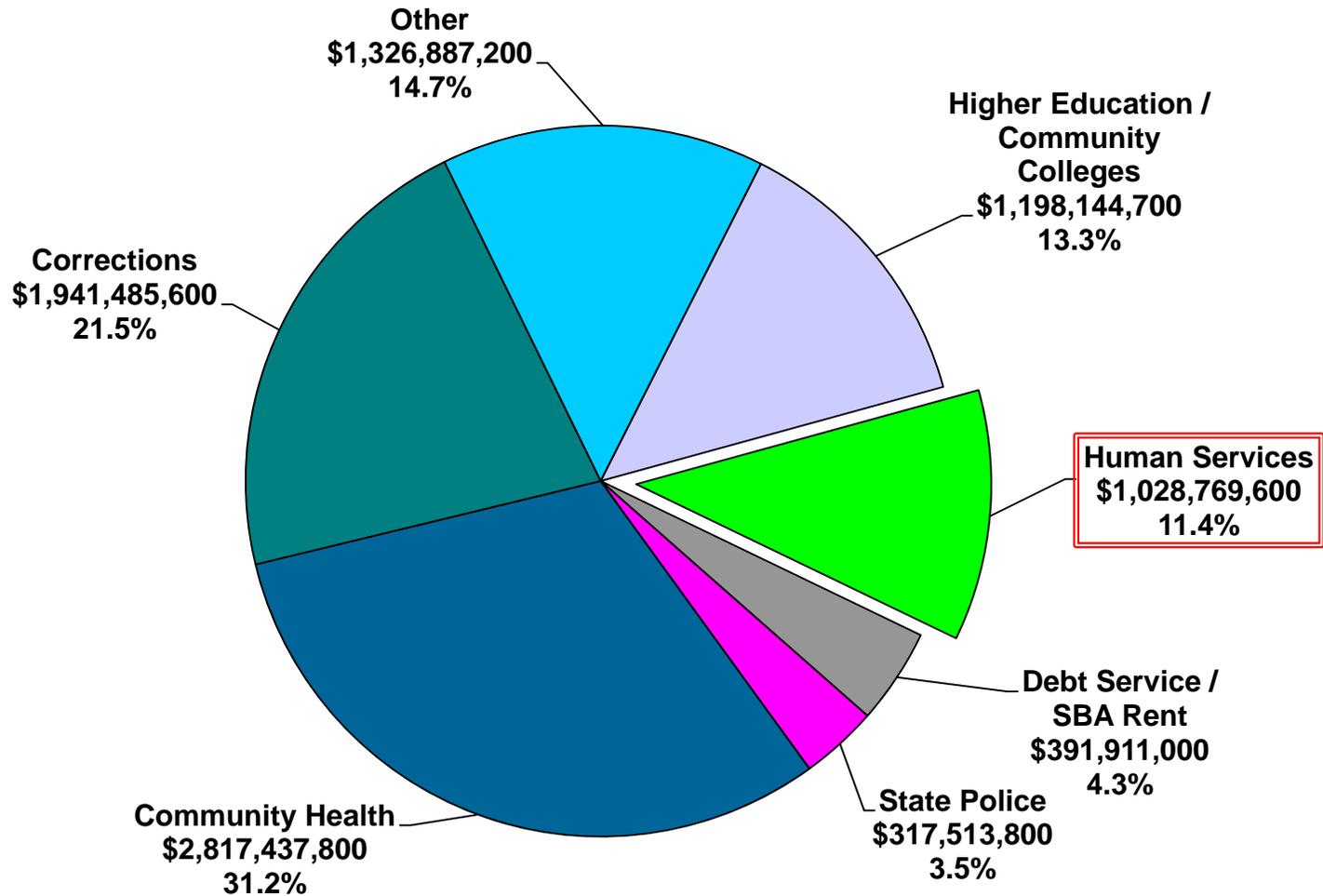
Gross appropriations increased by an average of 9.4% annually from FY 2006-07 to FY 2010-11, driven mostly by growth in federal food assistance caseloads; Gross appropriations have since declined primarily through public assistance programs



Human Services Share of State GF/GP

Human Services makes up 11.4% of the total state GF/GP budget

FY 2012-13 GF/GP Total = \$9,022,149,700



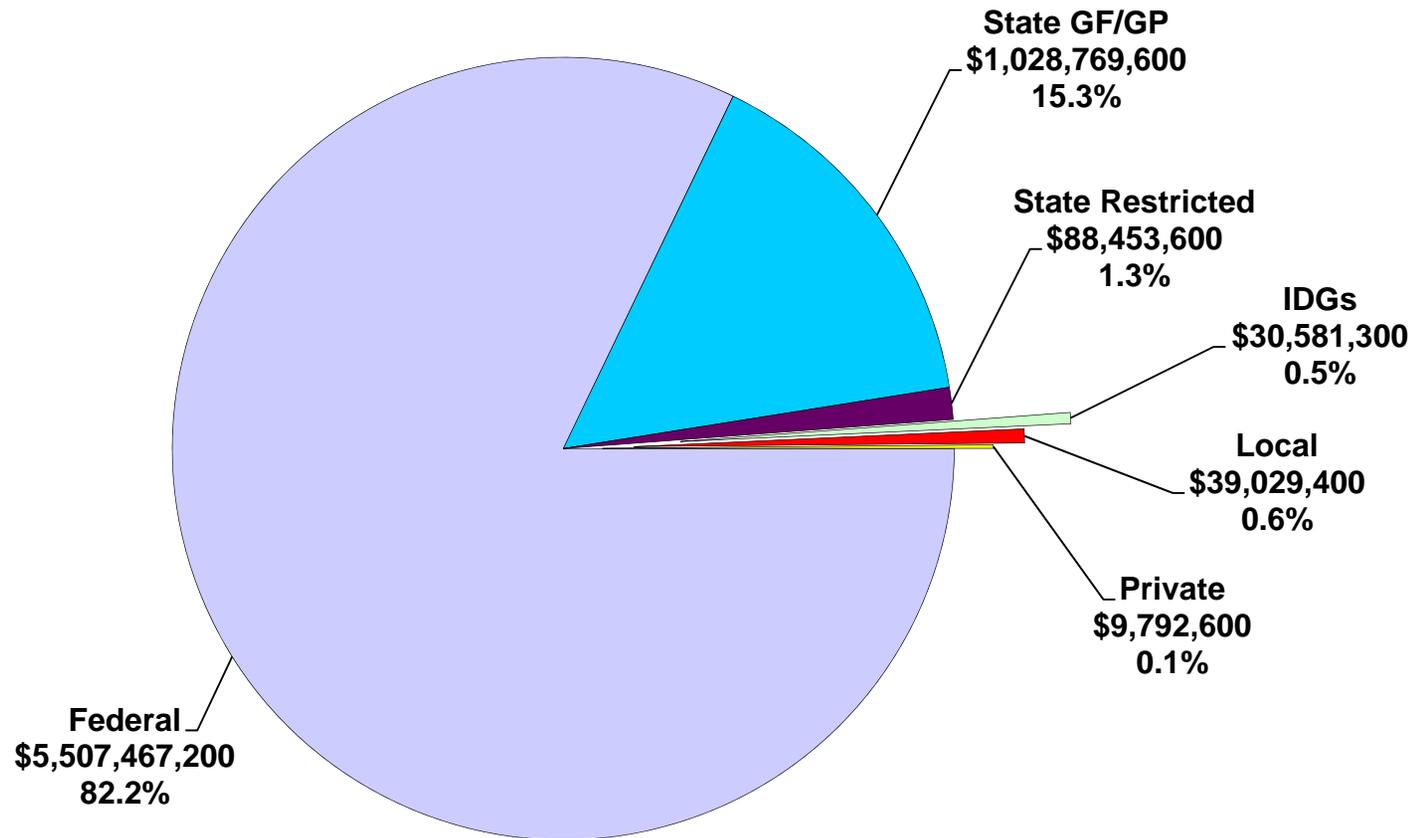
SOURCES OF FUNDING

Human Services Revenue Sources

- **FY 2012-13 DHS budget = \$6.7 billion; 15.3% is GF/GP**
- **82.2% of DHS revenue is federal**
 - **Food Assistance Program benefits (52.5% of all revenue)**
 - **Temporary Assistance for Needy Families (TANF)**
 - **Other major federal sources**
 - **Title IV-D: Child Support Program**
 - **Title IV-E: Foster Care/Adoption Assistance**
 - **Title XIX: Medicaid**
 - **Title XX: Social Services Block Grant**
 - **LIHEAP: Low-Income Home Energy Assistance Program**
- **Local and restricted revenue (1.9% of budget) includes:**
 - **County payments toward child welfare services**
 - **Retained child support**
 - **Merit Award Trust Fund**
 - **Supplemental Security Income recoveries**
- **Almost all IDG revenue is from Department of Education for Child Development and Care program administration**

Human Services Revenue Sources

FY 2012-13 Total = \$6,704,093,700



DEPARTMENT APPROPRIATIONS

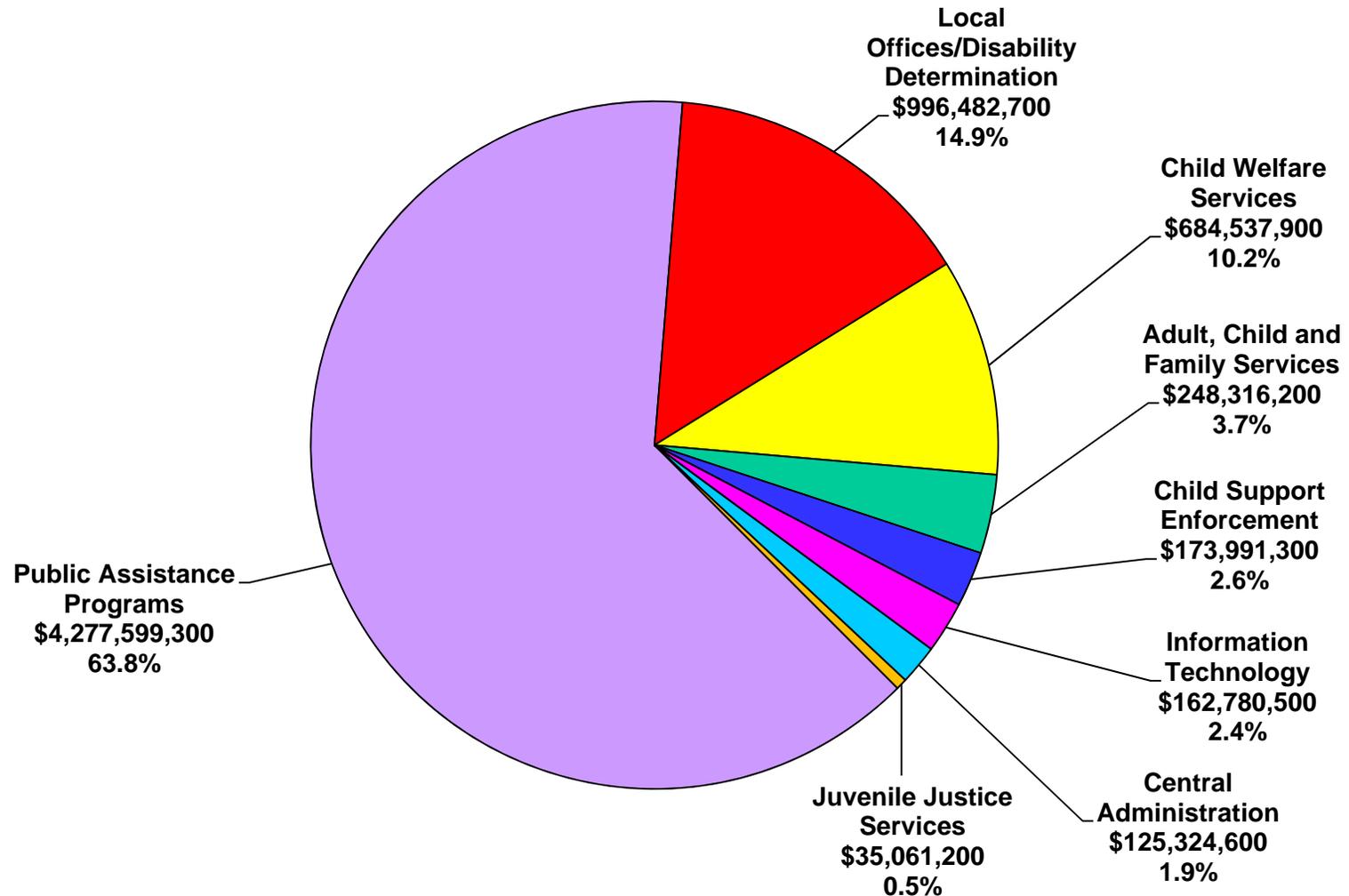
Human Services Appropriations

The Human Services budget is allocated into the following major spending areas:

- **Public Assistance Programs**
- **Child Welfare Services**
- **Local Offices/Disability Determination**
- **Child Support Enforcement**
- **Adult, Child and Family Services**
- **Juvenile Justice**
- **Central Administration**
- **Information Technology**

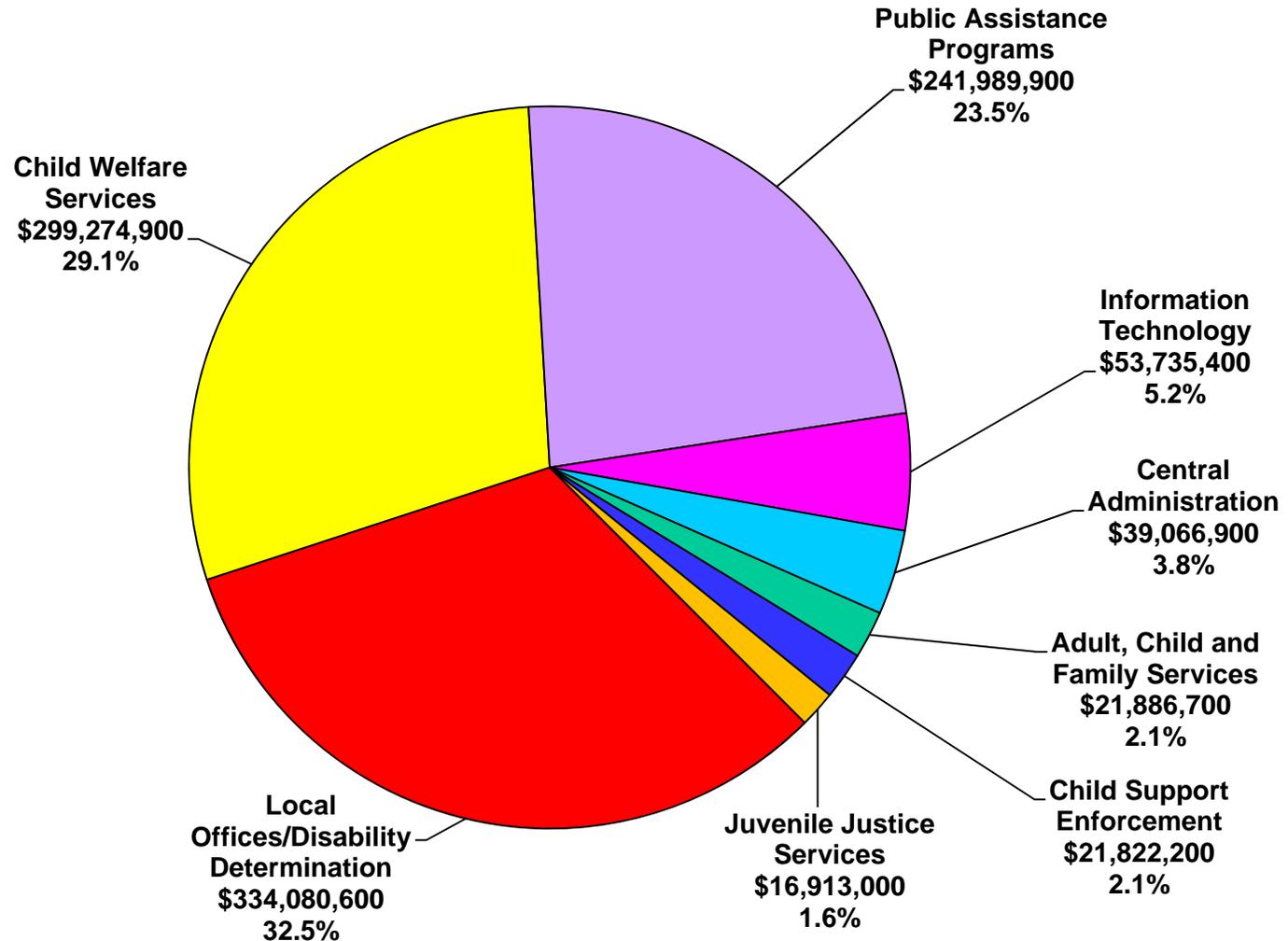
DHS Gross Appropriations by Category

FY 2012-13 Total = \$6,704,093,700



DHS GF/ GP Appropriations by Category

FY 2012-13 Total = \$1,028,769,600

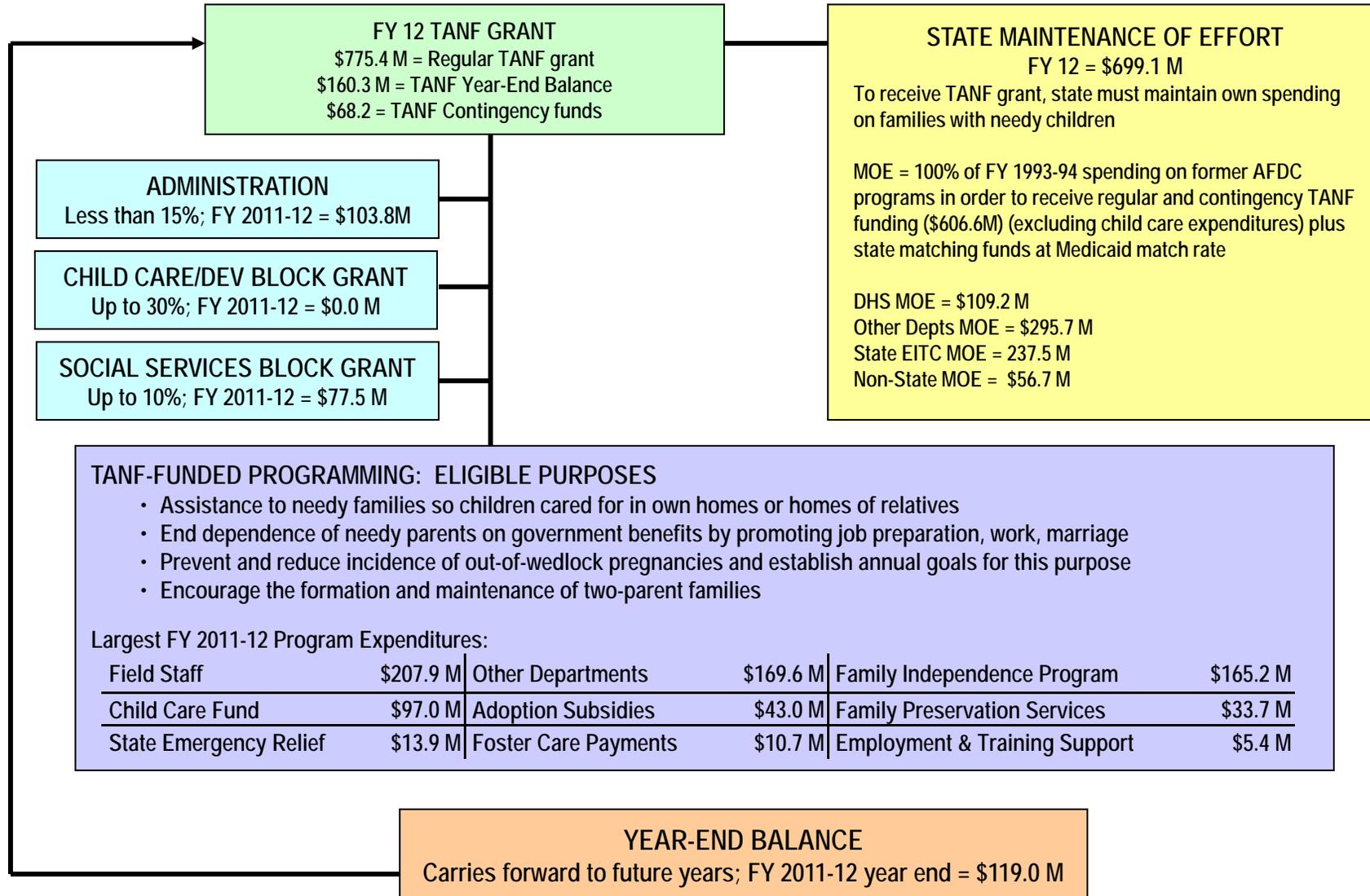


MAJOR BUDGET ISSUES

Temporary Assistance for Needy Families

- **Block grant established in 1996 by federal welfare reform legislation (replaced former Aid to Families with Dependent Children)**
- **State family assistance grants can be used to assist families with minor children or pregnant women**
- **State plan must outline:**
 - **Details of cash assistance program for needy families**
 - **Work requirements for parents, whichever one is earlier:**
 - **Once State determines the parent is ready to engage in work, or**
 - **Once the parent has received assistance for 24 months**
 - **Plan to comply with work participation requirements**
 - **Goals to prevent and reduce the incidence of out-of-wedlock pregnancies**
- **Federal lifetime limit of 60 months TANF assistance for recipients with State option for a hardship exception up to 20% of the caseload**
 - **States allowed to use their own funds to negate federal time limit**
 - **Beginning October 1, 2007, Michigan law set a 48-month state lifetime limit on assistance with various exemptions**
 - **Beginning October 1, 2011, Michigan allows a limited number of TANF-funded cases to exceed the federal 60-month lifetime limit**

Overview of TANF Funding



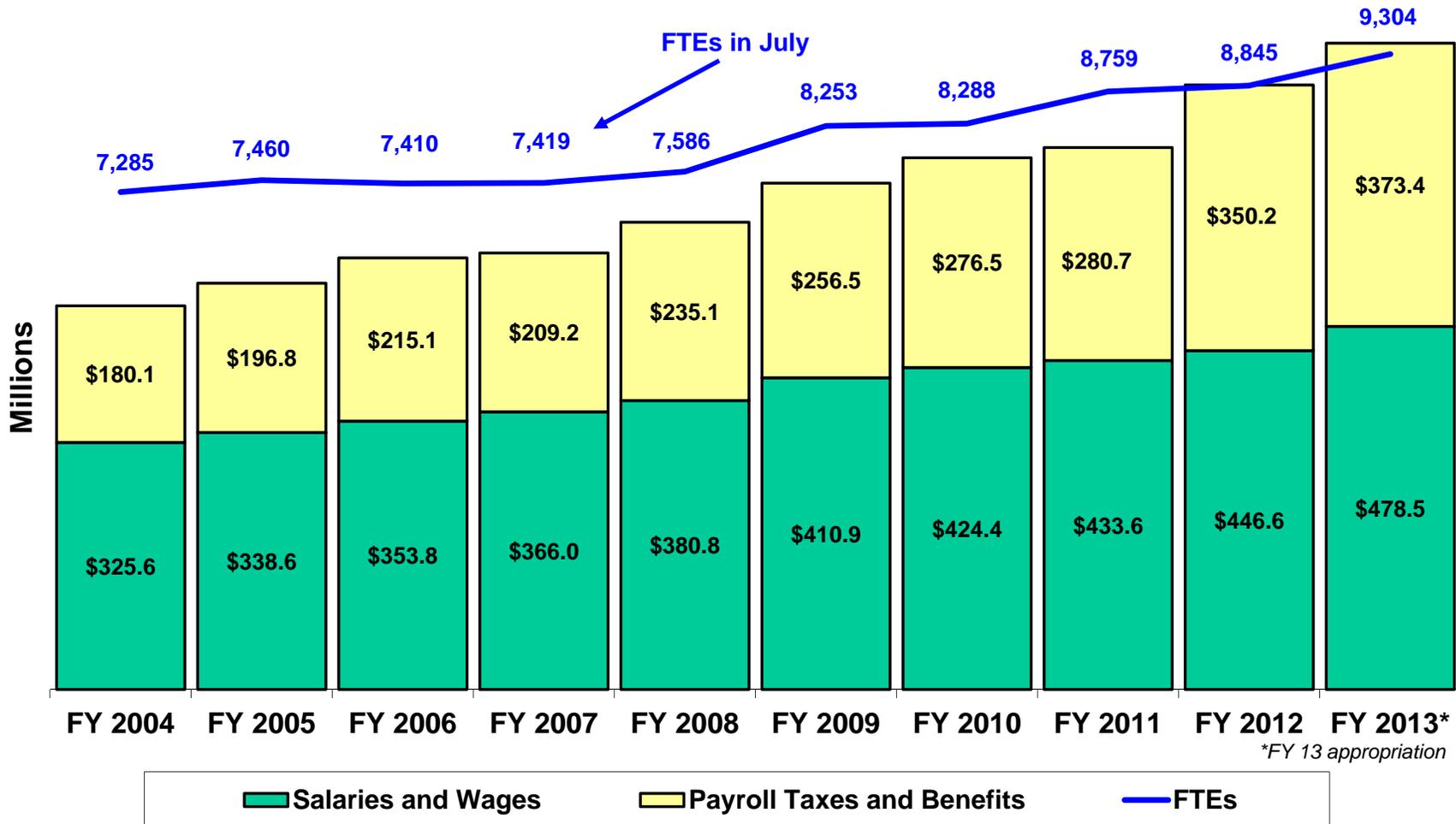
Federal TANF Program Reauthorization

- **Budget Reconciliation Act of 2006 reauthorized TANF through FY 2009-10**
- **Major provision of Act increased effective “work participation requirements” for all states: states must engage at least 50% of cash assistance cases in minimum levels of work activities to avoid federal penalties**
 - **Prior to reauthorization, states received “caseload reduction credit” for decreases in welfare caseloads from FY 1994-95 levels**
 - **Credit effectively reduced Michigan’s work requirement to 0% as Michigan’s caseload dropped sharply in the late 1990s**
 - **New caseload reduction credit is now linked to FY 2004-05 caseload level, effectively restoring the 50% participation rate requirement for FY 2006-07**
 - **Michigan’s caseload reduction credit reduced target rate to 39.4% for FY 2011-12; Year-to-date (Oct 2011 - July 2012) participation rate for FY 2011-12 is 40.9%**
- **TANF reauthorization has been extended through March 27, 2013 with no major changes.**

Local Office Staff Spending

- **DHS has 105 local offices across the state which are responsible for processing public assistance applications and monitoring case files, overseeing foster care and protective services cases, and administering other DHS programs.**
- **Local office appropriations account for 13% of the DHS budget and can support 9,300 FTEs. The number of FTEs in the local offices started to decline in early 2002 as a result of an early retirement incentive. FTEs began to increase in 2008.**
- **Settlement of lawsuit brought against Michigan by the non-profit advocacy group Children's Rights requires reductions in caseload-to-worker ratios for various categories of child welfare workers. These requirements have contributed significantly to recent staffing increases.**
- **Fringe benefit costs increased \$45 million in FY 2012 as a result of prefunding retiree health, dental, and vision benefits known as Other Post-Employment Benefits (OPEB).**

Field Staff Spending and Change in FTEs by Fiscal Year



Public Assistance Programs

- **Major programs include:**
 - **Family Independence Program: cash assistance to low-income households**
 - **Food Assistance Program: supports food purchases of eligible low-income households**
 - **State Disability Assistance: cash assistance for disabled adults who are unable to work**
 - **State Emergency Relief programs: emergency assistance to provide energy, shelter, and financial support to low-income households**

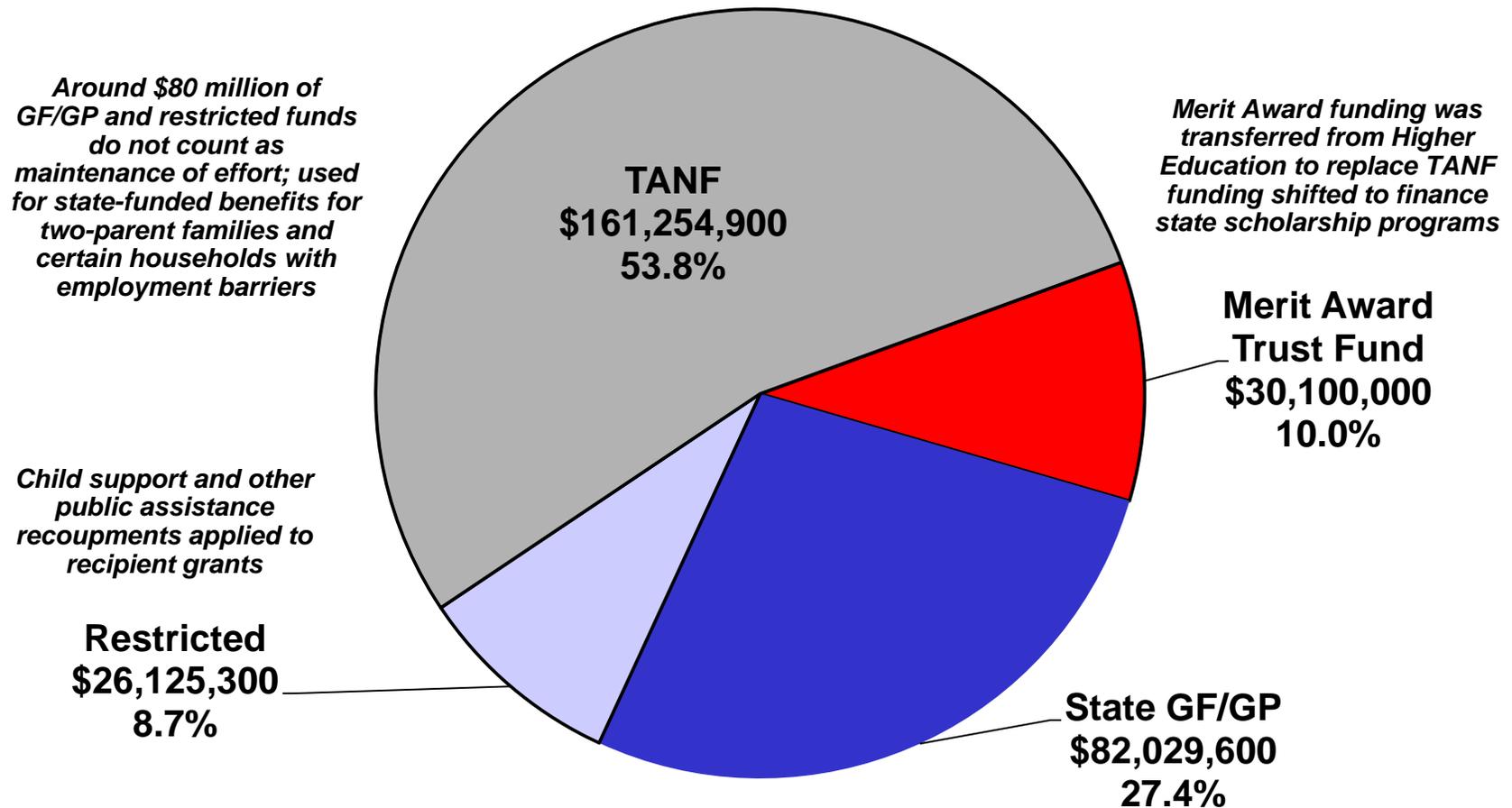
Family Independence Program (FIP)

- **Cash assistance to low-income households with dependent children to help with basic subsistence needs (housing, utilities, clothing)**
- **FIP group must meet income and asset eligibility requirements (typical family of three must have monthly income below \$815—\$9,780 annual; financial assets of less than \$3,000)**
- **Federal TANF law provides funds and maintenance of effort requirements, establishes work requirements, and sets 60-month lifetime time limit (with exceptions) for TANF recipients**
- **Michigan has discretion to set benefit levels and eligibility requirements and to define activities to meet work requirements within federal guidelines**
- **Program changes to help Michigan address work requirements:**
 - **Additional GF/GP not counted towards MOE requirements used to finance some benefits; recipients of state-funded benefits do not count toward state's work participation rate**
 - **\$10 monthly extended FIP benefit for six months to those who leave FIP due to earned income**
 - **Increased earned income disregard for benefit amount and case closure**

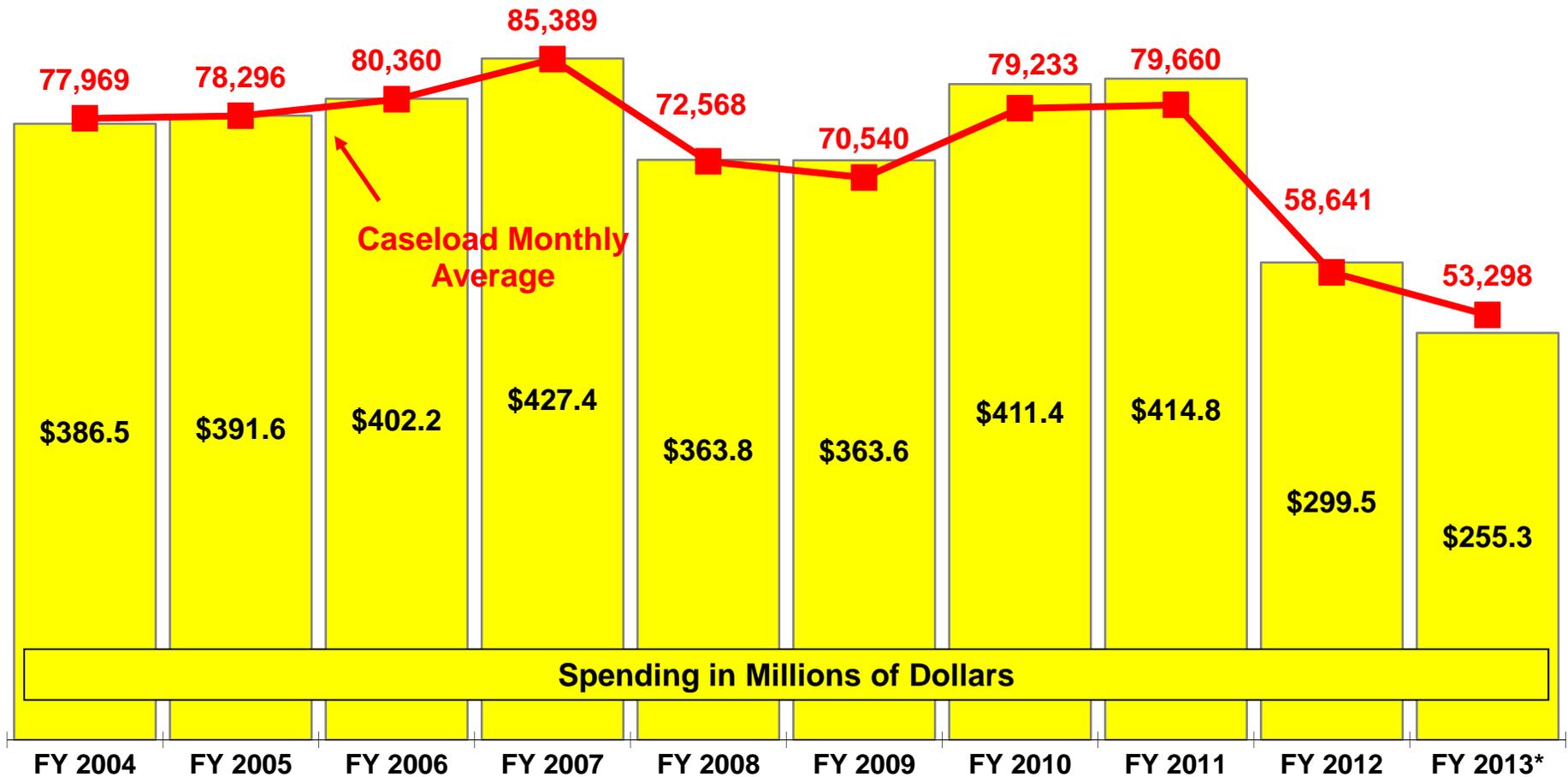
FIP Funding Sources

FY 2012-13 Total = \$255,268,500

Chart Shows FY 2011-12 Spending by Source



FIP Caseload and Spending Trends



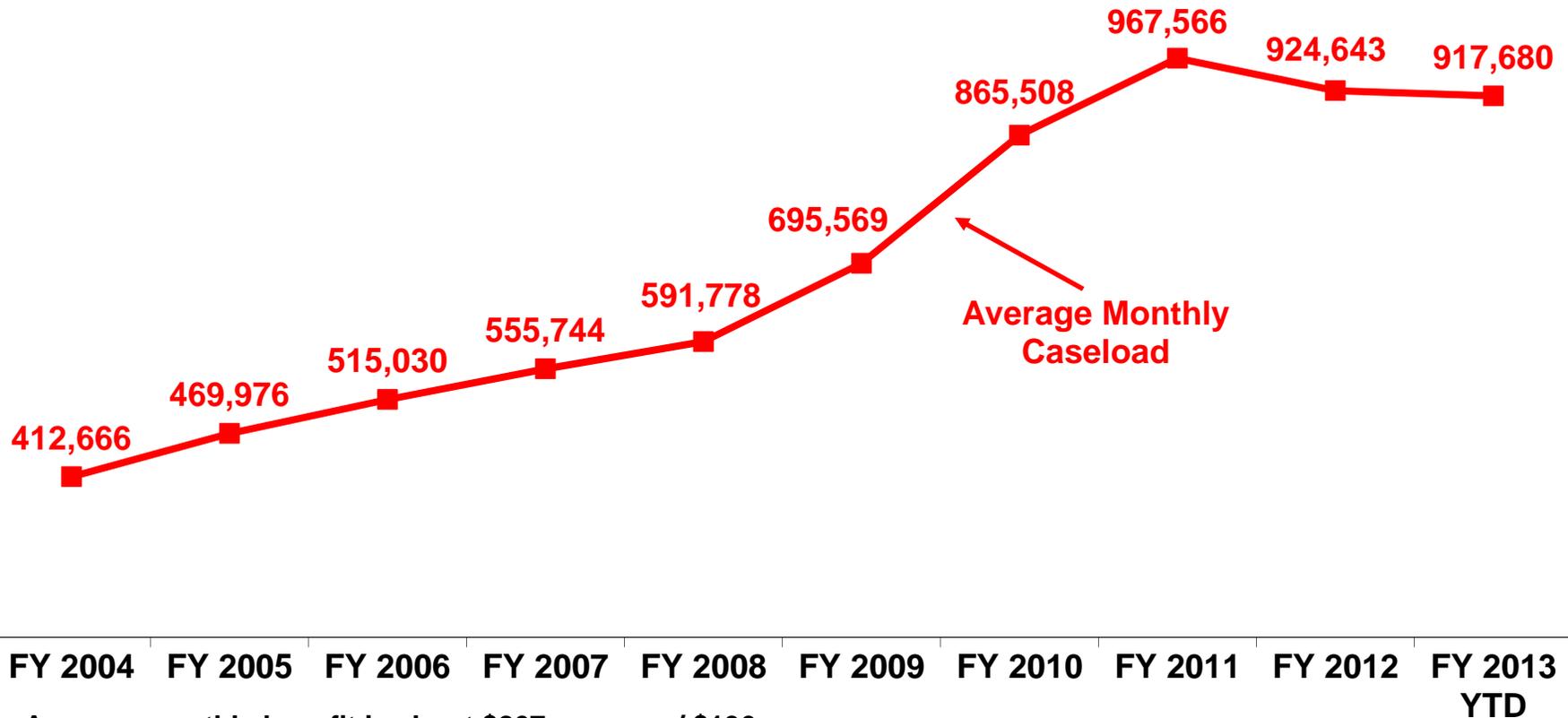
*FY 13 appropriation

- Beginning October 1, 2011, changes to the state lifetime limit and federal lifetime limit are projected to close 14,000 cases
- Primarily due to case openings policy change, FIP caseload increased from 78,198 in April 2006 to 89,333 by May 2007; policy modification reversed the trend and caseload decreased steadily until December 2008
- Average monthly benefit is about \$408 with average family group of 2.6 persons
- One adult recipient and two children can receive benefits of up to \$492 per month

Food Assistance Program (FAP)

- **Supplements food purchase power of low-income individuals and families**
- **Benefits, calculated through federal formula, can be used to purchase eligible food from authorized retailers or approved meal providers**
- **Eligibility:**
 - **Groups must meet income requirements (generally groups with gross incomes below 200% of federal poverty guidelines—annual income of \$38,180 for family of three)**
 - **Beginning October 1, 2011, Groups must have less than \$5,000 in assets – including the value of vehicles after certain exemptions**
- **Benefit payments are 100% federal funds and 50% federal match for administrative costs**
- **Michigan administers program based on federal guidelines, with limited state flexibility; federal waiver expands time limit for eligibility for able-bodied childless adults; clients receive \$1 in LIHEAP annually so clients can claim maximum utility deduction to maximize benefit payments**

Food Assistance Caseload Trends

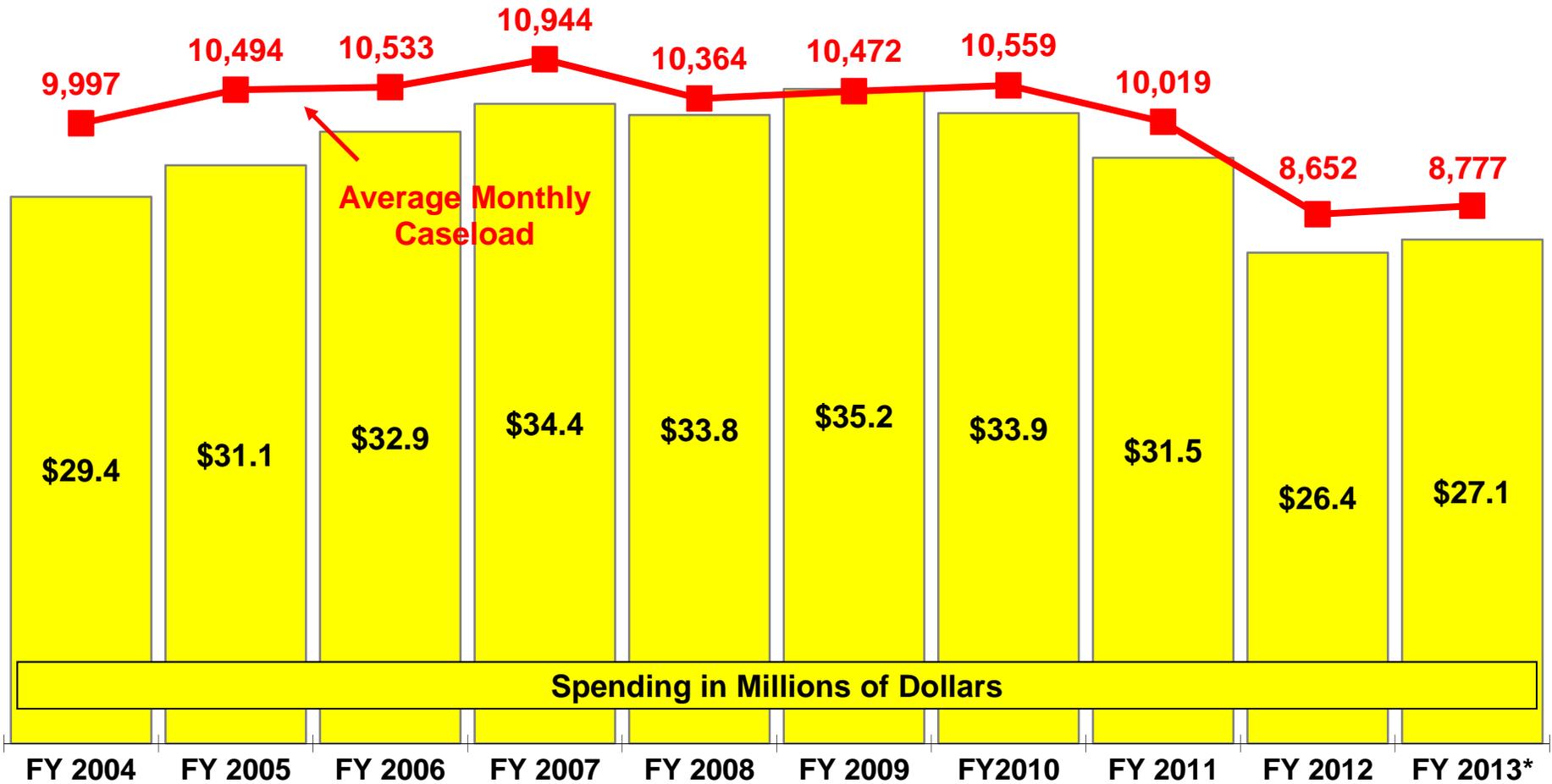


- Average monthly benefit is about \$267 per case / \$136 per person
- Actual benefit level varies depending on group size and income
 - Benefit = Maximum allotment for group size minus 30% of counted income (represents expected contribution by family toward food); maximum allotment for family of three is \$526
- Average Food Assistance household size is 1.96 persons; about 71% receive no other state administered cash assistance (FIP, SDA, SSI)

State Disability Assistance (SDA)

- Cash assistance to disabled adults who are permanently or temporarily unable to work
- SDA group must meet income and asset eligibility requirements (single adult must have monthly income below \$450—\$5,400 annual; financial assets of less than \$3,000)
- 100% state-funded program; both GF/GP and restricted revenues
- Program began in FY 1991-92 after state General Assistance program was eliminated
- Michigan's monthly payment standard is \$269 for a single adult and \$423 for an adult with a spouse for cases opened before October 1, 2011 and \$200 for a single adult and \$315 for a adult with a spouse for new cases beginning October 1, 2011
- Payments levels are higher for those in special living arrangements (e.g. adult foster care, homes for the aged)

SDA Caseload and Spending Trends



- Average monthly benefit is about \$221 per month
- Most SDA groups consist of a single person between the ages of 18 and 65
- Average length of time on SDA is about 12–13 months

*FY 13 appropriation

State Emergency Relief Program (SER)

- **Assists applicants with safe, affordable housing and other essential needs when an emergency arises**
- **For energy services, family group must meet income requirements of 150% of federal poverty guidelines (equal to an annual gross income of around \$28,860 for a family of three)**
- **For non-energy services, family of three must meet income requirement of \$625 in countable monthly income for other SER assistance (annual gross income of around \$12,000); monthly income above “need standard” must make a co-payment equal to the amount income exceeds the need standard**
- **Families with countable cash assets above \$50 must make a co-payment equal to the amount assets exceed the need standard**
- **Applicants must take action, as able, to help themselves and not have caused the emergency**

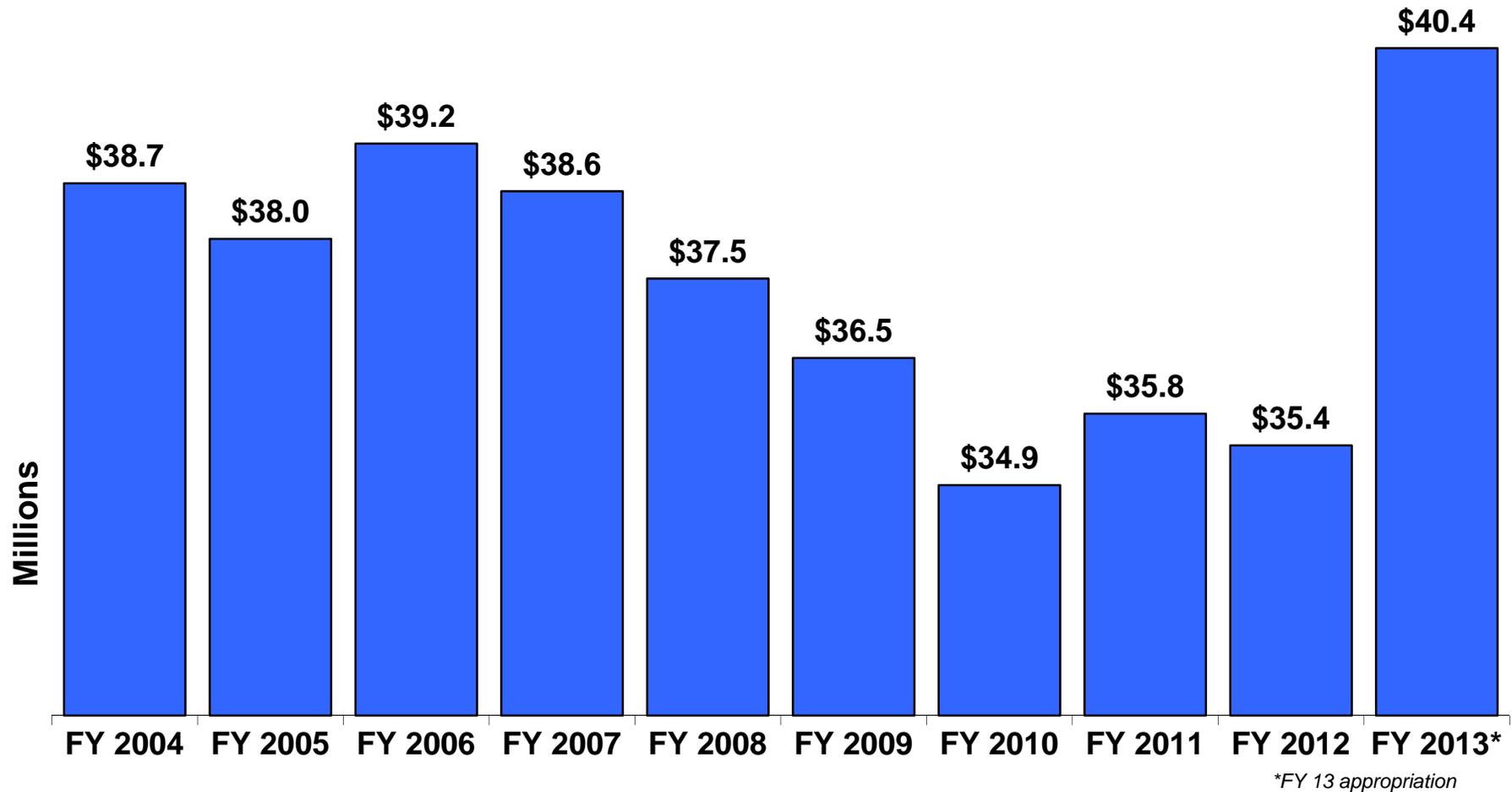
FY 2012-13 Emergency Services Appropriations

- **State Emergency Relief (SER) Program**
 - Local Office Emergency Services allocations (rent/moving expenses, housing payments and repairs, utility assistance): \$16.1 million
 - Salvation Army Homeless Shelter contract: \$15.7 million
 - Indigent Burials/Unclaimed Bodies: \$4.3 million
 - Multicultural contracts (Arab Chaldean Council, ACCESS): \$1.5 million
 - Chaldean Community Foundation: \$1.0 million
 - Food Bank Council: \$1.8 million

- **Low-Income Home Energy Assistance Program (LIHEAP): \$175.0 million in federal funding**
 - In previous fiscal years DHS received grants from the Public Service Commission but the state Court of Appeals has since ruled that the PSC does not have authority to approve collection of restricted fee revenue used to fund the Low-Income Energy Efficiency Assistance Fund (LIEEF)
 - In FY 2012-13 lost LIEEF revenue is offset with \$59.9 million in one-time GF/GP and TANF funds, of which \$27.7 million is contracted out to non-state entities

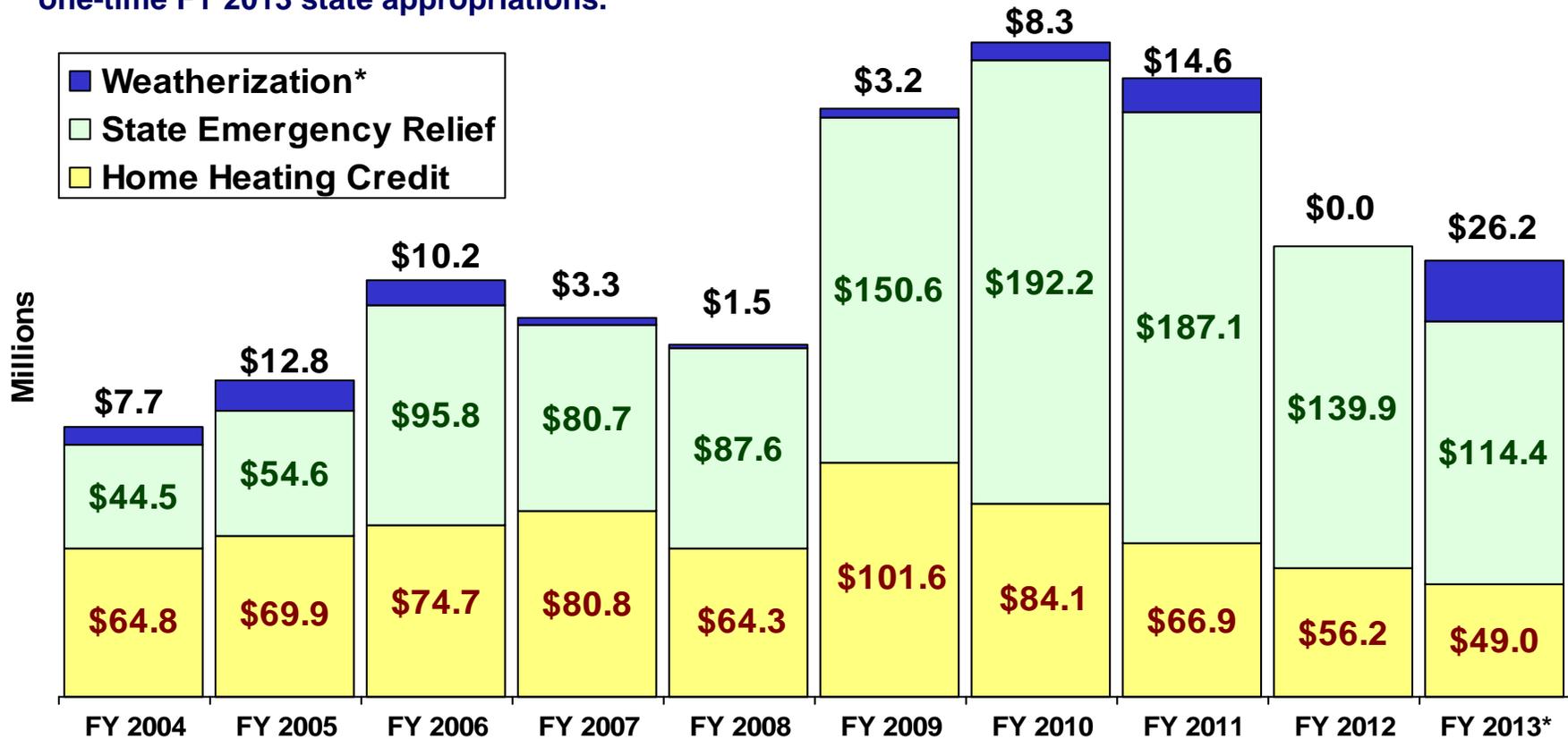
State Emergency Relief Expenditures

Program financed with GF/GP and federal revenues. Appropriations of past years have tended to lapse.



LIHEAP Expenditures

The federal LIHEAP funding is used to fund three programs: the Home Heating Credit, SER, and Weatherization. LIHEAP funding saw a significant increase to the FY 2008-09 allocation and was maintained through FY 2010-11. FY 2012-13 state LIHEAP allocation is uncertain until a FY 2012-13 federal budget is passed and reflects the spending per program according to the FY 2012-13 LIHEAP state plan. Spending also includes grants to DHS from the Michigan Public Service Commission and one-time FY 2013 state appropriations.



* Does not include separate weatherization funding provided through the U.S. Department of Energy

*FY 13 appropriation

Child and Family Services Program

- **Children's Foster Care:** placement and supervision of children who can not remain in their own homes due to abuse, neglect, or other emergency
- **Child Care Fund:** collaborative effort between DHS and counties to finance programs serving delinquent, neglected, and/or abused youth
- **Adoption Subsidy:** financial support and medical subsidies to adoptive families of children with special needs
- **Family Preservation and Prevention Services:** programs aimed at assisting families through in-home services with the goal of preventing an out-of-home placement or to accelerate reunification

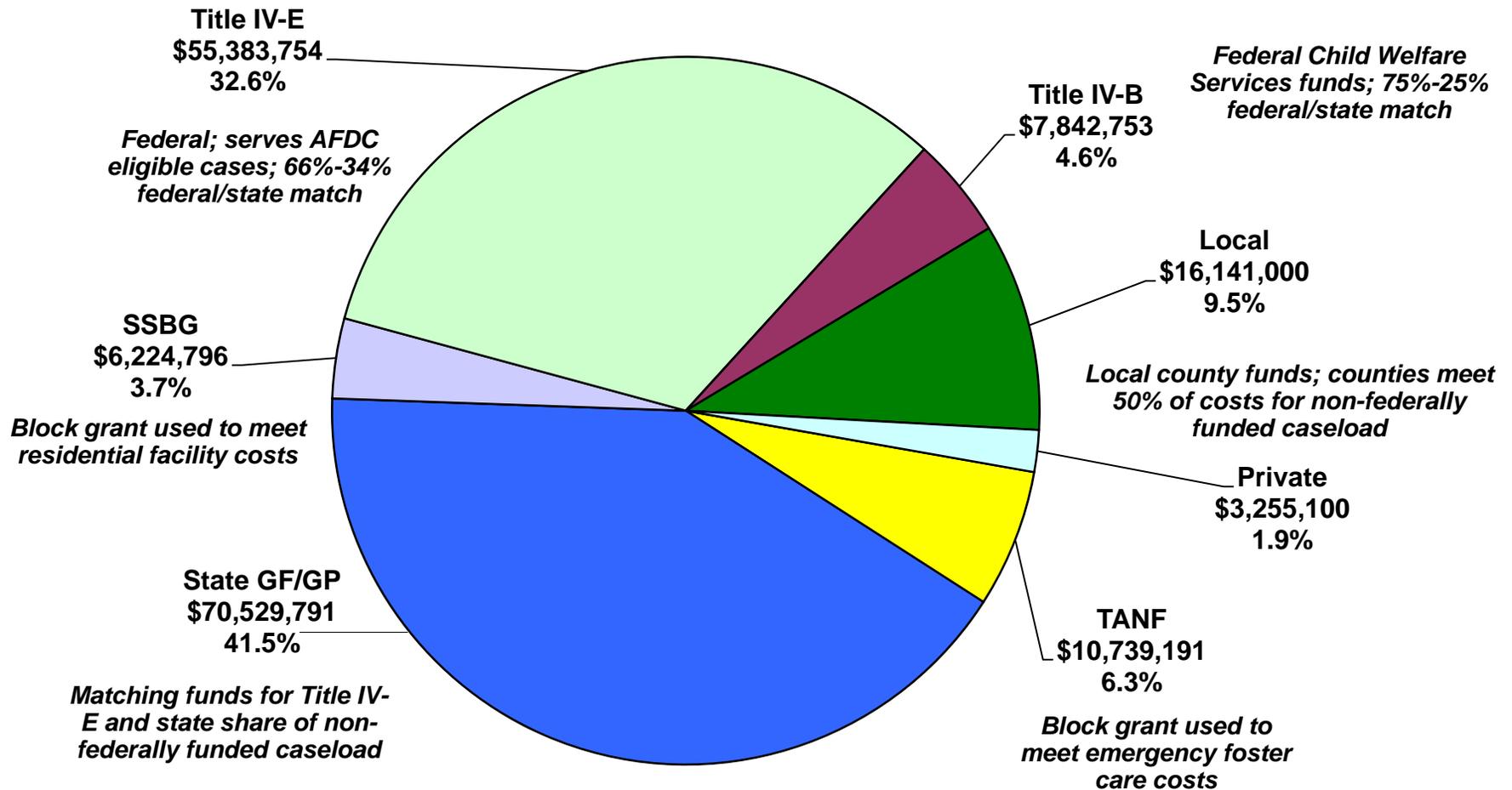
Children's Foster Care

- **Provides placement/supervision of children who cannot remain in their own homes due to one or more of the following:**
 - **Family inability/unwillingness to provide minimal care/supervision**
 - **Safety concerns brought on by serious abuse or neglect**
 - **Termination of parental rights**
- **Statute requires state support for court-ordered foster care placements**
- **Foster care appropriations cover court wards eligible for federal funds and state wards**
- **Federal TANF law requires states to administer a foster care program**
- **Federal Title IV-E funds meet about 66% of out-of-home placement costs for children that meet former AFDC eligibility requirements and other federal requirements**
- **State sets foster care payment rates for foster families, child care institutions, and child placing agencies**

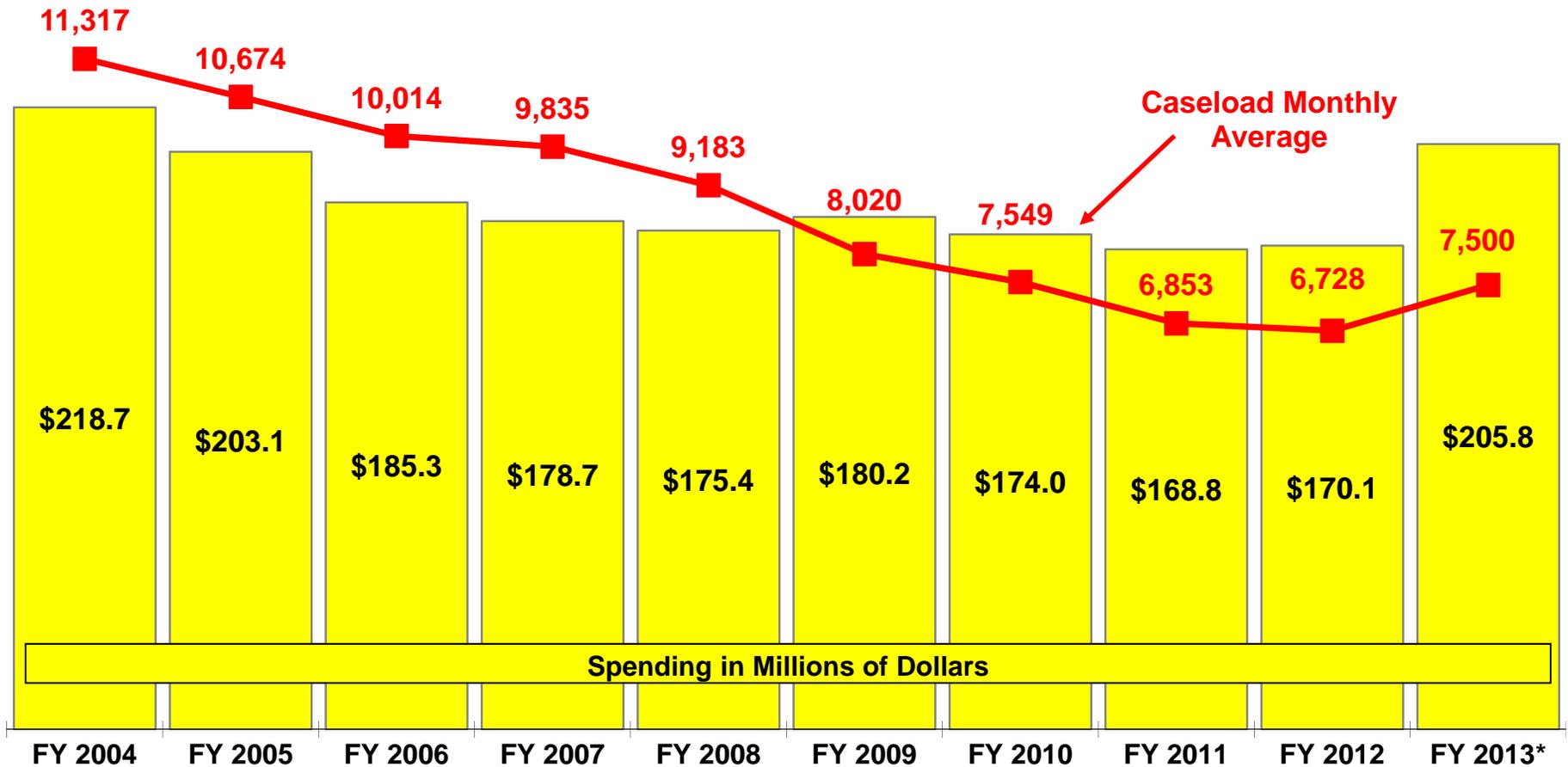
Foster Care Funding Sources

FY 2012-13 Total = \$205,788,600

Chart Shows FY 2011-12 Spending by Source



Foster Care Caseload/Spending Trends



*FY 13 appropriation

- Payments: Standard per diem family foster care rates between \$17 and \$21 depending on age and living situation; higher rates available for special needs children and those in residential care
- Cost per foster care case in FY 2008-09 increased as a result of increasing the private child placing agencies' administrative rate to help meet staffing requirements in the Children's Rights settlement agreement as well as efforts to license relative care providers.
- Cost per foster care case in FY 2012-13 increased as a result of increasing foster family per diem \$3 and increasing private child welfare organization rates

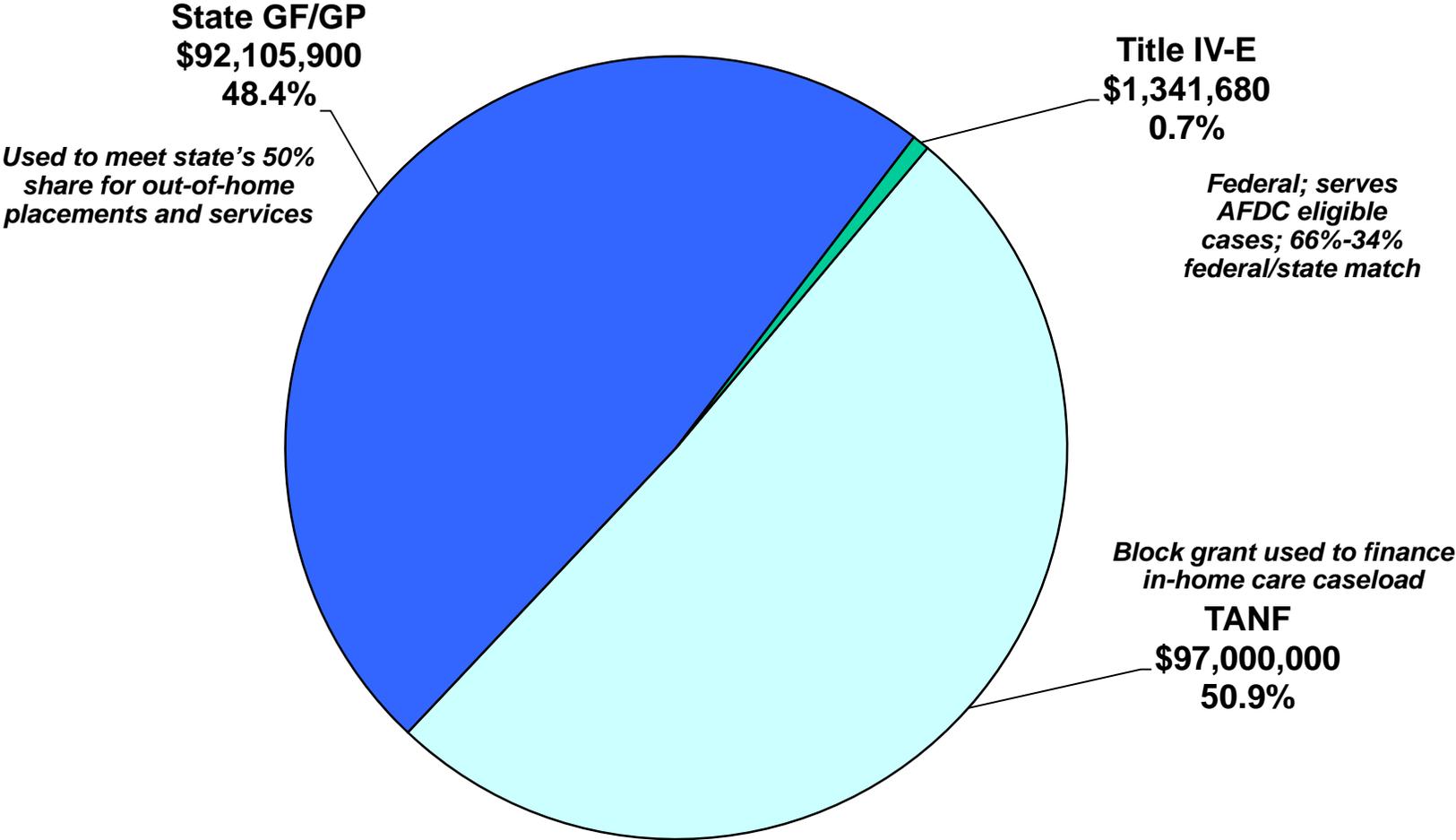
Child Care Fund (CCF)

- **Provides for care and treatment of delinquent, neglected, and/or abused children**
- **Cases involve youth that are court wards that are not eligible for federal Title IV-E funding and are court-supervised**
- **Statute requires state support for court-ordered foster care placements**
- **Child Care Fund reimburses counties for 50% of their eligible costs incurred in providing services to court wards**
- **State-established foster care payment rates for foster families, child care institutions, and child placing agencies also apply in general to Child Care Fund placements**
- **Under a Memorandum of Understanding, Wayne County assumed responsibility for providing all juvenile justice services in the county and is responsible for rate setting in this area**

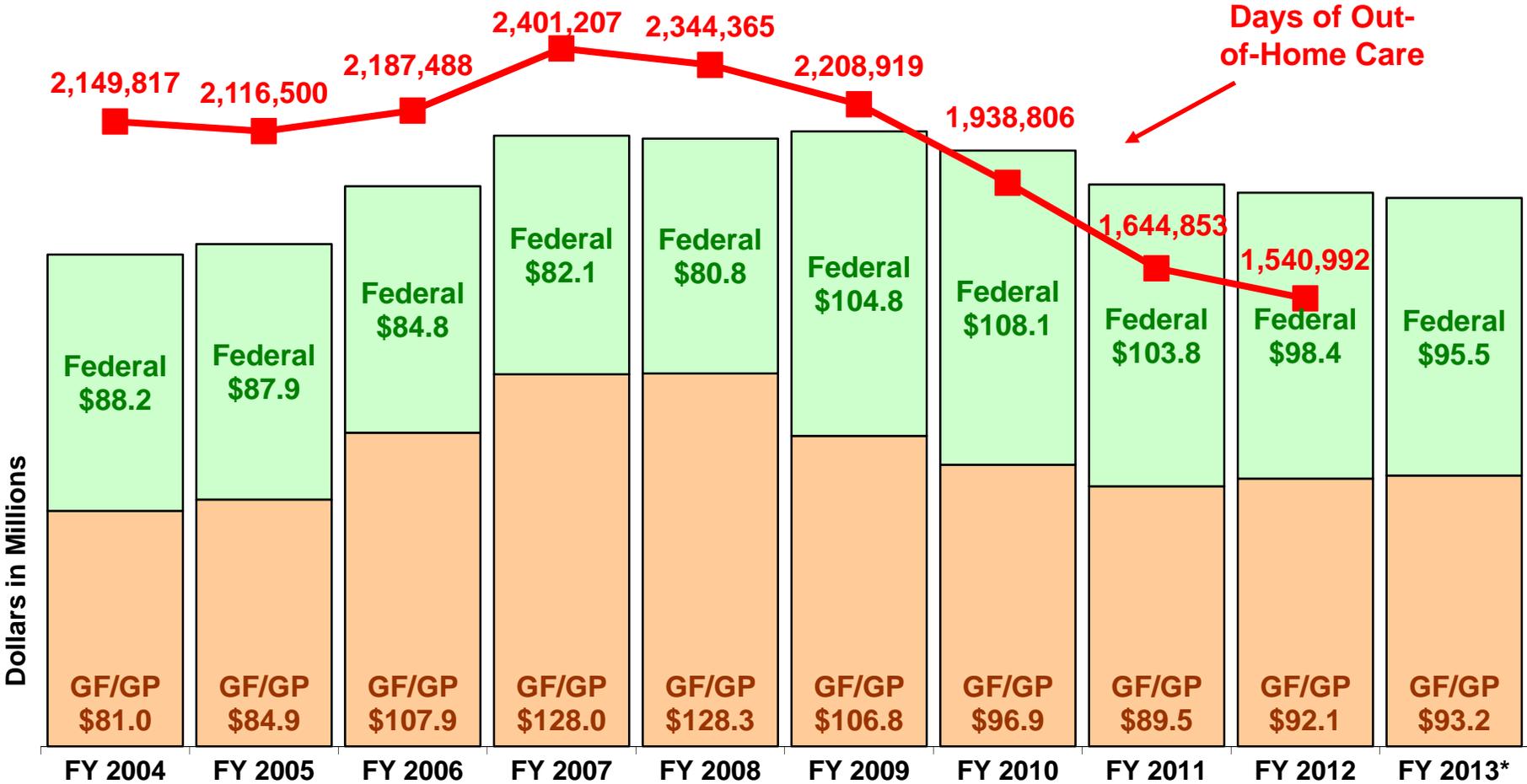
CCF Funding Sources

FY 2012-13 Total = \$188,657,800

Chart Shows FY 2011-12 Spending by Source



CCF Caseload and Spending Trends



Days of Out-of-Home Care

- Spending represents 50% state reimbursement to counties; does not reflect county spending
- TANF contribution is used as reimbursement for in-home care services

*FY 13 appropriation

Adoption Subsidy Program

- **Helps address financial barriers to adopting eligible foster children with special needs by providing financial and medical support subsidies to adoptive families**
 - Cash subsidies provide for basic support and care
 - Medical subsidies help support necessary treatment for pre-existing physical, mental, or emotional condition

- **Child must**
 - Be AFDC or SSI-eligible
 - Have “special needs” (medical/mental health needs, age three or older, part of sibling group, relative adoption) as defined by state

- **Written adoption assistance agreement must be entered prior to finalizing adoption**

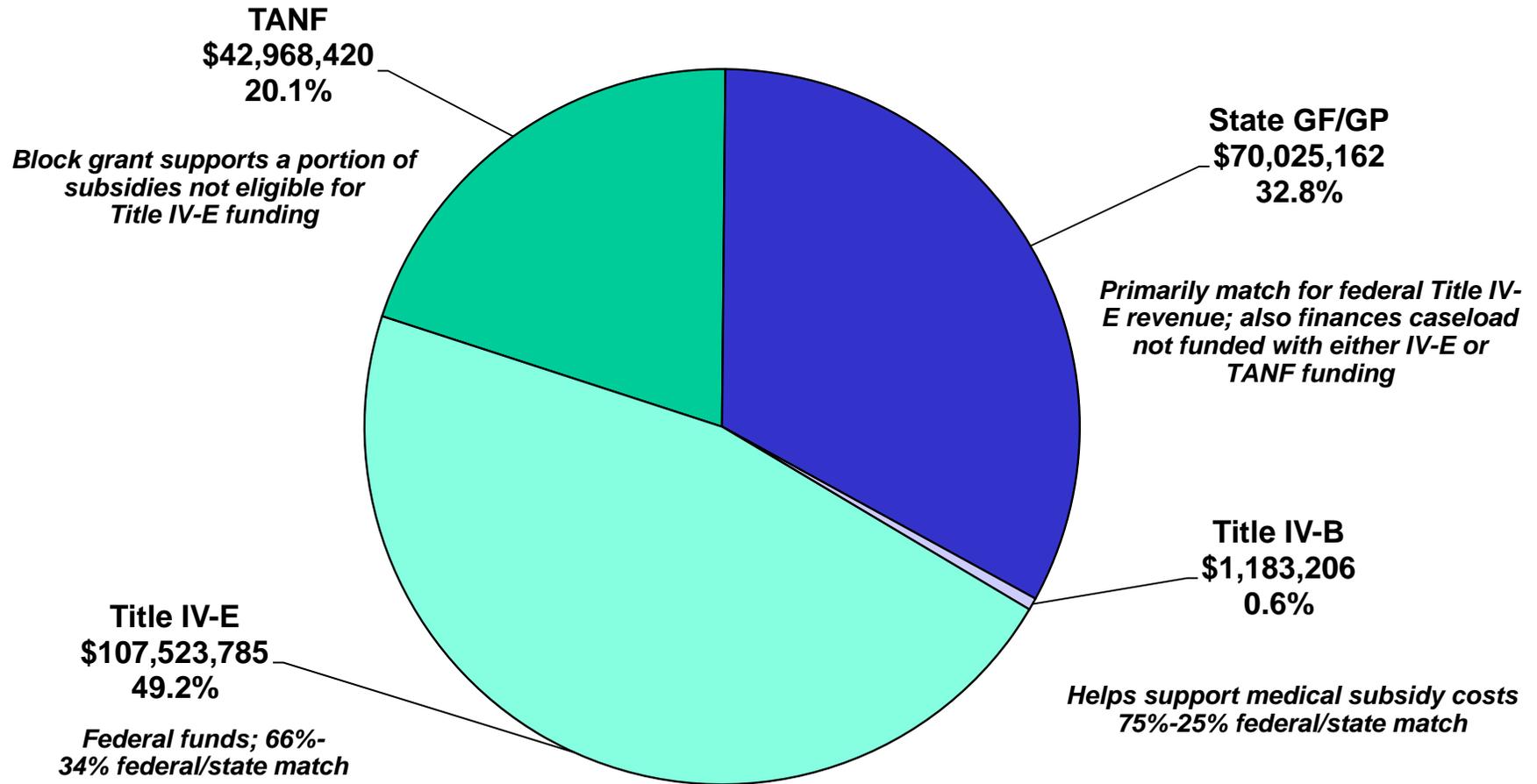
Adoption Subsidy Program (continued)

- **Federal TANF law requires states to administer adoption subsidy program and forbids states from using a means test as an eligibility factor**
- **Adoption subsidy rates are limited to the relevant foster care rate for the child**
- **Michigan determines the definition of “special needs” and sets payment level standards**
- **States may use income to determine payment level (Michigan does not exercise this option—adoption subsidies reflect full foster care rates)**

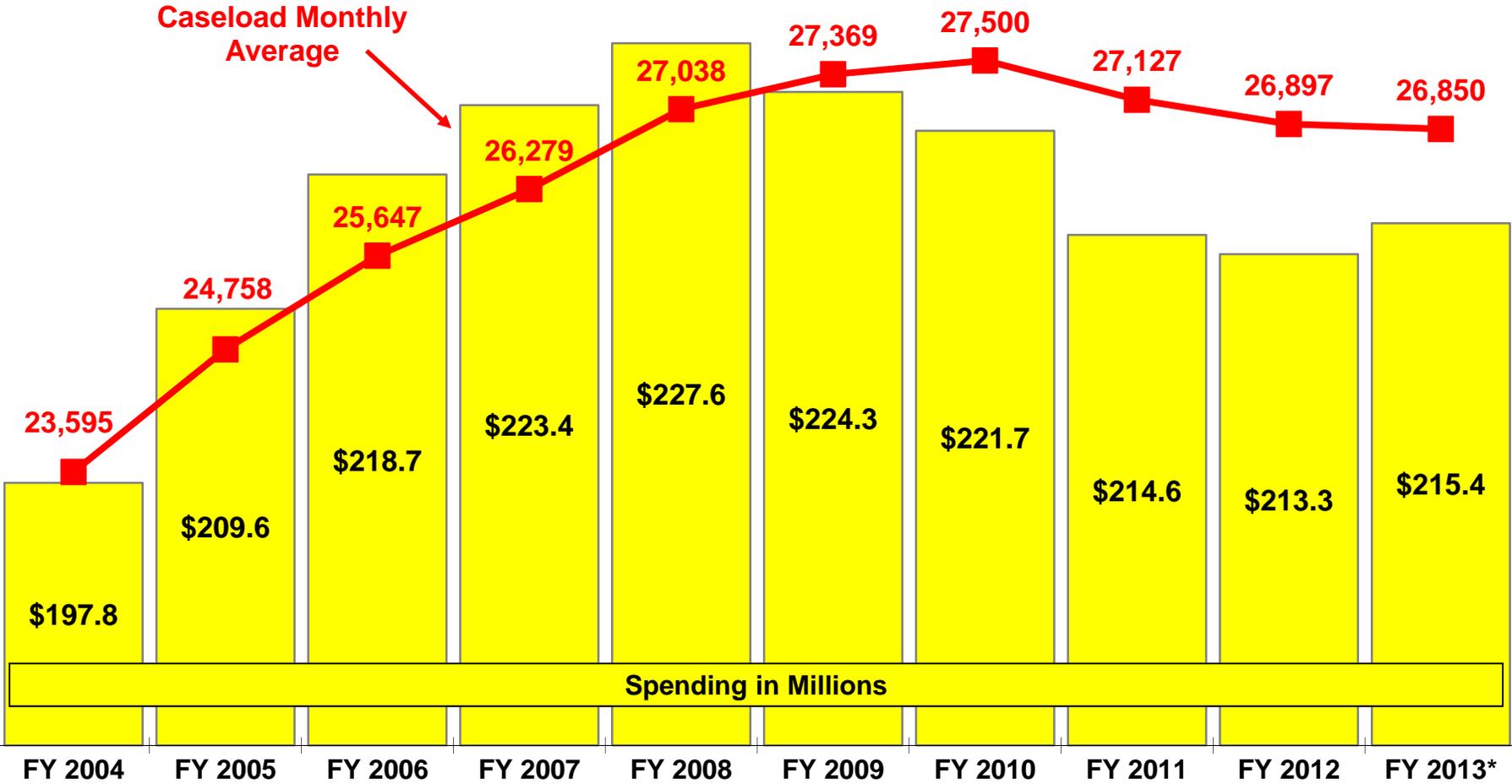
Adoption Subsidy Funding Sources

FY 2012-13 Total = \$215,422,000

Chart Shows FY 2011-12 Spending by Source



Adoption Subsidy Caseload/Spending Trends



*FY 13 appropriation

- Average monthly adoption subsidy payment during FY 2011-12 was \$647
- Caseload has an upward trend, but has started to plateau
- Cost per adoption subsidy case in FY 2012-13 appropriation increased as a result of increasing adoption subsidy per diem by \$3 for new cases

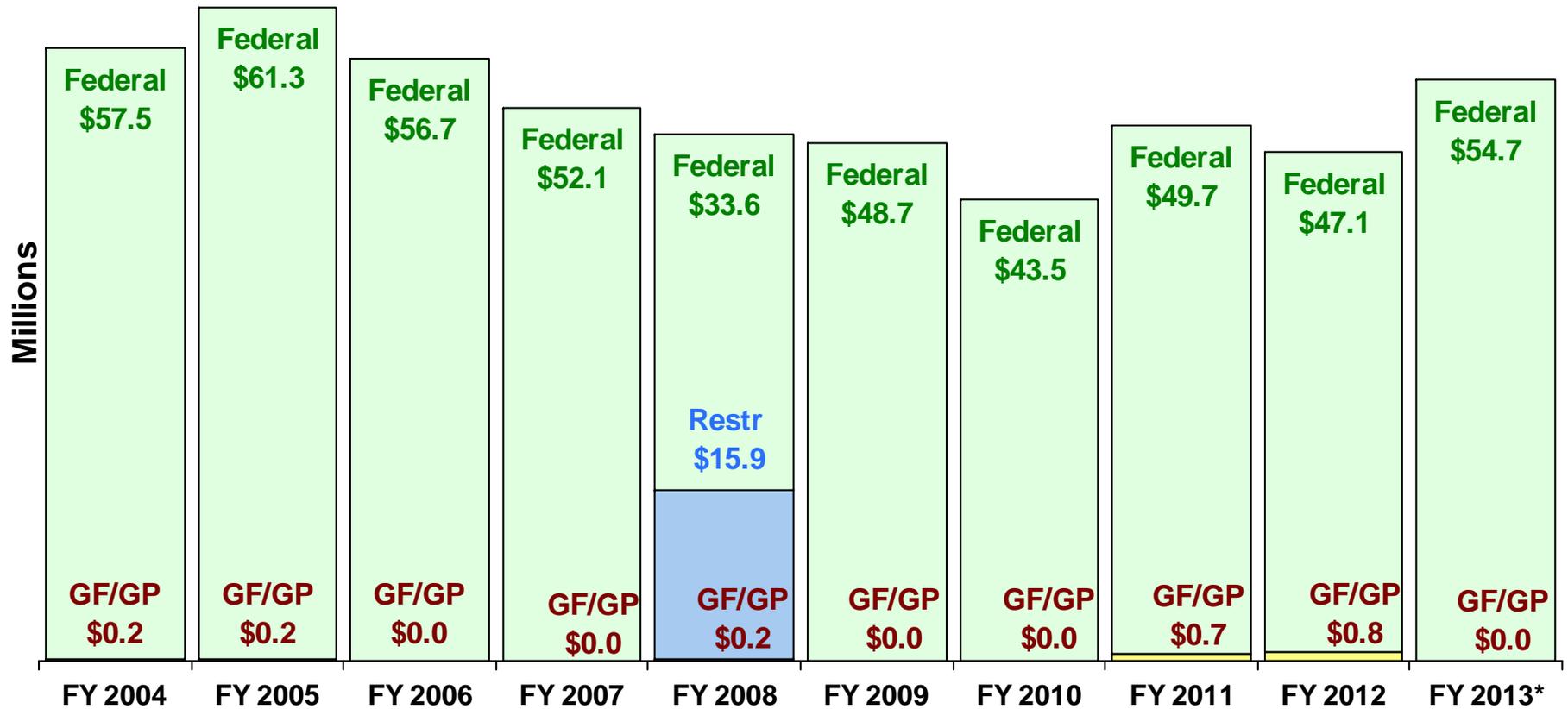
Family Preservation/Prevention Services

- **Programs provide community-based assistance aimed at assisting families through in-home services with the goal of preventing an out-of-home placement or to accelerate reunification**

- **Programs include:**
 - **Families First**
 - **Strong Families/Safe Children**
 - **Child Protection and Permanency**
 - **Family Reunification**

Family Preservation/Prevention Services Expenditures

By FY 2000-01 budget, most GF/GP is removed from program. Merit Award Trust Funds were appropriated in FY 2007-08 to better position the state to draw down additional TANF contingency funds. Most federal funding in this area is TANF block grant.



*FY 13 appropriation

Child Support Enforcement

- **Create an efficient process to**
 - **Locate absent parents**
 - **Establish paternity**
 - **Establish, review and modify support orders**
 - **Enforce support order**
 - **Collect and distribute child support**

- **FIP family groups required to assign support to state for enforcement unless “good cause” exists; any family may request these services**

- **Federal TANF law requires states to administer a Child Support Enforcement program and provides partial funding**

- **Federal law**
 - **Specifies mandatory enforcement techniques**
 - **Requires participation by TANF families**
 - **Requires same services be provided non-TANF families for \$25 application fee; Michigan does not impose this fee on clients**

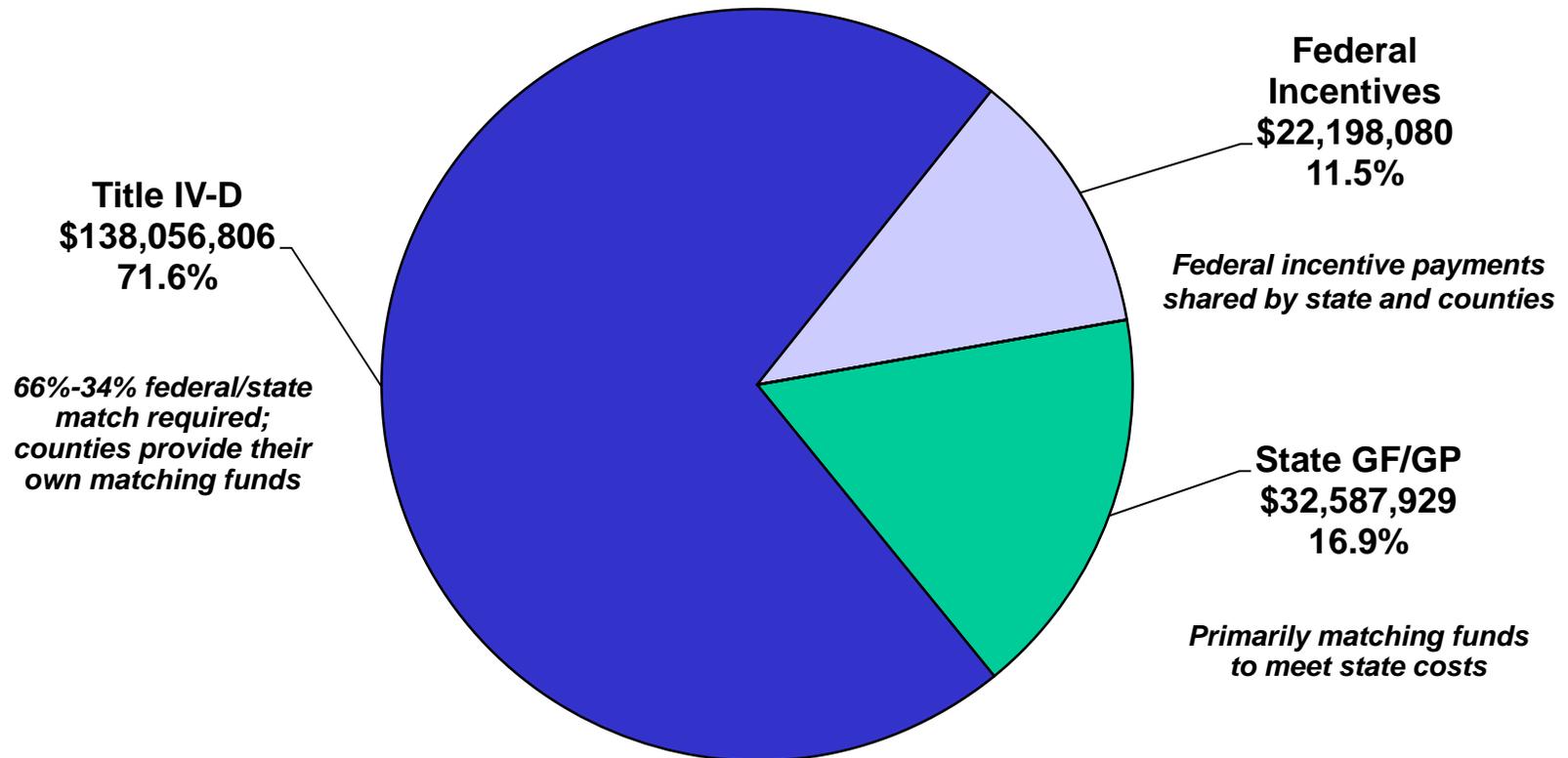
Child Support Enforcement (continued)

- **Office of Child Support administers program in accordance with federal guidelines and contracts with prosecuting attorneys and Friends of the Court**
- **Collection and distribution of support handled though contracted State Disbursement Unit (MiSDU)**
- **State does not impose annual \$25 service fee for non-TANF families (as allowed under federal law) that receive at least \$500 in collected support annually. State appropriates GF/GP to fund federal share of fee revenue**
- **Recent change to federal law**
 - **Eliminated the ability of state and counties to use federal incentive grant awards as match to draw additional federal dollars**
 - **Led to \$16.7 million in new GF/GP replacement funding being added to the FY 2007-08 budget to avoid state and local program reductions**
 - **American Recovery and Reinvestment Act restored the state's ability to use federal incentive awards as match for additional federal dollars for FY 2008-09 and FY 2009-10 only**

Child Support Enforcement Funding Sources

FY 2012-13 Total = \$215,726,800

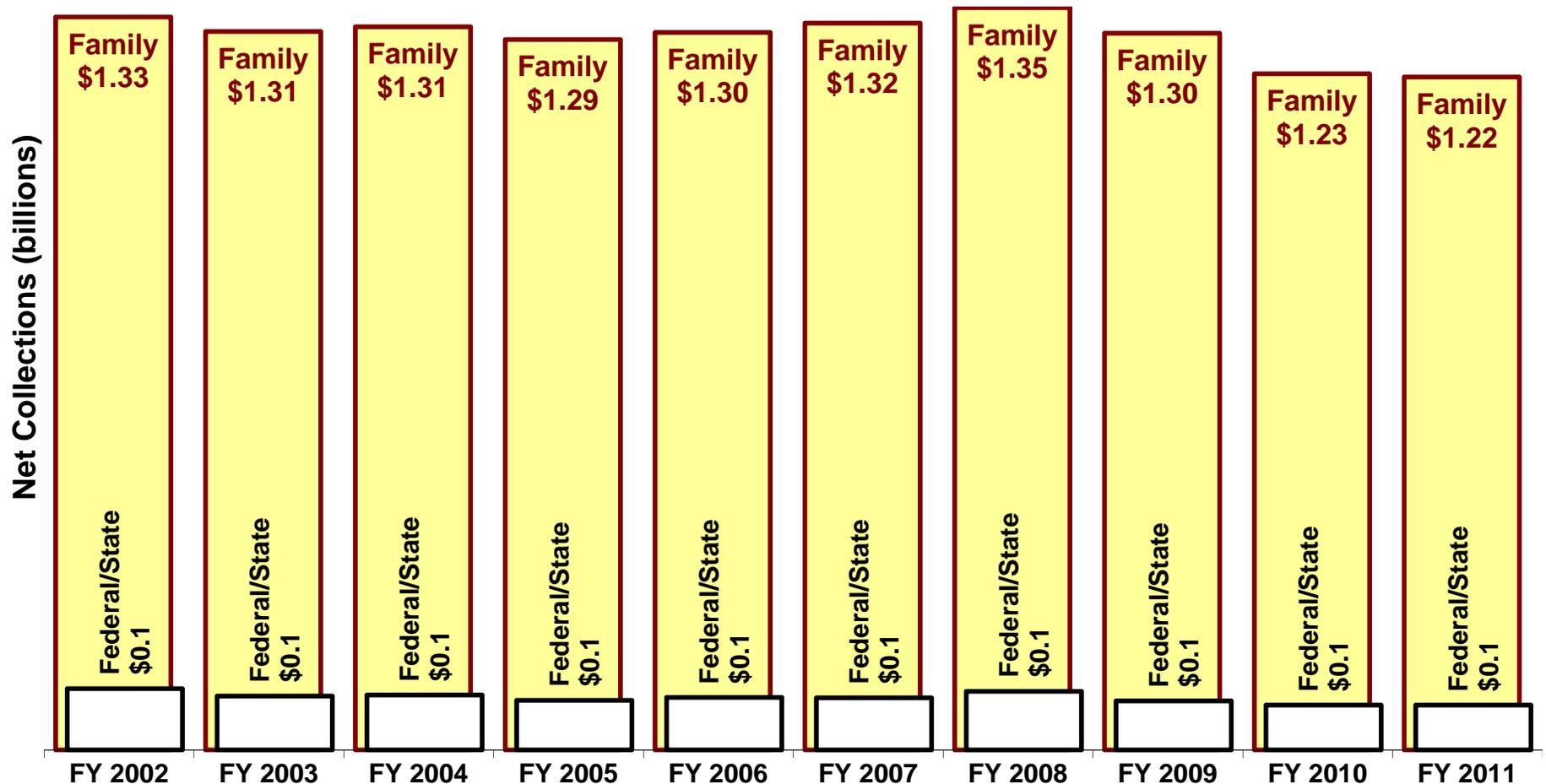
Chart Shows FY 2011-12 Fund Source Distribution



- Amounts include both program operations and information technology

Child Support Distributed Collections

Just over \$1.3 billion in collected child support was disbursed to families in FY 2010-11; \$81.6 million in collections was returned to state and federal governments as reimbursement for public assistance payments.



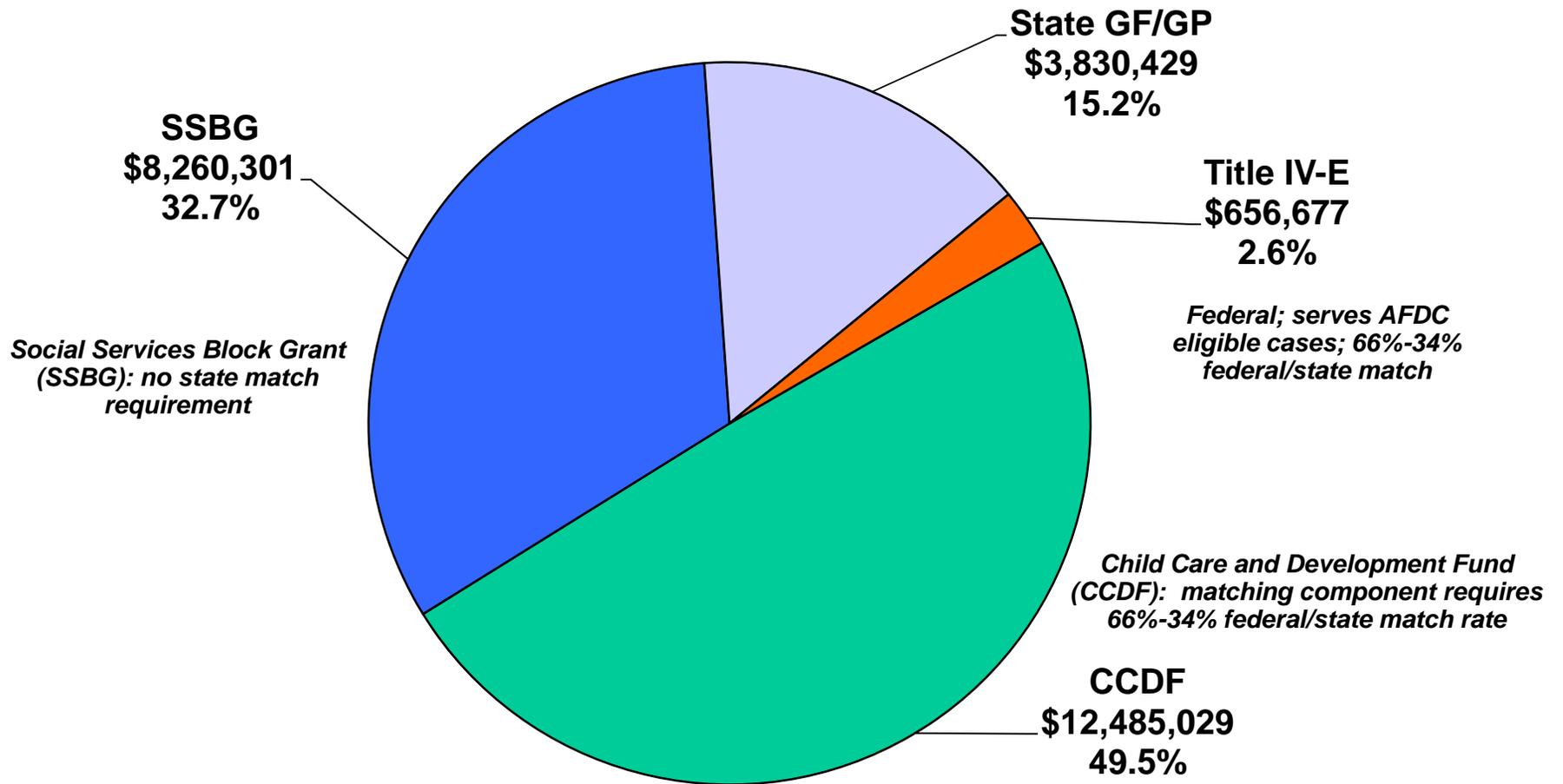
Children and Adult Licensing

- **Ensure protection of vulnerable adults and children receiving care from**
 - Licensed day care
 - Adult foster care
 - Child welfare agencies and facilities
- **State statute and administrative rules provide licensing requirements**
- **Federal laws often require compliance with state guidelines, but do not mandate or prescribe licensing requirements**
- **Total facilities in FY 2010-11**
 - Adult Foster Care and Homes for the Aged: 4,656
 - Child Day Care: 11,854
 - Foster Care and Child Welfare: 8,222
- **Capacity of facilities during FY 2010-11**
 - Adult Foster Care and Homes for the Aged: 49,173 persons
 - Child Day Care: 354,842 children
 - Foster Care and Child Welfare: 111,305 children

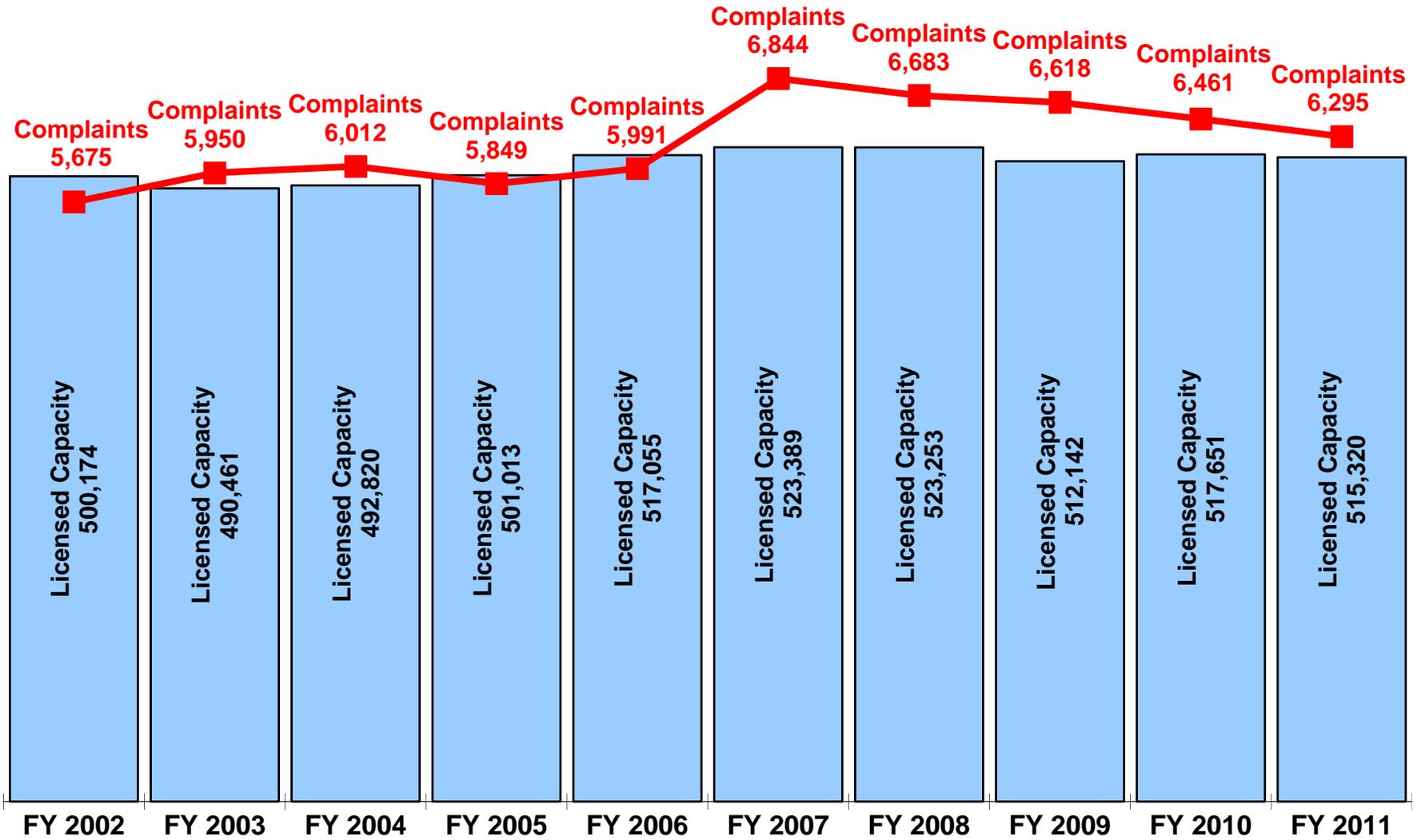
Children/Adult Licensing Funding Sources

FY 2012-13 Total = \$26,055,000

Chart Shows FY 2011-12 Fund Source Distribution



Persons in Care and Licensing Activities



Juvenile Justice Services Program

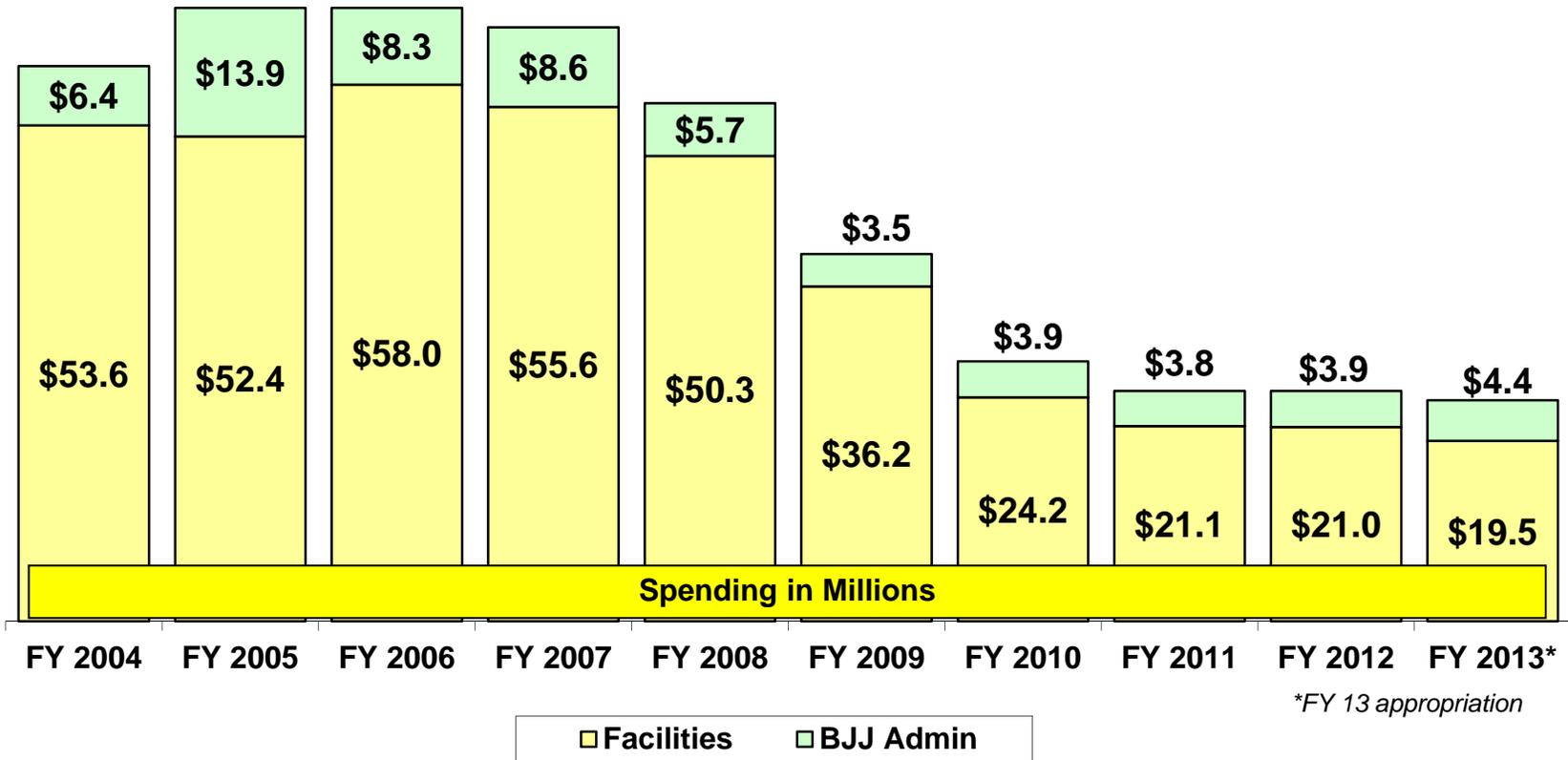
- Bureau of Juvenile Justice provides for care and supervision of state wards age 12 to age 21 referred to DHS by the courts due to delinquency
- Program focuses on prevention and rehabilitation as well as correctional services
- Major responsibilities:
 - DHS-Operated (Public) Residential Facilities
 - Juvenile Justice grant administration and distribution
- Recent issues:
 - FY 2009-10 budget closed Nokomis Challenge Center and two remaining community juvenile justice centers at the end of the first quarter
 - Moved the youth at the W.J. Maxey Training School from the larger Woodland unit to the smaller Green Oaks unit; Department of Corrections will take over the Woodland Unit to house inmates with mental illness and or special accommodations that cannot be met in the general population

Note: Private residential facilities for delinquency and abuse/neglect cases are funded in Foster Care Payments and Child Care Fund line items.

DHS-Operated Residential Facilities

- **W. J. Maxey Training School, Whitmore Lake**
- **Shawono Center, Grayling**
- **Bay Pines Center, Escanaba**

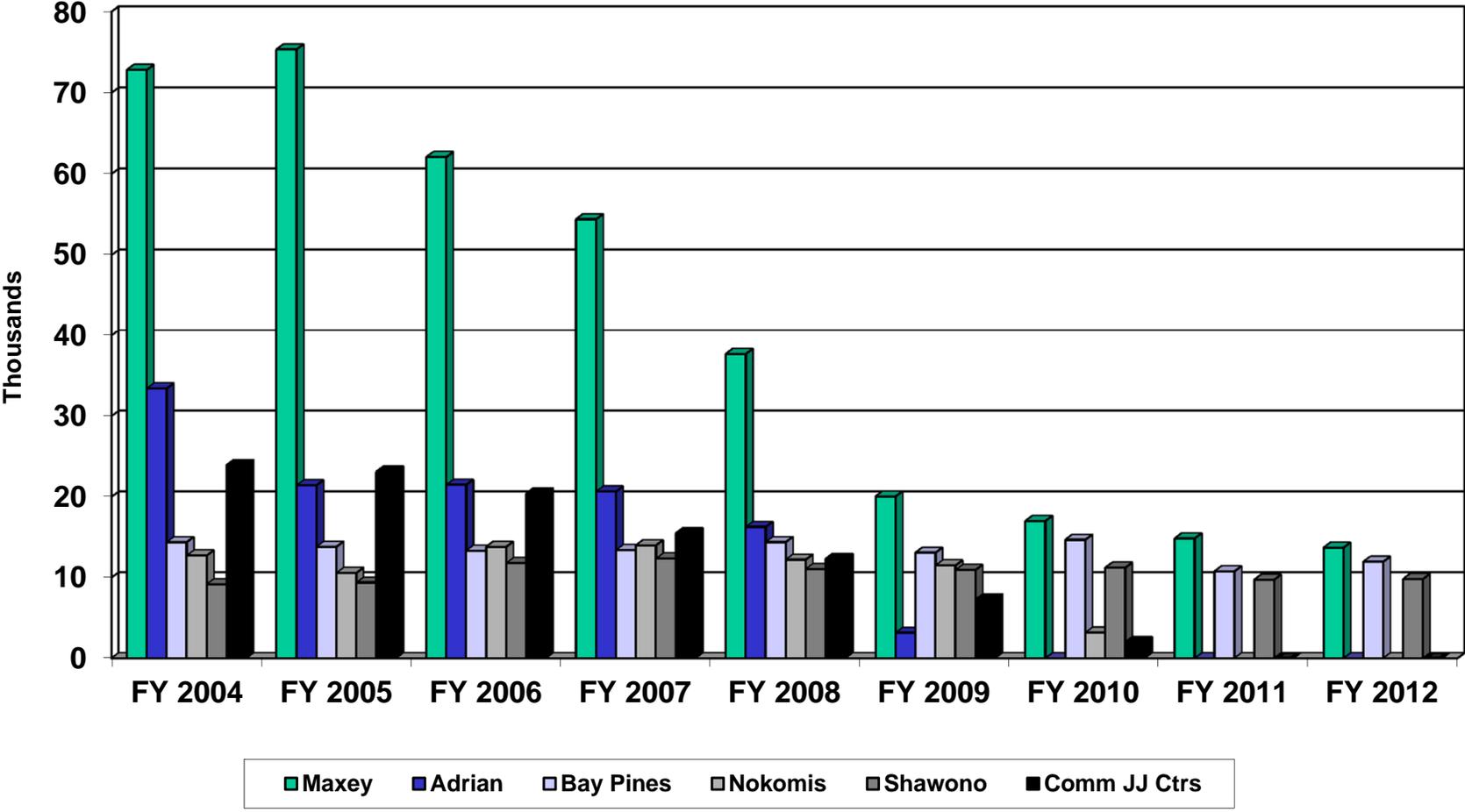
Juvenile Justice Operations Spending



Recent reductions in spending/appropriations primarily attributable to:

- January 2010 closure of the Nokomis and both community juvenile justice centers
- During FY 2009-10 moved youth at Maxey Training School to the smaller Green Oaks facility on the campus
- February 2009 closure of Adrian Training School for girls

Facility Days of Care



**For more information about the
Department of Human Services
budget, contact:**

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