



## **Background Briefing**

# **HUMAN SERVICES**

**Kevin Koorstra, Senior Fiscal Analyst**

**December 2013**

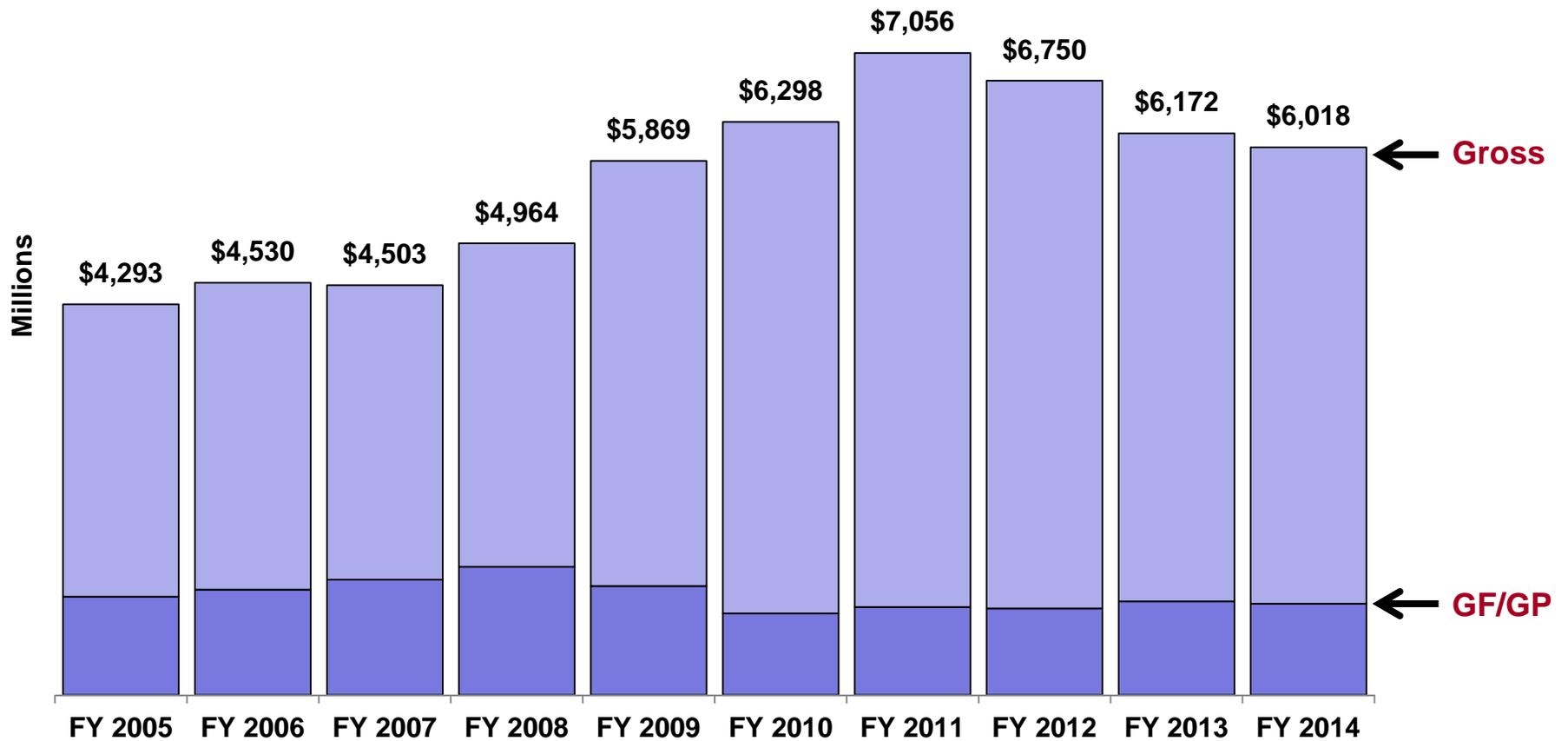
**The fiscal information in this background briefing is based on data through December 31, 2013.**

# 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

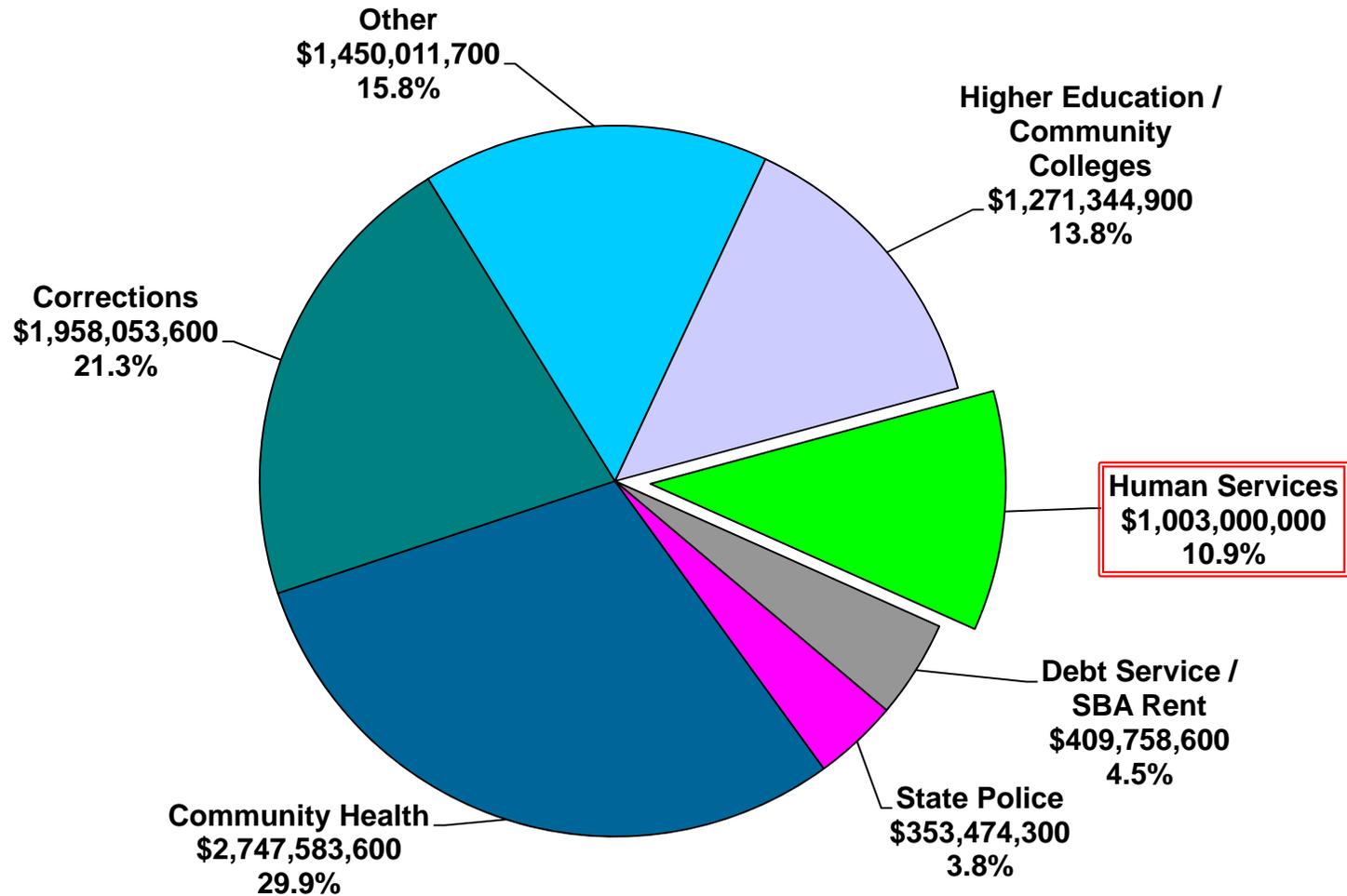
Gross appropriations increased by an average of 9.4% annually from FY 2006-07 to FY 2010-11, driven mostly by growth in federal food assistance caseloads; Gross appropriations have since declined an average of 5.1% primarily through public assistance programs



# Human Services Share of State GF/GP

Human Services makes up 10.9% of the total state GF/GP budget

FY 2013-14 GF/GP Total = \$9,193,226,700



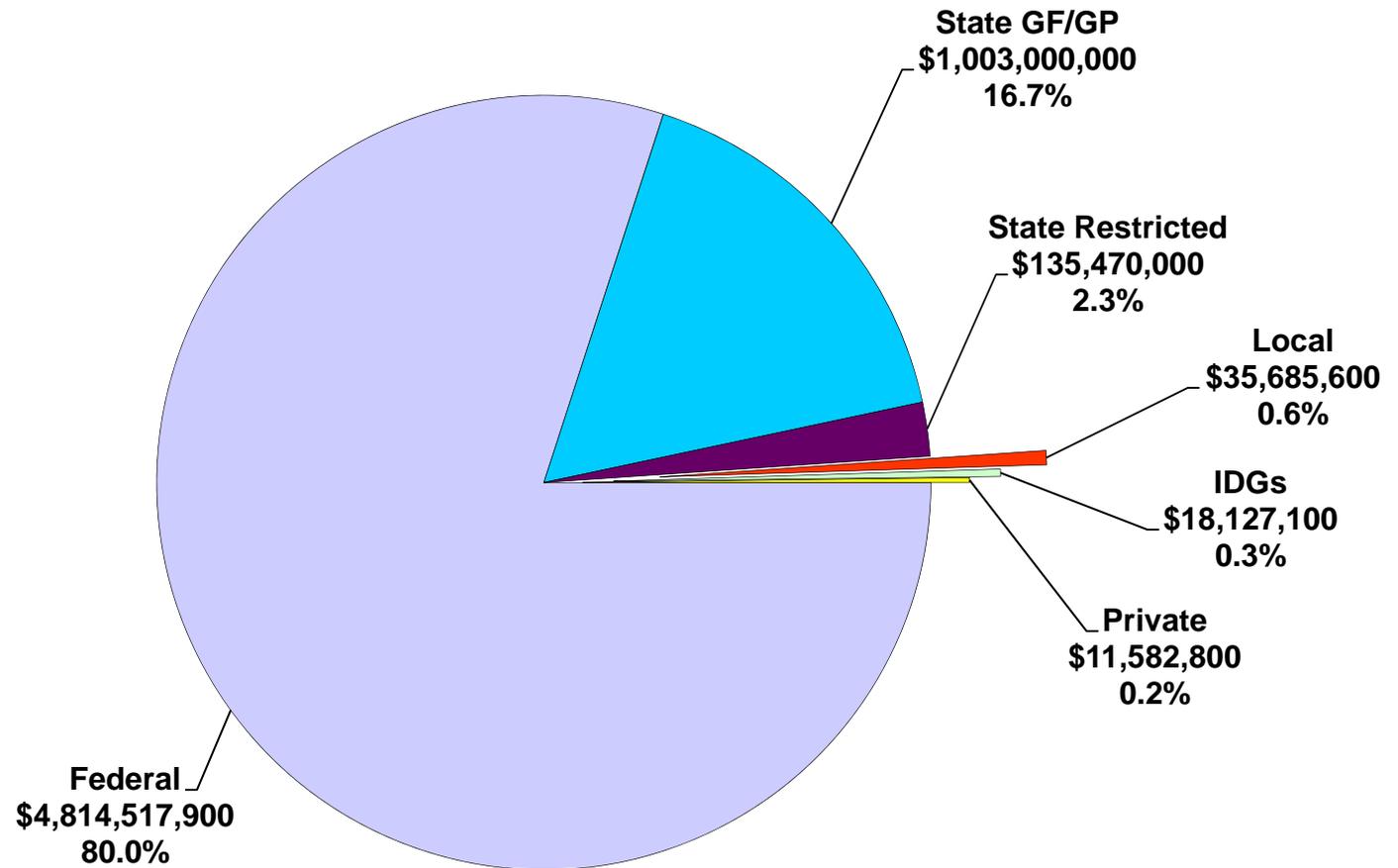
# **SOURCES OF FUNDING**

# Human Services Revenue Sources

- **FY 2013-14 DHS budget = \$6.0 billion; 16.7% is GF/GP**
- **80.0% of DHS revenue is federal**
  - **Food Assistance Program benefits (47.1% 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, private and restricted revenue (3.0% of budget) includes:**
  - **County payments toward child welfare services**
  - **Low-income energy assistance fund**
  - **Retained child support**
  - **Merit Award Trust Fund**
- **Almost all IDG revenue is from Department of Education for Child Development and Care program administration**

# Human Services Revenue Sources

FY 2013-14 Total = \$6,018,383,400



# **DEPARTMENT APPROPRIATIONS**

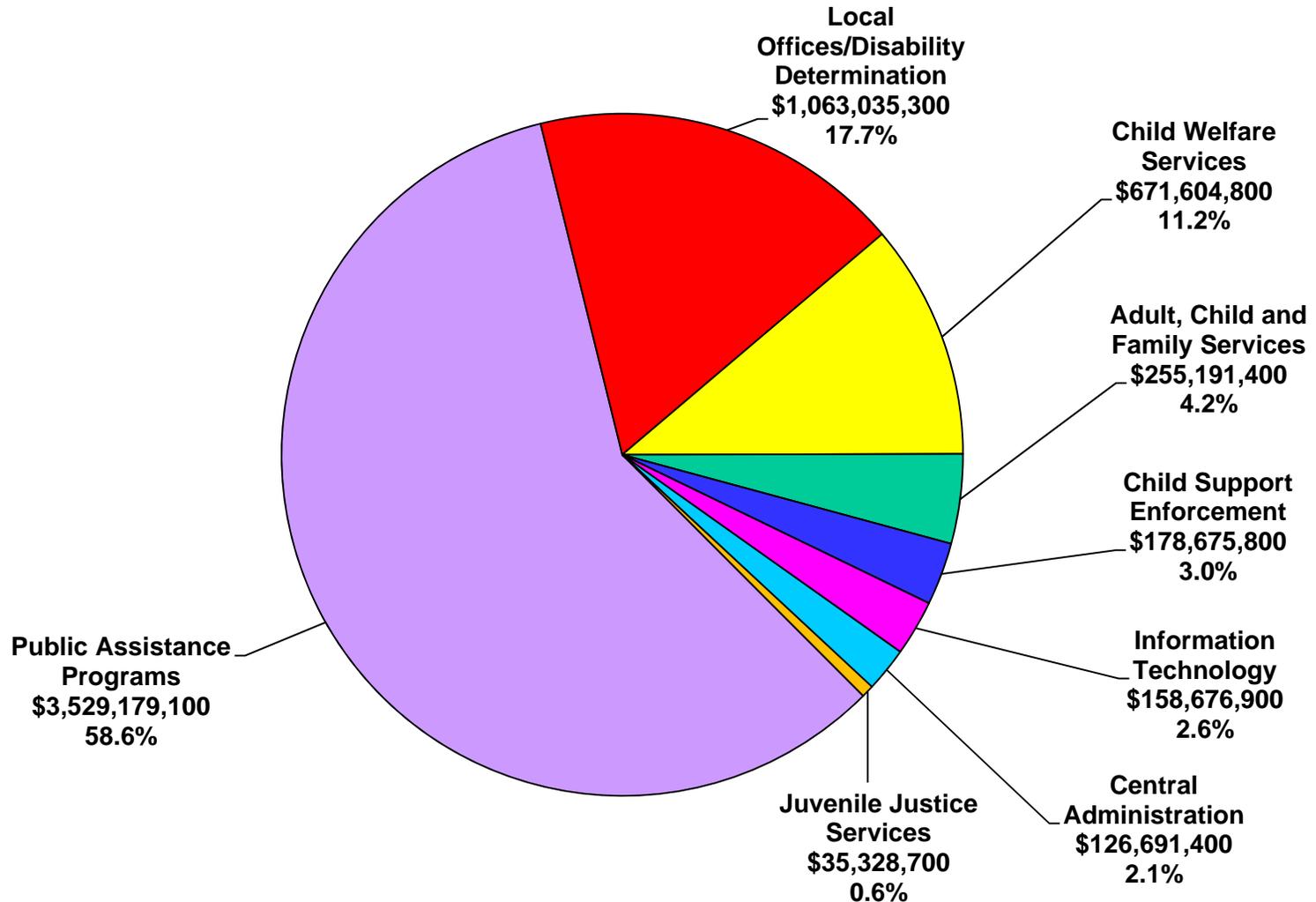
# Human Services Appropriations

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**

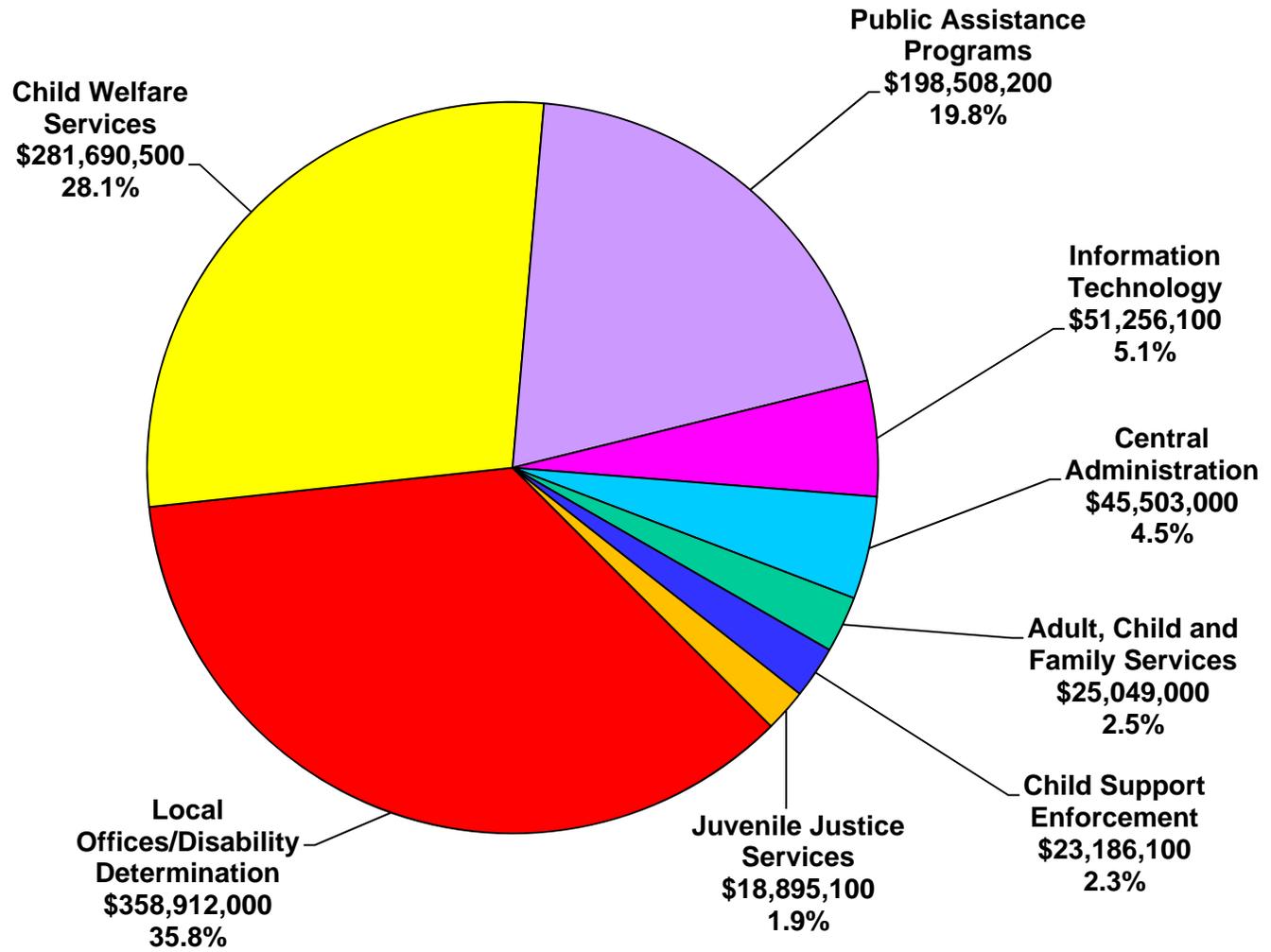
# DHS Gross Appropriations by Category

FY 2013-14 Total = \$6,018,383,400



# DHS GF/GP Appropriations by Category

FY 2013-14 Total = \$1,003,000,000

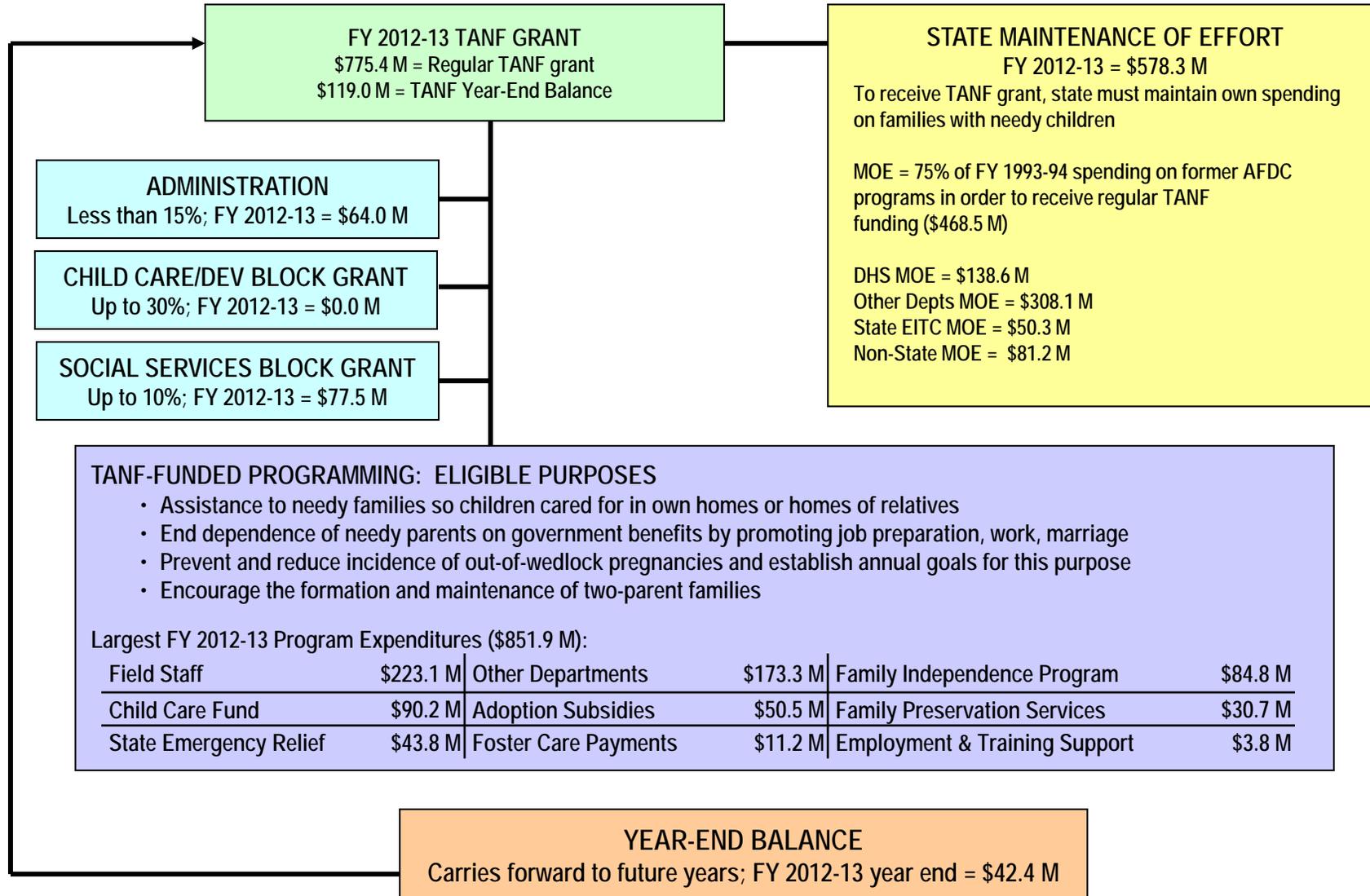


# **MAJOR BUDGET TOPICS**

# Temporary Assistance for Needy Families

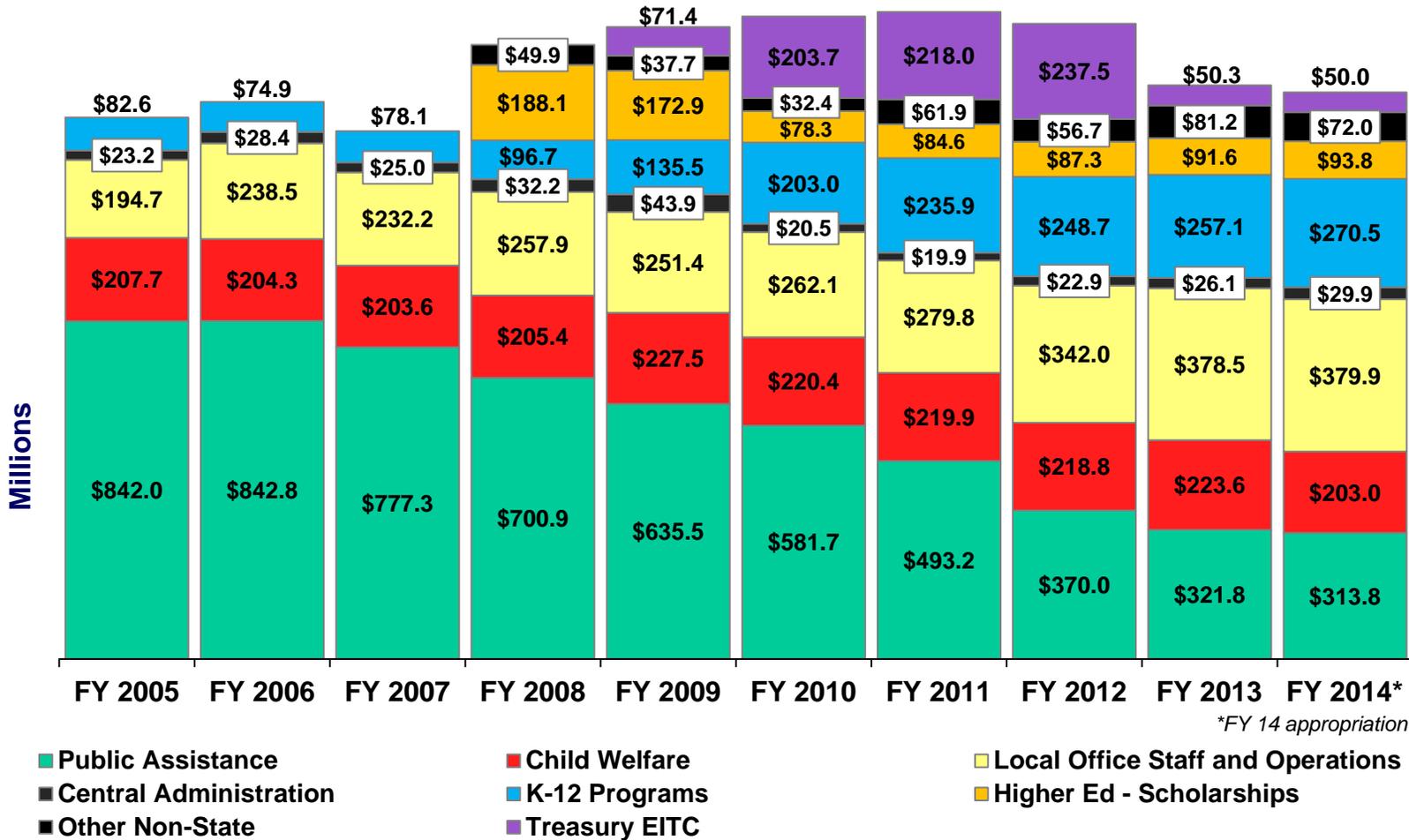
- **Block grant established in 1996 by federal welfare reform legislation (replaced former Aid to Families with Dependent Children)**
- **State family assistance grants can be used to assist families with minor children or pregnant women**
- **State plan must outline:**
  - **Details of cash assistance 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 no longer allows TANF-funded cases to exceed the federal 60-month lifetime limit**

# Overview of TANF Funding



# Overview of Statewide TANF and TANF MOE Funding

Since FY 2004-05, TANF spending on Public Assistance has declined by \$528.2 million, or 62.7%. Those funds have either been redirected to other programs (e.g. Local Staff and Scholarships), or the state has been able to identify additional sources of TANF MOE (e.g. K-12 and non-state programs)



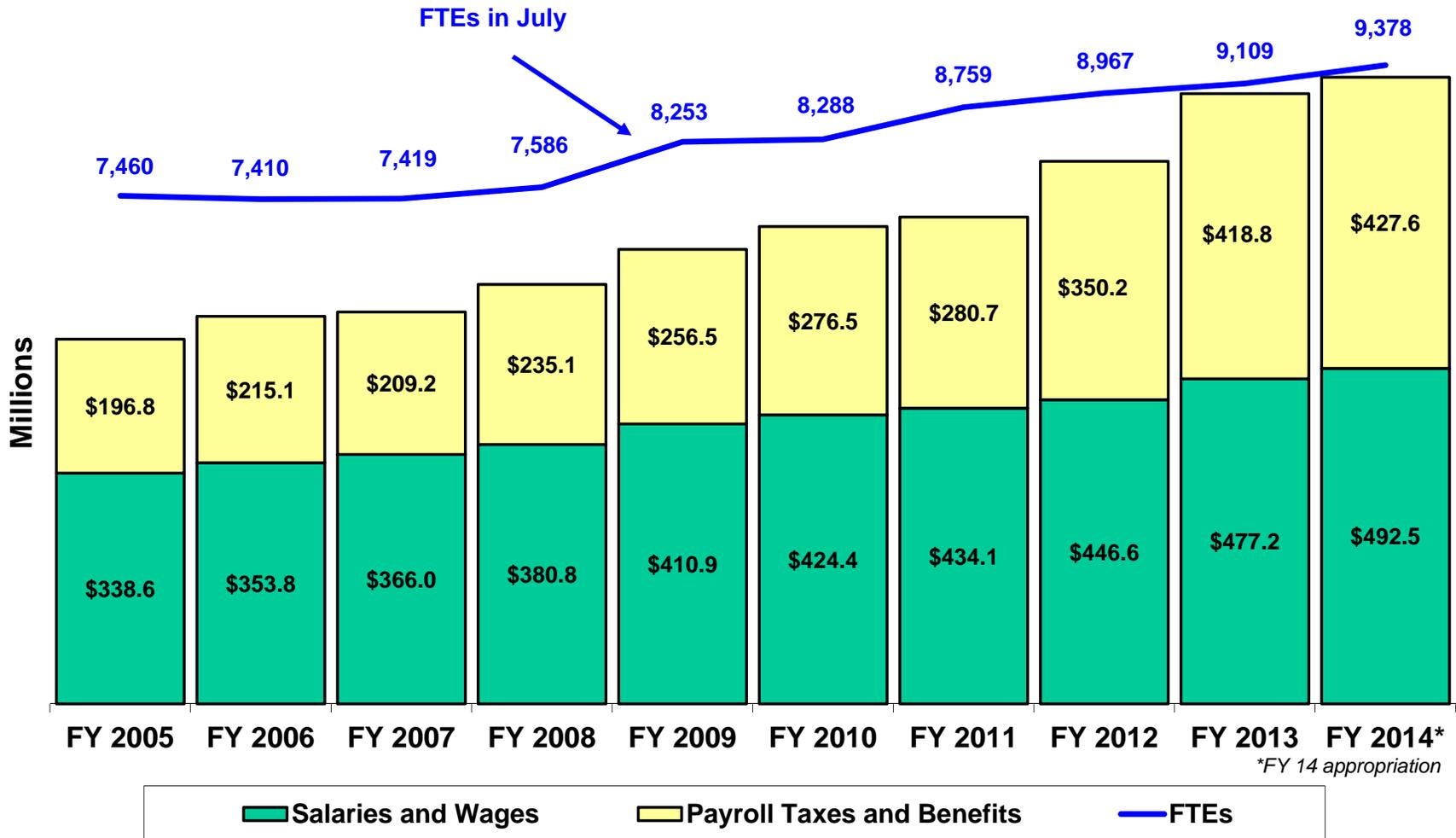
# Federal TANF Program Reauthorization

- **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 20.6% for FY 2012-13; Year-to-date (Oct 2012 – July 2013) participation rate for FY 2012-13 is 51.0%**
- **TANF reauthorization has been extended through January 15, 2014 with no major changes.**

# Local Office Staff Spending

- **DHS has 105 local offices across the state which are responsible for processing public assistance applications (including Medicaid and Child Development and Care) and monitoring case files, overseeing foster care and protective services cases, and administering other DHS programs.**
- **Local office staff account for 15% of the DHS budget and can support 9,380 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 \$45.0 million in FY 2011-12 as a result of prefunding retiree health, dental, and vision benefits known as Other Post-Employment Benefits (OPEB). Retirement costs increased an additional \$50.0 million during FY 2012-13.**

# 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 other financial supports to low-income households**

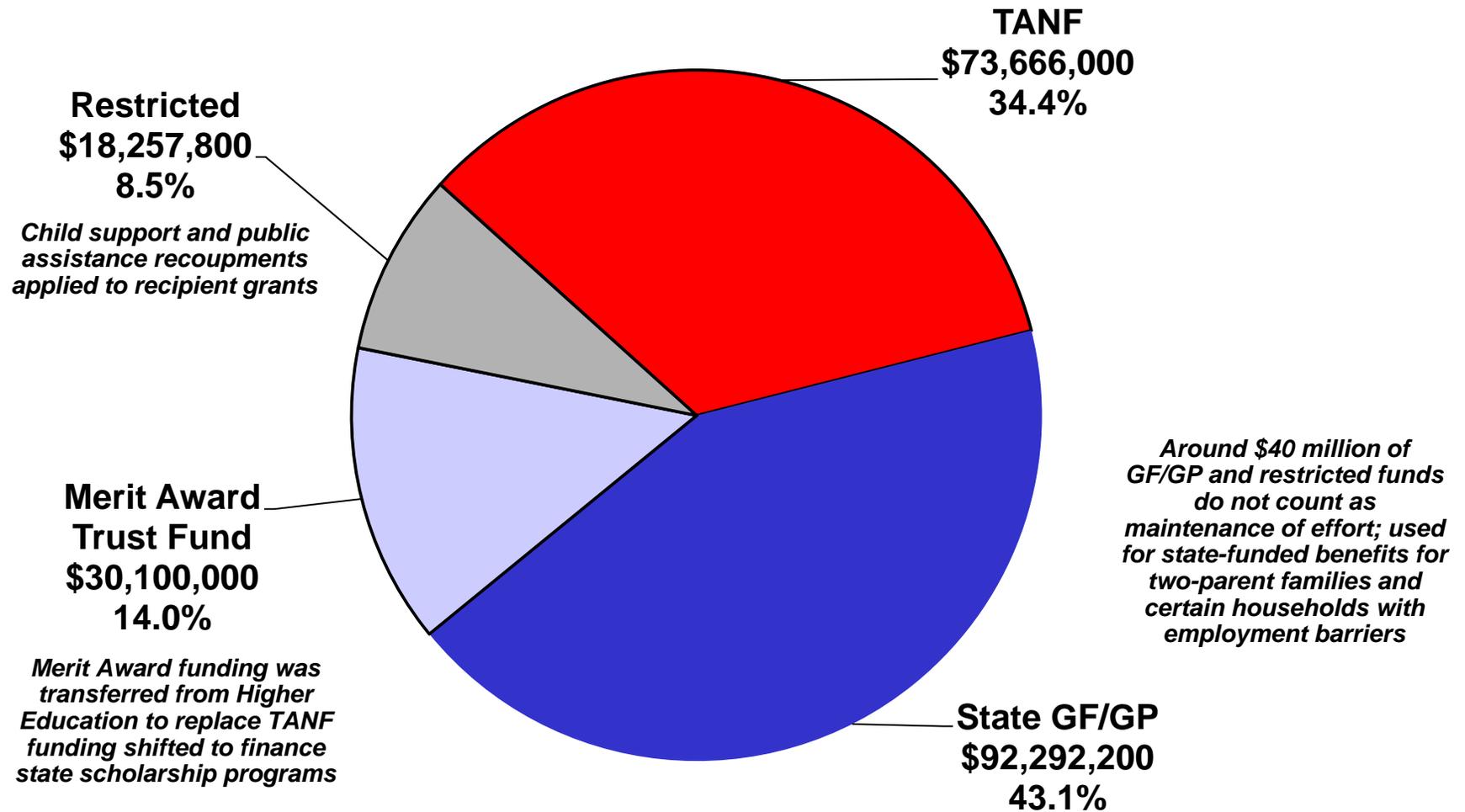
# Family Independence Program (FIP)

- **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**

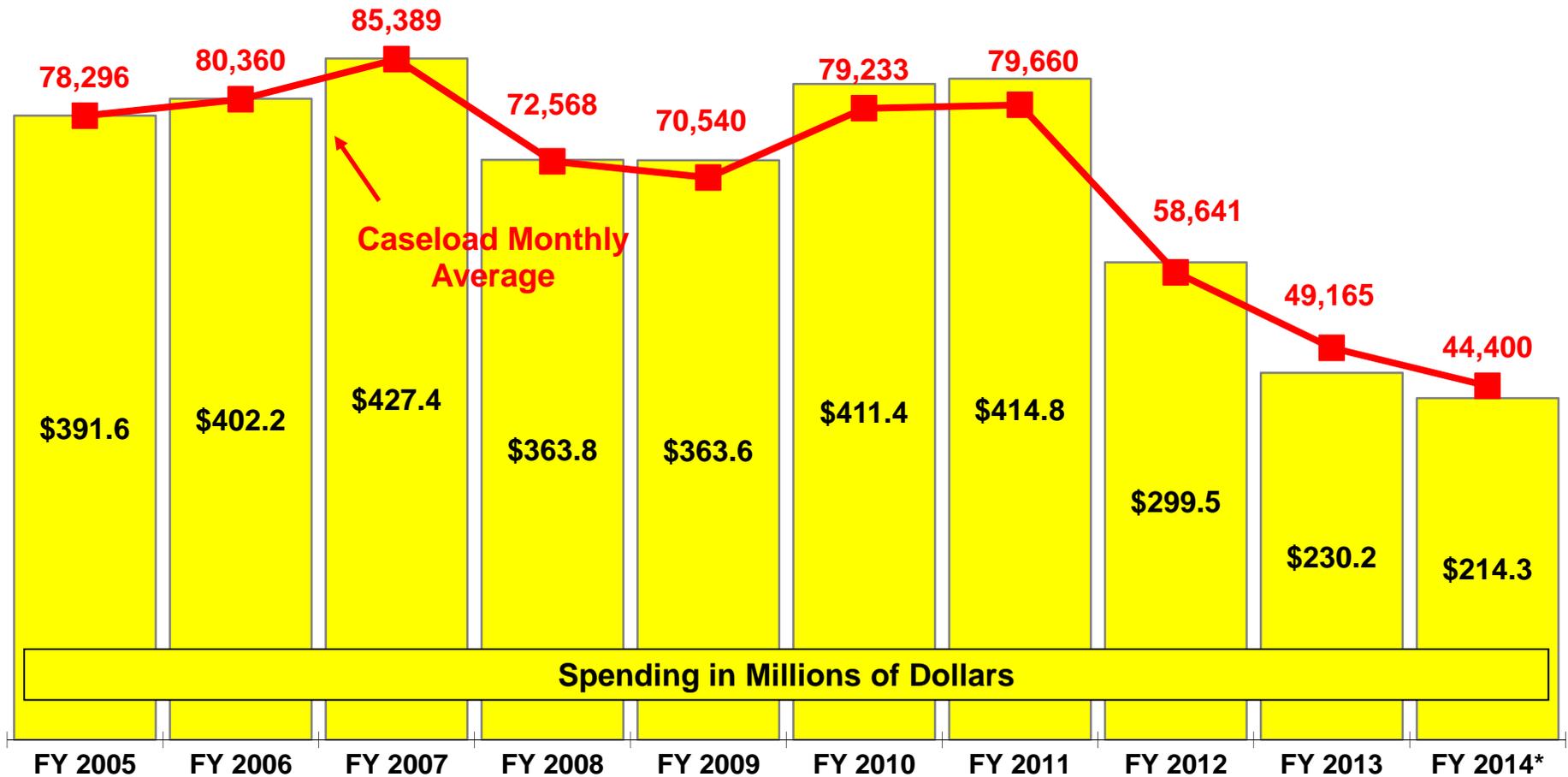
# FIP Funding Sources

FY 2013-14 Total = \$214,316,000

Chart Shows FY 2013-14 Spending by Source



# FIP Caseload and Spending Trends



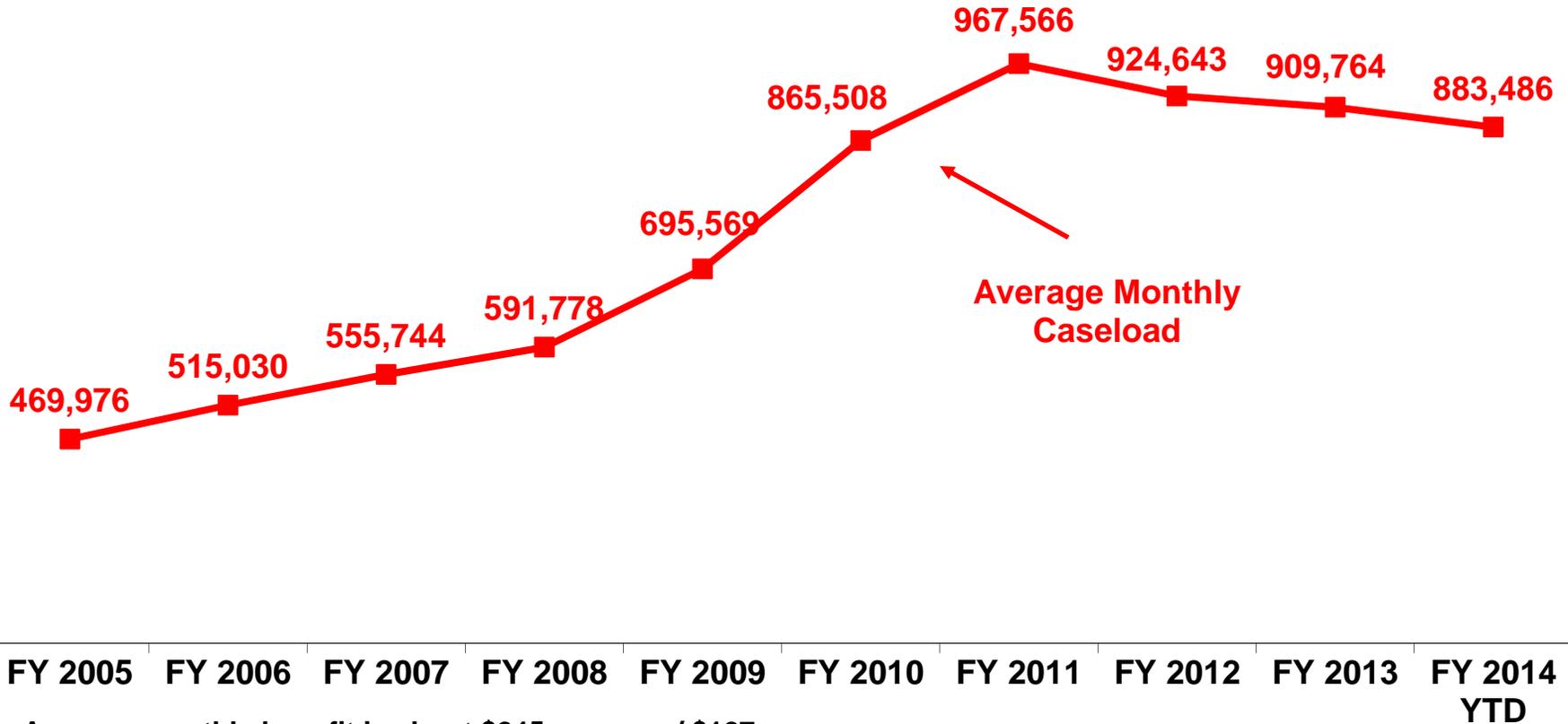
\*FY 14 appropriation

- Beginning October 1, 2011, changes to the state lifetime limit and federal lifetime limit resulted in caseload decline
- 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 \$370 with average family group of 2.5 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; Federal American Recovery and Reinvestment Act of 2009 increased benefits 13.6%, Beginning November 1, 2013 benefits reverted to old federal formula, reducing monthly benefits by \$29 for a family of 3**
- **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

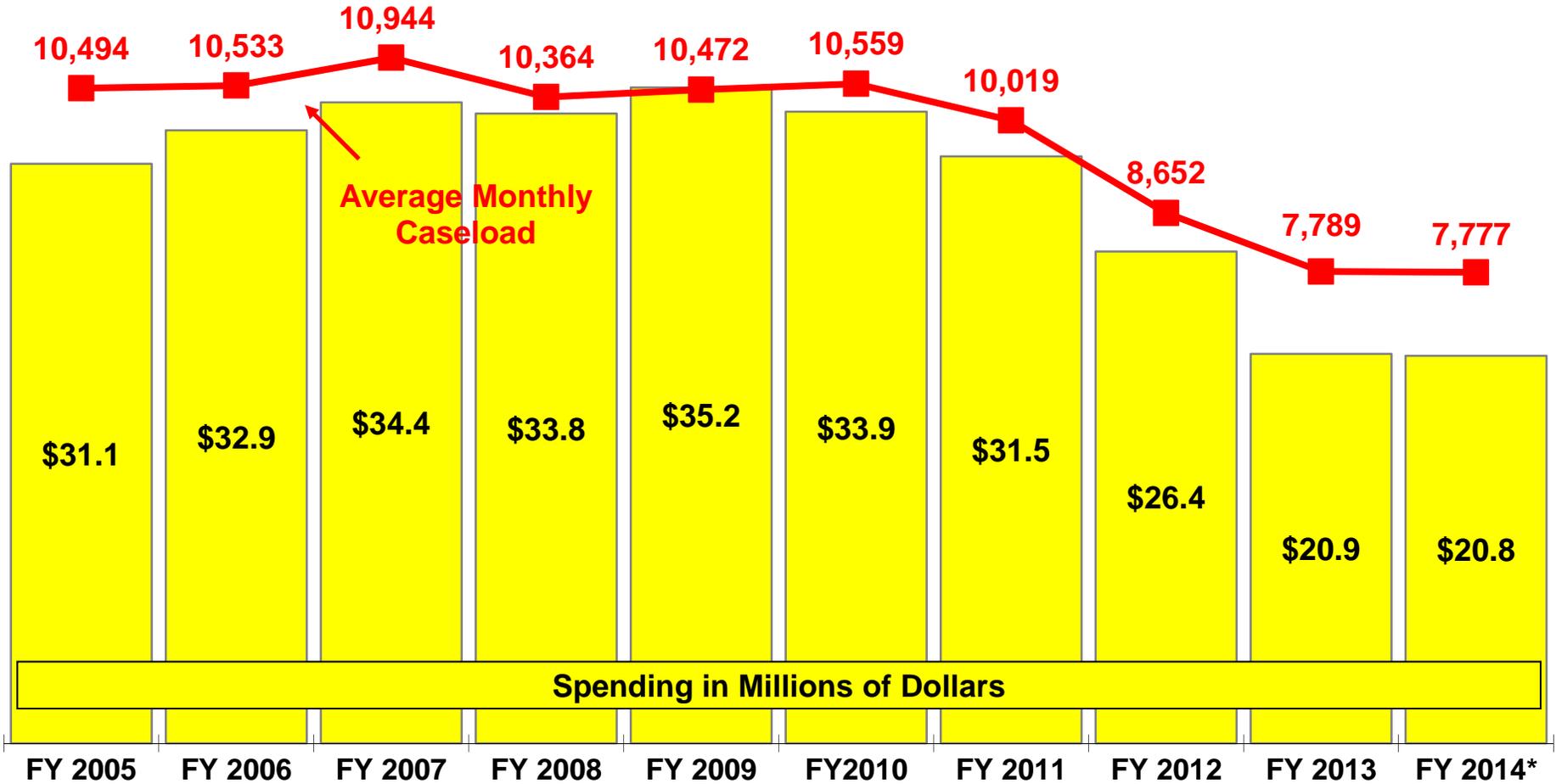


- Average monthly benefit is about \$245 per case / \$127 per person
- Actual benefit level varies depending on group size and income
  - Benefit = Maximum allotment for group size minus 30% of counted income (represents expected contribution by family toward food); maximum allotment for family of three is \$497
- Average Food Assistance household size is 1.93 persons; about 72% 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 \$225 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 14 appropriation

# State Emergency Relief Program (SER)

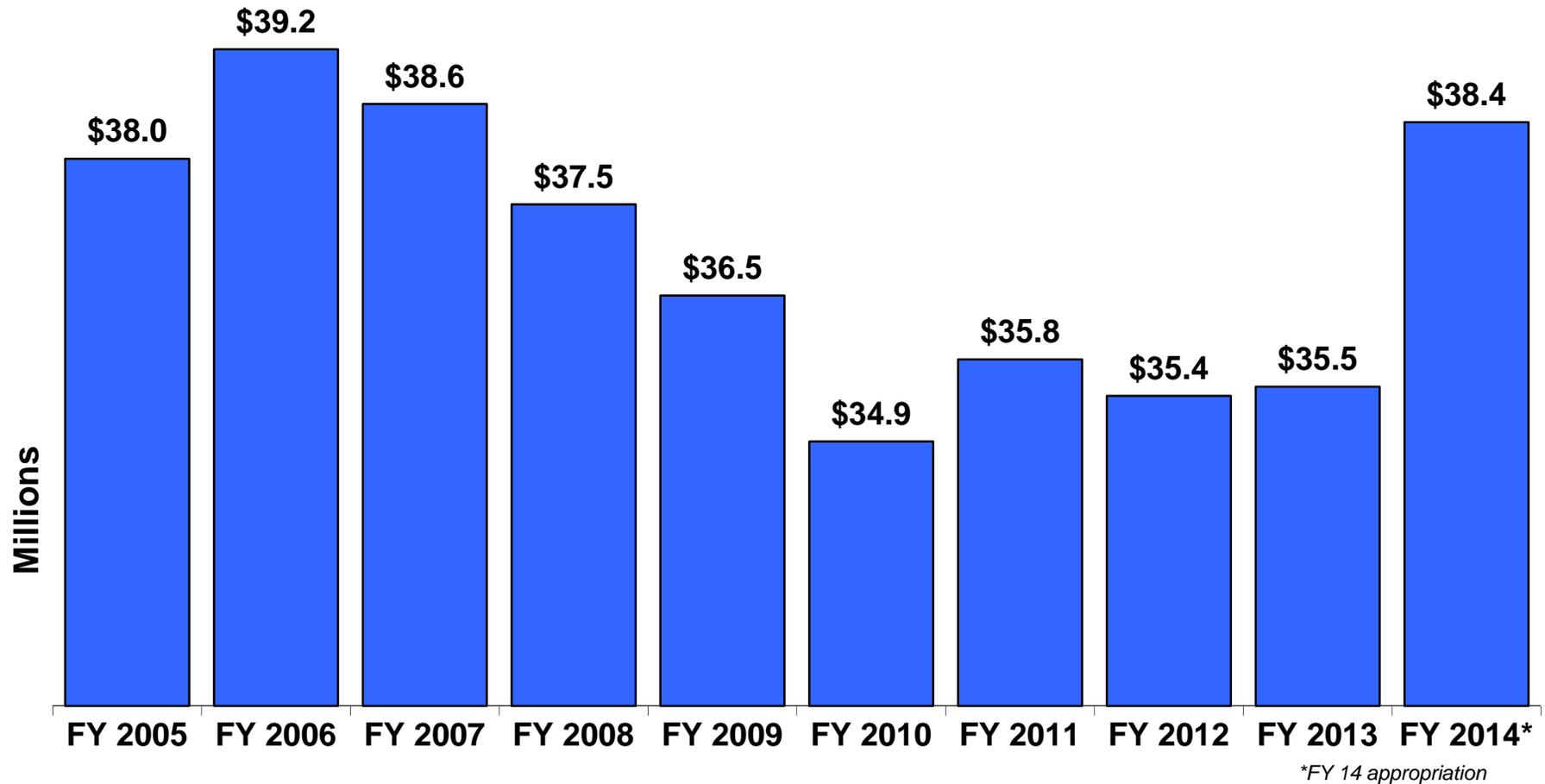
- **Assists applicants with safe, affordable housing and other essential needs when an emergency arises**
- **For energy services, family group must meet income requirements of 150% of federal poverty guidelines (equal to an annual gross income of around \$28,635 for a family of three)**
- **For non-energy 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 2013-14 Emergency Services Appropriations

- **State Emergency Relief (SER) Program: \$38.4 million**
  - Local Office Emergency Services allocations (rent/moving expenses, housing payments and repairs, non-energy utility assistance): \$13.8 million
  - Salvation Army Homeless Shelter contract: \$15.7 million
  - Indigent Burials/Unclaimed Bodies: \$4.3 million
  - Multicultural contracts (Arab Chaldean Council, ACCESS, Chaldean Community Foundation, Jewish Federation): \$3.0 million
  - Food Bank Council: \$1.8 million
  
- **Energy Assistance Programs: \$197.4 million**
  - DHS receives approximately \$160.0 million in federal Low-income Home Energy Assistance Program (LIHEAP) block grant 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 offset with \$59.9 million in one-time GF/GP and TANF funds, of which \$27.7 million was contracted out to non-state entities
  - FY 2013-14 Legislature passed new surcharge on electric meters to collect \$50.0 million through Low-Income Energy Assistance Fund (LIEAF)

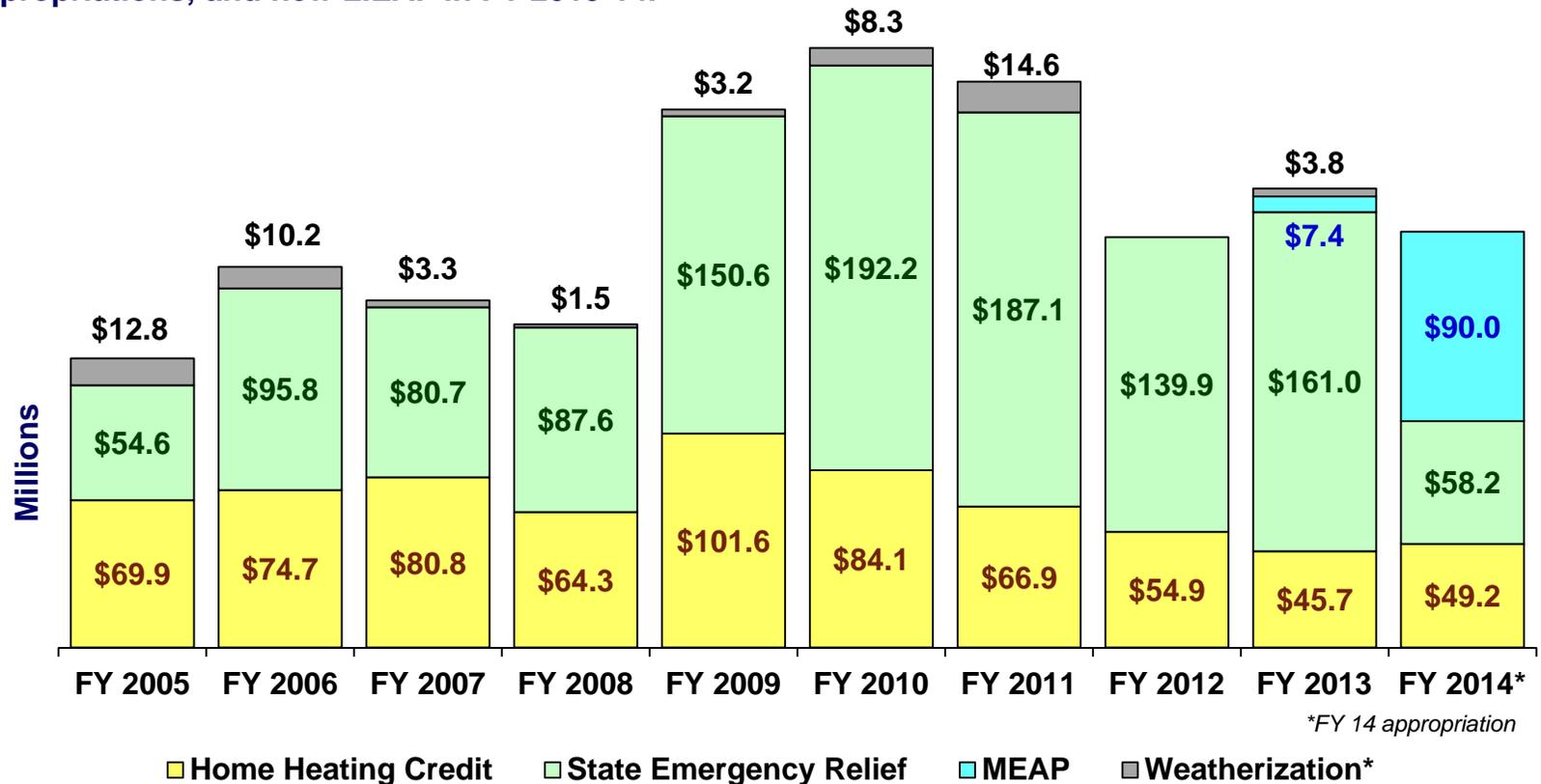
# State Emergency Relief Expenditures

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



# Energy Assistance Expenditures

The federal LIHEAP funding is primarily used to fund four programs: the Home Heating Credit, SER, the new Michigan Energy Assistance Program (MEAP), and Weatherization. LIHEAP funding saw a significant increase to the FY 2008-09 allocation and was maintained through FY 2010-11. FY 2013-14 state LIHEAP allocation reflects the spending per program according to the FY 2013-14 LIHEAP spending plan. Spending also includes grants to DHS from the Michigan Public Service Commission, one-time FY 2013 state appropriations, and new LIEAF in FY 2013-14.



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

# 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

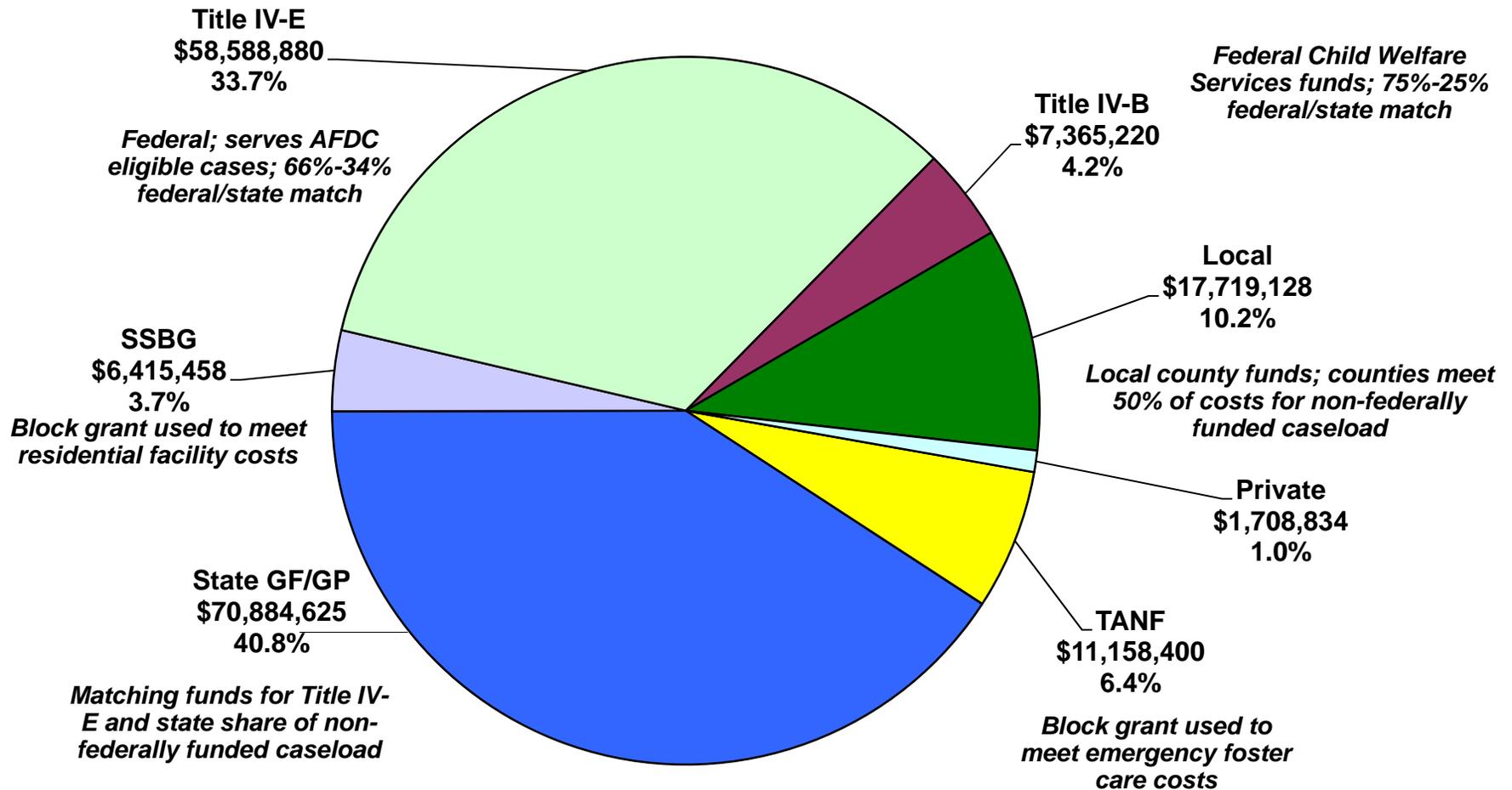
# Children's Foster Care

- **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**

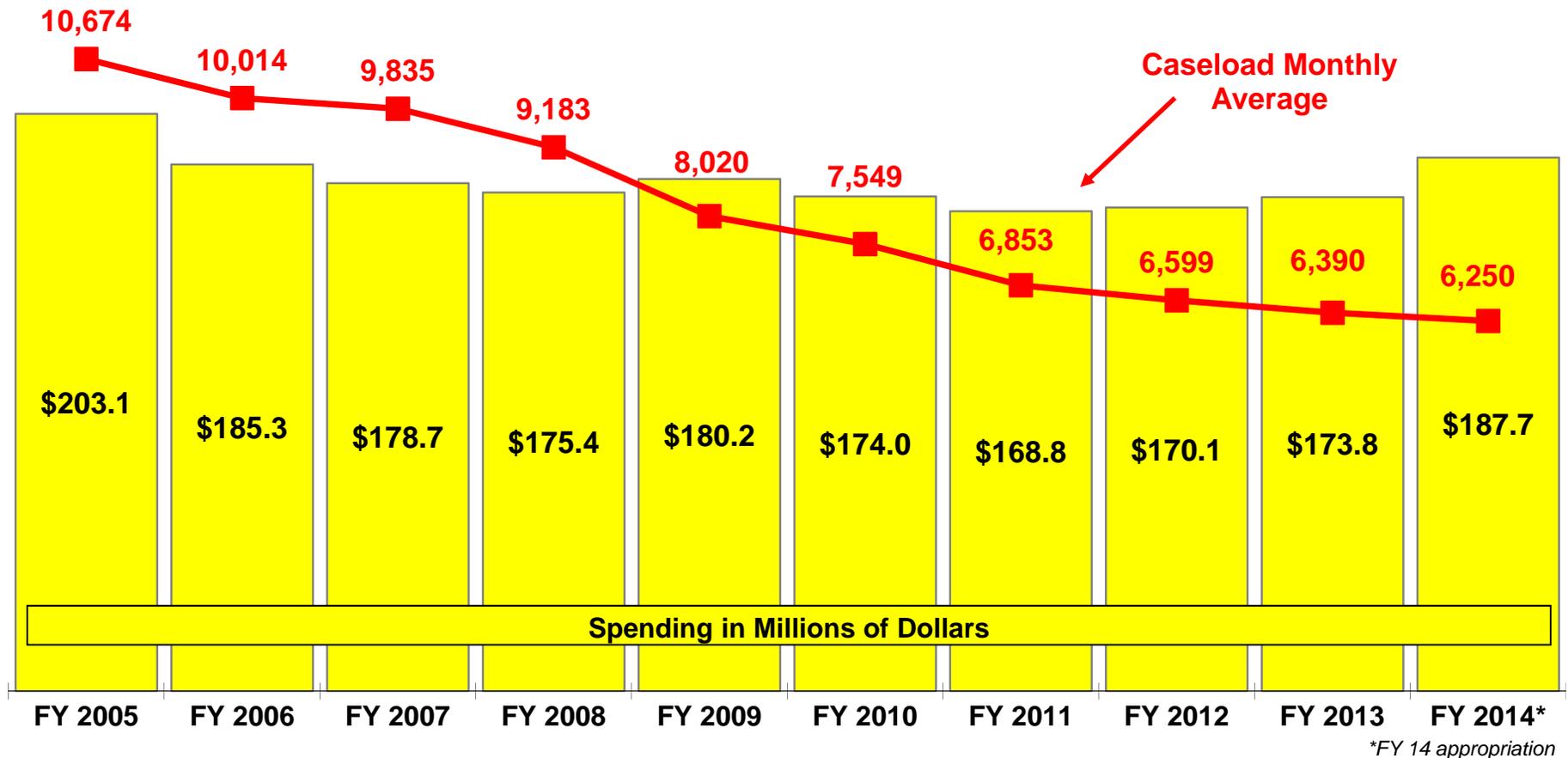
# Foster Care Funding Sources

FY 2013-14 Total = \$187,703,500

Chart Shows FY 2012-13 Spending by Source



# Foster Care Caseload/Spending Trends



- 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

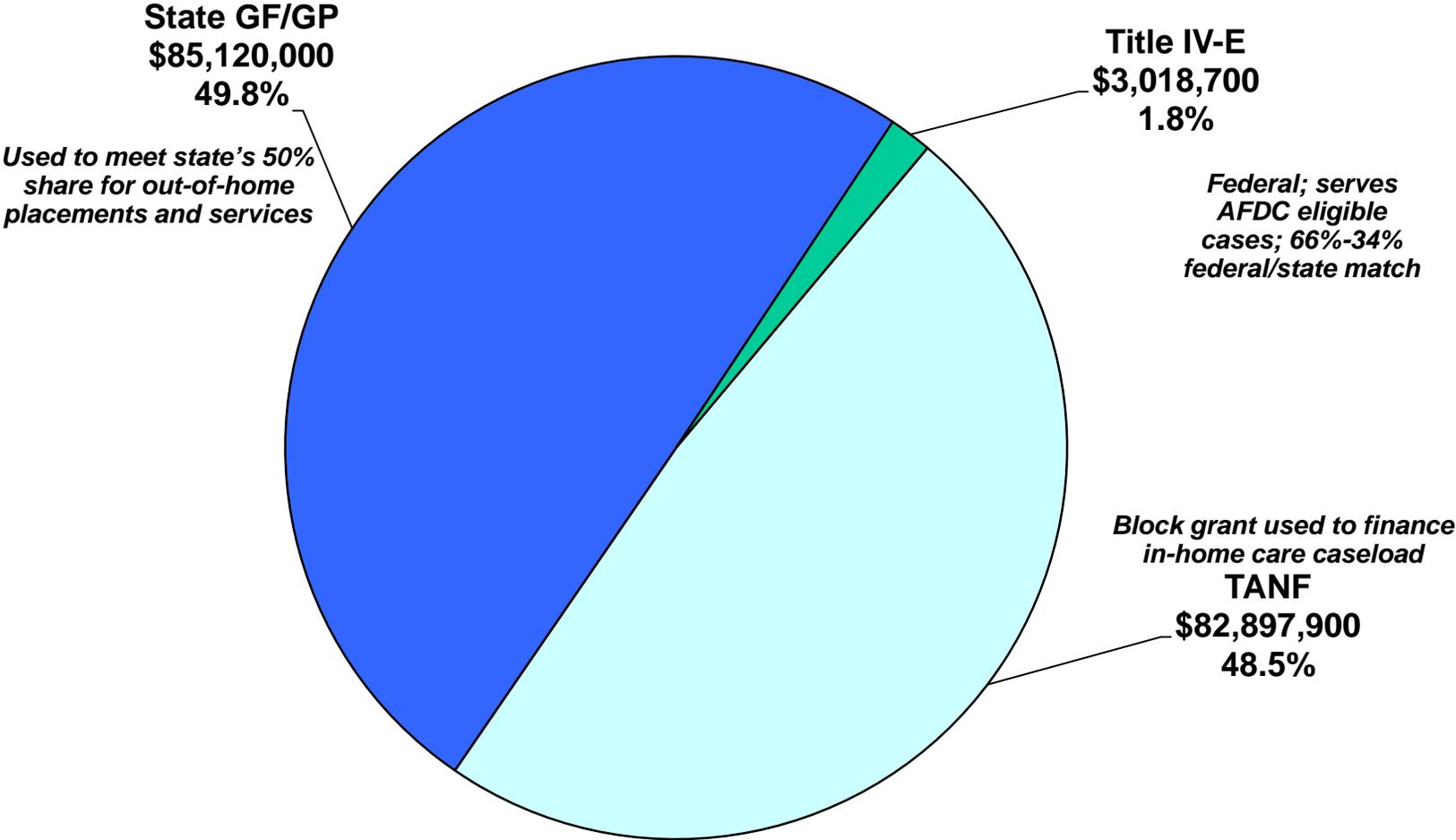
# Child Care Fund (CCF)

- **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**

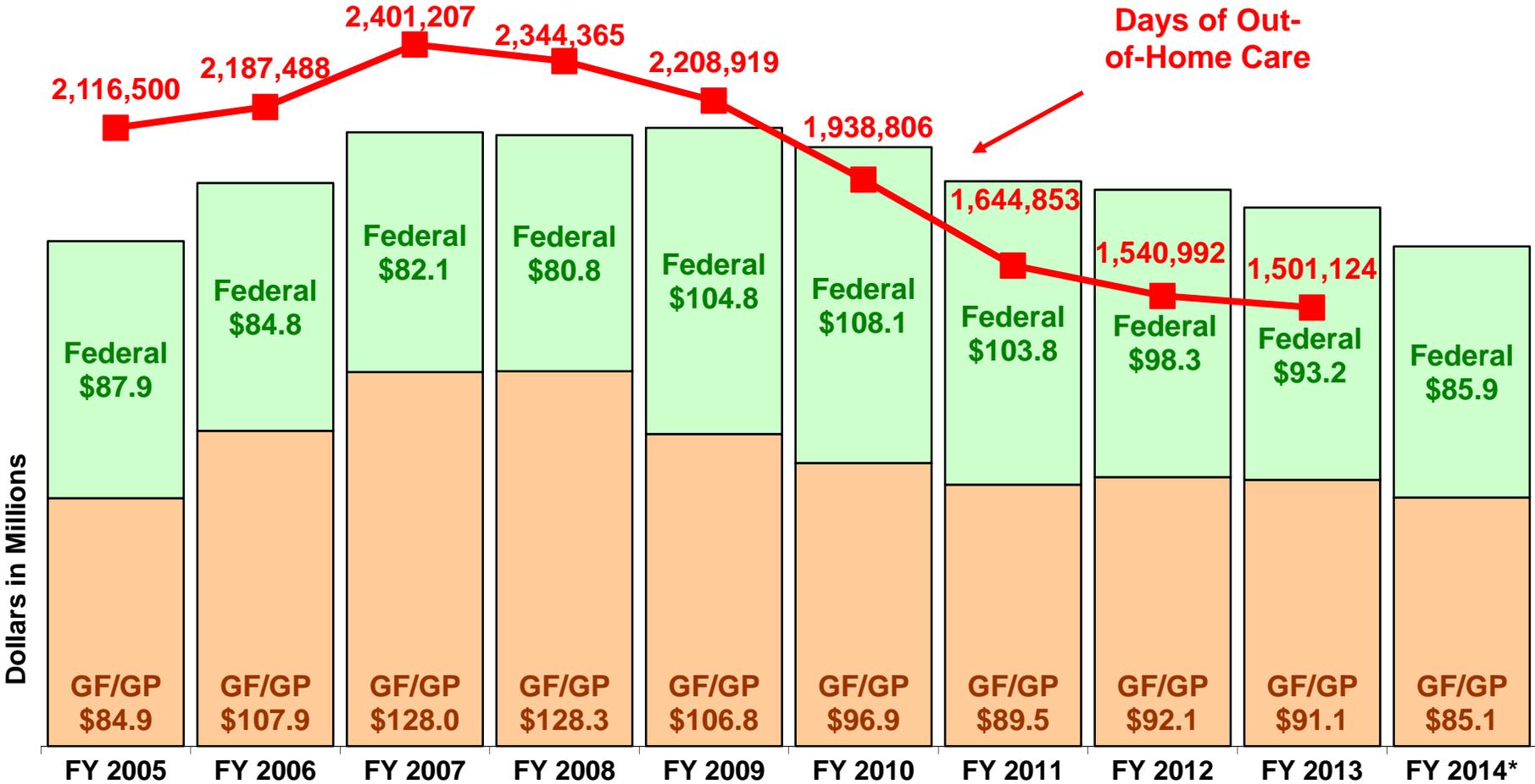
# CCF Funding Sources

FY 2013-14 Total = \$171,036,600

Chart Shows FY 2013-14 Spending by Source



# CCF Caseload and Spending Trends



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

\*FY 14 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**

# Adoption Subsidy Funding Sources

FY 2013-14 Total = \$244,074,500

Chart Shows FY 2012-13 Spending by Source

*Block grant supports a portion of subsidies not eligible for Title IV-E funding*

**TANF**  
**\$50,535,400**  
**21.0%**

**State GF/GP**  
**\$79,271,357**  
**32.9%**

*Primarily match for federal Title IV-E revenue; also finances caseload not funded with either IV-E or TANF funding*

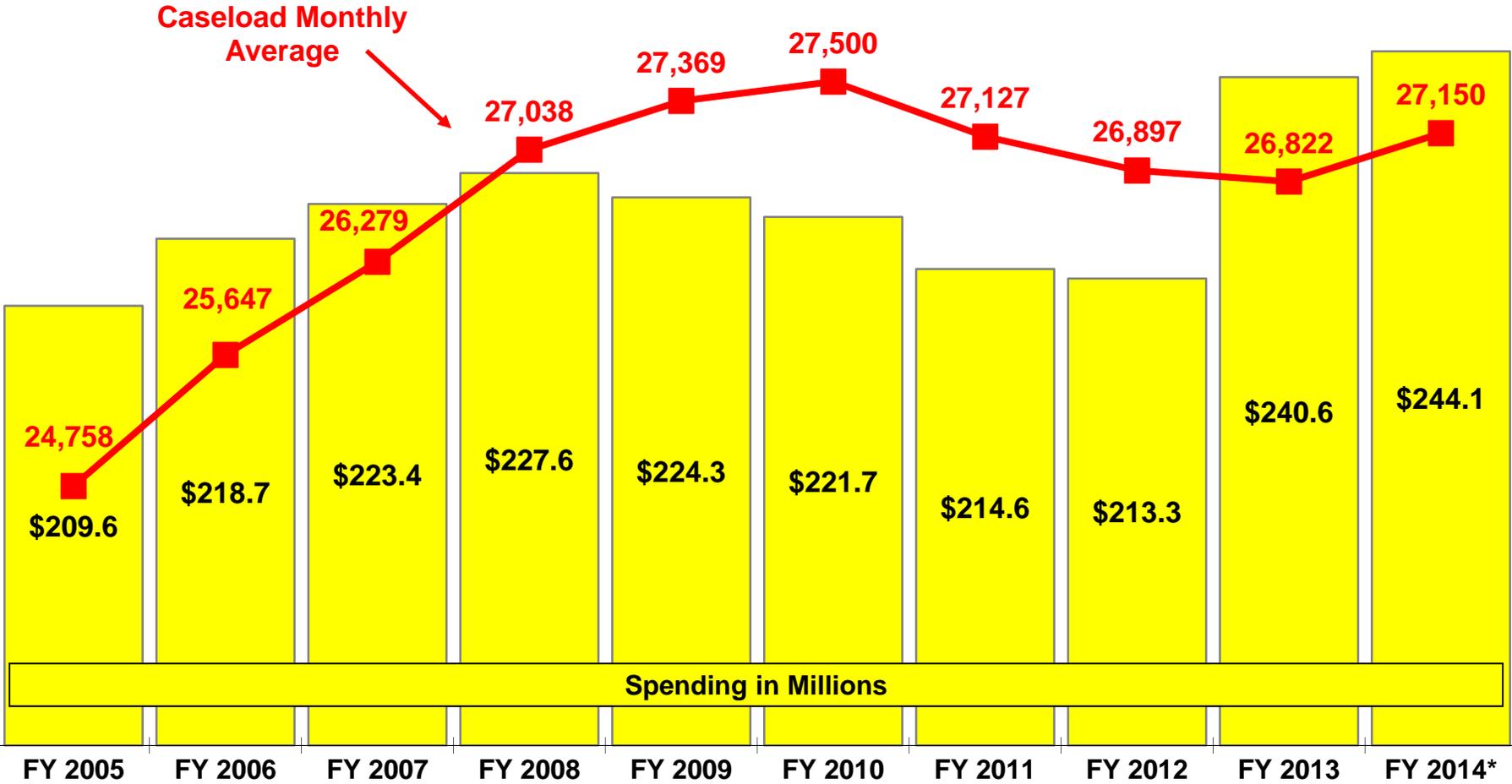
*Federal funds; 66%-34% federal/state match*

**Title IV-E**  
**\$109,785,291**  
**45.6%**

**Title IV-B**  
**\$1,000,374**  
**0.4%**

*Helps support medical subsidy costs 75%-25% federal/state match*

# Adoption Subsidy Caseload/Spending Trends



\*FY 14 appropriation

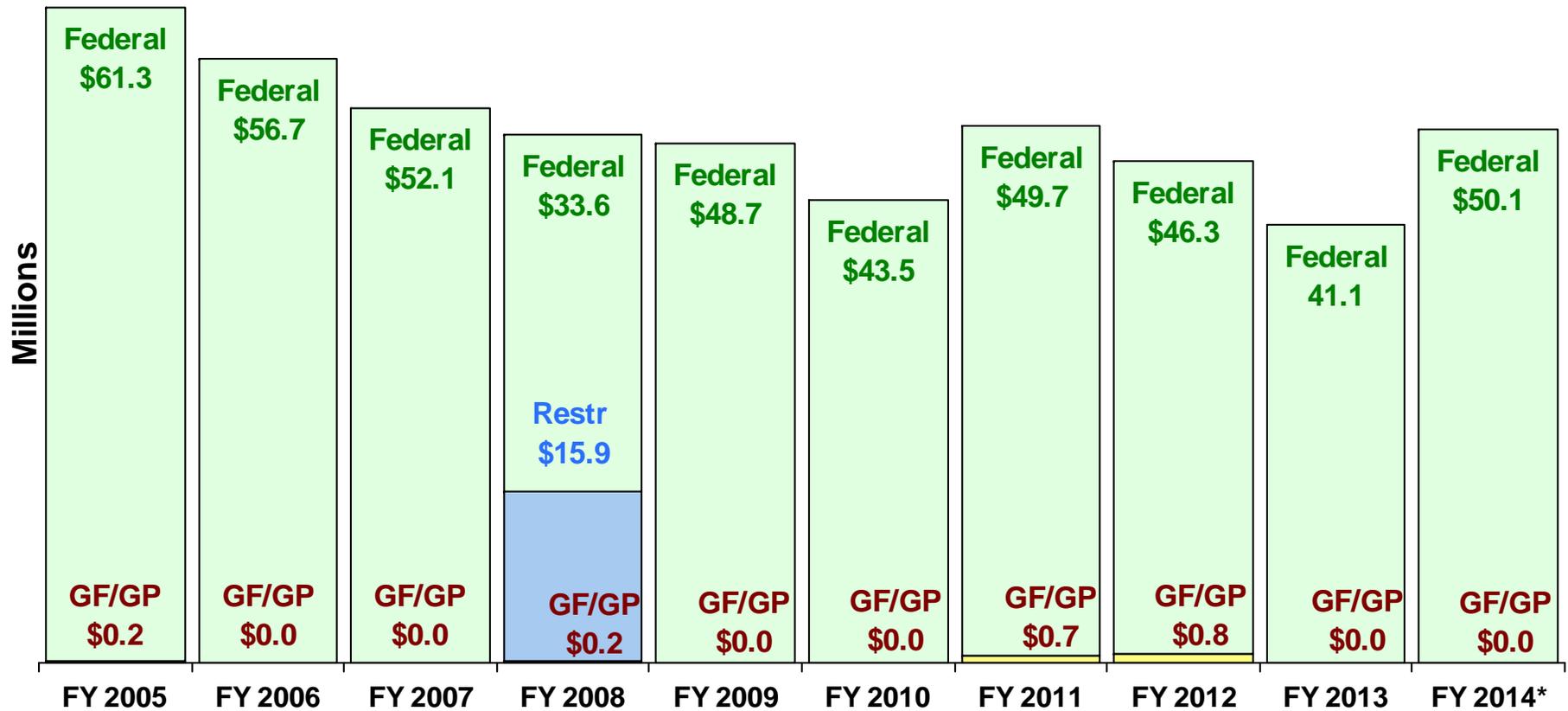
- Average monthly adoption subsidy payment \$730
- Cost per adoption subsidy case in FY 2012-13 increased as a result of increasing adoption subsidy per diem by \$3 for all cases

# 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 14 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**

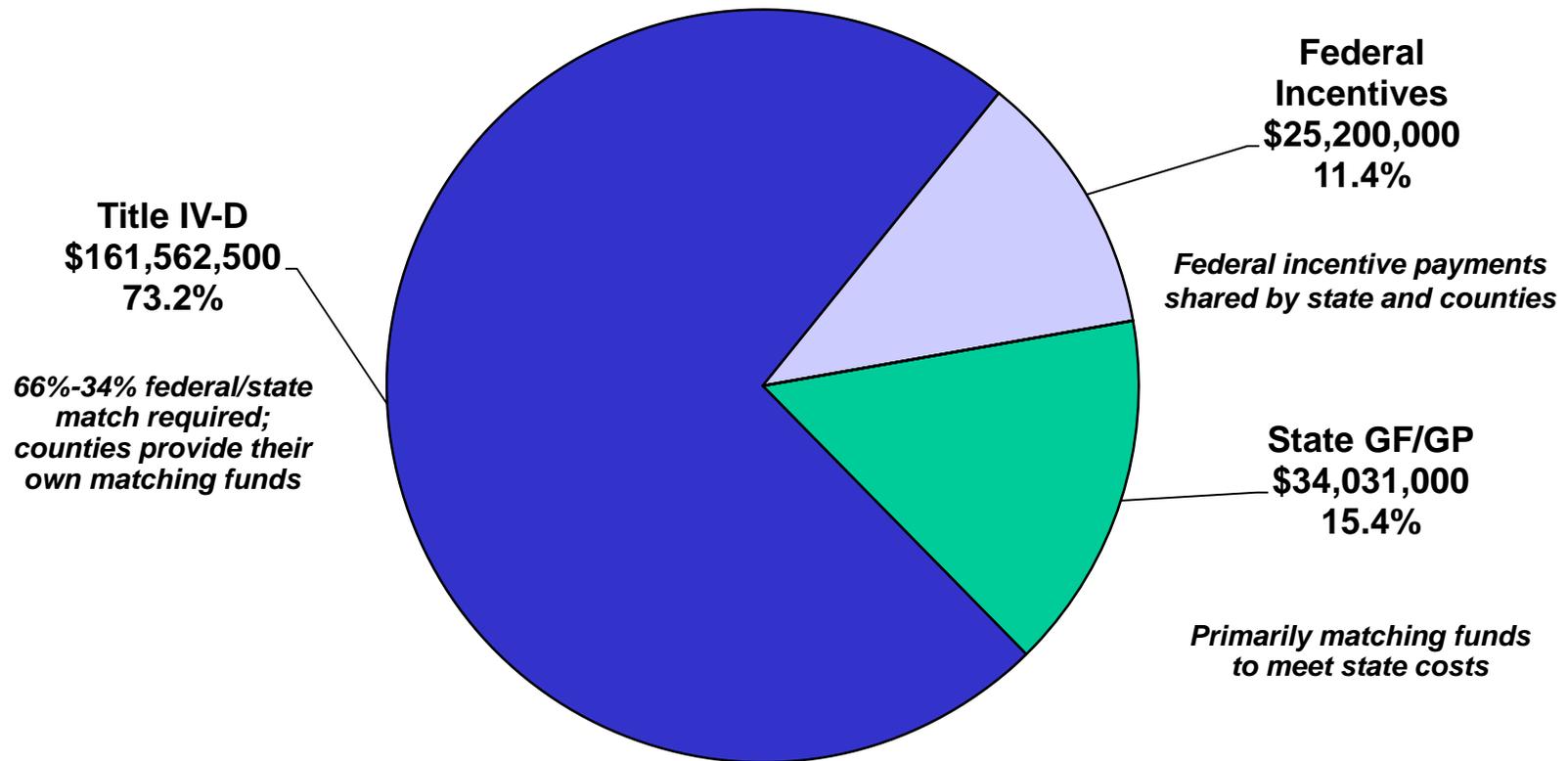
# **Child Support Enforcement (continued)**

- **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 2013-14 Total = \$220,793,500

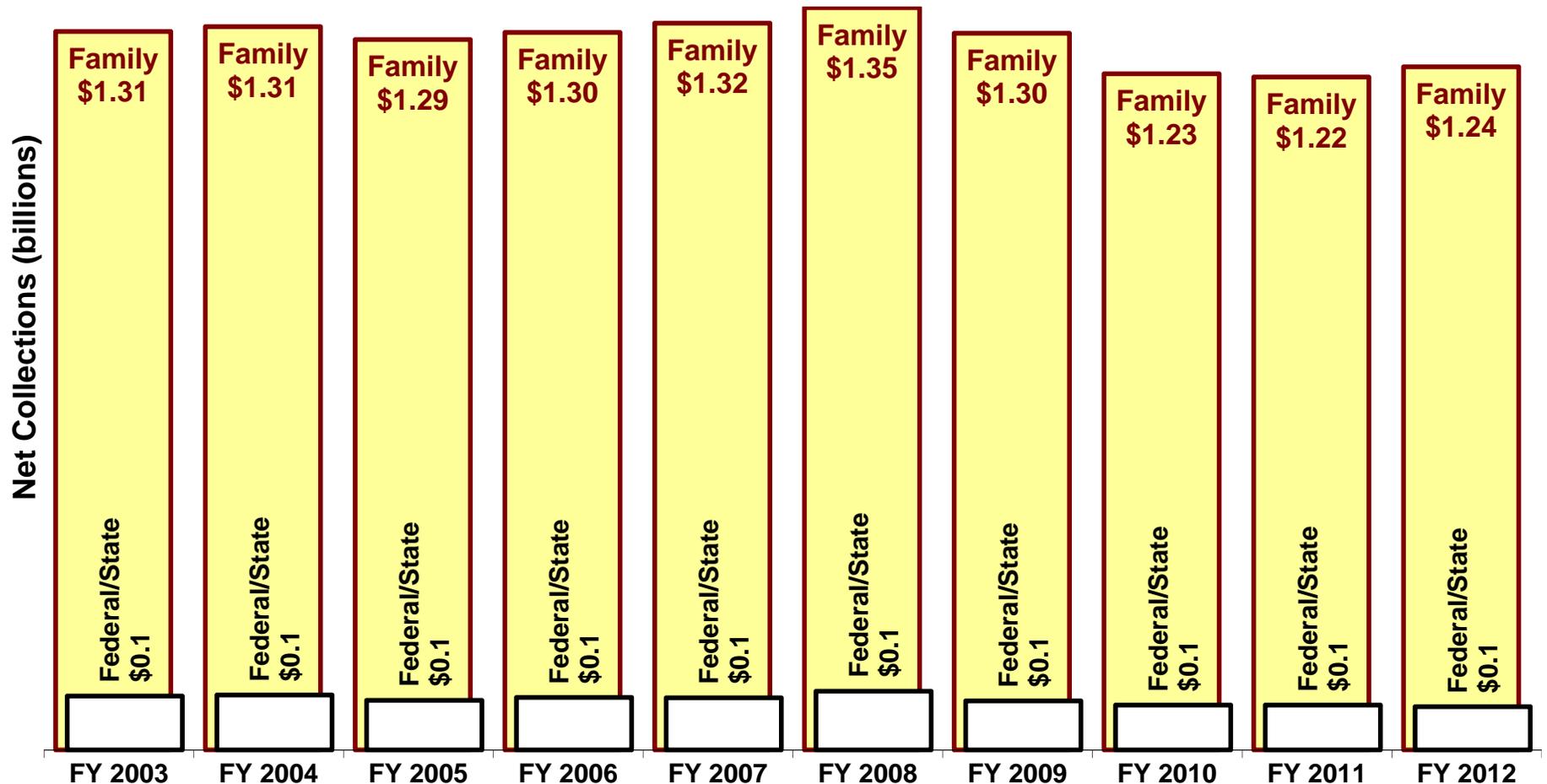
Chart Shows FY 2013-14 Fund Source Distribution



- Amounts include both program operations and information technology

# Child Support Distributed Collections

\$1.2 billion in collected child support was disbursed to families in FY 2011-12; \$78.7 million in collections was returned to state and federal governments as reimbursement for public assistance payments.



# Michigan Rehabilitation Services

- Assists persons with disabilities achieve employment outcomes and independence
- Primarily funded through federal Vocational Rehabilitation Title 1 grant, with a 21.3% state match
- 22,487 persons served during FY 2012-13

Performance Measures	Federal Standards	MRS Performance – FY 2010-11
Number of Employment Outcomes	7,375	7,705
Percent Employed	≥55.8%	50.5%
Employed Competitively	≥72.6%	99.0%
Significantly Disabled	≥62.4%	95.8%
Earnings Ratio	≥0.52	0.59
Self-Support	≥53.0%	61.2%
Minority Ratio	≥0.80	0.83

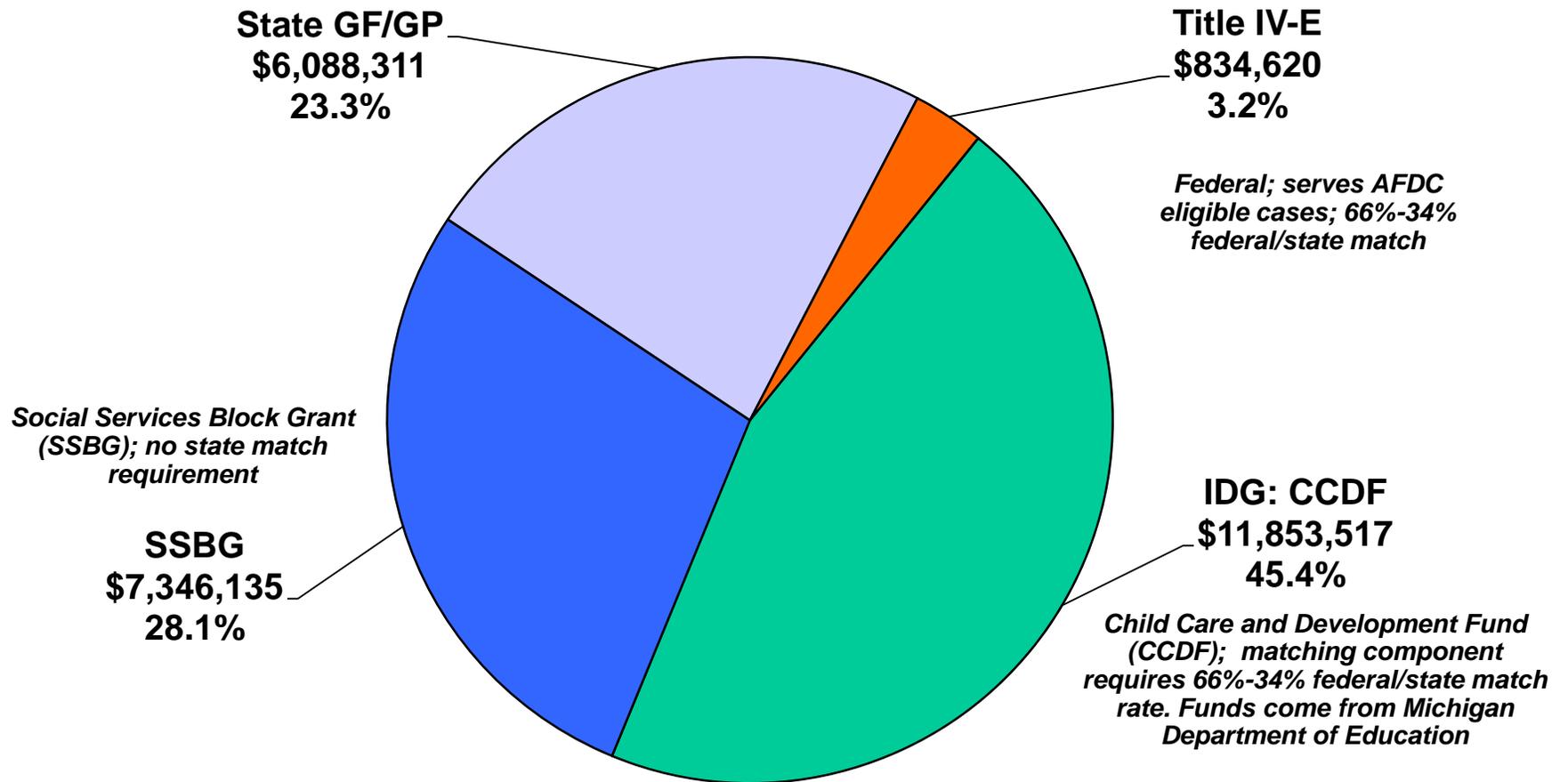
# Children and Adult Licensing

- **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 2011-12**
  - **Adult Foster Care and Homes for the Aged: 4,637**
  - **Child Day Care: 11,179**
  - **Foster Care and Child Welfare: 7,465**
  - **Camps: 973**
- **Capacity of facilities during FY 2011-12**
  - **Adult Foster Care and Homes for the Aged: 49,063 persons**
  - **Child Day Care: 348,918 children**
  - **Foster Care and Child Welfare: 24,288 children**
  - **Camps: 90,861**

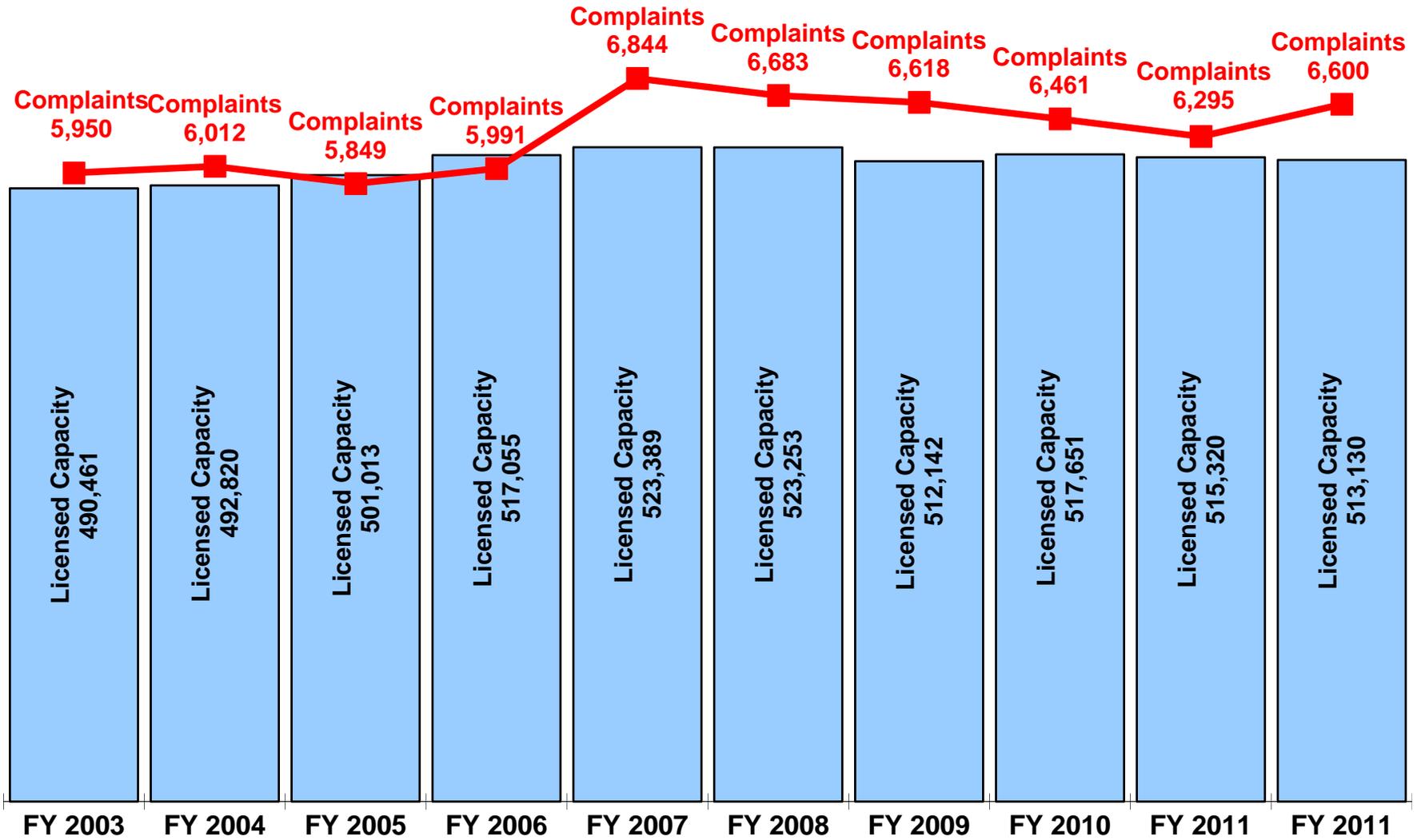
# Children/Adult Licensing Funding Sources

FY 2013-14 Total = \$25,237,400

Chart Shows FY 2012-13 Fund Source Distribution



# Persons in Care and Licensing Activities



# Juvenile Justice Services Program

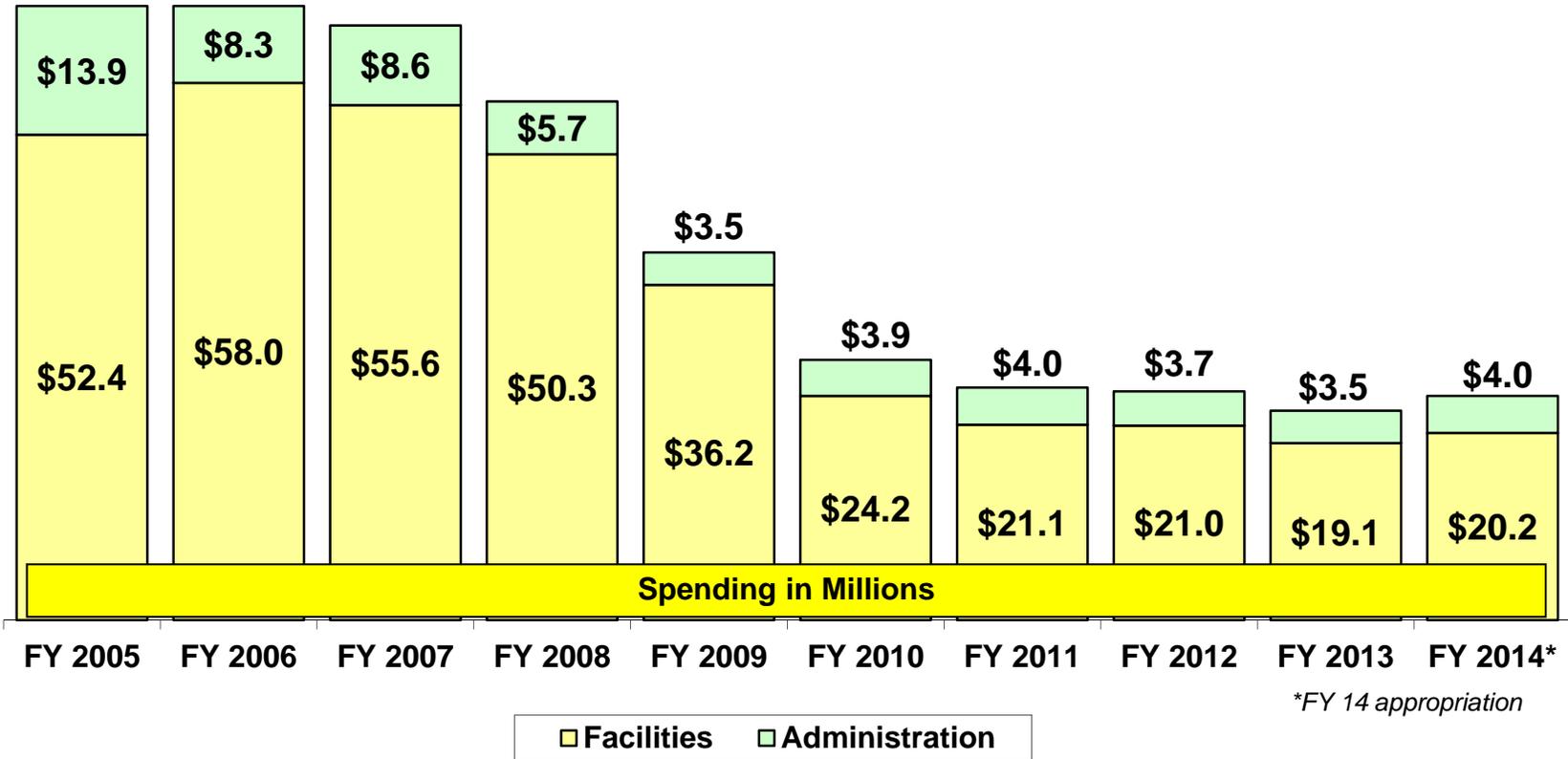
- Bureau of Juvenile Justice provides for care and supervision of state wards age 12 to age 21 referred to DHS by the courts due to delinquency
- Program focuses on prevention and rehabilitation as well as correctional services
- Major responsibilities:
  - DHS-Operated (Public) Residential Facilities
  - 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
  - FY 2009-10 moved the youth at the W.J. Maxey Training School from the larger Woodland unit to the smaller Green Oaks unit; Department of Corrections took 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**

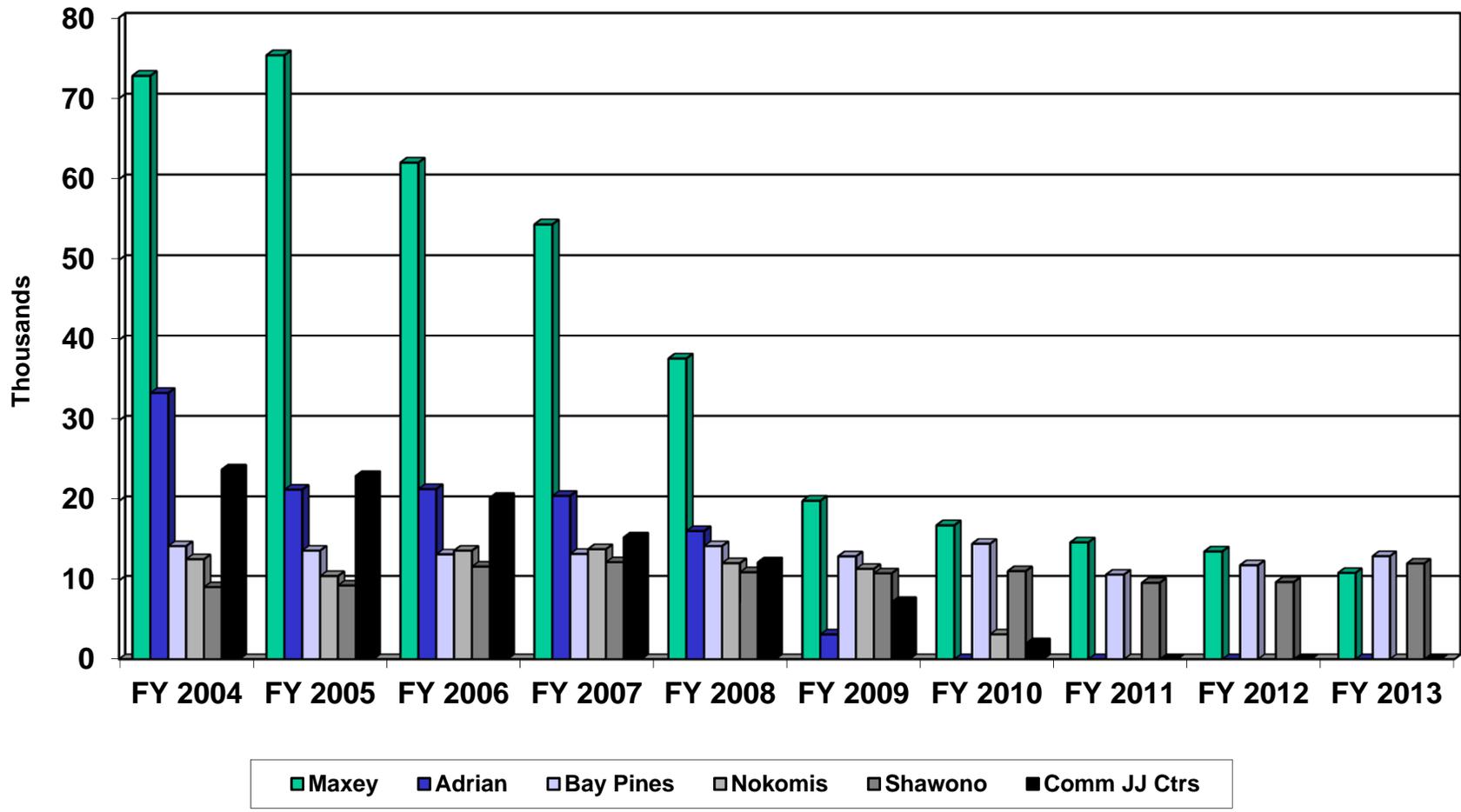
# Juvenile Justice Operations Spending



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  
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