

# FAMILY INDEPENDENCE AGENCY

## PUBLIC ACT 294 OF 1998

Analysts: Myron Freeman

	FY 1997-98 YEAR-TO-DATE APPROPRIATIONS	FY 1998-99 ENACTED APPROPRIATION	FY 1998-99 ENACTED CHANGE FROM FY 1998-99	
			AMOUNT	PERCENT
<b>FTE POSITIONS</b>	14,243.7	13,471.3	(772.4)	(5.4)
<b>GROSS</b>	\$3,028,113,900	\$2,915,088,400	(\$113,025,540)	(3.7)
<b>IDG/IDT</b>	150,000	150,000	0	0.0
<b>ADJUSTED GROSS</b>	\$3,027,963,940	\$2,914,938,400	(\$113,025,540)	(3.7)
<b>FEDERAL</b>	1,726,397,140	1,704,477,600	(21,919,540)	(1.3)
<b>LOCAL</b>	67,425,400	67,897,200	471,800	0.7
<b>PRIVATE</b>	7,192,300	7,731,100	538,800	7.5
<b>OTHER</b>	179,095,600	92,532,500	(86,563,100)	(48.3)
<b>GF/GP</b>	\$1,047,853,500	\$1,042,300,000	(\$5,553,500)	(0.5)

### HB 5590

Referred to  
Appropriations  
02/19/98

Passed House  
05/13/98

Passed Senate  
05/27/98

Conference  
Approved by House  
07/01/98

Conference  
Approved by Senate  
07/01/98

Effective  
07/28/98



## OVERVIEW - FAMILY INDEPENDENCE AGENCY

The FY 1998-99 Family Independence Agency budget (prior to supplemental SBs 905 and 928) reflects a decrease in Gross appropriations of \$10.3 million (0.4%), but an increase in GF/GP appropriations of \$28.0 million (2.7%). Much of the decrease in Gross appropriation can be attributed to the net effect of reduction in caseloads for the Family Independence Program (formerly known as Aid to Families with Dependent Children). In contrast, much of the increase in GF/GP appropriations is directly related to increased Day Care caseloads, mostly for low income clients (many of which are former Family Independence Program [FIP] recipients), and, to a lesser extent, present FIP clients required to work. The increase in GF/GP dollars was somewhat offset by utilizing federal Temporary Assistance for Needy Families (TANF) funding in place of state funds. Approximately \$36.2 million in TANF funding was utilized in this manner. Reduction or elimination of social programs did not contribute significantly to GF/GP savings.

Significant budget savings are achieved by recognizing a continuing downward trend in the Family Independence Program caseload and average monthly grant payments. This downward trend is due to a combination of emphasis on participation in the Jobs Commission's Work First program (which has led to increased employment) and a generally strong economy. In FY 1998-99, the Agency will continue to emphasize employment, program simplification, and the increased use of family independence specialists, caseworkers who spend more time with clients in an attempt to reduce a family's length of time on assistance. These efforts are projected to push the average caseload for FY 1998-99 down to 110,000 cases, a decrease of 34,000 cases from the FY 1998-99 budgeted level. This decrease will result in savings of \$164.8 million in Federal Temporary Assistance to Needy Families funding. TANF funding available but not expended by the state during FY 1998-99 will remain with the federal government and will be available for state expenditure at a later date; Michigan's reserve with the federal government is expected to total about \$30 million by the end of FY 1998-99.

In contrast to the decline in the cash assistance, caseloads and expenditures within the Child and Family Services unit continue to rise. The new budget includes significant funding increases for each of the following programs: Day Care Services (\$92.0 million), Child Care Fund (i.e., county foster care services, \$36.5 million), and Adoption Subsidies (\$19.6 million). Funding of \$2.5 million was also added in the area of Child Protective Services (CPS) to cover 56 additional CPS workers and to fund the purchase of security equipment such as keyless entry devices for state vehicles and emergency cell phones.

The Executive proposed a number of changes that were not adopted by the Legislature. Principally, it was proposed that a Wayne County Delinquency Block Grant be established (saving \$3.1 million GF/GP) and that an immediate negative action procedure be implemented (saving \$10.0 million). Neither of these recommendations was adopted.

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*FAMILY INDEPENDENCE AGENCY continued*

The Legislature adopted a number of changes that were not included in the Executive's recommendation: \$3.3 million was added for a 3%, ½-year (effective April 1, 1999) rate increase in the area of foster care and adoption subsidy; \$1.9 million in additional funding was earmarked for counties in the area of child support collection incentives; \$937,500 added for 50 additional family independence specialist positions and; \$700,000 for a citizenship assistance program.

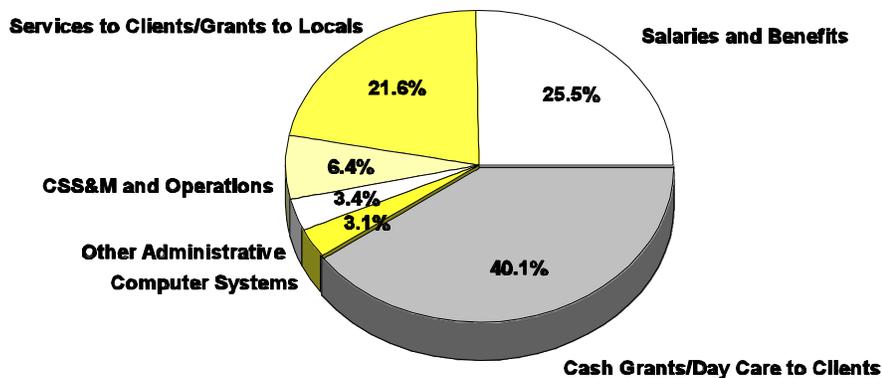
The following graph depicts the composition of the \$2.9 billion FY 1998-99 budget. Over 40% of the funding is allocated for day care services and cash grants including the family independence program, SSI state supplementation payments, energy assistance, and cashing out food stamps.

Services delivered to clients directly through the FIA and local agencies make up another 21.6%. Services include foster care, adoption subsidies, youth in transition, emergency relief, and employment and training services.

Payroll costs comprise 25.5% of the budget. Contracts, supplies, materials and operations constitute another 6.4%. Computer projects (including child support systems, ASSIST, and DMB computer services) account for just over 3% of the budget, and other administration costs (rent, child support incentive payments, and funding for commissions) comprise the remaining 3.4%.

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**Distribution of Family Independency Agency FY 1998-99 Budget  
Gross Appropriation**



**Gross Appropriations = \$2,925,798,400**

**Family Independence Agency**

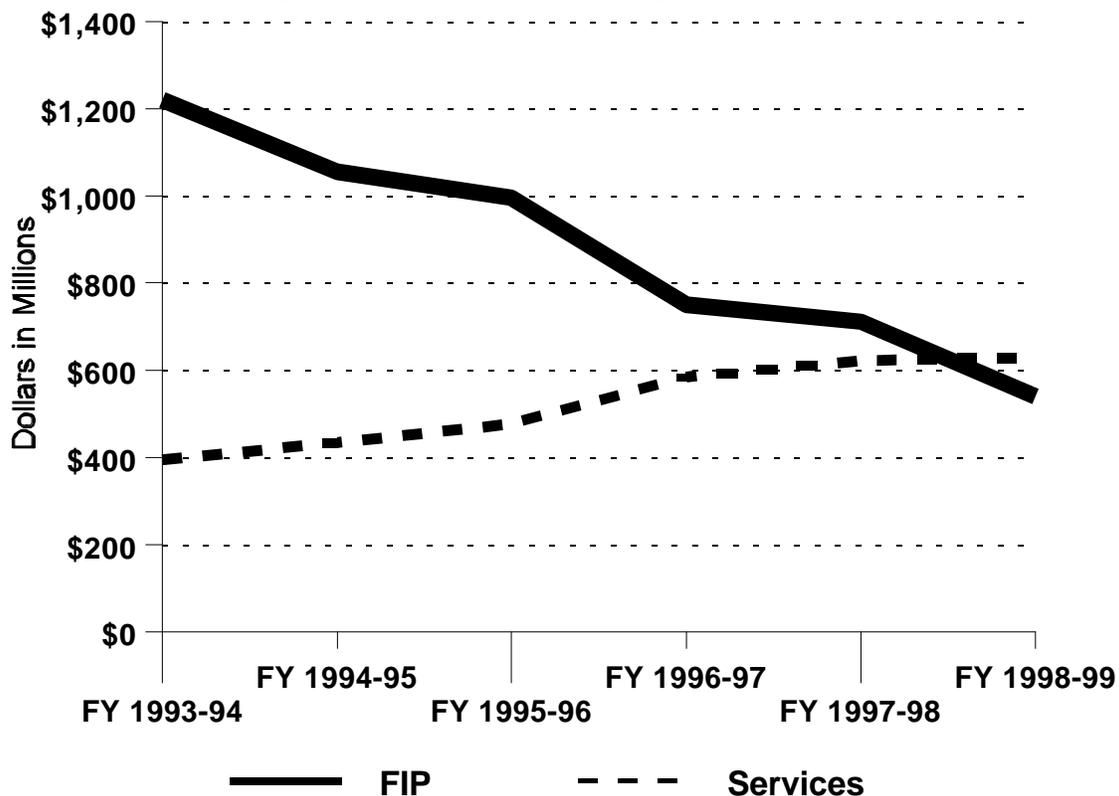
*FAMILY INDEPENDENCE AGENCY continued*

The following graph illustrates recent funding trends for the Family Independence Program (FIP) and the four largest services administered by the FIA: foster care, day care, adoption subsidies, and family preservation and prevention services. The trend since FY 1993-94 has been a sharp decline in spending on FIP as the caseload decreased from 223,600 to an estimated level of 110,000 in FY 1998-99. Expenditures in FY 1993-94 were \$1,218 million compared with projected expenditure level in FY 1998-99 of \$538.7 million.

Spending on the major services has increased from \$389 million in FY 1993-94 to \$631 million in FY 1998-99. Day care expenditures have risen as families have moved off FIP, foster care expenditures reflect a significant increase in the number of privately-provided delinquency treatment beds, a rising caseload has pushed up adoption subsidies expenditures, and an expansion of services has lead to increased spending in the family preservation program.

## FIP vs Major Services

### Expenditures and Appropriations



Services: Foster Care, Adoption, Day Care, Family Preservation

**MAJOR BUDGET CHANGES: FY 1998-99**

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>
<p><b>1. Family Independence Program (Formerly AFDC) Caseload Decline</b></p> <p>Funding in this area for FY 1998-99 of \$538.7 million Gross (\$233.2 million GF/GP) is 23% lower than the FY 1997-98 level of \$702.6 million Gross (\$233.2 million GF/GP). The decline in the FY 1998-99 appropriated level is due to lower average projected caseloads of 110,000 — down 34,000 cases from the FY 1997-98 budgeted level of 144,000 cases. Caseload decline is due to an emphasis on client participation in Work First which has led to increases in the area of earned income and a continued strong economy. To a lesser extent, offsetting the savings noted above was the decision to add a \$50 per child annual clothing allowance for Family Independence Program families that have at least one parent exempt from work participation.</p>	<p>FTEs 0.0  <b>Gross (\$163,894,800)</b>            GF/GP \$0</p>
<p><b>2. Day Care Services Caseload</b></p> <p>Added was \$92.0 million Gross, (\$11.2 million GF/GP) above the funding level for day care services in FY 1997-98 which is \$208.1 million Gross, (\$66.5 million GF/GP). The increase will fund 13,500 additional cases for FY 1998-99, which brings the budgeted caseload in this area to the 59,900 level. The majority of increase (\$80.8 million) will be paid for out of TANF funds and will be targeted at working FIP clients and families who have recently left public assistance. Additionally, the Legislature added \$30,000 (\$15,000 GF/GP) to conduct a market rate survey.</p>	<p>FTEs 0.0  <b>Gross \$92,026,600</b>            GF/GP \$11,215,000</p>
<p><b>3. Child Care Fund</b></p> <p>Pursuant to a Michigan Supreme Court decision handed down in July 1997, \$36.5 million GF/GP is added in this area to cover 50% of matchable county expenditures for out-of-home treatment for children. Previously, the state paid counties 50% of expenditures incurred for care and treatment applicable to children placed away from their families, up to a capped amount. The Court, however, ruled that the cap violated the Headlee amendment. Accordingly, this \$36.5 million increase is to cover the state's estimated requirement for FY 1998-99. Please note — the original funding in this area for FY 1997-98 was \$33.7 million GF/GP. However, \$21.0 million GF/GP was added in this area (through the transfer process) in order to satisfy Headlee requirements for FY 1997-98. Accordingly, as of August 1998, the FY 1997-98 year-to-date appropriated level is \$51.7 million GF/GP</p>	<p>FTEs 0.0  <b>Gross \$36,500,000</b>            GF/GP \$36,500,000</p>

**MAJOR BUDGET CHANGES: FY 1998-99**

<u>Budget Issue</u>		<u>Change from FY 1998-99</u>
<p><b>4. Adoption Subsidies Caseload and Per Diem Rate Increase</b></p> <p>The budget added \$17.8 million Gross (\$4.5 million GF/GP) to recognize a projected caseload increase from 14,400 cases in FY 1997-98 to 16,200 cases in FY 1998-99. Also added was \$1.8 million Gross (\$907,500 GF/GP) to cover a mid-year 3% per diem rate increase paid to adoptive parents. There is, however, an overall decrease in GF/GP funding in this account made possible by the use of \$10.0 million in TANF funds for adoption cases that were previously financed exclusively with state funds. The current-year appropriation in this area is \$103.2 million Gross and \$56.6 million GF/GP.</p>	<p>FTEs <b>Gross</b> GF/GP</p>	<p>0.0 <b>\$19,643,300</b> (\$4,594,200)</p>
<p><b>5. Foster Care Caseload and Per Diem Rate Increase</b></p> <p>Added was \$7.8 million Gross (\$2.1 million GF/GP) to partially cover projected caseload increases applicable to Wayne County and \$1.5 million Gross (\$709,200 GF/GP) to fund a mid-year 3% per diem rate increase for foster care parents and private agencies. Also added was \$500,000 Gross (\$250,000 GF/GP) to fund a parent recruitment and retention pilot program. Finally, \$7.8 million Gross (\$2.1 million GF/GP) was added to partially cover projected caseload increases applicable to Wayne County. There is, however, an overall decrease in GF/GP funding in this account made possible by the use of \$12.7 million in TANF funds for emergency foster care services that were previously financed exclusively with state funds. The current-year appropriation in this area is \$246.2 million Gross and \$116.2 million GF/GP.</p>	<p>FTEs <b>Gross</b> GF/GP</p>	<p>0.0 <b>\$9,762,000</b> (\$9,617,400)</p>
<p><b>6. State Disability Assistance - Caseload Reduction</b></p> <p>Funding in this area was reduced by \$5.7 million (GF/GP) in anticipation of 1,500 fewer cases (\$4.4 million GF/GP) and a lower anticipated cost per case amount (\$1.3 million GF/GP). Proposed caseload reductions include 1,000 cases applicable to refugees and asylees who initially, under federal welfare reform, were no longer eligible for federal SSI benefits. Subsequently, this federal rule was reversed and, accordingly, this reduction was made. The remaining 500 caseload reduction is a projection of recent caseload trends. The current-year appropriation in this area is \$29.5 million Gross and \$22.7 million GF/GP.</p>	<p>FTEs <b>Gross</b> GF/GP</p>	<p>0.0 <b>(\$5,722,500)</b> (\$5,722,500)</p>

**MAJOR BUDGET CHANGES: FY 1998-99**

<u>Budget Issue</u>		<u>Change from FY 1998-99</u>
<b>7. State Supplemental Security Income (SSI) Caseload Increase</b>	FTEs	0.0
	<b>Gross</b>	<b>\$2,049,600</b>
Added was \$2.1 million in state funding for State Supplemental payments to SSI recipients in anticipation of 12,200 additional cases. Increase includes 5,000 cases applicable to the restoration of federal SSI benefits for legal aliens (part of Balanced Budget Act of 1997) and a 7,200 case increase resulting from underlying growth in this area. Average monthly payment per recipient is \$14 per month. The current-year appropriation in this area is \$55.6 million, all GF/GP.	GF/GP	\$2,049,600
<b>8. Additional Funding For Child Protective Services</b>	FTEs	56.0
	<b>Gross</b>	<b>\$2,045,800</b>
Funding of \$2.0 million Gross (\$1.8 million GF/GP) was added for 56 Child Protective Services (CPS) Workers positions. The reasons for the additional FTEs are twofold: 1) to better ensure on-the-job safety for CPS workers and, 2) improving implementation of initiatives identified within the Binsfeld Childrens' Commission recommendations. The current-year appropriation in this area is \$107.3 million Gross, \$36.4 million GF/GP.	GF/GP	\$1,800,000
<b>9. Additional Family Independence Specialist Workers</b>	FTEs	50.0
	<b>Gross</b>	<b>\$937,500</b>
Funding of \$937,500 Gross (all federal) was added for 50.0 Family Independence Specialist positions. Their charge is to improve efficiency in the implementation of welfare reform, with emphasis on alleviating the backlog in the area of day care payments to providers.	Federa	937,500
	I	\$0
	GF/GP	
<b>10. New Federal Juvenile Accountability Incentive Block Grant</b>	FTEs	0.0
	<b>Gross</b>	<b>\$6,128,200</b>
Added was \$6.1 million (GF/GP) to recognize new federal funds resulting from the passage of the Juvenile Crime Control Act of 1997. The federal law encourages states to develop laws and programs that get tough on juvenile offenders and mandates that the state pass 75% of the block grant to local units. The state will use \$1.15 million of its 25% share to offset GF/GP costs supporting the juvenile boot camp program line.	GF/GP	\$6,128,200

**MAJOR BUDGET CHANGES: FY 1998-99**

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>
<p><b>11. Expansion of Project Zero</b>                      The budget increased Project Zero funding by \$3.0 million (all federal TANF dollars) for the purpose of improving existing services to clients and possibly expanding this program to additional sites. Project Zero is a pilot project designed to identify barriers so that all FIP clients will be able to secure employment and ultimately become self-sufficient. Presently, the program has been implemented in 12 locations throughout the State of Michigan. Funding level for this program in FY 1997-98 is \$6.0 million, (all federal TANF dollars).</p>	<p>FTEs 0.0  <b>Gross \$3,000,000</b>                      Federa 3,000,000                      I \$0                      GF/GP</p>
<p><b>12. Funding For Citizenship Assistance Program</b>                      The budget includes \$700,000 Gross (all GF/GP) for the creation and operation of a citizenship assistance program. The purpose of the program is to assist legal non-citizens to become citizens of the United States. The program is to be administered by community-based organizations as determined by the Department.</p>	<p>FTEs 0.0  <b>Gross \$700,000</b>                      GF/GP \$700,000</p>

**ECONOMIC AND RETIREMENT ISSUES: FY 1998-99**

**ECONOMIC ISSUES**

<p>Department-wide economics for salaries and wages, longevity, retirements, utilities, and supplies totaled \$25.1 million Gross (\$11.5 million GF/GP). This was partially offset however, by \$25.4 million Gross (\$9.9 million GF/GP) in economic savings from lower employee retirement actuarial estimates.</p>	<p><b>Gross (\$353,800)</b>                      GF/GP \$1,561,700</p>
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**RETIREMENT ISSUES**

<p>Department-wide early retirement federal dollar savings of \$18.3 million was recognized in this budget. Full-time equated positions were reduced by 650 to reflect this adjustment. It should be noted that the related GF/GP early retirement savings was recognized in the FY 1997-98 budget.</p>	<p>FTEs (650.0)  <b>Gross \$18,337,000</b>                      GF/GP \$0</p>
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**MAJOR BOILERPLATE CHANGES: FY 1998-99**

<p><b>1. Child Support Incentive Payments to Counties</b>                      Section 401 reduces by \$1.9 million the amount of federal child support incentive payments retained by the state, which in turn increased the funds available to the counties by a like amount.</p>	
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**MAJOR BOILERPLATE CHANGES: FY 1998-99**

**2. Reporting Requirements for Counties Seeking Child Care Fund Reimbursement**

Section 224 requires counties, when seeking reimbursement for child care fund expenditures, to submit Department-developed reports that enable the FIA to document federal claimable expenditures. This allows the Department to utilize TANF funds for certain services paid out of the child care fund.

**3. Restriction on the Placement of Delinquents in Out-of-State Facilities**

Section 521 places restrictions on the placement of delinquents in out-of-state facilities including the need for these facilities to meet Michigan licensing standards.

**4. Requires Department to Provide Ten-Day Notice Prior to Terminating Cash Assistance**

Section 620 requires the Department to provide a ten-day notice prior to reducing, terminating, or suspending assistance provided under the Social Welfare Act. The section also outlines under what circumstances that the Department may terminate assistance.

**5. Requires the Department to Review the Basic Standards of Emergency Shelters**

Section 633 requires the Department to review and, if necessary, revise the basic standards of emergency shelters. Also required is a report on the number shelter nights provided and a list of shelter locations included in the statewide Salvation Army contract and related subcontracts.

**6. Allows State Emergency Relief Funding Applicable to Homeless Shelters Not to Lapse**

Section 635 allows state emergency relief funding earmarked for shelter activity (for homeless persons) that is not expended in the fiscal year, to be used for a one-time grant to local programs which meet the needs of homeless persons.

**7. Authorizes a Leadership Conference on Child Care and Early Education**

Section 643 authorizes \$100,000 to be used to leverage additional public and private funds in order to hold a "Ready to Learn" leadership summit on child care and early education. The summit shall bring together public and business officials as well as experts in early childhood care and education.

**8. Requires Department to Convene a Commission to Study Delinquency Services**

Section 702 requires the department to convene a commission to study delinquency services. The study is to cover the following area: how to reduce recidivism rates; needs of female offenders; need for community-based alternatives and; post-institutional programming. The commission is to include stake holders from state and county government as well as union representatives and private providers.

**VETOES: FY 1998-99**

<p><b>1. Provide Ten-Day Notice Prior to Changing Assistance</b>                  The Governor vetoed boilerplate section 620 which required the Department to provide a ten-day notice prior to reducing, terminating, or suspending assistance provided to recipients under the Social Welfare Act. It should be noted that this prohibition against eliminating assistance without prior notice is current policy. The Governor, however, considered this language to be an overly prescriptive infringement on the Executive branch's administrative authority. By vetoing this section, the Governor, in effect, assumes the adoption of the original budget proposal of instituting an "Immediate Negative Action Policy." Such a policy would allow the Department, upon a finding of good cause, to reduce, terminate, or suspend assistance provided to recipients. Adoption of this policy is estimated to save \$10.0 million in TANF funding. See Item #4 under "Major Boilerplate Changes" above.</p>	<p><b>Gross</b>                    \$10,000,000                  Federa                    10,000,000                  I                                \$0                  GF/GP</p>
<p><b>2. Citizen Assistance Program</b>                  The Governor vetoed boilerplate Section 645 and applicable funding for the proposed citizen assistance program which was to assist legal non-citizens to become citizens of the United States. See Item #12 under "Major Budget Changes" above.</p>	<p><b>Gross</b>                    \$700,000                  GF/GP                    \$700,000</p>
<p><b>3. Commission to Study Delinquency Services</b>                  The Governor vetoed boilerplate Section 702 and applicable funding related to the creation of a commission to study delinquency services. See Item #8 under "Major Boilerplate Changes" above.</p>	<p><b>Gross</b>                    \$10,000                  Federa                    10,000                  I                                \$0                  GF/GP</p>
<p><b>4. Lapsed State Homeless Shelters Funding</b>                  The Governor vetoed boilerplate Section 635 which was to allow funding earmarked for shelter activity that is not expended in the fiscal year to be used for a one-time grant to local programs which meet the needs of homeless persons. See Item #6 under "Major Boilerplate Changes" above.</p>	<p><b>Gross</b>                    \$0                  Federa                    0                  I                                \$0                  GF/GP</p>

**REVENUE INCREASES: FY 1998-99**

None

**SUPPLEMENTAL APPROPRIATIONS: FY 1997-98**

<p><b>1. Day Care Services</b>                  Additional funding of \$41.4 million (GF/GP) was appropriated to cover increased caseload in this area. Targeted populations are working Family Independence Program clients and families who have recently left public assistance.</p>	<p><b>Gross</b>                    \$41,400,000                  GF/GP                    \$41,400,000</p>
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**SUPPLEMENTAL APPROPRIATIONS: FY 1997-98**

<b>2. Juvenile Justice Accountability Block Grant</b>	<b>Gross</b>	<b>\$7,278,200</b>
Added \$7.3 million (all federal) of new federal juvenile justice funding. Funds will be used for programs intended to reduce recidivism among juvenile offenders and for the development of programs in the area of community-based alternatives for female offenders. Seventy-five percent of the grant will flow to the local governments.	Federa	7,278,200
	I	\$0
	GF/GP	
<b>3. Increased Funding For Child Protective Services Workers' Safety</b>	<b>Gross</b>	<b>\$1,300,000</b>
Increased funds are provided to purchase advanced cellular phones with emergency signal capability and to install keyless entry devices on state-owned cars used by Child Protective Services workers while providing field services.	GF/GP	\$975,500
<b>4. Retirement Actuarial Savings - SB 928</b>	<b>Gross</b>	<b>(\$26,756,700)</b>
	GF/GP	(\$9,488,100)