

April 22, 2011

Department of Human Services Fiscal Year 2012 Budget Move Forward

On Wednesday, April 13, 2011, the House Appropriations Subcommittee for the Department of Human Services (DHS) approved its version of the fiscal year (FY) 2012 budget for DHS (H.B. 4276 Draft B). The House Subcommittee's \$6.86 billion budget (\$1.07 billion state general fund) for FY12 includes an additional \$30 million reduction to general fund (GF) spending below the Governor's recommendation. Among the cuts approved by the House Subcommittee are the elimination of the clothing allowance for most children in the Family Independence Program, additional cuts in family preservation programs, and a reduction in the number of reimbursable hours of child care; and the elimination of before- and after-school programs.

On Thursday, April 21, 2011, the Senate Appropriations Committee approved its version of the FY12 budget. The Senate Committee's budget totals \$6.7 billion, \$152 million below the Governor's recommendation of which \$114 million is from the general fund. Some of the cuts approved by the Senate include an addition \$36.5 million cut in funding for licensed child care; and the elimination of funding for the Early Childhood Investment Corporation, with funding split between the DHS and local Great Start Collaboratives. Both the House and the Senate approved funding for significant increases in child welfare staffing related to implementation of the Children's Rights lawsuit and settlement.

The Michigan Department of Human Services (DHS) budget has a total appropriation of \$6.9 billion in the current fiscal year. More than 85 percent of the dollars spent through the DHS budget are from federal sources; only 13 percent is state funding. Total funding for the DHS budget has grown 73 percent since fiscal year 2002, from \$4.0 billion to \$6.9 billion, with the growth driven by large increases in demand for the federally-funded food assistance program.

The Governor recommends a total of \$6.89 billion for the DHS in fiscal year 2012, of which \$1.10 billion is state funding. The Governor's budget reflects a slight reduction in total spending over the current year (-0.8%), but an increase in state funds of nearly 19 percent—largely due to the loss of federal stimulus dollars. Approximately 65 percent of total DHS funding (\$4.5 billion) is for public assistance, including the federal food assistance program and the Family Independence Program (FIP). Approximately 15 percent (\$1 billion) supports child welfare services. Only 5 percent (\$369 million) is for adult and family services.

Among the provisions affecting children and youths in the House and Senate Subcommittee bills are the following:

Income Assistance Programs

- *Governor:* Includes savings of \$77.4 million (\$65 million GF) as a result of a 48 month lifetime limit for FIP benefits. Under federal law, the limit for federal reimbursement for TANF

recipients is 60 months, with state flexibility to exempt up to 20 percent of its caseload due to hardship, including high unemployment rates. In 2007, Michigan law was changed to establish a 48 month lifetime limit (with a potential 12 month extension), with a range of exceptions, including deferral from work requirements, domestic violence victims, and counties with exceptionally high unemployment rates. An estimated 12,600 FIP families (15% of the total caseload) will lose assistance because of tighter exceptions and more aggressive implementation of the current 48 month lifetime limit for FIP. The Governor also reduced FIP spending by ending the policy of passing through the first \$50 of child support to FIP recipients (savings of \$1.7 million), and counting adoption subsidy payments as income when determining FIP benefits (cut of \$1.2 million). Under the Governor's proposal, exceptions will be available only for persons who are incapacitated or in cases of hardship. Reflecting the loss of federal stimulus funding, the Governor also eliminates funding for the JET Plus employment and training program (\$8.5 million), and reduces funding for employment and training support services (down from \$11.2 million to \$6.4 million).

- *House Subcommittee:* The House Subcommittee concurred with the Governor on lifetime limits for FIP, as well as the changes in FIP policy related to child support and adoption subsidy payments. The House Subcommittee also increased the earned income disregard for FIP, allowing recipients to retain more of their earnings as a work incentive (cost of \$10 million), and cut \$9.9 million in the annual clothing allowance by adding boilerplate limiting the allowance to only children in FIP groups that do not include an adult. The House Subcommittee concurs with the Governor in eliminate funding for JET Plus, and takes deeper cuts in employment and training support services (from \$11.2 million to \$4.4 million).
- *Senate Committee:* The Senate Committee concurred with the Governor on FIP lifetime limits as well as the changes in FIP policy related to child support and adoption subsidy payments. The Senate Committee concurs with the Governor in eliminate funding for JET Plus, as well as cuts in employment and training services. The Senate reduced the FIP clothing allowance by \$200,000, adding boilerplate language that requires the Department to distribute the clothing allowance via clothing purchase cards to be used only in clothing stores.

Child Care

Child care subsidy:

- *Governor:* The Governor's budget assumes that 27,000 low-income families will receive a child care subsidy in order to work or participate in training programs next year, from a peak of over 67,000 in fiscal year 2003. The Governor's recommendation is to cut total subsidy funding by 5.6 percent, with all of the reduction coming in unlicensed care – where funding will fall from \$81.4 million in the current year budget to \$62.6 million in fiscal year 2012, a cut of 23 percent. Funding for licensed child care would increase slightly from \$100.7 million to \$109.2 million. If the Governor's recommendation is adopted, total funding for child care subsidies will have fallen from \$499 million in 2003 to only \$172 million in 2012. The Governor also recommends a cut in payment rates for relatives and aides, for a savings of \$13.9 million. Unlicensed providers currently receive either \$1.60 or \$1.85 per hour, depending on the age of the children they care

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for. A flat rate of \$1.35 per hour is recommended. Last year, relatives and aides were required to complete six hours of basic health and safety training as a condition of continued payment. Providers that complete 10 hours of additional “Tier 2” training are eligible for incentive payments of between 25 to 35 cents per hour. Finally, funding for the Michigan Home Based Child Care Council (\$200,000) is eliminated.

- *House Subcommittee:* The House Subcommittee concurred with the Governor on caseload projections, rate reductions, and funding for the Michigan Home Based Child Care Council. The House Subcommittee also anticipated an additional \$10 million in savings by reducing the maximum number of reimbursable hours from 90 hours every two weeks to 80 hours.
- *Senate Committee:* The Senate concurred with the Governor on caseload projections, rate reductions, and the Michigan Home Based Child Care Council. The Senate further reduced funding for licensed child care by a total of \$36.5 million in state general funds, and added boilerplate requiring the DHS to report on its reduction plan by October 1, 2011.

Child care quality initiatives:

- *Governor:* The Governor includes continuation funding of \$14.6 million for child care quality improvements through the Early Childhood Investment Corporation (ECIC).
- *House Subcommittee:* The House Subcommittee cut funding to the ECIC for child care quality improvements by \$750,000.
- *Senate Committee:* The Senate Committee eliminated all funding to the ECIC, moving those dollars to the DHS child care and development program (\$7 million) and to local Great Start Collaboratives (\$7.6 million). Funding for the local Great Start Collaboratives is for general operations and program support (\$6 million) as well as professional training activities (\$1.6 million).

Before- and After-School Programs

- *Governor:* Funding for before- and after-school programs (\$3 million) was eliminated. Funds have been available for children in kindergarten through 9th grade, serving children under 200 percent of poverty in areas near school that don't meet federal annual yearly progress. Budget language related to the Michigan After-School Partnership is eliminated.
- *House Subcommittee:* Concurred with the Governor.
- *Senate Committee:* Concurred with the Governor.

Child Welfare

Child abuse and neglect prevention programs:

- *Governor:* The Governor proposed to cut child abuse and neglect prevention programs, including Families First (down \$500,000), Strong Families/Safe Children (cut by \$1.5 million), and Child Protection and Permanency (reduced by \$2.8 million). The 0 to 3 Secondary Prevention program, which is currently funded at \$3.8 million, would be eliminated.

- *House Subcommittee:* Concurred with the Governor on the program cuts, and added an additional \$2.8 million cut to family preservation programs, giving the DHS flexibility to choose where to cut.
- *Senate Committee:* Concurred with the Governor.

Foster care payments:

- *Governor:* The Governor recommends a total of \$206.8 million for foster care payments for a projected 7,200 children. Approximately \$2.6 million is added in the Executive budget to cover youths who would be transferred to foster care from the Shawono juvenile justice facility. In addition, funding is provided to continue the shift of foster care administration to private child placing agencies, with 2,623 cases to be transferred in fiscal year 2012. Finally, \$12 million is cut from the county Child Care Fund in anticipation of a 5.5 percent reduction in caseloads. Removed from the Governor's budget is language requiring the DHS to report on its progress in reducing the disproportionate representation of minority children in the child welfare and juvenile justice systems.
- *House Subcommittee:* The House Subcommittee concurred with the Governor.
- *Senate Committee:* The Senate Subcommittee concurred with the Governor, except the Senate did not close the Shawono juvenile justice facility, so did not anticipate increased foster care costs. The Senate reduced total foster care costs by an additional \$13.5 million, anticipating that the DHS will be able to more quickly find permanent placements for children in foster care.

Youth in transition:

- *Governor:* Funding for youth in transition programs would be reduced from \$14.2 million in the current year budget to \$11.4 million in fiscal year 2012, including a reduction of rate paid for special independent living.
- *House Subcommittee:* The House Subcommittee agrees with the Governor in reducing specialized independent living rates, with a slightly smaller overall cut in funding (total of \$12.3 million in fiscal year 2012).
- *Senate Committee:* The Senate Committee agrees with the Governor and the House Subcommittee in reducing specialized independent living rates, and agrees with the House to cut total funding to \$12.3 million.

Guardianship assistance program:

- *Governor:* Funding for the program would be reduced by \$1 million from \$3.2 million to \$2.2 million.
- *House Subcommittee:* Concurred with the Governor.
- *Senate Committee:* Concurred with the Governor.

Juvenile Justice

Residential facilities for juvenile offenders:

- *Governor:* The Governor reduces funding for juvenile justice services by closing the Shawono Center, which currently houses 27 juveniles, and by reducing the number of beds at Maxey Training School from 80 to 60 for a total spending of \$11.9 million (\$5.4 general fund).
- *House Subcommittee:* The House Subcommittee concurred with the Governor, adding boilerplate language giving Shawono Center employees priority for new or vacant staff positions in the Department.
- *Senate Committee:* The Senate Committee did not close the Shawono juvenile justice facility. Instead, the Senate reduced the number of beds at Maxey from 80 to 40 for a savings of \$4.5 million (\$450,000 general fund), and cut the Pay Pines facility by \$500,000.

Youth Re-entry Initiative:

- *Governor:* The Governor recommended increasing funding for the youth re-entry pilot program from \$1.4 million in the current fiscal year to \$1.6 million in fiscal year 2012.
- *House Subcommittee:* The House Subcommittee concurred with the Governor.
- *Senate Committee:* The Senate rejected the Governor's proposal and maintained current year funding for the pilot, which helps young offenders return to their communities.

Meeting the Dashboard Goals

The fiscal year 2012 Executive Budget, including the DHS budget, is focused on specific data indicators or metrics. Included are “dashboard” outcome measures on children living in poverty, third grade reading and college readiness as well as DHS specific measurements including number of FIP cases closed due to earned income, percent of children exiting the foster care system to permanent placements, and percent of children adopted within 24 months from the date of latest removal from home.

While the Governor and Senate and House Subcommittees are working diligently to meet the requirements of the Children's Rights Settlement, many of the cuts in services proposed will jeopardize other dashboard indicators set for the DHS. For example, one of every five Michigan children currently lives in poverty. With a more aggressive 48-month lifetime limit on the Family Independence Program, cuts to the children's clothing allowance, reduction in rates to unsubsidized child care providers, and the elimination of before- and after-school programs, more families will struggle to hold on to low-wage jobs and provide for their children, and more children will lose access to such basics as food, clothing and shelter. The changes to the FIP program alone are expected to force 25,000 children into poverty.

The investments made now will determine Michigan's ability to revive its economy and build a new generation of healthy and well-educated workers. The Governor's “Dashboard” that includes a range of indicators will help assess progress. The challenge for this Legislature is to invest in the services that will be needed to move those metrics in the right direction by investing wisely in proven programs for children and youths.

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