

for Child and Family Advocates

June 22, 2011

Department of Human Services FY12 Budget Signed by Governor Snyder *June Update*

On May 26th, 2011, the Legislature finalized the state budget for fiscal year 2012 after a speedy conference committee process. The final budget comes in the form of two omnibus budget bills – one for K-12 School Aid, Community Colleges and Higher Education (HB 4325) and one for all of the other departments (HB 4526). On June 21st, the Governor signed both bills into law with no vetoes in education budgets and limited vetoes in the other omnibus bill. However, the Governor made clear that much of the legislative intent that is included in budget bills as boilerplate language was not binding to the administration under the Constitution.

The Department of Human Services (DHS) budget is included in HB 4526 and totals \$6.83 billion, of which \$1.07 billion is from the state's general fund (GF). The budget includes a stricter 48-month lifetime limit for Family Independence Program (FIP) recipients, elimination of the annual clothing allowance for most children in FIP, as well as a \$1.9 million cut to the ECIC for child care quality improvements. The budget also includes significant increases in child welfare staffing related to implementation of the Children's Rights lawsuit and settlement.

Coming into conference committee, the Senate had approved \$6.7 billion (\$114 million GF) for the DHS for FY12. Included in the Senate bill were a \$36.5 million cut in funding for licensed child care; and the elimination of funding for the Early Childhood Investment Corporation (ECIC), with funding split between the Department's Child Development and Care program and local Great Start Collaboratives.

The House budget totaled \$6.86 billion (\$1.07 billion GF) and included the elimination of the clothing allowance for most children in FIP, cuts in family preservation programs, a reduction in the number of reimbursable hours of child care, and the elimination of before- and after-school programs.

The Governor had recommended a total of \$6.89 billion (\$1.1 billion GF) for the DHS in FY12. The Governor's budget reflected 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. All proposed DHS budgets included 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.

Fiscal Year 2012 Budget Proposals:

Income Assistance Programs

- *Governor:* Included 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) would 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 would be available only for persons who are incapacitated or in cases of hardship. Reflecting the loss of federal stimulus funding, the Governor also eliminated funding for the JET Plus employment and training program (\$8.5 million), and reduced funding for employment and training support services (down from \$11.2 million to \$6.4 million).
- *Senate:* The Senate 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 concurred with the Governor to 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 would require the Department to distribute the clothing allowance via clothing purchase cards to be used only in clothing stores.
- *House:* The House 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 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 a related amendment allowing FIP recipients to work up to 37 hours instead of the current 25 hours before they lose their benefits. The House also 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 concurred with the Governor in eliminating funding for JET Plus and deeper cuts in employment and training support services (from \$11.2 million to \$4.4 million).
- ***Final Budget:* Includes the Governor's recommendation for a more aggressive 48-month lifetime limit on FIP benefits as well as the changes in FIP policy related to child support and adoption subsidy payments. The budget eliminates JET Plus and cuts employment and training support services (funded at \$6.4 million). The budget includes the House earned**

income disregard increase and the reduction to the FIP clothing allowance (\$9.9 million cut) by adding boilerplate limiting the allowance to only children in FIP groups that do not include an adult.

Child Care

Child care subsidy:

- *Governor:* The Governor's budget assumed that 27,000 low-income families would 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 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 were to be adopted, total funding for child care subsidies would have fallen from \$499 million in 2003 to only \$172 million in 2012. The Governor also recommended 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 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) was eliminated.
- *Senate:* 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.
- *House:* The House concurred with the Governor on caseload projections, rate reductions, and funding for the Michigan Home Based Child Care Council. The House 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.
- ***Final Budget:* Funding is cut by \$27.2 million to reflect new hourly reductions and boilerplate language is added indicating legislative intent for the department to save \$7 million by revising the maximum number of reimbursable hours per recipient and \$5 million by improving the error rates for income verification and income eligibility. Boilerplate language is added directing the Department to submit a report on the amount of child care payments parents are paying, by provider type, not paid for by the CDC program; as well as the number of enrolled providers based on providers' annual household income ranging in the following categories: annual income less than \$15,000; \$15,000-\$25,000; \$25,000-\$35,000; and more than \$35,000. Funding for the Michigan Home Based Child Care Council is eliminated.**

Child care quality initiatives:

428 W. Lenawee, Lansing MI 48933
517/485-3500
michiganschildren.org

- *Governor:* The Governor included continuation funding of \$14.6 million for child care quality improvements through the Early Childhood Investment Corporation (ECIC).
- *Senate:* The Senate 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).
- *House:* The House cut funding to the ECIC for child care quality improvements by \$750,000.
- ***Final Budget: Funding to the ECIC for child care quality improvements was cut by \$1.9 million for a total of \$12.7 million. Senate language related to the local Great Start Collaboratives was not included.***

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 was eliminated.
- *Senate and House:* Concurred with the Governor.
- ***Final Budget: Eliminates funding for before- and after-school programs and eliminates boilerplate language related to the Michigan After-School Partnership.***

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.
- *Senate:* Concurred with the Governor.
- *House:* 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.
- ***Final Budget: Cuts child abuse and neglect prevention programs including Families First (down \$500,000), Strong Families/Safe Children (cut by \$1.5 million), Child Protection and Permanency (reduced by \$2.8 million), and the 0 to 3 Secondary Prevention Program (eliminated).***

Foster care payments:

- *Governor:* The Governor recommended a total of \$206.8 million for foster care payments. Approximately \$2.6 million was added in the Executive budget to cover youths who would be transferred to foster care from the Shawono juvenile justice facility. In addition, funding would be 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 would be 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.

- *Senate:* The Senate 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.
- *House:* The House concurred with the Governor.
- ***Final Budget:* Reduces foster care payments by \$17.2 million for a total appropriation of \$186 million to reflect new caseload projections. The budget does not include funding related to Shawono since Shawono was not closed. The final bill removes boilerplate 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.**

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 in rates paid for special independent living.
- *Senate:* The Senate agreed with the Governor in reducing specialized independent living rates, and agreed with the House to cut total funding to \$12.3 million.
- *House:* The House agreed 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).
- ***Final Budget:* Includes the House recommendation to reduce total funding to \$12.3 million and reduces specialized independent living rates.**

Guardianship assistance program:

- *Governor:* Funding would be reduced by \$1 million from \$3.2 million to \$2.2 million.
- *Senate and House:* Concurred with the Governor.
- ***Final Budget:* Reduces funding to \$2.2 million.**

Juvenile Justice

Residential facilities for juvenile offenders:

- *Governor:* The Governor reduced 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 million GF).
- *Senate:* The Senate 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 GF), and cut the Bay Pines facility by \$500,000.

- *House:* The House concurred with the Governor, adding boilerplate language giving Shawono Center employees priority for new or vacant staff positions in the Department.
- ***Final Budget:* Keeps the Showono Center open and reduces funding for all three facilities – Shawono (\$4.9 million total spending), Maxey (\$11.2 million), and Bay Pines (\$4.9 million).**

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 FY12.
- *Senate:* The Senate rejected the Governor’s proposal and maintained current year funding for the pilot, which helps young offenders return to their communities.
- *House:* The House concurred with the Governor.
- ***Final Budget:* Includes the governor’s recommended increase to \$1.6 million.**