

# State Notes

## TOPICS OF LEGISLATIVE INTEREST

Summer 2011



### **The Family Independence Program: 48-Month Time Limit and JET Program Exemptions** **By Frances Carley, Fiscal Analyst**

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#### **Introduction**

When the Governor's recommended budget was introduced earlier this year, it included a 48-month lifetime limit on Family Independence Program (FIP) assistance. The Legislature concurred with the proposed policy change with the passage of Public Act (PA) 63 of 2011, the omnibus State budget for fiscal year (FY) 2011-12, but enabling legislation is still required to implement this policy change. The State's Social Welfare Act (PA 280 of 1939) includes a September 30, 2011 sunset clause for the 48-month lifetime limit that had been enacted during the Granholm Administration. If House Bill (HB) 4409 and HB 4410 are enacted, the sunset clause will be eliminated, resulting in the immediate disenrollment of an estimated 12,600 FIP cases on October 1, 2011. At present, the House and the Senate have passed different versions of those bills and they have not yet gone to the Governor.

In order to remain eligible for FIP, recipients must meet minimum work requirements unless they are exempt. The Governor's recommended FY 2011-12 budget included exemptions for approximately 6,100 cases. These exemptions would prevent the recipients from being immediately disenrolled and allow them to continue receiving FIP assistance for the duration of the fiscal year. Assuming the enactment of HB 4409 and HB 4410, the exemptions will be further refined. Under the bills, exemptions from the Jobs, Education, and Training (JET) Program work requirements will be granted on permanent and temporary bases for certain eligible groups. Some of these exemptions will allow cases to extend beyond the 48-month time limit under special circumstances. Regular FIP cases, however, will remain subject to the time limit.

#### **Background on the Family Independence Program**

The Department of Human Services describes the Family Independence Program as temporary cash assistance for low-income families with minor children and pregnant women. The Program helps them pay for living expenses such as rent, heat, utilities, clothing, food, and personal care items. The main goal of FIP is to help families become self-supporting and independent. In exceptional cases, assistance also is made available to households without children. As of June 2011, the average number of monthly FIP cases/households was 81,500, serving approximately 221,400 individuals, 153,500 of whom are children. As of October 2010, 91.0% of grantees were female and the average number of people in a household was 2.7.

Funding for FIP primarily comes from the Federal Temporary Assistance for Needy Families (TANF) block grant and the State General Fund/General Purpose (GF/GP) budget, depending on the type of case. Cases funded by TANF comprise an estimated 83.0% of all FIP cases and are primarily single-parent households. Cases funded with GF/GP support are primarily two-parent households or child-only cases. In June 2011, total monthly costs for both TANF- and GF/GP-funded cases averaged \$32.3 million (approximately \$26.2 million of which was paid by TANF). The average monthly cost per case was \$416.



The length of time that households are enrolled in FIP varies. A report from the House Fiscal Agency compared Michigan's cash assistance program to other states' programs and found that the average length of time on assistance in Michigan is 25.1 months, which is lower than the national average of 31.2 months. Those receiving cash assistance through the TANF block grant are limited to a maximum of five years of assistance in accordance with Federal regulations.

To qualify for assistance, a household must meet eligibility requirements and comply with work requirements (or qualify for work exemptions). Work requirements can be fulfilled through participation in the JET Program. Applicants must have less than \$3,000 in assets and must be Michigan residents. The House Fiscal Agency report demonstrated that the State's maximum allowable monthly income of \$815 at the time of application is comparable to the national average of \$817. Work requirements for the TANF-funded cases require a single adult to average 30 hours a week (20 hours of which must be in a "core activity", which includes working, community service, and job searching). A single adult with a child under age six must average 20 hours a week, and a two-parent family must average 35 hours a week. Individuals who do not meet the work requirement are subject to penalties, including the loss of benefits for three months after the first or second instance of noncompliance and for 12 months after the third instance.

According to a report issued by the State Budget Office earlier this year, a FIP grant for a family of three with no earned income is \$492 per month plus \$526 per month in food assistance, for a monthly total of \$1,018. The Federal poverty level for a family of three is \$17,400 per year.

#### **48-Month Lifetime Limit for FIP**

The Governor's budget recommended a 48-month lifetime limit for FIP assistance. The time limit would be retroactive beginning in fiscal year (FY) 2011-12 so that immediate savings would be realized in the upcoming year. Approximately 15.0% of the total current caseload would lose eligibility effective October 1, 2011.

The Governor's budget assumed that 12,623 cases at an average cost of \$511 per case per month would be immediately disenrolled. The Gross savings are projected to total \$77.4 million and the GF/GP savings are projected at \$65.0 million. Data on the number of cases that would be disenrolled in the future are not available.

#### **FY 2011-12 Exemptions From the 48-Month Time Limit**

The Governor's budget assumed that, as of October 1, 2011, there will be 18,754 cases that will have been open for more than 48 months. Approximately 6,100 of these cases would be exempt from the time limit in FY 2011-12. These cases also received exemptions from work requirements. Depending on the circumstances, however, they could be required to take part in the JET Program beginning in FY 2012-13 or be subject to the time limit. The State Budget Office provided the data in Table 1, which lists the allowable exemptions from the time limit in FY 2011-12 and the number of cases that fall into each category.



**Table 1**

<b>FY 2011-12 Exemptions From the 48-Month Time Limit</b>	<b>Cases</b>
Total FIP cases over 48 months as of October 1, 2011.....	<b>18,754</b>
<b>Exemptions:</b>	
Incapacitated adults - incapacitation over 90 days .....	4,042
Victim of domestic violence - 90 days plus potential for 90-day extension .....	155
Pregnancy - duration plus 90 days after.....	478
Needed in the home to care for disabled spouse.....	80
Needed in the home to care for disabled child.....	820
Chronic mental health problems - based on medical circumstances; granted by Medical Review Team.....	143
Physical limitations - based on medical circumstances; granted by Medical Review Team.....	388
Low intellectual capacity - based on medical circumstances; granted by Medical Review Team.....	19
Subtotal - FIP cases with exemptions .....	6,124

**Source:** State Budget Office

### **Exemptions Under House Bills 4409 and 4410 and the Senate Substitutes**

#### Temporary and Permanent Exemptions

House Bills 4409 and 4410 would further refine the exemptions that were accounted for in the FY 2011-12 Governor's recommended budget, by defining temporary and permanent exemptions to the JET Program work requirements. In FY 2011-12, more than 6,100 cases that will have reached the 48-month limit would be able to remain in FIP for the duration of the year. Beginning in FY 2012-13, however, some of the cases with temporary exemptions from the JET Program could be subjected to the time limit.

Temporary exemptions from the JET Program (under HB 4410 in Section 57f(4)) would be granted to groups with the following circumstances:

- Short-term mental or physical illness or disability (case review required at 90 days).
- Domestic violence (case review required at 90 days).
- Postpartum recovery or a parent with an infant under 60 days old (case review required at 60 days).
- Difficult pregnancy as confirmed by a medical review.
- Caregiver of a disabled spouse (case review required at 365 days).
- Caregiver of a disabled child (case review required at 365 days).

It is unlikely that recipients with permanent exemptions from the JET Program (under HB 4410 in Section 57f(3)) would be subjected to the 48-month time limit. Cases in which a child is the primary FIP recipient are considered child-only cases, and are listed as permanent exemptions. These are exceptional cases, however, and do not include children who are part of a household in which an adult is the primary FIP recipient (please refer to "Exemptions for Children" on page 4 for more information). The list of permanent exemptions includes the following:



- A child under the age of 16 (*refers to child-only cases*).
- A child age 16 to 18 who is attending elementary or secondary school full time (*refers to child-only cases*).
- A recipient who is disabled or has a mental or physical condition.
- A recipient otherwise unable to participate as determined by the medical review team.
- A recipient aged 65 or older.
- A recipient of Supplemental Security Income.
- A recipient of retirement, survivor, or disability insurance and a recipient who is eligible for this insurance and is in a nonpay status.

Under HB 4409 (in section 57p), the months in which certain cases would be exempt from participating in the JET Program work requirements would not count toward the 48-month time limit. This exclusion would apply to the cases that would be permanently exempt from the JET Program, as well as victims of domestic violence referred to in the list of temporary exemptions. In FY 2011-12, an estimated 155 domestic violence victims would be exempt from the 48-month limit. (Costs are already figured into the \$77.4 million Gross savings of the policy change.) Caseload projections beyond FY 2011-12 are not available, however, for either the permanent exemptions or the temporary exemptions.

#### Exemptions for Children

Children under the age of 18 who are exempt from the JET Program are considered primary recipients of FIP assistance. These children are categorized as child-only FIP cases and receive payments under special circumstances, primarily being in foster care. As of January 2009, there were as many as 21,000 child-only cases. By exempting the child-only cases from the work requirement, the bills would allow these children to continue receiving FIP assistance, provided they remain eligible, until the age of 18. After they reached 18, the individuals would be subject to the regular rules and considerations of FIP, including the 48-month time limit.

All other children under the age of 18 are considered to be part of a household in which the parent or caregiver is the primary FIP recipient. These children would be subjected to the 48-month time limit and to their caregivers' compliance with the FIP requirements. If the household reached the 48-month limit or the caregiver failed to comply with the program requirements, the entire household, including children, would no longer receive FIP benefits. In FY 2011-12, there are approximately 12,600 cases (or households) that would no longer receive FIP assistance.

#### Senate Substitutes for House Bills 4409 and 4410

The Senate substitute for HB 4409 would add caregivers of disabled spouses and children to the exemptions in Section 57p. As provided for domestic violence cases, but at the Department of Human Services' discretion, the months in which caregivers were temporarily exempt from the JET Program would not count toward the 48-month time limit. As the caregiver cases are already being counted in both the current caseload and the FY 2011-12 caseload, it is unlikely that there would be additional overall expenditures in the budget's FIP



line in FY 2012-13, compared to FY 2011-12, as a result of the change. Each individual caregiver case that received the year-long exemption beginning in FY 2012-13, however, would have an annual cost of approximately \$6,000 (based on current figures).

According to the most recently available data, there are approximately 900 caregivers receiving FIP assistance who either have already reached the 48-month limit or will have reached the limit in October 2011. These caregivers are expected to remain exempt from the limit for the duration of FY 2011-12. Caregiver cases would be reviewed on an annual basis, at which time the Department would decide whether to grant a year-long extension of the JET Program exemption. Individual caregiver cases currently average approximately \$510 per month, or \$6,000 a year. It has not been determined how many caregiver cases would receive an extension in FY 2012-13 or in subsequent years.

### **Conclusion**

Under the proposed 48-month time limit on FIP assistance, a projected 12,600 households would immediately lose their benefits on October 1, 2011. Exemptions for approximately 6,100 cases would prevent immediate disenrollment and allow them to continue receiving FIP assistance for the duration of the fiscal year. In addition to making the 48-month limit effective, HB 4409 and HB 4410 would provide clarity and define the exemptions to include both permanent and temporary exemptions from the JET Program. All other FIP cases would be subject to the 48-month limit. It is not known whether the immediate disenrollment of families from FIP would affect the demand for other State services, such as State Emergency Relief or Child Protective Services.