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# Income Support and Social Services for Low-Income People in Michigan

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**I**n recent years, Michigan has emerged as a leader in states' efforts to gain more autonomy over the design and implementation of federally funded programs for low-income families. In 1992, through a statewide initiative known as *To Strengthen Michigan Families*, Michigan began to implement changes across a broad spectrum of programs, emphasizing that all citizens have a personal responsibility to contribute productively to their families and communities. The initiative represented Governor John Engler's vision for ensuring the well-being of Michigan's children and families. More than five years later, it continues to provide the framework for reforming services for low-income families in Michigan.

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tion, the percentage of babies born to unmarried women in Michigan—especially the rate of children born to unmarried women under age 20—is higher than the percentage for the nation (table 1). Although the median income of families with children is higher than the nation's, on a composite of 10 selected measures of child well-being, Michigan ranks behind 26 other states. The state has historically been strongly Democratic, but it has had a very popular Republican governor since 1990 and a Republican-controlled Senate since 1994—and had a Republican-controlled House between 1994 and 1996. The state maintains control of the overall design and focus of nearly all programs for low-income families, but some child welfare services and virtually all employment and training program services are delivered by nongovernmental organizations at the local level.

## State Characteristics

Michigan's per capita income level and poverty rate are similar to the nation's, although its unemployment rate is slightly lower. In addi-

## Setting the Policy Context

The executive branch, in the persons of the governor and several cabinet members, has been the major player in shaping social policy

**Table 1**  
**State Characteristics, 1995**

	Michigan	United States
<b>Population Characteristics</b>		
Population (1995) (in thousands)	9,555	260,202
Percent under 18 (1995)	27.6%	26.8%
Percent Hispanic (1995)	1.7%	10.7%
Percent Non-Hispanic Black (1995)	13.7%	12.5%
Percent Noncitizen Immigrant (1996) <sup>a</sup>	2.3%	6.4%
Percent Rural (1990)	37.5%	36.4%
Population Growth (1990–1995)	2.7%	5.6%
Births:		
Percent to Unmarried Women (1994)	35.0%	32.6%
Percent to Women under 20 That Were Nonmarital (1994)	87%	76%
Per 1,000 Women Ages 15–19 (1994)	52	59
<b>Economic Characteristics</b>		
Per Capita Income (1995)	\$23,915	\$23,208
Percent Change in Per Capita Personal Income (1990–1995)	27.8%	21.2%
Percent Poor (1994)	13.9%	14.3%
Unemployment Rate (1996)	4.9%	5.4%
Employment Rate (1996)	63.1%	63.2%
Percent Persons Receiving AFDC	6.3%	5.1%
Percent Persons Receiving Food Stamps	10.2%	10.1%
<b>Family Profile</b>		
Percent Two-Parent Families (1994)	35.0%	35.7%
Percent One-Parent Families (1994)	15.1%	13.8%
Percent Mothers with Child 12 or Under		
Working Full-Time (1994)	35.1%	38.1%
Working Part-Time (1994)	17.8%	16.1%
Percent Children below Poverty (1994)	22.0%	21.7%
Median Income of Families with Children (1994)	\$40,315	\$37,109
Percent Children Uninsured (1995)	5.8%	10.0%
<p><i>Source:</i> Complete list of sources is available in <i>Income Support and Social Services for Low-Income People in Michigan</i> (The Urban Institute, 1998).</p> <p>a. These numbers have been corrected since the printing of the full state report. Estimates are based on a three-year average of the Current Population Survey (March 1996–March 1998) edited by the Urban Institute to correct misreporting of citizenship on the survey.</p>		

reforms in Michigan, primarily because of a very general public assistance statute that has enabled the governor to seek federal waivers without specific state legislation. The state legislature further increased the governor's role in 1995 by giving the executive branch broad powers over how the anticipated Temporary Assistance for Needy Families (TANF) block grant would be implemented. The legislation passed both houses with minimal debate, enabling the state government to implement the major provisions of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996

(PRWORA) quickly. The role of advocacy groups and community service providers in that process is less clear. State officials believe these players were given substantial opportunity to provide input, but many nonprofit leaders believe they had little role—partly because they were not organized to have one, partly because they do not see it as their primary function, and partly because of the speed of the whole process.

Michigan's healthy economy and its policy priorities are reflected in its budget. In fiscal year (FY) 1996, for the fourth consecutive year, the state ran a

surplus in the unreserved part of the general fund, and the balance in the Rainy Day Fund (meant to stabilize the state budget in economic downturns) was at an all-time high. This was a major turnabout from the early 1990s, attributed to (1) the healthy economy, (2) a general reduction in state spending, (3) a reduction in the number of permanent state employees, (4) maximization of federal financial participation, particularly in Medicaid, and (5) a reduction in Medicaid's growth rate from 14 percent early in the decade to a projected 4 percent in FY 1998—substantially lower than the state's previous

**Table 2  
Social Welfare Spending  
for Families with Children in Michigan,  
FY 1995**

Program	(\$ in millions)			Total Spending per Poor Family	
	Federal Spending	State and/or Local Spending	Total Spending	Michigan	United States
<b>Income Support</b>					
AFDC Benefits	\$568.3	\$431.5	\$999.8	\$1,064	\$851
AFDC Administration	83.1	83.1	166.2	177	136
SSI Benefits for Children	—	—	194.3	207	184
EITC Federal	691.6	—	691.6	736	1,010
<b>Food Security</b>					
Food Stamps for households with children	627.8	—	627.8	668	711
Child Nutrition	251.5	—	251.5	268	344
<b>Education and Training</b>					
MOST/Work First	50.3	32.1	82.5	88	59
JTPA	73.2	—	73.2	78	73
<b>Child Care/Development</b>					
AFDC	21.2	16.2	37.4	40	61
At-Risk	10.9	8.3	19.1	20	20
Child Care Development Block Grant	26.9	—	26.9	29	34
Head Start	133.0	—	133.0	142	117
<b>Child Support Enforcement</b>	82.0	37.4	119.3	127	115
<b>Child Welfare</b>					
Protection/Family Preservation	16.2	5.4	21.6	23	22
Foster Care	111.7	97.6	209.3	223	222
Adoption Assistance	31.9	24.3	56.2	60	29
Other	4.2	—	4.2	4	3
<b>IV-A Emergency Assistance</b>	11.3	11.3	22.7	24	124
<b>Health</b>					
Medicaid, children only	558.9	424.4	983.3	1,046	984
<b>Total</b>	3,354.0	1,171.6	4,719.9	5,023	5,097

Source: See *Income Support and Social Services for Low-Income People in Michigan* (The Urban Institute, 1998).

Medicaid experience.

Spending on K–12 and higher education accounted for 36 percent of the total state budget in FY 1996, and spending on health, welfare, and social services accounted for an additional 30 percent. State funds account for about 25 percent of these expenditures. Michigan has a more generous Aid to Families with Dependent Children (AFDC)/

TANF program than many states; families received an average monthly benefit in 1995 of \$414, compared with \$381 for the nation as a whole.

### Basic Income Support

Since Michigan terminated its General Assistance program in October 1991, its only major income support

program (except for the federal Food Stamp program) is AFDC/TANF, which is called the Family Independence Program (FIP) in Michigan. Much smaller income support programs that are totally state-financed are State Family Assistance (SFA, now called State FIP) for low-income families not eligible for FIP, and State Disability Assistance (SDA) for

disabled persons who are not eligible for Supplemental Security Income (SSI). Michigan also provides a modest state supplement to federal SSI (table 2).

### *Family Independence Program*

The redesign of Michigan's welfare system began in 1991, with the elimination of the state's General Assistance program. In 1992, and again in 1994, the state received federal approval to implement a series of AFDC waivers. In December 1995, nine months before federal welfare reform became law, the state passed a welfare reform bill that mirrored many of the eventual federal provisions. As a consequence, Michigan was the second state to submit its TANF plan for federal approval and began operating its new income support program in October 1996. In fact, little change was needed. Since 1992, Michigan has required welfare recipients to engage in activities for a minimum of 20 hours per week that would lead to their personal growth or the community's enhancement. Since 1994, two state initiatives have focused more directly on fostering recipients' transition to unsubsidized employment.

**Work First.** This is a statewide mandatory job readiness/job search program for AFDC/FIP recipients, implemented in late 1994 and operated jointly by the state's Family Independence Agency (FIA) and the Michigan Jobs Commission (MJC). All able-bodied recipients are required to participate unless they are employed more than 20 hours a week or are caring for a severely disabled child. Key features of Work First are mandatory orientation before application approval, continuous participation until unsubsidized employment is found, and stringent sanctions for noncompliance.

**Project Zero.** Implemented in mid-1996, this is a demonstration under which study sites are given increased resources for child care and transportation with the goal of zero unemployment among FIP recipients. Originally slated for one year and six sites, it has been continued and expanded to six more sites. Of the six original sites, only one has attained zero unemployment, but the others have higher rates of employment among FIP recipients than the rest of the state. Along with these

major initiatives, numerous minor program changes have been made, all designed to create an income support system in which work is the goal. State and local officials agree that much still needs to be done to transform the current system from a welfare system to a work system, but this is primarily an implementation task rather than a program design task.

## Programs That Promote Financial Independence

To help promote self-sufficiency, cash assistance often needs to be supplemented with employment and training, subsidized child care, child support collection, and health insurance coverage.

### *Employment and Training Services*

A central mission of the MJC is to ensure that workforce development services are available to those who need them and that they are easily accessible, preferably through a seamless service delivery system. To achieve this goal, the governor's No Wrong Door system was implemented in every local community as of July 1, 1997. Through this system, customers must have access to the Job Training Partnership Act (JTPA), School-to-Work, Employment Services, Unemployment Insurance, and Work First. Localities have flexibility to use electronic links, hub and cluster models, One-Stop Shops, or a combination of models. Any employer or any job seeker may access the No Wrong Door system and receive a basic set of free services. In practice, however, since Work First accounts for the largest share of resources devoted specifically to employment and training programs at both state and local levels, the direction of employment and training policy for low-income residents tends to be driven by the Work First focus.

## Child Care

Since the early 1990s, child care has been viewed in Michigan as integral to helping welfare recipients find and keep jobs. Currently, child care assis-

tance is available to all welfare recipients who are looking for work and all working women whose incomes fall below 85 percent of the state median income. FIA manages all child care funding and administers the Child Care Services program. As of November 1996, this became a fully unified system across eligibility categories, reimbursement rates, policies, and regulations. The only significant difference is in the financial responsibility of the families: Welfare families receive free care and income-eligible families pay according to a sliding scale. There is no waiting list for subsidized care, but the state has set up priorities in case demand increases to the point where child care can no longer be offered as an entitlement. Public assistance recipients working or participating in education and training have top priority in this schema.

The two statewide child development programs, Head Start and the Michigan School Readiness Program, are separate from the Child Care Services program. Head Start receives no state supplement but does get a portion of Child Care and Development Block Grant funding. The Michigan School Readiness Program, administered by the state Department of Education (DOE), is entirely state-funded and restricted primarily to four-year-olds. The growing need for child care has sparked increased coordination and collaboration among the child care and child development communities within DOE, FIA, and Head Start, although coordination is difficult because of incompatible eligibility definitions across programs.

### *Child Support*

Child support staff members housed in the local FIA offices are the first point of contact for families applying for FIP, Title XIX, and Food Stamp benefits who need to have a child support order established. But 64 Friend of the Court (FOC) offices across the state, established by law in 1917, and all the county prosecuting attorneys are also involved in the child support process. This complex set of actors makes change difficult, because very specific state law typically requires consensus among all those involved for any change. Even so, some new provisions

have been implemented, including allowing child support orders to be reported to credit bureaus, requiring hospitals to establish paternity at the time of birth, and authorizing the state Treasury to collect arrearages owed to the state for former FIP recipients. Attempts to withhold vehicle registration and to require employers to withhold new employees' child support obligations, among other innovative proposals, have failed. Michigan has a high rate of paternity establishment now that it has a hospital-based system. Its child support collections have also increased substantially over the past 10 years, although most of this increase has been for non-FIP families. Funding for child support enforcement is an ongoing problem, and declines in the FIP caseload are thought to worsen the situation by reducing the federal incentive amounts paid for child support collected on behalf of welfare recipients. Passage of the new federal mandates to implement more centralized and streamlined processes and data systems presents Michigan with a number of difficult issues, because the local structure of the child support system and the continuing judicial nature of the process through the FOC participation militate against both centralization and administrative efficiency.

### Medicaid and Other Health Coverage

Medicaid is the primary health program available to families not covered by private health insurance. Michigan is in the process of shifting nearly all Medicaid users to managed care, and coverage is available to all children ages 16 and under from families with incomes below 150 percent of the federal poverty level. In addition, the state has a Blue Cross/Blue Shield Caring Program for Children that provides limited health benefits to 4,500 low-income children and a state-funded State Medicaid Assistance program that provides health benefits to recipients of the small state-funded SDA and SFA programs.

### Last-Resort Safety Net Programs

Although one of the goals of devolution is to promote the well-being of

**Table 3**  
**Michigan's TANF Program**

<b>Eligibility</b>	Income eligibility is \$770/month for a recipient family of three with no unearned income or child care expenses; asset limit is \$3,000.
<b>Time Limits</b>	None. (Michigan will determine specifics of state-financed support for families exceeding the federal five-year time limit in the future.)
<b>Earnings Disregards</b>	Disregards \$200 of earnings and 20 percent of the remainder.
<b>Work Requirements</b>	Adults must participate in work activities at least within two years of benefit receipt (except those with a child under age three months).
<b>Work Sanctions</b>	Termination of benefit for first instance of noncompliance during first two months of assistance; 25 percent reduction in benefit, including food stamps, for one month at first instance of noncompliance after first two months of assistance; termination of benefit, including food stamps, for one month if continued noncompliance after four months.
<b>Benefit Level</b>	\$459/month for a single parent with two children and no income (this is benefit for the area containing the largest portion of the state population; the benefit varies by county or city).

*Source: One Year after Federal Welfare Reform: A Description of State Temporary Assistance for Needy Families (TANF) Decisions as of October 1997, L. Jerome Gallagher, Megan Gallagher, Kevin Perese, Susan Schreiber, and Keith Watson, The Urban Institute, Assessing the New Federalism Occasional Paper Number 6, June 1998, various tables.*

children and families, it is important to consider what might happen to families for whom the new rules and programs do not work as designed. Child welfare and housing emergency services have existed for a long time to "pick up the pieces" when families cannot cope. Michigan has reduced expenditures for emergency assistance in recent years, but expenditures for child welfare have increased.

### Child Welfare

Child welfare services are administered by the Office of Children's Services in the FIA, with little interaction between staff working with cash assistance and staff working with child welfare services. Although the majority of children in Michigan's child welfare caseload are in out-of-home placements, Michigan has lower substantiation and out-of-home placements than

most states, because it operates one of the most extensive family preservation programs in the country. About 100 prevention workers throughout the state provide supportive services to families to avert the need to involve families formally in the Child Protective Service (CPS) system. Even when abuse or neglect has been substantiated, CPS may refer the case to its family preservation program, Families First, rather than remove a child from the home. More than half the costs of child welfare programs in the state are funded with federal dollars, including the Social Services Block Grant and Titles IV-A, IV-B, and IV-E of the Social Security Act. Counties pay a small share of child welfare expenditures, including half the costs of child welfare clients who are not eligible for Title IV-E. Since one of the objectives of the state's child welfare program is to be

“part of the community fabric,” most federal funds the state receives to support families at risk of child abuse and neglect are passed through to county Multi-Purpose Human Service Collaboratives, which purchase community-based services. FIA also contracts out certain child welfare responsibilities to community agencies, a privatization initiative that current and previous administrations have encouraged.

The greatest challenge is growing staff shortages, because referrals have increased and staffing has not. In 1995, responding to growing policy concerns that the state was placing too much emphasis on family preservation and not enough on prompt removal and termination of parental rights in cases of substantiated abuse and neglect charges, the governor issued an executive order to create the Children’s Commission to review laws, programs, and procedures in child welfare. The commission released recommendations in 1996, and the state has allocated money in its FY 1998 budget to begin implementing some of them.

### *Emergency Services and Housing*

Michigan currently operates a number of programs to address the needs of families experiencing emergencies, but funding is substantially reduced from the levels in the early 1990s. In 1991, the state block-granted emergency assistance to the counties and created a new State Emergency Relief (SER) program with stricter eligibility rules, service caps, and other restrictions to distinguish between “deserving” and “undeserving” individuals and families. Emergency funds may not be used, for example, if a situation is likely to recur or was “client caused.” This change was accompanied by a 69 percent reduction in emergency assistance expenditures by the state and a 69 percent cut in the total number of persons so funded. SER is almost completely state-funded, with Title IV-A emergency assistance going primarily to Families First, not SER. The SER program will assist only individuals and families who have some form of income (including public assistance) but less than \$50 in available cash. Throughout the state, the biggest challenge faced by emergency shelter

providers is their limited ability to move people into nonemergency housing, since public or other subsidized housing is not a resource for the state’s homeless families. Detroit is an exception, because when the state followed the federal government in lifting the requirement giving homeless people priority status in receiving housing or Section 8 certificates, the city already had extremely long waiting lists, which are still being processed.

## Implications of the New Federal Welfare Reform Legislation

Since the state already had a plan in place to take advantage of the new flexibility provided by federal welfare reform, state officials believe the new federal law will have only minor impacts on how the state runs its cash assistance system. The one significant difference is that Michigan has never implemented a time limit on benefits and does not plan to change its policy (table 3). Given the state’s emphasis on work and full family sanctions, some officials do not expect many families to exceed the five-year federal limit. But no program has been created to provide assistance to those who reach the limit and are in program compliance, and providers are already seeing a crumbling safety net. State officials are concerned that they will not be able to meet the two-parent work participation targets, and the governor has authorized an extra \$13 million for Michigan Works! Agencies to develop and pay for on-the-job-training placements for these families.

Michigan has a very small immigrant population and does not expect much impact from the new federal restrictions on immigrant benefits. In any case, the state has opted to provide TANF to qualified legal aliens who were in the United States before August 22, 1996, but not for those who entered the country after that date.

Michigan’s main program concern is the food stamp changes required by PRWORA. Childless food stamp recipients are now required to work after receiving food stamps for three months. Although Michigan has invested substantial resources in employment and

training for AFDC/FIP recipients, it has operated only a very small employment and training program for food stamp recipients and does not have the infrastructure or funds in place to provide the services now required. Michigan did not apply for exemption from these requirements, permitted in areas of high unemployment, because the governor felt it was unfair to ask single mothers with children to work and not expect the same from able-bodied childless adults. There was also a concern that it would be inconsistent to sell Michigan as a good place to locate a business while at the same time claiming an excess supply of unskilled workers.

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There are two *Highlights* for each state. The *Highlights* that focus on health cover Medicaid, other public insurance programs, the health care marketplace, and the role of public providers. The income support and social services *Highlights* look at basic income support programs, employment and training programs, child care, child support enforcement, and the last-resort safety net. The *Highlights* capture policies in place and planned in 1996 and early 1997. To receive the full-length reports on which the *Highlights* are based, contact the Urban Institute.

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