



## Testimony Presented to the Senate Appropriations Subcommittee for the Department of Human Services

Gilda Z. Jacobs, President and CEO

March 4, 2014

Good afternoon, Chairman and members of the Subcommittee. I am Gilda Jacobs, President and CEO of the Michigan League for Public Policy, formerly the Michigan League for Human Services. The League has been advocating for low-income families and children in Michigan for more than 100 years, and I am pleased today to have the opportunity to present our concerns about the governor's proposed DHS budget for the upcoming fiscal year.

The governor's budget cuts funding for the DHS by 6.6%, continuing a trend of decreasing investments in low-income families and individuals—despite continued high unemployment and underemployment, and in the face of disturbing increases in poverty, particularly among children.

The latest census data show that over the past 20 years, poverty in Michigan grew by 66%, the fastest growth in the nation. Nearly 1.7 million Michigan residents live in poverty, including one in every four children and one in every five families with children. The 2012 child poverty rate showed no decrease in poverty, even with the slight decrease in the state's unemployment rate. And, despite some modest improvements, Michigan has the fourth highest unemployment rate in the nation at 8.4%.

Despite these ongoing hardships, policy decisions made in Lansing have restricted access to basic assistance. If the governor's budget is adopted—without reversal of prior policy and funding decisions—we expect the following to occur:

**Fewer children and low-income families will have access to basic food assistance.** The governor assumes that FAP caseloads and costs will continue to fall, creating a loss of federal funds into the state of \$446 million. FAP caseloads grew between 2005 and 2011, and have since fallen by 9%. In 2011, the Legislature approved an asset test for food assistance, requiring families to have less than \$5,000 in total assets, including the value of vehicles after certain exclusions.

- **MLPP Recommendation:** *Because FAP is federally funded, the state's decision to impose an asset test limited access to food for families, without saving the state money, and we urge you to reverse this policy.*

**More children and families will live in deep poverty, facing homelessness and other hardships that affect not only their health and development, but also success in school.** In his message, the governor estimated FIP caseloads of 33,200 for next year. In December of last year, FIP caseloads fell to their

lowest levels in 40 years, despite continuing high unemployment and poverty. Since FY 2011 alone, caseloads have fallen from nearly 80,000 to just over 44,000—a drop of 44%.

While economic improvements might account for some case closures, stricter sanctions and the more rigid enforcement of lifetime limits on assistance adopted in 2011 are likely major causes. Unfortunately, the DHS no longer publishes data on the reasons for case closures, and there has been no information available on the employment status of recipients at case closure. What we do know is that between December 2010 and December of 2013, FIP cases fell at more than twice the rate of unemployment, with FIP falling 54% and the state's unemployment rate dropping 26%.

One FIP policy that raises strong questions of fairness is the counting of Extended FIP benefits (EFIP)—a mere \$10 per month for six months—toward families' lifetime limits, and we urge you to reconsider that policy.

Another issue of concern to the League has been reductions in the FIP children's clothing allowance. The program was originally designed to make sure that school-age children have the opportunity to at least start the school year with a decent set of clothes. Unfortunately, the program was restricted in 2011 to only those children in FIP cases that do not include an adult—e.g. children living with ineligible grandparents or other caregivers. We believe that the clothing allowance should be restored and available for all school age children.

- **MLPP Recommendations:**

- ◆ *Include budget boilerplate language requiring the DHS to report on the reasons for case closures.*
- ◆ *Provide funding for a study of the employment status of persons leaving FIP.*
- ◆ *Reverse the current policy of applying the 6 months of Extended-FIP payments against a family's lifetime limit.*
- ◆ *Restore the school clothing allowance to all school-age children in FIP families, not just child-only cases.*

**Assistance with energy costs will continue to be limited.** Since 2010, federal LIHEAP funding to Michigan has been reduced from \$285 to \$190 million, and the governor's budget projects \$175 million in Fiscal Year 2015. Unfortunately, we believe that the funding level for the Michigan Energy Assistance Program, \$60 million, falls short of the need.

On a positive note, we look forward to improvements in access to healthcare for low- and moderate-income Michigan residents. The governor's budget for the Department of Community Health assumes that Michigan's Medicaid expansion, the Healthy Michigan Plan, will be up and running by April 1, providing coverage to an additional 214,000 Michigan residents this fiscal year. The governor included \$20.3 million in the DHS budget to fund a call center for applicants and recipients of the Healthy Michigan Plan/Medicaid expansion.

- **MLPP Recommendation:** *Support the governor's proposal for \$20.3 million (\$6.4 million GF/GP) for a Healthy Michigan Plan/Medicaid expansion call center.*

In conclusion, the League remains very concerned about the continued disinvestment in programs for low-income families and individuals in the face of continued economic hardship. More than 70% of the recipients of FIP are children, including 31,000 under the age of 6. And, because FIP payments have not been raised to reflect increases in the costs of housing and other basic needs, more of those children now live in very deep, debilitating poverty.

Sadly, research shows that children who are born poor and live in persistently poor families are more likely to have health problems, suffer from learning and other disabilities, drop out of high school, have babies as teens, and ultimately have trouble finding consistent employment as adults.

The effects of persistent poverty can be long-lasting, and could derail Michigan's attempts to improve educational achievement and fuel economic growth. Exacerbating the problem is the deep cut in the Earned Income Tax Credit, an effective anti-poverty tool that helps hard-working, low-income families. The evidence is clear: the EITC supports work and reduces poverty, and has long-term benefits, particularly for children. **While not under the purview of this Subcommittee, we urge you to work with your colleagues to restore the EITC.**

Thank you.