

State Notes

TOPICS OF LEGISLATIVE INTEREST

Summer 2021



The Integration of Cash-Based Public Assistance and Workforce Funding By Cory Savino and John Maxwell, Fiscal Analysts

Introduction

Michigan families whose life circumstances require cash assistance for living expenses and who meet eligibility guidelines receive their benefits through the Family Independence Program (FIP). The FIP program is designed for "temporary cash assistance to support a family's movement to self-sufficiency".¹ This paper will review the FIP, the Partnership. Accountability. Training. Hope. (PATH) program, MichiganWorks! agencies, interdepartmental cooperation, and the most recent changes to the programs.

In order to become eligible for the FIP, a prospective recipient must be a resident of Michigan and a US citizen or permanent resident alien or refugee. The group applying for benefits must contain a dependent child who lives with a legal parent, stepparent, or other qualifying caretaker. There also are time limits to receive benefits for adult recipients: 60 months for Federally funded benefits and 48 months for State-funded benefits. Along with time limits, there are also income and asset tests for FIP benefits.² The FIP participants must meet work activity requirements. If the participants have experienced a job loss, they are then referred to the PATH program. The Michigan Department of Health and Human Service (DHHS) and MichiganWorks! agencies work together to provide this employment and skills training program.

MichiganWorks! is the employment and skills training system for the State and is made up of 16 local MichiganWorks! agencies that operate 100 centers across the State. The program is part of the Workforce Development Program line item in the Department of Labor and Economic Opportunity (LEO). MichiganWorks! supports employment and skills training for participants of the PATH program. The FIP and PATH program participants in MichiganWorks! are supported with Federal Temporary Assistance for Needy Families (TANF), Penalty and Interest State restricted revenue, and General Fund/General Purpose (GF/GP) revenue.

Family Independence Program

The FIP is Michigan's cash assistance program, which is funded through two sources: TANF and GF/GP revenue. The philosophy of FIP focuses on creating conditions of "self-sufficiency" within a "group" or family unit, so a FIP group "must include a dependent child who lives with a legal parent, stepparent or other qualifying caretaker".³ Generally, the program is designed to function in a countercyclical manner to economic conditions such that as the unemployment rate rises, caseloads increase and when economic conditions improve caseloads would decline. Since peaking in November 2010 at 86,439 cases, FIP caseloads have dropped by 86%.

The DHHS states that the FIP program is designed with a family or a family-like grouping to encourage "mutual responsibility of family members for each other".⁴ Along with the family-unit aspect of FIP, the DHHS advocates self-sufficiency for recipients in that, for the group, the goals specify that "adults are employed, court-ordered child support is secured, life skills training is provided for those needing it, and children have access to medical care".⁵



The benefits application must be completed through the MI Bridges computer system and the application process determines whether an applying group meets the criteria necessary to qualify for benefits. The FIP monthly payment standard varies based on the underlying composition of the “eligibility determination group” or people living together in a household. If the group contains a member known as an “ineligible grantee”, that individual does not count as a member of the program group. For this type of group, the payment standard would be lower as generally there are other resources available to make up the difference. The most common example of an “ineligible grantee” is a “child-only” FIP case in which a foster child receives the grant amount regardless of the foster family’s household income. On an average basis, child-only cases make up about 48% of FIP cases. Examples of “ineligible grantee” group types include groups with Supplemental Security Income recipients, adult caretakers who have the option to be counted as group member and choose not to be included, and recipients of independent living stipends.

Figure 1

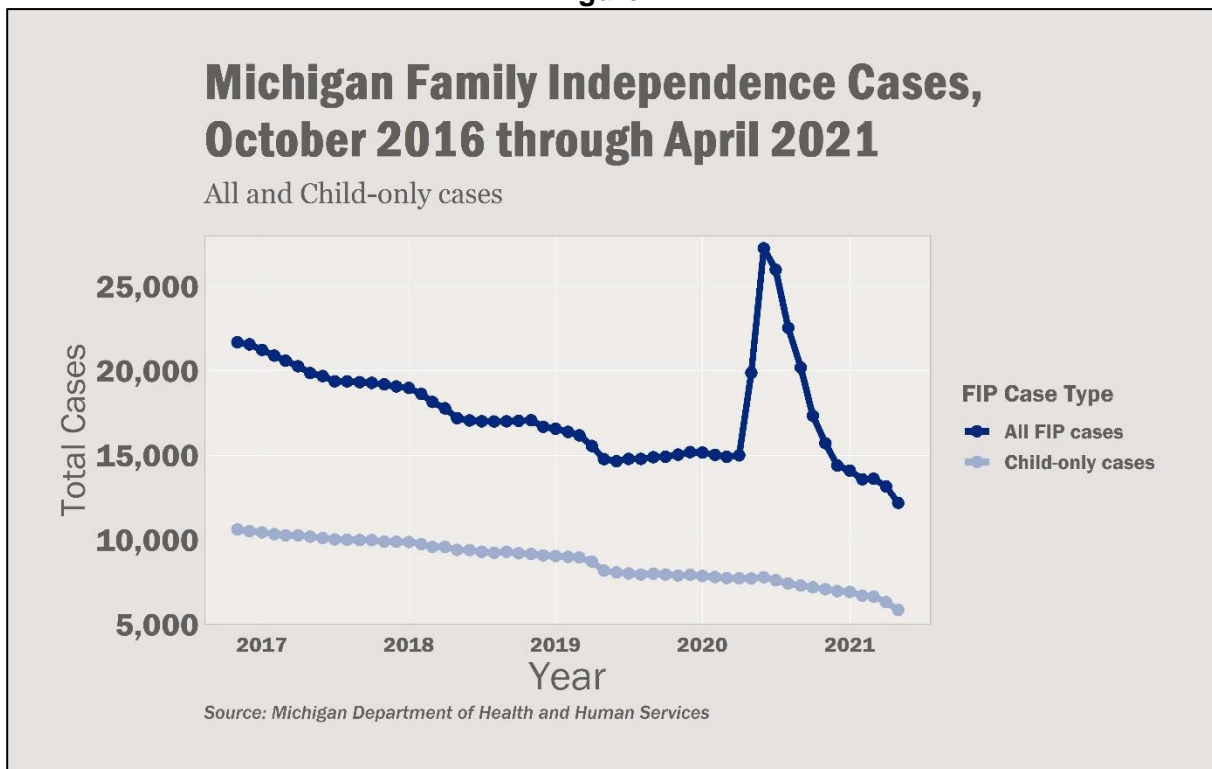


Figure 1 shows child-only cases dropped from 10,621 cases to 5,850 cases since October 2016 (a 45% decline in 55 months). The overall average FIP caseload has declined 9,505 cases (from 21,692 cases to 12,187 cases), a 44% decline over 55 months of data.

As group size increases, the benefits per person increase (on average by approximately \$100 for each additional group member). The current FIP Monthly Assistance payment standard has been in effect since October 1, 2008, and is shown below in Table 1.



Table 1

Michigan Family Independence Program (FIP) Monthly Assistance Payment Standard		
Group Size	Eligible Grantee Amt.	Ineligible Grantee Amt.
One	\$306.00	\$158.00
Two	403.00	274.00
Three	492.00	420.00
Four	597.00	557.00
Five	649.00	694.00
Six	828.00	828.00
Seven	905.00	905.00
Eight ¹	80.00	80.00
Source: Michigan Department of Health and Human Services		

FIP Self-Sufficiency: Partnership. Accountability. Training. Hope. Program

Under Federal law, 50% of eligible groups (excluding child-only cases) must participate in a work activity for at least 30 hours per week with the additional requirement that 90% of groups with two-parents are engaged in work for up to 35 hours per week. Federal regulations and State law require that cash assistance recipients develop a plan and participate in activities that will strengthen the family and help them reach self-sufficiency.⁶

In Michigan, work requirements require FIP groups to complete the Family Automated Screening Tool (FAST) and work with a DHHS assistance worker to create a Family Self-Sufficiency Plan (FSSP). The FAST is an Internet-based initial screening to identify the strengths and needs of FIP families. Completing a FAST is one of the FIP participant’s first required work-related activities and establishes a foundation for the development of a successful FSSP. In order to meet the work requirements in which a group has experienced a job loss, the group is referred to the PATH program.

The PATH program was created in 2012 as a successor to the Jobs, Education, and Training (JET) program. Under the JET program (created in 2007), there was an orientation process that provided anywhere from four hours to three days of counseling. With the JET program, the MichiganWorks! footprint was spread across the State without a focus on the types of employment skills in demand by the labor market. When PATH was launched, attention was paid to creating employment plans that used real-time labor market data to provide support for clients to find “in-demand” jobs rather than the recipient’s self-selecting for a job.

Under PATH, there is an initial 10-day Application Eligibility Period (AEP) (the previous 21-day AEP period was shortened by the DHHS in 2020), in which the FIP recipient works with both the DHHS and MichiganWorks! caseworkers to develop a career plan, set goals, and take steps toward making his or her plan a reality by completing tasks such as resume writing,

¹ For each family group with more than seven people, each additional member will increase the group’s amount by \$ 80 monthly.



interviewing skills, and potential training opportunities. After the orientation period the caseworker may continue to provide employment support services for job-related clothing, public transportation, and car repairs. Under both the JET program and PATH, the completion of the assessment period is required to receive benefits.

In addition to the direct cash assistance that is paid by TANF, the Legislature also has appropriated TANF funds to be used by LEO, previously known as Michigan Department of Talent and Economic Development (TED). The annual TANF allocation to Michigan from the Federal government is \$772.8 million. Michigan's TANF allocation amount has been the same since "welfare reform" in 1997. This funding is used to support MichiganWorks! caseworkers and provide direct client service to FIP recipients.

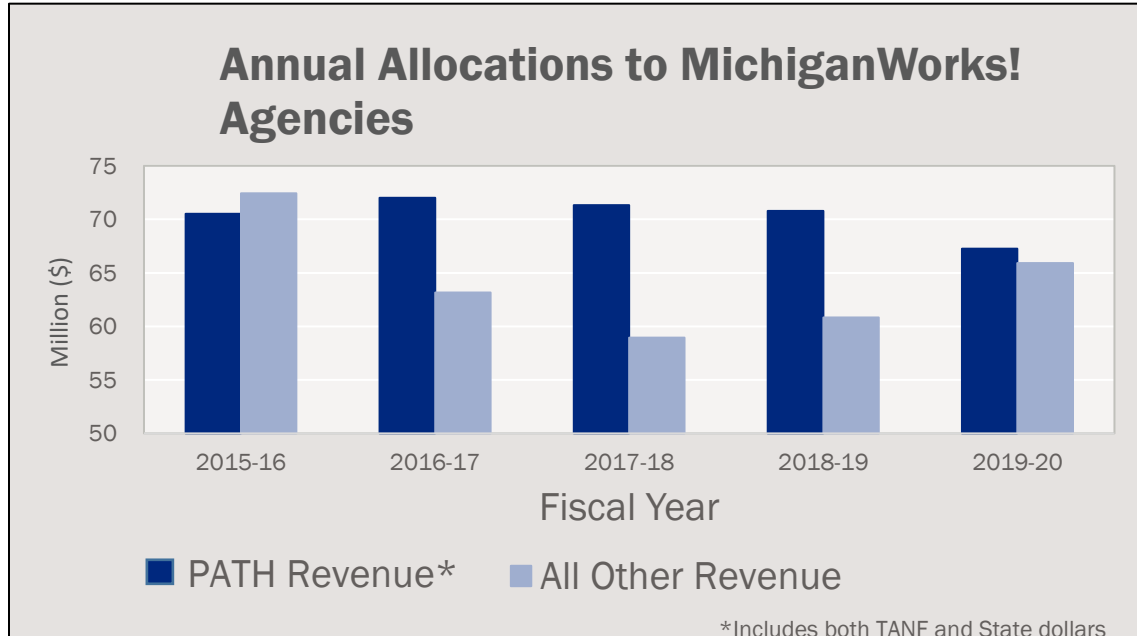
MichiganWorks!

MichiganWorks! agencies provide the employment and skills training for the State, which includes participants in the PATH program. Each local agency operates resource centers that provide the services for that geographic zone. This allows for more localized support based on the workforce needs and in-demand jobs in each local area to better connect employers with job seekers. Each agency gets revenue from multiple sources to support the various employment and skills training services for the area. The main sources of revenue for the agencies include TANF revenue to provide services for PATH participants, Federal Workforce Investment Act dollars for adults and dislocated workers, Federal Trade Adjustment Assistance dollars for workers affected by global trade, Federal Food Assistance for participants, and a combination of Penalties and Interest State restricted revenue and GF/GP to provide State support for the PATH program. The services provided by MichiganWorks! agencies for PATH participants include resume and interview training, job search/job readiness assistance, educational activities, life skill instruction, employability skills training, community service programs, and connecting participants with in-demand jobs in the area.

Though MichiganWorks! agencies receive revenue from multiple sources to support operations, the single largest source of revenue is from the PATH program. The chart below ([Figure 2](#)) shows the annual allocation to MichiganWorks! agencies from the PATH program and all other sources. The chart shows that most of the funding to MichiganWorks! agencies comes from the PATH program and that PATH is a stable revenue source from year to year. While other revenue sources follow more closely to the number of participants in the program, total PATH allocations have remained relatively flat. Of the total PATH allocation, between \$9.0 million to \$10.0 million is supported with State revenue, which includes either Penalties and Interest revenue or GF/GP. Of the total allocation to an individual MichiganWorks! agency, up to 12.0% may be used for general administration and coordination of the program while the remaining must be used for direct client services, support services, and information technology costs.



Figure 2



While the total PATH allocation has remained relatively stable as shown in [Figure 2](#), the number of PATH participants has decreased significantly over the past five fiscal years. [Table 2](#) below shows that the number of PATH participants in fiscal year (FY) 2019-20 is almost half the number it was in FY 2015-16. While the number of PATH participants has decreased significantly, the PATH allocations have decreased slightly. This has resulted in the allocation per PATH participant almost doubling over the last five fiscal years.

Table 2

Annual Allocations and Participants to Michigan Works! Agencies Fiscal Years 2015-16 through 2019-20			
Fiscal Year	PATH Allocations	PATH Participants	Allocation Per Participant
2015-16	\$70,527,355	\$24,750	\$2,850
2016-17	72,008,174	19,853	3,627
2017-18	71,315,233	16,498	4,323
2018-19	70,776,201	13,948	5,074
2019-20	67,246,200	12,441	5,405
Source: Michigan Department of Labor and Economic Opportunity			

[Table 3](#) below shows the PATH allocation for each MichiganWorks! agency and [Table 4](#) below shows the number of PATH participants enrolled at each agency. The data show that the allocation of PATH dollars is not well-correlated with the number of PATH participants at each agency and the distribution formula is not consistent from year-to-year. For example, while the Berrien/Cass/Van Buren MichiganWorks! agency had a participant increase of 72% over the last five years, the allocation decreased 63%, while for the Region 7B MichiganWorks! agency the number of participants decreased 53% yet the allocated amount remained the same. Since

State Notes
TOPICS OF LEGISLATIVE INTEREST
 Summer 2021



PATH dollars must be used for PATH participants, it is expected that the PATH allocations would more closely follow the number of participants at each agency. The budget for each MichiganWorks! agency is not publicly available, which makes it unclear how the changes in allocations has affected the operations and services provided by each agency.

Table 3

PATH Allocations for Each Michigan Works! Agency Fiscal Years 2015-16 through 2020-21						
Fiscal Year	FY 2015-16 PATH	FY 2016-17 PATH	FY 2017-18 PATH	FY 2018-19 PATH	FY 2019-20 PATH	FY 2020-21 PATH
Agency Participants						
Berrien/Cass/Van Buren	\$2,363,144	\$1,940,578	\$1,969,469	\$1,517,946	\$1,506,679	\$1,570,502
Capital Area	2,239,456	2,425,818	2,166,996	2,471,199	2,224,458	2,176,496
Detroit	14,689,952	17,432,674	17,680,362	18,783,022	18,339,324	18,987,791
GST Michigan Works!	10,343,231	7,330,096	10,363,306	9,112,772	8,530,541	8,959,014
Greats Lakes Bay	3,570,764	3,946,685	4,198,899	4,740,304	4,387,241	4,782,164
Macomb/St. Clair	6,124,944	6,714,452	6,123,890	5,802,556	5,211,890	5,002,388
Northeast	978,577	910,749	849,963	786,268	707,343	687,533
Northwest	940,275	1,105,600	1,102,833	814,910	734,435	847,741
Oakland County	4,859,033	4,091,157	3,448,654	3,576,708	3,164,498	3,048,090
Region 7B	1,388,070	1,514,231	1,313,330	1,371,830	1,395,484	1,258,576
Southeast Michigan Consortium	3,596,906	4,048,758	3,620,913	3,830,965	3,585,650	3,799,699
SEMCA	6,570,705	7,123,234	6,395,948	6,049,133	5,909,539	3,153,271
Southwest	3,515,763	3,585,004	3,067,813	3,132,744	3,018,377	6,202,396
UPWARD Talent Council	1,929,557	1,678,509	1,676,286	1,542,556	1,388,864	1,332,468
West Central	977,863	1,044,873	962,966	973,817	614,021	797,070
West Michigan Works!	6,403,115	7,117,756	6,373,605	6,269,471	6,529,036	6,6651,001
State Totals	\$70,527,355	\$72,008,174	\$71,315,233	\$70,776,201	\$67,247,200	\$69,247,200
Source: Michigan Department of Labor and Economic Opportunity, Annual Boilerplate Report for Sec. 1068						



Table 4

PATH Participants for Each Michigan Works! Agency Fiscal Years 2015-16 through 2019-20					
Fiscal Year	FY 2015-16 PATH	FY 2016-17 PATH	FY 2017-18 PATH	FY 2018-19 PATH	FY 2019-20 PATH
Agency Participants					
Berrien/Cass/Van Buren	196	267	353	329	338
Capital Area	790	703	499	464	399
Detroit	7,049	5,478	4,732	4,195	3,636
GST Michigan Works!	4,044	2,959	2,540	1,984	1,685
Greats Lakes Bay	1,613	1,437	1,272	1,066	870
Macomb/St. Clair	1,898	1,594	1,074	797	764
Northeast	195	171	128	104	83
Northwest	212	135	146	178	185
Oakland County	1,030	778	579	421	411
Region 7B	432	332	302	237	200
Southeast Michigan Consortium	1,346	1,144	994	811	686
SEMCA	2,396	1,817	1,446	1,289	1,112
Southwest	845	861	744	694	564
UPWARD Talent Council	456	398	276	206	171
West Central	205	195	165	130	153
West Michigan Works!	2,148	1,851	1,601	1,372	1,522
State Totals	24,750	19,853	16,498	13,948	12,441
Source: Michigan Department of Labor and Economic Opportunity, Annual Boilerplate Report for Sec. 1079					

The Department of Labor and Economic Opportunity (and previously TED) have stated that the reason for the increased cost per participant is due to certain fixed costs that must be paid regardless of the number of participants in the program. For example, the cost for space for PATH activities remains the same regardless of the number of participants for a given activity. Fixed costs could explain some of the increased cost per participant, but these costs can decrease over time. Since the budget for each individual agency is not public, it is difficult to determine how much of the increase in cost per participant is due to fixed costs or if PATH dollars are being used to support non-PATH participants. The Department of Labor and Economic Opportunity also has indicated that the current PATH participants require more comprehensive supports, which are more costly than PATH participants from previous years. If current participants require both resume and interview training and other skills training, those participants would cost more than a client who needed only resume and interview training.

Interdepartmental Cooperation

The PATH program was created as a partnership between the DHHS and MichiganWorks! agencies to meet the Federal work activity requirements for individuals who receive cash benefits and provide families support to connect with opportunities for work, education, and training. The DHHS determines if an individual is required to go through PATH and, if the participant requires an AEP, conducts income verification, and determines any additional

support such as transportation or a clothing allowance. The DHHS contracts with the MichiganWorks! agency system to provide services such as determining participants' needs to overcome any barriers to employment, connect PATH participants with in-demand job employment, and provide other job readiness support. For FY 2019-20, of the 12,779 participants in the PATH program, 41.5% obtained employment, while 10.8% fulfilled their TANF work requirement through other job readiness programming.⁷ This is a marked improvement from the JET program, which had employment attainment as low as 8.0%.⁸

Even though the PATH program performs better than previous efforts to provide supports to families on cash assistance, the Office of the Auditor General (OAG) found areas in which the DHHS and MichiganWorks! agencies lacked oversight of the PATH program.⁹ The OAG found the DHHS lacked proper documents in 40% of deferrals from the PATH program, lacked documents in 26% of PATH participants' 'good cause' for not participating in the required activities, did not always provide MichiganWorks! agencies with the proper allowances for the participants resulting in inconsistencies in some payments, and did not always provide proper income and employment information to determine the amount of cash benefits for employed PATH participants, which resulted in excess cash benefits of potentially \$13.8 million for all PATH participants employed over the 33-month audit period. The OAG also found that the MichiganWorks! agencies lacked sufficient oversight to determine if recipients remained employed for six months or longer, 14% of PATH participants lacked sufficient plans to assist in providing individualized supports, and overall lacked proper evaluation of the program to determine the effectiveness of leading participants to self-sufficiency. The OAG did determine the PATH program met the statutory requirements.

In response to the OAG report, the DHHS and LEO formed a workgroup to address insufficiencies, model a Goals, Progress, and Success coaching system, recommend MI Bridges modernizations, and provide other recommendations to improve the oversight of the program. The recommendations from this workgroup for suggested MI Bridges improvements and PATH program policies were planned to be completed by December 31, 2020. The PATH Program Manual was updated on October 5, 2020.

In addition to the OAG findings, there are issues determining the level of funding that is needed to support PATH participants at MichiganWorks! agencies. This includes both the total amount of funding that should be appropriated in the budget and how those dollars are distributed to individual agencies. Unlike other assistance programs that establish funding levels based on a consensus on the number of cases and the cost per case at the Conesus Revenue Estimating Conference, the PATH appropriations for MichiganWorks! is not part of that process.

Recent Changes and Issues

On October 5, 2020, the PATH Program Manual was updated,¹⁰ which included the allocation of PATH dollars. For the FY 2020-21 allocations, 60.0% of the allocation is based on the local MichiganWorks! agency's relative share of PATH participants and 40.0% is based on the MichiganWorks! agency's relative share of AEP attendees. Additionally, there is a minimum allocation of 95.0% of the previous year's allocation. This policy directs the distribution of PATH allocation to where PATH participants are located, while providing some stability for

MichiganWorks! agencies with the minimal allocation requirement. The policy also allows agencies to carryforward up to 8% of the total year allotment of TANF dollars into the next fiscal year and 100% of any remaining State dollars. Even though this distribution aligns PATH allocation with PATH participants, there continues to be no State policy for determining the PATH allocation for the State, beyond what is provided in the Governor's Executive Budget Recommendation.

The new policy also requires that MichiganWorks! agencies develop more complete Individual Service Strategies for all PATH participants. This is intended to provide more customized education, training opportunities, and work participation activities for each participant. The policy addresses the OAG finding that some PATH participants did not have individualized support plans. While the Fiscal Year 2020-21 boilerplate reports for MichiganWorks! and the PATH program provide information on allocations and overall MichiganWorks! participant outcomes, the reports do not provide information on the long-term effectiveness of MichiganWorks! agencies and for the participants in the PATH program.

As previously mentioned, there also is not enough evidence to determine if PATH allocations to MichiganWorks! agencies are properly spent only on PATH participants. Given that overall PATH allocations have remained relatively flat over the last five fiscal years, it is possible that non-PATH participants at MichiganWorks! at least have indirectly benefited from PATH dollars. Additional reporting would be needed to determine if and/or the extent that PATH dollars benefit non-PATH participants and to what degree the intensity of services that PATH participants receive. Additional information also could include the amount of activities an individual participant requires to determine if the current PATH participants require more services than the participants from previous years and answer questions like: Does every participant in the program remain in for a certain average length of time? Do short-term participants create a downward pressure on the average cost for the other participants?

Conclusion

In the past, the OAG has stated that the PATH program has struggled with documentation of the effectiveness and efficiency of quality improvement.¹¹ As shown in the data above, the TANF usage in the cost per case for PATH participants has increased while the overall caseload has declined substantially and the TANF expenditures basically have stayed flat. With lifetime time limits placed on FIP benefits, the question becomes whether it may be more difficult for the remaining FIP population to obtain the necessary skills for clients to become employable in the current economy. While speculative, the empirical evidence of the cost per PATH case demonstrates that there may be diminishing returns for the existing programming array offered through MichiganWorks!. Updated reporting by the DHHS and MichiganWorks! could assist State policy makers in determining the effectiveness of the PATH program and make necessary adjustments to improve the program. Improvements also could be made to processes to determine the appropriations of PATH dollars to MichiganWorks! to ensure that PATH participants are provided with the appropriate level of resources to become self-sufficient and find in-demand employment.

State Notes
TOPICS OF LEGISLATIVE INTEREST
Summer 2021



¹ Michigan Department of Health and Human Services, "Bridges Eligibility Manual 230A", BPB 2020-035, www.dhhs.michigan.gov, 12-1-2020. Retrieved on 6-29-2021.

² MDHHS, "Bridges Eligibility Manual 210", BPB 2020-021, www.dhhs.michigan.gov, 7-1-2021. Retrieved on 7-2-2021.

³ *Id.*

⁴ *Id.*

⁵ MDHHS, "Bridges Eligibility Manual 200", BPB 2019-006, www.dhhs.michigan.gov, 4-1-2019. Retrieved on 6-27-2021.

⁶ 45 CFR Part 261 and MCL 400.57-MCL 400.57g

⁷ Public Act 166 of 2020, Section 1079 Report.

⁸ MDHHS, "Assistance Programs - Cash Assistance PATH, https://www.michigan.gov/mdhhs/0,5885,7-339-71547_5526_63577-291595--,00.html, Retrieved on 6-21-2021

⁹ Office of the Auditor General, "Performance Audit Report Number: 431-3301-16", audgen.michigan.gov, 6-2018. Retrieved on 6-22-2021.

¹⁰ Department of Labor and Economic Opportunity, "Office Policy Issuance: 20-27", Fiscal Year (FY) 2021 Partnership.Accountability.Training.Hope. (PATH) Program Plan Instructions", 10-5-2020.

¹¹ OAG, "Financial Audit Report Number: 641-0100-07", audgen.michigan.gov, 6-2018. Retrieved on 6-20-2021.