Budget Briefing:
HHS - Human Services

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Briefing Topics

- Funding Sources
- Appropriation Areas
- Major Budget Topics
  - Temporary Assistance for Needy Families
  - Public Assistance Programs
  - Child Welfare Programs
  - Juvenile Justice Programs
  - Local Office Operations

Human Services

This is one of three program area briefings about the Department of Health and Human Services budget. See also briefings on Medicaid/Behavioral Health and Public Health, Aging, and Adult Services.

The Human Services portion of the DHHS budget provides funding for:

- Public assistance programs
- Child and family welfare programs, including foster care, adoption, family preservation, and the enforcement of child support laws
- Juvenile justice programs
- Administration of public assistance and service programs through a network of county and district DHHS offices

Key Budget Terms

Fiscal Year: The state's fiscal year (FY) runs from October to September. FY 2025-26 is October 1, 2025 through September 30, 2026.

Appropriation: Authority to expend funds. An appropriation is not a mandate to spend. Constitutionally, state funds cannot be expended without an appropriation by the legislature.

Line Item: Specific appropriation amount that establishes spending authorization for a particular program or function in a budget bill.

Boilerplate: Specific language sections in a budget bill that direct, limit, or restrict line item expenditures, express legislative intent, and/or require reports.

Lapses: Appropriated amounts that are unspent or unobligated at the end of a fiscal year. Appropriations are automatically terminated at the end of a fiscal year unless designated as a multi-year work project under a statutory process. Lapsed funds are available for expenditure in the subsequent fiscal year.

Note: Unless otherwise indicated, historical budget figures in this presentation have not been adjusted for inflation.

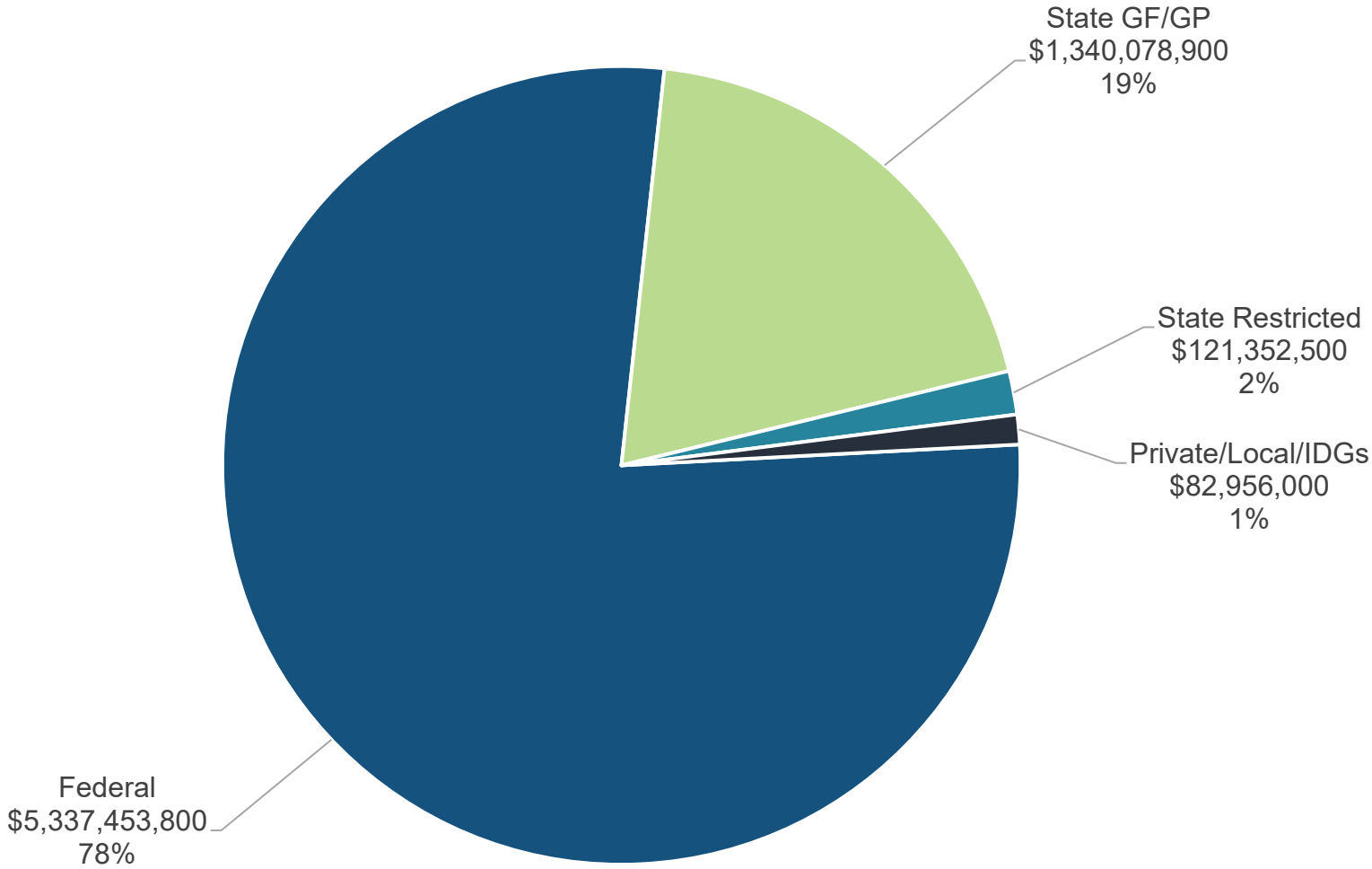
Funding Sources

FY 2025-26 Human Services Portion of the DHHS Budget

Fund Source	Funding	Description
Gross Appropriations	$6,882,541,200	Total spending authority from all revenue sources
Interdepartmental Grants (IDG) Revenue	9,495,900	Funds received by one state department from another state department, usually for services provided
Adjusted Gross Appropriations	$6,873,045,300	Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas
Federal Revenue	5,337,453,800	Federal grant or matching revenue; major federal sources: - Title IV-A: Temporary Assistance for Needy Families - Title IV-D: Child Support Program - Title IV-E: Foster Care/Adoption Assistance - Title XX: Social Services Block Grant - LIHEAP: Low-Income Home Energy Assistance Program - SNAP: Supplemental Nutrition Assistance Program
Local Revenue	61,882,100	Revenue received from local units of government for state services
Private Revenue	11,578,000	Revenue from individuals and private entities, including payments for services, grants, and other contributions
State Restricted Revenue	121,352,500	State revenue restricted by the State Constitution, state statute, or outside restriction that is available only for specified purposes; includes most fee revenue
State General Fund/General Purpose (GF/GP) Revenue	$1,340,778,900	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the legislature

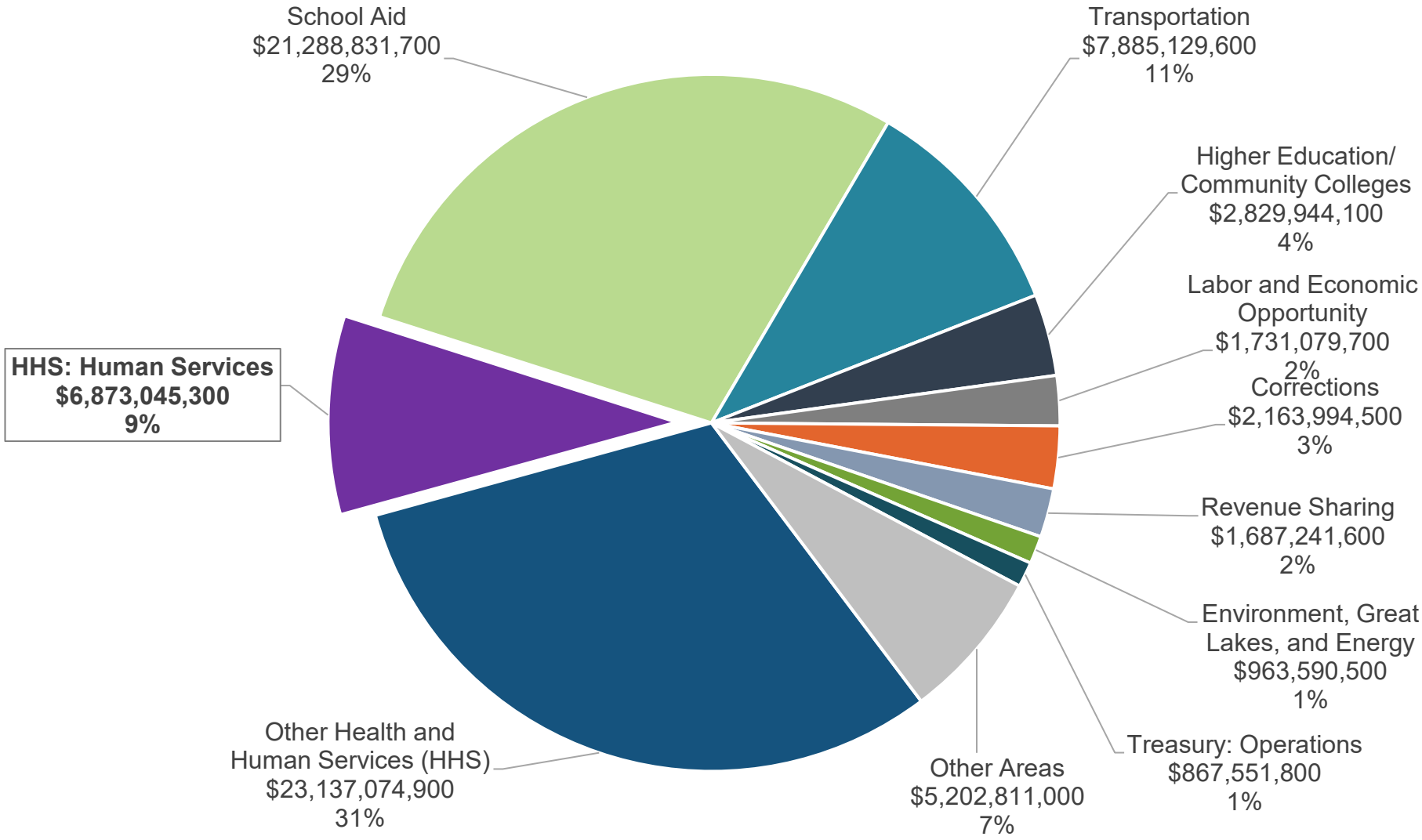
FY 2025-26 Human Services Fund Sources

Of the **$6.9 billion** Human Services portion of the DHHS budget **78%** is funded by federal revenue, including Supplemental Nutrition Assistance Program (SNAP) funds and the Temporary Assistance for Needy Families (TANF) block grant.



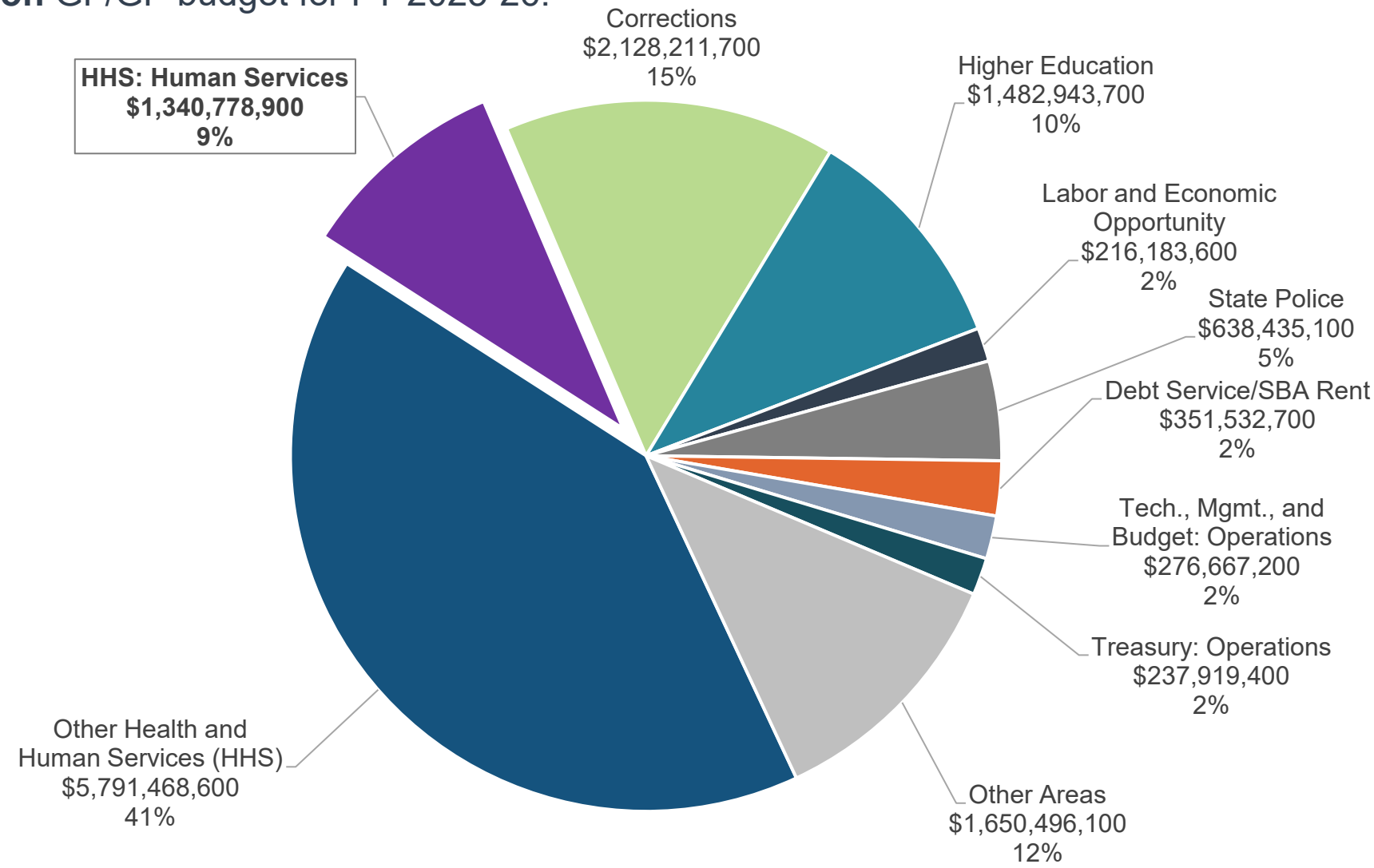
Human Services Share of Total State Budget

The Human Services portion of the DHHS budget represents **9%** of the **$74.6 billion** state budget (adjusted gross) for FY 2025-26.



Human Services Share of Total GF/GP Budget

The Human Services portion of the DHHS budget represents **10%** of the state's **$14.1 billion** GF/GP budget for FY 2025-26.



Appropriation Areas

Human Services Appropriation Areas

Public Assistance: Cash assistance, food assistance, refugee assistance, and emergency relief programs

Child Welfare: Foster care, adoption, and family preservation programs; funding for the Child Care Fund, the federal settlement monitor, child protective services (CPS), and child support enforcement

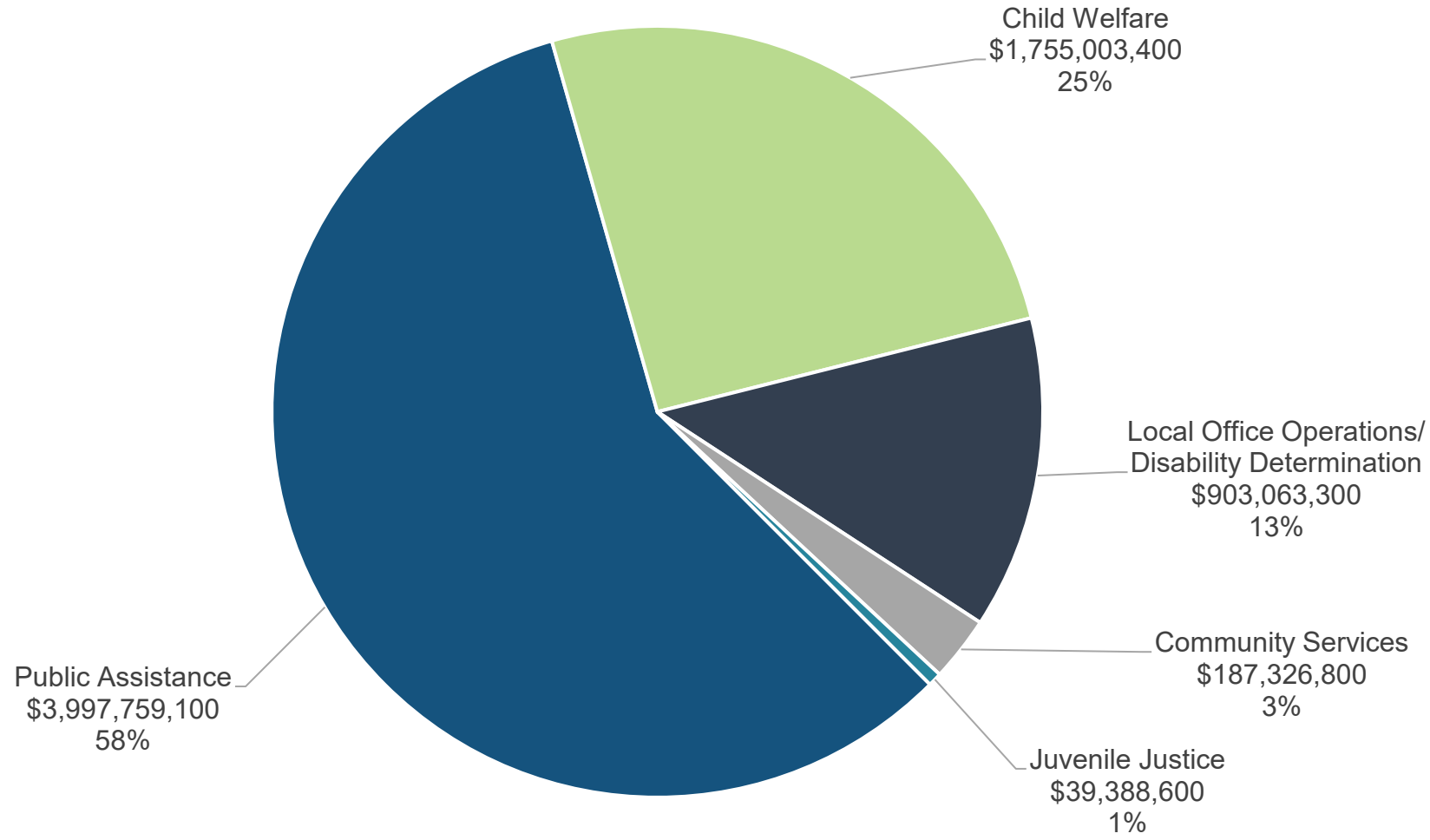
Juvenile Justice: Juvenile justice facilities and community-based delinquency programs

Local Office Operations: County and district DHHS offices, through which most DHHS programs and services are accessed; includes disability determination services

Community Services: Training and technical assistance to Community Action Agencies; funding for homeless

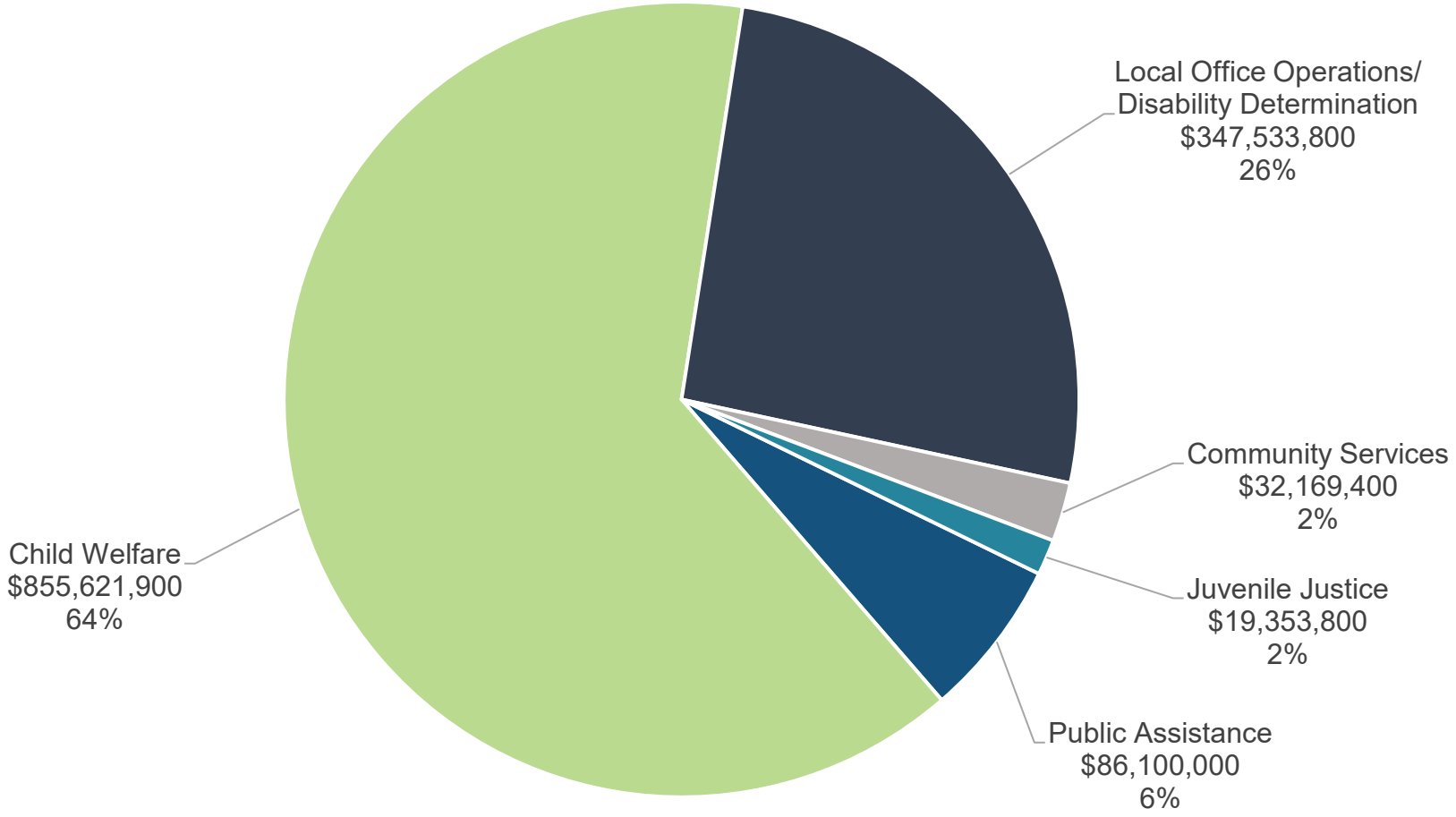
FY 2025-26 Gross Appropriations

Of the **$6.9 billion** human services portion of the DHHS budget **58%** supports public assistance programs, which are mainly funded by federal revenues. Appropriation amount also includes **$62.8 million** Gross in one-time funding.



FY 2025-26 GF/GP Appropriations

GF/GP funding (totaling **$1.3 billion**) is more heavily concentrated in child welfare programs and local office operations, and less heavily concentrated in public assistance. Appropriation amount also includes **$39.8 million** GF/GP in one-time funding



Major Budget Topics

Temporary Assistance for Needy Families

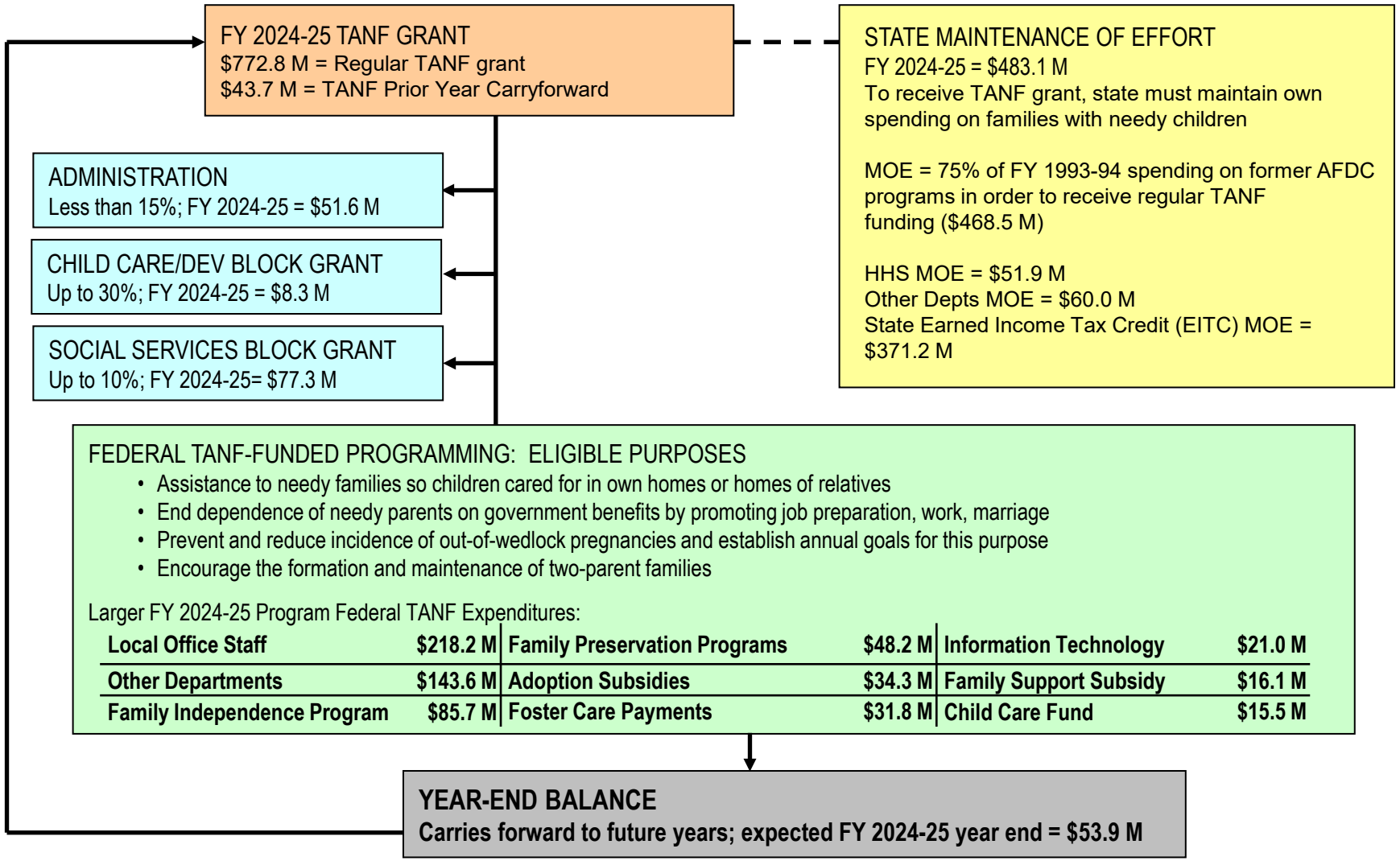
Temporary Assistance for Needy Families

- Federal block grant established in 1996 to be used to assist families with minor children or pregnant women (replaced former program, AFDC - Aid to Families with Dependent Children)

- State must develop annual plan that outlines:
  - Details of cash assistance program for needy families
  - Work requirements for parents, beginning upon the earlier of either:
    - Once state determines the parent is ready to engage in work, or
    - Once the parent has received assistance for 24 months
  - Goals to prevent and reduce the incidence of out-of-wedlock pregnancies

- Federal lifetime limit of 60 months of TANF assistance for recipients with state option for a hardship exception for up to 20% of the caseload
  - States allowed to use their own funds to negate federal time limit
  - Beginning April 1, 2025, Michigan law increased the state lifetime limit from 48 months to 60 months
  - Beginning October 1, 2011, Michigan no longer allows TANF-funded cases to exceed the federal 60-month lifetime limit

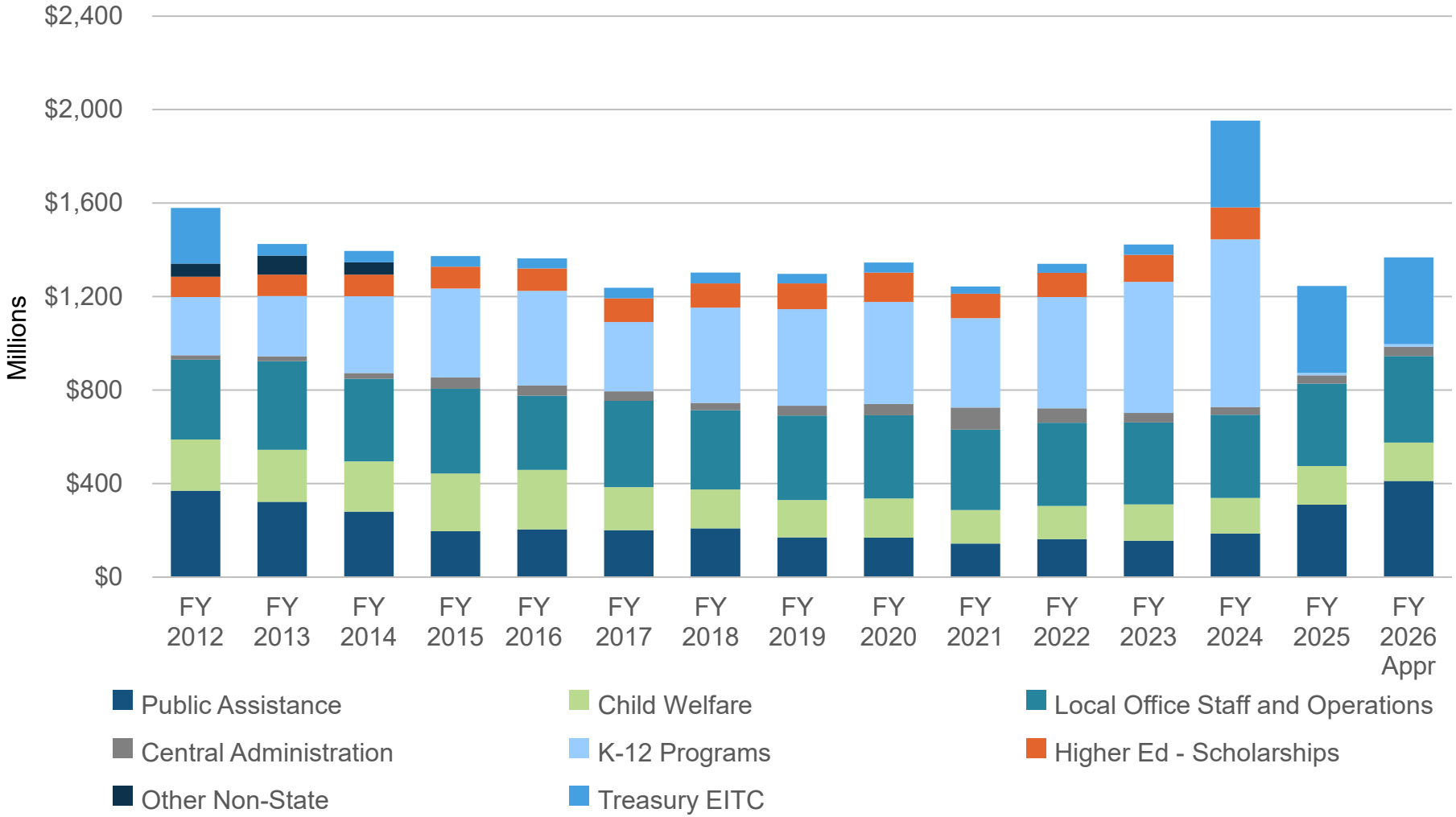
Overview of TANF Funding



Note: Projected TANF year-end balance for FY 2025-26 is $18.1 M.

Overview of Statewide TANF and TANF MOE Funding

TANF public assistance expenditures have increased by **187%** from a low point in FY 2020-21 due in part to increased investments in the Family Independence Program and the Prenatal and Infant Support Program. EITC was increased from 6% to 30% in FY 2023-24, partially replacing K-12 Program spending no longer eligible to be claimed as TANF MOE.



Public Assistance Programs

Public Assistance Programs

Major programs include:

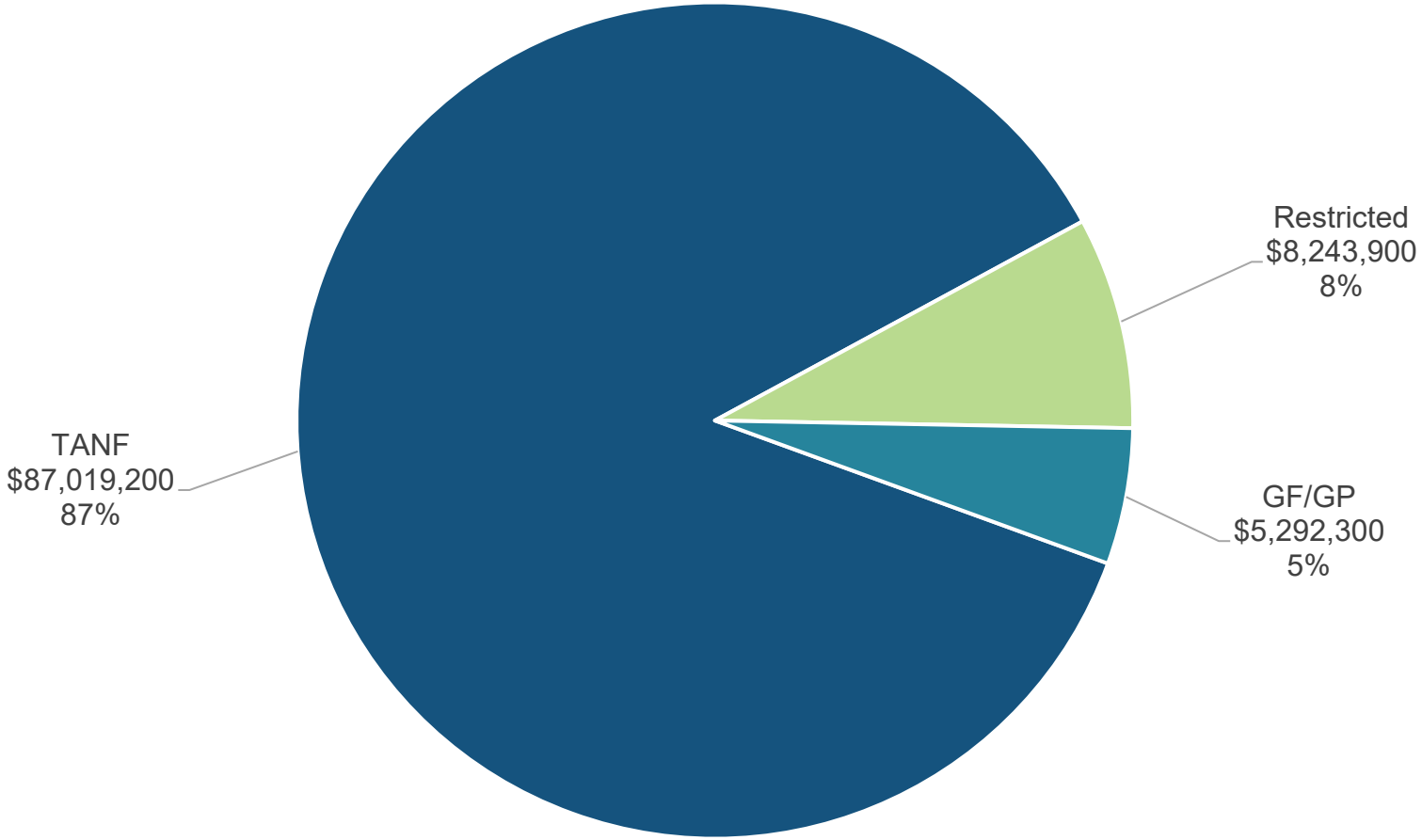
- **Family Independence Program**: Cash assistance to low-income households
- **Food Assistance Program**: Supports food purchases of eligible low-income households
- **State Disability Assistance**: Cash assistance for disabled adults who are unable to work
- **State Emergency Relief programs**: Emergency assistance to provide energy, shelter, and other financial supports to low-income households

Family Independence Program (FIP)

- Cash assistance to low-income households with dependent children to help with basic subsistence needs (housing, utilities, clothing)
- FIP group must meet income and asset eligibility requirements: a family of three must not have a monthly income above $925, or $11,100 annually; as of December 2019, a group must not have financial assets of more than $15,000, and no more than $200,000 in real property assets
- Federal TANF law provides funds and maintenance of effort requirements, establishes work requirements, and sets 60-month lifetime time limit (with exceptions) for TANF recipients
- Michigan has discretion to set benefit levels and eligibility requirements and to define activities to meet work requirements within federal guidelines
- Program changes to help Michigan meet federal work requirements:
  - Additional GF/GP not counted towards MOE requirements used to finance some benefits; recipients of state-funded benefits do not count toward state's work participation rate
  - Increased earned income disregard for benefit amount and case closure

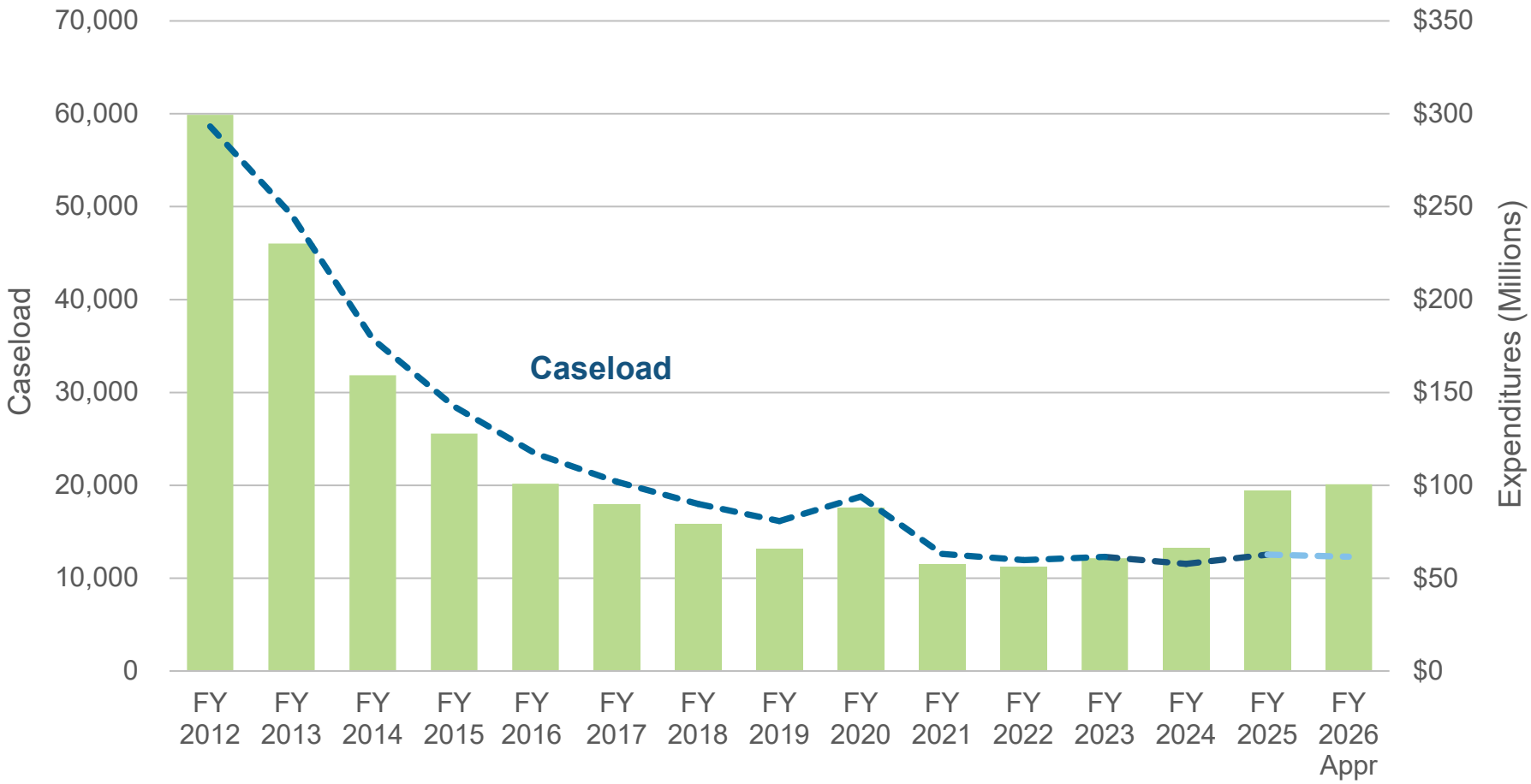
FY 2025-26 FIP Funding Sources

Of the **$100.6 million** FIP program budget **87%** is funded by federal TANF funding. FY 2025-26 appropriations include $10.0 million and $23.2 million TANF to support an annual children's clothing allowance and an annual per-child supplemental payment, respectively.



Family Independence Program (FIP) Expenditures

Expenditures and caseloads for FIP have declined markedly due to both policy changes, including imposition of lifetime time limits, and economic conditions. Costs increased in FY 2024-25 due in part to an **18.5%** increase in payment standards and an expansion of the annual per-child supplement.



Food Assistance Program (FAP)

- Federally funded program that supplements food purchase power of low-income individuals and families

- Benefit amount is calculated through federal formula and can be used to purchase eligible food from authorized retailers or approved meal providers

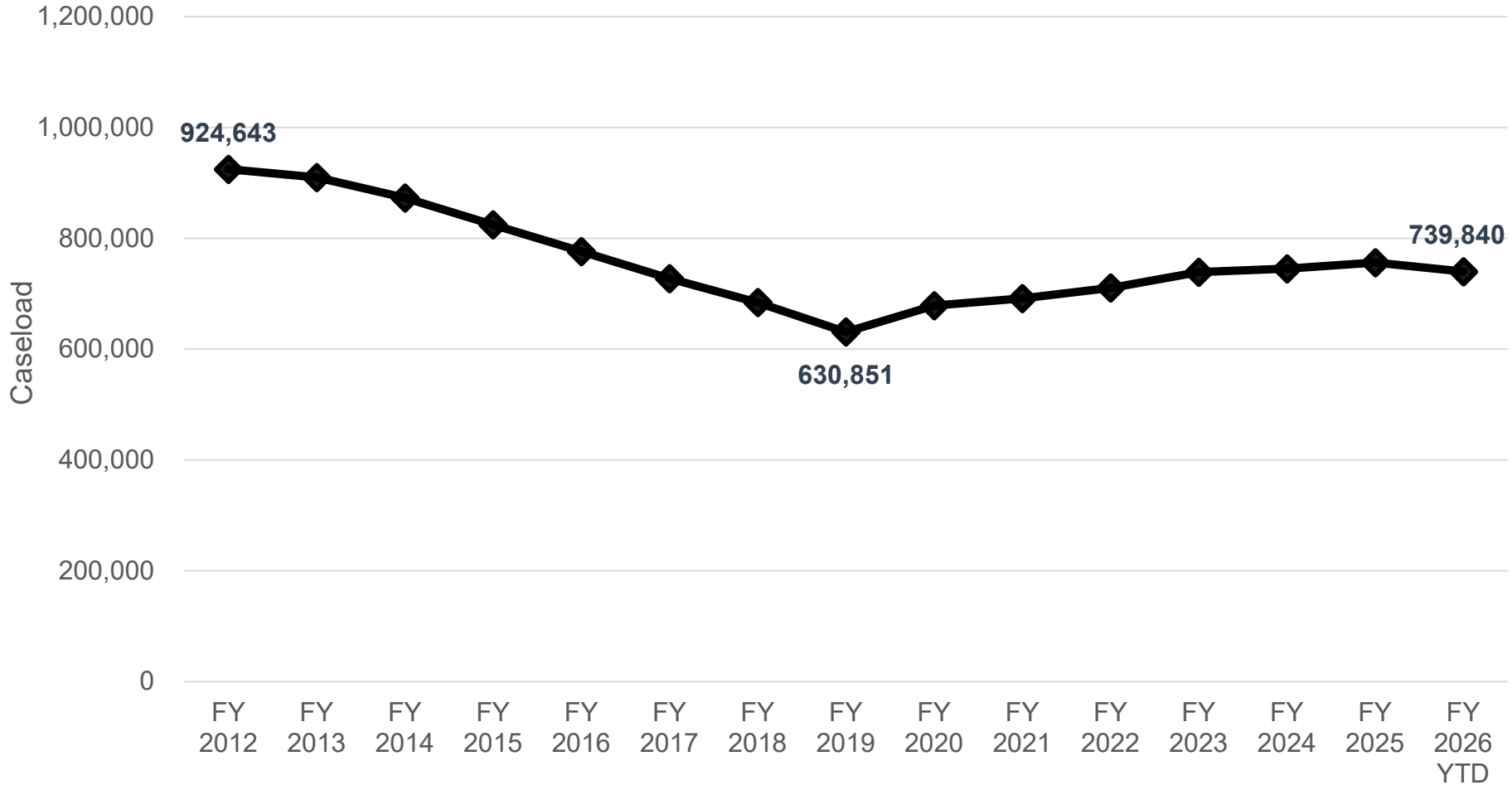
- Eligibility:
  - Groups must meet income requirements: in general, groups with gross incomes below 200% of federal poverty guidelines—annual net household income of not more than $53,300 for family of three
  - Beginning December 1, 2019, groups must not have more than $15,000 in countable assets – excluding vehicles, which are exempt

- Benefit payments are **100%** federal funds, with **50%** federal match for administrative costs
  - Due to federal P.L. 119-21 (One Big Beautiful Bill Act), the federal match for administrative costs will decrease to **25%** beginning in FY 2026-27, and the state will assume a cost-share for benefit payments determined by the state's payment error rate beginning in FY 2027-28

- Michigan administers program based on federal guidelines, with limited state flexibility

Food Assistance Program Caseload Trends

After steadily declining over the previous decade, FAP caseloads have increased by **18%** since Fiscal Year 2018-19 due in part to the COVID-19 pandemic and resulting state economic conditions. Caseload declines in previous years were due to changes in policy, such as a new countable asset test, and an improving state economy.

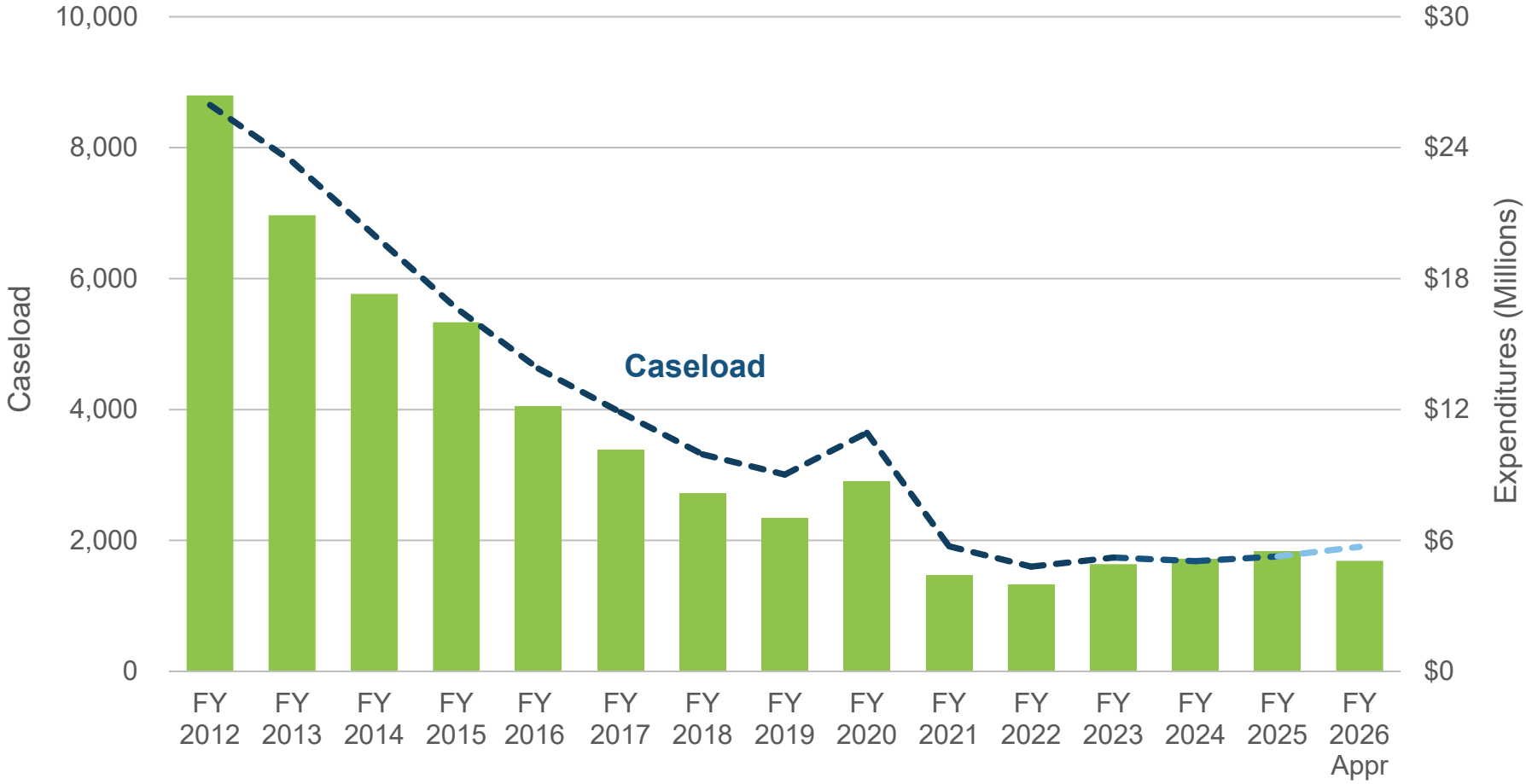


State Disability Assistance (SDA)

- Cash assistance to disabled adults who are permanently or temporarily unable to work
- Established in FY 1991-92 after state General Assistance program was eliminated
- 100% state-funded program; both GF/GP and restricted revenues
- SDA group must meet income and asset eligibility requirements: single adult must not have monthly income above $600, or $7,200 annually; as of December 2019, a group must not have financial assets of more than $15,000
- New cases after October 1, 2011 can receive up to the maximum monthly benefit of $200 for a single adult and $315 for an adult with a spouse. The monthly maximum payment for cases opened before October 1, 2011 is $269 for a single adult and $423 for an adult with a spouse
- Payment levels are higher for those in special living arrangements (e.g., adult foster care, homes for the aged)

State Disability Assistance Caseload and Spending Trends

Expenditures for SDA have been declining steadily since FY 2009-10, partly due to increases in federal Social Security Income (SSI) approvals. Earlier federal approvals help certain individuals move more quickly into the federal program and thus shortens the waiting period prior to receiving state SDA benefits. The COVID-19 pandemic resulted in a temporary caseload increase during FY 2019-20.



State Emergency Relief Program (SER)

- Assists applicants with safe, affordable housing and other essential needs when an emergency arises due to factors or conditions beyond their control.

- For non-energy services, a family of three must meet income requirement of having countable monthly income of not more than $625; monthly income above “need standard” must make a co-payment equal to the amount income exceeds the need standard.

- As of December 2019, the protected asset disregard when computing required co-pay to resolve SER emergencies is $15,000.

- For energy services, family group must meet income requirements of having income of 150% of federal poverty guidelines (equal to a monthly income of around $3,331 for a family of three).

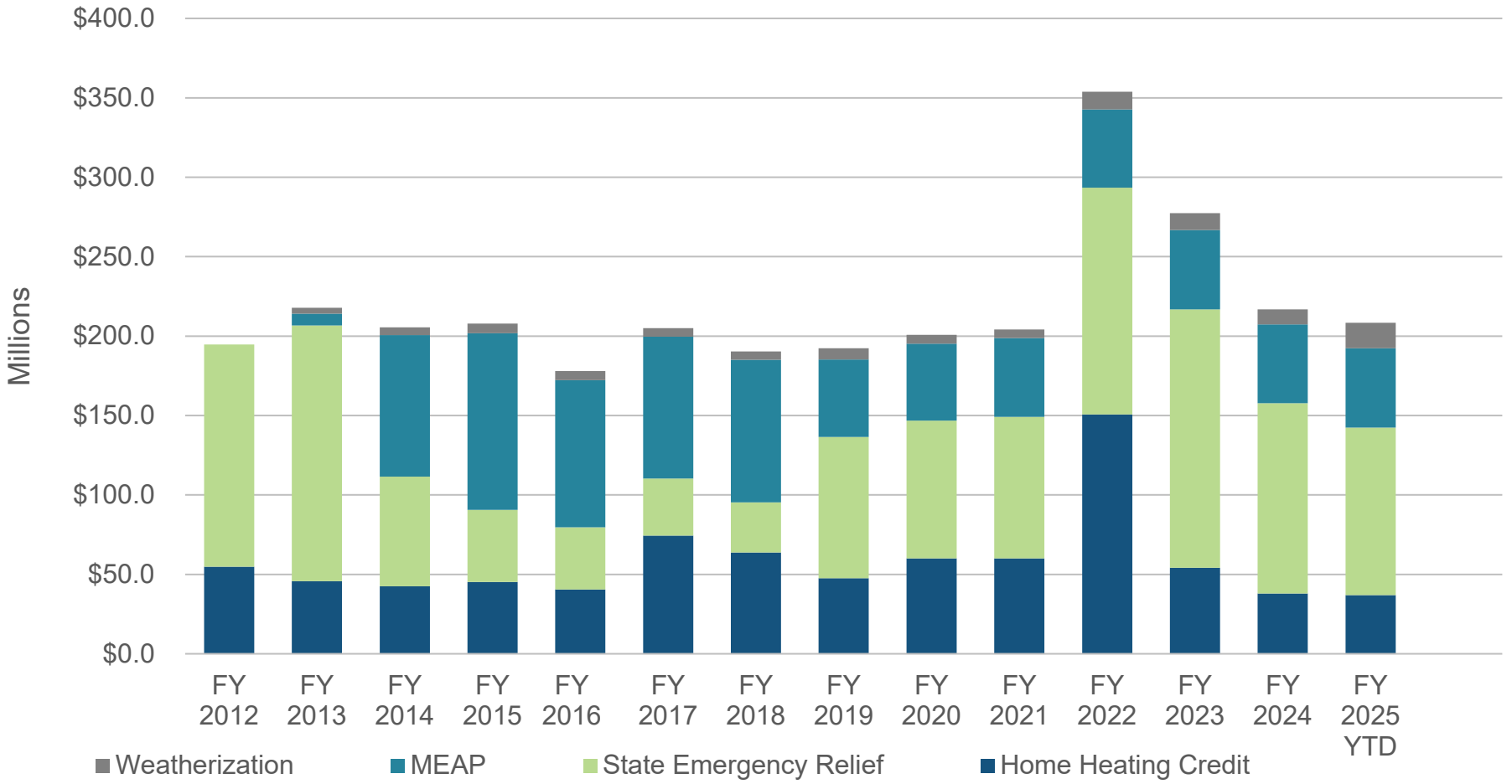
FY 2025-26 Emergency Services Appropriations

- **State Emergency Relief (SER) Program: $70.2 million Gross**
  - Diapering product purchasing assistance: **$6.4 million**
  - Food Bank Council of Michigan: **$12.0 million**
  - Indigent Burials/Unclaimed Bodies: **$2.7 million**
  - Local Office Emergency Services allocations (rent/moving expenses, housing payments and repairs, non-energy utility assistance): **$14.3 million**
  - Salvation Army Homeless Shelter contract: **$34.8 million**

- **Energy Assistance Programs (includes administrative costs): $275.0 million**
  - Human Services receives approximately **$165.6 million** annually in federal Low-Income Home Energy Assistance Program (LIHEAP) block grant funding of which **10.0%** is used for administration. In FY 2021-22 DHHS received an additional one-time distribution of $235.4 million under the American Rescue Plan Act
  - LIHEAP line item is appropriated **$175.0 million** Gross funding to allow expenditure of prior year carry forward funding and any additional federal LIHEAP funding the state might receive
  - PAs 168 and 169 of 2024 eliminated the $50.0 million cap on the Low-Income Energy Assistance Fund (LIEAF), allowed for gradual increases to the monthly surcharge on electrical meters up to a maximum of $2.00, and expanded income eligibility for the Michigan Energy Assistance Program (MEAP); **$100.0 million** of LIEAF funding is appropriated in the MEAP line item

Energy Assistance Expenditures

Federal LIHEAP funding primarily supports four programs: Home Heating Credit, State Emergency Relief, Michigan Energy Assistance Program (MEAP), and Weatherization. Beginning in FY 2018-19, federal LIHEAP funding for MEAP is classified as State Emergency Relief to meet federal requirements. Additionally, the CARES Act allocated an additional $35.1 in FY 2019-20, and the American Rescue Plan Act allocated an additional 235.4 million in FY 2021-22 in federal LIHEAP funding for COVID-19 pandemic relief.



Note: Does not include separate weatherization funding provided through the U.S. Department of Energy

Child Welfare Programs

Child Welfare and Family Services Programs

- **Children's Foster Care**: Placement and supervision of children who can not remain in their own homes due to abuse, neglect, or other emergency

- **Child Care Fund**: Collaborative effort between DHHS and counties to finance programs serving delinquent, neglected, and/or abused youth

- **Adoption Subsidy**: Financial support and medical subsidies to adoptive families of children with special needs

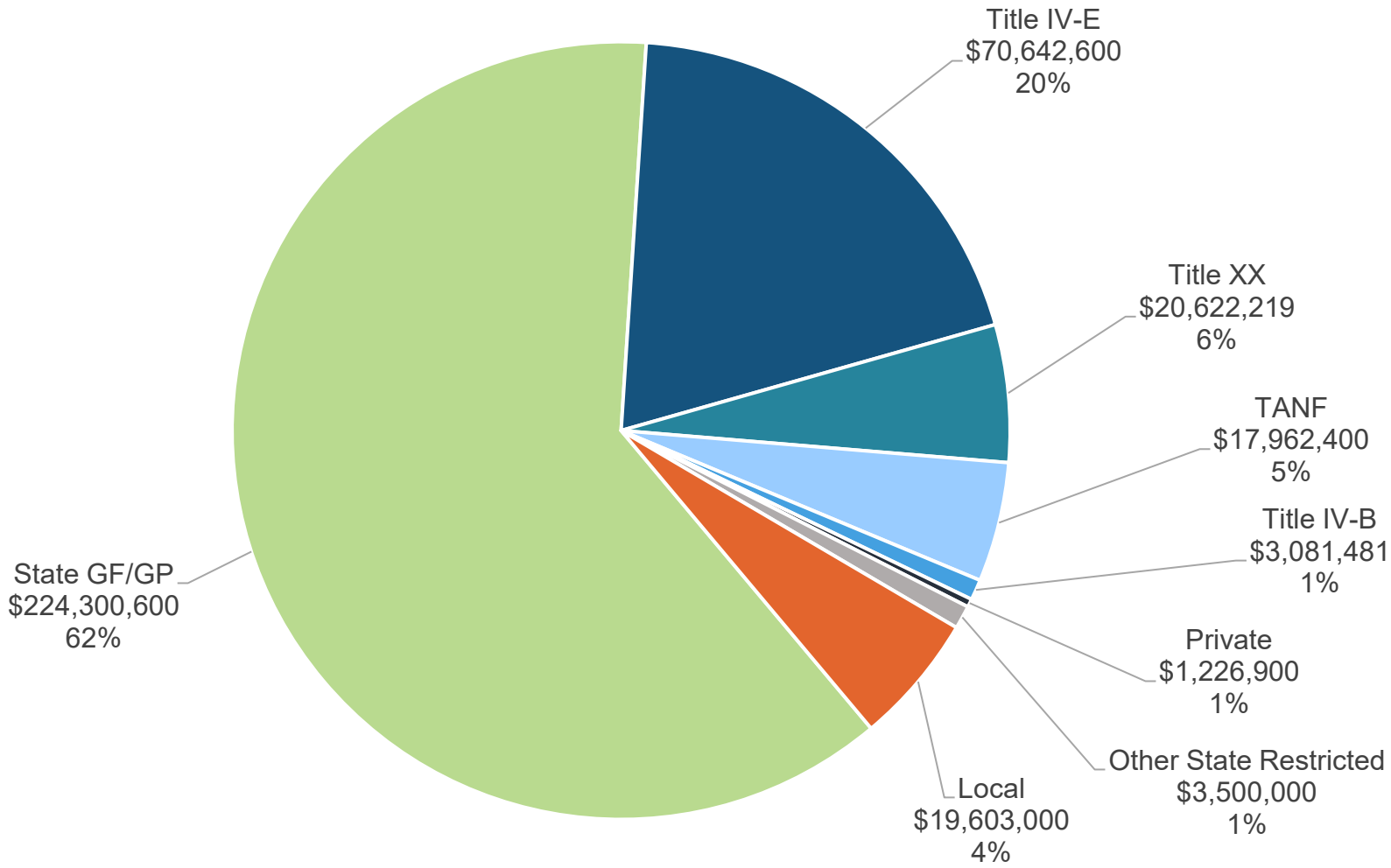
- **Family Preservation and Prevention Services**: Programs aimed at assisting families through in-home services with the goal of preventing an out-of-home placement or to accelerate reunification

Children's Foster Care

- Provides placement and supervision of children who cannot remain in their own homes due to one or more of the following:
  - Family inability or unwillingness to provide minimal care/supervision
  - Safety concerns brought on by serious abuse or neglect
  - Termination of parental rights
- Federal TANF law requires states to administer a foster care program
- Statute requires state support for court-ordered foster care placements
- Foster care line item supports court wards eligible for federal funds and state wards (other court ward cases are funded through the Child Care Fund line item)
- Federal Title IV-E funds meet about 65% of out-of-home placement costs for children that meet former AFDC eligibility requirements and other federal requirements
- State sets foster care payment rates for foster families, child care institutions, and child placing agencies
- Standard per diem family foster care rates are between $22 and $28, depending on age and living situation; higher rates for special needs and residential care
- Beginning in FY 2018-19, because of a federal court decision, state is required to issue family foster care maintenance payments to unlicensed relative caregivers (D.O. v. Glisson)

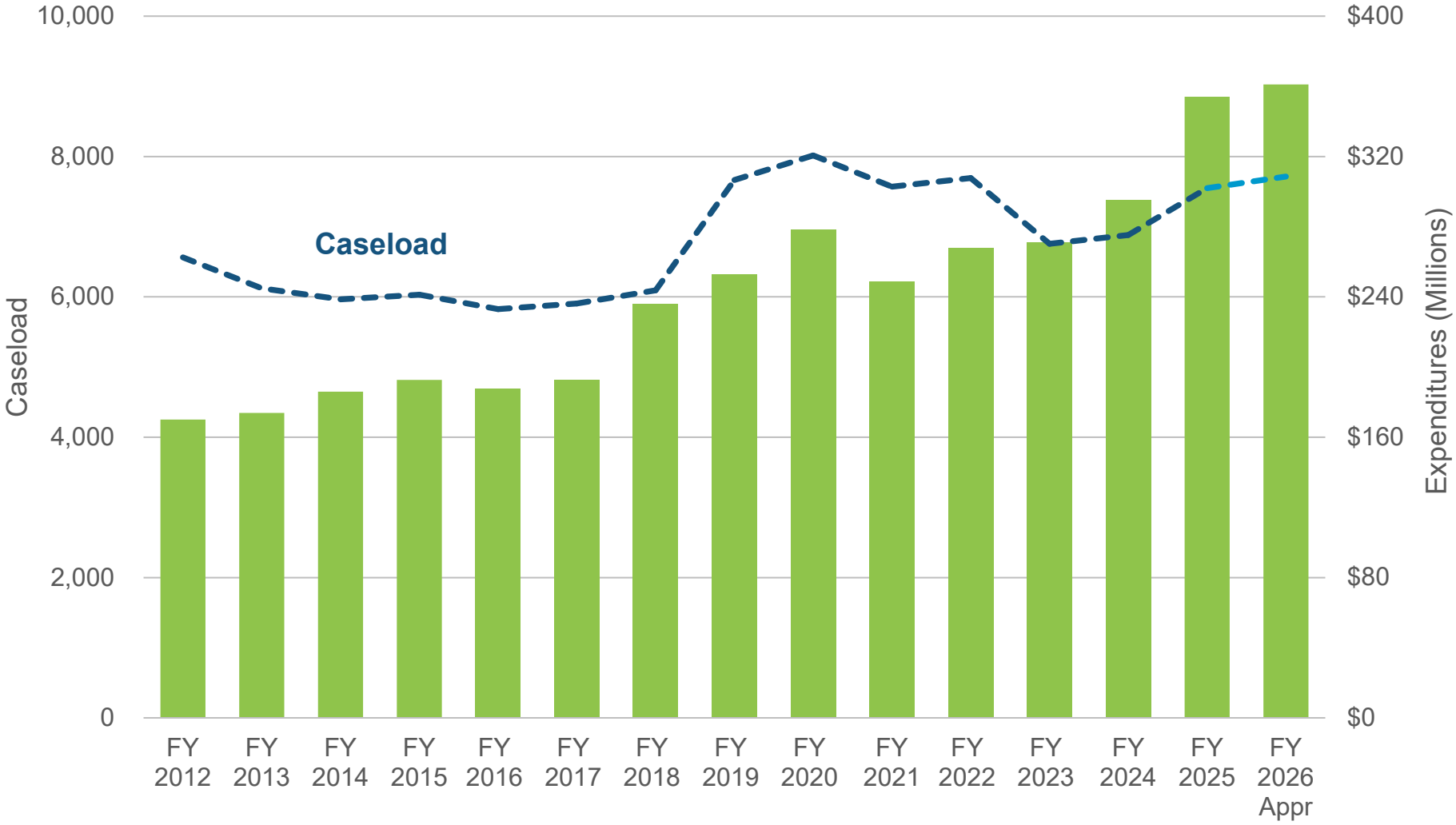
FY 2025-26 Foster Care Funding Sources

In FY 2025-26, **62%** of the **$361.0 million** for the foster care program is funded by GF/GP, while **31%** is funded by federal revenue.



Foster Care Caseload and Spending Trends

Caseloads declined from FY 2010-11 to FY 2017-18 while costs increased, partly due to increasing private child placing agencies' administrative rates to help meet staffing requirements of the Children's Rights settlement agreement. In FY 2019-2020, caseloads and costs increased due to requirement to pay unlicensed relative providers family foster care rates. Costs continued to increase in the most recent fiscal years due to maintenance payment increases to foster family, adoptive families, and juvenile guardians.

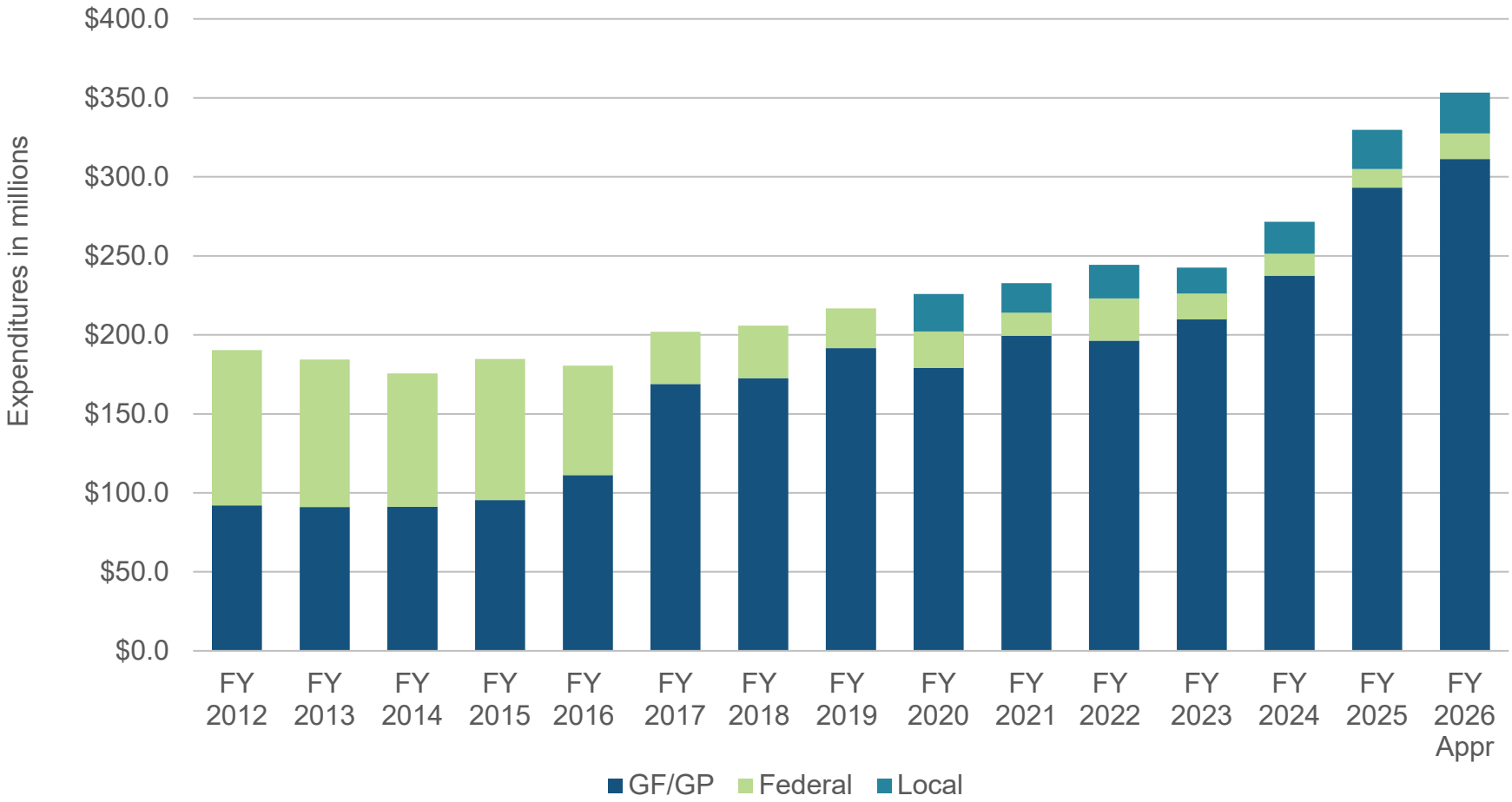


Child Care Fund (CCF)

- Provides for care and treatment of delinquent, neglected, or abused children
- Cases involve youth that are court wards, court-supervised, and not eligible for federal Title IV-E funding
- Statute requires state support for court-ordered foster care placements
- Child Care Fund reimburses counties for 50% of their eligible costs incurred in providing out-of-home services to court wards and 75% for in-home services; 2018 PA 22 requires that the state be the first payor for children placed with DHHS and counties be the first payor for children not placed with DHHS
- State-established foster care payment rates for foster families, child caring institutions, and child placing agencies also apply, in general, to Child Care Fund placements
- Under a Memorandum of Understanding, Wayne County assumed responsibility for providing all juvenile justice services in the county and is responsible for rate setting in this area

Child Care Fund Spending Trends

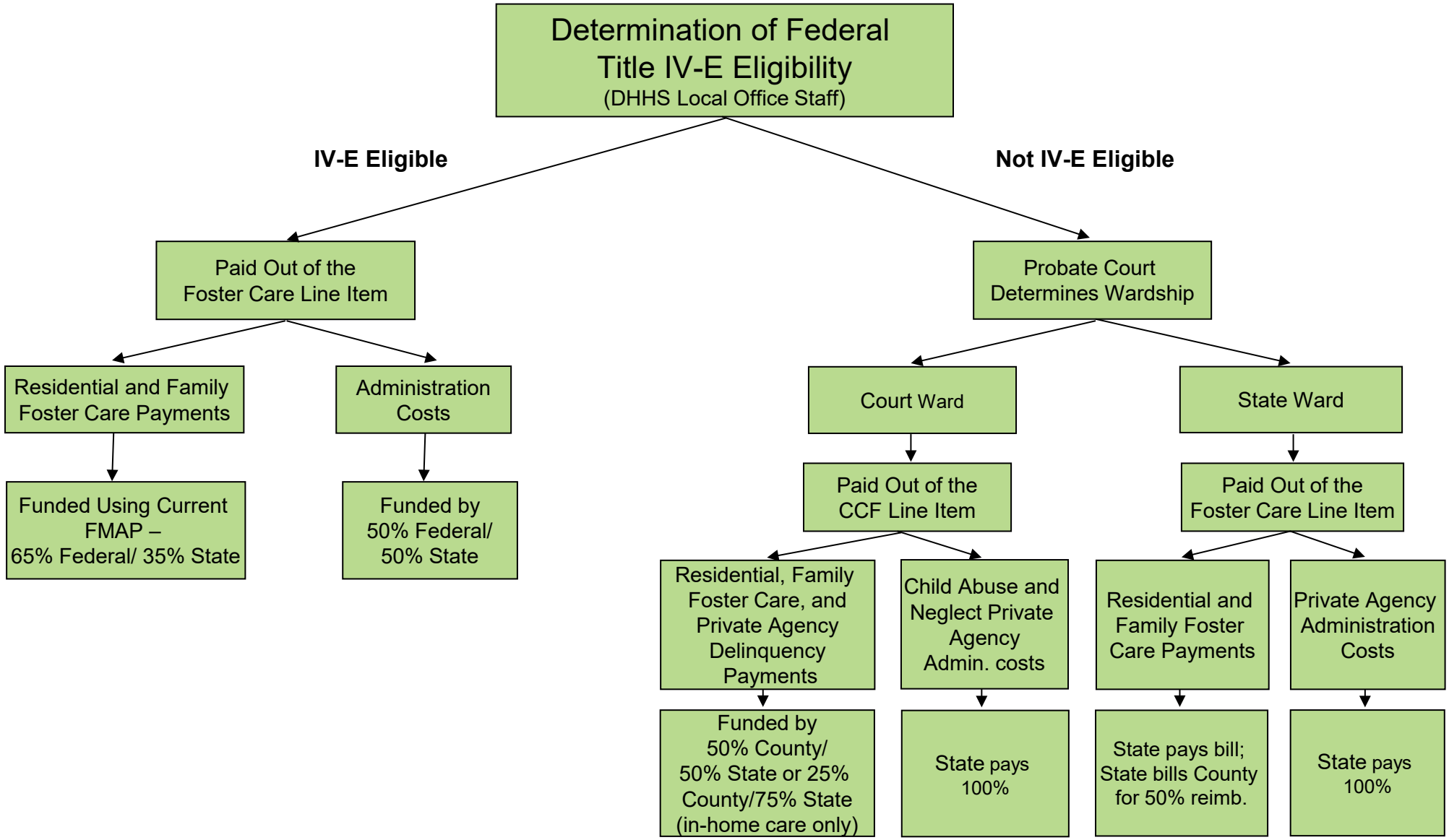
GF/GP funding was increased beginning in FY 2016-17 because of a federal requirement that TANF funding could no longer be used for juveniles placed in the homes of parents or relatives. In FY 2019-20, a statutory change required state to be first payor for certain juvenile cases, thus local funding for state reimbursement also funds the program. In FY 2023-24, a statutory change increased state reimbursement to counties for in-home services to 75%.



Note: Includes both Child Care Fund and indirect cost allotment lines

Child Welfare Funding Determination

Case funding determination after Probate Court has ordered child removed from home



Adoption Subsidy Program

- Helps address financial barriers to adopting eligible foster children with special needs by providing financial and medical support subsidies to adoptive families
  - Cash subsidies provide for basic support and care
  - Medical subsidies help support necessary treatment for pre-existing physical, mental, or emotional condition

- Federal TANF law requires states to administer adoption subsidy program and forbids states from using a means test as an eligibility factor

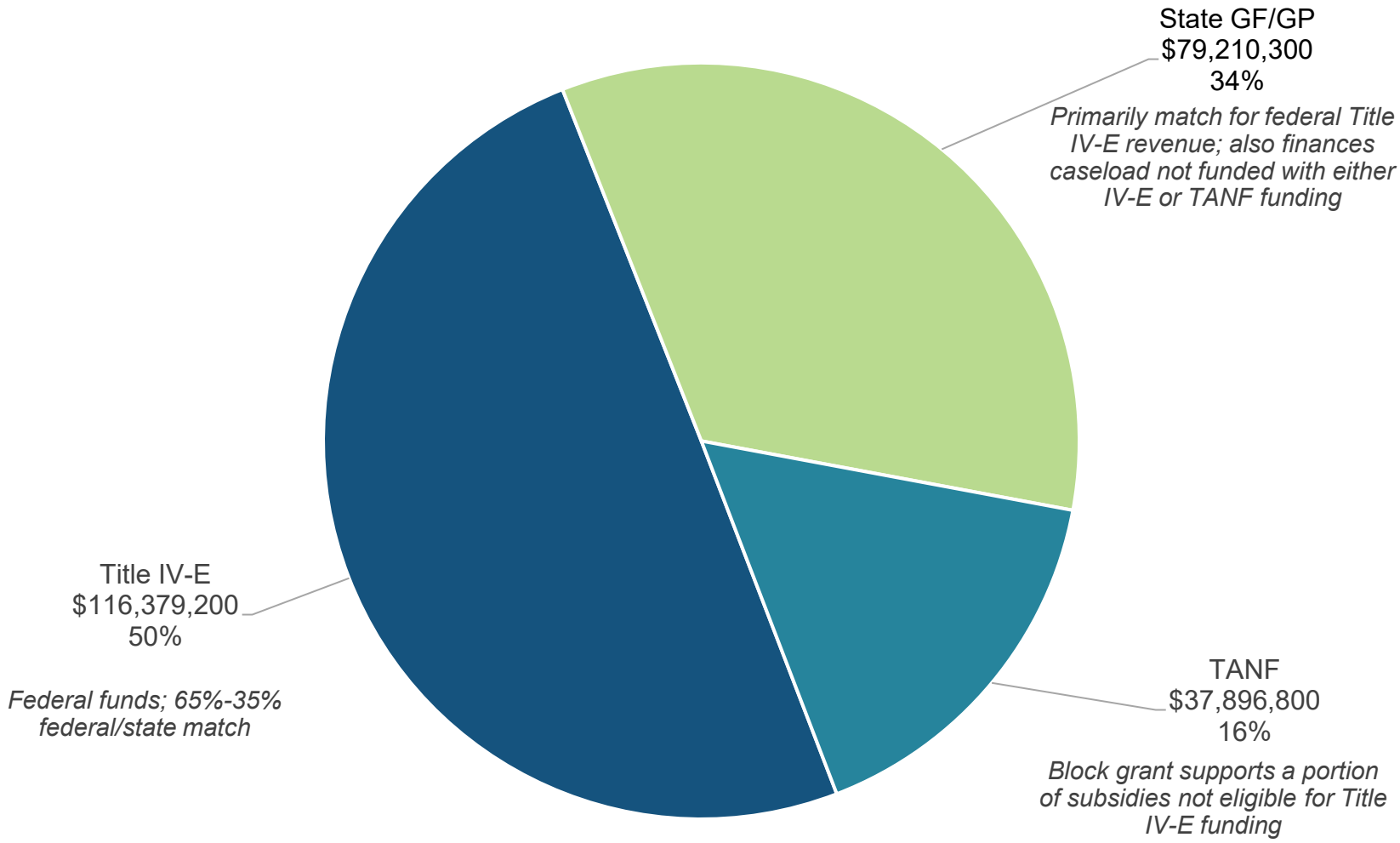
- Child must
  - Be AFDC or SSI-eligible
  - Have “special needs” (medical/mental health needs, age three or older, part of sibling group, relative adoption) as defined by the state

- Written adoption assistance agreement must be entered prior to finalizing adoption

- States may use income to determine payment level (Michigan does not exercise this option—adoption subsidies reflect full foster care rates, however, through the negotiation process, adoptive parents are permitted to accept subsidy amounts below the standard foster care rate)

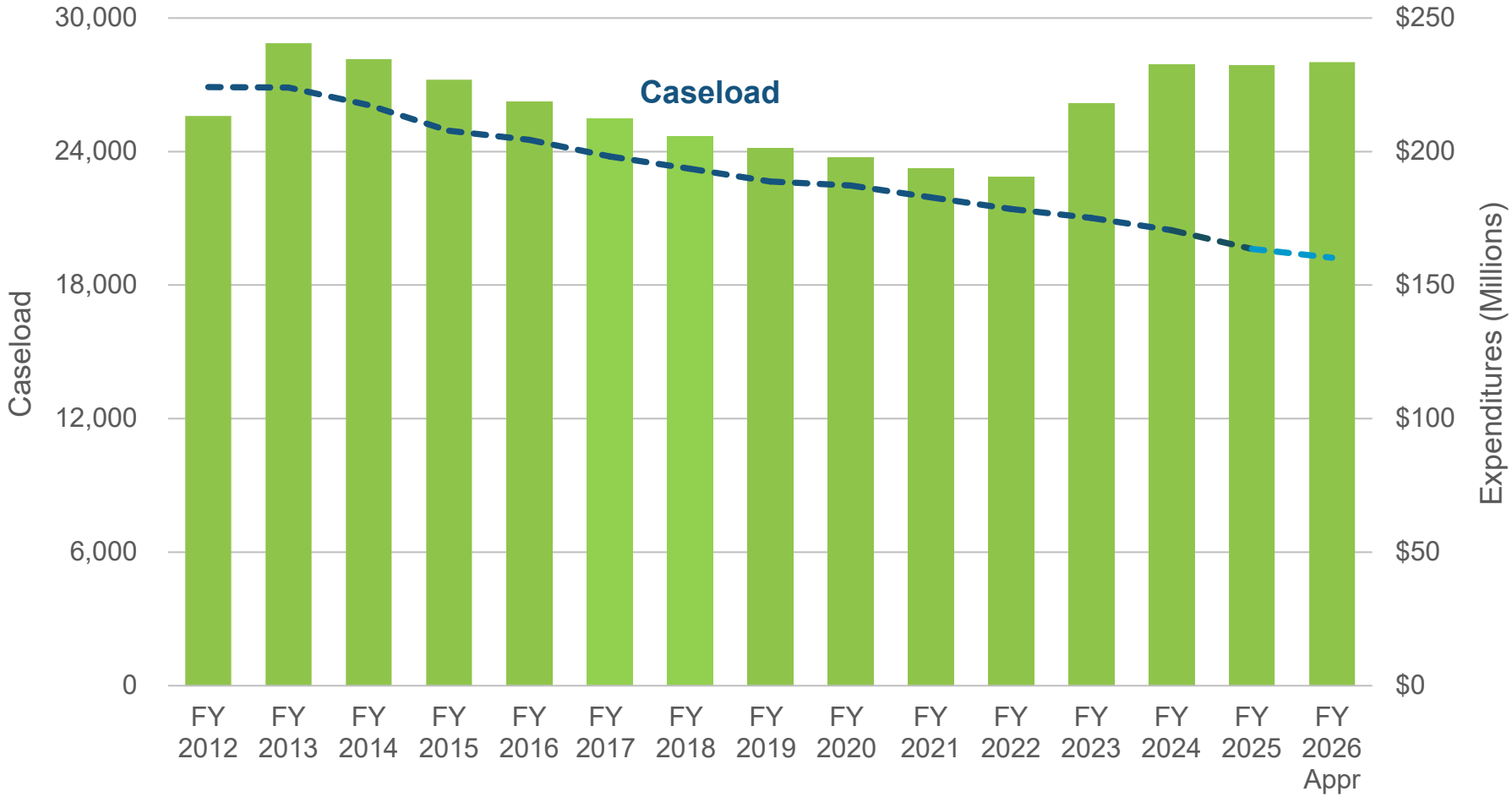
FY 2025-26 Adoption Subsidy Funding Sources

Of the **$233.5 million** adoption subsidy program funding **66%** is funded by federal revenue, including TANF and other federal grants.



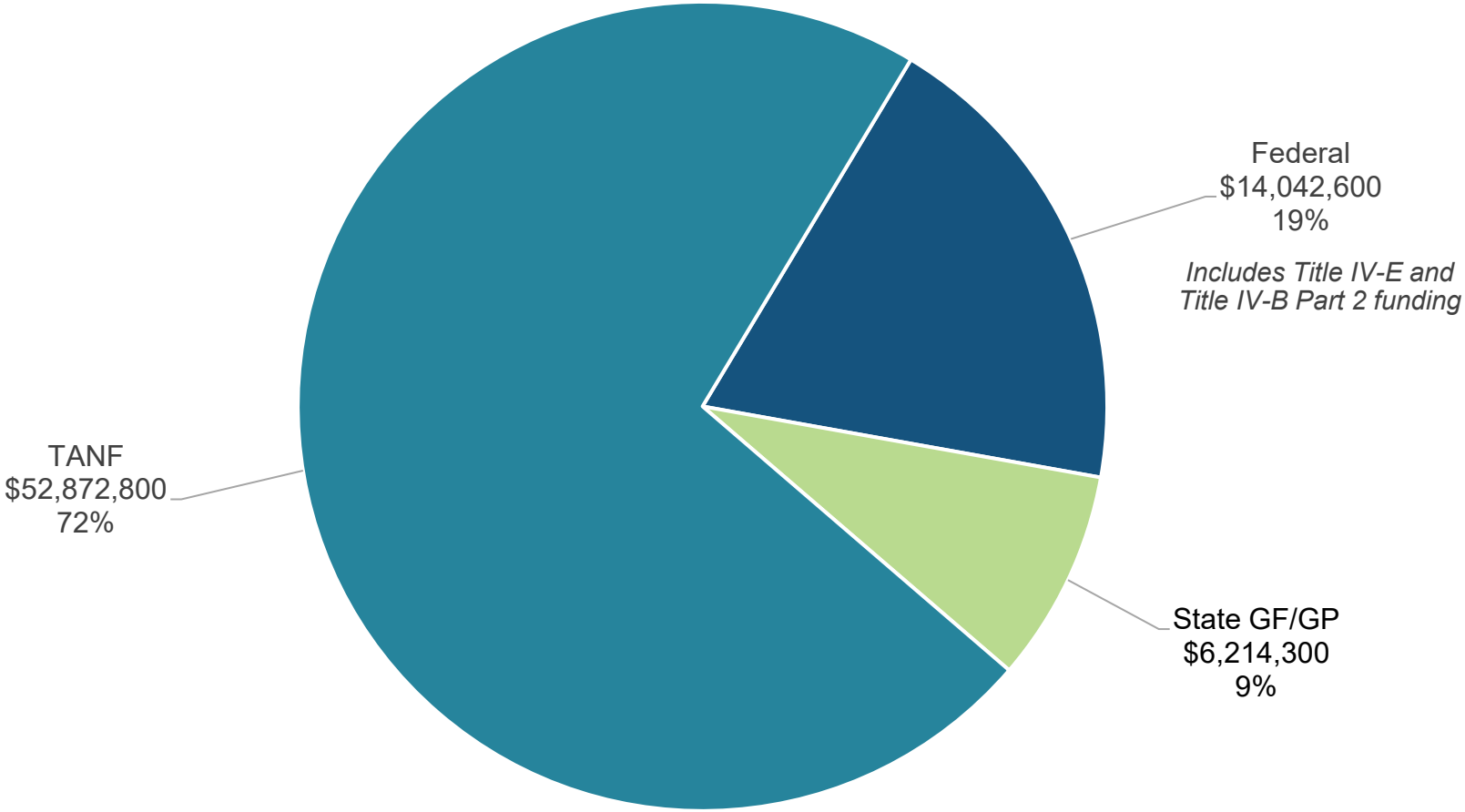
Adoption Subsidy Caseload and Spending Trends

Adoption subsidy costs increased in FY 2012-13 partly as a result of increasing adoption subsidy per diem by $3 for all cases. Increased costs in FY 2022-23 and FY 2023-24 were the result of similar increases to the daily maintenance payments to adoptive families. Average monthly adoption subsidy payment is $929.



FY 2025-26 Family Preservation Programs Funding Sources

Of the **$73.1 million** family preservation program funding, **72%** is funded by federal TANF. Funding has stayed consistent for the past several fiscal years. In FY 2023-24 family preservation programming serviced **2,844** families.



Juvenile Justice Programs

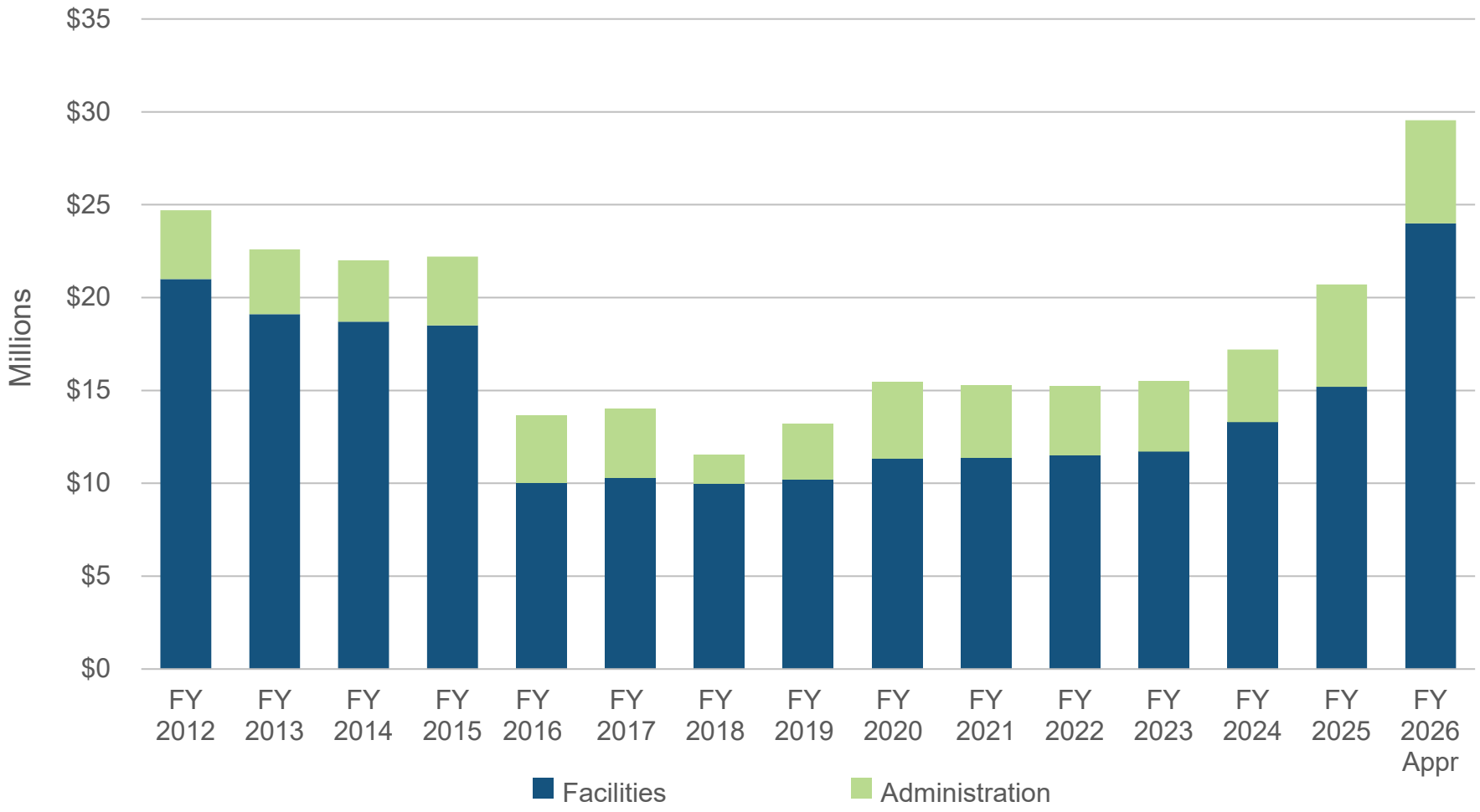
Juvenile Justice Services

- Bureau of Juvenile Justice provides for care and supervision of state wards age 12 to age 21 referred to DHHS by the courts due to delinquency
- Major responsibilities:
  - Juvenile Justice grant administration and distribution
  - DHHS-operated (public) residential facilities
    - **Michigan Youth Treatment Center** – Secure treatment facility located in Macomb and has a capacity for 60 youth aged 12-20 years old; offers general and specialized treatment as well as educational support for youth adjudicated for criminal offenses
    - **Bay Pines Center** – Secure treatment facility located in Escanaba and is licensed for up to 45 youth; houses both male and female youth in segregated quarters; offers specialized treatment programs for youth adjudicated for criminal offenses
- Recent DHHS-operated facility closures:
  - FY 2009-10 Nokomis Challenge Center and two remaining community juvenile justice centers
  - FY 2015-16 W.J. Maxey Training School on October 15, 2015
  - FY 2024-25 Shawono Center on January 24,2025

Note: Private residential facilities for delinquency and abuse/neglect cases are funded in Foster Care Payments and Child Care Fund line items.

Juvenile Justice Operations Expenditures

State juvenile justice operations costs have decreased steadily since FY 2008-09 due to the implementation of community-based diversion programming in many counties and the closure of several state-operated residential facilities. Some of these reduced costs have been shifted to payments to locals through the Child Care Fund.



Local Office Operations

Local Office Staff Spending

- DHHS has over 100 local and district Human Services offices across the state which are responsible for processing public assistance applications (including Medicaid and Child Development and Care) and monitoring case files, overseeing foster care and protective services cases, and administering other Human Services programs.

- In FY 2025-26, personnel costs account for **13%** of the total Human Services appropriations within the DHHS budget.

- Settlement of a lawsuit brought against Michigan by the non-profit advocacy group Children's Rights requires reductions in caseload-to-worker ratios for various categories of child welfare workers. These requirements have contributed significantly to recent staffing increases.

- Fringe benefit costs increased $45.0 million in FY 2011-12 , resulting from prefunding retiree health, dental, and vision benefits known as Other Post-Employment Benefits (OPEB). Retirement costs increased an additional $50.0 million during FY 2012-13.

Child Support Enforcement (CSE)

- CSE Program creates a process to
  - Locate absent parents
  - Establish paternity
  - Establish, review, and modify support orders
  - Enforce support orders
  - Collect and distribute child support

- Federal TANF law requires states to administer a Child Support Enforcement program and provides partial funding

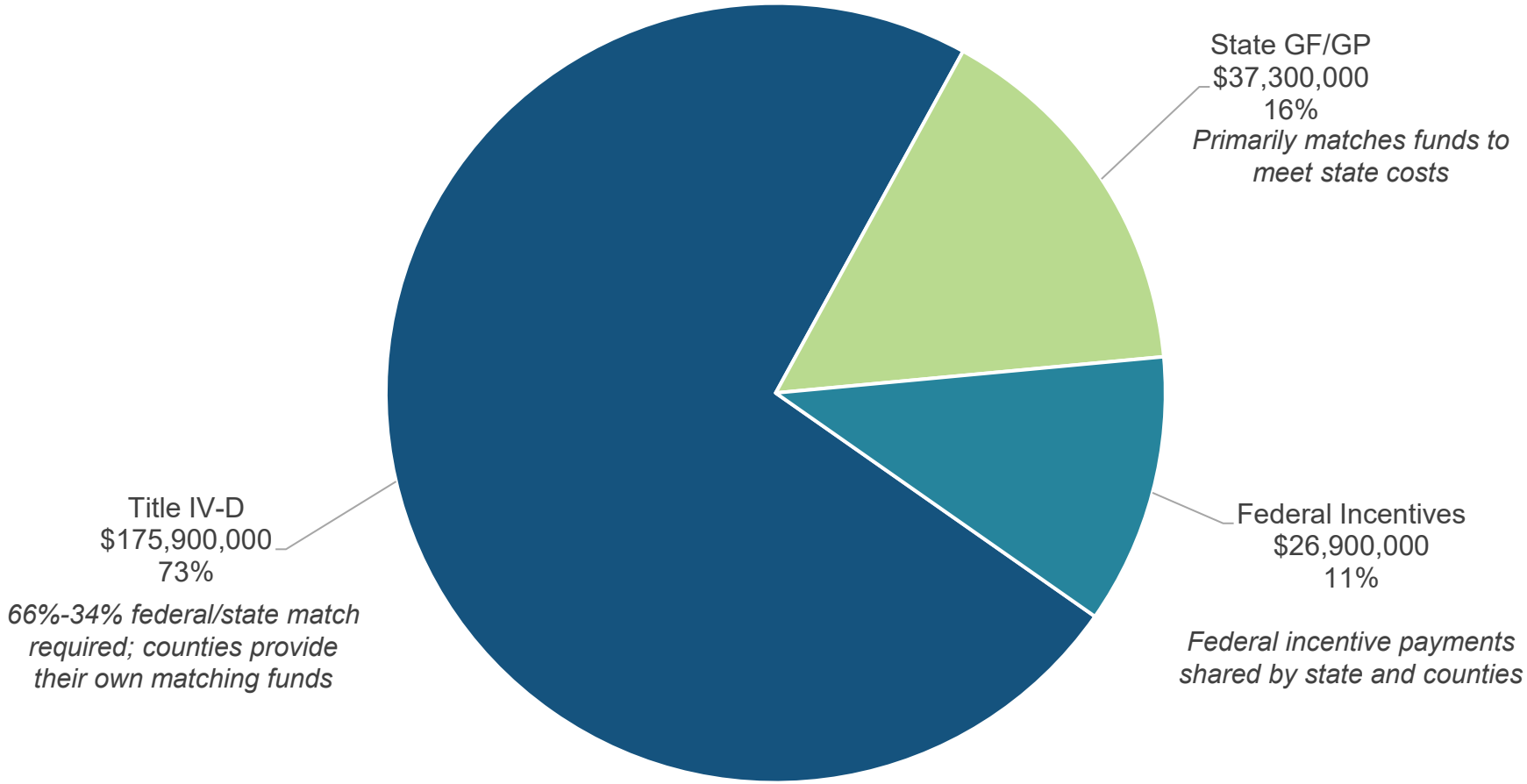
- Office of Child Support administers program in accordance with federal guidelines and contracts with prosecuting attorneys and Friends of the Court

- FIP family groups are required to assign child support to the state for enforcement unless "good cause" exists; any family may request these services
- Federal law
  - Specifies mandatory enforcement techniques
  - Requires participation by TANF families
  - Requires same services be provided to non-TANF families for $35 application fee; Michigan does not impose this fee on clients

- In FY 2024-25, approximately **$1.3 billion** of child support was collected and disbursed to families

FY 2025-26 Child Support Enforcement Funding Sources

Over **84%** of the **$240.1 million** for the Child Support Enforcement Program is funded by federal revenue, the majority of which requires a **34%** GF/GP state match.



For more information about the Health and Human Services budget:

HFA Resources

http://www.house.mi.gov/hfa/HealthandHumanServices.asp

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