



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF HUMAN SERVICES
LANSING



MAURA D. CORRIGAN
DIRECTOR

February 14, 2014

The Honorable Bruce Caswell, Chair
Senate Appropriations Subcommittee on DHS
Michigan State Senate
720 Farnum Building
Lansing, Michigan 48933

The Honorable Peter MacGregor, Chair
House Appropriations Subcommittee on DHS
Michigan House of Representatives
N1092 House Office Building
Lansing, Michigan 48933

Dear Senator Caswell and Representative MacGregor:

Section 274 (2) of 2013 Public Act No. 59, Article X, requires the Department of Human Services (DHS) to prepare an annual report on its efforts to identify additional Temporary Assistance for Needy Families (TANF) maintenance of effort (MOE) opportunities from private sources, local units of government, and other state agencies.

In fiscal year 2013, there was a significant loss in TANF MOE-countable spending at the state level when the State Earned Income Tax Credit dropped from 20% of the Federal EITC to 6% of the federal EITC (a loss of ~ \$190 million in MOE countable spending). Despite this significant drop in TANF MOE eligible spending, DHS, with support from the State Budget Office, decided to proceed with an effort to identify additional state MOE to qualify for a \$67.8 TANF Contingency Fund grant. DHS contracted with Public Consulting Group (PCG) on a contingency fee basis to assist the state in maximizing its MOE opportunities. PCG employed a number of strategies in this effort, including expanded exploration of spending at state agencies and third party service providers throughout the state.

Between April and September 2013, PCG (often accompanied by DHS staff) met in-person or by Web-Ex and collected information on 130 organizations throughout the state. These organizations included state and local government agencies, foundations (statewide, national or community), associations, educational institutions, law/legal aid organizations, faith-based organizations, food banks, United Way organizations, and other non-profit organizations.

Senator Caswell and Representative MacGregor
February 14, 2014
Page Two

Despite this effort, DHS was unable to establish sufficient MOE claims to draw down the additional \$67.8 million in TANF contingency funds. However, we did identify enough qualifying expenditures to avoid a TANF MOE penalty and corresponding reduction in the TANF block grant. Several of the new qualifying expenditures came from new partners (see attached chart). Barriers to establishing additional successful MOE claims for FY 2013 included: third party organizations didn't collect detailed data to substantiate TANF claim; very low dollar amounts, making the project administratively burdensome; audit vulnerable due to lack of documentation; organization reluctant to participate or provide data (e.g., confidentiality or legal concerns); programs do not meet a TANF goal or are not compatible with TANF regulations; umbrella organization (no direct services) or risk of double-counting at grantor and grantee levels; expenditures already used as match for a federal source; and, risky claim (e.g., no precedent for claim and/or no federal guidance).

The attached table compares fiscal year 2012 MOE spending to fiscal year 2013 MOE spending and shows new partners who participated this year.

If you have any questions about this report, please contact me at (517) 373-7787.

Sincerely,



Susan Kangas
Chief Financial Officer

Attachments

- C: Senate and House Appropriations Subcommittee on DHS
- Senate and House Fiscal Agencies
- Senate and House Policy Offices
- State Budget Office

**TEMPORARY ASSISTANCE FOR NEEDY FAMILIES
MAINTENANCE OF EFFORT
Section 274 (2) - Comparison of Eligible Spending**

	FY2012 Actual ('000)	FY2013 Actual ('000)	Difference ('000)	Rationale for Change
Department of Human Services Programs	\$ 109,213.0	\$ 151,365.8	\$ 42,152.8	Changes in the overall financing of the Family Independence Program and the increase in costs for child welfare staffing increased total eligible MOE for the department.
MDE - School Aid Programs				
School Readiness, Sec. 32d	\$ 93,003.7	\$ 80,905.3	\$ (12,098.4)	Total eligible spending declined in 2013
School Readiness, Sec. 32d (also counts for CCDF MOE)	\$ -	\$ 24,411.4	\$ 24,411.4	Funding was not eligible for MOE in 2012 because of TANF contingency fund requirements
ISD Great Parents/Great Start	\$ 4,801.6	\$ -	\$ (4,801.6)	Funding eliminated in fiscal year 2013
At-Risk Spending, Sec. 31a	\$ 142,368.4	\$ 167,722.2	\$ 25,353.8	Additional funding included in 2013 appropriation
Early Childhood Block Grant, Sec. 32p	\$ 3,653.9	\$ 3,630.1	\$ (23.8)	Small change in eligible spending
MEDC - Work First	\$ 14,536.6	\$ 14,850.2	\$ 313.6	Small change in eligible spending
LARA - Low Income Energy Assistance	\$ 12,925.8	\$ -	\$ (12,925.8)	Funding not included in 2013 appropriation
Earned Income Tax Credit	\$ 237,535.3	\$ 50,336.0	\$ (187,199.3)	Statutory changes to the EITC resulted in a total reduction in eligible spending
Prior Local and Private Sources	\$ 56,688.6	\$ 48,507.8	\$ (8,180.8)	Private consulting firm identified additional state, local and private sources of MOE, including food banks, foundations, state and county government spending.
New State, Local and Private Sources:				
DNR Summer Youth Employment	\$ -	\$ 1,741.3	\$ 1,741.3	
DCH Problem Gambling Services	\$ -	\$ 48.8	\$ 48.8	
DCH Children's Physical Health Pilot	\$ -	\$ 442.1	\$ 442.1	
MEDC Community Ventures	\$ -	\$ 297.5	\$ 297.5	
Forgotten Harvest Food Bank	\$ -	\$ 14,168.5	\$ 14,168.5	
Feeding America West Michigan	\$ -	\$ 7,724.5	\$ 7,724.5	
Food Bank Eastern Michigan	\$ -	\$ 5,515.6	\$ 5,515.6	
Food Bank South Central Michigan	\$ -	\$ 4,075.2	\$ 4,075.2	
Food Gatherers	\$ -	\$ 1,218.2	\$ 1,218.2	
DHS Volunteer Hours	\$ -	\$ 1,344.7	\$ 1,344.7	
Total	\$674,726.9	\$ 578,305.2	-96,421.7	