

# 30,000 children face destitution from welfare cut in Michigan

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On September 6, Republican Governor Rick Snyder signed into law a new lifetime limit of 48 months for receiving cash welfare benefits in the state of Michigan.

It is estimated that 12,600 families, including 11,188 adults and 29,707 children, will be affected immediately. These families will lose an average of \$515 a month beginning October 1.

“Since cash assistance is the source of income for some families and is how they pay for rent, they will have to find a different place to live,” Judy Putnam, communications director for the Michigan League for Human Services, told the media. “We’re very fearful that many families will be left homeless.”

She stressed that now, at the beginning of the school year, kids are just getting settled into classrooms. “If they are uprooted, it will disrupt their school year,” Putnam emphasized. The average age of children in families receiving cash benefits is 7.

Putnam also stressed, “A lot of these folks are working,” she said. “They just don’t make enough money to even leave the cash assistance rolls.” In order to qualify for the assistance, families of three have to earn less than \$814 a month, or 44% *below* the government’s already impossibly low federal poverty level. “So a lot of people are trying. We know that there are a lot of low-paying jobs out there.”

The new 48-month lifetime limit is the most draconian welfare statute in the hard-hit US Midwest. According to the *Detroit News*, there are five-year limits in Illinois, Iowa, Minnesota, Missouri, Ohio and Wisconsin. Indiana has a two-year limit for adults—but none for children.

The president and CEO of the Michigan League for Human Services, Gilda Jacobs, warned that the state would be unprepared to deal with the thousands left destitute as a result of the measure. Jacobs said it is

hard to see how 11,000 adults will find a job when Michigan’s July unemployment rate was 10.9 percent, tied with South Carolina for third highest in the nation.

“We still have to preserve a safety net for people who, through no fault of their own, can’t find a job,” said Jacobs. Several Michigan counties face more than 25 percent unemployment including Wayne County—which includes Detroit—where 6,500 families will lose cash assistance October 1.

The original four-year-limit in Michigan was enacted in 2007 by former Democratic Governor Jennifer Granholm but provided an exemption for families whose caseworkers stated they were making progress finding employment or in counties where the unemployment rate is 25% above the state average. The new law will reduce the number of children and adults receiving cash assistance by nearly a fifth, from more than 221,000 to around 180,000.

A spokesperson for Republican House Speaker Jase Bolger said, “This [bill] has been a priority of our caucus since day one.” The new law, however, only reduces state costs by a minuscule \$60 million. Its importance lies in being part of a battery of legislation, which dismantles the already shredded safety net and accomplishes a general restructuring of state finances.

The overall shift in the Michigan policy is breathtakingly crude—the keys to the state treasury are being handed over to business interests. As of 2012, Michigan business taxes are due to be reduced by a whopping \$1.7 billion. The changes amount to a sweeping revision of tax code and state policy that directly transfers wealth to the state’s elite.

The Michigan Business Tax (MBT), just three years old, has been precipitously eliminated and is being replaced by a far less onerous income tax, which will only be levied on certain types of corporations. This

fall, the state legislature will debate the elimination of the personal property tax, another business tax, which provides between \$800 million and \$1.4 billion to local government and libraries.

To pay for this handout to business, Michigan residents are facing cuts in every social service. For the first time pensions will be taxed, costing seniors an estimated \$300 million. Education is being reduced by \$908 million, a 15 percent reduction across the board to universities and devastating funding cuts between \$470 and \$1,000 per pupil depending upon the district.

In other attacks on those least able to afford it, Michigan will:

- Reduce a back-to-school clothing allowance (cutting 124,000 needy children from eligibility to receive new set of clothes for school).
- Slash the Earned Income Tax Credit (EITC) for 800,000 working families from 20 percent to 6 percent of the federal credit. The EITC is a refundable income tax credit designed for the working poor.
- Reduce unemployment benefits from 26 weeks to 20 weeks. More than half of Michigan's unemployed adults of prime working age (25-54) spend a half-year or longer looking for work.

Michigan already has one of the largest percentages, 36%, of children living in families where no parent had a full-time year-round job. It is presently ranked 47th among 50 states.

As a consequence of the unremitting growth of unemployment, child poverty has increased by an unprecedented 64 percent since 2000. The new census data, released this week, shows fully one in seven people in Michigan live in poverty, a 50 percent jump in the decade. Michigan's decline in median household income, more than \$12,000 per family, over the decade is the biggest drop in the nation.

Michigan's cash assistance program is part of the federal Temporary Assistance for Needy Families (TANF) block grant. It is estimated that 700,000 low-income families, including 1.3 million children, will be affected by cuts in the 2012 budget year as 44 states and the District of Columbia project budget shortfalls totaling \$112 billion.

California, Washington, South Carolina, New Mexico and the District of Columbia all join Michigan in cutting monthly cash assistance benefits for families this year. For fiscal year 2012, Arizona reduced its

TANF time limit to 24 months, one of the shortest in the country. Oregon is considering reducing its time limit to 18 months. As of July 2010, TANF benefits for a family of three were less than half of the poverty line in *all* states and below 30 percent of the poverty line in more than half the states.



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