



**House  
Legislative  
Analysis  
Section**

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**DEDUCT RENTAL DAMAGES  
FROM WELFARE GRANTS**

AS ENROLLED

**House Bill 4400 (Substitute H-2)  
First Analysis (5-3-95)**

**Sponsor: Rep. Jack Horton  
Committee: Human Services**

***THE APPARENT PROBLEM:***

While it is relatively easy to obtain a judgment against an employed tenant who has failed to pay rent or who has damaged a rental unit, landlords often find that there is no way to collect damages from an irresponsible tenant if that tenant receives public assistance. Under the provisions of the Social Welfare Act, cash assistance benefits may not be garnished. For this reason, landlords are frequently reluctant to rent housing to low income families. Some argue that landlords should be allowed to recoup some of their damages in these circumstances, and that tenants who receive public assistance should be forced to accept responsibility for their actions. It is argued that, in situations where a landlord has obtained a judgment against a renter for failing to live up to the terms of a contract, a portion of the tenant's public assistance benefits should be transferred to the landlord.

***THE CONTENT OF THE BILL:***

Under the Social Welfare Act, welfare assistance given under the act cannot be assigned, sold, garnished, or otherwise transferred. The bill would amend this provision to require the Department of Social Services (DSS) to deduct a certain portion of a grant to pay for damages due to breach of a rental agreement.

More specifically, the DSS would be required to deduct ten percent of each cash grant for which the recipient of direct cash assistance was eligible and transfer that amount to the landlord, whenever a judgment was entered against the welfare recipient for damages arising from the breach of an oral or written lease agreement. The judgment creditor would have to submit a certified copy of the judgment to the department, and pay a \$1 processing fee to the DSS for each payment made. The department could deduct the processing fee from each payment made. The provisions of the bill could not create a cause of action against the

department for damages caused by a recipient's breach of a lease agreement.

The DSS would be required to ("promptly") seek any federal waiver necessary to implement the bill. In the absence of a federal waiver, the DSS would be required to apply the bill only to recipient assistance programs financed entirely by state or local revenues. In addition, the department would be required to include in its biennial report to the governor and the legislature the number of cases and the dollar amounts deducted under the provisions of the bill, including statewide totals and information broken down by county.

MCL 400.63

***FISCAL IMPLICATIONS:***

According to the House Fiscal Agency, the bill could result in an indeterminate increase in costs to the state, resulting from Department of Social Services (DSS) costs to adjust monthly grant payments. In addition, the ten percent monthly grant deductions would probably result in an increase in the number of administrative hearings, and a corresponding increase in costs. These expenditures would not be eligible for federal matching funds. However, it is difficult to assess the costs involved because it is unknown how many legal judgments would result from the provisions of the bill. (3-15-95)

***ARGUMENTS:***

***For:***

A frequent complaint from landlords who rent housing to low income recipients of public assistance is that these persons often abuse "the system" by failing to pay their rent on time or by damaging the property. Additionally, some of

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these tenants then refuse to pay rent at all during the time it takes to have them evicted. (Some landlords require deposits before renting, but the amount is usually so low that it doesn't cover the cost of replacing a broken refrigerator or ruined carpet). While it is true that not every person receiving public assistance fits this description, the circumstances occur often enough that many landlords are unwilling to rent to those who most need low-income housing. The provisions of the bill would force irresponsible persons to be held accountable for their actions and at the same time provide landlords with the confidence to rent to those on public assistance.

***Against:***

The provisions of the bill would, in effect, assign the role of bill collector to the Department of Social Services (DSS); require that it intervene in private contractual agreements between landlords and tenants; and -- since low-income renters usually have no access to legal services in cases such as these -- place the recipient tenant at an unfair advantage. Furthermore, according to testimony presented before the committee by Michigan Legal Services (MLS) on March 23, 1995, it is unlikely that a federal waiver would be granted to permit deductions from Aid to Families with Dependent Children (AFDC) grants, since Congress historically has limited the conditions under which money may be withheld from benefits to pay a third party to conditions that are likely to promote the objectives of the AFDC program. (The statutory purpose of the program is to maintain the AFDC family together at a subsistence level; and the standard for use of the AFDC benefit is that it be in the best interests of the dependent child with respect to whom it is paid.) Moreover, if, as stated by the MLS, an Aid to Dependant Children (AFDC) grant for a family of three is \$489 per month in Washtenaw County, then it is clear that a deduction of almost \$49, or ten percent of the grant, would serve only to make it even more probable that the family would fall still further behind in its rent payments.

***Response:***

The provisions of the bill would simply require recipients of public assistance to comply with the same standards that govern the rest of society. Wage earners, for example, may reasonably expect to have their wages garnished if they fail to pay rent, damage their apartment, or break the lease.

***Against:***

The bill unfairly stigmatizes public assistance recipients, as a group, as irresponsible deadbeats, and further, seeks to remedy the supposed "problem" by treating this class of renters more harshly than others. Working tenants are protected from garnishment up to a certain level of income, a level that is higher than virtually every AFDC grant amount. The bill would not result in treating welfare recipients the same as tenants with other sources of income, as supporters claim; it would treat them in a punitive manner.

***POSITIONS:***

The Department of Social Services testified before the committee in support of the bill. (4-27-95)

The Michigan Rental Property Owners Association supports the bill. (5-2-95)

The Legal Services Association of Michigan opposes the bill. (5-2-95)

The Michigan County Social Services Association opposes the bill. (5-2-95)

Michigan Legal Services opposes the bill. (5-2-95)