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## **HEARING DECISION**

Following Petitioner's request for a hearing, this matter is before the undersigned Administrative Law Judge pursuant to MCL 400.9 and 400.37; 7 CFR 273.15 to 273.18; 42 CFR 431.200 to 431.250; 45 CFR 99.1 to 99.33; and 45 CFR 205.10; and Mich Admin Code, R 792.11002. After due notice, a hearing was held via telephone conference on March 9, 2026. Petitioner appeared and was unrepresented. REDACTED REDACTED appeared as a witness for Petitioner. The Michigan Department of Health and Human Services (MDHHS or Department) was represented by Rosemary Molsbee-Smith, Hearing Facilitator.

### **ISSUE**

Did the Department properly determine Petitioner's eligibility for Child Development and Care (CDC) benefits?

### **FINDINGS OF FACT**

The Administrative Law Judge, based on the competent, material, and substantial evidence on the whole record, finds as material fact:

1. On September REDACTED 2025, the Department received Petitioner's CDC application. Petitioner listed his employment with REDACTED REDACTED REDACTED (Employer) and reported that REDACTED REDACTED (Spouse) was self-employed. Exhibit A, pp. 9-17.
2. On September REDACTED, 2025, Petitioner provided a written statement from Spouse that indicated she was self-employed. Exhibit A, p. 32.
3. On September REDACTED, 2025, Petitioner provided a profit and loss statement for August 2025 for REDACTED REDACTED, Spouse's business. Exhibit A, p. 34.
4. On November REDACTED 2025, the Department completed the CDC interview. At the interview, Petitioner reported that Spouse's business, REDACTED REDACTED, was an LLC and that she was also employed at Employer. Exhibit A, pp. 67-75.
5. On November REDACTED, 2025, the Department sent Petitioner a verification checklist (VCL) with a due date of December 1, 2025, that requested verification of earned income and unknown employment income for Spouse and verification of unearned income and residential address for Petitioner. Exhibit A, pp. 79-80.
6. On November REDACTED, 2025, the Department sent Petitioner an Employment Verification Form (DHS-38) with a due date of December 1, 2025. The DHS-38 requested verification of employment for Spouse with REDACTED REDACTED REDACTED (LLC). Exhibit A, pp. 76-78.

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7. On December REDACTED, 2025, the Department sent Petitioner a Notice of Case Action (NOCA) that informed Petitioner that CDC benefits were denied August 24, 2025 ongoing because verification of unearned income was not returned for Petitioner and verification of unknown employment income was not returned for Spouse. Exhibit A, pp. 92-95.
  8. On December 8, 2025, the Department received Petitioner's request for hearing that disputed the denial of CDC benefits. Exhibit A, pp. 5-7.

### **CONCLUSIONS OF LAW**

Department policies are contained in the Department of Health and Human Services Bridges Administrative Manual (BAM), Department of Health and Human Services Bridges Eligibility Manual (BEM), Department of Health and Human Services Reference Tables Manual (RFT), and Department of Health and Human Services Emergency Relief Manual (ERM).

The Child Development and Care (CDC) program is established by Titles IVA, IVE and XX of the Social Security Act, 42 USC 601-619, 670-679c, and 1397-1397m-5; the Child Care and Development Block Grant of 1990, PL 101-508, 42 USC 9858 to 9858q; and the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, PL 104-193. The program is implemented by 45 CFR 98.1-99.33. The Department administers the program pursuant to MCL 400.10 and provides services to adults and children pursuant to MCL 400.14(1) and Mich Admin Code, R 400.5001-.5020.

In this case, Petitioner disputed both the Department's delay in processing his application and the eventual denial of his application.

For all programs, the standard of promptness (SOP) for processing an application begins the date the Department receives an application/filing form, with minimum required information. BAM 115 (February 2026), p. 15. For CDC applications, the Department must certify program approval or denial within 30 calendar days from the receipt of application. BAM 115, p. 16. The Department is to conduct a telephone interview at application before approving benefits. BAM 115, p. 20. For CDC, an interview is required before denying assistance even if it is clear from the application or other sources that the group is ineligible. BAM 115, p. 18. Because the Department is to approve or deny a CDC application within 30 days and an interview must be conducted prior to approval or denial, that necessarily means the CDC interview must occur within 30 days.

Here, Petitioner's application was submitted to the Department on September REDACTED 2025. Based on the SOP, the Department should have conducted the interview and processed Petitioner's application by October REDACTED 2025. For reasons not explained or documented, the Department did not follow the SOP. The Department did not hold the CDC interview until November REDACTED, 2025 and denied Petitioner's application on December REDACTED, 2025. Thus, the Department did not

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act in accordance with Department policy when it failed to process Petitioner's CDC application within the SOP.

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Petitioner further disputed the denial of his CDC application. The Department explained that the application was denied because Petitioner did not return the DHS-38 verification of Spouse's income from LLC.

Individuals who run their own businesses are self-employed. BEM 502 (October 2025) p. 1. This includes but is not limited to selling goods, farming, providing direct services, and operating a facility that provides services such as adult foster care home or room and board. *Id.* S-Corporations and Limited Liability Companies (LLCs) are not self-employment. *Id.* The Department counts the income an individual receives from an S-Corp or LLC as wages, even if the individual is the owner. BEM 501 (October 2025), p. 5. Wages are the pay an employee receives from another individual organization or S-Corp/LLC. BEM 501, p. 6. Wages include salaries, tips, commissions, bonuses, severance pay, and flexible benefit funds not used to purchase insurance. *Id.*

For income eligible CDC determinations, the Department must consider the income of all CDC group members unless the income is specifically excluded. BEM 525 (November 2021), p. 1. The Department must use the gross countable monthly income to determine income eligibility and the family contribution. BEM 525, p. 1. A group's financial eligibility and monthly benefit amount are determined using: actual income (income that was already received); and prospected income amounts (not received but expected). BEM 505 (June 2025), p. 1. The Department determines budgetable income using countable, available income for the benefit month being processed. BEM 505 (June 2025), p. 3. The benefit month is the calendar month for which benefits are received. BPG (June 2024), p. 8. The Department uses past income to prospect income for the future unless changes are expected. BEM 505 (June 2025), p. 6. The Department uses income from the *past 30 days* if it appears to accurately reflect what is expected to be received in the benefit month. BEM 505, p. 6 (emphasis added). The Department uses income from the past 60 or 90 days for fluctuating or irregular income. BEM 505, p. 6.

The Department is required to verify non-excluded earned income at application, including a program add, prior to authorizing benefits. BEM 501, p. 10. The Department uses the VCL to inform the client of what verifications are needed at application and redetermination. BEM 702 (July 2025), p. 1. The Department must include on the VCL the list of acceptable verification sources for each specific eligibility factor. *Id.* The Department must send the client any forms that are on the list of acceptable verifications sources. *Id.* The client is allowed a full 10 calendar days from the date verification is requested (the date of request is not counted) to provide the requested information. *Id.* If requested, at least one extension must be given if the client cannot provide the verification despite a reasonable effort. *Id.*

Here, on November REDACTED, 2025, the Department and Petitioner completed the CDC interview. During the interview, Petitioner explained that Spouse's self-employment

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was an LLC and that she also worked at Employer. This information had not previously been reported to the Department. In response, the Department sent Petitioner a VCL and DHS-38. The VCL requested verification of Spouse's earned income from Employer and verification of unknown employment income. The DHS-38 requested employment verification from LLC for the period of August 1, 2025 to November 20, 2025. The due date for verification and the DHS-38 was December 1, 2025. The Department received verification of Spouse's income from Employer but did not receive verification from LLC. The Department testified that it denied the CDC application because the DHS-38 verification of earned income from LLC was not returned.

Petitioner's position was that Spouse was self-employed and he acknowledged that he did not return the DHS-38 for LLC because he did not think it applied to Spouse's situation. Petitioner explained that Spouse is the only member of the LLC and does not get paid wages. Petitioner testified that the profit and loss statement should have been sufficient verification for Spouse's income. Mr. REDACTED, Petitioner's tax preparer, testified that Spouse's income is reinvested into the company and no wages were paid to Spouse.

Spouse's business is an LLC and she is the owner. <https://mibusinessregistry.lara.state.mi.us/search/business>, last accessed March 10, 2026. The Department correctly determined that Spouse was not self-employed and, as the owner of an LLC, her income was treated as wages. BEM 502 p. 1; BEM 501, p. 6. The Department properly sought verification of Spouse's income from LLC. However, when it issued the DHS-38, the Department did not request the correct budgetable income period. Petitioner's CDC application was submitted on September 1, 2025, and there was no indication of fluctuating income. The applicable budgetable income period would have been August 1 to August 31, 2025, reflecting the past 30 days before the benefit month, not August 1 to November 20, 2025, as requested. Therefore, despite Petitioner's failure to return the verification, the Department's DHS-38 request for income verification for the period August 1, 2025 to November 20, 2025 was not in accordance with policy.

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**DECISION AND ORDER**

The Administrative Law Judge, based on the above Findings of Fact and Conclusions of Law, and for the reasons stated on the record, if any, finds that the Department did not act in accordance with Department policy when it determined Petitioner's eligibility for CDC benefits.

Accordingly, the Department's decision is **REVERSED**.

THE DEPARTMENT IS ORDERED TO BEGIN DOING THE FOLLOWING, IN ACCORDANCE WITH DEPARTMENT POLICY AND CONSISTENT WITH THIS HEARING DECISION, WITHIN 10 DAYS OF THE DATE OF MAILING OF THIS DECISION AND ORDER:

1. Redetermine Petitioner's eligibility for CDC benefits for August REDACTED, 2025 ongoing, requesting income verification for LLC, if necessary;
2. If eligible for CDC benefits, issue supplements to Petitioner for any CDC benefits he was otherwise eligible to receive from August REDACTED, 2025 ongoing; and
3. Notify Petitioner of its decision in writing.



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**JULIA NORTON  
ADMINISTRATIVE LAW JUDGE**

**APPEAL RIGHTS:** Petitioner may appeal this Hearing Decision to the circuit court. Rules for appeals to the circuit court can be found in the Michigan Court Rules (MCR), including MCR 7.101 to MCR 7.123, available at the Michigan Courts website at [courts.michigan.gov](https://courts.michigan.gov). The Michigan Office of Administrative Hearings and Rules (MOAHR) cannot provide legal advice, but assistance may be available through the State Bar of Michigan at <https://lrs.michbar.org> or Michigan Legal Help at <https://michiganlegalhelp.org>. A copy of the circuit court appeal should be sent to MOAHR. A circuit court appeal may result in a reversal of the Hearing Decision.

Either party who disagrees with this Hearing Decision may also send a written request for a rehearing and/or reconsideration to MOAHR within 30 days of the mailing date of this Hearing Decision. The request should include Petitioner's name, the docket number from page 1 of this Hearing Decision, an explanation of the specific reasons for the request, and any documents supporting the request. The request should be sent to MOAHR

- by email to [MOAHR-BSD-Support@michigan.gov](mailto:MOAHR-BSD-Support@michigan.gov), **OR**
- by fax at (517) 763-0155, **OR**
- by mail addressed to  
Michigan Office of Administrative Hearings and Rules  
Rehearing/Reconsideration Request  
P.O. Box 30639  
Lansing Michigan 48909-8139

Documents sent via email are not secure and can be faxed or mailed to avoid any potential risks. Requests MOAHR receives more than 30 days from the mailing date of this Hearing Decision may be considered untimely and dismissed.