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Recent Changes in Minnesota Welfare and Work, Child Care, and Child Welfare Systems

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In recent years, the focus in Minnesota's welfare program has shifted noticeably to include a stronger "work first" orientation, and more intense services directed toward welfare recipients with barriers to employment.

Introduction

Minnesota is a state with a reputation for progressive policies and generous social programs. Throughout the 1990s, Minnesota made a commitment to providing basic support for families to move toward self-sufficiency, including the development of a statewide health insurance plan for low-income uninsured families (MinnesotaCare), child care assistance for low-income working families (Basic Sliding Fee Child Care Program), and the Working Family Credit (the state's Earned Income Tax Credit). When the state began its pilot welfare program in 1994, the Minnesota Family Investment Program (MFIP) was intended not only to move recipients off welfare but to move them out of poverty as well. Indeed, Minnesota was one of the first states to implement a welfare program that combined generous income disregards with mandated employment services. In recent years, the focus in Minnesota has shifted noticeably to include a stronger "work first" orientation, and more intense services directed toward welfare recipients with barriers to employment. In addition, the development of new policies and programs for low-income families has become increasingly complicated by changes in the political affiliation of the governor and the legislature.

This report is a summary of information obtained during visits to Hennepin County (the state's largest urban county, which includes the city of Minneapolis) in 1999 and 2000 to document changes and progress since 1997. The report updates *Income Support and Social Services for Low-Income People in Minnesota*, an overview of benefits and services in the state in 1997 and a description of the economic and political context shaping Minnesota's agenda for serving low-income families.

The current report begins with a brief profile of the population, economic conditions, and political landscape in Minnesota at the time of our second visit, followed by a description of Minnesota's social safety net for low income families. Next, the report provides an overview of the service delivery structure in Minnesota, focusing in particular on organizational and policy changes, budgets, and overall philosophy of support for low-income families. Descriptions of three key services in the state—income support and workforce development, child care assistance, and child welfare programs—follow this discussion (see p. 5). The report concludes with a brief integrative summary of policies and services for families in Minnesota.

Researchers visited Minnesota three times during 1999 and 2000: June, 1999 (child care team); September, 1999 (child welfare team); and April, 2000 (TANF and workforce development team). The research teams collected the information compiled in this report through telephone[1] and in-person interviews with front-line program staff, state-level officials, local program administrators, and key informants from Hennepin County and state-level advocacy and social service organizations. To learn more about families' experiences receiving child care assistance, focus groups were conducted with a sample of families. Telephone interviews were conducted with child welfare administrators in 12 other counties.[2] Interview and focus group information presented here is supplemented by reports and data from other research organizations and Minnesota state agencies.

Social and Political Context

Social and Economic Conditions

Minnesota enjoyed economic growth and prosperity throughout the last decade. Table 1 provides an overview of how Minnesota compares to the nation on a number of social and economic indicators. Minnesota's population grew 9 percent throughout the 1990s to 4.8 million in 1999. Although the population of racial and ethnic minority groups remains very low compared to the national averages, the state continues to experience moderate levels of growth among these groups, particularly in the population of refugees and noncitizen immigrants from southeast Asia and Somalia. Minnesota's nonmarital birth rates for women and teenagers are lower than the national average, as are poverty rates for Minnesota's adults and children.

In 1999, Minnesota posted one of the lowest unemployment rates in the nation (2.8 percent). In fact, the Minneapolis/St. Paul metropolitan area led all other metropolitan areas in the proportion of the working-age population that held a paying job in 1998.[3] Per capita income grew faster than in the nation as a whole between 1995 and 1999. As a result of this economic expansion, Minnesota continues to be concerned about worker shortages and a mismatch between the skills offered by the available workforce and those needed by employers.[4] The Governor's Workforce Development Plan released in February 2000 outlines a proposal for consolidating and improving workforce development programs, strengthening public education, and creating opportunities to bring new and underemployed workers into the marketplace.[5]

Minnesota is also adjusting to a political environment that changed substantially in the late 1990s. In 1998 Minnesota elected Jesse Ventura to be the nation's first Reform Party governor.[6] And, for the 1999 and 2000 legislative sessions, the Ventura administration worked with a Democrat-controlled Senate and a Republican-controlled House of Representatives. This tri-partisan leadership poses unique challenges for Minnesota's human services agenda, particularly in a post-welfare reform era with a strong economy. For example, when faced with a $525 million surplus at the end of the 2000 legislative session, each legislative body was given one-third of the money to use for its own agenda. The governor chose to reduce motor vehicle registration fees, the House chose rebates and a tax cut, and the Senate chose supplemental spending.[7] While education and health care remain priorities in the state, the new administration also emphasizes personal responsibility and a limited government that is responsive, accountable, and fiscally conservative.

Minnesota's Social Safety Net

Minnesota's safety net for low-income families is cast broadly when compared to the nation as a whole. Table 2 provides some examples of how Minnesota compares to the nation on indicators of coverage and eligibility for social programs. While Minnesota's average monthly AFDC/MFIP benefits have stayed the same in recent years, they remain significantly higher than the national average of welfare benefits. Using the ratio of children receiving welfare to all poor children as a rough measure of coverage, more poor children are covered by welfare in Minnesota, and fewer children are without health insurance than in the nation as a whole. In addition, the income eligibility for Medicaid/State Child Health Insurance Program and for child care assistance is higher than the national averages. Families with incomes well over 200 percent of the federal poverty level (FPL) are eligible for these benefits.

TABLE 1. *Minnesota State Characteristics, 1999*

	Minnesota	United States
Population Characteristics		
Population (1999) [a] (in thousands)	4,775	272,690
Percent under age 18 (1999) [b]	26.6%	25.7%
Percent Hispanic (1999) [c]	1.9%	11.5%
Percent Black (1999) [d]	3.1%	12.8%
Percent non-citizen Immigrant (1998) [e]	3.3%	6.3%
Percent non-metropolitan (1996) [f]	30.3%	20.1%
Percent change in population (1990-1999) [g]	9.1%	9.6%
Percent births to unmarried women 15-44 (1998) [h]	25.6%	32.8%
Percent births to unmarried teens 15-19 (1997) [i]	7.4%	9.7%
Birth rates (births per 1,000) females age 15-44 (1998) [h]	13.8	14.6
Birth rates (births per 1,000) females age 5-19 (1998) [h]	30.6	51.1
State Economic Characteristics		
Per capita income (1999) [j]	$30,793	$28,542
Percent change per capita income (1995-1999) [j]	14.6%	10.8%
Unemployment rate (1999) [k]	2.8%	4.2%
Employment rate (1999) [l]	88.1%	81.5%
Percent jobs in manufacturing (1998) [m]	17.3%	14.8%
Percent jobs in service sector (1998) [m]	28.6%	29.9%
Percent jobs in public sector (1998) [m]	14.9%	15.8%
Family Profile		
Percent children living in two-parent families (1999) [n]	72.0%	63.6%
Percent children living in one-parent families (1999) [n]	18.9%	24.8%
Percent children in poverty (1998) [o] *	10.3%	17.5%
Percent change in child poverty rate (1996-1998) [o] *	–12.7%	–15.0%
Percent adults in poverty (1998) [o] *	6.1%	11.2%
Percent change in adult poverty rate (1996-1998) [o] *	–22.8%	–10.4%
Political		
Governor's affiliation (1999) [p]	Reform	
Party composition of Senate (1999) [q]	41D-25R-1I	
Party composition of House (1999) [q]	63D-70R-1I	

* 1998 National adult, national child, and state child poverty estimates show statistically significant decreases from the 1996 estimates at the 0.10 confidence level, as calculated by the *Assessing the New Federalism* Project, The Urban Institute.
Table 1 notes begin on page 16.

TABLE 2. *The Safety Net in Minnesota, in National Context*

	Minnesota	United States
Welfare Benefits - Maximum Monthly Benefit (Family of Three, No Income)		
1996 (AFDC) [a]	$532	Median: $415
1998 (TANF) [a]	$532	Median: $421
2000 (TANF) [a]	$532	Median: $421
Ratio of Children Receiving Welfare to All Poor Children		
1996 (AFDC) [b]	79.0%	59.3%
1998 (TANF) [b]	73.2%	49.9%
Percent of All Children Without Health Insurance		
1997 [c]	5.5%	12.2%
1999 [c]	5.2%	12.5%
Income Cutoff for Children's Eligibility for Medicaid/State Children's Health Insurance Program (Percent of Federal Poverty Level)		
1996 [d,e]	215.5%	123.8%
1998 [d,f]	275.5%	178.4%
2000 [d,g]	275.8%	205.1%
Income Cutoff for Children's Eligibility for Child Care Subsidy (Percent of State Median Income/Federal Poverty Level)		
1998 (January) [h]	75% / 257%	57% / 182%
1999 (June) [h]	75% / 255%	59% / 178%

AFDC = Aid to Families with Dependent Children
TANF = Temporary Assistance for Needy Families
Table 2 notes begin on page 16.

Between January 1997 and December 1999, the MFIP caseload dropped by 30 percent, a reduction that was below the national average of approximately 42 percent during that period.[8] The remaining caseload in October 1999 consisted primarily of one-parent households (70 percent), followed by child-only cases (18 percent), two-parent households (11 percent), and relative caregiver households (1 percent).[9] In contrast, child care caseloads increased by 45 percent from 1997 to 1999, with the largest increases occurring in child care for families receiving MFIP.[10]

Welfare and Work

Welfare reform in Minnesota received national attention early in 2000 when results from an evaluation of the MFIP demonstration program were released. The evaluation (conducted in seven counties during the pilot phase) showed MFIP to be effective not only in increasing the employment levels and earnings of long-term welfare recipients, but also in reducing poverty and improving family and child well-being.[11] MFIP was not as effective, however, at improving outcomes for recent applicants and their children. Although state officials were pleased with the results, they received them with caution, given that MFIP was modified when it became the state's TANF program in 1998. For example, the maximum income eligibility was lowered, a 60-month lifetime limit of welfare receipt was added (adopted in response to the 60-month federal time limit), narrower provisions for education and training were included, and sanctions and time-triggered work requirements were strengthened. Nevertheless, MFIP is an example of how states and localities can move beyond measuring success by the magnitude of caseload declines and focus on poverty reduction and the well-being of families and children. The Department of Human Services is currently conducting a longitudinal study of MFIP to track outcomes for recipients under the statewide program.

MFIP Policy and Program Emphasis

The goal of helping individuals move out of poverty—not just reducing the welfare rolls—remains strong in Minnesota. The primary way that MFIP achieves this objective is by allowing families to continue receiving benefits until their income reaches 120 percent of the federal poverty level (FPL). This happens through the use of an earned income disregard that allows individuals to combine income from employment with cash assistance benefits.

While poverty reduction is an important goal of MFIP, there is also a strong emphasis on the Work First program. This program provides mostly job search assistance services, with limited use of education and training programs. The state recently provided resources to the counties to address the needs of the hard-to-serve (such as those with substance abuse and/or mental health issues), but Work First remains the primary focus of the program. Individuals must participate in job search activities for at least 30 hours per week for eight weeks. These activities usually consist of job readiness classes followed by job search. While up to 26 activities can count toward the participation requirement and some flexibility is available to service providers, most MFIP recipients participate in job search activities as their first activity after an initial assessment. A secondary assessment and a broader range of activities are available for individuals who complete job search without finding a job. Minnesota has a waiver that allows any activity in an employment plan to be considered a work activity.

Local MFIP Program Focus. Consistent with the overall program focus of the statewide MFIP program, Hennepin County also maintains a strong focus on the Work First approach. Although some variation across providers exists in the types of services they offer, all emphasize participation in up-front job readiness and job search programs. The primary exception is for non-English speakers, who may participate in English as a second language (ESL) programs in combination with job search as their initial activity. Individuals may participate in other activities such as education, training, and work experience if their initial job search is unsuccessful. At the time of our site visit, more intensive services for the hard-to-employ had been added, primarily through the Welfare-to-Work (WtW) grants program. As described below, the state has recently provided additional resources for these services.

MFIP Eligibility. The general objective and focus of Minnesota's application process is to enroll applicants efficiently in any and all assistance programs for which they qualify. To help some households avoid going on cash assistance, a lump sum diversion payment (with a maximum cash payment of four months' worth of MFIP benefits) is available under certain circumstances, but few individuals enroll in this program. Following an initial screening interview, individuals must attend an orientation to the MFIP program before their eligibility interview.

Sanctions. Compared to other states, Minnesota's sanction policy for noncompliance with the employment program described above is not particularly severe. Sanctions become progressively steeper with repeated occurrences of noncompliance, but stop short of terminating benefits for the entire family. For the first occurrence of noncompliance, the sanction is a 10 percent reduction in the family's monthly MFIP grant (which includes the cash equivalent of food stamps) until the individual complies. For subsequent occurrences, the grant is reduced by 30 percent for at least one month, and vendor payment of rent is required for as long as the sanction lasts.

State and county officials have become increasingly concerned about families in long-term sanction status. It is hypothesized that some recipients accept the sanction in order to continue participating in education and training. An amendment was proposed in the state House of Representatives during the 2000 legislative session to increase the sanction to 100 percent, but it did not pass. Concern about the status of sanctioned families in Hennepin County recently led county lawmakers to award grants to community action agencies to conduct outreach to families, determine the reason(s) for their noncompliance, and help remove any barriers to participation.

Exemptions. Most adult recipients are required to participate in MFIP employment services. Exemptions are limited to adults with a child under age one, those employed at least 35 hours a week, those suffering from a professionally certified illness, injury, or incapacity, and those needed in the home because of the illness of another in the household. Exemptions are also available to victims of domestic violence with an approved safety plan.

Organization of Welfare and Work Programs

Local control and flexibility are centerpieces of the service infrastructure in Minnesota. State agencies set policy and counties deliver services. Counties have flexibility to decide where and how to provide services, how to organize and manage caseloads, whether to supplement federal and state funds with county funds (beyond what is required by the state), and, in some cases, who should receive services. This structure has not changed since the 1997 baseline visits.

At the state level, the Department of Human Services (DHS) has overall responsibilities for income support programs including MFIP, General Assistance, Food Stamps, and Medicaid/State Child Health Insurance Program (see table 3). The Minnesota Department of Economic Security (DES) and DHS are administrative partners for MFIP employment services. Since the MFIP program went statewide in January 1998, few organizational changes have occurred in its structure or that of the MFIP employment program. The state Department of Economic Security administers the workforce development programs including Job Training Partnership Act (JTPA)/Workforce Investment Act (WIA), the Welfare-to-Work (WtW) Grants Program, the Employment Service, and Food Stamps Employment and Training.

Local Program Structure. A long-standing characteristic of Minnesota's approach to the administration of health and human services has been a great degree of in-state devolution of responsibility to counties for planning, decision-making, and service delivery. Decisions about MFIP in Hennepin County are made primarily by an interagency work group consisting of high-level administrators from the County Departments of Economic Assistance, Training and Employment Assistance, and the Minneapolis Employment and Training Program.

In Hennepin County, the local DHS agency is called the Department of Economic Assistance. The Family Assistance Division within the department is responsible for overall eligibility determination and the provision of benefits. One central office administers these programs, although some intake and ongoing Financial Workers are out-stationed in 16 outreach offices. Unlike some states, Minnesota has not opted to merge eligibility determination responsibilities and employment-related case management responsibilities for TANF recipients into a single, integrated staff position. Beginning in January 2000, however, Hennepin County did require Financial Workers to handle initial and ongoing eligibility for several types of cases (MFIP, Medical Assistance, and Food Stamps) instead of specializing as they had in the past.

In Hennepin County, the administration of JTPA/WIA workforce development services is geographically divided into two service delivery areas: the city of Minneapolis and the county, each administered by a separate entity. MFIP employment services are jointly administered by Hennepin County Training and Employment Assistance and the Minneapolis Employment and Training Program. These two agencies are jointly responsible for contracting with a variety of providers for MFIP employment services. There were

32 MFIP employment service providers in April 2000, the majority of which were nonprofit organizations. Overall, this basic organizational structure has not changed in Hennepin County, although the specific set of MFIP employment service providers varies from one contract period to another.

WIA and Workforce Development Service Delivery and Linkages

The primary service delivery system for supporting employment and training activities is the Workforce Center system. The Workforce Centers, also called "one-stops," provide universal services for job seekers (job listings, job search and resume preparation classes) and employers (recruitment, screening, job postings). At the time of the 1997 baseline study, about half of the roughly 50 Workforce Centers in the state had opened. All had opened by the 2000 site visit. The ongoing development of one-stops throughout the state has been a major priority and accomplishment since the baseline visit.

Workforce Centers also provide access to programs for which visitors to the Centers may be eligible, including JTPA/WIA, youth programs, dislocated workers, rehabilitation services, and services for the blind. Most services under these programs are provided through contracts with nongovernmental organizations, most of which are not physically located at the centers. In Hennepin County, all MFIP employment services are also delivered by contracted agencies—primarily nonprofit, community-based organizations—but also by Employment Service staff at the Workforce Centers. JTPA/WIA and WtW services are provided by an overlapping but not identical set of service providers in this county.

WIA implementation in July 2000 has not, by and large, affected the overall organizational structure of workforce development services in Hennepin County. To date the only major organizational change resulting from WIA dealt with the structure and membership of the boards responsible for oversight of JTPA/WIA services. The county abolished its JTPA Private Industry Council (PIC) to develop the new Workforce Investment Board required under WIA, while the city created its board by grandfathering in its current PIC.

The MFIP employment and Workforce Development systems in Hennepin County are linked in several ways. First, the County Department of Training and Employment Assistance and the Minneapolis Employment and Training Program are responsible for the oversight of TANF employment services. They receive funds and monitor contracts with service providers. Second, some Workforce Centers are under contract as MFIP service providers primarily to deliver unemployment and related services. In smaller coun-

TABLE 3. Administration of Income Support and Social Services in Minnesota

Federal or Generic Program Name	Program Name in Minnesota	Which Agency Administers in Minnesota
TANF	Minnesota Family Investment Program (MFIP)	Dept. of Human Services and Dept. of Economic Security (Workforce Preparation Branch)
Food Stamps	Food Stamps	Dept. of Human Services
General Assistance	General Assistance	Dept. of Human Services
Job Training Partnership Act (JTPA)/ Workforce Investment Act (WIA)	JTPA/WIA	Dept. of Economic Security
Children's Health Insurance Program	MinnesotaCare	Dept. of Human Services
Medicaid	Medical Assistance	Dept. of Human Services

ties, the Workforce Center may be the only MFIP service provider. Finally, the policymaking group for the county consists of high level administrators from city and county Department of Health and Human Services and Workforce Development programs.

Program Innovations and Challenges

Because of concern about the number of families that may reach the time limit, the state has recently focused on the needs of the hard-to-serve. The MFIP earnings disregards that allow more families to combine work and cash assistance may lead to families exhausting their time limit on cash assistance (although most families receiving MFIP won't reach the time limit until 2002). To reduce the number of families that reach this point, the legislature in 2000 enacted the Local Intervention Grants for Self-Sufficiency. These grants distributed part of the state's TANF surplus ($54 million) to the counties to address the needs and barriers of those who are likely to reach their time limit. The funding is targeted toward families at risk of reaching the time limit, the hard-to-employ, and employed persons who need help with job retention and advancement. The design of the interventions, services, and specific target groups are determined by each county based on its unique needs. In addition, the state legislature provided $21 million over three years for Public Health Nurse Home Visiting, which offers intensive family-based services provided by public health nurses to address the needs of families on MFIP.

Minnesota has already taken some steps to serve those with special needs and barriers more effectively. The state implemented a Family Violence Waiver available to states under federal welfare reform legislation to address the needs of victims of domestic violence. In Hennepin County, women disclosing domestic violence as a barrier for employment complete a safety plan with one of a number of women's advocacy programs participating in the effort. This plan identifies the steps needed to address the problem, and it could also exempt the women temporarily from the work requirement and extend their time limit for cash assistance if that becomes necessary. Most women reportedly want a potential extension from the time limit but not the work requirement, because they are anxious to establish financial independence. This pattern is common in many states.

Using Welfare-to-Work resources, Hennepin County developed a promising program for MFIP recipients with mental health and substance abuse barriers to employment called the Integrated Resources for Independence and Self-sufficiency program. Each participant works with a "team" of professionals including a vocational counselor (for assessment, job readiness, training, placement, and retention), a mental health professional (who provides mental and chemical health evaluations, counseling, and testing), and a social worker (who provides housing search assistance and aids in family stabilization). The state considers these activities acceptable in fulfilling the work participation requirement, although most do not "count" as federally defined work activities.

Using Welfare-to-Work dollars as well as other resources, the City of Minneapolis has developed an innovative program providing employment as well as parenting services to noncustodial parents. This program grew out of a unique and strong collaboration between the Minneapolis Employment and Training Program, the child support agency, and several community-based organizations. This program has had success in recruiting noncustodial parents, providing them with a comprehensive array of services, and offering child support payment options to encourage participation.

An important issue in the urban counties in Minnesota is the growth of the non-English-speaking caseload, particularly Hmong and Somali families. Hennepin County faces a range of issues due to the growing ethnic diversity of its caseload, including an increasing need for ESL services. Cultural issues concerning the appropriateness of women in the workplace and the ability to provide culturally appropriate child care have also been problematic. In addition, housing is a major concern in Hennepin County and other counties in the Twin Cities metropolitan area. Rental properties are scarce and have become expensive, leaving families with few options.

Child Care

As welfare programs have shifted dramatically toward requiring recipients to work or engage in activities leading to work, child care is now a cornerstone of state efforts to support these activities. People leaving TANF because they have found employment, often referred to as transitional (for the period of transition off of welfare), also often need child care to make their transition a success. Though the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) eliminated the requirement that states provide child care assistance to these families—by eliminating any entitlement to child care for them—most states continue to give these families a high priority for child care subsidies. We examined the ways in which TANF and post-TANF families gain access to child care subsidies. We did the same for nonwelfare working families, since they also need child care but often cannot afford it, and many of the states in this study find themselves in the situation of having to make choices between providing subsidies to TANF clients or to nonwelfare working families.

Child Care Eligibility and Assistance

Providing child care subsidies to working families is central to Minnesota's goal of moving families into employment and out of poverty. Minnesota oversees three child care programs: Minnesota Family Investment Program (MFIP) Child Care, serving families receiving assistance through MFIP; Transitional Year (TY) Child Care serving families for a year after their MFIP case closes; and Basic Sliding Fee (BSF) Child Care serving low-income working families (up to 75 percent of state median income). This eligibility level for child care subsidies—approximately $35,000 for a family of three—is the highest among the thirteen states in this study.

Families with a parent who is working, looking for work, or going to school, and with children under age 13 (age 15 for children with disabilities), are eligible for child care assistance in Minnesota. Families receiving MFIP are categorically eligible for subsidies as are former MFIP recipients (eligible for TY child care), as long as they have left MFIP eligibility due to increased earnings or child support.

Despite increases in funding for BSF (described below), waiting lists still exist in the counties. Waiting lists are updated every six months. Families who do not respond to a letter confirming their eligibility are removed from the list. Since 1997, funding increases have periodically eliminated the lists, but the lists begin to grow again almost immediately. The waiting list at the time of the site visit was estimated at just over 3,000 families statewide, but it fluctuates throughout the year.

To deal with the waiting list, the state has established a priority structure for child care assistance. The state gives priority for BSF to parents without a GED or high school diploma (with a higher priority in this category for minor parents), families completing their transitional year, and families receiving assistance through the portability pool (those families moving to a new county). The portability pool provides assistance for up to eight months while families are waiting for their names to come up on the waiting list in their new location. At the end of the eight month limit for portability pool funding, families may lose their child care subsidy if their names have still not come up through the waiting list. Families' names will remain on the waiting list, though, and they can receive subsidies again when their names come up. Minnesota also has a Transition Year set-aside that provides funds for families who have completed their transitional year of child care assistance but whose names have not yet come up on the waiting list for BSF.

The At-Home Infant Child Care program is available to parents who have worked or attended school previously and who now care full time for their child under age one. Monthly stipends are provided for up to 12 months to families at or below 75 percent of the state median income who are not receiving MFIP. Parents can remain on the BSF waiting list while they are receiving the time-limited cash assistance for caring for their infant. At the time of the site visit, few families were participating in this program.

Minnesota has a number of other early childhood programs, most of which are administered through local school districts. The Early Childhood Screening Program provides health and developmental screenings for all 3- and 4- year-old children. Those children identified with the greatest needs are then given priority to receive services through the School Readiness Program. School Readiness Programs are offered by school districts and are tailored to meet the unique needs of the communities they serve. The programs can provide a variety of services, including half-day prekindergarten programs, parent and children kindergarten preparation, and early childhood special education. All children age 3½ to 4 are eligible to participate. In fiscal year (FY) 1999, $10.3 million was spent on this program.[12]

Minnesota also provides state funding to the Head Start program, to enable more children to participate. State Head Start funding in FY 1999 was $18.75 million.

Administrative Structure and Funding

The Child Care Assistance Program, which supervises the three child care funding streams, is housed in the Minnesota Department of Children, Families and Learning (DCFL). This department was created in 1995 when all child care and child development programs from other state agencies (Departments of Economic Security, Human Services, Corrections, and Public Safety) were consolidated and added to the Department of Education. DCFL's goal is to offer more opportunities for integration of child care and child development services. Coordination within the agency has improved since the 1997 baseline visits.

The three child care subsidy programs are county-administered, as they were prior to the 1996 federal welfare legislation. Policies are set at the state level, but counties have flexibility in how they implement policies and structure their services, including the option to contract out administrative responsibilities. Hennepin County, for example, contracts with the Greater Minneapolis Day Care Association, which administers the BSF program and serves about 25 percent of families receiving BSF in Hennepin County.

Funding for the three subsidy programs has been streamlined somewhat as a result of welfare reform, but the programs have not been consolidated into a single program. Currently, MFIP and TY child care continue to be entitlements for families, so counties receive uncapped funding for these programs. In contrast, BSF funding is allocated each year according to a formula based on previous BSF expenditures, the number of families in TY, the number of families in priority groups identified by the state, and the number of families on the local waiting list. For all of these programs, counties are mandated to contribute matching funds that they must pool with state money.

In state FY 1999, Minnesota spent $152.8 million on child care assistance.[13] State BSF funding grew from $41.4 million in FY 1998 to $53.1 million in FY 1999. Similarly, state funding for MFIP grew from $28.2 million in FY 1998 to $46.3 million in FY 1999. The child care programs served 10,701 families (39 percent) on MFIP, 2,597 families (10 percent) on TY, and 14,010 families (51 percent) on BSF in 1999.[14] Advocates have expressed concern that, despite record surpluses in Minnesota, new general fund appropriations to BSF decreased in 2000 (although the program was expanded slightly using TANF transfer funds). While the program has more generous eligibility than programs in other states in this study, advocates are worried that it does not keep pace with the growing need for child care for low-income working families.

Child Care Fees and Reimbursement Rates

Parents begin making copayments for child care when family income reaches 75 percent of the federal poverty level. Before 1998, families on MFIP were not required to make a copayment. In 1998, state statutes were changed to require monthly copayments of $5 for all families whose incomes were between 75 and 100 percent of FPL. Copayments were increased again in 1999. Beginning at 100 percent of FPL, parent copayment rates are determined on a sliding fee schedule based on income and family size. In most counties, parents are responsible for making copayments directly to the provider.

Market rate surveys are conducted annually in Minnesota. Rates are adjusted according to the survey, but typically 6 to 9 months pass between the survey and when the new rates take effect. Licensed providers are reimbursed at the 75th percentile of the market rate.[15] Legally unlicensed family providers are reimbursed at 90 percent of the licensed family provider rates. Accredited providers or providers with certain educational credentials are eligible to receive up to 10 percent more than the maximum established rate, as long as private pay families are charged the higher rates.

Counties decide how payments are made and can pay providers, parents, or both. In Hennepin County, as with most counties in Minnesota, providers are paid directly. In these counties providers submit bills to the counties; in some cases providers can submit their bills electronically. Providers must bill the county within 10 days following the end of the month of the service, and the county must pay the provider within 30 days of receiving the invoice.

Program Innovations and Challenges

As in other states, Minnesota must balance the need to care for more children with the need to ensure that high quality care is available. In 1997, Minnesota expanded the rules governing providers who are not required to be licensed, so they could care for children from more than one unrelated family. Informants noted that the rules were changed to give parents more child care choices. At the time of the site visit, however, these expanded rules had "sunsetted," and the original rules now apply.[16] Proposals to reinstate the revised rules did not get out of committee in the 2000 legislative session. Further changes in licensing requirements did pass in the 2000 session, though, with a law that allows child care aides with at least two years of child care experience to work with children without direct supervision for a portion of the day. Aides were previously not allowed to work with children without direct supervision. Advocates worry that loosening the licensing requirements will compromise providers' quality of care.

As noted above, child care programs for MFIP recipients and low-income working families are separate. Minnesota is currently considering plans to consolidate the programs. While a simplified program could be beneficial, advocates have concerns that consolidating the programs may necessitate reducing eligibility in order to eliminate the waiting lists. As the state in our study with the most generous eligibility limit (75 percent of state median income or 255 percent of the federal poverty level in 1999), restricted eligibility would represent a significant departure from previous policy. [17] Thus, consistent with the challenge faced by all states, Minnesota struggles with the most effective way to serve welfare recipients and eligible low-income working families needing child care. Advocates in Minnesota are calling for further allocations of state general funds, in addition to TANF transfers, to serve more families receiving BSF child care.

Child Welfare

Child welfare agencies seek to protect children from abuse and neglect. They may intervene in families in which such behavior is suspected; may offer services to such families or require that families complete service programs; and may remove children from their home and place them in state-supervised care if children face imminent or ongoing risk of abuse or neglect in the home. Nationally, many policymakers, researchers, and advocates expressed concern that families that did not fare well under the new welfare requirements might be referred to child welfare agencies for child abuse or neglect. Thus far, child welfare caseloads have not increased following welfare reform. Yet available TANF monies have had a very significant impact on agency financing, as the state made a one-time allocation of $9.7 million out of TANF reserves for a new program on concurrent permanency planning. In addition, child welfare workers and supervisors reported increased collaboration with other agencies as a result of welfare reform and the need to prepare families for work.

In Minnesota, the Department of Human Services supervises child welfare services, which are delivered through 84 local county human service agencies.[18] As with income support, employment services, and child care assistance, the state provides guidance and oversight, but counties have considerable decision-making authority over how to design and implement programs to best meet local needs. The structure and leadership at the state level has not changed significantly since the baseline visit.

Welfare Reform Discussions

When discussions about MFIP began, child welfare administrators and representatives from welfare, health care, and other key state-level departments voiced concern about how welfare reform would affect the ability of parents to care for their children and the possibility that more children would be abused or neglected. While administrators believed that abuse and neglect occur at all socioeconomic levels, they worried that reductions in income and increases in families' stress might lead to increased abuse and neglect in economically disadvantaged families. As a result, MFIP addressed child welfare issues in a variety of ways. For example, the MFIP plan includes a broad definition of what counts as a work activity to ensure that the employment plan is consistent with the child welfare plan. If abuse or neglect is occurring and the recipient cannot comply with work requirements, the recipient could receive a family crisis exemption.

Child Welfare Caseloads

Despite widespread concerns in the state, child welfare caseloads have not increased following welfare reform. In fact, the number of investigations and substantiated cases has declined slightly. In 1998, Minnesota investigated allegations of abuse and neglect involving 24,844 children, a small decrease since 1996. Of these allegations, 43 percent were substantiated, up from 40 percent in 1996. Minnesota's 43 percent substantiation rate (victims/investigated children) is still much higher than the national median of 30 percent. The state's victimization rate, 8.4 abuse cases per 1000 children, is slightly lower than national median of 11.5.

Financing

Although welfare reform is known for the block granting of federal income assistance, PRWORA also altered federal funding streams that many states have used to pay for child welfare services. The Emergency Assistance program was eliminated (with the program's funds rolled into the TANF block grant), the Social Services Block Grant was cut by 15 percent, and eligibility for Supplemental Security Income (SSI) was defined more narrowly.[19] In Minnesota, the state made a one-time TANF allocation of $6 million to make up for the cuts to the Social Services Block Grant. The child welfare agency received a state funded appropriation for family preservation that made up for the loss of Emergency Assistance. The state has also made a one-time TANF allocation of $9.7 million for a new program on concurrent permanency planning. This program will require workers to develop two permanency plans for each child in foster care—one to return the child to his or her biological parents and the other to arrange for long-term nonparental care for the child. The goal is to reduce the length of time children remain in out-of-home placement.

Overall, child welfare has seen a significant increase in funding in the last couple of years. In 1998, DHS received $436 million in funding for child welfare, a 27 percent increase since 1996.[20] Federal funding to Minnesota for child welfare has increased by 21 percent since 1996, and state funding has more than doubled. The federal increase may be attributable to county efforts to maximize federal Title IV-E foster care funds, which administrators said have increased significantly. At the state level, Minnesota appropriated $5 million to help move more children into adoption and $18 million for family preservation when federal welfare reform legislation first passed. State funding will likely continue to increase with further TANF transfers.

Minnesota is unique among states in that local property taxes pay for a substantial portion of child welfare services. Almost half of child welfare funding comes from local tax revenue. Given that counties vary widely in their levels of tax revenue, this funding structure can lead to variation in how counties deliver services. State administrators reported fears that some families in need of services will not get them when counties lack resources. The state recognizes that counties are struggling to fund child welfare services because they are serving more children with costly needs. While county funding has increased substantially in recent years in terms of actual dollars (administrators estimate 8 percent per year), the percentage that the counties contribute to overall funding has not changed.

State administrators said there have been some changes in staffing as a result of changes in the state budget and a new emphasis on concurrent planning. In one county, workers reported the creation of a new child services worker position to serve only children in out-of-home placements. They said these workers have more time for the children and front-line workers have more time for the parents, and that this has been a positive change. Minnesota was unique among our focal states in the general contentment expressed by child welfare workers. Workers in one county reported that caseloads have become lighter and more manageable in the last 10 years and that the agency was a good place to work. It is thus not surprising that administrators report that staff turnover in Minnesota continues to be low.

Collaboration between TANF and Child Welfare Agencies

Many families receiving services from child welfare agencies also receive cash assistance. These dual-system families may face competing demands. Workers in Minnesota reported that families already involved with child welfare and those receiving MFIP experience difficulties meeting the demands of two systems. Parents must meet the new requirements imposed on welfare recipients in order to receive cash assistance, while at the same time they must meet case plan goals developed by child welfare agencies in order to keep their children or have their children returned to them. Further, child welfare workers now need to have flexible hours because families often can meet only late at night or early in the morning due to employment obligations. Historically, despite the overlap in the populations they serve, there has been little formal collaboration between child welfare and welfare agencies. Yet in Minnesota, to best serve families, workers say they have been collaborating with many other agencies. In particular, supervisors said collaboration with MFIP has increased since welfare reform.

To facilitate such collaboration, administrators talked about developing training on MFIP for child welfare workers. Workers have expressed the need to know more about MFIP but said that little training had been provided thus far. On the other side, MFIP workers have received training on how to identify domestic violence but have not been trained to identify child abuse and neglect. The state has, however, used conferences and similar settings to provide MFIP workers with information about child welfare.

Another way to facilitate collaboration is by sharing information. The state gives some child welfare staff access to the welfare information system, which they use to find the name of a client's MFIP worker. This system was in place prior to welfare reform. It was noted, though, that as a result of welfare reform, the welfare office sends lists of sanctioned clients to all other agency social workers. They do this so that workers can check in with the family. The goal in sharing this information was to create additional contact and support for the families.

Other Changes Affecting Child Welfare

In addition to changes prompted by welfare reform, other policy changes have impacted Minnesota's child welfare system in the past few years. Minnesota legislation has reduced the time allowed for developing a permanency plan for a child under age 8. Administrators said this change has promoted more collaboration among service providers, especially in getting work for parents who are trying to keep their children or arrange for their return. In addition, workers will now be expected to develop "concurrent" plans for each child as part of the concurrent permanency planning initiative. One county administrator believed these two policy changes, the shortened time frames and concurrent planning, had a greater impact on workload than welfare reform.

In July 1997, the state implemented a "relative custody assistance" program that gives a subsidy based on a relative's income. This amount is less than the foster care payment but more than the child-only MFIP grant that relatives not licensed as foster parents usually receive. Receipt of this money closes the child welfare case and gives the relative legal custody, although parental rights are not terminated. County administrators reported that this is a useful resource for relatives and also helps reduce agency involvement in families' lives.

Conclusions

Among the states examined in the *Assessing the New Federalism* project, Minnesota stands out in its provision of relatively generous program benefits to support its longstanding goal of reducing poverty and helping families become self-sufficient. In the years following federal welfare reform and our baseline visit, Minnesota implemented MFIP statewide. It also expanded a network of "one stop" Workforce Centers across the state to support a strong Work First program orientation. Families can combine work and cash assistance until their income reaches 120 percent of the poverty level, and they are eligible for subsidized child care until their income reaches 255 percent of the poverty level. These eligibility levels are among the highest in the nation. Sanctions are not particularly severe, and families with barriers to employment and at risk of reaching the 60-month time limit are the focus of new intensive services. The in-state devolution of services to counties—a governing structure that existed before federal welfare reform—allows for considerable flexibility to address local needs.

As in the other states in this study, Minnesota's expenditures for child care assistance have increased dramatically in recent years. Despite this increase, long waiting lists for BSF child care indicate that many eligible families are not being served. The large number of families eligible for BSF due to its high income cutoff undoubtedly affects the length of the waiting lists. Additionally, child care quality continues to be a concern of administrators and families in Minnesota. The state is currently exploring potential changes in child care services, such as the implementation of a universal child care application that could be used across counties, and the possible consolidation of the MFIP, TY, and BSF child care programs.

Child welfare cases have not increased following welfare reform, and child welfare officials remain optimistic that collaboration between child welfare and MFIP has the potential to improve services for families and children. Minnesota is unique among the states in this study in its decision to use TANF funds for concurrent planning in child welfare, although some other states have used TANF funds to benefit families in the child welfare system in a number of other ways. It is also unique in the relative satisfaction of child welfare workers with their jobs.

Finally, a number of challenges exist for income support and human services in Minnesota. The state, and particularly Hennepin County, must develop responses to an increasingly ethnically diverse caseload. A severe housing shortage creates sharp difficulties for families in extreme financial crises. Low-income working families must wait as long as a year in some cases to receive child care assistance. These and other challenges will likely be a focus of state and local agencies in the coming years as Minnesota works to achieve the goals of poverty reduction and family self-sufficiency.

Endnotes

1. Researchers conducted telephone interviews before and after the site visits.

2. The counties surveyed included Carlton, Clay, Houston, Lyon, Martin, Mower, Polk, Saint Louis, Stearns, Traverse, Waseca, and Wright.

3. U.S. Department of Labor, Bureau of Labor Statistics. "1998 Major Metropolitan Areas Employment-to-Population Ratio." *Geographical Profile of Employment and Unemployment, 1998, Bulletin* 2524 . Http://www.mnworkforcecenter.org/lmi/trends/sept00/backfg1.htm. [accessed November 1999.]

4. Fritsma, Teri. "Underemployment in Minnesota: Considering Another Approach to the Worker Shortage Problem." *Minnesota Economic Trends.* September, 2000. http://www.mnworkforcecenter.org/lmi/trends/sept00/under.htm

5. "Minnesota: World Competitor! The Governor's Workforce Development Plan." February, 2000. State of Minnesota, Office of Governor Jesse Ventura. http://www.MNWorkForceCenter.org/lmi/publ/wdp.

6. Governor Ventura is now an Independent.

7. Minnesota House of Representatives Public Information Office. 2000. "New Laws 2000: A Complete Summary of the Legislative Session."

8. Author's calculations from data gathered by the U.S. Department of Health and Human Services, Administration for Children and Families, http://www.acf.dhhs.gov/news/stats/case-fam.htm.

9. "Current Trend Report". MFIP Monthly and Trends Reports http://www.dhs.state.mn/us/ecs.reports/MFIPM/trend.pdf

10. Data provided by the Minnesota House of Representatives: House Research Issues & Information. http://www.house.leg.state.mn.us/hrd/iss&info/chcrasst.htm. [accessed April 2000.]

11. Knox, Virginia, Cynthia Miller, and Lisa Gennetian. "Reforming Welfare and Rewarding Work: A Summary of the Final Report on the Minnesota Family Investment Program." Manpower Demonstration Research Corporation, September 2000.

12. Children's Defense Fund. 1999. *Seeds of Success: State Prekindergarten Initiatives.* Washington, DC: Children's Defense Fund.

13. This figure includes $48.5 million of federal funds, $99.4 million of state funds and $4.9 million of county contributions. The state funding includes the CCDF match and TANF maintenance of effort requirement.

14. Financial information and program participation numbers were provided by the Department of Children, Families, and Learning.

15. A market rate survey is conducted to determine the rates charged by child care providers in the community. The maximum rate a state will pay is set at the 75th percentile of the market rate, which means that it will be sufficient to pay the rates charged by three-quarters (75 percent) of the providers in the community. States will then pay the amount the provider charges to private paying parents, or the maximum rate, whichever is less. Minnesota estimates that reimbursement at this percentile allows families to access 82 to 83 percent of providers.

16. In 1998, additional protections were added to the licensing exemptions so that (a) child care providers who had received a license denial, fine, or sanction, or (b) child care providers (or a member of their household) who had received a disqualification from the licensing process could not legally provide care. These exceptions for legally non-licensed care remained when the 1997 rules sunsetted. (MN Statute 245A.03, subdivision 2b)

17. Long, Sharon, Gretchen Kirby, Robin Kurka, and Shelley Waters. 1998. *Child Care Assistance under Welfare Reform: Early Responses by the States* Washington, D.C.: The Urban Institute. *Assessing the New Federalism* Occasional Paper Number 15.

18. There are 87 counties in Minnesota, but one agency administers services in three counties and one agency administers services in two counties.

19. For additional information about these changes see Geen, Rob, Shelley Boots, and Karen Tumlin. 1999. *The Cost of Protecting Vulnerable Children.* Washington D.C.: The Urban Institute. Occasional Paper Number 20.

20. Based on data provide by the state in response to the Urban Institute 1999 Child Welfare Survey. Percent increase is not adjusted for inflation.

Table 1 Notes

a. U.S. Bureau of the Census. "State Population Estimates: Annual Time Series, July 1, 1990, to July 1, 1999." http://www.census.gov/population/estimates/state/st-99-3.txt. [date accessed: October 2000.]

b. U.S. Bureau of the Census. "State and County Quick Facts." http://quickfacts.census.gov/qfd/states/27000.html. [date accessed: October 2000.]

c. U.S. Bureau of the Census, Population Estimates Program, Population Division. "States Ranked by Hispanic Population, July 1, 1999." http://www.census.gov/population/estimates/state/rank/hisp.txt. [date accessed: October 2000]. "States Ranked by Black Population, July 1, 1999." http://www.census.gov/population/estimates/state/rank/black.txt. [date accessed: October 2000.]

d. National population percentages are as of July 1, 1999, from U.S. Census Bureau. "Resident Population Estimates of the United States by Sex, Race, and Hispanic Origin." http://www.census.gov/population/estimates/nation/intfile3-1.txt. [date accessed: October 2000.]

e. Urban Institute estimates based on a three-year average of data in the 1997, 1998, and 1999 March Supplements to the Current Population Survey. A Joint Project Between the Bureau of Labor Statistics and the Bureau of the Census.

f. U.S. Bureau of the Census. 1999. *Statistical Abstract of the United States: 1999* (119th edition). Table 42. Washington, D.C.

g. U.S. Bureau of the Census. Population Estimates Program, Population Division. "Percent Change in Population for U.S. States: 1990 to 1999." http://www.census.gov/population/www/estimates/stmap03.html. [date accessed: February 2001.]

h. U.S. National Center for Health Statistics. March 28, 2000. *National Vital Statistics Report.* Vol. 48, No. 3. Tables B, 10, and 19.

i. Urban Institute estimates based on two sources: (1) U.S. National Center for Health Statistics. April 29, 1999. *National Vital Statistics Report.* Vol. 47 No. 18. Table 10. (showing total number of births in each state and the US, 1997) (2) Child Trends. 1999. *CTS. Facts At A Glance.* Table 1. (showing number of births to mothers age 15-19 and percentage of teen births to unmarried mothers). Washington, D.C.: Child Trends, December.

j. U.S. Department of Commerce, Bureau of Economic Analysis, News Release September 12, 2000: *1999 State Per Capita Personal Income Revised.* Table 1: Per Capita Personal Income, by State and Region, 1995-1999 [Dollars]. http://www.bea.doc.gov/bea/newsrel/spi0900.htm. [accessed: February 2001] Note: Percent change calculated in inflation adjusted dollars by the Urban Institute based on the CPI-U as published in the *Economic Report of the President.* 2000. Table B-60. Washington, D.C.: U.S. Government Printing Office, February.

k. U.S. Department of Labor, Bureau of Labor Statistics. 2000. "State and Regional Unemployment, 1999 Averages." Released February 2000. http://stats.bls.gov/newsrels.htm. [date accessed: February 2001.]

l. Zedlewski, Sheila. 2000. "Family Economic Well-Being." In *Snapshots of America's Families II: A View of the Nation and 13 States from the National Survey of America's Families.* Washington, D.C.: The Urban Institute.

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p. The National Governors' Association. 2000. "The Governors, Political Affiliations, and Terms of Office 2000." http://www.nga.org/Governor/GovMasterList.htm. [date accessed: February 2001.]

q. National Conference of State Legislatures. 1999. "Directory of State Legislatures, Online. Partisan Composition of State Legislatures House and Senate." D indicates Democrat; R indicates Republican; I indicates Independent; other indicates Other; and V indicates Vacant. http://www.ncsl.org. [Date accessed February 2001.]

Table 2 Notes

a. U.S. Congress, House Committee on Ways and Means. 2000. *2000 Green Book.* Table 7-7: Maximum Combined AFDC/TANF Benefits for a Family of Three (Parent with Two Children), July 1994-January 2000. Washington, D.C.: U.S. Government Printing Office. January.

b. Two Urban Institute calculations: (1) Average monthly number of AFDC 1996 recipient children divided by number of children in poverty 1996: U.S. Department of Health and Human Services. Administration for Children and Families. 1997. *Characteristics and Financial Circumstances of AFDC Recipients FY 1996.* Table 18. "Percent Distribution of AFDC Recipient Children by Age (October 1995-September 1996)"; (2) Average Monthly

Number of TANF 1998 Recipient Children divided by Number of Children in Poverty 1998: U.S. Department of Health and Human Services. Administration for Children and Families. 1999. *Second Annual Report to Congress August 1999.* Table 9:22. "Percent Distribution of TANF Recipient Children by Age Group (October 1997-September 1998)." The numbers of children in poverty in 1996 and 1998 are Urban Institute calculations from the *National Survey of America's Families II.*

c. Kenney, Genevieve, Lisa Dubay, and Jennifer Haley. 2000. "Health Insurance, Access, and Health Status of Children: Findings from the National Survey of American Families." In *Snapshots of America's Families II: A View of the Nation and 13 States from the National Survey of America's Families.* Washington, D.C.: The Urban Institute.

d. Based on three sources: (1) Urban Institute's TRIM [Transfer Income Model]; (2) Vernon K. Smith. 1999. "Enrollment Increases in State CHIP Programs: December 1998 to June 1999": Health Management Associates, July; (3) Urban Institute analysis of *1999 SCHIP [State Children's Health Insurance Program] Annual Report.* Rules for 1996 and 1998 are policies in place the majority of the year. Rules for 2000 represent plans approved as of January 1, 2000.

e. In 1996, the thresholds represent the state Medicaid thresholds for poverty-related eligibility or AFDC-related eligibility. Higher thresholds for separate state-financed programs (such as in New York) are not represented here.

f. In 1998, some states' thresholds represent Medicaid eligibility, and others are either Medicaid expansions or stand-alone programs enacted under the SCHIP legislation.

g. In 2000, all states covered at least some children through SCHIP; certain groups in some states are eligible only through Medicaid.

h. Data for 1998 are from January 1, 1998, compared with 1997 federal poverty level (FPL). Gina Adams, Karen Schulman, and Nancy Ebb. 1998. *Locked Doors: States Struggling to Meet the Child Care Needs of Low-Income Working Families.* Table A1. Washington, DC: Children's Defense Fund, March. Data for 1999 are from June 1999, compared with 1999 FPL. The 1999 data are calculated using state agency information and information from Helen Blank and Nicole Oxedine Poersch. 1999. *State Developments in Child Care and Early Education.* Table 1. Washington, D.C.: Children's Defense Fund. The Urban Institute calculated 1998 and 1999 U.S. median income eligibility level as a percentage of state median income (SMI) and FPL.

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In 1996 and 1997, the Urban Institute conducted case studies in 13 states that provided a baseline for understanding changes emerging from welfare reform. This set of state updates describes changes occurring between 1996-97 and 1999-2000 based on a second set of case studies completed in 1999 and 2000. Programs covered include income support through the Temporary Assistance for Needy Families program, employment and training supports for low-income welfare and non-welfare families, child care, and child welfare. It also looks at interactions among these programs.

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