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NEW FEDERALISM

HIGHLIGHTS FROM STATE REPORTS

Income Support and Social Services for Low-Income People in Minnesota

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Minnesota has a long history of progressive social welfare policy, which the state has maintained in good times and bad. In the good times currently prevailing throughout much of the state, key policymakers have seen their social welfare policy goal in recent years as increasing the well-being of low-income families, including a true reduction in poverty, rather than simply reducing the caseloads of public benefit programs.

To this end, Minnesota supports generous child care and health insurance benefits for working poor families, spending about twice as much as the national average for these programs. Minnesota has a state earned income tax credit, and its welfare reform initiative is designed to ensure that families on welfare are always better off if they work. Part of the philosophy driving Minnesota's service structure is that families should not need to go on welfare to receive needed help to meet their basic needs for income, health care, and safe situations for their children. Evaluation results from Minnesota's welfare reform program indicate that the state is succeeding in its goals of reducing poverty while simultaneously helping people leave welfare.

Minnesota's basic philosophy guiding its social programs is to help people leave poverty, not simply to reduce social program rolls.

State Characteristics

Minnesota is a relatively well-off state, with poverty and unemployment rates below the national average (see table 1) and a well-educated workforce. Its income distribution is more equal than that of many other states, and it has one of the most progressive tax systems in the country. Recently, its fiscally conservative governor has pressured the Democratically controlled legislature to be more conservative in its budget decisions, with the balance of power leading to generally constructive negotiations in reaching final agreements on a variety of social policy issues. Advocacy groups also play a significant role in shaping policy with respect to welfare and other human resources issues. The state has been in a strong budget position throughout the 1990s, avoiding deficits while keeping a safe margin of reserve funding even as spending has increased.

Setting the Social Policy Context

Minnesota's basic philosophy guiding its social programs is to help people leave poverty, not simply to reduce social program rolls.

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Table 1
State Characteristics, 1995

	Minnesota	United States
Sociodemographic		
Population (1995) (in thousands)	4,551	260,202
Percent under 18 (1995)	27.7%	26.8%
Percent Hispanic (1995)	1.8%	10.7%
Percent Non-Hispanic Black (1995)	3.3%	12.5%
Percent Noncitizen Immigrant (1996)*	3.0%	6.4%
Percent Rural (1990)	45.8%	36.4%
Population Growth (1990–1995)	5.3%	5.6%
Births:		
Percent to Unmarried Women (1994)	24.0%	32.6%
Percent to Women under 20 That Were Nonmarital (1994)	85%	76%
Per 1,000 Women Ages 15–19 (1994)	34	59
Economic		
Per Capita Income (1995)	$23,971	$23,208
Percent Change in Per Capita Personal Income (1990–1995)	23.7%	21.2%
Percent Poor (1994)	11.2%	14.3%
Unemployment Rate (1996)	4.0%	5.4%
Employment Rate (1996)	71.7%	63.2%
Percent Persons Receiving AFDC (1995)	3.9%	5.1%
Percent Persons Receiving Food Stamps (1995)	6.7%	10.1%
Family Profile		
Percent Two-Parent Families (1994)	38.9%	35.7%
Percent One-Parent Families (1994)	12.8%	13.8%
Percent Mothers with Child 12 or Under		
Working Full Time (1994)	46.1%	38.1%
Working Part Time (1994)	19.9%	16.1%
Percent Children below Poverty (1994)	14.8%	21.7%
Median Income of Families with Children (1994)	$45,098	$37,109
Percent Children Uninsured (1995)	4.8%	10.0%

Source: Complete list of sources is available in *Income Support and Social Services for Low-Income People in Minnesota* (The Urban Institute, 1997).
* Three-year average of the Current Population Survey (CPS) (March 1996–March 1998, where 1996 is the center year) edited by the Urban Institute to correct misreporting of citizenship. Please note that these numbers have been corrected since the original printing of this report.

Its programs in child care, health, and welfare reflect the philosophy that making services available to working poor families will enable more families to help themselves rather than relying on government support. Its Basic Sliding Fee (BSF) child care program is for the nonwelfare working poor, for example. And the MinnesotaCare program offers health insurance to poor and near-poor nonwelfare families, children, childless couples, and individuals. The state's primary welfare reform waiver program—the Minnesota Family Investment Program (MFIP)—was also structured to provide a route out of poverty by making clients always better off if they work. This service infrastructure created in Minnesota for working poor families is an important foundation to build upon in coming years for welfare reform and other changes in the safety net.

Minnesota spends considerably more public dollars per poor family than the national average. The state's commitments to cash assistance and job training for Aid to Families with Dependent Children (AFDC) families, to child care of all kinds, and to health benefits for children can be seen in table 2. Social welfare spending accounts for 28 percent of state general-fund expenditures, just under 10 percent of which go to nonhealth welfare and social service programs devoted to children and their immediate families.

State agencies in Minnesota generally set policy, make rules, monitor local practice, and offer technical assistance. Counties have major responsibility for service delivery, whether offered by county employees or contracted out. Devolution of responsibility to counties for planning, decisionmaking, and service delivery, along with state funds to support these activities, goes back to the mid-1970s in the areas of health and

Table 2
Social Welfare Spending for Families with Children in Minnesota, State Fiscal Year 1995 (unless otherwise noted)

Program	($ in millions) Federal	State	Total	Spending per Poor Family: Minnesota	United States
Income Security	**685.5**	**223.5**	**909.0**		
AFDC and MFIP	193.2	162.8	356.0	$1,161	$851
AFDC Administration	31.9	31.9	63.8	208	136
SSI for Children	49.5	—	49.5	161	184
EITC Federal	218.2	—	218.2	712	829
EITC State	—	28.8	28.8	94	—
Food Stamps	192.7	—	192.7	629	711
Education and Training	**44.5**	**18.8**	**63.3**		
JOBS (STRIDE)	15.1	9.4	24.5	80	59
Adult JTPA	20.7	—	20.7	68	73
Summer/Other Youth ('96)	8.7	9.4	18.1	59	—
Child Care/Development	**78.3**	**34.9**	**113.2**		
AFDC/Child Care	19.1	14.4	33.5	116	61
Basic Sliding Fee	16.2	9.5	25.7	110	—
Head Start	43.0	11.0	54.0	176	117
Health	**280.0**	**316.1**	**596.1**		
Medicaid, Children Only	280.0	235.9	515.9	1,682	984
MinnesotaCare ('96)	—	80.2	80.1	262	—
Total	**1,088.3**	**593.3**	**1,681.6**		

Source: Complete list of sources is available in *Income Support and Social Services for Low-Income People in Minnesota* (The Urban Institute, 1997).

social services. The quality of state-local relationships appears better with some state agencies than with others; the income security activities of the Department of Human Services (DHS), in particular, receive very high marks.

Basic Income Support

Not counting exclusively federal sources such as the Earned Income Tax Credit, Supplemental Security Income (SSI), and Food Stamps, Minnesota's primary income support programs in 1996 consisted of AFDC (79 counties); the state's major demonstration waiver project, MFIP (8 counties); General Assistance (GA); and the Working Family Credit, a state earned income tax credit. State payment levels in 1995 were the same for AFDC and GA ($532/month for a family of three), making Minnesota's basic welfare programs for families the most generous among states in the central midwest and well above the median of $389 for all states. GA is also available ($203/ month) for disabled adults, but in 1995 the legislature eliminated eligibility for single adults who do not have qualifying disabilities. Minnesota also encourages poor families to work rather than rely on welfare through its Working Family Credit. In 1995 this credit was 15 percent of the federal calculation, averaging $178 per claimant; in 1997 the legislature increased this benefit significantly, to 25 percent of the federal calculation.

MFIP required welfare recipients to participate in work activities after they had been on the AFDC rolls for two years (see table 3). An employability plan for each client emphasized the mutual responsibilities of state and recipient; failure to comply generated a sanction of 10 percent of the grant amount. MFIP provided substantial funds for case management, education, training, and supplemental services and was very supportive of education and training to build skills before participants had to seek employment. In addition, the role of welfare workers changed from that of an eligibility technician to that of a caseworker who had constructive help to offer toward promoting work. An ongoing evaluation of MFIP by the Manpower Demonstration Research Corporation suggests that MFIP has been quite successful: 56 percent of MFIP's long-term urban

Table 3
Provisions of MFIP and MFIP-S

Provision	MFIP	MFIP-S
Eligibility	Same income limits as for AFDC; expanded limits on assets and 2-parent family eligibility	Same income limits; further increases in asset limits
Time limits	None	60 months
Income disregards	Households with incomes up to 140% of poverty retain eligibility, with grant levels depending on income	Same rules, but maximum income lowered to 120% of FY 1996 poverty level
Work requirements	1-parent family—within 2 years 2-parent family—immediately	1-parent family—within 6 months; 2-parent family—immediately. A caregiver may continue to pursue an education/training plan approved under STRIDE (pre-MFIP-S) if he or she is following that plan.
"Work" definitions	In addition to actual paid work, many education and training activities count as work.	The same education and training activities may be allowed, but only if they can be *completed in 12 months* and are likely to lead to earnings above the MFIP-S eligibility cutoff, *or* caregiver also works at least 20 hours/week.
Sanctions	10% of grant	10% of grant at first noncompliance. For continued noncompliance, direct payment of household's rent to landlord, with 30% of total grant docked from remainder.
Participation of legal residents who are not citizens	Same as citizens	Same as citizens, except that, because MFIP-S combines welfare and food stamp payments into one cash grant, a noncitizen's grant will include only 6/10ths of the food portion, and even this is only assured through SFY 1998.
Transitional benefits	1 year of child care; 6 months of Medicaid, with extension for 6 more months if earnings are below 185% of poverty	Same
Case management, education, and training resources	$1,900/participant	$1,720/participant in SFY 1998; $1,473/participant in SFY 1999

welfare families were out of poverty after 18 months, compared with 40 percent of the control group.

Programs That Promote Financial Independence

To help promote self-sufficiency, cash assistance programs often need to be supplemented with employment and training, subsidized child care, child support collection efforts, and health insurance coverage.

Employment and Training

The Minnesota Department of Economic Security (DES) and DHS are administrative partners for employment and training programs aimed at low-income households receiving public cash assistance. In 1996 and 1997, these included Minnesota's JOBS program, Food Stamps Employment and Training, and several waiver projects for AFDC recipients. Regardless of the program or the funding stream, virtually all employment and training services were delivered under contract by nonprofit organizations.

In 1996 and 1997, the primary target groups for Minnesota's employment and training programs were recipients of welfare and other cash benefits, youth, and dislocated workers. However, tension surrounds the allocation of resources to meet the increasingly competing needs of these three groups—tension that will likely escalate as the demands for employment and training resources for the welfare population increase.

The overarching future strategy for supporting employment and training activities statewide is the Workforce Center system being developed by DES and its local partners. This system creates a collaboration among state and local agencies and private and public organizations that encompasses most actors in the employment and training arena, including postsecondary and secondary education and training. Twenty such centers were open in March 1997, with 20 to 30 more scheduled to be open by July. The state is also pursuing a technology initiative, seen as the foundation of the Workforce Center system, that will allow all centers to hook up via the Internet to a "virtual" center that offers a variety of job banks and other employment information through computer links.

Child Care

Minnesota supports several streams of child care funding: AFDC and At-Risk child care, Head Start, and BSF child care that is available to working families as well as those on welfare. Over the past five years, state funding for child care (not including Head Start) has increased steadily, from $19 million in 1992 to $24 million in 1995, $30 million in 1996, and $41 million projected for 1997.

Despite generous child care subsidies from state and some local governments, lack of money for child care forces the state to treat AFDC and non-AFDC families separately. For welfare recipients, 100 percent of the cost of care is subsidized; eligibility for BSF extends to families up to 250 percent of poverty (75 percent of the state median income), but at progressively decreasing rates of subsidy. Families on welfare who are working or in training do not have to wait for a child care subsidy, but other working-poor families face long waiting lists for subsidies. Significant increases in state child care funding for the 1998–1999 biennium should ease this situation somewhat. In addition, the variety of child care programs, with their different eligibility rules, makes the acquisition of subsidized child care far from seamless. The child care supply appears adequate; if people have the money to pay, there is no shortage of child care in Minnesota.

Historically in Minnesota, child care and child development programs have existed in separate agencies and pursued separate missions. Starting in 1995, the state began to consolidate these programs into a new state agency, the Department of Children, Families, and Learning (DCFL), although the consolidation does not yet seem to be increasing collaboration.

Child Support

Over the past five years, Minnesota has implemented many programs to increase paternity establishment, improve collection of child support obligations, and enhance noncustodial parents' ability to pay the child support they owe, including virtually all of the provisions specified for state action in the federal welfare reform legislation, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. These programs include hospital-based paternity establishment, suspending drivers' licenses for noncustodial parents three months in arrears, and requiring employers to notify DHS within 15 days of hiring an employee, and they cover nonwelfare as well as welfare families. Unlike many other services systems in Minnesota, child support enforcement has been increasingly centralized. The state is also increasing its reliance on an automated child support enforcement system. Because state officials are not yet satisfied with the recovery rates for AFDC families, Minnesota has developed incentives to encourage counties to improve their collection rates for AFDC.

Medicaid and Other Health Insurance

Families participating in the major cash assistance programs in 1996 were categorically eligible for Medicaid or General Assistance Medical Care, which paid virtually identical benefits. During the past several years, health care issues other than Medicaid, especially for families with children, have been a priority for the state. The MinnesotaCare program, for example, provides a subsidized health insurance program for the poor and near-poor, and insurance market reforms have succeeded in increasing insurance provision by small employers. Minnesota has a goal of no more than 4 percent uninsured by the year 2000. While it may fall short of this goal, the state already enjoys the fourth-lowest uninsured rate in the country at 9.2 percent, with the uninsured rate for children at a very low 4.8 percent.

Last-Resort Safety Net Programs

Although one of the goals of devolution is to promote the well-being of children and families, it is important to consider what might happen to families for whom the new rules and programs do not work as designed. Child welfare and housing emergency services have existed for a long time to lend assistance when families cannot cope.

Child Welfare

Minnesota is one of 13 states with a state-supervised, county-administered child welfare system. Counties are also responsible for the bulk of child welfare funding, with the result that counties vary in the adequacy of their child welfare services. The state typically ranks very low in its reported rate of child abuse or neglect but quite high in its rate of out-of-home placements. In response to the high cost of these placements to county coffers, counties have tried to emphasize prevention and early intervention programs, and the state has created a formal policy to ensure that children achieve permanency within 12 months of removal from their home.

Housing Emergency

Minnesota has no state-level vision, goal, or plan for helping people out of homelessness, although several efforts are under way that have specific goals. An interagency Task Force on Homelessness, made up of representatives of all relevant state agencies, meets to supervise state activities focused on homelessness. The state also conducts a statewide quarterly shelter survey, which provides good data on sheltered homeless people and statewide shelter capacity and use.

Implications of the New Federal Welfare Reform Legislation

Minnesota DHS reorganized itself about two years ago in anticipation of significant changes in federal-state relationships as well as attitudinal and demographic changes generally. The reorganization has produced a flatter organizational structure and a restructuring around populations rather than services or diagnoses—a structure DHS staff feel puts them in a better position to handle welfare reform. Minnesota has historically favored within-state devolution of many human service functions, with its Community Health Services Act and Community Social Services Act dating back to the mid- and late 1970s. This tradition has continued more recently in the form of shared decisionmaking about major innovations such as MFIP and devolving responsibilities and money to the control of counties or local collaboratives with special service focuses.

Minnesota's Temporary Assistance for Needy Families (TANF) program (called MFIP-S for statewide) retains most of MFIP's provisions, with the following important exceptions (see table 3). MFIP-S will push more family heads to enter the workforce rather than focus on skills development through education or training. Further, MFIP-S places greater limits than did MFIP on the length of time a person can participate in education or training and reduces the per-person resources for case management, education, and training available to counties to help welfare families. Under MFIP-S, the maximum income a family can make and still be eligible for the program is 120 percent of the federal poverty level, which is a significant reduction from the 140 percent of poverty allowed under MFIP. These changes may affect the program's demonstrated ability to help families achieve self-sufficiency. Further, MFIP-S has higher sanctions and altered payment arrangements, which may induce more families to comply with an employment plan rather than live with sanctions.

Although the persons we interviewed in Minnesota are optimistic about the state's capacity to implement MFIP-S in the immediate future, they express more concern about the long term, given uncertainties about the economy, the impact of time limits, and characteristics of the "harder-to-serve" population.

Minnesota is also grappling with how to distribute any federal penalty it may receive if the state does not meet the work participation rate and loses part of its TANF block grant. This is a significant issue because while many counties are enjoying economic growth and record low unemployment rates, other counties, especially in the north and west of the state, are not so fortunate. DHS has designed a plan to penalize counties that fail to meet the rate and provide bonuses for counties that do well. Minnesota planned to meet 80 percent of its full TANF maintenance of effort, but in fact it reached a 91 percent maintenance of effort. DHS has proposed to keep some funds "in the bank" against future demand. The state also has increased funding for its sliding-fee child care for nonwelfare working-poor families.

With its commitment to continued within-state devolution for many human services programs for children and their families, Minnesota will be an interesting test case for the new federalism. In the coming years, we will be able to examine how far down the line toward local control decisionmaking functions will filter, what factors will limit within-state devolution, and whether local control will fulfill its promise to create service systems that meet the needs of local residents.

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