



OFFICE OF THE LEGISLATIVE AUDITOR

STATE OF MINNESOTA

PROGRAM EVALUATION REPORT

Welfare Reform



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Office of the Legislative Auditor

State of Minnesota • James Nobles, Legislative Auditor

January 27, 2000

Members

Legislative Audit Commission

In February 1999, the Legislative Audit Commission directed us to study recent reforms made to Minnesota's welfare system. Many changes have been implemented since 1997, and it is too soon to completely understand their effects. Still, legislators wanted to get an early indication of the impact of these reforms, and this report provides an overview of recent trends.

We think that Minnesota has made important progress by implementing a statewide, employment-oriented welfare program, along with expanded support services. We found that employment among welfare recipients has increased since the program was implemented. But much work remains if Minnesota is to ensure that its welfare system can increase self-sufficiency among the welfare recipients with the most significant obstacles to employment. In addition, the welfare system will be put to more difficult tests as clients approach time limits on eligibility and states are expected by the federal government to meet stricter performance standards.

This report was researched and written by Joel Alter (project manager), Dan Jacobson, and John Patterson, with research assistance from Mary Jo Bartl and Beth Haney. We received the full cooperation of the departments of Human Services and Economic Security, counties, employment services providers, and many others.

Sincerely,

/s/ James Nobles

James Nobles
Legislative Auditor

/s/ Roger Brooks

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Welfare Reform

January 27, 2000

Welfare reform in Minnesota has made progress, but serious challenges remain.

Major Findings:

- Welfare recipients' employment rates and average hours worked increased significantly since the Minnesota Family Investment Program (MFIP) started in early 1998. Still, in a given month, half of Minnesota's welfare cases do not have an employed adult, and many of the remaining cases have adults who work less than half-time. (p. 52 of the full report)*
- Compared with most other states, Minnesota has more generous assistance levels and eligibility criteria, less severe sanctions, and less participation by welfare recipients in work-related activities. (pp. 8, 19, 98)
- An increasing percentage of Minnesota's welfare caseload have characteristics that are associated with long-term welfare use, which may present future challenges. (p. 38) However, Minnesota also has a large reserve of federal funds that could help finance short-term initiatives for the "hard-to-employ." (p. 22)
- Job counselors perceive that the vast majority of welfare recipients are employable, assuming they have appropriate support services (such as child care). (p. 59)
- Out-of-wedlock births are a leading cause of welfare dependency and their rates have grown significantly in Minnesota. (p. 27) Minnesota may need to supplement its employment programs for welfare recipients with

greater efforts to prevent welfare dependency.

Key Recommendations:

- The Legislature should (1) consider options for spending down Minnesota's growing reserve of federal funds by 2002 (p. 128), (2) consider increasing maximum client sanctions (p. 114), (3) require the Department of Human Services to annually report to the Legislature on key measures of program performance and caseload-related trends (p. 126), and (4) require the department to establish clearer policies about the length of time that clients with limited English skills can spend in language instruction (p. 130).
- The departments of Human Services and Economic Security should identify ways to (1) remind clients about the amount of time they have left on their 60 months of welfare eligibility (p. 124), (2) intensify interventions as clients move toward the 60-month limit (p. 124), (3) make client information more accessible to counties and service providers (p. 129), and (4) review selected county or provider practices—for example, regarding sanctions and assessments (pp. 119, 127).

*For the full evaluation report, *Welfare Reform* (#PE00-03) which includes the agency response, call 651/296-4708 or download from:

www.auditor.leg.state.mn.us/ped/2000/PE0003.htm

Report Summary:

In early 1998, Minnesota implemented a welfare program that increased recipients' financial incentives to work, conveyed a stronger emphasis on employment, and required higher levels of participation in work-related activities than previous programs. Minnesota also limited recipients to 60 months of eligibility for cash assistance over the course of a lifetime, starting in July 1997.

These changes transformed Minnesota's system in fundamental ways, and the full impacts on recipients will be understood only over a longer period of time. Still, there is much at stake with these changes, and it is important to consider early evidence about program-related trends. Overall, we think that Minnesota has made progress toward its goals of increasing work and reducing dependency among welfare recipients, but additional steps by the Legislature, state agencies, counties, and service providers will be needed to meet the difficult challenges that lie ahead.

Recipients' Employment Levels Have Risen, But the State Should Aim for Further Improvement

Under recent federal and state reforms, most Minnesota welfare recipients are expected to find work as soon as possible, and unemployed recipients are usually required to participate in work-related activities. Employment among Minnesota welfare recipients has increased since early 1998, when the state implemented its most recent welfare reform program (the "Minnesota Family Investment Program," or MFIP). Among MFIP cases with an eligible adult, the percentage of cases with a working adult grew from 28 percent to 45 percent between December 1997 and December 1998. In fact, all major demographic groups have made substantial employment gains since the beginning of MFIP.

Employed MFIP recipients have usually received hourly wages high enough for them to become ineligible for cash assistance if they were to work full-time. However, most recipients are not working even half-time. For instance, only 28 percent of MFIP cases with an eligible adult had at least 20 work hours per week during May 1999. Fifty-six percent of cases had no working recipients in May 1999.

Many Minnesota welfare recipients have moved off MFIP relatively quickly, while others have made little progress. Of families on MFIP in July 1998, 40 percent were off welfare one year later. Another 23 percent were still on welfare but had an employed adult, and the remaining 36 percent had no employed adults one year later.

Surveys of Minnesota employment services staff indicate that most welfare recipients have at least one employment obstacle, such as low skills, physical or mental health problems, or negative attitudes toward work. But, according to these surveys, staff think that a large majority of recipients could work, if given proper support services (such as child care, transportation assistance, and housing assistance). The category of services needing the most improvement is child care for parents working nights and weekends, according to county and employment services staff.

The federal government recently awarded bonus funding to Minnesota's welfare system for its performance on selected work-related measures during 1998. Minnesota's performance signified progress by many recipients, but it also likely reflected (1) a Minnesota economy that was far more robust than even the strong national economy, and (2) the improvements in employment and earnings that followed initial implementation of the state's welfare reforms but have since leveled off.

Minnesota's welfare system has changed in fundamental ways.

The state faces financial penalties if levels of client participation in work-related activities do not improve.

Stronger Steps Needed to Meet New Requirements

Provisions of the 1996 federal welfare reform will raise the stakes for Minnesota and its welfare recipients in the next three years. Federal law sets annual targets for the minimum percentage of recipients who should participate in work-related activities. Minnesota did not meet one of the two targets in the first year for which performance was measured. The target percentages will increase in coming years, and Minnesota faces possible penalties if its levels of client work activities do not improve.

More important, many Minnesota recipients have used up more than 24 of their 60 months of eligibility for federal welfare benefits. The looming time limits and Minnesota's below-average client participation rates suggest a need for stronger steps to engage clients in work-related activities.

State and local agencies should consider ways to intensify client interventions, especially for recipients who have used up significant portions of their welfare eligibility. Options might include home visits, improved client assessments, staff specializing in difficult cases, or improved support services. Minnesota has accumulated a large reserve of unused federal welfare funds, and legislators should consider spending down the reserve in the next two years to help pay for prudent, short-term initiatives to reduce welfare dependency.

In addition, the Legislature should consider adopting stronger maximum sanctions as a way to (1) better convey the urgency of client participation, and (2) give local agencies a stronger option for the limited number of clients who are persistently noncompliant. In a statewide survey, most county human services directors and employment services directors favored increasing the maximum sanctions for noncompliant two-parent MFIP families. They expressed divided

opinions about whether or not to increase maximum sanctions for single-parent families.

Policy makers have considered proposals to stop the 60-month eligibility "clock" for some clients—such as those working full-time—by using state funds alone to pay for their welfare benefits. A majority of county human services directors do not favor this option, but those from several of the state's largest counties do.

Minorities Are a Disproportionate Share of the Caseload

Another challenge facing Minnesota's welfare system is the disproportionate (and growing) part of the welfare caseload represented by recipients from racial and ethnic minority groups. In 1999, 3 percent of Minnesota's white, non-Hispanic children were on welfare, compared with 40 percent of African Americans, 36 percent of American Indians, 26 percent of Asian Americans, and 23 percent of Hispanics. The percentage of Minnesota's children who are on welfare dropped recently, but the decline was greater for whites than for minorities.

Two-thirds of Minnesota children on welfare in 1999 were racial or ethnic minorities—compared with one-third in 1987. One reason for the increase is a substantial increase in the state's overall minority population—partly due to in-migration from other states and countries.

Policy makers and welfare officials should monitor the differential rates of welfare use. They should also consider specific strategies to prevent or reduce welfare dependence within groups that have high levels of welfare use.

"Hard-to-Serve" Cases Account for a Larger Share of the Caseload

Minnesota's welfare caseload has declined by 39 percent since 1994. During this time, an increasing share of Minnesota's

welfare cases have had characteristics that suggest they are high risks for long-term dependency. For example, the percentage of recipients who lack high school diplomas, are not U.S. citizens, or have never married has grown. “Child-only” cases—in which no adult is eligible to receive MFIP benefits and there are no time limits or caregiver work requirements—have grown from 5 percent of the caseload in 1987 to 17 percent in 1999.

With a larger share of the caseload at risk for long-term welfare use, local agencies may need to explore new service strategies. For example, many client assessments have been cursory or not timely, and local agencies should consider establishing multi-disciplinary teams to periodically review difficult cases. Also, some “hard-to-employ” clients may need to participate in work experience programs or social services before they can be expected to find unsubsidized work, but these options were rarely used in MFIP’s first two years.

Also, county human services directors and provider officials said that improved

services for clients who have already found jobs might help these clients become more self-sufficient. For example, most of these officials said there should be greater efforts to upgrade the skills of already employed MFIP clients.

Reducing Out-of-Wedlock Births Could Reduce Dependency

Many welfare cases begin with an out-of-wedlock birth, so trends in these births can significantly affect welfare caseloads. Reducing out-of-wedlock pregnancies is one of the stated goals of federal welfare reform, but it has not been a focal point of Minnesota’s reforms.

Statewide, one-fourth of Minnesota’s births are out of wedlock—up from 12 percent in 1982 and 3 percent in 1960. Minnesota’s overall out-of-wedlock birth rate is below the national rate, but its rates for individual racial/ethnic categories are similar to or well above the corresponding national rates. A high percentage of births to American-Indian and African-American women in Minnesota are out of wedlock (81 and 67 percent, respectively).

Summary of Agency Response

In a joint response to the report dated January 14, 2000, the departments of Human Services and Economic Security described the report as “informative and ambitious” and “a fair picture of where Minnesota stands” two years into welfare reform. The agencies “agree that more work must be done, and are fully committed to making welfare reform succeed.”

The agencies generally agreed with the report’s recommendations, although they raised several specific cautions or concerns about them. Regarding the recommendation for intensified interventions for the hard-to-employ (such as home visits), the agencies noted that the “costs could be great and payoffs uncertain” because there is limited knowledge about what strategies are most effective. Regarding the recommendation that state agencies measure trends in hours worked per case, the agencies suggested the alternative of “looking at longitudinal information or measuring exits from MFIP due to work.” Finally, the agencies agreed with the recommendation for an annual progress report to the Legislature, but they expressed a preference for having discretion about its content.

The departments said, in conclusion, that “MFIP, unlike welfare reform programs in many other states, was designed as an anti-poverty approach to welfare reform, with goals of economic independence and self-sufficiency in addition to job placement.”

Introduction

Legislators requested a “status report” on Minnesota’s welfare changes.

By many accounts, the reforms enacted by the U.S. Congress in 1996 were the most sweeping changes ever made to the nation’s public welfare system. For instance, the law now limits eligibility for federal cash assistance to 60 months over a person’s lifetime. Also, the law replaced a federal “entitlement” program (Aid to Families with Dependent Children) with a block grant to states—making the states responsible for all program costs that exceed the amount of the grant. In addition, the law makes states subject to financial penalties if they do not engage a prescribed percentage of welfare recipients in work-related activities. In sum, the new law raised expectations for welfare recipients and raised the stakes for states.

Minnesota has been making its own changes to welfare since the mid-1980s. Of particular importance, Minnesota piloted the Minnesota Family Investment Program (MFIP) in several counties, starting in 1994, and then implemented a revised version statewide in early 1998.

Although some of the federal and state reforms are still unfolding, the Legislative Audit Commission asked our office in February 1999 to conduct an evaluation of welfare reform in Minnesota. Our study posed the following questions:

- **How has the size and composition of Minnesota’s welfare caseload changed in recent years, and what factors have contributed to these changes? How does Minnesota’s welfare program and caseload compare with those in other states? To what extent have welfare recipients moved to Minnesota from other states and countries?**
- **What portion of welfare recipients are working, and how has this changed? To what extent do recipients have characteristics that might make them difficult to employ? What does research literature indicate about the likelihood of welfare recipients finding work and escaping poverty?**
- **In what types of work-related activities have MFIP participants engaged, and what variation is there around Minnesota? Do counties and employment services providers think that adequate supportive services are available for MFIP clients? Are county officials satisfied with the performance of employment services providers?**
- **What, if any, changes in policy or practice should be made to the Minnesota Family Investment Program and other programs affecting welfare participants?**

To address these questions, we obtained 1992-99 data on individual welfare recipients from the Minnesota Department of Human Services, and we obtained

data on their employment services activities from the Minnesota Department of Economic Security. We used secondary sources to examine long-term trends in welfare utilization, and we analyzed Minnesota Department of Health data on out-of-wedlock births.

Administrative records contain limited information about the employment obstacles of individual welfare recipients. To supplement these records and existing research about employment obstacles, we asked four employment services providers to complete questionnaires about the characteristics of nearly 1,100 individual recipients.

We also sent questionnaires to each county human services director and each MFIP employment services office in Minnesota.¹ In addition, we visited 16 employment services providers, where we interviewed 125 program staff and reviewed 166 client files. We also spoke with state and county officials, client advocates, and welfare recipients during this study, and we reviewed a wide variety of research literature regarding past and current welfare reforms.

All 50 states face the challenge of implementing federal welfare reforms—and many reforms of their own. States have adopted varying strategies, sometimes serving different goals. Our analyses present a sort of “status report” on Minnesota’s welfare system, nearly three years after the Legislature passed statewide reforms.

For many of the policy changes made in recent years, it is simply too soon to pass judgment. In Minnesota and elsewhere, there is much yet to learn about welfare reform’s long-term impacts on family well-being and welfare dependency.² But, because recent welfare reforms have important implications, the primary purpose of this report is to present policy makers, program administrators, and the public with a context for Minnesota’s changes and early information about program-related trends.

Chapter 1 summarizes recent federal and state changes and compares key components of Minnesota’s welfare system with those in other states. Chapter 2 discusses recent trends in the composition and size of Minnesota’s welfare caseload, as well as factors that have influenced the caseload. Chapter 3 discusses the extent to which Minnesota welfare recipients work (and face obstacles to work). Chapter 4 discusses the ways in which welfare recipients have participated in employment services during the past two years. Chapter 5 provides information and recommendations on selected policy issues that need further consideration.

¹ We sent questionnaires to 84 human services directors serving 87 counties (some counties have jointly administered human services agencies). We also sent questionnaires to 103 employment services providers. For individual providers with multiple offices, we gave them the option of completing a consolidated survey response or having each office submit separate questionnaires. We received responses from 100 percent of county officials and 95 percent of providers.

² Minnesota’s Department of Human Services is administering a five-year study that will examine outcomes of the Minnesota Family Investment Program for a sample of 2,000 welfare recipients. The department collected baseline data for this study in 1998. In addition, the Manpower Demonstration Research Corporation will issue a report in early 2000 that (1) examines impacts from the Minnesota Family Investment Program pilot over its first three years, and (2) measures this program’s impacts on adult and child well-being.

**It is too soon
to pass
judgment on
many policy
changes.**

Background

SUMMARY

State and federal reforms have changed Minnesota's welfare system in fundamental ways. Most adult welfare recipients are now expected to work or participate in work-related activities, and most recipients face limits on the amount of time they can receive cash assistance. States have more flexibility to design their welfare systems than they did previously, and Minnesota has higher assistance payments, more inclusive eligibility criteria, and weaker sanctions than most states. Minnesota also has a large reserve of unused federal funds.

For more than 60 years, the Aid to Families with Dependent Children (AFDC) program was a centerpiece of the federal “safety net.” The program provided monthly cash payments to low-income families and required little in return. But concerns about large welfare caseloads and long-term welfare dependency prompted the U.S. Congress to fundamentally change the American welfare system in 1996. Soon afterwards, Minnesota adopted a statewide version of a reformed welfare system that had been tested in several counties. In this chapter, we address the following questions:

- **What have been the main elements of federal and state welfare reforms? What are the main differences between Minnesota's present welfare system and the one that existed a few years ago?**
- **How does Minnesota compare with other states in terms of its welfare benefits, eligibility requirements, work requirements, sanction levels, and spending levels?**

RECENT REFORMS

The process of “welfare reform” has been an ongoing one in Minnesota for at least the past 15 years. In 1986, a bipartisan Governor's Commission on Welfare recommended changing the state's welfare system from “an income maintenance system to a transitional program for self-sufficiency.”¹ The commission suggested focusing welfare reform efforts on long-term recipients or persons likely to become long-term recipients without intervention. It also urged an expansion of employment and training programs for single-parent AFDC recipients, which did not exist in most counties.

¹ *Report of the Minnesota Commission on Welfare Reform* (St. Paul, December 1, 1986), iii. A report issued in the following month also recommended targeting employment and training programs toward certain subgroups of AFDC recipients—see Office of the Legislative Auditor, *Aid to Families with Dependent Children* (St. Paul, January 1987).

Minnesota has adopted various welfare reforms over the past 15 years.

The 1987 Legislature established a program of employment-related services and case management for certain categories of welfare recipients. This program became known as “STRIDE” (Success Through Reaching Individual Development and Employment). The law required one of the parents in two-parent AFDC families to participate in STRIDE, but participation by single parents was voluntary and limited to persons in certain “target groups.”² At a national level, the 1988 Family Support Act required states to establish welfare-to-work programs for AFDC recipients, and STRIDE served this purpose until 1998.

In 1989, the Legislature declared in law “the need to fundamentally change the way government supports families.”³ It adopted a “finding” that “many features of the current system of public assistance do not help families carry out their two basic functions: the economic support of the family unit and the care and nurturing of children.”⁴ The Legislature adopted into law the goals listed in Table 1.1, and it asked the commissioner of human services to seek federal approval to implement the “Minnesota Family Investment Program” (MFIP) on a demonstration basis. The federal government authorized field trials of MFIP, which started in seven counties in 1994.⁵ In 1996, Minnesota received a waiver from the federal government to implement MFIP statewide, and Congress passed welfare reform that gave states considerable flexibility to design their own welfare programs.⁶ The Minnesota Legislature passed legislation in April 1997 to comply

Table 1.1: Goals of the Pilot Version of the Minnesota Family Investment Program

- To support families’ transition to financial independence by emphasizing options, removing barriers to work and education, providing necessary support services, and building a supportive network of education, employment and training, health, social, counseling, and family-based services;
- To allow resources to be more effectively and efficiently focused on investing in families by removing the complexity of current rules and procedures and consolidating public assistance programs;
- To prevent long-term dependence on public assistance through paternity establishment, child support enforcement, emphasis on education and training, and early intervention with minor parents; and
- To provide families with an opportunity to increase their living standard by rewarding efforts aimed at transition to employment and by allowing families to keep a greater portion of earnings when they become employed.

SOURCE: *Minn. Stat.* §256.031, as repealed in 1997.

2 Immediately prior to the state’s 1997 welfare reform, for example, persons on AFDC for 36 of the past 60 months were eligible, as were custodial parents under age 24 who (1) lacked a high school diploma (or its equivalent), or (2) had little or no work experience in the previous year.

3 *Minn. Laws* (1989), ch. 282, art. 5, sec. 6, subd. 2.

4 *Ibid.*

5 The seven counties were Hennepin, Anoka, Dakota, Mille Lacs, Morrison, Sherburne, and Todd. Ramsey County joined the field trials in 1996.

6 Public Law 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act.

with the new federal welfare law and implement a statewide version of MFIP. Between January and March 1998, all Minnesota counties converted their AFDC cases to MFIP.

The changes in Minnesota's welfare system under the 1996 federal reform and the statewide version of MFIP have been dramatic. The most noteworthy changes include the following:

- The state combined cash assistance, food assistance, and the family general assistance program into a single program (MFIP).⁷ This streamlined the application and payment process. MFIP participants receive a single monthly grant that covers cash assistance (if the person is eligible for it) and food assistance.⁸ (About 3,000 of the 45,000 families on MFIP are eligible for food assistance but have incomes too high to be eligible for cash assistance. Low-income families ineligible to receive MFIP food or cash assistance may qualify for "food stamps," which are vouchers that can be used to purchase food.)
- AFDC recipients could remain on welfare for unlimited periods of time, as could participants in the "field trials" of MFIP. However, the statewide version of MFIP limits most adult caregivers to 60 months of cash benefits over the course of a lifetime. For Minnesota welfare recipients, state officials started counting months of eligibility toward this 60-month limit in July 1997. In addition, most participants in the MFIP field trials were not required to participate in employment services during their first two years of assistance; in contrast, the statewide version of MFIP requires participation by most families within six months. Thus, time limits in the federal and state reforms contributed to a sense of urgency in Minnesota's welfare system that previously did not exist.
- Compared with previous programs, MFIP exempts fewer welfare recipients from participation in work-related activities. Under STRIDE, single parents could not participate in employment services unless they were a member of a statutorily-identified "target group;" MFIP requires single parents' participation, with limited exceptions. In two-parent families, STRIDE required only one parent to participate in employment services; MFIP requires both. Also, MFIP exempts fewer women with young children than previous programs.⁹
- MFIP is a "work first" program that emphasizes getting welfare recipients into unsubsidized jobs quickly. STRIDE placed considerable emphasis on education and training for participants; MFIP made education and training

Key aspects of Minnesota's most recent reforms are a response to federal changes.

⁷ Family general assistance was a state-funded program that provided assistance payments to low-income families not eligible for AFDC.

⁸ Participants access their grants using an electronic benefits card. This technology limits participants to using the food portion of the MFIP grant for food purchases; this portion of the grant cannot be received as cash.

⁹ Caregivers of children under age one can receive an exemption from MFIP participation requirements, but they can use this exemption for no more than 12 months during a lifetime. In contrast, parents of children under age six could be exempted from work-related requirements until 1988, and parents of children under age three could be exempted from 1988 to 1998.



The Minnesota Family Investment Program emphasizes getting welfare recipients into unsubsidized work quickly.

a lower priority than immediate employment and limited clients' education and training options to programs under one year (or two years, on an exception basis).

- Working recipients keep a greater share of their earnings under MFIP than they did under AFDC.¹⁰ Table 1.2 compares benefits under MFIP at various levels of earnings with what would have been provided if AFDC still existed.

In addition, state governments assumed greater risks and responsibilities under the 1996 federal welfare reforms. First, the federal law replaced an entitlement program (AFDC) with a five-year block grant to states called Temporary Assistance for Needy Families (TANF). Whether the economy is booming or in recession, Minnesota will receive the same sized grant each year from the

federal government. If this grant is not large enough to pay for caseload increases during an economic downturn, the state must use its own funds or cut program costs.

States assumed greater risks and responsibilities under the 1996 federal welfare law.

The federal law also required each state to meet targets for client participation in work-related activities. The federal government set a target of having 30 percent of all TANF cases participating in work-related activities during 1998, and this percentage will increase yearly—to 50 percent by 2002. In addition, the federal target for participation in work-related activities among two-parent families was initially 75 percent and increased to 90 percent in 1999. These targets are adjusted downward if states have experienced declines in their welfare caseload. States that do not meet participation targets can receive financial penalties from the federal government.

According to federal law, TANF block grants are intended to help states operate programs that serve four purposes:

1. Provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
2. End the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;
3. Prevent and reduce the incidence of out-of-wedlock pregnancies; and

¹⁰ The version of MFIP that was field tested allowed a typical family to continue receiving benefits until its income reached 140 percent of the poverty level. The statewide version of MFIP allows a typical family to receive benefits until its income reaches about 120 percent of the poverty level.

Table 1.2: Monthly Benefits for a Single Parent and Two Children Under MFIP Compared With AFDC and Food Stamps, 1999

Hourly Wage	MFIP	Combined AFDC and Food Stamps
Not working	\$783	\$778
\$5.15 at 20 hours per week	576	421
\$5.15	290	164
\$5.50	251	142
\$6.00	196	120
\$6.50	140	99
\$7.00	85	78
\$7.50	29	57
\$8.00	^a	36
\$8.50	^a	16
\$9.00	0	0

NOTE: Unless specified otherwise, the benefit level is based on the recipient working 40 hours per week. The AFDC benefits are based on the program's criteria when it was replaced by MFIP. The food stamp benefits are based on the 1999 program. In the table, all income is earned.

^aThe family was ineligible for MFIP, but it was still eligible for food stamps. At \$8.00 an hour, the family would have received \$36 in food stamps; at \$8.50 an hour, it would have received \$16 in food stamps.

SOURCE: Minnesota House Research Department, *Minnesota Family Investment Program-Statewide Grants: Calculation, Comparison to AFDC, Interaction with Other Programs* (St. Paul, January 1999).

4. Encourage the formation and maintenance of two-parent families.¹¹

Federal law has explicit goals for welfare reform; Minnesota law does not.

It is worth noting that Minnesota law no longer has explicit statements of MFIP's goals. Following federal welfare reform, the 1997 Legislature repealed the laws governing the MFIP pilot program, including the goals shown in Table 1.1. The Minnesota Department of Human Services developed an employment services manual in 1997 to guide statewide implementation of MFIP, and this manual declares that the goals of MFIP are: (1) to encourage and enable all families to find employment, (2) to help families increase their income, and (3) to prevent long-term dependence on welfare as a primary source of family income.¹² The manual does not have the force of law or administrative rules.

COMPARISONS WITH OTHER STATES

Federal welfare reform resulted in a "devolution" of authority to state governments. States now have authority to design many components of the welfare system that, until recently, were prescribed by federal law.

With increased state discretion about program design, neighboring states can now have very different welfare policies. For example, Wisconsin has adopted some

¹¹ Public Law 104-193, sec. 401.

¹² Minnesota Department of Human Services, *Statewide Minnesota Family Investment Program (MFIP) Employment Services Manual*, policy 1.1; <http://www.dhs.state.mn.us/ecs/ReguProc/Chapter1.htm>, accessed May 26, 1999.

welfare practices that are unique among the 50 states, and Table 1.3 illustrates some of the differences between Minnesota and Wisconsin.

In national comparisons, we found that:

- **Compared with most other states, Minnesota has higher assistance levels and broader welfare eligibility criteria. Nearly all states have adopted time limits on welfare eligibility, although Minnesota’s limits will not directly affect recipients as quickly as those adopted by many other states.**
- **Like most states, Minnesota requires welfare recipients to participate in work-related activities sooner than required by federal law. Minnesota’s sanctions for noncompliance with work-related activities are less severe than those in most states.**

The states have pursued different welfare reform goals and strategies.

The variation in state welfare systems reflects the different goals and strategies that states have adopted within the framework of the federal welfare law. For example, Department of Human Services officials told us that Minnesota’s program places more emphasis on reducing poverty and ensuring family well-being than programs in many other states. For this reason, policy makers designed MFIP so that recipients could earn income above the poverty level before losing all MFIP benefits. Also, department officials said that caseload reduction was not an overriding goal of Minnesota’s welfare reform as it was in some other states—although caseload decline may result from Minnesota’s efforts to move recipients toward self-sufficiency. In sum, Minnesota has designed its welfare program based on underlying principles and priorities that sometimes differ from those of other states.¹³

In the sections below, we discuss key components of Minnesota’s welfare system and how they compare with those of other states. The purpose of this discussion is not to suggest that Minnesota should necessarily conform with practices elsewhere. There is little known yet about the success of states’ various approaches, and states may define “success” differently—depending on the goals of their reforms. Rather, the purpose of the following discussion is simply to help place Minnesota’s policy choices in the context of those made throughout the nation.

Cash Assistance and Eligibility

- **Minnesota has larger-than-average welfare benefits, but the size of cash grants for unemployed recipients has not changed since the mid-1980s.**

¹³ There is no simple way to compare the underlying goals of various states’ welfare programs. In some cases (as in Minnesota), program goals have not been written into law. In other cases, the content of state policies may shed more light on the underlying program purposes than do formal statements of goals.

Table 1.3 : Selected Components of Minnesota and Wisconsin Welfare Programs

	Minnesota County human services agencies	Wisconsin County human services agencies in 63 counties and private contractors in 9 counties (including Milwaukee)
Who administers the program?		
Cash assistance for a single-parent family of three with no earnings? (1999)	\$532	\$628 to \$673 ^a
Maximum earnings for a single-parent family of three to qualify for cash assistance? (1999)	\$954	^b
Does a recipient who bears another child get a higher grant?	Yes	No
If child support is paid on behalf of a family, what portion does the family receive?	None	All
Can recipients be offered lump-sum diversion payments?	Yes	Yes
Are welfare applicants required to search for a job prior to eligibility determination?	No	Yes
Is participation in work-related activities a prerequisite for cash assistance?	No	Yes
For what age child can parents be exempted from employment services?	Up to 1 year	Up to 12 weeks
Can domestic violence victims be exempted from work participation requirements?	Yes	No
What is the financial asset limit for applicants?	\$2,000	\$2,500
What is the financial asset limit for participants?	\$5,000	\$2,500
Do clients have the option of starting "individual development accounts?"	No	Yes
Are pregnant women eligible for cash benefits?	Yes, beginning in first month	No
Are minors eligible for welfare if they live independently?	Yes, under certain conditions	No
What is the maximum allowable sanction?	30 percent of grant standard	Full grant
What is the maximum sanction for an initial incident of noncompliance?	10 percent of grant standard	Full grant
Is there a lifetime limit on months of cash assistance?	60 months	60 months
Besides lifetime limits, are there other time limits?	No	No more than 2 years in any of several steps to unsubsidized jobs, such as subsidized jobs and community service jobs.
Who is exempt from time limits?	Persons over 60; domestic violence victims	No exemptions; case-by-case reviews determine which cases receive time limit extensions.

^a\$673 for persons with community service jobs and \$628 for persons in the "transition" program.

^bWisconsin does not disregard earned income. Families can remain eligible for cash assistance until their incomes reach 115 percent of the poverty level. However, Wisconsin requires recipients to participate in 40 hours of work or work-related activities weekly, and the activity requirements limit the ability of some recipients to earn income while on welfare.

SOURCE: *Minn. Stat.* §256J; Wisconsin Department of Workforce Development; Thomas Kaplan, "Management and Implementation of Wisconsin's W-2 Program," Draft (Albany, NY: Rockefeller Institute, 1994); Center for Law and Social Policy, State Policy Documentation Project, www.spdc.org, accessed December 1999; and other documents or web sites referenced in this chapter.

In 1986, there was considerable legislative debate in Minnesota about the appropriate size of cash grants to welfare recipients. Some legislators thought the grant level was too high and attracted welfare recipients from other states; others thought the grant level was appropriate. At that time, a single mother with two children and no earnings received a monthly grant of \$532—which ranked fifth highest among the 50 states. Today, a Minnesota family of three with no earnings would still receive monthly cash assistance of \$532, and this now ranks twelfth highest among the states.¹⁴ Table 1.4 shows the MFIP grants that families received in 1999, depending on their size and level of earnings.

Table 1.4: 1999 Monthly Benefits for Various Family Sizes and Hourly Wages

Family Size	Type of Benefit	Not Working	Working 20 Hours Per Week At \$5.15	Working 40 Hours Per Week At:									
				\$5.15	\$6	\$7	\$8	\$9	\$10	\$11	\$12	\$13	\$14
1	Total	356	\$106	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	Cash	250	0	0	0	0	0	0	0	0	0	0	0
2	Total	626	403	117	23	0	0	0	0	0	0	0	0
	Cash	437	214	0	0	0	0	0	0	0	0	0	0
3	Total	783	576	290	196	85	0	0	0	0	0	0	0
	Cash	532	325	39	0	0	0	0	0	0	0	0	0
4	Total	928	735	449	335	244	133	22	0	0	0	0	0
	Cash	621	428	142	48	0	0	0	0	0	0	0	0
5	Total	1,052	872	586	492	381	270	159	48	0	0	0	0
	Cash	697	517	231	137	26	0	0	0	0	0	0	0
6	Total	1,198	1,032	746	652	541	430	319	208	98	0	0	0
	Cash	773	607	321	227	116	5	0	0	0	0	0	0
7	Total	1,308	1,153	867	773	662	551	440	329	219	108	0	0
	Cash	850	695	409	315	204	93	0	0	0	0	0	0
8	Total	1,442	1,301	1,015	921	810	699	588	477	366	255	144	33
	Cash	916	775	489	395	284	173	62	0	0	0	0	0
9	Total	1,574	1,446	1,160	1,066	955	844	733	622	511	400	289	178
	Cash	980	852	566	472	361	250	139	28	0	0	0	0
10	Total	1,700	1,584	1,299	1,204	1,093	983	872	761	650	539	428	317
	Cash	1,035	919	634	539	428	318	207	96	0	0	0	0

NOTE: The table assumes that all income is earned.

SOURCE: Office of the Legislative Auditor.

Earlier, we noted that Minnesota policy makers who helped design MFIP emphasized the goal of poverty reduction more than did designers of some other states' welfare systems. One result is that:

- **Minnesota allows recipients to earn more than recipients in most states before they lose eligibility for welfare benefits.**

¹⁴ Center for Law and Social Policy (CLASP), State Policy Documentation Project "Maximum Cash Assistance Benefit Amounts" (December 1998); www.spdp.org/tanf/financial/maxben.pdf, accessed December 9, 1999. As of 1998, the states with higher maximum grants were Alaska, California, Connecticut, Hawaii, Massachusetts, New Hampshire, New York, Rhode Island, Vermont, Washington, and Wisconsin. Rhode Island's maximum grants were higher than Minnesota's for persons in unsubsidized housing and lower for persons in subsidized housing.

MFIP families remain eligible for benefits until their earnings exceed the poverty level or they exceed the program's time limits.

For instance, the maximum monthly amount that single parents with two children could earn and still be eligible for cash assistance was \$954 in Minnesota in 1999. According to several recent analyses, this amount would rank Minnesota in the top half of the 50 states.¹⁵ Minnesota's ranking reflects its combination of (1) an above-average cash grant, and (2) a medium-level (36%) "earned income disregard."¹⁶ Table 1.5 shows the amount of earnings (as a percentage of federal poverty guidelines) that various-sized families needed to become ineligible for MFIP assistance in 1999.

Table 1.5: Earnings Levels at Which Families Became Ineligible for MFIP Assistance, 1999

Family Size	Earnings (as a Percentage of the Poverty Level)	
	MFIP Cash Assistance	All MFIP Assistance
1	67%	91%
2	86	119
3	84	118*
4	81	116
5	78	113
6	76	112
7	74	109
8	72	108
9	70	107
10	68	105

NOTE: These 1999 "exit levels" are expressed as a percentage of the 1998 federal poverty guidelines. The table assumes that all income is earned. MFIP recipients may qualify for other public assistance, such as earned income tax credits and housing assistance, but these benefits are disregarded from MFIP benefit calculations and are not reflected in this table.

*Due to changes in the grant level and earnings disregard, MFIP assistance in 2000 for a family of three equals 121 percent of the poverty level.

SOURCE: Office of the Legislative Auditor.

A recent analysis examined the financial work incentives faced by welfare recipients in 12 states, and Table 1.6 shows total income for a family of three under four scenarios. Combining income from earnings, TANF benefits, food stamps, and federal and state tax credits, the table shows that Minnesota families have higher incomes than families in most of the other states when the parent is

¹⁵ Sheila R. Zedlewski, "States' New TANF Policies: Is the Emphasis on Carrots or Sticks?" *Policy and Practice of Human Services* (August 1998), 59, analysis of maximum earnings after three months of work; L. Jerome Gallagher, Megan Gallagher, Keven Perese, Susan Schreiber, and Keith Watson, *One Year After Federal Welfare Reform: A Description of State Temporary Assistance for Needy Families (TANF) Decisions as of October 1997* (Washington, D.C.: Urban Institute, May 1998), III-7,8, analysis of maximum earnings after 13 months of work; CLASP, State Policy Documentation Project, "Earnings Eligibility Limits" (October 1999), www.spdp.org/tanf/financial/earnlimit.pdf, accessed December 7, 1999, analysis of maximum earnings after 7 and 13 months of work.

¹⁶ MFIP uses a higher "standard" to compute the grants of families with earnings than it uses to compute the grants of families without earnings. (Earnings are subtracted from the standard to compute the grant amount.) Thus, when a welfare caregiver goes to work, her family's income from earnings plus an MFIP grant is always greater than its previous income from the grant alone. In addition, Minnesota "disregards" 38 percent of MFIP recipients' income when computing their grant amounts (it was 36 percent until October 1999). Among the states, 24 have income disregards of 40 percent or higher (often in addition to an initial amount of earnings that is disregarded when the benefit is computed)—see Zedlewski, "States' New TANF Policies," 59.

Table 1.6: Monthly Total Income for a Family of Three Under Four Work Scenarios in 12 States

State	Work Scenario			
	No Work	20 Hours at \$5.15/Hour	35 Hours at \$5.15/Hour	35 Hours at \$9.00/Hour
Alabama	\$479	\$ 894	\$1,198	\$1,442
California	825	1,226	1,449	1,512
Colorado	674	1,041	1,243	1,478
Florida	618	1,036	1,275	1,489
Massachusetts	825	1,209	1,448	1,522
Michigan	743	1,082	1,257	1,470
MINNESOTA	763*	1,168	1,409	1,475
Mississippi	435	905	1,215	1,477
New Jersey	726	1,066	1,300	1,491
New York	833	1,205	1,447	1,536
Texas	503	901	1,233	1,482
Washington	812	1,120	1,344	1,482
MEDIAN	734	1,074	1,287	1,482

NOTES: Total income consists of earnings, TANF benefits, the cash value of food stamp allotments, federal Earned Income Tax Credit, and state earned income and other tax credits, less the employee's share of payroll taxes and federal and state income tax liabilities. The data are based on regulations in effect in October 1997.

*Minnesota's "no work" grant in this table was based on the grant standard prior to October 1998, which is a lower standard than is used in other tables in this chapter (\$783).

SOURCE: Gregory Acs, Norma Coe, Keith Watson, and Robert I. Lerman, *Does Work Pay? An Analysis of the Work Incentives Under TANF* (Washington, D.C.: Urban Institute, July 1998).

not working or working in minimum wage jobs. The study found that the incomes of Minnesota welfare families increased 53 percent as the parents moved from no work into part-time minimum wage jobs, and another 21 percent when hours in such jobs increased from 20 to 35. These percentage increases were in the middle of the states examined, and federal and state earned income tax credits accounted for about half of the increases. Meanwhile, the study found that Minnesota parents working full-time did not experience much increase in income when their wages increased from \$5.15 to \$9.00 an hour.¹⁷

Traditionally, most states have based the size of cash assistance grants on family size, with larger families eligible for larger grants. TANF allows states to choose whether to implement "family caps" that would limit welfare grant increases as recipients bear additional children. We found that:

- **Minnesota is one of 27 states in which caregivers qualify for a larger welfare grant when they bear additional children while on welfare.**

¹⁷ The study also noted that non-TANF families in Minnesota may have an incentive to quit work, go on welfare, and return to work. For example, a Minnesota family of three working its way off welfare and earning \$930 would be eligible for \$249 in TANF benefits, while a family earning the same amount but never on welfare would not be eligible for these benefits.

A 12-state study showed that Minnesota had fairly typical incentives for recipients to increase work hours.

In contrast, 21 states have adopted family caps, including 16 that provide no additional assistance for children born ten months after the family starts to receive assistance.¹⁸

Prior to TANF, federal law required states to “pass through” to welfare recipients the first \$50 of child support collected on their behalf and disregard this amount when computing the family’s eligibility for assistance.¹⁹ However, the 1996 federal reform eliminated this requirement, and

- **A majority of states (including Minnesota) no longer “pass through” child support to families on welfare.**

States that pass through some amount of child support to welfare recipients must bear the full cost of this practice. However, some have continued pass-throughs as a way to encourage non-custodial parents to pay child support—which may help support families that are on welfare and those that have left it. The most generous pass-through program is in Wisconsin, which passes through and disregards the full amount of child support collected on behalf of TANF families.²⁰

States have considerable flexibility to determine welfare eligibility policies.

States have authority to make a variety of other decisions that affect who is eligible to receive federal and state welfare benefits. Some of the more significant decisions include the following:

- **Asset limits for welfare applicants:** Like 21 other states, Minnesota limits the assets of welfare applicants to \$2,000 (excluding the value of a car). Twelve states have a lower limit (\$1,000), and 16 states have higher limits.²¹
- **Asset limits for welfare participants:** Among persons already on welfare, Minnesota limits welfare eligibility to those with assets no higher than \$5,000.²² For single-parent families, the only states with higher asset limits for persons on welfare are Ohio (no limit), Oregon (\$10,000, for certain recipients) and Nebraska (\$6,000).²³ However, 28 states (not Minnesota) allow welfare recipients to start “individual development

¹⁸ CLASP, State Policy Documentation Project, “Family Cap: Overview” (March 1999), www.spdc.org/famcap/famcapover.htm, accessed December 7, 1999. The other five states with family caps (1) reduce the incremental grant increase the family would otherwise be entitled to, or (2) provide the child’s benefit through vouchers or to a third-party payee. In two states (Wisconsin and Idaho), the size of welfare cash grants is not based on the size of the family.

¹⁹ Federal law requires welfare recipients to assign their child support rights to the state. If a family is on welfare, child support collected on the family’s behalf is shared by the federal and state governments.

²⁰ Wisconsin received a federal waiver that exempts the state from having to pay the federal share of TANF families’ child support collections. For state-by-state summaries of pass-through policies, see Gallagher and others, *One Year After Federal Welfare Reform*, VI-12, and U.S. Department of Health and Human Services, *Temporary Assistance for Needy Families Program: First Annual Report to Congress* (Washington, D.C., August 1998), 48-49.

²¹ U.S. Department of Health and Human Services, “Asset Provisions of State TANF Plans” (March 1999); <http://www.acf.dhhs.gov/programs/ofa/asset2.htm>, accessed August 16, 1999.

²² Minnesota is one of several states that has a higher asset limit for persons on welfare than persons initially applying for welfare. The others are Indiana, Iowa, New Hampshire, and Missouri.

²³ U.S. Department of Health and Human Services, “Asset Provisions of State TANF Plans.”

accounts.”²⁴ These accounts allow participants to set aside funds for things such as post-secondary education, buying a home, or starting a business, and these funds are not counted as assets when determining welfare eligibility.

- **Immigrant eligibility:** The federal government has created a distinction between legal immigrants (excluding refugees) who arrived in the U.S. before August 22, 1996 (the date the federal welfare reform law was enacted) and those who arrived after this date. Persons arriving after this date are not eligible for federal benefits such as TANF and food stamps during their first five years in the U.S. Minnesota is one of 19 states that offer these immigrants state-funded cash assistance and one of 10 states that offer state-funded food assistance.²⁵
- **Eligibility of pregnant women:** Minnesota is one of 31 states in which a pregnant woman who is not caring for other children is eligible for welfare benefits.²⁶ Of these 31 states, Minnesota is one of eight that allows eligibility to begin in the first month of pregnancy. Twenty-two of the 31 states begin eligibility during the sixth month of pregnancy or later. In May 1999, 2 percent of MFIP cases had applicants whose eligibility was based on a pregnancy, not on other children.
- **Eligibility of minors:** All states allow minor parents to receive TANF benefits if they are living with an adult relative or a guardian, and all but Wisconsin allow minor parents to receive benefits if they are living with an adult who is providing supervision. Minnesota is one of 27 states with policies that authorize minor parents to live in an independent living arrangement, if approved by the welfare agency.²⁷
- **Eligibility of drug felons:** The 1996 federal welfare reform law made persons convicted of a drug-related felony ineligible for TANF cash assistance or food assistance unless the state enacted a law authorizing their participation. Minnesota is one of 20 states in which drug felons may be eligible for assistance, at least in certain circumstances.²⁸ For persons convicted of a drug offense committed since July 1997, Minnesota law requires welfare agencies to pay the person’s shelter and utilities costs directly to the vendor. In addition, drug felons are subject to random drug

24 National Governor’s Association, “Round Two Summary of Selected Elements of State Programs for Temporary Assistance for Needy Families” (March 14, 1999); <http://www.nga.org/welfare/TANF1998.pdf>, accessed December 8, 1999.

25 Wendy Zimmermann and Karen C. Tumlin, *Patchwork Policies: State Assistance for Immigrants Under Welfare Reform* (Washington, D.C.: Urban Institute, May 1999), 60.

26 CLASP, State Policy Documentation Project, “Categorical Eligibility: Pregnant Women” (July 1999); www.spdp.org/tanf/pregwom.pdf, accessed December 8, 1999.

27 *Ibid.*, “Minor Living Arrangements: Eligibility and Exemptions” (February 1999); www.spdp.org/mla/exempt.pdf, accessed December 8, 1999.

28 National Governor’s Association, “Round Two Summary.”

tests as a condition of eligibility in Minnesota, and failing a drug test can result in a reduced grant.²⁹

- **Eligibility of non-relatives as caregivers:** The AFDC program required children to live with a parent or other caregiver relative in order to qualify for benefits. Today, 39 states have chosen to require caregivers to be relatives, while the others (including Minnesota) allow certain non-relatives (such as legal guardians) to qualify as caregivers. In 87 MFIP cases active in May 1999 (or 0.2 percent of the MFIP caseload), legal guardians were the persons who had applied for welfare.³⁰
- **Eligibility of two-parent families:** The 1996 federal welfare reform gave states flexibility to determine whether two-parent families are eligible to receive TANF benefits and under what circumstances. All 50 states offer benefits to two-parent families. Seventeen determine eligibility based on whether one of the parents is incapacitated or unemployed (as was a condition of eligibility under the former AFDC program); 33 states (including Minnesota) determine two-parent families' welfare eligibility solely on the basis of their financial circumstances.³¹

Finally, states have taken various approaches to divert potential welfare recipients from program participation, or at least to make them aware of alternatives to welfare. Such diversion programs are considered a way of helping families avoid ongoing public dependency, and they can also help families avoid using up some of their 60 months of lifetime eligibility for federal cash benefits. We learned that:

- **About half of the states (including Minnesota) have authorized caseworkers to offer lump-sum payments to welfare applicants in lieu of receiving ongoing benefits.**³²

Minnesota's law allows families at risk of MFIP eligibility to receive a lump sum diversionary assistance payment—up to an amount equal to four months of MFIP benefits. For example, a family might be able to avoid going on welfare by using a lump-sum payment to make a major car repair. Families receiving such

²⁹ *Minn. Stat.* §256J.26, subd. 1. For a first failed drug test, clients can have their grant reduced by 10 percent of the standard of need (prior to payment of shelter and utility costs); subsequent failures result in a reduction equal to 30 percent of the standard of need, following payment of shelter and utility costs.

³⁰ CLASP, State Policy Documentation Project, "Categorical Eligibility: Caretaker Rules" (July 1999); www.spdp.org/tanf/caretaker.pdf, accessed December 8, 1999.

³¹ *Ibid.*, "Categorical Eligibility: Two-Parent Family Rules" (July 1999); www.spdp.org/tanf/categorical/2parent.pdf, accessed December 8, 1999.

³² We identified 27 states for which at least two of the following sources indicated that the state had such a diversion program: *Ibid.*, "Formal Cash Diversion Programs: Overview" (May 1999), www.spdp.org/tanf/applicpendreq.pdf, accessed December 8, 1999; Kathleen A. Maloy, LaDonna A. Pavetti, Peter Shin, Julie Darnell, and Lea Scarpulla-Nolan, *A Description and Assessment of State Approaches to Diversion Programs and Activities Under Welfare Reform* (Washington, D.C.: George Washington University Center for Health Services and Statistics, August 1998); U.S. Department of Health and Human Services, www.acf.dhhs.gov/news/welfare/congress/tanf91a.htm, accessed December 8, 1999; Gallagher and others, *One Year After Federal Welfare Reform*, III-10; Urban Institute, "Welfare Rules Database," <http://newfederalism.urban.org/wrd/>, accessed December 8, 1999.

assistance are ineligible for ongoing welfare benefits for a period of time (up to four months) depending on the size of the lump sum payment they received. Minnesota has had a modest number of such diversion cases, ranging from 14 to 40 per month during the first half of 1999.

Some states have adopted other approaches to reduce welfare dependency at the time of application. For example,

- **At least 20 states (not Minnesota) require applicants for welfare assistance to begin conducting a job search before they have started receiving welfare benefits.**³³

Some states have provided little or no assistance with this, while others have provided applicants with information on financial management and supportive services (such as child care). In a survey of county human services directors throughout Minnesota, we found that 17 percent said they would favor requiring caregivers to search for jobs prior to receiving benefits; 68 percent opposed such a change, and 15 percent offered no opinion.³⁴

Work and Participation Requirements

TANF requires welfare recipients to participate in work-related activities within 24 months of receiving benefits.³⁵ However, states have implemented this requirement in a variety of ways. For instance,

- **A small number of states require welfare recipients to work as a condition of receiving benefits. In contrast, most states (including Minnesota) require welfare recipients to participate in work-related activities.**

A few states require welfare recipients to work.

In states with a “work requirement,” participants can meet this requirement through unsubsidized, subsidized, or community service jobs. For instance, Massachusetts requires non-exempt welfare recipients to work within 60 days of enrollment, and Virginia imposes a similar requirement within 90 days. Both states have expanded their unpaid work experience programs as a way of offering jobs to recipients who are unable to find other jobs.³⁶ In Wisconsin, persons cannot get a welfare grant until they have gone to work, and more than half of the job placements among Milwaukee’s April 1998 program participants were in

³³ CLASP, State Policy Documentation Project, “Pending Application Requirements” (May 1999), www.spdp.org/tanf/applicpendreq.pdf, accessed December 8, 1999; Maloy and others, *A Description and Assessment of State Approaches to Diversion Programs*.

³⁴ Office of the Legislative Auditor, August 1999 survey of county human services directors (N=81).

³⁵ Federal law requires parents or caregivers to engage in work (as defined by each state) within 24 months or whenever they are ready, whichever is sooner.

³⁶ Pamela A. Holcomb, LaDonna Pavetti, Caroline Ratcliffe, and Susan Riedlinger, *Building an Employment Focused Welfare System: Work First and Other Work-Oriented Strategies in Five States* (Washington, D.C.: Urban Institute, June 1998).

Most states require recipients to participate in “work-related activities,” such as job search or training.

community service jobs.³⁷ Other states that require welfare recipients to work include California (after 18 months), Delaware (24 months), Montana (24 months), Rhode Island (24 months), Vermont (30 months), and New Hampshire (after 26 weeks of job search).³⁸

The states without such “work requirements” allow welfare recipients to meet the requirements of federal law by participating in a variety of work-related activities, such as job search, education, training, and other activities. Until 2002, Minnesota has a waiver of federal law that allows it to count certain activities that other states cannot when computing the participation rates of welfare clients in work-related activities. For example, federal law allows states to count only six weeks of a client’s job search in participation rates, but Minnesota can count all client job search. Also, Minnesota can count a second year of higher education participation, but other states cannot.

- **More than half of the states (including Minnesota) require welfare recipients to engage in work-related activities sooner than the 24-month maximum in federal law.**

One recent analysis identified 28 states with participation requirements shorter than the federal limit (most required clients to participate as soon as they began receiving benefits), but it noted that many other states have encouraged participation prior to the 24-month limit without formally requiring this.³⁹



Most welfare recipients must participate in work-related activities within six months of starting MFIP.

Minnesota law requires two-parent MFIP families to begin participation in employment and training services as soon as they begin receiving cash assistance. Also, Minnesota law requires each county to establish a schedule for requiring participation by single-parent families within six months of eligibility for cash assistance.⁴⁰

States have authority to establish exemptions from work participation requirements, and Minnesota exempts the categories of recipients listed in Table 1.7. The federal government only excludes one category of state-exempted recipients when computing states’ participation rates

37 Thomas Kaplan, “Management and Implementation of Wisconsin’s W-2 Program,” Draft (Albany, NY: Rockefeller Institute of Government, 1999); <http://rockinst.org/publications/managing-wisconsin.html>, accessed September 16, 1999.

38 Gallagher and others, *One Year After Federal Welfare Reform*, V-11.

39 National Governors Association, “Round Two Summary.”

40 *Minn. Stat.* §256J.50, subd. 5.

Table 1.7: Persons Exempt from Employment Services

State MFIP law exempts individuals who are:

- Age 60 or older;
- Suffering from a professionally certified illness, injury, or incapacity which is expected to continue for more than 30 days and which prevents the person from obtaining or retaining employment;
- Required to be in the home due to the professionally certified illness or incapacity of another member in the assistance unit, a relative in the household, or a foster child in the household;
- Pregnant (if the pregnancy has resulted in a professionally certified incapacity that prevents the woman from obtaining or retaining employment);
- Caregivers of a child under age one who personally provide full-time care for the child (limited to 12 months of exemption during a lifetime);
- Working at least 35 hours per week (or working at least 20 hours a week, in the case of second parents in two-parent families where the other parent is working at least 35 hours per week);
- Experiencing a personal or family crisis that makes them incapable of participating in the program, as determined by the county agency; or
- Victims of domestic violence with an approved safety plan (limited to 12 months of exemption).

SOURCE: *Minn. Stat.* §256J.52, subd. 6 and §256J.56.

State law authorizes exemptions from work-related activities for a limited number of recipients.

for work-related activities: single parents of children under one year of age.⁴¹ We found that:

- **State practices for exempting parents of young children vary considerably, although Minnesota’s practice of exempting parents of children under age one is the most common.**

At one extreme, 5 states have no exemptions for parents based on the ages of their children, and 11 states only exempt parents of children who are three months of age or younger.⁴² At the other extreme, one of the states that requires non-exempt welfare recipients to work soon after enrollment (Massachusetts) has a relatively broad exemption policy, exempting parents of children under age six.⁴³

⁴¹ Such parents may be excluded from the participation rate calculations for a cumulative lifetime total of 12 months.

⁴² The states that exempt parents of children three months or younger include Arkansas, Delaware, Florida, Michigan, Nebraska, New Jersey, North Dakota, Oregon, South Dakota, Wisconsin, and Wyoming. The states with no exemptions are Georgia, Idaho, Iowa, Montana, and Utah. Gallagher and others, *One Year After Federal Welfare Reform*, V-3.

⁴³ Massachusetts recipients with children between the ages of two and six are encouraged but not required to work.

Twenty-five states, including Minnesota, have established one year of age as the exemption threshold for parents of young children.⁴⁴

In addition,

- **Minnesota is one of 34 states that exempts domestic violence victims from work requirements or extends the time they have to complete the requirements.**

In Minnesota, domestic violence victims may be exempted from work requirements for three months once they develop a “safety plan.”⁴⁵ The three-month exemption is the shortest of any state, although it can be renewed up to three times. Most states with domestic violence exemptions do not limit the period of time that victims may be exempt from employment services. Also, Minnesota is one of a few states that requires evidence beyond the victim’s statement to grant an exemption.⁴⁶ During the first six months of 1999, an average of 128 cases per month (0.3 percent of the MFIP caseload) had safety plans that exempted caregivers from work requirements.

Welfare recipients who do not cooperate with work participation requirements can receive sanctions. Minnesota law authorizes MFIP families’ grants to be reduced by 10 percent of the MFIP “standard of need” for initial noncompliance and 30 percent for subsequent occurrences.⁴⁷ We found that:

- **Minnesota has smaller maximum sanctions for noncompliant clients than most states.**

Most states can eliminate a family’s grant for noncompliance with program rules.

Most states apply increasingly severe sanctions with new instances of noncompliance, and 36 states allow clients to be sanctioned for the full amount of their family’s grant. Fourteen states allow such “full family sanctions” for an initial instance of non-compliance. To discourage repeated noncompliance, many states (1) require sanctions to be imposed for a minimum of two or more months, or (2) require recipients to show good faith efforts to comply before benefits are restored. Seven states have the option of lifetime bans on TANF benefits. Unlike other states, Wisconsin links the size of each sanction to the number of hours the recipient failed to participate in required activities.⁴⁸

⁴⁴ In addition, 17 states (including Minnesota) limit caregivers to a lifetime total of 12 months of exemptions that are based on the age of the youngest child.

⁴⁵ *Minn. Stat.* §256J.52, subd. 6. State law does not specify what a safety plan should include.

⁴⁶ Jody Raphael and Sheila Haennicke, *Keeping Battered Women Safe Through the Welfare-to-Work Journey: How Are We Doing?* (Chicago: Taylor Institute, September 1999). Of the 34 states that grant waivers, nine grant waivers for indefinite periods, and all but two of the others can grant unlimited renewals. The report says that six states require proof beyond the victim’s statement for a waiver to be granted.

⁴⁷ *Minn. Stat.* §256J.46. The “standard of need” is the basis for determining the size of an individual’s MFIP benefit payments.

⁴⁸ Gallagher and others, *One Year After Federal Welfare Reform*, IV-6 to IV-9.

Time limits on eligibility are a new feature of state welfare programs.

Time Limits

The federal TANF law did not require states to limit the amount of time that persons could be on welfare, but it did limit each individual welfare recipient to 60 months of federally-funded TANF benefits over the course of a lifetime. Although no states had welfare time limits just a few years ago, states have recently implemented a diverse set of limits. According to an analysis by the Urban Institute,

- **Forty-eight states have adopted welfare time limits. In 43 of these states (including Minnesota), families could lose their eligibility for cash assistance after a certain period of time on welfare.**⁴⁹

Michigan and Vermont have not set time limits for welfare recipients, and these states will have to pay the full welfare costs for clients who use up their 60 months of eligibility for TANF benefits. Three states (California, Maryland, and Rhode Island) will eliminate only the adult portion of cash assistance after 60 months. Texas families can receive full welfare benefits for 12 to 36 months (depending on client characteristics), after which they lose the adult portion of the grant.⁵⁰ New York limits TANF benefits to 60 months, but persons who reach this limit will be automatically transferred to a general assistance program that provides vouchers equal to their TANF benefits.⁵¹ Oregon has a 60-month time limit in state law, but persons complying with work-related activities will not be subject to the limit, and Oregon officials told us that non-compliant recipients would have had their benefits terminated well before the 60-month limit is reached. Iowa is the only state that sets time limits on a case-by-case basis. Of the 43 states with benefit-termination time limits, we found that:

- **Twenty states have time limits that could result in termination of benefits before clients have been on welfare for 60 months over a lifetime. Twenty-three states (including Minnesota) have policies that would terminate a family's benefits no sooner than after the sixtieth month of receiving benefits.**

Connecticut has the shortest lifetime limit, limiting recipients to 21 months of welfare receipt over a lifetime. (As noted below, however, Connecticut also has the option of granting “extensions” to clients found to be making good faith efforts to find employment.) In Tennessee, persons on welfare for 18 months lose their eligibility for three months and then can re-apply. Several states have 24-month time limits, in a variety of forms:

⁴⁹ *Ibid.*, IV-3 to IV-12. We contacted a small number of states to confirm or update the Urban Institute's data, but it is possible that changes occurred in other states that we did not contact.

⁵⁰ Texas has no time limit for the children's portion of the grant. Also, “time clocks” for adult recipients in Texas initially started only when the recipients were notified about openings in the state's welfare-to-work program.

⁵¹ The cost of the general assistance program is split between the state and counties, and payments are made to vendors rather than through cash assistance to clients.

Time limit policies vary among the states.

- Four states terminate benefits after 24 months. In two of these states, terminated recipients can re-apply for benefits after a period of ineligibility (one to three years).
- Seven states have “conditional” time limits that allow clients to receive welfare for 24 months within a prescribed time period. For example, Massachusetts limits clients to 24 months of welfare within a 60-month period.
- Two states eliminate the adult portion of the welfare grant after the twenty-fourth month of benefits.

The effective dates of state time limits also vary. Clients in a few states started to reach time limits before 1998, but more than half of the states have limits that will not take effect until 2001 or 2002. Time limits will not result in termination of benefits in Minnesota until at least July 2002—the latest date of a “first impact” of time limits among the 50 states.⁵²

The impact of time limits will depend not only on their effective dates, but also on state practices for giving extensions and exemptions. One study found that nearly all persons who reached the time limit in a Florida county were terminated from welfare, while the “vast majority” of Connecticut recipients who reached the time limit and had incomes below the payment standard received extensions.⁵³

As of 1997, 30 states exempted recipients from time limits due to disabilities or illness, and 25 states exempted recipients who were caring for disabled persons (Minnesota has neither exemption). Nineteen states (including Minnesota) exempted victims of domestic violence from time limits.⁵⁴

SPENDING

TANF is a federal block grant program that annually distributes over \$16 billion to the states. Minnesota annually receives \$267 million in TANF funds regardless of the number of people who qualify for MFIP. The federal government also requires states to maintain their own TANF-related spending at 80 percent of what they spent on similar programs in 1994. Minnesota must annually spend at least \$191 million of its own funds.

If the economy goes into a recession and more residents qualify for MFIP, the state receives no additional federal funds to pay for increased program costs. However, if the economy experiences a boom (like the one the state is currently

⁵² The date of “first impact” depends on the length of the time limit and when the state’s TANF plan became effective. Several states besides Minnesota have July 2002 as the earliest possible date of benefit termination. Under the 60-month limit, Minnesota could terminate benefits before July 2002 in cases where recipients moved to Minnesota from states in which the client “time clocks” started before July 1997.

⁵³ Dan Bloom, *Welfare Time Limits: An Interim Report Card* (New York: Manpower Demonstration Research Corporation, April 1999).

⁵⁴ Gallagher and others, *One Year After Federal Welfare Reform*, IV-5 to IV-12. Minnesota exempts domestic violence victims during months when the person is complying with a safety plan.

experiencing) and fewer residents qualify for MFIP, the state must still spend \$191 million of its own funds annually. In such a case, federal funds will go unspent unless the state changes the MFIP program. In February 1999, Minnesota projected that it would have a \$302 million reserve of TANF funds by the end of the 2000-01 biennium.⁵⁵

The TANF law has no provisions for unused federal funds to revert back to the federal government when the block grant expires on September 30, 2002. However, Congress could decide to take back these funds when it reauthorizes the program. During 1999, Congress considered proposals to reduce states' TANF funds in proportion to their unused funds.

Minnesota has a large reserve of unused federal welfare money.

In 1999, the Legislature took steps to spend additional TANF funds and bring the reserve down to a projected \$91 million by the end of the 2000-01 biennium. This amount was expected to be sufficient to cover increased MFIP costs during the biennium that might result from a recession.⁵⁶ However, the Department of Finance's November 1999 revenue forecast projected that Minnesota's TANF reserves will reach \$164 million by the end of the biennium, and the department said that its national economic consultant "believes uninterrupted growth is likely to continue for several years."⁵⁷

Minnesota's TANF spending was rather typical of other states for federal fiscal year 1998. Combining federal and state TANF funds, Minnesota spent \$80 per resident (compared with a national average of \$81) and nearly \$8,000 per cash recipient (compared with \$7,000 nationally).⁵⁸

55 Minnesota Department of Human Services, "TANF Financing Summary, February Forecast, Governor's Recommendations," March 4, 1999.

56 Minnesota Department of Finance, Memorandum from Commissioner Pamela Wheelock to the Legislature, April 13, 1999.

57 Minnesota Department of Finance, *Minnesota Financial Report* (St. Paul, November 1999), 14, 58.

58 Office of the Legislative Auditor analysis of spending data from the United States Department of Health and Human Services (DHHS), <http://www.acf.dhhs.gov/programs/ofs/data/index.html>, accessed September 30, 1999 and November 9, 1999, and caseload data from DHHS, http://www.acf.dhhs.gov/programs/opre/characteristics/fy98/tab01_98.htm, accessed October 1, 1999. The spending figures include federal and state spending on TANF programs but exclude state spending on "separate" welfare programs that states can count toward their TANF maintenance of effort requirement. The figures also exclude federal TANF funds transferred to the social services and child care block grants. Our calculations excluded from Minnesota's caseload those clients who only receive food assistance.

Caseload Characteristics and Trends

SUMMARY

Minnesota's welfare caseload reached an all-time high in 1994, but it has since declined by 39 percent (compared with 50 percent for the nation). The strong economy appears to explain much of the decline, but program differences may account for Minnesota's below-average caseload decline. The percentage of Minnesota's nonwhite children using welfare is about ten times as high as it is for white children, and this discrepancy is much larger in Minnesota than in the nation as a whole. During the past decade, subgroups with a history of long-term welfare use made up an increasing percentage of Minnesota's welfare caseload.

As we discussed in Chapter 1, national goals for welfare reform include reducing welfare dependency and preventing out-of-wedlock pregnancies. To help measure the state's progress in reducing welfare dependency, this chapter examines welfare caseload trends and analyzes trends in out-of-wedlock births and interstate migration--both of which can affect Minnesota's welfare caseload. (In the next chapter, we use measures of work and earnings to examine trends in dependency.) Specifically, this chapter addresses the following questions:

- **How has the size of Minnesota's caseload changed over time and how does this compare with other states? What explains the changes over time? What explains differences between Minnesota and other states?**
- **What are the characteristics of families participating in MFIP? What subgroups are at higher risk for long-term welfare usage?**
- **How have the characteristics of Minnesota's welfare recipients changed in recent years?**
- **What evidence is there that migration of persons to Minnesota has added to Minnesota's welfare caseload?**

To answer these questions, we reviewed national studies and obtained data from the Minnesota Department of Human Services (DHS) and the U.S. Department of Health and Human Services. We obtained aggregate data from DHS as well as individual level data extracted from the DHS welfare information system. We also obtained demographic information from a variety of sources, including the Minnesota Department of Health, the U.S. Department of Health and Human Services, the State Demographer's Office, and the Minnesota Department of Children, Families & Learning.

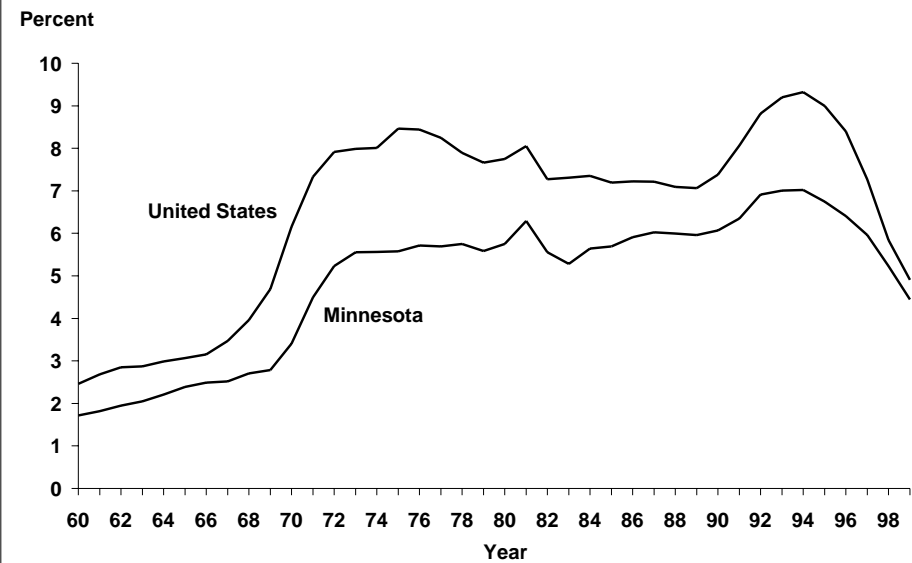
CASELOAD TRENDS

To help us analyze recent changes in welfare dependency, we examined Minnesota’s caseload trends and compared them with trends in other states. Welfare caseload trends for both Minnesota and the nation changed dramatically during the 1990s. Figure 2.1 tracks the trend in welfare caseload over the past four decades as a percentage of women ages 18-44. After more than doubling between 1967 and 1972, welfare caseloads changed slowly during the rest of the 1970s and the 1980s.¹ But caseloads rose sharply during the early 1990s, reaching all-time highs in 1994. Since then, welfare caseloads have declined at unprecedented rates in both Minnesota and the nation. We found that:

- After reaching an all-time high in 1994, Minnesota’s welfare caseload declined by 39 percent, compared with 50 percent for the nation.

In recent years, welfare caseloads declined at unprecedented rates.

Figure 2.1: Welfare Caseload as a Percentage of Women (Ages 18-44), 1960-99



SOURCE: U.S. Department of Health and Human Services, Minnesota Department of Human Services, U.S. Census Bureau.

The recent decline easily surpassed previous caseload declines. Prior to 1994, the only time Minnesota’s caseload declined by more than 3 percent was between 1981 and 1983, when its caseload declined by 16 percent following the Reagan Administration’s welfare cutbacks. The largest decline for the United States caseload was 11 percent during the four years following the same cutback.

¹ According to one analysis, welfare caseloads increased rapidly during the late 1960s and early 1970s because of (1) the general expansion of public assistance programs, including AFDC, Medical Assistance, and food stamps, (2) court decisions that forced states to adopt more liberal eligibility procedures, and (3) work by advocacy groups to encourage poor families to apply for welfare benefits. See Rebecca Blank, *What Causes Public Assistance Caseloads to Grow?* National Bureau of Economic Research Working Paper 6343 (Cambridge, MA, December 1997).

While Minnesota and the nation had generally similar caseload trends, Minnesota's caseload has been gradually getting closer to the national average. Minnesota's caseload is still a smaller percentage of the population than it is nationally, but Minnesota is now closer to the national average than it has been for at least four decades.²

Our review of caseload declines in nearby states revealed that:

- **Between 1994 and 1999, nine of ten nearby states had larger caseload declines than did Minnesota.**

The only exception was Nebraska, whose caseload declined by 33 percent. As Table 2.1 indicates, caseload declines in the other nine nearby states ranged from 70 percent in Wisconsin to 46 percent in Iowa.

It is important to recognize that differences in caseload trends may in part reflect different goals and strategies adopted by states under federal welfare reform. According to DHS officials, MFIP is designed primarily to reduce welfare dependency by increasing the work and earnings of recipients. Typically, recipients remain eligible for cash assistance under MFIP until their income exceeds about 85 percent of the poverty level.³ Thus, to fully assess how much progress Minnesota has made to reduce welfare dependency, it is also important

Differences in caseload trends partly reflect the goals and strategies adopted by states.

Table 2.1: Welfare Caseload Decline, Minnesota Compared with Nearby States, 1994-99

	Welfare Caseload		Percent Change
	January 1994	June 1999	
U.S. Total	5,053,000	2,536,000	-50%
Wisconsin	78,507	23,251	-70
Michigan	225,671	90,541	-60
Kansas	30,247	12,799	-58
South Dakota	7,027	3,062	-56
Illinois	238,967	114,686	-52
Indiana	74,169	37,156	-50
North Dakota	6,002	3,085	-49
Missouri	91,598	48,351	-47
Iowa	39,623	21,270	-46
Minnesota	65,621	40,013	-39
Nebraska	16,145	10,799	-33

NOTE: We adjusted caseload figures reported by the U.S. Department of Health and Human Services for Minnesota and Wisconsin to make their caseload trends more comparable with other states. See discussion on pp. 26-27.

SOURCES: U.S. Department of Health and Human Services (<http://www.acf.dhhs.gov/news/stats/case-fam.htm>), Minnesota Department of Human Services, and the Rockefeller Institute of Government.

² As a percentage of women ages 18-44, Minnesota's caseload in June 1999 was about 4.4 percent, compared with 4.7 percent nationally, a difference of about 10 percent. During the 1970s, Minnesota was between 27 and 43 percent below the national average.

³ In 1998, a family of three needed to have an income of \$954 per month to leave cash assistance under MFIP, compared with an average of \$975 in the United States.

to review Chapter 3's discussion of trends in work and earnings. DHS officials also said that caseload reduction is not an overriding goal in Minnesota, as it is in some other states. For example, unlike Minnesota, some states can impose 100 percent sanctions for noncompliance with work requirements or they limit welfare eligibility to less than five years.

Some welfare officials have suggested that Minnesota's caseload decline was below average because its unemployment rate and caseload were lower than the national average to begin with. (During the last recession, the nation's unemployment rate reached a peak of 8 percent in early 1992, when Minnesota's unemployment rate was 6 percent.) Since Minnesota's economy had less room for improvement, they said that it would have been harder for Minnesota to reduce its welfare caseload. However, Minnesota's unemployment rate continues to be 2 points less than the national average (2.4 percent compared with 4.4 percent for fiscal year 1999). Consequently, it is not clear that the economy explains any of the difference in caseload decline.

Some welfare officials also suggested that Minnesota's caseload has not declined as much as in other states because Minnesota's work incentives allow recipients to earn more income than they would in other states before they lose eligibility for welfare benefits. However, this does not appear to be a major factor because the income that would disqualify a family of three from MFIP's cash assistance in 1998 was almost the same as the national average.

One reason for Wisconsin's large caseload decline is its stringent work requirements.

Wisconsin's caseload decline reflects several factors. For example, Wisconsin has more stringent work requirements than most other states. It requires applicants to search for a job prior to becoming eligible for welfare and requires recipients to work in community service jobs if they are unable to find a job. In addition, Wisconsin levies sanctions up to the full grant for not complying with program requirements. Its average sanction amount has been between 50 and 70 percent of the monthly grant.⁴ Also, Wisconsin was the only state to require AFDC recipients to re-apply for Temporary Assistance for Needy Families (TANF). Many AFDC recipients did not respond to letters and were dropped from public assistance by March 1998, six months after Wisconsin's TANF program began.

Our calculation of Minnesota's caseload decline (39 percent) is larger than what has previously been reported in national reports because it adjusts for program changes that distort caseload trends in the federal data. Caseload data published by the U.S. Department of Health and Human Services indicate that Minnesota's caseload decline was 29 percent between 1994 and 1999. The federal data compare Minnesota's AFDC caseload in 1994 with its MFIP caseload in 1999. These data understate the actual caseload decline because in 1998 Minnesota combined cases from three programs into MFIP (AFDC, Family General Assistance, and food stamps). To make caseload data comparable over time, we added Family General Assistance cases to the 1994 figure and subtracted food-assistance-only cases from the 1999 figure.

⁴ Thomas Kaplan, "Management and Implementation of Wisconsin's W-2 Program," Draft, 1999; <http://rockinst.org/publications/managing-wisconsin.html>, accessed September 16, 1999.

The federal government's caseload data on Wisconsin also distorts caseload trends, but in the opposite direction. The federal data overstate Wisconsin's caseload decline because the 1999 caseload figure omits about 15,000 cases that Wisconsin transferred into separate programs.⁵ Wisconsin created separate programs for families headed by (1) a disabled parent receiving assistance from the federal Supplemental Security Income (SSI) program, or (2) a non-parent relative. To make Wisconsin's caseload data comparable with 1994 figures and with other states, we added these cases to its 1999 figures in Table 2.1.

Even after adjusting caseload figures for Minnesota and Wisconsin, Wisconsin's welfare caseload decline is still much larger than most other states. Wisconsin's 70 percent decline is nearly twice as large as Minnesota's decline.

In addition to program factors, analysts generally point to demographic and economic factors to explain caseload trends. In the following two sections, we discuss in more detail some of the factors that have influenced welfare caseload trends—(1) out-of-wedlock births, and (2) the economy and welfare reform policies.

Many welfare cases begin with an out-of-wedlock birth.

Out-of-Wedlock Births

Welfare cases are often caused by out-of-wedlock births, particularly those to women who lack their own financial resources as well as support from the father and family. A Department of Human Services' longitudinal survey found that 53 percent of single parent MFIP applicants said that a pregnancy or birth was a reason for applying.⁶ Furthermore, women who never marry are at greater risk for long-term welfare use, so out-of-wedlock births may affect the duration of welfare cases as well as their frequency.⁷

Minnesota's out-of-wedlock birth rate has been growing rapidly for the past four decades, contributing to Minnesota's welfare caseload. The Minnesota Department of Health's vital statistics indicate that:

- **Minnesota's out-of-wedlock birth rate doubled three times between 1960 and 1997.**

The percentage of births that were out-of-wedlock doubled from 3 percent in 1960 to 6 percent in 1966, reached 12 percent in 1982, and doubled a third time by 1997 (to 25 percent).

As Figure 2.2 shows, out-of-wedlock birth rates have steadily climbed in the nation as well as in Minnesota, though Minnesota's rate has grown at a faster pace than the national rate since 1980. Specifically, between 1980 and 1997, Minnesota's rate grew by 120 percent, while the nation's rate grew by 76 percent.

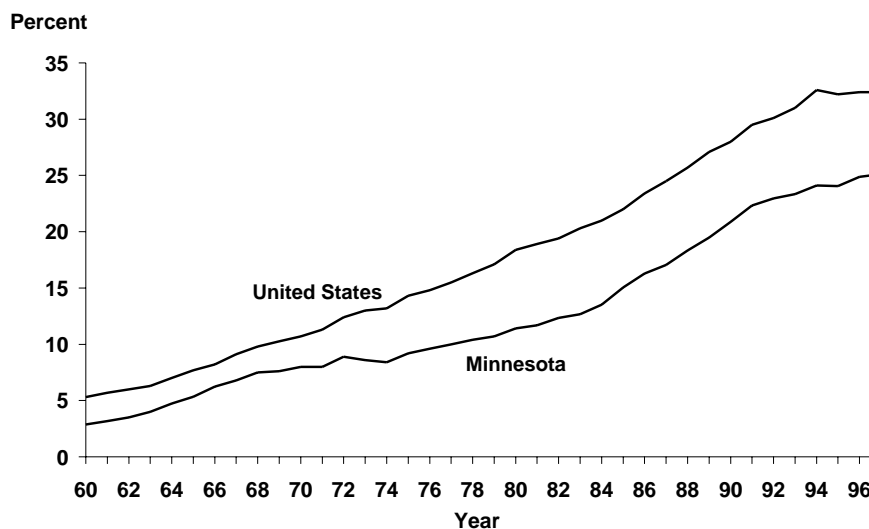
⁵ *Ibid.*

⁶ Single parent applicants include caregivers and pregnant women who were not living with a spouse or the other parent of any of their children, and had not received any family cash assistance during the five years prior to application. See Department of Human Services, *Minnesota Family Investment Program Longitudinal Survey: Baseline Report* (St. Paul, August 1999), 56.

⁷ Mary J. Bane and David T. Ellwood, *Welfare Realities: From Rhetoric to Reform*, (Cambridge, MA: Harvard University Press, 1994), 44.

One-fourth of Minnesota's births are out of wedlock.

Figure 2.2: Percentage of Births that are Out of Wedlock, 1960-97



SOURCE: U.S. Census Bureau and U.S. Department of Health and Human Services, Minnesota Department of Health. U.S. data were interpolated for 1961-64 and 1966-69.

Throughout this time period, Minnesota's out-of-wedlock birth rate was below the national average. In 1997, Minnesota's rate was 22 percent below the national average (25 percent compared with 32 percent). Previously, it had been as much as 38 percent below the national average (in 1980).

Out-of-wedlock birth rates vary greatly by race, age, and education. Our review of 1997 birth rates in Minnesota indicated that:

- **Groups with especially high out-of-wedlock birth rates include teenagers, American-Indian and African-American women, and women who have not graduated from high school.**

As Table 2.2 shows, out-of-wedlock birth rates for American-Indian women (81 percent) and African-American women (67 percent) were two to four times as high as rates for white (20 percent) and Asian-American women (26 percent).⁸ Unlike Minnesota's overall rate, out-of-wedlock birth rates for African-American women have declined in recent years—going from a peak of 75 percent in 1992 to 67 percent in 1997.

When we analyzed out-of-wedlock birth rates by level of education, we found that the rates ranged from 76 percent for women with 9 through 11 years of education to 4 percent for college graduates. Large differences in out-of-wedlock birth rates existed among racial/ethnic categories within each education category. For

⁸ Throughout this chapter, we use the term "white" to mean "white non-Hispanic." In addition, we use the terms "African American" and "Asian American" to include refugees from Africa and Asia even though they may not choose to be American citizens.

Table 2.2: Out-of-Wedlock Birth Rates in Minnesota by Race/Ethnicity, Age, and Education, 1997

	<u>Births</u>	<u>Percent to Unmarried Mothers</u>
Total	63,151	25%
Education of Mother		
0-8 years	1,275	46%
9-11 years	5,282	76
High-school graduate	19,747	35
Some college	16,293	20
College graduate	20,595	4
Race/Ethnicity of Mother		
American Indian	1,168	81%
African American	3,276	67
Hispanic	2,175	53
Asian American	2,878	26
White	54,345	20
Age of Mother		
<20	5,675	86%
20-24	12,429	47
25-29	19,628	15
30-39	17,733	9
40+	7,686	9

SOURCE: Minnesota Department of Health.

example, among women with 12 years of education, American-Indian and African-American women had out-of-wedlock birth rates that were more than twice as high as rates for white and Asian-American women.⁹

When we analyzed out-of-wedlock birth rates by age, we found that rates ranged from 86 percent for teenage women to 9 percent for women over 30. While women ages 20 to 24 had a lower out-of-wedlock birth rate (47 percent) than teenage women, they accounted for slightly more out-of-wedlock births than teens (5,837 compared with 4,903).¹⁰ This suggests that, contrary to popular perception, the out-of-wedlock birth problem should not be viewed exclusively as a teen problem.

Minnesota had lower out-of-wedlock birth rates than the nation, but most of this difference may be related to the racial composition of the state compared with the nation. Table 2.3 shows that Minnesota's American-Indian, Asian-American, and Hispanic women had higher out-of-wedlock birth rates than their counterparts nationally, while African-American and white women had slightly lower rates.

⁹ In 1997, out-of-wedlock birth rates for women with 12 years of education were 78.8 percent for American Indians, 72.4 percent for African Americans, 40.6 percent for Hispanics, 31.4 percent for whites, and 28.6 percent for Asian Americans. For each of the other education categories, American-Indian women had the highest out-of-wedlock birth rate and African-American women had the second-highest rate.

¹⁰ In addition, new welfare cases often begin with an out-of-wedlock birth to women 20 to 24. For example, among MFIP women who were never married, had one child, and the child's age was less than one, 38 percent were between 20 and 24 and 47 percent were teenagers.

Some racial and ethnic groups in Minnesota have higher out-of-wedlock birth rates than their counterparts nationally.

Table 2.3: Out-of-Wedlock Birth Rates, Minnesota Compared with the United States, 1997

	Minnesota	United States	Percent Difference
American Indian	81.2%	58.0%	40%
African American	66.7	70.0	-5
Hispanic	53.3	40.7	31
Asian American	25.9	16.7	55
White	20.4	21.5	-5
Total	25.1%	32.4%	-23%

SOURCE: Minnesota Department of Health; U.S. Department of Health and Human Services. The "birth rates" shown are the percentages of all births in these groups that were out of wedlock.

The Economy and Welfare Reform

The economy and welfare reform together have recently reduced welfare caseloads in Minnesota and the nation. While demographic factors (such as the number of out-of-wedlock births) may help explain the caseload increases during the early 1990s, they do not appear to be factors in the recent decline.¹¹ Overall,

- **Researchers generally agree that the strong economy and welfare program changes reduced welfare caseloads nationally after the recession in the early 1990s, although they differ over the relative impact of each.**

Researchers have analyzed caseload declines during two time periods. During the first time period (1993-96), many states experimented with various reforms under waivers granted by the federal government. The second time period (1996-99) followed the nationwide welfare reform enacted by the federal government.

Three studies estimated that the economy explained 26 to 75 percent of the caseload reduction between 1993 and 1996, while program changes explained 1 to 21 percent.¹² (In all of these studies, portions of the caseload decline were not

¹¹ Thomas Gais, *The Relationship of the Decline in Welfare Cases to the New Welfare Law: How Will We Know If It Is Working?* (Albany, NY: Rockefeller Institute, August 19, 1997).

¹² The Council of Economic Advisors estimated that the economy explained 26 to 36 percent of the caseload reduction between 1993 and 1996 and state welfare waiver programs accounted for 14 percent (see The Council of Economic Advisors, *The Effects of Welfare Policy and the Economic Expansion on Welfare Caseloads: An Update* (Washington D.C., August 3, 1999)). Another study found that the economy explained 47 percent of the decline and waivers explained 21 percent (see Geoffrey Wallace and Rebecca Blank, *What Goes Up Must Come Down? Explaining Recent Changes in Public Assistance Caseloads* (Joint Center for Poverty Research, February 1999)). In contrast, a third study found that the economy explained up to 75 percent of the reduction between 1993 and 1996, while state waivers accounted for at most only 1 percent. However, this study noted that welfare waivers further reduce caseloads if they are implemented when unemployment rates are low (see David N. Figlio and James P. Ziliak, *Welfare Reform, the Business Cycle, and the Decline in Welfare Caseloads* (Joint Center for Poverty Research, March 1999)).

A strong economy and welfare reforms have contributed to caseload declines.

explained by the factors examined.) These studies generally found that program changes had larger effects after 1996 than they did before 1996, but there is not a consensus on the size of the impact.¹³

The model used by the Minnesota Department of Human Services to forecast welfare caseload indicates that the economy has been a significant factor in Minnesota's caseload decline. For example, according to the model, economic factors explained about half of the 8 percent caseload decline between July 1998 and June 1999.

MFIP is a likely candidate to explain some of the state's caseload decline, but it is not clear how much of the decline is due to welfare reform. The DHS forecast model does not resolve this issue because it was not designed to measure the effects of program changes.¹⁴

Much remains to be learned about how program changes affect welfare caseloads as well as other outcomes. Researchers do not fully understand all of the reasons for recent caseload trends, partly because they lack comprehensive information about what each state has done to implement welfare reform.

CASELOAD COMPOSITION

In this section, we begin by describing the characteristics of families enrolled in MFIP during 1999. Next we identify subgroups at higher risk of long-term welfare use. We show that Minnesota's welfare caseload composition changed significantly during the past decade, resulting in a caseload that appears to be increasingly at risk for long-term welfare use.

Characteristics of MFIP Recipients in 1999

In May 1999, about 45,000 families were enrolled in the Minnesota Family Investment Program (MFIP), including 43,000 adults and 92,000 children. MFIP provided cash assistance to 42,000 families and food payments to all 45,000 families. These food payments are in lieu of food stamps. The demographic characteristics of MFIP families in May 1999 are summarized in Tables 2.4 and 2.5. Most MFIP families were headed by single women—typically never married, and often with limited education.

The racial/ethnic background of children in MFIP cases was more nonwhite than it was for parents in MFIP families. As Table 2.5 shows, 53 percent of MFIP

¹³ The Council of Economic Advisors estimated that welfare reform legislation explained one-third of the national caseload decline between 1996 and 1998 and the economy accounted for only 8 to 10 percent. Wallace and Blank estimated that the economy explained about 10 percent of the recent decline but lacked adequate data to estimate the impact of welfare reform during this time period. Figlio and Ziliak found that the economy continued to reduce caseloads but welfare reform explained a larger share of the decline after 1996 than it did previously.

¹⁴ An evaluation suggested that the MFIP field trial program caused a small increase in welfare caseload. However, these results cannot be generalized to the current MFIP program because the field trials provided more generous benefits than the statewide version of MFIP.

Table 2.4: Demographic Characteristics of MFIP Families, May 1999

	Number of Cases	Percent
Type of Household		
Single parent	35,002	79%
Two parent	6,186	14
Non-parent caregiver	3,240	7
Education of MFIP Parents		
Less than 9th grade	3,926	10%
9-11 years	12,027	30
High school graduate	19,348	49
Some college	4,015	10
Four-year college graduate	271	1
Age of MFIP Parents		
Less than 20	4,179	10%
20-29	17,398	42
30-39	13,019	32
40+	6,592	16
Citizenship Status of Parents		
U.S. citizen	34,792	84%
Non-U.S. citizen	6,396	16
Marital Status of Single Parents		
Never married	21,326	61%
Divorced, separated, widowed	12,141	35
Married	1,535	4
Marital Status of Two-Parent Couples		
Never married	1,720	28%
Divorced, separated, widowed	594	10
Married	3,872	63
Gender of Single Parents		
Female	33,132	95%
Male	1,870	5

NOTE: Education, age, citizenship status, and marital status of MFIP parents are based on one parent per case (in two-parent families, this is the parent who applied for MFIP—usually the mother). We included parents who were ineligible for MFIP but are taking care of children who were eligible for MFIP. We did not include parents who were absent from the children's home. Subtotals may not match because of missing data.

SOURCE: Office of the Legislative Auditor, analysis of welfare case data extracted from Department of Human Services' data warehouse.

parents were nonwhite, but nearly two-thirds of MFIP children were nonwhite. The difference was especially large for Asian-American families (9.4 percent for parents, compared with 15.6 percent for children).

Another way to look at characteristics of welfare recipients is to determine the percentage of various subpopulations that received welfare. We focused on the percentage of children on welfare because the available data for parents in welfare families were incomplete, particularly for cases in which neither parent was living with the children. Also, we had more reliable population data for nonwhite children than for nonwhite adults. To estimate the percentage of children that

Most single parents on MFIP have never married and have limited educations.

Table 2.5: Racial and Ethnic Background of MFIP Parents and Children, July 1999

	Parents	Children
<i>N</i>	41,147	89,682
White	47.1%	34.9%
African American	28.2	32.2
Asian American	9.4	15.6
American Indian	8.6	9.6
Hispanic	6.6	7.7
Total	100.0%	100.0%

NOTE: Parents include applicants from MFIP cases who were a parent to at least one child in the case. We did not include parents who did not live with their children nor second parents in two-parent families. In two-parent families, 90 percent of the applicants were women.

SOURCE: Legislative Auditor's Office analysis of welfare case data extracted from Department of Human Services' data warehouse.

were on welfare in July 1999, we used population estimates of the U.S. Census Bureau and school enrollment data. Overall, about 7 percent of Minnesota's children were on MFIP in July 1999, but welfare utilization varies greatly by race. For July 1999, we estimate that:

- **Welfare participation rates for children from minority groups were 8 to 14 times as high as the rate for white children.**

Large percentages of Minnesota's nonwhite children are on welfare.

In July 1999, about 40 percent of Minnesota's African-American children were enrolled in MFIP, 14 times as high as the percentage for white children (2.9 percent). Participation rates for other minority groups were 36 percent for American Indians, 26 percent for Asian-American children, and 23 percent for Hispanic children.¹⁵

Out-of-wedlock birth rates and teenage birth rates likely explain some of the difference in welfare participation rates. As we showed previously, out-of-wedlock birth rates for American-Indian and African-American women have been three to four times higher than the rate for white women. Births to teenagers often result in new welfare cases and teen parents are higher risks for long-term welfare use. In Minnesota, African-American and Hispanic teenagers have had birth rates about five times as high as rates for white teenagers.¹⁶

Welfare is a means-tested program, so welfare utilization and poverty are closely linked. An analysis of poverty in Minnesota in 1990 found that Asian Americans, African Americans, and American Indians had poverty rates three to five times as

¹⁵ The rate for Hispanic children is higher in July than in most other months because of migrant farm workers who come to Minnesota during the summer.

¹⁶ U.S. Department of Health and Human Services, Center for Disease Control and Prevention, *National Vital Statistics Reports* 47, n. 12 (Hyattsville, MD: National Center for Health Statistics, 1998), 15.

Poverty and single parenthood contribute to higher rates of welfare use.

high as whites.¹⁷ The study concluded that most though not all of these disparities reflected differences in factors such as education, employment, and household structure. The factor with the strongest association with poverty was single motherhood. Education, age, race, household size, and employment status were also important, but they had much stronger effects for single mother households. In other words, the combination of single motherhood and other risk factors is a key determinant of poverty.

Compared with the nation, Minnesota's percentage of children on welfare has been below average (7.1 percent in 1998, compared with the national average of 8.8 percent). However, our review of welfare use by race indicated that:

- **Nonwhite children in Minnesota were much more likely to be on welfare than were nonwhite children in the nation.**

As Table 2.6 shows, American-Indian and Asian-American children in Minnesota were about three times as likely to use welfare as their counterparts in the nation. About 36 percent of Minnesota's American-Indian children were on welfare in July 1998, compared with 12 percent in the nation. One reason that Minnesota had an above-average rate for Asian-American children is that Minnesota has most of the nation's Hmong, a population with very little formal education.¹⁸

Table 2.6: Percentage of Children on Welfare by Race, Minnesota Compared with the United States, 1998

	<u>Minnesota</u>	<u>United States</u>	<u>Percent Difference</u>
African American	38.8%	23.6%	64%
American Indian	35.5	11.6	206
Asian American	24.7	8.5	189
Hispanic	21.6	14.3	51
White	3.1	3.9	-21
Total	7.1%	8.8%	-20%

NOTE: To make Minnesota's rates comparable to the national rate, we excluded children from cases that received food assistance only.

SOURCE: Minnesota Department of Human Services July 1998 child counts, with adjustments for food-assistance-only cases by Office of Legislative Auditor, based on analysis of data extracted from the DHS data warehouse; U.S. Department of Health and Human Services TANF reports; U.S. Cen-

¹⁷ American Indians had the highest poverty rate (46 percent), followed by African Americans (36 percent), Asian Americans (27 percent), and whites (9 percent). See Dennis Ahlburg, "Characteristics of Poverty in Minnesota," *CURA Reporter* (Minneapolis: Center for Urban and Regional Affairs, September 1998), 7-11.

¹⁸ According to the state demographer, most of the nation's Hmong refugees settled in Minnesota and Fresno, California. Recently, many Hmong migrated from Fresno to Minnesota, giving Minnesota most of the nation's Hmong population.

Some Minnesota minority groups have very high teen birth rates.

For African-American children and Hispanic children, Minnesota's rate of welfare use was 64 and 51 percent higher than the national rate, respectively. One reason for these differences may be that Minnesota's birth rates for African-American and Hispanic teenagers have been among the highest in the nation. According to a recent federal government report, Minnesota's birth rate for African-American teenagers between 15 and 19 years was 119 per 1,000 women, compared with 88 for the United States.¹⁹ The corresponding rates for Hispanic teenagers were 137 in Minnesota and 97 in the United States. Another reason that the welfare utilization rate for Hispanic children was high in Minnesota is that the data were based on child counts in July—the time of year when Hispanic farm workers are most likely to be in Minnesota.

The percentage of Minnesota children on welfare decreases rapidly with age. Pre-school children are more than twice as likely to be on MFIP as high-school-age children. For example, among white children, the percentage on welfare in July 1999 ranged from 4.3 percent for pre-school children to 1.4

Table 2.7: Percent of Children on MFIP by Age and Race, July 1999

Race/Ethnicity	Thousands of Children in Population	Age				Total
		0-4	5-9	10-14	15-17	
African American	72	52%	43%	33%	24%	40%
American Indian	24	49	36	32	21	35
Asian American	56	20	28	27	25	25
Hispanic	30	31	24	18	12	23
White	1,098	4	3	2	1	3
Total	1,281	10%	8%	6%	4%	7%

NOTE: Population estimates for white, American Indian, and Hispanic children are based on U.S. Census estimates for July 1, 1998. Public school enrollment counts for African American and Asian American children are substantially higher than census estimates. Consequently, we adjusted U.S. Census estimates for each age group based on the ratio of school enrollment counts for grade school children to the census estimates for the corresponding age group.

SOURCES: (1) U.S. Census population estimates by state, age, and race; (2) Minnesota public school enrollment reports by the Department of Children, Families & Learning; (3) Department of Human Services count of children on MFIP, July 1999.

percent for high-school-age children (see Table 2.7). For African Americans and American Indians, about half of pre-school children were on MFIP, compared with 20 to 24 percent of high-school-age children.

Subgroups at Higher Risk for Long-Term Welfare Use

We identified groups that tended to use welfare for longer-than-average time periods based on a national study and our analysis of welfare use under MFIP.²⁰ In this section, we discuss results of both of these analyses.

¹⁹ U.S. Department of Health and Human Services, Center for Disease Control and Prevention, *National Vital Statistics Reports*, 7.

²⁰ Each approach has its own advantages. The national study covers a longer time period, includes some data for which we did not have access (e.g., work experience), and analyzed effects independent of other factors. Our MFIP data is more recent, is based on Minnesota's experience, and includes some variables missing from the national study (e.g., citizenship status and child-only cases).

National research has identified factors associated with long-term welfare use.

The national study found that welfare use was strongly associated with five factors: marital status, education, race, disability status, and work experience.²¹ Welfare use was also associated with the age of the mother and family size, though the relationship was not as strong as it was for the first five factors. Researchers found that each of these factors significantly affected welfare use beyond that which could be explained by other measured factors. In particular, subgroups found to more often use welfare for longer time periods included (1) parents who never married, (2) parents with disabilities, (3) African Americans, (4) high school dropouts, (5) parents with no recent work experience, (6) teenage mothers, and (7) large families.

For Minnesota families receiving welfare in December 1997, we examined subsequent welfare use. Our findings were consistent with the national findings. We did not isolate the impact of individual characteristics from other factors, so it is possible that a factor associated with long-term welfare use may actually reflect some other underlying characteristic. As Table 2.8 shows, we found that:

- **Subgroups more likely to stay on MFIP continuously for the first 19 months included large families, minority families, “child-only” cases, families whose parents had less than a 12th grade education, teen parents, parents who never married, and non-U.S. citizens.**

Two of the MFIP subgroups who were likely long-term welfare users merit further discussion because they were not identified as such in the national study cited above. First, “child-only” cases have children who are eligible for welfare payments but they do not have welfare-eligible adults. In May 1999, 17 percent of MFIP cases were child-only cases. Nearly half were families with parents who were ineligible for MFIP because they received disability assistance from the federal Supplemental Security Income (SSI) program. Another 38 percent of these cases were families headed by a relative who was not a parent of the children in the family. Other child-only cases included families with parents who failed citizenship requirements (usually undocumented noncitizens with children born in the United States) and parents who were ineligible because they committed fraud or did not meet requirements for getting a social security number.

Child-only cases receive a smaller grant than they would if the adult caregiver was also eligible, but they are subject to neither time limits nor work requirements. In fact, income earned by relative caregivers is not considered in grant calculations unless the caregiver volunteers to be part of the assistance unit.²² This may be a reason these cases tend to remain on welfare for longer-than-average time periods.

Second, we found that noncitizens were more likely to remain on MFIP for long periods than U.S. citizens. Noncitizens on welfare in Minnesota had substantially less education and larger families than their U.S. citizen counterparts, and these

²¹ Bane and Ellwood, *Welfare Realities: From Rhetoric to Reform*, 42-53.

²² The assistance unit usually includes eligible parents and children living in one household. The MFIP grant is based primarily on the number of people in the assistance unit and their income. Nonparent relatives who take care of children eligible for MFIP can choose whether to be part of the assistance unit; most choose not to be part of it.

two factors are usually associated with longer welfare spells. Approximately half of noncitizen MFIP recipients had less than a ninth-grade education, compared with 4 percent of U.S. citizen recipients. Only 30 percent of noncitizens had a high school degree, about half the rate for U.S. citizens. Twenty-three percent of noncitizen families had five or more children, while just 4 percent of U.S. citizen families were this large.

Table 2.8: Subsequent MFIP Use by December 1997 Cases, by Subgroup

	Number of Cases December 1997	Percentage of December 1997 AFDC Cases That Were:	
		Continuously On MFIP for Next 19 Months	Continuously Off MFIP for First 7 Months of 1999
Education			
0-8	3,705	62%	21%
9-11	11,761	48	28
High school graduate	23,747	39	38
Some college	5,685	35	42
College graduate	428	34	47
Race/ethnicity			
Asian American	4,027	68%	20%
African American	12,113	51	27
American Indian	4,167	48	26
Hispanic	2,478	38	37
White	24,175	36	41
Marital status of U.S. citizen parents			
Never married	21,779	43%	32%
Separated, divorced, widowed	13,346	37	40
Married	3,538	31	46
Number of children			
1	19,553	36%	40%
2	13,701	44	33
3-4	10,274	51	28
5+	2,813	73	15
Age of parent (first-time applicants)*			
<18	103	50%	18%
18-19	698	38	35
20-24	643	25	49
25-29	391	30	50
30-39	638	28	54
40+	288	39	48
Citizenship status			
Non-U.S. citizen	5,698	62%	23%
U.S. citizen	41,283	41	36
Child-only status			
SSI recipient (disabled)	3,113	67%	20%
Nonparent caregiver	2,547	57	30
Undocumented noncitizens	646	43	34
Total	46,981	44%	34%

*Includes parents who started MFIP during last half of 1997 and were not an AFDC parent between January 1992 and June 1997.

SOURCE: Legislative Auditor's Office analysis of individual case data extracted from the Department of Human Service's data warehouse.

On the other hand, noncitizens had some characteristics associated with shorter welfare spells. Noncitizens were more likely to live in two-parent families and be married while on MFIP (37 percent compared with 11 percent). Also, noncitizens were less than half as likely to have never been married.

To determine how the composition of Minnesota's welfare caseload has changed during the past decade, we compared Minnesota's AFDC and Family General Assistance cases in May 1992 with MFIP cases in May 1999. We also tracked the number of child-only welfare cases since 1987. We found that:

- **An increasing percentage of Minnesota's welfare caseload belongs to subgroups that tend to use welfare for longer time periods.**

Table 2.9 shows that nearly all of the groups associated with long-term welfare use made up a higher percentage of Minnesota's welfare caseload in 1999 than they did in 1992.²³ The number of cases from most of these subgroups declined during this time period—reflecting the unprecedented caseload decline after 1992. However, the number of cases from other subgroups declined at faster rates.

The percentage of cases with parents who never married grew from 45 percent in 1992 to 53 percent in 1999—perhaps reflecting Minnesota's increase in out-of-wedlock births. Also, the percentage of parents who did not complete high school increased from 31 to 38 percent during this time period. This growth may be partly due to the growth in non-U.S. citizens, particularly refugees who lack a formal education.

There has been dramatic growth in "child-only" welfare cases.

There was particularly dramatic growth in the number and percentage of child-only cases in the MFIP caseload. Unlike the overall caseload, the number of child-only cases grew continuously through the late 1980s and 1990s—nearly tripling between June 1987 and June 1999.²⁴ During the same time period, the number of cases with one eligible parent and the number with two eligible parents each declined by about 31 percent. As a result, the percentage of cases that are child-only cases went from 5 percent in 1987 to 17 percent in 1999. Child-only cases have also been increasing nationally, going from 10 percent in 1987 to 23 percent in 1998.²⁵

The largest contributor to Minnesota's increase in child-only cases was the growth in the number of disabled-parent cases. As shown in Table 2.10, these cases grew by 134 percent between 1992 and 1999, while relative-caregiver cases grew by 30 percent. Most of the growth in disabled-parent cases occurred prior to MFIP, but most of the growth in relative-caregiver cases occurred after MFIP began in 1998. According to DHS officials, one reason for the growth in disabled cases is that the federal government changed its eligibility criteria for the SSI program in 1992.

²³ The only possible exception involves work experience. We do not have data on individuals' work experience prior to enrollment under Minnesota's welfare programs.

²⁴ Minnesota's monthly average of child-only cases went from 2,548 in 1987 to 7,459 in 1999.

²⁵ U.S. Department of Health and Human Services, *Characteristics and Financial Circumstances of AFDC Recipients, FY 1987 and Characteristics and Financial Circumstances of TANF Recipients, FY 1998*.

Table 2.9: Composition of Minnesota's Welfare Caseload, May 1992 and May 1999

	Number of Cases		Percent of Cases	
	1992	1999	1992	1999
Education of applicant				
Less than 12 years	21,207	15,835	31.2%	35.0%
High school graduate	43,632	26,139	64.2	57.7
Unknown	3,146	3,333	4.6	7.4
Marital status of applicant				
Never married	30,355	24,200	44.6%	53.4%
Divorced	12,989	5,542	19.1	12.2
Separated	11,659	7,936	17.1	17.5
Widowed	1,047	907	1.5	2.0
Married	11,876	6,716	17.5	14.8
Citizenship of applicant				
U.S. citizen	61,985	38,556	91.2%	85.1%
Non-U.S. citizen	5,812	6,738	8.5	14.9
Race of applicant				
White	43,428	21,362	63.9%	47.1%
African American	11,429	12,658	16.8	27.9
American Indian	5,246	4,267	7.7	9.4
Asian American	4,314	4,044	6.3	8.9
Hispanic	3,558	2,886	5.2	6.4
Number of eligible children¹				
0	1,496	2,140	2.2%	4.7%
1	29,379	18,545	43.2	40.9
2	19,594	12,026	28.8	26.5
3	10,346	6,661	15.2	14.7
4-5	5,852	4,274	8.6	9.4
6+	1,318	1,661	1.9	3.7
Age of applicant				
<18	1,186	1,133	1.7%	2.5%
18-19	4,173	3,128	6.1	6.9
20-24	15,597	9,543	22.9	21.1
25-29	15,259	8,506	22.4	18.8
30-39	22,316	13,705	32.8	30.2
40+	9,452	9,287	13.9	20.5
Number of eligible adults				
0	4,831	7,543	7.1%	16.6%
1	54,178	32,149	79.7	71.0
2	8,986	5,615	13.2	12.4
Total²	67,995	45,307	100.0%	100.0%

¹Cases with 0 children include pregnant women with no other eligible children and (in 1999 only) mothers of minor parents who live in the same household. These three-generation households were a single case under AFDC but are two cases under MFIP.

²Sums of subcategories do not always add to the total shown because of missing data.

SOURCE: Office of the Legislative Auditor analysis of extracts from the DHS data warehouse; based on paid and suspended cases.

Table 2.10: Trend in Child-Only Cases by Type of Case, 1992-99

Type of Child-Only Case	May 1992	May 1999	Percent Change
Parent receives federal disability payments under SSI	1,504	3,517	134%
Relative caregiver	2,201	2,861	30
Other*	1,126	1,165	3%
Total	4,831	7,543	56%

*In 1999, "Other" included 835 cases in which the parent (or parents) failed citizenship requirements. The corresponding data were not available for 1992.

SOURCE: Office of the Legislative Auditor, analysis of individual case data extracted from the Department of Human Service's data warehouse.

There has also been substantial change in the racial/ethnic composition of Minnesota's caseload, which we discuss in the next section.

CHANGES IN RACE/ETHNICITY OF WELFARE USERS

The racial and ethnic composition of children on welfare in Minnesota has been changing rapidly since 1987. We found that:

- **The composition of children on welfare went from being two-thirds white in 1987 to nearly two-thirds nonwhite in 1999.**

Figure 2.3 shows that, between 1987 and 1999, the number of white children on welfare in Minnesota declined by more than half (from 66,000 to 31,000) while the number of African-American, Asian-American, and Hispanic children more than doubled (from 23,000 to 50,000).²⁶ During this same time period, the number of American-Indian children on welfare grew slightly, from 8,100 to 8,600.

These trends are very different from national trends. While the number of non-white children on welfare has nearly doubled in Minnesota, it declined nationally from about 4.6 million in 1987 to 4.3 million in 1998 (see Figure 2.4).²⁷ Furthermore, the number of white children on welfare declined by 30 percent in the nation, compared with 45 percent in Minnesota.

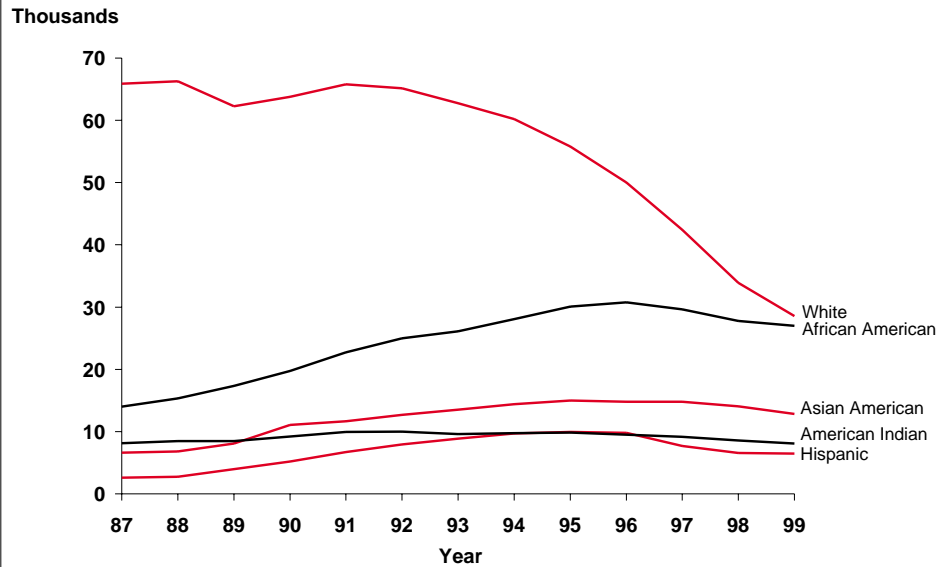
We examined two factors that have contributed to the dramatic changes in welfare caseload for whites and nonwhites: (1) significant population increases in the past

²⁶ In addition, the percentage of caregivers who were African American increased from 17 to 28 percent between 1992 and 1999, and the percentage who were from other minority groups grew from 19 to 25 percent.

²⁷ National caseload data by race is not yet available for 1999.

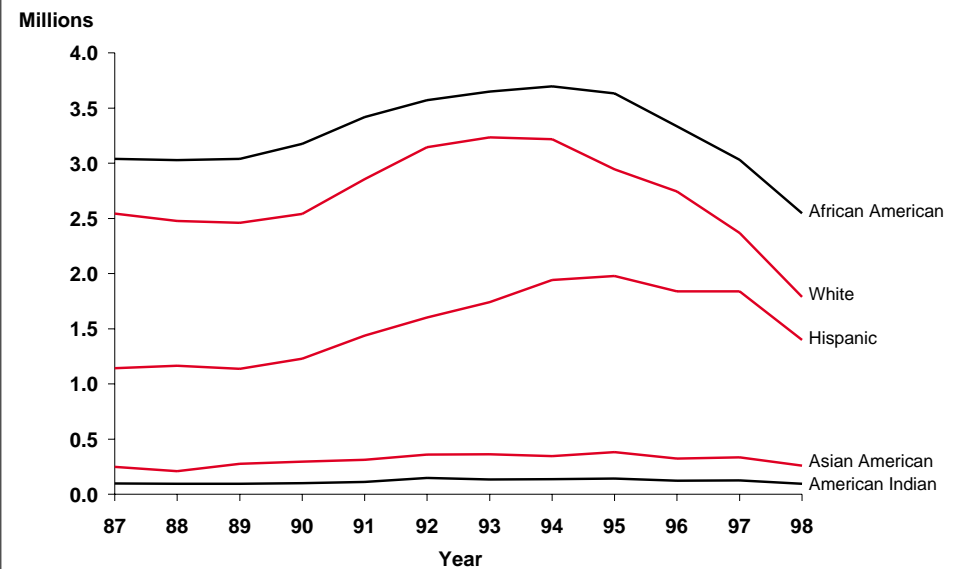
In recent years, caseload trends for Minnesota minority children have varied from national trends.

Figure 2.3: Number of Minnesota Children on Welfare by Race/Ethnicity, 1987-99



SOURCE: July child counts from the Minnesota Department of Human Services.

Figure 2.4: Number of United States Children on Welfare by Race/Ethnicity, 1987-98



SOURCE: U.S. Department of Health and Human Services.

decade among certain minority groups in Minnesota, and (2) faster rates of decline in welfare utilization among whites than among minority groups.²⁸

Population Changes

- **One of the main factors behind Minnesota's changing caseload composition appears to be the large increase in population by African-American, Hispanic, and Asian-American families during the past decade.**

Public school enrollment data indicate that these large population increases are due to natural population increases as well as migration from other states and countries. While public school enrollment data are imperfect, they appear to be the most reliable indicators of recent population trends for minority families in Minnesota.²⁹

Between Fall 1989 and Fall 1998, public school enrollment for grades 1 through 8 increased by 91 percent for nonwhite children, but it increased by only 4 percent for white children. School enrollment increases were 105 percent for African-American children, 85 percent for Asian-American children, and 34 percent for Native-American children. The enrollment increase for Hispanic children is uncertain because of apparent undercounting in the early 1990s, but the increase is probably between 66 and 150 percent.³⁰

We also used school enrollment data to estimate net migration to Minnesota by non-white families. Each year we compared the number of students enrolled in grades 2 through 8 to the number enrolled in grades 1 through 7 during the previous year.³¹ As Table 2.11 shows, we found that:

28 Other factors that we could not measure directly might be reflected in the welfare utilization trends. For example, if welfare reforms or the changing economy have helped white families more than minority families, this might have contributed to the greater reductions in welfare utilization experienced by white families.

29 The State Demographer's Office uses school enrollment data to assess the reasonableness of annual population estimates made by the U.S. Census Bureau. We focused on grades 1 through 8 because nearly all children ages 6 to 13 are enrolled in school. (This avoids the problem of high school dropouts.)

30 A recent report by the Minnesota state demographer questions whether school enrollment data accurately reflects the increase of Hispanic children during the 1990s. The report notes that as many as one-third of children identified as Hispanic in the 1990 census were not identified as Hispanic in 1990 school enrollment data. As a result, the report concludes that the rapid increase in Hispanic school enrollment might reflect improved identification practices as well as population increases. See Martha McMurry, *Minnesota School Enrollment Trends*, State Demographic Center, working paper 99-15 (St. Paul, April 1999), 5. This problem does not appear to affect counts of children from other minority groups nearly as much as it does Hispanic children. In fact, 1990 school enrollments of African American grade school children were actually higher than census counts, consistent with other studies that have documented census undercounts of African Americans.

31 According to a report by the state demographer, these grade progression ratios are a good indicator of net migration into the state. See McMurry, *Minnesota School Enrollment Trends*, 4. While transfers from private schools may also cause public school enrollment to increase, we are not aware of any evidence that this has occurred to a significant extent among nonwhite students.

- **School enrollment data suggest that migration from outside of Minnesota led to enrollment increases of roughly 50 percent for African-American and Asian-American children between Fall 1989 and Fall 1998.**

Migration appears to have had smaller effects on enrollment of American-Indian children (17 percent) and white children (less than 1 percent).³²

Table 2.11: Public School Enrollment Increases By Source, 1989-98

	Public School Enrollment in Grades 1-8			Increase (as a Percent of 1989 Enrollment) Attributable to:	
	Fall 1989	Fall 1998	Percent Increase	Migration	Natural Increase
African American	15,973	32,785	105%	47%	59%
Asian American	13,520	25,058	85	51	34
American Indian	8,299	11,087	34	17	16
White	415,476	432,899	4	0	4

NOTE: The trends in Hispanic enrollment are not shown because of concerns about the accuracy of the enrollment data. We estimate that the increase is between 66 and 150 percent.

SOURCE: Public school enrollment reports by the Department of Children, Families & Learning. We allocated the enrollment increase to migration and natural increase based on our analysis of school enrollment data.

Changes in Welfare Utilization Rates

Another reason for the changing racial composition of Minnesota's welfare caseload is that welfare utilization rates have declined faster for white children than for nonwhite children. Table 2.12 shows the change in utilization rates between the peak year of 1992 and 1999. We found that:

- **Between 1992 and 1999, the percentage of children on welfare declined by 58 percent for white children, about twice as much as it did for African-American, Asian-American, and American-Indian children.**

The utilization rate for Hispanic children declined almost as much as it did for whites, perhaps partly reflecting the decline in the number of seasonal farm workers coming to rural Minnesota in recent years.

Discussion

Earlier in this chapter, we noted that welfare utilization rates for children from minority groups were 8 to 14 times higher than the rates for white, non-Hispanic children in Minnesota. Above, we observed that Minnesota's welfare utilization rates have recently declined faster for white children than nonwhite children. Overall, the gap in welfare utilization rates between whites and nonwhites in Minnesota is wide and growing.

³² School enrollment data suggest that migration increased population by 97 percent for Hispanic children, but (as we indicated above) large potential data problems make the estimate for Hispanic children especially uncertain.

Table 2.12: Change in Minnesota Welfare Utilization Rates by Race/Ethnicity, 1992-99

	Percent of Children on Welfare		
	July 1992	July 1999	Percent Change
White	6.2%	2.6%	-58%
Hispanic	44.0	21.4	-51
African American	54.0	37.7	-30
Asian American	34.1	22.6	-34
American Indian	46.3	33.5	-28
Total	10.4%	6.5%	-38%

NOTE: To make 1992 and 1999 figures comparable, we excluded children from MFIP cases that received food assistance only.

SOURCE: Department of Human Services July 1999 child counts for MFIP, with adjustments for food assistance only cases by Office of Legislative Auditor, based on analysis of data extracted from the DHS data warehouse; July 1992 child counts for AFDC and family general assistance; U.S. Census population estimates with adjustments by the Office of the Legislative Auditor, based on Minnesota school enrollment reports.

Over the long term, it is not desirable for society to have widely disproportionate levels of reliance on welfare among racial or ethnic groups. Divergent patterns of welfare use among these groups may reflect differences in personal characteristics (such as education or work readiness), economic opportunities, or social norms (such as the frequency of out-of-wedlock births). They could also reflect discriminatory hiring or promotion practices by employers. Or, they could reflect variation in the ways that MFIP or other social policies have been implemented—such as differences in the quality of employment services or the availability of support services. Whatever the reasons, patterns of welfare use that differ among racial and ethnic groups likely reflect underlying problems that need the attention of policy makers.

Chapter 5 recommends that the Department of Human Services regularly report on statewide trends in welfare utilization by racial and ethnic groups. Although we suggest no other specific policy changes to address the racial/ethnic disparity in welfare use, we think the departments of Human Services and Economic Security should consider whether there may be ways for MFIP to better serve minority families. The proportion of minority families in Minnesota is growing, and minority children now represent two-thirds of all children on MFIP. Thus, it is important for employment service providers to consider options for tailoring their services to more effectively meet the needs of their minority clients.

In addition, it is possible that the divergent patterns of welfare use among racial and ethnic groups require remedies beyond MFIP. For example, some racial and ethnic minority groups have had high rates of teen and out-of-wedlock births, and policy makers could consider ways to reduce the incidence of these births and encourage absent fathers to support their children.

MIGRATION TO MINNESOTA BY WELFARE APPLICANTS

Minnesota no longer pays different levels of benefits to welfare recipients who recently moved to the state.

Policy makers in Minnesota and across the country have been concerned about whether high welfare benefits attract people from other states. Because of this concern, Minnesota created a two-tiered benefit structure under which welfare applicants who recently moved from other states would initially receive no more than the benefit they would be entitled to in their previous state. These recipients would be eligible to receive full MFIP payments after living in Minnesota for 12 months.³³ This state law became effective in July 1997, but the courts suspended the law in December 1997.³⁴ In 1999, the U.S. Supreme Court ruled that a similar provision in California was unconstitutional, effectively making the suspension permanent.³⁵

To examine the relationship between migration and welfare, we examined the extent to which migration explains Minnesota's caseload trends (described earlier in this chapter). We also looked at DHS data on welfare applicants who come from other states. Finally, we reviewed research studies that examined whether high welfare benefits attract migrants from other states. We found that:

- **Overall, there is indirect evidence that migration from other states and countries has increased Minnesota's welfare caseload, but it is unclear what proportion of these migrants came to Minnesota as a result of Minnesota's welfare benefits.**

In the previous section, we noted that migration has contributed to the significant increase in Minnesota's nonwhite population in recent years. There are no data that indicate what percentage of the families who moved to Minnesota applied for welfare, but there is evidence that the nonwhite migrants' financial circumstances were roughly similar to those of the nonwhites already in Minnesota. Specifically, the student database of the Department of Children, Families & Learning indicates that nonwhite children who recently moved to Minnesota were somewhat more likely to be eligible for free and reduced price lunch programs than other nonwhite Minnesota children.³⁶ A large influx of low-income, nonwhite families is a plausible explanation for the growth in Minnesota's nonwhite welfare caseload at a time when caseloads declined among Minnesota's white families, the nation's white families, and the nation's nonwhite families.

Since July 1997, Minnesota's welfare system has asked new applicants whether they moved to Minnesota within the past year. If applicants indicate that they have recently moved to Minnesota, welfare agencies record what state they came from and when they came. As Table 2.13 shows, about 6,200 families applied for

³³ *Minn. Stat.* §256J.43.

³⁴ The courts temporarily suspended the two-tiered provision in December 1997 and made the suspension permanent in July 1998 (see Davis, Hayes, Roe, McKenna, and Wilenkin v. Doth, State of Minnesota District Court, Second Judicial District Court file No. 62-C6-97-010231, July 31, 1998).

³⁵ Saenz v. Roe, 119B S. CT. 1518 (1999).

³⁶ This is based on students who entered Minnesota's public school system between October 1997 and October 1998.

Table 2.13: Number of MFIP Applicants Who Recently Moved to Minnesota from Other States or Countries, By Citizenship Status, Fiscal Years 1998 and 1999

	Number of Cases		Recent Migrants as a Percent of All Applicants	
	FY 98	FY 99	FY 98	FY 99
Applicants	25,280	26,252		
Recent Migrants				
U.S. Citizens	3,471	4,310	13.7%	16.4%
Non U.S. Citizens	1,209	1,886	4.8	7.2
Total	4,680	6,196	18.5%	23.6%

NOTE: Recent migrants include new case openings for which the applicant moved to Minnesota within six months of the month of application.

SOURCE: Office of the Legislative Auditor, analysis of welfare case data extracted from the Department of Human Services' data warehouse.

MFIP in fiscal year 1999 within six months of moving to Minnesota, or 23.6 percent of all MFIP applicants. This includes 16.4 percent of applicants who were U.S. citizens and 7.2 percent who were not U.S. citizens.

As Table 2.14 shows, half of the families who recently moved to Minnesota and applied for MFIP during 1999 came from four states—Texas, Illinois, California, and Wisconsin. Another 10 percent came from North Dakota, Iowa, or South Dakota. The number of families who came directly to Minnesota from foreign countries is only 8.6 percent of all migrants because many non-U.S. citizens come to Minnesota through other states, especially California and Texas.

MFIP recipients who moved to Minnesota from other states have stayed on the program about as long as other applicants, on average.

We do not have data on which countries noncitizens came from, but their racial/ethnic characteristics give some indication. Recipients of Asian descent made up the largest ethnic group (48 percent of noncitizens), followed by recipients of African descent (26 percent), Hispanics (19 percent), and white non-Hispanics (7 percent).

We found that migrants from other states were just as likely as other welfare applicants in fiscal year 1998 to be off MFIP during the first seven months of 1999. In addition, migrants from other states who remained on MFIP in early 1999 worked nearly as many hours as applicants from Minnesota worked. This occurred despite the fact that migrants from other states were more likely than other applicants to have characteristics associated with longer welfare spells.³⁷

The only statewide information about welfare recipients who moved from other states and applied for AFDC prior to July 1997 was a 1987 study by our office.³⁸

³⁷ For example, among families who applied for welfare in Minnesota during fiscal year 1998, 57 percent of migrants from other states had high school degrees, compared with 69 percent for applicants from Minnesota.

³⁸ Office of the Legislative Auditor, *Aid to Families with Dependent Children* (St. Paul, January 1987), 12-19.

Table 2.14: State of Origin of MFIP Applicants Who Recently Moved to Minnesota, Fiscal Year 1999

	Persons Who Applied For Welfare Within Six Months of Moving to Minnesota	
	Number	Percent
Foreign Countries	532	8.6%
States		
Texas	1,141	18.4
Illinois	880	14.2
California	583	9.4
Wisconsin	492	7.9
North Dakota	226	3.6
Iowa	199	3.2
South Dakota	166	2.7
Indiana	142	2.3
Florida	135	2.2
Washington	129	2.1
Michigan	116	1.9
Other states	<u>1,455</u>	<u>23.5</u>
Total	6,196	100.0%

NOTE: Recent migrants include new case openings for which the applicant moved to Minnesota within six months of the month of application.

SOURCE: Office of the Legislative Auditor, analysis of welfare case data extracted from the Department of Human Services' data warehouse.

This study collected data for applicants between August and November 1986 and it focused on people who moved to Minnesota within six months of application. To minimize the effect of seasonal variations, we compared the number of migrants applying for welfare in 1986 with the number in the same four-month period during 1998.

Between 1986 and 1998, the number of recent migrants from other states applying for welfare in Minnesota during these four-month periods increased by about 50 percent.³⁹ Since welfare caseloads were lower in late 1998 than they were in late 1986, the increase in new migrants as a percentage of the total caseload was even higher.

Unfortunately, Minnesota's welfare information system does not measure the net migration of welfare recipients largely because it does not accurately track the number of welfare recipients who move to other states. We know that the number of welfare applicants who are new to Minnesota increased in recent years, but we do not know whether the number of welfare recipients leaving Minnesota has also increased.

It is difficult enough to trace the movement of welfare families among the states, but it is much more difficult to determine the reasons for migration. We found that:

³⁹ This estimate may be conservative because we excluded all noncitizens from the 1998 applicants, but we only excluded participants in the AFDC refugee assistance program from the 1986 applicants. Some noncitizens were likely not eligible for the refugee assistance program in 1986.

Welfare benefits are one of many factors that can influence migration patterns.

- **Previous studies generally agree that some persons move between states to get higher welfare benefits, but findings are mixed regarding the extent and impact of this movement.**

Many factors besides welfare benefits could influence migration, including family ties, job opportunities, crime, and climate.⁴⁰ One review of the welfare migration literature noted that studies conducted during the 1980s generally found that welfare benefits significantly affected migration of welfare recipients. However, the author noted that the evidence was “suggestive but inconclusive ... because of methodological difficulties.”⁴¹

Among more recent studies, results have been mixed. Some studies found that the effect of welfare benefits on migration is very small or insignificant.⁴² For example, one study analyzed data from the National Longitudinal Survey of Youth and concluded that caseloads in states with high benefits are no more than 5 percent higher than they would be had benefits been uniform across the country.⁴³ It noted that benefits have become less varied among states, largely because of the growth in food stamp benefits. (Under the federal formula for food stamps, food benefits are higher if cash benefits are lower.)

On the other hand, some recent studies found that migration had a significant effect on welfare caseloads, including an evaluation of Wisconsin’s two-tier benefit demonstration project.⁴⁴ In 1994, Wisconsin changed the benefit structure in four counties by tying welfare benefits of migrants to the benefits in their previous state of residence (until they had lived in Wisconsin for six months)—similar to Minnesota’s two-tier benefit structure in 1997. The evaluation estimated that the two-tier benefit structure reduced the number of welfare migrants into the four counties (Milwaukee County and three smaller counties) by over 1,000 cases per year. The study cautioned that other states with

40 Studies that have examined a variety of reasons for migration generally agree that welfare benefits are not the primary reason for migration by welfare families. For example, a study that analyzed migration patterns based on the 1990 census found that the effect of welfare benefits was smaller than the effect of labor market conditions and climate (see Howard Gensler, “The Effect of Welfare on Migration,” *Social Science Research* 25, n. 3 (September 1996), 281-291. Also, a study found that applicants who moved to Wisconsin cited living near family, better job opportunities, better schools, and less crime substantially more often than welfare as reasons for moving. As this study noted, however, this finding does not necessarily mean that welfare benefits have an insignificant effect (in fact, the study found that 26 percent of applicants who moved to Wisconsin cited a welfare-related reason as a very important reason for moving to Wisconsin). See Maximus, *Evaluation of the AFDC Two-Tier Benefit Demonstration Project* (Washington D.C., February 1998).

41 Robert Moffit, “Incentive Effects of the U.S. Welfare System: A Review,” *Journal of Economic Literature* 30 (March 1992), 56.

42 Sanford Schram and Joe Soss, “Making Something Out of Nothing: Welfare Reform and a New Race to the Bottom,” *Publius: The Journal of Federalism* 28, n. 3 (Summer 1998) 67-88; William Frey et al., “Interstate Migration of the U.S. Poverty Population: Immigration “Pushes” and Welfare Magnet Pulls,” *Population and Environment: A Journal of Interdisciplinary Studies* 17, n. 6 (July 1996) 491-536; Gensler, “The Effect of Welfare on Migration.”

43 Phillip Levine and David Zimmerman, “An Empirical Analysis of the Welfare Magnet Debate Using the NLSY,” National Bureau of Economic Research working paper 5264 (Cambridge, MA, September 1995).

44 Maximus, *Evaluation of the AFDC Two-Tier Benefit Demonstration Project*. Other recent studies that found high welfare benefits induced migration include Maria Enchautegui, “Welfare Payments and Other Economic Determinants of Female Migration,” *Journal of Labor Economics* 15, n. 3 (1997), 529-554, and George Borjas, *Immigration and Welfare Magnets*, National Bureau of Economic Research working paper 6813 (Cambridge, MA, November 1998).

high benefits may not experience as large an effect because Wisconsin is the only high-benefit state to be close to a major city (Chicago) with a substantially larger welfare population and relatively low benefits. The study also surveyed migrants applying for welfare about their reasons for moving to Wisconsin. Prior to the demonstration project, 26 percent of migrants who responded said that a welfare-related reason was a very important reason for moving to Wisconsin.⁴⁵

Studies also generally agree that the impact of migration is small over short time periods (less than three years), but they differ over the long-run impact. For example, a study that characterized the interstate migration of welfare recipients as “sluggish,” said that states with high benefits could see an increase in caseload of about 50 percent after 45 years.⁴⁶ In contrast, another study estimated that the long-run impact would be no more than a 5 percent increase in caseload.⁴⁷

In a survey of Minnesota county human service directors, we asked whether welfare-related migration was an important concern in their counties.⁴⁸ We found that:

- **Thirteen percent of human service directors said that in-migration of people to their counties for higher welfare benefits is a “significant issue” for the county.**

These directors served the following 11 counties: Aitkin, Douglas, Hennepin, Jackson, Kandiyohi, Lac qui Parle, Otter Tail, Polk, Renville, Sibley, and Watonwan. On the other hand, staff in several rural counties told us that welfare participation by migrant farm laborers has declined in recent years, due to changes in farming processes and welfare eligibility rules.

⁴⁵ Fourteen percent said that better welfare benefits was a very important reason; 16 percent said “welfare in [their previous state] is too low” was a very important reason; 19 percent said “Medical Assistance/Medicaid might be better [in Wisconsin]” was a very important reason, and 26 percent said at least one of the above three factors was a very important reason.

⁴⁶ Edward Gramlich and Deborah Laren, “Migration and Income Redistribution Responsibilities,” *Journal of Human Resources* 19, n. 4 (Fall 1984), 489-511.

⁴⁷ Levine and Zimmerman, “An Empirical Analysis of the Welfare Magnet Debate Using the NLSY.”

⁴⁸ Office of the Legislative Auditor, August 1999 survey of county human service directors (N=83).

Recipients' Employment Levels and Obstacles

SUMMARY

MFIP recipients have a variety of employment obstacles—including low skills, physical or mental health problems, and negative attitudes toward work—but employment services staff believe that most clients could work, if given proper assistance. In fact, there has been a significant increase in employment among Minnesota welfare recipients since MFIP started in early 1998. This increase occurred among all subgroups, including those that are generally considered harder to employ. Still, most MFIP recipients work less than 20 hours a week or not at all—well below the work levels required for self-sufficiency. County and provider officials say that child care for caregivers working nights or weekends is the most needed support service in Minnesota.

Policy makers generally agree that increasing employment among welfare recipients is a fundamental element of welfare reform. Some reformers view increased earnings as a way for welfare recipients to gain self-sufficiency, or at least reduce their dependency on public assistance. Others believe that people receiving assistance from government should be expected to work—even if work does not always help them escape poverty. In any case, recent federal and state reforms have established work incentives, supportive services for working adults, and sometimes work requirements. In this chapter, we address the following questions:

- **To what extent are Minnesota welfare recipients working, and how has this changed in recent years? How much does the average welfare recipient work, and how does this vary among subgroups of recipients?**
- **How many welfare recipients have characteristics that could impede their ability to find work or become self-sufficient? To what extent do employment services providers think that recipients could overcome these obstacles?**
- **Do counties and providers think that Minnesota welfare recipients have access to the services they need to become self-sufficient?**
- **What has previous research shown about the long-term prospects of welfare recipients to find work that will help them leave welfare and escape poverty?**

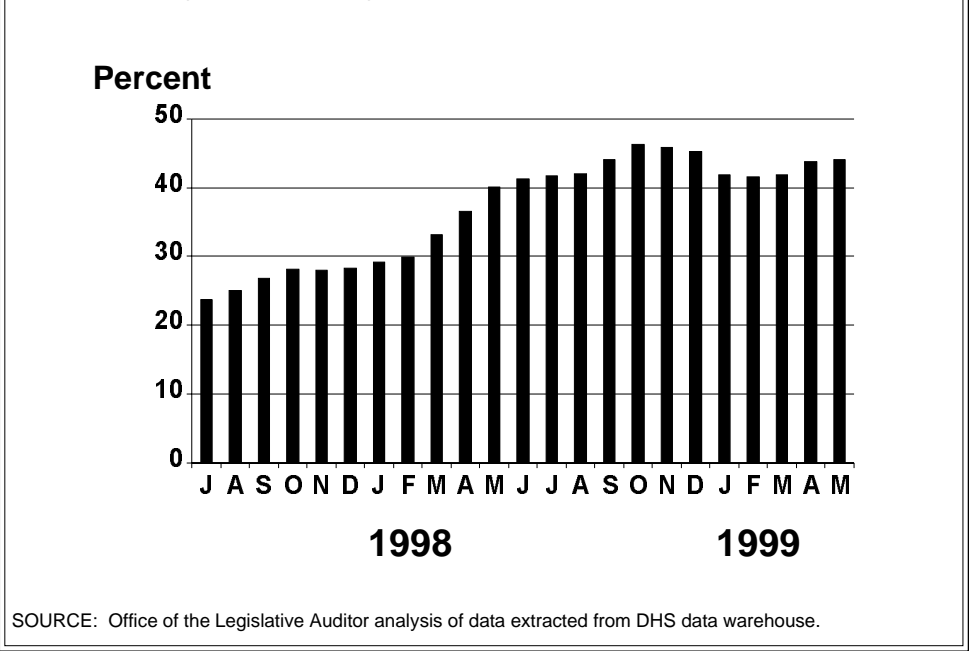
RECENT EMPLOYMENT TRENDS

To examine trends in welfare recipients' levels of work and earnings, we analyzed data from the Department of Human Services' main welfare information system.¹ As shown in Figures 3.1 and 3.2, we found that:

- **There has been a significant increase in adult welfare recipients' employment rates and average hours worked since the statewide implementation of MFIP that started in January 1998.**

After MFIP started, employment by recipients increased.

Figure 3.1: Percentage of Cases with a Working Adult, July 1997-May 1999

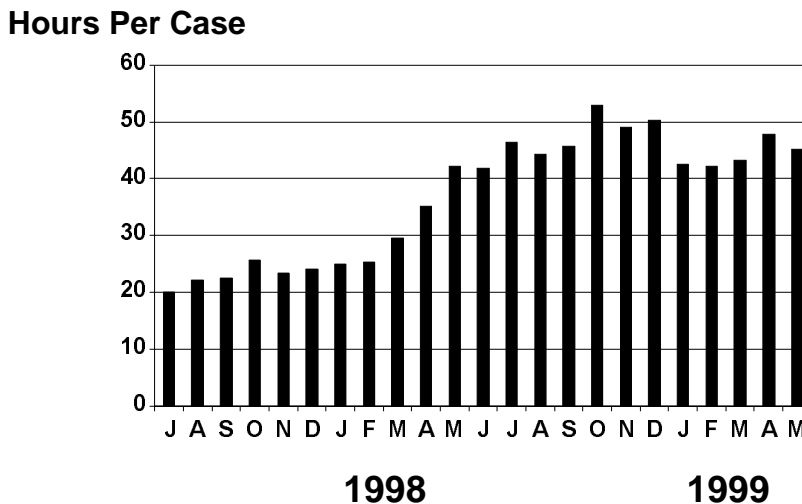


Among cases with at least one eligible adult, the percentage of cases with an employed adult was consistently below 30 percent prior to MFIP. Between December 1997 and December 1998, the percentage of cases with a working adult grew from 28 percent to 45 percent. In fact, the employment rate has exceeded 40 percent each month since Spring 1998, following the phase-in of MFIP.

Figure 3.2 shows a similar trend for average hours worked by adult MFIP recipients. The average monthly hours worked per case increased from 24 in December 1997 to 50 in December 1998, decreasing somewhat during early 1999.

¹ We measured employment rates by computing the percentage of paid cases with at least one eligible adult that had gross earnings during the month. Analyses of work hours and earned income were based on actual hours and earnings reported in the state's welfare information system. If information was not reported on recipients' actual hours or earnings for the two months immediately prior to leaving welfare, we used data on anticipated hours and earnings, as reported by the recipient. Except where noted, averages of hours worked and earned income were based on all cases with eligible adults, not just those with employed adults.

Figure 3.2: Average Monthly Work Hours Per Case, July 1997-May 1999



SOURCE: Office of the Legislative Auditor analysis of data extracted from DHS data warehouse.

Employment levels for all subgroups have grown.

Between December 1997 and December 1998, the average amount of monthly earned income per case doubled, increasing from \$178 to \$388.

Some of the increase in employment rates, hours worked, and earnings occurred because previously unemployed welfare recipients got jobs. But we also found that, on average, employed recipients worked more hours than they did previously. Between December 1997 and December 1998, the average monthly work hours of employed recipients grew from 85 to 111, and the average monthly earnings of employed recipients grew from \$623 to \$860.

In addition, we found that:

- **Every major demographic group has made substantial employment gains since MFIP started, including long-term welfare recipients, high school dropouts, never-married mothers, and all racial/ethnic groups.**

Table 3.1 shows various subgroups' change in average hours worked per case between December 1997 and May 1999. For instance, cases that were continuously on welfare during a recent 22-month period made significant employment gains. Between December 1997 and May 1999, this subgroup's average monthly work hours increased from 9.0 to 31.7 hours (a 252 percent

increase), and the percentage of such cases with an employed adult grew during this period from 15 percent to 36 percent (a 141 percent increase).²

Table 3.1: Trend in Monthly Hours Worked Per Case, by Case Characteristic

	Number of Cases With		Average Hours		Percentage Change
	At Least 1 Eligible Adult	May 1999	December 1997	May 1999	In Monthly Hours Worked
Education Completed					
Less than ninth grade	2,868	3,319	22.4	44.3	97%
Grades 9-11	9,998	11,087	18.6	36.5	97
High school graduate	21,011	18,369	26.4	51.2	94
Some college	5,155	3,845	29.0	50.7	75
College graduate	354	247	30.0	53.6	79
Race/Ethnicity					
African American	10,355	10,856	20.1	33.8	68%
American Indian	3,457	3,537	16.1	37.1	131
Asian American	3,236	3,114	29.1	55.5	91
Hispanic American	1,572	1,885	25.8	51.5	99
White, non-Hispanic	21,599	18,334	27.4	52.9	93
Citizenship					
U.S. citizen	36,038	32,785	24.4	45.8	87%
Non U.S. citizen	4,193	4,979	26.4	47.9	81
Marital Status					
Never married	21,132	21,472	20.2	38.7	92%
Divorced, separated, widowed	13,668	11,130	24.3	46.6	92
Married	5,431	5,162	42.9	75.3	76
Number of Children					
None	1,226	2,126	38.9	55.0	42%
1	15,846	14,394	19.6	35.7	82
2	11,474	10,135	24.8	46.5	88
3-4	8,988	8,404	28.4	55.2	95
5+	2,661	2,675	34.9	64.1	84
Applicant's Age					
Under 18	188	787	8.4	13.4	59%
18-19	2,199	2,711	15.4	27.6	79
20-24	9,149	8,877	21.9	41.4	89
25-29	8,740	7,748	27.1	50.7	87
30-39	13,803	11,925	27.3	53.4	95
40+	6,152	5,716	22.9	45.0	96
Number of eligible adults in the case					
1	35,862	32,149	20.5	38.9	90%
2	4,369	5,615	58.9	86.9	48
Recipients continuously on AFDC/MFIP from July 1997 through May 1999	7,732	8,132	9.0	31.7	252%
TOTAL	40,231	37,764	24.6	46.1	87%

NOTE: Includes suspended cases. In two-parent cases, data for this table were based on characteristics of the applicant.

SOURCE: Office of the Legislative Auditor analysis of data extracted from the Department of Human Services' data warehouse.

² Between December 1997 and May 1999, Minnesota's seasonally adjusted unemployment rate declined from 2.8 to 2.5 percent. It is possible that the stronger economy contributed to the increase in welfare recipients' employment rates, but it is also possible that changes in Minnesota's welfare program had an impact. If MFIP has helped to increase employment among recipients, this has occurred during a time when the caseload has declined and the proportion of traditionally hard-to-employ recipients on the caseload has grown (see Chapter 2).

Similarly, African Americans and American Indians—two groups with disproportionately high rates of welfare utilization—have experienced significant employment gains since the start of MFIP. The average monthly hours worked per case grew by 68 percent for African Americans between December 1997 and May 1999, and by 131 percent for American Indians.

Another way to analyze MFIP employment patterns is to follow a group of welfare recipients to see the extent to which their employment or welfare dependency changes over time. There were nearly 42,000 cases with an MFIP-eligible adult in July 1998, and we followed the status of these cases during subsequent months. By the end of a 12-month follow-up period, we found that (1) 40 percent of the families were no longer on MFIP, (2) 23 percent were still on MFIP and had an employed adult, and (3) 36 percent were still on MFIP but did not have an employed adult. Thus, it is important to consider that many MFIP families have moved off the program quickly, and many others have had caregivers who have gone to work.³

The trends toward increased levels of employment among welfare recipients are encouraging, but we also found that:

- **Most MFIP cases had 20 hours or less of employment a week.**

Many MFIP cases do not have employed adults.

For instance, we examined employment rates of MFIP cases for May 1999, a month that had rates typical of those we observed in other months. During May 1999, only 28 percent of MFIP cases with an eligible adult had at least 20 work hours per week. In fact, 56 percent of cases in May 1999 had no working recipients.⁴

Some subgroups with high risks for long-term welfare use had especially low employment rates. For example, only 33 percent of recipients who did not complete ninth grade worked in May 1999, compared with half of the recipients who graduated from high school. Also, although there was significant growth in the employment levels of persons who had been on welfare continuously between July 1997 and May 1999, this subgroup's average monthly work hours were still 31 percent below the statewide average in May 1999.

Employment rates of welfare recipients in the Twin Cities area were lower than the rates in other regions of Minnesota, despite the Twin Cities region's robust economy. In May 1999, for instance, there was no working adult in 64 percent of Hennepin and Ramsey County MFIP cases and 53 percent of cases in suburban Twin Cities counties. In the state's other seven regions, the percentage of cases without a working adult ranged from 43 to 48 percent.

³ This analysis does not indicate whether MFIP has increased families' transitions to work (or off welfare) beyond what would otherwise have occurred. We also tracked 45,000 welfare cases that were open in July 1997 (several months before MFIP began statewide). We found similar patterns for the 1997 and 1998 groups--for example, 38 percent of the July 1997 cases were off welfare at the end of a 12-month follow-up period.

⁴ These percentages are based on all MFIP cases with eligible adults, including those exempt from employment services activities. If exempt cases are excluded, the percentage of cases with no working adults is 54 percent.

We also found that a substantial portion of the state's MFIP caseload has not engaged in work over longer time periods. For example, of MFIP recipients who were on welfare during each of the first five months of 1999, we found that 41 percent did not work at all during this period.

Finally, we examined how patterns of employment among Minnesota welfare recipients compared with those in other states. We found that:

- **The percentage of Minnesota's total welfare caseload that worked in unsubsidized employment in federal fiscal year 1998 was similar to the national average, and Minnesota's percentage of two-parent welfare cases with persons working in unsubsidized jobs was below the national average.⁵**
- **Compared with most other states, Minnesota did well in 1998 on the federal government's measures of welfare recipients' (1) job retention (over three-month periods), (2) earnings gains (over six-month periods), and (3) entry into the workforce by previously unemployed welfare recipients.**

Minnesota's strong economy is a considerable asset for the state's job-seeking welfare recipients.

Regarding the latter finding, the federal government awarded Minnesota \$9.4 million in December 1999 for high performance in federal fiscal year 1998 on several measures of employment by welfare recipients. (1998 was the first of five years in which the federal government will allocate \$200 million annually among states based on such measures of performance.) Minnesota received three-fourths of its bonus money due to improvements in its performance between 1997 and 1998.⁶

Minnesota's high performance on these federal measures is a sign that many recipients are taking steps toward self-sufficiency. On the other hand, however, Minnesota's strong performance should be considered in the proper perspective. First, Minnesota's unemployment rate during 1998 was two percentage points below the national average, and the state had above-average reductions in its unemployment rate between 1997 and 1998.⁷ Thus, Minnesota's booming economy likely gave the state a considerable advantage over other states in its efforts to help welfare recipients find and retain work—and in its performance on the federal work-related measures. Second, the timing of MFIP's implementation probably helped Minnesota fare well in the competition for the 1998 federal bonus payments. Specifically, the federal government's measures of performance between October 1997 and September 1998 captured most of Minnesota's increase in recipient employment that followed implementation of MFIP (see

⁵ According to our analysis of data used by the U.S. Department of Health and Human Services to compute states' overall participation rates among recipients, the average monthly percentage of welfare recipients engaged in unsubsidized employment was 23.3 percent for the nation and 23.0 for Minnesota. For two-parent families, the comparable percentages were 45.1 percent for the nation and 40.1 percent for Minnesota.

⁶ Minnesota received \$6.2 million for improving the percentage of unemployed recipients who went to work during the year. It received the remainder of the bonus funding for high performance on measures that reflected a combination of recipient earnings gains and job retention.

⁷ Minnesota's seasonally adjusted unemployment rate in calendar year 1998 was 2.5 percent (down from 3.3 percent the previous year). The national unemployment rate in 1998 was 4.5 percent (down from 4.9 percent the previous year).

Figures 3.1 and 3.2); in contrast, some states had implemented reforms in earlier years.⁸

State and local welfare officials should aim for further improvement in recipient work levels.



Employment and earnings have grown among welfare recipients, but there is room for improvement.

Overall, there have been noteworthy improvements in work and earnings among Minnesota welfare recipients, but they do not necessarily indicate that Minnesota is doing all that it should to help welfare recipients become self-sufficient. Even with the improvements, a majority of Minnesota's welfare recipients at a given time are not working very many hours or are not working at all. We think that Minnesota can do better, in light of the state's remarkably low unemployment rates.⁹ In fact, Minnesota will need to further improve recipient employment rates to (1) meet federal standards for welfare recipient participation in work-related activities—which will soon become more stringent (discussed in Chapter 4), and (2) help as many recipients as possible reach self-sufficiency before they have exhausted their time-limited eligibility for welfare benefits (discussed in Chapter 5).

EMPLOYMENT OBSTACLES

Some persons on welfare have no serious obstacles to employment and can find work quickly. Other welfare recipients have personal characteristics that may impede their efforts to find a job—such as health problems, limited education, limited work experience, and negative attitudes toward work. In addition, some welfare recipients may need supportive services to find a job, such as child care or transportation assistance.

We used four approaches to help us consider possible employment obstacles in more detail. First, we examined information on client characteristics that is collected on an ongoing basis by Minnesota's departments of Human Services and Economic Security. This information is quite limited, partly reflecting the absence of uniform practices for assessing MFIP recipients' characteristics and

⁸ States that implemented reforms in earlier years may not have fared as well on the federal measures that compared performance in 1997 and 1998. Also, states with above-average caseload reductions in recent years may have been serving higher proportions of hard-to-employ cases in 1998 than did Minnesota, which has had below-average caseload reductions.

⁹ In addition, Minnesota recipients need higher earnings levels to become ineligible for cash assistance than do recipients in a majority of states. Consequently, it may be reasonable to expect that Minnesota would have a larger portion of its welfare caseload working than most other states.

We surveyed case managers about their clients' employability.

needs. Second, we reviewed previous studies that have examined the characteristics of welfare recipients in Minnesota and other states.

Third, we asked four MFIP employment services agencies to provide us with detailed information on representative random samples of their MFIP clients. For a total of about 1,100 clients, staff in these agencies used their judgment and information collected during client assessment to tell us about the characteristics of each client and which (if any) characteristics they thought might impede that client's efforts to find unsubsidized employment.¹⁰ Our survey focused on clients' obstacles to employment rather than obstacles to getting off welfare. Fourth, we conducted surveys of county human services directors and MFIP employment services providers throughout the state to inquire about service needs and client characteristics.¹¹

Previous studies have found widely varying estimates of how many welfare recipients have particular obstacles to employment—depending largely on how those obstacles were defined or measured. Even thorough client assessments can fail to detect problems such as chemical dependency and mental illness—particularly if the client is reluctant to discuss them. We found that case managers who completed our 1,100 surveys on client characteristics most often relied on client self-disclosure and their own judgment to draw conclusions, rather than assessments involving specialists or standardized tests. Thus, their survey responses should be viewed with appropriate caution. Nonetheless, we think these surveys provided useful insights from the staff whose main responsibility is to help MFIP participants find work.¹²

Client Characteristics

A variety of personal characteristics have the potential to hinder welfare recipients' efforts to find employment. Before discussing these characteristics individually, we offer two general findings about these obstacles. First,

- **In national literature and our own survey of employment services providers, the most common obstacles to work include welfare recipients' lack of work experience and low basic skills (particularly lack of a high school degree or poor reading or math skills).**

¹⁰ The providers included (1) Wilder Jobs First, which serves urban neighborhoods in Ramsey County, (2) Anoka County Jobs and Training, which is the sole provider for the largest county in the Twin Cities suburban area, (3) Stearns-Benton Jobs and Training, which serves St. Cloud and adjacent areas, and (4) Central Minnesota Jobs and Training (we limited our sample to six rural counties of the ten counties served by this provider). We selected providers that had above-average reputations for client assessment or that provided some geographic balance to our overall sample. We cannot be sure whether staff's knowledge of their MFIP clients was complete and accurate. The sample we selected was large enough that the sample estimate will be within 5 percentage points of the provider's opinion for all of its cases 95 percent of the time. Our sample cannot be presumed to be representative of the state's MFIP caseload as a whole.

¹¹ We received responses from all 84 county officials surveyed and 98 of the 103 provider officials surveyed (95 percent).

¹² We did not look specifically at the issue of health insurance availability as an employment barrier, but one recent survey of MFIP clients indicated that employed clients perceive it to be the most important barrier to keeping a job. See Minnesota Department of Human Services (DHS), *Minnesota Family Investment Program (MFIP) Longitudinal Study: Baseline Report* (St. Paul, August 1999), 24.

These obstacles affect large percentages of welfare recipients, and studies have shown that they are also important predictors of long-term welfare dependence.¹³

Second,

- **Employment services staff believe that the large majority of clients are capable of working, even in cases where the clients have personal characteristics that make employment more difficult.**

Case managers said that most recipients have employment obstacles but are capable of working.

For each of the 1,100 MFIP clients in our client characteristics survey, we asked the client's employment services case manager to identify potential employment obstacles, using a list of 21 options. For 82 percent of the clients in our sample, staff identified at least one characteristic that was a potential employment obstacle. However, only 11 percent of the clients had an obstacle that staff thought would prevent employment in unsubsidized work during the next year—assuming that supportive services were provided to address the problem.¹⁴ It is possible that some case managers did not fully understand the extent or seriousness of their clients' employment barriers. But case managers' optimism also probably reflected (1) the strong economy in most parts of Minnesota, and (2) a belief in the employability of most people, including many people with serious disabilities.

It is also possible that our case manager survey might not fully reflect the challenges posed by clients with multiple employment obstacles. That is, some clients have employment obstacles that, individually, could be addressed through the efforts of a case manager but, as a group, are more difficult to overcome. Interestingly, however, a recent study showed that states with stronger policies encouraging welfare recipients to work had significantly higher employment levels than other states **among recipients with multiple employment obstacles**—suggesting that program expectations may affect the success of client employment efforts, even with more difficult-to-employ clients.¹⁵

Limited Work History

Welfare recipients who have never held a job, or who have not been steadily employed recently, may have difficulty finding someone to hire them. If they are hired, these recipients might have problems “fitting in” if they do not understand workplace norms regarding timeliness, absenteeism, lines of authority, and relations with co-workers.

¹³ Mary Jo Bane and David T. Ellwood, *Welfare Realities: From Rhetoric to Reform* (Cambridge, MA: Harvard University Press, 1994), 48-50; LaDonna Pavetti, *Against the Odds: Steady Employment Among Low-Skilled Women* (Washington, D.C.: Urban Institute, July 1997). In a statewide survey of non-working MFIP recipients conducted by the Minnesota Department of Human Services (DHS), 66 percent said that lack of education or training made it difficult for them to find a job, and 62 percent said that their limited work experience made it difficult to find a job. These were the highest percentages reported in the survey. See DHS, *MFIP Longitudinal Study: Baseline Report*, 23.

¹⁴ This is the percentage of cases for which staff responded “no” when asked for an opinion about whether the client could obtain (or retain) unsubsidized work within the next 12 months if given assistance to address the identified problem.

¹⁵ Sheila Zedlewski, *Work-Related Activities and Limitations of Current Welfare Recipients*, Discussion Paper 99-06 (Washington, D.C.: Urban Institute, July 1999), 19-21.

We asked employment services staff from four providers to indicate how many of our sample of 1,100 MFIP clients had not worked for an employer for longer than three consecutive months during the previous two years. As shown in Table 3.2, staff reported that 29 percent lacked this type of steady, recent employment history.¹⁶ In addition, a recent Department of Human Services survey found that 62 percent of non-working MFIP recipients said that lack of work experience made it difficult for them to find jobs.¹⁷

In general, employment services staff told us that most recipients with limited work histories could find unsubsidized jobs. In our survey, staff estimated that about 3 percent of their MFIP caseload would be unemployable during the next year because of limited work experience, the highest percentage reported for any single employment obstacle. For another 8 percent of the caseload, staff said they were unsure whether limited work history might prevent the client from finding work.

Table 3.2: Incidence of Limited Work History and Low Skills Among MFIP Clients, as Reported by Staff of Selected Providers

Potential Obstacle	Percentage of Clients That Staff Said Have This Characteristic	If Assistance for This Obstacle is Available, What Percentage of All Clients (N=1,090):		In Cases Where Staff Said that Their Clients Had This Characteristic, What was Usually the Basis for Their Conclusions?
		Could Not	Might Not be	
		Work in an Unsubsidized Job in the Next 12 Months ^a	Able to Work in an Unsubsidized Job in the Next 12 Months ^b	
Has not been employed for at least three consecutive months in the past two years with one employer	29.2	3.2	8.1	Clients' self-report (in 94 percent of the cases)
Reading skills below eighth grade level	17.1	0.6	3.0	A standardized test (in 75 percent of the cases)
Math skills below eighth grade level	26.0	0.9	4.1	A standardized test (in 83 percent of the cases)
No high school diploma	41.0 ^c	2.3	4.0	Clients' self-report (in 94 percent of the cases)

^aPercent who answered "No" on survey when asked if the client could work.

^bPercent who answered "Don't Know" on survey when asked if the client could work.

^cFrom Department of Economic Security management information system (June 30, 1999), as reported by employment services providers.

SOURCE: Office of the Legislative Auditor, July-August 1999 survey of staff with four MFIP employment services providers (N=1,090 clients), except as noted.

¹⁶ Providers are supposed to routinely report similar work history information to the Minnesota Department of Economic Security, but we found this information missing for many clients. Among those providers who had reported this information for at least 80 percent of their cases, state data showed that 43 percent of June 1999 MFIP clients had not worked for the same employer for longer than three consecutive months in the two years prior to the time they enrolled in employment services. The providers who reported this information on at least 80 percent of their cases accounted for 44 percent of the state's June 1999 MFIP cases.

¹⁷ DHS, *MFIP Longitudinal Study: Baseline Report*, 23.

Low skills and lack of work experience are common recipient characteristics.

National studies have also found that lack of work experience is a common characteristic of welfare recipients. For example, one analysis of a national sample estimated that 29 percent of persons on welfare at a given time had “no recent work experience.”¹⁸ A 13-state study found that 43 percent of welfare recipients had not worked during the previous three years.¹⁹

Low Skills and Learning Deficiencies

Many jobs require employees to have basic reading skills or the ability to do simple math computations. Persons with limited years of education or sub-par performance in school may have difficulty getting hired for certain types of jobs, and they might not meet enrollment requirements for some education and training programs.

Statewide, 41 percent of MFIP clients in employment services on June 30, 1999 did not have a high school degree (or its equivalent) at the time of enrollment.²⁰ This was up from 35 percent one year earlier.

In addition, our survey of employment services staff regarding 1,100 MFIP clients indicated that 17 percent of clients read below the eighth grade level, and 26 percent had math skills below the eighth grade level (see Table 3.2). In most cases, staff drew these conclusions based on reading and math tests administered when the clients enrolled for services. However, only two of the participating providers routinely tested the reading and math skills of all of their MFIP clients, and both of these providers reported higher percentages of clients with low skills. Thus, the percentages in Table 3.2 may understate the true incidence of low skills among our sample of 1,100 MFIP clients.²¹

Staff perceived that most clients without high school degrees and with low basic skills could find unsubsidized work within 12 months, if given assistance. Staff judged that these obstacles together would prevent 2.9 percent of all their clients from working in the next year—similar to the percentage of clients they judged might be unable to work due to limited work experience.

Employment services staff also reported that 3 percent of their clients had low intelligence (i.e., an I.Q. below 80) and 5 percent had learning disabilities. However, Chapter 4 indicates that employment services staff rarely collect

¹⁸ Bane and Ellwood, *Welfare Realities*, 48-49. This analysis of a sample from the Panel Study of Income Dynamics was based on persons who started first spells of welfare between 1980 and 1988.

¹⁹ Zedlewski, *Work-Related Activities and Limitations of Current Welfare Recipients*, 8-9.

²⁰ Office of the Legislative Auditor analysis of data reported by providers to the Minnesota Department of Economic Security.

²¹ The two providers that test all their clients reported that (1) 40 and 38 percent of clients in our sample had math skills below eighth grade level, and (2) 25 and 21 percent of clients in our sample had reading skills below eighth grade.

information about clients' intelligence levels, so staff may have a limited basis on which to make judgments about these employment obstacles.²²

Mental Health Problems

For our sample of 1,100 MFIP clients, employment services staff estimated that 14 percent had a mental health problem or disorder (see Table 3.3). Among the four providers who participated in our analysis, this ranged from 9 to 18 percent. Staff told us that these mental health problems usually impaired clients' ability to find or retain employment, but they thought that most of these clients could work within the next year if given necessary supportive services.²³ Of all 1,100 cases, staff identified 1.2 percent in which they judged that the clients could not work in the next year due to mental health problems, even if given supportive services. In another 5 percent of cases, staff were unsure whether the client would be able to work.

Table 3.3: Incidence of Mental Health and Chemical Dependency Problems Among MFIP Clients, as Reported by Staff of Selected Providers

Potential Obstacle	Percentage of Clients That Staff Said Have This Characteristic	If Assistance for This Obstacle is Available, What Percentage of All Clients (N=1,090):		In Cases Where Staff Said that Their Clients Had This Characteristic, What was Usually the Basis for Their Conclusions?
		Could Not Work in an Unsubsidized Job in the Next 12 Months ^a	Might Not be Able to Work in an Unsubsidized Job in the Next 12 Months ^b	
Mental health problem or disorder	14.1	1.2	5.0	Clients' self-report (67 percent of cases), staff opinion or observation (43 percent), and a specialist's assessment (30 percent). ^c
Chemical dependency/abuse	10.7	0.6	3.7	Clients' self-report (68 percent of cases), staff opinion or observation (50 percent), and a specialist's assessment (15 percent). ^c

^aPercent who answered "No" on survey when asked if the client could work.

^bPercent who answered "Don't Know" on survey when asked if the client could work.

^cPercentages may add to more than 100 percent because respondents could give more than one response.

SOURCE: Office of the Legislative Auditor, July-August 1999 survey of staff with four MFIP employment services providers (N=1,090 clients).

22 A study of 500 welfare recipients in the state of Washington found that 44 percent had learning disabilities—see Melinda Giovengo and Elizabeth J. Moore, *Washington State Division of Employment and Social Services Learning Disabilities Initiative: Final Report* (Seattle, WA, August 1998). In addition, a study in two Kansas counties showed that 30 percent of welfare recipients had learning disabilities—see Martin Gerry and Candace Shively, *The Kansas Learning Disability Initiative*, January 1999; www.welfare-policy.org/kansasld.htm, accessed July 29, 1999. However, both studies used definitions of learning disabilities considerably broader than that used in Minnesota schools.

23 Among clients judged to have mental health problems, staff said that 59 percent have a problem serious enough to interfere with the client's ability to get unsubsidized employment. Twenty-one percent said the problem would not interfere, and the remainder replied "don't know" or did not respond.

Most staff judgments about clients' mental health or substance abuse problems were not based on expert assessments.

Most of the staff judgments about MFIP clients' mental health were not based on assessments conducted by specialists, so these judgments should be considered with caution. Some studies that have explored welfare recipients' problems through validated surveys have found higher rates of mental health problems. A study of single mothers on welfare in a Michigan county found that 36 percent met the diagnostic criteria for mental health problems.²⁴ In a national sample of single mothers on welfare, 19 percent met the diagnostic criteria for mental health problems.²⁵ A study of welfare applicants and recipients in Atlanta found that 42 percent reported symptoms consistent with clinical depression.²⁶ A survey of caregivers on welfare in 13 states found that 22 percent had "very poor" mental health—meaning that their survey responses placed them in the bottom tenth percentile among adults nationally.²⁷ In general, studies have found higher levels of mental health problems among low-income women than in the general population.

Substance Abuse or Dependency

About 11 percent of the 1,100 MFIP clients in our sample had a substance abuse or dependency problem, according to the staff who managed their cases. The estimated percentage of clients with substance abuse problems ranged from 8 to 13 percent among the four providers. Again, most of these staff judgments were made without the benefit of a formal chemical dependency assessment by a specialist.²⁸

Estimates from other surveys have shown varying percentages of welfare recipients with substance abuse or dependency problems. A study by the U.S. Department of Health and Human Services reported that 4.9 percent of women on AFDC were "significantly" impaired by drugs or alcohol, and another 10.6 percent were "somewhat" impaired.²⁹ Researchers with the National Institute on Alcohol Abuse and Alcoholism concluded that 7.6 percent of AFDC recipients met diagnostic criteria for alcohol abuse or dependence, while 3.6 percent met

24 Sandra Danziger, Mary Corcoran, Sheldon Danziger, Colleen Heflin, Ariel Kalil, Judith Levine, Daniel Rosen, Kristin Seefeldt, Kristine Siefert, and Richard Tolman, *Barriers to the Employment of Welfare Recipients* (Ann Arbor, MI: University of Michigan, January 1999), 15. The 36 percent figure included a small number of persons (less than 6 percent) with a chemical dependency diagnosis but not other mental health diagnoses. The percentages of recipients with major depression (27 percent) and generalized anxiety disorder (7 percent) were well above the percentages for women ages 15-54 in the general population (13 and 4 percent, respectively).

25 Rukmalie Jayakody, Sheldon Danziger, and Harold Pollack, "Welfare Reform, Substance Abuse and Mental Health," Paper presented at the annual meeting of the Association for Public Policy Analysis and Management (December 1998), 22.

26 Kristin A. Moore, Martha J. Zaslow, Mary Jo Coiro, Suzanne M. Miller, and Ellen B. Magenheimer, *How Well Are They Faring? AFDC Families with Preschool-Aged Children in Atlanta at the Outset of the JOBS Evaluation* (Washington, D.C.: Manpower Demonstration Research Corporation, September 1995), ES-6.

27 Zedlewski, *Work-Related Activities and Limitations of Current Welfare Recipients*, 9. Thirty-five percent of welfare recipients had "poor" mental health—that is, scores in the bottom 20th percentile nationally.

28 In a DHS survey of non-working MFIP recipients, 5 percent indicated that substance abuse made it difficult for them to find a job. See DHS, *MFIP Longitudinal Study: Baseline Report*, 23.

29 U.S. Department of Health and Human Services, *Patterns of Substance Abuse and Substance-Related Impairment Among Participants in the Aid to Families with Dependent Children Program* (Washington, D.C., December 1994).

diagnostic criteria for drug abuse or dependence.³⁰ A survey of Michigan welfare recipients indicated that 3.3 percent met diagnostic criteria for drug dependence (not abuse), and 2.7 percent met diagnostic criteria for alcohol dependence (not abuse).³¹ A study based on national survey data found that 9 percent of welfare recipients met diagnostic criteria for alcohol dependence.³² Studies that have used less stringent definitions of chemical abuse (such as single instances of illegal drug use in the past year) have yielded higher estimates than those cited above.³³

As shown in Table 3.3, Minnesota employment services staff perceived that most of the chemically dependent clients on their caseloads could find work if given adequate supportive services.

Physical Disabilities of the Clients or Their Family Members

State law allows caregivers to be exempted from employment services requirements if they are (1) suffering from a professionally-certified illness, injury, or incapacity which is expected to continue for more than 30 days, (2) required in the home because of the illness or incapacity of another member of the household, or (3) incapacitated due to circumstances related to a pregnancy.³⁴ However, persons exempted from participation for these reasons would still use up time on their 60-month lifetime limits on cash assistance, so some choose to participate.

In our sample of 1,100 employment services clients, employment services staff indicated that about 10 percent had physical disabilities, as shown in Table 3.4.³⁵ This percentage ranged from 6 to 17 percent among the four providers who participated in our survey.

Physical disabilities may constrain welfare recipients' employment options. A recent study found that caregivers' serious disabilities significantly lowered their likelihood of leaving welfare through work.³⁶ However, physical disabilities do not necessarily rule out the possibility of working. In fact, the federal Americans with Disabilities Act requires many employers to make "reasonable modifications" for persons with disabilities. Case managers for the 1,100 clients in our survey judged that half or more of the clients that were physically disabled were capable of working in the next year, if given proper supportive services (see Table 3.4).

³⁰ Bridget F. Grant and Deborah A. Dawson, "Alcohol and Drug Use, Abuse, and Dependence Among Welfare Recipients," *American Journal of Public Health*, 86, n. 10 (October 1996), 1450-1454.

³¹ Sandra Danziger and others, *Barriers to the Employment of Welfare Recipients*, 15.

³² Jayakody and others, *Welfare Reform, Substance Use, and Mental Health*.

³³ Krista Olson and LaDonna Pavetti, *Personal and Family Challenges to the Successful Transition from Welfare to Work* (Washington, D.C.: Urban Institute, May 17, 1996).

³⁴ *Minn. Stat.* §256J.56.

³⁵ Some of these clients were exempt from employment services participation at the time of the survey, although they remained on the providers' caseloads.

³⁶ Gregory Acs and Pamela Loprest, "The Effects of Disabilities on Exits from AFDC," *Journal of Policy Analysis and Management*, 18, n. 1 (Winter 1999), 28-49. This study also found that recipients with children with disabilities were not less likely to leave welfare than other recipients, but the authors suggested that more severe child disabilities (which could not be isolated in the analysis) might limit the likelihood of parents exiting welfare through work.

Disabilities limit the job options of some recipients, but many employers are required by law to accommodate workers' needs.

Table 3.4: Incidence of MFIP Client Disabilities or Family Members with Special Needs, as Reported by Staff of Selected Providers

Potential Obstacle	Percentage of Clients That Staff Said Have This Characteristic	If Assistance for This Obstacle is Available, What Percentage of All Clients (N=1,090):		In Cases Where Staff Said that Their Clients Had This Characteristic, What was Usually the Basis for Their Conclusions?
		Could Not Work in an Unsubsidized Job in the Next 12 Months ^a	Might Not be Able to Work in an Unsubsidized Job in the Next 12 Months ^b	
		Client physical disabilities	9.9	
Family member disability, behavior problems, or other special needs	10.9	0.6	3.0	Client's self-report (96 percent of cases), a specialist's assessment (21 percent), and staff opinion or observation (24 percent). ^c

^aPercent who answered "No" on survey when asked if the client could work.

^bPercent who answered "Don't Know" on survey when asked if the client could work.

^cPercentages may add to more than 100 percent because respondents could give more than one response.

SOURCE: Office of the Legislative Auditor, July-August 1999 survey of staff with four MFIP employment services providers (N=1,090 clients).

In addition, employment services staff reported in our survey that 11 percent of clients had a child with a disability or special needs, and this ranged from 5 to 16 percent among the four surveyed providers. A recent Minnesota Department of Human Services client survey indicated that 29 percent of MFIP recipients had at least one child with special needs, and about half of these recipients considered this circumstance to be at least somewhat of an obstacle to employment.³⁷

Limited English Proficiency

According to information reported to the Minnesota Department of Economic Security by employment services providers throughout Minnesota, 14 percent of MFIP clients who were enrolled in employment services on June 30, 1999 had limited English skills. The percentage of clients with this employment obstacle varied considerably by region of the state. About 21 percent of Hennepin and Ramsey county clients had limited English skills, and the next highest region was southeastern Minnesota (15 percent). In contrast, providers serving northeastern Minnesota reported that only 3 percent of their clients had limited English skills.

State law says that "lack of proficiency in English is not necessarily a barrier to employment," and employment services staff told us that, in their opinion, most clients with limited English skills can find unsubsidized work.³⁸ In our sample of 1,100 cases, staff estimated that 1.3 percent would be unemployable due to

³⁷ DHS, *MFIP Longitudinal Study: Baseline Report*, 36. The most commonly cited special needs were asthma or allergies.

³⁸ *Minn. Stat.* §256J.52, subd. 2(c).

English language limitations during the next year (with another 2.1 percent that might be unemployable).

Client Attitudes

A potential employment obstacle that has been the subject of relatively limited attention in previous research is client attitudes. Job counselors told us that some MFIP clients have not made serious efforts to find work or participate in employment services. For example, some clients fail to attend training sessions or meetings with job counselors.³⁹ Job counselors expressed concern that clients who do not meet the expectations of employment services staff are likely to have difficulties meeting the expectations of their eventual employers.

Table 3.5 shows staff perceptions regarding our sample of 1,100 MFIP clients. According to staff, about one-fourth of the clients were not interested in receiving employment services assistance, and 15 percent were not interested in finding a job.

In a different survey, we asked employment services agencies throughout the state to estimate the percentage of their MFIP clients who were not seriously interested in finding work. Statewide, the median response was 25 percent.⁴⁰ However, we found that:

Table 3.5: Incidence of Attitude Problems Among MFIP Clients, as Reported by Staff of Selected Providers

Potential Obstacle	Percentage of Clients That Staff Said Have This Characteristic	If Assistance for This Obstacle is Available, What Percentage of All Clients (N=1,090):		In Cases Where Staff Said that Their Clients Had This Characteristic, What was Usually the Basis for Their Conclusions?
		Could Not Work in an Unsubsidized Job in the Next 12 Months ^a	Might Not be Able to Work in an Unsubsidized Job in the Next 12 Months ^b	
Client is not very interested in finding a job	14.9	1.9	5.1	Staff opinion or observation (91 percent of cases)
Client is not very interested in leaving public cash assistance	14.7	1.1	4.3	Staff opinion or observation (92 percent)
Client is not very interested in employment services assistance that has been offered	26.1	2.3	9.0	Staff opinion or observation (90 percent)
Client does not keep appointments or is not punctual	22.8	1.7	7.1	Staff opinion or observation (98 percent)

^aPercent who answered "No" on survey when asked if the client could work.

^bPercent who answered "Don't Know" on survey when asked if the client could work.

SOURCE: Office of the Legislative Auditor, July-August 1999 survey of staff with four MFIP employment services providers (N=1,090 clients).

³⁹ In our August 1999 survey, we asked employment services providers (N=96) to estimate the percentage of scheduled meetings with job counselors in the previous three months that clients missed without a reasonable excuse. The median response was 30 percent.

⁴⁰ Office of the Legislative Auditor, August 1999 survey of providers (N=92).

- **Service providers in Hennepin and Ramsey counties tended to report much higher percentages of clients not interested in finding work than did providers elsewhere in Minnesota.**

In Hennepin and Ramsey counties, the median provider estimated that 40 percent of clients were not interested in finding work. Among providers from other counties, the median estimate was 17 percent.

Client interviews provide additional evidence that some MFIP recipients are not interested in finding work. The Minnesota Department of Human Services interviewed a sample of unemployed MFIP recipients in 1998 and found that 16 percent said they were “not at all interested in finding work” during the next six months.⁴¹

Other Client Characteristics

Table 3.6 shows the staff-estimated incidence of other personal characteristics that could impede employment. For example, clients who cannot interact effectively with co-workers or customers may have difficulty finding or keeping a job, and clients with serious criminal records might face restricted employment options. Also, an abusive partner may prevent some clients from participating in work or training requirements, or their recent history of abuse may make it difficult for them to focus their full attention on employment.⁴²

Table 3.6: Incidence of Other Employment Obstacles Among MFIP Clients, as Reported by Staff of Selected Providers

Potential Obstacle	Percentage of Clients That Staff Said Have This Characteristic	If Assistance for this Obstacle is Available, What Percentage of All Clients (N=1,090):		In Cases Where Staff Said that Their Clients Had This Characteristic, What was Usually the Basis for Their Conclusions?
		Could Not Work in an Unsubsidized Job in the Next 12 Months ^a	Might Not be Able to Work in an Unsubsidized Job in the Next 12 Months ^b	
Lacks adequate social skills for the workplace	10.8	1.0	3.0	Staff's opinion or observation (in 95 percent of cases)
Has a felony-level criminal record	7.2	0.4	1.7	Client's self-report (95 percent)
Has been a victim of domestic violence in the past year	6.6	0.4	2.4	Client's self-report (83 percent)

^aPercent who answered “No” on survey when asked if the client could work.

^bPercent who answered “Don't Know” on survey when asked if the client could work.

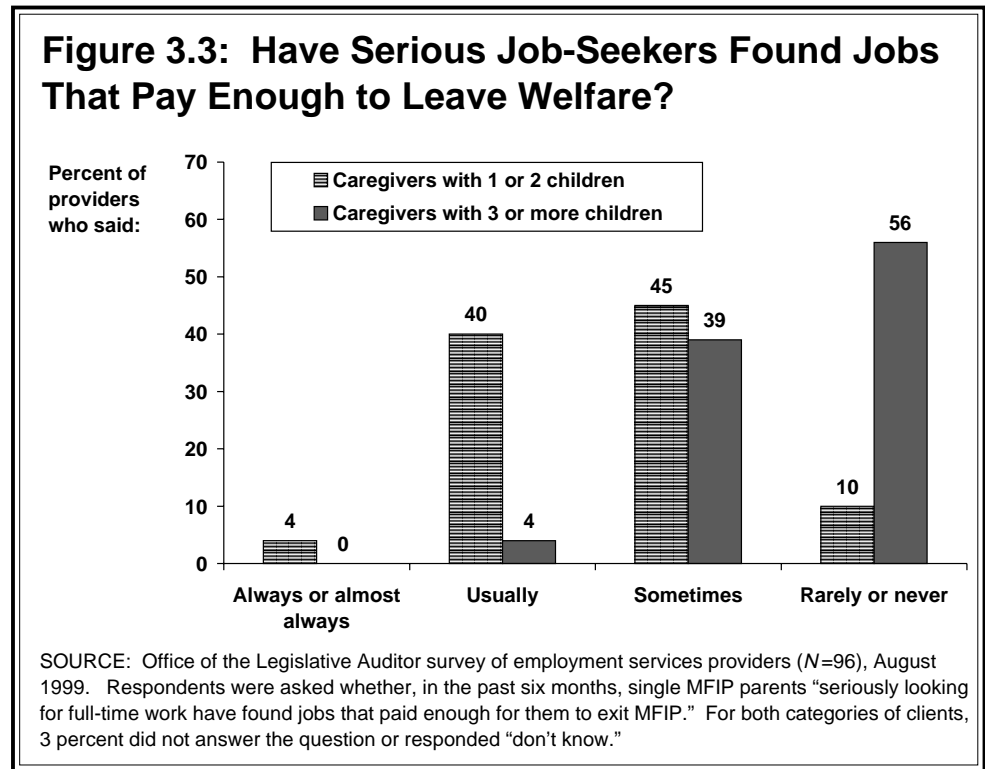
SOURCE: Office of the Legislative Auditor, July-August 1999 survey of staff with four MFIP employment services providers (N=1,090 clients).

⁴¹ DHS, *MFIP Longitudinal Study: Baseline Report*, 18.

⁴² Some studies have reported higher levels of domestic violence than did our survey. For example, a study of a random sample of Massachusetts' AFDC recipients found that 20 percent said they had been abused by a current intimate partner in the past year. This and other recent studies are discussed in Jody Raphael and Richard Tolman, *New Evidence Documenting the Relationship Between Domestic Violence and Welfare* (Ann Arbor, MI, April 1997), http://www.ssw.umich.edu/trapped/pubs_trapped.pdf.

Many large families have difficulty earning enough to leave welfare.

Finally, caregivers with large families may face above-average obstacles to employment. Some may have difficulty finding multiple child care openings at the same (or nearby) day care providers. In addition, caregivers with large families may have a more difficult time than other caregivers finding jobs that pay enough for them to exit welfare. MFIP grants vary in size, depending on the size of the family. In 1999, a single mother with two children working 40 hours a week would have left MFIP assistance at a wage of \$7.76 an hour, but a single mother of five children working 40 hours a week would have needed to earn \$11.88 an hour to leave MFIP assistance. In July 1999, 13.5 percent of MFIP cases had four or more children, and another 14.9 percent had three children. We surveyed employment services providers throughout Minnesota about the recent employment experience of caregivers seriously looking for full-time work. As shown in Figure 3.3, they reported that MFIP families with three or more children have had far more limited success getting off welfare through employment than have smaller families.⁴³



Service Needs

Another possible obstacle to employment is a shortage of services intended to help welfare recipients find or retain jobs. We asked employment services directors and county human services directors statewide to indicate the extent to which various services were available for MFIP clients when needed. As shown in Table 3.7,

⁴³ County human services officials we surveyed reported similar experience. Ninety-five percent said that parents with at least three children who seriously looked for employment “sometimes, rarely, or never” found jobs paying enough to get off MFIP; 73 percent said that caregivers of smaller families were unable to find such jobs.

Table 3.7: Perceptions of County and Provider Officials About Availability of Needed Services

Survey question: Based on your agency's experience, to what extent are the following services available when needed for MFIP participants who are working or in employment services?	Employment Services Providers (N=96 to 98)		County Human Services Directors (N=83 or 84)		Percentage Who Listed This First or Second Among Services Needing the Most Improvement	
	Usually or Always Available	Sometimes, Rarely, or Never Available	Usually or Always Available	Sometimes, Rarely, or Never Available	Providers (N=93)	Counties (N=83)
Child Care:						
Child care for MFIP families without special needs	91	7	88	11	2	2
Child care for caregivers in social services	35	52	55	38	13	6
Child care for nights or weekends	26	70	19	81	46	57
Child care for children with physical/emotional problems	24	66	37	57	12	12
Child care for children with culturally-specific needs	21	57	17	57	14	10
Education/Training:						
Adult basic education/GED programs	90	9	93	7	1	1
English as a Second Language programs	76	22	59	27	1	2
Short education/training programs (<3 months)	71	27	69	29	11	6
Medium education/training programs (4-12 months)	66	32	73	26	6	4
Programs that teach English for the workplace	54	39	31	48	9	5
Long education/training programs (>12 months)	51	49	43	56	10	2
Job Search and Career Development Assistance:						
Training in how to search for a job	99	0	96	2	1	0
Training in how to retain a job	82	17	79	19	6	13
Training in "career laddering"	65	34	64	33	12	11
Other Services:						
Transportation assistance	87	13	67	33	20	27
Mental health treatment/counseling	68	28	80	20	6	2
Chemical dependency treatment/counseling	67	30	82	18	4	2
Housing subsidies and assistance	58	39	46	50	13	22
Sheltered work or subsidized employment	50	45	50	45	9	8
Unpaid work experience programs	41	53	38	54	2	5

NOTE: "Don't know" responses are not shown.

SOURCE: Office of the Legislative Auditor surveys, August 1999.

- County and provider officials reported that:
 1. "Regular" child care for MFIP clients is readily available. However, certain types of non-traditional child care services are in short supply.
 2. Lack of adequate transportation and housing are serious employment obstacles for MFIP participants in some parts of the state.
 3. Employment services staff have done a better job of training MFIP participants how to look for a job than they have done in helping

participants retain jobs or plan for employment that will promote long-term self-sufficiency. (See further discussion in Chapter 4.)

4. Some parts of the state lack sufficient education and training programs (of various lengths), subsidized employment, and unpaid work experience. (See further discussion in Chapter 4.)

In addition, we asked four employment services providers to indicate whether the absence of child care, transportation, and housing assistance was impeding the employment prospects of a random sample of 1,100 MFIP clients (see Table 3.8). Of the three services, employment services staff said that lack of housing was the more difficult problem for them to address. Staff indicated that as many as 7 percent of clients might not be able to work during the next year due to housing difficulties.⁴⁴ In contrast, staff seemed to think that child care and transportation problems would be resolved more quickly, in most cases.⁴⁵

Table 3.8: Incidence of Child Care, Housing, and Transportation Service Needs Among MFIP Clients, as Reported by Staff of Selected Providers

Potential Obstacle	Percentage of Clients That Staff Said Have This Characteristic	If Assistance for This Obstacle is Available, What Percentage of All Clients (N=1,090):		In Cases Where Staff Said that Their Clients Had This Characteristic, What was Usually the Basis for Their Conclusions?
		Could Not Work in an Unsubsidized Job in the Next 12 Months ^a	Might Not be Able to Work in an Unsubsidized Job in the Next 12 Months ^b	
		Lacks child care	3.7	
Lacks affordable housing	6.9	1.4	5.7	Client's self-report (89 percent)
Lacks transportation	12.4	0.8	2.2	Client's self-report (93 percent)

^aPercent who answered "No" on survey when asked if the client could work.

^bPercent who answered "Don't Know" on survey when asked if the client could work.

SOURCE: Office of the Legislative Auditor, July-August 1999 survey of staff with four MFIP employment services providers (N=1,090 clients).

In the following sections, we discuss selected services in more detail.

State child care funding has grown dramatically.

Child Care

In recent years, state subsidies for child care assistance in Minnesota have increased dramatically. For example, total state assistance for child care funding grew from \$19.6 million in fiscal year 1991 to \$99.4 million in 1999. MFIP participants in the five categories shown in Table 3.9 are assured child care funding, as are families for 12 months after they leave MFIP cash assistance due

⁴⁴ The 7 percent figure includes clients for whom staff said they "don't know" whether the housing problem will be resolved during the next year.

⁴⁵ There was considerable variation in the incidence of reported transportation and housing problems among the four providers. The percentage of clients identified with transportation problems ranged from 4 to 26 percent, and the percentage with housing problems ranged from 1 to 10 percent.

Table 3.9: Families Eligible for MFIP Child Care Subsidies

- Participants in employment services with an authorized employment plan;
- Participants who do not have an employment plan but who are employed an average of at least 20 hours per week in a job that pays at least minimum wage;
- Participants who have not developed an employment plan but who are seeking employment through job search (assistance is limited to 240 hours per calendar year);
- Participants who are attending an MFIP orientation or program appeals hearing;
- Participants in the Self-Employment Investment Development (SEID) program (an MFIP employment services component).

SOURCE: Minnesota Department of Human Services, *Combined Manual*, policy 29.30.

to increased earnings or receipt of child/spousal support payments. State funding for child care specifically targeted toward welfare recipients (including AFDC, MFIP, and other programs) increased from \$8.9 million in 1991 to \$46.3 million in 1999, according to the Minnesota Department of Children, Families & Learning.

Our surveys provided a mixed picture of child care availability for MFIP clients. For the most part, child care appears to be plentiful for those MFIP clients who need traditional day-time care for children without “special needs.” However,

- **Seventy percent of providers and 81 percent of counties said that child care for evenings, weekends, and other non-traditional hours is “sometimes, rarely, or never” available.**

In fact, “odd hours” child care far exceeded other service categories when counties and providers indicated the services with the most need for improvement.

In addition, a majority of counties and/or providers who we surveyed said that the following types of child care are “sometimes, rarely, or never” available when needed: (1) child care for children with physical or emotional problems, (2) child care for children with culturally-specific needs, such as special diets, and (3) child care for caregivers whose primary activity is social services, such as chemical dependency treatment. According to a recent statewide survey of clients, 59 percent of non-working MFIP recipients said that lack of child care makes it difficult for them to find a job.⁴⁶

For families who are not on MFIP (and are not in the “transition year” after leaving MFIP), basic sliding fee child care subsidies are available but not

“Regular” child care for MFIP families is widely available; some specialized categories of child care are not.

⁴⁶ DHS, *MFIP Longitudinal Study: Baseline Report*, 23.

“guaranteed.”⁴⁷ Thus, for example, families who have been off MFIP for more than one year compete for these subsidies with other low-income families. In Fall 1999, there were more than 7,000 families on basic sliding fee child care waiting lists statewide (less than 100 were families that had completed their MFIP transition year).⁴⁸ Due to the waiting lists for basic sliding fee child care funds,

- **County human services officials told us that some non-MFIP parents quit work (or reduce their work hours) to qualify for MFIP-related child care.**

Only 20 percent of the county human services directors statewide told us that this is a “significant problem” in their counties, but half of the directors in the 14 counties with the largest employment services caseloads said that it is.⁴⁹

Transportation

Most adult MFIP recipients are required to engage in work or work-related activities. While some recipients work out of their homes—for example, providing child care—most travel elsewhere for work, child care, training, job search, or other activities. Often this involves several trips each day. According to a statewide survey of MFIP recipients, less than half said they have regular access to a car that they consider to be reliable.⁵⁰ Service providers told us that Twin Cities recipients often have relatively good transit services into downtown areas but limited transit options to suburban work sites. In rural parts of Minnesota, some residents live long distances from job centers and have limited or no public transportation options.

As shown earlier in Table 3.7, most counties and providers said that transportation assistance for clients was “usually or always” available for MFIP clients. Still, when asked to identify the two services that most need improvement, 27 percent of counties and 20 percent of providers identified transportation as one.⁵¹ In addition, a 1998 statewide survey of MFIP recipients identified transportation problems as the most significant barrier to finding a job, particularly in areas outside the Twin Cities region.⁵²

47 Families who have completed the MFIP transition year and still meet basic sliding fee child care income and eligibility requirements have second priority among three subgroups given priority for these subsidies.

48 As of September 30, 1999, the longest waiting lists for basic sliding fee child care (in order) were in Hennepin, Ramsey, Dakota, Anoka, and Washington counties.

49 Large counties that identified this as a significant problem included Anoka, Blue Earth, Dakota, Hennepin, Otter Tail, St. Louis, and Washington.

50 DHS, *MFIP Longitudinal Study: Baseline Report*, 40-41 and 79-80. Thirty-five percent of ongoing MFIP recipients and 45 percent of first-month recipients had access to a reliable car. Recipients in Hennepin and Ramsey counties were less likely than recipients elsewhere to have access to a reliable car. Eighty-six percent of the recipients without access to a reliable car said that public transportation was available in the place they lived.

51 The providers who identified transportation improvement as a top need accounted for about 13 percent of the state’s employment services caseload on June 30, 1999.

52 DHS, *MFIP Longitudinal Study: Baseline Report*, 23 and 64. For both new recipients and ongoing recipients, transportation problems had the highest mean score on a scale ranking employment barriers among non-working MFIP clients. Sixty-one percent of non-working, ongoing recipients and 49 percent of non-working, first-time recipients identified transportation as an employment obstacle.

Some MFIP recipients do not have reliable cars or access to public transportation.

We asked employment services providers statewide to indicate what types of transportation assistance they have provided to clients. Table 3.10 shows that most providers have paid for bus cards or mileage costs for clients in job search. About 30 percent have spent funds to help clients purchase cars, and many providers have continued to subsidize transportation costs more than six months after the clients have found work.

Table 3.10: Percentage of MFIP Providers Who Subsidized Transportation Costs in a Recent Three-Month Period

Type of Expense	Percentage of Providers That Subsidized These Costs
Bus passes for clients in job search	95%
Bus passes for clients working less than two months	93
Bus passes for clients working more than six months	46
Mileage reimbursement for clients in job search	88
Mileage reimbursement for clients working less than two months	84
Mileage reimbursement for clients working more than six months	36
Car repairs	93
Car purchase	29
Car insurance costs	75
Parking fees	48
Drivers license fees	78

NOTE: The survey asked whether the provider "paid anything" for these categories of expenses "during the past three months."

SOURCE: Office of the Legislative Auditor survey of providers (August 1999). N=95 to 98.

Clients without stable housing sometimes have difficulty devoting attention to finding work.

Housing

According to a recent survey of MFIP recipients, 45 percent of recipients live in nonsubsidized rental housing and 40 percent live in subsidized or public housing.⁵³ Twenty-two percent of recipients said they were on a waiting list for subsidized or public housing. About half of recipients said they had moved at least once in the previous year.

No rigorous studies have examined whether decent, safe, and affordable housing increases the ability of low-income families to become economically self-sufficient.⁵⁴ Nevertheless, many employment services staff told us that it is difficult for clients to focus on improving their work readiness until their more basic needs have been addressed, including finding a stable place to live. We reviewed many files in which an employment services agency deferred its normal

⁵³ DHS, *MFIP Longitudinal Study: Baseline Report*, 36. In addition, 7 percent owned their homes, 5 percent lived with someone for free, and others lived in shelters or reduced their rent by working.

⁵⁴ Sandra J. Newman, ed., *The Home Front: Implications of Welfare Reform for Housing Policy* (Washington, D.C.: Urban Institute Press, 1999), 3. The editor notes that no experimental study has been undertaken to examine the impact of housing availability on self-sufficiency.

expectations for the MFIP client to search for work, due to the client's temporary difficulty finding housing.

As shown earlier in Table 3.7, 22 percent of county human services directors and 13 percent of providers identified the absence of housing assistance as one of their two most pressing service needs for MFIP clients. Half of the county directors and 39 percent of providers said that housing assistance is "sometimes, rarely, or never" available when needed for MFIP clients.

PREVIOUS RESEARCH ON EMPLOYMENT OF WELFARE RECIPIENTS

Nationally, a large number of studies have evaluated the impact of programs intended to help welfare recipients go to work and become self-sufficient. Although many of these studies were conducted before reforms such as time limits were implemented, their lessons still provide a useful context for considering current reforms.

The best studies of welfare-to-work programs have randomly assigned welfare recipients to (1) "control" groups that participated in existing programs, or (2) "experimental" groups that participated in new, reformed programs. With this type of design, researchers can measure whether the new programs produce better results than existing programs for a comparable group of welfare recipients. We found that:

- **Experimental studies have shown that many types of welfare-to-work programs increase the employment or earnings of recipients.**

For example, experimental programs at four sites (Virginia, Arkansas, Baltimore, and San Diego) differed considerably in approach, but participants in all these programs had average earnings during the second year of the program that were 14 to 30 percent higher than those of control group participants.⁵⁵ Over time, many of the control group participants went to work, too, and the overall difference between the earnings and employment rates of the two groups narrowed. For instance, in the fifth year after the experiment, the average earnings of experimental group participants were 4 to 10 percent higher than those of control group participants.⁵⁶

- **Programs have usually increased earnings by increasing the amount that participants work, not by significantly improving the quality of jobs that participants hold.**

Most welfare programs have increased client earnings by increasing hours of work, not by changing clients' jobs.

⁵⁵ Daniel Friedlander and Gary Burtless, *Five Years After: The Long-Term Effects of Welfare-to-Work Programs* (New York: Russell Sage Foundation, 1995), 138-139. The Arkansas and Virginia programs had low costs per participant and emphasized job search. The Baltimore program had higher costs and offered more opportunities for education and training. The San Diego program aimed to maximize client participation in employment services activities throughout their time on welfare.

⁵⁶ *Ibid.* In each case, the experimental group participants received experimental program services for the first two years of the study period.

Welfare-to-work programs have often helped participants find jobs faster than they otherwise would have, but available evidence indicates that participants' initial jobs have usually been similar to those of control group participants.⁵⁷ That is, the experimental programs have not necessarily helped participants find "higher quality" employment. In one program (in Baltimore), employed participants from the experimental and control groups appear to have had similar earnings initially, but the proportion of experimental participants in better-paying jobs increased over a longer time period. The Baltimore program had a stronger education and training component than most other programs that have been tested, but researchers did not determine the extent to which the earnings growth was attributable to this or other factors.⁵⁸

- **Even in the most successful welfare-to-work programs, many participants remain unemployed, sporadically employed, or have earnings below the poverty level.**

**Even
"successful"
welfare-to-work
programs have
not improved
the financial
situation of all
participants.**

Researchers have often measured the success of experimental welfare programs by examining whether their participants fared better than persons in existing programs. But the impacts of programs that were judged successful by this measure might be inadequate in a system of time-limited eligibility for welfare benefits:

Even in the Riverside County [California] GAIN program, generally considered to be one of the most successful welfare-to-work efforts ever evaluated, only 23 percent of the participants were still employed and off [welfare] at the end of the third year after entry into the program. This was significantly more than the 18.4 percent of the control group who achieved this outcome, but it is a sobering reminder of the difficulty of helping recipients off [welfare] and into jobs over an extended period of time.⁵⁹

The highest average earnings gains in any of the welfare-to-work experiments has been \$1,000 per year, and the typical gains have been \$150 to \$600 per year.⁶⁰

Recent studies show that many persons work after leaving welfare, but often their earnings remain low. For example:

57 *Ibid.*, 126-147; Dave M. O'Neill and June Ellenhoff O'Neill, *Lessons for Welfare Reform: An Analysis of the AFDC Caseload and Past Welfare-to-Work Programs* (Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 1997), 60-61. These authors have also noted that reforms predating the 1996 federal changes have had small impacts on participants' welfare dependence over time.

58 Friedlander and Burtless, *Five Years After*, 32-33. Other aspects of Baltimore's program included financial incentives for going to work, client choice about what activities to engage in, and strong agency management. In addition, studies of welfare-to-work programs in several California counties showed that participants in two counties' programs appeared to find better paying jobs--see James Riccio, Daniel Friedlander, and Stephen Freedman, *GAIN: Benefits, Costs, and Three-Year Impacts of a Welfare-to-Work Program* (New York: Manpower Demonstration Research Corporation, September 1994).

59 U.S. Department of Labor, *What's Working (and What's Not): A Summary of Research on the Economic Impacts of Employment and Training Programs* (Washington, D.C., 1995), 37.

60 Rebecca Blank, *It Takes a Nation: A New Agenda for Fighting Poverty* (New York: Russell Sage Foundation, 1997), 176.

- Summaries of recent studies by individual states found that 50 to 70 percent of former recipients typically had earnings at a point in time during the year following program exit. Persons who left welfare due to sanctions had lower employment rates. Former recipients typically worked in jobs that paid \$5.50 to \$7.00 an hour.⁶¹
- A study of a national sample of persons who left welfare between 1995 and 1997 found that 61 percent of former recipients were working at the time they were interviewed in 1997. Single-parent former recipients had employment rates similar to other single-parent, low-income families, and two-parent former recipients had employment rates similar to other two-parent, low-income families. Former recipients' median wages were at about the 20th percentile of hourly wages for all workers. About 20 percent of former recipients were not working, did not have a spouse that worked, and were not receiving government disability benefits. Former welfare recipients were more likely than other low-income mothers to report difficulties paying for food and shelter.⁶²
- A summary of previous research concluded that about two-thirds of women worked after leaving welfare, but most did not work on a full-time, full-year basis. Average annual earnings after leaving welfare were \$8,000 to \$9,500, with earnings growth of 6 to 10 percent per year.⁶³

It is certainly possible that Minnesota's strong economy and labor shortage could contribute to better outcomes in coming years than these studies suggest. However, in recent decades, economic growth in the U.S. has been less successful than it was previously in raising families above the poverty line. According to economist Rebecca Blank, "it is harder to reduce poverty by encouraging work behavior now than at any point in the past forty years"—partly because the real wages of women with low skills have declined slightly since 1979 (and were relatively low to begin with).⁶⁴ Some economists think that preliminary evidence from the past few years is more encouraging and that economic growth may be again demonstrating its potential to reduce poverty.⁶⁵ However, as a respected research organization recently concluded:

61 Jack Tweedie, Dana Reichert, and Matt O'Connor, *Tracking Recipients After They Leave Welfare* (Denver: National Conference of State Legislatures, July 1999); Sarah Brauner and Pamela Loprest, *Where Are They Now? What States' Studies of People Who Left Welfare Tell Us* (Washington, D.C.: Urban Institute, May 1999).

62 Pamela Loprest, *Families Who Left Welfare: Who Are They And How Are They Doing?* (Washington, D.C.: Urban Institute, 1999). Data were from the Urban Institute's National Survey of American Families.

63 Maria Cancian, Robert Haveman, Thomas Kaplan, Daniel Meyer, and Barbara Wolfe, "Work, Earnings, and Well-Being After Welfare: What Do We Know?" Paper prepared for "Welfare Reform and the Macro-Economy" conference, Washington, D.C., November 19-20, 1998 (revised February 1999). Data were from the National Longitudinal Survey of Youth and selected state studies.

64 Blank, *It Takes a Nation*, 80. Among women working full-time, full-year who did not complete high school, real wages declined 6 percent between 1979 and 1993 (p. 61).

65 Robert Haveman and Jonathan Schwabish, "Economic Growth and Poverty: A Return to Normalcy?" *Focus* 20, n. 2 (Spring 1999), 1-7. The authors caution that this conclusion is based on limited data from the years since 1992, and they identify possible changes that could offset these antipoverty effects.

It is unlikely that any effort to reduce poverty through employment could succeed for all participants, even with bolder incentives. To the degree that policy makers hold antipoverty goals, they will need to consider both employment-based solutions and other means to transfer income.⁶⁶

Finally, we found that:

- **Preliminary evidence suggests that financial incentives have the potential to increase work among welfare recipients, and they can also help reduce poverty.**

Recent experiments have shown that it is possible to simultaneously increase welfare recipients' incomes and employment levels.

For years, policy makers have searched for cost-effective ways to raise the incomes of poor people without discouraging work. In the 1970s, the federal government examined the impact of giving generous cash grants to low-income families (not just welfare recipients).



The MFIP pilot program helped to increase the employment of long-term welfare recipients in urban counties.

The studies found that this “negative income tax” caused many persons to work less than they otherwise would. But more recent experiments have had greater success in boosting incomes without causing people to work less. Unlike the earlier experiments, recent programs have combined financial incentives with work requirements and strong messages encouraging participant self-sufficiency. Also, some programs have been targeted to current welfare recipients (and sometimes to long-term recipients), not a broader population of low-income persons. The financial incentives of the most generous program (Canada’s Self-Sufficiency Project) increased participants’ full-time employment rates by 15 percent and average annual earnings by 56 percent, and they reduced participants’ poverty rates by one-third.⁶⁷ The Canadian program

offered a three-year earnings supplement to persons who had been on welfare for at least one year.

⁶⁶ Hans Bos, Aletha Huston, Robert Granger, Greg Duncan, Tom Brock, and Vonnie McLoyd, *New Hope for People with Low Incomes: Two-Year Results of a Program to Reduce Poverty and Reform Welfare* (New York: Manpower Demonstration Research Corporation, April 1999); www.mdrc.aa.psiweb.com/Reports99/NewHope4-99/; accessed April 23, 1999. This study evaluated a Milwaukee program that required low-income persons (not just welfare recipients) to work at least 30 hours a week. The program subsidized incomes to the poverty level, provided supportive services such as health care and child care, and provided subsidized jobs for persons unable to find other work.

⁶⁷ Rebecca M. Blank, David Card, and Philip K. Robins, “Financial Incentives for Increasing Work and Income Among Low-Income Families,” Paper prepared for the Joint Center for Poverty Research Conference, “Labor Markets and Less-Skilled Workers,” November 5-6, 1998 (revised February 1999); www.jcpr.org/wpfiles/Card_Blank_Robins.pdf; accessed December 15, 1999.

The pilot version of the Minnesota Family Investment Program combined work requirements with “modest” financial work incentives (a higher basic grant for employed recipients plus a 38 percent earnings disregard).⁶⁸ Program participants included new applicants as well as long-term recipients, but Minnesota Department of Human Services officials told us they hoped that the MFIP pilot would have particular success with long-term recipients in urban areas.⁶⁹ As Table 3.11 shows, the MFIP pilot’s best results were with long-term welfare recipients in the largest counties (in the Twin Cities metropolitan area). During the program’s first 18 months, these counties’ MFIP participants had 27 percent higher earnings and were 16 percent less likely to live in poverty than control group members. For new welfare recipients in the Twin Cities area, MFIP produced no increase in earnings and a small (6 percent) decrease in the percentage of participants in poverty. In rural counties, the MFIP pilot program did not increase earnings significantly, but it reduced the percentage of participants in poverty. For all three groups, the MFIP pilot program increased welfare payments. Researchers concluded that “the increases in income and reductions in poverty came, in large part, from MFIP’s financial incentives.”⁷⁰

Table 3.11: 18-Month Impacts of the MFIP Pilot Program

	Percentage Change Compared to Control Group		
	Single-Parent, Long-Term Recipients in Urban Counties	Single-Parent, New Recipients in Urban Counties	Single-Parent, Long-Term Recipients in Rural Counties
During 18 months after random assignment:			
Percent of participants employed	+29***	+7***	+24***
Earnings	+27***	-6	+6
Welfare benefits received	+8***	+27***	+18***
Total income	+13***	+7**	+14***
Percent of participants below poverty level	-16***	-6**	-12***
During months 16-18:			
Percent of participants employed	+39***	+6	+9
Percent of participants receiving welfare benefits	+5*	+18***	+16***

NOTE: The table shows the percentages by which the experimental participants fared better (+) or worse (-) than the control group. Statistical significance levels are indicated as ***=1 percent; **=5 percent; and *=10 percent.

SOURCE: Cynthia Miller, Virginia Knox, Patricia Auspos, JoAnna Hunter-Manns, and Alan Orenstein, *Making Welfare Work and Work Pay: Implementation and 18-Month Impacts of the Minnesota Family Investment Program* (New York: Manpower Demonstration Research Corporation, October 1997).

⁶⁸ *Ibid.*, where Minnesota’s incentives are described as “modest” on p. 18.

⁶⁹ All MFIP participants could take advantage of the program’s financial incentives, but only the long-term recipients were subject to the program’s work requirements.

⁷⁰ Cynthia Miller and others, *Making Welfare Work and Work Pay*, ES-3. Results from a three-year follow-up period will be issued in early 2000. Preliminary results suggest that MFIP continued to increase the incomes of participants (and reduce poverty) in the third year. However, the average earnings of long-term urban participants were no longer significantly different from those in the control group, although their employment levels remained higher.

Employment Services for MFIP Participants

SUMMARY

MFIP requires most adult welfare recipients to participate in work-related activities soon after they start receiving assistance. However, Minnesota only met one of the two client participation standards set by the federal government for 1998, and compliance will be more difficult in the future as these standards increase. Job search and unsubsidized employment have been the most common activities among MFIP clients, but levels of client participation in particular activities vary widely across the state. Most employed MFIP clients have received hourly wages high enough for them to leave MFIP cash assistance if they worked full-time; however, most have not received a wage high enough to be ineligible for MFIP food assistance. There is room for improvement in client assessment, services to help clients keep jobs and advance to better ones, and services for sanctioned and “hard-to-employ” clients.

When Minnesota replaced Aid to Families with Dependent Children (AFDC) with the Minnesota Family Investment Program (MFIP), it changed the focus of its welfare system from a cash assistance entitlement to an employment program that provides temporary assistance. Consequently, much of the success of MFIP will depend on the success of its employment and training programs. This chapter addresses the following questions:

- **How are MFIP clients’ service needs assessed? Do service providers believe they have sufficient information about their clients?**
- **In which work-related activities have MFIP clients participated? To what extent have client participation levels varied across the state, and what accounts for the variation?**
- **Is Minnesota complying with federal participation requirements for work-related activities, and is it likely to meet future requirements?**
- **What work-related services do counties and providers think need improvement?**

In order to answer these questions, we reviewed the state’s employment services manual and each county’s 1999-2001 local service unit plan (which details the county’s employment and training efforts). We also visited 16 provider offices, interviewed 32 administrators and 93 job counselors, reviewed 166 client files,

analyzed statewide data on client activities, surveyed all counties and providers, and interviewed several MFIP clients and representatives of client organizations.

BACKGROUND

MFIP requires most adult recipients to participate in employment services soon after receiving cash assistance. Immediate employment is the primary goal of these services. According to the MFIP employment services manual:

Statewide MFIP is designed to encourage and enable early workforce attachment for participants in order to build job skills, experience, and work history. This approach has been shown to be effective in increasing earnings and income while promoting self-esteem and independence for participant families.¹

**MFIP
emphasizes
full-time
employment.**

The manual specifies the hierarchy of client activities shown in Table 4.1. When developing an employment plan for clients, job counselors are instructed to select activities as high up in the hierarchy as possible. In contrast, STRIDE – the employment program that preceded MFIP – focused more on educational activities for its clients.

Both parents in two-parent families, unless exempt, must participate in employment services immediately upon receiving cash assistance. MFIP requires

Table 4.1: Hierarchy of Client Activities

Highest Priority



- Immediate full-time employment.
- Immediate part-time employment, preferably leading to full-time employment.
- Combination of training and employment leading to full-time employment; or combination of social services and employment leading to full-time employment.
- Short-term (less than one year) training leading to employment.
- Long-term (less than two years) training leading to full-time employment.
- Combination of social services and training leading to full-time employment.
- Social services.

Lowest Priority

SOURCE: Minnesota Department of Human Services, *Statewide Minnesota Family Investment Program (MFIP) Employment Services Manual*, policy 3.8.41; <http://www.dhs.state.mn.us/ecs/ReguProc/esm/Chapter3.htm>; accessed May 26, 1999.

¹ Minnesota Department of Human Services, *Statewide Minnesota Family Investment Program (MFIP) Employment Services Manual*, policy 1.1.10; <http://www.dhs.state.mn.us/ecs/ReguProc/esm/Chapter1.htm>; accessed May 26, 1999. *Minn. Stat.* §256J.50, subd. 1 establishes a foundation for a “work first” approach, stating that “each county must develop and implement an employment and training services component of MFIP which is designed to put participants on the most direct path to unsubsidized employment.”

a single parent, unless exempt, to participate in services within six months of receiving cash assistance, but counties can require participation earlier.² Seventy-six counties require participation within 30 days of receiving cash assistance while ten others require participation within two to six months.³ Table 1.7 listed the characteristics of adult recipients who are exempt from participating in employment services.

Some counties provide employment services with their own employees, but most contract with other agencies. In total, over 100 providers currently serve MFIP clients.⁴ Some are workforce centers, which offer one-stop shopping for an array of federal, state, and local employment services. Some specialize in serving certain racial or ethnic groups, such as the Lao Family Community organization in Ramsey County or the state's five American Indian tribal providers. Agencies such as the Minneapolis Public Housing Authority and Lutheran Social Services in Hennepin County became employment services providers as a way of improving services to their traditional clientele. Unless a county uses one of the state's 53 certified workforce centers or claims financial hardship, it must offer MFIP clients a choice of at least two providers.⁵ We found that:

- **Seventy-seven counties (representing 42 percent of the MFIP employment and training clients) use workforce centers and do not provide clients with a choice of providers, while the remaining ten counties (representing 58 percent of the clients) have more than one provider.**⁶

At the two extremes, a single provider (Rural Minnesota Concentrated Employment Program) serves 19 western and northern Minnesota counties, while 32 providers currently serve Hennepin County.

According to the state's employment services manual, most clients should follow a set sequence of activities during the first eight weeks of participation:

1. Overview of employment and training services,
2. Initial assessment,
3. Development of a job search support plan, and
4. Job search (for 30 hours per week).

If an initial assessment indicates that a client is unable to obtain suitable employment or a client completes eight weeks of job search without employment,

Most MFIP clients start employment services with eight weeks of job search.

² *Minn. Stat.* §256J.50, subd. 5.

³ Office of the Legislative Auditor review of local service unit plans for MFIP employment and training programs operating from July 1, 1999 to June 30, 2001. Three counties allow clients six months before participation is required (Blue Earth, Nicollet, and Olmsted). At the time of our July 1999 review, we did not have information about Houston County, which had not submitted a plan.

⁴ Including subcontractors and separate offices for providers with multiple offices.

⁵ *Minn. Stat.* §256J.50, subd. 8.

⁶ Office of the Legislative Auditor analysis of data from the Minnesota Department of Economic Security's management information system for the Job Training Partnership Act (JTPA), which the department uses to track MFIP clients in employment and training services. The ten counties are Hennepin, Ramsey, Aitkin, Carlton, Itasca, Koochiching, Lake, St. Louis, Houston, and Olmsted.

job counselors must conduct a “secondary assessment.” Once a secondary assessment is completed, the job counselor and client must develop an employment plan, which may include short-term interventions or job search. Employment plans are supposed to outline long-term strategies to lead clients to self-sufficiency.⁷ However, the employment plans in client files that we reviewed were generally no more detailed and long-term oriented than job search support plans.

Clients from one-parent families who have children under age six are required to participate in activities outlined in their employment plans for at least 20 hours a week, and other single parents need to participate for 30 hours per week. Once single parents work 35 hours per week, they are exempt from employment services; however, they can voluntarily receive post-employment services until they leave MFIP (and in some cases, for an additional year). In combination, both parents from two-parent families must participate for at least 55 hours per week. Once a client from a two-parent family works 35 hours per week, he or she is exempt from employment services (unless the other parent is already working 35 hours, in which case the client only needs to work 20 hours).⁸

ASSESSMENT

We found that:

- **In both policy and practice, MFIP’s initial assessments are usually cursory reviews of a client’s ability to obtain and retain employment.**

The state’s employment services manual says that one of the primary purposes of an initial assessment is to:

identify participants who have immediate and obvious barriers sufficiently severe to preclude all suitable employment. The expectation is that these cases will be limited in number. Given the labor market in most regions of the state, it is likely that most participants will go directly to job search (emphasis added).⁹

Most client files that we reviewed had a simple self-disclosure form as an initial assessment tool. These forms are not formal screening or assessment instruments and rely on clients to indicate their education, training, employment history, transferable skills, and barriers to employment. In addition, we surveyed providers statewide about their initial assessment practices. As shown in Table 4.2:

Employment services providers rely considerably on clients to disclose their barriers to employment.

⁷ DHS, *Statewide MFIP Employment Services Manual*, policies 3.1 – 3.8.50.

⁸ DHS, *Statewide MFIP Employment Services Manual*, policies 2.4, 3.1.30, and 4.4.20. *Minn. Laws* (1998), ch. 407, art. 6, sec. 90, subd. 5 specified in law the minimum hours of participation. *Minn. Laws* (1998), ch. 407, art. 6, sec. 103 changed the number of hours that clients must work before they are exempt from employment and training services from 40 hours per week (or 30 hours with 10 hours of job search) to 35 hours. *Minn. Laws* (1999), ch. 245, art. 6, sec. 77 increased the number of months that a county can continue to provide employment and training services to an MFIP client after the client leaves MFIP from 6 to 12 months.

⁹ DHS, *Statewide MFIP Employment Services Manual*, policy 3.4.20.

- **Most providers said they use a formal instrument to assess the reading and math levels of all their clients. For other client characteristics, most providers said they do not use formal instruments during initial assessment or use them only when a problem is suspected.**

Conducting formal screenings and setting up professional assessments can be expensive and time consuming. Furthermore, many people who are mentally ill, chemically dependent, or learning disabled can obtain and retain employment. Consequently, MFIP relies largely on the labor market to be a screening tool. Job

Table 4.2: Percentage of Providers that Reported Using Formal Screening or Assessment Instruments During MFIP Initial Assessments

Client Characteristic	Percent of Providers Who:		
	Use a Formal Instrument to Assess All Clients	Use a Formal Instrument to Assess Clients with a Suspected Problem	Do Not Use a Formal Instrument
Reading skills	62%	25%	14%
Math skills	54	30	17
Attitudes toward work	27	22	52
English language skills	18	34	48
Learning disabilities	16	46	38
Chemical dependency	2	35	63
Mental illness	1	31	68

NOTE: N equals 96 for reading and English language skills and 97 for all the other characteristics.

SOURCE: Office of the Legislative Auditor survey of providers (August 1999).

Jobs counselors usually limit more in-depth assessments to clients who have completed eight weeks of job search without employment.

counselors usually limit more in-depth or “secondary” assessments to clients who cannot find suitable employment after eight weeks of job search.¹⁰

The MFIP employment services manual provides very little detail on the scope and content of secondary assessments, only stating,

In the secondary assessment, the job counselor must evaluate the participant’s skills and prior work experience, family circumstances, interests and abilities, need for pre-employment activities, need for supportive or educational services, [and] barriers to employment.¹¹

Many employment services administrators and job counselors told us that a secondary assessment is not a single, structured event but an ongoing process during which job counselors accumulate information about clients. These

¹⁰ *Ibid.*, policy 3.7. The employment services manual also requires job counselors to conduct secondary assessments on clients who (1) work at least 20 hours per week and need a secondary assessment in the opinion of the client or job counselor, or (2) propose an alternative to a job search support plan, including education and training. *Minn. Laws* (1998), ch. 407, art. 6, sec. 96 required job counselors to inform clients who have worked at least 20 hours per week for six consecutive months that they can request a secondary assessment.

¹¹ *Ibid.*

There is room to improve the assessment practices of employment services providers.

assessments may or may not be based on formal screening or assessment instruments. During our file reviews, we observed that records of secondary assessments often contained less detail than initial assessments. In addition,

- **Job counselors often have not done secondary assessments in a timely manner.**

Our review of state employment service records indicated that job counselors performed secondary assessments on only 17 percent of clients who carried out twelve-weeks of job search without finding employment, which is four weeks beyond MFIP's eight-week deadline.¹²

According to a survey we conducted of four providers, specialists assessed only 15 percent of clients that job counselors thought had a chemical dependency problem, 29 percent of clients with a suspected learning disability, and 30 percent of clients with a suspected mental health problem.¹³ This could reflect job counselors not making referrals for assessment or clients not following up on referrals.¹⁴ Furthermore, as shown in Figure 4.1, we found that:

- **Most service providers said they usually do not have sufficient information about unemployed clients' chemical dependency, mental health, learning disabilities, and intelligence three months after the clients enroll for services.**

In contrast, providers said they most often have enough information about clients' previous employment, career interests, previous time on welfare, and reading skills. Several providers told us they would like to have a closer relationship with county social services staff, who could help them with assessments and referrals.

CLIENT ACTIVITIES

As Table 4.3 shows, the participation rates of MFIP clients reflects the hierarchy of activities outlined in the employment services manual (shown in Table 4.1). We found that:

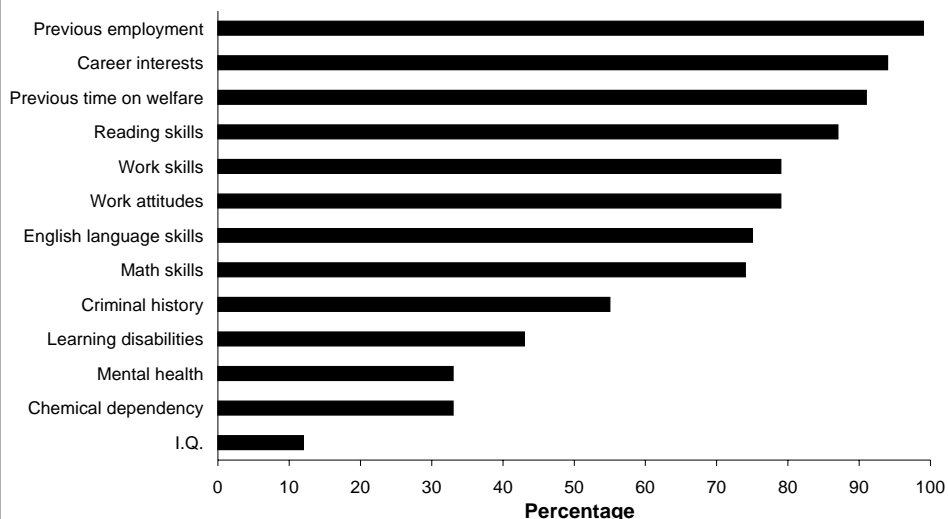
- **Between January 1998 and June 1999, most clients participated in job search and unsubsidized employment, with much lower levels of participation in education and other services.**

¹² Office of the Legislative Auditor analysis of data from DES' management information system. Providers varied in their use of secondary assessments. Minnesota Valley Action Council in Sibley County recorded secondary assessments for 81 percent of its clients who completed 12 weeks of job search without a job, while 18 providers did not record a single secondary assessment for these clients. In some cases, job counselors may be carrying out secondary assessments but failing to record them in the state's information system.

¹³ Office of the Legislative Auditor questionnaire on client employment obstacles (July-August 1999). See discussion in Chapter 3.

¹⁴ Under *Minn. Laws* (1999), ch. 245, art. 6, sec. 65, job counselors can now require clients to receive a chemical use or psychological assessment if the counselor has objective evidence supporting the need for an assessment.

Figure 4.1: Percentage of Providers Who are Usually Satisfied with the Information They Have on Client Characteristics



NOTE: Figure applies to providers who are "usually" or "always" satisfied with the information they have on clients who are unemployed three months after intake. N ranges from 95 to 97.

SOURCE: Office of the Legislative Auditor survey of providers (August 1999).

Table 4.3: Participation by MFIP Clients in Various Employment and Training Activities

In the first 18 months of MFIP, most clients participated in job search and unsubsidized employment.

Activity	Percentage of Clients Who Participated:	
	Sometime Between January 1, 1998 and June 30, 1999 (N=49,821)	On June 30, 1999 (N=28,878)
Job search	65%	25%
Unsubsidized employment	62	46
Education	30	19
Hold ^a	19	10
Subsidized or sheltered work	3	2
Social services	2	1

NOTE: Rural Minnesota CEP (the state's largest provider, accounting for 6,387 of the state's 49,821 cases during the first 18 months of MFIP) and Stearns-Benton Employment and Training Council (accounting for 1,374 cases) have their own computer system to track activities. Their data were translated into DES' management information system; however, we discovered some errors in the translation that we could not correct. The errors appear to affect a small percentage of their cases.

^aThe hold category does not include clients in sanction.

SOURCE: Office of the Legislative Auditor analysis of data from the Minnesota Department of Economic Security's management information system for the Job Training Partnership Act, which the department uses to track MFIP employment and training activities.

In addition, human services directors from counties that served 97 percent of the MFIP clients reported that the overall percentage of unemployed caregivers that participate in a work-related activity (such as job search and education) has increased under MFIP.¹⁵

In the sections that follow, we discuss work-related activities, as well as statewide variation in client participation.

Job Search

Most providers require MFIP clients to start job search by attending a workshop, which often teaches job searching skills (for example, how to interview) and how to get along in the workplace. In our statewide survey, providers usually said they required attendance at a workshop by at least three-fourths of their clients who were about to start job search.¹⁶ Among providers, the median length of a job search workshop was 20 hours.¹⁷



Workshops teach MFIP clients how to prepare for job interviews and how to get along in the workplace.

After or during the workshop, clients start their job searches. Although clients often search for jobs independently, many spend time in “job clubs” (or similar activities). At job clubs, employment services staff meet with MFIP clients in

¹⁵ Office of the Legislative Auditor survey of county human services directors (August 1999), N=83 counties that served 27,484 clients. While the vast majority of directors said that the overall rate of participation has increased, it is possible that participation in some individual activities has not. For example, directors from counties that served 43 percent of MFIP clients perceived that participation in post-secondary education or specialized training has decreased.

¹⁶ Office of the Legislature Auditor survey of providers (August 1999), N=97.

¹⁷ *Ibid.*, N=91.

groups and individually, help clients develop resumes and find job listings, and bring prospective employers into their offices to talk to clients. All but 6 percent of providers expected at least some of their clients to attend a job club,¹⁸ but we found that:

- **The level of structure in job search programs varies.**

For example, Wings (a Hennepin County provider) requires most clients looking for jobs to attend job club 12 to 25 hours per week. Wings structures its job club like a job. Clients must sign in and wear work-appropriate clothing. If a client misses two or three sessions, Wings starts the sanctioning process. In contrast, a typical client with the median provider participated in job club only 3 hours a week.¹⁹ In addition, 26 percent of providers reported that they expect no more than half of their job-seeking clients to attend job clubs.²⁰

Education and Training

As Table 4.3 showed, 30 percent of employment services clients participated in an education activity at some time in the first 18 months of MFIP. The state's MFIP employment services manual clearly emphasizes employment over education and training:

The primary focus of Statewide MFIP is to help participants move into the labor market as quickly as possible. Since the most direct path to unsubsidized employment will not often be a training or education program, the circumstances under which these activities will be included in an Employment Plan are limited.²¹

**MFIP
emphasizes
employment over
education and
training.**

In cases where education and training services are appropriate, the manual says that the “preference should be for short training programs, and plans which combine training with work.”²² The only clear exception to the “work first” philosophy of MFIP applies to parents under the age of 20 who lack a high school diploma or GED. Most of these clients must develop a plan with completion of an education program as its primary goal.²³

As Table 4.4 shows, we found that:

- **The education activity most frequently used by MFIP clients was post-secondary education.**

¹⁸ *Ibid.*, N=96.

¹⁹ *Ibid.*, N=90. We asked, “During a typical four-week period, how many total hours does your typical job club participant spend in job clubs (or similar activities)?” The median response was 12 hours.

²⁰ *Ibid.*, N=96. The 26 percent includes providers that did not require their clients to participate in a job club.

²¹ DHS, *Statewide MFIP Employment Services Manual*, policy 3.12.

²² *Ibid.*

²³ *Ibid.*, policies 3.4.50 - 3.4.80.

Table 4.4: Participation by MFIP Clients in Various Education and Training Activities

Fourteen percent of employment services clients have enrolled in post-secondary education.

Activity	Percentage of Clients Who Participated:	
	Sometime Between January 1, 1998 and June 30, 1999 (N=49,821)	On June 30, 1999 (N=28,878)
Post-secondary education	14%	7%
General equivalency diploma	8	5
English as a second language	5	4
High school	3	3
Adult basic education	2	1

NOTE: Rural Minnesota CEP (the state's largest provider, accounting for 6,387 of the state's 49,821 cases during the first 18 months of MFIP) and Stearns-Benton Employment and Training Council (accounting for 1,374 cases) have their own computer system to track activities. Their data were translated into DES' management information system. These two providers included ESL participation as part of ABE participation and high school as part of GED participation.

SOURCE: Office of the Legislative Auditor analysis of data from the Minnesota Department of Economic Security's management information system for the Job Training Partnership Act, which the department uses to track MFIP employment and training activities.

When counties develop their criteria for accepting post-secondary training in an employment plan, the MFIP employment services manual suggests that they consider: (1) clients' employability and wages with and without additional training, and (2) work experiences that clients will forego if education is pursued. The manual also suggests that job counselors limit post-secondary training to less than one year, in most cases. If a counselor authorizes a second year, the client must repay (interest-free) the employment and training funds used to support him or her during the second year. Job counselors cannot include education beyond two years in a client's employment plan.²⁴

In general, job counselors refer clients to adult basic education (ABE) and general equivalency diploma (GED) programs if their basic education skills present a barrier to employment. Prior to the 1999 legislative session, the MFIP employment services manual instructed job counselors to question the appropriateness of ABE and GED programs for clients who have not experienced success in school in the past, which are likely to be clients with low basic skills.²⁵ The 1999 Legislature modified the policy by requiring job counselors to allow any MFIP client with a reading or math level below the eighth grade to participate in an ABE or GED program.²⁶ In any event, 72 percent of the providers told us that they have encouraged over half of their clients who have reading or math scores below the eighth grade level to enroll in an ABE or GED course.²⁷

²⁴ *Minn. Stat.* §256J.53, subd. 1; and DHS, *Statewide MFIP Employment Services Manual*, policies 3.12.30 – 3.12.33. Clients who had a STRIDE education plan that was approved before March 1, 1997 had the option of continuing that plan for two years after their cases were converted to MFIP.

²⁵ DHS, *Statewide MFIP Employment Services Manual*, policy 3.12.10.

²⁶ *Minn. Laws* (1999), ch. 245, art. 6, sec. 67.

²⁷ Office of the Legislature Auditor survey of providers (August 1999), N=97.

Finally, we found that:

- **State MFIP policy is unclear about who should participate in English-as-a-second-language (ESL) classes and for how long.**

Although the employment services manual states that clients with limited English skills are employable, it requires job counselors to allow any client who can demonstrate that his or her English proficiency is a barrier to employment to participate in an ESL program. However, the manual does not specify a minimum level of obstruction that a barrier has to present. Furthermore, job counselors are supposed to review a client's progress in an ESL program, but the state's definition of "satisfactory progress" is quite vague.²⁸ Due to the ambiguity of these provisions, clients and providers sometimes disagree about how much ESL instruction should be allowed as an employment services activity.

Employment

As Table 4.3 showed, 62 percent of employment services clients participated in unsubsidized employment during the first 18 months of MFIP. In fact, more clients participated in unsubsidized employment on June 30, 1999 than any other activity, including job search. We found that:

- **Between June 30, 1998 and June 30, 1999, the percentage of clients in unsubsidized employment increased from 38 to 46 percent.**

In contrast, the percentage of clients in job search decreased from 36 percent to 25 percent.²⁹

In addition, we found that:

- **To help clients earn enough to become ineligible for MFIP cash assistance, increasing their hours of work is a more immediate challenge than increasing their hourly wages.**

Increasing clients' hours of work is a more immediate challenge than increasing their hourly wages.

On June 30, 1999, 73 percent of employment services clients in unsubsidized employment received an hourly wage high enough to be ineligible for MFIP cash assistance if they worked 40 hours per week.³⁰ However, most MFIP clients are not working full-time hours. During May 1999, the average MFIP case with at least one adult working and participating in employment services had 23 hours of employment per week, and only 14 percent of these cases had 40 or more hours per week.³¹

The state's average wage for MFIP clients in unsubsidized employment was \$7.29 an hour on June 30, 1999. The average wage ranged from \$7.95 in the suburban Twin Cities area to \$6.29 in the northeastern part of the state. Only 32 percent of

²⁸ DHS, *Statewide MFIP Employment Services Manual*, policies 3.10 - 3.10.30 and 3.12.20.

²⁹ Office of the Legislative Auditor analysis of data from DES' management information system.

³⁰ *Ibid.*

³¹ Office of the Legislative Auditor analysis of data from DHS. The number of hours applies to MFIP cases that have an adult who is not exempt from employment and training services.

employed clients received a wage high enough to be ineligible for all MFIP assistance (including food benefits) if they worked 40 hours per week.³²

Other Activities

Given the “work first” emphasis of MFIP, a surprisingly large number of clients (19 percent) were in a “hold” status at sometime during the first 18 months of MFIP. A hold is a temporary exemption from participating in MFIP employment services. For example, a job counselor may temporarily exempt a client who is homeless in order for him or her to find housing. On average, clients who enrolled in employment services in March 1998 and eventually received a hold had accumulated about four months in this status by June 30, 1999.³³

Very few clients have participated in subsidized or sheltered work programs.

Only 3 percent of clients participated in subsidized or sheltered work programs during the first 18 months of MFIP, and this low percentage probably reflects MFIP’s preference for unsubsidized employment. However, considering that Chapter 3 indicated that low skills and a lack of experience are primary barriers confronting MFIP clients, client participation in these programs is quite low. Table 4.5 lists the range of subsidized and sheltered work programs, which are specifically designed to give clients the skills and experience to succeed in the competitive job market. Some providers, such as the Rural Minnesota CEP (which serves 19 western and northern counties), told us they would like to expand these programs, but the cost has limited their efforts. Rural Minnesota CEP has financed some of these programs with non-MFIP funds from the federal Welfare-to-Work (WtW) program and the Job Training Partnership Act (JTPA).³⁴

The low percentage of clients in social services (2 percent of clients in the first 18 months of MFIP) is consistent with its position at the bottom of the activity hierarchy shown in Table 4.1. Clients receive social services for personal or family problems that create a barrier to employment, such as mental illness or chemical dependency.

Statewide Variation

As Table 4.6 shows, we found that:

- **Across the state, the extent of client participation in particular employment services activities varies widely.**

For instance, we compared the Arrowhead Economic Opportunity Agency (AEOA) in Itasca County with the American Indian Opportunities

³² Office of the Legislative Auditor analysis of data from DES’ management information system.

³³ *Ibid.* This figure applies to clients who enrolled in employment and training services in March of 1998 (the month with the highest MFIP enrollment – 17 percent all enrollments) and includes the cumulative time in one or more holds.

³⁴ Welfare-to-Work (WtW) and the Jobs Training Partnership Act (JTPA) are federal employment programs. WtW helps finance employment programs for the hard-to-serve MFIP clients and non-custodial parents. JTPA programs serve a broader base of disadvantaged clients than MFIP or WtW. Some MFIP clients are eligible for these programs.

Table 4.5: Subsidized and Sheltered Work Activities

Volunteering – Clients volunteer or participate in community service to gain work-related experience.

Community Work Experience Program – Clients work a specified number of hours in a community service job in return for their MFIP grant (i.e., workfare).

Paid Work-Experience – Clients work in a temporary public or nonprofit sector job for pay.

Grant Diversion – Providers use all or part of a client’s MFIP grant to develop or subsidize a job.

On-the-Job Training – Providers reimburse employers to train a client for a job.

Self-Employment Investment Demonstration – Providers offer technical assistance to clients who want to become self-employed, including help securing seed capital.

SOURCE: Minnesota Department of Economic Security’s Management Information System Manual for the Job Training Partnership Act.

Table 4.6: Variation Among Providers in Client Participation, January 1, 1998 through June 30, 1999

The activities of clients vary widely among providers.

Activity	Statewide ^a	Percentage of Clients in Various Activities	
		Highest Percentage Among Providers ^b	Lowest Percentage Among Providers ^b
Job search	65%	100%	41%
Unsubsidized employment	62	88	35
Education	30	77	9
Hold	19	47	0
Subsidized or sheltered work	3	26	0
Social services	2	17	0

^aRural Minnesota CEP (the state’s largest provider, accounting for 6,387 of the state’s 49,821 cases during the first 18 months of MFIP) and Stearns-Benton Employment and Training Council (accounting for 1,374 cases) have their own computer system to track activities. Their data were translated into DES’ management information system; however, we discovered some errors in the translation that we could not correct. The errors appear to affect a small percentage of their cases.

^bThese columns exclude two specialized programs. Hennepin County has a program for 18- and 19-year-olds, who participate almost exclusively in high school or GED programs. Olmsted County has a program that specializes in 18- and 19-year-old and hard-to-serve clients.

SOURCE: Office of the Legislative Auditor analysis of data from the Minnesota Department of Economic Security’s management information system for the Job Training Partnership Act, which the department uses to track MFIP employment and training activities.

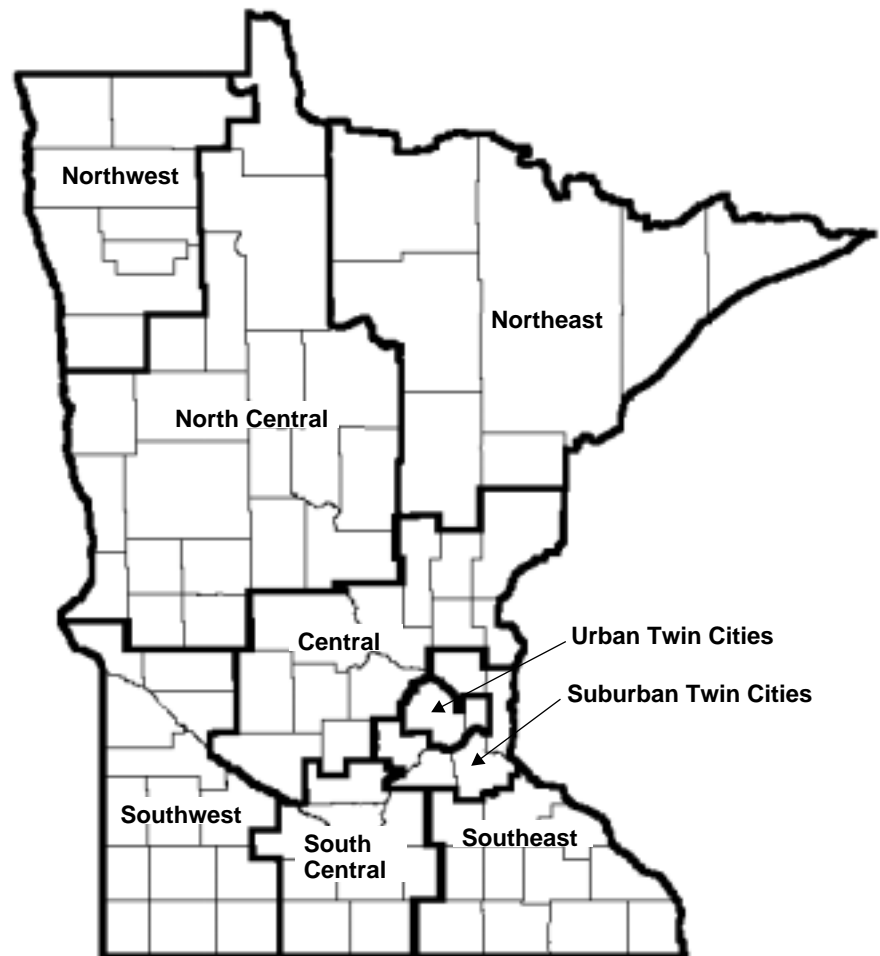
Industrialization Center in Hennepin County. In the first 18 months of MFIP, AEOA directed more clients to job search (98 vs. 44 percent) and fewer clients to education (16 vs. 41 percent) and holds (15 vs. 41 percent). AEOA also had more of its clients employed at some time during this period (68 vs. 35 percent).³¹

³¹ Office of the Legislative Auditor analysis of data from DES’ management information system.

In part, such differences reflected a broader pattern of variation between the Twin Cities urban region and other parts of the state. Minnesota's nine employment services regions are displayed in Figure 4.2. As Table 4.7 shows, we found that:

- **Compared with other parts of the state, clients from the Twin Cities urban region (Hennepin and Ramsey counties) engaged more frequently in education and holds and less frequently in job search, subsidized or sheltered work, and unsubsidized employment.**

Figure 4.2: Minnesota's Nine Employment Services Regions



SOURCE: Minnesota Department of Economic Security.

There are several reasons for the statewide variation in participation rates (and the differences between the Twin Cities urban region and other parts of the state).

One possible reason is the variation in client characteristics. A higher percentage of clients in the Twin Cities urban region have the obstacles to employment listed in Table 4.8. If a provider has a clientele with many barriers, a greater emphasis

on education and holds may be appropriate. Clients with limited English skills may need an ESL program, and homeless clients may need to resolve an immediate housing crisis before they can take part in any employment training activity.

Table 4.7: Regional Variation in Participation in Employment and Training Activities Between January 1, 1998 and June 30, 1999

Region	Cumulative Caseload	Percentage of Clients Participating in:					
		Job Search	Unsubsidized Employment	Education	Hold	Subsidized or Sheltered Work	Social Services
Northwest	926	92.3%	60.0%	20.3%	5.7%	2.5%	0.0%
North Central ^a	6,387	54.9	67.1	14.3	10.8	2.6	2.4
Northeast	4,361	82.9	68.3	29.4	14.4	12.3	1.8
Central ^a	4,845	67.4	70.8	23.7	24.1	2.4	1.1
Southwest	1,294	73.8	66.5	28.7	11.8	10.4	3.2
South Central	1,765	67.2	67.9	31.4	8.2	4.5	6.0
Southeast	3,703	74.0	75.5	36.7	10.3	1.5	0.9
Suburban Twin Cities	5,327	69.8	66.7	31.1	18.8	1.3	3.6
Urban Twin Cities	20,554	55.9	52.5	34.5	24.4	1.2	1.7
Tribal Providers	1,722	74.6	50.8	16.4	12.3	5.3	0.9

^aRural Minnesota CEP (the only provider in the north central region) and Stearns-Benton Employment and Training Council (one of four providers in the central region) have their own computer systems to track activities. Their data were translated into DES' management information system; however, we discovered some errors in the translation that we could not correct. The errors appear to affect a small percentage of their cases.

SOURCE: Office of the Legislative Auditor analysis of data from the Minnesota Department of Economic Security's management information system for the Job Training Partnership Act, which the department uses to track MFIP employment and training activities.

Table 4.8: Percentage of Clients with Selected Employment Obstacles by Region (June 30, 1999)

Region	Percentage of Clients with a Family of Six or More People	Percentage of Clients with Limited English Skills	Percentage of Clients with No High School Diploma or GED
Northwest	9.3%	8.9%	39.7%
North Central ^a	8.1	6.9	33.4
Northeast	5.5	3.3	22.3
Central ^a	9.0	8.6	35.2
Southwest	10.5	7.0	40.5
South Central	8.0	9.4	36.8
Southeast	11.6	15.0	39.5
Suburban Twin Cities	7.3	11.6	32.8
Urban Twin Cities	16.6	20.5	48.7
Tribal Providers	13.8	0.3	35.9
Statewide	12.4%	14.0%	40.7%

^aRural Minnesota CEP (the only provider in the north central region) and Stearns-Benton Employment and Training Council (one of four providers in the central region) have their own computer system to track activities. Their data were translated into DES' management information system; however, we discovered some errors in the translation that we could not correct.

SOURCE: Office of the Legislative Auditor analysis of data from the Minnesota Department of Economic Security's management information system for the Job Training Partnership Act, which the department uses to track MFIP employment and training activities.

Across Minnesota, adherence to the state's "work first" philosophy varies.

A second possible reason for the statewide variation in client participation is differences among counties and providers in their adherence to the "work first" philosophy. For example,

- Some counties and providers discourage client participation in education while others encourage it. For example, the Northeast Minnesota Office of Jobs and Training (NEMOJT) serves both Carlton and Itasca counties. According to staff from this provider, Carlton County accepts almost any education plan while Itasca only accepts the very shortest programs, such as a three-week course to become a certified nursing assistant. This may help explain why 65 percent of NEMOJT's Carlton County clients participated in an education activity in the first 18 months of MFIP, compared with 34 percent its Itasca county clients.³⁶
- There is variation in the extent to which clients combine education with work, as recommended by the MFIP employment services manual. For example, both the Southeast Asian Collaborative in Ramsey County and the Intercultural Mutual Assistance Association (IMAA) in Olmsted County serve mostly clients with limited English skills. However, on June 30, 1999, 96 percent of IMAA's clients in ESL programs simultaneously participated in another non-education activity, while only 4 percent of the Southeast Asian Collaborative's clients did so. This may partly explain why IMAA also had a higher percentage of clients in job search (52 vs. 23 percent) and unsubsidized employment (70 vs. 40 percent) on June 30, 1999, even though more of its clients participated in ESL programs (37 vs. 14 percent).³⁷

Once again, the variation reflects a broader statewide pattern. As Table 4.9 shows, only 30 percent of the Twin Cities urban region's MFIP clients in an education activity participated simultaneously in a non-educational activity. In contrast, the southeastern part of the state had high levels of participation in education, employment, and job search, partly because 76 percent of its clients in education simultaneously engaged in another activity.

Access to employment and training resources has also varied.

A third possible reason for variation in client participation levels is differences in the employment and training resources available to counties and providers. For example,

- In 1999, the allocation of MFIP employment and training funds ranged from \$505 per client in Lake of the Woods County to \$2,331 in Mahnommen County. During the 1999 legislative session, the state changed the formula, and almost all counties will receive \$1,054 per client in 2000. (In the allocation formula, the state uses a broad definition of client, which

³⁶ *Ibid.*

³⁷ The Southeast Asian Collaborative's clientele is exclusively of Asian descent, while IMAA's clientele is 45 percent of African descent (largely Somali refugees), 45 percent of Asian descent (largely Southeast Asian refugees), and 10 percent of European descent (largely Eastern European refugees). Ninety-one percent of the Southeast Asian Collaborative's clientele has limited English skills, compared to 75 percent of IMAA's clients.

Table 4.9: Percentage of Clients in an Education Activity Who Simultaneously Participated in a Non-Education Activity (June 30, 1999)

Urban Twin Cities clients who are in education programs usually do not participate simultaneously in other activities.

Region	Percentage of Clients
Northwest	64.0%
North Central ^a	64.1
Northeast	76.5
Central ^a	62.4
Southwest	60.0
South Central	58.7
Southeast	75.7
Suburban Twin Cities	50.7
Urban Twin Cities	29.8
Tribal Providers	32.7
Statewide	45.8%

^aRural Minnesota CEP (the only provider in the north central region) and Stearns-Benton Employment and Training Council (one of four providers in the central region) have their own computer system to track activities. Their data were translated into DES' management information system; however, we discovered some errors in the translation that we could not correct. The errors appear to affect a small percentage of their cases.

SOURCE: Office of the Legislative Auditor analysis of data from the Minnesota Department of Economic Security's management information system for the Job Training Partnership Act, which the department uses to track MFIP employment and training activities.

includes some MFIP recipients who are currently exempt from participation.)³⁸

- Providers' access to non-MFIP employment and training funds varies. If providers do not receive federal WtW or JTPA funds, they are supposed to be able to refer clients to providers who have these funding sources. However, according to the Minnesota Department of Economic Security:

There appears to be a process in place to refer and share resources among programs, but in areas with multiple providers it continues to be a challenge to ensure total collaboration and sharing of participants and funding.³⁹

³⁸ In state fiscal year 1999, the state allocated \$38 million to counties for employment and training services based on a formula that relied partially on each county's previous funding under STRIDE, rather than solely based on MFIP cases. For state fiscal year 2000, the allocation formula relied entirely on caseload, except for seven counties that received an upward adjustment to their base allocation. These seven counties lost funding between 1999 to 2000 (even with the 30 percent overall increase in employment and training funding). For the 2000 formula, each county's caseload is its average monthly MFIP cases during calendar year 1998, with some adjustments. The count excludes child-only cases and cases where all adults are age 60 or older. It also excludes cases that are eligible to be served by tribal providers. Finally, two-parent cases are multiplied by two. For comparison reasons, we used this case count when calculating spending per client for 1999 and 2000.

³⁹ Minnesota Department of Economic Security, unpublished information sheet titled "The MFIP Connection to WtW and JTPA," (St. Paul, October 26, 1999).

Regardless of how well providers share funding and collaborate, clients who want to participate in activities funded by WtW or JTPA (such as education) may have an incentive to choose providers that receive WtW and JTPA funds directly. Clients who choose these providers only have to work with one provider. In contrast, clients who choose another provider and are referred to a WtW or JTPA provider for supplemental services have the added task of working with two providers. This may partly explain why the provider in the northeast region that receives WtW and JTPA funds had 43 percent of its MFIP clients in an education activity in the first 18 months of MFIP, while the region's other provider had only 25 percent.⁴⁰

- Some providers do not have many appropriate training programs that are offered at nearby locations. For example, only 14 percent of clients served by Rural Minnesota CEP in western and northern Minnesota participated in education in the first 18 months of MFIP.⁴¹ The provider's staff told us that the technical colleges in the region do not offer the types of short-term training programs the provider wants.

A fourth possible reason for the variation in client participation patterns is differences in employment opportunities across the state. For example, during June 1999, the seasonally unadjusted unemployment rate was only 2.7 percent in the southeastern part of the state while the rate was nearly twice as high in the northeast (5.2 percent).⁴² On June 30, 1999, employment services providers in the southeast had 64 percent of their clients in unsubsidized employment, while providers in the northeast had 56 percent.⁴³

Overall, it is reasonable to expect some variation in employment services, reflecting local agencies' efforts to tailor services to clients' needs. On the other hand, it is important for state officials to ensure that key MFIP policies are interpreted consistently by local agencies and that these agencies share resources in an equitable way.

Some service variation is reasonable, but the state should ensure that clients receive consistent, equitable treatment.

COMPLIANCE WITH FEDERAL PARTICIPATION RATES

The 1996 federal welfare reform law has minimum participation rates for the states. In federal fiscal year 1998, 30 percent of all TANF families had to participate in work-related activities (including job search, education, and employment) for at least 20 hours per week. In addition, 75 percent of two-parent

⁴⁰ Office of the Legislative Auditor analysis of data from DES' management information system. In the northeast region, NEMOJT receives the WtW and JTPA funds, while AEOA does not. The comparison excludes the Duluth Job Training Program, a third provider that only operates in St. Louis County.

⁴¹ *Ibid.*

⁴² DES, "Unemployment Statistics, Minnesota Service Delivery Areas, Not Seasonally Adjusted;" <http://www.des.state.mn.us/1mi/laus/sda.htm>; accessed October 27, 1999.

⁴³ Office of the Legislative Auditor analysis of data from DES' management information system.

families had to have the parents participating for a combined 55 hours per week.⁴⁴ As a credit, the federal government reduces each state's participation target by a percentage point for each percentage point that the state reduced its welfare caseload since 1995. (The federal government calculates separate credits for the overall and two-parent caseloads.) Table 4.10 shows the various participation targets for Minnesota. Unlike most other states, Minnesota has a waiver from certain aspects of the federal participation requirement through 2002. For example, while other states can only count a clients' participation in job search if they have participated in it for six or less weeks, Minnesota can count clients' participation regardless of their time in job search.

If a state fails to meet the participation targets, the federal government can reduce the state's annual TANF grant by 5 percent for the first failure. For each subsequent and consecutive failure, the penalty can increase by two percentage points, with a maximum penalty of 21 percent. However, the actual penalty will depend on the "degree of noncompliance."⁴⁵

Table 4.10: Minnesota's Compliance with Federal Participation Rates for Work-Related Activities

Federal Fiscal Year	Number of Hours that Cases Must Participate in Work-Related Activities	Percentage of Caseload that Must Participate in Work-Related Activities	Caseload Reduction Credit	Required Participation Rate after Applying the Caseload Reduction Credit ^a	Actual Percentage of Caseload that Participated in Work-Related Activities
All Cases					
1998	20	30%	13.0%	17.0%	30.6%
1999	25	35	a	a	a
2000	30	40	a	a	a
2001	30	45	a	a	a
2002	30	50	a	a	a
Two-Parent Cases					
1998	55	75%	32.5%	42.5%	30.8%
1999	55	90	a	a	a
2000	55	90	a	a	a
2001	55	90	a	a	a
2002	55	90	a	a	a

^aTo be determined.

^bThe federal government reduces each state's required participation rate by a percentage point for each percentage point that the state reduced its welfare caseload since 1995.

SOURCE: Part A of title IV of the Social Security Act (42, U.S.C. 601 et seq.), section 407; and U.S. Department of Health and Human Services, "FY 1998 TANF Work Participation Rates;" <http://www.acf.dhhs.gov/news/98table.htm>; accessed September 21, 1999.

⁴⁴ If a two-parent family does not use federal child care assistance, it only needs to participate for 35 hours per week.

⁴⁵ U.S. Department of Health and Human Services, *Summary: Final Rule: Temporary Assistance for Needy Families (TANF) Program* (Washington, D.C., 1999); <http://www.acf.dhhs.gov/program/ofa/exsumcl.htm>; accessed May 5, 1999.

We found that:

- **Minnesota (like all other states) met the overall federal participation target for work-related activities for 1998, but it failed to meet the two-parent standard and could have difficulty meeting either standard in the future.**

To meet federal targets, Minnesota must increase client participation in work-related activities.

Minnesota's overall participation rate (31 percent) and caseload reduction credit (13 percent) for 1998 were below their national medians (35 percent and 21 percent, respectively). They were also the lowest of the upper Midwest states.⁴⁶ In addition, although Minnesota's overall rate exceeded the state's adjusted target by 14 percentage points, the federal government will increase the target by 20 percentage points by 2002. (The unadjusted target will increase from 30 to 50 percent.) Furthermore, starting in 2000, the state will only be able to count TANF cases that participate for at least 30 hours, rather than the 20 hours that counted in 1998.

Finally, Minnesota was one of 13 states that did not meet its two-parent target in 1998, and this target jumped from 75 to 90 percent in 1999. Minnesota's 1998 two-parent participation rate (31 percent) was significantly below the state's federally-adjusted target (43 percent). For not meeting the two-parent target, the state could receive a penalty of as much as \$260,000. Some state and local officials told us that the two-parent target is unrealistic.⁴⁷

Some MFIP clients are not reporting their level of participation in job search. In our survey of employment services providers, the median provider reported that clients do not turn in 30 percent of job search logs.⁴⁸ This level of noncompliance potentially jeopardizes Minnesota's ability to meet the federal targets. While many of these cases may involve clients who are not participating, some may involve clients who participate but fail to record their activities.

On the positive side, it is likely that the state's participation rate will increase between 1998 to 1999. The MFIP requirement that adult recipients participate in work-related activities was in effect for all of federal fiscal year 1999, while it was not in effect for the first three months of 1998 and did not apply to many clients for several more months.

46 U.S. Department of Health and Human Services, "FY 1998 TANF Work Participation Rates;" <http://www.acf.dhhs.gov/news/98table.htm>; accessed September 21, 1999. The other states included Wisconsin (64 percent participation and 46 percent caseload reduction), Iowa (57 percent participation and 21 percent reduction), Michigan (49 percent participation and 25 percent reduction), South Dakota (39 percent participation and 19 percent reduction), Illinois (38 percent participation and 16 percent reduction), and North Dakota (32 percent participation and 19 percent reduction).

47 DHS officials said that there is more turnover among two-parent MFIP cases than among single-parent cases, due to the higher employment levels of two-parent families. They said that it would be difficult to get new two-parent cases participating quickly enough to comply with the federal standard.

48 Office of the Legislature Auditor survey of providers (August 1999), N=92.

IMPLEMENTATION ISSUES

More welfare recipients work today compared with the months before MFIP, but the state has faced some difficulties making the transition to a new program. This section discusses some of these implementation challenges.

Employment Services Needing Improvement

MFIP relies on county human services agencies to develop employment services plans and select providers to carry them out. We asked human services directors to rate the adequacy of various employment services, and Table 4.11 shows the extent to which various services received low ratings. In addition, we asked employment services providers to indicate up to three services that they thought they least adequately delivered in the previous year. Table 4.12 shows the results. These tables suggest that:

- **There is room for improvement in services for sanctioned and hard-to-employ clients and in services related to housing assistance, job development, job retention, and career advancement.**

Table 4.11: Employment-Related Services that County Human Services Directors Said Were Least Adequately Provided

Service	Percentage of MFIP Clients for Whom Adequate Services Were "Sometimes, Rarely or Never" Provided (N=27,664)
Helping employed clients keep their jobs	53%
Developing strategies to bring sanctioned clients into compliance	51
Working with employers to develop job opportunities for clients	48
Being creative in its (their) efforts to serve MFIP clients	42
Developing job search and employment plans that are tailored to client's individual needs	39
Understanding the range of community resources available to clients	31
Developing strategies and services to address the needs of the hardest-to-employ clients	29
Helping clients enter careers in which they can achieve self-sufficiency in the long run	27
Providing clients with sufficient amount of structure in job search activities	17
Assessing client's employment barriers and strengths in a sufficient manner	7
Holding clients accountable (e.g., through sanctions) for failing to meet agreed-upon expectations	5
Recruiting qualified staff as job counselors	4
Informing clients about education and training opportunities	3
Conveying to clients the urgency of the five-year lifetime limit on TANF benefits	3
Teaching clients how to look for (and apply for) jobs	1
Conveying to client the importance of work	1

NOTE: We asked human services directors if their employment services provider(s) adequately meets the needs of their county's clients in the areas listed above. The possible responses were: (1) always or almost always, (2) usually, (3) sometimes, (4) rarely or never, and (5) don't know or not applicable. For this table, their responses were weighted by their counties' employment services case-loads on June 30, 1999.

SOURCE: Office of the Legislative Auditor survey of county human services directors (August 1999).

Table 4.12: Services that Employment Services Providers Ranked Among the Three They Least Adequately Provided

Service	Percentage of MFIP Clients for Whom Services Were Least Adequately Provided (N=26,664)
Trying to bring sanctioned clients back into compliance	46%
Making regular contacts with current employers of working clients	33
Helping clients arrange for stable, affordable housing	31
Helping clients prepare for career advancement	29
Establishing relationships with potential employers of unemployed clients	27
Helping clients arrange for vocational training after they become employed	23
Secondary assessment	15
Helping clients with job retention	14
Helping clients with job search	9
Initial assessment	6
Helping clients arrange for child care services	3
Helping clients arrange for social services	3
Helping clients arrange for vocational training prior to (or during) job search	3
Helping clients arrange for GED, adult basic education, or ESL classes	3
Helping clients arrange for transportation	2
Reviewing client job logs and education/training attendance	0

NOTE: Providers were asked to identify up to three of the listed services that they least adequately provided during the previous year. For this table, their responses were weighted by their caseloads on June 30, 1999.

SOURCE: Office of the Legislative Auditor survey of providers (August 1999).

Specialized employment services become more important as easier-to-employ clients leave welfare.

Human services directors and employment services providers both indicated that trying to bring sanctioned clients back into compliance is one of the least adequately provided services. Job counselors usually try to telephone sanctioned clients or mail them letters, but many have not tried more intensive strategies --such as visiting sanctioned clients in their homes--or have not been satisfied with the results of their efforts. Chapter 5 discusses sanctions in more detail.

Human services directors from 40 counties that served 29 percent of MFIP clients said that services for the hardest-to-employ clients are “sometimes, rarely or never” provided adequately. With the five-year lifetime limit on cash assistance, there is an increasing urgency to help clients with the greatest barriers to employment. Unfortunately, the national literature does not provide much insight into how to improve these services.⁴⁹ Table 4.13 lists some strategies currently used by Minnesota providers to assist the hardest-to-employ clients.

⁴⁹ Fredrica D. Kramer, *The Hard-to-Place: Understanding the Population and Strategies to Serve Them* (Welfare Information Network, March 1998), 17; <http://www.welfareinfo.org/hardto.htm>; accessed February 24, 1999. The report says: “Since state programs are only beginning to address the complex set of personal and family-centered issues, or those deriving from barriers such as extremely low skill levels or substance abuse, the pool from which to draw ‘best practices’ is relatively small.” In addition, see Holcomb, Pavetti, Ratcliffe, and Riedinger, *Building an Employment Focused Welfare System: Work First and Other Strategies in Five States: Executive Summary Report* (Washington, D.C.: Urban Institute, June 1998), 37. This report says: “States that are interested in identifying effective or promising strategies to deal with the harder-to-serve have relatively little experience or research on which to draw.”

Table 4.13: Examples of Strategies to Assist Hard-to-Employ Clients

- Having staff who only work with the hardest-to-employ clients (which in some cases can be funded by the federal Welfare-to-Work program).
- Training staff to identify and work with hard-to-employ clients.
- Referring clients to specialists and other agencies for supplemental services (e.g., assessment, treatment, and housing).
- Referring clients to subsidized or sheltered work programs.
- Providing mentors, interpreters, housing coordinators, and social workers.
- Having monthly meetings between job counselors, financial workers, and others to discuss cases.
- Screening clients for eligibility for Supplemental Security Income (SSI).

SOURCE: Office of the Legislative Auditor review of county local service plans for 1999-2001 and interviews with provider staff.

Statewide, county human services directors and employment services providers both rated development of job opportunities for clients as one of the services needing improvement. Job development is an important component of job search. For example, clients from areas with high poverty and unemployment may lack the network of employed friends and acquaintances that many people use to find jobs. Job counselors can fill this gap by tracking down job leads, building relationships with prospective employers, and bringing employers into their offices. Table 4.14 shows the extent to which providers told us they have undertaken various job development tasks.

Assistance with job retention and career advancement has also been lacking, according to many county human services directors and employment services providers we surveyed.⁵⁰ As an increasing percentage of MFIP clients become

Table 4.14: Percentage of Providers that Said They Conducted Various Job Development Services in the Previous Three Months

Service	Percentage of Providers
Informed at least four employers about individual MFIP clients who might meet the employers' needs	84%
Sponsored a job fair	47
Sponsored a meeting (other than a job fair) attended by provider staff and representatives of four or more employers	40

SOURCE: Office of the Legislative Auditor survey of providers (August 1999), N=95 to 97.

⁵⁰ In our survey of employment services providers (August 1999), providers that served 43 percent of MFIP clients also reported that job counselors "sometimes, rarely, or never" devote enough time to job retention activities to meet client needs.

employed, job retention and career advancement become more important. Transitioning to the workforce can be very difficult for clients with little or no work experience. For example, some clients have limited experience interacting with a supervisor or getting their children to day care and themselves to work. Other clients have difficulty finding a better job or asking for a raise or more hours of work. Table 4.15 lists some of the strategies that providers use to help clients keep and advance in their jobs.

Staffing

We found that:

- **Job counselors have had difficulty providing clients with a lot of individual attention because of high caseloads and paperwork.**

Although we did not conduct a formal survey of caseloads, during our site visits and review of each county's Local Service Unit Plan for MFIP, we found that caseloads have sometimes exceeded 100 cases per counselor. In addition, job counselors reported that the large amount of paperwork required to document client activities and initiate sanctions takes a lot of resources away from directly helping clients. The median provider reported that its counselors spent about 50 percent of their time in face-to-face meetings with clients.⁵¹ Even when counselors work directly with clients, tasks not directly related to finding jobs can take a disproportionate amount of time (especially helping clients with housing

Staff caseloads have been large, but new funds authorized last year should help.

Table 4.15: Examples of Job Retention and Career Advancement Strategies

- Develop a job transition and retention plan for each client starting employment.
- Contact employed clients periodically.
- Offer evening office hours and job clubs.
- Provide 24-hour help lines or staff pager numbers.
- Offer workshops on retention and advancement skills.
- Provide transportation services to employed clients.
- Provide mentors.
- Intervene with clients and employers as problems arise.
- Visit clients in their homes.
- Mail job leads to clients.
- Encourage part-time training simultaneously with employment.

SOURCE: Office of the Legislative Auditor review of county local service plans for 1999-2001 and interviews with provider staff.

⁵¹ Office of the Legislature Auditor survey of providers (August 1999), N=97.

and child care issues and working with non-compliant clients). For example, in our statewide survey, 46 percent of providers said that child care issues consume too much of their employment services staff's time.⁵²



Job counselors work with MFIP participants to help them obtain information on job openings.

The MFIP employment services manual recommends that counselors meet at least weekly with their clients who are in job search.⁵³ In our survey, 78 percent of providers reported that they usually meet this standard for clients in full-time job search, and 46 percent reportedly meet it for clients that are combining job search and education.⁵⁴ However, during our file reviews, we came across many cases where meetings occurred far less frequently than weekly. For example,

- An MFIP client enrolled with a provider during March of 1998. Until May of 1999, the only real contact with the client was four job club sessions, and the case file did not specify if the client received any individual attention during these sessions.
- A client enrolled with a provider during April of 1998. Until the client went into sanction a year later, the client only had another three face-to-face meetings with her job counselor.

⁵² *Ibid.*, N=98. Twenty percent of respondents said “don’t know” or neither agreed nor disagreed with a statement that child care issues consume too much time.

⁵³ DHS, *Statewide MFIP Employment Services Manual*, policy 4.3.30.

⁵⁴ Office of the Legislature Auditor survey of providers (August 1999), N=97 and 96, respectively.

- During August of 1998, a client was put on a provider's waiting list. The client first met with her job counselor during March of 1999. Until the client received a sanction in June, she only had three other face-to-face meetings with her job counselor.

The 1999 Legislature increased the funding for employment and training services by 30 percent to reduce caseloads for job counselors.⁵⁵ According to the Governor's proposal (which was slightly smaller than what was enacted), the administration wanted job counselors to serve only 50 or 60 clients at a time, which was typical during STRIDE and the MFIP field trials.⁵⁶ The additional funding should help job counselors work more directly with clients and improve the services discussed in the previous section.

Client Choice

At times, clients' choice of providers has been limited.

Although ten counties have multiple providers, choice has at times been constrained by (1) the minimal information made available to clients about providers, and (2) caps on the number of clients that particular providers can accept. For example:

- When a provider's caseload has exceeded a certain level, Hennepin County has "closed" the provider to new clients. For instance, about half of the county's providers were not available to new clients in May 1999. In addition, the county has given new MFIP clients a list that contains very brief descriptions of each provider's services – such as "core employment activities."⁵⁷
- During the first year of MFIP, Ramsey County assigned clients to providers (and gave them the option to change), rather than giving clients an "up-front" choice.
- Koochiching and Aitkin counties have restricted the number of clients that one of their two providers can serve by capping the amount of MFIP funds that this provider can use.

⁵⁵ DHS, *Bulletin 99-7-2: 1999 Legislative Changes to MFIP, FSET, and MFAP* (St. Paul, July 1, 1999), 13.

⁵⁶ The Department of Finance, *Health and Human Services: Minnesota Biennial Budget 2000-01* (St. Paul, January 1999), C-259.

⁵⁷ See Hennepin County form that clients use to choose a provider (May 28, 1999) and a list of MFIP employment services providers that Hennepin County gives its clients (undated). The list also contains each provider's address, telephone number, office hours, nearby bus routes, language specialties, percentage of clients employed, and average beginning wage.

SUMMARY

As welfare recipients use up more of their months of federal eligibility, Minnesota should intensify efforts to increase clients' participation in work-related activities. Options include more significant sanctions, more emphasis on increasing clients' work hours, multi-disciplinary case reviews, more intensive staff interventions (such as home visits), and expanded services to address unmet needs (such as child care for parents working nights or weekends).

By many accounts, the reforms enacted by the U.S. Congress in 1996 were the most sweeping changes ever made to the nation's public welfare system. These reforms—plus those made subsequently in Minnesota—have produced a welfare system that looks very different from the one that existed previously. New elements of the welfare system include a 60-month time limit on benefit eligibility, a policy that gives higher priority to clients' immediate employment than to education and training, and requirements for client participation in work-related activities.

As a part of our “status report” on welfare reform, we examined issues related to some of the key policy changes that comprise the reform. In this chapter, we address the following questions:

- **Should state policy place increased emphasis on training, before or after MFIP participants go to work?**
- **Does Minnesota have appropriate sanctions for noncompliant welfare recipients? Should sanctioned clients receive home visits? To what extent do sanction practices vary throughout Minnesota?**
- **Should state funds be used to stop the 60-month time clock for certain recipients? Is the urgency of the 60-month limit being sufficiently conveyed to MFIP recipients?**
- **Should policy makers receive additional information about MFIP performance and caseload trends?**

This chapter looks at the broad policy framework of MFIP, not all of its detailed requirements. We offer recommendations in selected policy areas, plus we present research findings that may help inform policy choices.

EMPLOYMENT AND TRAINING POLICY

Minnesota's “work first” approach differs from previous welfare policies.

MFIP emphasizes rapid employment of welfare recipients far more than the previous welfare programs. Compared with the federal Aid to Families with Dependent Children (AFDC) program and Minnesota's Success Through Reaching Individual Development and Employment (STRIDE) program, MFIP's message is different—with more emphasis on taking the first job available, and less emphasis on education and training prior to job search.

The “work first” philosophy of MFIP is conveyed in various ways. At the first meeting between a job counselor and an MFIP participant, the job counselor must, by law, “stress the *necessity* and opportunity of immediate employment” (emphasis added).¹ If the job counselor initially determines that the participant has sufficient skills to work, the participant must search for work and accept any offer of “suitable employment.” If the initial job search is unsuccessful, the job counselor and participant must develop an employment plan “that is designed to move the participant along the most direct path to unsubsidized employment.”²



State law requires job counselors to emphasize the “necessity” of immediate employment.

Job counselors may approve plans for client education and training (and postpone the job search requirement). Education and training can last up to 12 months (or up to 24 months on an “exception basis”), but programs longer than 24 months are not an option for clients as they were prior to MFIP.³ The MFIP employment services manual identifies a hierarchy of client activities, with employment given higher priority than any part-time or full-time training options.⁴ The manual also says that MFIP is “designed to encourage and enable early workforce attachment for participants in order to build job skills, experience, and work history.”⁵

In sum, MFIP represented a shift in policy, emphasizing participants' rapid involvement in the workforce more than the “strong focus on education and

¹ *Minn. Stat.* §256J.515.

² *Minn. Stat.* §256J.52, subd. 5.

³ *Minn. Stat.* §256J.53 contains criteria for clients wishing to enroll in post-secondary education.

⁴ Minnesota Department of Human Services (DHS), *Statewide Minnesota Family Investment Program (MFIP) Employment Services Manual*, policy 3.8.41. The policy notes that, for some MFIP participants, lower-ranking activities (such as training or social services) will enable them to move as quickly as possible to full-time employment.

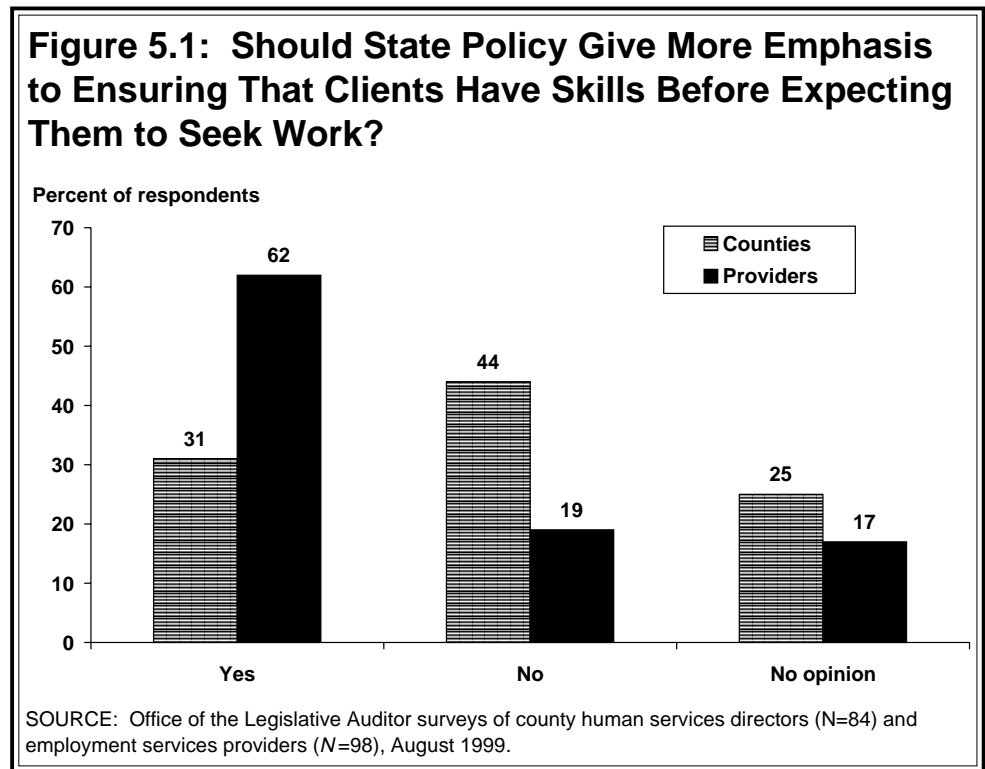
⁵ DHS, *Statewide MFIP Employment Services Manual*, policy 1.1.10.

training” that existed previously.⁶ Although MFIP does not require all participants to seek or engage in work immediately following enrollment, it establishes a set of priorities in which employment is first on the list.

The “work first” emphasis has been a subject of considerable legislative discussion. Some observers have contended that clients may be better off in the long run with an initial emphasis on education and training. Also, a statewide client survey showed that a majority of MFIP recipients said they needed additional education to do the work they wanted to do.⁷ We were interested in the perceptions of staff in the county and employment services agencies that are most directly responsible for implementation of MFIP. As shown in Figure 5.1,

- **Employment services providers and county human services directors expressed differing views about whether there should be more emphasis on ensuring that clients have appropriate skills before expecting them to work.**

Providers were more likely than county officials to favor placing increased emphasis on building clients’ skills before requiring them to seek work.



⁶ Cynthia Miller, Virginia Knox, Patricia Auspos, JoAnna Hunter-Manns, and Alan Orenstein, *Making Work and Welfare Pay: Implementation and 18-Month Impacts of the Minnesota Family Investment Program* (New York: Manpower Demonstration Research Corporation, 1997), 10.

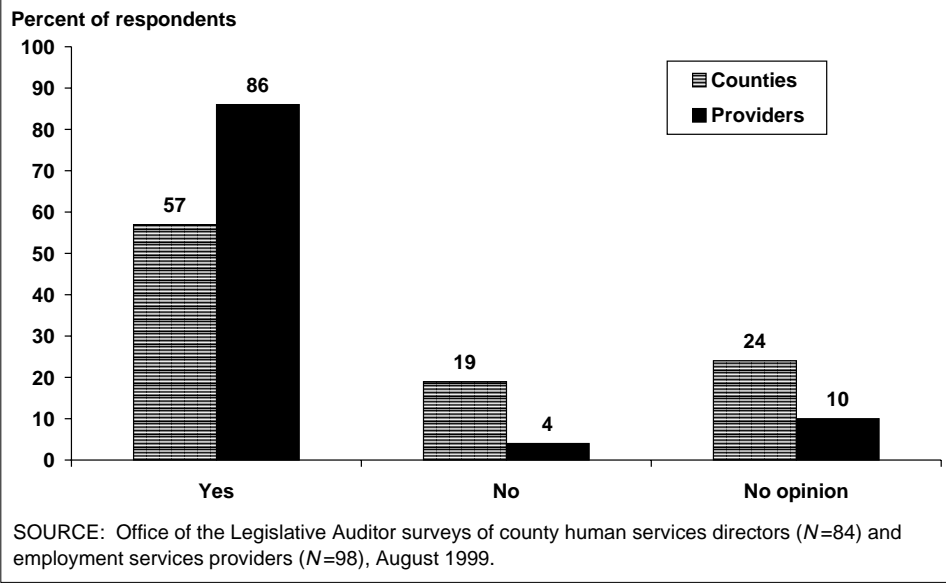
⁷ DHS, *Minnesota Family Investment Program Longitudinal Study: Baseline Report* (St. Paul, August 1999), 21.

Sixty-two percent of providers and 31 percent of county officials favored greater emphasis on building client skills before requiring them to look for work.⁸ But county and provider officials were in greater agreement regarding whether to try to enhance the skills of MFIP clients who are already working. As shown in Figure 5.2,

- **Most county officials and employment services providers said there should be greater effort to upgrade the skills of employed MFIP caregivers.**

Most county and provider officials said there should be more skill-building opportunities for welfare recipients who are working.

Figure 5.2: Should State Policy Give More Emphasis to Upgrading the Skills of MFIP Caregivers Who Are Working?



Thus, the surveyed officials generally agreed that greater efforts should be made to enhance client skills, but they disagreed about the best time to do this. Most service providers would like to see clients have more opportunities for skill enhancement from the time they enter MFIP, while most county officials would prefer to wait until MFIP clients get some work experience. Chapter 4 noted that most employment services clients in unsubsidized employment have received wages high enough to be ineligible for MFIP cash assistance if they worked full-time, but most have not had wages high enough to be ineligible for MFIP food assistance if they worked full-time.

⁸ Respondents from the Twin Cities metropolitan area represented 47 percent of the provider surveys (46 out of 98) but only 8 percent of the county surveys (7 out of 84), and this may partly explain the differing responses to this question. Twin Cities area providers who favored an increased emphasis on skill development before expecting clients to work outnumbered those who opposed this by five-to-one.

Nationally, there have been similar debates about the relative merits of the “work first” approach and the “human capital development” approach (which places greater emphasis on training). We found that:

- **National research has not yet yielded clear evidence favoring either a “work first” or a more training-oriented approach.**

A 1995 national summary of research on employment and training programs said: “So far, programs oriented toward rapid job placement have shown better employment results than programs that focus on classroom education alone.”⁹ However, the report said that this conclusion was subject to change because “it may take as long as six years for the impacts of improved academic skills to show up in the workplace.” Since then, a large-scale study has been undertaken to rigorously compare these distinct approaches to welfare reform. In several cities, welfare recipients have been randomly assigned to a “work first” program, a human capital development program, or a “control group.” Researchers found that the “work first” approach had larger employment and earnings gains in the first two years, but they said that additional years of follow-up will be needed to adequately compare alternative approaches.¹⁰

MFIP’s emphasis on getting clients quickly into the workforce is premised partly on the notion that work experience will help clients advance into better jobs. Many county and provider staff told us they have seen evidence of this happening, but 49 percent of the employment services providers and 70 percent of the county human services officials surveyed statewide said that the types of jobs their clients have found will “sometimes, rarely, or never” be stepping stones to better jobs in the near future.¹¹

There is room for improvement in the employment levels of Minnesota welfare recipients.

Although MFIP emphasizes “work first,” many MFIP recipients are not yet participating actively in Minnesota’s workforce. In Chapter 3, we reported that a majority of MFIP recipients do not work in a given month, and three-fourths do not work more than 20 hours per week—despite Minnesota’s strong economy. Without higher levels of employment, Minnesota may have difficulty meeting federally-set work participation rates in the future (Chapter 4), and many clients may use up months of MFIP eligibility that might be needed more if the economy takes a downward turn. State MFIP policy already expects clients to try to seek full-time work, so we do not think there is a need for a change in state policy to

⁹ U.S. Department of Labor, *What’s Working (and What’s Not): A Summary of Research on the Economic Impacts of Employment and Training Programs* (Washington, D.C., 1995), 37-38.

¹⁰ Gayle Hamilton, Thomas Brock, Mary Farrell, Daniel Friedlander, and Kristen Harknett, *Evaluating Two Welfare-to-Work Program Approaches: Two-Year Findings on the Labor Force Attachment and Human Capital Development Programs in Three Sites* (New York: Manpower Demonstration Research Corporation, December 1997). One of the authors told us a strategy that combines a labor force attachment message with some short-term training opportunities has shown the largest gains so far, in findings that have not yet been published.

¹¹ Officials were asked to respond to this statement: “The jobs that our county’s MFIP participants have found will likely be stepping stones to better jobs in the near future.” Among providers, 10 percent said “always or almost always,” 39 percent said “usually,” 45 percent said “sometimes,” and 4 percent said “rarely or never” (N=97). Among county officials, 6 percent said “always or almost always,” 23 percent said “usually,” 60 percent said “sometimes,” and 11 percent said “rarely or never” (N=84).

bring about an increase in client work hours.¹² However, incorporating measures of client work hours into the performance measures now collected and reported by the Department of Human Services might encourage counties and service providers to continue to seek ways to increase hours—in addition to seeking ways to increase the percentage of clients employed.

RECOMMENDATIONS

The Legislature should require the Department of Human Services to report trend data on hours worked per MFIP case as part of the annual MFIP performance report to the Legislature that we recommend later in this chapter.

Employment services providers should make additional efforts to help MFIP clients increase their work hours.

Also, there may be a need for improved services for working MFIP clients. In our surveys of county and provider staff, child care for parents with weekend or night working hours was the most often cited service need (Chapter 3). The Minnesota Department of Children, Families & Learning has allocated grants in recent years to encourage development of this type of child care, but this department should consider the need for additional efforts.

To help clients go to work, some support services (such as certain types of child care) may need to be expanded.

RECOMMENDATION

The Minnesota Department of Children, Families & Learning should continue to seek ways to improve Minnesota’s supply of child care for caregivers with non-traditional work hours, as well as child care serving children with culturally-specific or other special needs.

Other client services discussed in Chapters 3 and 4 may need improvement, too, although perceptions varied around the state (see Tables 3.7, 4.11, and 4.12). For instance, counties and service providers expressed mixed opinions about whether clients needed significantly better transportation, housing assistance, work experience programs, subsidized employment programs, job retention assistance, or help finding jobs with better long-term earnings potential. The 1999 Legislature increased state funding for MFIP employment services, and this may enable service providers to improve some of the services they considered deficient.

Incidentally, most welfare reform efforts have focused on increasing the earnings of custodial parents (typically single mothers), but we heard suggestions for giving increased attention to non-custodial parents. Some welfare episodes might be shortened or avoided altogether if absent parents contributed more to the support of their families. Among county human services directors statewide,

¹² The state MFIP manual says that “participants are expected to seek and accept full-time employment” and that participants who have met the required federal participation level but are not working 40 hours “should be assisted to move to a better paying job or increased hours” (DHS, *Statewide MFIP Employment Services Manual*, policy 3.6.60).

56 percent told us that there have not been sufficient efforts made by public agencies in their counties to increase the earnings of fathers not living in the MFIP household.¹³

CLIENT SANCTIONS

Minnesota welfare recipients can lose portions of their grants if they do not comply with program requirements.

MFIP clients who fail to comply with program requirements are subject to financial penalties. For the first occurrence of noncompliance, the family's grant is reduced by 10 percent of the MFIP "standard of need" for at least one month.¹⁴ If a client is noncompliant a second time (or during a second consecutive month), the family's grant is reduced by 30 percent of the standard of need, and the county uses the family's cash grant to pay shelter costs directly to the shelter provider.¹⁵ When a client does not comply with employment services requirements, the client's job counselor sends the client a "notice of intent to sanction" that outlines the nature of the problem and what the participant must do to come back into compliance. The client must respond to such notices within 10 days—for example, providing evidence that he or she is in compliance, making sufficient progress toward compliance, exempt from the requirements, or excused from compliance for "good cause" reasons. If the client does not respond in a satisfactory manner, the job counselor may ask the county to impose the sanction. After sanctioned clients return to compliance, their grants may be restored in the next month.

We examined Department of Human Services data on all families with MFIP-eligible adults who participated in the program at some time between January 1998 and July 1999. Fewer clients were sanctioned in the early months of MFIP than in subsequent months, reflecting the time required initially for client enrollment and program implementation. We found that, for July 1999,

- **About 9 percent of one-parent MFIP families and 13 percent of two-parent families had sanctions.**¹⁶
- **Two-thirds of sanctioned cases had a 30 percent sanction.**

Among MFIP cases with an eligible adult that were active at some time between January 1998 and August 1999, 27 percent received at least one sanction, and 10 percent were sanctioned in at least three months. Longer-term MFIP cases were more likely to have had sanctions than shorter cases. For example, among MFIP

¹³ Ten percent said that there have been sufficient efforts, and 34 percent expressed no opinion or said "don't know." It is worth noting that non-custodial parents are eligible for participation in the federal Welfare to Work program, in which Minnesota participates.

¹⁴ The "standard of need" is the combination of the cash assistance and food assistance needs for a family. For instance, the standard of need for a single mother with two children was \$783 (\$532 in cash assistance and \$251 in food assistance) in 1999. If an MFIP family shares a household with an unrelated adult, the standard is \$730.

¹⁵ In addition, a client could be sanctioned for 25 percent of the standard of need for failing to cooperate with authorities regarding child support matters. In no case is the client's sanction higher than 30 percent of the standard of need. For families with 30 percent sanctions, counties have the option of using the family's cash grant to pay utility costs directly to the utility provider.

¹⁶ The "two-parent" rate we cite here is actually the rate for families with two eligible adults. In some MFIP families with two parents, only one parent is eligible for MFIP.

cases that received grants for at least six months between January 1998 and August 1999, 33 percent received at least one sanction, and 14 percent were sanctioned in at least three months.¹⁷

Size of Sanctions

Sanctions—or at least the threat of sanctions—are one of the most tangible ways that welfare agencies reinforce the new messages of welfare reform. As reported in Chapter 3, many employment services providers (especially those in the Twin Cities area) estimated that substantial numbers of their clients are not interested in finding work or participating in employment services. If legislators wish to increase client participation or more strongly convey the urgency of the 60-month limit, stronger sanctions are one policy option.

During our site visits, many employment services staff told us that they thought that existing sanctions are ineffective. They said that some clients are willing to forego a portion of their MFIP grant so that they do not need to meet program requirements. For clients receiving public housing subsidies, a reduction in the welfare grant increases the size of the housing subsidy they receive—thus, lessening the impact of the sanction. Many employment services staff told us that clients who remain in sanction for long periods likely have other sources of income—allowing them to more easily absorb the financial impact of a sanction.

To help us understand the extent of concerns about the size of existing sanctions, we conducted statewide surveys of county and provider officials. Table 5.1 shows that:

- **For two-parent MFIP families, a majority of county human services directors and employment services providers said they favored an increase in the maximum level of sanction available. For one-parent families, county and provider staff were split between those favoring an increase in the maximum available sanctions and those favoring keeping sanctions at current levels.**

One of the reasons that counties and providers expressed concern about noncompliant clients is the time required for staff to handle their cases. When staff spend time trying to bring clients back into compliance, they have less time to help clients who are making good faith efforts to find work and become self-sufficient.

Chapter 1 noted that most states have the option of larger sanctions for welfare recipients than does Minnesota. Examples from neighboring states include the following:

- If welfare recipients in Iowa do not comply with employment and training requirements, they are assigned to a “limited benefit plan.” In the first

The threat of sanctions is one way that local agencies can emphasize the importance of work.

¹⁷ Based on our file reviews, the number of notices of intent to sanction far outnumber the actual sanctions imposed. However, there are no statewide data on the number of notices of intent to sanction that have been issued.

Table 5.1: Opinions of County and Provider Officials About Whether to Change Maximum MFIP Sanctions

Preferred change in the maximum MFIP sanction:	Percentage of:	
	County Human Services Directors (N=84)	Employment Services Providers (N=96)
One-parent families		
Decrease to zero	0	0
Decrease to 10 percent	5	5
Remain at 30 percent	43	47
Increase to 50 percent	29	29
Increase to 75 percent	0	5
Increase to 100 percent	20	11
Don't know	4	3
Two-parent families		
Decrease to zero	0	0
Decrease to 10 percent	1	2
Remain at 30 percent	31	31
Increase to 50 percent	35	34
Increase to 75 percent	7	12
Increase to 100 percent	23	19
Don't know	4	2

A majority of county and provider officials favor an increase in maximum sanctions--at least for certain types of cases.

NOTE: Of the county officials who said that sanctions should remain at 30 percent, at least three or four seemed to speak in favor of larger sanctions in written comments on the survey. For example, one said: "Have a limitation as to how long a household can remain on a sanction and still receive MFIP."

SOURCE: Office of the Legislative Auditor August 1999 surveys (N=84 county and 97 provider respondents).

such assignment, clients are ineligible for cash assistance until they sign a "family investment agreement" and reapply for assistance. For subsequent instances of noncompliance, clients are ineligible for cash assistance for at least six months, and then they may become eligible when they reapply for assistance, sign a family investment agreement, and participate for 20 hours in an employment and training activity.

- In 1996, Wisconsin implemented a "pay for performance" system of cash assistance. If clients fail to participate in scheduled activities, their sanctions are proportional to the hours of activities missed. Recipients who participate in less than 25 percent of their scheduled hours lose their entire cash grant.

Nationally, there have been relatively few studies about sanctions and their impacts on welfare recipients. Some studies have suggested that sanction practices account for a significant portion of recent welfare caseload declines.¹⁸ In

¹⁸ Robert E. Rector and Sarah E. Youssef, *The Determinants of Welfare Caseload Decline* (Washington, D.C.: Heritage Foundation, 1999), <http://www.heritage.org/library/cda/cda99-04.html>, accessed June 15, 1999; Barbara Vobejda and Judith Havemann, "Sanctions Fuel Drop in Welfare Rolls," *Washington Post* (March 23, 1998), A1.

addition, a study of eight innovative welfare-to-work programs throughout the country concluded that:

Clear expectations reinforced with financial penalties are important to the success of these programs. Staff report repeatedly that sanctions serve an especially important function in getting families who are fearful of change to begin to take the initial steps they need to take to become self-sufficient.¹⁹

Agencies need to ensure that they are effectively communicating program requirements to MFIP clients.

In contrast, a study of Delaware's sanction policies found that "the existence of severe financial penalties is not sufficient to induce compliance with welfare reform requirements."²⁰ The study suggested that some clients fail to comply because they are unable to understand the full array of program requirements and because caseworkers vary in their ability to effectively communicate program expectations. Likewise, a study of sanctioned clients in Iowa found that repeated noncompliance was often related to clients' "inadequate communication and problem-solving skills."²¹ These studies suggest that the adoption of strong sanctions may need to be accompanied by stronger agency efforts to communicate with clients and understand their underlying barriers to participation. The next section discusses a possible way to improve client communication and assessment (home visits).

Overall, there is still much to be learned from other states about the effectiveness and impacts of client sanctions. However, given local concerns about the ineffectiveness of existing sanctions, we recommend that policy makers address the issue.

RECOMMENDATION

The Legislature should consider increasing MFIP's maximum allowable sanctions for persistent noncompliance with program requirements.

There is particular reason to consider increasing the maximum sanctions for two-parent families, although we think increased sanctions should be considered for other cases, too. Minnesota failed to meet the federal participation target rate for two-parent families in 1998, and the target increased in 1999. Failure to meet this rate places Minnesota at risk for financial penalties. Giving counties the option of imposing larger maximum sanctions might be one strategy for increasing participation among persistently noncompliant two-parent families

¹⁹ LaDonna Pavetti, Krista Olson, Nancy Pindus, and Marta Pernas, *Designing Welfare-to-Work Programs for Families Facing Personal or Family Challenges: Lessons From the Field* (Washington, D.C.: Urban Institute, December 30, 1996); www.urban.org/welfare/report2.htm, accessed April 21, 1999, 21.

²⁰ David J. Fein and Wang S. Lee, *Carrying and Using the Stick: Financial Sanctions in Delaware's A Better Chance Program* (Abt Associates, Inc., January 1999), 37.

²¹ Lucia A. Nixon, Jacqueline F. Kauff, and Jan L. Losby, *Second Assignments to Iowa's Limited Benefit Plan* (Washington, D.C.: Mathematica Policy Research, Inc., August 1999), 24.

(for example, those in sanction for at least four months), and there is substantial support among county human services officials and employment services providers for such a change.²²

More generally, an increase in the maximum sanction might help to convey to MFIP clients an increased sense of urgency as the 60-month time limit approaches. For this reason, the Legislature may wish to consider raising maximum allowable sanctions for all families who remain noncompliant for extended periods (or are repeatedly noncompliant). Stronger sanctions for persistently noncompliant caregivers—combined with stronger initial outreach to sanctioned clients—will likely strengthen incentives for client participation. Ideally, the vast majority of clients would comply with program requirements well before a service provider or county needed to consider using the strongest available sanction. If so, staff may be able to spend more time focusing attention on the employment barriers of clients before too much time has elapsed from their welfare “clocks.”

Home Visits

Some counties in Minnesota have experimented with home visits of MFIP clients. For instance, Ramsey County has used several agencies to initiate contacts with sanctioned clients—including public health nurses, county extension staff, and child protection workers. In general, however, home visits to sanctioned families are not a common practice of Minnesota counties and service providers.²³

Home visits can improve agency communications with clients and help ensure the well-being of family members.

Home visits to sanctioned families can serve several purposes. At a minimum, they may help to re-establish communications with clients who have severed their contacts with welfare or employment services staff. In addition, home visits might enable staff to (1) explore whether there are additional services that would help the client return to compliance, and (2) see first-hand whether there is evidence of child deprivation resulting from the reduced level of cash assistance. If clients are noncompliant due to underlying, undiagnosed problems, such as mental illness or chemical dependency, home visits to clients may allow staff an opportunity to identify or discuss these issues.

In our surveys, we found that:

- **There is widespread agreement that clients whose sanctions last for extended periods should receive home visits, but there is no consensus about which staff should conduct these visits.**

Eighty-five percent of county human services directors and 89 percent of employment services providers told us that families whose 30 percent sanction has lasted for more than two months should receive home visits. Table 5.2 shows that a majority of county officials thought that employment services staff should

²² Among all MFIP cases with an eligible adult that were active between January 1998 and August 1999, about 7 percent accumulated at least four months of sanctions during this period.

²³ *Minn. Stat.* §256J.46, subd. 1(c) requires that cases be reviewed in the second month of a 30 percent sanction to determine if there is good cause for noncompliance, a need for an exemption, or a need to enroll the client in pre-employment activity. The law does not require this review to include a home visit, nor does it clearly specify who should conduct the review.

Table 5.2: Opinions of County and Provider Officials About Home Visits of Sanctioned Clients

	Percentage Favoring Home Visits of Sanctioned Clients by:				
	County Income Maintenance Staff	County Child Welfare Staff	Employment Services Staff	Professionals Outside the Welfare System (Such as Public Health Nurses)	At Least One of These Categories of Staff
County human services directors	27	49	63	42	85
Employment services providers	35	67	32	62	89

NOTE: Respondents were asked about their preferences for home visits of clients who have been in sanction for more than two months.

SOURCE: Office of the Legislative Auditor surveys of county human services directors ($N=83$ or 84) and employment services providers ($N=96$ to 98).

conduct home visits, while most employment services providers favored home visits by county child welfare staff or by professionals outside the welfare system (such as public health nurses). Some people told us that professionals who are not directly connected with the agencies that have issued the sanction might be more likely to gain the trust of the clients.

RECOMMENDATION

Counties and employment services providers should consider adopting policies about (1) when to initiate home visits to families that have been sanctioned for extended periods, and (2) which staff should conduct the visits.

Alternatively, the Legislature could mandate home visits, but we think additional information should be collected by the Department of Human Services before such an option is considered. For example, the department could examine “best practices” of home visiting programs in Minnesota and elsewhere, the costs of home visit programs, impediments to adopting home visiting policies, and possible limitations on information sharing among agencies (depending on which staff conduct the visits).

Consistency

The statewide MFIP employment services manual identifies a variety of circumstances that justify a sanction, as well as specific circumstances that constitute “good cause” for a caregiver’s failure to comply with program requirements.²⁴ Still, sanction practices depend partly on the interpretations of these policies by individual counties and employment services staff. For instance,

²⁴ DHS, *Statewide MFIP Employment Services Manual*, policies 5.1.10 and 5.3.

- If a client fails to attend the initial employment services overview meeting, some job counselors immediately send the client a notice of intent to sanction, while others prefer to first try to contact the client personally or schedule another overview meeting. In some files we reviewed, clients received numerous “second chances” to come into compliance (or there was no staff follow-up after a notice of intent to sanction), sometimes over many months.
- The state’s employment services manual indicates that a sanction will be imposed by the county when the employment services provider decides that a sanction is justified, but some providers told us that their sanction decisions have been overridden frequently by county staff.

Because there is considerable room for interpretation in sanction practices, we looked at variation in the frequency of sanctions around the state. We found that:

- **There are modest differences in sanction rates among regions of the state, with more substantial differences in the rates of individual counties.**

We found relatively low percentages of cases receiving sanctions in two of the state’s nine employment services regions. In the Twin Cities urban region (Hennepin and Ramsey counties), 7.7 percent of cases with an eligible adult had their MFIP grants reduced because of sanctions in July 1999; the south-central Minnesota region (Blue Earth, Brown, Faribault, LeSueur, Martin, Nicollet, Sibley, Waseca, and Watonwan counties) had 6.3 percent of cases with sanctions. (In the other seven regions of Minnesota, between 10.6 and 12.3 percent of cases had sanctions.)

Table 5.3 shows counties with the highest and lowest percentages of MFIP cases with sanctions during July 1999 (among counties with at least 125 active MFIP cases). The percentage of cases with sanctions ranged from 1.4 percent (Nicollet County) to 23.7 percent (Freeborn County). These differences may be one reason that 76 percent of employment services providers and 66 percent of county human services directors favor more statewide uniformity in sanction practices, according to our surveys.²⁵

We found only a limited relationship between sanction rates and client characteristics. Statewide, 9.5 percent of all MFIP cases with at least one eligible adult had sanctions in July 1999, and we found somewhat above-average percentages of sanctioned cases among caregivers who had not completed high school (11.4 percent), had never been married (10.3 percent), were between the ages of 18 and 24 (10.6 percent), and had only one child (12.6 percent). We found that MFIP participants who were not U.S. citizens had significantly lower percentages of sanctioned cases (4.5 percent) than did U.S. citizens (10.2 percent).²⁶ Among racial and ethnic groups, a relatively small percentage of Asian

During one recent month, the sanction rates of individual counties varied from 1 to 24 percent.

²⁵ These are the percentages of respondents who agreed with this statement: “Statewide, there should be more uniformity in client sanctioning practices” ($N=98$ employment services providers and $N=83$ county human services directors).

²⁶ Of all MFIP cases active at some time between January 1998 and August 1999, 16 percent of non-U.S. citizens received sanctions, compared with 28 percent of U.S. citizens.

Table 5.3: Percentage of MFIP Cases with Sanctions, Selected Counties, July 1999

	Total Cases	Percentage of Cases with Sanctions
Counties with High Sanction Rates		
Freeborn	236	23.7
Mahnomen	128	21.1
Douglas	148	19.6
Itasca	304	19.1
Carlton	244	17.6
Counties with Low Sanction Rates		
Nicollet	142	1.4
Washington	549	4.9
Olmsted	691	4.6
Blue Earth	302	5.3
Ramsey	7,273	6.7
Other		
Hennepin	11,657	8.3
Statewide	36,792	9.5

NOTE: The analysis shows cases with 10 or 30 percent sanctions as a percentage of paid cases with at least one eligible adult; child support sanctions are not included. Only counties with at least 125 cases in July 1999 are shown.

SOURCE: Office of the Legislative Auditor analysis of DHS data extracted from MAXIS data warehouse.

American cases had sanctions (5.0 percent), compared with 12.6 percent of American Indians, 10.3 percent of non-Hispanic whites, 9.2 percent of Hispanics, and 8.4 percent of African Americans.

In most sanction-related appeals, referees have upheld the county's action.

Welfare recipients have the right to appeal sanctions that they believe are unjustified, although some client advocates told us that this right is not well-understood by clients. We reviewed the MFIP-related decisions made by appeals referees between February 1998 and October 1999. Excluding cases that were dismissed for procedural rather than substantive reasons, we found that an appeals referee upheld the county's action in 78 percent of sanction-related appeals and reversed the county's action in the other 22 percent.²⁷

Overall, sanction practices do vary around the state, but it is difficult to evaluate whether this is a problem without reviewing the circumstances of individual cases. In our view, it is appropriate that service providers have flexibility within the law and state guidelines to make sanction decisions that consider individual circumstances. It would probably not be possible to write laws or guidelines that account for the full range of factors that might be considered in a sanction decision. Thus, we do not recommend more prescriptive laws that define

²⁷ Of 246 sanction-related appeal decisions we examined for the period February 11, 1998 to October 4, 1999, 125 were dismissed for procedural reasons, thus leaving the county's sanction decision intact.

instances in which sanctions should be given. Instead, we think the state should monitor sanction practices more closely.

RECOMMENDATION

The Department of Human Services should periodically conduct external reviews of local MFIP practices, including sanction practices.

Periodic external reviews could help ensure that local agencies have reasonable sanction practices.

The department uses this type of external review process to review the child protection practices of individual counties. External reviews of selected local welfare practices might help increase consistency among counties and providers, and it could help the department identify areas that need additional state policy guidance. For example, the department could review samples of sanction decisions of counties (or providers) that have particularly high or low sanction rates, and it could examine whether the local agencies have adequate procedures for internally reviewing sanctions before they are issued. Depending on the scope and frequency of the external reviews, we think that one to three additional staff might be required for the department to conduct external reviews of local MFIP practices (paid for with new funding or a reallocation of existing resources).

TIME LIMITS

One of the most important components of recent federal and state welfare reforms has been a limitation on the number of months that persons can receive welfare benefits. The 1996 federal welfare reform law does not allow states to use their federal Temporary Assistance for Needy Families (TANF) block grants to provide cash assistance to families for more than 60 months over the course of a lifetime (with limited exceptions). Minnesota adopted a 60-month lifetime limit, and many states adopted shorter limits (see Chapter 1).²⁸

Figure 5.3 shows that Minnesota's employment services providers do not think that the 60-month lifetime limit has been an important motivator so far for most MFIP clients. Although county and employment services staff discuss the time limit with clients at the time of MFIP enrollment, many staff told us that clients are too focused on immediate concerns to think about a time limit that is several years away. In addition, many clients assume that they will find work that allows them to leave welfare before the time limit becomes an issue.

Minnesota's welfare "time clock" started in July 1997, so recipients may exhaust their eligibility for welfare benefits as early as July 2002.²⁹ For welfare cases active in May 1999, Table 5.4 shows the total number of months of benefits used up as of that time. Nearly 20 percent of all cases with an eligible adult had exhausted 23 months of TANF eligibility (the maximum number of months

²⁸ The 1999 Legislature asked the Minnesota Department of Human Services to prepare recommendations regarding implementation of the 60-month time limit—see *Minn. Laws* (1999), ch. 245, art. 6, sec. 84.

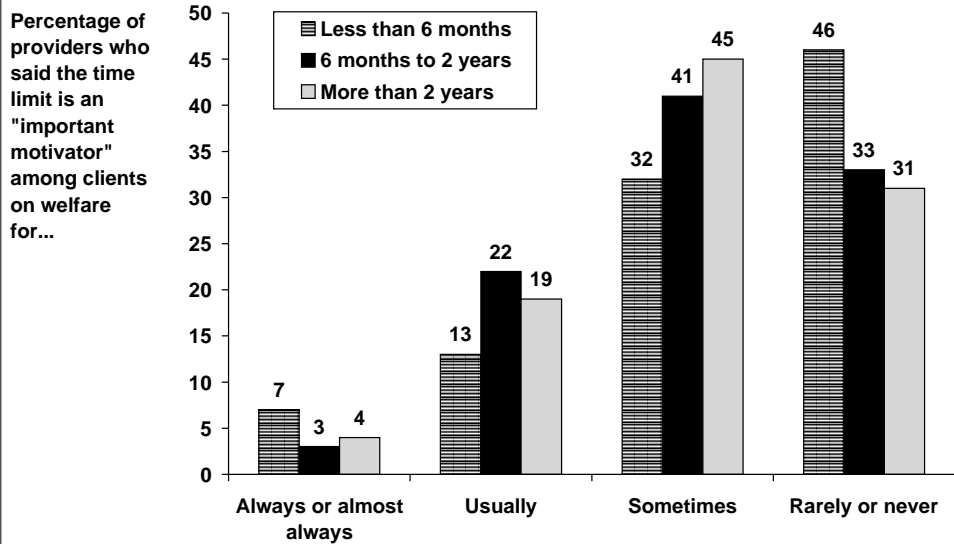
²⁹ Welfare recipients who moved to Minnesota from other states might have started using their TANF eligibility prior to July 1997.

elapsed on the time clock at that time), and another 17 percent of clients had exhausted 18 to 22 months.

Although federal law limits welfare recipients to 60 months of TANF benefits during their lifetimes, there is no national information system that Minnesota and other states can use to track clients' accumulated months of assistance across

Providers do not think time limits have significantly motivated most clients.

Figure 5.3: Provider Perceptions About the Time Limit's Impact on MFIP Clients



SOURCE: Office of the Legislative Auditor surveys of employment services providers, August 1999 (N=95 to 98). "Don't know" responses are not shown.

Table 5.4: Elapsed Months of TANF Eligibility, For Cases Active in May 1999

Months of TANF Eligibility Used Through May 1999	Percentage of May 1999 cases with:		
	One MFIP-Eligible Adult (N=32,149)	Two Eligible MFIP-Eligible Adults (N=5,615)	At Least One MFIP-Eligible Adult (N=37,764)
None	9.2	6.7	8.9
1 to 5	14.0	20.1	14.9
6 to 11	19.8	25.5	20.6
12 to 17	18.4	20.9	18.8
18 to 22	17.9	14.2	17.3
23 or more	20.7	12.6	19.5
TOTAL	100.0	100.0	100.0

NOTE: Excludes months in which recipients were exempt from the time limits.

SOURCE: Office of the Legislative Auditor, analysis of data extracted from Department of Human Services welfare data warehouse.

states. The federal government has identified options for such a system, but “there is no agreement about how such a system will be built or maintained.”³⁰

Exemptions and Extensions

Prior to July 2002, states have the option of stopping individuals’ 60-month time clocks for federal benefits by paying for their cash benefits with state funds rather than federal TANF funds. Stopping the time clocks of certain categories of recipients now might reduce the number of recipients who exhaust their 60 months of eligibility in the months that follow July 2002. (This might lessen the administrative burden in 2002 of reviewing cases that have reached the time limit and are being considered for exemptions from the limit for “hardship” reasons.) Such “up-front” exemptions might also prevent some categories of very disadvantaged recipients from worrying unnecessarily about benefit cancellation after 60 months. On the other hand, if states cannot accurately predict in advance of the time limit which categories of recipients are most likely to exhaust their 60 months of eligibility, up-front exemptions may result in a needless substitution of state cash assistance for federal cash assistance. Also, such exemptions could dilute a welfare-to-work program’s emphasis on employment.

Welfare recipients in Minnesota need to earn more to become ineligible for cash assistance than recipients in many other states. Consequently, some Minnesota recipients could remain on welfare for longer periods than they would in other states, thus using up more of their 60 months of benefit eligibility. For this reason, the organization that evaluated the MFIP pilot program suggested that Minnesota policy makers consider “stopping the clock” for MFIP recipients who are working.³¹

We asked county human services directors whether they would like to see state law amended to authorize various types of state-funded “exemptions” from the time limits prior to July 2002. According to our statewide survey, we found that:

- **Sixty percent of county human services directors said they do not favor “stopping the clock” for any families prior to July 2002, except for those cases for which there are already exemptions in state or federal law.**³²

Table 5.5 shows that nearly 40 percent of the county officials said they would favor “stopping the clock” for families in which the caregivers are exempt from MFIP employment services—including families in which the caregivers are working “full-time.” It is also worth noting that survey respondents from some of the state’s largest counties—including Hennepin, Ramsey, and Anoka—said they

³⁰ National Association of State Information Resource Executives, *Welfare Reform and State Human Service Information Systems* (Lexington, KY: May 15, 1998), 6-7. In late 1999, the author told us that this remains true.

³¹ Cynthia Miller and others, *Making Welfare Work and Work Pay*, ES-19. The pilot version of MFIP allowed families to receive benefits until their income reached about 140 percent of the poverty level, compared with 120 percent of the poverty level for the statewide version of MFIP adopted in 1997.

³² This is the percentage of directors who agreed with this statement: “Minnesota should not stop the 60-month time clock for any families prior to July 1, 2002, except for those cases for which there are already exemptions in state or federal law.”

States could “stop the clocks” of selected recipients by paying for their benefits with state rather than federal funds.

Table 5.5: County Officials' Opinions About Stopping the 60-Month Clock

Should state law authorize stopping the 60-month clock prior to July 2002 by using state funds to pay for:	Percentage of County Human Services Directors Who Said:		
	Yes	No	"Neither" or "Don't Know"
Families in which the caregivers are exempt from MFIP employment services?	39	42	19
One-parent families in which the caregiver is working at least 35 hours a week and two-parent families in which the caregivers are working a combined 55 hours a week?	37	48	15
Families in which the caregivers are complying with their employment services plans?	24	61	15
Families in which the caregivers are enrolled in post-secondary education programs and maintaining good grades and attendance?	14	67	18

SOURCE: Office of the Legislative Auditor, August 1999 survey (N=83 or 84).

A majority of county officials do not support new time limit exemptions.

avored stopping the clock for these two groups of caregivers. There was much less support among county officials for giving extensions to families in which the caregivers are complying with their employment services plans or are faring well in post-secondary education.

After July 2002, federal law allows states to exempt up to 20 percent of their caseloads from the 60-month limit by reason of "hardship." These exempted cases would continue to receive federal TANF benefits. Minnesota law exempts few persons from the time limit, so the Legislature would need to authorize further exemptions for the state to use its full 20 percent exemption.³³ We found that:

- **Most county officials would prefer state guidance about which MFIP clients to exempt from time limits for hardship reasons, rather relying on their own criteria.**

Sixty-one percent of county human services directors said they would like state law to specify particular subgroups of MFIP participants who should be exempt from the time limit, and 59 percent said that DHS should issue state guidelines on which participants to exempt. In contrast, only 12 percent favored having county-developed criteria about which participants to exempt.³⁴

³³ Minnesota could extend benefits to additional cases that have reached the 60-month limit (cases without hardship exemptions or cases in excess of the 20 percent exemption), but the state would have to do so with its own funds.

³⁴ Office of the Legislative Auditor, August 1999 survey of county human services directors.

Most county officials seemed to think that there may be instances in which individual counties may need to exempt more than 20 percent of their MFIP cases. Twenty-five percent of surveyed officials thought that all counties should have no more than 20 percent of cases exempted for hardship reasons, while 59 percent of officials thought that some counties may be justified in exempting more than 20 percent.

Several states have clients who have already reached their eligibility limits. The following are examples of extension policies these states have adopted:³⁵

States also have the option of granting time limit extensions to persons who have used up their federal welfare eligibility.

- Connecticut can grant six-month extensions (which may be renewed) to (1) recipients who make a “good-faith effort” to find jobs but still have income below the welfare payment standard, and (2) recipients who have not made good-faith efforts but have “circumstances beyond the client’s control” that prevent her from working at the time she reaches the time limit. Connecticut has adopted criteria for judging what constitutes a “good-faith effort.”
- Florida’s Family Transition Program can give an extension up to four months (which may be renewed once) to (1) recipients who have complied “substantially” with their self-sufficiency plan but have had “extraordinary difficulties” finding work. This program also guarantees subsidized jobs to unemployed clients who have reached the time limit but have complied with their self-sufficiency plans.
- Indiana can grant extensions when “despite all appropriate efforts, the individual has been unable to obtain or has lost (with good cause) employment that would provide the family with net income equal to or greater than that which the family would receive from the AFDC grant.”

Such extensions are an option that Minnesota policy makers could consider if they want to ensure a “safety net” for persons who remain poor despite good faith efforts to work their way off welfare (and have exhausted their 60 months of federal TANF eligibility). Alternatively, there are “non-MFIP” options for trying to reduce poverty among the working poor—such as increasing the state’s earned income tax credit.

Case Management

Minnesota’s welfare system establishes a sequence of activities for clients’ first two months in employment services—typically consisting of initial assessment, eight-week job search, and secondary assessment. Beyond that time, however, state policies do not specify any particular interventions that staff should make as cases progress toward the 60-month limit.

Our reviews of client files indicated that some cases during MFIP’s first 18 months received minimal staff attention for extended periods (see Chapter 4)—perhaps due to high job counselor workloads, which the 1999 Legislature tried

³⁵ Dan Bloom, *Welfare Time Limits: An Interim Report Card* (New York: Manpower Demonstration Research Corporation, April 1999).

to address through additional funding. In our view, it is especially important for cases to be actively managed in a time-limited welfare system. Welfare recipients need timely assessments and interventions, and staff should be fully aware of the time that has elapsed from their clients' welfare "clocks."

RECOMMENDATION

The Legislature and departments of Human Services and Employment Services should consider options for (1) reminding clients of the time they have remaining on the 60-month limit, and (2) intensifying client interventions as their time clocks progress toward the 60-month limit.

As clients approach time limits, agencies should consider ways to intensify their service interventions.

Such reminders and services could occur presently, at the initiative of individual counties and employment services providers, and they could happen in a wide variety of ways. In fact, overly prescriptive rules or laws could stifle creative approaches by local agencies. However, with clients at risk of benefit termination under the 60-month limit, we think the state is justified in providing strong guidance to local agencies about what types of case management and intervention are appropriate as clients approach their time limits. For instance, perhaps a client who has used up 24 or 36 months of eligibility should (1) be assigned to an employment services caseworker with smaller caseloads, (2) receive regular home visits, (3) receive a multi-disciplinary assessment by a team that includes a job counselor, county financial worker, county social services worker, and other professional staff, (4) be required to engage in work experience programs if not already employed, and/or (5) be subject to more serious sanctions for noncompliance. Or, perhaps clients who are working but do not earn quite enough to be ineligible for MFIP cash assistance should be offered a "back-end" diversion payment—a lump sum equivalent to several months of MFIP cash payments that would encourage clients to leave welfare (and, thus, save a portion of their 60 months of eligibility).³⁶ At a minimum, it seems reasonable for welfare agencies to formally remind clients periodically about how much time they have remaining on their time clocks.

PROGRAM-RELATED PERFORMANCE MEASURES

In Chapter 1, we noted that state law does not contain explicit goals for MFIP. Statutory goals sometimes help to establish a foundation for comprehensive measurement of a program's performance.³⁷ Although state law does not identify

³⁶ Florida started such a program in December 1999. An employed welfare recipient who is receiving less than \$100 per month in cash assistance can apply to receive a \$1,000 lump-sum payment to exit welfare—with a signed agreement that the recipient will not apply for cash assistance during the next six months.

³⁷ Clear goals can help (1) clarify a program's purpose for the agencies that must implement it, (2) establish a foundation for measurement of a program's performance, and (3) provide guideposts for decision makers to address policy questions that arise in years following the program's establishment. However, sometimes legislators cannot reach consensus on program goals, or they consider overarching statements of program purpose to be unnecessary if the program requirements in legislation are sufficiently clear.

overarching MFIP goals, it does prescribe a series of performance measures for which the Department of Human Services must report information to counties each quarter (and it requires the department to work with counties to develop additional measures).³⁸ The prescribed measures provide some insight into the Legislature's expectations for MFIP. For example, the law requires the department to report to counties about their percentage of MFIP clients who are working and their compliance with federal work participation requirements. The law also requires the department to "consider" measures of client job retention, welfare terminations due to employment, and post-welfare earnings.

We think there are additional performance measures that should be considered. Some of these measures could be used to measure progress toward the goals of welfare reform that are stated in federal law; others would help policy makers track important trends affecting Minnesota's welfare caseload. For example:

Additional information would help policy makers track important trends.

- **Measures of out-of-wedlock and teen birth rates.** A reduction in out-of-wedlock birth rates was a stated goal of the 1996 federal welfare reform law, and trends in out-of-wedlock and teen birth rates have been closely linked to trends in welfare dependency.³⁹ As noted in Chapter 2, out-of-wedlock births today account for 25 percent of all Minnesota births, up from 11 percent in 1980. In addition, Minnesota has some of the nation's highest birth rates among African-American and Hispanic teens. Our statewide survey indicated that county human services directors have mixed views about whether public agencies in their counties have made sufficient efforts to reduce out-of-wedlock pregnancies and encourage development and maintenance of two-parent families.⁴⁰
- **Percentage of MFIP cases approaching time limits.** DHS currently reports information to counties about the cumulative months of TANF eligibility their clients have used up, but it would be useful for policy makers to have periodic information about this, too. For example, knowing how many active MFIP cases have used up a substantial portion of their 60 months of TANF eligibility (such as 36 or 48 months) could help legislators as they consider policy options for time limit extensions.
- **Measures of welfare utilization, by racial and ethnic subgroup.** In Chapter 2, we reported that the number of welfare cases per capita among certain racial and ethnic minority groups is many times higher in Minnesota than the cases per capita for white, non-Hispanic families. Whatever the reasons for this pattern, policy makers should consider ongoing statewide measurement of the welfare utilization rates of particular subgroups, perhaps in conjunction with specific strategies to reduce high rates.

³⁸ *Minn. Laws* (1999), ch. 245, art. 6, sec. 80.

³⁹ Social Security Act, title IV, part A, sec. 401.

⁴⁰ Thirty-six percent of respondents agreed with a statement that "public agencies have made sufficient efforts to reduce the incidence of out-of-wedlock pregnancies in our county;" 26 percent disagreed, 25 percent neither agreed nor disagreed, and 13 percent said "don't know." Twenty-six percent agreed with a statement that "public agencies have made sufficient efforts to encourage the formation and maintenance of two-parent families in our county;" 25 percent disagreed; 33 percent neither agreed nor disagreed, and 15 percent said "don't know."

- **Percentage of MFIP cases that are “child-only” cases.** In Chapter 2, we noted that cases that include children but no eligible adults nearly tripled in Minnesota in a recent 13-year period. These cases are not subject to welfare time limits, and the caregivers in these cases are not subject to work requirements—thus, local agencies have more limited ability to reduce welfare dependency in these cases. Although changes in the number of “child-only” cases may not directly reflect on MFIP’s performance, we think these cases merit increased attention due to their recent growth and potential for long-term dependency.
- **Monthly hours worked per MFIP case.** (See discussion earlier in this chapter.)

Most of the MFIP performance indicators now required in Minnesota law focus on participants’ employment or earnings, and we think this list is probably too limited. In addition, we think it makes sense for DHS to periodically provide information on key measures to the Legislature, not just to counties. Additional indicators could help policy makers monitor program trends that affect welfare caseloads or reflect program impacts.

RECOMMENDATION

The Legislature should require the Department of Human Services to annually prepare a report for the Legislature summarizing trends in (1) the performance measures mandated by Minn. Stat. §256J.751, and (2) additional measures of program performance and caseload-related trends (such as those cited above).

MISCELLANEOUS

Client Assessment

In Chapters 3 and 4, we identified several weaknesses in current MFIP client assessment practices. Initial assessments rely mainly on client self-reports, and “secondary assessments” (which are typically done after clients have conducted a preliminary job search) have often been superficial and late. Even among clients that staff suspect have mental health or chemical dependency problems, many have not been assessed by specialists. State agency staff have offered training to service providers about how to screen clients for learning disabilities, chemical dependency, and mental health problems, but most providers told us that their understanding of such problems is limited. Overall, current MFIP assessment practices are less expensive than requiring comprehensive assessments at the time clients enroll, but it is unclear whether these practices are adequately detecting underlying client obstacles to self-sufficiency.

RECOMMENDATION

Counties and service providers should establish multi-disciplinary teams to review difficult cases.

Multi-disciplinary teams should regularly review difficult cases.

One way to supplement current assessment efforts (but without mandating comprehensive assessment at enrollment) would be periodic, multi-disciplinary case reviews for MFIP clients who are not working regularly. For example, such cases could be reviewed annually or semi-annually by a team comprised of representatives from the employment services provider, county income maintenance department, county social services department, and perhaps other professional agencies. The purpose of such teams would be to consider whether a client has received proper interventions and referrals, including assessment and services for underlying barriers to self-sufficiency. Multi-disciplinary teams are currently used to help ensure proper placements and services for Minnesota children being placed out of home.⁴¹

The Legislature could mandate in law that providers and counties conduct periodic, multi-disciplinary case reviews, or it could rely on counties and providers to voluntarily develop case review practices that best serve their clients' needs within the resource constraints of the agencies. We offer no recommendation about which approach would be more appropriate, but state agencies should provide guidance for such reviews if they are not mandated in law.

We also think the Department of Economic Security should more closely monitor providers' secondary assessment practices—to try to ensure that these assessments are done in a timely manner.

RECOMMENDATION

The Department of Economic Security should (1) use its management information system to periodically identify providers that are not conducting timely secondary assessments, and (2) follow up with these providers, as necessary.

TANF Reserve Funds

In Chapter 1, we noted that Minnesota expects to have a \$164 million TANF reserve by the end of the 2000-01 biennium. The TANF block grant provides Minnesota with the same amount of federal funds each year through 2002, so a “rainy day” fund helps to protect Minnesota against the higher welfare expenditures that could result from an economic downturn. In February 1999, the

⁴¹ Minn. Stat. §260.151, subd. 3.

Minnesota's large reserve of unused federal welfare money should finance additional efforts to reduce dependency.

Minnesota Department of Human Services estimated that a recession could increase TANF costs by \$78 million during the fiscal year 2000-01 biennium.⁴²

But the economy has been strong so far during the biennium, and the state's November 1999 revenue forecast projected that economic growth would likely continue for several years. In addition, it is possible that Congress will (1) take away unused TANF funds in 2002, or (2) base states' future block grant allocations partly on the amount of TANF funds used in the 1997-2002 period. Thus, state officials should seriously consider whether there are prudent, short-term initiatives that could reasonably be expected to further reduce welfare dependency. If so, Minnesota's TANF reserve presents a unique opportunity for tapping non-state funds for this purpose.

RECOMMENDATION

Legislators should consider ways to spend down Minnesota's TANF reserve funds prior to the end of the current TANF block grant in 2002—preferably through one-time rather than ongoing financial commitments.

Federal law allows TANF funds to be used for a wide variety of purposes that serve the law's stated goals—including certain services to persons who are not welfare recipients. For example, TANF funds could be used to pay for further reductions in job counselor caseloads, improvements to welfare information systems, job subsidies (to encourage employers to hire hard-to-serve clients), in-depth assessments of long-term welfare recipients, improvement of support services such as child care and transportation, or teen pregnancy prevention programs.

DHS staff told us that some options for improving services to clients—such as increasing the number of home visits—could require additional resources. We think it is important for the Legislature to be cautious about initiating ongoing spending commitments that might be difficult to pay for later (for example, after Congress reauthorizes the federal block grant, perhaps at a lower level). Still, we think the federal TANF funds (in combination with the state's federally-mandated "maintenance of effort" funds) provide an immediately available funding source for the state to initiate innovative, short-term efforts to serve the most needy MFIP clients.

Availability of Management Information

The state's main human services information system (known as "MAXIS") contains extensive information about MFIP families—including months accumulated toward the 60-month limit. However, we found that:

- **Counties representing most of the state's welfare recipients do not think that MAXIS provides them with the information needed to manage their caseloads.**

⁴² Minnesota Department of Human Services, *February 1999 Forecast* (St. Paul, February 26, 1999), 10.

Counties and providers need better information to effectively manage their caseloads.

In our statewide survey, 33 percent of human services directors (in counties representing 76 percent of the MFIP caseload in July 1999) told us that they were unable to get the information needed from the state's main human services information systems to effectively manage their caseloads. For example, some county officials said that they cannot rapidly determine what percentage of their current MFIP cases have used up a certain amount of their 60-month MFIP eligibility. Others expressed concern that the information they have received from the Department of Human Services (DHS) is several months old, or that they have been unable to get longitudinal data on individual clients (i.e., covering more than one month). An employee of the state's largest county (Hennepin) spends two days a week at DHS extracting county-specific data from MAXIS, but other counties have not had the staff to do this.



Job counselors and county staff would like better access to the state's welfare-related management information.

In addition, most of Minnesota's employment services providers have had limited, if any, access to MAXIS data. Sometimes employment services staff obtain MAXIS data through county financial workers—particularly in sites where the financial workers and employment services staff work in the same locations. Without MAXIS data, however, employment services staff may not know when MFIP cases closed, which sanctions have been imposed or lifted, and how many months have elapsed from a client's welfare time clock. Ninety-one percent of employment services providers statewide told us they would like to have direct access to MAXIS data.⁴³

We did not study the MAXIS system in detail, nor did we explore what costs might be associated with improving its capabilities. Nevertheless, we think that it is reasonable for local agencies to want improved management information for a program as important as MFIP, and we think DHS should consider how to accomplish this.

RECOMMENDATION

DHS should evaluate options for making MAXIS information more accessible to the local agencies who are directly serving MFIP clients.

⁴³ Three percent did not want MAXIS access, and the remainder expressed no opinion.

Limits on English Language Instruction

MFIP clients with limited English abilities comprised 14 percent of Minnesota's employment services caseload on June 30, 1999, compared with 9 percent one year earlier. For some clients, language difficulties make it difficult to understand the rules of the welfare system, apply and interview for jobs, or succeed in the workplace. If a language deficiency prevents an MFIP client from finding work, the client may enroll in English-as-a-second-language (ESL) programs.

Most providers favor clearer state policies on client language instruction.

Some employment services staff expressed concerns to us about clients who remained for many months (or even years) in ESL courses without participating in work or other activities. Some said that clients never really "complete" ESL instruction (as they would a GED course), and some clients prefer ESL to other MFIP activities. We surveyed service providers statewide and found that a majority preferred to have state policy that limits the amount of time that clients could meet MFIP participation requirements by attending ESL. The largest percentage (47 percent) favored a state policy that would allow limited-English clients to remain in ESL until they have achieved a specified level of English proficiency, and some other providers (10 percent) preferred to limit ESL to a specified number of months.⁴⁴ In our view, clearer limits on ESL instruction make sense for clients who are enrolled in employment services and are using up their months of welfare eligibility.

RECOMMENDATION

The Legislature should require the departments of Human Services and Economic Security to develop more specific state policy about how long clients should be able to participate in ESL as an employment services activity.

⁴⁴ Office of the Legislative Auditor, August 1999 survey of providers. In addition to the percentages cited above, 4 percent favored letting clients remain in ESL for as long as they wish, 28 percent favored letting job counselors use their discretion about the appropriate length of ESL, and 14 percent suggested other approaches.

Summary of Recommendations

- Employment services providers should make additional efforts to help MFIP clients increase their work hours.
- The Minnesota Department of Children, Families & Learning should continue to seek ways to improve Minnesota's supply of child care for caregivers with non-traditional work hours, as well as child care serving children with culturally-specific or other special needs.
- The Legislature should consider increasing MFIP's maximum allowable sanctions for persistent noncompliance with program requirements.
- Counties and employment services providers should consider adopting policies about (1) when to initiate home visits to families that have been sanctioned for extended periods, and (2) which staff should conduct the visits.
- The Department of Human Services should periodically conduct external reviews of local MFIP practices, including sanction practices.
- The Legislature and departments of Human Services and Employment Services should consider options for (1) reminding clients of the time they have remaining on the 60-month limit, and (2) intensifying client interventions as their time clocks progress toward the 60-month limit.
- The Legislature should require the Department of Human Services to annually prepare a report for the Legislature summarizing trends in (1) the performance measures mandated by *Minn. Stat.* §256J.751, and (2) additional measures of program performance and caseload-related trends (see Chapter 5).
- Counties and service providers should establish multi-disciplinary teams to review difficult cases.
- The Department of Economic Security should (1) use its management information system to periodically identify providers that are not conducting timely secondary assessments, and (2) follow up with these providers, as necessary.
- Legislators should consider ways to spend down Minnesota's TANF reserve funds prior to the end of the current TANF block grant in 2002—preferably through one-time rather than ongoing financial commitments.

- DHS should evaluate options for making MAXIS information more accessible to the local agencies who are directly serving MFIP clients.
- The Legislature should require the departments of Human Services and Economic Security to develop more specific state policy about how long clients should be able to participate in ESL as an employment services activity.

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January 14, 2000

James Nobles
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Dear Mr. Nobles:

The Departments of Human Services (DHS) and Economic Security (DES) appreciate the opportunity to respond to your January 2000 report on *Welfare Reform*. We found the report to be an informative and ambitious look at our progress in welfare reform. While we agree that it is too early to draw firm conclusions about the success of welfare reform, we believe your report reflects a fair picture of where Minnesota stands two years into the Minnesota Family Investment Program (MFIP).

DHS and DES agree with the general theme of the report that Minnesota has made progress toward its goals of increasing work and reducing dependency among welfare recipients. More people in Minnesota are working, or involved in activities leading to work, than ever before. The report also does a good job of describing the major challenges before us: a growing share of the caseload is facing multiple barriers to work, and more participants need to progress to better jobs or more hours of work to become self-sufficient.

General Comments

The report recognizes Minnesota's progress largely through point-in-time observations of the number of families working. While this type of methodology shows the improvement we have made under welfare reform, point-in-time averages tend to mask the dynamics of family experience. Chapter Three includes an analysis that tracks changes in employment or welfare dependency over time and which shows that 40 percent of MFIP families were off welfare after 12 months. We believe that more use of longitudinal analysis would provide a clearer picture of the success of families under MFIP, and agree that there is much yet to learn about welfare reform's long-term impacts on family well-being.

The report well documents the research showing the extent of employment barriers in the caseload and suggests that Minnesota could be doing a better job in producing more working cases with more hours of work. We agree that more work must be done, and are fully committed

to making welfare reform succeed. The report calls for intensified interventions for the hard-to-employ. While we agree with this general approach, it is important to recognize that these efforts are largely experimental at this time. As such, the costs could be great and payoffs are uncertain.

Recommendations

We believe the recommendations in the report represent a good set of program improvements. Below are our specific comments.

Employment and Training Policy

- *The Legislature should require the Department of Human Services to report trend data on hours worked per MFIP case as part of the (recommended) annual MFIP performance report to the Legislature. Employment services providers should make additional efforts to help MFIP clients increase their work hours.*

DHS and DES agree that increasing work hours is an important focus for the MFIP program. While it would be possible to report on trends in the average, this figure may not accurately reflect increases over time for individuals in the program. This is especially true because of the fairly constant turnover of a substantial portion of the MFIP population as families leave and new families come onto the program, families change part-time or full-time hours, and families quit or begin new jobs. A better measure of increasing work would be gained either by looking at longitudinal information or by measuring exits from MFIP due to work.

- *The Minnesota Department of Children, Families & Learning should continue to seek ways to improve Minnesota's supply of child care for caregivers with non-traditional work hours, as well as child care serving children with culturally-specific or other special needs.*

DHS and DES agree that increases in non-traditional child care alternatives are important efforts to meet the child care needs of the MFIP population.

Client Sanctions

- *The Legislature should consider increasing MFIP's maximum allowable sanctions for persistent noncompliance with program requirements.*

DHS has recommended stronger sanctions as part of the efforts to address individuals moving toward reaching their 60-month time limit on MFIP. The current sanction process works well at motivating most families; sanction rates are low and the majority of families that are sanctioned

move into compliance quickly. However, we feel it is important to look at stronger sanctions for those individuals who have remained in sanction status for some months. It is not acceptable to have people in sanction status for prolonged periods of time while on MFIP. A stronger message is needed to ensure that people are dealing with the issues that are preventing them from making progress towards self-sufficiency.

- *Counties and employment services providers should consider adopting policies about (1) when to initiate home visits to families that have been sanctioned for extended periods, and (2) which staff should conduct the visits.*

Counties and Employment Services providers should continue exploring more intensive ways to reach out to sanctioned families. This may include consideration of home visits for families that have been in sanction status for extended periods of time. However, caution must be taken, before encouraging home visits as a regular part of intervention, to assure that the home visit strategy has a good chance of achieving the goal of bringing the long-term sanctioned population back into compliance.

- *The Department of Human Services should periodically conduct external reviews of local MFIP practices, including sanction practices.*

DHS agrees that it is a good idea to review consistency in key areas of program practice such as sanctions. We also agree that implementing this practice would require the addition of staff positions. In order to review practices, identify successful models, and affect “best practices” in technical assistance to the counties and providers, we agree that 1-3 FTEs, as proposed in the report, would be needed.

Time Limits

- *The Legislature and Departments of Human Services and Economic Security should consider options for (1) reminding clients of the time they have remaining on the 60-month limit, and (2) intensifying client interventions as their time clocks progress toward the 60-month limit.*

DHS and DES are concerned about clients that are moving toward their 60-month lifetime limit. We support the idea that DHS/DES take the lead in helping counties and providers address how to intensify efforts for clients as they progress toward their 60-month limit. Technical assistance in this area is important in identifying “best practices” in intervention strategies and in delivering services to the increasingly more difficult to serve population.

In January 1999, DHS recommended to county staff that they talk with clients about the limit and the amount of time they have remaining at the annual face-to-face interview (recertifications). We are also convening a group to discuss ways to inform participants in writing, outside the recertification process.

Program-Related Performance Measures

- *The Legislature should require the Department of Human Services to annually prepare a report for the Legislature summarizing trends in (1) the performance measures mandated by Minn. Stat. § 256J.751, and (2) additional measures of program performance and caseload-related trends (such as those cited above).*

DHS and DES support the idea of an annual report to the Legislature. Current legislatively- defined performance measures would become a critical core of data to be presented in an annual report. Our preference is that the report be minimally defined in terms of content beyond that currently mandated. This would allow the departments the flexibility to present a broad range of additional outcomes and program measures that address program performance in a number of areas relative to the success of the program. These measures could change annually, dependent upon program and/or environmental changes affecting outcomes.

Miscellaneous

- *Counties and service providers should establish multi-disciplinary teams to review difficult cases.*

DHS and DES have always encouraged the use of multi-disciplinary teams by counties and providers in serving the MFIP population. We will continue to encourage multi-faceted approaches to serving families that face multiple barriers to self-sufficiency.

- *The Department of Economic Security should (1) use its management information system to periodically identify providers that are not conducting timely secondary assessments, and (2) follow up with these providers, as necessary.*

DES and DHS support this recommendation. It is important to ensure that thorough assessments are taking place for participants who are unsuccessful in their job search. However, assessment is an ongoing continuous process between a job counselor and an MFIP participant. We perceive the concept of a secondary assessment as a time specific event to be somewhat artificial. We will consider the best way to monitor the provision of secondary assessments without mandating a rigid practice.

- *Page Legislators should consider ways to spend down Minnesota's TANF reserve funds prior to the end of the current TANF block grant in 2002 - preferably through one-time, rather than ongoing, financial commitments.*

DHS agrees that the TANF reserve represents an opportunity for further investment toward self-sufficiency.

- *DHS should evaluate options for making MAXIS information more accessible to the local agencies who are directly serving MFIP clients.*

DHS and DES are in the process of developing functionality that will allow employment services staff access to MAXIS for the critical information they need to do their work. This functionality should be available in the fall of 2000. DHS agrees that more MAXIS information should be made available to local agencies. We are piloting a software product in 13 counties which will allow counties to download online reports to their desktops. DHS and DES are also planning a video conference in early spring to train counties in ways to access and use the monthly data files DHS provides. We will continue to explore other methods of making data more accessible to local agencies.

- *The Legislature should require the Departments of Human Services and Economic Security to develop more specific State policy about how long clients should be able to participate in ESL as an employment services activity.*

DES and DHS agree that some guidance to local practice is necessary.

Conclusion

Welfare Reform is an important part of the self-sufficiency piece of Governor Ventura's Big Plan. We welcome the review of our progress as a helpful contribution to efforts to improve the lives of low-income families in Minnesota.

Minnesota has made a good start in moving people toward self-sufficiency. We were the only state in the nation to receive high performance bonus awards in three of the four federal high performance bonus categories. These awards demonstrate that Minnesota is performing well, in comparison to other states, on the core goals identified by the Department of Health and Human Services. It is also important to recognize that MFIP, unlike welfare reform programs in many other states, was designed as an anti-poverty approach to welfare reform, with goals of economic independence and self-sufficiency in addition to job placement. We believe that MFIP's emphasis on outcomes for families, especially the reduction of poverty through work, represent the right direction for Minnesota's welfare reform.

James Nobles
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Finally, we compliment your staff for their professional manner, for their willingness to listen and learn, and for consulting with both DHS and DES, as well as counties and service providers, in the development of this report. Thank you again for the opportunity to respond to this report.

Sincerely,

/s/Michael O'Keefe

Michael O'Keefe
Commissioner
Department of Human Services

/s/Earl R. Wilson

Earl R. Wilson, Jr.
Commissioner
Department of Economic Security