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**REPORT OF THE MINNESOTA
COMMISSION ON WELFARE REFORM**

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**REPORT OF THE MINNESOTA
COMMISSION ON WELFARE REFORM**

**AID TO FAMILIES WITH
DEPENDENT CHILDREN PROGRAM**

December 1, 1986

December 1, 1986

Honorable Rudy Perpich
State of Minnesota
Office of the Governor
St. Paul, Minnesota 55155


Dear Governor Perpich:


In your letter of March 27, 1986, to the Honorable Roger Moe, Senate Majority Leader and the Honorable David Jennings, Speaker of the House, you proposed the establishment of a bipartisan Blue Ribbon Commission on Welfare Reform. You also cited principles and proposed questions which were to guide that Commission.

We are pleased to report that the Welfare Reform Commission has completed its work and has unanimously approved the enclosed report. We believe we have carefully followed the directives you presented to us.

We are grateful for the opportunity to study and make recommendations on this important program.

Sincerely,


Rev. Msgr. J. Jerome Boxleitner
Co-Chair,
Commission on Welfare Reform


Randy Johnson
Co-Chair,
Commission on Welfare Reform

Enclosure

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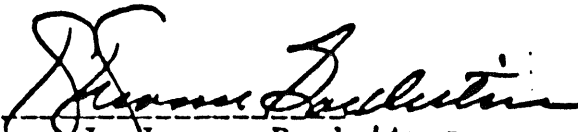
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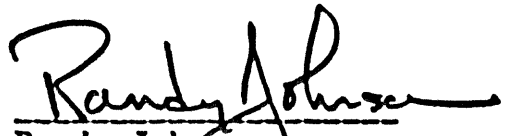
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COMMISSION ON WELFARE REFORM

We, the undersigned, have completed this report and it accurately reflects our recommendations for the reform of the Aid to Families with Dependent Children Program in Minnesota.


Rev. J. Jerome Boxleitner,
Co-Chair

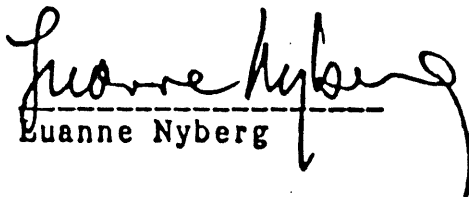

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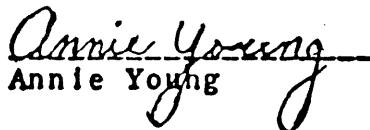

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EXECUTIVE SUMMARY

When a conference committee of the 1986 Minnesota State Legislature deadlocked over proposals to change the AFDC system, Governor Rudy Perpich proposed naming a bipartisan commission to review the AFDC system and make specific recommendations for the 1987 legislative session.

During its first five months, the Commission's ten members invited persons with special background in employment and training, teen pregnancy, health care, education, child support, welfare administration, and other areas -- as well as AFDC recipients -- to present their views on what is wrong with the current AFDC system and how it might be improved. From this, the Commission developed an "Options Paper" of 126 specific (and sometimes contradictory) recommendations that had been suggested. The Commission released those options for public comment in a series of hearings held throughout the state during September and October, 1986.

During late October and November, the Commission met twice-weekly to discuss and clarify various options as well as the data and philosophies supporting them. A consensus quickly emerged on two key facts that underlie many of the Commission's recommendations:

- * The AFDC system works as intended in providing temporary support for the majority of recipients insofar as that they leave the program in less than two years;

BUT

- * AFDC is not working for a small number of recipients (about 10 percent) and this group over time collects between one-third and one-half of all benefits.

Based on these facts and the limits on financial resources, the Commission recommends that most welfare reform efforts be directed to long-term recipients (defined as those entering their third year on AFDC) and those who are the most likely to become long-term recipients without some kind of intervention:

- 1) Young parents under age 22
- 2) Recipients who have another child while on AFDC
- 3) Recipients entering their third year on AFDC
- 4) Recipients who are repeatedly on and off the AFDC system (twice or more in three years).

For all recipients, but especially for people in these four groups, AFDC must change from an income maintenance system to a transitional program for self-sufficiency. Although the Commission has identified the four targeted groups above for placement in a specialized "Transition Management" caseload for enhancing self-sufficiency efforts, those current recipients who have been on AFDC for three years or more should also receive special attention and be phased-in to the new emphasis as resources are available. The focus on such targeted groups must be redirected to education, job training, and job placement.

Recipients in the four targeted "Transition Management" groups should be required to sign contracts obligating them and the county to specific expectations and support services. In most cases, the contracts should require participation in education, job training, and other programs designed to lead to self-sufficiency in two to three years. At the same time, the State must be willing to fund additional childcare and transportation subsidies when needed, as well as extend health benefits for those leaving AFDC to take jobs lacking such benefits.

Providing more direct services to the targeted groups is not enough. The Commission strongly recommends far more intensive case management services for those in the targeted "Transition Management" groups.

The Commission also recommends targeting another group -- the two-parent family where both adults are unemployed (AFDC-Unemployed Parent or "AFDC-UP") -- not so much because of the likelihood of long-term dependency, but because the absence of the subsidized childcare in almost all cases means the State can help many people leave AFDC at minimal additional cost.

Recipients not in the targeted "Transition Management" groups should still be required to prepare a written self-sufficiency plan, but intensive case management should not be required. For AFDC recipients who lack a General Education Degree (GED) or high school diploma, the Commission recommends required participation in studies for a GED, high school diploma, or basic education. Some Commission members also wanted to add this as a targeted group for Transition Management, and although that was not a final recommendation, it is likely that most AFDC recipients lacking this education will be in one of the targeted groups for other reasons.

One of the sharpest controversies in the national debate about AFDC and among Commission members is how old a recipient's child should be before the adult recipient's participation in education, job training, and other programs is required.

Recipients in the targeted Transition Management groups should be required to participate in transitional management services (such as education and job training programs) regardless of the age of their children, as long as the State provides childcare, transportation, and related subsidies as needed. After much discussion, the Commission concluded that mandatory "vendor payment" or "protective payee" should be the preferred sanction for those who fail to participate.

The question that attracted the most news media attention was whether grant levels should be reduced. The Commission concluded that grant levels should stay at the present level, although the state Legislature should review the grant level if inflation increases in the future. The Commission recommends, however, that the standard of need be increased to the federal poverty guideline and the State pay a percentage of that need. This creates a strong work incentive because recipients can keep more of their earnings.

The Commission heard little evidence of deliberate and substantial fraud by AFDC recipients. The Commission recommends a "random audit system" of fraud detection as far more cost effective than the current "verify-by-documentation" system and to greatly reduce the current blizzard of paperwork.

Too many Minnesota children are not receiving the benefit of court-ordered child support. The Commission recommends a system of automatic wage withholding for child support unless the payer places at least one month's support in escrow.

Some of the recommendations in this report will require federal administrative waivers or legislation, and the Governor and State Department of Human Services should begin seeking such changes as soon as possible. However, the State already has sufficient authority to make many other important changes.

Many of the Commission's recommendations can be implemented at little or no additional cost, and the cost of some other recommendations will be quickly offset by tax savings as AFDC recipients become self-sufficient. But the State would have to make substantial expenditures "up front" to implement all of the Commission's recommendations and totally "reform" the AFDC welfare system.

After much debate, the Commission decided to set out a new philosophy and framework for the AFDC welfare system, making specific recommendations for programmatic improvements and efficiencies. It must remain the responsibility of elected legislators and the Governor to balance all of the demands for State funding with available revenue sources to determine if and how much additional tax money should be spent to reform the AFDC system. By directing any additional funding to case management and a package of support services primarily for the targeted groups, and by phasing in the changes, the State can achieve most of the goals of welfare reform. At the same time, it can avoid the tremendous costs of a more dramatic but not necessarily more effective "clear the decks" overhaul affecting all recipients.

INTRODUCTION

The Welfare Reform Commission spent six months studying the current AFDC program and searched for ways to respond better to families in crisis. Through research and information from counties, non-profit providers, community organizations, and public hearings, the Commission drew conclusions about the current system and developed principles to guide the construction of a new response to families in need.

Recognizing the dignity of all persons and our collective responsibility to children, the State of Minnesota should meet the basic human needs of food, shelter, clothing, and health care for all families who now lack them. We also recognize that employment is a key to dignity and self-sufficiency. And because we recognize that every child has the right to expect support from both parents, the State must also rigorously enforce child support obligations and help out-of-work absent parents get jobs.

The Commission found that too often AFDC is a system of child support in which only one parent and the community are expected to take responsibility. The welfare system assumes the worst and too often gets the worst as a result. The system focuses too much of its efforts on eligibility, fraud, and abuse, rather than helping those who need help to secure a sound future for themselves and their families. The system does not now take into account individual circumstances under which families enter the system, nor does it recognize that individualized efforts are necessary to successfully exit the system.

The main difference between families on AFDC and most of the rest of the community is one of resources. Most recipients see the system as temporary and not as an end in itself. They want a job and economic viability, just like everyone else. They are generally motivated and can be counted on to take advantage of opportunities that arise.

The Commission believes that **THE OLD AFDC INCOME-MAINTENANCE SYSTEM MUST END**. In its place we must create a **TRANSITIONAL PROGRAM** whose focus is directed to education, job training, and job placement. The recommendations that follow must be viewed and implemented as a **PACKAGE** if true welfare reform is to become a reality. The specific level and phase-in of the package will depend on the extent of resources available. Welfare reform cannot become a reality if a piecemeal approach is taken in adopting the recommended directions set forth in this report. These efforts must result in measured caseload reductions, labor force enhancement, and the strengthening of families.

In order to enable poor families to become self-sufficient, programs must recognize the underlying importance of improving parents' self-esteem and determination to overcome the significant problems of poverty. Resolving the complex problems associated with strengthening poor families and individuals in Minnesota will require significant efforts by clients themselves, by the State working in partnership with other levels of government, and with the private, voluntary, philanthropic, and independent sectors. Increasing realistic employment opportunities will depend in part on the ability of the State and private sector to encourage business investment, start-up, and development.

As a condition to receiving AFDC, adult recipients should be expected to work toward exit from the welfare system and participate in self-sufficiency related services to the extent resources are available. If we expect recipients to overcome the barriers to self-sufficiency and participate in services, then the resources must be in place to provide those opportunities.

For the potentially employable, AFDC should be considered a temporary program. The State of Minnesota must set specific overall performance objectives for the AFDC program. The new program's efforts to move families to self-sufficiency must result in positive cost benefits and eventual cost savings in the AFDC program. For AFDC recipients who are "not transitional," every effort must be made to assist them in qualifying for federal disability related financial assistance.

We must make every effort to transform the current AFDC program into a new system of simplified, integrated, and effective services as free as possible from unnecessary paperwork and federal constraints.

AFDC IN MINNESOTA: KEY DATA HIGHLIGHTS

DURATIONAL USE - DIFFERENCE IN CASES

- Most single parents leave AFDC after temporary help. Fifty-seven percent of the recipients are on AFDC less than 24 months.
- Only 7 to 10 percent of single parents are long-term users. However, this small number consumes from 32 percent (documented minimum) to 50 percent (probable maximum) of all AFDC payments.
- Long-term users are more likely to have an educational deficiency. One-half have no high school diploma. Long-term users tend to have more children than the AFDC norm. Never married parents are more likely to become long-term users than are previously married parents.
- While only about 12 percent of AFDC recipients at any point in time have conceived and given birth to a child since starting on AFDC, virtually all of these recipients have been on AFDC for a long term or appear to be en route to a long-term stay.

WELFARE AND WORK

- Over 10,000 families leave AFDC by work annually. Most families who leave by work appear to stay off AFDC. A State Department of Human Services longitudinal study found 83 percent of this group still off AFDC one year after the original exit.
- Historically, from 32 to 37 percent of AFDC cases in Minnesota were employed. This rate was double the national average. Current federal rules make work and receipt of AFDC almost mutually exclusive.
- Since federal rules changed in 1982, most families have continued to go to work and to leave AFDC. However, among longer term recipients who remain active AFDC cases, employment has dropped from 44 percent to 14 percent.

UTILIZATION OF AFDC

- Minnesota has the fifth highest payment standard in the country, but only the thirty-second highest per capita use of the program. Minnesota's achievement of both a relatively high level of financial aid and a relatively low incidence of AFDC use is unsurpassed.
- While utilization based on the total population is low, utilization by the population at risk, i.e., single mothers with young children, is high. In 1980, 67 percent of not currently married females with preschool children were on AFDC. AFDC is the rule for these Minnesota families.
- While 84 percent of Minnesota families with children have two parents, 84 percent of families on AFDC have only one parent at home. AFDC families are like other Minnesota families in many ways, but the presence of only one parent has definite impact.

Most Minnesota married couples with children have both parents in the labor force. The most important limit to economic potential for the AFDC single parent is the ability to field only one wage earner. In many cases, the income earned is reduced by work-related expenses such as childcare.

CHILD SUPPORT

- Only one in five (19.9 percent) single parent families on AFDC receives child support payments in an average month.
- A Wilder Foundation study suggests that child support payments are made to one of every two single parent families not on AFDC. Help from a second parent appears to be important in moving off AFDC.

HEALTH CARE

- Many low income families are without health insurance. Two studies found no insurance among 23 percent of these families.

YOUNG PARENTING

- Less than one (0.8) percent of single parents heading an AFDC case are minors. But, 12.9 percent of single parents on AFDC first became a parent while still a minor. Births to minors which result in AFDC use usually produce long-term AFDC use.

THE SYSTEM

- Minnesota's reduction in AFDC error rates from 13.9 percent in 1974 to 2.0 percent in 1981 is largely due to simplification of policies and procedures. But federal policy changes, federal fiscal sanctions, and rulemaking procedures have combined to require time-consuming and unduly complicated policies.

MIGRATION

- The Minnesota Legislative Audit Commission (LAC) currently is studying the relationship between migration patterns and AFDC benefits. While the preponderance of available evidence suggests that AFDC benefit levels are not a major factor in interstate migration, conclusions about current Minnesota experience should await results of the LAC study.

TEN DIRECTIVES FOR WELFARE REFORM

1. REEDUCATE CLIENTS, SYSTEM STAFF AND THE PUBLIC TO THE NEW MISSION OF AFDC. Except for disabled parents, AFDC should be a temporary, transitional program with expectations and services that move families toward exit from the system.
2. HELP FAMILIES OFF AND TO BE BETTER OFF. Incentives to exit the system should always be greater than those to remain on welfare.
3. BASIC EDUCATION IS A MUST. Without a high school diploma or its equivalent, families may be chained to the system. When basic education is linked to further skill development and subsequent job placement, exit from the system becomes a realistic goal.
4. TARGET OUR EFFORTS. Young parents under 22 years of age; recipients having additional children while on AFDC; recipients entering their third year on AFDC; recipients who are on and off assistance twice or more in a three year period; and AFDC Unemployed Parent program participants should be targeted. Early and active intervention that addresses parenting skills, basic education needs, and transitional work services can assist clients who are likely to otherwise become long-term users of the system. Current long-term recipients should receive special attention.
5. SUPPORT SERVICES ARE KEY. Help with child care, health care, transportation and peer support is necessary for some families to make the transition from welfare rolls to payrolls.
6. EVERY CHILD NEEDS AND DESERVES THE SUPPORT OF BOTH PARENTS. Improved child support collection and employment and training requirements for nonpaying parents are needed to help families attain self-sufficiency.
7. SET GOALS AND EVALUATE RESULTS. Clients must set goals and should strive to reach them through a contract for services. Income maintenance, social services, job training, education, economic development, and support services should have measurable performance objectives.
8. THE STATE SHOULD GIVE COUNTIES, SERVICE PROVIDERS AND CLIENTS INCENTIVES to improve their performance in areas such as child support collection, employment and training, and other initiatives to assist clients in exiting the system.
9. PHASE-IN CHANGES. It is not realistic to simply clear the board and start again. Recognizing our current efforts and limited resources, we should phase-in program changes and evaluate them as we go forward.
10. FEDERAL CHANGES ARE A MUST. Minnesota must begin now to seek federal legislative changes and administrative waivers to remove system complexities and build-in client incentives for exit. Yet Minnesota can begin a substantial effort within state authority NOW to transform the current system.

THE BASIC PLAN

PART I

TRANSITIONAL SERVICES

THE PROCESS

The management model recommended for promoting transitional and temporary use of AFDC is displayed in the chart entitled "MANAGEMENT OF SELF-SUFFICIENCY PLANNING," on page 9.

Most families view AFDC use as a temporary situation. However, 7 to 10 percent of all families entering AFDC will be long-term users. This small portion of total users may consume about 50 percent of assistance payments. If the total number of families whose financial long-term dependence on AFDC could be reduced, both these families and the taxpayers would be well served.

To achieve a program that is temporary in scope and transitional in character, the recommended approach relies on several elements.

1. ESTABLISH EXPECTATIONS

The message to clients, and to the designers and staff of the system as well, must be prominent, clear, and certain: "AFDC is a source of temporary help. Planning for self-help begins when AFDC begins."

2. MOTIVATE CLIENTS

The proposal assumes that, in most cases, the expectation clients have of themselves is consistent with the expectations society has of the client. That is, given an opportunity, most families on AFDC will choose to leave the program.

3. DIFFERENTIATE AMONG CLIENTS (i.e., TARGETING)

While data indicate that most recipients exit AFDC after temporary help, some do not. In order to maximize impact and employ resources most effectively, this proposal assumes (a) that most people will leave AFDC with minimal help, so that (b) help can be concentrated among certain types of cases where progress toward exit has been slow or is predicted to be slow.

In short, most recipients are expected to manage their near term departure from the program. Some recipients in the "targeted groups" would receive the help of a case manager in pursuing activities leading to an exit.

4. ELIMINATE FEDERALLY-IMPOSED CONSTRAINTS ON ACTION AND RECASTING OF MANDATORY GROUPS

While most people are motivated to move towards exit, some may require more emphasis. To this end, removal of federal limits on use of protective payments should be sought.

A key point is the redefinition of mandatory participants in work and training programs. Participation requirements should be based on likelihood of long-term AFDC use.

The basic steps in this management process are:

STEP 1: ORIENTATION

All applicants for AFDC receive an orientation which identifies financial aid as temporary and transitional assistance. The ultimate goal is maximizing self-support. Such expectations are made clear.

Other functions performed by the orientation are:

- motivation and encouragement
- preliminary assessment of clients' needs and skills
- assignment of client to the appropriate management mode.

STEP 2: MANAGEMENT MODE

Three modes of management geared to self-sufficiency goals are proposed.

1. SELF-MANAGEMENT: Self-management means that for the first two years following initial application for AFDC, the family may independently pursue its own path toward self-sufficiency. The agency does not intervene unless requested. The client would take the initiative, not the government.

Self-management is the norm. Most first-time users of AFDC would move into self-management mode upon the start of AFDC.

Reliance on client self-management by clients to exit AFDC is supported by both empirical evidence and logic. Most clients leave AFDC within two years. Many exits are independent of governmental requirements or services. Intervention in these cases may be ineffective or even counter-productive and would cause an unnecessary expenditure of tax dollars.

2. TRANSITION MANAGEMENT: In contrast to self-management, the model called "Transition Management" has a case manager comprehensively involved in the planning and pursuit of a path toward self-sufficiency.

Clients in this management mode are members of "target groups."

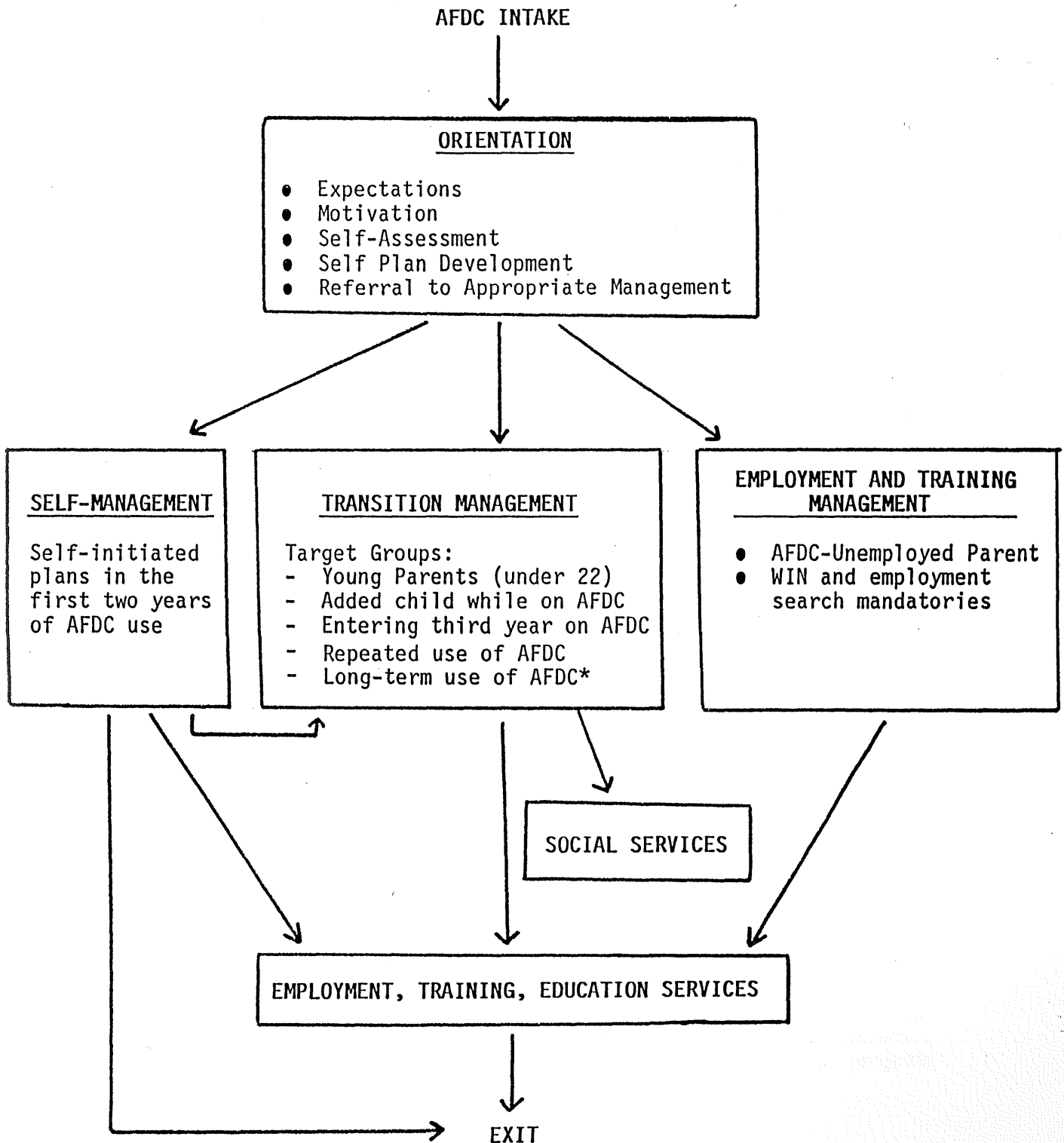
- Young parents under 22 years old.
- Parents who have an additional child while on AFDC.
- Clients entering their third year on AFDC (i.e., passed through self-management mode without an exit from AFDC).
- Clients who are repeatedly on and off AFDC (twice or more in three years).
- Clients who have been on AFDC for more than two years. They should receive special attention but be phased-in to Transition Management only as resources are available.

The case manager would assess what is needed in order to equip the client to become self-sufficient or to make the greatest possible contribution to the support of the family. Social service resources would be drawn upon.

3. EMPLOYMENT AND TRAINING MANAGEMENT: Certain clients would be referred directly to the Employment Training Services Agency for employment or training services.

To be consistent with the Commission's support of using existing program models when possible, it is recommended that employment and training management be used for WIN mandatories until sought-after federal changes are obtained. Unemployed Parent cases would be addressed in this mode.

MANAGEMENT OF SELF-SUFFICIENCY PLANNING



* Current recipients of AFDC for more than two years. They should be phased into the Transition Management program and given special attention as resources are available.

THE BASIC PLAN

PART II

IN SUPPORT OF THE EFFORT

Effective implementation of the Basic Plan is contingent on the following sets of RECOMMENDATIONS. If we expect recipients to participate in activities to exit the welfare system, then the State must provide the key transitional support services necessary (childcare, transportation, health care, and other essential services) for those who need them to make that exit. Prioritize distribution of available support resources as follows:

- Targeted groups
- Recipients exiting the system due to employment
- AFDC-Unemployed Parent Program participants in employment activities
- Self-Initiated Plan participants.

CHILDCARE RECOMMENDATIONS:

1. BETTER DEFINE TARGET POPULATIONS AMONG THE VARIOUS FUNDING RESOURCES.

Discussion: Reevaluate and better define the target populations for various sources of childcare funding (Title XX, AFDC Special Needs, Sliding Fee, WIN, JTPA, MEED, higher education systems). Determine the appropriate Federal, State, and local shares available for AFDC self-sufficiency related efforts, and enhance the ability of parents to combine sources to meet total costs.

2. PRIORITIZE THE DISTRIBUTION OF CHILDCARE RESOURCES AS FOLLOWS:

- To recipients willing to complete Basic Education
- To recipients who are ready to accept employment and would otherwise have to decline employment until sliding fee childcare is available.
- To recipients in a post-secondary education track.

3. ENSURE THAT CHILDCARE SLOTS ARE AVAILABLE IN A TIMELY FASHION WITH SCHOOL AND WORK EFFORTS.

Discussion: Use set-aside or other mechanisms in childcare funding for AFDC recipients to assure that recipients ready to participate have childcare assistance available. This coordination most logically applies in projects and services for targeted groups.

4. ENCOURAGE THE DEVELOPMENT OF ON-SITE CHILDCARE AT EDUCATIONAL INSTITUTIONS AND WORK AND TRAINING SITES.

Discussion: Tie childcare slots to program opportunities. On-site care may reduce transportation problems and drop-out rates, enhance parent-child relationships, and develop positive attitudes in children towards school and work.

5. ESTABLISH A UNIFORM CHILDCARE VOUCHER SYSTEM.

Discussion: Payment of childcare expenses should be vouchered where possible to avoid grant reductions, reduce administrative costs, and allow for greater parent choice in selecting providers.

6. EXPAND SPECIAL CHILDCARE RELATED INITIATIVES THROUGH SCHOOLS.

Discussion: Expand childcare, early childhood programs, and parenting classes at public school facilities or other appropriate sites through community education programs and cooperative agreements.

7. DEVELOP CHILDCARE AT "HEAD START-TYPE" SITES.

Discussion: Provide half-day childcare to supplement half-day Head Start styled programs so parents can participate in all day work or training.

8. SUPPORT THE SLIDING FEE CHILD CARE PROGRAM AS ONE OF SEVERAL KEY RESOURCES FOR RECIPIENTS MOVING FROM WELFARE TO WORK AND AS A SUPPORT SERVICE FOR THE WORKING POOR.

Discussion: More women who have stayed home raising children are returning to school and to the workplace. A State subsidized childcare program can be a key resource in supporting employment, especially for the growing number of single parent families in the community. The State also has an obligation to provide subsidized childcare for AFDC parents required to work and participate in employment and training programs and who cannot afford the cost of childcare. In addition a State policy requiring mothers of preschool children to participate in employment and training programs or to go to work affects thousands of children. As of May 1, 1986, there were at least 27,700 AFDC children below age six in Minnesota.

As a priority the State must ensure that slots in the Sliding Fee Program are available to AFDC recipients who are ready to accept employment and who would otherwise have to decline employment until childcare is available.

HEALTH CARE RECOMMENDATIONS:

1. PRIORITIZE JOB PLACEMENT WHERE HEALTH BENEFITS ARE AVAILABLE.

Discussion: Efforts should be concentrated on placing recipients in jobs where health care benefits are available. Many jobs currently do not provide benefits or do not provide coverage for dependents.

2. DEVELOP A CHILD-ONLY SLIDING FEE HEALTH CARE PROGRAM THAT CAN BE FUNDED FROM MEDICAL ASSISTANCE SAVINGS AS A FIRST STEP.

Discussion: From savings and other sources as appropriate, the State should subsidize the purchase of health insurance for the children of the working poor and for those AFDC recipients exiting welfare for employment. The Commission has found that the lack of health insurance coverage, or coverage that is affordable, is often a major barrier for recipients trying to exit. Such health care would be available only in the following circumstances:

- Where health care is not being provided by the non-custodial parent. (Although some existing child support orders require the non-custodial parent to provide coverage, in many instances such coverage is not provided.)
- Where the employer does not provide affordable coverage.

The health insurance plans should be provided by private insurers and/or HMOs, rather than by the State. The plans should be comprehensive, but basic and standard. Funding for a basic sliding fee health program for children should be obtained from cost savings efforts within the current Medical Assistance (MA) program. Such efforts should include maximizing efficiencies and cost-effectiveness in the delivery of MA services, and reducing nonessential MA coverage options for recipients and vendors wherever feasible. Ideally, health care should also be available to the underinsured or uninsured parent.

3. REVIEW THE MEDICAL ASSISTANCE (MA) PROGRAM AND EXPLORE THE FEASIBILITY OF A SEPARATE INSURANCE-TYPE PROGRAM OUTSIDE MA FOR AFDC RECIPIENTS.

Discussion: Although the MA program is not the specific focus of this Commission, a review is suggested in light of the fact that spending and service levels in Minnesota far exceed medical assistance delivery elsewhere. Medical Assistance is by far the most costly welfare program in Minnesota. Part of the service delivery level to AFDC families seems to be based on the needs of other users such as the elderly, mentally handicapped, and disabled. Consideration should be given to further examination of how the needs of other users drive up the costs for AFDC families. In addition, consideration should be given to the development of a separate insurance-based program for AFDC recipients.

Much of the soaring cost of quality medical care is a function of a litigious atmosphere which results in huge increases in liability insurance costs and the practice of "defensive" medicine. The Legislature should carefully pursue reform of the tort liability insurance system. An example of the effect of this problem is Diphtheria-Tetanus-Pertussis vaccine for children, which has increased in cost from \$1.25 less than ten years ago to \$12.00 per dose today. Over 80% of this increase is directly attributable to cost increases of liability insurance.

TRANSPORTATION SERVICES RECOMMENDATIONS:

1. ENSURE THE AVAILABILITY OF TRANSPORTATION ASSISTANCE FOR TARGETED GROUPS AND PRIORITY SERVICES.

Discussion: Provide assistance to enable recipients to participate in Adult Basic and post-secondary education, to accept and maintain a job, and to participate in job search and other employment and training programs. Such assistance should be prioritized for the targeted "Transition Management" groups. Recognizing that such assistance can be costly, the following is suggested:

- Purchase bus passes when it is practical for the recipient to use public transportation.
- Set mileage reimbursement rates to cover close to actual costs for recipients who must use their own vehicles.
- Encourage educational institutions (and other programs as appropriate) in rural areas to utilize school bus transportation when feasible. AVTIs and other public school systems now provide such transportation for students, and in some cases arrangements could be made to meet AFDC recipients' needs in the same way.
- Encourage carpooling.

RELOCATION SERVICES RECOMMENDATION:

1. PROVIDE RELOCATION SERVICES AS RESOURCES PERMIT.

Discussion: Particularly, in high unemployment areas, relocation may be necessary to maximize opportunities for employment. Case managers should encourage recipients to take advantage of relocation opportunities. Upon the commitment to a relocation plan, sources for potential relocation assistance need to be identified (federal JTPA, AFDC funds, MEED, etc.). The State may also want to consider establishing an AFDC relocation "loan" fund that would be "forgiven" for families successfully obtaining employment and remaining for one year in the relocation area.

COMMUNITY SERVICES RECOMMENDATIONS:

1. THE STATE SHOULD ENCOURAGE THE DEVELOPMENT OF MUTUAL HELP AND PEER GROUP SUPPORT NETWORKS.

Discussion: Recognizing that mutual help strategies can lead to greater motivation and self-sufficiency related problem solving, the State should act as a catalyst for the development of public-private partnerships in building effective mutual help networks. The State and counties could provide periodic newsletters to recipients (distributed with their AFDC checks) describing available resources.

2. INSURE THAT ADEQUATE AND UPDATED INFORMATION AND REFERRAL SERVICES ARE AVAILABLE.

Discussion: Local information and referral services should play an important role in the utilization of self-sufficiency related services and in the new program emphasis on transition.

3. FOCUS CAREER, PERSONAL, AND MONEY MANAGEMENT COUNSELING ON TARGETED GROUPS.

Discussion: The Commission heard considerable testimony on the personal barriers that confront recipients when considering movement into the employment market. Expanding linkage with social service providers to meet such needs may be crucial, especially with the targeted groups.

CHILD SUPPORT RECOMMENDATIONS:

1. DEVELOP AND IMPLEMENT A STATEWIDE AUTOMATED CHILD SUPPORT ENFORCEMENT DATA SYSTEM.

Discussion: Existing child support collection systems fail to maximize timely collections, are inefficient, produce inaccurate data, and hinder effective management of State and county enforcement programs. The State must implement a statewide automated child support enforcement data system.

2. REQUIRE IMMEDIATE WAGE WITHHOLDING IN ALL COURT ORDERS AWARDING CHILD SUPPORT UNLESS THE PAYOR PLACES ONE MONTH'S ADVANCE SUPPORT IN ESCROW.

Discussion: Current law provides for withholding only after a thirty day arrearage and encourages payment delays. Wage withholding should reduce arrearages and improve collections. An option should be available to use private escrow arrangements.

ACCELERATE ARREARAGE COLLECTION EFFORTS.

Discussion: Arrearage collections by private agencies should be encouraged when counties feel it would be financially advantageous to do so. Counties should be allowed to charge at least some of the collection costs back to the absent parent.

PROVIDE GREATER FINANCIAL INCENTIVES TO COUNTIES FOR CHILD SUPPORT ENFORCEMENT.

Discussion: To encourage increased efforts to collect child support, counties should be allowed to retain 50% (rather than 7%) of the recovered support in public assistance cases. The State should also encourage counties to increase efforts to collect child support in non-public assistance cases. Such action can in some situations keep families from entering the AFDC system.

5. PROHIBIT RETROACTIVE MODIFICATIONS OF CHILD SUPPORT ARREARAGES.

Discussion: Enact legislation prohibiting retroactive modifications of child support arrearages. Current court practices too often tend to allow forgiveness of arrearages without sufficient findings of fact, which ultimately has a negative impact on families.

6. ENCOURAGE GREATER EFFORTS TO ESTABLISH PATERNITY.

Discussion: The value of establishing paternity should be measured in value to the child and not just monetary terms. While it is a costly process, paternity needs to be established whenever possible. The State should provide financial incentives for counties to establish paternity and improve the dissemination of information concerning rights and available services to unmarried mothers. Current laws and systems regarding establishment of paternity result in confusion and delays.

THE BASIC PLAN

PART III

EDUCATION

RECOMMENDATIONS:

1. PRIORITY MUST BE PLACED ON COMPLETION OF A GENERAL EDUCATION DEGREE (GED) OR BASIC EDUCATION.

Discussion: The Commission is especially concerned that a lack of basic education may result not only in initial use of the AFDC system, but also repeated reentry. The Commission therefore supports an intense focus on completion of high school, a GED, or some form of basic education (over "work first," in most instances). All who cannot read at the eighth grade level or who do not have a GED or high school diploma should be required to attend basic skills and/or GED classes and work towards a GED or high school completion. In addition, recipients with special learning disabilities, lack of English as a second language proficiency, and others need special consideration. In turn, the State must provide transportation and childcare for those in need. Currently, an estimated 25% or more of AFDC recipients lack a high school diploma, GED certificate, or the basic literacy skills needed for self-sufficiency.

2. THE PUBLIC SCHOOL SYSTEM MUST ASSUME PRINCIPAL RESPONSIBILITY FOR THE BASIC EDUCATION OF ALL ADULTS WHO HAVE NOT COMPLETED HIGH SCHOOL, RECEIVED A GENERAL EDUCATION DEGREE, OR ACHIEVED FUNCTIONAL LITERACY.

Discussion: Minnesota should consider adjusting the age of eligibility for secondary education funding to an entitlement for all adults lacking a high school equivalency. An active campaign to recruit such adults must be launched. Classes should be provided whenever possible at locations that link closely to childcare, parenting training, and skills training.

3. LIMIT DURATION IN POST-SECONDARY TRAINING BASED ON SELF-SUFFICIENCY NEEDS DETERMINATION.

Discussion: Generally, employability and self-sufficiency plans of AFDC recipients should not include more than two years of education and training (no graduate level work should be allowed). AFDC recipients needing more than two years of education and training should be supported when determined necessary through close scrutiny by case managers in assessing the value of the education and training in terms of income, earning power and lasting self-sufficiency.

4. STRENGTHEN EDUCATIONAL SUPPORT SERVICES.

Discussion: Support services such as childcare for both high school and post-secondary educational programs should be strengthened. To increase program effectiveness and reduce dropout rates, support services should be coordinated with educational programs and located on-site whenever possible. Funding should be coordinated among appropriate agencies.

5. ADJUST POST-SECONDARY STATE FUNDING FORMULAS AND LEVELS TO PROVIDE SUPPORT SERVICES ESSENTIAL TO RETAINING RECIPIENTS IN EDUCATION.

Discussion: Adjust school aids and funding levels to reflect the added costs of providing support services essential to retain AFDC recipients in school. Childcare, counseling, and tutoring are key services. Area Vocational Technical Institutes (AVTIs) and community colleges are providing some of these services now despite the fact that current attendance-based formulas do not adequately consider support needs.

6. DEVELOP COOPERATIVE FUNDING ARRANGEMENTS.

Discussion: The cost of support services at post-secondary schools should be shared by other governmental units. For example, the State and counties should fund childcare and social services; community education funding should be used to fund remedial education and parenting classes.

7. INCREASE AVAILABILITY OF FINANCIAL AIDS.

Discussion: The State and federal governments should increase the availability of financial assistance for AFDC recipients and working adults. Government disincentives for parents on AFDC to attend school or training (other than graduate school) should be eliminated. Currently there is a high dropout rate for AFDC recipients who are discouraged from post-secondary training due to reductions in AFDC grants and Food Stamps.

8. ELIMINATE THE FINANCIAL AND OTHER BARRIERS TO POST-SECONDARY ENROLLMENT FOR AFDC RECIPIENTS.

Discussion: State Indian educational aids, general state educational aids, work-study benefits, and other aids should not be counted against AFDC grant amounts. The Department of Human Services should determine whether there is State authority to exclude educational assistance programs from AFDC grant and Food Stamp calculations. The Departments of Jobs and Training and Human Services should develop a policy that allows enrollment in secondary, post-secondary, or adult basic/continuing education programs to qualify as meeting federal and State AFDC work requirements. (NOTE: See Part VIII for the Commission's recommendations regarding federal financial aid disincentives.)

9. ENCOURAGE THE DEVELOPMENT AND EXPANSION OF EARLY CHILDHOOD/FAMILY EDUCATION AND HEADSTART PROGRAMS.

Discussion: Early childhood/family education and compensatory education programs are positive long-term investments in children's futures. Such services should be provided at secondary, post-secondary, and childcare centers. This includes centers associated with adult basic (GED and English as a Second Language) and continuing education programs.

THE BASIC PLAN

PART IV

EMPLOYMENT AND TRAINING

RECOMMENDATIONS:

1. IMPLEMENT AN AFDC EMPLOYMENT, EDUCATION, AND TRAINING PROGRAM IN ALL 87 COUNTIES.

Discussion: Currently, limited statewide employment and training services are available to AFDC-Unemployed Parent program participants through Job Service. Services to single parents are available only in 27 WIN (Work Incentive) and CWEP (Community Work Experience Program) counties. Matching funds from the Federal Employment Search Program should be used as the foundation for building a consistent statewide program.

2. DEFINE, DESCRIBE, AND COORDINATE THE FUNCTIONS OF EXISTING PROGRAMS.

Discussion: The State should clarify the purposes of current employment, education, and training programs and then coordinate them more closely into a more standardized, statewide, integrated service system package. Components of the system should include registration, orientation, assessment and personal planning, job search activities, adult basic education, job placement, wage subsidy, community public jobs programs, post-secondary education, social services, support services, and special project initiatives.

3. SECURE A SEPARATE APPROPRIATION OF FUNDS FOR AFDC EMPLOYMENT, EDUCATION, AND TRAINING ACTIVITIES.

Discussion: Currently, there are only several very small state appropriations dedicated exclusively to AFDC employment, education, and training efforts. Federal funds are used for a variety of target populations. Priority should be given to AFDC families over other special needs groups.

4. PROVIDE INCENTIVES TO EMPLOYERS TO HIRE AFDC RECIPIENTS.

Discussion: The new program should maximize the use of State and federal subsidies to employ AFDC recipients through grant diversion, MEED, JTPA, and the Targeted Jobs Tax Credit. The State should carefully identify which incentives to employers are most effective, eliminate incentives that are least effective, and redirect those funds to more effective programs. Attention should be given to reducing the "red tape" required for employers participating these programs.

5. EXPAND SERVICES TO TEENAGE PARENTS.

Discussion: In addition to requiring teenage parents to complete high school, the State needs to expand the availability of career development and parenting classes for teen parents. Targeting a portion of current JTPA youth employment allocations, social services block grants, childcare funds, and K-12 or community education funds to finance the programs is also necessary. Current programs have proven effective, but they are small.

6. TARGET THE NEW PROGRAM TO THOSE LIKELY TO BECOME LONG-TERM RECIPIENTS AND TO RECIPIENTS ENTERING THE THIRD YEAR ON AFDC.

Discussion: Over 55 percent of AFDC recipients are likely to exit welfare within two years under the present system. Persons identified by the Commission as likely to become long-term users must be targeted for intervention. The Commission found these target groups represent the greatest expense of the AFDC program, and thus the potentially greatest cost savings. Such clients include young parents (under age 22 years), recipients having additional children while on AFDC, recipients entering the third year on AFDC, recipients "adrift" without self-sufficiency plans, and recipients who repeatedly return to the program. Current long-term recipients (on AFDC three years or longer) should also receive special attention as the resources become available.

7. INSURE THE AVAILABILITY OF CULTURALLY SENSITIVE PROGRAMS.

Discussion: It is important to fund programs that make inroads to reducing welfare dependency of populations. The first step should be reviewing "English as a Second Language" programs and employment related initiatives with non-English speaking persons for adequacy of effort and resources.

8. SUPPORT A LIMITED PUBLIC JOBS PROGRAM.

Discussion: The current Community Investment program, which provides government-sponsored, temporary employment to people who are experiencing prolonged unemployment and economic hardship, should receive State as well as local support for a limited number of recipients. Community Investment programs must be considered a last resort. Private sector job placement efforts should be the first priority. However, Community Investment programs can be beneficial for those who need work experience or an opportunity to remain connected to the work world. Of particular priority for such services are participants in the AFDC-Unemployed Parent Program and recipients in high unemployment regions of the state.

THE BASIC PLAN

PART V

JOB CREATION/ECONOMIC DEVELOPMENT

RECOMMENDATIONS:

1. TARGET JOB CREATION ASSISTANCE.

Discussion: The state should intensify job creation efforts and further target policies to high unemployment regions and low-income inner city neighborhoods. More job opportunities created with public financing assistance should be linked to AFDC recipients through First Source-styled agreements, MEED, and other new and existing programs. Currently, a shortage of jobs is a serious barrier for AFDC-Unemployed Parents and others in Greater Minnesota. AFDC recipients compete for job slots with General Assistance/Work Readiness recipients, dislocated workers, and farmers.

2. EXPAND EFFORTS RELATED TO JOB CREATION AND BUSINESS DEVELOPMENT AND IMPROVING THE BUSINESS CLIMATE.

Discussion: Increase employment opportunities for all Minnesotans including AFDC recipients by improving the business climate and aggressively promoting business investment, start-up, and expansion.

3. SUPPORT THE AFDC SELF-EMPLOYMENT NATIONAL DEMONSTRATION PROJECT WHEN COSTS DO NOT EXCEED THE AVERAGE INVESTMENT MADE THROUGH STANDARD JOB PLACEMENT EFFORTS.

Discussion: For some recipients unable to find appropriate work or wanting to work at home, self-employment may be the best route to self-sufficiency. Technical assistance and thorough screening and monitoring are essential services with the self-employment project. Government should be careful not to fund self-employment programs with low likelihood of long-term success. Consideration should also be given to childcare as a self-employment opportunity.

4. REQUIRE EFFECTIVE UTILIZATION OF FIRST SOURCE AGREEMENTS

Discussion: More industrial development grants and loans by public agencies should include a requirement that the employer list job openings with employment services providers. Specific goals for placement of public assistance recipients should be regularly established. Currently, only larger Department of Energy and Economic Development financed projects require listing with the State's Job Service Office, and only a limited number of state and city supported projects include First Source agreements.

5. MAXIMIZE THE USE OF WAGE SUBSIDY AND TRAINING INCENTIVES

Discussion: Economic development initiatives should maximize the use of available wage subsidy and training resources to employers to hire AFDC recipients.

6. **STRENGTHEN AND EXPAND TECHNICAL ASSISTANCE TO SMALL BUSINESS.**

Discussion : Technical assistance for small business start-up and expansion should be strengthened and expanded, particularly in rural areas, and should include targeting of AFDC and other low-income entrepreneurs. Technical assistance should include a realistic assessment of the business risk.

7. **REQUIRE BENEFIT STIPULATIONS IN FINANCING.**

Discussion : In its grant and loan process, the Department of Energy and Economic Development and other public employers making loans, grants, or contracts for services should require that employers provide basic health/medical benefits.

8. **ESTABLISH EMPLOYER INCENTIVES.**

Discussion: The Department of Energy and Economic Development should create a grant and loan set-aside program for employers who develop special initiatives with AFDC recipients. In addition, the State should consider further tax incentives for employers who support or directly provide childcare.

THE BASIC PLAN

PART VI

TRANSITIONAL ASSISTANCE

RECOMMENDATIONS:

1. THE AFDC GRANT PAYMENT LEVEL SHOULD REMAIN THE SAME FOR THE NEXT BIENNIUM.

Discussion: The Commission finds that combined benefit levels (grant plus food stamps) have not kept pace with inflation and that the real value of such benefits has been reduced by approximately 25 percent since 1970. An increasing number of AFDC recipients are unable to cover basic needs and must rely on food shelves and other resources.

In addition, the Commission heard little support for raising or lowering grant levels at this time in statewide hearings and testimony. The Commission recommends that the State Legislature review the appropriateness of the grant level if inflation increases in the future.

2. THE AFDC STANDARD OF NEED SHOULD BE RAISED TO THE FEDERAL POVERTY GUIDELINE LEVELS AND THE STATE SHOULD PAY THE PERCENTAGE OF THAT STANDARD THAT KEEPS GRANTS AT THE SAME LEVEL, PROVIDED THE PROJECTED COST FOR SUCH A CHANGE DOES NOT INCREASE THE OVERALL AFDC BUDGET MORE THAN THREE PERCENT DURING THE COMING BIENNIUM.

Discussion: Creating a "gap" between the Standard of Need and payment level will provide a greater incentive for recipients to earn income. A primary focus of reform efforts must be to improve a recipient's standard of living by creating incentives to work.

3. MAKE STATE INCOME TAX CHANGES TO CORRESPOND TO RECENT FEDERAL TAX CHANGES.

Discussion: To further encourage work over welfare, the State should provide the same tax relief to low income working persons with children as does the new federal tax legislation.

THE BASIC PLAN

PART VII

STREAMLINING AND REFOCUSING THE BUREAUCRACY

RECOMMENDATIONS:

1. DEVELOP AND IMPLEMENT "TRANSITION MANAGEMENT" - A TARGETED CASE MANAGEMENT SYSTEM.

Discussion: To make the BASIC PLAN work and to reduce long-term AFDC costs, the Commission recommends that a new initiative be undertaken which places targeted subgroups of the AFDC recipient population into a specialized caseload that receives services from a Transition Services Specialist. Services could include assessment, motivational counseling, self-sufficiency plan development and contracting, obtaining participation in identified services, brokering resources, developing peer group support networks, and follow-up/follow-through services. The target groups for such services should be:

- Young parents (under age 22)
- Recipients who have an additional child while on AFDC
- Recipients entering their third year on AFDC
- Recipients with repeating episodes of AFDC use (on assistance twice or more in three years).

NOTE: Current recipients who have been on AFDC for three years or more should receive special attention and be phased-in to Transition Management as resources are available.

The average caseload for a Transition Services manager should not exceed 60 cases.

2. MAKE STAFF REORIENTATION TO THE NEW CONCEPTS AND INITIATIVES A MAJOR EFFORT.

Discussion: A crucial element in the reform effort will be to reorient county staff to recognize two new concepts: that assistance will be adequate but temporary and that both the public and the client have to meet the basic expectations of one another. This will take a reorientation effort that should also include training for understanding all available income maintenance and support programs.

3. REWARD STAFF PRODUCTIVITY AND EXCELLENCE.

Discussion: The State must promote productivity initiatives for staff within State and county AFDC and related service delivery systems. Such initiatives may include: developing a job reward and incentives system for caseworkers; developing a process for State recognition of counties doing a good job with assisting clients in exiting AFDC; changing employees' roles, classifications, and responsibilities to promote self-sufficiency among recipients.

4. DEVELOP CONTRACTS WITH RECIPIENTS.

Discussion: Recipients who are targeted for Transition Management and case managers should be required to mutually develop and sign a contractual self-sufficiency plan with specific commitments made by both the recipient and service provider. The contract may be based on either a self-initiated plan or a more thorough assessment and planning process. If disputes arise over the development of such a contract, a neutral third-party mediator should be used. The contract could be renegotiated as part of the semi-annual eligibility redetermination process or annually as appropriate. Failure to follow-through with the contractual plan should result in:

- intensive work with the case manager to resolve the problems
- payment of full grant through protective payee if the situation can not be resolved.

5. PHASE-IN NEW INITIATIVES AND THE REFOCUSING OF SERVICE STRATEGIES.

Discussion: Government staff must have the opportunity to gradually phase-in the necessary program changes, based on thorough assessment and planning. The new initiatives should have a minimum of three to six months shake-down period before full implementation. It is recommended that budget resources will dictate priority setting, phase-in strategies, and target group emphasis.

6. REFORM MUST ALLOW FOR FLEXIBILITY AT THE LOCAL LEVEL.

Discussion: Service delivery and administrative responsibility should be maintained at the local County Board level. Options should be allowed for local County Boards to decide to deliver services through multi-county or regional agreements, to have the State administer services, or to contract for services with private nonprofit and for-profit providers:

7. INTEGRATE PLANNING BETWEEN THE LOCAL SERVICE UNITS (annual county welfare and jobs plans), JTPA, AND STATE/FEDERAL SOCIAL SERVICES BLOCK GRANTS.

Discussion: Coordination of strategic planning at both the state and local levels is necessary to maximize human and economic resource development, direct interagency efforts, insure that federal funds target AFDC self-sufficiency services, and focus public attention and involvement.

8. SET GOALS AND PERFORMANCE STANDARDS.

Discussion: The Governor should set a numerical biennial goal for AFDC job placement beyond the number of recipients who would have normally become employed without intervention. In addition, the State should set performance standards for the AFDC administrative system, employment and training service providers, and educational institutions. Payment for services should be based on a performance or incentive-based funding system.

9. ENCOURAGE PRIVATE AND VOLUNTARY ORGANIZATIONS TO DELIVER SERVICES UNDER CONTRACT WITH COUNTIES.

Discussion: Counties should use existing private and voluntary organizations to contract for services in employment and training, child support, volunteer programs, mediation services, social services, and support programs.

10. A STRONG EVALUATION COMPONENT IS NEEDED AND MUST BE FUNDED.

Discussion: An evaluation effort must look at whether or not the new system is working and suggest ways to improve upon performance. Of primary concern are net program costs and the effect of program initiatives on caseloads.

11. SOLICIT COMMUNITY VOLUNTEERS TO ASSIST WITH SELF-SUFFICIENCY INITIATIVES.

Discussion: Community volunteers should be encouraged to become involved in providing supplemental self-sufficiency related services.

12. ESTABLISH A CITIZENS ADVISORY PANEL FOR THE NEW TRANSITIONAL PROGRAMS.

Discussion: In order to expand the breadth of knowledge in developing welfare reform, a Citizens Advisory Panel should be established. The makeup of such a Citizens Advisory Panel should include recipients, counties, service providers, business and labor representatives, and interested citizens.

13. SUPPORT AUTOMATION WITHIN THE AFDC AND CROSS-PROGRAM BENEFIT SYSTEMS.

Discussion: The current Department of Human Services effort to automate AFDC and Food Stamp eligibility and tie-in other basic service program elements is needed. Further automation within Income Maintenance departments will reduce case handling complexities and error rates, reinforce a shift of focus to client self-sufficiency, and provide a screening and referral or intake system which can be used by a variety of assistance programs.

14. REVIEW AND CHANGE AS NEEDED THE STATE'S RULEMAKING STATUTES AND PROCEDURES TO REDUCE COMPLEX REQUIREMENTS.

Discussion: Requirements set forth by the State's Administrative Procedures Act (rulemaking) must be reviewed to identify unnecessary complexities and costs in the local administration of welfare and related programs. Changes, exceptions, and alternative experimental procedures should be facilitated within the Act to reduce unnecessary complexities in the programs.

15. SUPPORT THE COMPUTER WAGE-MATCH AND INCOME AND ELIGIBILITY SYSTEMS DEVELOPMENT.

Discussion: Continued development and implementation of these systems by the Department of Human Services is an important tool in identification of fraud.

16. CHANGE STATE AND COUNTY SHARE OF RECOVERIES IN FRAUD CASES.

Discussion: Greater incentives are necessary to support county efforts to identify and pursue potential fraud cases.

THE BASIC PLAN

PART VIII

FEDERAL INITIATIVES

In order to implement a streamlined, coordinated effort and to maximize resources and incentives to users, the State should immediately seek federal waivers. Waivers to be sought include:

1. Change the EXEMPT STATUS (as defined by WIN for mandatory employment service registration) for those persons who are in their first two years of assistance and who are not considered in the State's targeted groups. Those considered targeted groups are: young parents under the age of 22 years; recipients who have an additional child while on AFDC; long-term recipients over two years on AFDC; AFDC Unemployed Parents; recipients who are repeatedly (twice in a three year period) on and off the AFDC system.
2. Provide a special exception to require minor parents to complete their high school education, live in a supportive environment, and participate in social services.
3. Simplify the eligibility determination process (i.e., move to a verification sampling system contingent on the removal of federal sanctions), and eliminate the complicated budgeting procedures and excessive paperwork requirements.
4. In the area of benefits computation:
 - a. Recognizing the need for reliable transportation in a cold climate, allow applicants and recipients to own a car with equity value up to \$5000.00.
 - b. Eliminate the Food Stamp program penalties for AFDC recipients who receive educational benefits.
 - c. Eliminate AFDC grant reductions for recipients who are awarded private scholarships and state educational aids.
 - d. Allow full deduction of childcare expenses.
 - e. Restore greater earnings and work expense disregards.
5. Eliminate the 100 Hour Rule in the AFDC-Unemployed Parent (AFDC-UP) program.
6. Remove percentage use caps for the protective payee sanction and allow the State and counties more discretion in selecting protective payees.
7. Eliminate federal Quality Control review requirements that are not directly related to actual grant miscalculation or client right violations. Support other efforts to move the system away from an audit-driven error rate sanction approach.
8. Seek a WIN Demonstration Status or other appropriate authority to obtain greater state control over the AFDC employment requirements and system design.

9. Seek to change the Department of Housing and Urban Development rule that allows persons entering public housing to quit their jobs. Also, seek necessary changes to allow for the coordination of housing, jobs, and education by local authorities.
10. "Protective payee," whereby grant payments are made to another responsible adult, is probably a more effective sanction than the current federal sanctions of reducing or eliminating grants. Counties should have authority to implement "protective payee" for recipients who refuse to participate in educational job training and other required transitional management activities.
11. Seek clarification on issues of AFDC eligibility relating to joint custody and the application of "continued absence" criteria.

THE BASIC PLAN

PART IX

BUDGET AND FINANCING

Some recommendations in this report (such as developing peer support networks and improved information and referral services) will require little if any increased spending.

Other recommendations (such as raising the standard of need and paying a percentage of it, automatic wage withholding for child support, and providing relocation services) will cost more money. However, that should be offset very quickly by reductions in the amount spent on AFDC grants.

But reforming AFDC from an income maintenance program to a transitional program to self-sufficiency, and fully implementing all of the recommendations in this report, would significantly increase initial State expenditures. For example, requiring recipients to participate in education and job training programs outside the home will frequently require child care and transportation subsidies. While many of these costs should be "recouped" through reductions in future expenditures as AFDC recipients exit the program, it will take a number of years before such savings are realized.

We believe it is the Welfare Reform Commission's responsibility to recommend programmatic improvements and efficiencies in the AFDC system, and it must remain the responsibility of elected legislators and the Governor in each biennium to balance all of the demands for State funding along with available revenue sources to determine if and how much additional tax money should be spent to reform the AFDC system.

If, in view of all of the State's responsibilities and revenue projections, State elected officials decide that additional spending for AFDC welfare reform is desirable, then the Commission recommends that the State provide the package of transitional support services described in this report to the more limited number of recipients in the targeted groups of potential and actual long-term recipients, rather than providing one or two services to all AFDC recipients.

Underlying the Commission's recommendations on AFDC reform is the importance of providing intensive case management to accompany transitional support services for the targeted groups. However, the State should not mandate that counties provide additional case management or other services unless the State is willing to fund them.

In some instances, it may be desirable to target more of State and local education budgets to AFDC self-sufficiency services.

Existing and any new initiatives in child care and health care services should be directed to the targeted groups to the maximum extent feasible.

A greater proportion of MEED, JTPA, and Job Service discretionary funds should be targeted to AFDC recipients.

The State should maximize federal matching dollars from all sources, including AFDC Special Needs for education-related initiatives, Employment Search Program for job-hunting assistance (in particular for AFDC-UP), and federal AFDC administrative funds for case management and employment and training.

The State Legislature should examine the appropriateness of identifying the Transition Management group as a target population in the CSSA block grant.

Recognizing the likelihood that few additional financial resources may be available, the Commission recommends that the State avoid spending more money on recipients who are already likely to leave AFDC without additional help. Instead, the emphasis must be directed to the likely long-term recipients - those who will probably not get off AFDC without concentrated additional help.

For recipients in the "Transition Management" group, the highest priority should be intensive case management, followed by providing the package of transitional support services to an increasing number of people as resources became available. If financial resources are limited, the Commission believes that the package of transitional services be provided either to a limited number of recipients statewide, or phased-in geographically, or developed through some other gradual process.

A P P E N D I X

DATA SUPPLEMENT

Over the course of six months, the Commission compiled a large amount of data. The Commission's files may represent the most comprehensive set of data ever assembled about AFDC in Minnesota.

From these data a few observations are shared in the two sections which follow.

Section A - Data which underlie the Commission's recommendations in the area of Transitional Management.

Section B - Basic caseload and financial data in the context of historical trends and in comparison with other states.

SECTION A
"IN TRANSITION"--FAMILIES WHO MOVE THROUGH AFDC AND THOSE WHO STAY

The Commission found both commonalities and differences to be helpful when considering facts about AFDC users.

COMMONALITIES

AFDC users share many characteristics with the general Minnesota population. For example, the decline in size of Minnesota families is seen also among families on AFDC. Currently, one-half of single parent families on AFDC have only one child.

And certain features are common to most AFDC cases, so that statistical measures such as the average or the median can be used effectively to convey information. For example, the median duration of AFDC use is under two years.

Thus most AFDC families have much in common with other Minnesotans. Most people behind the AFDC data are members of Minnesota's mainstream who are undergoing a financial crisis and who need temporary help.

DIFFERENCES

While identifying commonalities has value, it is the notion of "differences" which directs most of the reforms the Commission believes are needed.

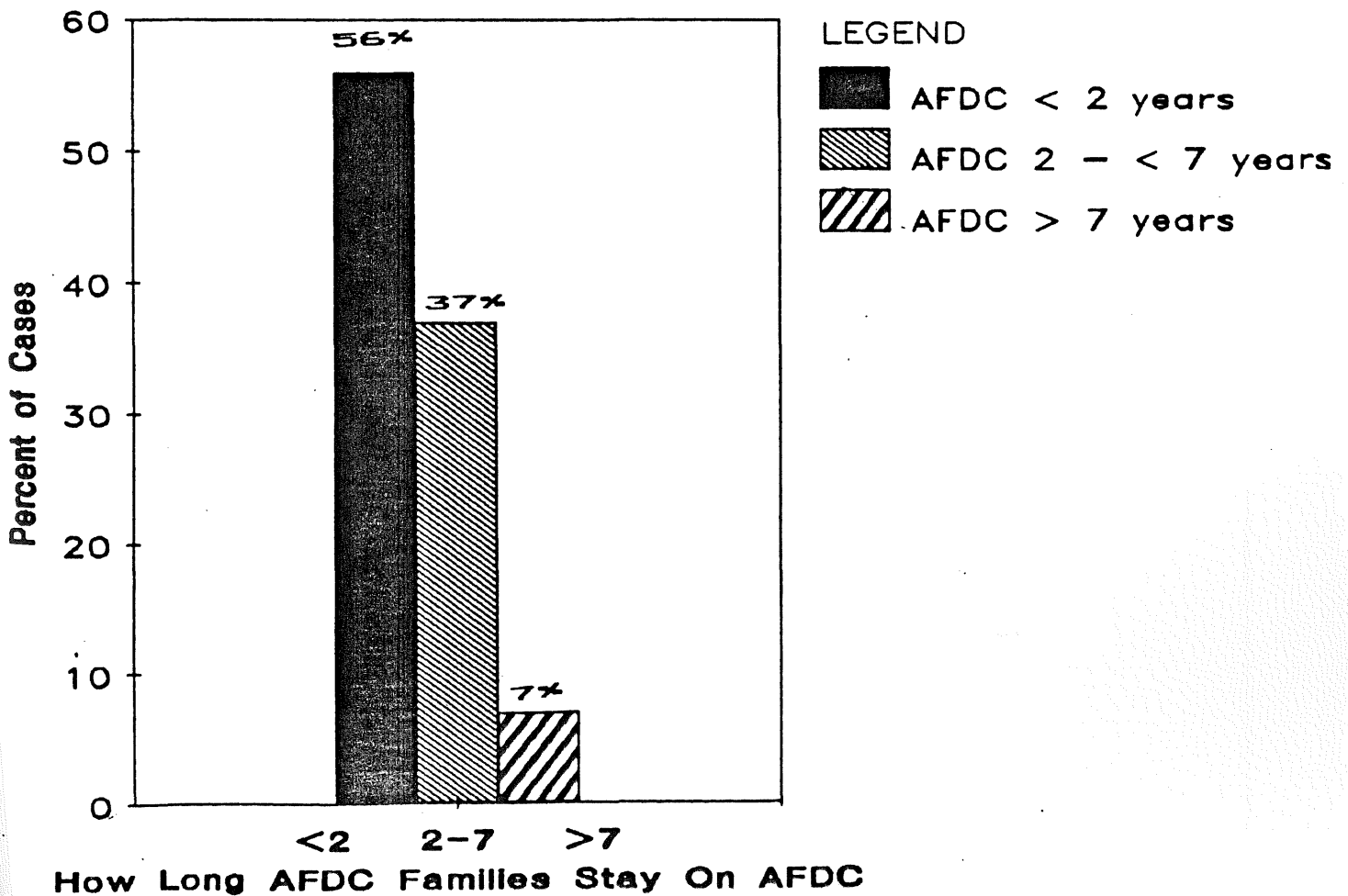
Although AFDC families share many features with other Minnesota families, AFDC families are different in one extremely important way: 84 percent of Minnesota families are maintained by a married couple, but 84 percent of AFDC families are headed by a single parent. The advantages of two parents engaged in parenting and in production of income are enormous. Most married couples with children derive income from both parents being part of the labor force. The single parent family with young children can field only one wage earner and often faces major child care expenses. Recognition of the economic handicaps of single parenthood stands behind the Commission's recommendations in areas such as child support, child care, and income disregards.

Meaningful differences exist among AFDC cases. The caseload is not homogeneous. As the charts which follow this discussion indicate, most single parents use AFDC for temporary help, but a small minority use AFDC for long term income maintenance. The Commission recognized these differences in targeting certain types of cases for "transitional management." The sizable portion of AFDC expenditures consumed by long term cases requires that greater attention be focussed on this group.

SINGLE PARENTS ENTERING
AFDC FOR THE FIRST TIME
WERE TRACKED BY DHS.
MOST OF THESE FAMILIES
(56%) USED LESS THAN 24
MONTHS OF AFDC.

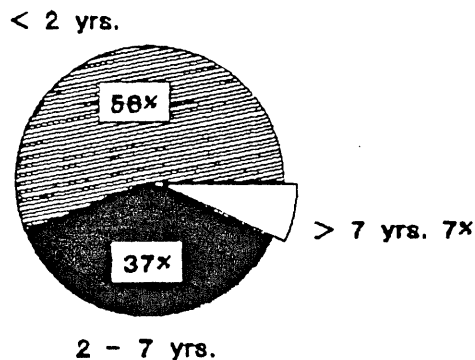
AFDC IS USUALLY TEMPORARY HELP

(But Some Families Stay On)

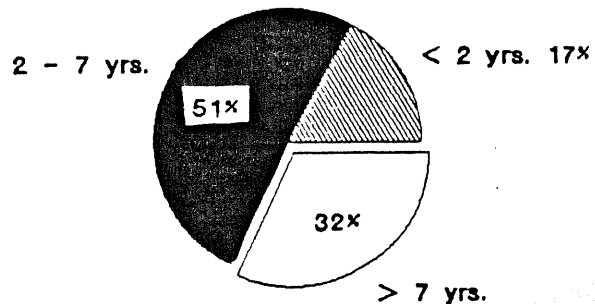


ALTHOUGH LONG TERM
 USERS (84 MO.) OF AFDC
 REPRESENT ONLY 7% - 10%
 OF SINGLE PARENTS WHO
 USE AFDC, THE LONG TERM
 USER CONSUMES FROM
 ONE-THIRD TO ONE-HALF
 OF AFDC EXPENDITURES.

**LONG-TERM USERS ARE A SMALL MINORITY
 BUT THEIR COSTS ARE A BIG PART OF THE PIE**



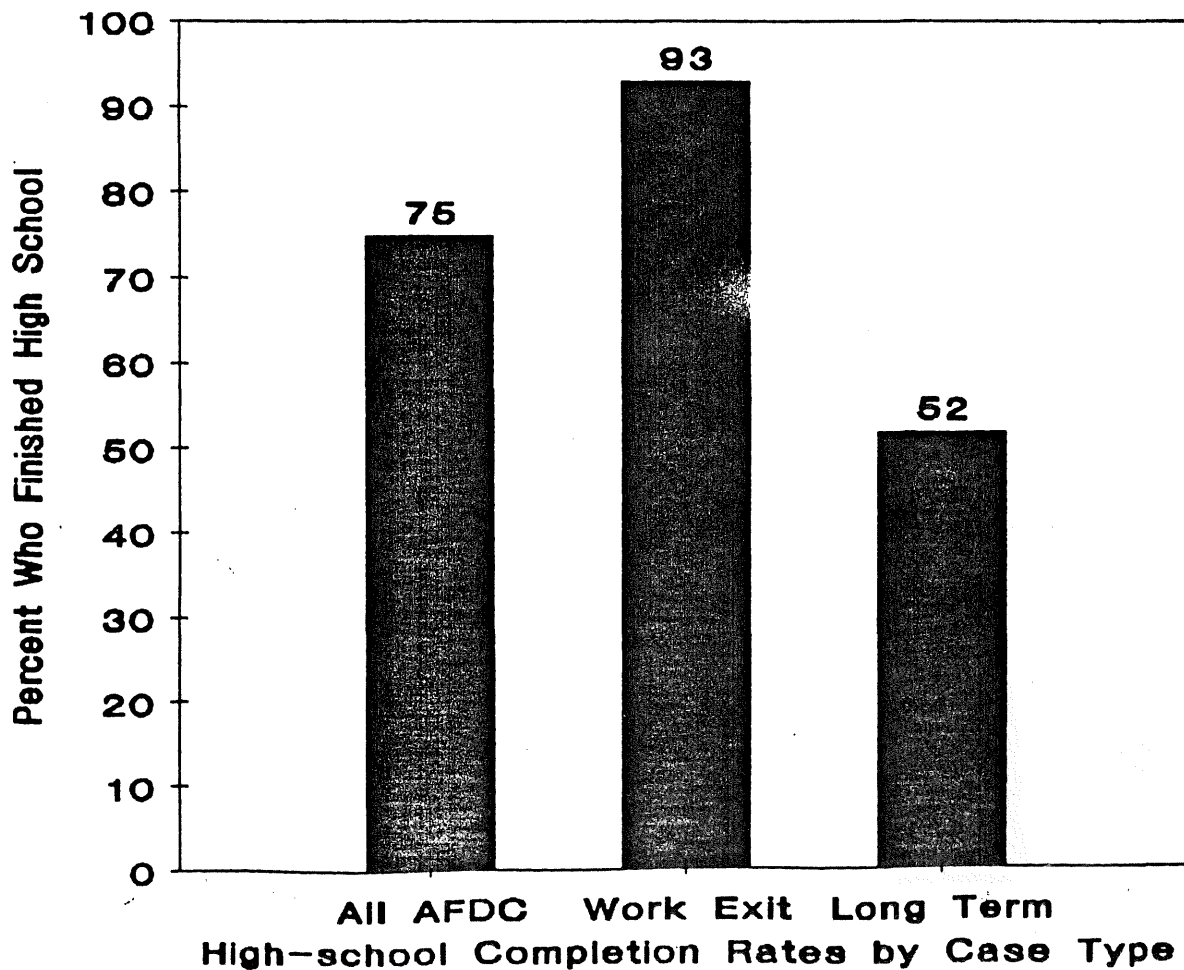
Case Shares



Cost Shares

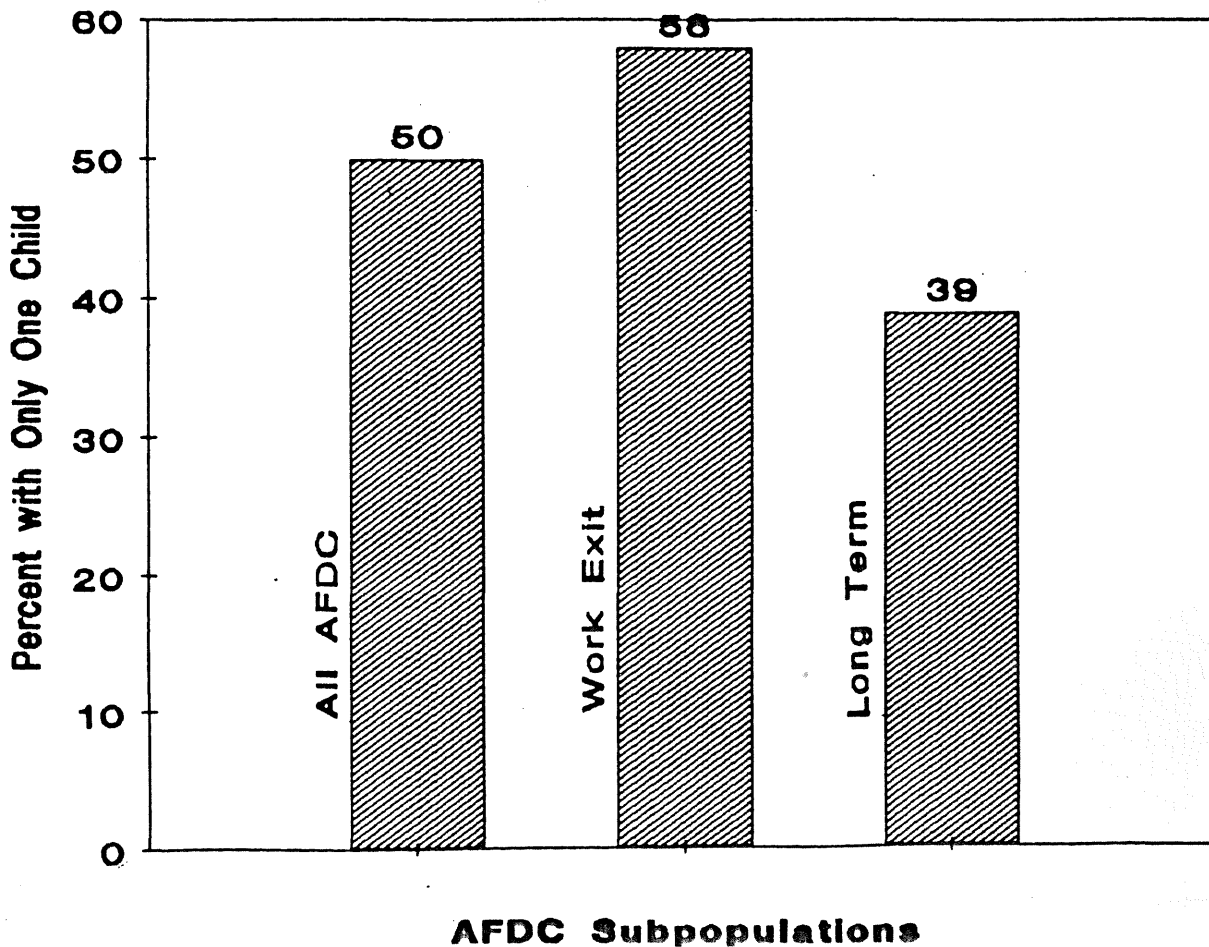
EDUCATIONAL ATTAINMENT
DIFFERENTIATES AFDC USE.
SINGLE PARENTS WHO LEAVE
AFDC BY WORK ARE MORE
LIKELY TO BE HIGH SCHOOL
GRADUATES.

**CASE HEADS WHO EXIT AFDC BY GETTING A JOB
ARE MORE LIKELY TO HAVE FINISHED HIGH SCHOOL**



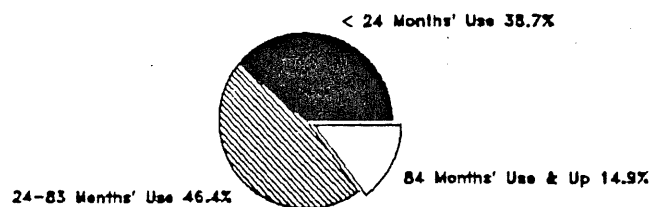
SINGLE PARENTS WHO
EXIT AFDC BY WORK TEND
TO HAVE FEW CHILDREN.

LEAVING AFDC THRU WAGES FROM WORK IS EASIER WITH ONLY ONE CHILD

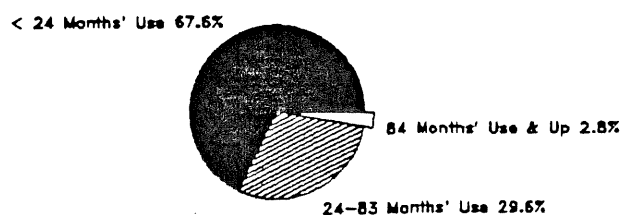


NEVER MARRIED PARENTS
TEND TO BE LONGER TERM
USERS THAN DO PREVIOUSLY
MARRIED PARENTS. A LOWER
INCIDENCE OF CHILD SUPPORT
AND INTERRUPTION OF HIGH
SCHOOL EDUCATION ARE
ELEMENTS IN THIS PATTERN.

DIVORCED AND SEPARATED AFDC CASE HEADS TEND TO STAY
ON AFDC FEWER MONTHS THAN NEVER-MARRIED CASE HEADS



Not Married

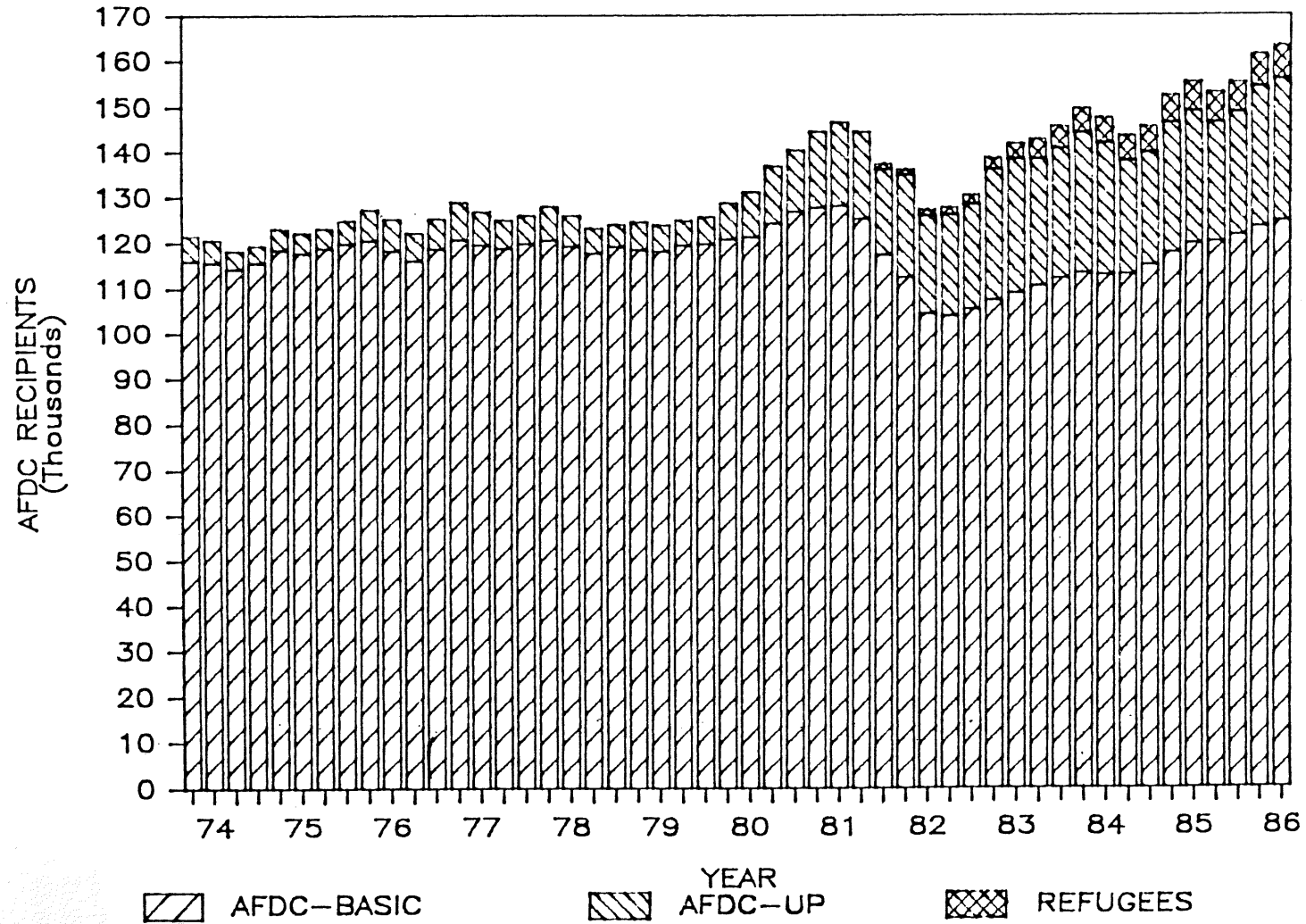


Divorced

SECTION B
MINNESOTA'S AFDC CASELOAD AND COSTS
-Historical Context
-Other States

The tables and charts which follow provide a historical perspective and a summary of experience in other states. All data have been developed by the Minnesota Department of Human Services, including the forecasts of future caseloads and costs. In these charts the category, "AFDC-Basic," refers to single parent families plus incapacitated parent families.

TOTAL AFDC RECIPIENTS BY RECIPIENT TYPE AND YEAR



Minnesota
 AID TO FAMILIES WITH DEPENDENT CHILDREN
 Recipient and Cost Projections
 Biennium Ending June 30, 1989
 (Including Emergency Assistance)

Fiscal Year	Total Annual Payments	Federal Share	State Share	County Share
-----	-----	-----	-----	-----
BASE PERIOD				
1981	\$200,939,496	\$111,552,773	\$67,780,888	\$21,605,835
1982	204,064,817	111,477,804	77,263,682	15,323,331
1983	207,249,871	112,570,032	79,169,543	15,510,296
1984	244,244,833	129,511,134	96,053,368	18,679,531
1985	268,024,853	141,023,531	105,911,068	21,090,254
1986	286,438,924	152,219,653	111,479,281	22,739,991
PROJECTED				
1987	\$308,392,086	\$164,412,383	\$119,085,498	\$24,894,205
1988	319,277,894	171,495,403	121,671,608	26,110,884
1989	330,596,343	176,798,404	126,216,872	27,581,066

Minnesota
 AID TO FAMILIES WITH DEPENDENT CHILDREN
 Recipient and Cost Projections
 Biennium Ending June 30, 1989
 (Excluding Emergency Assistance)

Fiscal Year	Monthly Average Recipients	Monthly Average Payments	Total Annual Payments	Federal Share	State Share	County Share
-----	-----	-----	-----	-----	-----	-----
BASE PERIOD						
1981	142,057	\$115.28	\$196,507,532	\$109,336,791	\$67,559,290	\$19,611,452
1982	136,351	122.38	200,237,448	109,564,119	77,072,314	13,601,015
1983	134,707	126.05	203,761,051	110,825,622	78,995,102	13,940,327
1984	146,490	136.71	240,325,151	127,551,693	95,857,424	16,916,034
1985	149,366	146.50	262,588,207	138,305,208	105,639,236	18,643,763
1986	158,277	147.16	279,509,018	148,754,700	111,132,786	19,621,533
PROJECTED						
1987	167,584	\$148.98	\$299,599,421	\$160,016,051	\$118,645,865	\$20,937,506
1988	172,728	148.96	308,761,867	166,237,389	121,145,806	21,378,672
1989	178,326	148.87	318,566,088	170,783,237	125,615,355	22,167,416

November 4, 1986

Minnesota
 AID TO FAMILIES WITH DEPENDENT CHILDREN
 Regular Segment Recipient and Cost Projections
 Biennium Ending June 30, 1989

Fiscal Year	Monthly Average Recipients	Monthly Average Payments	Total Annual Payments	Federal Share	State Share	County Share
BASE PERIOD						
1981	126,676	\$116.29	\$176,772,454	\$98,356,193	\$60,774,370	\$17,641,891
1982	115,226	124.75	172,492,455	94,393,298	66,384,276	11,714,881
1983	107,220	129.84	167,058,596	90,863,163	64,766,111	11,429,322
1984	113,874	140.74	192,319,092	102,072,929	76,709,231	13,536,932
1985	118,537	151.72	215,816,872	113,670,746	86,823,128	15,322,998
1986	124,867	152.34	228,270,123	121,485,360	90,760,201	16,024,563
PROJECTED						
1987	132,022	\$154.34	\$244,515,306	\$130,595,625	\$96,831,729	\$17,087,952
1988	135,963	\$154.34	251,814,353	135,576,848	\$98,801,880	\$17,435,626
1989	139,701	\$154.34	258,737,428	138,709,135	\$102,024,049	\$18,004,244

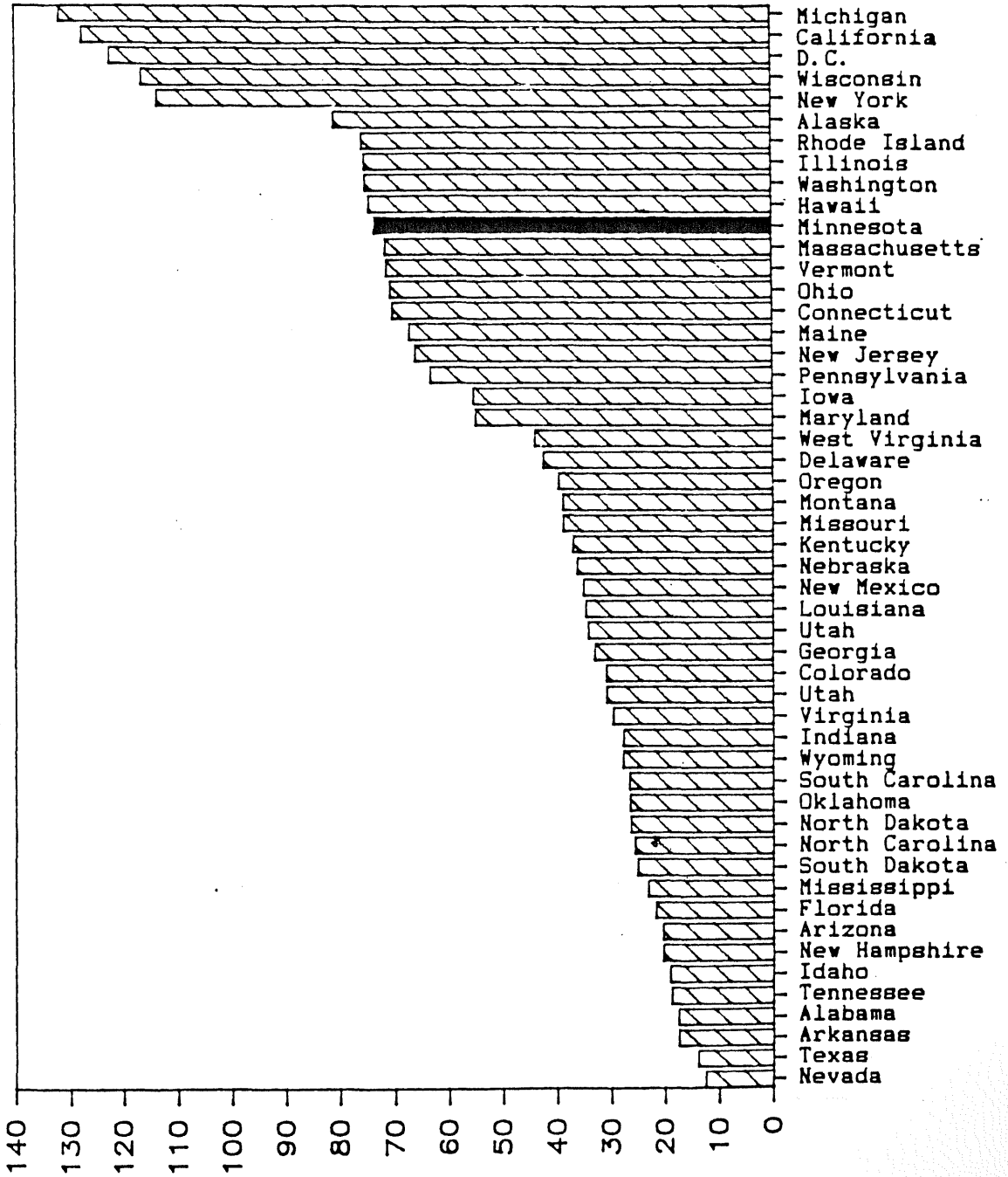
Minnesota
 AID TO FAMILIES WITH DEPENDENT CHILDREN
 Unemployed Parent Segment Recipient and Cost Projections
 Biennium Ending June 30, 1989

Fiscal Year	Monthly Average Recipients	Monthly Average Payments	Total Annual Payments	Federal Share	State Share	County Share
BASE PERIOD						
1981	15,381	\$104.98	\$19,735,078	\$10,980,597	\$6,784,920	\$1,969,561
1982	21,125	109.45	27,744,993	15,170,821	10,688,038	1,886,134
1983	27,487	111.27	36,702,455	19,962,459	14,228,991	2,511,005
1984	32,616	122.65	48,006,059	25,478,764	19,148,193	3,379,102
1985	30,829	126.43	46,771,335	24,634,462	18,816,108	3,320,765
1986	33,410	127.80	51,238,895	27,269,340	20,372,585	3,596,970
PROJECTED						
1987	35,562	\$129.08	\$55,084,116	\$29,420,426	\$21,814,136	\$3,849,553
1988	36,765	129.08	56,947,514	30,660,542	\$22,343,927	\$3,943,046
1989	38,625	129.08	59,828,580	32,074,102	\$23,591,307	\$4,163,172

November 4, 1986

TOTAL AFDC DOLLARS PER

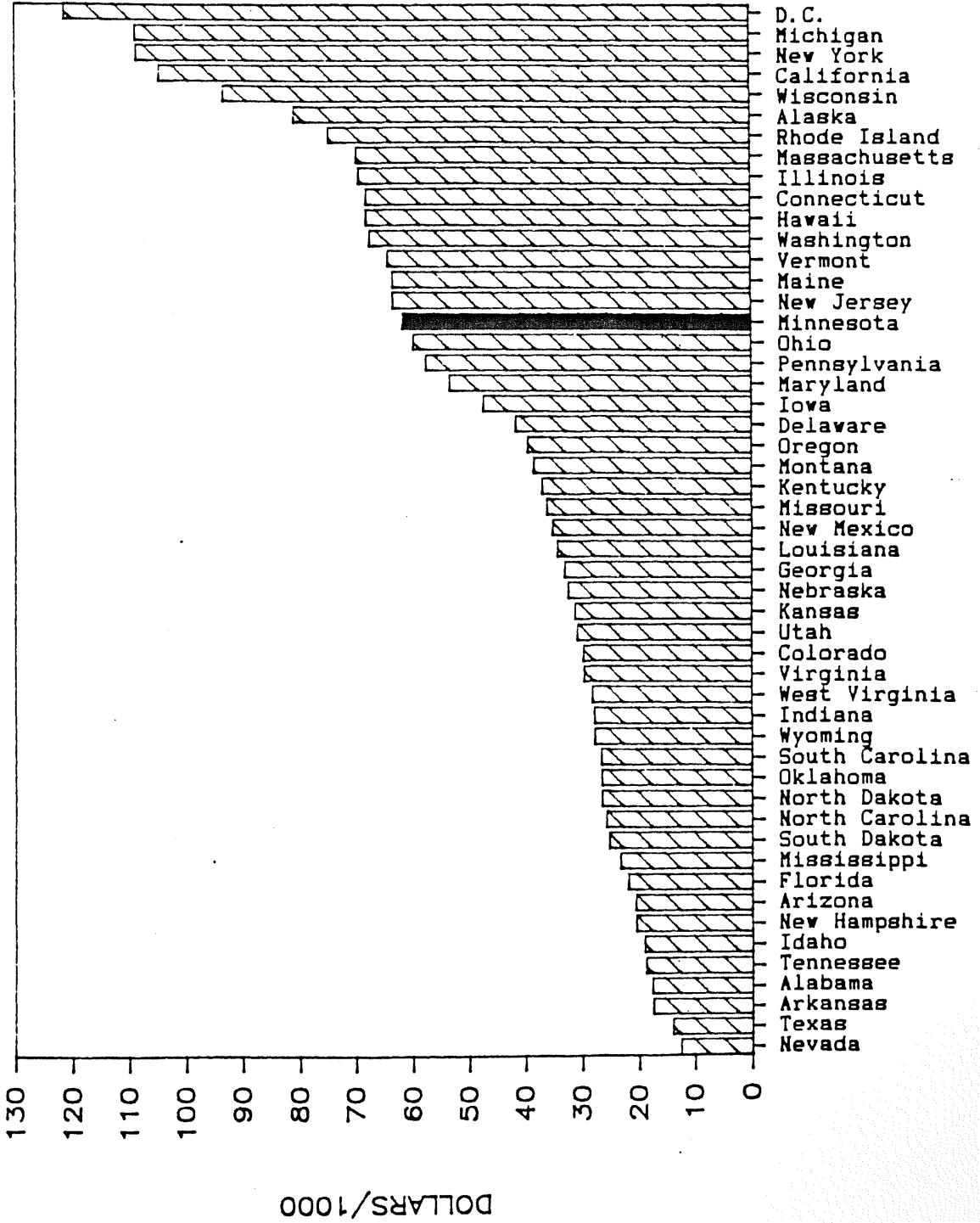
1000 STATE POPULATION



DOLLARS/1000

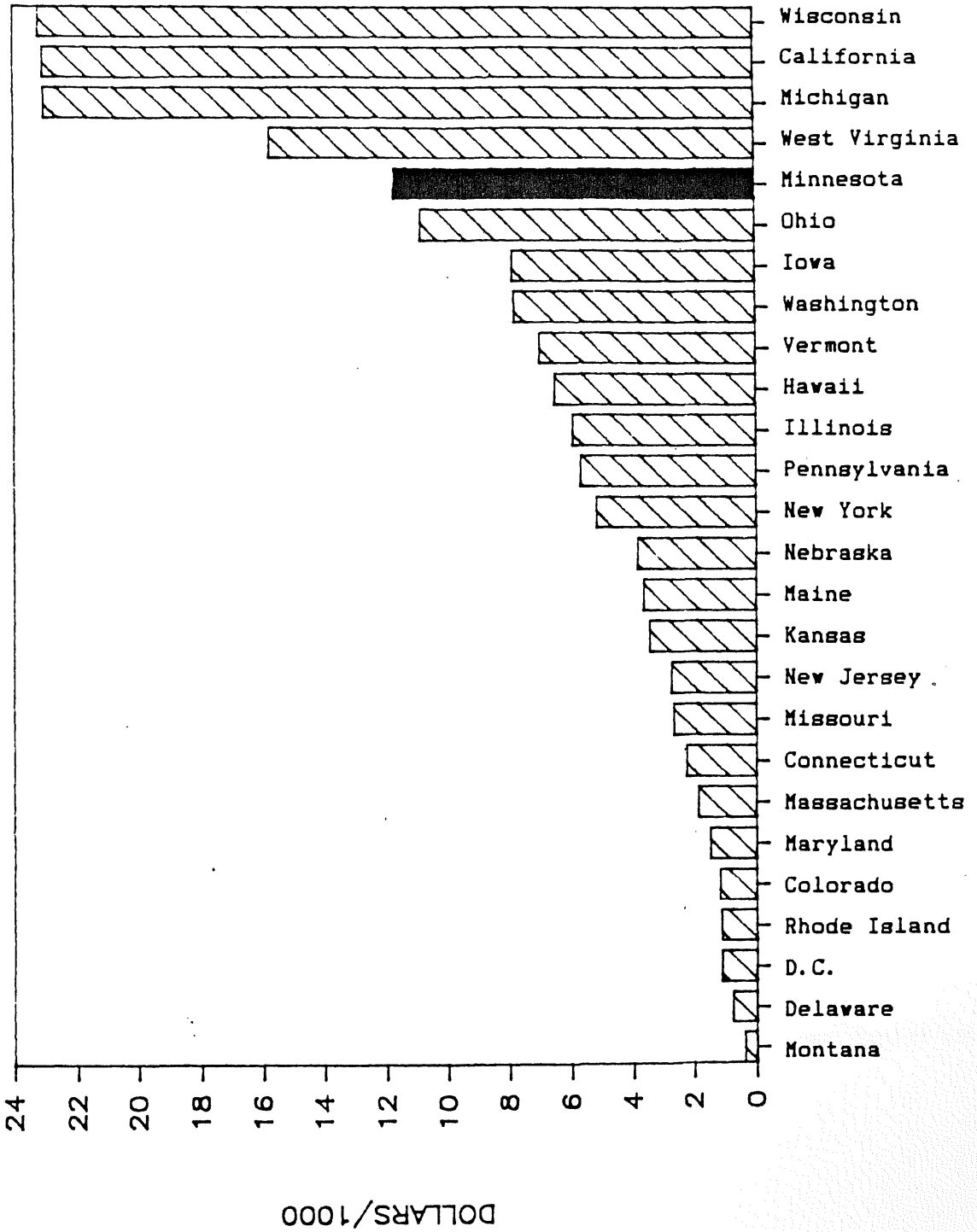
AFDC--BASIC DOLLARS PER

1000 STATE POPULATION

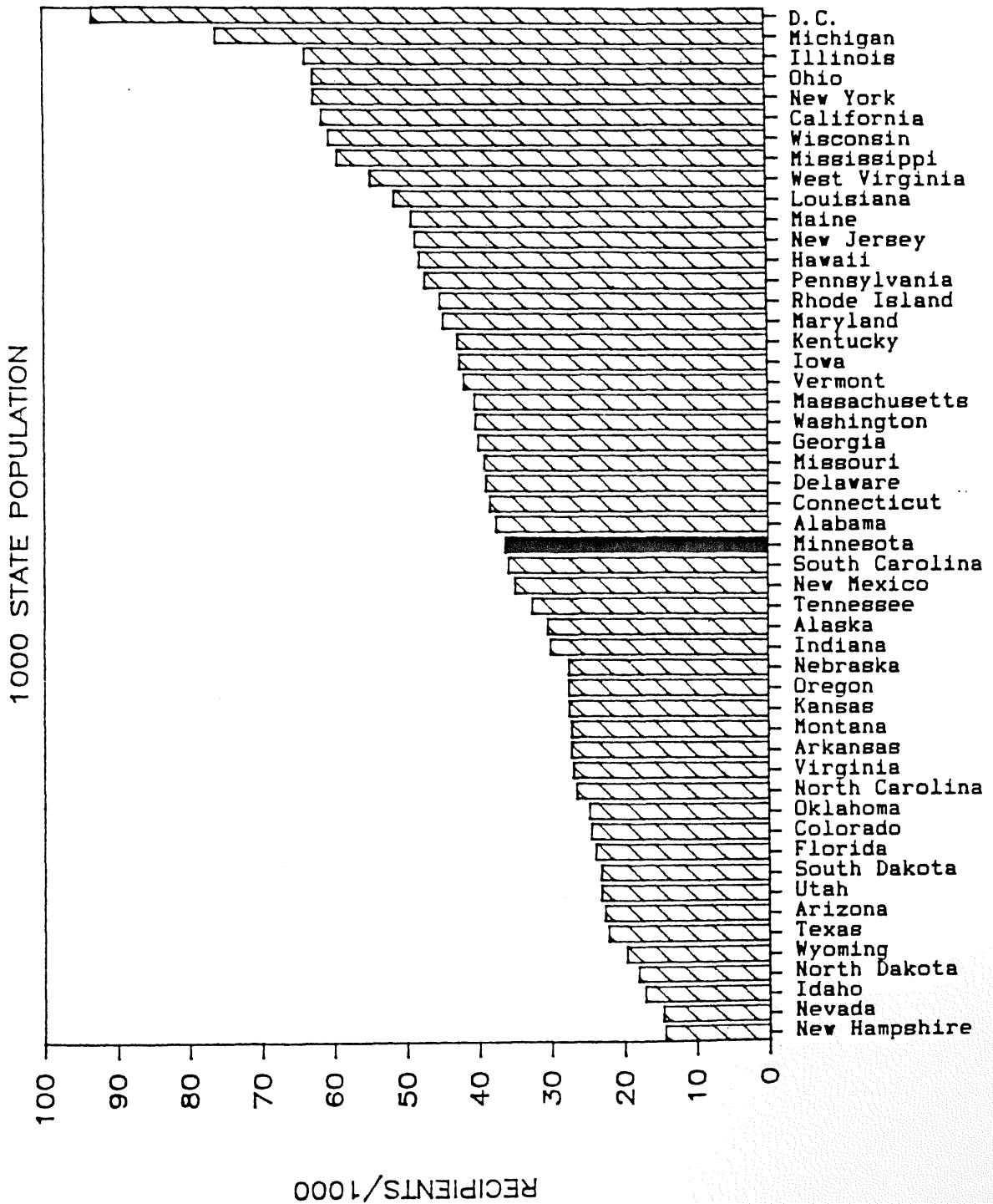


AFDC—UP DOLLARS PER 1000

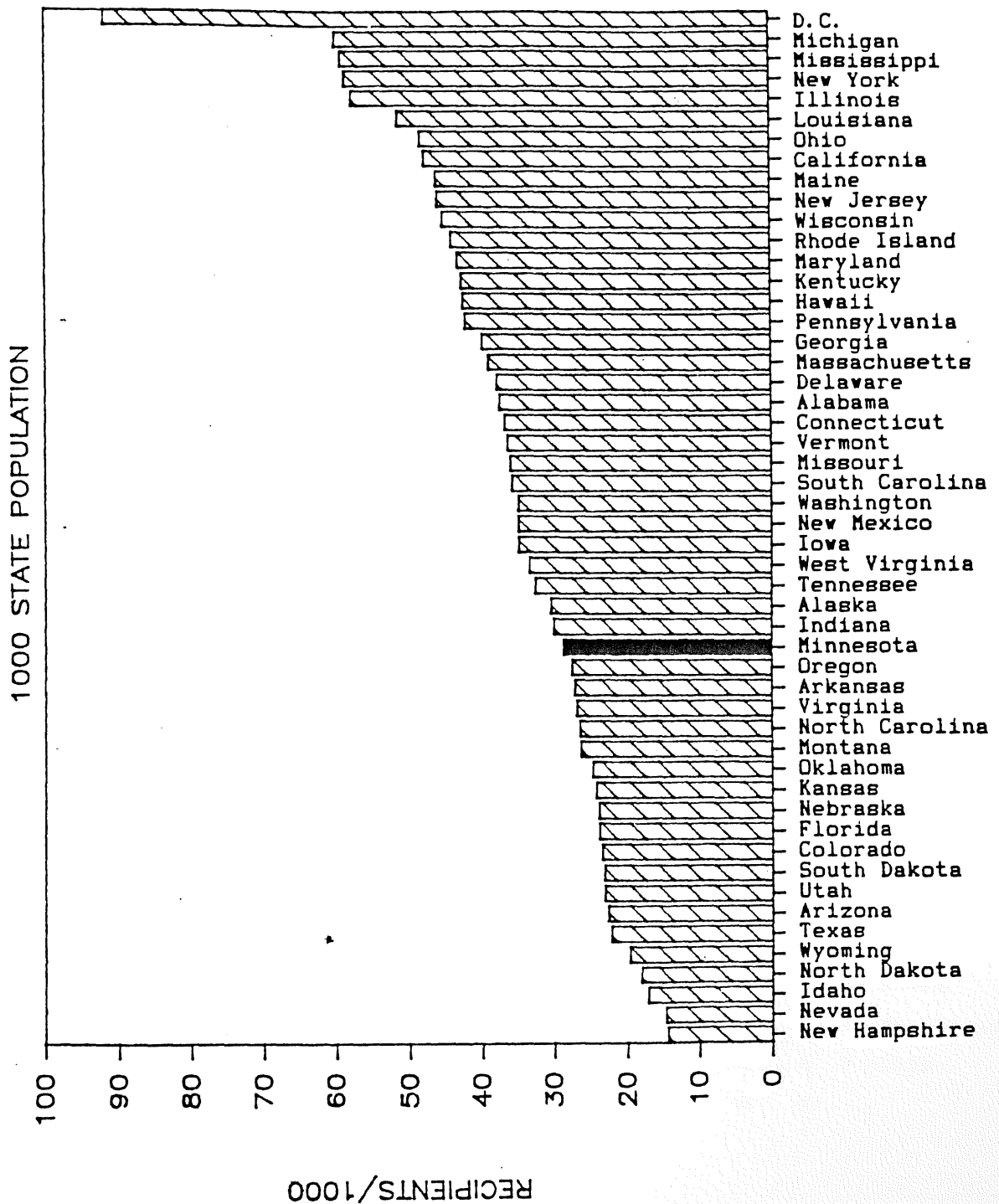
STATE POPULATION



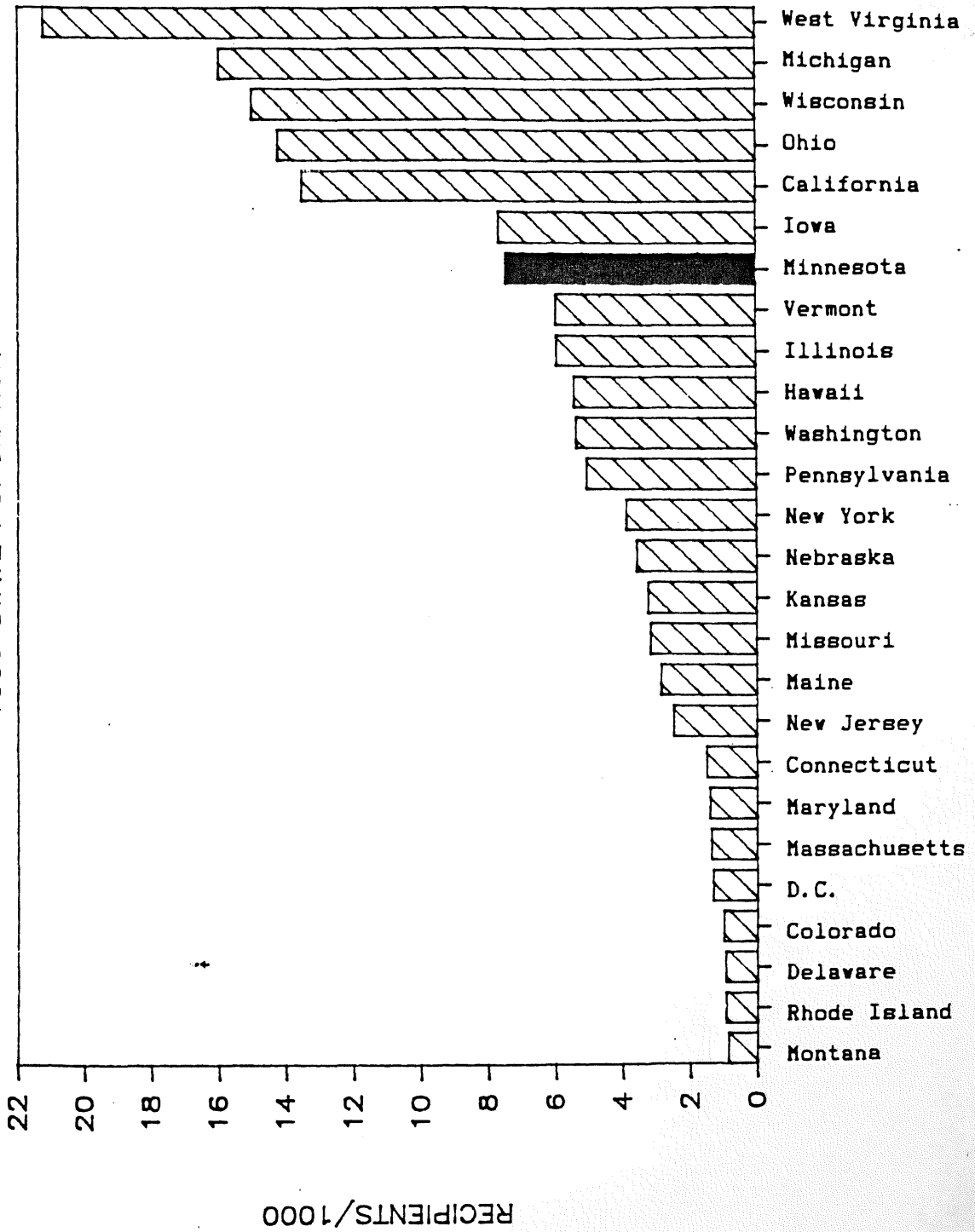
TOTAL AFDC RECIPIENTS PER 1000 STATE POPULATION



AFDC-BASIC RECIPIENTS PER 1000 STATE POPULATION



AFDC—UP RECIPIENTS PER
1000 STATE POPULATION



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