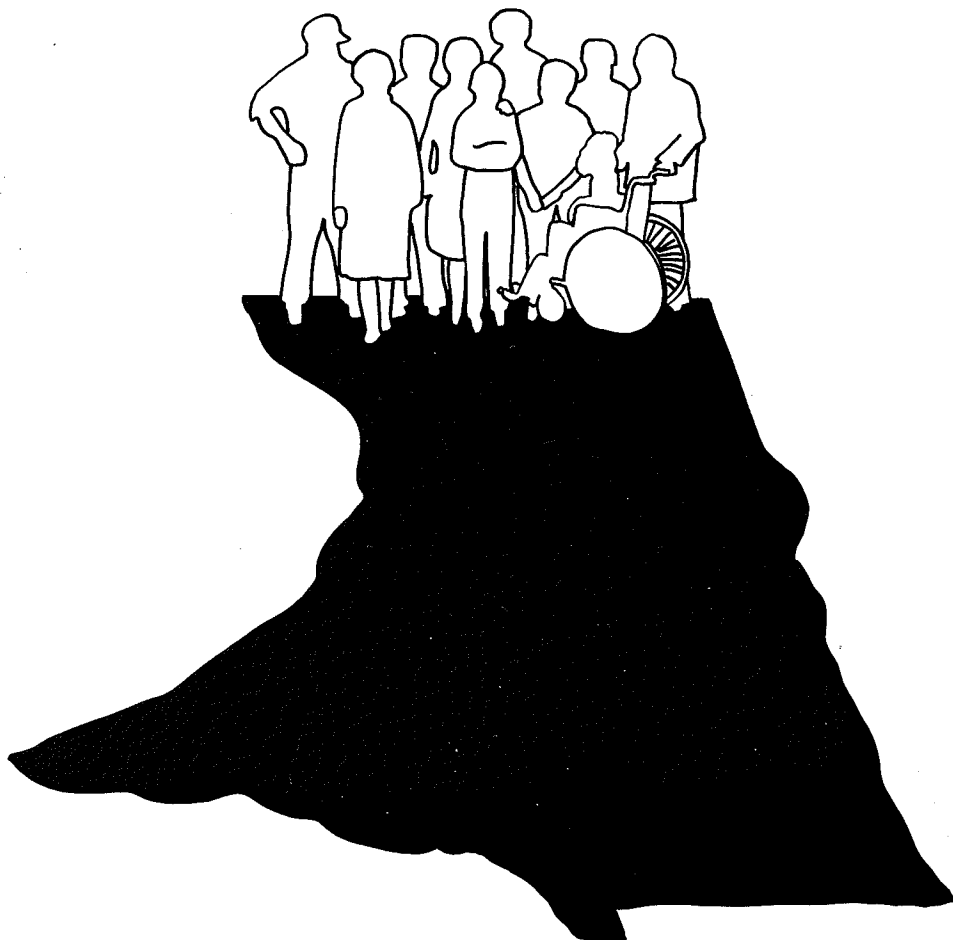


A Poverty of
Opportunity:

**RESTORING
THE MINNESOTA
DREAM**



EXECUTIVE SUMMARY

Report of the Governor's
Commission on Poverty
December, 1986

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INTRODUCTION

Poverty in Minnesota has grown to crisis proportions in the 1980's. Individual Minnesotans have responded to the crisis with unprecedented charitable contributions. However, these activities meet only a fraction of the need and significant action is still required by the public sector. Ironically, the central question before the state legislature has not been, "How can we alleviate poverty?", but rather, "Should we cut social programs for poor people?"

Even the most conservative critic does not begrudge a minimal safety net for those unable to provide for themselves. Budget cutting efforts focus instead on those in poverty who are able-bodied, working-age adults. Critics claim that the state's public assistance payments are too generous and discourage those expected to work from doing so. These contentions are often accompanied by anecdotal stories that portray the poor as lazy and immoral.

Because the issue of the working poor dominates contemporary public policy debates, it significantly shaped the deliberations of the Governor's Commission on Poverty in Minnesota. Among the questions explored were: Who are the poor? What are their needs? Who is expected to work? Do they work? Who receives public assistance? Does public assistance discourage work? Are there enough opportunities to escape poverty? Answers to these and related questions are outlined in the report.

A POVERTY OF OPPORTUNITY

The Commission's year-long study concluded that a poverty of opportunity exists in Minnesota, particularly employment opportunities. Even after four years of modest recovery, the state's economy is unable to produce a job for everyone who needs one.

Although employment is the most obvious problem, a growing number of Minnesotans who work are not paid enough to elude poverty. Too many jobs in Minnesota are low-wage, part-time and lack fringe benefits. Being employed is no longer a guarantee that families can meet their needs. The state's working poor often find that health insurance and child care are unaffordable, rent and taxes are too high, and necessities have become luxuries.

The stigma attached to poverty relegates people to second-class citizenship within the social, economic and political life of the community. An additional barrier that confronts the aging, those with disabilities, minorities and women is a persistent discrimination that further diminishes equality of opportunity.

SIGNIFICANT FINDINGS

Minnesotans in Poverty

- Approximately 475,000 Minnesotans live in poverty, according to the most recent estimate. This is an increase of 100,000 since 1979.
- At least 65 percent of Minnesotans in poverty live outside the seven-county Metropolitan area.
- Two-parent families account for 45 percent of the increase in poverty since 1979, while families headed by single women account for only 32 percent.
- A majority of Minnesota households in poverty have at least one wage-earner and are still poor.
- Poverty among working families has increased 56 percent since 1979.

Work and Poverty

- An average of 133,000 Minnesotans were unemployed in 1985. While much improved from 1983, this figure remains well above the 1978 average of 76,000.
- An average of only 30 percent of jobless Minnesotans received unemployment benefits between 1983 and 1985.
- Approximately 32 percent of jobs created in Minnesota between 1976 and 1983 paid less than \$9,000.
- The purchasing power of the minimum wage has been eroded by 24 percent since 1978. A full-time, minimum wage-earner with a family of four earns less than 65 percent of the poverty guideline.
- No more than 75 percent of Minnesota's jobs are full-time. The remaining 25 percent are part-time, tend to be low-wage and lack benefits.

Income Maintenance and Poverty

- A majority of Minnesotans in poverty receive no income maintenance payments.
- Only 3 percent of Minnesota's \$10.5 billion state budget is spent on income maintenance payments.
- The number of two-parent families receiving AFDC has increased by 340 percent since 1979.
- The value of AFDC grants is only 72 percent of the poverty level, and the real value of those grants has declined 33 percent during the last decade.

Taxes and Poverty

- Minnesotans whose income was near or below the poverty level saw their taxes increase by as much as \$150 as a result of Minnesota tax cuts in 1985.
- Single-parent families in Minnesota pay higher taxes than married-couple families earning the same income.
- Even though food and clothing are exempt, low-income Minnesotans spend at least twice as much of their income on sales tax compared with upper-income Minnesotans.

Health, Nutrition and Poverty

- More than 450,000 Minnesotans were without health coverage for all or part of 1985, including 100,000 children.
- Infant deaths in 34 Minnesota counties exceed the national average.
- A projected 1.25 million visits to food shelves are expected in 1986, nearly 40 percent more than in 1985. Working families account for a significant portion of this increase.
- An estimated 34 percent of Minnesotans in poverty must rely on food shelves to meet their nutritional needs.

Child Care and Poverty

- Less than 10 percent of the 48,000 eligible low-income families are served by the current state appropriation for the Sliding Fee Child Care Program.
- Child care is usually the fourth highest family expense, surpassed only by shelter, food and taxes.
- An estimated 58 percent of married women who have children and nearly three-quarters of mothers in single-parent households are employed outside the home.

Housing and Poverty

- Low-income renters spend over 40 percent of their income on housing.
- Federal funding for low-income housing in Minnesota has declined by 43 percent since 1982.
- Federally subsidized low-income housing serves only 24 percent of those eligible in the seven-county metropolitan area.

RESTORING THE MINNESOTA DREAM

The Commission issues these 25 challenges in the hope that all Minnesotans will make their social, economic and political decisions in light of the impact those decisions will have on persons living in poverty. A comprehensive strategy for alleviating poverty demands a strong commitment by all sectors of our community.

COMMISSION'S TOP FIVE CHALLENGES

1. Appropriate \$100 million for the Minnesota Employment and Economic Development (MEED) Jobs Program.

Even in prosperous times the Minnesota economy is not producing enough jobs for all workers. An average 133,000 Minnesotans were unemployed in 1985. While much improved from 1983, this figure remains well above the 1978 average of 76,000. An appropriation of \$100 million will create 16,000 permanent jobs in the private sector, and 4,000 public or non-profit jobs. Additionally, the wage subsidy will provide vital economic assistance to small businesses in distressed communities throughout the state.

2. Appropriate \$25 million for sliding fee health coverage for uninsured working families with children.

More than 450,000 Minnesotans have no health coverage, even though most of them live in a household headed by a wage-earner. The state's \$25 million would be supplemented by the federal government, income from the sliding fee, employers, and county expenditures. By July 1989, up to 50,000 uninsured families could be enrolled, resulting in fewer AFDC cases, fewer infant deaths, and reduced pressure on providers.

3. Reduce the tax burden on low-income Minnesotans by conforming the Minnesota tax code to the 1986 federal tax reform bill.

During the 1980's, the working poor have undergone substantial state and federal tax increases. By conforming to the new federal tax law Minnesota could remove up to 125,000 low-income earners from the state income tax rolls. These changes would foster economic independence by creating the ability for low and moderate-income working people to provide for their families through earnings.

4. Appropriate \$40 million for the Sliding Fee Child Care Program.

Lack of child care is one of the major barriers to independence for low-income families. Approximately 48,000 low-income families are estimated to be eligible for this program. An appropriation of \$40 million would meet the needs of one-third of the eligible families. A state child care program that is adequately funded is essential if AFDC recipients are to move off the welfare rolls and on to the payrolls.

5. Appropriate \$25 million for the Women, Infants and Children (WIC) Supplemental Nutrition Program.

Only one-third of the 165,000 eligible Minnesotans are currently served by the WIC program. This federally funded program provides supplemental nutrition for women and children. An appropriation of \$25 million would serve 50 percent of those eligible in Minnesota. The WIC program has demonstrated that it prevents infant deaths, increases birth weights, and improves the health of preschool children.

TOP FIVE CHALLENGES THAT USE LITTLE OR NO PUBLIC FUNDS

6. Minnesota banks and corporations must invest human and capital resources in small and emerging companies to encourage business development, job creation and economic diversification in distressed communities.

Small and emerging Minnesota companies increasingly lack the resources to start, maintain or expand their businesses. To facilitate economic growth in distressed communities, banks and corporations must provide access to capital, management and technical assistance, and direct their own business to local vendors.

7. Increase the federal minimum wage to \$4.45 per hour to recapture the value that has been eroded by inflation.

The value of the minimum wage has declined substantially in recent years. A full-time minimum wage-earner with a family of four earns less than 65 percent of the poverty income threshold. The purchasing power of the minimum wage has declined by 24 percent since 1978. Thus, an increase to \$4.45 per hour would allow many low-income Minnesotans to meet their expenses independently and escape poverty.

8. Support automatic income-withholding of child support payments.

Up to one-half of the custodial parents who are awarded child support received either partial or no payment. In 1984, 35 percent of custodial parents received AFDC benefits. Present Minnesota law allows the withholding of child support only after payment is delinquent for more than 30 days. Automatic income-withholding will reduce dependence on AFDC and increase opportunities for single parents to become self-supporting.

9. Foundations and the philanthropic sector should give priority to advocacy strategies that enable low-income individuals, families and communities to take charge of their own futures.

Poverty is more than a lack of sufficient income to meet basic needs. It also reflects an erosion of the power necessary to achieve self-determination. Minnesota's foundations and other members of the philanthropic sector will have the greatest impact on poverty by supporting projects that empower low-income Minnesotans to achieve full participation in the social, economic and political life of the community.

10. Income maintenance grants should be kept at current levels and indexed for cost of living increases. The state must seek waivers from federal regulations in order to design a transitional support system that enables recipients to move from public assistance to employment.

Income maintenance grants, already less than the poverty level, have lost one-third of their buying power to inflation during the last decade. Also recent changes in program regulations have diminished the opportunities for participants to achieve independence. Waivers from federal regulations would give Minnesota the freedom to develop a transitional support system linking income maintenance, education and training, and job development efforts. Increased coordination between these areas would facilitate the movement from welfare to employment.

FIFTEEN ADDITIONAL CHALLENGES

Challenges to Individuals, Communities, and the Non-profit Sector

11. Low-income Minnesotans must apply their hopes, dreams and energies in pursuit of these expanded opportunities to achieve full participation in the social, economic and political life of the community.
12. Minnesotans must refrain from actions, words or attitudes that stigmatize the poor, and make their social and economic decisions in light of what those decisions do for the poor, what they do to the poor, and what they enable the poor to do for themselves.
13. Minnesotans must affirm their commitment to end individual and institutional discrimination based on age, disability, ethnicity, race, religion and sex.
14. Minnesotans must continue to focus their voluntary efforts and contributions toward providing for the basic needs of the poor, such as food, clothing, shelter and literacy. However, charity is no substitute for the economic and political changes necessary to expand opportunities for low-income Minnesotans.

Challenges to Private Employers

15. Health coverage must be provided for all full-time and part-time employees, reversing the trend of benefit reduction.
16. Pay equity must be implemented by all employers.
17. Child care benefits should be provided to enable low-income parents to work.
18. Employee leave and flex-time to care for sick children must be provided to enable low-income parents to work.

Challenges to the Federal Government

19. Restore funding for Minnesota's job training and retraining programs to 1978 levels.
20. Increase the funding for Head Start to a level that will double the number of eligible children able to participate.

21. The federal government should exempt Minnesota from income maintenance regulations that hinder the design of a transitional support system that enables recipients to move from public assistance to employment.
22. Achieve and maintain a positive balance of trade on the world market and an equitable farm program that enables working people and family farmers to earn a liveable income.

Challenges to State Government

23. Increase funding for mediation, counseling, relocation, and retraining to respond to the needs created by the rural crisis.
24. Increase funding for training and retraining programs for displaced farmers, workers, and homemakers.
25. Develop comprehensive housing programs to replace housing units which have been demolished or converted, and which enable low income persons to own and manage their own housing.

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Director

Paul Moe
(March-October, 1986)

Staff

Lavon Anderson
Eric Oetjen
Myra Segal
Sarah Stoesz

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REPORT STAFF

Report Coordinator

Monte Bute

Authors

Lavon Anderson
Eric Oetjen
Myra Segal
Sarah Stoesz

Editor

Linda Woodstrom

Graphics

Chris Bohrer
Don Hilber

Support Staff

Denise Brandt
Vicki Castano
Susan Schouveller
Annette Selbitschka

Design

Destiny 2, Inc.

Consultants

Andrew Biesner
Dr. Rose Marie Park
Richard Williams, Sr.



GOVERNOR'S COMMISSION ON

Poverty In Minnesota

Fifth Floor • 390 North Robert Street • St. Paul, Minnesota 55101

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