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WELFARE IN MINNESOTA

**Facts about Minnesota's
Public Assistance Programs and Recipients**

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WELFARE IN MINNESOTA

Facts about Minnesota's Public Assistance Programs and Recipients

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BACKGROUND INFORMATION

"Welfare" is the term most commonly used to describe public assistance programs for persons in financial need. Approximately 12 percent of the state's population is receiving some type of public assistance, including medical assistance and federally funded food stamps. In most welfare programs, the majority of recipients are women. These women are most likely to be elderly or the caretakers of young children.

Welfare reform has become a major issue at both the state and federal levels. Most reform initiatives are intended to reduce long-term dependency on public assistance by providing education and job training opportunities and other programs which help remove barriers to economic self-sufficiency. Underlying most welfare reform efforts is a philosophy that those who can work should be in the workforce.

In 1986, several study commissions were established in Minnesota to explore options in welfare reform and several programs have already been undertaken at the state level. Currently, Minnesota's welfare reform initiatives are known

as "PATHS-Priority Access to Human Services." PATHS initiatives target specific groups of public assistance recipients and offer them voluntary participation in education, training and social service programs that can help them toward self-sufficiency. The target groups currently include parents who are under 21, recipients without high school diplomas, and those who have received assistance for two years of the past three or more years.

This report will look at what "welfare" is; how much of the state budget is used for welfare; how the welfare dollar is allocated; and offer more detail on the Medical Assistance (MA) and Aid to Families with Dependent Children (AFDC) programs. Women are the majority of MA recipients. Women and children are the majority of AFDC recipients.

The Department of Human Services keeps data by fiscal year, which runs from July 1 to June 30. Fiscal year 1988 (FY '88) ended June 30, 1988. All data in this report are from the Minnesota Department of Human Services and are for FY '88, unless otherwise noted.

WELFARE PROGRAMS

There are seven welfare programs which receive state funds to help persons in poverty. They are Aid to Families with Dependent Children (AFDC), Emergency Assistance, Medical Assistance (MA), Minnesota Supplemental Assistance (MSA), General Assistance (GA), Work Readiness and General Assistance Medical Care (GAMC). These programs are administered by the state's counties. Food Stamps and Supplemental Security Income are federal programs and will not be discussed in detail. Below is a brief description of each program.

Aid to Families with Dependent Children

(AFDC): This program provides cash grants to dependent children and their adult caretakers who meet eligibility requirements. Most AFDC recipients are children. Eighty-five percent of their caretakers are female. AFDC is approximately 54 percent federally funded, 39 percent state funded and seven percent county funded. In FY '88, the state spent approximately \$111 million in this program.

Medical Assistance (MA): This program pays the cost of medical care for eligible persons who cannot afford to pay for themselves. Two-thirds of medical assistance recipients, including adults and children, are female. The federal government pays 54 percent of the costs, the state pays 41.5 percent and counties spend 4.6 percent. Of \$1.2 billion spent in FY '88, the state's share was approximately \$498 million.

Emergency Assistance: This program is available in times of crisis to AFDC recipients and other families with children. Families can receive assistance up to 30 days in any given year. Emergencies covered include accident, illness or death, natural disasters, eviction or mortgage foreclosure, loss of utilities, fuel, clothing or food, or other financial crises. The program is paid for with 50 percent federal funds, five percent state funds and 45 percent county funds. State expenditures in FY '88 were \$425,000.

Minnesota Supplemental Assistance (MSA):

This program is entirely state-funded and is intended to supplement the federal Supplemental Security Income program and Social Security benefits to needy aged, blind and disabled persons. In 1985, about 54 percent of MSA recipients were female. MSA is 85 percent state and 15 percent county funded. Approximately \$2.2 million was spent by the state in FY '88 for this program.

General Assistance (GA): General Assistance provides cash to certain adults who need help with basic living expenses and who do not qualify for any other income assistance program. In 1985, 37 percent of GA recipients were women. The program is 75 percent state and 25 percent county funded. The state spent about \$44.6 million in the GA program in FY '88.

Work Readiness (WR): A companion program to General Assistance, Work Readiness provides benefits to those not GA eligible and requires them to participate in programs that provide job training and prepares them for job hunting. It offers two to six months of assistance during a 12-month period. Data on the number of recipients who are female are not available. In FY '88, \$10.8 million in state funds was spent.

General Assistance Medical Care (GAMC):

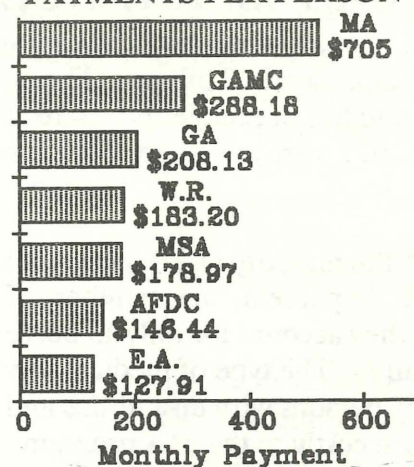
This program pays medical expenses incurred by general assistance recipients and other needy people not eligible for MA. Data on the number of recipients who are female are not available. It is 90 percent state funded and 10 percent county funded. In FY '88, the state spent approximately \$72 million for GAMC.

Food Stamps: This is a federally funded program based on the income of the household. It provides coupons which can be used like cash to pay for food purchases. In FY '88, 93,754 Minnesota families were served, with a federal expenditure of \$117 million.

WELFARE PAYMENTS PER PERSON

Two out of three welfare dollars are spent for medical care. Cash payments to help with income are considerably less costly per recipient than those for health needs. Shown at right is the average payment per person for each of the public assistance programs. Medical assistance payments are not made to recipients. They are paid directly to the medical service providers, such as hospitals, nursing homes, doctors, dentists and pharmacists.

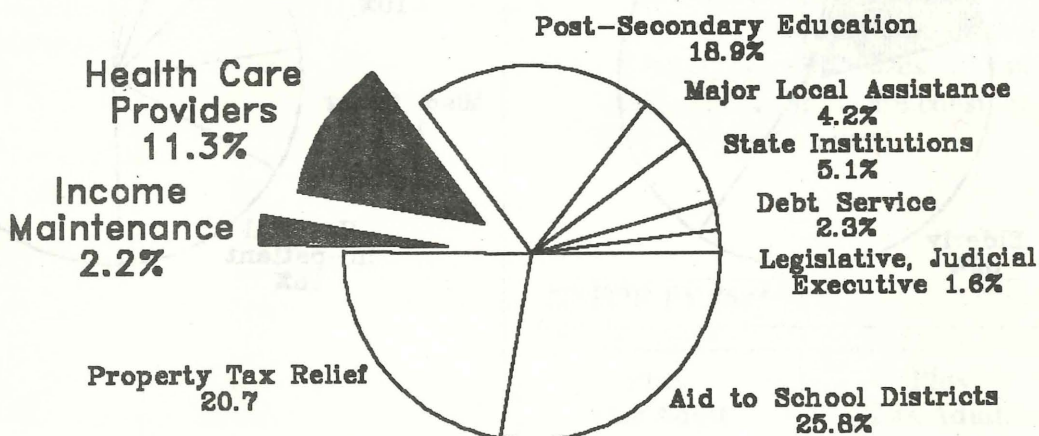
PAYMENTS PER PERSON



WELFARE AND THE STATE BUDGET

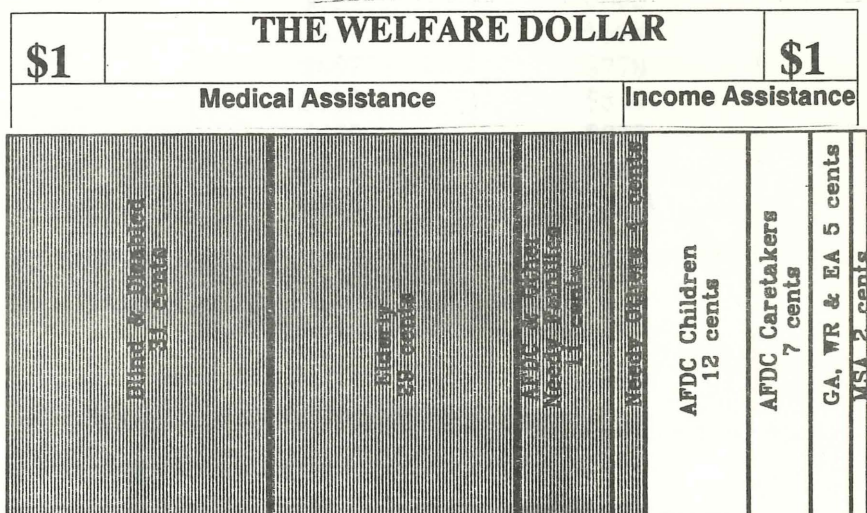
Welfare expenditures excluding medical assistance, shown as "income maintenance" in the chart below, account for just under 2.2 percent of the state's budget. Medical assistance makes up an additional 11.3 percent, shown in the chart as payments to health care providers. Total state expenditures for income and medical assistance are 13.5 percent of the state budget.

WELFARE AND THE STATE BUDGET



THE WELFARE DOLLAR

Another way to look at expenditures for welfare programs is on a per-dollar basis. The chart below indicates approximately how many cents per one welfare dollar are spent in each of the various types of medical assistance (MA) and income assistance (IA) programs. It includes federal, state and county expenditures for FY '88.

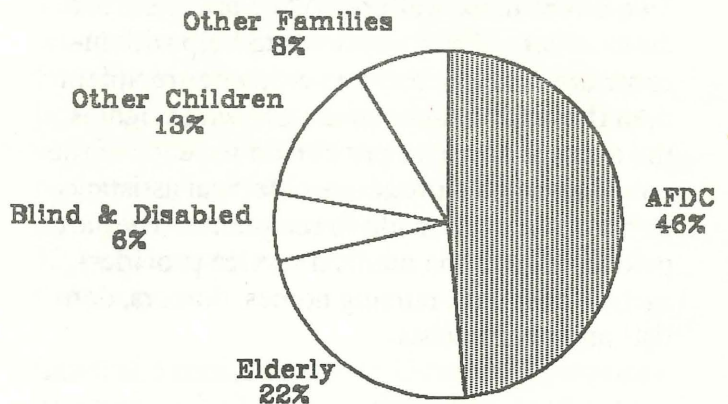


MEDICAL ASSISTANCE

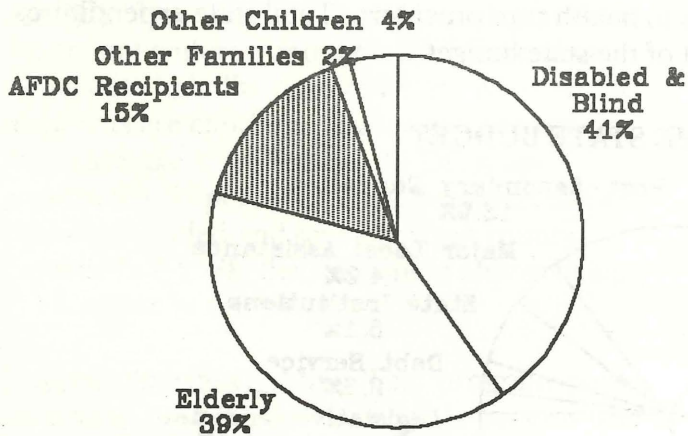
In FY '88, medical assistance expenditures totalled just under \$1.2 billion. The average monthly number of recipients was 161,783, of which 102,675 were adults and 59,108 were children.

Although the majority of Medical Assistance recipients, 46 percent, are members of AFDC families, they account for only 15 percent of the expenditures. The type of medical services needed by persons with disabilities and the elderly are more costly to the MA program.

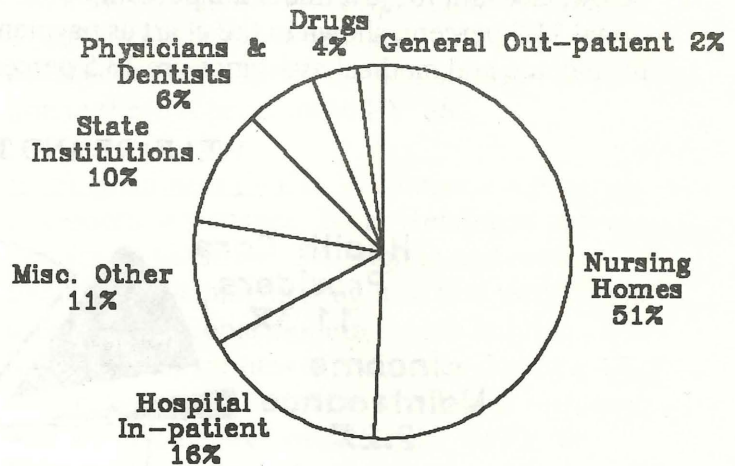
MA RECIPIENTS



MA COSTS BY TYPE OF RECIPIENT



MA COSTS BY TYPE OF SERVICE

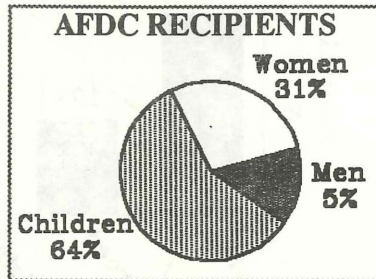


AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC)

In FY '88, a monthly average of 103,781 children and 59,150 adult caretakers received AFDC benefits. The total number of recipients in that year was 268,783. This amounts to approximately 3.8 percent of Minnesota's population.

Families received an average monthly benefit of \$436.84 or \$146.44 per person.

Only families with "dependent children" are eligible for AFDC. Most AFDC families are single-parent families. Minnesota law defines a dependent child as one who is "...found to be deprived of parental support or care by reason of death, continued absence from home, or physical or mental incapacity of a parent." During most of the 50-year-history of the AFDC program, the absence of the father has been the most common reason for receiving AFDC.



Eligibility criteria for AFDC was expanded in July 1970 to include two-parent families in which the father was unemployed. In 1979 this category was expanded to include unemployed mothers and became the unemployed parent category. In 1979, unemployed fathers were the reason for eligibility for 7 percent of the children receiving AFDC benefits. In 1987, an unemployed parent was the reason for eligibility for 15 percent of children.

Families must also meet income and asset limits to be eligible for AFDC. A family's income must be below the state's "standard of need." The state sets the standard of need based on the cost of food, clothing, shelter and other necessities. For the current biennium, the AFDC grant for one adult caring for two children is \$532 per month. The AFDC grant, however, can be less than the standard of need, depending upon whether the family has other income. The table below lists the standard of need for different family types and sizes. In some cases, only the children in a family are considered when figuring the grant amount.

STANDARD OF NEED FOR FY 86**			
Number of Children in Grant	Children Only	Plus One Adult	Plus Two Adults
1	\$250	\$437	\$510
2	\$345	\$532	\$605
3	\$434	\$621	\$694
4	\$510	\$697	\$770
5	\$586	\$773	\$846
6	\$663	\$850	\$923
7	\$729	\$916	\$989
8	\$793	\$980	\$1053

**These standards have not been increased since July 1986.

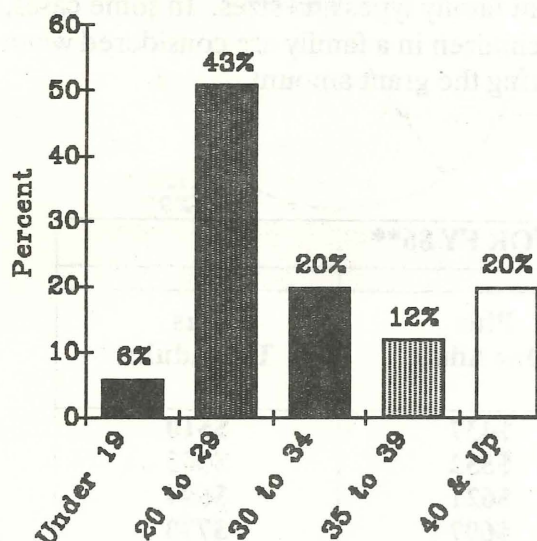
REASON FOR ELIGIBILITY

Families usually become eligible for AFDC because of the continued absence of the parent who has provided financial support. This reason accounted for 74 percent of the cases. Loss or reduction of employment accounted for just over 12 percent of those eligible. Other reasons for eligibility include death, illness, or increased medical costs.

AFDC CARETAKERS

The overwhelming majority, 85 percent, of caretakers in families receiving AFDC are women. The AFDC caretaker is most likely to be an unmarried mother in her twenties. Only six percent of the mothers are in their teens. Of the few male caretakers, the largest group is age 25 to 29.

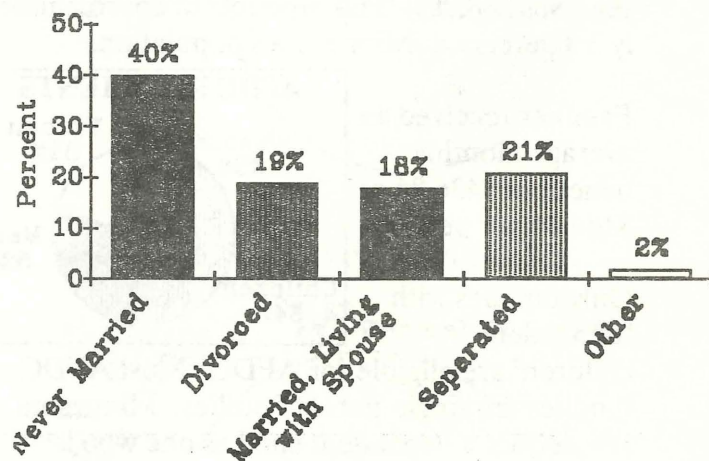
FEMALE CARETAKERS BY AGE



CARETAKER MARITAL STATUS

More than one-third of female caretakers are single (never married), while 70 percent of the male caretakers are married and living with their wives.

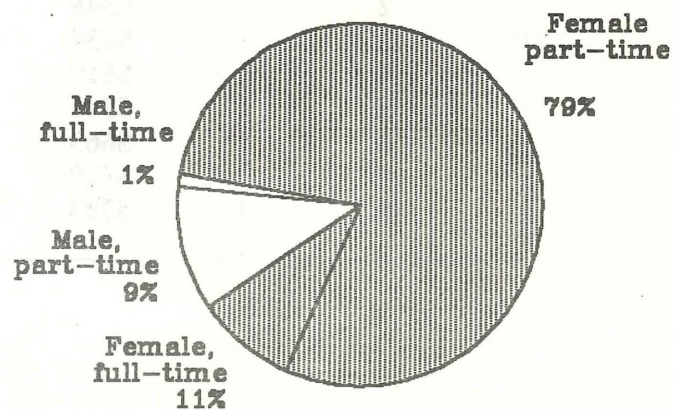
FEMALE CARETAKERS, MARITAL STATUS



EMPLOYMENT STATUS

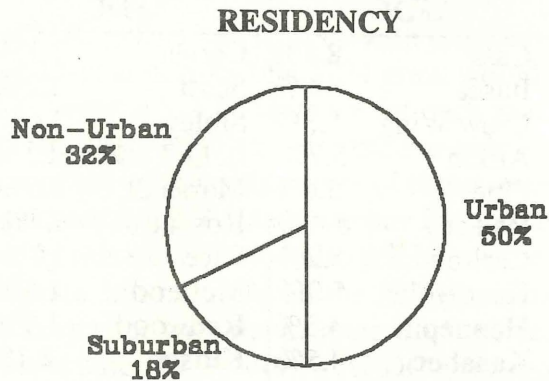
In June 1988, 19 percent of all AFDC caretakers were employed, 90 percent of them part-time. A greater percentage of the women than the men were employed. While more than 19 percent of the women worked, only 16 percent of the men worked. Average monthly after tax earnings of these AFDC families with earnings were \$294 in 1987.

EMPLOYED CARETAKERS



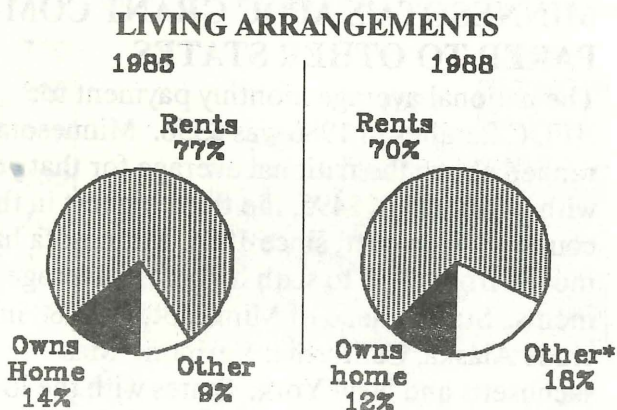
RESIDENCY

In Minnesota, close to two-thirds of all single-parent families live in the Twin Cities metropolitan area. This is reflected in the AFDC caseload. More than half the recipients live in an urban area and an additional 18 percent live in suburban areas; non-metro residents account for 32 percent of recipients.



LIVING ARRANGEMENTS

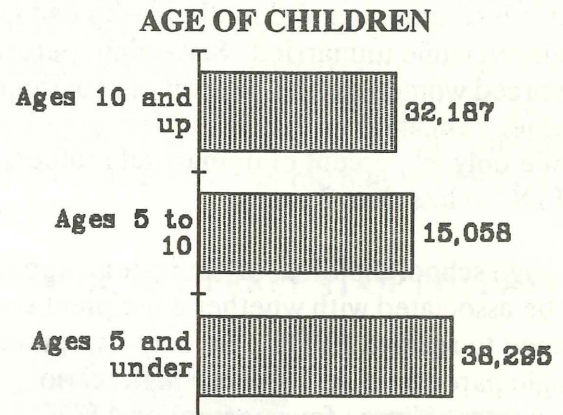
Unlike the majority of Minnesotans who are homeowners, AFDC families are most likely to live in rental housing. The number of recipients in rental housing has declined substantially since 1985, from 77 percent to 70 percent and greater numbers are now living with relatives or friends, as indicated by the charts below.



*Other includes public housing, or living arrangements with relatives or friends

CHILDREN ON AFDC

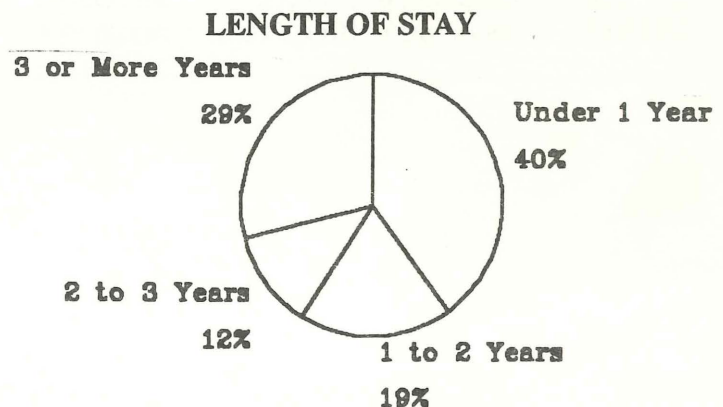
The largest single age group of children in AFDC families was two years old, accounting for 8 percent of all children on AFDC. Thirty-eight percent of AFDC children are age five or under.



There are three or fewer children in 91 percent of AFDC families. Nearly half of AFDC families include only one child, 30 percent have two children and 15 percent have three children. The 1988 average 1.94 children per AFDC case is in marked contrast to the 2.8 children per case recorded in 1968.

LENGTH OF STAY ON AFDC

The average length of stay on AFDC in Minnesota is approximately two and two-thirds years. In FY '88, 40 percent of AFDC families had been on AFDC less than one year, and 19 percent stayed from one to two years. Only 16 percent of all recipients received assistance longer than five years.



FACTORS IN LEAVING AFDC

In 1985, an examination of AFDC case closings revealed some differences among groups of AFDC recipients as they left the program. For example, separated and divorced AFDC recipients stayed on the program for shorter periods of time than did mothers who had their children while unmarried. Sixty-eight percent of divorced women and 61 percent of separated women remained on AFDC for less than 2 years, while only 39 percent of unmarried mothers left AFDC in less than 2 years.

A high school diploma, or equivalent, appeared to be associated with whether a recipient continued to receive AFDC. Seventy-five percent of single parents on AFDC were high school graduates. Ninety-four percent of AFDC recipients who left the program through work were high school graduates while only 52 percent of the long term AFDC recipients (7 years or more) had high school diplomas.

People who left AFDC by obtaining employment also tended to have fewer children. This is probably due to the fact that child care needs and costs are lower with fewer children, making more income available for other basic needs. Eighty-nine percent of single parents who left the AFDC program through work had one or two children. This compares to 82 percent of all AFDC families that had only one or two children and 68 percent of the long term families that had only one or two children.

PERCENTAGE OF POPULATION RECEIVING AFDC

Currently, approximately 3.8 percent of Minnesota's population receives AFDC assistance. This rate varies considerably by counties. Listed below are selected Minnesota counties.

Highest percentages of population on AFDC		Lowest percentage of population on AFDC	
Cass	8.8%	Carver	1.1%
Itasca	6.8%	Scott	1.2%
Crow Wing	5.8%	Sibley	1.4%
Aitkin	5.7%	L. Q. Parle	1.5%
Pine	5.6%	Marshall	1.6%
Ramsey	5.4%	Roseau	1.7%
Carlton	5.2%	Rice	1.7%
Kandiyohi	5.0%	McLeod	1.8%
Hennepin	4.5%	Redwood	1.9%
Kanabec	4.5%	Kittson	2.1%

The most recent U.S. data on percentage of the population receiving AFDC is from 1984. In that year, the national average was 4.4 percent of the population. Selected states include:

Highest Percentages		Lowest Percentages	
Washington D.C.	9.5%	New Hampshire	1.5%
Michigan	7.7%	Nevada	1.5%
Illinois	6.4%	Idaho	1.8%
New York	6.3%	North Dakota	1.8%
California	6.3%	Wyoming	1.8%

MINNESOTA'S AFDC GRANT COMPARED TO OTHER STATES

The national average monthly payment for AFDC families in 1986 was \$358. Minnesota ranked above the national average for that year with payments of \$495, the third highest in the country. However, since 1986, Minnesota has moved from third to sixth highest in average payments. States ahead of Minnesota in 1988 include Alaska, California, Vermont, Massachusetts and New York. States with the lowest average monthly payments in 1988 included Puerto Rico, Alabama, Mississippi, Tennessee, Virgin Islands and Texas.

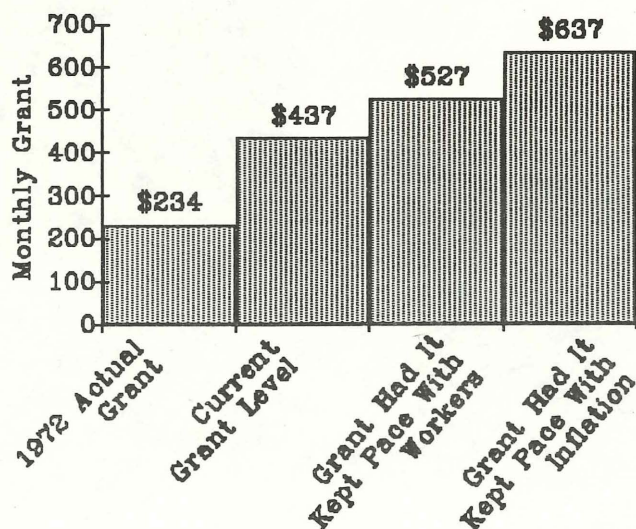
THE VALUE OF AFDC GRANTS

Since 1973, when the AFDC method of payment was substantially changed, the grant for one adult and one child has risen from \$234 to \$437, a 76.2 percent increase. This amounts to an average annual increase of \$13.50 per year. In the same 15-year period, the costs of basic necessities rose substantially, by 177.7 percent.

If AFDC grants had kept up with inflation during that 15-year period, that \$234 grant would be \$637 today, a \$26.53 increase for each year. Present day AFDC recipients have only 37 percent of the purchasing power of those receiving assistance in 1973. Average pay for workers during this same period also fell below the inflation rate, but not as far as the AFDC payment. To keep pace with the average worker's pay increases since 1973, today's AFDC grant would be \$527. Minnesota's AFDC grants have not been increased since 1986.

The inflation rate is calculated by examining the costs of various goods and services. Medical expenses are automatically covered for AFDC recipients and therefore were not included. They were, however, included for workers, who usually pay some part of their own medical costs. Medical costs rose faster than basic necessities over the last 15 years.

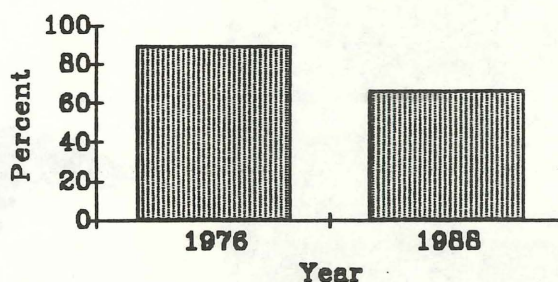
GRANT FOR ONE CHILD AND ONE ADULT 1972-1988



AFDC AND THE POVERTY LEVEL

AFDC grants are less than the federally established poverty threshold. This threshold is set each year by the federal government based on the Consumer Price Index. Currently, families of three who earn less than \$9,690 annually are considered to be living below the poverty level. Minnesota's AFDC payments for the same size family amount to \$6,384 annually, or 67 percent of the poverty level. In 1976, AFDC payments provided an annual income amounting to 90 percent of the poverty level.

AFDC AS A PERCENT OF POVERTY



AFDC families who receive food stamps are closer to the poverty level than those who do not. About 80 percent of AFDC families in Minnesota receive food stamps. Combining the AFDC payment and the cash value of food stamps provides AFDC families with annual incomes averaging 81 percent of the 1988 poverty level. In 1976, AFDC combined with food stamps placed families nearly equal to the poverty level.

1988 Poverty Guidelines--Annual Incomes

2 persons:	\$7,730	5 persons:	\$13,610
3 persons:	\$9,690	6 persons:	\$15,570
4 persons:	\$11,650	7 persons:	\$19,490

ABOUT THE COMMISSION

The COMMISSION ON THE ECONOMIC STATUS OF WOMEN is a legislative advisory commission established by the Minnesota Legislature in 1976. Commission members include state senators and representatives. The Commission studies all matters relating to the economic status of women in Minnesota and publishes reports and recommendations to the legislature and to the Governor.

Commission members are:

Senator Linda Berglin
Senator Gary DeCramer
Senator Pat Piper, chair
Senator James Ramstad
Senator Ember Reichgott
Representative Karen Clark
Representative Katy Olson, vice chair
Representative Connie Morrison
Representative Howard Orenstein
Representative Gloria Segal

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