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Work in Progress: Federal Welfare Reform in Minnesota was prepared by Steve Reckers, Deborah Pile, Mark Larson and J. H. Fonkert of Minnesota Planning. Additional assistance was provided by Todd Bergstrom, R. Thomas Gillaspay, Christina Rich, Susan Roth, Amy Walter and many others at Minnesota Planning. The departments of Human Services, Economic Security and Children, Families and Learning assisted in preparing this report.

Work in Progress outlines how the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 affects Minnesota.

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GLOSSARY

AFDC: Aid to Families with Dependent Children. This federal program provides cash payments to poor families with children. The federal government provides 54 percent of the funding with the remainder provided by the state. AFDC will be replaced by TANF in 1997.

Asylees: Immigrants granted asylum in the United States; similar to refugees, except that asylees are already present in the U.S. when requesting permission to stay.

Basic Sliding Fee child care: A program that helps pay the cost of child care for low- and moderate-income families who are not current or recent welfare recipients. Families are required to pay a share of child care costs based on their income and family size.

Child support: Monthly payments that an absent parent is legally obligated to make to a parent with custody of the couple's children to help support them.

Emergency assistance: Programs that provide emergency help for low-income people, including emergency medical assistance, emergency disaster relief, school lunch and nutrition benefits, foster care and Head Start.

Food Stamps: Federally funded coupons that can be used by families to purchase food.

GA: General Assistance; a state program that provides financial assistance to poor people who are ineligible for programs such as AFDC, SSI and MSA and who meet GA eligibility criteria.

GAMC: General Assistance Medical Care; a state program that pays for necessary health and medical services for eligible people whose income is insufficient to pay for needed services and who are ineligible for other medical assistance programs.

INS: The Immigration and Naturalization Service, part of the U.S. Department of Justice; provides assistance to legal immigrants including assistance toward citizenship.

Illegal immigrants: Undocumented immigrants who enter or live in the United States without official authorization by entering without inspection by the INS, or overstaying or violating the terms of their visas.

Legal immigrants: People who are not citizens but have legal permission to come to the United States. Many seek jobs, political asylum or reunion with their families. Some are here temporarily for medical care, business or other reasons.

Licensed child care: Care provided by child care centers or in-home providers who meet health and safety requirements. Only licensed providers may care for children from more than one family other than their own.

MA: Medical Assistance, Minnesota's name for Medicaid; a federal-state program that reimburses providers for health care services given to people whose financial resources are insufficient to pay for needed medical care.

MFIP: Minnesota Family Investment Program, Minnesota's comprehensive welfare reform program designed to replace AFDC and alleviate poverty by emphasizing work, supporting families while they work, setting clear expectations for self-support and simplifying access to welfare. A trial model is currently being tested in Anoka, Dakota, Hennepin, Mille Lacs, Morrison, Ramsey, Sherburne and Todd counties. A modified statewide MFIP is being proposed by the Minnesota Department of Human Services to the 1997 Legislature as Minnesota's TANF program.

MinnesotaCare: A health coverage plan for Minnesota residents who cannot afford private coverage for medical or dental care and are not eligible for Medical Assistance or General Assistance Medical Care.

MSA: Minnesota Supplemental Aid; assists elderly, blind and disabled people by supplementing federal SSI payments.

Naturalization: The process by which a foreign-born individual becomes a citizen of the United States. Naturalization requires that the person be over 18 years old, be lawfully admitted to the United States, reside in the country continuously for at

least five years, and have basic knowledge of English, American government and U.S. history.

Poverty: An index developed by the Social Security Administration defining basic levels of financial need to survive. It is based on family size, composition and age. It is a measure frequently used to determine eligibility and benefit levels for various state and federal assistance. The poverty level for a family of four in 1995 was \$15,550.

Refugees: People who flee their country due to persecution or a well-founded fear of persecution because of race, religion, nationality, political opinion, or membership in a social group.

SSI: Supplemental Security Income; a federal program that provides financial assistance to needy aged, blind, and disabled individuals.

STRIDE: Success Through Reaching Individual Development and Employment; Minnesota's version of the federal Job Opportunity and Basic Skills program. MFIP replaces STRIDE.

TANF: Temporary Assistance to Needy Families; the federal grant program that combines AFDC, Emergency Assistance and the Job Opportunities and Basic Skills Training Program into a single grant with fixed funding limits. Minnesota will receive \$268 million in its grant.

Transitional Child Care: A program that assists with the child care expenses of working parents up to 12 months after leaving AFDC.

Waiver: Permission granted by the federal government that enables a state to operate its program differently than what is normally required under federal regulations.

Work: Under TANF, work is defined as regular employment, subsidized employment, subsidized public sector employment, on-the-job-training, job-search and job-readiness training for up to six weeks, vocational-educational training up to 12 months, community service programs, job skills and educational training directly related to employment and child care services to a person participating in a community service program.



Summary: New Welfare Reform Law Spurs Historic Changes

The sweeping welfare reform law enacted by Congress in 1996 is spurring Minnesota and every other state to make historic changes in their welfare programs. The 1997 Minnesota Legislature must craft a new program to replace Aid to Families with Dependent Children, and make key decisions such as what happens to immigrants and children cut off from federal benefits. Congress set guidelines and gave the states new freedom, and states are now sorting the details. Welfare reform is truly a work in progress.

For 60 years the U.S. welfare system provided ongoing cash payments to poor families with children. Now, Congress has declared that welfare will be a program of temporary assistance, not a lifetime entitlement, except for families with serious hardships. Congress also set specific time limits on how long an individual can collect welfare in his or her lifetime.

The new focus of welfare is work. Congress decreed a new social contract in which work will be expected in return for public benefits — both Food Stamps and cash welfare payments. The past rationale was that children with a mother at home and no father needed a safety net. The reality today is that most women — about 70 percent of women with young children in Minnesota — work outside the home at least part time, including thousands of single parents. Now, those on welfare will be expected to do the same.

Changes are well underway in Minnesota, though much work remains. A Minnesota

welfare reform initiative, the Minnesota Family Investment Program, has already been tested for two years as an alternative to AFDC. It creates financial incentives to encourage work and time limits in which welfare recipients must go to work or face penalties. Minnesota has a strong child care subsidy program to help welfare recipients go to work and working parents remain independent. Minnesota also has a unique low-cost health care program, MinnesotaCare, that helps people get off and avoid welfare. In addition, Minnesota already has enacted many child support collection measures now required of all states under federal welfare reform.

Work in Progress: Federal Welfare Reform in Minnesota provides information to help Minnesotans understand the new federal law and shape a system of support for the needy. The report focuses on the potential impact of the law's work requirements and the implications for Minnesota's children and immigrants. It also identifies some options and ways other states are reforming welfare.

PUTTING PEOPLE TO WORK

In July 1997, most of Minnesota's 58,000 families on AFDC or MFIP will face new federal work requirements and limits on benefits. AFDC will be replaced by Temporary Assistance for Needy Families. A five-year lifetime limit on benefits will cover all but 20 percent or fewer families that can be exempted based on hardship. To retain full benefits, many welfare fami-

lies will have to work, beginning sometime in 1997 or 1998, depending on decisions by the Legislature. At least 75 percent of adult recipients eventually will be required to obtain a job or prepare to work. To avoid a reduction of federal funds coming to Minnesota, up to 25 percent, or as many as 12,000 recipients, will have to be working or in training or education activities in 1997, and 50 percent by 2002, up to 29,000 recipients.

Because of its prosperous economy and better-educated welfare population, Minnesota is in a better position than many states to cope with the new requirements.

■ Minnesota will have abundant job openings in 1997. Some 310,000 jobs are expected to be available for Minnesotans with a high school diploma or less. There will be an 8-to-1 ratio of job openings to welfare recipients with a high school diploma or less, but the recipient will have to compete with an average of three to four other Minnesotans for each job. Labor shortages in the state indicate that many jobs now remain unfilled.

■ Most of the available jobs pay \$5 to \$8 an hour — enough to boost a family's income while still on assistance but often not enough for self-sufficiency, especially for larger families. Better-paying jobs are plentiful in some regions for some better-qualified recipients.

■ Most welfare parents need help only with job search, transportation or child care, but up to one-third have significant personal and family problems and will need more intensive support.

■ The Minnesota Department of Human Services is proposing a modified MFIP that features more urgent time frames than required by the federal legislation, and strong financial incentives for welfare recipients to work, which will help the state meet employment goals set by Congress.

AT A GLANCE: MINNESOTA WELFARE INDEX

Percent of state and county general fund budget devoted to AFDC spending in 1986: 2.8
Percent of state and county general fund budget devoted to AFDC spending in 1996: 1.4
Percent of state general fund budget devoted to health care in 1996: 16.5

Percent of AFDC recipients who are children: 67
Percent increase in the dollar amount of monthly AFDC benefits since 1986: 0
Percent increase in Consumer Price Index since 1986: 42

Percent of Minnesota AFDC families headed by an unmarried mother under age 18: 1
Percent of Minnesota AFDC families headed by a single parent: 90
Average family size of an AFDC household: 2.94 people
Percent of Minnesota single-parent families on AFDC with a child under age 1: 12
Percent of Minnesota single-parent families on AFDC with a child under age 6: 63

Percent of new AFDC families who are off the program in six months or less: 23

Percent of births to unmarried women in Minnesota in 1960: 2.8
Percent of births to unmarried women in Minnesota in 1975: 10.2
Percent of births to unmarried women in Minnesota in 1995: 24.1

Number of able-bodied childless adults age 18 to 50 receiving Food Stamps: 3,400

Number of child support cases in which the state helped with collections in 1996: 204,000
AFDC payments to child support clients repaid from child support collections in 1995: \$55 million
Percent of state-managed child support cases for which full amount due was collected in June 1996: 47

Adjusted for inflation, the percent change in the amount Minnesota spent on AFDC from 1986 to 1996: -32

Adjusted for inflation, the percent change in the amount Minnesota spent on Medical Assistance (Medicaid) from 1986 to 1996: +87

Number of Minnesota counties in which the number of AFDC recipients increased between 1986 and 1996: 20

Number of Minnesota counties in which the number of AFDC recipients decreased between 1986 and 1996: 67

Change in number of AFDC recipients from 1986 to 1994: +33,600

Change in number of AFDC recipients from 1994 to 1996: -18,200

Net change in AFDC recipients from 1986 to 1996: +15,300

Net change in AFDC recipients in Hennepin and Ramsey Counties alone: +24,500

Number of counties outside the metropolitan area with a recipient increase of more than 1,000: 1 (Clay County)

Percent of Minnesota's population receiving AFDC in 1996: 3.7

Number of counties statewide in which AFDC recipients make up more than 5 percent of the population: 10

Of the 10, the number of counties that are located in northern Minnesota: 8

Proportion of Beltrami County's population receiving AFDC, Minnesota's highest AFDC rate: 10.2

Number of expected new job openings requiring a high school education or less for every welfare recipient required to work: 8

Number of applicants competing for every new job opening: 3.6

Percent of growth in Minnesota's labor force expected from TANF recipients seeking work: 1 to 2

Percent of Minnesota's population made up of legal immigrants (1990 Census): 1.4

Percent of U.S. population made up of legal immigrants (1990 Census): 4.7

Percent of national welfare budget cuts that will affect legal immigrants: 46

Percent of Minnesota's legal immigrants who live in the seven-county metropolitan area: 81

Note: Figures in the table have been rounded.

CHILD CARE NEEDS INCREASE AS PARENTS GO TO WORK

Ninety percent of AFDC families are headed by a single parent. Safe and affordable child care and improved child support collections are critical issues for such families as they seek to become self-sufficient.

To meet federal employment goals for welfare families with children, up to 12,600 additional children may need child care in 1997, and as many as 35,000 more children by 2002, based on rough estimates by Minnesota Planning. This would represent an increase in demand of up to 4 percent in 1997 and 11 percent by 2002 over the state's current licensed care capacity of 238,000 children. Some of the additional children may be cared for by relatives or legal unlicensed child care homes, reducing the need somewhat.

In meeting the needs of welfare parents going to work, the child care system faces challenges, including:

- A shortage of spaces for infants and toddlers under age 3.
- Varying availability by region, with fewer spaces in central and northern Minnesota.
- A shortage of child care services during evenings, nights and weekends.

Providing adequate funding to guarantee child care to working welfare recipients will be another challenge. Subsidies average \$4,100 per year per AFDC family, so more than \$24 million could be needed if 10,000 more children were to receive child care. Additional federal funds will meet only part of the demand. Minnesota must decide whether to continue to guarantee child care subsidies to welfare

families, and must decide which families have priority.

Federal welfare reform requires rigorous new activities by states to improve the collection of child support payments. Minnesota already meets and goes beyond most of the federal requirements, but federal law requires the Legislature to take action in several areas, including reducing benefits for welfare mothers who do not cooperate in establishing paternity, requiring more reporting by financial institutions to track people owing child support, and suspension or revocation of recreational licenses for parents delinquent in paying child support.

Up to 3,200 Minnesota children are expected to lose cash payments from the Supplemental Security Income program, which supports people with disabilities. Eligibility is being tightened for children with behavioral disorders or mild mental retardation. Some will qualify for a smaller TANF cash payment as a replacement for SSI. Minnesota will have to decide whether to replace lost federal benefits for children affected by the changes.

CUTS FACING LEGAL IMMIGRANTS

Legal immigrants — those who are not U.S. citizens but are in this country legally — will be hit hard by federal cutbacks, creating pressure for states to replace lost federal benefits. Except for certain exempt groups, all newly arriving legal immigrants are ineligible for SSI, Food Stamps and Medical Assistance until they become citizens or have worked in the United States for 10 years. Unless they have worked in the United States for 10 years or become citizens, those currently living

in the United States will lose SSI and Food Stamp benefits by August 22, 1997, and could lose Medical Assistance if Minnesota elects to exercise this option.

In 1990, Minnesota's legal immigrants numbered about 62,300, but the number could be as high as 100,000 today. In 1996, nearly 34,000 received one or more public benefits in the form of AFDC, Food Stamps or Medical Assistance. Minnesota's legal immigrants could lose at least \$37 million in federal public assistance funding because of welfare reform, with 2,000 elderly and 3,400 disabled people losing SSI and 16,000 people losing Food Stamps. The Congressional Budget Office estimates that about 46 percent of federal savings from welfare reform during the next five years will come at the expense of legal immigrants.

CONTINUING CONSEQUENCES OF WELFARE REFORM

A host of additional issues face the state. Minnesota has a history of helping those in need. Benefits here are typically among the highest in the country. Minnesota may attract disproportionately higher numbers of welfare migrants than other states, especially if the benefit disparity between it and other states increases. State and tribal governments must consider the needs of the sizeable American Indian population, traditionally among the poorest people, many of whom live in remote areas where fewer jobs are available. Lowering teen pregnancy rates is a goal of the federal legislation, and Minnesota must decide how to respond. Courts must address the constitutional issue of legal immigrants' rights to benefits. While welfare reform is only beginning, its issues will be unfolding for years to come.

Overview: Work Requirements and Time Limits Are Major Changes



The federal government is drawing a hard line on welfare. Effects of the federal welfare reform law, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, are being realized in Minnesota and across the nation. Programs begun in the 1930s are being recast, arrangements between states and the federal government are being revamped, and eligible populations are being redefined. Under the law:

- Most people on assistance must work.
- For the first time, limits are placed on how long people can receive assistance.
- Federal money to states is set at a certain amount instead of automatically increasing as more people enter the welfare rolls.
- States are penalized for not reaching federal goals in getting people to work.
- Immigrants who are not U.S. citizens are excluded from many public assistance programs.
- Certain able-bodied adults and disabled children will have their benefits reduced or eliminated.

The new law is a comprehensive overhaul of major programs, including Aid to Families with Dependent Children, Food Stamps and Supplemental Security Income. Intended to reduce welfare dependency, the law aims to promote personal responsibility. States have greater control and flexibility in designing and administering welfare programs, while federal welfare spending increases are slowed. Without the changes, nationwide spending in federally funded welfare programs was expected to grow nearly 50

percent over the next seven years. The reform legislation will slow the rate of growth to 35 percent over the same period.

Minnesota must prepare a plan over the next five months to implement the new federal law. The plan must specify the state's strategy to impose work requirements on recipients, whether or not benefits will be provided to legal immigrants, treatment of welfare recipients who move to Minnesota from other states, and goals to reduce out-of-wedlock pregnancies. State plans also must certify that they will aggressively enforce child support orders and that they will provide American Indian people with equitable access to assistance. All state plans must be submitted by July 1, 1997.

AFDC ENDS

The new federal law replaces Aid to Families with Dependent Children with a block grant program called Temporary Assistance for Needy Families. AFDC was established in 1935 under the Social Security Act to help poor widows care for their children. Today, AFDC is the country's main assistance program for needy single mothers. AFDC is available to all families with children who meet eligibility requirements. The federal government covers a share of AFDC benefits — 54 percent in Minnesota's case — regardless of how many people use welfare.

The new Temporary Assistance for Needy Families grants provide states with a

lump-sum appropriation based on 1994 welfare spending levels. Unlike AFDC, which was open-ended, these TANF grants are capped. Minnesota will receive \$268 million in TANF grants each year for six years. The TANF program provides cash payments to qualifying families and imposes certain work requirements. It removes many of the restrictions the past law placed on the use of the funds. The new law also limits state administrative spending to 15 percent of the total grant amount — about \$40 million, close to what Minnesota is currently spending.

In addition, Minnesota must keep its state-funded welfare spending level at 80 percent or more of what it spent on AFDC in 1994. In Minnesota's case, this amounts to \$166 million. States that fail to maintain this spending level will have money deducted from their TANF grants and be subject to further stiff financial penalties.

Good performance is rewarded through a number of discretionary funds and incentives. States that meet the work requirement are rewarded by having the amount they have to spend reduced from 85 percent of past spending to 75 percent. So-called "high performance" states are eligible for extra money through a special \$1 billion fund. Additionally, supplemental funds are established to assist those states that have high unemployment rates or sudden, drastic caseload increases.

Placing a strong national emphasis on the collection of child support, the new law requires that a welfare mother cooperate in identifying the father of her child and in establishing a child support court order. Recipients who fail to do so will see their monthly payments reduced by 25 percent. A national workforce directory will be established to track parents who are not meeting their child support obligations. Under a provision known as "grandparent liability," states may opt to collect child support from the parents of young unmarried men who father children. The grandparent liability provision allows a state to enforce child support orders against the parents of a minor, noncustodial parent in cases where the custodial parent is receiving TANF.

AT A GLANCE: MANY MINNESOTANS TOUCHED BY REFORM

<i>Who could be affected</i>	<i>How they could be affected</i>
Families Receiving Welfare Benefits	<ul style="list-style-type: none"> ■ Will have increased incentives to enter the labor force. ■ Will have benefits reduced by 25 percent if they do not cooperate in establishing paternity. ■ Could lose cash assistance and Medical Assistance for refusing to work.
Children	<ul style="list-style-type: none"> ■ Will require as many as 29,000 to 35,000 new child care spaces by 2002, because their parents will be required to work. ■ Will be more likely to receive child support payments because of stricter enforcement.
Children with Milder Disabilities	<ul style="list-style-type: none"> ■ May lose SSI benefits because the definition of disability is tightened. Up to 3,200 children could be affected.
Children of Legal Immigrants	<ul style="list-style-type: none"> ■ Could lose food stamp benefits if they were not born in the United States. ■ May lose TANF benefits if state elects to deny benefits to current legal immigrants.
Illegal Immigrants	<ul style="list-style-type: none"> ■ Will no longer be eligible for MA benefits; 570 illegal immigrants affected. ■ May be less likely to report crimes or seek necessary health care and educational opportunities due to stricter INS reporting requirements.
Legal Immigrants	<ul style="list-style-type: none"> ■ Who have worked in the United States for 10 years or are U.S. veterans will be eligible for the same benefits as citizens. ■ Who are refugees or asylees will be eligible for benefits for their first five years in the United States. ■ Arriving in the United States after August 1996 are ineligible for all but emergency benefits for five years, unless they are refugees, asylees or veterans. ■ In the United States prior to August 1996, who are not refugees, asylees or veterans and have not worked in the United States for 10 years, will be ineligible for Food Stamps and SSI, but can be eligible for TANF and MA at the state's discretion.
Child Care Workers	<ul style="list-style-type: none"> ■ May see increased demand for non-traditional hours to meet the needs of people having to work evenings, nights and weekends. ■ May experience increased demand for their services and providers may have difficulty finding enough qualified staff.
Hunters, Anglers, Snowmobilers, Boaters, Owners of All-Terrain Vehicles	<ul style="list-style-type: none"> ■ Could have their recreational licenses withheld or suspended if they fail to pay child support.
Employers	<ul style="list-style-type: none"> ■ Will have access to new workers to fill labor force needs. ■ Will be asked to share in developing work-ready employees. ■ Must submit new employees' addresses and Social Security number to the state for child support collection purposes.
Business Owners	<ul style="list-style-type: none"> ■ May experience lost sales due to benefit cuts in neighborhoods having significant immigrant populations or high poverty levels.
People Addicted to Drugs or Alcohol	<ul style="list-style-type: none"> ■ May lose SSI benefits under a separate federal law passed in 1996.
Post-Secondary Administrators and Staff	<ul style="list-style-type: none"> ■ Could face reduced enrollment as welfare reform emphasizes work more than training and education. ■ Will be challenged to develop effective short-term training programs to meet the needs of welfare recipients, business and industry.
English as a Second Language Instructors	<ul style="list-style-type: none"> ■ May experience increased demand for their services, particularly in the Twin Cities area as large numbers of immigrants seek English proficiency to obtain citizenship and prepare for jobs.
Nonprofit Boards and Administrators	<ul style="list-style-type: none"> ■ Could see a significant increase in requests for support from food shelves, soup kitchens, emergency shelters and health and social service providers due to reductions in SSI, Food Stamps and other benefits.
Members of Religious Organizations	<ul style="list-style-type: none"> ■ Will be challenged to fill the gap vacated by government and the nonprofit sector in meeting a variety of social and financial needs. ■ Will be more responsible for financial support of legal immigrants they sponsor.
Local Elected Officials	<ul style="list-style-type: none"> ■ Must decide how to deal with change in demand for a host of public services, including subsidized housing, hospital services and transportation.
American Indians	<ul style="list-style-type: none"> ■ Tribes can receive their own TANF grant or be covered under the state's plan. American Indians living on reservations face serious employment obstacles where job prospects are limited.

Work Emphasized

More than ever before, greater emphasis is placed on the importance of work. Standards for work participation are outlined in the law, and states must comply with those requirements or lose a portion of their TANF grant. While on TANF, adults generally will be required to work or spend a certain number of hours per week in work activities. Exceptions are allowed for parents of children under age 1 and for those with children under age 6 who are not able to find child care.

The federal law requires an increasing percentage of state welfare recipients to work. In the year beginning July 1, 1997, 25 percent of state welfare recipients must work, with the percentage increasing annually by 5 percent. By 2002, 50 percent of the state's welfare recipients will be required to work. States that fail to meet the work requirement will be subject to a 5 percent reduction in grant funds in the first year, increasing annually by 2 percent to a maximum of 21 percent. In Minnesota, for example, a 5 percent reduction in the state's block grant would amount to a loss of more than \$13 million. Generally, most single parents will be required to participate in work activities for at least 20 hours per week after they have received TANF for two years. A state can choose to require some parents to work or look for employment sooner than two years.

While states were required to continue Medicaid benefits for everyone covered under AFDC, they may terminate benefits for adults in TANF families who refuse to work. Children in these families would continue to receive medical coverage. The new law requires that people who lose welfare eligibility because of increased income from earnings will receive transitional Medicaid coverage for one year.

Lifetime Limits Placed on Assistance

The law places a national five-year lifetime limit on receipt of TANF. States can enact shorter limits without federal approval, and several have. The limit reflects the philosophy that welfare is to be temporary support while adult recipients try to find employment to achieve self-sufficiency.

The five-year time limit may result in approximately 20 percent of the nation's welfare recipients being cut off in each of the first four years after the limit is reached. The federal law does, however, permit states to exempt 20 percent of their caseloads from the time limits because of hardship or abuse.

New time limits also apply to the Food Stamp program, although they have no effect on people who work. Able-bodied adults between age 18 and 50 without children will be eligible for Food Stamps for only three months in any three-year period, unless they work or engage in work-related activities at least 20 hours a week. Exceptions are allowed for high unemployment areas.

Many Immigrants Will Lose Benefits

The new law will significantly reduce the number of immigrants who receive public assistance. For illegal immigrants — those who are not U.S. citizens and are not in the United States legally — assistance is limited to emergency Medical Assistance, noncash disaster relief and public health immunizations. Individuals who are not U.S. citizens but are in this country legally — referred to in the federal law as “qualified aliens” and in this report as “legal immigrants” — will be ineligible for Food Stamps and Supplemental Security Income, unless they meet one of the following categories of eligibility:

- They possess official status as a refugee or asylee.
- They are veterans or active-duty personnel of the U.S. armed forces (includes spouses and dependent children).
- They have worked in the United States for 10 years.

States have the option of excluding most legal immigrants from TANF, Medical Assistance and other social services. Immigrants who arrive in the United States on or after August 22, 1996, the date the federal bill was enacted, will be ineligible for most types of federal assistance for their first five years in the United States. They will, however, continue to be eligible for school lunch, Head Start, foster care and adoption assistance programs. Refugees and asylees are eligible for TANF,

MA and other social services in their first five years. Veterans or active-duty personnel, including their spouses and dependent children, and people who have worked in this country for 10 years are eligible for all benefits available to citizens.

Children Need Rescreening for Disability Benefits

A new definition of child disability is established in the federal law, and the Supplemental Security Income program is limited to children meeting that definition. To be eligible for SSI, children must have a physical or mental disability that severely limits their functioning, and the disability must be expected to cause death or last more than one year. An assessment of a child's functioning level or maladaptive behavior are no longer criteria for eligibility. Children receiving SSI must be re-screened under the new criteria. If a basis for eligibility is not found, they will lose SSI benefits no earlier than July 1, 1997.

New changes also deny SSI benefits to legal immigrants. Changes resulting from another federal law passed in 1996 deny SSI benefits to drug and alcohol addicts, if

FEDERAL FUNDS WILL INCREASE MORE THAN 20 PERCENT		
	Millions	
	1996	1997
TANF	—	\$268
AFDC	\$183.5	—
Emergency Assistance	\$8.6	—
JOBS	\$14.2	—
Child Care Development Fund	\$37.4	\$49.9
Social Service Block Grant	\$48.8	\$41.5
Total	\$292.3	\$354.8

Note: States' TANF allocations are based on funding in 1994 for AFDC, Emergency Assistance and JOBS (totalling \$207.3, \$7.6 and \$13.7 million respectively in Minnesota), and will remain at this level. States have flexibility to move 30 percent of TANF to Child Care Development Fund and 10 percent to Social Service Block Grant. \$39.4 million of TANF grant may be used for administrative costs.

Funds shown for federal fiscal year.
Source: Minnesota Department of Human Services

alcoholism or drug addiction is a contributing factor to their disability. The Minnesota Department of Human Services estimates that more than 10,000 Minnesotans could lose federal SSI benefits. This includes as many as 3,200 children, 2,800 drug- and alcohol-addicted people and 5,400 legal immigrants. Many of these people will become eligible for state assistance programs if the current state law is not changed. Human Services estimates that this will cost the state an additional \$28.9 million per year over the next four years.

Minnesota Family Investment Program Can Replace TANF

Since 1994, Minnesota has been experimenting with its own alternative to AFDC, the Minnesota Family Investment Program. The federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 allows states to continue to operate experimental programs under waivers approved before passage of the federal law. Waivers are exemptions from federal requirements that allow states to test new programs or ideas. Before the federal law was passed, Minnesota had received a federal waiver to expand MFIP statewide.

The Minnesota Family Investment Program is a welfare-to-work program that replaces AFDC, Food Stamps and two other programs with a single cash grant. MFIP differs from the AFDC program by rewarding work and creating a social contract between families and the government. Like federal welfare reform legislation, MFIP promotes welfare as a temporary means of support for families. MFIP helps families work and increase their incomes above the poverty level while continuing to receive assistance. This permits families to make a smoother transition from welfare to work and helps make work a more attractive option than welfare. In MFIP, families will always have more income if they work than if they only receive welfare.

MFIP was started in 1994 as a pilot program in seven counties — Anoka, Dakota, Hennepin, Mille Lacs, Morrison, Sherburne and Todd. Ramsey County was added in July 1996. About 4,500 families receive benefits under MFIP. Preliminary findings demonstrate that MFIP recipients were more likely to be working than those receiving traditional AFDC.

The federal law generally says that when waiver provisions differ from federal law,

the waiver takes precedence. However, questions remain regarding whether the law or the waiver will govern for several provisions. These questions will be important to resolve as the Legislature and Governor craft Minnesota's state plan.

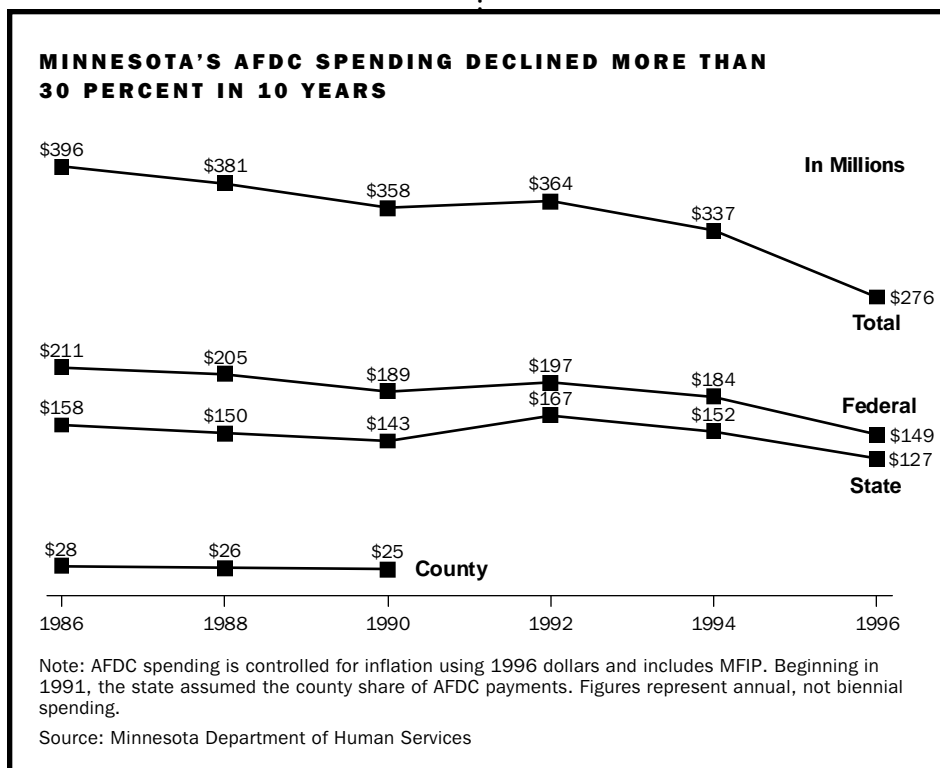
AFDC SMALL PART OF PUBLIC ASSISTANCE PICTURE

Seven key programs form the core of the state's assistance system for needy families and individuals. AFDC, being replaced by TANF, and Medicaid (called Medical Assistance in Minnesota) form the basis of government support for families with children. Both AFDC and Medical Assistance are supported by a combination of state and federal dollars. Two other programs — Food Stamps and Supplemental Security Income — are funded entirely with federal dollars. Food Stamps are provided to needy families and individuals, while SSI benefits needy aged, blind and disabled people.

Three programs — Minnesota Supplemental Aid, General Assistance and General Assistance Medical Care — are funded totally with state dollars. While Minnesota Supplemental Aid provides added benefits to people covered by the federal SSI program, the other two provide assistance to people excluded from other support programs, such as AFDC and Medical Assistance.

Increases in health care costs accounted for virtually all of the 68 percent rise in welfare spending from 1986 to 1996.

Welfare spending includes state funding for the seven key programs plus funding for several others. While AFDC spending decreased between 1986 and 1996, Medical Assistance and General Assistance Medical Care increased dramatically. Adjusted for inflation, state Medical Assistance spending increased by 87 percent between 1986 and 1996. Spending on General Assistance and Minnesota Supplemental Aid decreased. Besides inflation and rising nursing home spending, the increased spending on health care was driven by efforts to provide medical coverage for more children and other



uninsured Minnesotans. These efforts have kept some working families off AFDC.

Total public assistance spending as a share of general fund spending increased from 16.1 percent in 1986 to 19.9 percent in 1996. Total state and county spending for AFDC as a share of general fund spending decreased from 2.8 percent to 1.4 percent over the same period.

AFDC Spending and Number of Recipients Down

Often thought of as synonymous with welfare, Aid to Families with Dependent Children provides cash payments to families with children who need support because a parent is unemployed, absent or incapacitated. It is Minnesota's main cash assistance program. Assistance levels are based on income or "need standards." For example, a family of one adult and two children with a gross income of \$7,500 could receive AFDC benefits of up to \$372. Most recipients lose eligibility if they work and earn more than about 85 percent of the federal poverty level.

About 174,000 people on average received monthly benefits under AFDC in 1996. About two-thirds of AFDC recipients are children. About 14,700 are legal immigrants who are not U.S. citizens. Between 1986 and 1994, the number of AFDC recipients increased by more than 33,600. Since 1994, however, the number of recipients actually declined by 18,200, or about 10 percent.

Contrary to popular belief, total state and federal spending on AFDC, adjusted for inflation, decreased dramatically between 1986 and 1996. State and county AFDC spending decreased by 32 percent over the 10-year period, when adjusted for inflation. AFDC benefits have not been increased since 1986 despite a 42 percent increase in the consumer price index during the period.

AFDC rolls declined in most counties between 1986 and 1996. The number of AFDC recipients fell by 17,200 in 67 counties. Twenty counties posted an increase, totaling 32,500 AFDC recipients. Hennepin and Ramsey counties alone

accounted for 24,500 of this increase. Anoka, Clay, and Dakota counties were the other counties with an increase of more than 1,000 recipients.

AFDC rolls increased 38 percent in Hennepin and Ramsey counties combined, even though their population only grew 9 percent. Counties that had large increases in AFDC recipients coupled with population declines included Traverse with an AFDC increase of 76 percent and population decrease of 14 percent; Norman, 61 percent AFDC increase and 13 percent population decrease; and Renville, 64 percent AFDC increase and 8 percent population decrease.

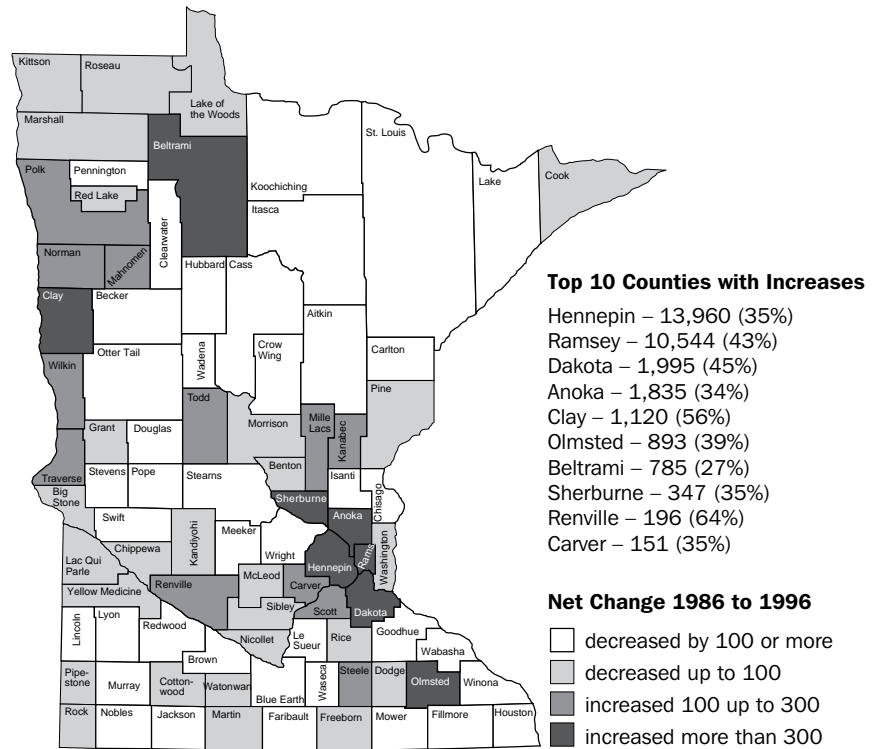
Even though most of the increase since 1986 in the number of AFDC recipients occurred in the Twin Cities, AFDC population as a percent of total population is high in northern Minnesota.

There, eight counties had AFDC populations that exceeded 5 percent of total county population in 1996. Ramsey and Hennepin counties also have total AFDC recipients exceeding 5 percent of population. In Ramsey County, 7.1 percent of residents received AFDC. The only county posting a higher percentage was Beltrami with 10.2 percent.

Medicaid Spending Increased Dramatically

Medicaid is a joint federal-state program providing payments to doctors, hospitals and other health care professionals for care provided to low-income people. The federal government requires states to provide medical benefits to AFDC recipients and other low-income people, including children in foster care, children under age 21, pregnant women and aged, blind or disabled people. Minnesota's

AFDC RECIPIENTS INCREASED IN 20 COUNTIES IN PAST 10 YEARS



The number of AFDC recipients as a share of total county population increased by more than 50 percent between 1986 and 1996 in four counties, all outside the Twin cities area — Clay, Norman, Renville and Traverse. Ramsey and Hennepin counties experienced increases of 40 and 31 percent respectively.

Source: Minnesota Department of Human Services

Medical Assistance program goes beyond minimum requirements by covering people whose medical expenses reduce their income and assets below certain levels set by the state.

Spending on Medical Assistance has been the primary cause of the growth in total public assistance spending in Minnesota during the past 10 years. Its share of total public assistance spending increased from 64.2 percent in 1986 to 71.2 percent in 1996. Total Medical Assistance spending increased by 87 percent. The Department of Human Services is projecting Medical Assistance spending of \$4.2 billion by 2001. The monthly average number of recipients is expected to swell by more than 92,000, due mainly to increasing numbers of children and disabled people covered by Medical Assistance.

Food Stamps, SSI and Minnesota Supplemental Aid Help Many

The federal Food Stamp program provides coupons to needy families and individuals to purchase food. Coupons are distributed based on family size and income level and can be used like cash to buy food. To be eligible, a family's gross income must be less than 130 percent of the federal poverty level. For a family of three, 130 percent is \$1,364 per month. The maximum monthly Food Stamp benefit for an AFDC family of three with one parent and income of \$532 per month is \$254. The average monthly benefit in 1996 was \$63 per person.

On average in 1996, 128,000 households and about 300,000 people received Food Stamp benefits. The number of households receiving benefits is down about 4 percent from 1994 levels; however, more than half of the decrease is due to house-

holds that receive similar benefits in cash through MFIP.

The federal Supplemental Security Income program assists needy aged, blind and disabled people. Benefits are determined by income level. For example, a single person must have an income of \$378 per month or less and a married couple \$707 or less to receive SSI benefits. In 1996, Minnesota's 62,000 SSI recipients received about \$227 million in federal aid. Monthly benefits averaged \$308 per recipient.

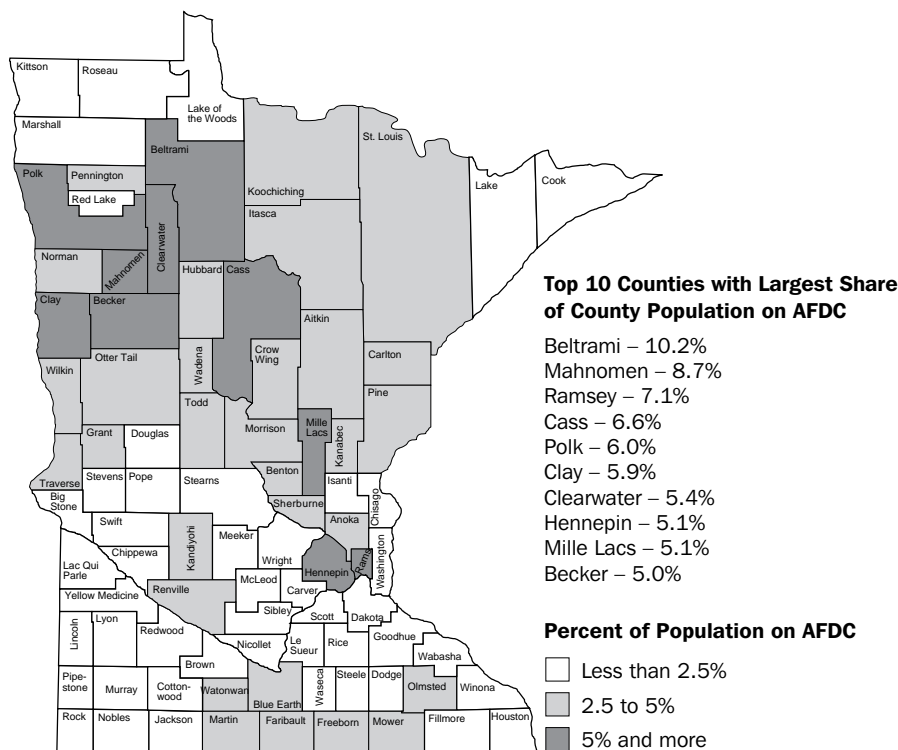
Minnesota Supplemental Aid is a program required by federal law to supplement SSI for needy aged, blind and disabled people. Minnesota has long opted to be more generous than the federal government requires. Monthly MSA payments are determined by subtracting a recipient's net income from an income need standard. The need standard for a single person living alone is \$519 per month. For a married couple, it is \$778. People with net incomes above these levels do not qualify for MSA.

Average monthly benefits decreased from \$210 per person per month in 1986 to \$77 per month in 1996 at the same time that the number of recipients more than doubled. Total spending on Minnesota Supplemental Aid decreased 23 percent between 1986 and 1996. The Department of Human Services is projecting a 58 percent spending increase and a 30 percent increase in recipients by 2001, due to an increased number of disabled and elderly people.

State General Assistance Is Safety Net for Adults Unable to Work

Minnesota's General Assistance program provides cash payments to single adults and childless couples who are unable to work. Eligibility is limited to people unemployable due to mental problems, addiction and other conditions. Spending on General Assistance declined markedly between 1986 and 1996 — a 42 percent decline when adjusted for inflation. The number of recipients declined by 40 percent during the period.

AFDC RECIPIENTS MAKE UP MORE THAN 5 PERCENT OF POPULATION IN 12 COUNTIES — 1996



Note: The map represents the percentage of county population that was on AFDC in 1996, using 1995 county population estimates.

Source: Minnesota Department of Human Services

The state-funded General Assistance Medical Care program pays health care costs for people whose income and assets are insufficient to cover their medical expenses and who are not eligible for other medical assistance programs. Assistance is provided to people eligible for General Assistance and others with medical expenses that reduce their income below set limits.

Along with Medical Assistance, General Assistance Medical Care was a main contributor to large increases in total public assistance spending between 1986 and 1996. Spending on the program during the period increased by more than 71 percent.

Some Minnesota Programs Aim to Reduce Welfare Use

A number of Minnesota programs are designed to help families shorten their time on welfare or avoid it entirely by

helping them meet their needs outside the welfare system. These programs are based on the principle of low-income working families supporting themselves to the best of their ability.

■ **MinnesotaCare.** As of April 1996, about 4,000 fewer families received welfare because MinnesotaCare provided low-cost health insurance that enabled them to take jobs without health coverage. The Department of Human Services estimates that MinnesotaCare has reduced single-parent family welfare use by 6 percent and two-parent family use by 18 percent.

■ **Child Support.** Aggressive child support enforcement helps to increase the incomes of single-parent families, allowing them to avoid public assistance or leave it more quickly. In 1996, more than 8,700 families were receiving child support when they left AFDC rolls. In addition, the Minnesota Parents' Fair

Share program in Anoka, Dakota and Ramsey counties helps poor, absent parents who default on child support payments to become employed.

■ **Child Care.** Minnesota's Basic Sliding Fee child care program provides child care subsidies for nearly 9,000 non-welfare low- and moderate-income working families.

■ **Working Family Credit.** Minnesota's program, which piggybacks on the federal Earned Income Tax Credit, provides a tax credit to reward low-income people who work.

Minnesota will look to these and other programs as it shapes the state plan during the next five months. With greater control and flexibility, Minnesota is in a strong position to implement the new federal law, as well as design and administer welfare programs that uniquely meet the state's needs.

**WORK
IN PROGRESS**
FEDERAL WELFARE REFORM
IN MINNESOTA

Putting People to Work Is Major Challenge of Welfare Reform

Welfare reform establishes a new social contract in which work is expected in return for benefits. Under the new federal Temporary Assistance to Needy Families law, most welfare recipients must work or be looking for work, in training or going to school. Cash welfare payments will help families in crisis for only a limited period of time. Under AFDC, families with children could collect benefits indefinitely and were penalized financially if they tried to work.

Minnesota's welfare reform model, the Minnesota Family Investment Program, creates a financial incentive to work by ensuring that welfare recipients who work are better off than those who do not. The 1997 Legislature will decide how to modify MFIP or use other approaches to replace AFDC on a statewide basis.

Beginning July 1, 1997, or soon thereafter, 58,000 families in the state on AFDC or MFIP will come under the new statewide welfare program. Most families will face a federal five-year lifetime limit on cash welfare benefits; only 20 percent of families, at most, can be exempted from the limit because of hardship. At least 75 percent of adult recipients will eventually be required to obtain a job or prepare to work unless they leave welfare quickly. To meet federal goals, up to 25 percent of those who are not exempt, or as many as 12,000, will have to be working or in training or education activities in an average month in the first year of the program.

Because of its prosperous economy and relatively better-educated welfare population, Minnesota is in a better position than many states to meet the new federal requirements.

■ Minnesota will have abundant job openings in 1997. Some 310,000 job openings will be available for Minnesotans with a high school diploma or less. If only welfare recipients are considered, there will be a ratio of eight new job openings monthly to each welfare recipient with a high school diploma or less seeking work. The ratio of jobs to welfare recipients will be higher for those with more education. At the same time, welfare recipients will have to compete with many other job seekers — a ratio of three to four for each job opening, on average. Many individual jobs have a shortage of applicants.

■ Most of the jobs pay \$5 to \$8 an hour — enough to boost a family's income while still on assistance, but often not enough to cover child care expenses and provide for self-sufficiency, especially for larger families.

■ Better-paying jobs are plentiful in some regions and could be available to welfare recipients if they work their way up or get the necessary training.

■ Most welfare parents need help mainly with job search, transportation or child care, but up to one-third have major personal and family problems that will make it more difficult for them to obtain work.

■ Minnesota most likely can meet federal goals for employing 25 percent of welfare recipients in the first year, but the task will become more difficult as goals rise in succeeding years.

NEW LAW REQUIRES RECIPIENTS TO WORK

The new TANF requirements will affect virtually all of Minnesota's 58,000 families on AFDC or MFIP, though some requirements will be modified by the state. Key provisions of TANF are:

■ Most single parents must work or be in job search, job training, school or work-related activities after two years on welfare or face penalties. States can set a shorter time period. By mid-1999, up to 24,000 people, or 40 percent of single parents receiving TANF in Minnesota, would be affected.

■ States can exempt from work single parents with children under age 1. In Minnesota, this is about 6,000 families, or 12 percent of single-parent families on welfare. Single parents with children under age 6 — 63 percent of all single-parent families — cannot be penalized if they cannot find adequate child care, but they still count in determining whether states are meeting federal goals.

■ Assistance is limited to 60 months in a person's lifetime, the equivalent of five years, beginning in 1997. States may define hardships and exempt up to 20 percent of families from the lifetime limit, which would be up to 14,000 families of the 68,000 projected to be on TANF in Minnesota by 2002. These parents may still be subject to work requirements.

■ All states must meet federal goals or lose part of their federal funds. In federal fiscal year 1997, 25 percent of all families that are not exempt and are not already working must participate in work or work-related activities for at least 20 hours a week — up to 12,000 families in Minnesota, depending on what exemptions are set. Because Minnesota already has reduced its caseload, its target is likely to be

AT A GLANCE: FEDERAL CHANGES WILL REQUIRE WORK

Federal welfare reform will require most adult welfare recipients to work in order to retain their benefits. Beginning in 1997, families receiving benefits under AFDC or the Minnesota Family Investment Program will shift to a new program which will be Minnesota's version of the federal Temporary Assistance for Needy Families. Most adults in the program will be required to work to retain benefits, which will be limited to five years over their lifetimes.

A smaller number of able-bodied adults without children who are receiving Food Stamps also will be required to work to retain their benefits, but as long as they continue to work they will not face a time limit.

Aid to Families With Dependent Children, Minnesota Family Investment Program, Temporary Assistance for Needy Families

What it does: Provides monthly cash payments to low-income families with children. TANF will also fund employment assistance activities, replacing the federal JOBS program that operated in Minnesota as STRIDE.

Who funds it: Federal and state governments

Numbers currently receiving AFDC or MFIP: About 59,054 families (including 117,000 children) in an average month in fiscal year 1996

Average monthly benefit: \$410 per family in fiscal year 1996

Under federal law Minnesota MUST

- Limit TANF benefits to 60 months (five years) in a person's lifetime, beginning July 1997. A maximum of 9,000 families could hit the limit and lose assistance in July 2002, but many are likely to be exempted from the limit.
- Require most single parents to work or be in work-related activities after two years on TANF. This would affect up to 24,000 parents in mid-1999, and 38,000 by 2002.
- Require one parent from most two-parent families to be in work or related activities once they have been on TANF for six months. Seventy-five percent must be working 35 hours a week in 1997 and 90 percent by 1999. This amounts to 3,500 in 1997 and 4,300 in 1999.
- Require an adult from 25 percent of all nonexempt families working or in related activities at least 20 hours a week in 1997, increasing to 50 percent for 30 hours a week in 2002 and beyond. Depending on exemptions, this federal goal would represent a maximum of 12,000 families in 1997 and 29,000 in 2002.
- Require unmarried TANF recipients under age 18 to work toward a high school degree and live with parents, guardians or other related adults.
- Reduce benefits for adults who do not work. Penalties are waived for single parents (with children under age 6) who do not work due to lack of child care.
- Provide employment assistance to recipients.
- Limit participation in job search, training and educational activities.
- Provide transitional Medical Assistance to those who get a job and go off TANF.

Minnesota MAY

- Set monthly benefits and eligibility rules.
- Limit TANF benefits to a period less than five years per person.
- Require recipients to go to work sooner than the time periods set by TANF.
- Exempt up to 20 percent of families from the five-year lifetime limit on benefits, based on hardship. This amounts to up to 12,000 families in Minnesota.
- Exempt single-parent families with children under age 1 from work requirements. This is about 6,000 families.
- Require both parents in some two-parent households to work, within TANF limits.
- Determine penalties, within TANF guidelines, for recipients who do not meet work requirements, including termination of MA.
- Require adult recipients to do community service jobs after two months on welfare.
- Treat families moving from another state under the rules of that state for 12 months.
- Deny benefits to new children born or conceived while the parent is on welfare.
- Penalize parents whose children don't attend school.
- Carry over unused TANF funds to future years.
- Use state funds to provide benefits to groups cut off from TANF, subject to federal limitations.

Food Stamps

What it does: Provides monthly food coupons to low-income families and individuals

Who funds it: Federal government

Number of able-bodied adults without children currently receiving Food Stamps: 3,400 in September 1996, out of about 120,000 total households and 280,000 individuals receiving Food Stamps. An estimated three to four times as many different able-bodied adults receive Food Stamps over the course of a year.

Average monthly benefit: \$63 per person in fiscal year 1996

Under federal law Minnesota MUST

- Require all able-bodied individuals or couples age 18 to 50 without children to work or engage in a work program at least 20 hours a week to remain eligible for Food Stamps. Those who do not work will be eligible for only three months of Food Stamps every three years, beginning December 1, 1996. Since all able-bodied recipients could keep their benefits by working, and no state dollars are involved, no official estimate has been made of how many able-bodied food stamp recipients will lose benefits.
- Allow workers who are laid off from their jobs an additional three months of Food Stamps without working.
- Operate a federally-funded Food Stamp Employment and Training Program, and help recipients find work through other federal employment programs.

Minnesota MAY

- Request exemptions from the time limits for counties or labor market areas with high unemployment.
- Provide the value of welfare benefits, including Food Stamps, to employers to hire and pay a recipient.

only 20 percent in the first year — up to 10,000 families. The goal gradually increases to 50 percent for 30 hours a week by the year 2002 — up to 29,000 families.

■ The federal government also requires that 75 percent of two-parent families that were not already doing so must participate in work activities in 1997. This amounts to about 3,500 families in Minnesota. The goal rises to 90 percent by 1999, about 4,300 families. To count toward the goal, an adult must work 35 hours per week. Two-parent families must be in work or related activities by the time they reach six months on TANF. States can set an earlier work requirement and can require both parents to work under certain limitations and count them both toward the state's goal.

■ Unmarried parents under age 18 must live at home or in an adult-supervised setting to receive assistance. Those with children 12 weeks or older must attend school or an alternative training program if they have not completed high school. These requirements are already in place in Minnesota and affect about 600 welfare mothers under age 18.

■ States that fail to meet federal work participation targets or other key requirements will lose 5 percent of their federal funds for each provision not met — potentially \$13 million per year of Minnesota's \$268 million in funding. The penalty

increases 2 percent each consecutive year of failure, up to a 21 percent maximum reduction. States must make up for lost federal dollars with their own funds. Penalties may be waived in the event of a recession or other contingencies.

MFIP Is Minnesota's Version of TANF

In January 1997, the Department of Human Services and the Governor unveiled a modified version of the Minnesota Family Investment Program that they are proposing to the Legislature to replace AFDC on a statewide basis. It makes significant adjustments to the MFIP trial program already operating in eight Minnesota counties and could be the vehicle for TANF in Minnesota. The 1997 Legislature will determine a permanent statewide program.

Minnesota has gained federal approval to extend MFIP statewide but still must file a final plan. The federal welfare reform law grandfathers in MFIP, along with programs in other states, so that some provisions of the state program override TANF. Differences and uncertainties remain as to what the federal government will allow. Negotiations will continue between Minnesota and federal officials to determine which state provisions are acceptable.

Key differences between TANF and the MFIP trial and proposed statewide program are:

- MFIP provides a financial incentive to work and get out of poverty, which is allowed but not specified by TANF.
- MFIP has broader exemptions from work for families with hardships than TANF.
- The statewide MFIP proposal has much earlier work requirements than the minimums required under TANF.
- TANF maintains Food Stamps as a separate program. The trial MFIP eliminates the use of food coupons and combines the equivalent cash payments with AFDC, but the federal government will not allow elimination of food coupons in a statewide MFIP.

The Minnesota Family Investment Program embodies four principles that distinguish it from the old AFDC program — rewarding work and improving family incomes, creating a social contract between parents and the government, supporting families and simplifying procedures.

■ **Rewarding work.** Under AFDC, families typically lost income by going to work because earnings were deducted from monthly welfare checks. MFIP creates an incentive for welfare recipients to work at jobs with any pay level. Under MFIP, going to work always increases a family's income. For example, under the trial MFIP, a parent with one child who would get a combined cash-Food Stamp grant of \$638 a month without working can earn \$500 a month at a job and still get a grant of \$456, boosting total income to \$956.

MFIP allows a recipient to keep a portion of the money earned — 38 percent — without having it deducted from the monthly welfare payment. A person can earn up to 140 percent of the federal poverty level in combined wages and benefits before becoming ineligible for MFIP. This is called the "family wage level." Under the proposed statewide MFIP, the same 38 percent retention of earnings would hold, but the maximum family income would be lowered to 120 percent of the federal poverty level.

■ **Social contract.** Under the proposed statewide MFIP, families most likely to become long-term welfare dependents

NUMBER OF WELFARE FAMILIES WITH PARENTS REQUIRED TO WORK ESCALATES

	Percent of All Families	Maximum Number of Families Required to Work	Hours of Work per Week Required	Percent of All 2-Parent Families Required to Work	Hours per Week Required
1997	25%	12,000	20	75%	35
1998	30%	16,000	20	75%	35
1999	35%	19,000	25	90%	35
2000	40%	23,000	30	90%	35
2001	45%	26,000	30	90%	35
2002 and beyond	50%	29,000	30	90%	35

Note: The number of families subject to work requirements will be lower if a 5 percent lower state target and if broader MFIP exemptions are approved by the federal government. The figures are based on the percentage of all families that are not exempt from TANF and assume that 13 percent of Minnesota families with children under age 1 will be exempt. Estimates were drawn from the Minnesota Department of Human Services November 1996 forecasts and represent one point in time. Source: Minnesota Planning

must sign a contract to work toward self-sufficiency or face a 25 percent reduction in benefits, which rises to 35 percent for continued failure to meet the contract. In return for signing a binding "family support agreement" and pursuing an "employability plan," welfare parents receive child care, medical care and other supports to help them. Under the statewide MFIP proposal, counties would have flexibility in defining timetables and required activities that would be defined as work.

Under the Department of Human Services' statewide MFIP proposal, single-parent families must develop a plan by the time they have been on assistance for six months. Two-parent families and unmarried parents who are under age 18 and have not finished high school must develop a plan immediately. These time frames for work requirements are shorter than in the trial MFIP and in TANF.

■ **Supporting families.** MFIP provides child care if needed for a parent to work or go to school. For families leaving welfare for a job, MFIP provides child care and medical benefits for up to a year.

Federal approval is being sought to make low-cost health care available for MFIP families through the MinnesotaCare program as an alternative to Medical Assistance. MinnesotaCare provides basic health care to low- and moderate-income Minnesota families for a premium payment based on the family's ability to pay. MFIP also eliminates old AFDC rules that encouraged families to separate and discouraged marriage. The old AFDC rules denied eligibility if one parent worked more than 100 hours a month.

■ **Simplification.** MFIP makes it easier for people to get assistance and streamlines administration by combining rules, application, eligibility, payment and case management of four programs — AFDC, Family General Assistance, Food Stamps and STRIDE, which provides job search, training and other employment assistance. Families in MFIP trial counties receive a single check that includes the cash value of their Food Stamps, unless they prefer coupons. Indications are the federal government will not allow this in a statewide

MFIP, but will allow the use of electronic debit cards at food stores.

Able-Bodied Adults Must Work to Receive Food Stamps

The new philosophy of requiring welfare recipients to work also applies to the federal Food Stamp program. Able-bodied individuals or couples age 18 to 50 without children will lose their benefits if they do not work or engage in work-related activities at least 20 hours a week. People who do not work will be limited to three months of Food Stamps in a three-year period. Workers who are laid off from their jobs can gain an additional three months of Food Stamps.

The first potential cutoff will come on March 1, 1997. Observers predict that the new work requirement will result in more single people and couples using food shelves and other emergency services.

The new work requirement will affect an estimated 3,400 adults on Food Stamps in a typical month and less than 3 percent of approximately 120,000 Food Stamp households in Minnesota. Because of rapid turnover, three to four times as many people will be affected over the course of each year. The number is fairly small because most people on Food Stamps are not affected by the work requirement since they have children, are over age 50 or are already working.

Widespread availability of jobs should make it possible for a significant number of those affected to find employment. Even low-wage part-time jobs of at least 20 hours a week will keep people eligible for Food Stamps. Food Stamp recipients can get assistance finding jobs through a Food Stamp employment program, the state's new Workforce Centers and other programs. Some may be hampered by alcoholism or other problems.

The majority of people affected by the new work requirements live in Hennepin and Ramsey counties, the northern Twin Cities suburbs and northern Minnesota. Many people using Food Stamps work seasonally in construction, logging, agriculture, tourism or other industries.

Some collect unemployment insurance part of the year. To qualify for Food Stamps, single people and couples without children will now have to seek additional employment during their off season or move or commute to areas with year-round work.

States with pockets of high unemployment can seek to have the time limits waived for specific areas, but recipients could be asked to earn their benefits by working at community service jobs. Only two Minnesota counties, Clearwater and Red Lake, had average annual unemployment rates higher than 10 percent in 1995, the threshold for a year-round exemption under the federal law. More counties typically exceed that level for several months in the winter. Some Indian reservations are also likely to qualify. However, Minnesota's strong economy makes it unlikely that many counties or labor market regions will be eligible for an exemption.

As of the end of 1996, at least 13 states had asked for federal exemptions from Food Stamp time limits for portions of their states, and more are expected to do so. Among those approved are counties and major cities in such states such as Illinois, New Jersey and Washington. Other states, such as Michigan, said they will not seek the exemption.

About 50,000 Families With Children Will Face Work Requirements

The Department of Human Services expects the monthly average number of families with children receiving welfare in Minnesota to grow from 58,000 in 1997 to nearly 68,000 in 2001. About half of all families entering the state's welfare system get off largely on their own within two years, but under the statewide MFIP proposal most will face work requirements well before then.

Based on the projections, by 2001 at least 50,000 families, or 75 percent of all families on TANF, would face work requirements; only about 25 percent would be excused under broad MFIP exemptions currently in law. If narrower TANF exemptions are imposed, as many as 59,000 families, or 87 percent, could face work

requirements as they accumulate time on welfare and reach trigger points. The clock will start ticking on work requirements for all families beginning in July 1997, regardless of how much time they spent on welfare in the past. Because of the regular flow of people on and off of welfare, many more will face work requirements each year. AFDC turnover has been about 40 percent each year.

The Department of Human Services statewide MFIP proposal has broader exemptions but earlier work requirements than the general TANF guidelines. It affects many more people sooner than do the longer time lines of TANF. Based on this proposal and projected welfare populations, groups subject to work requirements include:

■ Up to 47,000 single-parent families accumulating six months of TANF benefits by 1998, less those exempted from work requirements. This amounts to about 82 percent of all single-parent families.

■ Almost all two-parent families immediately upon receiving benefits — up to 4,700 families in 1997 and rising to 5,400 families by 2001. Some will be exempted because they are caring for a family member with a disability.

■ Up to 600 families headed by an unmarried parent under age 18, about 1 percent of all families. They will be required to develop an employability plan immediately and to complete high school.

Recipients are not necessarily required to obtain jobs immediately; many will meet work requirements by developing an employment plan, looking for a job or being in training or education activities, though TANF limits these activities.

To meet the federally prescribed goal of 25 percent of families engaged in work or related activities in 1997, Minnesota will need to have from 9,000 to 12,000 additional adult welfare recipients participating in work or related activities. The actual level will depend on which exemptions are decided upon and whether Minnesota's goal is reduced by 5 percent as expected.

THOUSANDS OF WELFARE FAMILIES WILL FACE WORK REQUIREMENTS

	Maximum Subject to Work Requirements	25% Goal 1997	50% Goal 2002		Maximum Subject to Work Requirements	25% Goal 1997	50% Goal 2002
Hennepin	15,803	3,951	9,254	Nobles	148	37	86
Ramsey	9,268	2,317	5,427	McLeod	144	36	84
St. Louis	2,681	670	1,570	Le Sueur	143	36	84
Anoka	2,319	580	1,358	Clearwater	135	34	79
Dakota	2,007	502	1,175	Renville	131	33	76
Beltrami	1,108	277	649	Meeker	130	32	76
Olmsted	896	224	525	Pennington	128	32	75
Clay	863	216	505	Faribault	127	32	74
Washington	785	196	460	Brown	121	30	71
Stearns	749	187	438	Mahnomen	120	30	70
Crow Wing	601	150	352	Fillmore	115	29	67
Itasca	554	139	324	Waseca	108	27	63
Polk	524	131	307	Watsonwan	98	25	57
Kandiyohi	463	116	271	Dodge	96	24	56
Wright	459	115	269	Houston	91	23	53
Cass	449	112	263	Cottonwood	91	23	53
Becker	423	106	247	Wabasha	91	23	53
Blue Earth	421	105	246	Chippewa	82	20	48
Sherburne	385	96	225	Sibley	76	19	44
Carlton	355	89	208	Wilkin	76	19	44
Mower	352	88	206	Swift	74	19	43
Ottertail	348	87	204	Pipestone	73	18	43
Freeborn	338	85	198	Redwood	71	18	41
Rice	329	82	192	Lake	67	17	39
Winona	319	80	187	Pope	64	16	37
Pine	313	78	183	Jackson	62	16	36
Morrison	301	75	176	Norman	59	15	34
Todd	300	75	175	Yellow Medicine	59	15	34
Scott	289	72	169	Marshall	52	13	30
Mille Lacs	286	71	167	Roseau	50	12	29
Benton	277	69	162	Stevens	49	12	28
Chisago	242	60	141	Rock	47	12	27
Isanti	224	56	131	Grant	46	12	27
Martin	205	51	120	Traverse	44	11	26
Hubbard	195	49	114	Big Stone	42	10	24
Carver	190	47	111	Murray	33	8	19
Goodhue	189	47	110	Lincoln	32	8	18
Steele	182	45	106	Red Lake	25	6	14
Aitkin	178	45	104	Kittson	24	6	14
Douglas	178	45	104	Lac Qui Parle	19	5	11
Lyon	175	44	102	Cook	17	4	10
Wadena	167	42	98	Lake of the Woods	13	3	7
Koochiching	162	41	95				
Nicollet	160	40	93				
Kanabec	151	38	88				
				State Total	50,439	12,610	29,537

Note: These estimates use DHS caseload forecasts for AFDC and MFIP combined, holding data constant in 2001 and 2002. The information assumes 13 percent of families exempt from work requirements; exemptions could be as high as 26 percent, which would reduce these numbers.

Source: Minnesota Planning

TANF's employment goal may be readily achievable in the first year or two but will become more difficult for at least two reasons as it rises toward 50 percent in 2002 or as high as 29,000 people. First, those who land better jobs and leave the welfare system completely are not counted toward the state's goal. This could create an incentive to put people to work in lower-paying jobs rather than get them off welfare completely. Second, the most qualified people will get jobs first, leaving people with more problems on the program.

Some officials believe that reaching some TANF goals will be difficult, especially the goal of employing at least one adult from 90 percent of two-parent families by 1999. Falling into this group are many families with one adult caring for another who is disabled. With a good economy, the adults in two-parent families remaining on AFDC now tend to be the hardest to employ. Few states have met employment goals for such families under the old AFDC system.

The mandatory nature of TANF and the five-year lifetime limit on benefits will stimulate many people to seek work. Besides helping people find work, the state's voluntary STRIDE program provided thousands of AFDC recipients with support while they attended college and other training to prepare them for better-paying employment. While many obtained jobs, many others never followed through. The shortcomings of voluntary programs led to broader acceptance of the stricter approach embodied in MFIP and TANF legislation.

The most critical effects of TANF may not emerge until families are cut off from benefits when the five-year lifetime limit takes effect in 2002, or earlier if the Legislature sets a shorter limit. The Department of Human Services estimates that when the first five years elapse in July 2002, about 9,000 Minnesotans, or 13 percent of those receiving TANF benefits, may have accumulated five years on welfare and be subject to losing benefits. After nine years, in 2006, some 21,000, or 31 percent, may reach the five-year limit.

The Legislature will have to decide which types of families can receive welfare payments beyond five years. Up to 20 percent can be exempted based on hardship from the lifetime limit under TANF. Some will be working but at wages that qualify them for welfare and are inadequate to support their families. Virtually all families cut will still be eligible for Food Stamps, Medical Assistance and subsidized child care under current law. Pressures may mount on food shelves, homeless shelters, public hospitals and other community-based services funded by charity or local taxes.

MATCHING PEOPLE TO JOBS

Minnesota has plenty of jobs potentially available for welfare recipients. Recipients face challenges getting the jobs, however, as well as overcoming personal and family issues, holding onto the jobs once they get them and earning wages adequate to support their families without welfare.

The opportunity for work is great because Minnesota's economy is booming and employers are looking for new sources of unskilled and skilled workers to meet labor shortages. The unemployment rate is well below the national average and is forecast to continue at a low 3.8 percent in 1997. The state and its employers will benefit by providing incentives for citizens on welfare to find work rather than importing new workers from outside the state.

To meet TANF goals, up to 12,000 additional welfare recipients in Minnesota will be required to be working in an average month in 1997, increasing to as many as 19,000 in 1999 and 29,000 by 2002. The actual number of people who must find jobs will be lower depending on how many are in other work-related activities — training, education and job searches — that count toward the federal goal. The number also may be lower depending on how many people the Legislature and federal government decide to exempt from work requirements based on pregnancy,

THOUSANDS OF MINNESOTA JOB OPENINGS PROJECTED FOR 1997 — SELECTED UNSKILLED AND SEMISKILLED POSITIONS

	Number of Job Openings	1994 Average Wage per Hour
Requiring less than a high school education		
Cashiers	28,800	\$6.09
Janitors, cleaners and housekeeping	17,000	8.47
Amusement and recreation attendants	8,200	5.83
Counter attendants and food service	6,600	6.07
Vehicle washers and equipment cleaners	5,700	8.13
Counter and rental clerks	5,300	6.16
Hand packers and packagers	4,600	7.55
Food preparation workers	3,900	7.03
Miscellaneous laborers and hand workers	31,000	Varies
Requiring a high school education		
Retail salespersons	31,100	\$7.29
Office clerks	20,600	9.47
Waiters and waitresses	20,100	5.48
Receptionists and information clerks	11,900	8.13
Truck drivers	9,800	10.99
Secretaries	7,700	10.95
Stock clerks	6,100	9.26
Fast-food cooks	5,100	5.27
Shipping, receiving and traffic clerks	4,300	9.50
Parts salespersons	2,400	10.52

Note: The minimum hourly wage is \$4.75 and will rise to \$5.15 beginning in September 1997. Wage levels shown are for 1994 and may be higher in 1997. Actual wages vary widely from the average. Includes all full-time, part-time and seasonal job openings over 12 months due to turnover or new job creation.

Source: Minnesota Department of Economic Security

the need to care for family members with disabilities and other factors. On the other hand, because of turnover, the number who will be looking for jobs over the course of each year will be higher.

While the state as a whole has plenty of job openings, geographic pockets likely will exist where people will have greater difficulty finding jobs, especially full-time, year-round jobs with better pay levels. Some trouble spots may be:

- Small- and medium-sized counties and Indian reservations with high welfare usage and high unemployment, such as those in the Bemidji area.
- Areas with high concentrations of recipients who are harder to employ — people with limited English-speaking skills or high school dropouts with multiple barriers to employment.
- Counties with dispersed welfare populations living miles from regional job centers.
- Counties where recipients' skills and abilities do not match the jobs or where employers are reluctant to employ women, immigrants or welfare recipients.

Tens of Thousands of Jobs Available

Private-sector job openings will not be a major barrier to meeting the federal goal of employing up to 12,000 welfare parents in Minnesota in 1997. The Minnesota Department of Economic Security projects a remarkable 560,000 job openings in the state over the course of 1997, of which 310,000 will require a high

school diploma or less. Many jobs will have considerable competition, while others will not. Data has not been compiled on how many of the jobs are part-time or full-time, permanent or seasonal.

Based on the department's data, there will be an 8-to-1 ratio of job openings to welfare recipients with a high school diploma or less entering the workforce in an average month in 1997 — 26,000 openings with 3,100 recipients seeking work. However, 91,000 other people with a high school diploma or less will also be looking for jobs. A total average of 3.6 job seekers will be competing for each job opening.

Welfare recipients will not have a major impact on the total labor force in the state over the next five years, though they may in some industries and some counties with high welfare usage. They will add 1 to 2 percent to Minnesota's labor force and increase the number of people seeking jobs by only 2 to 3 percent.

Welfare recipients with some college education should have even better prospects. Up to 500 each month are expected to enter the workforce in 1997, pursuing 21,000 job openings requiring a college degree or some college. Competition will be lower for these jobs than for the less-skilled jobs — 2.8 job seekers per job.

Despite competition for jobs, labor shortages and turnover make conditions favorable for securing entry-level jobs in many regions of the state. Competition comes from youth and others newly entering the job market, unemployed people and those employed but looking for new

jobs. Competition may increase the length of job searches, which last 13 weeks on average in Minnesota. Competition underscores the importance of getting employer commitments to support the welfare reform effort.

"Help Wanted" signs in many establishments indicate that hundreds of unskilled and skilled jobs are available immediately. Job Service offices across the state, from New Ulm to Roseau, report shortages of qualified applicants and sometimes no applicants for positions such as assemblers, auto and diesel mechanics, sheet metal workers, electricians, cooks, fast food workers, machine operators, sales representatives, ticket sellers, tellers and retail sales clerks.

The issue for Minnesota is not creating jobs but where the jobs are located, how well welfare parents are qualified and how well they can compete. The challenge will be a human and logistical one for welfare recipients — getting hired, finding transportation and child care, developing skills and work habits, and overcoming personal barriers.

Some 60 percent of welfare recipients live in the seven-county Twin Cities region, where job availability is the highest and competition the lowest of any region in the state. In the region, 14 jobs of all kinds will open monthly for each new welfare recipient seeking work, with an average of 2.2 people competing for each job. Similar favorable conditions are projected in central and southern Minnesota, but in the northern part of the state, only about eight job openings per recipient are expected, with six people competing for the average opening. People in weaker employment areas may face a higher risk of serious problems once their five years of benefits run out.

More than enough jobs are available that fit the educational levels of Minnesota welfare parents. An estimated 29 percent have less than a high school degree, 57 percent a high school degree only, 14 percent some college training and 2 percent a college degree. Seventy percent of the job openings posted at Job Service offices require a high school diploma or

MANY JOB OPENINGS IN ALL REGIONS — 1997

Minnesota Regions	New Monthly Job Openings	New Monthly TANF Job Seekers	Total Monthly Job Seekers
Northeast	2,800	310	15,000
Northwest	3,600	520	24,700
Central	4,200	320	21,200
Southwest	3,200	220	13,200
Southeast	4,200	250	13,700
Twin Cities	28,600	1,980	64,000

Note: Includes all jobs, full-time, part-time and seasonal, regardless of education required.
Source: Minnesota Department of Economic Security

less, as do 55 percent of all of the state's job openings projected for 1997.

The 14 percent of Minnesota welfare parents with education beyond high school will be in a favorable market to get better jobs. Some 45 percent of the state's job openings in 1997 will be for people with at least some post-secondary education.

Most welfare recipients have at least some work experience. A 1995 survey of MFIP recipients found that almost 60 percent have worked at a job for six months or longer, 40 percent had worked in the last year and only about 10 percent have never worked. When asked, the majority favored working full time over part time.

About 35 percent of job openings — at least 150,000 in 1997— will be in service and operator-laborer occupations. A good share of these openings are for unskilled or semiskilled workers. Service jobs with the most openings will be food service, janitors and cleaners, and amusement and recreation workers. Operator-laborer occupations with thousands of openings include factory workers, bus and truck drivers, packers and freight handlers. Tens of thousands of additional job openings are available in clerical and sales occupations, ranging from lower-paying retail salespersons and cashiers to better-paying secretaries and clerks.

The thousands of entry-level jobs available in Minnesota vary greatly in pay and hours, and in their potential to support families without welfare. Wages for most unskilled and semiskilled job openings range from \$5 to \$8 hour, with a fair number in the \$8 to \$10 range. Experienced workers in urban areas have a better chance at higher-paying jobs.

Under the proposed statewide MFIP, any job, regardless of wages and hours, increases a family's earnings over what they get on public assistance alone, even though it may not enable them to support themselves without welfare. Employed parents on MFIP could continue to collect a partial public assistance check along with wages until they reach an income of 120 percent of the federal poverty level or hit the five-year limit. A full-time job

paying \$7.50 an hour would bring a typical welfare family of one parent and two children to 120 percent of the federal poverty level and off cash welfare benefits. A full-time job paying \$6 an hour would do the same for a single parent with one child. The earnings needed to get out of poverty and completely off welfare vary with family size. A job paying \$4.75 an hour cannot bring a family of two above the federal poverty level, even at 40 hours a week.

Some recipients already have the training for skilled higher-paying jobs, but some rural areas have few year-round job openings at any level that will lift families out of poverty and off welfare, especially larger families. In some regional pockets of heavy welfare use and high unemployment, subsidized community service jobs might be one option, along with relocation to places with better jobs.

Job Readiness: Personal and Family Factors

Most Minnesota parents who go on welfare do so temporarily after the birth of a child, a separation, a divorce, loss of a job or migration from another state or country. They often go to work on their own once the crisis has stabilized. Some simply need help to develop job skills, get a job and meet workplace rules and expectations. In contrast, an estimated 20 to 35 percent of welfare recipients have more serious personal and family obstacles to successful employment.

MFIP staff report that about one-third of participants have at least one significant barrier to employment and about one-sixth have multiple barriers. The barriers are, in order of frequency: mental health problems, physical health limitations, weak English-language skills, poor social skills, poor literacy, low intellectual ability, chemical dependency, learning disabilities, family violence and family health problems. As work requirements take effect, the percentage of the welfare population with significant barriers may increase because those with fewer problems will get jobs and get off welfare more quickly.

Assistance is available to welfare recipients to overcome personal barriers, learn how to find and hold onto jobs, and meet transportation and child care needs. Private nonprofit agencies and a large network of state Job Service offices and local jobs agencies offer these services. Significant federal and state funds over several decades have supported services for the welfare recipients and other low-income people, most recently through STRIDE and Job Training Partnership programs. The state is working to consolidate employment-related services in one-stop regional Workforce Centers.

Overcoming Barriers to Employment

External barriers to employment include shortages of child care in some communities, especially during evening, night and weekend hours, as well as lack of transportation, lack of medical benefits and difficult hours or conditions of work.

A SINGLE-PARENT WELFARE RECIPIENT NEEDS TO MAKE AT LEAST \$7 AN HOUR TO GET OFF MFIP

Family Size	Federal Poverty Level		Hourly Wage Needed to Get Off MFIP	
	Annual	Hourly	Proposed MFIP (120% of federal poverty level)	Current MFIP (140% of federal poverty level)
2	\$10,360	\$5.00	\$6.00	\$7.00
3	\$12,980	\$6.25	\$7.50	\$8.75
4	\$15,600	\$7.50	\$9.00	\$10.50
5	\$18,220	\$8.80	\$10.55	\$12.30

Note: The hourly wages represent 1 person working 40 hours a week. Hourly wages were calculated by Minnesota Planning based on 2,080 hours per year.

Sources: U.S. Department of Health and Human Services and Minnesota Department of Human Services.

These barriers are significant but often can be overcome with state programs that assist low-income working families or through cooperation among welfare parents, employers and community agencies.

Some recipients live far from job opportunities and lack a reliable car or access to public transportation. Forty percent of clients recently surveyed by MFIP reported that they had no way to get to work every day. In the Twin Cities area, much of the job growth is in outer-ring suburbs, away from low-income housing, urban concentrations of welfare recipients and public transportation. The cities of Minneapolis and St. Paul lost 8,000 jobs from 1990 to 1993. Fifty-seven thousand households in the two cities had no vehicle, according to the 1990 census.

Some solutions to transportation problems are being explored. AFDC made it difficult for recipients to own a reliable car by limiting a recipient's equity in an automobile to \$1,500, but the statewide MFIP proposal relaxes the limit. In addition, the Metropolitan Council, which operates public transit, is working with the Department of Human Services to develop transit options that will help welfare recipients get to work. Possible solutions include van pools, customized public transportation and more low-income housing close to job opportunities.

Entry-level jobs often do not provide medical benefits, and welfare recipients are reluctant to take jobs if it means giving up Medical Assistance benefits they receive with AFDC. However, parents who leave welfare can get basic health insurance for a small premium payment through the state's MinnesotaCare program.

Some jobs can provide a stepping stone to self-sufficiency but not a permanent livelihood. Many retail sales, agricultural and production jobs are seasonal or part-time. Some people may have to work more than one job once they are off welfare. Jobs with night shifts may require off-hours child care and public transportation and may cut into time for parenting responsibilities. Blue-collar job categories that face worker shortages, such as poultry

plant workers and truck drivers, have strenuous physical requirements that not everyone can handle.

Common conditions that state Job Service staff associate with hard-to-fill job openings are low pay, bad location, cold work, poor working conditions and temporary or long hours.

While these barriers are often serious, thousands of working families cope with similar challenges. Some families use public assistance occasionally when family crises or poor working conditions force them out of a job; others do not. Some families work intermittently or at low wages but never ask for help from public programs. Census data verifies that many families in Minnesota have incomes below the federal poverty level but do not get welfare. Doing so may be easier in rural areas where housing is cheaper and living off the land more common.

REFORMING WELFARE WITH MFIP

The Minnesota Family Investment Program is one model to replace AFDC in Minnesota. Preliminary findings from a full-scale evaluation of MFIP in eight trial counties show a mixture of positive and negative results. After 18 months, more long-term MFIP recipients than long-term AFDC recipients were employed — 52 percent compared to 38 percent. MFIP slightly increased total family incomes from both work earnings and welfare benefits for long-term recipients, as intended, thereby decreasing the percentage of long-term recipients living in poverty from 60 percent under AFDC to 44 percent under MFIP. New welfare recipients showed no increase in employment under MFIP — achieving an increase in income only as a result of benefits, not work.

A 1995 MFIP evaluation found that MFIP focused more on work than former programs and that front-line staff were spending more time promoting the advantages of employment to recipients. Many recipients reported that the mandatory

work requirement was a needed catalyst to get them into the job market.

The Department of Human Services' new statewide MFIP proposal contains significant changes that seek to address some of the issues raised by the program's eight-county trial. The department believes the changes are necessary in part because the trial MFIP cost 15 to 20 percent more per person than the combined AFDC, Medical Assistance, Food Stamps, STRIDE and child care subsidies.

- The 1995 evaluation found that MFIP was no more effective than AFDC in getting two-parent families working or off welfare. The new statewide proposal requires them to seek work immediately, rather than waiting six months.

- While MFIP has effectively put people to work and improved their incomes, it may keep them on welfare longer. The 1997 evaluation found that fewer long-term recipients were totally off welfare after 18 months under MFIP than AFDC. The new statewide proposal requires recipients to seek work sooner, lowers the earnings level at which they must leave welfare and puts a five-year lifetime limit on benefits.

- MFIP and federal welfare reform emphasize immediate employment at any pay level. Some people with the ability to get higher-paying jobs may get stuck in lower-paying jobs, stay on welfare longer and face a financial crisis when benefits are cut off after five years. The 1995 evaluation pointed out the need for some employed recipients to seek better-paying jobs to gain financial independence. TANF puts restrictions on education and training, but the statewide MFIP proposal allows some flexibility to help recipients advance to better jobs.

- Staff in MFIP trial counties are concerned that the threat of a 10 percent grant reduction has not motivated some recipients to meet work requirements. The new statewide MFIP proposal increases penalties to 25 and 35 percent, speeds up work requirements and gives counties flexibility in applying different motivational policies.

Children Will Be Affected by Welfare Reform as Parents Seek Work



From its inception, welfare was intended to help children in need. Aid to Families with Dependent Children was created to assure a basic level of financial support for children in poor families. In 1996, AFDC served 117,000 Minnesota children in about 59,000 families each month. Every change in federal and state welfare laws that restricts eligibility or changes benefits will affect children.

Many of the federal welfare reform changes are intended to create more secure, supportive families for children by fostering work, affordable child care and personal responsibility. The Temporary Assistance for Needy Families program, which replaces AFDC, emphasizes replacing public assistance payments with parental earnings whenever possible. Its funds are to be used only for families with a minor child or a pregnant woman. It tries to make more parental earnings available for children in three ways:

- TANF recipients must meet minimum work requirements or have welfare benefits reduced. The law requires single parents to work after two years on welfare and one parent in two-parent families to work after six months. It is estimated that by mid-1999 up to 24,000 single-parent families in Minnesota will have reached the two-year limit. These families will face penalties unless they find work or enter approved educational activities. About 90 percent of families on AFDC are headed by a single parent. States may require parents to go to work sooner than two years. The Department of Human

Services is proposing that single parents be required to seek work within six months and two-parent families immediately.

- Child care funding is increased and states are given more flexibility in using funds. The work requirement for individual welfare recipients, coupled with a requirement that states place 50 percent of TANF recipients in jobs by 2002, makes child care a critical issue.

- States and TANF parents must cooperate to locate and collect payments from parents who are responsible for paying child support.

Children could be negatively affected by the law as well. Penalties imposed on adults for not participating in work or cooperating with child support collection efforts will affect benefit levels and children. The state has wide discretion over eligibility standards and how they will affect children, but three important restrictions apply:

- The state cannot use federal funds to assist families with adults who have received TANF benefits for five years in their lifetime.

- Legal immigrants arriving in the United States after enactment of the law are not eligible for TANF assistance for five years after their arrival. In addition, most legal immigrants are no longer eligible for Food Stamps or Supplemental Security Income.

- Changes in eligibility for disability benefits under SSI will eliminate benefits for as many as 3,200 children. Some will become eligible for TANF or other programs, but will receive smaller monthly payments.

Reduced or eliminated benefits, whether the result of federal restrictions or state laws, could result in increased financial and emotional stress on families and more out-of-home placements of children. The five-year lifetime limitation on the receipt of TANF benefits could leave some parents without the means to provide for their children. Families losing SSI and other benefits also will be affected. Some families cut from TANF or SSI could become eligible for other programs.

The most important decisions affecting children involve eligibility standards and benefit levels. Raising benefit levels or expanding eligibility will cost Minnesota more under TANF than AFDC. Under AFDC, federal funds covered 54 percent of increased benefit costs without limit. Only a fixed amount of TANF funds will be available to Minnesota each year. The state will have to bear any extra costs if welfare caseloads and benefits exhaust federal funds.

CHILD CARE IMPORTANT IN GETTING PEOPLE TO WORK

Affordable child care will have to be available to welfare recipients if the state is to meet the federally imposed targets for work. Single TANF recipients with children under age 6 for whom child care is not available cannot be penalized for not participating in work or job training. Child care will be especially necessary for welfare families headed by single parents required to find and keep jobs. Failure to make child care available to single TANF recipients would make it more difficult for the state to comply with the requirement that 50 percent of all recipients participate in work activities by the year 2002. Most single parents are women, and 63 percent of all single-parent welfare families have a child under 6 years old.

While child care will be important for moving TANF recipients into work, it also is essential for keeping the working poor off welfare.

Under AFDC, states paid for child care for single parents on welfare who were working or in training. Child care also was covered for single working parents for one year after they left welfare. Minnesota also helps pay for child care for some families working at low-wage jobs but not

on welfare, but it does not guarantee assistance for the working poor.

Minnesota spent more than \$79 million on child care assistance from July 1995 to June 1996. The AFDC child care program served an average of 8,300 families in 1996, at a total cost of \$36 million. The AFDC program includes assistance to working AFDC recipients, AFDC recipients engaged in job training, education or job search programs, and single working parents who have recently left welfare.

MFIP child care costs claimed an additional \$6.3 million. The state also made grants totaling \$37.2 million to families not on welfare through the Basic Sliding Fee child care program. Fees charged to families under the program vary according to income. The Basic Sliding Fee program served an average of 8,800 families in 1996. A little more than half the cost of these programs was met with federal funds.

Both the number of families served by AFDC child care programs and the num-

AT A GLANCE: CHILD CARE AND CHILD SUPPORT CHANGES AFFECT CHILDREN

Nearly every change in federal or state law limiting welfare eligibility or restricting benefits will affect children. The work requirements in the federal law will create additional need for child care. Tightening of the definition of "disability" for Supplemental Security Income will cause some children to lose benefits. More aggressive federal and state child support enforcement may help some families stay off welfare.

Estimated number of new child care spaces needed by 2002 for families required to work: 29,000 to 35,000

Number of welfare and nonwelfare families receiving child care assistance: 17,100

Average child care benefit in 1997: \$4,100 for AFDC/TANF child care and \$4,600 for Basic Sliding Fee child care

Child support payments collected by state in 1996:\$323 million

Child Care Assistance

What it does: AFDC Child Care Assistance pays the cost of child care for parents on welfare. Basic Sliding Fee child care pays portion of costs for nonwelfare families.

Who funds it: Federal, state and county

Number of families assisted: 8,300 welfare families and 8,800 nonwelfare families per month in 1996

Average annual cost per family: \$3,800 in 1996, projected at \$4,100 in 1997 for AFDC children; \$4,200 for nonwelfare Basic Sliding Fee child care in 1996, projected at \$4,600 in 1997

Under federal law Minnesota MUST

■ Decide whether to continue to give AFDC families priority in child care assistance.

Minnesota MAY

■ Use newly consolidated federal Child Care and Development Fund for welfare or nonwelfare child care, so long as at least 70 percent is used for families on or likely to go on welfare.

■ Transfer up to 30 percent of TANF grant to child care.

Child Support Enforcement

What it does: Collects child support for families needing help. The welfare reform law requires states to cooperate in a joint federal-state effort to enforce child support.

Who funds it: Federal, state and county

Number of cases handled by state: 204,000 in June 1996; about half of all child support orders in the state; about 83,000 of these involve welfare families

Average collected monthly per case: \$135 in 1996

Under federal law Minnesota MUST

■ Authorize suspension or withholding of recreational licenses.

■ Require financial institutions to provide quarterly reports concerning accounts of people owing child support.

■ Reduce TANF payments by 25 percent to parents who do not cooperate in establishing paternity.

Minnesota MAY

■ Enforce child support orders against parents of minors who owe child support to welfare families (known as the "grandparent liability" provision).

■ Deny welfare payments to parents who do not cooperate in establishing paternity.

■ Deny Food Stamps to individuals not cooperating in establishing paternity.

Supplemental Security Income for Children with Disabilities

What it does: Provides monthly payments to children with disabilities

Who funds it: Federal government

Number of children receiving benefits: 10,000

Average benefit per month: \$406

Under federal law government MUST

■ Re-evaluate eligibility of children using new federal requirements.

Minnesota MAY

■ Use state funds to replace income lost by children that become ineligible.

ber of children on AFDC are disproportionately high in Hennepin and Ramsey counties. These two counties account for 42 percent of families served by AFDC child care programs and 52 percent of the state's AFDC and MFIP children – more than their share of the state's population. The Basic Sliding Fee child care program serves a disproportionate share of families outside the Twin Cities metropolitan area. The 80 counties outside this area account for 55 percent of the families served by the program, but only 47 percent of the state's population.

New Law Supports Child Care

The new federal law increases funding and flexibility but no longer guarantees child care for welfare recipients who are working or in training. Until October 1996, the federal government reimbursed the state for 54 percent of the costs for AFDC-related child care programs. Now it has set a fixed dollar amount for child care programs. Minnesota law still guarantees child care for welfare parents in work or training.

The federal law restructures aid for child care to give states more funding flexibility. Several federal child care funds are consolidated into a single Child Care and Development Fund, which can be used for both welfare and nonwelfare child care. Federal funds can be used to provide child care assistance to families at or below 85 percent of the state median income. For a single-parent family with two children, 85 percent is \$37,125. At least 70 percent of the fund must be used to assist families on welfare or likely to go on welfare. In addition, states can transfer up to an additional 30 percent of their TANF grants to the child care fund. This amounts to up to \$80 million in Minnesota in 1997.

Federal funding for child care will increase significantly from 1996 to 1997 and will continue to rise over the next two years. Minnesota will receive about \$11.6 million more, or more than 30 percent, in federal child care funds in the federal fiscal year beginning in October 1997 than it did the previous year. Adjusting for the state's fiscal year, this amounts to a gain

of \$8.1 million in the state's July 1996 to July 1997 budget.

Much less than \$8.1 million probably will be available to expand child care services. About \$2.5 million of the increase will be needed to replace federal funds that were carried forward from previous years to pay for child care in 1996 and are no longer available. Another \$2.5 million may be needed to pay county-level administrative costs that were previously covered with state AFDC funds. These funds are now embedded in the state's TANF grant and are not available for child care unless the Legislature transfers them to the child care fund.

The Minnesota Department of Children, Families and Learning expects total child care assistance spending to be more than \$26 million higher in 1999 than 1996, even without the effects of the welfare work requirements. The projected rise is based on assumed growth in both the number of families served and the cost of child care.

Up to 35,000 More Child Care Spaces Needed by 2002

While single parents with children under age 6 are excused from the work requirement if affordable child care is not available close to home or work, they are not excluded when determining the state's compliance with the federal target. The state is unlikely to meet its targets if a significant number of single parents cannot find affordable child care. The availability of affordable child care will depend on two factors: the number of child care spaces and the amount of funding available to help low-income families pay for child care.

Minnesota Planning estimates that Minnesota's child care system will need to accommodate up to 12,600 additional children in 1997 if the state is to meet the 25 percent work requirement. By 2002, when the work requirement rises to 50 percent, child care may be needed for as many as 35,000 more children than now served. Estimates are based on the number of single-parent families with children under age 6 where the parent is required to

work. Additional needs could arise from two-parent families and families with children older than age 6 needing part-time child care.

Minnesota has about 166,000 spaces in licensed child care homes and 72,000 in full-day centers, bringing the total licensed capacity to about 238,000. If the work participation requirements create a need for 10,000 new child care openings, the supply will have to grow about 4 percent to meet the demand. Up to one-third of the demand may be absorbed by relatives or unlicensed home care providers. These are providers who may legally care for children from only one family other than their own.

Licensed child care is in short supply in some parts of the state and options are limited for parents needing care during evenings, nights or weekends. Many lower-wage jobs require working evenings, nights or weekends. Child care planners worry that not enough child care providers work the hours that TANF recipients with nontraditional work schedules will need.

The pressure on the child care system may be somewhat lessened by a decline in the overall number of Minnesota children of child care age. The state demographer projects a continued slow decline in the number of births through at least 1999.

Generally, licensed child care is least available in less populated areas of central and north-central Minnesota, where fewer than 60 licensed child care spaces exist for every 100 children under age 5. Most metropolitan area counties have 60 to 90 spaces per 100 such children, while some counties have more than one licensed

FEDERAL CHILD CARE FUND GROWS	
State Fiscal Year	Millions
1996	\$37.2
1997	45.3
1998	50.9
1999	52.7

Source: Minnesota Department of Children, Families and Learning

space for every child. The number of licensed spaces tends to overstate actual capacity, because home child care providers often choose not to serve as many children as their license permits.

As more welfare recipients find work, demand will increase for child care spaces and funding. AFDC child care subsidies are projected to be about \$4,100 per family in 1997, while Basic Sliding Fee child care assistance for non-AFDC working families will average \$4,600 per family. Providing service to 10,000 additional children needing assistance would cost at least \$24 million per year, based on these levels of subsidies. The growth in federal funds will help, but the total is far from sufficient to cover the estimated number of families needing child care.

Unless Minnesota is willing to substantially raise state and local funding for child care or move money from TANF, it will have to make decisions about funding priorities. If Minnesota continues to guarantee child care assistance for welfare recipients, less money may be available in the Basic Sliding Fee program to help the working poor who are not on welfare. If

child care funding does not keep pace with TANF caseloads, the state might have to give even greater priority to TANF recipients to meet the federal requirement.

The Basic Sliding Fee program had a waiting list of nearly 5,600 families in September 1996. A handful of counties have a disproportionate share of the state total. Hennepin County accounts for 44 percent of the statewide waiting list. The waiting list is greater than the number of families served in eight counties – Hennepin, Blue Earth, Dodge, Olmsted, Carlton, Kanabec, Hubbard and Cass. On the other hand, many counties have sufficient funding and no waiting list.

CHILD SUPPORT IS CRITICAL TO SUCCESS OF NEW WELFARE LAWS

Some families are forced onto welfare when an absent parent does not pay child support. Improving child support collections is seen as a way to raise the incomes of families with children and reduce the need for public assistance. Minnesota has been a leader in improving collection of

child support by helping parents collect child support owed to them. Its child support enforcement service is involved in about half of the collection orders in the state. Families receiving welfare payments must cooperate with collection efforts to continue receiving benefits.

Minnesota collected \$323 million in child support payments in 1996 for cases handled through the state's child support enforcement service. It collected 69 percent of the child support dollars owed in 1996; however, in only 47 percent of the cases handled by the state was the total obligation paid. Both are good rates, compared to other states' efforts. About 40 percent of the state's 204,000 child support collection cases involve welfare recipients. The Department of Human Services recouped \$55 million in AFDC expenditures from support collections in 1995.

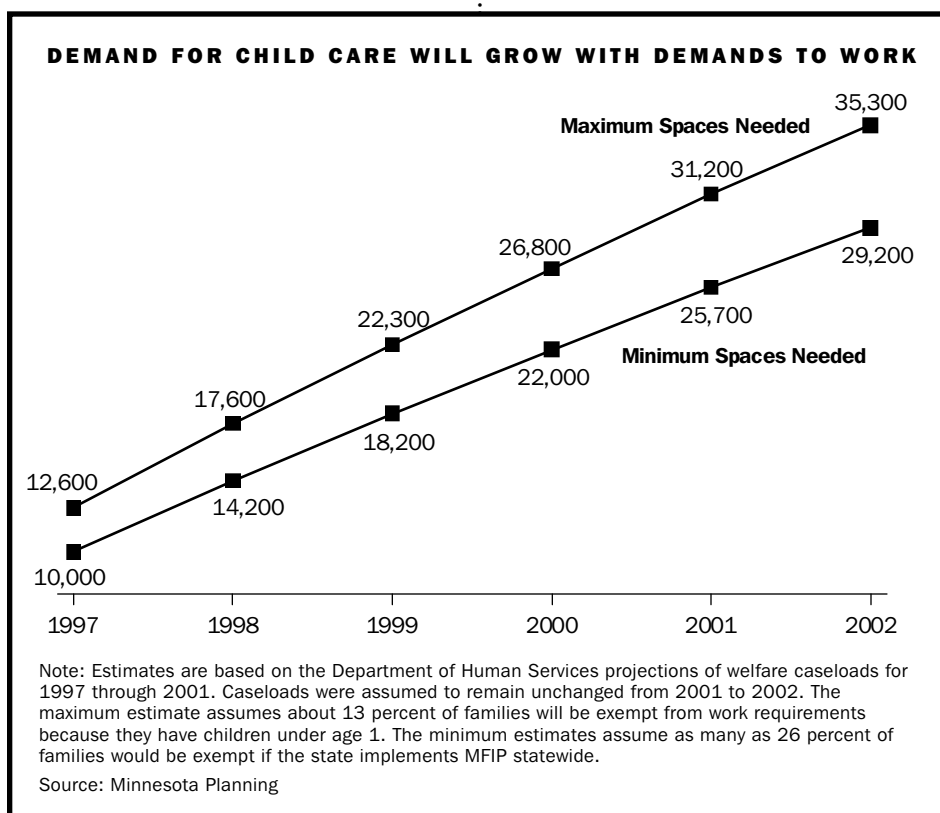
The new federal law requires states to take a variety of steps to cooperate in a national effort to collect delinquent child support. Minnesota already has taken most of these steps, including adopting the Uniform Interstate Family Support Act, which establishes procedures for collecting and distributing child support across state lines. Minnesota also:

- Recognizes and enforces child support liens from other states.
- Maintains a "state directory of new hires" to which employers must submit addresses and Social Security numbers of new employees.
- Has a program for establishing paternity of children for whom cash assistance or medical assistance is provided.
- Authorizes suspension of driver and occupational licenses of parents owing child support.

In addition, Minnesota withholds child support from tax refunds and unemployment benefits, as well as places liens on automobiles of individuals owing child support.

Some Changes in Minnesota's Child Support Systems Required

Because the new federal law is in line with Minnesota's philosophy on child support enforcement, it poses few major



issues for Minnesota. A large number of mostly technical adjustments will be needed to bring Minnesota's laws into total compliance.

Under one federal provision, states must require financial institutions to provide information on accounts of people owing child support and to turn over their assets if ordered. Two other provisions will have a significant effect in Minnesota: suspension of recreational licenses of parents owing support and elimination of federal financial participation in the so-called "\$50 pass-through."

States are required to suspend or withhold recreational licenses of parents owing child support. Since such licenses are not defined in the federal legislation, the state must determine both the type of licenses subject to suspension and the criteria and process for denying them. Fishing, hunting, boat, snowmobile and all-terrain vehicle licenses all are candidates. The Department of Human Services recommends that Minnesota make any license sold through a statewide computerized system subject to suspension. The department has drafted legislation that would use the same criteria to suspend recreational licenses that Minnesota uses for suspending or withholding occupational and driver licenses. Those licenses can be suspended or denied when someone is three months behind in child support payments.

The state sold more than 700,000 fishing licenses in 1995, as well as 422,000 firearm deer licenses and 122,000 migratory waterfowl stamps. Minnesota had more than 700,000 boat registrations and more than 250,000 snowmobile registrations in 1995.

Minnesota's current decentralized system for selling recreational licenses would make it very difficult to match license applicants with child support records. Fishing and small game hunting licenses are sold over the counter by some 2,500 agents throughout the state. Records from these sales are filed with county auditors and are never collected by the Department of Natural Resources. Boat, snowmobile and all-terrain vehicle licenses are sold through about 200 deputy registrars across

the state. Paper records from these sales are eventually collected by DNR, but too late for denying sale of a license to someone delinquent in child support.

The DNR has drafted legislation to create a computerized point-of-sale system that would permit child support records to be matched with licenses purchased anywhere in the state. The system would first be tested in a handful of counties, but probably not before March 1998.

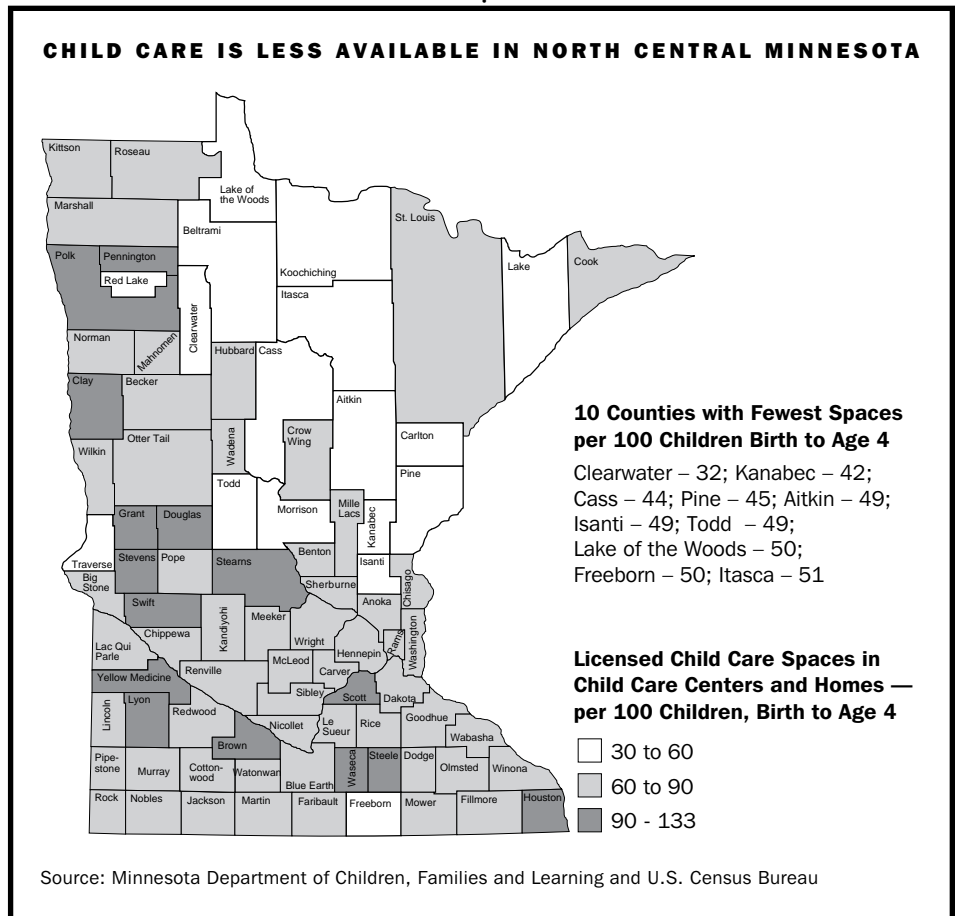
Continuing the so-called "\$50 pass-through" is costing Minnesota \$250,000 per month. When enrolling in welfare, single parents to whom child support is owed must agree to allow the state and federal governments to keep payments as compensation for welfare payments. Under the old federal law, states were required to pass the first \$50 collected each month directly through to the family. Amounts collected beyond the first \$50 were shared by the state and federal governments according to the AFDC matching rate — 54 percent for the federal

government and 46 percent for the state. Under the new federal law, even the first \$50 must be shared.

Minnesota law still provides for the first \$50 to be sent to the family. This will cost the state because it also must now send 54 percent, or \$27, of this first \$50 to the federal government. As a result, the state pays out \$77 when it collects only \$50. The state is considering an option to drop its requirement that the first \$50 be sent to the family.

Law Holds Both Parents Accountable

The federal law takes steps to make both parents more accountable for their children's well-being. It requires states to reduce by 25 percent TANF payments to single parents who do not cooperate in establishing the paternity of their children and allows the state to deny them cash assistance. It also increases from 75 percent to 90 percent the percentage of births for which the state must establish paternity. The state can use the percentage



either of children involved in the child support collection system or of all nonmarital births in charting progress. Minnesota has set a goal to reach the 90 percent target for children involved in the child support collection system by 1999.

The state has the option under the law to:

- Deny Food Stamps to individuals who do not cooperate with efforts to establish the paternity of their children.
- Deny Food Stamps to noncustodial parents who owe child support.
- Enforce child support orders against parents of a minor parent who does not have custody if the parent with custody is receiving TANF (the "grandparent liability" provision).

Minnesota does not have good information about the numbers of Food Stamp recipients who owe child support. It is possible that the administrative costs associated with these options may not be offset by the additional child support collected. Savings from the denial of Food Stamps accrue entirely to the federal government, because Food Stamp coupons are federally financed. However, the cost of implementing procedures for Food Stamp denials falls on the state.

Minnesota successfully established paternity for 69 percent of all children involved in the child support collection system born to unmarried women in the year ending June 30, 1996, up from 62 percent in 1994. The percentage reached 71 percent in the quarter ending December 1996.

However, paternity was established for only 57 percent of AFDC children involved in the child support collection system in 1996.

SUPPLEMENTAL SECURITY INCOME CHANGES AFFECT CHILDREN

The Personal Responsibility and Work Opportunity Reconciliation Act changes the definition of disability under the Supplemental Security Income program, making it more difficult for certain children to qualify as disabled. The Minnesota Department of Human Services estimates that up to 3,200 Minnesota children will lose SSI benefits sometime after July 1, 1997, because of the new definition. More exact numbers will not be known until new federal regulations are issued.

SSI is a federal program that provides cash assistance to low-income aged, blind and disabled people. Parents of about 10,000 children in Minnesota receive assistance through this program. The average monthly benefit per child was \$406 in October 1996. Based on Supreme Court interpretations of the old law, children under age 18 were generally allowed to qualify if they could not function at a level appropriate for their age. In part because of this more inclusive eligibility, the number of children receiving SSI tripled nationally between 1990 and 1996.

The new law tightens the definition to require that a child have "a medically determinable physical or mental impairment, which results in marked and severe

functional limitations" and which can be expected to last at least a year or result in death. Many children receiving SSI must be reassessed. The new requirement is expected to eliminate many children with behavioral disorders and mild mental retardation.

Families of about 40 percent of children on SSI also receive AFDC. Loss of SSI payments will make them eligible for increases in their AFDC or TANF payments. Under current state law, AFDC grants to these families will typically increase about \$118 per month — not nearly enough to replace the typical monthly SSI benefit. Total costs to the state would be about \$1.7 million. In addition, some families not currently on AFDC will become eligible for assistance because of the loss of their SSI benefits. The Department of Human Services estimates that these families will raise assistance costs by about \$1 million.

Children who do not meet the new narrower eligibility standards for SSI can still qualify for Medical Assistance if they meet income standards. The Department of Human Services estimates that some 300 to 700 children eliminated from SSI eligibility also will lose their Medical Assistance eligibility. Many of these families can be expected to shift to MinnesotaCare or the Minnesota Children with Special Health Needs program.

Because SSI is a federal program, Minnesota has no direct options concerning its future. However, it will have some choices about the safety nets it makes available to families losing SSI.

Consequences and Uncertainty Looming for Many Legal Immigrants



Federal welfare cuts fall disproportionately on legal immigrants. The Congressional Budget Office estimates that nationally about \$25 billion of the \$54.2 billion in total savings between 1997 and 2002 will come from programs serving legal immigrants. This represents about 46 percent of the U.S. welfare budget cuts. The number of legal immigrants affected nationwide include about 500,000 Supplemental Security Income recipients, 1 million Food Stamp recipients and about 600,000 immigrants receiving Medicaid.

Referred to as "qualified aliens" in federal law, legal immigrants are those who came to America seeking jobs, political asylum or reunion with their families. While they live in this country, they are not citizens. Some also may be here temporarily, for medical care or legal reasons or because of a disaster in their country. They do not include students or tourists.

About 62,300 legal immigrants lived in Minnesota at the time the 1990 census was taken, including Hmong from Southeast Asia, migrant workers from Mexico and refugees from the former Soviet Union. This census figure also includes those who came here from other states. Legal immigrants represented 1.4 percent of Minnesota's total population.

The number of legal immigrants living in Minnesota now may be as high as 100,000. About 7,100 legal immigrants entered Minnesota from other countries in 1994, the most recent year for which data is available. Historically, the total number of

legal immigrants moving to Minnesota from other countries peaked at 9,200 in 1982, as estimated by the Immigration and Naturalization Service. From 1982 to 1988, that number slowly declined to a low point of 4,700 in 1988. While the number of immigrants has grown since 1990, accurate counts will not be available until the 2000 census.

About 3,000 or 42 percent of the 7,100 legal immigrants arriving in Minnesota in 1994 were refugees who left their country because they feared political, religious or racial persecution. Most of the refugees arriving in Minnesota since 1991 were Hmong, Vietnamese and Russian. Minnesota's proportion of legal immigrants who are refugees is high compared to the nation's 15 percent in 1994.

The 1990 census found that about 81 percent, or 50,600 of Minnesota's 62,300 legal immigrants, lived in the seven-county metropolitan area. Ramsey and Hennepin counties contain the most with 44,000 legal immigrants.

Many legal immigrants also have located outside the metropolitan area to be near other family members or job opportunities. Nobles, Blue Earth, Olmsted and Koochiching counties have a higher portion of legal immigrants than the state average of 1.4 percent.

STATES HAVE BROAD DISCRETION

Nearly 34,000, about one-third of the estimated 100,000 legal immigrants currently in Minnesota, receive one or more forms of public assistance. These legal immigrants, some of whom are blind or disabled, have been helped by AFDC, Emergency Assistance, Supplemental Security Income, Food Stamps and Medical Assistance. With federal welfare reform, Minnesota's legal immigrants will lose about \$37.1 million in federal funding for SSI and Food Stamps. They may lose more, if state policy-makers eliminate MA and Temporary Assistance for Needy Families for legal immigrants or make changes in other assistance programs.

The decision to cut funds for legal immigrants is based on several factors. Many in Congress are concerned that the percentage of legal immigrants depending on welfare has greatly increased in recent years. Moreover, they believe that a higher proportion of legal immigrants than native-born Americans are receiving benefits. In arguing for benefit cuts, some point to the U.S. immigration law that says newcomers must not become a "public charge." Still others in Congress think that legal immigrants have no right to benefits at all.

Congress has given the states more discretion over this group than any other covered in new law. Many states have not yet decided which options to exercise, leaving legal immigrants with a great deal of uncertainty. The consequences of reform could be severe for some legal immigrants, especially those who are elderly, disabled or unable to work. For example, elderly Hmong immigrants without English-speaking skills will have difficulty finding work. Even more onerous are the consequences facing legal immigrants in nursing homes, or those who are blind and otherwise disabled. They will have to fend for themselves in the states where medical and other benefits are discontinued. Minnesota gave MA to about 3,800 disabled legal immigrants in 1996 and cared for 150 in nursing homes.

AT A GLANCE: LEGAL IMMIGRANTS DISPROPORTIONATELY AFFECTED

Legal immigrants, referred to as "qualified aliens" in federal law, are foreign-born people who are in the United States legally but are not citizens. People who have refugee status, or have been granted asylum, are generally not affected by these provisions until they have been in the United States five years. U.S. military veterans and their spouses and dependent children are not affected at all by the new law nor are legal immigrants who have worked in the United States for 10 years. Illegal immigrants are not eligible for any of the major federal assistance programs.

Number of legal immigrants living in Minnesota: 62,300 in the 1990 census, but that number now may be as high as 100,000

Number of legal immigrants currently receiving welfare benefits: Nearly 34,000. Many are recipients of more than one program.

Supplemental Security Income

What it does: Provides monthly cash payments to needy aged, blind and disabled people

Who funds it: Federal government

Number of legal immigrants currently receiving SSI: 6,800

Average monthly benefit: \$378

Under federal law government MUST:

- Deny SSI to 5,400 current legal immigrants (2,000 elderly people and 3,400 disabled adults and children) in August 1997 and lose \$24.7 million annual federal funds. Many would become eligible for TANF or GA.

- Deny SSI benefits to new immigrants (arriving after August 1996). About 16,000 to 19,000 are expected to arrive in the United States in the next three years, but most will not need public assistance.

Minnesota MAY:

- Replace SSI with other state programs.

Food Stamps

What it does: Provide food coupons to needy families

Who funds it: Federal government

Number of legal immigrants currently receiving Food Stamps: 28,000

Average monthly benefit: \$65

Under federal law Minnesota MUST:

- Deny Food Stamps to 16,000 current legal immigrants, which means a \$12.4 million annual loss of federal funds.

- Deny Food Stamps to new immigrants.

Minnesota MAY:

- Replace Food Stamp cuts with other state assistance.

AFDC, MFIP and TANF

What it does: Provides monthly cash payments to low-income families with children; TANF will replace AFDC by July 1997.

Who funds it: Federal and state governments jointly

Number of legal immigrants currently receiving AFDC or MFIP: 14,700

Average monthly benefit: \$410 per family

Under federal law Minnesota MUST:

- Deny TANF for five years to new legal immigrants.

- Decide whether to provide TANF benefits to legal immigrants, including new immigrants after five years.

- Require sponsors' income be considered when determining legal immigrants' eligibility for TANF, which would disqualify an unknown number of legal immigrants from TANF.

Minnesota MAY:

- Deny more than \$16 million TANF benefits to about 9,000 legal immigrants currently receiving AFDC. Legal immigrants losing TANF would become eligible for state-funded GA.

- Require that sponsor's income be considered when determining eligibility for state programs.

Medical Assistance

What it does: Provides health care for AFDC recipients. It also covers those in need who are children in foster care, people under age 21, pregnant women, and aged, blind and disabled people.

Who funds it: Federal and state governments jointly

Number of legal immigrants currently receiving MA: 28,500

Average monthly benefit: \$178

Under federal law Minnesota MUST:

- Deny MA coverage each year to an estimated 470 new legal immigrants until they have lived here five years. Unless Minnesota law is changed, they would become automatically eligible for GAMC, a state-funded program.

- Decide whether to provide MA to legal immigrants, including new immigrants after five years.

Minnesota MAY:

- Choose to deny \$39.3 million in state and federal MA for 18,500 legal immigrants now receiving benefits (including those on AFDC). If denied, Minnesota would lose a \$20.9 million federal match in 1998.

GA and GAMC

What it does: Provides cash payments (GA) and covers health care costs (GAMC) for people not eligible for AFDC and MA who are aged, disabled or otherwise unemployable.

Who funds it: State

Number of legal immigrants currently receiving GA and GAMC: GA about 2,100; GAMC about 4,000

Average monthly benefits: \$203 for GA; \$170 for GAMC

Minnesota MUST:

- Grant GA, under existing state law, to about an additional 3,300 current legal immigrants who will lose SSI.

- Provide GAMC, under existing state law, annually to about 470 new legal immigrants, costing an additional \$1.4 million in 1998 and increasing to \$4.4 million in 2001.

Minnesota MAY:

- Increase GA and GAMC benefits to partially compensate for the loss of SSI and Food Stamps.

- Change the law to deny \$8 million in GA benefits to current legal immigrants and \$8.2 in GAMC annual benefits to current and new legal immigrants.

Such essentials as food, housing and medical care are at stake for some legal immigrants. States have the option to cover lost federal benefits. Some states have already decided that they will not fill in behind federal cuts.

States Required to Change

States must follow requirements of the federal welfare reform legislation, unless they have sought a waiver that exempts them from certain parts of the new law. Many legal immigrants will be affected, including current and new legal immigrants, and refugees. Essentially, all programs funded solely with federal dollars have been cut for legal immigrants, with a few exemptions.

- Current legal immigrants — those who arrived before August 22, 1996 — will be cut off from SSI and Food Stamps by August 1997 until they become citizens or have worked in this country for 10 years. Time worked by spouses counts toward the 10-year work requirement. However, work while on welfare does not apply to the requirement. These cuts also pertain to refugees and asylees who have been here more than five years. Current legal immigrants will continue to receive MA, TANF and Social Services Block Grant benefits, unless Minnesota chooses to deny them.

- New legal immigrants entering the United States after August 22, 1996 are automatically barred from SSI and Food Stamps until they become citizens or work in this country for 10 years. New legal immigrants also will not receive TANF and MA for their first five years in this country, after which these benefits are provided at the state's option. New legal immigrants will still be eligible during their first five years for certain other types of assistance, including Emergency Medical Assistance, noncash short-term disaster relief, foster care assistance, adoption assistance, Head Start and employee training under the Jobs Training and Partnership Act, and school lunch.

- All legal immigrants needing public assistance, as determined by the Immigration and Naturalization Service, must have a sponsor who will be legally bound to

assume financial responsibility for assistance. Income levels of new legal immigrants will be combined with their sponsors' income when calculating eligibility for benefits, effectively reducing the amount of benefits received.

- Refugees and asylees, both current and new arrivals, are exempt from cuts in SSI and Food Stamps for five years after their arrival in the United States. After five years these benefits end. They also are eligible to receive MA, Social Services Block Grant and TANF for five years, but after that coverage can be offered at the state's discretion. Asylees are similar to refugees, but they are already living here when they seek permission to stay.

- Legal immigrants who are U.S. veterans or who meet the 10-year work requirement are exempt from welfare cuts and do not need sponsors.

Decisions Needed Soon

The new welfare law gives states discretion over legal immigrant programs funded jointly by the federal and state government, as well as those funded exclusively by the state. Some key decisions facing state policy-makers are whether to:

- Allow current legal immigrants to be eligible for AFDC or TANF, MA and Social Services Block Grant Program funds and new immigrants after five years.

- Offer other state-funded nutritional programs to all legal immigrants, in addition to those provided for children under the school lunch and breakfast program.

- Require that the income of sponsors and legal immigrants be combined when calculating benefits for state programs, as is required for federal programs.

- Continue GA and GAMC to all current and new legal immigrants.

LEGAL IMMIGRANTS CUT FROM SOME PROGRAMS

Thousands of legal immigrants will have their lives seriously altered by the new

welfare laws. The extensive revision of welfare laws will have a major impact on some groups of immigrants.

Current Legal Immigrants Cut From Federal Benefits

The new law eliminates most federal welfare benefits for current legal immigrants, those who arrived in the United States before August 22, 1996, the date the welfare reform bill was signed. Current legal immigrants includes refugees and asylees who have been here more than five years. States have the option to cut some legal immigrants from their welfare programs as well and many states are in the process of making these decisions.

Supplemental Security Income: About 5,400 adults and children who are current legal immigrants will lose SSI benefits by August 22, 1997, including 2,000 elderly people and 3,400 disabled adults and children. About 60 percent or about 3,300 of those losing SSI benefits will become eligible for Minnesota's General Assistance program. In addition, about 1,800 legal immigrants losing SSI would become eligible for the federal-state TANF or MFIP at a cost of \$3.2 million per year.

Food Stamps: Most families receiving AFDC, GA or SSI are eligible for Food

MOST MINNESOTA LEGAL IMMIGRANTS CAME FROM LAOS BETWEEN 1985 AND 1994

Top 10 Countries	Total
Laos	8,751
Vietnam	5,665
Korea	4,480
Soviet Union	3,218
Mexico	2,313
China	2,226
India	2,124
Philippines	2,019
Canada	1,822
United Kingdom	1,369
Other and Unknown	18,621

Note: Between 1985 and 1994, about 87 percent of the legal immigrants entering Minnesota from Laos were Hmong. The INS did not report the number of Soviet immigrants between 1986 and 1988 because the numbers nationally were too small.

Source: INS

Stamps, which average \$65 a month per person. While welfare reform will mean changes in the Food Stamp program for all Minnesotans, most legal immigrants will no longer receive Food Stamps.

Of the 28,000 current legal immigrants receiving Food Stamps in Minnesota, roughly 16,000 legal immigrants are expected to be cut off, amounting to about \$12.4 million annually. The other 12,000 are exempt from cuts.

TANF or MFIP: AFDC will be replaced by TANF and MFIP no later than July 1997. The federal-state AFDC program provides an average monthly benefit of \$149 per person to low-income families with children. Minnesota could deny \$16 million each year in state and federal AFDC to about 9,000 current legal immigrants. In crafting its plan, Minnesota must decide whether to continue TANF or MFIP benefits to current legal immigrants. If Minnesota's legal immigrants are given TANF or MFIP, they will be subject to the

same eligibility and work requirements as other Minnesota residents.

Medical Assistance and General Assistance Medical Care: Minnesota offers two major forms of medical care to those who qualify — the federal-state Medical Assistance program and the state-funded General Assistance Medical Care program. About 28,500 or 7 percent of MA recipients in Minnesota were legal immigrants, as of October 1996. This includes 3,800 disabled people, 3,700 elderly people and 1,600 on emergency assistance. Another 14,700 legal immigrants from AFDC families were also getting MA, as were 4,700 parents and children in families not on AFDC.

At the state's option, about 18,500 of 28,500 legal immigrants currently on MA could be denied \$39.3 million of state and federal funds for MA. The remaining 10,000 legal immigrants on MA would be exempt from cuts. If the state denies MA to legal immigrants, they would automatically become eligible for GAMC, unless

state law is changed. Extending GAMC to those losing MA would cost \$16.2 million more than current state MA spending.

If the state decides to drop legal immigrants from the federal-state MA program, about 150 legal immigrants currently in nursing homes and residential care facilities may not receive care, unless these expenses are picked up by Emergency Medical Assistance. The state could change the law and begin to cover these costs with its GAMC, which does not now cover nursing home care.

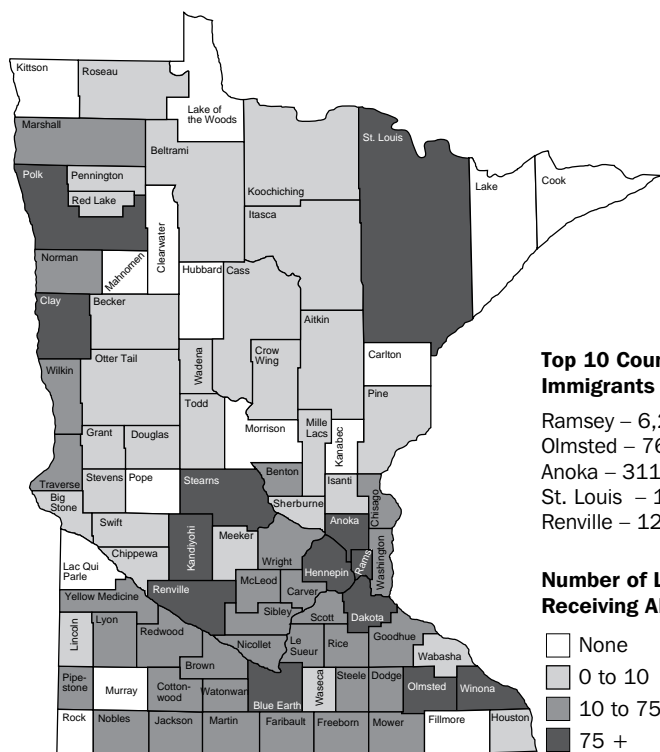
General Assistance: Funded entirely with state funds, General Assistance covers about 2,100 current legal immigrants who are unable to provide for themselves, such as people who are mentally retarded or elderly. About 3,300 more current legal immigrants will become eligible for GA because they will be cut from SSI, resulting in lower income. However, GA recipients only would receive about \$2,460 each year compared to \$4,536 under SSI. The cost impact on the GA program is expected to be about an additional \$8 million in 1998 unless existing eligibility standards are modified.

Several options face lawmakers:

- The state could change GA and deny or reduce benefits for legal immigrants. It would require a change in state law and leave a significant number of legal immigrants, particularly the elderly and disabled, with little means of support. Reductions could also affect some local city and county governments that provide public shelter and emergency medical care.
- Lawmakers may leave GA as is, giving benefits to those who qualify, which would cost an additional \$8 million annually.
- To make up for lost SSI, the state could supplement GA at a higher level, costing another \$12.4 million each year.

Social Services Block Grant: Minnesota must decide whether current legal immigrants will receive many social services, including foster care payments, child care assistance, adoption subsidies, mental health services and services for disabled

SEVENTY-SEVEN PERCENT OF LEGAL IMMIGRANT AFDC RECIPIENTS LIVE IN HENNEPIN AND RAMSEY COUNTIES



Source: Minnesota Department of Human Services

and elderly people. Legal immigrants' and sponsors' income will be combined when determining eligibility for benefits.

Minnesota Supplemental Aid: Minnesota Supplemental Aid assists elderly, blind and disabled people by supplementing federal SSI benefits. In 1996, payments averaged about \$89 per month or \$1,068 each year. About 2,600 current legal immigrants losing SSI also will lose \$2.5 million per year in Minnesota Supplemental Aid starting in 1998.

Many Federal Benefits Will Not Be Available to New Legal Immigrants

New legal immigrants will lose many more federal benefits than current legal immigrants. For their first five years in this country, new legal immigrants are not eligible for SSI, Food Stamps, MA, TANF and other federal social services such as foster care payments, adoption subsidies, child care assistance, mental health services and services for elderly and disabled people. After five years, they may become eligible for MA and TANF, the same as current legal immigrants.

Federal emergency services such as emergency medical care and disaster relief will remain intact for new legal immigrants.

Under existing state law, the state-funded GA and GAMC programs do not have a five-year ban on services and must be provided to those who qualify, including new legal immigrants. Those barred from federal-state MA will become eligible for GAMC, adding about 470 people to the rolls each year for the next four years at an additional cost of about \$1 million in 1998, rising to \$3.9 million in 2001.

Illegal Immigrants Eligible Only for Emergency Medical Assistance

The federal law makes illegal immigrants ineligible for any state or federal assistance programs except for certain emergency medical assistance. It does, however, allow state lawmakers to cover illegal immigrants with GAMC, but such action would require new state legislation. The estimated cost of covering about 570 illegal immigrants is \$1.2 million each year.

Several Groups Exempted

Unlike other groups of immigrants, refugees and asylees will be eligible for major federal and state welfare programs for their first five years in the United States. These programs include Food Stamps, SSI, MSA, Social Services Block Grant, MA, TANF or MFIP, GA and GAMC.

After five years, refugees and asylees will not be eligible for SSI and Food Stamps until they become citizens or meet the 10-year work requirement. About 6,300 refugees and asylees have exceeded the five-year limit and will lose these benefits by August 1997.

Beyond five years, the state can decide to deny refugees and asylees the Social Services Block Grant, MA, TANF or MFIP, GA and GAMC.

Legal immigrants who are U.S. veterans or who have met the 10-year work requirement will be eligible for benefits as would any other citizen.

RIPPLE EFFECT

Minnesota joins other states in making tough policy choices that will affect not only legal immigrants but also religious and nonprofit organizations, health care providers, law enforcement officials and the community at large.

Decisions May Encourage Migration

Minnesota may become more attractive to legal immigrants as other states lower or deny TANF and MA benefits and offer little or no replacement for Food Stamps

or SSI. To stem the flow of people to states perceived as "welfare magnets," states now can limit benefits, up to one year, to the same level people were receiving in the state they left.

About 2,000 legal immigrants moved to Minnesota from other states between 1992 and 1995. More than half came from six states: 615 from California, 154 from New York, 144 from Texas, 131 from Wisconsin and 109 from Illinois.

Research indicates that job availability and family are stronger enticements to relocation than welfare benefits. Under welfare reform, however, benefits will likely play a stronger role in decisions to relocate.

Sponsors' Income Reduces Federal Benefits

Legal immigrants must have a sponsor if the INS or State Department determine they are likely to need public assistance. The income of the sponsor counts as the legal immigrant's income when determining eligibility for public assistance and is referred to as "deeming." Deeming will reduce the amount of benefits that legal immigrants can receive.

All new legal immigrants are barred from federal benefits for their first five years in this country. After five years, their sponsors' income will be included when calculating eligibility for benefits until they become citizens or have worked here for at least 10 years.

Current legal immigrants who are receiving benefits are also subject to deeming. Deeming will be enforced when current

LEGAL IMMIGRANTS WILL LOSE MILLIONS IN FEDERAL BENEFITS ANNUALLY BEGINNING IN 1998

	Legal Immigrants Receiving Benefits	Legal Immigrants Losing Benefits	Millions in Benefits Lost
Supplemental Security Income	6,800	5,400	\$24.7
Food Stamps	28,000	16,000	\$12.4

About 34,000 legal immigrants receive some form of federally supported public assistance.

Source: Minnesota Department of Human Services

legal immigrants reapply for federal benefits. Refugees and asylees are exempted from deeming for their first five years in this country. Sponsors are not required for legal immigrants who are U.S. veterans or have met the 10-year work requirement.

Sponsors also must sign a legally enforceable agreement to repay the state for any public assistance provided to the legal immigrant they sponsor. Prior to welfare reform, some states established agreements but federal law had to be changed to make them legally enforceable.

Deeming is required for all federally funded programs, but states may choose whether to require it for state-funded programs. Minnesota must decide whether to require deeming for GA and GAMC. If it is required for state programs, some legal

immigrants may become ineligible for benefits or may receive reduced benefits.

Whether Minnesota wants to aggressively pursue sponsors for reimbursements is another issue. The Minnesota Attorney General's Office is determining whether past agreements are enforceable. It is unclear whether the same reimbursement standards apply to religious and nonprofit organizations that sponsor legal immigrants. Since these organizations often sponsor large groups of legal immigrants, the impact on them could be great.

Language Is Barrier to Citizenship

The federal government determines the requirements for citizenship. To become a U.S. citizen, a legal immigrant must have lived in the United States for at least five years and satisfactorily complete a citizen-

ship examination with two parts: a brief questionnaire and oral interview.

The questionnaire requires the ability to read and write simple English. The oral exam tests knowledge of basic U.S. history.

Applicants age 50 or older who have lived in the United States for at least 20 years may take the exam in their native tongue or use an interpreter. Also qualifying for special consideration are people with a disability who are age 55 or older and have lived here for at least 15 years.

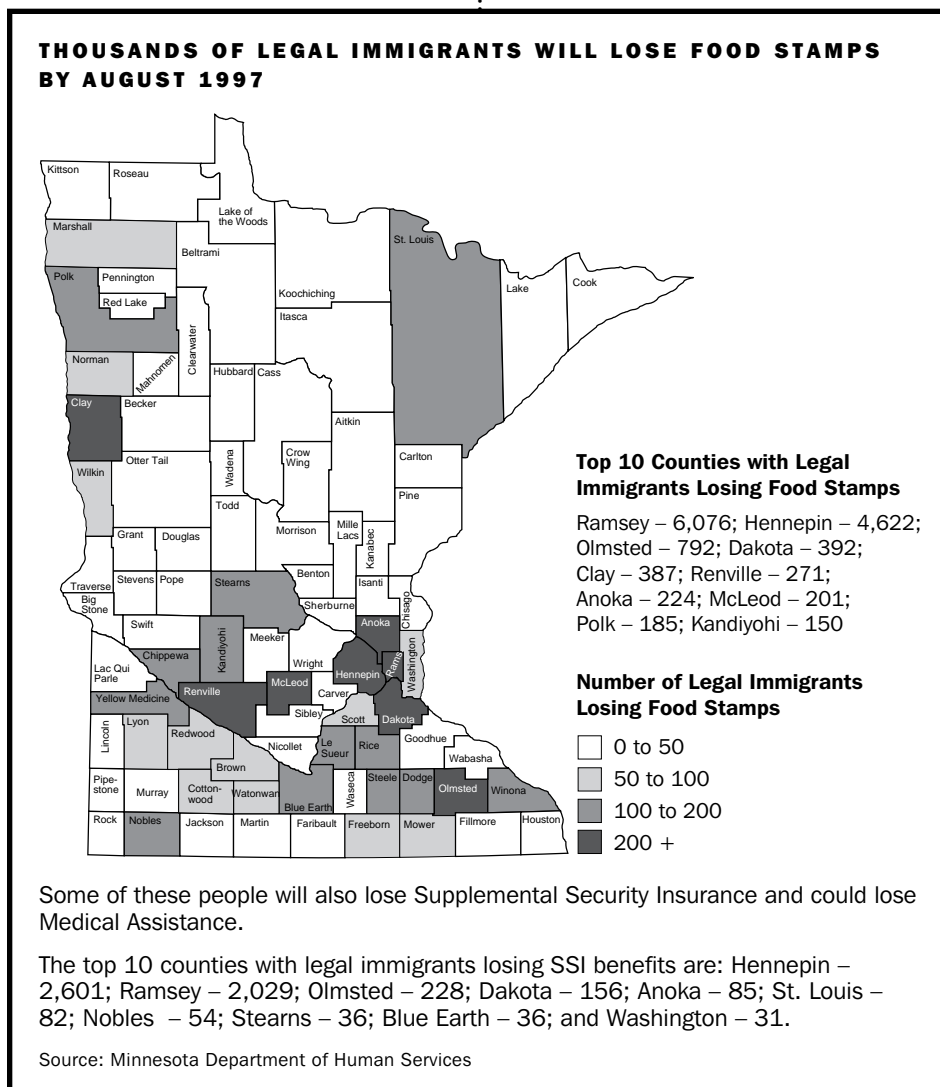
For some legal immigrants, learning a new language well enough to pass the citizenship exam is a significant barrier, if not virtually impossible. Many recent refugees are elderly, some of whom have had no formal training in writing and reading in their native tongue, let alone English.

Local Concerns Focus on Health, Safety, Education and Economy

Cuts in welfare benefits may affect the economy of a number of inner-city neighborhoods. Most legal immigrants locate in inner-city neighborhoods where they can be close to family and affordable housing. Eighty-one percent of legal immigrants have located in the Twin City metropolitan area. As funds to these families are cut, their ability to pay rent and purchase goods and services in nearby stores and businesses will be diminished.

Counties also will be affected, particularly those in the metropolitan area. Hennepin County Medical Center provides interpreter services to nearly 40,000 legal immigrant out-patients annually at a cost of about \$680,000. The county is currently reimbursed for these services through various health maintenance organizations. These costs are not reimbursable under GAMC or MA. Hennepin County expects many legal immigrants to lose MA. In total, Hennepin County expects a \$7 million annual shortfall for uncompensated health care services for legal immigrants at Hennepin County Medical Center.

The welfare reform law also requires public employees to turn in illegal immigrants to law enforcement authorities.



This could dramatically affect illegal immigrants who are seeking police protection, health care and public education. Officials in some cities are concerned that discouraging illegal immigrants from coming forward to report crime will make it harder to apprehend criminals and raise the cost of fighting crime. Many illegal

immigrants may be deterred from seeking medical care and many children may not attend school because they fear being reported. New York City has filed suit against the federal government claiming that the provision requiring public employees to turn in illegal immigrants violates the Constitution.

Minnesota will have to decide how it will comply with the new requirement to report illegal immigrants. A process will need to be established for collecting information from such groups as employers, hospitals or police departments.

STATES STRUGGLE OVER LEGAL IMMIGRANTS

	Will the state pick up some costs for legal immigrants who have lost Food Stamps and SSI?	What is the state doing to determine AFDC, Medicaid, and Social Service Block Grant qualifications for legal immigrants?	Will the state continue to consider sponsor's income when determining eligibility or denying benefits?	Has the state developed options for legal immigrants who are unable to work because of age or disability?
California	Undecided. Holding public forums.	Undecided.	Undecided.	Undecided.
Florida	No.	Continue benefits for those currently receiving them.	Will make full use of sponsor's resources and include sponsor's income when determining benefit levels.	Will develop options only for Cubans and Haitians.
Illinois	Undecided.	Probably will continue benefits when support continued by federal matching funds.	Unknown.	Use federal health centers. Create a state transitional program.
Iowa	Undecided. Legislature will decide.	Continue to provide benefits to those currently receiving them.	Will continue to provide Medicaid, but undecided about including sponsor's income for determining eligibility.	Use federal health centers. Create a state transitional program.
Michigan	Some will be eligible for the state disability program. Will not make up lost Food Stamps.	Continue benefits as provided by Michigan law.	Will continue Medicaid benefits but undecided about including sponsor's income for determining eligibility.	No. Some will be covered under the state disability plan.
Minnesota	Under state law, some will be eligible for General Assistance and General Assistance Medical Care.	AFDC could be replaced by Minnesota Family Investment Program. Undecided about others.	Undecided.	Undecided.
New York	Undecided. May move some people to General Assistance.	Undecided.	Unknown.	Unknown.
North Dakota	Undecided. Possibly use some TANF money for other programs.	Continue benefits to those currently receiving them.	Will continue Medicaid benefits but undecided about including sponsor's income for determining eligibility.	Undecided. Funding a problem.
Oregon	No. State will inform recipients of changes.	Other programs unknown, but Medicaid continues.	Will continue Medicaid benefits.	Undecided. May cover under existing programs.
South Dakota	Undecided. Likely to extend benefits.	Undecided.	Undecided.	Undecided.
Texas	No.	State waiver program covers existing recipients.	Unknown.	No.
Wisconsin	Not likely.	State will continue to provide optional benefits.	Undecided.	Undecided.

Source: Minnesota Planning

**WORK
IN PROGRESS**
FEDERAL WELFARE REFORM
IN MINNESOTA

Implications Are Far-Reaching for Recipients, Public Officials, Others

Massive welfare changes affecting work requirements, children and immigrants have raised many unresolved issues. Minnesota must decide how it will respond to federal welfare reform and what kind of plan it will develop to serve its citizens. Some decisions relate to specific program issues, such as who to exempt from work requirements and what constitutes work. Others are fundamental issues, such as who will be served and what level of service will be provided.

Minnesota must decide:

- How soon welfare recipients must meet work requirements.
- The types of activities that qualify as work.
- Penalties for parents who do not meet work requirements.
- Whom to exempt from the five-year life time limit on welfare payments and work requirements.
- Whether to set shorter lifetime limits than the federal law requires.
- How to make child care available and affordable so that parents can work.
- Whether to cover legal immigrants who are not citizens under TANF and Medical Assistance.
- Whether to provide state dollars to cover federal benefits lost by immigrants, able-bodied adults and children.

In addition, state officials must consider how Minnesota's welfare reform plan compares with the plans of other states and how Minnesota will treat a host of other groups, from teen parents to drug felons.

WELFARE MIGRATION AN ISSUE

Decisions Minnesota makes about providing benefits could affect the movement of people from state to state. Each state plan will determine benefits for immigrants, if and how to cover people dropped from federal programs and waiting periods before newcomers to the state receive full benefits. If the difference in welfare benefits between states is large, people might choose to move to states with higher benefits.

Minnesota ranks in the top 10 states in AFDC benefit levels. The new federal law could result in sharper differences among states than in the past. The law allows states to limit the benefits given new migrants to the amount they were receiving in their previous state of residence for one year. If Minnesota adopts such a limit, it would create a two-tier system of benefits in which recent arrivals would receive a lower level of welfare benefits than longer-term residents. The law also makes state coverage of most legal immigrants optional and excludes legal immigrants and others from various federal programs. How Minnesota handles these issues compared to other states could have significant consequences.

Several states, including Minnesota, have used census data and surveys to examine migration tendencies of people receiving public assistance. In general, the migration behavior of the poor is not remarkably different than that of other

income groups, centering on family and job availability. A survey of welfare recipients in Milwaukee and southern Wisconsin found that family was the most frequently cited reason for moving to Wisconsin. However, about 20 percent of respondents said that higher Medicaid and AFDC benefits were important factors in their decision to move.

Minnesota Planning, in an analysis of 1990 census data, found a net increase of people who moved to Minnesota between 1985 and 1990 and received some public assistance income in 1989. Four percent, or 14,300, of the total migrants to the state during the period received public assistance. Approximately 6,600 welfare recipients moved out of the state during the period, leaving a net increase of 7,700.

The 7,700 people moving to Minnesota represented approximately 6 percent of the people noted in the census as receiving public assistance in 1990, including AFDC, SSI, GA, but not MA. Legal immigrants who have not become citizens made up 2,500 of the 7,700 people moving to Minnesota over the five-year period. Ten percent of all international migrants to Minnesota between 1985 and 1990 received some public assistance income in 1989. Almost half of the interstate welfare migrants moving to Minnesota came from seven states: Illinois, Texas, North Dakota, Wisconsin, California, Iowa and South Dakota. These same states are also the most likely source for migrants to Minnesota of all economic groups. California, Texas, Wisconsin and Iowa were the predominant destinations for welfare recipients moving out of Minnesota.

UNRESOLVED ISSUES REMAIN

Many issues must be resolved as Minnesota develops its approach to welfare reform. It is unclear what restrictions the federal government will place on how states spend the money they are required to provide to maintain past levels of effort or how they spend other state funds. Minnesota's request to use state matching dollars to continue limited benefits beyond the five-year cutoff for MFIP participants

who are working has already been rejected. States' requests are being handled one at a time while new rules are being drafted. The new federal law will continue to be interpreted as Minnesota and other

states develop and the federal government reviews welfare plans.

Enforcement of TANF provisions and fraud prevention also are issues. No national system exists for tracking welfare

recipients and it is unclear how one will be developed. To enforce lifetime limits and other provisions, states must have access to complete records of assistance that people have received anywhere in the United States. Tracking recipients even

OTHER STATES TRY NEW APPROACHES TO WELFARE REFORM

	TANF Plan Submitted	Unique Welfare Reform Provisions Proposed or Approved Under TANF or Waivers
California	Yes	<ul style="list-style-type: none"> ■ Transitional Child Care and Transitional Medicaid provided to families going off AFDC due to marriage or family reunification. ■ To motivate teen AFDC parents to attend school, bonuses are awarded for grade-point average and high school graduation. Students failing to maintain a D average may have payments reduced. ■ AFDC recipients may have special accounts not exceeding \$5,000 in order to start a business, purchase a home, or pursue post-secondary education. TANF permits this type of "Individual Development Account." ■ Families will not receive additional TANF benefits when a child is conceived while the family is on welfare. They may receive Medical Assistance or child care benefits, and the Food Stamp allotment will also increase. TANF permits limiting benefits for children conceived or born on welfare.
Florida	No	<ul style="list-style-type: none"> ■ Restricts TANF benefits to four years in a lifetime. ■ Considering more restrictive time limits of neighboring states to discourage a "magnet effect." ■ Benefit levels vary with recipients' housing costs.
Illinois	No	<ul style="list-style-type: none"> ■ Under the Targeted Work Initiative, AFDC benefits are limited to two years for parents who are not working and have no children under age 13.
Iowa	Yes	<ul style="list-style-type: none"> ■ Parents who do not develop a self-sufficiency plan or meet requirements may be removed from welfare and be prohibited from applying again for six months. ■ Only parents with children less than 3 months old are exempt from work participation requirements in the state TANF plan, consistent with the time frame of the Family Leave Act.
Michigan	Yes	<ul style="list-style-type: none"> ■ Families who work can receive cash instead of Food Stamps. ■ At some welfare offices, employer representatives are hiring people for jobs before they apply for benefits.
New York	Yes	<ul style="list-style-type: none"> ■ Instead of going on welfare, families may receive a one-time payment for work-related expenses, other services, or child care. ■ The state has contracted with a private company to place AFDC recipients in employment, as permitted under TANF. The firm receives periodic payments totaling \$5,400 per recipient. Roughly 400 participants are placed each year.
North Dakota	No	<ul style="list-style-type: none"> ■ The state is considering extending benefits to migrants from other states only if they come seeking employment and are able to work. They would be subject to their former state's time limit if it is more restrictive. ■ To promote marriage, a family's AFDC benefits will not be reduced by a new spouse's income for the first six months of marriage.
Oregon	Yes	<ul style="list-style-type: none"> ■ TANF benefits are limited to two out of every seven years for families where the adults are considered employable.
South Dakota	Yes	<ul style="list-style-type: none"> ■ Entire families are ineligible for AFDC for three months if unemployment occurs voluntarily. ■ Recipients who leave welfare due to a job receive a one-month transitional grant.
Texas	Yes	<ul style="list-style-type: none"> ■ In one county, recipients have the option to take a one-time AFDC cash emergency assistance payment of \$1,000 in lieu of ongoing regular AFDC payments. The person may not apply for AFDC benefits for one year from the date of receipt. ■ In four counties, recipients may set up savings accounts for education or business start up.
Wisconsin	Yes	<ul style="list-style-type: none"> ■ In some cases, the federal minimum wage is used as the amount recipients' AFDC benefits are reduced for each hour of "nonparticipation."

Note: The table represents Minnesota's neighboring states and those which have a strong migratory relationship with Minnesota. States with a large immigrant population are also listed. Information is based on state waivers and plans in place as of December 1996. Some apply only at demonstration sites in limited geographic areas.

Source: U.S. Department of Health and Human Services, American Public Welfare Association and Minnesota Planning

within Minnesota will be difficult. Tracking recipients across state borders will be impossible without a national system.

Plan Must Include Incentives to Reduce Teen Pregnancy and Out-of-Wedlock Births

Congress found that the increase in the number of children receiving public assistance is closely related to the increase in births to unmarried women. The new law provides a number of requirements and incentives to reduce the rates of teen pregnancy and out-of-wedlock births.

■ States' TANF plans must include goals and actions to prevent and reduce the incidence of nonmarital births, with a special emphasis on teenage pregnancies and numerical goals to reduce the illegitimacy rate of the state.

■ Up to five states that demonstrate the greatest net decrease in their out-of-wedlock birth rate without increasing the number of abortions will be eligible for annual bonuses of \$20 million for 1999 through 2002.

■ The U.S. secretary of health and human services must establish and implement a strategy for preventing teenage pregnancies and ensuring that at least 25 percent of communities in the United States have teenage pregnancy prevention programs.

■ The U.S. attorney general must study the link between statutory rape and teenage pregnancy, particularly by predatory older men who commit repeat offenses, and educate state and local criminal law enforcement officials on the prevention and prosecution of statutory rape and its links with teenage pregnancy.

■ The law makes available more than \$50 million under the Maternal and Child Health Block Grant for abstinence education programs. States do not have to participate, but if they do, they must match their share of the funds. Minnesota's share could be about \$600,000 if it applies for these funds.

Minnesota has a clear interest in reducing the number of out-of-wedlock births

and births to teenage parents. Every day in Minnesota, 21 teens become pregnant and 15 teens under age 19 have babies. The percentage of births to unmarried women in Minnesota increased from 2.8 percent in 1960 to 10.2 percent in 1975 and to 24.1 percent in 1994. Children born to single mothers, regardless of the age of the mother, are at greater risk than children born to two-parent families of spending more time living in poverty and becoming single parents themselves. Children of teen mothers also are at greater risk of having lower intellectual and academic achievement, higher rates of incarceration and more behavioral disorders than do children born to older parents. Teen mothers are more likely than older mothers to need public assistance.

The federal law requires states to adopt a number of provisions affecting teen parents. Minnesota law meets or exceeds most of the requirements of the federal welfare reform law; however, there are some differences. For example, federal and state laws require minor parents to live at home to receive aid. Exemptions are provided, such as for minor parents who have no living parent or legal guardian or who are not allowed to live at home. In these cases, minor parents must live with their child in adult-supervised living arrangements. However, Minnesota law has additional exemptions, covering minor parents who have lived apart from their parents or legal guardians for at least one year before the birth of the child or when a supervised living arrangement is not available in the county in which they reside.

Drug Felons Must Be Denied Assistance

The new federal law denies cash assistance and Food Stamps to individuals convicted of felony-level drug crimes after August 22, 1996, including use, possession and distribution-related drug crimes. However, states may choose to opt out of this prohibition through state legislation or may limit the time period during which an individual would be prohibited from receiving assistance.

Denying assistance to convicted felons raises a number of policy issues. For example, denial of benefits could encourage recidivism and further criminal activity. Families and children of the convicted felon could be hurt by the reduction of total household assistance. On the other hand, if Minnesota opts out of this provision, the state could attract drug felons from states that deny them assistance. In each of the last four years, more than 2,000 convictions were handed down for felony-level drug crimes in Minnesota.

The Minnesota Legislature must decide whether to enact legislation allowing drug felons to receive assistance and under what conditions — for example, after 10 years have elapsed from the time of the conviction. Vouchers could be provided instead of cash to prevent people from using the funds to buy drugs. If the Legislature takes no action, welfare assistance must be denied to convicted drug felons. The number of states that will opt out of this provision is unknown.

American Indian People and Tribal Governments Must Be Included

Tribal governments have the authority under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 to receive their own TANF block grant and implement the provisions of welfare reform. If tribal governments elect not to implement their own program, American Indian people on and near reservations will continue to be eligible for the state's programs. The state then must ensure that it is providing equitable access to the state TANF program to all American Indian people.

Implementation of TANF work requirements could be particularly difficult on some of Minnesota's 11 reservations, where higher levels of poverty exist than in the rest of the state and where opportunities for employment often are more limited. Lack of adequate employment training available near some reservations and the resulting lack of skills might make it more difficult for American Indian people to compete for the relatively limited jobs in the more remote, rural parts of the state. Lack of transportation and child

care are additional obstacles. Some reservations are more than 30 miles from large towns with employment opportunities. Relocating to areas with better job prospects means being cut off from family and tribal support structures. Provisions cutting Food Stamps to able-bodied adults and provisions under a separate federal law cutting SSI benefits to people with drug- and alcohol-related disabilities also will affect American Indian people.

A Tribal Task Force has been meeting with legislators and Department of Human Services representatives to discuss tribal issues and options. Tribal leaders are concerned that many provisions of the federal welfare reform effort might violate the trust responsibilities that the federal government has for American Indian people based on treaties and other provisions of federal law.

They also are concerned that administering their own TANF block grant might not be a viable alternative for many tribes. The law allows tribes to receive federal money, but past spending in reservation areas was composed of federal funds and state matching funds. Tribes are considering asking the state to contribute funds equal to the amount spent in these areas under AFDC so that tribes can operate a TANF program comparable to past efforts.

Constitutional Issues Must Be Resolved

A number of issues in the new law may raise constitutional questions. Two significant legal issues are the provisions affecting legal immigrants and the provisions giving states the option of limiting the benefits of new state residents. States can apply the amount of assistance a family was receiving in their previous state of residence for the first year in the new state of residence. A lawsuit has already been filed in New York challenging the constitutionality of the immigrant-related provisions of the law, and others are expected.

Two constitutional amendments relate to these provisions. The Fifth Amendment of the Constitution provides that "no person shall ... be deprived of life, liberty or prop-

erty, without due process of law," a provision interpreted by the courts to afford all citizens basic constitutional protections. The 14th Amendment forbids states from denying equal protection of the laws to any person within its jurisdiction.

Several U.S. Supreme Court cases have examined residency issues and the rights of legal immigrants who have not become citizens. The Court struck down a state law that restricted legal immigrants' access to welfare benefits by imposing a residency requirement. In addition, constitutional provisions that relate to equal protection and interstate travel have been the basis for the Supreme Court prohibiting states from making distinctions based on residency. However, the Court ruled that Congress is not required to provide the same benefits to all aliens because it provides welfare benefits to some citizens. The essential question is whether Congress' action in allowing states the option of making distinctions based on residency legitimizes state action that would otherwise be unconstitutional.

BOLD APPROACHES TRIED IN OTHER STATES

More than 40 states received federal approval in recent years to test new welfare approaches emphasizing work and temporary support. More innovations are coming under TANF. As of December 1996, 39 states had submitted plans to the federal government under TANF and 20 had been approved. Of these states, at least 16 will likely continue to operate under a waiver, while three states will likely opt out of their waiver.

Many states are allowing a wider range of training and other work-preparation activities than TANF allows. Many have instituted financial incentives to work. Others have earlier work requirements, more restricted eligibility and tougher penalties than TANF. Wisconsin will require almost immediate work under its W-2 program. New recipients in Michigan must begin work-related activities within 60 days or be denied benefits. Michigan reduces grants by 25 percent and eliminates benefits after four months of

noncompliance. Massachusetts can remove an entire household from assistance for noncompliance.

Several states are trying to cut their welfare bureaucracy, eliminating local AFDC staff and state welfare departments and replacing them with new agencies or contractors focused on family independence and work. Michigan replaced its Department of Social Services with the Family Independence Agency. Wisconsin formed a new Department of Workforce Development, integrating welfare job efforts with other employment services. In some areas of Wisconsin, government and private organizations bid to provide services through pay-for-performance contracts.

The role of employers also is growing. In Massachusetts, 900 employers have made a written commitment to provide jobs in one welfare reform project. Several states use welfare grants to subsidize employers that hire recipients. South Carolina requires state agencies to hire welfare recipients for at least 10 percent of positions requiring a high school diploma or less.

Some states that have a history of migration back and forth with Minnesota have taken actions that may adversely affect Minnesota. They have established shorter or stricter eligibility for welfare than TANF, which creates the possibility of increased migration to Minnesota for benefits. Wisconsin's W-2 program restricts benefits to two years in any four-year period, except in areas where jobs are not available. After the two years are exhausted, the program does not allow people to reapply for another three years. Wisconsin, California and Indiana do not provide additional cash benefits for babies conceived or born while the mother was on public assistance.

In response to the likely increase in demand for child care, some states are relaxing or proposing to relax state standards covering such things as education requirements for child care center directors and staffing ratios. Kentucky is considering state-funded relocation assistance to help people move to parts of the state with better job prospects.

A program in inner-city St. Louis allows people to earn "time-dollars" by donating goods or providing services to others, which can then be redeemed for child care, car repairs or medical care. About 3,000 people now take part in this barter system, which should meet some of the new federal work requirements.

GOVERNMENT CANNOT DO IT ALONE

Welfare reform provides risks and opportunities for Minnesota. Opportunities are great because Minnesota's employers need more reliable and skilled workers to meet labor shortages. The state will benefit in the long run by helping its citizens become productive contributors to their families and communities, rather than looking solely to importing new workers to fill labor needs. Yet the risks also are great — to children in families that exceed their five-year lifetime assistance limit, to neighborhoods with high concentrations of low-income people, to people unable to find and keep jobs. Making welfare reform work requires a concerted effort from all sectors, including employers, religious and nonprofit organizations, governmental agencies and educational institutions.

Employment opportunities and physical access to jobs are crucial. Employers could contract with the state or local jobs agencies to train and hire significant blocks of welfare recipients, as is being done with the Minnesota Job Skills Partnership. In addition to businesses, nonprofit organizations and public institutions, such as state and county governments, public colleges and school districts, could hire welfare recipients, including for occupations not traditionally held by women. In some cases, job opportunities are located at a considerable distance from the people in need of work. Employers, counties and job agencies could experiment with paying expenses to relocate people from areas of job shortages to areas with labor shortages; ideally, this would be done taking care not to distance families from crucial support networks. Government and nonprofit organizations also could use economic

development dollars to assist businesses in expanding efforts to promote economic development in areas with limited jobs.

Education and social services are critical to making the transition from welfare to work. In addition to businesses providing on-the-job training, the state's educational institutions, especially the two-year colleges, could expand short-term and customized training, providing, for example, the six-week to six-month training blocks that employers are demanding. Employers could invest more in family-friendly support services. Religious and nonprofit groups could assist in arranging new services such as commuter pools and job-site social services. State policy-makers could make sure that support for career mobility is built into a statewide MFIP, while minimizing incentives for making low-wage jobs permanent.

Minnesota can build on its Workforce Centers that provide employment and training services to welfare recipients. The state has 17 centers, and 38 more are scheduled to open before the end of 1997. These centers are one-stop facilities that integrate all employment and training-related services for job seekers and employers. Work Force centers can provide connections between county services, public assistance recipients and employers.

Nonprofit and Religious Organizations Will Remain Important Players

Numerous changes made by the new welfare law will affect nonprofit and religious organizations. Those organizations that provide services directly to clients, such as soup kitchens, homeless shelters or food shelves, are preparing for an increase in requests for help. Demand for services may increase as people's incomes and opportunities are reduced by changes in eligibility, income support and educational assistance. The capacity of the nonprofit sector to respond to increased demand will be constrained by reduced government support, especially for organizations that provide long-term care for the elderly, services for people with disabilities, legal services, energy assistance and health care for the poor. Reduced federal support for a wide variety of activities also

will increase competition for limited charitable dollars.

Food shelves are expected to be among the first organizations to feel an increase in demand, especially by immigrants and those no longer eligible for Food Stamps. The Food Stamp restrictions are some of the first provisions of the new law to go into effect. At a time when they are anticipating increased demand, food shelves also are facing stagnant donations. Organizations such as the Second Harvest Food Bank have been told that they can no longer expect an increase in donations from the food industry, so they will need to look for new sources of donations as use increases.

Many charities are working on providing job readiness training and increasing the self-sufficiency skills of the individuals they serve and anticipate serving. A group of approximately 50 nonprofit organizations has formed a coalition called Affirmative Options for Welfare Reform that focuses on how to most effectively serve those no longer eligible for public assistance. The group has developed a list of principles that it believes must be in place for welfare reform to be successful. Among these principles is a need to make work pay enough to support families, to preserve a safety net for those truly unable to work, to create a system that allows for consideration of individual circumstances and to provide opportunity and advancement for people by investing in education and training.

Minnesota has a large and active nonprofit community that includes more than 3,500 charities. About half of Minnesota's nonprofit organizations are involved in providing health and social service assistance to clients. Their challenge will be to continue to find ways to provide more services with potentially fewer resources.

Neighborhoods and Businesses Will Be Affected

Welfare reform will affect neighborhoods and businesses. Reductions in Food Stamp and SSI benefits could reduce food sales and other purchases as the amount of money people have to spend after paying

for housing diminishes. The overall reduction in federal assistance to immigrants alone is estimated at \$12 million per year for Food Stamps and \$24.7 million per year for SSI.

Cuts could particularly affect the economy of a number of inner-city neighborhoods. Most legal immigrants locate in inner-city neighborhoods for the affordable housing and to be close to family. Eighty-one percent of Minnesota's legal immigrants live in the Twin Cities metropolitan area, most in St. Paul and Minneapolis. More than 4,000 immigrants in Hennepin and Ramsey counties will be cut from SSI and more than 10,000 from Food Stamps.

Benefit reductions also will affect housing. Public housing officials expect increases in overcrowding and homelessness as people attempt to cope with more limited

incomes. Changes in TANF benefit levels also could affect Section 8 public housing subsidies and could result in a decrease in the number of public housing units available.

People Want Change and a Safety Net

Years of debate have made it clear that few people are satisfied with the welfare system in the United States and Minnesota. Polls indicate that many people are angry about welfare fraud and believe that the welfare system fosters addictive and self-destructive lifestyles. But polls show that people still want government to help those in true need. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 gives Minnesota the ability to change the welfare status quo. It calls upon the state to design a system that works best for its people.

And it calls upon individuals to take responsibility for their futures.

By moving from welfare to work, parents will become more actively involved in their communities and state, and they will provide role models and promote positive values for their children and future generations. Yet some individuals will find the transition harder than others, and some might fall through the cracks.

Minnesota prides itself in being a caring state, and values of compassion and fairness rank high with Minnesotans. Government cannot change welfare by itself. Businesses, nonprofit organizations, communities and individuals must all work together to achieve reform in a way that fits the state's vision and goals. Everyone is called upon to work for a better future.