IN THE MATTER OF THE PROPOSED ADOPTION OF DEPARTMENT OF HUMAN SERVICES AMENDMENTS TO RULES GOVERNING THE AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC) PROGRAM, MINNESOTA RULES, PART 9500.2700, SUBPART 5.

MINNESOTA DEPARTMENT OF HUMAN SERVICES

STATEMENT OF NEED AND REASONABLENESS

INTRODUCTION

The above-entitled rule amendment is authorized by Minnesota Statutes, section 256.851 which requires the commissioner of human services to adopt rules necessary to implement the AFDC program.

The proposed amendment revises applicant and recipient responsibilities with regard to household reports by eliminating quarterly reporting for those AFDC assistance units not required to report on a monthly basis. The proposed amendment also brings the AFDC program into conformity with food stamp policy to the extent permitted by federal law. Consistency between the AFDC and food stamp programs is necessary and reasonable because of the statewide automated eligibility project (MAXIS) that the department is developing. This project will computerize eligibility determination for the AFDC and food stamp programs. The greater the similarity between the two programs, the simpler and less costly it will be to program the MAXIS system and administer the AFDC program.

The proposed rule amendment has been developed in consultation with an advisory committee composed of representatives from counties, service providers, legal aid and the department of jobs and training.

SPECIFIC RULE PROVISIONS

The above-entitled rule is affirmatively presented by the department in the following narrative in accordance with the provisions of the Minnesota Administrative Procedure Act, Minnesota Statutes, chapter 14 and the rules of the Attorney General's Office.

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Subpart 5. Household reports.

Quarterly Reporting Requirement.

The amendment to this subpart eliminates the requirement for quarterly reporting for all AFDC assistance units not otherwise required to report on a monthly basis. The requirement to report monthly will continue for all AFDC assistance units which have earned income, a recent work history (recent meaning within the last three months), or income allocated to the unit from a financially responsible person living with that unit who has earned income or a recent work history. Additional AFDC assistance units may be required to report monthly if they are in a category that has a greater proportion of the state's total program errors, as identified through the quality control review process. The Department has the option to impose this requirement when monthly reporting is expected to reduce the error rate for that category. These requirements for monthly reporting are broader than currently required under federal direction as outlined in an action transmittal from the Family Support Administration dated March 22, 1989 (FSA-AT-89-13).

The client's responsibility to report changes is mandated by federal regulations in CFR 45, Part 206.10 and Part 233.36; state statutes in 256.73, subd. 6, and in the AFDC Rule 9500.2700 (as proposed for rule change). Currently in Minnesota these reporting requirements for recipients are met by the monthly reporting defined above and by clients reporting changes in the assistance unit within ten days which may affect benefits. The following are changes that must be reported: starting or stopping employment; a change in hours, earnings or expenses; initial receipt of or change in child support, Social Security, Veterans Benefits, Unemployment Insurance, lump sums, insurance benefits and any other payments; purchase, sale or transfer of property; when a person is born, dies, moves in or out of the household; address change; marital status change; school attendance for anyone over age 16; health insurance coverage; or if the recipient has filed a lawsuit for personal injury or damages. In compliance with federal regulations at 45 CFR 233.20, applicants and recipients are informed of reporting requirements at the initial application interview, at the annual face-to-face determination, and each time a notice of action is sent to the client on a form DHS 1842.

Quarterly reporting is not required by federal regulations or state statute. In fact, Minnesota is the only state that requires quarterly reporting. National studies indicate that required periodic reporting is not an effective tool to manage cases or to reduce errors. Based on this research, the federal agencies have revised their initially restrictive monthly reporting requirements. The state legislature has repeatedly indicated a preference for reducing client reporting. An example of this is the 1986 legislative action to reduce monthly reporting in the Food Stamp program in March 1987.

Elimination of the quarterly reporting requirement is reasonable because it reduces reporting burdens. Quarterly reporting can be a barrier to participation which is not based on eligibility criteria. The Center on Budget and Policy Priorities compiled a report on Monthly Reporting. The following data from that report are also relevant to quarterly reporting issues. Those data indicated a recipient's failure to complete a household report form on time can lead to termination of benefits for which they were otherwise eligible. It also caused a substantial amount of "churning" - that is, case closures followed by case reopenings. Reopening rates of cases closed for failure to submit a complete report form are double the rates for other case closing reasons.

Initially, quarterly reporting was implemented in 1974 as an error reduction technique. This reporting mechanism has not resulted in a reduction of reporting errors. In reviewing error elements that involved client responsibility to report, 90 percent of the overpaid and ineligible assistance units required to report monthly or quarterly on the household report form (HRF) failed to accurately complete the form. In these instances, information was not reported which would have adversely affected the recipient's AFDC eligibility. When Quality Control staff discovered errors in these cases, it was noted that 90 percent of those assistance units had completed at least one mandatory report form after the change occurred and still had not reported the change when submitting the report form.

Elimination of the quarterly reporting requirement is reasonable because conservatively, it is estimated to result in a total cost savings of over three-quarters of a million dollars annually to the state and county agencies. Quarterly reporting requires that over 13,000 reports are mailed monthly to AFDC recipients; over 158,000 annually. This requires approximately 58,500 county staff hours at a cost of $721,890, to accomplish the process related to the quarterly reports.

The Department conducted a meeting on November 14, 1989 to discuss the elimination of quarterly reporting. Representatives from the Children's Defense Fund, Minnesota Fraud Investigators Association, county agencies and Department staff attended the meeting. Quarterly reporting briefing sheets prepared by the Department were distributed. Fraud prosecution issues were identified. Some comments were made that elimination of quarterly reporting would reduce the ability of local prosecutors to "make" welfare fraud cases in court. The Department considered these concerns but concluded that strengthening other reporting mechanisms could address those concerns, and that they did not override the Department's cost benefit findings described above. There is no mandate in either fraud or AFDC program regulations which requires the existence of quarterly reporting. Other states are active in fraud prosecution and collection even without the use of quarterly report forms as a tool. While fraud prevention and prosecution are consequential to the delivery of services, they are a separate issue from the eligibility determination process for public assistance benefits. It is reasonable to delineate AFDC policy in accordance with federal and state program policy regulations. The Department's request to eliminate quarterly reporting was developed within these program regulations.

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Elimination of quarterly reporting is reasonable as more sophisticated computer technology is being utilized wherever possible to replace paper methods of operation. The Department is developing a statewide automated eligibility system for the AFDC, Food Stamp, and Medical Assistance Programs under the federal guidelines for automated systems. This system, MAXIS, will eliminate many manual activities for workers and will allow them to focus their attention on improved interviews, incomplete and inconsistent information from clients and other sources, and allow more time to follow-up on anticipated changes. The system has edit and monitoring capabilities which will alert workers to inconsistencies in cases and also prevent fraudulent duplication of assistance by cross referencing all cases within the state. MAXIS will also provide interface with at least seven state and federal agency data tapes which will provide earned and unearned income verification for all public assistance recipients, including those on AFDC. County financial workers will receive monthly reports on applicants and recipients whose reported information is discrepant from that on the matching tape. This will further ensure that AFDC benefits are issued correctly even in cases where a recipient fails to report any changes within 10 days.

Programming MAXIS to coordinate with continued quarterly reporting requirements would not only be expensive, it may also jeopardize time lines for completion of the system and prohibit development of other desirable enhancements such as quality control data bases. Minnesota is transferring major elements of MAXIS from another state as required and approved by the federal agencies. The transfer state system does not include quarterly reporting. Requiring it in the Minnesota system would be inconsistent and necessitate costly alterations in the system.

Elimination of quarterly reporting is reasonable because it aligns with the Department's restructuring of intake and case management to streamline the application process and simplify client requirements. The Combined Application Form (CAF) was implemented statewide in 1989. It provides for more comprehensive collection of data for, and access to, all programs on one form. The CAF is also used for redeterminations which enables workers to gather and review more comprehensive information than on the Department's previous redetermination forms. Eliminating quarterly reporting now will remove an ineffective error reduction work effort in this period of major change for county agencies as they prepare for MAXIS.

Elimination of Penalty for Late Reporting

The amendment to this subpart eliminates item B which provides for the termination of assistance when a household report form is not received by the local agency until after the month in which the form is due. The item also requires reapplication to reinstate assistance. The amendment to this

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subpart is necessary and reasonable because of statutory changes enacted by the 1988 legislature. See Laws 1988, chapter 689, article 2, section 125. This change in the statute provides that the late submittal of reports does not require reapplication.

Expert Witnesses/Small Business

The Department does not intend to have outside expert witnesses testify on its behalf at the public hearing. The proposed rule amendments do not affect small businesses as defined in Minnesota Statutes, section 14.115.

Date: 1/5/90

ANN WYNIA
Commissioner