



I. MFIP - The Program

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BACKGROUND AND PURPOSE

The Minnesota Family Investment Program (MFIP) is Minnesota's comprehensive welfare reform demonstration project that makes fundamental changes in public assistance policy. MFIP builds upon recent research findings, previous welfare reform initiatives and community participation.

Many families with children are at risk.

MFIP responds to economic and demographic trends affecting Minnesota families:

- Prevailing wages provide less purchasing power,
 - Families need two workers to provide support,
- and at the same time ...
- The number of single parent families has increased, and
 - Poverty rates for children has increased, especially in single-parent families.

The welfare system has not responded to the needs of these families.

Aid to Families With Dependent Children (AFDC) rules discourage work: Only 14 percent of the Minnesota case load is employed.

Although the majority of families use welfare only temporarily, some use welfare for a longer term. These long-term cases are a major part of the case load cost.

Welfare benefits have not kept up with inflation. In Minnesota, the purchasing power of AFDC benefits declined 44 percent between 1973 and 1994.

Until recently, the welfare system has been burdened by: (1) a lack of a clear purpose; (2) considerable overlap between programs; and (3) inconsistent policies between programs.

MFIP provides the type of response needed.

The welfare system needs to be restructured to serve low-income families more effectively. Current programs must be discontinued. Changing selected policies in current programs would not be adequate. As a start, Minnesota needs to eliminate program overlap, cumbersome eligibility procedures, and policies that act as barriers to self-support.

A new program should be based on common sense values in our culture, and the realities faced by low-income families.

Three specific themes express what is needed:

1. Reward work

Common sense requires that when a parent goes to work the family should be better off financially.

Under MFIP, going to work always increases a family's income. The real jobs that exist in today's labor market become an opportunity. Income from a job that falls short of providing a "family wage" can be combined with continued, though reduced, assistance.

2. Support the family

In our culture the family is the primary source for the support and care of children. The purpose of the program is to encourage and support the family's effort to carry out these responsibilities.

MFIP eliminates rules that make it hard for two-parent families to stay together. Expectations for single parents to work or study are reasonable and take account of children's needs for care and support. MFIP provides medical care and child care to more families than under the present system.

3. Establish a "social contract"

MFIP incorporates a philosophy of mutual responsibility between government and families on assistance. Parents are expected to move to maximum reasonable support for their families. Government is obliged to support this work with needed services. Targeted cases sign binding agreements. Parents who do not follow through with this agreement may have their assistance reduced. Conciliation and fair hearing processes are available when parents question the fairness of the grant reduction.

KEY FEATURES OF MFIP

Four goals shaped MFIP's design:

1. To help families increase their income
2. To help families move toward self-sufficiency
3. To reduce long-term dependence on welfare as the primary source of family income
4. To simplify the welfare system

MFIP simplifies the welfare system.

MFIP replaces four programs: AFDC, Family General Assistance (GA), Food Stamps and STRIDE. Families receive a single cash grant, which includes the cash value of Food Stamps unless the family elects to continue receiving coupons. This basic grant is called the transitional standard. MFIP families encounter only one financial assistance program with a single set of rules and procedures. Eligibility is based primarily on income and resources and not on family structure and work history.

MFIP contains strong incentives to become employed.

The treatment of earnings has been significantly changed so that working will be more profitable than not working. MFIP uses two devices to ensure that work is rewarded:

1. a disregard of 38 percent of gross earned income; and
2. a "two-tier" payment standard.

The first tier is the Transitional Standard: Equal to the sum of AFDC plus the full value of Food Stamps, the Transitional Standard is the basic standard for participating families.

The second tier is the Family Wage Level: Equal to 120 percent of the Transitional Standard. Families that have earned income have their grant calculated using this higher standard.

These policies enable families, who otherwise might have relied on welfare alone, to combine paid work with reduced assistance. Underlying this design is a recognition that many people may need to enter the labor market in part-time or low-wage jobs.

MFIP expects families to pursue increased self-support and provides case management to help targeted families.

Most families are likely to use MFIP for temporary, short-term help. These transitional users encounter a simpler, leaner program. They benefit from the restructured treatment of earnings and child care services.

Child care is paid when a caregiver is working and child care is needed to allow the caregiver to work. Child care for other activities will be provided to caregivers who are referred to case management and participate in activities in a signed Employability Plan. Child care will be subsidized at the prevailing local rate as in the current child care fund.

Families who have been on assistance for a long time and those who are at risk for long term use will be contacted by a case manager to help them develop an employment plan. The focus is to help the family develop a plan of action to increase income and achieve maximum self-support. The plan may include job search, education and training activities, and social services when necessary. All activities are mutually agreed upon by the caregiver and the case manager.

The timing for case management by family type:

- Families headed by minor parents or by 18-or 19-year-olds who have not completed high school: These parents must develop a Family Support Agreement immediately when entering MFIP, with the completion of high school or a G.E.D. as the primary goal.
- Single Parent Families: Single parents are expected to develop a Family Support Agreement by their 25th month of MFIP participation.
- Two-parent families: Families with two parents are expected to develop a Family Support Agreement by their seventh month of assistance.

The Family Support Agreement is a sub-part of the overall Employability Plan and is a binding agreement including only employment and education-related activities. Caregivers who do not develop an agreement or who do not comply with the activities in the agreement, will have their grant reduced by 10 percent of the Transitional Standard.

Case management and support services are available to volunteers as resources permit.

KEY POLICIES

I. Theme: Make work pay

Policy: Disregard earned income

Don't reduce assistance a dollar for each dollar of earnings.

Components:

- 38 percent of gross earnings are not counted.
- A higher payment standard is used for working families. This standard, the "Family Wage Level" is 120 percent of the basic standard. Counted earnings are subtracted from this higher standard.

Determining the MFIP Grant:

Step 1: Disregard 38 percent of gross earnings.

Step 2: Subtract counted earnings (62 percent of gross) from the Family Wage Level.

Example: One parent plus one child

If not working: MFIP grant in 1995 is \$627 per month
(transitional (basic) standard, which equals AFDC plus Food
Stamps)

If earning \$500 a month working part time:

- Counted income is \$310 (62 percent of \$500 earnings, 38 percent not counted);
- Family Wage Level for working family of two in 1995 is \$752 (120 percent of \$627)

$\$752 - \$310 = \$442$ (amount of MFIP grant)

Summary

- Total family income if not working is \$627 (MFIP grant)
- Total family income if earning \$500 is \$942 (MFIP grant of \$442 plus earnings)

Monthly earnings level at which family is ineligible for MFIP:

- family of two (one adult, one child): \$1,213
- family of three (two adults, one child): \$1,492
- family of three (one adult, two children): \$1,521
- family of four (two adults, two children): \$1,779
- family of four (one adult, three children): \$1,800

Policy: Child care and health care are provided.

- While on MFIP, the family receives Medical Assistance (Medicaid) automatically.
- Child care is paid if it is needed to permit parent(s) to work. It is also available for approved activities leading to work
- If level of earnings produce ineligibility for cash assistance, the family is entitled to one year of transition child care and six months to one year of extended Medical Assistance entitlement.

II. Theme: Support the familyPolicy: Eligibility for MFIP is based on income and assets.

MFIP eliminates the "deprivation factors" used to determine AFDC eligibility. A family doesn't have to show a child to be "deprived" due to the absence, death, incapacity or unemployment of a parent.

In short, you don't have to be a single-parent family or pass special tests if you are a two-parent family (such as, not employed more than 100 hours a month in order to be eligible).

III. Theme: Affirm the "Social Contract"

Two basic principles underlie MFIP: families should be provided the opportunity to move to/toward self-support, and families should be expected to take advantage of this opportunity.

Two "stages" of MFIPPolicy: Families who remain on assistance are targeted for case intervention.

MFIP can be seen as having two stages. It begins with a focus on opportunity -- to get past a financial crisis and to enter employment. After a period of time, expectations are made explicit and action is required.

1. A family applying for assistance encounters a simpler program, i.e. simpler than AFDC plus Food Stamps. This program, outfitted with policies that reward work, should provide transitional help and opportunity for many families.
2. If a family has been on MFIP for some time (24 months for most single parents, six months for two-parent families) and the parent is working less than 30 hours, MFIP changes to a very different program.
 - Involvement with an employment and training case manager is required.
 - A plan for increasing the family's level of self-support is worked out.
 - An agreement is signed that identifies the specific steps toward employment the parent will take (job search, training, etc.)
 - Failure to cooperate means loss of 10 percent of the transitional standard.

TESTING MFIP: THE FIELD TRIALS

The purpose of the field trials is to learn about the effectiveness of MFIP.

MFIP represents a significant change from the current welfare system. The degree of change and the potential cost necessitates a careful examination of program impacts. Field trials are a necessary and important step leading to an informed decision on statewide implementation. In addition, the MFIP field trials will likely be an important piece of the national welfare reform debate.

MFIP is being tested in seven counties.

MFIP is being tested in seven counties comprising two field trial sites:

- Anoka, Dakota and Hennepin counties make up the urban field trial site.
- Mille Lacs, Morrison, Sherburne and Todd counties make up the rural field trial site.

Almost 8,500 families receiving or applying for public assistance in the seven counties are being randomly assigned to participate in MFIP; an additional 8,500 families are being assigned to a comparison group. Families in the comparison group will receive benefits and services through existing public assistance programs (AFDC, Food Stamps, Family GA). MFIP's effectiveness will be measured by comparing outcomes for MFIP families with outcomes for comparison group families. Random assignment ensures the validity of this comparison.

Different policy options are being evaluated.

MFIP contains two major program components intended to improve the performance of the welfare system: (1) economic incentives that make work pay, and (2) a new case management system that embodies a social contract by expecting long-term recipients to move to greater self-support. The MFIP research design will test the relative effectiveness of these two components. Some MFIP families in the urban site will be assigned to a group that will not be eligible for MFIP case management (but will be eligible for STRIDE, the employment and training program for AFDC recipients). By comparing these families with those eligible for MFIP case management, Minnesota can measure the added value of MFIP case management.

The research design also includes a group of families in Hennepin County that receive public assistance through existing programs (AFDC and Food Stamps) but are not eligible for STRIDE. By comparing this group with a group of STRIDE-eligible families, Minnesota can evaluate STRIDE.

What will we learn from the MFIP evaluation?

The MFIP evaluation will answer important questions about the effectiveness of MFIP and whether it represents a better future for Minnesota's welfare system:

- How does MFIP impact families? The evaluation will measure MFIP's impact on outcomes such as employment, earnings, public assistance use, and some family/social measures.
- Is MFIP cost-effective? A benefit/cost analysis will measure the return on the MFIP investment.
- How does MFIP work? A process study will examine how MFIP is implemented and operated and describe family participation patterns in various services.

How will MFIP be evaluated?

Minnesota has contracted an independent research organization, the Manpower Demonstration Research Corporation (MDRC), to perform the evaluation.

**MFIP RESEARCH DESIGN
NUMBER OF PARTICIPATING FAMILIES
BY GROUP AND FIELD TRIAL SITE**

| Field Site & target Group | Full MFIP Incentive & Case Mgmt. | MFIP: Without Case Management but with STRIDE | Comparison: Current Programs and STRIDE | Comparison: Current Programs and No STRIDE* |
|---|----------------------------------|---|---|---|
| <u>Urban Site:</u> | | | | |
| Single Parents (AFDC & FGA) | | | | |
| Recips & Appls | 2,175 | 2,175 | 2,175 | 2,175 |
| New Applicants | 900 | 0 | 900 | 0 |
| Two Parents (AFDC & FGA) | 850 | 0 | 850 | 0 |
| <u>Rural Site:</u> | | | | |
| Single Parents (AFDC & FGA) | 1,200 | 0 | 1,200 | 0 |
| Two Parents (AFDC & FGA) | 300 | 0 | 300 | 0 |
| Non-Public Assistance Food Stamp Families | 850 | 0 | 850 | 0 |
| Total | 6,275 | 2,175 | 6,275 | 2,175 |

* Hennepin County only

EXPERIENCE TO DATE

1. Initial Implementation

- Field trial operations began as scheduled on April 1, 1994.
- No major difficulties were experienced in the initial months. Given the scope of change, some serious implementation trauma had been considered likely.

2. Enrollment to date

Cases enrolled in MFIP through December 31, 1994:

| | |
|--------|----------------|
| Urban: | 4,140 families |
| Rural: | 960 families |
| Total: | 5,100 families |

3. Experience: Employment

While many factors considered in evaluating the program and its impact cannot be tracked through administrative data, employment among active cases can be detected.

| | Percent Active Cases Employed (12/94) | |
|------------|---------------------------------------|-----------------------------------|
| | <u>MFIP</u> <u>Cases</u> | <u>Comparison</u> <u>Cases</u> |
| Anoka | 42.2% | 32.7% |
| Dakota | 46.5 | 19.0 |
| Hennepin | 27.3 | 9.2 |
| URBAN AVG. | 31.7 | 13.7 |
| Mille Lacs | 46.5 | 34.2 |
| Morrison | 58.9 | 40.4 |
| Sherburne | 46.2 | 23.7 |
| Todd | 58.7 | 43.5 |
| RURAL AVG. | 51.9 | 34.2 |

While these data are significant and positive, factors such as case duration, welfare costs and total family income will be very important components of the evaluation of MFIP.

4. Experience: Other features

a. Random assignment

The concerns that clients have expressed tend not to be about random assignment, per se, but are statements of disappointment that MFIP is not available to everyone. The person expressing the concern usually was not assigned to MFIP. From a mechanical perspective, random assignment has functioned quite well.

b. General client response to MFIP

MFIP has been well received. The positive features of the program and the opportunity it represents have been recognized by most families.

c. Fiscal sanctions

Sanctions appear to be limited to about 2 percent of the mandatory cases (cases required to participate in case management). However, a larger number have faced the possibility of sanctions. For some cases, this "push" appears to be useful in securing cooperation.

d. Use of food coupons

MFIP families can elect to receive a portion of their assistance payment in form of food coupons. The computer programming for this function was exceptionally complicated and was not installed until September. However, since September, we know of no case that has requested issuance of coupons.

e. General case management experience

Case management operations are designed within the framework of a planning document prepared by the state, an operating manual supplied by the state and much ongoing consultation (all of which is shaped by law and rule). The case management population is diverse. That part of the MFIP population for whom case management is mandatory does include members who face more complicated or difficult circumstances than families who go to work or leave MFIP before reaching the point of enrollment in case management. Issues have included homelessness, many non-English speaking families, domestic abuse, low literacy levels and lack of transportation.