

# Minnesota Temporary Assistance for Needy Families Expenditures Task Force Initial Report

Children and Family Services  
November 2014

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## **I. Executive Summary**

The 2014 Minnesota Legislature directed the Minnesota Department of Human Services to convene the Minnesota Temporary Assistance for Needy Families (TANF) Expenditures Task Force, and to staff and provide technical assistance to the group. The duties of the task force include analyzing past federal TANF expenditures and making recommendations as to which, if any, programs receiving TANF funding should be funded by the general fund to allow a greater portion of TANF funds to go directly to families receiving assistance through the Minnesota Family Investment Program.

This is the first of two reports. This report includes a summary of past expenditures of the TANF block grant in Minnesota. The final report, which must be submitted by Feb. 1, 2015, will include an analysis of past TANF expenditures, and make recommendations as to which programs, if any, should be funded by the general fund rather than TANF. This includes phase-in periods if required to implement changes over time, and draft legislation necessary to implement proposed changes.

## II. Legislation

Legislation is effective the day following enactment.

**Laws of Minnesota 2014, Chapter 291, Article 1, Section 12.**

### **MINNESOTA TANF EXPENDITURES TASK FORCE.**

#### **Subdivision 1.**

##### **Establishment.**

The Minnesota TANF Expenditures Task Force is established to analyze past temporary assistance for needy families (TANF) expenditures and make recommendations as to which, if any, programs currently receiving TANF funding should be funded by the general fund so that a greater portion of TANF funds can go directly to Minnesota families receiving assistance through the Minnesota family investment program under Minnesota Statutes, chapter 256J.

#### **Subd. 2.**

##### **Membership; meetings; staff.**

(a) The task force shall be composed of the following members who serve at the pleasure of their appointing authority:

(1) one representative of the Department of Human Services appointed by the commissioner of human services;

(2) one representative of the Department of Management and Budget appointed by the commissioner of management and budget;

(3) one representative of the Department of Health appointed by the commissioner of health;

(4) one representative of the Local Public Health Association of Minnesota;

(5) two representatives of county government appointed by the Association of Minnesota Counties, one representing counties in the seven-county metropolitan area and one representing all other counties;

(6) one representative of the Minnesota Legal Services Coalition;

(7) one representative of the Children's Defense Fund of Minnesota;

(8) one representative of the Minnesota Coalition for the Homeless;

(9) one representative of the Welfare Rights Coalition;

(10) two members of the house of representatives, one appointed by the speaker of the house and one appointed by the minority leader; and

(11) two members of the senate, including one member of the minority party, appointed according to the rules of the senate.

(b) Notwithstanding Minnesota Statutes, section 15.059, members of the task force shall serve without compensation or reimbursement of expenses.

(c) The commissioner of human services must convene the first meeting of the Minnesota TANF Expenditures Task Force by July 31, 2014. The task force must meet at least quarterly.

(d) Staffing and technical assistance shall be provided within available resources by the Department of Human Services, children and family services division.

### **Subd. 3.**

#### **Duties.**

(a) The task force must report on past expenditures of the TANF block grant, including a determination of whether or not programs for which TANF funds have been appropriated meet the purposes of the TANF program as defined under Code of Federal Regulations, title 45, section 260.20, and make recommendations as to which, if any, programs currently receiving TANF funds should be funded by the general fund. In making recommendations on program funding sources, the task force shall consider the following:

(1) the original purpose of the TANF block grant under Code of Federal Regulations, title 45, section 260.20;

(2) potential overlap of the population eligible for the Minnesota family investment program cash grant and the other programs currently receiving TANF funds;

(3) the ability for TANF funds, as appropriated under current law, to effectively help the lowest-income Minnesotans out of poverty;

(4) the impact of past expenditures on families who may be eligible for assistance through TANF;

(5) the ability of TANF funds to support effective parenting and optimal brain development in children under five years old; and

(6) the role of noncash assistance expenditures in maintaining compliance with federal law.

(b) In preparing the recommendations under paragraph (a), the task force shall consult with appropriate Department of Human Services information technology staff regarding implementation of the recommendations.

### **Subd. 4.**

#### **Report.**

(a) The task force must submit an initial report by November 30, 2014, on past expenditures of the TANF block grant in Minnesota to the chairs and ranking minority members of the legislative committees with jurisdiction over health and human services policy and finance.

(b) The task force must submit a final report by February 1, 2015, analyzing past TANF expenditures and making recommendations as to which programs, if any, currently receiving TANF funding should be funded by the general fund, including any phase-in period and draft legislation necessary for implementation, to the chairs and ranking minority members of the legislative committees with jurisdiction over health and human services policy and finance.

**Subd. 5.**

**Expiration.**

This section expires March 1, 2015, or upon submission of the final report required under subdivision 4, whichever is earlier.

**EFFECTIVE DATE.**

This section is effective the day following final enactment.

### **III. Introduction**

The federal TANF program is a block grant to states to help needy families become self-sufficient. States have broad flexibility in developing programs that meet the purposes of the TANF block grant, as outlined in federal law.

The Minnesota Legislature determines how TANF funds are used. Since 1998, these funds have been used to support a variety of programs and services that met federal goals and purposes of the program. Federal TANF funds have also been used in lieu of state dollars to maintain programs and services during budget reductions.

Recent discussions among legislators and others have raised concerns about the current uses of the TANF block grant, and whether more funding should be directed to increase cash benefits for families with children in the Minnesota Family Investment Program (MFIP). Cash benefits through MFIP have not increased since 1986.

#### Task Force Duties

The purpose of the Task Force is to review TANF past expenditures; determine whether the appropriations met the purposes of the program as defined under federal regulations (Code of Federal Regulations, title 45, section 260.20); and to make recommendations as to whether programs that currently receive TANF funding should be funded by the general fund. This report is submitted to the Minnesota Legislature pursuant to Laws of Minnesota 2014, Article 1, Section 12.

The Minnesota Department of Human Services prepared this report after Task Force meetings on July 30, 2014, Oct. 13, 2014, and Nov. 20, 2014. Department staff presented an overview of TANF program rules and requirements related to allowable use of funds, and a summary of expenditures. See Appendix A for a list of Task Force members and their affiliations.

#### **IV. Temporary Assistance for Needy Families History and Background**

The federal TANF block grant was created by congress in 1996, the successor to the Aid to Families with Dependent Children program, part of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

States have broad flexibility to spend federal TANF funds that meet the purposes of the program:

“§ 260.20 What is the purpose of the TANF program?

The TANF program has the following four purposes:

- (a) Provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
- (b) End the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;
- (c) Prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and
- (d) Encourage the formation and maintenance of two-parent families.”

Minnesota’s TANF block grant is \$263.4 million per year. The amount of the block grant does not change over time. To receive the federal block grant, there is also a state spending requirement, called maintenance of effort (MOE). States must spend 75 to 80 percent of historic spending amounts on programs that meet the purposes of TANF.

States must also meet a federal work participation requirement (WPR). This is a mandated work performance requirement for states that have a TANF program. Fifty percent of work-eligible individuals who receive TANF assistance must meet minimum hourly requirements in federally specified work activities such as paid work, job search, and job skills training.

The state maintenance of effort spending requirement is based on whether it meets the work participation rate requirement. In Minnesota, the maintenance of effort requirement is \$176.6 million if the work participation rate is met, and \$188 million if the state does not meet the WPR.

In federal fiscal years 2012-2013, Minnesota used the following state expenditures to meet the basic maintenance of effort requirement of \$176.6 million:

Maintenance of Effort Expenditures in Federal Fiscal Years 2012-2013  
(dollars in thousands)

<b>Category</b>	<b>Expenditures</b>	<b>Percent of Total</b>
State Administration	\$2,276	.6
Emergency Assistance, Employment and Training and County Administration	\$36,010	10.2
Cash Assistance	\$60,282	17.1
Child Care Assistance/Head Start	\$125,803	35.6
Working Family Tax Credit (refundable portion)	\$129,014	36.5
<b>Total</b>	<b>\$353,3853</b>	<b>100%</b>

## V. TANF Expenditures

The Task Force reviewed the summary of expenditures provided by the department. There was agreement that expenditures met the purposes of the TANF program. Task Force members are continuing to discuss whether some expenditures should continue, or whether the funds should be reinvested in the Minnesota Family Investment Program to increase benefits for low-income families. These considerations will be included in the final report due Feb. 1, 2015.

See Appendix B for table of TANF expenditures.

Categories of expenditures in the table include:

### Work Grants/Minnesota Family Investment Program Consolidated Fund

The MFIP Consolidated Fund was created in SFY 2004.<sup>1</sup> Funds are allocated to counties and tribal agencies based on a formula in state statute. Expenditures include: Direct Program costs for services to low-income families that include counseling, job search, job placement, job retention; program overview; interpreter costs, and other direct expenses including wages, benefits, travel, office and phone; administrative costs for county, tribes and private providers to administer social services and program eligibility; emergency assistance payments such as costs to avert utility shut-offs, and housing costs such as damage deposits; transportation; employment-related costs; and other costs related to wage subsidies, client incentives, background checks and work supports. See Appendix D for additional information on expenditures in the MFIP Consolidated Fund.

### Cash Assistance including Child Support Pass-through

Included in this category are Minnesota Family Investment Program and Diversionary Work Program grants to individuals and the federal share of child support collections. Federal regulations require that when the state collects child support for a family receiving assistance through the federal TANF program, the state must send a portion of the amount collected to the federal government to reduce the federal cost of the child support program. This amount is based on the Federal Medical Assistance Percentage rate in place at the time the collection is received – 50 percent in Minnesota.

### Transfers to the Child Care Development Fund

States may transfer up to 30 percent of the TANF block grant to either the Child Care Development Fund or the Social Services Block Grant. Of the 30 percent, a maximum of 10 percent may be transferred to the Social Services Block Grant. Minnesota transfers about 18 percent to the Child Care Development Fund.

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<sup>1</sup> In the 2003 legislative session, TANF and general fund appropriations for 11 programs and services were redirected to a single, consolidated fund. Funds are allocated to county and tribal agencies to administer services to help families become self-sufficient.

## Working Family Tax Credit

Since 2000, a portion of the refundable Working Family Tax Credit, a tax credit for low-income working families, has been funded with TANF.

## Other Grants

Other grants include expenditures for funds transferred to other state agencies. Currently, funds are appropriated to the Minnesota Department of Health for Home Visiting Grants (\$17.1 M for the biennium), Family Planning Grants (\$2.3 M for the biennium) and grants to decrease racial and ethnic disparities in infant mortality rates (\$4 M/biennium).

## Administration

Administrative costs for the Department of Human Services, including oversight and policy development for the MFIP program, appeals, federal reporting requirements, employment services administration, MAXIS computer system costs related to issuance of TANF benefits, fraud prevention activities, the TANF share of the contract for federally required Income Eligibility Verification Systems (IEVS) contract, and indirect costs for general support services, as required under Minn. Stat. §16A.127.

## Transfers to the Social Services Block Grant

A maximum of 10 percent may be transferred to the Social Services Block Grant, and is included in the overall 30 percent maximum that may be transferred to both the Child Care Development Fund and the Social Services Block Grant. Minnesota transfers about 2 percent to the Social Services Block Grant.

## American Recovery and Reinvestment Act (ARRA) of 2009

The expenditures shown in this report include one-time federal funding for TANF under the American Recovery and Reinvestment Act (ARRA) of 2009. From Oct. 1, 2008 through Sept. 30, 2010, Minnesota earned \$80.5 million through ARRA. These one-time funds were spent on the following:

- MFIP cash assistance: \$30 million
- Emergency Assistance: \$21.7 million
- Working Family Tax Credit: \$15.5 million
- Supported work for MFIP participants: \$9.3 million
- Summer youth employment program: \$3.1 million
- Summer food program for low-income children: \$800,000.

## **VI. Refinancing History**

Task Force members requested that information on expenditures of TANF funds that refinanced state dollars be included in this report. Refinancing here includes any investment of TANF funds that did not result in an increase in program activity for low-income populations. TANF appropriations replaced state general fund investments, with no increase in program activity.

See Appendix C

### **Report Recommendations**

This initial report includes information on expenditures of the federal TANF funds only: no recommendations are required. A final report, including recommendations and draft legislation, is due to the chairs and ranking minority members of the legislative committees with jurisdiction over health and human services policy and finance by Feb. 1, 2015.

## **VII. Appendix A**

Members of the task force:

Local Public Health Association (LPHA)

Joan Brandt, St. Paul/Ramsey County Public Health

Association of Minnesota Counties

Deborah Huskins, Hennepin County

Sheila Kiscaden, Olmsted County

MN Legal Aid

Jessica Webster, Staff Attorney

Children's Defense Fund

Stephanie Hogenson

Minnesota Coalition for the Homeless

Katherine Wagoner

Minnesota Welfare Rights Coalition

Linden Gawboy

MN Management and Budget

Angela Vogt

MN Department of Health

Jim Koppel

Minnesota House of Representatives

Representative Diane Loeffler

Representative Nick Zerwas

Minnesota Senate

Senator Tony Lourey

Senator Julie Rosen

## VIII. Appendix B

### Temporary Assistance for Needy Families Expenditures

The following table includes actual expenditures from the TANF block grant by biennia from 1998 through 2013 by category of spending. Estimated expenditures are provided for fiscal years 2014 through 2017, as per decisions at the end of the 2014 legislative session. Total expenditures vary significantly by category and between biennia depending on legislative and forecast changes. In addition, from Oct. 1, 2008 through Sept. 30, 2010, Minnesota earned additional federal funds of \$80.5 million through the American Recovery and Reinvestment Act of 2009 (see page 12 for details).

Dollars in thousands

Category	Actuals														Estimated as of 2014 Session					
	1998-1999		2000-2001		2002-2003		2004-2005		2006-2007		2008-2009		2010-2011		2012-2013		2014-2015		2016-2017	
	Dollars	%	Dollars	%	Dollars	%	Dollars	%	Dollars	%	Dollars	%	Dollars	%	Dollars	%	Dollars	%	Dollars	%
Work Grants/MFIP Consolidated Fund Grant	85,771	23%	114,257	20%	117,984	17%	183,329	37%	202,207	36%	226,007	41%	253,945	42%	196,483	36%	189,222	36%	192,622	37%
Cash Assistance (includes Child Support pass through)	264,320	71%	203,633	36%	328,335	47%	199,096	40%	185,448	33%	179,784	33%	163,285	27%	153,573	28%	149,968	28%	158,491	29%
Child Care and Development Fund	791	0%	85,642	15%	52,857	8%	47,631	10%	92,155	16%	59,680	11%	81,602	13%	106,169	19%	96,550	18%	98,793	18%
Working Family Tax Credit	0	0%	70,094	12%	59,606	9%	36,750	7%	35,438	6%	40,667	7%	62,511	10%	44,477	8%	43,951	8%	45,098	8%
Other Grants	0	0%	21,716	4%	86,037	12%	13,227	3%	28,216	5%	23,073	4%	23,727	4%	24,895	5%	23,706	4%	23,706	4%
Administration	11,937	3%	11,212	2%	11,529	2%	8,025	2%	12,903	2%	12,933	2%	12,504	2%	12,569	2%	15,456	3%	16,056	3%
Social Services Block Grant	10,300	3%	59,480	11%	39,080	6%	12,717	3%	9,554	2%	9,580	2%	9,580	2%	9,580	2%	9,580	2%	9,580	2%
<b>Total Uses</b>	<b>373,119</b>	<b>100%</b>	<b>566,034</b>	<b>100%</b>	<b>695,428</b>	<b>100%</b>	<b>\$500,775</b>	<b>100%</b>	<b>\$565,921</b>	<b>100%</b>	<b>\$551,724</b>	<b>100%</b>	<b>\$607,154</b>	<b>100%</b>	<b>\$547,746</b>	<b>100%</b>	<b>\$528,433</b>	<b>100%</b>	<b>544,346</b>	<b>100%</b>

## IX. Appendix C

### TANF Refinancing Benefiting the General Fund: SFY 1998 to SFY 2015, as of 2012 Session

*thousands of dollars*

	Social Service Block Grant	Child Care Development Fund	MFIP Cash	Working Family Credit	Other Social Services	Housing and Economic Development	Total	TANF Spending Actual and End of Session 2012	Percent
SFY 1998	0						0	186,050	-
SFY 1999							0	187,071	-
SFY 2000	15,140	27,751			1,175	5,500	49,800	265,546	18.8%
SFY 2001	15,140			6,554	1,175	4,000	54,620	300,488	18.2%
SFY 2002	11,140				1,175		12,315	321,847	3.8%
SFY 2003	11,140				1,175		12,315	373,571	3.3%
SFY 2004	140		3,952				4,092	261,032	1.6%
SFY 2005	3,277						3,277	239,441	1.4%
SFY 2006	140	6,692				1,147	7,979	276,760	2.9%
SFY 2007	140	30,527				1,147	31,814	289,161	11.0%
SFY 2008	140	3,261	21,085				24,486	256,514	9.5%
SFY 2009	140	3,795	38,281				42,216	295,210	14.3%
SFY 2010	140	5,552	(596)				5,096	261,909	1.9%
SFY 2011	140	7,469	(500)				7,109	271,959	2.6%
SFY 2012	140	13,212					13,352	261,896	5.1%
SFY 2013	140	31,212	7,000				38,352	280,306	13.7%
SFY 2014	140	17,212	10,850				28,202	261,487	10.8%
SFY 2015	140	17,212	10,850				28,202	259,042	10.9%
<b>Total</b>	<b>57,377</b>	<b>191,880</b>	<b>90,922</b>	<b>6,554</b>	<b>4,700</b>	<b>11,794</b>	<b>363,227</b>	<b>4,849,290</b>	<b>7.5%</b>

Refinancing includes any investment of TANF funds directed by the Minnesota Legislature that did not result in an increase in program activity for low-income populations. TANF funds replaced state general fund investments, with no increase in program activity. Refinancing may be a one-time funding change or ongoing.

## X. Appendix D

### Minnesota Family Investment Program Consolidated Fund Expenditures by Calendar Year

#### MFIP Consolidated Fund Expenditures for CY13

*The MFIP Consolidated fund is 9% state and 91% federal TANF funds*

Category	Expenditures	Percent
Direct Program	\$49,473,009	46.9%
County/Tribe/Private Provider Administration	25,410,349	24.1%
Emergency Assistance Payments	22,420,711	21.2%
Transportation Expense	4,836,529	4.6%
Other	1,389,456	1.3%
Employment Related	909,689	0.9%
Client Education	693,004	0.7%
Housing	350,294	0.3%
Child Care	102,870	0.1%
<hr/>		
Total County Expenditures	\$105,585,911	100.0%
Total reimbursed	\$103,028,795	98%

**Direct Program** costs includes the cost to provide direct services and include counseling, job search, job placement, job retention, program overview, interpreter costs and other direct expenses including wages, benefits, travel, office and phone.

**Administration** includes county, tribal and private provider costs to administer social services and program eligibility.

**Emergency Assistance** includes costs for emergency payments such as utilities and damage deposits.

**Transportation** includes bus passes, cab fare, mileage, bus tickets, allocated expenses of a van pool or bus, auto purchase or lease, insurance and repairs.

**Other** includes services and benefits not covered in other classifications such as wage subsidies, client incentives, background checks, on the job training and work supports.

**Employment related** includes work expenses such as work tools, uniforms, safety shoes, trade licenses, interview clothing and work incentive awards.

**Client Education** includes direct costs of education including tuition, books, application and testing fees.

**Housing** includes expenses such as rent, mortgage payments, security deposits, furnishings and utilities. Note that this item is separate from housing costs covered under the emergency assistance category.

**Child Care** includes costs separate from the child care assistance programs.