Minnesota Temporary Assistance for Needy Families Expenditures Task Force Initial Report

Children and Family Services
November 2014

For more information contact:
Minnesota Department of Human Services
Children and Family Services
P.O. Box 64244
St. Paul, MN 55164-0244
651-431-3830
This information is available in accessible formats to individuals with disabilities by calling 651-431-4671.

Or by using your preferred relay service.

For other information on disability rights and protections, contact the agency’s ADA coordinator.

Minn. Stat. Chapter 3.197, requires the disclosure of the cost to prepare this report. The estimated cost of preparing this report is under $1000.

*Printed with a minimum of 10 percent post-consumer material. Please recycle.*
## Table of Contents

I. Executive Summary .................................................................................................................. 4

II. Legislation ............................................................................................................................... 5

III. Introduction ........................................................................................................................... 8

IV. Temporary Assistance for Needy Families History and Background .................................. 9

V. TANF Expenditures .................................................................................................................. 11

VI. Refinancing History ............................................................................................................... 13

VII. Report Recommendations .................................................................................................. 13

VIII. Appendix A ......................................................................................................................... 14

IX. Appendix B ............................................................................................................................ 15

X. Appendix C ............................................................................................................................ 16

XI. Appendix D ............................................................................................................................ 17
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.

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)

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

---

1 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).

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dollars %</td>
<td>Dollars %</td>
<td>Dollars %</td>
<td>Dollars %</td>
<td>Dollars %</td>
</tr>
<tr>
<td>Work Grants/MFIP Consolidated Fund Grant</td>
<td>85,771</td>
<td>23%</td>
<td>114,257</td>
<td>20%</td>
<td>117,984 17%</td>
</tr>
<tr>
<td>Cash Assistance (includes Child Support pass through)</td>
<td>264,320</td>
<td>71%</td>
<td>203,633</td>
<td>36%</td>
<td>328,335 47%</td>
</tr>
<tr>
<td>Child Care and Development Fund</td>
<td>791</td>
<td>0%</td>
<td>85,642</td>
<td>15%</td>
<td>52,857 8%</td>
</tr>
<tr>
<td>Working Family Tax Credit</td>
<td>0</td>
<td>0%</td>
<td>70,094</td>
<td>12%</td>
<td>59,606 9%</td>
</tr>
<tr>
<td>Other Grants</td>
<td>0</td>
<td>0%</td>
<td>21,716</td>
<td>4%</td>
<td>86,037 12%</td>
</tr>
<tr>
<td>Administration</td>
<td>11,937</td>
<td>3%</td>
<td>11,212</td>
<td>2%</td>
<td>11,529 2%</td>
</tr>
<tr>
<td>Social Services Block Grant</td>
<td>10,300</td>
<td>3%</td>
<td>59,480</td>
<td>11%</td>
<td>39,080 6%</td>
</tr>
<tr>
<td>Total Uses</td>
<td>373,119</td>
<td>100%</td>
<td>566,034</td>
<td>100%</td>
<td>$500,775 100%</td>
</tr>
</tbody>
</table>

Dollars in thousands
IX. Appendix C

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

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Social Service Block Grant</th>
<th>Child Care Development Fund</th>
<th>MFIP Cash</th>
<th>Working Family Credit</th>
<th>Other Social Services</th>
<th>Housing and Economic Development</th>
<th>Total</th>
<th>TANF Spending Actual and End of Session 2012</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>SFY 1998</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0</td>
<td>186,050</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>SFY 1999</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0</td>
<td>187,071</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>SFY 2000</td>
<td>15,140</td>
<td>27,751</td>
<td></td>
<td>1,175</td>
<td>5,500</td>
<td>49,800</td>
<td>265,546</td>
<td>18.3%</td>
<td></td>
</tr>
<tr>
<td>SFY 2001</td>
<td>15,140</td>
<td></td>
<td>6,554</td>
<td>1,175</td>
<td>4,000</td>
<td>54,620</td>
<td>300,488</td>
<td>18.2%</td>
<td></td>
</tr>
<tr>
<td>SFY 2002</td>
<td>11,140</td>
<td></td>
<td></td>
<td>1,175</td>
<td></td>
<td>12,315</td>
<td>321,847</td>
<td>3.8%</td>
<td></td>
</tr>
<tr>
<td>SFY 2003</td>
<td>11,140</td>
<td></td>
<td></td>
<td>1,175</td>
<td></td>
<td>12,315</td>
<td>373,571</td>
<td>3.3%</td>
<td></td>
</tr>
<tr>
<td>SFY 2004</td>
<td>140</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4,092</td>
<td>261,032</td>
<td>1.5%</td>
<td></td>
</tr>
<tr>
<td>SFY 2005</td>
<td>3,277</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3,277</td>
<td>239,441</td>
<td>1.4%</td>
<td></td>
</tr>
<tr>
<td>SFY 2006</td>
<td>140</td>
<td>6,692</td>
<td></td>
<td></td>
<td>1,147</td>
<td>7,979</td>
<td>276,760</td>
<td>2.9%</td>
<td></td>
</tr>
<tr>
<td>SFY 2007</td>
<td>140</td>
<td>30,527</td>
<td></td>
<td></td>
<td>1,147</td>
<td>31,814</td>
<td>289,161</td>
<td>11.0%</td>
<td></td>
</tr>
<tr>
<td>SFY 2008</td>
<td>140</td>
<td>3,261</td>
<td>21,085</td>
<td></td>
<td></td>
<td>24,364</td>
<td>256,514</td>
<td>9.5%</td>
<td></td>
</tr>
<tr>
<td>SFY 2009</td>
<td>140</td>
<td>3,795</td>
<td>38,281</td>
<td></td>
<td></td>
<td>42,276</td>
<td>295,210</td>
<td>14.3%</td>
<td></td>
</tr>
<tr>
<td>SFY 2010</td>
<td>140</td>
<td>5,552</td>
<td>(596)</td>
<td></td>
<td></td>
<td>5,096</td>
<td>261,909</td>
<td>1.9%</td>
<td></td>
</tr>
<tr>
<td>SFY 2011</td>
<td>140</td>
<td>7,469</td>
<td>(500)</td>
<td></td>
<td></td>
<td>7,199</td>
<td>271,959</td>
<td>2.6%</td>
<td></td>
</tr>
<tr>
<td>SFY 2012</td>
<td>140</td>
<td>13,212</td>
<td></td>
<td></td>
<td></td>
<td>13,352</td>
<td>261,896</td>
<td>5.1%</td>
<td></td>
</tr>
<tr>
<td>SFY 2013</td>
<td>140</td>
<td>31,212</td>
<td>7,000</td>
<td></td>
<td></td>
<td>38,352</td>
<td>280,306</td>
<td>13.7%</td>
<td></td>
</tr>
<tr>
<td>SFY 2014</td>
<td>140</td>
<td>17,212</td>
<td>10,850</td>
<td></td>
<td></td>
<td>28,202</td>
<td>261,487</td>
<td>10.8%</td>
<td></td>
</tr>
<tr>
<td>SFY 2015</td>
<td>140</td>
<td>17,212</td>
<td>10,850</td>
<td></td>
<td></td>
<td>28,202</td>
<td>259,042</td>
<td>10.9%</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>57,377</strong></td>
<td><strong>191,880</strong></td>
<td><strong>90,922</strong></td>
<td><strong>6,554</strong></td>
<td><strong>4,700</strong></td>
<td><strong>11,794</strong></td>
<td><strong>363,227</strong></td>
<td><strong>4,849,290</strong></td>
<td><strong>7.5%</strong></td>
</tr>
</tbody>
</table>

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.
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*

<table>
<thead>
<tr>
<th>Category</th>
<th>Expenditures</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Program</td>
<td>$49,473,009</td>
<td>46.9%</td>
</tr>
<tr>
<td>County/Tribe/Private Provider Administration</td>
<td>25,410,349</td>
<td>24.1%</td>
</tr>
<tr>
<td>Emergency Assistance Payments</td>
<td>22,420,711</td>
<td>21.2%</td>
</tr>
<tr>
<td>Transportation Expense</td>
<td>4,836,529</td>
<td>4.6%</td>
</tr>
<tr>
<td>Other</td>
<td>1,389,456</td>
<td>1.3%</td>
</tr>
<tr>
<td>Employment Related</td>
<td>909,689</td>
<td>0.9%</td>
</tr>
<tr>
<td>Client Education</td>
<td>693,004</td>
<td>0.7%</td>
</tr>
<tr>
<td>Housing</td>
<td>350,294</td>
<td>0.3%</td>
</tr>
<tr>
<td>Child Care</td>
<td>102,870</td>
<td>0.1%</td>
</tr>
</tbody>
</table>

**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.