Minnesota’s Approach to Welfare Reform: Trying to Support Families through the Implementation of Temporary Assistance for Needy Families (TANF)

Jodi Sandfort, Sook Jin Ong, & Robin Phinney
Abstract

Although much was written about the passage of national welfare reform in the mid-1990s, few scholars are engaged in understanding the implementation of national law currently. Although the Temporary Assistance for Needy Families (TANF) program is technically a block grant, federal directives call for detailed accountability of program participants’ activities. However, state authority enables alternative regimes to be developed. This report summarizes how one state reacted to this change, using authority from the block grant structure. Through interviews with state and county administrators, we document how local program operators resisted paternalistic federal rulemaking to implement an alternative regime focused on positive outcomes for program participants.

The Personal Responsibility and Work Opportunity Reconciliation Act in 1996 (PRWORA) fundamentally changed the program of cash assistance to needy families in the United States. In 1996, the PRWORA ended the entitlement to cash welfare by replacing the 60-year-old Families with Dependent Children (AFDC) program with the Temporary Assistance to Needy Families (TANF) block grant. Cash welfare benefits became time-limited and conditional on work activity, and program participants faced sanctions (or benefit reductions) for failing to comply with activities requirements.1,2,3,4

With its emphasis on work activity and temporary assistance, the PRWORA institutionalized an approach to poverty relief that emphasized the personal responsibility of program participants over the obligation of the government to support families in need. Moreover, the core ideas contained within the PRWORA – personal responsibility, work activity, and temporary assistance – became stronger when the policy was reauthorized in 2005. Although the structure of the TANF block grant devolved considerable authority to the state level, the federal law also contained requirements that states adhere to this orientation in many of their programming decisions.

Yet some states used the discretion afforded to them through the block grant structure of the program to challenge the federal government’s orientation toward personal responsibility, work activity, and temporary relief. Minnesota provides one such example. By developing new performance measures that emphasized positive outcomes for program participants, providing incentives for local governments to adhere to these measures, and developing state infrastructure to support the

measurement system, Minnesota encouraged a focus on participant self-sufficiency and wellbeing. The following pages tell the story of Minnesota’s response to welfare reform, against the backdrop of welfare reform nationwide.

National Accountability Standards in TANF

The federal government’s orientation towards welfare reform was embodied in the title of the legislation itself: the “Personal Responsibility and Work Opportunity Reconciliation Act.” The policy highlighted work as the solution to poverty and viewed the program participant rather than the federal government as ultimately responsible for ensuring a move out of poverty. At the time of the PRWORA’s passage, this was a significant departure from a basic entitlement to income support that existed under Aid to Families with Dependent Children program.5 (See Appendix One).

Typically, block grants provide broad-based assistance to states,6 but in this instance, there were a number of requirements that reinforced the federal government’s orientation toward personal responsibility and work activity. For example, states were required to compel those receiving cash assistance to pursue work-related activities or receive sanctions (a benefit reduction) as a result. States that did not were required to increase their state financial investment to receive their block grant allocation. In addition, federal support for cash assistance was capped at 60 months. States wishing to provide support beyond that time period were required to use their own funds to do so.

Over time, the emphasis on participating in and documenting work activity grew stronger. The TANF reauthorization bill, passed in 2005 after having been delayed four years due to political concerns, strengthened federal oversight.7,8 Although a block grant, states were required to track and report program participants’ involvement in activities. While described as “work participation,” the operational definitions ironically focus on documenting process. The law distinguished between “core” and “non-core” activities. “Core” activities include on-the-job training, work experience, or employment (subsidized or unsubsidized) for 30 hours per week.9 While program participants may engage in activities proven to lead to longer-term economic success, such as education, rehabilitation services, or high school completion, these are

<table>
<thead>
<tr>
<th>Types of TANF Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Activities</td>
</tr>
<tr>
<td>On-the-job training</td>
</tr>
<tr>
<td>Work experience</td>
</tr>
<tr>
<td>Employment 30+ hrs/wk</td>
</tr>
</tbody>
</table>

---

9 This is the requirement for one-parent families. Two-parent families have a higher level of mandatory activities per week.
“non-core” with explicit disincentives for states to encourage such endeavors. Other services that some participants need to support their job search and maintain employment, such as mental health treatment or chemical dependency, do not qualify as tracked activities. Most significantly, full-time employment or even earnings that put people above the program-eligibility level are not tracked as outcomes.

Moreover, the measurement system is technically complex and requires considerable state resources to implement. Local governments and nonprofit employment services providers must track program participants’ weekly activity. States must institutionalize verification processes to document adherence to the standards throughout their jurisdictions. Based on what is reported, the federal government establishes a “work participation rate (WPR),” for each state according to their investments of state funds and caseload characteristics and those not meeting the work participation rate set for them must pay financial penalties.\(^{10,11,12}\)

Ironically, such performance measures communicate to states that process indicators are more significant than outcomes such as increased wages, education for better jobs, or higher incomes. They also fly in the face of a well-established body of economic literature\(^{13,14}\) and rigorous program evaluations of welfare-to-work programs.\(^{15}\) The institutional arrangements in the national TANF performance measure direct state and local service agencies to document how program participants spend their time rather than documenting outcomes.

In response to this orientation in cash assistance, some states leveraged their own autonomy to implement block grants through independent strategies directives.\(^{16,17}\) Some created administrative practices to change which of their participants are “counted” in their work participation rate. Others developed unpaid work programs or instituted more earned-income disregards to keep employed families on the program, thereby increasing the numerator in the calculation and assuring they would

---

\(^{10}\) Starting in 2008, states were penalized 5% in their block grant funding if they did not have at least 50% of their single parents and 90% of their two-parent families enrolled in TANF completing core activities.


\(^{12}\) CBO, 2015


meet the federal requirements. Still others, such as Minnesota, built upon a historical legacy of program innovation.

**Minnesota’s Response to Federal Changes**

Minnesota was one of the many states that operated their cash assistance program under a waiver of federal rules prior to the passage of welfare reform in 1996. The state’s Minnesota Family Investment Program (MFIP) was piloted in seven counties and offered various investments in low-income families: wage supplements, expansive work supports, and extensive employment services. The model, which was evaluated by MDRC in a randomized control trial, increased employment and earnings among long-term welfare recipients, increased household incomes, reduced poverty, and had a number of positive benefits for children.¹⁸

As such, it was one of a small number of waiver interventions in the nation to positively improve program participants’ economic conditions.¹⁹,²⁰

The original waiver granted in 1994 did not expire until the middle of 2002. This allowed the state to retain its own authority as it implemented MFIP throughout the state in the late 1990s.

The 2001 legislature requested the Minnesota Department of Human Services (MN DHS) create appropriate measures to assess program performance. The final report emerging from the process reflected the core idea shared by various interests: the program should deliver “financial incentives and work requirements to assist the most work-ready participants into employment;” it should “provide intensive case management to participants with multiple employment barriers so that they are able to make progress toward self-sufficiency;” and it should offer “basic life support to participants who have reached the 60-month time limit...for reasons other than work.”²¹ (MN DHS, January 2003).

To meet these principles and allow the state to assess its program performance over the long-term, the group recommended creating a “Self-Support Index (S-SI)” for county governments. The measure

---


would reflect how many recipients no longer receive cash assistance, or if still receiving assistance, are working at least 30 hours a week one year, two years, or three years after entering the program. The measure was longitudinal in nature, focused on desirable outcome of employment. The working group also recommended that a portion of the state’s TANF block grant be set aside for bonuses based on achievements of the desired SS-I range.

In April 2003, Minnesota began reporting the Self-Support Index measure for each county. Minnesota is a county-administered social welfare system; while the state government sets policy directives—such as establishing performance indicators—considerable administrative discretion resides with the 76 county human service departments or consortium. There are also 41 tribal and nonprofit employment service providers that contract directly with the counties in implementing the MFIP program. In an evaluation note put out by the state agency, the administrators clearly saw the Self-Support Index as both means for supervising administration of the TANF program by the counties and for supporting “...the challenging task of assessing the relative effectiveness of the varied county efforts to move recipients along the path to self-sufficiency.” Because of the variation in local conditions, the measures are calculated through a regression equation that controls for factors—such as the county economic conditions—that could not be influenced by the service organizations.

Unlike the work participation standards, though, Minnesota’s Self-Support Index recognized exiting the program and employment as the desired outcome for each person receiving cash assistance. A comparison between the two performance measures is instructive.

---

22 It provides data on one year, two or three-year performance each quarter. Minnesota has thirteen years of quarterly data on this measure and reports it by race and ethnicity, as well as by county.
Table 1: Comparison between federal performance standard and Minnesota’s state indicator

<table>
<thead>
<tr>
<th>Summary of policy intent</th>
<th>Work Performance Rate (WPR) - federal</th>
<th>Self-Support Index (S-SI)-state</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Assistance with specific employment activity requirement</td>
<td>Cash Assistance with expectation of fulltime work and/or permanent exit from cash assistance upon completion</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Policy and Program Sources</th>
<th>Work Performance Rate (WPR) - federal</th>
<th>Self-Support Index (S-SI)-state</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Type of Measure</th>
<th>Work Performance Rate (WPR) - federal</th>
<th>Self-Support Index (S-SI)-state</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process Measure of specific participant activities</td>
<td>Longitudinal County-Based Outcome Measure</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Target Group</th>
<th>Work Performance Rate (WPR) - federal</th>
<th>Self-Support Index (S-SI)-state</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployed and underemployed families with at least one child receiving TANF.</td>
<td>MFIP (Minnesota TANF) families</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Target Activity/Outcome</th>
<th>Work Performance Rate (WPR) - federal</th>
<th>Self-Support Index (S-SI)-state</th>
</tr>
</thead>
<tbody>
<tr>
<td>Explicit Work Participation activities, implied caseload reduction and increased state spending</td>
<td>Self-sufficiency through full-time work or other sources of income outside of TANF</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Metric Goal</th>
<th>Work Performance Rate (WPR) - federal</th>
<th>Self-Support Index (S-SI)-state</th>
</tr>
</thead>
<tbody>
<tr>
<td>50% of single families completing 30hrs/wk per month and; 90% of two-parent families completing 40-55hrs/wk per month; Contingencies incentivize case reduction and state spending.</td>
<td>Dependent on individual counties' employment market.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Consequences</th>
<th>Work Performance Rate (WPR) - federal</th>
<th>Self-Support Index (S-SI)-state</th>
</tr>
</thead>
<tbody>
<tr>
<td>Penalty of up to 5% of Federal TANF funding.</td>
<td>5% incentive bonus for meeting S-SI</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Qualifiers for success</th>
<th>Work Performance Rate (WPR) - federal</th>
<th>Self-Support Index (S-SI)-state</th>
</tr>
</thead>
<tbody>
<tr>
<td>TANF cases which meet the monthly work participation documentation requirements</td>
<td>Individual adults who were on MFIP during same quarter 1, 2, and 3 years prior, to determine whether they are working 30 or more hours per week or no longer receiving a cash payment</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Calculation</th>
<th>Work Performance Rate (WPR) - federal</th>
<th>Self-Support Index (S-SI)-state</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average of Monthly WPR (Monthly WPR is number of qualifying families that meet the metric goal divided by total number of qualifying families).</td>
<td>Annual, biennial, and triennial measure of adults who gained full-time work or left cash assistance program divided by total adults on cash assistance at baseline.</td>
<td></td>
</tr>
<tr>
<td>Administrative Burden</td>
<td>Requires participants to maintain logs of activities and documentation of reliability for activities, increases paperwork for counselors and financial workers, constrains employment service practices to fit allowable activities.</td>
<td>Does not require participants to track and submit hours, does not require additional paperwork for frontline workers.</td>
</tr>
</tbody>
</table>

As Table 1 summarizes, there are distinct incentives built into the administrative details in each performance measure. By mandating that states track program participants activities, the federal government imposes a paternalistic process approach not connected to assessing outcomes. By setting uniform metric goals, the federal government is not acknowledging the critical relationship between work and local labor-market conditions. By defining success as progress toward an arbitrary measure, the federal government is directly program implementers to process paper rather than work with program participants. By imposing administrative burden on families, the federal government is assuring that people focus their attention on compliance rather than on being successful in economically supporting their families.

In an interview during our extensive field research, one senior manager explained the tension: “...because we get the federal funding, we still have responsibility to the federal government to meet the minimum standards of TANF. But it was always developed to give states more flexibility under the block grant. Let’s be innovative where we can. I would like us to bend the rules as much as we can. And the counties and employment service programs want us to do that.”

Minnesota administrators recognized the flexibility they could leverage because of the federal block grant. But to be innovative, they needed to think strategically and systematically. The legislature created financial incentives to help local governments prioritize the state performance measure. Beginning in 2006, counties automatically received all but 5% of their TANF block grant allocation, which was provided only if a county exceeded the work participation standard or the expected range of the self-support index. A decade later, they provided that incentive to the local governments being successful in delivering at their expected range for SSI or above.

State leaders also documented the administrative costs of monitoring client activities in terms of frontline staff time to implement the federal standard. To support activities that were consistent with the state performance goals, they needed to develop alternative implementation resources. First, they developed an employability assessment tool and sponsored training in it for frontline staff throughout the state. State staff saw the assessment process as a way to enable frontline staff to engage program participants rather than merely having frontline interactions focus upon securing paperwork consistent with the federal mandate. As the developer and trainer explained, “We needed some tools that could be done systematically over time that would increase capacity of the system to interact positively in clients’ lives.” Information from the assessment was embedded in the statewide administrative database. As a result, it was accessible to caseworkers and used by them to develop employment plans for each client.
Second, to support this type of frontline process, the state also invested funds in motivational interviewing, a technique developed by clinical psychologists to support goal-oriented change. They consistently did training for local agencies in using the measure, including supporting the development of a short, instructional video.

Finally, the state began issuing bi-annual reports about county performance in relation to the state SS-I. This communication required some real investments because of limitations in administrative information systems; to calculate the desired self-support measures, research staff needed to pull data from two distinct state databases and calculate rates for quarterly cohorts. Because counties routinely reported struggling to interpret these reports, state staff developed customized reports for service agencies. While the self-support index more accurately reflects Minnesota’s desired outcomes than the TANF work participation standard, its calculation is difficult to explain or use for nontechnical audiences.

These strategies to support the implementation of the state performance measure were further bolstered by the development of a statewide Human Service Performance Management System in 2013. Focusing on systematically collecting metrics on performance information across state-funded programs, the key indicator used to reflect family economic security is the SS-I in the dashboard. Now, counties not meeting the expected range of performance on the measure are required to develop a performance improvement plan with concrete operational activities to improve their indicator.

Conclusion

This research report documents one state’s efforts to seize their authority for implementing social programs in the response to the federal government’s imposition of accountability measures. While others note the tension between state and federal authority in fields such as education,\textsuperscript{24} it is important to recognize the important latitude states have in social welfare policy implementation. Minnesota examined the incentives baked into the federal performance regime and challenged its appropriateness, choosing instead to implement an administrative approach focused upon their desired outcome of self-sufficiency.\textsuperscript{25} This effort was coordinated between the legislature, state authorizing organization, county governments, and local nonprofit service providers. It took


considerable leadership and administrative investment in implementation resources. However, it is an important example of how each level of government has responsibility for helping to ensure the well-being of its citizenry is ensured in the face of inconsistent directives from other government entities.

Research Methodology

The research reported here grew out of a two-year partnership between the state human services department and the Future Services Institute. In that regard, research staff interacted regularly with state administrative staff and benefited from open access to emerging management strategies that we recorded in field notes. We conducted 15 semi-structured interviews with public managers involved in either the policy field or authorizing organization (Minnesota Department of Human Services) and drew upon the transcripts in this analysis. In the course of the partnership, we also freely shared ideas with state staff, conducted joint research projects; led activities focused on program improvement, and made joint public presentations and trainings. This type of engagement demands more of the research team but significantly increases the validity of data collection and interpretation. We also conducted interviews, document analysis, and site visits in twelve counties selected to be representative of the state’s variety of regions, caseload sizes, and performance on the various performance indicators in use (data was gathered from a total of 27 local service organizations and 136 managers and frontline staff). For more information about this larger study, please see:

Appendix One: Trends in TANF Block Grant Implementation across states

Despite Minnesota’s push to support families, trends in TANF implementation nationwide reveal that the policy itself has struggled to leave families better off. A number of trends merit attention:

1. **Scope & value of public investments:** In 2013, the federal government spent $17 billion on TANF, the lowest inflation-adjusted amount since the programs’ origins.\(^{26}\) The block grant loses absolute value annually and now is worth 32.5% less than when it was passed in 1997.\(^{27}\) While state revenue may supplement the national funding, there is significant variation in the degree to which they do so, with the lowest investment coming from Southern and Midwestern states.

2. **Support for poor families:** The maximum benefit amount has not been adjusted for twenty years.\(^ {28}\)

3. **Use of federal funds:** Federal law also allows states to use the block grant for a range of program activities that either ameliorate or address presumed causes of child poverty. As a result, the funding for cash assistance going directly to families has decreased significantly over time.\(^ {29}\) The best estimates suggest that states now distribute less than 30% of their TANF block grant and state funds as cash to families.\(^ {30,31}\)

4. **Public accountability for majority of funds:** Until the last two years of the Obama Administration, the federal government gathered little information about how states use the majority of the TANF block grant funds. States are allowed to fund programs that try to affect family structure (such as preventing out-of-wedlock pregnancies and encouraging formation of two-parent families), offer emergency food or clothing, or deliver supportive services for abused or neglected children.\(^ {32}\) They also may invest in “work support” efforts such as childcare, work preparation programs, and refundable tax credits. However, there is wide


\(^{29}\) Between 1994 and 2013, the number of families receiving cash assistance fell by nearly 70% (Congressional Budget Office, 2015).


\(^{31}\) CBO, 2015

variation among the states in these investment decisions and not much transparency in either the activities or their results.  

5. **Public accountability required by poor families:** As the rest of this paper explains, there is significant oversight being attempted by the federal government. Since reauthorization of the Block Grant in 2005, states are required to diligently track and annually report the types of activities that program participants engage in while receiving minimal cash support.

---


34 CBO, 2015.