CITIZENS LEAGUE REPORT

A BETTER WAY TO HELP THE POOR

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Income Maintenance
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INTRODUCTION

Controversy over welfare programs and the needs of the poor has continued for almost two decades. Dissatisfaction with the current programs is widespread among the public, program recipients, local governments, welfare administrators and advocates for the poor. Despite almost unanimous condemnation of the current system, the country has been unable to act on its concerns. The fragmentation of welfare programs and interest groups and the intensity of controversy have resulted in political paralysis.

We began our study of income support, as we have called it, a year ago. Such a study was necessary, we felt, because so many of the issues we looked into involve this matter. Transportation, housing, property taxes, child care and the arts are a sampling of the broad range of subjects we have studied which raise questions about income support.

Income support is a national issue, and we have treated it as such. But we have approached the problem with a local emphasis. We have studied the particular circumstances of income support in Minnesota, within the national context. Our recommendations include both local and national actions that will be necessary for change. We are hopeful that this report will further an understanding of the current system, and will give additional impetus to the state and national governments to act quickly.

Unlike some other inquiries in this area we have included social insurance programs such as Unemployment Compensation, Social Security and public pensions in our study. Also included is a limited consideration of tax policy as it relates to transfers of income. We found a brief discussion of social insurance and tax policy essential to an understanding of current income support policy.

We have not explored the extent to which the health of our national economy can affect the need for income support. Wage policy and the extent to which our economy supports full employment are fundamental issues, but are not treated here. Our study of income support and recommendations for change were formulated within the context of current employment and wage policy.

The reader should also be advised that we did not study public policy on the providing of social services. Rather, this report considers the need for income and public policies which can meet that need.

MAJOR IDEAS IN OUR REPORT

1. *A significant portion of the needy population--the working poor--is ineligible for cash assistance.* Two-parent working families are excluded from cash assistance, while single-parent families may earn substantial wages and retain cash assistance and free medical care.

The layering of assistance programs--one for each type of need and one for each category of recipients, creates a complex and unwieldy system that is not readily understandable by the general public, recipients or even administrators trained in the programs. The patchwork of programs has not addressed the central fact--that we have an *income* problem in this country.

In order to rationalize our system of income support, a single cash assistance program which includes the working poor should replace our current welfare programs.

2. *The lack of coordination between income support programs and the tax system creates incentives to reduce work efforts.* The tax-free status of welfare and social insurance payments gives more buying power to those dollars than it does to the same income received through wages.

In order to create equity between low wage-earners and recipients of income transfers, welfare and social insurance benefits should be subject to the same income tax test as is earned income.

3. *Administrative requirements fail to reward work efforts of recipients.* Some welfare programs provide no financial reward for work efforts. Others actually penalize recipients for working. Work requirements are imposed, but are not vigorously enforced. They have proved ineffective in securing full-time jobs with adequate wages for recipients.

In order to encourage work efforts, a financial incentive to work should replace the current administrative requirements. The new cash assistance program should be structured so that all persons can improve their financial status by working. Able-bodied persons not caring for dependents should receive modest assistance payments, but should keep a sizeable portion of the assistance when it is supplemented with earnings. The aged, disabled and persons caring for dependents full-time should receive higher assistance payments, but should keep a smaller portion of the payment when it is supplemented with earnings.

4. In-kind assistance in the form of vouchers and subsidized services is preferred by some because it targets assistance to particular needs such as food, housing and medical care. *But undesirable side-effects outweigh the advantages of in-kind assistance.*

*The combination of cash and in-kind assistance, all based on an income test, can result in extraordinary income losses when family earnings increase slightly. The loss of in-kind benefits can outweigh the gain in cash income.

*Some in-kind programs provide full payment for services. This can result in unnecessary use of services, and recipient/consumer's loss of interest in cost-control.

*In-kind programs which are not fully-funded concentrate expenditures on a few, excluding other equally needy persons from assistance.

*In-kind assistance can prevent recipients from meeting their needs adequately by imposing restrictions on how money may be spent.

The undesirable side effects of in-kind assistance call for a move toward provision of assistance in cash. As a start, Food Stamps and the Section 8 Rent Subsidy program should be eliminated, and the funds committed to a new single cash assistance program for the poor. The Medicaid program should require a minimal payment from recipients for services, rather than providing completely free care.

5. *Simple, comprehensive information on assistance programs is not routinely available to potential recipients.* An office visit is required to obtain this information. Offices for different assistance programs are scattered around town. These difficulties inhibit the access of eligible persons to assistance which they have a right to receive.

Administrative procedures should assure that persons are routinely informed of the maximum benefits for which they may qualify. Full information should be available by telephone and through written materials. Only a single office visit should be necessary to complete application for assistance.

In order to better inform eligible persons of available benefits, advertising in the media, public buses and other locations should be used. A single listing for information on income assistance should appear at the front of the phone book. In-take offices for income support programs should be dispersed in clusters throughout the community whenever possible. Administrative staff should be available to train interested private citizens in the basics of program eligibility and in-take. This will enable citizens to act as advocates and help others through the system.

6. Minnesota has authority to make some changes in welfare programs without prior authorization from national units of government. Decisions on administrative policies which affect access to assistance are largely within the state's control. In addition, Minnesota has control over two wholly state-run programs which receive no federal funding: General Assistance and Minnesota Supplemental Aid.

Recommendations to change our income support system are most often made to the national government. This is appropriate. National action will be needed to accomplish all the changes necessary. But this should not prevent the state from taking action on its own in those areas where it has jurisdiction. *In the next year, Minnesota should pursue three avenues for changing our income support system:*

*The state legislature should take action where it has authority to do so;

*The Minnesota Department of Public Welfare should request waivers from the U.S. Department of Health, Education and Welfare to make recommended changes in the AFDC and Medicaid programs; and

*The Governor, together with his executive agencies, should formulate a comprehensive plan for change and submit it to the state legislature. Once it is approved, the legislature should forward the plan to the Minnesota congressional delegation, and request that a federal law be passed allowing Minnesota to implement those changes not already covered by waivers.

The simultaneous pursuit of these three avenues should maximize our ability to complete the necessary changes in the shortest amount of time.

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BACKGROUND

Public expenditures for 'income support'[1] have quadrupled in ten years.

Public expenditures on income support programs increased from $38.5 billion in 1965 to $171.6 billion in 1975,[2] an increase of 345%. The $171.6 billion represented 11.9% of the gross national product and 34.6% of all government spending in 1975.

'Welfare'[3] is only a small part of the income support system.

In 1975, public expenditures on 'welfare' programs represented less than 1/4 of all public expenditures on income support. As a percentage of expenditures on income support, 'welfare' expenditures grew from 16.4% in 1965 to 23.7% in 1975.[2]

Although the details of our report deal primarily with the 'welfare' programs, we found it essential to include the 'insurance' programs in our study of income support. While 'insurance' programs generally require some prior financial contribution by recipients or their employers, they also include payments to recipients that are drawn from other persons, through payroll taxes or general taxes. This is the essential factor which 'welfare' and 'insurance' programs have in common: Recipients of both types of programs are receiving some funds which are transfers of income from one group to another. In addition, both kinds of programs are designed to meet income needs. 'Insurance' can be thought of as the first line of defense against income needs, and 'welfare' as the last resort, when other means have been exhausted.

Wages are the primary source of income in America.

Although expenditures on income support have grown enormously, it is important to remember that wages are still the primary source of income in the U.S. In 1975 wages accounted for 86% of all money income for male-headed families and 65% of all money income for female-headed families. For those families living below poverty[4] level, wages accounted for 53% of all money income for male-headed families and 27% of all money income for female-headed families.[5]

The need for income support varies nationally.

The portion of the population living in poverty varies from state to state. Payment levels in the 'welfare' programs also vary by state. The National Journal has estimated that 8.3% of Minnesota's population lived in poverty in 1975. This compares with 12.1% of the U.S. population as a whole.[6]

Minnesota's assistance payments to needy persons are relatively high compared with the rest of the nation. Minnesota's AFDC payment standards are 11th highest in the nation. In 1975, Minnesota's AFDC program paid a maximum of $385/month to a four-person family.[7] This compares with $60/month for a similar family in Mississippi in 1975.

Some persons are persistently poor.

A U.S. Department of Health, Education and Welfare study of 5,000 families over six years from 1967-1972 found that

21% of them were poor in at least one year, while 2% were poor every year for six years. 7% had an average income for the six-year period below poverty level.[8]

Both education and race affect persons' chances of being persistently poor. A Michigan study[9] found that, while six grades of education dropped white persons' chances of being persistently poor from 40-20%, it took at least some college training to do the same for black persons. In 1975, 27.6% of all blacks and only 8.2% of all whites residing in metropolitan areas had incomes below poverty level.

Divorce is a major cause of poverty.

Over the past 25 years, more and more persons have chosen to create separate household units, thus increasing their living expenses. In 1950, 5.6% of all married couples did *not* have their own household (i.e., they shared a household with friends or relatives). In 1975 only 1.3% of married couples did not have their own household.[10] The number of 'sub-families'[11] in the U.S. decreased from 2.4 million in 1950 to 1.3 million in 1975, a decrease of 43.8%.

Today, divorce is a significant factor contributing to the need for income support. "A major way to climb out of poverty is to get married, and a major way to fall into it is to get divorced," concluded the Michigan study. The study found that divorced women who are heads of families are worse off financially than any other family heads and are much more likely to live below poverty level. This conclusion corresponds with the Ramsey County Department of Welfare's 1974 Annual Report which noted that 45% of the divorces in Ramsey County in 1974 resulted in one party going on public assistance. The Michigan study concluded that women who are widowed, separated or divorced have a better than 50-50 chance of falling below poverty level.

The major difference between the need for income support today and 25 years ago is that today a major part of the need is created by the establishment of new households. The earnings of two individuals both working outside the home full-time are less likely to be adequate when the persons live separately than when they share a household. And, the creation of a new household unit without an additional wage earner is even more likely to result in poverty, as evidenced by the Michigan study.

Dissatisfaction with our income support system is widespread.

A huge, complex system has evolved in the U.S. to distribute income support through a variety of programs. The system is criticized for its lack of fairness, its built-in penalties for work efforts, its cost, alleged abuses, overlapping programs, and gaps in assistance. It is fair to say that no one defends the current system: No one wants to see it kept in its present form.

Several major proposals for change have been advanced, but none has yet been acted upon. The national debate is active, and the Carter administration promises a major proposal soon. While the desire for change is virtually unanimous, it is important to recognize the strong forces which tend to prevent change: Each of the programs now in place has its own constituency; administrative and legislative responsibility for the programs is fragmented, and, there is strong pressure to retain or expand benefits without increasing expenditures.

THE MAJOR ISSUES OF INCOME SUPPORT

EQUITY

Questions of equity include elements of the other six issues we have identified. In this first section, we will isolate those items from all seven sections which pertain to equity. The remaining six sections will treat problems related to the issues identified in the headings, apart from the equity question.

The fundamental inequity created by today's income support programs is that persons in similar circumstances are treated differently. A variety of public policies, rules and regulations combine to create this effect. Some examples: Free medical care is available to recipients of certain cash programs and not to non-recipients whose incomes may be lower; two-parent families may be ineligible for assistance even when their income is lower than that of eligible single-parent families; the blind receive higher benefits than the disabled; income support payments are tax-free, although the same income from wages is subject to income tax. These factors combined create an irrational, complicated and unfair system that excludes some needy persons from assistance. A more detailed description of the problem follows:

The working poor are excluded from cash assistance.

The federal income support program for families with dependent children (AFDC) provides benefits for two-parent families only when the father works less than 100 hours per month, or the mother is incapacitated. If the father works more than 100 hours, and the mother is able-bodied, the family is ineligible for assistance, regardless of income. However, if the mother works full-time and the father still works less than 100 hours, the family will retain eligibility for assistance if its income is within the limits prescribed. Eligibility for single-parent families is different, and will be treated in a separate section.

A two-parent family with two children, and the father working part-time earning $4,000/year would receive $2,904/year in cash assistance. After paying $234 in taxes, the family would have a net income of $6,670. If the father gets a full-time job and increases his earnings to $5,265/year, the family loses eligibility for cash assistance. It pays $308 in Social Security taxes, and receives a federal tax credit of $274, leaving a net income of $5,231 for the year, a loss of $1,429 in net income. The father has increased his earnings from $4,000 to $5,265/year, but the family has lost $1,429 in net income. (See Table 1.)

Another way to understand the impact of this eligibility rule is to compare the net incomes of two identical two-parent families, one with a father working part-time or mother working full-time, and the other with a father working full-time:

If both families had two children, and annual gross wages of $4,000/year, the difference in their net incomes would be approximately $2,400.

The part-time working father or full-time working mother's family would have a net income of $6,670, as illustrated above. A full-time working father's family with $4,095 in gross earnings

Table 1

TWO-PARENT FAMILY OF FOUR

Annual Gross Wages	Taxes	AFDC	Net Income
$4,000 *father works part-time*	- $234	+ $2,904	$6,670
$5,265 *father works full-time*	- $ 34	$0	$5,231

would pay $240 in Social Security tax and receive a federal tax credit of $390, leaving a net income of $4,245.

Eligibility for Food Stamps lessens, but does not eliminate, the gap in income between these two families. The family with a gross income of $4,095 would qualify for approximately $850 in Food Stamp bonuses (the value of stamps for which the family does not pay). The family with a gross income of $4,000 and receiving AFDC would qualify for approximately $700 in Food Stamp bonuses. This narrows the gap by $150, but a gap of $2,275 remains. (See Table 2.)

The two-parent family will do better financially if the father works less than full-time, unless he can earn more than $7,020/year.[12] At those wages, the family would receive approximately $420 in Food Stamps and would pay $494 in taxes, leaving a net income of $6,946, still $424 less than the income of a family with $4,000 in gross earnings where the father works less than full-time. (See Table 2.)

AFDC recipients may earn more than ineligible AFDC applicants.

A work incentive is built into the aid program for families with dependent

Table 2

TWO-PARENT FAMILY OF FOUR

Annual Gross Wages	Taxes	AFDC	Food Stamp Bonus	Net Income
$4,000 *father works part-time and/or mother works full-time*	- $234	+ $2,904	+ $700	$7,370
$4,095 *father works full-time*	+ $150 credit	$0	+ $850	$5,095
$7,020 *father works full-time*	- $494	$0	+ $420	$6,946

children (AFDC). This means that when recipients go to work outside the home, they retain part of their benefits. They are therefore able to improve their financial situation by taking employment outside the home. The work incentive applies to all single-parent families, two-parent families where the mother works full-time or the father works less than full-time, and two-parent families where the mother is disabled and the father works full-time.

The formula for determining how much of a cash grant can be retained as earnings increase is known as the '30-and-1/3' formula. First $30 is subtracted from gross monthly earnings; then 1/3 of the remainder is subtracted; then work expenses--including withholding tax, transportation and child care expenses, union dues and expenses for uniforms and lunch--are subtracted from that. The final figure is compared with the grant a family would get with $0 earnings and the benefit payment will equal the difference between the two. When the remaining income equals the grant, the family is ineligible for assistance. As a practical matter, the formula provides that a Minnesota single-parent family with two children could retain eligibility for assistance through gross earnings of $15,000/year. The average earnings of Minnesota AFDC recipients working outside the home is $4,800/year. Table 3 illustrates the '30-and-1/3' formula for a single-parent family of three with gross earnings of $15,000/year.

The reason that persons may be better-off to quit a job and to resume employment after qualifying for assistance is that the work incentive is applied after a family gets on the program, but not when the family first applies for assistance.

For example, a single-parent family with two children and earnings of $5,850/year or $488/month, and work expenses of $112/month would be ineligible for assistance: gross earnings minus work expenses equal $376/month, and the payment standard for a family that size is $330/month. The family is $46 over the eligibility limit. But if the same family applied to the program when its income was $0, and then proceeded to earn $5,850/year after becoming eligible for the program, the work incentive would be applied. In that case the family would receive $720/year in AFDC benefits, and would pay $342 in Social Security taxes, leaving a net income of $6,228. This compares with a net income of $5,723 for the family that is not eligible for assistance. (See Table 4.)

Table 3

'30-AND-1/3' FORMULA--SINGLE-PARENT FAMILY OF THREE

gross earnings	$1,250/month	standard grant with no earnings, family of 3:	$330/month
'30'	- 30	'net' income	- 320.21
	$1,220	actual grant	$ 9.79/month
'1/3'	- 406.26		
	813.74		
work expenses*	- 493.53		
'net' income	$ 320.21/month		

*Work expenses per month consist of: $73.13 Social Security tax, $198.60 Federal tax, $81.80 Minnesota tax, $100.00 child care, $22.00 lunches and $18.00 transportation.

TABLE 4

SINGLE-PARENT FAMILY OF THREE

Annual Gross Wages	Taxes	AFDC	Net Income
$5,850 *AFDC applicant: no '30-and-1/3'*	- $127	$0	$5,723
$5,850 *AFDC recipient: '30-and-1/3'*	- $342*	+ $720	$6,228

*Tax liability is higher for this family because the earned income credit was not included in the calculation.

Recipients of cash assistance are automatically eligible for free medical care.

Recipients of major cash assistance programs are automatically eligible for free medical care under the Medicaid program.

The Medicaid program provides first-dollar coverage for doctor visits, tests, operations, prescriptions and institutional care. Recipients may choose their own physicians. A family of three in Minnesota uses an average of $133/month or $1,596/year in Medicaid benefits.[13] A single adult in Minnesota uses an average of $80/month or $960/year.[13]

We have explained earlier how recipient families (those receiving cash assistance) may have higher net incomes than families that are ineligible for assistance. The recipient families also receive free medical care. Unless medical expenses of non-recipient families are quite high, it is unlikely that they will qualify for Medicaid. It is therefore probable that many recipient families would be ineligible for Medicaid by virtue of an income test. The automatic eligibility for free medical care widens the disparity between the financial well-being of recipient and non-recipient families.

We could then have a situation like that illustrated in Table 5.

Income support payments are not taxable.

Many Western European nations tax their income support payments, including Unemployment Compensation benefits, Social Security and 'welfare'. This is not so in the United States or in Minnesota. A tax on income support payments may seem unreasonable or unnecessary but, without it, income support may become more attractive than wages as a source of income.

For example, a family with gross wages of $11,000/year will pay $2,831 in Social Security, state and federal taxes, leaving a net income of $8,169 for the year. A second family with gross wages of $9,028 and unemployment benefits of $1,830 collected during 15 weeks of unemployment would have a net income of $10,858 for the year: they would pay $2,117 in Social Security, state and federal taxes on the wages, and no tax on the unemployment benefits. (See Table 6.)

Although 'welfare' benefits and Unemployment Compensation are not subject to any income tax in Minnesota or the United States, steps have been taken in this direction. The Minnesota Low Income Credit,

Table 5

AUTOMATIC ELIGIBILITY FOR MEDICAID

	Annual Gross Wages	Net Income After Cash Grant & Taxes	Average Medicaid Benefits	Sum of Net Income and Medicaid Benefits
single parent, two children *receive cash assistance*	$5,000	$7,517	$1,596	$9,113
two parents, two children *no cash assistance*	$5,265	$5,231	$0	$5,231

Homestead Credit and Renter's Credit take into account all income support payments in determining eligibility for these credits. The Minnesota Tax Study Commission has discussed a tax simplification measure that would treat all income the same for purposes of the Minnesota income tax. This would include wages, income support payments and other income that is currently tax-exempt. In addition, steps have been taken by the 1977 Minnesota Legislature in this direction:

- A portion of military, federal, state and local government pension income will now be subject to the Minnesota income tax. The 1977 omnibus tax bill provides that the first $7,200 in pension income, reduced by any Social Security or Railroad Retirement benefits received or any earned income, shall be exempt from gross taxable income. Any pension income above that amount will be subject to the Minnesota income tax.

- A bill which passed the Minnesota Senate and is in the House Tax Committee would tax unemployment benefits when benefits plus federal adjusted gross income exceed $15,000. Only the portion of unemployment benefits exceeding $15,000 would be subject to tax.

Table 6

UNEMPLOYMENT BENEFITS

Annual Gross Wages	Taxes on Wages	Untaxed Unemployment Benefits	Net Income
$11,000 *worked 52 wks.*	- $2,831	$0	$8,169
$9,028 *worked 37 wks.*	- $2,117	+ $1,830 *$122/wk. for 15 wks.*	$8,741

The aged, blind and disabled are each treated differently by the 'welfare' system.

Recipients of Minnesota's supplemental program for the aged, blind and disabled[14] are treated differently depending on which category they fit. For example, disabled persons must reduce their net worth to a smaller sum than must blind persons in order to qualify for assistance from this program.

A blind person may keep $2,000 in personal property, the first $85 in earned income, and half of any income above $85, and still be eligible for assistance. But a disabled person can keep only $300 in personal property, $500 in life insurance, the first $20 of earned income, and half of the next $60 in earned income and still be eligible.

The disparity in eligibility criteria stems from the fact that we once had two separate assistance programs for the blind and disabled. Now they are covered by one program, but the eligibility criteria from the old programs are still used.

Some in-kind programs are not fully funded.

Funds for some in-kind programs are limited and are insufficient to meet the needs of all eligible persons. This means that we concentrate expenditures on the portion of eligible persons who do benefit.

For example, federal Title XX regulations allow counties to provide free child care to families with income below 80% of the state's median income. In addition, counties may provide child care services with a sliding fee scale for families with income between 80% and 115% of the state's median. Using the maximum federal dollars allotted to this program, Hennepin County is able to provide free care only to those families with income below 60% of the state's median income. Funds are not available to provide free care to the 60-80% group, or a sliding fee scale to the 80-115% group. The county estimates that there are twice as many eligible children in the 60-80% group that receive no funds, as in the 0-60% group which receives free care.

Similarily in the Section 8 Rent Subsidy program, funds are not available to meet the needs of all eligible persons. There is a waiting list of 1,200 for Section 8 units administered by the Metropolitan Council, and a waiting list of 500-700 for units administered by the Minneapolis Housing and Redevelopment Authority. A family with $4,000 gross income occupying a Section 8 unit could receive a subsidy of $1,300/year, while a similar family on the waiting list would receive no benefit from the program.

'Welfare' eligibility criteria dictate how income may be invested.

Eligibility criteria for 'welfare' programs place separate limits on the value of life insurance, prepaid burial, personal property and a home. If any of the limits is exceeded, applicants will be ineligible for assistance.

For example, AFDC applicants may have a maximum of $500 cash surrender value in life insurance; $750 prepaid burial, $7,500 equity in a home (this may be waived by the county); and $300 in other liquid assets for one parent and one child, $500 for two or more children. This means that if persons choose to invest their money in a home, or keep the money in savings, instead of investing in life insurance or a prepaid burial, they could be ineligible for assistance. If an applicant had $800 in liquid assets, and no investment in life insurance, he or she would be ineligible for assistance. Another person with $800--$500 in life insurance and $300 in other liquid assets--would be eligible.

The unequal treatment of persons in similar circumstances and built-in incentives to quit work must be eliminated.

The inconsistencies in how needy persons are treated can be seen at every step. More specifically, the discrimination against families with male heads-of-household working full-time at low wages is perhaps the most serious failure of today's income support system. Our categorical aid programs penalize male family-heads for working full-time and for staying with their families. The categorical eligibility rules for AFDC effectively eliminate a significant portion of the needy population from assistance. Although Food Stamps are available to this population, they do not make up the income gap between this group and those who are eligible for cash assistance. In a society such as our own which places a high value on employment, public policy that penalizes work efforts is especially misguided.

The failure to use the work incentive when persons apply for assistance as well as after they have become eligible for assistance makes 'welfare' plus work more lucrative than work alone for the low wage earner. This creates an incentive to reduce earnings in order to become eligible for a 'welfare' payment. A consistent work incentive policy must make it more advantageous for persons to increase their earnings at all times, not just after they have gained access to a 'welfare' program.

Automatic eligibility for free medical care now is a bonus that makes 'welfare' more attractive than full-time work at low wages. If work is to be an attractive alternative, this disparity must be eliminated. To create more equity between recipients of cash assistance and non-recipients, eligibility for medical care should be uniform for the two groups.

The failure to subject income support payments to a tax test creates yet another inequity for wage earners. The source of income should not make a difference for purposes of income taxes. The person with a gross income of $11,000 gained from working all year should not be worse off financially than the person with $11,000 gross income gained from working part of the year and collecting unemployment benefits the rest of the year. This inequity must be addressed. The actions of the 1977 Minnesota Legislature are a step in the right direction.

The differential treatment of the blind, the aged and the disabled is a vestige of old programs and has no relation to actual needs. It contributes to the apparent arbitrariness of our income support programs, and to unnecessary complexity in Minnesota's Supplemental Aid program.

When limited funding for assistance programs is concentrated on only part of the eligible population, it creates inequities among eligible persons. Rather than excluding eligible persons from assistance, it would be more desirable to divide limited funds among eligible persons, or to fully fund assistance programs.

The variety of eligibility criteria concerning personal property and assets are paternalistic. They add to the complexity and apparent arbitrariness of 'welfare' programs. Some kind of assets test is necessary to assure that funds are concentrated on the poor. However, separate accounting of life insurance, savings, automobile, household goods and a home is unnecessary. In particular, limits on home equity may keep some needy persons from receiving assistance. We are not concerned that persons who own expensive houses may receive income assistance. If the house expenses are too high to keep up, the house will be sold. A home equity test is not necessary to bring about such action.

WORK INCENTIVES AND REQUIREMENTS

Two questions are at the heart of the controversy over income support policies on work: Should able-bodied people work for a living? Will they work for a living when income support payments are provided for the unemployed?

Most everyone would agree that those who are able should support themselves. The question of whether most people want to work, or will work, is more controversial. However, it is clear that the translation of the first premise into public policy on income support programs has failed to accomplish its purpose. Work requirements in some programs are not enforced, and are not accompanied by financial incentives to work. In other programs, financial incentives allow persons to retain cash assistance through fairly high levels of earnings. The policies on work are contradictory, inequitable and ineffective in producing the desired result. More specific details on these policies and the controversy surrounding them follow.

Work registration is an ineffective tool for securing employment.

Generally, programs providing assistance to non-aged, able-bodied persons will require that recipients register for work as a condition for receipt of assistance. Work registration means that persons must sign up at an employment office and demonstrate that they are willing to accept suitable job training or employment offered to them. However, work registration is not administered as a meaningful regulation that actually requires participants to accept or seek work. Administrators told us that registrants' names are placed on employment lists, but that often this is the extent of the action taken to secure employment for participants. Theoretically, the penalty for failure to comply with work registration requirements is discontinuation of benefit payments. In some cases only the person who is out of compliance with the regulation is removed from assistance, while the rest of the family continues to receive benefits. In other cases the entire family is penalized.

Program administrators told us that work registration discourages some persons from applying for assistance--when some persons learn of the registration requirement, they discontinue their applications. But administrators reported that the registration requirement is an ineffective tool for actually getting people employed once they are eligible for assistance. Women who have participated in the job training program for AFDC recipients are particularly critical of the program, noting that it generally trains women for jobs which don't pay enough to support a family.

The paper work generated by work registration requirements is considerable. We were told that the paper work associated with work registration in the General Assistance program exceeded that of all the other forms associated with the program combined.

The General Assistance program lacks a work incentive.

Minnesota's General Assistance program for non-aged, able-bodied, childless adults requires recipients to register for work, but gives no financial reward for work. If a recipient earns a dollar the grant is reduced by a dollar. In fact, recipients are required to 'work off' part of their grants at county jobs that would not be given to regular county employees. Recipients working at these jobs must be paid the going rate, which is generally the minimum wage. Once they have worked enough hours to earn the specified amount, they have satisfied the work requirement for the month, and are expected to look for a regular, full-time job.

AFDC gives assistance to families with adequate wage income.

The amount of reward, or work incentive in the program for single parents with children is often criticized for being too low. Critics claim that recipients are only permitted to keep 1/3 of their earnings. But how much one 'keeps' depends on the definition of income. The notion that only 1/3 of earnings is kept comes from a definition of net income which excludes earnings spent for such things as child care, transportation and lunch expenses. A more common definition of net income is gross wages minus taxes. When this definition is used, a more generous allowance emerges. A single parent with two children increasing earnings from $0 to $5,000/year would experience a $3,557 increase in net income after taxes.[15] This represents an increase in net income of 71¢ for every dollar earned.

The '30-and-1/3' formula combined with the allowance for work expenses in determining the AFDC grant, result in the possibility of a family of three with $15,000/year in gross wages retaining eligibility for cash assistance and the free medical care that comes with it. (See Table 3 for calculation.)

Controversy continues over whether income support discourages work efforts.

There is a great deal of public concern that the provision of income support payments may encourage recipients to reduce their work effort. This is the reason for the work registration requirements in several of the programs. We have already seen in our section on Equity that some persons may actually be better-off financially by reducing their work effort.

In 1975, 62% of the United States male heads of poor households worked. 38% worked full-time, year-round, and 24% worked either less than full-time or less than year-round. 36% of female heads of poor families worked. 13% worked year-round, full-time and 23% worked either less than year-round or less than full-time. Another 43% kept house and cared for dependents full-time.[16]

In Minnesota's aid program for families with dependent children, roughly 25% of the adult recipients work.[17]

An experiment in New Jersey and Pennsylvania was undertaken (1968-72) to determine whether families would reduce their work efforts if guaranteed an annual minimum income. Only families with both husband and wife present were included in the study. Men in the experiment reduced their work effort by 8% in hours, (3.2 hours out of a 40 hour week). Working wives reduced their work effort by 20% (8 hours out of a 40 hour week).

Studies in New York and Michigan found that the introduction of work incentive payments to the AFDC program did not significantly alter the work effort of AFDC recipients. But it did increase expenditures by 2-3%, because recipients who formerly would have become ineligible for assistance once they obtained employment now were retained on the AFDC rolls when they obtained a job.

Work requirements have proved ineffective in helping persons become self-supporting.

The idea that persons able to work should support themselves is sound. The work registration requirement appears to be an effective tool in preventing some abuses of income support programs. However, it cannot really be enforced against persons who choose to abuse it. Active non-cooperation with a work requirement is possible, by feigning illness or trouble at home...or by simply making oneself disagreeable enough so that no employer will make a job offer. A program or regulation which opens itself to this kind of abuse is subject to widespread criticism and, ultimately, disrespect. The work requirement does not appear to be an effective tool in securing employment for recipients. It creates high expectations for steady jobs with attractive wages, but is often unable to fulfill these expectations. This is especially true during an economic slump.

The failure to reward work in the General Assistance program increases the difficulty recipients have in becoming self-supporting. General Assistance provides the lowest benefit levels of any cash assistance program--an average of $182/month for a single person in Minnesota. The dollar-for-dollar tax on earnings leaves recipients with $182/month when they become ineligible for benefits--hardly better-off than when they first required assistance. The failure of the program to give recipients an extra boost when they become employed increases the likelihood that they will require assistance again after they have left the program.

The unusual definition of net income, combined with the '30-and-1/3' work incentive in the calculation of AFDC grants for employed recipients can result in an extremely high cut-off point for benefits. $15,000/year is probably too high a level of earnings at which to terminate benefits, if for no other reason than that providing benefits to all families at this level would be inordinately expensive.

CASH VS. IN-KIND ASSISTANCE

The basic controversy here is over whether assistance for needy persons should be provided directly in cash grants, or through vouchers and subsidies for specific goods and services. In the U.S. today we spend 10% of our gross national product in helping persons buy health care, education,[18] food and housing. Another 10% is spent on cash assistance through 'insurance' and 'welfare' programs. On the whole, the provision of subsidized services and goods, which we will call 'in-kind' assistance, is less controversial than is cash assistance for the poor.

In-kind assistance allows policy-makers to focus dollars on particular problems. The problems of the poor are often viewed in categories: lack of housing, inadequate health care, poor nutrition. In-kind programs have been established to address each of these separately. In-kind assistance is sometimes preferred by policy-makers, and by the public, because it gives some assurance that expenditures will be used as intended. However, there are several drawbacks to in-kind assistance. These are:

In-kind assistance lacks the flexibility to meet recipients' needs.

In-kind assistance runs the risk of not adequately responding to recipients' needs. For example, food assistance may be available when a family's real problem is housing or clothing. In states that have relatively low cash assistance payments, food stamps can equal as much as 3/4 of a family's income.

Recipients of several benefit payments can lose income when benefits increase.

Eligibility for in-kind and cash assistance from the 'welfare' programs is based on an income test. When income increases, both in-kind and cash assistance are reduced, possibly eliminated entirely. The net effect of reductions in both in-kind and cash assistance may offset the gain in gross income.

A common example is the way that Social Security benefits interact with in-kind assistance. The case of a 56-year-old disabled man living in Minnesota was written up in a national newsletter:[19]

His Social Security check increased by $14. As a result, he lost eligibility for free medical care under the Medicaid program; his Veteran's Pension was reduced; he had to pay more for his Food Stamps, and his rent subsidy was reduced. The loss of eligibility for free medical care alone would more than offset his $14 Social Security increase. The article describing this man's situation was entitled, "Oh No! My Benefit Went Up."

In-kind assistance reduces the consumer's interest in cost control.

When persons' responsibilities to pay for services are relieved entirely by in-kind assistance, they may have little interest in controlling costs. For example, first-dollar coverage in the Medicaid program gives patients no incentive to choose the doctor or hospital that will give them the most for their money. First-dollar coverage also relates to the problem of abuse. Without the direct financial interest of consumers in preventing abuse, vendors may find it easier to provide unnecessary services, or charge for services never performed.

In-kind programs hide the costs and benefits of income support.

There are now so many programs designed to help the poor, from subsidized child care and other social services, to tax credits, to school lunch programs, to subsidized housing, that we really don't know the total impact of these programs on the poor. Without a clearer picture of the total benefits now available it is difficult to determine whether we are doing enough, too much, or not enough for the poor.

Cash should replace in-kind assistance wherever possible.

In-kind assistance gives some assurance that public dollars are spent as the public intended. It can, to some extent, protect children from irresponsible parents. But we have found no reason to believe that the poor are less likely to feed their children when they have money than are the nonpoor. When such neglect is demonstrated, we have a system of 'protective payments'[20] now in place, which can meet these needs.

The shortcomings of in-kind payments outweigh the advantages. In-kind assistance is paternalistic--it tells people how to spend their money, and in the process prevents some of them from meeting their needs adequately. In-kind payments run the risk of eliminating competition among vendors and taking away incentives for consumers to control expenditures. Recipients of several in-kind programs can suffer losses of income as a result of increased cash earnings or benefits. This provides an additional disincentive to increase income through work efforts.

If individuals did have cash-in-hand, the full range of choices, and some responsibility to pay for the services used, the quality and cost efficiency of services would be enhanced. In addition, persons would have the freedom to decide what their needs are, rather than having them dictated by government programs.

ACCESS TO ASSISTANCE

The existence of 'welfare' programs is not enough to assure that needy persons get assistance. The location of intake offices, the length of time required for application and the availability of information about eligibility can all have a substantial impact on how many eligible persons actually take the trouble to apply for assistance, and how many ultimately receive assistance.

The key question is whether a *legislative* or an *administrative* body should basic intent of the open meeting law which is to allow the public to know how and why important decisions of public bodies are made.

At the same time, it is clear from our findings that the prohibition against meetings of sub-quorum groups of public officials is being enforced in a reasonable manner. We believe it is important to have a recourse available to discourage the most flagrant use of sub-quorum meetings to violate the basic intent of the open meeting law. But, we also believe the evidence indicates that the Attorney General's definition of "meeting" is not resulting in unreasonable intrusions in the social lives of public officials.

2. Attorney General's Definition Needn't be Made Statutory

While we agree with the Attorney General's opinion defining "meeting," we do not believe it is necessary that the opinion be formally incorporated into the open meeting law.

It would be a futile and unnecessary task to attempt to list all possible definitions of "meeting" for different types and sizes of public bodies. Any definition other than a quorum, which we would not support, would almost certainly require refinement by the courts or another Attorney General's opinion.

While the existing Attorney General's opinion may not, technically, apply to all governmental jurisdictions, it has carried considerable weight. The fact that critics of the opinion are directing their energies toward the Legislature, rather than the courts, suggests that the opinion and the law are regarded as one and the same. By not making specific statutory changes in the definition of "meeting," the Legislature has given the Attorney General's opinion even more credibility. As such, there does not appear to be anything to be gained from adding a more specific definition of "meeting" to the Minnesota open meeting law.

RECOMMENDATION

1. Make no Change in "Meeting" Definition

We urge the Minnesota Legislature to make no statutory change in the definition of "meetings" covered by the Minnesota open meeting law.

PART TWO: PUBLIC BODIES COVERED BY THE OPEN MEETING LAW

1. Virtually all Public Bodies Covered

The Minnesota open meeting law applies to state boards, commissions, and other appointed bodies established by government. It also applies to governing bodies of local governments, school districts, metropolitan agencies and special districts, and to all committees and subcommittees of public bodies otherwise covered by the law. The exceptions to coverage of the law include:

• The state Legislature, its committees, subcommittees, conference committees and caucuses. The state constitution now requires that all sessions of either house must be open to the public "except in such cases as in their opinion may require secrecy." Rules of both bodies require that all meetings of committees, subcommittees, and conference committees shall be open to the public with 72 hours notice provided of meetings "insofar as practical." Both political parties in both houses have opened their caucus meetings as a matter of practice. The current requirements for openness do not apply to gatherings of fewer than a quorum of any legislative body. The

The complexity of the system gives discretion to administrators and intake workers. This allows them to be more responsive to individual needs, but at the same time leaves the programs open to attack on the grounds of being arbitrarily and unfairly administered. The discretion allowed administrators in a complex system leaves them open to conflicting pressure: Intake workers told us that they weren't sure whether their job was to "get people on assistance or keep them off." Under the current system, intake workers have the freedom to implement either policy.

Administrative procedures which inhibit access to assistance must be discontinued.

Potentially eligible persons must be informed of the services and benefits available to them. Any decisions about limits to the size and cost of these programs should be made straightforwardly at the legislative level. The administrative level is not the place for these decisions to be made.

Ideally, intake workers should help applicants get the maximum benefits for which they qualify. But even when they do, some participation of private persons as advocates based outside the 'welfare' system is desirable. The participation of private persons in an advocacy role keeps the private sector in touch with the system of income support. This increases the understanding of the private sector about income support programs, and provides a valuable 'check and balance' to the public agencies.

Some verification of eligibility and a personal visit to an intake office are necessary to prevent abuse. But sufficient information should be available to applicants without an office visit so that they can determine for themselves the programs for which they are eligible. Only a single office visit should be necessary for application if sufficient access to information is provided by telephone, by mail and through public information centers.

The separation of intake offices for different programs makes access to assistance more difficult and contributes to administrative inefficiencies. Disabled persons and those with young children find it especially difficult to make the several office visits required for some applications. Separation of intake locations contributes to the feeling that some programs are for 'deserving' poor persons and others are for the 'undeserving' poor. The intake process should do everything possible to eliminate this distinction.

ERRORS AND ABUSE

Fraud has probably received more publicity than any other facet of the 'welfare' system. But it appears that administrative errors and over-utilization of available services may be more serious problems than outright fraud. The administrative errors are of particular significance: These may be more due to the complex structure of the programs than any inadequacy on the part of administrators. If this is so, then the public's desire to see errors reduced cannot be satisfied until rules and regulations on eligibility are changed.

In programs where vendors are reimbursed directly for services rendered, investigation of vendors for abuse may bring a higher return than investigation of recipients. A single vendor may service many recipients. If such a vendor is continually abusing a program, prosecution will bring a high return. In addition, vendors are generally more able to pay restitution than are recipients.

Errors are a major cause of unnecessary expenditures for 'welfare'.

Statistics on fraud are not firm, and are not available for all income support programs. But the available data suggest that the primary cause of payments to ineligible persons or overpayments to eligible persons is errors.

For example, the Food Stamp program has a high error rate: 38.5% of the cases in Minnesota in 1975 were either ineligible or were charged too little for their stamps. An additional 6% of the cases were charged too much for their stamps. But only 3.2% of the cases or 8.5% of the errors were attributed to deliberate misrepresentation by recipients.[21]

Minnesota Department of Welfare staff cite complex eligibility criteria in the Food Stamp program as a key causal factor in high error rates. Applicants are required to estimate expenses for the next month. Such an estimate is more subject to error and abuse than is evidence of past expenses and earnings, which can be documented.

In Minnesota's AFDC program an average of 16% of recipient cases were ineligible or were over-paid and 5% were underpaid in 1975. Department of Public Welfare staff estimate that 2.3% of the recipient cases were fraudulent.[22]

Minnesota's error rate in the federal supplemental aid program for the aged, blind and disabled is lower than in the United States as a whole: In 1975, 5.8% of Minnesota cases and 8.2% of cases in the United States contained errors.[22] Data on fraud in this program are not available.

The Minnesota Department of Welfare has a 'quality control' unit charged with investigating fraud. A regular process is in place to review AFDC, Food Stamp and Medicaid applications for deliberate misrepresentation by clients. This process is not in place for General Assistance or many of the 'insurance' programs administered by other agencies.

Medicaid abuse is a serious problem.

A Congressional subcommittee headed by Senator Frank Moss concluded that roughly 10% of the $15 billion spent annually on Medicaid is paid out on a fraudulent basis. The U.S. Commissioner of Medicaid, M. Keith Weikel estimates that 15-25% of Medicaid dollars are spent on ineligible persons, over-utilization of services and fraud. Fraud alone accounts for 5-10% of all Medicaid expenditures, according to Mr. Weikel.[23]

Fraud on the part of the vendor may occur through charging for office visits that never occurred, tests that were never done, or unnecessary and inappropriate procedures performed by the doctor. On a national level, it appears that vendor fraud is the most costly source of abuse in the Medicaid program.

In Minnesota, Department of Public Welfare (DPW) staff believe that fraud is under control. Over half the Medicaid budget in Minnesota goes to nursing homes. DPW staff report that vigorous investigation of nursing homes over the past five years has turned up only three fraudulent cases.

A federal program known as Project Five-Hundred has constructed model profiles which are compared with all Medicaid cases in the state. Any cases which deviate significantly from the model are pulled for investigation. Of those pulled out in Minnesota, 98% were already under investigation by the state.

DPW staff note that they do not know how large the incidence of over-utilization is, but they suspect that it is a bigger problem than fraud in Minnesota. Over-utilization may include unnecessary elective surgery, treatment for illnesses that don't require professional medical care and prescription of unnecessary drugs.

Error and abuse is a problem that needs attention in Minnesota.

Errors and over-utilization of services need further investigation. Fraud in Minnesota's Medicaid program seems to be fairly well under control. But the extent of over-utilization is unknown.

A reduction in error rates may be difficult without changes in program regulations. A 44.5% error rate in the Food Stamp program is intolerable, but the remedy may be in new regulations, rather than in closer scrutiny of applications.

BENEFIT LEVELS

Benefits levels in 'welfare' programs vary drastically from state-to-state. The Northeast and Midwest tend to have higher benefit levels than the South and Southwest. Minnesota's levels are on the higher end of the scale.

Variation in benefit standards is an intense issue of debate. Some persons feel that the variation is unfair, and that it encourages persons to move to higher-benefit states. Others favor a variation based on cost-of-living in different areas.

The *level* of benefits relates to the question of *variation* in benefits. Any new national standard benefit level is likely to be higher than current standards in some states and lower than those in others. The question of how a standard benefit would affect recipients in different states is a key issue in the debate on a national income support program. More detailed discussion of benefit levels follows.

Benefit levels vary by state and by county.

Minnesota ranked 14th in the nation in the total spending per poor individual from five income support programs[24] in FY 1976 at $1,745 per poor person. Of this, $1,058/person or 61% was federal money and $686/person or 39% was state/local money.

Minnesota's benefit level for a four-person family with dependent children is $385/month, 11th highest in the nation. This compares with $60/month for a similar family in Mississippi in 1975.[25]

General Assistance is one of the few programs whose payments vary by county. In FY 1976 the majority of Minnesota counties paid a maximum of $182/month to an individual living alone with no other source of income. Ramsey County paid a maximum of $170/month and Hennepin paid a maximum of $144/month. Part of the reason for lower payments in Hennepin and Ramsey may be that these counties have proportionately more recipients than other areas in the state. In 1974, 6.8% of the population in Hennepin and 7.3% of the population in Ramsey County received assistance from one of three 'welfare' programs.[26] This compares with 4.8% of the Minnesota population as a whole.

There is controversy over whether payments should be geared to regional differences in cost-of-living. Those favoring a differential by region argue that needs vary by region, and that payment levels should respond to different levels of need--it costs more to survive a winter in Minnesota than one in Mississippi. These arguments focus particularly on comprehensive reform packages that call for uniform federal benefit levels throughout the nation. Any uniform benefit is likely to be lower than that now paid in some states (Minnesota, for example) and higher than the level in other states. A single benefit level would mean a reduction in benefits to recipients in some states and levels that could exceed the prevailing wage in other states.

Those supporting a uniform national standard argue that differentials in payments will encourage people to move to areas where the payments are higher. They point out that other federal benefits such as Social Security and federal pensions do not vary by region. In addition, they point out that the cost-of-living varies less among different regions in the country than it does between urban and rural areas within a single state.

In-kind assistance increases recipients' disposable income.

A single-parent with two children in Minnesota receiving a cash grant, food and rent subsidies would get an average of $484/month or $5,808/year counting the cash and in-kind assistance.[27] In addition, the family would receive free medical care. It should be noted that all eligible families would receive the food subsidies, but that only some of the families would receive a rent subsidy, because of limited funding for housing programs.

A single General Assistance recipient would receive an average of $275/month or $3,300/year in cash grants, food programs and rent subsidies.[28] In addition, he or she would get free medical care.

An elderly, disabled or blind person living alone, who did not qualify for Social Security, would receive an average of $287/month or $3,444/year from cash assistance, food and rent subsidies.[29] In addition, he or she would get free medical care.

The current disparity in benefit levels between states is too large.

It costs more to stay alive in a cold climate than a warm one--more adequate shelter, heavier clothing and a more substantial diet are necessary to withstand the cold. However, the cost of survival in a colder climate is not as much as 6.5 times greater than the cost in a warm climate. This is how much larger the Minnesota AFDC grant is than the Mississippi grant. The disparity between other high and low benefit states is even greater.

The likelihood that benefits in more generous states such as Minnesota will be reduced by a federalized standard payment is a serious problem: With the exception of persons at the highest end of the benefit scale, recipients should not be hurt by alterations in the current 'welfare' programs.

It is impossible to come to a rational definition of what is 'enough'. The difficulties in arriving at such a definition are insurmountable. We stayed with a minimal definition of adequacy, which includes the basics of food, clothing, shelter and medical care. The major cause of failure to meet needs in Minnesota appears to be lack of participation in assistance programs rather than the inadequacy of benefits. Inability to use benefits most efficiently, due to such things as lack of access to transportation or inadequate nutritional knowledge, are also factors which affect the adequacy of payments.

FINANCE AND ADMINISTRATION

State and county governments share the cost of 'welfare' programs with the federal government. Counties and states with especially high recipient populations bear an inordinate share of the burden. These local and state governments are continually seeking fiscal relief from higher levels of government: Hennepin and Ramsey County seek relief from the state for their General Assistance payments, which are funded out of local property taxes and state general funds; New York State seeks relief from the federal government for its burden. The cry for fiscal relief has led many groups to call for complete federal financing of our 'welfare' system.

Administrative expenses vary from program to program.

Administrative expenses vary dramatically. A list of administrative expenses as a percent of total program expenditures for selected programs follows: (Figures apply to Minnesota, except where noted.)[30]

AFDC	9%
General Assistance	15%
Food Stamps	6%
Supplemental Security Income (U.S.)	8.1%
Minnesota Supplemental Aid	22.3%
Workers' Compensation	22.5%-38.8%

The two 'welfare' programs with the highest administrative expenses (General Assistance and Minnesota Supplemental Aid) both have some county discretion in defining eligibility and payment standards. This increases complexity in the programs, and probably is a factor contributing to relatively high administrative costs.

The Workers' Compensation program is required of business by the state, but is privately financed. 17.5% of administrative expenses go for acquisition of insurance, which generally pays a commission fee to insurance agents.

The question of administration relates not only to cost, but to which level of government can be most responsive to individual needs. Minnesota's 'welfare' programs are administered at the county level. Some proposals call for federal administration, possibly through the Internal Revenue Service. Most administrators in Minnesota are skeptical about this proposal because of their recent experience with federal administration in the aid program for the blind, aged and disabled. Because of problems with federal administration, Minnesota took back the administrative function shortly after the federal assumption of responsibility. Overpayments from January to June 1974 under federal administration of the Minnesota Supplemental Aid (MSA) program represented 5.3% of all payments to recipients, or $1 million. Minnesota is still negotiating with the federal government in an attempt to recover a portion of the funds paid out in error.

Medicaid is the most costly 'welfare' program.

Nationally, Medicaid accounted for $13 billion or 32% of all 'welfare' expenditures in 1975. In Minnesota, $332 million was spent on the program in FY 1976.

The largest expense of Medicaid is institutional care. In FY 1975, 70% of Medicaid expenditures nationally were for institutional services. In Minnesota in FY 1973, 51% of Medicaid expenditures were for nursing home care, and 21% were for inpatient hospital care.

The Minnesota Department of Administration recently completed a study on cost containment in the Medicaid program. The study recommended that efforts be made to reduce the use of institutions (hospitals and nursing homes) whenever possible.

Minnesota has allocated some funds to experimentation with the de-institutionalization of care. The 1975 Legislature allocated $2.7 million for construction and operation of community-based care for the severely handicapped and retarded, and supplements to families that keep mentally ill children at home.

A large portion of income support expenditures go to the nonpoor.

In 1975 public expenditures for income support programs in the U.S. equaled $171.6 billion. 23.7% of these expenditures went to income-tested 'welfare' programs designed to help the poor. The remainder went to 'insurance' programs designed to provide income security for retired persons and those temporarily out of work.

The single largest expenditure for income support in FY 1976 went to Social Security and Railroad Retirement, at $73.7 billion. Half of this money went to the poor. Of the twelve income support programs listed in Table 7 below, the top four in expenditures were 'insurance' programs.

Some of the payments to the 'non-poor' go to persons who, without the assistance, would be poor. A count of six types of income support programs in 1966 found that 37% of the payments went to persons who, without the assistance, would be poor; 43% of the payments went to persons who were not poor when they received the payments; and 20% of the payments went to persons who were poor both before and after they received the payments.[31]

Some states urgently need federal help for 'welfare' expenditures.

Increased state assumption of local costs, and federal assumption of state costs may be necessary. However, we would not favor complete federal financing of income support programs.

Table 7

EXPENDITURES BY PROGRAM AND PERCENT TO BEFORE-TRANSFER POOR AND NON-POOR
U.S. FY 1976

PROGRAM	TOTAL FY '76 EXPENDITURES (in billions)	% TO POOR	% TO NON-POOR
Social Security and Railroad Retirement	$73.7	50%	50%
Government Pensions	$22.7	32%	68%
Unemployment Insurance	$18.5	19%	81%
Workers' Compensation	$ 3.8	38%	62%
Veterans Compensation	$ 5.3	32%	68%
Veterans Pensions	$ 2.7	60%	40%
Aid to Families with Dependent Children	$ 8.7	82%	18%
Housing	$ 2.3	66%	34%
Child Nutrition	$ 2.0	43%	57%
Food Stamps	$ 4.8	75%	25%
Medicaid	$14.9	80%	20%
Medicare	$16.9	51%	49%
Total	$176.3	49%	51%

Source: U.S. Congressional Budget Office, Special Tabulation.

States still desire a voice in these programs. They should have a voice, and some financial responsibility to go along with participation in decision making. Needs vary in different states. Individual states should have the flexibility to respond to the particular needs of their residents.

Minnesota's experience with federal administration of a 'welfare' program indicates that more local administration is desirable. For purposes of uniformity and accountability, it may be desirable to keep responsibility at the state level. This would leave open the state's option to contract out administration to local public and private agencies.

Our chief source of concern about the level of expenditures is the Medicaid program. The high cost of medical care combined with abuse of the program has increased costs enormously, until Medicaid is the single largest 'welfare' program today. Steps must be taken to reduce Medicaid costs. Apart from the cost of Medicaid, we are not concerned about the overall level of expenditures on income support. Certainly the expenditures on income-tested programs designed to help the poor are not excessive. If there is public concern about expenditures, consideration should be given to reducing payments to the non-poor.

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RECOMMENDATIONS

In order to bring maximum equity to the income support system, we recommend that a single cash assistance program replace several current programs: AFDC, General Assistance (GA), Supplemental Security Income (SSI), Minnesota Supplemental Aid (MSA), Food Stamps and rent subsidies. Assistance would be available based on family size, income and liquid assets (i.e., those that can be converted to cash). A personal application for assistance would be required. This program would be for those who are not adequately provided for by wages, benefits from other income support programs, or other income.

In addition, the tax system will have to be adjusted to better coordinate with income support programs. This will require treatment of all non-contributory portions[32] of income support payments as taxable income. What this amounts to is the phasing in of an 'income test', through a progressive income tax, on benefits paid by Social Security, Unemployment Compensation, pensions, and other wage-substitute income.

ESTABLISH NATIONAL CASH ASSISTANCE PROGRAM

This section will give the outline of the single cash assistance program designed for those not adequately provided for by earnings, tax credits, savings or 'insurance' programs such as Social Security, Unemployment Compensation and Workers' Compensation. These recommendations are applicable to the national, as well as the Minnesota government.

Consolidate 'Welfare' Programs

A single cash assistance program should replace AFDC, SSI, MSA, General Assistance, Food Stamps and rent subsidies. The Social Security program, Unemployment Compensation and Workers' Compensation should remain as separate programs.

Establish Uniform Eligibility Criteria

Eligibility should be based on income and a flat allowance for liquid assets such as personal property, savings, automobile and life insurance. Both the income and assets test should be geared to family size. The value of a single home should not be calculated in the eligibility test.

Make Benefits Reward Work

The current work registration requirement should be replaced with a significant financial incentive to work. Recipients must be classified into three categories: 'Expected to work full-time'; 'expected to work part-time'; and 'not expected to work'. Those expected to work should receive a lower basic cash grant than those not expected to work, with a substantial reward for work efforts.

Consolidate and Disperse In-Take Locations

Those responsible for administration of the program should disperse in-take locations throughout local areas, using public offices or private facilities such as financial institutions, shopping centers, libraries and post offices.

Persons needing income assistance should be able to go to one office to get what they need, whether it be from a Social Security program, unemployment program, or the new cash assistance program. At a minimum, information on all income support programs should be available at any in-take location.

Retain State Responsibility for Administration

States should be responsible for administration, but should be free to put the task up for contract to both public and private agencies. The state and federal government should share administrative costs 50/50 within an established maximum level. States should bear the entire burden of administrative costs which exceed the maximum.

Establish National Payment Standard

A national payment standard based on some percentage of the federal poverty level and on family size should be established with 100% federal financing. States should have the option to supplement the national standard.

Mesh Tax System with Income Support Programs

Tax policy and income support policy must be coordinated so that persons earning any amount will always be better-off working than unemployed. In order to accomplish this, income support payments will have to be subject to the same income tax as wage income.

STATE AND NATIONAL ACTION NEEDED

Here we will outline the specific steps that must be taken in Minnesota to move from our current system to that described above.

Proposals for change in the national income support system have been put forward by many groups including professionals in the field, elected officials and advocate groups. While we endorse national reform along the principles outlined in this report, it is the responsibility of Minnesota to move immediately on the issues of equity, work incentives, access and consolidation of programs. The income support issue is plagued by political paralysis. Immediate state action appears to be the most effective way to improve Minnesota's situation.

Improve Access

1. *Make information available through printed materials and the media on eligibility criteria for income support programs. The information should be detailed enough to give potential applicants a good idea of their eligibility for assistance, and should be readily available at libraries, financial institutions, local government offices and other convenient locations. Television and radio spots should be used, as well as advertising space on public buses. A specific listing for information on income support programs should be included in the front of the phone book.

2. *Co-locate in-take offices for Minnesota income support programs. Request federal offices to co-locate also, so that assistance is available in one stop. Disperse comprehensive in-take locations throughout the community.

3. *Make administrative staff available to train private citizens in the basics of program eligibility and in-take so that they can act as advocates

*Recommendations which Minnesota now has authority to implement.

and help others make their way through the income support system.

4. *Make administration of programs open to bids for contract from public and private agencies.

Consolidate Assistance Programs and Establish Financial Incentive to Work

Consolidate SSI, MSA, AFDC, GA, Food Stamps and Section 8 Rent Subsidies into a single cash assistance program, with one application form and one administrative body. Eligibility criteria for all applicants should be uniform, based on family size, income and a flat allowance for liquid assets. The value of a home should not be calculated in the eligibility test. A financial incentive to work should replace the current work registration requirements in AFDC, GA and Food Stamps. In order to provide an incentive to work, three payment standards should be set:

a) *For those expected to work full-time:* The able-bodied, non-aged, non-disabled, two-parent families where both parents are able-bodied, and families with no children or grown children.

b) *For those expected to work part-time:* Single-parent families with school-age children.

c) *For those not expected to work:* The aged, blind, permanently and totally disabled, and single-parent families with children under six years of age or other dependents who require full-time care in the home.

The payment standard should be graduated: Lowest for Group A to highest for Group C. And, the reward for work should be graduated, in reverse: Highest for Group A and lowest for Group C. For example, Groups A, B, and C could receive 50%, 75% and 100% respectively, of some standard such as the federal poverty level. As basic payments became more generous, the reward for work would lessen. For example, Group A might keep 60¢ of every dollar earned, Group B might keep 40¢ of every dollar earned, and Group C might keep 20¢ of every dollar earned. To make the working poor eligible for assistance, the work incentive would have to be built-in at application, as well as after persons began receiving benefits.

Persons classified in Group C should have the option to join Group B or A and receive a lower basic grant and higher work reward. Persons classified in Group B should have the same option to join Group A. The option to choose a higher basic payment and lower work reward should not be available to Group A and B. This would increase payments to unemployed persons who are expected to work, thus reducing their work incentive.

The consolidation of these programs could be accomplished all at once, or it could be phased in. If it is phased in, the following steps would be necessary:

1. *Make General Assistance payments uniform state-wide.

2. *Establish a work incentive for General Assistance recipients. This should be the same work reward that will be used in a single assistance program for the group of persons 'expected to work full-time'. Incorporate the work incentive into the calculation of initial eligibility for the program.

3. Establish three payment standards and three work reward levels for AFDC. The general outlines above for Groups A, B and C should be followed. Incorporate the work incentive into the calculation of initial eligibility for the program. Remove the 'work expense' calculation from AFDC and

*Recommendations which Minnesota now has authority to implement.

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adjust AFDC grants based on gross income.

4. Eliminate the work registration requirement in AFDC and General Assistance*.

5. *Make Minnesota Supplemental Aid a flat cash supplement to eligible persons, uniform state-wide.

6. Establish a uniform incentive for MSA and SSI recipients, as for Group C. Apply the work incentive at initial application to the program.

7. Set the payment standard for SSI in Minnesota as for Group C. Eliminate the MSA program and provide for state responsibility to pay any portion of SSI benefits above current federal levels.

8. Abolish the Food Stamp and Section 8 Rent Subsidy programs and commit those funds to the consolidated cash assistance program.

9. *The Minnesota Legislature should explore the feasibility of folding other in-kind programs into the single cash assistance program. When new in-kind programs are proposed, the Legislature should, if at all possible, choose cash assistance over in-kind benefits. Proposers of new in-kind programs should bear the burden of proof in demonstrating why in-kind assistance would be preferable to cash assistance. In addition, proposers should be required to demonstrate the impact of additional in-kind payments on effective income of the target group, as well as side-effects on quality and cost of services, and consumption of those services.

10. Combine SSI, MSA, AFDC, General Assistance, Food Stamps, and Section 8 Rent Subsidies into a single program, with one application form and one administrative body. Set a standard assets test, disregarding the value of one home, and setting a flat allowance for liquid assets.

Improve Usage of Medicaid Services

1. Require recipients to pay for some part of their Medicaid services, through a minimal co-payment and deductible. A deductible requires recipients to pay for some initial expenses. These might be as little as $1 for the very poor. The co-payment provides that recipients and the public will share costs above the deductible amount.

2. Establish a needs test for all Medicaid applicants; eliminate automatic eligibility. Eligibility should be based on a sliding scale, with higher-income persons paying a high deductible and high co-payment, rather than their being completely ineligible for the program. A ceiling should be placed on the co-payment and deductible.

Coordinate Taxes with Income Support

1. Continue adjustment of income taxes so that 'federal adjusted gross income' includes non-contributory income from wage-substitute and wage-loss compensation programs. Some examples would be Social Security, Unemployment Compensation, public and private retirement pensions and cash grants from income support programs. This will create equity between recipients of these programs and persons who rely solely on wages for their income.

2. To the extent necessary, adjust the federal and state* income tax credits and/or deductions to establish an even transition from the assistance program to the tax system. Net income should not fall as a result of moving from cash assistance to the tax system.

3. Remove the credits for work expenses such as dependent care and withholding tax from the assistance program. This will remove the

*Recommendations which Minnesota now has authority to implement.

incentive to increase work expenses in order to retain eligibility for cash assistance. It will also create a lower, more reasonable eligibility cut-off point than the current $15,000 gross earnings.

SET EARLY TIMETABLE FOR IMPLEMENTATION

We recommend a three-phased approach to implementation:

1. The Minnesota Legislature should in 1978 pass a law that establishes a schedule for implementing the recommendations which are currently within its jurisdiction. The law should include all of the recommended actions, and state explicitly which of them shall be accomplished in each year for the affected period of time. Full implementation should take no more than four years.

The Minnesota Department of Public Welfare should immediately seek waivers from the U.S. Department of Health, Education and Welfare for recommended alterations in the AFDC and Medicaid programs. Once waivers are obtained, the Minnesota Legislature should incorporate those changes into law.

2. The Minnesota Governor's Office, in cooperation with its executive agencies should submit a plan to the 1978 Legislature for changing the income support and tax systems in Minnesota to match the recommendations outlined above. After approving the plan, the Minnesota Legislature should submit it to the Minnesota congressional delegation, and request the delegation to author a bill in 1978 that would give Minnesota the waivers of current laws and regulations necessary to implement the plan. Once permission is received, the 1979 Minnesota Legislature should take action on the plan, and implementation should begin no later than July 1, 1979. These waivers are essential if the consolidation of programs is to be accomplished in Minnesota. The Minnesota Legislature now has authority to make all recommended changes in the GA and MSA programs, and minor changes in other programs. But it cannot implement the wholesale consolidation of programs without a special waiver from Congress.

3. The Minnesota delegation should submit the recommendations outlining a national income support system to the President, and urge that they be incorporated into the President's plan for welfare reform. Congress should take action on those proposals promptly.

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DISCUSSION OF RECOMMENDATIONS

PROPOSALS FOR CHANGE

1. How does the Citizens League (CL) proposal compare with current programs?

Figures two-five illustrate current programs and the CL proposal.

Calculations of net income for the CL proposal assumed that cash grants would be subject to an income tax test. The 1976 tax forms (both federal and state) were used; low income and earned income credits where applicable; and Social Security tax. The standard deduction was used for income tax calculations.

Graphs of the CL proposal illustrate one possible implementation of the financial work incentive recommendation. Grant levels and work rewards in the graphs are structured as follows:

a) *For those expected to work full-time:* (figures two and four): Payment standard @ 50% of poverty with $0 earnings; reduction of grant by 40¢ for every dollar earned; elimination of grant when earnings equal 125% of poverty.

b) *For those expected to work part-time:* (figure three, parent with school-age children): Payment standard @ 75% of poverty with $0 earnings; reduction of grant by 60¢ for every dollar earned; elimination of grant when earnings equal 125% of poverty.

c) *For those not expected to work:* (figures five and three--parent with young children): Payment standard @ 100% of poverty with $0 earnings; reduction of grant by 80¢ for every dollar earned; elimination of grant when earnings equal 125% of poverty.

We recognize that CL assistance payments to groups (a) and (b) are lower than current payments. We find this acceptable for two reasons:

- The new cash assistance program will make a large segment of the poor eligible for assistance which they cannot now receive; and
- The lower payments are designed to *supplement* wages, rather than *replace* them. Instead of being put through artificial, demeaning and time-consuming work registration procedures, recipients will be given the modest cash payments. They will then have the responsibility to seek employment, or request training, as needed. Administrators will no longer be looking over recipients' shoulders to determine whether they are making a real effort to seek work. Unlike today's programs, our recommendation does not call for elimination of assistance to persons who do not seek work. Instead, the modest cash grant is provided. We believe that the lower grant, coupled with a modest tax rate on earnings, will provide a strong financial incentive to recipients to seek employment.

It should be noted that grants to those in group (c) who have no other source of income are more generous than current programs.

CITIZENS LEAGUE PROPOSAL COMPARED WITH CURRENT PROGRAMS

FIGURE ONE

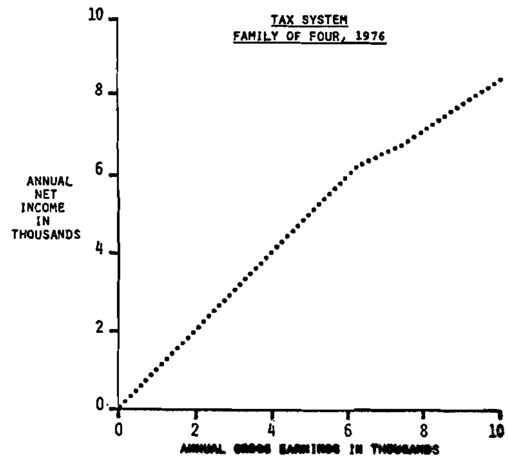


FIGURE TWO

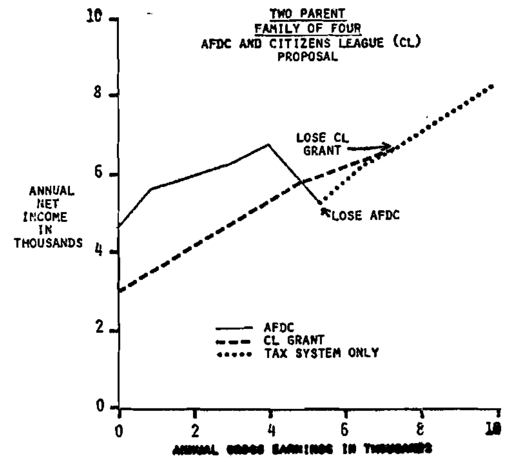


FIGURE THREE

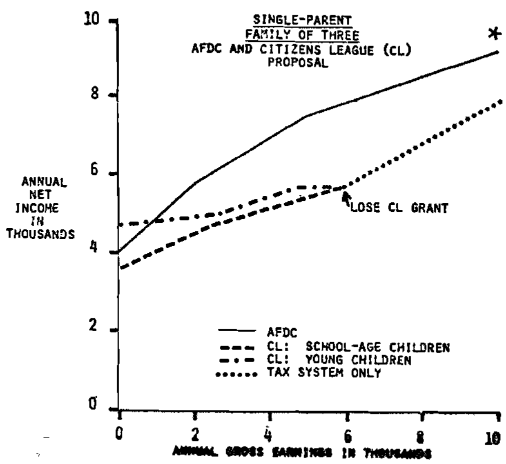


FIGURE FOUR

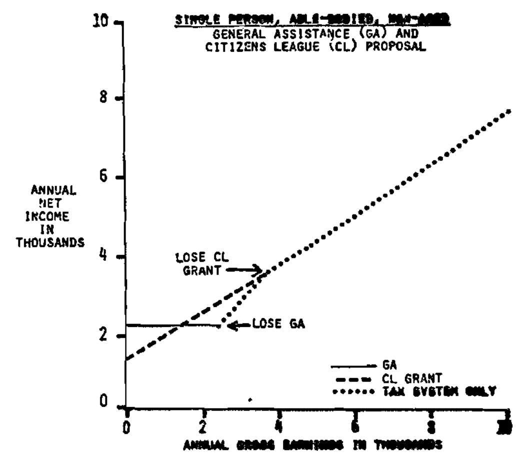
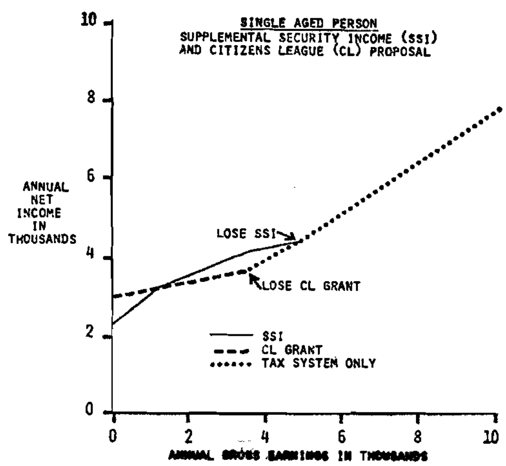


FIGURE FIVE



*Lose AFDC @ **$15,000** gross earnings.

Source: AFDC figures from Minnesota Department of Public Welfare.

Prepared by Citizens League
June 29, 1977

Figure One illustrates the impact of the current tax system on the income of a two-parent family of four with a single wage-earner. Up through $6,000 of earnings, the family's net income after federal, state and Social Security taxes is equal to its gross earnings before taxes. This is because a federal earned credit offsets Social Security taxes paid.[33] Above $6,000, the family pays a net tax on its earnings.

Figure Two illustrates the combined impact of AFDC benefits and taxes, and the proposed Citizens League grant and taxes on a two-parent family of four. The point where AFDC benefits are lost represents the father's working at least 100 hours per month. AFDC benefits before that point would only be awarded if the father worked less than 100 hours per month. As a practical matter, most families with fathers present are not eligible for AFDC. The Citizens League proposal shows the family starting at a lower point with $0 earnings than the current AFDC program, but continuing to receive assistance through a higher level of earnings. Today's AFDC family can actually lose income by increasing work effort. This would not occur under the Citizens League proposal. The graph does not show the large numbers of families with fathers employed full-time that would become eligible for assistance under the Citizens League program.

Figure Three illustrates the combined impact of AFDC benefits and taxes, and the proposed Citizens League grant and taxes on a single-parent family of three. Parents with young children would receive a higher grant with $0 earnings under the Citizens League proposal than under the current AFDC program. When children reach school age, the parent is expected to work part-time, and the grant is reduced under our proposal. This is in place of the current work registration requirement for these parents. The Citizens League grant is terminated when earnings equal 125% of poverty. This is less than half the possible termination point of benefits under the current AFDC program.

Figure Four illustrates the combined impact of General Assistance (GA) benefits and taxes, and the proposed Citizens League grant and taxes on a single able-bodied person. The GA program does not allow income to increase as earnings increase. Benefits are reduced by $1 for every $1 earned. Under the Citizens League proposal benefits would start lower for the person with $0 earnings, but would be retained as earnings increased, through 125% of poverty.

Figure Five illustrates the combined impact of Supplemental Security Income (SSI) benefits and taxes, and the proposed Citizens League grant and taxes on a single aged person. The Citizens League grant is also recommended for single blind and disabled persons. However, the tax system treats such persons slightly differently than the aged. Therefore, the graph would look somewhat different for the blind and disabled.

The Citizens League grant is higher for the person with $0 earnings than is SSI, but does not provide as generous a reward for work. The Citizens League grant would be terminated at 125% of poverty, a lower level than the cut-off point for SSI.

2. Did the committee consider a universal, simple system of support such as a family allowance or other payment made to all persons, regardless of need?

Yes we did, and we rejected the idea. We wholeheartedly support the concept that, whether we talk about 'insurance' or 'welfare' or 'tax reform', we are talking about income assistance for those in need. All of us, at some time in our lives, will most likely be on the receiving end and on the contributing end. The creation of a single program which distributes money both to the needy and the non-needy may appear to a logical response to this belief. But it would not adequately respond to the needs of the poor.

The key feature of a family allowance or 'demogrant' is that it makes assistance payments to all persons, regardless of need, and taxes the payment back from the non-needy. Proponents of such proposals generally prefer them because they remove the stigma associated with the current assistance programs and appear to be a simple, efficient way of providing assistance. It is generally recommended that such proposals be administered by the Internal Revenue Service, rather than by the Department of Health, Education and Welfare. This is felt to further reduce the stigma.

The intent of these programs is admirable, and we support it. But the sacrifices that must be made in real cash benefits to the poor outweigh the desirable aspects of such proposals. Even the most expensive option explored by the National Urban League in its proposal for a universal program would give persons with $0 earnings less than many recipients now receive, and less than three out of five categories of recipients in our own proposal. Universal programs inhibit the ability to target money to those who need it most. The proposals generally involve a great deal of income transfer from upper-middle to middle-income persons, but relatively little to the poor. The ability to provide financial incentives to work is lessened because such proposals are so expensive. This inhibits the ability of persons to better their situations through their own efforts.

Universal proposals administered through the tax system also lack the assets test which is part of current 'welfare' programs. Some persons find this desirable, again because they feel that stigma is reduced. We find it undesirable. Assets tests are another way to assure that dollars are targeted to the neediest population. For this reason, we think they are important and should be retained.

3. Did the committee consider keeping the current programs in place and making minor changes, instead of the sweeping change recommended?

Yes we did, and we rejected the idea. The inequities of the current system arise from the combined impact of many different policies and programs. The problems we have identified with equity and work incentives could not be remedied by small changes in a few programs.

4. Does this proposal differ significantly from other proposals for reform?

The recommendation to create a single, national cash assistance program in place of the several cash and in-kind programs now in place is consistent with many other proposals. However, our proposal does differ from others in one significant respect. Most discussion of the problem focuses only on the income and asset-tested 'welfare' programs. Our discussion and recommendations include the non-income-tested transfers of public money that occur through the 'insurance' programs of Social Security, Unemployment Compensation, Workers' Compensation and public pensions. A key part of our proposal is that these benefits now be subject to an income test, through the progressive income tax.

5. Did the committee discuss a desirable policy on implementing its proposal for current recipients?

Yes we did. For those who will receive less under our proposal than they are now receiving, benefits could gradually be reduced over some phase-in period, perhaps two years. Over that time, benefits would be reduced by some percentage each month or every few months, until at the end of the adjustment period, benefits would be the same for current recipients as for new applicants. This will ease the transition, and will give recipients plenty of time to adjust to new circumstances. It should also be noted that many persons receiving benefits at the start of the phase-in period would normally have moved off the assistance programs by the end of two years: The average length of stay on General Assistance is three months; on AFDC, two years.

EQUITY

1. What is the rationale for subjecting Social Security benefits, public pensions, Unemployment Compensation, Workers' Compensation and other 'insurance' and 'welfare' benefits to taxation?

Subjecting Unemployment and Workers' Compensation and 'welfare' benefits to an income tax test assures equity in the tax system between persons benefiting from these sources of unearned income and those receiving the same income from wages. The unearned income would be subject to a tax test under our recommendation, but would not necessarily be taxed. It would be treated just as is wage income: If it exceeded a certain level, it would be taxed. Below that level, recipients would pay no tax on benefits.

The reason for subjecting Social Security and public pension benefits to a tax test is more complicated. The funding problems of the Social Security and pension funds is a complex subject that we have not studied in depth. But it is clear that the funds are in trouble. This is primarily due to cost-of-living increases built into the payments which have not been paid for by the recipients of those benefits.

Current estimates are that the Social Security trust fund will be exhausted soon after 1981 if the current tax and benefit rates are continued. In 1977 alone, the trust fund will pay out $4 billion more than it takes in.

There is a disparity in the taxation of private pensions and public retirement programs, including Social Security: Private pension recipients eventually pay income tax on their entire benefits, while public pension and Social Security recipients pay income tax on only a portion of their benefits.

A further disparity is created by the cost-of-living increases, funded with public dollars, that are built into the public programs, but which do not exist in the private programs.

Employee contributions to Social Security and public pensions are taxed in the year that the contribution is made, when persons are employed. Benefits received may exceed the sum of employer and employee contributions and interest earnings. Part of the benefit may come from current wage-earners. The portion of benefit payments that does not come from employee contributions is never subject to tax.[34]

In contrast, we can examine a tax-sheltered private pension fund: Individuals and their employers may contribute. Funds contributed are not taxed until they are withdrawn, presumably when the individuals have retired. The retirement benefits will consist of employer and employee contributions, and anything those funds have earned from investment. Retired persons will collect their benefits each year and pay tax on the entire amount collected.

A peculiar set of circumstances has evolved around the public retirement programs:

- A major part of the benefits enjoys tax-free status;

- Benefits are not based on contributions as are true insurance programs. Instead, benefits are increased to keep up with the cost-of-living;

- These cost-of-living increases are awarded to recipients regardless of their financial status; and

- Because of the benefit increases which are unrelated to the contributions of recipients, the funds cannot be sustained without using contributions of current wage earners and possibly general revenues in the future.

These factors taken together indicate the pressing need for change in the public retirement programs. A first step might be a start at bringing the funds back in line through taxing that portion of benefits which has not yet been subject to tax. This could be accomplished in several ways:

- Benefits received could be exempt from taxation until they equal the employee's total contribution to the fund. Benefits above that level would be taxed.

- Benefits could be taxed based on an estimate of recipient's life expectancy and the percentage of his or her own contribution to the projected benefits.

- Employee contributions to the funds could be tax-exempt in the year the contribution is made. The entire benefit would then be subject to tax in the year it is received.

2. Why would a flat allowance for liquid assets be any more desirable than the itemized assets test used in the current 'welfare' programs?

We have recommended that the value of one home be entirely disregarded, and that a flat allowance for other real and personal property be established, based on family size. This will more effectively and fairly accomplish the goal of an assets test: To measure assets that can be turned into usable income. The current regulations allowing automobiles of a certain value, homes of a certain value, life insurance, etc., are unnecessarily complicated. The regulations are also paternalistic in the same way that in-kind assistance is: They allow persons to spend their money in some ways but not in others. A flat disregard will allow persons to make their own priorities for expenditures, whether that be life insurance, motor vehicles, or other items. A similar flat disregard is used in determining eligibility of the blind for the Minnesota Supplemental Aid (MSA) program: They are allowed a flat disregard of $2,000 plus a limited amount of home equity. Our recommendation would go further to disregard the value of a home entirely.

We have no recommendation on what the level of flat asset disregard should be. It could be set as a percentage of federal poverty level, as is the recommended income disregard.

WORK

1. Did the committee consider provision of public service employment for those expected to work as an alternative to cash assistance?

We considered this proposal, though

not in depth. The issue of public service employment and its impact on the private labor market is sufficiently complex to require a separate study on employment. However, we are aware that there is a debate over whether assistance funds should be concentrated on creating jobs or on providing direct assistance to needy persons. We favor concentration of funds on direct cash assistance to the needy. This targets money to those who need it most. The costs of creating public jobs can be so high that they result in concentration of expenditures on a few recipients and reduced benefits for others. The Comprehensive Employment and Training Act (CETA) has been questioned from many quarters regarding its effectiveness in providing jobs for the needy.

2. How would the determination of 'expected to work' and 'not expected to work' be made?

Age and physical and mental disabilities are all factors that together determine whether applicants are expected to work. Determination of applicants' or children's age would not be difficult. This is routinely done in the current programs. The determination of persons' ability to work can be more complex. In some cases it may be necessary to get the opinion of medical doctors or psychiatrists regarding individuals' ability to work. Clearly, those not able should be provided for at the more generous payment standards.

3. Will job and skills training still be available to those desiring it under the proposed system?

Yes. Persons expected to work full or part-time may need to acquire skills before they are ready to work. Job and skills training programs currently in place would continue to be available to such persons as well as to those not required to work, who desire such training.

Benefit payments to persons expected to work who are in training would have to take account of this fact. For example, the higher benefit level, ordinarily for those 'not expected to work', could be retained for such persons during their training period.

4. How will the recommended financial work incentive differ from current work registration requirements?

Under our proposal, there would be no work registration requirements. Neither would recipients be required to 'work off' part of their grants. A determination of whether a person was expected to work full or part-time or not at all would be made. This would determine the payment standard for a family, as well as the level of financial rewards for work. Persons expected to work would receive less under our proposal than under current programs, if they did not work at all. However, their income would always increase if they did work, under our proposal. This is not always the case in the current programs.

5. How will the removal of work expenses from the calculation of cash assistance payments affect single parents' ability and incentives to work outside the home?

Child care is generally the single largest work expense. Free or subsidized child care is available for low income persons through the federal Title XX program. This would continue to be available. Subsidies received through this program would not affect the size of a cash assistance grant. For higher-income persons, the federal tax system provides a child care credit. This provides reimbursement for a portion of expenses necessary to allow persons to work.

CASH VS. IN-KIND ASSISTANCE

1. Will in-kind assistance still be available for those who desire or require it, under the report's proposal?

Yes. Our proposal calls for cashing-out of in-kind benefits, but continued 'protective payments' for those unable to handle their own finances. Protective payments replace cash assistance to recipients with direct payments to vendors such as landlords and grocery stores. They are available for recipients of cash assistance awards today and would remain in place under our proposal.

2. Are there any programs beside Food Stamps and Section 8 Rent Subsidies that could be cashed-out?

There probably are. There are many food and nutrition programs, additional housing programs, social services and transportation subsidies that could be cashed-out. Our recommendation is that Food Stamps and Section 8 subsidies be cashed-out at a minimum. The Minnesota Legislature and the Congress should continue to explore the feasibility of cashing-out other assistance programs.

3. Why did the committee recommend elimination of the Section 8 Rent Subsidy program and commitment of those funds to a cash assistance program?

The Section 8 program provides a substantial income supplement to those who receive it. But it is inequitable in that so small a portion of the eligible population does receive the subsidy. It is such an expensive program that it is unlikely it would ever be fully funded.

We are recommending an ambitious and expensive cash assistance program for the poor. This program will be more equitable than programs such as Section 8, and will get more dollars to more people. The elimination of Section 8 follows our conclusions that cash, rather than in-kind assistance should be provided whenever possible. Housing is a logical place to start, since it is a basic need that we all share.

FINANCING AND ADMINISTRATION

1. What will the committee's proposal cost?

Our recommendations do not specify any dollar level of expenditure for cash assistance. The hypothetical levels illustrated in the graphs on page 28 illustrate the principle we have recommended: That assistance grants be structured to provide a financial incentive to work.

The cost of a program is primarily dependent on the funding level established by the Legislature. Our recommendations describe only a formula for determining who is eligible for assistance. The cost of such a formula will be determined by a legislative body.

2. Did the committee consider the question of filing unit--whose income should be considered when a family applies for assistance, and which persons in the household should be included in a grant?

This is a technical question which has a significant bearing on program costs, incentives and disincentives to share a household, and incentives to retain or establish a legal marriage.

We favor the sharing of households as a way to reduce living expenses but we do not want to encourage persons to sever a marriage tie simply to take advantage of a cash assistance program. We were unable to determine a policy that would satisfy all of these criteria. A few examples of the intricacies of such policy follows:

- If the nuclear family is considered the filing unit, grants will not be reduced when such a family shares a household with others. This is currently the policy in the AFDC program. This permits a family to better its circumstances by sharing a household and thus reduce expenses, without losing any of the grant. However, it can create anomalies such as this: A single parent with two children would receive $3,960/year from AFDC. If a single male with one child moved into the household, he could receive $3,264 from AFDC, for a total household income of $7,224/year. In contrast, a two-parent family of five would receive $5,184 from the AFDC program.

- The Carter administration has proposed that the income of all adults sharing the same household be included in determining eligibility. But this may encourage persons to split up and create new households in order to qualify for assistance. This would increase living expenses for individuals, and could increase the cost of the entire program.

3. Did the committee consider what the accounting period should be for determining eligibility for assistance?

No. Accounting period, or the length of time over which past income will be averaged to determine eligibility is one of many technical questions which we have not resolved. It is a significant question: The shorter the accounting period, the more persons tend to be eligible. Thus, length of accounting period can have a large impact on program cost and benefits to recipients.

4. How could public cash assistance programs be administered by a private agency?

One possibility would be to limit the administrative function of a private agency to the in-take process and initial determination of eligibility. This is currently done with public financial aid programs for post-secondary students: A private company produces a computer form for applicants, and then analyzes the information and reports applicants' eligibility to the public granting agency. A computer form is a possibility for income assistance. Short of that, it would be possible for private social service agencies such as churches, food shelves and neighborhood centers to determine initial eligibility. This would facilitate a decentralization of in-take locations, and could provide a more comfortable and familiar atmosphere for applicants.

5. Should county funding of cash assistance programs be eliminated entirely?

Not necessarily. We object to the use of a regressive tax to fund income support programs. In Minnesota, the property tax is closer to a progessive income tax because of the homestead credit, circuit breaker and rent credit. To the extent that Minnesota county property taxes have become progressive, they may be appropriate as funding sources for income support. However, any local level of support should be kept minimal. Local levels of government have less ability to raise revenue than do larger units of government. Tax burdens are more likely to fall inequitably on a small part of the population if local revenues are a significant funding source.

ACCESS

1. How will emergency needs be met under the proposed system?

The private sector now provides emergency assistance on a once-a-year basis. In addition, immediate help can be given to persons who appear to be eligible for regular on-going assistance before the full eligibility test is completed. These provisions would remain in place.

The private sector would also retain its role in the provision of emergency services. It is unlikely that the public sector will ever have the degree of flexibility which the private sector has to dispense emergency aid. There will always be needy persons who do not qualify for assistance from public programs. The private sector would continue to serve this population.

FOOTNOTES

[1]In this report, 'income support' will refer to the total of 'welfare' programs: Aid to Families With Dependent Children (AFDC), General Assistance (GA), Medicaid; Supplemental Security Income (SSI), Minnesota Supplemental Aid (MSA), Food Stamps, and rent subsidies; *plus* 'insurance' programs: Old-Age, Survivors and Disability Insurance (OASDI, more commonly known as Social Security benefits), Medicare, Railroad and Public Employee Retirement, Unemployment Insurance, Temporary Disability Insurance, Workers Compensation, Veterans' Pensions, and Veterans' Compensation. See Appendix for detailed descriptions of selected programs.

[2]"Social Welfare Expenditures, 1929-1975:" By Alfred M. Skolnik and Sophie R. Dales. 1975 figures are estimates. See Appendix for detailed listing of expenditures.

[3]As used in this report, the term 'welfare' will refer to the following programs: AFDC, GA, Medicaid, SSI, Food Stamps and rent subsidies.

[4]'Poverty' and 'poor', as used throughout this report, will be defined according to the official federal poverty level: $5,850 annual cash income for a non-farm family of four; $2,970 annual cash income for a non-farm single person in 1977. Unless otherwise noted, 'poverty' will be calculated after all government cash transfers have taken place.

[5]Paper #3: "The Low Income Population: What We Know About It; A Statistical Profile" compiled by the Consulting Group on Welfare Reform, Bob Heim, Executive Director.

[6]National Journal, January 8, 1977.

[7]The payment standard remained the same in 1976 and the first part of 1977. It will be increased by 5% starting in July, 1977.

[8]U.S. Department of Health, Education and Welfare, "The Changing Economic Status of 5,000 American Families."

[9]The study was conducted from 1968-1975 on a sample of more than 5,000 families by the University of Michigan's Institute for Social Research. James N. Morgan was the chief staff person for the study.

[10]Statistical Abstract of the United States, 1976, U.S. Department of Commerce, Bureau of the Census.

[11]'Sub-family' is defined as "a married couple with or without children, or one parent with one or more unmarried children under 18 years old, living in a

household and related to, but not including, the head of the household or his wife." Statistical Abstract.

[12]Minimum wage @ $2.30/hour pays $4,784/year.

[13]Minnesota Department of Welfare, Statistics Department.

The elderly, blind and disabled use the highest portion of Medicaid dollars: In fiscal year (FY) 1975 the elderly, blind and disabled made up 38% of the U.S. Medicaid population, and used 62% of Medicaid dollars. AFDC adults and children made up 62% of the Medicaid recipients, and used 38% of the dollars. This information was obtained from the U.S. Department of Health, Education and Welfare, Social and Rehabilitation Service, Office of Public Affairs.

[14]The Minnesota Supplemental Aid Program (MSA) was created when a federal program replaced three state programs, for the aged, blind and disabled. MSA was created as a 'hold-harmless' so that Minnesota recipients would not receive lower benefits with the switch to a federal program. For a more detailed description of MSA and the federal program (Supplemental Security Income), see Appendix.

[15]A parent with two children and no earnings would receive a grant of $330/month from the program, or $3,960/year. If the parent earned $5,000/year, the grant would be reduced to $248/month, or $2,976/year. After paying $459 in taxes, the family's net income would be $7,517.

[16]Statistical Abstract of the United States, op. cit.

[17]Minnesota Department of Public Welfare, Statistics Department.

[18]We have not included education in our definition of income support. However, education is considered by economists in the calculation of 'social welfare' expenditures. For a detailed list of items included in the 'social welfare' category, see Appendix. In 1975, education represented 27% of all public social welfare expenditures.

[19]The Institute for Socioeconomic Studies, The Socioeconomic Newsletter, March 1977.

[20]Protective payments replace cash assistance such as AFDC and General Assistance with direct payments to vendors such as landlords and grocery stores.

[21]Minnesota Department of Public Welfare, Food Stamp Office.

[22]Minnesota Department of Public Welfare, Quality Control Unit.

[23]Medical Economics, January 24, 1977.

[24]The programs counted are Medicaid, AFDC, Supplemental Security Income, Food Stamps and General Assistance. National Journal, January 8, 1977 op. cit.

[25]Minnesota's benefit was $385 in 1975 also.

[26]The three programs are AFDC, General Assistance and Medicaid. Minnesota Department of Public Welfare, "Public Assistance Recipient Rates Per 1,000 Population Calendar Year 1974 Information Bulletin #96."

[27]The family would receive $330/month in a cash grant; $42/month in Food Stamps; $112/month in rent subsidy. Minnesota Department of Public Welfare, Statistics Department.

[28]Figures include $182/month in cash; $34/month in Food Stamps; and $59/month in rent subsidy. Minnesota Department of Public Welfare, Statistics Department.

[29]Figures include $196/month in Minnesota Supplemental Aid; $32/month in Food Stamps; and $59/month in rent subsidy. Minnesota Department of Public Welfare, Statistics Department.

[30]AFDC, General Assistance, Food Stamps, Minnesota Supplemental Aid--Minnesota Department of Public Welfare. Supplemental Security Income--Minnesota Social Security Office. Workers' Compensation--Program Administrator.

[31]The programs included were: Social Security, Unemployment Insurance, Workers' Compensation, Government Pensions, Veterans' Benefits and 'welfare'. Benjamin Okner, "Transfer Payments: Their Distribution and Role in Reducing Poverty" included in Kenneth E. Boulding and Martin Pfaff, editors, Redistribution to the Rich and the Poor, 1972.

[32]Non-contributory refers to that portion of benefits which has not been contributed directly by the recipient.

[33]The federal earned income credit is for families with earnings under $8,000/year. The credit is actually a negative tax--it gives people a credit, even when they pay no federal tax. However, the federal earned income credit generally does no more than off-set Social Security taxes paid. The credit increases through $4,000 of earnings, then decreases through earnings of $8,000, when it disappears. (See Appendix for detailed table on gross earnings and taxes for a family of four.)

[34]A portion of public employee pensions is subject to tax: The 1977 Minnesota Legislature passed a law which provides that pension benefits, less Social Security, Railroad Retirement benefits and earnings, above $7,200/year will be subject to Minnesota income tax.

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APPENDIX

NET INCOME AFTER FEDERAL, MINNESOTA STATE AND SOCIAL SECURITY TAXES, FAMILY OF FOUR, 1976.*

Gross Earnings	Earnings as % of Federal Poverty Level, 1977	Federal Tax	MN Tax	SS Tax	Net Income
$585	10%	+$59 credit	$0	$ 34.20	$609.80
1,170	20%	+117 credit	0	68.40	1,218.60
1,755	30%	+176 credit	0	102.72	1,828.28
2,340	40%	+234 credit	0	136.92	2,437.08
2,925	50%	+293 credit	0	171.12	3,046.88
3,510	60%	+351 credit	0	205.32	3,655.68
4,095	70%	+390 credit	0	239.52	4,245.48
4,680	80%	+332 credit	0	273.84	4,738.16
5,265	90%	+274 credit	0	308.04	5,230.96
5,850	100%	+215 credit	0	342.24	5,722.76
6,435	110%	+103 credit (a) +106 credit (b)	0	376.44	6,161.56 (a) 6,164,56 (b)
7,020	120%	44 (a) 35 (b)	48	410.64	6,517.36 (a) 6,526.36 (b)
7,605	130%	212 (a) 192 (b)	135.75	444.84	6,812.41 (a) 6,832.41 (b)
8,190	140%	354 (a) 323 (b)	223.50	479.16	7,133.34 (a) 7,164.34 (b)
12,000	205%	1,026 (b)	716.45	702.00	9,555.55 (b)
15,000	256%	2,547 (b)	1,038.28	877.56	11,537.16 (b)

*The standard deduction was used in calculating tax liability. Federal and state earned and low income credits were included where applicable.

(a) one parent, three children, or (b) two parents (one wage earner), two children.

Prepared by the Citizens League
June 2, 1977

SOCIAL WELFARE EXPENDITURES UNDER PUBLIC PROGRAMS
FY 1929-1975[a] IN MILLIONS OF DOLLARS

Program	1929	1950	1960	1970	1975[b]
TOTAL	$3,921.2	$23,508.4	$52,293.3	$145,761.1	$286,547.0
Social Insurance	*342.4*	*4,946.6*	*19,306.7*	*54,691.2*	*123,444.1*
OASDHI [c]	-	784.1	11,032.3	29,686.2	63,674.9
Medicare	-	-	-	7,149.2	14,781.4
Retirement [d]	113.1	1,124.3	3,504.6	10,268.6	23,085.1
Unemployment Insurance [e]	-	2,309.7	3,044.8	3,858.0	14,438.0
Disability [f]	-	103.2	416.4	778.8	1,027.2
Workers' Compensation [g]	229.3	625.1	1,308.5	2,950.4	6,437.5
Public Aid	*60.0*	*2,496.2*	*4,101.1*	*16,487.7*	*40,536.3*
Categorical Aid [h]	59.9	2,438.9	3,549.0	8,508.1	11,120.1
Medicaid	-	51.3	492.7	5,212.8	12,968.0
Social Services	-	-	-	712.6	2,522.5
SSI	-	-	-	-	6,036.4
Food Stamps	-	-	-	576.9	4,677.4
Other [i]	.1	6.0	59.4	1,477.3	3,211.9
Veterans' Programs	*657.9*	*6,865.7*	*5,479.2*	*9,078.0*	*16,660.8*
Pensions & Compensation	434.7	2,092.1	3,402.7	5,393.8	7,578.3
Health & Medical	50.9	748.0	954.0	1,784.0	3,468.9
Education	-	2,691.6	409.6	1,018.5	4,420.6
Life Insurance, Welfare & Other	172.2	1,334.0	712.9	881.7	1,193.1
Housing	-	*14.6*	*176.8*	*701.2*	*2,954.0*
Public Housing	-	14.5	143.5	459.9	1,456.0
Other	-	.1	33.2	241.3	1,498.1
Health & Medical Programs [j]	*351.1*	*2,063.5*	*4,463.8*	*9,752.8*	*16,635.7*
Education [k]	*2,433.7*	*6,674.1*	*17,626.2*	*50,905.0*	*78,438.5*
Other Social Welfare [l]	*76.2*	*447.7*	*1,139.4*	*4,145.2*	*7,877.5*

Data taken or estimated from treasury reports, "Federal Budgets," "Census of Government" and reports of federal and state administrative agencies. Compiled by Alfred M. Skolnik and Sophie R. Dales.

SOCIAL WELFARE EXPENDITURES UNDER PUBLIC PROGRAMS, FOOTNOTES.

[a]Expenditures from federal, state and local revenues and trust funds and other expenditures under public law; includes capital outlay and administrative expenditures unless otherwise noted.

[b]Preliminary estimates.

[c]Old-age, survivors, disability and health insurance.

[d]Includes railroad retirement and public employee retirement. Excludes refunds of employee contributions; includes non-contributory payments to retired military personnel and survivors. Administrative expenses for federal non-contributory retirement not available.

[e]Includes railroad unemployment insurance, unemployment insurance and employment service.

[f]Includes railroad temporary disability insurance and state temporary disability insurance. Includes private plans were applicable and state costs of administering state plans and supervising private plans.

[g]Cash and medical benefits paid under federal and state laws by private insurance carriers, state funds and self-insurers. Administrative cost of private carriers and self-insurers not available.

[h]Represents categorical programs under the Social Security Act (AFDC, Emergency Assistance) and General Assistance. Starting 1969, includes work incentive activities.

[i]Work relief, other emergency aid, surplus food for the needy, repatriate and refugee assistance, and work-experience training programs under the Economic Opportunity Act and the Comprehensive Employment and Training Act (CETA).

[j]Includes medical research, public health activities, medical-facilities construction, Defense Department. Excludes service in connection with OASDHI, state temporary disability insurance, workers' compensation, public assistance, vocational rehabilitation, and veterans' and anti-poverty programs.

[k]Includes construction of elementary/secondary and higher education facilities, and vocation and adult education, federal administrative costs (Office of Education) and research.

[l]Includes vocational rehabilitation; National School Lunch Program; child welfare services under the Social Security Act; special OEO programs; federal administrative and related expenses of the Secretary of Health, Education, and Welfare; state and local expenditures for anti-poverty and manpower programs, day care, child placement and adoption services, foster care, legal assistance, and care of transients.

AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC)
Program Outline

ELIGIBILITY

Age: Must have dependent children up to age 18; 19 if in school full-time; unborn children in last 3 months of pregnancy.

Work Status: Single parent with youngest aged 6 years; must join WIN program or go to work; unemployed father must sign up for work. If he works full-time, he's ineligible.

Income: Net income (after taxes and work expenses) must be less than payment standard.

Personal Property: Household goods, income producing tools and materials, and auto for work are disregarded. Maximum $300 for two people; $500 for three or more.

Real Property: $7,500 equity in home (county may disregard).

Income Disregard: '30-and-1/3' of gross earnings, after having become eligible. When first applying to program, only taxes and work expenses are disregarded.

Automatic Eligibility for Other Programs: Medicaid, Food Stamps, Title XXX Social Services.

Private Responsibility to Pay Support: Absent parent.

PAYMENT STANDARD (Minnesota)

AFDC Grant: $136/month for one person; $272/month for two; $330/month for three; $385/month for four. (In July 1975, Minnesota AFDC payment standards were 11th in the United States.)

Average Net Income From Assistance: Family of three (single parent, two children).
Per month - $657 or $7,884 per year.
($330 AFDC. $133 Medicaid, $42 Food Stamps, $40 School Lunch, $112 Rent Subsidy.)
Per month (without Medicaid) - $524 or $6,288 per year.

TYPE OF PAYMENT

Flat cash grant.

ERRORS

In 1975 an average of 4% of recipient cases were ineligible. An additional 12% of cases received over-payments and an average of 5% of the cases were underpaid.

FRAUD

Minnesota Department of Welfare staff estimate that 2-3% of the cases involve fraud.

ADMINISTRATION

County.

Prepared by the Citizens League
April 4, 1977

REGULATIONS

Federal (HEW), State.

FUNDING (FY 1976)

Payments to Recipients: 56.8% federal, 21.6% state; 21.6% county.

Administration: 50% federal; 23% state; 27% county.

FY 1976 Minnesota Payments to Recipients: $142,765,972 (91% of total), administration $13,551,086 (9% of total).

Total Expenditures: $156,317,058.

RECIPIENTS (1975)

Minnesota Average Number of Recipients: 127,000.

Average Length of Stay: Minnesota 25.2 months, United States 32 months.

RECIPIENT PROFILE (May 1975)

	Minnesota	United States
Children	71%	71%
Adults (able-bodied)	28%	27%
Disabled	3.6% of adults	11% of adults
Employed	32% of able-bodied adults	41% of able-bodied adults
Average Earnings	$4,800/year	?
Women	95% of adults	92% of adults
Divorced	41% of women	17% of women
Unwed	38% of women	45% of women
Married	18% of women	16% of women
Deserted or Separated	3% of women	22% of women
With Children Under 6 Years Old	56% of women	47% of women

GENERAL ASSISTANCE
Program Outline

ELIGIBILITY

Age: 19-64 years of age; no dependent children.

Work Status: State requires recipients to register with state employment service, and participate in county work relief program. Work relief earnings are not to exceed the value of the recipient's grant. 1975 wages for county work relief programs ranged from $1.75/hour to $4.62/hour. Eight counties paid the same wages they would pay a regular employee; 41 counties paid the minimum wage ($2.10/hour) for work relief participants.

Income: Net income must be less than the payment standard. Counties, at their option, may disregard work expenses when calculating income.

Personal Property: $50 cash on hand; $300 value in personal property for 1-2 persons, $500 value for 3 or more persons; an automobile, if trade-in value does not exceed $1,500; $7,500 equity in home.

Income Disregard: None, other than taxes and work expenses.

Automatic Eligibility for Other Programs: General Relief (Medicaid for General Assistance recipients), Food Stamps, Title XX Social Services.

Private Responsibility to Pay Support: Spouse.

PAYMENT STANDARD (Minnesota)

Minimum payment for one person, per month: $138. Maximum shelter allowance of $94 + $44 (½ the Old Age Assistance standard for food, clothing and utilities.) 62% of Minnesota Counties pay $182. Maximum shelter allowance + the full Old Age standard. 26% of Minnesota Counties pay $138. 11% of Minnesota Counties pay between $139 and $181. Ramsey County pays $170. Hennepin County pays $144. United States Average Payment: ?

Average Net Income from Assistance: Single person, living alone.
Per month - $344 or $4,128 per year.
($182 for GA grant (62% of Minnesota Counties), $80 Medicaid, $23 Food Stamps, $59 rent subsidy).
Per month (without Medicaid) - $264 or $3,168 per year.

TYPE OF PAYMENT

Flat grant for food, clothing, utilities, etc.; shelter allowance based on actual shelter costs.

ERRORS

No data on error rates.

Prepared by the Citizens League
April 19, 1977

FRAUD

Roughly 2.5% of the General Assistance caseload in FY 1976 was investigated for fraud. No data is available on what percent was found to actually contain fraud. The approximation is very rough because:

- The actual number of cases investigated for fraud was divided into the *average* General Assistance caseload. The actual number of cases would be quite a bit higher than the average caseload.
- The number of cases investigated for fraud is most likely an underestimate of the real fraud problem. The state does not require counties to actively pursue fraud cases in General Assistance; there is no guarantee that all cases are reported to the state. Counties have no way of knowing whether General Assistance recipients are also collecting Unemployment Compensation benefits, (which would be illegal), because the Unemployment files are not legally open to the General Assistance office (though they are to the AFDC office).

ADMINISTRATION

County.

REGULATIONS

State, County.

FUNDING (FY 1976)

Payments to Recipients: 31.9% state, 68.1% county.

Administration: Approximately 40% state, 60% county.

FY 1976 Payments to Recipients: $19.7 million (85% of total), Administration: $3.4 million (15% of total).

Total Expenditures: $23.1 million (33% state, 67% county).

RECIPIENTS (1975)

Minnesota Average Number of Recipients: 18,382.

Average Length of Stay, Minnesota Employables: 3 months.

RECIPIENT PROFILE (1975)

Employables: 26% of 1975 General Assistance cases in Minnesota had a responsible employable person present (those not 'employable' would include alcoholics, and older persons under age 62).

Single Persons: 82% of October 1975 cases.

Families with Children: 11% of October 1975 cases.

Families without Children: 7% of October 1975 cases.

Of the General Assistance Cases with a Responsible Person Employable in 1975:

- 68% were single person cases;
- 23% were families with children under age 18; and
- 9% were families with adults only.

MEDICAL ASSISTANCE (Medicaid)
Program Outline

ELIGIBILITY

Automatic Eligibility: Recipients of General Assistance, Minnesota Supplemental Aid (MSA) or Aid to Families with Dependent Children (AFDC).

Income Tested Eligibility: Over 65, under 21, blind or disabled.

Work Status: No work requirement.

Income: Maximum yearly income allowed: Individual $2,736, two persons $3,432, three persons $4,164, four persons $4,848, or five persons $5,448.

Personal Property: Maximum allowed in liquid assets -- Individual $750, two persons $1,000, or three persons $1,500, plus $150 for each additional legal dependent.

Real Property: Maximum net equity of $25,000, (as of July 1, 1977).

A person with income above this amount may be eligible for part payment of his medical expenses using the "spend down" rule.

Spend Down: Persons with income over the maximum permitted must incur medical expenses equal to at least half the portion of their income which is in excess of the maximum, for the three months immediately preceeding application to the program.

Example: A person with income of $2,800/year is $64 over the maximum income level. The person's medical expenses in the three months preceeding application to Medicaid must equal $32 or more if the person is to qualify for Medical Assistance.

Automatic Eligibility for Other Programs: None.

PAYMENT STANDARD

Average recipient receives $225/month value in medical services.

35% of Medicaid recipients are blind, disabled or over 65 and they receive 62% of Medicaid dollars.

62% of Medicaid recipients are AFDC adults or children and they receive 38% of Medicaid dollars.

Monthly payments in Minnesota $27 million.

TYPE OF PAYMENT

Payment is made directly to the vendor for services.

Services Covered: Minimum Services Federally Required -- Inpatient hospital, outpatient hospital, laboratory and X-ray services, skilled nursing care and physician care.

State Options: Home health services, private duty nursing services, clinic services, dental services, physical therapy and related services, (drugs, eyeglasses, dentures and prosthetic devices, if prescribed by a licensed practioner), hospital care for patients 65 or older in institutions for tuberculosis or mental illness and transportaion costs incurred solely for obtaining medical care.

Prepared by the Citizens League
June 28, 1977

Minnesota offers all of the state options although prior authorization by Public Welfare Department and/or physician is needed for certain services.

ERRORS

January 1975-October 1976: Recovered $50,000 overpayments.

FRAUD

Minnesota recipient fraud (estimated) 3% of cases. Fraudulent Activity: Indictments 22, convictions 11, acquittals 1, dismissals 4, pending cases 6.

ADMINISTRATION

County.

REGULATIONS

Federal and state.

FUNDING (FY 1976)

Payments to recipients FY 1976 $332 million (97% of total), (56.8% federal, 38% state, 4.3% county). Administrative expenses FY 1976 $11.4 million (3% of total), (50% federal, 50% state). Total expenditures $332.4 million.

Medicaid-General Assistance Recipients: Federal law requires that AFDC recipients be automatically eligible for Medicaid. Some GA recipients are eligible for Medicaid and some for General Assistance Medical Care (GAMC). Medical services are identical for these groups.

Payments to Recipients FY 1976: $9.04 million (90% state, 10% county).
Administrative Expenses FY 1976: $4.6 million (61% county, 39% state).
(All General Assistance administrative expenses are included.)

RECIPIENTS

Average number of eligible persons 271,000 per month. 44% of these actually receive benefits each month. Half of the recipients receive assistance from Medicaid only.* Half of the recipients in nursing homes.*

*Due to overlap in these two groups, this does not represent the total Medicaid population.

SUPPLEMENTAL SECURITY INCOME (SSI)
Program Outline

ELIGIBILITY

Age: 65 years+ or blind or disabled.

Work Status: No work requirement.

Income: Gross income must be less than payment standard.

Personal Property: $1,500 maximum for one person; $2,250 maximum for two persons. The value of a home is disregarded. An automobile worth $1,200 or less is disregarded--any value over $1,200 is considered available income. Up to $1,500 cash surrender value of life insurance is disregarded. The value of any jewelry, art or valuable stamp collections, etc. is considered available income.

Income Disregard: The first $20/month/household of unearned income is disregarded. Pensions and Social Security are considered unearned income. Payments from AFDC or General Assistance are disregarded.

The first $65/month/household of earned income is disregarded. Any gross earnings above that are counted 50¢ on the dollar as available income. (This is different than the AFDC disregard: In AFDC the net earnings after taxes and work expenses are counted as available income, and the '30-and-1/3' disregard is only applied after a person is enrolled in the program, not at the time of application.)

Automatic Eligibility for Other Programs: None.

Private Responsibility to Pay Support: None.

PAYMENT STANDARD (U.S.)

Maximum payment for one person living alone, $167.80/month. Maximum payment for a couple living alone, $251.80/month.

Shared Household Rule: If a person applying for SSI shares a household with other persons not applying for assistance, and he is paying less than his share of household costs, the "shared household" rule applies.

Maximum payment for one person in a shared household $111.87/month. Maximum payment for a couple in a shared household $167.87/month.

Average Net Income from Assistance: Single person, living alone.
Per month - $329.00 or $3,957.60 per year.
($167.80 for SSI grant, $80 Medicaid, $23 Food Stamps, $59 rent subsidy).
Per month (without Medicaid) - $249.80 or $2,997.60 per year.

TYPE OF PAYMENT

Flat cash grant for persons living alone. Cash grants to persons in shared household have some relation to actual living expenses.

Prepared by the Citizens League
May 16, 1977

ERRORS

Minnesota 5.8%, U.S. 8.2%.

FRAUD

?

ADMINISTRATION

Federal, Social Security Administration.

REGULATIONS

Federal.

FUNDING (FY 1976)

Minnesota Payments to Recipients: $36.8 million (100% federal).

Administration: U.S. 8.1% of total expenditures (100% federal).

RECIPIENTS (MN FY 1976)

Minnesota Average Number of Recipients: 38,169.

Of the total number of SSI recipients, 51.8% received no Social Security check. Of those receiving no Social Security check, approximately 30% were over age 65.

Of the total, 47.6% were elderly; 1.7% were blind; and 50.6% were disabled. 6.7% had earned income (2.7% of these were aged). 3% of U.S. recipients had earned income.

Average Length of Stay: ?

MINNESOTA SUPPLEMENTAL AID (MSA)
Program Outline

ELIGIBILITY

Age: 65 years+ or blind or disabled.

Work Status: No work requirement.

Income: Net income must be less than the payment standard.

Personal Property: Aged and Disabled-- $300 maximum for one person; $450 for two persons (includes cash, savings and car) + $1,000 cash surrender value of life insurance for aged; $500 for disabled. Blind-- $2,000 maximum for one person; $4,000 maximum for two (includes cash, savings, car, life insurance).

Real Property: $15,000 home equity (mobile home is disregarded entirely).

Income Disregard: $8/person/month of Social Security check is disregarded. Aged and Blind: First $20 and half of the next $60 of earned income is disregarded. Net take-home pay (wages less taxes and transportation expenses) is counted as available income. All unearned income, except for the $8 Social Security is counted as available income. Blind: The first $7.50/person/month of any income is disregarded (above the $8 Social Security); in addition, the next $85 of earned income and half of any earned income above $85 is disregarded.

Automatic Eligibility for Other Programs: Medicaid and Title XX Social Services.

Private Responsibility to Pay Support: Spouse.

PAYMENT STANDARD

Maximum payment, one person, living alone $196/month. Maximum payment, two persons living together $289/month.

Maximum payment, one person, sharing a household with others $223/month. Maximum payment, two persons, sharing a household with others $446/month.

Average Net Income from Assistance: Single person, living alone.
Per month - $358/month or $4,296 per year.
($196 for MSA grant, $80 Medicaid, $23 Food Stamps, $59 Rent Subsidy).
Per month (without Medicaid) - $278 or $3,336 per year.

TYPE OF PAYMENT

Categorical cash grant. Counties determine payment levels for shelter, food, telephone, transportation, etc.

ERRORS

?

FRAUD

?

Prepared by the Citizens League
May 16, 1977

ADMINISTRATION

County.

REGULATIONS

Federal ("mandatory pass-along"); state; county.

FUNDING (FY 1976)

Payments to Recipients: $5,222,438 (50% state, 50% county), (77.6% of total).

Administration: $1.5 million (50% state, 50% county), (22.3% of total).

Total Expenditures: $6,722,438.

RECIPIENTS (FY 1976)

Minnesota Average Number of Recipients: 6,962 (now down to approximately 5,600).

Average Length of Stay: No current figures, but average stay on Old Age Assistance in the early 1970's was 7 years.

Of total MSA recipients in FY 1976, 3.1% were blind; 59% were disabled; and 37.7% were aged.

Of total recipients, 29.4% had additional income only from Social Security; 43.6% had additional income only from Supplemental Security Income (SSI); 23.4% had additional income from SSI and Social Security only; and 3.3% had either no additional income, or additional income from other sources.

FOOD STAMP
Program Outline

ELIGIBILITY

Age: 18 years+.

Work Status: Persons aged 18-65 must register for work unless they are at least half time students or are caring for a dependent. Strikers and persons affected by lock-outs must register for work. If any person in a household required to register for work refuses to register, the entire household is ineligible for Food Stamps for one year or until the member complies with the law.

Persons employed at least 30 hours per week or participating in a drug or alcohol rehabilitation program are not required to register for work.

Persons required to register for work must accept suitable employment.

Definition, Suitable Employment: A job must pay at least $1.30/hour, or the state or federal minimum wage that applies, if it is higher.

Definition, Unsuitable Employment: A job is considered unsuitable if:

- The registrant is required to join, resign from, or refrain from joining any legitimate labor organization;
- The work offered is at the site of a strike or lock-out at the time of the offer;
- There is an unreasonable degree of risk to the registrant's health and safety;
- The registrant is not physically or mentally fit to do the work offered;
- The work offered is not in the registrant's major field of experience, unless, after a period of 30 days from registration, job opportunities in his major field have not been offered; or
- Commuting time per day represents more than 25% of the registrant's total work time, based upon estimates of the time required for going to and from work by transportation that is available or expected to be used.

Income: Gross Income Less -- Taxes; retirement payments; union dues, medical costs over $10/month; child or invalid care necessary to allow a household member to be employed or participate in job training or school; tuition and required fees; court-ordered support and alimony payments; and shelter costs over 30% of household income after all other deductions must be no more than: Per month - one person $245, two persons $322, three persons $433 ($447 as of July 1, 1977), four persons $553 ($567 as of July 1, 1977).

Personal Property: $1,500 maximum cash on hand, personal property for two or more persons; $3,000 maximum for two or more persons if one is age 60+. The value of one home and lot; one licensed vehicle and any other vehicles needed for employment; life insurance; real estate that produces income with its fair market value; and tools of a tradesman are disregarded.

Income Disregard: 10% of earnings not to exceed $30 per household per month.

Automatic Eligibility for Other Programs: Households where all members are recipients of SSI, AFDC or GA are automatically eligible for Food Stamps.

Prepared by the Citizens League
May 9, 1977

Private Responsibility to Pay Support: If students are taken as tax deductions by their parents, then the students will not be eligible for Food Stamps unless the parents are also eligible.

PAYMENT STANDARD

A single person is allotted $50 of Food Stamps; a family of four, $170 of Food Stamps, as of July 1, 1977. Purchase prices for the stamps vary with net income, which is derived by an elaborate formula. The difference between the allotment and the purchase price is the "bonus value" of the stamps. In FY 1976 the average bonus per person per month was $21.00 in Minnesota. Secretary of Agriculture Bergland has recommended that the purchase requirement be eliminated, and that instead persons be given the bonus value of stamps.

TYPE OF PAYMENT

Categorical stamp which may be used to purchase only food items, as defined by the United States Department of Agriculture.

ERRORS

Approximately 18.5% of payments in Minnesota in 1975 went to ineligible households; approximately 6% of participating households were over-charged for their stamps, and approximately 20% of households were under-charged.

FRAUD

Approximately 8.5% of all errors and payments to ineligible persons in Minnesota in 1975 were attributed to misrepresentation of facts by clients.

ADMINISTRATION

County.

REGULATIONS

Federal.

FUNDING (FY 1976)

Payments to Recipients: 100% federal.

Administration: 50% federal, 2% state, 47% county (does not = 100% due to rounding).

FY 1976 Payments to Recipients (bonus value of stamps): $46 million (94% of total). Administration: $3.1 million ($3 million county administration, $.1 million state administration), (6% of total).

Total Expenditures: $49.1 million (96% federal, 1% state, 3% county). Note: Part of the county expenditures for administration are reimbursed by the state. In FY 1976, Minnesota recipients paid $38 million for Food Stamps.

RECIPIENTS (FY 1976)

Minnesota Average Number of Recipients Per Month: 183,036.

Minnesota Estimated Number of Eligibles: 500,000+ (based on census data).

Average Length of Stay: ?

Characteristics of Food Stamp Recipients in United States, USDA Survey (1976)

64% of the households were headed by women.

6% of all participants were age 65+.

Household size averaged 3.2 persons; 46% of all households had one or two persons.

Average gross income $298/month/household.

Average net income $223/month/household.

5% of all households received their Food Stamps free.

Sources of Income: AFDC, 42% of all households; salaries and wages 42%; student aid .8%.

Employment Status: 77% of all household heads were unemployed with no reported income; 15% of all heads worked full-time; 4.5% worked less than 30 hours/week.

SECTION 8 RENT SUBSIDY
Program Outline

ELIGIBILITY

Individual: Age 62+, or handicapped, or disabled or displaced by governmental action with a yearly income below $9,600.

Family: (Two or more persons). Yearly income levels must be below set maximums:

Family Size	Income Level #1	Income Level #2
2	$6,900	$11,000
3	7,700	12,400
4	8,600	13,800
5	9,300	14,700
6	10,000	15,500
7	10,700	16,400
8+	11,400	17,300

30% of the participants must be in income level #1.

Definition, Handicapped: A handicapped person is one who has a physical impairment which:

- Is expected to be of indefinite duration;
- Substantially impedes the person's ability to live independently; and
- Is of such a nature that the ability to live independently could be improved by more suitable housing conditions.

Definition, Disabled: A person that has an inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or has lasted or which can be expected to last for a continuous period of not less than twelve months.

Personal Property: Disregarded.

Automatic Eligibility for Other Programs: None.

PAYMENT STANDARD

Participants choose their own rental unit (may be either house or apartment). Maximum rents including utilities must not exceed:

Bedrooms	Elevator Building	Non-Elevator Building
1	$194/month	$176/month
2	231	209
3	267	243
4+	303	275

TYPE OF PAYMENT

Participants pay no more than 25% of their income for rent. The Department of Housing and Urban Development (HUD) pays the remainder directly to the landlord.

ERRORS

?

Prepared by the Citizens League
June 20, 1977

FRAUD

?

ADMINISTRATION

Housing and Redevelopment Authorities (HRA's) and individual publicly-subsidized housing projects. (Certain publicly-subsidized buildings have units set aside for the Section 8 program).

REGULATION

Federal.

FUNDING

100% Federal.

Minnesota Payments (approximate figures): FY 1976 rent subsidy payments $34 million (85% of total), administrative expenses $6 million (15% of total), total expenditures $40 million.

Minneapolis Payments (approximate figures) Per Month, Per Unit: FY 1977 rent subsidy payments $140 (87% of total), administrative expenses $20 (13% of total), total expenditures $160.

Available Units: Minnesota (May 1977), private housing 6,311, publicly-subsidized buildings 2,503, of the available units 5,902 are occupied.

Vacancies in available units are due to the length of time necessary to process applications, choose appropriate dwelling units, and complete necessary repairs.

Units Available in the Metro Area		Waiting Lists
Minneapolis	1,085	700
St. Paul	1,341	648
Bloomington	140	0
Dakota County	948	Not Available
South St. Paul	150	35
Metro Council-Administered	1,490	1,200

RECIPIENT PROFILE

65% aged, 35% families. Majority of the recipients are in income level #1.

SOCIAL SECURITY
Program Outline

ELIGIBILITY

Work Status: Retirement Benefits -- Age 62 in 1977; minimum 6½ years work credit. Minimum 10 years work credit if reach age 62 in 1991 or after.

Disability Benefits:

- Disabled before age 24--a minimum 1½ years work credit in 3 year period before disability occurs.
- Disabled between the ages of 24 and 31--the minimum work credit must equal ½ the number of years between the person's 21st birthday and time of disability.
- Disabled at age 31+--a minimum of 5 years work credit out of the preceeding 10 years.

Definition, Disability: A person is considered disabled if they have a physical or mental impairment which;

- Prevents them from doing any "substantial gainful work;"
- Is expected to last or has lasted for at least 12 months; or
- Is expected to result in death.

Survivor's Benefits: To be eligible for survivor's benefits a widow or widower must be;

- Age 60 or over;
- Disabled age 50 or over; or
- Any age with dependent children under age 18.

Work Credit: Age 28 or younger in 1977--minimum 1½ years work credit required if survived by dependent children age 18 or younger. Minimum 6½ years work credit if death occurs in 1977 at age 48 or younger with no surviving dependent children.

Persons Not Covered: Employees of charitable, educational, religious or governmental institutions and persons covered by Public Employee Retirement Association (PERA) may be exempted from Social Security.

Personal Property: Disregarded.

Income Disregard: Any income from savings, investments, pensions, insurance or sale of property is totally disregarded. $3,000 maximum yearly wages permitted without reduction of Social Security check. One dollar in benefits is withheld for each $2 in wages over this annual maximum. Full monthly benefits may be received for any months in which wages are less than $250 even though maximum yearly wages may be greater than $3,000.

Automatic Eligibility for Other Programs: Medicare --

- Persons age 65 or over;
- Persons receiving disability benefits for 24 consecutive months; and
- Persons with chronic kidney disease.

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PAYMENT STANDARD (1977)

Maximum benefit, female worker retiring at age 65: $447.40/month.*
Maximum benefit, male worker retiring at age 65: $437.10/month.
Minimum benefit, worker retiring at age 65: $114.30/month.

1977 Average Monthly Social Security Payments Per Month: Retired worker alone $234, aged couple, one having worked and receiving benefits $400, widow and two children $547, aged widow (60 or over) $223, disabled worker, wife and two children $517, all disabled workers $262.

Retirement payments are reduced by 20%/month for persons retiring at age 62 rather than age 65.

ERRORS

?

FRAUD

?

ADMINISTRATION

Federal.

REGULATIONS

Federal.

FUNDING

Tax contribution by employers, employees and the self-employed. 1977 employers and employees each pay a tax rate of 5.85% on employee salary on a maximum salary of $16,500/year. 1978 tax rate will be 6.05%.

1977 self-employed tax rate is 7.9% on a maximum of $16,500 net profit. 1978 tax rate will be 8.1%.

These contributions are added to the Social Security Trust Fund. The money is then invested in goverment securities and used to pay monthly benefits. But, the Retirement Trust Fund in its present form could run out as early as 1983 if changes are not made in financing the program.

FY 1976 payments to U.S. recipients $71.4 billion (100% trust fund) (98% of total), administrative expenses $1.2 billion (100% trust fund) (2% of total), total expenditures $72.6 billion.

FY 1976 payments to Minnesota recipients $110.1 million (100% trust fund).

RECIPIENTS (FY 1976)

U.S. 32.5 million, Minnesota 578,600.

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*Currently the formula for computing Social Security retirement benefits allows women to receive higher monthly payments than men. Starting in 1978 the higher monthly benefits will apply to all workers reaching age 65.

MEDICARE (FY 1976)

U.S. payments $16.9 billion (96% of total), administrative expenses $650.4 million (4% of total), total expenditures $17.6 billion, U.S. recipients 24.5 million, Minnesota payments $280.4 million, Minnesota recipients 470,700.

RECIPIENT PROFILE

1/7 of the U.S. population receives monthly Social Security checks. 88.3% of the aged population receive Social Security. 22 million people over age 65 receive Medicare. 2.1 million disabled persons under age 65 receive Medicare.

UNEMPLOYMENT INSURANCE
Program Outline

ELIGIBILITY

Work Status: Minimum Coverage -- Individuals must have worked at least 15 weeks at $50 or more per week for minimum unemployment benefits of $30/week for up to 11 weeks.

Maximum Coverage: Persons who have been employed for at least 37 of the previous 52 weeks with an average salary for that period of $244/week or more will receive a maximum of $122/week for up to 26 weeks.

Persons Covered: Those who are laid off from their last job and meet the eligibility requirements listed above.

Persons Not Covered: Those who quit their jobs; strikers; persons fired for misconduct; self-employed; students (if unwilling to leave school for full-time employment). Typical jobs not covered: Farm worker, clergy, domestic servant, and the self-employed.

96% of Minnesota workers are covered today.

Persons must accept suitable employment if it is offered.

Definition, Suitable Employment: A job is considered suitable if employee's past experience, training, and background are considered appropriate.

Definition, Unsuitable Employment: A job is considered unsuitable if --

- There is an unreasonable degree of risk to registrants' health and safety;
- The work offered is at the site of a strike or lock-out at the time of the offer;
- The pay offered is below offers prevailing in the area;
- Commuting time per day represents more than 25% of the registrants' total work time;
- Registrants are required to join, resign from, or refrain from joining any legitimate labor organization.

Income Disregard: $25 weekly earned income is disregarded. Earnings greater than $25 are deducted dollar for dollar from the benefit level. All unearned income is disregarded.

PAYMENT STANDARD

Unemployment Insurance benefits are based on the weekly earnings of the person's previous job: 60% of 1st $85, 40% of 2nd $85, 50% of anything over $170.

Maximum Payment: $122/week.
Minimum Payment: $30/week.

Average Weekly Payment in Minnesota: $87.98.
Maximum Length of Time a Persons Can Receive Benefits: 26 weeks.
Extended Benefits are available for up to 13 weeks if the state average unemployment rate is 4.5% or greater while the person is receiving benefits.

Prepared by the Citizens League
June 13, 1977

ERRORS

1975 Overpayments: $1.7 million.

FRAUD

$274,000 (16% of total overpayments).
Recovered: $1.4 million (82% of total overpayments).

ADMINISTRATION

Federal and state guidelines.

REGULATIONS

Federal and state.

FUNDING (FY 1976)

All funds for Unemployment Insurance come from an employer payroll tax. This tax is levied on the first $7,000 of wages for each employee.

Federal Tax: 0.7%
Minnesota Tax (minimum): 1.0%.
If the unemployment rate for an employer is high, the state tax can be increased to a maximum 7.5%.
Estimated Average Tax Paid by Minnesota Employers: 1.95%.

1976 Total Expenditures: $297.6 million (34% federal tax, 66% state tax).
1976 Minnesota Payments to Recipients: $194 million (100% state tax), (65% of total).
1976 Extended Benefits: $93 million (78% federal tax, 21% state tax), (31% of total).
1976 Administration: $30.6 million (100% federal), (10% of total).
(Administrative expenditures include Unemployment Insurance and the Employment Services Division.)

To help meet payment obligations Minnesota borrowed $76 million from the federal government in 1976. Majority of the borrowed money came from the employer tax and part came from the general revenue.

RECIPIENTS

1976 Average Number of Recipients in Minnesota: 150,000.
1975 Average Length of Time Person Received Benefits: United States 15.7 weeks, Minnesota 15.0 weeks.

1976 Unemployment Rate: United States 7.7%, Minnesota 5.5%.