Pathways to Prosperity:  
Phase III Working Document

Creating Pathways to Prosperity:  
Current Policies React to Poverty with a Series of Catch-22s

June 2010
The Citizens League Prosperity Project

CREATING PATHWAYS TO PROSPERITY:
Current policies react to poverty with a series of Catch-22s.

INTRODUCTION
Poverty in Minnesota has garnered much attention of late – the controversy over cuts in General Assistance Medical Care (GAMC) for the state’s poorest residents; the work of the Legislative Commission to End Poverty; the Itasca Project’s focus on Minnesota’s entrenched disparities are just a few. As the impact of the international economic crisis ripples through Minnesota’s institutions and reduces our state budget, many Minnesotans are now facing loss of jobs, health care, housing and may find themselves seeking public assistance for the first time.

It is in this context that we must thoroughly examine our current response to poverty in our midst and establish opportunities to create prosperity for Minnesota’s people, rather than continue to support a system that is ultimately a series of Catch-22s (no-win situations) for those seeking to work their way out of poverty. The Catch-22 of poverty in our midst can be directly stated in this way: What you need most is what you don't have – money and connections – and the legal pathways to get more money and connections force you to lose resources along the way.

All areas of public policy are intertwined to some degree, but poverty is at the root of many of our most difficult public policy dilemmas:

- dysfunctional families and cycles that increase crime and violence
- poor educational outcomes and wide disparities based on race and income
- poor health outcomes and wide disparities based on race and income
- lack of mobility and access to job opportunities

In all of these areas and more, poverty is a big factor in why we get the outcomes we do, outcomes that often fall far short of what’s needed for people to move out of poverty and for our economy to take full advantage of Minnesota’s human capacity. Data based on race and income from Twin Cities Compass often show wide disparities based on income and race that are larger than those in other U.S. large metropolitan areas. Disparity measures are often 2-to-1 between whites and people of color in areas such as:

- Per capita income
- Achievement of educational standards
- Health insurance and other health measures
- Home ownership and homelessness

Current policy approaches to poverty – with foundations put in place decades ago – are often not well informed by those who are impacted by poverty. People in poverty are not often engaged as “problem solvers” – people with the capacity to be policymakers (see Appendix A) and develop better policies.

1 Some 7-county and some 13-county metro data.
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The Citizens League is applying its operating principles and guidelines to assess the policies and activities that respond to poverty in Minnesota. **The most fundamental purpose of this document is to introduce a new policy framework that transforms our approach from reacting to poverty to supporting prosperity.**

**Politics**

Engaging in “politics” is an often-maligned activity in the current-day perception of the word. But politics are not inherently bad. Politics are, in essence, how we get things accomplished in our society. Bad politics, however, can stop the discussion on poverty if we allow it. Different ends of the political spectrum, however, legitimately see the causes of poverty quite differently, and yet there is ample evidence to support more than one set of causes that result in poverty. Ideological debates about policies related to poverty may have little or no meaning to those who are the target of such policies as expressed in this excerpt:

**Bootstraps!**

I'm neither a Republican nor a Democrat. When it comes to public policy with regard to economic opportunity and the poor, the view from my window has looked like this: Republicans have expected us to pick ourselves up by nonexistent bootstraps, and Democrats make the bootstraps so dam complicated they're useless.

--Julia K. Dinsmore

Excerpt from, *My Name is Child of God...Not “Those People”*

As stated by the Legislative Commission to End Poverty in 2020, “All people need to work together to overcome poverty, and this work transcends both any particular political theory or party and any particular economic theory or structure.” (Commission’s Guiding Principles, final report, p. 60)

Some believe that poverty is primarily a natural consequence of capitalism and racism, and that resources are already inherently skewed toward middle and upper incomes in an inherently unjust system.

Others believe that poverty is primarily a result of family breakdown. Single-parent households are faced by myriad challenges that governments cannot easily address and greater personal responsibility is the primary answer to less poverty.

Each belief is supported by evidence, though the true origins of current conditions may lead us to a series of irreconcilable arguments as to what is causal in any given situation. We must search for solutions and not allow bad politics to stop the discussion.
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No matter how strongly one agrees or disagrees with the beliefs above, shouldn’t we all be able to agree with the following statements?

1. **Systems that are designed to support people when they are poor should not keep them poor**

2. **Policies should not encourage family breakdown or penalize families that are trying to stay together.**

3. **Policies should support prosperity, not just react to the symptoms of poverty.**

4. **Systems should be designed to support opportunities for independence and expend human capacity towards building prosperity.**

**Project Evolution**

This project began in 2007 when we began to look at research and the Citizens League policy history related to poverty. In September of 2008, we held four community conversations to help us define some of the key areas of focus to consider. The key focus areas that emerged were:

- The overall fragmentation of programs and systems and the resources involved in navigating and operating them
- The barriers to earning one’s way out of poverty
- The connection between poverty and health (mental and physical)

We tested these priorities and then continued the work with conversations focused on the intersection of poverty and health in the Spring/Summer of 2009.

From October 2009 to January 2010, we convened the Pathways to Prosperity Committee to develop policy recommendations that would set the directions for more detailed implementation work. This document represents the work of that group and the direction they provided.

For more details on the work that produced this report see Appendix B.

The Citizens League gratefully acknowledges our funders for this project, which include: Bigelow, Minneapolis Foundation, Northwest Area Foundation, St. Paul Foundation, Travelers, and UCare
VALUES GUIDING OUR APPROACH

Human Capacity (Family Independence)
The very first principle (fundamental value) in the Citizens League mission addresses the importance of human capacity:

*We believe in the power and potential of all citizens. All Minnesotans are capable of developing an in-depth understanding of complicated public problems, of imagining innovative and effective policy solutions and ideas, and of governing for the common good. This capacity must be developed and encouraged.*

Developing human capacity to its “highest and best use” – to borrow an economic development term – must first occur in order to meet the goals in our other four principles:

- Democracy and good governance
- Civic leadership and active citizenship
- Good politics and political competence
- Individual and institutional infrastructure to sustain

*The Human Capacity Question: Do current policies to address poverty develop the capacity of people to move toward prosperity and govern for the common good?*

Starting with the Citizens League definition of human capacity, the Pathways to Prosperity study committee discussed how Minnesotans are using their human capacity when they interact with our welfare system. As you read this report, you will see that we concluded that current policies do not “believe in the power and potential of all citizens.” As explained more fully in our findings and conclusions sections, a great deal of human capacity is used by those in poverty in attempts to become competent consumers of the welfare system.

Given that one of our most vexing public policy problems is poverty, to not have the voices of those most impacted as part of the public discussion runs counter to the Citizens League first operating guideline:

*People who are affected by a problem help to define the problem in keeping with our mission and principles. All Minnesotans have the capacity to help define policy issues. They do so according to the current realities of the particular policy question (e.g. their direct and indirect role in an issue, the known facts and long-term trends, the real political/social/economic dynamics) and the civic ideas in our mission and principles. It is our goal to involve representatives from a broad range of groups and institutions that are affected by a policy question.*

As we considered how human capacity is used by those experiencing poverty, we developed a more nuanced definition as follows:

Human capacity is a knowledge base and range of skills an individual or family acquires that allows them to better understand their own personal strengths; the processes, structures, and policies of institutions
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with which they interact; and the social and economic context in which they live that may help or hinder their pathway toward prosperity.

The goal of human capacity development is self-advocacy, self-determination, and self-actualization. The Citizens League fundamentally believes that we cannot truly imagine “common ground for the common good” unless we are consciously looking to tap human capacity – the power and potential of all citizens. Ideally, all prosperity increasing efforts should include some element of human capacity development.

Prosperity increasing efforts should be evaluated against the human capacity value:
- Do they uncover and build on individual-family-community strengths?
- Do they make transparent the processes, structures, policies impacting the individual-family-community?
- Do they help illuminate for the individual-family-community the influence of social-economic-cultural context?

Using the human capacity value as a guide, policies and programs intended to address poverty should not tie up the human capacity of Minnesotans in merely developing competence in our welfare systems. Rather, these policies and programs should direct the use of human capacity towards those activities that build prosperity, that produce innovative solutions to root causes of poverty, and that build civic leadership skills and participation in democratic governance for the common good.

Civic Infrastructure (Community Networks)
The purpose of the Citizens League is to organize the means – the “civic infrastructure” – within the Citizens League and in Minnesota, to achieve the goals in our mission:
- Identifying, framing and proposing solutions to public policy problems;
- Developing civic leaders in all generations who govern for the common good; and
- Organizing the individual and institutional relationships necessary to achieve these goals.

“Civic infrastructure,” therefore, refers to our fundamental governance and decision-making capacity as a society.

The Civic Infrastructure Question: Do current policies to address poverty spur connections and build relationships that will create and support pathways to prosperity?

In this context of shared community experience, creating civic infrastructure is about creating the means, the structures, and the mechanisms to work collectively. Civic infrastructure can be on the small scale – relationships between families in a neighborhood – or the large scale – groups of organized citizens working in cooperation with law makers and other elected officials. In both cases, civic infrastructure provides the connections needed to work together on making policies that directly impact families and communities trying to reduce poverty and increase prosperity for everyone.

Therefore, in the context of our work on poverty, our committee refined the definition of civic infrastructure as follows:
Civic infrastructure is the organizational, institutional, and social structures, both formal and informal, that provide connections between members of a community, between practitioners and families, between disparate programs, between citizen policymakers and formal policymakers, that reinforce the ability of whole communities to collaborate, build resources and networks, and collectively support the community’s pathway out of poverty.

The goal of civic infrastructure is community building, resource development, political voice. Ideally, all prosperity increasing/poverty reducing policies and programs should be evaluated against the civic infrastructure value:

- Do they build connections, networks, collaborative structures?
- Do they create community resources, assets, equality of opportunity?
- Do they increase social capital, economic independence and civic engagement?

Using the civic infrastructure value as a guide, policies and programs intended to address poverty should not keep people isolated from each other, should not create artificial barriers between those in need and the rest of society. Rather, these policies and programs should build civic infrastructure, between families, between members of a community, between all Minnesotans, so we all can work together to govern for the common good.

Fairness and Equity (Government Role)

Human capacity and civic infrastructure are core values of the Citizens League. But as our committee explored the issue of poverty, it became clear a third value category was necessary to guide our work: fairness and equity. In our discussions we realized there was a glaring disconnect between our professed values as a society and our current approach to poverty. We felt it was important to make the pragmatic, economic argument for why allowing poverty to perpetuate was simply “bad for business.” But we also felt it was important to make the ethical, moral argument. We profess to be a nation that values hard work, pursuit of the American dream for all, fair and equitable treatment under the law. Yet our policies and systems designed to address poverty often run counter to these societal and cultural ideals.

Who experiences poverty also reveals the inequalities still present in our society. Much research has been conducted that documents the disproportionate number of women (and children) and people of color who live in poverty. Such disparities serve to fuel negative stereotypes and the perception that poverty is the problem of certain groups in society, but not the problem of all of us.

In reviewing our policies and programs designed to address poverty, we added the following to our guiding values:

- Do they have the potential for positively impacting racial, gender, or other disparities beyond socio-economic status?
- Do they provide greater and more frequent access to resources as needed along the prosperity continuum
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It would be a mistake to think that those who bear the brunt of poverty are the recipients of the most government benefits. In fact, our research into poverty has revealed the reverse is actually true.

What are government “benefits”? Just as there is public misperception about why some groups experience poverty more deeply, so too is there a misperception about who is receiving the most “government benefits.” When we think of government benefits we tend to focus on welfare programs and the amount of the government’s budget dedicated to human and social services. What we tend to ignore are the many tax expenditures and subsidies provided to a wide range of activities that also constitute “government benefits.” In this way, our committee takes a broad view of government benefits to include tax expenditures and subsidies made available to all, regardless of need.

Much of the rhetoric that has grown out of the last 40 years of a program-based approach to poverty suggests that current poverty policies are in place to achieve a “redistribution” of resources. This assumes that there is a valid, principled distribution of resources before any redistribution takes place. There are currently tax policies and programs that distribute benefits far more substantial than the amounts we distribute for welfare programs.

A good way to get some examples of these distributions is to look at the tax expenditure budget where we are able to calculate the distribution (see Table 1). It is easy to see that many of these benefits have little or nothing to do with individual or family means. Once we begin to evaluate these expenditures, it becomes clear that we need a discussion about “distribution” not “redistribution.”

Table 1 illustrates this point. This recent work (March 2009) by the Minnesota House of Representatives Research Department on the distribution of tax expenditures in Minnesota reveal that much of the benefit of tax expenditures (where we are able to calculate the incidence) benefits the top half of wage earners. Of the $4 billion calculated, close to $2 billion (50 percent) goes to the top 20 percent of wage earners and around 75 percent goes to the top 50 percent of wage earners. The bottom 20 percent of earners receive about 6-7 percent of the calculated benefits of sales and income tax exemptions, credits and deductions.

Some of the most important Citizens League work of the 1990s established the “Five Principles for Better Value” to guide in obtaining more value from government. The first principle was directly related to how government should approach resource distribution: Target subsidies to people who are financially needy. This sounds like what we would obviously expect our government to do when subsidy decisions are made, however, in addition to what we distribute for welfare programs, we continue to deliver massive levels of subsidy that are not based on financial need.

As we consider the value of fairness and equity in our policies and programs to address poverty, we will apply this broader view of government benefits and move towards a framework that rewards all families, regardless of income, with incentives and opportunities to move away from poverty and towards prosperity.

See appendix C for the “Questions for Review” tool we used based on these values.
Table 1: Distribution of Selected Tax Expenditures (by income decile)

<table>
<thead>
<tr>
<th>Type of Tax</th>
<th>Name</th>
<th>FY2010 $ Amount</th>
<th>% of $ amount benefit top 20%</th>
<th>$ amount benefit top 50% calculated</th>
<th>$ amount benefit bottom 50% calculated</th>
<th>% of $ amount benefit bottom 20% calculated</th>
<th>$ amount calculated</th>
</tr>
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<tbody>
<tr>
<td>Income</td>
<td>Income Interest on MN State and Local Government Bonds</td>
<td>$55,200,000</td>
<td>90%</td>
<td>$49,680,000</td>
<td>$54,648,000</td>
<td>1%</td>
<td>$552,000</td>
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<td></td>
<td>Income Charitable Contribution Deduction</td>
<td>$246,200,000</td>
<td>80%</td>
<td>$196,960,000</td>
<td>$238,814,000</td>
<td>3%</td>
<td>$7,386,000</td>
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<td></td>
<td>Income JOBZ Income Subtraction</td>
<td>$4,800,000</td>
<td>74%</td>
<td>$3,552,000</td>
<td>$4,176,000</td>
<td>13%</td>
<td>$624,000</td>
</tr>
<tr>
<td></td>
<td>Income Marriage Credit</td>
<td>$64,600,000</td>
<td>72%</td>
<td>$46,512,000</td>
<td>$64,600,000</td>
<td>0%</td>
<td>$0</td>
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<td></td>
<td>Income Subtraction of K-12 Education Expenses</td>
<td>$18,800,000</td>
<td>69%</td>
<td>$12,972,000</td>
<td>$18,236,000</td>
<td>3%</td>
<td>$564,000</td>
</tr>
<tr>
<td></td>
<td>Income Itemized Deductions for Real Estate Taxes</td>
<td>$191,000,000</td>
<td>67%</td>
<td>$127,970,000</td>
<td>$183,360,000</td>
<td>4%</td>
<td>$7,640,000</td>
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<td>Income Mortgage Interest Deduction</td>
<td>$495,300,000</td>
<td>63%</td>
<td>$312,039,000</td>
<td>$465,582,000</td>
<td>7%</td>
<td>$34,671,000</td>
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<td></td>
<td>Income Itemized Deductions for Other Taxes</td>
<td>$14,300,000</td>
<td>62%</td>
<td>$8,866,000</td>
<td>$13,299,000</td>
<td>8%</td>
<td>$1,144,000</td>
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<tr>
<td></td>
<td>Income Credit for Long Term Care Insurance Premiums</td>
<td>$7,500,000</td>
<td>56%</td>
<td>$4,200,000</td>
<td>$7,050,000</td>
<td>7%</td>
<td>$525,000</td>
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<td>Income Social Security Benefits</td>
<td>$172,600,000</td>
<td>36%</td>
<td>$62,136,000</td>
<td>$143,258,000</td>
<td>17%</td>
<td>$29,342,000</td>
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<tr>
<td></td>
<td>Income Subtraction for Military Pay</td>
<td>$7,930,000</td>
<td>27%</td>
<td>$2,141,100</td>
<td>$5,392,400</td>
<td>31%</td>
<td>$2,458,300</td>
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<td></td>
<td>Income Subtraction of Charitable Contributions by Non-Itemizers</td>
<td>$8,300,000</td>
<td>24%</td>
<td>$1,992,000</td>
<td>$3,168,000</td>
<td>18%</td>
<td>$1,494,000</td>
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<td></td>
<td>Income Elderly or Disabled Exclusion</td>
<td>$700,000</td>
<td>2%</td>
<td>$14,000</td>
<td>$28,000</td>
<td>96%</td>
<td>$672,000</td>
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<td>Income Working Family Credit</td>
<td>$194,800,000</td>
<td>0%</td>
<td>$0</td>
<td>$5,844,000</td>
<td>3%</td>
<td>$187,008,000</td>
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<td></td>
<td>Income Child and Dependent Care Credit</td>
<td>$15,840,000</td>
<td>0%</td>
<td>$0</td>
<td>$316,800</td>
<td>99%</td>
<td>$15,681,600</td>
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<tr>
<td></td>
<td>Income Credit for K-12 Education Expenses</td>
<td>$13,100,000</td>
<td>0%</td>
<td>$0</td>
<td>$131,000</td>
<td>99%</td>
<td>$12,969,000</td>
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<td>Income Total</td>
<td>$1,510,970,000</td>
<td>55%</td>
<td>$829,034,100</td>
<td>$1,211,541,200</td>
<td>20%</td>
<td>$302,730,900</td>
</tr>
<tr>
<td>Sales</td>
<td>Percent of Expenditures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>Sales Household Repair Services</td>
<td>$36,100,000</td>
<td>62%</td>
<td>$223,382,000</td>
<td>$303,240,000</td>
<td>15%</td>
<td>$5,415,000</td>
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<td>Sales</td>
<td>Sales Accounting Services</td>
<td>$165,900,000</td>
<td>47%</td>
<td>$77,973,000</td>
<td>$127,743,000</td>
<td>22%</td>
<td>$36,498,000</td>
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<tr>
<td>Sales</td>
<td>Sales Exemption for Clothing and Wearing Apparel</td>
<td>$396,100,000</td>
<td>46%</td>
<td>$182,206,000</td>
<td>$301,036,000</td>
<td>25%</td>
<td>$99,025,000</td>
</tr>
<tr>
<td>Sales</td>
<td>Sales Personal Services (hair, nail, tattoo, etc.)</td>
<td>$88,000,000</td>
<td>44%</td>
<td>$38,720,000</td>
<td>$66,000,000</td>
<td>24%</td>
<td>$21,120,000</td>
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<td>Sales</td>
<td>Sales Exemption for Publications</td>
<td>$65,200,000</td>
<td>42%</td>
<td>$27,384,000</td>
<td>$47,596,000</td>
<td>34%</td>
<td>$247,860,000</td>
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<tr>
<td>Sales</td>
<td>Sales Motor Vehicle Repair and Maintenance</td>
<td>$165,500,000</td>
<td>41%</td>
<td>$67,855,000</td>
<td>$124,125,000</td>
<td>25%</td>
<td>$41,375,000</td>
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<tr>
<td>Sales</td>
<td>Sales Exemption for Groceries</td>
<td>$729,000,000</td>
<td>32%</td>
<td>$233,280,000</td>
<td>$481,140,000</td>
<td>34%</td>
<td>$80,190,000</td>
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<tr>
<td>Sales</td>
<td>Sales Funeral Services</td>
<td>$19,900,000</td>
<td>30%</td>
<td>$5,970,000</td>
<td>$12,338,000</td>
<td>38%</td>
<td>$7,562,000</td>
</tr>
<tr>
<td>Sales</td>
<td>Sales Exemption of Home Heating Fuel</td>
<td>$163,200,000</td>
<td>29%</td>
<td>$47,328,000</td>
<td>$94,656,000</td>
<td>42%</td>
<td>$68,544,000</td>
</tr>
<tr>
<td>Sales</td>
<td>Sales Residential Water and Sewer Exemptions</td>
<td>$44,800,000</td>
<td>27%</td>
<td>$12,096,000</td>
<td>$25,984,000</td>
<td>41%</td>
<td>$18,368,000</td>
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<tr>
<td>Sales</td>
<td>Sales Exemption of Drugs, Medicines and Medical Devices</td>
<td>$272,000,000</td>
<td>25%</td>
<td>$68,000,000</td>
<td>$163,200,000</td>
<td>39%</td>
<td>$106,080,000</td>
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<td>Sales Total</td>
<td></td>
<td>$2,145,700,000</td>
<td>37%</td>
<td>$783,194,000</td>
<td>$1,474,142,000</td>
<td>31%</td>
<td>$668,799,000</td>
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<tr>
<td>Total</td>
<td></td>
<td>$3,656,670,000</td>
<td>44%</td>
<td>$1,612,228,100</td>
<td>$2,685,683,200</td>
<td>27%</td>
<td>$971,529,900</td>
</tr>
</tbody>
</table>

* = percent of sales tax burden

sources:
Minnesota House of Representatives Research Department
Minnesota House of Representatives Fiscal Analysis Department
Minnesota Department of Revenue
FINDINGS

FINDING #1: MONEY
“Drawing the Line” Defines Welfare in Minnesota and the U.S.

In our economic system it is clear that people need money (cash and assets) to overcome poverty. Today’s policy approach to address poverty remains very rooted in the 1960’s approaches that were established through government structures as part of the “War on Poverty.” Although other fundamental approaches were debated, a governmental, program-based approach was adopted to fight poverty. In essence, a line was drawn (the poverty line), which determined who was eligible for government assistance. “Drawing the line” is still a foundational part of how we deliver programs today.

What “the line” also does is create a different set of rules in our society based on the identification of deficits. Eligibility for programs has now become a series of cultural stereotypes based on deficit identification. In the 1990s, welfare reform intensified the structure and activities around “the line” through increased focus on sanctions and limits to eligibility. The poverty line was drawn to establish an income threshold for those in need of help, but because of the deficit-based system of programs that grew up around it, the line also defines significant differences in how people are treated.

One of the ironies of this deficit-based approach is that once you fall below the poverty line your “neediness” becomes a very significant “asset”. In this paradigm, the extent to which you can access government assistance is directly proportional to how destitute you have become. We ration government help in a kind of triage in which one must prove how “bad off” they are in order to qualify for help. By designing our systems in this way, we have created a paradox – incentives are now aligned with being impoverished.

Monetizing Value: The values that govern this project – support of human capacity, civic infrastructure and fairness – are inherent in the American value of democracy. American cultural values, however, are also based on capitalism, which is focused on the use of currency, not only to assign value for purchase, but also to accumulate and hold wealth. A fundamental impact of capitalism, therefore, is that it “monetizes” everything from a piece of bubblegum to a leveraged buyout of a multi-billion dollar company.

Capitalism is the tool by which we monetize what we value. The U.S. version of capitalism may be the most extensive example of monetized value in the history of the world. What are the effects of this highly monetized society on our approach to poverty? We have a monetized definition of poverty that we have now used for several decades. We have drawn a line (the poverty line) and built programs and instruments around it that are based on measures of money – cash and assets.

History of Social Welfare Policy

As U.S. social welfare policies and programs have evolved over the past century, three distinct points in history mark significant changes in our welfare laws that altered the course of future approaches to address poverty: 1930s depression era federal legislation, 1960’s “War on Poverty” programs, and the 1990s “Welfare Reform”
Depression Era Federal Legislation and the Social Security Act

Prior to 1935, the federal government left social welfare up to state and local governments and to charity organizations. But the Great Depression was so severe (as much as one third of the U.S. labor force was out of work) that most state and local governments could not provide for their citizens. This was at a time in history when industrial work was quickly replacing agrarian life such that a “wage income” became necessary for a family to survive. New Deal legislation proposed by Franklin D. Roosevelt put in place an aggressive “economic security” initiative that set the stage for future social welfare programs.

The Federal Social Security Act of 1935 put into place two kinds of programs: social insurance programs and assistance programs. The social insurance programs included old-age benefits to retired industry and commerce workers and their dependents, and an unemployment insurance program offered jointly by states and the federal government. The assistance programs were “means-tested” programs. The federal government provided grants to states for these programs that included old-age assistance and aid to the blind. Also, maternal and child health and other welfare assistance was provided, which became Aid to Families with Dependent Children (AFDC). States were also provided with grants for public health and vocational rehabilitation services, though these were later removed from the Social Security Act and put into other legislation. Other programs were developed during the 1940s and 1950s, such as the workers compensation program, benefits for temporarily disabled workers, state employee retirement programs, and veteran educational benefits and re-training programs.

1960’s War on Poverty policies and programs

The 1964 Economic Opportunity Act marks the official beginning of the “War on Poverty” and the creation of Lyndon B. Johnson’s Great Society, which resulted in a vast institutional base for anti-poverty policies and programs. Significant legislation and programs included the Food Stamp Act, to provide food support for low-income families, the Special Supplemental Food Program for Women, Infants, and Children (WIC), school lunch & breakfast programs, and public and subsidized housing. Amendments to the Social Security Act in 1965 created Medicare, which provides medical benefits to those over the age of 65, and Medicaid, which came in the form of block grants to states, to provide medical benefits to those with low incomes. Johnson also pushed through legislation that created numerous economic opportunity programs such as, Volunteers in Service to America (VISTA), the Job Corps, Upward Bound, Head Start, the college Work-Study program, Neighborhood Development Centers, etc.* In 1972, Supplemental Security Insurance (SSI) replaced previous programs for aged, blind and disabled persons with low incomes.

Emergence of the “Poverty Line”

It was during the early 1960s that the official poverty measure came into being. A formula was created to determine the poverty threshold for individuals and families. A “food budget” was developed by the U.S. Department of Agriculture and used to determine the minimum food a family needed to live. Also, the Consumer Price Index was used to determine average food costs. And the percentage of a family budget devoted to purchasing food was also determined. Families whose money income (wages earned and any
other cash benefits combined) was determined not to meet the threshold would be considered living in poverty and eligible for government assistance. The actual amount of assistance was based on family size and number of dependent children. From this the federal government has developed 48 poverty thresholds (see Table 2) (http://www.census.gov/hhes/www/poverty/povdef.html)

**Table 2: Poverty Thresholds**

http://law.jrank.org/pages/8798/New-Deal.html  
http://www.u-s-history.com/pages/h1528.html  
http://www.ssa.gov/history/pdf/histdev.pdf

*Excerpt from Poverty Encyclopedia by Kent B. Germany, Univ. of Virginia – not sure how to cite – it's not an actual article.*

**SIDEBAR**

*Example of how a family's money income is used to determine their poverty status:*

Family A has five members: two children, their mother, father, and great-aunt.

- Their threshold was $26,338 dollars in 2008
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- Suppose the members’ incomes in 2008 were Mother - $10,000; Father - $7,000, Great Aunt - $10,000, First Child - $0; Second Child - $0. Total family income would be: $27,000
- Compare total family income with their family's threshold
- Income / Threshold = $27,000 / $26,338 = 1.03
- The income divided by the threshold is called the Ratio of Income to Poverty.
  - Family A's ratio of income to poverty was 1.03.
- The difference in dollars between family income and the family's poverty threshold is called the Income Deficit (for families in poverty) or Income Surplus (for families above poverty)
- Family A’s income surplus was $663 (or $27,000 - $26,338).

Since their income was greater than their threshold, Family A is not "in poverty" according to the official definition.

Source: U.S. Census Bureau

President Obama has proposed the development of a Supplemental Poverty Measure to be applied by the U.S. Census Bureau that would provide a more complex measurement of poverty in America. This new measure, however, would not replace the federal poverty line as a basis for program eligibility. ([http://www.commerce.gov/NewsRoom/PressReleases_FactSheets/PROD01_008963](http://www.commerce.gov/NewsRoom/PressReleases_FactSheets/PROD01_008963))

1990's "Welfare Reform Act"

In 1996 major welfare reform legislation, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), was enacted and fundamentally changed how welfare was perceived and provided. No longer were needy families guaranteed welfare assistance indefinitely. Aid to Families and Dependent Children (AFDC) was abolished as an entitlement program and was replaced with a block grant program called Temporary Assistance for Needy Families (TANF). Under PRWORA, families receiving assistance must immediately move towards work and self-sufficiency. Because the focus became moving people off of government assistance as quickly as possible, the use of sanctions to deny benefits became more prevalent. ([http://www.ssa.gov/history/pdf/histdev.pdf](http://www.ssa.gov/history/pdf/histdev.pdf))

Minnesota's current welfare system

As described by the Minnesota House of Representatives research department in *Minnesota Family Assistance: A Guide to Public Programs Providing Assistance to Minnesota Families* (December, 2009) Minnesota currently provides ten major public assistance programs to eligible low-income individuals and families.
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These first four programs provide income assistance:

“General Assistance (GA) is a state program that provides cash assistance to needy persons who fall into specified statutory categories and who meet the GA eligibility requirements, including income and asset requirements” (p. 9).

“Minnesota Family Investment Program (MFIP*) is a jointly funded, federal-state program designed to provide income assistance for eligible low-income families. MFIP replaces the Aid to Families with Dependent Children (AFDC) program, which was repealed by Congress in 1996” (p. 17).

“Minnesota Supplemental Aid (MSA) is a state program that provides supplemental cash assistance to aged, blind, and disabled persons who are SSI recipients, or who would qualify for SSI except for excess income” (p. 47).

“Supplemental Security Income (SSI*) is a federal program that provides cash assistance to needy aged, blind, and disabled persons” (p. 54).

The next three programs provide healthcare coverage:

“General Assistance Medical Care (GAMC) is a state-funded program that pays for certain health care services for Minnesota residents whose income and resources are insufficient to cover their expenses and who are not eligible for other health care programs” (p. 63).

“Medical Assistance (MA*) is a jointly funded, federal-state program that pays for health care services provided to low-income individuals” It is also called Medicaid” (p. 75).

“MinnesotaCare is a jointly funded, federal-state program administered by the Minnesota Department of Human Services that provides subsidized health coverage to eligible Minnesotans” (p. 103).

The last three programs provide other assistance:

“Child Care* assistance programs receive federal, state, and county funds to subsidize the child care expenses of eligible families, including families participating in the Minnesota Family Investment Program (MFIP) or the Diversionary Work Program (DWP) with household incomes less than or equal to 67 percent of the state median income, and working families or students who receive no cash assistance and have incomes at or below 47 percent of the state median income, adjusted for family size, at program entry and up to 67 percent of the state median income, adjusted for family size, at program exit’ (p. 121).

“Food Support* is a federal program that increases the food purchasing power of low-income households. It is also called Food Stamps” (p. 141).

“Group Residential Housing (GRH) is a state program that provides payments on behalf of eligible persons to pay for room and board and related housing services” (p. 153).

* Originated with Federal Social Security Act.
Consequence #1 of Drawing the Line: Disincentives to Earn/Welfare Wall.
A consequence of drawing the line is the creation of disincentives to earn, also known as the ‘welfare wall.’ People who work more/earn more are likely to lose more than they gain unless they make an astonishing leap in income. It is well documented that strong disincentives to earn are inherent in this line-driven approach. The Citizens League first identified these disincentives in 1977. Subsequent reports in 2006 by Minnesota House Research (“The Gain to Work for Low- and Moderate-Income Workers”) and the 2007 report “Disincentives to Earn” by the Center for Public Finance Research document this effect to a greater degree.

For a single adult in Minnesota with two children, an increase in annual earnings from $12,800 to $44,000 would result in a significant reduction in monetary resources when all the program eligibilities, tax credits and deductions, are factored in. This single parent would:
- take home $23,600 more in wages
- lose $30,600 in tax benefits and wage assistance

This example is for someone whose earnings took the unlikely leap from $12,800 to $44,000. The disincentives are sometimes even greater for those on the margins with more modest gains. The worst example of a marginal impact within this range occurs if that same single parent’s earning grew from $33,000 to $34,000. Then they would lose $2.50 for each dollar earned. These structural disincentives to earn are more commonly referred to as the “welfare wall.”

CATCH-22: the equation, therefore, can often be characterized as: WORK MORE + EARN MORE = LOSE MORE. Based on this reality, it can be argued that current policies don’t alleviate, but actually perpetuate poverty (see Consequence #2).

The Disincentives to Earn study created a “Family Assistance Model” that captures the impacts of 16 different assistance and tax programs from the federal and state government level (see Table 3). The report also noted that in 2004, the U.S. House Committee on Ways and Means documented 85 different transfer programs related to lower income households. Yet this is still only a partial view of all the anti-poverty efforts at various levels of government.
Table 3: Programs Included in the Family Assistance Model

<table>
<thead>
<tr>
<th>Tax Credits and Related</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Earned Income Tax Credit</td>
</tr>
<tr>
<td>Federal Dependent Care Child Credit</td>
</tr>
<tr>
<td>MN Working Family Credit</td>
</tr>
<tr>
<td>MN Dependent Care Credit</td>
</tr>
<tr>
<td>MN Marriage Credit</td>
</tr>
<tr>
<td>Property Tax Refund</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Direct Assistance Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>MN Family Investment Program (MFIP)</td>
</tr>
<tr>
<td>Section 8 Housing</td>
</tr>
<tr>
<td>MN Child Care Assistance</td>
</tr>
<tr>
<td>MN Medical Assistance</td>
</tr>
<tr>
<td>Minnesota Care</td>
</tr>
<tr>
<td>School Lunch</td>
</tr>
<tr>
<td>Food Stamps</td>
</tr>
<tr>
<td>Women Infants and Children (WIC)</td>
</tr>
<tr>
<td>MN Energy Assistance</td>
</tr>
</tbody>
</table>

Source: Center for Public Finance Research

Consequence #2 of Drawing the Line: Perpetuation of Poverty.
Another consequence of drawing the line is the perpetuation of poverty. Once you fall below the line, to get back above it, and stay above it, becomes paradoxical. Once you receive assistance you become part of a reality that is akin to an all-to-real game of Chutes and Ladders. One might work hard to climb up a few rungs of a ‘ladder’ only to fall down a ‘chute’ when hit by a sudden health crisis, job loss, foreclosure, etc.

In a recent interview conducted by Minnesota’s Civic Caucus, Steve Rothschild, founder of Twin Cities Rise!, explains that there is a fundamental misconception in our approach to welfare that results in a circular path for many Minnesotan’s trying to escape poverty. “Misconception 1 is the belief that if you get people off welfare they will escape poverty. However, history has proven that getting off welfare is not the same as getting out of poverty. ‘Most of the programs designed to get people off welfare get them onto the first rung of the employment ladder. But they have little education, few underlying work skills, and lack the self-awareness/self esteem and social skills necessary to keep a job or ladder themselves up into a better one.’” (Civic Caucus email summary of Rothschild interview – Feb. 18, 2010)

A similar lament is expressed by Maurice Lim Miller, founder of California’s Family Independence Initiative. In an August 2006 briefing paper, Lim says “Most approaches to impact poverty ask the families to highlight their problems and needs. The greatest resources and help are then made available to those that exhibit the most need. The focus on need is crucial for families in crisis so they can stabilize. But once a family has stabilized from a crisis, they find themselves trapped because help is taken away as the family begins to re-build the assets they need for independence. A focus on needs
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also hides the strengths of low-income families and can perpetuate stereotypes that the families are not capable of helping themselves.” (FII Briefing Paper: New “Theory of Change” – Assistance Based On Initiative, Not Needs, by Maurice Lim Miller, August 2006)

One policy that leaves families without a cushion to fall back on when they are trying to make the ascent out of poverty is “asset limit tests.” Many states, including Minnesota, have asset limits set for individuals or families wishing to seek government assistance. According to the Minnesota House Research Department, first time applicants for the Minnesota Family Investment Program (MFIP) cannot hold more than $2,000 in assets while an ongoing participant cannot hold more than $5,000.
http://www.house.leg.state.mn.us/hrd/pubs/ss/ssmfp.htm#Q1

According to CFED, “If individuals or families have assets exceeding the state’s limit, they must ‘spend down’ longer-term savings in order to receive what is often short-term public assistance…Personal savings and assets are precisely the kind of resources that allow individuals and families to move off public benefit programs. Yet asset limits can discourage anyone considering or receiving public benefits from saving for the future.”

CATCH-22: asset limits were put in place decades ago and were an attempt to ensure those who were “asset rich” did not supplement their wealth with long-term government assistance. But following welfare reform, there is a five-year lifetime limit of assistance. Expecting people to prepare for independence and not gather assets is now a backwards policy.
FINDING #2: CONNECTIONS
“Navigating the Line” Dictates Large Amounts of Resource and Capacity Use

In addition to money, people need strong connections and networks to get out of poverty, yet current poverty programs are ill-equipped to provide the types of connections and networking opportunities for people to move out of poverty. One way that extensive monetization influences our culture and our approach to welfare services is greater individualism and the illusion of independence.

Most of Minnesota's policies and programs designed to address poverty are targeted towards individuals or families. And in many cases, individual programs are intended to address a specific need, such as lack of food, lack of housing, lack of healthcare. We refer to this as the "atomization" of poverty. Programs that address needs within the context of a whole neighborhood or community tend to come from non-profit organizations. Such programs are sometimes funded by government grants, but as a matter of policy, addressing the needs of the communities in which families live - including building human capacity and civic infrastructure - is not how we have designed our welfare system.

Because of this, community-wide programs that build civic infrastructure in the context of poverty are unfortunately more the exception than the norm. Many families and even whole communities find poverty to be very isolating. In fact, some would define poverty as the absence of connections and relationships that tie people together, the kind of connections that show us we are all interconnected and our mutual fate dependent on our ability to work through our problems as a community and as a society.

Individualistic Culture and Atomization of Community Effort: It can be argued that extensive monetization promotes a more individualistic and isolated culture. Less is produced together and traded and more is purchased. When many are able to directly purchase more of whatever goods and services create greater independence on a personal level, a certain type of fabric of societal interdependence is removed, and other more intricate interdependencies are created that are not as evident or widely perceived.

Think of the degree and types of monetization in American culture today compared to a tribal-agrarian society. The interdependence of individuals in a tribal-agrarian culture is much more direct and evident than the complicated levels of interdependency of current American society. How many operations in a tribal-agrarian society would be considered “too big to fail” as AIG was at the beginning of the current economic crisis in the U.S.? Source of food and protection of homes were probably the big two interests that were “too big to fail.” The forces at play in our recent economic crisis illustrate how various interdependent forces are not evident in a transparent way on the community level. Is greater independence a true state of our highly monetized and individualistic culture? Or is it mainly an illusion?

Our culture of monetized value and strong individualism may also lead us to “atomize” our approach to delivering benefits and supports to those who need it. We have a large government structure that divides resources among numerous offices and programs which deal with poor people on a one-to-one basis. Beyond government programs, there are also a large number of organizations and efforts that attempt to support various needs.
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An attempt at a comprehensive listing of organizations in the Phillips and Powderhorn neighborhoods in Minneapolis revealed a total of 78 different community-based organizations whose work could intersect with poverty (see Table 4). Each organization has its own administration and area of focus. Have citizens 'outsourced' their obligations to family and neighbors to non-profits?

Some counties attempt to organize and use some of these resources on a contract basis, but matching the mission of each organization to what the county wants to accomplish and ensure that work is done with measurable outcomes is an ongoing challenge.
Table 4: Community-Based Organizations with a presence in the Phillips and Powderhorn Neighborhoods

<table>
<thead>
<tr>
<th>Community Clinics</th>
<th>Institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community-University Health Care Center</td>
<td>Project for Pride in Living</td>
</tr>
<tr>
<td>Indian Health Board of Minneapolis</td>
<td>Hope Community</td>
</tr>
<tr>
<td>Native American Community Clinic</td>
<td>Neighborhood Planning for Community Revitalization</td>
</tr>
<tr>
<td>Teenage Medical Service (TAMS)</td>
<td>Waite House/Pillsbury United Communities</td>
</tr>
<tr>
<td>Green Central Community Clinic</td>
<td>The Minneapolis Foundation</td>
</tr>
<tr>
<td>Family Medical Center</td>
<td>Greater Minneapolis Council of Churches</td>
</tr>
<tr>
<td>Smiley's Clinic</td>
<td>Minnesota Council of Nonprofits</td>
</tr>
<tr>
<td>Phillips Neighborhood Clinic</td>
<td>Minneapolis Television Network</td>
</tr>
<tr>
<td></td>
<td>Franklin Avenue Business Association</td>
</tr>
<tr>
<td>Mpls. Dept. of Health &amp; Family Support School-Based Clinics</td>
<td>Fannie Mae HomePath</td>
</tr>
<tr>
<td>South High School</td>
<td>Faith in the City</td>
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<tr>
<td></td>
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</tr>
<tr>
<td>Health and Wellness Organizations</td>
<td>Native American Organizations</td>
</tr>
<tr>
<td>The Mentoring Project</td>
<td>Minneapolis American Indian Center</td>
</tr>
<tr>
<td>Goodwill/Easter Seals</td>
<td>American Indian O.I.C.</td>
</tr>
<tr>
<td>Women's health and physical activity</td>
<td>Minnesota Indian Women’s Resource Center</td>
</tr>
<tr>
<td>Powderhorn Recreation Center</td>
<td>The Circle Online</td>
</tr>
<tr>
<td>YWCA</td>
<td>Minnesota Native American Resources</td>
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<tr>
<td></td>
<td>MIGIZI Communications, Inc.</td>
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<tr>
<td></td>
<td>American Indian Development Corporation</td>
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<tr>
<td></td>
<td>Minnesota American Indian AIDS Task Force</td>
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<tr>
<td>Neighborhood Organizations</td>
<td></td>
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<tr>
<td>Ventura Village</td>
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<tr>
<td>Phillips West Neighborhood Organization</td>
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<tr>
<td>Midtown Phillips Neighborhood Association</td>
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<tr>
<td>East Phillips Improvement Coalition</td>
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<tr>
<td>Banyan Community</td>
<td></td>
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<tr>
<td>People of Phillips</td>
<td></td>
</tr>
<tr>
<td>Phillips Community Development Corporation</td>
<td></td>
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<tr>
<td>Phillips Neighborhood Network</td>
<td></td>
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<tr>
<td>Powderhorn Park Neighborhood Association</td>
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<tr>
<td>Powderhorn Residents Group</td>
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<tr>
<td>Alliance Housing Inc.</td>
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<tr>
<td>Urban Ventures</td>
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<tr>
<td>City of Lakes Community Land Trust</td>
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<tr>
<td>American Indian Housing and CDC</td>
<td></td>
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<tr>
<td>American Indian Neighborhood Development Corporation</td>
<td></td>
</tr>
<tr>
<td>The Whittier Alliance</td>
<td></td>
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<tr>
<td>Stevens Square Community Organization</td>
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<tr>
<td>Seward Neighborhood Group</td>
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<tr>
<td>Seward Redesign</td>
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<tr>
<td>Lyndale Neighborhood</td>
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<tr>
<td>NetWork for Better Futures</td>
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<tr>
<td>Powderhorn/Phillips Cultural Wellness Center</td>
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<tr>
<td>Lake Street Council</td>
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<tr>
<td>Centro Cultural Chicano</td>
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<tr>
<td>Heart of the Earth Survival School</td>
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<tr>
<td>La Escuelita</td>
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<tr>
<td>Twin Cities Rise!</td>
<td></td>
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<tr>
<td><strong>source:</strong> The Backyard Project (Allina)</td>
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</tr>
</tbody>
</table>

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For example, the United Way has brought together 16 other organizations (see Table 5) to form a partnership called “CLAIM IT!” This is one example of how resources have been brought together, in this case to try and get people who are eligible to claim their tax credits – a relatively narrow task compared to overall system that those in poverty attempt to navigate. Some may work together in effective ways, but there is no way to assure that effective collaboration is the norm.

Table 5: Organizations Involved in the "Claim It" Partnership

<table>
<thead>
<tr>
<th>Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater Twin Cities United Way</td>
</tr>
<tr>
<td>AARP Aide Foundation</td>
</tr>
<tr>
<td>Internal Revenue Service</td>
</tr>
<tr>
<td>Accountability Minnesota</td>
</tr>
<tr>
<td>Mid-Minnesota Legal Assistance</td>
</tr>
<tr>
<td>Children's Defense Fund</td>
</tr>
<tr>
<td>MN Community Action Partnership</td>
</tr>
<tr>
<td>City of Minneapolis</td>
</tr>
<tr>
<td>MN Department of Human Services</td>
</tr>
<tr>
<td>City of St. Paul</td>
</tr>
<tr>
<td>MN Department of Revenue</td>
</tr>
<tr>
<td>Federal Reserve Bank of Minneapolis</td>
</tr>
<tr>
<td>Ramsey County</td>
</tr>
<tr>
<td>University of Minnesota Extension</td>
</tr>
<tr>
<td>Hennepin County</td>
</tr>
<tr>
<td>University of Minnesota Law School</td>
</tr>
</tbody>
</table>

Source: United Way

Of course, the idea of a “line” is a simplification. In actuality, there are multiple lines. Over the decades, a host of government programs and tax incentives have developed—each with their own set of requirements and eligibilities. As a result, those in poverty must expend an extraordinary amount of resources “navigating the line” of poverty. As one person put it, “Being poor is a full time job.” The head of a local corporate community affairs office that works with low income people everyday said “few people have the stamina to go through so many agencies. It’s humiliating and confusing.”

The majority of government and community resources are dedicated to ‘navigating the line’ through administrative functions. Navigating these lines and accessing other efforts around poverty reduction consumes a high amount of human capacity. There are a significant amount of skills, resources and – ultimately – jobs tied up in “navigating the lines.” We have constructed an elaborate infrastructure (some would say industry) around the outcome of navigating the lines of poverty policy. When there is an opportunity to move out of poverty, an individual attempting to navigate his or her way out of poverty through the conventional means of hard work and increased earnings will collide head-on with the welfare wall. The existence of the welfare wall runs counter to our cultural values of independence and reward for effort.
Consequence #1 of Navigating the Line: Barriers to access
The 'line' has, in fact, become a series of complex and varying equations of eligibility, which are difficult to navigate, and require constant interaction with a number of government agencies and programs.

North Minneapolis has 178 nonprofits that provide services for everything from health to economic development. Despite this, a 2006 survey by NorthPoint and Northway Community Trust in North Minneapolis found that residents felt that there was little assistance available for navigating the plethora of services.

One person we interviewed said that it is like "putting together a puzzle" to match all family members with health care coverage and services. A total of 19 different income and asset thresholds apply to Minnesota health care programs alone (see Table 6). Navigating the line is its own barrier to access.

Table 6: Income and Asset Thresholds for Minnesota Health Care Programs

<table>
<thead>
<tr>
<th>Program</th>
<th>% of Federal Poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td>MinnesotaCare: $48 Annual Premium</td>
<td>150%</td>
</tr>
<tr>
<td>MinnesotaCare: Adults without Children</td>
<td>200%</td>
</tr>
<tr>
<td>MinnesotaCare: Children to Age 21 and Families with Children</td>
<td>275%</td>
</tr>
<tr>
<td>MinnesotaCare: Covered Services, No $10,000 Inpatient Cap for Parents</td>
<td>200%</td>
</tr>
<tr>
<td>Medical Assistance: Infants under Age 2</td>
<td>280%</td>
</tr>
<tr>
<td>Medical Assistance: Children Age 2 through 18</td>
<td>150%</td>
</tr>
<tr>
<td>Medical Assistance: Children Age 19 and 20</td>
<td>100%</td>
</tr>
<tr>
<td>Medical Assistance: Adults with Children</td>
<td>100%</td>
</tr>
<tr>
<td>Medical Assistance: Pregnant Women</td>
<td>275%</td>
</tr>
<tr>
<td>Medical Assistance: Elderly, Blind, Disabled (no spend-down)</td>
<td>100%</td>
</tr>
<tr>
<td>Medical Assistance: Transition Year</td>
<td>185%</td>
</tr>
<tr>
<td>Medical Assistance: Qualifying Individuals</td>
<td>135%</td>
</tr>
<tr>
<td>Medical Assistance: Qualified Medicare Beneficiaries</td>
<td>100%</td>
</tr>
<tr>
<td>Medical Assistance: Qualified Working Disabled Individuals</td>
<td>200%</td>
</tr>
<tr>
<td>Medical Assistance: Service Limited Medicare Beneficiaries</td>
<td>120%</td>
</tr>
<tr>
<td>Medical Assistance: Elderly, Blind, Disabled (with spend-down)</td>
<td>75%</td>
</tr>
<tr>
<td>General Assistance Medical Care</td>
<td>75%</td>
</tr>
<tr>
<td>General Assistance Medical Care: Hospital Only Above 75% FPG</td>
<td>175%</td>
</tr>
<tr>
<td>Family Planning Program</td>
<td>200%</td>
</tr>
</tbody>
</table>

*source: Minnesota Department of Human Services*

Consequence #2 of Navigating the Line: Waste of human capacity.
People seeking assistance waste a great deal of time, resources and lost opportunities on learning many different rules and navigating the maze of different programs offered by multiple government offices and other organizations. In essence, human capacity is used by those in poverty to become competent consumers of the welfare system, a system that requires learning multiple rules and regulations, managing disparate eligibility criteria and timelines, collecting and submitting various documents proving one is truly needy, filling out multiple forms and applications, and spending time, energy and resources
visiting numerous offices and meeting with different administrators and practitioners, telling one’s story over and over again.

In a recent discussion paper, Boyle and Harris (2009) point out that, by devoting so much human capacity to navigating the system, people are not devoting time to building the “basic building blocks of our missing neighborhood-level support systems – families and communities – which underpin economic activity as well as social development” (p. 11). They also point out “the conscious or unconscious maintenance of service users as passive recipients is not just a waste of their skills and time; it is also the reason why systemic change doesn’t happen. When people are never asked to give anything back and when the assets they represent are ignored or deliberately side-lined, they atrophy. The fact that social needs continue to rise is…due to a failure to ask people for their help and to use the skills they have” (p. 11). Boyle and Harris go on to say “people who use services are hidden resources, not drains on the system, and … no service that ignores this resource can be efficient.” (p. 11)

Social service providers who work in welfare offices may also find themselves locked in a system that does not apply their training and skills towards actually helping people move out of poverty. This problem is not unique to Minnesota, or to the U.S. In a recent article published in Socmag, many social workers grow increasingly distressed by what they think of as a “lost direction” for their field:

“Many of us entered social work – and many still do – out of a commitment to social justice or, at the very least, to bring about positive change in people’s lives. Yet increasingly the scope for doing so is curtailed. Instead, our work is shaped by managerialism, by the fragmentation of services, by financial restrictions and lack of resources, by increased bureaucracy and work-loads, by the domination of care-management approaches with their associated performance indicators and by the increased use of the private sector. While these trends have long been present in state social work, they now dominate the day-to-day work of front line social workers and shape the welfare services that are offered to clients. The effect has been to increase the distance between managers and front line workers on the one hand, and between workers and service users on the other. The main concern of too many social work managers today is the control of budgets rather than the welfare of service users, while worker-client relationships are increasingly characterized by control and supervision rather than care” (http://www.socmag.net/?p=177)

Consequence #3 of Navigating the Line: Trapped in a closed loop of connections
The program-based approach that has helped create the welfare wall also isolates connections within a closed loop of people and resources that are focused on navigating the lines. With some exceptions, the main connections developed are between those seeking assistance and those in government and other organizations who are engaged in delivering assistance through various means.

People often spend much of their time traveling to different offices and interfacing primarily with caseworkers or other professionals. Little time is available to connect with members of one’s own family or community. The relationships and networks needed for guidance and encouragement towards prosperity are not developed.

By trapping the skills and human capacity of the poor and those who work to serve them into complex systems of government bureaucracy, we lose opportunities for innovation and growth where it is most needed. Focusing human capacity on navigating the lines is a good use of resources only if the end result
The Citizens League Prosperity Project

is significant movement out of poverty, but if we are looking for the “highest and best use” of our human capacity, this does not seem to be it.

Our current efforts are not fundamentally designed to provide clear, accessible paths out of poverty. Think of the 85 transfer programs identified by the U.S. House of Representatives and the 78 community organizations in the Phillips and Powderhorn neighborhoods referred to earlier (see Table 4). This is a huge use of human capacity just to figure out where the right resources are to respond to what is needed. No matter how much these resources are accessed, under current incentives, all the effort in the world may not change this simple characterization from someone we interviewed:

• You take advantage of existing programs, work hard and get your degree
• You immediately lose your childcare
• Development of skills and resources – human capacity – is wasted if you end up back on welfare.

The structure of the welfare wall perpetuates poverty by not providing clear, accessible pathways to move out of poverty. For many there are no exits and for all there are few opportunities to leap over the welfare wall. When opportunities appear for upward mobility, they may be quite elusive and require extraordinary efforts.
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FINDING #3: CONTROL
Control over capacity is the latest evolution of our system of deficits, programs and lines

Drawing and navigating the line has led to a system based on control rather than independence and capacity building.

Government has long been criticized as being ineffective at providing social service programs to citizens, especially when compared to smaller, locally-based organizations that provide a more targeted service. Often the complaint about government is that its huge bureaucracy is something of a liability because it prevents a nimble response or adaptation to changing social-economic environments and makes difficult the incorporation of emerging theories from the human service practice fields. Those employed by the government system are expected to administer programs and benefits according to a complex set of rules and regulations that are designed to ensure ‘fairness’ in the distribution of government resources. Fairness in this case is (in theory) ensured through strict and consistent application of the system’s rules and is not judged according to the outcomes for families. In the welfare realm, these critiques take on deep significance given that the primary inputs into our bureaucratic system are actual people – individuals and families – who are seeking help in order to survive.

In the last decade, the expectation to ‘serve the system’ has intensified. Following the welfare reform legislation of 1996, government agencies who provided welfare benefits to families in need found themselves under enormous pressure to move families off welfare rolls, move them immediately into some form of work, and to apply more stringent rules when determining who is eligible for benefits. Participants who don’t follow the rules to the letter, who miss a deadline to submit a form, or who don’t complete enough countable work hours can be sanctioned - multiple sanctions can result in denial of benefits and a closed case.

The rules of the current welfare system are based on proof of status and punitive sanctions to control individual behavior. Yet, ironically, behaviors are a reflection of the expectations set by the systems people experience.

Under welfare reform, surveillance of welfare recipients has heightened and as a result mistrust has increased from both sides. Welfare recipients feel they are under constant watch, subjected to a relentless pursuit of information, the most intimate details of their lives scrutinized. Recipients assume this information is demanded of them, not to seek all eligible benefits, but rather to determine if they are “cheating” or if their circumstances have changed such that benefits should be curtailed or ceased. Under these conditions, families are reluctant to share information with the welfare worker, and may even deliberately manipulate information, for fear they will lose resources. In turn, welfare workers may see this kind of behavior as uncooperative, defiant, or deceitful, which increases their mistrust of their clients. Rather than work to build a trusting relationship, the welfare worker is instructed to use sanctions as a means to compel families to do as they’re told.

In an article entitled Deciding to Discipline: Race, Choice, and Punishment at the Frontlines of Welfare Reform (2009), Schram, et al document the increased use of sanctions to control the behavior of welfare recipients. “‘New paternalist’ welfare programs use a variety of incentives, surveillance mechanisms, and
restrictive rules to modify client behaviors. A system for dispensing punishments when incentives and rules prove insufficient serves as a failsafe in this process. Sanctions – penalties that reduce or terminate benefits in response to client noncompliance – are the ultimate expression of welfare’s disciplinary turn and deserve the greatest credit for the exodus of clients from welfare since the mid-1990s” (p. 398-399).

The authors explain that, prior to welfare reform, sanctions were used infrequently and applied only to the head of household, not the entire family. However, under TANF (a new welfare reform program) a broader scope of behaviors became subject to sanctions and states were given more options to design penalties. Given that states now have to meet quotas for the number of welfare recipients participating in work, sanctions have become a primary means to “motivate” welfare recipients to comply with this requirement. “There is extensive evidence that sanctions have played a key role in transforming welfare from a system focused on cash benefits to one focused on enforcing work…Between 1997 and 1999, nearly 500,000 families lost benefits due to sanctions – approximately one quarter of the caseload reduction for that period” (p. 400).

Schram et al also documents stark racial disparities between who gets sanctioned, with welfare recipients of color receiving far more sanctions than those who are white. The authors designed a research experiment in which a detailed case file was presented to a representative sample of welfare workers. In some instances the client was of color, while in other instances the client was white. All other case factors were the same. The experiment showed a significantly increased risk of sanctions for clients of color vs. clients who were white.

In a paper presented to the American Sociological Association Annual Meeting in August 2003, titled *Difficult Dealings*, sociologist Celeste Watkins discussed this conflict ridden context and the mistrust and fear that has come to characterize the relationship between welfare workers and welfare recipients in this post welfare-reform era. Through extensive interviews with welfare recipients in Chicago, Watkins documents the institutional policies that have created a fundamental Catch 22 for both welfare recipients and the welfare workers asked to serve them.

**CATCH-22:** One of the most problematic challenges government faces in serving as both policy maker and policy implementer is having to meet what are arguably two conflicting interests: providing support services to families in need and policing the use of those support services by the same families. Families seeking assistance are expected to put their trust in the welfare worker to help them move out of poverty when in fact this same welfare worker is serving as enforcement officer and seemingly looking for ways to reduce benefits paid and close cases.

In her study, Watkins found the welfare worker wields a tremendous amount of power over whether or not a family will receive services. The welfare worker is the one processing the forms, giving advice about what programs to apply for and what to do or not do to remain eligible, providing information (or not providing it) on what other resources might be available to a family, and making decisions about whether or not the family is in fact complying with rules and requirements. A family’s very survival may depend on whether or not the welfare worker works diligently on their behalf.
Yet the family has very little ability to hold welfare workers or the bureaucracy accountable - if the welfare worker files paperwork late, it is the family who may lose an important resource. And it may take the family months of appeal paperwork to correct the lost benefit. It is easy to see why families would become fearful of complaining, thinking they may be punished by losing even more resources.

Such a relationship does not allow for the development of honest communication and a constructive working relationship. Families see the welfare worker as first and foremost beholden to government institutions to keep costs and caseloads down, rather than seeing the worker as putting their needs as a priority. Because of the extreme power differential, they say nothing and dare not complain for fear of retaliation or reprisals that will result in loss of the very help they need to survive. In such a system, the potential for abuse of power is enormous

Consequence #1 of Control over Capacity: Large government investment needed to police the line
The policies and systems in place to address poverty have created a kind of paternalism towards families, which has resulted in two detrimental effects. First, it puts the state in the position of being responsible for how families spend the resources provided to them, which means a vast bureaucracy is needed to micro-manage family decisions. And it puts families in a passive role, one in which they feel little responsibility (and have little authority) to make financial decisions and no accountability to achieve certain outcomes with the help that is provided to them – outcomes that will build a bridge to prosperity.

Part of this attitude towards families in crisis comes from an assumption that their circumstances of hardship come from poor choices. Though families do bear responsibility for the choices they make, the range of choices available to choose from are often extremely limited and can require families to choose between equally important needs (keep my job or take care of my kids). In order to make sound decisions, families need to have fair and appropriate choices from which to choose. Our policies and systems should be premised on the expectation that most families are capable of sound decisions given the right level of information, a fair range of choices, and opportunities to problem-solve together.

When control has greater value than building capacity, the system is driven by structures and imperatives such as:

The postal system
Communication remains fundamentally based on the postal system. This impacts how human capacity is focused and used. Problems with mailing address changes (or a lack of an address) for any period can end eligibility for benefits, which must then be re-established.

Proof of eligibility
Recipients must prove everything. An individual may be perfectly eligible, but is denied benefits because he or she did not or could not provide all necessary details. A great amount of human capacity is committed to navigating eligibility along the line.

Whether it is the need for proof itself, the complexity of the proof, or the redundancies of the proof, the system is set up in a way that an individual is required to report a great amount of information to a variety
of different agencies or programs, all on varying timelines. This constant pressure for organized stability in the face of persistent poverty may result in different outcomes than we desire, including the likelihood that less people are able to move into employment and self-sufficiency.

Many jobs are tied up in this policing function. Human service professionals apply professional skills to managing the many lines. This capacity and training could be better used helping families build prosperity.

The pressure to prove to decision-makers and the public that taxpayer dollars are being scrupulously watched is evident in many of the written materials produced by Minnesota’s Department of Human Services that report on human and social service outputs. The primary focus in many of these reports is to show the extent to which welfare rolls and dollars spent has been kept to a minimum, with success being defined by this reduction in numbers.

A recent report by the Department of Health and Human Services entitled Program integrity efforts: Preventing and eliminating welfare fraud (July 2009) says 7,100 investigations were conducted in 2008 to root out possible welfare fraud. The “state-funded, county-administered Fraud Prevention Investigation (FPI) programs focus on preventing or reducing overpayments by denying, terminating or reducing benefits to ineligible applicants and recipients” (http://edocs.dhs.state.mn.us/lfs/Server/Legacy/DHS-4941-ENG). The report says, of the 7,100 investigations, 45% resulted in terminated or reduced benefits. Case file information discrepancies were found in 74% of the investigations. It is clear from the DHS data that our complex system creates a high percentage of mistakes or fraud.

It is much more difficult to find reports that tell us how the taxpayer investment has paid off for families who do receive assistance. For example, reports that track the improved life circumstances of former welfare recipients seem non-existent. How many former welfare recipients are now working in jobs that provide an income above the poverty threshold? How much in income taxes or purchased goods are these families now contributing to the economy? This type of report may be much harder to produce, but the message implied by the imbalance in what we actually report on is that the policing function of government agencies is more important than the support function.

Consequence #2 of Control over Capacity: Barriers to access; first choice is “No”

We (as a socio-economic system) say “No” first. Throughout government programs and the insurance industry, a policy of denial exists in many areas of the system and then we wonder why people aren’t taking advantage of what they are eligible for. Those who want to apply for SSI are told to get an attorney and are still likely to get rejected on the first application.

Changing work usually means changing health plans. Getting raises at work or changing status (to full-time for example) might mean losing MN Care because there is employer-provided insurance, but that insurance can be more expensive and cover less (Grand Rapids Circles of Support meeting example).

Complexity of health care system adds to the wasted human capacity when it is coupled with the complexity of the welfare system. Insurance is too complex, not only the processes and forms, but the basis for decisions. There is a need for advocates, not gatekeepers.
Consequence #3 of Control over Capacity: People treated as passive recipients, not assets.
The dominant orientation in our welfare system is for government to give families the minimum amount they need and to move them towards a job. The focus is not on a comprehensive assessment of the assets the family might have, or that their community might have. It is not a partnership in which the family can easily see their own contribution to the problem-solving process. Success is defined by moving the family off welfare rolls.

A Consequence of the government-centric approach to providing welfare services is that it devalues the role of communities and relegates citizens to mere consumers of government services rather than problem-solvers. It also takes away ownership of outcomes and decision-making to change one’s own circumstance.

A Consequence: Bureaucracies dehumanize people – bureaucracies that are guided by stringent, deficit-based policies, highly prescriptive standards, and quantitative rather than qualitative targets give little value to person-to-person relationships or capacity building. In this context, welfare recipients feel powerless against a vast system that sees them only as a number or as a drain on taxpayer dollars. Their ability to ensure they get fair and just treatment in such a system is limited. They can conceal or manipulate information in an effort to protect their benefits. Or they can simply exit the system, which leaves them without any help or access to legal means of getting the resources they and their families need.

Consequence #4 of Control over Capacity: Less ownership; less trust
When people are treated with mistrust and low expectations, they are less likely to take ownership of their interactions with that system. The message is clear: government will make the decisions. Responsibility for outcomes therefore is not your concern. In this way, the ‘mindset’ of poverty is created and sustained. Conversely, if you are trusted to make sound decisions and given responsibility for outcomes (and access to community resources that guide and aid your success) you are much more likely to respond with ownership, determination, and confidence.

A Consequence: Trust building is nearly impossible. As mentioned, the difficulty in building trust is built into the system – because welfare workers are expected to serve as both advocate and enforcer families find it difficult to trust them to actually perform the advocate role. The visits can often be focused on the compliance role, and not about what strengths the family can build on to change the circumstance of poverty. An “us and them” dynamic – antagonism between welfare worker and welfare recipient is built into the system. Each judges the behavior of the other as evidence of a predisposition to be unhelpful, which in turn fuels each to behave even more suspiciously and with resistance to seeing the other as a partner.

Consequence #5 of Control over Capacity: Increased complexity/cost; decreased effectiveness
A system based on control and minimizing costs can ironically add to costs if a complicated surveillance system is employed to monitor compliance and to audit expenditures on a constant basis. Another irony is that a hyper focus on efficiency – namely keeping costs and cases low – can adversely impact the effectiveness of the services provided. Simply responding to worst-cases and their symptoms does
nothing to impact the actual conditions that are causing people’s need to seek assistance in the first place. Investments are not made in strengthening the capacity of families to help themselves, other family members, or friends and fellow community members. Nor are communities strengthened to provide social networks and safety nets for families to fall back on in times of strife.

**Consequence #6 of Control over Capacity: Social exclusion**

Not only is a great deal of human capacity tied up in a closed loop system of navigation, but some people may resort to dangerous or illegal means in an attempt to break free of poverty. Below is an excerpt from a study of social exclusion entitled, ‘Lifetime poverty dynamics’ by Robert Walker, Centre for Research in Social Policy, University of Loughborough (1998)

> Individuals follow trajectories through different kinds of poverty that may alternate with periods of relative affluence. One downward trajectory finds people moving from income poverty to social exclusion, slipping from a point of keeping their heads above water, through ‘sinking’, to ‘drowning’ (Figure 2). This trajectory could be triggered by a breadwinner’s loss of employment and compounded by structural factors. The chances of finding work, and hence of escaping poverty, might objectively be low: few qualifications, obsolete skills, slack labour demand. This fact may be understood by the family concerned, undermining morale and hope that are both essential if work is to be found and financial ends met. The family may, as a consequence, have no choice but to employ strategies at the socially unacceptable end of the list of available options and, hence, to step outside society’s norms.

> Even before this point the family may have begun to become detached from social institutions, and the multi-faceted nature of social exclusion become evident. Preventative health care may have been neglected. The demands of mutual reciprocity may have limited visits to all but closest kin, and stress and depression may have added impetus to this social retreat. Lack of finance may have prevented children from engaging in the full range of intra- and extra-curriculum educational activities with significant implications for their educational and social development.

> They may even have reacted negatively to inconsistent economic socialisation experienced in the home (Middleton et al., 1994). Confronted by the asocial behaviour to which the family has succumbed, the reaction of external agencies may confound attempts by the family to fight their social exclusion.

> Creditors may seek to repossess goods and landlords threaten eviction. Potential employers may be put-off by inadequate personal references and social welfare agencies may move to more coercive policies. The process of social exclusion will have become very hard to reverse. Kempson et al. (1994) found that 12 out of 28 low-income families followed not dissimilar trajectories over a 24-month period.

The authors provide a mapping of the variables and how an individual might experience poverty and move to social exclusion (See Figure 2). This is how the cycles of family dysfunction, criminality and violence can begin.
**Figure 2** A trajectory from poverty to social inclusion

<table>
<thead>
<tr>
<th>Time</th>
<th>Activity</th>
<th>Expenditure</th>
<th>Income</th>
<th>Assets</th>
<th>Transfers</th>
<th>Shared poverty rights</th>
<th>Human capital</th>
<th>Dignity</th>
<th>Autonomy</th>
</tr>
</thead>
<tbody>
<tr>
<td>T1</td>
<td>Loss of employment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>T2</td>
<td>Earnings</td>
<td>Few</td>
<td>Receives low benefits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>T3</td>
<td>Falls not enough</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>T4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Adopts unacceptable coping strategies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>T5</td>
<td>Works illicitly</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Health neglected</td>
<td>Retreat from socialising</td>
<td></td>
<td></td>
</tr>
<tr>
<td>T6</td>
<td></td>
<td>Income rises</td>
<td></td>
<td></td>
<td></td>
<td>Children neglected</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>T7</td>
<td></td>
<td></td>
<td>Disqualified from benefit</td>
<td></td>
<td></td>
<td>Social work involvement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>T8</td>
<td>Ceases work</td>
<td>Income falls more</td>
<td></td>
<td></td>
<td>Social work involvement</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>T9</td>
<td></td>
<td>Expenditure drops</td>
<td></td>
<td></td>
<td>Threatened with eviction</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>T10</td>
<td></td>
<td></td>
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<td></td>
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</tbody>
</table>

Key: causal link —— continuation: ————

Source: Walker and Park (1998), (Fig. 2.5)
FINDING #4: UNALIGNED INCENTIVES
Incentives underlying major systems (health and education) are not aligned with prosperity

Very large portions of government budgets and resources are focused in two main areas that most would agree are essential to prosperity: health and education. Yet it is very unclear whether we have aligned incentives in funding systems and resources to support health and education at the points of the largest return on investment (ROI).

The triad of health, housing and readiness to learn
According to the Maternal and Child Health Program at the University of Minnesota, the four key mediators of how poverty influences childhood health and development are all strongly related to physical health; mental health and housing (see Figure 1):

- Nutrition and health
- Home environment
- Parent-child interactions
- Neighborhood conditions

These four elements can be thought of as key underpinnings of readiness to learn. The qualities of these four elements, in conjunction with good early childhood education, are the key underpinnings of an opportunity for prosperity.

Poverty is strongly linked to poor health and poor health is strongly linked to poverty. Like the other Catch-22s that we highlight, this mutually reinforcing relationship makes policy solutions difficult. It can be argued that poverty leads to poor health, particularly when examining the effect on young children, but it can also be argued that poor health can result in poverty which certainly plays out when chronic conditions and disabilities are present. Determining the cause of this Catch-22, however, is not as important as working toward solution strategies that have a positive effect in breaking down the mutually reinforcing relationship between poverty and poor health.
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Identifying Healthy Homes – Healthy Kids
Following the first guideline of Citizens League work: “People impacted by a problem will help define the problem” led us to a piece of work funded by the Blue Cross Blue Shield Foundation in conjunction with the Minnesota Indian Women’s Resource Center and Preventing Harm Minnesota. The work used “participatory learning and action” processes to gather information from those impacted by the problem. The description of this process includes the following:

Instead of following the standard paradigm of “experts know best” – the experts being outsiders to a community – it is based on the fundamental perspective that the local people experiencing a given problem first hand are actually the most knowledgeable experts. This first-hand knowledge and experience is paired with technical and scientific experts who work in partnership with the local community.

This work indicates that housing quality and availability is integrally linked to overall health. Issues related to housing were the top concerns related to a spectrum of health conditions (see Table 7):

<table>
<thead>
<tr>
<th>Children’s Environmental Health Problems</th>
<th>Solutions Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diabetes</td>
<td>Better quality inspections beforehand for all housing</td>
</tr>
<tr>
<td>Asthma, bronchitis, pneumonia, other respiratory</td>
<td>Relocation assistance (during repairs to rental housing)</td>
</tr>
<tr>
<td>ADHD/ADD (Attention Deficit Hyperactivity Disorder/Attention Deficit Disorder)</td>
<td>Better lead testing and clean-up in housing</td>
</tr>
<tr>
<td>Ear infections</td>
<td>Mold remediation</td>
</tr>
<tr>
<td>Heart conditions</td>
<td>Better Section 8 inspections</td>
</tr>
<tr>
<td>Lower IQ</td>
<td>Affordable green store</td>
</tr>
<tr>
<td>Birth defects</td>
<td>Whistleblower protection for tenants</td>
</tr>
<tr>
<td>MRSA – antibiotic-resistant infections</td>
<td>Community education</td>
</tr>
<tr>
<td>Eczema</td>
<td>Increased indoor smoke awareness</td>
</tr>
<tr>
<td>Depression</td>
<td>Website with &quot;where-to-find&quot; and &quot;how-to-use&quot; information</td>
</tr>
</tbody>
</table>

*Identified by American Indian Parent Community Members (April-May 2008)
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Access to health care
In general, the cost of health care is a significant barrier that keeps people in poverty. The latest Northwest Area Foundation survey on poverty (2009), “Struggling to make ends meet,” revealed that:

- One-third (32%) had trouble affording health care in the last 12 months
- 70% said that having affordable health care makes a big difference in a family’s ability to make ends meet

Early education is economic development
Poverty is noticeably intertwined with the education gap. While most children in and above the middle class are brought up in a healthy environment, poverty begets disadvantages and stressful factors in early childhood environments. This causes a child in poverty to start their education significantly behind their counterparts and according to cognitive research, compensation for early critical learning is often too late to bridge the gap. As a result, poverty can be a good indicator to predict a child’s rate of success in school and that success can transfer to future conditions of poverty. Furthermore, professionals are seeing a significant trend between children behind academically and future familiarity with the criminal justice system at some point in their life.

Investment in early childhood education as human capital transcends the current reactive system addressing poverty and becomes an effective form of economic development. Research tells us that investing in pre-kindergarten development yields much better returns than strategies in later years. Apart from individual progress, this has positive implications for public return on the investment. Preemptive pre-school education with strong parental involvement is much more effective and lays the foundation for well-prepared K-12 children to exhibit higher levels of success and the need for less special attention and literacy tutoring later in life.

According to Art Rolnick and Rob Grunewald at the Federal Reserve Bank of Minneapolis, who authored the report Early Childhood Development: Economic Development with a High Public Return: “Early childhood development programs are rarely portrayed as economic development initiatives, and we think that is a mistake. Such programs, if they appear at all, are at the bottom of the economic development lists for state and local governments. They should be at the top. Most of the numerous projects and initiatives that state and local governments fund in the name of creating new private businesses and new jobs result in few public benefits. In contrast, studies find that well-focused investments in early childhood development yield high public as well as private returns.”

Consequence #1 of Unaligned Incentives: Stress related to these factors degrades health and readiness to learn: Recent research out of Cornell University has made a strong connection between poverty, chronic stress and working memory, which is essential to language comprehension, reading and problem solving. Childhood poverty is inversely related to working memory in young adults. Furthermore, this prospective relationship is mediated by elevated chronic stress during childhood. Chronic stress is measured by “allostatic load”, a biological marker of cumulative wear and tear on the body that is caused by the mobilization of multiple physiological systems in response to chronic environmental demands.
In addition to the long-term effects on children, there are a lot of different elements to track that add significant stress because of the complexity and structure of the current system. A number of different situations can lead you to lose eligibility for housing and other services:

- Income change (doesn’t mean that an individual can find alternatives to buy that replace services they have lost). What is our social contract here? When you phase out of programs, what do you phase into? Sink or swim? Sinking can have a lot of additional costs to society.
- Particularly in difficult economic times, family members may try to live together more because of job loss. Anything thing that changes the numbers in a family (including a new child) could make the family ineligible for current housing.
- Issue with the landlord (including predatory behavior)
- Issue with any number of agencies (housing, health and human services/county, Department of Health, even the PCA)

How much of chronic stress is related to the systems that we have in place, either through what isn’t provided or the nature in which something is offered or provided.

The only way that we systemically talk about stress and health is in the medical treatment context of “mental health.” This is attached to an infrastructure that defines people with labels and moves people in the direction of the medical care model. We need other ways to go about identifying stress points in current approaches to poverty that are about reducing stress on the front end rather than waiting for people to look for help or break down in some way.

**Consequence #2 of Unaligned Incentives: Catch-33 for kids – housing, crime and sexual violence:**

These factors are strongly linked and tied to mental and physical health. The cycle and connection around homelessness-prostitution-violence-child protection-addiction is a huge public health and generational poverty issue. A study published in 2007 by the Minnesota Department of Health calculates the costs to society and to individuals of sexual violence in Minnesota alone to be at least $7 billion, more than three times that of impaired driving in 2005 dollars ($2 billion).

Our societal approaches to poverty and health result in high potential for stress to impact the physical and mental health of those in poverty.

**CATCH 22: A particularly vicious Catch-22 circles around the dynamic of those in poverty trying to keep stable housing, a requirement that must be met in order to keep custody of children and maintain benefits. That requirement gives landlords extraordinary economic power over impoverished tenants. If a woman cannot pay rent on time, there are predatory landlords who will settle the debt by accepting payment in other forms, most often sexual favors.** Most often it is women and their children who are targeted for these “payments”. Because eviction can permanently ruin the family’s ability to find and keep housing, a woman can feel pressured to accede to such payments. If she does, she can be prosecuted if she refuses future sexual demands and seeks help. Prosecution can result in the loss of child custody and benefits.
CONCLUSIONS

An analysis of the findings and their consequences and what needs to change.

CONCLUSION 1: Prosperity isn’t produced with a series of well-guarded lines; it is produced through a continuum of access

A new framework with different incentives is needed; one that replaces many of the lines with a continuum. We must imagine a different “game”; one that adds ladders and blocks chutes so that the probability of continual advancement increases significantly. Rather than lines, we must think of a continuum which the Citizens League calls the Prosperity Continuum (see Figure 3). The policy need is to imagine and create the Prosperity Continuum. In our view, the Prosperity Continuum is not an artifact only for the poor—but for all Minnesotans. As long as the poor are treated differently based on the well-guarded system of lines and must play by different, more challenging “rules,” they will struggle to get ahead. In the meantime, we note that more and more Minnesotans are at economic risk as the probability of chutes—loss of a job, a health shock, foreclosure—has grown.

Reading the prosperity continuum (Figure 3) – Across the top (horizontal), are the two most fundamental needs that we consider critical for prosperity, health and education (inspired by Maslow’s needs hierarchy). The policy silos that represent a few basic the ways that we currently fragment public resources and establish streams of revenue for narrow purposes along the lines we have drawn. For visual reference, we place “poverty” in the lower left corner of the figure. Just to the left of “poverty” on the vertical axis are three elements that are needed to support prosperity. The most fundamental is access, followed by asset development and skill development. These elements can be thought of as three lenses that we might use to cross-cut the policy silos and pool resources for people to enter the prosperity continuum from wherever they are currently situated. Running along the continuum are the barriers that our current system and society have erected to prosperity. The rules and regulations that require the primary activity of navigating the lines of access and the disparities based on race and income that are embedded in many institutions and opportunities for prosperity.

Adjusting the current system and making it easier for people to access resources can help, but the current structure is too limiting to significantly develop human capacity and build civic infrastructure in the ways that we envision. All Minnesotans, not just those in poverty, are on the prosperity continuum – your assets, capacities, and connections determine where you are on the continuum.

The ideal prosperity continuum will:

- Create barriers to downward movement through connections, networks, civic infrastructure, peer-to-peer accountability, prevention oriented assistance
- Remove barriers to upward movement, barriers such as lack of access, asset restrictions, excessive rules, systemic disparities.
- Provide momentum for upward movement through access to health, education, asset development, skill and capacity development
The Prosperity Continuum

*The Prosperity Continuum seeks to integrate resources by cross-cutting the policy silos.

- **Physiological**—food, sleep, health
- **Safety**—shelter, removal from danger
- **Belonging**—love, affection, being a part of groups
- **Esteem**—self esteem and esteem from others
- **Self-actualization**—achieving individual potential

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<th>BASIC POLICY SILO</th>
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<td>Medical</td>
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<td>Medical</td>
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- **Naviving the line of access**
- **Rules and Regulations**
- **Race, Disparities**
- **Access cross-cuts through policy silos and resources**

*The Prosperity Continuum*
CONCLUSION 2: Health, education and access (to services, resources and opportunities) are the foundation of the prosperity continuum.

As stated in the introduction to this document: All areas of public policy are intertwined to some degree, but poverty is at the root of many of our most difficult public policy dilemmas.

That means that finding new pathways to prosperity must attempt to define fundamental entry points to a continuum that mainly moves people in the direction of prosperity.

In our discussions, the committee:

1.) Identified two general policy areas that are most fundamental to prosperity – health and education.
2.) Sought to provide some context through concepts such as Maslow’s Hierarchy of Needs.
3.) Chose access (broadly defined) as the key category to test across policy “silos” as we seek policy and program examples and ideas that:
   • support free-flowing upward movement on the prosperity continuum
   • remove barriers to upward movement on the prosperity continuum
   • create barriers to downward movement on the continuum (prevention is key to this approach)

CONCLUSION 3: We must move to policies that tap the capacity for independence and rely less on control.

Policies that provide access to the prosperity continuum and move away from navigating the line will require that we reassess the culture of control.

We need to move to policies that invest in independence rather than in receiving services through the control-based system. Discussion about moving to an asset-based approach, what that means, and how that would be different from our current approach.
The Citizens League Prosperity Project

RECOMMENDATIONS
Proposals for HOW we bring about change in current policies and systems

The over-arching recommendation
Minnesota must move from a series of lines to the prosperity continuum – Minnesota must fundamentally redefine and restructure our policies from “reacting to poverty” to “supporting prosperity.”

Our current approach to reacting to poverty has left many Minnesota families caught in a catch-22 (a “no-win situation”) with multiple lines and multiple definitions of what it means to be poor. Minnesotans need an exit out of this maze, an exit out of our old way of thinking about poverty and an entrance to a new way of thinking about what it takes to move towards prosperity.

Minnesota’s policies and systems must be reoriented, to think not in terms of what families need to survive, but rather what families need to succeed and prosper. In order to move upward on the prosperity continuum, individuals and families need to build assets that create a bridge to new opportunities; to build on capacities and skills that gain and maintain independence, responsibility, and accountability; and to build connections and networks within their communities that support their goals and open more opportunities leading to prosperity. Government is a key partner in providing families and communities access to the prosperity continuum, but only if we reallocate resources in a way that supports family independence, creates community networks, and provides flexibility for pooling resources to create the conditions for all Minnesotans to move towards prosperity.

This recommendation is a major departure from our current system’s approach in several ways. We suggest Minnesota move away from a ‘delivery of services’ health and welfare system in which families are seen as (and feel like) receivers of benefits that may provide relief from a crisis, but does not address a sustainable move away from poverty and towards prosperity. We must change from a system based on suspicion and low expectations, and move to one based more on independence and trust. We should see government benefits as the tools for family success rather than ‘handouts’ to alleviate immediate distress. This will require the reallocation of resources to support family independence and community networks.

To build human capacity we need to reduce stress and chaos and turn that energy and resource into supporting prosperity. The policies and practices of governments and other institutions should not make poverty more stressful.

We offer a set of recommendations that we believe moves Minnesota towards policies that build prosperity by refocusing on family independence, on strong networks within communities, and reallocating government resources in a way that leverages these strengths and integrates government’s role more harmoniously with that of Minnesota citizens and communities. We believe these recommendations meet our values of human capacity development, the creation of civic infrastructure, and fair and equitable access to the continuum.
SIDEBAR: What are “Assets?”
We have conceived of ‘assets’ broadly to include, not only monetary assets, but also other kinds of assets needed to seek prosperity. These include:

**Human Assets** – are assets that people possess that they can use indirectly to move towards prosperity. These types of assets can be jobs, education, skills, etc. People can use these assets by applying them directly to acquiring the things they need (e.g. managing family finances to save for a new home) or indirectly (e.g. going to school to get an education, which leads to a job, which produces hard assets).

**Community Assets** – are assets that people can use together to move towards prosperity. These types of assets can be relationships, shared resources, etc. People can use these assets by connecting with each other to identify how they can acquire assets by working together. An advantage of community assets is that the more there are and the better connected a community is, the easier it is for any community member to access these resources.

**Hard Assets** – are assets that can be used directly to move towards prosperity. Examples of these types of assets are: cash, property, food, shelter, etc. People can use these assets by using the asset directly or by selling or trading for the items they need.
We believe most Minnesota families have the capacity to be independent. When families find themselves facing a crisis, they should not have to go through a complicated maze in order to get access to the resources they need to recover. Families should have access to a range of assistance options that, given their particular circumstances and needs, they can use to help themselves get back on track and stay out of poverty. To that end, we offer two recommendations for Family Independence:

Recommendation 1: Recast the role of welfare practitioner from a service delivery agent or caseworker to one of asset investment advisor or broker.

The relationship between practitioner and the family has huge implications for the family’s independence and perception of control over their own destiny, and has implications for the family’s sense of ownership for outcomes and their confidence in their ability to succeed. Given this, the current role of human and social service practitioners should move away from that of case manager and supervisor of eligibility requirements. Instead, practitioners should serve as advisor or broker, providing families with a comprehensive assessment of their assets – including human, social and community assets – and of the range of opportunities from which they might choose as they plot a course for their move out of poverty and towards prosperity. This could include a menu of available resources within their community that they might access for capacity building, group problem-solving, family cooperatives, and neighborhood social networks. A short-term and long-term plan could be co-produced between family and advisor (and any other family or community supporters that are identified) with an adequate time-frame and benchmarks by which success could be measured.

Recommendation 2: Give incentives directly to families and hold them accountable for identified outcomes.

In instances where families need direct financial assistance, we should invest directly in families with cash incentives and allow them to take charge of their own success. Incentives could include a conditional cash transfer (CCT) or some other rewards system that clearly defines the specific outcomes to be achieved by the incentive. This ensures the investment in the family does in fact result in an outcome that is positive for the family and for society. For example, a family might be given a CCT that allows them to meet their basic needs and let’s them invest in an education that includes marketable skills or in a living space that is healthy. In both respects, society benefits because the family is able to contribute to the economy through a higher paying job (and higher taxes) and/or ideally has lower healthcare costs because their living environment no longer makes them sick. Incentives should be coupled with access to resources and supports available in the community to aid in the family’s successful achievement of goals.

Discussion:

In order to move towards prosperity families must gain and retain management responsibility for their family’s financial recovery and future success. And they must be given clear outcomes to achieve that are tied to an incentive. One of the fundamental shifts we must make in Minnesota’s approach to poverty is to rethink our conception of the role of families who are experiencing poverty. We believe most
**The Citizens League Prosperity Project**

Minnesota families have the capacity for independence and that our policies and systems should be designed to take advantage of that independence. For those who demonstrate this capacity, our system should build on this strength and provide information and choices, retaining as much decision-making responsibility as possible.

We recognize there will always be some families that will not be able to exert a high level of independence and will need more intensive assistance involving trained professionals. For these families more specialized services are still necessary. To the extent possible, however, all families should be given the opportunity to remain as independent as possible and to maintain responsibility and ownership for their own present and future lives.

Shifting the relationship between families and government away from paternalism and towards independence and an expectation of competence is more likely to engender or reinforce responsible behavior on the part of families. Behavior happens within a social context and is a reflection of the expectations placed on the family. If responsible, accountable behavior is expected, the system should allow that behavior to be expressed. Families should be given the opportunity to engage in financial decision-making and planning, to make choices about which resources will best fit their needs, and to engage in problem-solving on behalf of their own family and in collaboration with others in their community.

Ideally, we are looking to invest in assets that the family has, but also to build the assets that are needed. We are looking for a model in which the family works in partnership with government and other community members and resources. The key is that:

- the family maintains some in control of decision-making
- incentives are tied to specific outcomes that support prosperity, and
- accountability is built through benchmarks and goals that are co-produced between the family and those making up the support system.

This recommendation will require a reorientation of our concept of how we respond to families in need and – in some cases – a retraining of the existing workforce in human and social services. This will also require restructuring of our human and social service organizations in which practitioners must function (see recommendation 6). This will be challenging and a period of transition should be expected, and should not be done so quickly as to disrupt assistance in a destructive way, but should be aggressive enough to make sure change comes sooner rather than later. For a time we may have parallel processes, as we shift resources from the old way to the new.

This new model of supporting family independence will have advantages not just for families, but also for practitioners. No longer will practitioners be expected to micro-manage family decisions, nor will they have to serve as an overseer or disciplinarian who’s primary tool is coercion. Instead, the practitioner can provide positive incentives and clearly defined goals and have a relationship that is supportive rather than antagonistic. The family makes decisions and choices and is responsible for achieving outcomes, while the practitioner focuses on strengths and opportunities and on finding and providing access to community resources.
FAMILY INDEPENDENCE – PROGRAM EXAMPLES

FAMILY INDEPENDENCE INITIATIVE
As illustration, the Family Independence Initiative (FII) [www.fiinet.org](http://www.fiinet.org) was launched in Oakland, California as a strategy to create asset-building opportunities to let working poor families chart their own course to economic resilience. The project placed the responsibility for making change on families rather than relying on public sector or non-profit human service case management system to fill their needs. The program has been replicated, most recently in Boston, MA. Below are the initiatives core principles which lay the foundation for policy work to move large scale transformation of poverty reduction efforts at local, statewide, and potentially the federal level.

**FII’s 7 Core Strength-based Approach for Impacting Poverty (Summarized from FII Website)**

1. **Target working-poor* families.** Identify families with initiative and potential, but who may be stuck for any number of reasons.
2. **Families must work together.** Build on US history/traditions of immigrant communities and mutual aid societies working together to move their whole community from poverty to middle-class status. Based on this tradition FII families bring together “natural communities” bring together peers that generally include others of the same ethnicity/race who are connected through church, extended family, culture, and/or other common interests.
3. **Families set and act on their own goals.** Instead of providing families with services or direction, we facilitate their effort to seek support/knowledge that aligns with their own goals and priorities.
4. **Short-term Intervention.** We challenge families to take control of their lives in two years. Families report that the time limit and required monthly report keep them focused on their goals.
5. **Families must have ownership of the project.** FII’s staff is forbidden to lead or direct the families. Many low-income families are accustomed to taking direction—i.e. from social workers. By contrast FII staff will respond only when families take concrete action.
6. **Reward action.** Public and philanthropic support focuses on funding programs that identify a low-income family’s needs. FII focuses on identifying the strengths of families. FII and rewards progress.
7. **Provide support with encouragement and validation.** While the monetary incentive rewards are helpful, families say that FII’s trust and belief in their capability is even more valuable.

Essentially FII offers a theory of change that aligns well with the prosperity continuum.
NEW YORK CITY OFFICE OF FINANCIAL EMPOWERMENT

Coming out of the recommendations made by the state of New York’s Commission for Economic Opportunity, the Center for Economic Opportunity was created to provide an array of intervention strategies for the state’s poor and working poor. A key function of the Center is to manage an Innovation Fund which is made available to cities that design and implement evidence-based programs aimed at poverty relief that can demonstrate results of reduced poverty.

One such program example is the Office of Financial Empowerment, an initiative of New York City’s Department of Consumer Affairs. The program aims to educate and empower low-income residents so they can “build assets and make the most of their financial resources” (http://www.nyc.gov/html/ofe/html/about/about.shtml)

The approach is to leverage local financial resources and create community partnerships to provide financial counseling services. Partnering organizations include “government agencies, community-based organizations, philanthropic partners, think tanks, and the private sector.” Their stated goals are to “increase financial literacy, improve access to smart financial products and services, and protect against fraudulent and deceptive practice.” Office of Financial Empowerment has three long-term empowerment goals:

- Empower individuals with low incomes by ensuring that they have sufficient knowledge to make financial decisions in their own best interest;
- Increase financial stability among low-income households by increasing assets, decreasing debt, and boosting incomes to help families meet their present and future needs;
- Make New York City’s financial marketplace safer by diminishing predatory practices and increasing access to appropriate and affordable products and services

A recent New York Times article showcased a financial counselor, Juan Maldonado, who works for The Financial Clinic, one of the participating partners and a designated Financial Empowerment Center of the Office of Financial Empowerment. Mr. Maldonado has an office in a low-income neighborhood and provides free financial counseling to local residents. According to the article, “Mr. Maldonado, who started with the program in May, is equal parts cheerleader, counselor and money guru. Words like ‘leverage,’ ‘earning power’ and ‘asset-building goal’ spill easily out of his mouth… Mr. Maldonado will not hold clients by the hand, but he will show them the way.” The need for this kind of resource in lower-income communities is explained by Jonathan Mintz, New York Department of Consumer Affairs Commissioner. “You need to be able to sit down with a professional who is going to look at your financial problems, at your documents, and help you through the crisis, like folks in higher-income tax brackets do.” Mr. Maldonado added, “Debt is the scary thing that gets people in here. But once they realize this is about taking control of their lives, they come back for more.”

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OPORTUNIDADES OF MEXICO

Formerly known as Progresa, Oportunidades is a Mexican government program that a recent New York Times editorial credits as “Paying for Better Parenting.”

Oportunidades seeks to address issues of education, health and nutrition among Mexico’s poor families. The program began in 1997 and was targeted to rural poor families with school aged children. The program has since been expanded to include urban families and has received major support from Mexico’s government – the program makes up 46.5% of Mexico’s federal budget for poverty alleviation and prevention, helping approximately 5 million families - one in four - of Mexico’s families.

Prior to this program, poor rural families often found it necessary to take children out of school so they could work and bring in income for the family to make ends meet. This meant the children did not receive an education and often did not get proper nutrition or healthcare. Under these conditions children do not develop important human capital and health needed to move out of poverty.

The approach of Oportunidades is fairly simple: give families a monetary incentive – a cash transfer – to send their children to school, to take them to regular health clinic appointments, and provide nutritional food. The cash grant is given to families to make up for the income they would otherwise gain if they sent children to work. But the cash grant is conditional on the family engaging in three critical activities:

**Education** – families are given grants to send children under the age of 22 to school. As children advance to higher grades the grants increase. Grants for sending girls to school are slightly higher.

**Nutrition** – families are given a fixed monthly stipend for improved food consumption and nutritional supplements. Mothers must bring children in for regular check ups and attend information seminars at health clinics to continue receiving the stipend.

**Health** – families are given grants for basic health care with an emphasis on preventative health care.

The grants average $30 to $35 per month per household – about a third or fourth of a typical poor family’s monthly income. A cap of $153 was established to remove the incentive to have more children. Grants are typically given to the female head of family as research has shown they tend to make better use of financial resources. Because the grants go directly to mothers, administrative costs (and the potential for corruption) are reduced.

A rigorous, ongoing evaluation process was planned from the programs inception and is carried out by an independent organization, the International Food Policy Research Institute, and by academic economists. Results have been highly positive in school enrollment, health clinic attendance and nutrition. In rural areas, children’s school attendance has increased by 85%. Recent improvements to the program, based on evaluation recommendations, include a savings plan for participating high school youth.

“The positive impacts of Oportunidades show that conditional cash transfer programs of this nature can be an effective feasible instrument in both reducing current poverty as well as improving the future of children through increased investment in their health and education.” – Shanghai Poverty Conference.
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Oportunidades is the model for similar programs now offered in 25 other countries.


http://www.wilsoncenter.org/index.cfm?fuseaction=events.event_summary&event_id=197021


TARGETED WAGE SUBSIDIES

Work done by Macalester Economist Raymond Robertson, suggests that current income supports depress economic activity, while using the same funds as a wage subsidy would add to economic productivity. (See Appendix D.)

With this question in mind, we reviewed three wage subsidy programs:

- Canada provides a subsidy to employers that hire persons having difficulty finding employment; the subsidy cannot exceed 60% of the overall wages earned by a person. Virtually any type of Ontario, Canada employer from public or private sector is eligible for the subsidy.
- Minnesota Emergency Employment Development (MEED), a Minnesota program from the 80s, provided subsidies to companies to hire unemployed workers from the distressed agriculture/farming sector. It has seen resurgence in popularity, due to the current economic climate, and is thought by some economists to cost a fraction of the money necessary to create a job through recent employer incentives under the American Recovery and Reinvestment Act.
- Finland administers wage subsidies to all interested and profitable employers through its Ministry of Labor. The requirement for participation by an individual is that they have experienced long-term unemployment, or are under the age of 25. Additionally, unemployed graduates of adult learning programs (technical school) are eligible participants once they have completed an unpaid internship.

Work-study for college students is an example of wage subsidy that encourages higher education attainment. A student receives a total financial aid package and can convert a portion of their overall award to work-study. The converted aid then goes to the student’s employer to cover a portion of their wage, with the employer making up the difference between the wage assigned to a student’s job and the amount paid through financial aid. There is a lesson to be learned from the federal work-study program’s longevity.

The basic logic behind wage subsidies is that if Company X gets a grant from government to hire a worker whom might otherwise be unemployed, then Company X will increase its full-time workforce. The subsidy is equal to the difference between prevailing wage for the job an eligible employee is hired to perform and a certain percentage of the overall wage or designated dollar amount, which may in turn increase the supply of low-wage/low-skilled jobs.
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A major concern with wage subsidies is that Company X is likely to replace an existing employee with one eligible for a wage subsidy, in order to maintain its current level of production at a lower cost. To address this concern, programs often withhold full payment of the subsidy until after the eligible employee has been with Company X for a certain amount of time.

**Small Group Recommendation:** Wage subsidies provide a good incentive for companies to hire if they find themselves in a situation where it makes sense for increased production. The subsidy itself does not create demand, and as a result weakens the case for increased production through more employees. It is our group’s opinion that a wage subsidy is a worthwhile tool, but limited in its scope.

We recommend a wage subsidy program that complements the current economic climate/job market. To that end, we recommend a wage subsidy model whereby employers in emerging fields (those experiencing significantly higher growth than the average job sector) are able to participate in the program. The logic behind this is that those emerging/growing fields have a demonstrated need for a larger workforce and greater production.

We recommend that everyone who has been eligible or is currently eligible for Unemployment Insurance (UI) in the last six months be able to access the newly-created jobs. Further, it is recommended that a portion of a potential employee’s UI be able to be used as a wage subsidy or as financial aid for higher education. Finally, our group recommends that participants in the wage subsidy program currently eligible for UI not have their assets capped after 60 days of employment until their eligibility is ended.

**Human Capacity Value:**

As stated in the Citizens League mission, all Minnesotans have the capacity to understand complex public issues and to problem-solve and devise solutions. When faced with poverty, families should have the opportunity to use this capacity to problem-solve and develop solutions on behalf of their own families and other community members. Families should not waste their human capacity navigating a series of eligibility lines that leave them trapped in poverty.

Policies that support family independence help us meet our human capacity value. By allowing families the greatest degree of independence possible, we allow them to maximize the use of their human capacities towards building prosperity. And by working with an advisor who does not take responsibility away, but rather shares information on a range of choices and community resources, families retain ownership and accountability for movement towards prosperity.

Family independence policies should be geared to promote capacity building in families. They should develop their decision-making and money management capacity. They should gain experience in setting priorities and in working thorough problems in cooperation with other supportive members of the community. They may experience new institutional environments (e.g., if they go to college for the first time). They gain confidence having accomplished a goal or set of goals. These are the human skills needed to participate more fully in public life and in governing for the common good. Human capacity should be used towards self-determination and self-actualization.
Contrast this with a key part of the welfare system – receiving food stamps. Like many other parts of a system that is deficit-based and reacts to poverty, this does not result in a feeling of accomplishment. The incentive is not tied in any way to the achievement of goals. It does not lend itself to financial recovery. In addition, taxpayers do not feel like they have invested in anything that is building capacity.

There is a benefit for all stakeholders in the family independence model. Families themselves remain in control of their lives and build on their capacities. Practitioners are able to apply their professional training to help people move towards prosperity rather than monitoring their compliance with rules. And government maximizes the use of resources by integrating the untapped resource of families and communities into strategies for preventing poverty and supporting prosperity.
RECOMMENDATIONS RELATED TO COMMUNITY NETWORKS

“Too often, families are disconnected from the opportunities and supports they need to succeed. Their communities struggle to mobilize the resources and connections that strengthen families. These challenges can thwart the efforts and aspirations of even the most resourceful families and lengthen the odds against their children doing well.”

– Anne E Casey Foundation’s Rural Family Economic Success initiative

A second fundamental shift we must make in Minnesota’s approach to poverty is to rethink our conception of the role of communities in supporting prosperity. The organizations and structures within communities that create and sustain relationships between networks of families is one way to provide the kinds of connections people need to move out of poverty and towards prosperity. Networks allow families to use their human capacities in cooperation with others and are a mechanism to build social capital. Networks are able to have multiple center points and as such are a means to better connect the different resources within a community that may come from different sectors – government, non-profit, faith communities, businesses, and citizens. To that end, we offer three recommendations for community networks.

Recommendation 3: Create structures to provide a community network of supportive families

For families to be successful in managing direct incentives and meeting objectives, they will need support networks made up of families and other resources in their own community. These families can provide mentoring, co-learning, group problem-solving, peer-to-peer accountability, and community celebration of success. Ideally, families will be linked with other families that are similarly situated as well as with those who have different experiences and can share stories of success. Community networks can also include practitioners with skills in understanding family dynamics and can share their expertise in a cooperative relationship, without taking responsibility away from the family for making decisions or accountability for achieving goals.

Recommendation 4: Replace the traditional service-delivery model with ‘integrated community resource hubs’

For those who need assistance that involves trained professionals, a community-embedded resource hub should be provided as a collaborative between multiple organizations – government agencies, non-profit organizations, faith communities, private businesses, and neighborhood associations. The hub should move away from a ‘delivery of services’ model, to one oriented around asset inventory and use, co-production of solution strategies, and leveraging of multiple resources. Existing institutions, such as schools, houses of faith, community centers, clinics, must become greater connectors that integrate and manage current assets in a more additive way.

Families who access community resource hubs should retain as much independence as possible but also be expected to co-produce strategies to move forward on the Prosperity Continuum. Recognizing that
accessing resources often denotes a loss of independence on some level, policies and practices should always look to build capacity and increase independence to the degree possible.

Recommendation 5: Provide cross-training of practitioners from multiple organizations combined with a team-oriented network structure.

We touch on this in recommendation 2, “Recast the role of welfare practitioner,” which calls for moving to an asset-based rather than a problem-based approach to working with families. This recommendation is about how the system will need to change in order to accommodate this new approach to working with families. Organizational structures will need to change so that practitioners and other community resources are able to work together in cross-functional teams.

Cross-training would allow a professional to work with individuals and families on a range of issues impacting their experience – not only to access food or housing supports, but also to access community social networks. Acknowledging, however, that not all staff can be trained in all areas, the cross-training should be complemented by an organizational structure that allows several professionals to work together in teams. Cross-trained staff can better serve a given family with a range of issues. When several professionals work in a team setting, a view of the broader community environment is more easily seen, such as when many families in a given community are experiencing similar issues. Coordinating resources where they are most needed becomes more efficient when this ‘view of the whole’ is made apparent.

The team approach is not new, but it can only be successful if the policies that define the agency structures in which people function also change. This recommendation will require new flexibility in the funding silos (see recommendation 6). If we are move to an approach based more on independence, we might ultimately need fewer specialized practitioners.

Discussion

Our family independence recommendations would be incomplete without a parallel recommendation to build the kinds of networks within communities that families need in order to be successful in their move away from poverty and towards prosperity. As noted in our findings, some families who experience poverty may become isolated from their communities and even from their own extended family. Our policies and programs intended to address poverty should increase access to supportive community members, associations, organizations and resources.

While families have responsibility for the choices they make, communities have a responsibility to ensure fair choices are available and to create mutual accountability for community success. Our focus on family independence should not be interpreted to mean families should solve their own problems alone. Rather, families need the opportunity to work with others in order to develop solutions together.

Families need to have connections not only with family and peers, but also with fellow community members who can provide different perspectives and access to relationships and resources outside the family’s usual sphere. In other words, these connections need to cross-cut traditional social boundaries –
families with low-income should be able to interact with families of moderate and high income. And families of one cultural group should be able to interact with families of other cultural groups. Social scientist Robert Putnam calls this ‘bridging’ social capital – the kind of connections that give one access to resources and relationships not typical to their familiar social groups.

Most of our policies intended to alleviate poverty do not address this fundamental relationship between families and their communities. Instead we tend to focus on individuals and their needs and offer targeted programs and services that simply respond to these needs. Because of that, we argue there are many missed opportunities to tap the potential of communities and leverage a range of resources that are more likely to support pathways to prosperity. Community networks not only help lessen the isolation of poverty, but could even increase the resilience of families by helping them build capacities as they work in partnership with others who have a common interest in building strong community ties.

In our review of programs that address poverty, many of the community-based programs emphasized several key themes:

- Focus on the ‘whole person.’ Don’t address one need in isolation. For example, if lack of food is an issue, don’t simply issue food stamps without taking stock of the current situation and the assets and capabilities available.

- Take a family-centered approach. Individuals do not live in a vacuum. People are surrounded either by a family or some kind of affinity group that has great influence on their experience and the decisions they make. Working with the whole family means the support system that surrounds the person is seen as an important asset to all individuals within that family. Strengths inherent within that family should be reinforced and negative patterns called out and addressed.

- Work within the community in which people live. This allows the person to stay within familiar surroundings, to meet them ‘where they live.’ This also makes it easier for the person or family to bring in peers that live within the same community to form a support circle. Resources within the community can be identified more easily if the ‘epicenter’ of prosperity building is located within one’s own home community.

- Utilizing existing institutions within a community can maximize collaboration. For example a school might be the ‘home base’ for families to come together to work collaboratively on a range of issues and to problem-solve as a community on how to address barriers and build bridges to prosperity for all.
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COMMUNITY NETWORKS – PROGRAM EXAMPLES

HORIZONS

A community leadership program aimed at reducing poverty in small rural and reservation communities (of less than 5,000) that have a poverty rate of at least 10 percent, Horizons allows communities to explore perceptions and sources of poverty, build stronger community leadership, and engage the entire community in developing a vision for prosperity for all. It engages the community in establishing new expectations: that as long as one person or family lives in the isolation of poverty, the community as a whole will never achieve full prosperity. Over 30 communities in Minnesota (284 in a seven state area) participate in Horizons. A few examples of what communities have accomplished:

- Community gardens that teach youth how to grow food and contribute to healthy eating for families
- Local businesses being saved or started by communities committing to support each other
- Microloan program being developed to assist with basic car repairs or home improvements to maintain family assets
- Community members being empowered to run for elected office and bring the voice of low income families to the policy table
- Workshop opportunities to educate individuals and families on financial management, earned income tax credits, and access to financial resources.

COMPLEMENTARY CURRENCIES AND TIMEBANKS

Sometimes called secondary currencies or community currencies, the purpose is typically to rebuild local economies in areas suffering from a shortage of cash where untapped capacity is accompanied by unmet needs. It acts as a complementary medium of exchange to be used alongside national currency, but unlike conventional money it cannot leave the area, therefore ensuring there is always enough currency to allow people to trade amongst each other, even with a shortage of national currency.

Complementary currencies have been identified as a tool for alleviating the worst impacts of recession, for strengthening the local economy, and for developing skills and employability among the unemployed, perhaps providing a stepping stone into formal employment.

CIRCLES OF SUPPORT

http://www.kootasca.org/circles_guiding_coalition.html

Circles of Support is an effort employed in Itasca and Koochiching counties by community-action organizations as a means to connect families in a community with each other. A “circle” consists of a focus person or focus family who would like community support in achieving a set of goals. The person or family is surrounded by a support network of friends and neighbors, family members, and in some cases community professionals who help in the identification of goals and in the development of a plan to move towards those goals. The circle also can help the family identify their own strengths and the strengths and resources within the community from which to draw support. The circle also can help identify barriers, both personal and community-level, that must be overcome in order to move forward.
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The focus family is always in control of decision-making, but the group helps them problem-solve issues and devise an action plan for success. Goals might cover areas such as income and budgeting, education and training, and developing stronger relationships and meaning.

Circles are deliberately diverse, meaning they will often cross lines of race, class, and culture. This is intended to broaden a family’s network of associations and connections that can lead to broader opportunities. Circles of support are designed to give a family confidence and encouragement, an opportunity to build competencies in a supportive environment, and to strengthen the overall fabric of the community.

Circles of support are also helpful to other members of the community who serve as part of the support network. Perspectives around poverty and its causes are deepened as community members get the chance to see first hand what families experience, what efforts they apply to their own move away from poverty, and what barriers are inherent in the community that may not be obvious to an outside perspective. Having the chance to talk openly about poverty and its impact on the whole community is important if old habits and barriers are to be broken and new approaches and supportive structures are to be built and sustained.

FROGTOWN FARM
http://www.frogtowngardens.org/Welcome.html

With the twin goals of preserving green space and developing an urban farming opportunity for residents, St. Paul’s Frogtown Farm is an initiative with high expectations. Local community activists have developed a prospectus that begins with the purchase of a 13-acre lot formerly occupied by the Wilder Foundation’s headquarters. Plans include the preservation of a sledding hill and a stand of mature oak trees, and a demonstration farm that includes a greenhouse, fruit orchard, community gardens, chicken coops, small herd of goats, a bee hive, mini-farmers market and communal bread kitchen.

The intent is to provide Frogtown neighbors with a community shared project that will instill a sense of community collaboration and pride, as well as provide fresh, healthy produce, eggs, cheese, honey, and bread, all of which neighbors can sell at the mini-farmers market. Neighbors also will develop gardening skills that they can use on their own home properties to plant small yard gardens, and develop small business management skills. The green spaces would also provide much needed recreational space for families to relax and engage with neighbors.

Projects like Frogtown Farm provide a common community project that has the indirect benefit of creating a social network of neighbors who might otherwise never interact. Technology is also used to keep neighbors connected and to further collaboration potential. The Frogtown Farm web site allows neighbors to keep in touch, coordinate farm work, and develop a clearing house of other community resources and organizations through which neighbors can access other kinds of supports and relationships.
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COMMUNITIES OF HOPE

Communities of HOPE in Detroit was founded on the belief that affordable and government-subsidized apartment communities can be transformed into positive, supportive and healthy places to live, grow and raise families if the residents, key stakeholders, and partnering organizations come together with the intent of creating value, reducing waste, and developing “social capital” that enhances lives. Initially, Communities of HOPE is working with about 25 apartment communities in metro Detroit that are managed by Premier Property Management, LLC. Communities of HOPE is planning to expand to other cities, starting with Minneapolis. Communities of HOPE also increases their impact by bringing together multiple programs in ways that cause their impact to multiply. A good example is the innovative co-op food purchasing program being deployed by Communities of HOPE that enables healthy diets which enhance learning, social functioning and reduce health problems. That same co-op food purchasing system—which would be hard to do without the strong support of the property management firm—can also create some valuable infrastructure to support local food economy micro-entrepreneurship that allows residents to ramp up healthy food-related businesses that keep Food Stamp dollars re-circulating within the local food economy.

PROJECT HEALTH
http://www.projecthealth.org/

It started with a simple question: "If you had unlimited resources, what would you give your patients?" For Rebecca Onie, who asked this of physicians during her weekly visits to Boston Medical Center as a Harvard sophomore, the answers were illuminating. "I have a kid who comes in with an ear infection, and I prescribe antibiotics," says Onie, paraphrasing one of the doctors. "Meanwhile, the real issue is that there's no food at home, or the family is living in a car." It is that connection between health and poverty, all too often unaddressed, that pushed Onie to found Project Health.

The nonprofit places some 600 undergraduate volunteers a year in hospitals and community health centers, where they assist physicians who realize that their patients are grappling with such problems as hunger or homelessness. "The idea is that these factors should be treated like any other clinical indicator," says Onie. "Access to food and access to housing are just as critical to a patient's health and likewise should be screened for as a standard part of every patient visit."

Doctors at participating clinics in six cities can write nonmedical prescriptions for assistance with utilities or other factors that may be underlying reasons for low-income patients' health problems. Patients then take their prescriptions to a Project Health desk, where a volunteer will help them find government or community resources (housing vouchers, child care, etc.). The process is meant to bridge what Onie calls an information gap, which exists both for patients who don't know where to go for help and for doctors who are equally clueless about where to send them.

Founded in 1996, the program now helps about 4,000 families a year in clinics where social workers are few or nonexistent. Says Onie: "We're an example of how a very simple solution can have a real impact on health."
Called "one of the most ambitious social-service experiments of our time," by The New York Times, the Harlem Children's Zone Project is a unique, holistic approach to rebuilding a community so that its children can stay on track through college and go on to the job market.

The goal is to create a "tipping point" in the neighborhood so that children are surrounded by an enriching environment of college-oriented peers and supportive adults, a counterweight to "the street" and a toxic popular culture that glorifies misogyny and anti-social behaviour. The two fundamental principles of The Zone Project are to help kids in a sustained way, starting as early in their lives as possible, and to create a critical mass of adults around them who understand what it takes to help children succeed.

The HCZ Project began as a one-block pilot in the 1990s, then following a 10-year business plan, it expanded to 24 blocks, then 60 blocks, then ultimately 97 blocks in January 2007 as Phase 3 was launched. President Barack Obama has called for the creation of "Promise Neighborhoods" across the country based on the comprehensive, data-driven approach of the HCZ Project (see below).

The HCZ pipeline begins with The Baby College, a series of workshops for parents of children ages 0-3. The pipeline goes on to include best-practice programs for children of every age through college. The network includes in-school, after-school, social-service, health and community-building programs. The pipeline has, in fact, dual pathways: on one track, the children go through the HCZ Promise Academy charter schools; while on the other track HCZ works to support the public schools in the Zone, both during the school day with in-class assistants and with afterschool programs.

For children to do well, their families have to do well. And for families to do well, their community must do well. That is why HCZ works to strengthen families as well as empowering them to have a positive impact on their children's development.

PROMISE NEIGHBORHOODS

The U.S. Department of Education’s “Promise Neighborhoods” program seeks to promote a "place-based" approach to, such as represented by the Harlem Children’s Zone. Promise Neighborhoods are ones that produce well-coordinated actions to break down “silos” of important services aimed at developing our youth. The grant will provide funding to local entities, including nonprofit organizations and institutions of higher education to significantly improve the educational and developmental outcomes of all children in our most distressed communities.

Promise Neighborhoods are those that:

- Increase neighborhood based capacity to build a college-going culture
- Build a continuum of academic programs and family and community supports, from the cradle through college to career, with a strong school or schools at the center
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- Integrate programs and break down agency "silos" so that solutions are implemented effectively and efficiently across agencies
- Work with local governments, to build the infrastructure of policies, practices, systems, and resources needed to sustain and "scale up" solutions across the broader region beyond the initial neighborhood

The fourteen communities applying in Minnesota are:
- Blackduck Public Schools
- Jewish Family and Children’s Service of Minneapolis
- Leech Lake Band of Ojibwe
- Little Earth of the United Tribes
- PEACE Foundation
- Phyllis Wheatley Community Center
- Robbinsdale Area Schools ISD #281
- Mille Lacs Band of Ojibwe
- Red Lake Nation Boys & Girls Club, Red Lake Indian Reservation
- Boys & Girls Club of Rochester
- Child Care Resource & Referral (Head Start)
- Amherst H. Wilder Foundation
- Boys & Girls Clubs of the Twin Cities
- White Earth Reservation Tribal Council

NORTHSIDE ACHIEVEMENT ZONE
http://northsideachievement.org/

One of the applicants, the PEACE Foundation has already begun work on the Northside Achievement Zone (NAZ) in Minneapolis. According to the website, community organizations began gathering in late 2007, inspired by the success of the Harlem Children’s Zone, to form a collaborative effort that works to guarantee opportunities for all children growing up in the area of the Northside most impacted by crime, violence, and poverty.
- Collaborative partners throughout the region focus resources in the Zone to support youth and families.
- Emphasis on education and life success creates a vision for the future for individuals and the community.
- Shared messaging about success and opportunities for youth across organizations will impact achievement.
Mayo Clinic’s founding physician, Dr. William Worral Mayo, once said “No one is big enough to be independent of others.” His point was that the practice of medicine has become incredibly complicated and involves doctors, scientists and other professionals from a variety of fields that must all work cooperatively if they are to provide the best medical care possible. Mayo Clinic has developed a “model of care” that is based on the principle of collaboration, between professionals of differing fields and between these professionals and the patients to seek to serve. The fundamental elements of the Mayo Model of Care include:

- **A team approach** that relies on a variety of medical specialists working together to provide the highest-quality care
- An unhurried examination of each and every patient with time to listen to the patient
- Physicians taking personal responsibility for directing patient care in partnership with the patient’s local physician
- The highest-quality care delivered with compassion and trust
- Respect for the patient, family and the patient's local physician
- Comprehensive evaluation with timely, efficient assessment and treatment
- Availability of the most advanced, innovative diagnostic and therapeutic technologies and techniques

In practice, the **Team Approach** at Mayo Clinic is designed to provide accurate diagnoses and best treatment options for each patient. They refer to this as “cooperative science” and claim it is the hallmark of the Mayo Clinic. “The Mayos understood that medicine was far too complex for any one person to fully know. As a collaborative team, medical specialists work together to diagnose each patient and recommend courses of treatment.”

**Civic Infrastructure Value**

In order to assert their human capacity to govern for the common good, Minnesotans need the means to deliberate and make democratic decisions as a society. Civic infrastructure is the organizational, institutional, and social structures, both formal and informal, that provide connections between members of a community, between practitioners and families, between disparate programs, between policy advocates and decision-makers, that reinforce the ability of whole communities to collaborate, build resources and networks, and collectively support the community’s pathway to prosperity. Families should not be limited to a closed loop of connections that leave them isolated from their communities.

It is in the context of civic infrastructure that we find the current “silos” based on policy areas to be counter-productive (see the discussion of recommendation #8). These silos serve to artificially compartmentalize different aspects of the human experience, such as health, education, employment, housing, transportation, etc. Civic infrastructure is needed to interconnect or “cross-cut” these funding silos so that these areas so central to our quality of life can be integrated and attended to in a more holistic way. Civic infrastructure is the bridge that provides access to and integration of these important resources.
In a community that is networked together, people are not just receivers of services, they are givers of support. They become problem solvers and solution designers. Establishing a network structure within communities will not only strengthen those families who participate, it will also strengthen the fabric of the community. This includes an improved community-level problem-solving capacity. And families who have relationships with practitioners that are oriented towards family strengths and community connections will strengthen government’s relationship with the public.

Community networks meet our civic infrastructure value by connecting families with each other and with the organizations and institutions that seek to alleviate poverty and build prosperity. They also make coordination of community resources more efficient in a way that includes residents themselves as partners in community building efforts. In order for families to move away from poverty and towards prosperity they need access to a variety of supportive networks that will connect them to other families and to community and government resources.

RECOMMENDATIONS RELATED TO GOVERNMENT ROLE

As we’ve illustrated, families have a key role to play in their own move out of poverty, and communities also have a key role in providing the connections and networks that link families to each other and to local resources. When families and communities are placed in the forefront of our strategies to reduce poverty and build prosperity the role of government then becomes one of creating the conditions for families and communities to build the capacities of people and expand civic infrastructure within all communities. By combining the strengths and efforts of families, communities, and government, poverty reducing and prosperity building efforts are more far reaching, mutually reinforcing, and sustainable for the long-term.

To create these conditions, our policies to address poverty must be aligned with this collaborative approach and our distribution of resources must be flexible enough to allow for the integration of efforts and investments. To that end, we offer three recommendations for government’s role in this more collaborative, holistic approach.

Recommendation 6: Minnesota must adapt an asset-building framework over all poverty reducing and prosperity building initiatives.

Minnesota must fundamentally rethink the purpose of our welfare programs and who has access to the prosperity continuum. We must move away from drawing the line and policing that line, and instead encourage all families to save, invest, and earn more in order to move towards prosperity. We allow (and create incentives for) unlimited asset growth for those at the higher end of the economic spectrum. We must adopt this same principle for lower-income families in danger of slipping into poverty by lifting asset accumulation limits for families who seek government assistance. Given that government assistance is now time limited, families should be provided with incentives and opportunities to build up financial assets – as well as human and social assets – all of which are critical for moving away from poverty and towards prosperity.
Since 1996, 23 states have eliminated Medicaid asset limits entirely; three states have eliminated TANF asset limits; and 24 states have eliminated SNAP asset limits, with several more planning to do so in late 2009. Three states have substantially increased the asset limits in their Medicaid or TANF programs, and 32 states have excluded several important categories of assets from these limits in one or both programs (see Table 8).

In Ohio and Virginia, the “early adopters” of TANF asset limit elimination, caseloads decreased in the years following the change.

Although Ohio budget analysts predicted a small increase in the TANF caseload as a result of eliminating the asset test, no caseload increase or political fallout occurred. In fact, Ohio caseloads remained at record low levels (70% below 1992 peak levels) as of late 2008, despite the national recession and increases in the TANF benefit level.

In Virginia, it was argued that asset test elimination would streamline and simplify program rules, align TANF with other assistance programs, improve service delivery and reduce the administrative burden on the agency, applicants and recipients. The top reasons cited for why asset tests were no longer needed were:

- Welfare reform’s time limits and work requirements made them obsolete;
- People use their resources before applying for benefits; Making people get rid of resources, only to encourage them to build resources back up, is counterproductive;
- Allowing asset development puts greater emphasis on employment and self-sufficiency; and
- Eliminating the asset tests has little impact on the caseload (only 1,200 of 60,000 applications, or 0.5%, were denied due to excess assets).

Since enactment of the new rules, Virginia has not seen a significant long-term caseload increase, even in the current national recession. Virginia’s TANF caseload in December 2008, one year after the start of the recession, was 37% lower than in 1997.

Source: CFED.

### Table 8: ASSET LIMITS BY STATE

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<tr>
<th></th>
<th>TANF</th>
<th>MN</th>
<th>Medicaid</th>
<th>MN</th>
<th>SNAP</th>
<th>MN</th>
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<td>22</td>
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<td>13</td>
<td>X</td>
<td>3</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>No Action</td>
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<td>X</td>
<td>15</td>
<td>24</td>
<td></td>
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</tbody>
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TANF (Temporary Assistance for Needy Families)

SNAP (Supplemental Nutrition Assistance Program)

Source: CFED
Recommendation 7: Minnesota must reallocate resources toward a system designed to strengthen families and communities and move all Minnesotans towards the prosperity continuum.

We must fundamentally reorganize and realign our structures and resources in order to move significant numbers of people away from poverty and towards prosperity. It is not enough to rely on government agencies as our primary means to counteract the symptoms of poverty. Our communities and the families within them are our first and best defense against poverty. We need the flexibility to integrate government funding streams so we can invest in community-wide structures and networks that strengthen family capacity and independence and that align and leverage the multiple community resources from different sectors.

A fundamental feature of this approach is that government no longer assumes a dominant role in the design and delivery of services. That role can ultimately be managed to a large degree by families and communities themselves, provided they are given the tools and resources needed to develop appropriate capacities and networks to help themselves. Government remains a critical partner in this endeavor and is best suited to provide a coordinating role with the many community organizations already in place and with new community organizations that can be created to take on other roles government currently provides. In this new role, instead of delivering services, government can focus on developing the collaborative structures and conditions that allow families and community partners to work together with government on developing and implementing policies that move towards prosperity.

Recommendation 8: Minnesota must provide a transparent and comprehensive representation of all government benefits, including tax expenditures, for public discussions about state spending and include all such benefits in any decisions to reallocate state expenditures.

Tax structures are developed based on the principle that people will pay taxes according to their income and other earnings that they have. Consistent with current policies and traditional U.S. values, those with the lowest incomes may need assistance to achieve minimal standards of living—which includes providing food, shelter, education, and minimal health care. And the state and its communities are given resources to provide services that assure that Minnesota residents will have access to basic community needs—through providing infrastructure such as public utilities; schools; roads and transportation systems; fire, police, and other services.

Beyond such basic services, all expenditures either providing services or foregoing tax revenues should be reconsidered in discussions that break down the silos through which we currently fund budgets through state government. This requires changes in how budgets are formed and deliberated at the legislative level beginning with committee structure and power.
Discussion

In our current system, government plays a dominant role not only in the definition of who is poor and who is deserving of assistance, but also in the delivery of government benefits, services and programs. While there are many other organizations, including non-profits, businesses, and the faith community, that address a range of needs for families and communities, these efforts tend to be highly fragmented, sometimes overlapping, sometimes underlapping, and generally not aligned or leveraged to comprehensively build family capacities and community infrastructure on a broad scale.

Counties have long been the designated distributor of human and social services and as tend to dominate the services provided in a given region. The extent to which counties collaborate with other organizations and with citizens can vary greatly. Maintaining this government-centric role can have the unintended effect of devaluing the role of communities and families.

A major factor in this arrangement is the way in which funding streams are aligned with various policy “silos” and committees at the legislature where policymakers along with the organizations and agencies that receive funding tend to defend their “turf” from any changes in the way that current activities are funded. This is not some devious construct, but rather a very natural progression from what began as a needed identification of policy areas where government presence was needed in some way decades ago. Now we have committees set up with the expertise to govern in their specific policy area (silo). These committees are bases of power that control budgets that they strive to keep in their silo. It would take extraordinary leadership and restructuring to move beyond the committee construct and start a significant reallocation of resources.

Our system needs flexibility to pool funding streams into integrated approaches to helping families as they really live. Current literature from the social service fields recommends treating the ‘whole person’ or ‘person in their environment.’ Yet we operate under a service delivery system that sends families to different offices for different needs.

Families should be rewarded for work – they should not face a disincentive to earn. Requiring families to spend down their assets before they are entitled to assistance only guarantees they will have no reserves to fall back on. And penalizing families for accumulating assets while they are receiving assistance poses very significant barriers to their effort to climb out of poverty. Families seek assistance because they cannot meet their basic needs, but during that time of assistance they also should be building up their assets so that when the period of assistance ends, they are able not only to survive, but also are able to move upwards on the prosperity continuum.
PROGRAM EXAMPLES

ASSET BUILDING THROUGH PRIZE LINKED SAVINGS

The Citizens League has been in discussions with the nonprofit D2D (Doorways to Dreams) and the Minnesota Credit Union Network to explore the potential for “prize-linked savings” opportunities in Minnesota. D2D, which emerged from research conducted in the late 1990s by Harvard Business School professor Peter Tufano, seeks to expand access to financial services, especially asset building opportunities, for low-income families by creating, testing and deploying innovative financial products and services.

Research has disclosed a number of barriers to saving money, including: the lack of childhood lessons about the importance of saving; feeling overwhelmed by life and getting by paycheck to paycheck; difficult and sometimes tragic prior experiences can make goals for the seemingly distant future seem unattainable; and pressure within social networks to share any resources. It is perhaps not surprising that 38% of lower income Americans surveyed said that winning the lottery was the most practical way to accumulate a large sum of money.

Based on the research and modeled after longstanding successful programs abroad, a “prize-linked savings” initiative was piloted in 2009 with Michigan credit unions. In seven months, more than 9,000 new accounts were created totaling over $4.5 million. Fifty-five percent of account-holders had not saved money regularly before; 44% had household income less than $40k and 16% under $20k; 39% had financial assets (excluding home equity) of less than $5,000; and 59% played the lottery in the prior 6 months.

ASSET BUILDING THROUGH INDIVIDUAL DEVELOPMENT ACCOUNTS

Introduced in the 1990s Individual Development Accounts (IDAs) are matched saving programs with specific purposes – home purchase, renovation, post-secondary education and microenterprise – for low income individuals. A report, IDAs, Saving Taste, and Household Wealth: Evidence from the American Dream Demonstration, tracked the effectiveness of IDA’s from 1997 to 2000 found that participants of the program saved approximately $1,600 on average in their IDAs. The study attempted to answer whether or not the program encouraged people to save more or increase their household wealth. The first finding was that whether or not you included the specific money in the IDA accounts the average household financial assets grew for those on the plan. The second finding determined that the lowest-wealth participants in the study responded faster to the saving incentives than others. This finding confirmed previous results showing that those with the lowest incomes actually saved more. The third finding suggests that the IDA program can facilitate a culture of saving and shape desired saving behavior by providing access to institutional saving.
The state of Michigan, under the guidance of a well organized coalition of community development entities from urban and rural jurisdictions created the Asset Building Coalition (ABC). ABC network with at least 45 members. (http://www.cedam.info/policy/abpp/index.php) The guiding principles were to align the state’s government programs around several values directed at poverty alleviation. Those included helping working families 1) save and invest for their future, 2) build financial security through ownership of assets, 3) leverage limited resources, and 4) value, participate in and complete higher education and skill training. The ABC group has made inroads with state policy makers by creating programs and more important alignment between departments on creating pathways for working poor families to move up the prosperity continuum.

HENNEPIN COUNTY’S INTEGRATED CLIENT SERVICE DELIVERY MODEL

In an effort to improve access and expand community-based involvement in its health and human services, Hennepin County’s Human Service and Public Health Department created the Integrated Client Service Delivery Model in 2004. According to an August 2009 report, Regional Services Planning and Client Service Delivery Model: Background and Supporting Data, the approach includes:

- Using a geographic perspective to plan for a continuum of service delivery including allocation of staff, working with contracted providers and community members, strengthening community partnerships and leveraging community resources
- Linking residents to available resources and services; ideally, those that are near-by, familiar, high-quality and culturally competent
- Involving individuals, families and communities in determining what services are needed and where they should be located
- Utilizing a service delivery approach that looks at clients’ entire situations, builds upon clients’ strengths and includes clients in determining solutions
- Working within communities to further develop resources
- Creating an integrated, flexible service delivery model that can adapt to changing needs and demographics
- Building in performance management expectations to ensure quality, effectiveness and data-based decision-making

Using client data to determine appropriate boundaries, Hennepin County will establish six geographic service regions. Each region will include a Hub that provides core services and several satellite offices.
The Citizens League Prosperity Project

strategically placed in a variety of locations. They will use multi-disciplinary teams that include staff from both county and community organizations and the clients themselves. Communities will be included in the planning of services and locations of these offices.

Improvements are intended to streamline contact points for clients and contract vendors, to focus on a client-centered approach, and to integrate services for children and adults for comprehensive case assessment. Also, redesign of how ‘case management’ is provided will allow practitioners to serve clients according to level of need.

Fairness and Equity

Who experiences poverty reveals the inequalities present in our society. All Minnesotans deserve access to the prosperity continuum regardless of race, gender or income. The ability to build assets, capacities and connections is essential for moving up the prosperity continuum. Families receiving assistance should not be penalized for accumulating the very assets needed to move out of poverty and towards sustainable prosperity.

By removing the barrier to asset accumulation we also remove a fundamental unfairness in our existing welfare system. Families who seek assistance with their climb out of poverty should not be penalized for accumulating the very assets they need to make that climb a success. Giving families incentives to move towards financial independence….

By providing families with choices in how they achieve their goals, equity is improved. Fairness for taxpayers is improved because government is clearly using taxpayer dollars to invest in specific outcomes. Outcomes are mutually beneficial to participating families and society. Not penalizing lower-income families for accumulating assets, even while participating in an incentive program, improves fairness. Middle and upper class families are not penalized for accumulating assets while receiving benefits.
Appendix A: Citizens League mission note on “policymakers”

In Phase II of the poverty project, the Citizens League begins to identify and develop An Authentic Process for Civic Policy Development.

An authentic process for civic policy development means that we are asking the key questions about what part of a process and what timing in the process can create the most important opportunities for transparent and meaningful interactions between “policymakers”. We want everyone to engage in finding solutions as a “policymaker” based on the type of knowledge that they have and through the ways they have authority to act.

There are many types of relationships to consider. The ways that we tend to think about relationships in a traditional policymaking model are:

- public official – to – public official
- citizen – to – public official
- organization – to public official

In these relationships, the public official is typically considered the policymaker, but the Citizens League is attempting to create more “policymaker to policymaker” interactions where everyone is considered a policymaker. We must, therefore, begin to think of everyone as policymakers in the following relationships:

<table>
<thead>
<tr>
<th>POLICYMAKER TO POLICYMAKER</th>
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<tbody>
<tr>
<td>Citizen to citizen</td>
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<td>Citizen to public official</td>
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<td>Citizen to organization</td>
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<td>public official to public official</td>
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<tr>
<td>public official to organization</td>
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<td>organization to organization</td>
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Authentic interactions occur when all relationships to solve a problem are “policymaker to policymaker.” That means that the processes must create the possibility for authentic interactions to occur based on what each policymaker can bring to the table in terms of knowledge, authority and enlightened self-interest.

What does it mean to be a policymaker? And what is the process for people to become policymakers?

- Everyone has knowledge based on their experiences and has authority to act in some setting.
- In order for everyone to think of themselves as policymakers, they must first focus on their experience and their authority.
- They should then be part of a process that requires them to seek answers through examples related to their experience and authority in their own organizations or settings. This could mean their workplace, their neighborhood, their church, their family, an organization that they volunteer for, etc.
To prepare people to be policymakers, we must first ask the question, "what would I change in the organization or setting where I have knowledge and authority?" related to the problem that is to be addressed.

This first step blunts a dynamic that typically occurs in policy discussions: the tendency for people to focus on something outside their knowledge and authority as the source of their problems, followed by an appeal to traditional policymakers to “fix” the problem.

When individuals examine their knowledge, authority and roles (which includes identification of self interest) in order to seek solutions, they become policymakers.

This prepares them for authentic interactions that explore problems with other policymakers and build connections to sustain policy solutions, while avoiding some traditional policymaking traps.

The groups will be challenged to suspend their individual judgment and ask open-ended questions no matter how much expertise or how strong of an opinion exists. This has always been a core principle in Citizens League work and has been a key way to guide study committees through the stages of completing their findings and conclusions, and to keep participants from taking the “policy shortcut” to recommendations.
Appendix B: Those engaged in the project so far

Convening efforts

Fall 2008 was the Phase I convening effort. More than 40 citizens with a wide range of experience and expertise attended four meetings to help us focus our work.

<table>
<thead>
<tr>
<th>Name</th>
<th>Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anne Norris</td>
<td>City of Crystal</td>
</tr>
<tr>
<td>Bharat Parekh</td>
<td>Minnesota Millennium Initiative</td>
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<tr>
<td>Bryan Taylor</td>
<td>Council on Crime and Justice</td>
</tr>
<tr>
<td>Cam Gordon</td>
<td>Minneapolis City Council</td>
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<tr>
<td>Chanda Smith</td>
<td>Pillsbury United Communities</td>
</tr>
<tr>
<td>Clarence Hightower</td>
<td>Community Action Partnership of Ramsey and Washington Counties</td>
</tr>
<tr>
<td>Connie Rutledge</td>
<td>University of Minnesota</td>
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<tr>
<td>Craig Taylor</td>
<td>MN Department of Employment and Economic Development</td>
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<tr>
<td>David Bly</td>
<td>Minnesota House of Representatives</td>
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<tr>
<td>Deborah Schlick</td>
<td>Affirmative Options Coalition</td>
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<tr>
<td>Erin Murphy</td>
<td>Minnesota House of Representatives</td>
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<tr>
<td>Geoff Maruyama</td>
<td>University of Minnesota</td>
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<tr>
<td>Grant Abbott</td>
<td>Saint Paul Area Council of Churches</td>
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<tr>
<td>James Carlson</td>
<td>Child Care Works</td>
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<tr>
<td>Jan Parker</td>
<td>Ramsey County</td>
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<tr>
<td>Jan Plimpton</td>
<td>Habitat for Humanity of Minnesota</td>
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<tr>
<td>Jessica Rosenberg</td>
<td>Hands On Twin Cities</td>
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<tr>
<td>Jil Hiebert</td>
<td>Hunger Solutions MN</td>
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<tr>
<td>John Adams</td>
<td>University of Minnesota</td>
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<tr>
<td>Keith Ford</td>
<td>Community Reinvestment Fund, USA</td>
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<tr>
<td>Lance Knuckles</td>
<td>NorthWay Community Trust</td>
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<tr>
<td>Lee Helgen</td>
<td>Saint Paul City Council</td>
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<tr>
<td>Mark Haase</td>
<td>Council on Crime and Justice</td>
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<tr>
<td>Mark Hinds</td>
<td>Lyndale Neighborhood Association</td>
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<tr>
<td>Maureen O'Connell</td>
<td>Legal Services Advocacy Project</td>
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<tr>
<td>Keith Ford</td>
<td>Community Reinvestment Fund, USA</td>
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<tr>
<td>Meredith Fergus</td>
<td>Center of the American Experiment</td>
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<tr>
<td>Mitch Pearlstein</td>
<td>A Minnesota Without Poverty, MN Council of Churches</td>
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<tr>
<td>Nancy Maeker</td>
<td>Association of Minnesota Counties</td>
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<tr>
<td>Patricia Coldwell</td>
<td>Metropolitan Council</td>
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<td>Peter Bell</td>
<td>Hennepin County</td>
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<td>Peter McLaughlin</td>
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<tr>
<td>Richard Johnson</td>
<td>Catholic Charities</td>
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<tr>
<td>Rön Krietsmeyer</td>
<td>Saint Paul City Council</td>
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<tr>
<td>Sandy Rümmel</td>
<td>Minnesota Senate</td>
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<td>Scott Dibble</td>
<td>Minnesota Senate</td>
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<tr>
<td>Shana Teegarden</td>
<td>Child Care WORKS</td>
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<td>Susie Brown</td>
<td>Minnesota Senate</td>
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<tr>
<td>Terri Bonoff</td>
<td>MN Department of Human Rights</td>
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The Citizens League Prosperity Project

Spring 2009 was the Phase II convening effort to help us frame the next stage of the project and engage a broader group of people. 84 people engaged in a series of eight discussions that connected those in poverty with active Citizens League members and others. The discussions built upon each other and attendance was more than 250 for all sessions combined. We did not collect a comprehensive list of attendees, but several people took part in Phase III.

Throughout Phase I and Phase II, interviews were conducted and input was solicited from the following organizations:

--Minnesota Taxpayers Association
--Department of Trade and Economic Development
--Legislative Commission to End Poverty by 2020
--Joint Religious Legislative Coalition
--Minnesota Active Citizenship Initiative
--Pillsbury United Communities
--Portico Healthnet
--MN Indian Women’s Resource Center
--Lutheran Social Services of Minnesota
--Circles of Support (Blandin, Grand Rapids)
--Section 8 Program, St. Paul Public Housing Agency
--Phillips/Powderhorn Cultural Wellness Center
--The Public Policy Project
--Minnesota Council of Nonprofits
--Children’s Defense Fund
--CAPI

Phases I and II produced working documents that built on one another. In Phase III, we assembled a committee to build general recommendations from the information and perspectives that were gathered. Those who attended at least one meeting and took part in some aspect of the Phase III effort:

Athena Adkins  Richard Johnson  Wesley Walker
Cassaudra Adler  Stefanie Konobeck  Tom Watson
Jan Berry  Velma Korbel  Luke Weisberg
Carlene Coleman  Acooa Lee  JaVon Williams
Marsha Cressy  Geoff Maruyama  Tom Wolfgram
Glenn Dorfman  Stacey Millett
Bright Dornblaser  Jonathan Palmer
Patti Hague  Roxanne Peterson
Monica Herrera  Liz Peterson
Mark Hinds  Christine Rehm
Dan Hoxworth  Judi Treanor
Jewelean Jackson  Joel Ulland
Appendix C: Questions for Review of Policies and Programs (updated):

The small groups will be expected to elaborate on their recommendations by sharing evidence (answering how) and/or making the case via argument (answering why) to support their recommendations.

- Is there evidence to support your recommendation? (from research? from your experience?)
- Is there a logical argument that supports your recommendation? (theoretical? from your experience?)

For each question, does the policy or program under consideration:

**Affirming Important Values**

**Human Capacity value:**
- uncover and build on individual-family-community strengths/assets? **(Asset focused)**
- make transparent the processes, structures, polices impacting the individual-family-community? **(Transparency)**
- help illuminate influences of social-economic-cultural context for the individual-family-community? **(Context)**

**Civic Infrastructure value:**
- build connections, networks, collaborative structures? **(Create networks)**
- create community resources, assets, equality of opportunity? **(Develop resources)**
- increase social capital, economic independence and civic engagement? **(Develop people and communities)**

**Fairness/Equity value:**
- have the potential for positively impacting racial, gender, or other disparities beyond socio-economic status? **(Address disparities)**
- provide greater and more convenient access to resources as needed along the prosperity continuum? **(Access)**

**Scope of Change Needed**

**Scope of impact and potential efficiency:**
- require accessing multiple policy areas? **(scope)**
- help integrate resources across areas? **(integrative)**

**Rules and regulations:**
- alter use of or need for rules and regulations? **(Changes in R&R)**

**Incentives/Resources:**
- change incentives for stakeholders (individuals, families, the community, or service providers)? **(incentives)**
- focus resources along a new or different path toward prosperity? **(Resource reallocation)**

**Replicability/Scalability:**
- have key elements and results that could be replicable? **(replicable)**
- have the potential to operate at a larger scale than it currently does? **(scalable)**