A FAREWELL TO WELFARE

public affairs
research and education
in the Minneapolis-Saint Paul
metropolitan area

CITIZENS LEAGUE

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A FAREWELL TO WELFARE

Prepared by the
Income Assistance Committee
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INTRODUCTION AND SUMMARY OF MAJOR POINTS

The Income Assistance Committee was formed as a follow-up to three past Citizens League reports: "The Issues of the '80s: Enlarging Our Capacity to Adapt," (1980) "A Positive Alternative: Redesigning Public Service Delivery" (1982) and "A Better Way to Help the Poor." (1977) Both the '80s and the redesign of services reports address the question of fundamentally restructuring and redesigning the way public services are provided and paid for. Enabling all individuals to purchase services requires changes in the ways in which the poor receive assistance, since they will need more cash income with which to purchase and choose those services.

The needs of the poor have been and are addressed in three ways: 1) A service is subsidized for all so that those with little or no income can use the service as well; this is the case with education and transportation. 2) In-kind benefits have been provided only to the poor, most often in the form of food, shelter and health care. 3) Cash grants have been provided to individuals who have met certain requirements; such programs as Aid-to-Families-with-Dependent-Children (AFDC), Supplemental Security Income (SSI), and General Assistance (GA) fall under this category.

The 1977 report of the Citizens League on Income Assistance found: 1) The amount of assistance provided to individuals through "welfare" is actually a small part of the total income assistance system. 2) The working poor are treated unfairly by both assistance programs and the tax system which penalizes them for working. 3) The largest number of poor are single mothers and their families.

In 1984, the Income Assistance Committee found that little has been done to ameliorate these problems; in fact, in many instances, the situation has become worse. The committee *found that the number of people falling below the poverty level has increased since 1977 and that the number of single women with children who are poor has had the largest and most rapid increase. The gap between the wealthiest income groups and the poorest has also increased, thus exacerbating existing inequities. Some groups such as the elderly have actually made substantial gains in the past 10 years–for the first time, the poverty line for elderly was lower than the overall poverty rate in 1983.* Others are worse off–*one-fourth of all children in the United States currently live in below- or near-poverty households.* Some of these phenomena are a result of the economic recession of 1981/82 and federal cutbacks in social spending; others are ongoing problems inherent in income assistance programs.

The myths about who is poor and who receives assistance continues to be a major barrier to any discussion about reform. There is a tendency to review assistance which is employment-related (Social Security or Unemployment Compensation, for example) as an *earned* right whereas, assistance which requires a "means test" is not viewed as "earned" or, for that matter, as a "right." The facts that the Social Security recipients have actually contributed very little in comparison to the amount of assistance they receive, or that AFDC is often a poor person's "unemployment compensation," are generally ignored in debates over income assistance policy.

Negative value judgments about people who receive means-tested assistance reach into every aspect of income assistance policy and often lead to counter-productive results. The committee found that *while self-sufficiency is often cited as a major objective of assistance programs, most programs actually carry disincentives and penalties for earning income.* Furthermore, the degrading and stigmatizing nature of many assistance programs does little to help the recipient become more independent or self-confident.

Similar to the 1977 committee, this committee found that *the working poor are penalized the most because their incomes are often just above the cutoff level for assistance but not enough to maintain a decent standard of living for themselves or their children. Lack of access to health care insurance is one of the major problems the working poor face.*

At the same time that the government is strict with individuals seeking assistance, those who should take responsibility for their dependents are able to circumvent the rules. Lack of adequate child support enforcement is a serious problem in this country. This is not necessarily related to financial capabilities of the individual. Nearly half of middle- and upper-income parents (nine times out of ten, fathers) are not paying for the care of their children even though they have been ordered by a court to do so.

Based on the evidence it gathered, the committee concluded that current income assistance programs do not target assistance to those who need it the most. Furthermore, lack of consistent goals in helping the poor has resulted in poorly designed, inefficient and inadequately-funded programs which do little to help people help themselves. Most importantly, the committee concluded *that the serious inequities in the system must be addressed; the nation cannot afford to ignore the needs of some, in particular poor children, while others, such as middle- and upper-*

income individuals, benefit substantially.

The committee had considerable debate over the strategy it would recommend to address this problem. It rejected an incremental approach in part because incremental patches on problems have led to the sorry condition of income assistance today. The committee determined that only by beginning anew, with fresh assumptions and a different approach, can the real problems of income assistance be addressed.

The committee *concentrated its efforts on one major recommendation, calling for a guaranteed, national minimum income that would be administered through the Internal Revenue Service. Combined with the guaranteed minimum income, incentives to earn income would be established through the tax system to ensure that people will always be better off if they earn income rather than simply receiving a benefit. This proposal also calls for cashing out and combining existing programs and making all income transfers to individuals subject to taxation.*

The objective of providing individuals with a path to self-sufficiency was a major priority of the committee. Establishing a policy that guarantees all people a basic minimum income with incentives to earn income would be the best approach to enabling people to become self-sufficient. Critics of a guaranteed minimum income say that people would have no incentive to provide for themselves; the committee found the opposite to be true. The minimum level would be at subsistence level, not comfortable, and those with the abilities to improve their lot will have every opportunity to do so. Those who have special needs will receive special assistance above and beyond the minimum level. This would be based on the premise that people in similar situations should be treated similarily. The committee found that the "work ethic" is strong in the U.S.; individuals will choose to provide for themselves not only because they want to improve their situations but also because they value the dignity, respect and independence that comes with employment.

This proposal is based on the premise that trust in peoples' ability to better themselves is a much more positive motivator than assuming at the outset that they will not make it. It is an idea that has been proposed in the past and rejected, less on the merits of its logic than on its political ramifications. There never will be a better time than now to propose it again.

Major Headings & Sub-headings in Findings

I. The debate continues over how assistance should be provided to the poor in the United States.

II. An outline of who the poor are and who receives assistance in the U.S. and Minnesota.

A. The largest number of poor people has been and still is single women (divorced, unmarried, or widowed) with children—this is also the fastest growing group. A smaller number are single individuals who either do not have the ability or opportunity to participate in the work force. There has been a decrease in the percentage of elderly poor in both the nation and in Minnesota.

1. The percentage of women in poverty has increased and is increasing.
2. Minority women have a much higher incidence of poverty.
3. The increase in teenage pregnancy also has had an impact on the poverty numbers.
4. In Minnesota the incidence of out-of-wedlock teenage pregnancy had been similar to that of the national trend.
5. The majority of elderly poor are women.
6. Eighty percent of Minnesotans living in poverty are women and children—300,000 of a total of 374,956 in 1979.
7. In Minnesota, as well as the nation, the poverty rate for minorities is much higher than for whites. Indians are the least well off.
8. The disabled constitute a large number of the pre-transfer poor, but a small percentage of the poor after income transfers are counted.
9. The number of single individuals who are poor is on the rise due to lack of employment and strict eligibility rules.

B. Generally, those people aged 65 and over receive the largest share of spending for income assistance programs. Comparatively, the amount of spending for means-tested programs is small.

1. The elderly have benefited greatly from federal cash transfer programs. The poverty rate for persons aged 65 and over dropped from 15.3 percent in 1981 to 14.6 percent in 1982 and for the first time in history, was less than the poverty rate for the nation as a whole (15 percent in 1982). In Minnesota, the poverty rate for the elderly was at 15 percent in 1980 while the rate for the general population was at about eight percent. This is a considerable decrease from the 26 percent rate in 1970.
2. The transfers that have the most impact on the well-being of the elderly are social security, medicare, medicaid, supplementary security income, and food stamps (all of which are briefly described in the appendix of this report).
3. Although elderly persons have been protected from the changes in social security, SSI and food stamp programs, some changes (fees for services and co-payments) have occurred in the medical programs.
4. The amount of spending for "public assistance programs"—those programs which are means-tested and benefit mainly women and children—is a fraction of the total spending for income security.

III. Inequities and disparities in the income assistance system.

A. There is a dual welfare system in this country. Persons who receive income transfers derived from employment regard them as a right while the benefits that people receive because of need only are seen by the public as a privilege. These characterizations are strongly correlated to the sex and race of the recipient.

1. Americans tend to distinguish between "deserving" and "non-deserving" recipients of income assistance.
2. The labor market contributes to who is in poverty and why.
3. The concept of a dual labor market divides the labor market between two sectors: primary and secondary. This correlates with a dual welfare system.

B. There continues to be problems of access to means-tested income assistance programs for low income people while those who do not necessarily have an income problem have little trouble receiving benefits from non-means-tested programs.

1. Income assistance is made up of a complex set of programs which are poorly understood as a whole, often run at cross-purposes and are duplicative. This is especially true for the means-tested programs whcih often require a considerable amount of information from applicants.
2. Unemployment compensation, while not nearly as complex or as stigmatized as means-tested assistance, also requires an in-person visit to the office responsible for administering benefits.
3. Whether or not people are deterred from seeking public assistance because of its complexity and stigma is difficult to document.
4. In contrast to means-tested programs, assistance for those who are not necessarily poor is provided much more efficiently.
5. There is a question of how much money spent on means-tested programs actually goes to recipients versus administrative and provider costs. Also, in-kind benefits can be of less value to recipients than direct cash.
    a. Given the example of the bureaucratic nature of these programs there is a question that perhaps too much time and money is spent on implementing programs instead of distributing cash.
    b. Besides the bureaucratic costs, a lot of programs that might be set up in the name of the poor actually benefit middle and upper income people.
    c. Some experts argue that not all in-kind benefits are worth their face value to low income recipients.

IV. Myths and a lack of information about the poor.

A. Many myths about people receiving income assistance exist in spite of a lack of evidence to support those myths.

1. First, the committee found the following statement not to be true: "Welfare recipients are welfare recipients for their entire lives. This cycle of poverty is passed on from generation to generation."
    a. The major reason why people go on public assistance is some major interruption of income: illness of the wage earner, exhaustion of unemployment benefits, desertion by husband or father. Often these people are the "working poor" who have fallen on hard times.
2. Another myth that the committee found to be untrue was the following: "Welfare recipients are lazy and not willing to work. They have no qualms about cheating the government."
3. The committee also found that it is a myth that public assistance programs, Food Stamps, AFDC, and General Assistance are rife with waste, fraud and abuse.
4. Another myth that the committee had to grapple with was social security recipients' notion that they have "earned" all of their social security benefits.

B. Uncertainty about data perpetuates misinformation about the poor and how they respond to government programs.

1 1. Studies that have been conducted on the poor are often criticized for not being accurate and for not including all important variables.
2. Studies conducted on the effects of a negative income tax on work effort have come up with contradictory evidence.
3. Data on programs take a long time to gather and often when the results are ready, the program has changed.

V. Contradictions in income policy and lack of incentives to ensure responsibility in individuals.

A. There is an unresolved conflict over how much Americans are willing to give the poor simply based on need and how much is expected of recipients in return.

1. The "work ethic"–a belief in the positive virtue of work and achievement based on one's abilities–is one of the most strongly held values in American society.
    a. Americans have supported (at varying levels of largesse) those who are not working since the turn of the century.
2. Combined with the notion that everyone should work for their living is the feeling that welfare programs tend to reduce the incentive to work.
    a. The general hostility towards those who are on public assistance because they are deemed as "not pulling their own weight" is contrary to the fact that many of the poor do work, either full time or at intervals.

According to a February 1983 Jobs Watch newsletter, 34 percent of Minnesota's current AFDC recipients hold part-time jobs while on the rolls with over 70 percent having been employed sometime during the preceeding two year period.

3. In spite of a strong desire on the part of the public to see that the poor become self-sufficient through work and training requirements, past work requirement programs have not been very successful.
   a. The current debate over "workfare" (The Community Work Experience Program) is a continuation of the ongoing desire on the part of the public to see that recipients give something in return for assistance.

B. The Child Support Enforcement Program has not been effective in insuring that absent parents pay for the care of their children. When payments are made, they are generally not sufficient to support the child.
   1. Child support is awarded to the custodial parent through the court system as part of the terms of divorce and legal separation.
   2. The program still has a long way to go in collecting payments. Although the national program collected $1.8 billion ($1 billion for non-AFDC families and $800 million for AFDC families) in 1982 not one state or county had even 50 percent compliance with court orders.
      a. The Title IV D program is set up mainly to recover some of the AFDC funds paid to single parents.
   3. Even in the instance when child support is paid, it is often a very small amount and not enough to bring an AFDC mother above the poverty line.

VI. The impact of the 1981/1982 budget cuts and economic recession.

A. There have been reductions in allocation of funding for means-tested income assistance programs at the federal level. Since Congress passed the funding legislation in 1981, these budget cuts have had an impact at the state and local levels as well.
   1. One of the goals of the Reagan Administration was to reduce federal, non-defense discretionary spending.
   2. Budget cuts at the federal level have resulted in reduced spending at the state level.
   3. In Minnesota, the budget reductions have had a negative impact on children's programs.
   4. One Minnesota assistance program for low-income people has not been reduced or affected by federal cuts.

B. In contrast to means-tested income assistance, the 1981 and 1982 budget cuts have had little impact on non-means-tested entitlement programs such as social security, civil service and military pensions and veterans' benefits. These programs benefit mainly middle- and upper-income people.
   1. The Office of Management and Budget reported in the 1984 Budget in Brief that in spite of attempts on the part of the Reagan Administration to make some changes in social security and medicare/medicaid, these programs continue to grow.
   2. A recent Congressional Budget Office (CBO) study found that 40 percent of the cutbacks in federal benefits programs over the past two years affected households with incomes of less than $10,000.
   3. The lagging as well as a combination of tax cuts that benefit the wealthy and cuts in social programs that mainly benefit the poor have widened the gap between the rich and the poor.
      a. The Congressional Joint Committee on Taxation has found that the tax burden on those at or near the poverty level has increased substantially since 1978.
      b. In December 1983, The Urban Insitute released a report showing that the income distribution has become less equal.
   4. Another area of federal spending that has not been affected by recent congressional action is tax expenditures.

C. Preliminary studies show that the hardest hit by the recent budget cuts have been the working poor. There is disagreement over what these preliminary findings mean.
   1. According to federal Administration officials, a major target of the cuts made in 1981 and 1982 were those people at the upper income limit of the eligibility requirements for income assistance who supplement their incomes with some public assistance–often called the working poor.
   2. A study done at the state level by the Center for Urban and Regional Affairs at the University of Minnesota found that of AFDC recipients who had been affected by the 1981 federal cutbacks, 63 percent were off AFDC and working in July of 1982, 16.7 percent were on AFDC and working, 15.6 percent were on AFDC and not working, and 4.4 percent were off AFDC and were not working.

D. **Because of a high amount of joblessness and the termination of unemployment benefits and public assistance for many, there is evidence that the need for certain forms of income assistance remains and is growing in the U.S. and in Minnesota in particular.**

1. The U.S. Census Bureau reported in August 1983 that 34.4 million Americans or 15 percent of the population fell below the poverty line in 1982.
   a. High unemployment in the auto, steel, and mining industries has led to record numbers requesting and exhausting unemployment compensation in Minnesota and elsewhere in the country as well.
   b. Lack of health insurance for unemployed families is also a serious problem. According to the National Center for Health Statistics, more than one out of four families without a steady wage earner lacked health insurance in 1980.
   c. The problems of high unemployment have also taken their toll on children.
2. Several reports issued at the state, county, and city levels have all concluded that the budget cuts have had a serious impact on the services provided to low income people in Minnesota and that need for assistance is growing.
   a. In March 1983, the Governor's Task Force on Emergency Food and Shelter estimated that 1,000 people were homeless and about 750,000 people were in need of food assistance in Minnesota.
   b. The Emergency Needs Project in November 1983 concluded that emergency services were still in high demand in Hennepin County.

FINDINGS

I. The debate continues over how assistance should be provided to the poor in the United States.

The first debate evolved around who was actually responsible for the poor: The Government? Federal? State? or Local?

Before the passage of New Deal legislation in the 30s, the United States had no overall national system providing assistance in the form of cash transfers to individuals. Up until this time, Americans had generally held the belief that all able-bodied individuals should support themselves and in those cases where they could not, they had to rely on the charity of the community they resided in. The most important debate about government assistance to individuals before the 1930s providing public education for all Americans.

The New Deal programs of the 1930s consisted of four main parts: 1) General relief, funded by states and localities, mainly for so-called unemployables; 2) Work relief, paid by the federal government, for employables; 3) Categorical public assistance for needy, blind, aged, and dependent children; and 4) Social insurance which provided pensions to retired workers and temporary compensation to the jobless.[1]

General relief, when it was removed from the Federal Emergency Relief Administration and taken over by the states in 1935, proved to be less than satisfactory for most in need of assistance. President Roosevelt had underestimated the amount of money needed to carry out the project and most states were unable or unwilling to provide the support. It was especially difficult for migrant workers who did not meet strict residency requirements of the states. Work relief proved more successful; such programs as the Work Progess Administration (WPA) and the Civilian Conservation Corps (CCC) were established. While some critics argued that the programs were underfunded and did not provide meaningful work, others claimed that the public jobs program uplifted the morale of the unemployed during the Depression and, better yet, provided a service to the public.

Another conflict revolved around who is "deserving" of assistance.

The third part of the New Deal program, categorical assistance, established the federal government's role in providing assistance for the "deserving poor." The ADC Program (Aid to Dependent Children, which eventually became AFDC) replaced the Mother's Assistance program in the states and initially only provided assistance to children of widowed mothers in "suitable" homes. By 1939, the Old Age and Survivors Insurance (OASI) plan covered widowed mothers and the ADC program provided assistance primarily to children of divorced or deserted women. ADC did not provide a caretaker grant (grant to parent or guardian) until 1950. In 1961, ADC was amended to authorize assistance to unemployed two-parent families and half of the states participated in this provision.

"Social insurance" programs gained in popularity over the years.

Unemployment compensation and old-age pensions, the fourth major portion of America's early welfare state were not considered "welfare" at all. Both programs, part of the Social Security Act of 1935, were financed largely through the private sector with employer and employee contributions. The later success of these two programs and the weakness of the other "public assistance" programs stemmed from the fact that recipients "contributed" to these programs and "earned" their benefits which was not the case with public assistance programs. Social Security enjoyed support in the 1930s and continues to enjoy support because of a growing public confidence in federal workers–after civil service reforms. There were other important reasons during the Depression; many older workers had no private pensions–only 15 percent had private pensions in the 1930s–and were left with nothing upon retirement. Social security was seen as a way to "retire" older workers and open up jobs for younger, more productive workers during the high joblessness of the Depression.

Would economic growth make poverty wither away or would it need help from government?

The economic upturn of the 50s after World War II led many to believe that poverty in the U.S. could be eradicated by economic progress. While the New Deal legislation remained intact, there was little discussion of the needs of the poor during these prosperous times. It took some timely and powerful writing in the late 50s and early 60s to "awaken" the American consciousness to the fact that there were still millions of poor people in the U.S. In 1958 John Kenneth Galbraith published *The Affluent Society* in which he summarized the structuralist thinking about the poor—a feeling that the poor could be helped through more public assistance and through programs that would counter low wages and underemployment which were the poors' fate. Structuralists felt that poverty could not be eliminated simply through economic progress and that it was the government's role to help out the poor.

In 1962, Michael Harrington sparked America's interest in poverty with his book, *The Other America.* He wrote of a "new poverty" that affected 40 to 50 million people. Harrington's book led to a host of articles and books that examined the needs of this new poverty group. This eventually led to the Great Society programs under President Johnson. One of the major pieces of legislation in this era was the Economic Opportunity Act of 1964 which developed a number of programs: the Job Corps, Community Action Programs, Head Start, neighborhood groups, Vista—a domestic counterpart to the Peace Corps; and the work experience program (Title V). The primary focus of the Economic Opportunity Act was to enable the disadvantaged to achieve better employment and higher wages. The Office of Economic Opportunity was set up to circumvent the "welfare bureaucracy" of the federal government and to allow more community, grass roots participation. The feeling at the time was that by eliminating the structural problems of the marketplace, such as discrimination and lack of education, the poor could find jobs in the same way as the non-poor.

A gradual movement towards public acceptance of government programs in the 60s. Serious discussion of a guaranteed minimum income.

In the late 1960s, there was a movement towards liberalizing benefits and a change in attitude on the part of many assistance workers towards recipients. Instead of attempting to discourage recipients from applying for assistance, many assistance workers worked at informing recipients of their "rights" under the law. The poor as a constituency became much stronger than it had ever been in the past. This change resulted in an unprecedented rise in the number of welfare recipients and the amount of public expenditures for social services from $354 million in 1969 to $1.7 billion in 1972. At the same time there was also discussion of a national minimum income, an idea which had originally been proposed by conservative economist Milton Freidman as early as the mid-1950s. In his 1962 book, *Capitalism and Freedom,* Freidman argued that a "negative income tax would accomplish that goal of alleviating poverty much more cheaply and efficiently and allow other programs to be abolished."[2]

Liberals liked the idea of a minimum income because they felt it would eliminate the stigma attached to welfare programs and would provide assistance more efficiently to more people. Many liberals advocated child allowances to all families to eliminate the stigma; others proposed "family allowances" that would strengthen the family. Conservatives were attracted by the economical aspects of the minimum income especially if it would, as Freidman suggested, "abolish the welfare bureaucracy."

President Nixon's Family Assistance Plan was the first legislative initiative for a guaranteed minimum income and a form of negative income tax. It led to a bitter division

President Nixon was the first to propose a guaranteed minimum income, the Family Assistance Plan, in 1969. The plan was designed to guarantee all families with children a minimum income of $500 per adult and $300 per child per year, or $1,600 per year for a two-parent family of four. Although the proposed floor was higher than the AFDC levels in eight states, all the southern states, which supported around 80 percent of welfare clients, felt that the floor was inadequate. Welfare advocates were against the plan from the start, not only because of the low floor which many felt should be three times that amount, but also because *in Congress.*

the plan might eliminate valuable in-kind benefits such as medical assistance and housing subsidies. Critics disliked the "workfare" provisions which required adult recipients to accept "suitable" training or work or forfeit their benefits. Nixon's proposal ended in a bitter defeat in 1972; the only legislation Congress passed that session was the Supplementary Security Income program which established an income floor under benefits paid to the uncontroversial "deserving," "poor," the blind, disabled and the aged. Subsequent proposals for an overall guaranteed minimum income have met with little support in Congress.

What success did the "war on poverty" have?

There has been much debate over whether the "War on Poverty" programs of the 60s really were successful at eliminating poverty. To be sure, the number of people receiving benefits increased dramatically since 1965; but the real question was whether or not the programs had helped people to become self-sufficient and independent of public assistance. Sheldon Danziger and Robert Plotnick of the Institute for Research on Poverty, University of Wisconsin–Madison, argue that while absolute poverty level has been decreased to an estimated 1981 low of 4.1 percent (including in-kind benefits such as food stamps and medical assistance), the level of pre-transfer poor has not declined since 1965. Relative poverty has also not declined, meaning that the incomes received by those at the bottom of the income scale have not increased relative to the average income. (See table 1) Danziger estimates that the absolute poverty level increased to eight percent in 1981.

The authors feel that pre-transfer poverty level has remained relatively stable since 1965 because of three factors: 1) there was a significant demographic change in the poverty population–many more of the poor were single women heads of households who had low labor market participation and low wage rates; 2) there was a slight decrease in labor market participation (mainly by the elderly) due to increased benefits; 3) a stagnant economy in the late 70s resulting in a decline in real pre-transfer income and was probably a major cause of an increase in pre-transfer poverty.[3]

Apart from the concern of self-sufficiency or pre-transfer poor, when one looks at the number of people brought above the poverty level because of the increase in government transfers during the 60s and 70s, the figures are significant. Between 1960 and 1981, the proportion of the population defined as poor decreased from 22.2 percent to 14 percent–definitely an improvement. However, disadvantaged families headed by white males fared significantly better than other groups–especially minority women with children.[4]

Carter made a second attempt at a guaranteed minimum income and negative income tax.

President Carter made a second attempt at major welfare reform in 1977 with the Better Jobs and Income Act. This plan proposed abolishing the three major assistance programs: AFDC, SSI, and food stamps, and creating a cash income floor for all Americans deemed unable to work and for employables if no job were available to them. It would also have created 1.4 million jobs and training slots for those who "can and should work" and cash incentives (a form of negative income tax) to ensure that those who were receiving benefits would not reduce their work effort.

Carter's proposal did not get very far in Congress. Similar to the Family Assistance Plan, the Better Jobs and Income Act went through major amendments and revisions and resulted only in incremental changes to the current system.[5]

Reagan reversed the social spending trend and asked for less reliance on federal government for social welfare.

A general dissatisfaction with large federal government programs preceded the election of Ronald Reagan in 1980. Reagan ran on a platform that opposed big government spending and proclaimed a "new federalism" in which most administrative and funding responsibilities for social programs would again become the domain of the states and localities. Reagan argued that the Great Society programs of the 1960s had contributed to the stagnant economic productivity. According to the 1982 Council of Economic Advisers to President Reagan:

> "Transfers reduce the incentives of recipients to work and the taxes imposed on the rest of society to finance these transfers also causes losses in efficiency."

Reagan proposed major spending reductions in social programs, both in means-tested income assistance and in social insurance. Congress carried through with a large proportion of his recommendations in the 1981 and 1982 sessions. Social insurance programs were the least effected, however. A slight reversal of spending cuts in means-tested assistance has been occurring in the current Congress.

TABLE 1

The Trend in the Incidence of Poverty Among Persons

Type of Measure, Year	Income Concept: Pre-Transfer Income (not counting any type of transfer)	Pre-Welfare Income (including social insurance trans.)	Post-Transfer Income (official measure used by federal government—does not include in-kind benefits)	Adjusted Income* (includes in-kind benefits)
Absolute Measure				
1965	21.3%	16.3%	15.6%	12.1%
1968	18.2	13.6	12.8	10.1
1970	18.8	N.A.	12.6	9.4
1972	19.2	13.1	11.9	6.2
1974	20.3	13.1	11.6	7.8
1976	21.0	13.1	11.8	5.9
1978	20.2	12.6	11.4	N.A.
1980	N.A.	N.A.	N.A.	4.1
% Change, 1965-1978†	-5.2	-22.7	-26.9	-66.1
Relative Measure				
1965	21.3%	16.3%	15.6%	N.A.
1968	19.7	15.3	14.6	N.A.
1970	20.8	N.A.	15.1	N.A.
1972	22.2	N.A.	15.7	N.A.
1974	22.9	16.1	14.9	N.A.
1976	24.1	16.3	15.4	N.A.
1978	23.9	16.5	15.5	N.A.
% Change, 1965-1978	+12.2	+1.2	-0.6	N.A.

Source: University of Wisconsin–Madison's Institute for Research on Poverty Discussion Papers, March 1980. The data are computations by the authors from the Survey of Economic Opportunity (for 1965) and various March Current Population Surveys (for other years).

*Adjusted income for 1968-1972 is taken from Timothy Smeeding, "Measuring the Economic Welfare of Low Income Households and the Anti-Poverty Effectiveness of Cash and Non-Cash Transfer Programs," Ph.D. Dissertation (Madison: University of Wisconsin, Department of Economics, 1975). For 1965, it is extrapolated from Smeeding's 1968 result. For 1974, it is William Hoagland in this volume. Hoagland's data are for fiscal years and are only roughly comparable with earlier years due to methodological differences. All adjusted estimates for 1965-1980 include benefits from Food Stamps, Medicare, and Medicaid. The 1972, 1976, and 1980 estimates also include Public Housing; the latter two also include School Lunch benefits.

†Percentage change for adjusted income poverty is for 1965-1980, not 1965-1978.

N.A. = Not Available.

II. An outline of who the poor are and who receives assistance in the U.S. and Minnesota.

The largest number of poor people has been and still is single women (divorced, unmarried, or widowed) with children—this is also the fastest growing group. A smaller number are single individuals who either do not have the ability or opportunity to participate in the work force. There has been a decrease in the percentage of elderly poor in both the nation and in Minnesota.

The percentage of women in poverty has increased and is increasing.

More of the poor are women and more women, especially those with children, are poor. From 1969 to 1978, the number of families headed by poor women with minor children increased by one-half, from 1.8 to 2.7 million. Families headed by females have a poverty rate six times that of male-headed two-parent families—31.4 percent to 5.3 percent.[6] According to the Census Bureau, in 1981 the poverty rate for families headed by women had increased to 35 percent.

The reasons behind the feminization of poverty stem largely from transitions in family structure through divorce and out-of-wedlock pregnancies, and to a much lesser degree, widowhood.

Between 1970 and 1981, the divorce rate climbed from 47 to 109 finalized divorces per 1,000 married couples. During the same period, families headed by never-married mothers climbed to 3.4 million, *an increase of 365 percent.* As a result of this overall trend, 12.6 million children (20 percent of all children) lived with one parent; in 90 percent of these households, that parent was the mother.

When combined with the fact that women tend to earn less than men, the female head of a household stands a much greater chance of falling below the poverty line. Female median earnings range between 52 and 74 percent of male householder earnings. The high rate of poverty among female householders has not changed much since 1969. One-third of female households were poor in 1969, 1978 and 1981; slight declines in poverty in 1978 were erased in 1981. Poverty among male householders and husband/wife families was significantly less.

Minority women have a much higher incidence of poverty than any other group.

In a report describing the gains that American blacks have made in education, home ownership and health during the decade of the seventies, it was also noted that the income figures for black female-headed families actually *fell* from $8,184 in 1971 to $7,510 in 1981 (adjusted for inflation); there was a concomitant rise in such families from 28 percent to 41 percent. The report noted:

> The increase in the number of families headed by women was a major social phenomenon during the 1970s and the causes are not clear. One result has been a large increase in the number of children living with their mothers with no father present, a situation that usually leads to economic difficulties. In 1960, (according to Census Bureau figures) about a quarter of black children lived in one-parent households. By 1970, the figure was 32 percent, and by 1982, 49 percent. The comparable figure for whites is 17 percent in 1982.[7]

The increase in teenage pregnancy also has had an impact on the poverty numbers.

This is a more recent trend; between 1940 and 1960, the incidence of childbearing among all unwed teenagers was relatively small but since then, teenage childbearing has accounted for an ever-increasing share of births among never married women. As indicated in table 2, births to unmarried women ages 15 to 19 rose from 56 births per 1,000 in 1950 to 253.2 births per 1,000 in 1979. The births to unmarried women in other age groups also increased but to a smaller degree.

In a report from the United States Commission on Civil Rights, *A Growing Crisis: Disadvantaged Women and Their Children,* the authors state: "Out-of-wedlock births are generally unplanned, and they often interrupt or deny schooling and opportunity for young women to acquire marketable skills. Thus, the link between illegitimate births to teenagers and economic adversity is strong. Low educational attainment is likely to result in marginal employment or no employment at all, and the incidence of poverty rises substantially as the age at which women become mothers falls. These consequences bear more heavily upon the unwed teenage mother than upon the father, for it is generally the mother who assumes greater responsibility for the child."[8]

In Minnesota the incidence of out-of-wedlock teenage pregnancy had been similar to that of the national trend.

A recent study by Planned Parenthood found that in 1981 nearly half of all out-of-wedlock births to resident Minnesota women were born to women between the ages of 15 and 19. In 1970 out-of-wedlock rate for women between the ages of 15 and 19 was 30 percent.[9]

The majority of elderly poor are women.

Women aged 65 and over account for half of the 4.2 million impoverished unrelated women in the United States. The great majority of the elderly poor outside of institutions are women over the age of 75. Particularly at risk are black and Hispanic women (single) over age 65 with poverty rates of 67 percent and 65 percent respectively. Being female, old and non-white is a prescription for poverty.[10]

Eighty percent of Minnesotans living in poverty are women

TABLE 2

Births to Unmarried Women

Total live births (per 1,000 unmarried women)	1950	1955	1960	1965	1970	1974	1975	1976	1977	1978	1979
Under 15 years*	3.2	3.9	4.6	6.1	10.6	9.5	10.6	11.0	10.3	9.4	9.5
15–19	56.0	68.9	87.1	123.1	190.4	210.4	222.5	225.0	239.7	239.7	253.2
20–24	43.1	55.7	68.0	90.7	126.7	122.7	134.0	145.4	168.5	186.5	210.1
25–29	20.9	28.0	32.1	36.8	40.6	44.9	50.2	55.5	62.4	70.0	80.6
30–34	10.8	16.1	18.9	19.6	19.1	18.6	19.8	21.0	23.7	26.5	31.3
35 yrs. and over	7.7	10.7	13.6	15.1	12.4	10.5	10.4	10.9	11.1	11.7	13.1

*This item may be read as follows: Between 1950 and 1979, the number of births to unmarried girls under 15 years of age increased from 3.2 per 1,000 unmarried women to 9.5 per 1,000.
SOURCE: U.S. Department of Health and Human Services, National Center for Health Statistics, Vital Statistics of the United States, annual data published in Statistical Abstract of the United States, 1981, p. 65.

and children–300,000 out of a total of 374,956 in 1979.

Roughly 75 percent of the tenants of public housing units for the elderly in Minnesota are women. Nearly 70 percent of the families in public housing in Minnesota are female-headed.[11]

Many older women who receive social security nonetheless live in poverty. This is partly because of the low level of social security benefits. Since social security is not intended to be a person's sole source of income but rather a supplement, many who try to live on it alone are close to the poverty line. This is especially true of single women either divorced or widowed since many must rely on only half of their husband's benefits. Three groups in particular are disadvantaged; full-time homemakers who do not receive credit for their work, divorced women who have been married less than 10 years (who are not entitled to any of the husband's benefits) and widows.[12] (See Table A)

In Minnesota as well as the nation, the povery rate for minorities is much higher than for whites. Indians are the least well off.

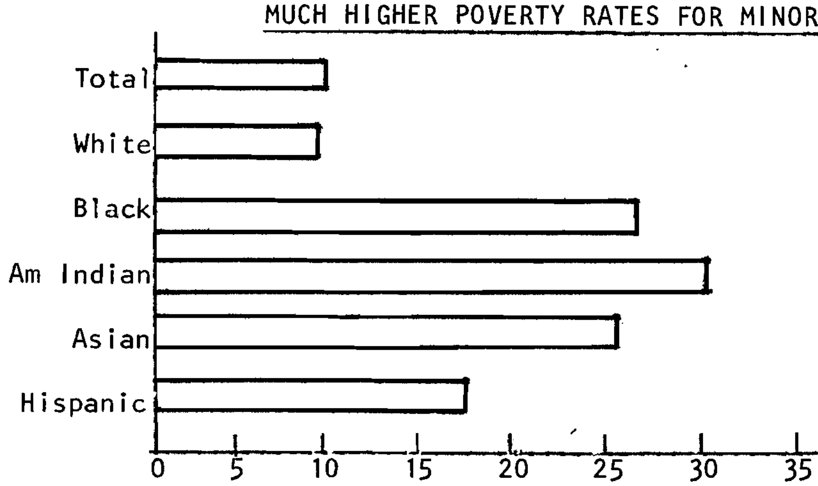
Blacks have a poverty rate of 25 percent; Indians a rate of 30 percent and Asians a rate of 24 percent compared to eight percent poverty rate for whites. See table 3.

The disabled constitute a large number of the pre-transfer poor, but a small percentage of the poor after income transfers are counted.

Eugene Smolensky of the Wisconsin Institute for Research on Poverty estimated that the disabled constituted about 12 percent of the poor in 1976. The disabled are categorized as those persons whose disability severely impairs their ability to earn a living, live independently or who need specialized services. Not all disabled are poor and not all programs that serve the disabled are available

TABLE 3

MUCH HIGHER POVERTY RATES FOR MINORITIES



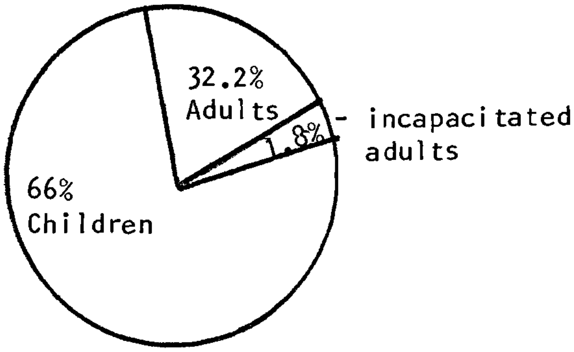
SOURCE: Minnesota in the Eighties, January 1983

TABLE A

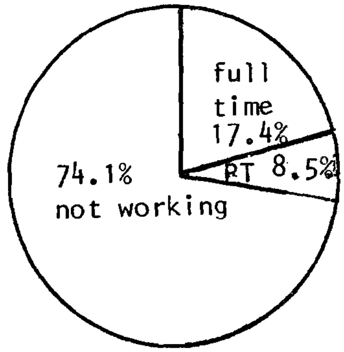
Characteristics of AFDC & Medical Assistance Recipients
Minnesota

AFDC

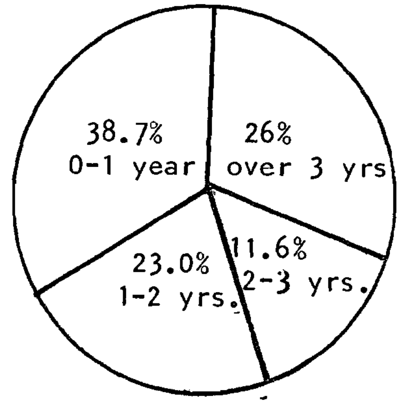
Caseload



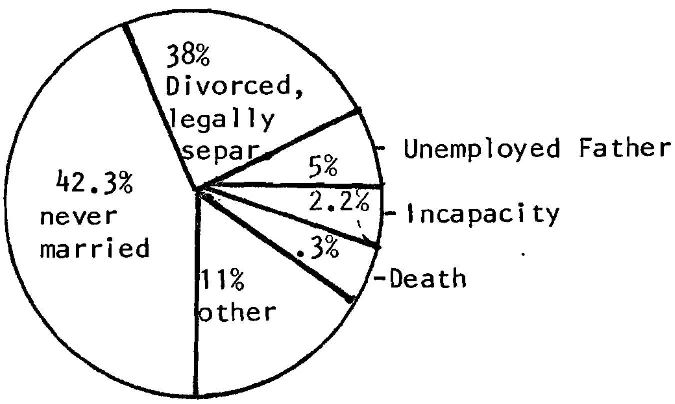
Employment



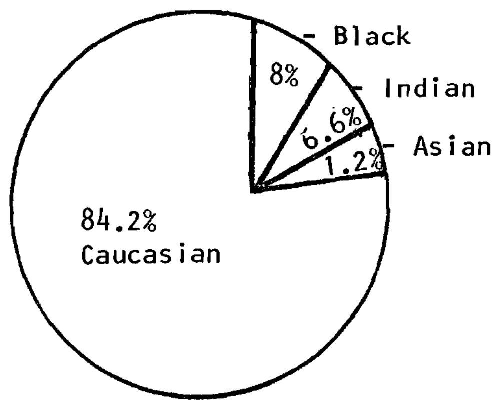
Average Length of Stay



Deprivation factor

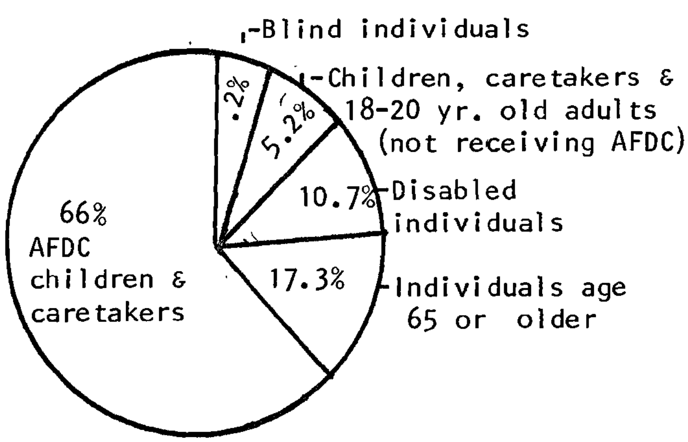


Race

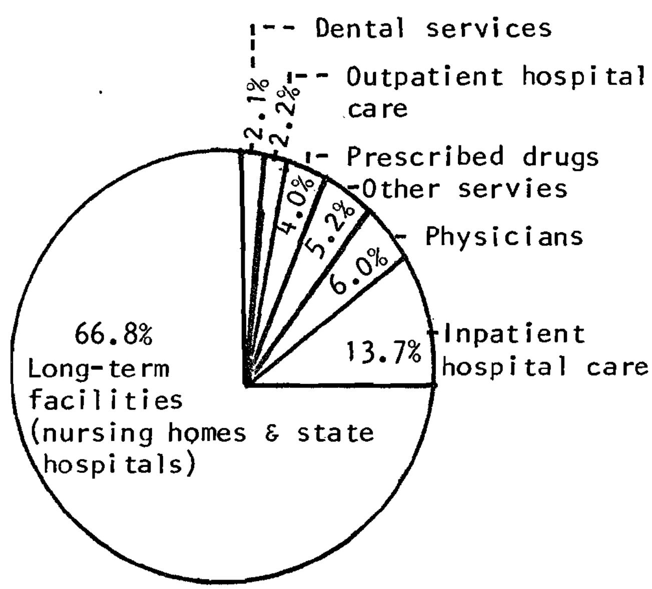


Medical Assistance

Recipients by Type



Expenditures



Source: Minnesota Department of Welfare, 1981 without a means test. In Minnesota, programs for the disabled include: cash assistance (social security disability income, supplemental security income, general assistance and Minnesota supplemental aid), food stamps, health services (Medical Assistance [MA] and General Assistance Medical Care [GAMC]) subsidized housing, social services (developmental achievement centers) and education and training services. Health care, housing and food stamp programs assess eligibility only on the basis of economic need. Educational services are provided on the basis of the need for that special service regardless of income.[13]

Although cash benefits for some disabled Minnesotans have been reduced or terminated as a result of the 1981-1982 budget cuts, advocacy groups have come to the aid of these people and most have recouped some of their benefits. Some of the services provided to the disabled have been reduced; however, in general, it is possible to say that the programs that meet the needs of most all disabled Minnesotans have remained intact.

The number of single individuals who are poor is on the rise due to lack of employment and strict eligiblity rules.

The number of unemployed individuals who are falling below the poverty line has increased because of the lack of job opportunities for these individuals, the exhaustion of unemployment benefits and the tightening of regulations for other assistance programs. The higher rate of poverty for the general population–15 percent of the population fell below the poverty level in 1982 up from 14 percent in 1981–has been attributed to the high rate of joblessness and the cutback in social programs for the poor.[14]

Single individuals still make up the smallest proportion of the poor in this country.

Generally, those people aged 65 and over receive the largest share of spending for income assistance programs. Comparatively, the amount of spending for means-tested programs is small.

The elderly have benefited greatly from federal cash transfer programs. The poverty rate for persons aged 65 and over dropped from 15.3 percent in 1981 to 14.6 percent in 1982 and for the first time in history, was less than the poverty rate for the nation as a whole (15 percent in 1982). In Minnesota, the poverty rate for the elderly was at 15 percent in 1980 while the rate for the general population was at about eight percent. This is a considerable decrease from the 26 percent rate in 1970.

The overall rate rose from 14 percent in 1981 to 15 percent in 1982. Many attribute the decrease in poverty for the elderly occurring while the overall rate increased to the indexing of such programs such as social security and pension programs.

A recent study by the Institute for Research on Poverty at the University of Wisconsin–Madison found that the elderly, who constituted 48 percent of the pre-transfer poor households (in 1978), received 62 percent of the pre-transfers poor's total transfers. Almost all of the elderly poor received enough to escape poverty. According to the Institute: "By comparison, all categories of the nonaged (white, black, Hispanic, male and female) were less likely to receive transfers and if all received them, were less likely to be removed from poverty by them. With SSI nationally available, and medicaid available–though at differing levels of generosity–in all states except Arizona, what is surprising to these researchers is not that the aged are so well off, but that there should be any elderly poor at all."[15]

The transfers that have the most impact on the well-being of the elderly are social security, medicare, medicaid, supplementary security income, and food stamps (all of which are briefly described in the appendix of this report.)

Social security (including medicare) is the largest single item in the federal government budget and comprises 40 percent of all government spending on social welfare.[16] Medical assistance is another large budget item, constituting $750 million in payments in Minnesota for Fiscal Year 1982. In Minnesota, 67 percent of all medical assistance (medicaid) payments go to 17 percent of income recipients–the elderly receiving long-term care.

Table 4 illustrates who receives federal cash transfers according to five income segments. The first five on the list– social security, railroad retirement, civil service retirement, military retirement and veterans compensation–generally benefit an older population. While social security is skewed towards the lower end of the income scale, programs such as military and civil service pensions are skewed towards the upper end. Likewise, comparing average social security payments to families–social security payments being the larger amount–to average AFDC payments to families shows a difference of $1,221.00 a year in 1981. (See table 4).

In addition to the large federal cash transfer programs, the elderly also qualify for a host of community social service and community action programs that are funded on the federal, state and local levels.

Although elderly persons have been protected from the changes in social security, SSI and food stamp programs, some changes (fees for services and co-payments) have occurred in the medical programs.

Co-payments and deductibles have increased for medicare recipients and in Minnesota, the asset and property limits used to establish eligibility for medical assistance have become more strict. There have also been some reductions in services that might affect low income elderly: some counties are requiring co-payments for services and have tightened eligibility stand-

TABLE 4

Who Gets What & How Much from the Federal Government

The table shows 1981 federal cash benefits to average families in five income segments, from poorest (first) to richest (fifth). It also slows income from non-federal sources, total income and income from federal sources as a percentage of the total.

Program	Beneficiaries (millions)	Total Benefits (billions)	1st	2nd	3rd	4th	5th
Social security	22.5	$118.3	$1,509	$2,033	$1,495	$893	$735
Railroad retirement	0.7	3.7	46	63	46	28	23
Civil service retirement	1.4	14.3	21	110	225	194	259
Military retirement	1.2	11.9	15	28	69	151	408
Veterans' compensation	3.4	9.2	88	91	121	112	108
Unemployment compensation	8.4	11.9	67	146	165	165	126
Supplemental security income	3.0	6.3	202	87	34	20	15
Aid-to-families-with dependent children	4.1	9.2	288	156	48	20	7
TOTAL Federal Sources	–	184.8	2,240	2,710	2,200	1,580	1,680
Non-federal sources	–	1,724.5	1,740	7,660	15,350	25,100	47,340
TOTAL Income	–	1,909.3	3,980	10,370	17,540	26,680	49,020
Federal share	–	9.7%	56.2%	26.2%	12.5%	5.9%	3.4%

Source: National Journal estimates from unpublished Census Bureau data, October 23, 1982

ards or have eliminated the services. Transportation and homemaker/chore services have been affected the most.[17]

The amount of spending for "public assistance programs"– those programs which are means-tested and benefit mainly women and children–is a fraction of the total spending for income security.

Total spending in 1982 for housing assistance, food and nutrition and AFDC equaled $43 billion–approximately 17 percent of the total budget for income security. (See budget in table 14) Housing assistance also benefits the elderly as do food stamps to a lesser extent.

III. Inequities and disparities in the income assistance system.

There is a dual welfare system in this country. Persons who receive income transfers derived from employment regard them as a right while the benefits that people receive because of need only are seen by the public as a privilege. These characterizations are strongly correlated to the sex and race of the recipient.

Americans tend to distinguish between "deserving" and "non-deserving" recipients of income assistance.

A pervasive public attitude towards people who receive means-tested benefits is that they do not really deserve these benefits, while those who receive non-means-tested benefits are deserving. This distinction is also usually defined by the sex of the recipient. In a *New York Times* guest editorial, Phil Keisling describes the inequities in unemployment compensation:

> The system also perpetuates a more traditional double standard. The man who loses his job and the non-working woman whose husband abandons her and her children both need temporary assistance. Yet the man's unemployment benefits will probably be more generous than payments the woman receives from Aid-to-Families-with-Dependent-Children. Moreover, the woman will be viewed as on the dole and subject to possible inclusion in presidential anecdotes from welfare cheats, while the man will likely be immune from serious scrutiny.
>
> These inequities stem from a mistaken notion that unemployment compensation somehow has nothing to do with "welfare," but is strictly an "entitlement." The standard refrain is: 'I paid for it, therefore I deserve it.'

The labor market contributes to who is in poverty and why.

The rise in female poverty has occurred despite substantial increases in job opportunities for women. Between 1972 and 1982, women accounted for 65 percent of the increase in employment. But most of the jobs are low paying. Women who work full-time earn 59 cents for every dollar earned by full-time male workers and many single women with young children are not able to work full time. "Most women on welfare have turned to welfare because they are unable to support themselves in the labor market, says Ms. Pearce of Catholic University's National Center for Policy Review."[18]

The concept of a dual labor market divides the labor market between two sectors: primary and secondary. This correlates with a dual welfare system.

The primary sector is characterized by high wages, job security, fringe benefits, opportunities for advancement, a high degree of unionization and due process in terms of job rights. The secondary sector is characterized by low wages, low security, part-time and seasonal work, few fringe benefits, little protection from arbitrary employer actions and a low rate of unionization. The welfare system complements and supports the inequality of the dual labor market.[19]

The primary welfare sector includes those benefits such as unemployment compensation, social security, private or public pensions and health care and is tied to the primary labor market. The secondary welfare sector generally consists of AFDC and general assistance and is tied to the secondary labor market. Men, especially white men, are disproportionately found in the primary sector while women and minorities are disproportionately found in the secondary sector. Table 5 describes the characteristics of the dual welfare system.

There continue to be problems of access to means-tested income assistance programs for low income people while those who do not necessarily have an income problem have little trouble receiving benefits from non-means-tested programs.

Income assistance is made up of a complex set of programs which are poorly understood as a whole, often run at cross-purposes and are duplicative. This is especially true for the means-tested programs which often require a considerable amount of information from applicants.

At the federal level, concern about the bureaucratic and complex nature of public assistance was brought forward by the President's Commission for a National Agenda for the Eighties which noted the following in its 1982 report:

> A recently widowed mother of several children, one of whom is disabled, may now apply to seven federal programs for aid. In a typical jurisdiction, *she will have to go to at least four different offices, fill out at least five different forms, and answer some 300 separate questions. The program may treat the information obtained from these forms differently; the value of the same care, for example, is almost sure to differ from program to program. Fourteen hundred pieces of information may be needed just to determine accurately the level of the woman's income.*

In Minnesota, the number of forms an applicant must fill out to

TABLE 5

The Dual Welfare System*

Primary Welfare Sector	Secondary Welfare Sector
Benefit is a right.	Benefit is a privilege.
Coverage is universal, or at least general across eligible populations, e.g., all ex-soldiers are eligible for veteran's benefits, over 95% of population reaching retirement age are covered by Social Security.	Coverage is only of certain segments of the population, such as income groups (means-tested programs), residents of poverty areas, members of race/ethnic groups (bilingual programs).
Receipt of services, or quality, not highly variable across country, often guaranteed by Federal Government, e.g., Medicare, unemployment compensation.	Quantity and quality of services is highly uneven and/or may depend on voluntary organizations such as churches, charities, women's groups; recipients include battered wives (services, shelters), rape victims, abused and neglected children.
Certainty, often including national standards, minimums and/or guarantees.	Uncertainty, local variations (e.g., whether one can find a doctor or hospital that will take Medicaid patients).
Benefits are often "fringes" of working and/or tied to earnings (such as Social Security) and are viewed as "earned."	Benefits are tied to low income and/or receipt of welfare.
Privacy assured, no stigma.	Stigmatizing and publicly degrading, e.g., shopping with food stamps, forced cooperation in determining paternity.
Does not require "pauperization" to qualify, thus making it easier to use benefits to become upwardly mobile.	Require pauperization (e.g., exhaustion of savings) to quality, making escape more difficult.
Higher average benefit levels including regular or frequent raises, and/or built-in "indexing."	Lower benefit levels, often below poverty level.
Benefit levels universal, with minimums.	Benefit levels highly variable by state and even locality; no federal minimum or requirement of meeting a set percentage of state-determined need level.
Amount of benefits not reduced for unearned income; earned income taxed for retirees after first $5,000.	Unearned income often deducted dollar for dollar, while earned income (for AFDC) after $360 annual work incentives taxed at rate of two-thirds.

*A new formula went into effect on October 1, 1981

Source: Women and Children: Alone and in Poverty, National Advisory Council on Economic Opportunity, Washington, D.C., September 1981 receive income assistance range from five to fifteen in St. Louis County, 13-25 in Hennepin and Ramsey and up to 20 in Olmstead County. This is strictly for financial assistance. Applications for fuel assistance, housing assistance or various training programs are handled by separate agencies. This also only indicates the number of forms the applicant must fill out; a caseworker must fill out more forms than the applicant in every instance.[20]

All programs require at least one visit with a caseworker (at application time); some counties require follow-up visits and periodic review. AFDC and General Assistance recipients must file a monthly income report 10 days before the beginning of each month listing all income received during the previous month. New regulations have been made much stricter; if a person does not get the monthly statement in by the deadline, he or she will be terminated from the program and will have to reapply. Food stamps began requiring a monthly income statement in 1983.

In Minnesota, benefit checks from these programs will be sent to the recipient by mail if he/she has a mailing address and not a post office box. This differs from state to state; some states require benefits to be picked up in person. Some states still require "home visits" in which a caseworker visits the home of a recipient for any violations. In the past, the requirements women with children had to meet were particularly harsh. As late as the 1960s some states required mothers to sign affidavits similar to the following:

> I. . .do hereby promise and agree that until some time as the following agreement is rescinded, I will not have any male callers coming to my home nor meeting me elsewhere under improper conditions.
>
> I also agree to raise my children to the best of my ability and will not knowingly contribute or be a contributing factor to their being shamed by my conduct. I understand that should I violate this agreement, the children will be taken from me.[21]

Unemployment compensation, while not nearly as complex or as stigmatized as means-tested assistance, also requires an in-person visit to the office responsible for administering benefits.

In this case, unemployed workers must report to the Department of Economic Security once every two weeks on their efforts to find a job. Any income they have received will be counted towards their benefits and the benefits will be adjusted downward. Recipients are required to apply, in person, for three jobs a week to maintain receiving benefits. Since benefits are based on past wages of the worker, those who had higher paying jobs will receive more money and might have less incentive to find another job immediately. In a guest *New York Times* editorial (Jan. 23,1983) Phil Keisling made the following comments about the nation's unemployment system:

> The system has other faults. It is elitist: Unemployed workers are required to take suitable employment, which means a laid-off secretary may be forced to take a filing job at minimum wage while a furloughed civil servant can refuse a $6 an hour sales job as beneath his station.
>
> And the choosier worker will probably get larger checks each week because benefits are scaled to previous income. This is particularly unfair because almost all full-time workers contribute equally to the system; the typical state taxes only the first $6,000 of wages.

Whether or not people are deterred from seeking public assistance because of its complexity and stigma is difficult to document.

Advocates for the poor estimate that only 40 percent of those eligible for food stamps apply for them. The Minnesota Department of Public Welfare has no figures to show who might apply for assistance if it were made more easily available; however, several officials did indicate that a 40 percent number might be an accurate guess. To counteract this problem, Hennepin County recently set up a pilot program for the elderly in which they received the cashed-out value of the food stamps instead of the stamps themselves. It was argued that the elderly would not apply for the program otherwise because of the stigma attached to food stamps.

Testimony to the committee by AFDC recipients emphasized the point that the system is confusing and discourages applicants. They also feel that the constant changes and adjustments that are made in the benefits are extremely disconcerting and frustrating. The downward adjustments for any slight increase in earned income discourages work. According to one recipient, "Changes in the amount of benefits received because one takes a part-time job discourages that person from taking the job. Often she may lose more by working than not and the continuous uncertainty of what the next check will be is extremely frustrating."

All the recipients who spoke before the committee emphasized that they wanted to be off assistance mainly because it was such a degrading and humiliating experience. They felt that education and training is the most important need they have since their strongest desire is to be self-sufficient and have a worthwhile job.

In contrast to means-tested programs, assistance for those who are not necessarily poor is provided much more efficiently.

The Social Security Administration, for example, attempts to do as much as possible for the applicant by mail or over the phone so that the applicant does not have to apply in person. Information about social security is available in most banks and post offices–readily available to the general public. Information about AFDC and general assistance, on the other hand, has to be picked up at the county welfare office. Other programs such as fuel and housing assistance are in separate offices and locations.

Information about social security is also kept up-to-date, is easy to read, and is written in a very positive style. The Minnesota Department of Public Welfare has one person updating brochures with all the recent changes in AFDC, food stamps, SSI, MSA and general assistance. Often the brochures are out-of-date and only a caseworker can give the latest requirements.

With the exception of unemployment compensation, most other non-means-tested programs come in the mail to recipients without any intermediary step or continuous follow-up. Tax deductions, which account for the largest subsidy for middle and upper income people, are taken off an income tax form through a few steps of subtraction.

There is a question of how much money spent on means-tested programs actually goes to recipients versus administrative and provider costs. Also, in-kind benefits can be of less value to recipients than direct cash.

Given the example of the bureaucratic nature of these programs there is a question that perhaps too much time and money is spent on implementing programs instead of distributing cash.

According to Linda Ady of the Minnesota Department of Public Welfare, stricter enforcement of programs always involves more money and staff time. "Home visits, for example," she says, "are extremely expensive and not very productive. Social security, on the other hand, is very economical–there is less administrative expense because there is less enforcement." Ady added that the continuous changes in roles and regulations for means-tested programs require a lot of staff time; currently administering agencies on both the state and local levels are overburdened because there is no money to hire extra staff.

In Minnesota, average administrative costs for the major income assistance programs (AFDC, GA) is approximately 10 percent. Costs for in-kind programs are higher and are expected to increase as regulations and requirements become stricter. Eric Kingson in his book, *Social Security and You,* says social security spends 1.5 cents for every dollar collected administering the program.[22] A chart of Minnesota's assistance programs including administrative costs is in the appendix.

Beside the bureaucratic costs, a lot of programs that might be set up in the name of the poor actually benefit middle- and upper-income people.

Gordon Tullock, in his book, *The Economics of Income Distribution,* feels that redistribution of wealth in this country although undertaken in the name of the poor actually benefits the middle class. He estimates that in 1981, total U.S. transfer payments were enough so that every man, woman, and child in the lowest 10 percent of income distribution could have received \$12,000; a poor family of four could have received \$48,000. In reality, a four-person family receiving AFDC and food stamps received an average cash grant of \$6,432.

Tullock sees this problem as more than the high cost of bureaucracy, instead the real problem is that "the bulk of the transfer goes to the politically influential and well organized." Huge amounts of income are redistributed through subsidies, tariffs and assorted other privileges for various interest groups.

Some experts argue that not all in-kind benefits are worth their face value to low income recipients.

Timothy M. Smeeding of the University of Utah has developed a relationship between the cost of in-kind benefits to the government and their actual value to recipients. Food stamps would most likely be worth their true value since everyone must eat. Housing subsidies and medical benefits, however, might not be worth as much to low income people as they are to higher income people. If a person has just a few discretionary dollars, he or she may choose to spend them on food or clothing instead of medical care. Housing subsidies are useful only if there is adequate housing available. Given cash instead of in-kind benefits, many recipients may choose to purchase other goods. Smeeding argues that medical benefits might be worth more to wealthier, older recipients since they would be more likely to use medical care and they might have fewer other urgent needs. He estimates that medicaid recipients with incomes less than \$10,000 would value this benefit at 40 percent of its value or less. (See table 6).

IV. Myths and a lack of information about the poor.

Many myths about people receiving income assistance exist in spite of a lack of evidence to support those myths.

There are many stereotypes surrounding those individuals who receive means-tested income assistance. Many are a result of isolated incidences or anecdotes that people hear and then pass on to others: the proverbial "welfare mother with six kids picking up her AFDC payment in a Cadillac," for example. Even though the committee found that these stereotypes are not representative of those people who receive public assistance, it also found it difficult to get beyond such commonly held notions to have a rational discussion of how assistance should be provided. These false notions about who the poor are and how they behave have had profound impact on the type of welfare programs we have today.

First, the commitee found the following statement not to be true: "Welfare recipients are welfare recipients for their entire lives. This cycle of poverty is passed on from generation to generation."

The data would indicate that the opposite is true; most AFDC recipients are on AFDC continuously for less than two years. According to the Department of Public Welfare, a typical case in Minnesota has runs four to five months. See table 7. When looking at total caselife, including all openings and closings of cases, more than 70 percent of all recipients are on AFDC for five years or less. See table 8.

The major reason why people go on public assistance is some major interruption of income: illness of the wage earner, exhaustion of unemployment benefits, desertion by husband or father. Often these people are the "working poor" who have fallen on hard times.

According to Ceaser Perales, Commissioner of New York State Department of Social Services, "In 40 percent of AFDC families, the adults move between low-wage seasonal labor and the welfare rolls. Public assistance fills the gaps in the nation's unemployment, disability and job retraining systems. Only 10 percent of the heads of welfare families fall into the 'chronic area,' receiving benefits for the most of their working years." (The same holds true for Minnesota, less than 10 percent of all recipients are on AFDC 10 years or more.)

A University of Michigan study of 1,391 young welfare dependents found that 57 percent of children from poor families both black and white did not remain impoverished after leaving home. Within the group studied, blacks were eight times as likely to have been raised in a poor family but were not more likely than blacks who were not raised in poor families to become welfare dependent.[23]

TABLE 6

The Value of In-Kind Aid

The tables show estimates of the receipt of in-kind benefits by average families in 1981 in each income segment, from poorest (first) to richest (fifth). The first table shows five major federal programs as measured by their cost to the government.

Programs	1st	2nd	3rd	4th &5th
Food stamps	$ 220	$ 90	$ 30	$ 10
School lunch	30	30	20	10
Subsidized housing	190	90	30	10
Medicaid	500	230	110	110
Medicare	760	700	430	500
Total	1,700	1,140	630	640

But recipients probably do not value these benefits at their full cost to the government. The next table converts the above figures, according to formulas that were developed by University of Utah economist Timothy M. Smeeding, to the value of the benefits as perceived by the recipients.

Programs	1st	2nd	3rd	4th &5th
Food stamps	$210	$ 90	$ 30	$ 10
School lunch	30	30	20	10
Subsidized housing	160	60	20	10
Medicaid	160	100	60	50
Medicare	400	470	340	410
Total	960	750	470	490

If the budget cuts enacted in 1981 and 1982 to take effect in 1983 had already been in force in 1981, here is how they would have scaled back the size of these in-kind benefits.

Programs	1st	2nd	3rd	4th &5th
Food stamps	$170	$ 70	$ 20	$ 10
School lunch	20	20	10	–
Subsidized housing	150	60	20	10
Medicaid	150	90	50	50
Medicare	370	440	320	380
Total	860	680	420	450

Some in-kind benefits are enjoyed largely by upper-income families. Here are very rough estimates of the value to beneficiaries of the tax deductions allowed for homeowners' property tax and mortgage interest payments and of employer contributions to health insurance premiums.

Programs	1st	2nd	3rd	4th	5th
Housing benefits	$10	$ 30	$130	$320	$1,100
Medical benefits	40	170	300	400	450
Total	50	200	430	720	1,550

And finally, here are combined federal in-kind benefits and special benefits targeted at upper-income families.

Programs	1st	2nd	3rd	4th &5th
Federal benefits	$ 960	$750	$470	$ 490
Other benefits	50	200	430	2,270
Total	1,010	950	900	2,760

Sources: National Journal estimates from data published by the Census Bureau, Congressional Budget Office, Senate Budget Committee & Health Insurance Institute. October 23, 1982.

TABLE 7

Length of time on AFDC since case last opened (application for assistance)
Sample data of currently active cases, April-September 1982

Time	Percent	Time	Percent
3 months or less	12.8	24-35 months	13.1
4-6 months	10.7	36-49 months	13.4
7-11 months	11.4	60 months or more	19.9
12-23 months	18.7		

This data does include time off AFDC of up to 3 months.
Source: Department of Public Welfare, State of Minnesota, 1982

TABLE 8

AFDC case life–total time on AFDC
1980 Figures
(including all openings or closings of a case)

less than 5 years	70.5%
5 years to less than 10 years	20.7%
10 years to less than 20 years	8.2%
20 years or more	.6%

Source: MN Department of Welfare, 1980

Another myth that the comittee found to be untrue was the following: "Welfare recipients are lazy and not willing to work. They have no qualms about cheating the government."

Combined with data that the majority of welfare recipients are not on assistance for periods of more than two years and that most of these people are part of the working poor, there is no evidence to cite that the poor do not want to work. On the contrary, the recent report by the Research Triangle Institute could lead one to believe that the low income people, "the working poor" are willing to work even if it means a reduction in benefits. (See Section VI page 24)

Even though there is evidence to show that income assistance recipients are willing and want to work, the income assistance programs actually penalize them for working.

AFDC recipients, for example, will see a dollar-for-dollar reduction in their benefits as they earn income, the equivalent of a 100 percent marginal tax rate. Currently, there also is what is called the "notch effect" in which a person's benefits are reduced to zero when he or she earns enough income to no longer be eligible for benefits. There is a serious consequence when the working poor earn just enough to no longer be eligible for medical assistance. This constitutes a substantial loss on the part of those workers with children who do not have medical benefits provided by their employers.

The commitee also found that it is a myth that public assistance programs, Food Stamps, AFDC, and General Assistance are rife with waste, fraud and abuse.

The percentage of fraud in such programs as AFDC and food stamps is roughly equal to and sometimes less than the percentage of fraud in other government programs. The Department of Health and Human Services estimated that erroneous AFDC payments (which includes both honest mistakes and fraud on the part of workers and recipients) were at 8.3 percent (approximately $664 million) in 1983. The Department of Agriculture estimates that "overissuance" of food stamps is at 10 percent or about $1 billion a year. In contrast to this, the Office of Management and Budget estimates that the cost of fraud and abuse in the Pentagon is approximately $32-40 billion a year or 20 to 25 times the cost of waste and fraud in AFDC and food stamps combined. This is approximately 15–20 percent of the total budget.[24]

The amount of money involved in "recipient welfare fraud" pales in comparison to the amount lost through abuse by providers. One estimate[25] pegs the cost of medicaid/medicare abuse and waste at $7 billion a year, others range from $2 to $6 billion a year. In 1980, the Department of Health, Education and Welfare estimated that of the 10 percent fraud and abuse rate in assistance programs, nine percent is abuse by providers and one percent is fraud by recipients. In Minnesota, the major types of recipient fraud are insufficient reporting of outside income and "absent parent or friend" living in the home. The number of cases investigated in 1981 are outlined in the chart below. The Department of Public Welfare has indicated an increase in public referrals of welfare fraud which it attributes to increased press coverage and media attention on the issue of fraud and abuse. According to Dan Haley, fraud consultant at DPW, "Public referrals are not as valid as case worker referrals because the general public has little understanding of how income assistance programs work and what the basic requirements are."

Number of fraud cases (AFDC) referred and investigated in 1981:

3046 investigations:

2261 not referred (due to lack of evidence, statute of limitation —three years, small amount of money involved or reimbursed):
- 428 reimbursed to county by recipient
- 205 reduced payment to recipient
- 917 insufficient data to proceed

786 referred for court action:

- 393 charged with fraud
- 237 convictions (totalling $531,000 in money established as fraudulently taken from state)
- 4 acquitted
- 293 cases referred for civil action (no clear dollar amount on these cases)

Source: Department of Public Welfare, 1981

Comparing fraud and abuse in public assistance programs to amount of fraud and abuse that occurs in the income tax system can also be illuminating. The Minnesota Department of Revenue estimates that approximately 182,000 (10 percent of those eligible to file) Minnesotans fail to file returns or underreport their incomes. This fraud amounts to $300 to $700 million of lost revenue in any given year. (See table 9)

Another myth that the committee had to grapple with was social security recipients' notion that they have "earned" all of their social security benefits.

Many social security recipients believe that the benefits they receive today are comparable to the amounts that they contributed. This view is reinforced by the terms the federal government uses to describe social security: "insurance," "pension," "entitlement," etc. In truth, the average social security recipient receives many times more than he or she ever contributed.

A newly retired average wage earner in 1982 contributed a total of $7,209 in payroll taxes over his entire working career. If one assumes 25 years as the average number of years that both wife and husband would be alive after retirement (as estimated by social security actuaries) and 100 percent of the increase in the Consumer Price Index, then the worker and/or spouse would

TABLE 9

Estimates of Minnesota Lost Revenue (Millions $) From Nonfilers, Underreporters & Nonpayers

			Minnesota Nonfilers/Underreporters as Percentage of Federal Non-filers/Underreporters. (Note: Minnesota Population is 1.8 Percent of U.S.)				
	Year of Estimate	**$***	**1.6**	**1.7**	**1.8**	**1.9**	**2.0**
*U.S. Estimates of	1976	$135	$248	$263	$276	$294	$310
Unreported	1978	200	368	391	414	437	460
Income from	1981	237	436	463	490	517	535
Nonfilers &	1981	300	552	586	621	655	690
Underreporters	1981	330	607	645	683	721	759
(in billions of	1983/85	379	697	740	784	828	871
dollars)	1981	400	736	782	828	874	920
	1981	420	772	821	869	917	966
	1981	450	828	879	932	983	1,035
	1982	460	845	899	952	1,005	1,058

Note: U.S. unreported income is converted to Minnesota taxes by taking Minnesota population as a % of U.S.; then applying Minnesota's marginal tax rate of 11.5% which is probably low because underreporters are generally in higher tax brackets. Also a case could be made for saying Minnesotans cheat more or less than Minnesota's population to the U.S.; e.g., 1.6-2.0%.

Lost revenue	**(Millions)**
Conservative Estimate at 1.8%	$683
Less 25% estimated for criminal activity (i.e., difficult to detect/collect)	(171)
Total	**$512**
Add	
1. Nonresident individuals and corporations earning money in Minnesota but not filing returns/reporting	50+
2. Those owing the state delinquent taxes (available for collection in FY 1983) ($249) less estimated collections with current resources ($87)	162
Total FY 1983 Tax Gap	**$724**

Source: MN Department of Revenue, 1982

receive approximately $520,000 in benefits or 75 times the original contribution.

A more accurate definition of a worker's contribution to social security might include the worker's contribution, his/her employee's contribution and average interest on that money. Taking this into consideration, the average wage earner receives his contribution back in three years and seven months—still only a fraction of the expected 25 years that the wage earner and/or spouse is expected to live.[26]

The National Commission on Social Security Reform uses a lower estimate of return on contributions saying that "the average worker retiring today will receive benefits more than equal to twice the employer-employee payroll contribution made on his behalf plus accumulated interest."[27]

Uncertainty about data perpetuates misinformation about the poor and how they respond to government programs.

Studies that have been conducted on the poor are often criticized for not being accurate and for not including all the important variables.

It is extremely difficult to measure human behavior as a result of some government policy because individuals can be affected by many variables that may or may not be related to amount of an assistance payment or an eligibility requirement. For example, the study by the Research Triangle Institute of North Carolina was commissioned to find out what had happened to working mothers who had lost their AFDC benefits as a result of the 1981 budget cuts. Based on a sampling of 1,623 active and discontinued cases called from AFDC files in 40 offices around the country, RTI found that 15 percent of the working mothers quit their jobs to be eligible for AFDC. This study was criticized for not asking other questions such as: Did the budget cuts discourage non-working AFDC recipients from looking for a job? How long did those who had continued to work feel they could continue without having access to medical assistance? What had been the impact on the children in those families that lost income? Had the mother found a better job or was she working at two jobs to supplement income?

The Department of Health and Human Services has claimed that the study shows that "beyond question, the Reagan changes achieved equitable and fair results." However, the Research Triangle Institute says that the data was not adequate to substantiate such a claim.[28]

Studies conducted on the effects of a negative income tax on work effort have come up with contradictory evidence.

Studies, including the first experiment conducted in New Jersey, claimed that the reduction in work effort was not significant. Later studies such as those done in Seattle and Denver state that the reduction is significant and could be costly. In all of these studies, the researchers cite numerous caveats–the major one being the inability of measuring individual behavior and accounting for all the variables that have an impact on that individual. (See discussion of recommendations)

Data on programs take a long time to gather and often when the results are ready, the problem has changed.

The Department of Agriculture is conducting a survey on the school lunch program but initial results will not be ready until the end of 1984. The Census Bureau will be surveying, for the first time, low-income families about their assets and the full amount of assistance they receive from the government from food stamps to housing assistance. Again, data will not be available for another year because of some prior cost cutting done by the administration. Because of this lack of data, the debate over how many people are falling below the povery line cannot be adequately addressed by the Reagan administration before the 1984 election. According to Burt Schorr of the *Wall Street Journal:*

> The federal government currently is unable to state with any precision what has happened to low-income families that lost food, welfare, medical and disability benefits as a result of program cuts since 1982. One reason is that the Reagan administration also eliminated or slowed the gathering of many statistics about such programs, including statistics that now might be used to defend program changes.[29]

V. Contradictions in income policy and lack of incentives to ensure responsibility in individuals.

There is an unresolved conflict over how much Americans are willing to give the poor simply based on need and how much is expected of recipients in return.

The "work ethic"–a belief in the positive virtue of work and achievement based on one's abilities–is one of the most strongly held values in American society.

Whenever and however possible, people should be able to support themselves through their own efforts. This strongly held value runs into conflict when a person for a variety of reasons, cannot support himself or herself and must rely on the rest of society for support or remain destitute.

Americans since the turn of the century have supported (at varying levels of largesse) those who are not working.

Certain populations have fared better than others. It is generally acceptable to support the elderly who have "paid their dues." It is not generally acceptable to support single individuals between the ages of 18 and 65 unless they are physically disabled. The expectation that women with children should work has changed depending on the decade. At the turn of the century everyone was expected to work (unless the breadwinner provided enough for his family) including women and children. At times during the last few decades, it was more acceptable for a mother to stay at home with her children rather than be away from them to take a job. The original legislation that established the Aid-to-Dependent-Children program in 1935 had as its major goal to help "deserving" (widows only) mothers to help care for their children at home. In contrast to this, the Work Incentives Program (WIN), established in 1967, was designed to get mothers on welfare to work. The Reagan Administration has gone a step further by proposing that even those women with children under the age of six should be required to register for WIN or "workfare" (a current proposal that would require recipients to work off their benefits).

Combined with the notion that everyone should work for their living is the feeling that welfare programs tend to reduce the incentive to work.

Studies in New Jersey, Philadelphia and Denver have shown that work reduction has not been significant, except among the elderly. Experiments concerning the impact of a guaranteed income on work incentives found that tax rates on wages performed under guaranteed income did at some point become punitive enough to cut back on the work incentives of the wife (the experiment included only husband and wife families) who was often marginally employed. The men in the experiment did not reduce their work effort by a considerable amount–only eight percent in hours (3.2 hours out of a 40-hour week). The experiments suggested that welfare had little to do with inhibiting work incentives.[30]

Robert Lampman of the Wisconsin Institute for Research on Poverty has estimated that the reduction in labor supply may be about seven percent of the total hours worked or less, allowing for the fact that this reduction is concentrated among groups with relatively low productivity. The impact of income assistance on work is probably highest among the elderly, whose labor force participation dropped from 46 percent to 20 percent between 1950 and 1978.[31] According to the IRP:

> The statistics on labor supplied by the elderly throw some light on one of the most loudly expressed criticisms of the welfare system–that it supports the undeserving at the expense of the workers. For even those most harsh in their condemnation of "welfare bums" regard the diminished necessity for work among the elderly as relatively benign, and it is the elderly who receive the largest share of transfers. Why, then, does the system draw such moral opprobrium?[32]

The general hostility towards those who are on public assistance because they are deemed as "not pulling their own weight" is contrary to the fact that many of the poor do work, either full time or at intervals. According to a February 1983 Jobs Watch newsletter, 34 percent of Minnesota's current AFDC recipients hold part-time jobs while on the rolls with over 70 percent having been employed sometime during the preceeding two year period.

James Patterson in his book, *America's Struggle Against Poverty 1900-1980,* sums up the contradicting notions that Americans have held about the poor and their contributions to society since the 1930s.

> The stereotype of the 1930s was often of a hard-luck, hardworking farmer or small town resident, the white yeoman staggered by circumstances. In the 1940s or 1950s people thought of the poor–whites as well as blacks–as a dwindling minority that would soon wither away. But by the early 1960s the stereotype was likely to evoke visions of "hard core" black welfare mothers with hordes of illegitimate children. It was no wonder that people who in one breath favored aiding the "needy" gulped again and blamed "lack of effort" for welfare dependency.
>
> This change aside, the ambiguities were not new. The philanthropic impulse had always co-existed uneasily with the work ethic, as had the vague distinctions between the deserving and the undeserving poor. The polls of the 1960s merely revealed the continuing power of these unquantifiable, often contradictory values. There was no reason to expect sudden changes in historically durable attitudes toward the poor.

In spite of a strong desire on the part of the public to see that the poor become self-sufficient through work and training requirements, past work requirement programs have not been very successful at doing this.

The Great Society programs of the 1960s, whose major goals were to help unemployed youth achieve better employment opportunities and higher wages, have had limited, if any, success. One of the major target groups for such programs, black teenagers, still has an unemployment rate of over 50 percent. The effect of Head Start in improving school performance remains questionable and controversial and recent studies of the Jobs Corps have found that participants have made only small earnings gains. It is particularly difficult to deal with certain structural characteristics of the labor market–labor union power and exclusionary practices, minimum wage legislation that induces employers to substitute capital for labor, impediments to occupational mobility and racial discrimination–all of which contribute to high unemployment among the young and minorities.[33]

The Work Incentives Program (WIN) has been criticized as not succeeding in helping mothers become self-sufficient through meaningful jobs. The women who initially enrolled in WIN welcomed the opportunity to get off welfare but before long were frustrated by the irrelevancy of their training, the inadequacy of daycare for their children, or the poor jobs that awaited them when they finished the program.[34] Testimony before the committee by one WIN recipient countered that feeling. She had received meaningful training that led to a technical (drafting) job and stated that the day care had been adequate as well. This was at a time when there was a lot more money in the program and more jobs available than now, she added. Another participant testified that the non-WIN program in Hennepin County had enabled her to get a college degree. She is, however, currently unemployed and back on AFDC. WIN and non-WIN participants are no longer allowed to enroll in a four-year college except through the Help program at the University of Minnesota which accepts only 40 people per year.

The Minnesota Emergency Employment Development (MEED) program actually encourages people not to take part-time jobs or day labor employment prior to applying for the program. The requirements state that a person must not have earned any income in the last six months in order to be eligible for the program.

The new agency performance standards for the Jobs Training and Partnership Act (JTPA), a federal jobs program that replaced CETA, has lead to a "creaming" of those applicants with the most potential to get a job, leaving the harder to employ with less chances of finding training or employment, according to Chip Wells of the Federal Employment and Training Programs Department for the City of Minneapolis.

The original Title V program, a federally-funded training and employment program, in Ramsey County was deemed fairly successful when it was set up in the mid 1960s. One former administrator felt the reasons the program had been successful were: the county had had a great deal of cooperation with the private sector in locating jobs; there were many more jobs available in the mid-60s; the county had a lot of money to work with and flexibility in establishing rules and regulations; the program was not punitive–it attempted to work with each individual in a positive manner and at their level; there were a number of incentives involved in the program which encouraged recipients to participate; the program was not mandatory; and finally, there were suitable support services such as child care and counselling available. A much smaller version of Title V is still in operation in Ramsey County (all the federal funding is gone) and is available to GA recipients and refugees. All other recipients must participate in the much more restrictive WIN program.

The current debate over "workfare" (The Community Work Experience Program) is a continuation of the ongoing desire on the part of the public to see that recipients give something in return for assistance.

Proponents of the program argue that "workfare" is an effective way to cut costs and that recipients receive meaningful work that lifts their self-esteem. Opponents argue that the program is degrading, does not lead to meaningful work, costs more to administer than it saves and may displace paid workers with free labor. "Right now, there is virtually no evidence that the programs work or don't work," according to Judith Gueron, a researcher, whose pilot study will monitor workfare experiments in 14 states, including California. "Most of the evidence we have is anecdotal and people on both sides of the issue will tell you what they believe."[35]

The Child Support Enforcement Program has not been effective in insuring that absent parents pay for the care of their children. When payments are made, they are generally not sufficient to support the child.

Child support is awarded to the custodial parent through the court system as part of the terms of divorce and legal separation.

When the absent parent, which nine times out of ten is the father, fails to pay the support, the woman can either return to court, rely on her own resources or go on public assistance. If the mother goes on AFDC, the taxpayer assumes the father's child support obligations. As previously noted, the single mother stands a very high chance of being poor–35 percent in 1981. Eighty-seven percent of all AFDC recipients are eligible because parents of children are divorced, separated or not married. *This means that less than 15 percent of AFDC recipients are on assistance because the absent parent (father) is no longer living.*

The part D Amendment to Title IV of the Social Security Act of 1950 was government's first attempt to collect child support from absent parents whose families were maintained by AFDC. This act required states–as a condition for receiving federal funds for welfare–to notify law enforcement officials in all cases when a woman applied for AFDC and to require the woman to take legal action against the father of her children. (Refusal to cooperate would not affect the woman's eligibility for welfare.) In 1967, federal legislation authorized state welfare agencies to set up units to establish paternity in cases of illegitimate children, and to attempt to secure support from these fathers. Unmarried mothers had become a serious problem. In 1983, 31.5 percent of women receiving AFDC had never been married; in 1977 this percentage rose to 33 percent.

In 1975, the Office of Child Support Enforcement was set up in the Department of Health, Education, and Welfare to synchronize all efforts towards collection. States were provided with technical assistance. Courts were given authority to garnish the wages of federal employees in arrears, the IRS was available as a last resort and financial incentives were established to encourage state and local governments to participate–they receive a portion of the money that is collected. The program is intended to serve both AFDC and non-AFDC families with the latter being charged fees for the services provided.

The program still has a long way to go in collecting payments. Although the national program collected $1.8 billion ($1 billion for non-AFDC families and $800 million for AFDC families) in 1982 not one state or county had even 50 percent compliance with court orders.

In 1978, the Census Bureau found that 41 percent of custodial mothers received no child support awards. Of the 59 percent of custodial mothers with child support awards, 28 percent received nothing, 23 percent received partial payments and only 49 percent received the full amount. Between a quarter and a third of absent fathers never make a single support payment.

> According to a 1973 Michigan study, patterns of payment have no relation to the father's income: about 60 percent of fathers earning below $5,000 paid nothing, but about 52 percent of fathers earning over $10,000 also paid nothing. The economic circumstances of single fathers usually better than while they were married. A California study of 3,000 divorced couples found that a year after divorce, *the wife's income dropped by 73 percent while the husband's rose by 42 percent.*[36]

In a report from the Minnesota Department of Public Welfare:

> In fiscal year 1982, the child support enforcement program in Minnesota collected a total of $33.7 million in child support statewide. In fiscal year 1983, this is expected to increase to a total of $40.3 million collected.

> For every dollar spent on administering the program, $3.13

was collected.

DPW staff state that income withholding and interception of federal and state income taxes of non-paying parents has had a large impact. Project Intercept, the tax withholding program, led to collections of $7 million from federal taxes and $2.8 million from state taxes–nearly $10 million which otherwise would not have been collected.

However, more attention to the problem is needed. Since 1975, when the program began, a total of $86.8 million in court-ordered child support has gone uncollected in the state–$55.6 million which should have been paid to custodial parents receiving welfare.

The Title IV D program is set up mainly to recover some of the AFDC funds paid to single parents.

There is little incentive for an AFDC recipient to comply with the program since she rarely receives any of the money the state collects; instead, it is reimbursed to the government. Only if the child support payment exceeds her welfare payment will the mother receive anything. Some women may not wish to deal with emotional trauma of tracking down the delinquent father if it does not result in an increased payment for their children. Likewise, the state has little incentive to pursue the ex-husband of a non-AFDC mother since there is little or no payback to the state. Interstate cooperation is also poor since there is little financial incentive for a state to pursue absent parents across the border. Because of this, many absent parents are able to cross state lines to avoid payments.

Even in the instance when child support is paid, it is often a very small amount and not enough to bring an AFDC mother above the poverty line.

According to the U.S. Bureau of Census, of the estimated 4.9 million men in America in 1975 who were divorced, separated or unmarried, three-fourths paid no child support at all. Of those who did, the median amount paid was $2,430 for the year or about $200 a month. Three-fifths of the mothers received less than $1,500 a year. For approximately half of the women getting child support, the payments constituted less than 10 percent of total family income. Child support and alimony actually paid by fathers constituted less, about 12 percent of the husband's earnings at the time of divorce or separation. As stated earlier, there seems to be little relationship between ability to pay and the payments.[37]

Another statistic often quoted makes the situation very clear:

> In a given year, only about three percent of all families headed by women who are eligible for court-ordered support payments receive enough in child support or alimony alone to put them above the poverty level for a family of their size and composition.

Reasons why child support payments which are set by the court are so low seem vague. E. Uhr of the Institute for Research on Poverty, (IRP), University of Wisconsin offers the following suppositions:

> It has been suggested that courts and district attorneys are not sympathetic to the concept of a father having to support his children after the marriage has ended. Some judges may feel that the taxpayers are better able to support many children than are their fathers. Others may feel that low amounts are more likely to be paid. In any event, there are no realistic standards that judges can use in making their awards.[38]

Whatever reasons the father may have for not paying child support and whatever reasons the court has for not being stricter with enforcement, the problem of inadequate payments to children of absent parents remains.

VI. The impact of the 1981/1982 budget cuts and economic recession.

There have been reductions in allocation of funding for means-tested income assistance programs at the federal level. Since Congress passed the funding legislation in 1981, these budget cuts have had an impact at the state and local levels as well.

One of the goals of the Reagan Administration was to reduce federal, non-defense discretionary spending.

According to the Office of Management and Budget, estimated 1983 outlays of $144 billion will be nine percent lower than the $158 billion spent in 1981. This reflects, for the most part, spending reductions in energy, employment and training, education and social service programs. Constant dollar costs of entitlement programs outside of the social insurance system (AFDC, SSI, food stamps, child nutrition, veterans pensions and federal retirement/disability pensions) are expected to remain virtually unchanged between 1981 and 1988. The major source of the slowdown in spending is means-tested programs. Constant dollar outlays in these programs will *fall* 2.5 percent per year over 1981-1988 compared to an increase of 7.4 percent in the 70s.[39]

Below is a partial list of those federal means-tested programs that have been affected by the 1981 and 1982 budget cuts.[40]

- **Food Stamps** program: Cut by $2 billion per year through the implementation of stricter eligibility requirements. Nearly one million people taken off the program in 1981, however, the number eligible even under tighter restrictions has increased so spending has increased.
- **Food and Nutrition** program: Fiscal Year 1981 = $16.2 billion, Fiscal Year 1982 = $15.6 billion, Fiscal Year 1983

estimate = $17.8 billion.[41]

- **AFDC** cuts: $1.5 billion per year (from both federal and state reductions). About 365,000 families have had benefits terminated. An additional 260,000 families have had their benefits reduced. In half of all the states, those whose benefits were terminated lose medicaid also.

- **Medicaid:** In 1981 medicaid was reduced by $1 billion per year–this has had an impact on reducing the number of people who qualify for medical assistance and reducing the number of services available. At the same time, overall costs for medicaid has been increasing.

- **Low Income Housing:** The percentage of the eligible person's income that is required to go towards rent has increased from 25 percent of income to 30 percent. The number of new low income housing units for which funds have been provided has been reduced from 260,000 units per year in 1983 to 100,000 units in 1983. Fiscal Year 1981 = $25 billion for low income housing, Fiscal Year 1982 = $15 billion, cut to $8.0 billion in 1983.

- **Low Income Energy Assistance:** Expenditures have increased since 1978. Funding in 1980 was $1.5 billion. 1983 spending is 6.8 percent above 1981 level, but natural gas prices have increased 22 percent in the last two years.

Budget cuts at the federal level have resulted in reduced spending at the state level.

Tables 10 and 11 show outlays for means-tested income assistance programs in Minnesota and Hennepin County and the average number of recipients for Fiscal Years 1981 and 1982 (Minnesota) and a three year comparison (Hennepin County). The largest decrease came in the number of recipients in general assistance, reduced by more than half to 8,510 in 1982. There were increases in outlays for fuel assistance and medical assistance. However, the number of those eligible who actually used medical assistance decreased from 1981 to 1982.

In Minnesota, the budget reductions have had a negative impact on children's programs.

Project Child Watch, a group of social service volunteers and income recipients who conducted a statewide random survey of recipients and human service professionals in 1981 and 1982, concluded that: "Minnesota children are at a greater physical, developmental and psychological risk now than they were before Congress acted in 1981 to reduce funding for many programs affecting them."[42]

The Minnesota Department of Energy, Planning and Development study found that the budget cuts have affected children in a variety of ways. 1) Children in families who have been removed from AFDC in Minnesota numbered 19,000. One-third of these children have no health insurance. 2) Daycare options for low income families have been decreased and have resulted in more children in unlicensed child care or latch-key programs. 3) Earnings of children in AFDC families are now considered part of the family income.Teenagers have less incentive to work (if they can find work). 4) Higher education opportunities for children from low- and moderate-income families have been affected by: the new disincentive for AFDC children to work and save money, the elimination of social security benefits for post-high school students and stricter guidelines for federally guaranteed student loans. 5) The number of children receiving school lunches in Minnesota has declined by 15 percent. The number of students participating in school breakfast programs has declined by 20 percent.

The Child Watch study reported that getting necessary health care was a major problem for families taken off of AFDC. Since many of them had no health insurance, they were delaying health care or, in a few instances, paying medical bills out of their own pockets. Lack of preventative care, for children in particular, can have serious implications in the long run.

Dr. Jean Smelker of the University Community Health Care Clinic said in testimony to the committee that she has noticed a change for the worse in the health of the people coming to the clinic for the first time in their last few months of pregnancy. A child was brought in with a case of whooping cough–a disease that practically has been eradicated in the United States. According to Smelker that case would have never occured if the clinic had had the resources to provide the outreach program that was available the year before. "If we do not put an investment into the care of the needy, especially the young and needy," says Smelker, "the cost to society will be much greater in the long run."

One Minnesota assistance program for low-income people has not been reduced or affected by federal cuts.

The State of Minnesota's Income Tax Circuit Breaker is a method of providing property tax relief to homeowners and renters based on property taxes or rent paid in relation to income. The total cost of this program grew from $121.7 million in 1976 to $19[illegible] million in 1978 then declined to $168.3 million in 1981. According to the Legislative Auditor's office:

> Circuit breaker benefits for homeowners declined when the homestead credit was increased in 1979 and 1980 because there is a dollar for dollar substitution between these programs for many homeowners.
>
> Estimates for 1982 and projections for 1983 and 1984 indicate that the circuit breaker will reverse its downward trend and grow to $219 million in 1984. These projections reflect the significant rise in property taxes in 1982, the

TABLE 10

Minnesota Public Assistance Program Overview for Fiscal Year 1982 (7-82–7-83)

	AFDC	Emergency Assistance	General Assistance	General Assistance Med. Care	Medical Assistance	Minnesota Supplemental Aid	Supplemental Security Income	Food Stamps	Fuel Assistance
Av. Monthly Caseload	48,678	1,094	7,673	10,581	105,186	10,202	29,949	78,633	130,000 (82) 104,000 (81)
Av. Monthly Recipients '82	138,485	3,822	8,510	10,819	134,906	10,202	29,949	206,065	N/A
'81	146,500	4,770	17,333	12,944	133,431	10,421	31,174	209,324	N/A
Expenditures '82	$204,110,841	$3,827,368	$20,028,850*	$38,840,601	$749,590,946	$11,942,939	$45,872,777	$83,599,991	$78,400,000
'81	208,688,533	4,431,695	28,000,000	52,231,201	668,410,530	11,082,771	42,700,745	84,227,760	74,000,000
Av. Expenditures Per Month	$ 17,009,237	$ 318,947	$ 1,669,071	$ 3,236,717	$ 62,465,912	$ 996,078	$ 3,822,731	$ 6,966,666	N/A
Funding Source:									
Federal	55.64% (54.39%)†	50%			55.64% (53.30%)†		100%	100%	100%
State	37.706% (38.77%)†	5%	75%+	90%	39.924% (42.03%)†	85%			
County	6.654 %(6.84%)†	45%	25%+	10%	4.436% (4.67%)†	15%			
Adminis. By	Counties	Counties	Counties	Counties & DPW	Counties & DPW	Counties	Social Security Admin.	Counties	Community Action Agencies

*1982 General Assistance figures are net figures–subtracting cancellations and termination of cases.
†Effective October 1, 1981 +Within state standards
Source: MN Department of Public Welfare, Operations Review Division, Reports and Statistics, 1983

TABLE 11

Hennepin County's Three Year Comparison of Persons Served and Expenditures (Average Per Month)

	AFDC & Emergency Assistance	General Assistance	Minnesota Supplemental Aid (MSA)	Refugee Assistance Program	Food Stamps	Medical Coverage: Medical Assistance	Medical Coverage: General Assistance Medical Care
1980:							
Persons per month	39,486 persons paid	5,653 persons paid	2,812 persons paid	2,974 persons paid	45,381 persons participat.	58,132 persons eligible	4,087 eligible persons
Expenditures–average per month	$5,039,768	$775,820	$232,230	$358,803	$1,416,746	$13,344,326	$1,478,073
1981:							
Persons per month	39,458 persons paid	4,630 persons paid	2,746 persons paid	4,572 persons paid	50,264 persons participat.	60,096 persons eligible	3,021 eligible persons
Expenditures–average per month	$5,430,105	$806,775	$281,694	$554,099	$1,857,217	$16,309,461	$1,684,783
1982 (Jan.-Sept.):							
Persons per month	33,753 persons paid	2,724 persons paid	2,692 persons paid	3,784 persons paid	50,641 persons participat.	52,648 persons eligible	2,277 eligible persons
Expenditures per month	$4,874,808	$617,023	$294,277	$452,550	$1,783,206	$17,759,918	$986,135
1983 (Jan.-Sept.):							
Persons per month	37,771 persons paid	4,041 persons paid	2,798 persons paid	2,039 persons paid	55,233 persons participat.	55,752 persons eligible	3,456 eligible persons
Expenditures per month	$5,947,305	$774,305	$342,075	$266,511	$2,093,259	$19,449,852	$1,004,132

Source: MN Department of Economic Assistance, November, 1982 expectation that taxes will continue to rise, and assume no change in the terms of the homestead credit and circuit breaker programs. If the homestead credit is reduced, the cost of the circuit breaker will rise.

The Office of Legislative Auditor found in an Evaluation of Direct Property Tax Relief Programs (February 1983) that the circuit breaker makes Minnesota's property tax nearly proportional for homeowners and progressive for renters. Thus, it is effective both in making the property tax more progressive and in providing additional aid for renters. However, according to the Legislative Auditor: "the circuit breaker is becoming less effective at relieving high tax burdens relative to income because more homeowners are reaching the income limits or maximum credit. By 1984 the circuit breaker will not be very sensitive to income or taxes in the Twin Cities or other high tax areas."

In contrast to means-tested income assistance, the 1981 and 1982 budget cuts have had little impact on non-means-tested entitlement programs such as social security, civil service and military pensions and veterans' benefits. These programs benefit mainly middle- and upper-income people.

The Office of Management and Budget reported in the 1984 Budget in Brief that in spite of attempts on the part of the Reagan Administration to make some changes in social security and medicare/medicaid, these programs continue to grow.

Despite some modest policy savings achieved in medicare and medicaid over the past two budget cycles and the phase-out of social security student benefits enacted in 1981, under current law, the social contract claim on GNP will rise a full percentage point by 1988 compared to 1981.

Several recent publications have demonstrated how the budget cuts since 1981 have been distributed. The *National Journal* (October 23, 1982) showed that federal income transfers are *less* concentrated on the poor in 1981 than in 1974. Families constituting the poorest fifth of the population received only 21.5 percent of federal transfers in 1981, down from 26.4 percent seven years earlier, while the nation's richest fifth's share rose from 13.9 percent to 16.1 percent. (See table 12)

A recent Congressional Budget Office (CBO) study found that 40 percent of the cutbacks in federal benefits programs over the past two years affected households with incomes of less than $10,000.

The cutbacks for human service programs averaged seven percent overall, but were greater in child nutrition (28 percent), welfare-AFDC (13 percent), compensatory education for disadvantaged students (17 percent), and employment and training programs (60 percent).[43]

According to the CBO:

> "Reductions in benefit payments for individuals will be the greatest for households with incomes below $10,000," the Congressional Budget Office concluded. "In 1984, for example, such households will lose an average of $430 in benefits relative to what they would have received under prior law, as compared to an average loss over all income categories of about $250."

Another example is shown in the figures in table 13 computed

TABLE 12

Redistribution: The Income Side of the Equation

The tables below divide families into five segments of equal size according to their incomes. Those in the poorest fifth had 1981 incomes of up to $7,168. The cutoffs between the other segments were $13,709, $21,573, and $32,730. Families include persons living alone as well as in groups of two or more related individuals. Each table shows the income of the average family in each segment in dollars and as a share of the total income of all families. The first table presents the data for actual 1981 income as reported to the Census Bureau:

	1st		2nd		3rd		4th		5th	
Non-federal sources	$1,740	1.8%	$7,660	7.9%	$15,350	15.8%	$25,100	25.8%	$47,340	48.7%
Federal sources	2,240	21.5	2,710	26.0	2,200	21.1	1,580	15.2	1,680	16.1
Total income	**3,980**	**3.7**	**10,370**	**9.6**	**17,540**	**16.3**	**26,680**	**24.8**	**49,020**	**45.6**

The second table, which displays the same information for 1974, shows that federal transfer payments were more effective then than now in leveling income inequalities:

	1st		2nd		3rd		4th		5th	
Non-federal sources	$1,040	1.8%	$4,780	8.3%	$9,560	16.7%	$14,800	25.8%	$27,100	47.3%
Federal sources	1,460	26.4	1,590	28.7	980	17.8	730	13.1	770	13.9
Total income	**2,500**	**4.0**	**6,360**	**10.1**	**10,550**	**16.8**	**15,530**	**24.7**	**27,870**	**44.4**

The final table offers the same data on the assumption that the federal spending cuts enacted last year and this year and scheduled to take hold in 1983 had been in effect in 1981. It shows that the spending cuts also work in the direction of greater income disparities:

	1st		2nd		3rd		4th		5th	
Non-federal sources	$1,740	1.8%	$7,660	7.9%	$15,350	15.8%	$25,100	25.8%	$47,340	48.7%
Federal sources	2,160	21.6	2,630	26.3	2,150	21.5	1,540	14.4	1,630	16.3
Total income	**3,910**	**3.6**	**10,280**	**9.6**	**17,490**	**16.3**	**26,640**	**24.8**	**48,970**	**45.6**

Source: National Journal estimates from unpublished Census Bureau data and unpublished Congressional Budget Office spending cuts estimates. Oct. 23, 1982

TABLE 13

The Impact of the 1981-1982 Budget Cuts

Program	Cuts enacted in 1981	Cuts enacted in 1982	Total cuts
Social security	2%	–	2%
Railroad retirement	–	–	–
Civil service retirement	2%	1%	3%
Military retirement	2%	2%	4%
Veterans' compensation	–	–	–
Unemployment comp.	9%	–	9%
SSI	1%	1%	2%
AFDC	16%	2%	17%

As enacted by Congress, most of the cuts will affect beneficiaries regardless of their income. The exception is AFDC, where reductions strike hardest at recipients who have some outside income and are near the top of the eligibility range.
Source: National Journal, October 23, 1982

by the *National Journal* with data supplied by the Congressional Budget Office. The cuts enacted in 1981 and 1982 are given as percentages of the levels that the CBO estimates spending would have reached without any legislative action.

These figures demonstrate that cuts generally hit hardest at those programs aimed at the poor. AFDC was reduced 17 percent while veterans benefits were untouched. According to the Center on Budget and Policy Priorities, about 85 percent of the recipients of social security and medicare have incomes above the poverty line. Among recipients of civil service and military pensions the percentage above poverty is much higher. *In fact, the richest fifth of households in America receive more in military pensions than the poorest fifth get in either of the two major cash programs, AFDC and Supplemental Security Income (SSI).*

The lagging economy as well as a combination of tax cuts that benefit the wealthy and cuts in social programs that mainly benefit the poor have widened the gap between the rich and the poor.

The *National Journal* argues that the tax cuts had a much greater beneficial impact on the wealthy than the poor because the poor do not pay as much tax. Likewise, the cuts in benefits have a serious impact on the poor because they must rely on government assistance more than those who are in the upper income categories.

Table 14, taken from the United States Budget in Brief, Fiscal Year 1984, shows the increases in non-means-tested programs such as general retirement and disability insurance and federal pensions versus non-means-tested programs such as food and nutrition assistance and other income security (AFDC). The administration estimates actual decreases in these latter programs from Fiscal Year 1983 to Fiscal Year 1984. Veterans benefits, on the other hand, maintain a steady increase.

The Congressional Joint Committee on Taxation has found that the tax burden on those at or near the povery level has increased substantially since 1978.

A family of four with an annual income of $9,862 in 1982 paid 9.6 percent of their income in federal taxes as compared to just four percent of their income in 1978. The poverty line is now much higher than the point at which people start paying taxes; therefore, more people below the poverty level are paying taxes. While many of the poor rely on non-taxable income transfers such as AFDC, food stamps and society security, many of the "working poor" must rely solely on taxable earned income. The increase in the tax burden for the working poor has occurred because of the federal government's increasing reliance on payroll taxes as a source of revenue and the recent cuts in benefits for the working poor.[44]

In December 1983, The Urban Institute released a report showing that the income distribution has become less equal.

According to Frank Levy and Richard Michel of the Urban Institute, "Among the poorest one-fifth of families, average disposable income will have fallen from $7,546 to $6,833, a decline of 9.4 percent. Among the richest families. average disposable income will have fallen from $39,348 to $39,158, a drop of one-half of one percent."[45]

Another area of federal spending that has not been affected by recent congressional action is tax expenditures.

Tax expenditures are features of corporation and individual income tax laws which provide benefits or incentives through special exclusions, exemptions or deductions from gross income, or special credits, preferential tax rates or deferrals of tax liability. According to the Congressional Budget Office, tax expenditures cost the federal treasury $37 billion in 1967. By 1982, this had increased to $266 billion.

One tax expenditure permits homeowners to take a tax deduction for the interest on their mortgage. This expenditure is expected to be $28.3 billion in fiscal year 1984.[46] Tax expenditures generally benefit the affluent since they have more taxable income to deduct. An analysis by the Department of Treasury show that approximately 70 percent of tax expenditures go to benefit the wealthiest 4.4 percent of the taxpayers with incomes over $50,000 a year. (See table 15)

Preliminary studies show that the hardest hit by the recent budget cuts have been the working poor. There is disagreement over what these preliminary findings mean.

According to federal administration officials, a major target of the cuts made in 1981 and 1982 were those people at the upper

TABLE 14

Budget Outlays by Function and Subfunction, 1974-86 (In Billions of Dollars)

Function and subfunction	Actual										Estimate			
	1974	1975	1976	TQ†	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Income security:														
General retirement and disability insurance (Soc. Sec.)	58.6	69.3	77.2	20.9	88.6	97.2	108.5	123.7	145.0	161.8	176.2	185.7	198.5	213.6
Federal employee retirement and disability (Pensions)	5.6	7.0	8.2	2.3	9.5	10.7	12.4	14.7	17.5	19.4	20.9	22.2	23.1	25.0
Unemployment compensation	6.1	13.5	19.5	4.0	15.3	11.8	10.7	18.0	19.7	23.8	36.9	28.8	25.9	24.7
Housing assistance	1.8	2.1	2.5	0.7	3.0	3.7	4.4	5.5	6.9	8.0	9.6	10.8	11.9	12.5
Food and nutrition assistance (Food stamps)	4.4	6.6	8.0	1.8	8.5	8.9	10.8	14.0	16.2	15.6	17.8	16.3	16.3	16.6
Other income security (AFDC)	7.9	10.1	12.2	3.1	13.0	13.9	13.4	17.2	19.7	19.8	21.1	18.7	18.9	19.0
Total income security	**84.4**	**108.6**	**127.4**	**32.8**	**137.9**	**146.2**	**160.2**	**193.1**	**225.1**	**248.3**	**282.5**	**282.4**	**294.6**	**311.4**
Veteran benefits and services:														
Income security for veterans	6.8	7.9	8.4	2.1	9.2	9.7	10.8	11.7	12.9	13.7	14.2	14.6	15.2	15.7
Veterans education, training, and rehabilitation	3.2	4.6	5.5	0.8	3.7	3.4	2.8	2.3	2.3	1.9	1.6	1.3	1.1	0.9
Hospital and medical care for veterans	3.0	3.7	4.0	1.0	4.7	5.3	5.6	6.5	7.0	7.5	8.3	8.9	9.3	9.7
Veterans housing	–*	*	–0.1	–*	-0.1	*	0.2	–*	0.2	0.1	-0.5	0.1	0.1	0.1
Other veterans benefits and services	0.4	0.5	0.6	0.1	0.5	0.6	0.6	0.7	0.7	0.7	0.7	0.8	0.8	0.8
Deductions for offsetting receipts	–*	–*	–*	–*	–*	–*	–*	–*	–*	–*	–*	–*	–*	–*
Total veterans benefits and services	**13.4**	**16.6**	**18.4**	**4.0**	**18.0**	**19.0**	**19.9**	**21.2**	**23.0**	**24.0**	**24.4**	**25.7**	**26.5**	**27.2**

†In calendar year 1976, the federal fiscal year was converted from a July 1 -June 30 basis to an Oct.1 Sept. 30 basis. The TQ refers to the transition quarter from July 1 to September 30, 1976.
*$50 million or less.
Source: United States Budget in Brief, 1984

income limit of the eligibility requirements for income assistance who supplement their incomes with some public assistance–often called the working poor.

The "Working Poor" are defined as those whose gross earnings are at or around 150 percent of the standard of need established by each state. The standard of need is the amount which the state Legislature determines as a subsistence level–determined each year. They are at the cutoff level for public assistance and have previously supplemented their income with public assistance.

For example, in Minnesota, a mother with one child would be terminated from AFDC under the new regulations if she worked full-time at the minimum wage ($3.45 an hour); she would be considered one of the "working poor" who may or may not be able to continue work without income assistance.

A study commissioned by the Reagan Administration and done by the Research Triangle Institute of Raleigh/Durham, North Carolina, has found that since the implementation of the 1981 welfare reform provisions, relatively low percentages of the working poor are turning or returning to the welfare rolls. The Department of Health and Human Services cite the following findings:

TABLE 15

Tax Expenditures Estimated as Outlay Equivalents (In Billions of Dollars)

Function	1982	1983	1984
National defense	3.1	2.9	3.0
International affairs	4.7	4.7	4.2
General science, space, and technology	0.8	–0.1	0.1
Energy	6.2	4.5	4.2
Natural resources and environment	2.3	2.8	3.3
Agriculture	1.4	1.4	1.4
Commerce and housing credit (mortgage interest deduction)	111.9	108.3	115.6
Transportation	*	*	0.1
Community and regional development	0.3	0.4	0.5
Education, training, employment, and social services	15.4	15.1	15.9
Health (medical expense deduction)	28.8	30.8	34.3
Income security (Social Security deduction)	107.1	113.2	123.3
Veterans benefits and services	2.4	2.3	2.3
General government	0.2	0.2	0.3
General purpose fiscal assistance	28.9	30.7	33.3
Net interest	0.3	0.5	0.5

*$50 million or less
Source: United States Budget in Brief, 1984

- Following the Reagan changes, only 15 percent of those who were terminated from the rolls returned and were on the rolls at the end of one year. That rate is no higher than the return rate found for the year prior to the reforms.

- Furthermore, of the working recipients who lost eligibility but then returned to AFDC rolls, more left the rolls again much sooner than before the changes. Almost half of those (47 percent) who went back on welfare left the rolls again within two months, compared with only six percent prior to the Reagan changes.

- After the 1981 changes, the same percentage of non-working welfare recipients started work as before the changes.

  In addition, those who work continue to work at the same rate as before: both before and after the changes, only 18 percent of working recipients were no longer working one year later.

- State and federal savings just from those cases who had earnings when the changes were made are estimated at $24.4 million per month one year later. Total savings would be even higher, since the study did not measure recipients who obtained work later in the year.

The Reagan Administration has cited this study as a positive sign that those who lost benefits as a result of the reforms were families with enough income to support themselves, while those with lower income remained on the rolls. They also claim that the reforms have produced a savings in the AFDC program that offsets the cost to individuals.

Tom Joe, Director of the Center for the Study of Social Policy in Washington, D.C., an affiliate of the National Opinion Research Center disagrees strongly with the Administration's interpretations of the findings.

Joe argues that the numbers do not measure cuts in programs other than AFDC. Many states have used holdover funds to continue financing day care for working AFDC mothers. When the money runs out, the work effort of these people could change. Furthermore, several states have raised their standard of need to guard against bumping the working poor from the rolls. According to Joe, research has shown that most Americans in all income groups want to work and will not abandon the labor force when confronted with a small decline in the net return from working. This will change when the burden of caring for children and working at low wages with no health insurance becomes too great.

Joe also takes issue with the cost savings: "The Administration wants to convince taxpayers that it is in the national interest to reduce public-assistance benefits to low-income workers. Simple arithmetic does not support this argument. For example, if 10 working families each getting $30 per month in supplemental AFDC benefits are cut from the rolls and only one comes back on a full-grant cost of, say, $300 a month (about the median benefit for a family of three in 1982), the cost of supporting this one household offsets the savings achieved at the expense of the many people who keep working."[47]

A study done at the state level by the Center for Urban and Regional Affairs at the University of Minnesota found that of AFDC recipients who had been affected by the 1981 federal cutbacks, 63 percent were off AFDC and working in July of 1982, 16.7 percent were on AFDC and working, 15.6 percent were on AFDC and not working, and 4.4 percent were off AFDC and were not working.

According to the study, those who were off AFDC and working attempted to make up for lost income by working more hours, taking a second job or upgrading jobs. Still they were able to make up for only half of the income they had befor going off AFDC; they remained just above the poverty line.

One part of the study was conducted on rural working AFDC recipients in Minnesota. While the findings were similar to those of the Hennepin County study, there are some differences between rural and urban recipients. Rural recipients generally have lower incomes than their urban counterparts; however, recipient home ownership in the rural area is twice as high (40 percent) as Hennepin County. The rural recipient's perception of the future was slightly higher than their urban counterparts but they have a lower outlook for their children's job opportunities.

General findings of the study were:[48]

- **Labor Force Participation:** A substantial number of parents have increased their labor force participation as they strive to maintain independence from public subsidies. However, there appears to be little incentive remaining for those on AFDC to start or continue working.

- **Economic Status:** Net income declined for all groups and basic needs consumed a larger portion of income despite lower energy costs in July. There is a large group of working recipients who were terminated from AFDC and who have maintained their independence from the program. However, half of those remaining on AFDC who were working previously are no longer working and are now totally dependent on public subsidies for their survival.

- **Health Care:** A significant portion of those off AFDC and working, and an even larger portion of their children, had no health insurance by July 1982. This has resulted in over half of their health care bills being paid out-of-pocket and in increased delays in their seeing physicians and dentists. The ability to get health care, when necessary, has become a major problem for those no longer on AFDC.

- **Day Care**: Those not working eliminated day care. Those working are using more hours of day care (partly because they were working more hours and partly because their children were not in school in July 1972), but they had found less expensive sources of care. A growing number of respondents are dissatisfied with the day care their children are getting and a growing number of children needing, but not getting, day care. A large number of children are being left at home alone during the day.
- **Household Composition**: Contrary to expectations, no substantial changes were made in household composition. Fewer households consist solely of a parent and children, but the percentage change was well under 10 percent.
- **Housing**: No substantial changes occurred in this area. In fact, people moved less frequently than in the six months prior to the cutbacks. For those who did move, cost savings had increased in importance as the major reason for moving.
- **Financial Emergencies**: Food shortages continued to be a problem for nearly one-half of this low-income population. Threats of utility shutoff increased, burdening nearly one-third of the respondents.

In both studies cited above the researchers warn that their data is somewhat imprecise since little is known about the behavior of people taken off assistance. Tom Joe says that the major problem with any study of the behavior of welfare recipients and impact of budget cuts is a lack of data. State public assistance data systems are often not designed to document the impact of policy changes.

Because of a high amount of joblessness and the termination of unemployment benefits and public assistance for many, there is evidence that the need for certain forms of income assistance remains and is growing in the U.S. and in Minnesota in particular.

The U.S. Census Bureau reported in August 1983 that 34.4 million Americans or 15 percent of the population fell below the poverty line in 1982.

This was an increase of one percent from the 14 percent line recorded in 1981. As of March 1983, the number of Minnesotans receiving food stamps totalled 249,359 which is the highest number in the history of the state and a 13 percent increase since October 1982. The Department of Public Welfare cited the reasons for the high food stamp uses as: "The continuing general decline of the economy and the termination of unemployment compensation benefits for many households." Also cited as a cause was the reduction of funding for AFDC and general assistance. A total of 81,530 Minnesotans exhausted their unemployment benefits in 1982 which is also a record.

High unemployment in the auto, steel, and mining industries has led to record numbers requesting and exhausting unemployment compensation in Minnesota and elsewhere in the country as well.

There has been much speculation as to what might happen to the recently, structurally unemployed—those who have been laid off from jobs in changing industries and who may never return to the same job or wage scale again. These are people who had relatively comfortable, middle-class living standards before being laid off, but now face a bleak future if they cannot be retrained for other jobs. As their unemployment compensation expires, they must either apply for public assistance or look for employment in a different area than they have been trained for.

Lack of health insurance for unemployed families is also a serious problem. According to the National Center for Health Statistics, more than one out of four families without a steady wage earner lacked health insurance in 1980.

Six and three-tenths percent of the families where no one was working did not have health insurance while 19 percent of families where someone worked but did not have a steady job were without health insurance. Overall, 13.4 percent of all individuals and 12.8 percent of all families lacked health insurance coverage. Action has been taken in Congress to remedy the situtation. In August 1983, the House passed a bill that would create a two-year, $4 billion program of health care benefits for workers who have lost their health insurance as a result of unemployment. [49] A subsequent decrease in unemployment and the high cost of instituting health care benefits for the jobless has slowed prospects of similar legislation being passed in the Senate.

The problems of high unemployment have also taken their toll on children.

The Congressional Budget Office reports that more than one-fourth of all children in the United States now live in near poverty households—incomes below 125 percent of the poverty level which is an income equivalent to about $9,000 for a family of three. According to the CBO, the major factors for the increase were high unemployment and a rise in the proportion of children living with one parent.[50]

Several reports issued at the state, county, and city levels have all concluded that the budget cuts have had a serious impact on the services provided to low income people in Minnesota and that need for assistance is growing.

These concerns range from impressions and anecdotal evidence of the increase in the needy population to actual figures showing an increase in demand for services.

In March 1983, the Governor's Task Force on Emergency Food and Shelter estimated that 1,000 people were homeless and about 750,000 people were in need of food assistance in Minnesota.

The task force recommended that general assistance be restored and a "meaningful" jobs program be put in place. The Legislature did restore the pre-1981 eligibility requirements and passed the Minnesota Emergency Economic Development Act, a program designed to give short-term jobs to the recently and long-term unemployed.

The Emergency Needs Project in November 1983 concluded that emergency services were still in high demand in Hennepin County.

According to the study, growth in demand was largely attributable to chronic or on-going problems.[51]

Studies by both Hennepin and Ramsey Counties emphasize the increase in needy populations as a result of the budget cuts. The Blue Ribbon Commission of the Needs Assessment of Ramsey County said the following:

> The major source of those problems' recent intensification lies in the state of the local and national economy and the cutbacks in governmental funding for social programs. Our present recession, as well as underlying currents of change in the very structure of our economy, generate problems directly through loss of jobs and indirectly through the constraints imposed on public programs providing assistance to the unemployed, and their dependents. It is difficult to find a program of cash assistance, or an area of social services whether it be in the area of employment and training, health, education, day care, or legal services–that has not been curtailed.
>
> There are other elements increasing the need and demand for social assistance that are superimposed on our economically-strained community: sharp increases in the cost of energy, rising rates of divorce that leave more children in single-parent households, an increased number of teenage pregnancies and influx of Indo-Chinese refugees, and a growing proportion of minorities in our population.

The Minneapolis Community Action Agency Needs Assessment, March 1983, found three developments since 1980 that have resulted in emergency needs: 1) the emergency of the "street people" as a major social problem; 2) the influx of Southeast Asians refugees; and 3) the increasing burden of fuel costs for low income people.

CONCLUSIONS

I. Lack of a consistent and comprehensive income policy is detrimental to the poor and it also is detrimental to society as a whole. In order to have an active, vital economy, it is imperative to enable all people to participate in the economy to the best of their abilities.

The strongest argument for insuring the well-being of all Americans is an economic one. Providing assistance to the poor in the form of income, training and job opportunities makes it possible for these people to become productive participants in the economy—both by contributing labor and by having income to purchase goods produced by others. In the long term, the children of the poor may not require income assistance as adults if they are given adequate assistance when they are young.

In the United States, a division exists between economic or industrial policy and social policy. Americans tend not to see a connection between social policy to ensure the well-being of people and successful economic development. In his book, *The Next American Frontier,* Robert Reich describes this phenomenon as two disparate cultures—the Civic and the Business culture. Social justice, government and politics exist in the first realm; prosperity, business and economics in the latter. Reich feels that the division between these two cultures did little damage as the United States was expanding and developing its own frontiers, but as it began to compete in international markets, its ability to change and adapt has been severely restricted.

He compares the United States to Japan which has a highly developed social/industrial policy, and makes the case that such investment in the human infrastructure of a nation has had very positive effects on that nation's productivity and wealth.[52] While acknowledging the fact that the United States is not a homogeneous nation and cannot contrive social cohesion, it is still important to note that Americans' relative position in the world is declining and in order to compete in a world market, it needs to see the importance of the link between investment in its people and a successful and productive economy.

Conservative columnist George Will also makes the point that such terms as "political," "social," and "human" *do* necessarily interact with "economy" and "capital." Even though conservatives often tend to separate the concept of "free market enterprise" and social action, Will argues that the "free market is a system, a public product and a creation of government. Any important structure of freedom is a structure, a complicated institutional and cultural context that government must nurture and sustain."

In his essay, "In Defense of the Welfare State," Will is specific about the importance of the interaction between government and the economy:

> "Government produces the infrastructure of society—legal, physical, educational—from highways through skills; and that is a precondition for the production of wealth. The unlovely locution of 'human capital' reflects the impulse to reduce all social categories to economic ones. But it also reflects a recognition that investment must be made in people before they can be socially competent. And it is obvious, once you think about it, that government is, and must be, a major investor."

II. Too frequently, means-tested assistance programs do not provide recipients with a path to self-sufficiency.

The work ethic continues to be strong in all Americans—including in those who receive public assistance. While many assistance programs are put together with the goal of fostering self-suffiiciency, they tend to do the opposite mainly because they do not provide enough assistance to help people out of their situation. People who are given just enough with which to exist have limited ressources to better themselves.

The work requirements and training programs that have been a part of assistance programs have not been successful in getting people out of their situations in part because meaningful training has been underfunded and more punitive than constructive in nature.

The committee saw numerous examples in its study of income assistance programs where recipients viewed the training or work requirements as punishment rather than opportunities.

Likewise, administrators of the programs often viewed the training or job components as rules to be followed rather than as a major objective to see that people become self-sufficient.

The humilitation and stigma attached to means-tested programs also tends to be counter-productive in the long run. It may force people off assistance to find employment or it may discourage people from ever applying; but in desperate situations these people may not be finding work or training that will enable them to avoid assistance permanently.

III. The income assistance system is unfair. It treats people in similar situations differently and does not target the most assistance to those in most need.

There is a significant disparity between those programs which are means-tested and benefit the poor and those programs which are not means-tested and benefit middle- and upper-income people. A disproportionate amount of federal income transfers go to middle- and upper-income people; comparatively not enough money goes to the poor. As the committee's findings indicate, the gap between the rich and the poor has been increasing since the mid-1970s. Even as expenditures rise for social programs, the majority of increases have occurred in programs that benefit middle- and upper-income people. Likewise, the tax burden on the people at the lower end of the income scale has also been increasing at a greater rate than for upper-income groups.

The concept of dual welfare system connected to the dual labor market further emphasize the inequity of income assistance programs. Women and minorities are often in jobs that have low pay and little or no fringe benefits, seniority or chance for advancement—the secondary labor sector. Most white men are in jobs that are considered part of the primary sector—high pay, pensions, health insurance and other benefits, seniority rights, and chances for advancement. Along with the primary labor sector follow such assistance programs as social security and unemployment compensation, both programs which give relatively high benefits. Along with secondary sector follow such programs as AFDC, general assistance and SSI. These secondary welfare programs pay much less although they are often all that person has to live on. AFDC is sometimes called the "poor woman's unemployment compensation."

While a woman or a minority and a white male could both be laid off from their jobs and be in similar situations, they will be treated differently in a dual labor/welfare system.

IV. The amount of attention and assistance we give to children should be similar to the amount of attention and assistance that we give to the elderly. At the same time we need to ensure that those who are responsible for children take that responsibility instead of forcing it on government.

The system is also unfair to children. While children are not expected to be self-sufficient, needy children do not receive adequate support from government programs. It is generally accepted in this country that we will take care of the elderly and we do so with relatively generous support. Children, in comparison, do not fare so well.

As noted in the findings, one out of four children live in near-poverty households in the United States. Given the wealth of this country, this would seem improbable and certainly inexcusable. Most people agree that children are "deserving" of assistance—it is their parent(s) who are the focus of public scrutiny. Whether this scrutiny is justified or not, it is the children who suffer if the parents are not able to provide them with the necessities of life. The Citizens League believes that in order to help the children, their parent(s) must be ensured the means with which to provide for their children—the notion of "deserving" or "undesering" notwithstanding.

Although the committee believes that there has to be more trust in the poor's ability to care for their children, there is still a need to ensure that those who do have responsibility for individuals take that responsibility. In the discussion of child support enforcement, it was found that the current child support enforcement system does a very poor job of forcing absent parents to take responsibility for their children. It was also noted that this is not necessarily related to the financial capabilities of the individuals—nearly half of middle- and upper-income parents (nine times out of ten, fathers) are not paying for the care of their children even though they have been ordered by a court to do so.

The child support system must be strengthened to the point where it is virtually impossible for absent parents to escape their responsibilities for their children. This is essential to building public confidence in the effectiveness of government programs.

V. Negative value judgments and myths about the poor make consistent and rational income assistance policy extremely difficult.

The committee found that the negative value judgments that most Americans make about the poor are the largest barriers to redesigning and reforming the income assistance system. Even though most stereotypes about the poor are not based on any substantial evidence, they act as very strong tools in moving public opinion. Even when confronted with the evidence that someone is definitely in need of assistance, a person can argue that it is against his or her value system to give income to someone for nothing in return.

There is much more public acceptance of giving in-kind benefits or services to individuals, rather than money. Historically, charitable organizations have existed to provide services to individuals in need—these usually involve the essentials of life: food, clothing, and shelter. These organizations and later the government to some extent were supported by the public because they were seen as helping the less unfortunate to do the right thing.

The notion of giving people income with no strings attached is not generally accepted by the American public, in part because Americans tend not to make the connection between giving all people the wherewithal to participate and make choices in the marketplace and a better economy. An effective argument for establishing a guaranteed minimum income must go beyond the altruistic notion of helping people simply because they are in need; it must convince people that their best interests will be served as well.

VI. The nation and the state must rethink the way that assistance is provided to the recently and long-term unemployed.

Throughout its study, the Income Assistance Committee found evidence that those who have become unemployed because of structural changes in the economy will need longer term assistance than unemployment compensation provides. Although retraining may be an option for some workers, others may not be able to adapt to a new job or career in a late stage of life. As the economy undergoes major transformation, government, business and industry must all be involved in addressing the needs of those who are adversely affected by the changes.

There is currently no long-term, ongoing program to address this problem. On the Iron Range, for example, workers who have exhausted their unemployment compensation can apply for temporary, $4.00 per hour hour jobs through the Minnesota Emergency Economic Development Program—a stopgap measure at best. There needs to be a thorough re-evaluation of the nature of work itself and how people are compensated for their contributions to society. This along with major reform and restructuring of income assistance is an essential step towards preparing for the future.

VII. The nation and the state needs to develop a policy that addresses the lack of access to health care for a large number of people.

Lack of health insurance for people who are attached to the primary labor market (those jobs that provide benefits) is a serious problem. As noted in the findings, more than one out of four families without a steady wage earner lacked health insurance in 1980.

Not having health insurance can have a very significant impact on an individual's income. For families, it can be devastating. Families that do not have health insurance often forego essential checkups for their children because they do not have the money to pay doctor fees. Clinics that provide low cost or free care can be effective but they are often underfunded and lack adequate staffing, for those who are low income, the need to turn to public assistance becomes inevitable.

Providing access to preventative health care should save money in the long run, since individuals would be able to have problems treated before they become serious and more expensive. Currently, AFDC recipients tend to use the most expensive care because that is what medical assistance pays for. This is not good for either the taxpayer or the recipient.

RECOMMENDATIONS

Introduction

The committee has found that a considerable amount of money is spent on "Income Assistance" in the U.S. every year ($248.3 billion in fiscal year 1982). Assistance, in the form of income transfers from the government to individuals, goes to many different people with a wide range of needs. The majority of spending is in the area of social insurance programs (e.g., social security, unemployment compensation)–those programs which are tied to employment and are not based on need. In comparison, much less is spent on means-tested public assistance programs–those programs which are specifically designed to help low-income people. The committee has concluded that the current income assistance programs do not efficiently target assistance to those who need it the most. Furthermore, lack of consistent goals in helping the poor has resulted in poorly designed, inefficient and inadequately-funded programs which do little to help people help themselves.

The Income Assistance Committee chose to concentrate its efforts on one major recommendation that calls for total reform and redesign of income assistance. In coming to this decision, the committee debated long and hard over whether the Citizens League could be more effective, in the short term, if it were to make recommendations for incremental changes to separate programs–some of which could be implemented at the state level. The committee made the decision not to do this because of the magnitude of the problem; eradicating poverty in America cannot be addressed by changing and modifying existing programs. Such a goal may not result with wholesale reform, but at least reform and redesign would address the serious questions of disparities, inefficiences and inequities that exist in the current system.

In considering this strategy, the committee looked to the results of another group that had met to discuss welfare reform–eight former secretaries of Health, Education and Welfare from the Eisenhower to the Carter Administrations. The former secretaries also concluded that major welfare reform was necessary albeit difficult to implement:

> . . .revision is urgently needed. Even if one could ignore for another decade the faults and inadequacies of our welfare programs, one would still be impelled to attempt revision now because of the new urgency to design a system which, at an affordable level, will provide benefits to the most needy recipients throughout the nation.

The former secretaries went on to recommend a national guaranteed minimum income for families setting the minimum level at the poverty level, the median income for individuals or at the standards established by the supplemental security income program.

Recommendation:

The committee recommends establishing a coherent, consistent income assistance policy based on the premise that everyone has a need to a minimum level of income in order to participate in the economy. This income policy would target the most assistance to those most in need, at the same time providing incentives for all people to earn income on their own. Most importantly, this policy would be based on the goal of helping people to become self-sufficient. It would treat all forms of income transfers–payments and subsidies to individuals from the government–as forms of income assistance and subject to taxation. The policy would consist of the following points:

- Establish a national minimum income, guaranteed to all individuals, with provisions for ensuring that those with the most needs receive the most assistance.

- Combined with the guaranteed minimum income, establish incentives through the tax system to earn income in order to ensure that people will always be better off if they earn income rather than simply receiving a benefit.

- Cash-out and combine the current categorical assistance programs including: AFDC, food stamps, general assistance, supplemental security income, housing assistance and energy assistance, and provide a cash equivalent of these programs in a single payment. (Health care would not be included in this category, see page 40).

- All income transfers, including social security and unemployment compensation, would be subject to taxation. This would create more equity in the system by taxing those individuals with high incomes who are receiving income transfers.

- Set up a payments system that is operated through the current income tax system. Determination of eligibility would be based upon previous and estimated income tax returns of individuals. The need for income above the minimum level, i.e., for single individuals with dependents, elderly, disabled, etc., would be addressed through the tax form.

Recommendation for State Implementation

As an initial step, the committee recommends establishing this program at the state level to act as a model to the rest of the country for future implementation on a nationwide basis. The state of Minnesota should ask for federal waivers from the programs mentioned above and establish its own guaranteed minimum income administered through the state income tax system. All five points cited above could be implemented on a state level in a modified form.

Several experiments and studies of social policy have been implemented in the past. The New Jersey negative income tax experiment was the first of numerous large-scale, controlled social experiments testing the effects and feasibility of a guaranteed minimum income by observing how it would operate in practice. The experiment operated at three urban sites in New Jersey and one in Pennsylvania and was conducted for three years at each site. Obviously, a limited site experiment does not adequately predict the results of a universal program and the effects of a permanent negative income tax remain unknown.

The major finding of the New Jersey experiment was that there was only a small reduction in average hours worked by the male heads of the families who received negative income tax payments. Subsequent experiments in Denver and Seattle have shown differences in the amount of reduction in work effort; however, it is generally felt that the concept of a negative income tax is valid. (See discussion of work incentives on page 35). One of the major contributions of the New Jersey experiment is that it demonstrated that a negative income tax is administratively feasible.

More recently, the State of Wisconsin has requested waivers from the U.S. Department of Health and Human Services to implement a Child Support Enforcement demonstration project in several Wisconsin counties. The project would eliminate AFDC in these counties and replace it with a guaranteed child support payment to all children with absent parents. This system would automatically withhold child support payments from the absent parent's wages upon notification of court order. The payments of those absent parents whose income is not sufficient will be subsidized by general revenues. Custodial parents with incomes above a certain level will pay a surtax at the end of the year if the child support payment they received is from general revenues rather than from the absent parent. Wisconsin's request for waivers was added to H.R. 4325, a child support enforcement bill, that was unanimously passed by the U.S. House of Representatives in 1983; it is expected to pass the Senate as well.

Both the New Jersey experiment and the Wisconsin proposal represent bold proposals to test new ideas. They demonstrate people's willingness to try new strategies that would address the problems of income assistance. Unfortunately, they are limited experiments that may or may not result in changes in overall policy. Minnesota should be bolder in its approach to the problem by establishing, on a statewide basis, a model, guaranteed-income program.

The Citizens League recommends that the Governor of Minnesota devise a plan for implementation of a state-administered guaranteed minimum income/negative income tax program. The Governor should direct the State Planning Agency or contract with a research group outside of state government to lay out the specific steps to obtain waivers from the federal government for AFDC, SSI, food stamps, housing assistance, and fuel assistance. The State Planning Agency or a research group should also devise procedures for consolidating and combining agencies and modifying the state income tax system to accommodate the new program. A third important step is to develop a financing mechanism to implement the program. Serious consideration must be paid to the cost aspects of a guaranteed minimum income; one of the drawbacks of a state system versus a national system is the inability of the state to tap federal income tax expenditures to cover the cost of the program. The Governor may find that it is more feasible to operate a state guaranteed minimum income at current general assistance levels rather than at the poverty level or at some higher amount. (See discussion of the cost of the program on page 36).

Discussion of Recommendation

1. Why a guaranteed minimum income?

The committee concluded that it is essential to guarantee all individuals a national minimum income with which to participate in society. The reasons why a guaranteed minimum income would be the best approach are many:

- It is a fair way of distributing assistance to those in need.
- When incentives for working are provided, it provides a viable path to self-sufficiency.
- It is efficient and cost-effective in the long run.
- It *targets* assistance to those in need.
- It strengthens the concept of "voice and exit" by providing all individuals income with which to make choices in the marketplace.
- It eliminates the stigma and degradation that exists in current assistance programs.
- It is in the best interests of all people to enable the poor to participate in the economy, to the best of their abilities.

The committee also concluded that the guaranteed minimum income must be ultimately provided on a national basis. The inequities and disparities between states makes this imperative.

Currently, individuals are guaranteed public assistance in the form of cash in only a few states. Minnesota, in particular, does have an income floor for those with little or no resources—the $199/month plus food stamps available through general assistance. Other states have no such programs and those who do not meet the eligibility requirement for federally-funded programs (in particular single individuals) have no options available except perhaps to move to a more generous state.

2. **What should be the guaranteed minimum income level and how should this level be determined?**

The committee did not specify a guaranteed minimum income level because there are many ways to approach this question. It did feel that people receiving assistance now should be no worse off after receiving a minimum grant in place of all the categorical programs at 1980 levels. Another important consideration is the differences in the cost of living between states. Some provisions should be made to adjust the amount according to the cost of maintaining a subsistance level of living by states. What follows are suggestions on how to determine what the minimum income should be:

One possibility is to use the federal government's definition of the poverty line which in 1982 was $9,862 for a family of four. Again, this would have to be adjusted slightly to take into consideration the differences in the cost of living among states. Another possibility is to consider the cash equivalent of all categorical programs a person is eligible for. In 1981, a four-person family receiving AFDC and food stamps received an average cash grant of $6,432. If that same family qualified for both housing assistance and fuel assistance (relatively few do), several thousand dollars could be added to the total yearly grant. Dividing the number of recipients into the amounts expended (1980 figures) comes to $1,586 per household annually for fuel assistance and $1,912 for low-income housing assistance.[53]

Another way to approach this question would be to compare the amount that the average social security recipient receives as the standard by which a minimum income would be determined. For example, in 1980 the average monthly social security payment for an individual and spouse was $564 or $6,768 a year for two. Since social security is not designed to replace all of a person's income after retirement, this standard is probably not enough to ensure a minimum living standard but is considerably more than most low-income people receive currently. In 1980, average monthly AFDC payments were $280 per family (the average is a caretaker and two children) plus about $90 per month for food stamps.

In Minnesota, the general assistance grant of $199/month could be used as the basic minimum income since it essentially is that now. Individuals with other needs, i.e., dependents and disabilities, would receive additional assistance above the minimum of $199/month for a single individual.

3. **How would the work incentives system work?**

Reducing the rate of taxation on the earned income of a person receiving public assistance benefits is a way to provide an incentive to work instead of simply receiving benefits. Referred to as a negative income tax, this concept can be structured in various ways. Milton Friedman first recommended the negative income tax in the 1950s. His idea was to utilize unused tax deductions and exemptions as the standard for determining the rate of taxation and the basic grant. The rate of negative taxation was 50 percent so that the difference between the allowable exemptions and the person's income would be taxed at 50 percent. Under Friedman's plan, if a person earned no income, he or she would receive a grant of $1,500; if that person earned $1,000, he or she would have an after tax income of $2,000.

There has been much debate over whether establishing a guaranteed minimum income would reduce work effort. Even establishing some form of tax incentive to earn income might not induce all individuals to work if they are *guaranteed* a minimum income without working. While the results of several of the negative income tax experiments have shown little or no significant work reduction, recent analyses are more critical. Robert Moffitt, an economist at Rutgers University, has concluded that the negative income tax does not necessarily increase work incentives. At most, according to Moffitt, the results are ambiguous and need more study.[54]

With this caveat in mind, the committee concluded that an individual's desire to work, especially if he or she is given incentives, is still stronger than simply receiving a benefit that will only allow it subsistance level of living.

Related to this notion, a person could get an income tax credit if he or she were enrolled in a work training program that would be upgrading his or her skills. This credit could be applied to the cost of the training program or to the costs incurred by the individual to enroll in the program. (Loss of income from job, child care expenses, etc.)

4. **Why cash out categorical programs?**

The reason cited most often for cashing out programs is to eliminate the bureaucracy that currently exists and to replace it with a simple, efficient program that can target assistance effectively to those in need.

Besides this important reason, the committee believes that people should be guaranteed a minimum income in a single monthly payment, with which to participate in the economy and that they should be allowed to have discretion over how that minimum grant is spent. The committee found that the poor are no more likely to waste their money on non-essential items than anyone else in the population. Currently, there is a lot of poorly-targted spending because low-income people have limited choices in the marketplace and because they have less of an incentive to reduce costs. Third-party provider programs reduce the incentive on the part of the individual to reduce overall costs or save money for these services. If people were given the money to pay for heating fuel or for housing they could choose to spend less on those items and more on other necessities. They might also have an incentive to look for less expensive housing or to weatherize their homes to save money. Giving individuals the ability to purchase services would allow redesign of services to occur since more people would have the income with which to make choices.

5. How might this program be structured?

The committee would like to see a cash assistance program that is tied to the current income tax system in which payments would be made through the same process as income tax refunds; however, it would be done on a monthly basis. Obviously, this would require more personnel than are currently employed in the IRS but not nearly as many as exist in all the separate welfare programs today. The reason for combining the functions of taxation and assistance would be to create consistency and equity among those who are receiving assistance and those who are paying taxes. It would furthermore eliminate the stigma that exists in current welfare programs. It is also efficient and could rely upon the IRS's computer data base for distribution of payment based on eligibility.

Another important aspect of this structure is that it would enable standardized guidelines to be set up and followed in determining eligibility, thus eliminating some of the inequities and disparities inherent in the system today. Obviously, special, emergency cases would have to be handled differently.

The committee does not recommend eliminating emergency services or community social services that address social problems such as drug abuse, teenage pregnancies, runaways or battered women. The major point here is that not all income assistance recipients need special counseling or financial advice, just as not all social security recipients need such counseling.

A minimum benefit level could be phased-in over a period of years, in order to take into account financial, economic and administrative implications for federal, state and local governments.

6. What might be the cost of a program such as this?

Welfare reform programs proposed in the 1970s used estimates that varied widely. Some, such as the Credit Income Tax proposed by the National Urban League in 1974 would have given a tax credit to all individuals regardless of income. A universal program such as this would have enormous upfront costs—two estimates (1974 figures) were $238 billion for tax credit of $1,750 per adult and $350 per child and $311.6 billion for a tax credit of $2,000 per adult and $350 per child. The Urban League proposed paying for this program through comprehensive tax reform.

Cost estimates for implementing a negative income tax—establishing a guaranteed minimum income and reducing the tax rate on the earnings of the recipient from 100 percent—vary depending on the size of the minimum grant and the reduction the tax rate. In 1978 dollars, a guarantee of 100 percent of the poverty level and a tax rate of 50 percent on earned income would cost $40.5 billion more than existing welfare programs; whereas, a guarantee of 75 percent of the poverty level and a 70 percent tax rate on earned income would have cost $3 billion more than existing welfare programs. Both of these estimates take into consideration the cost of reduction in work effort of certain individuals and the cost of supplementing incomes of those working and receiving benefits through the negative income tax.[55]

Even a negative income tax, although not universal, would have upfront costs since people who currently do not qualify for any assistance would begin to receive some. In the long term, the cost of a guaranteed minimum income/negative income tax should be offset by more people participating in the work force and eventually becoming self-sufficient.

Using more recent figures (1980), the committee worked out the following cost estimate of a guaranteed minimum income/negative income tax. In order to estimate what it would cost to give all households below the poverty level enough income to put them at the poverty level ($9,862 for a family of four), one needs to take the difference between what these people are receiving now and their poverty "threshold", i.e., the poverty level. The U.S. Bureau of Census has estimated that the *Aggregate Income Deficit* equalled $29.7 billion in 1980. (See table 16)

$29.7 billion would be the cost of bringing all households up to the poverty level. Instituting a negative income tax would make others at or slightly above the poverty level eligible for assistance as well. If one were to roughly estimate that this would double the cost of the program then total costs would be $59.4 billion at a 50 percent negative income tax rate on earned income.

If certain non-cash assistance benefits (see table 17) are included as income and subtracted from the total (the income deficit multiplied by two), the difference would be $39.4 billion:

	In Millions
Food stamps	$ 9,583
Housing benefits	8,389
Energy assistance	1,738
	$19,980

TABLE 16

NO. 736. FAMILIES AND UNRELATED INDIVIDUALS BELOW POVERTY LEVEL, AND AGGREGATE INCOME DEFICIT (1980 DOLLARS), BY SEX AND RACE OF HEAD: 1959 TO 1980

[As of **March of following year**. Income deficit defined as the difference between the total income of families and unrelated individuals below poverty level and their respective poverty thresholds. In computing the income deficit, families reporting a net income loss are assigned zero dollars; for such cases, the deficit is equal to the poverty level. For explanation of poverty level, see text, p. 417]

SEX AND RACE OF FAMILY HOUSEHOLDER AND UNRELATED INDIVIDUALS	BELOW POVERTY LEVEL						AGGREGATE INCOME DEFICIT (1980 dollars)					
	1959	1966	1969	1975	1979 [1]	1980 [1]	1959	1966	1969	1975	1979 [1]	1980 [1]
	MILLIONS						BILLION DOLLARS					
Total [2,3]	**13.2**	**10.5**	**10.0**	**10.5**	**11.2**	**12.4**	**38.8**	**25.7**	**23.0**	**24.6**	**26.5**	**29.7**
White	10.2	8.0	7.6	7.8	8.0	9.0	27.7	17.9	16.5	17.3	17.8	20.1
Black	2.7	2.4	2.2	2.5	2.9	3.1	(NA)	(NA)	6.2	6.8	7.7	8.4
Families [2]	8.3	5.8	5.0	5.5	5.5	6.2	27.7	17.3	14.4	16.2	16.7	19.3
White	6.2	4.1	3.6	3.8	3.8	4.2	18.9	11.2	9.6	10.8	10.5	12.4
Black	1.9	1.6	1.4	1.5	1.7	1.8	(NA)	(NA)	4.6	5.1	5.6	6.2
Families with female householder [4]	1.9	1.7	1.8	2.4	2.6	3.0	7.5	5.9	6.0	7.6	8.6	9.6
All other families	6.4	4.1	3.2	3.0	2.8	3.2	20.2	11.4	8.4	8.6	8.2	9.8
Unrelated individuals [2]	4.9	4.7	5.0	5.1	5.7	6.2	10.9	8.4	8.7	8.4	9.7	10.4
White	4.0	3.9	4.0	4.0	4.5	4.8	8.8	8.7	6.9	6.5	7.3	7.8
Black	.8	.8	.9	1.0	1.2	1.3	(NA)	(NA)	1.6	1.7	2.1	2.3

NA Not available. [1] Beginning 1979, based on 1980 census population controls. [2] Includes races not shown separately. [3] Includes families and unrelated individuals. [4] No husband present.

Source: U.S. Bureau of the Census, *Current Population Reports*, series P-60, No. 133.

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	In Millions
Aggregate income deficit plus the cost of Negative Income Tax	$59,400
Less: Cash out of categorical programs	-19,980
Total Cost	**$39,420**

The cost of this option to Minnesota (roughly estimating the state as 1.8 percent of the nation's population) might be around $709 million. Chances are this figure would be less since Minnesota's poverty rate is lower than the national average–9.3 percent vs. a U.S. rate of 12.5 percent in 1980.

A variety of options could be employed to determine the costs of establishing a guaranteed minimum income. The committee does not specifically recommend the example outlined above. It is used strictly to illustrate one way of coming up with some rough cost estimates. Obviously, guaranteeing a minimum income at some percentage of the poverty level would reduce the overall cost of the program. If Minnesota were to use the general assistance amount of $199/month plus $60/month for food stamps, the total guaraneed annual income for an unrelated individual would be $3,109 or approximately two-thirds of the poverty level for a single unrelated individual ($4,620 in 1981). Under this scenario, not all individuals would be brought up to the poverty level, but all individuals would still receive some benefits as well as incentives to work at a 50 percent tax rate. This could reduce the initial cost of the program by about one-third to one-fourth.

Going back to the example outlined above, how could we come up with the additional revenue to cover the difference of $39.5 billion? As discussed in the findings, the United States loses hundreds of billions of dollars in revenue each year because of tax expenditures–deductions, credits and tax exemptions. If one were to concentrate only on tax expenditures under the categories of income security and health, one could find enough revenue to make up the cost of the program. (See table 18) By taxing income transfers that have previously been exempt from taxation, (in particular social security, unemployment compensation and workers' compensation) and health insurance benefits provided by employers, the total almost equals the cost of the program:

Revenue Loss Estimates for Tax Expenditures (in millions) 1981

Social Security	$12,810
Workers' Compensation	2,730
Unemployment Compensation	1,985
Railroad Retirement	385
Exclusion of employer contributions for Medical Insurance	14,050
	$31,960
Including the deductability of consumer credit would bring the amount of revenue needed above the cost of the program	8,675
Estimated cost of program: $39,420 compared to	$40,635 in addit. revenue

These are shown as examples of where the revenue might be found to pay for the additional costs of the program. The committee does not recommend one approach over another except to say that all government income transfers to individuals should be

TABLE 17

Benefits for Persons With Limited Income
Cash and Non-Cash Benefits for Persons with Limited Income: 1980

(For years ending September 30. Programs covered in this table provide cash, goods, or services to persons who make no payment and render no service in return. In case of job and training programs and some educational benefits, recipients must work or study for wages, training allowances, stipends, grants, or loans. Most of the programs base eligibility on individual, household, or family income, but some use group or area income tests; and a few offer help on the basis of presumed need.)

Program	Expenditures (mil. dol.) Total[1] 1980
TOTAL	**102,625**
Medical care[2]	31,716
Medicaid[3]	25,781
Veterans[4]	3,349
General assistance	[5] 1,101
Indian Health Services	546
Community health centers	325
Cash aid[2]	29,369
A.F.D.C.[3, 6]	13,435
Supplemental Security Income[3]	8,418
Pensions for needy veterans[7]	3,585
Earned Income Tax Credit	2,033
General assistance[8]	1,386
Food benefits[2]	14,046
Food stamps[3]	9,583
School lunch program[9]	2,708
Women, infants and children[10]	774
Nutrition program for elderly[11]	385
Jobs and training[2]	8,706
Public service employment[12]	3,696
Employment and training services[12]	2,144
Youth employment demonstration program[12]	905
Summer youth employment program[12]	721
Jobs Corps[12]	470
Work incentive program	406
Housing benefits[2]	8,389
Rural housing loans	[13] 2,887
Lower-income housing assistance	2,104
Low-rent public housing	1,361
Rural rental housing loans	[13] 881
Interest reduction payments	656
Education aid[2]	4,620
Pell grants[14]	[5] 2,415
Headstart	919
College Work-Study Program[14]	[5] 505
Supplemental Educational Opportunity Grants[14]	[5] 355
Services	4,041
Social services	3,648
Energy assistance	1,738
Low-income energy assistance	1,539

[1]Includes state and local government expenditures not shown separately. [2]Includes other programs not shown separately. [3]Expenditure data include administrative expenses. [4]Medical care for veterans with a non-service-connected disability. [5] Estimated. [6]Aid to Families with Dependent Children program. [7] Includes dependents and survivors. [8]Data for Alaska and Vermont were not reported. [9]Free and reduced-price segments. [10]Special supplemental food program for women, infants, and children. [11]No income test required. Funds for home-delivered meals were first available separately in 1980. [12]Programs represent specific titles under Comprehensive Employment and Training Act. [13]Amount of loans obligated. [14]Recipient data represent total numbers for an award year. Since program is forward funded, data represent number of and expenditures for students in following year.

Source: Library of Congress, Congressional Research Service, "Cash and Non-Cash Benefits for Persons with Limited Income: Eligibility Rules, Recipient and Expenditure Data, FY 1980," Report No. 82-113 EPW, June 8, 1982. Also U.S. Statistical Abstract 1982-83.

subject to taxation. An important consideration here is not to *overestimate* that amount of revenue that could be derived from taxing social security benefits. It would be counter-productive to tax individuals who are at the border of the poverty level so that they would then fall below the level. The progressive tax rate should avoid this circumstance.

Related Problem Areas Considered by the Committee

Child Support Enforcement

A major problem that the committee addressed in its study was child support enforcement. As discussed in the committee's findings and conclusions, the high incidence of absent parents who pay little or nothing for the support of their children is a major problem both for the custodial parent and for the taxpayer as well. Methods of enforcing child support payments must be strengthened and broadened so that people cannot escape responsibility for their children.

Fortunately, there has been progress made in this area in the last year. In Minnesota, the Legislature established guidelines for determining child support awards. By law, judges are to follow these guidelines to ensure that custodial parents will receive adequate support from the absent parent. There is a question of how judges' compliance with these guidelines will be monitored and enforced—it is currently incumbent upon the counties to ensure that they are followed.

In the fall of 1983, the United States House of Representatives unanimously passed a bill that would go a long way towards addressing the problems of child support enforcement. The bill outlines 11 requirements that all states must follow. Among the requirements: states are required to authorize wage withholding when the amount owed by the absent parent equals one month of support payments, when the absent parent requests it or earlier at state option; states must set up procedures for income tax intercepts, liens against property, reporting to consumer credit agencies and imposition of security or bond to secure support payments from absent parents; states will be required to monitor and track support payments at the request of either parent; and states must continue Child Support Enforcement Services for former AFDC recipients. The legislation also provides financing for the states to develop computerized information systems that would process and monitor child support payments on a statewide or regional basis. The bill has support from the President and is expected to pass the Senate soon.

Minnesota is one of the target states for this federal funding since it has a county-administered child support system. Minnesota has been directed to look at the feasibility of moving administration of the system to a state or regionwide level and to link up all operations to one computer system.

The committee supports all the progress that has been made so

TABLE 18

No. 425. Revenue Loss Estimates for Selected "Tax Expenditures" by Function: 1981 and 1982

[In millions of dollars. For years ending Sept. 30. Represents tax expenditures of $100 million or more in 1982]

DESCRIPTION	1981	1982
National defense:		
Exclusion of benefits and allowances to Armed Forces personnel	1,735	1,885
International affairs:		
Exclusion of income earned abroad by United States citizens	610	985
Deferral of income of domestic international sales corporations (DISC)	1,595	1,465
General science, space, and technology:		
Expensing of research and development expenditures	1,550	380
Credit for increasing research activities	15	405
Energy:		
Expensing of exploration and development costs:		
Oil and gas	3,525	4,065
Excess of percentage over cost depletion:		
Oil and gas	1,865	1,965
Other fuels	380	380
Capital gains treatment of royalties on coal	100	105
Residential energy credits		
Supply incentives	150	205
Conservation incentives	425	415
Alternative conservation and new technology credit:		
Supply incentives	180	235
Conservation incentives	220	285
Natural resources and environment:		
Excess of percentage over cost depletion, nonfuel minerals	385	405
Exclusion of interest on State and local government pollution control bonds	715	835
Capital gains treatment of certain timber income	585	600
Agriculture:		
Expensing of certain capital outlays	525	545
Capital gains treatment of certain income	425	460
Commerce and housing credit:		
Dividend and interest exclusion	1,335	2,185
Exclusion of interest on State and local industurial development bonds	1,200	1,650
Excess bad debt reserves of financial institutions	325	250
Exclusion of interest on life insurance savings	4,060	4,535
Deductibility of interest on consumer credit	8,675	9,285
Deductibility of mortgage interest on owner-occupied homes	20,145	23,030
Deductibility of property tax or owner-occupied homes	9,125	10,065
Exclusion of interest on State and local housing bonds for owner-occupied housing	685	920
Expensing of construction period interest and taxes	755	745
Capital gains (other than agriculture, timber, iron ore and coal)	17,965	18,315
Deferral of capital gains on home sales	1,160	1,070
Exclusion of capital gains on home sales for persons age 55 and over	450	415
Carryover basis of capital gains at death	2,070	2,190
Investment credit, other than ESOP's rehabilitation of structures, energy property, and reforestation expenditures	19,445	20,035
Safe harbor leasing rules	(z)	3,560
Exclusion of interest on certain savings certificates	(x)	515
Reinvestment of dividends in public utility stock	(z)	130
Community and regional development:		
Investment credit for rehabilitation of structures	220	255
Education, training, employment, and social services:		
Exclusion of interest on State and local student loan bonds	60	100
Parental personal exemption for students age 19 or over	1,045	995
Exclusion of employee meals and lodging (other than military)	620	655
Investment credit for ESOP's	975	1,005
Deductibility of charitable contributions (education)	925	895
Deductibility of charitable contributions, other than education and health	8,485	8,345
Credit for child and dependent care expenses	935	1,120
Targeted jobs credit	305	235
Health:		
Exclusion of employer contributions for medical insurance premiums and medical care	14,050	15,330
Deductibility of medical expenses	3,615	3,925
Exclusion of interest on State and local hospital bonds	560	680
Deductibility of charitable contributions (health)	1,390	1,360
Income security:		
Exclusion of Social Security benefits:		
Disibility insurance benefits	860	915
OASI benefits for retired workers	8,845	9,980
Benefits for dependents and survivors	1,735	1,915
Exclusion of railroad retirement system benefits	365	380
Exclusion of workmen's compensation benefits	2,730	3,100
Exclusion of untaxed unemployment insurance benefits	1,985	2,060
Exclusion of disability pay	170	155
Net exclusion of pension contributions and earnings:		
Employer plans	23,390	25,765
Plans for self-employed and others	2,170	2,560
Exclusion of other employee benefits:		
Premiums on group term life insurance	1,840	1,900
Premiums on accident and disability insurance	100	100
Additional exemption for elderly	2,250	2,355
Tax credit for the elderly	130	135
Deductibility of casualty losses	775	800
Earned income credit [1]	810	555
Exclusion of interest on State and local housing bonds for rental housing	435	485
Deduction for motor carrier operating rights	(z)	140
Veterans benefits and services:		
Exclusion of veterans disability compensation	1,255	1,360
Exclusion of GI bill benefits	200	175
General purpose fiscal assistance:		
Exclusion of interest on general purpose State and local debt	5,855	6,685
Deductibility of nonbusiness State and local taxes other than on owner-occupied homes	19,085	20,395
Tax credit for corporations receiving income from doing business in United States possessions	1,120	1,200

X Not applicable Z $5 million or less [1] Indicates the effect of the earned income tax credit on receipts. The effect on outlays is: 1981, $1,320 million, 1982, $1,255 million.

Source: U.S. Office of Management and Budget, *Special Analyses, Budget of the United States Government*, annual.

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far and encourages the State Child Support Enforcement Agency to make the most of the federal initiatives. The committee suggests that Minnesota's best solution in the long term would be to move to an administrative process for determining child support awards. This would consist of hearings conducted by Child Support Enforcement staff with both parents at the time of separation or divorce; the hearing officer would estabish the support award based on established guidelines and if there was no disagreement among the two parties, the process of payment would be made through the state agency. Only if one or the other party disagreed with the decision would the case go to court.

The committee also believes that there needs to be much more cooperation and coordination between states to track delinquent absent parents. The federal legislation discussed this problem and added a provision that would permit states to use the Federal Parent Locater Service before their own resources are exhausted. Much more attention should be paid to the importance of a strong federal networking system.

Health Care

Another problem area that the committee came across in its study of income assistance was the issue of health are for the poor. The lack of access to health care insurance for some low income individuals and the inappropriate care that some medical assistance recipients receive was cited repeatedly as a serious problem. While the committee recognizes the importance of universal access to health care insurance in the context of a more equitable insome assistance system, it also recognizes that a major discussion of health care is beyond its scope and charge. In discussing this issue, the committee referred to past Citizens League positions in the area of health care and made some suggestions as to how these recommendations relate to income assistance.

Medical assistance, the means-tested government health insurance program, was not included in the cash-out of categorical programs because of the difficulty of assigning a specific value to the benefits. Medical assistance benefits are of more value to sick people than they are to healthy people. There is also the problem of ensuring that everyone has access to care. People with chronic illnesses find it nearly impossible to find a private insurer and if they do, they have to pay a considerable amount for their premiums. If that person is indigent, there is no recourse but government assistance. The committee concluded that medical assistance was the one program that should be left as a categorical program and not cashed-out. It also concluded that the best approach to problems of health care for the poor was through cost containment in health care in general.

In a 1981 report, "Paying Attention to the Differences in Prices: A Health Care Cost Strategy for the 1980's," the Citizens League argued that health care costs must be controlled through strengthening the health care marketplace itself. This could be done through dissemination of the providers' prices for their services. Once this occurs, consumers could become better informed of what the "community norm" is for a given medical service and which providers offer comparable quality at competitive prices.

With this principle in mind, the committee suggested one possible option in addressing the problem of the poor's access to health care:

The government (initially state but preferrably national) should provide access to health care insurance for all individuals and their families who do not have health care options provided through their place of employment. Government provision of health care benefits should be based on ability to pay. Those at the lowest income levels would not necessarily pay anything for a premium while people at higher income levels would pay a portion or all of their premiums based on their income.

Government could designate providers of health care for those under the government insurance plan or it could give the consumer a voucher for care with a limit on spending pegged to the "community norm" for medical procedures. This voucher would enable the consumer to make more choices; it could also be developed to give consumers incentives to use less costly forms of care and to rely more on preventative care. For example, if consumers use providers that are determined to be low cost, high quality and emphasizing preventative care, they may not have to pay anything extra, however, if they go to a "non-preferred provider," they may have to pay a supplement or a deductible.

Currently, the state of Minnesota is taking another tack to get at the high cost of health care. It is putting caps on the amount of money spent for various health services and telling the provider to either control costs or pay the difference. It is also involved in establishing a pre-paid reimbursement system for medical assistance. The medicaid demonstration project will give health care providers monthly, prospective, per capita payments. There is a plan to enroll AFDC recipients into Health Maintenance Organizations. This is a good initial step, since it is giving low income people access to preventative care.

Nonetheless, there is a question as to how effective this project will be at controlling health care costs in the long run; and if it does not, will fewer and fewer people be eligible for medical assistance as spending increases? The committee feels that the long-term interests of all people in every income group would be better served by allowing more consumer choice based on actual cost of health care services.

Training and employment

Training and employment is another area which is extremely important to eliminating poverty and intregral to the success of major welfare reform, but was deemed beyond the scope of the Income Assistance Committee. The Citizens League does not have stated positions on employment opportunities for low income groups. Therefore, the Income Assistance Committee briefly outlined some areas that it considered important when discussing this problem.

One major problem that the committee saw when looking at income assistance programs was the lack of consistent linkage between assistance and training or employment opportunities. Often the training component of a program is housed in a different agency from income assistance; it is often understaffed and underfunded. Recipients are not given positive incentives to participate in training or to look for employment. This problem must be addressed if the poor are expected to work, and more importantly, become self-sufficient.

Other barriers to employment have to do with the structure of the traditional workplace. For one group, single women with children, this has been particularly difficult. Provisions must be made that will allow these people access to jobs: adequate daycare for children, adequate pay and health benefits. Another approach might be the creation of more in-home production, part-time and flex-time jobs.

The hardest to employ and those with the most urgent needs sometimes do not receive the most attention in the government programs designed to train and employ the unemployed. The Emergency Supplemental Appropriations Act, passed by Congress in March of 1983, appropriated $4.6 billion to create an estimated 400,000 jobs. By January of 1984, only 100,000 people had been employed and most of those were people who had been allowed to continue their present jobs–not the structurally unemployed who have had no job opportunities.

Perhaps government should do more contracting with private or non-profit community-based operations which are willing and able to train and employ the hard-care unemployed. One successful project in the Twin Cities is Project for Pride in Living Industries, which employs, exclusively, those individuals with little or no job history. Work is performed under contract with businesses.

A final major question raised by the committee had to do with the disparities created by a primary and secondary labor market that relegates those individuals in the secondary labor market to low-paying jobs, little or no job security, and reliance upon public assistance. Unless these people are given adequate wages, benefits and chances for advancement, they will continue to be dependent on the government for assistance.

WORK OF THE COMMITTEE

Background

The Income Assistance Committee was formed as a follow-up to three past Citizens League reports: "The Issues of the '80s: Enlarging Our Capacity to Adapt," "A Positive Alternative: Redesigning Public Service Delivery," and "A Better Way to Help the Poor." Both the '80s and the Redesign of Services reports address the question of fundamentally restructuring and redesigning the way public services are provided and paid for. Enabling all individuals to purchase services requires changes in the ways in which the poor receive assistance, since they will need more cash income with which to purchase and choose those services.

Similar to the 1977 committee, this committee chose to make comparisons between all forms of income assistance, making the assumption that such programs such as Social Security and AFDC are similar in that they both provide assistance in the form of income transfers to individuals. In its discussion, the committee also attempted to eliminate the derrogatory term "welfare" as much as possible in order to avoid the negative connotations that that term carries.

The study was programmed by the Board of Directors of the Citizens League in June 1982.

The charge to the committee was as follows:

> *"Devise a system of financial assistance for the poor sufficiently generous to make possible greater use of fees and charges for public services, but which does not create incentives for individuals to avoid personal responsibility for their financial future.*
>
> "This project will be a direct follow-up to our report on the '80s and on service redesign. It also has its roots in the 1977 report of the Citizens League report on income maintenance. We need to look at the resistance which has continued to exist to making fundamental changes in the ways that public assistance is made available to people. We need to look at this problem from the standpoint of equity to individuals, as well as the fact that by failing to take action here the overall cost of subsidies to people at large may be more than is necessary. For example, are unnecessary subsidies being provided to the middle class for certain public services because adequate financial assistance in the first place is not being provided to the poor? The study will focus on the problems which the categorical system of assistance has produced. At the same time, it will analyze whether an alternative system would be as generous to the poor as the present system. It will analyze whether there are certain actions that could be taken on an incremental basis within the state or at the federal level. The study will include an examination of the use of federal and state tax deductions and credits as a way of providing income support, including the circuit breaker property tax credit. Part of the work would be to respond to the current proposal in Washington, D.C., that the states be fully responsible for income support. As part of its work, the committee would put in perspective the total expense for income support as contrasted with other means of public payments, including health care."

Committee Membership

A total of 19 people participated actively in developing the report. These are:

Randy Halvorson, chair	**Robert Minton**
John Anderson	**Kathleen Moore**
Connie Bell	**Florence Myslajek**
John Broady, Jr.	**Victoria Oshiro**
Patricia Brooks	**Steve Rood**
Mary Duroche	**Clarence Smith**
Virginia Flygare	**Wallace Swan**
Diane Ladenson	**Thomas Watson**
John Leadholm	**Paul Wilson**
John Marty	

The committee was assisted in its work by Laura M. Jenkins, Donna Keller and Joanne Latulippe of the Citizens League staff.

Committee Activity

The committee began its work on November 4, 1982 and submitted its report to the Board of Directors on February 7, 1984. It met a total of 33 times. Each meeting was approximately two hours in length.

The committee devoted its testimony stage to learning about the various assistance programs available. This survey ranged from housing and fuel assistance, AFDC, food stamps, and medical assistance to unemployment compensation, Social Security, and veterans benefits. The committee attempted to develop a broad overview of all the programs in order to make general recommendations about the nation's system of income assistance. During this time the committee relied heavily upon testimony from people in the Twin Cities and other parts of the nation familiar with the subject of study.

Following the orientation portion of its work, the committee devoted its time to internal discussion. During these meetings the committee tried to reach consensus about major issues and to prioritize the issues they had identified. The committee spent several months preparing and reviewing drafts of its report.

During the orientation portion of the study process detailed minutes were kept of committee meetings. These were made available to all committee members and to several other people in the community not on the committee but interested in the committee's work.

Throughout its work, the committee followed the issues of social programs and income assistance through the press and selected publications. Many articles about the problems and developments in income assistance were brought to the attention of the committee. A limited number of copies of the committee's minutes and background materials are available at the Citizens League office.

Resource Guests

As all Citizens League study committees do, this committee relied heavily upon testimony from people in the community and around the nation familiar with the subject of study. The committee and the Citizens League are extremely grateful for this assistance. Persons who met personally with the committee included:

Bonnie Becker, director, Office of Child Support and Enforcement, Department of Welfare

Barbara Beerhalter, commissioner, Department of Economic Security

John Brandl, professor, Hubert H. Humphrey Institute of Public Affairs, University of Minnesota

R. Jane Brown, director, MN Fuel Assistance Program, Department of Economic Security

John Chisley, client advocate, Minneapolis Urban League

Steve Cramer, senior program officer, Mpls. Urban Coalition

Nancy Feldman, supervisor, Health Care Program Policy, Department of Public Welfare

Arvonne Fraser, senior fellow, Hubert H. Humphrey Institute of Public Affairs, University of Minnesota

Beverly Gleason, director, Office of Economic Opportunity, Department of Economic Security

Donald Gralnek, work and training supervisor, Department of Public Welfare

Beverly Johnson, AFDC recipient

Kevin Kenney, associate director, Bureau of Social Services for Hennepin County

Ted Kolderie, senior fellow, Hubert H. Humphrey Institute of Public Affairs, University of Minnesota

Chuck Lutz, director, Office of Church in Society, American Lutheran Church

Mona Moede, social worker, Sumner-Olson Resident Council

Mary Overton, paralegal, Southern Minnesota Legal Services

Leonard Ramberg, chairman, Minnesota Board on Aging

Nancy Reeves, housing director, Metropolitan Council

Jim Roche, former aide to Mark Dayton, candidate for U.S. Senate

Charles Schultz, director, Assistance Payments Division, Department of Public Welfare

Jan Smaby, director, Economic Assistance, Hennepin County

Dr. Jean Smelker, director, Community University Health Care Center

Jim Solem, director, Minnesota Housing Finance Agency

Doris Wells, resident, Sumner-Olson Resident Council and AFDC recipient

FOOTNOTES

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[47] *Working Over the Working Poor, Minneapolis Star & Tribune,* May 25, 1983, p. 15A

[48]*The CURA Reporter,* May 1983, p. 1

[49]*St. Paul Dispatch,* August 4, 1983

[50] *New York Times,* April 29, 1983

[51] Emergency Needs Project, Report and Recommendations, Minneapolis Foundation, Louise Brown, Chair, Nov. 21, 1983

[52] *The Next American Frontier,* Robert Reich, Time Books, 1983

[53] *Statistical Abstract for the U.S. 1982/83,* table 517

[54] *A Problem with the Negative Income Tax,* Robert Moffitt, Department of Economics, Rutgers University, New Brunswick, NJ, October 1983

[55] Hearings before the Subcommittee on Public Assistance of the Committee on Finance, United States Senate, 95th Congress, November 14, 16, and 17, 1978. Pgs. 83-84

APPENDIX I

Brief Outline of Assistance Programs Looked at by the Committee:

I. Means-tested Cash Payments (Public Assistance Programs)

- **AFDC**: Aid to Families with Dependent Children is a Federal/State/County administered program which provides income maintenance to dependent children and their caretakers. Eligibility is based on need. In 1982, the average grant was $368/month for one adult and one child; $446/month for one adult and two children. (Minnesota payment standard).

- **GA**: General Assistance is a state-administered and funded program which provides cash assistance to needy persons who do not qualify for AFDC, SSI or MSA. In 1983, the Minnesota payment standard for General Assistance was $199/month for a single individual.

- **SSI**: Supplemental Security Income is a federal program administered by the Social Security Administration which provides cash assistance to needy aged, blind and disabled persons. The payment standard is based on the individual's needs.

- **MSA**: Minnesota Supplemental Aid is a state program which supplements SSI or Social Security benefits to the needy, blind and disabled. State and county standards exist for food, shelter, restaurant meals, phone, transportation and others. The allowance per item is based on the client's stated living arrangements and need.

II. Non-means-tested Cash Payments (Social Insurance Income Transfers)

- **Social Security**: Social Security is a federal social insurance retirement program based on employer/employee contributions. It is designed to replace some but not all of a person's income upon retirement. In 1983, the average benefit per month for a retired couple (at age 65) was $709; the maximum benefit was $1,063 per month.

- **Unemployment Insurance**: Unemployment Insurance or Compensation is a wage replacement program based on workers wages before unemployment. It is funded by employer taxes. Minnesota's unemployment insurance program is currently running a deficit of $352 million which is being covered by federal loans. The average wage replacement (UI benefit) was $138/week in 1983. The maximum benefit paid was $191/week.

- **Workers Compensation**: Workers Compensation is an insurance program for workers injured on the job. It provides wage replacement benefits, pays for medical and rehabilitation expenses and compensates for permanent partial or total disabilities. Workers compensation is financed by employer-paid premiums and is run, for the most part, through private insurance companies. In 1982, the maximum allowable benefit (wage replacement) was $290 per week.

III. Restricted Cash Payments (Vouchers)

- **Food Stamps**: The Food Stamp program is 100 percent federally-funded and is administered through the counties. Eligibility is based on need; those who qualify for AFDC or General Assistance automatically qualify for Food Stamps. The food stamps may be used to purchase food items or seeds to plant food items. They may not be used to purchase "non-essential" items such as alcohol, cigarettes or pet food. In 1983, the average food stamp payment was $97/month per household; the average recipient received $33.78 (Minnesota figures).

- **Section 8 Existing**: The Section 8 Existing housing program provides rent assistance to eligible applicants and allows them to select their own rental units. Section 8 is a federally-funded program that is administered through local Housing and Redevelopment Authority programs (HRA's). Recipients of Section 8 Existing are to pay no more than 30 percent of their income towards rent.

IV. Payments to Service Provider (In-Kind Benefits)

- **Fuel Assistance**: The Fuel Assistance program is 100 percent federally-financed and administered through the state Department of Economic Security and local Community Action programs. Eligiblility for the program is based on income, cost of fuel recipient is using, location in the state and household size. About 45 percent of all fuel assistance recipients are on some other form of public assistance in Minnesota.

- **Medical Assistance**: MA or Medicaid is a federal/state program that provides assistance to persons who cannot afford the cost of necessary medical services. Medical assistance payments in fiscal year 1982 totalled $750 million; 53.3 percent was federally-funded, 42 percent state-funded and 4.7 percent was county-funded. Recipients of AFDC and MSA are automatically eligible for medical assistance. Others are eligible based on their need. Applicants can become eligible if they "spend down" their assets and income to a certain amount.

- **General Assistance Medical Care**: Recipients of General Assistance are automatically eligible for GAMC. All others who are not eligible for Medical Assistance may qualify for this program if they meet the income requirements. Only a partial payment is made on bills; 65 percent is paid on in-patient hospital bills and 75 percent of other GAMC services are paid. GAMC is 90 percent state-funded and 10 percent county-funded.

- **Section 8 New**: Similar to the Section 8 Existing program, Section 8 New is a federally-funded housing assistance program for low income individuals. Under the Section 8 New program, private contractors secure a commitment for federal funding prior to development. Housing assistance payments are made directly to the building owners. A low income recipient is to pay no more than 30 percent of his/her income for housing.

- **Community Social Services**: Funding for Community Social Services is provided in part by federal Title 20 monies. By 1985, all of these services will be under one block grant to the states. Community social services include: daycare, chemical dependency, mental retardation and mental illness programs.

- **Community Action Programs**: CAPS were set up in the late 1960s to foster more citizen participation in providing social services to the community. One of the original purposes was to develop community-based advocacy agencies for the poor. Programs include: summer youth employment, foster grandparents, senior companions, daycare, homestart, headstart, legal aid, weatherization and economic development. Funding for these programs has been consolidated into one block grant.

APPENDIX II

AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC) PROGRAM SUMMARY

Rev. 10/83

If 150% of gross income exceeds the standard for the family size, there is no eligibility.

Number of Children in Grant	Children Only	+177(266)	Plus One Adult	+70(105)	Plus Two Adults
1	$235 (353)		$ 412 (618)		$ 482 (723)
2	323 (485)		500 (750)		570 (855)
3	406 (609)		583 (875)		653 (980)
4	477 (716)		654 (981)		724 (1,086)
5	549 (824)		726 (1,089)		796 (1,194)
6	620 (930)		797 (1,196)		867 (1,301)
7	681 (1,022)		858 (1,287)		928 (1,392)
8	742 (1,113)		919 (1,379)		989 (1,484)
9	793 (1,190)		970 (1,455)		1,040 (1,560)
10	844 (1,266)		1,021 (1,532)		1,091 (1,637)
Ea.Addi.Child =	+51		+51		+51

SSI caretaker or enumeration, IV-D or WIN sanction: $316 (474) for one child; $412 (618) for two children; $500 (750) for three children; etc.

Parentheses reflect 150% of standard for gross income test.

Eligible Caretakers

Parents (natural or adoptive), grandparents, brothers, sisters, uncles, aunts, great-grandparents, great-uncles/aunts, nephews, nieces, first cousins, stepparents/brothers/sisters, and spouses of the above, even after marriage is terminated by death or divorce.

Deeming

From spouse to spouse in the home and from parent to child in the home (under age 18). Not from child to child or child to parent.

Deductions from Rental Income

$ 66	Roomer
80	Boarder
$146	Roomer/Boarder

$ 96/year = Upkeep and repair or 2% of market value (whichever is less).

Earned Income Disregard

$75 work expenses plus $160 child care. Then, if eligible, apply $30-1/3 for maximum of four months.

Property Limits

$1,000 per assistance unit (all inclusive).
$1,500 equity in motor vehicle.
Homestead is exempt.

Lump-Sum Payments

Income.

Eligible Categories

1. Continued absence of at least one parent.
2. Incapacitated parent.
3. Unemployed parent.

Responsible Relatives

Spouse and parents of child under age 18.

MINNESOTA SUPPLEMENTAL AID (MSA) PROGRAM SUMMARY

Rev. 1/84

One Adult Allowance — Living in a Household of:

		1	2	3	4	5	6	7	8	9	10
A.	C.O.L.	$141.00	$111.00	$111.00	$111.00	$111.00	$111.00	$111.00	$111.00	$111.00	$111.00
	Heating	16.00	9.00	7.00	5.00	5.00	4.00	4.00	4.00	3.00	3.00
	Cooking	3.00	2.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
	Electricity	6.00	3.00	2.00	2.00	2.00	2.00	1.00	1.00	1.00	1.00
	Water/Sewer	1.00	1.00	1.00	1.00	0	0	0	0	0	0
	Garbage	1.00	0	0	0	0	0	0	0	0	0
B.	Total Utilities	27.00	15.00	11.00	9.00	8.00	7.00	6.00	6.00	5.00	5.00
C.	Food	39.00	36.00	35.00	32.00	30.00	29.00	29.00	29.00	29.00	29.00
D.	Household Supplies	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
	Total Basic Needs A+B+C+D	223.00	176.00	171.00	166.00	163.00	161.00	160.00	160.00	159.00	159.00
	Shelter	106.00	67.50	49.00	25.75	31.00	25.50	21.71	19.00	16.78	15.10

Home Ownership Costs
$85/year or $7.08/month

Restaurant Meals
$107/month

Special Diets
$11/month (2,000 calorie or more diabetic diet, low sodium or super-nourishing)

Laundry
$5/month

Transportation*
$24/month ($5 if over 65 or in facility)

Clothing/Personal Needs
$35/month

Telephone*
$11.75/month

Pay Phone*
$4/month

Reading Material*
$8.67/month

Lump-Sum Payments
Income

Eligible Categories

1. Aged - 65 years of age or older.
2. Blind - birth and up.) Must be receiving SSI or RSDI disability benefits. Or if ineligible for SSI due to income or
3. Disabled - 18 years and up.) assets, then certified as totally and permanently disabled by SMRT.

Property Limits

Homestead with equity of $45,751 is exempt for all categories.
Aged and disabled - $300/individual or $450/married couple.
Blind - $2,000/individual or $4,000/ married couple (all inclusive).
Aged - $1,000 cash surrender value.
Disabled - $500 cash surrender value.
Aged and disabled - $750 prepaid funeral plus $200 accrued interest.
Motor vehicle - $1,650 ATIV for all categories.
$379 maximum MSA need for person under 65 living in an apartment (no restaurant meals) claiming special diet. Subtract $19 transportation if over 65.
$477 maximum MSA need for person under 65 living in an apartment claiming restaurant meals and a special diet. Subtract $19 for transportation if over 65.

Earned Income Disregards

Aged - $20½ (maximum of $50)
Disabled - $65½
Blind - $7.50 from either earned or unearned income and then $85½
Work-related expenses - all categories

Deeming

Spouse to spouse in the home or parents to a blind child under age 18.

Responsible Relatives

Spouse and parents of a child under age 18.

*Standards vary from county to county.

GENERAL ASSISTANCE (GA) PROGRAM SUMMARY

Rev. 10/83

Assistance Unit Size	1	2	3	4	5	6	7	8	9	10
Grant Amount	199	260	305	343	381	424	452	488	519	548

NOTE: A flat grant was instituted by DPW beginning on 10-1-83. A Resolution by the Hennepin County Board of Commissioners provides that "No individual shall receive a reduced General Assistance grant due to changes in the State required standards." Clients who are recipients as of 9-30-83 must continue to receive at least the level of grant issued for September until:

1. Their living situation changes so that a grant recalculation is necessary, or
2. There is a gap in their eligibility (cancel or suspend and reopen or reinstate).

In a room and board arrangement, the payment shall be the local agency's negotiated rate; these situations include halfway houses and adult foster care.

In room and board arrangements, the client also receives the standard allowance for clothing and personal needs of $35.

Eligible Categories

1. Individuals aged 18-65 who are not eligible for a Federally funded program.
2. Spouses and families of above individuals.

Property Limits

Homestead is exempt.
$1,500 equity in a motor vehicle.
$1,000 per assistance unit (all inclusive).

Income Disregards

Work expenses plus first $50.

Responsible Relatives

Spouse and parents of child under age 18.

Eligibility Requirements

1. Unless exempt, clients who received General Assistance on 9-30-83 must register with Job Service (Minnesota Department of Economic Security) and cooperate with that office in securing employment.
2. Unless exempt, applicants on or after 10-1-83 must register with Job Service and MEED (Minnesota Emergency Employment Development) upon receiving an initial flat grant of 30 days.

NOTE: Failure to cooperate with MDES/MEED will result in a General Assistance disqualification period of:

- 30 days for first occurrence;
- 90 days for second and subsequent occurrences.

Exempt from Work Registration

1. Incapacitated person.
2. Caretaker for:
   - Another incapacitated household member;
   - Child under 8 years of age.
3. Resident of a treatment facility.
4. Resident of a battered women's shelter.
5. Displaced homemakers who are full-time students.
6. Mentally ill/mentally retarded who cannot work.
7. Applicant for Social Security disability or Supplemental Security Income, or person who was receiving Social Security disability and/or SSI and was terminated and is appealing the termination.
8. Aged 55 years and older.
9. A person who has been referred to, has applied for, or is participating in a work training program.
10. Unemployable person as certified by MDES.

FOOD STAMPS PROGRAM SUMMARY

Household Size	Maximum Gross Monthly Income Elderly/ Disabled Separate Household	Maximum Gross Monthly Income*	Maximum Net Monthly Income	Thrifty Food Plan
1	$ 699	$ 527	$ 405	$ 76
2	900	709	545	139
3	1,131	891	685	199
4	1,362	1,073	825	253
5	1,593	1,255	965	301
6	1,824	1,437	1,105	361
7	2,055	1,619	1,245	399
8	2,286	1,801	1,385	457
9	2,517	1,983	1,525	514
10	2,748	2,165	1,665	571
Each additional member	+231	+182	+140	+57

*The gross income test applies to households which do not contain any member who is receiving SSI benefits or RSDI disability or aged 60 or older.

Households subject to the gross income test must also pass the net monthly income test.

Expedited Service

1. Households whose liquid resources do not exceed $100, and
2. Households with less than $150 in monthly gross income as defined under V-E-7-a, or
3. Migrant seasonal farmworker households which are destitute. The only income for the month of application is from a terminated source which was received prior to the date of application, and/or from a new source, provided more than $25 from the new source will not be received by the tenth calendar day after the date of application.
4. Must be issued as soon as possible but no later than the fifth calendar day following the day the application was filed.
5. Mandatory verifications--applicant's identity, residency if possible. Reasonable effort must be made to verify income, liquid resources, as well as other verification requirements--may be postponed if it cannot be obtained within the prescribed delivery period.

Cash Out

Those households in which all members are receiving SSI or are aged 65 or older.

Public Assistance Household
A household in which all members are receiving (or have applied for) a cash grant (AFDC, GA, MSA, or any combination of these programs).

Income Disregards
Standard deduction - $89
Earned income deduction - 18%
Medical expenses - $35
Dependent care - $125
Shelter deduction - $125 maximum (including dependent care). No limit for households with members receiving SSI, RSDI disability, Veterans disability payments for specific disabilities or their surviving disabled spouses and children, or aged 60 or over.

Property Limits
$1,500 for all households except:
$3,000 for households with 2 or more members if at least 1 member is aged 60 years or older.
Homestead is exempt.
Prepaid burial is exempt.
CSV of life insurance is exempt.
Income-producing property is exempt.
$4,500 - The value of a vehicle is excluded if used over 50% of the time to produce income, necessary for travel, or for transportation of a disabled household member. If not in the excluded category, the fair market value in excess of $4,500 is counted as a resource. Refer to V-B-1 (page 2), V-B-2 (page 5), and V-C-2 (pages 1 & 2).

Lump-Sum Payments
Resource in the month of receipt.

MEDICAL ASSISTANCE (MA) PROGRAM SUMMARY

Rev. 1/84

Family Size	Monthly Income	Annual Income
1	$ 328	$ 3,936
2	412	4,944
3	500	6,000
4	583	6,996
5	655	7,860
6	735	8,820
7	814	9,768
8	894	10,728
9	974	11,688
10	1,054	12,648
Each additional	78	936

Eligible Categories

Under 21 - needy child

65 years (aged))
21-65 if disabled) Category
21-65 if meets AFDC criteria) Related
- Absent parent
- Incapacitated parent
- Unemployed parent
- PW (unborn)

Property Limits

Homestead (or real property not used as a home if equity is $15,000 or less) is exempt.

Personal property - $3,000/individual.

$6,000/two-person household - plus $200 for each additional legal dependent.

One motor vehicle is excluded.

SSI as of January, 1984

Individual	$314.00
Couple	$472.00
HH of another	$209.34

Federal Benefit Disregards - RSDI, VA, Railroad Retirement Income

July - December, 1983	23%
January - December, 1984	25%
January - June, 1985	28%

Lump-Sum Payments

Personal property.

Deeming

Spouse to spouse in the home and from parent to child in the home until aged 21. Not from child to child or child to parent.

Deductions from Rental Income

Roomer	$ 66.00
Boarder	79.00
Roomer/Boarder	$145.00

Earned Income Disregards

Work-related expenses - all categories

Aged - $20½ ($50 maximum)

Disabled - $65½

Blind - $7.50 from earned or unearned and then $85½

Relative Responsibility for an Institutionalized Spouse and MA is not Requested for Spouse in Community

Net Monthly Income	Contribution
$400 - $449	$ 15
450 - 499	30
500 - 549	50
550 - 599	70
600 - 649	90
650 - 699	120
Over $700	$150 + 100% of the excess over $700

Responsible Relatives

Spouse or parent of child under age 18.

GENERAL ASSISTANCE MEDICAL CARE (GAMC) PROGRAM SUMMARY

Rev. 1/84

Family Size	Monthly Income	Annual Income
1	$ 328	$ 3,936
2	412	4,944
3	500	6,000
4	583	6,996
5	655	7,860
6	735	8,820
7	814	9,768
8	894	10,728
9	974	11,688
10	1,054	12,648
Each additional	78	936

Eligible Categories

21- to 65-year-olds not disabled.

Other persons not eligible for MA, AFDC, or MSA.

Migrants, non-residents, and aliens qualify only for Emergency Services.

Deeming

Spouse to spouse in the home and from parent to child in the home until aged 21. Not from child to child or child to parent.

Income Disregards

See MA Program Summary.

Property Limits

Homestead is exempt.

$1,000 per assistance unit (all inclusive).

One motor vehicle is excluded.

Lump-Sum Payments

Personal property.

Responsible Relatives

Spouse and parents of child under age 18.

Case Example

Aid to Families with Dependent Children (AFDC)

The household consists of:

- a 30 year old woman who works part-time
- two children ages 5 and 3
- she earns $200 per month as a secretary
- she pays $120 per month for child care
- she pays $300 per month for rent, and must pay for heating (gas expense)

The household is eligible for:

- an AFDC monthly grant of $500 (with disregard) and $495 (without disregard)
- a food stamp monthly allotment of $63 or $65 depending upon AFDC grant level
- Medical Assistance coverage

The household may be eligible for:
(this list is not all inclusive)

- public housing
- help with utility bills from the Heat Share program (Salvation Army) or the federal Energy Assistance program (city of Minneapolis)
- the social service programs administered by Hennepin County
- a Title XX daycare allowance
- the school lunch program

2/14/84

Appendix II is from the Hennepin County Economic Assistance Department

ORDER FORM

for

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First copy	Free	$3.00
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The CL in the Mid-80s	9-22-82
Making Better Use of Existing Housing: A Rental Housing Strategy for the 1980s	5-19-82
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A Subregional Solution to the East Metro Park Question	7-15-81
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Transit: Redirect Priorities Toward a Smaller-Vehicle System and Shorter Trips	1-21-74

For titles and availability of earlier reports, contact the CL office. *1-84*

RECENT CITIZENS LEAGUE STATEMENTS

(Statements, when available, are free)

Statement to Legislative Study Committee on Metropolitan Transit	12/15/83
Statement to Governor's Tax Study Commission	11/22/83
Statement to Minnesota's Highway Study Commission	9/29/83
Statement on the Metropolitan Council's Proposed Interim Economic Policies	8/29/83
Statement to Mpls. Charter Commission: Proposal to have Mayor as non-voting member of Council	8/11/83
Statement to Metropolitan Council and Richard P. Braun, Commission of Transportation on Preferential Treatment for Transit in Expansion of I-35W	7/21/83
Statement to Members, Steering Committe on Southwest/University Avenue Corridor Study	7/19/83
Statement to Commission on the Future of Post-Secondary Education in Minnesota	6/22/83
Statement to the Metropolitan Health Board	6/20/83
Appeal to the Legislature and the Govenor	4/26/83
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Statement Concerning Alternatives to Solid Waste Flow Control	1/12/82
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Statement to the Minnesota State Legislature Regarding the University of Minnesota Hospitals Reconstruction Project	12/14/81
Letter to the Joint Legislative Commission on Metropolitan Governance	11/13/81
Statement to Metropolitan Health Board re Phase IV Report	11/4/81
Statement to Metropolitan Council on I-35E	9/24/81
Statement to Minneapolis Charter Commission	7/6/81
Letter to Metropolitan Council re CL Recommendations on I-394	6/23/81
Statement to the Governor and Legislature as They Prepare for a Special Session	5-26-81
Statement to the Minnesota State Legislature Regarding the University of Minnesota Hospitals Reconstruction Bill, as Amended	5/8/81
Statement to the Governor and Legislature Concerning Expenditures/Taxation for 1981-83. Issued by Tax and Finance Task Force	4/28/81
Statement Concerning Proposed Legislative Study of the Metropolitan Council. Issued by the Structure Task Force	4/27/81
Statement to the Governor and Legislature Opposing Abolition of the Coordinating Function in Post-Secondary Education	4/24/81
Citizens League Statement on I-394	3/31/81
Statement on Budget & Property Tax Issues Facing the Governor and Legislature in 1981. Issued by Tax & Finance Force	3/31/81
Statement to the Minnesota State Legislature Regarding the University of Minnesota Hospitals Reconstruction Project	2/25/81
Toward a Better Understanding of Policy Choices in the Biennial State Budget. Issued by the Tax & Finance Task Force	1/28/81
Statement: Status Report on Spending—Tax Decisions Facing the Governor and Legislature in 1981. Issued by the Tax & Finance Task Force	12/3/80
CL Statement to the Metropolitan Health Board, Concerning the Rebuilding Proposal of University Hospitals	11/19/80
CL Statement on Three Proposed Amendments to the Minnesota Constitution	8/20/80
CL Statement to the Metro Health Board Re Phase III of the Metropolitan Hospital Plan	7/31/80
Letter for CL President to Mayor Latimer, St. Paul, Re St. Paul Refuse Disposal System	6-5-80
CL Recommendations on Housing & Neighborhood Maintenance	5/21/80
Statement on Veterans Administration Hospital, presented to the Metropolitan Health Board	4/30/80
Property Tax Relief	3-12-80
Letters from CL President, Re VA Hospital Replacement, to Max Cleland, Director, Veterans Administration; Patricia Roberts Harris, Secretary, Department of Health, Education & Welfare; & James McIntyre, Director, Office of Management & Budget	3/3/80
Ride-Sharing and Capital Facilities for Transit	2/27/80
Next Steps Tward the Implementation of our Recommendations about Hospitals	2-27-80
CL Letter to Metropolitan Councils Re Hospitals	12/12/79
Statement on Emergency Energy Assistance	11/2/79
Statement to the Metropolitan Health Board, re Fairview Hospitals	9/19/79
Comments by the Citizens League on the 1980 Metropolitan Council Work Program, given by Allan R. Boyce	9/13/79

For titles and availability of earlier statements, contact the CL office.

WHAT THE CITIZENS LEAGUE IS

Formed in 1952, the Citizens League is an independent, nonpartisan, nonprofit, educational corporation dedicated to understanding and helping to solve complex public problems of our metropolitan area.

Volunteer research committees of the Citizens League develop recommendations for solutions after months of intensive work.

Over the years, the League's research reports have been among the most helpful and reliable sources of information for governmental and civic leaders, and others concerned with the problems of our area.

The League is supported by membership dues of individual members and membership contributions from businesses, foundations and other organizations throughout the metropolitan area.

You are invited to join the League, or, if already a member, invite a friend to join. An application blank is provided for your convenience on the reverse side.

Officers (1983-84)

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Vice Presidents
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Carol Trusz
Randall Halvorson
Gleason Glover
Secretary
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Lorraine Berman
Ronnie Brooks
Debra P. Christensen
Charles H. Clay
Rollin H. Crawford
Robert Erickson
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Richard Green
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Judith Healey
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Jean King
Susan Laine
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Frank Walters
*John W. Windhorst

*Deceased

WHAT THE CITIZENS LEAGUE DOES

RESEARCH PROGRAM

- Four major studies are in progress regularly.
- Each committee works 2½ hours every other week, normally for 6-10 months.
- Annually over 250 resource persons made presentations to an average of 25 members per session.
- A fulltime professional staff of eight provides direct committee assistance.
- An average in excess of 100 persons follow committee hearings with summary minutes prepared by staff.
- Full reports (normally 40-75 pages) are distributed to 1,000-3,000 persons, in addition to 3,000 summaries provided through the CL NEWS.

CL NEWS

- Four pages; published every two weeks; mailed to all members.
- Reports activities of the Citizens League, meetings, publications, studies in progress, pending appointments.
- Analysis data and general background information on public affairs issues in the Twin Cities metropolitan area.

PUBLIC AFFAIRS ACTION PROGRAM

- Members of League study committees have been called on frequently to pursue the work further with governmental or nongovernmental agencies.
- The League routinely follows up on its reports to transfer, out to the larger group of persons involved in public life, an understanding of current community problems and League solutions.

PUBLIC AFFAIRS DIRECTORY

- A 40-page directory containing listings of Twin Cities area agencies, organizations and public officials.

COMMUNITY LEADERSHIP BREAKFASTS
LANDMARK LUNCHEONS
QUESTION-AND-ANSWER LUNCHEONS

- Public officials and community leaders discuss timely subjects in the areas of their competence and expertise for the benefit of the general public.
- Held from September through May.
- Minneapolis breakfasts are held each Tuesday from 7:30 - 8:30 a.m. at the Lutheran Brotherhood.
- St. Paul luncheons are held every other Thursday from noon to 1 p.m. at the Landmark Center.
- South Suburban breakfasts are held the last Thursday of each month from 7:30 - 8:30 a.m. at the Lincoln Del, 494 and France Avenue South, Bloomington.
- An average of 35 persons attend the 64 breakfasts and luncheons each year.
- Each year several Q & A luncheons are held throughout the metropolitan area featuring national or local authorities, who respond to questions from a panel on key public policy issues.
- The programs attract good news coverage in the daily press, television and radio.

SEMINARS

- At least six single-evening meetings a year.
- Opportunity for individuals to participate in background presentations and discussions on major public policy issues.
- An average of 75 person attend each session.

INFORMATION ASSISTANCE

- The League responds to many requests for information and provides speakers to community groups on topics studied.
- A clearinghouse for local public affairs information.

Citizens League non-partisan public affairs research and education in the St. Paul-Minneapolis metropolitan area. **84 S. 6th St., Minneapolis, Mn. 55402 (612) 338-0791**

Application for Membership (C.L. Membership Contributions are tax deductible)

Please check one: ☐ Individual ($25) ☐ Family ($35) ☐ Contributing ($45-$99) ☐ Sustaining ($100 and up) ☐ Fulltime Student ($15)

Send mail to: ☐ home ☐ office

NAME/TELEPHONE

ADDRESS

CITY/STATE/ZIP

EMPLOYER/TELEPHONE

POSITION

EMPLOYER'S ADDRESS

CL Membership suggested by

(If family membership, please fill in the following.)

SPOUSE'S NAME

SPOUSE'S EMPLOYER/TELEPHONE

POSITION

EMPLOYER'S ADDRESS

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