Overview

H.F. 3599 contains the Governor's proposals for various initiatives that use federal TANF funds, and state expenditures claimed as TANF maintenance of effort (MOE) spending, to promote self-sufficiency. Provisions in this bill:

Spend $23 million to distribute, or pass-through, child support payments to MFIP families and disregard 50 percent of those payments when calculating the amount of a family's MFIP grant (Sections 1 to 3 and 5 to 10)

Put two-parent MFIP families into a separate state program that can only be paid for with state general fund dollars, claimed as TANF maintenance of effort (Section 4)

Spend $28 million to repeal an MFIP provision that counts $100 of the value of a recipient's public housing subsidy against the recipient's MFIP grant (Section 11)

Spend $55 million over three years to create a Local Intervention Fund for Family Employment (Sections 12 and 13)

Spend $10 million for the Commissioner of Human Services to administer a one-time Extended Learning Initiative to provide out-of-school programs for the children in TANF-eligible low-income families (Section 16)

Transfer $54.5 million over two years to the Minnesota Housing Finance Agency (MHFA) for that agency's housing development fund (Section 17)

Background: Child Support Assignment and Distribution
Under MFIP, individuals who receive assistance from the state must assign their right to child support or spousal maintenance to the state. The state then enforces that support or maintenance order. When the state collects assigned support or maintenance, it uses that money to recoup costs expended under MFIP, including sending a required share of the collection to the federal government to reimburse the federal share of expenditures.

In order to receive federal TANF money, Minnesota is required to make MFIP participants who are "on assistance" assign any right to child support to the state, as described above. Conversely, Minnesota is required to distribute all child support to individuals not "on assistance." According to federal law, an individual is not "on assistance" when he or she receives "food only" benefits. Minnesota currently does not distinguish between "food only" and "food and cash" MFIP cases in its assignment laws, so the state is not in compliance with federal law. This bill's proposal to distribute child support to MFIP participants will help the state come into compliance with federal law.

1. **Income.** (Amends § 119B.011, subd. 15) Provides that, for purposes of determining eligibility for child care assistance programs, "income" includes child support and maintenance distributed to the family under section 2.

2. **Child support distribution.** (Adds subd. 15 to § 256.741) Requires the state to distribute, or pass-through, to MFIP participants all current child support and maintenance assigned to the state.

3. **Use of money.** (Amends § 256J.02, subd. 2) Provides additional uses of TANF and state maintenance of effort (MOE) money for:
   (1) welfare to work transportation funding permitted by federal law; and
   (2) payment to the federal government for the federal share of child support passed-through to a custodial parent.

4. **Separate state program.** (Adds new § 256J.021) Beginning October 1, 2000, requires the commissioner to treat all assistance paid to a two-parent family with a minor child as expenditures under a separate state program. (Note: This change means that federal TANF funds cannot be used to provide assistance to these families; only state monies may be used. It also means that the state will not be penalized with a loss of its federal TANF funds if it fails to meet the federal work participation rates for two-parent families on assistance.)
   Also requires the commissioner to report all state expenditures on assistance for two-parent families as separate state program expenditures. Under the federal regulations for the TANF program, these expenditures will count toward meeting the state's TANF MOE expenditure requirements.

5. **Child support pass-through.** (Adds new § 256J.022) Specifies a mechanism for the commissioner to use in claiming child support pass-through under section 2 as state TANF MOE expenditures.

6. **Unearned income.** (Amends § 256J.08, subd. 86) Provides that for purposes of MFIP, "unearned income" includes child support and maintenance payments.

7. **Income exclusions.** (Amends § 256J.21, subd. 2) Provides that for purposes of MFIP, 50 percent of current child support and maintenance payments are excluded when determining a family's available income. (Note: This is also known as a "50 percent disregard.")

8. **Monthly income test.** (Amends § 256J.33., subd. 4) For purposes of determining monthly income under MFIP, removes requirement that child support and maintenance "anticipated to be
Prospective budgeting. (Amends § 256J.34, subd. 1) Deletes references to how child support is treated for the first two months an individual receives MFIP. Treatment of child support would instead be regulated by sections 6 through 8.

Significant change in gross income. (Amends § 256J.34, subd. 4) Removes reference to supplementary assistance payments and the forwarding of child support, because child support would no longer be forwarded to the state under the plan in this bill.

Unearned income. (Amends § 256J.37, subd. 9) Strikes the provisions relating to the current law requirement to count $100 of the value of an MFIP recipient's public housing subsidy against the recipient's MFIP grant.

Local service unit plan. (Amends § 256J.50, subd. 7) In paragraph (b), requires counties to describe in their local service unit plan for providing employment and training services how projects funded under the local interventions for family employment grant program (created in section 13) would operate within the local service unit. This description must include information on the target population of hard-to-employ recipients; which services will be provided; projected expenditures by activity; and anticipated program outcomes. Also requires the plan to demonstrate how the county or tribe is working within its organization or with other organizations to serve hard-to-employ populations, and how community organizations were involved in the planning and whether multicounty or regional strategies are part of the plan.

In paragraph (c), requires the plan under paragraph (b) to be approved before the county or tribe is eligible for local interventions grant funds under section 13.

Local interventions for family employment. (Adds subd. 3a to § 256J.62) In paragraph (a), requires 80 percent of the local interventions grant funds to be allocated to counties and tribes based on the average proportion of the MFIP caseload that has received MFIP assistance for 24 of the last 36 months. Specifies that the average is calculated based on samples taken at the end of each quarter in the previous calendar year. Provides that child-only cases and cases where all caregivers are over age 60 are excluded from the calculation, and that two-parent cases are multiplied by a factor of two.

In paragraph (b), requires counties or tribes to have an approved local service unit plan under section 11 in order to spend these funds. Authorizes the commissioner to approve funding for a particular county or tribe that is less than would be allocated under paragraph (a), based on the county's or tribe's plan. Also authorizes the commissioner to approve more funding for a county or tribe than would be allocated under paragraph (a), based on the requirements of paragraph (c).

In paragraph (c), specifies that 20 percent of the funds appropriated for these grants are held by the commissioner, and awarded to counties or tribes whose plans demonstrate additional need, strong anticipated outcomes and effective performance monitoring, or use of a multicounty or regional approach to serve the families.

In paragraph (d), provides that monies that become available because a county or tribe does not submit a plan for these grants, or because the full amount that would be allocated to a county or tribe is not approved, may be used by the commissioner to contract with other public, private or nonprofit entities in the county or region to deliver services that meet the purposes of this grant program.

In paragraph (e), requires counties and tribes to submit semiannual progress reports with program outcome data.

In paragraph (f), prohibits grant funds from being used to provide benefits that meet the federal definition of "assistance," and which therefore count towards a recipient's 60-month lifetime
limit on assistance.

**Federal TANF funds; appropriations.** In paragraph (a), appropriates the following additional federal TANF block grant funds: $25,800,000 in FY 2000, and $62,818,888 in FY 2001.

In paragraph (b), specifies that of the $62.8 million FY 2001 appropriation:

- $10.5 million is for the local interventions for family employment grants in section 12;
- and
- $1.5 million is to train job counselors, evaluate the effectiveness of the grants, and identify needed improvements.

With respect to the local interventions grant funds, permits these grant funds to be used:

1. for child care assistance for approved social service activities;
2. for child care assistance to guarantee continued assistance to families who have completed their transition year;
3. to provide matching funds for federal Access to Jobs funding, to the extent that TANF monies are allowed to be used to provide this match; or
4. to enhance transportation choices for eligible recipients with household incomes up to 150 percent of the federal poverty guidelines.

Clause (5) also requires child care reimbursements to be made to the commissioner of children, families and learning, either by transferring federal TANF funds to the state's federal child care and development fund block grant or through direct TANF payments. Clause (6) prohibits funds to be used for the specified transportation-related or child care assistance purposes if the use would meet the federal definition of "assistance."

In paragraph (c), specifies that of the $62.8 million FY 2001 appropriation:

- up to $5,746,991 is to reimburse the federal government for the federal share of child support recoveries passed through to noncustodial parents.

In paragraph (d), specifies that of the $62.8 million FY 2001 appropriation:

- $324,312 is transferred from the state's federal TANF block grant to the state's federal child care and development fund block grant and is appropriated to the commissioner of children, families and learning for MFIP child care assistance.

In paragraph (e), sets the base level funding for FY 2002 and FY 2003 for the local interventions for family employment grant program at $22 million each year. Specifies that these appropriations must not be part of the base for the 2004-2005 biennium.

**TANF maintenance of effort funds.** In paragraph (a), specifies that over the two-year period for fiscal years 2000 and 2001 the commissioner must claim allowable state expenditures for the state working family credit program as TANF MOE spending that are equal to a total of $64.5 million (because $54.5 million in general funds are transferred to MHFA in section 16, and $10 million in previously appropriated general funds are for the extended learning initiative in section 15).

In paragraph (b), specifies that for fiscal years 2002 and 2003 the commissioner must claim allowable state expenditures for the state working family credit program as TANF MOE spending that are equal to the amount of state medical assistance expenditures that are attributable to the child support distribution provision in sections 2 and 7.

**Extended learning initiative.** In paragraph (a), redirects $10 million of the general fund
appropriations that were made in the 1999 omnibus health and human services bill for MFIP grants to this new initiative. Requires the commissioner of human services to ensure that alternative maintenance of effort funds are available to replace the redirected monies (through the mechanism specified in section 14 using the working family credit expenditures). Specifies that under this initiative competitive grants will be provided to establish or expand after-school and summer school to assist low-income families and children.

In paragraph (b), specifies that these grants must be used to provide high quality, academic-based after-school and summer school educational services to TANF-eligible students to enable the parents to participate in employment and training. Also specifies that the appropriation for this program is one-time and is not added to the base for the 2002-2003 biennium.

17 **TANF maintenance of effort transfers to Minnesota Housing Finance Agency.** Over the period to June 30, 2001, redirects a total of $54.5 million of the general fund appropriations that were made in the 1999 omnibus health and human services bill for MFIP grants to MHFA for the housing development fund. Permits up to $25.8 million of this total to be transferred in the current fiscal year. Requires the commissioner of human services to ensure that alternative maintenance of effort funds are available to replace the redirected monies (through the mechanism specified in section 14 using the working family credit expenditures).

18 **Effective date.** Makes sections 2 and 7, which relate to the pass-through of child support, effective January 1, 2001. Makes all other sections immediately effective, unless the section specifies otherwise.