

## **MFIP Sanctions**

In 1996, Congress reformed welfare, replacing Aid to Families With Dependent Children (AFDC) with Temporary Assistance to Needy Families (TANF). Among several substantive changes was a federal authorization to sanction, or impose penalties on, program participants for not complying with program requirements. Minnesota's TANF program, the Minnesota Family Investment Program (MFIP), allows for sanctions in Minnesota Statutes, sections 256J.46 and 256J.462. These sanctions reduce the amount of the MFIP grant and remain in place until participants comply with program requirements. The size of the sanction depends upon the number and type of noncompliance.

This information brief explains what MFIP sanctions are, gives examples of how they are calculated, and provides information on what types of families are more likely to be sanctioned.

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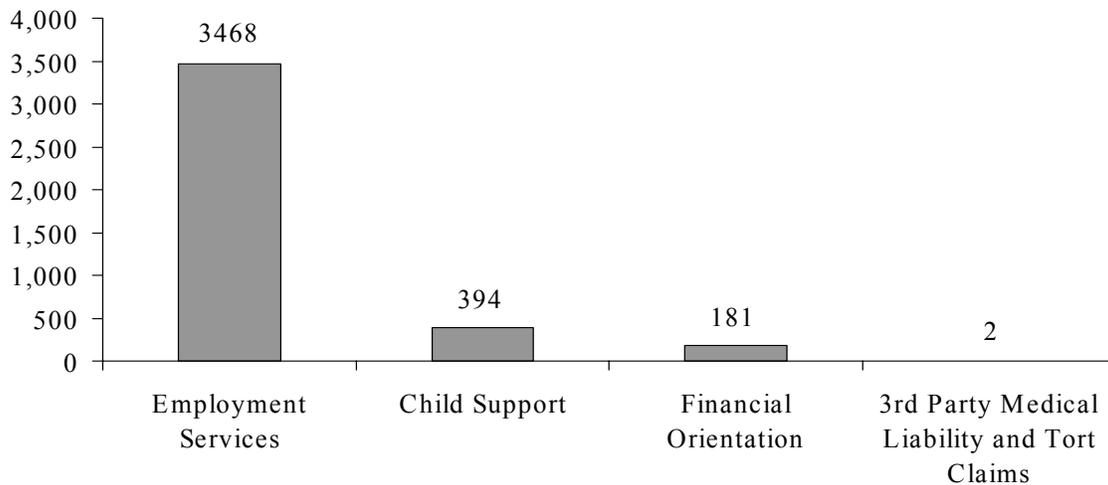
## Part I: Background Information on MFIP Sanctions

Participants may be sanctioned for not complying with:

- Employment services
- Child support enforcement
- Financial orientation (e.g., absent from orientation), or
- Third-party medical liability and medically related tort claims

In other words, participants can be sanctioned for not fulfilling employment requirements, not cooperating with the office of child support enforcement (e.g., withholding the name of the parent responsible for supporting a child), not participating in financial orientation, and not seeking health coverage from other acceptable sources before seeking funding through Medicaid. Of these four, most sanctions are employment related.

Figure 1  
**Number of Cases Sanctioned by Type (October 2002)**



**Participants may be penalized for not complying with other requirements, but the penalty may not technically be considered a sanction.** For example, if a participant does not fill out the necessary forms for the next month of eligibility, the Department of Human Services (DHS) may declare the family ineligible and cancel the family’s case for that month. Another example is a participant with a drug offense who fails a drug test. First-time failure of a drug test results in a 30 percent reduction of the MFIP grant. A second failure results in permanent disqualification of the participant. The rest of the family may remain eligible. These penalties, however, would not be considered “sanctions” and would not be included in sanction statistics.

## Administrative Procedures

County agencies follow a set of prescribed procedures that partly depend upon the number and type of sanction. The administration can be quite complex, but for the sake of brevity, here is a short summary of actions.

- **Making sure participants are aware of sanctions.** During the MFIP orientation, participants are informed of the rules regarding sanctions.
- **Deciding whether to impose a sanction.** Staff from the county agency or staff from the employment service provider determine whether a participant is in compliance with MFIP requirements. County staff may not impose a sanction if the participant has a good cause reason for noncompliance.
- **Sending notices to participants.** Before imposing a sanction, the financial worker will send a “notice of adverse action.” The notice informs participants of the proposed sanction, the reason for the sanction, and the right to appeal. For noncompliance in employment and training services only, a job counselor will first send a notice of intent to sanction. With the notice of intent, participants must be informed of their right to a conciliation conference.
- **Participants can appeal the notice of intent to sanction and notice of adverse action.** The request for a conciliation conference must be received within ten days of the mailing of the notice. If the notice of intent to sanction is not appealed, then a notice of adverse action is sent. Participants may appeal the notice of adverse action with a request for a fair hearing.
- **Timing of sanction.** Without an appeal, the sanction is imposed at the beginning of the next month.
- **Lifting of sanctions.** Sanctions are lifted the month following the month in which the participant returns into compliance. If the sanctioned family is a two-parent MFIP family, then the sanction is lifted the month after both parents return into compliance.
- **Performance monitoring.** Counties must report the number of participants sanctioned and the number of months spent at each level of sanction.

## Penalties for Noncompliance

The severity of sanctions increases with the number of noncompliances. Generally, sanctions reduce the MFIP grant by a percentage of the transitional standard. The transitional standard is the grant amount for a family with no income and includes both the cash and food portion of the grant. The percentage increases with each noncompliance. Each month of noncompliance is a separate occurrence. For example, if the participant fails to comply with an employment plan for two months in a row, then the participant has two noncompliances. If both parents of a two-parent family fail to comply with MFIP requirements within the same month, then the family has

two noncompliances. If a family stays in compliance for six consecutive months, any subsequent noncompliance is again treated as a first month.

**Sanction levels.** Sanctions progress to increasingly higher levels:

- **First noncompliance.** Families are sanctioned at 10 percent of their MFIP transitional standard.<sup>1</sup>
- **First noncompliance in child support.** Participants are sanctioned at 25 percent of the transitional standard.
- **Second and subsequent noncompliances.** Participants are sanctioned at 30 percent of the transitional standard, but first the county will pay shelter costs directly to the provider. Counties have the option to pay utility costs as well. These vendor-paid costs can only be made with the cash portion of the grant, with no money from the food portion of the grant allowed. After the vendor pays shelter and utility costs, the remaining cash and food portion of the grant is reduced by up to 30 percent of the transitional standard.<sup>2</sup>
- **Some counties may impose additional sanctions for sixth and subsequent noncompliances.** Counties may propose to DHS plans for either of two options:
  - reduce the grant to vendor payments for shelter, or utility costs, or both; or
  - disqualify the family from receiving the cash and food portions of MFIP. Counties may place further restrictions on those re-applying for assistance after disqualification.<sup>3</sup>

To receive approval for options to impose higher sanctions for sixth and subsequent noncompliances, counties must include their sanctioning plans in their annual plan submitted to DHS by April 15<sup>th</sup> and implemented in July. Counties must notify all participants of their new rules for sanctioning at least 60 days before implementing the policy. DHS may reconsider the county's plans if the county has a high sanction rate compared to other counties, or a high sanction rate placed upon the hard-to-serve.

Since the option was made available in July 2001, five counties have implemented their plans: Benton, Kanabec, Mower, Sherburne, and Scott. Only Kanabec County has chosen the option to reduce the grant to vendor payments only.

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<sup>1</sup> Participants not complying with an alternative plan will have their plan reviewed by a person trained in victims of domestic violence and then approved either by a job counselor or a county agency. The plan will be amended as needed. If no amendments are needed, the participant will return to the participant's original plan.

<sup>2</sup> Participants receiving a hardship extension and four noncompliances will become ineligible for MFIP.

<sup>3</sup> Counties may: (1) require the participant to comply with the work requirements for up to one month before once again becoming eligible for MFIP; (2) impose a 10 percent sanction during the first six months of eligibility after disqualification; and (3) change the policy for subsequent sanctions, shortening the time before disqualification.

## **Sanctions for Those Receiving a 60-Month Extension**

**Participants receiving an extension to their 60-month time limit may be sanctioned for not complying with the employment services office. The sanction rules for those parents receiving extensions are different from the pre-60-month sanctions.** ([Minn. Stat. § 256J.425](#), subd. 6). Initially, the sanctions are similar. For first, second, and third occurrences, participants are sanctioned at the same 10 percent and 30 percent levels discussed earlier. For a fourth occurrence, counties must disqualify participants. Unlike the previous sanctions, if both parents in a two-parent family are out of compliance, it is only considered a single instance of noncompliance.

**After disqualification, participants may reapply when they remain in compliance for at least one month.** Upon reentry, first noncompliances are treated as before, but second noncompliances will now result in disqualification. Counties may choose to disqualify only one parent in a two-parent family, if the second parent is in compliance. Under such a case, the county will then treat the family as a single-parent family. Before disqualifying a parent, the county will review the case and attempt to meet with the participant.

## Part II: Calculating the Sanction Amount

Below are examples of calculations for an unemployed single parent with two children.

<b>The First Noncompliance</b>	
A parent fails, for the first time, to comply with the his or her employment plan The grant is calculated with the 10 percent sanction	
Determine the original grant amount (In this case, the grant equals the transitional standard)	\$844 per month
Subtract the sanction (0.1 x the transitional standard)	-\$84
Calculate the grant left after sanction	\$760

<b>The Second Noncompliance</b>	
A parent fails to comply for a second time The grant is calculated with the 30 percent sanction	
1. Determine how much is available after vendor payments	
Amount available for vendor costs (the cash portion of the grant)	\$532 per month
The parent pays \$550 per month in rent. Subtract this from the cash portion. <sup>4</sup> If rent is more than the cash portion of the grant, the deduction (and vendor payment) is the total cash grant amount.	-\$550
The remainder is the cash grant before sanction. If shelter costs are more than the cash grant, then the remainder is zero.	\$0
2. Calculate how much the parent receives	
Take the food portion of the grant	\$312
Add the remainder of the cash grant	\$0
Total grant before applying 30 percent sanction	\$312
Subtract sanction amount (0.3 x transitional standard)	-\$253
Grant	\$59
Total of grant and vendor-paid shelter costs	\$591

### Examples of MFIP Grants after Sanction

The table below lists example grants after sanction for a single parent with two children. The calculations assume that the parent's only source of income is from wages. All other assumptions are the same as in the previous example.

<sup>4</sup> This was not meant to be an accurate representation of rent paid by all parents. Instead, it serves as an example in which the entire cash portion of the grant becomes vendor-paid shelter costs.

The table shows that higher stepped sanctions reduce the grant by larger amounts. A single parent with two children and \$250 in wages receives \$689 a month under the 10 percent sanction; \$562 under the 25 percent sanction; and \$520 in vendor-paid shelter costs and grant under the 30 percent sanction. The larger sanction amount results in the grant being phased out at lower income levels than if no sanction was in place.

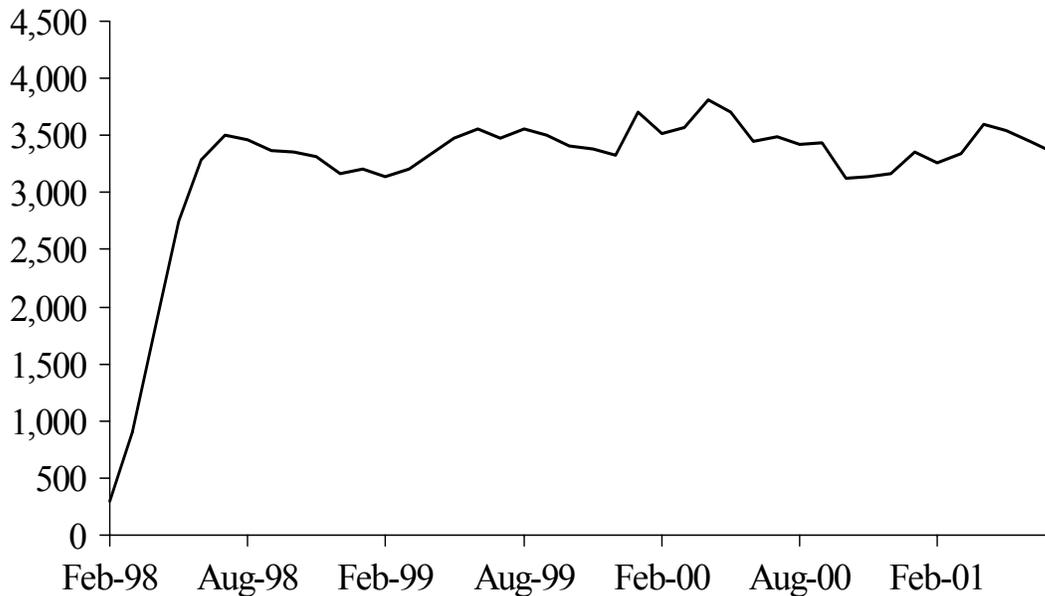
Table 1 Examples of Grant Amounts After Sanction						
Monthly Wages	Monthly Grant	Grant Amount After 10 Percent Sanction	Grant Amount After 25 Percent Sanction	Grant Amount After 30 Percent Sanction		
				Amount Available for Vendor Payments	Grant Amount After Sanction	Total of Vendor-Paid Shelter Costs and Grant
\$0	\$844	\$760	\$633	\$532	\$59	\$591
250	773	689	562	461	59	520
500	618	534	407	306	59	365
750	463	379	252	151	59	210
1,000	308	224	97	0	55	55
1,250	153	69	0	0	0	0
1,500	0	0	0	0	0	0

### Part III: The Characteristics of Sanctioned Families

This section lists the characteristics of sanctioned families. It examines which counties have higher sanction rates and lists family types that are more likely to be sanctioned. This section includes only those sanctioned before reaching their 60-month time limit and applies to the time period of January 1998 through July 2001.

**The number of families with one or more sanctioned participants.** On average, 3,146 families are sanctioned in a month (based on data from January 1998 through July 2001). This number increased in the earliest months, from 2,440 in May 1998 to 3,461 in May 2000.

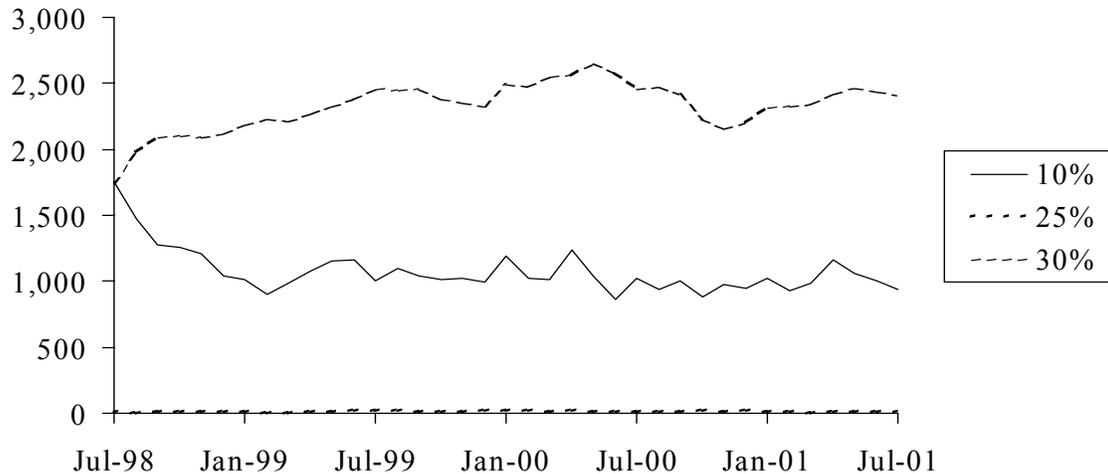
Figure 2  
**Number of Sanctioned Families**



The monthly percentage of MFIP-sanctioned families increased from 5.8 percent in 1998 to 10.4 percent in 2000. Data for this document is of all families from January 1998 through July 2001 where both parents and families are eligible for MFIP.

**Most parents are sanctioned at the 30 percent level.** In 2000, 70.4 percent of sanctioned families were at the 30 percent level (monthly average). That percentage increased from 43.2 percent in 1998. Most remaining families are sanctioned at 10 percent with less than 1 percent sanctioned at 25 percent.

Figure 3  
**Number of Sanctioned Cases at Each Level**

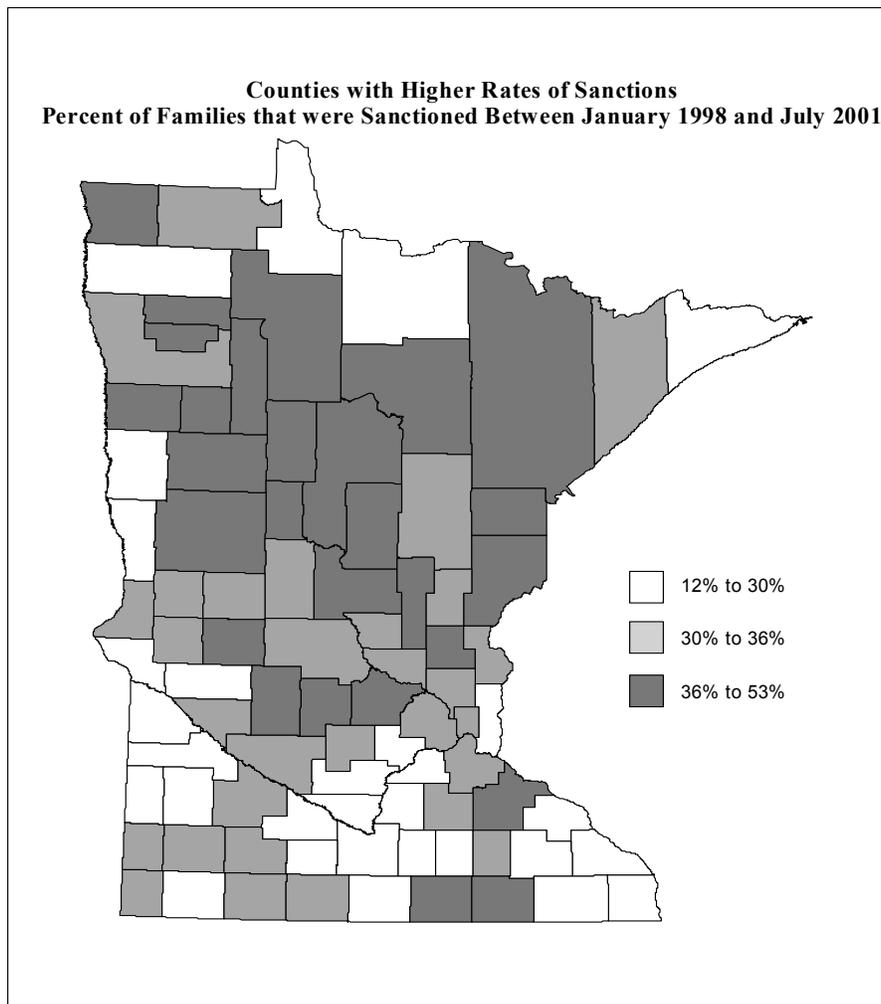


**Most families sanctioned for the first time return into compliance after one month, but some will be sanctioned again.** Over 50 percent of sanctions lasted one month; 25 percent lasted three or more months.<sup>5</sup>

- 36.3 percent of sanctioned families were sanctioned again after returning into compliance
- 13.8 percent were sanctioned three or more times

**Who is more likely to be sanctioned.** This section looks at all families eligible for MFIP from January 1998 thru July 2001 and counts the number of families with at least one sanctioned parent. Statewide, 34.2 percent of families on MFIP between January 1998 and July 2001 were sanctioned at least once.

<sup>5</sup> Kaplan-Meier estimates for the months of January 1998 through July 2001.



**Where they live.** The five counties with the highest sanction rates are: Mahnomen (57.5 percent), Clearwater (49.5 percent), Freeborn (49.0 percent), Cass (49.0 percent), and Norman (47.3 percent). Some counties with higher sanction rates had fewer in number. For example, Mahnomen County sanctioned participants from 48 families. The opposite is true as well. For example Hennepin County sanctioned 35.7 percent, or 9,783 families.

**Who they are.** Families sanctioned at a higher percentage than the statewide average of 34.2 percent include:

- Families with a household head who did not graduate from high school (40.8 percent)
- Larger families—three or more children (38.5 percent) and two children (35.3 percent)
- Two-parent families and families that separated while on MFIP (41.8 percent)

- Families with African American household heads (38.1 percent) and Native American household heads (48.7 percent)
- Families with younger household heads—under 20 years of age (44.0 percent) and between 20 and 24 years of age (35.2 percent)

**Many of these families have the same characteristics as those who tend to stay on welfare longer.** From April 1998 through July 2001, families with an African American head of household, younger parents, and parents with younger children were more likely to stay on welfare longer. However, the correlation is not perfect. For example, Asian American families are less likely to be sanctioned, but more likely to stay on welfare longer.

Note: The household head is in most cases the female parent or relative caregiver. When no female is present, or no children are recorded in the female parent's name, it is the male parent or caregiver.

*For more information about welfare, visit the health and human services area of our web site, [www.house.mn/hrd/issinfo/hlt\\_hum.htm](http://www.house.mn/hrd/issinfo/hlt_hum.htm).*