



**MID-MINNESOTA LEGAL AID**  
**Legal Services Advocacy Project**

***The Consequence of Doing Nothing:***  
**Inflation-Induced Erosion of Minnesota’s Basic Cash Assistance**  
**Leaves Low-Income Children in Abject Poverty**

**By Jessica Webster, Staff Attorney**  
[jwebster@mnlisap.org](mailto:jwebster@mnlisap.org); 651-895-5465

Thirty years ago, the federal minimum wage was \$3.35 and the federal poverty line was about \$9,120 for a family of three.<sup>1</sup> The year was 1986, and Minnesota policymakers set the amount of basic cash assistance for a family of three at \$532. Even as the cost of living has gone up, the basic resource Minnesota provides for families who hit hard times has stayed frozen in place. Today more than 64,000 low-income children are affected by this 30 year delay in adjusting the amount to reflect current economic realities.<sup>2</sup> If adjusted for inflation, \$532 in 1986 could buy the equivalent of \$1,148 of goods and services in 2016.<sup>3</sup>

One year ago, the Minnesota Legislature convened a Temporary Assistance for Needy Families (TANF) Task Force to analyze the state’s usage of federal TANF dollars. TANF provides a federal block grant for the state to support Minnesota’s most economically struggling families, and funds the Minnesota Family Investment Program (MFIP). MFIP is the state’s only cash assistance program exclusive to families with children and pregnant women.

The Task Force, led by the Minnesota Department of Human Services (DHS), recommended that the Legislature redirect \$68 million in TANF funds to increase basic cash assistance in MFIP by about \$100 per month.<sup>4</sup> The Task Force simultaneously recommended using state money to maintain the other services supported by the TANF fund. The Task Force further recommended that the Legislature end the MFIP grant erosion by adding a forecasted cost of living adjustment, stating that no child in Minnesota should live in deep poverty.<sup>5</sup>

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<sup>1</sup> US Department of Health and Human Services. “Prior HHS Poverty Guideline References.” September 3, 2015.

<sup>2</sup> Minnesota Department of Human Services. MFIP and DWP: Characteristics of Cases and Eligible Adults. December 2014.

<sup>3</sup> Minneapolis Federal Reserve Inflation Calculator.

<sup>4</sup> Minnesota Department of Human Services. “Minnesota Temporary Assistance for Needy Families Expenditures Task Force Final Report.” February 2015.

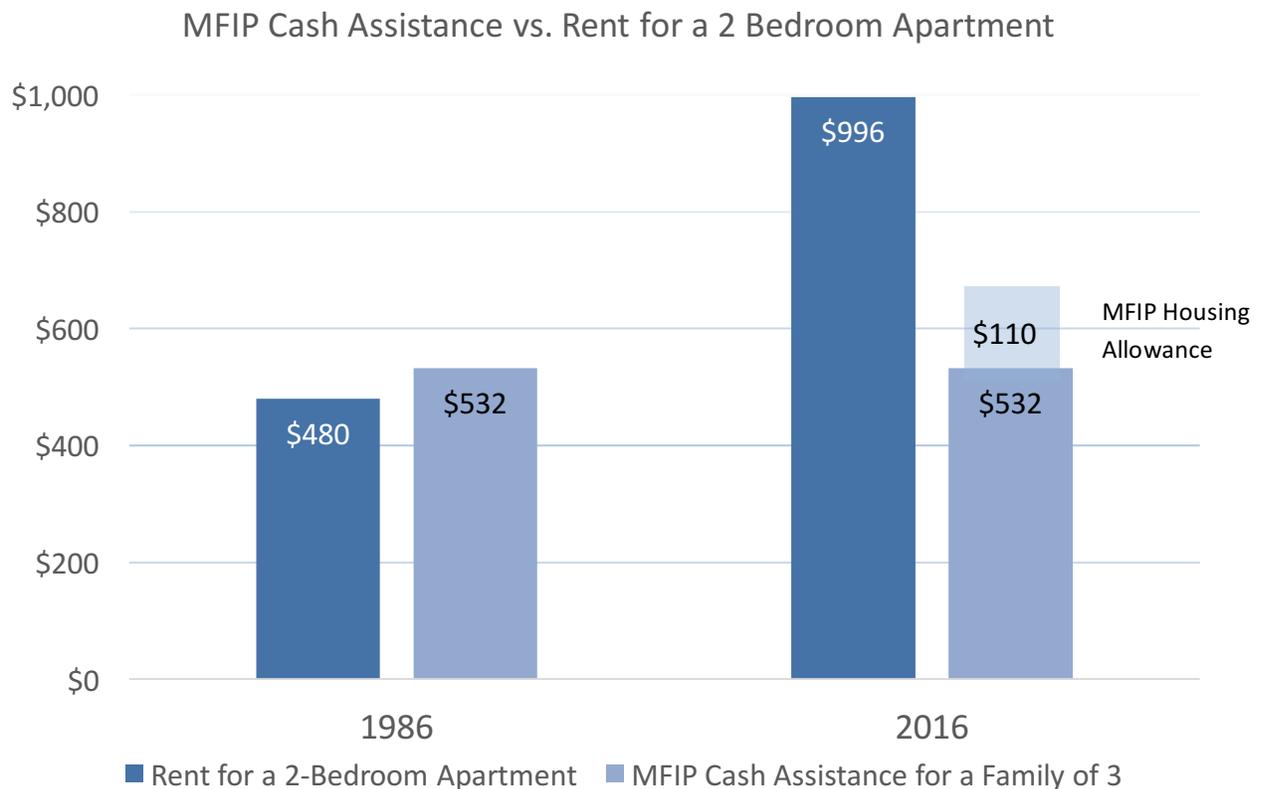
<sup>5</sup> Ibid at 6.

These recommendations have not yet been enacted by the Legislature. Last session, Governor Mark Dayton included a \$100 increase to the MFIP cash grant in his budget proposal, and bipartisan bills in the House and Senate gained traction. However, the increase did not ultimately pass into law.

### MFIP Is Not Meeting Minnesota Families' Basic Needs

MFIP is a critical resource to families. But because of the failure to adjust the program for 30 years, families are perpetually on the edge of hunger and homelessness. MFIP's cash assistance will not cover a family's rent for the average habitable fair market rent anywhere in the state, even before utility payments are considered. MFIP families are all required to engage in work activities, and must budget for transportation, including gas and car insurance where public transportation is not available. Families must further cover everyday necessities: medicine, clothing and shoes, laundromats, school uniforms, school activities, and taxes.

The Minnesota Jobs Now Coalition estimates that the annual cost of basic needs for a single person with two children in Minnesota is \$3,630 per month. Even if an MFIP family receives assistance with child care, health care and food, the gap is still more than \$900.<sup>6</sup>



The MFIP Housing Allowance took effect in 2015. Fewer than half of families enrolled in MFIP qualify for a \$110 per month housing allowance.

<sup>6</sup> <http://www.jobsnowcoalition.org/calculator/calculator.html>

## Low-Wage Workers Who Lose Jobs Often Cannot Access Unemployment Insurance

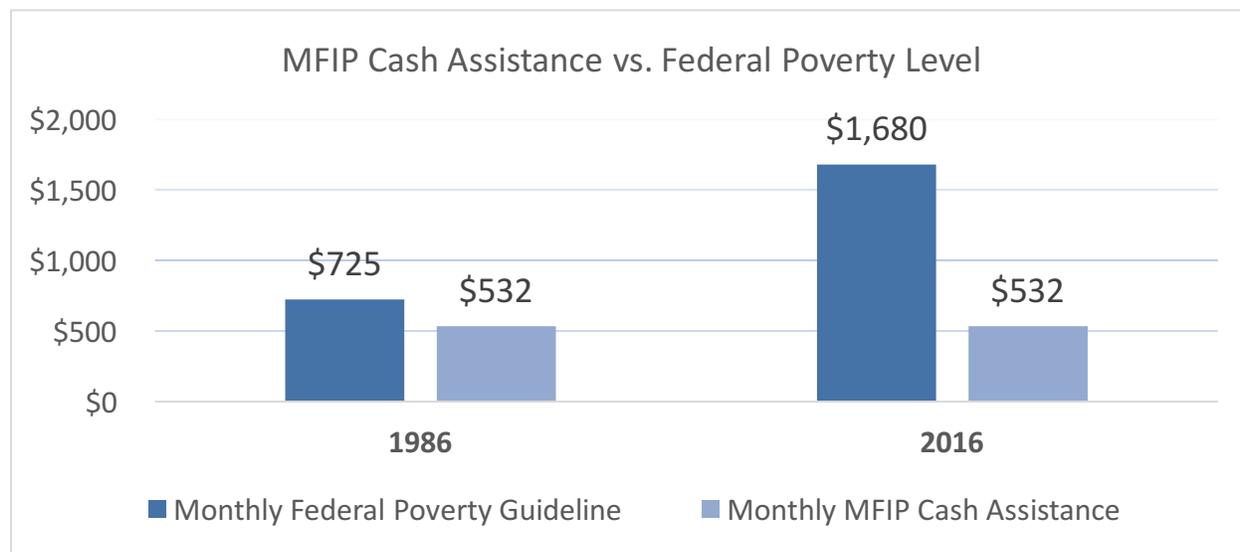
MFIP has also become the unofficial unemployment safety net for the State’s lowest-wage workers and their children. The disparities among who is able accesses more generous unemployment insurance versus who must rely on meager cash assistance are significant. Many of the women served by MFIP have experienced a recent job loss but were unable to access traditional unemployment insurance. Whereas unemployment payments are adjusted for annual inflation, MFIP assistance has been flat for 30 years.

## The TANF Task Force Unanimously Recommends that No Minnesota Child Live in Deep Poverty

The TANF Task Force - composed of state, county, and non-profit representatives – analyzed three decades of TANF spending data. The Task Force examined falling caseloads despite staggering statewide increases in child poverty. In its final report, the Task Force noted that childhood poverty in Minnesota more than doubled since 2000.<sup>7</sup>

The Task Force also noted that today’s MFIP cash assistance supports a family at just 32 percent of the federal poverty guideline, which is currently \$20,160 for a family of three.<sup>8</sup> Income below 50 percent of the federal poverty guideline is considered deep or extreme poverty.<sup>9</sup>

The TANF Task Force concluded that its \$68 million recommendation would not make enough progress toward addressing 29 years of stagnation.<sup>10</sup> The current MFIP cash assistance carries only 46 percent of the buying power compared to the 1986 cash assistance level.<sup>11</sup> The Task Force identified these recommendations as a starting point and advised setting longer-term goals to further address the erosion.



<sup>7</sup> Minnesota Department of Human Services. “Minnesota Temporary Assistance for Needy Families Expenditures Task Force Final Report.” February 2015.

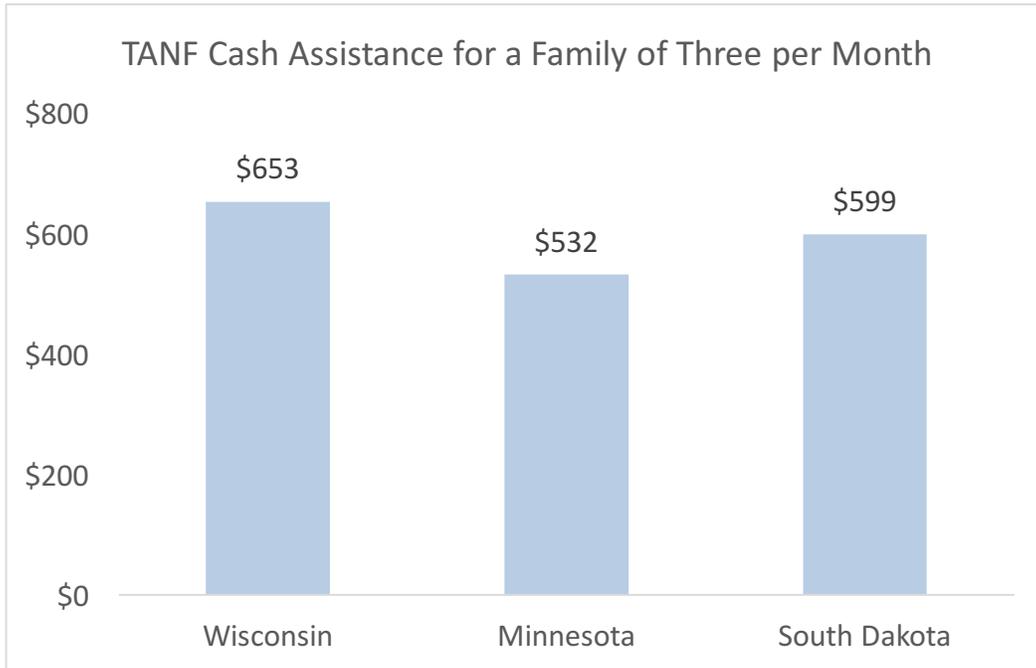
<sup>8</sup> Ibid at 5.

<sup>9</sup> Ibid.

<sup>10</sup> Ibid at 6.

<sup>11</sup> Minneapolis Federal Reserve Inflation Calculator.

In the wake of the Task Force report and the 2015 legislative session, the Center on Budget and Policy Priorities identified Minnesota as one of 23 states with the most significant grant value erosion since 1996.<sup>12</sup> Similarly situated Midwestern states including Wisconsin, North Dakota, South Dakota, Illinois, and Ohio did not experience the same level of deep erosion.<sup>13</sup> Wisconsin's grant for a family of three is now \$121 per month more than Minnesota, and South Dakota is \$67 more per month.<sup>14</sup>



Minnesota only spends 16 percent of its TANF block grant on basic cash assistance – the national average is 26 percent.<sup>15</sup>

Also of significant note, in January 2016, 11 State Commissioners, from Education to Employment and Economic Development, Transportation and Corrections – all recognized that family income has an impact on housing stability. The 11 Commissioners on the Minnesota Interagency Council on Homelessness proposed an MFIP cash grant increase in Minnesota's 2016-2017 Plan to Prevent and End Homelessness.<sup>16</sup> The Commissioners noted that when families do not have the resources to pay for stable housing, some will doubtless wind up without any housing at all - resulting in a ripple effect in other areas of responsibility, whether education, health, or employment.<sup>17</sup>

<sup>12</sup> Ife Floyd and Liz Schott. Center on Budget and Policy Priorities. "TANF Cash Benefits Have Fallen by More Than 20 Percent in Most States and Continue to Erode." October 15, 2015

<sup>13</sup> Ibid.

<sup>14</sup> Ibid.

<sup>15</sup> [http://www.cbpp.org/sites/default/files/atoms/files/tanf\\_spending\\_mn.pdf](http://www.cbpp.org/sites/default/files/atoms/files/tanf_spending_mn.pdf).

<sup>16</sup> [http://www.headinghomeminnesota.org/sites/default/files/MHFA\\_FULLL.pdf](http://www.headinghomeminnesota.org/sites/default/files/MHFA_FULLL.pdf) (at 41).

<sup>17</sup> Ibid.

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## **A Small Increase Would Have a Big Impact on the Littlest Minnesotans**

The 2015 TANF Task Force joined a chorus of concerned voices regarding the correlation between deep poverty and long-term adverse childhood outcomes.<sup>18</sup> Those concerns are related to social and emotional development, health, educational attainment, and future employment and earnings. A growing body of evidence demonstrates that even small, unrestricted increases to the lowest-income families can make a powerful difference.<sup>19</sup> As little as \$1,200 per year to a family utilizing MFIP can positively affect childhood brain development, early learning, educational attainment, emotional and behavioral health, and positive family dynamics.

### **It's Time.**

When a family is down on their luck, they should have somewhere to turn. Minnesota parents often turn to this temporary, time-limited assistance during a personal economic crisis – a job loss, illness, or disability in the family that requires attention. Minnesota's shrinking basic assistance grant means that some Minnesotans are being left behind by a recovering, nation-leading economy. These children are the State's future workforce, economy, and community, and their well-being is our most worthwhile investment. This critical investment is now supported by a growing chorus of experts and interests, and the investment is long overdue. It's time to end the delay.

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<sup>18</sup>Minnesota Department of Human Services. "Minnesota Temporary Assistance for Needy Families Expenditures Task Force Final Report." February 2015.

<sup>19</sup> See Kimberly G. Noble, et al., *Family income, parental education and brain structure in children and adolescents*. *Nature Neuroscience* 18, 773–778 (2015) and Nicole L. Hair, et al., *Association of Child Poverty, Brain Development, and Academic Achievement*. *JAMA Pediatrics*. 169(9):822-829. (2015) Randall Akee, Emilia Simeonova, E. Jane Costello, and William Copeland. *How does household income affect child personality traits and behaviors?* Working Paper 21562, National Bureau of Economic Research.

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