

Caseload Characteristics and Trends

SUMMARY

Minnesota's welfare caseload reached an all-time high in 1994, but it has since declined by 39 percent (compared with 50 percent for the nation). The strong economy appears to explain much of the decline, but program differences may account for Minnesota's below-average caseload decline. The percentage of Minnesota's nonwhite children using welfare is about ten times as high as it is for white children, and this discrepancy is much larger in Minnesota than in the nation as a whole. During the past decade, subgroups with a history of long-term welfare use made up an increasing percentage of Minnesota's welfare caseload.

As we discussed in Chapter 1, national goals for welfare reform include reducing welfare dependency and preventing out-of-wedlock pregnancies. To help measure the state's progress in reducing welfare dependency, this chapter examines welfare caseload trends and analyzes trends in out-of-wedlock births and interstate migration--both of which can affect Minnesota's welfare caseload. (In the next chapter, we use measures of work and earnings to examine trends in dependency.) Specifically, this chapter addresses the following questions:

- **How has the size of Minnesota's caseload changed over time and how does this compare with other states? What explains the changes over time? What explains differences between Minnesota and other states?**
- **What are the characteristics of families participating in MFIP? What subgroups are at higher risk for long-term welfare usage?**
- **How have the characteristics of Minnesota's welfare recipients changed in recent years?**
- **What evidence is there that migration of persons to Minnesota has added to Minnesota's welfare caseload?**

To answer these questions, we reviewed national studies and obtained data from the Minnesota Department of Human Services (DHS) and the U.S. Department of Health and Human Services. We obtained aggregate data from DHS as well as individual level data extracted from the DHS welfare information system. We also obtained demographic information from a variety of sources, including the Minnesota Department of Health, the U.S. Department of Health and Human Services, the State Demographer's Office, and the Minnesota Department of Children, Families & Learning.

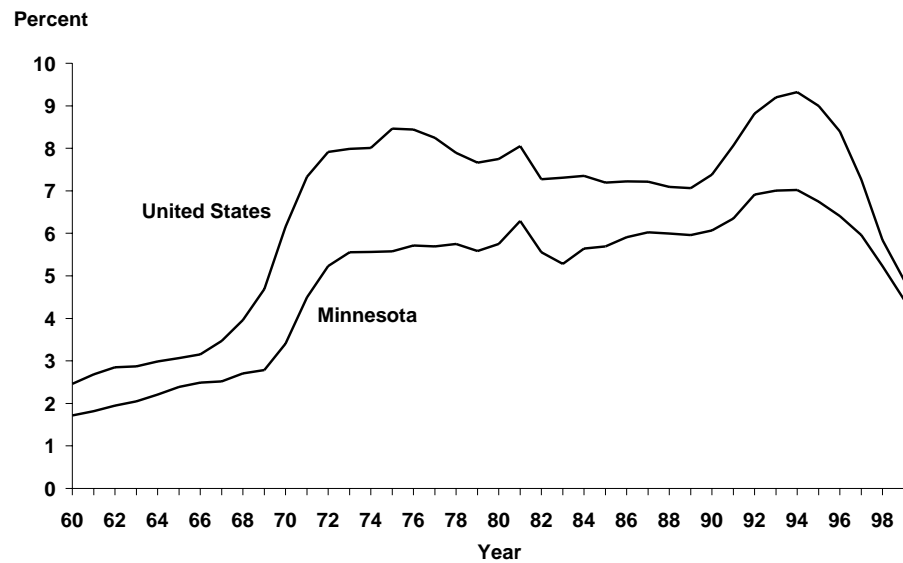
CASELOAD TRENDS

To help us analyze recent changes in welfare dependency, we examined Minnesota's caseload trends and compared them with trends in other states. Welfare caseload trends for both Minnesota and the nation changed dramatically during the 1990s. Figure 2.1 tracks the trend in welfare caseload over the past four decades as a percentage of women ages 18-44. After more than doubling between 1967 and 1972, welfare caseloads changed slowly during the rest of the 1970s and the 1980s.¹ But caseloads rose sharply during the early 1990s, reaching all-time highs in 1994. Since then, welfare caseloads have declined at unprecedented rates in both Minnesota and the nation. We found that:

- After reaching an all-time high in 1994, Minnesota's welfare caseload declined by 39 percent, compared with 50 percent for the nation.

In recent years, welfare caseloads declined at unprecedented rates.

Figure 2.1: Welfare Caseload as a Percentage of Women (Ages 18-44), 1960-99



SOURCE: U.S. Department of Health and Human Services, Minnesota Department of Human Services, U.S. Census Bureau.

The recent decline easily surpassed previous caseload declines. Prior to 1994, the only time Minnesota's caseload declined by more than 3 percent was between 1981 and 1983, when its caseload declined by 16 percent following the Reagan Administration's welfare cutbacks. The largest decline for the United States caseload was 11 percent during the four years following the same cutback.

¹ According to one analysis, welfare caseloads increased rapidly during the late 1960s and early 1970s because of (1) the general expansion of public assistance programs, including AFDC, Medical Assistance, and food stamps, (2) court decisions that forced states to adopt more liberal eligibility procedures, and (3) work by advocacy groups to encourage poor families to apply for welfare benefits. See Rebecca Blank, *What Causes Public Assistance Caseloads to Grow?* National Bureau of Economic Research Working Paper 6343 (Cambridge, MA, December 1997).

While Minnesota and the nation had generally similar caseload trends, Minnesota's caseload has been gradually getting closer to the national average. Minnesota's caseload is still a smaller percentage of the population than it is nationally, but Minnesota is now closer to the national average than it has been for at least four decades.²

Our review of caseload declines in nearby states revealed that:

- **Between 1994 and 1999, nine of ten nearby states had larger caseload declines than did Minnesota.**

The only exception was Nebraska, whose caseload declined by 33 percent. As Table 2.1 indicates, caseload declines in the other nine nearby states ranged from 70 percent in Wisconsin to 46 percent in Iowa.

It is important to recognize that differences in caseload trends may in part reflect different goals and strategies adopted by states under federal welfare reform. According to DHS officials, MFIP is designed primarily to reduce welfare dependency by increasing the work and earnings of recipients. Typically, recipients remain eligible for cash assistance under MFIP until their income exceeds about 85 percent of the poverty level.³ Thus, to fully assess how much progress Minnesota has made to reduce welfare dependency, it is also important

Differences in caseload trends partly reflect the goals and strategies adopted by states.

Table 2.1: Welfare Caseload Decline, Minnesota Compared with Nearby States, 1994-99

| | Welfare Caseload | | Percent Change |
|------------------|------------------|---------------|----------------|
| | January 1994 | June 1999 | |
| U.S. Total | 5,053,000 | 2,536,000 | -50% |
| Wisconsin | 78,507 | 23,251 | -70 |
| Michigan | 225,671 | 90,541 | -60 |
| Kansas | 30,247 | 12,799 | -58 |
| South Dakota | 7,027 | 3,062 | -56 |
| Illinois | 238,967 | 114,686 | -52 |
| Indiana | 74,169 | 37,156 | -50 |
| North Dakota | 6,002 | 3,085 | -49 |
| Missouri | 91,598 | 48,351 | -47 |
| Iowa | 39,623 | 21,270 | -46 |
| Minnesota | 65,621 | 40,013 | -39 |
| Nebraska | 16,145 | 10,799 | -33 |

NOTE: We adjusted caseload figures reported by the U.S. Department of Health and Human Services for Minnesota and Wisconsin to make their caseload trends more comparable with other states. See discussion on pp. 26-27.

SOURCES: U.S. Department of Health and Human Services (<http://www.acf.dhhs.gov/news/stats/case-fam.htm>), Minnesota Department of Human Services, and the Rockefeller Institute of Government.

² As a percentage of women ages 18-44, Minnesota's caseload in June 1999 was about 4.4 percent, compared with 4.7 percent nationally, a difference of about 10 percent. During the 1970s, Minnesota was between 27 and 43 percent below the national average.

³ In 1998, a family of three needed to have an income of \$954 per month to leave cash assistance under MFIP, compared with an average of \$975 in the United States.

to review Chapter 3's discussion of trends in work and earnings. DHS officials also said that caseload reduction is not an overriding goal in Minnesota, as it is in some other states. For example, unlike Minnesota, some states can impose 100 percent sanctions for noncompliance with work requirements or they limit welfare eligibility to less than five years.

Some welfare officials have suggested that Minnesota's caseload decline was below average because its unemployment rate and caseload were lower than the national average to begin with. (During the last recession, the nation's unemployment rate reached a peak of 8 percent in early 1992, when Minnesota's unemployment rate was 6 percent.) Since Minnesota's economy had less room for improvement, they said that it would have been harder for Minnesota to reduce its welfare caseload. However, Minnesota's unemployment rate continues to be 2 points less than the national average (2.4 percent compared with 4.4 percent for fiscal year 1999). Consequently, it is not clear that the economy explains any of the difference in caseload decline.

Some welfare officials also suggested that Minnesota's caseload has not declined as much as in other states because Minnesota's work incentives allow recipients to earn more income than they would in other states before they lose eligibility for welfare benefits. However, this does not appear to be a major factor because the income that would disqualify a family of three from MFIP's cash assistance in 1998 was almost the same as the national average.

One reason for Wisconsin's large caseload decline is its stringent work requirements.

Wisconsin's caseload decline reflects several factors. For example, Wisconsin has more stringent work requirements than most other states. It requires applicants to search for a job prior to becoming eligible for welfare and requires recipients to work in community service jobs if they are unable to find a job. In addition, Wisconsin levies sanctions up to the full grant for not complying with program requirements. Its average sanction amount has been between 50 and 70 percent of the monthly grant.⁴ Also, Wisconsin was the only state to require AFDC recipients to re-apply for Temporary Assistance for Needy Families (TANF). Many AFDC recipients did not respond to letters and were dropped from public assistance by March 1998, six months after Wisconsin's TANF program began.

Our calculation of Minnesota's caseload decline (39 percent) is larger than what has previously been reported in national reports because it adjusts for program changes that distort caseload trends in the federal data. Caseload data published by the U.S. Department of Health and Human Services indicate that Minnesota's caseload decline was 29 percent between 1994 and 1999. The federal data compare Minnesota's AFDC caseload in 1994 with its MFIP caseload in 1999. These data understate the actual caseload decline because in 1998 Minnesota combined cases from three programs into MFIP (AFDC, Family General Assistance, and food stamps). To make caseload data comparable over time, we added Family General Assistance cases to the 1994 figure and subtracted food-assistance-only cases from the 1999 figure.

⁴ Thomas Kaplan, "Management and Implementation of Wisconsin's W-2 Program," Draft, 1999; <http://rockinst.org/publications/managing-wisconsin.html>, accessed September 16, 1999.

The federal government's caseload data on Wisconsin also distorts caseload trends, but in the opposite direction. The federal data overstate Wisconsin's caseload decline because the 1999 caseload figure omits about 15,000 cases that Wisconsin transferred into separate programs.⁵ Wisconsin created separate programs for families headed by (1) a disabled parent receiving assistance from the federal Supplemental Security Income (SSI) program, or (2) a non-parent relative. To make Wisconsin's caseload data comparable with 1994 figures and with other states, we added these cases to its 1999 figures in Table 2.1.

Even after adjusting caseload figures for Minnesota and Wisconsin, Wisconsin's welfare caseload decline is still much larger than most other states. Wisconsin's 70 percent decline is nearly twice as large as Minnesota's decline.

In addition to program factors, analysts generally point to demographic and economic factors to explain caseload trends. In the following two sections, we discuss in more detail some of the factors that have influenced welfare caseload trends—(1) out-of-wedlock births, and (2) the economy and welfare reform policies.

Many welfare cases begin with an out-of-wedlock birth.

Out-of-Wedlock Births

Welfare cases are often caused by out-of-wedlock births, particularly those to women who lack their own financial resources as well as support from the father and family. A Department of Human Services' longitudinal survey found that 53 percent of single parent MFIP applicants said that a pregnancy or birth was a reason for applying.⁶ Furthermore, women who never marry are at greater risk for long-term welfare use, so out-of-wedlock births may affect the duration of welfare cases as well as their frequency.⁷

Minnesota's out-of-wedlock birth rate has been growing rapidly for the past four decades, contributing to Minnesota's welfare caseload. The Minnesota Department of Health's vital statistics indicate that:

- **Minnesota's out-of-wedlock birth rate doubled three times between 1960 and 1997.**

The percentage of births that were out-of-wedlock doubled from 3 percent in 1960 to 6 percent in 1966, reached 12 percent in 1982, and doubled a third time by 1997 (to 25 percent).

As Figure 2.2 shows, out-of-wedlock birth rates have steadily climbed in the nation as well as in Minnesota, though Minnesota's rate has grown at a faster pace than the national rate since 1980. Specifically, between 1980 and 1997, Minnesota's rate grew by 120 percent, while the nation's rate grew by 76 percent.

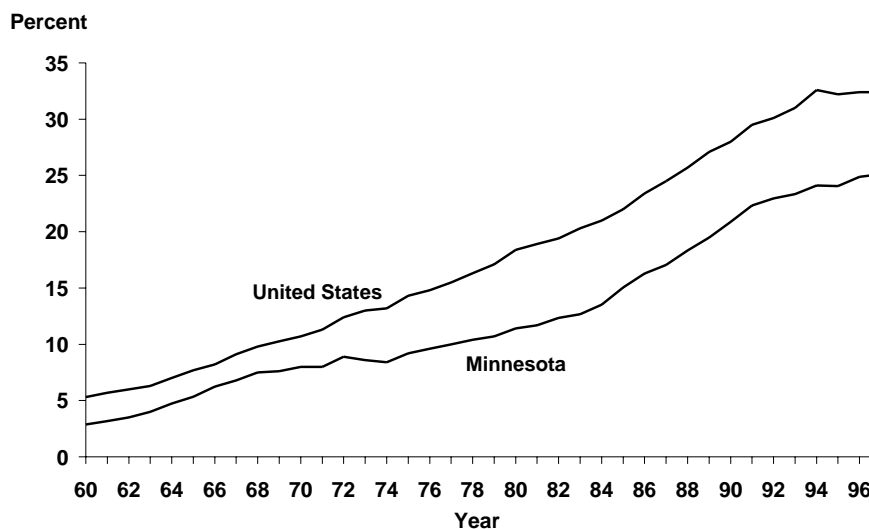
⁵ *Ibid.*

⁶ Single parent applicants include caregivers and pregnant women who were not living with a spouse or the other parent of any of their children, and had not received any family cash assistance during the five years prior to application. See Department of Human Services, *Minnesota Family Investment Program Longitudinal Survey: Baseline Report* (St. Paul, August 1999), 56.

⁷ Mary J. Bane and David T. Ellwood, *Welfare Realities: From Rhetoric to Reform*, (Cambridge, MA: Harvard University Press, 1994), 44.

One-fourth of Minnesota's births are out of wedlock.

Figure 2.2: Percentage of Births that are Out of Wedlock, 1960-97



SOURCE: U.S. Census Bureau and U.S. Department of Health and Human Services, Minnesota Department of Health. U.S. data were interpolated for 1961-64 and 1966-69.

Throughout this time period, Minnesota's out-of-wedlock birth rate was below the national average. In 1997, Minnesota's rate was 22 percent below the national average (25 percent compared with 32 percent). Previously, it had been as much as 38 percent below the national average (in 1980).

Out-of-wedlock birth rates vary greatly by race, age, and education. Our review of 1997 birth rates in Minnesota indicated that:

- **Groups with especially high out-of-wedlock birth rates include teenagers, American-Indian and African-American women, and women who have not graduated from high school.**

As Table 2.2 shows, out-of-wedlock birth rates for American-Indian women (81 percent) and African-American women (67 percent) were two to four times as high as rates for white (20 percent) and Asian-American women (26 percent).⁸ Unlike Minnesota's overall rate, out-of-wedlock birth rates for African-American women have declined in recent years—going from a peak of 75 percent in 1992 to 67 percent in 1997.

When we analyzed out-of-wedlock birth rates by level of education, we found that the rates ranged from 76 percent for women with 9 through 11 years of education to 4 percent for college graduates. Large differences in out-of-wedlock birth rates existed among racial/ethnic categories within each education category. For

⁸ Throughout this chapter, we use the term "white" to mean "white non-Hispanic." In addition, we use the terms "African American" and "Asian American" to include refugees from Africa and Asia even though they may not choose to be American citizens.

Table 2.2: Out-of-Wedlock Birth Rates in Minnesota by Race/Ethnicity, Age, and Education, 1997

| | <u>Births</u> | <u>Percent to Unmarried Mothers</u> |
|---------------------------------|---------------|-------------------------------------|
| Total | 63,151 | 25% |
| Education of Mother | | |
| 0-8 years | 1,275 | 46% |
| 9-11 years | 5,282 | 76 |
| High-school graduate | 19,747 | 35 |
| Some college | 16,293 | 20 |
| College graduate | 20,595 | 4 |
| Race/Ethnicity of Mother | | |
| American Indian | 1,168 | 81% |
| African American | 3,276 | 67 |
| Hispanic | 2,175 | 53 |
| Asian American | 2,878 | 26 |
| White | 54,345 | 20 |
| Age of Mother | | |
| <20 | 5,675 | 86% |
| 20-24 | 12,429 | 47 |
| 25-29 | 19,628 | 15 |
| 30-39 | 17,733 | 9 |
| 40+ | 7,686 | 9 |

SOURCE: Minnesota Department of Health.

example, among women with 12 years of education, American-Indian and African-American women had out-of-wedlock birth rates that were more than twice as high as rates for white and Asian-American women.⁹

When we analyzed out-of-wedlock birth rates by age, we found that rates ranged from 86 percent for teenage women to 9 percent for women over 30. While women ages 20 to 24 had a lower out-of-wedlock birth rate (47 percent) than teenage women, they accounted for slightly more out-of-wedlock births than teens (5,837 compared with 4,903).¹⁰ This suggests that, contrary to popular perception, the out-of-wedlock birth problem should not be viewed exclusively as a teen problem.

Minnesota had lower out-of-wedlock birth rates than the nation, but most of this difference may be related to the racial composition of the state compared with the nation. Table 2.3 shows that Minnesota's American-Indian, Asian-American, and Hispanic women had higher out-of-wedlock birth rates than their counterparts nationally, while African-American and white women had slightly lower rates.

⁹ In 1997, out-of-wedlock birth rates for women with 12 years of education were 78.8 percent for American Indians, 72.4 percent for African Americans, 40.6 percent for Hispanics, 31.4 percent for whites, and 28.6 percent for Asian Americans. For each of the other education categories, American-Indian women had the highest out-of-wedlock birth rate and African-American women had the second-highest rate.

¹⁰ In addition, new welfare cases often begin with an out-of-wedlock birth to women 20 to 24. For example, among MFIP women who were never married, had one child, and the child's age was less than one, 38 percent were between 20 and 24 and 47 percent were teenagers.

Some racial and ethnic groups in Minnesota have higher out-of-wedlock birth rates than their counterparts nationally.

Table 2.3: Out-of-Wedlock Birth Rates, Minnesota Compared with the United States, 1997

| | Minnesota | United States | Percent Difference |
|------------------|-----------|---------------|--------------------|
| American Indian | 81.2% | 58.0% | 40% |
| African American | 66.7 | 70.0 | -5 |
| Hispanic | 53.3 | 40.7 | 31 |
| Asian American | 25.9 | 16.7 | 55 |
| White | 20.4 | 21.5 | -5 |
| Total | 25.1% | 32.4% | -23% |

SOURCE: Minnesota Department of Health; U.S. Department of Health and Human Services. The "birth rates" shown are the percentages of all births in these groups that were out of wedlock.

The Economy and Welfare Reform

The economy and welfare reform together have recently reduced welfare caseloads in Minnesota and the nation. While demographic factors (such as the number of out-of-wedlock births) may help explain the caseload increases during the early 1990s, they do not appear to be factors in the recent decline.¹¹ Overall,

- **Researchers generally agree that the strong economy and welfare program changes reduced welfare caseloads nationally after the recession in the early 1990s, although they differ over the relative impact of each.**

Researchers have analyzed caseload declines during two time periods. During the first time period (1993-96), many states experimented with various reforms under waivers granted by the federal government. The second time period (1996-99) followed the nationwide welfare reform enacted by the federal government.

Three studies estimated that the economy explained 26 to 75 percent of the caseload reduction between 1993 and 1996, while program changes explained 1 to 21 percent.¹² (In all of these studies, portions of the caseload decline were not

¹¹ Thomas Gais, *The Relationship of the Decline in Welfare Cases to the New Welfare Law: How Will We Know If It Is Working?* (Albany, NY: Rockefeller Institute, August 19, 1997).

¹² The Council of Economic Advisors estimated that the economy explained 26 to 36 percent of the caseload reduction between 1993 and 1996 and state welfare waiver programs accounted for 14 percent (see The Council of Economic Advisors, *The Effects of Welfare Policy and the Economic Expansion on Welfare Caseloads: An Update* (Washington D.C., August 3, 1999)). Another study found that the economy explained 47 percent of the decline and waivers explained 21 percent (see Geoffrey Wallace and Rebecca Blank, *What Goes Up Must Come Down? Explaining Recent Changes in Public Assistance Caseloads* (Joint Center for Poverty Research, February 1999)). In contrast, a third study found that the economy explained up to 75 percent of the reduction between 1993 and 1996, while state waivers accounted for at most only 1 percent. However, this study noted that welfare waivers further reduce caseloads if they are implemented when unemployment rates are low (see David N. Figlio and James P. Ziliak, *Welfare Reform, the Business Cycle, and the Decline in Welfare Caseloads* (Joint Center for Poverty Research, March 1999)).

A strong economy and welfare reforms have contributed to caseload declines.

explained by the factors examined.) These studies generally found that program changes had larger effects after 1996 than they did before 1996, but there is not a consensus on the size of the impact.¹³

The model used by the Minnesota Department of Human Services to forecast welfare caseload indicates that the economy has been a significant factor in Minnesota's caseload decline. For example, according to the model, economic factors explained about half of the 8 percent caseload decline between July 1998 and June 1999.

MFIP is a likely candidate to explain some of the state's caseload decline, but it is not clear how much of the decline is due to welfare reform. The DHS forecast model does not resolve this issue because it was not designed to measure the effects of program changes.¹⁴

Much remains to be learned about how program changes affect welfare caseloads as well as other outcomes. Researchers do not fully understand all of the reasons for recent caseload trends, partly because they lack comprehensive information about what each state has done to implement welfare reform.

CASELOAD COMPOSITION

In this section, we begin by describing the characteristics of families enrolled in MFIP during 1999. Next we identify subgroups at higher risk of long-term welfare use. We show that Minnesota's welfare caseload composition changed significantly during the past decade, resulting in a caseload that appears to be increasingly at risk for long-term welfare use.

Characteristics of MFIP Recipients in 1999

In May 1999, about 45,000 families were enrolled in the Minnesota Family Investment Program (MFIP), including 43,000 adults and 92,000 children. MFIP provided cash assistance to 42,000 families and food payments to all 45,000 families. These food payments are in lieu of food stamps. The demographic characteristics of MFIP families in May 1999 are summarized in Tables 2.4 and 2.5. Most MFIP families were headed by single women—typically never married, and often with limited education.

The racial/ethnic background of children in MFIP cases was more nonwhite than it was for parents in MFIP families. As Table 2.5 shows, 53 percent of MFIP

¹³ The Council of Economic Advisors estimated that welfare reform legislation explained one-third of the national caseload decline between 1996 and 1998 and the economy accounted for only 8 to 10 percent. Wallace and Blank estimated that the economy explained about 10 percent of the recent decline but lacked adequate data to estimate the impact of welfare reform during this time period. Figlio and Ziliak found that the economy continued to reduce caseloads but welfare reform explained a larger share of the decline after 1996 than it did previously.

¹⁴ An evaluation suggested that the MFIP field trial program caused a small increase in welfare caseload. However, these results cannot be generalized to the current MFIP program because the field trials provided more generous benefits than the statewide version of MFIP.

Table 2.4: Demographic Characteristics of MFIP Families, May 1999

| | Number of Cases | Percent |
|---|--------------------|---------|
| Type of Household | | |
| Single parent | 35,002 | 79% |
| Two parent | 6,186 | 14 |
| Non-parent caregiver | 3,240 | 7 |
| Education of MFIP Parents | | |
| Less than 9th grade | 3,926 | 10% |
| 9-11 years | 12,027 | 30 |
| High school graduate | 19,348 | 49 |
| Some college | 4,015 | 10 |
| Four-year college graduate | 271 | 1 |
| Age of MFIP Parents | | |
| Less than 20 | 4,179 | 10% |
| 20-29 | 17,398 | 42 |
| 30-39 | 13,019 | 32 |
| 40+ | 6,592 | 16 |
| Citizenship Status of Parents | | |
| U.S. citizen | 34,792 | 84% |
| Non-U.S. citizen | 6,396 | 16 |
| Marital Status of Single Parents | | |
| Never married | 21,326 | 61% |
| Divorced, separated, widowed | 12,141 | 35 |
| Married | 1,535 | 4 |
| Marital Status of Two-Parent Couples | | |
| Never married | 1,720 | 28% |
| Divorced, separated, widowed | 594 | 10 |
| Married | 3,872 | 63 |
| Gender of Single Parents | | |
| Female | 33,132 | 95% |
| Male | 1,870 | 5 |

NOTE: Education, age, citizenship status, and marital status of MFIP parents are based on one parent per case (in two-parent families, this is the parent who applied for MFIP—usually the mother). We included parents who were ineligible for MFIP but are taking care of children who were eligible for MFIP. We did not include parents who were absent from the children's home. Subtotals may not match because of missing data.

SOURCE: Office of the Legislative Auditor, analysis of welfare case data extracted from Department of Human Services' data warehouse.

parents were nonwhite, but nearly two-thirds of MFIP children were nonwhite. The difference was especially large for Asian-American families (9.4 percent for parents, compared with 15.6 percent for children).

Another way to look at characteristics of welfare recipients is to determine the percentage of various subpopulations that received welfare. We focused on the percentage of children on welfare because the available data for parents in welfare families were incomplete, particularly for cases in which neither parent was living with the children. Also, we had more reliable population data for nonwhite children than for nonwhite adults. To estimate the percentage of children that

Most single parents on MFIP have never married and have limited educations.

Table 2.5: Racial and Ethnic Background of MFIP Parents and Children, July 1999

| | Parents | Children |
|------------------|---------|----------|
| <i>N</i> | 41,147 | 89,682 |
| White | 47.1% | 34.9% |
| African American | 28.2 | 32.2 |
| Asian American | 9.4 | 15.6 |
| American Indian | 8.6 | 9.6 |
| Hispanic | 6.6 | 7.7 |
| Total | 100.0% | 100.0% |

NOTE: Parents include applicants from MFIP cases who were a parent to at least one child in the case. We did not include parents who did not live with their children nor second parents in two-parent families. In two-parent families, 90 percent of the applicants were women.

SOURCE: Legislative Auditor's Office analysis of welfare case data extracted from Department of Human Services' data warehouse.

were on welfare in July 1999, we used population estimates of the U.S. Census Bureau and school enrollment data. Overall, about 7 percent of Minnesota's children were on MFIP in July 1999, but welfare utilization varies greatly by race. For July 1999, we estimate that:

- **Welfare participation rates for children from minority groups were 8 to 14 times as high as the rate for white children.**

Large percentages of Minnesota's nonwhite children are on welfare.

In July 1999, about 40 percent of Minnesota's African-American children were enrolled in MFIP, 14 times as high as the percentage for white children (2.9 percent). Participation rates for other minority groups were 36 percent for American Indians, 26 percent for Asian-American children, and 23 percent for Hispanic children.¹⁵

Out-of-wedlock birth rates and teenage birth rates likely explain some of the difference in welfare participation rates. As we showed previously, out-of-wedlock birth rates for American-Indian and African-American women have been three to four times higher than the rate for white women. Births to teenagers often result in new welfare cases and teen parents are higher risks for long-term welfare use. In Minnesota, African-American and Hispanic teenagers have had birth rates about five times as high as rates for white teenagers.¹⁶

Welfare is a means-tested program, so welfare utilization and poverty are closely linked. An analysis of poverty in Minnesota in 1990 found that Asian Americans, African Americans, and American Indians had poverty rates three to five times as

¹⁵ The rate for Hispanic children is higher in July than in most other months because of migrant farm workers who come to Minnesota during the summer.

¹⁶ U.S. Department of Health and Human Services, Center for Disease Control and Prevention, *National Vital Statistics Reports* 47, n. 12 (Hyattsville, MD: National Center for Health Statistics, 1998), 15.

Poverty and single parenthood contribute to higher rates of welfare use.

high as whites.¹⁷ The study concluded that most though not all of these disparities reflected differences in factors such as education, employment, and household structure. The factor with the strongest association with poverty was single motherhood. Education, age, race, household size, and employment status were also important, but they had much stronger effects for single mother households. In other words, the combination of single motherhood and other risk factors is a key determinant of poverty.

Compared with the nation, Minnesota's percentage of children on welfare has been below average (7.1 percent in 1998, compared with the national average of 8.8 percent). However, our review of welfare use by race indicated that:

- **Nonwhite children in Minnesota were much more likely to be on welfare than were nonwhite children in the nation.**

As Table 2.6 shows, American-Indian and Asian-American children in Minnesota were about three times as likely to use welfare as their counterparts in the nation. About 36 percent of Minnesota's American-Indian children were on welfare in July 1998, compared with 12 percent in the nation. One reason that Minnesota had an above-average rate for Asian-American children is that Minnesota has most of the nation's Hmong, a population with very little formal education.¹⁸

Table 2.6: Percentage of Children on Welfare by Race, Minnesota Compared with the United States, 1998

| | <u>Minnesota</u> | <u>United States</u> | <u>Percent Difference</u> |
|------------------|------------------|----------------------|---------------------------|
| African American | 38.8% | 23.6% | 64% |
| American Indian | 35.5 | 11.6 | 206 |
| Asian American | 24.7 | 8.5 | 189 |
| Hispanic | 21.6 | 14.3 | 51 |
| White | 3.1 | 3.9 | -21 |
| Total | 7.1% | 8.8% | -20% |

NOTE: To make Minnesota's rates comparable to the national rate, we excluded children from cases that received food assistance only.

SOURCE: Minnesota Department of Human Services July 1998 child counts, with adjustments for food-assistance-only cases by Office of Legislative Auditor, based on analysis of data extracted from the DHS data warehouse; U.S. Department of Health and Human Services TANF reports; U.S. Cen-

¹⁷ American Indians had the highest poverty rate (46 percent), followed by African Americans (36 percent), Asian Americans (27 percent), and whites (9 percent). See Dennis Ahlburg, "Characteristics of Poverty in Minnesota," *CURA Reporter* (Minneapolis: Center for Urban and Regional Affairs, September 1998), 7-11.

¹⁸ According to the state demographer, most of the nation's Hmong refugees settled in Minnesota and Fresno, California. Recently, many Hmong migrated from Fresno to Minnesota, giving Minnesota most of the nation's Hmong population.

Some Minnesota minority groups have very high teen birth rates.

For African-American children and Hispanic children, Minnesota's rate of welfare use was 64 and 51 percent higher than the national rate, respectively. One reason for these differences may be that Minnesota's birth rates for African-American and Hispanic teenagers have been among the highest in the nation. According to a recent federal government report, Minnesota's birth rate for African-American teenagers between 15 and 19 years was 119 per 1,000 women, compared with 88 for the United States.¹⁹ The corresponding rates for Hispanic teenagers were 137 in Minnesota and 97 in the United States. Another reason that the welfare utilization rate for Hispanic children was high in Minnesota is that the data were based on child counts in July—the time of year when Hispanic farm workers are most likely to be in Minnesota.

The percentage of Minnesota children on welfare decreases rapidly with age. Pre-school children are more than twice as likely to be on MFIP as high-school-age children. For example, among white children, the percentage on welfare in July 1999 ranged from 4.3 percent for pre-school children to 1.4

Table 2.7: Percent of Children on MFIP by Age and Race, July 1999

| Race/Ethnicity | Thousands of Children in Population | Age | | | | Total |
|------------------|-------------------------------------|-----|-----|-------|-------|-------|
| | | 0-4 | 5-9 | 10-14 | 15-17 | |
| African American | 72 | 52% | 43% | 33% | 24% | 40% |
| American Indian | 24 | 49 | 36 | 32 | 21 | 35 |
| Asian American | 56 | 20 | 28 | 27 | 25 | 25 |
| Hispanic | 30 | 31 | 24 | 18 | 12 | 23 |
| White | 1,098 | 4 | 3 | 2 | 1 | 3 |
| Total | 1,281 | 10% | 8% | 6% | 4% | 7% |

NOTE: Population estimates for white, American Indian, and Hispanic children are based on U.S. Census estimates for July 1, 1998. Public school enrollment counts for African American and Asian American children are substantially higher than census estimates. Consequently, we adjusted U.S. Census estimates for each age group based on the ratio of school enrollment counts for grade school children to the census estimates for the corresponding age group.

SOURCES: (1) U.S. Census population estimates by state, age, and race; (2) Minnesota public school enrollment reports by the Department of Children, Families & Learning; (3) Department of Human Services count of children on MFIP, July 1999.

percent for high-school-age children (see Table 2.7). For African Americans and American Indians, about half of pre-school children were on MFIP, compared with 20 to 24 percent of high-school-age children.

Subgroups at Higher Risk for Long-Term Welfare Use

We identified groups that tended to use welfare for longer-than-average time periods based on a national study and our analysis of welfare use under MFIP.²⁰ In this section, we discuss results of both of these analyses.

¹⁹ U.S. Department of Health and Human Services, Center for Disease Control and Prevention, *National Vital Statistics Reports*, 7.

²⁰ Each approach has its own advantages. The national study covers a longer time period, includes some data for which we did not have access (e.g., work experience), and analyzed effects independent of other factors. Our MFIP data is more recent, is based on Minnesota's experience, and includes some variables missing from the national study (e.g., citizenship status and child-only cases).

National research has identified factors associated with long-term welfare use.

The national study found that welfare use was strongly associated with five factors: marital status, education, race, disability status, and work experience.²¹ Welfare use was also associated with the age of the mother and family size, though the relationship was not as strong as it was for the first five factors. Researchers found that each of these factors significantly affected welfare use beyond that which could be explained by other measured factors. In particular, subgroups found to more often use welfare for longer time periods included (1) parents who never married, (2) parents with disabilities, (3) African Americans, (4) high school dropouts, (5) parents with no recent work experience, (6) teenage mothers, and (7) large families.

For Minnesota families receiving welfare in December 1997, we examined subsequent welfare use. Our findings were consistent with the national findings. We did not isolate the impact of individual characteristics from other factors, so it is possible that a factor associated with long-term welfare use may actually reflect some other underlying characteristic. As Table 2.8 shows, we found that:

- **Subgroups more likely to stay on MFIP continuously for the first 19 months included large families, minority families, “child-only” cases, families whose parents had less than a 12th grade education, teen parents, parents who never married, and non-U.S. citizens.**

Two of the MFIP subgroups who were likely long-term welfare users merit further discussion because they were not identified as such in the national study cited above. First, “child-only” cases have children who are eligible for welfare payments but they do not have welfare-eligible adults. In May 1999, 17 percent of MFIP cases were child-only cases. Nearly half were families with parents who were ineligible for MFIP because they received disability assistance from the federal Supplemental Security Income (SSI) program. Another 38 percent of these cases were families headed by a relative who was not a parent of the children in the family. Other child-only cases included families with parents who failed citizenship requirements (usually undocumented noncitizens with children born in the United States) and parents who were ineligible because they committed fraud or did not meet requirements for getting a social security number.

Child-only cases receive a smaller grant than they would if the adult caregiver was also eligible, but they are subject to neither time limits nor work requirements. In fact, income earned by relative caregivers is not considered in grant calculations unless the caregiver volunteers to be part of the assistance unit.²² This may be a reason these cases tend to remain on welfare for longer-than-average time periods.

Second, we found that noncitizens were more likely to remain on MFIP for long periods than U.S. citizens. Noncitizens on welfare in Minnesota had substantially less education and larger families than their U.S. citizen counterparts, and these

²¹ Bane and Ellwood, *Welfare Realities: From Rhetoric to Reform*, 42-53.

²² The assistance unit usually includes eligible parents and children living in one household. The MFIP grant is based primarily on the number of people in the assistance unit and their income. Nonparent relatives who take care of children eligible for MFIP can choose whether to be part of the assistance unit; most choose not to be part of it.

two factors are usually associated with longer welfare spells. Approximately half of noncitizen MFIP recipients had less than a ninth-grade education, compared with 4 percent of U.S. citizen recipients. Only 30 percent of noncitizens had a high school degree, about half the rate for U.S. citizens. Twenty-three percent of noncitizen families had five or more children, while just 4 percent of U.S. citizen families were this large.

Table 2.8: Subsequent MFIP Use by December 1997 Cases, by Subgroup

| | Number of Cases December 1997 | Percentage of December 1997 AFDC Cases That Were: | |
|---|----------------------------------|---|--|
| | | Continuously On MFIP for Next 19 Months | Continuously Off MFIP for First 7 Months of 1999 |
| Education | | | |
| 0-8 | 3,705 | 62% | 21% |
| 9-11 | 11,761 | 48 | 28 |
| High school graduate | 23,747 | 39 | 38 |
| Some college | 5,685 | 35 | 42 |
| College graduate | 428 | 34 | 47 |
| Race/ethnicity | | | |
| Asian American | 4,027 | 68% | 20% |
| African American | 12,113 | 51 | 27 |
| American Indian | 4,167 | 48 | 26 |
| Hispanic | 2,478 | 38 | 37 |
| White | 24,175 | 36 | 41 |
| Marital status of U.S. citizen parents | | | |
| Never married | 21,779 | 43% | 32% |
| Separated, divorced, widowed | 13,346 | 37 | 40 |
| Married | 3,538 | 31 | 46 |
| Number of children | | | |
| 1 | 19,553 | 36% | 40% |
| 2 | 13,701 | 44 | 33 |
| 3-4 | 10,274 | 51 | 28 |
| 5+ | 2,813 | 73 | 15 |
| Age of parent (first-time applicants)* | | | |
| <18 | 103 | 50% | 18% |
| 18-19 | 698 | 38 | 35 |
| 20-24 | 643 | 25 | 49 |
| 25-29 | 391 | 30 | 50 |
| 30-39 | 638 | 28 | 54 |
| 40+ | 288 | 39 | 48 |
| Citizenship status | | | |
| Non-U.S. citizen | 5,698 | 62% | 23% |
| U.S. citizen | 41,283 | 41 | 36 |
| Child-only status | | | |
| SSI recipient (disabled) | 3,113 | 67% | 20% |
| Nonparent caregiver | 2,547 | 57 | 30 |
| Undocumented noncitizens | 646 | 43 | 34 |
| Total | 46,981 | 44% | 34% |

*Includes parents who started MFIP during last half of 1997 and were not an AFDC parent between January 1992 and June 1997.

SOURCE: Legislative Auditor's Office analysis of individual case data extracted from the Department of Human Service's data warehouse.

Our findings on patterns of welfare use in Minnesota were generally consistent with national research.

On the other hand, noncitizens had some characteristics associated with shorter welfare spells. Noncitizens were more likely to live in two-parent families and be married while on MFIP (37 percent compared with 11 percent). Also, noncitizens were less than half as likely to have never been married.

To determine how the composition of Minnesota's welfare caseload has changed during the past decade, we compared Minnesota's AFDC and Family General Assistance cases in May 1992 with MFIP cases in May 1999. We also tracked the number of child-only welfare cases since 1987. We found that:

- **An increasing percentage of Minnesota's welfare caseload belongs to subgroups that tend to use welfare for longer time periods.**

Table 2.9 shows that nearly all of the groups associated with long-term welfare use made up a higher percentage of Minnesota's welfare caseload in 1999 than they did in 1992.²³ The number of cases from most of these subgroups declined during this time period—reflecting the unprecedented caseload decline after 1992. However, the number of cases from other subgroups declined at faster rates.

The percentage of cases with parents who never married grew from 45 percent in 1992 to 53 percent in 1999—perhaps reflecting Minnesota's increase in out-of-wedlock births. Also, the percentage of parents who did not complete high school increased from 31 to 38 percent during this time period. This growth may be partly due to the growth in non-U.S. citizens, particularly refugees who lack a formal education.

There has been dramatic growth in "child-only" welfare cases.

There was particularly dramatic growth in the number and percentage of child-only cases in the MFIP caseload. Unlike the overall caseload, the number of child-only cases grew continuously through the late 1980s and 1990s—nearly tripling between June 1987 and June 1999.²⁴ During the same time period, the number of cases with one eligible parent and the number with two eligible parents each declined by about 31 percent. As a result, the percentage of cases that are child-only cases went from 5 percent in 1987 to 17 percent in 1999. Child-only cases have also been increasing nationally, going from 10 percent in 1987 to 23 percent in 1998.²⁵

The largest contributor to Minnesota's increase in child-only cases was the growth in the number of disabled-parent cases. As shown in Table 2.10, these cases grew by 134 percent between 1992 and 1999, while relative-caregiver cases grew by 30 percent. Most of the growth in disabled-parent cases occurred prior to MFIP, but most of the growth in relative-caregiver cases occurred after MFIP began in 1998. According to DHS officials, one reason for the growth in disabled cases is that the federal government changed its eligibility criteria for the SSI program in 1992.

²³ The only possible exception involves work experience. We do not have data on individuals' work experience prior to enrollment under Minnesota's welfare programs.

²⁴ Minnesota's monthly average of child-only cases went from 2,548 in 1987 to 7,459 in 1999.

²⁵ U.S. Department of Health and Human Services, *Characteristics and Financial Circumstances of AFDC Recipients, FY 1987 and Characteristics and Financial Circumstances of TANF Recipients, FY 1998*.

Table 2.9: Composition of Minnesota's Welfare Caseload, May 1992 and May 1999

| | Number of Cases | | Percent of Cases | |
|--|-----------------|---------------|------------------|---------------|
| | 1992 | 1999 | 1992 | 1999 |
| Education of applicant | | | | |
| Less than 12 years | 21,207 | 15,835 | 31.2% | 35.0% |
| High school graduate | 43,632 | 26,139 | 64.2 | 57.7 |
| Unknown | 3,146 | 3,333 | 4.6 | 7.4 |
| Marital status of applicant | | | | |
| Never married | 30,355 | 24,200 | 44.6% | 53.4% |
| Divorced | 12,989 | 5,542 | 19.1 | 12.2 |
| Separated | 11,659 | 7,936 | 17.1 | 17.5 |
| Widowed | 1,047 | 907 | 1.5 | 2.0 |
| Married | 11,876 | 6,716 | 17.5 | 14.8 |
| Citizenship of applicant | | | | |
| U.S. citizen | 61,985 | 38,556 | 91.2% | 85.1% |
| Non-U.S. citizen | 5,812 | 6,738 | 8.5 | 14.9 |
| Race of applicant | | | | |
| White | 43,428 | 21,362 | 63.9% | 47.1% |
| African American | 11,429 | 12,658 | 16.8 | 27.9 |
| American Indian | 5,246 | 4,267 | 7.7 | 9.4 |
| Asian American | 4,314 | 4,044 | 6.3 | 8.9 |
| Hispanic | 3,558 | 2,886 | 5.2 | 6.4 |
| Number of eligible children¹ | | | | |
| 0 | 1,496 | 2,140 | 2.2% | 4.7% |
| 1 | 29,379 | 18,545 | 43.2 | 40.9 |
| 2 | 19,594 | 12,026 | 28.8 | 26.5 |
| 3 | 10,346 | 6,661 | 15.2 | 14.7 |
| 4-5 | 5,852 | 4,274 | 8.6 | 9.4 |
| 6+ | 1,318 | 1,661 | 1.9 | 3.7 |
| Age of applicant | | | | |
| <18 | 1,186 | 1,133 | 1.7% | 2.5% |
| 18-19 | 4,173 | 3,128 | 6.1 | 6.9 |
| 20-24 | 15,597 | 9,543 | 22.9 | 21.1 |
| 25-29 | 15,259 | 8,506 | 22.4 | 18.8 |
| 30-39 | 22,316 | 13,705 | 32.8 | 30.2 |
| 40+ | 9,452 | 9,287 | 13.9 | 20.5 |
| Number of eligible adults | | | | |
| 0 | 4,831 | 7,543 | 7.1% | 16.6% |
| 1 | 54,178 | 32,149 | 79.7 | 71.0 |
| 2 | 8,986 | 5,615 | 13.2 | 12.4 |
| Total² | 67,995 | 45,307 | 100.0% | 100.0% |

¹Cases with 0 children include pregnant women with no other eligible children and (in 1999 only) mothers of minor parents who live in the same household. These three-generation households were a single case under AFDC but are two cases under MFIP.

²Sums of subcategories do not always add to the total shown because of missing data.

SOURCE: Office of the Legislative Auditor analysis of extracts from the DHS data warehouse; based on paid and suspended cases.

Table 2.10: Trend in Child-Only Cases by Type of Case, 1992-99

| Type of Child-Only Case | May 1992 | May 1999 | Percent Change |
|---|----------|----------|----------------|
| Parent receives federal disability payments under SSI | 1,504 | 3,517 | 134% |
| Relative caregiver | 2,201 | 2,861 | 30 |
| Other* | 1,126 | 1,165 | 3% |
| Total | 4,831 | 7,543 | 56% |

*In 1999, "Other" included 835 cases in which the parent (or parents) failed citizenship requirements. The corresponding data were not available for 1992.

SOURCE: Office of the Legislative Auditor, analysis of individual case data extracted from the Department of Human Service's data warehouse.

There has also been substantial change in the racial/ethnic composition of Minnesota's caseload, which we discuss in the next section.

CHANGES IN RACE/ETHNICITY OF WELFARE USERS

The racial and ethnic composition of children on welfare in Minnesota has been changing rapidly since 1987. We found that:

- **The composition of children on welfare went from being two-thirds white in 1987 to nearly two-thirds nonwhite in 1999.**

Figure 2.3 shows that, between 1987 and 1999, the number of white children on welfare in Minnesota declined by more than half (from 66,000 to 31,000) while the number of African-American, Asian-American, and Hispanic children more than doubled (from 23,000 to 50,000).²⁶ During this same time period, the number of American-Indian children on welfare grew slightly, from 8,100 to 8,600.

These trends are very different from national trends. While the number of non-white children on welfare has nearly doubled in Minnesota, it declined nationally from about 4.6 million in 1987 to 4.3 million in 1998 (see Figure 2.4).²⁷ Furthermore, the number of white children on welfare declined by 30 percent in the nation, compared with 45 percent in Minnesota.

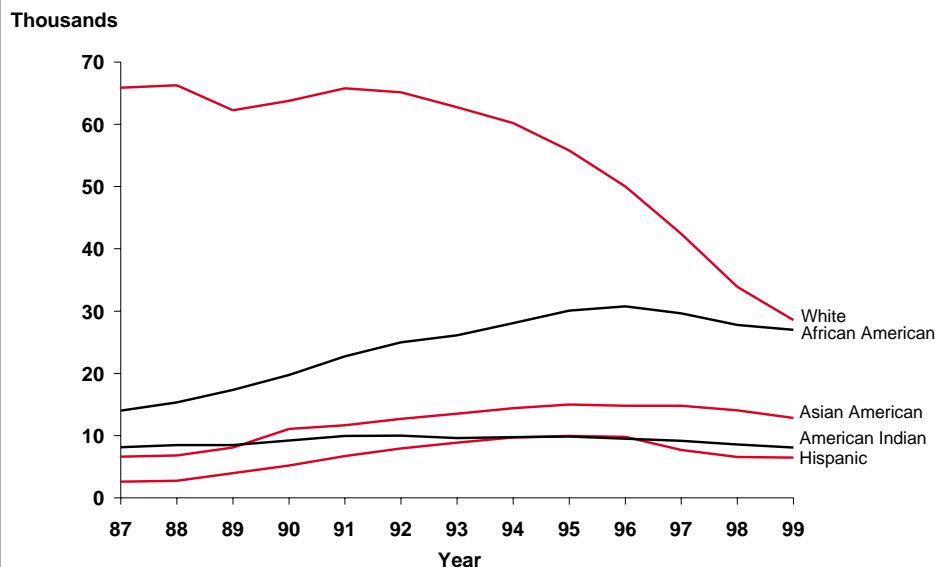
We examined two factors that have contributed to the dramatic changes in welfare caseload for whites and nonwhites: (1) significant population increases in the past

²⁶ In addition, the percentage of caregivers who were African American increased from 17 to 28 percent between 1992 and 1999, and the percentage who were from other minority groups grew from 19 to 25 percent.

²⁷ National caseload data by race is not yet available for 1999.

In recent years, caseload trends for Minnesota minority children have varied from national trends.

Figure 2.3: Number of Minnesota Children on Welfare by Race/Ethnicity, 1987-99



SOURCE: July child counts from the Minnesota Department of Human Services.

Figure 2.4: Number of United States Children on Welfare by Race/Ethnicity, 1987-98



SOURCE: U.S. Department of Health and Human Services.

decade among certain minority groups in Minnesota, and (2) faster rates of decline in welfare utilization among whites than among minority groups.²⁸

Population Changes

- **One of the main factors behind Minnesota's changing caseload composition appears to be the large increase in population by African-American, Hispanic, and Asian-American families during the past decade.**

Public school enrollment data indicate that these large population increases are due to natural population increases as well as migration from other states and countries. While public school enrollment data are imperfect, they appear to be the most reliable indicators of recent population trends for minority families in Minnesota.²⁹

Between Fall 1989 and Fall 1998, public school enrollment for grades 1 through 8 increased by 91 percent for nonwhite children, but it increased by only 4 percent for white children. School enrollment increases were 105 percent for African-American children, 85 percent for Asian-American children, and 34 percent for Native-American children. The enrollment increase for Hispanic children is uncertain because of apparent undercounting in the early 1990s, but the increase is probably between 66 and 150 percent.³⁰

We also used school enrollment data to estimate net migration to Minnesota by non-white families. Each year we compared the number of students enrolled in grades 2 through 8 to the number enrolled in grades 1 through 7 during the previous year.³¹ As Table 2.11 shows, we found that:

28 Other factors that we could not measure directly might be reflected in the welfare utilization trends. For example, if welfare reforms or the changing economy have helped white families more than minority families, this might have contributed to the greater reductions in welfare utilization experienced by white families.

29 The State Demographer's Office uses school enrollment data to assess the reasonableness of annual population estimates made by the U.S. Census Bureau. We focused on grades 1 through 8 because nearly all children ages 6 to 13 are enrolled in school. (This avoids the problem of high school dropouts.)

30 A recent report by the Minnesota state demographer questions whether school enrollment data accurately reflects the increase of Hispanic children during the 1990s. The report notes that as many as one-third of children identified as Hispanic in the 1990 census were not identified as Hispanic in 1990 school enrollment data. As a result, the report concludes that the rapid increase in Hispanic school enrollment might reflect improved identification practices as well as population increases. See Martha McMurry, *Minnesota School Enrollment Trends*, State Demographic Center, working paper 99-15 (St. Paul, April 1999), 5. This problem does not appear to affect counts of children from other minority groups nearly as much as it does Hispanic children. In fact, 1990 school enrollments of African American grade school children were actually higher than census counts, consistent with other studies that have documented census undercounts of African Americans.

31 According to a report by the state demographer, these grade progression ratios are a good indicator of net migration into the state. See McMurry, *Minnesota School Enrollment Trends*, 4. While transfers from private schools may also cause public school enrollment to increase, we are not aware of any evidence that this has occurred to a significant extent among nonwhite students.

- **School enrollment data suggest that migration from outside of Minnesota led to enrollment increases of roughly 50 percent for African-American and Asian-American children between Fall 1989 and Fall 1998.**

Migration appears to have had smaller effects on enrollment of American-Indian children (17 percent) and white children (less than 1 percent).³²

Table 2.11: Public School Enrollment Increases By Source, 1989-98

| | Public School Enrollment in Grades 1-8 | | | Increase (as a Percent of 1989 Enrollment) Attributable to: | |
|------------------|--|-----------|------------------|---|------------------|
| | Fall 1989 | Fall 1998 | Percent Increase | Migration | Natural Increase |
| African American | 15,973 | 32,785 | 105% | 47% | 59% |
| Asian American | 13,520 | 25,058 | 85 | 51 | 34 |
| American Indian | 8,299 | 11,087 | 34 | 17 | 16 |
| White | 415,476 | 432,899 | 4 | 0 | 4 |

NOTE: The trends in Hispanic enrollment are not shown because of concerns about the accuracy of the enrollment data. We estimate that the increase is between 66 and 150 percent.

SOURCE: Public school enrollment reports by the Department of Children, Families & Learning. We allocated the enrollment increase to migration and natural increase based on our analysis of school enrollment data.

Changes in Welfare Utilization Rates

Another reason for the changing racial composition of Minnesota's welfare caseload is that welfare utilization rates have declined faster for white children than for nonwhite children. Table 2.12 shows the change in utilization rates between the peak year of 1992 and 1999. We found that:

- **Between 1992 and 1999, the percentage of children on welfare declined by 58 percent for white children, about twice as much as it did for African-American, Asian-American, and American-Indian children.**

The utilization rate for Hispanic children declined almost as much as it did for whites, perhaps partly reflecting the decline in the number of seasonal farm workers coming to rural Minnesota in recent years.

Discussion

Earlier in this chapter, we noted that welfare utilization rates for children from minority groups were 8 to 14 times higher than the rates for white, non-Hispanic children in Minnesota. Above, we observed that Minnesota's welfare utilization rates have recently declined faster for white children than nonwhite children. Overall, the gap in welfare utilization rates between whites and nonwhites in Minnesota is wide and growing.

³² School enrollment data suggest that migration increased population by 97 percent for Hispanic children, but (as we indicated above) large potential data problems make the estimate for Hispanic children especially uncertain.

Table 2.12: Change in Minnesota Welfare Utilization Rates by Race/Ethnicity, 1992-99

| | Percent of Children on Welfare | | |
|------------------|--------------------------------|--------------|-------------------|
| | July 1992 | July 1999 | Percent Change |
| White | 6.2% | 2.6% | -58% |
| Hispanic | 44.0 | 21.4 | -51 |
| African American | 54.0 | 37.7 | -30 |
| Asian American | 34.1 | 22.6 | -34 |
| American Indian | 46.3 | 33.5 | -28 |
| Total | 10.4% | 6.5% | -38% |

NOTE: To make 1992 and 1999 figures comparable, we excluded children from MFIP cases that received food assistance only.

SOURCE: Department of Human Services July 1999 child counts for MFIP, with adjustments for food assistance only cases by Office of Legislative Auditor, based on analysis of data extracted from the DHS data warehouse; July 1992 child counts for AFDC and family general assistance; U.S. Census population estimates with adjustments by the Office of the Legislative Auditor, based on Minnesota school enrollment reports.

Over the long term, it is not desirable for society to have widely disproportionate levels of reliance on welfare among racial or ethnic groups. Divergent patterns of welfare use among these groups may reflect differences in personal characteristics (such as education or work readiness), economic opportunities, or social norms (such as the frequency of out-of-wedlock births). They could also reflect discriminatory hiring or promotion practices by employers. Or, they could reflect variation in the ways that MFIP or other social policies have been implemented—such as differences in the quality of employment services or the availability of support services. Whatever the reasons, patterns of welfare use that differ among racial and ethnic groups likely reflect underlying problems that need the attention of policy makers.

Chapter 5 recommends that the Department of Human Services regularly report on statewide trends in welfare utilization by racial and ethnic groups. Although we suggest no other specific policy changes to address the racial/ethnic disparity in welfare use, we think the departments of Human Services and Economic Security should consider whether there may be ways for MFIP to better serve minority families. The proportion of minority families in Minnesota is growing, and minority children now represent two-thirds of all children on MFIP. Thus, it is important for employment service providers to consider options for tailoring their services to more effectively meet the needs of their minority clients.

In addition, it is possible that the divergent patterns of welfare use among racial and ethnic groups require remedies beyond MFIP. For example, some racial and ethnic minority groups have had high rates of teen and out-of-wedlock births, and policy makers could consider ways to reduce the incidence of these births and encourage absent fathers to support their children.

MIGRATION TO MINNESOTA BY WELFARE APPLICANTS

Minnesota no longer pays different levels of benefits to welfare recipients who recently moved to the state.

Policy makers in Minnesota and across the country have been concerned about whether high welfare benefits attract people from other states. Because of this concern, Minnesota created a two-tiered benefit structure under which welfare applicants who recently moved from other states would initially receive no more than the benefit they would be entitled to in their previous state. These recipients would be eligible to receive full MFIP payments after living in Minnesota for 12 months.³³ This state law became effective in July 1997, but the courts suspended the law in December 1997.³⁴ In 1999, the U.S. Supreme Court ruled that a similar provision in California was unconstitutional, effectively making the suspension permanent.³⁵

To examine the relationship between migration and welfare, we examined the extent to which migration explains Minnesota's caseload trends (described earlier in this chapter). We also looked at DHS data on welfare applicants who come from other states. Finally, we reviewed research studies that examined whether high welfare benefits attract migrants from other states. We found that:

- **Overall, there is indirect evidence that migration from other states and countries has increased Minnesota's welfare caseload, but it is unclear what proportion of these migrants came to Minnesota as a result of Minnesota's welfare benefits.**

In the previous section, we noted that migration has contributed to the significant increase in Minnesota's nonwhite population in recent years. There are no data that indicate what percentage of the families who moved to Minnesota applied for welfare, but there is evidence that the nonwhite migrants' financial circumstances were roughly similar to those of the nonwhites already in Minnesota. Specifically, the student database of the Department of Children, Families & Learning indicates that nonwhite children who recently moved to Minnesota were somewhat more likely to be eligible for free and reduced price lunch programs than other nonwhite Minnesota children.³⁶ A large influx of low-income, nonwhite families is a plausible explanation for the growth in Minnesota's nonwhite welfare caseload at a time when caseloads declined among Minnesota's white families, the nation's white families, and the nation's nonwhite families.

Since July 1997, Minnesota's welfare system has asked new applicants whether they moved to Minnesota within the past year. If applicants indicate that they have recently moved to Minnesota, welfare agencies record what state they came from and when they came. As Table 2.13 shows, about 6,200 families applied for

³³ *Minn. Stat.* §256J.43.

³⁴ The courts temporarily suspended the two-tiered provision in December 1997 and made the suspension permanent in July 1998 (see Davis, Hayes, Roe, McKenna, and Wilenkin v. Doth, State of Minnesota District Court, Second Judicial District Court file No. 62-C6-97-010231, July 31, 1998).

³⁵ Saenz v. Roe, 119B S. CT. 1518 (1999).

³⁶ This is based on students who entered Minnesota's public school system between October 1997 and October 1998.

Table 2.13: Number of MFIP Applicants Who Recently Moved to Minnesota from Other States or Countries, By Citizenship Status, Fiscal Years 1998 and 1999

| | Number of Cases | | Recent Migrants as a Percent of All Applicants | |
|-------------------|-----------------|--------|--|-------|
| | FY 98 | FY 99 | FY 98 | FY 99 |
| Applicants | 25,280 | 26,252 | | |
| Recent Migrants | | | | |
| U.S. Citizens | 3,471 | 4,310 | 13.7% | 16.4% |
| Non U.S. Citizens | 1,209 | 1,886 | 4.8 | 7.2 |
| Total | 4,680 | 6,196 | 18.5% | 23.6% |

NOTE: Recent migrants include new case openings for which the applicant moved to Minnesota within six months of the month of application.

SOURCE: Office of the Legislative Auditor, analysis of welfare case data extracted from the Department of Human Services' data warehouse.

MFIP in fiscal year 1999 within six months of moving to Minnesota, or 23.6 percent of all MFIP applicants. This includes 16.4 percent of applicants who were U.S. citizens and 7.2 percent who were not U.S. citizens.

As Table 2.14 shows, half of the families who recently moved to Minnesota and applied for MFIP during 1999 came from four states—Texas, Illinois, California, and Wisconsin. Another 10 percent came from North Dakota, Iowa, or South Dakota. The number of families who came directly to Minnesota from foreign countries is only 8.6 percent of all migrants because many non-U.S. citizens come to Minnesota through other states, especially California and Texas.

MFIP recipients who moved to Minnesota from other states have stayed on the program about as long as other applicants, on average.

We do not have data on which countries noncitizens came from, but their racial/ethnic characteristics give some indication. Recipients of Asian descent made up the largest ethnic group (48 percent of noncitizens), followed by recipients of African descent (26 percent), Hispanics (19 percent), and white non-Hispanics (7 percent).

We found that migrants from other states were just as likely as other welfare applicants in fiscal year 1998 to be off MFIP during the first seven months of 1999. In addition, migrants from other states who remained on MFIP in early 1999 worked nearly as many hours as applicants from Minnesota worked. This occurred despite the fact that migrants from other states were more likely than other applicants to have characteristics associated with longer welfare spells.³⁷

The only statewide information about welfare recipients who moved from other states and applied for AFDC prior to July 1997 was a 1987 study by our office.³⁸

³⁷ For example, among families who applied for welfare in Minnesota during fiscal year 1998, 57 percent of migrants from other states had high school degrees, compared with 69 percent for applicants from Minnesota.

³⁸ Office of the Legislative Auditor, *Aid to Families with Dependent Children* (St. Paul, January 1987), 12-19.

Table 2.14: State of Origin of MFIP Applicants Who Recently Moved to Minnesota, Fiscal Year 1999

| | Persons Who Applied For Welfare Within Six Months of Moving to Minnesota | |
|-------------------|--|-------------|
| | Number | Percent |
| Foreign Countries | 532 | 8.6% |
| States | | |
| Texas | 1,141 | 18.4 |
| Illinois | 880 | 14.2 |
| California | 583 | 9.4 |
| Wisconsin | 492 | 7.9 |
| North Dakota | 226 | 3.6 |
| Iowa | 199 | 3.2 |
| South Dakota | 166 | 2.7 |
| Indiana | 142 | 2.3 |
| Florida | 135 | 2.2 |
| Washington | 129 | 2.1 |
| Michigan | 116 | 1.9 |
| Other states | <u>1,455</u> | <u>23.5</u> |
| Total | 6,196 | 100.0% |

NOTE: Recent migrants include new case openings for which the applicant moved to Minnesota within six months of the month of application.

SOURCE: Office of the Legislative Auditor, analysis of welfare case data extracted from the Department of Human Services' data warehouse.

This study collected data for applicants between August and November 1986 and it focused on people who moved to Minnesota within six months of application. To minimize the effect of seasonal variations, we compared the number of migrants applying for welfare in 1986 with the number in the same four-month period during 1998.

Between 1986 and 1998, the number of recent migrants from other states applying for welfare in Minnesota during these four-month periods increased by about 50 percent.³⁹ Since welfare caseloads were lower in late 1998 than they were in late 1986, the increase in new migrants as a percentage of the total caseload was even higher.

Unfortunately, Minnesota's welfare information system does not measure the net migration of welfare recipients largely because it does not accurately track the number of welfare recipients who move to other states. We know that the number of welfare applicants who are new to Minnesota increased in recent years, but we do not know whether the number of welfare recipients leaving Minnesota has also increased.

It is difficult enough to trace the movement of welfare families among the states, but it is much more difficult to determine the reasons for migration. We found that:

³⁹ This estimate may be conservative because we excluded all noncitizens from the 1998 applicants, but we only excluded participants in the AFDC refugee assistance program from the 1986 applicants. Some noncitizens were likely not eligible for the refugee assistance program in 1986.

Welfare benefits are one of many factors that can influence migration patterns.

- **Previous studies generally agree that some persons move between states to get higher welfare benefits, but findings are mixed regarding the extent and impact of this movement.**

Many factors besides welfare benefits could influence migration, including family ties, job opportunities, crime, and climate.⁴⁰ One review of the welfare migration literature noted that studies conducted during the 1980s generally found that welfare benefits significantly affected migration of welfare recipients. However, the author noted that the evidence was “suggestive but inconclusive ... because of methodological difficulties.”⁴¹

Among more recent studies, results have been mixed. Some studies found that the effect of welfare benefits on migration is very small or insignificant.⁴² For example, one study analyzed data from the National Longitudinal Survey of Youth and concluded that caseloads in states with high benefits are no more than 5 percent higher than they would be had benefits been uniform across the country.⁴³ It noted that benefits have become less varied among states, largely because of the growth in food stamp benefits. (Under the federal formula for food stamps, food benefits are higher if cash benefits are lower.)

On the other hand, some recent studies found that migration had a significant effect on welfare caseloads, including an evaluation of Wisconsin’s two-tier benefit demonstration project.⁴⁴ In 1994, Wisconsin changed the benefit structure in four counties by tying welfare benefits of migrants to the benefits in their previous state of residence (until they had lived in Wisconsin for six months)—similar to Minnesota’s two-tier benefit structure in 1997. The evaluation estimated that the two-tier benefit structure reduced the number of welfare migrants into the four counties (Milwaukee County and three smaller counties) by over 1,000 cases per year. The study cautioned that other states with

⁴⁰ Studies that have examined a variety of reasons for migration generally agree that welfare benefits are not the primary reason for migration by welfare families. For example, a study that analyzed migration patterns based on the 1990 census found that the effect of welfare benefits was smaller than the effect of labor market conditions and climate (see Howard Gensler, “The Effect of Welfare on Migration,” *Social Science Research* 25, n. 3 (September 1996), 281-291. Also, a study found that applicants who moved to Wisconsin cited living near family, better job opportunities, better schools, and less crime substantially more often than welfare as reasons for moving. As this study noted, however, this finding does not necessarily mean that welfare benefits have an insignificant effect (in fact, the study found that 26 percent of applicants who moved to Wisconsin cited a welfare-related reason as a very important reason for moving to Wisconsin). See Maximus, *Evaluation of the AFDC Two-Tier Benefit Demonstration Project* (Washington D.C., February 1998).

⁴¹ Robert Moffit, “Incentive Effects of the U.S. Welfare System: A Review,” *Journal of Economic Literature* 30 (March 1992), 56.

⁴² Sanford Schram and Joe Soss, “Making Something Out of Nothing: Welfare Reform and a New Race to the Bottom,” *Publius: The Journal of Federalism* 28, n. 3 (Summer 1998) 67-88; William Frey et al., “Interstate Migration of the U.S. Poverty Population: Immigration “Pushes” and Welfare Magnet Pulls,” *Population and Environment: A Journal of Interdisciplinary Studies* 17, n. 6 (July 1996) 491-536; Gensler, “The Effect of Welfare on Migration.”

⁴³ Phillip Levine and David Zimmerman, “An Empirical Analysis of the Welfare Magnet Debate Using the NLSY,” National Bureau of Economic Research working paper 5264 (Cambridge, MA, September 1995).

⁴⁴ Maximus, *Evaluation of the AFDC Two-Tier Benefit Demonstration Project*. Other recent studies that found high welfare benefits induced migration include Maria Enchautegui, “Welfare Payments and Other Economic Determinants of Female Migration,” *Journal of Labor Economics* 15, n. 3 (1997), 529-554, and George Borjas, *Immigration and Welfare Magnets*, National Bureau of Economic Research working paper 6813 (Cambridge, MA, November 1998).

high benefits may not experience as large an effect because Wisconsin is the only high-benefit state to be close to a major city (Chicago) with a substantially larger welfare population and relatively low benefits. The study also surveyed migrants applying for welfare about their reasons for moving to Wisconsin. Prior to the demonstration project, 26 percent of migrants who responded said that a welfare-related reason was a very important reason for moving to Wisconsin.⁴⁵

Studies also generally agree that the impact of migration is small over short time periods (less than three years), but they differ over the long-run impact. For example, a study that characterized the interstate migration of welfare recipients as “sluggish,” said that states with high benefits could see an increase in caseload of about 50 percent after 45 years.⁴⁶ In contrast, another study estimated that the long-run impact would be no more than a 5 percent increase in caseload.⁴⁷

In a survey of Minnesota county human service directors, we asked whether welfare-related migration was an important concern in their counties.⁴⁸ We found that:

- **Thirteen percent of human service directors said that in-migration of people to their counties for higher welfare benefits is a “significant issue” for the county.**

These directors served the following 11 counties: Aitkin, Douglas, Hennepin, Jackson, Kandiyohi, Lac qui Parle, Otter Tail, Polk, Renville, Sibley, and Watonwan. On the other hand, staff in several rural counties told us that welfare participation by migrant farm laborers has declined in recent years, due to changes in farming processes and welfare eligibility rules.

⁴⁵ Fourteen percent said that better welfare benefits was a very important reason; 16 percent said “welfare in [their previous state] is too low” was a very important reason; 19 percent said “Medical Assistance/Medicaid might be better [in Wisconsin]” was a very important reason, and 26 percent said at least one of the above three factors was a very important reason.

⁴⁶ Edward Gramlich and Deborah Laren, “Migration and Income Redistribution Responsibilities,” *Journal of Human Resources* 19, n. 4 (Fall 1984), 489-511.

⁴⁷ Levine and Zimmerman, “An Empirical Analysis of the Welfare Magnet Debate Using the NLSY.”

⁴⁸ Office of the Legislative Auditor, August 1999 survey of county human service directors (N=83).