INFORMATION BRIEF
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Minnesota Family Investment Program Grants

Calculation and Exit Points

The Minnesota Family Investment Program (MFIP) replaced the Aid to Families with Dependent Children (AFDC) program as the state's assistance program for needy families with children beginning in January 1998. This information brief

< describes how MFIP grants are calculated, and

< describes the current exit points for the program.

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For a description of MFIP, see the House Research publication *Minnesota Family Assistance Guide*, January 2000.

MFIP Grant Calculation

Minnesota's welfare reform legislation based the MFIP grant for families on a "transitional standard" that incorporates both a cash portion (similar to the old AFDC grant) and a food portion (replacing the Food Stamp award).[1]

Eligible families with no earnings receive monthly grants equal to the transitional standard. The transitional standard includes both a cash portion that replaces the old Aid to Families with Dependent Children (AFDC) assistance standard, and a food portion that replaces Food Stamps. The cash portion took the place of the AFDC standard in effect before welfare reform. The food portion of the grant is calculated based on the average actual food stamp benefits claimed by recipients prior to the implementation of MFIP. Combining the cash and food assistance programs means that recipients only need to apply for one program and meet one set of qualifications.[2] Table 1 shows the transitional standard by family size for families in which all members qualify for both MFIP cash and food assistance.[3]

Table 1
MFIP Transitional Standard
Federal Fiscal Year 2002

Family Size	Cash Portion	+ Food Portion	= Transitional Standard
1	$250	$116	$366
2	437	214	651
3	532	299	831
4	621	360	981
5	697	416	1,113
6	773	492	1,265
7	850	531	1,381
8	916	606	1,522
9	980	681	1,661
10	1,035	759	1,794
Each add'l member	53	80	133

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A family receives both the cash and food portions of its monthly MFIP grants in electronic debit card form, called EBT (Electronic Benefits Transfer). The two kinds of benefits are electronically segregated on the family's EBT card. A family can only use the food portion of its MFIP benefits to pay for groceries, with qualifying purchases deducted from the balance in its food portion account. There are no such restrictions on the cash portion of a family's MFIP

[1] Laws 1997, ch. 85, codified at Minn. Stat., ch. 256J.

[2] Although MFIP combines cash and food assistance, the federal Food Stamp program remains in effect for individuals and families who are not on MFIP. In Minnesota, most Food Stamp recipients are: (1) adults in households that do not qualify for MFIP because no children are present; or (2) former MFIP families with earnings high enough so that their MFIP grant would be less than the food portion of the grant. (By receiving Food Stamps instead of MFIP, families are subject to the federal Food Stamp program's requirements and are not subject to any of the requirements that are a part of MFIP.)

[3] Some MFIP recipients, such as relative caregivers who choose not to be part of the assistance unit and who are exempt from work activities, do not receive the food portion of the MFIP grant.

grant.[4] A family accesses the cash portion of its grant through automatic teller machines (ATMs).

The food portion of the transitional standard is adjusted each October to reflect cost-of-living adjustments to the federal Food Stamp program.[5] The cash portion of the MFIP transitional standard is not automatically adjusted.

MFIP provides an employment incentive for families with earnings by allowing them to disregard a percentage of earnings and by basing grants on a family wage level that equals 110 percent of the transitional standard.

Families without earnings receive a grant equal to the transitional standard—$831 in the case of a single parent with two children. Families with earnings get to disregard a flat percentage of their earnings in determining their grant. Their grant is calculated by subtracting earnings (with the disregard applied) from a "family wage level" that is 110 percent of the transitional standard that applies to families without earnings.

Table 2 shows the MFIP grant calculation for a single parent of two children who works full-time and earns $6.00 per hour. The disregard and the family wage level combine to provide an incentive for MFIP recipients to participate in the work force, since families get to keep some of their MFIP grant as they begin working. The family wage level and the flat earnings disregard together replace more complex systems of disregards that were part of the AFDC and Food Stamp programs.[6]

[4] However, MFIP benefits are vendor-paid for all new applicants for the first six months a family is on the program. A county pays the applicant's shelter costs, up to the amount of the cash portion of the family's MFIP grant, directly to the landlord or mortgage holder.

[5] Minn. Stat. § 256J.24, subd. 5a.

[6] For example, AFDC, as it was in effect until July 1, 1997, allowed an earnings deduction based on the number of months a family had received AFDC, and it also allowed a disregard for a portion of a family's child care expenses. The Food Stamp program allows a child care disregard that differed from the AFDC child care disregard and also allows income disregards for a percentage of income assumed to be work expenses, and for shelter and utility costs if they exceed a percentage of income. The MFIP family wage level and flat earnings disregard percentage considerably simplify the benefit calculation for an eligible family.

Table 2
MFIP Grant Calculation
Single Parent with Two Children Earning $6.00 Per Hour, Full-Time, 2002

(1) Calculate earnings after disregard	
Monthly earnings*	$1,040
minus earned income disregard (38% of earnings)	395
equals earnings after disregard	$645
(2) Calculate family wage level	
Transitional standard	$831
Family wage level (110% of transitional standard)	$914
(3) Calculate grant	
Family wage level	$914
minus earnings after disregard	645
equals MFIP grant	$269

* Monthly earnings are calculated as one-twelfth of $6.00 hourly rate times 40 hours worked per week times 52 weeks worked per year.

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When MFIP began operating statewide in 1998, the earnings disregard was set at 36 percent. The 1999 Legislature subsequently mandated two adjustments to the earnings disregard percentage,[7] with the percentage increased to 38 percent beginning October 1, 1999. The adjustment scheduled for October 1, 2000 was determined to be unnecessary under the conditions of the legislation. In 2001, the legislature made the annual adjustments permanent so that the program exit point will be maintained at 120 percent of the federal poverty guidelines for a family of three (see page 5).

[7] Minnesota Statutes, section 256J.24, subdivision 10, requires the percentage to be adjusted to maintain the program exit point at 120 percent of the federal poverty guidelines for a family of three.

MFIP Exit Points

Although MFIP does not directly specify a program "exit point," two- or three-member families lose eligibility for benefits at income levels a little above 120 percent of the federal poverty guidelines. Exit points for larger families are lower as a percentage of the poverty guidelines. The legislature has acted to prevent the exit point, as a percentage of poverty, from decreasing from year to year.

The MFIP "exit point," or income level at which a family becomes ineligible for a grant, is not specified in statute. It is calculated mathematically as the income level at which earnings minus the 38 percent disregard equals the family wage level. In 2001, a family of three will be ineligible for MFIP when its monthly earnings reach $1,474. After applying the 38 percent disregard, this family's earnings equal $914, which is the 2001 family wage level for a family of three. Because the family's earnings after disregard equal the family wage level amount, the family's MFIP benefits are $0, and the family becomes ineligible for MFIP. This exit point for a family of three translates to an hourly wage of $8.51, or annual earnings of $17,688.

Comparing the MFIP exit point to the federal poverty guidelines makes it easier to understand how much income a family can earn before becoming ineligible for a grant. During the development of the MFIP legislation in 1997, policymakers often discussed the program's exit point as a percentage of the poverty guidelines. At that time 1996 federal poverty guidelines were the most recent available, and the program's exit point was at 120 percent of the 1996 federal poverty guidelines for families with two, three, and four members. However, policymakers did not often note that the exit point as a percentage of the poverty guidelines varies with family size and was a lower percentage of the poverty guidelines for larger families. Table 3 shows the exit point in 1997 and 2001 (for families with up to five members) as a percentage of the poverty guidelines and as an hourly wage.

Table 3
MFIP Exit Points

Family Size	1997 Exit Point as a % of 1996 Poverty Guidelines	2001 Exit Point as a % of 2001 Poverty Guidelines	2001 Exit Point as an Hourly Wage
1	94%	91%	$5.15 (29 hours/week)[8]
2	121	119	$6.66 (full-time)
3	121	121	$8.51 (full-time)
4	119	118	$10.04 (full-time)
5	116	115	$11.39 (full-time)

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[8] A one-person family will be ineligible for MFIP when the person works at least 29 hours per week at minimum wage.

Table 3 shows that for families with more than one member, the exit point decreases as a percentage of the poverty guidelines as family size increases. In 2001, the exit point is 119 percent for families of two members, but only 115 percent for a family of five. This is because the poverty guidelines increase by $251 per month for each additional family member, compared to about a $133 per family member increase in the MFIP transitional standard.

Without adjusting the earned income disregard, the MFIP exit point as a percentage of poverty would decrease from year to year for families of all sizes. Each year, the federal poverty guidelines are adjusted for inflation. The federal Food Stamp shelter expense deduction[9] is also increased each year, which results in an increase in the food portion of the MFIP grant. Although the food portion of the MFIP transitional standard is adjusted, the cash portion is not adjusted. As a result, the transitional standard as a whole would not keep pace with increases in the poverty guidelines, and the exit point would decrease each year as a percentage of poverty.

In 1999, the legislature acted to increase the MFIP exit point for two years, on October 1, 1999, and again on October 1, 2000.[10] Under this legislation, policymakers intended to ensure that a family of three would not become ineligible for MFIP until its income reaches at least 120 percent of the federal poverty guidelines. The 2001 Legislature made this adjustment permanent. Each year, DHS will determine whether the increase in the food portion will be enough to maintain the exit level at 120 percent of the federal poverty guidelines for a family of three. If the food portion increase is not enough, the commissioner will increase the earned income disregard percentage. Beginning October 1, 1999, the disregard percentage was increased to 38 percent. An increase in the federal Food Stamp shelter expense deduction resulted in an increase in the food portion of the MFIP grant, and this change was enough to keep the exit point at 120 percent of the poverty threshold in 2000 and 2001 with no additional increase in the earnings disregard.

The exit point for a family of three was 121 percent of the 1996 poverty guidelines when MFIP was enacted. Because of the legislative action in 1999 and 2001, the exit point for a family of three in 2001 is 121 percent of the 2001 poverty guidelines.

[9] The increase in the Food Stamp shelter expense deduction was enacted in 1996 as part of federal welfare reform (PL 104-193, Title VIII, sec. 809, codified at 7 U.S.C. § 2014).

[10] Minn. Stat. § 256J.24, subd. 10.