

The Legislative Commission to End Poverty in Minnesota by 2020
Group I: Economic Self-Sufficiency

A Set of Possible Recommendations

Background

Through the group discussions there emerged three distinct sets of people to address (albeit not always easily defined and families may move in and out of these three groups):

1. Those working in low wage jobs where family income was insufficient to make ends meet;
2. Those in and out of work, needing various levels of assistance, from stop-gap help during temporary unemployment to more sustained assistance in finding and keeping work; and
3. Those who cannot work.

Further, the discussions began to suggest an approach for thinking about these three groups:

- The basis of the Commission's work should be founded on employment, and making employment pay for workers. In other words, stop thinking about separate remedies for poverty and unemployment.
- Current means of income support carry too many disincentives to work (see attached for samples). We need to concentrate on effectiveness.
- Accountability needs to be redefined from paperwork that accounts for expenses to making sure that people are rising out of poverty.
- Those who cannot work, however this is defined, should not be subjected to living in poverty.

Approach

The ideas set forward here suggest an overall approach is shorter term in that it provides a proposal for each of the three groups identified above, and longer-term in that it addresses education as a more sustainable solution.

Make work pay for low wage workers.

For many workers in our state, working full-time does not mean self-sufficiency because their pay does not cover their family's economic needs.

Proposal: Analyze the tax expenditures that accrue at different income levels to determine how a portion might be reallocated to families at lower income levels.

Including the EITC, roughly 80% of U.S. tax expenditures (e.g., child care credits, mortgage interest deduction, social security) accrue to families making \$50,000 or more annually. The figure falls to 70% if EITC is excluded.

Possible approaches:

- One administratively simple way to accomplish this would be to allow a diminishing percentage of federal income tax deductions count as Minnesota tax deductions as income rises.
- Cap or reduce a single deduction that is used by families at high income levels, i.e. the mortgage interest deduction, and reallocate those funds to credits received by families at low income levels, i.e. the Working Family Tax Credit.

Proposal: Raise the minimum wage.

- Raise the minimum wage.
- Index the minimum wage.

Lessen or eliminate the distinctions between work support programs for low-income people and work support programs for higher income people

Proposal: All unemployed persons are presumed to be in the work force, unless deemed otherwise. A central agency routes clients to income assistance, training, placement and services as needed. The client has a single case manager who works with the client to assess his financial and workforce needs. Rather than having the client apply individually for various types of assistance, the case manager combines various revenue sources for which the client is eligible (unemployment insurance, food stamps, childcare assistance, energy assistance) to create a package of training, services and financial assistance for the client as appropriate. The case manager and agency are held accountable for longer-term outcomes: did the client find and sustain good employment (not was the client placed in a job)? This could also facilitate a new approach to budgeting, where human service and employment and economic development expenditures are considered jointly.

Possible approaches:

- Combine the work support program with unemployment, thereby eliminating the distinction between those whose poverty makes unemployment a greater crisis, and those who may be in a similar set of circumstances, but have more financial and social resources to cope.
- Revise eligibility criteria to eliminate “cliffs” and create a more effective package of supports for the family based on its needs.
- Seek federal waivers to combine supports in ways that remove disincentives to work.
- Create “structured” jobs for the hardest to employ to enable them to gain needed skills and work experience. This could be in the form of a “Green WPA.”

- Help the lowest income people out of poverty with incentives to work by using their income supports as a wage subsidy rather than a living-in-poverty subsidy. This way, public dollars leverage many times more private dollars, people can be brought out of poverty without further taxpayer expenditures, and work begins to pay. The subsidy could go either with the employer or the employee. Employers may support this as a way to offer more competitive wages.
- Provide income supports in the form of “accounts” which can be withdrawn for specified purposes such as childcare, food, housing, transportation. Research shows that even small amounts of “discretionary” cash can help families past crises, and in doing so provide benefits such as reduced domestic violence and better performance in school for children.
- Expand training programs that lead to jobs with career pathways.
- Explore changes to rules that limit or prohibit those who receive disability entitlement benefits from participating in the workforce.

Establish a minimum, dignified income for those who cannot work.

Those who cannot work should not be punished by having to live in poverty. Of the 200,000 welfare cases over the last ten years in Minnesota, only 10,000 came up against the time limitations. These 10,000 tend to qualify for extensions, having multiple problems and/or severe disabilities that keep them from being productive members of the workforce.

Proposal: Ensure that those who cannot work receive the services they need (such as health and mental health), and if their situation improves, transition them to the work support program.

Possible approaches:

- Find ways to ensure that the value of support programs for those who cannot work, such as social security, does not erode over time.

Extend educational opportunities

Income is linked to educational attainment. Education is an essential longer-term strategy to end poverty.

Possible approaches:

- Provide free, quality pre-school to a targeted set of children whose parents are in poverty or unable to work.
- Make sure that every parent has the means necessary to provide their child with quality childcare.
- Build on the targeted scholarship program that is already in place in Minnesota and seems to be having some success.

- Commit to two years of post-secondary education for every young adult who graduates from a Minnesota high school.
- Create a “baby bonds” program that sets aside a tax-free account for post-secondary education, with an initial gift from the State at birth followed by annual deposits. Any contributions to an individual child’s fund, or the fund more generally, will be tax deductible.
- Increase youth access to adults (school counselors, community or church members, etc.) who help foster an interest in higher education from a young age and support their transition to higher education.
- Expand the Community School model, where there is stronger integration between schools and the social service delivery system, i.e. Achievement Plus schools in St. Paul.
- Expand career-oriented high schools, such as Anoka-Hennepin STEP, Dunwoody Academy, and Ubah Medical Academy.
- Ensure that funding targeted for low-income students, i.e. Compensatory Revenue, is used the way it is intended and look at expanding such targeted funding.
- Create stronger connections between GED programs and MNSCU to better facilitate the transition into higher education and/or training.
- Expand out-of-school learning opportunities for low-income kids.
- Expand the use of interventions that have been proven to improve educational outcomes for low-income students, particularly improving teacher quality, expanding learning time in and out of the classroom, and reducing class sizes in early grades.