



Proposal to Change to MFIP Consolidated Fund Performance Standard Distribution

In 2003, a new MFIP consolidated fund was established which consolidated and capped funding for Emergency Assistance, County MFIP administration and MFIP employment services. Despite rising needs for emergency assistance, training, job search, and staff costs, no additional State funding has been provided for these services since 2003.

Starting in 2005, the State reduced the Counties capped MFIP Consolidated fund by 5% and established a methodology to earn back the funding plus a bonus if they exceeded performance standards. Under the plan Counties are reissued 2.5% of their grant if they meet their work participation rate goal, 2.5% if they meet their three year self-support goal and an additional 2.5% if they exceed their three year self-support goal. For the 2005 funding year, Counties with 60% of MFIP cases received a reduction in overall funding. Only Counties with 15% of the States MFIP cases received a 2.5% increase in their allocation.

Results from the third quarter of 2005 suggest that a change in how the work participation rate is calculated makes it likely that Counties representing over 95% of the State's MFIP adults will fail to meet work participation standards for 2007. This is the result of two significant program changes. Implementation of the Diversionary Work Program has removed active participants from the MFIP work participation rate resulting in no credit for rapid job placement. In addition, participants who were formally considered exempt from full participation requirements because of disabilities or crisis have been added to the measure.

The 50% work participation standard as currently structured is not realistic for most Counties to meet. The average participation rate in the State for the first Quarter 2005 was 34.5 %. Counties who represent over 95% of the MFIP population are not meeting the standard despite an excessive amount of staff time and resources being devoted to meeting the standard. This year, Counties will be penalized for not meeting participation rates despite Minnesota's federal standard of only 18%. The difficulty of meeting the 50% participation rate is also likely to increase with the recent changes in the federal TANF law. Beginning in October 2006 the federal government is expected to tighten requirements for counting participation.

Because most Counties will fail the work participation standard, the primary vehicle for Counties to earn back their full allocation will be to exceed the self-support index standard. The self-support standard is based on a regression model with a bell curve and as a result it is unlikely that more than 20% of the MFIP population will live in Counties which could exceed this standard. Like 2005, we anticipate that Counties representing well over 60% of the State's cases will fail to receive their full funding in 2007.

When this system was instituted, Counties advised the State not use the performance system which was established. Counties were concerned that they were being expected to meet these standards as costs were rising and no additional state funding could be expected. The measures used to establish performance were new and untested and they did not reflect the federal performance measures. Concerns were raised that the measures would penalize Counties with minority populations. Additionally, the program has been changing so much from year to year that it is difficult to establish reliable base measures. Counties also argued that the punitive incentive system was unnecessary because the state law already requires Counties to reimburse 12% of any penalty the state must pay if the state does not meet the federal performance standards.

Most of the Counties concerns about the performance system have been realized. While the State will exceed their federal participation goal of 18%, the Counties with 95% of the MFIP population will fail the much higher state imposed county goal of 50%. In addition to meeting this standard, Minnesota has done such an outstanding job that the federal government has given the State over \$13,000,000 in performance funding for each of the past two years.

We are requesting that instead of reducing the initial MFIP funding and using these consolidated funds for incentives, that the state authorize the Commissioner of Human Services to use MFIP Discretionary funding to issue incentives. Such a move would ensure that the MFIP consolidated funds are issued in a timely manner and could be used to meet the rising financial needs in the program. Use of the Commissioners Discretionary Funding would ensure that no new state funding would be required for providing incentive bonuses and Counties would receive their full MFIP Consolidated Fund allocation.



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