Minnesota WORKS

The Governor's 1994
Welfare Reform Package

MINNESOTA
WORKING FAMILY CREDITS JOINT VENTURE

Purpose

The Working Family Credits Joint Venture proposes to develop a program that provides lower income citizens with monthly payments of federal and state income and property tax relief and public assistance. Our primary objective is to use an integrated and coordinated transfer program to make it faster and easier for citizens to support their families and avoid welfare or move from welfare to work.

Scope

The programs to be integrated into the monthly payment include:

* Federal Earned Income Tax Credit (EITC)
* Working Family Credit (WFC)
* State Child and Dependent Care Income Tax Credit (CDCC)
* Property Tax Refund Program (PTR) (includes Rent Credit)

Cooperating Agencies

* Department of Health and Human Services
* Internal Revenue Service
* Minnesota Department of Revenue
* Minnesota Department of Human Services
* Minnesota Department of Jobs and Training

Proposal in Brief

Critical to the success of the delivery system of packaged credits will be close cooperation of all agencies throughout all phases of implementation. A year long planning period has been underway since the intergovernmental work group was formed in December, 1993. Preliminary plans call for a non-employer based delivery system that is administered by the Department of Revenue.

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Application Process - It is envisioned that applicants who wished to access any of the credits would do so by virtue of a single and simple application form that is made readily available at numerous locations throughout the state, including post offices, banks, city and county offices, and other easy to find locations.

The Departments of Human Services and Jobs and Training, in close concert with Revenue, would launch a statewide outreach effort that would publicize the new program, its benefits, and how and where applications are available.

We envision that the present process of applying for each of the credits will be replaced with one application for any or all credits made to the central application point of the Department of Revenue. This would include, upon statewide implementation, replacing Minnesota's employer based application and administration process.

Eligibility for Credits - We envision that eligibility for monthly pre-payments for any or all of the credits will be determined by the Department of Revenue. We have had some discussions about the overlap of eligible persons for these credits and will be determining the size and extent of overlap of these populations.

For persons receiving AFDC, we plan to seek waivers that would treat state credits in a manner identical to the Earned Income Tax Credit; that is, not counted as income in a determination of AFDC eligibility.

Distribution of Credits - We envision a combined in one check monthly payment to each person who qualifies for one or more of the credits. We envision that for persons who receive AFDC, a payment is included with the monthly AFDC benefit in one check. For the qualifying persons not receiving AFDC, one check monthly would be issued.

Quality Assurance - Perhaps the most significant challenge we face will be the development of a delivery system that checks and prevents fraud in a pre-payment mode and does so without increasing the administrative reporting burden on employers.

Families who receive AFDC in Minnesota are presently on a statewide database. Employment status is verifiable in a monthly basis. Before credit payments would be issued to this population, a monthly verification of reported employment is envisioned so that we are assured that any fraudulent claims are discovered up front.

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For families or individuals who qualify for the credits but who do not receive AFDC, we presently have the capability to verify employment on a quarterly basis through the Wage Reporting database resident in the Department of Jobs and Training. We are concerned that by only quarterly verification, fraudulent claims could go undetected for a several month period.

Options to solve this problem under consideration may be releasing a percentage of the credits claimed on a monthly basis with the balance at year-end. Another option to consider is monthly rather than quarterly reporting by employers, a proposal that is being made to the legislature this year. Removing the application and eligibility administrative responsibility from employers may make them more amenable to a more frequent wage reporting requirement.

Phased in Implementation - We envision a phased in implementation initially targeting AFDC recipients as we have capability at present to verify employment income monthly. We envision phase two of implementation to all qualifying persons statewide approximately fourteen months later.

Major Milestones

12/93	Intergovernmental work group established.
5/94	State enabling legislation passed.
11/94	Project plan for Phase I: AFDC implementation complete. Systems design underway.
6/95	Planning for Expansion to other qualifying groups begins.
8/95	Phase I: Implementation for AFDC participants begins.
5/96	Legislative approval of Phase II: Expansion Plan.
12/96	Systems developed for Phase II: Expansion Plan.
1/97	Begin universal implementation of Expansion Plan.

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