

Key State TANF Policies Affecting Microenterprise

California

The Charles Stewart Mott microenterprise grantees in California are West Company in Mendocino County and Women's Initiative for Self-Employment in San Francisco.

California's restructured welfare program, California Work Opportunity and Responsibility to Kids (CalWORKs), was enacted in August 1997 and implemented as a Temporary Assistance for Needy Families block grant (TANF) program in January 1998. CalWORKs is a county-administered program. State law and policy establish eligibility rules and program guidelines, but give counties flexibility in designing their programs. Each county was required to submit a plan describing, among other things, how it will offer a range of welfare-to-work services and provide support services.

California's average cash assistance caseload was approximately 707,000 families in fiscal year 1998. The state's caseload declined by 23% between fiscal years 1995 and 1998, compared to a 35% decline in the national caseload.

California TANF Funding and Spending (in millions)	
Annual TANF Block Grant, FY 1998-2002	\$3,733.8
Welfare-to-Work Formula Grant, FY 99	\$190.4
80% MOE obligation ¹	\$2,908.7
75%	\$2,726.1
State MOE spending (% of obligation), FY 98	\$2,907.8 (80%)
Unobligated TANF funds as of 2/99, FY 97	\$0
FY 98	\$0

Source: U.S. Department of Health and Human Services, Administration for Children and Families

California's maximum monthly cash benefit levels for families with one to four members are \$310, \$505, \$626, and \$746. In low-cost areas of the state, the maximum benefit levels are approximately 5% lower. California has the fifth highest TANF cash grant among the 50 states and DC; the national average is \$390 for a family of three. California has the ninth highest poverty rate among the states at 16.7%, compared to 13.6% for the U.S. as a whole. The state median income is the 16th highest at \$39,458; the national median is \$36,399.²

TANF Spending to Support Microenterprise

The state has not identified any TANF block grant or state MOE funds to be used for microenterprise training or to support microenterprise initiatives. A bill passed by the legislature in 1999 would have designated TANF funds for grants to local microenterprise providers serving CalWORKs recipients and families with incomes below 200% of poverty. The bill was vetoed by the Governor.

Initial Participation Requirements

California, like most states, elected to opt out of the federal two-month community service requirement.³ Parents in families that began receiving assistance after CalWORKs was implemented become subject to a community service requirement after receiving CalWORKs for 18 months, with a possible 6-month extension once the parent agrees to a welfare-to-work plan (after the job search period and assessment).⁴ Families that were receiving assistance prior to implementation of CalWORKs are subject to the requirement after 24 months. After reaching the limit, if no unsubsidized job is available, the parent must work in community service employment as a condition of receiving further assistance. Single parents must participate in work activities a minimum of 32 hours per week.

Many states require applicants for cash assistance and/or participants in work activities to pursue an initial job search. In California, applicants may, at the option of the county and with the consent of the applicant, participate in an initial job search. Recipients are required to participate in a job search for up to four weeks following an employability appraisal.

Countable Activities⁵

A principal way in which participation in microenterprise training could count toward the federal participation rates is as vocational educational training.⁶ In California, vocational educational training can include community college, adult education, and regional occupational programs. Counties must generally limit assignments to vocational educational training to 30% of participants in order to avoid a potential financial penalty. Individual participation is limited to situations in which education is needed to obtain employment. State policy allows counties to provide microenterprise training, considered vocational educational training, if this activity meets the needs of their clients.

California allows self-employment as a work activity.⁷ State legislation authorized up to six microenterprise demonstration projects, jointly submitted by providers and county welfare departments, to provide self-employment training and technical assistance to CalWORKs recipients, but the project was not funded.

The following table shows TANF work participation data the state reported for FY97 and FY98. The

fifth row compares the number of families reported as engaged in vocational educational training to the minimum number of families participating in any countable activity that California needed to meet its required overall participation rate, and shows that about two percent in FY97 and about five percent in FY98 were reported as being engaged in vocational educational training. States are permitted to count up to 30% of participating families as engaged in vocational educational training, so California could have counted many more families engaged in vocational training toward the overall rate. Further, the sixth row shows that the state would have exceeded its required overall participation rate in both years even if it had only reported the families engaged in unsubsidized employment.

Reported TANF Work Participation in California		
	FY97	FY98
Families in overall participation rate ⁸	546,059	494,615
Families counting toward work participation rate	111,948	179,953
Overall participation rate achieved	20.6%	36.6%
Overall participation rate required (25% for FY97 and 30% for FY98, adjusted downward for caseload reduction credit)	19.5%	17.8%
Families engaged in vocational educational training (as a % of participating families needed to meet overall rate) ⁹	1,976 (1.9%)	4,498 (5.1%)
Families engaged in unsubsidized employment (as a % of participating families needed to meet overall rate) ⁹	105,995 (102.2%)	156,384 (177.6%)

Source: U.S. Department of Health and Human Services, Administration for Children and Families, December 1998 and August 1999

Sanctions for Failing to Comply with Work Requirements

The sanction for failing to comply with work requirements is removal of the noncompliant adult from the grant until compliance. For the second instance of failure to comply, the individual is removed from the grant for a minimum of three months. For subsequent instances, the individual is removed for a minimum of six months. California does not impose full-family sanctions for failure to comply with work requirements.

Time Limit

California has a 60-month lifetime time limit. For those subject to the time limit, assistance to the parent is terminated after 60 cumulative months of CalWORKs receipt, although the children can continue to be eligible to receive assistance. Months of assistance began counting toward the time limit in January 1998. Circumstances under which a month of assistance will not count toward the state time limit include: parent is over age 60; parent receives certain disability benefits; parent has care taking responsibilities that prevent employment or participation in work activities; and parent is unable to maintain employment or participate in work activities. Counties have discretion to exempt victims of domestic violence from the time limit. The state has not yet developed its policy on circumstances under which assistance can be extended for families that reach the time limit. There is no exemption to the time limit for clients participating in microenterprise training or operating a microenterprise.

Treatment of Income

For determining both ongoing eligibility and benefit amount, \$225 and 50% of remaining earnings are disregarded. In determining initial eligibility of CalWORKs applicants, only the first \$90 of monthly earnings for each employed person is disregarded. A single-parent recipient family with two children remains eligible for CalWORKs in California as long as the parent's monthly earnings are less than \$1,447.

Self-employed applicants and recipients may choose to deduct either 40% or actual expenses from self-employment income to determine net profit from self-employment, which is treated as earned income. Business loans are not counted as income or assets in determining CalWORKs eligibility or benefit amounts.

Treatment of Resources

The resource limit for CalWORKs eligibility is \$2,000 (\$3,000 if the family has a member over age 60). The fair market value up to \$4,650 of one car is not counted toward the resource limit. There is no exemption for business assets, so they are counted towards the resource limit.

CalWORKs families may establish a restricted account and deposit up to \$5,000 that does not count toward the resource limit. Restricted account funds can be used for business capitalization as well as education and job training expenses and home purchase. Funds in a restricted account do count against the resource limit once a business is operational.

Supportive Services

Child care

Subject to available funding, California provides child care assistance to CalWORKs recipients who need care for a child under age 11 in order to accept or keep a job or to participate in approved work activities. Counties may also provide child care to children ages 11 and 12 to the extent that funding is available. Child care is available to children with disabilities and under court supervision through age 18. If a client is approved to participate in microenterprise training, child care assistance will be available.

CalWORKs child care assistance is available for 24 months after a family leaves TANF for employment, as long as family income is below 75% of the state median (\$2,503 for a family of three). Subject to available funding, the state provides subsidized child care to working families with incomes up to 75% of the state median income. Families with incomes above 50% of the state median must make copayments for subsidized child care on an income-based sliding scale.

Medicaid

There is a joint application for CalWORKs and Medicaid, and under the state's Section 1931 Medicaid eligibility rules, all CalWORKs recipients are eligible for Medicaid.¹⁰ Families who cease to be eligible for Section 1931 Medicaid due to earnings from employment are guaranteed transitional Medicaid for up to 12 months. California extends Medicaid eligibility to children under age 19 in families with incomes below 100% of poverty.¹¹ Healthy Families, the state's Child Health Insurance Program, covers children in families with incomes below 200% of the federal poverty who are not eligible for no-cost Medicaid.

Other Services

State policy requires counties to provide support services necessary for participation in assigned activities, including child care and transportation. For recipients who become employed, counties may provide case management as needed to retain employment, transportation assistance, ancillary expenses, and personal counseling for up to 12 months.

Colorado

The Charles Stewart Mott microenterprise grantee in Colorado is Mi Casa Resource Center for Women in Denver.

Colorado's restructured welfare program, Colorado Works, was implemented as a Temporary Assistance for Needy Families block grant (TANF) program in July 1997. One distinctive feature of Colorado's initiative is that counties have substantial discretion in implementing the program. The state defines eligibility criteria, but counties have substantial latitude to design work programs and set other rules and policies.

Colorado's average monthly TANF caseload was approximately 21,800 families in fiscal year 1998. The state caseload declined by 45% from fiscal year 1995 to 1998, compared to a 33% decline in the national caseload over the same time period.

Colorado TANF Funding and Spending (in millions)	
Annual TANF Block Grant, FY 1998-2002	\$136.1
Supplemental Grant, FY 98	\$3.3
FY 99	\$6.6
Welfare-to-Work Formula Grant, FY 99	\$9.9
80% MOE obligation ¹	\$88.4
75%	\$82.9
State MOE spending (% of obligation), FY 98	\$105.5 (95%)
Unobligated TANF funds as of 2/99, FY 97	\$0
FY 98	\$81.2

Source: U.S. Department of Health and Human Services, Administration for Children and Families

The state sets the floor for maximum monthly cash benefits, and counties have discretion to provide additional cash assistance. The maximum benefit levels for single-parent families with one to four members are \$214, \$280, \$356, and \$432. The state provides slightly higher benefit levels for two-parent families. Colorado ranks 29th among the 50 states and DC in terms of its TANF cash grant; the national average is \$390 for a family of three. Colorado has the seventh lowest poverty rate among the states at 9.2%, compared to 13.6% for the U.S. as a whole. The state median income is the sixth highest at \$42,664; the national median is \$36,399.²

TANF Spending to Support Microenterprise

The state has not identified any TANF block grant or state MOE funds to be used for microenterprise training or to support microenterprise initiatives.

Initial Participation Requirements

Colorado, like most states, elected to opt out of the federal two-month community service requirement.³ The state requires adults to engage in work activities once they are determined to be ready to work, or after receiving assistance for 24 months, whichever is earlier.⁴ Clients can meet this requirement by participating in a work activity authorized by the state* or any other work activity designed to lead to self-sufficiency as determined by the county and outlined in the Individual Responsibility Contract (IRC).

Many states require applicants for cash assistance and/or participants in work activities to pursue an initial job search. Colorado does not require an initial job search and does not impose a fixed sequence of work activities, though counties are free to impose one.

Countable Activities⁵

A principal way in which participation in microenterprise training could count toward the federal participation rates is as vocational educational training.⁶ Colorado defines vocational educational training as a short-term educational activity designed to lead to employment. Providers can include non-profit organizations. The state does not impose a cap on the number or proportion of participants in vocational educational training, but individual participation is limited to 12 months. The state has not explicitly addressed whether microenterprise training counts as vocational educational training. Although it is not specifically addressed in Denver County's work activity policy, microenterprise training is considered vocational educational training. It is an allowable work activity that counts toward federal TANF participation rates. Only 30% of those engaged in work activities in the county can be in vocational educational training and be countable toward participation rates.

Colorado defines unsubsidized employment⁷ as full-time work for which wages are paid entirely by the employer. There is no minimum earnings requirement. State policy does not address whether

*Authorized work activities are: unsubsidized employment; subsidized private or public sector employment; work experience; on-the-job training; job search and job readiness assistance; community service programs; vocational educational training; provision of child care services to a participant in a community service program; job skills training directly related to employment; and education directly related to employment for those without a high school diploma or GED.

operating a microenterprise counts as unsubsidized employment, but the wording of the policy would not precluding counting microenterprise operation so long as the individual was engaged full time and was being paid by the business.

Counties have discretion to allow clients to pursue self-initiated work activities. It appears that microenterprise training could be counted as a self-initiated activity in counties that do not elect to count it as vocational educational training. If participation in a self-initiated activity is included as part of a client's IRC, the family can receive support services such as child care while participating in the activity.

The following table shows TANF work participation data the state reported for FY98. The fifth row compares the number of families reported as engaged in vocational educational training to the minimum number of families participating in any countable activity that Colorado needed to meet its required overall participation rate, and shows that 121% were reported as being engaged in vocational educational training. This is a high proportion relative to other states, in part because Colorado has had a relatively large caseload decline. The caseload reduction credit reduced the required overall participation rate from 30% to 7.5%. The sixth row shows that the state would have exceeded its required overall participation even if it had only reported the families engaged in unsubsidized employment.

Reported TANF Work Participation in Colorado, FY98	
Families in overall participation rate ⁸	12,501
Families counting toward work participation rate	3,608
Overall participation rate achieved	28.7%
Overall participation rate required (30% adjusted downward for caseload reduction credit)	7.5%
Families engaged in vocational educational training (as % of participating families needed to meet overall rate) ⁹	1,135 (121%)
Families engaged in unsubsidized employment (as % of participating families needed to meet overall rate) ⁹	1,894 (202%)

Source: U.S. Department of Health and Human Services, Administration for Children and Families, December 1998 and August 1999

Sanctions for Failing to Comply with Work Requirements

Colorado policy sets minimum sanctions for failure to participate in work requirements, and counties have discretion to increase the sanction amount and duration. Denver County's sanction policies are

the same as the minimum sanctions required by state law. The first sanction for failing to comply with work requirements is a 25% reduction in the family's cash benefit for one month. If the sanctioned individual does not come into compliance within one month, the grant reduction increases to 50% for one month. If the client does not come into compliance by the end of the second month, a full-family sanction is imposed for a minimum of three months, and the family must go through the assessment process again and develop and sign a new IRC before Colorado Works benefits can be reinstated. For subsequent instances of failure to comply with work requirements, the sanction begins at the next level beyond that which the prior sanction ended.

Time Limit

Colorado has a 60-month lifetime time limit. For those subject to the time limit, assistance to the entire family is terminated after 60 cumulative months of receiving TANF cash assistance. Months of assistance began counting toward the time limit in July 1997. The state has not established exemptions, circumstances under which a month of assistance will not count toward the time limit, or circumstances under which assistance can be extended for families that reach the time limit. The state has convened a county/state work group to make recommendations on criteria for hardship exemptions from the time limit. The time limit clock runs while clients are participating in microenterprise training or operating a microenterprise.

Treatment of Income

For determining both ongoing Colorado Works eligibility and benefit amount, the following disregards are applied to monthly earned income: \$90 work expense disregard, \$30 (limited to 12 months), and 1/3 of the remainder (limited to 4 consecutive months). Applicants for TANF get the benefit of only the \$90 work expense disregard when their financial eligibility is determined. Colorado also has a "fill-the-gap" policy, meaning that the cash grant is reduced by less than one dollar for each dollar of countable earnings. A single-parent recipient family with two children remains eligible for TANF in Colorado as long as the parent's monthly earnings are less than \$752.*

Loans are exempt from consideration as either income or resources.

For individuals engaged in self-employment, the net profit from self-employment is considered earned income, and is defined as gross income from an activity designed to produce a profit, minus the cost of doing business.

*These rules are applicable only for the first 4 months. Since the \$30 and 1/3 earnings disregards are time limited, the amount a parent can earn and still be eligible for TANF decreases over time.

Treatment of Resources

The resource limit for Colorado Works eligibility is \$2,000. The full value of one car is excluded when counting a family's resources. Personal property needed for self-employment, such as sales stock, inventory, or tools, is exempt from consideration as a resource. Colorado also has a pre-TANF law allowing public assistance recipients to maintain a business bank account that is not counted for purposes of the resource test, as long as funds in the account are not used for personal purposes.

Colorado has an Individual Development Account (IDA) program that authorizes counties to allow Colorado Works families to open IDAs and accumulate savings that are not counted toward the resource limit. IDA funds can be used for business capitalization, higher education, and home purchase.

Supportive Services

Child care

Colorado guarantees child care assistance to Colorado Works families with children under age 13 who are participating in work activities or need child care in order to accept or keep a job. If a client is approved by the local welfare office to participate in microenterprise training, child care assistance will be available. In cases where operating a microenterprise counts as unsubsidized employment, child care assistance will be provided for these purposes. Transitional child care assistance is not guaranteed for families leaving TANF for employment.

Subject to available funding, the Colorado Child Care Assistance Program (CCCAP) provides subsidized child care for working families with income up to 130% of the federal poverty line, and allows counties to provide assistance to families up to 185% of poverty. In Denver County, the income limit for subsidized child care is 185% of the federal poverty line (\$1778 per month for a family of three). Families must make copayments for subsidized child care, on an income-based sliding scale. An individual operating a microenterprise is eligible for CCCAP if (s)he can show verification of self-employment tax status and has net income gains from self-employment.

Medicaid

Colorado provides a joint application for Colorado Works and Medicaid. Under the state's Section 1931 Medicaid eligibility rules, families must meet July 1996 AFDC income and resource eligibility tests to be eligible for Medicaid.⁹ Colorado increased the Colorado Works resource standard to \$2,000 (from \$1,000 under AFDC); this more generous standard does not apply when determining Medicaid eligibility. Families who cease to be eligible for Section 1931 Medicaid due to earnings from employment are guaranteed transitional Medicaid for up to 12 months.

Colorado only covers federally-mandated groups in Medicaid.¹⁰ Child Health Plan Plus (CHP+), the state's Child Health Insurance Program, provides subsidized health insurance to children under age 18 in families with incomes below 185% of poverty.

Transportation

Each Colorado county determines its own policies regarding supportive services. Denver County will provide bus passes to participants for whom microenterprise training is an allowable work activity.

Illinois

The Charles Stewart Mott microenterprise grantee in Illinois is Women's Self-Employment Project in Chicago.

Illinois' Temporary Assistance for Needy Families block grant (TANF) cash assistance program was implemented in July 1997. One of the program's distinctive features is its emphasis on making work pay. Two of every three dollars earned are disregarded in determining eligibility for and the amount of cash assistance, so families can achieve higher incomes by combining welfare and work. Further, the time limit clock does not run for working families who meet the hourly requirement.

The average TANF caseload in Illinois was approximately 176,600 families in fiscal year 1998. The caseload declined by 28% between fiscal years 1995 and 1998, compared to a 33% decline in the national caseload.

Illinois TANF Funding and Spending (in millions)	
Annual TANF Block Grant, FY 1998-2002	\$585.1
Welfare-to-Work Formula Grant, FY 99	\$45.2
80% MOE obligation ¹	\$458.8
75%	\$430.1
State MOE spending (% of obligation), FY 98	\$441.3 (77%)
Unobligated TANF funds as of 2/99, FY 97	\$0
FY 98	\$0

Source: U.S. Department of Health and Human Services, Administration for Children and Families; Illinois Department of Human Services

The maximum benefit levels for single-parent families with one to four members are \$212, \$278, \$377, and \$414. Illinois has the 26th highest TANF cash grant among the 50 states and DC; the national average is \$390 for a family of three. Illinois has the 27th lowest poverty rate among the 50 states and DC at 11.9%, compared to 13.6% for the U.S. as a whole. The state median income is the 11th highest at \$40,613; the national median is \$36,399.²

TANF Spending to Support Microenterprise

The state has not identified any TANF block grant or state MOE funds to be used for microenterprise training or to support microenterprise initiatives.

Initial Participation Requirements

Illinois, like most states, elected to opt out of the federal two-month community service requirement.³ The state requires TANF adults to comply with an assessment and employability plan immediately and to engage in work activities at least by the time they have received assistance for 24 months (unless they are exempt or unable to participate due to medical reasons).⁴

Many states require applicants for cash assistance and/or participants in work activities to pursue an initial job search. In Illinois, those who are determined to be job-ready must undergo an assessment, then can be required to engage in job search for up to six months. If they do not find a job, they are referred to appropriate work activities.

Countable Activities⁵

A principal way in which participation in microenterprise training could count toward the federal participation rates is as vocational educational training.⁶ Illinois does not include microenterprise training in its definition of vocational educational training. However, self-employment is explicitly allowed as a work activity, and includes participation in training and technical assistance programs and planning and preparation time necessary for self-employment. In order to participate in self-employment activities, a client must receive the approval of the local administrator and have a GED or high school diploma, some work experience, and a business plan. The business plan must show that the business can be started for under \$5,000, verify that a loan (if needed) has been secured or an application is pending, and contain a marketing plan and a complete financial plan.

Self-employment is considered unsubsidized employment.⁷ Illinois uses state (not federal) funds to provide TANF cash assistance to single-parent families with an adult working at least 25 hours per week (30 hours effective October 1999) and two-parent families working at least 35 hours per week. This means that the time limit clock does not run for these families, but the families count toward federal participation rate requirements.

The following table shows TANF work participation data the state reported for FY98. The fifth row compares the number of families reported as engaged in vocational educational training to the minimum number of families participating in any countable activity that Illinois needed to meet its required overall participation rate, and shows that about 17% were reported as being engaged in vocational educational training. States are permitted to count up to 30% of participating families as engaged in vocational educational training, so Illinois could have counted more families engaged in vocational training toward the overall rate, and could include those in microenterprise training in this category. Further, the sixth row shows that the state would have exceeded its required overall participation even if it had only reported the families engaged in unsubsidized employment.

Reported TANF Work Participation in Illinois	
	FY98
Families in overall participation rate ⁸	123,044
Families counting toward work participation rate	45,747
Overall participation rate achieved	37.7%
Required overall participation rate required (30% adjusted downward for caseload reduction credit)	13.6%
Families engaged in vocational educational training (as % of participating families needed to meet overall rate) ⁹	2,823 (16.9%)
Families engaged in unsubsidized employment (as % of participating families needed to meet overall rate) ⁹	33,295 (199.0%)

Source: U.S. Department of Health and Human Services, Administration for Children and Families, August 1999

Sanctions for Failing to Comply with Work Requirements

The first sanction for failing to comply with work requirements is a 50% grant reduction until compliance. If noncompliance continues for three months, the entire grant is terminated. For a second instance of failure to comply with work requirements, the 50% grant reduction is imposed for three months. Again, if noncompliance continues for three months, the entire grant is terminated. For subsequent instances of noncompliance, the entire grant is terminated for a minimum of three months.

Time Limit

For those subject to the time limit in Illinois, assistance to the entire family is terminated after a parent receives 60 cumulative months of federally-funded cash assistance. Months of assistance began counting toward the time limit in July 1997. If the caretaker is not a parent, assistance is terminated only for the caretaker; the children continue to receive benefits. The circumstances under which a month of assistance will not count toward the 60-month time limit are: a single-parent family has earned income budgeted from working 30 or more hours per week; a two-parent family has earned income budgeted from working at least 35 hours per week; and a single parent attends a college degree program full-time and maintains a 2.5 GPA (for up to 36 months).

An adult who is able to work and whose youngest child is age 13 or older must be working in unsubsidized employment or participating in pay-after-performance Work First in order to receive assistance for more than 24 months.

The time limit clock runs while individuals are engaged in microenterprise training. The time limit clock stops for those with net earned income from operating a microenterprise if they meet the minimum hourly requirement described above.

Treatment of Income

For determining both ongoing TANF cash assistance eligibility and benefit amount, 67% of monthly earned income is disregarded. Applicants for TANF get the benefit of only a \$90 work expense disregard when their financial eligibility is determined. A single-parent recipient family with two children remains eligible for TANF cash assistance in Illinois as long as the parent's monthly earnings are less than \$1,131.

Profits from self-employment are considered earnings, and are calculated by deducting verified business expenses from gross income. Allowable expenses include replacement of stock, purchasing inventory, space rental and utilities, advertising costs, and salaries for employees other than the client.

Treatment of Resources

The resource limit for TANF cash assistance eligibility is \$3,000. The full value of one car is excluded when counting a family's resources. The value of small equipment and inventory needed for a business is exempt.

The Illinois legislature enacted an Individual Development Account (IDA) pilot program but did not appropriate funds for it. The law provides that funds deposited in IDAs are not counted toward the TANF resource limit; IDA funds can be used for educational expenses, home purchase, and business capitalization; and deposits will be matched at a rate of one to one.

Supportive Services

Child care

A child care subsidy is guaranteed to TANF families with legal child care arrangements who are participating in an activity that is part of their Responsibility and Services Plan (RSP). If self-employment is approved as part of the RSP, child care assistance will be guaranteed for hours related to class attendance.

There is no guarantee of transitional child care for families leaving TANF for work. Subject to available funding, the state provides subsidized child care for working families with income up to 50% of the state median (\$1,818 per month for a family of three). Families must make copayments for subsidized child

care on an income-based sliding scale. Families participating in self-employment can receive a child care subsidy if they meet the eligibility guidelines.

Medicaid

Illinois provides a joint application for TANF and Medicaid, and under the state's Section 1931 Medicaid eligibility rules, all TANF families are eligible for Medicaid.¹⁰ In addition to federally-mandated groups,¹¹ the state extends Medicaid coverage to pregnant women and children up to age one with incomes up to 200% of poverty, and children ages one to 18 with incomes up to 133% of poverty. The legislature created a separate Child Health Insurance Program, Kid Care, that will provide subsidized health insurance to children under age 18 in families with incomes between 133% and 185% of poverty.

Transportation

Transportation assistance is available for TANF families participating in work activities or working. Transportation assistance is provided for clients engaged in approved self-employment when it is needed for class attendance or is a self-employment expense.

Iowa

The Charles Stewart Mott microenterprise grantee in Iowa is the Institute for Social and Economic Development (ISED), headquartered in Iowa City.

Iowa has a history of support for microenterprise as a welfare-to-work option predating its TANF program. Beginning in 1988, the state had a Self-Employment Investment Demonstration (SEID) pilot program, which provided self-employment assistance for AFDC clients. Iowa's restructured welfare program, the Family Investment Program (FIP), was implemented beginning in 1993 under waivers of federal Aid to Families with Dependent Children (AFDC) rules. After the enactment of the 1996 federal welfare reform legislation, Iowa chose to terminate its waivers. FIP was implemented as a Temporary Assistance for Needy Families block grant (TANF) program in January 1997.

Iowa's average cash assistance caseload was approximately 25,000 families in fiscal year 1998. The state caseload declined by 31% between fiscal years 1995 and 1998, compared to a 33% decline in the national caseload.

Iowa TANF Funding and Spending (in millions)	
Annual TANF Block Grant, FY 1998-2002	\$131.5
Welfare-to-Work Formula Grant, FY 99	\$8.3
80% MOE obligation ¹	\$66.1
75%	\$62.0
State MOE spending (% of obligation), FY 98	\$66.1 (80%)
Unobligated TANF funds as of 2/99, FY 97	\$0
FY 98	\$28.9

Source: U.S. Department of Health and Human Services, Administration for Children and Families

Iowa's maximum monthly cash benefit levels for families with one to four members are \$183, \$361, \$426, and \$495. The state has the 19th highest TANF cash grant among the 50 states and DC; the national average is \$390 for a family of three. Iowa has the 15th lowest poverty rate among the states at 10.5%, compared to 13.6% for the U.S. as a whole. Median household income in Iowa is the 28th highest at \$35,054; the national median is \$36,399.²

TANF Spending to Support Microenterprise

Iowa uses a combination of TANF and MOE funds to provide technical advice and business training to FIP participants. The state has earmarked funds for a contract with the Institute for Social and Economic Development to provide entrepreneurial training to FIP recipients.

Initial Participation Requirements

Iowa, like most states, elected to opt out of the federal two-month community service requirement.³ Adults who are not exempt from the work requirements must enter into a Family Investment Agreement in order to receive FIP. The Iowa TANF Plan states that all persons participating in a Family Investment Agreement are considered to be “engaged in work.”⁴ Family Investment Agreements require participation in specific activities including education, training, and activities designed to overcome barriers to employment.

Many states require applicants for cash assistance and/or participants in work activities to pursue an initial job search. Iowa does not require an initial job search and does not impose a fixed sequence of work activities.

Countable Activities⁵

A principal way in which participation in microenterprise training could count toward the federal participation rates is as vocational educational training.⁶ Iowa defines vocational educational training as “any academic or vocational training course of study which enables a participant to complete high school or improve one’s ability to read or speak English, or which prepares the individual for a specific professional or vocational area of employment.” The state does not impose a cap on the number or proportion of participants in vocational educational training; participation is open to persons who “demonstrate capability and who express a desire to participate.” Participation is limited to 24 months.

Entrepreneurial training, defined as technical advice and business training with contracted providers for participants pursuing self-employment as a route to self-sufficiency, is an allowed activity, and is countable toward the work participation rates as vocational educational training. Training may last for 15 to 18 months, followed by up to six months of technical assistance with operating the business.

Iowa allows self-employment⁷ as a work activity. A person is considered self-employed if he or she: (1) is not required to report to an office regularly; (2) establishes her/his own working hours, territory, and methods of work; and (3) files quarterly earnings reports and withholding payments with the IRS.

The following table shows TANF work participation data the state reported for FY97 and FY98. The fifth row compares the number of families reported as engaged in vocational educational training to the

minimum number of families participating in any countable activity that Iowa needed to meet its required overall participation rate, and shows that 28% in FY97 and 90% in FY98 were reported as being engaged in vocational educational training. These are high proportions relative to other states. The last row shows that the state would have exceeded its required overall participation rate in both years even if it had only reported the families engaged in unsubsidized employment.

Reported TANF Work Participation in Iowa		
	FY97	FY98
Families in overall participation rate ⁸	19,976	18,616
Families counting toward work participation rate	10,541	10,585
Overall participation rate achieved	52.8%	56.9%
Overall participation rate required (25% for FY97 and 30% for FY98, adjusted downward for caseload reduction credit)	14.9%	9.1%
Families engaged in vocational educational training (as a % of participating families needed to meet overall rate) ⁹	834 (28%)	1,530 (90%)
Families engaged in unsubsidized employment (as a % of participating families needed to meet overall rate) ⁹	10,133 (340%)	9,848 (581%)

Source: U.S. Department of Health and Human Services, Administration for Children and Families, December 1998 and August 1999

Sanctions for Failing to Comply with Work Requirements

The sanction for failing to sign or comply with a Family Investment Agreement (FIA) is called the Limited Benefit Plan. For a first occurrence, the FIP grant is terminated indefinitely until the individual reapplies for FIP and signs an FIA. For any subsequent occurrence, the family's grant is terminated for a minimum of six months, and the individual must re-apply for FIP, sign an FIA, and complete 20 hours of a work activity in order to reestablish eligibility.

Time Limit

Iowa has a 60-month lifetime time limit. For those subject to the time limit, assistance to the entire family is terminated after 60 cumulative months of FIP receipt. Months of assistance began counting toward the time limit in January 1997. Months of assistance do not count toward the time limit for child-only cases or when all assistance to a family is reimbursed by child support collected or overpayment recovery. The state has not yet developed its policy on circumstances under which

assistance can be extended for families that reach the time limit or on benefits or services that will be provided to families who reach the time limit and are not granted an extension of benefits. The time limit clock runs while clients are participating in microenterprise training or operating a microenterprise.

Treatment of Income

For determining both eligibility and benefit amount, the following disregards are applied to monthly earned income: 20% for work expenses and 50% of remaining earnings. A single-parent family with two children remains eligible for FIP in Iowa as long as the parent's monthly earnings are less than \$1,065.

Net profit from self-employment is considered earned income, and is defined as gross income from an activity designed to produce a profit, minus the cost of doing business. During the 12-month waiver period for participants in entrepreneurial training, additional income deductions include business expense deductions of up to \$5,000 on capital assets and durable goods, and up to \$5,000 for payment of a business loan.

Treatment of Resources

The resource limits for FIP are \$2,000 for applicant families and \$5,000 for recipients. The equity value up to \$3,916 of each car used by an adult or working teenage child in a family is not counted toward the resource limit.

Participants in entrepreneurial training are granted waivers of income and resource standards for 12 consecutive months to allow business start-up or expansion. During the waiver period, income-producing property is exempt from consideration as a resource. The waiver also excludes non-homestead property used for the business; vehicles used more than 50% of the time for income-producing purposes; up to \$5,000 in a business bank account used exclusively for the business; and up to \$3,000 in a cash reserve fund used exclusively for business expenses.

Iowa has an Individual Development Account (IDA) pilot program, to be designed and implemented by local community organizations. Up to 10,000 households with incomes below 200% of the federal poverty level can open IDAs and accumulate savings up to \$50,000 that will be matched with state funds and private contributions. The funds in IDAs are not counted toward the FIP resource limit. IDA funds can be used to start a microenterprise, for education and job training, and for home purchase or rehabilitation.

Supportive Services

Child care

Child care assistance is available to FIP recipients who need care for a child under age 13 in order to accept or keep a job or to participate in work activities. FIP participants are deemed eligible for child care without regard to income, hours worked, or waiting lists. Families that leave FIP for employment must meet the eligibility requirements of the subsidized child care program in order to receive child care assistance.

Subject to available funding, the state provides subsidized child care for children in families with incomes up to 140% of the federal poverty level (\$1,157 per month for a family of three). Parents must be in academic or vocational training, employed or looking for employment, or temporarily absent from the home due to hospitalization in order to qualify for subsidized child care. Families must make copayments on an income-based sliding scale. Fees are waived for families with income below the federal poverty level.

Medicaid

There is a joint application for FIP and Medicaid. FIP families are not automatically eligible for Medicaid.¹⁰ Families who cease to be eligible for Section 1931 Medicaid due to earnings from employment are guaranteed transitional Medicaid for up to 12 months (if they have received Section 1931 Medicaid for three of the past six months). Iowa extends Medicaid eligibility to children under age 19 in families with incomes below 133% of poverty.¹¹ In April 1998, Iowa passed legislation creating a Child Health Insurance Program, HAWK-I, that will cover children under age 19 in families with incomes below 185% of poverty.

Transportation and Other Services

A monthly transportation allowance is available when it is needed for participation in an approved work activity, including entrepreneurial training. The amount of the allowance varies depending on the participant's transportation costs to the work activity and child care sites. Those engaged in unsubsidized employment, including self-employment, do not qualify for a transportation allowance; instead they qualify for a 20% earnings disregard for work expenses. Participants in entrepreneurial training can also qualify for a direct education allowance to cover any costs of tuition, fees, books, and basic supplies.

Massachusetts

The Charles Stewart Mott microenterprise grantee in Massachusetts is Project Hope, which operates in two Boston neighborhoods.

Massachusetts' restructured welfare program, Transitional Aid to Families with Dependent Children (TAFDC), was enacted in February 1995 and implemented under waivers of federal AFDC rules. After passage of the August 1996 federal welfare reform, TAFDC was implemented as a Temporary Assistance for Needy Families block grant (TANF) program in September 1996. One of its most distinctive features is a cash assistance time limit of 24 months for many recipients, one of the shortest in the nation.

Massachusetts's average cash assistance caseload was approximately 67,700 families in fiscal year 1998. The state caseload declined by 34% between fiscal years 1995 and 1998, compared to a 33% decline in the national caseload.

Massachusetts TANF Funding and Spending (in millions)	
Annual TANF Block Grant, FY 1998-2002	\$459.4
Welfare-to-Work Formula Grant, FY 99	\$20.7
80% MOE obligation ¹	\$382.9
75%	\$358.9
State MOE spending (% of obligation), FY 98	\$358.9 (75%)
Unobligated TANF funds, FY 97	-\$0.9
FY 98	\$0

Source: U.S. Department of Health and Human Services, Administration for Children and Families

The maximum benefit levels for single-parent families* with one to four members are \$383, \$474, \$565, and \$651. Massachusetts has the sixth highest TANF cash grant among the 50 states and DC; the national average for a family of three is \$390. Massachusetts has the 19th lowest poverty rate among the 50 states and DC at 11.1%, compared to 13.6% for the U.S. as a whole. The state median income

*The benefit levels shown here are for families subject to the time limit living in unsubsidized housing. Benefits are slightly higher for families not subject to the time limit, and are slightly lower for families who live in subsidized housing or do not pay rent.

is the ninth highest at \$41,016; the national median is \$36,399.²

TANF Spending to Support Microenterprise

The state has not identified any TANF block grant or state MOE funds to be used for microenterprise training or to support microenterprise initiatives.

Initial Participation Requirements

Massachusetts, like most states, elected to opt out of the federal two-month community service requirement.³ The state TANF Plan defines work for the purposes of the 24-month work requirement as any work activity countable toward the federal work participation rate.⁴

Many states require applicants for cash assistance and/or participants in work activities to pursue an initial job search. In Massachusetts, families subject to the work requirement (those whose youngest child is age six or older) must conduct an unassisted job search for 60 days, then must participate in community service if they do not find a job and work at least 20 hours per week.

Countable Activities⁵

A principal way in which participation in microenterprise training could count toward the federal participation rates is as vocational educational training.⁶ Vocational educational training and skills training are authorized activities in Massachusetts. Parents with a child younger than age six are exempt from the work requirement, and can participate in vocational educational training or skills training, defined as individualized vocational training needed to prepare a participant to obtain and maintain employment. Skills training may include classroom sessions, internships, workshops, or vocational counseling; at least 12 hours of activity per week must be scheduled. Those who are not exempt from the work requirement may be allowed to participate in training if they also work or do community service for 20 hours per week. State policy does not address whether microenterprise training counts as skills training, but so long as the training meets the definition of skills training it could be approved by the Department. Skills training is defined as individualized vocational training needed to prepare an individual to obtain and maintain employment, with at least 12 hours of scheduled activity per week, including but not limited to classroom sessions, internships, workshops, and vocational counseling.

Massachusetts requires individuals subject to the work requirement to do at least 20 hours per week of paid work or community service.⁷ State policy does not address whether operating a microenterprise counts as paid work. State regulation refers to work “in a job for which compensation is paid.” It is not

clear whether self-employment is viewed as work, or how countable hours of self-employment would be calculated.

The following table shows TANF work participation data the state reported for FY97 and FY98. The fifth row compares the number of families reported as engaged in vocational educational training to the minimum number of families participating in any countable activity that Massachusetts needed to meet its required overall participation rate, and shows that, in both years, 20% percent were reported as being engaged in vocational educational training. States are permitted to count up to 30% of participating families as engaged in vocational educational training, so Massachusetts could have counted more families engaged in vocational training toward the overall rate. Further, the last row shows that the state would have nearly met its required overall participation rate in FY97 and would have exceeded it in FY98 even if it had only reported the families engaged in unsubsidized employment.

Reported TANF Work Participation in Massachusetts		
	FY97	FY98
Families in overall participation rate ⁸	45,867	43,121
Families counting toward work participation rate	13,772	12,479
Overall participation rate achieved	31.5%	29.0%
Overall participation rate required (25% for FY97 and 30% for FY98, adjusted downward for caseload reduction credit)	12.6%	7.3%
Families engaged in vocational educational training (as a % of participating families needed to meet overall rate) ⁹	1,169 (20%)	639 (20%)
Families engaged in skills training	1,509	720
Families engaged in unsubsidized employment (as a % of participating families needed to meet overall rate) ⁹	5,322 (92%)	7,773 (247%)

Source: U.S. Department of Health and Human Services, Administration for Children and Families, December 1998 and August 1999

Sanctions for Failing to Comply with Work Requirements

The first sanction for failing to comply with work requirements is removal of the noncompliant adult from the grant until compliance. For subsequent instances of failure to comply with work requirements, or if noncompliance during the first instance continues for more than one month, the entire family's grant is terminated until compliance.

Time Limit

Massachusetts has a time limit of 24 months of assistance in a 60-month period. For those subject to the time limit, assistance to the entire family is terminated after 24 cumulative months of TAFDC receipt. Months of assistance began counting toward the time limit in December 1996. Exemptions (the circumstances under which a month of assistance will not count toward the time limit) include: disability; caring for a disabled family member; and caring for a child under age two years (or age three months if subject to the family cap). Assistance may be extended for families that reach the time limit if they are victims of domestic violence or if the Department determines that they have cooperated with TAFDC requirements and no job is available. The time limit clock runs while clients are participating in microenterprise training or operating a microenterprise.

Treatment of Income

In determining both ongoing TAFDC eligibility and benefit amount for families subject to the time limit, \$120 and 50% of remaining monthly earned income is disregarded. The disregard for families not subject to the time limit is \$120 and 1/3 of the remainder. Applicants for TAFDC get the benefit of only a \$90 work expense disregard when their financial eligibility is determined. A single-parent recipient family with two children remains eligible for TAFDC as long as the parent's monthly earnings are less than \$1,045.

Self-employment income is treated the same as earned income, and is defined as the total gross income less total business expenses. Loans are not countable as income or resources so long as the funds cannot be used to meet current living costs.

Treatment of Resources

The resource limit for TAFDC eligibility is \$2,500. The fair market value of one car up to \$5,000 is excluded when counting a family's resources. Property essential to self-employment is not countable as a resource.

Massachusetts does not have an Individual Development Account (IDA) program.

Supportive Services

Child care

Massachusetts guarantees child care assistance to TAFDC recipients with children under age 13 who are participating in work activities or need child care in order to accept or keep a job, subject to

available funding. Since it is not clear whether microenterprise training is considered skills training or whether operating a microenterprise counts as paid work, it is unclear whether child care assistance will be guaranteed for these purposes. Transitional child care assistance is guaranteed to families leaving TAFDC for employment for 12 months.

Subject to available funding, the state provides subsidized child care for working families with income up to 67% of state median income (\$2,771 per month for a family of three). Families must make copayments for subsidized child care, on an income-based sliding scale. An individual operating a microenterprise is eligible for subsidized child care if family income is below the threshold.

Medicaid

Massachusetts provides a joint application for TAFDC and Medicaid, and under the state's Section 1931 Medicaid eligibility rules, all TAFDC families are eligible for Medicaid.¹⁰ Families who cease to be eligible for Section 1931 Medicaid due to earnings from employment are guaranteed transitional Medicaid for up to 12 months. In addition to federally-mandated groups,¹¹ the state extends Medicaid eligibility to all children in families with incomes up to 150% of poverty, and to parents in families with incomes up to 133% of poverty. The Massachusetts Child Health Insurance Program plan provides for subsidized health insurance for all children in families with incomes between 150% and 200% of poverty.

Transportation

The state reimburses up to \$150 per month for transportation to work or an approved work activity and to cover the cost of getting children to child care. Individuals participating in microenterprise training or operating a microenterprise are eligible for this subsidy to the extent that they are considered to be participating in skills training or paid work.

Michigan

The Charles Stewart Mott microenterprise grantees in Michigan are Detroit Entrepreneurship Institute and Project INVEST, which operates in ten northwest Michigan counties.

Michigan's restructured welfare program, the Family Independence Program (FIP), was implemented as a Temporary Assistance for Needy Families block grant (TANF) program in August 1996. Work First is the employment and training component of FIP.

Michigan's average FIP caseload was approximately 128,000 families in fiscal year 1998. The state caseload declined by 39% between fiscal years 1995 and 1998, compared to a 33% decline in the national caseload.

Michigan TANF Funding and Spending (in millions)	
Annual TANF Block Grant, FY 1998-2002	\$775.4
Welfare-to-Work Formula Grant, FY 99	\$42.2
80% MOE obligation ¹	\$499.8
75%	\$468.5
State MOE spending (% of obligation), FY 98	\$502.2 (80%)
Unobligated TANF funds as of 2/99, FY 97	\$0
FY 98	\$75.1

Source: U.S. Department of Health and Human Services, Administration for Children and Families

The maximum benefit levels for single-parent families with one to four members in the region with the most TANF recipients are \$290, \$386, \$474, and \$578. Michigan has the 14th highest TANF grant among the 50 states and DC; the national average for a family of three is \$390. Michigan has the 20th lowest poverty rate among the 50 states and DC at 11.2%, compared to 13.6% for the U.S. as a whole. The state median income is the 17th highest at \$39,076; the national median is \$36,399.²

TANF Spending to Support Microenterprise

The state has not identified any TANF block grant or state MOE funds to be used for microenterprise training or to support microenterprise initiatives.

Initial Participation Requirements

Michigan, unlike most states, did not opt out of the federal two-month community service requirement.³ All caretaker adults are expected to work or participate in job search or another employment-related activity unless they are temporarily deferred.⁴

Many states require applicants for cash assistance and/or participants in work activities to pursue an initial job search. In Michigan, FIP parents who are not deferred from the work requirement must do four weeks of job search before they can participate in another employment activity.

Countable Activities⁵

A principal way in which participation in microenterprise training could count toward the federal participation rates is as vocational educational training.⁶ Michigan defines vocational educational training as combined classroom, laboratory, and other related activities directly related to a specific occupational field. Vocational educational training is considered a post-employment activity and is only allowed for those who are employed 20 or more hours per week. Individual participation is limited to 12 months. Legislation enacted in June 1999 expands allowable work activities to include “condensed vocational programs” and “post employment training.” Condensed vocational programs must be occupationally relevant and in demand, and require a minimum of 30 hours of classroom seat time per week. Participants can meet the work requirement for up to six months by demonstrating sufficient progress in a condensed vocational program. Post employment training must be in a program designed to lead to immediate labor force attachment, directly related to a specific occupational field, lasting no more than 12 months. Up to ten hours per week of classroom seat time and one hour of study time for each hour of classroom time will count toward the work requirement. Local Michigan Works Agencies will determine whether specific programs, including microenterprise training programs, are approved as condensed vocational programs, and it appears that individual caseworkers will approve post employment training. It is not clear whether condensed vocational programs and post employment training will count toward federal participation rates as vocational educational training.*

TANF participants enrolled in the entrepreneurial training program at Detroit Entrepreneurship Institute are granted a waiver from work requirements, so they can participate in the training without being required to work simultaneously. Participants at Project INVEST and other microenterprise programs in the state are not eligible for this waiver.

*Information on the June 1999 legislation was added after Michigan officials reviewed this document, and has not been verified by them.

Michigan counts self-employment as unsubsidized employment⁷ as long as the participant meets or exceeds the required minimum hours of work (30 hours per week for a single-parent family in FY00). For an hour of self-employment to count toward the hourly requirement, net business sales must equal or exceed the minimum wage (\$5.15).

The following table shows TANF work participation data the state reported for FY97 and FY98. The fifth row compares the number of families reported as engaged in vocational educational training to the minimum number of families participating in any countable activity that Michigan needed to meet its required overall participation rate, and shows that about twelve percent in FY97 and about six percent in FY98 were reported as being engaged in vocational educational training. States are permitted to count up to 30% of participating families as engaged in vocational educational training, so Michigan could have counted many more families engaged in vocational training toward the overall rate. Further, the sixth row shows that the state would have exceeded its required overall participation rate in both years even if it had only reported the families engaged in unsubsidized employment.

Reported TANF Work Participation in Michigan		
	FY97	FY98
Families in overall participation rate ⁸	102,543	88,732
Families counting toward work participation rate	42,324	43,470
Overall participation rate achieved	41.1%	49.2%
Overall participation rate required (25% for FY97 and 30% for FY98, adjusted downward for caseload reduction credit)	13.3%	5.2%
Families engaged in vocational educational training (as a % of participating families needed to meet overall rate) ⁹	1,600 (11.7%)	272 (5.9%)
Families engaged in unsubsidized employment (as a % of participating families needed to meet overall rate) ⁹	36,485 (267.5%)	40,917 (886.8%)

Source: U.S. Department of Health and Human Services, Administration for Children and Families, December 1998 and August 1999

Sanctions for Failure to Comply with Work Requirements

If noncompliance with work requirements occurs within the first two months of receiving FIP, the entire cash grant and food stamps are terminated for at least one month or until compliance. After the first two months of receiving assistance, the first sanction for failing to comply is a 25% reduction in the

family's cash payment standard and food stamp grant for a minimum of one month. If noncompliance continues for more than four months, the full cash grant and food stamps are terminated for at least one month, or until compliance.

Time Limit

Michigan is one of two states that do not impose a time limit on cash assistance. The FIP program is designed to lead to self-sufficiency in less than 60 months (the time limit on federal TANF assistance). If families are complying with FIP and Work First requirements and need assistance beyond 60 months, the state will continue cash assistance with state funds.

Treatment of Income

For determining both initial and ongoing FIP eligibility and benefit amount, \$200 and 20% of remaining monthly earned income is disregarded. A single-parent family with two children remains eligible for FIP in Michigan as long as the parent's monthly earnings are less than \$774.

Earnings from self-employment are determined by subtracting allowable expenses from total proceeds. Allowable expenses include labor, stock, and raw material; interest and principal on loans for equipment, real estate, or income-producing property; insurance premiums on loans; transportation costs other than routine travel to and from work; and purchase of capital equipment.

Treatment of Resources

The resource limit for FIP eligibility is \$3,000. Vehicles are not considered countable resources. A bank account used solely for the expenses of a business is not counted toward the resource limit. A bona fide loan is not counted as a resource or as income.

Michigan will exclude resources in an Individual Development Account (IDA). The state is working with nonprofit organizations to encourage development of IDAs and will provide training and technical assistance. TANF funds will not be used for matching contributions.

Supportive Services

Child care

Michigan guarantees child care assistance to FIP recipients with children under age 13 who need it to work, participate in approved education, or for social and health reasons. Since it is unclear whether microenterprise training is considered vocational educational training, it is not clear whether child care

assistance will be guaranteed for these purposes. Self-employed FIP recipients are guaranteed child care as long as they meet the hourly requirement. Transitional child care assistance is not guaranteed for families leaving TANF for employment.

Subject to available funding, the state provides subsidized child care for working families with income up to 59% of the state median (\$2,172 per month for a family of three). Families not receiving FIP must make copayments for subsidized child care, on an income-based sliding scale. An individual operating a microenterprise is eligible for subsidized child care as long as he or she is income-eligible.

Medicaid

Michigan provides a joint application for FIP and Medicaid, and all FIP families are eligible for Medicaid.¹⁰ Michigan covers only federally-mandated groups in Medicaid.¹¹ MICHild, the state's Child Health Insurance Program, provides subsidized health insurance to children through age 18 in families with incomes below 200% of poverty.

Transportation and Other Services

Transportation assistance, including bus tickets, tokens, and reimbursement for public transportation or mileage for a private vehicle, is available for participants engaged in work and approved work activities. The state also provides other employment support services including vehicle repair (up to \$900 in 12 months), vehicle purchase (up to \$1,200 lifetime), and one-time work-related expenses including business start-up expenses.

Minnesota

The Charles Stewart Mott microenterprise grantee in Minnesota is WomenVenture, operating in the Minneapolis/St. Paul metropolitan area.

Minnesota's restructured welfare program, Minnesota Family Investment Program (MFIP), was implemented beginning in 1993 in seven counties under waivers of federal Aid to Families with Dependent Children (AFDC) rules. After the enactment of the 1996 federal welfare reform legislation, MFIP was implemented as a Temporary Assistance for Needy Families block grant (TANF) program in July 1997, with some amendments to the original design as the program was expanded statewide.

Beginning in 1988, Minnesota had a Self-Employment Investment Demonstration (SEID) pilot program to provide self-employment assistance for AFDC clients. Under MFIP, counties have the option to provide SEID services, and 37 of 88 counties currently contract with a SEID program. Counties that do not have a local SEID provider may refer self-employed clients to other agencies in the community for assistance.

Minnesota's average monthly cash assistance caseload was approximately 49,000 families in fiscal year 1998. The state caseload declined by 15% between fiscal years 1995 and 1998, compared to a 33% decline in the national caseload.

Minnesota TANF Funding and Spending (in millions)	
Annual TANF Block Grant, FY 1999	\$267.4
Welfare-to-Work Formula Grant, FY 99	\$14.5
80% MOE ¹ obligation, FY99	\$191.3
75%	\$179.7
State MOE spending (% of obligation), FY 98	\$191.7 (80%)
Unobligated TANF funds as of 2/99, FY 97	\$0
FY 98	\$84.0

Source: U.S. Department of Health and Human Services, Administration for Children and Families; Minnesota Department of Human Services

The maximum cash benefit levels for a single-parent family of one to four members with no earned income are \$356, \$626, \$783, and \$928. MFIP benefits include both TANF and Food Stamp Program assistance. The cash portion of MFIP benefits is the 11th highest among the 50 states and

DC; the national average is \$390 for a family of three. Minnesota has the ninth lowest poverty rate among the 50 states and DC at 9.5%, compared to 13.6% for the U.S. as a whole. The state median income is the seventh highest at \$41,482. The national median is \$36,399.²

TANF Spending to Support Microenterprise

The state has not identified any TANF block grant or state MOE funds to be used for microenterprise training or to support microenterprise initiatives.

Initial Participation Requirements

Minnesota, like most states, elected to opt out of the federal two-month community service requirement.³ The state requires adult caregivers to participate in work activities within six months of MFIP receipt; counties have discretion to require participation sooner.⁴

Many states require applicants for cash assistance and/or participants in work activities to pursue an initial job search. In Minnesota, following an assessment, clients determined to be job-ready must participate in full-time job search for up to eight weeks before pursuing other work activities.

Countable Activities⁵

Minnesota claims that it has some flexibility to count work activities other than those enumerated in federal law toward the federal work participation rates because it is asserting that TANF requirements are inconsistent with its preexisting waiver provisions. A principal way in which participation in microenterprise training could count toward the federal participation rates is as vocational educational training.⁶ Minnesota defines vocational educational training as including educational programs that can be reasonably expected to lead to employment. The state does not impose a cap on the number or proportion of participants in vocational educational training, but individual participation is limited to 12 months (an additional 12 months can be approved on an exception basis if the participant agrees to repay funds used to support the educational program). Participation in Self-Employment Investment Demonstration (SEID) or similar programs is an allowable activity for MFIP clients interested in starting a business or improving an existing self-employment business, but it is not available in every county. Job counselors have discretion to determine whether self-employment is the best route to self-sufficiency.

Minnesota allows self-employment alone⁷ to count as work participation as long as an individual earns the equivalent of the federal minimum wage for the number of hours per week required to meet federal TANF participation standards. If earnings from self-employment are lower, an individual must conduct

a job search or work for the remaining required hours, regardless of the actual hours of self-employment. State law allows counties to exempt SEID participants from the minimum wage requirement for 24 months, but not all counties have chosen to implement this exemption.

The following table shows TANF work participation data the state reported for FY98. The fifth row compares the number of families reported as engaged in vocational educational training to the minimum number of families participating in any countable activity that Minnesota needed to meet its required overall participation rate, and shows that 17% were reported as being engaged in vocational educational training. States are permitted to count up to 30% of participating families as engaged in vocational educational training, so Minnesota could have counted many more families engaged in vocational training toward the overall rate. Further, the sixth row shows that the state would have exceeded its required overall participation even if it had only reported the families engaged in unsubsidized employment.

Reported TANF Work Participation in Minnesota, FY98	
Families in overall participation rate ⁸	37,030
Families counting toward work participation rate	11,296
Overall participation rate achieved	30.6%
Overall participation rate required (30% adjusted downward for caseload reduction credit)	17.0%
Families engaged in vocational educational training (as a % of participating families needed to meet overall rate) ⁹	1,071 (17%)
Families engaged in unsubsidized employment (as a % of participating families needed to meet overall rate) ⁹	8,514 (135%)

Source: U.S. Department of Health and Human Services, Administration for Children and Families, August 1999

Sanctions for Failing to Comply with Work Requirements

The first sanction for failing to comply with work requirements is a 10% grant reduction for a minimum of one month. For subsequent instances of failure to comply with work requirements, or if noncompliance continues for more than one month, the sanction escalates to vendored rent payments (and, at county option, utility payments) for a minimum of six months. In addition, 30% of the transitional standard is deducted from any remaining cash and food portions of the grant.

Time Limit

Minnesota has a 60-month lifetime time limit. For those subject to the time limit, assistance to the entire family is terminated after 60 cumulative months of cash assistance. Months of assistance began counting toward the time limit in July 1997. There are time limit exemptions (i.e., circumstances under which a month of assistance will not count toward the time limit) for families in which the adult is age 60 or older, victims of domestic violence, adults living on an Indian reservation of over 1,000 people with at least 50% unemployed, and some teen caregivers. The state has not yet developed its policy on circumstances under which assistance can be extended for families that reach the time limit. The time limit clock runs while clients are participating in microenterprise training or operating a microenterprise.

Treatment of Income

For determining ongoing MFIP eligibility and benefit amount, 38% of monthly earned income is disregarded. For applicant families who have not received MFIP within the past four months, the earnings disregard applied to determine eligibility is 18%. For families with earnings, countable income is compared to 110% of the combined cash and food maximum benefit level to determine the grant amount. A single-parent recipient family with two children remains eligible for MFIP as long as the parent's monthly earnings are less than \$1,311.

For purposes of MFIP, self-employment earnings are treated the same as other earned income, and are determined by subtracting reported self-employment expenses from gross self-employment income.

Treatment of Resources

The resource limit for MFIP eligibility is \$2,000 for applicants and \$5,000 for recipients. The equity value of a car up to \$7,500 is excluded when counting a family's resources. Personal property needed for self-employment, such as sales stock, inventory, or tools, is exempt from consideration as a resource.

Minnesota legislation sets out the framework for an Individual Development Account (IDA) program that allows families with incomes below 200% of the federal poverty line and assets under \$25,000 to open IDAs and accumulate savings that are not counted toward the MFIP resource limit. IDA funds can be used for business capitalization as well as education and home purchase. IDA deposits will be matched at a rate of two to one with other funds.

Supportive Services

Child care

Child care for families participating in MFIP work activities is fully funded, and can be authorized for up to 120 hours per child for each two-week period. MFIP participants who lose eligibility after receiving assistance for at least three of the past six months are eligible for transition year child care for up to 12 months if they continue working.

Subject to available funding, the state provides subsidized child care for families with income up to 75% of the state median income (\$2,856 per month for a family of three). Families with incomes above 75% of poverty must make copayments for subsidized child care on an income-based sliding scale.

A self-employed individual is eligible for subsidized child care as long as he or she works an average of at least 20 hours per week and receives at least minimum wage (\$5.15) for hours worked, determined by dividing gross earned income by the minimum wage. Child care is provided only for the number of hours determined by dividing self-employment income by the minimum wage, regardless of hours actually worked. This restriction can be waived for up to 24 months for SEID participants.

Medicaid

Minnesota provides a joint application for MFIP and Medicaid, and under the state's Section 1931 Medicaid eligibility rules, all MFIP families are eligible for Medicaid.¹⁰ Families who cease to be eligible for Section 1931 Medicaid due to earnings and/or child support may be eligible for transitional Medicaid for up to 12 months. Minnesota extends Medicaid eligibility to children under age two in families with incomes below 280% of the federal poverty level.¹¹ MinnesotaCare, the state's Child Health Insurance Program, provides subsidized health insurance to families with children. The monthly gross income limit for a family of four is \$3,827 (equal to 275% of poverty).

Transportation and Other Support Services

Transportation expenses including public transportation, car pooling, mileage, essential car repairs, insurance, driver's license, and parking fees necessary for participation in employment or training activities can be covered at the discretion of county offices. Other expenses necessary for obtaining and retaining employment can be covered, including educational expenses, vocational testing and assessment, equipment, and clothing. Post-employment follow-up services, including counseling and transportation assistance, are provided for 12 months to families leaving MFIP for employment.

New York

The Charles Stewart Mott microenterprise grantee, Workers Ownership Resource Center (WORC), currently operates in five counties: Monroe, Ontario, Seneca, Tompkins, and Yates.

New York's restructured welfare program, Family Assistance (FA), was implemented as a Temporary Assistance for Needy Families block grant (TANF) program in December 1996. The state gives counties substantial discretion to both make and implement policies, particularly in designing and operating work programs. In 1994 the state sent an Informational Letter to county social service districts encouraging them to "assist clients in the development of small businesses or microenterprises as one way of promoting work effort under the Jobs FIRST philosophy."^{*} The letter describes state policies on treatment of income and resources and provision of support services designed to support these clients, and is currently being revised for consistency with policy changes since the implementation of TANF.

New York counties are required to implement Family Assistance, and have the option of implementing the Child Assistance Program (CAP). CAP is designed to make work pay and provide tailored support to working families with child support orders in place. Families that qualify for and enroll in CAP are subject to different policies than the TANF cash assistance program policies. CAP is currently available in 19 of the state's 58 counties; of the five counties in which WORC operates, CAP is available in one (Monroe County).

New York's TANF caseload averaged about 342,500 families in federal fiscal year 1998. The caseload dropped 25% between fiscal years 1995 and 1998, compared to a 33% national decline.

^{*}New York Department of Family Assistance, Division of Economic Security, 94 INF-40

New York TANF Funding and Spending (in millions)	
Annual TANF Block Grant, FY 1998-2002	\$2,442.9
Welfare-to-Work Formula Grant, FY 99	\$96.9
80% MOE obligation ¹	\$1,833.2
75%	\$1,718.6
State MOE spending (% of obligation), FY 98	\$1,718.6 (75%)
Unobligated TANF funds as of 2/99, FY 97	\$94.2
FY 98	\$605.9

Source: U.S. Department of Health and Human Services, Administration for Children and Families

The maximum benefit levels for single-parent families with one to four members in the region of the state with the most TANF recipients are \$352, \$467, \$577, and \$688. New York has the third highest TANF cash grant of the 50 states and DC; the national average for a family of three is \$390. New York has the ninth highest poverty rate among the 50 states and DC at 16.6%, compared to 13.6% for the U.S. and a whole. The state has the 25th highest median income at \$35,601; the national median is \$36,399.²

TANF Spending to Support Microenterprise

The state has not identified any TANF block grant or state MOE funds to be used for microenterprise training or to support microenterprise initiatives.

Initial Participation Requirements

New York, like most states, elected to opt out of the federal two-month community service requirement.³ State law mandates that parents and caretakers must be “engaged in work” within 24 months,⁴ including participating in unsubsidized employment, subsidized private or public sector employment, work experience in the public or non-profit sector, on the job training, job search or job readiness activities, community service, vocational educational training, or job skills training. The five counties in which WORC operates allow all work activities listed in state policy in their definitions of “engaged in work.”

Countable Activities⁵

A principal way in which participation in microenterprise training could count toward the federal participation rates is as vocational educational training.⁶ New York defines vocational educational

training as including but not limited to “organized educational programs offering a sequence of courses which are directly related to the preparation of individuals for current or emerging occupations requiring other than a baccalaureate or advanced degree. Such programs may include competency based learning which contributes to an individual’s academic knowledge, higher order reasoning, and problem-solving skills, work attitudes, general employability skills, and the occupation-specific skills necessary for economic dependence.” The state does not impose a cap on the number or proportion of participants in vocational educational training or limit the duration of participation. State policy does not address whether microenterprise training counts as vocational educational training. Counties can provide any program or activity that meets the goals of the state work program as long as it is not inconsistent with federal law. Community service is an allowable activity, and counties have discretion to define it; some counties have included participation in microenterprise training in their definitions of community service.

County	Policy allowing to microenterprise training
Monroe	“Activities seeking appropriate alternate sources of income” are allowed.
Ontario	Vocational educational training may be provided by a PIC-approved agency for up to 12 months. WORC is PIC-approved. Entrepreneurial training is an allowed community service activity.
Seneca	None specifically articulated in county plan.
Tompkins	WORC has a contract with the county to provide entrepreneurial training.
Yates	Enrollment in activities designed to lead to self-employment is an allowed community service activity, and WORC’s program is mentioned in the county plan.

Counties have discretion to define unsubsidized employment.⁷ State policy does not address whether operating a microenterprise counts as unsubsidized employment.

County	Can operating a microenterprise count as “unsubsidized employment”?
Monroe	Yes. “The Department will consider business plans, current net income, potential for increased net income and other factors identified in the individual’s assessment when determining if self-employment will be deemed to meet the definition of unsubsidized employment.”

County	Can operating a microenterprise count as “unsubsidized employment”?
Ontario	Yes, if it is at minimum wage rate.
Seneca	Yes, if an individual is deemed to be meeting the minimum wage (determined by dividing the net income by the number of hours working) and/or is judged by the Employment Counselor to have a business that is likely to lead to self-sufficiency in a reasonable amount of time. Individuals must document to DSS a continuous and evident increase in earnings and provide an acceptable business plan.
Tompkins	Yes
Yates	Yes, if it provides the client with a net income of at least the minimum wage for 25 hours per week.

The following table shows TANF work participation data the state reported for FY97 and FY98. The table shows that the number of families reported as engaged in vocational educational training more than doubled between FY97 and FY98, and the number of families reported as being engaged in community service and unsubsidized employment also increased. The last row shows that the state would have exceeded its required overall participation rate in FY98 even if it had only reported the families engaged in unsubsidized employment.

Reported TANF Work Participation in New York			
	FY97	FY98	
Families in overall participation rate ⁸	248,496	224,723	
Families counting toward work participation rate	69,440	83,781	
Overall participation rate achieved	27.9%	37.5%	
Overall participation rate required (25% for FY97 and 30% for FY98, adjusted downward for caseload reduction credit)	19.6%	15.0%	
Families engaged in:	Vocational educational training	4,939 (10%)	10,306 (31%)
(as a % of participating families needed to meet overall rate) ⁹	Community service	8,739 (18%)	10,151 (30%)
	Unsubsidized employment	27,190 (56%)	39,020 (116%)

Source: U.S. Department of Health and Human Services, Administration for Children and Families, December 1998

and August 1999

Sanctions for Failing to Comply with Work Requirements

The first sanction for failing to comply with work requirements is removal of the adult's share of the grant until compliance. For the second instance of failure to comply, the sanction lasts for a minimum of three months. For subsequent instances, the sanction lasts for a minimum of six months. New York does not impose full-family sanctions.

Time Limit

New York has a 60-month lifetime time limit. After 60 cumulative months of FA receipt, families can no longer receive FA, but they can qualify for Safety Net Assistance, which provides vendor payments for basic needs and a small cash supplement. Months of assistance began counting toward the time limit in December 1996. Exemptions, the circumstances under which a month of assistance will not count toward the time limit, include disability and domestic violence. The state has not developed its policy on circumstances under which assistance can be extended for families that reach the time limit. The time limit clock runs while clients are participating in microenterprise training or operating a microenterprise.

Treatment of Income

For determining ongoing FA eligibility and benefit amount, the following disregards are applied to monthly earned income: a \$90 work expense disregard and 46% of the remainder. Applicants who have not received FA within the past four months get the benefit of only the \$90 work expense disregard when their financial eligibility is determined. A single-parent family with two children is eligible for FA in New York as long as the parent's monthly earnings are less than \$1,138.

For CAP families, 90% of earnings up to the 1989 poverty level and 33% of earnings above 1989 poverty are disregarded in determining eligibility and benefit amount.

Earnings from self-employment are calculated by subtracting expenses necessary for producing goods and services from net income. Business loans are not counted as income or resources.

Treatment of Resources

The resource limit for FA eligibility is \$2,000 (\$3,000 if the family has a member over age 60). The fair market value of a car up to \$4,650 is excluded when counting a family's resources, and the automobile exemption can be increased at county discretion if the vehicle is needed to seek or retain employment.

Personal property necessary for business purposes, including vehicles in the name of the business, is exempt from the resource test. There is no resource test for families enrolled in CAP.

New York has an Individual Development Account (IDA) program that allows TANF families to open savings accounts that are not counted toward the TANF resource limit. IDA funds can be used for business capitalization as well as education and home purchase.

Supportive Services

Child care

New York provides child care assistance to FA recipients with children under age 13 who are participating in work activities or need child care in order to accept or keep a job.

Transitional child care assistance is guaranteed for families leaving TANF for employment until their income exceeds 200% of poverty, for up to 12 months. State policy gives counties discretion to determine the income eligibility limit for subsidized child care for working families, with a state cap of 200% of the federal poverty line (\$2,313 per month for a family of three). Families not receiving FA must make copayments for subsidized child care, on an income-based sliding scale.

If a client is approved to participate in microenterprise training, child care assistance will be available. An individual operating a microenterprise is eligible for subsidized child care if he or she meets income eligibility guidelines, even if self-employment occurs in the home. Child care can be authorized as long as it is “reasonably related to the hours of employment.”

Medicaid

New York provides a joint application for FA and Medicaid, and under the state’s Section 1931 Medicaid eligibility rules, all FA families are eligible for Medicaid.¹⁰ Families who cease to be eligible for Section 1931 Medicaid due to earnings from employment are guaranteed transitional Medicaid for up to 12 months. The state extends Medicaid eligibility to all children in families with incomes up to 133% of poverty.¹¹ The state’s Child Health Plus program provides fully subsidized health insurance to all children in families with incomes up to 160% of poverty and partially subsidized insurance up to 230% of poverty, increasing to 250% of poverty in July 2000.

Other services

Counties can designate any supportive services that they wish to provide to TANF families participating in work activities, and for up to 90 days after a family leaves assistance for employment.

Oregon

The Charles Stewart Mott microenterprise grantee in Oregon is Southern Oregon Women's Access to Credit (SOWAC), which operates in Jackson and Josephine counties.

Oregon's welfare restructuring began in July 1992 under waivers of federal Aid to Families with Dependent Children (AFDC) rules, requiring more clients to participate in employment activities. In July 1996 additional waivers allowed the state to impose a teen parent living arrangement requirement and expanded a subsidized employment/training program statewide. The program was implemented under the Temporary Assistance for Needy Families block grant (TANF) in October 1996.

Oregon's average cash assistance caseload was approximately 19,740 families in fiscal year 1998. The state caseload declined by 51% between fiscal years 1995 and 1998, compared to a 33% decline in the national caseload.

Oregon TANF Funding and Spending (in millions)	
Annual TANF Block Grant, FY 1998-2002	\$167.9
Welfare-to-Work Formula Grant, FY 99	\$8.6
80% MOE obligation ¹	\$98.4
75%	\$92.3
State MOE spending (% of obligation), FY 98	\$92.3 (75%)
Unobligated TANF funds as of 2/99, FY 97	\$0
FY 98	\$0

Source: U.S. Department of Health and Human Services, Administration for Children and Families; Oregon Department of Human Services

The maximum benefit levels for single-parent families with one to four members are \$336, \$427, \$503, and \$617 for families participating in work activities; the benefit levels for families not participating are slightly lower. Oregon has the 13th highest TANF cash grant among the 50 states and DC; the national average is \$390 for a family of three. Oregon has the 22nd lowest poverty rate among the 50 states and DC at 11.5%, compared to 13.6% for the U.S. as a whole. The state median income is the 19th highest at \$37,287. The national median is \$36,399.²

TANF Spending to Support Microenterprise

The state has not identified any TANF block grant or state MOE funds to be used for microenterprise training or to support microenterprise initiatives.

Initial Participation Requirements

Oregon, like most states, elected to opt out of the federal two-month community service requirement.³ For purposes of the 24-month requirement, Oregon defines work as any allowed activity, including unsubsidized employment, vocational educational training, and unlimited job search.⁴

Many states require applicants for cash assistance and/or participants in work activities to pursue an initial job search. In Oregon, most single-parent and some two-parent applicants for TANF must participate in the Assessment Program, up to 45 days of job search or other assigned work activities, before they are eligible for ongoing cash assistance. Once on cash assistance, families must enter into an employment development plan and do job search or other assigned work activities. If they do not find employment after four weeks, the plan is reevaluated. Families that engage in job search for 12 weeks are allowed a two-week respite.

Countable Activities⁵

A principal way in which participation in microenterprise training could count toward the federal participation rates is as vocational educational training.⁶ Oregon defines vocational educational training as classroom training in vocational and technical skills, or equivalent knowledge, in a specific job area. The state does not impose a cap on the number or proportion of participants in vocational educational training, nor does it impose a time limit on individual participation. State policy does not address whether microenterprise training counts as vocational educational training. Case managers have discretion to allow clients to participate in microenterprise training.

TANF families engaged in full-time employment are not required to participate in any other work activity⁷. Self-employment counts as full-time employment if it involves working a minimum of 30 hours per week and receiving weekly countable earnings of at least the state minimum wage for 30 hours.

The following table shows TANF work participation data the state reported for FY97 and FY98. The state did not report any families as being engaged in vocational educational training in FY 97 or FY 98. State records indicate, however, that in February 1998, 888 clients were engaged in job skills training and 83 were pursuing self-initiated training. Together these families made up 5% of the total caseload. The fourth column shows that Oregon's caseload reduction credit reduced the overall participation rate the state had to meet to about 10% in FY97, and eliminated it in FY98.

Reported TANF Work Participation in Oregon		
	FY97	FY98
Families in the overall rate ⁸	16,602	14,575
Families counting toward work participation rate	2,068	1,479
Overall participation rate achieved	96.7%	98.2%
Overall participation rate required (25% for FY97 and 30% for FY98, adjusted downward for caseload reduction credit)	10.2%	0%
Families engaged in vocational educational training	0	0
Families engaged in unsubsidized employment (as a % of participating families needed to meet overall rate) ⁹	768 (45%)	727 (N/A)

Source: U.S. Department of Health and Human Services, Administration for Children and Families, December 1998 and August 1999

Sanctions for Failing to Comply with Work Requirements

The first sanction for failing to comply with work requirements is a grant reduction of \$50 until compliance. For noncompliance lasting more than two months, and for the third and fourth instances of noncompliance, the adult is removed from the grant. For noncompliance lasting five months or more, and for the fifth and subsequent instances of failure to comply with work requirements, the sanction is full-family benefit termination until compliance.

Time Limit

Oregon is continuing its pre-TANF approach to time limits, begun under a waiver of AFDC rules. Cash assistance in Oregon is limited to 24 months within an 84-month period. Months of assistance began counting toward the time limit in July 1996. Exemptions, the circumstances under which a month of assistance will not count toward the time limit, include disability, caring for a disabled family member, and participating in work activities. Circumstances under which assistance can be extended for families that have reached the time limit include making a good-faith effort to find employment. The time limit clock does not run while clients are participating in microenterprise training or operating a microenterprise, to the extent that those activities are considered participation in the work program.

Treatment of Income

For determining both initial and ongoing TANF cash assistance eligibility and benefit amount, 50% of monthly earned income is disregarded. A single-parent family with two children remains eligible for TANF in Oregon as long as the parent's monthly earnings are less than \$616.

For TANF purposes, self-employment income is treated the same as earned income, and is defined as gross sales or receipts minus the cost of producing the income. State policy also provides that income can be annualized when determining a family's benefit level.

Treatment of Resources

The resource limit for TANF cash assistance eligibility is \$2,500, or \$10,000 for a family with a parent participating in work activities. The equity value of one car up to \$10,000 is excluded when counting a family's resources. The equity value of work-related equipment (including property essential to self-employment) and the wholesale value of inventory are counted as resources.

Oregon has an Individual Development Account (IDA) program that allows participants in work activities to open IDAs and accumulate savings that are not counted toward the TANF resource limit. IDA funds can only be used for educational expenses.

Supportive Services

Child care

Oregon provides child care assistance to TANF recipients who are participating in work activities or need child care in order to accept or keep a job. If a case manager approves microenterprise training for a client, child care assistance can be provided for this purpose. Transitional child care assistance is not guaranteed for families leaving TANF for employment.

Subject to available funding, the state provides subsidized child care for families with income up to 85% of the state median (\$2,751 per month for a family of three). Families must make copayments for subsidized child care, on an income-based sliding scale. There is no fee for families receiving TANF and participating in welfare-to-work activities. An individual operating a microenterprise is eligible for subsidized child care if he or she is income-eligible and works a minimum of 30 hours per week earning at least state minimum wage.

Medicaid

Oregon provides a joint application for TANF and Medicaid, and under the state's Section 1931 Medicaid eligibility rules, all TANF families are eligible for Medicaid.¹⁰ Families who cease to be eligible for Section 1931 Medicaid due to earnings from employment are guaranteed transitional

Medicaid for up to 12 months. The state covers federally-mandated groups in Medicaid,¹¹ as well as families and non-elderly adults with gross income below 100% of the federal poverty level. Oregon has also created a separate state Child Health Insurance Program that provides the same benefits as Medicaid to children through age 5 in families with incomes between 133% and 170% of poverty and to children ages 6 through 18 between 100% and 170% of poverty.

Transportation and Other Services

Transportation assistance is available for participants in allowable work activities, including vocational educational training and unsubsidized employment. Case managers may approve public transportation subsidies as well as payments for car repairs. Other supportive services that may be approved for clients participating in approved work activities include housing assistance, clothing for employment, and assistance with other employment-related costs.

Endnotes

1. In order to receive its full federal TANF grant, a state must meet a maintenance of effort (MOE) obligation. A broad range of spending for needy families, in and outside of the TANF cash assistance program, can count toward MOE. The MOE obligation is based on state expenditures for AFDC and a set of related programs in FY 1994. It is set at 80% of those expenditures, and is reduced to 75% if the state meets federal work participation rates.
2. Poverty rates and median income are three-year averages for 1995-1997. Source: U.S. Census Bureau, March 1996, 1997 and 1998 Current Population Surveys.
3. A federal TANF provision requires adults to participate in community service employment after receiving assistance for two months unless the state opts out of the requirement.
4. The federal TANF statute requires all adults receiving assistance to be “engaged in work” after they have received assistance for 24 months. States have broad discretion to define what counts as being “engaged in work” for purposes of the 24-month requirement.
5. Under the federal TANF statute, a state may be penalized if it fails to meet overall and two-parent TANF participation rates. The law specifies the number of weekly hours required to be a countable participant and the permissible activities that can count toward participation. States can authorize and fund activities that are not countable toward the federal participation rate.
6. Under the federal TANF statute, only certain activities are countable toward TANF participation rates. “Vocational educational training” provides the principal category in which participation in education or training can count toward TANF participation rates. States can set their own reasonable definitions of what counts as vocational educational training, but countable participation is limited to 12 months per individual. No more than 30% of those counted toward the work participation rate can be in vocational educational training. (Effective in FY 2000, the 30% limit applies to the combination of individuals in vocational educational training and parents under age 20 counting toward participation rates by being engaged in school completion.) A state is free to allow individuals to participate in vocational educational training for more than 12 months, but only 12 months will be countable toward participation rates.
7. For federal purposes, hours participating in unsubsidized employment are countable toward TANF participation rates. The federal law does not define unsubsidized employment or require a minimum amount of earnings, and states are permitted to develop their own reasonable definitions.
8. This figure is smaller than the total number of families receiving assistance because some families are not included in this participation rate denominator.

9. These figures are calculated by multiplying the required overall participation rate by the number of families in the rate, then dividing the number of families reported as engaged in each activity by the product.

10. The 1996 welfare law “delinked” Medicaid from family cash assistance, meaning that TANF recipients are not automatically eligible for Medicaid. The law created a new eligibility criteria known as Section 1931, mandating Medicaid eligibility for families that meet a state’s AFDC income, resource, and family composition standards in effect on July 16, 1996. States have limited ability to modify these requirements, although a state can broaden Medicaid eligibility by changing its methodology for calculating income or resources for purposes of determining eligibility. Because TANF and Medicaid eligibility rules may no longer be identical, it is possible that some family members could qualify for TANF but not Medicaid, and in many instances family members will qualify for Medicaid but not for TANF.

11. States are required to provide Medicaid coverage to children under age 6 with incomes below 133% of poverty and children born after September 30, 1993 with incomes below 100% of poverty.

