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Key State TANF Policies Affecting Microenterprise: Illinois

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

Illinois' Temporary Assistance for Needy Families (TANF) block grant 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 families who meet the hourly requirement through work.

The average TANF caseload in Illinois was approximately 62,030 families in fiscal year 2001. The caseload declined by 74 percent between fiscal years 1995 and 2001, compared to a 56-percent decline in the national caseload.

Illinois TANF Funding and Spending (in millions)	
Annual TANF block grant, FY 98-02	\$585.1
Welfare-to-Work formula grant, FY 99	\$45.2
80% MOE obligation, FY 00 ¹	\$458.8
75% MOE obligation, FY 00	\$430.1
State MOE spending (% of obligation), FY 00	\$441.3 (77%)
Unobligated TANF funds (FY 97 - FY 00 combined)	\$0

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

The maximum benefit level for single-parent families with two children is \$377.² Illinois has the 29th highest TANF cash grant among the 50 states and DC; the national average is \$414 for a family of

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 94. It is set at 80 percent of those expenditures, and is reduced to 75 percent if the state meets federal work participation rates.

three. In 2001, Illinois had the 27th highest poverty rate among the 50 states and DC at 10.3 percent, compared to 11.6 percent for the U.S. as a whole. The state median income in 2001 was the 13th highest at \$47,578; the national median was \$42,873.³

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.⁴ The state requires TANF adults to comply with an assessment and employability plan immediately and to engage in work activities (unless they are exempt or unable to participate due to medical reasons).⁵

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 job-ready must undergo an assessment, and 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 Activities⁶

A principal way in which participation in microenterprise training could count toward the federal participation rates is as vocational educational training.⁷ Illinois does not include microenterprise

² Figures cited here reflect maximum benefit levels for a Group I county. Counties are assigned to one of three groups. Group I, which includes Cook County, has the highest payment levels. Source: Burke, Vee. (2002). *TANF Benefits and Earnings Limits, January 2002*. Washington, DC: Congressional Research Service.

³ Poverty rates and median income are three-year averages for 1999-2001. Source: *U.S. Census Bureau, Current Population Survey, 2000, 2001, and 2002 Annual Demographic Supplements*. This represents the most recent data available.

⁴ 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.

⁵ 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.

⁶ 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.

⁷ 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 percent of those counted toward the work participation rate can be in vocational educational training. Effective in FY 00, the 30-

training in its definition of vocational educational training. However, self-employment training 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.⁸ Illinois uses state (not federal) funds to provide TANF cash assistance to single-parent families with an adult working at least 30 hours per week 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 FY 98, FY 99, and FY 00. The caseload reduction credit reduced the required overall participation rate from 30 percent to 13.6 percent in FY 98. In all three years the state could have allowed for increased participation in microenterprise training while still meeting the required overall participation rate.

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 percent in FY 98 were reported as being engaged in vocational educational training. In FY 98 states were permitted to count up to 30 percent of participating families as engaged in vocational educational training. Therefore, Illinois could have counted more families engaged in vocational training toward the overall rate in FY 98 and could have included those in microenterprise training in this category.

In both FY 98 and FY99 the state also could have fully satisfied its required overall participation simply because a sufficient number of families were participating in unsubsidized employment. Thus, Illinois could have allowed many more families to participate in microenterprise training outside the rates. In FY 00, the state had an effective participation rate of 0 percent, and therefore, could have allowed many more families to participate in microenterprise training without being concerned about counting them toward a federal participation rate. (See row six.)

percent limit applied to the combination of individuals in vocational educational training and parents under age 20 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.

⁸ 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.

Reported TANF Work Participation in Illinois			
	FY 98	FY 99	FY 00
Families in overall participation rate ⁹	123,044	85,762	49,117
Families counting toward work participation rate	45,747	51,247	28,899
Overall participation rate achieved ¹⁰	37.7%	60.4%	59.2%
Overall participation rate required (30% for FY 98, 35% for FY 99, and 40% for FY 00; adjusted downward for caseload reduction credit)	13.6%	6.1%	0.0%
Families engaged in vocational educational training (as % of participating families needed to meet overall rate) ¹¹	2,823 (16.9%)	3,699 (70.7%)	4,106 (N/A)
Families engaged in unsubsidized employment (as % of participating families needed to meet overall rate) ¹¹	33,295 (199.0%)	39,676 (758.4%)	22,452 (N/A)
Number of participating families needed to meet overall participation rate required (adjusted downward for caseload reduction credit)	16,734	5,231	N/A

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

Sanctions for Failing to Comply with Work Requirements

The first sanction for failing to comply with work requirements is a 50-percent 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-percent 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).

⁹ This figure is smaller than the total number of families receiving assistance because some families are not included in this participation rate denominator.

¹⁰ The overall participation rates provided in the third row represent the average of monthly participation rates for the year.

¹¹ These figures are calculated by multiplying the required overall participation rate by the number of families in the rate, and then dividing the number of families reported as engaged in each activity by the product.

Effective July 1, 2001, a month will not count if a family is caring for a disabled child in the home who is approved for a waiver under the Home and Community Care Program.

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, 2/3 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 in Group I counties 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 asset limits for TANF cash assistance are based on the number of people in the assistance unit. For one person, the limit is \$2,000. For two persons, the limit is \$3,000. The limit increases by \$50 for each additional person.

The Illinois legislature enacted an Individual Development Account (IDA) program subject to funding availability. 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. Deposits will be matched at a rate of one to one. Effective June 1, 2001, the "purchase of an automobile" was added to the list of things for which IDA funds can be used.

Supportive Services

Child Care

A child care subsidy is provided 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 training is approved as part of the RSP, child care assistance will be provided for hours related to class attendance. Families must make co-payments on a sliding scale, based on income and number of children receiving care.

Subject to available funding, the state provides subsidized child care for working families with income up to 50 percent of the state median. Families participating in self-employment can receive a child care subsidy if they meet the eligibility guidelines. There is a seamless transition as families receive more income and leave TANF. As is the case with families enrolled in training, working families who receive child care assistance must make co-payments on a sliding scale.

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.¹² In addition to federally mandated groups,¹³ the state extends Medicaid coverage to pregnant women and children up to age one with incomes up to 200 percent of poverty, and children ages one through 18 with incomes up to 133 percent of poverty. The legislature created a separate Children's Health Insurance Program, Kid Care, which provides subsidized health insurance to children under age 19 in families with incomes between 133 percent and 185 percent of poverty.

Transportation

Transportation assistance is available for TANF families participating in work activities. Transportation assistance is provided for clients engaged in approved self-employment training when it is needed for class attendance or is a self-employment expense. Under special circumstances, payment for job-related transportation expenses may be made after the client receives his or her first paycheck to ensure that the client keeps his or her job.

¹² The 1996 welfare law "delinked" Medicaid from family cash assistance, meaning that TANF recipients are not automatically eligible for Medicaid. The law created 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.

¹³ States are required to provide Medicaid coverage to children under age six with incomes below 133 percent of poverty and children born after September 30, 1993, with incomes below 100 percent of poverty.