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Key State TANF Policies Affecting Microenterprise: Massachusetts

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The Charles Stewart Mott Foundation 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 law, TAFDC was implemented as a Temporary Assistance for Needy Families (TANF) block grant 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' average cash assistance caseload was approximately 42,570 families in fiscal year 2001. The state caseload declined by 58 percent between fiscal years 1995 and 2001, slightly more than the national caseload decline of 56 percent.

Massachusetts TANF Funding and Spending (in millions)	
Annual TANF block grant, FY 98-02	\$459.4
Welfare-to-Work formula grant, FY 99	\$20.7
80% MOE obligation, FY 00 ¹	\$382.9
75% MOE obligation, FY 00	\$358.9
State MOE spending (% of obligation), FY 00	\$358.9 (75.0%)
Unobligated TANF funds (FY 97 - FY 00 combined)	\$102.7

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

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 percent of those expenditures, and is reduced to 75 percent if the state meets federal work participation rates.

The maximum benefit level for a single-parent family with two children is \$618.² Massachusetts has the fifth highest TANF cash grant among the 50 states and DC; the national average for a family of three is \$414. In 2001 Massachusetts had the 27th highest poverty rate among the 50 states and DC at 10.2 percent, compared to 11.6 percent for the U.S. as a whole. The state median income in 2001 was the 12th highest at \$49,018; 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

Massachusetts, like most states, elected to opt out of the federal two-month community service requirement.⁴ 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.⁵

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, and then must participate in community service if they do not find a job and work at least 20 hours per week.

Countable Activities⁶

A principal way in which participation in microenterprise training could count toward the federal participation rates is as vocational educational training.⁷ Vocational educational training and skills

² Benefit level for non-exempt families, who are required to participate in work activities. 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 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 of Transitional Assistance.

Massachusetts requires individuals subject to the work requirement to do at least 20 hours per week of paid work or community service. 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.⁸

The following table shows TANF work participation data that the state reported for FY 98 through FY 00. The caseload reduction credit reduced the required overall participation rate from 30 percent to 7.3 percent in FY 98, from 35 percent to 0.9 percent in FY 99, and from 40 percent to 0 percent in FY 00. In FY 98, Massachusetts easily could have met the substantially lowered rate simply because a sufficient number of families were participating in unsubsidized employment, and therefore, could have allowed many more families to participate in microenterprise training outside the rates.⁹ In both FY 99 and FY 00, the state had an effective participation rate close to or at 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 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.

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.

⁹ In FY 98 when the state needed to meet a 7 percent participation rate, 20 percent of participating families 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, so Massachusetts could also have counted more families as engaged in vocational educational training by counting them toward the overall rate.

Reported TANF Work Participation in Massachusetts			
	FY 98	FY 99	FY 00
Families in overall participation rate ¹⁰	43,121	30,619	26,036
Families counting toward work participation rate	12,479	6,534	4,822
Overall participation rate achieved ¹¹	29.0%	27.8%	69.2%
Overall participation rate required (30% for FY 98, 35% for FY 99, and 40% for FY 00 adjusted downward for caseload reduction credit)	7.3%	0.9%	0.0%
Families engaged in vocational educational training (as a % of participating families needed to meet overall rate) ¹²	639 (20%)	285 (103.4%)	222 (N/A)
Families engaged in skills training (as a % of participating families needed to meet overall rate) ¹²	720 (22.9%)	892 (323.7%)	563 (N/A)
Families engaged in unsubsidized employment (as a % of participating families needed to meet overall rate) ¹²	7,773 (247%)	4,162 (1510.3%)	2,958 (N/A)
Number of participating families needed to meet overall participation rate required (adjusted downward for caseload reduction credit)	3,148	59	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 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 two years old (or three months old if subject to the family cap). Assistance may be extended for families that reach the time

¹⁰ This figure is smaller than the total number of families receiving assistance because some families are not included in this participation rate denominator.

¹¹ For FY 98 and FY 99, the reported number of participants does not include those who only counted toward the participation rate under the terms of the state's waiver. For FY 00, the reported number of participants includes those counting under terms of the state's waiver. The overall participation rates provided in the third row represent the average of monthly participation rates for the year.

¹² 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.

limit if they are victims of domestic violence or if the Department of Transitional Assistance 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 percent 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

Subject to available funding, 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. 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 percent of state median income. Families must make co-payments 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.¹³ Families who cease to

¹³ 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

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,¹⁴ the state extends Medicaid eligibility to all children in families with incomes up to 150 percent of poverty, and to parents in families with incomes up to 133 percent of poverty. The Massachusetts Children's Health Insurance Program plan provides for subsidized health insurance for all children in families with incomes between 150 percent and 200 percent 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.

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.

¹⁴ 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.