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Key State TANF Policies Affecting Microenterprise: Michigan

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The Charles Stewart Mott Foundation microenterprise grantee in Michigan is Detroit Entrepreneurship Institute.

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

Michigan's average FIP caseload was approximately 71,746 families in fiscal year 2001. The state caseload declined by 64 percent between fiscal years 1995 and 2001, compared to a 56-percent decline in the national caseload.

Michigan TANF Funding and Spending (in millions)	
Annual TANF block grant, FY 98-02	\$775.4
Welfare-to-Work formula grant, FY 99	\$42.2
80% MOE obligation, FY 00 ¹	\$499.8
75% MOE obligation, FY 00	\$468.5
State MOE spending (% of obligation), FY 99	\$468.5 (75.0%)
Unobligated TANF funds (FY 97 – FY 00 combined)	\$200.0

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

The maximum benefit level for a single-parent family with two children is \$459.² Michigan has the 20th highest TANF grant among the 50 states and DC; the national average for a family of three is

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.

² Benefit level for Wayne County (Detroit). Source: Burke, Vee. (2002). *TANF Benefits and Earnings Limits*, January 2002. Washington, DC: Congressional Research Service.

\$414. In 2001 Michigan had the 13th lowest poverty rate among the 50 states and DC at 9.7 percent, compared to 11.6 percent for the U.S. as a whole. The state median income was the 15th highest in 2001 at \$46,929; 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.

The Michigan Family Independence Agency and the Council of Michigan Foundations have entered into a partnership, known as the Michigan IDA Partnership (MIDAP), for Individual Development Accounts (IDAs). The Michigan Family Independence Agency has allocated \$5 million in TANF for matching funds that can be used for home purchase and post-secondary education. The Council of Michigan Foundations has pledged to raise an additional \$5 million that can be used for home purchase, post-secondary education, and business start-up or expansion. As of April 2001, the MIDAP has just completed the first round of funding, where 27 agencies were awarded funds, including the Detroit Entrepreneurship Institute and several other organizations that administer a limited number of business IDAs.

Initial Participation Requirements

Michigan, unlike most states, did not opt out of the federal two-month community service requirement.⁴ All caretaker adults are expected to work or participate in job search or another employment-related activity unless they are temporarily deferred.⁵

Many states require applicants for cash assistance and/or participants in work activities to pursue an initial job search. FIP parents who are not deferred from the work requirement must enter the Work First program and test the labor market for a maximum of four weeks, unless they are already employed at the minimum work requirement, or can be immediately placed into a Condensed Vocational Program or an Internship, Practicum, or Clinical.

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.

Countable Activities⁶

A principal way in which participation in microenterprise training could count toward the federal participation rates is as vocational educational training.⁷ Participants enrolled in the Michigan allowable activities Vocational/Occupational Training (Post-Employment Training) and Condensed Vocational Programs will be counted toward federal participation rates under the TANF category vocational educational training, provided those participants are meeting federal work requirements. (It is possible that in some situations, they would not meet federal work requirements.)

Vocational/Occupational Training, the Michigan allowable activity also known as Post-Employment Training (PET), is an occupationally relevant training component, directly related to a specific occupational field or specific job, which may combine classroom, laboratory, and other related activities. Individual participants may be enrolled in Vocational/Occupational Training after they are employed a minimum of ten hours per week. Vocational/Occupational Training (including any qualifying microenterprise programs) must be occupationally relevant and in demand, as determined by the local Michigan Works! Agency (MWA). Participants must demonstrate sufficient progress, as determined by the MWA, to remain in Vocational/Occupational Training. Participants are allowed 12 months over their lifetime to participate in Vocational/Occupational Training.

Condensed Vocational Programs are short-term (not to exceed 6 months) vocational programs that require a minimum of 30 hours of classroom seat time per week. Condensed Vocational Programs (including any qualifying microenterprise programs) also must be occupationally relevant and in demand as determined by the local MWA. Participants must demonstrate sufficient progress, as determined by the MWA, to remain in Condensed Vocational 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.

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 2000, the 30 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.

Michigan counts self-employment as unsubsidized employment⁸ as long as the participant meets or exceeds the required minimum hours of work (in FY 00, 30 hours per week for a single-parent family; 20 hours per week for a single-parent family with a child under the age of six). 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 that the state reported for FY 98 through FY 00. In all three years the state could have allowed for increased participation in microenterprise training.

In FY 98, the state could have counted a larger number of participants in vocational educational training toward meeting its participation rate. The caseload reduction credit reduced the required overall participation rate from 30 percent to 5.2 percent in FY 98. 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 6 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, so Michigan could have counted many more families engaged in vocational training toward the overall rate.

In FY98 the state also could have fully satisfied its required overall participation rate simply because a sufficient number of families were participating in unsubsidized employment. Thus, in FY98, Michigan could have allowed more families to participate in microenterprise training outside the rate. In FY 99 and 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.)

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 Michigan			
	FY 98	FY 99	FY 00
Families in overall participation rate ⁹	88,732	56,114	43,602
Families counting toward work participation rate ¹⁰	43,470	24,520	15,995
Overall participation rate achieved	49.2%	43.8%	36.4
Overall participation rate required (30% for FY 98, 35% for FY 99, and 40% for FY 00; adjusted downward for caseload reduction credit)	5.2%	0.0%	0.0%
Families engaged in vocational educational training (as a % of participating families needed to meet overall rate) ¹¹	272 (5.9%)	125 (N/A)	278 (N/A)
Families engaged in unsubsidized employment (as a % of participating families needed to meet overall rate) ¹¹	40,917 (886.8%)	20,402 (N/A)	14,794 (N/A)
Number of participating families needed to meet overall participation rate required (adjusted downward for caseload reduction credit)	4,614	N/A	N/A

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

Sanctions for Failing to Comply with Work Requirements

If noncompliance with work requirements occurs without good cause 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 without good cause is a 25-percent reduction in the family's cash payment standard and Food Stamp grant for a minimum of one month. If noncompliance continues after four months of the 25 percent reduction, 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

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.

For determining both initial and ongoing FIP eligibility and benefit amount, \$200 and 20 percent 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 provides child care assistance to FIP recipients with children under age 13 who need it to work, to participate in approved education, or for approved social and health reasons. Since it is a local MWA decision whether microenterprise training is considered vocational educational training, it is not clear whether child care assistance will be provided for these purposes. Self-employed FIP recipients earning income from employment may also receive child care. Transitional child care assistance may be provided for families leaving TANF due to employment.

Subject to available funding, the state provides subsidized child care for working families with income up to 59 percent of the state median. Families not receiving FIP must make co-payments for subsidized child care on an income-based sliding scale. An individual operating a microenterprise may be eligible for subsidized child care as long as he or she is income-eligible and receives money wages.

Medicaid

Michigan provides a joint application for FIP and Medicaid, and all FIP families are eligible for Medicaid.¹² Michigan covers only federally mandated groups in Medicaid.¹³ MICHild, the state's

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.

Children's Health Insurance Program, provides subsidized health insurance to children through age 18 in families with incomes below 200 percent 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. Transportation assistance to a job site is limited to three months. Local Michigan Works! Agencies also provide other employment support services including vehicle repair (up to \$900 in 12 months, depending on local MWA policy), vehicle purchase (up to \$1,200 lifetime, depending on local MWA policy), and one-time work-related expenses including business start-up expenses, at the discretion of the local MWA.

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.