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Key State TANF Policies Affecting Microenterprise: Oregon

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The Charles Stewart Mott Foundation 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 tougher sanctions, and expanded a subsidized employment/training program statewide. Oregon's Temporary Assistance for Needy Families (TANF) state plan was certified as effective as of October 1996 and implemented as a TANF block grant program in July 1997.

Oregon's average cash assistance caseload was approximately 18,638 families in fiscal year 2001. The state caseload declined by 53 percent between fiscal years 1995 and 2001, compared to a 56-percent decline in the national caseload.

Oregon TANF Funding and Spending (in millions)	
Annual TANF block grant, FY 98-02	\$167.9
Welfare-to-Work formula grant, FY 99	\$8.6
80% MOE obligation, FY 00 ¹	\$97.7
75% MOE obligation, FY 00	\$91.6
State MOE spending (% of obligation), FY 00	\$91.6 (75%)
Unobligated TANF funds (FY 97 - FY 00 combined)	\$4.8

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

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 single-parent families with two children is \$503² 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 \$414 for a family of three. In 2001 Oregon had the 21st highest poverty rate among the 50 states and DC at 11.8 percent, compared to 11.6 percent for the U.S. as a whole. Oregon also had the 21st highest state median income in 2001 at \$42,701. 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

Oregon, like most states, elected to opt out of the federal two-month community service requirement.⁴ For purposes of the 24-month requirement, Oregon defines work as any allowed activity, including unsubsidized employment, vocational educational training, barrier removal, and unlimited job search.⁵

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 enter into an employment development plan and participate in the Assessment Program, up to 45 days of job search or other assigned work activities, before they receive ongoing cash assistance. Once on cash assistance, families must do job search or other assigned work activities.

² Sources: Burke, Vee. (2002). *TANF Benefits and Earnings Limits, January 2002*. Washington, DC: Congressional Research Service; Oregon Department of Human Services *Family Services Manual*. The Congressional Research Service reports that the benefit level for a family of three with no income in Oregon is \$460. A family of three in Oregon participating in work activities receives an incentive payment of \$43 dollars per month that is added to their benefit amount.

³ Poverty rates and median incomes 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 Oregon defines vocational educational training as classroom training in vocational and technical skills, or equivalent knowledge, in a specific job area. Due to a state waiver, Oregon 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 activity.⁸

The following table shows TANF work participation data that the state reported for FY 98, FY 99, and FY 00. In all three years, Oregon's caseload reduction credit reduced the required overall participation rate to 0 percent. Therefore, in all three years Oregon could have allowed many families to participate in microenterprise training without being concerned about counting them toward a federal participation rate. The state did not report any families as being engaged in vocational educational training in any of the three years. 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 percent of the total caseload.

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-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 Oregon			
	FY 98	FY 99	FY 00
Families in the overall rate ⁹	14,575	12,752	11,598
Families counting toward work participation rate ¹⁰	1,479	985	7,386
Overall participation rate achieved ¹¹	98.2%	96.7%	64.0%
Overall participation rate required (30% for FY 98, 35% for FY 99, and 40% for FY 00; adjusted downward for caseload reduction credit)	0%	0%	0%
Families engaged in vocational educational training	0	0	0
Families engaged in unsubsidized employment (as a % of participating families needed to meet overall rate)	727 (N/A)	503 (N/A)	1,266 (N/A)
Number of participating families needed to meet overall participation rate required (adjusted downward for caseload reduction credit)	N/A	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

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

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 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.

¹¹ The overall participation rates provided in the third row include those counting under terms of the state's waiver for FY 98, FY 99, and FY 00 and represent the average of monthly participation rates for the year.

training or operating a microenterprise, to the extent that those activities are considered participation in the work program.

Treatment of Income

If a client passes a countable income test, 50 percent of monthly earned income is disregarded when determining both initial and ongoing TANF cash assistance eligibility and benefit amount. 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. 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 creates small Individual Education Accounts (IEAs) for the TANF families who participate in the subsidized work program known as JOBS Plus. The IEA funds, \$1.00 per hour worked in the subsidized work program after the first 30 days of work, are contributed by the employer and are not counted toward the TANF resource limit. IEA funds can only be used for certain limited educational expenses after a person leaves welfare and becomes employed in unsubsidized work for at least 30 days.

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 guaranteed for families leaving TANF for employment if they meet income requirements.

Subject to available funding, the state provides subsidized child care for families with income up to 185 percent of the federal poverty level. Families must make co-payments 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.

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.¹² 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,¹³ as well as families and non-elderly adults with gross income below 100 percent of the federal poverty level. Oregon has also created a separate state Children's Health Insurance Program that provides the same benefits as Medicaid to children through age five in families with incomes between 133 percent and 170 percent of poverty and to children ages six through 18 between 100 percent and 170 percent 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.

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.