

**State Opportunities to Provide Access to
Postsecondary Education Under TANF**

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Executive Summary

Three years into implementation of the Temporary Assistance to Needy Families (TANF) block grant, several facts have become clear:

- \$ Many more low income, single parent families are working, both within and outside of state TANF cash assistance programs.
- C While employment rates have increased, much of the employment is in jobs providing earnings below the poverty level; in addition, most employed leavers are not receiving employer benefits such as health insurance.

As states have come to understand that many families that have entered employment are still in poverty, there has been increasing attention to the issue of job advancement for those who have entered employment and for low income workers more broadly. This interest comes at a time when there is both the *funding* (TANF savings from caseload decline) and the *flexibility* (in the 1999 final TANF regulations) to allow states to create new and innovative ways to support postsecondary education and training for low income parents, both within and outside of their cash assistance programs.

This paper discusses why postsecondary education and training for low-income parents matters for the long-term success of welfare reform; explains how and to what extent a state can support postsecondary education within or outside of its cash assistance program using TANF and TANF-related funds; and describes current state TANF policies with respect to postsecondary education, including descriptions of recent state actions that increase access for low income parents.

I. Why access to postsecondary education matters

Over the long term, the success of welfare reform depends on helping welfare recipients work steadily and find better jobs. By yet neither of the two most commonly tried welfare-to-work strategies have typically achieved this. Welfare-to-work programs have typically relied primarily on either job search services or on adult basic education services to help recipients. Job search has consistently helped recipients to work more over the short-term but not over the long-term. The initial success fades because job search does not help recipients find better jobs than they could have found on their own, it does not help them keep jobs longer, and it does not help the most disadvantaged. Not helping recipients find better jobs is a key shortcoming because many recipients find low wage jobs with few benefits and their wages increase little over time. On the other hand, adult basic education-focused programs have not typically been even as successful in increasing employment and earnings as job search-focused programs.

The most effective welfare-to-work programs share a flexible, individualized approach that mixes job search, education, job training, and work in support of a clear employment goal.

Mixing job search with education and training leads to bigger and longer-lasting increases in employment and earnings; it also helps more disadvantaged recipients.

Rigorous research on welfare-to-work programs shows that some programs have also succeeded in helping welfare recipients find better jobs C higher paying and/or with benefits C and these programs typically included a job training or postsecondary education component. One of the most successful programs ever studied operated in Portland, Oregon in the mid-nineties. Through a mix of job search, work experience, basic education, and postsecondary education and training, over two years Portland helped recipients to:

- \$ attain postsecondary credentials** (a four-fold increase in the percentage of those without high school diplomas who received an occupational license or certificate);
- \$ work more** (43% increase in employment);
- \$ earn higher wages** (13% increase among those who were employed); and
- \$ find jobs with employer-provided health insurance** (19% increase among those who were employed)

Other, nonexperimental research shows that postsecondary education and training for low income individuals has a high economic return. One study tracking twenty years of earnings found that women with associate degrees earned between 19-23% more than other women--even after controlling for differences in who enrolls in college--and those with a bachelor's degree earned 28-33% more than their peers. Other studies have found that each year of postsecondary education increases earnings by 6-12%.

II. How states can support access to postsecondary education under TANF

The key points for understanding how a state can use TANF and maintenance of effort (MOE) funds in support of postsecondary education are:

A state may use both federal TANF funds and state maintenance of effort funds to support participation in postsecondary education. A state may use those funds to pay tuition; to pay other educational costs; to pay for child care, transportation and other supportive services; and to provide cash assistance to needy parents participating in postsecondary education.

The TANF 24-month work requirement need not force a state to restrict access to postsecondary education. Under TANF, an adult receiving assistance must be engaged in work by the point at which she or he has received assistance for 24 months. A state has broad discretion in defining what it means to be engaged in work for purposes of this requirement and a state can choose to count participation in postsecondary education (or other education or training activities) as being engaged in work for purposes of the 24-month requirement.

Participation in postsecondary education only counts to a limited extent toward federal TANF participation rates, but states can adopt a range of strategies to allow access to postsecondary

education without jeopardizing a state's ability to meet the required rates. To avoid federal fiscal penalties, a state must meet TANF participation rates each year.

- < **Postsecondary education by itself can count toward participation rates to some extent.** In addition, in some situations, combining postsecondary education with work can also help a state meet its participation rates.
- < **Some states can count postsecondary education to a greater extent because they are continuing waivers.** States that are opting to continue waivers that were in place at the time of the enactment of the 1996 law may be able to assert that they counted postsecondary education as a countable activity under their waiver, so should be able to continue doing so until expiration of their waiver.
- < **Caseload reduction credits reduce required state participation rates.** For many states, effective participation rates are likely to be significantly below those listed in the law, because a state's required participation rates can be adjusted downward if a state's caseload has fallen since 1995, and many states have had large caseload reduction since that time. With a reduced participation rate, it may be significantly easier for the state to allow access to postsecondary education even in situations where it does not count toward the participation rates.
- < **A state can allow participation even when it does not count toward the rates.** A state is free to allow people to participate in postsecondary education even when it does not count toward participation rates, and there is no reason why a state need be hesitant to do so, so long as the state has a strategy for ensuring that it will meet the required participation rates.

A state can structure its policies so that months in which a parent participates in postsecondary education do not count against time limits. A state is prohibited from using federal TANF funds to provide assistance to a family that includes an adult for more than 60 months (subject to limited exceptions). The federal time limits may make families hesitant to participate in lengthier activities such as postsecondary education. However, a state can structure its program so that months in which a family is participating in approved postsecondary education activities do not count against time limits, through the use of state maintenance of effort funds.

A state can use TANF funds to provide support for postsecondary education outside the welfare system. A state can also use TANF funds to provide help for postsecondary education in ways that are not considered TANF assistance. Under final TANF regulations (issued in April 1999) a state could, for example, fund a program of work study, child care and transportation benefits for students in postsecondary education outside of the state's TANF cash assistance (welfare) system.

A state can use state maintenance of effort funds to provide support for postsecondary education outside the TANF cash assistance system. A state is also free to use its maintenance of effort funds, in or outside of TANF, in support of postsecondary education. A state wishing to expand access to postsecondary education for needy parents can choose to develop a separate state program, outside of the TANF structure, and not subject to other TANF requirements. Under final TANF regulations, it is clear that a state wishing to operate a separate state program to provide access to

higher education is free to do so and does not face an elevated risk of TANF penalties if the state does so.

A state can design programs to support participation in postsecondary education after a family enters employment through a range of approaches, including Individual Development Accounts. It is permissible to use TANF funds to help low income families who have left or never received TANF cash assistance, so if a state wants to design programs to help low income families participate in postsecondary education after entering employment, the state can do so. A state can also use TANF funds to structure a program of Individual Development Accounts in which TANF funds are used to match contributions to an IDA to make it possible to save for future education.

III. A growing number of states are moving to expand access to postsecondary education within their TANF and MOE programs.

Data on state policies indicate that there are 22 states with policies allowing participation in postsecondary degree programs for longer than the 12 months countable as work under federal law¹. Of these 22- states, nine allow participation in postsecondary degree programs alone to meet the work requirement: Georgia, Illinois, Iowa, Kentucky, Maine², Rhode Island, Utah, Vermont and Wyoming. Thirteen states allow participants to meet the state work requirement for more than 12 months by combining a postsecondary degree program with some work: Arkansas, California, Delaware, Maryland, Minnesota, Missouri, Nebraska, New Hampshire, New Jersey, North Carolina, South Carolina, Tennessee and Virginia.

In 1999, a number of states took legislative or executive action to increase access to postsecondary education and training. These states include Arkansas, California, Delaware, Illinois, Kentucky, Michigan and North Carolina. Illinois has an especially innovative policy: the state "stops the clock" for purposes of TANF time limits while a TANF recipient is a full-time postsecondary degree student and requires no other work activity, provided the recipient maintains at least a 2.5 grade point average.

Conclusion

¹As of October 1999. State Policy Documentation Project, a joint project of the Center for Law and Social Policy and the Center on Budget and Policy Priorities, www.spdp.org.

²Maine allows access to postsecondary education and training through a separate state program funded with state TANF maintenance-of-effort funds.

A state has broad discretion and many choices in its use of TANF funds. Access to postsecondary education for low income parents is important, and states can use TANF and MOE resources to foster that access. While the details of federal rules are sometimes complicated, states can decide the policy they wish to adopt concerning access to postsecondary education, with the recognition that it will likely be possible to effectuate that policy through use of either TANF or MOE funds.

Introduction

Three years into implementation of the Temporary Assistance to Needy Families (TANF) block grant, several facts have become clear:

- C **There has been a large and unprecedented decline in the number of families receiving welfare assistance.** Since 1996, the number of families receiving TANF assistance has fallen from 4.4 million to 2.7 million, a decline of 40%.

- \$ **Many more low income, single parent families are working, both within and outside of state TANF cash assistance programs.** Between 1992 and 1998, the employment rate rose from 44% to 57% for single mothers with incomes under 200% of poverty. Among welfare recipients, employment rose from 7% in 1992 to 23% in 1998.¹ And of families who have left welfare, various studies show that one-half to two-thirds are working.²

- C **While employment rates have increased, much of the employment is in jobs providing earnings below the poverty level; in addition, most employed leavers are not receiving employer benefits such as health insurance.** For example, a recent study of a national sample of women who had left welfare found that among those who were employed, wages averaged \$6.61, above the minimum wage but at only the 20th percentile of wages for all

¹ *Second Annual Report to Congress on the Temporary Assistance for Needy Families (TANF) Program* (Washington, DC: U.S. Department of Health and Human Services, Administration for Children and Families, Office of Planning, Research and Evaluation, August 1999).

² See Pamela Loprest, *Families Who Left Welfare: Who Are They and How Are They Doing?* (Washington, DC: The Urban Institute, August 1999); *Welfare Reform: Information on Former Recipients' Status* (Washington, DC: U.S. General Accounting Office, GAO/HEHS-99-48, April 1999); Sarah Brauner and Pamela Loprest, *Where Are They Now? What States' Studies of People Who Left Welfare Tell Us* (Washington, DC: The Urban Institute, May 1999).

workers. Only 23% of the employed former recipients were receiving employer-provided health insurance.³ For employed TANF recipients, average earnings in 1998 were \$553 a month.⁴

As states have come to understand that many families that have entered employment are still in poverty, there has been increasing attention to the issue of job advancement for those who have entered employment and for low income workers more broadly. This interest comes at a time when there is both the *funding* (due to TANF savings from caseload decline) and the *flexibility* (in the 1999 final TANF regulations) to allow states to create new and innovative ways to support postsecondary education and training for low income parents, both within and outside of their cash assistance programs.

Recent research findings suggest that while a number of approaches can raise employment rates for low income parents, the provision of access to postsecondary education and training can be crucial to helping families move up to better jobs--those with higher wages and benefits. However, many people are often uncertain about what can and cannot be done with TANF funds, and whether access to education and training can be allowed in light of the various work-related requirements of TANF.

In this paper we:

- C discuss why postsecondary education and training for low-income parents matters for the long-term success of welfare reform;
- C explain how and to what extent a state can support postsecondary education within or outside of its cash assistance program using TANF and TANF-related funds; and
- C describe current state TANF policies with respect to postsecondary education, including descriptions of recent state actions that increase access for low income parents.

In this paper, our principal focus is on postsecondary education policies. We recognize that a state wishing to promote better jobs for low income families will want to develop an approach that

³ See Brauner and Loprest, 1999.

⁴ See *Second Annual Report to Congress*, 1999.

incorporates a number of additional features, including a broad range of other training programs, and components such as work experience, on-the-job training, and community service employment initiatives. We have focused here on postsecondary education both because it is important, and because there appears to be much misunderstanding about what is and is not possible in the TANF structure. However, we believe the ultimate emphasis in any state program needs to be on a mix of services and supports that both promotes employment and seeks to help parents advance to jobs that can help families move out of poverty.

I. Why Access to Postsecondary Education Matters

Research from evaluations of welfare-to-work programs indicates that a mix of employment services and education and training is more effective than either alone, and that programs that have succeeded in helping recipients find better jobs have typically included a postsecondary education or training component.

- A. Over the long term, the success of welfare reform depends on helping welfare recipients work steadily and find better jobs. By neither of the two most commonly tried welfare-to-work strategies have typically achieved this.**

Over the past 20 years, states have often pursued one of two welfare-to-work strategies: quick employment, which typically relies on job search and job readiness services, or skill development, which typically relies primarily on adult basic education services, reflecting the generally low education levels of many welfare recipients.

In quick employment programs, rigorous evaluations have found that job search alone helps recipients work more in the short run but not in the long run. Of the five quick employment programs that have been evaluated over the long term, only those following a mixed strategy of job search and education services—the Riverside and San Diego counties=Greater Avenues to Independence (GAIN) programs--have sustained their impacts on employment over a five year period. Impacts in all five programs peaked in the initial two years and declined thereafter.⁵ More recent quick employment programs appear to be following a similar pattern, with impacts appearing early and, after two years, leveling off in a mixed strategy site and declining in a job search-only site. The trend in the third site is not yet clear.⁶

⁵ Daniel Friedlander and Gary Burtless, *Five Years After: The Long Term Effects of Welfare -to-Work Programs* (New York, NY: Russell Sage Foundation, 1995); Stephen Freedman, Daniel Friedlander, Winston Lin, and Amanda Schweder, *The GAIN Evaluation, Working Paper 96.1, Five Year Impacts on Employment, Earnings and AFDC Receipt* (New York, NY: Manpower Demonstration Research Corporation, July 1996).

⁶ Gayle Hamilton, Thomas Brock, Mary Farrell, Daniel Friedlander, and Kristen Harknett, *Evaluating Two Welfare-to-Work Program Approaches: Two-Year Findings on the Labor Force Attachment and Human Capital Development Programs in Three Sites* (Washington, DC: U.S. Department of Health and Human Services and the

Why does this early success fade? Job search helps recipients work more but does not help them find better jobs nor does it help them keep jobs longer. It also does not help the most disadvantaged.⁷ Not helping recipients find better jobs is a key shortcoming because many recipients find low wage jobs with few benefits and their wages increase very little over time. For example, a 1997 study that looked at twelve years of earnings for young women who were receiving welfare in 1979 found that they experienced very little wage growth during the period, moving from an hourly wage of \$6.07 to only \$6.72. By contrast, the wages of women not receiving welfare at the start of the period rose substantially, from a baseline \$6.07 to over \$10 per hour.⁸ More recent research shows similarly low wage growth over time. For a national sample of women who left welfare in the early nineties, median wages increased about nine cents per hour annually over five years.⁹

U.S. Department of Education, September 1997).

⁷ Dan Bloom, *After AFDC: Welfare-to-Work Choices and Challenges for States* (New York, NY: Manpower Demonstration Research Corporation, 1997); Julie Strawn, *Beyond Job Search or Basic Education: Rethinking the Role of Skills in Welfare Reform* (Washington, DC: Center for Law and Social Policy, April 1998).

⁸ Gary Burtless, *Welfare Recipients=Job Skills and Employment Prospects* (*The Future of Children*, Vol. 7, No. 1, Spring 1997).

⁹ Maria Cancian, Robert Haveman, Thomas Kaplan, Daniel Meyer and Barbara Wolfe. *Work, Earnings, and Well-Being after Welfare: What Do We Know?* (Madison, WI: Institute for Research on Poverty, Jan. 1999).

Because wages are strongly linked to people's basic skill levels and to the occupational or educational credentials they possess, helping welfare recipients acquire better skills and credentials will be key to enabling them to move beyond low-wage jobs. Yet when states have emphasized education in welfare-to-work programs, the focus has often been on traditional adult basic education rather than job training or other postsecondary education. Few participants go on to a second activity. Research shows that these **adult basic education-focused programs take longer and cost more to achieve the same result as job search programs: the programs raise employment rates but recipients do not find better jobs. Welfare-to-work programs emphasizing adult basic education also have been less consistently successful than job search programs.**¹⁰

What works better than job search or basic education? The most effective welfare-to-work programs share a flexible, individualized approach that mixes job search, education, job training, and work. Mixing job search with education and training leads to bigger and longer-lasting increases in employment and earnings; it also helps more disadvantaged recipients.¹¹ **In addition, successful employment programs also focus consistently on employment, work closely with local employers, and set high expectations for participants.**¹²

B. Rigorous research on welfare-to-work programs shows that some programs have also succeeded in helping welfare recipients find better jobs (higher paying and/or with benefits) and these programs typically included a job training or postsecondary education component.

¹⁰ For details of this research, see Bloom, 1997 and Strawn, 1998.

¹¹ Bloom, 1997.

¹² Strawn, 1998.

The recent, very impressive results from the Portland, Oregon site of the National Evaluation of Welfare-to-Work Strategies (NEWWS) confirm earlier research findings¹³ that the most effective welfare-to-work programs are those that have a central focus on employment, but also make substantial use of education and training as a tool for helping recipients become employable and find better jobs. While employment and earnings impacts in the more job-search focused NEWWS sites were already fading at the end of two years, the impacts in Portland are among the biggest ever seen and still strong into the third year of follow up.¹⁴ This pattern is consistent with earlier research on programs like Baltimore Options, that stressed better jobs and made significant use of postsecondary education and training¹⁵ though smaller than Portland's, the Options program's earnings impacts were substantial and still growing five years after participants entered the program. Other programs that helped recipients find better jobs and included a postsecondary education or training component are Florida's Family Transition Program and the Alameda County, California GAIN program.¹⁶

Specifically the welfare-to-work program that Portland ran during the years of the study (between 1993 and 1996) helped recipients to:

- \$ work more (43% increase in employment);
- \$ earn higher wages (13% increase among those who were employed); and
- \$ find jobs with employer-provided health insurance (19% increase among those who were employed).¹⁷

Portland made finding better jobs for recipients a program priority by, for example, setting a target wage for placements that was well above the minimum wage. The community colleges that operated the program restructured their adult education services to make them shorter, more effective, and more closely connected to postsecondary education; they also provided high quality job training. As a result, Portland helped even less educated recipients to become more employable. Among those without a high school diploma or GED when they enrolled, Portland more than tripled the percentage of recipients who obtained an education or training credential. The program especially helped these high school

¹³ Hamilton et al, September 1997; Strawn, April 1998; Bloom, 1997.

¹⁴ Scrivener, Susan, Gayle Hamilton, Mary Farrell, Stephen Freedman, Daniel Friedlander, Marisa Mitchell, Jodi Nudelman, Christine Schwartz, *The National Evaluation of Welfare-to-Work Strategies: Implementation, Participation Patterns, Costs, and Two-Year Impacts of the Portland (Oregon) Welfare-to-Work Program*. (Washington, DC: Manpower Demonstration Research Corporation for the U.S. Department of Health and Human Services and the U.S. Department of Education, May 1998).

¹⁵ Friedlander and Burtless, 1995.

¹⁶ Strawn, 1998.

¹⁷ Scrivener et al, 1998. Portland's program has changed in the years since the study and is now an up-front job search program with much less emphasis on education and training.

dropouts to earn a trade license or certificate, increasing by more than four times the percentage who obtained such occupational credentials.¹⁸

- C. Other, nonexperimental research shows that postsecondary education and training for low income individuals has a high economic return.**

¹⁸ Scrivener et al, 1998.

An analysis of the labor market returns for postsecondary education found that women with associate degrees earn between 19-23% more than other women, even after controlling for differences in who enrolls in college.¹⁹ The same study, which analyzed nearly twenty years of longitudinal data while attempting to adjust for differences in ability and family background, found that women who obtained a bachelor's degree earned 28-33% more than their peers. Other studies have found that each year of postsecondary education increases earnings by 6-12%.²⁰ In addition, studies that have tracked welfare recipients who completed two or four-year degrees have found that about 90% of these graduates leave welfare and earn far more than other recipients.²¹

Census data also show a strong relationship between educational attainment, earnings, and the likelihood of being unemployed or out of the labor market. Current Population Survey data from March 1997 show, for example, that women with an associate degree earn \$3.34 more an hour than women with only a high school diploma, and earn nearly twice as much as women who have not finished high school (\$12.46 an hour compared to \$6.69).²² Women with some college also spend far more time employed (76% of weeks over a four-year period) than women without a high school diploma (employed only 49% of the same period).²³

II. How States Can Support Access to Postsecondary Education under TANF

The TANF statute provides a great deal of flexibility to states, but the rules governing the block grant structure are sometimes complex. As a result, many people have been uncertain about when is possible for a state to use federal TANF and state maintenance of effort funds in support of postsecondary education, and how federal time limits and work and participation requirements affect state choices in providing access to postsecondary education. This section explains the applicable law. While the discussion is detailed, the key point is that a state may use both TANF and state maintenance of effort funds in support of postsecondary education, and that neither federal work and participation requirements nor federal time limits need prevent the state from developing policies and committing resources in support of postsecondary education for needy families.

¹⁹ Labor-Market Returns to Two- and Four-Year College, *American Economic Review*, June 1995.

²⁰ *What's Working (and What's Not)* (U.S. Department of Labor, 1995).

²¹ Welfare Graduates: College and Financial Independence, *Jerome Levy Economics Institute Policy Notes*, 1998; *From Welfare to Independence: The College Option* (Ford Foundation, March 1990).

²² Real Hourly Wages by Education, Using CPS Education Definitions Beginning in 1992, "Economic Policy Institute's internet site, DataZone."

²³ Number of Jobs, Labor Market Experience, and Earnings Growth: Results From a Longitudinal Survey (Bureau of Labor Statistics, June 24, 1998).

A. A state may use TANF and state maintenance of effort funds to support postsecondary education.

There are four principal types of costs that might be involved in a state effort to support postsecondary education:

- C tuition;
- C other educational fees and costs;
- C child care, transportation, and other supportive services;
- C cash assistance to meet basic living costs while going to school.

A state can use federal TANF and state maintenance of effort funds for any or all of these costs. As brief background, every state qualifies each year for a TANF block grant of federal funds. As a condition of receiving the block grant, a state must meet a maintenance of effort (MOE) obligation which requires the state to spend a designated level of state funding for benefits and services to needy families. A state may, but is not required, to spend its MOE dollars in the TANF program. As discussed below, the consequences for families will differ depending on whether the MOE funds are spent in or outside of TANF. As a threshold matter, though, it is important to note that while the rules governing allowable TANF and MOE spending are not identical, a state can spend either funding stream in support of postsecondary education.

A state may, unless otherwise prohibited by the law, spend TANF funds in any manner reasonably calculated to accomplish the purpose of the law.²⁴ One purpose of the law is to provide assistance to needy families; another purpose is to end the dependence of needy parents on government benefits by promoting job preparation, work and marriage.²⁵ Thus, any of the above postsecondary education-related costs could be viewed as reasonably calculated to accomplish a purpose of TANF for members of needy families.²⁶

²⁴ 42 U.S.C. ' 604(a)(1).

²⁵ 42 U.S.C. ' 601(a) states:

The purpose of this part is to increase the flexibility of States in operating a program designed to-

- (1) provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
- (2) end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;
- (3) prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and
- (4) encourage the formation and maintenance of two-parent families.

²⁶ In addition, under 42 U.S.C. ' 604(a)(2), a state may, unless otherwise prohibited by the law, spend the funds in any manner in which the state was authorized to use amounts received under Title IV-A or Title IV-F of the Social Security Act (i.e., AFDC, Emergency Assistance, AFDC Child Care, Transitional Child Care, At-Risk Child Care or the JOBS Program) as such parts were in effect on September 30, 1995, or at state option, August 21, 1996. Since

A state can also spend state MOE funds in support of postsecondary education. MOE expenditures must be for needy families, and must be reasonably calculated to accomplish a TANF purpose.²⁷ The listing of allowable expenditures for maintenance of effort includes cash assistance and child care, and also includes:

postsecondary education was an authorized expenditure under the JOBS Program, a state could also justify its expenditures under this statutory section. However, given the breadth of what is allowable as reasonably calculated to accomplish the purpose of TANF, it is not clear that the state would need to rely on this additional provision, and there were some restrictions on the expenditure of JOBS funds for individuals in self-initiated educational activities.

²⁷ 45 C.F.R. ' 263.2. All regulatory cites are to the final TANF regulations appearing in the Federal Register of April 12, 1999, 64 Fed. Reg. 17720-19931.

Educational activities designed to increase self-sufficiency, job training, and work, excluding any expenditure for public education in the State except expenditures which involve the provision of services or assistance to a member of an eligible family which is not generally available to persons who are not members of an eligible family.²⁸

HHS has explained that under this language, expenditures for public education can only count if they involve the provision of services or assistance to a member of an eligible family which is not generally available to other residents of the state without cost and without regard to their income.²⁹ Thus, general fund expenditures for traditional, free public education cannot count toward MOE.³⁰ However, the state can count expenditures for postsecondary education or vocational programs for needy families unless all residents of the state may attend the postsecondary institution without cost and without regard to their income.³¹

Thus, it is clear that a state may choose to use TANF or MOE funds in support of postsecondary education if it wishes to do so.

B. Under TANF, an adult receiving assistance must be engaged in work[@] by the 24-month point; for purposes of this requirement, a state is free to count postsecondary education as being engaged in work.[@]

There are two principal work and participation requirements under TANF: federal participation rates (discussed below) and the 24-month requirement. The rules governing these two requirements are different. While federal participation rate requirements are very specific as to what counts as participation and the consequences of a state's failure to meet the rates, the 24-month requirement was written to allow very broad state discretion. It is up to each state to determine what counts as being engaged in work[@] and a state can count participation in postsecondary education as being engaged in work for purposes of the 24-month requirement.

²⁸ 42 U.S.C. ' 609(a)(7)(B)(I)(I)(aa), (bb), (cc).

²⁹ 42 U.S.C. ' 609(a)(7)(B)(I)(I)(cc); 45 C.F.R. ' 263.4.

³⁰ 64 Fed. Reg. 17834.

³¹ 64 Fed. Reg. 17834.

The 24-month requirement says that a state's TANF plan must provide that an adult receiving assistance will be engaged in work as defined by the state after receiving assistance for 24 months (or earlier).³² Congress wrote this requirement as a general provision affecting all families. However, while Congress enacted a specific list of what counts as being engaged in work for purposes of participation rates, Congress expressly said that for purposes of the 24-month requirement, an individual must be engaged in work as defined by the state. This was not a technicality in drafting; it was broadly recognized that states would have extensive discretion in defining the contents of the 24-month work requirements. The more specific TANF overall participation rate never exceeds 50%, and a requirement affecting every family that had reached the 24-month point would have been far more controversial were it not for the fact that it allowed for such broad state discretion in determining its content.³³ While a state's definition of being engaged in work must be within the bounds of reason, inclusion of work-preparation activities such as job search, job readiness, education and training can all be considered within the permissible activities that a state could include.³⁴ Thus, there is no reason why the 24-month requirements need be a barrier to allowing access to postsecondary education in a state's TANF program.

C. A state risks a fiscal penalty unless it meets TANF participation rates but a state can still develop an approach that allows access to postsecondary education without jeopardizing the state's ability to meet participation rates.

In the TANF structure, a state risks a fiscal penalty unless it meets annual participation rates. There are two separate participation rate calculations: an overall rate and a two-parent families rate. A state can be penalized for failing to meet either rate.³⁵ If a state fails to meet a participation rate, the state may not actually have a fiscal penalty imposed because the penalty may be waived based on reasonable cause or if the state resolves the problem through corrective compliance. As a practical matter, however, a state will likely want to avoid the risk of penalty, so will wish to ensure that it satisfies the federal participation rate requirements.

³² 42 U.S.C. ' 602(a)(1)(A)(ii); 45 C.F.R. ' 261.10.

³³ It is not clear under the law whether there is any penalty for a state that does not comply with the 24-month requirement. In the context of participation rates, Congress wrote a very specific penalty and enumerated bases for exceptions to the penalty, reasonable cause, and corrective compliance provisions. In contrast, the 24-month requirement appears in the law as a state plan provision, and there is no specified penalty for a state's failure to follow its state plan. Moreover, the law contains a set of very specific prohibitions on assistance, e.g., for teen parents not in school or in specified living arrangements, for certain immigrants, etc. However, there is no prohibition on assistance for an individual who has reached the 24-month point as is not engaged in work.

³⁴ Each of these activities are countable -- to at least a limited extent -- as being engaged in work for purposes of federal participation rates, so it would seem difficult or impossible for the federal agency to contend that it was unreasonable for a state to count such activities for purposes of its 24-month requirements.

³⁵ See generally 42 U.S.C. ' 607; 45 C.F.R. Part 261.

As a practical matter, the implications of participation rate requirements may be most severe for two-parent families, because the applicable rates and hourly requirements are higher for those families. The focus of efforts to expand or maintain access to postsecondary education have principally focused on single parent as opposed to two-parent families, but if a state wishes to expand access for two-parent families and faces significant problems due to participation rate requirements, the state may wish to consider some of the alternative approaches discussed later in this text.

1. Postsecondary education can count toward meeting participation rates to a limited extent.

There are detailed and sometimes complicated rules about which activities count and under what circumstances. (Additional details about participation rate calculations may be found in the Appendix.) For purposes of this discussion, key points to appreciate are:

C Different hourly standards apply to different families for different rates:

- < For the overall rate, single parents with children under age 6 can count by being in a countable activity for at least 20 hours a week.
- < For the overall rate, single parents with older children and members of two-parent families must meet an hourly standard that requires 25 hours a week in 1999 and 30 hours a week in subsequent years;
- < For the separately calculated two-parent rates, a higher hourly standard, of 35 hours a week (or 55 hours a week if the family receives federally funded child care, subject to a limited exception) is required to satisfy the requirements.

\$ Certain activities can count toward any required hours of participation;³⁶ other activities can only count toward the hourly requirement after the first 20 hours of participation.³⁷ Since the hourly

³⁶ Subject to certain limits, the following nine activities can count both toward the first 20 hours of participation and toward additional hours of participation: unsubsidized employment; subsidized private-sector employment; subsidized public-sector employment; work experience; on-the-job training; job search and job readiness assistance; community service programs; vocational educational training; and providing child care

requirement for single parent families with children under age 6 never exceeds 20 hours, the fact that some activities count toward hours after the first 20 only matters for two-parent families and single parent families whose youngest child is at least age six.

services to an individual who is participating in a community service program. 45 C.F.R. ' 261.31(b). A separate set of rules applicable to teen parents are found at 45 C.F.R. ' 261.33.

³⁷ Subject to certain limits, the following three activities can count toward hours of participation in excess of the 20-hour level: job skills training directly related to employment; education directly related to employment in the case of a recipient who has not received a high school diploma or a certificate or a general equivalence; and satisfactory attendance in secondary school or in a course of study leading to a GED in the case of a recipient who has not completed secondary school or received such a certificate. 42 U.S.C. ' 607(c), (d); 45 C.F.R. ' 261.31.

C Postsecondary education is not specifically listed in the listing of work activities, but there are at least two situations where involvement in postsecondary education could count toward the rates: as Vocational educational training³⁸ or as Job skills training.³⁸ Neither of these terms are defined in the law, and HHS has indicated that each state must develop its own reasonable definitions of these terms.³⁸ However, there are limits on the extent to which each of these activities can be counted:

- < No more than 30% of those counting toward a state's participation rate can count by engaging in vocational educational training. Starting in FY 2000, no more than 30% of those counting toward a state's participation rate can count by either being engaged in vocational educational training or by being a parent under age 20 engaged in school completion. Individuals cannot count toward the participation rate by participation in vocational educational training for more than 12 months. This does not prevent a state from allowing individuals to participate in vocational educational training for more than 12 months; it is just a limit on when they can count toward participation rates.
- < Participation in job skills training directly related to employment only counts toward participation rates for hours after the first twenty hour a week. For example, if Ms. Smith is working for 20 hours a week, and in skills training for five hours, she has 25 countable hours. However, if she is working for 15 hours a week and in skills training for 10 hours, she only has 15 countable hours of participation.

³⁸ 64 Fed. Reg. 17776.

State Opportunities to Provide Access to Postsecondary Education under TANF

| Overall and Two-Parent Families Maximum Participation Requirements Under TANF (before Caseload Reduction Credits)³⁹ | | | | |
|---|----------------------------|---|--|---|
| Fiscal Year | Overall Participation Rate | Hours Required to Count Toward Overall Rate | Two-Parent Families Participation Rate | Hours Required to Count Toward Two-Parent Families Rate |
| 1997 | 25% | 20 | 75% | 35 |
| 1998 | 30% | 20 | 75% | 35 |
| 1999 | 35% | 25 | 90% | 35 |
| 2000 | 40% | 30 | 90% | 35 |
| 2001 | 45% | 30 | 90% | 35 |
| 2002 and after | 50% | 30 | 90% | 35 |

In summary, a state can, to a limited extent, count participation in postsecondary education toward the participation rates. However, in FY 97 TANF participation data, many states apparently did not exercise the full ability to count individuals toward participation rates through participation in vocational educational training. In FY 97, less than 10% of those counting toward participation rates did so through engagement in vocational educational training **B** a number well below the applicable cap.⁴⁰

³⁹ The following are exceptions to the hourly requirements in the table:

- 1) Single parents of children under age 6 may count toward the overall rate in any year by being engaged in work for 20 hours a week;
- 2) Married recipients or single heads of household under age 20 can count toward rate by engaging in school completion, without being subject to express hourly requirement;
- 3) For two-parent families receiving federally funded child care assistance, a special rule generally requiring participation by both parents applies for purposes of the two-parent rate.

⁴⁰ During much of FY 97, there was uncertainty as to what the applicable cap was. At that time, there was a 20% limit, but based on ambiguity in the TANF statute, it was disputed whether the cap was 20% of those counting toward participation rates or 20% of the states caseload. The current rules, providing for the cap being 30% of those counting toward the rate were enacted in the Balanced Budget Act of 1997.

2. States continuing waivers may be able to broaden the circumstances under which postsecondary education can count toward participation rates.

Some states can count postsecondary education toward participation rates to a much greater extent because they may make use of continuing waivers to do so. At the time that Congress enacted the 1996 law, many states were in the midst of state-based initiatives through the AFDC waiver process. Congress provided that if a state had a waiver in effect when TANF was enacted, the state could elect to continue its waiver until the waiver expired, and the state would not be required to comply with inconsistent provisions of the 1996 law until expiration of the waiver.⁴¹

In final TANF regulations, HHS has made clear that if a state was allowing a broader range of activities (such as postsecondary education) to count as program participation under its waiver, the state can continue to count such activities toward TANF participation rates until the state's waiver expires.⁴² Specifically, HHS says that a state's waiver demonstration will be considered to have a work participation component if the demonstration includes provisions that directly correspond to the work policies in Section 407 of the TANF statute. This means that the state will be considered to have a work participation component to its waiver if the waiver had changed the allowable activities in the state's JOBS Program,⁴³ exemptions from JOBS participation, hours of required participation, or sanctions for noncompliance with participation requirements. If the state's waiver involved modification to any of these features, the state can elect to continue all of its prior policies relating to countable work participation, exemptions, hours of required participation and sanctions until the expiration of the waiver. However, a state wishing to do so must submit a certification to HHS by October 1, 1999, identifying the areas in which the state is asserting inconsistencies between state waiver policies and TANF requirements. To be eligible to assert inconsistencies, the state must certify that it has applied its waiver policies on a continuous basis from the date the state implemented TANF (except that the state may have adopted modifications that have effect of making its policies more consistent with TANF provisions.)⁴⁴

In summary, some states will be able to count postsecondary education toward participation rates to a greater extent, but only if the state asserts inconsistencies based on continuing a waiver until its expiration, and only if the state files the necessary certification with HHS.

⁴¹ 42 U.S.C. ' 615.

⁴² 45 C.F.R. ' 260.73; see generally 45 C.F.R. Part 260, Subpart C.

⁴³ The JOBS Program was the state's program of education, training, and work-related activities for AFDC participants prior to the 1996 law.

⁴⁴ 45 C.F.R. ' 260.75.

3. For many states, adjusted participation rates are likely to be far below listed rates as a result of the TANF caseload reduction credit.

The participation rates listed in the TANF statutes are not the actual participation rates states must meet; rather, they are the maximum possible rates. A state's actual participation rate each year is an adjusted rate, as the maximum possible rate is adjusted downward based on the TANF caseload reduction credit. Because the state may qualify for a substantial downward adjustment based on the caseload reduction credit, the state may find that it can easily meet its adjusted required participation rates and need not be hesitant to allow individuals to participate in activities that do not count toward the rates.

The caseload reduction credit provides that each year, a state's participation rate shall be adjusted downward based on the number of percentage points by which the state's caseload in the prior year was less than its caseload in 1995 for reasons other than federal or state changes in program eligibility rules.⁴⁵ For example, suppose a state has had no changes in eligibility rules since 1995, and its 1998 caseload was 30% below its 1995 caseload. In 1999, when the maximum overall participation rate is 35%, that state's adjusted participation rate would be reduced by 30 percentage points, i.e., to 5%.

Federal TANF regulations outline a process for a state to apply for a caseload reduction credit, in which the state must describe the extent of caseload decline since 1995, list eligibility rules changes since that time, and estimate the effect of eligibility rules changes on the state's caseload.⁴⁶ HHS indicates that it will accept the state's information and estimates unless they are implausible.⁴⁶ At present, it is difficult for a state to know with certainty how large a caseload reduction credit the state will qualify for until the state makes its submission and HHS responds to the state's submission. Because of this uncertainty, a state should not simply assume that the state will be able to subtract the full amount of caseload reduction when calculating its caseload reduction credit. Nevertheless, if a large share of a state's caseload reduction cannot reasonably be attributed to changes in eligibility rules, the state can reasonably conclude that a large share of that reduction will result in a caseload reduction credit.

Attached to this document is a chart calculating the extent of caseload reduction in states between FY 95 and FY 98. It is possible that the precise caseload numbers used in the calculation may be different than those reflected in available administrative data. In addition, it is important that these numbers should not be used to assume that a state can subtract the full amount of caseload decline for purposes of the caseload reduction credit, because a calculation will still need to be made of what part of the decline in a state is attributable to eligibility rules changes. Nevertheless, the available data does suggest that for many states, the adjusted participation rates are likely to be far lower than maximum possible rates, suggesting considerably more room for access to postsecondary education.⁴⁷

⁴⁵ 42 U.S.C. § 607(b)(3); 45 C.F.R. §§ 260.41-260.44.

⁴⁶ See 45 C.F.R. §§ 261.40 - 261.44.

⁴⁷ Note that a state with a significantly reduced participation rate will also be able to allow participation in other constructive activities that do not count, or count to only a limited extent, toward participation rates. For

- 4. Even when postsecondary education does not count toward participation rates, a state can still allow access for:**
- C individuals who are participating in countable activities at a level sufficient to count toward the rates; and**
 - C any individuals, so long as the state is meeting its required rates.**

There is a common misperception that a state can only allow an individual to participate in an activity if it counts toward federal participation rates. This is incorrect. A state is free to allow TANF recipients to participate in activities **B** whether or not the activities count toward participation rates **B** and a state need not be hesitant to do so, so long as the state is confident that it will meet the applicable participation rates.

A state might choose to authorize and support activities that don't count toward meeting participation rates in two settings: for individuals who are already participating in sufficient countable activities to count toward the rates, and in instances where the state is satisfied that it is meeting the applicable rate.

For example, a single parent with a child under age six can count toward participation rates by being engaged in countable activities for 20 hours a week. If, for example, the state wished to allow and support participation in postsecondary education for such a parent who was working 20 hours a week, the state could do so.

In many situations, it may not be realistic for a parent to go to school while also working 20 or more hours a week. However, a state is free to allow individuals to go to school without being engaged in other countable activities, so long as the state is confident it will meet the applicable rate. For example, suppose a state's applicable participation rate is 35% (or, with a caseload reduction credit, closer to 0%) and the state has in place a management structure that ensures that it is reaching (and will continue to reach) the required rate, it is entirely possible to approve engagement in other activities for others in the state's caseload.

example, a state that has determined there is a need for increased participation in substance abuse or mental health counseling or services relating to domestic violence will have a greater ability to do so if its adjusted participation rate is lower.

D. A state can structure its TANF Program so that months participating in approved postsecondary education activities do not count against TANF time limits.

One practical problem that a state may face in allowing access to postsecondary education concerns the interaction between such participation and time limits. Participation in postsecondary education may be for a period of several years, and could have the effect of using up some or all available months in the state's time-limited cash assistance program. Even if participation does not use up all months of assistance, a parent may be hesitant to participate in postsecondary education if the parent is fearful that such participation will mean that TANF assistance could be unavailable at a later point.

A state wishing to address the problem of time limits for participants in postsecondary education can do so by structuring its time limit policies so that a family is exempt from time limits for some or all months of participation in approved postsecondary education activities. The considerations are somewhat different for states with time limits shorter than five years and for states with five-year limits, but an exemption approach is possible for both groups of states.

A state is prohibited from using federal TANF funds to provide assistance to a family that includes an adult for more than 60 months (subject to limited exceptions). However, a state can establish time limits shorter than 60 months and a number of states have done so. If a state has a time limit shorter than 60 months, the state will often have a range of exemptions and extensions for the state's time limit and could choose to add an exemption or extension for participation in postsecondary education.

All states must attend to the 60-month limit on use of federal TANF funds, but it is possible to structure exemptions from the 60 month limit through the use of state maintenance of effort funds. Federal time limits apply to months in which families receive federally-funded TANF assistance. Typically, a state funds its TANF Program with both federal TANF funds and state maintenance of effort funds. HHS has recognized that a state might commingle its federal and state funds, in which case all families are receiving federally-funded TANF assistance, or the state might segregate state from federal funds. If the state elects to segregate state funds, then months in which families receive state-funded TANF assistance do not count against the federal TANF time limit.

If the state identifies categories of families that the state wishes to exempt (for a limited period of time or indefinitely) from time limits, the state can accomplish this goal by funding their assistance with segregated state funds. For example, Illinois' TANF program provides that months in which a family is employed for at least 25 hours a week do not count against time limits. Illinois' program also provides that months in which a family is enrolled full-time in postsecondary education and is maintaining a 2.5 grade point average do not count against time limits (up to a maximum of 36 months, not consecutive).

E. A state can use TANF funds to provide help for postsecondary education in ways outside the welfare system in ways are not considered TANF assistance. For example, the state can fund a program of work study, child care and transportation

benefits for students in postsecondary education outside of the state's TANF cash assistance (welfare) system.

States and advocates have typically focused on ways in which the state might provide access to postsecondary education within the state's TANF cash assistance program. However, under federal TANF regulations issued in April 1999, a state can also use TANF funds to provide a range of supports for low income families which will not be considered TANF assistance.⁴⁸ A state's ability to use TANF funds to provide nonassistance⁴⁸ opens up new possibilities to structure supports for postsecondary education for low income families outside of the state's welfare program.⁴⁸

If a benefit is considered TANF assistance, then a family receiving that benefit counts as part of the state's TANF caseload, is subject to TANF work and participation requirements, is subject to TANF time limits (if the benefit is federally funded), and must assign its child support to the state. Conversely, if the only benefits received by a family are considered nonassistance,⁴⁸ then the family is not considered part of the state's TANF caseload, and is not subject to TANF work and participation requirements, time limits or child support assignment requirements.

Generally, under TANF regulations, cash or noncash benefits designed to meet ongoing basic needs are considered assistance.⁴⁸ Child care and transportation subsidies for nonemployed families are also considered TANF assistance. However, child care and transportation subsidies for employed families are considered nonassistance, and wage subsidies (i.e., payments to employers or third parties to fully or partially subsidize wages for employment) are considered nonassistance.

The distinctions between assistance and nonassistance create many opportunities for states to structure new forms of help for families outside of the traditional welfare system. For example, a state could use TANF funds to fund work study slots for needy parents. The work study slots would be considered nonassistance (since they are wage subsidy positions). Then, because the participating individual is employed, the state could use TANF funds to provide child care and transportation help for schooling, and that help would also be considered nonassistance. Note that if the state used TANF funds to provide a living allowance for the student, such an allowance would be considered assistance, because it is designed to meet basic needs. However, the state might consider using state maintenance of effort

⁴⁸ See generally 45 C.F.R. 260.31; for a more extended discussion of the implications of the assistance/nonassistance distinctions for families and for program design, see Greenberg and Savner, **The Final TANF Regulations: A Preliminary Analysis** (Center for Law and Social Policy, May 1999).

funds or other state funds for such living allowances, and use TANF for the nonassistance components of a financial aid package for needy parents.

F. A state may choose to use state maintenance of effort funds to create a separate state program⁴⁹ to provide access to postsecondary education.

A critical aspect of state flexibility in the TANF structure flows from the choices a state has in use of maintenance of effort (MOE) funds. MOE is a requirement that a state must spend at least a specified amount of state funds for benefits and services for members of needy families each year. A state may spend its MOE dollars as part of or outside of the state's TANF cash assistance program. If the state elects to spend MOE dollars in a separate state program, i.e., a program that receives no federal TANF funds, then the families participating in that separate state program are not considered to be receiving TANF assistance, and they are not subject to the time limits, work and participation requirements, and other requirements that apply to those receiving assistance in the state's TANF Program.

Initially, the federal government had been fearful that states might use separate state programs to undercut the goals of TANF, and proposed regulations were broadly viewed as seeking to discourage states from implementing separate state programs, through an approach under which states electing to use MOE for separate state programs would not be eligible for the same relief from TANF penalties that was available to other states. However, in final regulations, HHS dropped the proposed policies that would have restricted the availability of penalty relief for states that operate separate state programs.⁴⁹ As a result, a state will not increase its risk of having a TANF penalty imposed by implementing a separate state program. Moreover, HHS expressly recognized that a state might wish to make use of a separate state program for postsecondary education and that it is permissible to do so. In response to comments, HHS explained:

We have been persuaded that States are using both separate State programs and the TANF program to serve a variety of policy purposes that do not seem to be designed to avoid TANF requirements. For example, States are working to increase the economic viability of families by providing financial aid for post-secondary education and supporting other education and training activities on a selective basis. Unless excluded, educational expenditures with respect to eligible families count for basic MOE purposes if the activities are designed to increase self-sufficiency, job training, and work. These activities may be under the TANF program or apart from the TANF program. In either case, we hope that State and local officials are working with educators, post-secondary institutions, and the business community to design appropriate opportunities for families consistent with the goals of TANF.⁵⁰

⁴⁹ 64 Fed. Reg. 17729.

⁵⁰ 64 Fed. Reg. 17835.

There are at least three different reasons a state might wish to use MOE funds to create a separate state program for education instead of (or in addition to) allowing access to postsecondary education in TANF:

- C A state could decide that access to postsecondary education is important, but that participation in longer term education is inconsistent with the message of the state's TANF Program. If the TANF Program has a strong work first orientation, in which the strong emphasis is on rapid job placement whenever possible, the state might decide that it would be preferable to have a separate program of access to postsecondary education so that the TANF Program is not sending inconsistent messages;
- C A state might be concerned that allowing access to postsecondary education in TANF could impair its ability to meet federal participation rates, and that it would be preferable to design a separate program for access (though, as indicated above, many states are not likely to be in this posture);
- C Finally, a state might decide that one opportunity presented by the block grant/MOE structure is the ability to design a separate program completely outside of the welfare system to foster access to postsecondary education for low income families. Broadly, the state could determine that there should be an adequate system of financial aid and support services for postsecondary education outside of welfare, so that a family need not turn to the welfare system in order to get help to go to school.

As the above reasons suggest, there are a multitude of different approaches that a state could take to the design of a separate state program for access to postsecondary education:

- C The state could have a program that looks very much like TANF, but with a principal purpose of providing financial assistance (at, above, or below the TANF level) for needy families needing a living allowance/stipend while going to school
- C The state might use MOE funds to expand an existing state structure (or create a new structure) of grants, loans, and other financial assistance for needy families for postsecondary education. The program could be administered by the TANF agency, a higher education agency, or individual schools as they design packages of financial aid.
- C The state might use MOE funds to create or expand a state-based work study program for needy parents, either making work-study the principal form of financial assistance, or providing a combination of work-study, grants and/or loans for such families.
- C The state might use MOE funds to expand the availability of child care, transportation, and other support services for needy families.

- C The state might use MOE funds for matching contributions for a program of Individual Development Accounts expressly targeted on making access to postsecondary education more available for needy families.
- C The state might structure a program of access to postsecondary education as a transition benefit for families that have left TANF due to employment, or might structure a program of such assistance on an insurance basis, i.e., in which any needy family could qualify based on a certain number of quarters of work history.

As these examples suggest, the choices are many, but the key point is that by using MOE funds, a state can reconceptualize the issue of access to postsecondary education as a financial aid issue rather than a welfare issue and can potentially design a more sustainable program in this manner.

To date, two states have developed state legislation providing for separate state programs for access to postsecondary education funded with MOE dollars.

Maine's Parents as Scholars (PaS) Program provides cash assistance (at the same level as the state's TANF Program) for needy parents in approved two-year and four-year programs. It also provides the same access to supportive services as is available in TANF. PaS does not usually pay tuition or other mandatory fees, though the program can do so under limited circumstances. The program is limited to 2000 participants at any one time. For an individual to qualify, there must be a determination that the parent:

- C is otherwise eligible for TANF;
- C is enrolled in a two-year or four-year program;
- C does not already have a bachelor's degree in a field where there is available work;
- C lacks the skills to earn at least 85% of the state's median wage;
- C is in a program where the degree will improve the ability to support a family; and
- C has the ability to succeed in the chosen program.

Maine's program requires that an individual must meet a 20-hour-a-week participation requirement in the first two years (with class and preparation hours counting toward the requirement). In addition, after an individual has received assistance in the program for two years, the individual must either participate in 15 hours of work site experience in addition to school, or participate in a total of 40 hours per week of education, study and work, in order to receive continued assistance.⁵¹

Currently Wyoming is allowing parents to participate in postsecondary education within the TANF program itself, as the state believes it can do so and still meet federal work participation rates. The state

⁵¹ For more information about Maine's Parents as Scholars Program, see the pamphlet at web site of Maine Equal Justice Partners, <http://www.mejp.org>.

is not presently making use, therefore, of a separate state program it created. Wyoming's state legislation authorizes (subject to available funding) a State Postsecondary Education Program to be funded with MOE dollars. The program is for single parents meeting TANF eligibility standards, under which a parent can, with approval of the state agency, participate in educational activities leading to no more than a first BA degree or vocational training program license/certificate if the individual:

- C has been a resident of Wyoming for at least two years before starting the program or is a graduate of a Wyoming high school;
- C has been employed for at least 32 hours a week for at least 10 of the 16 weeks before registration and enrollment;
- C competes an assessment to determine postsecondary education is needed for the individual to become employable;
- C is enrolled at the University of Wyoming, a Wyoming community college or other school or training center accredited by the State or approved by the state agency;
- C in enrolled in a program which leads to a specific job;
- C maintains enrollment of at least 12 credit hours each semesters and a total of 30 credits per school year;
- C maintains a cumulative Grade Point average of at least a **AC**;
- C if employed for at least 32 hours a week for 10 weeks each summer break unless enrolled for at least 6 credit hours;
- C cooperates with paternity and child support requirements;
- C agrees to relocate after graduation, if necessary, to seek employment in the specified job.⁵²

The Maine and Wyoming examples are illustrative of the types of approaches that states could take to the establishment of separate state programs outside of TANF.

G. If a state wishes to encourage participation (or additional participation) in the workforce before attendance at postsecondary education, the state can use TANF funds to provide help for postsecondary education after families enter employment through a range of approaches, including Individual Development Accounts.

In implementing TANF, many states articulated their preference for families participating in education and training activities after entering employment. As a practical matter, though, it may be difficult or

⁵² The basic requirements for the Wyoming Postsecondary Program can be located at the state agency website, <http://dfsweb.state.wy.us/P&P/POWERPAT.HTM>.

impossible for a parent to participate in existing programs on nights or weekends or in other available time while the parent seeks to balance working, caring for children, and participation in such activities.

A state wishing to promote educational opportunities for employed parents can, of course, use TANF or MOE funds to expand the availability of child care and transportation help for employed parents, and can also pay the costs of tuition or other costs of program participation. The state could also pay participation stipends for such parents. Such costs would be considered TANF assistance if paid with TANF funds, but could also be structured as a separate state program funded with MOE dollars. A state can also use TANF or MOE funds to expand the available offerings at community colleges or by other training providers to ensure that the curricula, schedules, and length of classes are responsive to the needs of working parents.

In addition, a state could pay subsidies to employers to encourage employers to provide on-the-job training or to allow release time to make it more possible for parents to participate in education activities. Work subsidy payments to employers are excluded from the definition of assistance.⁵³ If, for example, a state provided an employer subsidy so that the parent was paid for a full-time work week, and the parent went to work four days and to school one day each week, the costs of the work subsidy would be considered nonassistance.

Finally, a state might consider developing or expanding a program of Individual Development Accounts in support of postsecondary education for TANF participants, other needy parents, or for the future needs of children in low income families. Under the TANF statute, a state may implement a program of Individual Development Accounts for needy families, under which the state or other entities might match a family's contributions from earnings into a savings account for which the allowable purposes are restricted.⁵³ Under the federal law, allowable purposes for such IDAs are limited to home ownership, starting small businesses, and saving for postsecondary education. Funds in an IDA meeting the requirements of the law will not be considered income or resources for purposes of other federal means-tested programs (but will be considered income for tax purposes). A state could structure a program in which family contributions to an IDA were matched on a dollar-for-dollar basis or on more favorable terms, and could structure state contributions so that they are made at particular benchmark points, e.g., entering employment, retaining employment for ninety days, etc.

III. Current State Policies on Access to Postsecondary Education within their TANF and MOE Programs

States develop their own work requirements, and define the activities that can meet these requirements. Some states impose minimum hourly requirements that participants must meet. Many states are allowing greater access to postsecondary education and training under TANF than simply what is

⁵³ 42 U.S.C. § 604(h); 45 C.F.R. §§ 263.20-263.23.

countable toward meeting federal participation rates. Moreover, developments in 1999 suggest that the number of states allowing such access is growing.

A. In nearly half the states participation in postsecondary degree programs can meet the state work requirement for longer than the 12 months countable toward TANF participation rate requirements.

The State Policy Documentation Project, a joint project of CLASP and the Center on Budget and Policy Priorities, is collecting detailed information on state TANF policy decisions. The project found that, as of October 1999, 22 states allow participation in postsecondary degree programs to meet the state work requirement for more than 12 months, at least under some circumstances. See Table 1.

Of the 22 states, nine allow participation in postsecondary degree programs alone to meet the state work requirement: Georgia, Illinois, Iowa, Kentucky, Maine,⁵⁴ Rhode Island, Utah, Vermont and Wyoming. Thirteen states allow participants to meet the state work requirement for more than 12 months by combining postsecondary degree programs with some work: Arkansas, California, Delaware, Maryland, Minnesota, Missouri, Nebraska, New Hampshire, New Jersey, North Carolina, South Carolina, Tennessee and Virginia.

In twelve more states, postsecondary degree programs can meet the work requirement for up to 12 months. Four of the thirteen states—Alaska, Florida, Nevada and Pennsylvania—allow postsecondary degree programs as a stand-alone activity. In the other eight states—Arizona, District of Columbia, Indiana, Kansas, Louisiana, Michigan, North Dakota and Texas—postsecondary degree programs in combination with some work can meet the state work requirement for up to 12 months.

In another thirteen states, participation in a postsecondary degree program does not meet the state work requirement: Alabama, Connecticut, Hawaii, Idaho, Massachusetts, Mississippi, New Mexico, Oklahoma, Oregon, South Dakota, Washington, West Virginia and Wisconsin. Most of these states do allow up to 12 months of vocational educational training, which, depending on the state's definition, may include community college training programs. Participants in vocational educational training may have to combine training with work in order to meet an hourly work requirement. In several of the states, participants can receive support services for participation in degree programs, but only if they first meet the state's hourly work requirement.

⁵⁴Maine allows access to postsecondary education and training through a separate state program funded with state maintenance of effort (MOE) funds. See Section II for a description of this program.

Four more states—Colorado, Montana, New York and Ohio—leave it to counties to decide whether to allow participation in postsecondary degree programs to meet the work requirement.

B. In the spring and summer of 1999, a number of states took legislative or executive action to increase access to postsecondary education and training.

In 1999, some states, such as Michigan, moved from allowing little or no preemployment education and training to allowing vocational education within the constraints of what is countable toward federal work participation rates. Several states went farther, allowing access to postsecondary education and training beyond what is countable toward federal participation rates:

Arkansas—Legislation was enacted to allow qualified recipients to enroll in two-year and four-year postsecondary degree programs and count it toward meeting state work requirements. Recipients are encouraged to also work in internships related to their degree, but these internships cannot be required for more than 15 hours per week (unless it is determined that allowing education to count as work adversely affects the state's ability to meet federal work participation rates).

California—The Legislature passed a bill to count up to six hours of study time toward meeting state work requirements (postsecondary class time already counted) and to codify notice and appeal rights for those who are not allowed to continue or not informed they can continue participation in self-initiated activities, such as postsecondary education, when they enter into CalWORKs (the state's welfare-to-work program). The bill was vetoed by the Governor.

Delaware—Legislation was enacted to allow secondary and postsecondary education and job training to count toward meeting state work requirements. Recipients must enroll as full-time students and must maintain good standing for academic progress and attendance, as defined by the school. In addition, the combination of credit hours and work must total 20 hours per week while the program is in session. The work requirement may be met through work-study, internships, externships or work as a research assistant. The department must advise recipients of this education option at application and at each recertification.

Kentucky—Regulations were adopted to expand from one year to two years the amount of time that welfare recipients can be in postsecondary education and have it satisfy state work requirements. (The state's policies are described in more detail below.)

Michigan—Legislation was enacted to allow post employment training to meet the work requirement for up to 12 months. Post employment training can include the last year of a two- or four-year college program designed to lead to an immediate job. Participants must work 10 hours per week, and can count up to 10 hours of class time and one hour of study time per hour of class time toward the hourly work requirement.

North Carolina For up to twenty percent of recipients, at least part-time enrollment in postsecondary education is now an authorized work activity. In Standard Counties,⁵⁵ welfare recipients who are enrolled on at least a part-time basis in a postsecondary education program and maintain a 2.5 grade point average will also have the time limit clock stopped for up to three years for purposes of the state's two year limit on TANF benefits.

To help illustrate how states can choose to expand access to postsecondary education within their TANF programs, the policies of two states, Illinois and Kentucky, are described in more detail below.

Illinois A January 1999 executive order by outgoing Governor Jim Edgar changed the state's policy to support up to four years of postsecondary education:

- \$ Full time enrollment in postsecondary education with at least a 2.5 grade point average will stop the time limit clock. Under the new policy, months spent pursuing a postsecondary degree will not count against the 60-month lifetime limit on TANF benefits as long as a 2.5 grade point average is maintained, up to a maximum of four years of school (36 months, not necessarily consecutive).
- \$ Individuals enrolled in a postsecondary degree program are not subject to a work requirement, so long as they maintain a 2.5 grade point average.

Kentucky Regulations adopted in 1999 provide that parents may participate in postsecondary education for up to 24 months before other work activities are required, if they are attending full-time and are making satisfactory progress as defined by the school.

Kentucky's state legislation expressly provides that:

- C the state agency will notify parents of education components in the state's program, at least once a year (at least six weeks before the start of the fall semester), during the initial and any subsequent self-sufficiency planning process, during conciliation in which the parent requests a change in placement, and at any time requested by the parent;
- C state workers must honor requests to volunteer for basic, secondary, postsecondary and vocational education programs when:

⁵⁵ Standard Counties must follow state TANF policies. Certain other counties in North Carolina have some discretion to deviate from state-set TANF policies.

- C the activity is countable toward federal work participation rates or combined with work activities countable toward federal work participation rates;
- C the activity is made part of a self-sufficiency plan in which it will lead to achievement of a specific employment goal;
- C the parent meets admission criteria for the educational program; and
- C the parent does not already have marketable skills sufficient to achieve at least 200% of the federal poverty level.

The Kentucky legislation also provides that the state will honor requests to continue current education activities when the parent is making good and satisfactory progress. In addition, Kentucky supports postsecondary education and training for former TANF recipients by providing child care assistance while they are attending school.

Conclusion

A state has broad discretion and many choices in its use of TANF funds. Access to postsecondary education for low income parents is important, and states can use TANF and MOE resources to foster that access. While the details of federal rules are sometimes complicated, states can decide the policy they wish to adopt concerning access to postsecondary education, with the recognition that it will likely be possible to effectuate that policy through use of either TANF or MOE funds.

In emphasizing this array of choices, we do not mean to suggest that the restrictions on the countability of postsecondary education in federal participation rate rules are unimportant. The federal participation rate rules do send a significant, and unfortunate, signal that postsecondary education is not valued in the federal law for families receiving TANF assistance in the same way that a number of other activities are valued. It would be preferable, and simpler, if this restriction did not exist. Nevertheless, it need not stop states from developing appropriate policies when the extent of flexibility under the law is understood.

Table 1: Postsecondary Education and State TANF Work Requirements

Participation in a two-year or four-year degree program:

| Does not meet state work requirement H | Can meet state work requirement for up to 12 months | Can meet state work requirement for more than 12 months | Policy set by county |
|---|--|--|--|
| 13 | 12 | 22 | 4 |
| Alabama Connecticut Hawaii Idaho Massachusetts Mississippi New Mexico Oklahoma Oregon South Dakota Washington West Virginia Wisconsin | <u>As a stand-alone activity</u> Alaska Florida* Nevada Pennsylvania <u>Combined with some work</u> Arizona District of Columbia Indiana* Kansas* Louisiana Michigan North Dakota Texas Virginia | <u>As a stand-alone activity</u> Georgia ⁵⁶ Illinois Iowa Kentucky Maine ⁵⁷ Rhode Island Utah Vermont Wyoming <u>Combined with some work</u> Arkansas California Delaware Maryland ⁵⁸ Minnesota* Missouri* Nebraska* New Hampshire* New Jersey* North Carolina South Carolina Tennessee | Colorado Montana New York* Ohio ⁵⁹ |

⁵⁶Requires supervisory approval

⁵⁷Maine allows access to postsecondary education through a separate state program funded with state maintenance of effort (MOE) funds.

⁵⁸Counties have discretion to allow postsecondary education as a stand-alone activity.

⁵⁹County discretion to allow postsecondary education as a stand-alone activity and pay tuition for up to 24 months

| Does not meet state work requirement ^H | Can meet state work requirement for up to 12 months | Can meet state work requirement for more than 12 months | Policy set by county |
|---|---|---|----------------------|
| 13 | 12 | 22 | 4 |
| | | Virginia | |

Notes: This table does not indicate whether states count participants in postsecondary degree programs toward federal TANF participation rates. State officials in Massachusetts, North Carolina and Wyoming did not verify our information on their policies.

^H Vocational educational training, not including degree programs, may meet the state work requirement; participants may have to combine training with another countable activity in order to meet an hourly requirement. In Alabama, Hawaii, Massachusetts, New Mexico and West Virginia, participants can receive support services for hours spent in a postsecondary degree program if they first meet the state's hourly work requirement.

* Limited to two-year degree programs

Table 2: AFDC / TANF Caseload, FY 95 - FY 98 (Families)

| STATE | Fiscal Year Average | | | | Percent Change | | |
|----------------|---------------------|---------|---------|---------|----------------|---------|---------|
| | FY95 | FY96 | FY97 | FY98 | FY95-96 | FY95-97 | FY95-98 |
| Alabama | 46,030 | 42,338 | 33,819 | 23,792 | -8.02% | -26.53% | -48.31% |
| Alaska | 12,426 | 12,253 | 12,023 | 10,210 | -1.39% | -3.25% | -17.84% |
| Arizona | 69,609 | 63,404 | 54,737 | 40,163 | -8.91% | -21.36% | -42.30% |
| Arkansas | 24,296 | 22,704 | 20,661 | 13,844 | -6.55% | -14.96% | -43.02% |
| California | 919,471 | 895,042 | 816,643 | 707,081 | -2.66% | -11.18% | -23.10% |
| Colorado | 38,557 | 35,447 | 29,808 | 20,800 | -8.07% | -22.69% | -46.05% |
| Connecticut | 60,985 | 58,073 | 55,764 | 47,189 | -4.78% | -8.56% | -22.62% |
| Delaware | 10,775 | 10,375 | 9,747 | 7,423 | -3.72% | -9.54% | -31.11% |
| Dist. of Col. | 26,789 | 25,721 | 24,121 | 21,264 | -3.98% | -9.96% | -20.62% |
| Florida | 230,807 | 211,975 | 171,271 | 111,143 | -8.16% | -25.79% | -51.85% |
| Georgia | 139,135 | 130,024 | 106,837 | 78,196 | -6.55% | -23.21% | -43.80% |
| Hawaii | 21,674 | 21,960 | 22,728 | 21,847 | 1.32% | 4.86% | 0.80% |
| Idaho | 9,071 | 9,049 | 6,561 | 1,860 | -0.24% | -27.67% | -79.50% |
| Illinois | 236,205 | 224,274 | 198,443 | 170,917 | -5.05% | -15.99% | -27.64% |
| Indiana | 65,618 | 52,686 | 44,561 | 39,679 | -19.71% | -32.09% | -39.53% |
| Iowa | 36,483 | 32,724 | 28,838 | 25,167 | -10.30% | -20.96% | -31.02% |
| Kansas | 28,232 | 25,148 | 20,176 | 13,911 | -10.93% | -28.53% | -50.73% |
| Kentucky | 75,384 | 71,289 | 64,793 | 52,645 | -5.43% | -14.05% | -30.16% |
| Louisiana | 79,825 | 70,465 | 56,585 | 47,916 | -11.72% | -29.11% | -39.97% |
| Maine | 21,694 | 20,428 | 18,456 | 15,331 | -5.84% | -14.93% | -29.33% |
| Maryland | 80,383 | 73,326 | 59,244 | 47,564 | -8.78% | -26.30% | -40.83% |
| Massachusetts | 100,852 | 86,797 | 76,318 | 66,409 | -13.94% | -24.33% | -34.15% |
| Michigan | 201,696 | 177,726 | 151,429 | 123,693 | -11.88% | -24.92% | -38.67% |
| Minnesota | 57,061 | 56,400 | 53,300 | 48,464 | -1.16% | -6.59% | -15.07% |
| Mississippi | 52,528 | 47,700 | 38,339 | 23,631 | -9.19% | -27.01% | -55.01% |
| Missouri | 89,299 | 82,622 | 71,879 | 60,074 | -7.48% | -19.51% | -32.73% |
| Montana | 11,508 | 10,804 | 8,689 | 7,275 | -6.12% | -24.50% | -36.78% |
| Nebraska | 14,828 | 14,156 | 13,578 | 13,374 | -4.54% | -8.43% | -9.81% |
| Nevada | 15,708 | 14,509 | 11,855 | 10,383 | -7.63% | -24.53% | -33.90% |
| New Hampshire | 10,800 | 9,538 | 7,933 | 6,295 | -11.68% | -26.55% | -41.72% |
| New Jersey | 118,883 | 111,976 | 100,112 | 81,665 | -5.81% | -15.79% | -31.31% |
| New Mexico | 34,444 | 33,852 | 27,041 | 21,363 | -1.72% | -21.49% | -37.98% |
| New York | 456,929 | 431,610 | 384,375 | 336,858 | -5.54% | -15.88% | -26.28% |
| North Carolina | 125,503 | 113,262 | 99,178 | 76,337 | -9.75% | -20.98% | -39.18% |
| North Dakota | 5,215 | 4,885 | 4,190 | 3,275 | -6.32% | -19.65% | -37.19% |
| Ohio | 228,171 | 206,722 | 184,830 | 140,286 | -9.40% | -18.99% | -38.52% |
| Oklahoma | 44,790 | 38,736 | 30,625 | 24,135 | -13.52% | -31.63% | -46.11% |
| Oregon | 39,264 | 33,444 | 24,307 | 18,898 | -14.82% | -38.09% | -51.87% |

State Opportunities to Provide Access to Postsecondary Education under TANF

| | | | | | | | |
|----------------|-----------|-----------|-----------|-----------|---------|---------|---------|
| Pennsylvania | 204,771 | 190,172 | 163,436 | 134,995 | -7.13% | -20.19% | -34.08% |
| Rhode Island | 22,194 | 21,047 | 19,782 | 19,229 | -5.17% | -10.87% | -13.36% |
| South Carolina | 48,981 | 45,567 | 34,032 | 25,293 | -6.97% | -30.52% | -48.36% |
| South Dakota | 6,286 | 5,984 | 5,096 | 3,851 | -4.80% | -18.94% | -38.74% |
| Tennessee | 104,009 | 94,193 | 70,358 | 57,185 | -9.44% | -32.35% | -45.02% |
| Texas | 274,505 | 254,597 | 208,729 | 145,232 | -7.25% | -23.96% | -47.09% |
| Utah | 16,648 | 14,753 | 12,294 | 10,769 | -11.38% | -26.15% | -35.32% |
| Vermont | 9,648 | 9,046 | 8,282 | 7,366 | -6.24% | -14.15% | -23.65% |
| Virginia | 72,147 | 64,897 | 53,565 | 36,271 | -10.05% | -25.76% | -49.73% |
| Washington | 101,949 | 98,933 | 92,837 | 77,762 | -2.96% | -8.94% | -23.72% |
| West Virginia | 38,404 | 36,460 | 33,297 | 17,351 | -5.06% | -13.30% | -54.82% |
| Wisconsin | 72,366 | 60,036 | 41,016 | 14,649 | -17.04% | -43.32% | -79.76% |
| Wyoming | 5,200 | 4,732 | 2,745 | 1,247 | -8.99% | -47.21% | -76.02% |
| US | 4,818,034 | 4,483,860 | 3,889,261 | 3,131,554 | -6.94% | -19.28% | -35.00% |

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

Table 3: A Summary of Activities Countable Toward TANF Overall Participation Rates

| Activity | Countable Toward First 20 Hours | Countable Toward Hours in Excess of 20 Hours |
|--|---|--|
| Unsubsidized Employment | Yes | Yes |
| Subsidized private sector employment | Yes | Yes |
| Subsidized public sector employment | Yes | Yes |
| Work experience (including work associated with refurbishing of publicly assisted housing) | Yes, if sufficient private sector employment is not available | Yes, if sufficient private sector employment is not available |
| On-the-job training | Yes | Yes |
| Community service programs | Yes | Yes |
| Provision of child care services to an individual participating in a community service program | Yes | Yes |
| Vocational educational training | Yes, but not to exceed 12 months for any individual, and subject to the 30% cap described below. | Yes, but not to exceed 12 months for any individual, and subject to the 30% cap described below. |
| Education for Married Recipients or Single Heads of Households Under Age 20 | Can count -- subject to the 30% cap described below - if the recipient: 1) maintains satisfactory attendance at secondary school or the equivalent during the month; <u>or</u> 2) participates in education directly related to employment for at least 20 hours a week during the month. | If married or single head of household under 20 is maintaining satisfactory attendance at secondary school or the equivalent <u>or</u> participating in education directly related to employment for at least 20 hours per week during the month, he or she will be deemed to be meeting participation rate requirements (subject to 30% cap.) |
| Activity | Countable Toward First 20 Hours | Countable Toward Hours in Excess of 20 Hours |
| Job Search and Job Readiness | Yes, but only for 6 weeks per year, and not for a week after four consecutive weeks; provided that | Hours can only count if individual is still within the 6 week/12 week limits on counting job search and |

| | | |
|--|---|---|
| | job search will be countable for 12 weeks if the State's unemployment rate is at least 50% greater than the unemployment rate of the United States. On not more than one occasion per fiscal year, the State may count an individual as having participated in job search for a week if the individual participated for three or four days. | job readiness toward participation rates. |
| Job skills training | Only if it can fit into another category. | Yes, if directly related to employment |
| Education directly related to employment | Only for married recipients or single heads of household under age 20 (see above), unless it can fit into another category. | Only in the case of a recipient who has not received a high school diploma or a certificate of high school equivalency, or in the case of married or single parent heads of household under age 20. |
| Secondary School or Course of Study leading to GED | Only for married recipients or single parent household heads under age 20, unless it can fit into another category. | Yes, if satisfactory attendance by a recipient who has not completed secondary school or received GED. |
| Postsecondary Education | Only if it can fit into another category. | Only if it can fit into another category. |

30% Cap: Not more than 30% of individuals counting toward participation rate may be determined to be engaged in work for a month by participating in vocational educational training. Beginning in FY 2000, the 30% cap applies to the combination of individuals in vocational educational training and single heads of household under age 20 who are attending secondary school or its equivalent or participating in education directly related to employment.

Two-parent rates: For purposes of the two parent rates, at least 30 of the required 35 hours must be attributable to activities which are countable toward the first 20 hours for the overall rate. If the two-parent family is subject to a 55-hour participation requirement, at least 50 of those hours must be attributable to hours which are countable toward the first 20 hours for the overall rate.

Appendix: How Much Has Participation in Postsecondary Education and Training Fallen Under TANF?

The Problem of Federal Data Reporting

Even before enactment of the 1996 welfare law, a number of states had decided to reorient their welfare-employment programs to a "work first" philosophy, emphasizing rapid labor force entry and discouraging longer-term access to education and training. It is difficult to separate the independent effect of the 1996 law from the trend that was already underway, but there seems to be little dispute that access to education and training in many states is now significantly more restricted than had been the case at earlier points. While there seems to be broad agreement on this basic point, it is impossible to precisely determine the magnitude of the decline in participation from existing federal data.

There are three principal data sources that can be used in trying to quantify the shift away from access to education and training in recent years. The first source is data collected by the federal government on applicants and recipients of federal student aid. These data show that the number of students applying for student aid who reported receipt of federal cash assistance dropped from 684,763 in the 1994-1995 school year to 358,530 in the 1998-1999 school year, a drop of 47.6%.⁶⁰ Because cash assistance caseloads were also dropping sharply throughout this period, it is not possible to know how much of this decline can be attributed to a shift away from education and training within the welfare system and how much is due to families leaving the welfare rolls. The drop in applicants for student aid who were also welfare recipients is greater than the overall drop in the caseloads, but if those applying for student aid were more employable than the caseload as a whole, this could simply mean that in the strong economy they were among the first recipients to leave welfare for work.

⁶⁰September 22, 1999 analysis by the U.S. Department of Education from Title IV Central Processing System MIS Reports A/AS-01 and M/OP-02. Data on Pell Grant recipients also reflects a drop (23.7% from 1993-1996), but is not directly comparable as the information on welfare receipt lags a year behind that available for student aid applicants.

A second source is a study of seven states by the U.S. General Accounting Office, which looked at the percentage of welfare-to-work participants involved in education and training (including adult basic education) as compared to other activities in the period between 1994 and 1997, and found marked declines in all seven states, as shown below.

Proportion of Active Welfare-to-Work Participants in Education and Training Activities Before and After Federal Reform⁶¹

| Year | Calif. | Conn. | La. | Md. | Oreg. | Tex. | Wis. |
|-------------|---------------|--------------|------------|------------|--------------|-------------|-------------|
| 1994 | 76.7% | 85.0% | 87.8% | 65.1% | 44.4% | 75.3% | 60.4% |
| 1997 | 53.3% | 31.7% | 48.6% | 10.5% | 27.5% | 36.1% | 12.5% |

Apart from the GAO report, one might attempt to get some sense of the drop in participation by comparing state reporting to the federal government under the JOBS Program (under prior law) and more recent reporting for purposes of TANF participation rates. Unfortunately, though, it is impossible to directly quantify the magnitude of the decline, because of limits and differences in how states currently report and previously reported participation in activities.

- C Under prior law, a state would report the number of individuals being counted for purposes of participation rates in the JOBS program. An array of activities were countable, and the state could count as participants individuals participating for less than 20 hours a week, so long as they were part of a group that, when combined and averaged, were participating for at least 20 hours a week. Participation in postsecondary education and training might have been reported in any of four categories (assigned higher education, self-initiated higher education, vocational training, and job skills training). However, not all participants in postsecondary education and training would be reported as JOBS participants because, for example, many families were exempt from JOBS requirements and a state might not enroll an exempt participant in the JOBS program even if she was participating in postsecondary education or training.
- C Under TANF, a state reports the number of families in which an individual is engaged in work activities that count toward TANF participation rates. In FY 98, an individual could only be countable by engaging in one of a set of listed activities for at least 20 hours a week. Participants in postsecondary education and training can count toward TANF participation rates

⁶¹ *Welfare Reform: States Are Restructuring Programs to Reduce Welfare Dependence* (U.S. General Accounting Office, June 1998). Note that these are percentages of active welfare-to-work participants, not percentage of all families receiving assistance.

under limited circumstances, and are likely to be counted in one of two categories (vocational educational training or job skills training). Participation in vocational educational training is only countable for up to 12 months for an individual, and participation in job skills training is only countable if the individual also had at least 20 countable hours of certain other listed activities. In some respects, the figure for vocational educational training/skills training could overstate the numbers of participants in postsecondary education and training, because a state has broad discretion in defining the categories, and may be counting a range of other activities in these categories. At the same time, we know that some states do allow access to postsecondary education or training in circumstances where it does not count toward the rates, and these families did not count toward participation rates.

With these caveats in mind, the data still appear to suggest a striking drop in participation in

postsecondary education and training since the implementation of TANF. In looking at this data, it is important to look at participation as a percentage of the entire caseload, as caseloads fell dramatically during this time and important changes were made in the proportion of the caseload subject to participation rates. The number of AFDC/TANF families reported as participating in activities that could be postsecondary education or training fell from 172,176 to 58,055 between FY 96 and FY 98, dropping from 3.9% of the caseload to 1.8% of the caseload.

**AFDC/TANF families reported as participating in
postsecondary or vocational education and training**
(as a proportion of the total caseload)

While on their face, these figures suggest a dramatic drop, one does need to keep in mind that:

- C JOBS figures included some families participating less than 20 hours a week, while TANF figures do not;
- C There are now several circumstances where an individual may be participating in postsecondary education or training and the activity is not countable toward the rates; these families will not appear in the TANF data count.

In many respects, existing federal reporting on participation may be a useful tool for calculating participation rates, but is not very informative as a means of understanding the nature and extent of participation in work-related activities by TANF recipients, because many work-related activities are either not countable, are countable to only a limited extent, or are not countable when below an hourly threshold. The difficulties described here (which will also arise in trying to look at the extent of participation in many other program activities) will continue unless either federal reporting or individual state studies are structured to better capture the nature and extent of actual participation in work-related activities by TANF recipients.