STRENGTHENING THE FOUNDATION

A GEORGIA BUDGET AND POLICY INSTITUTE SERIES

Strategies Georgia Can Use to Reduce Rising Poverty

A Review of Successful TANF-Funded State Initiatives That Increase Families' Self-Sufficiency

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Senior Policy Analyst

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Acknowledgements

SERIES GOALS:

Examining the public systems tasked with expanding economic opportunity for individuals and families, carefully analyzing data, and making policy recommendations to strengthen Georgia's foundation.

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Acknowledgements

A special thanks to the United Way of Metropolitan Atlanta. Their generous financial support helped to make this report possible. The Georgia Budget & Policy Institute is grateful to Georgia state agency employees who assisted in data collection, particularly the staff of the Department of Human Services, Georgia Environmental Facilities Authority, Georgia Work Ready, and the Technical College System of Georgia. In addition, we would like to thank the contributors from other states for sharing their best practice models and outcomes, as well as local and national advocates and research groups for their helpful input. Finally, a special thanks to Alison Amoroso for her editing assistance and to Liz Schott for her guidance.

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Publication Date: August, 2009

About GBPI

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Every day, Georgians work hard to support their families. More than 300,000 working families are low income and struggle to provide for their daily needs and their futures. The Georgia Budget & Policy Institute's series, Strengthening the Foundation, examines the public systems tasked with expanding economic opportunity for individuals and families, carefully analyzes data, and makes policy recommendations to strengthen Georgia's foundation. This latest report in the series examines successful strategies that Georgia can implement to increase families' self-sufficiency using Temporary Assistance for Needy Families funds.

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Strategies Georgia Can Use to Reduce Rising Poverty

A Review of Successful TANF-Funded State Initiatives That Increase Family Self-Sufficiency

Clare S. Richie, MPA, *Senior Policy Analyst*

SUMMARY OF FINDINGS AND RECOMMENDATIONS

Georgia along with the nation is faced with the worst economic and financial crisis in a generation. State policymakers have an opportunity during this deep recession to strengthen and implement Temporary Assistance for Needy Families (TANF) and MOE-funded programs that move a growing number of Georgia families from poverty to self-sufficiency.

During the past seven years, Georgia has chosen to use its federal TANF funds to plug underfunded state programs, while the number of Georgians living in poverty has increased more than 26 percent. It's time for Georgia to change this practice.

For the short term, policymakers should use TANF funds for programs that strengthen work and income supports for low-income workers earning below 200 percent of federal poverty level (i.e. $36,620 for a family of 3).

For the long term, policymakers should focus on raising adult education levels and increasing household assets of poor people. Best practices from other states provide useful models for Georgia to consider. The following initiatives are examples of strategies that are proven to effectively strengthen very poor families and which Georgia can implement immediately.

CHILD CARE

Child care is a critical employment support, which is one of the four primary purposes of TANF.

Key Findings

- Georgia and Illinois have approximately 600,000 children ages birth to thirteen living in households with incomes below 150 percent of poverty, yet Illinois' subsidized child care program served an average of approximately 190,000 children per month from 2003 to 2007, while Georgia served approximately 60,000 children per month, dropping to just 54,000 from 2008 to date.
- Georgia's subsidized Child Care and Parent Services Program (CAPS) has 4,000 families on the waiting list, due to insufficient funding appropriated in the state budget. Illinois has none. In 2007, Illinois spent 37.2 percent of its TANF funds (federal and state MOE) on child care, Georgia spent 9.5 percent.

Key Recommendations

- DHS should eliminate the CAPS waiting list and serve a monthly average of 61,200 children. For FY 2010 (which begins July 1, 2009) and FY 2011, this can be accomplished with American Recovery and Reinvestment Act (ARRA) funds. Subsequently, Georgia should invest TANF funds at the 2007 level ($29.7

million). Georgia could also limit the child care tax credit to families earning more than $50,000, for a revenue gain of about $20 million.
- CAPS policy and practice should be more transparent. Building on the TANF annual report mandated by law, Georgia should include data required in the Illinois child care annual report.

Income Supports That Make Work Pay

Providing income supplements and employment services to low-income working families is an effective incentive that enables parents to stay employed.

Key Findings

- Georgia offers two income support programs, the Work Support Program for parents that leave TANF when they become employed (TANF leavers) and the Diversion Program for people applying for TANF.
- States offer several best practices for Georgia to consider, especially for eligibility and administration. For example, Washington offers work support payments to TANF applicants who also receive a lump sum diversion payment as an additional incentive. Arkansas automatically enrolls families in its work support program using data from other benefit programs (e.g., food stamp reports).
- Due to insufficient data tracking, DHS cannot say how many employed TANF leavers or what percentage of employed TANF applicants receive payments and services, and therefore cannot determine the effectiveness of its income support programs.

Key Recommendations

- Update DHS' data systems to effectively track participants and their outcomes, and conduct outreach to closed TANF cases with unknown employment data.
- Consider using $165.4 million in ARRA TANF Emergency Funds (available to Georgia, however, the state has not released plans to apply at the time of this report) to expand Georgia's diversion payments to provide additional payments, a larger payment, or extend eligibility to low-income families with income above Georgia's TANF guidelines. A policy change could be time-limited (i.e., ending by September 30, 2010). If it designed as a short-term, non-recurrent TANF benefit, 80 percent is reimbursable to the state with ARRA funds.
- DHS should strengthen its Work Support Program, replicating successful strategies of other states, as follows:
  - Provide automatic enrollment for TANF leavers with known employment.
  - Streamline employment verification for more efficient administration and to prevent families from losing work support due to onerous paperwork requirements.

TRANSPORTATION – CAR OWNERSHIP PROGRAM

For low-income families, lack of reliable transportation, especially in rural areas, is a significant barrier to finding and maintaining employment.

Key Findings

- New York State uses federal TANF funds for an exemplary statewide, car ownership program.
- Georgia operated a successful car purchase program, Wheels to Work, assisting current and former TANF cash assistance recipients to purchase low-cost vehicles with no down payment, zero interest, and low monthly payments. The program, which began in 1992 and received one-year of TANF funds in FY 2001 to take it statewide, has not received state or federal funding since, and is no longer available statewide.

Key Recommendations

- Provide new funding to reconstitute a robust statewide Wheels to Work program for TANF applicants, recipients, and employed leavers.
- Reinvest federal TANF funds in Georgia's Wheels to Work program.
- Consider using $165.4 million in ARRA TANF Emergency Funds (available to Georgia, however, the state has not released plans to apply at the time of this report).

POST-SECONDARY EDUCATION – CAREER PATHWAYS INITIATIVES

Career pathway initiatives provide education, training, and support that enable individuals to secure employment within a specific industry or sector that pays self-sufficiency wages, and to advance over time to higher levels of education and employment within that occupational sector.

Key Findings

- States are using TANF funds to help low-income families and individuals pursue post-secondary education linked to local employment opportunities that pay self-sufficiency wages to ensure a family becomes self-sufficient.
- Several states, Arkansas, Kentucky, and Washington, use variations of the successful career pathways model which consists of a series of connected education/training programs and support services.
- Georgia's Work Ready program, Department of Labor career centers, and Technical College System (TCSG) are poised to pilot a Career Pathways program to serve low-income individuals and TANF recipients.

Key Recommendations

- Building on the momentum of its existing programs and using key elements of successful state models, Georgia's TCSG and the Board of Regents should work with the Work Ready regions and local Workforce Investment Boards to develop a Career Pathways program that:
  - Integrates academic, workforce development, and remedial instruction to provide a clear connection between academic credentials and jobs in the regions' industries.
  - Provides on-campus case management to help students navigate career pathways and access needed support services.
  - Expands partnerships with government agencies, local employers, and community-based organizations.
- For a budget of $4 million of TANF and/or ARRA funds, Georgia could pilot this effort in each of the seven initial Work Ready regions.

ASSET BUILDING

Georgia should provide low-income families with opportunities to save money and accumulate assets to help escape poverty.

Key Findings

Resource Limits

- Georgia's resource limit of $1,000 for determining TANF eligibility discourages saving.
- Forty other states have raised or removed the resource limit.

Earned Income Tax Credit (EITC)

- Both federal and state EITCs increase workforce participation among eligible families. State EITCs are simple to implement, administer, and claim as they typically piggyback on the federal EITC by using a fixed percentage of the federal credit.
- The federal EITC lifts approximately 4.4 million people out of poverty each year. State EITCs supplement this effect. In 2007, 900,000 Georgia taxpayers claimed the federal EITC, which led to almost $2 billion flowing through local economies across the state.
- Georgia does not have a state EITC. Twenty-four states and the District of Columbia have created one. The credit is "refundable" in 22 of these states, meaning a family receives the full credit even if it is greater than the family's state income tax liability.

Individual Development Accounts

- An IDA is a savings account that encourages low-income families to save for pursuing post-secondary education/training, starting a business, or buying a home. States can use TANF funds to match IDA contributions made by TANF-eligible individuals.
- There are at least 22 operational state-supported IDA programs, and some of them (e.g., model ones in Arkansas, South Carolina, and Virginia) use TANF funds for them.
- Georgia's TANF-funded IDA program exists in policy only. From 1997 to 2007 Georgia did not spend any federal TANF or state MOE funds on its TANF IDA program.

Key Recommendations

- Policymakers should remove resource limits for TANF eligibility determination.
- Georgia should enact a refundable state EITC.
- Georgia should consider using federal TANF or state MOE funds to partially fund a refundable state EITC.
- Building on the DHS EITC outreach efforts that began in 2005, eligibility determination workers and caseworkers should aggressively inform TANF applicants and clients about federal EITC and free tax preparation sites.
- Georgia should include IDA funding as a line item in the state TANF budget.
- DFCS caseworkers should encourage low-income families to access the IDA program.
- DHS should build on its EITC outreach and work with other EITC campaigns throughout the state to encourage families to save some or all of their EITC refund in their IDA.

CONCLUSION

Georgia is challenged now more than ever to effectively help poor families, who are bearing the brunt of the recession through unemployment and severe cuts in state services. Fortunately, states have the flexibility to allocate federal TANF and state MOE funds within TANF's four core purposes (e.g., promote employment). Georgia should use TANF funds for both short-term and long-term gains, building on its current strengths and using the knowledge of effective strategies from other states.

Furthermore, emergency TANF funds in the ARRA are available to Georgia. They require a very low state match and are also flexible. These dollars go beyond serving poor families, benefiting Georgia's entire economy as more federal dollars are brought into the state. In light of the current recession, Georgia now has an opportunity to consider the recommendations in this report to move more Georgians from poverty to self-sufficiency.

Readers are encouraged to freely circulate and utilize this research, as well as prior reports in the Strengthening the Foundation series. Please visit the publications library on www.GBPI.org for the complete series.

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Introduction

It is wise for Georgia to learn from the experiences of other states while it addresses rising poverty.

The United States is in a deep recession. Georgia along with the nation is faced with the worst economic and financial crisis in a generation. These times demand that Georgia examine poverty that exists within the state and mobilize funds from the Temporary Assistance for Needy Families (TANF) block grant toward short- and long-term polices that move families from poverty and dependency to self-sufficiency, as TANF was conceived to do.

Although the United States is far from eradicating poverty, employment among poor single mothers has increased and child poverty rates have decreased overall since the enactment of TANF.[1] The U.S. Department of Health and Human Services describes its long reach:

> " … the TANF program provides extraordinary flexibility for funding a wide variety of employment and training activities, supportive services, and benefits that will enable clients to get a job, keep a job, and improve their economic circumstances."[2]

In recent years, Georgia has deviated from using TANF for its stated purposes, choosing instead to use the federal funds to plug underfunded state programs. In fact, *during the last six years, the number of Georgians living in poverty has increased 26 percent,* and Georgia's children are living in poverty in increasing numbers. In addition, a significantly larger percentage of children live in poverty than do adults. The 2007 Census found that nearly one out of every five children in Georgia live below the federal poverty level, *yet the ratio of children receiving TANF to the number of children living in deep poverty is less than 20 percent.* Even more indicative of Georgia's structural deficiency is the fact that this sharp rise in poverty occurred during Georgia's economic growth and before the current recession.

Especially in light of rising poverty among children, Georgia does an inadequate job insuring that TANF provides a safety net for poor children. To meet the growing needs of Georgia, state policymakers should use TANF funds for proven short-term supports and for long-term strategies to move families earning below 200 percent of the federal poverty level toward self-sufficiency, such as:

A) For the short term, policymakers should strengthen work and income supports.

B) For the long-term health and well-being of the state and all its residents, policymakers should focus on raising adult education levels and increasing household assets.

TANF best practices from other states provide useful models for Georgia to consider that are proven to enable self-sufficiency and reduce dependency. Given TANF's flexibility regarding programs, it is wise for Georgia to learn from the experiences of other states while it addresses rising poverty.

Georgia should prioritize among programs that work directly to satisfy TANF purposes and address poverty.

Following the overview of poverty and TANF in Georgia, these best practices are discussed in the following chapters, with one chapter devoted to each program area: child care subsidies, income supports for families transitioning to work, car ownership, post-secondary education for career pathways, and asset accumulation through EITC and individual development accounts.

Each chapter compares similar TANF programs in Georgia (if they exist) to best practice initiatives, specifying policies that would enable self-sufficiency. This report also provides specific examples of best practice opportunities that Georgia is poised to implement. Resources for further details or continued research are included in the endnotes.

Although cash assistance support from the TANF block grants is not addressed in this report, it is important to remember that the primary purpose of TANF is to provide temporary cash assistance to needy families so that children can be cared for in their own homes or the homes of relatives. *The number of children and adult TANF recipients in Georgia has plummeted over the past seven years.* As the number of Georgians living in poverty increases 26 percent, it raises the question — Why is Georgia helping fewer and fewer poor families? As we consider non-cash assistance options that use TANF funds, let us not lose sight of TANF's fundamental purpose to provide cash assistance to needy families.

RESOURCE

Please consult *The Self-Sufficiency Standard for Georgia 2008* available at www.gbpi.org for more information regarding the income required for families to live without public or private assistance, by family composition and by county.

An Overview of Poverty and Temporary Assistance for Needy Families in Georgia

POVERTY IN GEORGIA

Research shows that individuals living in poverty face an increased risk of adverse effects, such as poor educational outcomes, poor health, and criminal activity.[3] Accompanying this is a daily life of hunger, lack of medical care, lack of educational attainment, and violence.

Although many of these problems affect the individual child and family, they also negatively impact the quality of life of all Georgians, cost taxpayers far more in the long run than reducing poverty, and prevent Georgia's growth into a vibrant and prosperous state with educated, productive workers and stable families.

In recent years, Georgia has deviated from using TANF for its stated purposes, choosing instead to use its federal funds to plug underfunded state programs. However, *during the last six years the number of Georgians living in poverty has increased 26 percent,* and Georgia's children are living in poverty (e.g., $18,310 household income for a family of 3 in 2009) in increasing numbers. In fact, a significantly greater percentage of children live in poverty than adults or seniors. The 2007 Census found that nearly one out of every five children in Georgia live below the federal poverty level; furthermore this level of poverty occurred during Georgia's economic growth and before the recent recession. (See Table 1.1.)

Georgia does an inadequate job insuring that TANF provides a safety net for children living in deep poverty: it is third from the bottom among southern states, with the ratio of children receiving TANF to children in deep poverty at less than 20 percent. At the top among southern

DEEP POVERTY:

Families who live on income less than 50 percent of the federal poverty level (in a household of three that earns less than $9,155 a year).

Table 1.1 **Georgians Living in Poverty by Age Group, 2007**

Georgians	Less than 100% FPL* 2007	Total Population	Percent of Population
Children under age 18	490,381	2,489,544	19.7%
Adults 18-64	723,628	5,892,365	12.3%
Adults 65+	109,819	904,249	12.1%
Total Georgians	1,323,828	9,286,158	14.3%

Source: American Community Survey 2007, Table S1701
** FPL is Federal Poverty Level.*

Table 1.2 **Ratio of Children Receiving TANF to the Number of Children in Deep Poverty**

State	Number of Children Receiving TANF (2007)	Estimate of the Number of Children Living Below 50% of the FPL[a] (2007)		Ratio of the Number of Children Receiving TANF to the Number of Children Below 50% of the FPL[b]	
		Lower Bound	Upper Bound	Lower Bound	Upper Bound
Tennessee	112,417	137,695	158,763	71%	82%
Virginia	50,462	88,946	106,028	48%	57%
Kentucky	47,001	98,874	114,362	41%	48%
Alabama	32,800	116,003	133,119	25%	28%
South Carolina	26,235	95,441	111,355	24%	27%
Florida	64,849	262,056	291,510	22%	25%
Arkansas	14,592	62,424	75,074	19%	23%
North Carolina	39,218	173,743	192,409	20%	23%
Georgia	40,302	211,500	239,682	17%	19%
Louisiana	21,084	116,317	132,429	16%	18%
Mississippi	18,144	98,597	115,591	16%	18%

Source: American Community Survey, U.S. Health and Human Services, Ratio calculation by Center on Budget and Policy Priorities
(a) FPL = Federal Poverty Level.
(b) Ratio calculation by Liz Schott, Center on Budget and Policy Priorities. The 50 percent FPL is used as a measure of deep poverty but it is not necessarily a predictor of TANF eligibility due to differing income eligibility levels among states, or even within a state for different groups of families. The amount of a recipient's earnings that are disregarded varies over time, therefore the income eligibility level could depend on how long a recipient has had earnings. As a result, some states such as Georgia, have families living below the 50 percent FPL that may not qualify for TANF and some families living above the 50 percent FPL that may qualify.

states is Tennessee, which has a ratio of more than 70 percent, thus reaching a higher percentage of this population. Georgia is further challenged because a large number of its population experience deep poverty, the third highest among southern states, after Florida and North Carolina. Table 1.2 shows the ratio of children receiving TANF to the number of children living in deep poverty in southern states.[4]

Georgia TANF performs well below the majority of southern states in helping very poor children.

About TANF

States receive TANF block grant funds in order to address four broad purposes outlined in federal law.[5]

1. ***Provide assistance to needy families so that children can be cared for in their own homes or homes of relatives.***
2. ***End TANF dependency by promoting job preparation, work, and marriage.***
3. ***Prevent out-of-wedlock pregnancies.***
4. ***Encourage the formation and maintenance of two-parent families.***

TANF includes federal funds as well as state funds called "maintenance-of-effort" (MOE) funds.

Federal TANF Funds

States may use these funds to provide a range of benefits and services with potentially different eligibility requirements. They are categorized as "assistance" or "non-assistance."

- Assistance includes benefits directed at basic needs (e.g., food, clothing, shelter, utilities) and also child care, transportation, and other supports for families who are not employed. Assistance recipients are subject to work and participation requirements, time limits, data reporting, and certain prohibitions.
- Non-assistance includes child care subsidies and transportation for employed families; work subsidies; refundable earned income tax credits; contributions to, and distributions from, individual development accounts; and other services.

State MOE Funds

States must allocate and spend state funds annually at a minimum of 80 percent of their historic level of spending (i.e. the state's 1994 spending on Aid to Families with Dependent Children and related programs), 75 percent if the state meets work participation requirements. Georgia's minimum amount is $173.4 million (at the 75 percent level).[6]

TANF Oversight

U.S. Department of Health and Human Services (HHS) is responsible for the federal oversight of TANF block grants.[7] It draws key sources of state information from:

- Expenditure reports detailing the amount and type of federal and state MOE spending.
- Plans that outline the state's TANF programs and goals.

- Annual reports to supplement the state plan.
- Individual recipient and aggregate caseload reporting of demographic and economic circumstances as well as the work activities of individuals receiving TANF cash assistance.
- Single audit reports conducted as part of government-wide audits of federal aid to nonfederal entities.

According to the U.S. Government Accountability Office (GAO), there are two key information gaps for the TANF block grant that hamper oversight and decision making:

1. Insufficient information about the numbers of people served by TANF funds.
2. Limited information about how funds are used; for example, for which target populations and as part of which strategies designed to meet TANF goals.

TANF in Georgia

In Georgia, TANF is administered by the Department of Human Services (DHS), Division of Family and Children Services (DFCS). DHS receives approximately $368 million annually from the federal TANF block grant and spends approximately $173 million annually in state funds to satisfy the state MOE requirement, for a total of $541 million.

Georgia is providing cash assistance to fewer and fewer poor families. The number of Georgia children and adult TANF recipients has plummeted over the past seven years, despite rising poverty. From January 2002 to September 2008 the number of adult TANF cash assistance recipients dropped from 32,352 to 2,521, a 92 percent reduction. The number of children TANF recipients decreased from 102,994 to 35,455, an alarming 66 percent reduction.

Table 1.3 **TANF Recipients Compared to Other Poverty Indicators in Georgia**

Indicator	January, 2002[a]	2008	Percent Change
TANF Adults	32,352	2,521[b]	-92%
TANF Children	102,994	35,455[b]	-66%
Unemployed Persons	183,838	317,500[c]	73%
Persons Below Poverty	1,053,357	1,323,828[d]	26%
Food Stamp Recipients	591,608	1,086,410[e]	84%

Source: U.S. Health and Human Services, U.S. Department of Labor, U.S. Census Bureau, U.S. Department of Agriculture, and Georgia Budget & Policy Institute
(a) Robert Welsh, "TANF Budget 2002-2007: The Shifting Priorities," Georgia Budget and Policy Institute, June 2007, www.gbpi.org/pubs/gabudget/20070612.pdf.
(b) September 2008, Georgia DHS e-mail January, 2009.
(c) U.S. Department of Labor - Bureau of Labor Statistics, "Regional and State Employment and Unemployment: September 2008," October 21, 2008.
(d) Poverty U.S. Census Bureau, American Community Survey 2007, Table BS1701, http://www.census.gov/acs/www/index.html.
(e) www.fns.usda.gov/pd/29%20SNAPcurrPP.htm, retrieved August 2008.

Rather than waiting for the U.S. Congress or HHS to act, the Georgia legislature or governor's office could request this data to review and measure the use of TANF funds in Georgia.

Georgia is already collecting some data on the number of TANF recipients through the Department of Human Services, Division of Family and Children Services Welfare Reform in Georgia Annual Report (Senate Bill 104).[8] This annual TANF report, mandated by Georgia law to be provided to the governor and General Assembly, includes data about caseloads, diversion programs designed to divert TANF applicants from becoming cash recipients, transportation assistance, teen pregnancy prevention, child care subsidies, and more. Policymakers should use this critical tool to determine how to appropriate federal TANF and state MOE funds.

Consider these facts:

- The overall poverty rate in Georgia increased from 12.7 percent in 2002 to 14.3 percent in 2007, while the child poverty rate increased from 16.8 to 19.7 percent.
- Between 2002 and 2008, the number of:
  - food stamp recipients increased by 84 percent.
  - unemployed persons increased 73 percent.

These numbers are increasing during the current recession. Even prior to the recession, unemployment insurance and food stamps out-paced TANF in responding to Georgians' increasing need.

The TANF block grant allows states flexibility to spend federal and state MOE funds, however, it is important to remember that the primary purpose of TANF is to provide cash assistance to needy families so that children can be cared for in their own homes or the homes of relatives.

States are using substantial portions of federal TANF and MOE funds as large, flexible funding streams to meet their priorities in many areas of their budgets for low-income families, yet much remains unknown at the national level about how these federal TANF and state MOE funds are used to meet the overall goals of welfare reform.

—GAO

[HHS] encourages states to take the critical next steps to ensure that all families get the essential supports they need to get a job, succeed at work, and move out of poverty.[12]

— U.S. Dept. of Health and Human Services, Funding Guide

One must wonder why the number of Georgia's TANF adult cash assistance recipients decreased dramatically while other poverty indicators have increased significantly? As we consider the non-cash options for using TANF funds to move families from poverty to self-sufficiency in this report, let's not lose sight of this fundamental purpose.

The Experience of Georgia TANF Recipients and Leavers

Although thousands of families have left TANF, the majority of TANF cash assistance recipients who have exited the TANF program (referred to as TANF leavers) *did not earn enough wages to move out of poverty*. According to the most current and complete "leaver" data:

- Only 54 percent (14,578) of TANF leavers were employed when they exited TANF.[9]
- Of this employed group of TANF leavers:[10]
  - 34 percent had earnings in all four quarters of the first year after leaving the program (in 1997 it was 43 percent).
  - 12 percent earn wages above the federal poverty threshold in the first year after leaving the program (in 1997 it was 13.5 percent).

This trend is continuing as only 57 percent (4,305) of TANF leavers in 2008 were employed in their exit quarter.[11]

Available Federal TANF Funds Are Decreasing

TANF funds that a state does not spend (or otherwise obligate) by the end of a fiscal year are moved into a federal unobligated balance and are carried forward to the next fiscal year. Prior to the American Recovery and Reinvestment Act (ARRA), the states could only spend the federal unobligated balance on Support for Needy Families – Basic Assistance. ARRA gives states the flexibility to spend their federal unobligated balance on any program that broadly satisfies one of TANF's four purposes.

In recent years, the Georgia DHS has used its federal unobligated balance to fund basic assistance and redirected current TANF funds to other programs. For example, TANF spending in child welfare-related services (i.e., adoption services, child care licensing, child welfare services, family violence services, and out-of-home care) increased from $60 million in 2002 to $205 million in 2009 (243 percent).

In FY 2002, the federal unobligated balance was $219.6 million. It has decreased significantly to just $37.3 million for the start of FY 2010 (July 1, 2009), and going forward it will not be of major significance for Georgia.

The federal unobligated balance is decreasing primarily for two reasons. One reason is that Georgia spends it down to replace state funds for programs it under funds. The other reason it is decreasing is because the annual federal TANF allocation is not adjusted for inflation.

In the near future, when the federal unobligated balance is depleted, Georgia will have less TANF funds to allocate among programs currently receiving TANF funds. As available TANF funds decrease, *DHS should prioritize among programs that work directly to satisfy TANF purposes and address poverty,* such as those outlined chapter by chapter in this report rather than those that more indirectly strive toward this goal (e.g., child welfare related-services).

RECOMMENDATIONS

Using TANF Funds in Georgia

In addition to providing cash assistance to needy families, Georgia policymakers should use TANF funds for proven short-term supports and long-term strategies to move families from poverty to family self-sufficiency, such as:

A) For the short term, policymakers should strengthen work and income supports for workers earning below 200 percent of the federal poverty level (i.e. $36,620 for a family of three in Georgia).

B) For the long-term health and well-being of the state and its residents, policymakers should focus on raising adult education levels and increasing household assets among those families earning below 200 percent of the federal poverty level.

Best practices of in each category are reviewed in subsequent chapters.

Chapter 2

Child Care

In Georgia, more than 600,000 children ages birth to 13 are living in families with incomes below 150 percent of the federal poverty threshold ($27,465 for a family of three),[13] and nearly half of these children are under age six.[14]

As such, child care in Georgia and across the nation is a critical short-term income supplement for working poor families. Children need accessible, affordable, safe, and quality child care that help working parents retain employment and reduce workplace absenteeism.

States vary in their TANF spending for child care. Table 2.1 summarizes a 50-state analysis of 2007 federal TANF and state MOE funds spent.[16] Twenty-three states spent a greater percentage of their federal TANF and state MOE funds than the national average (20 percent).

Three states stand out among states as models for providing child care because they:

1. All invest well over the national average of federal TANF and state MOE funds in child care;
2. Two out of three have income eligibility limits more than 150 percent of the federal poverty level (FPL);
3. Serve all applicants, thereby eliminating waiting lists;
4. All have relatively high provider reimbursement rates.

Georgia, on the other hand, invests well below average amounts of TANF funds. It also has more strict

Table 2.1 **Percentage of TANF Funds Used for Child Care in 2007**

Percentage of Federal TANF and State MOE funds	# of States	States
0 – 9.9%	11	CO, CT, **GA**, MD, NV, ND, NY, OR, SC, SD, TX
10.0% - 19.9%	16	AL, AZ, CA, HI, IN, LA, MO, MN, MT, NE, NH, NJ, UT, VA, WV, WY
20.0% - 29.9%	13	AK, IA, ID, KS, KY, ME, MI, MS, NM, OH, RI, TN, WA
Greater than 30%	10	AR, DE, FL, IL, MA, NC, OK, PA, VT, WI

Source: Center for Law and Social Policy, "Analysis of Fiscal Year 2007 TANF and MOE Spending by States"

CHILD CARE:

is critically important to accomplishing the goals of TANF. Since most states are unable to fulfill the demand and need for child care with their CCDF [federal Child Care Development Funds], they should look to TANF as another vehicle for expanding the availability of child care. They could either transfer the federal TANF funds to CCDF or spend TANF and/or MOE funds directly on child care.[15]

—U.S. Health and Human Services Funding Guide

Table 2.2 **Child Care State Models**

	Percentage of TANF Funds and State MOE Spent on Child Care (2007)	Income Eligibility Limit for a family of 3 as a percentage of the federal poverty level (2008)	Early 2008 Waiting List	State Reimbursement Rates (2008)
ILLINOIS	37.2%	181%[a]	None	25th-100th percentile of 2006 rates[b]
KENTUCKY	28.4%	146%	None	68th percentile of 2005 rates
WISCONSIN	50.9%	180%	None	75th percentile of 2005 rates
GEORGIA	9.5%	151%	10,268 families	50th percentile of 2005 rates

Sources: Center for Law and Social Policy, http://clasp.org/WelfarePolicy/fy2007/2007StateMOEFY07.xls and National Women's Law Center, http://www.nwlc.org/pdf/StateChildCareAssistancePoliciesReport08.pdf

(a) In April 1, 2008, Illinois increased its income eligibility limit to 200% of FPL (i.e. $35,200 for a family of 3).

(b) Illinois does not base reimbursement rates on a percentile of market rates. Rates vary by age of child, type of care, and region of the state. Rates generally range from below the 25th percentile to above the 50th percentile of market rates, and in some areas of the state, exceed the 100th percentile.

eligibility requirements, longer waiting lists, and lower provider reimbursements than most states. Table 2.2 demonstrates how Georgia's investment in child care for poor children compares to the three model states.

Best Practice: Effective Child Care Policy and Practice in Illinois

Illinois[17] provides a strong model for TANF investment in a strong subsidized child care program and is a good comparison with Georgia because it has similar numbers of children living below 150 percent of the federal poverty level.

Georgia invests very little TANF funds in child care, placing it among the bottom of the United States.

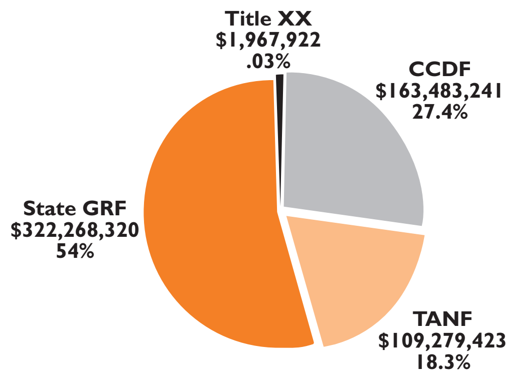
> Child care is essential for families transitioning from welfare to work, as well as those of low-income [means] striving to achieve and maintain self-sufficiency. Appropriations by the [Illinois] General Assembly ... ensures that parents with low incomes have the supportive systems they may need to gain and keep employment … All eligible families applying for the CCAP received services and no waiting lists were instituted in FY 2007.
>
> *—Secretary Carol Adams, Illinois Department of Human Services, Bureau of Child Care and Development Fiscal Year 2007 Report on Illinois Child Care presented to the Illinois General Assembly*

In Illinois, the Child Care Assistance Program (CCAP) provides child care for children ages 6 weeks to 12 years, and up to age 19 for children with special needs. Families must be income eligible and either employed or in approved education/training programs. Teen parents pursuing their high school diploma or equivalent can also receive assistance. Caretaker relatives, known as representative payees, are eligible to receive child care assistance if they are employed.

The Illinois Department of Human Services (IDHS) is legally required to submit a report to the governor and the General Assembly annually regarding the status of CCAP. [18] The report traces trends in family needs for child care and the system's capacity to respond to that need. The report also includes information about IDHS programs and their impact on the quality of child care.

The Illinois child care program is funded by CCDF, TANF block grant, Title XX Social Services block grant, and state general revenue funds (GRF). Illinois takes full advantage of federal CCDF and invests significant state funds, well beyond the required CCDF match. TANF funds account for over 18 percent of its total child care funds. Illinois child care funding for direct child care benefits is displayed by source in Figure 2.1 below.

Figure 2.1 **Illinois Child Care Funding Sources FY 2007**



Source: Illinois Department of Human Services, 11/26/2008

Both Illinois and Georgia have more than 600,000 children ages birth to thirteen living in households with incomes below 150 percent of poverty (664,701 and 634,977 respectively), yet the Illinois CCAP program served an average of about 190,000 children per month over the five-year period from 2003 to 2007.[19] In contrast, Georgia served about 60,000 children per month during this same period, dropping to only 54,000 from 2008 to date.

A further look at one month's program statistics demonstrates that Illinois CCAP is serving predominantly employed, low-income, single-parent households who are not receiving TANF cash assistance benefits, indicating that Illinois CCAP recipients are on a path to self-sufficiency. For March 2007:

- The average family size was 3.3.
- 90.7 percent were employed parents or guardians.
- 96 percent were headed by single parents.
- 53.8 percent were at or below the federal poverty level.
- Less than 4 percent were receiving TANF income.[20]

TANF Investment in Georgia CAPS

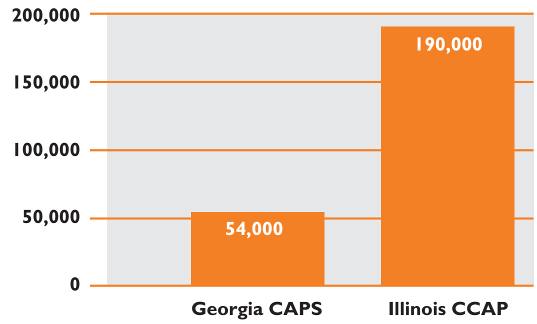
Georgia's subsidized child care program, known as Child and Parent Services (CAPS), helps some eligible low-income families with the cost of child care for children from ages birth to 13, and up to age 18 for special needs children. The monthly average number of families on the CAPS waiting list for the state fiscal year 2009 is about 4,000 families.[21]

CAPS is managed at the state level by DHS, Department of Family and Children Services Child Care Unit. The program is primarily funded by the federal CCDF and required state matching funds, with TANF serving as a minor and sporadic source of funds. The CAPS budget has remained relatively flat over the past 4 years at about $227 million. It serves a monthly average of about 54,000 children, despite thousands of families on the waiting list and an increasing number of families living in poverty.

CAPS provides an example of how Georgia policymakers have directed necessary TANF funds away from a program that directly satisfies one of its four purposes. In addition, Georgia has decreased TANF investment even though TANF funds transferred to CCDF for CAPS have already been a minor source of funding.[22]

During fiscal years 2003 through 2007, DHS often transferred unspent TANF dollars from CCDF back to the TANF program to avoid expiration because DHS had not spent down CCDF funds for CAPS. Had Georgia spent the millions of CCDF funds and TANF funds in the year allocated, thousands of additional working families would have received child care subsidies rather than remain on the waiting list, thus enabling thousands more parents to work and become self-sufficient.

Figure 2.2 **Average Monthly Children Served in Georgia and Illinois**



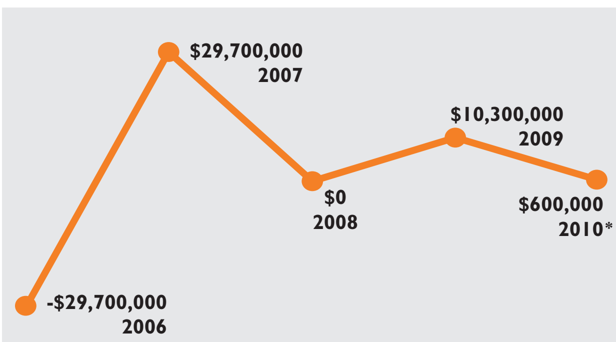
Source: Georgia Source: Department of Human Services and Illinois Department of Human Services

In FY 2007, federal TANF transfers to CCDF were $29.7 million, which DHS chose to spend over a three-year period (about $10 million per year, FY 2007 – FY 2009). Once TANF funds become CCDF funds they assume the properties of CCDF funds, and then can be spent over 2 to 3 years.

In FY 2009, the governor's state budget allocated the remaining $10 million in TANF funds (carried forward within CCDF from FY 2008) to CAPS, along with $10.3 million in TANF funds which were generated by eliminating the Good Works contract between DHS and the Georgia Department of Labor, and by redirecting administration funds.

Only $600,000 in federal TANF funds were allocated to CAPS for FY 2010. This lack of TANF investment is likely due to $36 million in federal American Recovery and Reinvestment Act (ARRA) funds allocated to eliminate the CAPS waiting list this year. As of the writing of this report, the governor and General Assembly recommended (in HB 119) that DHS spend these stimulus funds to eliminate the waiting list in the CAPS program. DHS would need to spend $11.5 million of the

Figure 2.3 **TANF Funds Allocated to CAPS FY 2006 to FY 2010**



Source: Georgia DHS Budget Office
** Begins July 1, 2009*

ARRA is the American Recovery and Reinvestment Act of 2008, often referred to as the federal stimulus plan or stimulus funds.

stimulus funds to maintain FY 2009 service levels of 54,000 children per month. DHS would then have $24.5 million in stimulus funds to nearly eliminate the entire waiting list this year.[23]

There will be another $36 million in ARRA funds remaining to be allocated for CAPS in FY 2011 (funds must be spent by September 30, 2010). These funds could enable DHS to maintain FY 2010 service levels of nearly 61,200 children per month; this number is based on the 2009 CAPS service level of 54,000 children per month plus the additional 7,200 children on the waiting list.[24]

RESOURCES

For more CAPS information, please refer to these GBPI reports and briefs available at www.GBPI.org:

- An Investment in Children and Working Families – Georgia's Federal and State Subsidized Child Care For Children Ages Birth Through Four
- Georgia's Lesser-Known Subsidized Child Care Program: The State Child Care Tax Credit for Families
- Tightening the Belt on Georgia's TANF Program: Doing More With Less in FY 2008 and Beyond
- Recommendations for Using Federal Stimulus Child Care Funds in Georgia.

Please consult *The Self-Sufficiency Standard for Georgia 2008* to see how subsidized child care is a helpful income support for families. Contact GBPI for a copy, or view the report on www.GBPI.org.

RECOMMENDATIONS

For Child Care in Georgia

1. DHS should eliminate the CAPS waiting list and serve a monthly average of 61,200 children.

TANF funds invested in child care subsidies should be a DHS priority because child care is a critical support to employability, a focus of TANF. However, only a fraction of eligible children receive any assistance due to insufficient funding appropriated in the state budget.

Georgia can serve the 4,000 families on the CAPS waiting list (4,000-7,200 additional children) by using TANF and ARRA funds.

FY 2010 **–** DHS should use ARRA funds to replace the lack of TANF investment and thereby maintain the FY 2009 service level of 54,000 children per month, and should further expend the balance of $24.5 million in ARRA funds to serve an additional 6,675 children per month. (Note: Georgia could serve even more eligible children by spending approximately $26.4 million and serving an additional 7,200 children per month).

FY 2011 **–** Georgia should spend $36 million in ARRA stimulus funds to maintain recommended FY 2010 service levels.

FY 2012 **–** In order to maintain FY 2010 service levels without ARRA, Georgia should:

a. Re-invest TANF funds at the 2007 level ($29.7 million) in CAPS, or

b. End subsidized child care for families earning over $50,000 through the state tax credit for child care expenses, and shift the $20 million saved to the CAPS program.

Georgia provides a state tax credit for child care expenses, regardless of income level, based on the federal child care tax credit. In 2008, Georgia spent about $20 million in forgone revenue to subsidize child care expenses via the state child care tax credits for families earning over $50,000.[25]

2. CAPS policy and practice should be more transparent.

The Georgia legislature should consider mandating a similar report to the one used by the Illinois DHS, which traces trends in family needs for child care, the system's capacity to respond, and the program's impact. The Georgia legislature could use the mandated DFCS Welfare Reform in Georgia Annual Report as a starting point.[26] It includes data on the number of children receiving subsidized child care and the average recipient cost of child care provided to TANF recipients.

Chapter 3

Income Supports That Make Work Pay

Research has shown that providing income supplements and employment services to low-income working families is an effective incentive that enables parents to find and keep jobs.[27]

For instance, after two decades of research on income supplemental programs in the United States and Canada, Manpower Demonstration Research Corporation concluded that income supplements increase employment, earnings, and income.[28] It also concluded that combining income supplements with employment services produced longer-lasting impacts.[29]

In response to TANF changes included in the federal Deficit Reduction Act of 2005, at least one-third of states have authorized or implemented a new supplemental "assistance" benefit for working families who leave the TANF caseload and, in some states, for a broader group of low-income working families.[30] These are monthly payments to working families outside of a state's basic assistance program.[31]

Four states, Georgia, Hawaii, Kentucky, and New Jersey, each have some type of TANF-funded "non-assistance" work support payment. For Georgia, these are short-term monthly payments for employed TANF leavers. Because the supplemental assistance is not considered cash assistance payments, recipients are not subject to certain TANF requirements (e.g., time limits).

Best Practice Income Supports

Several states have best practice models in the areas of work support eligibility, benefit duration, and administration for low-income families.[32]

Eligibility

A state may choose to serve TANF leavers as well as broader groups of working families.

- Most states, including Georgia, provide an income supplement to help TANF leavers transition from TANF cash assistance and avoid re-entry. The state agency which administers TANF already knows this population and often has verifiable information about recipients' employment status.
- Some states provide income supplements to employed TANF applicants who have already received a lump-sum TANF diversion payment (i.e. an up-front payment in lieu of receiving monthly

TANF LEAVER:

A TANF cash assistance recipient who has exited the TANF program and not received cash assistance for two successive months in Georgia; the vast majority of working leavers and their families remain poor.

Income supports significantly increase poor families' ability to stay employed. Georgia should consider applying for ARRA funds to strengthen its program.

TANF cash assistance). Including this population gives families an additional incentive to secure employment. For example, Washington state recently revised its work supplement program to include lump-sum diversion recipients.

- Some states include a broader group of low-income working families in their income support program, such as those receiving food stamps or subsidized child care. State human service agencies are familiar with these families and have or can easily obtain their income and employment status.
  - Vermont law (not yet implemented) provides an income supplement benefit both to families that leave the state's basic cash assistance program and to employed families with children that are receiving food stamps. The Vermont law also provides income supplement benefits to employed families not receiving food stamps in which the parent is under 21 and would receive food stamps but for residing with his or her parents.
  - Massachusetts provides a supplemental assistance benefit to working families receiving food stamps. Its benefit only considers a family's current earnings and is not linked to TANF.

Benefit Duration

Programs may be limited or unlimited in duration.

- Limited-duration programs range from 3 months, as in Utah, to 36 months, as in Maine.
  - Utah provides a large benefit for a shorter period of time (3 months) in order to focus resources heavily on families' immediate exit from TANF.
  - Arkansas provides a substantial benefit (i.e., the same amount of the TANF grant for a family of three) for 24 months as long as the family remains employed and poor.
  - New Mexico provides $200 a month for up to 18 months.
  - Maine's new program is expected to provide a stepped down benefit over a 36-month period.
- Another option is to have no limits in duration. Both Massachusetts and Vermont provide income supplement benefits to a broad set of employed, low-income families — such as those receiving food stamps — for as long as the family participates in the food stamp program.

Administration

States that target employed TANF leavers can automatically enroll families in their income supplement programs without requiring recipients to apply formally. For example, these states automatically enroll families when:

- ***Utah and Virginia*** TANF benefits are closed and the state has verified information about employment hours.
- ***Oregon and Washington*** After verifying hours initially and every 6 months.[33]
- ***Arkansas*** After first looking to food stamp recertification or semiannual reports or to Medicaid renewals to determine if the family meets the minimum hours required.[34]

Table 3.1 **Georgia's FY 2008 Diversionary Assistance – TSS**

Type of Support	Annual Clients	Annual Funds	Avg Cost Per Client
Child Care	695	$33,550	$48.27
Incidentals	1,480	$612,453	$413.82
Transportation	26,587	$436,765	$16.43
Total	28,762	$1,082,767	$37.65

Source: SB 104 provided 3/16/09 by DHS

Georgia's Work Support and Diversion Programs

In general, Georgia has two types of TANF programs that provide income supplements and employment services to reward work.[35] One assists employed individuals leaving the TANF cash assistance program (TANF leavers) with short-term support for work-related expenses.[36] The other program provides diversion payments to employed TANF applicants to help them maintain employment and possibly avoid needing TANF.

Work Support Program

In July 2007, Georgia's DHS expanded its Work Support Program to include work support payments (WSP), transitional support services (TSS), and job coaching.

Program outreach regarding work support options includes verbal notification by county Department of Family and Children Services (DFCS) caseworkers.[37] Clients must accept enrollment into the program; it is not automatic.

Eligible individuals have up to 60 days to request WSP if it is not accepted at the time the client first becomes ineligible for TANF due to employment.[38] Clients must provide monthly employment status documentation,[39] attend financial management classes, and cooperate with job coaching requirements.

WSP is provided for 12 months through a two-phased process — $200 per month for the first six months and $100 for the second six months for work-related expenses such as meals and other incidentals not covered by TSS.[40] A WSP recipient cannot return to TANF before the 12-month period expires unless he or she experiences involuntary job loss or a reduction in hours. WSPs are only available once in 24 calendar months and twice within the TANF 48-month lifetime limit.

TSS is a limited reimbursement for child care, transportation, or incidentals for 6 months, and is available once in 24 calendar months. WSP is designed to help TANF leavers pay for work-related expenses, while TSS is designed to further facilitate the transition from TANF dependency to self-sufficiency.[41] TANF leavers who decide not to participate in the WSP program can still receive TSS for six months.[42] TSS is only available to TANF leavers for the first six months of WSP eligibility; [43] they run concurrently.

Georgia does not include WSP payments or TSS payments in determining eligibility for CAPS, food stamps, Medicaid, or PeachCare for Kids.[44]

Job coaches work with WSP recipients to increase job retention and career advancement. Post-employment job coaching services are provided for at least the first 6 months of employment and possibly up to 12 months, with weekly contact in the first 3 months decreasing to monthly contact thereafter.

In FY 2008, 57 percent of TANF leavers (4,305 out of 7,553) were employed in the quarter they exited TANF.[45] During this period, DHS made approximately 1,300 WSP payments per month. However, DHS does not have the data to determine how many employed leavers overall enroll and receive WSP payments, and therefore cannot determine the program's effectiveness.[46]

Diversion Program

TANF applicants who become employed and ineligible for TANF cash assistance may receive short-term income supplements via Georgia's diversion program —TSS or employment intervention services (EIS). They may choose between TSS (as previously described) or EIS, but they cannot receive both.[47]

EIS is a one-time, lump-sum payment, equal to four times a family's monthly cash assistance benefit. Upon receiving the diversion payment, the applicant is not eligible to receive TANF cash assistance for twelve months nor other support services (excluding child care). DHS spent $1.7 million in one-time diversionary payments to 4,949 TANF applicants in FY 2008.[48] DHS does not have the data to show what percentage of TANF applicants received either TSS or EIS diversionary payments, nor what percentage of TANF applicants are diverted from TANF.

RECOMMENDATIONS

TO MAKE WORK PAY IN GEORGIA

These recommendations are in two different phases in order to reflect the need for program effectiveness to be included during planning. Phase 1 calls for more comprehensive data management and recommends using federal stimulus funds. Phase 2 seeks to strengthen work support and diversion.

Phase 1

1. DHS' data systems should be updated to more effectively manage its two income support programs:
   a. Worker Support Program – Maintain data on all TANF leavers (employed and non-employed). For employed TANF-leavers, track those who access WSP payments and their outcomes (e.g., employment retention, income levels, TANF re-entry). Track outcomes for non-employed TANF leavers.
   b. Diversion Program – Maintain data on all TANF applicants. Track TANF applicants who access diversion payments through EIS and TSS as well as their outcomes (e.g., employment retention, income levels, TANF entry).
2. Investigate the use of $165.4 million in federal ARRA TANF Emergency Funds (at the time of this report these funds are available but not allocated)[49] to expand Georgia's diversion program to provide additional payments, a larger payment, or extend eligibility to a larger group of low-income families (those with income above Georgia's TANF levels). A policy change could be time-limited during the period of ARRA funding (ending on September 30, 2010) and, if designed in the form of a short-term, non-recurrent TANF benefit, 80 percent of state funds would be reimbursed with federal TANF ARRA funds.

Phase 2

Once DHS has a clearer analysis of the number of TANF employed leavers who access work support, DHS should strengthen the work supplement program as follows:

3. DHS should streamline administration and ensure that all eligible TANF leavers access the Work Support Program by providing automatic enrollment for TANF leavers with known employment information.
4. Strengthen outreach to families with closed TANF cases but unknown employment data in order to both track program outcomes and to support leavers thereby reducing re-entry. Strategies include: [50]
   a. Assist recipients to report their employment status, even if they ask for their case to be closed.
   b. Educate welfare-to-work program providers about WSP so that they can assist families reporting their employment status.
5. Georgia should streamline employment verification for more efficient administration and to prevent families from losing work support benefits because they fail to meet paperwork requirements.

Chapter 4

Transportation – Car Ownership Programs

TRANSPORTATION:

A reliable car provides parents access to more employment opportunities and reduces child care scheduling complications.

Nationally, it is estimated that 88 percent of employees drive to work.[51] For low-income families, lack of reliable transportation is a significant barrier to finding and maintaining employment. These families often live far from available jobs, as a significant number of jobs have moved from central cities to suburbs.

Many poor families cannot afford a car on their own and must rely on public transportation, which is often inadequate or non-existent, especially in rural areas. Public transportation is also challenging for parents whose job and child care provider are some distance apart.

Most states provide some transportation assistance to families receiving TANF or to employed TANF leavers. This assistance tends to help families access public or shared transportation through transportation allowances, reimbursements, and contracts for buses or vans.

This report focuses on using TANF funds for car ownership because a reliable car provides parents access to more employment opportunities and reduces child care scheduling complications. Research shows that a parent with a car is more likely to be employed and to work more hours than a parent without a car, regardless of whether a family lives in a rural or urban area.[52]

Funding Opportunities and Uses

Allowable uses of federal TANF and state MOE funds for car transportation include: [53]

- Contracting with private organizations or services to refurbish previously owned cars and provide them to TANF recipients, or to provide financing support that enables recipients to purchase a car.
- Reimbursing clients for mileage, auto repairs, or auto insurance to facilitate finding employment and job retention.
- Providing transportation allowances to cover incidental expenses and participation-related expenses for unemployed families.
- Providing assistance with car purchases and ongoing car maintenance costs.

Federal guidance indicates that TANF funds used for a direct-payment car purchase, car loans, or other costs associated with car ownership are considered "non-assistance" and therefore not subject to TANF requirements (e.g., work requirements and time-limits).[54]

States also can fund car ownership programs by transferring up to 10 percent of their TANF block grant to their Social Services Block Grant (SSBG). If services or benefits are provided to families from these transferred funds, federal TANF restrictions do not apply. Under the SSBG, states can provide supports to families with incomes up to 200 percent of poverty.

In many states, car ownership programs are small and initially funded with non-TANF funds. However, TANF funds provide states with the opportunity to expand or replicate these programs to reach a broader group of low-income families. A statewide car ownership program could:

- ***Make direct payments to low-income families to help them purchase cars.*** With a direct payment the family does not have to worry about repaying a loan after just starting a low-wage job. The direct payment amount varies by state. In some states, the amount is sufficient to purchase a dependable used vehicle, while in others it may be only enough to make a down-payment. Generally, used cars costing less than about $2,000 are unlikely to be adequate for commuting to work and to child care, even with substantial repairs. Most used cars costing close to $2,000 need repairs before they are safe to drive regularly.

  In these car programs, the state often pays for any initial repairs. The cost varies depending on the climate of the region and the car itself, but for budgeting purposes, a general estimate is $1,000 per car.
- ***Provide loans to low-income families for car purchase or repair.*** This strategy helps families buy a car while helping them build or rebuild credit, and it helps recipients develop (often new) relationships with local banks. Some low-income families, however, may not earn sufficient wages to make any loan payments.

For either model, states also can assist low-income families with costs associated with car ownership, i.e. repairs, gas, auto insurance, licensing, registration, emissions, excise taxes, and other car-related fees.

Best Practice: New York Invests TANF Funds in Car Ownership

Outside of New York City, reliable transportation is a major barrier to employment. New York invests federal TANF funds in a statewide Wheels to Work program operated at the county level to help low-income families overcome this barrier.[55] Under Wheels to Work, counties have flexibility to provide affordable automobile loans, car donation programs supported by the surrounding community, car repair assistance, and car insurance, as well as assistance with license and registration fees, driver's training and defensive driving, financial counseling, basic car care maintenance classes, and child safety seats.[56]

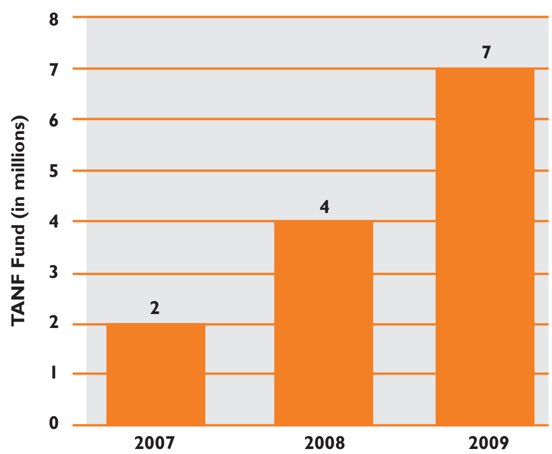
New York significantly increased the state's investment of federal TANF funds in its Wheels to Work program from $2 million in 2007 to $7 million 2009.

Table 4.1 **Key New York Wheels to Work Outcomes**

Outcomes	2007-2008*
New Participants Served	1,890
Job Placements	213
Car Maintenance Instruction	330
Donated Vehicles	50
Defensive Driving Classes	342
Driver Education/Training	105
Financial Counsel/Budgeting	994
Registration/ License Fees	511
Vehicle Insurance Payments	575
Vehicles Provided	719
Vehicle Repairs	516

Source: New York State Office of Temporary and Disability Assistance [57]
**As of August 31, 2008*

Figure 4.1 **New York Federal TANF Investment in Wheels to Work**



Georgia Transportation Supports

Georgia uses TANF funds for general transportation supports. Its previous Wheels to Work program is poised to relaunch.

Transportation Supports

Georgia's DHS transportation supports for TANF applicants and recipients include:[58]

- *Direct Subsidies* – Covered costs include the cost of operating a vehicle, bus tickets, taxi or other fares, and parking fees if free parking is unavailable. Reimbursement or payments are for transportation to and from the TANF applicant or recipient's residence to the place of employment/training or to the child care provider. Transportation costs are reimbursed at a daily rate of $5 per day.[59] Monthly payments or reimbursements cannot exceed $350 per

[Wheels to Work] not only enabled low-income people to obtain or keep employment , it also allowed them to participate more fully in their community and children's activities such as PTA meetings and athletic events, thus making them better parents and citizens.

—Beverly McElroy, GEFA

person per month. TANF funds are paid directly to clients or applicants and totaled $2.3 million in SFY 2008.[60]

- *DHS Coordinated Transportation System* – Administered by the DHS Office of Facilities and Support Service, it is designed to assist DHS clients in geographic regions that do not have a public transportation system.[61] The system provides services to the Division of Aging, DFCS, and TANF, as well as to the Division of Mental Health, Developmental Disabilities, and Addictive Diseases (MHDDAD). The coordinated system operates through a series of service contracts within each region. Providers are a mix of governmental entities, for-profits, and nonprofits. The state increased TANF funds invested in this initiative from $345,000 in FY 2000 to $8.7 million in SFY 2008.[62]

Best Practice: Georgia Wheels to Work

Georgia operated a successful statewide TANF funded car purchase program in FY 2001 called Wheels to Work.[63] Wheels to Work began in 1992 with a $75,000 budget from the Georgia Environmental Facilities Authority (GEFA). During 1993 to 2000 funding was relatively modest at about $75,000 to $200,000 and was not available statewide. In FY 2001, Georgia injected a one-time investment of $10 million in federal TANF funds to take the program statewide.

Wheels to Work sought to address the problem that transportation — especially in rural areas — was a primary barrier to gaining or keeping employment. Wheels to Work was designed to assist low-income families (and later current and former TANF cash assistance recipients) to purchase reliable low-cost vehicles with no down payment, zero interest, and low monthly payments, thereby easing participants into the responsibility of car ownership. Participants were responsible for the insurance, maintenance, and upkeep of the vehicle and were provided guidance and support to effectively take on these responsibilities.

At the state level, Wheels to Work was administered by GEFA. At the local level, the program was implemented by the 11 Resource Conservation & Development Councils (RC&D), an offshoot of the Georgia Department of Agriculture, and one nonprofit, New Leaf Services, for metro Atlanta. The 12 local entities each had the flexibility to operate the program slightly differently to meet the needs of their local area. For example, New Leaf Services, which had no loan defaults, required participants to bring their cars in every Saturday for free on-site maintenance.

Despite losing statewide funds after FY 2001, some local RC&D's continue the Wheels to Work program, using participant's repayments and private grants to purchase more cars and assist more individuals. In fact, between 2000 and 2008, the Pine Country RC&D Council has placed 348 individuals in cars throughout a nineteen county area.[64]

RECOMMENDATIONS

FOR A CAR OWNERSHIP PROGRAM IN GEORGIA

Georgia should provide new funding to reconstitute a robust statewide Wheels to Work Program for TANF applicants, recipients, and employed leavers.

- Reinvest federal TANF funds in Georgia's Wheels to Work Program.
- Consider using $165.4 million in federal stimulus funds under the ARRA TANF Emergency Fund (available to Georgia but unallocated at the time of this report).[65]

Chapter 5

Post-Secondary Education – Career Pathway Initiatives

To achieve the long-term outcome of lifting families out of poverty, states are using TANF funds to help low-income families and individuals pursue post-secondary education.

Programs are directly linked to local employment opportunities that pay enough wages to ensure a family is self-sufficient.

In a growing number of states, local leaders are coordinating community colleges with social services and workforce development programs. They are funding programs primarily or in part with TANF funds to:

- produce a more well-trained workforce,
- promote economic growth, and
- create a network of previously disconnected agencies that collaborate to reduce welfare dependency.

Several states, such as Arkansas, Kentucky, and Washington, are using the career pathways model — a series of connected education/training programs and support services that enable individuals to secure employment within a specific industry or occupational sector and to advance over time to higher levels of education and employment within that sector.

Georgia's public post-secondary system, with the support of collaborative partners, is poised to pilot a Career Pathways Program that serves low-income Georgians.

Arkansas Career Pathways Initiative

Launched in 2005, the Arkansas Career Pathways Initiative (CPI) is an Arkansas Department of Higher Education program made possible through the cooperation of the Department of Workforce Education, Department of Human Services, Arkansas Association of Two-Year Colleges, and Southern Good Faith Fund, and with a grant administered by the Department of Workforce Services.[67]

Each of the 25 sites (including all 22 two-year colleges) has a career pathways team that can include a program coordinator, case managers, an outreach specialist, an intake/assessment specialist, a career/

FUNDING:

States may use federal TANF and state MOE funds to "fund education or job training activities at colleges and [at] secondary and technical schools that promote advancement to higher paying jobs and self-sufficiency.[66]

—U.S. Department of Health and Human Services

Table 5.1 **Arkansas CPI Enrollment Outcomes**

	2006 Program Year 1	2007 Program Year 2
Total Enrollments	**2,233**	**3,750**
GEDs	22	42
WAGE/Employability Certificates	161	205
Certificate of Proficiency	80	249
Technical Certificates	74	204
Associate Degrees	60	221
Total Certificates/Degrees Attained	**397**	**921**

Source: Arkansas CPI Progress Report of Activities and Outcomes During Program Year Two

In Georgia, there is now no statewide TANF-funded post-secondary program to prepare TANF recipients or leavers to enter the job market and earn self-sufficiency wages.

employability specialist, and a curriculum specialist. CPI key components include:

- Pathways that show the connection between credentials earned and real local job opportunities. Each site creates educational career pathways that show the certificate/degree programs and required coursework linked to job titles/wages. See the Appendix for a sample career pathway for therapeutic services (nursing).
- Instructional strategies to improve student retention and completion. These can include strategies such as academic assessments, bridge programs, and flexible course scheduling.
- Comprehensive student support services. CPI counselors facilitate student services such as funds for tuition[68] and books, career assessment, orientation, advising, tutoring, job search skills, and job placement assistance. In most cases, extra support services such as transportation and child care assistance are also provided.
- Strategic partnerships. CPI partners with (1) employers for internships and job placements, (2) government agencies for support services and work centers, and (3) community-based organizations for recruitment, support services, and job placement/retention.

CPI is available to a TANF-eligible adult[69] who meets one or more of the following requirements: (1) is a former or current TANF cash assistance recipient, (2) is a current recipient of food stamps, ARKids (similar to PeachCare), or Medicaid; or (3) has earnings at or below 250 percent of poverty ($45,775 annually for a family of 3).[70]

CPI is funded primarily by federal TANF funds with in-kind contributions from the Arkansas Department of Higher Education and local colleges.[71] Its annual budget is $12 million in federal TANF funds; an increase from $8 million in FY 2006. The state gave 11 sites approximately $500,000 each to start the initiative. It added 14 new sites in 2007 and allocated approximately $150,000 to each. To attract participants, Arkansas spent $400,000 in federal TANF funds on a public information campaign in 2006.[72]

CPI's participant objectives include: increased attainment of college-level certificates and associate degrees; improved job retention, advancement, and wage progression; and reduced welfare recidivism.

In addition, each institution must:

- Initially enroll a minimum of 200 students with a statewide goal of 2,500 students.[73] Ten percent of the students served by CPI must be TANF clients.
- Surpass a minimum of 40 certificates/degrees attained each per year (20 percent of 200 minimum enrollments).
- Demonstrate that at least 55 percent of students who complete their program gain employment.
- Increase TANF student enrollment by 10 percent in order to receive incentive funding.
- Colleges receive per capita incentive funds in excess of achieving minimum benchmarks (e.g., $500 per student employed after he or she completes the program, once the 55 percent target is met).

CPI experienced significant growth in the first two years and achieved strong outcomes. In 2007, CPI participants included 42 percent food stamps or Medicaid recipients, and 20 percent former TANF recipients. Sixty percent of participants were single parents. The 2007 student success rate (completing and retained students) was an astounding 90.4 percent, (See Table 5.1).

Best Practice: Kentucky's Ready-to-Work Program

Kentucky's "Ready-to-Work" (RTW) program provides on-campus case management to help students navigate a college's academic and student services bureaucracy and access other community resources and supports.[74] The program also includes a work-study component that enables students to earn up to $2,500 per year through work study placements with private or nonprofit employers in their field of study.[75]

RTW began as a partnership between the Kentucky Community and Technical College System (KCTCS) and the Kentucky Cabinet for Health and Family Services (KCHFS) in 1998. RTW's statewide network includes a system-wide coordinator, approximately 22 full-time TANF-funded RTW coordinators, and 16 "work & learn" coordinators[76] serving 16 KCTCS colleges throughout Kentucky. These coordinators serve as liaisons between the student, campus system, KCTCS Career Pathway Initiative, KCHFS/DCBS (Department of Community Based Services), and other community resources. They provide and/or facilitate academic and employment support services,[77] and refer and advocate for RTW participants to receive additional support services (e.g., child care and transportation assistance).

RTW serves TANF cash recipients and "TANF eligibles," defined as households below 200 percent of poverty (documented by participation in food stamps, Medicaid, or other anti-poverty programs).[78]

The current RTW budget is $4.4 million annually and funded solely with federal TANF funds. The budget has been level since FY 2004, resulting in a decreasing amount of work study funding in order to maintain the 20.5 coordinators.

Significant RTW outcomes include:

- Of the 2,500 students served annually, 59 percent participate in RTW work study placements.[79]
- 70 percent retention rate, compared to 54 percent for the KCTCS general college population.
- 2.53 overall grade point average for RTW, compared to 2.42 for the KCTCS general college population.
- RTW graduated 1,677 students since autumn 2000 with 917 associate degrees and 760 certificates and diplomas.[80]
- 954 RTW students assisted to find unsubsidized employment from the spring 2000 through the fall of 2007.[81]

Best Practice: Washington's I-BEST Initiative

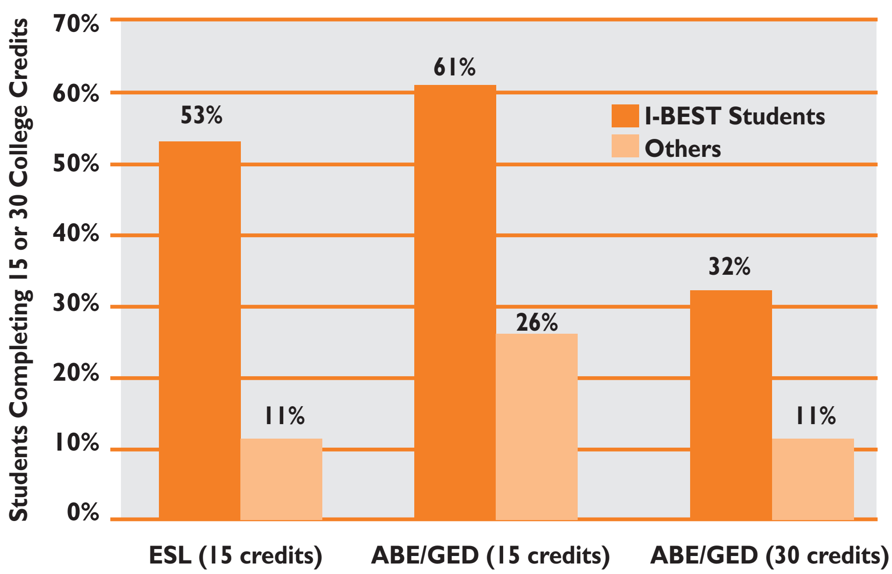
Washington's focus is to create pathways for adult basic education and non-English speaking adults by integrating programs for low-income students. Operating since spring 2004, Washington's Integrated Basic Education and Skills Training (I-BEST) pairs English as a Second Language (ESL)/Adult Basic Education (ABE) instructors with professional-technical instructors in the same classroom to provide students with both literacy education and workforce skills.[82] The goal is to prepare students for higher-wage jobs and to help students earn college credits in the first year and beyond.

I-BEST is administered by the Washington State Board for Community and Technical Colleges (SBCTC) and requires considerable coordination among administrators, faculty, local employers, and community organizations. I-BEST programs must be part of a one-year certificate/occupational program proven to place graduates in higher-wage jobs.[83]

Each I-BEST program must demonstrate high local employer demand through "local data", which shows the actual number of job openings available for those who complete or graduate from the program is greater than the number of completers/graduates produced by the colleges in the region.

I-Best participants out-perform other basic skills students significantly.

Figure 5.1 **Washington I-BEST Students Earn College Credits in Higher Percentages Than Other Students**



Source: Arkansas Career PathwaAmy-Ellen Duke and Julie Strawn, "Overcoming Obstacles: Optimizing Opportunities: State Policies to Increase Post-Secondary Attainment for Low-Skilled Adults," CLASP, March 2008

Eligible I-BEST students are assessed and must meet the federal criteria for receiving ABE or ESL instruction.[84] The program is generally not suitable for low-level ESL students.[85]

I-BEST is funded primarily by state general funds allocated by the Washington state legislature.[86] The legislature appropriated $4.9 million to grow and expand I-BEST programs for the 2007-2009 biennium.[87] Additionally, each college also receives TANF funds through the state's WorkFirst program, a portion of which can be used for I-BEST student tuition assistance for students who receive TANF cash assistance and for low-income students who:

- work a minimum of 20 hours per week,
- have income below 175 percent of the federal poverty level, and
- have at least one dependent or minor child, including those who are former TANF recipients.[88]

I-BEST has enjoyed a strong track record since its inception. During the 2006-2007 school year, I-BEST was offered at 24 colleges and had 900 enrollments: 273 ESL and 627 ABE/GED participants. As of autumn 2008, there were more than 120 approved I-BEST programs offered throughout all of Washington's 34 community and technical colleges.[89]

As shown in Figure 5.1, the percentage of I-BEST students who earn their first 15 college credits[90] or complete at least 30 credits is substantially higher than basic skills students who do not participate in I-BEST.

Could Georgia Be a Best-Practice State?

Georgia's adult employment and education systems are poised to implement a model career pathways initiative.

Post-Secondary Education System

Georgia's public post-secondary system is comprised of two parts — the University System of Georgia and the Technical College System of Georgia (TCSG). The University System has 35 two-year and four-year institutions. TCSG, which houses both adult education and technical education, includes 33 technical colleges, 31 branch campuses, and four joint programs with the University System. The technical colleges offer associate's degrees, certificates, and diploma programs.[91]

TCSG Office of Adult Education offers free ABE, adult secondary education, and ESL courses. The Office of Adult Education contracts with technical colleges, school systems, and state colleges to provide services in 37 service delivery areas that encompass all of Georgia's 159 counties.[92]

Currently, there is no statewide TANF-funded initiative at TCSG or the University System supporting or readying TANF recipients, TANF leavers, or a broader group of low-income workers to enter the job market and earn self-sufficiency wages.

However, as recent as FY 2009 (ending June 30, 2009), Georgia invested TANF funds in the following programs provided by TCSG:[93]

- *Adult Literacy (AL)/TANF* – Georgia DHS contracted with the TCSG Office of Adult Literacy to provide adult literacy services to TANF recipients from March 1999 through June 2007, investing a high of $6.3 million in federal TANF funds in 2000 to a low of $2.3 million in 2007.94 County DFCS offices and a TCSG program called New Connections to Work referred TANF recipients to AL/TANF to receive intensive literacy training.

  In FY 2006, DHS changed the contract from a reimbursement-of-expenses contract to a fee-per-participant contract. Enrollments decreased from 1,573 TANF recipients in FY 2006 to 361 TANF recipients in FY 2007 (a 77 percent decrease). As TANF referrals declined, these classes were filled with non-TANF recipients. The contract was not renewed after 2007.

  In FY 2008, TCSG received $3 million in new state funding to continue providing adult literacy to mostly non-TANF recipients. TCSG continues to serve a small number of TANF recipients who register but does not provide any additional services and does not receive TANF funds for serving them.[95]
- *New Connections to Work (NCTW)* – In FY 2006, TCSG received about $4.7 million in TANF funds to provide training for custodial parents to assist them to develop skills necessary to obtain, perform, and maintain a job to support their family.

  In 2006, DHS switched funding for the program from a grant that reimbursed program expenses for TANF and non-TANF recipients alike, to fee-for-service (reimbursement per attendee) for TANF recipients only. As DHS referred fewer TANF recipients, attendance was down, and funding decreased dramatically, resulting in NCTW ending in 2007.

Related Programs in Georgia

- *Peach State Pathways – career guidance and technical education that spans high school and post-secondary education.*
- *Accelerated Adult Literacy Transition Project – provides academic and job readiness skills for youth ages 16 to 19.*

- *Fatherhood Initiative* – The program provides education, job training, and job placement assistance to DHS-referred, non-custodial parents to enable them to fulfill parental obligations, including paying court-ordered child support. DHS initially funded the program with approximately $3 million in federal Social Security Act 4D funds.

  In 2006, DHS changed the funding arrangement from program-based to fee-for-service, and funding levels decreased over the next two years. During this period, state TANF roles continued to decrease and actual referrals from DHS were much lower than projected estimates. In FY 2008, DHS changed the funding source to approximately $2 million in federal TANF funds. Since FY 2009 the Georgia Department of Labor (DOL) began funding the initiative with federal Workforce Investment Act (WIA) funds on an expense-reimbursement basis, and it is no longer TANF-funded.

Georgia Work Ready

Governor Perdue, in partnership with the Georgia Chamber of Commerce, launched Georgia Work Ready in August 2006 "to improve the job training and marketability of Georgia's workforce and to drive future economic growth for the state." [96]

As part of the program, job seekers may take a free computer assessment of their knowledge and skill level at all Georgia technical colleges. Participants receive a bronze, silver, gold, or platinum level Work Ready certificate that can be matched to corresponding job opportunities. TCSG adult education programs also provide remediation for individuals seeking to their improve skill levels.

Georgia's Work Ready initiative designates communities and regions as work ready based on their efforts to achieve certain workforce goals, such as:

- their workforce holds Work Ready certificates,
- minimum graduation rates,
- increasing post-secondary graduation rates, and
- increasing skills among the existing workforce.

Georgia's Work Ready initiative is administered by the Governor's Office of Workforce Development and funded through federal WIA discretionary funds.

The initiative also includes 18-month regional grants. Round 1 grants began in March 2008 with seven regional grants each in the amount of $500,000 (See the Appendix). Round 2 grants included four new grant recipients and began in April 2009. (See the Appendix

RESOURCES

For more information on state career pathway initiative models, implementation and challenges, please see Rosanna Perry Stephens, "CHARTING A PATH: An Exploration of the Statewide Career Pathway Efforts in Arkansas, Kentucky, Oregon, Washington and Wisconsin," Seattle Jobs Initiative, May 2009. Available for download at http://www.seattlejobsinitiative.com/policy/publications/index.html.

[Georgia should] develop and implement an adult career pathway program aligned with Georgia's strategic industries.

—State Workforce Investment Board Strategic Plan

Our Work Ready Regions are establishing career pathways that lead to life-long training among our citizens ... By developing a pipeline of qualified workers, Georgia can ensure that companies will have one of their most important resources for continued growth.

— Governor Perdue, State of Georgia[101]

for all 11 regional grant recipients.) Recipient regions are asked to set benchmarks that may include the number of students earning certificates, diplomas, or associate degrees aligned to strategic industries. These regions will likely work closely with the Georgia DOL career and one-stop centers[97], which regularly refer Georgians to TCSG for education and training.

RECOMMENDATIONS

FOR CAREER PATHWAYS

Building on the momentum of Georgia's Work Ready program, the infrastructure of DOL career centers, and the public post-secondary system, particularly TCSG, Georgia is poised to pilot a Career Pathways Program that serves low-income families and individuals, including:

- former or current recipients of TANF cash assistance;
- current recipients of food stamps, PeachCare, or Medicaid; or
- those with earnings at or below 200 percent of poverty or, alternatively, the Georgia Self-Sufficiency Standard.[98]

Using key elements of successful state models in Arkansas, Kentucky, and Washington as described in this chapter, TCSG and the Board of Regents should work with the 11 Work Ready regions and 20 local Workforce Investment Boards[99] to develop career pathways for very low-income people that:

- Integrate academic, workforce development, and remedial instruction to provide a clear connection between academic credentials and jobs in regions' identified industries.
- Provide on-campus case management to help students navigate career pathways and access needed support services.[100]
- Expand partnerships with government agencies, local employers, and community-based organizations.

For example, Arkansas gave each pilot site approximately $500,000 to start a career pathways office. If Georgia chose to pilot this initiative in the seven Georgia Work Ready Regions funded in March 2008, the cost may be lower due to Georgia's existing efforts. For a budget of $4 million, Georgia could pilot this effort in each of the seven regions and administer a public information campaign with the collaboration of Georgia DHS to recruit eligible job seekers who already participate in the Work Ready certificate program.

This initiative should be a priority for TANF funds because it will enable clients to get a job, keep a job, and improve their economic circumstances, thus reducing dependency on the state.

CAREER PATHWAYS FUNDING OPPORTUNITIES

In order to pilot a career pathways initiative based on the Work Ready program, Georgia should use ARRA funds.

1. Georgia should utilize new funding and flexibility under ARRA via WIA training and employment services. ARRA provides $2.95 billion to states using standard WIA grant formulas (e.g., $1.2 billion for youth, $1.25 billion for dislocated workers, and $500 million for adults). Georgia is receiving $88.3 million in ARRA WIA funds ($31.4 million for youth services, $43.8 for dislocated workers, and $13.1 million for adults), and should investigate how it can allocate these funds for the initiative.
2. Georgia should bid for competitive grants for worker training and placement in high growth and emerging industries. ARRA provides $750 million nationally for this program and allows for contracting with institutions of higher education if they facilitate training in high-demand occupations, do not limit customer choice, and specify that the funding can support needs-related payments and support services.

Note: WIA provides funds to localities for job training and employment services for dislocated workers, youth, and adults.

Chapter 6

Asset Building

Savings and assets can protect families against unforeseen hardships and promote family stability, both of which enable self-sufficiency and decrease poverty. Federal TANF and state MOE funds can be used for state programs related to enhancing or supplementing family assets. Specifically, states can: [102]

- Loosen or eliminate resource limits imposed on TANF recipients.
- Create a state refundable Earned Income Tax Credit (EITC) program.
- Match the contributions of TANF-eligible individuals in their Individual Development Accounts (IDA) developed either under the TANF provisions or the Assets for Independence Act (AFIA) of 1998.

Resource Limit Policies

One strategy to build assets among TANF recipients and poor families is to change policies that discourage savings. Each state may set their resource limit policy for determining TANF eligibility. Many states are loosening or eliminating resource limits, so as not to penalize a family for saving.[103] Georgia has no resource test for food stamp eligibility, but it has set the resource limit for TANF eligibility at $1,000.[104] Since TANF began, 40 states have raised the general resource limit for both applicants and recipients;[105] Georgia is not one of them.

The State Earned Income Tax Credit

In 1975, the federal government established the federal EITC to help lift working families' income above poverty. These refundable credits decrease the income tax obligation of low-income working families and refund any portion of the credit that exceeds the tax obligation.

A federal EITC can be worth up to $4,824 for families who worked in 2008. Workers raising children who earned less than approximately $38,000 in 2008 are eligible. Workers not raising children who earned less than about $13,000 qualify. (Eligibility may differ depending on a family's tax circumstance.)

State EITCs are simple to implement, administer, and claim. They typically piggyback on the federal EITC by

ASSET EFFECTS:

In families where assets are owned, children do better in school and family stability improves. Reliance on public assistance decreases as families use their assets to access higher education and better jobs, reduce their housing costs through ownership, and create job opportunities through entrepreneurship.

— Center for Social Development[106]

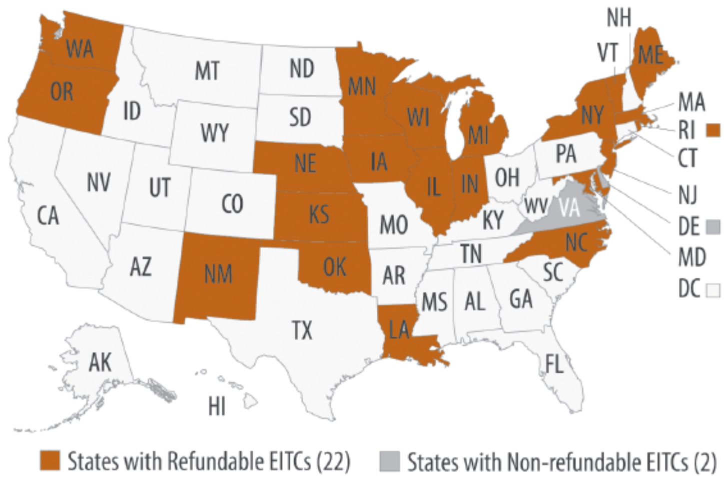
Georgia's Low-Income Tax Credit is not a comparable substitute for a state EITC. The credit is simple to implement, administer, and claim.

using a fixed percentage — between 3.5 percent and 40 percent — of the federal credit. States can use the federal statutory structure and compliance apparatus, and filers need only multiply their federal EITC by the state rate to determine their state credit.

Evidence demonstrates that state EITCs serve a number of important public policy goals, such as:

- The federal EITC lifts about 4.4 million people — over half of them children — out of poverty each year. State EITCs supplement this effect. Both federal and state EITCs increase workforce participation among eligible families.[107]
- Many EITC recipients use their EITC refunds to pay off debt, invest in education, and secure adequate housing, strengthening their ability to support their family without TANF.

Figure 6.1 **Twenty-four States Have Enacted EITCS**



Source: Jason Levitis and Jeremy Koulish, October 8, 2008

Ten states — Illinois, Indiana, Kansas, Maryland, Massachusetts, Minnesota, New Jersey, New York, Vermont, and Wisconsin — use federal TANF or state MOE funds to partially fund their state EITCs.

Twenty-four states and the District of Columbia have created state-level EITCs.[108] Twenty-two of these states follow the federal practice of making the credit "refundable." This means a family receives the full amount of its credit even if the credit amount is greater than the family's state income tax liability.[109] Families receive a tax refund for any amount they paid in state income taxes (i.e. through payroll deduction) the credit exceeds. If a family has no income tax liability, the family receives the entire state EITC as a refund. Georgia does not have a state EITC.[110]

State EITCs generally are financed primarily from a state's general fund, similar to funding for other tax cuts, such as property or business tax cuts. States may only use federal TANF or state MOE funds to finance the portion of an EITC that provides a refund in excess of tax liability. Regardless of how an EITC is financed, it complements a state's ability to assist low-income working families with children.

Georgians and the Federal EITC

In 2007, 900,000 Georgia taxpayers claimed the federal EITC, which led to almost $2 billion flowing through local economies across the state, helping parents meet their families' needs.[111] More families are inevitably eligible now that the country is experiencing this deep recession and Georgia's workforce is being laid off in record numbers. How many families in financial crisis are qualifying for the EITC for the first time, but don't know about the credit or the free tax assistance centers available to them? Outreach and education around EITC plays a crucial role in connecting struggling families with up to $4,800 in relief and bringing new dollars into local economies.

In 2005, DHS initiated an EITC outreach campaign in partnership with the Internal Revenue Service and the Federal Deposit Insurance Corporation. The campaign consisted of training/education regarding free tax preparation, and subsidizing the cost for paid tax preparers and the cost of rapid refunds. DHS charged the staff with discussing EITC with every client that received earned income during the tax season. DHS continues to train staff (e.g., in 2008 it trained job coaches) prior to tax season to inform their clients about the federal EITC.[112]

Numerous online resources provide suggestions and sample materials to engage advocates and social workers to educate and outreach to Georgians regarding EITC. In addition, the Center on Budget and Policy Priorities offers materials with flyers in over 20 languages and suggestions for effectively promoting EITC.[113] For families, there are volunteer income tax assistance (VITA) locations throughout the state that provide free tax preparation.[114]

Georgia's Low-Income Tax Credit

Georgia enacted a low-income tax credit in 1991, but it is not a comparable substitute for a state EITC. It only offers some relief to working families in which the household earns less than $20,000 a year. It also suffers from two major drawbacks: it is not indexed for inflation and it does not reward work.

The federal EITC is adjusted for inflation. States that link their EITC to the federal EITC automatically index it for inflation. The value of Georgia's low-income tax credit will continue to shrink over time unlike a state EITC indexed automatically for inflation.

In addition, the tax credit is so small it has a nominal effect. The base credit ranges from $5 to $26 and is multiplied by the number of family members to calculate the full credit. For example, for a single-parent household of three earning an annual income of $15,600, the $5 base credit would be multiplied by three (family size) for a full credit of just $15.[115]

A Georgia EITC would reward work and keep pace with the economy because the credit increases as income increases (up to a certain income level).[116]

Individual Development Accounts

IDAs are savings accounts designed to encourage low-income families to save by providing matching contributions. Typically, IDA savings can only be used for pursuing post-secondary education/training, starting a business, and buying a home.[119]

IDAs were developed under TANF provisions and under the Assets for Independence Act of 1998 (AFIA). IDA programs can be funded by public and private funds and are generally implemented by community-based organizations in partnership with a financial institution that holds the deposits. IDA benefits are not treated as "assistance" and therefore these assets may be disregarded in determining eligibility for TANF, Medicaid, food stamps, and other benefits. In addition, participation is not subject to TANF time limits or work requirements.

TANF-funded IDAs require that only earned income may be deposited in IDA accounts and that nonprofits or state or local governments establish IDAs as "trusts created or organized in the United States." [120] States with IDA programs often include financial literacy classes to help establish positive saving habits and financial skills, both of which are generally passed on to children. Information about repairing credit, reducing expenditures, applying for the EITC, avoiding predatory lenders, and accessing financial services also helps IDA participants access other financial services.

Savings from federal and state EITCs is a potential source of IDA savings. More than half of the states that operate a statewide IDA program coordinate it with their EITC campaign. States with active statewide TANF-funded IDA programs and which have EITC campaigns, such as Arkansas and South Carolina, can serve as models to Georgia. The impact of IDAs extends beyond the individual saver:

- Banks and credit unions benefit from new customers.
- States and local communities benefit from the decreased presence of check-cashing, pawnshop, title loans, and other predatory outlets.

While academic research on the effectiveness of specific state welfare reform policies continues and is complex, we believe there is general agreement on the policies that work including "maximizing EITC utilization."[117]

—The Heartland Institute

Table 6.1 **State Policies for TANF Funded IDA Programs, 2006**

State	Sources of Funds	Match Rate,/ Required Participant Savings	State Participant Eligibility Requirements	State Maximum Match	Approved Uses For IDAs
Arkansas	TANF Funds; state tax credits; private funds; AFIA grant	3:1 state limit / none	TANF or TANF-eligible; Annual income at or below 185% of federal poverty level guidelines; assets must not exceed $10,000, excluding primary home and one vehicle	$2,000 per year; $4,000 per household over the life of the program	homeownership; small business capitalization; higher education; retirement; home repair; car purchase or repair (cannot be sole purpose for IDA); qualified emergencies
New Jersey	state general funds; TANF funds; private funds; AFIA grant	1:1 state limit / regular deposits	annual household income at or below 200% of federal policy level guidelines at time of enrollment; eligible for Work Force NJ; one or more minor children	$1500 per year; $4500 over the life of the program	homeownership; small business capitalization; post-secondary education
South Carolina	TANF funds; private funds; AFIA grant	3:1 state limit / $25/month	TANF-eligible; annual household income at or below 200% of federal poverty level guidelines	$3000 over the life of the program	homeownership, small business capitalization; higher education

Source: Center for Social Development State IDA Policy Summary Tables (10/11/2006)

Currently, there are at least 22 operational state-supported IDA programs.[118]

Research shows that "low-income individuals can save when given access to the same structures, information, and opportunities as people with moderate to high incomes.[121]

As of 2006, 7 states — Arkansas, Indiana, Michigan, New Hampshire, New Jersey, South Carolina, and Virginia — used TANF funds for their state IDA programs.[122] As indicated in Table 6.1, policy and program designs vary by state.

In 2005, the Center for Social Development convened state and nonprofit IDA administrators from states with state-level IDA programs primarily funded with TANF funds. This meeting revealed that "both state agencies and nonprofit organizations see TANF funding as an effective source of funding for IDAs and IDA programs, despite some significant restrictions on using the funds, and that TANF funding for IDAs well-serves both overall TANF program goals and IDA program goals," including gaining and retaining employment and moving towards self-sufficiency.[123]

A TANF-Funded IDA Program in Georgia?

Georgia's TANF IDA program was introduced in 1997 through County Letter # 97-16, sent to its 159 counties explaining IDA policy and guidelines:[124]

> Georgia's IDA may be established by or on behalf of a TANF applicant or recipient for post-secondary education expenses, a first home purchase, or to start a new business.

The policy states that an IDA account can be established and maintained only with earned income and must be held in the form of a trust account. An irrevocable trust fund was established with Wachovia Bank in Atlanta, Georgia in which Wachovia Bank is the trustee for all IDAs.

Nonprofit or a state or local government may match individual contributions into an IDA account. When determining TANF eligibility, funds in an IDA account (less than $5,000) are not considered when determining eligibility nor are they applied against TANF resource limits, and any interest drawn from IDA account is not considered income.

Guidelines specify that the DFCS caseworker and the TANF applicant or recipient must develop a written plan defining:

- the purpose for which the money is being deposited
- how much money will be deposited
- how often money will be deposited
- when/for what purpose the savings will be accessed and utilized.

The TANF applicant can only access this account for qualified expenses.[125] The TANF recipient can access this account for qualified expenses or for any reason if the individual no longer receives TANF benefits, whichever is earlier.

Georgia did not spend any federal TANF or state MOE funds on the TANF IDA program from 1997 through 2007.[126] This program currently exists in Georgia in policy only.

RECOMMENDATIONS

For Building Families' Assets

Georgia should provide low-income families with opportunities to save money and accumulate assets to help escape poverty, such as:

1. Removing the $1,000 resource limit on eligibility for TANF cash benefits in order to encourage savings.
2. Launching a refundable state EITC.
3. Building on EITC outreach efforts that DHS began in 2005, eligibility determination workers and caseworkers should aggressively inform TANF applicants and clients about EITC as well as about free tax preparation sites. DHS should further coordinate with other EITC campaigns throughout the state and encourage recipients to save ETIC refunds in their IDA.
4. Including IDA funding as a line item in the state TANF budget and combining it with other funding sources (e.g., state funds which can be matched by federal AFIA grant funds). The state should consider allocated or appropriated IDA funds expended when awarded to IDA programs so that longer-term use of the funds for IDAs is possible, without concern that funds could be rescinded. Some states have drawn down funds over multiple years (as many as five).
5. Training DHS caseworkers to support low-income families (including employed TANF leavers and applicants) to access the current IDA program.
6. Tracking TANF IDA participant data and outcomes and reporting them in the Department of Human Services, Division of Family and Children Services, *Welfare Reform in Georgia Annual Report.*[127]

Figure 1

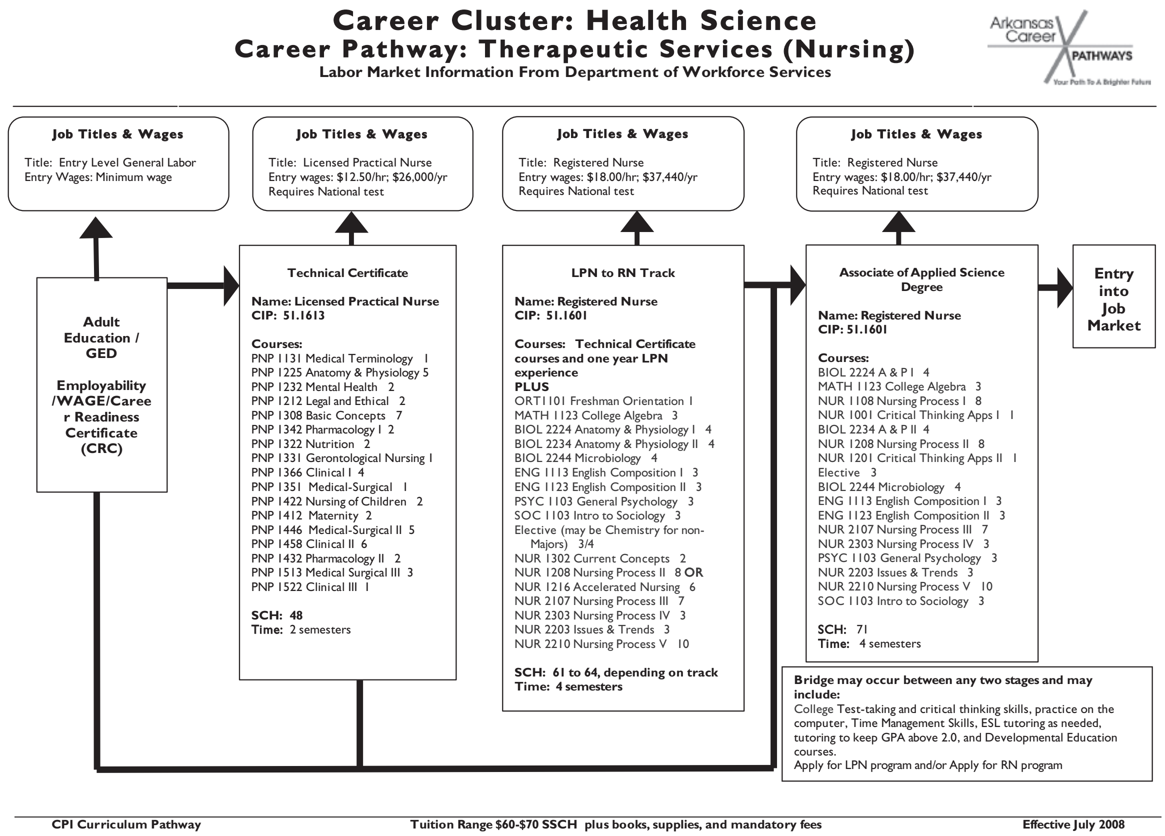
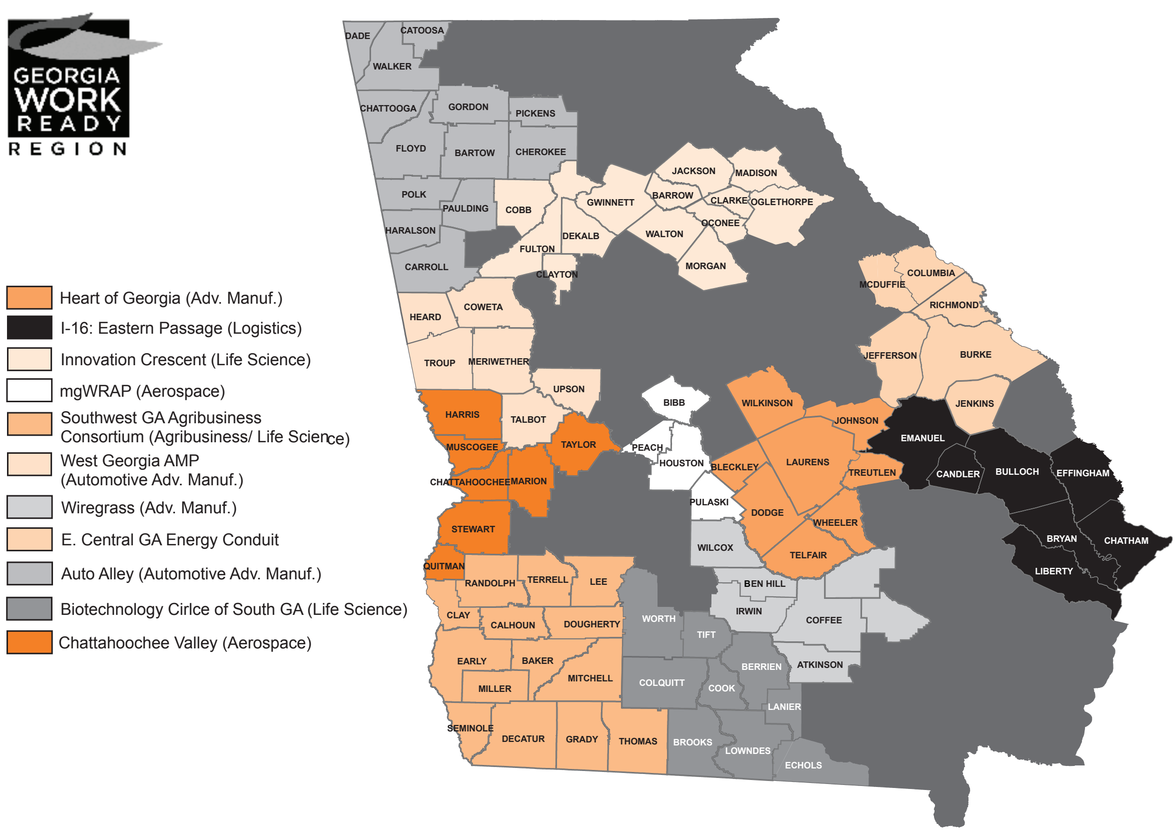


Figure 2 **Georgia's 11 *Work Ready* Regions** *(as of April, 2009)*



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(2) A qualified first home purchase. An applicant/recipient (and/or spouse) must have no present ownership interest in a principal residence during the three years period preceding the date of acquiring a home under this provision.
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