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State and County Supported Car Ownership Programs Can Help Low-income Families Secure and Keep Jobs

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Overview

Transportation is frequently identified as a significant barrier to finding and maintaining employment for low-income families. Studies on families leaving welfare for work find that many do not own cars and do not have adequate transportation to and from work, child care, and other activities. Although employment may be plentiful in some regions, an increasing number of jobs are located in suburban areas that are inaccessible to workers who live in cities or in rural communities. Public transportation — especially in rural areas — is often non-existent or inadequate. Even where public transit is available, it may not be conducive to the "off-hour" shifts that many low-wage jobs require. Public transportation also can be problematic when a parent's job and child care provider are located at some distance from each other.

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Car ownership can be a solution to some of these transportation challenges. Research has shown that a parent with a car is more likely to be employed and to work more hours than a parent without a car. A reliable automobile can provide parents with access to a greater array of employment opportunities.

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[1] The author wishes to thank Liz Schott for her contributions to an earlier, unpublished version of this paper.

Also, having access to a car can mitigate some of the scheduling complications that arise in child care arrangements.

States and counties can use a range of funding sources to provide low-income families with transportation supports. Most states provide some transportation assistance to families receiving welfare or those moving from welfare to work. These services can include transportation allowances; reimbursements; and contracts for buses, vans or other transportation services. They also can include assistance with car purchase and ongoing car maintenance costs. None of these approaches are mutually exclusive and, in many states, most or all of these types of assistance are provided. However, often these supports are only available for a limited period as a family transitions from welfare into employment. In addition, programs in most states tend to focus on helping families access public or shared transportation.

Some states and counties, however, have recognized the importance of car ownership as a means to help meet the needs of a broader range of low-income families, and are developing programs to assist families to purchase and maintain cars. In many states, vehicle ownership programs are small and initially were funded with non-TANF funds. However, TANF funds provide states and counties with the opportunity to expand or replicate these programs to reach a broader group of low-income families. This paper examines how car ownership can help low-income families obtain and maintain employment and reviews examples of existing car ownership programs.

Lack of Reliable Transportation Interferes With Many Parents' Ability to Work

The most common form of transportation assistance is monthly passes for public transportation or vouchers for gas. Although some states have initiated alternative approaches to help parents access jobs that are not on public transportation routes, transportation problems remain a serious barrier for many families that cannot utilize existing public transportation routes, and in rural areas where there is little, if any, public transportation available. In a survey of employers across the country, transportation was among the most commonly mentioned immediate needs for newly hired former welfare recipients. Over half of the employers surveyed identified transportation as a problem for their new hires and 38 percent identified transportation as a "very serious" problem.[2]

Transportation problems vary from state to state, and often from region to region within a state. Consequently, state studies of former welfare recipients vary in their findings about the prevalence of transportation as a barrier to employment. In the various state studies, between 10 and 60 percent of former recipients indicate that transportation limitations inhibit their ability to work. Many studies find transportation problems to be one of the most prevalent barriers to

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[2] The Welfare to Work Partnership, Trends in Executive Opinions Measured by Wirthlin Worldwide, 1998 Series, No.1 and 2000 Series, No. 1, available at http://www.welfaretowork.org/.

employment for low-income families. The problem appears to be most prevalent among unemployed former welfare recipients as they seek jobs, but still also remains a challenge for employed former recipients.

- In a recent Minnesota study, 29 percent of unemployed former recipients identified transportation as a "big problem" and 56 percent identified it as "somewhat of a problem." Among employed former recipients, transportation was less of a serious problem but still a challenge for many. Nine percent thought it was a "big problem" and 23 percent identified transportation as "somewhat of a problem."[3]

- An Illinois study of families that have left welfare found over one-fourth had transportation problems. However, transportation problems were cited with more frequency by unemployed former recipients (41 percent), than by employed former recipients (19 percent).[4]

- A study of current and former welfare recipients in New Jersey found that transportation to and from work was cited as a problem for over one-fourth of the employed families surveyed.[5]

- A study of former welfare recipients in Missouri looked at factors relating to income levels and found that among families at the lower end of the income distribution (bottom 15 percent of the sample) 57 percent found transportation to be a barrier to employment. Among those in the top 15 percent of the income distribution in the sample, 28 percent found transportation to be a barrier.[6]

Transportation problems also are frequently a reason families are unable to comply with TANF work requirements, which in many cases can lead to a sanction. For example, a late bus or a broken-down car may cause a parent to miss work or a job search activity. In many states

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3 Minnesota Department of Human Services Program Assessment and Integrity Division, *Minnesota Family Investment Program Longitudinal Study: Minnesota Family Investment Program Longitudinal Study: One Year After Baseline*, December 2000, http://www.dhs.state.mn.us/infocenter/docs.htm#reports

4 George Julnes, *Illinois Study of Former TANF Clients*, Final Report, August 2000, University of Illinois at Springfield and Anthony Halter, University of Illinois at Urbana-Champaign, http://www.state.il.us/agency/dhs/studiesnp.html

5 Anu Rangarajan and Robert Wood, *How WFNJ Clients Are Faring Under Welfare Reform: An Early Look*, Mathematica Policy Research, Inc., October 1999, available at http://38.150.5.70/WELFPUB.HTM#REFORM.

6 The bottom 15 percent had incomes of $385 or less in the month prior to the survey and the top 15 percent had incomes of $2,500 or more. Midwest Research Institute, Chapter 2: Household Income and Poverty, *Interim Report for the Missouri Department of Social Services*, April 2000, http://www2.kclinc.org/downloads/MRIChapter2.pdf.

this could result in a penalty — either a reduction in the family's grant or complete loss of the grant.

- Research on sanctioned families in Iowa found that transportation was one of the most common obstacles for sanctioned families. Almost half of the families in the study said that transportation problems contributed to their noncompliance.[7]

- In a Utah study, 55 percent of sanctioned families cited transportation as a barrier to employment, and almost a quarter of respondents said lack of transportation was the primary reason they were unable to comply.[8]

Why Cars? Cars Versus Other Forms of Transportation Assistance

Often a reliable vehicle is the most practical transportation mode for parents to get to work. This is true in rural areas with no public transit as well as in some central cities where entry-level jobs are not reachable by public transit. Even when public transit is available, it may not be a feasible solution for parents who must make multiple stops to drop children off at child care and school before traveling to work, and then make the reverse stops at the end of the day. Public transportation is also difficult for parents who work nights and weekends. There are several reasons why lack of a car can be a barrier to finding and keeping a job.[9]

Poor people often do not live near job opportunities. There is a "spatial mismatch" between where low-income people live and where the jobs available to them are located. Over the last 30 years, as a significant number of jobs have moved from central cities to suburbs, the access of low-income people living in those central cities to those jobs has been reduced. Areas with the highest rate of entry-level job growth are located far from the concentrations of low-

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[7] Lucia Nixon, Jacqueline Kauff, and Jan Losby, *Second Assignments to Iowa's Limited Benefit Plan*, Mathematica Policy Research, Inc., August 1999, http://www.mathematica-MPR.com.

[8] Michelle K. Derr, *The Impact of Grant Sanctioning on Utah's TANF Families*, University of Utah, October 1998.

[9] *See* Margy Waller and Mark Alan Hughes, *Working Far From Home: Transportation and Welfare Reform in the Ten Big States,* August 1999, available at http://www.dlcppi.org/texts/social/transportation.htm, for further analysis of the importance of cars as the primary transportation solution under welfare reform. This report examined transportation options in the ten states with the largest numbers of families receiving TANF. At the time of the writing of the report, those states represented two-thirds of the national caseload; they were California, Florida, Georgia, Illinois, Michigan, New York, Ohio, Pennsylvania, Texas, and Washington. Currently, Tennessee has replaced Georgia among the states with the highest caseload and the ten states collectively make up just under two-thirds of the total national caseload.

income residents.[10] One study found that 70 percent of all jobs in manufacturing, retailing, and wholesaling — industries that typically have large numbers of entry-level jobs — are located in the suburbs. Many of the jobs that have remained in the cities require higher skills than many low-income workers have.[11] In some cities, wages increase for comparable work the farther one travels away from the central city.[12] At the same time, welfare caseloads have become increasingly concentrated in central cities.[13] In rural areas families have similar transportation problems and, like their urban counterparts, require access to the same suburbs where jobs are more plentiful.[14]

> "To go to appointments and get applications, my mom lets me use her truck when she can. But gas is expensive and my mom is poor, too, and she works a lot. I even had to take a cab to go to an interview. It cost me $20. I could take the bus to work. [Caseworker] gave me a bus pass, but the bus system is poor in Green Bay. The bus only comes every 45 minutes. I'd have to take it downtown and then get a transfer to bring my kid to day care. Then go back downtown after waiting for the bus again. Get another transfer from downtown to get to work. It would take about three hours to get to work and another three hours to get home. I don't consider that an option. I can't afford a car and have bad credit. I'd never get a loan."
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> Quote from a mother of three in Green Bay, WI. *Faces of Change: Personal Experiences of Welfare Reform In America*, http://www.alliance1.org/foc/default.asp. Alliance for Children and Families, April 2001.

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[10] For more information, see Bruce Katz and Katherine Allen, *Help Wanted; Connecting Inner-City Job Seekers with Suburban Jobs*, Brookings Review, Brookings Institution, Fall 1999, http://www.brook.edu/press/review/fall99/bkatz.pdf; Margaret Pugh, *Barriers to Work: The Spatial Divide Between Jobs and Welfare Recipients in Metropolitan Areas*, prepared for The Brookings Institution by the Center on Urban and Metropolitan Policy, September 1998, http://www.brook.edu/es/urban/mismatch.pdf.

[11] John Kasarda, "Industrial Restructuring and the Changing Location of Jobs," *State of the Union: America in the 1990s, Volume I: Economic Trends*, edited by R. Farley. New York, NY: Russell Sage Foundation, 1995. (Cited in Annalynn Lacombe, *Welfare Reform and Access to Jobs in Boston*, BTS98-A-02, U.S. Department of Transportation, Washington DC, 1998, http://www.bts.gov/programs/transtu/welfare.pdf.)

[12] Pugh, 1998.

[13] Bruce Katz and Katherine Allen, *The State of Welfare Caseloads in America's Cities: 1999*, Center on Urban and Metropolitan Policy, Brookings Institution, February, 1999, http://www.brook.edu/es/urban/caseload.pdf.

[14] For more information about rural areas and transportation, see Bruce Weber, Greg Duncan, and Leslie Whitener, *Rural Dimensions of Welfare Reform: Implications of Recent Research* (this is a summary of papers presented at a conference of the same title), Joint Center for Poverty Research, http://www.jcpr.org/newsletters/vol4_no5/articles.html#story_1; Cynthia Needles Fletcher et al, "*Small Towns and Welfare Reform: Iowa Case Studies of Families and Communities*," JCPR working paper #190, http://www.jcpr.org/wp/WPprofile.cfm?ID=198; Gene Summers, Mark Harvey, Kathleen Pickering, Patricia Richards, *The Short Term Impacts of Welfare Reform in Persistently Poor Rural Areas*, JCPR working paper #191, http://www.jcpr.org/wp/WPprofile.cfm?ID=199.

Existing public transportation often is not available or feasible. Existing public transportation systems often do not accommodate the "reverse commute" necessitated by the suburban job growth described above. In most metropolitan areas, economic growth in the suburban areas has far outgrown the reach of urban public transportation systems. For example, a U.S. Department of Transportation study found that in Boston most entry level jobs were not accessible by public transportation. The study examined cities and towns that had above-average job growth in industries likely to hire entry-level workers and found that although 98 percent of welfare recipients resided within one-quarter mile from public transit, only 32 percent of entry-level jobs in these high-growth areas were located within one-quarter mile from public transportation.[15] Public transportation is especially inaccessible in rural areas. A study by the Lewin Group find that "access to personal transportation is critical" because nationally, only 40 percent of all rural residents live in areas with no available public transportation.[16] Moreover, public transportation is particularly challenging for parents because of the multiple trips they must make each day to fulfill child care needs and the school-related needs of older children. Making even one additional stop on public buses or trains can be costly and time-consuming. Also, the non-standard hours (weekends and between 6 p.m. and 6 a.m. on weekdays) that many low-wage jobs require can rarely be accommodated by public transportation. According to an Urban Institute study, one in four adults that leave welfare work non-standard hours.

Low-income families rarely have access to private transportation. A majority of TANF recipients do not own cars. A 1998 General Accounting Office study reported that less than six percent of welfare recipients had cars in 1995.[17] This estimate is often regarded as low. One reason is that welfare rules concerning cars were more restrictive at that time; fewer recipients were able to own cars. In another study, researchers did in-depth interviews with welfare recipients and found that between 20 and 40 percent owned cars.[18] Automobile access is not solely a problem for welfare recipients, but for a broader group of low-income families as well. According to an analysis of the 1995 National Personal Transportation Survey (the latest

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[15] Annalynn Lacombe, *Welfare Reform and Access to Jobs in Boston*, BTS98-A-02, U.S. Department of Transportation, Washington DC, 1998, http://www.bts.gov/programs/transtu/welfare.pdf.) Other research on spatial mismatch has produced similar findings. Studies in Cleveland and Atlanta found that 1) welfare households were clustered in central city or inner suburban neighborhoods; 2) a significant number of job opportunities were in outer suburbs far from homes of recipients; and 3) many of the suburban jobs were inaccessible by any transportation other than a car. See Pugh, 1998.

[16] Mary Farrell, Selen Opcin, and Michael Fishman, *How Well Have Rural and Small Metropolitan Labor Markets Absorbed Welfare Recipients?* The Lewin Group, April 2001, http://aspe.os.dhhs.gov/hsp/rural-lm01/index.htm.

[17] *Welfare Reform: Transportation's Role in Moving from Welfare to Work*, GAO/RCED-98-161, May 1998. (GAO reports can be accessed through http://www.gao.gov.)

[18] K. Edin and L. Lien, *Making Ends Meet: How Single Mothers Survive Welfare and Low-Wage Work*, Russell Sage Foundation, 1997.

data available), 36 percent of low-income single parents do not have a vehicle while only four percent of middle- and upper-income families lack a vehicle. When low-income families do own a vehicle, it is often an older, cheaper model that is unreliable and frequently in need of repairs.[19]

Some state studies of former welfare recipients examine car access as a barrier to employment.

- In a University of Michigan study, almost half of the welfare recipients in the research sample experienced a transportation barrier, defined as lacking a car and/or a driver's license. This was found to be the most prevalent of all the barriers examined in the survey. The study also found that women without a car or license were significantly less likely to be working than women that did not experience this transportation challenge. The study also found that transportation problems were significantly more prevalent among black women than among white women. Fifty-six percent of black women, compared to 36 percent of white women, lacked a car and/or a driver's license.[20]

- In New Jersey, one study found that 63 percent of families that left welfare did not have access to a car.[21]

- In a Minnesota study, 52 percent of the sample of current and former recipients did not have access to a car. In this study, those without a car were also much less likely to be employed (see table below).[22]

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[19] Elaine Murakami and Jennifer Young, *Daily Travel by Persons with Low Income*, Center for Transportation Analysis, October 1997, http://www-cta.ornl.gov/npts/1995/Doc/LowInc.pdf. The study defined low-income by household size: households containing one or two people were considered to be low-income if their household income was under $10,000 (all in 1995 dollars); for three or four people incomes had to be under $20,000; for five or more people, incomes had to be under $25,000.

[20] Sandra Danziger et al, *Barriers to the Employment of Welfare Recipients*, University of Michigan Poverty Research and Training Center, February 2000, http://www.ssw.umich.edu/poverty/pubs.html.

[21] Anu Rangarajan and Robert G. Wood, *Current and Former WFNJ Clients: How Are They Faring 30 Months Later?*, Mathematica Policy Research Inc., November 2000, http://www.mathematica-mpr.com/3rdLevel/workfirst.htm.

[22] Minnesota Department of Human Services Program Assessment and Integrity Division, *Minnesota Family Investment Program Longitudinal Study: Minnesota Family Investment Program Longitudinal Study: One Year After Baseline*, December 2000, http://www.dhs.state.mn.us/infocenter/docs.htm#reports.

Current and Former Recipients in Minnesota	
Employment/TANF Status	**Percent without a car**
Not working /Receiving TANF	69%
Not working / Not receiving TANF	53%
Working / Receiving TANF	51%
Working /Not receiving TANF	29%

Many low-income families cannot afford to own a car without assistance. Most current or former welfare recipients cannot afford to buy or save for a car. In the employer survey mentioned in the previous section, when asked about the greatest specific transportation problem faced by former recipients that they hired, the most common answer was the lack of ability to afford a car and car insurance.[23] For those that do own vehicles, insurance payments and ongoing maintenance costs often are very high. The total cost of car ownership varies from region to region, but is generally between $1,100 and $1,400 per year (excluding purchase price and any major repairs). For a family earning minimum wage and working 30 hours per week, car ownership costs (again, excluding purchase price and major repairs) can be between 10 and 14 percent of their income.[24] Because the cars that low-income families can afford tend to be older, the cost of repair can be especially high. Insurance costs also are a significant financial burden for drivers who do not have a past driving record or who are young, and for those that reside in urban, high risk areas where a large number of welfare recipients and other low-income families live.[25]

Can Car Ownership Increase Employment and Earnings?

Having access to a car is likely to afford advantages in obtaining and maintaining employment regardless of whether a family resides in an urban or rural area. Researchers have

[23] Welfare to Work Partnership, 1998.

[24] Dana Reichart, *The Keys to Employment*, National Conference of State Legislatures Legisbrief, Vol. 6, No. 32, August/September 1998, http://www.ncsl.org/statefed/welfare/keys.htm. The annual cost figure includes vehicle registration and licensing fees, insurance, and annual maintenance and tire costs (4.2 cents per mile over 15,000 miles). The figures are for a 1993 Honda Civic CX. This paper also provides a summary of car donation programs.

[25] Auto insurance rates are higher for people under age 25. Men pay rates that are about 20 percent higher for insurance when they are under 25 and women are charged 10 to 15 percent higher rates when they are under 25. Information obtained from the Insurance Guide, http://www.insure.com/auto/budget.html.

attempted to measure the impacts of having a car on employment outcomes. The evidence offered tends to support the theory that owning a car can increase the likelihood of being employed and at a higher wage. Some research also points to differences in car ownership impacts by race. Studies suggest that having access to a car can have even stronger employment impacts for minority workers than for white workers.

Several studies have examined how car ownership affects employment.

- A 1996 study in California found that welfare recipients with cars were considerably more likely to be employed, work more hours, and have higher monthly earnings than recipients without cars.[26]

- Using a national sample of youth, Harry Holzer and colleagues found that having access to a car negatively affects the duration of unemployment and positively affects wages. That is, those with access to a car were able to find employment more quickly, and had higher wages then those without access to a car. The researchers also found a larger positive effect on wages for black workers that owned cars than for white workers.[27]

- In another study, researchers examined the effects of car ownership on employment outcomes, including the probability of being employed, number of hours of employment, and wages. The researchers developed methodologies to determine the causal nature of these relationships. Using data from the national Survey of Income and Program Participation (SIPP), they found that those with cars were significantly more likely to be working, and working more hours than those without a car. These results were stronger for lower-income workers (the sample was divided into three income groups).[28]

> "For years I fought the transportation battle! I had a car, but most of the time I couldn't afford to keep it running. I couldn't get to and from work or school because I didn't live near a bus and it would take me five hours to take a bus to the daycare and then wait for more buses to zig-zag all over the place trying to get to work/school. I dropped out of school many times due to lack of transportation and/or child care difficulties."
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> Quote from a mother of two in El Cajon, CA. Obtained from Alliance for Children and Families, *Faces of Change: Personal Experiences of Welfare Reform In America*, April 2001, http://www.alliance1.org/foc/default.asp.

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[26] Paul Ong and Evelyn Blumenberg, "Job Access, Commute, and Travel Burden Among Welfare Recipients," *Social Work Research*, Volume 20(4): 255-262, 1996.

[27] Harry Holzer, Keith Ihlanfeldt, and David Sjoquist, "Work, Search, and Travel Among White and Black Youth," *Journal of Urban Economics*, Volume 35: 320-325, 1994.

[28] Steven Raphael and Lorien Rice, *Car Ownership, Employment, and Earnings*, JCPR Working Paper 179,

(continued...)

- In another study also using SIPP data along with housing data from the U.S. Census, researchers measured the effect of car ownership on the probability of being employed, comparing whites, blacks, and Latinos. They found that across all racial groups, having access to a car has disproportionately large effects on the employment rates of workers that are geographically isolated from employment opportunities. Furthermore, they found the largest employment impacts for blacks, and the next largest impacts for Latinos. The study found that overall, the white employment rate exceeds the black employment rate by about 11 percentage points and exceeds the Latino employment rate by about 13 percent. However, these differences are either non-existent or much smaller among workers with cars. Blacks with cars have a *higher* employment rate than whites with cars, and Latinos have a slightly lower employment rate then both blacks and whites. Not surprisingly, these effects were strongest in metropolitan areas where blacks and Latinos tended to be located further from employment opportunities. The researchers concluded that subsidizing car ownership for groups that are isolated from employment opportunities can be an effective policy tool for narrowing employment gaps.[29]

These research results are not surprising given that owning a car can decrease commuting times. A shorter commute can free time for longer hours of employment or affect an individual's decision or ability to be employed at all. Having a reliable car also can reduce transportation costs associated with multiple public transportation stops, especially when frequent stops are required in order to drop off and pick up children at child care locations. Moreover, car ownership permits a wider geographic area for job search, allowing individuals to search amount higher paying jobs or jobs with better health and other benefits. Finally, since keeping a job requires arriving at work regularly and on time, those with reliable cars are less likely to lose jobs as a result of attendance problems caused by the unreliability of buses and other modes public transportation.

Designing a Car Ownership Program

The federal TANF regulations make clear that states can use federal TANF and state maintenance of effort (MOE) funds to provide aid to employed families with transportation

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[28] (...continued)
Joint Center for Poverty Research, Chicago, Illinois, May 2000, http://www.jcpr.org/wp/WPprofile.cfm?ID=186. To determine if the relationship between car ownership and employment is causal, the researchers developed methodologies that controlled for demographic and human capital differences that might affect employment, and for state-level variables that could impact car ownership rates.

[29] Steven Raphael and Michael Stoll, *Can Boosting Minority Rates Narrow Inter-Racial Employment Gaps?* Joint Center for Poverty Research, Chicago, Illinois, June 2000, http://www.jcpr.org/wp/WPprofile.cfm?ID=208. The study found that the difference in employment rates between those with and without cars is 22 percentage points for whites, 38 percentage points for blacks, and 31 percentage points for Latinos.

needs, including providing funds for families to purchase, insure, or repair a car.[30] Currently, a number of states, including *Kansas*, *Michigan*, *Nebraska* and *Pennsylvania*, have statewide programs that offer assistance to welfare recipients for leasing or purchasing a car. Many other states, including *Colorado* and *Ohio*, have county-run or local car purchase programs that are not statewide.[31]

States and counties can assist parents to become car owners in various ways. Payments or loans can be made directly to families for costs associated with owning a car. Funding can be provided to car donation programs. Assistance also can be provided for other costs associated with car purchase and use. As states and counties consider how to best assist low-income families with their transportation needs they face a number of programmatic and funding choices in the design of their programs.

Providing Funds for Car Purchase

A number of states and counties provide funding directly to low-income families to help them purchase cars. In some states, funds for car purchase are available on a statewide basis. In other states, this benefit is provided by the county and may not be available throughout the state. In most cases, these benefits are available only to TANF recipients in the state.

Providing funds directly to families is a way to assist the family to immediately purchase a car, and thereby fill an urgent need for reliable and stable transportation to work. If a family receives a direct grant, it does not have to worry about being able to repay a loan after just starting in a low-wage job. In some cases cars purchased through these programs are thought of as "starter cars ," or cars meant to temporarily help individuals get to work until they can save enough to purchase a better or more reliable car.

The amount of the grant provided for car purchase varies by state. In some states, the amount is sufficient to fully purchase a dependable used vehicle. In other states it may be only enough to make a down-payment on a car. Generally, used cars costing less than about $2,000 are unlikely to be adequate for ongoing commuting to work and child care, even with substantial repairs. Most used cars costing close to $2,000 still need repairs before they can be driven

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[30] 64 Fed. Reg. 17720-19931 (April 12, 1999). For more information about using TANF funds for transportation, see page 22.

[31] This paper does not provide a comprehensive listing of all of the approaches states and localities are using to provide car ownership assistance to families leaving welfare for work. Instead, it focuses on a few approaches and examples. For additional listings, see the Welfare Information Network (WIN) page on transportation, http://www.welfareinfo.org/transport.htm. This page includes a 1999 chart from WIN's State Plan Database which lists 16 states as having statewide car purchase programs.

regularly. The cost of repairs varies depending on the climate of the region and the car itself but will often be about $1,000.[32] Often any repairs that are needed initially are paid for by the state.

Kansas provides funds for purchase of vehicles and also can cover licensing and insurance costs when needed so long as total expenditures (including car purchase) do not exceed the state's $5,000 maximum. Some local areas within the state have limits that are lower than $5,000 depending on the cost of living of the area. Caseworkers assist families in finding vehicles that cost less than $5,000, in part to save program funds and also to encourage recipients to save some of the one-time grant allotted to them for future car needs such as repairs and other car-related costs. Between the time the program began in 1998 and July 2001, Kansas provided 1,837 payments to help welfare recipients purchase used vehicles at an average cost of $1,791 each.[33] *Nebraska* provides up to $2,000 to families for a car purchase — and up to an additional $500 for license, insurance, and taxes — if car ownership will enable a parent to accept an employment offer. *Pennsylvania* provides up to $750 for a down payment on the purchase of a car by TANF cash recipients.

TANF regulations permit states and counties to use TANF funds to provide car purchase assistance to low-income families that are not receiving welfare. As described in an earlier section, transportation is a barrier to employment both for current TANF recipients and for other low-income families.[34] States can provide car purchase assistance to families at a higher income cut-off, such as 200 percent of the federal poverty level, even if families would lose eligibility for ongoing TANF cash assistance at a much lower level.[35]

A few states do provide funds directly to low-income families that are not receiving TANF cash assistance specifically for car purchase. *Florida* law authorizes localities to provide up to $8,500 to purchase a car needed for education, training, or employment to a family that has left welfare within the prior two years. *Michigan* provides up to $1,200 for a car purchase to TANF cash recipients and to families that do not receive cash welfare but do receive food stamps, Medicaid benefits or subsidized child care. (Families can receive subsidized child care

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[32] Average vehicle and repair costs are estimated by Hal Colston, Director of the Good News Garage in Vermont, based on cars the program receives and repairs. The program has been repairing donated vehicles and providing them to low-income families since 1996. Because many of the cars received by the program come from New England, the cost estimate may be slightly higher than average because of the effect of New England winter weather on the cars. The program is described in greater detail in the box on page 18.

[33] Information from telephone conversation with Paula Gibson, Kansas Department of Human Resources, October 5, 2001.

[34] See results from state studies on page three.

[35] See later section in this paper entitled Funding Car Ownership Programs for Low-Income Working Parents on page 22.

in Michigan if their incomes are below 180 percent of the poverty line.) By basing eligibility on a family's level of income, rather than on a family's current or recent receipt of cash assistance, states can eliminate the inequities that arise when work supports are provided to current or former welfare recipients but denied to other, similarly needy, low-income working families. In addition, by providing such aid to all working families below a specified income level, without regard to their welfare status, states can assist the working poor while bolstering state efforts to prevent families from needing to seek cash assistance.

Although some of these programs are statewide, the number of families that receive funds for car purchase is usually fairly small. Generally, funds are provided at caseworker discretion. In some states, caseworkers play a role in the process of helping families to find and purchase low-cost cars. However, caseworkers do not always inform families that the funds are available. It is important that there be ongoing training and monitoring of these programs to ensure that all families are treated fairly. Research has suggested that caseworker discretion can have a strong impact on the services that families receive from local welfare offices. For example, in a small study examining racial differences in caseworkers' treatment of families in two counties in Virginia, white recipients were offered more services than black recipients despite similar needs. Specifically, while 47 percent of white families were offered vehicle-related transportation assistance (help with a obtaining a driver's license, a vehicle, or vehicle repair) by their caseworkers, none of the black families were offered transportation assistance beyond gas vouchers, a benefit which all the families in the sample received.[36]

In addition, most states have restrictions on which families can receive car funds. Car purchase assistance often is connected with employment — typically car funds are given to an individual that requires a car in order to get to a job that she has already secured. For example, in *Nebraska*, funds for car purchase can only go to an individual who has a job that pays high enough wages for the family to exit cash assistance. In most states, funds for car purchase are not provided to families in urban areas that have access to public transportation. Conversations with welfare administrators in a few states reveal that as more families enter employment the number seeking assistance with car purchase is beginning to increase. Still, most states that have car purchase programs have not performed a formal needs assessment to determine how many families require cars and most do not keep a waiting list for this benefit.[37]

As discussed earlier, the availability of a car can make it possible for parents to secure higher paying jobs that are farther from their homes. States and counties may want to consider

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[36] In this study, 65 percent of whites and 68 percent of blacks indicated that they had transportation barriers, including lacking a driver's license, vehicle or gas resources. All of the respondents reported receiving gas vouchers. Susan T. Gooden, "All Things Not Being Equal: Differences in Caseworker Support Toward Black and White Welfare Clients," *Harvard Journal of African American Public Policy*, Volume IV, 1998.

[37] Information about car programs comes from conversations with welfare administrators in states that offer this benefit, including Kansas, Michigan, and Nebraska.

expanding their car purchase programs to provide parents that are seeking employment with the promise of a vehicle upon securing employment — thereby allowing them to significantly expand the geographic area within which they can search for a job.

Providing Loans for Car Purchase

States also can use TANF funds to provide loans to low-income families for car purchase or repair. This strategy can be a way to assist families with obtaining a vehicle, while at the same time helping them build or rebuild credit and develop relationships with local banks. However, there are some drawbacks to loan programs. Some low-income families may have incomes too low to be able to make loan payments at all. Many families leaving welfare for work, especially those newly employed, tend to have very low wages, and often find it difficult to pay for all of their additional work-related expenses. Loan recipients also might be forced to put off or avoid the cost of needed car maintenance and repair in order to save for their car payments, which could affect the reliability of the car for commuting to and from work and child care.

Wisconsin provides TANF-funded Job Access loans to assist with immediate needs related to obtaining or retaining employment. A Job Access loan can be used toward purchase or repair of a car. These interest-free loans are available for an amount based on need up to $1,600 and generally have a 12-month repayment period although this period can be extended to 24 months. Repayment can be made in cash or through a combination of cash and volunteer community work.

Tennessee uses TANF funds for a revolving loan fund specifically for car purchase. The First Wheels program began as a pilot project in two counties in February 2000, and now is statewide. The program provides interest-free loans for car purchase to TANF recipients and families that have left TANF for a reason other than a sanction in the prior 12 months. The loan can cover the costs of car purchase, registration and insurance up to a ceiling of $4,600. Cars are inspected first and repairs are made at no charge to the recipient. As of June 1, 2001, the state had issued loans for the purchase of 189 cars. Since the program began, there have only been three loan defaults. The program also pays up to $800 for needed repairs for cars that have been purchased through the program for the life of the loan (and up to $1,200 for cars acquired through a donation program).[38]

Ways to Work, a program run by a partnership between the McKnight Foundation and the Alliance for Children and Families is a national program that partners with local organizations to provide loans to low-income families whose credit histories prevent them from getting loans elsewhere and who need access to quick funds in order to maintain a job. With funding and technical assistance from Ways to Work, local organizations partner with area banks to provide

[38] Telephone conversation with Charles Ellis, State Director of the First Wheels Program, Tennessee, July 2001.

two-year loans at eight percent interest for up to $3,000. Although car expenses are only one option out of many that the loans can be used for, over 85 percent of the loans provided have been used to purchase a vehicle. Local organizations also work with the loan recipients to assist them with budget management and barriers to repayment of the loan. Evaluations of the Ways to Work program show that participants average as much as a 20 percent increase in monthly gross income after accepting loan funds. The program reports that about three-fourths of loan recipients were receiving public assistance (TANF, Food Stamps or other public benefits) at the time of the loan. About 40 percent of those borrowers on public assistance left assistance within two years and fewer than one percent become new recipients of public assistance. Since the program began in 1984, its local partner organizations have provided more than $13 million in loans to more than 12,000 families in 32 sites. Several of the states involved have expanded the Ways to Work model to be statewide, including *Alabama* and *New York*.[39]

Using IDAs for Car Ownership

Individual Development Accounts (IDAs) can be an important strategy to help low-income families accumulate savings. States can use TANF funds to match participant contributions to IDA programs. Such funds can be used for IDAs that are specifically authorized under the TANF statute or for IDAs that do not meet the TANF authorizing criteria but that do further one of the broader purposes of TANF. Cars fall into this second group.

TANF-authorized IDAs allow recipients to withdraw funds only to buy a first home, start a business, or pay educational expenses. Although the TANF law's IDA provision does not authorize IDAs that may be used to purchase a car, HHS has indicated that the broad flexibility afforded states under TANF allows states to use TANF funds in other types of IDAs or asset-building programs that do permit car purchases as qualified expenditures.[40] It is important to note that although these IDA programs may use TANF or state MOE funds, they are not considered to be TANF IDAs under the authority of the welfare law. The drawback of this distinction is that while IDAs under the authority of the welfare law are excluded when determining eligibility for public benefit programs, other types of IDAs — including those for the purchase of a car — may not be, depending on the actions taken by the state. However, it is

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[39] Information about Ways to Work comes from a telephone interview with Daniel Magnuson, President, Ways to Work (June 15, 2001), and from the Ways to Work website, www.alliance1.org/wtw.asp.

[40] The federal regulatory provisions relating to IDA's can be found at 45 CFR § 263, Subpart C. HHS clarifies that TANF-funded IDA's can be used toward the purchase of a car in a policy Q and A guidance located at www.acf.dhhs.gov/programs/ofa/polquest/idas.htm. See IDA Question number five.

important to understand that states can design these programs so that they do not affect public benefit eligibility.[41]

In *Illinois*, the Department of Human Services is partnering with the National Center on Poverty Law and the Financial Links for Low-Income People Coalition to launch three new IDA programs through three non-profit organizations in *Moline, Wheaton* and *Champaign* that allow purchase of a car as one of the asset goals. As a part of the IDA program, participants must attend a 12-hour financial education course which covers subjects such as goal-setting and budgeting, credit and debt issues, financial education, asset accumulation and public benefits, and tax issues. Participation in the course can count as a work activity under the state's TANF program and child care and transportation are provided to participants during their participation in the course. The program's design, including the financial education component, is based upon work done in earlier pilots in Illinois in which welfare recipients found the financial education to be very valuable.[42]

Facilitating Car Ownership through Car Donation or Similar Programs

Many localities have programs that connect welfare recipients and other low-income families with used cars at a low cost. These programs are usually operated by non-profit organizations and typically involve donated vehicles (and may involve a tax credit for donation) although some programs purchase vehicles, usually from public or private sector fleets. Usually the vehicles have been repaired before they are given to families. Dozens of these car donation programs have been established in recent years. While many of these programs are small and provide a few cars a year, others, such as Charity Cars in *Florida* provides as many as a few hundred cars each year.

Some of the key issues to consider in designing or funding a car donation program include:

- **Importance of providing reliable cars:** The car must provide reliable and safe transportation. Otherwise, it could become an additional barrier rather than serving its purpose of getting its owner to work. Programs that use donated cars often screen donations and may need to perform extensive repairs in some cases. Programs that purchase or otherwise receive cars from fleets may not need to make as many repairs. Some programs only accept cars that need limited repairs. For example, EARNA CAR in

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[41] For a detailed discussion of how various types of IDAs are treated in determining eligibility in means-tested programs and the opportunities states have to design their programs to protect eligibility for other public benefits, see Zoe Neuberger, *How Do IDAs Affect Benefit Eligibility?* Center on Budget and Policy Priorities, September, 2001, http://www.cbpp.org/9-27-01wel.htm.

[42] Telephone conversation with Dory Rand (FLLIP coordinator), National Center on Poverty Law, June 2001.

Chautauqua County, New York, accepts donated cars that are retired from the county's fleet if the car needs less than $500 in repairs.

Vehicle Sources for Car Donation Programs

Car donation programs can obtain vehicles from several different sources. Existing programs have obtained cars from public entities, businesses, and individual donations.

Public Sources: City, county and state governments generally maintain vehicle fleets. When these cars are replaced the old fleet can be donated or sold to low-income families. In some localities, changes in local laws may be needed in order to allow public entities to donate or resell vehicles to non-profit organizations. EARNA CAR in *Chautauqua County, New York*, and a pilot program in *San Diego County, California* both access surplus or retired cars from the county in order to make them available to participants in welfare-to-work programs. Also, *Montana* recently passed legislation authorizing the state to purchase surplus government vehicles, which had previously been auctioned to the public, to make them available to non-profit organizations so that they can provide them to low-income families at a low cost.

Private sources: Car dealerships, rental companies, and other businesses or non-profit organizations can be potential sources for used vehicles. Although most used cars and trade-ins sold by large dealerships and rental companies are less than four years old and are generally expensive for non-profit programs to purchase, many dealerships accept older trade-ins with lower resale value. Also, some businesses maintain fleets of vehicles and may be willing to donate these vehicles to non-profit organizations when they are replaced with newer vehicles.

Individual donations: Some programs solicit donations from individuals seeking a tax deduction. Generally, donors can deduct 100 percent of the value of the car from their income for federal tax purposes. However, sometimes cars donated by individuals are old, unreliable and in need of significant repair. Programs utilizing this option should incorporate mechanics into the program through partnerships with local repair shops, or on-site, to ensure that the vehicle will be reliable and to make any needed repairs before providing it to a family. Charity Cars in *Florida*, and Charity Motors in *Detroit, Michigan* and *Dallas, Texas* obtain vehicles from private donations.

- **Recipient participation in cost:** One critical initial issue is whether the program will give, lease, or sell cars to participants. Some programs give cars to participants at no cost. This has the advantage of providing a quick solution without adding costs to a family that is trying to get by on a very low income. It also allows the participant to save money to pay for other car costs, such as insurance and repair, or to save for other expenses, such as a rent, utilities or educational expenses. In most programs, the family that receives the car participates in some of the cost. Some programs, such as the Good News Garage in *Vermont*, provide the car to the recipient for the cost of repairs which usually runs between $400 and $1,200.[43] Others lease the car for a fixed period after which the title is transferred. For example, the TRUC program (Transportation

[43] For more information about the Good News Garage, visit www.goodnewsgarage.org.

The Good News Garage: Car Donations Plus Training

The Good News Garage, in *Burlington, Vermont* has created a transportation solution that goes beyond providing current and former welfare recipients with donated vehicles. The program also offers a unique training opportunity for participants that want to become auto mechanics.

Partnering with local social service agencies, states welfare department, and other state training and transportation departments, this program receives donated used vehicles from all over New England, repairs them, and provides them to low-income families. The only cost to the recipient is reimbursement for repairs necessary to make the vehicle safe - typically $400 to $1,200. Vehicles too expensive to repair are recycled for parts, and luxury vehicles too expensive for applicants to maintain are sold to the general public to support the program.

The training component consists of a six month course designed to prepare participants for entry level job placement in the auto mechanics field. Through the training, participants undergo an apprenticeship where they can work on their own cars that they will receive through the program, as well as cars that will be provided to other low-income families.

Since the program began in 1996, the Good News Garage has repaired and given away about 725 vehicles to low-income families. All families were current or former welfare recipients that needed transportation to work or training. The program also reserves some vehicles for emergency situations, such as for domestic violence victims that have immediate transportation needs. Twelve participants have gone through the training program and the small garage has been able to hire six of them. The program has plans to expand and move into a larger space just outside of Burlington in the near future.

Information about the Good News Garage was obtained from a telephone conversation with Hal Colston, director, October 2001. More information about the program can be obtained at www.goodnewsgarage.org.

Resources of Urbana Champaign) in *Champaign County, Illinois*, leases donated cars at a reduced cost — between $20 and $50 per month — with zero percent interest to low-income families. During the lease period, the program also offers classes to participants on subjects such as credit counseling and car maintenance.[44] Some programs sell the car to the recipient but provide a low-interest or interest-free loan. Charity Cars in *Florida* and Wheels-for-Work in *Texas* both work with clients to pay costs such as insurance and licensing. In *Virginia*, recipients must pay a monthly amount that averages between $80 and $100 and includes the cost of regular maintenance and tires. While some programs require that the recipient of the car pay for registration, licensing and insurance, many programs cover those costs, at least for an initial period. Whatever cost-sharing approach is taken, it must be one that participant families can afford.

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[44] For more information about the TRUC program, see Michele Casey, Cynthea Geerdes, and Valerie McWilliams, *An Overview of Transportation Issues Affecting the Welfare-to-Work Populations: The TRUC Program*, Clearinghouse Review, National Center on Poverty Law, January-February 2001, www.povertylaw.org (note that a subscription is required to view the full article).

- **Program administration and staffing:** Car donation programs usually are operated by non-profit organizations, often in collaboration with state or county human services agencies. For example, the "Wheels to Work" program in *Anne Arundel County, Maryland* is a public-private partnership operated jointly by county agencies and local non-profit organizations. Some programs, such as Charity Cars based in Florida, operate in many states and partner with local organizations that choose participants and work with them on car ownership issues.

Providing Assistance with Other Car-related Costs

Low-income parents will need ongoing help with car costs over an extended period after receiving a car, especially since cars they acquire tend to be older and often require ongoing repairs. States and counties can assist low-income families with costs associated with car ownership, including repairs, gas, auto insurance, licensing, registration and other car-related fees.

- In both *Los Angeles County* and *San Francisco County* in *California*, low-income drivers can access a low-cost basic insurance policy. The Lifeline Auto Insurance Plan gives drivers below 150 percent of the federal poverty level an insurance plan with a premium of $450 per year in Los Angeles and $410 per year in San Francisco. For comparison, in Los Angeles, the average liability insurance premium without the Lifeline plan is more than $1,000 per year.

- In *Oklahoma*, counties are given "Flexible Fund Accounts" to pay for various support services for TANF recipients. Support services can include car-related costs such as car repairs, insurance, driver's license, registration. The payment also can be used to assist families with car purchase, as well as a range of other supports such as eyeglasses, work uniforms, clothing, and dental appointments. In the last two years the most utilized support service paid for by these funds statewide was automobile repairs. Twenty-two percent of the total flexible fund expenditure in 2000 was spent on car repairs.

- Some states provide a set amount to families to pay for car repairs. *Tennessee* provides $500 per year for minor car repairs. In *Michigan*, TANF recipients can receive $900 per 12-month period to pay for the repair of a car.

- States that have car donation programs often repair cars in-house before they are given to families. Programs do this by contracting with auto repair companies or training recipients to repair cars themselves. Donation programs use a variety of methods to staff the repair work. The Good News Garage in *Vermont* uses professional mechanics and trains welfare recipients through a welfare-to-work training component. In *Douglas County, Kansas*, the less extensive repair work is performed through a cooperative arrangement with a local high school automotive technology class.

A Role for Coordinated Regional Mobility Management

Neither efforts to expand public transit nor larger car ownership programs will meet all transportation needs. This is particularly true in rural areas. Paratransit — an alternate demand-responsive system usually using vans or small buses — is an important additional approach. The key issue in making paratransit viable is mobility management — the coordination and integration of the demand-responsive transportation services within a local area. Rather than, for example, having one system of door-to-door vans for transporting Medicaid recipients to medical appointments and an entirely different one transporting welfare recipients to work, these systems can be merged. Research has shown that coordination can reduce costs by clustering passengers, utilizing fewer trips and sharing equipment and personnel.* These improvements can lead to increased and more frequent service which is essential for paratransit to be a viable option for working parents.

A number of local areas are now using mobility managers who broker transportation services to serve passengers whose transportation assistance is paid for from a range of different funding sources. While these efforts are generally locally based, they can be initiated, funded and managed on a statewide level.

Kentucky has undertaken an ambitious statewide Human Service Transportation Delivery System which coordinates brokers in 16 regions who guarantee transportation to job activities and child care for all families that are receiving TANF cash assistance or have left TANF cash assistance during the prior 12 months. The same system also provides non-emergency medical transportation services for Medicaid recipients, including elderly persons and individuals with disabilities. Each region has contracted with a single broker who is responsible for providing the transportation directly or through subcontract to all of participants within the region. Brokers are paid a capitated rate for each participant and use a variety of methods of providing transportation assistance including direct payment to the client (e.g., gas reimbursement), public transit pass where appropriate, paratransit, or when needed, taxicab. The program was gradually implemented and is now statewide. During the first year the program provided over 850,000 trips. The state expects to spend $12 million a year of federal TANF funds toward the cost of the program for current and former welfare recipients.

Pennsylvania has funded programs to coordinate transportation in 12 regions within the state. One of three early pilot regions is *Washington County* which has successfully coordinated transportation services for a range of human services clients (TANF and Medicaid recipients, persons in vocational rehabilitation and senior citizens) through a single broker.**

In both Washington County, Pennsylvania and Kentucky, members of the general public can also contact the broker and receive the transportation services on a fee-for-service basis.

* *Transportation Coordination: Benefits and Barriers Exist, and Planning Efforts Progress Slowly*, U.S. General Accounting Office, GAO/RCED-00-1, October 1999. http://w3.access.gpo.gov/gao/index.html.

** The Washington County effort is described in greater detail in Margy Waller and Mark Alan Hughes, *Working Far From Home: Transportation and Welfare Reform in the Ten Big States*, August 1999, p. 26 (Case Study 1), available at http://www.dlcppi.org/texts/social/transportation.htm.

In some states assistance may not be specifically earmarked for car related costs, but may be available through general diversion payments. In about half of the states, a low-income family that is not receiving TANF might qualify for a TANF diversion payment which often can cover car repair or other car-related costs. However, diversion payments sometimes are only available to families that are needy enough to qualify for cash TANF. The family generally is not eligible for another diversion benefit or ongoing TANF cash assistance for a period of time.[45]

Funding Car Ownership Programs For Low-income Working Parents

Car ownership programs can be funded through a few different funding streams. Although the focus of this paper is on TANF- and MOE-funded programs, there are other funding sources available to states and counties for developing car-ownership programs for welfare recipients and other low-income families. The National Transit Resource Center of the Community Transportation Association of America has a resource listing of 41 federally-funded programs that can provide transportation assistance.[46] In addition, car purchase programs can seek private support from non-governmental sources such as private foundations that are concerned with low-income families, or private entities that are willing to donate vehicles, parts, or labor.

TANF and State Maintenance of Effort Funds

While welfare funds cannot be the source of broad-based solutions to transportation planning or transportation equity, states can use TANF and MOE funds to expand their efforts to address transportation barriers by providing targeted funding for programs such as those described in this paper. People receiving cash assistance and those leaving welfare have immediate needs to be able to secure decent jobs, to arrive at work on time and to return home while being able to transport their children to and from child care and school. Welfare funds are important additional resources that states and local governments can use in a targeted way to bolster their welfare reform efforts and to support families leaving welfare for work.

TANF and MOE funds also can be used to prevent other low-income families from requiring ongoing cash assistance due to job loss or other crisis resulting from transportation falling through or a car needing repairs. States and counties can use TANF funds to provide

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[45] For information about states' policies on diversion payments, see the State Policy Documentation Project, a joint project of the Center on Budget and Policy Priorities and the Center for Law and Social Policy, http://www.spdp.org.

[46] This list is available at http://www.ctaa.org/ct/resource/funding_resources.html. Although some of these federal funding sources allow flexibility with funding transportation assistance, some prohibit use of funds for car purchase, such as the Job Access and Reverse Commute Grant Program funded by the US Department of Transportation.

Other Types of Transportation Assistance that Can Be Provided with TANF or MOE Funds

HHS has explicitly indicated that assisting families with transportation for work or work preparation activities is a permissible use of TANF and state maintenance-of-effort (MOE) funds under the federal welfare law. It has listed a range of ways that states can use such funds to provide transportation aid. These include:

- Providing cash transportation allowances, transit passes or tokens;
- Providing payment or reimbursement for mileage, auto repairs or auto insurance to facilitate finding or keeping a job;
- Contracting with private organizations to refurbish previously owned cars and give, sell or lease the cars to low-income families; and
- Contracting for shuttles, vans, car pools or other transportation services for TANF-eligible families.
- Providing financial assistance or loans to individuals for lease or purchase of a vehicle.

Source: *Helping Families Achieve Self-Sufficiency: A Guide on Funding Services for Children and Families through the TANF Program*, U.S. Department of Health and Human Services, http://www.acf.dhhs.gov/programs/ofa/funds2.htm; and Policy Announcement TANF-ACF-PA-98-5, December 5, 1998, U.S. Department of Health and Human Services, available at http://www.acf.dhhs.gov/programs/ofa/pa-98-5.htm.

For additional listings of how states are using TANF and MOE to fund transportation initiatives, see *Transportation and Welfare Reform: States on the Move*, http://www.ctaa.org/ntrc/atj/pubs/states-move/; *Transportation in Welfare Reform*, Paul Maiers, U.S. Department of Health and Human Services, Office of

work supports to low-income working families not receiving cash welfare without triggering TANF requirements. The federal TANF regulations clarify that benefits provided as a "supportive service" to employed families are not considered "assistance" under TANF and therefore do not trigger time limits, child support requirements and other TANF requirements that apply to families receiving ongoing cash assistance.[47] In a policy guidance, the Department of Health and Human Services further explained that "[i]f a state provides an employed family direct compensation or an allowance for its employed-related expenses, e.g., for child care, transportation, uniforms, work tools, or other employment-related costs, such a benefit would not

[47] 45 C.F.R. §260.31.

Effect of Car Ownership on Means-Tested Benefits

In the past in many states, one unfortunate consequence of securing a car to get to work was that some low-income families often lost their eligibility for food stamps or Medicaid. However, federal law now permits all states to change their vehicle policies in means-tested programs and many states have opted to enact changes that mitigate this consequence. It is important that policy makers designing car donation or financing programs know their state's rules regarding how the value of a car is treated in the state's TANF, Food Stamps, Medicaid and SCHIP programs. Also, to the extent that the state has not taken steps to increase the value of cars (or totally exclude a car) in its assets calculations, policymakers should include such changes in state policy as part of the process of establishing the car donation or financing program.

Counting the value of reliable cars in any means-tested program undermines important program goals, especially the goal of assisting parents to secure and retain employment. Both a car and work supports such as Food Stamps and Medicaid or SCHIP health benefits are essential for many low-income working families.

In TANF and Medicaid, states have complete flexibility in determining whether they will count the value of a car in determining the eligibility of a family for benefits. Many states have opted to increase significantly the value of a car that will not be counted or to eliminate the value of one car from consideration completely in these programs. Recent federal administrative and legislative developments in the Food Stamp program also give states greater flexibility to coordinate the vehicle rules across their programs, bringing Food Stamps in line with their TANF and Medicaid rules. In the past because states did not see the federal Food Stamp car value policy as subject to change, some set the car limits in their other programs at the Food Stamp level. Now that states have flexibility to set the value of a car in the Food Stamp program that will not count, states also are revisiting whether additional improvements are needed in their TANF and Medicaid rules. For more information on these important developments and the opportunities they create to provide significant supports to low-income families, see:

David Super and Stacy Dean, *New State Options To Improve The Food Stamp Vehicle Rule*, Center on Budget and Policy Priorities, January 2001, http://www.cbpp.org/1-16-01fs.htm; Ray Horng and Stacy Dean, *States Vehicle Asset Policies in the Food Stamp Program*, Center on Budget and Policy Priorities, July 2001, http://www.centeronbudget.org/7-30-01fa.htm.

For 50-state chart on asset limits on vehicles under TANF, see the State Policy Documentation Project, a joint project of the Center on Budget and Policy Priorities and the Center for Law and Social Policy, http://www.spdp.org.

constitute assistance." The guidance also makes clear that a TANF-funded loan would not be considered assistance.[48] Therefore, a cash supplement that is tied to reasonable estimates of work-related expenses — such as a direct payment or a loan for an automobile or other costs associated with car ownership — would not be considered assistance.[49]

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[48] U.S. Department of Health and Human Services, TANF Program Policy Questions and Answers, Definition of Assistance, Questions 4 and 10, http://www.acf.dhhs.gov/programs/ofa/polquest/index.htm.

[49] For a more detailed description of the definition of assistance under TANF, see Appendix A of Eileen

(continued...)

In addition to direct funds for car purchase, TANF and MOE funds can also be used toward car donation programs. Many of the car donation programs run by non-profit organizations do not receive TANF or MOE funds. Often these programs receive initial or on-going funding from organizations such as the United Way or from private foundations. States can, however, use TANF or state MOE funds for such programs and in so doing, expand the capacity of these programs to assist low-income families with car ownership. A number of states and counties do use TANF and MOE funds to support car ownership programs. These include *Arizona, New York, Texas, Tennessee,* and *Vermont,* as well as counties in *Florida* and *Virginia*.

States also can develop car ownership programs for low-income families that are not employed and not receiving TANF cash assistance using state MOE funds. By using state funds, a state could assist a parent who is in a work-readiness activity that may not be counted as work under TANF rules, such as full-time education, and TANF restrictions such as time limits would not apply.

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

Workforce Investment Act Funds

The Workforce Investment Act of 1998 transformed federal job training programs into a network of grants to states for youth and adult job training services.[50] Under WIA, state and local Workforce Investment Boards must consider transportation needs of participants and may use program funds to provide supportive services, including transportation, if the services: 1) are not available through other programs providing such services, and 2) are necessary to enable an individual to participate in employment services. Transportation is a support service that can be funded through WIA. Car purchase assistance can be funded if the local Workforce Investment Board determines that the most effective way to enable someone to participate in training activities or look for work is to help her purchase or maintain a car. In addition, the WIA program includes retention as part of its employment services. If a participant needs a car to retain stable employment, ongoing transportation assistance after someone gets a job is permissible. In both cases, however, funding constraints could make it unlikely that many local WIBs would do this.

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[49] (...continued)
Sweeney et.al., *Windows of Opportunity: Strategies to Support Families Receiving Welfare and Other Low-Income Families in the Next Stage of Welfare Reform,* Center on Budget and Policy Priorities, January 2000, http://www.cbpp.org/1-12-00wel.htm.

[50] PL 105-220, 1998

Conclusion

Although many welfare recipients and other low-income families have entered employment, transportation remains a significant challenge for families seeking or trying to maintain employment, or trying to secure better-paying jobs. Helping low-income families to purchase and maintain cars can be a key way that states can address these transportation problems and assist families to get to work and child care locations. States and counties have flexibility to design car ownership programs for a wide range of low-income families including both families receiving cash assistance and those that do not receive cash assistance. Some states and a handful of counties have already implemented programs that provide access to car ownership either through providing funding, car donations, or loans for car purchase. These programs are consistent with, and promote states' welfare reform goals to move parents into employment. When parents have a stable and consistent means to get back and forth to work, their chances of obtaining and maintaining better jobs with higher pay are much greater.