ON THE ROAD

CAR OWNERSHIP AS AN ASSET BUILDING STRATEGY FOR REDUCING TRANSPORTATION RELATED BARRIERS TO WORK

by

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ON THE ROAD:
Car Ownership As An Asset-building Strategy for Reducing Transportation Related Barriers To Work

EXECUTIVE SUMMARY

Lack of transportation is a critical barrier preventing many low-income people from finding and keeping a job. Historically governments, nonprofits and businesses have assumed that welfare recipients and low-wage workers who do not own cars will use public transit to meet their mobility needs. However, while public transportation may get many people to work, it does not work for everyone. Too often, low-income people find themselves unable to find or get to their jobs, take their children to child care, or accomplish all the other daily tasks many others take for granted.

Among the most innovative new approaches to solving transportation barriers to work for low-income people are car ownership programs. A growing number of nonprofit organizations and government agencies across the country are creating programs to help low-income people acquire the cars they need to get to work. This report offers an in-depth study of seven of the most promising programs.

This report presents detailed information about the seven programs studied. Among our findings are the following:

- Car programs make available to clients used cars with a retail value ranging from $2,000 to $5,000;
- Clients pay between $0 and $5,000 for these cars, which is usually structured through a monthly loan or lease payment;
- TANF clients (and thus primarily single mothers) make up the largest block of program clients, but most of these car programs serve other low-income populations as well;
- Liability coverage for car programs is relatively easy to acquire, but securing auto insurance coverage for clients can be a significant challenge; and
- Early results show that car ownership leads to higher wages and decreased dependence on government for clients of these programs.

As an outcome of this study, we offer recommendations for best practices in car ownership programs, opportunities for policy changes that could improve mobility and job access for low-income workers and job seekers, suggestions for the role the private sector could play to support car ownership programs, and ideas for next steps to improve practice and policies.

Best practices

Organizations interested in creating their own car ownership programs should consider the following "best practices" identified in the programs included in this study:

- All clients should have case management, provided either by a referring agency or the car program staff;
- Car ownership programs should include training and education in such areas as personal financial literacy, basic auto repair and maintenance, and safe driving, either as part of the program or as a prerequisite for participation;
- Programs should work with each client to develop a detailed and comprehensive "affordability analysis", or budget. When determining whether a client can afford to own a car, all car ownership costs such as gas and insurance should be included in the estimate, not just the monthly payment on the car;
- Programs should assist clients with their insurance payments, at least in the early months;
- Partnerships with banks and credit unions for loan administration can help clients to rebuild their credit ratings, thereby providing an additional benefit;
- At least one member of the program staff should have experience in wholesaling and/or repairing used cars, and;
- Car programs should be careful to track success, not only in terms of numbers served and repayment rates, but also in the impact of the car on work, improved access to enhanced education and recreation activities for the whole family, and other benefits.

Policy changes

Suggestions for several local, state and federal policy changes are offered that could make car ownership work better for welfare recipients and the working poor, as well as to improve mobility and access to jobs more broadly for low-income workers and job seekers.

- Increase TANF funding for car ownership programs;
- Allow TANF support services funds to be used to purchase a car;
- Increase the allowed value of a car that a TANF recipient can own and still qualify for welfare;
- Develop systems and incentives for local, state and federal governments as well as private businesses to donate surplus fleet vehicles to car ownership programs;
- Allow federal IDA funds to be used to purchase cars;
- Increase funding for public transit, especially in low-income neighborhoods;
- Make federal transit funds more flexible, including allowing Job Access/Reverse Commute dollars to be used for car ownership programs;
- Bar auto insurance companies from using rate setting mechanisms that disproportionately affect poor people, such as credit ratings, neighborhood of residence and other factors, and;
- Replace subsidies for locating jobs in the suburbs with subsidies that encourage locating those jobs in low-income neighborhoods.

Role of the private sector

We also recommend that the private sector, particularly businesses that make up the auto industry and companies that hire large numbers of low-wage workers, support in car ownership programs. This support could include the following:

- Donate funds to car ownership programs;
- Donate or significantly reduce the cost of cars, parts, and repairs to programs;
- Offer discounts on maintenance, repairs and insurance to clients of car ownership programs; and
- Make credit available to program clients through banks, credit unions or auto financing corporations.

Next steps

Finally, four specific next steps are recommended for improving the quality of car ownership programs and expanding the broader policy debate:

- Create peer learning opportunities by convening a national meeting of current car ownership program practitioners, and through dissemination of this report and other information;
- Invest in building the capacity of existing car ownership programs through increased funding, targeted technical assistance, and expanding partnerships;
- Advocate for public policy changes such as those outlined above that will improve mobility and job access for welfare recipients and the working poor, and;
- Create one or more pilot demonstration projects that bring together the public, private, and nonprofit sectors to address the full range of assistance low-income people need to overcome their transportation-related barriers to work.

While car ownership is not for everyone, it is a promising new approach to solving transportation barriers to work for many low-income people. By addressing their mobility needs, car ownership programs can improve job opportunities as well as the overall quality of life for families and communities as well.

CONTEXT AND BACKGROUND

Imagine a single mother trying to get off welfare. She has completed a state-funded, two-month training program that prepared her for a job in manufacturing. She has two children, one in day care and the other in second grade. She must choose between two job offers. The first is a full-time position in the manufacturing area she trained for. It pays ten dollars per hour and she will be eligible for health benefits for her family after three months. The second is a housekeeping position that pays $6.25 per hour. The hotel does not guarantee full time work and therefore does not offer any benefits, but assures her she will be able to find more than forty hours a week by piecing together part-time on-call shifts.

The first job is in the suburbs 25 miles from her home, with no bus line nearby. The second job is downtown, a ten-minute bus ride away. Which job will pay the most, provide the most support to her children and offer her family the best chance of achieving economic self-sufficiency? Which job will give the state the greatest return on its investment in her training? Which job will create the best likelihood she will not return to the welfare system? This mother does not own a car, has no savings to make a down payment, and has a poor credit record. Which job is she most likely to choose?

Imagine a homeless man of 35. For the past three years he has been living in shelters and working intermittently, mostly for a few day labor companies and a number of short-term, under-the-table jobs. He recently met a recruiter for a carpenter's apprenticeship program. Carpenter apprentices, he learned, earn more than twice what he has ever made in any of his jobs - $16.33 an hour to start, plus full benefits after three months. The carpenters are accepting new applicants right now, and he has been encouraged to apply. In order to enter the apprenticeship program, he must have a valid driver's license and own a car. The license he can manage – the car he cannot afford.

While most Americans take a job and decide how to get to work afterward, many low-income people find their choice of jobs limited by lack of transportation options. Public transportation may get many people to work, but it will not work for everyone, rich or poor. Many people work shifts outside of nine-to-five business hours, must take children to school or day care on their way to work, or live beyond the reach of a transit system. They may live in a rural area without any public transit at all. In addition, some employers require employees to use their own cars on the job.

Historically, federal and state policies have been crafted around the assumption that welfare recipients and the working poor will simply take public transit to work. Since passage of the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA, often referred to as "welfare reform") and its time limits on benefits, it has become clear that public transit is not enough. Too many people quite literally cannot get to work. This has become a concern for policymakers because in the long run, welfare recipients who cannot get to work will not be able to leave the welfare system. Growing awareness of this problem has broadened into national recognition of lack of transportation as a barrier to better jobs for the working poor.

To address the problem of transportation barriers to work, government and the nonprofit community have responded in several different ways. The U.S. Department of Transportation created Access to Jobs, which funds reverse commute, para transit, vanpool, and rideshare programs for TANF recipients around the country. States have made changes to transportation-related eligibility requirements for welfare and related programs. For example, in many states TANF recipients can now own a higher value car and still qualify for welfare. TANF and support services funds can be used for more transportation-related expenses, such as car repairs and auto insurance. However, one of the most interesting and innovative responses has been the creation of special programs to help low-income workers and job seekers buy and keep cars.

What began in a few communities as highly individualized programs to meet local needs has become a discernible national trend. Today, there are an estimated forty car ownership or car loan programs around the country serving welfare recipients and the working poor. Several states have invested millions of dollars in these programs. In addition, many churches and community groups are creating programs to help their members and others cope with the high cost of car ownership, maintenance and repair.

Car ownership programs are unique in that they recognize that an individual's transportation needs are not limited to his or her ability to get to and from work, but include all the other travel everyone does on a daily basis: taking children to school, participating in recreational activities, shopping, or making visits to the doctor. The programs in this study are also unique in that many have developed without much knowledge of the others. As such, they are idiosyncratic and highly responsive to local needs and policy environments.

This report is one of the first systematic studies of this new trend in car ownership programs designed to help low-income workers and job seekers overcome transportation barriers to work. Its purpose is twofold. First, we wish to inform the field of organizations interested in starting their own car ownership programs or those wanting to strengthen existing programs. To that end, we provide detailed information about seven different car ownership programs – what they do and how they do it. Second, we wish to improve the policy environment for overcoming transportation barriers to work for low-income workers and job seekers. This paper discusses the wide range of policy issues that affect programs like these and includes recommendations for policy changes. We also hope this report will stimulate more discussion at higher levels about the broader issue of mobility for welfare recipients and the working poor.

This paper begins with an overview of who we are and the methods we used in executing this study. Next we take a short look at the existing literature on car ownership programs. The following section presents the findings. Finally, we conclude with a discussion of recommendations and next steps in moving the discussion forward.

WHO WE ARE

The National Economic Development and Law Center (NEDLC), in Oakland, California and the Port JOBS in Seattle, Washington jointly conducted the research for this project.

NEDLC is a nonprofit, public interest legal and planning organization that specializes in community economic development. Founded in 1969, NEDLC works in collaboration with community organizations, private foundations, corporations, and government agencies to build the human, social, and economic capacities of low-income communities and their residents to achieve comprehensive and fundamental change. Job creation, employment and training, workforce development, and income enhancement are all strategies we are designing, implementing and managing in demonstration projects across the country.

Port JOBS is a nonprofit organization founded in partnership by the Port of Seattle, the City of Seattle, King County, business, labor, community-based organizations, and educational institutions. The office was created in 1993 to respond to changes in the local economy and in the composition of King County's workforce. The office develops projects that create living-wage opportunities in the port economy for disadvantaged populations. To this end, Port JOBS matches port-related employers with programs that recruit, support, and train people to meet their skill requirements.

NEDLC and Port JOBS are both intermediary organizations that undertake research and program development in the workforce development and sectoral intervention arenas. NEDLC's history includes the creation of innovative approaches to issues and the development of statewide and national demonstration programs that create sea change. This work was enhanced by the fact that Port JOBS is developing a car ownership program in the Seattle area and had already begun a systematic inquiry into car provision programs. As a result, this report not only takes an analytical look at car ownership programs from both the macro and micro perspectives, but also offers very practical advice that nonprofits, foundations, government agencies, and private businesses can apply in their own work. In addition, we look at the larger policy arena within which these programs function, offering suggestions for how it could be improved so that low-income people can overcome their transportation-related barriers to work.

METHODS

This project began with a national search to uncover car ownership programs specifically serving low-income workers and job seekers. Using the Internet and local libraries, we searched government documents, newspapers, magazines, academic journals, websites, public relations materials, and other print and electronic sources to identify information relating to these programs. These efforts were followed by direct telephone and e-mail contact with program staff, and longer interviews to gather additional information about each one.

From this information a list of roughly 26 programs was created (see Appendix 1). Only programs that serve the low-income, general public were included. Specifically, we were looking for programs whose primary mission is to acquire donated or purchased used cars and make them available to low-income workers and job seekers. Therefore, some well-known programs such as Esperanza Unida, Inc. in Milwaukee, Wisconsin, whose primary mission is to train and place low-income residents in jobs in the auto industry, and in the process, repairs donated cars for sale to its program participants and the general public as part of its training program, are not included. In addition, other noteworthy programs such as churches with transportation ministries that make cars available to their own congregation members, programs that provide car repairs to low-income car owners at no or reduced cost, and programs that focus on structuring financing, are also not listed. The final list includes a wide range of programs and models, from those that make five cars available a year to those making more than 200 cars available each year.

Esperanza Unida, Inc.

Since 1984 Esperanza Unida in Milwaukee, WI has been using donated cars to train minority, unemployed and underemployed residents to work in the auto industry. In sixteen years, the program trained and placed more than 400 students in the industry. In 1992, they opened a licensed used car dealership where they sell the cars repaired in the training program to the general public and their families.

From this list of 26 programs, seven were selected for further study, according to the following criteria:

- All have achieved relatively large scale compared to other programs;
- All have well-developed systems that are more likely to be sustainable in the long term;
- The programs selected represent a variety of program models, including those who both lease and sell cars to clients;
- The programs selected are sponsored by a number of different types of organizations: while most are run by nonprofit agencies, one is run by a government agency and one by a Workforce Development Board;
- The programs chosen represent several different regions in the U.S., as well as a mix of urban, suburban and rural service areas; and
- Staff, sponsors, and stakeholders were willing to share program information.

The table below (**Table 1**) provides an overview of key infrastructure components of each of the programs:

TABLE 1: INFRASTRUCTURE OVERVIEW

	Arizona Wheels to Work	**Charity Cars**	**Citrus Cars**	**Georgia Wheels to Work**	**Getting There**	**Good News Garage**	**Vehicles for Change**
Annual operating budget (2000)	$2 million (+$400,000 for marketing)	$3.2 million in 2001 ($10-20 million in 2002)	Unknown	$10 million statewide in fiscal 2000-01	$198,000	$775,028	$675,000
Funding sources	State TANF agency – funds allocated in state budget	Sale of vehicles, foundation grants	State TANF agency	State TANF funds, oil overcharge settlement funds	State TANF agency, foundation grants, sale of donated cars, donations from churches	State TANF agency, foundation grants, sale of donated cars, church donations	State TANF agency, nonprofit contracts, grants from foundations and corporations
Number of staff	6 FTE	15 FTE	1.5 FTE	22 FTE statewide	1.5 FTE	11 FTE	5 FTE
Parent organization	Goodwill of Central AZ	Self	Polk County Workforce Dev. Board	Resource Conservation & Dev. Councils & Georgia Environmental Facilities Administration	CAP Agency of Scott, Carver & Dakota Counties	Lutheran Social Services of New England	Self

Site visits were conducted to each of the programs, which are (in alphabetical order):

- Arizona Wheels to Work (Phoenix, AZ)
- Charity Cars (Orlando, FL)
- Citrus Cars (Bartow, FL)
- Georgia Wheels to Work (Atlanta, GA)
- Getting There (Burnsville, MN)
- Good News Garage (Burlington, VT)
- Vehicles for Change (Elkridge, MD).

A short description of each of these programs can be found in Appendix 2. In addition, we conducted a site visit to Community Car Care, a faith-based car repair program that serves residents of the southern suburbs of Minneapolis, Minnesota, the same region served by Getting There. A copy of the interview protocol used during the site visits can be found in Appendix 3.

Community Car Care (CCC)

Community Car Care is a faith-based, volunteer program and registered nonprofit organization that provides free car repairs to low-income workers and job seekers in the southern suburbs of Minneapolis, MN. Five churches and two car repair shops have partnered to provide these repairs twice a month at the participating repair shops. While their cars are being repaired, recipients are taken to one of the local churches where they are guided through a short "Christian credit counseling" course, and given a meal. Free child care is also provided. CCC repairs about 12 cars per month, which fulfills about one-third of the requests they receive.

LIMITATIONS

The most significant limitation of this study is the rapidly changing nature of this new program area. All of the programs we found were created in the 1990s or later, and nearly all were started after passage of the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). Every search we ran turned up new programs, indicating that a growing number of car ownership programs are springing up around the country. As a result, the list of programs we created is certain to be incomplete by the release of this study. This is why we estimate there are likely to be at least fifty such programs nationwide. Programs deserving of additional attention may have already been inadvertently omitted from this study.

In addition, these programs are new and they exist in a rapidly changing policy environment for federal and state Temporary Assistance to Needy Family (TANF, the program that replaced Aid to Families with Dependent Children, or AFDC) policies. Because of this, they are constantly being revised and reorganized to both improve the program and respond to regulatory changes. The descriptions of these programs included in this study are accurate as of the time of collection, but may soon be out of date.

Despite these limitations, we believe that this study offers the best information currently available for organizations interested in creating programs to help low-income workers and job seekers acquire the car that they need to get to work, for policymakers trying to create an environment where these programs can flourish, for communities seeking to overcome transportation barriers to work for economically disadvantaged citizens, and for grant makers and others considering investments to support individual programs and broader demonstrations.

LITERATURE

To date only limited research on car ownership programs has been conducted. Existing work falls into three basic categories: academic studies of the work-related impact of car ownership; policy studies of how car ownership could help low-income people; and most recently, studies of the existing programs and their clients. Combined, these studies have found the following:

- Owning a car increases hours worked and earnings;
- Owning a car reduces reliance on the state among welfare recipients; and
- Car ownership is a viable solution to transportation barriers to work for low-income people that governments and nonprofits should pursue further.

Car ownership and work

Since passage of the PRWORA, several researchers have explored questions of whether car ownership increases the likelihood that low-income people will work or if it offers opportunities for increased incomes. Using data on AFDC recipients in California, Ong (1996) found that welfare recipients who own cars are more likely to be employed than those who do not. Furthermore, those welfare recipients who own cars and are employed work more hours and earn more than those who do not. Holzer et. al. (1994) found that having access to a car shortens periods of unemployment and increases earnings. He also found that car ownership increases wages more for African American workers than for white workers.

While these earlier studies showed a correlation between car ownership and employment status, they did not show causality. Using state data on insurance rates and gas taxes, Raphael and Rice (2000) found that car ownership leads to increased earnings, and not that higher earnings lead to car ownership. Their study found that people who own cars are more likely to work, and workers who own cars work more hours and earn higher wages than those who do not own cars. Perhaps most important for car ownership programs for low-income workers and job seekers, Raphael and Rice (2000) found that the impact of car ownership on those factors is greater for low-skilled workers than for higher skilled workers.

The impact of existing programs

Because the car ownership programs in this study are relatively new, there has been only limited tracking of their impact. There have not been enough clients and not enough time has passed to make sweeping conclusions about the effectiveness of this strategy. However, the studies that do exist indicate that the impact of these programs on working and wages is positive.

In their study of Good News Garage, Lucas and Nicholson (2000) found that clients of the program who were also on welfare saw their earnings increase and their support payments from the state decrease after receiving a car. They also found that the per car amount the state TANF agency paid Good News Garage for their services was recovered within five months in the form of reduced support services payments to the client who received the car.

A baseline study of the characteristics of 48 clients of New Leaf Services, the nonprofit administering the Georgia Wheels to Work program in Atlanta, found that the average client is in her early 30s, has three or fewer children living at home, works 38 hours per week and earns $9.17 per hour (Griffith, 2001). These clients most valued their cars for getting to work, and providing increased access to both medical and child care services. Future studies are planned to determine the impact of New Leaf's car program on these and other clients.

Car ownership as a policy response

In a forthcoming study, the Center on Budget and Policy Priorities found that state studies report between 15 and 40 percent of former TANF recipients consider transportation to be a barrier to their ability to work. The National Council of State Legislatures found car ownership or loan programs in at least nine states in 1998. Their report recommended that states maximize the use of all forms of transportation, including cars and public transit, in order to ensure that welfare recipients are able to transition to work.

In "Working Far From Home: Transportation and Welfare Reform in the Ten Big States," Waller and Hughes (1999) at the Progressive Policy Institute point out that private automobiles have been considered taboo in the effort to solve transportation problems for welfare recipients. They see significant promise in the states that have used car ownership programs, and argue that policymakers need to recognize the realities of commuting to and from work in urban areas when developing transportation policies.

FINDINGS

Each of the seven car ownership programs profiled in this study was created in response to specific local needs, and each exists within a unique legal and policy environment. There have been no guidelines available or best practices reports explaining how to create car ownership programs. In addition, all of these programs were created in the 1990s, and most since 1996, making them relatively new. For those reasons, each program has its own distinctive characteristics that make it one-of-a-kind.

The following section begins with a discussion of common elements among the seven programs included in this study, offering explanations for their differences (a matrix showing program details is available in Appendix 4). Some of the differences are driven by local legislation, while others are driven by organizational priorities. This section also identifies some of the unique elements each program offers. This is followed by a discussion of some potential gaps in the programs we studied. Finally, we offer some ideas for how to define success in car ownership programs.

COMMON ELEMENTS

A description broad enough to encompass all seven of the programs studied here would read:

These programs acquire cars and make them available to low-income workers and job seekers.

The method by which each program acquires those cars, makes them available, determines eligibility, processes them for repairs, and interacts with clients is different. However, it is possible to identify some key features that remain constant among the programs. This section briefly outlines some of the more salient common elements.

All of the programs lease, sell or donate **used cars** to clients. The cars have retail values ranging from $2,000 to 5,000 and are generally from 8 to 14 years old. The majority of the programs included in this study indicated their primary goal is to provide reliable, entry-level cars to enable people to get or keep a job. (See **Table 2**) The cars used in these programs, and especially the older cars, are intended to provide short-term solutions as a bridge to overcoming initial transportation barriers. The expected life use of program cars is from one to two years, long enough for a client to begin to get on their feet. The cars are either acquired through donations from the general public, or purchased from auto auctions, wholesalers and used car dealers. Of the **donated cars used by the program**, only approximately 15-20 percent of those donated by the general public are suitable for client use. The rest are sold to wholesalers, auction houses, or salvage yards, and the revenues reinvested to support program operations. Several programs have made efforts to acquire cars from auto dealers or surplus government fleets, but with somewhat limited success.

Table 2: Cars used by the programs

	Arizona Wheels to Work	Charity Cars	Citrus Cars	Georgia Wheels to Work	Getting There	Good News Garage	Vehicles for Change
Average value of cars placed with clients	$2,421 (14 years old, 110,000 miles)	$3,500 (10 years old, 100,000 miles)	Max $5,000 (100,000 miles max)	$2,000-5,000 10 years old)	$2,000 (120,000 miles)	(6-10 years old, 140,000 miles)	$4,000 (10 years old, 110,000 miles)
Number of cars placed in 2000	283	330	125	1600 statewide	54	232	140
Percent of donated cars used by program	Turns away 50% over phone, accepts 20-30% of the rest	requested non-disclosure	Not applicable	Not applicable	About 20%	Turns away 50% over phone, 50% of those accepted used in program	About 15%

Whether the cars are acquired through donation or purchase, all require some investment in reconditioning and repair prior to going to clients. The average total cost for these repairs ranges from $200 to $1,500 per car. In addition, most of the programs offer a limited warranty, ranging from twenty days to one year in duration. Private auto repair shops generally conduct the reconditioning and repairs, and most programs have ongoing relationships with several in the community. Some programs have been able to negotiate reduced rates for parts and labor. Good News Garage is the only program that currently conducts its own repairs in its own garage.

The **cost of cars to the client**, whether it is a **donation, lease or sale program**, ranges from nothing to as much as $5,000. (See **Table 3**) Most programs charge a flat amount for every car; one program offers a sliding scale fee. Most of the programs have a predetermined monthly payment set, but one program sets the monthly payment based on the client's ability to pay. The amount of the **monthly payment** varies widely.

Table 3: Cost to client

	Arizona Wheels to Work	Charity Cars	Citrus Cars	Georgia Wheels to Work	Getting There	Good News Garage	Vehicles for Change
Cost of cars to client	$240 ($120 after July 1, 2001)	None	$609.50	Average $2,000-5,000	$750 + 5% interest charged by bank	$1,000 – 1,200 (usually paid by support services funds)	$700-1,000 + 2% over prime charged by bank
Donate, lease or sell car to client	Lease	Donate	Lease	Sell	Sell	Donate (for cost of repairs)	Sell
Monthly payment amount	$20	None	$25 + $1.50 tax	10% of total budgeted earnings or $50, whichever is higher	Average $33	Not applicable – total paid up front	$55-85

TANF clients make up the largest block of participants for nearly all of these programs. Therefore, the largest block of people served by these car ownership programs are single mothers. Most of the programs have additional contracts with other government agencies and nonprofit organizations. In nearly every case, the client comes to the program with some type of case management or other support provided by the referring agency.

Client screening is generally conducted in one of two ways. Either the car program is on contract to provide cars to a specified number of program clients which are sent in by the referring agency, or the agency refers as many clients as fit the eligibility criteria and the car program determines which ones will receive cars. In the latter case, the number of clients that receive cars often depends on the number of cars that are available.

Eligibility requirements vary slightly among car ownership programs. Generally, the client must be low-income; need the car in order to get to work or training, or be at risk of losing a job for lack of transportation; have a relatively clean driving record; possess a valid driver's license; and be insurable. Most programs have similar requirements that the client must meet during the payment period, and some will repossess the car for noncompliance.

One of the most challenging issues for these programs is securing insurance coverage for clients. Insurance companies that provide personal auto coverage use several criteria for setting rates that have disproportionate impact on low-income people. These include consideration of credit scores, neighborhood of residence and the application of surcharges for gaps in insurance coverage. For most of these program clients, the first few months of insurance coverage will be paid by their referring agency or the car program itself. These programs generally screen out anyone who is uninsurable due to his or her driving record, or cannot afford insurance payments. Some programs track their clients' insurance and will repossess the car if the client allows coverage to lapse.

Because all of these programs are so new, **default rates** are only tentative at this point (see **Table 3**). Loan and lease default rates range from five to seventeen percent, with the average ranging from five to seven percent. Each program treats repossessions differently. Some programs consider repossessions vital to maintaining the program's integrity, while others believe it would be inappropriate to take a low cost car away from a poor family regardless of an inability to pay.

Table 4: Default rates

	Arizona Wheels to Work	Charity Cars	Citrus Cars	Georgia Wheels to Work	Getting There	Good News Garage	Vehicles for Change
Loan or lease default rate	17%	Repossesses only at the request of referring agency, who pays the cost	6%	2-3%	5-6% does not repossess any cars	Not applicable	7% -9 repossessions
Major causes of default	Not keeping employment	Not applicable	Not keeping up with insurance payments	Non-payment of loan	Not applicable – only loan defaults are tracked	Not applicable	Unknown

All of these programs deal with potential liability issues in a similar way, and none of them has had to address any liability problems to date. Similar to any car dealer or auto repair shop, each has their own garage liability coverage, often as a rider on the agency's existing insurance policy. Those that have acquired state vehicle dealer licenses generally have to post a bond in an amount set by the state. In addition, all of these programs require their clients to sign a "hold harmless" agreement to protect the agency in case of an accident or equipment failure.

All of these programs subsidize the cost of purchasing a car for their clients. Therefore, they need additional funds to cover operating costs, including repairs and administration. In order to become sustainable, these programs must increase the numbers of donations generated (increasing the number of clients served commensurately), and/or find new funding streams. Charity Cars is in the opposite position. They have a surplus of available funds and a shortage of donated cars to give to clients.

UNIQUE ELEMENTS OF EACH PROGRAM

Each of the seven programs has unique elements that warrant further discussion. These include Wheels to Work's state tax credit, Good News Garage's three-bay garage and staff mechanics, Getting There's strong grassroots partnerships, and Charity Cars' national donations network.

When the Arizona state legislature created Wheels to Work, it established a **state tax credit** of up to $1,500 based on the vehicle's fair market value that individuals and businesses can take on cars donated to the program. In order to qualify, the car must actually go to a program client – the program is prohibited from accepting donations of cars that are not suitable for client use. A working group consisting of the Department of Employment Security (state), Goodwill (the nonprofit agency administering the program), a marketing agency (for-profit), and the Department of Revenue (government) created the structure for administering the tax credit and established the eligibility criteria. Representatives from the State Automobile Dealer's Association worked with legislators to establish the amount of the credit.

Charity Cars is currently developing a **national network** of donors and affiliate agencies, matching cars donated in a region with agencies in that same region. Affiliate agencies receive cars by advertising in their market area. Potential donors contact Charity Cars through a dedicated toll free number. Charity Cars determines which cars will go to the agencies and which will be sold, then reports to the affiliate when a car is available for a client. Revenues from cars sold are split between Charity Cars and the affiliate. Charity Cars will pay all the car-related expenses, including inspection, towing, storage, and repair, and will pay for a client's insurance down payment, license, and registration if the affiliate has generated enough donations to cover those costs as well. Charity Cars kicked off a $6 million national advertising campaign in 2001.

Citrus Cars is the only program that was **founded by an auto dealer** and the only one that is **administered by a local Workforce Development Board**. The relationship with the dealer has had positive implications for the program, including making resources and staff with significant industry expertise available.

Similarly, Vehicles for Change was founded by an **auto parts company**. This company provides parts for repairs on program cars at a reduced rate, donated funds to the program, and convinced its bank to administer the loans to program clients. In addition, the program has provided helpful connections to auto repair shops in the community

Wheels to Work in Georgia has created a **strong repayment stream**, while other programs face significant loss of funding as TANF "savings" begin to dwindle and caseloads have begun to creep back up. By charging clients the full cost to buy the car in most cases, the program has created a revolving fund that will be used to provide cars to more clients in the future.

The **strong grassroots connections** that bring together a CAP Agency, volunteers and local churches are one of Getting There's major strengths. Volunteers drive cars between locations and have convinced auto mechanics to offer discounted rates on repairs for the program. Several churches in the community now hold annual "Car Sundays" to help pay for repairs on cars donated to the program and solicit for car donations.

Good News Garage is the only program to have its own **repair facility**. Owning a garage reduces repair costs, can shorten the time needed to wait for repairs, and allows Good News Garage to provide job training to low-income people in the community. The trade-offs are in the expense of running one's own garage, including the purchase and maintenance of specialized equipment and the training and retention of staff. The program's founder cautions other car ownership programs against investing in their own garages, indicating that contracting for needed repairs out through local garages may be more cost efficient.

POTENTIAL GAPS

The programs in this study offer a solid array of services to help their clients overcome transportation barriers to work. There are only a few areas where they could potentially do more.

Training

All seven programs give their clients a "walk through" of the car on the day it is delivered. The amount of time devoted to this varies, depending on the individual's experience and comfort level with the car. However, this rarely takes more than half an hour. A few programs have tried to set up more in-depth clinics to train their clients in basic repair and maintenance, but have had poor attendance. Despite the lack of success, this is an area where car programs should do more. With training in areas as basic repair, maintenance and safe driving, clients can avoid costly mistakes. Furthermore, some clients have had personal financial management training through their referring agencies. Integrating this into the car ownership program could simultaneously increase on-time payments and also help the lessons "stick" better with clients because they have a real world application.

Financial institution partnerships

A few of these programs have partnerships with local banks to administer the loans, but most handle lease and loan payments internally. Although it may be difficult, finding a way to get a bank involved in a car ownership program can be good for clients, the program and the bank. Clients may see improvements to their credit ratings if they maintain a good repayment history. Programs will save themselves the expense of administering the loans and may see an improvement in on-time payments. Banks can use this to meet their Community Reinvestment Act (CRA) requirements and gain a more positive image in the community.

Tracking

All of these programs track the cars and the payments on them, but most leave it to the referring agency to track the client after they receive a car. While it may make sense to leave as much client contact to the referring agency as possible, this is one area where car ownership programs will want to keep up with how their clients are doing. Does a car help keep a person employed? Does it increase the number of hours worked or wages earned? Has the car improved quality of life or helped other members of the family? Answers to these questions are important both to ensure the program is providing the best set of services possible to clients, as well as to satisfy potential funders.

Funding
Other than Charity Cars, all of these programs face significant loss of funding each year when state budgets allocate funds to their TANF agency. This is primarily because most are overwhelmingly dependent on one single stream of funds. In addition, these programs do not easily fit into existing program categories funded by foundations. The donation programs have additional sources of funds, but they too will face funding challenges if TANF funds are cut. For this reason, all of these programs could benefit by diversifying their funding streams. Doing this could also allow them to branch out and serve other low-income people who do not qualify for or participate in the welfare system. While most of the programs in this study do serve others as well, TANF clients make up the bulk of their clients.

DEFINING SUCCESS

There are several different ways that a car ownership program could define "success." This might include tracking the following:

- Number of cars provided to clients
- Number of on-time payments
- Number of clients who fully pay off their loan or lease
- Number of cars repossessed
- Loan or lease default rates
- Change over time in the amount paid for reconditioning and repair of cars
- Change over time in the value of cars purchased or used for program
- Client employment status after receiving a car
- Number of hours the client worked after receiving the car
- Amount client wages increase or decrease after receiving the car
- Use of car to support other needs

Since they leave the bulk of the client contact to the referring agencies, most of the programs in this study focus on car- and payment-related measures. Referring agencies are left to determine what impact the car has actually had on the client.

In the follow up surveys that Vehicles for Change conducts with its clients, findings suggest that the vast majority have seen their lives improve as a result of getting a car. The outcomes include increased employment, improved health as a result of being able to get to the doctor, and a generally improved sense of well being. As previously mentioned, clients of both Good News Garage and New Leaf Services (part of the Georgia Wheels to Work program), have been the subjects of academic studies. Those studies found that owning a car increased wages and decreased client dependence on state funds, and that clients primarily value the cars as a tool that gets them to get them to work, medical care and child care.

Tracking clients to better understand the impacts of car ownership will probably be the best way to ascertain whether or not this is an effective strategy for helping people out of poverty and determining the best program elements. This kind of information will also be attractive to potential funders and private sector partners.

RECOMMENDATIONS AND NEXT STEPS

BEST PRACTICES

What is the best way for car ownership programs to create systems for processing cars and referring clients that will ensure that the cars will benefit clients, and that the program will be sustainable over the long term? Although each program exists in a unique policy and legal environment and will have to take those issues into account, it is possible to identify some key program elements that could lead to greater success.

Clients should be supported by case management
Many clients participating in these programs are undergoing major life transitions and are often entering the workforce for the first time. Adding the expenses and legal responsibilities associated with car ownership, especially for clients who have never owned a car before, will be challenging for them. Car ownership programs can increase the likelihood of success by requiring that all clients have ongoing case management. The program can provide these services or, as is the case with most of the programs in this study, the referring agency can provide it. If an outside agency provides the case management, the car program should have some kind of formal agreement such as a memorandum of understanding (MOU) with the agency that makes explicit the types of services provided and the responsibilities of each party. This will also help to ensure that all clients of the car ownership program receive similar services, even if they are referred from several different agencies.

Provide training and education
Another way to help clients manage the new challenges of owning cars is to provide training relating to managing expenses and legal responsibilities. Clients of these programs should receive training in basic car repair and maintenance, safe driver training and basic financial management. Training could be provided directly by the program or through partnerships with outside agencies. If clients are required to go through this training as a prerequisite for buying or leasing a car, it will create an additional time burden on them. However, there is great potential for the time invested to pay off in decreased repairs due to poor maintenance, savings on basic repairs, reduced tickets and accidents, and the ability to manage longer-term car and other time payments. This concept is based on the highly successful model offered by homeownership programs for low-income people that often require potential homeowners to go through this type of training as a pre-qualifying step.

Structure payments to include all car ownership costs
Several programs in this study learned through experience that when developing budgets with clients to determine whether or not they earned enough to pay for the car, calculating the monthly payment alone is not enough. The additional costs of gas, insurance, maintenance and post-warranty repairs must be included. In particular, the annual cost of insurance is often higher

than the total cost of the car. It is better to exclude potential clients who can only afford the monthly payment but cannot afford all of the related costs, as they may find themselves in worse financial shape than when they started out.

One alternative is to have clients pay a lump sum up front for the car, thus eliminating the need for payments. Good News Garage donates the cars to clients in exchange for their reimbursement for the costs incurred for repairs. Clients are able to use their TANF support services money to pay for repair costs for a vehicle. This model would only be recommended when a client can afford the lump sum payment, has a source of savings or a gift, or can access support service or similar funds. While this eliminates monthly payments on the car, it is still necessary to review the potential client's budget to ensure that they can afford the ongoing costs of car ownership before selling them a car.

Assist clients with insurance
This is perhaps one of the most challenging problems that car ownership programs face. The cost of car insurance can be very high for clients of these programs, and they are often disproportionately negatively affected by rate setting criteria such as neighborhood of residence and credit scoring. Assisting program clients with at least the first few months of this expense while they are starting new jobs and getting back on their feet is vitally important. Tracking clients during the payment period to ensure that they are continuing to keep up with insurance payments is also important in states with mandatory insurance laws. Providing AAA membership to clients as an added program benefit can also help to reduce unexpected repair and maintenance costs.

Partner with banks and credit unions
While it may seem daunting at first for a nonprofit car ownership program to build a relationship with a local bank or credit union, the potential benefits are substantial. If loan or lease payments are processed through a bank, the administrative costs can be built into the financial institution's existing processes, rather than creating a whole new payment processing system within the nonprofit. Using a bank or credit union creates an opportunity for clients to improve their credit ratings and credit scores, which is a significant problem for many of them. It also helps "mainstream" low-income people into systems and institutions that middle and upper income people use regularly. The major return on investment to banks include an improved image in the community and credit toward their Community Reinvestment Act (CRA) requirements.

Recruit staff with industry-related experience
Perhaps one of the best investments a car ownership program can make in its sustainability is hiring staff with experience in the used car business. While any kind of auto-related experience can make a difference – even having a backyard mechanic who can review repair estimates and work performed by vendor mechanics can help – having someone with experience in the used car business is ideal. This staff person will know the wholesale value of the vehicles being purchased, be able to accurately estimate needed repairs and their related costs, is seasoned in identifying "hidden" problems that can cause older cars to have higher short and long-term repair costs, know how to maximize the return on investment for donated cars, and has connections with auctions, wholesalers and other used car dealers for purchasing program cars. This person will know what cars can safely be put back on the road and will know reliable mechanics in the

community. All of these things can help a program save money and provide better cars to its clients.

Track success
Not only do car programs need to know how many cars they have on the road and whether or not they are being paid for, they also need to know what is happening to their clients. Ongoing tracking of clients' employment, hours worked, wages earned, savings and support services, and payments from government and nonprofit agencies will help to determine whether this is a successful strategy for moving people out of poverty. It may be helpful to know what clients are using the car for – is it only getting them to and from work, or are their families benefiting from it in any way? This type of tracking can be done by the program itself, or by an outside consulting agency. Not only will proven success attract future funding, it will also ensure that the program is providing services that genuinely meet the needs of their clients.

There are two final areas for discussion where it is not feasible to determine the "best practices". Instead, we simply lay out the benefits and costs of the options. These are the fundamental program questions relating to car acquisition: whether to purchase cars for the program or accept donations, and car disposition; whether to sell, lease or give the cars away.

Car acquisition
Acquiring cars by donation from the general public, private businesses or government generates the lowest inventory cost. It allows the program to be more visible in the community as people learn about it through advertising for donations. It also gives the public an opportunity to participate in the program, building goodwill and support. People often choose to donate to these programs rather than ones that use the cars only for fundraising because they know that theirs car will be used to help an individual, rather than sold into a for-profit system.

On the other hand, purchasing the needed cars generates lower administrative costs. Where purchase programs need only to view and purchase the cars they acquire, donation programs must create the infrastructure to take calls from the general public, move the cars between multiple locations, assess each car accepted, and dispose of it. Programs that purchase cars have greater control over their inventory and greater predictability. These programs can build long-term relationships with local dealers by bringing them regular business, which can engage and gain the support of the auto business community. Further, it may be easier to make arrangements for a local government or company to sell its surplus vehicles than to convince them to donate them to a car ownership program.

Both methods generate cars that require significant investments in reconditioning and repair. Both types of programs will generate costs for storage, depending on how many cars are kept in inventory at any given time. Purchase programs can make a decision to purchase higher end cars for use in the program, but donation programs cannot decide to use only higher-end donations without significantly reducing the relative number of cars available for program use. Ultimately, the decision to purchase or accept donated cars will probably be determined by local laws and conditions, and the expertise, history and interests of the organization founding the program.

Car disposition
The main difference between selling the car outright to clients and leasing it is in who owns, or holds title to the vehicle, during the payment period. Car sale programs transfer title directly to the client, while lease programs hold the title until the lease ends, then transfer it to the client. The main drawback of lease programs is that they may potentially face greater liability risks if a client causes an accident while driving. Their major benefit is that lease programs are on stronger ground to insist that clients comply with all requirements for keeping the car and have greater legal standing if it is necessary to repossess the car. Some of the sale programs have themselves listed as lien holder on the title. This enables them to track whether or not the client is maintaining insurance and ensure that the car is not resold during the payment period. This allows for more oversight of the clients and cars, while reducing the program's potential liability.

Whether the car is leased or sold, monthly payments must be structured so that low-income clients can afford those payments and other car-related costs. Care should be taken to ensure that only those clients who can afford the total costs become car owners. If a program sells its cars for one-time, lump sum payments, the related costs should still be taken into account.

The final option is to simply give the cars away, transferring title to the client immediately. This approach is likely to allow more clients to qualify for cars, as no payment other than car ownership-related costs are needed. In this case, the program assumes no responsibility for monitoring client use of the car or related behavior. Again, the decision to sell, lease or give the car away will depend on the agency and local conditions.

POLICY ISSUES

The car ownership programs discussed in this report have been highly innovative in creating initiatives that respond to local needs while taking into account federal and state policies limiting the use of TANF support services funds and other means-tested income support programs. They have also built in program elements that reflect insurance industry functions and regulations. Some have found creative ways to work with transit agencies to get low-income people to work. In order for these programs to continue to work and to enable other communities to provide similar assistance, federal, state and local agencies need to increase their investments in transportation for low-income people. At the same time, several policy changes are needed at the federal and state level.

TANF Reauthorization
Perhaps the easiest way for federal and state agencies to help car ownership programs succeed would be to increase funding for those programs. TANF reauthorization legislation should include funds for transportation services, including funds specifically designated for car ownership. In addition, federal and state governments should allow support services funds to be used to purchase a car.

Means testing and car values
While most states have increased the value of a car that a TANF recipient is allowed to own and still qualify for benefits, many have not increased it enough. Furthermore, there are other state and federal means-tested programs that bar a person from qualifying if they own a car of "too high" a value. Increasing the value of a car allowed under these programs to $6,000 or more could achieve two goals. First, it would allow a TANF recipient to own a more *reliable* car, which would increase the likelihood of getting to the job and keeping it in the long run. Second, the process of getting on-time payments over a longer payment period for a higher value car can help program recipients repair their credit sooner, which may help them achieve economic self-sufficiency more quickly.

Government fleet vehicles
Governments at every level, from the federal government to the local school board or port authority, retire aging fleet vehicles regularly. These vehicles are usually made available to the general public through a for-profit vendor (auctions). However, some government agencies could consider using retired fleet vehicles to assist low-income workers and job seekers. In addition, while auctions do generate revenue for the seller, cost-benefit analysis may show that the cost to auction some vehicles may be higher than what is earned, or may generate only minimal funds. For these reasons, governments should consider passing legislation or amending regulations allowing fleet vehicles to be donated or sold at reduced cost to car ownership programs.

Individual development accounts (IDAs)
Currently, federally funded IDA programs do not include cars as an allowable expenditure for their clients. However, for several reasons some states, foundations and nonprofit-run programs do elect to include them. First, as has been shown, car ownership can lead to greater earnings. Second, the financial management skills a person learns when buying a car are similar to those learned when buying a home – budgeting, saving, making installment payments, and planning for repairs. By allowing the use of IDAs to include car purchases, programs give clients a structured time frame in which to build their financial management skills and create job stability**.** This asset building strategy can serve as a first step on the road toward homeownership or starting a business. For these reasons, the federal Assets for Independence Act, which created the federal IDA program, should be amended to include cars as an allowable expenditure of IDA funds.

Increase funding for public transit
Expenditures on public transit have been on the decline since the 1920s. Furthermore, most transit investments since then have connected middle- and upper-income communities to downtown white-collar jobs. This has reduced access to work for residents of low-income communities in the urban core, rural communities and inner suburbs with limited public transit access to entry-level jobs in wealthier outlying suburbs. If welfare recipients are to get to work, then public transit must be available to move them from their communities to the locations where entry level, living wage work is concentrated. Both the federal government and states must increase their investments in public transit, and focus those investments on low-income communities.

Flexibility in use of transit funds
The Access to Jobs/Reverse Commute Program and other federal programs to help low-income people get to work have been used to fund a wide variety of programs, including reverse commute, carpools, vanpools, para transit, and have increased coordination between transportation service providers. However, they stop short of funding anything that involves single occupancy vehicles. While this will seem anathema to transit agencies, the U.S. Department of Transportation (DOT) could consider funding car ownership programs as part of their effort to help low-income people move from welfare to work. At a minimum, they could consider funding partnerships between transit providers and car ownership programs, and encourage flexibility on the part of both partners.

Auto insurance
In the car ownership programs described here, the annual cost of insurance for program clients may be higher than the full cost of the car. The industry is pricing auto insurance too high for many low-income drivers, often for reasons that have nothing to do with the driving ability of the individual. States and perhaps the federal government could intervene and ban the use of credit ratings for setting auto insurance rates. The surcharge that insurance companies impose on drivers who are new to owning insurance should be eliminated for low-income drivers. Several other models are available for increasing access to auto insurance for low-income drivers. California is experimenting with a promising model – a special pool for low-income drivers, who pay a lower rate than they could get on the open market. In addition, some states have laws that require auto insurers to offer rate reductions for older drivers who take remedial driver's education courses. Similar programs could be created for low-income drivers.

Subsidies for locating jobs nearer to low-income communities
According to the DOT, more than two-thirds of all jobs created in the largest American cities during the last two decades were in suburbs with poor or non-existent public transit service (Laube, Lyons and VanderWilden, 1997). As a result, low-income people who are dependent on public transportation have limited access to those jobs. States and local governments should consider modifying zoning and tax laws to encourage businesses to locate to communities where low-income people live, and to assist low-income people in establishing businesses in their own communities. Creating jobs in low-income communities increases access to those jobs, reduces pollution and congestion created by urban-suburban commutes, and increases wealth in those communities.

THE ROLE OF THE PRIVATE SECTOR

All of these car programs have some relationship with the private sector, including auto mechanics, auto dealers and banks. Most would like to build stronger relationships with those businesses. Forging relationships with local dealerships, sources of fleet resale vehicles, financial institutions, and local repair shops is a major challenge for nonprofit programs, but could bring significant benefits both to program clients and to the businesses as well.

Today, business is becoming more widely involved with communities in response to pressures brought by customers, employees, public interest groups, and others. However, they are also recognizing both the direct and indirect business benefits, which include increased sales, improved employee morale, and being viewed as a "neighbor and employer of choice" in the communities where they provide products and services. Initiatives that involve business partners not only bring value to recipients, but also enhance the reputations of companies and their brands, products, and values in communities where they have significant local interests and return measurable, bottom-line benefits.

Business can participate in these kinds of initiatives in a number of ways. Large multi-state ***insurance companies*** can voluntarily offer reduced rates for low-income drivers who participate in a car ownership program. This could be done by eliminating the surcharge for first-time insurance buyers or by offering a discount for clients who take a safe driving course. Insurance company foundations could offer or pay for safe driving trainers and locations for trainings. They could also donate funds to car ownership programs. Local ***insurance brokers*** could assist by waiving all or part of their commission for car ownership program clients, especially for those new or returning after a hiatus to the insurance market.

Car parts could be donated or sold at reduced cost to car ownership programs by ***auto parts manufacturers, aftermarket parts companies*** and ***parts retailers***. This would significantly lower reconditioning and repair costs, one of the most expensive elements of these car ownership programs.

Auto repair shops, both large and small, can donate or offer discounts on repairs, including labor and parts. Individual ***mechanics*** can donate their expertise and time for inspections, and to help make sure the programs are getting the repairs they need for a reasonable cost.

Banks and ***credit unions*** have a special role: making credit available to the low-income workers and job seekers. This is as important for some clients as the car itself. By partnering with a car ownership program and providing the loan administration and lending expertise, a bank or credit union helps clients begin their journey to long-term economic self-sufficiency.

Ways to Work

For many low-income people, lack of access to credit is the major barrier to buying car. Ways to Work is a revolving loan program providing low- or no-interest loans to low-income families. Created in 1984 by the McKnight Foundation and the Alliance for Children and Families, Ways to Work provides loans of $750 - $3,000 at interest rates between 0-8%. While these loans can be used to pay for such things as child care and mortgages, they are most commonly used to buy a car or pay for car repairs. Ways to Work loaned more than $13 million to more than 12,000 families in its first 15 years.

Many ***union*** apprenticeship programs, particularly in the building and construction trades, require apprentices to have a car in order to succeed. Unions could participate in car ownership programs by providing funding, or by building relationships between car ownership programs and the banks and credit unions that serve them.

Employers of many of the low-income workers and job seekers these car ownership programs serve can serve a specific role. An employer who realizes that his employees and potential employees are having difficulty getting to work or getting to work on time due to their reliance on public transit or rides from friends or family might consider partnering with a car ownership program. Helping employees acquire a car will not only support the employee, but may also increase attendance, reliability and on-time arrivals as well as potentially reduce employee turnover.

Major automakers provide products and services on a wide scale to the community at large through already-established systems and distribution channels, and could support certain aspects of car ownership programs in one or more demonstrations of significant scale. ***Local dealerships*** are natural partners for individual car ownership programs. They draw a significant portion of their employee base from the local community and have a vested interest in being viewed positively by local residents. They must maintain a reciprocal relationship with the community in order to stay in business. They, too, provide products and services to their local community through operational infrastructures that could be accessed by persons currently not included in their "mainstream" customer base.

We engaged discussions with several persons within the automobile industry, including the major domestic manufacturers, in an attempt to determine their experience with and potential interest in being involved in initiatives to support car ownership for low-income people. From an industry perspective, their involvement could be positioned as an opportunity to access a relatively untapped market and to build a solid customer base that has the potential to mature into an employed market segment with significant brand loyalty.

Feedback from these discussions can be summarized as follows:

- Manufacturers are committed to being viewed positively by the public. They would be most likely to participate in a strategy that made good, safe, and reliable used cars available.
- A likely approach would be to create mechanisms within existing systems to address the program needs, rather than to create new systems or infrastructure.
- Areas of involvement could include (1) providing a supply of relatively lower-cost, reliable used cars; (2) developing creative financing packages with below market interest rates in partnership with their internal financing subsidiary; and (3) reaching out to a select group of franchise dealers to create a distribution network for program delivery and implementation.
- Manufacturers recycle cars into the resale market after approximately two years through private sale auctions after use by company executives, national rental agencies, and others. These vehicles are costly and would be too expensive to serve the needs of the programs interviewed, but could serve as a source for a second or third tier of car ownership after clients have achieved some greater level of job and earnings stability.
- Manufacturers may be more willing to subsidize their costs by accepting a smaller profit spread on the retail of cars, and may be less likely to fund program operations.
- There is interest in learning about the results of this study. The programs profiled here could be viewed as an existing delivery "system" on which automakers could build.
- Cars, financing, and other products and services developed by the manufacturers could potentially be delivered to the target population, effectively tracked, and partnered with the necessary supports services.
- Joining with practitioners in a dialogue could be an opportunity to learn more about the needs of the persons being served, gain insight into the operations of the programs themselves, and begin a dialogue with practitioners to identify existing gaps and explore possibilities for partnering.

Car ownership programs help low-income people gain access to products and services in the marketplace such as cars, mechanics, auto insurance, financing, and credit that most middle and upper income people use regularly. There are opportunities within all of the above auto-related industries to contribute to the success of car ownership programs like these, thus improving the lives of many low-income workers and job seekers. In this way, these businesses could become partners in making the transition from welfare to work a reality for many people, and help many others working in low wage jobs move up the ladder to financial independence.

NEXT STEPS

Clearly, car ownership is a promising strategy for helping people work their way out of poverty. Owning a car can mean moving from welfare to work or transitioning from a low-wage job to a better one. Car ownership can lead to more hours worked and higher wages earned.

There are an estimated fifty programs around the country helping low-income workers and job seekers acquire cars. This study looked at seven of the largest and most promising. What they demonstrate is that there are many different ways to do this work. The question now is how can we make this strategy work better for more people in more communities? We recommend four steps toward that goal: 1) promote peer learning, 2) build the capacity of existing programs, 3) improve the policy environment in which low-income people try to meet their mobility needs, and 4) create one or more demonstration projects that would pull together the full range of transportation services low-income workers and job seekers need.

Peer Learning

While some of these programs had heard about each other in the course of their work, most have had no contact with other car ownership programs. A few have assisted other governments and nonprofit agencies in their regions to create their own program, and a few others are strategically engaged in expansion or replication strategies but no systematic information has been available. Several specifically requested more information about the other car ownership programs involved in this study. We recommend two ways to facilitate peer learning.

The first is to disseminate this report widely to existing practitioners, organizations and agencies, interested funders, and potential stakeholders that might be interested in pursuing car ownership programs in their communities

The second is to convene a facilitated national meeting, inviting practitioners in the field to come together and discuss the work they are doing. The goals of such a meeting would be for the programs to learn from each other, “take away” new ideas for improving their programs, and to inform and build the field of practitioners who could continue to work together both on the ground and in the policy arena. Such a meeting should discuss and recommend policy and regulatory changes that would make car ownership work better for their clients and other low-income people. Potentially, a nationwide coalition of car ownership programs could grow out of this meeting. As a national network, this coalition could approach automakers, insurance companies, banks and other potential stakeholders to solicit their support and collaboration.

Building Capacity

Each of the car ownership programs in this study, and others as well, have existing gaps in their own programs and expertise. However, most of them are investing all of their money into making the most reliable cars available to the most clients possible. Therefore, we recommend that investments be made in building the capacity of existing car ownership programs. Approaches for building capacity could include funds to allow a program to hire staff with experience in the used car industry, training for existing staff, curriculum development for teaching clients about responsible car ownership, computerized tracking systems, technical assistance in developing revolving funds, and assistance with fund development.

Policy Advocacy

Clearly, there are several areas where federal, state and local policies, laws and regulations could be changed to make car ownership a more feasible option for low-income workers and job seekers. Toward this goal, we recommend a strategy that would encourage dialogue between interested practitioners, policymakers working on TANF, representatives from the insurance and banking industries, and automakers and dealers, and others to discuss broader, more systemic changes.

While this could begin with a meeting that focused on car ownership programs specifically, the discussion could expand to include laws and rules that affect low-income drivers and car owners more broadly, including driver's licensing, insurance regulations and access to credit. Representatives from agencies such as DOT and public transit authorities should participate. No matter how effective and widespread car ownership programs become, many low-income people will continue to rely on public transit. Increasing funding for public transit, particularly investments in low-income neighborhoods, will therefore be an important goal for anyone who is working to improve mobility for the economically disadvantaged.

Demonstration Program

As yet, there is no single car ownership program that provides the full range of car ownership-related services that a totally comprehensive program might. This includes such elements as training in basic repair and maintenance, safe driving and financial management; driver's license and relicensing assistance; advocacy for changes in insurance and other laws that disproportionately impact low-income drivers; and the ongoing tracking of clients to demonstrate the effects of car ownership on their employment, wages and family life. While some of the programs studied here do some or many of these things, no one program does all of them. In addition, most of these programs are building their own infrastructure for making cars available, rather than bridging the gaps in ways that allow the low-income people they serve to gain access to existing systems that middle and upper income people use every day.

Therefore, we recommend creating a comprehensive demonstration program in one or more locations. The demonstration program could be newly created or built from an existing program. This program would strive to include most, or all, of the elements described above. It would be organized around the principle of bringing its clients into existing systems for accessing credit, buying cars and insurance, and maintaining and repairing those cars, to the degree possible. Its work would include advocacy for systems change, both in regulations and laws, and in the way transit dollars are invested in local communities. This program would track its clients and know in much greater detail than is known today how car ownership affects them.

CONCLUSION

Car ownership is an emerging new strategy for helping welfare recipients move into the labor market and helping low wage workers gain access to better-paying job opportunities. By tackling their mobility needs, these programs can improve not only their job opportunities, but can improve overall quality of life for these families as well. Both research and early studies of the impact of existing programs show that this strategy shows great promise. However, more is needed.

The programs in this study offer a range of models that other communities can use for developing their own car ownership programs. We suggest some "best practices" that organizations can apply in creating new programs. We also offer ideas for how to improve existing programs, identifying gaps that should be filled. In addition, the programs in this study and others like them exist in a policy environment that often erects barriers to car ownership for low-income people. This report offers suggestions for tackling some of those barriers. Finally, we offer suggestions for next steps to 1) promote peer learning, 2) build the capacity of existing programs, 3) improve the policy environment in which low-income people try to meet their mobility needs, and 4) create one or more demonstration projects that would pull together the full range of transportation services low-income workers and job seekers need.

In the end, it is important to recognize that car ownership is not for everyone. Not every person has the capacity to be a successful car owner, and not everyone wants or needs a car. The other goals of public transit, such as reductions in traffic congestion and pollution, are important policy goals. Therefore, any effort to improve mobility for low-income people should be tied to increased investments in public transit in the communities where they live. Encouraging businesses to locate in those neighborhoods is another important way to improve job opportunities for low-income residents while improving the neighborhoods where they live. All of these policy efforts can be combined to increase mobility, income and quality of life for the economically disadvantaged and for the broader community.

APPENDIX 1: LIST OF 26 CAR OWNERSHIP PROGRAMS INTERVIEWED

Program	Source of Cars	Start Date	Placements
Cars for Careers	Donation	1997	75 in 3 years *35 annually
Cars for Jobs (Wheels to Work)	Donations WtW – Donations, purchased at auction and open market	Program in design WtW – ran 1 year	N/A WtW – 30 cars placed in 1 year * 30 annually
Cars for Success	Dealer donations Donations	Program ran 6 months	10 in 6 months *20 annually
Charity Cars	Donations	1996	330 in 2000
Citrus Cars	Purchased by program from Auctions, Open market, Dealers	1999	125
Community Car Care	Donations	1998	186 repairs 38 cars granted in 21 months *21 annually
Georgia Wheels to Work,	Purchased by program from dealers	1992 Expanded statewide in 2000	1600 in 2000
Getting There	Donations Purchase	1998	54 in 2000
Good Wheels	Purchased from Maine Auto Dealer's Association Donations	January 2000	222 loans per year; some donated cars are placed without use of loans. *235 annually
Good News Garage	Donations	1996	232
Goodwill Arizona, Wheels to Work	Donations	July 1999	283 in 2000
Goodwill Central Penn Wheels to Work	Dealer donations Donations	(2000)	12 cars in 1 year *12 annually
Job Opportunity Transportation Program (JOTP)	Donations	December 1997	*60 annually
Project Self-Sufficiency	Donations	1999	7 in 2 years *3 annually
Service Community Leasing Program	Purchase form dealers.	1996	Active fleet of 65 *65 annually
Transportation Resources of Urbana-Champaign (TRUC)	Donations Dealer donations City fleet vehicles sold through program with the proceeds going to the city.	November 1999 (extended from pilot program)	13 in 2 years *6 annually
Vehicles for Change	Donations	October 1999	112 in 14 months *96 annually

West Cap (JumpStart)	Purchased from dealers	1998	70 in 2 ½ years
Ways to Work	Open market	1984	12,000 loans *70 per agency annually *1820 total annually
Wheel Get There I Wheel Get There II	Donations Open market	1998	117 cars in 3 years *39 annually
Wheels 4 Work Action Inc.	Dealer donations, Donations	1996 January 2001	15 cars in 5 years *3 annually 4 cars in 3 months *12 annually
Wheels to Work HAC Parallel Program (PP)	Donations	November 1999	33 cars in 1 year *33 annually (PP) 60 cars in 1 year *60 annually
Wheels to Work LSS	Donations Purchase from dealers	1998	27 cars in 30 months *11 annually
Wheels to Work MACAA	Donations	1996	125 in 5 years *25 annually
Wheels to Work RCA	Donations Dealer donations	2000	20 in 1 year *20 annually
Wheelz	Donations Dealer donations	1999	5 cars in 1 year *5 annually
			**Annual rates are estimates based on past performance*

APPENDIX 2: SHORT DESCRIPTIONS OF THE SEVEN PROGRAMS STUDIED

Arizona Wheels to Work was created and fully funded by the state of Arizona in 1999. Administered by Goodwill of Central Arizona, this program accepts donation of vehicles, which are reconditioned and repaired, then leased to clients for one year. Unlike the other donation programs in this study, Arizona Wheels to Work is limited by law to accepting only those cars that can be used in the program. If the client keeps up with lease payments and continues working throughout the lease period, the title is handed over to her at the end of the year. This Wheels to Work program leased 283 cars to clients in 2000.

Charity Cars (Orlando, FL) accepts cars donated by the general public, reconditions and repairs them, then gives them away to clients of affiliated nonprofit and other organizations. Cars that are not appropriate for the program (such as ones that do not run or would be too expensive to repair or maintain) are sold at auto auctions, to wholesalers or scrapped. Funds generated from those sales are reinvested in the program. Created in a suburb of Orlando, Florida, in 1996, Charity Cars worked exclusively in that state until 2000 when it expanded nationwide. Today Charity Cars is building a national network to accept donated cars across the country. These will be distributed to clients of affiliated nonprofits, government agencies and corporations. Charity Cars donated 330 cars to clients in 2000.

Citrus Cars was created by the Workforce Development Board (WDB) of Polk County, Florida. Polk is a suburban and rural county halfway between Orlando and Tampa. The program was spearheaded by the owner of a local Ford dealership, who also was chair of the WDB in 1998. Citrus Cars purchases used cars, has them reconditioned and repaired, then leases them to TANF recipients in the county for $25 per month. After two years of payments, during which time the client must continue working, the title is handed over to the client, and who then owns the car free and clear. Citrus Cars leased cars to 125 new clients in 2000.

Georgia Wheels to Work began as a small program in rural northeast Georgia in 1992. It grew incrementally until 2000, when the state invested $10 million to expand it statewide. Administered by eleven multi-county Resource Development and Conservation Councils (RC&Ds) plus one nonprofit agency, Wheels to Work is different in each region. Overall, each region purchases used cars and sells them to TANF recipients with zero-down, zero-interest loans. Georgia Wheels to Work has assisted several other states in creating similar programs, including Alabama and Tennessee. The program plans to have sold 1,600 cars to clients statewide by the end of fiscal 2000-01.

Getting There was created in 1994 by the CAP Agency of Scott, Carver and Dakota Counties, in the southern suburbs of Minneapolis, Minnesota. The program has been redesigned several times as the CAP Agency staff has gained greater expertise. Today the program takes donated cars from the general public, reconditions and repairs them, then sells them to TANF recipients and other low-income people for $750 through a bank-administered loan. Cars that are not appropriate for the program are sold, and the funds generated from that are reinvested in the program. Getting There sold 54 cars to clients in 2000.

Good News Garage of Burlington, Vermont is a program of Lutheran Social Services-New England, and serves the entire state. Established in 1996, Good News Garage accepts donated cars, reconditions and repairs them in their own three-bay garage, and gives them to TANF recipients and other low-income individuals in exchange for the cost of the repairs. GNG also uses its garage to train low-income job seekers as mechanics and auto service writers. The program has been involved in creating similar car ownership programs in New Hampshire, Massachusetts and Connecticut, and has created a replication manual that others can use to start their own programs. Good News Garage donated 232 cars to clients in 2000.

Vehicles for Change also accepts donated cars, has them reconditioned and repaired, and sells them to TANF recipients and clients of several nonprofit programs through bank-administered loans. Created in 1999 in part by Precision CertiPro, an aftermarket car parts company, Vehicles for Change serves two suburban counties in Maryland plus Baltimore. They plan to expand into Washington, DC and northern Virginia later this year. Vehicles for Change sold 140 cars in 2000.

Appendix 3: Interview Protocol

Basic information

Name of program
Contact name and e-mail
Name of agency
Core services and other program services
Start date
Cars to date and purchase price
Number of staff, positions, employers
Funding sources
Insurance policy (for clients) and subsidy
Repair policy: who pays, who does the work
Financial details, loan guarantees, lease terms (if applicable)
Overall cost per car placed
Default rate
Total budget, revenue breakdown, percent or costs. Will you send a copy of your budget?

Program history and learning

1. How did your organization start? Who were the key players in the beginning? Who are the key players in keeping it running today?
2. Is your program stand-alone, or is it part of a larger agency?
3. What is the primary service you were designed to provide? What additional services have you branched out into? Why? Estimate what percent of your organization's time and/or resources are spent on ancillary services.
4. What do you do differently today from what you originally envisioned your program doing?
5. How do you manage insurance liability issues for your program?
6. With what you know today, what would you do differently if you were starting a new program today?
7. Where do you see your program in five years?

Partnerships and other support

8. Who are your key funders? Who are other funders and supporters?
9. Who are your partners? Why do they work on this project with you?
10. How did you create those partnerships?
11. What businesses do you have relationships with, and what are those relationships? Do they subsidize either your program or individuals served by your program?
12. Do you have a lot of support in the community? Who are your major allies? What are the key things they support you on?
13. Do you have any opposition in your community? Where does it come from? What don't they like about your work?
14. What additional links would you like to make in the community that you haven't been able to make yet? What would it take to make them?

BARRIERS TO SUCCESS

15. What were the biggest barriers you faced to getting started? How have you faced those barriers?
16. What barriers do you face to keeping the program up and running? How have you faced those barriers?
17. If technical assistance were available to you, what would be most helpful?

FINANCIAL MANAGEMENT

18. Did you start with an initial grant of money? How much was it and what was the source?
19. What did your bank partners demand as a minimum for their participation (i.e., to be on the loan committee, for your organization to guarantee the loans, a minimum dollar amount to be in the bank)?
20. How many and which banks serve on your loan or lease committee? What is their exact role on the committee?
21. Who is responsible for the title and how is that managed?
22. How do you manage liability issues for your agency and your partners?

RELATIONSHIPS TO OTHER PROGRAMS

23. Do you communicate much with other car provision programs around the country? When and why? Would you be interested in exchanging information with other programs?
24. What kind of information from other programs would be most helpful to you?

POLICY ENVIRONMENT

25. Have you worked to make any policy changes at the local, state or national level, to make car ownership easier for low-income people? (Insurance laws, TANF regs, etc)
26. Do you think any changes in policy or law are needed at the local, state or national level to make car ownership easier for low-income people? What kinds of changes are needed?

CLIENTS

27. Who makes up your client base? Where are they referred from? In addition to transportation, what are their other barriers to work?
28. Are there additional transportation-related services you would like to provide to your clients, if you had full resources? What are they and why do you want to offer them?

APPENDIX 4: MATRIX OF CAR PROGRAMS STUDIED

	Arizona Wheels to Work	Charity Cars	Citrus Cars	Georgia Wheels to Work	Getting There	Good News Garage	Vehicles for Change
Location served (urban, suburban or rural)	Arizona (all)	Florida and national (all)	Polk County, FL (rural & suburban)	Georgia (all)	3 counties south of Minneapolis, MN (suburban)	Vermont & Massachusetts - expanding to New Hampshire & Connecticut (All)	Baltimore & 2 suburban counties – expanding into DC & N Virginia
Lease, sell or donate to clients?	Lease	Donate	Lease	Sell	Sell	Donate (for the cost of repairs)	Sell
Number of cars placed in 2000	283	330	125	1600 statewide in fiscal 2000-01	54	232	140
Cost per car to place	Single rate charged to state TANF agency	$1,500	Not available	$6,250 (includes all statewide administrative costs)	$2,600	$2,500	$2,800
Amount client pays for car	$240 ($120) after July 1, 2001)	None	$609.50	Average between $2,000 – 5,000	$750 + 5% interest (charge by bank)	Cost of repairs only ($1,000-1,200)	$700-1,000 + 2% over prime interest rate (charged by bank)
Year of inception	1999	1996	1998	1992 (went statewide in 2000)	1994	1996	1999
Annual operating budget	$2 mil (plus $400,000 in marketing)	$3.2 mil in 2001 ($10-20 mil in 2002)	Not available	$10 mil statewide in fiscal 200-01	$198,000	$775,028	$675,000

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