Prospects for Welfare Diversion in Tennessee

DRAFT November 2006

PREPARED FOR THE

Tennessee Department of Human Services

THE UNIVERSITY OF TENNESSEE
COLLEGE OF SOCIAL WORK
OFFICE OF RESEARCH AND PUBLIC SERVICE
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Executive Summary

The 2005 Deficit Reduction Act has raised a significant challenge for many states to further reduce their Temporary Assistance to Needy Families (TANF) caseloads and improve their work participation rates. One strategy already employed by many states to move toward these goals is to divert some applicants from TANF altogether by offering one-time cash grants and/or short-term services instead of full program participation. These diversion programs were designed to target those families who might not need full TANF benefits, but are experiencing a crisis or temporary need that has undermined their ability to become or remain self-sufficient. A majority of such programs offer cash grants equal to 3–4 months of benefits and/or needed services such as child care and transportation assistance and employ a variety of related policies, including waiting periods for TANF eligibility and lifetime limits on participation.

A review of the existing literature on formal diversion programs indicates that they have fairly low participation rates, but that those applicants that do participate typically do not return to TANF, at least in the short-term. However, because “diverters” do not appear to fare better than other leavers in terms of family poverty and welfare recidivism, researchers have recommended that steps be taken to improve outcomes for diverters. For example, they suggest that diversion be carefully targeted toward applicants with both short-term needs and good employment prospects, and that they be provided with a package of supportive services to help maximize their outcomes.

To evaluate prospects for a diversion program in Tennessee, data from two statewide surveys were analyzed: the Family Assistance Longitudinal Study (FALS) and the 2006 Program Engagement and Participation Evaluation (PEPE) survey of current Families First recipients. The data were analyzed to (1) describe successful welfare leavers in Tennessee who would have participated in diversion had it been offered when respondents last applied for assistance, (2) develop a profile of prospective Families First clients who are likely to be successful diverters, (3) determine which current Families First clients would be most likely to take advantage of various diversion options, and (4) use the findings to draft recommendations for structuring a diversion program in the state.

The findings indicate that successful welfare leavers who would have opted for diversion had it been available were more likely to be employed, white, rural dwellers with a high school diploma or GED, who were married with a spouse in the home and had a relatively small number of children (1–2). They also paid for at least some child care out of their own funds and/or had a friend to help watch the children. If unemployed, they were more likely to choose to stay at home with their children. Child care and transportation barriers appear to be closely linked with remaining on or cycling on and off of assistance among likely diverters.

From these results and other states’ experiences, we would expect good candidates for diversion to be those families who are not exempt from work requirements, have very good employment prospects (as indicated by a high school diploma or GED, current employment, work history, qualifications, and so on), no major barriers to self-sufficiency, and a need or needs that can readily be met with a cash grant and/or support services (such as the aforementioned child care and transportation issues).

According to the data, Families First applicants who tend to opt for diversion are significantly more likely to be young, single, and African American, to reside in urban counties, and to have a problem with transportation that prevents them from...
successfully attending work, school, or other activities. They are also more likely to be pregnant or caring for very young children when they apply for assistance. A significant subpopulation of diverters reported child care availability and cost as barriers to self-sufficiency.

Half (50.5%) of the PEPE respondents\(^1\) reported that they would have participated in some form of diversion (cash and/or child care) in lieu of Families First had it been offered when they last applied for assistance (with the provision that they would be ineligible for full benefits for 6 months). Reported participation in diversion increased steadily with grant amount and child care period. For example, only 11.6% of respondents would have opted for $300 and 15.7% for 3 months of child care. In contrast, nearly a third would have accepted a $750 cash grant and 43.2% would have accepted $1,000.\(^2\)

Since these likely diverters participated in Families First rather than diversion, it was possible to compare the amount of assistance a variety of subgroups of FALS and PEPE respondents received (as recorded in the state’s ACCENT database) with what they might have received as diverters. Average monthly benefit amounts were very similar to the state average for all Families First clients, particularly for the subgroups of PEPE diverters. The most recent spell length for likely diverters averaged about 19 months for the FALS diverters and 14 for PEPE diverters. Very few respondents left Families First within the first 3 months (less than 2% of PEPE diverters).

These relatively long spell lengths indicate that the state would likely have saved a considerable amount of money and benefit hours had diversion been in place when the respondents last applied for Families First. The amount saved is impossible to predict with any certainty, but it would have increased with the length of time the diverters remained off Families First. And, as the data from states such as North Carolina have shown, most diverters remain off assistance for at least a year. There remains the possibility, however, that the long spell lengths are also an indicator that many families who would opt for diversion may actually have needs that would be better met by full program participation.

There were other indicators that some likely diverters would be better served by Families First. For example, the data reveal significant groups of the long-term unemployed, exempt and long-term welfare recipients, and applicants with low education levels who said that they would have opted for diversion if it had been available. These groups in particular have characteristics associated with poor outcomes as leavers (in the literature and our data) and would therefore be inappropriate candidates for diversion. To be successful, a diversion program would need to be designed to appropriately and fairly attract families to whichever option best suited their needs, both short- and long-term.

Based on these findings, the existing literature and a review of other state policies, it is recommended that a diversion program for Tennessee have the following characteristics:

- Applicants should be screened to include only those who
  - qualify for Families First and have no major barriers to self-sufficiency (i.e., meet the criteria for full, non-exempt program participation). Working families who do not qualify for Families First, but are in danger of doing so without intervention should also be considered.

\(^1\) The analysis was restricted to those respondents who were non-exempt from work activities and had applied for assistance within the previous 12 months.
\(^2\) Based on cumulative frequencies and percentages (see Evaluation Findings).
are experiencing a need or crisis that can be met or resolved with a diversion grant and associated services and that is unlikely to re-occur in the short-term (e.g., a temporary loss of employment or housing, a loss of child support, transportation problems, child care needs, or debts such as back rent, utilities, and medical bills).

• are employed or have good prospects for employment or increased income within the life of the grant period and have a high school diploma or GED.

• Mothers who have been exempt from work activities due to a recent birth should be offered diversion at the end of their exemption period, subject to meeting the other screening criteria.

• There is good reason to expect better outcomes for applicants with a recent period of self-sufficiency. Therefore, it would be reasonable to offer diversion only to qualifying first-time applicants, new mothers coming off of an exemption (as above), and applicants who have been off assistance for a certain period, e.g., 1 year.

• The grant amount should be equivalent to 4 months of Families First benefits and accompanied by a minimum of 4 months of child care and transportation assistance, as needed, and Medicaid/TennCare eligibility.

• Applicants who opt for diversion should be ineligible for full Families First participation for the 4-month diversionary period.

• Diversion should be voluntary and made available to all applicants who meet the program criteria. A standardized screening tool should be used to ensure a fair and equitable process.

• A case manager should work with participating family members to design a package of accompanying services and referrals to include job search, child support assistance, and other services for the life of the diversionary period, as well as identifying supports that will be available when the diversionary period ends.

• To maximize outcomes, it is also strongly recommended that subsidized child care and transportation assistance and Medicaid/TennCare eligibility be extended an additional 4 months past the end of the diversionary period if needed.

The data suggest that about 29% of all Families First applicants would be broadly eligible for and consider a diversion program based on the three screening criteria listed above. However, a true participation rate would most likely be much lower once applicants were screened for need and other factors. In addition, the rate of acceptance would be dependent on policy specifics such as grant amount and waiting period. The end participation rate would be more likely to fall into line with other states at a maximum of 5–10% of all applicants.
Introduction

The Deficit Reduction Act of 2005 (DRA) established changes to the federal Temporary Assistance to Needy Families (TANF) guidelines, increasing the proportion of welfare recipients who are required to participate in weekly work activities. These changes mean that most states will have to substantially raise their work participation rates and/or further reduce their caseloads if they are to avoid penalties for noncompliance.

Tennessee’s welfare program, Families First, has been administered under a waiver from the Department of Health and Human Services (DHHS) since 1996. The state’s waiver expires June 2007 and the program will then be required to conform to federal TANF rules. The changes brought about by the 2005 DRA mean that Tennessee would have to enact its own policy changes if Families First is to meet the new guidelines. Under the new rules, 50% of all adults and 90% of two-parent households receiving assistance must participate in work activities for a specified number of hours per week. Figures compiled by the DHHS Administration for Children and Families indicate that Tennessee would need a 75% increase in participation to meet the new requirements in FY 2007 (U.S. DHHS, 2006).

A number of different strategies have been put forward as ways for states to come into compliance with the revised guidelines, including improving welfare-to-work programs, increasing engagement, and providing or expanding income supplements for working families (Baider et al., 2006). One strategy under consideration for Tennessee and already employed by many states is to divert some families from TANF through the provision of lump-sum payments or vouchers for needed services in lieu of an ongoing cash benefit.

Since the inception of Families First, the University of Tennessee College of Social Work, Office of Research and Public Service (UT SWORPS) has conducted evaluations of various program components under contract with the Tennessee Department of Human Services (TDHS). The present study is an evaluation of the prospects for implementing a formal lump-sum diversion program in the state.

Literature and Policy Review

Overview

Diversion from welfare occurs in many, often informal, ways, including case worker behaviors and programmatic factors such as pre-eligibility requirements and other rules ("procedural diversion") that discourage TANF participation. In addition, family members often have their own ideological reasons for not accessing the public benefits for which they are eligible (Ridzi & London, 2006). These forms of diversion may reduce caseloads, but often serve only to restrict access to families with major barriers to self-sufficiency, thereby increasing long-term need (Baider et al., 2006).

Formal “lump-sum” diversion programs, on the other hand, are designed specifically to help certain families who might not need or desire ongoing TANF benefits. Reducing caseloads is still a primary goal of such programs, however caseload reduction is accomplished by targeting those families whose needs can best be met through short-term assistance outside of TANF rather than by discouraging participation more broadly.

Welfare reform legislation in 1996 allowed states to design and implement their own diversion programs and provide this assistance for 4 months before federal work requirements, child support, reporting requirements, and the federal time limit were triggered.
States that have implemented formal diversion strategies offer cash grants, child care vouchers, and other forms of services to help families maintain or achieve self-sufficiency without becoming TANF recipients. Although varying by state, most programs are designed to help families through a period of temporary unemployment or similar setback rather than to address major barriers to self-sufficiency. They also are not generally intended to address sporadic needs or crises (which are often covered by "emergency assistance" programs), but rather to enhance a family’s ability to remain or become self-sufficient by covering immediate household expenses such as car repairs and back rent until they can “get back on their feet”.

The states have implemented such diversion strategies in a variety of ways. A handful of programs have made diversion mandatory for new applicants, for example the pilot program in Dakota County, Minnesota (Anderson, 2004). However, the standard for statewide programs is the provision of voluntary diversionary grants, either targeting certain families based on need and likelihood to remain off assistance or else leaving the decision to participate up to families and case workers, subject to broad eligibility guidelines.

Typically the cash amount awarded is equivalent to several months of TANF benefits and is granted with the provision that the families will then be ineligible for full benefits for an equivalent length of time. Grant amounts, eligibility periods, and limits to the frequency of receipt vary from state to state, however a cash amount equivalent to 3–4 months of TANF benefits is the norm.

In 2003, 27 states and the District of Columbia had formal diversion programs with the maximum amount awarded to a family of three averaging around $1,500 (Rowe and Giannarelli, 2006). Some states offered cash only, while others offered a choice between cash and vouchers or else supplemented cash grants with needed services.3

As mentioned previously, short-term benefits of 4 or fewer months such as diversion grants are not classified as assistance under federal rules. Therefore, recipient families are not counted towards work participation rates. Because families are not likely to meet work requirements during their first few months of TANF participation, formal diversion can therefore actually increase a state’s work participation rate (Baider et al., 2006).

Although so many diversion programs have been initiated during the past decade, the literature on formal diversion strategies is sparse. A review of the one national study (London, 2003) and major studies in Colorado (London et al., 2001), Kentucky (Barber et al., 2002), North Carolina (Richardson et al., 2001), and Maryland (Lacey et al., 2002) reveals a few predominant themes:

- There has been a fairly low level of participation in diversion programs nationally, although participation has increased over the years. All of the above studies report participation rates below 10%. Baider et al. (2006) cite an HHS-funded study that reports some state programs to have a participation level of less than 5% of their total caseload.

- A high percentage of families who participate in formal diversion programs do not become TANF recipients, at least in the short term. For example, in Maryland, 90% of diverters were not receiving TANF assistance a year after entering into

3 Of the 28 programs operating in 2003, 25 offered cash payments and the other 3 offered vendor payments only. Twelve programs offered cash only and 13 offered both cash and services/vouchers (CBER, 2006).
the state diversion program. In North Carolina, more than 85% of those families who received a diversion payment in 1999 had not returned to TANF the following year.

- Diverters are very similar to TANF leavers in terms of family poverty level, welfare recidivism, receipt of Medicaid and Food Stamps, and health insurance status. Employment outcomes have been found to be worse for diverters than for leavers, leading London (2003) to suggest that diverters may face recurring periods of short-term need.

- The studies suggest that caregivers/parents with a high school diploma or GED are more likely to be successful diverters and remain off TANF. The North Carolina study, for example, reported diverters without a high school diploma to have a lower employment rate, to have lower average earnings, and to report being more likely to return to welfare. In her analysis of the nationally available data, however, London (2003) found that diverters are much less likely to have a high school diploma or GED than TANF recipients, TANF applicants, and leavers. Interestingly, diverters are also more likely to have a college degree than the other groups. These findings give a good deal of credence to the notion that diverters fall primarily into two groups: those who are relatively skilled, have good employment prospects and perhaps do not need long-term TANF assistance; and those who are less skilled, less job-ready, and therefore more likely to need longer-term TANF benefits. London surmises that this latter group accepts formal diversion because, “it offers an immediate payment of a larger sum of money or because it allows them to save future months of aid” (p.386).

The limited range of available data and variations among state policies related to targeting and screening diverters, support services, and work requirements make it somewhat difficult to draw broad conclusions from these studies. However, these findings have led Baider et al. (2006) and the Center for Business and Economic Research (2006) to make a number of recommendations for implementing formal diversion strategies. Taken together, their recommendations include

- careful assessment of participants, for example targeting only those families with good employment prospects (as indicated by current employment or recent work experience, little or no prior history of TANF receipt, and higher levels of education) and no major barriers to self-sufficiency

- providing a choice of a lump-sum grant equivalent to a minimum of 3 months of TANF cash assistance and/or short-term child care assistance and other supports

- ensuring that diverters receive supports that will help improve their employment outcomes, such as food stamps, Medicaid, child support assistance, transportation assistance, and income supplements

**Formal Diversion Programs in the Southern States**

Following are summaries of the formal diversion programs currently in operation in

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Program rules and descriptions taken directly from online state policies retrieved in August 2006 unless otherwise indicated.
the southern states, along with any available analysis of participation rates or outcomes for diverters. All of these states’ programs are voluntary, but exclude families who are receiving cash assistance at the time of application. They also all require participants to meet all or most of their TANF eligibility requirements. With the exception of Arkansas, the diversion grants described below do not count against time limits. Major program components are summarized in Table 1.

Arkansas
Arkansas’ Diversion Assistance program provides a cash payment available only once in an adult’s lifetime. The eligibility requirements include that the adult is currently employed but having a problem that jeopardizes the employment or has been promised a job but needs help in order to accept it and that the payment will alleviate the crisis. The adult must agree to forego regular Transitional Employment Assistance (TEA, the state’s TANF program) for a period of 100 days.

The payment amount is based on specific need—the actual amount required to resolve the family crisis, up to a maximum equivalent to 3 months of benefits ($612 for a family of three). Under Arkansas state law, a Diversion Assistance payment is considered to be a loan that should be repaid. Repayment, however, does not make the individual eligible for another loan in the future.

A Diversion Assistance payment counts as TEA months for time limit purposes if the adult later applies for TEA assistance, unless the payment has been repaid. If not repaid, the diversion payment counts for up to 3 months of the time limit based on the amount of the diversion payment divided by the maximum grant for the family size.

The level of participation in Diversion Assistance has been very low—1.4% (146) of total cases in 2004 and 1.3% (119) in 2005, well short of the state’s goal of more than 5%. State expenditures for the program were $243,265 in 2004 (Kaiser Group, 2005). To our knowledge no analysis has been done on outcomes for diverters in the state.

Florida
Florida’s Up-Front Diversion program offers services and once-per-lifetime cash grants of up to $1,000. Participating families are ineligible for TANF benefits for 3 months.

Eligibility requirements for the program include documentation that the family’s emergency or unexpected situation, if resolved, would eliminate the need for ongoing assistance and that the family has the means to meet their ongoing needs if Up-Front Diversion assistance is provided.

Available services include transportation assistance, child care, and other “non-assistance” services such as support services for employed families, work subsidies (paid through a third party), résumé development, use of resource room, case management, and transitional child care after 90 days, if eligible.

In situations of “qualified emergency”, such as hospitalization/illness that results in loss of work or income, loss of housing, natural disaster, or other situations that impact employment a family may be accepted into TANF before the end of their waiting period. If an approved emergency exists and the family is reapproved for TANF, the diversion payment is prorated over an 8-month period and deducted from any TANF assistance payments the family is eligible to receive.

Neither of the two major studies of outcomes in the state specifically examined participants who were formally diverted from TANF (see Bloom et al., 2000; Crew, Jr. et al., 2000). Although diversion was in

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5 The lowest monetary amount of any U.S. state offering formal diversion in 2003.
place during the time periods covered by these studies, grants were limited to the equivalent of 2 months’ cash assistance (about $600) and were rarely used. The maximum payment was raised to its current level in 2000 (Botsko, Snyder and Leos-Urbel, 2001).

Kentucky
Kentucky’s Family Alternatives Diversion (FAD) program was created in 1996 and offers cash grants up to a maximum of $1,500. FAD grants may only be received twice in a lifetime. Participating families are ineligible for Kentucky Transitional Assistance Program (K-TAP—the state’s TANF program) benefits for 12 months.

To qualify for the grant, applicants must have a short-term need that resulted from an unexpected change in circumstance, for example car repair or other transportation needs, child care, a loss or reduction in child support, housing need, or other employment-related problems. Other criteria include being employed or likely to be employed by the end of the 3-month eligibility period.

Child care assistance is offered to all FAD participants, as well as referrals/applications for Food Stamps, Medicaid, the state departments of child support, health care and employment services, and other charitable organizations as needed.

FAD participants may be accepted into K-TAP before the end of their 12-month waiting period if it is determined that non-receipt of K-TAP would result in abuse or neglect of a child or that a loss of employment through no fault of the parent has caused her/him to be unable to provide adequate care or supervision for their children.

From 1998 to 2001, participation in FAD increased over 150%, from 408 cases in October 1998 to 1,021 in October 2001 (Barber et al., 2002). This increase in the number of FAD participants coincided with a corresponding decrease in the K-TAP caseload. The program has been successful at diverting former, as well as potentially new, recipients. About half the FAD participants were former K-TAP cases and the other half were new applicants.

According to Barber et al. (2002), from 1996 to 2001, FAD saved the state $2.2 million in K-TAP payments and nearly 50,000 months of K-TAP eligibility from 1996–2001. The savings increased over the life of the program to almost $1 million and nearly 24,000 months of eligibility in 2001 alone. According to the authors, a study of outcomes for FAD participants has been proposed, but not yet completed.

North Carolina
North Carolina’s Benefit Diversion is a package of services offered in lieu of the state’s TANF program, Work First Family Assistance (WFFA). The package may include a one-time payment of up to 3 months of WFFA benefits ($1,419 maximum), Medicaid for the months in the Benefit Diversion period, and referrals to child support, child care assistance, and other community and agency resources. Some families are also eligible for transitional Medicaid after the 3 months end. While families may apply for WFFA at any time, they cannot receive cash assistance until the Benefit Diversion period has expired. A family can only access the program once within a 12-month period.

Families are screened for diversion during the WFFA application process. In general, the program is aimed at families encountering a temporary situation associated with employment or financial stability. An assessment is conducted to determine the potential of family members to obtain employment, maintain current employment, or obtain sufficient income

6 The study did not discuss possible causes for the increase in participation rate.
from other sources (such as SSI or child support). Assurance must be given that participation in Benefit Diversion will accomplish the immediate goal of sustaining the family until other readily identifiable income becomes available, and will prevent the family from needing WFFA in the foreseeable future. Families who do not meet these criteria include those who require more extensive services or who have serious barriers to employment.

In a survey of 222 families that entered North Carolina’s diversion program between June and August 1999, 87.4% were still off WFFA in the summer of 2000 (Richardson et al., 2001). The study reported generally positive outcomes for diverters in terms of employment, an increase in wages and hours worked from the previous year, and continued health care coverage for children.

A primary concern reported in the study was with program participants without a High School diploma or GED. It was found that these individuals were employed at a lower rate and had lower earnings and were less likely to have received raises when employed. They were also more likely to be receiving Food Stamps and to believe they would have to reapply for assistance than those with higher education levels.

In addition, researchers noted that respondents who were still off WFFA reported difficulty securing health care for all family members and a lack of knowledge about the availability of different public assistance programs for low-income, non-WFFA families, such as Food Stamps, health care, and child care assistance.

Texas
Texas’ One Time Temporary Assistance for Needy Families (OTTANF) provides a $1,000 grant for families that meet one of four “crisis criteria”. These criteria target recently unemployed caregiver/parents, families that have recently lost child support, former TANF recipients who have recently graduated from a college or technical school, and employed caregiver/parents that are experiencing a loss or potential loss of transportation related to work, the loss or potential loss of shelter, or a medical emergency. Recipients are not eligible to receive any other cash benefits (TANF or OTTANF) for 12 months.

Of the 1791 families who received an OTTANF grant between April 1998 and June 1999, only 10% were receiving TANF benefits 18 months after the payment (Dominguez et al., 2002). However, program participants’ employment rates were lower than those of TANF leavers. In fact, in the study’s conclusions the researchers state that diverters from TANF in the state (both informal and formal) actually returned fairly quickly to pre-intervention levels of earnings and need. They suggest that this occurrence might be due to a lack of transitional or ongoing economic supports and less restrictive time limits and diversion policies than other states.

The same study found that more than half of OTTANF participants were two-parent families, as compared to only 8% of new TANF recipients. This may be due to the specifics of the crisis criteria used to screen applicants or, perhaps, as London (2003) suggests is sometimes the case, to case workers who independently attribute a higher likelihood of successful diversion to two-parent families and therefore accept more into the program.

Virginia
In Virginia’s Diversionary Assistance program, all TANF applicants are screened to see if they are experiencing an emergency that diversion can resolve without full TANF participation. An emergency is defined as temporary loss of income or delay in starting to receive income.

The assistance amount is equivalent to the maximum TANF payment for 4 months or the actual amount of the family’s need,
whichever is less ($1,280 maximum). It is distributed in the form of vendor payment rather than cash grant when possible. Participating families are ineligible for TANF for a period calculated by dividing the actual grant amount divided by the monthly TANF benefit, up to a maximum of 160 days. A family can receive diversionary assistance only once in any 60 month period.

A study of Virginia’s early TANF implementation found that the Diversionary Assistance program was rarely used (Pavetti, Wemmerus, and Johnson, 1999). The study reported that a total of 1,857 TANF applicants received this assistance from 1996 to 1998. Qualitative data from caseworkers attributed the low rate of participation to narrowly defined program rules that made few families eligible for diversion. To our knowledge, no studies have been done on outcomes for program participants.

**West Virginia**

West Virginia’s Diversionary Cash Assistance (DCA) program is available to families only at the discretion of the caseworker, based on her/his confidence that a one-time grant will meet the temporary needs of the assistance group without full TANF participation. One member of the assistance group must be employed or have a verified promise of employment or other source(s) of income within 2 months of application.

The grant amount is based on need up to a maximum amount equal to 3 months of TANF benefits ($1,359 maximum). Participating families can apply for, but may not receive TANF benefits for 3 months after grant receipt. There is a lifetime limit of one diversion grant per assistance group.

To our knowledge there have been no studies to date that specifically examine program participation rates or outcomes for diverters in the state.

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7 The percentage of total program applicants this figure represents was not specified in the study.
Table 1. Summary of Formal Diversion Programs in the Southern States

<table>
<thead>
<tr>
<th>State</th>
<th>Cash Grant</th>
<th>Services</th>
<th>Frequency</th>
<th>Waiting Period for TANF</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arkansas</td>
<td>Loan up to 3 months of TANF benefits (max. $650 for family of three)</td>
<td>n/a</td>
<td>Once per lifetime</td>
<td>100 days</td>
<td>Loan counts towards time limits unless repaid</td>
</tr>
<tr>
<td>Florida</td>
<td>Up to $1,000</td>
<td>Transportation, child care, services for working families, work subsidies, employment services, case management, &amp; transitional child care</td>
<td>Once per lifetime</td>
<td>3 months</td>
<td>In cases of qualified emergency, a family may reapply for and be accepted into TANF before their waiting period is over</td>
</tr>
<tr>
<td>Kentucky</td>
<td>Up to $1,500</td>
<td>Child care; referrals for Food Stamps, Medicaid, child support, health care, employment services, &amp; other charitable organizations</td>
<td>Twice per lifetime</td>
<td>12 months</td>
<td>Participants may be accepted into TANF before the end of their waiting period under certain emergency circumstances that threaten child well-being</td>
</tr>
<tr>
<td>North Carolina</td>
<td>Up to 3 months of TANF benefits ($1,419 max.)</td>
<td>Medicaid; referrals for child support, child care, &amp; other community and agency resources</td>
<td>Once per 12 months</td>
<td>3 months</td>
<td></td>
</tr>
<tr>
<td>Texas</td>
<td>$1,000</td>
<td>n/a</td>
<td>Once per 12 months</td>
<td>12 months</td>
<td></td>
</tr>
<tr>
<td>Virginia</td>
<td>Up to 160 days of TANF benefits ($1,280 max.)</td>
<td>n/a</td>
<td>Once per 60 months</td>
<td>Varies according to grant amount (up to 160 days)</td>
<td>Grant distributed as a vendor payment for specific services when possible</td>
</tr>
<tr>
<td>West Virginia</td>
<td>Up to 3 months of TANF benefits ($1,359 max.)</td>
<td>n/a</td>
<td>Once per lifetime</td>
<td>3 months</td>
<td></td>
</tr>
</tbody>
</table>

Note: Data derived from the Welfare Rules Database (2003) and modified when necessary to reflect online state policies retrieved in August 2006.
Evaluation Design and Methodology

*Research Objectives and Questions*

The research objectives and related research questions that guide this evaluation are as follows:

1. **Describe successful welfare leavers in Tennessee who would have participated in diversion.** What are the characteristics of successful leavers who reported that they would have participated in diversion had it been offered upon applying for Families First? How do they compare to stayers and cyclers who would also have participated in diversion?

2. **Develop a profile of prospective Families First clients who are likely to be successful diverters in Tennessee.** Based on the literature and the analysis of data on successful leavers, who should be targeted for diversion in the state?

3. **Determine which current Families First clients would be most likely to take advantage of various diversion options.** What are the characteristics of likely diverters in the state? What participation levels could be expected for different diversion options? How do those willing to participate in diversion compare with those who should be targeted?

4. **Describe the recent Families First participation of clients who would have accepted diversion if it had been offered.** What were the most recent spell lengths, case closure rates, and benefit amounts for likely diverters? How do the spell lengths and payment amounts compare with what diversion payments would have been if a program was in place?

5. **Draft recommendations for structuring a diversion program in Tennessee.** Based on the data, other states’ experiences, and the new DRA guidelines, what would be the best strategy for creating a diversion program in the state? What would be the participation rates for such a strategy? Would such a diversion program be likely to result in cost savings and a reduced caseload?

*Evaluation Design*

To address these objectives and questions, evaluators have analyzed state-level data from two major surveys conducted by UT SWORPS:

- Rounds III–VII of a longitudinal study of current and former Families First recipients, the Family Assistance Longitudinal Study (FALS).
- The 2006 Program Engagement and Participation Evaluation (PEPE) survey of current Families First recipients.

Both instruments included items specific to diversion from Families First, asking respondents if they would have chosen to participate in a variety of diversion options in lieu of ongoing benefits had they been offered. The items specific to diversion have been extracted from each instrument and appear in the appendices.

The FALS data allowed us to examine characteristics of successful leavers who would have been likely diverters and compare them to likely diverters with less successful outcomes (stayers and cyclers).
The PEPE data allowed us to construct a detailed profile of current Families First clients who would have participated in diversion had it been available.

In addition, data were drawn from the state’s management information system, ACCENT, for subpopulations of FALS and PEPE respondents. The state data allowed us to examine program participation and benefit levels over time, thus enabling us to examine case closure rates, spell lengths, and benefit amounts for likely diverters identified in the survey data.

Taken together with what we know from other states’ experiences, these analyses enable us to recommend a target population and other aspects of a formal diversion strategy for the state.

**Methodology and Data Analysis**

**FALS**
The purpose of the Family Assistance Longitudinal Study has been to provide comprehensive data for assessing the impact that the state’s Families First program has had on the lives of current and former recipients over time. The sample was drawn in January 2001 and was composed of 3,659 individuals who received cash assistance in that month. The sample was stratified, including an over-sampled group of Adult Education and Family Services Counseling participants.

The total sample pool for Round VII was 3,626, including all those selected in the original sample (regardless of completion status in earlier rounds) minus those who were confirmed “deceased” based on administrative records and attempts to contact in earlier rounds. Computer-assisted telephone interviewing (CATI) was utilized for screening and interviewing and a pre-notification letter containing information about the survey and an endorsement letter from the state TDHS Commissioner were sent to all individuals in the sample pool. Each respondent who completed Round VII received a $30 Wal-Mart gift card. Two-thousand five-hundred and ten surveys were completed between July 21 and December 20, 2005, for a response rate of 69.2%.

For this study, the population was limited to those 1,638 respondents who had participated in each of Rounds III–VII of the survey to ensure that stayers, cyclers, and leavers could be defined as follows:

- **Stayers.** Those respondents who received cash benefits without interruption throughout the period covered by survey Rounds III–VII.
- **Cyclers.** Those respondents who reported receiving cash benefits in survey Round VII but reported to have stopped receiving these benefits in one of the earlier survey rounds (III–VI).
- **Leavers.** Those respondents who had stopped receiving cash benefits for at least 1 year AND had not returned to the program since they left (as reported in Round VII).

Statistical analysis was conducted to analyze responses given in Round VII to a variety of items related to demographics, assistance and employment history, barriers to self-sufficiency, and diversion preferences. The analysis was used to provide a description of the subpopulations of diverters and non-diverters and of diverter-stayers, -cyclers, and -leavers and to determine any statistically significant differences between the various groups.

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8 Methods, sample pools, response rates, and so on for earlier rounds are detailed in Hicks and Homer (2005).
9 Based on the definitions developed by Miller (2002).
The PEPE survey instrument was designed by UT SWORPS in collaboration with the UT Social Science Research Institute. The objective of the survey was to provide comprehensive data about individual and programmatic characteristics that contribute to or impede Families First recipients’ progress toward self-sufficiency. A pilot study was conducted to test the instrument and interviewers attended a training session prior to survey implementation.

A random sample of 8,000 Families First caretakers was selected by the Tennessee Department of Human Services from the statewide December 2005 caseload. Every household was mailed a pre-notification letter containing information about the survey along with an endorsement letter from the TDHS Commissioner. An initial mailing to 2,000 potential survey participants was sent out the week prior to initiation of the survey. Three additional mailings were conducted at specified intervals until the total number of potential participants contacted was 8,000. Interviewing began on January 31, 2006 and ended July 10, 2006. Screening questions were utilized to ensure that all respondents were receiving cash assistance at the time of the interview and each respondent who completed the survey received a $25 Wal-Mart gift card. 4,689 respondents completed the survey for a response rate of 58.6%.

Statistical analysis was conducted to analyze responses given to a range of items related to demographics, assistance and employment history, barriers to self-sufficiency, and diversion preferences. The analysis was used to provide a description of non-exempt diverters and non-diverters, as well as exempt diverters, and to determine any statistically significant differences between the groups. In addition a subpopulation of “target diverters”, i.e. those diverters theorized to be most likely to remain off TANF, was created and data analysis was used to develop a descriptive profile of the group.

Administrative data related to Families First program participation was gathered from the state ACCENT information system. Data on length of current period of Families First receipt and amount of cash benefit received were gathered for various groups of FALS and PEPE respondents who had characteristics that had been associated with successful diversion in the literature. These characteristics included current Families First status, willingness to divert, education, employment status and history, and history of program participation. Data were analyzed to look at how the various groups would have fared had they opted for diversion rather than program participation for their most recent spell of assistance.

Limitations

The present study relies on self-reported data for drawing conclusions about individual and programmatic characteristics. Because there has been no formal diversion program in the state to date, the study relies on each respondent’s judgment about whether or not she or he would have accepted diversion in the past. It is arguable how closely these judgments reflect what would have occurred had a program been in place, in part because it cannot account for programmatic factors such as screening, actual grant amounts and waiting periods, and case worker behaviors.

Another limitation of the present study is that we are unable to examine long-term outcomes for likely diverters as compared to non-diverters. The items concerning diversion were asked in Round VII of the FALS, therefore data from future rounds (beginning with Round VIII) should allow for such an examination.

In addition, results related to the subgroups of diverters for which ACCENT data were pulled should be used with caution due to the small size of some of the groups. It is also important to note when comparing results that the FALS population was very
different from the PEPE group. The FALS population was composed of current and past recipients who were receiving assistance when the original sample was defined in 2001. It includes stayers who were still on assistance at the time of Round VII, as well as cyclers and welfare leavers, some of which left because they were no longer eligible. The subgroup of PEPE respondents that were included in this study, on the other hand, was composed of short-term recipients who were receiving Families First at the time of the interview in 2006. Therefore, it is likely that the PEPE respondents are more representative of current recipients and new applicants than the longitudinal population.

Finally, the data analysis is purely descriptive rather than causal in nature. In other words, there is no attempt to determine what predicts respondent attitudes and behaviors, only to assess what characteristics are significantly correlated.

### Evaluation Findings

#### FALS

**Diverters and Non-Diverters**

As mentioned previously, only those 1,638 respondents who completed Rounds III–VII of the survey were included in the analysis. The respondents were asked if they would have accepted a variety of diversion options in lieu of full program participation when they last applied for assistance, with the understanding that they would then be ineligible for Families First for a period of 12 months. The cash options ranged from $300 to $1,000 and child care from 3 to 12 months. In all, 922 (56.3%) of the respondents would have chosen at least one of the cash or child care options, if offered, and 716 (43.7%) said they would not have taken any of them.

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**Note:** The relevant items from the FALS instrument are extracted and included as Appendix A.
**FALS Diverters**

The diverters were significantly\(^\text{11}\) more likely than non-diverters to

- be young,\(^\text{12}\) female, African American, and single (never married)
- reside in urban counties
- have a work plan (be non-exempt)
- report a problem with transportation that prevented them from getting to work, school or training in the previous 9 months

Diverters were also more likely than non-diverters to report a connection between being pregnant or having a newborn baby and needing to seek assistance. For example, they were more likely to say that the reason they received benefits in the past was because they needed help with child care expenses or had a baby. Unemployed diverters were also more likely than unemployed non-diverters to report that they were not working because they were pregnant or had a newborn baby and to say they left their last job because they were currently or recently pregnant.

Diverters differed from non-diverters in terms of employment and benefit history in several ways. First of all, married diverters were more likely to report having a working spouse than married non-diverters. Second, unemployed diverters were more likely than unemployed non-diverters to say that they were actively looking for work. They were also more likely to report that the reason they last applied for benefits was because they lost their job and that the reason they were not working was because they couldn’t find a job that paid enough or there were no jobs. Finally, the unemployed diverters were more likely to have been out of work for less than 2 years.

In regard to child care, diverters were more likely to report a barrier to child care because of cost or availability and they were more likely to say that they had to reapply to Families First in order to receive child care benefits. They were also more likely to report getting help from another person or agency to help pay for child care, whereas non-diverters were more likely to say their children were being watched by an older brother or sister when they were at work, school, or training.

Diverters were also more likely than non-diverters to report problems paying for utilities—to say that their phone or electricity had been disconnected in the past 9 months because they were unable to pay the bill and/or that they needed public assistance to help pay for utility bills. Non-diverters, on the other hand, were more likely to say that they had not needed such assistance.

In addition, diverters were more likely to report receiving other forms of public assistance, for example to say that they received Food Stamps in the last 9 months to help pay for groceries and that they received help from a public housing authority.

**FALS Non-Diversers**

Whereas diverters were more likely to report shorter-term needs related to a pregnancy or birth or paying for child care and utilities, non-diverters were more likely to report longer-term needs as detailed below. This finding might be expected given that non-diverters were also more likely to be exempt from work activities.

Non-diverters were more likely to report a serious health barrier or disability or to be caring for someone with such problems than diverters. For example, non-diverters on assistance were more likely to say that the reason they most recently applied for

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\(^{11}\) Significance at least at \(p=0.05\) level. The authors may provide chi-square and \(p\) values upon request.

\(^{12}\) There is a significant trend regarding age, with younger respondents being more likely to divert. Diverters are more likely to be 18–25 years than any older group and more likely to be 26–30 and 31–35 years than 46–59 years, or 60 years or over.
benefits was because they were disabled or couldn’t work because of health problems.

Unemployed non-diverters were more likely than unemployed diverters to report not working because of a permanent disability, because they were taking care of a disabled relative, or because of a personal health problem. They were also more likely to say that they left their last job because of a personal health problem or because a family member had health problems and that they had an adult in their family with a condition that made it difficult for the respondent to go to work, school, or other activities. Unemployed non-diverters were also more likely than their diverter counterparts to report not working because they were attending school or training.

Interestingly, the non-diverters who were off Families First were more likely than diverters who were off the program to say they would never go back on cash assistance because they earned enough money to support their family. It might be surmised from this finding that successful leavers are more likely to be contented with the way in which Families First met their needs and therefore unlikely to say that they would have diverted.

Non-diverters were also more likely to have their youngest child in the 6 to 13 age group than any younger group, but it is difficult to attribute meaning to this finding on its own.

**Leaver-Divers vs. Stayer- and Cycler-Divers**

Out of the 922 total FALS diverters, three groups were created: stayer-diverters \( (n=261) \), cycler-diverters \( (n=174) \), and leaver-diverters \( (n=263) \), as shown in Figure 1.

\[ \text{Leavers} 37.7\% \\
\text{Stayers} 37.4\% \\
\text{Cyclers} 24.9\% \]

Figure 1. FALS Divers by Status \( (n=698) \)

Comparisons were made between the three groups for a variety of factors including demographics, assistance and employment status and history, diversion preferences, and barriers to self-sufficiency. The following results proved to be significant, with Table 3 providing a generalized summary of the major characteristics of each group.\(^{13}\)

\(^{13}\) Significance at least at \( p=.05 \) level. The authors may provide chi-square and \( p \) values upon request.
### Table 3. FALS Diverters: General Characteristics by Group

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Leavers more likely to:</th>
<th>Cyclers more likely to:</th>
<th>Stayers more likely to:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marital status</td>
<td>Have a spouse in the home.</td>
<td>Be single (never married) or separated/divorced/widowed.</td>
<td>Be single (never married) or separated/divorced/widowed.</td>
</tr>
<tr>
<td>Number of children</td>
<td>Have fewer (1–2) children.</td>
<td>Have 3–5 or more children.</td>
<td>Have 3–5 or more children.</td>
</tr>
<tr>
<td>County of residence</td>
<td>Reside in rural counties.</td>
<td>Reside in urban or mid-sized counties.</td>
<td>Reside in urban or mid-sized counties.</td>
</tr>
<tr>
<td>Employment</td>
<td>Be employed.</td>
<td>Have been out of work for a shorter period if unemployed.</td>
<td>Have never been employed.</td>
</tr>
<tr>
<td>Education</td>
<td>Have a HS diploma/GED or post-HS education.</td>
<td>Have a 12th grade education.</td>
<td>Have a 9–11th grade education.</td>
</tr>
<tr>
<td>Child care</td>
<td>Pay for or have a friend provide child care.</td>
<td>Report problems accessing or paying for child care.</td>
<td>Report problems accessing or paying for child care.</td>
</tr>
<tr>
<td>Transportation</td>
<td>NOT to report transportation problems.</td>
<td>Report transportation problems as a barrier to work or school.</td>
<td>Report transportation problems as a barrier to work or school.</td>
</tr>
</tbody>
</table>

### Utilities
- NOT to report problems paying for utilities.
- Report problems paying for utilities.
- Report problems paying for utilities.

### Health issues and medical care
- NOT to report health issues or problems affording medical care.
- Report problems affording medical care.
- Report serious family health issues and problems affording medical care.

### Other public assistance
- NOT to have received food stamps or housing assistance.
- Report receiving food stamps and housing assistance.
- Report receiving food stamps and housing assistance.

### Major Characteristics of Leaver-Diverters

As shown in Table 3, diverters who were more likely to be successful leavers were those who

- had a spouse in the home
- had fewer children
- were white
- resided in rural counties
- were employed
- had a higher level of education
- had access to child care (used some of their own money to pay for child care or had a friend watch their children while they worked, looked for a job, or attended school/training)
- reported fewer barriers related to transportation, utilities, and health issues

As might be expected, there was also a significant relationship between monthly family income and status. The higher the income, the more likely diverters were to be leavers (and the more likely they were to be cyclers than stayers).  

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14 Diverters with monthly incomes of $0–$1,499 (compared to more than $2,000) were more...
What follows is a more detailed discussion of all the results that proved to be significant when comparing the three groups.

**Demographics**
Diverters who were African American (as compared to white) were more likely to be stayers than cyclers or leavers and more likely to be cyclers than leavers. Those diverters that were single, never married or separated/divorced/widowed were also more likely than married respondents to be stayers or cyclers than leavers. There is a similar trend related to residence in which diverters from more densely populated (more urban) counties are more likely to be stayers and cyclers than those from less urban areas.¹⁵

There is also a significant trend associated with number of children in which those with fewer children are more likely to be leavers and those with more children are more likely to be stayers and cyclers.¹⁶

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**Employment History**
As might be expected, leavers were more likely to be employed and stayers were more likely to have never been employed. Among the unemployed diverters, stayers were more likely to be actively looking for paid work than the other two groups. In addition, unemployed cyclers and stayers were generally more likely to have been out of work for shorter periods than unemployed leavers.¹⁷

When asked why they were not working, unemployed leavers were more likely to say that they would rather stay home with children, whereas unemployed cyclers and stayers were more likely to say that they were students in school/training or had been laid off, fired, or quit. Cyclers were more likely to say that they were out of work because “there were no jobs” than the other groups. The finding that unemployed leavers are more likely to be out of work by choice perhaps explains why they are less likely to be looking for work and have longer periods of unemployment.

**Education**
There was a significant trend related to education, with diverters with a high school diploma/GED or greater education level being more likely to be leavers than stayers.¹⁸

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¹⁵ Diverters who said it had been 6 months or less since they had been employed (compared to longer periods) and those who said it had been 1–2 years since they were employed (compared to more than 2 years) were more likely to be cyclers than stayers; those who said it had been 6 months or less since they were employed (compared to 7–11 months) were more likely to be leavers than stayers; those who said it had been 6 months or less, 7–11 months, and 1–2 years since they were employed (compared to more than 2 years) were more likely to be cyclers than leavers.

¹⁶ Diverters with 2 children (compared to 3–5 children or over 5 children) were more likely to be leavers than stayers or cyclers; those with 1 child (compared to 3–5 children or over 5 children) were more likely to be stayers than cyclers; those with 3–5 children (compared to over 5 children) were more likely to be leavers than cyclers.

¹⁷ Diverters who said it had been 6 months or less since they had been employed (compared to longer periods) and those who said it had been 1–2 years since they were employed (compared to more than 2 years) were more likely to be cyclers than stayers; those who said it had been 6 months or less since they were employed (compared to 7–11 months) were more likely to be leavers than stayers; those who said it had been 6 months or less, 7–11 months, and 1–2 years since they were employed (compared to more than 2 years) were more likely to be cyclers than leavers.

¹⁸ In addition, diverters with a 9th to 11th grade education (compared to less than 9th grade, 12th grade/no diploma, HS diploma/GED, or post HS) were more likely to be stayers than cyclers.
**Child care**

Taken together, the results related to child care indicate that access to child care is critically related to successfully leaving welfare. In particular, the data show that being able to afford paying for at least a part of out-of-home child care and having friends or family who can provide child care are significantly related to leaving assistance.

Stayers and cyclers, on the other hand, were more likely to have received help from Families First or another person/agency to help pay for child care and to utilize a child care center. They were also more likely to have reapplied for Families First in order to get child care benefits.

**Barriers**

Similar to the results pertaining to child care, leavers were less likely to report barriers related to transportation and utilities. They were also less likely to report receiving other kinds of assistance such as housing subsidies and food stamps and less likely to report problems related to family health and paying for medical care.

Stayers and cyclers, on the other hand, were more likely to report that there was a time in the previous 9 months when they needed to be at work/school/training and had no way of getting there and that they had received transportation assistance through DHS during the same period. They were also more likely to report that their electricity had been turned off in the previous 9 months because of inability to pay. Cyclers were more likely to report that their phone had been disconnected during the same period. In addition, stayers were more likely to say that needed public assistance to help pay for utility bills.

Concerning other forms of assistance, stayers and cyclers were more likely to report that HUD or some similar agency had helped them pay for housing and that they had received Food Stamps in the previous 9 months.

Stayers were more likely to have children with a physical, learning, behavioral, or mental condition that made it hard for the respondent to go to work, school, or other activities. Stayers and cyclers were also more likely to report a time in the previous 9 months when they or their children were sick/hurt and they could not afford medical care.

**Families First Participation**

No obvious relationships emerged from analyzing the data related to the three groups’ history of Families First participation. Interestingly, however, stayers were more likely to have had their case closed by DHS because they did not show up for an appointment or because they could not comply with their work plan due to child care problems, again indicating the critical nature of child care.

Stayers and cyclers were also more likely to report knowing how much longer they could get cash assistance from Families First during their lifetime. This finding might be expected, as successful leavers would obviously have less reason to keep up with their benefit months.

**Diversion Options**

There were no statistically significant differences between the three groups in regard to the various diversion options (cash and/or child care).

**PEPE**

**Diverters and Non-Divers**

As mentioned previously, all PEPE respondents were receiving TANF on the interview date. To meet the research objectives, the population was limited for the bulk of the analysis to those 1,314 respondents who were recent Families First
applicants (had applied for cash assistance less than 12 months before the sample was defined) and were non-exempt from work requirements.

All respondents were asked if they would have accepted a variety of diversion options in lieu of full program participation when they last applied for assistance, with the understanding that they would then be ineligible for Families First for a period of 6 months. The cash options ranged from $300 to $1,000 and child care from 3 to 6 months. In all, 663 (50.5%) of the respondents would have chosen at least one of the cash or child care options, if offered, and 651 (49.5%) said they would not have taken any of them.

The basic demographics of the respondents, both diverters and non-diverters, are summarized in Table 4.

**Table 4. PEPE: Basic Demographics**

<table>
<thead>
<tr>
<th></th>
<th>Diverters</th>
<th>Non-diverters</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>646</td>
<td>616</td>
<td>1262</td>
</tr>
<tr>
<td>Male</td>
<td>17</td>
<td>35</td>
<td>52</td>
</tr>
<tr>
<td><strong>n</strong></td>
<td>663</td>
<td>651</td>
<td>1314</td>
</tr>
<tr>
<td><strong>Race</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>African American</td>
<td>425</td>
<td>349</td>
<td>774</td>
</tr>
<tr>
<td>White</td>
<td>214</td>
<td>270</td>
<td>484</td>
</tr>
<tr>
<td>Other</td>
<td>23</td>
<td>31</td>
<td>54</td>
</tr>
<tr>
<td><strong>n</strong></td>
<td>662*</td>
<td>650*</td>
<td>1312*</td>
</tr>
<tr>
<td><strong>Marital Status</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single</td>
<td>460</td>
<td>386</td>
<td>846</td>
</tr>
</tbody>
</table>

There were minimal differences in the response patterns of those respondents who would have chosen a diversion option and of those who said they would not. The factors that did prove to be significant are detailed as follows.

**PEPE Diverters**

Diverters were more likely than non-diverters to

- be young, single (never married), female, and African American

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19 The relevant items from the PEPE instrument are extracted and included as Appendix B.

20 Significance at least at $p=.05$ level for all results in the PEPE analysis. The authors may provide chi-square and $p$ values upon request.

21 Similar to the FALS results, there is a general trend regarding diversion and youth among PEPE respondents; the younger respondents have the highest probability of being diverters, and the probability decreases with each jump in age category. Diverters were less likely to be 46–59 years than any other age group.

22 Diverters were more likely to be single, never married than separated/divorced/widowed.
• reside in urban or mid-sized counties
• have at least some high school education\textsuperscript{23}
• be actively looking for paid work
• be pregnant or have a new baby and to report that as a reason for not currently working if unemployed
• report transportation problems as a barrier to work

In regard to the transportation issues, diverters were more likely than non-diverters to say that there had been a time that they needed to be at work, school, or training and simply had no way of getting there and that they had to turn down or quit a job because they had no way of getting there.

Like the FALS diverters, married diverters were more likely to have a working spouse than married non-diverters. Quite opposite to the FALS group, unemployed diverters were more likely to have been out of work for more than 2 years than for any shorter period.

Although several results pertaining to diverters and their Families First time limits proved significant, there does not appear to be any linear relationship between time limits and diversion. For example, diverters were more likely to believe they had an 11 to 17 month lifetime limit on cash assistance than other amounts and less likely to believe they had 1 to 10 months. They were also less likely to report that they had a large number of months (37–60) remaining on their lifetime limit.

\textit{PEPE Non-Diversers}

The PEPE non-diverters were similar to the FALS non-diverters in several respects.

They more likely to be white and unemployed than diverters and the unemployed non-diverters were more likely than unemployed diverters to report wanting to stay home with their children or attending school as reasons for not working.

\textbf{Diversion Options—All Respondents}

Despite the finding that half of the respondents would have participated in some form of diversion, a relatively small percentage of total respondents would have accepted the lower level options. As shown in Table 4, for example, only 11.6\% would have opted for $300 and 15.7\% for 3 months of child care. In contrast, nearly a third would have accepted a $750 cash grant and 43.2\% would have accepted $1,000.

\textit{Table 5. PEPE: Diversion Options—All Respondents}

<table>
<thead>
<tr>
<th>Cash Payment</th>
<th>#</th>
<th>%</th>
<th>Cum. #</th>
<th>Cum. %</th>
</tr>
</thead>
<tbody>
<tr>
<td>$300</td>
<td>153</td>
<td>11.6</td>
<td>153</td>
<td>11.6</td>
</tr>
<tr>
<td>$500</td>
<td>102</td>
<td>7.8</td>
<td>255</td>
<td>19.4</td>
</tr>
<tr>
<td>$750</td>
<td>127</td>
<td>9.7</td>
<td>382</td>
<td>29.1</td>
</tr>
<tr>
<td>$1,000</td>
<td>185</td>
<td>14.1</td>
<td>567</td>
<td>43.2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Child care</th>
<th>#</th>
<th>%</th>
<th>Cum. #</th>
<th>Cum. %</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 months</td>
<td>206</td>
<td>15.7</td>
<td>206</td>
<td>15.7</td>
</tr>
<tr>
<td>6 months</td>
<td>87</td>
<td>6.6</td>
<td>293</td>
<td>22.3</td>
</tr>
</tbody>
</table>

\textit{Note: n=1,314}

As might be expected, the general trend is that the proportion of respondents who reported that they would have accepted diversion increases with the level of benefit, as shown in Figure 2.

\textsuperscript{23} In general, respondents with a high school diploma or GED were slightly more likely to opt for diversion than those without, although not significantly so. However, this trend reverses and becomes significant at the level of a $750 cash grant.
As shown in Figure 3, 28.2% of all respondents would have opted for cash diversion only, 17.0% for either cash or child care, and 5.3% for child care only.

Figure 3. PEPE: Diversion Options by Type (n=1,314)

**Diversion Options—Diverters**

What follows are the results of analysis of the characteristics of diverters who indicated that they would have accepted the various options.

**Cash Only vs. Child Care Only vs. Cash or Child Care**

Of the 663 diverters, 370 (55.8%) would have accepted a cash amount but not child care, 96 (14.5%) would have accepted a child care option but not cash, and the remaining 197 (29.7%) would have accepted either a cash amount or child care. Upon comparing the three groups, the following results proved to be significant.

**Cash Diverters**

Diverters who would have opted for cash only were more likely to
- be white
- have only one child
- have their youngest child older than 13 years
- say that they first signed up for Families First because they needed cash
- say that they personally had a health problem that acted as a barrier to work, school, or other regular activities

**Child Care Diverters**

Diverters who would have opted for one of the child care options (including child care only and cash or child care) were more likely to
- be single, never married
- have re-applied to Families First to get child care
- report difficulties obtaining child care due to availability

**Other Findings**

Diverters who would have accepted child care only were more likely to say that they had a child care center watch their children when they are at work, school, or training activities than those who chose cash only.

Diverters who would have accepted cash or child care were more likely to be African American, to report difficulties obtaining child care because of cost, and to say that they first signed up for Families First.

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24 Cumulative results assume that respondents who would have opted for $300 would also have opted for higher cash amounts and those who opted for 3 months of child care would also have opted for 6 months.
because of a pregnancy or new baby than those who opted for child care only.

Interestingly, those unemployed diverters who reported that they thought they would find a job in the next 3 months were significantly more likely to opt for cash only or child care only than cash or child care.

**Cash Options: $300**
When offered a choice between $300 cash or full program participation, about one fourth of diverters (24.0%) chose the cash grant (see Table 6).

Diverters who would have opted for a $300 grant were significantly more likely to
- be African American
- have used bus or mass transit passes
- have a monthly income of $500–$999

Those diverters who would have opted instead for full program participation were more likely to
- be white
- have no spouse in the home
- report having first signed up for benefits because they “needed cash”

**Table 6. PEPE: Diversion Options—Diverters**

<table>
<thead>
<tr>
<th>Cash payment (n=637)</th>
<th>#</th>
<th>%</th>
<th>Cum. #</th>
<th>Cum. %</th>
</tr>
</thead>
<tbody>
<tr>
<td>$300</td>
<td>153</td>
<td>24.0</td>
<td>153</td>
<td>24.0</td>
</tr>
<tr>
<td>$500</td>
<td>102</td>
<td>16.0</td>
<td>255</td>
<td>40.0</td>
</tr>
<tr>
<td>$750</td>
<td>127</td>
<td>19.9</td>
<td>382</td>
<td>60.0</td>
</tr>
<tr>
<td>$1,000</td>
<td>185</td>
<td>29.0</td>
<td>567</td>
<td>89.0</td>
</tr>
</tbody>
</table>

25 Diverters in the $500–$999 income range were more likely to choose full program participation than those in the $1,000–$1,499 or $1,500–$1,999 income ranges. Diverters in the $1,000–$1,499 income range were more likely to choose the cash option than those in the more than $2,000 income range.

**Cash Options: $500**
Of the 472 diverters who would not have accepted the $300 grant, 102 (21.6%) would have accepted a $500 cash payment in lieu of full program participation (16.0% of all diverters). Unemployed diverters who reported that they were not working because of a lack of transportation were more likely to choose the $500 cash option than full Families First benefits.

**Cash Options: $750**
Of those 368 diverters who would not have accepted either the $300 or $500 grants, 127 (34.5%) would have accepted a $750 grant (19.9% of all diverters).

Those diverters who would have accepted the $750 cash option in lieu of full program participation were more likely to
- be white
- have completed 9th to 11th grade or received a HS diploma/GED (when compared to those with post high school education)
- report that they had used bus or mass transit passes
- report a condition that made it difficult to work, go to school, or do any other regular activities
- not have their children in a child care center or to say, “there is no charge for my child care”

Those diverters who would have opted instead for full program participation were more likely to
- be African American
- report having first signed up for benefits because they lost their job
- have reapplied for benefits in order to get child care
Cash Options: $1,000
Of the 268 diverters who would not have accepted any of the previous grant amounts, 185 (69.0%) would have accepted $1,000 in lieu of full program participation.

Those diverters who would have accepted the $1,000 cash option in lieu of full program participation were more likely to
- have 1 child (compared to 3–5 children)
- report not having a spouse in the home
- have left their last job for personal health reasons
- report having first signed up for benefits because they “needed cash”

Those diverters who would have opted instead for full program participation were more likely to
- be single, never married than married or separated/divorced/widowed
- have received PACE or Fresh Start as part of Families First
- report having first signed up for benefits for “other” reasons

Child Care Options: 3 Months of Child Care
Nearly one third (31.6%) of diverters indicated that they would have accepted 3 months of child care in lieu of full Families First benefits.

Those diverters who would have accepted the 3-month child care option in lieu of full program participation were more likely to
- be single, never married
- be African American
- have between 1 and 5 children
- reside in urban or mid-sized counties
- report that they had to turn down or quit a job because of transportation problems
- report having first signed up for benefits because they were pregnant or had a new baby

Specifically in regard to child care, they were more likely to
- report that they had reapplied for Families First just to get child care benefits
- have children in day care centers
- report that they were not working because of lack of adequate child care
- report a problem with child care availability

In relation to other needs, they were also more likely to report no barriers to work or school and that they were able to pay all of their rent or mortgage in the month prior to the survey.

Those diverters who were significantly more likely to choose full program participation rather than 3 months of child care were more likely to be
- white
- those who first signed up for benefits because they “needed cash” or because they “couldn’t find a job”
- those who left their last job because of personal health problems
- those who reported a condition that made it difficult to work, go to school, or do other regular activities

Child Care Options: 6 Months of Child Care
Of the 445 who would have chosen Families First instead of 3 months of child care, 87 (19.6%) reported that they would have opted for 6 months of child care in lieu of full program participation.

Those diverters who would have accepted the 6-month child care option in lieu of full program participation were more likely to
- have a 6-month to 1-year-old child

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26 Diverters who would have opted for 6 months of child care were more likely to have a child 6 months–1 year old, than an older child (2–5 years or 6–13 years old), and also less likely to have a child less than 6 months old than an older
• have missed work or school because they could not afford child care
• have reapplied for benefits in order to receive child care

Those diverters who would have opted instead for full program participation were more likely to have first signed up for benefits because they needed help with transportation expenses or because they lost their job and to have received on-the-job training from Families First.

Exempt Diverters
Although, as demonstrated by the FALS data, Families First recipients that were exempt from work requirements might not be expected to be good candidates for diversion, it is important to acknowledge the presence of these exempt diverters. Five-hundred seventeen PEPE respondents were classified as exempt, of which 214 (41.4%) reported that they would have accepted one of the diversion options, if offered, and 303 (58.6%) said they would not.

Exempt diverters were significantly more likely than exempt non-diverters to
• be single, never married
• have one child
• be caring for a newborn or infant
• to reside in urban counties rather than rural counties

Exempt non-diverters were more likely to
• be cyclers
• report health problems as the reason for their exemption
• report health problems as the reason for first signing up for Families First

Likely Diverters and Families First Participation
State data on the recent Families First participation of FALS and PEPE respondents were analyzed to look at how various groups of “likely diverters” would have fared had they opted for diversion rather than program participation for their most recent spell of assistance.

FALS
ACCENT data on benefits received and spell length were retrieved for the group of FALS respondents who had characteristics associated in the literature with successful diversion: current Families First recipients who reported that they would have opted for diversion, who had a GED or high school diploma, and who were employed or had been employed in the past year. The respondents who fit the profile were then placed into subgroups based on exemption status and number of prior spells of Families First receipt (as shown in Table 7) to see what, if any, affect those variables might have.
Table 7. FALS Diverter Subgroups and Families First Participation

<table>
<thead>
<tr>
<th>Subgroup</th>
<th>Status</th>
<th>Latest Spell (avg.)*</th>
<th>Total Payment (avg.)*</th>
<th>Avg. Monthly Benefit*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exempt, 1st or 2nd spell (n=10)</td>
<td>3 (30.0%) closed</td>
<td>15.2 mo.</td>
<td>$2,813.67</td>
<td>$184.84</td>
</tr>
<tr>
<td></td>
<td>7 (70.0%) open</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-exempt, 1st or 2nd spell (n=70)</td>
<td>39 (55.7%) closed</td>
<td>20.1 mo.</td>
<td>$3,502.58</td>
<td>$174.45</td>
</tr>
<tr>
<td></td>
<td>31 (44.3%) open</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-exempt, 3rd spell or more (n=11)</td>
<td>6 (54.5%) closed</td>
<td>17.5 mo.</td>
<td>$3,117.27</td>
<td>$178.59</td>
</tr>
<tr>
<td></td>
<td>5 (45.5%) open</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exempt, 3rd spell or more (n=3)</td>
<td>1 (33.3%) closed</td>
<td>8.7 mo.</td>
<td>$1,842.33</td>
<td>$212.58</td>
</tr>
<tr>
<td></td>
<td>2 (66.7%) open</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ALL (n=94)</td>
<td>49 (52.1%) closed</td>
<td>18.9 mo.</td>
<td>$3,095.46</td>
<td>$176.41</td>
</tr>
<tr>
<td></td>
<td>45 (47.9%) open</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Cases classified as closed or open according to status in ACCENT as of September 2006. 7 cases for which no cash benefits appeared in ACCENT were eliminated from the calculations marked with an asterisk (*).

Looking at the most recent spell of Families First receipt, of the 42 closed cases for which benefit data was available, 5 (11.9%) were closed within 3 months and 11 (26.2%) were closed within 6 months. Sixteen (38.1%) of the cases were open for more than 18 months before being closed.

The average monthly benefit for all FALS diverters was $176.41, more than the $168.48 average benefit for all Families First recipients.27

PEPE
As with the FALS data, ACCENT data on benefits received and spell length were retrieved for the group of PEPE respondents who reported that they would have opted for diversion, who had a GED or high school diploma, and who were employed or had been employed in the past year. They were then put into subgroups based on exemption status and number of prior spells of Families First receipt as shown in Table 8.

The average benefit for August 2006 was $168.48 as retrieved from the DHS website: http://www.state.tn.us/humanserv/adfam/tanf_5.htm
Table 8. PEPE Diverter Subgroups and Families First Participation—Open and Closed Cases

<table>
<thead>
<tr>
<th>Subgroup</th>
<th>Status</th>
<th>Latest spell (avg.)*</th>
<th>Total payment (avg.)*</th>
<th>Avg. monthly benefit*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exempt, 1st or 2nd spell (n=54)</td>
<td>23 (42.6%) closed</td>
<td>10.1 mo.</td>
<td>$1,823.33</td>
<td>$163.93</td>
</tr>
<tr>
<td></td>
<td>31 (57.4%) open</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-exempt, 1st or 2nd spell (n=201)</td>
<td>96 (47.8%) closed</td>
<td>12.4 mo.</td>
<td>$2,136.91</td>
<td>$165.91</td>
</tr>
<tr>
<td></td>
<td>105 (52.2%) open</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-exempt, 3rd spell or more (n=180)</td>
<td>76 (42.2%) closed</td>
<td>13.6 mo.</td>
<td>$2,630.90</td>
<td>$174.67</td>
</tr>
<tr>
<td></td>
<td>104 (57.8%) open</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exempt, 3rd spell or more (n=14)</td>
<td>5 (35.7%) closed</td>
<td>16.5 mo.</td>
<td>$3,266.14</td>
<td>$197.95</td>
</tr>
<tr>
<td></td>
<td>9 (64.3%) open</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ALL (n=449)</td>
<td>200 (44.5%) closed</td>
<td>13.6 mo.</td>
<td>$2,324.31</td>
<td>$170.78</td>
</tr>
<tr>
<td></td>
<td>249 (55.5%) open</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Cases classified as closed or open according to status in ACCENT as of September 2006. A total of 31 cases for which no cash benefits appeared in ACCENT were eliminated from the calculations marked with an asterisk (*).

Of the 418 cases for which spell length and benefit data was drawn, only 8 cases (1.9%) closed in less than 4 months, 45 (10.8%) were closed within 6 months, and 135 (32.3%) within a year. As shown in Table 7, the average spell length for all cases was 13.6 months from beginning of latest spell to September 2006.

The average monthly benefit for all PEPE diverters was about the same as the average for all Families First recipients. Diverters received $170.78 on average as compared to $168.48 for Families First recipients.

Table 9. PEPE Diverter Subgroups and Families First Participation—Closed Cases

<table>
<thead>
<tr>
<th>Subgroup</th>
<th>Latest spell (avg.)</th>
<th>Avg. monthly benefit</th>
<th>Avg. Total payment</th>
<th>% closed within 6 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exempt, 1st or 2nd spell (n=20)</td>
<td>12.8 mo.</td>
<td>$158.39</td>
<td>$1,346.35</td>
<td>30.0%</td>
</tr>
<tr>
<td>Non-exempt, 1st or 2nd spell (n=88)</td>
<td>10.4 mo.</td>
<td>$164.96</td>
<td>$1,717.82</td>
<td>27.3%</td>
</tr>
<tr>
<td>Non-exempt, 3rd spell or more (n=60)</td>
<td>11.3 mo.</td>
<td>$178.53</td>
<td>$2,311.62</td>
<td>23.3%</td>
</tr>
<tr>
<td>Exempt, 3rd spell or more (n=5)</td>
<td>12.8 mo.</td>
<td>$204.65</td>
<td>$2,619.60</td>
<td>20.0%</td>
</tr>
<tr>
<td>ALL (n=173)</td>
<td>10.4 mo.</td>
<td>$172.41</td>
<td>$1,799.86</td>
<td>26.0%</td>
</tr>
</tbody>
</table>

Note: The 31 cases for which no cash benefits appeared in ACCENT were eliminated from these calculations.

Of the 200 closed cases, only 8 (4.0%) were closed in less than 4 months, slightly more than one fourth (45 or 27.0%) were closed within 6 months, and over two thirds (135 or 67.5%) were closed within a year.

The average spell length ranged from about 10–13 months, as shown in Table 8. The 1st or 2nd spell cases (exempt and non-exempt) closed more quickly and received lower benefit amounts on average than the 3rd spell or more cases.
The average monthly benefit for all PEPE diverters with closed cases was $172.42, slightly more than the state average of $168.68. However, the average for non-exempt diverters who have ended their 1st or 2nd spell was $164.96, a bit less than the state average.

**Summary**

Taken together, the FALS and PEPE findings related to spell length indicate that very few likely diverters’ cases would have closed during the first 3–4 months of assistance. The group that is perhaps most representative of likely diverters, the PEPE closed cases, averaged more than 10 months for their most recent spell on assistance.

In addition, the average monthly benefit amount for all diverters was about the same as the state average, varying slightly by exemption status and number of spells. Only the FALS diverters and exempt, 3rd spell or more diverters averaged a consistently higher amount than the state average. More likely candidates for diversion, such as the PEPE non-exempt, 1st or 2nd spell closed cases, had slightly lower benefit amounts than the state average.

The data also appear to show a relationship between having fewer spells on assistance and earlier case closure and lower benefit amounts. It is, however, impossible to assess the true impact of number of spells in the absence of other variables.

**Discussion and Implications**

**Discussion of Findings**

The evaluation findings have important implications for structuring and implementing a diversion program in the state, including who to target for diversion, what options to offer, and other policies. In this section, we attempt to answer the relevant research questions and then, in the section headed **Implications for Policy** use those answers to make a number of specific recommendations for developing a statewide diversion program.

1. **Who among prospective Families First clients are likely to be successful diverters?**

   Based on the FALS data pertaining to welfare leavers who reported that they would have diverted if they had been able, those clients who are most likely to be successful diverters appear to be employed, white, rural dwellers who are married with a spouse in the home, and have a relatively small number of children (1–2) and a high school diploma or GED. They also paid for at least some child care out of their own funds and/or had a friend to help watch the children.

   Generally speaking, successful leaver-diverters had a monthly income of around $1,500–$2,000 or more. If unemployed, they were more likely to be choosing to stay at home with their children. The relationship between length of time since last job and status was unclear. It was clear, however, that child care and transportation barriers were closely linked with staying on or cycling on and off of assistance.

   While many of these characteristics have limited meaning in terms of developing a diversion program, the results do provide us with a few key, measurable characteristics to look for in successful diverters, in particular, education and employment status. In addition, it is also clear from the broader analysis that the resolution of issues related to child care, transportation, and other needs (such as utilities) is critical in order for families to become successful leavers and therefore to be likely successful diverters.

2. **Who among current Families First clients would be most likely to opt for diversion and the various diversion options?**
According to the results from both the FALS and PEPE, diverters in Tennessee are significantly more likely to be young, single, and African American, to reside in urban counties, and to have a problem with transportation that acts as a barrier to self-sufficiency. They are also more likely to be pregnant or caring for very young children when they apply for assistance.

Child care cost and availability were significant issues for diverters (in particular for the FALS respondents). Interestingly, child care needs did not prove to be significant among PEPE diverters as compared to non-diverters, although some 15% of them would have opted for child care but not cash. Child care issues were significant for the 30% of PEPE diverters who would have accepted one of the child care options, as might be expected.

The FALS diverters were also more likely than non-diverters to report having problems paying their utilities bills and receiving past utilities assistance. Because leaver-diverters were less likely to report such barriers, this finding indicates that the provision of utilities assistance might help improve outcomes for diverters.

Another interesting finding from the PEPE analysis is that there exists a significant group of Families First recipients who have been unemployed for more than 2 years, but who would have opted for diversion when they last applied for benefits.

FALS non-diverters who were off Families First were more likely than diverters who were off the program to say they would never go back on cash assistance because they earned enough money to support their family. This result might be taken as an indication that more successful leavers (who would be good candidates for diversion) are actually less likely to accept diversion. However it may simply be that these are respondents for whom Families First worked well and therefore would not have changed anything in retrospect.

Other data related to Families First history were inconclusive and there did not appear to be any clear relationship between knowledge of time limits, for example, and diversion.

In regard to the various diversion options, respondents who would have opted for cash only were more likely to have older or fewer children, whereas those who would have opted for child care only or cash or child care were more likely to report difficulties obtaining or paying for child care, again, as might be expected. Interestingly, unemployed respondents who said that they were likely to find work within 3 months were more likely to choose either cash only or child care only, perhaps indicating the specificity of their current need.

Participation in diversion increased steadily with grant amount and child care period. One striking finding is the prevalence of transportation problems across the various diversion options. Diverters who would have accepted the $300 and $750 grants were more likely to have utilized transportation assistance and those who would have opted for $500, 3 months of child care, and 6 months of child care were more likely to report transportation as a barrier to work, school, and so on.

Another interesting finding is that diverters who would have opted for 3 months of child care were more likely to report problems with child care availability, whereas those opting for the longer 6-month period were more likely to report problems with child care cost.

3. What does the recent Families First participation of diverters look like?

One potential drawback to diversion programs is that diverters would have closed their TANF cases within a few months anyway, resulting in diversion grants that exceed what the TANF payments would have been for those families. However, the present study shows that the most recent
spell length for likely diverters is quite long, averaging about 19 months for the FALS diverters and 14 for PEPE diverters. Very few left Families First within the first 3 months—less than 2% of the short-term, PEPE diverters. (Cases on their 1st or 2nd spell closed a bit more quickly and received lower average benefit amounts than those on their 3rd or more spell).

The relatively long spell lengths indicate that the state would likely have saved a considerable amount of money and benefit hours had diversion been in place when the respondents last applied for Families First. The amount saved is impossible to predict with any certainty, but it would have increased with the length of time the diverters remained off Families First. And, as the data from states such as North Carolina have shown, most diverters remain off assistance for at least a year.

The data also show that the average monthly benefit amount for diverters was about the same as the state average. The most likely subgroup of diverters, non-exempt PEPE respondents with closed cases and only 1 or 2 total spells on assistance, averaged $164.96 a month, slightly less than the average for all Families First recipients ($168.68).

Considered together, the data on program participation indicate that the danger is not that diverting families would have exited Families First within 3–4 months anyway, but that they might have continued to exhibit the need that brought them to seek assistance in the first place. In other words, many respondents report that they would have diverted, but then remained on Families First for a considerable length of time, an indicator of need that would perhaps make them unlikely candidates for diversion.

4. How do those willing to participate in diversion compare with those who should be targeted?

Based on these findings, it is clear that some applicants who would opt for diversion actually have long-term needs that would be better served by full Families First participation. These applicants might most obviously include the long-term unemployed, families that would be exempt from work requirements due to major barriers such as long-term health issues and disabilities, primary earners who do not have a high school diploma or GED, and others with generally poor employment prospects for whatever reason. When comparing the demographics of successful leaver-diverters and likely diverters it is also somewhat troubling that the former are more likely to be rural, white, and married and the latter, urban, African American and single (never married).

Regardless, any diversion program should include a screening process designed to ensure that program participants are those who do not need full Families First benefits at application and will not be likely to need them after diversion, at least in the near term. Otherwise, such a program would run the risk of simply being a delay in full program participation. In such a scenario, diversion would have no real impact on caseload or costs over the long-term as money and services would be outlaid in diversion only to have a large number of diverters return to assistance at the end of their waiting period. Moreover, it would also have little impact on need for many families, and could actually increase long-term need by diverting families who need Families First from the program.

**Implications for Policy**

**Screening Criteria**

Based on the findings discussed above and other states’ experiences, it is recommended that Families First applicants be screened for diversion based on three criteria:

1. **Assistance groups that qualify for Families First and have no major**
barriers to self-sufficiency (i.e., meet the criteria for full, non-exempt program participation). As Baider et al. (2006) suggest, it would also be prudent to extend eligibility to working families who might not qualify for Families First proper, but are in danger of doing so without some assistance. Such a provision would help prevent short-term crises such as breakdowns in transportation or child care from developing into long-term needs, future Families First receipt, and therefore higher future caseloads and associated costs.

2. **Assistance groups that are experiencing a need or crisis that can be met or resolved by a diversion grant and associated services and that is unlikely to recur in the short-term.** Such needs or crises may include a temporary loss of employment or housing, a loss of child support, transportation problems, child care needs, or debts such as back rent, utilities, and medical bills.

3. **Assistance groups that include a caretaker that is employed or has good prospects for employment or increased income within the life of the grant period.** Because of the strong relationship between educational level and outcomes for welfare leavers, the primary earner should have a minimum education level of a high school diploma or GED (regardless of current employment status). He or she should also have a high level of job readiness and good employment prospects as indicated by recent work history, work-associated education/training/qualifications, and/or an actual job offer.

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**Other Screening Considerations**

**New Mothers**
The data indicate that non-exempt mothers who were pregnant or recently had a baby were more likely to have opted for diversion, to have applied for assistance because of their pregnancy or their child’s very young age, and to have cited the pregnancy or recent birth as a reason for not working. Exempt mothers who were caring for newborn or infant children were also more likely to be diverters.

Current Families First policy exempts mothers from work activities for the first year following a birth. Therefore, it would make sense to offer diversion to those new mothers who meet the other screening criteria at the end of their exemption period.

**Families First History**
Although the data show that families with fewer spells on assistance also tended to have the shortest most recent spells and close their cases more quickly, screening by number of Families First spells is not recommended for two reasons. First, the PEPE data indicate that limiting the program to first-time applicants and those with only one prior spell on assistance would likely decrease the pool of possible diverters by about 13%. Limiting the grants to first-time applicants only would further decrease the pool to only 2.1% of all applicants. Second, it would also eliminate former recipients who have made significant educational or vocational gains or experienced extended periods of stability without assistance.

It would, however, be reasonable to treat families who have been off assistance for some time prior to application as being better prospects for diversion than those with more recent spells on assistance. In fact, the literature and theory behind diversion suggest that applicants who have reached some level of self-sufficiency and stability off assistance and are now experiencing a crisis that threatens or has
undermined that stability would be ideal candidates for diversion.

Therefore, one option would be to offer diversion only to qualifying clients who are first-time applicants, new mothers coming off exemption, and those who have been off assistance for a certain length of time, e.g., 1 year. Of course, further screening of this nature would still have a negative impact on participation.

Grant Amount and Accompanying Services
It is recommended that the diversion grant be equivalent to 4 months of cash assistance. Due to the existence of a significant number of likely diverters whose needs include child care (about 45%) and the significance of transportation problems among diverters, it is also recommended that the cash grant be accompanied by a minimum of 4 months of child care and transportation assistance, as needed, as well as Medicaid/TennCare eligibility.

Because applicants would be screened based on their experiencing a crisis or situation of temporary need, it would be somewhat inappropriate to ask them to choose between cash or child care. While it is true that unemployed PEPE respondents who said that they were likely to find work within 3 months (and would therefore make ideal candidates for diversion) were more likely to choose either cash only or child care only, nearly a third of the PEPE diverters (29.7%) indicated a need for both cash and child care and were more likely to report cost as a barrier to obtaining child care. Therefore, it is recommended that relevant services be provided alongside cash grants as in the successful Kentucky and North Carolina programs.

It is recommended that the grant amount be set as high as possible (i.e., at 4 rather than 3 months’ worth of benefits) for three reasons. First, it is unlikely that any crisis that would bring a family to apply for Families First could be resolved with a small amount of cash. Indeed, it is probable that needs such as car purchase/repair, back rent, or medical bills will often exceed the maximum grant amount. This likelihood is indicated in the data by the low participation rates for the minimum cash amounts. Second, because the data show very few likely diverter cases closing within 4 months (less than 2%), a relatively large upfront payment would still entail minimal risk of “overpayment”, or paying more in diversion than would have been paid out in Families First benefits. Third, because careful screening will narrow the pool of eligible applicants to begin with and the data show that participation rates increase with grant amount, a larger grant will help ensure a level of participation that will have a measurable impact on the state work participation rate.

Waiting Period
It is also recommended that applicants who opt for diversion be ineligible for Families First for a period of 4 months. A 4-month period would be the most appropriate because any longer period would act as a disincentive to participation. For example, under a 6- or 12-month waiting period, an applicant would be forced to weigh the larger total benefit of 6- or 12- months of Families First against the immediate, but smaller, lump sum, and might therefore choose full program participation even if diversion was more appropriate for their needs. A 4-month grant coupled with an equivalent 4-month waiting period would ask the same applicant simply to decide whether their needs over the next 4 months would be better served by a lump-sum grant or by ongoing Families First benefits. A longer waiting period thus effectively penalizes applicants for diverting, which is unnecessary if appropriate screening is in place.

If a longer waiting period were implemented for whatever reason, it is recommended that a safety measure similar to that taken by Florida and Kentucky be put in place. Such a measure would allow a family to be made re-eligible for full Families First benefits before the end of the diversionary period in
cases of emergency that threaten child and family well-being (e.g., situations that negatively impact employment or family income such as illness, loss of housing, or natural disaster).

**Lifetime Limit**
Although many states enforce a lifetime limit on diversion, if screening criteria are in place and strictly adhered to it is perhaps not necessary to do so. Indeed, a limit of one grant per lifetime, for example, creates the possibility that former diverters facing a second, and perhaps unrelated, crisis might be forced to rejoin Families First unnecessarily. And, as London (2003) suggests, diverters may have recurring periods of short-term need. If desired, a limit of one diversion per year per assistance group as is in place in North Carolina and Texas might be appropriate. Of course, even that would be unnecessary if eligibility were limited to first-time applicants, new mothers coming off of exemption, and those who have been off assistance for a year or more, as described above.

**Screening Process**
In the interest of fairness and to help eliminate worker bias, diversion should be made available to all applicants who meet the above criteria and participation should be voluntary. A standardized screening tool should be used to help ensure a fair and equitable process and prevent the diversion of families whose needs would be best met by full Families First participation. Such a tool would screen applicants as discussed above and document in detail how the applicant meets the criteria for diversion. Eligibility for Medicaid/TennCare and food stamps should be determined during the screening process as well.

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28 For example, London (2003) found married clients to be over-represented in her diverter populations, a fact that was not policy-driven, but that she surmises could be explained by caseworkers who believed married couples to be more successful diverters.

**Case Management**
It is recommended that a case manager then work with participating family members to design a package of accompanying services and referrals to include the aforementioned child care and transportation assistance, as well as job search, child support assistance, and other services for the life of the diversionary/waiting period. Such case management is crucial to ensure that diverters are not deprived of benefits they are entitled to and would have received as Families First recipients and that they have the necessary supports in place to maximize their outcomes.

**Transitional Services**
For the same reasons, it is also strongly recommended that subsidized child care and transportation assistance, as well as Medicaid/TennCare eligibility, be extended an additional 4 months past the end of the diversionary period if needed. Perhaps the level of subsidy could be decreased over the transitional period, with the expectation that families would be responsible for a growing share until they reached self-sufficiency at month 5 (the 9th month after accepting diversion). For example, the 1st month after the end of the diversionary period the child care/transportation subsidy might be dropped to 80%, the 2nd month to 60%, the 3rd month to 40%, and the 4th month to 20%, with no benefit for the 5th month.

Because the literature has shown a lack of knowledge and use of public resources among former diverters (see Richardson et al., 2001), a case manager should also work with family members to identify supports that will be available when the diversionary and transitional periods end, for example, health care options, food stamps, and community-based resources.

**Likely Participation Rate**
Based on a diversion program with the three screening criteria above, the PEPE data

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29 A potential disadvantage of diversion programs as noted by CBER (2006).
suggest that about 29.0% of all Families First applicants would be broadly eligible for and consider diversion, with the rate of acceptance dependent on grant amount.\textsuperscript{30} Eligibility for this group was determined by non-exempt status, an education level of GED/High School diploma or above and being employed or having worked in the past year. 29.0% represents a considerable pool of possible diverters—larger than the 21–22% reported by CBER (2006), who specified a much longer waiting period.\textsuperscript{31}

It is impossible to know, however, which of these applicants would meet the criteria for need and additional screening, for example by Families First history, would decrease the pool of diverters as detailed above. In any event, the end participation rate would be more likely to fall into line with other states at a maximum of 5–10% of all applicants.

\textsuperscript{30} The data indicate that the entire 29.0% would accept diversion based on a $1,000 grant and/or 6 months of child care and TANF ineligibility for 6 months. The lower the grant amount, the lower the participation rate as shown in Figure 2.

\textsuperscript{31} CBER (2006) found that 22.0% would have opted for $1,000 and 21.3% for 6 months of child care, with TANF ineligibility for 1 year.
References


Appendix A: Family Assistance Longitudinal Study (FALS)
Round VII Diversion Questions
FAMILY ASSISTANCE LONGITUDINAL STUDY (FALS) ROUND VII DIVERSION QUESTIONS
(extracted from the full survey instrument)

B27a1  “Now I want you to think about the most recent time you signed up for the Families First program. You had a work requirement and were eligible for child care, transportation, and monthly cash assistance. If you had been offered a one time cash payment of $300 instead of full program participation, knowing that you could not apply again for the program for 1 full year, would you have taken the one time payment or signed up for the program? Food stamps would be the same either way.”

1. CASH PAYMENT [SKIP TO QUESTION B28a]
2. FULL PROGRAM PARTICIPATION [SKIP TO B27b]
3. NOT SURE [SKIP TO B27b]
4. REFUSAL [SKIP TO B27b]

B27a2  “Now I want you to think about the most recent time you signed up for the Families First program. You were eligible for monthly cash assistance. If you had been offered a one-time cash payment of $300 instead of full program participation, knowing that you could not apply again for the program for 1 full year, would you have taken the one time payment or signed up for the program? Food stamps would be the same either way.

1. CASH PAYMENT [SKIP TO QUESTION B28a]
2. FULL PROGRAM PARTICIPATION
3. NOT SURE
4. REFUSAL

B27b  “What if the cash payment was $500?”

1. CASH PAYMENT [SKIP TO QUESTION B28a]
2. FULL PROGRAM PARTICIPATION
3. NOT SURE
4. REFUSAL

B27c  “What if the cash payment was $750?”

1. CASH PAYMENT [SKIP TO QUESTION B28a]
2. FULL PROGRAM PARTICIPATION
3. NOT SURE
4. REFUSAL

B27d  “What if the cash payment was $1000?

1. CASH PAYMENT
2. FULL PROGRAM PARTICIPATION
3. NOT SURE
4. REFUSAL

B28a  “Again, think about the most recent time you signed up for Families First benefits. What if instead of a cash payment, you had been offered child care assistance with the same restriction that you could not sign up for full Families First participation for 1 year? Would you have taken 3 months of child care assistance, or would you have signed up for full program participation?”

1. SHORT TERM CHILD CARE ASSISTANCE [SKIP TO QUESTION C1]
2. FULL PROGRAM PARTICIPATION
3. DON'T KNOW
4. REFUSAL

B28b “How about 6 months of child care assistance?”

1. SHORT TERM CHILD CARE ASSISTANCE [SKIP TO QUESTION C1]
2. FULL PROGRAM PARTICIPATION
3. DON'T KNOW
4. REFUSAL

B28c “How about 1 year of child care assistance?”

1. SHORT TERM CHILD CARE ASSISTANCE
2. FULL PROGRAM PARTICIPATION
3. DON'T KNOW
4. REFUSAL
Appendix B: Program Engagement and Participation Evaluation (PEPE) Diversion Questions
PROGRAM ENGAGEMENT AND PARTICIPATION EVALUATION (PEPE) DIVERSION QUESTIONS (extracted from the full survey instrument)

B25A “Now I want you to think about the most recent time you signed up for the Families First program. You had a work requirement and were eligible for child care, transportation, and monthly cash assistance. If you had been offered a one-time cash payment of $300 instead of full program participation, knowing that you could not apply again for the program for 6 months, would you have taken the one-time payment or signed up for the program? Food stamps would be the same either way.”

1. CASH PAYMENT [SKIP TO QUESTION B29]
2. FULL PROGRAM PARTICIPATION [SKIP TO B26]
3. NOT SURE [SKIP TO B26]
4. REFUSAL [SKIP TO B26]

B25B “Now I want you to think about the most recent time you signed up for the Families First program. You were eligible for monthly cash assistance. If you had been offered a one-time cash payment of $300 instead of full program participation, knowing that you could not apply again for the program for 6 months, would you have taken the one-time payment or signed up for the program? Food stamps would be the same either way.”

1. CASH PAYMENT [SKIP TO QUESTION B29]
2. FULL PROGRAM PARTICIPATION
3. NOT SURE
4. REFUSAL

B26 “What if the cash payment was $500?”

5. CASH PAYMENT [SKIP TO QUESTION B29]
6. FULL PROGRAM PARTICIPATION
7. NOT SURE
8. REFUSAL

B27 “What if the cash payment was $750?”

5. CASH PAYMENT [SKIP TO QUESTION B29]
6. FULL PROGRAM PARTICIPATION
7. NOT SURE
8. REFUSAL

B28 “What if the cash payment was $1000?”

5. CASH PAYMENT
6. FULL PROGRAM PARTICIPATION
7. NOT SURE
8. REFUSAL
“Again, think about the most recent time you signed up for Families First benefits. What if instead of a cash payment, you had been offered child care assistance only, with no work requirements? The restriction that you could not sign up for full Families First participation for 6 months would be the same. Would you have taken 3 months of child care assistance, or would you have signed up for full program participation? Again, food stamps would be the same either way.”

5. SHORT TERM CHILD CARE ASSISTANCE [SKIP TO QUESTION C1]
6. FULL PROGRAM PARTICIPATION
7. DON’T KNOW
8. REFUSAL

“How about 6 months of child care assistance?”

5. SHORT TERM CHILD CARE ASSISTANCE [SKIP TO QUESTION C1]
6. FULL PROGRAM PARTICIPATION
7. DON’T KNOW
8. REFUSAL