LIFE WITHOUT WELFARE:
DO WELFARE AVOIDANCE GRANTS PREVENT OR SIMPLY DELAY WELFARE RECEIPT?

ANDREA HETLING, PHD
PROJECT DIRECTOR

KIRK TRACY, MSW
PROJECT ANALYST

CATHERINE E. BORN, PHD
PRINCIPAL INVESTIGATOR

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FAMILY WELFARE RESEARCH AND TRAINING GROUP
UNIVERSITY OF MARYLAND
SCHOOL OF SOCIAL WORK
525 WEST REDWOOD STREET
BALTIMORE, MD 21201

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For additional information about the report or the study, please contact Dr. Catherine Born at the School of Social Work (410.706.5134, cborn@ssw.umaryland.edu). For more information about welfare reform in Maryland, please contact Mr. Richard Larson at the Department of Human Resources (410.767.7150, rlarson@dhr.state.md.us or welfarereformer@prodigy.net).

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EXECUTIVE SUMMARY

Diversion strategies emerged as part of the 1996 federal welfare reform legislation and aim to assist needy families without having them enter the traditional monthly cash assistance rolls. One, if not the, major diversion strategy employed in most states is the use of lump-sum cash grants, called Welfare Avoidance Grants (WAG) in Maryland, to assist families with an immediate financial crisis in hopes that they will then be able to achieve or maintain self-sufficiency. This study examines a critical assumption about the nature of diversion programs. That is, are diversion programs, specifically lump-sum cash grants, a cost effective alternative to traditional monthly cash grant programs? Are diverted clients actually "diverted" from welfare, or are they just using equivalent funds in a different way, or, similarly, is their entrance into monthly welfare programs just delayed for a short time?

Using Maryland State administrative data, this study compares the total receipt of monetary aid over a three-year period by two welfare applicant cohorts, those whose application resulted in a Welfare Avoidance Grant and those who became new Temporary Cash Assistance (TCA) clients. The universe of individuals who received a WAG between October 1, 1999 and December 1, 1999 (n = 315) was matched on two criteria, region of residence and number of adults on the grant, to a sample of new TCA recipients of the same time period. By matching the samples on these variables, we can ensure that any statistically significant outcome differences cannot be attributed to either of these variables. In addition, an Ordinary Least Squares regression model was designed with other demographic and life experience control variables to determine whether or not WAG receipt resulted in a more, less or about the same total amount of cash assistance during the 36-month outcome period.

While the two cohorts were very similar in terms of demographic characteristics, significant differences were found in areas of employment and welfare history. Most importantly, the groups were very different in their receipt of cash benefits for the three years following their entrance into our sample. The following bullets summarize our key findings:

- **After matching on region and number of adults on the case, the typical WAG recipient looks very similar to the typical TCA recipient in our sample in terms of individual and case demographics.**

The majority of members in both groups were African American (53.4%) women (95.2%) with a median of two children of whom the youngest was on average 5.39 years old. WAG recipients were slightly older with a mean age of 31.38 years, compared to a mean of 29.98 years for TCA recipients. They also had slightly more children on average (2.04 for WAG recipients vs. 1.77 children for TCA recipients) and fewer were never married (49.2% of WAG recipients vs. 61.6% of TCA recipients).

- **Prior to their welfare application, WAG recipients worked more and earned more money than the TCA recipients.**

During the eight quarters preceding the critical study date more than nine out of ten (93.0%) WAG recipients worked at some point, compared to slightly more than eight out of ten (80.6%) TCA recipients. During this period the average WAG recipient worked 5.87 quarters out of 8.0 quarters versus 4.76 quarters for TCA recipients. On average, employed WAG recipients earned $2,783 per quarter and $18,142 for the entire two year period. Earnings were significantly lower for the matched sample of TCA recipients, with average quarterly earnings of $1,914 and total earnings of $10,847.

Differences between the cohorts were even more evident during the quarter of the application; the percentage of WAG recipients that had worked (79.4%) was nearly double the percentage of working TCA recipients (43.8%). In addition, employed WAG recipients earned twice as much from Maryland UI-covered employment as TCA recipients, with average quarterly earnings of $2,882 vs. $1,344, respectively.

- **WAG recipients had less historical use of TCA, but more Medical Assistance utilization than TCA recipients. There was no significant difference between the groups in past use of Food Stamps.**

In the five years preceding the critical study date the typical WAG recipient had received TCA for 12.13 months, compared to 14.90 months for the average TCA recipient. While this difference was statistically significant, the difference between the cohorts in the year leading up to the critical study date was not. During the year immediately prior to the application that brought cases into our study sample, WAG clients received TCA for an average of 1.01 months while the TCA clients had received TCA for an average of 1.25 months. WAG clients also had made slightly, but significantly higher use of Medical Assistance in the 12 months prior to the study date (6.78 months) than did regular TCA recipients (5.71 months). There was no difference between the two groups in their past-year enrollment in the Food Stamp program, however. On average, WAG clients had received Food Stamps in 5.17 of the previous 12 months, compared to 4.78 months among regular TCA clients.

- **During the three-year study period, WAG recipients received significantly less in total cash grants, traditional TCA or WAG, than did TCA recipients.**

During the three-year tracking period and including the original grant which brought the individual into our sample, WAG recipients received an average of 3.19 checks for a total of $2,274, while TCA recipients received an average of 11.74 checks totaling $4,219. While it is obvious that WAG recipients received far less cash assistance over time, regardless of type (TCA or WAG), analysis of

the type of assistance utilized paints a different picture of each cohort. On the one hand, considering just regular TCA benefits, WAG recipients received an average of 1.83 TCA checks totaling an average of $640, while TCA recipients averaged 11.68 TCA checks for an mean total of $4,140, close to seven times greater. On the other hand, WAG recipients did receive more money in WAGs than TCA recipients did. On average, WAG recipients received $1,634 in this form of assistance over the three years while TCA recipients received $79, on average.

- **Multivariate analysis confirms that, even after controlling for demographic characteristics, historical employment, and welfare receipt variables, receipt of a WAG leads to a sizable reduction in the amount of total cash assistance received over the ensuing three years**.

- **In short, WAGs appear to prevent regular welfare receipt, not just delay it. Thus, in Maryland at least, welfare avoidance grants are not just TCA by another name.**

We also examined the total cash benefit sum received during the three-year follow up period using a multivariate regression model. The results of this model show that even after controlling for historical employment and welfare receipt as well as other baseline characteristics, receipt of a WAG as opposed to TCA led to a sizable reduction ($1,812.20) in the amount of total monetary aid received during the tracking period.

In sum, the results of this study seem to suggest that the WAG program has fulfilled its goal of meeting some families' immediate financial needs while also helping them to avoid becoming enmeshed in the ongoing welfare system. In addition, study results suggest that the use of WAGs has saved the state money as well. These findings do not mean, necessarily, that WAG clients, over the long run, will always have better outcomes than recipients of regular, ongoing cash assistance or that the WAG program is more successful or effective than TCA. By definition and design, the WAG program is intended to serve a particular segment of clients who appear at the local welfare agency in a time of financial crisis or need: those whose need for ongoing involvement with cash assistance can be prevented through the provision of one-time monetary aid.

Study findings have several programmatically important implications. First, it seems clear from these data that, in general, local Departments of Social Services (LDSS) have done a very good job in correctly assessing the appropriateness of WAGs for the population of clients who have received them. This is not to say that perhaps other clients could not have benefited from issuance of a WAG instead of ongoing assistance. In this regard, the relative dearth of WAGs in Baltimore City may be notable. Nonetheless, with such a

large proportion of WAG recipients able to forego any additional monetary aid over an extended follow-up period (three years), one must conclude that caseworker assessments in WAG recipient cases have been on the mark.

Second, the data show quite clearly that the Maryland WAG program is fulfilling its implied promise of helping at-risk families at the same time as not entangling them in a long-term (or costly) relationship with public assistance. Simply stated, WAG recipients receive less monetary aid than do TCA recipients; despite some pundits' concerns to the contrary, the WAG program, in Maryland at least, is not simply TCA under a different name. Related to this, there is also no hint in these data that there are any 'red flags' or warnings that need to be raised with regard to our state's diversion policy.

Finally and most broadly, the demonstrated positive outcomes of Maryland's Welfare Avoidance Grant (WAG) program provide more confirmation of the wisdom and appropriateness of the state's careful, bi-partisan approach to welfare reform and of the skill and dedication with which local Departments of Social Services staff have carried out their 'reformed' and expanded duties in the area of cash assistance. Diversion in general and WAGs in particular were innovative techniques for which, at the time of their adoption, our state had few precedents and little in the way of historical experience to guide implementation. Despite this, study findings suggest that careful planning and skillful implementation have resulted in positive outcomes, for families and for program budgets. Effectively addressing the many challenges associated with TANF reauthorization will certainly require creativity, thoughtfulness, and deliberation, hallmarks of Maryland's original approach to TANF challenges in the mid-1990s. Today's study results, as well as those from our legislatively-mandated *Life After Welfare* project and others, suggest we would be wise to remember and to emulate the planning and decision-making approaches from the mid-1990s that empirical data show have served our state and its families so well.

INTRODUCTION

The 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), familiarly known as 'welfare reform,' ushered in a number of major changes to our nation's system of cash assistance benefit provision for low-income children and their families. Certain unprecedented changes such as time limits and full family sanctions were highly controversial and overshadowed other changes of arguably equal importance and significance. One of those relatively unheralded changes, diversion, is the subject of this research report.

Formal diversion strategies, innovative and potentially powerful methods to assist certain at-risk families, are based on two intertwined suppositions. The first is that the provision of 'regular' cash assistance in the form of ongoing, monthly benefits, may not always be the best way to meet the immediate, financial needs of some low-income families. The second is that if other, more appropriate aid can be provided, some families' need to become welfare users in the traditional sense (i.e., receiving ongoing checks) may be obviated. If these suppositions are true, of course, then diversion also has the potential to be less costly to the public purse. However, while a few studies have examined the prevalence and characteristics of diverted clients (for a review see Lacey, Hetling-Wernyj & Born, 2002; London, 2003), the assumption that diversion is less costly or that it prevents 'welfare dependency' has not been unequivocally determined.

Today's study looks at the issue of cost savings by calculating the total amount of monetary aid provided over a period of three years to two matched samples of persons who applied for cash assistance in Maryland during the same period of time. The research builds upon a previous study of Maryland's diversion program which found that the technique had been used sparingly and that, at least during the first 12 post-diversion months, few families received any 'regular' cash assistance payments (Lacey, et al., 2002). Using a longer follow-up period and matched samples of diverted and 'regular' recipient families, today's report addresses a straightforward but important question:

Do applicants who were diverted from enrollment in ongoing, monthly cash assistance through the award of a lump sum Welfare Avoidance Grant (WAG) receive more, less or about the same amount of monetary aid over the ensuing three years than a matched sample of clients whose applications resulted in the award of a 'regular' monthly welfare grant?

Our goal is to provide sound empirical analysis of an innovative welfare policy. For policy makers and program managers, the findings are useful in both the evaluation of current policy and the consideration of future innovations.

BACKGROUND

Without question, passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA, P.L. 104-121) resulted in the most significant, far-reaching overhaul of welfare policy at the national and state level in many decades. Not surprisingly then, many areas of impact such as overall caseload numbers and the post-assistance outcomes of welfare 'leavers' have been extensively researched and reported in the literature. On the other hand, certain aspects of the 1996 reforms have received far less empirical attention. One such area has been that of welfare diversion programs. Most generally, these programs are intended to help families explore the utility of other forms of support or avenues to self-sufficiency, rather than automatically enrolling them in the ongoing, monthly cash assistance program now known as Temporary Assistance to Needy Families (TANF).

In addition to being overshadowed by other more controversial or performance-or penalty-related aspects of reform, published research on diversion has also not been plentiful because, for the most part, diversion strategies were not a feature of pre-PRWORA state welfare reform waiver experiments. Moreover, as per the specific design of the federal reform legislation, states have great leeway in the use of diversion programs, if they elect to implement diversion programs at all. Thus, the three types of formal diversion (lump sum payments, job search, and alternative resources) can be offered independently or in any combination.[1] This flexibility, while programmatically beneficial for states, poses considerable barriers for cross-state research and evaluation of diversion programs or their outcomes for clients. The lack of program data on diverted clients and their families poses another research obstacle. Because certain types of diverted clients are never formally enrolled in TANF, they are usually not tracked in administrative data systems (London, 2003). Even when the diversion event has been documented in the state's system, the data required for programmatic purposes may not be detailed enough for research purposes and may not provide a clear picture of the circumstances surrounding the diversion event, the characteristics of the family, or their post-diversion outcomes.

As a result of these barriers to the study of welfare diversion strategies, most research efforts to date have been state-specific, resulting in the publication of a handful of state-level reports (Barber, Daugherty, & McAdams, 2002; Goldsmith & Valvano, 2002; Richardson, Schoenfeld, & Jain, 2001; Schexnayder, Schroeder, Lein, Dominguez, Douglas, & Richards, 2002). The one national study utilized the 1999 National Survey of America's Families (NSAF) and focused on the characteristics and outcomes of clients who had been diverted

[1] It should be noted that some research has explored the use of informal diversion tactics, or ways that may hinder or deter an individual's successful completion of the welfare application process. This study, of necessity, looks only at formal diversion strategies. For additional information about the types of formal diversion programs, see Lacy, Hetling-Wernyj & Born (2002).

from ongoing welfare participation through the use of lump sum payments (London, 2003). In terms of client characteristics, the study found that diversion programs may be targeting two distinct groups: job-ready applicants with high levels of education and applicants with low education levels who, perhaps, opt for the larger, immediate sum of money. Study findings suggested that the former group was also more likely than other applicants to be married and Caucasian. The same project also analyzed the outcomes of diverted clients in comparison to TANF leavers in terms of employment and the receipt of Food Stamps and Medical Assistance. Diverted clients were less likely to be employed at the time of the follow-up survey, but more likely to be receiving Food Stamps; diversion was not associated with Medical Assistance receipt (London, 2003). Because the NSAF did not ask diverted respondents if they were receiving TANF at the time of the survey, recidivism rates between diverted clients and clients who had left welfare could not be determined.

While most state-level studies have examined the prevalence of diversion and the characteristics of diverted clients (for a review see Lacey, et al., 2002; London, 2003), a few have begun to examine whether these strategies merely delay or postpone the receipt of ongoing cash assistance payments or if they are really cost-effective alternatives that can prevent the need for ongoing welfare benefits for some families. Outcome studies have focused on recidivism rates of diverted clients and generally find that they 'returned' to cash assistance at rates that were comparable to or slightly lower than the rates of TANF leavers (Barber, et al., 2002; Goldsmith & Valvano, 2002; Richardson, et al., 2001; Schexnayder, et al., 2002). Similarly, our own research on Maryland's diversion program found that the large majority (84.3%) of applicants diverted through Welfare Avoidance Grants (i.e., lump sum payments) or rapid employment services did not receive any TANF payments in the 12 months following the diversion event (Lacey, et. al., 2002).

Among studies that have examined the potential cost savings from diversion programs, initial results have also been promising. A South Dakota study concluded that one $300 diversion payment could conceivably save taxpayers nearly $7,000 (U.S. Department of Labor, Employment and Training Administration, 2003). Other states have estimated that several million dollars each year can be saved through the use of welfare diversion strategies (Barber, et al., 2002; Goldsmith & Valvano, 2002).

The research described in today's report takes a closer look at the issue of potential cost savings from the use of lump sum payments, the most common welfare diversion strategy. Specifically, to obtain a more realistic and accurate sense of any cost savings that might accrue from the use of this strategy, we identified the universe of clients who applied for Temporary Cash Assistance (TCA), Maryland's TANF program, during the last quarter of calendar year 1999. We then divided this applicant universe into two cohorts: those whose applications resulted in the award of a 'regular', ongoing cash assistance grant;

and those whose applications resulted in issuance of a lump sum payment (Welfare Avoidance Grant or WAG). Two analytic groups were created through matching WAG recipients to similar TCA recipients, and data on their subsequent receipt of cash assistance payments, both diversion payments and 'regular' welfare payments, were tracked over the ensuing 36 months. To assist in determining if any observed outcomes differences between the two groups might be due to individual characteristics, baseline demographic data as well as information describing prior welfare use and employment histories were also analyzed. Our findings speak to the important question of WAG as a prevention tool vs. deferment.

METHODS

This chapter describes the study sample, data sources, and analyses. Because the research is based on a matched cohort design, solid understanding of the samples is a necessary prerequisite to correct interpretation of study findings. Thus, much of this chapter is devoted to description of the two samples used.

Samples

Between October 1, 1999 and December 31, 1999, a total of 5,362 clients filed a new TCA application and subsequently were issued either a WAG (n=315) or began a regular TCA spell (n=5,047). Chi-square and ANOVA tests were conducted between the two cohorts on the variables of race, region of residence, number of adults in the assistance unit, number of children in the assistance unit, and marital status. Based on theory and the bivariate analyses, the variables of region and number of adults were chosen as the matching criteria for the cohorts.

Differences between the cohorts in terms of region of residence stood out as being both statistically significant and very large. Moreover, in other research, region of residence, in particular urban versus suburban or rural differences, has consistently been noted as an important determinant in welfare exit and welfare dependency (see, for example, Allen & Kirby, 2000). This phenomenon has also consistently been observed in our own Maryland studies as well. Baltimore City clients, for example, generally have longer welfare histories than do residents of other jurisdictions. They also tend to be more likely to return to welfare after an exit (i.e., to recidivate) than are clients who live in other parts of the state (see, for example, Ovwigho, Born, Ferrero & Palazzo, 2004; Ovwigho, Saunders, & Born, 2005). Thus, to ensure that any observed outcome differences between the diverted and 'regular' client cohorts could not be attributed solely to this variable, each case was assigned to one of seven geographic regions based on client address at the time of application.

Chi-square and ANOVA tests were then performed using the variables of race, number of adults, number of children, and marital status for the regional groups. In these analyses, statistically significant differences in the number of adults per case were consistently found between the two groups, in all regions. The number of adults is often included in analyses as a predictor of welfare dependency or self-sufficiency because two-parent cases fare differently than one-parent assistance units and differently again from "child-only" cases where the adult on the case is not eligible for benefits (Hetling, Saunders, & Born, 2005; Wood & Strong, 2002). For these reasons and, again, to ensure that outcome differences between the diverted group and the 'regular' group could not be attributed to this factor, the variable measuring number of adults in the assistance unit was also used as a matching criterion.

Using these processes and matching criteria, the study sample was constructed. Each of the two analytic groups was matched on region and number of adults, and each group consisted of 315 cases; all clients in one group had received a Welfare Avoidance Grant (WAG) in October, November, or December of 1999, and all clients in the other group had begun a new TCA spell during the same time period. Table 1, following, shows the number and percentage of recipients from each region and the breakdown for the number of adults on each case.

Readers familiar with welfare in Maryland will immediately note that the regional distribution of our study sample bears little resemblance to the actual distribution of the TCA caseload across the state. In particular, there are very few cases from Baltimore City. It must be remembered, however, that our population of interest is clients who received a Welfare Avoidance Grant (WAG) during the last three months of 1999. The regional distribution of cases shown in Table 1 is an accurate reflection of the actual distribution of WAG issuances during the October – December 1999 period.

Table 1. Matching Variable Frequencies

Matching Criteria	WAG recipients	TCA recipients
Region		
Baltimore City	2 (0.6%)	2 (0.6%)
Prince George's County	5 (1.6%)	5 (1.6%)
Metro Region[2]	131 (41.6%)	131 (41.6%)
Southern Maryland[3]	79 (25.1%)	79 (25.1%)
Western Maryland[4]	33 (10.5%)	33 (10.5%)
Upper Shore[5]	9 (2.9%)	9 (2.9%)
Lower Shore[6]	56 (17.8%)	56 (17.8%)
Number of Adults		
0	2 (0.6%)	2 (0.6%)
1	275 (87.3%)	275 (87.3%)
2	38 (12.1%)	38 (12.1%)

Data Sources

Study findings are based on data retrieved from three different Maryland state administrative data systems. Demographic and program participation data were obtained from the Automated Information Management System/Automated Master File (AIMS/AMF) and the Client Automated Resources and Eligibility

[2] The Metro Region consists of Baltimore, Carroll, Frederick, Harford, Howard, & Montgomery Counties.
[3] Southern Maryland includes Anne Arundel, Calvert, Charles, & St. Mary's Counties.
[4] Western Maryland consists of Allegany, Garrett, & Washington Counties
[5] Caroline, Cecil, Dorchester, Kent, Queen Anne's, & Talbot Counties constitute the Upper Shore.
[6] The Lower Shore includes Somerset, Wicomico, & Worcester Counties.

System (CARES). CARES is the official statewide automated data system for programs overseen by the Department of Human Resources and includes individual and case level participation data for cash assistance, Food Stamps, Medical Assistance and Social Services, as well as demographic information. AIMS/AMF is CARES' predecessor. Although no new data have been entered into AIMS/AMF since 1998, it remains a valuable resource for historical program usage data.

Employment and earnings data were obtained via the Maryland Automated Benefits System (MABS), which contains information on all Maryland jobs covered by the Unemployment Insurance (UI) program. Types of jobs not tracked within MABS include federal government employees, civilian and military, independent contractors, commission-only salespersons, most religious organization employees, some student interns, self-employed persons with no paid staff, and farm workers. "Under the table" jobs are not included, nor are jobs that are located outside of Maryland.

Analyses

Data from the above sources were used to profile the demographic characteristics of the two groups of clients, as well as to describe their welfare use and employment experiences prior to the TCA application that brought them into our study sample. This profile is intended to provide a description of the groups and, using chi-square and ANOVA, uncover any significant pre-existing differences between the two cohorts.

In addition, multivariate analyses were used to examine the primary outcome measure: total cash benefits received by the two groups during the three-year tracking period. Multivariate analyses are advantageous in examining different groups because they allow us to assess the impact of the policy variable, in this instance WAG versus TCA receipt, while holding other variables constant. Although the cohorts were matched on two critical variables, differences in other background characteristics merited the use of multivariate analyses to ensure that any observed outcome differences were not attributable to baseline differences such as employment status or historical welfare receipt. In short, we ask the following in our multivariate analyses: holding individual background characteristics constant, do WAG recipients receive more or less public cash assistance than TCA recipients? An Ordinary Least Squares (OLS) regression model was used, as is appropriate when the dependent variable is of a continuous nature. The raw coefficients are interpreted as a one-unit change in the independent variable leads to an x unit change in the outcome or dependent variable.

Demographic Characteristics

We were not able to match the two groups on all background characteristics but, nonetheless, the demographic profiles of WAG and TCA clients are very similar. Out of the eight demographic variables not used in the matching process, very small, but statistically significant differences were found on three measures. Moreover, WAG and TCA recipients were found to be statistically equivalent on the remaining five measures, as highlighted in Table 2 following this discussion.

The vast majority of case heads in the two groups were females, constituting 95.9% of WAG recipients, and 94.6% of TCA recipients. Over half (53.0%) of the WAG recipients were African-American, as were the regular TCA recipients (53.8%). The two groups were also quite similar in the mean age at which they first gave birth, with WAG recipients averaging 22.13 years and TCA recipients 21.39 years.[7] In addition, there was very little difference in the average age of the youngest child within WAG (5.54 years) and TCA (5.24 years) households, or in the percentage of households with a child under the age of three (37.1% of WAG households vs. 43.4% of TCA households).

Statistically significant differences were found for three measures: age of case head, marital status, and number of children, but the practical differences between the values were actually quite small. WAG recipients were, on average, slightly older than TCA recipients, with a mean age of 31.38 years compared to 29.98 years. Slightly less than half (49.2%) of WAG recipients had never been married, compared to approximately three out of five (61.6%) TCA recipients. A final area of difference between the two cohorts was in the average number of children per household. The typical WAG household contained 2.04 children, while the typical TCA household had 1.77 children.

[7] Age at first birth is estimated for female payees based on the age of their oldest child in the welfare case. To the extent that payees' have other, older children who are not part of the welfare case, our data will underestimate true rates of early childbearing.

Table 2. Demographic Characteristics of WAG Recipients vs. TCA Recipients

Characteristics	WAG Recipients (n=315)	TCA Recipients (n=315)	Entire Sample (n=630)
Payee's Gender (% female)	95.9% (302)	94.6% (298)	95.2% (600)
Payee's Age*			
Mean	31.38	29.98	30.68
Median	30.57	28.26	29.44
Standard Deviation	7.81	8.52	8.20
Range	18 to 55	18 to 65	18 to 65
Payee's Age at First Birth			
Mean	22.13	21.39	21.78
Median	20.77	19.83	20.32
Standard Deviation	5.24	5.12	5.19
Range	14 to 42	11 to 41	11 to 42
Payee's Racial/Ethnic Background			
African American	53.0% (160)	53.8% (164)	53.4% (324)
Caucasian	45.4% (137)	43.6%(133)	44.5% (270)
Other	1.7% (5)	2.6% (8)	2.1% (13)
Marital Status*			
Never Married	49.2% (155)	61.6% (194)	55.4% (349)
Number of Children**			
Mean	2.04	1.77	1.91
Median	2.00	2.00	2.00
Standard Deviation	1.17	1.24	1.21
Range	0 to 8	0 to 9	0 to 9
Age of Youngest Child			
Mean	5.54	5.24	5.39
Median	4.63	3.62	4.20
Standard Deviation	4.49	4.79	4.64
Range	<1 mo to 17 yrs	<1 mo to 18 years	<1mo to 18 yrs
% households with a child under 3	37.1% (115)	43.4% (126)	40.2% (241)

*p<.05 **p<.01 ***p<.001

Employment History

In comparing patterns of employment in the eight quarters or two years preceding the WAG issuance or start of the new, regular TCA spell in the fourth quarter of 1999, we find that WAG recipients were more likely to have worked, to have worked more quarters, and to have higher total and average quarterly earnings, on average, than TCA recipients. Following this discussion, Table 3 shows that the difference between the two cohorts was statistically significant on all four of the historical employment-related measures.

The top half of Table 3 shows that in the eight quarters, or two years, preceding the critical study date, almost all WAG recipients (93.0%) had worked at some point and had worked, on average, in 5.87 of the eight quarters. Participation in the labor force was significantly less (80.6%) among clients whose applications resulted in the start of a new TCA spell, but still fairly substantial. On average, clients in the TCA group had worked in 4.76 quarters in the previous two years, significantly less than the WAG group.

During this period WAG recipients earned, on average, $18,142, significantly more than the average total earnings among clients whose applications resulted in the start of a regular TCA spell ($10,847). The same pattern was observed for mean quarterly earnings as well: the figure for WAG recipients ($2,783) was significantly higher than the figure for regular TCA recipients ($1,914).

Employment and earnings differences between the two groups were most pronounced during the critical date quarter (i.e., the last quarter of 1999 when the WAG was received or the TCA spell began). During that quarter just about eight of every ten (79.4%) WAG recipients worked, compared to less than half (43.8%) of regular TCA recipients. The typical WAG recipient earned an average of $2,882 in that quarter, more than twice the amount of average earnings ($1,344) among TCA recipients. Both differences were statistically significant.

Table 3. Employment History of WAG Recipients vs. TCA Recipients

UI-Covered Employment	WAG Recipients (n=315)	TCA Recipients (n=315)	Entire Sample (n=630)
8 Quarters Preceding Critical Date			
Percent Working***	93.0%	80.6%	86.8%
Mean Quarters Worked***	5.87	4.76	5.35
Mean Total Earnings***	$18,142	$10,847	$14,755
Mean Quarterly Earnings***	$2,783	$1,914	$2,379
Quarter of Critical Date			
Percent Working***	79.4%	43.8%	61.6%
Mean Earnings***	$2,882	$1,344	$2,335
Median Earnings	$2,391	$807	$1,647

Note: Figures for quarters worked and earnings include only those who are working.
*p<.05 **p<.01 ***p<.001

Welfare Utilization History

Table 4 presents data on the historical usage of Temporary Cash Assistance (TCA), Food Stamps, and Medical Assistance for the two cohorts. In general, even statistically significant differences between the two groups in the measures of previous TCA and Food Stamp usage were quite small.

There was no difference between the groups in terms of TCA receipt in the 12 months immediately prior to WAG issuance or the start of the new TCA spell. Both groups of clients, on average, had received welfare in only one of the previous 12 months; the average months of benefit receipt during that time frame was 1.01 months for WAG recipients and 1.25 months among TCA recipients. There was a statistically significant difference in average total months of benefit receipt when data for the preceding five years were examined, but the absolute

difference between the two cohorts was actually not very large, only about two months. WAG recipients averaged 12.13 months (out of 60 months) of welfare use, compared to an average of 14.90 months among TCA recipients.

As shown in the middle portion of Table 4, there was no difference between the groups in Food Stamp usage during the year preceding the issuance of the WAG or the start of the new TCA spell. For both groups, average usage was about five months out of twelve. Although the difference between groups in Medical Assistance participation in the year preceding the diversion event/welfare spell start was statistically significant, it was not large in actual terms. WAG recipients averaged 6.78 months of participation in the Medical Assistance program and the mean number of months for TCA recipients was 5.71.

Table 4. Program Participation Histories: WAG Recipients vs. TCA Recipients

Number of Months of Receipt	WAG Recipients (n=315)	TCA Recipients (n=315)	Entire Sample (n=630)
Temporary Cash Assistance			
Previous 5 Years*	12.13	14.90	13.51
Mean	6.00	7.00	6.00
Median	14.50	16.61	15.64
Standard Deviation	0 to 55	0 to 57	0 to 57
Range			
Previous Year			
Mean	1.01	1.25	1.13
Median	0.00	0.00	0.00
Standard Deviation	2.31	2.46	2.39
Range	0 to 11	0 to 12	0 to 12
Food Stamp Receipt			
Previous Year			
Mean	5.17	4.78	4.98
Median	4.00	4.00	4.00
Standard Deviation	4.59	4.30	4.45
Range	0 to 12	0 to 12	0 to 59
Medical Assistance			
Previous Year**			
Mean	6.78	5.71	6.24
Median	8.00	6.00	7.00
Standard Deviation	4.22	4.16	4.22
Range	0 to 12	0 to 12	0 to 12

*p<.05 **p<.01 ***p<.001

FINDINGS: RECEIPT OF CASH GRANTS OVER THREE YEARS

We now turn our attention, in this chapter, to the essential question addressed in this project: the actual amount of monetary aid provided to the two cohorts in the three year period that began with the benefit award (WAG or TCA) which brought them into our study sample. Descriptive findings are presented first and include information about the total number of 'checks' received, regardless of whether the aid was in the form of another WAG or in the form of regular TCA receipt. Information is also separately provided for both forms of cash assistance (WAG and TCA). Following this, we present findings from the multivariate analyses which, controlling for a number of background characteristics, examined total monetary benefit receipt during the three-year study period.

Descriptive Findings

Table 5, following this discussion, presents descriptive results about the two groups' receipt of any cash assistance (regular TCA benefits, and WAGs) during the three years after filing the application for aid that brought them into our sample. The table shows that, on all three measures, there are statistically significant and often very sizable differences between the two cohorts. Consistent with the underlying assumptions of welfare diversion programs, we find that, on average, WAG recipients are significantly less likely to receive regular welfare or any cash assistance (regular or WAG) and, on average, receive considerably less monetary aid overall during the three year period. Perhaps not surprisingly, persons who initially received a WAG receive more assistance in the form of WAG dollars than regular TCA recipients, as is shown in the middle section of Table 5.

In terms of specifics, the top portion of Table 5 shows that WAG recipients averaged not quite two (1.83) regular TCA checks during the 36 month study period. In other words, the average client in this cohort received regular welfare for about five percent of the total time. Among TCA recipients, in contrast, regular benefits were received in not quite twelve (11.68) of the 36 months, or about one-third of the study period. The more than five-to-one ratio in regular welfare checks received also translates to a similar proportion of monies received, as WAG recipients averaged $640 in regular welfare benefits for the three year period, compared to $4,140 received by TCA recipients, on average, in that same period of time.

In contrast, during the three-year tracking period, the middle portion of Table 5 shows that clients who were initially issued a WAG award received 1.36 WAG checks, on average, compared to 0.06 WAG checks for clients who were initially approved to begin a new regular TCA spell. On average, WAG recipients also received a significantly larger sum of money in WAGs than did members of the TCA cohort ($1,634 vs. $79, respectively).

Overall, examining both forms of assistance together, WAG recipients received fewer benefit checks for less total cash than did TCA recipients. WAG cohort members received an average of 3.19 checks in comparison to the average of 11.74 checks received by TCA cohort members. More importantly, the total cash utilized by WAG recipients ($2,274) was approximately half of what was received by TCA customers ($4,219).

Table 5. Total Receipt of Cash Grants

Three-Year Study Period	WAG Recipients (n=315)	TCA Recipients (n=315)	Entire Sample (n=630)
TCA receipt			
Number of Checks* **			
Mean	1.83	11.68	6.76
Median	0.00	9.00	4.00
Standard Deviation	4.44	8.52	8.39
Range	0 to 33	1 to 37	0 to 37
Total Amount* **			
Mean	$640	$4,140	$2,390
Median	$0.00	$3,026	$1,228
Standard Deviation	$1601	$3,562	$3,268
Range	$0 to $11,032	$207 to $17,636	$0 to $17,636
WAG Receipt			
Number of Checks* **			
Mean	1.36	0.06	0.71
Median	1.00	0.00	1.00
Standard Deviation	0.82	0.32	0.90
Range	1 to 8	0 to 4	0 to 8
Total Amount* **			
Mean	$1,634	$79	$857
Median	$1,212	$0.00	$318
Standard Deviation	$1,443	$434	$1,319
Range	$117 to $9,011	$0 to $4,152	$0 to $9,011
All Cash Assistance (TCA and WAG)			
Number of Checks* **			
Mean	3.19	11.74	7.46
Median	1.00	9.00	5.00
Standard Deviation	4.50	8.49	8.01
Range	1 to 34	1 to 37	1 to 37
Total Amount* **			
Mean	$2,274	$4,219	$3,247
Median	$1,500	$3,106	$2,254
Standard Deviation	$2,161	$3,549	$3,093
Range	$117 to $12,622	$207 to $17,636	$117 to $17,636

*p<.05 **p<.01 ***p<.001

Multivariate Findings

Table 6, following this discussion, presents findings from an Ordinary Least Squares (OLS) regression analysis which examines cash benefit receipt as a function of WAG receipt and other background characteristics. Although the initial intent of creating two matched cohorts was to eliminate differences in baseline characteristics, the statistical tests conducted between the groups showed that a few important differences remained. Thus, in order to control for these differences, a series of regression models were designed with each successive model including additional variables to determine which act as predictors for future cash benefit receipt.

The first model examines the correlation between our policy variable of interest, WAG receipt, and total cash benefit receipt in the study period. As shown in the Model 1 column of Table 6, a statistically significant, negative relationship was found between initial WAG receipt and subsequent receipt of cash benefits of either kind (WAG or regular TCA). Specifically, according to Model 1, without accounting for any other variables, the receipt of a WAG, as opposed to regular TCA, led to a $1,944.96 decrease in the total amount of cash assistance received.

In addition to measuring the effects of initial WAG receipt, Model 2 also includes the variables of age, sex (female = 1), race (African American = 1), and marital status (never married = 1), number of children, child only case status, and having more than one adult on a case. Once again, even when controlling for these other variables, a statistically significant, negative relationship was found between initial WAG receipt and subsequent cash benefit receipt. Under Model 2 we find that those who initially were issued a WAG rather than approval to begin a new spell of regular TCA payments, received $2,081.52 less in any type of monetary aid over the three years than did TCA recipients. The only other variable found to be significantly associated with cash benefit receipt in this model was number of children; as the number of children increased, so did cash benefit receipt by $590.26.

In addition to the aforementioned variables, Model 3 includes employment history during the two years prior to initial WAG receipt (number of quarters employed), employment status during the calendar quarter in which the initial WAG was issued (employed = 1), earnings in $1000s in the WAG award quarter, and total months of TCA benefits received during the five years before the initial WAG award. Somewhat surprisingly, none of these newly added variables were statistically significant even though differences between the two groups of clients (WAG and TCA recipients) on these measures were notable in the bi-variate analyses. In Model 3 the number of children continues to be statistically correlated with subsequent total cash benefits, along with WAG receipt. Receiving a WAG reduced cash benefit receipt by $1,812.20 during the 36-month study period, and each additional child on the grant increased cash benefit

receipt by $565.16. The bottom-line is that, even when controlling for all other variables, Model 3 shows that the impact of WAG receipt remains robust, leading to a reduction of total cash benefit receipt during the three-year tracking period. This relationship is statistically significant at the p<0.001 level.

Table 6. OLS Regression Models Predicting Cash Grant Receipt

Predictor	***Model (1)***	***Model (2)***	***Model (3)***
WAG recipient	-1944.957*** (234.127)	-2081.515*** (232.174)	-1812.203*** (261.081)
Age		1.362 (15.212)	-3.676 (15.570)
Sex		408.449 (555.701)	366.358 (558.726)
Race		-18.094 (247.003)	4.729 (253.828)
Marital Status		256.273 (254.411)	243.212 (254.999)
Number of children		590.260*** (99.261)	565.160*** (99.772)
Child-only case		166.025 (1670.352)	493.048 (1675.789)
More than 1 adult on case		145.067 (367.494)	207.359 (374.568)
Employment history			-30.785 (45.426)
Employment status at critical study date			-511.897 (292.019)
Earnings ($1000s) in quarter of critical study date			7.717 (65.333)
TCA history			13.143 (7.951)
R^2	0.099	0.153	0.164
Sample Size	630	630	630

*p<0.05, **p<0.01, ***p<0.001

DISCUSSION AND CONCLUSIONS

The fundamental purpose of welfare diversion strategies is "to provide assistance to TANF applicants in an effort to eliminate their need for ongoing cash assistance" (Maloy, Pavetti, Shin, Darnell, & Scarpulla-Nolan, 1998). Thus, in some respects it can be said that diversion strategies represent an attempt to introduce the notion of primary or at least secondary prevention into the delivery of means-tested income assistance for low-income families with children. To date, the most commonly used diversion technique has been that of lump sum payments, often the monetary equivalent of one or more months of the cash assistance grant to which the family would otherwise be entitled. The potential preventive power of lump sum payments seems self-evident. As Friedman (1999) notes, lump sum payments "provide potential welfare applicants with short-term financial assistance to meet emergency needs…to secure or retain employment…to meet emergency needs during short periods of unemployment…for car repair, child care or rental assistance…or to stabilize employment".

In Maryland, lump sum payments are a key component of the state's diversion program and are referred to as Welfare Avoidance Grants or WAGs. The intent of WAGs and our diversion program more generally is one of prevention, "to help families remain independent and avoid the need for TCA" (Maryland State TCA Manual, 2000). The present study finds that WAGs are achieving their stated purpose: meeting families' immediate financial needs while also helping them to avoid becoming enmeshed in the ongoing welfare system. In addition, study results indicate that the use of WAGs has saved the State money as well. Most succinctly stated, clients who received WAGs make minimal use of cash benefits (WAG or TCA) over the next three years compared to a matched cohort of clients who applied for aid at the same time but for whom the outcome was the start of a new spell of 'regular' TCA instead. On average, WAG recipients received only one-fourth the number of total assistance checks (WAG or TCA) during the three-year study period and received approximately one-half the amount of total monetary assistance than did TCA recipients ($2,274 vs. $4,219, respectively). Even after controlling for a number of baseline characteristics using multivariate regression analyses, the receipt of a WAG as opposed to TCA led to an average $1,812.20 per case reduction in the amount of total cash benefits received during the three-year period.

These findings do not mean, necessarily, that WAG clients over the long run will always have better outcomes than recipients of regular, ongoing cash assistance benefits or that the WAG program is more "successful" or "effective" than TCA. By definition and design, the WAG program is intended to serve a particular segment of clients who appear at the local welfare agency in a time of financial crisis or need: those whose need for ongoing involvement with cash assistance can be prevented through the provision of one-time financial help.

Study findings have several programmatically important implications. First, it seems clear from these data that, in general, local Departments of Social Services (LDSS) have done a very good job in correctly assessing the appropriateness of WAGs for the population of clients who have received them. This is not to say that perhaps other clients could not have benefited from issuance of a WAG instead of ongoing assistance. In this regard, the very low number of WAGs issued in Baltimore City may be of note. Nonetheless, with such a large proportion of WAG recipients able to forego any additional monetary aid over an extended period (three years), one must conclude that caseworker assessments in WAG-recipient cases have been on the mark.

Second, the data show quite clearly that the Maryland WAG program is fulfilling its implied promise of helping at-risk families at the same time as not entangling them in a long-term (or costly) relationship with public assistance. Simply stated, WAG recipients receive less subsequent monetary aid than do TCA recipients. Thus, despite some pundits' initial concerns, the WAG program, in Maryland at least, is not simply TCA under a different name. Related to this, there is also no hint in these data that there are any 'red flags' or warnings that need to be raised with regard to our state's overall diversion policy or its WAG policy in particular.

Finally and most broadly, the demonstrated positive outcomes of Maryland's Welfare Avoidance Grant (WAG) program provide more confirmation of the wisdom and appropriateness of the state's careful, bi-partisan approach to welfare reform and of the skill and dedication with which local Departments of Social Services staff have carried out their 'reformed' and expanded duties in the area of cash assistance. Diversion in general and WAGs in particular were innovative techniques for which, at the time of their adoption, our state had few precedents and little in the way of historical experience to guide implementation. Despite this, study findings suggest that careful planning and skillful implementation have resulted in positive outcomes, for families and for program budgets.

Effectively addressing the many old and new challenges associated with TANF reauthorization will certainly require creativity, thoughtfulness, and deliberation, hallmarks of Maryland's original approach to TANF challenges in the mid-1990s. Today's study results, as well as those from our legislatively mandated *Life After Welfare* project and others, suggest we would be wise to remember and to emulate the planning and decision-making approaches from the mid-1990s that empirical data show have served our state and its families so well.

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