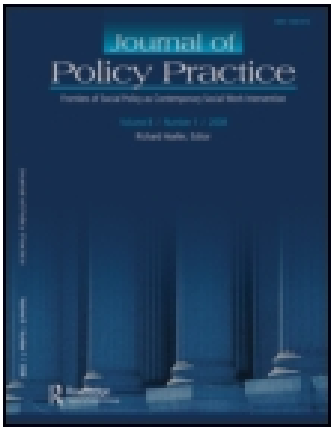

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A Rose by Any Other Name? Lump-Sum Diversion or Traditional Welfare Grant?

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A Rose by Any Other Name? Lump-Sum Diversion or Traditional Welfare Grant?

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SUMMARY. Critics of diversion grants, lump-sum payments designed to alleviate short-term emergencies and prevent the need for ongoing Temporary Assistance to Needy Families (TANF) receipt, claim that recipients use monetary amounts similar to traditional welfare recipients. This paper examines the total cash grants for two cohorts of TANF applicants: those whose applications resulted in a TANF grant and those who received a diversion grant. Multivariate regression models show that diversion leads to a reduction of $1,841.44 in cash benefit receipt during

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the three-year tracking period ($p < 0.001$). Findings suggest that diversion payments are not TANF under another name.

KEYWORDS. Welfare, diversion, Temporary Assistance to Needy Families (TANF)

INTRODUCTION

Diversion strategies, established by the 1996 federal welfare reform legislation, the Personal Responsibility and Work Opportunities Reconciliation Act (PRWORA), are alleged to be innovative techniques to help families avoid welfare dependency. The premise of diversion is that monthly cash grants may not be the best way of helping poor families in all cases and other, more appropriate, services may enable them to become self-sufficient without ever entering the "rolls." In many states, including Maryland, diversion allows potential Temporary Assistance to Needy Families (TANF) recipients to collect one large lump-sum payment, so that rather than receiving smaller monthly TANF checks, individuals receive the equivalent of several months of benefits at once in order to alleviate an immediate crisis, such as an urgent automobile repair or avoiding an eviction. The only restriction is that they are then ineligible to receive TANF for the equivalent number of months.

Diversion grants are especially appealing in these times of budget shortfalls as it is assumed that one-time lump-sum grants are less costly than traditional, longer-term, cash assistance. This assumption, however, has not been unequivocally determined. Some scholars believe that diversion strategies are as costly as monthly grants and, moreover, do not offer the same incentives such as time limits and work requirements as TANF does (Besharov & Germanis, 2004). Also, if work participation rates increase with TANF reauthorization, diversion could be used as a way for states to reduce the number of people required to work and thus increase their rates through legerdemain.

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?

Using Maryland State administrative data, this study compares the total receipt of cash grants over a three-year period of two welfare applicant cohorts, those whose application resulted in a Welfare Avoidance Grant (WAG) and those who became new TANF clients. The cohort of individuals who received a WAG between October 1, 1999 and December 31, 1999 (n = 315) was matched on two criteria, region and number of adults, to a sample of new TANF recipients of the same time period. Data on the two groups' use of cash grants, both WAGs and TANF, over 36 months were tracked and calculated. Additionally, an Ordinary Least Squares regression model was designed with other demographic and life experience controls to determine whether or not WAG receipt resulted in a lesser amount of cash assistance during the 36-month outcome period. The findings are important not only for Maryland, but also for other states implementing and developing policies related to diversion grants. Many states have lump-sum programs similar to Maryland's; others may also be able to design similar studies specifically for their own state's program.

BACKGROUND

While a few studies have examined the prevalence and characteristics of diverted clients (for a review, see Lacey, Hetling, & Born, 2002; London, 2003), little research has been done to determine whether diversion strategies actually divert or merely delay cash assistance or whether diversion programs are a cost-effective alternative to monthly cash assistance receipt. Research on diversion is lacking partly because such strategies were not a part of pre-reform state waiver experiments. Moreover, as per the design of TANF, states have great leeway in their use of diversion programs, if they choose to implement diversion programs at all. The three forms of formal diversion programs, lump-sum payments, job search, and alternative resources, can be offered independently or in any combination (for more information, see Lacey, Hetling, & Born, 2002). This flexibility, while programmatically beneficial, poses great barriers for evaluation and research on diversion programs. Additionally, some research has highlighted the use of informal diversion tactics, or techniques or methods that hinder or deter an individual's successful completion of the application process.

This study focuses on formal diversion strategies and, in particular, lump-sum payments, the most widely used of the three formal types of diversion. As of this writing, 30 states currently offer some sort of cash di-

version program (Administration for Children & Families, 2002). Among the states that offer lump-sum payment programs, there are also variations in the amount of money an individual is allowed to receive at one given time and five states allow counties to determine how they want to implement their programs (Administration for Children & Families, 2002).

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 not usually 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 are often not detailed enough for research purposes and do not provide a clear picture of the circumstances surrounding the diversion event or the characteristics of the family.

As a result of these barriers to research on diversion, most research efforts are state-specific, resulting in a handful of state-level reports and only one national study to date. The national study utilized the 1999 National Survey of America's Families (NSAF), and focused on recipients of lump-sum payments (London, 2003). The study analyzed the characteristics of diverted clients and found that diversion programs may be targeting two distinct groups: job-ready applicants with high levels of education and unprepared applicants with low education levels who perhaps opt for the larger sum of money and attempt to save future months of TANF. The study also analyzed the outcomes of diverted clients in comparison to TANF leavers in terms of employment outcomes and Food Stamps and Medicaid receipt.

The interpretation of the findings of this national study is more cautious in attributing success to diversion programs than are most of the state-level studies that have been conducted up to this point. To date, there have been a number of state studies conducted on diversion programs (Assistant Secretary for Planning and Evaluation, 2002). State-level outcome studies have focused on recidivism rates of diverted clients and have found that diverted clients returned to cash assistance at slightly less or comparable rates as TANF leavers (Goldsmith & Valvano, 2002; Lacey et al., 2002; Schexnayder, Schroeder, Lein, Dominguez, Douglas, & Richards, 2002).

Of the studies that have looked at the potential savings of diversion, the initial results seem positive. A study on South Dakota's diversion program concluded that one $300 payment, the average monthly benefit for the typical South Dakota AFDC recipient, can save taxpayers nearly $7,000 (U.S. Department of Labor, Employment & Training Administra-

tion, 2003). Thus, it has been alleged that the $40,000 spent on diversion payments for 134 potential welfare applicants theoretically saved South Dakota more than $900,000 in roughly two years (U.S. Department of Labor, Employment & Training Administration, 2003). A study on Colorado's diversion program has estimated that the State saves as much as $5.4 million annually by helping people avoid spells on TANF through its program (Goldsmith & Valvano, 2002). Furthermore, a comparison of Kentucky's diversion program and cash assistance program has shown that Kentucky saves $347 a year per diversion case, producing an annual savings of over $2 million (Barber, Daugherty, & McAdams, 2002).

The research presented here addresses this issue of cost by calculating the amount of cash grants for two cohorts of TANF applicants: those whose applications resulted in the award of a "regular" TANF grant and those whose applications resulted in issuance of a WAG. The major question guiding our research is: Do diverted clients receive more or less cash through the WAGs and subsequent monthly cash assistance (if applicable) than do individuals receiving monthly TANF grants? While our question is not new, the methods used distinguish our research from previous studies and add to the current literature in two important ways. First, the study utilizes a longer follow-up period than other state studies. Second, we control for differences in background characteristics through the use of matching samples and regression techniques, a critical method considering the large, identified differences between diverters and TANF recipients.

METHODS

Samples

Between October 1, 1999 and December 31, 1999 a total of 5,372 individuals applied for TANF and subsequently were issued either a WAG (n = 325) or began a TANF spell (n = 5,047). Chi-square and ANOVA tests were conducted between the two cohorts on the variables of race, region, number of adults, number of children, and marital status. Based on theory and the bivariate data 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 stood out as being both statistically significant and very large. Moreover, in other research, region, in particular urban versus suburban or rural differences, has consistently been noted as an important determinant in welfare exit and de-

pendency (for example, Allen & Kirby, 2000). In order to ensure that outcome differences between the two groups could not be attributed solely to this variable, recipients within the two groups were separated into their respective regions.

Chi-square and ANOVA tests were subsequently performed on the variables of race, number of adults, number of children, and marital status for the regional groups. During these analyses, statistically significant differences in the number of adults per case were consistently found between the two groups, in all regions. Again, the number of adults is often included in analyses as a predictor of welfare dependency or self-sufficiency; 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 (Wood & Strong, 2002). In order to ensure that outcome differences between the groups could not be attributed to this factor, the variable measuring number of adults was also used as a matching criterion.

Using these two dimensions, the study sample was then narrowed down to two groups. Each group was matched on region and the number of adults, and consisted of 315 persons. In each matched pair, one sample member received a WAG in October, November, or December of 1999, and the other began a new TANF spell during the same time period. Table 1, below, shows the number and percentage of recipients from each region and the breakdown for the number of adults on each case.

TABLE 1. Matching Variable Frequencies

Matching Criteria	WAG recipients	TANF recipients
Region		
Baltimore City	2 (0.6%)	2 (0.6%)
Prince George's County	5 (1.6%)	5 (1.6%)
Metro Region	131 (41.6%)	131 (41.6%)
Southern Maryland	79 (25.1%)	79 (25.1%)
Western Maryland	33 (10.5%)	33 (10.5%)
Upper Shore	9 (2.9%)	9 (2.9%)
Lower Shore	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%)

Notes: The Metro Region is made up of Baltimore, Montgomery, Carroll, Harford, Howard, and Frederick Counties. Southern Maryland included Anne Arundel, Calvert, Charles, and St. Mary's Counties. Western Maryland consisted of Garrett, Allegany, and Washington Counties. The Upper Shore consisted of Cecil, Kent, Queen Anne's, Caroline, Talbot, and Dorchester Counties, and the Lower Shore consisted of Worcester, Wicomico, and Somerset Counties.

Data Sources

Findings for this report were based on data retrieved by the authors from three different Maryland state administrative data systems. All demographic characteristics and program participation data were obtained from the Automated Information Management System/Automated Master File (AIMS/AMF) and the Client Automated Resources and Eligibility System (CARES). CARES is the official statewide automated data system for public welfare programs overseen by the Department of Human Resources and includes information on individual and case level program participation data for cash assistance, Food Stamps, Medical Assistance and Social Services, as well as important demographic information. AIMS/AMF was the predecessor to CARES, which officially replaced AIMS/AMF in 1998. Although no new data have been entered into AIMS/AMF since 1998, it is still a valuable resource for data regarding historical program participation.

Information regarding employment and earnings was obtained via the Maryland Automated Benefits System (MABS), which contains data on all Unemployment Insurance-covered jobs in Maryland. Examples of jobs not tracked within this system 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 ones that are located outside of Maryland.

Analyses

Data from the above sources were used to profile demographic characteristics, welfare and employment experiences of the two cohorts. This profile is intended to provide a description of the groups and aid in understanding background differences between the groups both for programmatic and statistical purposes. Bivariate analyses, specifically Chi-square and ANOVA tests, were used to examine the differences.

Multivariate analyses were used to examine the primary outcome measure, total cash benefit receipt, during the three-year tracking period of the two cohorts, controlling for a number of background characteristics, and were based on the following model.

$$\text{Outcome} = \alpha + \beta_{\text{WAG}} + \beta X_{\text{Demographics}} + \beta X_{\text{Work/welfare history}} + \beta_{\text{City residence}} + \varepsilon$$

The WAG variable measures the impact of WAG receipt on the outcome variable. Because the TANF recipient cohort served as the control or reference group, TANF receipt was not included in the model. The matrices of demographic and work and welfare history variables were included in the model as important independent variables that likely influence the outcome variable. Demographic variables included age in years at the critical study date, sex (female = 1, male = 0), race (African American = 1, other = 0), marital status (never married = 1, other = 0), number of children, and number of adults (one adult cases were the reference group with child-only and more than one adult variables in the model). Work and welfare historical variables included the number of quarters employed over the past eight calendar quarters or two years, employment status at the critical study date, earnings in $1,000s in quarter of critical study date, and number of months of TANF receipt out of the past 60 months. Lastly, City residence was included in the model as an independent variable.

As previously explained, the outcome or dependent variable covered a three-year follow-up period. The follow-up period began with the receipt of a check (WAG or regular) and the dependent variable was total cash benefit receipt. This continuous variable measures the total amount of cash received through either TANF or WAG checks during the three-year follow-up period. The average receipt for the sample members was $3,247 with a standard deviation of $3,093. The range of cash received was between $117 and $17,636. 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: holding individual background characteristics constant, do WAG recipients receive more or less cash assistance than TANF recipients? Ordinary Least Squares (OLS) regression was used to analyze the model. This type of multivariate regression model is used 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.

BASELINE CHARACTERISTICS

While we were not able to match the two groups on all background characteristics, the demographic profiles are very similar. Out of the

seven demographic variables not used in the matching process, very small, but statistically significant differences were found on three measures. Moreover, WAG and TANF recipients were found to be statistically equal on the remaining four measures, as highlighted in Table 2. Table 2 also presents data on the historical employment experiences and usage of Temporary Cash Assistance (TANF), Food Stamps, and Medical Assistance for the two cohorts.

TABLE 2. Baseline Characteristics of WAG Recipients vs. TANF Recipients

Characteristics	WAG Recipients (n = 315)	TANF Recipients (n = 315)	Entire Sample (n = 630)
Payee's Gender			
Female (n)	95.9% (302)	94.6% (298)	95.2% (600)
Payee's Age*			
Mean (Standard Deviation)	31.38 (7.81)	29.98 (8.52)	30.68 (8.20)
Range	18 to 55	18 to 65	18 to 65
Payee's Age at First Birth			
Mean (Standard Deviation)	22.13 (5.24)	21.39 (5.12)	21.78 (5.19)
Range	14 to 42	11 to 41	11 to 42
Payee's Racial/Ethnic Background			
African American (n)	53.0% (160)	53.8% (164)	53.4% (324)
Caucasian (n)	45.4% (137)	43.6% (133)	44.5% (270)
Other (n)	1.7% (5)	2.6% (8)	2.1% (13)
Marital Status*			
Never Married (n)	49.2% (155)	61.6% (194)	55.4% (349)
Number of Children**			
Mean (Standard Deviation)	2.04 (1.17)	1.77 (1.24)	1.91 (1.21)
Range	0 to 8	0 to 9	0 to 9
Age of Youngest Child			
Mean (Standard Deviation)	5.54 (4.49)	5.24 (4.79)	5.39 (4.64)
Range	< 1 mo to 17 yrs	< 1 mo to 18 years	< 1 mo to 18 yrs
Households with a child under 3 (n)	37.1% (115)	43.4% (126)	40.2% (241)
UI-Covered Employment			
8 Quarters before study date			
Percent Working***	93.0%	80.6%	86.8%
Mean Quarters Worked***	5.46	3.84	4.65
Mean Quarterly Earnings***	$2,588	$1,544	$2,066
Quarter of study date			
Percent Working***	79.4%	43.8%	61.6%
Mean Earnings***	$2,287	$589	$1,438
Months of TANF Receipt in Previous 5 Years*			
Mean (Standard Deviation)	12.13 (14.50)	14.90 (16.61)	13.51 (15.64)
Previous Year			
Mean (Standard Deviation)	1.01 (2.31)	1.25 (2.46)	1.13 (2.39)

Notes: *p < .05 **p < .01 ***p < .001

Although statistically significant differences were found for three demographic measures, the practical differences between the values were actually quite small. WAG recipients were, on average, slightly older than TANF 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%) TANF 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 TANF household had 1.77 children.

In comparing patterns of employment before and during the critical study quarter, WAG recipients were more likely to have worked and earned more than TANF recipients and the difference between the two cohorts was statistically significant on each measure analyzed. In the eight quarters, or two years, preceding the critical study date, more than nine of every 10 (93.0%) WAG recipients worked at some point, averaging a total of 5.46 quarters during that period. In comparison, slightly more than eight of every 10 (80.6%) TANF recipients worked at all during the same period and the average time spent employed was 3.84 quarters. During this period WAG recipients earned on average $16,875, almost double the amount earned by TANF recipients ($8,747). The differences in employment were greatest between the two cohorts in the last quarter of 1999, the calendar quarter containing the critical study date. During that quarter almost eight of 10 (79.4%) WAG recipients worked while less than half (43.8%) of TANF recipients were employed. The typical WAG recipient earned an average of $2,287, nearly four times the average ($589) earned by TANF recipients.

In general, even statistically significant differences between the two groups in the measures of welfare use were quite small. Regarding TANF receipt in the prior year, WAG recipients received an average of 1.01 months of assistance, compared to 1.25 months for TANF recipients. While statistically significant, the difference in TANF receipt in the five years preceding the critical study date was less than three months with WAG recipients averaging 12.13 months of TANF receipt and TANF recipients averaging 14.90 months.

RECEIPT OF CASH GRANTS OVER THREE YEARS

Table 3 presents information comparing the cash benefits (WAG and TANF) received by the two cohorts in the three-year period beginning

with the benefit that brought them into our sample. Table 4 contains the results of an Ordinary Least Squares regression analysis examining the amount of cash assistance received in the 36-month follow-up period controlling for a number of background characteristics. Table 3 is divided into three sections in order to describe the differences in the type of cash assistance received by the two groups. Table 4 focuses only on the total amount of cash, regardless of the type of assistance. All of the differences mentioned in the following discussion are statistically significant.

Descriptive Findings

As seen in Table 3, WAG recipients averaged fewer TANF benefit checks (1.83) than TANF recipients (11.68). The more than five-to-one

TABLE 3. Total Receipt of Cash Grants During 36-Month Tracking Period

	WAG Recipients (n = 315)	**TANF Recipients (n = 315)**	**Entire Sample (n = 630)**
TANF receipt			
Number of Checks***			
Mean (Standard Deviation)	1.83 (4.44)	11.68 (8.52)	6.76 (8.39)
Median	0.00	9.00	4.00
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	$1,601	$3,562	$3,268
Range	$0 to $11,032	$207 to $17,636	$0 to $17,636
WAG Receipt			
Number of Checks***			
Mean (Standard Deviation)	1.36 (0.82)	0.06 (0.32)	0.71 (0.90)
Median	1.00	0.00	1.00
Range	1 to 8	0 to 4	0 to 8
Total Amount***			
Mean (Standard Deviation)	$1,634 ($1,443)	$79 ($434)	$857 ($1,319)
Median	$1,212	$0.00	$318
Range	$117 to $9,011	$0 to $4,152	$0 to $9,011
All Cash Assistance (TANF and WAG)			
Number of Checks***			
Mean (Standard Deviation)	3.19 (4.50)	11.74 (8.49)	7.46 (8.01)
Median	1.00	9.00	5.00
Range	1 to 34	1 to 37	1 to 37
Total Amount***			
Mean (Standard Deviation)	$2,274 ($2,161)	$4,219 ($3,549)	$3,247 ($3,093)
Median	$1,500	$3,106	$2,254
Range	$117 to $12,622	$207 to $17,636	$117 to $17,636

Notes: *p < .05 **p < .01 ***p < .001

ratio in checks received translated to a similar proportion of TANF monies received, as WAG recipients averaged $640, compared to $4,140 received by TANF recipients. In contrast, during the three-year tracking period, WAG recipients received a greater number of WAG checks (1.36) on average than did TANF recipients (0.06 TANF checks). On average, WAG recipients also received a much larger sum of money in WAGs than did members of the TANF cohort ($1,634 vs. $79, respectively).

TABLE 4. Ordinary Least Squares Regression Predicting Cash Benefit Receipt

Predictor	*Model (1)*	*Model (2)*	*Model (3)*	*Model (4)*
WAG recipient	–1944.957*** (234.127)	–2081.515*** (232.174)	–1812.203*** (261.081)	–1841.438*** (258.335)
Age		1.362 (15.212)	–3.676 (15.570)	–0.970 (15.416)
Sex		408.449 (555.701)	366.358 (558.726)	368.315 (552.611)
Race		–18.094 (247.003)	4.729 (253.828)	–58.745 (251.595)
Marital Status		256.273 (254.411)	243.212 (254.999)	285.405 (252.448)
Number of children		590.260*** (99.261)	565.160*** (99.772)	558.179*** (98.696)
Child-only case		166.025 (1670.352)	493.048 (1675.789)	470.887 (1657.458)
More than 1 adult on case		145.067 (367.494)	207.359 (374.568)	231.090 (370.520)
Employment history			–30.785 (45.426)	–24.746 (44.957)
Employment status at critical study date			–511.897 (292.019)	–499.836 (288.840)
Earnings in $1000s in quarter of critical study date			0.008 (0.065)	0.014 (0.065)
TANF history			13.143 (7.951)	10.994 (7.883)
City residence				5489.201*** (1431.265)
R^2	0.099	0.153	0.164	0.183
Sample Size	630	630	630	630

Notes: *p < 0.05, **p < 0.01, ***p < 0.001

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

Multivariate Findings

Table 4 presents findings from an Ordinary Least Squares regression analysis examining 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 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 follow-up period. A statistically significant, negative relationship was found between WAG receipt and cash benefit receipt. Specifically, according to Model (1), without accounting for any other variables, the receipt of a WAG, as opposed to TANF, led to a $1,944.96 decrease in the follow-up cash total received.

In addition to measuring the effects of WAG receipt, Model 2 also looked at age, sex, race, marital status, number of children, child only cases, and having more than one adult on a case. Once again, even when controlling for the other variables, a negative significant relationship was found to exist between WAG receipt and cash benefit receipt at the $p < 0.001$ level. Model 2 found that those who received a WAG received $2,081.51 less than TANF recipients. The only other variable found to be significantly correlated with cash benefit receipt in this model was number of children, also at the $p < 0.001$ level, but this was a positive relationship. 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 over the past two years, employment status in the critical study quarter, earnings in $1,000s in quarter of the critical study date, and historical months of TANF during the previous five years. Surprisingly, none of the newly added variables were statistically sig-

nificant although differences between the two cohorts on these measures were notable in the bivariate analyses. The number of children continued to be statistically correlated with total cash benefits as did WAG receipt. Receiving a WAG reduced cash benefit receipt by $1,812.20 during the 36-month period, and each additional child on the grant increased cash benefit receipt by $565.16.

Model (4), the final model, added city residence as a factor in cash benefit receipt to the previously mentioned variables. In this model, both city residence and number of children were found to have positive significant relationships with cash benefit receipt. Living in the city increased cash benefit receipt by $5,489.20, while each additional child increased cash benefit receipt by $558.18. When controlling for all other variables, Model (4) shows that the impact of WAG receipt remains robust, leading to a reduction of $1,841.44 in total cash benefit receipt during the three-year tracking period. This relationship remains statistically significant at the $p < 0.001$ level.

DISCUSSION AND CONCLUSION

Welfare Avoidance Grants were designed to help those families who, under normal circumstances, are most likely able to be self-sufficient, but due to extenuating circumstances find themselves temporarily unable to make ends meet or are in a position where without some immediate financial help will soon be unable to do so. Briefly stated, recipients of WAGs, according to these data, are making minimal use of cash benefits in comparison to new TANF recipients. On average, WAG recipients received one-fourth the number of total assistance checks during the three-year tracking period and approximately half the amount of cash that TANF recipients did ($2,274 vs. $4,219, respectively). After controlling for a number of baseline characteristics using multivariate regression analyses, the receipt of a WAG as opposed to TANF led to a $1,841.44 reduction in the amount of cash benefits received during the three-year tracking period.

Although these numbers may suggest that WAG program participants have better outcomes than those receiving TANF and that perhaps the WAG program is more "successful" or "effective" than TANF, this type of inference is not valid. Although WAG customers do need to qualify for TANF before receiving a WAG, financial eligibility is not the only criterion used to determine whether or not someone receives a WAG. WAG recipients are supposed to be, by definition, those who

have a high likelihood of being able to remain independent after receiving a WAG, obviously a factor not taken into consideration before someone is granted TANF. Moreover, although differences in employment experiences were not statistically significant in the multivariate models, a variety of unobservable or unmeasured characteristics may be at play. For example, WAG recipients may have negative attitudes towards traditional monthly assistance or may have jobs in better industries than do TANF recipients. Both factors would logically influence the receipt of cash benefits in the tracking period. Alternatively, perhaps WAG recipients have the perception that it is too difficult to qualify for monthly aid and are thus deterred from submitting another application. Because of these unanswered questions, it is impossible to attribute the identified impact to the policy alone and not partially to the attributes of the participants.

Even after taking these considerations into account, however, the results of this study seem to suggest that the WAG program is fulfilling its implied promise of helping at-risk families without entangling them in a long-term (or costly) relationship with public assistance. With a large proportion of WAG recipients able to make minimal use of initial cash grants and forego additional assistance, these data indicate that caseworkers are correctly identifying those who would benefit most from a WAG. Additionally, findings indicate that once those people have been correctly identified, the program has been sufficient in helping them remain off of assistance. Although results indicate that individuals who receive WAGs have benefited from the program, our findings cannot determine whether or not caseworkers are under-identifying individuals. It is possible, especially considering how relatively few individuals had participated in the program, at least during the later months of 1999, that other potential recipients who have not been offered a WAG or have turned it down because they do not fully understand this new program may also succeed with the help of a WAG. At the other extreme, we would caution that most likely WAGs are not appropriate strategies for all TANF applicants and should not be universally granted.

We conclude that recipients of lump-sum diversion payments do use less cash assistance than TANF recipients and that, at least in our study state, diversion is not simply TANF under a different name. The program appears to be one positive innovation resulting from the 1996 welfare reform legislation, and is further evidence of the need for innovative thinking when struggling with the challenges inherent in running a social service program within the confines of a budget. The objectives of assisting families and reducing the welfare rolls may seem paradoxi-

cal in nature. However, innovative programs such as lump-sum payments illustrate that it is possible to provide relief to those in need while at the same time reducing costs and providing financial aid to families without enmeshing them in "welfare."

Regardless of the preliminary nature of the findings and a degree of uncertainty due to possible selection bias, we feel sufficiently confident in the findings and continued potential of diversion to present two groups of recommendations. First, agency policy and frontline practice should continue to make use of diversion strategies, with a degree of caution, for those clients struggling with short-term crises. In addition, it would benefit future research endeavors as well as the clients themselves to interview those diverted clients who return to the rolls regarding the reasons for their return and the perceived benefit provided by the lump-sum payment program.

Second, as with so many other research projects, the answers to these research questions have led to other important ones. Specifically, questions regarding background differences and identifying potential recipients are very important and merit further attention perhaps with research focused on subgroup analyses. Diversion strategies were designed for and are targeted to individuals experiencing specific situations. Identified background differences in age, race, marital status, place of residence, and child-only cases beg the question of how participation in diversion programs as opposed to TANF affects different groups. While the effect of a WAG seems positive for the general group of recipients, perhaps future research will be able to identify certain subgroups who benefit more or less from this strategy. This is particularly important given criticisms that the use of diversion strategies may increase dramatically if states choose to use lump-sum grants as a way to meet stricter work participation rates.

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