

Chapter 5

TANF-Diverted Households

Welfare reform gave States the option of using TANF diversion policies to encourage families not to become TANF recipients. Diversion policies are designed to help TANF applicants find employment or temporary financial assistance rather than seek welfare benefits. States use a variety of diversion policies, including requiring TANF applicants to conduct job searches before they can apply or be approved for TANF benefits, offering lump sum cash payments or expense vouchers to help households deal with short-term financial crises, and requiring applicants to explore programs and resources besides TANF before filing an application.

Diversion is not a component of the Food Stamp Program, but because TANF and food stamp applications are usually conducted concurrently, concerns have been raised that applicants might be confused about the differing program requirements. Some applicants might think, for example, that accepting TANF lump sum payments would make them ineligible for food stamp benefits. (A 1999 regulatory initiative clarifying this issue indicated that families who receive any form of TANF benefit are categorically eligible for food stamps.) Or they might view a TANF job search requirement as a hurdle that must be cleared before they could receive food stamps. Such confusion and misunderstanding might discourage some households from applying for food stamp benefits or from completing the application process once they begin it.

To examine this issue, a special survey focused on households that received lump-sum diversion payments. Job search diversion was not covered in this survey because it proved impossible to obtain lists of the households subject to this policy.¹ In addition to the special survey, the survey of applicants provided some limited information on households who experienced TANF diversion.

Lump-sum diversion was found to be a rather uncommon TANF practice. In June 2000, the focus month for the special survey, only 18 of the 40 States in the study reported that they used lump-sum diversion.² Even those States with a diversion policy applied the policy infrequently. Seven of the 18 States made no lump-sum diversion payments to cases in the sample office in June 2000, and one State kept no separate records of lump sum payments. Ten States made some diversion payments in June 2000, but the total number of payments in the sampled offices was only 179 and only about half of the sampled offices in those States had one or more cases that received a lump-sum payment. Based on sampling ratios, this implies that 3,246 households received TANF lump sum payments in June 2000.

All of the 179 households that were given cash payments in lieu of applying for TANF in June 2000 were included as candidates for the survey. The survey questions were designed to learn about their

¹ Few States or local offices could provide lists of applicants subject to job search requirements. Information on job search appears to be maintained in a variety of ways, but often is accessible only at the caseworker level.

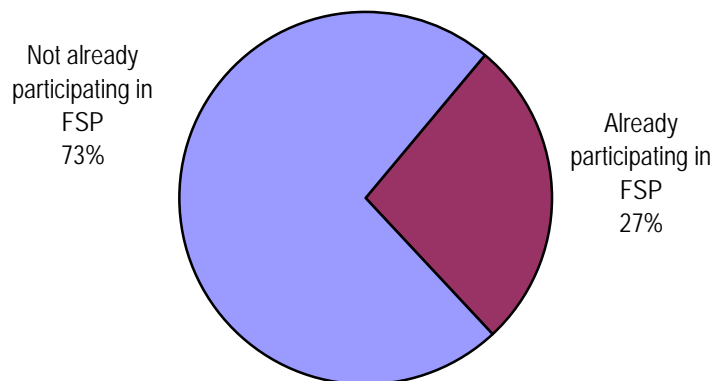
² Our sample States varied in their adoption of other types of TANF diversion policies in 2000. According to Maloy et al. (2000), nine of the 40 States had no TANF diversion policy, 24 States used some type of job search diversion and 7 States required applicants to seek alternative resources.

household circumstances, whether or not they applied for food stamps, and their experiences and perceptions that might bear on their pursuit of food stamp assistance. The survey was able to reach 99 of those households. All these households are included in the analysis.

Did Households That Received Diversion Payments Apply for Food Stamp Benefits?

When concerns are expressed about the effect of TANF diversion on food stamp participation, the usual assumption is that the diverted household would be a nonparticipating household applying for TANF who might also apply for food stamp benefits. Almost three-quarters of the TANF-diverted households (73 percent) found in the study fit the assumed model, but the other 27 percent of the cases were in fact already participating in the FSP (figure 5.1).

Figure 5.1—FSP status of TANF-diverted households in month of lump-sum payment



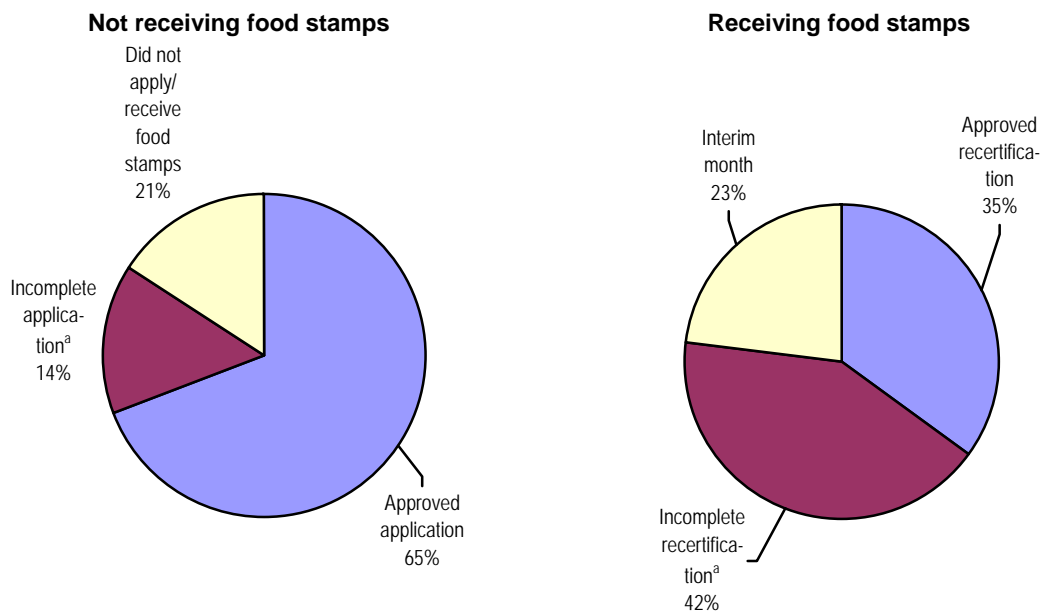
Percentages derived from appendix table B.26.

Two-thirds (65 percent) of the TANF-diverted households that were not already receiving food stamp benefits went on to do so—they filed FSP applications and were approved (figure 5.2). The remaining households were divided between those who did not apply for food stamps (21 percent) and those who filed an application but did not complete the application process (14 percent). The latter group may include some households that filed a food stamp application before receiving the lump sum TANF payment and abandoned their application after the lump sum was awarded. The available data do not describe the sequence of these events, however. Excluding the households who did not apply for food stamps, 83 percent of the TANF-diverted households were approved for food stamps—almost exactly the same as the approval rate for circumstantially eligible applicants seen in Chapter 4.

Among the TANF-diverted households that were already receiving FSP benefits, just over three quarters (77 percent) were due for recertification in the month in which they received the lump sum payment. These cases might not have been receiving TANF previously and used the FSP recertification as an opportunity to apply. Alternatively, they may have been receiving TANF benefits already, and the opportunity to receive the lump-sum diversion payment may have arisen as part of the TANF recertification. Whatever the circumstances, 35 of the 77 percent—or 45 percent of those in their recertification month—completed the food stamp recertification process and were approved for continued benefits. The 45 percent continuation rate for TANF diverted households was

considerably lower than the 78 percent continuation rate for all households that were in their recertification month in June 2000.

Figure 5.2—FSP status by whether receiving FSP benefits at TANF diversion



a Households who received diversion payments were categorically eligible for food stamps. All denials are therefore assumed to have occurred because the household did not complete the required application or recertification process.

Percentages derived from appendix table B.26.

The remaining 23 percent of TANF-diverted households who were already receiving food stamp benefits were not in a food stamp recertification month when they received their lump sum payment. All of these households continued to receive FSP benefits following receipt of the lump sum.

In sum, nearly two-thirds of the households who received lump sum TANF payments went on to receive food stamp benefits. The other 36 percent did not receive food stamps; either they did not file a food stamp application or they did not complete their certification or recertification process.

The households who did not receive food stamp benefits after receiving a TANF lump sum payment are the ones of primary concern here. These households would have been categorically eligible for food stamp benefits, provided that all members of the food stamp household were considered in making the TANF award. We therefore look more closely below at the characteristics and experiences of this group, and compare them with the households who did go on to receive FSP benefits after TANF diversion. Because the sample is so small, these comparisons can be only suggestive.

Who Received Lump Sum Diversion Payments?

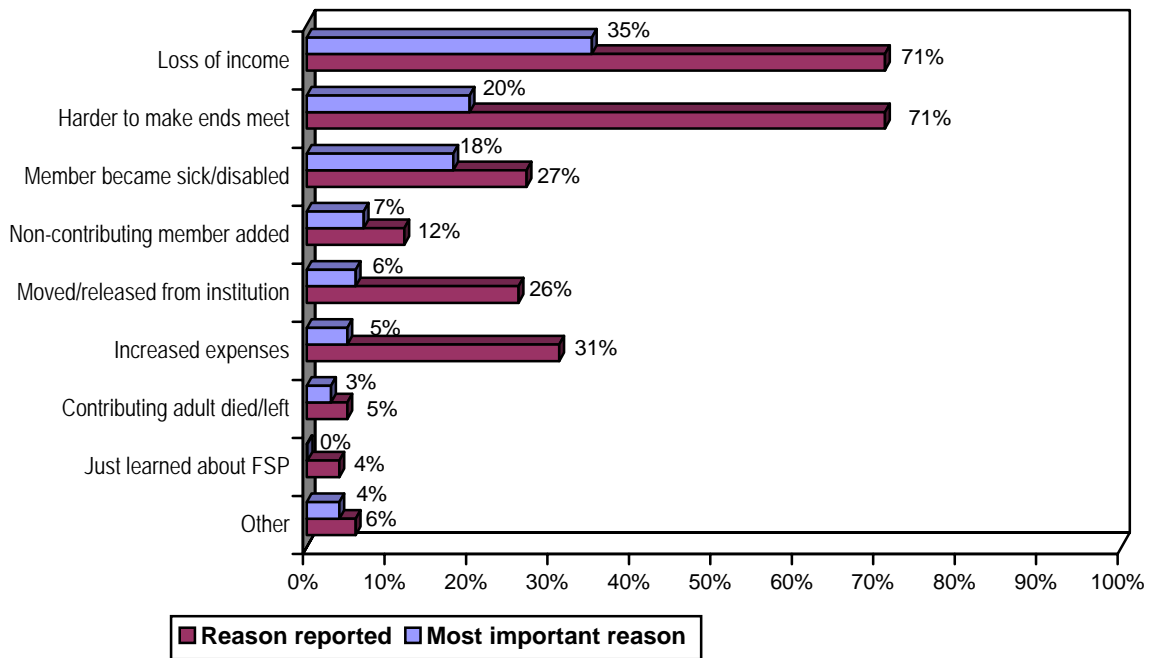
TANF-diverted households all included children and were predominantly headed by women, as expected given that they qualified for TANF benefits (appendix table B.27). In other respects, their characteristics were very similar to those of the food stamp applicant population (compare to

appendix table B.20). The demographic characteristics of TANF-diverted households did not differ significantly between those who did and those who did not subsequently receive FSP benefits.

The economic profile of TANF-diverted households (appendix table B.28) is similar to that of FSP applicants (compare to appendix table B.19). Among the TANF-diverted households, the data contain some hints that the group that did not subsequently receive food stamp benefits may have been better off economically than those who did receive benefits. These differences are generally not statistically significant, however.

TANF-diverted households were asked whether particular “trigger events” had occurred that led them to apply for assistance. Respondents were also asked whether the event was the most important reason. Figure 5.3 shows the results.

Figure 5.3—Circumstances precipitating application for assistance



Data from appendix table B.29.

One might expect that the events precipitating an application for benefits would tend to be of a short-term nature for TANF-diverted households, because the lump sum is intended to meet relatively temporary needs. No statistically significant differences were observed, however, between the “most important” trigger events for these households (appendix table B.29) and for food stamp applicants in general (see appendix table B.21). Likewise, the trigger events for TANF-diverted households who subsequently received food stamp benefits did not differ significantly from the events occurring to those who did not participate.

Why Do Some Households Not Get FSP Benefits After TANF Diversion?

Because very few households nationwide received lump sum payments and most of those subsequently received food stamp benefits, the survey reached only a small number of households for whom TANF diversion might have been an obstacle to receiving food stamp benefits. The sample includes 32 households that did not go on to receive food stamp benefits. Of those households, 16 applied for initial benefits and did not complete all application requirements, 9 closed at recertification, and 7 applied only for TANF and did not apply for food stamp benefits. It is obviously not possible to derive precise estimates from such a small number, but it is still worth examining the experiences of these households as illustrative examples.

TANF-diverted households that applied to the FSP all cited numerous reasons for not completing the application process. Many did not think that they were eligible for food stamp benefits. We do not know exactly why they believed they were ineligible, but if they made the judgment of the basis of receiving a TANF diversion payment, additional information from the local office could clarify their FSP eligibility. Households also cited the inconvenience, cost, and hassle associated with the application process. Confusion about the process and the length of time required to apply and receive benefits were also noted by a number of the households.

Most of the TANF diverted households that left the FSP at recertification did not even bother to file their recertification application. The predominant reason cited in this small sample was that the recertification process was too difficult or costly or required too much time. Some reported that their situation changed and they no longer needed or wanted food stamp benefits. A few households also reported that there were too many rules to comply with or that it was too difficult to participate in the program. All these reasons suggest that these households essentially decided that the food stamp benefits received were no longer worth the costs of participation.

Three-quarters of the TANF-diverted households that did not go on to receive FSP benefits believed that they were eligible for the program, though they tended to believe that they would receive only small benefits (appendix table B.30). Almost a fifth believed their benefit would be \$100 or less, and only 23 percent expected it to exceed \$150. In contrast, 46 percent of those who did receive food stamp benefits after TANF diversion expected a benefit over \$150.

About half the TANF-diverted households reported some feelings of stigma associated with the FSP. Their feelings were not, however, more intense than those of food stamp applicants (compare to appendix table B.23), nor were there significant differences between TANF-diverted households that received food stamp benefits and those that did not.

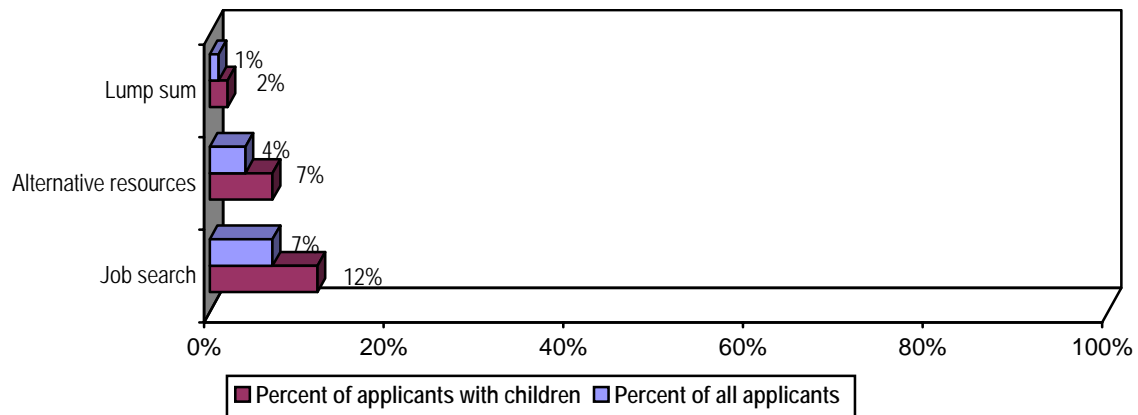
TANF Diversion Reported by Applicants

The data described above came, as noted, from a special survey of households identified in agency records as having received TANF lump sum payments in June 2000. In addition, the survey of applicants provides a glimpse of TANF diversion from the perspective of would-be participants. The survey asked applicants whether, when they contacted the local office, the caseworker arranged for a lump sum payment, assigned job search activities, or suggested contacting other agencies instead of

applying for assistance. A small number of the responding applicants did report encountering these forms of diversion, as described below.

Most food stamp applicants said they did not experience TANF diversion (figure 5.4). Among those who did, job search diversion was the most commonly reported, with 12 percent of households with children (7 percent of all applicants) indicating that their caseworker had assigned job search activities.³ Referral to alternative resources was next most common, reported by 7 percent of applicants with children, while 2 percent of applicants with children reported lump sum payments.

Figure 5.4—Percent of applicants reporting TANF diversion



Data from appendix table B.31.

This response pattern corresponds to information provided in the local office supervisor survey regarding the prevalence of the policies. Over a third of offices (38 percent, weighted by caseload) reported a job search requirement for food stamp applicants who were also applying for TANF, and most of these offices applied the requirement to at least half of the TANF/food stamp applicants.⁴ Only 9 percent of offices required applicants to explore alternative resources before applying for TANF, but most of these required it of all TANF/food stamp applicants. Lump sum payment policies were reported in more than half of the offices (55 percent), but as discussed previously, very few such payments were made in any given month.⁵

³ Some households without children, who would not have been eligible for TANF, responded positively to diversion questions. The analyses presented include only households with children. Because the procedures and terminology of diversion vary considerably from office to office, and each form of diversion was covered in a single brief question, some respondents may have reported incorrectly that they experienced (or did not experience) diversion.

⁴ Gabor et al., 2003, Appendix tables A3.4, A3.5, and A3.6.

⁵ About half of the households who reported lump sum diversion on the applicant survey were on the agencies' lists of households receiving lump sum payments in June 2000. Some households may have received their payment in a different month (for example, although their application was filed in June, they might have received a lump sum payment in July). Some households may have discussed the lump sum payments with their worker but not actually received such a payment.

TANF diversion has been considered an issue for food stamp participation because of the possibility that diversion would prevent eligible households from pursuing the food stamp application. The survey did not provide any evidence of such an effect. More than 90 percent of the applicants who reported each form of TANF diversion successfully completed the food stamp application process and were approved for benefits (Appendix table B.32). This successful completion rate was actually a bit higher than the rate for respondents who did not experience diversion, although the difference is not statistically significant.

These data do not rule out the possibility that TANF diversion sometimes led households away from the FSP. The applicant survey included only households who actually filed a food stamp application, and the previous discussion showed that a fifth of the nonparticipating households that received TANF lump sum payments in June 2000 did not apply for food stamps.

The data do suggest, however, that TANF diversion may not affect many people who are sufficiently “in the system” to file an application. This would be consistent with information from supervisors and caseworkers in the local offices, which indicated that most offices have taken steps to deal with the issue. Supervisors in offices with diversion policies generally said that workers are trained to inform clients that the diversion does not affect FSP eligibility, and caseworkers reported that they usually encouraged diversion clients to apply for food stamps.⁶

Households who reported TANF diversion had economic and demographic profiles similar to those of other applicants with children, although the small numbers of respondents reporting diversion make such comparisons tenuous (Appendix tables B.33–B.38). A small number of statistically significant differences appear in the tables, but these do not appear to reflect any meaningful general pattern.

Conclusion

The data reviewed in this chapter provide a mixed and fragmentary view of the role of TANF diversion in food stamp participation. Overall, TANF diversion appears to have affected a relatively small proportion of eligible non-participants. Based on the survey of households applying for food stamp benefits in June 2000, about 51,000 households experienced one or more forms of TANF diversion. That would amount to about 21 percent of the eligible food stamp applicants with children, or 12 percent of all food stamp applicants. Food stamp agency records suggest that TANF lump sum payments, the least common form of TANF diversion, were made to about 3,200 households nationwide in June 2000. This includes 1,850 who were applying for benefits, 670 who were already participating and were in their recertification month, 200 who were participating in an interim month, and 480 who were neither participating in nor applying for benefits.

Although most eligible applicants were not touched by TANF diversion, the issue is still important if TANF diversion frequently leads to confusion about whether the household is eligible for food stamp benefits or what it must do to receive them. The study suggests that some confusion did exist: about a quarter of the households who failed to complete the food stamp application or recertification after receiving TANF lump sum payments said they believed they were ineligible, which was incorrect. On the other hand, over 90 percent of the applicants who said they had experienced TANF diversion went

⁶ Gabor et al., 2003, Appendix tables A3.4, A3.5, and A3.6.

on to receive food stamps. And only 1 percent of households who failed to complete the application process gave reasons that seemed related to TANF diversion.

In addition to the applicants, Chapter 3 showed that 2 percent of non-participants who believed they were ineligible for food stamps (6 percent of those with children) said it was because they had received a lump sum payment. This suggests that confusion about eligibility after TANF diversion may not only lead some households to abandon their food stamp application or recertification, but may have a lasting effect on the households' perception of their eligibility.

It remains puzzling that about a third of the households that received TANF lump sum payments did not subsequently receive food stamp benefits. Most or all of these households would have been categorically eligible for food stamps, three-quarters perceived themselves to be eligible, and all were in contact with the social services network. Unfortunately, the number of these households reached by the survey was too small, and their circumstances and stated reasons for nonparticipation were too various, to determine whether they represent a problem that should be addressed or simply a group of households that chose not to participate in the FSP.