Do Welfare Avoidance Grants Prevent Cash Assistance?

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Cash diversion strategies, a 1996 U.S. welfare reform innovation, are intended to alleviate short-term crises and prevent the need for ongoing cash assistance among certain welfare applicants. Using administrative data, this work compares the welfare outcomes of Maryland Welfare Avoidance Grant recipients from October 1998 to September 2000 (n = 1,992) with those of a sample of welfare leavers (n = 1,219). It relies on event-history analyses and covers a 3-year follow-up period. Findings show that diversion grants lower, to a statistically significant degree, the relative odds of future cash assistance among first-time welfare agency clients but have no demonstrated effect among those with a history of welfare receipt.

The 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA, U.S. Public Law 104-193) changed cash assistance in the United States from an entitlement program to a temporary cash aid and social service program aimed at promoting financial self-sufficiency. Welfare diversion programs were born out of the legislation and fit very well into the new focus on independence. In general, formal diversion programs offer various forms of short-term cash and noncash assistance that, in theory, more closely match clients' needs than do traditional monthly cash grants. Although often overshadowed in the public eye by other more controversial policies, such as time limits and sanctions, formal diversion strategies provide innovative and potentially powerful ways to assist at-risk families.

Social Service Review (December 2007).

0037-7961/2007/8104-0002$10.00

One assumption of diversion programs is that the needs of some poor families may be met and monthly cash grants may be avoided if appropriate services are made available. For example, if a welfare applicant were able to get an immediate grant of $700 to replace the alternator in her car, to renew her registration, and to renew her driver's license, she would not lose her job and would not be in need of monthly cash assistance. Another assumption is that diversion programs prevent working or work-ready individuals from becoming entangled in a cycle of monthly cash assistance (see, e.g., London 2003). Allegedly, welfare dependency is in part a product of the length of time a client receives the benefit; the longer a client receives welfare, the more difficult it is for that client to permanently leave the rolls (Bane and Ellwood 1994). Diversion may eliminate the negative duration effects of welfare by preventing clients from obtaining monthly cash assistance.

Research on diversion strategies indicates that short-term self-sufficiency outcomes (i.e., rates of obtaining welfare in the future) may be similar to the outcomes experienced by welfare leavers (Barber, Daugherty, and McAdam 2002; Goldsmith and Valvano 2002; USDHHS [U.S. Department of Health and Human Services] 2002). However, little is known about the long-term outcomes of diverted clients. The current research examines whether lump-sum cash diversion strategies, called Welfare Avoidance Grants (WAGs) in Maryland, prevent future cash assistance or simply defer receipt for a short time. This article uses state administrative data from Maryland sources to analyze the patterns of cash assistance receipt in the universe of cases diverted from Temporary Assistance for Needy Families (TANF) in Maryland counties. Clients in the sample ($n = 1{,}992$) were diverted through the use of WAGs during the 2-year period from April 1998 through March 2000. The article examines the rates at which diversion clients subsequently entered the monthly cash assistance (i.e., welfare) rolls over a 3-year follow-up period, comparing those rates to rates of recidivism in a sample of TANF leavers ($n = 1{,}219$).

Welfare Diversion Program Theory and Welfare Dependence

There has been concern about the length of time that families receive assistance as long as welfare programs have existed. Debates about welfare policy frequently center on reducing dependence. The assumption is that the longer families receive cash assistance, the more dependent on that assistance they will become (see, e.g., Bane and Ellwood 1994). Among the three theoretical models of welfare dependence presented by Mary Jo Bane and David Elwood (1994), two of them, expectancy (loss of self-esteem) and cultural (adoption of the values of one's environment), explicitly suggest that the difficulty in leaving welfare increases with the length of time one spends receiving it. The Welfare Indicators Act of 1994 (108 *Stat.* 4465) requires the U.S. Department of Health and Human Services to prepare annual reports to Congress on "indicators and predictors of welfare dependence" (USDHHS 2006, xiii).

Dependence on welfare can range in duration and intensity along a continuum. At one end are families that have sufficient resources and thus do not qualify for monthly cash assistance but that receive some type of specific benefit such as a child-care voucher. At the opposite end are families that receive cash assistance for long periods of time and perhaps over several generations. The majority of welfare recipients are in the middle. They receive assistance during a short crisis or cycle back and forth between welfare and work.

Although they are not typically described in this way, families that participate in formal welfare diversion programs actually also have a place on the dependence continuum. For example, most states offer lump-sum cash diversion payments to families deemed most work-ready. These payments typically are equal to the amount of a welfare grant for 1 or more months and are provided without registering the recipient on the regular monthly cash assistance (i.e., welfare) rolls. The continuum is applicable because the diverted family applied for benefits (and so is not at the least-dependent point on the continuum) but chose not to receive regular monthly benefits. As Rebecca London (2003, 374) notes, "The main goal of diversion is welfare avoidance. It is hypothesized that, by averting an initial spell of welfare receipt, diversion could halt what might become a cycle of welfare dependence."

The literature on diversion programs also identifies other important goals, such as increasing work efforts and expanding the self-sufficiency of would-be welfare recipients (Solomon-Fears 2003). Yet, tied to both of these goals is the diversion program's ability to help individuals avoid the difficulties and possible trap of monthly welfare receipt as those are described by duration dependency theory. The connection between welfare receipt and dependency is based on a number of reasons. Scholars stress such related problems as a loss of skills over time and the stigma of being on welfare (Moffitt 1992; Sandefur and Cook 1998). Although initial research in the late 1980s and early 1990s led to some inconclusive findings on the negative durational effects of welfare (see Moffitt 1992), more refined models provide stronger evidence of these effects (Sandefur and Cook 1998; Hoynes, Chay, and Hyslop 2004). Moreover, additional research on recidivism extends the theory, finding that one's likelihood of returning to the rolls increases with the number of prior months in which one received cash assistance (Blank and Ruggles 1994; Cao 1996; Bruce, Barbour, and Thacker 2004).

Formal Diversion Practice

Federal welfare policy gives states great leeway regarding whether and how to use diversion programs. Three forms of formal diversion programs exist, and these can be offered independently or in any combination. First, cash diversion programs offer welfare applicants lump-sum payments or grants in lieu of TANF. Second, upfront job search programs offer applicants assistance in applying for and finding employment before their welfare applications are processed. Third, alternative resource counseling is a way for caseworkers to explore and encourage the use of other resources (e.g., child support, local nonprofit agency offerings, and other public assistance programs) before offering TANF. Services provided under such programs aim to meet the needs of those who are perhaps closer to financial independence than are other applicants. Diversion may also help individuals who experience a temporary crisis that may be addressed through short-term assistance.

The most recent review indicates that 28 states offer cash diversion programs; 15 states also offer job search assistance and alternative resources (USDHHS 2004). Among the states that offer cash diversion, variations exist in the amount of money a family is allowed to receive at one time, and five states, including Maryland, allow counties to determine how to implement their programs (USDHHS 2004). In general, a diversion grant is equal to the amount that a welfare case would receive through TANF for a specified number of months. Receipt of the diversion grant renders the head of that welfare case ineligible to receive TANF for the corresponding number of months.

In Maryland, local program flexibility and joint decisions between clients and case managers are key elements of the WAG program. In order to meet specific population needs, each county is permitted to develop and administer its own program. However, the state prescribes basic elements that must be incorporated in each county's program. Those elements include the types of situations that WAGs will cover, the maximum number of months covered, the maximum number of WAGs allowed per family, and the kinds of verifications required to receive a WAG (Maryland Department of Human Resources 2004).

New applicants and current TANF clients do not apply directly for a WAG. Rather, case managers assess each TANF application and determine whether or not a WAG is an appropriate type of assistance. This assessment focuses on whether the family is able to support itself independent of TANF. Assessment questions used by caseworkers to determine eligibility for a WAG cover such topics as current income, education level, job skills, and potential for advancement, as well as specifics about the "immediate and compelling need" for the lump-sum cash grant (Maryland Department of Human Resources 2004, chap. 2, sec. 1, 1). Because a diversion grant excludes a family from receiving

TANF assistance for a specified period, case managers must explain the WAG program to the applicant, and the two must then make a mutual decision about the use of a WAG. A formal agreement is signed by both the recipient and the case manager. It specifies the immediate need being addressed, the amount of the grant, and the time period covered by the WAG. The agreement also includes a statement that the family is ineligible for TANF for any month covered by a portion of the WAG (Code of Maryland Regulations, title 7, subtitle 3, chap. 3, regulation 3 [2004]).

Evaluating the Diversion Process and the Outcomes of Diverted Clients

Research on the effects of diversion programs is only several years old; diversion strategies were not part of state waiver experiments conducted before the passage of PRWORA. The number of studies, though limited, continues to grow. Although still incomplete, this body of research offers a rich perspective on the process and outcomes of diversion programs.

The Diversion Process

In examining the process of diversion, researchers are concerned with the question of whether diversion programs target the correct clients. Critics of diversion claim that it may be abused by states in an effort to reduce welfare rolls and increase work participation rates; there may be an incentive to grant diversion assistance to individuals who may not benefit from the program (Besharov and Germanis 2004). Using data from the National Survey of America's Families (NSAF), Sheila Zedlewski (2002) explores the differences between TANF participants and nonparticipants (who qualify for benefits). She finds that nonparticipants generally have better family circumstances and fewer barriers to work as compared to TANF participants. However, she cautions against concluding that nonenrolling families are doing fine, because about one-third would gain substantial income and services through TANF participation.

London's 2003 study also uses the NSAF but focuses on recipients of lump-sum cash diversion payments. Her findings indicate that diversion programs may be targeting two distinct groups: (*a*) job-ready applicants with high levels of education and (*b*) unprepared applicants who have low education levels and perhaps opt for the large sum of money, attempting to avoid TANF time limits by using diversion to save future months of TANF eligibility. Members of the first group are more likely than other TANF applicants and TANF leavers to be married and Caucasian.

London's (2003) findings regarding the two distinct groups of cash diversion recipients likely reflect a frontline reality. In theory, formal diversion strategies like the lump-sum cash grants differ from informal diversion tactics, but research indicates that the frontline practice of diversion mixes both formal and informal strategies (Moffitt 2003; Ridzi and London 2006). Informal diversion strategies are the administrative rules and program requirements associated with applying for and successfully receiving welfare benefits. These factors may hinder or completely deter an individual's successful completion of the application process and are distinct from formal diversion strategies, which aim to meet individual needs with services or grants other than monthly cash assistance. Research illustrates, however, that the diversion tactics and messages of the typical frontline worker do not clearly distinguish between informal and formal programs (Ridzi and London 2006).

Using data from the Three City Study, Robert Moffitt (2003) examines the effects of nonfinancial programmatic factors on whether an individual enrolls in TANF. His results show that informal and formal diversion tactics are common. Thirty-eight percent of clients reported that their caseworker discussed how to get along without cash assistance, and 29 percent reported receiving a temporary lump-sum payment. Moreover, many of the respondents who reported receiving lump-sum grants resided in cities that did not have a formal diversion grant program. The finding may indicate that emergency grants are used for this purpose.

The confusion over messages and strategies may cast some doubt on the ability of caseworkers to target lump-sum cash diversion grants to the applicants who will likely benefit from formal diversion programs, yet the multivariate analysis of entry into TANF yields mixed conclusions on the role of diversion, showing that some strategies decrease the likelihood of entry and others increase it (Moffitt 2003). These mixed results, although not interpreted as such by Moffitt (2003), perhaps speak to the efforts of caseworkers to target the strategies based on intake conversations.

Diversion Outcomes

Evaluations of the outcomes of formally diverted clients provide mixed evidence. London (2003) compares diverted clients with TANF leavers, examining the employment outcomes, food stamp take-up, and Medicaid receipt of both groups. Because the NSAF did not ask diverted respondents if they were receiving TANF at the time of the survey, she cannot compare recidivism rates of diversion clients with those of TANF leavers. She does find that, at the time of the survey, diverted clients are less likely to be employed and more likely to be receiving food stamps than are TANF leavers. London (2003) also finds that diversion is not associated with Medicaid receipt.

The outcomes of diverted clients are also examined in a small number of state studies (USDHHS 2002). Of those that present outcome data, two use a comparison group (Goldsmith and Valvano 2002; Schexnayder et al. 2002). Both of these find that short-term outcomes of diverted clients are either positive or equivalent to those of welfare leavers. Colorado administrative records from July 1997 to December 1999 show that 24.4 percent of State Diversion recipients return for assistance; the rate is 21.7 percent among TANF leavers during that same period (Goldsmith and Valvano 2002). The difference in Texas is even more dramatic; of the 1,791 individuals diverted from welfare between April 1998 and June 1999, 10 percent received TANF at the 18-month follow-up. By contrast, 37 percent of TANF leavers returned to TANF at some point within the first year after exiting (Schexnayder et al. 2002).

Rates of returns to welfare are similar in other states. From October 1997 to February 2000, there were a total of 2,243 new Family Alternative Diversion cases in Kentucky, and 260, or 11.6 percent, returned for assistance (Barber et al. 2002). Comparable rates for TANF leavers were not reported. In North Carolina, 20.9 percent, or about one out of every five diversion recipients, received welfare payments during the 18 months immediately following diversion (Richardson, Schoenfeld, and Jain 2001).

Using a matched cohort of WAG recipients and new welfare recipients, a Maryland-based study examines the criticism that lump-sum cash diversion grants are simply TANF by a different name (Hetling, Tracy, and Born 2006). In other words, it examines whether WAG recipients receive grant amounts that are similar to those received among TANF recipients, just without the same requirements, and whether WAG recipients use the same amount of cash assistance over the long-term in lump-sum amounts as they would if receiving TANF's smaller monthly grants. Findings suggest that the TANF and WAG cohorts are similar in demographics but that WAG recipients worked and earned more prior to diversion than TANF recipients did prior to entering the cash assistance rolls. In the 3 years following and including their initial benefit receipt, WAG recipients received significantly less money in public cash assistance (TANF and WAG benefits) than their TANF counterparts did over the same period.

Alternative Risk Factors for Welfare Receipt

In order to evaluate the effects of diversion grants on a recipient's ability to remain independent from future welfare receipt, analyses must take into account or control for risk factors that may affect the likelihood of receiving cash assistance. A number of factors other than diversion are known to affect welfare entries and reentries. A client's personal circumstances, including demographics and family composition, may play a role. Being a minority, young, and female also are critical predictors of welfare receipt (Blank 1989; Smelser, Wilson, and Mitchell 2001). Similarly, marital status, number of children, and age of children are often included in models of welfare participation (Hoffman and Foster 1997; Dye 2002; Moffitt and Cherlin 2002). Life experience and human capital may also affect a client's ability to remain economically self-sufficient. Employment history, employment status, earnings, and welfare program experiences may affect the likelihood of cash assistance receipt (Ver Ploeg 2001; Dye 2002; Loprest 2002).

Study Design and Methods

The research presented here builds on previous work and expands knowledge on welfare diversion outcomes by analyzing whether diversion strategies, particularly lump-sum cash diversion payments, prevent future receipt of cash assistance or simply delay it for a short period. This research also expands the current literature through two methodological approaches. First, it uses a longer follow-up period than that employed in any other study. Second, it is the first to examine follow-up welfare receipt using multivariate analysis, an approach that is critical because of identified background differences between diversion clients and TANF leavers.

Ideally an evaluation of lump-sum cash diversion grants would be based on an experimental design in which individuals who qualify for a WAG would be randomly assigned to treatment and control groups. Unfortunately, no diversion experiments have been conducted. In the current study, the outcomes of diverted clients are compared with the outcomes of TANF leavers. London (2003) also uses TANF leavers for comparative purposes and argues that this group provides the most appropriate known comparison group. Although both groups are subject to self-selection and unobservable characteristics are a serious difficulty, in theory, both the WAG recipient and TANF leaver groups are clients of the same office, receiving similar assessments and services. Moreover, the WAG is seen as an alternative to TANF enrollment; the question at hand is whether WAGs are an appropriate alternative to TANF. Analyses control for relevant observable characteristics, and problems of possible unobserved characteristics are addressed in the discussion section.

Sample

During the 2-year period from April 1998 through March 2000, 1,992 cases were diverted from TANF through the use of WAGs in Maryland's 23 counties. In order to examine the effect of WAG receipt, this study uses a random sample of TANF leavers (n = 1,219) during the same time period. Data on TANF leavers come from the University of Maryland's Life after Welfare study and are used here to construct the comparison group (Welfare and Child Support Research and Training Group 1999, 2000). The samples are limited to county residents because very few Baltimore City residents received a WAG during the study period. Residents of Baltimore City are also excluded because, although there are few WAG recipients in the city, there is a large number of TANF leavers there. In addition, research documents the differences between urban and nonurban settings with respect to available programs, services, and clients (Allen and Kirby 2000; Leonard and Kennedy 2002). The samples also exclude child-only cases. Child-only cases are those in which the adults in a household are not eligible for TANF benefits; child-only cases do not qualify for WAGs in Maryland.

Participants in each sample are followed for 36 months. The first date of the 36-month follow-up period is referred to as the critical study date. For the TANF leavers sample, the critical study date is that on which leavers exit TANF or the last day of the last month for which they received an assistance check. For analyses involving the WAG recipients, the critical study date is not the check receipt date; it is the date that marks the end of the TANF ineligibility period. The ineligibility period is that term over which WAG recipients, as a condition of the grant, agree to forgo access to TANF money. In a given ineligibility period, the amount of a recipient's WAG is equal to the sum of the monthly TANF grants that would have been provided in that period if the recipient chose TANF instead of diversion. Both groups thus have similar amounts of time to deal with the initial reasons that brought them into the welfare office. Choosing the end of ineligibility as the WAG sample's critical study date eliminates an endogeneity problem with WAG status and spell length; if analyses fail to determine the number of months that a WAG recipient is ineligible for public assistance, results would show that WAG recipients have artificially longer spells off welfare than do TANF leavers, who are eligible to reapply for assistance immediately after leaving the rolls.

In 206 of the 1,992 cases (i.e., approximately 10 percent), the ineligibility end date could not be determined. Despite attempts to calculate this date based on the available case and financial information, the authors were not confident enough in the estimations to use them. Analyses instead use a median ineligibility period of 4 months and include a dummy variable in the event-history analyses to indicate that this information is missing.

In investigating the missing dates, the authors conducted bivariate analyses of data from those with ineligibility dates and those without them. The groups differ to a statistically significant degree on two variables: marital status and number of adults in the assistance unit. However, the differences are very small. Among those who received WAGs and have ineligibility end dates, just under half (49.4 percent) report that they never married; the rate was 47.6 percent among those who received WAGs but had indeterminable end dates. The mean number of adults in a household is 1.16 for cases with a discernible end date, but it was 1.24 for those without such a date.

Data Sources

This study uses administrative data retrieved from three computerized management information systems maintained by the state of Maryland. The Client Information System (CIS) is the official system of record for program data relating to the state's public welfare programs, including TANF, food stamps, and child support. The database has information on the universe of public assistance recipients and includes data on individual demographics, case composition, grant amount, grant type, and other variables related to barriers to work (e.g., variables on domestic violence, education level, and substance abuse history).The CIS replaced the Automated Information Management System/Automated Master File (AIMS/AMF) in 1998. The AIMS/AMF is used in this research to calculate variables measuring past participation in cash assistance programs.

The third database used in this study is the Maryland Automated Benefits System (MABS), the official system for all employers under the state's Unemployment Insurance (UI) law. It provides data on variables relating to employment history. Data from MABS have some limitations. First, the information is reported on a quarterly basis; thus, hourly and weekly wages are impossible to compute. Second, MABS only includes employers within the state of Maryland and thus does not provide data on Maryland residents who work (and whose employers are located) outside the state. Third, MABS does not include data on certain jobs. For example, the system lacks information on federal government employees (civilian and military), self-employed persons with no staff, most religious organization employees, and farm workers. The last two limitations suggest that employment variables in the current analyses most likely underestimate employment rates of the samples.

Model Design and Outcome Variables

The study compares the long-term outcomes of diverted clients and those of traditional cash assistance recipients who leave welfare (i.e., TANF leavers). It presents baseline descriptive findings on background characteristics and describes event-history analyses that compare WAG recipients' entrances to cash assistance with the reentrances of TANF leavers, controlling for a number of background characteristics.

Model Construction

Models are based on the following equation:

$$\text{Probability of entering TANF} = \alpha + \beta_{\text{WAG}} + \beta_{\text{Demographics}} + \beta_{\text{Work and TANF history}} + \varepsilon.$$

Because the CIS records welfare entrances (and exits) on a monthly basis, discrete-time event-history analysis is used. The dichotomous dependent variable indicates whether an individual returned to TANF in a given month during the 36-month period that follows the critical study date (i.e., the follow-up period). The analysis file consists of 100,854 person-month records; each case contributes a record for each month from the critical study date to the TANF entrance or the end of the follow-up period, whichever comes first. For example, a leaver who exits TANF in April 1998 and returns to cash assistance in August 1998 contributes five person-month records.

Each person-month record contains a dichotomous outcome variable, coded as zero if the person does not receive TANF in that month and one if the person receives TANF. Logistic regression analyzes the relationship between the predictor variables and the outcome variable. With logistic models, it is difficult to interpret coefficients linking the independent variables to the dependent or outcome variables. The odds ratio and the raw coefficient both are therefore presented in the table of output. The odds ratio is interpreted as the relative odds that individuals with the characteristic measured by the independent variable will experience the outcome variable, in this case, the relative odds of receiving TANF during the follow-up period.

The main predictor variable of interest is the type of assistance: WAG or TANF. The effect of this variable is first estimated for the entire sample. The model is then estimated for two critical subsamples: (*a*) individuals for whom the study WAG or TANF grant marked their first interaction with the welfare agency and (*b*) individuals who have received TANF prior to the study grant. As discussed, the potential of diversion partially rests on the assumption that recipients are diverted from the cycle of monthly welfare receipt. Those individuals who have a history of TANF receipt thus may not be affected the same way as new applicants.

Demographic control variables in both sets of models include age, female gender, race (this is a dichotomous variable: minorities are coded as one; Caucasians are coded as zero), marital status (never married = 1; other status = 0), number of children in the assistance unit, age of the youngest child in the assistance unit, and number of adults in the assistance unit (this is a dichotomous variable; two or more adults = 1; one adult = 0). Employment variables include the employment history (number of calendar quarters worked) in the 8 quarters (or 2 years) prior to the critical study date, employment status in the quarter of the critical study date, and earnings in the quarter of the critical study date. Another variable measures the number of months of TANF receipt over the 5 years prior to the critical study date. A final time-varying predictor indicates the number of months since the critical event (i.e., the TANF exit or end of the TANF ineligibility period [for diverted clients]).

Baseline Characteristics

Client and Case Demographics

Table 1 presents data on the individual and case characteristics of the two analytic groups, TANF leavers and WAG recipients. If diversion grants are correctly used for applicants deemed to be work-ready and self-sufficient, a number of differences should emerge between the groups. Consistent with other studies, the current work finds statistically significant differences between diversion clients and TANF leavers on the majority of the examined variables. As seen in the table, TANF leavers (whose average age is 30 years) are on average 1.5 years younger than WAG recipients (31.5 years). Although the majority of both groups are African American females, the proportion of African Americans is higher among the leavers (64 percent as opposed to 54 percent). More than two out of every five (44 percent) WAG recipients are Caucasian, but approximately one-third of leavers (33 percent) are Caucasian. The disparity in marital status between the leavers and WAG recipients is also notable; almost seven in ten leavers never married. The same is true of less than half of WAG recipients. In addition, WAG recipients tend to be slightly older than leavers when they have their first children. On average, WAG recipients are 22.1 years at the birth of their first child; leavers are 21.6 years of age.

Differences between the two groups are statistically significant on two of the three measures of case-level characteristics. The proportion of cases that include two or more adults in the assistance unit is much larger among WAG recipients (18 percent) than it is among TANF leavers (5 percent), and WAG recipients have slightly more children in the assistance unit (mean = 2.0) than do leavers (mean = 1.7).

Employment and TANF Receipt History

Group comparisons on employment and TANF receipt history are also presented in table 1. Results suggest that, as anticipated, the diversion clients have a more positive employment history than the leavers on every measure. Over the 8 quarters (or 2 years) before the critical event, 89 percent of WAG recipients worked at some point. In contrast, 73 percent of the leavers worked at some point during the 8 quarters before

Table 1

Baseline Characteristics of WAG Recipients and TANF Leavers

	WAG Recipients (n = 1,992)	TANF Leavers (n = 1,219)
Age:***		
Mean	31.49	30.01
Standard deviation	7.50	7.62
Median	30.72	29.03
Range	17–64	15–68
Gender, female (%)**	94.1	96.5
Race (%):***		
Caucasian	44.2	32.9
African American	53.6	63.8
Other	2.1	3.3
Marital status (%):***		
Never married	49.1	68.9
Other	50.9	31.1
Age at first birth:**		
Mean	22.14	21.61
Standard deviation	5.02	4.87
Median	20.85	20.20
Range	14–45	13–41
Number of adults in the assistance unit (%):***		
One	82.2	95.3
Two	17.8	4.7
Number of children in the assistance unit:***		
Mean	2.0	1.7
Standard deviation	1.0	1.1
Median	2.0	2.0
Range	0–11	0–8
Age of youngest child in the assistance unit:		
Mean	5.52	5.21
Standard deviation	4.52	4.44
Median	4.50	4.02
Range	< 1 month–8 years	< 1 month–18 years
Employment history (no. of quarters worked) in 8 quarters before critical study date:		
Percent employed***	89.0	73.1
Mean quarters worked***	5.61	3.95
Mean total earnings ($)***	15,510.07	7,576.54
Mean quarterly earnings ($)***	2,478.77	1,567.32
Employment status in quarter of critical study date:		
Percent working***	75.6	54.3
Mean earnings ($)***	2,560.90	1,939.53
Median earnings ($)	2,133.38	1,599.33
First interaction with welfare agency (%):***		
New client	38.2	44.6
Return client	71.8	55.4
TANF receipt history (no. of months) in 5 years before critical study date:		
Percent with no months of receipt***	38.2	.0
Mean ***	13.63	29.0
Standard deviation	16.45	19.78
Median	6.0	27.0

Note.—WAG = Welfare Avoidance Grant; TANF = Temporary Assistance for Needy Families. Differences between categorical variables were examined using the χ^2-statistic, and those between continuous variables were tested with analysis of variance.

** $p < .01$.

*** $p < .001$.

their welfare exit. The mean number of quarters worked by WAG recipients was 5.6; on average, leavers worked for 4 quarters. During this same period, WAG recipients had double the earnings of leavers, making an average of $15,510. Average earnings among TANF leavers were $7,577. For the period examined, average quarterly earnings among WAG recipients ($2,479) are also statistically significantly higher than those among leavers ($1,567).

This trend continues into the actual quarter of the critical event. At the relevant quarter, 76 percent of WAG recipients worked at some point; only 54 percent of the TANF leavers did. In addition, WAG recipients earned about $600 more during the quarter ($2,561) than leavers ($1,940).

Results on cash assistance receipt in the 5 years preceding the critical study date indicate that TANF leavers collected a mean of 29 months of TANF, more than double that of WAG recipients (13.6). Thirty-eight percent of WAG recipients had no history of TANF receipt in that period. Analyses also scrutinize welfare history to determine what percentage of each group had no history of TANF receipt (i.e., first interaction with a welfare agency) prior to the study grant; 45 percent of TANF leavers were leaving their first spell on welfare.

Cash Assistance Outcomes

A preliminary evaluation of the outcomes of both programs involves comparing the percentages of individuals in both groups who subsequently returned to or entered TANF during the 36-month follow-up period. The descriptive statistics suggest that a minority of individuals in both groups returned to cash assistance during the follow-up period. Of WAG recipients, 20.3 percent received TANF during the follow-up period; among leavers, the rate is 30.2 percent.

Table 2 presents the findings from an event-history regression analysis that is intended to predict the likelihood an individual receives TANF at some point during the 36-month follow-up period. Model 1 presents the results using only one variable, WAG receipt, to examine whether participation in the WAG program has a statistically significant relationship to TANF receipt in the follow-up period. Results of this model indicate that the relative odds of a WAG recipient receiving assistance in the follow-up period are about 60 percent of those for a TANF leaver.

Two critical program-related controls are added in model 2. First, the number of months since the critical study date is added. This time-varying control is a critical variable in an event-history analysis; the coefficient can be interpreted as estimating changes in the relationship between the probability of returning to TANF and the amount of time since the recipient leaves assistance. Second, a dichotomous control is added for those WAG recipients whose ineligibility end date is missing.

Table 2

Event-History Regression Explaining Likelihood of TANF Receipt in the 36-Month Follow-Up Period

	Model 1			Model 2		
Predictor	Coefficient	SE	OR	Coefficient	SE	OR
WAG receipt	−.506***	.072	.603	−.353***	.105	.703
Months since critical study date (time-varying)				−.035	.020	.966
Missing WAG ineligibility period date				−.069	.169	.933
−2 log likelihood		9,013.110			8,874.144	

Note.—n = 100,854 person-month records. WAG = Welfare Avoidance Grant; TANF = Temporary Assistance for Needy Families. The above are logistic models with coefficients, standard errors (SE), and odds ratios (OR) presented. Standard errors have been corrected for heteroskedasticity. The dependent variable is binomial and equals one if the individual received a TANF payment during the 3-year follow-up period.
*** $p < .001$.

Neither of the coefficients attached to these variables is statistically significant. The WAG receipt variable, however, remains a statistically significant predictor.

Especially given the stark bivariate differences between the WAG recipients and TANF leavers, the addition of demographic and life experience controls is critical to the model's development. Perhaps these differences, and not receipt of a WAG instead of TANF, account for subsequent returns to welfare. These controls are added after separating the two subsamples of interest.

Recipients Leaving First Interaction with Welfare Agency

Table 3 presents results from the examination of clients leaving their first interaction with the welfare agency. If the power of diversion grants rests in recipients' complete avoidance of monthly welfare receipt and welfare is in fact a trap, the WAG recipient variable should be more powerful in this set of analyses than in those concerning return clients. The results listed in the first column show that, among first-time recipients, the relative odds of a WAG recipient receiving subsequent TANF are only about one-third those of someone exiting their first TANF spell. Model 2 includes controls for the number of months since the critical study date and for missing data on WAG recipients' ineligibility end dates. Although the coefficient attached to the time-varying control for months since the critical study date (i.e., beginning of the follow-up period) is not statistically significant, WAG recipients for whom an end date is missing have much larger relative odds of returning to TANF during the follow-up period than do those WAG recipients whose in-

Table 3

Event-History Regression Explaining Likelihood of TANF Receipt in the 36-month Follow-Up Period among Clients Leaving First Interaction with Welfare Agency

	Model 1			Model 2			Model 3			Model 4		
Predictor	Coefficient	SE	OR	Coefficient	SE	OR	Coefficient	SE	OR	Coefficient	SE	OR
WAG receipt	−1.139***	.115	.320	−.983***	.214	.374	−1.024**	.244	.359	−.672*	.324	.511
Months since critical study date (time-varying)				−.074	.051	.928	−.076	.059	.927	−.060	.064	.942
Missing WAG ineligibility period date				.550**	.204	1.733	.607**	.214	1.834	.574*	.232	1.775
Age							−.012	.010	.989	−.017	.012	.983
Female							.533	.291	1.704	.466	.320	1.594
Minority							.170	.127	1.185	.259	.145	1.295
Never married							−.035	.132	.965	−.168	.148	.845
Number of children in the assistance unit							−.028	.054	1.003	−.074	.066	.929
Age of youngest child in the assistance unit							−.029	.018	.972	−.006	.020	.994
More than one adult in the assistance unit							.300	.187	1.350	.085	.229	1.089
Employment history (no. of quarters worked) in 8 quarters before critical study date										−.010	.029	.990
Employment status in quarter of critical study date										.075	.167	1.078
Earnings in $1,000s in quarter of critical study date										−.096*	.047	.909
TANF receipt history (no. of months) in 5 years before critical study date										.008	.005	1.008
−2 log likelihood	3,972.776			3,878.110			3,606.428			2,935.656		

Note.—n = 49,074 person-month records. WAG = Welfare Avoidance Grant; TANF = Temporary Assistance for Needy Families. The above are logistic models with coefficients, standard errors (SE), and odds ratios (OR) presented. Standard errors have been corrected for heteroskedasticity. The dependent variable is binomial and equals one if the individual received a TANF payment during the 3-year follow-up period.

* $p < .05$.

** $p < .01$.

*** $p < .001$.

eligibility end date is known. As a group, however, WAG recipients continue to be about one-third as likely as TANF leavers to become TANF recipients during the follow-up period.

Model 3 controls for a variety of individual and case-composition characteristics, but none of the variables has a statistically significant effect on the odds of receiving TANF in the follow-up period. Model 4 adds four variables that relate to life experiences with employment and welfare history. Unexpectedly, these variables do not offer much explanatory power. Only the measure of earnings in the quarter of the critical study date has a statistically significant relation to the outcome; each additional $1,000 in earnings is estimated to lead to a decrease of almost 10 percent in the relative odds of TANF receipt in the follow-up period. Finally, although the estimated effect of WAG receipt is reduced by the inclusion of additional variables in the model, among those leaving their first interaction with the welfare agency, WAG recipients still are found to have about half the relative odds of receiving future TANF grants as compared to former TANF recipients.

Recipients with Histories of Welfare Receipt

Table 4 presents the results of the models predicting future TANF receipt among individuals with a history of TANF receipt prior to the WAG or TANF spell that brought them into the sample. Model 1 includes the results in which the policy variable of interest, WAG receipt, is the only predictor. In this case, the coefficient attached to receipt of a WAG grant is statistically insignificant. Coefficients for the variables measuring the months since the critical study date and a missing WAG ineligibility end date are added to model 2. Neither is statistically significant.

Model 3 introduces controls for individual and case demographics. Two statistically significant relations emerge. Age has a small and negative estimated effect on the likelihood of TANF receipt in the 36-month follow-up period; each additional year is associated with a 2 percent reduction in the relative odds of receiving TANF during the follow-up period. The relative odds that minority recipients will return to TANF during the period are 26 percent higher than those for Caucasians.

Model 4 includes controls for employment and TANF history. Among the employment measures, the only statistically significant result is for earnings in the quarter of the critical study date. This finding is similar to the results reported for new applicants. Each additional $1,000 in earnings in the quarter is estimated to lead to an 11 percent reduction in the relative odds of returning to TANF during the follow-up period. Unlike in the analyses of new applicants, previous TANF receipt does have a statistically significant estimated effect. For each additional month of TANF receipt in the 5 years prior to the critical event, an individual's relative odds of returning to TANF during the follow-up period increases

Table 4

EVENT-HISTORY REGRESSION EXPLAINING LIKELIHOOD OF TANF RECEIPT IN THE 36-MONTH FOLLOW-UP PERIOD AMONG CLIENTS WITH HISTORIES OF TANF RECEIPT

	MODEL 1			MODEL 2			MODEL 3			MODEL 4		
PREDICTOR	Coefficient	SE	OR	Coefficient	SE	OR	Coefficient	SE	OR	Coefficient	SE	OR
WAG receipt	−.021	.103	.979	.124	.132	1.133	.162	.139	1.175	.183	.160	1.200
Months since critical study date (time-varying)				−.039	.022	.966	−.044*	.022	.957	−.034	.023	.965
Missing WAG ineligibility period date				.582	.716	1.790	.477	.718	1.612	.645	.721	1.906
Age							−.021*	.010	.979	−.017	.011	.983
Female							.005	.290	1.005	.011	.331	1.185
Minority							.233*	.111	1.262	.263*	.122	1.301
Never married							.121	.111	1.128	.060	.120	1.062
Number of children in the assistance unit							−.033	.049	.968	−.096	.055	.909
Age of youngest child in the assistance unit							.021	.016	1.021	.009	.018	1.009
More than one adult in the assistance unit							−.025	.189	.975	−.003	.210	.997
Employment history (no. of quarters worked) in 8 quarters before critical study date										−.041	.025	.960
Employment status in quarter of critical study date										.265	.157	1.304
Earnings in $1,000s in quarter of critical study date										−.120**	.041	.887
TANF receipt history (no. of months) in 5 years before critical study date										.008*	.004	1.008
−2 log likelihood	4,976.616			4,921.975			4,744.092			4,045.738		

NOTE.—n = 51,780 person-month records. WAG = Welfare Avoidance Grant; TANF = Temporary Assistance for Needy Families. The above are logistic models with coefficients, standard errors (SE), and odds ratios (OR) presented. Standard errors have been corrected for heteroskedasticity. The dependent variable is binomial and equals one if the individual received a TANF payment during the 3-year follow-up period.

* $p < .05$.

** $p < .01$.

by about 1 percent. Finally, WAG receipt continues to have no estimated effect on TANF receipt in the follow-up period. Thus, in the full model, minority status, earnings, and TANF history are statistically significant predictors of TANF receipt in the follow-up period.

Discussion

Bivariate comparisons indicate that, as was expected, WAG recipients and TANF leavers differ on a number of important measures. Results indicate that, on average, WAG recipients are older, have more recent work experience, earn more, and have shorter welfare histories than do TANF leavers. Moreover, according to bivariate analyses, WAG recipients are significantly less likely to receive TANF during the 36-month follow-up period than are TANF leavers. Based on these findings, diversion grants seem to be targeted correctly. The findings do not support recent cautions against the use of diversion grants (Besharov and Germanis 2004). In Maryland, the study state, diversion strategies do not appear to be targeted to applicants who are similar to individuals who are granted TANF. The current research shows WAG recipients to be more work-ready than TANF leavers and thus offers no evidence that diversion has been used as a way to reduce the number of TANF recipients with difficult employment issues. Although recent pressure to increase TANF work participation rates may be of concern to program administrators, the findings presented here do not support claims that states inflate participation rates artificially by keeping difficult applicants off the TANF rolls and offering WAGs as an alternative.

Second, event-history analyses reveal that the estimated effect of WAGs on future welfare receipt may rest in their ability to prevent TANF system involvement. The models comparing future TANF receipt among WAG recipients and TANF leavers suggest that the receipt of a WAG only leads to a statistically significant reduction in the relative odds of returning to TANF among clients leaving their first interaction with the welfare agency. Notably, among clients with a prior history of welfare receipt, other background characteristics have statistically significant estimated effects and appear to be more important than WAG receipt in determining receipt of TANF during the follow-up period. Moreover, although diversion strategies do not offer the same incentives (e.g., time limits and work requirements) that TANF does, findings do not support the fear that diverted clients are more dependent on public cash assistance in the long term than traditional welfare recipients.

We thus conclude that diversion may be a more powerful tool when used to assist new applicants than it is when used to help those with a history of TANF receipt. The finding supports the theory of welfare duration dependence and indicates that perhaps it is the ability of WAGs to divert clients from TANF, not the specifics of the service, that enables

WAG recipients with no history of TANF receipt to remain independent of monthly cash assistance during the 3-year follow-up period. However, findings do not indicate that granting a WAG to a returning client causes worse outcomes (in terms of future welfare dependency) than those outcomes caused by a spell on TANF. Thus, the authors cannot conclude that WAGs are inappropriate for returning clients but only that they may be a more effective tool for new applicants.

Of course, a number of unobservable or immeasurable characteristics could not be included in the models and likely affect these findings. For example, WAG recipients may perceive TANF negatively and thus may be less likely than former TANF recipients to apply for assistance in the future. Similarly, WAG recipients may be more motivated than TANF leavers to stay off of assistance and continue working. Alternatively, WAG recipients may be at a disadvantage because they have not had the opportunity to participate in work readiness and experience programs that are offered to TANF recipients. They thus may be at a greater risk of returning for assistance. These characteristics may vary by individual and could work in opposition to each other. Such opposition may account in part for this study's findings. Finally, caseworker discretion is a critical element in offering WAGs; caseworkers' interpretation of client needs may be a critical factor in the outcome of the programs. Because these questions remain unanswered, it is impossible to attribute the lack of a clear effect among return clients to the policy alone and not, at least in part, to the attributes of the participants or the caseworkers.

Although working with administrative data has numerous advantages, one disadvantage is the difficulty of obtaining or filling in missing data. Because it is not possible to contact sample members, data that are missing often cannot be recovered. Data on the ineligibility period are missing from the records of approximately 10 percent of WAG recipients in this study.

The missing date variable is statistically significant in the model estimated among new applicants but not in the model estimated among those with a history of TANF receipt. In the full model that is presented in table 4, the relative odds of future TANF receipt are about 75 percent higher among WAG recipients for whom the ineligibility end date is missing than it is among other first-time clients. A preliminary interpretation is offered here; perhaps this variable may reflect caseworker-level influence. The worker may be inexperienced with how WAGs work and may be unable to make a sound clinical judgment on the appropriateness of a WAG (and also unable to collect all information). Although few sample members fall into this category, models should be tested with other, more complete samples.

In addition to repeating the same analyses with more complete data, other suggestions emerge for future research. First, the statistically significant estimated effect of WAGs on new applicants suggests that analyses designed to track new WAG and TANF recipients from the time of application may increase understanding of the timing, process, and outcomes of program participation. Second, there seems to be little effect of a WAG on welfare receipt among clients with a previous history of TANF receipt. Perhaps it is possible to identify certain subgroups that are affected more or less by the WAG. Identified background differences in age, race, marital status, and two-adult cases lead us to the question of how diversion affects different groups.

This project could not address the effects of differences between urban and nonurban counties. The low utilization rate of diversion grants in Baltimore City calls into question whether this strategy is appropriate for urban applicants. It also raises that possibility that large urban jurisdictions have difficulty implementing alternative programs in addition to the large existing ones. As diversion strategies become more popular, or as time passes (and thus the number of WAG recipients grows), perhaps a project can be designed to address the role of place in diversion outcomes.

Qualitative research adds important insights into other issues in welfare reform, such as time limits and sanctions (e.g., Chase-Lansdale and Pittman 2002; Cherlin et al. 2002). Although the current work suggests that WAG recipients with no prior TANF history are less likely than first-time TANF recipients to become welfare dependent in the 3 years following benefit receipt, the reasons for the relation cannot be specified. Future diversion research, and the clients themselves, would benefit from qualitative research on how and why diverted clients return to the rolls or avoid welfare. Future research should also examine the perceived benefit of WAGs. Similar research on the knowledge and decision processes of caseworkers could yield complementary findings.

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Note

The authors would like to thank Robert Bifulco, Kathryn Libal, and the anonymous reviewers of *Social Service Review* for their helpful comments on earlier versions of the article. Some of the data were presented at the twenty-sixth annual Association for Public Policy Analysis and Management Research Conference on October 29, 2004. The research was supported by funding from the Maryland Department of Human Resources. All opinions expressed and errors made are those of the authors.