



Welfare Reform: Diversion as an Alternative to TANF Benefits

Carmen Solomon-Fears
Specialist in Social Policy

June 16, 2006

Congressional Research Service

7-5700

www.crs.gov

RL30230

Summary

One strategy that states are using to reduce the need for ongoing welfare is referred to as “diversion.” Diversion is typically considered to be a payment, program, or activity that is intended to divert applicants for Temporary Assistance for Needy Families (TANF) benefits from completing the application process and thereby becoming potentially eligible for monthly TANF assistance. Welfare diversion comes in a variety of forms, such as lump sum payments, vendor payments, supportive services, and resource referral. In addition, applicant job search is used by some states as a diversion activity.

Sometimes it is not easy to identify what diversion is and what it is not. A procedure like eligibility screening may be a form of diversion when it is carried out in a certain manner, while at other times it may merely be part of an eligibility review. Diversion payments generally are equal to several months’ benefits. They usually are offered as a one-time payment in lieu of extended cash benefits. Acceptance of a diversion payment ordinarily makes a family ineligible for TANF assistance for a certain period of time.

According to the latest available reported data, 28 states and the District of Columbia provided lump sum diversion payments to TANF applicants; 16 states and the District of Columbia required TANF applicants to engage in active job searches before their application for TANF was approved; and 15 states were using a fairly aggressive form of resource referral. Under the final TANF regulations, non-recurrent, short-term benefits (e.g., diversion) for crisis situations (provided for no more than four months) do not count as TANF assistance. Since diversion is not considered TANF assistance, families receiving diversion aid are not subject to TANF work requirements, time limits, child support assignment, or data reporting requirements.

This report discusses welfare diversion and state use of diversion strategies. It will be updated periodically as new data and information become available.

Contents

Introduction	1
Background	1
What is Diversion?	4
Lump Sum Payments	5
Mandatory Applicant Job Search	6
Resource Referral.....	6
Formal Versus Informal.....	7
HHS Policy and Regulations Concerning Diversion	8
Advantages of Diversion Programs.....	9
Disadvantages of Diversion Programs	10
State Use of Welfare Diversion	10
Diversion Activity Data.....	14

Tables

Table 1. Diversion Payments Under TANF.....	12
---	----

Appendixes

Appendix. Summary of State Diversion Payments	17
---	----

Contacts

Author Contact Information	27
----------------------------------	----

Introduction

During the past 10 years, many states have developed policies that try to divert from cash welfare assistance¹ applicants who are thought to need the least amount of state help in becoming self-sufficient. State diversion programs consist of one or more of the following three components: (1) formal diversion assistance programs (usually a one-time cash payment made directly to the family or to a vendor for expenses incurred by the family); (2) applicant job search, in which applicants for the Temporary Assistance for Needy Families (TANF) block grant program are required to participate in a job search program; and (3) resource referral, whereby intake/case workers identify other forms of assistance that may be available to a family, such as child care assistance, transportation assistance, aid from family and/or friends, or referral to a drug treatment program.

This report describes formal state diversion programs. The source of information for **Table 1** and the **Appendix** is the state annual report on the TANF block grant program for FY2005.² In some instances, the TANF state plans submitted to qualify for federal block grant funds were used to supplement incomplete information. In addition, this report includes information from state data reports and state Internet sites on the numbers of families being diverted from TANF assistance. However, this information is sporadic, and the terms used by the states are not always uniform. Readers should note that although applicant job search and resource referral are considered diversion strategies, they are not considered diversion assistance in **Table 1** or the **Appendix**.

Background

Throughout much of its history, cash welfare to families represented a paradox for both policymakers and the public: On the one hand, policymakers wanted to provide a minimum level of financial assistance to needy families. However, on the other hand, they wanted to prevent those families from falling into dependency. Since the late 1960s, concerns over the size and cost of the welfare system—and its effects on the parents and children that it serves—have led federal welfare policymakers to promote work as a path to self-sufficiency.

During the early 1990s, many states had moved forward with their own demonstrations and initiatives under waiver authority in Title IV-A of the Social Security Act (i.e., referred to as Section 1115 waivers) to promote self-sufficiency of welfare families. One method that some states used to promote self-sufficiency was to divert individuals who were either job-ready or had other sources of income from becoming welfare recipients by offering them a one-time financial payment as an alternative to enrollment in the now repealed Aid to Families with Dependent Children (AFDC) program.³ According to some observers, states have historically tried to keep

¹ Cash welfare assistance in this report refers to benefits under the Temporary Assistance for Needy Families (TANF) block grant or its predecessor, Aid to Families with Dependent Children (AFDC).

² If the FY2005 report was not accessible, the FY2004 TANF annual report was used.

³ George Washington Center for Health Policy Research, *A Description and Assessment of State Approaches to Diversion Program and Activities Under Welfare Reform*, by Maloy, Kathleen A., LaDonna A. Pavetti, Peter Shin, Julie Darnell, and Lea Scarpulla-Nolan. An Interim Report of the Findings of the First Phase of the Research funded by the Administration for Children and Families and the Assistant Secretary for Planning and Evaluation, U.S. Dept. of Health and Human Services, Aug. 1998, p. i. (Hereafter cited as *A Description and Assessment of State Approaches to Diversion Program and Activities Under Welfare Reform*, Aug. 1998.)

some people off the welfare rolls. In the past, this was sometimes accomplished by warding off requests for aid by not providing program information to the public; omitting information about certain program benefits or services to persons who came to the welfare office with the intention of applying for assistance; speaking to people in a condescending or derogatory manner; asking personal or embarrassing questions; requesting unnecessary documentation; and delaying application interviews. In addition, several states offered relocation assistance to certain AFDC-eligible families. Under this “relocation” practice, some families eligible for AFDC benefits were encouraged to leave the state to pursue employment opportunities in other areas or were told that an inexpensive bus ticket to another state could result in the family receiving higher monthly AFDC benefits.⁴

In 1996, policymakers concurred with assertions that for significant numbers of poor families, receipt of cash welfare had become a permanent state rather than a temporary phase. P.L. 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, signaled the end of an era. It was generally agreed that mandatory work requirements, together with a lifetime limit on cash welfare benefits, would “end welfare as we know it” by moving parents from welfare to work, encouraging responsibility, and improving children’s lives. Under the 1996 law, eligible low-income families with children were no longer entitled to a cash welfare benefit (AFDC); instead, federal funds were sent to the states in the form of a Temporary Assistance for Needy Families (TANF) block grant, under which states have had almost complete control over program eligibility and benefits.

The 1996 welfare reform law (P.L. 104-193) does not contain specific diversion provisions, nor does it contain any prohibitions against the use of diversion programs. Thus, states are able to include diversion programs among their array of “welfare” related strategies if they so choose. Some differences between past efforts at deterrence and current diversion practices include the following: (1) states, on a widespread basis, have formally incorporated diversion programs and activities into their TANF programs; (2) diversion is viewed as helping families maintain their independence from welfare; (3) diversion focuses attention on a family’s specific circumstances and needs. During the past several years, as part of their diversion activities, several states (Kentucky, Washington, Florida, South Carolina, Arkansas, Colorado, and Michigan) have offered relocation assistance to TANF-eligible families as a substitute for ongoing TANF benefits. However, unlike prior relocation practices, states now appear to be focused on encouraging families to move to where they may be more likely to find jobs. In many instances this may be within the state rather than out of the state.⁵

The number of families on AFDC/TANF dropped from a high of 5.1 million in March 1994 to 1.9 million in September 2005. During the March 1994-August 1996 period, many states were under Section 1115 waivers testing innovative approaches to reducing the welfare rolls and promoting self-sufficiency. These numbers, however, don’t highlight the number of families that were diverted from the TANF rolls.

Before 1999, there were only a couple of studies pertaining to state diversion policies and practices. This is no longer the situation. On April 1, 1999, the Office of the Assistant Secretary for Planning and Evaluation (ASPE) at the Department of Health and Human Services (HHS)

⁴ Piven, Frances Fox and Richard A. Cloward, *Regulating the Poor: The Functions of Public Welfare*, Pantheon Books, 1971, pp. 149-165.

⁵ *The Detroit News*, “Very few on welfare take offer to move,” by Gary Heinlein, Dec. 4, 1997.

sent out a notice inviting applications for FY1999 funding for studies on the status of applicants and potential applicants to the TANF program, individuals and families in the TANF program, and individuals and families who leave TANF.⁶ Six out of the seven FY1999 Welfare Outcomes Grants were awarded by ASPE to states that proposed to study the impact of welfare reform on TANF applicants.⁷ Subsequent to the FY1999 grants, another four states received ASPE funding. The 10 ASPE grantees with an applicant diversion component to their studies included the following states (see footnote below for citations): Arizona, two consortia of counties in California, Florida, Illinois, New York, South Carolina, Texas, Washington, Milwaukee County, and Wisconsin. The reports of these studies have been completed.⁸ Most of the reports discuss a variety of information about individuals and their families who were formally or informally diverted from TANF, including their economic and noneconomic well-being and participation in government programs. Readers should note that only Texas and North Carolina studied “formal” diversion programs. The other states did not study this population partially because of low participation in formal lump-sum diversion assistance programs. A synthesis of some of the diversion studies funded by the ASPE⁹ indicates that a significant proportion of families who were diverted from TANF were receiving TANF benefits some 12 months later.¹⁰

The final rule on the TANF program was published in the *Federal Register* on April 12, 1999. Under the final regulations, non-recurrent, short-term benefits (provided for four months or less)

⁶ *Federal Register*, vol. 64, no. 62, April 1, 1999, pp. 15758-15767.

⁷ The following six states or jurisdictions were awarded nearly \$1.5 million to study welfare diversion practices: Arizona (\$246,195); Contra Costa, California (\$250,684); Illinois (\$245,600); New York (\$249,915); Texas (\$249,772); and Washington (\$249,922). Iowa also was awarded a welfare outcomes grant for FY1999, but it was to study individuals and families exiting TANF (“leavers”).

⁸ (1) Arizona Department of Economic Security, *Arizona Cash Assistance Entrance Study*, Oct. 2001. (2) The SPHERE Institute, *Examining Circumstances of Individuals and Families Who Leave TANF: Assessing the Validity of Administrative Data, Final 18-Month Report (San Mateo, Santa Cruz, and Santa Clara Counties, CA)*, by David Mancuso, et al. Nov. 2001; The SPHERE Institute, *Assessing the Family Circumstances of TANF Applicants and Leavers in Contra Costa and Alameda Counties—Final Report*, Oct. 26, 2001. (3) Florida State University, *Tracking the Outcomes of Welfare Reform in Florida for Three Groups of People*, by Robert E. Crew, Jr., et al., Oct. 2000. (4) MAXIMUS, Inc., *Illinois TANF Applicant Study* (Executive Summary and Extended Research Summary), May 2002. (5) New York Office of Temporary and Disability Assistance, *After Welfare: A Study of Work and Benefit Use After Case Closings in New York State*, Dec. 1999. (6) MAXIMUS, Inc., *TANF Recipients, Leavers, and Diverters in North Carolina: Final Report of Administrative Records Data*, June 2001; MAXIMUS, Inc., *Study of Families Receiving Lump-Sum Diversion Assistance in North Carolina: Second-Year Report*, Jan. 2001. (7) MAXIMUS, Inc., *One-Year Follow-Up of Welfare Diverters in South Carolina* (Executive Summary), June 2001. (8) Texas Department of Human Services, *Texas Families in Transition: Surviving Without TANF: An Analysis of Families Diverted From or Leaving TANF*, Jan. 2002. (9) Washington Department of Social and Health Services, *A Study of Washington State TANF Leavers and TANF Recipients, Findings from the Administrative Data and the Telephone Survey*, Summary Report, by Debra Fogarty and Shon Kralej, Mar. 2000. (10) Institute for Research on Poverty, *What Happens to Families Under W-2 in Milwaukee County, Wisconsin? Report from Wave One: Information Collected from Parents at the Time of Application for TANF Assistance, March-August 1999*, by Irving Piliavin, Mark Courtney, and Amy Dworsky, May 2001; Institute for Research on Poverty, *What Happens to Families Under W-2 in Milwaukee County, Wisconsin? Report from Wave Two of the Milwaukee TANF Applicant Study*, by Amy Dworsky, Mark Courtney (Chapin Hall Center for Children), and Irving Piliavin, Sept. 2003.

⁹ This funding for diversion research was part of the \$5 million provided by Congress in the FY1999 appropriations bill (P.L. 105-277) to be used for research on the outcomes of the 1996 welfare reform law (P.L. 104-193). Similarly, in FY1998, Congress provided \$5 million (P.L. 105-78) for welfare reform outcomes research; the FY1998 research grants focused primarily on welfare “leavers.”

¹⁰ Department of Health and Human Services, Assistant Secretary for Planning and Evaluation, “Leavers” and Diversion Studies: Diverted and Applicant Populations. Synthesis of Findings from ASPE Grants to States and Localities to Study Welfare Reform Outcomes, with an Emphasis on TANF Applicants and Diversion <http://aspe.hhs.gov/hsp/leavers99/diverted.htm>.

for crisis situations do not count as TANF assistance. Further, child care, transportation, and work supports for employed families are not considered “assistance.” Since diversion is not to be considered TANF assistance, families receiving diversion aid are not subject to TANF work requirements, time limits, child support assignment, or data reporting requirements.

Ten years after the 1996 welfare law was enacted, the TANF block grant program was reauthorized. P.L. 109-171, the Deficit Reduction Act of 2005 (enacted on February 8, 2006) included, among other things, an extension of the basic TANF block grant through FY2010 at an annual \$16.5 billion funding level. P.L. 109-171 requires that the Secretary of Health and Human Services issues regulations regarding the TANF program by June 30, 2006.

In FY2004, \$271 million in combined federal and state funds was spent on cash payments for diversion assistance or other non-recurrent short term benefits (i.e., emergency assistance, housing aid, transportation aid, etc.).¹¹

What is Diversion?

As noted above, one strategy states are using to reduce the need for ongoing welfare is referred to as “diversion” assistance. By expanding the requirements that families must meet in order to be eligible for TANF benefits and referring families to alternative resources, diversion programs have the potential to dramatically alter state approaches to providing assistance to poor families with children. Families are diverted from receiving monthly cash TANF payments if they can be persuaded to be assisted through other means or persuaded to use other resources. Before the 1996 welfare reform law and some pre-1996 state waivers, when families applied for cash welfare benefits, the emphasis was on determining their eligibility for assistance and completing their application. Now, in many states cash assistance is viewed as a last resort, and diversion assistance is viewed as a positive alternative to going on welfare.

In states with diversion programs or activities, the primary emphasis is on determining what a family needs to support itself. This could be a one-time cash payment to deal with an emergency or minor crisis, support services such as child care, transportation, or health care benefits, or help finding a job. These types of services and aid may enable a family to maintain its self-sufficiency without actually going on welfare.¹²

Diversion typically is designed to be a program, activity, or payment that is intended to divert TANF applicants from ongoing TANF benefits and instead substitute short-term cash assistance or other services to meet immediate needs. Diversion payments generally are equal to several months’ benefits. Their purpose is to help families meet temporary emergencies. It is generally offered as a one-time payment in lieu of extended cash benefits. Acceptance of a diversion payment usually makes a family ineligible for TANF assistance for a certain period of time.

¹¹ According to TANF Financial data, combined federal and state spending on non-recurrent short-term benefits amounted to \$172.3 million in FY2000 (first reported data), \$253.3 million in FY2001, \$237.7 million in FY2002, \$261.0 million in FY2003, and \$271.2 million in FY2004. Source: U.S. Department of Health and Human Services, TANF Financial Data, Table A - Combined Federal Funds, Table B1-State Maintenance of Effort (MOE) Expenditures, and Table C1-State Maintenance of Effort (MOE) Expenditures in Separate State Programs: see same tables for FY2000-2004. <http://www.acf.hhs.gov/programs/ofs/data/>.

¹² U.S. General Accounting Office, *Welfare Reform: States Are Restructuring Programs to Reduce Welfare Dependence*, June 1998, GAO/HEHS-98-109, p. 60.

Welfare diversion comes in a variety of forms such as lump sum payments, vendor payments, supportive services, and resource referral. In addition, applicant job search is used by some states as a diversion activity. Sometimes it is not easy to identify what diversion is and what it is not. According to Nathan and Gais, an activity like eligibility screening may be a form of diversion when it is carried out in certain ways, while other times it may simply be part of an eligibility review.¹³ Some staff view diversion as “preventing” applicants from becoming recipients, others view it as “helping” applicants find other appropriate tools to remain independent of ongoing assistance.

Lump Sum Payments

The one-time lump sum payment approach is designed to keep families with a short-term financial need, who may not need ongoing assistance, from entering the welfare system. The lump sum payment may be in the form of cash, a voucher, or a vendor payment. Under the lump sum payment approach, caseworkers screen TANF applicants to determine if a lump sum payment can effectively address the immediate reason for the TANF application. In some cases, in order to receive the lump sum payment eligible applicants must have work-related needs directly affecting their ability to obtain or maintain employment, such as loss of transportation due to needed car repairs. In other cases, eligible applicants can have a variety of short-term or emergency needs such as overdue rent or utility bills or child care problems. One-time cash payments can help families support themselves in a number of ways. Such payments may enable families to get their cars repaired so they can get to work, make overdue rent payments so they can avoid eviction from their homes, or get through a medical emergency that temporarily precludes work. Unlike emergency assistance under AFDC, which generally was provided to prevent destitution and homelessness among families (particularly welfare families), diversion aid is provided to families who just need a modest boost in income to remain off the welfare rolls.

According to a 1999 HHS-funded report by the George Washington University (GWU) Center for Health Policy Research,

States’ early efforts to divert families from the welfare rolls focused primarily on providing families facing short-term crises with the financial resources needed to resolve those crises. Because of this early focus and the widespread adoption of lump sum payment programs, these programs are often perceived as the primary mechanism through which families are being diverted from the welfare system. However, our case studies reveal that, in practice, lump sum payment programs are rarely used ... Thus, unlike broadly targeted applicant job search programs, lump sum payment programs are unlikely to result in widespread diversion from the welfare system.¹⁴

¹³ Federalism Research Group, The Nelson A. Rockefeller Institute of Government, State University of New York, *Implementing the Personal Responsibility Act of 1996: A First Look*, by Nathan, Richard P., and Thomas L. Gais, 1996, p. 25. (Hereafter cited as Nathan and Gais, *Implementing the Personal Responsibility Act of 1996: A First Look*.)

¹⁴ The George Washington University Center for Health Policy Research, *Diversion as a Work-Oriented Welfare Reform Strategy and Its Effects on Access to Medicaid: An Examination of the Experiences of Five Local Communities*, by Maloy, Kathleen A., LaDonna Pavetti, Julie Darnell, and Peter Shin, Mar. 1999. A Report on the Findings of the Second Phase of the Research Funded by the Administration for Children and Families and the Assistance Secretary for Planning and Evaluation, U.S. Dept. Of Health and Human Services, p. vi. (Hereafter cited as *Implementing the Personal Responsibility Act of 1996: An Examination of the Experiences of Five Local Communities*.)

Mandatory Applicant Job Search

Providing families assistance with job search and requiring applicants to engage in job search activities before they can qualify for monthly cash assistance may enable some individuals to find jobs and be diverted from the welfare rolls. The mandatory job search approach requires TANF applicants to engage in job search before applying for benefits and is designed to encourage individuals to find employment quickly to eliminate their need for cash assistance. In some cases, the TANF applicant is diverted from cash welfare because he or she finds a job; in some cases because the person already has income and does not have time to engage in any type of structured job search; and in some cases, the applicant finds the requirements of the program (e.g., number of employer contacts, formal meeting, etc.) too stringent or stressful and he or she abandons the idea of TANF assistance.

According to a 1999 GWU study,

“Work First” programs have formed the core of most state efforts to build an employment-focused welfare system. These programs, characterized by their emphasis on rapid entry into the labor market, encourage recipients to take the first job that comes along, expecting that their first job will not be their last and that it is far easier to move into a better job from a bad job than from no job at all. Applicant job search programs take the work first concept to its logical extreme: they seek to encourage or require families to look for employment immediately so as to obviate the need for them ever to receive assistance in the first place.¹⁵

Resource Referral

The availability of support services such as child care, transportation assistance, and health care benefits combined with food stamps, but not tied to the receipt of monthly cash benefits, may sometimes be enough to enable some families to maintain their self-sufficiency without going on welfare. The resource referral approach encourages TANF intake workers to explore with the applicant other forms of assistance that may be available to them, such as child care assistance, transportation assistance, aid from family and/or friends, referral to drug treatment programs, etc. This approach is seen as a by-product of the perspective that welfare is a temporary, last-resort option, rather than the only course of action available to the family. The referral approach does not guarantee that families will obtain the services or help that they need.¹⁶

According to a 1999 GWU study,

Among all diversion activities, efforts to link applicants for cash assistance with alternative resources are the least common: in our analysis of state efforts to divert applicants from TANF, only seven states indicated they are making a concerted effort to explore alternative resources with applicants before proceeding with an application for TANF. As TANF caseloads fall and the pressure of time limits mounts, it is possible that more and more localities will explore ways to link applicants for assistance with alternative resources, providing cash assistance only when all other avenues have failed. In addition to being the least utilized option for diverting applicants from the welfare rolls, linking families with alternative resources is also the least understood diversion strategy, possibly because, as our

¹⁵ *Ibid.*, p. v.

¹⁶ *Ibid.*, p. 61.

case studies reveal, it is possible to link families with alternative resources in very different ways.¹⁷

Readers should also note that in the late 1990s, when many states began implementing diversion programs, most applicants for welfare benefits viewed TANF, food stamps, and Medicaid as a package, and thereby many families who were diverted from TANF or denied TANF benefits mistakenly believed that they were ineligible for food stamps and Medicaid as well.¹⁸ This perception has been corrected, and it is now generally agreed that it is no longer a problem. In fact, during the period FY2000-FY2005, food stamp participation increased 49%, from 17.2 million in FY2000 to 25.7 million in FY2005.¹⁹ Similarly, although Medicaid enrollment numbers for adults and their dependent children dropped in 1996 and 1997, they have been increasing since then. The number of Medicaid recipients (adults and their dependent children) was 24.8 million in 1995, dropped to 23.9 million in 1996 and to 22.6 million in 1997, increased to 26.9 million in 1998, and reached 37.8 million in 2002 (the latest available data).²⁰

Formal Versus Informal

As far back as the 1960s, many individuals and organizations publicly complained that more people were turned away informally than were formally denied assistance.²¹ Informal diversion results when program rules and requirements discourage families who might otherwise be eligible for TANF benefits from applying for them. It is reported that some potential recipients of TANF are being diverted from pursuing their applications simply by learning of the stronger work and child support enforcement requirements at orientation; and that other families who expect that they will be required to explore alternative resources even though they do not believe those resources can meet their needs, may choose not to bother to apply for TANF benefits.²²

According to a 1998 HHS-funded study by the GWU Center for Health Policy Research,

¹⁷ *Diversion as a Work-Oriented Welfare Reform Strategy and Its Effects on Access to Medicaid: An Examination of the Experiences of Five Local Communities*, p. vi.

¹⁸ On January 25, 1999, a federal court (*Reynolds v. Giuliani*, 1999 West Law 33027 (S.D.N.Y.)) in New York found that New York City's job center staff illegally discouraged needy people from applying for food stamps, Medicaid, and cash assistance. (In January 1999, 13 of 31 welfare offices had been converted into "job centers.") According to court documents, the job centers required prospective applicants to go through a series of steps, including multiple interviews with agency staff and a repeat visit to the job center before they got a TANF application. During this process, job center staff actively discouraged prospective applicants from applying for assistance and encouraged them to look elsewhere for support, such as through food pantries, family members, and charities. Because the job centers also administer food stamps and Medicaid, New York City's efforts to divert needy families from TANF benefits resulted in the deterrence or denial of applications for food stamps and Medicaid. The January 25, 1999 ruling barred New York City from converting any more welfare offices into job centers, and required officials to develop a corrective action plan. In response, New York City has changed the manner in which it processes applications for food stamps, Medicaid, and TANF, and makes decisions with respect to these applications. See, also, Welfare Law Center, *Federal Court Finds New York City Illegally Deters and Denies Food Stamps, Medicaid, and Cash Assistance Applications and Bars Expansion of "Job Centers,"* Mar. 1, 1999, p. 1 <http://www.welfarelaworg/wnreynolds.htm>.

¹⁹ Average participation in the Food Stamp program dropped nearly 33% during the period FY1996-FY2000, from 25.5 million in FY1996 to 17.2 million in FY2000. Source: Food Stamp Program Participation and Costs (data as of April 24, 2006). <http://www.fns.usda.gov/pd/fssummar.htm>.

²⁰ Social Security Annual Statistical Supplement, 2005, p. 8.34.

²¹ Frances Fox Piven and Richard A. Cloward, *Regulating the Poor: The Functions of Public Welfare*, Pantheon Books, 1971, p. 153.

²² *Implementing the Personal Responsibility Act of 1996: A First Look*, p. 63.

We define informal diversion as diversion that occurs as a response to program rules and requirements that are intended to impose a stricter set of expectations on recipients even though a potential TANF recipient has not participated in those activities. For example, some families who know they will be expected to look for work immediately (or almost immediately) may choose to look for work and find it on their own, eliminating their need to apply for assistance. Other families may not apply for assistance because they anticipate that they will not be able to meet the higher expectations set forth by the new program. Others may choose not to apply because they assume they are no longer eligible under the new program rules.²³

A 2003 study found that each of the sites (Ramsey County, Minnesota; San Diego County, California; Mercer County, New Jersey; Providence, Rhode Island; Cook County, Illinois; and Bibb County, Georgia)

...normally requires at least two visits to the office to complete the application process, providing the opportunity for applicants to drop out of the process. Moreover, most sites also include a screening interview or a program orientation. These activities, often completed on the day of the initial visit to the office, allow for a preliminary exchange of information that may convince applicants that they are likely to be found ineligible, that they do not want to comply with one or more application requirements, or that the expected benefits from going through the process are too small to be worth the trouble.

The sites that have implemented applicant job search requirements have introduced an activity that has increased the burden in time and cost for applicants. In fact, in the site with the most stringent job search requirement (Cook County), 62% of the study sample either decided not to apply for TANF or did not complete the application process—a proportion nearly twice that of most other sites.²⁴

Most analysts agree that informal diversion is hard to detect because it can have either positive or negative consequences, depending on the circumstances of the diverted families. Also, the family's reason for accepting diversion assistance or for not pursuing TANF assistance may be ambiguous in that the family may be discouraged with the application process or the rules of the TANF program, or the family may be confused about their options.²⁵

HHS Policy and Regulations Concerning Diversion

On April 12, 1999, the final rule on the TANF program was published in the Federal Register. These regulations took effect on October 1, 1999. Under the final regulations, non-recurrent, short-term benefits (provided for four months or less) for crisis situations do not count as TANF assistance. Further, child care, transportation, and work supports for employed families are not considered “assistance.” Since diversion is not to be considered TANF assistance, families receiving diversion aid are not subject to TANF work requirements, time limits, child support assignment, or data reporting requirements.

²³ *A Description and Assessment of State Approaches to Diversion Program and Activities Under Welfare Reform*, p. 4.

²⁴ Health Systems Research, Inc. And Abt Associates, Inc. for the Department of Health and Human Services, Administration for Children and Families, Office of Planning, Research and Evaluation, *Study of the TANF Application Process—Final Report: Volume 1*, April 2003, p. E-6.

²⁵ *Ibid.*, p. E-11.

In the discussion of the regulations, HHS stated,

...we realize that diversion activities are an important part of state strategies to reduce dependency and that restrictive federal rules in this area could stifle the States' ability to respond effectively to discrete family problems. We also understand that subjecting families in diversion programs to all the TANF administrative and programmatic requirements would not represent an effective use of TANF or IV-D [child support enforcement] resources. For example, it does not necessarily make sense to require that, for a single modest cash payment, the state must open up a TANF case, collect all the case-record data which that entails, require the assignment of rights to child support, open up a IV-D case, and start running a federal time-limit clock.²⁶

HHS further stated that much of the diversion aid is work-focused (including supports provided to individuals participating in applicant job search), and that the benefits to the families are non-recurrent and short-term in nature and therefore would not undermine the TANF provisions on work, time limits, or self-sufficiency.

Pursuant to the final regulations, HHS is collecting only aggregate level spending information on diversion programs and activities. The exclusion of diversion activities from the definition of "assistance" means that HHS *is not* collecting disaggregated data (i.e., detailed information on individuals, such as age, race, and educational attainment) on the diversion caseload. Persons who receive diversion aid are also excluded from the aggregate caseload count. However, because of the importance of some of these "nonassistance" approaches to self-sufficiency, the final regulations added three new annual reporting requirements that concern diversion, including requiring states to provide a description of the non-recurrent, short-term benefits they are providing. Beginning October 1, 1999, states also were required to include (1) the eligibility criteria for these benefits (together with any restrictions on the amount, duration, or frequency of payments); (2) any policies they have implemented that limit such payments to families eligible for assistance or that have the effect of delaying or suspending eligibility for assistance; and (3) any procedures or activities developed under the TANF program to ensure that individuals diverted from TANF benefits receive appropriate information about, referrals to, and access to Medicaid, food stamps, and other programs that provide benefits that could help them successfully move into employment.²⁷

Although states do not need to report on the characteristics of diverted families since diversion is not considered "assistance" under the final regulations, the aggregate spending data, together with studies on state diversion activities, provide some information on the use and effect of diversion programs.

Advantages of Diversion Programs

One of the advantages of diversion programs is that they may help families facing temporary financial problems get the immediate short-term financial assistance they need to obtain or retain a job. Research also indicates that women who as children received cash welfare assistance had a

²⁶ *Federal Register*, vol. 64, no. 69, April 12, 1999, p. 17759.

²⁷ *Ibid.*, p. 17873.

greater probability of not completing high school, of having a child outside of marriage, and of spending more time on welfare than women who as children did not receive cash welfare.²⁸

Contrary to some of the early findings on diversion programs, a 2005-2006 report indicated that only about 20% of diversion program participants enrolled in the TANF program within 12 to 18 months of receiving diversion assistance.²⁹ Moreover, according to the report, “... *diversion programs seem to appropriately skim the best-able applicants rather than attracting those who are more likely to need long-term assistance.*”³⁰

Disadvantages of Diversion Programs

Some policymakers are concerned that discouraging parents and caretaker relatives from applying for TANF benefits may not be acting in the best interests of families. They contend that some crucial needs of diverted families may remain unmet, and that diversion programs may inadvertently persuade low-income families to accept a larger, up-front diversion payment rather than enrolling in the TANF program without fully weighing the consequences.

A 2002 Urban Institute study found that a significant share (17%-34%) of eligible persons (representing 500,000 to 1 million persons) who were diverted from the TANF program could gain substantial income and important services by enrolling in TANF.³¹ Moreover, the author of a 2003 report, entitled “*Which TANF Applicants are Diverted, and What Are Their Outcomes?*” found that “Diverting from TANF, relative to enrolling in and leaving the program, is associated with lower rates of employment and higher rates of Food Stamp program participation.” The author stated that this finding may indicate that many families diverted from TANF probably have long-term needs that are not met by diversion.³²

State Use of Welfare Diversion

Based on the annual state reports on the TANF program,³³ in FY2005, 28 states and the District of Columbia provided lump sum diversion payments to TANF applicants³⁴ (see **Table 1**); 16 states and the District of Columbia required TANF applicants to engage in active job searches before

²⁸ Fraser Institute, Critical Issues Bulletin, *Surveying US and Canadian Welfare Reform*, by Chris Schafer, Joel Emes, and Jason Clemens, 2001, p. 37.

²⁹ The University of Tennessee, Center for Business and Economic Research, *Families Next—An Evaluation of Policy Recommendations from the Governor’s Task Force on Families First*, Dec. 2005; revised Jan. 2006, p. 20.

³⁰ *Ibid.*, p. 20.

³¹ The Urban Institute, New Federalism—National Survey of America’s Families, *Left Behind or Staying Away? Eligible Parents Who Remain Off TANF*, by Sheila R. Zedlewski, Series B, No. B-51, Sept. 2002.

³² *Social Science Review* (University of Chicago), Sept. 2003. Which TANF Applicants Are Diverted and What Are Their Outcomes?, by Rebecca A. London, University of California, Santa Cruz, pp. 373-398.

³³ Pursuant to 45 Code of Federal Regulations 265.9, each state must file an annual report containing specified information on the TANF program and the state’s Maintenance of Effort program for that year.

³⁴ The 29 states (includes one jurisdiction) are Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Hawaii, Idaho, Iowa, Kentucky, Maine, Maryland, Minnesota, New Mexico, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Dakota, Texas, Utah, Virginia, Washington, West Virginia, and Wisconsin. Source: U.S. Department of Health and Human Services, *Temporary Assistance for Needy Families (TANF) Annual Report to Congress, 2005 and Temporary Assistance for Needy Families (TANF) Annual Report to Congress, 2004*. In addition, for some states the most recent TANF State Plan was used.

their application for TANF is approved;³⁵ and 15 states were using a “fairly aggressive” form of resource referral.³⁶ **Table 1** presents a comparison of states with lump sum diversion payments. For a detailed description of each state’s lump sum diversion activities, see **Appendix**.

Table 1 indicates that 18 states provided cash payments, 5 states provided cash and/or vendor payments or services, 3 states and the District of Columbia provided vendor payments only, and 2 states provided loans. In 11 states and the District of Columbia, diversion payments were equal to a maximum of three months’ worth of TANF benefit payments; in 5 states diversion payments were equal to a maximum of four months’ worth of TANF benefit payments. In several states, diversion payments were limited to a specific dollar amount, ranging from \$1,000 to \$1,600. In 9 states and the District of Columbia, diversion payments could be made to a family only one time; in 8 states diversion payments were limited to once in a 12-month period. Moreover, most states prohibit recipients of diversion payments from being eligible for TANF benefits for at least a few months and often for up to a year.

³⁵ The 17 states (includes one jurisdiction) with mandatory applicant job search programs were Alabama, Arkansas, District of Columbia, Georgia, Idaho, Indiana, Kansas, Maryland, Missouri, Nevada, New Jersey, North Carolina, North Dakota, Ohio, South Carolina, Vermont, and Wisconsin. Source: Urban Institute, *Assessing the New Federalism, Welfare Rules Databook: State TANF Policies as of July 2003*, by Gretchen Rowe and Jeffrey Versteeg, April 2005, p. 36.

³⁶ The 15 states that included referrals to non-TANF resources and services were Arizona, California, Colorado, Florida, Idaho, Iowa, Kentucky, New Jersey, New Mexico, North Carolina, Ohio, Oregon, South Dakota, Texas, and Wisconsin. Source: U.S. Department of Health and Human Services, *Temporary Assistance for Needy Families (TANF) Program—Sixth Annual Report to Congress*, Nov. 2004, pp. XII-20-XII-21. (Data reflects each state’s program as of June 2002.)

Table I. Diversion Payments Under TANF

State	Form of assistance	Maximum amount of assistance	How often can aid be given	Period of TANF ineligibility after receipt of diversion aid
Alaska	Cash	3 months	Once within a 12-month period. Lifetime maximum of 4 diversion payments.	A diversion payment will count as income if the family reapplies for cash welfare within 3 months.
Arizona	Cash	Up to \$300 for special needs or utility assistance Up to \$1,500 for rent or mortgage	Once within a 12-month period.	No limit, but if the family applies for cash welfare within 3 months, the payment is counted as income and subtracted from the cash welfare grant.
Arkansas	Loan	3 months	One time	100 days
California	Cash or non-cash payments or services	County option	County option	If an individual reapplies for cash assistance within the diversion period, the county welfare department shall, at option of the recipient, either recoup the diversion assistance paid from the TANF grant or count the entire diversion period toward the time limit; if an individual applies for TANF after the diversion period has ended, then only one month is counted toward the time limit.
Colorado	Cash	State option County option	No information No information	State or county establishes period of ineligibility.
Connecticut	Cash	3 months	Once within a 12-month period; lifetime maximum of 3 diversion payments.	Counts as 3 months against 21-month time limit.
Delaware	Vendor payments	\$1,500	Once within a 12-month period (good cause exceptions are possible).	Recipients must agree to forego cash aid for 1 to 3 months, depending on the size of diversion payments. For diversion payment up to \$500.99, ineligible for cash aid for 1 month; \$501 to \$1,000.99, 2 months; \$1,001 to \$1,500 (maximum), 3 months.
District of Columbia	Vendor payments	3 months	One time	6 months
Florida	Cash and/or services	“Up-front” cash diversion—\$1,000 and/or services worth up to 4 months of benefits	One time	Up-front diversion—3 months, unless an emergency is demonstrated. If the family reapplies for cash welfare within 3 months due to emergency, the diversion payment will be subtracted from any regular cash aid (prorated over 8 months).

State	Form of assistance	Maximum amount of assistance	How often can aid be given	Period of TANF ineligibility after receipt of diversion aid
Hawaii	Cash	4 months	One time	4 months
Idaho	Cash	3 months	One time	There is a reduction of 2 months of benefits for every month of cash assistance payment used in the one-time payment option.
Iowa	Vendor payments	\$2,000 per fiscal year	A family may be a candidate for the Pre-welfare diversion program more than once but the program is not to be used to provide ongoing benefits.	Number of days of ineligibility for cash welfare is equal to 30 times the diversion amount divided by the payment standard for the family multiplied by 2.
Kentucky	Cash or vendor	\$1,300	Once within a 24-month period.	12 months, unless non-receipt would result in abuse or neglect.
Maine	Vendor payments	3 months	One time	If the family reapplies for TANF within 3 months of receiving alternative aid, the family must repay any alternative aid received in excess of the amount that the family would have received on TANF.
Maryland	Cash	3 months (if compelling need, 12 months)	No information	A family is ineligible for TANF during the period covered by the diversion payment.
Minnesota	Cash or vendor payments	4 months	Once in a 12-month period.	The time period for which diversion payment was issued.
New Mexico	Cash	\$1,000. If the amount needed to meet a specific need is more than the maximum diversion payment, it shall be determined whether the maximum payment will alleviate the specific need; if not, the diversion payment will not be authorized.	Two times in an applicant's five-year time limit.	12 months (if the family received the diversion payment from another state, the family is ineligible for the period imposed by the other state).
North Carolina	Cash	3 months	Once within a 12-month period.	No information
Ohio	Cash, services, referrals (varies by county).	County determined. State suggested 4 months.	No information	No information

State	Form of assistance	Maximum amount of assistance	How often can aid be given	Period of TANF ineligibility after receipt of diversion aid
Oklahoma	Cash	3 months	One time, unless unforeseen circumstances warrant an exception.	One year
Oregon	Cash	Up to 200% of TANF payment standard	No information	No information
Pennsylvania	Cash	3 months	Once in each 12-month period.	No information
South Dakota	Cash	2 months	More than once, but staff is cautious about diverting a family a second time.	3 months
Texas	Cash	\$ 1,000	One time	12 months
Utah	Cash	3 months	No information	If an individual reapplies for cash assistance within the diversion period, the diversion payment is deducted from the family's TANF cash benefit.
Virginia	Cash	4 months	One time	A period of time determined by dividing the diversion payment by the monthly TANF benefit for which the family would have been eligible and multiplying by 1.33.
Washington	Cash	\$ 1,500	Once in each 12-month period.	12 months; otherwise treated as a loan, and the diversion payment is repaid from the TANF benefit via a monthly deduction.
West Virginia	Cash	3 months	One time	3 months
Wisconsin	Loan	\$ 1,600	No information	The loan recipient must develop a repayment plan with the TANF agency. The loan may be paid back in cash or through a combination of cash and volunteer community work.

Source: Table prepared by the Congressional Research Service (CRS) based on information in annual reports on state TANF programs. The information in the table is based on Annual State TANF report for FY2005 for all of the states listed, except for the District of Columbia, Florida, Idaho, Ohio, and Oklahoma (FY2004 annual TANF report); Kentucky (TANF State Plan for FY2004); Iowa (TANF State Plan for FY2005); and Delaware, New Mexico, and Wisconsin (TANF State Plan for FY2006).

Diversion Activity Data

Virginia is one of 28 states that uses diversion lump sum payments. Virginia reports that in April 2005, 51 different localities (out of 122 localities in the state) had 193 diversion cases; these

diversion cases represented an amount equal to about 8% of approved TANF applications in April 2005.³⁷ The type of assistance needed included money for housing or utilities, transportation, medical, child care and other temporary needs. According to statewide data, the majority of applicants rarely opt to receive financial diversion payments in lieu of regular cash assistance. According to an Urban Institute report, local staff attribute the low rate to the fact that most applicants truly need longer-term assistance. The report contends that the low utilization rate also may be due to reluctance on the part of staff to “market” this option aggressively because they are unconvinced of its value.³⁸

Arizona spent \$789,137 on its Short-Term Crisis Services program in FY2005. The average monthly number of families assisted was 353, and 4,233 families were served during FY2005. The average monthly cost of the Short-Term Crisis Services/ diversion assistance program was \$65,761 in FY2005, and the average amount of diversion assistance per family was \$186.³⁹

Oklahoma spent \$853,827 on its diversion assistance program in FY2005. The average monthly number of families assisted was 99, and 1,185 families were served during FY2005. The average monthly cost of the diversion assistance program was \$71,252 in FY2005, and the average amount of diversion assistance per family was \$720.⁴⁰

Iowa diverted 35 families from TANF in FY2004 at an average cost of \$1,406. In comparison, in FY2004, there were 3,100 TANF payments averaging \$353. About 55% of TANF recipients left the program within six months after receiving TANF cash benefits. In comparison, about 93% of the families receiving diversion assistance remained off the TANF rolls for at least 17 months. The FY2004 appropriation for the diversion assistance program in Iowa was \$1,280,467.⁴¹

Washington paid a monthly average of \$1,365 in diversion payments to 501 TANF applicant families during FY2005. The state FY2005 (July 2004–June 2005) expenditures on the Diversion Cash Assistance program amounted to \$8,210,862. The majority of diversion assistance adult recipients were female (58%) and white (68.5%). Only 12.2% of adults were married and the median age for an adult was 29 years.⁴² Washington’s maximum TANF payment for a three-person family is \$793 per month. A family living in Washington is eligible for only one diversion payment in any 12-month period and the maximum diversion payment cannot exceed \$1,500.

As mentioned earlier, 28 states and the District of Columbia have formal diversion programs. The amount of the lump sum diversion payment varies by state. Several states pay a flat sum ranging

³⁷ Virginia Department of Social Services, Virginia Independence Program: Monthly Report April 2005, May 12, 2005.

³⁸ Urban Institute, *Building an Employment Focused Welfare System: Work First and Other Work-Oriented Strategies in Five States*, by Pamela A. Holcomb, LaDonna Pavetti, Caroline Ratcliffe, and Susan Riedinger, June 1998, p. 18 (PDF format from Internet).

³⁹ Arizona Department of Economic Security, Final Version 2005 TANF MOE Annual Report. <http://www.acf.hhs.gov/programs/ofa/MOE-05/arizona.htm>.

⁴⁰ Oklahoma Department of Human Services, TANF Annual Report for FY2005, Attachment B4-Excel document.

⁴¹ Iowa Department of Human Services, Performance Report—Performance Results Achieved for Fiscal Year 2004. http://www.dhs.state.ia.us/dhs2005/dhs_homepage/docs/DHS_SF04_Performance_Report-final.pdf.

⁴² Washington State Department of Social and Health Services, Economic Services Administration Briefing Book—State Fiscal Year 2005, Jan. 2006. [http://www1.dshs.wa.gov/pdf/esa/briefbook/2005esa_briefing_book_2005.pdf#xml=\[http://askgeorge.wa.gov/dshs/highlight/pdfpainter.html?url=http%3A//www1.dshs.wa.gov/pdf/esa/briefbook/2005esa_briefing_book_2005.pdf&fterm=diversion&fterm=data&la=en\]](http://www1.dshs.wa.gov/pdf/esa/briefbook/2005esa_briefing_book_2005.pdf#xml=[http://askgeorge.wa.gov/dshs/highlight/pdfpainter.html?url=http%3A//www1.dshs.wa.gov/pdf/esa/briefbook/2005esa_briefing_book_2005.pdf&fterm=diversion&fterm=data&la=en]).

from \$1,000 to \$1,600; while others provide a cash payment equal to a specified number of months (usually three) of the state's maximum TANF benefit for the appropriate family size. The number of times a family can receive diversion assistance also varies by state. States are almost equally divided between allowing families to receive one diversion payment every 12 months and allowing families to receive one diversion payment in their lifetime. Most states prohibit TANF benefits to families that receive diversion assistance for a period at least equivalent to the diversion payment, and some states have longer ineligibility periods. (For more details on formal diversion programs, see **Table 1**.)

Although the lump sum assistance approach represents the most common form of diversion activity, the number of families assisted by such payments is relatively small. The August 1998 GWU study points out that

States can be characterized as making it easy for TANF applicants to be diverted where the lump sum payment program policies use relatively broad eligibility criteria, allow lump sum payments to be used for more than just work-related needs, and do not impose onerous repayment requirements or other penalties on lump sum payment recipients. States can also be seen as deliberately limiting the number of participants in their lump sum payment programs when the program policies use very specific eligibility criteria, limit the use of lump sum payments to work-related needs, and impose onerous repayment requirements and automatic penalties.⁴³

Many observers contend that it is applicant job search programs, rather than formal diversion programs, that have the ability to impact large numbers of families and have more potential of diverting significant numbers of applicant families from applying for TANF benefits.

⁴³ *A Description and Assessment of State Approaches to Diversion Program and Activities Under Welfare Reform*, chapter 6.

Appendix. Summary of State Diversion Payments

This summary is limited to programs that states categorize as diversion programs. It does not include emergency assistance, short-term employment aid, or housing assistance. The information in this **Appendix** is based on Annual State TANF reports for FY2005 for all of the states listed, except for the District of Columbia, Florida, Idaho, Ohio, and Oklahoma (FY2004 annual TANF report); Kentucky (TANF State Plan for FY2004); Iowa (TANF State Plan for FY2005); and Delaware, New Mexico, and Wisconsin (TANF State Plan for FY2006).

Alaska

A lump sum diversion payment may be offered instead of ongoing assistance and services if the adult applicant is job-ready and it is determined that the family needs only short-term financial assistance to enable the parent or caretaker relative to secure employment and support his or her family. The amount of the lump sum payment must be sufficient to meet the family's immediate needs but may not exceed three months' worth of the Alaska Temporary Assistance Program (ATAP) benefit that otherwise would have been paid to the family if it had chosen not to participate in the diversion program.

If the family reapplies for ATAP benefits within three months of receipt of the diversion payment, the diversion payment is to be treated as unearned income, prorated over the three-month period, and deducted from the family's ATAP benefit. A family that receives a diversion payment may not receive another diversion payment before the 12th month following the month in which it last received a diversion payment. Moreover, the family is limited to a lifetime maximum of four diversion payments.

Arizona

Based on an applicant's Arizona residency, willingness to work or enter into employment training, documentation of a crisis situation making it difficult to meet the household's monthly expenses, and household income below the poverty guidelines during the most recent 30-day period work history, the Arizona state department of economic security will determine whether the applicant should be offered the diversion option (i.e., acceptance into the Short-Term Crisis Services program).

Under the Short-Term Crisis Services program, financial assistance may be authorized to pay a utility bill or deposit, rental obligation or deposit, or mortgage payments. Payments also are available for special needs related to employment, such as eyeglasses, car repair, and dental care. The maximum payment for utility assistance and special needs is \$300. A maximum payment of \$1,500 is allowed for a rent or mortgage payment. A family can only receive Short-Term Crisis Services (i.e., diversion) assistance once in a 12-month period. A family that receives the diversion payment is eligible for all other services for which TANF recipients are automatically eligible. They also receive referrals for appropriate services and benefits available in the community, such as Employment and Training, Utility Discount Programs, and other supportive programs designed to help client attain self-sufficiency.

Arkansas

A family is eligible for a one-time diversion payment if (1) the adult has never received a diversion payment, (2) the adult is currently employed but having a problem that jeopardizes the employment, (3) the adult has been promised a job but needs help in order to accept the job (e.g., car repairs, uniforms, etc.), (4) the adult has a related minor child living in the home, and (5) the adult agrees to forego Arkansas' regular Transitional Employment Assistance (TEA) benefit for at least 100 days from the date of application. An adult may receive a diversion payment only once during his or her lifetime.

The diversion payment is equal to the actual amount needed to resolve the crisis but cannot exceed three month's worth of the maximum TEA benefit for the household. The diversion payment is a loan which the client is expected to repay to the state when he or she is able to do so. The diversion payment counts as TEA month(s) for purposes of the 24-month work time limit if the adult later applies for TEA assistance, unless the diversion aid has been repaid. If not repaid, the diversion aid counts for up to three months of the time limit based on the amount of the diversion payment divided by the maximum grant for the family size.

If the individual is diverted from the TEA program, the caseworker continues to process any other pending application for services (e.g., Food Stamps, Medicaid, child care, etc.).

California

The diversion program is designed to provide upfront cash or services to solve short-term problems of families that are eligible for the California Work Opportunity and Responsibility to Kids (CalWORKs—i.e., TANF) program. The county shall assess whether the applicant would benefit from a lump sum diversion program. In making its determination, the county may consider the applicant's work history, prospects for employment, housing situation, and adequacy of the applicant's child care arrangements. If the county determines that the family would benefit from the diversion program, the family is given the option of whether or not to participate. The lump sum diversion aid is a negotiated cash or noncash payment (or service).

If, after accepting diversion aid, the family reapplies for TANF benefits within the amount of time that corresponds to the diversion grant divided by the TANF benefit the family would have otherwise received, the county shall, at the option of the applicant, either recoup the diversion payment from the family's monthly TANF benefit (over a period of time determined by the county) or count the appropriate months toward the five-year TANF time limit. If an individual reapplies and qualifies for CalWORKs after the diversion period has ended, then only one month of the diversion period counts toward the time limit.

The lump sum diversion payment generally is not considered income in determining food stamp eligibility. Moreover, during the period of the diversion, the applicant family shall be eligible for Medicaid benefits and child care. (However, with respect to Medicaid, it is not automatic but the county is supposed to follow the existing procedures for making a Medicaid determination.) In addition, any child support collected by the applicant or recovered by the county must not be used to offset the diversion payment.

Colorado

State diversion payments are provided to applicants and recipients of the Colorado Works program who volunteer to accept a one-time benefit or service in lieu of ongoing cash assistance. An applicant family may receive a diversion grant if it does not need ongoing cash assistance and has a demonstrable need for a specific item or type of assistance. The actual amount of the lump sum payment, the time period that the applicant agrees to not apply for Colorado Works benefits in any county in the state, and other expectations are defined by the county department.

County diversion payments are provided to applicants who are not eligible for cash assistance under the Colorado Works program, but who are otherwise TANF eligible if the family does not need ongoing cash assistance and has a demonstrable need for a specific item or type of assistance. The actual amount of the lump sum payment, the time period that the applicant agrees to not apply for any further cash welfare assistance in any county in the state and other expectations are defined by the county department. Providing county diversion payments to families is strictly a county option, and some counties do not provide this type of assistance.

Connecticut

Since October 1, 1998, Connecticut has offered a diversion assistance program. Diversion aid must be offered to families that (1) are eligible for Connecticut's Jobs First program (i.e., TANF), (2) include an adult that is employed or who has a job offer that starts within three months, or who has a solid work history or marketable job skills, (3) demonstrate a short-term need that cannot be met with current or anticipated family resources, and (4) with the provision of a service or short-term benefit, would be prevented from needing monthly TANF benefits. Diversion aid may include, but not be limited to employment services, child care assistance, transportation assistance, housing assistance, utilities assistance, clothing assistance, and assistance with purchasing or maintaining work tools.

In no event shall the amount of the diversion payment be greater than the cash assistance equivalent of three month's worth of the TANF benefit for such family. A family receiving a diversion payment shall be ineligible to receive monthly TANF benefits for a period of three months from the date of application for TANF. Diversion aid counts as three months toward the 21-month TANF benefit time limit in Connecticut, regardless of the amount of the diversion payment.

A family receiving diversion assistance is offered help in obtaining other benefits for which they may be eligible such as food stamps, child care assistance, medical assistance, employment services, transportation assistance, and energy assistance.

Delaware

Since October 1, 1999, Delaware has offered diversion assistance to applicant families whose employment is jeopardized by a financial problem. A family may be eligible for diversion assistance if (1) the parent is living with a biological or adopted minor child, (2) the adult has not received a diversion payment in the last 12 months, (3) the diversion aid will alleviate the crisis, (4) the parent is currently employed but having a problem that jeopardizes the employment or has been promised a job but needs help in order to accept the job (e.g., car repairs, uniforms, etc.), and (5) the family's income and resources would qualify them for TANF.

Diversion assistance, which is available to both applicant and recipient families, is not a supplement to regular TANF assistance but is in place of it. Sample uses of diversion assistance include transportation, clothing, tools and equipment, union dues, up-front employment costs, relocation costs for verified employment in another county or state (moving equipment rental, gas, lodging for days of the move, first month's rent, rental and utility deposit). Diversion assistance may not exceed \$1,500 and are made to a third-party vendor. Recipients must agree to forego TANF cash aid for one to three months, depending on the size of diversion aid. If the diversion assistance is from \$0 through \$500.099, the family must forego TANF cash aid for one month; if it is from \$501 through \$1,000.00, two months; and if it is from \$1,001 through \$1,500, three months.

The once-a-year limitation on diversion assistance and the period of ineligibility can be eliminated if circumstances beyond the client's control make re-application for diversion assistance necessary.

District of Columbia

TANF applicants may qualify for the District of Columbia's Diversion Payment Program in lieu of receiving on-going TANF assistance. In order to be considered for diversion assistance, the applicant (1) must have a bona fide offer of employment that she or he is willing to accept, (2) must meet the income and asset test for TANF assistance, (3) live with a related minor child, (4) must not have received a diversion payment in the last 12 months or received TANF or Program on Work, Employment, and Responsibility (POWER) benefits in the last six months, (5) have an immediate financial barrier, which, if eliminated, would enable the individual to obtain or retain employment, and (6) agree to accept the one-time diversion assistance payment rather than TANF assistance.

Diversion payments can pay for items such as auto insurance or car repair, rent and utilities, work clothes, and professional licenses or fees. The diversion payment can not exceed three month's worth of the maximum TANF benefit for the family and generally is made directly to vendors. Receipt of diversion assistance does not count toward the TANF 60-month time limit. Families who receive diversion assistance are still processed for Food Stamps and Medicaid. No applications for the Diversion Payment Program were approved in FY2004.

Florida

Diversion payments provide immediate assistance in helping a family to meet a financial obligation while they are securing employment or child support (e.g., shelter or utility payment, a car repair to continue employment, or other assistance which will alleviate the applicant's emergency financial need). The state may offer up-front, cash diversion payments to an applicant family that would "likely" meet all Temporary Cash Assistance (i.e., TANF) eligibility rules.

Up-front diversion payments are limited to up to \$1,000 per family. Families receiving up-front diversion must sign an agreement restricting the family from applying for Temporary Cash Assistance benefits for three months, unless an emergency is demonstrated by the department. If such an emergency exists and the family reapplies within three months after receiving the diversion aid, the diversion payment is prorated over a two-month period and subtracted from any regular Temporary Cash Assistance payment received by the family. The up-front diversion

assistance agreement must state that the diversion assistance is a once-in-a-lifetime benefit, and that the client may apply for Food Stamps and Medicaid.

Hawaii

In FY2005, Hawaii implemented a new Self-Sufficiency program called Upfront Universal Engagement Grant Diversion. This program is designed to support employment and eliminate the need for families to enter into the welfare system. A lump sum benefit is issued in exchange for a four-month period of ineligibility. During the initial four months of assistance, families receive “non-assistance” benefits. These benefits do not affect the TANF lifetime eligibility limit of 60 months. Participants are immediately referred to a work program, and the focus is on getting these individuals employed within the grant diversion period.

Idaho

A family applying for Temporary Assistance for Families in Idaho (TAFI) may be eligible for a one-time cash payment for an emergency need. One-time emergency needs could include car repair, moving expenses, employment agency fee, tools, uniforms, child care, housing expenses, and medical expenses. The family must have needs that cannot be met with existing resources. A family cannot receive a TAFI one-time payment if the family received emergency assistance or at-risk services within the past 12 months. The amount of the cash payment is equal to the amount of need or up to three times the maximum monthly TAFI benefit amount for the appropriate family size. The applicant family is ineligible for TAFI benefits for a period of two months of benefits for every month of TAFI benefit payment used in the one-time option. This period of ineligibility is counted against the 24-month time limit. In addition, Idaho counts a partial month of diversion cash as a full month of TANF assistance. To illustrate, if a family receives diversion assistance equal to the value of two months and two days of assistance, that is considered the same as three months of TANF assistance and thereby would make the family ineligible for six months of TANF.

A family already receiving TAFI also is eligible for a one-time cash payment to be used for employment-related expenses, such as relocation and moving expenses, tools, and union dues to permit the parent or caretaker relative to accept or retain employment. Participant families can receive a one-time cash payment equal to one-half of the remaining months of eligibility, up to a maximum of three times the maximum monthly grant for which they would have been eligible.

Iowa

Family Investment Program (FIP, i.e., TANF) Diversion assistance is available to families that meet designated income limits, have an eligible child in the home, provide Social Security numbers, and volunteer for diversion assistance instead of receiving FIP cash benefits. Diversion recipients must have identifiable barriers to obtaining or retaining employment that can be substantially addressed through the immediate short-term benefits or services. Examples of diversion assistance include transportation costs including car repair, payments, and license fees; shelter costs including rent, mortgage, and utilities; job-specific expenses including licensing fees, tools, uniforms, and shoes; and very limited, short-term child care. While a family may receive diversion assistance more than once, the program is not to be used to provide ongoing benefits. Diversion assistance is provided through vendor payments.

Receipt of FIP diversion assistance shall result in a period of ineligibility for FIP for that family, including new members moving into the household. The period of FIP ineligibility shall equal the number of calendar days arrived at by using the following formula:

$$\text{Diversion amount} \div \frac{(\text{payment standard for the family size})}{30} \times 2$$

Kentucky

The Family Alternative Diversion (FAD) payment is available to families eligible for the Kentucky-Temporary Assistance Program (K-TAP) with a short-term financial crisis. Families who receive diversion assistance are ineligible for K-TAP benefits for 12 months unless non-receipt would result in abuse or neglect of a child or if the parent is unable to provide adequate care or supervision due to loss of employment through no fault of the parent. FAD payments may be in cash or vendor payments, and may include, but are not limited to, access to job preparation activities, work support services, child care, and housing assistance.

The maximum amount of the diversion payment is limited to \$1,300. Families may be approved for FAD once every two years, with multiple payments to the family and/or vendor, but payments must be made within three months of the date of application for diversion assistance. The FAD program provides families with referrals to the Child Support Enforcement, Food Stamp, and Medicaid programs, as well as child care and other appropriate service providers.

Maine

Alternative Aid Assistance is offered to all TANF eligible applicants. To assist applicants who seek short-term assistance (for items such as child care or car repairs) to obtain or retain employment, the Department of Human Services shall provide a one-time vendor payment of up to three times the monthly TANF grant for which the family otherwise would have been eligible. If the family reapplies for TANF within three months of receiving alternative aid, the family must repay any alternative aid received in excess of the amount that the family would have received on TANF. The method of repayment must be the same as that used for the repayment of unintentional overpayments in the TANF program. Alternative Aid Assistance does not count toward the 60-month time limit.

Eligibility for Food Stamps and Medicaid is routinely determined after the applicant family selects either Alternative Aid or TANF. Moreover, Maine's automated client eligibility system provides applicant families with an opportunity to access other programs that may help them get or keep employment.

Maryland

A local department of human resources may offer a Welfare Avoidance Grant (WAG) to a Family Investment Program (FIP) applicant family. The total amount of the grant may not exceed three times the maximum monthly allowable amount for the number of individuals in the assistance unit unless there is a compelling need and the maximum does not exceed 12 times the maximum monthly allowance amount for the number of individuals in the assistance unit. A FIP application must be denied during the period covered by the Welfare Avoidance Grant. The local human

resources department may provide a family with a Welfare Avoidance Grant more than once if a new emergency occurs. Medicaid benefits are available for the family if the family would have been eligible for TANF, except for the one-time payment.

Minnesota

Minnesota counties were required to implement the Diversionary Work Program by July 1, 2004 (the program was established on July 1, 2003). The Diversionary Work Program is a four-month program that provides services and supports to eligible families to help them move immediately to work rather than go on welfare. Most families who apply for the Minnesota Family Investment Program (MFIP) will be in the diversion program for four months. A family can participate in the diversion program for only four months in a 12-month period.

The maximum amount of diversion aid is equal to four times the maximum monthly MFIP benefit amount for the appropriate family size. Upon receipt of a diversion payment, the family is ineligible for MFIP for the time period for which the diversion payment was issued. The Diversionary Work Program provides help with rent, utilities or other housing costs, child care, family issues that may prevent or delay employment, and short-term training. The program may also help families receive Food Stamps, Medicaid, and child care benefits. The four months of the Diversionary Work Program do not count toward the TANF 60-month time limit.

New Mexico

Diversion payments are lump-sum payments given to families to meet a specific need that will enable the applicant to keep a job or accept a bonafide job offer. A diversion payment is available to an initial applicant benefit group (either a new applicant or an active case that has been closed for at least one month, and does not include New Mexico Works (NMW) cases closed because of a third sanction) who meets all NMW eligibility criteria. Applicants must enter into a written agreement that defines the terms and expectations of the diversion grant; documents the reason why cash assistance is not required; and identifies the need for a specific type of short-term assistance.

The maximum amount of the diversionary payment is \$1,000. The diversion payment is limited to two times in an applicant's five-year time limit. Diversion recipients are ineligible for NMW or another diversion payment for 12 months. If an individual received diversion payments from another state, he or she also is ineligible for NMW or diversion assistance for 12 months.

North Carolina

The Work First Diversion Assistance program offers benefit diversion in lieu of Work First Family Assistance as an alternative for families. It is an optional package of services which includes (1) a one-time lump sum payment equal to a maximum of three months of Work First Family Assistance benefits, (2) Medicaid and food stamps for the months in the benefit diversion period, and (3) referrals to child support, child care assistance, and other community and agency resources.

The Work First program manual indicates that it is appropriate for the caseworker to discuss benefit diversion only with those families who are employed, soon-to-be employed, or between

jobs. The caseworker is supposed to explain what diversion is and point out its advantages and disadvantages.

Ohio

Independent of the Ohio Works First program, the Prevention, Retention, and Contingency (PRC) program is intended to help families overcome immediate barriers to achieving or maintaining self-sufficiency. Its goal is to encourage employment and prevent people from sliding out of the work force and onto public assistance. The PRC replaced the Family Emergency Assistance Program but with much broader guidelines. Beginning October 1, 1997, every county was required to have a PRC Program. In keeping with the principle of giving counties maximum flexibility in designing and implementing programs, counties can design their PRC Program to best fit the needs of their community.

Oklahoma

Diversion assistance is available to families with minor children when there is a short-term crisis and intervention services are needed to retain or obtain employment. To receive diversion assistance, an individual must be employed or have bona fide offer, have a financial need which if not met can cause loss of employment or an employment offer.

The applicant must be screened for literacy and substance abuse prior to receipt of diversion assistance. If the applicant refuses to complete the screenings, the application for diversion assistance is denied. If screening indicates a need, a referral is made to an appropriate provider. If the applicant fails to follow through with the referral, this does not affect the eligibility for diversion assistance. Diversion benefits can equal up to three months of the TANF payment. Diversion recipients are ineligible for TANF benefits for one year. Diversion benefits may only be provided to a family once. Families are informed of other benefits available to them, such as Food Stamps, Medicaid, child care, substance abuse treatment, domestic violence counseling, and marriage counseling.

Oregon

Although Oregon does not have a diversion program per se, it does provide lump sum payments to persons applying for TANF if the person indicates that he or she needs cash for car repair, employment-related tools or clothing so he or she can obtain or retain a job. The cash payment is not a fixed amount and the person can apply for TANF the next month if he or she needs ongoing monthly assistance. Payments are limited to 200% of the TANF payment standard. Support services include but are not limited to child care, transportation, tools, fees, and counseling.

Pennsylvania

The purpose of the diversion payment is to meet a specific crisis situation or episode of need that is expected to eliminate a family's need for ongoing cash assistance. To be eligible for this initiative, the TANF-eligible family must meet TANF income/resource requirements and definitive conditions (minor child, specified relative and deprivation); be employed or have a recent work history; have a financial need that, if met, eliminates the family's need for ongoing

TANF cash assistance; and have a verified plan for ongoing self-support from earned or unearned income.

A diversion payment is equal to the TANF cash payment for the family in question for one, two, or a maximum of three months, depending upon a family's need. A family will be eligible for only one diversion payment in a 12-month period. Services and/or items that may be purchased with this payment include, but are not limited to, work expenses such as uniforms and tools; mortgage, rent, or other housing expenses; car repairs, inspections, payments, insurance premium payments and other transportation costs; child care; and costs to relocate to secure employment.

South Dakota

Only applicants who "would" be eligible for TANF are eligible for diversion assistance. The applicant also must be currently employed or have received a formal job offer. The family may receive a diversion payment for employment-related expenses. The diversion payment cannot exceed two times the maximum monthly TANF payment for the appropriate family size.

An applicant who is diverted and receives payment will be ineligible for TANF cash assistance for three months, beginning with the first day of the calendar month following the month of TANF application. If the applicant reapplies for TANF within this three-month period, he or she will be required to reimburse the Department of Social Services for the diversion payment (pro-rated over the three-month period). To pay back the pro-rated amount, deductions will be made from the client's TANF cash assistance. Family units can be diverted more than once during the five-year life time limit. However, staff is very cautious about diverting a family a second time.

Applicants who have been diverted from TANF are helped with completing applications for the Food Stamp, Medicaid, and Child Support Enforcement programs, and are referred to the appropriate program office.

Texas

The Achieving Change for Texans (ACT) program provides a one-time cash payment for applicant families who need crisis assistance. Families that choose the one-time lump sum payment must forego regular TANF benefits for 12 months. The maximum diversion payment is equal to \$1,000 regardless of family size.

The \$1,000 diversion payment is not counted as income for food stamp purposes, but is considered a resource in the month received. Families who choose the diversion payment in lieu of TANF assistance are automatically screened for eligibility for Medicaid, and are advised that they may also apply for Food Stamp benefits.

Utah

Diversion assistance is available for non-recurring, short-term assistance during a financial crisis. Diversion assistance cannot exceed three times the maximum monthly amount of TANF cash aid that the family would otherwise be qualified to receive. Child care supportive services and "Y" funds also are available to support success during and after the diversion period.

“Y” funds are funds used to reimburse an individual for work- and training-related expenses. “Y” funds may be used to assist the customer to alleviate circumstances that impede the individual’s ability to begin or continue employment, job search, training or education. There is not a limit on the amount of “Y” funds an individual may receive. However, payments greater than \$1,000 must be approved by a supervisor.

Virginia

Virginia’s diversionary assistance provides a one-time cash payment worth up to four months of benefits to meet a one-time crisis such as a transportation, child care, or housing emergency. In order to qualify for diversionary assistance, an applicant must be otherwise eligible for TANF. In order to receive diversionary assistance, the applicant must relinquish his or her right to TANF assistance for a time period determined by dividing the benefit total by the monthly TANF cash benefit for which the household would have been eligible and multiplying by 1.33.

Application for diversionary assistance is made on the same application for benefits that a person uses to apply for TANF, Food Stamps, and Medicaid. In addition, the integrated computer system processes benefits for Food Stamps and diversionary assistance using the same information provided during a dual interview. All applicants for assistance receive a brochure that provides information on all benefit programs.

Washington

Washington offers a Diversion Cash Assistance program that is designed to provide eligible applicant families with brief, emergency assistance to help them through their crisis. Diversion assistance may include cash or vouchers in payment for the following needs: child care, housing assistance, transportation-related expenses, food, medical costs for the applicant’s immediate family, and employment-related expenses which are necessary to keep or obtain paid unsubsidized employment.

A diversion payment is available once in each 12-month period for each adult applicant. Diversion payments may not exceed \$1,500 for each instance. If a family enrolls in the TANF program within 12 months of receiving diversion aid, the prorated dollar value of the diversion payment shall be treated as a loan from the state, and recovered by deduction from the family’s monthly TANF benefit.

Washington uses a unified application form for TANF cash benefits, Medicaid, and Food Stamps. Clients are advised of their eligibility for those benefits at the time of application.

West Virginia

West Virginia offers a Diversionary Cash Assistance program to encourage applicant families not to apply for ongoing monthly TANF cash assistance. After assessment and approval by a Family Support Specialist, the state may issue a one-time diversion payment to eligible applicant families. The diversion payment cannot exceed three times the maximum monthly TANF payment for the appropriate family size. When a diversion assistance payment is accepted, the family is ineligible for TANF cash assistance for three months.

West Virginia's eligibility determination system processes the Diversionary Cash Assistance payment and also determines other programs and benefits for which the family may be eligible such as the Food Stamp and Medicaid programs.

Wisconsin

The Wisconsin Works program offers "Job Access Loans" to W-2 eligible individuals if the person needs the loan for an immediate and discrete financial crisis, or the person needs the loan to obtain or continue employment. Job Access Loans may not exceed \$1,600. Some examples of appropriate use of Job Access Loans include car repairs and loans, fees for obtaining a drivers' license, clothing or uniforms for work, rent or security deposits, to prevent eviction and enable the individual to obtain or maintain employment, and self-employment/entrepreneurial activities. The loan may be paid back in cash or through a combination of cash and volunteer community work.

Author Contact Information

(name redacted)
Specialist in Social Policy
[redacted]@crs.loc.gov, 7-....

EveryCRSReport.com

The Congressional Research Service (CRS) is a federal legislative branch agency, housed inside the Library of Congress, charged with providing the United States Congress non-partisan advice on issues that may come before Congress.

EveryCRSReport.com republishes CRS reports that are available to all Congressional staff. The reports are not classified, and Members of Congress routinely make individual reports available to the public.

Prior to our republication, we redacted names, phone numbers and email addresses of analysts who produced the reports. We also added this page to the report. We have not intentionally made any other changes to any report published on EveryCRSReport.com.

CRS reports, as a work of the United States government, are not subject to copyright protection in the United States. Any CRS report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS report may include copyrighted images or material from a third party, you may need to obtain permission of the copyright holder if you wish to copy or otherwise use copyrighted material.

Information in a CRS report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to members of Congress in connection with CRS' institutional role.

EveryCRSReport.com is not a government website and is not affiliated with CRS. We do not claim copyright on any CRS report we have republished.