

**EXAMINING CIRCUMSTANCES OF INDIVIDUALS
AND FAMILIES WHO LEAVE TANF: ASSESSING THE
VALIDITY OF ADMINISTRATIVE DATA**

Grant Number 98ASPE-309A

12-MONTH REPORT

EXECUTIVE SUMMARY

December 22, 2000

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The research reported herein was performed pursuant to a cooperative agreement from the U.S. Department of Health and Human Services and the County of San Mateo Human Services Agency. The opinions and conclusions expressed herein are solely those of the authors and should not be construed as representing the opinions or policy of any agency of the Federal Government or the Counties of San Mateo, Santa Clara, and Santa Cruz, California.

EXECUTIVE SUMMARY

Today, more than four years after the passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), states and counties are continuing to redesign and revise their welfare programs to better serve low-income families and to improve the health and well being of these families and their communities. As the outlines of new welfare programs take shape, it is vital that we understand the results of these innovations. To date, however, we have limited information about the circumstances and well being of families affected by the replacement of Aid to Families with Dependent Children (AFDC) with Temporary Assistance to Needy Families (TANF).

To add to our knowledge in this area, this report examines the circumstances of three groups of families in three California counties, San Mateo, Santa Clara, and Santa Cruz.

These three groups are:

- **Welfare Leavers** – families leaving CalWORKs in the fourth quarter of 1998, and remaining off aid at least two consecutive months;
- **Informally Diverted** – families denied cash aid¹ for one of a specific set of non-financial reasons² in the fourth quarter of 1998, and not receiving cash aid for at least two consecutive months following denial; and
- **Recipients of Housing Assistance** – families receiving housing assistance in January 1999.³ (This group may include welfare leavers, informally diverted families, and current cash aid recipients.)

We report outcomes for these families using county and state administrative data and the first round of interviews, which occurred approximately six to twelve months after exit or

¹ Throughout this report we will use the term “cash aid” to refer to CalWORKs.

² This population primarily consists of families who were recorded in the county administrative systems as being denied aid because they did not comply with the requirements of the application process, they formally withdrew their application, or they did not complete their application. Because of difficulties obtaining information on the reason for denial of cash aid in Santa Cruz County, our study population of informally diverted applicants is limited to San Mateo and Santa Clara counties.

³ Because of difficulties obtaining housing program administrative data for Santa Cruz County, our study population of the informally diverted and housing assistance recipients is limited to San Mateo and Santa Clara counties.

diversion from aid. In the final report, we will examine data from subsequent rounds of interviews to assess changes in circumstances for these families over the 18 months following exit or diversion from CalWORKs. We will also focus on assessing the validity and usefulness of administrative data in examining the circumstances of these families – including the potential use of administrative data in identifying families at risk of poor post-exit outcomes – in the final project report.

Findings for Leavers and Informally Diverted Families

Reasons for Exit or Diversion from Aid. We compared the county welfare department’s recorded reason for exit from aid with the respondent’s self-reported reason. In doing so, it appeared that many clients who are categorized by the county as exiting by “client request,” or for failing to provide information, are working and may have been earning more than the CalWORKs eligibility threshold. Thus, administrative data probably underestimate employment as the reason for exit.

We also found that among the informally diverted, 35 percent listed earnings from employment as the reason they did not receive aid. Twenty-two percent said they were denied aid because they believed, or were told, they were ineligible. Only about 8 percent of the informally diverted persons cited the administrative burdens of applying for aid as the reason they did not receive aid. Thus, it appears that, overall, the respondents did not have a general perception that they had been denied aid due to unfair bureaucratic actions.

The pattern of earned income immediately before and after application for aid suggests that many of the informally diverted applicants may have suffered brief spells of joblessness – events that could have led to the submission, and subsequent withdrawal, of an application for aid. Nevertheless, our analysis of earned income in the quarter of diversion

suggests that many of the diverted applicants might have been eligible for CalWORKs if they had completed their applications. We note, however, that using earnings over the diversion quarter (that is, average monthly earnings over a period of three months) may mask a drop of income in the month of diversion and therefore probably leads to an overestimation of the proportion of diverted families eligible for CalWORKs. Furthermore, earned income is not the sole criterion for eligibility. Thus, further investigation of this issue is needed before drawing any firm conclusions.

Circumstances at First Interview. In order to get an overall view of the relative circumstances of our study groups approximately six to twelve months after exit, we prepared tables comparing their circumstances on key outcome measures. Exhibit S-1 compares the circumstances of one-parent and two-parent leavers, while Exhibit S-2 reports the relative standing of leavers and the informally diverted.

As Exhibit S-1 shows, two-parent leavers generally appear to be better off than one-parent leavers at this stage. Although the average household in each group has income at the poverty line, and 90 percent of children in both groups have health insurance, two-parent leavers are less likely to have returned to cash aid and less likely to report food insecurity, an uninsured respondent, substandard housing, children engaging in risk behaviors, domestic violence, and barriers to full-time employment. One-parent leavers fare better only in the areas of crowded housing and excessive rent.

Exhibit S-2 shows that the comparison between leavers and the informally diverted is more mixed, with leavers being better off in terms of health insurance coverage, excessive rent, crowded housing conditions, and domestic violence, while the informally diverted are better off in the areas of food insecurity, stability of child care, child supervision, and child

Exhibit S-1
How Were One-Parent Families Doing at the First Interview, Relative to Two-Parent Families?

Measure	One-Parent Better Off	Two-Parent Better Off	About the Same
Returns to cash aid		✓	
Household earnings		✓	
Barriers to employment		✓	
Household income		✓	
Income relative to poverty			✓
Food insecurity		✓	
Health insurance – child			✓
Health insurance – respondent		✓	
Substandard housing		✓	
Crowded housing	✓		
Excessive rent	✓		
Child care expenses		✓	
Stability of child care		✓	
Child risk behaviors		✓	
Child unsupervised		✓	
Substance abuse			✓
Domestic violence		✓	

risk behaviors. The two groups have comparable outcomes in terms of income relative to poverty, and the likelihood of going on cash aid.

About 20 percent of the leavers had returned to CalWORKs by the time of the first interview. As expected, leavers with low earnings and low levels of education were more likely to return to aid. We also found that one- and two-parent leavers who returned to aid were more likely to report that finding child care and transportation were big problems compared to their counterparts who had not returned to aid. Surprisingly, leavers who had been on aid for long periods of time were *less likely* to return to CalWORKs than those who

Exhibit S-2			
How Were Leavers Doing at the First Interview, Relative to the Informally Diverted?			
Measure	Leavers Better Off	Informally Diverted Better Off	About the Same
Returns to cash aid	✓		
Household earnings	✓		
Barriers to employment		✓	
Household income			✓
Income relative to poverty			✓
Food insecurity		✓	
Health insurance – child	✓		
Health insurance – respondent	✓		
Substandard housing			✓
Crowded housing	✓		
Excessive rent	✓		
Child care expenses			✓
Stability of child care		✓	
Child risk behaviors		✓	
Child unsupervised		✓	
Substance abuse			✓
Domestic violence	✓		

were short-term aid recipients. We also found that over half of the leavers who had *not* returned to aid by the first interview had incomes that were below the CalWORKs eligibility threshold. It is also interesting to note that many informally diverted applicants wound up on aid within a short period of time – for example, 20 percent were receiving CalWORKs about four months after diversion.

We found that about half of the leavers had never heard of the Earned Income Tax Credit (EITC), and that over half of those who appeared to be eligible for the credit had never

used it. As was the case for leavers, about half of the diverted respondents had never heard of the EITC, and about three-fourths of those who appeared to be eligible for the credit had never used it. Clearly, more attention needs to be given at the county level towards the provision of information and assistance in taking advantage of this important source of income.

Many of the respondents indicated in the interviews that they had experienced food insecurity. In exploring this further, we found evidence that a significant percentage of these families had not accessed Food Stamps benefits even though they appeared to be eligible. This is an area that warrants further investigation as to the reasons for the low take-up rates for this benefit. We note, however, that while this aspect of the analysis points to a significant underutilization of Food Stamps by families leaving CalWORKs in 1998Q4, when we compare Food Stamps usage by this cohort of leavers with usage by families leaving cash aid in the fourth quarter of 1996, we find a significantly higher rate of Food Stamps receipt by the 1998Q4 cohort.

About half of the one-parent leavers and the informally diverted respondents indicated that obtaining child care was a barrier to full-time employment. In this respect, we note that relatively few leavers reported receiving assistance at exit from CalWORKs in finding, or paying for, child care.

Recipients of Housing Assistance

We stratified the welfare leavers group into those families receiving housing assistance in January 1999 (housing leavers) and families not receiving such assistance (non-housing leavers, and then compared the circumstances of these two groups at first interview. We found that, although non-housing leavers had higher levels of income relative to poverty,

housing leavers were better off with respect to food insecurity, housing quality, and crowding, which may be related to the provision of housing assistance.⁴ Our final report will examine changes in the circumstances of housing and non-housing leavers between the first and subsequent interviews, to assess whether it may be efficient for county welfare departments to use information regarding receipt of housing assistance in targeting services.

Comparison of Outcomes for 1996Q4 and 1998Q4 Leavers

We compared earnings and post-exit aid use for leavers who exited aid in 1998Q4 and 1996Q4 in the three study counties, to assess whether the more recent cohort of leavers is faring better or worse than families who left aid prior to the implementation of welfare reform in California. In terms of earnings outcomes and cash aid recidivism, the two leavers cohorts exhibited almost identical outcomes. However, the more recent cohort of leavers was much more likely to use Non-Assistance Food Stamps and Non-Assistance Medi-Cal than the earlier cohort.

Policy Implications

Based on a review of our findings, we suggest consideration of the following policy changes, most of which could be implemented administratively at the county level:

- *Adopt policies to ensure that leavers and diverted applicants are aware of the Earned Income Tax Credit.* We found that a substantial number of leavers and diverted applicants were not aware of this tax credit, and many who appeared to be eligible had never used it.
- *Adopt policies to ensure that leavers are aware of Non-Assistance Food Stamps eligibility rules.* While 1998 leavers were more likely to be receiving food stamps after exit from CalWORKs than were 1996 leavers, we still found that many families in the 1998 group had not accessed these benefits even though they appeared to be eligible.

⁴ The value of housing assistance is not counted in total household income, and therefore the comparison of household income relative to poverty may understate the relative circumstances of housing leavers.

- *Adopt policies to ensure that leavers are aware of all available resources for assistance in finding and paying for child care after exit from CalWORKs.* We found that relatively few leavers reported receiving such assistance upon exit from aid.
- *Provide information on the availability of post-CalWORKs benefits at an earlier stage, prior to exit from CalWORKs.* A significant number of leavers simply drop off the welfare rolls by not submitting their continuing eligibility forms. Therefore, it may be particularly difficult to provide these families with information on the availability of post-CalWORKs benefits after they leave aid.
- *Use targeting strategies so as to maximize available resources in providing certain services.* For example, based on our finding that individuals with low levels of earnings and education were the most likely to return to CalWORKs, it may be cost-effective to target post-employment services to leavers with these characteristics. Targeting strategies can also be used in ongoing case management activities, including the provision of information on post-CalWORKs benefits. (In our final report, we will examine in more detail the characteristics of leavers so as to facilitate the development of policies based on targeting.)
- *Review county intake policies and practices, focusing attention on applicants whose eligibility appears to be below or close to the CalWORKs threshold.* While we found that, overall, the informally diverted applicants did not perceive they had been denied aid due to unfair bureaucratic actions, it appeared that many such applicants may have been eligible for aid if they had completed their applications.
- *Expand the concept of diversion programs to encompass the provision of employment and support services and information on non-assistance benefits, to be available to low-income families regardless of their eligibility for CalWORKs.* We found that many informally diverted applicants wound up on CalWORKs within a relatively short period of time after diversion, suggesting the need for earlier intervention. We note that under federal regulations adopted in 1999, federal TANF funds (as well as state funds countable towards the TANF maintenance of effort requirements) may be used to provide services to families whose incomes exceed the limit for TANF (CalWORKs) grant eligibility. The Legislative Analyst's Office in the California Legislature recently identified several options for using this added flexibility, including (1) allocating federal TANF block grant funds and/or state funds to provide services – such as job training, transportation, and mental health and substance abuse treatment – for working poor families not eligible for CalWORKs grants and (2) allowing the counties to spend their performance incentive payments (funds allocated to the counties for performance in the CalWORKs Program) to provide services to working poor

families.⁵ In response, the Legislature enacted legislation to permit the counties to spend up to 25 percent of their fiscal incentive payments on services to families with incomes up to 200 percent of the federal poverty level.

⁵ Legislative Analyst's Office, California State Legislature, *Analysis of the 2000-01 Budget Bill*, p. C-157.