

**Texas Families in Transition/
Surviving without TANF:
A Preliminary Analysis of Families Diverted
From or Leaving TANF**

Executive Summary

A joint project of

Deanna Schexnayder
Daniel Schroeder
**Ray Marshall Center
for the Study of Human Resources**
Lyndon B. Johnson School of Public Affairs
The University of Texas at Austin

Laura Lein
David Dominguez
Center for Social Work Research
School of Social Work
The University of Texas at Austin

Karen Douglas
Freddie Richards
**Center for Innovative Projects
for Economic Development**
Prairie View A&M University

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Preliminary Report

Executive Summary

Background

Since welfare reform began, many states have been conducting studies to determine how these policy changes are affecting the families served by Temporary Assistance for Needy Families (TANF). In particular, states are interested in understanding whether former welfare recipients or those diverted from receiving TANF are employed or are receiving other types of economic supports. They also are interested in how many families are returning to welfare and the reasons for their return.

The U.S. Department of Health and Human Services has supported these research efforts through a series of competitive grants to states. Texas received federal funding to study outcomes for families diverted from TANF. In addition, the state of Texas has funded a study of outcomes for families redirected from or leaving TANF. This project, Texas Families in Transition: Surviving without TANF, combines the resources and research approaches of these studies to provide the most comprehensive look to date at these populations in Texas. While no one approach can fully assess the effects of welfare reform on poor families, the use of multiple approaches (and data from multiple projects) can provide a more complete picture of how low-income families in Texas are responding to changes enacted as a result of welfare reforms.

As a recipient of these funds, the Texas Department of Human Services (TDHS) has contracted with the Ray Marshall Center for the Study of Human Resources and the Center for Social Work Research at The University of Texas at Austin to conduct this combined research effort. The Center for Social Work Research is sub-contracted with the Center for Innovative Projects for Economic Development at Prairie View A&M University, another partner in this research.

Research Questions and Methods

The following research questions are being addressed:

- What are the characteristics of families who left or were diverted from TANF?

- To what extent are these families participating in other government programs, especially Medicaid and Food Stamps?
- To what extent are these families employed and/or receiving other economic supports, such as child support and child care?
- Over time, how do these families manage and what hardships do they face?
- How do potential applicants view the diversion/application process?
- Are there particular points after leaving TANF at which people are the most vulnerable to returning?
- Which factors are associated with leaving TANF, remaining off TANF, or returning to TANF?

These questions are answered for several types of diverted TANF applicants and TANF leavers. Three types of ‘diverted’ families are being studied: families redirected prior to TANF application, those denied TANF for non-financial reasons, and approved TANF applicants opting to receive a one-time payment in lieu of TANF benefits. Outcomes for diverted families are sometimes compared to those for approved TANF applicants to give the reader a frame of reference. Leavers include families whose TANF cash grant has ended and who do not return to TANF for at least two months. For the preliminary phase of this study, leavers were divided into three sub-groups: totally denied cases, cases denied TANF and transferring to a Medicaid program, and ‘child-only’ cases denied after the adult had reached a state time limit. These sub-groups are defined further in Table ES-1.

This preliminary report concentrates on answering the first three research questions. It summarizes results from initial analyses of administrative data files for families who were diverted from or left TANF from April 1998 through June 1999 and intensive interviews conducted between November 1998 and March 2000 with a sample of these families.

Administrative data analysis. Ray Marshall Center researchers analyzed individual-level administrative program data from TANF, Food Stamp, Medicaid, child support, and subsidized child care programs, as well as earnings from the Texas Unemployment Insurance quarterly wage database. The statewide administrative data analysis provides demographic information about the diverted and leavers populations

and monitors their program participation and employment for one year prior to and one year following TANF diversion or exit.

Table ES-1
Types of Families Diverted From or Leaving TANF
April 1998-June 1999

Population Type	Sub-Group Name	Definition
Divertees	Redirects	Potential applicants who were redirected (informally diverted) from TANF and did not apply for cash benefits.
	Non-financial Denials	Applicants who completed an application for TANF, but whose application was denied for a reason unrelated to earnings or assets.
	One-time Recipients*	TANF applicants who opted to receive a \$1,000 one-time payment in lieu of TANF for the following twelve months.
Leavers	Totally Denied	Cases composed of both caretakers and children that are denied both TANF and Medicaid. (Child may be eligible for a Medicaid program at a later time).
	Denied and Transferred to Medicaid	Cases composed of both caretakers and children that are denied TANF and transferred to a Medicaid program.
	Child Cases Denied†	Child-only cases in which caretakers reached TANF time limits and children were denied TANF at some later date.

* One-time recipients are less than two percent of diverttees.

† Child cases denied are less than two percent of leavers. Under the provisions of Texas' welfare reform waiver, children remain eligible for TANF after the caretaker leaves TANF because of reaching a time limit.

In-depth interviews. The Center for Social Work Research conducted in-person interviews with samples of TANF leavers, redirects, applicants denied for non-financial reasons, and recipients of one-time payments. In-depth interviews were conducted with 439 persons in eight different research sites at some point during the fifteen months following their diversion or TANF exit.¹ Partial information was collected for an additional 192 persons for whom interviews could not be completed. This component provides detailed life circumstances, experience with TANF services, employment

¹ Research sites included Bexar County (San Antonio), Harris County (Houston), McLennan County (Waco), Jasper County (Jasper), Hale County (Plainview), Hidalgo and Cameron Counties, and single offices in Austin and El Paso. These sites were selected to provide variation in urbanization, racial and ethnic demographics, and labor markets.

experience, and income information from respondents to a series of open-ended questions.

Due to its preliminary nature, this report discusses separately the current findings from the administrative data analysis and the intensive interviews. Differences in findings between the two study components may be due to: the longitudinal nature of the administrative data analysis compared to the snapshot (one point in time) approach of the initial analysis from the interviews with families; the statewide analysis of administrative data versus the sub-state nature of interview samples; and differing definitions of some research measures used by the two components of the study. Any differences will be analyzed and integrated into one set of findings in the final report in August, 2001.

Summary of Preliminary Findings from Administrative Data

Nearly two-thirds of the families diverted from TANF completed a TANF application but were denied for non-financial reasons while another third were redirected prior to TANF application. Less than two percent of diverted families used the one-time payment. Whether families were diverted or left TANF, average levels of Medicaid enrollment a year after that event were 20 -30 percent. Similarly, rates of Food Stamp participation fell within the year to about 30 percent. Although only a small share of adults who left TANF returned to welfare in the year after exit, most persons who returned did so within the first six months.

While wages of those employed increased for all sub-groups in the year after leaving or being diverted from TANF, average wages remained below the poverty level for a family of three one year later. Only a small minority of divertees or leavers received either child support payments or subsidized child care assistance.

More detailed responses to the specific research questions are discussed below:

Demographic characteristics of families. Average ages of caretakers in all families diverted from or leaving TANF ages were 30-32 years old. While family sizes varied, most sub-groups averaged two children per family.

Among diverted sub-groups, limited demographic information for redirected applicants and those denied for non-financial reasons prevented further analysis of their

demographic characteristics. Over half of families receiving one-time payments were two-parent families. Hispanic families were most likely to choose this option, and Black families were least likely to use this option.²

Among TANF leavers, Hispanics were more likely to remain on Medicaid after leaving TANF while Whites were more likely to leave both TANF and Medicaid. Blacks made up the largest share of child-only cases leaving TANF after the caretaker reached the time limit.

Participation in government programs. All populations diverted from TANF had used TANF less frequently in the year prior to application than families whose TANF applications were approved. For redirected clients and applicants denied for non-financial reasons, rates of TANF usage quickly returned to pre-diversion levels. Among TANF leavers, 15 percent had returned to the TANF rolls one year following exit.

Medicaid enrollment rates varied considerably among the sub-groups of diverted caretakers and showed different patterns over time. At the point of application, only 10-12 percent of all diverted adults were receiving Medicaid.³ While rates rose substantially for several months for those families receiving one-time payments, rates of Medicaid receipt for all types of diverted adults had fallen to less than 15 percent one year following application.

The patterns of Medicaid enrollment for TANF leavers varied by sub-group. Among TANF caretakers who left Medicaid and TANF simultaneously, one fourth had enrolled in Medicaid again by the third month after exit. Medicaid usage for other leavers fell steadily over time. One year following TANF exit, one-fourth of all adult

TANF leavers were enrolled in Medicaid. Possible reasons for these trends will be explored more fully in the final report.

All families diverted from TANF increased their use of Food Stamps in the period immediately following diversion. Several months later, rates of Food Stamp participation declined for all diverted sub-groups. Enrollment in Food Stamps dropped substantially

² This option was first introduced in Hidalgo and Cameron Counties in the Rio Grande Valley, which may have influenced these demographics.

³ All Medicaid results from the administrative data analysis refer to Medicaid receipt by the caretaker only. The final report will include an analysis of children's Medicaid receipt.

for TANF leavers when they stopped receiving cash benefits. Approximately 70 percent of leavers received Food Stamps while on TANF, a figure that dropped to 30 percent one year after TANF exit.

Employment and other economic supports. Among diverted families, redirects had the highest rates of employment and earnings throughout the period of observation. In the quarter of application, persons denied for non-financial reasons and those accepting one-time payments were less likely to be employed than persons entering TANF but had comparable earnings to TANF recipients. Earnings for all groups dipped prior to TANF application and rebounded in the year following application.

Rates of employment and earnings increased for TANF leavers prior to exit and continued to increase in the year following exit. Caretakers who continued to receive Medicaid had the highest employment rates of all sub-groups. Although earnings increased steadily following TANF exit, average earnings for all TANF leavers remained below the poverty level for a family of three one year after TANF exit.

Few of the families in this study received formal child support. However, a greater share of TANF leavers received child support at exit than diverted families did upon application or diversion. Although rates of child support receipt increased steadily over time for all groups, fewer than 10 percent of all diverted applicants and 12 percent of TANF leavers were receiving child support at the end of the study period. For caretakers who did receive child support, the amounts of child support received generally increased over time for all groups. By the end of the study period, diverted families receiving child support averaged \$210-\$320 per month while average payments to TANF leavers ranged from \$217-\$239 per month.

A very small share (less than five percent) of diverted families received subsidized child care. Once families entered TANF, rates of child care subsidy increased. Child care subsidy usage varied among TANF leavers but was generally highest (up to 20 percent for some sub-groups) before these families left TANF. After leaving TANF, subsidized child care receipt dropped for most families.

Points at which TANF leavers are most vulnerable to returning to TANF. Most caretakers returning to TANF did so within the first six months after exit. These caretakers were less likely to be employed and earned less than other leavers around the

time of exit. Unlike other leavers, their overall employment rates dropped in the first few months after leaving TANF. Results from additional research to identify the factors contributing to these trends will be included in the final report.

Summary of Preliminary Findings from Intensive Interviews

The results of intensive interviews with respondents (both welfare leavers and diverted sub-groups) generally support and elaborate some of the findings described above. At the point when the respondent was interviewed — sometime during the fifteen-month period after having left or been diverted from TANF — about half were employed. However, most were employed in low-wage jobs with little, if any, access to employer-assisted benefits. Few households used subsidized child care, and only a minority received child support payments. While families faced substantial barriers to work — including health, transportation, and child care problems — over a third of the respondents had no Medicaid coverage for any household member. Respondents also reported difficulties in finding stable jobs with benefits.

More specific answers to this project’s research questions are summarized below:

Characteristics of families who left or were diverted from TANF. Results from the intensive interviews indicate that individuals who were re-directed from TANF, and those who received the one-time payment option, were more likely to be male and to be married. Leavers were more likely to be on TANF at the time of the interview and to be living in subsidized housing.

Overall, just over half of the interview respondents were employed. The majority of respondents were employed in jobs without benefits and at wages below \$8.50/hour.⁴ Respondents were eager to present themselves as employed, even in situations where they had earned no recent income. For instance, respondents who had recently been laid off and hoped to be recalled sometimes described themselves as employed. Respondents with more secure, higher-wage jobs typically had higher levels of education and training.

Participation in government programs. While over half of the respondents had at least one child on Medicaid, a large minority of respondents reported no family

⁴ For a full-time worker, this hourly wage would produce poverty-level income for a four-person family.

members on Medicaid. Health problems were the most frequent reason given for lack of employment. Respondents reported problems both in gaining medical coverage and in accessing health care. Problems with health care access were particularly pronounced in rural areas.

Over half of the respondents in all groups were using Food Stamps, although use was particularly high among recipients of the one-time payment. Respondents also reported frequent use of food pantries. Their accounts, which will be subject to more detailed analysis for the final report, indicate that some families face ongoing concerns about their ability to feed their children. Future analysis will explore the usefulness of Food Stamps in preventing food shortages among respondents.

Employment and other economic supports. Although half of the respondents are employed, short-term, low-wage employment without employer-provided benefits predominates. Higher-level employment tends to result from access to training and education. Only a minority of families use formal child care arrangements. Almost a third of respondents report receiving some child support, although some of the payments they described were neither collected nor delivered through the state child support system.

Management over time and hardships encountered. Family coping strategies are multi-faceted and complex and will be subject to continuing analysis for the final report. The initial work reported here indicates that families are often struggling with barriers to work that include health problems, lack of child care, difficulties with transportation, and difficulties, particularly in rural areas, in locating employment. Many families are facing multiple problems. The large majority of families depend on themselves or on informal social supports for their child care. A minority of families depend on social supports for their transportation. The final report will examine the importance of informal supports, particularly in situations where families face multiple problems.

Potential applicants' views of the diversion/application process. Initial analysis indicates that families find the services of TANF, Food Stamps, and Medicaid extremely valuable. They often do not understand everything that is necessary to

maintain eligibility — the schedule of appointments or the documentation required — or the eligibility criteria. Particularly in rural areas, respondents report difficulties in meeting the demands for continued eligibility for services. As in other studies, there appears to be a sizeable amount of low-income families not on TANF, in low-income, low-benefit jobs without Food Stamps and/or Medicaid. Respondents also report that adults in households are likely to go without medical insurance from any source, even when children are covered by Medicaid.

Points at which TANF leavers are most vulnerable to returning to TANF.

The qualitative interviews — conducted sometime in the fifteen months after a respondent left or was diverted from TANF — show relatively few returning to TANF, although they continue to face barriers to employment. The longer time period provided by the administrative database can better establish periods of vulnerability.

Factors associated with leaving and returning to TANF. The detailed interviews revealed that factors preventing employment appear to cluster in the following four areas: health problems, problems with child care, problems with transportation, and difficulties in locating employment. More analysis will be done in this area for the final report.

Next Steps

The preliminary results included in this report are a part of an unfinished story. In the remaining five months of this project, further analysis will be conducted for both the diverted and leavers populations from the existing administrative data and interviews. This work will explore relationships between the trends discovered in the administrative database and the more detailed portrait of what is happening in households. Additional administrative data on children's Medicaid, Choices participation, foster care and child abuse and neglect will be incorporated. Results from a combined mail/telephone survey to a statewide sample of TANF leavers and an in-depth econometric analysis of this population will be used to identify factors associated with leaving or returning to TANF. This will be informed by further intensive interviews with leavers and one-time recipients to provide further longitudinal perspectives.

All research questions will be explored more fully in the final report and findings from all facets of the study will be integrated to develop final conclusions. The final report should be available by the end of August 2001.

