Food Stamp and Family Assistance Benefits Sharply Decline in the Post-Welfare-Reform Era

Influenced by a robust economy, growth rates in overall per capita transfers slowed from about 5 percent per year in the early 1990's to 2-3 percent annually in metro and nonmetro areas between 1994 and 1997. The patterns of growth and decline differed across program categories and individual programs, especially the income maintenance category. Per capita transfers for family (cash) assistance and food stamp benefits sharply declined in both metro and nonmetro areas. Food stamp benefits declined more rapidly in metro than nonmetro areas, while benefits for family assistance declined more rapidly in nonmetro than metro areas. In 1997, government transfer programs accounted for 21 percent of nonmetro personal income, compared with 14.7 percent of metro personal income.

In 1997, Federal, State, and local governments transferred $1.1 trillion to individuals, organizations, businesses, and administrative and service costs for various social welfare programs. Of the $1 trillion distributed in 1997 to individuals who received cash benefits through government programs, $218 billion, or $4,055 per capita, went to nonmetro residents. In comparison, metro residents received $846 billion in government transfers, or $3,950 per capita (app. table 14; app. table 15).

The proportional share of transfer payments for various programs was essentially the same in nonmetro and metro areas. About half of transfer dollars for individuals went to retirees and the disabled as payments for Social Security and government pensions. Approximately 35 percent was distributed for medical payments to suppliers of Medicare and Medicaid care. About 9 percent of transfer dollars was cash income benefits paid to qualifying families and persons through income maintenance programs, such as family assistance (see box, "TANF Replaces AFDC"), Supplemental Security Income (SSI), food stamps, and other income maintenance programs, including the Earned Income Tax Credit (EITC). Unemployment insurance, veterans' benefits, and employment, education, and training programs accounted for the remaining 6 percent (app. table 15).

Nonmetro Areas Rely Heavily on Government Transfer Payments

Nonmetro areas rely more heavily on transfer payments than do metro areas. Per capita transfers accounted for 21.2 percent of rural personal income, compared with 14.7 percent of urban personal income in 1997. The levels of rural per capita transfer payments surpassed urban per capita payments all years between 1989 and 1997. In contrast, rural per capita personal income consistently lagged urban per capita income in all years, remaining about 70 percent of urban income (app. table 14; app. table 15).

Annual Rates of Transfer Growth Continue To Slow

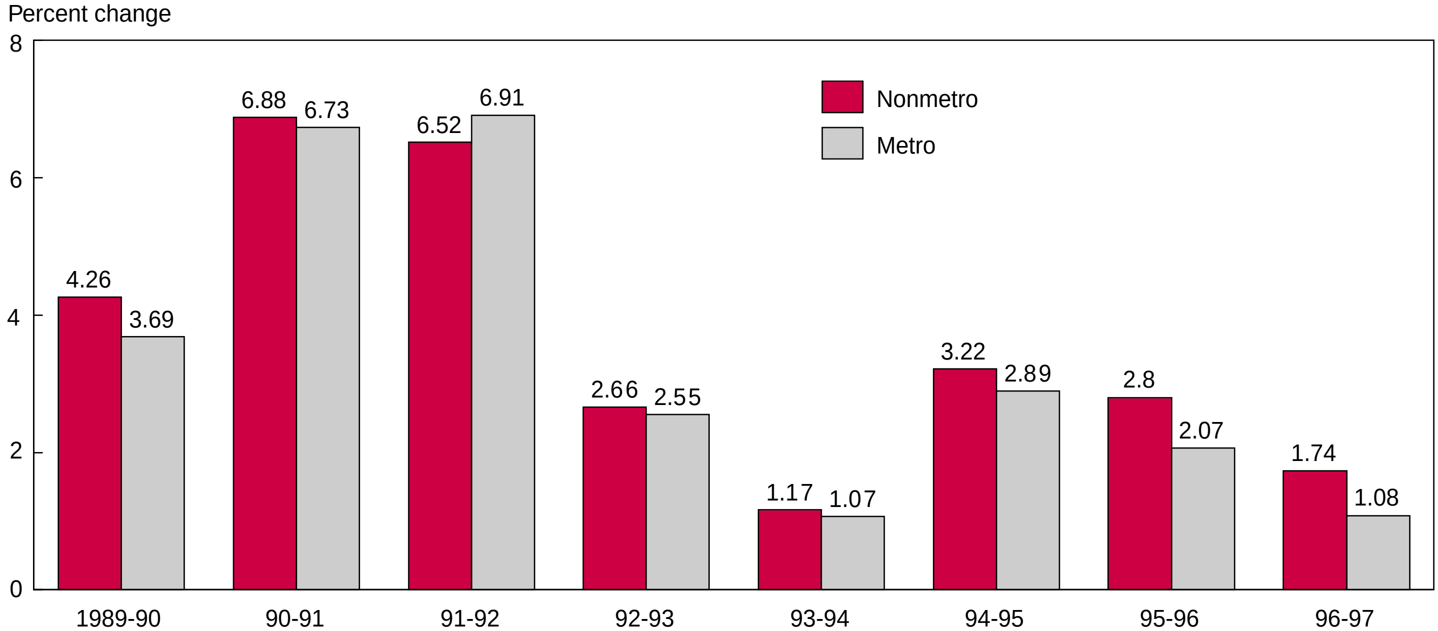
Annual rates of change in total per capita transfer payments generally follow changes in the economy, growing during recessions and falling during periods of economic recovery. Nonmetro and metro areas exhibited similar patterns of change during the 1990's. During 1989-97, nonmetro per capita transfer payments grew at an average annual rate of about 4 percent, about the same as for metro per capita transfer payments. During the recessionary years in the early part of the decade, per capita transfer payments grew at rates slightly above 5 percent in both areas. As economic recovery set in, the growth rates dropped to around 3.5 percent between 1992 and 1994 (app. table 15). Reflective of the strong national economy since 1994, annual growth rates in per capita transfer payments slowed consistently to well under 2 percent per year in nonmetro and metro areas (fig. 1; app. table 15).

. . . But Trends Vary Across Programs

In comparison to the trends observed above for total transfers, the patterns of growth (or decline) vary considerably across the major program categories. Over the decade, nonmetro and metro per capita payments for retirement and disability benefits grew more slowly (around 2 percent per year), while benefits for medical programs increased more rapidly (around 6 or 7 percent per year) (app. table 15). For income maintenance programs, annual growth rates began to slow during the 1992-94 period and shrank to 0.4 percent in nonmetro areas and -1.6 percent in metro areas during 1994 and 1997 (app. table 15).

The patterns differ markedly among individual programs in the various program categories, especially Medicaid, and the main income maintenance programs, Supplemental

Figure 1
Annual change in real per capita transfer payments, by residence, 1989-97
Growth in government transfer payments to individuals continued to slow in both nonmetro and metro areas



Source: Calculated by ERS using data from the Bureau of the Census.

TANF Replaces AFDC

Family assistance refers to cash (welfare) payments made to eligible low-income families with children under Aid to Families with Dependent Children (AFDC). AFDC was replaced by Temporary Assistance for Needy Families (TANF) with the passage of the Personal Responsibility and Work Opportunity Act (PRWORA) of 1996. PRWORA transferred Federal welfare dollars to States in the form of block grants along with the responsibility to tailor their own State welfare plans to local conditions and needs. Many States, especially those that had implemented alternative welfare systems under the State waiver system, set up their own uniquely named welfare programs. In this article, family assistance and TANF are used interchangeably to refer to cash welfare assistance.

Security Income (SSI), family assistance, and food stamps. Since 1994, benefits for the Medicaid program, which grew rapidly during 1989-91 at average annual rates of 18 percent and 22 percent in metro and nonmetro areas, steadily slowed. SSI benefits grew at relatively slow rates in the first 2 years of the period, but during 1996-97, declined 1.4 percent in nonmetro and 1.8 percent in metro areas (fig. 2).

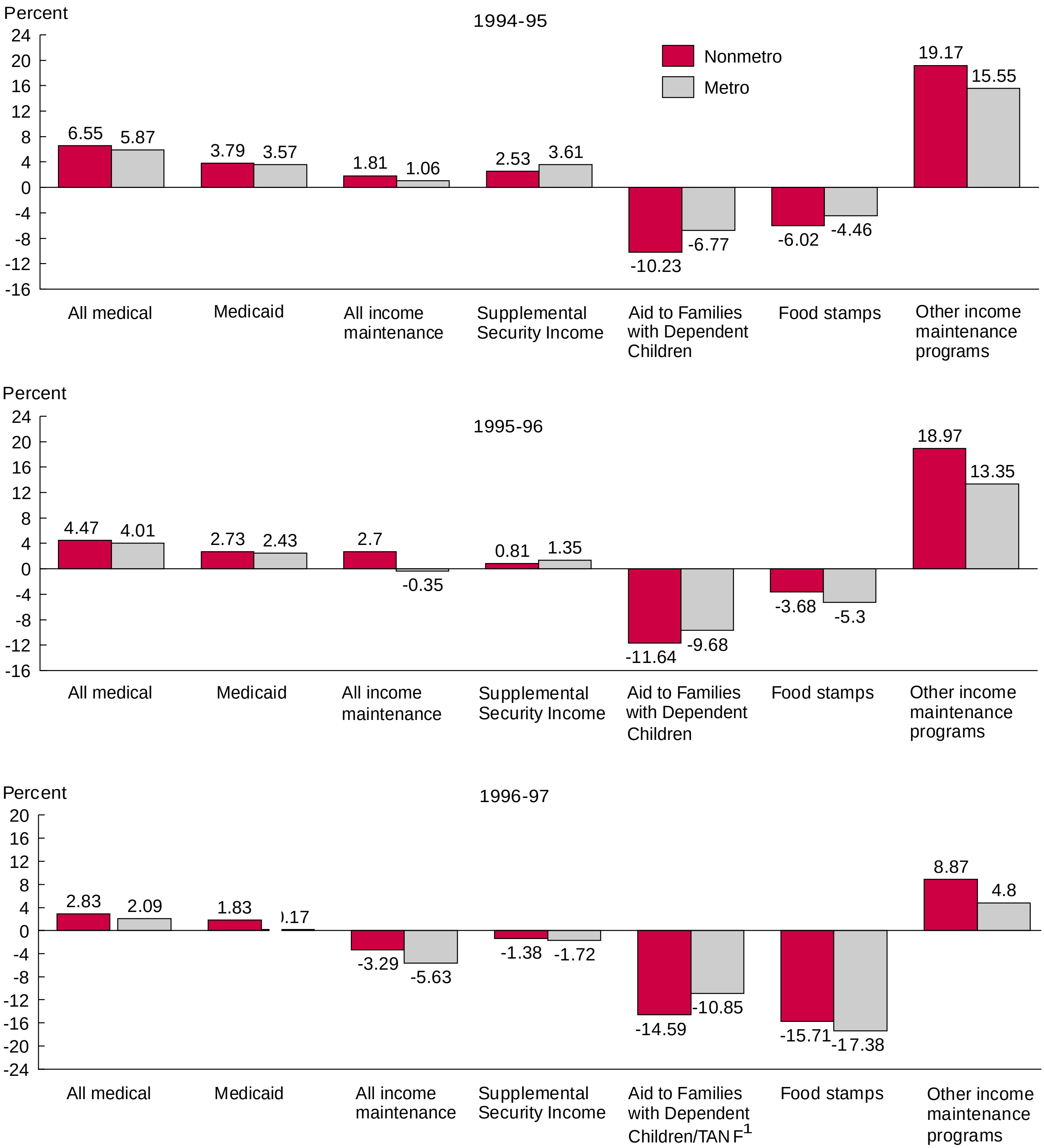
Changes were most striking in the food stamp and family assistance programs. Continuing the 1995-96 trends, nonmetro per capita benefits for family assistance declined in 1996-97 by around 15 percent, while per capita food stamp benefits declined by more than 15 percent. Family assistance benefits, however, declined more sharply in nonmetro than metro areas, while food stamp benefits declined more sharply in metro than nonmetro areas (fig. 2).

Unlike the per capita trends for SSI, family assistance, and food stamps, "other income maintenance programs"—Earned Income Tax Credit, general assistance, emergency assistance and others—grew more rapidly than any of the other programs, although the

Figure 2

Average annual change in transfer payments for selected programs, by residence, 1994-95, 1995-96, and 1996-97

TANF and food stamp benefits declined sharply during 1996-97 in both metro and nonmetro areas



[1]PRWORA's provisions replaced Aid to Families with Dependent Children (AFDC) with Temporary Assistance for Needy families (TANF) in August 1996.

Source: Calculated by ERS using data from the Bureau of Economic Analysis.

growth slowed considerably in 1996-97 from the previous years (fig. 2). Not surprisingly, these results correspond with dramatic declines in the size of the TANF and food stamp caseloads. In the years immediately before and following the passage of PRWORA, the number of families on welfare have dramatically declined, and participation in the Food Stamp program declined by about one-third, mostly after 1996.

While the reasons for these current trends are not fully understood, they have been attributed to a strong economy and the effects of welfare reform legislation on the operation of programs by States and local areas. Favorable economic conditions opened up new jobs in local labor markets and reduced unemployment and poverty rates, thereby diminishing the need for public cash assistance.

Passage of PRWORA in August 1996 not only altered the scope and structure of the system of cash assistance for needy families, but also enacted changes in other programs, including food stamps, SSI, and Medicaid. Even before the legislation became law, many States had begun to reform their welfare systems under Federal waivers. PRWORA tightened the eligibility requirements for the programs, limited eligibility of most legal immigrants and able-bodied unemployed adults without children for family assistance and food stamps, and instituted time limits and work requirements for family assistance. In response to PRWORA, many States also created programs to divert families seeking assistance to other forms of temporary help. Furthermore, by allowing States to plan and operate their own State welfare plans, PRWORA shifted the national emphasis on assistance from welfare to work.

The relative importance of the economy versus welfare reform in explaining the declines remains a matter of debate among researchers. Recent ERS research using State data indicates that declines in unemployment rates accounted for more than a third of State differences in food stamp participation, while waivers and political factors, such as a governor’s political party, explained an additional 10 percent of the differences. In this study as well as other similar studies, a large proportion of the differences remained unexplained.

The faster declines in family assistance benefits in nonmetro than metro areas are consistent with published statistics showing that States with disproportionately large rural and/or minority populations traditionally have paid low welfare benefits, which may affect the amount of TANF Federal block grants available to predominantly rural States to run their own State programs (see *Rural Conditions and Trends*, Vol. 8, No. 1, 1997, pp. 38-47). The faster declines in food stamp benefits in metro than nonmetro areas partly reflect the concentration of disproportionate numbers of immigrants in metro areas who became ineligible for TANF under PRWORA.

Counties With Large TANF and Food Stamp Declines Concentrated in Certain States

Counties with TANF and food stamp declines greater than the national average (20 percent) during 1996-97 tend to be concentrated within the boundaries of certain States. In the case of TANF, nearly all counties in 3 States (Tennessee, Wisconsin, and Wyoming) and a sizable number of counties in about 20 States had higher than average rates of decline in benefits. In the case of food stamps, most counties in 5 States (Wisconsin, Ohio, Florida, Nevada and Kansas) as well as a substantial share of the counties in about 11 other States had high rates of declining benefits. Both family assistance and food stamp benefits declined rapidly in nearly all counties in Wisconsin, one of the earliest States to implement a waiver program (fig. 3 and fig. 4).

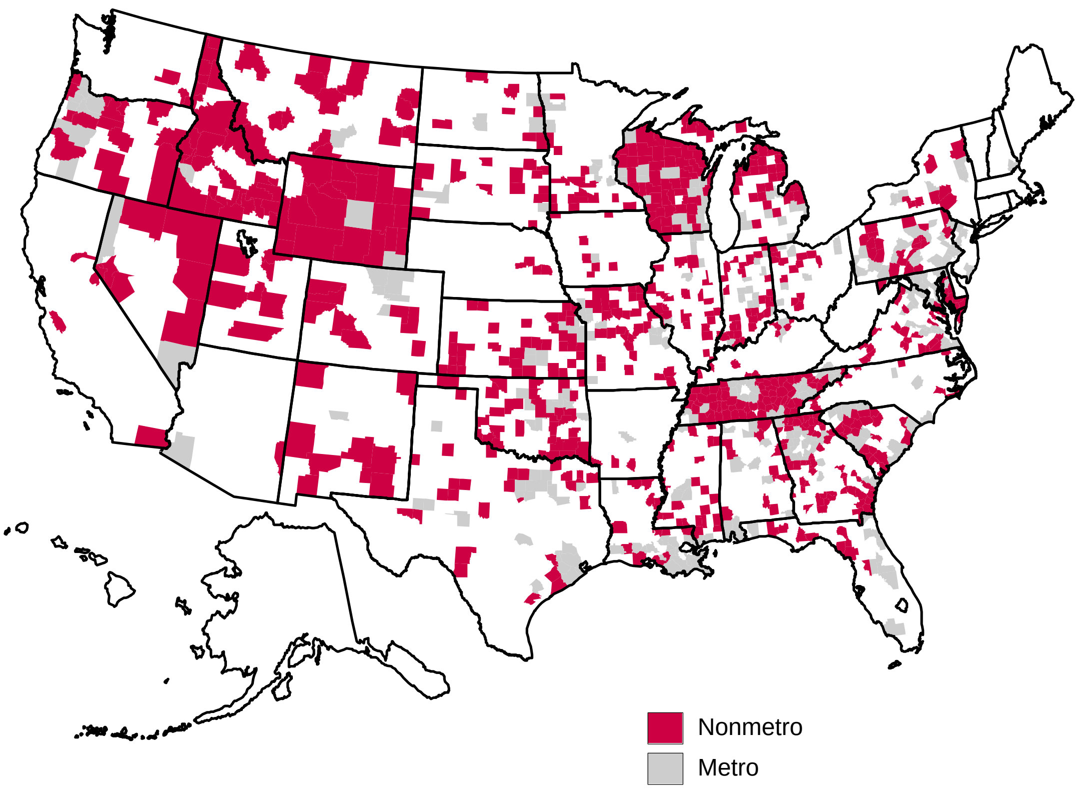
Economic Reliance on Transfers Varies by Nonmetro County Type

Per capita transfers and the reliance on transfer payment income varied among county types. Counties in the Midwest, West, and those that are more highly urbanized had somewhat lower levels of per capita transfers and economic reliance on income from transfers than all nonmetro counties. In comparison, per capita transfer payments were

Figure 3

Counties with rapid decline in per capita family assistance benefits, by residence, 1996-97

Declines in family assistance benefits were greater than the decline in the national average in about one-third of counties



Note: Rapid decline is defined as greater than the national average decline of 20 percent.
Source: Calculated by ERS using data from the Bureau of Economic Analysis.

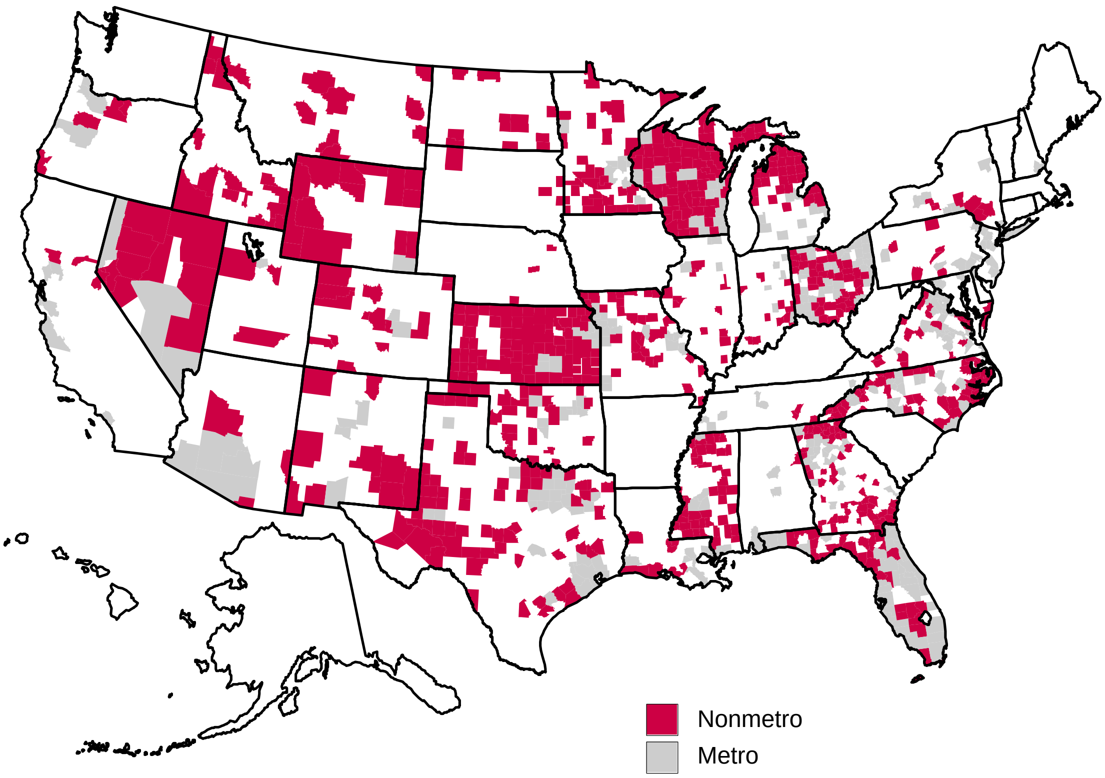
higher in the South, with its higher concentrations of poor populations, including minorities (app. table 16).

Nonmetro counties with concentrations of elderly, poor, and low-income populations tend to have higher per capita transfer payments and greater economic reliance on transfer income. For example, retirement-destination counties had the highest per capita payments ($4,525), which came disproportionately from programs benefiting people age 65 years or older, such as Social Security, government pensions, and Medicare (app. table 16).

Similarly, persistent-poverty and low-wage counties (see p. 18 for definition) depended more heavily on transfer payments. With poverty rates exceeding 20 percent for several decades, persistent-poverty counties derived over 27 percent of total personal income from transfer payments, with disproportionate shares coming from medical payments (primarily Medicaid) and income maintenance benefits for programs traditionally serving poor groups. In low-wage counties, transfer payments accounted for over 25 percent of total personal income. Compared with all nonmetro counties, these counties had slightly higher shares of transfers represented by income maintenance programs and slightly lower shares coming from retirement/disability payments (app. table 16).

Compared with low-wage counties, persistent-poverty counties had higher per capita benefits for all of the programs traditionally aimed at poor groups: Medicaid, family assistance, food stamps, SSI, and other income maintenance programs. With higher concen-

Figure 4
Counties with rapid decline in per capita food stamp benefits, by residence, 1996-97
Counties with rapid declines in food stamp benefits were concentrated in about a third of the States



Note: Rapid decline is defined as greater than the national average decline of 20 percent.
Source: Calculated by ERS using data from the Bureau of Economic Analysis.

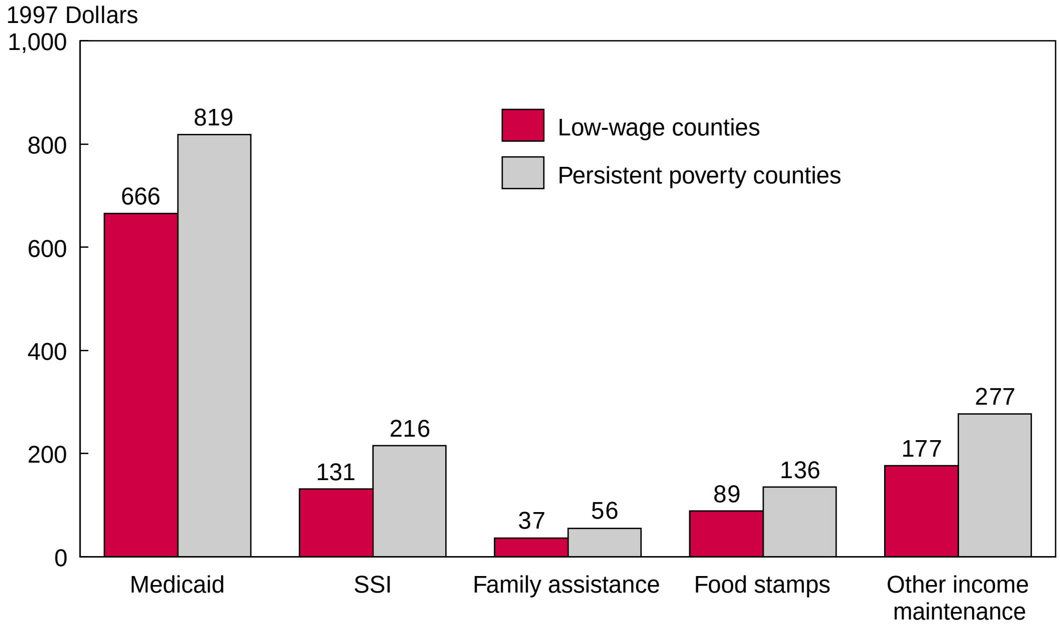
trations of the elderly population, the low-wage counties had higher per capita benefits for Social Security and Medicare than those received by the persistent-poverty counties. This finding suggests that working low-wage families in these counties may not qualify, may be unaware of their eligibility, or may choose not to seek assistance from Medicaid and the income maintenance programs (fig. 5; app. table 17).

It is difficult to predict whether or not current trends of reliance on government transfer payments will continue should the National economy enter another recessionary period. For a number of years, transfer payments have consistently accounted for around 21 percent of rural total personal income. The mix of transfer payments from different programs, however, has shifted toward slightly higher shares of transfers from retirement/disability programs, including Social Security, and slightly lower shares from various income maintenance programs. The outcomes of new changes in welfare laws resulting from re-authorization legislation for PRWORA may change the balance even more. *[Peggy J. Cook, 202-694-5419, pcook@ers.usda.gov]*

Figure 5

Per capita transfer payments for selected programs in nonmetro low-wage and persistent-poverty counties, 1997

Per capita benefits for low-income programs were higher in persistent-poverty than low-wage counties



Source: Calculated by ERS using data from the Bureau of Economic Analysis.