Mark Nord

Racial and Spatial Equity in Welfare Programs

Interstate and Intercounty Differences in Welfare Spending

States where a large proportion of the poor are rural residents or racial/ethnic minorities offered lower levels of welfare support under the Aid to Families with Dependent Children (AFDC) program than did other States. No corresponding rural or racial/ethnic disadvantages are observed in the Food Stamp Program, which has standard eligibility criteria and benefit levels nationwide. The rural AFDC disadvantage could be accounted for by the fact that States with lower per capita income and higher poverty rates generally offered less generous AFDC benefit levels. The minority disadvantage was substantial even when the effects of State per capita income and poverty rate were controlled. Among counties within States, on the other hand, there is no evidence that rural counties or counties with high proportions of minority population fared worse than other counties. Household-level analyses corroborate the county-level findings in general, except that they point to substantial underuse of AFDC by rural Hispanics. The findings suggest that national welfare program standards are important for maintaining or improving equity in welfare access and highlight the importance of progressive funding of block grants. They also suggest that the rural and minority poor have an important stake in the design of State welfare programs.

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 increased the role of the States in the design and implementation of welfare programs. Under that act, the Federal Government provides funds in the form of annual block grants to each State for the Temporary Assistance for Needy Families (TANF) program, which replaced the Aid to Families with Dependent Children (AFDC) program and several related programs. Although States already had substantial discretion in setting benefit levels and eligibility requirements in the AFDC program, they have much broader discretion under the TANF program. States have increased discretion in shaping the Food Stamp Program as well, although it remains an entitlement with standard eligibility and benefit levels nationwide. For example, State governments can request waivers to certain work requirements in high-unemployment areas of their States, and under some conditions, States can "cash out" Food Stamp funds and use the funds as wage subsidies in welfare-to-work employment programs.

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AFDC was an entitlement program of cash assistance for low-income families with children, jointly funded by Federal, State, and, in some cases, local governments. The Federal share of benefits depended on State per capita income and varied from 50 percent in higher income States to 80 percent in the lowest income States. States had a large degree of discretion in setting benefit levels and other program policies.

Rural areas and rural racial and ethnic minorities were disadvantaged in the level of support they received from AFDC. For example, rural families who participated in the AFDC program in 1996 received, on average, $305 per month compared with $402 received by urban families. Rural Hispanic families in the program received an average of $285, and rural Black families received $214. Differences of this sort were not seen in the Food Stamp Program, which has nationally consistent eligibility and benefit standards. This situation raises the questions of how rural areas and rural racial and ethnic minorities will fare as social support programs are increasingly decentralized and where efforts should be focused to remediate the disadvantages those groups face.

The first question I explore is, "To what extent do State-level differences in AFDC support account for the rural and minority disadvantages?" AFDC benefit levels varied greatly among States. Average monthly benefit per enrolled family varied from $121 in Mississippi to $560 in California and $735 in Alaska (fig. 1). States with large rural populations and States with large Black, Hispanic, and Native American populations had generally lower benefit levels than did other States. However, most of the low-benefit States were also States with low per capita incomes and high poverty rates—factors that would be expected to depress State welfare capacity and generosity. It is not immediately clear, therefore, whether the lower AFDC benefits in States with large rural and minority populations resulted from racial and urban bias in the political processes that set State benefit levels, or whether those lower benefits were just coincidences arising from the predominance of minority and rural populations in low-income, high-poverty States. To answer this question, I estimate the effect of rurality and race/ethnicity on AFDC generosity at the State level, while statistically controlling for the effects of State per capita income and poverty rate.

The second question I address is, "Were rural households and racial/ethnic minorities further disadvantaged by uneven administration of welfare programs across regions and racial/ethnic groups within States?" Eligibility and benefit levels were consistent in all jurisdictions within the same State for the AFDC program and across all States for the Food Stamp Program, but it is not certain that the administration of the programs was uniform in all counties. Were rural counties and counties with high concentrations of racial and ethnic minorities treated the same as other more urban and White counties in the State? To investigate this question, I look at differences in AFDC and Food Stamp Program generosity among counties within the same State and assess how rurality and the racial/ethnic composition of county populations affected those differences. Finally, I use family-level data to verify the results of the county-level analysis.

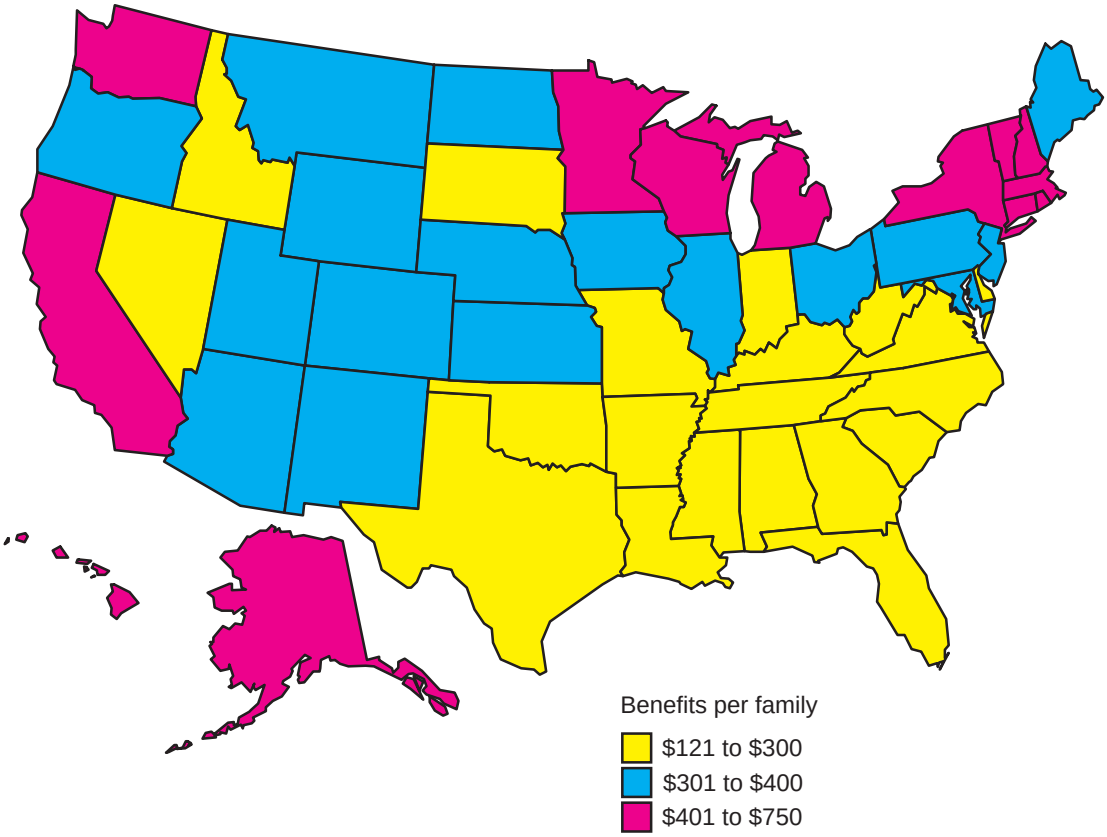
The practical implications of the answers to these questions are considerable. For those concerned that rural areas and rural racial/ethnic minorities not be disadvantaged in access to social and economic support programs, knowing where to focus efforts is important. If welfare inequities reflect differences among States and result primarily from interstate economic inequality, then attention should be given to Federal funding formulas to ensure that adequate resources are available to States with less economic capacity to fund welfare programs. If substantial inequities exist at the State level, but are not primarily a result of interstate economic inequality, then national standards may be essential to achieve equity. Also, in that case, attention might be given to increasing the participation of rural and minority populations in the State political processes through which welfare policies are set and programs designed. Finally, if there are substantial inequities among regions within States, then attention would need to be given to the administrative processes through which welfare programs are implemented at the local level.

State-Level Differences in Per Capita Income Accounted for the Rural, But Not the Racial/Ethnic, Disadvantage

To measure State-level AFDC support, I calculated the ratio of total annual AFDC benefits paid out in each State to the total number of poor children in the State. This ratio varied from $252 to $3,635 with a mean value of $1,513. The denominator of this measure is a proxy for all needy children, not just those enrolled in the program. The measure is, thus, a broader indicator of welfare support than average benefits per enrolled family (the measure depicted in figure 1) because it is sensitive to program eligibility requirements and to the participation rate of eligibles as well as to the amount received by those who do participate. Analyses using the two measures gave almost identical results. Here I report on total annual AFDC benefits per poor child because this links the State-level analysis of AFDC support to the county-level analysis described later.

Statistical analysis revealed that total annual AFDC benefits per poor child were primarily determined by State per capita income (fig. 2). States with higher income generally offered higher levels of AFDC support. The line in figure 2

Figure 1
Average monthly AFDC benefit per enrolled family, 1994
Low-benefit States are home to 50 percent of the rural population, and 60 percent of the rural poor, but only about a third of the urban population



Source: Prepared by ERS based on *Social Security Bulletin Annual Statistical Supplement, 1996.*

summarizes the statistical association between per capita income and AFDC support.

AFDC support was substantially lower in States where a large proportion of the poor lived in rural areas (fig. 3). However, when State income and poverty rate were held constant, the association between rurality and AFDC generosity was negligible. This was almost completely a result of controlling for per capita income. At the State level, then, the rural disadvantage in AFDC support was accounted for by the low average income of most States with large rural populations.

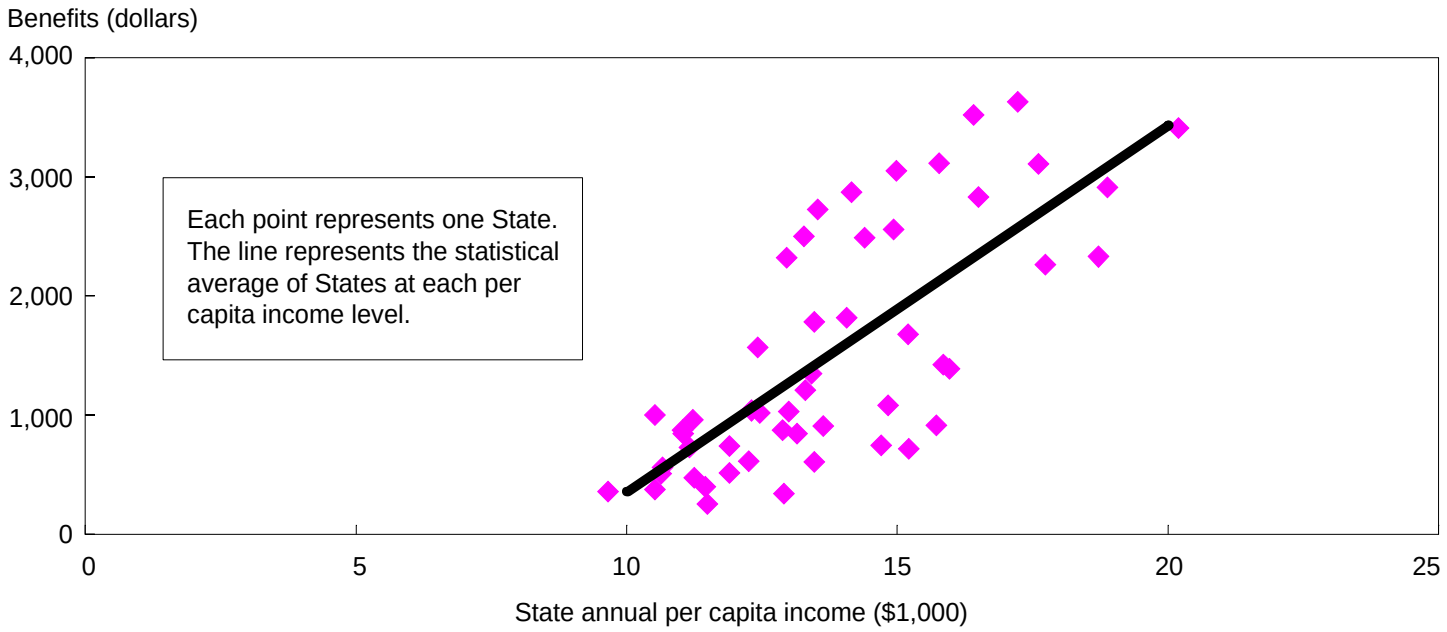
The State-level association of AFDC support with the proportion of the State's poor who are racial/ethnic minorities (Black, Native American, or Hispanic) is depicted in figure 4. This is quite a different story than that of the rurality of poverty. Here the observed association was negligible, but when other relevant factors were held constant (especially State per capita income), the minority share of poverty exerted a substantial negative effect on State AFDC support. States in which a larger proportion of the poor were racial/ethnic minorities provided lower AFDC benefits per poor child than did other States with similar average income. Most urban low-income minorities live in States with relatively high average income, so for them the positive effects of State income on AFDC support offset the negative effects of the higher minority share of the poor. However, most rural minorities live in States with low average income, where AFDC support was depressed both by the low State income and by the high proportion of minorities among the poor.

A similar measure of State Food Stamp Program support was calculated as the ratio of total annual food stamp benefits paid out in each State to total persons in households

Figure 2

State total annual AFDC benefits per poor child versus State per capita income, 1989

States with higher per capita income generally offered more generous AFDC support

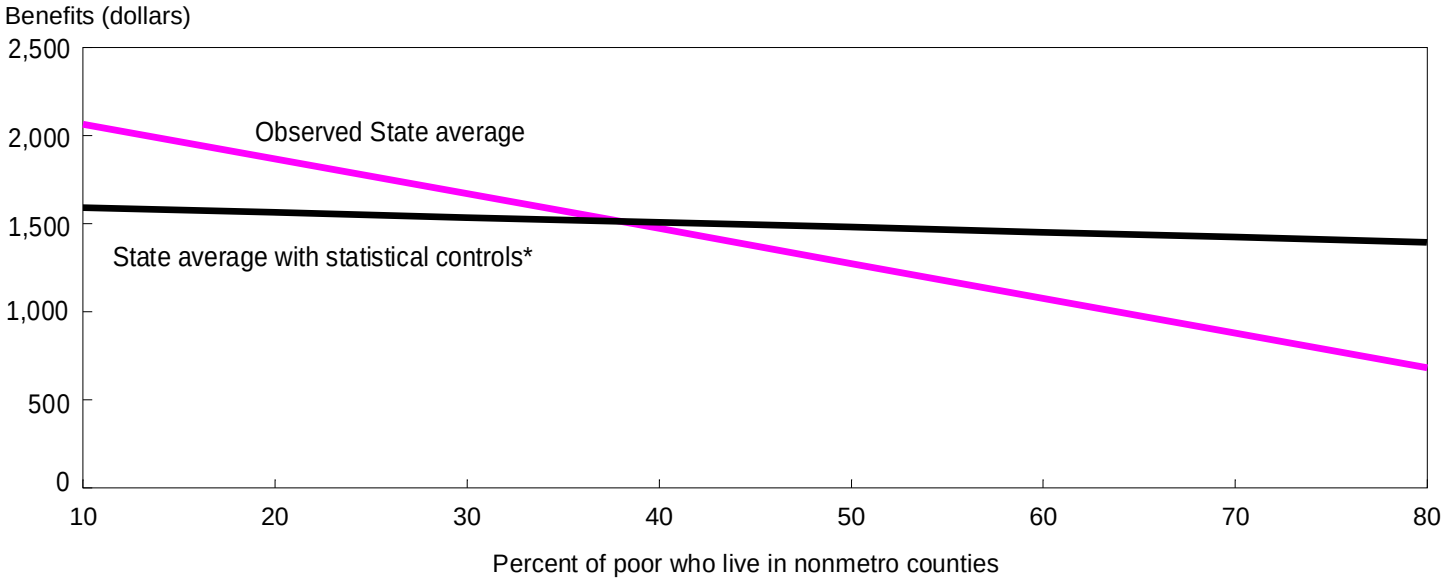


Source: Prepared by ERS using data from the Bureau of the Census STF3C, 1990, and the Bureau of Economic Analysis Transfers File 1969-95.

Figure 3

State total annual AFDC benefits per poor child versus rural share of State's poor, 1989

States in which a larger proportion of the poor live in rural areas offered lower levels of AFDC support; the association was negligible, however, when other relevant factors—especially State per capita income—were statistically controlled

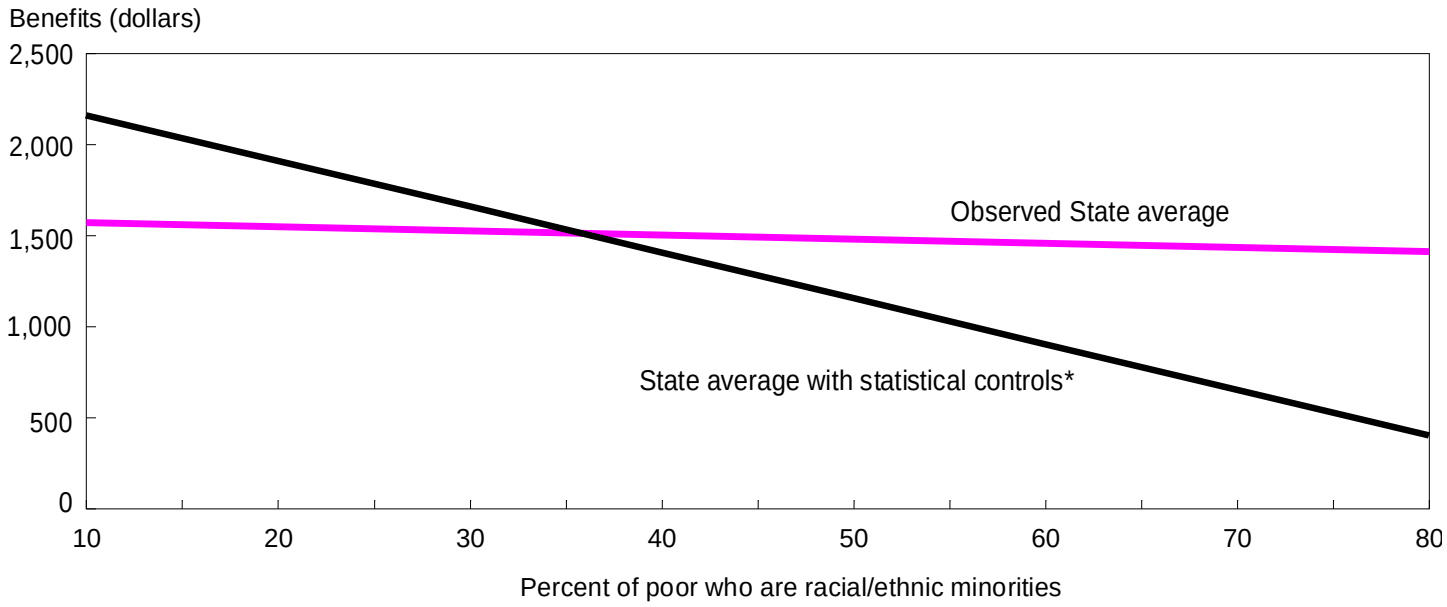


*Statistical controls for State per capita income, State poverty, and proportion of State's poor who are racial/ethnic minorities.
Source: Prepared by ERS using data from the Bureau of the Census STF3C, 1990, and the Bureau of Economic Analysis Transfers File 1969-95.

Figure 4

State total annual AFDC benefits per poor child versus minority share of State's poor, 1989

States in which a larger proportion of the poor are racial/ethnic minorities offered lower levels of AFDC support than other States with similar per capita income, poverty rate, and rurality



*Statistical controls for State per capita income, State poverty, and proportion of State's poor who live in nonmetro counties.
Source: Prepared by ERS using data from the Bureau of the Census STF3C, 1990, and the Breau of Economic Analysis Transfers File 1969-95.

with income below 125 percent of the poverty line (approximately the income level at which households become eligible for food stamps). There were no statistically significant associations between this measure and the rural share of the poor or the minority share of the poor. Nor did State food stamp support depend on State per capita income. Further, multivariate analysis of State food stamp support found no statistically significant effects of any of the variables, even when other relevant factors were controlled. This is not surprising, because the national standard eligibility and benefit levels of the Food Stamp Program should result in similar benefit expenditures per eligible population in all States, regardless of the State's income, poverty, and demographic characteristics.

Taken together, the State-level analyses point to four important conclusions:

(1) For the AFDC program, in which States had substantial autonomy, State generosity was strongly affected by per capita income of the State. Lower income States provided lower levels of support.

(2) States in which a large share of the poor are rural generally provided lower levels of AFDC support, but this was completely accounted for by the lower average income of those States.

(3) State AFDC support was substantially affected by the racial and ethnic composition of the poor. States in which a large proportion of the poor were minorities provided lower levels of AFDC support than did other States with similar average income. This especially affected rural minorities, because most of them live in low-income States, where both income and minority effects depressed AFDC support.

(4) State support levels in the Food Stamp Program were not substantially affected by either rurality or the racial/ethnic makeup of the poor, nor did they depend on State per capita income.

Within the Same State, Welfare Support Was Similar in Rural and Urban Counties, and Greater in High-Minority Than in Low-Minority Counties

To assess variation in welfare generosity across areas within the same State, I calculated AFDC and food stamp generosity measures for each county, using the same method I used for the State measures. The ratio of each county-level measure to the corresponding State-level measure was then analyzed. As a measure of rurality, nonmetro counties were identified in one of two categories depending on whether they are adjacent to metro areas or not. The concentration of racial/ethnic minorities among the poor was measured, as at the State level, by the proportion of the poor who were Black, Hispanic, or Native American. I controlled for the proportion of poor

children who lived in single-parent families, since those families generally have more ready access to welfare benefits than do other families.

The results of these analyses show no evidence of lower levels of welfare support in rural areas compared with metro areas in the same State. AFDC support in both rural categories was essentially equal to that in urban counties in the same State. The effect of rurality on food stamp support was weakly positive—about 5 percent higher in both nonmetro categories than in metro counties in the same State.

Counties with higher proportions of racial/ethnic minorities had somewhat higher levels of welfare support than other counties in the same State. On the average, a county in which 50 percent of the poor were racial/ethnic minorities provided about 10 percent higher AFDC support and about 20 percent higher food stamp support than a county in the same State in which the poor were all non-Hispanic Whites.

Because most of the rural population and a very high proportion of rural racial/ethnic minorities live in the South census region, I repeated the county-level analysis for only the counties in that region. The results were entirely consistent with the national results. Taken together, the county-level findings provide convincing evidence that administration of AFDC and Food Stamp programs within States was not systematically biased against rural areas or against regions with high proportions of racial/ethnic minorities. This is not to say that administration was even across all counties. There was substantial variation in both of the county-level welfare generosity measures. But that variation was not due to rurality in any important way. And to the extent that it was related to racial/ethnic population composition, variation actually favors areas with higher concentrations of minorities.

Rural Hispanics Use AFDC Much Less Than Other Persons

The county-level findings on the effects of minority status were somewhat unexpected. Do welfare programs really benefit racial/ethnic minorities more than Whites of similar income level in the same State? To shed further light on this question, I analyzed family-level data from the Current Population Survey. For this analysis, I considered only single-parent families with children, and I controlled for relevant State-level factors and for family income (compared with the poverty line for the family).

The family-level analysis confirmed the county-level results for Blacks, but revealed a more complex picture for Hispanics. To summarize the analysis, the following statements compare participation in welfare programs by families with similar incomes living in the same region in States with the same State AFDC benefit levels:

In urban areas:

Blacks and Hispanics used AFDC and Food Stamp programs substantially more than Whites

In rural areas:

Blacks used AFDC at virtually the same rate as Whites

Blacks used food stamps at a much higher rate than Whites

Hispanics used AFDC at a much lower rate than non-Hispanic Whites

Hispanics used food stamps at about the same rate as non-Hispanic Whites

This family-level evidence generally supports the county-level findings, but points to a substantial underuse of AFDC by rural Hispanics. It is not clear whether this is a result of cultural bias in program administration, eligibility factors characteristic of rural Hispanics that are not reflected in the analytic models used here, or cultural factors that may predispose rural Hispanics to avoid using the AFDC program.

Summary and Policy Implications

Rural residents, and especially rural racial/ethnic minorities, received lower levels of AFDC support than did urban residents. These disadvantages were almost entirely the result of differences among States. Within the same State, rural regions and regions with high proportions of racial/ethnic minorities received AFDC benefits no less generous than urban and predominantly White regions in the State.

The lower level of welfare support in States with large rural populations and high proportions of racial/ethnic minorities was observed only in the AFDC program—the major welfare program with the greatest degree of State autonomy. There was no corresponding State-level disadvantage in the Food Stamp Program, which has nationally consistent eligibility and benefit standards.

States in which a high proportion of the poor live in rural areas had lower levels of AFDC support. This rural AFDC disadvantage was, however, completely accounted for by the fact that States with low per capita income provided less generous AFDC benefits, and States with large rural populations generally have lower per capita income than more urbanized States. The rural poor were, in fact, disadvantaged with respect to AFDC assistance. But this disadvantage did not result from an urban bias in the political process that sets AFDC policies, but rather from the State-level coincidence of large rural populations with low State per capita income.

The race and ethnicity of the poor affected State AFDC generosity substantially. States in which a large propor-

Data and Methods

Annual average monthly AFDC benefits per enrolled family (fig. 1) are published in the *Social Security Bulletin Annual Statistical Supplement*. The data are based on administrative records and are provided for each State. I used data for 1994, published in the 1996 Bulletin. The other measures of AFDC and food stamp generosity for States and counties combine data from two sources. The benefit amounts are from the Bureau of Economic Analysis Transfers File. AFDC benefits include Federal, State, and local funds paid to families under the AFDC program. Food stamp benefits consist entirely of Federal funds. Administrative funds are not included for either program. The denominators for these measures were based on data from the 1990 Census of Population Summary Tape File 3C. For the AFDC generosity measure, the denominator was the number of poor children; for the food stamp generosity measure, the denominator was the total number of persons with income below 125 percent of the poverty line. Additional data on income, poverty, race/ethnicity, and family structure from the 1990 Census of Population were used to characterize States and counties. Nonmetro counties adjacent to and not adjacent to metropolitan statistical areas were identified in accordance with the ERS rural-urban continuum codes (Beale codes).

Data for the family-level analyses were from the March 1997 Current Population Survey (CPS). The CPS is a monthly survey of about 50,000 households carried out by the Census Bureau for the Bureau of Labor Statistics. The March survey each year includes a Demographic Supplement with information about income from all sources, including welfare programs. Demographic data such as age, race, ethnicity, and family structure are also provided.

Regression Analyses

State-level analyses consisted of ordinary least squares regression models. The lines in figures 3 and 4 are based on the regression equations and represent predicted values of the dependent variable with control variables (if any) at their mean values. County-level analyses consisted of weighted least squares regression models, weighted by the natural logarithm of 1990 county population. Weighted least squares regression was appropriate because there was evidence of heteroschedasticity in ordinary least squares estimates. In the State and county regression models, the linearity of the effects of income and poverty measures as well as that of the minority share of the poor was explored by using quadratic forms of the independent variables. None of the associations was substantially nonlinear.

The family-level analyses consisted of logistic regression models, since the dependent variables were categorical (whether or not the family participated in the program under investigation). Only single-parent families with children were included in these analyses. Independent variables of interest were as follows:

Dummy variables for Black (non-Hispanic) and for Hispanic,

Dummy variable for nonmetro residence,

Interaction variables for Black X nonmetro and for Hispanic X nonmetro.

Additional variables included as controls were:

The family's income-to-poverty-line ratio,

Dummy variable for residence in a State in the South census region,

Dummy variable for noncitizen,

Average AFDC benefit per month in the State of residence (only in the AFDC regression).

tion of the poor were Black, Hispanic, or Native American provided lower levels of funding for AFDC than did other States with similar average income. This affected rural minorities much more than urban minorities because most rural minorities live in States with low average income, where AFDC support was depressed both by the low State income and by the high proportion of minorities among the poor.

These findings suggest strategies for addressing rural and minority disadvantages in welfare access during an era of welfare block grants, reduced national welfare standards, and increased State discretion. First, for federally funded programs without a national standard or entitlement, progressive Federal funding is crucial. State-level economic capacity, as measured by per capita income, is the strongest predictor of State welfare generosity. The historic pattern of Federal funding for AFDC was progressive only in proportion to State funding, but not in an absolute sense. That is, in spite of the higher share of Federal funding in low-income States, the amount of Federal funding per enrolled family was much lower in those States than in high-income States. And this funding pattern, with minor modifications, is now incorporated in the block grant formula. The 1996 legislation took the first step toward more progressive Federal funding by gradually increasing the size of the block grants to the lowest benefit States over the next 5 years. But this will benefit only five States, and the total increase by the end of the period will be only 10 percent.

The lowest benefit States had levels of Federal support per enrolled person about half that of the median State, and less than one-third that of the highest benefit States, so further equalization will be required to achieve equity.

Second, rural areas and especially racial and ethnic minorities have an important stake in State-level welfare policies, State funding of welfare programs, and State welfare program design. Since county-level administration is not systematically biased against either rural areas or minorities (with the possible exception of rural Hispanics), State-level decisions will largely determine welfare access and generosity for all low-income families in the State.

Finally, unless past patterns change, none of these strategies will redress State-level tendencies toward lower welfare generosity in States where the poor are disproportionately racial/ethnic minorities. National standards or entitlements will be important to achieve equal welfare support for minorities. This suggests caution in further devolution of welfare programs until the effects of the current level of devolution on racial equity in welfare access are known.

For Further Reading . . .

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