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Poverty gap among states widens
By Christine Vestal

Even as the economy pushes more people into poverty, revenue-strapped states can be expected to make further cutbacks in social welfare spending, particularly in poor states where people need it most.

That's according to a new [report](#) by the [Rockefeller Institute of Government](#), which tracked state and local spending on all forms of low-income assistance programs from 1977 to 2006.

"As states deal with the economic downturn in 2009, I would expect more cuts in social welfare programs while the reported number of poor people is increasing," Thomas Gais, lead researcher on the study, told *Stateline.org*.

Making matters worse, he said, states will be trimming welfare budgets that already are lower on a per-person, inflation-adjusted basis than at any time since 1983 — the end of a severe recession that started in the early 1980s.

The study, published Sept. 15, shows a steady decline in state spending on all welfare services over the last three decades with the steepest reductions in the poorest states.

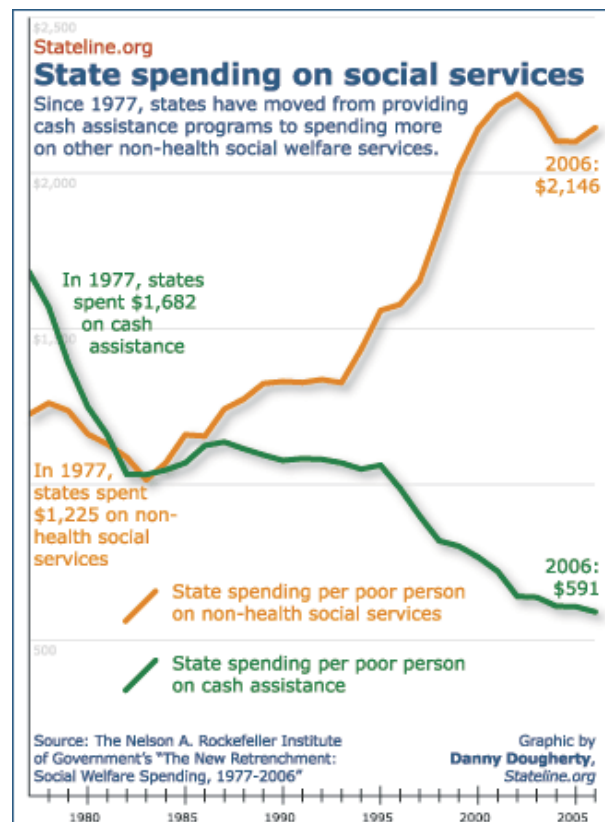
Federal cutbacks have affected all states, Gais said, "but individual state spending decisions have created growing divisions between wealthy and non-wealthy states. And the gap is likely to get worse."

For example, Connecticut, which had the highest per capita income between 2002 and 2006, increased spending on non-cash social welfare programs, such as child care and job training, by \$785 per low-income individual, bringing the total to \$3,527 for each welfare recipient in 2006. Missis-

sippi, with the lowest per-capita income, went in the opposite direction, cutting non-cash assistance programs by \$924 per person, reducing the total to \$702 per person.

After federal welfare reform rules took effect in the mid-1990s, states began helping people find work rather than continuing to give them cash assistance. As a result, all states saw a decline in spending under the federal-state Temporary Assistance for Needy Families (TANF) program.

But to varying degrees, states used the savings from TANF to fund other programs — such as child care, energy-assistance, employment services, state



earned-income tax credits and child welfare services — for low income families and individuals.

In total, states spend \$25 billion of their own revenues annually on social welfare programs that serve about 20 percent of the population, according to the [American Public Human Services Association](#).

Medicaid, the federal-state health care program for the poor, accounts for the lion's share of low-income assistance spending — \$314.7 billion in state and federal money in 2005, the latest numbers available from the federal government — and has increased dramatically since 1977, rising from a national average of \$2,000 per individual to more than \$7,000 in 2006.

In contrast, TANF cash assistance has declined from a national average of almost \$1,700 per person in 1977 to less than \$600 per person in 2006, according to the report. At the same time, non-cash social welfare programs grew from a national average of about \$1,200 per person in 1977 to \$2,400 per person in 2002, but have declined since then to about \$2,100 per person.

Averaging across all programs, about 60 percent of state and local social welfare money comes from the federal government, according to the report.

Based on the most recent available data from the U.S. Census Bureau, the report shows a 3.1 percent drop in state and local spending on non-health social welfare programs between 2005 and 2006. That follows a period of slowing growth in social welfare spending since 2002 — a period when most state coffers were brimming.

“If spending declined during a growth period, it is likely to fall even faster as the economy softens,” Gais said.

In Oregon, the number of people seeking assistance has risen dramatically this year, said Bruce Goldberg, director of the state's [Department of Human Services](#). Food Stamp applications are up 8 percent compared to 2007, Medicaid requests are up 3.9 percent and cash-assistance applications are up 14.7 percent, he said. Other states are reporting similar increases as the economy worsens.

“Looking forward, it is clear that poverty is on the rise as unemployment and involuntary part-time employment has risen. More families will struggle to make ends meet, but many states will struggle to meet those needs as their own revenues weaken due to the economy,” said Sharon Parrott, welfare director at the [Center on Budget and Policy Priorities](#).