



FISCAL REPORT

THE END OF POST-REFORM GROWTH IN SOCIAL SERVICES: SOCIAL WELFARE SPENDING BY STATE AND LOCAL GOVERNMENTS, 1977-2005

Thomas Gais, Suho Bae, and Lucy Dadayan
The Nelson A. Rockefeller Institute of Government
State University of New York

August 9, 2007

NOTE: This expanded and updated version of a report released in April, 2007 shows that state and local spending on cash assistance and social services have continued to fall through 2005. The report also provides detailed data on spending changes in specific states between 1995 and 2005.

A remarkable development in the late 1990s was the growth in state and local spending on noncash social services for low-income families. Several events facilitated this expansion. Robust economic growth in the 1990s swelled state revenues. Federal welfare reform laws gave states block grants for welfare and childcare as well as flexibility in applying such grant dollars to services. Cash assistance rolls fell at an unprecedented rate, freeing funds for other programs. And the political popularity of employment as a human service goal enhanced the legitimacy of social services when the services supported low-income working families. As a result, through 2002, most states saw large increases in noncash services, especially in childcare but also in child welfare, employment services, and short-run assistance.¹

However, data from the U.S. Census Bureau's Survey of State and Local Government Finances suggest that this expansion in social services may have stopped. For the first time since the early years of the Reagan Administration, state and local government social-service spending — expressed in inflation-adjusted dollars per poor person — fell over a three-year period, between 2002 and 2005. Spending on cash assistance programs also declined between 2002 and 2005, while spending on medical assistance programs grew. These findings may augur a scarcity in funding for social services, and a continued shift in the composition of spending on low-income families from nonhealth to health programs, particularly among states with low fiscal resources.

1 See Donald J. Boyd, Patricia L. Billen, Richard P. Nathan, Phil Dearborn, Carol Meyers, and Jane McNeil, "The Fiscal Effects of Welfare Reform: State Social Service Spending Before and After Welfare Reform" (Albany, NY: Rockefeller Institute, May 2003). http://rfs.rockinst.org/exhibit/110/Full%20Text/RIG_Brookings_ACF_Report_final.pdf.

Data

The findings presented in this report come from data collected by the U.S. Census Bureau's Survey of State and Local Government Finances, which collects annual expenditure, revenue, and other fiscal data.² Its expenditure data are organized into a variety of functional categories, including "public welfare." Public welfare expenditures — which we call "social welfare expenditures" in this report — generally include spending on programs that support lower-income households, such as programs with means tests. To trace broad changes in the public welfare spending, this study organized several of the subcategories under the "public welfare" function into three types of expenditures:³

- ❖ *Cash assistance*, which includes AFDC payments to low-income families with children, TANF cash assistance, general assistance, home relief, refugee assistance, emergency relief, and state supplements to SSI;
- ❖ *Medical assistance*, that is, payments to private health care providers for medical assistance or health care on behalf of low-income or medically needy persons (these payments approximate expenditures under Medicaid and the State Child Health Insurance Program (SCHIP));
- ❖ *Social services*, which encompass a variety of services and benefits, including child care, child welfare (programs to prevent abuse, neglect, and foster care placement), foster care and adoption assistance, low-income energy assistance, social services for disabled persons, temporary shelters and other services for the homeless, welfare benefits other than cash assistance, administrative expenses to operate programs for low-income persons, and other payments to private vendors "for services and commodities other than medical, hospital, and health care."

These three types of expenditures totaled \$360.3 billion across all U.S. state and local governments in fiscal year 2005. The largest was medical assistance, which comprised 73 percent of total social welfare expenditures. Social services constituted the second largest type, making up 21 percent, while cash assistance was only 6 percent of all social welfare spending.

Most of the dollars spent by state and local governments on social welfare functions came from revenues raised by the federal government, which typically passed the money down to state and local public agencies through intergovernmental grants and other transfers. Of total social welfare spending in 2005, \$223.4 billion (62 percent) came from federal sources. State and local governments funded the remaining \$136.9 billion (38 percent) out of their own revenue sources. Social welfare spending constituted only a small part of total state and local spending, about 18 percent of direct general expenditures in 2005. However, this share has grown in recent years, especially since 1989, when social welfare expenditures made up only 10 percent of state and local spending.

This report updates the 2004 report, *Spending on Social Welfare in Rich and Poor States*, which was written by the Lewin Group and the Rockefeller Institute under contract with the Assis-

2 For more information on the Survey of State and Local Government Finances, see the Census Bureau website, <http://www.census.gov/govs/www/estimate.html>.

3 Appendix A describes the Census Bureau's subcategories and how they relate to the spending typology used in this report.

tant Secretary for Planning and Evaluation (ASPE) of the U.S. Department of Health and Human Services.⁴ That report analyzed Census Bureau expenditure data through 2000. Because the Census Bureau did not conduct comprehensive surveys of local governments in 2001 and 2003, this report does not include state-specific data for those years. We should also note that this report has been prepared exclusively by the Rockefeller Institute, which is alone responsible for the report's conclusions.

Trends in Social Welfare Spending

Throughout most of this report, we describe changes and variations in social welfare expenditures in real, inflation-adjusted terms. We also compare spending levels to rough estimates of need by calculating expenditures per poor person, that is, by dividing social welfare spending in a state by the number of persons living under the federal poverty level.⁵ This method of comparing spending to need has weaknesses. For instance, many state Medicaid and SCHIP programs cover people who have low incomes but who are not under the federal poverty level. Nonetheless, this simple measure still captures important differences in spending on needy persons across states and over time.

Real social welfare spending per poor person has shown a general upward trend since 1983. Figure 1 shows this pattern by displaying total social welfare spending per poor person, after adjusting the expenditures for inflation by expressing them in 2005 dollars.⁶ State and local social welfare spending declined after 1978 and continued to fall through 1983. It then grew until the mid-1990s, when it briefly leveled out. Since 1996, total social welfare spending has grown every year, though the rate of increase slowed after 2002.

More complex trends emerge when we examine the different components of social welfare spending. Figure 2 shows state and local spending (still in inflation-adjusted dollars, per poor person) for the three types of social welfare: medical assistance, cash assistance, and social services. With the exception of a brief slowdown in the mid-1990s, medical assistance spending grew vigorously after 1984. By contrast, cash assistance spending changed little in real dollars per poor person between the early 1980s and 1995, after which it declined — a trend that continued, albeit more slowly, between 2002 and 2005.

4 The Lewin Group and the Rockefeller Institute, "Spending on Social Welfare Programs in Rich and Poor States," prepared for the U.S. Department of Health and Human Services, Assistant Secretary for Planning and Evaluation, June 30, 2004. At <http://aspe.hhs.gov/hsp/social-welfare-spending04>

5 The Census Bureau calculates the federal poverty level each year based on (in most years) a random survey of households in the United States. Poverty is defined by a set of money income thresholds that vary by family size and composition to determine who is in poverty. If a family's total income falls below the threshold, then that family and every individual in it is considered in poverty. The official poverty thresholds are not adjusted to local differences in cost of living, though they are updated for inflation using the Consumer Price Index (CPI-U). Only before-tax income is counted (for example, federal and state income tax credits are not counted as income). Also, capital gains and noncash benefits (such as public housing, Medicaid, and food stamps) are not included as income.

Because errors in estimating poverty numbers are large in states with small populations, when estimating expenditures per poor person in a state, we calculated the number of poor persons by averaging the number of persons in poverty in that state across three years. That is, for each year, we determined the number of poor persons by averaging three numbers: the number of poor persons estimated for that year, the number of poor persons estimated in the previous year, and the number estimated for the following year.

6 Expenditures are adjusted using the GDP price-deflator for state and local governments.

Figure 1
Total State and Local Spending on Social Welfare, Per Poor Person, 2005 Dollars, 1977-2005

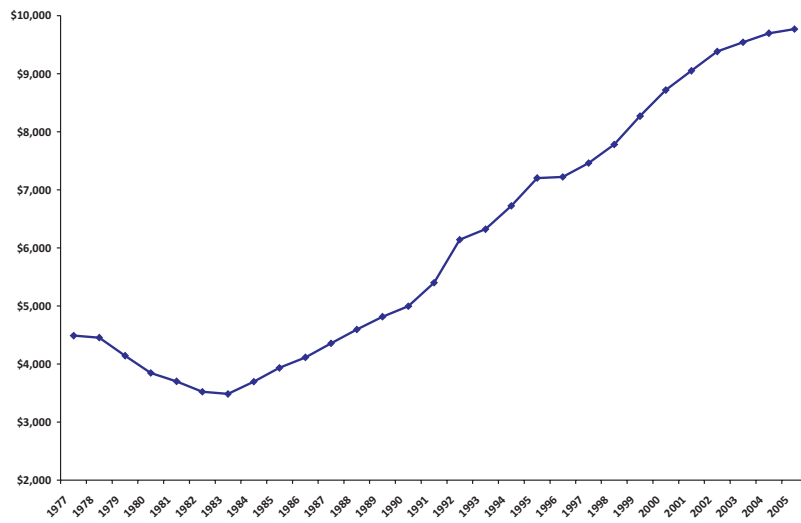
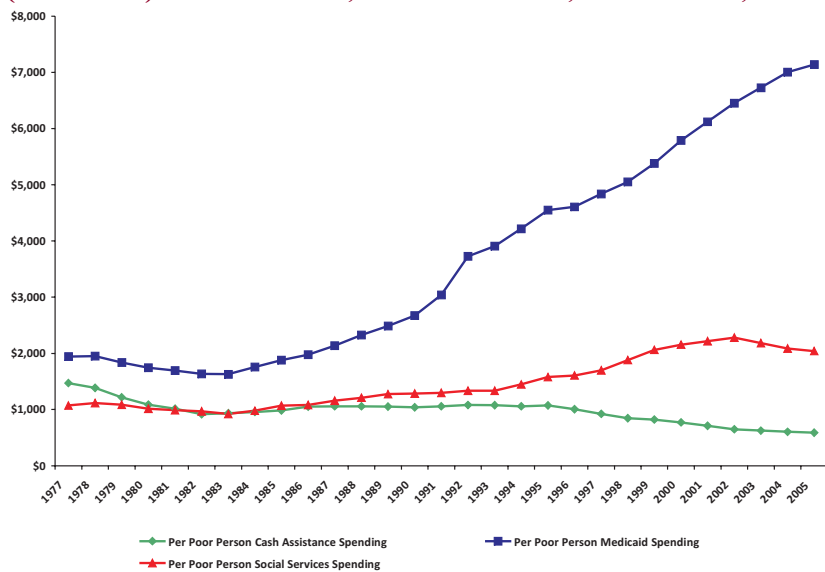


Figure 2
Total State and Local Spending on Cash Assistance, Medical Assistance, and (Nonhealth) Social Services, Per Poor Person, 2005 Dollars, 1977-2005



Social service spending reveals still another pattern. Such spending increased at a moderate rate from 1983 through 1997, after which it expanded rapidly between 1997 and 2002. This strong growth is consistent with other studies, which found major increases in state and local spending on noncash, nonhealth social services in the first years after federal welfare reform, that is, during the early implementation of the Personal Responsibility and Work Opportunity Reconciliation Act of

1996.⁷ However, this growth was short-lived. After 2002, social service spending fell in every year through 2005, an extended decline even greater than the drop in service spending of the late 1970s and early 1980s.

Trends by State Fiscal Capacity

Nationwide trends in state and local spending are interesting, but they fail to show the large variations among states. There are many ways to examine state differences — by size, geography, and political tradition, among others. Yet state fiscal capacity has long been found to be correlated with greater spending on social welfare programs.⁸ Fiscal capacity also has normative and policy significance. A large and positive statistical association between states' fiscal capacities and the generosity of their social programs, after controlling for indicators of social and economic needs, suggests that the nation's federal system of social welfare programs compounds rather than alleviates geographic differences across the U.S. in wealth and poverty — an effect that many citizens and policymakers may view as problematic.

For these reasons, we examine state differences in trends in social welfare spending by state fiscal capacity. State fiscal capacity is measured here as a state's real per capita income. More complete measures exist of the resources available to a state for funding its public programs.⁹ Yet per capita personal income is strongly correlated with these comprehensive indicators, and it, unlike other measures, is available every year.

One of our basic findings is that the relationship between state fiscal capacity and social welfare spending changes over time and varies across different types of social welfare functions. Cash assistance spending, to begin with, shows a convergence of spending levels across states of different fiscal capacities. Figure 3 shows this trend by displaying changes in the mean level of cash assistance spending (per poor person, in 2005 dollars) for four groups of states sorted according to their fiscal capacities: from Quartile 1, the 12 states with the highest levels of per capita personal income, down to Quartile 4, the 12 states with the lowest levels of per capita personal income.¹⁰ In 1994, the four groups of states were far from one another in their average spending levels, with the wealthiest states showing the highest level of spending, and the poorest states showing the lowest. These differences were largely the result of differences regarding welfare benefits and eligibility

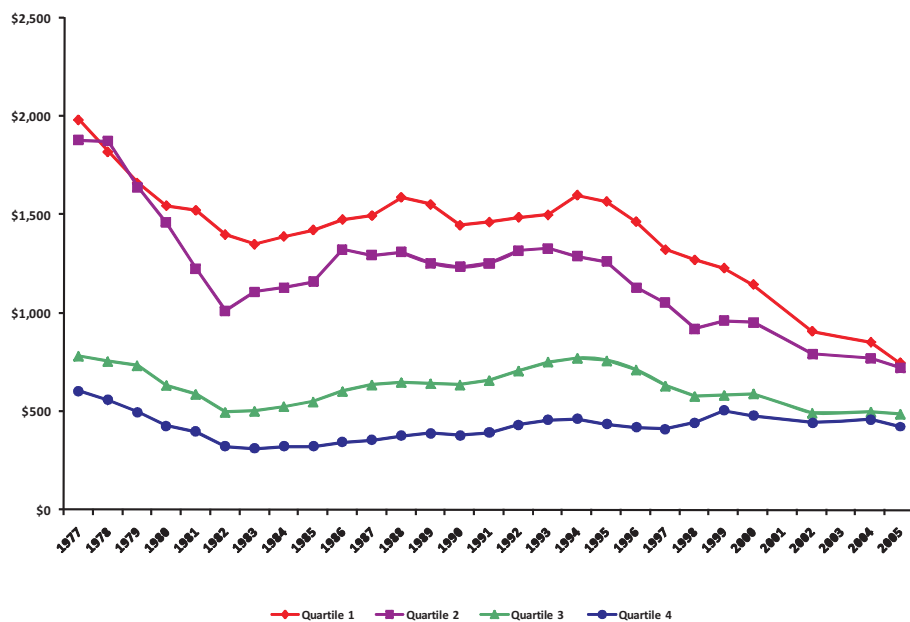
7 See Boyd, et al., "Fiscal Effects of Welfare Reform"; and U.S. General Accounting Office, "Welfare Reform: Early Fiscal Effects of the TANF Block Grant" (Washington, DC: General Accounting Office, 1998).

8 For a review, see Lewin Group and Rockefeller Institute, "Spending": 5. For other studies on the relationship between state fiscal capacity and spending on various social welfare programs, also see R. G. Mogull, "State and Local Anti-Poverty Expenditures," *Public Finance Quarterly* 6 (3): 287-303; R. D. Plotnick and R. F. Winters, "A Politico-Economic Theory of Redistribution," *American Political Science Review* 79: 458-73; T. Douglas and K. Flores, "Federal and State Funding of Children's Programs," Urban Institute Occasional Paper, No. 5 (Washington, DC: Urban Institute, 1998).

9 See Lewin Group and Rockefeller Institute, "Spending": 4-5 For a recent, comprehensive analysis of state fiscal capacity, see Yesim Yilmaz, Sunya Hoo, Matthew Nagowski, Kim Rueben, and Robert Tannenwald, "Fiscal Disparities Across States, FY 2002," *Tax Policy Issues and Options*, Urban-Brookings Tax Policy Center, No. 16 (January 2007).

10 Quartiles 2 and 3 have 13 states each. State quartiles were created by averaging state per capita income across the entire period, 1977-2005, ranking the states according to those averages, and dividing the states into four groups according to those rankings. The list of states in each quartile may be found in Appendix B.

Figure 3
Average (Mean) State Spending on Cash Assistance, Per Poor Person, 2005 Dollars
 Stratified by state fiscal capacity quartiles
 (Q1 = highest fiscal capacity; Q4 = lowest fiscal capacity)



policies as well as program participation rates across the states — characteristics that were fairly stable over time.¹¹

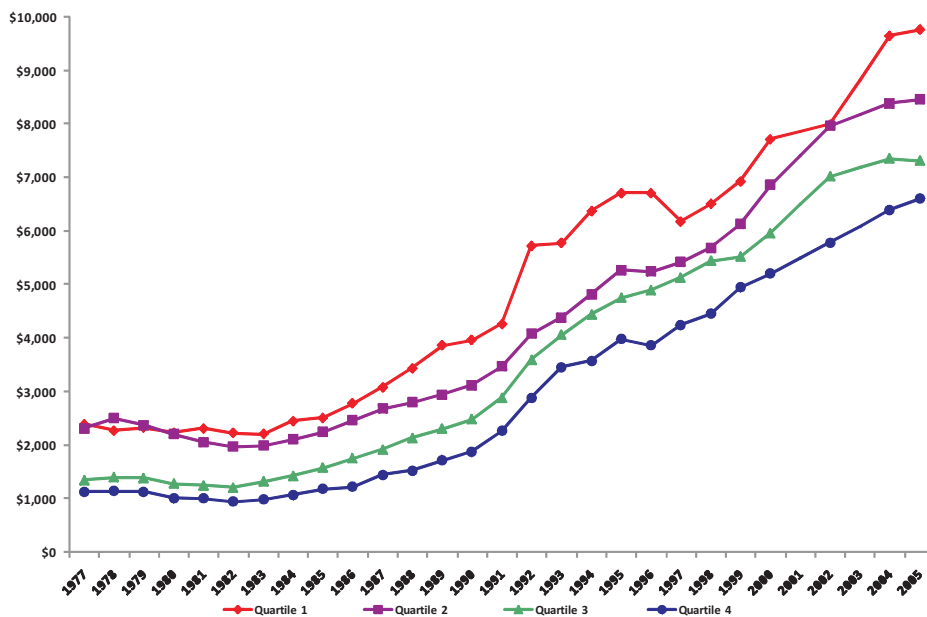
However, as welfare caseloads declined from their peak in 1994, cash assistance spending dropped substantially in Quartiles 1 and 2, while it declined much less among states in Quartile 3 — and hardly at all in Quartile 4. These differences are not due primarily to differences in the size of caseload declines; those declines are similar across states of different fiscal capacities. Nor does the larger decline in spending among wealthier states reflect a “race to the bottom,” in which state welfare policies all become more alike and highly restrictive. States continue to maintain different policies regarding benefits, time limits, sanctions, and so on — and some of the largest declines in cash assistance spending have occurred in states, like New York, which have retained some of the most liberal cash assistance policies.

Instead, different declines in cash assistance spending are largely an effect of differences in benefits under state AFDC/TANF programs. California’s maximum TANF benefit is over three times that in Arkansas. As a result, their comparable declines in welfare cases since TANF enactment (about 50 percent in both states) produced much larger fiscal savings in the former (even after controlling for the number of poor persons in the states).¹² That is, those states that spent most on

11 On benefit levels and their stability over time, both before and after federal welfare reform, see U.S. Department of Health and Human Service, Administration for Children and Families, Office of Family Assistance, *Seventh Annual Report to Congress* (Washington, DC: U.S. Department of Health and Human Services, December, 2006): Table 12:2.

12 California’s spending on cash assistance per poor person dropped from \$1,716 in 1994 to \$1,123. Arkansas’ spending fell from \$295 per poor person to \$139 over the same period. Although the percentage decline in spending was greater in the case

Figure 4
Average (Mean) State Spending on Medical Assistance, Per Poor Person, 2005 Dollars
 Stratified by state fiscal capacity quartiles
 (Q1 = highest fiscal capacity; Q4 = lowest fiscal capacity)



cash assistance in the past saw the greatest fiscal gains from welfare reform — and spending levels across rich and poor states converged.¹³

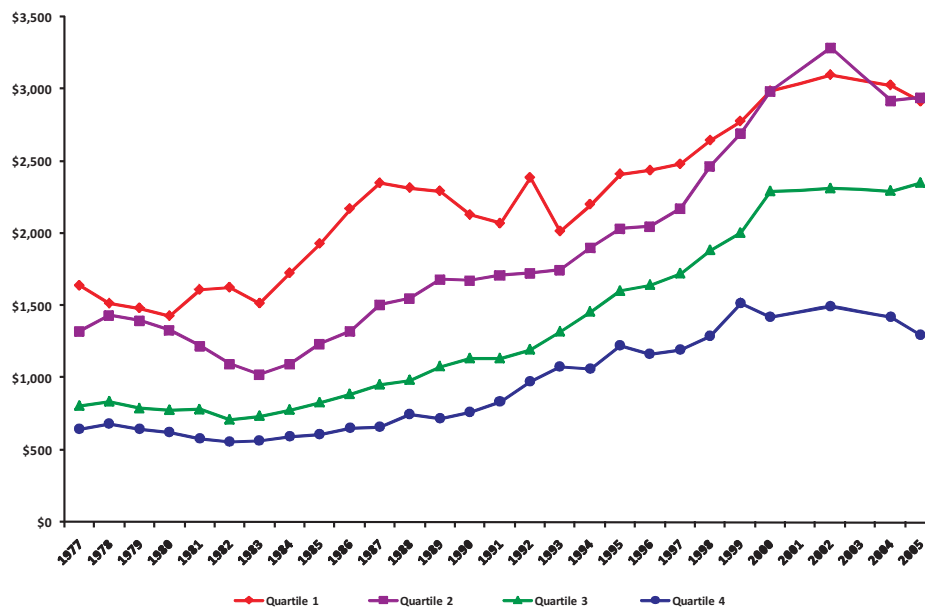
Medical assistance spending showed a different pattern, one of rising expenditures across states of all levels of fiscal capacity (see Figure 4). Widespread growth has been particularly strong since the late 1980s, when federal laws increased minimum service and eligibility requirements and gave states greater flexibility to apply Medicaid funds in support of a wider variety of medical services and medical providers. Only between 1995 and 1997 was there a significant slowing in spending on medical assistance (especially among the wealthier states), perhaps a result of a combination of strong economic growth and the early implementation of welfare reforms under AFDC waivers and TANF — reforms that may have initially reduced access to a variety of public assistance programs, including medical coverage. Since the late 1990s, however, spending on medical assistance has resumed growth, though it slowed slightly between 2004 and 2005.

Social service spending showed still another pattern, one that varied by state fiscal capacity. Figure 5 displays trends in average social welfare spending in the four fiscal-capacity quartiles. As in the other program areas, the figure shows a typically positive relationship between state fiscal capacity and state and local spending on social services. It also shows strong growth in spending on social services among most states in the late 1990s, soon after the enactment of TANF, which gave

of Arkansas, it saved only \$156 per poor person, while California reaped a savings of \$593 per poor person — more funds that might be applied to social services.

13 For a discussion of how benefit levels related to cost reductions as welfare rolls fell, Boyd, et al., “Fiscal Effects of Welfare Reform”: 25-27.

Figure 5
Average (Mean) State Spending On (Nonhealth) Social Services, Per Poor Person, 2005 Dollars
 Stratified By State Fiscal Capacity Quartiles
 (Q1 = highest fiscal capacity; Q4 = lowest fiscal capacity)



most states fairly large grants despite falling cash assistance caseloads, and which offered states flexibility in applying the grant funds to a wide variety of social services.

However, Figure 5 also reveals very different patterns of growth across states of various fiscal capacities. The wealthiest two quartiles saw consistent increases in social service spending through 2002, after which spending declined. Social service spending in the third quintile, by contrast, rose only until 2000, after which it flattened out. Finally, the fourth quartile, composed of the poorest states, experienced slower increases and only through 1999. After 1999, social service spending among the poorest states turned downwards, including the most recent interval, 2004-2005. As a result of these different trajectories, differences in spending on social services between rich and poor states swelled through 2002 and declined only slightly through 2005.

In sum, the data indicate several striking changes in social welfare spending, particularly since the mid-1990s, when state and federal welfare reforms began going into effect and the nation was in a long period of economic growth. As Table 1 shows, medical assistance spending grew in all fiscal-capacity quartiles between 1995 and 2005 (indeed, it grew in all states, except Colorado). Cash assistance spending declined the most among the wealthiest states, while hardly at all among the states in the lowest quartile. Finally, social service spending grew in all quartiles, though much less among the least-wealthy states.¹⁴

14 See Appendix C for data on changes in individual state expenditures between 1995 and 2005.

Table 1
Changes in Spending Per Poor Person, Averaged Across States
Within Fiscal Capacity Quartiles, 1995-2005

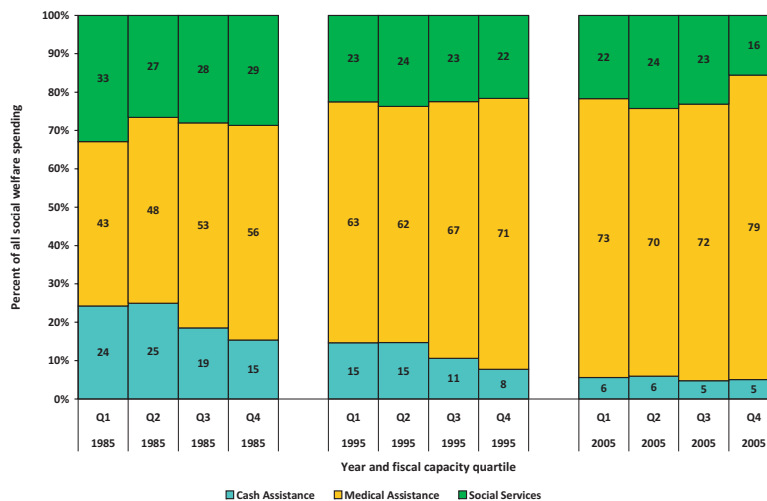
	<i>Changes, 1995 – 2005 (2005 Dollars)</i>		
<i>State Fiscal Capacity Quartile</i>	<i>Medical Assistance</i>	<i>Cash Assistance</i>	<i>Social Services</i>
1 (highest income states)	3,048	-821	502
2	3,187	-539	909
3	2,563	-270	748
4 (lowest income states)	2,619	-12	73

The Changing Composition and Distribution of Social Welfare Spending

In combination, these trends produced major shifts in the composition of public welfare spending at the state and local level. Figure 6 illustrates this development by showing the average percentage of total social welfare expenditures going to cash assistance, medical assistance, and social services among states within each of the fiscal-capacity quartiles — and for each of three years, 1985, 1995, and 2005.

In 1985, states in the four quartiles allocated their social welfare dollars in different ways. Wealthy states (Quartiles 1) spent more on cash assistance, and less on medical assistance, than comparatively poor states (Quartile 4). However, the percentages that states spent on social ser-

Figure 6
Average Percentage Distribution of Social Welfare Spending Across Three Functions
(Cash Assistance, Medical Assistance, and Social Services) Across States of
Different Fiscal Capacities, 1985, 1995, and 2005



vices were similar across states of different fiscal capacities — roughly, about three out of ten dollars spent on all social welfare functions.

By 1995, cash assistance spending declined substantially relative to other social welfare expenditures. Social services also declined in percentage terms, though not as much as cash assistance did, while medical assistance came to absorb a greater share of total spending. Spending on medical assistance constituted a particularly large part of social welfare expenditures among the least wealthy states, which spent the smallest percentage on cash assistance.

Finally, in 2005, cash assistance declined to very low levels — only five to six percent of social welfare spending — in all fiscal-capacity quartiles, while medical assistance spending continued to rise. Although social service spending remained steady in proportionate terms in the wealthier three quartiles — with 22 to 24 percent going to that function — spending on social services declined substantially among the least wealthy states, down to an average of only 16 percent.

The poorest state quartile also saw a sharp rise in the share of social welfare spending absorbed by medical assistance (to 79 percent). In some low fiscal-capacity states, the share was even higher. Medical assistance spending in Mississippi made up 90 percent of all social welfare spending in 2005. In West Virginia, Louisiana, and South Carolina, the shares were 89, 86, and 85 percent respectively. Less than 10 percent went to social services in these four states, while none of these states spent more than 5 percent of their social welfare budget on cash assistance in 2005. In such states, medical assistance had nearly *become* the states' social welfare budgets.

Implications

The 2002-2005 drop in total social service spending may not have a discernible effect on the adequacy of state and local social programs and client outcomes. The aggregate decline only pushed spending down to its level in 1999. However, the 2002-2005 decline may signal longer-run problems in the funding of social services. Many of the factors that allowed states to increase spending on services in the 1990s may have evaporated — and not just in the short run. Few states are now spending enough on cash assistance to reap additional fiscal gains from future declines in welfare caseloads. Also, although other data sources indicate that Medicaid spending dropped between 2005 and 2006, that decline appears to be only a short-run effect of the assumption of pharmaceutical costs by Medicare among persons eligible for both Medicare and Medicaid. Medicaid costs are likely to resume their robust rise in the near future¹⁵ Thus, slow growth in Medicaid spending in the mid-1990s — a factor that may have freed some state resources for social services — is unlikely to recur.

In addition, the 2006 reauthorized version of TANF failed to increase state block grants even in nominal terms, so the real value of those grants will continue to decline in the future. Nor are other federal sources of support for social services likely to compensate. Although the childcare block grant was increased slightly in 2006, many other federal grants in the social welfare area — especially those that went disproportionately to states with high poverty rates, such as the Social Services Block Grant — have suffered cuts in real value for many years. Finally, competition for funds from programs outside the human services area will surely be acute in the future, especially as state

15 Courtney Burke, “The Medicaid Spending Slowdown: Is It Unusual? Will It Continue?” Rockefeller Institute Policy Brief (Albany, NY: Rockefeller Institute, April 3, 2007).

and local governments face strong pressures to spend more on health insurance, education, infrastructure, corrections, and pensions for the large and aging workforce in state and local governments¹⁶

These changes have hit low fiscal capacity states especially hard. Their TANF grants have been smaller than grants to wealthier states. In Fiscal Years 2003-2005, the average annual TANF grant to states in the wealthiest quartile equaled \$2,223 per poor child, 2.5 times the average annual grant awarded to states in the lowest quartile, which was only \$889.¹⁷ Nor have low fiscal capacity states seen significant savings from falling caseloads.

Perhaps just as troubling for those who care about the adequacy of social welfare funding outside of health care is the fact that spending on social services and cash assistance *both* declined between 2002 and 2005 — indeed, for the first time since the early 1980s. Many observers were concerned about the dramatic drop in cash assistance enrollments and expenditures in the 1990s, a drop that greatly exceeded declines in the number of persons in poverty. Some of this concern about a “race to the bottom” was alleviated in the 1990s by evidence of large increases in spending on social services, a counter-trend that suggested that assistance for low-income families was being re-fashioned as services and “work supports,” not eliminated or even cut. However, these counteracting trends may have ended after 2002, when spending on *all* nonhealth services and benefits declined. Although this drop in spending may not be a rapid or universal “race to the bottom,” it does suggest a downward meandering, and a possibly persistent one among low fiscal-capacity states.

In sum, there may be legitimate concerns about the trajectory of social service spending. Yet there is still much we do not know. Which programs have been hit the hardest? Child welfare programs, adoption and foster care assistance, child care, work supports and other forms of “nonassistance” under TANF, shelters for the homeless, programs for the disabled, services for persons with substance abuse problems — or any of a large number of other social services? We also do not know whether cutbacks in some social service areas have been alleviated by using Medicaid to fund some of these services (such as substance abuse services). Nor do we know how much of these changes are attributable to federal policies and budgets, how much to state and local decisions, and how much to social and economic developments. Although the Census Bureau survey data provide a big picture of major functional shifts in spending, those data do not provide even such basic information as how much social service or cash assistance spending originally comes from federal as opposed to state and local revenue sources. Thus, to answer these more specific

16 See, for example, Donald Boyd, “Retiree Pensions and Health Benefits: State and Local Governments Face New Budget Challenges,” Rockefeller Institute Reports on State and Local Government Finances (April 2006) at <http://rfs.rockinst.org/exhibit/9053/Full%20Text/GovtFinancesBriefPensions1.pdf>

17 TANF grants to states in the second quartile averaged \$1,571 per poor child, and grants to states in the third quartile averaged \$1,278. In the case of TANF, comparing grants relative to the number of *children* under the federal poverty level in a state is more appropriate than comparing them relative to the number of *all* poor persons, since TANF assistance is only available to needy families with children. Grants and estimates of poor children were averaged over three years (FY 2003-2005) in order to reduce measurement error, especially in small states. TANF grant data were obtained from the website “TANF Financial Data,” U.S. Department of Health and Human Services, Administration for Children and Families, at <http://www.acf.hhs.gov/programs/ofs/data/index.html>.

questions, it would be necessary to analyze program-specific fiscal and administrative data — and, in some instances, to conduct in-depth field research.¹⁸

Predictions of future state and local expenditures depend on many uncertain assumptions about future changes in the economy, politics, and social trends. Nonetheless, the changes described in this report raise questions about program adequacy, fiscal equity in our federal system, the effects of health care spending in state budgets, and the capacity of *all* states to deal with economic, social, and natural shocks. The Rockefeller Institute hopes to address many of these issues in follow-up research and reports.

18 For one analysis that relies on federal administrative data to estimate state and local spending on children see Patricia Billen and Donald Boyd, “State Spending for Children: Spending in 2003 and How It Changed from Earlier Years” (Albany, NY: Rockefeller Institute, April 2007). http://www.rockinst.org/publications/fiscal_studies/RIGStateSpendingForKidsOverviewwLogo.pdf.

Also see a study that attempted to integrate or “cross-walk” state budget information with Census Bureau expenditure data for the State of California: Tracy M. Gordon, Jaime C. Alderete, Patrick J. Murphy, Jon Sonstelie, and Ping Zhang, *Fiscal Realities: Budget Tradeoffs in California Government* (San Francisco: Public Policy Institute of California, 2007).

Appendix A
State and Local Government Spending by Detailed Item, FY 2005 (in billions)

<i>Social Welfare Spending Category</i>	<i>Detailed Item in Census Data</i>	<i>FY2004 (billions)</i>	<i>Definition</i>
Cash Assistance	67 Federal Categorical Assistance Programs	\$17.5	Includes direct cash payments by states to beneficiaries under AFDC/TANF program. Also included is, to the extent it passes through state accounts, federal SSI, plus any state supplements. (The only federal SSI included in 67 is retroactive federal payments to reimburse the state for payments made to individuals under state supplement programs.)
	68 Other Cash Assistance Programs	\$4.2	Includes cash assistance programs not under federal categorical programs (e.g., general assistance, refugee assistance, home relief, and emergency relief).
Medical Assistance	74 Vendor Payments for Medical Care	\$263.3	Includes payments made directly to private vendors for medical assistance and hospital and health care (payments consist mostly of Medicaid and SCHIP).
Nonhealth Social Services	75 Vendor Payments for Other Purposes	\$4.9	Includes payments made directly to private vendors for services and commodities other than medical, hospital, and health care.
	77 Welfare Institutions	\$4.5	Includes payments for provision, construction, and maintenance of nursing homes and welfare institutions owned and operated by a government.
	79 Other Public Welfare	\$65.9	Includes operational payments for public employees in the sphere of public welfare, and payments for welfare programs including child welfare, adoption assistance, foster care, low-income energy assistance and weatherization, social services to the physically disabled, programs funded by the Social Services Block Grant, welfare-related community action programs, and temporary shelters and other services for the homeless.

Appendix B
State Fiscal Capacity Quartiles, Based on Per Capita Personal Income,
Averaged, 2005 Dollars, 1977-2005

<i>Quartile</i>	<i>State</i>	<i>1977-2005 Average, Per Capita Personal Income (2005 Dollars)</i>
Quartile 1	Connecticut	40,365
	New Jersey	37,648
	Alaska	36,417
	Massachusetts	35,926
	New York	35,247
	Maryland	35,112
	California	33,499
	Illinois	32,818
	Delaware	32,522
	New Hampshire	32,409
	Nevada	32,341
	Colorado	32,132
Quartile 2	Hawaii	32,089
	Virginia	31,774
	Minnesota	31,769
	Washington	31,662
	Pennsylvania	30,492
	Rhode Island	30,395
	Michigan	30,283
	Wyoming	29,964
	Florida	29,833
	Ohio	29,337
	Wisconsin	29,263
	Kansas	29,061
Oregon	28,797	
Quartile 3	Nebraska	28,634
	Texas	28,435
	Missouri	28,210
	Iowa	27,966
	Indiana	27,808
	Vermont	27,628
	Georgia	27,491
	Arizona	26,947
	North Carolina	26,854
	Maine	26,530
	Tennessee	26,437
	South Dakota	26,150
Oklahoma	26,085	
Quartile 4	North Dakota	26,037
	Montana	25,069
	Idaho	24,932
	Kentucky	24,677
	Louisiana	24,652
	Alabama	24,647
	South Carolina	24,530
	Utah	24,487
	New Mexico	24,138
	West Virginia	23,209
	Arkansas	23,208
	Mississippi	21,438

Appendix C
Changes in Spending (Per Poor Person, 2005 Dollars), 1995-2005:
State-Specific Data; States Sorted by Fiscal Capacity

The following tables show changes in medical assistance, cash assistance, and social service spending between 1995 and 2005. States are ordered according to their fiscal capacities, based (as is the case in the rest of this report) on their average real per capita personal income between 1977 and 2005.

Table Appendix C.1
State Spending on Medical Assistance, 1995-2005
(States are sorted by fiscal capacity, from highest to lowest;
medical assistance spending is expressed in expenditures per poor person, 2005 dollars)

<i>Fiscal Capacity Quartile</i>	<i>State</i>	<i>1995</i>	<i>2005</i>	<i>1995-05 Dollar Change</i>	<i>1995-05 Percent Change</i>
Quartile 1	Connecticut	7,238	9,098	1,860	25.70%
	New Jersey	10,110	10,908	798	7.90%
	Alaska	7,607	16,142	8,535	112.20%
	Massachusetts	8,746	13,318	4,572	52.30%
	New York	7,045	11,328	4,283	60.80%
	Maryland	5,232	8,067	2,835	54.20%
	California	2,863	5,803	2,940	102.70%
	Illinois	4,904	5,857	953	19.40%
	Delaware	4,929	10,953	6,024	122.20%
	New Hampshire	12,736	16,992	4,256	33.40%
	Nevada	3,754	4,171	417	11.10%
	Colorado	5,395	4,502	-893	-16.60%
Quartile 2	Hawaii	6,291	8,703	2,412	38.30%
	Virginia	3,731	6,540	2,809	75.30%
	Minnesota	8,016	17,035	9,019	112.50%
	Washington	4,734	6,944	2,210	46.70%
	Pennsylvania	6,138	10,767	4,629	75.40%
	Rhode Island	7,481	13,047	5,566	74.40%
	Michigan	4,192	5,440	1,248	29.80%
	Wyoming	4,255	7,875	3,620	85.10%
	Florida	3,181	6,974	3,793	119.20%
	Ohio	4,995	8,279	3,284	65.70%
	Wisconsin	6,909	7,498	589	8.50%
	Kansas	3,589	5,302	1,713	47.70%
Oregon	5,087	5,626	539	10.60%	
Quartile 3	Nebraska	5,019	7,679	2,660	53.00%
	Texas	3,010	4,361	1,351	44.90%
	Missouri	4,938	7,393	2,455	49.70%
	Iowa	4,585	8,319	3,734	81.40%
	Indiana	5,516	6,054	538	9.80%
	Vermont	7,189	14,994	7,805	108.60%
	Georgia	4,848	6,154	1,306	26.90%
	Arizona	2,657	5,274	2,617	98.50%
	North Carolina	4,092	5,839	1,747	42.70%
	Maine	9,516	9,635	119	1.30%
	Tennessee	4,142	7,769	3,627	87.60%
	South Dakota	3,696	5,219	1,523	41.20%
Oklahoma	2,651	6,491	3,840	144.90%	
Quartile 4	North Dakota	5,403	7,386	1,983	36.70%
	Montana	3,320	4,478	1,158	34.90%
	Idaho	3,194	8,148	4,954	155.10%
	Kentucky	4,353	6,597	2,244	51.60%
	Louisiana	4,574	5,161	587	12.80%
	Alabama	3,487	4,915	1,428	41.00%
	South Carolina	4,507	7,160	2,653	58.90%
	Utah	4,880	6,607	1,727	35.40%
	New Mexico	1,688	7,552	5,864	347.40%
	West Virginia	5,508	7,841	2,333	42.40%
	Arkansas	4,064	6,812	2,748	67.60%
	Mississippi	2,872	6,617	3,745	130.40%

Table Appendix C.2
State Spending on Cash Assistance, 1995-2005
(States are sorted by fiscal capacity, from highest to lowest;
medical assistance spending is expressed in expenditures per poor person, 2005 dollars)

<i>Fiscal Capacity Quartile</i>	<i>State</i>	<i>1995</i>	<i>2005</i>	<i>1995-05 Dollar Change</i>	<i>1995-05 Percent Change</i>
Quartile 1	Connecticut	2,474	872	-1,601	-64.70%
	New Jersey	1,260	511	-748	-59.40%
	Alaska	3,670	2,484	-1,185	-32.30%
	Massachusetts	1,856	800	-1,057	-56.90%
	New York	1,883	790	-1,093	-58.00%
	Maryland	1,134	610	-523	-46.20%
	California	1,847	1,187	-660	-35.70%
	Illinois	1,085	272	-813	-75.00%
	Delaware	865	281	-584	-67.50%
	New Hampshire	1,529	833	-696	-45.50%
	Nevada	465	208	-257	-55.30%
	Colorado	749	116	-633	-84.50%
Quartile 2	Hawaii	2,521	785	-1,737	-68.90%
	Virginia	1,101	1,266	166	15.00%
	Minnesota	1,976	1,617	-359	-18.20%
	Washington	1,387	952	-435	-31.40%
	Pennsylvania	1,184	517	-668	-56.40%
	Rhode Island	1,951	1,180	-771	-39.50%
	Michigan	1,091	368	-723	-66.30%
	Wyoming	629	263	-366	-58.10%
	Florida	508	314	-194	-38.10%
	Ohio	1,288	488	-801	-62.10%
	Wisconsin	1,234	705	-529	-42.90%
	Kansas	663	313	-350	-52.80%
Oregon	869	632	-237	-27.20%	
Quartile 3	Nebraska	518	349	-170	-32.80%
	Texas	494	225	-269	-54.50%
	Missouri	785	678	-107	-13.60%
	Iowa	716	261	-455	-63.60%
	Indiana	541	60	-482	-89.00%
	Vermont	1,570	1,282	-288	-18.30%
	Georgia	600	111	-489	-81.50%
	Arizona	591	224	-366	-62.00%
	North Carolina	1,054	1,191	136	12.90%
	Maine	1,600	1,043	-557	-34.80%
	Tennessee	540	395	-145	-26.80%
	South Dakota	418	366	-52	-12.50%
Oklahoma	415	148	-267	-64.30%	
Quartile 4	North Dakota	419	252	-167	-39.90%
	Montana	524	197	-328	-62.50%
	Idaho	400	378	-22	-5.50%
	Kentucky	486	152	-335	-68.80%
	Louisiana	292	263	-29	-10.00%
	Alabama	372	1,192	820	220.10%
	South Carolina	426	393	-33	-7.80%
	Utah	840	1,124	284	33.90%
	New Mexico	556	707	151	27.20%
	West Virginia	493	249	-245	-49.60%
	Arkansas	295	148	-146	-49.70%
	Mississippi	124	35	-89	-72.10%

Table Appendix C.3
State Spending on Social Services, 1995-2005
(States are sorted by fiscal capacity, from highest to lowest;
social services spending is expressed in expenditures per poor person, 2005 dollars)

<i>Fiscal Capacity Quartile</i>	<i>State</i>	<i>1995</i>	<i>2005</i>	<i>1995-05 Dollar Change</i>	<i>1995-05 Percent Change</i>
Quartile 1	Connecticut	1,760	2,892	1,132	64.40%
	New Jersey	2,764	2,782	18	0.70%
	Alaska	3,261	3,443	182	5.60%
	Massachusetts	2,616	3,353	737	28.20%
	New York	2,543	3,091	548	21.50%
	Maryland	1,496	2,235	739	49.40%
	California	1,314	2,380	1,066	81.10%
	Illinois	2,140	2,675	535	25.00%
	Delaware	3,059	3,535	476	15.60%
	New Hampshire	4,479	4,727	248	5.50%
	Nevada	1,386	1,881	494	35.70%
Colorado	2,129	1,979	-150	-7.00%	
Quartile 2	Hawaii	1,495	3,842	2,347	157.00%
	Virginia	1,258	1,971	713	56.70%
	Minnesota	3,009	6,649	3,640	120.90%
	Washington	1,775	2,221	446	25.10%
	Pennsylvania	3,349	3,541	192	5.70%
	Rhode Island	2,727	2,201	-527	-19.30%
	Michigan	2,260	2,697	437	19.30%
	Wyoming	1,659	2,444	785	47.30%
	Florida	854	1,323	469	54.90%
	Ohio	1,562	2,586	1,025	65.60%
	Wisconsin	3,376	3,192	-184	-5.50%
Kansas	1,268	3,004	1,736	136.90%	
Oregon	1,882	2,624	742	39.40%	
Quartile 3	Nebraska	2,863	4,224	1,361	47.50%
	Texas	780	690	-90	-11.50%
	Missouri	1,125	1,369	243	21.60%
	Iowa	2,309	2,247	-62	-2.70%
	Indiana	1,432	2,344	911	63.60%
	Vermont	2,768	6,892	4,124	149.00%
	Georgia	1,034	997	-37	-3.50%
	Arizona	1,033	1,269	236	22.90%
	North Carolina	1,215	1,201	-14	-1.20%
	Maine	2,567	4,138	1,571	61.20%
	Tennessee	1,316	1,433	116	8.80%
South Dakota	1,396	2,175	778	55.80%	
Oklahoma	993	1,581	588	59.20%	
Quartile 4	North Dakota	3,477	3,268	-209	-6.00%
	Montana	1,018	1,586	569	55.90%
	Idaho	1,251	1,548	297	23.80%
	Kentucky	1,143	1,450	307	26.80%
	Louisiana	765	582	-183	-24.00%
	Alabama	553	537	-16	-2.80%
	South Carolina	935	832	-104	-11.10%
	Utah	2,376	1,681	-695	-29.20%
	New Mexico	730	1,291	561	76.80%
	West Virginia	824	741	-82	-10.00%
	Arkansas	934	1,363	429	46.00%
Mississippi	659	661	1	0.20%	