



Income Support and Social Services for Low-Income People in Alabama

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Alabama has a long history of providing a modest safety net for low-income families and children, supplying more limited support than almost every other state.

For example, the benefits provided by Alabama under the Aid to Families with Dependent Children (AFDC) program were the second lowest in the country in each year from 1990 to 1995; only Mississippi had lower AFDC benefits over this period. Alabama's policies toward low-income families have been closely linked to federal policy, with little state funding beyond that required to draw down available federal funds. In general, Alabama elects to provide relatively low levels of assistance and seldom implements optional aspects of federal-state programs. As a result, the federal safety net—primarily food stamps and the earned income tax credit (EITC)—provides the core support available to low-income families in Alabama.

Consistent with the state's limited investment in a social safety net, Alabama is a low-tax state. However, with its low property taxes, high

sales taxes, and a state income tax that does not exempt poor families, Alabama places a high tax burden on its low-income families.

State Characteristics

Alabama is the 22nd-largest state in the United States, with a population of 4.3 million. The state is substantially rural, with more than half of its population living in rural counties, compared with roughly one-third of the population nationwide. The racial makeup of the state's population also differs significantly from that of the United States as a whole, with almost 30 percent of Alabama's residents non-Hispanic black, more than twice the national level.

Alabama is a poor state, ranking quite low on many measures of economic well-being. Nearly 18 percent of the state's population is poor, compared with 14 percent of the U.S. population (see table 1). And, despite steady economic growth over the past decade, per capita income in Alabama continues to lag well behind that of the nation (\$19,181 versus \$23,208 in 1995). Much of the poverty in Alabama is concentrated in

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Table 1
State Characteristics, 1995

	Alabama	United States
Population Characteristics		
Population (1995) (in thousands)	4,314	260,202
Percent under 18 (1995)	27.4%	26.8%
Percent Hispanic (1995)	0.8%	10.7%
Percent Non-Hispanic Black (1995)	28.9%	12.5%
Percent Noncitizen Immigrant (1996) ^a	0.9%	6.4%
Percent Rural (1990)	54.5%	36.4%
Population Growth (1990–1995)	5.3%	5.6%
Births:		
Percent to Unmarried Women (1994)	34.5%	32.6%
Percent to Women under 20 That Were Nonmarital (1994)	70%	76%
Per 1,000 Women Ages 15–19 (1994)	72	59
Economic Characteristics		
Per Capita Income (1995)	\$19,181	\$23,208
Percent Change in Per Capita Personal Income (1990–1995)	26.0%	21.2%
Percent Poor (1994)	17.6%	14.3%
Unemployment Rate (1996)	5.1%	5.4%
Employment Rate (1996)	60.3%	63.2%
Percent Persons Receiving AFDC	2.8%	5.1%
Percent Persons Receiving Food Stamps	12.4%	10.1%
Family Profile		
Percent Two-Parent Families (1994)	33.0%	35.7%
Percent One-Parent Families (1994)	14.7%	13.8%
Percent Mothers with Child 12 or Under		
Working Full Time (1994)	43.3%	38.1%
Working Part Time (1994)	14.9%	16.1%
Percent Children below Poverty (1994)	23.8%	21.7%
Median Income of Families with Children (1994)	\$32,601	\$37,109
Percent Children Uninsured (1995)	11.2%	10.0%
<p><i>Source:</i> Complete list of sources is available in <i>Income Support and Social Services for Low-Income People in Alabama</i> (The Urban Institute, 1998).</p> <p>a. These numbers have been corrected since the printing of the full state report, based on a three-year average of the Current Population Survey (March 1996–March 1998) edited by the Urban Institute to correct misreporting of citizenship.</p>		

about a quarter of the counties in the state. Those counties tend to be rural, have high levels of unemployment, and have high proportions of non-Hispanic black residents.

Setting the Social Policy Context

Social welfare policy in Alabama is developed primarily within the executive agencies; neither the governor nor the legislature was much involved until welfare reform surfaced as a national issue in the mid-1990s. In part this reflects the constraints on fiscal policy-

making in the state. Only about 10 percent of available revenues goes to the state's general fund, which is the major source of support for the social welfare system, public safety, and general government. Because the revenue sources that make up the general fund have little potential for growth, there has been little increase in the funds available to support the state's safety net.

In recent years, Alabama's social welfare agenda has emphasized program efficiency as a means of stretching limited program dollars. The state has significantly improved its child support enforcement program; developed more

efficient administrative structures for the AFDC and Food Stamp programs, including the use of electronic benefit transfer (EBT) systems; and consolidated child care administration. In 1995, Alabama's governor, Fob James, Jr., imposed a hiring freeze for all state agencies as part of an effort to "right-size" state government.

During the past decade, the state has emphasized services to protect the most vulnerable of the state's low-income families. Alabama is one of 31 states whose child welfare systems are involved in class action litigation. In 1992, a federal court approved a con-

Table 2
Selected Federal and Related State Social Welfare Spending
for Families with Children in Alabama,
FY 1995

Program	\$ in millions			Total Spending per Poor Family	
	Federal Spending	State and/or Local Spending	Total Spending	Alabama	United States
Income Support					
AFDC Benefits	58.2	24.4	82.6	\$ 163	\$ 851
SSI Benefits for Children	138.8	a.	138.8	274	184
EITC	664.4	0.0	664.4	1,310	1,010
Food Stamps for Households with Children	365.4	0.0	365.4	720	711
Education and Training					
JOBS	8.9	4.3	13.2	26	59
JTPA	34.5	0.0	34.5	68	73
Child Care/Development					
AFDC and Transitional Child Care	12.0	5.0	17.1	34	61
At-Risk Child Care	4.4	1.9	6.3	12	20
Child Care and Development Block Grant	19.5	0.0	19.5	38	34
Head Start	57.5	0.0	57.5	113	117
Child Support Enforcement	46.0	16.9	62.9	124	115
Health					
Medicaid, children only	157.3	66.0	223.2	\$ 440	\$ 984
a. Alabama also provides state Supplemental Security Income (SSI) benefits. However, there is no information available about whether or how much of these benefits are provided to children.					

sent decree that required Alabama to reform its child welfare system. Complying with that consent decree has been a priority for the state, often at the expense of other aspects of the state's safety net. The impacts of the consent decree on the broader safety net were exacerbated by the hiring freeze imposed on state agencies, which led to shifts of limited administrative resources from other elements of the safety net to child welfare.

Administrative Structure

The funding and administration of social welfare activities are highly centralized in Alabama, with the state maintaining virtually all responsibility and control. The state agency that

administers the majority of Alabama's safety net is the Alabama Department of Human Resources (DHR). DHR administers financial assistance, social services, food stamps, child support, emergency assistance, and protective services for children and elderly or disabled adults. These services are provided locally through one of DHR's 67 county offices, except for child care assistance, which is provided through 12 regional agencies.

Employment and training services span a number of agencies. DHR administers the employment and training programs for welfare clients. The key program providing such services to the working poor is administered by the Alabama Department of Economic and Community

Affairs (ADECA). Job placement services for both welfare and nonwelfare clients are provided by the Department of Industrial Relations (DIR). Adult education for welfare clients is provided primarily by the Department of Education and for nonwelfare clients primarily through the Department of Postsecondary Education.

Basic Income Support

Under the federal-state AFDC program, states were able to set a variety of program parameters within federal guidelines, leading to wide differences in program generosity across the states. Alabama was among the least generous states. In FY 1995, spending under the AFDC program per poor family in Alabama was one-

fifth of AFDC spending per poor family in the United States (\$163 versus \$851—see table 2). Alabama's AFDC grant for a family of three with no other income was \$164 per month, compared to \$289 for the median state. Its earnings eligibility cutoff was \$254, less than half that of the median state.

Because of the limited assistance available under AFDC, the federal Food Stamp program, whose benefit formula smoothes out some of the interstate differences in AFDC benefit levels, was the core of Alabama's income support system. In 1995, more than 200,000 families a month received \$37 million in food stamp benefits, compared to 46,000 families a month receiving \$6.8 million in AFDC benefits. The combined maximum food stamp and AFDC benefit for a family of three in Alabama totaled \$477 per month, almost twice the maximum AFDC benefit alone but still only 44 percent of the poverty threshold.

In an effort to operate a more efficient program within limited resources, Alabama was one of the first states to pursue the federal waiver approach to program reform. Its ASSETS (Avenues to Self-Sufficiency through Employment and Training Services) waiver project was designed to develop more effective work, training, and child support enforcement across the AFDC and Food Stamp programs. ASSETS was successful in significantly lowering administrative costs for the two programs. The state intends to strengthen the administrative links between the Food Stamp program and other assistance programs with the increased flexibility provided under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA).

Programs That Promote Financial Independence

To help promote self-sufficiency, cash assistance often needs to be supplemented with employment and training, subsidized child care, child-

support collection efforts, and health insurance coverage.

Employment and Training

Employment and training operate very differently for welfare and non-welfare clients in Alabama, with Job Opportunities and Basic Skills (JOBS) and the Food Stamp Employment and Training Program (FSE&T) serving the welfare population, and the Job Training and Partnership Act (JTPA) program serving the nonwelfare disadvantaged.

Consistent with the Family Support Act of 1988, the initial focus of Alabama's JOBS program was on remedial education, through heavy

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investment in basic education, high school equivalency programs, and community college education. When this investment failed to increase the proportion of the caseload with GEDs, the focus shifted gradually but steadily toward employment-related activities. In contrast to JOBS, the central component of FSE&T has been job search throughout. FSE&T is available in 18 of the state's 67 counties. Although DHR would like to extend it statewide, the state has not produced the financing needed to draw down the federal funds to support such an expansion.

Alabama's JTPA program in the early 1990s was focused strongly on remedial and basic education as a prerequisite for skills development training, with major activities including classroom-based occupational training, education and basic skills training, on-the-job training, and job search assistance. With reductions in federal JTPA funding over time, however, there has

been a shift toward direct work preparation. The state expects JTPA to provide the foundation of a workforce development system, including development of a One-Stop Career Center, but little progress has been made to date.

Child Care

Alabama's child care programs in 1996 consisted of the major federal and federal-state child care programs—Title IV-A child care for current and former AFDC recipients and for those at risk of coming onto AFDC, and child care for the working poor under the Child Care and Development Block Grant. Unlike many other states, Alabama had no separate state-funded child care or statewide early childhood education programs.

In 1996 families with incomes up to 160 percent of poverty (using the 1991 federal poverty thresholds) were eligible for child care assistance and, once receiving assistance, could continue to receive subsidized care so long as their income remained below 200 percent of poverty. The copayments for families were such that families at 200 percent of poverty paid almost the full price of child care.

In Alabama, as in most states, the number of families seeking assistance with child care exceeded the available funds in 1996. As a result, Alabama maintained long waiting lists for child care assistance for low-income working families. For example, in Birmingham and Selma, the two local communities that we visited as part of our case study, the wait for child care assistance ranged from 12 to 30 months.

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Child Support

As with other parts of its income security and social services system, Alabama's child support initiatives have stemmed mainly from federal mandates. The only exception is its

Table 3
Alabama's TANF Program

Eligibility	Income eligibility is \$210/month after the first month of benefits for a recipient family of three with no unearned income or child care expenses; asset limit is \$2,000 for families with no members over age 60.
Time Limits	5 years except for the disabled, adults caring for a disabled child, or victims of domestic violence, and persons participating in substance abuse or mental health counseling.
Earnings Disregards	Disregards 100 percent of earnings for first three months and 20 percent in subsequent months for TANF recipients.
Work Requirements	Adults (except those with a child under age one) must participate in work activities at least within two years of benefit receipt.
Work Sanctions	25 percent reduction in benefit for initial sanction lasting until compliance; 100 percent reduction in benefit for six months for continual noncompliance.
Benefit Level	\$164/month maximum for single parent with two children and no other income.

Source: "One Year after Federal Welfare Reform: A Description of State Temporary Assistance for Needy Families (TANF) Decisions as of October 1997," L. Jerome Gallagher, Megan Gallagher, Kevin Perese, Susan Schreiber, and Keith Watson. The Urban Institute, *Assessing the New Federalism* Occasional Paper Number 6, June 1998, various tables.

driver's license revocation legislation, which predated the federal mandate. It has in-hospital paternity establishment and an automated telephone hotline, uses the Electronic Parent Locator Network to track down out-of-state parents, and has made major efforts to develop a new child support computer system. As a result, it has doubled the amount of collections over the past five years and is ahead of the national average in the proportion of its total support collections that comes from non-AFDC families (85 versus 75 percent).

Medicaid and Other Health Insurance

The Medicaid program in Alabama, which includes only the federally mandated components of Medicaid, is the primary source of health care coverage for low-income families. Alabama has no state-supported insurance program. Because of its limited AFDC program, the Medicaid-AFDC link in

Alabama leaves more low-income families uncovered than in most states. Even with the federal mandate to cover low-income pregnant women and children not receiving AFDC, Alabama's Medicaid program reaches only 40 percent of the state's low-income population versus more than 50 percent nationally. In FY 1995, Alabama's Medicaid spending was less than half as much per poor family as overall U.S. spending (\$440 versus \$984).

Last-Resort Safety Net Programs

Although one of the goals of devolution is to promote the well-being of children and families, it is important to consider what might happen to families for whom the new rules and programs do not work as designed. Child welfare and emergency services have existed for a long time to "pick up

the pieces" when families cannot cope. Emergency services in Alabama are extremely limited.

Child Welfare

As noted, Alabama's social services system has been dominated by a consent decree, which requires the state to reform its foster care system and to provide supportive services to allow children to remain at home with their families. As a result, Alabama now not only uses federal and required state matching funds but also contributes state funding beyond the required match for family preservation services. The focus of the child welfare program has shifted from protective services, out-of-home placements, and supportive services for families involved with the child welfare system to services provided in local communities that address the full range of families' needs. As a result of these changes, foster care placements in Alabama dropped by 20 percent between 1991 and 1994, when

the national foster care placement rate was rising.

Emergency and Homeless Services

Alabama has no statewide system for serving the needs of the homeless. What services exist are funded by federal and, in areas such as Birmingham, local funds and are often allocated to nonprofit organizations to serve the homeless within their communities. In 1996, local service providers in Birmingham reported that the emergency services system in their area was "at capacity."

Implications of the New Federal Welfare Reform Legislation

As welfare reform moved to the forefront of the federal agenda in 1995, Alabama's governor convened a Commission on Welfare Reform to develop a plan for the state. In what was reported to be a first for the state, the commission included advocacy groups. The governor put a welfare reform proposal based on the commission's report before the legislature in 1997. It conformed to federal law, imposing a five-year lifetime limit on assistance, lowering the work and training exemption due to age of youngest child from 24 to 12 months, and prohibiting benefit increases for children conceived while the mother was on assistance. The legislation died in the final hours of the 1997 session, but DHR is implementing most of its elements through regulation.

As of June 1997, Alabama had implemented the federally mandated changes under PRWORA as well as several state-initiated changes (table 3). With regard to the latter, Alabama has expanded program eligibility by increasing a family's maximum level of allowable resources and disregard-

ing the value of a car. For those welfare recipients who become employed, the state does not count the first three months of earnings in determining the family's level of assistance. Combined with these more generous provisions, Alabama has imposed stricter job search and work requirements and, for those who do not participate in required activities, stronger sanctions. The state did not implement a provision that would prohibit benefit increases for children conceived while the mother was on assistance.

The challenges posed by Temporary Assistance for Needy Families (TANF) implementation in Alabama are very real. First, since Alabama is one of the few states where child care payments are larger than the cash assistance they would replace, the costs of providing services to TANF recipients who move into employment are expected to far exceed the costs of paying them cash assistance.

Second, because of the limited skills and work experience of the Alabama welfare recipients, there is considerable concern that there will not be enough low-skill jobs, particularly in rural areas. The concern about jobs is exacerbated by the fact that, while welfare recipients in Alabama often do not have cars, public transportation is only available in urban areas. This is of particular concern since over half of the state's population resides in rural areas. There have been discussions in the state about offering incentives for welfare recipients to move from rural to urban areas.

Finally, there is concern that if the state scales back support for low-income families, those families will turn to their local communities for assistance. Given the high levels of poverty in some communities in Alabama, and the limited role local governments play in either funding or administering the safety net, those communities will not have the resources to respond. ■

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