

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

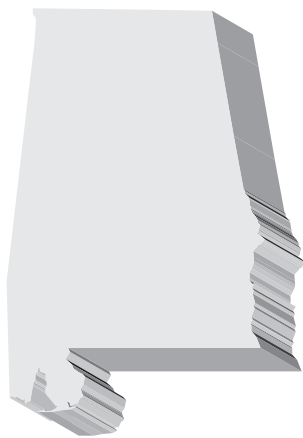
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*The Urban Institute*



Assessing  
the New  
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Program to Assess  
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This report is part of The Urban Institute's *Assessing the New Federalism* project, a multi-year effort to monitor and assess the devolution of social programs from the federal to the state and local levels. Project codirectors are Anna Kondratas and Alan Weil. The project analyzes changes in income support, social services, and health programs. In collaboration with Child Trends, Inc., the project studies child and family well-being.

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## About the Series

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**A**ssessing the New Federalism is a multi-year Urban Institute project designed to analyze the devolution of responsibility from the federal government to the states for health care, income security, employment and training programs, and social services. Researchers monitor program changes and fiscal developments. In collaboration with Child Trends, Inc., the project studies changes in family well-being. The project aims to provide timely nonpartisan information to inform public debate and to help state and local decisionmakers carry out their new responsibilities more effectively.

Key components of the project include a household survey, studies of policies in 13 states, and a database with information on all states and the District of Columbia, available at the Urban Institute's Web site. This paper is one in a series of reports on the case studies conducted in the 13 states, home to half of the nation's population. The 13 states are Alabama, California, Colorado, Florida, Massachusetts, Michigan, Minnesota, Mississippi, New Jersey, New York, Texas, Washington, and Wisconsin. Two case studies were conducted in each state, one focusing on income support and social services, including employment and training programs, and the other on health programs. These 26 reports describe the policies and programs in place in the base year of this project, 1996. A second set of case studies to be prepared in 1998 or 1999 will describe how states reshape programs and policies in response to increased freedom to design social welfare and health programs to fit the needs of their low-income populations.

The income support and social services studies look at three broad areas. Basic income support for low-income families, which includes cash and near-cash programs such as Aid to Families with Dependent Children and Food Stamps, is one. The second area includes programs designed to lessen the

dependence of families on government-funded income support, such as education and training programs, child care, and child support enforcement. Finally, the reports describe what might be called the last-resort safety net, which includes child welfare, homeless programs, and other emergency services.

The health reports describe the entire context of health care provision for the low-income population. They cover Medicaid and similar programs, state policies regarding insurance, and the role of public hospitals and public health programs.

In a study of the effects of shifting responsibilities from the federal to state governments, one must start with an understanding of where states stand. States have made highly varied decisions about how to structure their programs. In addition, each state is working within its own context of private-sector choices and political attitudes toward the role of government. Future components of *Assessing the New Federalism* will include studies of the variation in policy choices made by different states.

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# Highlights of the Report

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**T**his report focuses on the baseline conditions of cash assistance and social services in the state of Alabama in 1996, as it embarks on the new welfare reforms specified in the federal Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996—in particular, the replacement of Aid to Families with Dependent Children (AFDC) with Temporary Assistance to Needy Families (TANF).

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## State Overview

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 to 14 percent of the United States population. 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 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.



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## Setting the Social Policy Context

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.

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 policymaking 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 "rightsize" state government.

During the past decade, the state has placed an emphasis on 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 consent 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 exacer-

bated 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.

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## 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.

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## 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 5 times lower than AFDC spending per poor family in the United States (\$163 versus \$851). Alabama's AFDC grant for a family of three 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 is designed to smooth 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 Food Stamps and other assistance programs with the increased flexibility provided under PRWORA.

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## **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 JOBS and the Food Stamp Employment and Training Program (FSE&T) serving the welfare population and the Jobs 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 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 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 co-payments 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.

Child care funding poses a dilemma for Alabama's welfare reform efforts because it costs significantly more to pay for child care than for cash assistance at current levels—implying higher system costs as more welfare recipients move into the workforce.

## **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 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 United States spending (\$440 versus \$984).

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## **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 whole 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."

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## **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. With regards to the latter, Alabama has expanded program eligibility by increasing a family's maximum level of allowable resources and disregarding 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 challenges posed by 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.



# Introduction

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**A**labama 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. The state'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. Over the past several years, the major state-initiated changes in social welfare programs in Alabama have focused on improving program operations and efficiency, particularly in the operations of the state's Child Support Enforcement (CSE), Aid to Families with Dependent Children (AFDC), and Food Stamp programs.

This report focuses on the findings of our case study in Alabama, describing the state's social safety net for low-income families with children. This case study examines the current goals, policies, practices, organizational structure, funding, and recent changes in a wide variety of programs serving children and their families. The case study covered income support, employment and training, and child programs targeted to low-income families. It also examined how other programs, such as child welfare and emergency services, work to assist low-income families in crisis.

Researchers from the Urban Institute visited Alabama in December 1996, not long after the passage of federal welfare reform legislation in August 1996 (the Personal Responsibility and Work Opportunity Reconciliation Act, P.L. 104-193—PRWORA). In addition to interviews at the state level, we conducted interviews in Birmingham (Jefferson County) and Selma (Dallas County) to develop a picture of local programs and issues and to gain some appreciation of within-state differences. At the time of our visit, the state was in the midst of planning for welfare reform and this issue was high on the agenda for the upcoming legislative session. To date, however, Alabama has not enacted com-

prehensive welfare reform legislation but is implementing many of the PRWORA's provisions through regulations.

In this report, we describe Alabama's programs and policies during the period just before the implementation of welfare reform and analyze the circumstances that helped shape the state's response to federal changes in major social programs. The description is intended to aid understanding of the state policy context and state-level decisions in response to changing federal law, and also to provide a "baseline" snapshot of Alabama against which future changes can be compared.

This report begins with a discussion of the characteristics of the state in terms of its population, economic condition, and political environment. The next section describes the state's agenda for serving the needs of low-income families, including a discussion of spending in this area and an overview of the service delivery structure in the state. The next three sections describe the three broad social program areas—supports for basic income needs, policies for moving families toward financial independence, and programs that provide a last-resort safety net for families and children. The final section describes the particular challenges that Alabama faces in delivering this support system to low-income families.



# Alabama: A Brief Overview

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**T**his section provides a brief overview of Alabama's economy and population to establish the context for the social programs we describe later in the report. It also describes the state's political and budgetary climate, within which policy is shaped.

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## Economy

Alabama is historically a poor state, although the state's economy has been improving. Over most of the past decade, Alabama has experienced steady economic growth, with the state's gross domestic product growing faster than that of the United States as a whole.<sup>1</sup> State tax incentives and credits, relatively low wages and cost of living, inexpensive land, and the ease of transportation have led a number of businesses to locate or expand in the state. Although the industrial base has diversified somewhat in recent years, 22 percent of all employment in Alabama remains in the manufacturing sector, compared with only 16 percent nationwide (table 1). While some economic expansion continues (most notably a recent decision by Mercedes-Benz to locate a major production plant in the state), there is an expectation that it will be tempered by job losses due to the North American Free Trade Agreement (NAFTA) and defense downsizing.

As a result of strong economic growth, Alabama's unemployment rate fell slightly below the U.S. rate (5.1 percent versus 5.4 percent) in 1996, although unemployment varies widely across counties. In 1991, for example, when

**Table 1** *Alabama State Characteristics, 1995*

	Alabama	United States
<b>Population Characteristics</b>		
Population (1995) <sup>a</sup> (thousands)	4,314	260,202
Percent under 18 (1995) <sup>a</sup>	27.4%	26.8%
Percent Hispanic (1995) <sup>a</sup>	0.8%	10.7%
Percent Non-Hispanic Black (1995) <sup>a</sup>	28.9%	12.5%
Percent Noncitizen Immigrant (1996) *	0.9%	6.4%
Percent Rural (1990) <sup>b</sup>	54.5%	36.4%
Growth: 1990-1995 <sup>c</sup>	5.3%	5.6%
Births per 1,000 Women Ages 15-44 (1994) <sup>d</sup>	62.9	66.7
Percent to Unmarried Women (1994) <sup>d</sup>	34.5%	32.6%
Percent to Women under 20 that were Nonmarital (1994) <sup>d</sup>	70%	76%
Per 1,000 Women Ages 15-19 (1994) <sup>d</sup>	72	59
<b>State Economic Characteristics</b>		
Per Capita Income (1995) <sup>e</sup>	\$19,181	\$23,208
Percent Change Per Capita Income (1990-1995) <sup>f, g</sup>	26.0%	21.2%
Percent Poor (1994) <sup>g</sup>	17.6%	14.3%
Unemployment Rate (1996) <sup>h</sup>	5.1%	5.4%
Employment Rate (1996) <sup>h, j</sup>	60.3%	63.2%
Percent Jobs in Manufacturing (1995) <sup>j</sup>	22.2%	16.0%
Percent Jobs in Service Sector (1995) <sup>j</sup>	18.8%	23.1%
Percent Jobs in Public Sector (1995) <sup>j</sup>	15.1%	14.7%
<b>Family Profile</b>		
Percent Two-Parent Families (1994) <sup>g, k</sup>	33.0%	35.7%
Percent One-Parent Families (1994) <sup>g, l</sup>	14.7%	13.8%
Percent Mothers with Child 12 or under		
Working Full-Time (1994) <sup>g, m</sup>	43.3%	38.1%
Working Part-Time (1994) <sup>g, n</sup>	14.9%	16.1%
In Two-Parent Families and Working(1994) <sup>g, o</sup>	40.1%	40.3%
In One-Parent Families and Working(1994) <sup>g, o</sup>	18.2%	13.9%
Percent Children below Poverty (1994) <sup>g</sup>	23.8%	21.7%
Median Income of Families with Children (1994) <sup>g</sup>	\$32,601	\$37,109
Percent Children Uninsured(1995) <sup>a</sup>	11.2%	10.0%
<b>Political</b>		
Governor's Affiliation (1996) <sup>p</sup>	Republican	
Party Control of Senate (1996) <sup>p</sup>	22D-12R	
Party Control of House (1996) <sup>p</sup>	72D-33R	

a. Two-year concatenated March Current Population Survey (CPS) files, 1995 and 1996. These files are edited by the Urban Institute's TRIM2 microsimulation model. Excludes those in families with active military members.

b. U.S. Bureau of the Census, *Statistical Abstract of the United States: 1996* (116th edition). Washington, D.C., 1996. 1995 population as of July 1. 1990 population as of April 1.

c. *State Personal Income, 1969-1995*. CD-ROM. Washington, D.C.: Regional Economic Measurement Division (BE-55), Bureau of Economic Analysis, Economics and Statistics Administration, U.S. Department of Commerce, October 1996.

d. Computed using mid-year population estimates of the Bureau of the Census.

e. Personal contributions for social insurance are not included in personal income.

f. U.S. Department of Labor. *State and Regional Unemployment, 1996 Annual Averages*. USDL 97-88. Washington, D.C., March 18, 1997.

g. Employment rate is calculated using the civilian noninstitutional population 16 years of age and over.

h. CPS three-year average (March 1994-March 1996 where 1994 is the center year) edited using the Urban Institute's TRIM2 microsimulation model.

i. "Other" includes persons covered under CHAMPUS, VA, Medicare, military health programs, and privately purchased coverage.

j. Normandy Brangen, Danielle Holahan, Amanda H. McCloskey, and Evelyn Yee. *Reforming the Health Care System: State Profiles 1996*. Washington, D.C.: American Association of Retired Persons, 1996.

k. S.J. Ventura, J.A. Martin, T.J. Mathews, and S.C. Clarke. "Advance Report of Final Natality Statistics, 1994." *Monthly Vital Statistics Report*; vol. 44, no. 11, supp. Hyattsville, MD: National Center for Health Statistics, 1996.

l. National Center for Health Statistics. "Births, Marriages, Divorces, and Deaths for 1995." *Monthly Vital Statistics Report*; vol. 44, no. 12. Hyattsville, MD: Public Health Service, 1996.

m. ReliaStar Financial Corporation. *The ReliaStar State Health Rankings: An Analysis of the Relative Healthiness of the Populations in All 50 States*, 1996 edition. Minneapolis, MN: ReliaStar, 1996.

n. Race-adjusted data, National Center for Health Statistics, 1993 data.

o. U.S. Department of Justice, FBI. *Crime in the United States, 1995*. October 13, 1996.

p. National Conference of State Legislatures. *1997 Partisan Composition, May 7 Update*. D indicates Democrat and R indicates Republican.

unemployment was 7.2 percent statewide, the rate among counties ranged from a low of 4.8 percent (Shelby County) to a high of 17.8 percent (Bullock County).<sup>2</sup>

Despite the recent economic growth and low overall unemployment, Alabama's population remains poorer than that of the nation as a whole. While per capita income in Alabama grew by 26 percent between 1990 and 1995, it continues to lag behind the per capita income of the United States (\$19,181 versus \$23,208 in 1995). And nearly 18 percent of the state's population is poor, compared with 14 percent of the total U.S. population. Poverty in the state tends to be heavily concentrated. In 1989, for example, when 14.3 percent of the total state population was poor, one-quarter of Alabama's counties had poverty rates above 20 percent.<sup>3</sup>

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## Population

Alabama is the 22nd-largest state in the United States, with a population of 4.3 million (table 1). Between 1990 and 1995, Alabama's population grew at roughly the same rate as that of the nation (5.3 percent versus 5.6 percent). The state remains substantially rural, with more than half of the population living in rural areas, compared with roughly a third of the population nationwide.

The racial makeup of Alabama's population differs significantly from that of the United States as a whole. Nearly 30 percent of the state's residents are non-Hispanic black, more than double the national level (12.5 percent). Other ethnic minorities account for only a small share of the state's population. Less than 1 percent of the population is Hispanic, and only 0.9 percent \* are noncitizen immigrants.

There are also differences in the characteristics of Alabama's families that have implications for social welfare programs in the state. Among younger women, those 15 to 19 years old, the birth rate in Alabama exceeds that of the United States (72 versus 59 births per 1,000 women), although a somewhat smaller share of the births are to unmarried mothers (70 percent versus 76 percent). While labor force participation among mothers in two-parent families is similar to the national rate, Alabama's single mothers are more likely to work (18.2 percent versus 13.9 percent). Mothers in Alabama are also far more likely than mothers nationally to work part time rather than full time (43.3 percent part-time versus 14.9 percent full-time in Alabama, compared to 38.1 percent versus 16.1 percent in the United States).

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## Political Landscape

Traditionally, neither the governor nor the legislature in Alabama has taken an active interest in social welfare policy. Instead, state social welfare policy has been developed primarily within the executive agencies responsible for administering the state's programs. State policies have been heavily influenced



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by federal policies, and in many areas, complying with federal mandates has been the major thrust of policy. Since 1995, however, both the governor and the legislature have played an increasingly active role in welfare reform as this issue has become prominent on the national agenda.

The nature of social welfare policymaking in Alabama is due, in large part, to three key elements of the state government's structure. First, Alabama has a citizen legislature that meets for only 30 legislative days and 105 calendar days each session. Second, with the exception of two independent offices that provide analysis and support to the entire legislature, Alabama legislators have no staff support.<sup>5</sup> And finally, the legislature has a strong parochial focus, with individual legislators more likely to be intent on the needs of their own districts than on the needs of the state as a whole. The latter reflects an unusual aspect of Alabama's constitution, which restricts both the power of local (county) government<sup>6</sup> and the legislature's authority to pass local legislation.

The role and functions of counties in Alabama are extremely limited.<sup>7</sup> Counties have no authority except that specifically delegated by the state's constitution or authorized by the legislature. County authority and policies have developed through legislation and constitutional amendments that often address a single county. To date, the constitution has been amended nearly 600 times (more than in any other state), with the majority of those amendments applying only to selected localities.

The short length of the legislative session, the lack of legislative staff, and the emphasis on matters of local interest often mean that the budget and local issues are the main focus of the session, with little time left to address other issues. At times, however, particular issues have surfaced on the legislative agenda. In recent years, reforms in the areas of taxes, torts, and education have been matters of particular interest.

Advocacy groups play a minimal role in shaping social welfare policy in Alabama. Traditionally, there have been relatively few advocacy groups actively working at the state level, and the organizations that exist do not appear to have had a great deal of influence on policy within either the executive or the legislative branch. However, the role of advocacy groups in social welfare policy may be changing in Alabama—the governor included advocacy groups on his 1996 Commission on Welfare Reform.

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## Budgetary Landscape

Alabama is a low-tax state, and in 1992 its per capita state and local taxes of \$1,436 ranked it 49th among all states.<sup>8</sup> The tax system features relatively low property taxes, relatively high sales taxes, and a state income tax that does not exempt poor families from paying taxes. As a result, Alabama tends to place a relatively high tax burden on low-income families.

Alabama’s constitution requires a balanced state budget, and the governor must prorate appropriations and restrict allotments to achieve this result. In some cases, the legislature also has turned to special taxes and one-time revenue enhancements and fees to make up shortfalls. Throughout the 1990s, tax reform has received a great deal of attention in the state. However, systemic reform of the tax system has not yet occurred, and tax increases are unlikely in the near future. The current governor, Fob James, Jr., was elected in 1994 on a pledge of “no new taxes” and has held fast to that commitment since his election.

Fiscal policymaking in the state is severely limited by constraints on the use of available revenues. The majority of state revenues in Alabama (about 90 percent) are earmarked through constitutional provisions, state laws, or the terms of federal grants. This leaves only about 10 percent of the available revenues for the general fund, which is used for discretionary spending decisions by the legislature and is a major source of support for the state’s social welfare programs. However, the general fund also finances public safety and general government, an arrangement that results in great demand for the available resources across these program areas. And because the general fund relies on relatively stagnant revenue sources—interest income, insurance premium taxes, and excise, sales, and use taxes—there is little potential for revenue growth.



# Setting the Social Policy Context

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**T**his section describes Alabama's policies for helping low-income families. Following its discussion of policy commitments, the section reviews state and local spending on social welfare programs and the programs' organizational structure. This information provides important background for understanding the structure and approach of the major social welfare programs in place during 1996, which we review later in the report.

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## Alabama's Agenda for Serving Low-Income Families

Alabama has a long history of providing modest levels of state support for social welfare programs, ranking among the least generous states. Currently, the state's safety net for low-income families closely follows the framework set forth by federal law and consists largely of federal assistance programs. The state does not operate a General Assistance program and, with few exceptions, does not supplement federal programs with state funding beyond the required matching funds. And in many areas in which federal law grants states some discretion in defining program features, including the Aid to Families with Dependent Children (AFDC) and Medicaid programs, Alabama elects to provide relatively low levels of assistance and seldom implements optional aspects of the programs.

Alabama's safety net primarily serves only the poorest of the state's families. AFDC benefits, which are the main source of cash assistance for low-income families, are provided to a fairly small share of the state's poor population. Less than one-quarter of poor persons living in families with children received

AFDC assistance in the average month of 1995. As a result, for many families, the federal safety net beyond AFDC—Food Stamps, Supplemental Security Income (SSI), and the earned income tax credit (EITC)—provides the core support available.

Supportive services for low-income families are also limited. Alabama's child care assistance, for example, consists primarily of federal child care programs. The state provides only a small amount of funds for child care beyond the required federal matching funds. In terms of health care, the Medicaid program is the primary source of medical support for low-income families in the state. It is limited in scope and covers mainly those families for whom coverage is mandated by federal law.

During the past decade, services to protect the most vulnerable of the state's low-income families have been a source of concern. Alabama is one of 31 states whose child welfare systems are involved in class-action litigation. In 1988, a lawsuit against the state was filed in federal court by the Civil Liberties Union of Alabama, and two national organizations—the Mental Health Law Project and the Southern Poverty Law Project. The lawsuit alleged that the Department of Human Resources (DHR) failed to provide appropriate services for an eight-year-old emotionally disturbed child who was placed in a psychiatric hospital because the state lacked a more suitable alternative placement. The case was certified as a class action on behalf of all children with emotional or behavioral problems who are in foster care and other children at risk of foster care placement. In 1992, a federal court approved a consent decree that required Alabama to reform its foster care system and to provide supportive services to allow children to remain in the home with their families. Complying with this decree has dominated the state's social welfare system in recent years, and the effect of shifting limited resources into the child welfare system has been felt across the remainder of the state's safety net.

In recent years, the state's social welfare agenda has emphasized program efficiency. For example, the state has strengthened its child-support enforcement program and doubled child-support collections over a five-year period. Efforts to improve the accuracy of eligibility and benefit determination under the Food Stamp program changed Alabama from a state with one of the worst programs in the late 1980s to a national leader by 1990. Finally, the governor has emphasized increased program efficiency as a means to stretch state dollars, and after taking office in 1995 he imposed a hiring freeze for all state agencies.

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## Social Welfare Spending in the State

Alabama's contributions to programs that are jointly funded by the state and federal government also reflect its limited support for public assistance. Social

**Table 2** *Selected Federal and Related-State Social Welfare Spending for Families with Children in Alabama, FY 1995 (\$ in millions)*

Program	Federal Spending	State and/or Local Spending	Total Spending	Total Spending per Poor Family	
				Alabama	United States
<b>Income Support</b>					
AFDC Benefits	58.2	24.4	82.6	163	851
SSI Benefits for Children	138.8	<sup>a</sup>	138.8	274	184
EITC	664.4	—	664.4	1,310	1,010
Food Stamps for Households with Children	365.4	—	365.4	720	711
<b>Education and Training</b>					
JOBS	8.9	4.3	13.2	26	59
JTPA	34.5	—	34.5	68	73
<b>Child Care/Development</b>					
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	—	19.5	38	34
Head Start	57.5	—	57.5	113	117
<b>Child Support Enforcement</b>	46.0	16.9	62.9	124	115
<b>Health</b>					
Medicaid, children only	157.3	66.0	223.2	440	984

a. Alabama also provides state supplemental SSI benefits. However, there is no information available about whether or how much of these benefits are provided to children.

welfare spending in Alabama is among the lowest in the country, falling well below the national average for many programs in which states play a role in setting program parameters and contribute funding (table 2). For example, under both the AFDC and Medicaid programs, the state defines certain eligibility criteria and benefit levels. In FY 1995, spending under the AFDC program per poor family in Alabama was 5 times lower than the AFDC spending per poor family in the United States (\$163 versus \$851). Alabama's Medicaid spending was less than half as much per poor family as overall United States spending (\$440 versus \$984). The state maintains these low benefits, even though the federal government provides a \$70 match for each \$30 Alabama spends on AFDC or Medicaid (compared with the match for the average state of \$55 federal dollars to \$45 state dollars).

Spending under programs that are fully paid for by the federal government, on the other hand, tends to be higher than average in the state. Food Stamp spending and the EITC per poor family, for example, were higher in Alabama than for the total United States (\$720 versus \$711 and \$1,094 versus \$829,



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respectively). These higher levels reflect the federal safety net's role in providing a basic level of support across states and evening out some of the differences between state income-support policies.

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## **Organization of Services and Administrative Structure**

The funding and administration of most social welfare activities is highly centralized in Alabama, with the state maintaining virtually all responsibility for these functions. In general, local governments' responsibilities are limited to such areas as collecting taxes, enforcing laws, building roads, and planning and zoning. Table 3 shows the locations of major social welfare programs within the state agency structure and indicates where the primary administrative responsibility lies at the local level.

### **Income Security, Food Security, Child Care, Child-Support Enforcement, and Child Welfare**

The Alabama Department of Human Resources (DHR) is the umbrella agency that administers financial assistance, social services, Food Stamps, child support, emergency assistance, and protective services for children and elderly or disabled adults. DHR's programs and services, except child care assistance, are provided locally through one of its 67 county offices. County offices determine eligibility and benefits for the Food Stamp program, but since 1994 the state has contracted with a private agency to issue Food Stamp benefits. In 1996, Alabama was in the process of introducing an electronic benefit transfer (EBT) system. Under EBT, food stamp and cash welfare recipients will be issued a plastic debit card rather than a welfare check or Food Stamp coupons. These cards can be used at automated teller machines (ATMs) (to access cash assistance) or as debit cards at grocery stores (to access assistance under the Food Stamp program).

Each county has a Board of Human Resources, selected by local government, which appoints a county welfare director. The county welfare director heads up the local DHR office but remains a state employee responsible for implementing DHR policies. Counties in Alabama have little discretion over the policy or operation of DHR programs.

In child care, DHR maintains responsibility for licensing functions but contracts with 12 Child Care Management Agencies (CMAs) to administer the child care programs. CMAs may be local child care resource and referral agencies or other local organizations such as Community Action Agencies. The CMAs determine eligibility for child care assistance, make payments for care, and coordinate services between families and child care providers. Under this arrangement, county DHR offices play a minimal role in child care, although

<b>Table 3</b> <i>Organizational Structure of Social Welfare Programs</i>		
Program	State Agency	Local Administrative Arrangement
<b>Income Security</b>		
AFDC	Department of Human Resources (DHR)	County DHR offices
Food Stamps		
<b>Education and Training</b>		
JOBS	DHR	County DHR offices
JTPA	Alabama Department of Economic and Community Affairs (ADECA)	Not applicable
<b>Child Care</b>		
Child Care	DHR	Child Care Management Agencies (CMAs)
Head Start	Not applicable	Local grantees
<b>Child Support Enforcement</b>	DHR	County DHR offices
<b>Child Welfare</b>	DHR	County DHR offices
<b>Emergency Services</b>		
Title IV-A Emergency Assistance	DHR	County DHR offices
McKinney and Other Federal Homeless Programs	ADECA	Local grantees and contractors
<b>Health</b>		
Medicaid	Alabama Medicaid Agency	County DHR offices and local outstations
Maternal and Child Health	Department of Public Health	County Health Departments Department of Public Health

some CMAs colocate staff with the county DHR office to ease the application process for AFDC recipients.

During 1996, DHR has seen significant staffing changes as it has moved to “rightsize” its workforce and has continued to restructure its child welfare services to comply with the consent decree. DHR has been operating under the hiring freeze imposed on all state agencies and has seen its staff decrease considerably through attrition and the transfer of staff (primarily in child welfare) from the state to county offices. Also, the high priority assigned to child welfare has resulted in the shifting of existing staff from other program areas to child welfare and the allocation of newly-hired staff to child welfare functions.

Several notable organizational changes reflect the agency’s changing policies and priorities. In July 1996, DHR reorganized the administration of child welfare services and created a new Conversion and Compliance Unit. This



new unit oversees all child welfare functions related to the consent decree, including legal issues, implementation, resource development, policy development, and training. The Conversion and Compliance Unit is also decentralizing DHR's contracting for child welfare services and teaching county offices how to contract with service providers. DHR expects this unit to be temporary and plans to reabsorb it into other divisions after the consent decree is vacated or compliance is achieved.

As welfare reform emerged on the national agenda, DHR created a special unit to develop plans for welfare reform in Alabama. The Office of Welfare Reform has played a central role within the department in coordinating planning and policy related to welfare reform. This division is also expected to be absorbed into other divisions once the state's welfare-reform activities are complete.

### **Employment and Training**

Employment and training services in Alabama span a number of agencies. DHR administers employment and training services for welfare clients under the Job Opportunities and Basic Skills (JOBS) training program and the Food Stamp Employment and Training program. The key program providing employment and training services to the broader low-income population—the Job Training Partnership Act (JTPA)—is administered by the Alabama Department of Economic and Community Affairs (ADECA). JTPA is a federally funded program that provides job-training services to economically disadvantaged adults and youth with significant barriers to employment.

The Department of Industrial Relations (DIR) provides job placement services for both welfare and nonwelfare clients through the state's Employment Service. The Department of Education provides education and training for clients of the JOBS and Food Stamp Employment and Training programs. The Department of Postsecondary Education, which is responsible for skill centers and two- and four-year colleges, provides education and training under JTPA and, less formally, JOBS. The Department of Postsecondary Education also administers the Alabama Industrial Development Training (AIDT) Institute, which provides short-term, job-specific training for new and expanding businesses in the state. During the 1990s, DHR has emphasized accessing resources to serve the JOBS population through other agencies—DIR, the Departments of Education and Postsecondary Education, and ADECA.

The State's One-Stop Career Center effort, which has the goal of forming a statewide workforce delivery system, has made little progress to date and there were no other efforts underway in 1996 to create a more coordinated employment and training system. The lack of progress has been attributed by some to the state's limited history of partnerships across agencies.

The JOBS, Food Stamp Employment and Training, and JTPA programs in Alabama have strong state control. Under the JOBS and Food Stamp programs,

the state DHR office sets policy, staffing levels, and budgets for the county DHR offices.

With this tight state control there is little opportunity for variation across the counties. The strong focus on uniform programs across the state was viewed by some as a barrier to addressing widely different needs across the state's counties, particularly the differing needs between urban and rural counties. Under the JTPA program, the state office of ADECA operates as the "local" administrator of the JTPA program for 65 of the state's 67 counties. JTPA programs in the remaining two counties are operated by grantees in the local community.



# Basic Income Support

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**H**istorically, Alabama has allocated limited resources to income support. In 1996, its primary income-support programs consisted of AFDC, SSI, Food Stamps, and EITC. The state had no General Assistance program, no state supplement to SSI, and no state earned income tax credit. Only the AFDC program represented a significant investment of state funds in income support.

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## Alabama's AFDC Program

The AFDC program provides cash assistance to needy children who have been deprived of parental support because a parent is absent from the home, incapacitated, deceased, or unemployed. Within federal guidelines, states set income thresholds for AFDC eligibility, establish benefit levels, and define some coverage parameters. As a result, states vary widely in the generosity of their AFDC programs, particularly in their maximum payments and maximum income allowed before eligibility is lost.

Relative to the median state, Alabama provides substantially lower benefits and substantially lower maximum allowable earnings, as shown in table 4. In 1996, the maximum AFDC grant for a family of three was \$164 per month in Alabama, compared with \$389 in the median state. Alabama's AFDC benefit level was the second-lowest in the country in each year from 1990 to 1995 (not in table); only Mississippi had a lower benefit level over that period.

The earnings level at which AFDC eligibility ends in Alabama was less than half that of the median state in 1996. A family of three earning \$254 per month

**Table 4** *Aid to Families with Dependent Children (AFDC) Rules and Benefits (for a One-Parent Family of Three Persons) in Alabama and the Median State, 1996*

	Alabama	Median State
Maximum AFDC grant per month		
Total	\$164	\$389
As a percent of the poverty level	15%	36%
Percent change in real value since 1970	-36%	-51%
Combined maximum AFDC and Food Stamp benefits per month		
Total benefits	\$477	\$699
As a percent of the poverty level	44%	65%
Earnings level per month at which AFDC eligibility ends after 12 months		
Total earnings	\$254	\$516
As a percent of the poverty level	23%	48%

*Source:* U.S. House of Representatives, Committee on Ways and Means, 1996 *Green Book*. Washington, D.C.: U.S. Government Printing Office, 1996, tables 8-12, 8-15, 8-17.

*Notes:* Food Stamp benefits are based on maximum AFDC benefits and an assumed deduction of \$381 per month (\$134 standard household deduction plus \$247 maximum allowable deduction for excess shelter costs). Earnings levels assume no child care expenses.

would no longer be eligible for AFDC assistance in Alabama. In the median state, a family of three could earn \$516 per month before AFDC benefits were lost.

In 1996, an important supplement to a state's AFDC program was the federal Food Stamp program. The Food Stamp program is designed to increase the food purchasing power of low-income households to allow them to obtain a nutritionally adequate diet. Since most AFDC families are also eligible for and participate in the Food Stamp program, the combined AFDC and Food Stamp benefit was the foundation of the safety net for low-income families and children in 1996. This was particularly true in states like Alabama, where the AFDC benefit level was low. Because the AFDC benefit is counted as income in determining eligibility for Food Stamp benefits (reducing the Food Stamp benefit by about 30 cents for each extra AFDC dollar received), a family's Food Stamp benefit is higher in a state with a low AFDC benefit than in a high-AFDC-benefit state.

The federal Food Stamp program is the core of Alabama's income-support system for low-income families and children. In 1995, the Food Stamp program was much larger than AFDC, serving many more people and providing much greater benefits. The Food Stamp program served an average of 207,700 households per month, providing \$37 million in monthly benefits. In contrast, the AFDC program served an average of 46,000 families, providing \$6.8 million in benefits per month.

Including Food Stamps, benefits for a family of three totaled \$477 per month in Alabama, or \$313 more than the \$164 per month provided by AFDC alone. Nevertheless, the combined AFDC and Food Stamp benefits in Alabama provided only 44 percent of the poverty income threshold, compared with 65 percent for the median state.

As in other states, the real value of public welfare benefits have eroded in Alabama. However, benefit increases in the early 1990s slowed the decline in Alabama relative to the rest of the United States. In 1990, Alabama's legislature made a "commitment" to increase the state's AFDC benefit until it reached the average among states in the Southeast. Although the state has fallen short of that goal, benefit levels increased by an average of 5 percent in FY 1991 and 16 percent in both FY 1992 and FY 1993. As a result, the maximum AFDC grant has fallen in real terms by only 36 percent in Alabama since 1970, compared with 51 percent in the median state.

Alabama's AFDC program serves a smaller share of its poor population than the programs in all other states do. Approximately 21 percent of poor persons in families with children received AFDC benefits in an average month in 1995 in Alabama, compared with 44 percent for the median state (not in table).<sup>9</sup> Alabama's figure translates into a monthly caseload of 46,000 families. Over the 1994–95 period, a reduction in Alabama's AFDC caseload was attributed to the state's declining unemployment, aggressive child-support enforcement program, successful JOBS program, and low earnings cutoff for AFDC eligibility.

Relative to other states, Alabama has a high percentage of "child-only" cases. In Alabama, 34 percent of AFDC cases in 1995 covered children only, compared with the national average of 18 percent. In Alabama, many of these cases result from the removal of the adult from the program (and the associated reduction in the family's benefit) because of noncompliance with program rules regarding the JOBS program or child-support enforcement.

The JOBS program provides education, training, and work programs for AFDC recipients to assist families in moving from welfare dependence into the workforce. Participation in JOBS is mandatory for AFDC recipients unless certain exemption criteria are met. Sanctions for not participating in the JOBS program in Alabama are common. In 1995, 29 percent of the state's JOBS caseload was under sanctions in an average month. Because the state's AFDC benefit was so low, the penalty imposed by the sanction, which is the removal of the adult from the cases, is quite low—approximately \$30 per month.

Overall, participation in Alabama's JOBS program has been low. The percentage of AFDC adults who were required to participate in JOBS in Alabama was low compared with that for the United States as a whole—25 percent versus 44 percent in 1994.<sup>10</sup> However, among those mandatory cases, the share participating in JOBS activities was higher in Alabama than any other state. The



participation rate in Alabama was 62 percent in 1994, compared to an average of 22 percent across the remaining states. Based on the federal JOBS participation formula, Alabama has ranked very high nationally on JOBS performance for the past several years.

### **AFDC Program Innovations**

Alabama was one of the first states to pursue waivers of AFDC and Food Stamp program regulations. Alabama operated an AFDC–Food Stamp waiver program—ASSETS (Avenues to Self-Sufficiency through Employment and Training Services)—from July 1990 to June 1994 in three counties. Alabama’s waiver project sought to minimize differences between the AFDC and Food Stamp programs. ASSETS aimed to simplify and streamline the eligibility and benefit determination processes of AFDC by linking that program more closely to the Food Stamp program and to develop more effective work, training, and child-support enforcement efforts across the two programs. Through the ASSETS demonstration, the state significantly lowered its administrative costs under the two programs. An important factor contributing to those savings was the streamlined administrative processes that allowed the state to increase the caseload per worker in the counties operating ASSETS relative to the rest of the state.

The main features of the ASSETS demonstration were: (1) “generic” caseworkers who were responsible for determining eligibility for AFDC, Food Stamps, and Medicaid, as well as for employment and training case management; (2) cash assistance for food in lieu of food stamps; (3) more restrictive exemptions from employment and training activities for Food Stamp participants;<sup>11</sup> (4) a requirement that custodial parents under age 20 who had not graduated from high school complete high school, work for a general equivalency diploma (GED), or get other work or training; and (5) a requirement that custodial parents receiving food stamps cooperate with the Child Support Enforcement program.

A major factor contributing to the end of the food stamp cashout component of ASSETS was the additional cost associated with providing cash assistance for food in lieu of food stamps. Alabama taxes the sale of food but, as required by federal law, waives the sales tax for purchases made with food stamps. Under ASSETS, DHR was required to increase the food assistance allotment for cash recipients to offset the sales tax on cash purchases of food. When Alabama discontinued the cash component of its demonstration because of the cost of the tax offset, the state lost the waiver authority for a number of other elements of the demonstration. After the full demonstration ended, Alabama continued to operate selected elements of the demonstration in the three ASSETS counties.

When the full ASSETS demonstration ended in 1994, the state hoped to use the consolidated eligibility process, the generic caseworker, and the single automated system from that program as a model for the entire state. However,



the additional expense of modifying the state's automated system to run ASSETS statewide was considered too costly. Because Temporary Assistance for Needy Families (TANF) will require other changes in the automated system, the state plans to focus on TANF requirements in the short run and eventually move toward the ASSETS model after TANF is up to speed.



# Programs that Promote Financial Independence

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**A**labama's income-support programs do not, by themselves, promote self-sufficiency, nor do they supply enough income to raise recipient families out of poverty. To move toward these goals, the state also provides employment and training services to build recipient skills and increase their employability, and provides child care assistance to support parents making the transition from welfare to work. In recent years, Alabama's employment and training services have gradually shifted in focus from general education to activities that help people find employment.

Child support paid by an absent parent helps many low-income families. Alabama has made significant strides in its efforts to increase child-support collections and to keep child-support payments up to date. We therefore included state-level child-support collection efforts in our examination of programs that promote financial independence.

Finally, the lack of health care insurance in entry-level jobs has been cited as a significant barrier to families leaving welfare. Since Medicaid serves as the main publicly-subsidized health program for low-income families in Alabama, we looked at its availability to reduce this barrier.

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## Employment and Training

The employment and training system in Alabama operates in different ways for the welfare and nonwelfare populations.

## Services Targeted to Families on Welfare

In 1996, the primary employment and training programs serving the welfare population in Alabama were the JOBS and Food Stamp Employment and Training (FSE&T) programs. At that time, the goal of Alabama's JOBS program was "to provide needy families with children the opportunity to obtain the education, training, and employment that will help them avoid long-term welfare dependency."<sup>12</sup> This goal was consistent with the education focus of the national legislation that created JOBS, the Family Support Act of 1988. Under JOBS, education was viewed as the means to develop the necessary skills for a job and self-sufficiency. Since the state has relatively low levels of educational attainment, providing remedial education was the major emphasis of the JOBS program. Consequently, during the early 1990s, Alabama's JOBS program invested heavily in education, including basic education, high school equivalency programs, and community college education.

The state expected an increase in GED achievement among JOBS clients as a result of this investment in education. When that did not occur, the goal of the JOBS program shifted from basic education toward employment. The transition from education to an employment focus under JOBS has been gradual, paralleling the shift in focus at the national level. By 1996, education was available only for a small share of the new JOBS participants. Nevertheless, because the share of the *existing* JOBS caseload in education was high, the share of all JOBS participants in education remained substantially higher than the share in employment-related activities. JOBS participants who were not in education activities in 1996 had access to other JOBS activities, including support for job searches, job readiness training, work experience, job skills training (via JTPA), and self-employment support.

In contrast to the JOBS program, the FSE&T program had job-search assistance as its central component throughout the 1990s. The FSE&T program, which is available in 18 of the state's 67 counties, provides job-search support for the most job-ready participants and, in some of the counties, basic education for those without a high school diploma. Although DHR would like to expand the FSE&T program statewide to meet the needs of the large number of people in the Food Stamp program, the state funds needed to match federal funds for such an expansion are not available.

## Services Targeted to All Low-Income Workers

The key component of employment and training services for the nonwelfare population is the JTPA program. That program targets economically-disadvantaged youth and adults and provides special services for dislocated workers, veterans, and, during summer months, youth. Because of the relatively low education level of Alabama's population, the state's JTPA in the 1990s has had a strong focus on remedial and basic education as a prerequisite for skills training. The major activities for JTPA participants in the state in 1990s included classroom-based occupational training, education and basic-skills training, on-the-job training, and job-

search assistance. However, because of reductions in federal funding for JTPA over time, the state has shifted toward work preparation rather than skills development. In 1996, JTPA increased the emphasis on job-search assistance and short-term training for participants.

The state expects the JTPA program to provide the foundation for workforce development in the state, including efforts to develop a One-Stop Career Center System in Alabama. However, to date, there has been little effort in the state to develop a coordinated employment and training system.

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## 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. Child care funding in the state is consolidated and administered by DHR at the state level and locally through the Child Care Management Agencies, which provide a single point of access to child care programs for both families and providers. This administrative structure streamlines the eligibility and reimbursement processes and often results in other supportive child care services (e.g., resource and referral services) included as part of the child care programs.

The key features of the child care programs have not changed much in recent years, except for a broadening of eligibility criteria to allow families to retain assistance as their earnings increase. Program administration has also remained fairly stable, although child care licensing staff have been reassigned to child welfare functions to meet the increased child welfare staffing needs created by the child welfare consent decree.

### Access

Prior to the recent federal welfare-reform legislation, the federal AFDC and Transitional Child Care (TCC) programs guaranteed child care assistance to families who were receiving AFDC and were working or in an education or training program, and for up to 12 months to families making the transition from welfare to work. The federal government also provided capped funding through the At-Risk Child Care Program and Child Care and Development Block Grant (CCDBG). The At-Risk Program assists families who would require AFDC if they failed to receive child care assistance. The CCDBG provides funding for assistance to low-income families and for efforts to improve the overall quality and supply of care. Alabama's child care assistance programs consisted almost entirely of these four federal programs, and at the time of the site visit, the state provided minimal state funding for child care beyond the matching funds



required for federal funding. On average, the child care programs assisted about 18,000 children each month during FY 1995.

The monthly income eligibility thresholds for child care assistance range from \$962 for a family of two to \$2,431 for a family of eight or more. Working families whose incomes fall below these cutoffs are eligible for assistance regardless of their current or prior AFDC status. However, like many states, Alabama assigns priority for assistance to families who exhaust their eligibility for TCC benefits (provided for 12 months after a family leaves AFDC because its earnings increase). While this policy preserves the continuity of care for families as they move from welfare to work, it may limit access to child care assistance for families with no prior welfare history because the federal funds available to serve the broader working population are capped.

Alabama maintains long waiting lists for child care assistance, particularly for low-income working families. In Birmingham and Selma, the two local communities examined for this study, the wait for child care assistance ranged from 12 to 30 months. At the time of the site visit, about 5,000 families were on the waiting list in Jefferson County.

## **Funding**

Many respondents cited the inadequacy of child care funds as the major challenge faced by the child care system, particularly in the context of welfare reform. Since Alabama's AFDC benefits are relatively low, it costs significantly more to pay for child care than to provide cash assistance at the current benefit levels. In January 1996, for example, the statewide limit for child care reimbursement was \$324.75 per month, compared with the maximum AFDC benefit for a family of three of \$164 per month.<sup>13</sup> Therefore, as Alabama shifts families from AFDC to work, the state will incur higher costs for child care, all else being equal. There is some concern that this cost increase may force the state to consider changes in its child care programs, such as reducing the reimbursement rates for child care providers.

## **Supply**

In general, respondents felt that the supply of child care was adequate, except for severe constraints on care during evening hours. According to state child care administrators, about 80,000 of the state's 100,000 licensed child care slots are filled, leaving an estimated 20,000 slots available to absorb the increased demand resulting from welfare reform.

Like many other states, Alabama is struggling to understand the implications of welfare reform for its child care supply. Several respondents expected some growth in the number of providers in response to welfare reform, and many discussed the possibility of training AFDC recipients as child care providers to further increase the supply. Currently, many families use relatives or informal arrangements, and most respondents agreed that the use of these

arrangements will increase under welfare reform. In response to this expectation and to ensure the quality of these arrangements, DHR is exploring ways to require all providers, including relatives and informal providers, to have some training and meet minimum health and safety standards.

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## Child Support

In FY 1995, Alabama's child-support enforcement program collected \$141.2 million in child support from noncustodial parents. The share of these collections made on behalf of families who were not receiving AFDC was substantially larger than the national average (85 percent versus 75 percent).<sup>14</sup>

Alabama has made steady gains in its child-support enforcement program, and doubled the amount of collections over the past five years. These improvements have been attributed to a number of program changes, including the implementation of in-hospital paternity establishment, the use of the Electronic Parent Locator Network to track down out-of-state parents, and the addition of an automated telephone hotline.

In recent years, the child-support program has concentrated on automation, and DHR has made major efforts to develop a new child-support computer system in response to federal mandates. The state hopes that the automated system will mitigate problems caused by attrition of child-support staff and eliminate the need for additional staff.

Many of Alabama's child-support initiatives have stemmed from federal mandates, and there has been little state-initiated change. In general, the state legislature has been unwilling to pass child-support legislation unless the federal government required it. In 1996, however, the state enacted driver's license revocation legislation before being required to by the federal government, although it was unable to pass professional and recreational license suspension. Unlike other programs in which Alabama can implement the provisions of the PRWORA through regulation, the child-support provisions of PRWORA require state legislation to comply with the federal mandates.

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## Medicaid

Alabama's Medicaid program closely mirrors the federal mandates and does not cover many groups beyond those required by federal law to be covered.<sup>15</sup> For example, Alabama does not exercise its state option to provide Medicaid coverage to "medically needy" persons such as low-income working families not receiving AFDC assistance. Federal law provides automatic Medicaid eligibility for families receiving AFDC. However, since Alabama's AFDC income cutoffs for eligibility are relatively low, Medicaid and AFDC do not cover as



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large a share of the population as in states with higher income cutoffs. This effect is somewhat mitigated by federal rules that require Medicaid coverage for low-income pregnant women and children who are not receiving AFDC. Even with this requirement, Alabama's Medicaid program in 1994 reached only 40 percent of the state's low-income population (i.e., those with family income below 150 percent of the poverty level), compared with more than 50 percent of the population nationally.<sup>16</sup>

Alabama's Medicaid expenditures reflect the limited scope of its health care programs for low-income families. Alabama spends a relatively small proportion of its own state funds on Medicaid (7.2 percent compared to 11.6 percent for the total United States). In 1994, the state spent considerably less per low-income person (as defined above) than the national average (\$1,300 versus slightly over \$2,000).<sup>17</sup> The state does not have a state-supported insurance program for low-income families.

# **Last-Resort Safety Net Programs**

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**S**ome families require assistance for serious and immediate needs in addition to regular financial support. Child welfare services and emergency assistance are the part of the state safety net that serves families facing internal strife or the loss of basic needs such as food and shelter. For a number of years, the state's child welfare system has been a source of concern. As mentioned earlier and further discussed below, Alabama is one of 31 states involved in class-action litigation, and since 1992 its child welfare system has operated under a consent decree. This has led to a number of changes in the state's child welfare services and has also placed great demands on the entire social welfare system since child welfare has received priority in a system operating under a hiring freeze. Beyond child welfare, other emergency services in Alabama are extremely limited.

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## **Child Welfare**

In recent years, complying with the child welfare consent decree has been the most important issue facing DHR, and the associated administrative and fiscal implications have influenced all of the agency's operations and programs. In August 1996, the state attorney general's office filed a motion to have the decree be removed, arguing that the state has made substantial improvements in its child welfare system.



## Services

Alabama's child welfare services consist of protective services, out-of-home placements (including foster care), and adoptions, as well as case management and support for families involved with the child welfare system. In recent years, the consent decree has caused Alabama's child welfare system to emphasize services provided in local communities that address the full range of families' needs, with the goal of reducing the out-of-home placement of children. In fact, Alabama's consent decree was one of the first settlements in the nation to embody the principles of family preservation and aim to prevent out-of-home placements by providing an array of in-home services to families at risk.

Counties that are converting to the new system of care set forth by the consent decree receive training, technical assistance, and additional staff, as well as financial resources to better meet the needs of families. Although policies continue to be determined by the central DHR office under the consent decree, county offices have been given greater discretion, especially in managing the new flexible funds. Child welfare is the only DHR program for which county offices have discretion in allocating funds.

Substantial change in the child welfare system has not taken place statewide, but only in counties that have begun the conversion process (nearly 40 counties at the time of the site visit). However, recent program statistics suggest that the changes are having some impact. From 1991 to 1994, for example, the number of children in foster care fell by 20 percent in Alabama, while the number rose nationally.<sup>18</sup>

## Funding

Alabama uses a mix of federal and state funds for child welfare services. Federal funding sources include Title IV-B child welfare funds, the Social Services Block Grant (SSBG), and the Medicaid program. The state provides matching funds for Title IV-B and Medicaid and also contributes state funding beyond the required match for family preservation services. In recent years, complying with the consent decree has posed fiscal challenges for the state. Although DHR previously requested additional funding from the legislature to implement the consent decree, it did not make such a request in 1997. Instead, the agency is attempting to reduce child welfare costs by curtailing the use of outside child welfare consultants, transferring the contract for the court monitor to a less expensive alternative, and maximizing efforts to use federal rather than state funds for child welfare.

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## Emergency and Homeless Services

Alabama, like many states, has experienced an increase in its homeless population over the past decade. According to service providers in the state,

much of that increase has been in the state's urban areas. In a 1993 Census of Birmingham's Homeless, La Gory and Ritchey<sup>19</sup> found that the city's homeless population had increased by 62 percent between 1987 and 1993. They note that, during that period, the share of the homeless population that was composed of families with children increased as well.

Despite this growth in its homeless population, Alabama does not have a statewide response for serving the needs of that population. The emergency and homeless services that exist in the state are funded by federal sources, and, in some areas, city funds. Those funds are often allocated to nonprofit organizations within communities to serve the needs of the homeless within their communities.

In Birmingham, the local area we visited as part of our case study, the priorities for serving the homeless include increasing (1) the number of emergency shelters, especially for children, (2) the availability of support services, and (3) the number of transitional housing facilities. In addition to benefiting from emergency shelters and food programs, the homeless population in Birmingham is served by a number of nonprofit providers, whose programs include medical and health care services, life-skill training programs, and transitional housing provision. The Metropolitan Birmingham Services for the Homeless group is coordinating the tracking of the homeless population and services provided in the city. According to representatives of several organizations serving the homeless in Birmingham, the emergency services system in place in 1996 was "at capacity."



# Challenges for the Future

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**T**he previous sections have provided an overview of Alabama's demographic, economic, political, and financial circumstances, and described the state's social safety net as it operated in 1996. This information provides a baseline for comparison as changes occur in response to federal welfare-reform legislation, state decisions to exercise program waivers to conduct experimental or demonstration programs, and other federal initiatives. As noted earlier, Alabama's recent social welfare policies have not deviated significantly from the basic blueprint laid out by the federal government, with few exceptions. Policymaking in this area has largely occurred without the active interest of the state's legislature.

In this final chapter we describe the changes that are beginning to take place in Alabama and the challenges that the state perceives as it tries to maintain the well-being of children and families in the future.

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## Responding to Federal Welfare Reform Legislation

As welfare reform moved to the forefront of the federal agenda in 1995, Alabama's governor, Fob James, Jr., convened a Commission on Welfare Reform to develop a welfare-reform plan for the state. That commission, chaired by a member of the state legislature, included 39 members drawn from the governor's office, the legislature, state agencies (including DHR), and nongovernmental organizations, as well as concerned citizens. In what many reported as a first for the state, the commission included advocacy groups, including Alabama Arise, a coalition of 105 religious, civic, and social groups in the state.

Reflecting the diversity of participants in the process, the meetings of the commission have been described as contentious. The commission's report, which was issued in October 1996, outlines a welfare-reform agenda that is, as noted by the commission chairperson, "consistent with the federal welfare-reform legislation." That report formed the basis for the governor's welfare-reform proposal and Alabama's legislative debate on welfare reform in 1997.

The welfare-reform proposal put forward by the governor in 1997, which is based on the commission report and conforms to federal law. Under this proposal, the state would impose a five-year limit on assistance over the recipient's lifetime, with a requirement that recipients work within two years of receiving assistance. The state would also change the rules governing exemption from the work and training requirements. To receive the exemption, the recipient's youngest child would have to be less than 12 months old (lowered from 24 months). The governor's proposal also included a family cap (i.e., no increase in benefits upon the birth of an additional child), as is permitted under the new law.

Welfare-reform legislation died in the final hours of the 1997 regular legislative session. The governor has said that there is no need for a special session on welfare reform, noting that DHR can implement most of the elements of his welfare-reform proposal through administrative rules and the legislature can revisit the issue next year when the state has greater experience in the area. Except for child-support changes, the federal welfare requirements can all be enacted through regulation; legislation is not needed.

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

As Alabama implements the changes associated with TANF, many people in the state are concerned about child care costs, the availability and accessibility of jobs, and the infrastructure needed to support the new welfare system. Because of its very low AFDC benefits, Alabama is one of only a few states in which child care payments are larger than the cash assistance payments they would replace. Thus, the costs of providing services to TANF recipients who move into employment will probably far exceed the costs of providing cash assistance to that population.

Again, because of Alabama's very low AFDC benefits, residents have always had a strong incentive to work. Consequently, welfare recipients in Alabama tend to have limited skills and limited work experience. There is concern that

there are more welfare recipients in the state than there are jobs requiring such low-skilled workers. This is particularly true in rural areas, where the unemployment is high, so TANF may lead welfare participants to move to urban areas to find work. There have been some discussions in the state about offering incentives for welfare recipients to move from rural to urban areas.

Contributing to welfare participants' difficulties in finding employment is the lack of public transportation in the state. For the most part, public transportation is available only in urban areas of the state and is often limited to traditional workday hours. With the share of jobs in suburban areas and at non-traditional hours increasing, access to such employment is a major constraint because welfare participants in Alabama often do not have cars.

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## **Devolution of Responsibility to Local Governments**

PRWORA provides states with greater flexibility and responsibility for designing and administering many social welfare programs, including the TANF and child care programs. Given Alabama's long history of closely following federal policies, the increased discretion provided to the state under the recent legislation represents a substantial shift in state policymaking.

In addition, Alabama's history of tight state control over its social welfare programs, coupled with Alabama's constitutional limits on local authority, makes further devolution from the state to local governments unlikely in the near future. In fact, there seems to be little support for such a change within the state. To date, child welfare represents the only attempt to allow limited discretion at the local level (primarily through the provision of flexible funding), and this change is still in the early stages of implementation.

Some respondents expressed concern about the de facto shift of responsibility from the state to local governments, particularly cities, that may accompany changing state policies. If the state scales back support for low-income families, the expectation is that those families will turn to their local communities for assistance and that the communities will lack the resources to respond.

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## **Government versus Private Services**

Alabama has considerable experience in contracting out both the administration and the provision of services to private agencies. Since 1994, Alabama has contracted out the issuance of Food Stamp benefits. While the DHR staff continue to process applications and determine eligibility, Food Stamp benefits are issued by a private contractor either through the mail or at issuance sites throughout the state. More recently, the state has worked with nine other south-



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ern states to develop a regional electronic benefit transfer system for both cash and food assistance, as described earlier.

Alabama has also expanded the use of privatization in its child-support enforcement program. Last year, for example, the state contracted with a private collection agency to collect child support in difficult cases, and it is considering expanding this effort in the future. State officials have discussed privatizing all of the state's county child-support enforcement services so that the state can continue to operate the program without adding staff.

# Conclusion

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**T**o date, Alabama's policies toward low-income families have been heavily influenced by federal policy and funded largely with federal dollars. Traditionally, the state has not implemented programs that deviate significantly from broad federal parameters, and it appears to lack the resources to undertake sweeping reform at this time.

For a number of years, the major state-initiated changes in social welfare programs have focused on improving program operations and efficiency rather than expanding or redesigning programs. Child support, Aid to Families with Dependent Children (AFDC), and the Food Stamp program have been the target of innovations that attempt to improve program administration. Most notably, the state's AFDC–Food Stamp waiver program of the early 1990s—Avenues to Self-Sufficiency through Employment and Training Services (ASSETS)—had a strong focus on improving the administration of the two programs by linking program rules and regulations under the AFDC program to those of the Food Stamp program. The state intends to strengthen that linkage with the increased flexibility that is provided under the recent Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA).

One program in the state that has undergone substantial change in recent years is the child welfare system. However, that shift was motivated by a consent decree and conducted with federal monitoring and oversight rather than by state initiative.

In response to the national debate, however, welfare policy has attracted the attention of a wider group of state policymakers than has traditionally been involved in social welfare policy, particularly within the state legislature. As a

result, there is wider interest and involvement in the current welfare-reform discussions. For example, welfare reform was one of the key items on the agenda for the 1997 legislative session, a notable departure from previous years. Despite newfound interest in this issue, however, devolution will undoubtedly will pose new and greater challenges as the state receives increased responsibility for designing, administering, and allocating limited resources for its safety net.



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## Notes

1. This section draws on Alabama Department of Finance, *State of Alabama: Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 1995, 1996*.
2. U.S. Bureau of the Census, *County and City Data Book, 1994*.
3. Ibid.
4. Because such a small share of the state's population is comprised of noncitizen immigrants, the immigration provisions of PRWORA have had little impact on the state.
5. A consortium of organizations in the state, including colleges and universities, has attempted to educate the legislature about a variety of issues. For example, the Public Affairs Research Council of Alabama, University of Alabama, and United Way organized a conference on welfare reform in early 1997.
6. Public Affairs Research Council of Alabama (PARCA), "The Alabama Constitution and the November Ballot," PARCA Report, Fall 1996.
7. This section draws on PARCA, "Comparing the Finances and Functions of Alabama Counties," PARCA Report, no. 24, 1995.
8. Harold A. Hovey, *CQ's State Fact Finder: Rankings across America, 1996, 1996*.
9. S. Zedlewski and L. Giannarelli, "Diversity among State Welfare Programs: Implications for Reform," New Federalism Brief, series A, no. A-1, January 1997.
10. U.S. House of Representatives, Committee on Ways and Means, *1996 Green Book*. Washington, D.C.: Government Printing Office, November 1996.
11. Prior to ASSETS, a recipient with a child under age six was exempt from participation in employment and training. Under ASSETS, the child age limit was reduced to three years old.
12. Alabama Department of Human Resources, *JOBS Statistical Report for Fiscal Year 1995*, January 1996.
13. *1996 Green Book*.
14. Ibid.
15. Information in this section is taken from the Urban Institute, "Alabama State Report on Health Issues." Washington, D.C.: Urban Institute, 1997.
16. D. Liska, K.O. Marlo, A. Shah, and A. Salganicoff, *Medicaid Expenditures and Beneficiaries: National and State Profiles and Trends, 1988-1994*, Kaiser Commission on the Future of Medicaid, 1996. D means Democrat and R means Republican.
17. Ibid.
18. Alabama Department of Human Resources, *Annual Report: FY 1995*.
19. Mark La Gory and Ferris J. Ritchey, "1993 Census of Birmingham's Homeless." University of Alabama at Birmingham, 1993.

APPENDIX

# List of Interview Sources

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Alabama Department of Human Resources  
Jefferson County Department of Human Resources  
Dallas County Department of Human Resources  
Alabama Department of Economic and Community Affairs  
Alabama Department of Industrial Relations  
Alabama Industrial Development Training Institute  
Birmingham–Jefferson County Job Training Consortium  
Birmingham Job Training Services  
Federation of Child Care Centers of Alabama  
Child Care Resources  
Community Service Programs of West Alabama, Inc.  
Housing Authority of the Birmingham District  
Metropolitan Birmingham Services for the Homeless  
Birmingham Health Care for the Homeless Coalition, Inc.  
Selma Housing Authority  
Legal Services Corporation of Alabama  
Alabama Department of Public Health  
Birmingham Mayor's Office  
Office of the Governor  
Alabama House of Representatives  
Alabama Legislative Fiscal Office  
Alabama Legislative Reference Service  
Center for Governmental Services  
Alabama League of Municipalities  
Association of County Commissions of Alabama  
Public Affairs Research Council of Alabama  
United Way of Central Alabama  
Operation Pride-West End, Jefferson County  
Greater Birmingham Ministries  
Jefferson County Committee for Economic Opportunity  
Alabama Arise  
Voices for Alabama's Children  
United Community Service of Selma and Dallas County, Inc.  
Selma Chamber of Commerce

# About the Authors

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## Errata

Several published *State Reports* and *Highlights* include an error in Table 1, “State Characteristics.” Incorrect figures were included for noncitizen immigrants as a percentage of the population. Corrections were made on August 13, 1998 to both the HTML and PDF version of these reports on the *Assessing New Federalism* website.

### Correct figures for 1996

	Noncitizens as a Percent of the Population
UNITED STATES	6.4%
Alabama	0.9%
California	18.8%
Colorado	5.1%
Florida	10.0%
Massachusetts	5.4%
Michigan	2.3%
Minnesota	3.0%
Mississippi	0.9%
New Jersey	8.8%
New York	11.9%
Oklahoma	1.5%
Texas	8.6%
Washington	4.3%
Wisconsin	2.1%

**Source:** Three-year average of the Current Population Survey (CPS) (March 1996-March 1998, where 1996 is the center year) edited by the Urban Institute to correct misreporting of citizenship.

The error appears in the following publications:

State Reports:

*Health Policy:* Alabama, Colorado, Florida, Massachusetts, Michigan, Minnesota, Mississippi, New Jersey, New York, Texas, Washington

*Income Support and Social Services:* Alabama, California, Massachusetts, Michigan, Minnesota, Texas, Washington

Highlights:

*Health Policy:* Alabama, Florida, Massachusetts, Michigan, Minnesota, Mississippi, New Jersey, New York, Oklahoma, Texas, Washington

*Income Support and Social Services:* Minnesota, Texas



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