Welfare Reform in Missouri

MSCDC Economic Report Series No. 9803

June 1998

By Peter Eaton
Center for Economic Information, University of Missouri-Kansas City

On August 22, 1996, President Clinton signed the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.[1] The Act did "change welfare as we know it," at least administratively. Responsibility passed from the federal government to state governments. Assistance to the poor changed from an entitlement program to a block grant program distributed by the federal government to the states with an approved TANF (temporary assistance for needy families) plan. The federal government has basically devolved responsibility for the administration of welfare to the states. On December 23, 1996, the U.S. Department of Health and Human Services accepted Missouri's plan.[2] The plan did not involve major changes from the initiatives which began in 1993, known as the *Beyond Welfare* initiative. In this report, a welfare recipient is taken to mean a beneficiary of the former AFDC program or the current TANF. We recognize that there are related programs involved in welfare, as well as implications for more than this simple definition of welfare recipient. In **Table 1**, the main parameters of Missouri's TANF program are reported, with summary information about other states' parameters.[3]

- The asset limit is the value of assets which a family is allowed to have (or accumulate) while receiving benefits. In most states, a special exemption is granted for vehicles. Missouri's asset limit is among the highest of all states, as is the exemption granted for vehicles.
- Income eligibility limit is the monthly income for a family of three above which the family is ineligible to receive benefits. The Missouri limit is the fourth lowest of all states, with only Alabama, Louisiana, and Texas having lower eligibility limits.
- Diversion assistance programs are offered to families who are eligible for TANF, but whose need is of a short-run nature. In general, once a family accepts a diversion assistance payment, that family is ineligible to apply for TANF payments for a specified period of time. As of October of 1997, Missouri did not have this option.
- The change from AFDC to TANF allowed states to waive eligibility rules for two parent families. Missouri retains all three of the former rules under its current program.
- The time limit is one of the major differences between the old AFDC system and the TANF system. Federal block grant monies cannot be used to provide benefits to families beyond a 60-month limit, although states are free to use their resources to provide benefits beyond the 60-month limit (Michigan and Vermont have no time limit). Missouri maintains the federal limit of 60 months. Missouri was one of the last states to implement the time limit. There are no extensions allowed in Missouri.

---

[1] For a concise history of the events which led up to this signing, see the American Public Welfare Association web site: *http://www.apwa.org/reform/timeline.htm.*

[2] The Missouri Department of Social Services maintains a web site on the subject of welfare reform: *http://www.dss.state.mo.us/wreform/wreform.htm*

[3] This summary is derived from *One Year After Federal Welfare reform: A Description of State Temporary Assistance for Needy Families (TANF) Decisions as of October,* 1997 by L. Jerome Gallagher, Megan Gallagher, Kevin Perese, Susan Schreiber and Keith Watson, The Urban Institute, June 1998

Table 1: Missouri's Welfare Parameters

	Missouri Parameter	State Average Parameter
Asset limits Vehicle exemption Restricted savings account allowed	$5,000 1+ No	< $5,000 1 22 states allow
Income eligibility limits (family of 3 in 10/97) Month 1 Month 13 (M13) AFDC limit (M13) compared to TANF limit (M13)	 $560 $380 same	 > $560 > $380 TANF > AFDC
Diversion assistance payments	Not available	Available in 22 states
Eligibility of two-parent families: 100 hour rule 30 day waiting period work history rule	Yes Yes Yes	Yes in 10 states Yes in 11 states Yes in 14 states
Time limit (full benefit)	60 months	2 states no limit 29 states = 60 months 19 states < 60 months 1 state individualized limit
Time limit (some benefits)	60 months	6 states no limit 25 states = 60 months 19 states < 60 months
Exemptions from time limits	Not specified	36 states with some 8 states not specified 4 states no exemptions 2 not applicable (no limit)
Extensions to time limits	None	26 states no extension 22 states some extension 2 not applicable (no limit)
Implementation dates of time limits	7/97	39 states before 7/97
Age of youngest child for work exemption	1 year	5 states no exemption 14 states < 1 year 26 states = 1 year 5 states > 1 year
Work sanctions for non-compliance Initial Most severe	 Partial benefit loss if not compliant Partial benefit loss for 6 months	 14 states full benefit loss 36 states full benefit loss
Requirement of non-exempt to engage in employment or unpaid work prior to 24 months	No	10 states have a requirement
Benefit amount	$292	14 states < $292 35 states > $292
Earnings disregards	Same as AFDC	9 states same as AFDC
Family caps	None	22 have some cap provision
Child support pass-through	$50 (temporary basis)	18 states $50 (4 temp) 29 no pass through 3 states > $50

- Increasing work participation rates among welfare recipients is another major goal of welfare reform. There is a federal requirement that, after two years of receiving benefits, all adult recipients participate in one of twelve work activities. States may allow exemptions, as long as work participation rates meet federal guidelines (30% in 1998, increasing by 5% per year to 50% in 2002 and beyond). When calculating work participation rates, exempt individuals and those who have been receiving benefits for less than 24 months are included, with the exception of the exemption for a single parent with a very young child (1 year or younger). The number of hours of work activity necessary to count as working increases from 20 in 1998 to 30 in 2000 and beyond. There is state discretion for the age of the youngest child. Missouri exempts single parents of children under one year of age, and does not impose a total limit of 12 months for an individual.
- The sanctions imposed by the state of Missouri for non-compliance consist of a partial loss of benefits until compliance occurs. Although the sanctions imposed by Missouri are relatively light, their use is increasing rapidly. According to the Missouri Department of Social Services, the monthly average number of sanctions imposed in 1993 was about 60 individuals per month. By 1997 that average had increased to over 5,000 individuals per month. For the most recent month for which data is available (May, 1998), over 7,000 individuals were sanctioned for not looking for work or accepting a job.
- The dollar amount of benefits in Missouri is relatively low, compared to other states. This is somewhat mitigated by the fact that the cost of living in Missouri is low, making the real value of benefits in Missouri fall somewhere near the average of all states
- As of October, 1997, earnings disregards, family caps, and child support pass through had basically remained unchanged from the AFDC program. Most states had implemented more liberal earnings disregards as an additional work incentive. Like Missouri, most states had no family cap.

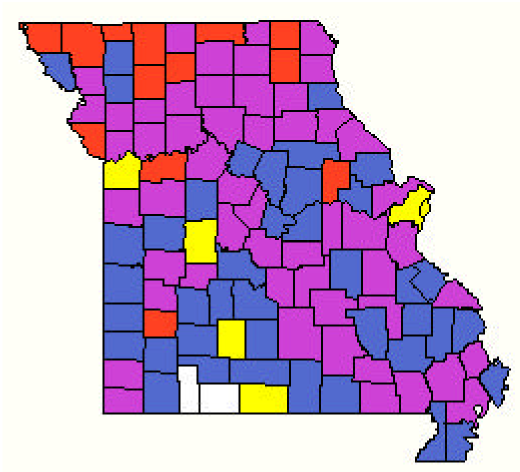
From an administrative perspective, the initiatives undertaken by the state of Missouri since 1993 must be viewed as a success. The percentage of the population "on welfare" decreased from 5% in 1993 to 2.9% in 1998.[4] In every county, the number of welfare recipients has decreased, and in most counties, the decrease has been dramatic. **Map 1** shows the percentage decrease in the average monthly number of welfare recipients by county from 1993 to 1998. For the state as a whole, the number of average monthly welfare recipients has decreased by over 39%. Both the mean and median county reduction has been 51%. The difference between these two numbers is explained by the fact that the three largest counties in terms of welfare recipients (and population) have witnessed reductions that are substantially smaller than the rest of the state. By order of population with welfare recipient reduction in parentheses, these counties are: St. Louis County (21.8%), Jackson County (33.5%), and St. Louis City (19.8%). In 1993, just over 50% of welfare recipients resided in these three counties. By 1998, that percentage has increased to just under 60%. The fact that these counties all have a significant urban core population is an important fact that we will return to later in this report.

Of the 13 counties that experienced the highest percentage reduction in welfare recipients, all but one (Dade County) are located in the sparsely populated northern half of the state. The two

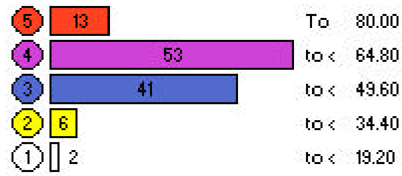
---

[4] Calculated as the monthly average number of welfare recipients divided by the estimated population for the beginning of the fiscal year.

counties with the lowest percentage reduction (Taney and Stone counties) are both associated with the booming Branson area throughout the 90's, and had very low caseloads in 1993.



Map 1: Percent Reduction in Welfare Recipients by Missouri County, 1993-98*



* 1993 data is the monthly average for fiscal 1993.
1998 data is the monthly average for January through May of 1998

As this is report is being written, less than two years have passed since the passage of the PRWORA. While it is true that many of the parameters of Missouri's system have been in effect for more than two years, it remains the fact that throughout the period of Missouri's current initiatives (since 1993); economic circumstances have been extremely favorable. The prolonged economic expansion of the 1990's has meant that there have been plentiful employment opportunities in the context of increasing real wages (even at the lower end of the wage spectrum) and higher labor force participation rates (especially among females). Thus, there would have been a significant reduction in the number of welfare recipients if there had been no PRWORA. The task of apportioning the responsibility for the reduction in number of welfare recipients among general economic conditions, changes in the rules of the game, and changes in the attitudes of individuals is difficult, to say the least. As a start, we develop a regression model, which includes only variables reflective of general economic and demographic conditions. With this model, we are able to explain 99% of the county to county and year to year variation in number of welfare recipients in Missouri counties. The model is:

$$\mathbf{R_{it}} = \boldsymbol{a} + \boldsymbol{b_1}\mathbf{E_{it}} + \boldsymbol{b_2}\mathbf{P_{it}} + \boldsymbol{b_3}\mathbf{d8_{it}} + \boldsymbol{b_4}\mathbf{d4E_{it}} + \boldsymbol{b_5}\mathbf{d5E_{it}} + \boldsymbol{b_6}\mathbf{d6E_{it}} + \boldsymbol{b_7}\mathbf{d7E_{it}} + \boldsymbol{b_8}\mathbf{d8E_{it}} + \boldsymbol{b_9}\mathbf{M_{it}} + \boldsymbol{b_{10}}\mathbf{ME_{it}} + \boldsymbol{e_{it}}$$

where: $\mathbf{R_{it}}$ **=** average monthly number of welfare recipients in Missouri county i in fiscal year t;
$\mathbf{E_{it}}$ **=** average monthly employment in Missouri county i in fiscal year t;
$\mathbf{P_{it}}$ = population in Missouri county i at the beginning of fiscal year t;
d4 = a dummy variable which equals one for 1994 and zero otherwise;
d5 = a dummy variable which equals one for 1995 and zero otherwise;
d6 = a dummy variable which equals one for 1996 and zero otherwise;
d7 = a dummy variable which equals one for 1997 and zero otherwise;
d8 = a dummy variable which equals one for 1998 and zero otherwise;
$\mathbf{M_{it}}$ = a dummy variable which equals one for Jackson County, St. Louis City, and St. Louis County and zero otherwise;
$\boldsymbol{e_{it}}$ = the random disturbance for county i in fiscal year t;
$\boldsymbol{a, b_1, b_2, \ldots b_{10}}$ = regression parameters to be estimated;

The data used to estimate this model come from the Missouri Department of Social Services (**R_{it}**), the Missouri State Demographer (**P_{it}**), and the Bureau of Labor Statistics (**E_{it}**). There are six years of data (1993, 94, 95, 96, 97, 98) for each of the 115 Missouri counties, for a total of 690 observations. The model is set up to measure the impact of changes in employment on the number of welfare recipients, with controls introduced for population and for the difference between the three major urban counties and other counties. The impact of employment changes on the number of welfare recipients is allowed to vary from year to year. The model also allows for a different impact of employment change in the three major urban counties of the state from the impact in other counties. A dummy variable is introduced for 1998 to reflect the fact that the 1998 value for the number of welfare recipients is based on an average of 5 months, whereas all other years' data are based on an average of 12 months. The combined cross section time series data set was used to estimate an ordinary least squares equation. All estimated coefficients are statistically significant at the 1% level.[5] The intercept is not significantly different from zero.

Table 2: Welfare Recipient Model Coefficient Summary

	Jackson, St. Louis County and St. Louis City		Other Counties	
	Autonomous	Employment Coefficient	Autonomous	Employment Coefficient
1993	55120.754	-0.29351	1.43144	-0.19956
1994	55120.754	-0.27710	1.43144	-0.18315
1995	55120.754	-0.26888	1.43144	-0.17492
1996	55120.754	-0.27216	1.43144	-0.17820
1997	55120.754	-0.28180	1.43144	-0.18785
1998	54849.295	-0.29912	-270.027	-0.20516

Table 2 contains a summary of the regression results. The column labeled Employment Coefficient indicates the impact on the number of welfare recipients of a unit increase in employment. The negative number means that an increase in employment decreases the number of welfare recipients. In counties other than Jackson, St. Louis County and St. Louis City, it takes about an increase in employment of 5 to reduce welfare recipients by 1. If we assume 3 welfare recipients per household, the implication is that it takes an increase in employment of approximately 15 to eliminate one household from the welfare roles, for these counties. In the major urban counties, it takes about an increase in employment of 3.3 to reduce welfare recipients by 1. If we assume 3 welfare recipients per household, the implication is that it takes an increase in employment of approximately 10 to eliminate one household from the welfare roles, in the major urban counties. This may be due to larger multiplier effects within urban areas.

The most significant finding of the regression model is the large value for the autonomous coefficient in the large urban counties. The autonomous coefficient is indicative of factors outside of the model, which are affecting the number of welfare recipients. The fact that the autonomous coefficient is near zero for other counties is reassuring, and implies that employment creation can theoretically result in near zero welfare recipients in these counties. The very large value of the

[5] It is known that when time series and cross sections are mixed, estimated standard errors of coefficients tend to be biased. As a check against this possibility, a SAS TSCSREG procedure was used. Estimated coefficients and standard errors are similar to ordinary least squares estimates.

autonomous coefficient for large urban counties implies that there is a large core of welfare recipients that will not be affected by employment.

The findings here are based on data from 1993 through 1998. Throughout this period, there has been strong economic growth. It would be a misuse of these coefficients to try to use them to predict what will happen to the number of welfare recipients in the event of a recession. The coefficients can be used to forecast the results of a continued expansion.

We conclude that, based on this preliminary research, most of the reduction in welfare recipients from 1993 to 1998 would have occurred whether or not there was welfare reform. This is especially true for the counties outside of the large urban counties, where virtually all of the reduction in welfare recipients can be explained by an increase in employment. The large urban counties appear to need something in addition to simply increased employment. Based on the findings here, the implication would be to concentrate welfare policy efforts in the urban core counties.