

**COMPARING RECENT DECLINES IN
OREGON'S CASH ASSISTANCE CASELOAD
WITH TRENDS IN THE POVERTY POPULATION**

Prepared for:

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INTRODUCTION

Across the nation, the number of people receiving cash assistance¹ has declined sharply since the mid-1990s. In Oregon, the number of people on welfare fell 59 percent between January 1993 and March 1998. The March 1998 caseload (48,633) is lower than the caseload in 1969. Oregon's decline, in percentage terms, is among the highest in the nation. Some economists point to a strong job market as a primary factor underlying the decreases.² However, in states like Oregon and Wisconsin, the studies have also measured a significant policy effect attributable to a variety of programmatic changes.

The Oregon Center for Public Policy (OCP) asked ECONorthwest to compare Oregon's caseload declines to changes in the number of Oregonians in poverty. Specifically, OCP was interested in learning whether the economy and state cash assistance policies have had an impact on poverty proportionate to their impact on cash assistance rolls.

The report consists of two sections. The first section compares Oregon's cash assistance rolls to the general and poverty populations over the 1969-1997 period. Because estimates of the poverty population are uncertain for the 1990s, we also compare the cash assistance caseload to the food stamp caseload, which tends to rise and fall with the poverty population.

¹ Throughout this memorandum, "cash assistance" or "welfare" refers to the Temporary Assistance for Needy Families program (TANF). Prior to 1996, the federal program was called Aid to Families with Dependent Children (AFDC). In Oregon, the program was called Aid to Dependent Children (ADC).

² See, for example, David Stapleton, et.al., *Determinants of AFDC Caseload Growth*, The Lewin Group, Fairfax, VA, 1997. See also James Ziliak, David Figlio, Elizabeth Davis, and Laura Connolly, *Accounting for the Decline in AFDC Caseloads: Welfare Reform or Economic Growth?*, Institute for Research on Poverty, Madison, WI, 1997. Also see Council of Economic Advisors, *Technical Report: Explaining the Decline in Welfare Receipt, 1993-1996*. Washington, DC, The White House, 1997.

The comparisons show that recent reductions in the cash assistance caseloads should not be equated with reductions in the poverty population. For example, Oregon's cash assistance rolls are now lower than they were in 1969, but the number of poor Oregonians is likely one-third higher than it was 1969. Moreover, the recent declines in cash-aid receipt have not been witnessed to the same degree in the Food Stamp program, further suggesting that exits from cash welfare are not equivalent to exits from poverty.

The report's second section reviews data from the Food Stamp program, which provides some evidence on the depth of poverty among food stamp households with children. The findings also highlight the value of food stamp data in evaluating the state's recent welfare reforms.

SECTION ONE: OREGON'S CASH ASSISTANCE CASELOAD COMPARED TO POPULATION AND POVERTY MEASURES

Cash Assistance Caseloads Compared to the Total Population

Federal and state welfare agencies recently began reporting welfare caseload/population ratios as one measure of welfare reform's success. In fact, the Oregon Department of Human Resources has set an explicit goal to reduce the state's caseload to less than 6 *families* per 1,000 Oregonians. Recent data indicate the state has essentially met that goal. In this section we report a similar statistic, comparing the *number of people* receiving cash assistance to the total population over time.

Rates of welfare receipt in Oregon have varied significantly over the past three decades and have consistently been below the US average (see Table 1 and Figure 1). Between 1969 and 1979, the percentage of Oregonians receiving cash aid rose from 2.8 percent to 4.2 percent, driven by a significant increase in the presence of female-headed families with children. The Oregon and national welfare caseloads declined in the late 1970s and early 1980s because of welfare policy changes that made it more difficult to combine work and welfare and that eliminated eligibility for married couples. Between 1989 and 1993, a combination of economic and demographic factors pushed the caseload to near-record levels. Then, beginning in mid-1990s, Oregon's caseload began a sharp decline. By 1997, about 1.8 percent of Oregonians was receiving cash

assistance, a rate that was less than half the national average. Early caseload data for 1998 indicate that national reciprocity rates have fallen much faster than Oregon's in recent months.

Cash Assistance Caseloads Compared to the Poverty Population

Poverty data help to explain why Oregon's welfare receipt per capita has been lower than the US average historically. Table 2 shows that Oregon's poverty rate generally has been below that of the nation's since 1969. Consequently, the pool of families eligible for cash assistance has been proportionately smaller in Oregon.

Comparing cash assistance and poverty populations shows that the state's reciprocity rates *per poor person* were similar to the nation's in 1969 and 1979 as noted in Table 3³. Each rate rose from the mid-twenties to the high thirties during 1969-1979. During the 1980s, Oregon's reciprocity rates fell relative to the US average, producing a 9.2 percentage point difference by 1989 (that is, the US's 34.4 percent compared to Oregon's 25.2 percent reciprocity rate). This is explained—in part—by Oregon's decision to reduce welfare benefit levels by 20 percent following the 1980 recession, which resulted in a reduction in the number of people served.

Oregon's recent caseload declines imply that the gap between the state and US rates has widened further. Applying poverty estimates from the Census' Current Population Survey, Oregon's 1996 caseload-to-poverty rate falls to 22.0 percent, 12.6 percentage points below the US average. The Oregon-US gap should narrow beginning in 1998 as other states' welfare policies take full effect.

Cash Assistance Caseloads Compared with Food Stamp Caseloads in the 1990s

In less-populated states like Oregon, estimates of the poverty population are highly uncertain between censuses, so as a proxy, analysts look to social programs with eligibility tied to poverty-level income⁴. The program most frequently used is Food

³ While not all poor persons are eligible for cash assistance, government agencies often use such a ratio as a rough measure of program coverage.

⁴ To better track trends in poverty in small population areas, Congress authorized intercensal estimates. The Census Department's most recent intercensal estimate of poverty for Oregon was conducted in 1993 and is reported in Table 2.

Stamps, which provides food subsidies to households with incomes up to 130 percent of the poverty level. Although some non-poor households are eligible for food stamps, program data indicate that 91 percent of participants are poor. Recent statistics from the US Department of Health and Human Services illustrate the strong correlation between changes in persons receiving food stamps and persons in poverty⁵.

A comparison of Oregon's food stamp and cash assistance caseloads during the 1990s provides a second means to assess whether the economy and welfare policies have had an impact on poverty commensurate with their effect on cash assistance receipt.

Figure 2 shows the number of people receiving food stamps in Oregon rose during the early 1990s, reached a peak in 1994-1995, and declined beginning in 1996. Oregon's average food stamp caseload in 1997 (248,955) remained above its 1990 level (219,400).

Oregon's cash assistance caseload grew at a slightly faster rate than the food stamp rolls in the early 1990s. However, beginning in 1993, the state's cash-aid rolls began to fall at much faster than the food stamp caseload. The contrasting trends suggest that many families who left cash assistance (or avoided enrolling) failed to secure incomes sufficiently high to move them out of poverty and off the Food Stamp program. Assuming the food stamp caseload is a reliable indicator of trends in Oregon's poor population, these figures suggest the economy and state policies have failed to move Oregonians out of poverty as effectively as they have reduced the cash-aid rolls.

SECTION TWO: ANALYZING POVERTY TRENDS THROUGH THE FOOD STAMP DATA

The state's administrative records from the Food Stamp program are a rich source of information on the economic status of a substantial share of Oregon's poor population. The records contain household-level information on assets, earnings, and other sources of income including child support. As the state's cash assistance program continues to evolve, the data could help officials assess the success of their program because many people who leave the cash-aid program continue to receive food stamps. In fact, the federal government is funding a number of state efforts to track former cash welfare

⁵ See *Indicators of Welfare Dependence*. Annual Report to Congress. October 1997. US Department of Health and Human Services.

recipients through their food stamp databases as a means of evaluating recent policy changes.

ECONorthwest acquired samples of the state's food stamp administrative data for 1989-1996 through the US Department of Agriculture. While these samples do not allow one to track the well being of individual participants over time, they are useful for comparing the key characteristics of the food stamp population. More specific to OCPP's current interests, the data provide estimates of the depth of poverty among Oregon's food stamp recipients.

To augment the findings in the previous section, Tables 4 and 5 report changes in the economic well being of food stamp households in Oregon that contained at least one child. We limited the analysis to households with children because they are the most likely to be affected by the state's cash-aid policy changes. All of the estimates reported in this section are based on a sample and are subject to measurement error⁶. Consequently, the small year-to-year differences may not be statistically significant. The reader should ignore the small changes and focus on the broader trends:

- Table 4 shows the estimated number of food stamp households with children in Oregon increased from about 47,000 in the early 1990s to 66,000 in the mid-1990s. The estimated number of children on Food Stamps rose from roughly 90,000 to 130,000 during the same period. The increases were likely driven by the economic downturn of the early 1990s, a shift in the demographic characteristics of the population, and strong population growth.
- Table 5 reports that the estimated share of food stamp households with children that received cash-aid was relatively stable during 1989-1993 and then began to decline. In the early 1990s, about 55 percent of food stamp households with children receiving food stamps also received cash-aid and 45 percent did not. By 1995-1996, those percentages had likely reversed.
- The estimated number of food stamp households with children that had monthly incomes⁷ greater than 75 percent of the poverty level and that did not receive cash-aid increased significantly during 1991-1996. A strong economy coupled with an

⁶ ECONorthwest calculated confidence intervals for key estimates reported in this section. See Appendix A.

⁷ Monthly income includes all income used in the Food Stamp program's Gross Income Test and does not include the value of the food stamp benefit.

increase in Oregon's minimum wage in 1991 have helped some poor families move closer to the poverty line. Moreover, the changes in the state's cash-assistance policies may explain some of the increase during the mid-1990s as households moved off (or avoided) the cash-aid rolls but did not completely move out of poverty.

- The data suggest little change in the estimated number of food stamp households with children and monthly incomes below 75 percent of the poverty level during 1989-1996. Tracking the size of this population will be important as the state continues to implement its welfare policy changes, because it serves as a proxy for households that have left (or avoided) cash assistance but have not substantially improved their economic well being.

In short, the food stamp data suggest that the number of poor households with children rose through the 1990s but that the average household—in the now larger population—had an income closer to the poverty line.

CONCLUSION

Policymakers sometimes equate reported declines in cash-welfare receipt with declines in the poverty population. A review of federal and state data suggests that the two indicators do not always move in tandem. Recently, more modest declines in the food stamp rolls suggest the economy and state policies have not been as successful in moving people out of poverty as they have been in keeping people off of cash assistance. That is not to say these factors have had no effect on the economic well being of poor households. The decline in food stamp cases during 1996-1997 suggests some Oregonians are moving out of poverty, just not at the same rate as they are leaving the cash-aid rolls. Moreover, data on food stamp households suggest that within the poverty population, households, on average, may be moving closer to the poverty line.

As Oregon's version of welfare reform matures and interacts with other policies targeted to low-income people, including increases in the minimum wage, we could expect to see changes in the size or composition of the population in poverty. State and academic researchers should draw on administrative data from the Food Stamp and employment-training programs as useful sources of intercensal information on the well being of Oregon's poor households. Of particular interest would be an analysis of how households with children fared during 1996-1997 when cash assistance rolls fell by almost one-third and the state's minimum wage increased from \$4.75 to \$5.50.

Table 1: Comparison of Cash Assistance Caseloads to Total Population

	1969	1979	1989	1993	1996	1997
Oregon						
Total Population	2,043,048	2,573,423	2,775,907	3,035,788	3,196,313	3,243,487
Average Monthly Persons Receiving Cash Assistance	56,472	107,774	87,044	117,852	80,946	57,644
Cash Assistance Recipients as a % of Population	2.8%	4.2%	3.1%	3.9%	2.5%	1.8%
United States						
Total Population	198,059,959	220,845,776	241,977,859	257,752,702	265,179,411	267,636,061
Average Monthly Persons Receiving Cash Assistance	6,706,000	10,317,902	10,933,980	14,142,710	12,648,859	10,936,298
Cash Assistance Recipients as a % of Population	3.4%	4.7%	4.5%	5.5%	4.8%	4.1%

Source: U.S. Census Bureau, U.S. Department of Health and Human Services, Oregon Department of Human Resources

Figure 1: Cash Assistance Recipients as a Percent of Total Population, Oregon and the United States

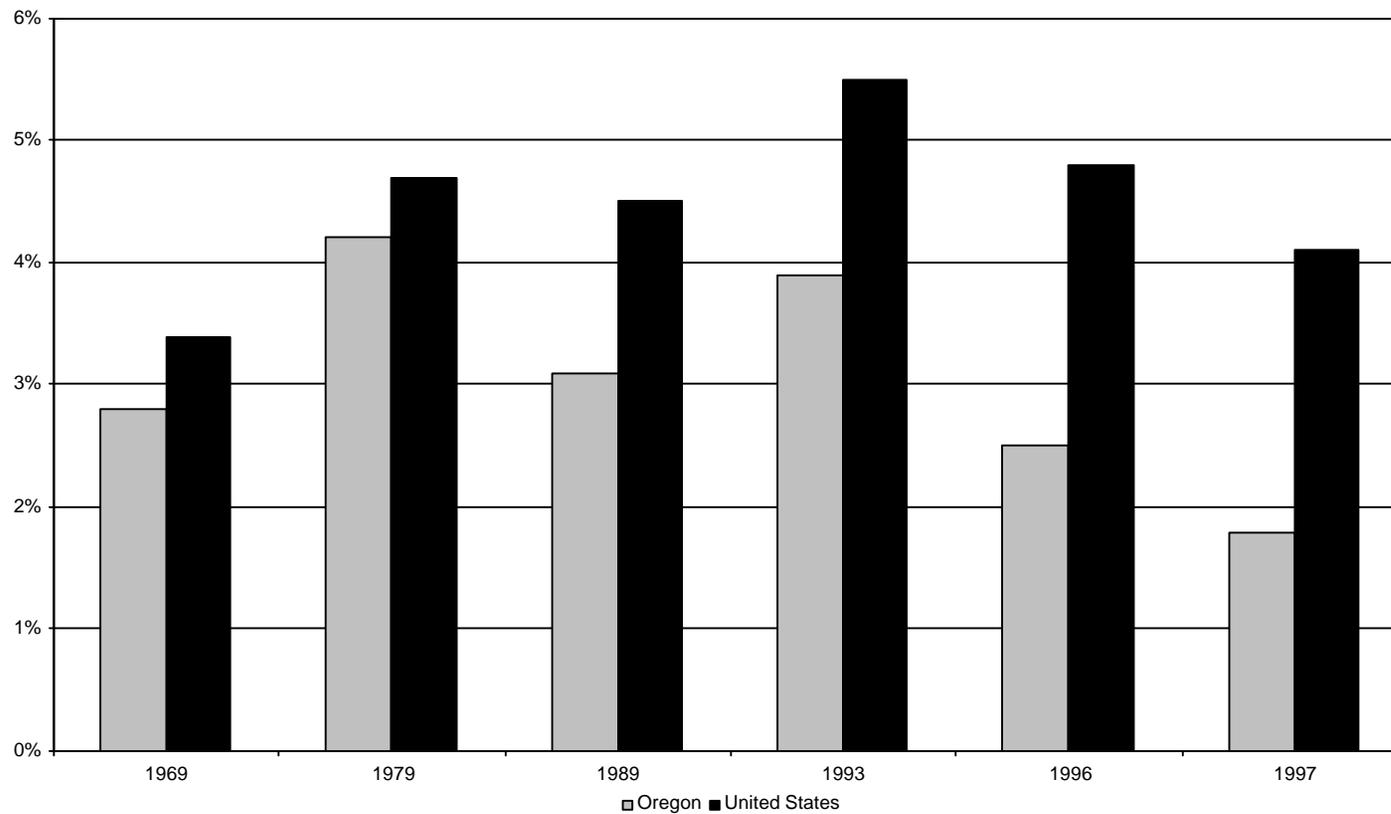


Table 2: Poverty Population and Poverty Rates, Oregon and the United States

	1969	1979	1989	1993(1)	1996(2)
Oregon					
Total Persons in Poverty	234,848	274,159	344,867	406,722	367,576
Poverty Rate	11.5%	10.7%	12.4%	13.2%	11.5%
United States					
Total Persons in Poverty	27,124,985	27,392,580	31,742,864	39,265,000	36,529,000
Poverty Rate	13.7%	12.4%	13.1%	15.1%	13.7%

Source: U.S. Census Bureau

(1) Poverty estimates for Oregon are from the Census 1993 Intercensal Estimates on Poverty. The Bureau estimated that the percentage of Oregonians in poverty fell between 12.2% and 14.0% in 1993.

(2) ECONorthwest calculated the number of Oregonians in poverty in 1996 by multiplying the Census' estimated 1995-1996 poverty rate (11.5%)--based on the Current Population Survey (CPS) by the Census' estimate of Oregon's 1996 population (3,196,313). The CPS estimate is based on small sample and is highly uncertain suggesting the poverty rate could be as low as 9.1% or as high as 13.9%. The Oregon Population Survey reported a poverty rate of 11.8% for 1995.

Table 3: Comparison of Cash Assistance Caseloads to the Poverty Population

	1969	1979	1989	1993	<i>Estimated</i> 1996(1)
Oregon					
Total Persons in Poverty	234,848	274,159	344,867	406,722	367,576
Average Monthly Persons Receiving Cash Assistance	56,472	107,774	87,044	117,852	80,946
Cash Assistance Recipients as a % of Poverty Population	24.0%	39.3%	25.2%	29.0%	22.0%
United States					
Total Persons in Poverty	27,124,985	27,392,580	31,742,864	39,265,000	36,529,000
Average Monthly Persons Receiving Cash Assistance	6,706,000	10,317,902	10,933,980	14,142,710	12,648,859
Cash Assistance Recipients as a % of Poverty Population	24.7%	37.7%	34.4%	36.0%	34.6%

Source: U.S. Census Bureau, U.S. Department of Health and Human Services, Oregon Department of Human Resources

(1) ECONorthwest calculated the number of Oregonians in poverty in 1996 by multiplying the Census' estimated 1995-1996 poverty rate (11.5%)--based on the Current Population Survey (CPS) by the Census' estimate of Oregon's 1996 population (3,196,313).

Figure 2: Food Stamp and Cash Assistance Caseloads in Oregon, 1990-1997

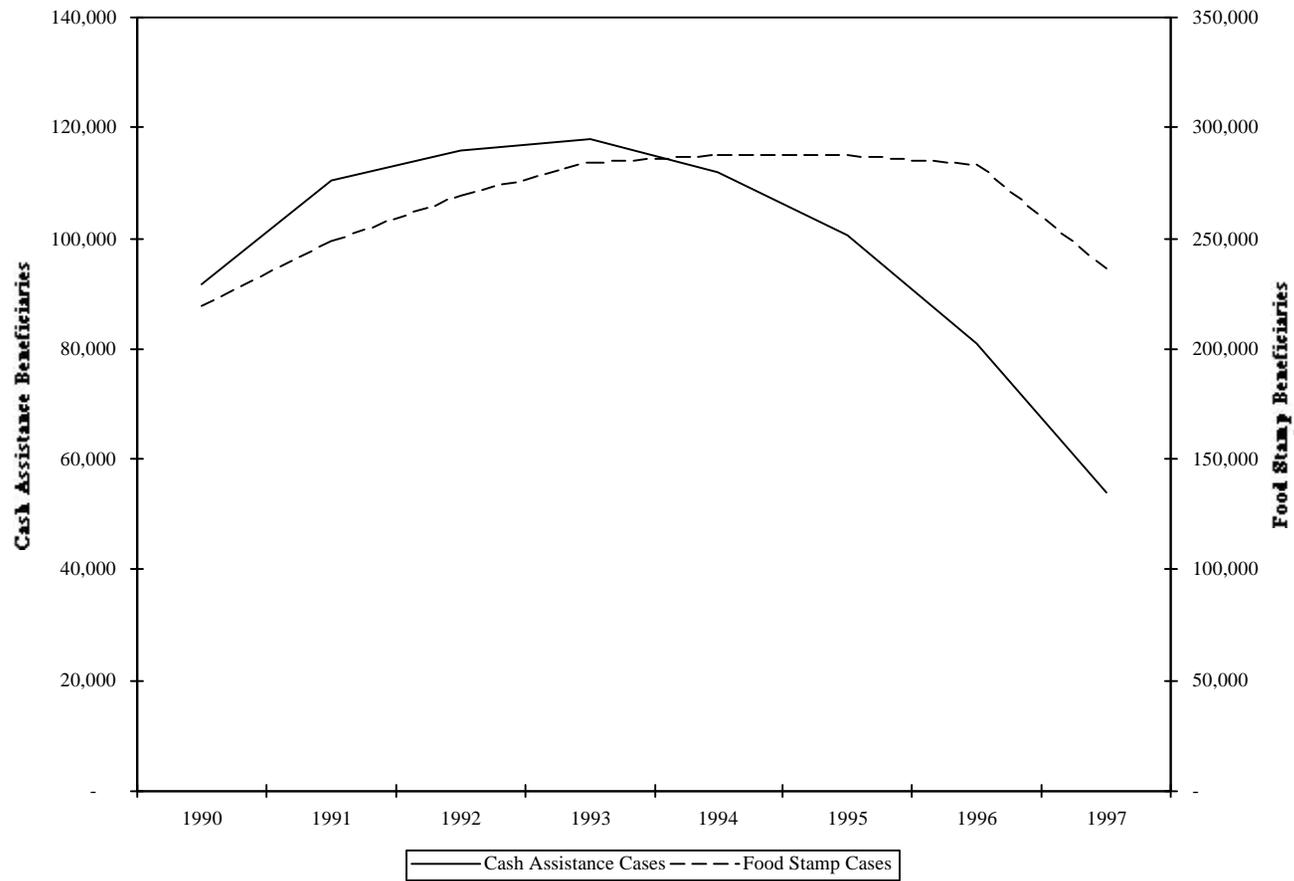


Table 4: Food Stamp Households with Children and Child Beneficiaries, Oregon, 1989-1996

	Federal Fiscal Years							
	1989	1990	1991	1992	1993	1994	1995	1996
Food stamp households in Oregon with at least one child	46,202	44,483	51,987	60,828	66,454	65,152	68,445	65,632
Food stamp beneficiaries under 18 years of age	90,838	87,647	103,013	126,057	137,388	134,838	139,942	130,552
Average number of children per household	1.97	1.97	1.98	2.07	2.07	2.07	2.04	1.99

Source: US Department of Agriculture, Food Stamp Quality Control Sample (1989-1996). Estimates calculated by ECONorthwest.

Table 5: Food Stamp Households with Children by Poverty-Level Status, Oregon, 1989-1996

	Federal Fiscal Years							
	1989	1990	1991	1992	1993	1994	1995	1996
Number of food stamp households in Oregon with at least one child	46,202	44,483	51,987	60,828	66,454	65,152	68,445	65,632
Distribution of Households by Category								
Households Receiving AFDC/TANF	24,963	24,456	28,622	34,605	38,952	34,696	31,898	29,918
Households not receiving AFDC/TANF with monthly income greater than or equal to 75% poverty	8,088	8,133	10,033	12,248	13,061	14,627	16,212	18,356
Households not receiving AFDC/TANF with monthly income less than 75% poverty	13,151	11,895	13,332	13,974	14,440	15,829	20,335	17,357
Categories as Percent of Total								
Households Receiving AFDC/TANF	54%	55%	55%	57%	59%	53%	47%	46%
Households not receiving AFDC/TANF with monthly income greater than or equal to 75% poverty	18%	18%	19%	20%	20%	22%	24%	28%
Households not receiving AFDC/TANF with monthly income less than 75% poverty	28%	27%	26%	23%	22%	24%	30%	26%

Source: US Department of Agriculture, Food Stamp Quality Control Sample (1989-1996). Estimates calculated by ECONorthwest

Appendix 1: Confidence Intervals for Food Stamp Household Estimates Reported in Table 5

	Federal Fiscal Years							
	1989	1990	1991	1992	1993	1994	1995	1996
Number of food stamp households in Oregon with at least one child	46,202	44,483	51,987	60,828	66,454	65,152	68,445	65,632
95% Confidence Interval	39,484 - 52,919	37,714 - 51,252	44,164 - 59,810	51,412 - 70,244	56,069 - 76,838	54,558 - 75,745	57,334 - 79,556	54,839 - 76,424
Distribution of Households by Category								
Households Receiving AFDC/TANF	24,963	24,456	28,622	34,605	38,952	34,696	31,898	29,918
95% Confidence Interval	19,966 - 29,960	19,380 - 29,532	22,818 - 34,425	27,594 - 41,616	31,081 - 46,823	27,069 - 42,323	24,296 - 39,501	22,563 - 37,274
Households not receiving AFDC/TANF with monthly income greater than or equal to 75% poverty	8,088	8,133	10,033	12,248	13,061	14,627	16,212	18,356
95% Confidence Interval	5,378 - 10,797	5,284 - 10,981	6,610 - 13,456	8,054 - 16,442	8,528 - 17,595	9,648 - 19,606	10,990 - 21,434	12,880 - 23,832
Households not receiving AFDC/TANF with monthly income less than 75% poverty	13,151	11,895	13,332	13,974	14,440	15,829	20,335	17,357
95% Confidence Interval	9,624 - 16,679	8,483 - 15,306	9,358 - 17,307	9,265 - 18,683	9,404 - 19,477	10,371 - 21,287	14,164 - 26,505	11,778 - 22,936

Source: US Department of Agriculture, Food Stamp Quality Control Sample (1989-1996). Estimates calculated by ECONorthwest

(1) With 95 percent certainty, the actual value of the estimated statistics falls within the reported confidence intervals.