

## **Cato Institute Policy Analysis No. 240: The Work Versus Welfare Trade-Off: An Analysis of the Total Level of Welfare Benefits by State**

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### **Executive Summary**

The value of the full package of welfare benefits for a typical recipient in each of the 50 states and the District of Columbia exceeds the poverty level. Because welfare benefits are tax-free, their dollar value is often greater than the amount of take-home income a worker would have left after paying taxes on an equivalent pretax income.

- In 40 states welfare pays more than an \$8.00 an hour job. In 17 states the welfare package is more generous than a \$10.00 an hour job.
- In Hawaii, Alaska, Massachusetts, Connecticut, the District of Columbia, New York, and Rhode Island welfare pays more than a \$12.00 an hour job--or two and a half times the minimum wage.
- In nine states welfare pays more than the average first-year salary for a teacher. In 29 states it pays more than the average starting salary for a secretary. And in the six most generous states it pays more than the entry-level salary for a computer programmer.
- Welfare benefits are especially generous in large cities. Welfare provides the equivalent of an hourly pretax wage of \$14.75 in New York City, \$12.45 in Philadelphia, \$11.35 in Baltimore, and \$10.90 in Detroit. For the hard-core welfare recipient, the value of the full range of welfare benefits substantially exceeds the amount the recipient could earn in an entry-level job. As a result, recipients are likely to choose welfare over work, thus increasing long-term dependence.

### **Introduction**

As the debate over welfare reform heats up, one goal seems constant across the ideological spectrum. Nearly everyone agrees that a major goal of welfare reform should be to encourage recipients to leave the welfare rolls and enter the workforce. However, to date, there is no evidence that any of the policy prescriptions championed by either liberals (such as job training and child care) or conservatives (such as workfare) have been successful in achieving that goal.[1] There appears to be a good reason for the failure.

Despite the stereotypes, there is no evidence that people receiving welfare are "lazy." Indeed, surveys of recipients consistently show that they express a desire to work.[2] The choice of welfare over work is often a rational decision based on the economic incentives presented.[3]

Most welfare recipients, particularly long-term recipients, lack the skills necessary to obtain the types of jobs that pay top or even average wages.[4] The individuals who do leave welfare for work most often start employment in service or retail trade industries, generally as clerks, secretaries, cleaning persons, sales help, and waitresses.[5] Although it would be nice to increase the wages of entry-level workers to the point where work paid better than welfare, government has no ability to do so. (Attempts to mandate wage increases, such as minimum wage legislation, result chiefly in increased unemployment.)[6]

### Major Findings

Welfare advocacy groups and the media often portray welfare as a series of frugal programs that barely provide subsistence help to the needy. But that conclusion is based on the faulty assumption that welfare recipients receive primarily only one form of public assistance, Aid to Families with Dependent Children. But today at the federal, state, and local levels of government, there are dozens of welfare assistance programs in addition to AFDC.

This study calculates the total value of a full range of federal welfare assistance programs. The value of that benefit package is then compared with the amount of pretax income a person would have to earn in a job to equal the value of welfare assistance in each state.[7] The attractiveness of welfare relative to work is heightened by the fact that welfare benefits are a nontaxable form of income.

Table 1 shows the total value of welfare relative to work by state.[8] (The appendix contains a detailed summary of the compilations and results for each state.) The full package of welfare benefits actually provides recipients with incomes above the poverty level in every state. There is a wide disparity among the states regarding the attractiveness of welfare. The value of the total package of benefits relative to a job providing the same after-tax income ranges from a high of \$36,400 in Hawaii to a low of \$11,500 in Mississippi. In eight jurisdictions--Hawaii, Alaska, Massachusetts, Connecticut, the District of Columbia, New York, New Jersey, and Rhode Island--welfare pays at least the equivalent of a \$25,000 a year job.[9]

The pretax value of welfare benefits substantially exceeds the amount a recipient could earn in an entry-level job in virtually every state. The numbers suggest that recipients of aid are likely to choose welfare over work, thus increasing their long-term dependence.

Although the evidence shows that, in the long term, an individual is better off in the labor force than on welfare, moving from welfare to work is likely to lead to at least a short-term decline in income and, for some, perhaps a permanent reduction of income.[10] That may be why 68.6 percent of welfare recipients report that they are not actively seeking work.[11] Other studies show that, as welfare benefits increase, women are more likely to leave the labor force and enroll in welfare programs instead.[12]

Any welfare reform proposal must recognize that individuals are unlikely to move from welfare to work as long as welfare pays as well as or better than working. That suggests that the most promising welfare reforms are those that substantially cut back on the level of benefits.

Rank	Jurisdiction	Pretax Wage Equivalent (\$)	Hourly Wage (\$)
1	Hawaii	36,400	17.50
2	Alaska	32,200	15.48
3	Massachusetts	30,500	14.66
4	Connecticut	29,600	14.23

5	District of Columbia	29,100	13.99
6	New York	27,300	13.13
7	New Jersey	26,500	12.74
8	Rhode Island	26,100	12.55
9	California	24,100	11.59
10	Virginia	23,100	11.11
11	Maryland	22,800	10.96
12	New Hampshire	22,800	10.96
13	Maine	21,600	10.38
14	Delaware	21,500	10.34
15	Colorado	20,900	10.05
16	Vermont	20,900	10.05
17	Minnesota	20,800	10.00
18	Washington	20,700	9.95
19	Nevada	20,200	9.71
20	Utah	19,900	9.57
21	Michigan	19,700	9.47
22	Pennsylvania	19,700	9.47
23	Illinois	19,400	9.33
24	Wisconsin	19,400	9.33
25	Oregon	19,200	9.23
26	Wyoming	19,100	9.18
27	Indiana	19,000	9.13
28	Iowa	19,000	9.13
29	New Mexico	18,600	8.94
30	Florida	18,200	8.75
31	Idaho	18,000	8.65
32	Oklahoma	17,700	8.51
33	Kansas	17,600	8.46
34	North Dakota	17,600	8.46
35	Georgia	17,400	8.37
36	Ohio	17,400	8.37
37	South Dakota	17,300	8.32
38	Louisiana	17,000	8.17
39	Kentucky	16,800	8.08
40	North Carolina	16,800	8.08
41	Montana	16,300	7.84
42	South Carolina	16,200	7.79
43	Nebraska	15,900	7.64
44	Texas	15,200	7.31

45	West Virginia	15,200	7.31
46	Missouri	14,900	7.16
47	Arizona	14,100	6.78
48	Tennessee	13,700	6.59
49	Arkansas	13,200	6.35
50	Alabama	13,000	6.25
51	Mississippi	11,500	5.53

Table 1 may actually understate the hourly wage equivalent because it is based on a 52-week (2,080-hour) work year and assumes no vacation.

## Methodology

In an attempt to determine whether there is an economic incentive to choose welfare over work, this study examines the welfare benefits that a typical household would receive in each state and the District of Columbia. The popular press often reports that welfare provides a barely subsistence level of assistance to low-income families and consumes only a small portion of the federal budget. That popular misconception results from examining only one federal welfare program, AFDC. The truth is that there are at least 77 major means-tested federal programs for the poor.[13] State, county, and municipal governments operate additional welfare programs. Obviously, no one receives assistance from all of those programs, but most welfare recipients are eligible for a number of them. This study takes account of the programs from which welfare recipients are most likely to get benefits: AFDC, food stamps, Medicaid, public housing, nutrition assistance, and utility assistance. We calculate the combined value of benefits for a welfare recipient who fits a typical profile in each of the 50 states and the District of Columbia. We do not take into account special state and city low-income assistance programs that might be provided in addition to the major federal programs. Many of the smaller federal low-income assistance programs are also not accounted for. So actual benefit levels available to a welfare family may be somewhat higher than this study indicates.[14]

Because welfare benefits are tax-free, the value of those benefits is then compared with the amount of pretax income a worker would have to earn to receive an equivalent take-home income.

This study also assumes that welfare recipients are not cheating--that they are not working on the side and do not have other sources of unreported income. We recognize that in many cases that is not true.[15] There is substantial welfare fraud by recipients who are in the workforce and receiving unreported income. There are also many cases in which a man is living in the welfare household and earning income for the family. In such cases, welfare serves as an illegal supplement to earned income.

In this analysis we use a profile of a typical welfare household consisting of a single mother over the age of 21 and two children, ages one and four. No paternity has been established for the children. The mother does not work and reports no outside income. Neither the mother nor either child is disabled. All are American citizens. That profile substantially conforms to the typical AFDC household.[16]

We then compute the cash value of the total benefits package that the profiled household would be eligible to receive, using data for the most current year available. Those benefits are discussed in the following subsections.

## AFDC

AFDC is the primary cash benefit program targeted to the poor and is the program most often considered "welfare." [17] AFDC began in 1935 (it was then called Aid to Dependent Children) as part of the Social Security Act. The program provides cash payments to families with children whose father or mother is absent, incapacitated, deceased, or unemployed and to certain others in the households of those children. All 50 states, the District of Columbia, Puerto Rico, and Guam operate AFDC programs. American Samoa is eligible for the program but has chosen not to participate.

Each state determines its own benefit levels and (within certain federal restrictions) eligibility requirements. Funding comes from both the federal and the state governments, with the federal portion varying from a high of 80 percent to a low of 50 percent. On average, the federal government provides 55 percent of funding for AFDC.

In 1995 our profile household is eligible for AFDC in all 50 states. The amount of AFDC benefits ranges from a high of \$923 per month in Alaska to a low of \$120 per month in Mississippi.[18] The national average AFDC benefit is \$399 per month. Table 2 ranks jurisdictions by the generosity of their benefits.

### Food Stamps

As the name implies, the food stamp program provides vouchers to low-income households for the purchase of food.[19] Participating households are expected to spend 30 percent of their monthly cash income on food. The food stamp program contributes the difference between that amount and the amount judged to be sufficient to purchase an adequate diet. The food stamp program operates in all 50 states, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands.

Eligibility standards and benefit levels are defined by the federal government, and, with the exceptions of Alaska, Hawaii, and the territories, they are uniform nationally. The maximum benefit level is derived from the U.S. Department of Agriculture's "Thrifty Food Plan," varied by household size, and adjusted annually for inflation.

Recipients of AFDC are automatically eligible for food stamps. Therefore, our profile household receives food stamps in every state. However, the value of food stamps received varies depending on the amount of the AFDC payment and the cost of food. Our household would receive the highest level of food stamps, \$422, in Hawaii and the lowest, \$192, in Connecticut. The high benefit level in Hawaii is largely due to the high price of food in that state. The low benefit in Connecticut is largely due to the extremely high AFDC benefits that Connecticut provides. The nationwide average is \$278. Table 3 ranks jurisdictions according to the value of food stamps our profile household could receive.

Rate	State	Monthly Benefit(\$)	Yearly Benefit(\$)
1	Alaska	923	11,076
2	Hawaii	712	8,544
3	New York	703	8,436
4	Connecticut	680	8,160
5	Vermont	638	7,656
6	California	607	7,284
7	Massachusetts	579	6,948
8	Rhode Island	554	6,648
9	New Hampshire	550	6,600
10	Washington	546	6,552
11	Minnesota	532	6,384
12	Wisconsin	517	6,204
13	Michigan	489	5,868
14	Oregon	460	5,520
15	Kansas	429	5,148
16	Iowa	426	5,112
17	New Jersey	424	5,088

18	Pennsylvania	421	5,052
19	District of Columbia	420	5,040
20	Maine	418	5,016
21	South Dakota	417	5,004
22	Utah	414	4,968
23	North Dakota	409	4,908
24	Montana	401	4,812
25	Illinois	367	4,404
26	Maryland	366	4,392
27	Nebraska	364	4,368
28	Wyoming	360	4,320
29	New Mexico	357	4,284
30	Colorado	356	4,272
31	Virginia	354	4,248
32	Nevada	348	4,176
33	Arizona	347	4,160
34	Ohio	341	4,092
35	Delaware	338	4,056
36	Oklahoma	324	3,888
37	Idaho	317	3,804
38	Florida	303	3,636
39	Missouri	292	3,504
40	Indiana	288	3,456
41	Georgia	280	3,360
42	North Carolina	272	3,264
43	West Virginia	249	2,988
44	Kentucky	228	2,736
45	Arkansas	204	2,448
46	South Carolina	200	2,400
47	Louisiana	190	2,280
48	Tennessee	185	2,220
49	Texas	184	2,208
50	Alabama	164	1,968
51	Mississippi	120	1,440

Sources: Carmen Solomon, "Aid to Families with Dependent Children (AFDC): Need Standards, Payment Standards, and Minimum Benefits," Congressional Research Service report no. 95-229 EPW, January 18, 1995, pp. 30-32; and Cato Institute telephone survey of state welfare managers, conducted May-June 1995.

<b>Table 3</b>			
<b>Food Stamp Benefits, 1995</b>			
Rank	Jurisdiction	Monthly Benefit(\$)	Yearly Benefit(\$)

1	Hawaii	422	5,064
2	Alabama	295	3,540
3	Arkansas	295	3,540
4	Delaware	295	3,540
5	Florida	295	3,540
6	Georgia	295	3,540
7	Idaho	295	3,540
8	Indiana	295	3,540
9	Kentucky	295	3,540
10	Louisiana	295	3,540
11	Maryland	295	3,540
12	Mississippi	295	3,540
13	Missouri	295	3,540
14	North Carolina	295	3,540
15	Ohio	295	3,540
16	Oklahoma	295	3,540
17	South Carolina	295	3,540
18	Tennessee	295	3,540
19	Texas	295	3,540
20	West Virginia	295	3,540
21	Oregon	293	3,516
22	Arizona	292	3,504
23	Nevada	292	3,504
24	Illinois	291	3,492
25	Virginia	290	3,480
26	New Mexico	289	3,468
27	Colorado	289	3,468
28	Wyoming	288	3,456
29	Nebraska	287	3,444
30	Alaska	285	3,420
31	Kansas	284	3,408
32	Montana	276	3,312
33	New Jersey	276	3,312
34	North Dakota	273	3,276
35	Utah	272	3,264
36	Maine	271	3,252
37	South Dakota	271	3,252
38	Pennsylvania	270	3,240
39	District of Columbia	270	3,240
40	Rhode Island	268	3,216

41	Iowa	268	3,216
42	Washington	258	3,096
43	Michigan	249	2,988
44	Wisconsin	241	2,892
45	Minnesota	236	2,832
46	New Hampshire	231	2,772
47	Massachusetts	222	2,664
48	California	214	2,568
49	Vermont	205	2,460
50	New York	201	2,412
51	Connecticut	192	2,304

Sources: Carmen Solomon, "Aid to Families with Dependent Children (AFDC): Need Standards, Payment Standards, and Minimum Benefits," Congressional Research Service report no. 95-229 EPW, January 18, 1995, pp. 30-32; and Cato Institute telephone survey of state welfare managers, conducted May-June 1995.

## Medicaid

The Medicaid program, Title XIX of the Social Security Act, was begun in 1965 and is the nation's primary program for providing health care for low-income people.[20] Adults and children in low-income families make up nearly 75 percent of Medicaid recipients, but the program also covers the elderly and disabled for many services not included in the Medicare program. The elderly and disabled actually are responsible for the majority (approximately 59 percent) of Medicaid spending because of their intensive use of acute and long-term care services.[21] However, only spending on recipients eligible for Medicaid as a result of being eligible for AFDC is covered in this study. Spending for nursing-home care and other Medicaid expenditures for the elderly and disabled is not included.

As is AFDC, Medicaid is administered by the states within broad federal guidelines. Funding is divided between the federal and state governments, with the federal government's share ranging from 50 to 80 percent of the total. On average, the federal government funds about 57 percent of Medicaid costs.

States must provide Medicaid to all persons receiving cash assistance under AFDC. Thus, our profile household is eligible for Medicaid in all 50 states.

The actual level of Medicaid spending varies dramatically by state. In part that reflects a variation from state to state in benefits provided under the Medicaid program. The federal government requires all state Medicaid programs to include coverage of certain services: inpatient hospital services; outpatient hospital services; physician services; laboratory and x-ray services; nursing facility services for adults; family-planning services; rural health clinic services; nurse mid-wife services; prenatal care; federally qualified health center services; early and periodic screening, diagnostic and treatment services for children under age 21, including treatment for conditions identified in screening; and services of certified pediatric or family nurse-practitioners. However, states have the option of providing additional services, ranging from mental health services to dental care, from eyeglasses to prescription drugs. Some states, such as Wisconsin, have chosen to cover most optional services. Others, such as Delaware and Louisiana, cover relatively few optional services. Moreover, some optional services, such as mental health care, are quite expensive. Therefore, the number and mix of services that a state includes under its Medicaid program will affect its spending per recipient.

Reimbursement rates for services are determined state by state and vary significantly. That reflects both variation in the cost of medical services from state to state and differences in political decisionmaking among the jurisdictions. Some states require all or a portion of their Medicaid population to participate in managed-care programs. Arizona reimburses almost exclusively on a capitated basis, with physicians receiving a set fee per patient regardless of the treatment required. As a result, spending on Medicaid for our profile household ranges from a high of \$6,086 in Alaska to a low of \$1,171 in Arizona.[22]



However, it is important to realize that Medicaid benefits are paid, not to the beneficiary, but to medical providers. It would be unfair to assume that the value to the beneficiary is equal to the per recipient expenditure by the program. Therefore, in calculating the value of Medicaid benefits, we capped the benefits at the amount that premiums for an equivalent insurance policy would have cost, based on the average family premium for enrollment in a health maintenance organization.[23] The data in Table 4 show that 12 jurisdictions (Alaska, Colorado, Indiana, Louisiana, Maryland, Nevada, New Jersey, New York, South Carolina, Utah, Wyoming, and the District of Columbia) had per recipient spending higher than the cap.

### Housing Assistance

Federal housing assistance comes in several forms. Three of those forms are considered in this study: public housing, Housing Assistance Payments (better known as Section 8), and other rent subsidies. Section 8 payments can be further subdivided into three programs: the Section 8 Rental Voucher Program, the Section 8 Rental Certificate Program, and the Section 8 Moderate Rehabilitation Program.[24]

A family is considered eligible for housing assistance if its household income falls below 50 percent of the median for a family of the same size in the same county. AFDC payments are counted as income, but food stamps and other forms of public assistance are not.[25] Although a family may be eligible for housing assistance, whether they receive benefits depends on, among other things, the availability of housing units and the amount of funding appropriated for rental assistance. Participation rates in housing programs and the appropriateness of including housing assistance in the welfare benefits package are discussed below.

Rank(a)	Jurisdiction	Annual Expenditure Per Recipient(\$)	Equivalent Insurance Premium(\$)
1	Louisiana	6,019.00	4,891.20
2	Oklahoma	4,789.00	4,891.20
3	Indiana	5,701.00	4,641.96
4	Alaska	6,086.00	4,575.12
5	Massachusetts	4,533.00	5,441.04
6	North Dakota	4,241.00	4,484.04
7	Maine	4,232.00	5,441.0
8	Kentucky	4,209.00	4,891.20
9	Maryland	5,508.00	4,191.60
10	South Carolina	4,233.00	4,191.60
11	District of Columbia	5,503.00	4,191.60
12	Virginia	4,168.00	4,191.60
13	Georgia	4,099.00	4,191.60
14	Colorado	4,027.00	4,020.96
15	Nevada	5,439.00	4,020.96
16	Utah	4,176.00	4,020.96
17	Wyoming	4,061.00	4,020.96
18	New Mexico	3,988.00	4,020.96
19	Iowa	3,982.00	4,484.04

20	North Carolina	3,921.00	4,191.60
21	Connecticut	3,913.00	5,441.04
22	Idaho	3,889.00	4,020.96
23	Delaware	3,870.00	4,191.60
24	Minnesota	3,843.00	4,484.04
25	New Jersey	4,181.00	3,824.40
26	New York	5,432.00	3,824.40
27	Ohio	3,760.00	4,641.96
28	South Dakota	3,748.00	4,484.04
29	Hawaii	3,689.00	4,575.12
30	Tennessee	3,583.00	4,891.20
31	West Virginia	3,568.00	4,191.60
32	Illinois	3,543.00	4,641.96
33	Kansas	3,475.00	4,484.04
34	New Hampshire	3,473.00	5,441.04
35	Texas	3,459.00	4,891.20
36	Florida	3,417.00	4,191.60
37	Nebraska	3,412.00	4,484.04
38	Washington	3,407.00	4,575.12
39	Pennsylvania	3,275.00	3,824.40
40	Montana	3,228.00	4,020.96
41	Rhode Island	3,130.00	5,441.04
42	Alabama	3,128.00	4,891.20
43	Oregon	3,108.00	4,575.12
44	Missouri	3,088.00	4,484.04
45	Michigan	3,076.00	4,641.96
46	Arkansas	2,984.00	4,891.20
47	Wisconsin	2,837.00	4,641.96
48	California	2,784.00	4,575.12
49	Vermont	2,734.00	5,441.04
50	Mississippi	2,373.00	4,891.20
51	Arizona	1,171.00	4,020.96

Sources: Health Care Financing Administration, "Medicaid Statistics: Program and Financial Statistics, Fiscal Year 1993," HCFA publication no. 10129, October 1994, pp. 45-46; Group Health Association of America, "HMO Industry Profile," 1994, p. 99; and Cato Institute telephone survey.

(a) Rank is according to the lower of expenditure per recipient or equivalent insurance premium.

The value of housing assistance fluctuates widely within a state. Section 8 rent payments are based on fair market rental values, determined county by county.[26] The equivalent rental value of public housing would also be determined by rents in the county. The value of all rental assistance is therefore based on the median value of Section 8

assistance for each jurisdiction.[27] The results are given in Table 5.

## Utilities Assistance

There are several programs at both the federal and state level designed to help low-income households pay for heating oil, electricity, and other utilities.

In 1994 our profile household would have been eligible for utilities assistance, such as the federal Low Income Home Energy Assistance Program.[28] While not all low-income households receive utilities assistance, participation levels in all states exceeded 50 percent, sufficient for inclusion in the hypothetical benefits package. In addition, the actual benefit a household receives varies according to availability and prioritization of need. Therefore, the benefit included in this study is the average benefit per recipient household in each jurisdiction (Table 6).[29]

## Special Supplemental Food Program for Women, Infants, and Children

The Special Supplemental Food Program for Women, Infants, and Children (WIC) provides food assistance and nutritional screening for pregnant and postpartum women and their infants, as well as for low-income children up to the age of five.[30] Beneficiaries receive vouchers for the purchase of specific food items (or occasionally actual food-stuffs). The actual food package depends on the ages of the children, whether the mother is pregnant, and whether a postpartum mother is nursing, but food packages generally include milk, cheese, eggs, infant formula, cereals, fruit, and vegetable juices.

Rank	Jurisdiction	High Market(\$)	Low Market(\$)	Median Monthly Benefit(\$)	Median Annual Benefit(\$)
1	D.C.	718.00	718.00	718.00	8,616.00
2	Mass.	1,065.30	342.30	703.80	8,445.60
3	Hawaii	896.40	473.40	684.90	684.90
4	Connecticut	915.00	421.00	668.00	8,016.00
5	New Jersey	808.80	517.80	663.30	7,959.60
6	Rhode Island	630.80	482.80	556.80	556.80
7	California	821.90	246.90	534.40	6,412.80
8	Maryland	734.20	243.20	488.70	5,864.40
9	Alaska	707.10	239.10	473.10	5,677.20
10	New York	794.10	152.10	473.10	5,677.20
11	Virginia	737.80	196.80	467.30	5,607.60
12	New Hampshire	543.00	377.00	460.00	5,520.00
13	Delaware	524.60	381.60	453.10	5,437.20
14	Florida	674.10	199.10	436.60	436.60
15	Nevada	580.60	281.60	431.10	5,173.20
16	Maine	550.60	297.60	424.10	5,089.20
17	Colorado	628.20	196.20	412.20	4,946.40
18	South Carolina	501.00	251.00	376.00	4,512.00
19	Pennsylvania	561.70	165.70	363.70	4,364.40

20	Arizona	513.90	207.90	360.90	4,330.80
21	Wyoming	500.00	219.00	359.50	4,314.00
22	Illinois	547.90	150.90	349.40	4,192.80
23	New Mexico	519.90	176.90	348.40	4,180.80
24	Texas	511.80	184.80	348.30	4,179.60
25	Idaho	490.90	192.90	341.90	4,102.80
26	Utah	498.80	184.80	341.80	4,101.60
27	Indiana	430.60	234.60	332.60	3,991.20
28	Mississippi	455.00	210.00	332.50	3,990.00
29	Michigan	497.30	163.30	330.30	3,963.60
30	Washington	493.20	159.20	326.20	3,914.
31	North Carolina	463.40	187.40	325.40	3,904.80
32	Vermont	452.60	185.60	319.10	3,829.20
33	Georgia	505.00	132.00	318.50	3,822.00
34	Arkansas	400.80	226.80	313.80	3,765.60
35	Ohio	408.70	212.70	310.70	3,728.40
36	Louisiana	403.00	214.00	308.50	3,702.00
37	Kentucky	416.60	189.60	303.10	3,637.20
38	West Virginia	403.30	201.30	302.30	3,627.60
39	Alabama	201.30	168.80	296.80	3,561.60
40	Wisconsin	441.90	147.90	294.90	3,538.80
41	Tennessee	456.50	127.50	292.00	3,504.00
42	Minnesota	437.40	437.40	290.90	3,490.80
43	Oregon	391.00	391.00	280.00	3,360.00
44	Missouri	390.40	169.40	279.90	3,358.80
45	Iowa	385.20	385.20	274.20	3,290.40
46	Oklahoma	332.80	154.80	243.80	2,925.60
47	South Dakota	342.90	139.90	241.40	2,896.80
48	Kansas	364.30	364.30	240.80	2,889.60
49	Nebraska	381.80	381.80	233.30	2,799.60
50	Montana	381.80	161.70	229.70	2,756.40
51	North Dakota	381.80	161.70	206.80	2,481.60

Source: "HUD Fair Market Rent Values by County," Federal Register 58, no. 189 (October 1, 1993): S1410-82.

<b>Table 6</b>			
<b>Utilities Assistance, FY94</b>			
Rank	Jurisdiction	Average Monthly Benefit(\$)	Annual Benefit (\$)

1	Texas	83.33	999.96
2	Vermont	60.92	731.04
3	Minnesota	59.83	717.9
4	Connecticut	52.67	632.04
5	Mississippi	51.83	621.96
6	Wisconsin	51.25	615.00
7	South Dakota	51.08	612.96
8	Virginia	48.67	584.04
9	New Jersey	48.58	582.96
10	North Dakota	48.25	579.00
11	Alaska	45.92	551.04
12	Illinois	45.00	540.00
13	Iowa	44.42	533.04
14	Louisiana	44.17	530.04
15	Colorado	43.00	516.00
16	Rhode Island	42.83	513.96
17	Kansas	40.00	480.00
18	Tennessee	40.00	480.00
19	New Hampshire	38.33	459.96
20	Wyoming	37.92	455.04
21	Indiana	36.67	440.04
22	Nebraska	36.42	437.04
23	Kentucky	36.08	432.96
24	Montana	35.17	422.04
25	Nevada	35.08	420.96
26	Massachusetts	34.75	417.00
27	Michigan	34.08	408.96
28	Pennsylvania	32.83	393.96
29	D.C.	32.75	393.00
30	Idaho	32.67	392.04
31	Washington	32.50	390.00
32	Georgia	32.33	379.96
33	California	30.67	368.04
34	Delaware	30.67	368.04
35	Missouri	30.42	365.04
36	New York	29.75	357.00
37	Alabama	29.00	348.00
38	Utah	28.58	342.96
39	Ohio	28.42	341.04
40	Oregon	27.08	324.96

41	Hawaii	25.83	309.96
42	Maryland	24.42	293.04
43	South Carolina	22.17	266.04
44	Maine	21.67	260.04
45	West Virginia	21.50	258.00
46	Arizona	20.00	240.00
47	Oklahoma	18.92	227.04
48	Florida	17.83	213.96
49	North Carolina	17.58	210.96
50	Arkansas	16.33	195.96
51	New Mexico	12.08	144.96

Sources: U.S. Department of Health and Human Services, Administration for Children and Families, Office of Community Services, Energy Assistance Division, "Results of Summer Telephone Survey of Fiscal Year 1994 Low Income Home Energy Assistance Program (LIHEAP) Estimates," LIHEAP Information Memorandum, March 14, 1995; and Cato Institute telephone survey.

The children in our profile household would have qualified for WIC in 1994. While not all eligible low-income households receive WIC benefits, approximately 56 percent of eligible families participate in the program nationwide, which justifies including WIC in the hypothetical benefits package.[31] The actual benefit a household receives varies on the basis of availability and prioritization of need. Therefore, the benefit included in this study is the average benefit for a two-child household in each jurisdiction (Table 7).[32]

### Free Commodities Program

The profile household would also have been eligible to receive free commodities under the Temporary Food Assistance Program. Although the FY95 appropriation for the program was significantly reduced and the availability of food varies by locale, a conservative estimate of the value of the food package was determined to be approximately \$15 per month or \$360 per year.[33] The food package generally contains some combination of nonfat dry milk, flour, canned fruit and vegetables, canned meats, peanut butter, cheese, and butter.

### Total Benefits Package

In computing the value of the total benefits package, benefits were adjusted to reflect the fact that receipt of one type of benefit may reduce the amount received under another program. Information on benefit levels from the primary sources was confirmed by interviews with human services personnel in the jurisdictions. The total value of the benefits package by jurisdiction is given in Table 8.

Rank	Jurisdiction	Montly Benefit(\$)	Annual Benefit(\$)
1	Hawaii	144.18	1,730.16
2	Alaska	114.18	114.18
3	Connecticut	105.78	105.78
4	New York	105.78	1,237.32
5	Arizona	1,237.32	1,212.12
6	Washington	99.18	1,189.92
7	Rhode Island	97.59	1,171.08

8	Louisiana	97.23	1,166.76
9	Vermont	96.96	1,163.52
10	North Dakota	95.52	1,146.24
11	Illinois	95.04	1,140.48
12	New Mexico	93.54	1,122.48
13	Wisconsin	93.48	1,121.76
14	Idaho	93.33	1,119.96
15	Virginia	93.12	1,117.44
16	Kansas	92.16	1,105.92
17	Montana	91.98	1,103.76
18	Oklahoma	91.02	1,092.24
19	Alabama	90.93	1,091.16
20	California	90.81	1,089.72
21	D.C.	90.33	1,083.96
22	Nebraska	90.33	1,083.96
23	Michigan	89.58	1,074.96
24	Tennessee	89.58	1,074.96
25	Kentucky	89.31	1,071.72
26	Pennsylvania	89.04	1,068.48
27	Missouri	88.86	1,066.32
28	Colorado	87.84	1,054.08
29	Florida	86.82	1,041.84
30	West Virginia	86.73	1,040.76
31	Delaware	86.22	1,034.64
32	Wyoming	86.19	1,034.28
33	Maryland	86.19	1,028.16
34	Iowa	85.14	1,021.68
35	New Jersey	85.05	1,020.60
36	Georgia	84.69	1,016.28
37	South Dakota	82.83	993.96
38	Minnesota	82.74	992.88
39	Maine	82.41	988.92
40	Massachusetts	82.35	988.20
41	North Carolina	82.17	986.04
42	Nevada	81.72	980.64
43	Arkansas	81.21	974.52
44	Utah	80.04	960.48
45	New Hampshire	79.95	959.40
46	Oregon	79.17	950.04
47	Indiana	78.60	943.20

48	Ohi	75.81	909.72
49	Texas	75.27	903.24
50	Mississippi	74.0	903.24
51	South Carolina	71.94	863.28

Sources: U.S. Department of Agriculture, Food and Consumer Service, "Nutrition Program Facts: Special Supplemental Nutrition Program for Women, Infants, and Children," October 1994, pp. 1-2; U.S. Department of Agriculture, Food and Consumer Service, "National Databank Statistics," June 2, 1995; and Cato Institute telephone survey.

Rank	Jurisdiction	AFDC	Food Stamps	Medicaid	Housing	Utilities	WIC	Commodities	Total
1	Hawaii	8,544	5,064	3,689	8,219	310	1,730	180	27,736
2	Alaska	11,076	3,420	4,575	5,677	551	1,370	180	26,849
3	Connecticut	8,160	2,304	3,913	8,016	632	1,269	180	24,474
4	Massachusetts	6,948	2,664	4,533	4,533	417	988	180	24,176
5	D.C.	5,040	3,240	4,192	8,616	393	1,084	180	22,745
6	New York	8,436	2,412	3,824	5,677	357	1,237	180	22,124
7	New Jersey	5,088	3,312	3,824	3,824	583	1,021	180	21,968
8	Rhode Island	6,648	6,648	6,648	6,682	514	1,171	180	21,541
9	California	7,284	2,568	2,784	6,413	368	1,090	180	20,687
10	New Hampshire	6,600	2,772	3,473	5,520	5,520	959	180	19,964
11	Maryland	4,392	3,540	4,192	5,864	293	1,028	180	19,489
12	Virginia	4,248	3,480	4,168	4,168	584	1,117	180	19,385
13	Maine	5,016	3,252	5,089	5,089	260	989	180	19,018
14	Vermont	7,656	2,460	2,734	3,829	731	1,164	180	18,754
15	Washington	6,552	6,552	3,407	3,914	390	1,190	180	18,730
16	Delaware	4,056	3,540	3,870	5,437	368	1,035	180	18,486
17	Colorado	4,272	3,468	4,021	4,946	516	1,054	180	18,457
18	Nevada	4,176	3,504	4,021	5,173	421	981	180	18,456
19	Minnesota	6,384	2,832	3,843	3,491	718	993	180	18,441
20	Utah	4,968	3,264	4,021	4,102	343	960	180	17,838
21	Wyoming	4,320	3,456	4,021	4,314	455	1,034	180	17,780
22	Pennsylvania	5,052	3,240	3,275	4,364	394	1,068	180	17,574
23	Michigan	5,868	2,988	3,275	3,964	409	1,075	180	17,560
24	Illinois	4,404	3,492	3,543	4,193	540	1,140	180	17,492
25	Wisconsin	6,204	2,892	2,837	3,539	615	1,122	180	17,389
26	New Mexico	4,284	3,468	3,988	4,181	145	1,122	180	17,368
27	Iowa	5,112	3,216	3,982	3,290	533	1,022	180	17,335
28	Florida	3,636	3,540	3,417	5,239	214	1,042	180	17,268



29	Indiana	3,456	3,540	4,642	3,991	440	943	180	17,192
30	Idaho	3,804	3,540	3,889	4,103	392	1,120	180	17,028
31	Oregon	5,520	3,516	3,108	3,360	325	950	180	16,959
32	North Dakota	4,908	3,276	4,241	3,360	579	1,146	180	16,812
33	South Dakota	5,004	3,252	3,748	3,360	613	994	180	16,688
34	Kansas	5,148	3,408	3,748	2,890	613	1,106	180	16,687
35	Oklahoma	3,888	3,540	4,789	2,926	227	1,092	180	16,642
36	Ohio	4,092	3,540	3,760	3,728	341	910	180	16,551
37	Georgia	3,360	3,540	3,760	3,822	388	1,016	180	16,405
38	Louisiana	2,280	3,540	4,891	3,702	530	1,167	180	16,290
39	North Carolina	3,264	3,540	4,891	3,905	211	986	180	16,007
40	South Carolina	2,400	3,540	4,192	4,512	266	863	180	15,953
41	Montana	4,812	3,312	3,228	2,756	422	1,104	180	15,814
42	Kentucky	2,736	3,540	4,209	3,637	433	1,072	180	15,807
43	Nebraska	4,368	3,444	3,412	2,800	437	1,084	180	15,725
44	Texas	2,208	3,540	3,459	4,180	1,000	903	180	15,470
45	West Virginia	2,988	3,540	3,568	3,628	258	1,041	180	15,202
46	Missouri	3,504	3,540	3,088	3,359	365	1,066	180	15,102
47	Arizona	4,164	3,540	1,171	4,331	240	1,212	180	14,802
48	Tennessee	2,220	3,540	3,583	3,504	480	1,075	180	14,582
49	Arkansas	2,448	3,540	2,984	3,766	196	975	180	14,088
50	Alabama	1,968	3,540	3,128	3,562	348	1,091	180	13,817
51	Mississippi	1,440	3,540	2,373	3,766	622	888	180	13,033

### **Pretax Income Equivalent to Welfare**

The second step in determining the actual value of the welfare benefits package was to compare the value of those benefits with the amount of pretax salary that a worker would have to earn to receive an equivalent after-tax income. The following taxes were taken into account.

### **Earned Income Tax Credit**

The federal Earned Income Tax Credit (EITC) is a refundable tax credit available to lower income working families and individuals.[34] The EITC is intended to provide lower income working families and families in transition from welfare to work with a financial incentive for working. The maximum available credit in 1994 for the profile household was \$2,528. The credit is phased in when annual income is below \$8,400 and phased out starting at \$10,999. A credit would not be available to a family whose annual income exceeded \$25,295.

### **Federal Income Tax**

In calculating the federal income tax due, we assumed that the profile household would have been eligible for the standard deduction of \$5,600 and three personal exemptions totaling \$7,350.

## State Income Tax

As were federal taxes, state taxes were calculated on the basis of one adult with two dependents. Eligibility for and value of deductions, exemptions, and credits varied widely from state to state. Nine states (Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, and Wyoming) do not have a state income tax. Eleven states (Connecticut, Georgia, Hawaii, Idaho, Iowa, Kentucky, Maryland, Minnesota, New York, Pennsylvania, and Vermont) have their own version of the EITC or another form of tax credit designed to assist the working poor. State-by-state calculations are contained in the appendix.

## FICA Payroll Tax

The profile household would be required to pay the 7.65 percent Social Security payroll tax. Although most economists believe that the employer's matching 7.65 percent payroll tax is also borne by the worker in the form of reduced wages, that tax is not included in our calculations.

Table 9 provides the pretax salary equivalent to the value of the welfare benefits package for each jurisdiction.

Translating the annual pretax salary into an hourly wage rate yields the results given in Table 10. In every state the equivalent hourly wage exceeded the minimum wage. Indeed, in 40 states welfare pays more than an \$8.00 an hour job. In 17 states the welfare package is more generous than a \$10.00 per hour job. In Hawaii, Alaska, Massachusetts, Connecticut, New York, Rhode Island, and the District of Columbia welfare pays more than a \$12.00 per hour job, or nearly three times the minimum wage.

Two other comparisons are helpful in considering the real value of welfare benefits. The first is a comparison of the value of welfare benefits with the poverty level. As Table 11 illustrates, in every state welfare benefits exceed the current poverty level of \$11,817 for a family of three. In 21 states welfare benefits exceed 150 percent of the poverty level, and in Hawaii, Alaska, Connecticut, and Massachusetts the benefits package is more than 200 percent of the poverty level. Clearly, it is a myth that welfare has not kept pace with the official poverty level in America.

Rank	Jurisdiction	A(\$)	B(\$)	C(\$)	D(\$)	E(\$)	F(\$)	G(\$)
1	Hawaii	27,736	36,400	2,785	3,518	2,337	8,640	27,760
2	Alaska	26,849	32,200	2,463	2,888	NA	5,351	26,849
3	Massachusetts	24,176	30,500	2,333	2,633	1,339	6,305	24,196
4	Connecticut	24,474	29,600	2,264	2,498	310	5,072	24,528
5	District of Columbia	22,745	29,100	2,226	2,423	1,684	6,333	22,767
6	New York	22,124	27,300	2,088	2,153	907	5,148	22,152
7	New Jersey	21,968	26,500	2,027	2,033	439	4,499	22,001
8	Rhode Island	21,541	26,100	1,997	1,973	542	4,512	21,588
9	California	20,687	24,100	1,844	1,461	95	3,400	20,700
10	Virginia	19,385	23,100	1,767	1,134	760	3,662	19,438
11	Maryland	19,489	22,800	1,744	1,036	508	3,289	19,511
12	New Hampshire	19,964	22,800	1,744	1,036	NA	2,780	20,020
13	Maine	19,964	21,600	1,652	644	282	2,578	19,022
14	Delaware	18,486	21,500	1,645	611	733	2,989	18,511
15	Colorado	18,457	20,900	1,599	415	398	2,412	18,488

16	Vermont	18,754	20,900	1,599	415	104	2,118	18,782
17	Minnesota	18,441	20,800	1,591	383	352	2,326	18,474
18	Washington	18,730	20,700	1,584	350	NA	1,933	18,767
19	Nevada	18,456	20,200	1,545	187	NA	1,732	18,468
20	Utah	17,838	19,900	1,522	88	386	18,468	17,903
21	Michigan	17,560	19,700	1,507	23	599	2,129	17,571
22	Pennsylvania	17,574	19,700	1,507	23	552	2,082	17,618
23	Illinois	17,492	19,400	1,484	[75]	492	1,901	17,499
24	Wisconsin	17,389	19,400	1,484	[75]	567	1,976	17,424
25	Oregon	16,959	19,200	1,469	(140)	862	2,191	17,009
26	Wyoming	17,780	19,100	1,461	(173)	NA	1,288	17,812
27	Indiana	17,192	19,000	1,454	(206)	544	1,792	17,208
28	Iowa	17,335	19,000	1,454	(206)	407	1,654	17,346
29	New Mexico	17,368	18,600	1,423	(336)	107	1,194	17,406
30	Florida	17,268	18,200	1,392	(467)	NA	925	17,275
31	Idaho	17,028	18,000	1,377	(532)	122	967	17,033
32	Oklahoma	16,642	17,700	1,354	(630)	271	995	16,705
33	Kansas	16,687	17,600	1,346	(663)	229	912	16,688
34	North Dakota	16,812	17,600	1,346	(663)	98	781	16,819
35	Georgia	16,405	17,400	1,331	(728)	371	974	16,426
36	Ohio	16,551	17,400	1,331	(728)	217	819	16,581
37	South Dakota	16,688	17,300	1,323	(761)	N	562	16,738
38	Louisiana	16,290	17,000	1,301	(859)	216	657	16,343
39	Kentucky	15,807	16,800	1,285	(925)	603	963	15,837
40	North Carolina	16,007	16,800	1,285	(925)	384	745	16,055
41	Montana	15,814	16,300	1,247	(1,088)	312	470	15,830
42	South Carolina	15,953	16,200	1,239	(1,121)	87	205	15,995
43	Nebraska	15,725	15,900	1,216	(1,219)	130	127	15,773
44	Texas	15,470	15,200	1,163	(1,447)	NA	(285)	15,485
45	West Virginia	15,202	15,200	1,163	(1,447)	276	[9]	15,209
46	Missouri	15,102	14,900	1,140	(1,545)	188	(218)	15,118
47	Arizona	14,802	14,100	1,079	(1,807)	0	(728)	14,828
48	Tennessee	14,582	13,700	1,048	(1,938)	NA	(890)	14,590
49	Arkansas	14,088	13,200	1,010	(2,101)	175	(916)	14,116
50	Alabama	13,817	13,000	995	(2,166)	330	(842)	13,842
51	Mississippi	13,033	11,500	880	(2,439)	0	(1,559)	13,059

Notes: A = welfare benefit, B = pretax income, C = Social Security tax, D = federal income tax, E=

<b>Table 10</b>
<b>Hourly Wage Equivalent</b>

Rank	Jurisdiction	Pretax Equivalent (\$)	Hourly Wage (\$) <sup>a</sup>
1	Hawaii	36,400	17.50
2	Alaska	32,200	15.48
3	Massachusetts	30,500	14.66
4	Connecticut	29,600	14.23
5	DC	29,100	13.99
6	New York	27,300	13.13
7	New Jersey	26,500	12.74
8	Rhode Island	26,100	12.55
9	California	24,100	11.59
10	Virginia	23,100	11.11
11	Maryland	22,800	10.96
12	New Hampshire	22,800	10.96
13	Maine	21,600	10.38
14	Delaware	21,500	10.34
15	Colorado	20,900	10.05
16	Vermont	20,900	10.05
17	Minnesota	20,800	10.00
18	Washington	20,700	9.95
19	Nevada	20,200	9.71
20	Utah	19,900	9.57
21	Michigan	19,700	9.47
22	Pennsylvania	19,700	9.47
23	Illinois	19,400	9.33
24	Wisconsin	19,400	9.33
25	Oregon	19,200	9.23
26	Wyoming	19,100	9.18
27	Indiana	19,000	9.13
28	Iowa	19,000	9.13
29	New Mexico	18,600	8.94
30	Florida	18,200	8.75
31	Idaho	18,000	8.65
32	Oklahoma	17,700	8.51
33	Kansas	17,600	8.46
34	North Dakota	17,600	8.46
35	Georgia	17,400	8.37
36	Ohio	17,400	8.37
37	South Dakota	17,300	8.32
38	Louisiana	17,000	8.17
39	Kentucky	16,800	8.08

40	North Carolina	16,800	8.08
41	Montana	16,300	7.84
42	South Carolina	16,200	7.79
43	Nebraska	15,900	7.64
44	Texas	15,200	7.31
45	West Virginia	15,200	7.31
46	Missouri	14,900	7.16
47	Arizona	14,100	6.78
48	Tennessee	13,700	6.59
49	Arkansas	13,200	6.35
50	Alabama	13,000	6.25
51	Mississippi	11,500	5.53

state income tax, F = total tax liability, G = after-tax income. Pretax income may not precisely equal welfare benefits due to rounding and tax calculation formulas. NA = not applicable.

aBased on a 2,080-hour work year.

<b>Table 11</b>			
<b>Welfare Package as a Percentage of the Poverty Level, 1995M</b>			
Rank	Jurisdiction	Welfare Benefit (\$)	Benefit as Percentage of Poverty Level
1	Hawaii	27,736	234.7
2	Alaska	26,849	227.2
3	Connecticut	24,474	207.1
4	Massachusetts	24,176	204.6
5	District of Columbia	22,745	192.5
6	New York	22,124	187.2
7	New Jersey	21,968	185.9
8	Rhode Island	21,541	182.3
9	California	20,687	175.1
10	New Hampshire	19,964	168.9
11	Maryland	19,489	164.9
12	Virginia	19,385	164.0
13	Maine	19,018	160.9
14	Vermont	18,754	158.7
15	Washington	18,730	158.5
16	Delaware	18,486	156.4
17	Colorado	18,457	156.2
18	Nevada	18,456	156.2
19	Minnesota	18,441	156.1
20	Utah	17,838	151.0

21	Wyoming	17,780	150.5
22	Pennsylvania	17,574	148.7
23	Michigan	17,560	148.6
24	Illinois	17,492	148.0
25	Wisconsin	17,389	147.2
26	New Mexico	17,368	147.0
27	Iowa	17,335	146.7
28	Florida	17,268	146.1
29	Indiana	17,192	145.5
30	Idaho	17,028	144.1
31	Oregon	16,959	143.5
32	North Dakota	16,812	142.3
33	South Dakota	16,688	141.2
34	Kansas	16,687	141.2
35	Oklahoma	16,642	140.8
36	Ohio	16,551	140.1
37	Georgia	16,405	138.8
38	Louisiana	16,290	137.9
39	North Carolina	16,007	135.5
40	South Carolina	15,953	135.0
41	Montana	15,814	133.8
42	Kentucky	15,807	133.8
43	Nebraska	15,725	133.1
44	Texas	15,470	130.9
45	West Virgini	15,202	128.6
46	Missouri	15,102	127.8
47	Arizona	14,802	125.3
48	Tennessee	14,582	123.4
49	Arkansas	14,088	119.2
50	Alabama	13,817	116.9
51	Mississippi	13,033	110.3

However, as a single nationwide average, the poverty level does not accurately reflect the relative difference among states in the cost of living.[35] It is considerably more expensive to live in Hawaii or New York than in Mississippi.[36] A better way to look at the value of welfare is to compare the equivalent-wage value of the welfare package to the median wage in each jurisdiction. As Table 12 illustrates, in 36 states the equivalent-wage value of welfare exceeds 70 percent of the median state wage.

Finally, to fully understand the generosity of welfare benefits, it is helpful to compare the welfare wage equivalent with the national annual median wage for some common professions. For example, a first-year teacher can expect a salary of about \$23,258.[37] Welfare recipients in nine states receive more in benefits than the average first-year teacher.

An entry-level secretary can expect to earn about \$9.01 per hour, which is less than equivalent to welfare benefits in 29

jurisdictions.[38] The national median wage for a janitor is \$6.75 per hour.[39] Welfare recipients in 47 jurisdictions receive more in benefits than the average janitor. It is important to realize that, contrary to popular belief, the average janitor's wage is well above the minimum wage rate of \$4.25 per hour.

Perhaps more interesting, the national median wage for computer programmers is about \$13.03 per hour--less than the welfare benefit levels in the six most generous states.[40]

<b>Table 12</b>				
<b>Pretax Wage Equivalent as a Percentage of Mean Salary</b>				
Rank	Jurisdiction	Mean Slary (\$)	Pretax Wage Equivalent(\$)	Percentage of Mean Salary
1	Hawaii	26,139	36,400	139.3
2	Rhode Island	24,426	26,100	106.9
3	Massachusetts	29,370	30,500	103.8
4	Alaska	31,309	32,200	102.8
5	Maine	21,618	21,600	99.9
6	South Dakota	18,177	17,300	95.2
7	Vermont	22,091	20,900	94.6
8	New Hampshire	24,426	22,800	93.3
9	North Dakota	19,030	17,600	92.5
10	Utah	21,811	19,900	91.2
11	Iowa	20,825	19,000	91.2
12	Connecticut	32,477	29,600	91.1
13	Virginia	25,386	23,100	91.0
14	Wyoming	21,546	19,100	88.6
15	Idaho	20,722	18,000	86.9
16	New Mexico	21,689	18,600	85.8
17	New York	32,265	27,300	84.6
18	Wisconsin	22,951	19,400	84.5
19	Maryland	27,145	22,800	84.0
20	Montana	19,467	16,300	83.7
21	California	28,910	24,100	83.4
22	Minnesota	25,075	20,800	83.0
23	Colorado	25,292	20,900	82.6
24	New Jersey	32,152	26,500	82.4
25	Oklahoma	21,543	17,700	82.2
26	Delaware	26,375	21,500	81.5
27	Indiana	23,507	19,000	80.8
28	Oregon	23,766	19,200	80.8
29	Kansas	21,936	17,600	80.2
30	Washington	26,306	20,700	78.7
31	Florida	23,370	18,200	77.9

32	Kentucky	21,697	16,800	77.4
33	Louisiana	21,971	17,000	77.4
34	Nevada	26,177	20,200	77.2
35	Pennsylvania	25,715	19,700	76.6
36	DC	38,128	29,100	76.3
37	Nebraska	20,843	15,900	76.3
38	South Carolina	21,432	16,200	75.6
39	North Carolina	22,443	16,800	74.9
40	Michigan	27,633	19,700	71.3
41	Georgia	19,837	13,200	66.5
42	Ohio	23,406	14,900	63.7
43	West Virginia	25,093	15,200	60
44	Illinois	27,995	19,400	60.1
45	Arkansas	19,83	13,200	60.1
46	Missouri	23,406i	14,900	63.7
47	Texas	25,093	15,200	60.6
48	Mississippi	19,120	11,500	60.1
49	Arizona	23,453	14,100	60.1
50	Tennessee	22,908	13,700	59.8
51	Alabama	22,149	13,000	58.7

Sources: Authors' calculations and information in U.S. Department of Commerce, Economic Statistics Administration, Bureau of Economic Analysis, Regional Economic Information System, "Wage and Salary Employment and Average Wage per Job by County and Metropolitan Area," December 28, 1994.

### The Cities: An Even Bigger Problem

The wage-equivalent value of welfare benefits is likely to be higher in large cities than in the states generally. There are two reasons for that. First, the value of public housing tends to be higher in urban areas. Second, 16 major cities have income or wage taxes that are in addition to the state income tax.[41] City income taxes increase the financial attractiveness of welfare relative to work for residents. On the other hand, the cost of living and wages are often higher in urban areas than in outlying areas.

Table 13 presents the pretax wage equivalent of welfare in terms of annual income and hourly wage. Not surprisingly, New York's welfare package is the most generous. The average welfare benefit in the 16 cities is comparable to a \$10.00 an hour, 40-hour-a-week job. Hence, in cities, particularly those with income or wage taxes, especially high hurdles must be overcome to move long-term welfare dependents into work.

City, State	Welfare Benefit Level(\$) <sup>a</sup>	Local Income Tax Rate (%) <sup>b</sup>	Pretax Income Equivalent(\$) <sup>c</sup>	Hourly Equivalent
New York, NY <sup>e</sup>	23,743	4.20	30,700	14.76



Philadelphia, PA	19,949	4.96	25,900	12.45
Baltimore, MD <sup>f</sup>	19,543	2.50	23,600	11.35
Detroit, MI <sup>g</sup>	18,580	3.00	22,700	10.91
Indianapolis, IN	18,260	0.70	21,100	10.14
Akron, OH	17,679	2.00	20,100	9.66
Toledo, OH	17,619	2.25	20,100	9.66
Cleveland, OH	17,631	2.00	20,000	9.62
Pittsburgh, PA	17,189	2.88	20,000	9.62
Lexington, KY	17,037	2.00	19,800	9.52
Cincinnati, OH	17,463	2.10	19,800	9.52
Columbus, OH	17,343	2.00	19,500	9.38
Louisville, KY	16,389	2.20	18,600	8.94
Kansas City, MO	16,428	1.00	17,700	8.51
St. Louis, MO	16,308	1.00	17,450	8.39
Birmingham, AL	14,945	1.00	15,300	7.36

Source: Advisory Commission on Intergovernmental Relations, "Significant Features of Fiscal Federalism: Budget Processes and Tax Systems, 1994," June 1994.

Note: Table 13 gives the 16 cities of the 80 largest (by 1990 population) that impose either a city or a county income tax.

<sup>a</sup>Includes fair market housing benefit for the respective counties.

<sup>b</sup>Rate is imposed on adjusted gross income with no exemptions or deductions, except in Indianapolis and New York City where the tax base is state taxable income.

<sup>c</sup>Includes federal, state, local, and FICA taxes.

<sup>d</sup>Based on a 2080-hour work year.

<sup>e</sup>New York City's income tax has graduated rates, starting at 2.5 percent. The 4.2 percent listed is the top marginal rate paid by a taxpayer whose after-tax income would equal welfare benefits.

<sup>f</sup>In Baltimore the tax is 50 percent of state income tax liability. The 2.5 percent listed is half of the top marginal state rate paid by a hypothetical taxpayer.

<sup>§</sup>In Detroit a portion of city income tax liability is deductible from the state income tax.

### Do Recipients Receive All Benefits?

Some readers may disagree with the decision to include housing and some other benefits in the total welfare benefits package. Clearly, not all welfare recipients actually receive all the benefits to which they are entitled. That is particularly true of housing benefits. Although the profile household would qualify for housing assistance in every state, the limited availability of funding and public housing units means that many welfare recipients do not receive housing assistance. Nationwide, only 23 percent of households receiving AFDC are currently receiving housing assistance through the programs considered: 9.2 percent through public housing, 12.1 percent through HUD programs, and 1.7 percent through other rent subsidies.[42] On a state- by-state basis, 1993 participation rates varied widely from a high of 62.8 percent in North Dakota to a low of 8.7 percent in California.

Participation in each of the three types of assistance also varied widely. North Dakota had the highest participation under HUD programs, 48 percent; Alaska the lowest, 6.0 percent. The highest participation in public housing was in Wyoming, 22.8 percent; the lowest in Iowa, 1.3 percent. Other rental subsidies were highest in North Dakota, 9 percent, and lowest in South Carolina and Texas, less than 0.1 percent. Participation rates are detailed in Table 14.

Similar arguments can be made regarding utilities assistance, WIC, and free commodities. We believe it was proper to include those benefits because at least some recipients in every state do receive them. Moreover, the likelihood of receiving those additional benefits is primarily a function of the length of a family's stay on welfare. For example, most states maintain a waiting list for housing assistance. That means that hard-core welfare recipients, who spend long periods on welfare, are likely to be receiving those benefits.

Although the average length of time spent on welfare is two years or less, 65 percent of persons on welfare at any given time will be on the program for eight years or longer.[43] It is precisely those long-term welfare recipients who should be the focus of welfare reform.

However, as noted, not every welfare recipient does receive all the available benefits. Therefore, Table 15 shows the value of a welfare benefits package that includes only AFDC, food stamps, and Medicaid.

Rank	Jurisdiction	Public Housing	HUD	Rent Assistance	Total participation
1	North Dakota	4.0	40.5	10.0	54.5
2	District of Columbia	21.4	24.4	4.3	50.1
3	Montana	24.0	21.3	3.0	48.3
4	South Dakota	2.6	24.8	16.0	43.4
5	Massachusetts	12.3	21.0	8.7	42.
6	Maine	14.4	17.8	8.6	40.8
7	Connecticut	13.4	24.2	2.9	40.5
8	Wyoming	20.9	16.0	1.3	38.2
9	Nebraska	5.3	31.3	1.0	37.6
10	Minnesota	11.9	19.4	6.3	37.6
11	Delaware	12.6	20.1	3.7	36.4
12	New Mexico	10.1	20.7	3.8	34.6
13	Arkansas	12.5	21.2	0.4	34.1
14	Alabama	23.0	10.5	0.5	34.0

15	Idaho	1.8	27.9	3.6	33.3
16	Louisiana	15.5	13.8	3.4	32.7
17	Hawaii	8.6	19.6	3.2	31.4
18	Colorado	8.1	18.1	5.1	31.3
19	Georgia	19.5	10.8	0.8	31.1
20	Oklahoma	1.2	26.9	2.0	30.1
21	Rhode Island	9.3	19.4	1.3	30.0
22	Alaska	15.8	7.5	6.0	29.3
23	Tennessee	18.9	9.2	0.6	28.7
24	New York	15.2	11.3	2.1	28.6
25	Iowa	1.0	25.0	2.4	28.4
26	Indiana	7.1	15.1	5.7	27.9
27	Virginia	11.1	16.1	0.5	27.7
28	Maryland	9.4	17.2	0.9	27.5
29	Mississippi	6.0	19.0	1.8	26.8
30	Ohio	9.2	16.0	1.5	26.7
31	Texas	8.6	17.7	0.3	26.6
32	Utah	2.3	20.4	3.9	26.6
33	South Carolina	6.0	19.2	0.8	26.0
34	Nevada	n/a	25.6	n/a	25.6
35	North Carolina	12.9	11.2	0.7	24.8
36	Missouri	5.3	17.9	1.2	24.4
37	Oregon	4.3	18.0	1.9	24.2
38	West Virginia	6.3	17.0	0.9	24.2
39	Washington	7.5	13.4	2.0	22.9
40	Kentucky	9.7	12.8	0.2	22.7
41	Vermont	10.3	8.7	3.2	22.2
42	New Hampshire	10.5	7.6	2.6	20.7
43	Pennsylvania	13.9	5.5	0.6	20.0
44	Illinois	10.8	8.0	0.7	19.5
45	New Jersey	4.8	9.0	5.0	18.8
46	Wisconsin	3.5	11.4	3.0	17.9
47	Arizona	7.1	9.5	1.1	17.7
48	Florida	7.7	9.4	0.3	17.4
49	Kansas	5.6	10.2	0.3	16.1
50	Michigan	1.9	9.9	1.2	13.0
51	California	1.1	7.8	0.9	9.8

Source: U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance, "Characteristics and Financial Circumstances of AFDC Recipients, FY 1993."

**Table 15**  
**Value of AFDC, Food Stamps, and Medicaid, 1995**

Rank	Jurisdiction(\$)	Benefits(\$)	Pretax Wage Equivalent(\$)	Hourly Wage(\$) <sup>a</sup>	Poverty Level	Pretax Wage
1	Alaska	19,071	21,300	10.24	161.4	68.0
2	Hawaii	17,297	19,600	9.42	146.4	75.0
3	New York	14,672	13,800	6.63	124.2	42.8
4	Massachusetts	14,145	13,700	6.59	119.7	46.6
5	Connecticut	14,377	13,400	6.44	121.7	41.3
6	Rhode Island	12,994	11,500	5.53	110.0	47.1
7	Washington	13,055	11,500	5.53	110.5	43.7
8	New Hampshire	12,845	11,300	5.43	108.7	46.3
9	District of Columbia	12,472	11,200	5.38	105.5	29.4
10	California	12,636	11,000	5.29	106.9	38.0
11	Minnesota	13,059	11,000	5.29	110.5	43.9
12	Maine	12,500	10,800	5.19	105.8	50.0
13	North Dakota	12,425	10,800	5.19	105.1	56.8
14	New Jersey	12,224	10,700	5.14	103.4	33.3
15	Iowa	12,310	10,600	5.10	104.2	50.9
16	Oklahoma	12,217	10,600	5.10	103.4	49.2
17	Oregon	12,144	10,600	5.10	102.8	44.6
18	Utah	12,253	10,600	5.10	103.7	48.6
19	Vermont	12,850	10,500	5.05	108.7	47.5
20	Maryland	12,124	10,400	5.00	102.6	38.3
21	Michigan	11,932	10,400	5.00	101.0	37.6
22	Kansas	12,031	10,300	4.95	101.8	47.0
23	South Dakota	12,004	10,300	4.95	101.6	56.7
24	Virginia	11,896	10,300	4.95	100.7	40.6
25	Indiana	11,638	10,200	4.90	98.5	43.4
26	Wyoming	11,797	10,100	4.86	99.8	46.9
27	Colorado	11,761	10,000	4.81	99.5	39.5
28	Nevada	11,701	10,000	4.81	99.0	38.2
29	New Mexico	11,740	10,000	4.81	99.3	46.1
30	Illinois	11,439	9,900	4.76	96.8	35.4
31	Delaware	11,466	9,800	4.71	97.0	37.2
32	Pennsylvania	11,567	9,800	4.71	97.9	38.1
33	Wisconsin	11,933	9,800	4.71	101.0	42.7
34	Montana	11,352	9,700	4.66	96.1	49.8
35	Ohio	11,392	9,700	4.66	96.4	39.1

36	Nebraska	11,224	9,500	4.57	95.0	45.6
37	Idaho	11,233	9,400	4.52	95.1	45.4
38	Georgia	10,999	9,200	4.42	93.1	37.6
39	Louisiana	10,711	8,900	4.28	90.6	40.5
40	North Carolina	10,725	8,900	4.28	90.8	39.7
41	Florida	10,593	8,800	4.23	89.6	37.7
42	Kentucky	10,485	8,800	4.23	88.7	40.6
43	West Virginia	10,096	8,350	4.01	85.4	38.1
44	Missouri	10,132	8,300	3.99	85.7	35.5
45	South Carolina	10,132	8,300	3.99	85.7	38.7
46	Tennessee	9,343	7,700	3.70	79.1	33.6
47	Texas	9,207	7,600	3.65	77.9	30.3
48	Arkansas	8,972	7,400	3.56	75.9	37.3
49	Arizona	8,839	7,300	3.51	74.8	31.1
50	Alabama	8,636	7,200	3.46	73.1	32.5
51	Mississippi	7,353	6,100	2.93	62.2	31.9

aBased on a 2,080-hour work year.

Even given that very limited set of benefits, the pretax value of welfare exceeds that of a minimum-wage job in 40 states. Moreover, benefits exceed the poverty level in 25 states. (The package exceeds 99 percent of the poverty level in an additional five states.) In six states the wage equivalent of the benefits package is greater than 50 percent of the state's average wage.

### Continuation of Benefits

Part of the purpose of this study is to highlight how a welfare household fares financially vis-à-vis a low-income household that has a parent working and receives no welfare. One assumption of this study is that when a head of household moves permanently off welfare into the workforce, the family eventually loses eligibility for all welfare benefits. Of course, moving from welfare to work does not automatically mean that an individual loses all welfare benefits. In states where the wage equivalent of welfare remains relatively low, an individual taking a job at that wage could remain eligible for some benefits.

### AFDC

Although a family earning the wage equivalent of welfare is ineligible for AFDC in all 50 states, a family moving from welfare to work may be able to continue receiving benefits for up to six months in states that have been granted waiver authority to continue benefits in the transition to work. More than 20 states are in the process of applying for waiver authority status or awaiting a decision on their application.[44]

### Food Stamps

Food stamp benefits decrease at a rate of 30 cents for every dollar of income. As a result, a family earning the welfare-equivalent wage would be eligible for at least some benefits in 40 states. However, in most cases the benefits would be minimal, as little as \$10 per month.[45] According to social service workers, individuals at the minimum benefit levels are extremely unlikely to participate in the program despite their technical eligibility.

## **Medicaid**

By federal law, all states are required to provide benefits to beneficiaries for a period of six months after transition to work. States must offer a continuation of Medicaid coverage for a second six-month period but have discretion in establishing a fee for that coverage. In addition, while an adult earning the wage equivalent of welfare would be ineligible for Medicaid in all 50 states, her children would remain eligible in several. Assuming the parents earned a pretax wage equivalent to welfare benefits, both children would remain eligible for Medicaid in 25 states. An infant under the age of one would receive benefits in an additional eight states.[46]

## **Housing**

While eligibility for housing programs actually varies by county, a family earning a pretax wage equivalent to the welfare package would be eligible for limited housing benefits in at least one county in half of the states.[47]

Finally, an individual leaving welfare for work may be eligible for new forms of government assistance, particularly child care.[48] However, any additional benefits are likely to be at least partially offset by additional costs associated with going to work, such as child care, transportation, and clothing.[49]

We believe that the decision to exclude potential welfare benefits from consideration in determining a working family's welfare-equivalent income is reasonable. Although hard data on continued participation are difficult to come by, interviews with social welfare personnel indicated that, regardless of eligibility, actual participation rates for all programs drop when individuals enter the workforce. That may be in part because an individual often must reapply for benefits. Second, available funding for programs such as WIC, utilities assistance, and free commodities is committed on the basis of need. Therefore, benefits may not be available for an individual who remains technically eligible.

It should also be noted that, even if the final income level remains unchanged, an individual moving from welfare to work will perceive some form of loss--a reduction in leisure, for example. Thus, as the Congressional Research Service has pointed out,

Leisure is believed to be a "normal good." That is, with a rise in income, people will "purchase" more leisure by reducing their work effort. . . . Thus, the increase in [the value of welfare benefits] is expected to cause people to reduce work hours.[50]

In short, if an individual can earn the same income by either working or not working, most people will choose not to work.

## **Conclusion**

It is, of course, possible to overgeneralize from the above statistics. Not every welfare recipient fits the profile, and many who do fit it do not receive all the benefits listed. Still, what is undeniable is that for many recipients--particularly long-term dependents--welfare pays substantially more than the type of entry-level job that a typical welfare recipient can expect to find. As long as that is true, recipients are likely to choose welfare over work. Hence, if Congress or state governments are serious about reducing hard-core welfare dependence and rewarding work, the most promising reform is to cut benefit levels substantially.

## **Appendix: Calculations for Individual Jurisdictions**

In the tables that follow, AGI = adjusted gross income and EIC = earned income credit.

[Appendix removed].

## **Notes**

Additional research was provided by Naomi Lopez and Dean Stansel of the Cato Institute and James Cooley of Q & A Research. We also appreciate helpful suggestions on the methodology of the study from the research staff at the

Empire Foundation in Albany, New York.

[1] James Heckman, Rebecca Roselius, and Jeffrey Smith, "U.S. Education and Training Policy: A Reevaluation of the Underlying Assumptions behind the 'New Consensus,'" American Enterprise Institute, Washington, March 7, 1994.

[2] See, for example, Leonard Goodwin, *Causes and Cures of Welfare* (New York: Lexington Books, 1983); and Marta Tienda and Stier Haya, "Joblessness and Shiftlessness: Labor Force Activity in Chicago's Inner-City," in *The Urban Underclass*, ed. Christopher Jencks and Paul Peterson (Washington: Brookings Institution, 1991), pp. 135-54.

[3] Several studies have shown that welfare acts as a disincentive to work. For a good review of the literature, see Sheldon Danziger, Robert Haveman, and Robert Plotnik, "How Transfers Affect Work, Savings, and Income Distribution," *Journal of Economic Literature* 19, no. 3 (September 1981): 975-1028; and Robert Moffitt, "Incentive Effects on the U.S. Welfare System: A Review," *Journal of Economic Literature* 30, no. 1 (March 1992): 1-61.

[4] See, for example, Mary Jo Bane and David Ellwood, "The Dynamics of Dependence: The Routes to Self-Sufficiency," Report prepared for the assistant secretary for planning and evaluation, Office of Evaluation and Technical Analysis, Office of Income Security Policy, U.S. Department of Health and Human Services, 1983; Greg Duncan, *Years of Poverty, Years of Plenty* (Ann Arbor: University of Michigan, Institute for Social Research, 1984); David Ellwood, "Targeting Would-Be Long Term Recipients of AFDC," Mathematica Policy Research, Washington, 1986; June O'Neill, Laurie Bassi, and Douglas Wolf, "The Duration of Welfare Spells," *Review of Economics and Statistics* 69 (1987): 241-49; and Robert Plotnick, "Turnover in AFDC Population: An Event History Analysis," *Journal of Human Resources* 18 (1983): 65-81.

[5] Peter Brandon, "Jobs Taken by Mothers Moving from Welfare to Work and the Effects of Minimum Wages on This Transition," Employment Policies Institute, Washington, February 1995.

[6] A large number of studies have documented the effect of minimum wages on employment opportunities for low-wage workers. See, for example, Edward Gramlich, *Impact of Minimum Wages on Other Wages, Employment, and Family Incomes* (Washington: Brookings Institution, 1976), pp. 409-51; Finis Welch and James Cunningham, "Effects of Minimum Wages on the Level and Age Composition of Youth Employment," *Review of Economics and Statistics* 60 (1978): 140-45; David Parsons, *Poverty and the Minimum Wage* (Washington: American Enterprise Institute, 1980); Charles Brown, Curtis Gilroy, and Andrew Kohen, "The Effect of Minimum Wage on Employment and Unemployment," *Journal of Economic Literature* 20 (June 1982): 487-528; Charles Brown, "Minimum Wage Laws: Are They Overrated?" *Journal of Economic Perspectives* 2, issue 3 (1988): 133-46; David Neumark, "Employment Effects of Minimum and Subminimum Wages: Panel Data on State Minimum Wage Laws," *Industrial and Labor Relations Review* 46, no. 1 (1992): 55-81; and Donald Deere, Kevin Murphy, and Finis Welch, "Sense and Nonsense on the Minimum Wage," *Regulation* 18, no. 1 (1995): 47-56.

[7] Taking into account the tax burden in each state magnifies the differences among states with respect to the financial attractiveness of welfare. Most of the highest welfare benefit states are located in the Northeast. Those high-benefit states also tend to be high-tax states. Hence, the tax and welfare policies of states such as Connecticut, Massachusetts, New York, and Rhode Island reinforce each other in discouraging work.

[8] Unless otherwise noted, data in tables are the authors' calculations based on numbers given in sources cited.

[9] That assumes that the full value of compensation for the job is \$25,000 a year. The \$25,000 could be provided entirely in cash salary or be a combination of salary and benefits, such as health care insurance.

[10] See, for example, Richard Vedder and Lowell Galloway, "The War on the Poor," Institute for Policy Innovation, Lewisville, Texas, June 1992. According to Vedder and Galloway, holding other factors constant, individuals below the poverty level who do not receive welfare are nearly two and a half times more likely to be out of poverty the following year than are individuals who do receive welfare.

[11] U.S. House of Representatives, Committee on Ways and Means, 1994 Green Book: Overview of Entitlement Programs (Washington: Government Printing Office, 1994), Table 30.

[12] M. Anne Hill and June O'Neill, "Underclass Behaviors in the United States: Measurement and Analysis of Determinants," Baruch College, City University of New York, March 1990.

[13] Robert Rector and William Lauber, *America's Failed \$5.4 Trillion War on Poverty* (Washington: Heritage Foundation, 1995), appendix 1, pp. 45-87.

[14] A study by the Empire Foundation discovered that when all federal, state, and local benefits and taxes were taken into account, a welfare family in New York City would have to find a job paying \$40,000 a year to compensate for the loss of all welfare benefits. Thomas Carroll, "The Real Price Tag of New York's Welfare Benefits," Empire Foundation and Change-NY, Albany, New York, August 1994.

[15] There is substantial evidence that most welfare recipi-welfare recipients in Chicago, Charleston, and Cambridge, Massachusetts, found that welfare actually accounted for only 57 percent of their income. The remainder came from gifts from friends, relatives, and absent fathers (21 percent); unreported work (10 percent); Supplemental Security Income and foster care (6 percent); illegal activities, including prostitution and drug sales (3 percent); and other (3 percent). Christopher Jencks and Kathryn Edin, "The Real Welfare Problem," *American Prospect* (Spring 1990).

[16] U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance, "Characteristics and Financial Circumstances of AFDC Recipients, FY 1992," 1993, pp. 1-4.

[17] For an overview of AFDC, see U.S. House of Representatives, 1994 Green Book, pp. 324-454.

[18] Carmen Solomon, "Aid to Families with Dependent Children (AFDC): Need Standards, Payment Standards, and Minimum Benefits," Congressional Research Service report no. 95-229 EPW, January 18, 1995, pp. 30-32; and Cato Institute telephone survey of state welfare managers, conducted May-June 1995.

[19] For an overview of the food stamp program, see U.S. House of Representatives, 1994 Green Book, pp. 757-82.

[20] *Ibid.*, pp. 790-819.

[21] Kaiser Commission on the Future of Medicaid, "Medicaid Facts," February 1995.

[22] Health Care Financing Administration, "Medicaid Statistics: Program and Financial Statistics, Fiscal Year 1993," HCFA publication no. 10129, October 1994, pp. 45-46.

[23] Group Health Association of America, "HMO Industry Profile," 1994, p. 99. GHAA provides average family premiums by region. Regions are defined as follows: New England (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont); Middle Atlantic (New Jersey, New York, Pennsylvania); South Atlantic (Delaware, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia); East North Central (Illinois, Indiana, Michigan, Ohio, Wisconsin); West North Central (Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota); South Central (Alabama, Arkansas, Kentucky, Louisiana, Mississippi, Oklahoma, Tennessee, Texas); Mountain (Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Wyoming); and Pacific (Alaska, California, Hawaii, Washington, Oregon). GHAA did not include information for the District of Columbia. However, because DC Medicaid expenditures are similar to those of Maryland and Virginia, we used the premium for the South Atlantic region.

[24] For a description of housing and rental assistance programs, see Office of Management and Budget, 1995 Catalog of Federal Domestic Assistance (Washington: General Services Administration, 1995), pp. 309-22.

[25] U.S. Department of Housing and Urban Development, Office of Policy Development and Research, Research Utilization Division, Fiscal Year 1995 Income Limits for Low-Income and Very Low-Income Families under the Housing Act of 1937 (Washington: HUD, 1995).

[26] 24 CFR, parts 813, 888.



- [27] "HUD Fair Market Rent Values by County," Federal Register 58, no. 189 (October 1, 1993): S1410-86.
- [28] The House Republican budget resolution would eliminate funding for the Low Income Home Energy Assistance Program.
- [29] U.S. Department of Health and Human Services, Administration for Children and Families, Office of Community Services, Energy Assistance Division, "Results of Summer Telephone Survey of Fiscal Year 1994 Low Income Home Energy Assistance Program (LIHEAP) Estimates," LIHEAP Information Memorandum, March 14, 1995.
- [30] For an overview of the WIC program, see U.S. House of Representatives, 1994 Green Book, pp. 827-29.
- [31] *Ibid.*, p. 828, citing a study by the Congressional Budget Office.
- [32] U.S. Department of Agriculture, Food and Consumer Service, "Nutrition Program Facts: Special Supplemental Nutrition Program for Women, Infants, and Children," October 1994, pp. 1-2; and U.S. Department of Agriculture, Food and Consumer Service, "National Databank Statistics," June 2, 1995.
- [33] U.S. Department of Agriculture, Food and Consumer Service, "Nutrition Program Facts: The Emergency Food Assistance Program," October 1994, pp. 1-2.
- [34] For a complete discussion of the Earned Income Tax Credit, see U.S. Department of the Treasury, Internal Revenue Service, "Earned Income Credit," Catalog no. 15173A, Publication 596, 1994.
- [35] See National Research Council, *Measuring Poverty: A New Approach* (Washington: National Academy of Sciences Press, 1995), pp. 62-64.
- [36] The American Chamber of Commerce Researchers Association has developed a cost-of-living comparison index. According to that index, which defines the national average cost of living as 100, the five most expensive jurisdictions in which to live are Alaska (132.9), Hawaii (132.5), District of Columbia (133.8), New Jersey (120.0), and Massachusetts (115.7). The least expensive are Oklahoma (87.3), Mississippi (86.7), Louisiana (87.7), Kentucky (87.9), and Alabama (88.2). Robert Pear, "Auditors Want to Change Federal Poverty Definition," *New York Times*, August 5, 1994.
- [37] F. Howard Nelson, "Survey and Analysis of Salary Trends, 1994," American Federation of Teachers, Washington, October 1994.
- [38] Secretary's wages from U.S. Department of Labor, Bureau of Labor Statistics, "Occupational Compensation Survey, National Summary, 1993," Bulletin 2458, December 1994.
- [39] *Ibid.*
- [40] Computer programmer's wage from *ibid.*
- [41] Advisory Commission on Intergovernmental Relations, "Significant Features of Fiscal Federalism: Budget Processes and Tax Systems, 1994," June 1994.
- [42] U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance, "Characteristics and Financial Circumstances of AFDC Recipients, FY 1992," 1993.
- [43] Mary Jo Bane and David Ellwood, "The Dynamics of Dependence: The Route to Self-Sufficiency," U.S. Department of Health and Human Services, June 1983.
- [44] U.S. House of Representatives, 1994 Greenbook, pp. 379- 81; and National Governors' Association. "Final Report: The National Governors' Association Survey of State Welfare Reforms," Washington, July 1994.
- [45] *Ibid.*

[46] Ibid.

[47] U.S. Department of Housing and Urban Development, Fiscal Year 1995 Income Limits for Low-Income and Very Low-Income Families under the Housing Act of 1937.

[48] The federal government requires states to "guarantee" child care to AFDC recipients if care is needed in order for a parent to accept a job or remain employed. States may use a variety of methods for providing child care, including vouchers and an income disregard (an increase in the limitation on earnings, allowable assets, or the equity value of a vehicle in calculating eligibility for benefits of current AFDC recipients) equal to certain child-care expenses up to a maximum amount. Mothers who leave AFDC because of increased earnings may be eligible for Transitional Child Care assistance for one year, and after a year they may be eligible for other federal subsidies. There is little detailed information available on whether states actually provide child-care assistance to all eligible recipients. Thomas Gabe and Gene Falk, "Welfare Reform: Implications for Work and Welfare, the Role of Work Incentives and Work Requirement," Congressional Research Service report 95-198 EPW, January 25, 1995.

[49] See Jerry Hausman, "The Effects of Wages, Taxes, and Fixed Costs on Women's Labor Force Participation," *Journal of Public Economics* 14 (1980): 161-94.

[50] Thomas Gabe and Gene Falk, "Welfare: Work (Dis)Incentives in the Welfare System," Congressional Research Service report 95-105 EPW, January 10, 1995.