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Pathways from Poverty

by Julie Leones, Extension Economist

The title of this newsletter is based on a regional conference sponsored by the Western Rural Development Center in Albuquerque last May, 1995. This newsletter gives a brief description of poverty in the U.S. and in Arizona and some of the pathways out of poverty. It also provides a copy of the guidelines for use of block grants in Arizona developed by the Arizona Community Action Association along with numerous other organizations and individuals. The drafting of this document was supported in part by Pathways from Poverty funding and the idea to put together such a document was developed at the Pathways conference. Thinking about block grants and how they might be implemented is of concern for social welfare programs and economic development programs. The current U.S. Congress is drafting legislation that would convert much of the funding for both types of programs into block grants.

Poverty in the U.S.

Nationwide, 1 in every 8 people lived in poverty in any given month of 1990. Poverty is determined by comparing monthly household income to a poverty threshold.¹ In the average month in 1990, 32 million Americans were poor. Although there is a lot of movement in and out of poverty by households, for 19 million people, poverty was persistent. Poverty is associated not only with individuals, but also with specific places or regions of the country. In addition, certain characteristics, such as race, age, place of residence and family and marital status can make it more or less likely that an individual is poor.

Twelve percent of all Americans (29 million people) participated in government assistance programs in the average month during 1990 and 31 million participated in 1991. The most heavily used federal assistance programs were Medicaid (used by 7.7% and 8.6% of all Americans in 1990 and 1991 respectively) and Food Stamps (used by 6.9% and 7.6% of all Americans in 1990 and 1991 respectively).

Poverty rates are particularly high in non-metropolitan (rural) areas and in central cities. Rates are high for people living in families with a female head (37.2% of all such families were poor in 1991), in African American

¹ In the U.S. this poverty threshold was established 40 years ago. It is based on a food allowance adequate to maintain the nutrition of a household of a given size. This food allowance figure has been updated annually using the Consumer Price Index to account for inflation. Families are assumed to spend one-third of their total income on food. Hence, the actual poverty threshold is 3 times the USDA's adequate food allowance. There have been serious criticisms of this threshold over the years, but no practical alternative has been developed.

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and Hispanic households (31.9% and 28.1% of all such households were poor in 1991), for children (20% were poor in the average month of 1990-1991), for the unemployed (40% were poor in the average month of 1990-1991) and for the disabled (18% were poor in the average month of 1990-1991).

There are a variety of theories concerning why poverty persists. No single theory has stood out as providing the best explanation and the actual causes of poverty may be due to a combination of factors including discrimination, inadequate education, inability or unwillingness of individuals to leave a specific place in search of better employment, global economic restructuring, and regional dependency on single industries or on declining industries.

Poverty in Arizona

Arizona has the dubious honor of having the 13th highest poverty rate in the United States. The state poverty rate in Arizona was 15.7 percent in 1989 (approximately 575,440 people). In Arizona as a whole in 1990, almost 38 percent of the poor were children, 54 percent were female, 58 percent were white, 17 percent were Native American, 33 percent were of Hispanic origin. Between 1979 and 1989 the rate of poverty among people over 60 fell to approximately 10.8 percent. Over this same time period, the poverty rate among children under the age of 18 increased from 17.5 percent to 21 percent.

In 1990, 301,744 people lived in Arizona households receiving \$18.4 million in food stamps and 118,385 people lived in households receiving \$10.7 million in aid to families with dependent children. The average allotment per person for food stamps was \$61.10 per month and for AFDC was \$90.08 per month in Arizona.

The poverty rate for Native Americans living in rural Arizona was 52.2 percent or 68,566 people in 1990. The poverty rate for all Native Americans in Arizona in 1990 was 49.2 percent. Despite the fact that Native Americans are only 29 percent of all rural Arizonans, they accounted for almost half of all people living in poverty in rural Arizona. Three counties in Arizona are identified as persistent poverty counties (i.e., counties with 20 percent or more of persons in poverty in 1960, 1970, 1980 and 1990). Not surprisingly, those counties are Apache, Navajo and Coconino.

The situation for American Indians has been grim for some time, but it is encouraging to hear the enthusiasm and

determination of Indian leaders who are taking on more of the responsibilities once assumed by the BIA for social welfare and development programs. Many of these leaders are aggressively seeking economic developments that will bring jobs to the reservations. If successful, marked progress should be seen in the poverty status of rural Native Americans over the next decade.

Pathways Out of Poverty

At the Albuquerque conference, much emphasis was placed on programs directed at helping individuals overcome their personal low income situation. The three general paths identified were work and income programs, education and human capital development, and family and health. Given the statistics just presented, clearly other government policies such as policies affecting discrimination, the management of American Indian reservations, and the financial responsibilities of fathers of out of wedlock children could also make a difference in the poverty picture in Arizona and in the U.S..

Marie Cirillo of the Woodland Community Land Trust posed these provocative questions—Is it the poor who are to blame for their poverty or is it the people with power? Isn't blaming the poor for their poverty a form of blaming the victim instead of the perpetrator? She argues that poverty is deeply rooted in place and that creating pathways out of poverty involves developing social capital and community capacity. She defines social capital as the interplay among people in a shared environment. Building social capital requires creating social activities.

Ann Tickamyer of the University of Kentucky walked through the flawed theories and assumptions about poverty that often get in the way of developing good policy. Among these: welfare causes poverty; people are poor because they won't work; all jobs are equal and any job is a good job; and all jobs pay. Tickamyer argued that poverty needs to be addressed at a variety of levels, by the individual, household, community, state, region and nation. The poor must become more politically active if lasting solutions for poverty are to be developed. We have to find a way to insure that all jobs provide a living wage. We need to quantify the costs and benefits of economic development policies for various groups of people. We need to listen to people living in poverty concerning what they think would most help them. Finally, we need to recognize that there is no single pathway from or solution to poverty. Reducing poverty requires different policies for different groups and regions.

The Current National Debate Concerning Welfare Programs

The current congress is placing a great deal of emphasis on the idea of reducing federal government intervention in policy and programs. This is based on the idea that state governments are in a better position to make effective policy and deliver effective programs to people in their state than the federal government. Consequently, block grants are seen as a way for the federal government to provide funding for specific programs at the same time it is giving state governments the responsibility (and hopefully, the flexibility) to meet local needs.

One strong fear felt in the states concerning the use of block grants is that it will be used to transfer all the responsibility for social programs to state governments, but with federal funding that is declining over time. This will leave the state in the position having to decide whether to reduce program services or supplement federal funding with state funding and if so, where to raise the state funds. Another concern is that while allowing states to control programs will allow them to more effectively meet local needs, it will also lead to differences in the level of social services provided in each state and could result in the migration of poor people from states with less attractive programs to states with more attractive programs.

The implications of reducing federal government's role is tremendous for social welfare programs that depend on the federal government for most of their current funding. Hence, groups that provide services to the poor or are involved in policy making related to poverty, are particularly concerned about how block grants will be used by state agencies. In response to that concern in Arizona, the Arizona Community Action Association set about to draft suggestions or guidelines for how social welfare block grants might be administered. This next section is the text of those guidelines.



BLOCK GRANTS WITH A VISION²

Arizona Community Action Association Anti-Poverty Initiatives / Block Grant Committee

The purpose of this consensus document is to act as suggested policy guidance for policymakers at both the federal and state levels in the evolving discussion about block grants. It is hoped that principles such as these will be incorporated into both state and federal policies.

The following draft reflects input received from 250 diverse groups throughout Arizona. Participants include representatives from urban and rural areas, cities, counties, and state agencies, human service providers (public and private non-profit), and Indian tribes. Discussion from 12 independent meetings held since April throughout the state, including Flagstaff, Pinal County, Pima County, and Maricopa County, has been the basis for this consensus document. The Anti-Poverty/Block Draft Drafting Subcommittee has attempted to present language which addresses policy concerns while maintaining the integrity of the diverse perspectives.

Block Grants With A Vision

Context

Congressional and political change is upon us. A paradigm shift has occurred. Deficit reduction and a balanced federal budget are major drivers of the new spirit in Congress. Frustration with federal government solutions and the balanced budget mentality has led to a cry for new approaches. Very few community service programs will remain unaffected. We in Arizona propose that a community vision and basic principles must structure any block grant programs.

Public agencies, community providers, consumers, elected officials, and the media are calling for system reform and new fiscal solutions. One solution that has been proposed is funding multiple programs through block grants so that states and localities have more flexibility and control in targeting funds. Block granting can work, as has been proven in the past. Block grants without a vision, however, would be merely an abdication of responsibility to our country's most vulnerable people and to its taxpayers. A community vision must be developed to maximize the opportunity to design systems which most effectively address the needs of people in our communities.

Vision and Goals for A New Block Grant System: The Potential for Reform

Block grants without a vision and a set of core organizing principles will deteriorate into another missed opportunity for system reform — or another refinancing mechanism at the state level. *If designed properly, block grants can provide a human investment strategy through comprehensive programs by integrating many diverse funding sources with a creative, holistic approach to responding to the needs of Arizona's communities, especially its most vulnerable populations.* Block granting will have the best chance of success if administered in a manner that enhances the dignity of the persons served.

Block grants also can provide Arizona a unique opportunity to improve the current delivery system (see Appendix I). Several ingredients are necessary in order to make block grants effective at the state level and in local communities:

- Increased coordination among a diversity of funding agencies
- Minimize categorical approaches
- Blend rather than fragment systems of policy, funding and service delivery system to focus on the service objective.
- Provide for accountability, responsibility, and authority for programs at the appropriate community level and jurisdictions
- Adequate funding

Guiding Principles for Block Grants

- 1) **Clarity of Purpose:** Goals and objectives of the block grant must clearly yet broadly define the purposes and constituencies to be served. A minimum standard for core services addressing basic human needs, such as food, clothing, shelter and medical care, should be established by the state with input from local communities. Specific portions of a block grant should be required to be spent for purposes as defined by the community.

² This document is copyrighted. Please contact Janet Regner at ACAA for permission to use it.

- 2) Local Community Control in Planning and Delivery of Services:** Local community control in planning and delivery of services must afford meaningful participation by community members in developing goals and objectives, and reviewing service priorities and overseeing implementation activities. This process provides community-based responses to unmet needs, while affording the flexibility to carry out appropriate local delivery. Specific definitions of local control (the Legislature, Executive branch, etc.) are not addressed in this document, although it is recognized that there should be significant discussion of this issue as an important part of the public policy dialog.

Integral to local control is guidance by advisory committees made up of state, local and tribal elected officials, and a diverse section of volunteers from a cross section of the public, private, and non-profit sectors, including low-income members of the community. Successful advisory committees which already exist should continue to be expanded so as to avoid duplicative processes.

- 3) Governmental Responsibility:** Block grant legislation should require that state and local governments' contributions for certain services be equal to or exceed the current contributions for such services the block grant addresses. This could reduce the potential harm that may be caused by proposed federal budget cuts in Congress.

Provisions that prohibit states from using federal block grant funds to supplant state and local government spending must be included in block grant legislation. In addition, cost ceiling mechanisms should be used to prevent misuse or abuse of spending flexibility. Requiring a set percentage of the federal funds be used for a particular purpose would improve targeting of specific block grant objectives.

- 4) Accountability for Funds:** Federal conditions for state receipt of block grant funds should require local planning processes for development of a statewide plan. Prior to public policy being created, public hearings should be conducted on the proposed use and distribution of funds. Relevant agencies should report back regularly to the local advisory committees and the general public on the use of block grant funds. State and local planning processes and reports should include but not be limited to:
- Outcome measures as established by local advisory processes and mechanisms;
 - Determination of the needs of targeted populations as established by local advisory processes and mechanisms;
 - The effectiveness of federal assistance in achieving intended outcomes and purposes.
- These steps will help to ensure accountability for funds at both the state and local levels.

- 5) Equitable Distribution of Funds Among Different Jurisdiction:** Equitable distribution among jurisdictions, including the state, localities, Indian nations, and rural areas, must consider changes in the demographic composition of the state's population, economic conditions and need-based factors. The formula must include measures for need, outcomes, the fiscal ability of respective jurisdictions, the cost of services and the special needs of vulnerable populations. Basic human needs of the target population must be respected as a key part of any distribution formula.

- 6) Public/Private Partnerships:** Federal block grants should require mutual public, private and third sector investment and shared responsibility. It should also be the shared responsibility of these sectors to ensure a fundamental system redesign that reduces bureaucracy and cumbersome regulation while balancing the necessary accountability for fair treatment, quality services and fund dispersal. A portion of a state's block grant should be transferred to local communities to support direct service partnerships between the public and voluntary non-profit sectors in service provision. At the same time, there should be a personal responsibility from the individuals assisted in the form of a co-payment (either monetary or service) when appropriate.

- 7) Assurances of Fair Treatment:** Basic protections under the law should safeguard the health, safety, and civil rights of those served with block grant funds and prevent arbitrary decision making. An appeal process to a higher decision authority shall be included for a community or person that is not satisfied with the formulation of a plan or the process by which it was designed.

- 8) Quality Standards:** Block grants must assure that qualified, experienced providers continue to deliver needed services. States should be required to maintain minimum standards for quality of care, services and delivery. Relevant accrediting bodies at the state and national levels should be used to determine appropriate quality standards and guidelines, to guard against the influence of special interests.

Conclusion

Our country's investment in social capital has historically been less than needed. As a society, we have under-invested in systems to adequately support the dignity and creative solutions for vulnerable families and individuals. Block grants can provide a unique opportunity to improve the current delivery system. However, they will be even more effective if the principles and objectives are determined a level closest to the community itself. All levels of government and citizens should work toward this essential goal.

Appendix I

Opportunities to Improve Systems Serving the Public Through Block Grants

Service Delivery

Multiple programs, funding sources and accounting rules have created a system of services and administrative costs that is neither cohesive or coordinated. In a state the size of Arizona, one agency cannot possibly know every community and be able to singularly provide services equitably and effectively.

Holistic Vision

The current system is categorical, treating problems or concerns as isolated and individually-based rather than viewing them holistically and in the context of family, neighborhood and community. Longer-term, non-fragmented, solutions are necessary.

Results, Not Process, Oriented

The current system is not focused on results, but measures itself through process and procedure.

Proactive, Not Reactive

Expensive, crisis services are emphasized at the expense of long-term prevention programs necessary to change results. Still, there needs to be a balance between emergency aid and long term prevention. When people are in crisis, help cannot wait.

Community Needs Determination

By and large, the current system is "top-down," not allowing states and communities the flexibility to decide their own needs. With few exceptions, the current system also does not foster consumer involvement and participation in seeking collective solutions to improve outcomes.

Appendix II

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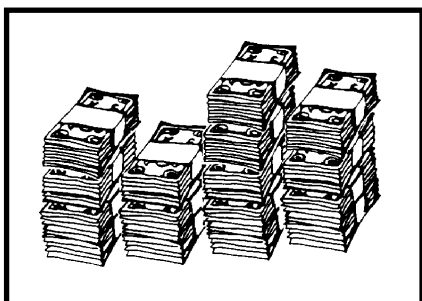
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Letter from the Editor

If you are interested in learning more about how new legislation may affect low income households in Arizona, I would urge you to contact Janet Regner at the Arizona Community Action Association. The ACAA address and phone number are 67 E. Weldon, Suite 310, Phoenix, AZ 85012. 602-230-8267 (FAX: 602-230-8613).

In the next newsletter, we will be focusing on the results of a recent study of high technology industries in the state of Arizona.

Sincerely,



Julie Leones, Ph.D., Editor
Department of Agricultural and
Resource Economics
Economics Building
P.O. Box 210023
University of Arizona
Tucson, AZ 85721-0023
Phone: 520-621-6255
Fax: 520-621-6250