

**RURAL HOUSING  
AND WELFARE REFORM:**

**HAC'S 1997 REPORT ON  
THE STATE OF  
THE NATION'S  
RURAL HOUSING**

Housing Assistance Council

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## EXECUTIVE SUMMARY

Although the federal Welfare Reform Act makes few changes to housing programs, it will affect many welfare recipients' housing conditions. Reducing income support programs and food stamps means reducing the funds these families have available to pay for housing. In rural areas, making welfare reform succeed may be especially difficult because of the lack of resources such as transportation, child care, and job training necessary to make the transition from welfare to work. As a result, it seems likely that many rural families will lose welfare benefits without being able to replace those benefits with earnings. The loss of income will reduce the funds these families have available for housing, resulting in worsened living conditions or even homelessness.

### ***The Nation's Rural Housing***<sup>1</sup>

Rural residents experience acute housing problems that are too often overlooked while public attention focuses on big-city housing issues. In the rural United States, 5.6 million households live below the poverty line, a poverty rate of 15 percent.<sup>2</sup> More than one quarter of rural households have a major housing problem—high cost, physical deficiency, or overcrowding. Another quarter live in homes that are generally sound and affordable, but were built before 1950 and are likely to contain lead hazards.

The most critical housing problem in the United States, including in rural areas, remains the gap between what people can afford to pay and the cost of their homes. Almost one quarter of rural households pay more than 30 percent of their incomes for housing, defining them as “cost burdened” under federal standards. This figure includes over three million rural households who pay more than half their incomes for their housing, and 4.9 million paying between 30 and 50 percent.

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<sup>1</sup> All data presented in this report are Housing Assistance Council (HAC) calculations using microdata from the 1995 AHS, unless otherwise stated. The term “rural” is used in this report to refer to small towns and open country, both within and outside of metropolitan areas. Towns in relatively densely settled areas where the total population is 50,000 or more and all places with populations larger than 50,000 are excluded. (For more detailed definitions, see Appendix A.) It should be noted that the AHS uses areas defined by the 1980 (not 1990) Census for urban, rural, farm and nonfarm determinations, and defined by the Office of Management and Budget as of 1983 for metropolitan and nonmetropolitan designations. This usage has the advantage of being able to measure change over time within constant boundaries, but the disadvantage of being out of date. Census results from 1990 show that, compared to 1980, a smaller proportion of the U.S. population now lives in places with under 2,500 population.

<sup>2</sup> The AHS defines a “household” as the group of individuals occupying a housing unit. A “family” consists of a householder and all other persons living in the same household who are related to the householder by blood, marriage, or adoption. A household may consist of a family, no family (i.e., one or more single unrelated individuals), or more than one family. The “householder” (sometimes called the “head of household”) is the first household member 18 years old or over who is the owner or renter of the sampled housing unit.

In addition, about 2.6 million rural households live in physically inadequate housing. Another 696,000 are overcrowded. Nine hundred thousand rural households have multiple housing problems, which almost always include cost burden.

Poor families everywhere suffer the greatest housing problems, and rural residents are no exception. More than four of every ten rural poverty-level households pay over 50 percent of their meager incomes for housing. One third of rural households in severely physically inadequate homes have incomes below the poverty level.

Minorities in rural areas are disproportionately likely to be poor and to experience housing problems. One third of all rural African-American households, and almost a third of rural Hispanic households, are cost burdened. Rural African-American households are far more likely to live in housing with serious physical inadequacies than are rural white households or urban African-Americans. Native Americans suffer some of the worst housing conditions in the United States.

The serious housing issues facing all poor rural residents are generally worse for rural welfare recipients, even before the passage of the Welfare Reform Act.

### ***Rural AFDC Recipients' Housing***

Understanding welfare reform's possible results requires a closer look at those most likely to be impacted: families with children, particularly those who received Aid to Families with Dependent Children (AFDC) and/or food stamps before the Welfare Reform Act took effect. One-third of the 5.9 million households in the U.S. receiving AFDC or SSI in 1995 lived in rural areas. Two thirds of these rural households lived in nonmetropolitan rural areas, where they are less likely than those in metropolitan areas to have access to jobs, public transportation, job training, and child care.

Low incomes are a major problem for rural families with children, including those who receive welfare. Some 2.3 million rural families with children have incomes below the poverty level, while another 3.3 million are near-poor (with incomes below 200 percent of poverty). About two thirds of rural welfare households are poor, and another quarter are near-poor.

One third of rural families with children reported receiving food stamps in 1995, about the same as the suburban level and substantially below the 43 percent rate in cities. In all geographic areas, the great majority of households receiving welfare also received food stamps, although in rural areas these households accounted for only a third of those receiving food stamps.

Like urban and suburban welfare recipients, most rural welfare recipients have young children and most live below the poverty level. On the other hand, rural welfare householders are more likely to be married than those in cities, older, less likely to be women, and more likely to have at least two adults in the household. One third of rural welfare householders with employment earnings have less than a high school education, while almost half of those with no earned income have no diploma. Although overall rural homeownership rates are higher than in other parts of the country, with three quarters of all rural households owning their homes, only one third of rural welfare households are homeowners. About one fourth of rural welfare households live in mobile homes, compared to 4 percent in suburbs and less than 1 percent in cities.

More than half of these rural welfare households have major housing problems. Forty percent are cost burdened, 6 percent live in homes with physical deficiencies, 5 percent are overcrowded, and 13 percent have multiple problems. Many live “doubled-up” as well: although overall only 4 percent of rural housing units are occupied by more than one family, fully 16 percent of rural welfare households’ homes are shared by two or more families.

A striking characteristic of the 1.1 million rural welfare households is that almost half of them received more than half of their total household income from earnings. This is significantly higher than in cities, where only 34 percent of welfare households earned more than half their total income; in suburbs, the proportion is also almost half. Another 18 percent of rural welfare households had some—but less than half—of their income from earnings. Thus a total of 64 percent in rural areas had some earnings, compared to 62 percent in suburbs and only 46 percent in cities.

It seems very unlikely that significant numbers of rural welfare recipients will be able to increase their earnings further as they seek to replace public assistance. It is estimated that many welfare recipient households nationwide will lose significant portions of their income as welfare reform takes effect. Even finding employment will not necessarily solve income inadequacies, since working often requires spending more on clothing, child care, transportation, and—for the many workers whose employers do not provide health insurance to replace Medicaid—health care.

These obstacles to self-sufficiency are particularly troubling in rural areas, where jobs, child care, transportation, education, and training are less available than in cities. Three fifths of nonmetropolitan counties have experienced persistent poverty and high unemployment rates over several decades, so creation of new jobs will be extremely problematic there. Affordable, good quality day care is already in short supply nationwide, and public transportation is rarely available in rural places.

These conditions make it difficult to be optimistic that welfare reform can somehow improve the lives of rural welfare recipients.

## INTRODUCTION

### ***About This Report***

Although the federal welfare reform legislation effective in 1997 makes few changes to housing programs, it will affect many welfare recipients' housing conditions. Reducing income support programs and food stamps means reducing the funds these families have available to pay for housing. In rural areas, making welfare reform succeed may be especially difficult because of the lack of resources such as transportation, child care, and job training necessary to make the transition from welfare to work. This report presents the context within which welfare reform will affect the housing conditions of rural Americans.

The second in a series of *State of the Nation's Rural Housing* reports by the Housing Assistance Council, this report has two major parts. The first presents data on all rural residents and their housing, and compares them to urban and suburban residents. The second focuses on rural welfare recipients, particularly on their housing conditions. The report relies primarily on microdata released in 1997 from the 1995 American Housing Survey (AHS). The AHS is conducted every two years by the Bureau of the Census for the Department of Housing and Urban Development (HUD).

Housing is only one of many arenas affected by welfare reform, of course. Rural residents' ability to move from welfare to work will depend in part on the availability of jobs, transportation, education and training, day care and other services. Specific data about these items is scarce, but has been included in this report where possible.

This report does not measure the impact that changes in public assistance may have in rural areas or on rural housing needs or programs. Not only are data not yet available, but the impact will vary greatly from state to state, and the American Housing Survey does not provide state-level data. Such information is available only from the decennial Census, which contains much less detail about housing conditions.

This analysis, then, focuses on national data and concentrates on housing considerations. To provide data useful for examining welfare reform's impact on housing in rural areas aggregated at the national level, it explores the links between housing conditions (i.e., housing need), housing assistance, income levels, sources of income (i.e., reliance on public assistance), and family type. It examines the characteristics of rural households receiving welfare benefits before the Welfare Reform Act was adopted, and looks also at the housing conditions of other rural residents.

The term "rural" is used in this report to refer to small towns and open country, both within and outside of metropolitan areas. Towns in relatively densely settled areas where the total population is 50,000 or more and all places with populations larger than 50,000 are excluded. (For more detailed definitions, see Appendix A.) All data presented in this report are Housing Assistance Council (HAC) calculations using microdata from the 1995 AHS, unless otherwise



stated. Some data are used in the text, and detailed numbers are included in tables in Appendix B.

### ***The Welfare Reform Act***

On August 22, 1996, President Bill Clinton signed the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, better known as the Welfare Reform Act.<sup>3</sup> This law replaces the Aid to Families with Dependent Children (AFDC) program with a block grant program called Temporary Assistance to Needy Families (TANF). Every state will receive a TANF allocation and will have a great deal of discretion on how to use it. Most of the new provisions and the block grant funding went into effect on July 1, 1997.

Each state has designed its own program for spending the allocated federal and state funds, resulting in wide variations. States can maintain previous welfare eligibility criteria, or redesign programs and set more restrictive eligibility requirements. Individuals and families are no longer entitled to welfare assistance. No particular types of assistance must be provided—a state could, if it wished, eliminate cash assistance altogether. In addition, when their revenues decline, states will have the discretion to cut welfare funds and divert them to other programs.

Most legal immigrants have lost their eligibility for food stamps or Supplemental Security Income (SSI), and losing SSI eligibility also ends their eligibility for Medicaid. (Illegal immigrants were already ineligible for most federal government benefits.) When the Welfare Reform Act was passed, it was estimated that approximately 500,000 elderly and disabled legal immigrants would lose SSI and Medicaid and 900,000 would lose food stamps,<sup>4</sup> although the Budget Reconciliation Act of 1997 restores food stamps and SSI for elderly and disabled immigrants who became disabled after entering the United States. Legal immigrants' eligibility for TANF benefits is restricted as well.

It is far too early, of course, to know precisely how welfare reform will affect rural residents and their housing. The information presented in this report can only establish the starting point from which welfare reform will begin to take effect. Thus the general data about rural residents and their homes is augmented by a closer examination of those who received welfare income before the Welfare Reform Act took effect.

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<sup>3</sup> Pub. L. No. 104-193, 110 Stat. 2105, 104th Cong., 2d Sess. (Aug. 22, 1996).

<sup>4</sup> Congressional Budget Office, *CBO Memorandum: Federal Budgetary Implications of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996* (Washington, DC: Congressional Budget Office, December 1996), 28-31.

## THE NATION'S RURAL HOUSING<sup>5</sup>

The high cost of housing results in a growing gap between housing costs and incomes that has become a serious problem for millions of rural American families. At the same time, rural residents are disproportionately likely to live in homes with physical problems like incomplete plumbing and leaking roofs. While public attention focuses on big-city housing crises, the problems in rural areas remain acute but all too easily overlooked.

### ***General Characteristics of Rural Housing and Poverty***

There are a total of 97.7 million occupied housing units in the United States, according to the 1995 American Housing Survey. Of these, 37.2 million, or 38 percent, are rural and 60.5 million are urban, with half of those in central cities and half in suburbs.<sup>6</sup> Most of the rural units (71 percent) are located in open country or in small towns with populations under 2,500.

Almost half of the rural units are located in metropolitan areas, and 56 percent are outside of metro areas. This high metropolitan proportion is largely a function of the official definition of a metropolitan area. Every metropolitan area includes not only a county containing a city or urbanized area of at least 50,000 population, but also the surrounding counties "if they are socially and economically integrated with the central county."<sup>7</sup> These surrounding counties include many places with small populations, and areas of open country: rural places. Thus, for example, much of the state of California, including most of the major agricultural areas, is considered metropolitan.

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<sup>5</sup> This section updates information from the 1993 American Housing Survey as presented in *The State of the Nation's Rural Housing in 1996* (Washington, DC: Housing Assistance Council, 1996). Few comparisons are made here because there were no significant changes from 1993 to 1995—changes of less than five percentage points usually fall within the survey's margin of error and cannot be considered to indicate any real shift. The figures have been updated, while the facts deserving emphasis have not changed.

<sup>6</sup> See Appendix A for definitions of rural, urban, and other geographic terms. It should be noted that the AHS uses areas defined by the 1980 (not 1990) Census for urban, rural, farm and nonfarm determinations, and defined by the Office of Management and Budget as of 1983 for metropolitan and nonmetropolitan designations. This usage has the advantage of being able to measure change over time within constant boundaries, but the disadvantage of being out of date. Census results from 1990 show that, compared to 1980, a smaller proportion of the U.S. population now lives in places with under 2,500 population.

<sup>7</sup> U.S. Department of Commerce, Bureau of the Census, and U.S. Department of Housing and Urban Development, *American Housing Survey for the United States in 1995*, Current Housing Reports H150/95RV (Washington, DC: U.S. Government Printing Office, July 1997), A-3.

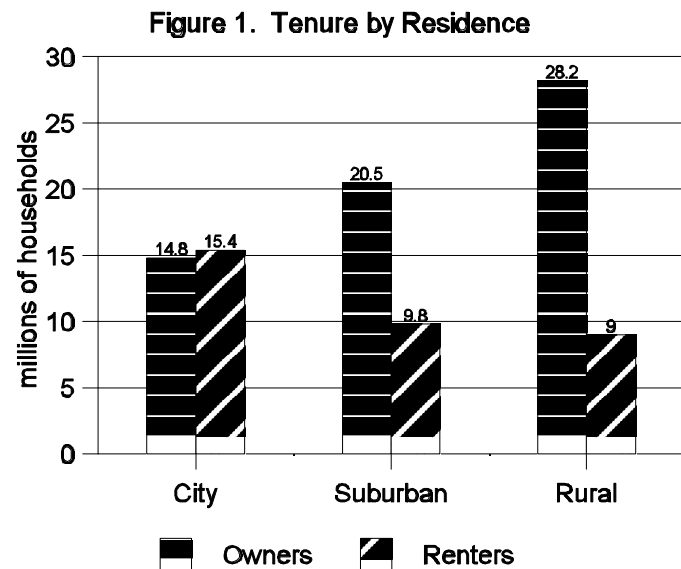
The number of households nationwide, and those in rural areas, have increased from 1985 through 1995. Growth was far higher in rural and suburban areas than in central cities. Rural housing units increased from 32.0 million in 1985 to 37.2 million in 1995, a growth of 14 percent. Central cities grew by only 5 percent, and suburbs by 19 percent.

Most of the rural growth was in rural parts of metropolitan areas. During the 1985-95 period, the number of households living in metropolitan areas in open country or in towns of 2,500 or less grew by 28 percent, while comparable nonmetro areas grew by 12 percent. In metro areas, places with under 2,500 population outside of densely settled areas expanded by 14 percent, but in nonmetro areas such places grew by only 2 percent. Despite the growth in numbers, the proportion of households living in rural areas has remained consistent, 37 percent of all households in 1985 and 38 percent in 1995.

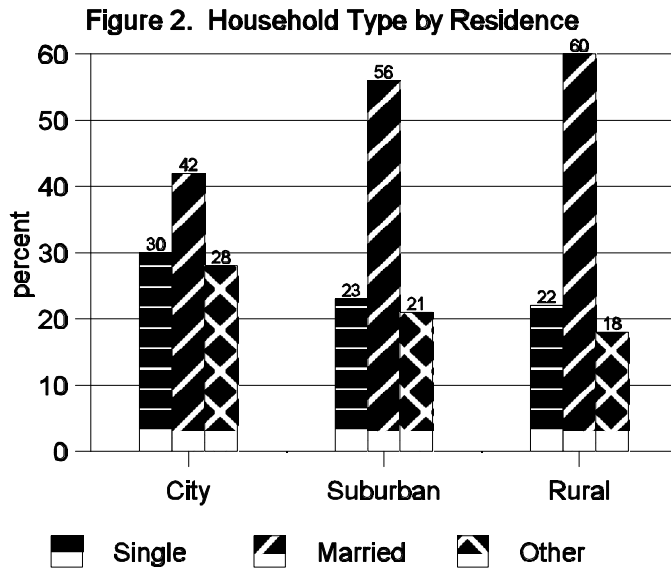
### **Urban/Rural Differences**

Many rural Americans own their homes. As Figure 1 shows, three quarters of rural households are homeowners, compared to 68 percent of suburban residents and only half of those in cities. Viewed another way, 44 percent of the nation's homeowners live in rural areas, although only 38 percent of housing units are there.

Generally, rural homes, including many rental units, are predominantly single-family units. Only 11 percent of rural households live in structures with two or more units, compared to 44 percent in cities and 27 percent in suburbs. Thirteen percent of rural households live in mobile homes, compared to only 1 percent of city and 3 percent of suburban residents.



Rural households are also older, larger, and more likely to be married than urban households. Over half of rural householders are 45 or older, compared to 47 percent of city and 51 percent of suburban householders. One quarter are over 65, a slightly higher proportion than city or suburban residents. Only 21 percent of rural householders are under 35, as are 30 percent of city and 25 percent of suburban householders. Just over one fifth of rural households consist of single persons living alone, compared to 30 percent of city and 23 percent of suburban households. Sixty percent of rural householders are married, slightly more than suburbanites and far above city dwellers, as illustrated in Figure 2.

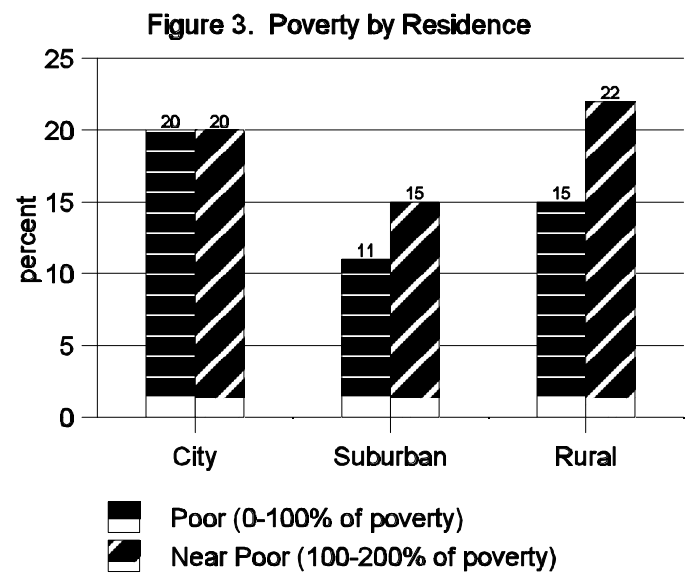


In the rural United States, 5.6 million households live below the poverty line. That translates to a poverty rate of 15 percent, as shown in Figure 3. Rural households are more likely than others to be near-poor, with incomes between poverty and 200 percent of poverty.

Rural America contains many areas with substantial numbers of Hispanics, African Americans, or American Indians. Overall, however, rural residents are more likely to be white than are urbanites.<sup>8</sup> Eighty-eight percent of rural householders are white, compared to 79 percent of suburban and 61 percent of city householders. While African

Americans constitute 22 percent of city and 9 percent of suburban households, they are only 6 percent of rural households. Hispanics account for 4 percent of rural households, 8 percent of suburban, and 13 percent of city householders. Finally, 2 percent of rural households belong to other minorities, compared to 4 percent of suburban and 5 percent of city householders. The disparities in the pattern of African-American and Hispanic residence can probably be accounted for by two factors, the migration of African Americans from the rural south to large cities that has taken place since the end of World War I, and the tendency of immigrants to settle in urban areas.

More than one quarter of rural households have a major housing problem: 9.5 million of them have one major problem, and 900,000 have



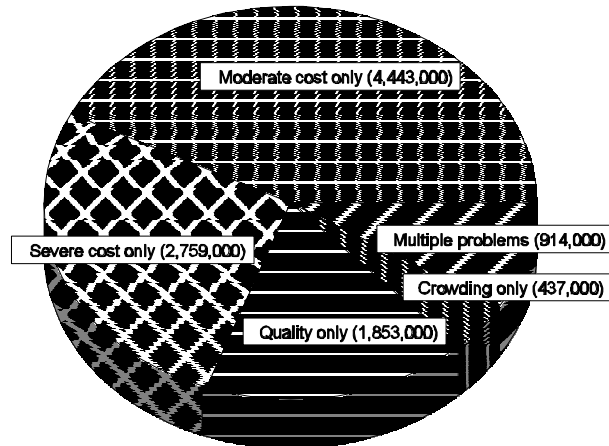
<sup>8</sup> Racial and ethnic data in the AHS are based on self-identification by persons surveyed, a process that may lead to inconsistencies. Unlike some other Census Bureau data, the AHS data used for this analysis do not include any overlap in categories. This report has substituted “African American” for the AHS term “black,” and “Native American” for “American Indian,” and has used “Hispanic” because it is the term used in the AHS. The Housing Assistance Council recognizes that the AHS terms and the terms used in this study may not be those preferred by the persons identified.

multiple problems, which almost always include either moderate cost burden (paying from 30 to 50 percent of income for housing) or severe cost burden (paying over 50 percent of income). Figure 4 illustrates the distribution of housing problems among rural households. These figures do not include the additional 26 percent of rural households who live in otherwise sound and affordable units built before 1950, which are likely to contain lead hazards.

### **Housing Affordability**

The major housing problem in the United States remains the gap between what people can afford to pay and the cost of their homes, including utilities and, for owners, taxes and maintenance. Nationwide, 11.1 million households—3.1 million of them in rural areas—have severe cost burdens, paying over half their incomes for housing. Another 15.4 million households, 4.9 million of whom live in rural areas, have moderate cost burdens, paying between 30 and 50 percent of income for housing costs. In all, more than one in five rural households suffer from high housing cost burdens, and 10 percent of these households also have problems of housing quality or overcrowding.

**Figure 4. Housing Problems of Rural Households**  
(number of households)



Rural homes cost less than those in urban areas—median monthly housing costs in rural areas were \$408 in 1995, compared to \$521 in central cities and \$672 in suburbs—but rural incomes tend to be lower as well. Median household income in rural areas was \$29,000 annually in 1995, slightly above the central city median of \$26,000 but far lower than the \$38,000 annual median income in suburbs.<sup>9</sup>

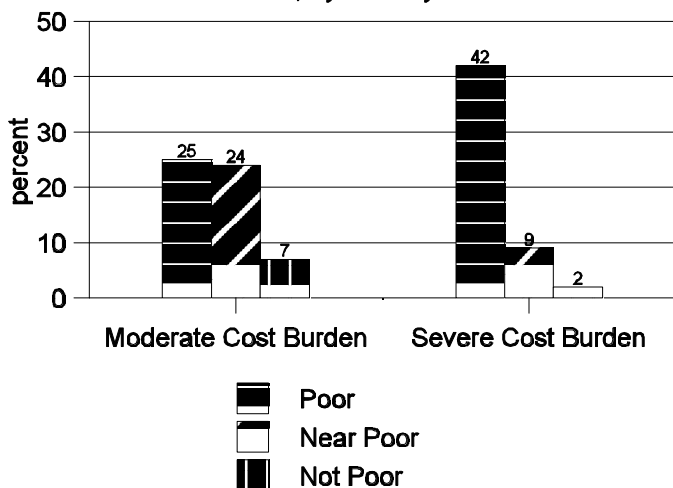
The lower a household’s income, the more likely it is to have heavy cost burden. Forty percent of rural households with incomes below \$10,000 pay over 50 percent of these meager incomes for housing. More than half of them pay over 70 percent of income. Another 25 percent of those with incomes under \$10,000 have moderate cost burdens. Only 35 percent have costs of 30 percent of income or less. Nine tenths of rural households who reported paying more than 70 percent of income for housing costs have incomes below \$20,000, as do three quarters of households paying between 50 and 70 percent. At the other end of the income scale, only

<sup>9</sup> For information on how median incomes were calculated for this report, see Appendix A.

1 percent of rural households with incomes above \$60,000 have moderate cost burdens, and none report severe cost burdens.

It should be noted, of course, that the proportion of one's income that is affordable for housing depends both on one's income level and on one's other basic needs. Larger households, with more mouths to feed, can afford less than smaller households at the same income level. High income people could, at least in theory, well afford to spend half their incomes for housing, and still pay for other necessities.

**Figure 5. Rural Households with Cost Burden, by Poverty Status**

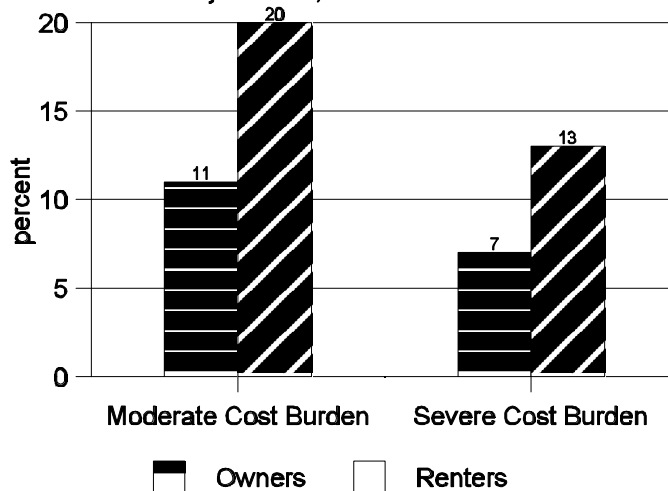


Because household size affects ability to pay for housing—since additional people require additional food, clothing, and the like, as well as requiring a household to obtain more living space—and because the poverty line is adjusted to take family size into account, it is more telling to examine cost burden in relation to poverty-level income than to measure cost burden by dollar amount of income.

As Figure 5 shows, 42 percent of poor rural households have severe cost burdens, and another 25 percent have moderate cost burdens. Only one third of poor rural households have affordable housing under the 30 percent of income housing cost standard. Severe cost burdens are almost negligible for households with incomes above 200 percent of poverty; just 2 percent have severe cost burdens, although 7 percent have moderate cost burdens.

Rural renters are far more likely than owners to have disproportionately high housing expenses (Figure 6). Thirteen percent of all rural renters have severe cost burdens, and another 20 percent have moderate cost burdens, compared to 7 percent of rural owners having severe burdens and 11 percent with moderate burdens. However, because of the high rate of homeownership in rural areas, the absolute number of cost burdened owners is greater: 1.9 million owners and 1.2 million renters

**Figure 6. Housing Cost Burdens by Tenure, Rural Areas**

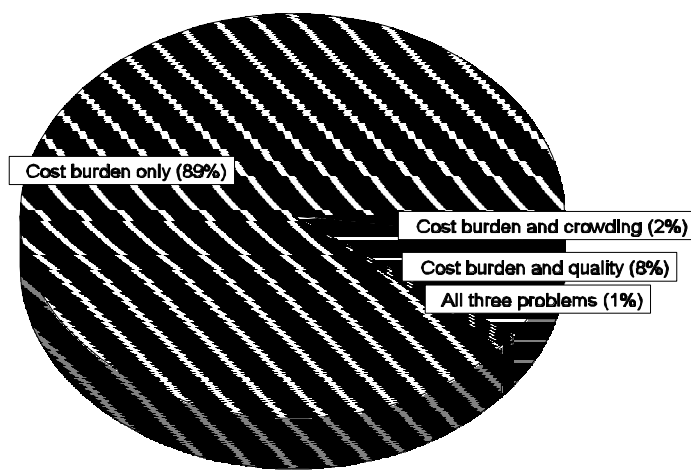


have severe cost burdens, while 3.1 million owners and 1.7 million renters have moderate cost burdens.

Among owners, 9 percent of those with subsidized mortgages report also having severe cost burdens, and another 15 percent have moderate cost burdens. Yet, because more than three quarters of these subsidized owners do not have high cost burdens, it is clear that the subsidy assistance has made a major difference to them. Without this assistance, it is likely that these owner households would still be renters, or, if they owned, that their housing costs would be even more difficult for them to pay.

High housing payments too often do not secure good quality homes. About one rural household in ten with high cost burden also has another major housing problem. As Figure 7 shows, most of these problem units are physically inadequate and some are overcrowded.

**Figure 7. Other Housing Problems of Cost-Burdened Rural Households**



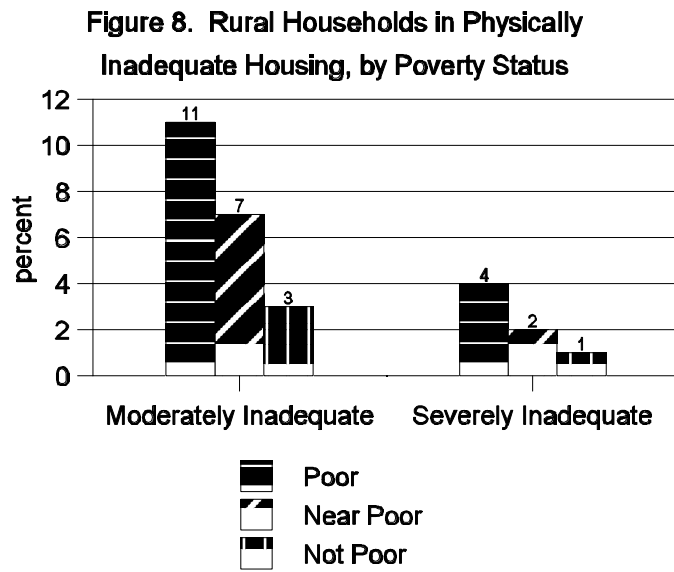
### **Housing Quality**

Many rural residents live in physically inadequate housing: 2.6 million, or 40 percent, of the nation’s 6.4 million poor quality units are in rural areas. As a result, 7 percent of rural households have inadequate homes, compared to 8 percent in central cities and only 4 percent in suburbs.

The American Housing Survey’s definitions of severely and moderately inadequate housing (quoted in Appendix A) exclude many housing problems. For example, more than half of the 1.2 million rural units with broken plaster or peeling paint are classified as “adequate.” So are 93 percent of the 2.3 million rural units reporting basement leaks; 53 percent of the 1.5 million reporting open cracks or holes in walls or floors; 82 percent of the 1.6 million units reporting inadequate heat; 85 percent of those reporting leaks from inside the building; 89 percent of those reporting leaks from outside; and 62 percent of those reporting rats.

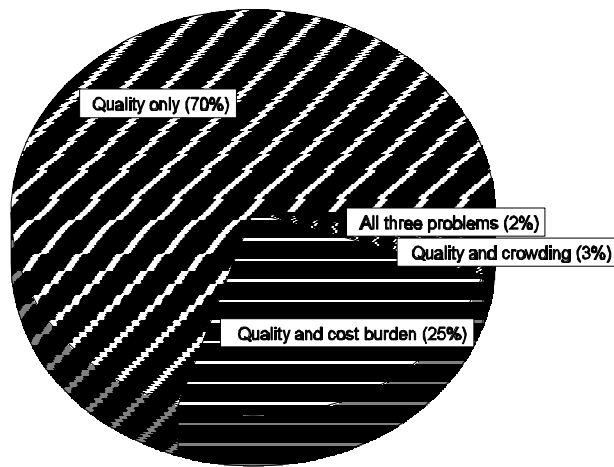
Renters are far more likely than owners to live in inadequate housing. Ten percent of rural renters, 10 percent of central city renters, and 6 percent of those in suburbs are in inadequate housing, compared to 6 percent of rural owners, 5 percent of central city owners, and 4 percent of suburban owners. Yet, because owners predominate in rural areas, 1.7 million of the 2.6 million

rural households in inadequate housing are owners, whereas 1.6 million of the 2.4 million badly housed central city households are renters.



Housing inadequacy is almost as closely related to poverty as housing cost burden is. One third of rural households in severely inadequate housing had incomes below the poverty level, as did one third of those in moderately inadequate units. Like others, poor households are far less likely to live in substandard housing than to have high cost burdens but, as Figure 8 demonstrates, they are far more likely to experience poor quality housing than are those with higher incomes.

**Figure 9. Other Problems of Rural Households Living in Inadequate Housing**



Many rural residents of inadequate housing are not tolerating bad physical conditions in exchange for low cost or appropriate space. As Figure 9 shows, more than a quarter of rural households living in poor quality housing also pay more than 30 percent of their incomes for their units, while 5 percent are overcrowded.

### Overcrowded Housing

Overcrowding is a less common problem than either high cost or quality. Nationwide, about 2.6 million households have more than one person per room. The incidence of overcrowding is just below 2 percent in rural areas, just above 2 percent in suburbs, and 4 percent in central cities.

Over half (58 percent) of the 696,000 overcrowded rural households are owners.

However, the rate of overcrowding is higher for renters: 4 percent of renters and only 1 percent of owners are overcrowded. Almost all crowded rural households have at least one child, compared to only 38 percent of uncrowded households. Children are not the only cause of overcrowding, however: 38 percent of the crowded rural households have three or more adults, compared to only 13 percent of uncrowded households. Ninety-three percent of the overcrowded



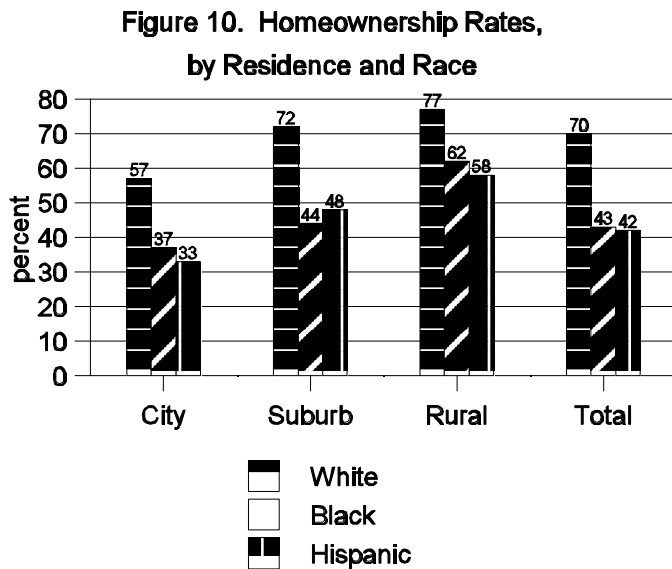
rural householders have five or more persons in the household, and 52 percent of their housing units have at least five rooms.

Like other housing problems, overcrowding is correlated with poverty. Forty-one percent of overcrowded rural households have incomes below the poverty line, and another 37 percent are near-poor. Only 23 percent have incomes above 200 percent of the poverty level. In contrast, 15 percent of uncrowded rural households are poor and 64 percent have incomes above 200 percent of poverty.

Many overcrowded rural households suffer from other housing problems as well. Eleven percent of crowded rural households also have severe housing cost burdens, and another 14 percent have moderate cost burdens. Five percent live in severely inadequate housing and another 5 percent in moderately inadequate housing.

### **Housing Problems of African American and Hispanic Households<sup>10</sup>**

Although only 12 percent of rural households belong to minority groups, rural minority households account for a significant proportion of all minorities nationwide, and for a significant



proportion of rural households with housing problems. One fifth of all Hispanic and African-American households live in rural areas. So do 57 percent of Native Americans and 9 percent of Asians or Pacific Islanders. Certain rural areas have high concentrations of people of color. These include several areas with persistently high poverty and disproportionately severe housing problems, such as the lower Mississippi Delta, colonias along the U.S.-Mexico border, and Native

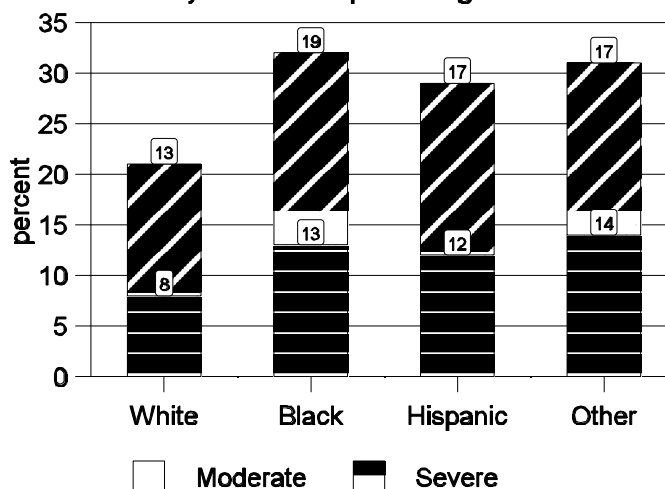
<sup>10</sup> The sample size for the AHS is too small to provide accurate rural data for minorities other than African Americans and Hispanics, although the AHS does collect data for American Indians, Asians or Pacific Islanders, and “others.” It should be noted that Native Americans have some of the worst housing conditions in the country. See, for example, Urban Institute, *Housing Problems and Needs of American Indians and Alaska Natives* (Washington, DC: Department of Housing and Urban Development, 1996) and Urban Institute, *Assessment of American Indian Housing Needs and Programs* (Washington, DC: Department of Housing and Urban Development, 1996).

American areas, while other persistent poverty areas, such as Appalachia, have predominantly white populations.<sup>11</sup>

The housing characteristics of minority households in rural areas reflect the intersection of prominent minority demographics, such as low incomes and low homeownership rates, with rural housing trends, such as rates of homeownership above those in urban areas. Homeownership rates for minority households in rural areas, therefore, are substantially higher than elsewhere, but are lower than for white rural residents, as Figure 10 shows.

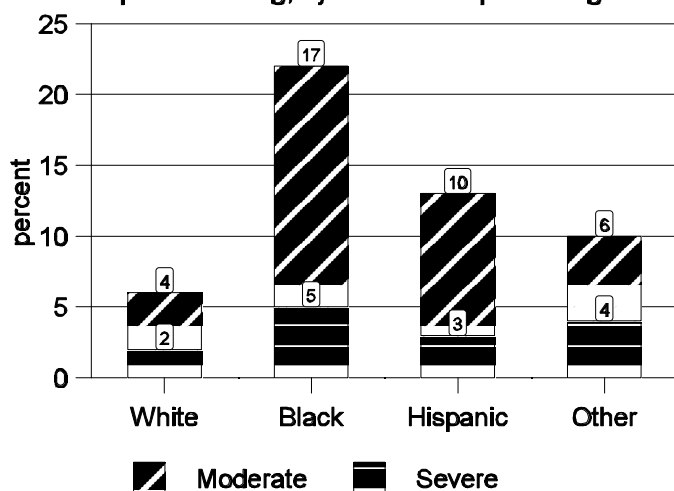
Minority households are far more likely to have housing affordability problems than white households, as shown in Figure 11. The greater cost burdens for rural minority households appear to be largely a reflection of their far lower incomes than of higher housing costs for them.

**Figure 11. Rural Households with Cost Burden, by Race or Hispanic Origin**



Rural African-American households are more than twice as likely as rural white households to live

**Figure 12. Rural Households in Physically Inadequate Housing, by Race or Hispanic Origin**



in housing with serious physical inadequacies, as illustrated by Figure 12. They are more than four times as likely to live in moderately inadequate housing. Hispanics are somewhat more likely than whites to live in severely inadequate housing.

African Americans in rural areas are far more likely, and Hispanics slightly more likely, to live in physically inadequate units than their counterparts in other areas. Almost one quarter of rural African-American households live in moderately or severely inadequate units, compared to 14 percent of all African-American households.

<sup>11</sup> Housing Assistance Council, *Taking Stock of Rural Poverty and Housing for the 1990s* (Washington, DC: Housing Assistance Council, 1994).

Thirteen percent of Hispanic-occupied housing units are inadequate in both rural areas and central cities, as are 7 percent in suburbs.

Overcrowding, too, is a major problem for rural minority households. Fully 13 percent of Hispanic households are overcrowded, as are 4 percent of African Americans and 6 percent of other minorities, but only 1 percent of white households. Renters are particularly vulnerable. The overcrowding rate for Hispanic renters is 19 percent. It reaches 9 percent for other minorities, compared to 6 percent for African Americans and 2 percent for whites.

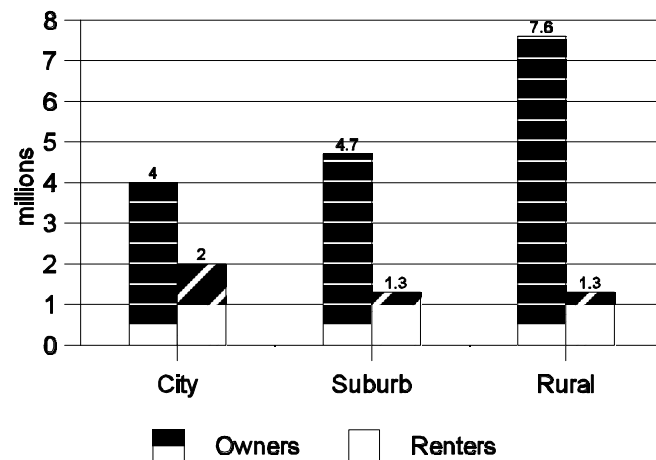
### ***Housing Problems of Elderly Households***

Rural residents include 8.9 million householders aged 65 or over, about one quarter of all rural householders. Most of their households consist of only one or two persons. Most (95 percent) have Social Security income and 5 percent receive Supplemental Security Income. Over one quarter also have income from wages or other earnings. More than half are poor or near-poor, with 21 percent below the poverty line and 31 percent between 100 and 200 percent of poverty.

Eighty-five percent of elderly rural householders own their homes, a substantially higher proportion than in suburbs or cities, as shown in Figure 13. Like all rural residents, most of them live in single-family houses. Among elderly rural renters, only 29 percent live in subsidized housing.

Half of elderly rural households pay less than \$250 monthly for housing costs. Nevertheless, affordability is the most common housing problem among the rural elderly, with 8 percent paying more than half their income for housing and another 13 percent paying between 30 and 50 percent of income. Seven percent live in physically inadequate units. These housing problems overlap somewhat; 2 percent of elderly rural households have multiple housing problems.

**Figure 13. Householders Over Age 65, by Residence and Tenure**



## ***Subsidized Housing Availability Compared to Need***<sup>12</sup>

Federal housing assistance is an entitlement only for homeowners with sufficiently high incomes to deduct their property taxes and mortgage interest from their taxable income. The Office of Management and Budget has estimated the revenue loss to the federal Treasury from these entitlements in 1995 at \$63 billion. The congressional Joint Committee on Taxation estimated that 89 percent of the 1995 benefits of the mortgage interest and property tax deduction went to owners with incomes above \$50,000. As a result, because rural owners have lower incomes than urban owners, in 1995, rural areas, with 44 percent of all owners, received an estimated 40 percent of the benefit of these tax deductions.<sup>13</sup>

In addition to these benefits, capital gains exclusions and deferrals added another \$19 billion in benefits to homeowners, and investor benefits resulted in a revenue loss of \$11 billion. Thus, total housing related tax expenditures cost the Treasury \$94 billion. No breakdown is available of the income distribution of these tax benefits, but it is highly unlikely that the proportion is as high as the proportion of mortgage interest and property tax deductions benefiting rural residents.

However, if one assumes for the sake of analysis that rural areas receive 40 percent of all housing-related tax benefits, the total amount in 1995 would have been \$37 billion, well above the \$28 billion total of all FY 1995 low-income housing outlays for HUD, the Farmers Home Administration (FmHA, now the Rural Housing Service, or RHS) and other federal programs (i.e., the housing assistance subfunction of the income security budget function). This amount would probably be sufficient to fund a substantial increase in the supply of affordable housing and to provide vouchers or certificates to all rural households needing them.

The 1995 AHS found that a total of 1.3 million rural renter households lived in federally subsidized housing (under HUD and FmHA programs). This is 25 percent of all subsidized renter households, the same proportion as rural renters bear to the total number of renter households. Fifteen percent of all rural renters lived in federally assisted housing, as did 18 percent of central city renters and 12 percent of suburban renters.

HUD currently has no programs comparable to the FmHA/RHS Section 502 low interest homeownership program. In 1995 about 2 percent of rural owners with mortgages who

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<sup>12</sup> Much of the data in this section is adapted from analyses of federal housing expenditures done by Cushing Dolbear for the Low Income Housing Information Service, based on data from the Department of Housing and Urban Development, the Office of Management and Budget, and the Joint Committee on Taxation.

<sup>13</sup> This estimate was derived using the Joint Tax Committee (JTC) estimates of the distribution, by income, of the total cost of the property tax and mortgage interest deduction to allocate the OMB estimates of actual cost in 1995 by income category. The estimate of rural benefits was based on the proportion of all owners, by income category, residing in rural areas (as defined in this report).

responded reported that their primary mortgage insurance was with FmHA, and 9 percent reported that they had obtained a low-cost mortgage through the federal government.<sup>14</sup> However, this latter figure should be viewed skeptically, since 10 percent of central city households also said they had received low-cost mortgages.

The contrast between needs and current levels of housing assistance is stark. Assuming that an appropriate approximate measure of the number of rural households still needing housing is the number of poor and near-poor households with housing problems, then three million rural renters and 4.2 million owners have significant housing problems which they are currently unable to solve. If the federal government does not assist them, in this era of shrinking state and local commitment to dealing with such problems, there is little likelihood that they will ever get help.

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<sup>14</sup> The response rate for these questions was very low, however.

## FACING WELFARE REFORM

The general characteristics of rural housing and poverty, described by the data presented in the first part of this report, begin to describe the setting for the impacts of federal welfare reform. Understanding welfare reform's possible results requires a closer look at those most likely to be impacted: families with children, particularly those who received AFDC and/or food stamps before the Welfare Reform Act took effect. The second part of this report focuses on these rural residents.

### ***General Characteristics of Rural Welfare Recipients' Housing and Poverty***

Nationwide, the 1995 AHS found that 5.9 million households reported income from welfare (then the Aid to Families with Dependent Children program, or AFDC) or Supplemental Security Income (SSI). Thirty-three percent of them lived in rural areas, 21 percent in suburbs, and 47 percent in cities. They constituted 6 percent of all U.S. households, 5 percent of rural households, 4 percent of suburban households, and 9 percent of city households. Two thirds of these rural households lived in nonmetropolitan rural areas, where they are less likely than those in metropolitan areas to have access to jobs, public transportation, job training, and child care. In fact, according to AFDC data, fully three-fourths of the most welfare-dependent U.S. counties in 1994 were located in nonmetro areas.<sup>15</sup>

Families with children, especially single-parent families with children, are likely to be seriously affected by welfare reform.<sup>16</sup> Restoration of some benefits for immigrants in the 1997 Budget Reconciliation Act may soften this impact somewhat, but clearly the changes will still fall hard on families with children.

Of the nation's 37.3 million families with children, 14.4 million live in rural America, the same as the proportion of households overall. Most of them live in small families: only 20 percent of rural families with children have more than two, and 42 percent have only one child. Eight percent of rural households with children received welfare or SSI income in 1995.

One third of rural families with children had received food stamps in the previous year, about the same as the suburban level and substantially below the 43 percent rate of city households with

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<sup>15</sup> "Welfare Reform Legislation Poses Opportunities and Challenges for Rural America," *Rural Conditions and Trends* 8: 1 (1997), 44. USDA's Economic Research Service divided U.S. counties into quartiles by percent of families receiving AFDC benefits; 586 of the 775 counties in the top quartile are nonmetropolitan. The proportion of families receiving AFDC in the top quartile ranges from 7.1 to 43.5 percent.

<sup>16</sup> Sheila Zedlewski, Sandra Clark, Eric Meier, and Keith Watson, *Potential Effects of Congressional Welfare Reform Legislation on Family Incomes* (Washington, DC: The Urban Institute, July 1996).

children. In all areas, the great majority of households receiving welfare also received food stamps. Nevertheless, these households accounted for only a third of all rural households receiving food stamps.

In order to focus its examination on welfare recipient households, this report assumes that all single-person or childless households in the group that received welfare or SSI income in fact received SSI income. Thus it is assumed that households with more than one person and with children present received welfare income.<sup>17</sup> The size of the resulting sample is small.<sup>18</sup> Therefore, while the results are probably reliable in showing the general dimensions and shape of the problem, the specific findings reported here are subject to the limitations of the sampling process.

Using these assumptions, among the households receiving either welfare or SSI, 60 percent of rural households received welfare rather than SSI, slightly fewer than suburban or city households. Again, there were noticeable differences in the rates for rural households within and outside metropolitan areas: welfare recipients among the overall welfare/SSI category comprised a higher proportion of metro rural households than nonmetro rural households. Still, two thirds of rural welfare households lived in nonmetro areas, probably farther from needed services than the one-third in rural metro areas.

Rural households receiving welfare are both similar to and different from other rural households or other welfare recipients. For example, the great majority of rural children—like all rural residents—are white. Eighty-three percent of rural households with children are white, 8 percent are African American, 6 percent are Hispanic and about 1 percent each are Native American, Asian or Pacific Islanders, or of other races. Among rural households receiving welfare, again a clear majority (60 percent) are white, 22 percent are African American, 13 percent Hispanic, and 5 percent Native American. There are too few minority households among the 1995 AHS sample of rural welfare recipient households to provide any reliable AHS comparisons of data about rural welfare recipients based on their race or ethnicity. Not surprisingly, however, given the disproportionately high levels of poverty among rural minorities, nonmetropolitan counties

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<sup>17</sup> For more details on this definition of welfare households, see Appendix A. Note that American Housing Survey data presented in this report may be different than data from other sources. The AHS provides information about households in which one or more individuals report receiving welfare assistance, while other sources focus on individuals or families rather than households.

<sup>18</sup> The size of the 1995 AHS sample of occupied units was 45,675. The total rural sample, as we have defined rural, was 15,659 occupied units. The rural welfare/SSI sample totaled only 797, with 237 rural metro and 560 rural nonmetro. Of these, 458 fell into the welfare group: 154 in rural metro areas and 304 in rural nonmetro areas.

with high rates of family welfare dependency often have significant minority populations and/or long-term high poverty rates.<sup>19</sup>

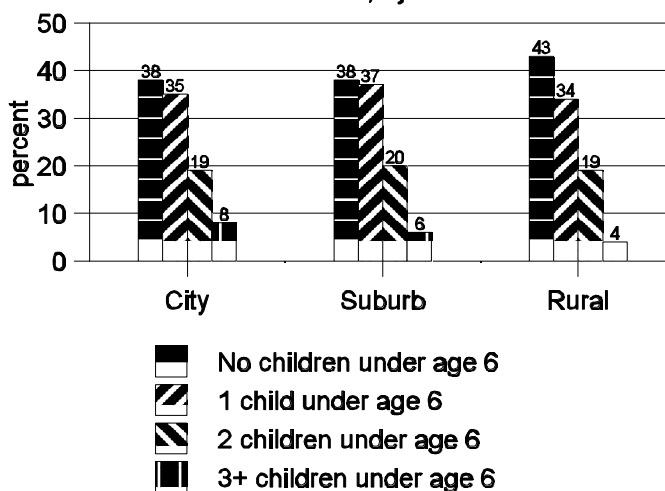
Rural welfare households differ from suburban or city welfare recipients in some important ways. In general, rural welfare householders are more likely to be married, widowed, or divorced than separated or never married. Thirty percent are married, compared to only 20 percent in cities. Only 70 percent of rural welfare householders are women, compared to 83 percent of city welfare and 75 percent of suburban welfare householders. More than half of rural welfare households have at least two adults, a slightly greater proportion than in cities or suburbs.

About one third of rural households have one child, another third have two children, and the rest have three or more children. These proportions do not differ significantly from those for suburban households; city households are somewhat more likely to have more than two children. As Figure 14 shows, over half of rural welfare households have at least one child under six.

Again, these proportions are not markedly different from suburban welfare households, with city households more likely to have more than one or two children under six.

About two-thirds of rural welfare householders are aged between 25 and 44, but 13 percent are under 25, and 21 percent are aged 45 or over, with 5 percent aged 65 or over. There are relatively fewer young and more older householders among rural welfare recipients than in cities or suburbs.

**Figure 14. Children Under Age 6, Welfare Households, by Residence**



### ***Income and Earnings***

Low incomes are a major problem for rural families with children. Only 8 percent of rural families with children under age 18 report receiving welfare or SSI income, but many more have low incomes: some 2.3 million rural families with children have incomes below the poverty level, while another 3.3 million are near-poor (with incomes below 200 percent of poverty). Using the measurement often applied in federal housing programs, which relates household income to the area median income, 11 percent have incomes below 30 percent of median, 10 percent are between 30 and 50 percent, and 18 percent are between 50 and 80 percent. That is, a total of 39 percent of rural families with

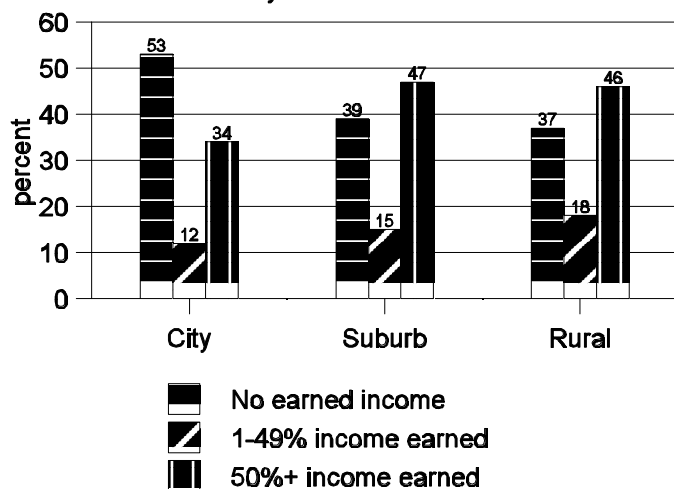
<sup>19</sup> "Welfare Reform Legislation Poses Opportunities and Challenges for Rural America," 43.



children have incomes less than twice the poverty level, and 39 percent have incomes under 80 percent of area median income.

It is common to hear that welfare does not lift recipients out of poverty—in fact, the national average of maximum AFDC benefits in 1995 was only 42 percent of the poverty line.<sup>20</sup> AHS data for the same year confirm this fact for rural welfare recipients. About two thirds of rural welfare households are poor, and another quarter are near-poor. Nor do welfare payments raise the

**Figure 15. Earned Income of Welfare Households, by Residence**



incomes of many rural residents to levels close to their neighbors'. The vast majority (86 percent) of those receiving welfare and having no earned income have income levels below 30 percent of area median, and more than half of welfare households who earn less than half their income subsist on these extremely low income levels.

It is striking that almost half of the 1.1 million rural welfare households receive more than half their total household income from earnings. This is significantly higher than in cities, where only 34 percent of welfare households earn more than half their total income, as Figure 15 illustrates. Other rural welfare households have some—but less than half—of their income from earnings.

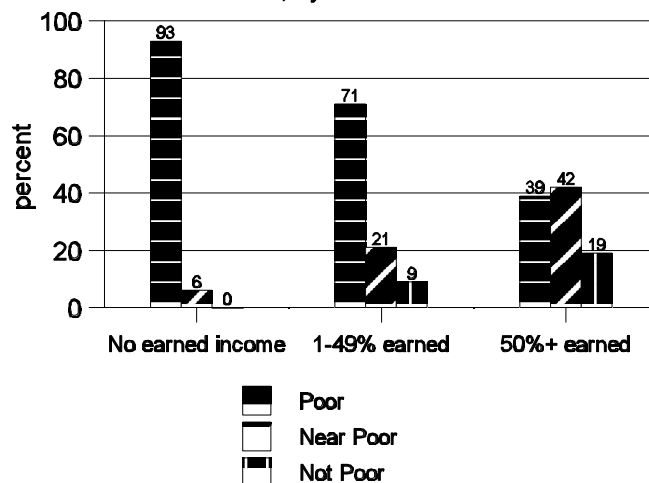
Thus a total of 64 percent in rural areas have some earnings, compared to 62 percent in suburbs and only 46 percent in cities.

Thirty-seven percent of rural welfare households report no income from earnings, with nonmetro households somewhat more likely than rural metro households to have no earnings. In addition to welfare and earnings, some rural welfare households have other sources of income, such as alimony or child support, Social Security or other pensions, and various types of savings or investments, including a small number of farms or businesses. While it is impossible to determine from AHS data the amounts of income from these sources, it is unlikely to be high, since median unearned income of rural welfare households, including their welfare income, is only \$4,800, and only 20 percent have unearned income in excess of \$8,700. In contrast, median unearned income for rural households reporting no income from welfare is \$7,000.

<sup>20</sup> Sheila Zedlewski and Linda Giannarelli, *Diversity among State Welfare Programs: Implications for Reform* (Washington, DC: The Urban Institute, 1997), 7.

Income levels and poverty status differ greatly depending on whether rural welfare households also earn half or more of their total income, as shown in Figure 16. Median income for rural welfare households with no earned income is \$6,000, and 93 percent fall below the poverty level. Median income for households where earnings are less than half of total household income is \$9,300, with \$3,000 the median income from earnings for this group. This is only 34 percent of the amount a worker with a full-time minimum wage job in 1995 would have earned. Most of these households are poor. In contrast, median total income of rural welfare households where more than half of total income came from earnings is \$20,000, and median income from earnings is \$15,000 or 170 percent of income from a full-time minimum wage job. Nevertheless, 39 percent of these households are poor, and another 42 percent are near-poor.<sup>21</sup>

**Figure 16. Poverty Status of Rural Welfare Households, by Earned Income**



Very large proportions of welfare recipients with earned incomes still have incomes under 80 percent of area median. It seems likely that a household that could earn more than half its income, but still receive little income compared to others in the area, has already taken advantage of whatever opportunities exist, and therefore is unlikely to be able to increase employment earnings further. Those who earned more than half their income do tend to have incomes at somewhat higher proportions of area medians: they are more likely to receive 50 to 80 percent of median than are those who earned less than half their incomes, while those with less than half their incomes from earnings are most likely to receive less than 30 percent of median.

Some rural welfare recipient households might have the potential for increasing their income through the earnings of an adult not currently working. (It should be noted, of course, that not all adults are potential wage earners; some are students, some are unable to work because of disabilities, and some are elderly. In addition, in many areas there are not as many jobs available as there are work-eligible adults.) The vast majority of welfare recipients, regardless of the proportion of income received from earnings, have only one household member receiving wage or salary income. In many families, of course, there is only one potential wage earner—one adult (45 percent of all rural welfare households, and 65 percent of those with no earned income, contain

<sup>21</sup> As noted above and in Appendix A, an unknown proportion of households defined here as “welfare” households are actually receiving SSI. Since all “welfare” households, as defined here, have children, it is not likely that a majority of them are receiving SSI rather than AFDC, but it is likely that many of those who report a majority of their income from earnings receive SSI rather than AFDC.

only one adult). While about half of those with less than half their income from earnings have only one adult, a sizeable proportion (39 percent) have two adults. About half of those with more than half their income from earnings contain two adults. Many of these are two-parent families with children: of families who earn more than half their income and have children, almost half are married couples, compared to one quarter of those with less than half their income from earnings who have children, and only 17 percent of those with no earned income who have children.

Many of these families are expected to lose significant portions of their incomes as welfare reform takes effect.<sup>22</sup> Even finding employment will not necessarily solve income inadequacies. An urban study of single mothers has documented that even when employment generates more income than welfare does, work-related expenses cancel out the gain. Most of the added funds are spent for work-related clothing, child care, and transportation. In addition, while welfare recipients are eligible for Medicaid, 40 percent of employed mothers lack health insurance, so they must pay health care costs themselves or do without care.<sup>23</sup>

Some farmworkers, already among the poorest residents of rural areas, may be especially hard hit by the Welfare Reform Act's severe restrictions on aid to legal immigrants. One third of farmworkers are citizens (most of them born in the United States), 29 percent have permanent or temporary legal status, 37 percent have no legal work authorization, and 2 percent are of unknown status. Despite their often low and sporadic incomes, small percentages of farmworkers used government assistance programs before the Welfare Reform Act—among legal residents, 20 percent received food stamps and 5 percent received AFDC or local cash assistance.<sup>24</sup> The Welfare Reform Act ended these benefits for most of them.

### ***Factors in Welfare Reform's Success***

As federal welfare reform begins, then, it can be said that rural households receiving welfare are both like and unlike urban and suburban welfare recipients. Most are unmarried, most have young children, and most live below the poverty level. Rural residents receiving welfare are somewhat more likely to be married, and to be older, than city or suburban welfare recipients. Perhaps most significantly, and unlike city or suburban welfare recipients, a majority of rural welfare recipients already earn part of their income. It is also important that two thirds of them live in nonmetropolitan areas, and that those nonmetro residents are less likely to earn income than those

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<sup>22</sup> Zedlewski, et al., 9.

<sup>23</sup> Jason DeParle, "Learning Poverty Firsthand," *The New York Times Magazine* (April 27, 1997), 34, summarizing a study by Kathryn Edin and Laura Lein.

<sup>24</sup> Richard Mines, Susan Gabbard, and Anne Steirman, *A Profile of U.S. Farm Workers: Demographics, Household Composition, Income and Use of Services* (Washington, DC: U.S. Department of Labor, 1997), 35. These figures are based on 1994-1995 data from the National Agricultural Workers Survey, which includes crop workers, estimated to be about two thirds of all U.S. farmworkers, with the remaining third consisting of livestock workers.

who live in rural metro places. Taken together, these characteristics point to special challenges for welfare reform to succeed in moving rural residents from welfare to work, particularly in nonmetro places far from services and jobs. These challenges involve the same kinds of assistance needed by those seeking to leave welfare in cities and suburbs—available jobs, child care, transportation, and education and training.

### Jobs

Existing national data cannot measure the availability of work for rural residents who are not currently employed or who work only part-time or seasonally. It is clear, nevertheless, that making work available will be difficult in many rural areas. Three of every five nonmetropolitan

percent over several decades—and high unemployment rates, according to the Economic Research Service (ERS) of the U.S. Department of Agriculture. Furthermore, more than half of these counties are remotely located, not close to any urban centers. They are concentrated in the South, the Mississippi Delta, south Texas, Appalachia, and in parts of the West, Midwest, and

notes that if jobs are available in those areas, welfare recipients or former welfare recipients will have to compete with unemployed workers who are not or were not on welfare.

Most recent job creation has been in suburbs rather than rural areas or cities. A 1996 study, for suburbs.<sup>27</sup>

To have access to these jobs, rural residents will need transportation, and may even need to relocate. The governor of New Mexico hopes to require such relocation, and “has stated that

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<sup>25</sup> For example, it cannot be assumed that all nonmetropolitan rural households nationwide have less access to work than rural residents in metropolitan areas, because within both nonmetro and metro areas the distances to employment centers vary widely. In addition, both nonmetro and metro areas may have either thriving or stagnant economies.

<sup>26</sup> “Welfare Reform Legislation Poses Opportunities and Challenges for Rural America,” 38-47.

<sup>27</sup> Alan E. Pisarski, *Commuting in America II: The Second National Report on Commuting Patterns and Trends* (Lansdowne, VA: Eno Transportation Foundation, 1996).

areas to seek employment before receiving benefits.” One observer predicts that welfare reform could create “welfare dust bowls” in some center cities and rural areas.

### Child Care

geographic areas. In addition, assuming that welfare recipients can find jobs, many of those jobs are likely to be low-paying, leading to an increased need for child care subsidies. Under the

for child care subsidies to states is increased but capped. One analysis concludes, therefore, that the “increased demand for child care subsidies may very well outpace any increase in funding.” The resulting shortfall will affect both the working poor currently receiving such subsidies and

Existing child care is inadequate to meet current demand, particularly in low-income areas and particularly for infants and school-aged children, according to a recent General Accounting Office will increase as welfare reform is implemented.<sup>31</sup>

expensive, with infant care costing up to 23 percent of income for poverty-level families in the rural counties studied. (Infant care is the most expensive, and the Welfare Reform Act requires under previous law, which was three years old.) In addition, many low-skill jobs available to former welfare recipients require work at nonstandard hours (evenings, nights, or weekends), but care in a limited market are also potential problems.

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*Organizing* 3 (June 1997), 8.

Mark Alan Hughes, vice president of Public/Private Ventures, Philadelphia, quoted in Scott Bogren, “Work Trips Take New Routes,” (Nov. 1996).

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*Affordable Housing*

*Journal of*

<sup>31</sup> United States General Accounting Office, *Participation for Child Care* (Washington, DC: U.S. General Accounting Office, GAO/HEHS-97-75, 1997). The GAO study examined two rural counties in Oregon as well as the cities of Baltimore and

unregulated care, but generally did not include care by a nanny or a relative in the child’s own home or in the home of a relative. It relied on earlier research findings as well.

Families with annual incomes under \$15,000 and parents who work nonstandard hours rely on child care by relatives more than on child care centers or family providers (those who care for non-relatives' children in their own homes), according to the GAO. Welfare reform might reduce the availability of this kind of care, as some related caregivers who supplement their earnings with welfare payments might be subject to the same work requirements as the parents of the children needing their services at low cost. In addition, rural welfare recipients may lose such care if they must relocate to areas where training and jobs are available, leaving relatives and support systems behind.

### Transportation

Rural residents' abilities to obtain jobs, job training, or child care may depend on transportation, because public transportation is rarely available outside sizeable towns. Thus, despite the cost, ownership of a vehicle is likely to be a necessity, not a luxury, no matter how low one's income may be. Presumably for this reason, 80 percent of rural welfare households own either cars or trucks, compared to 72 percent of suburban and only 47 percent of city welfare households. The proportion of car or truck owners is slightly higher in metro than nonmetro rural areas.

Ninety percent of workers in rural welfare households use a car, truck, or van to get to work.<sup>32</sup> About one fifth carpool, generally with one other rider. The journey to work is longer in both distance and time for rural welfare earners—about one fifth have jobs 25 miles or more from their homes—but there is no significant difference in distance between rural metro and rural nonmetro workers. In comparison, 9 percent of city and 12 percent of suburban earners from welfare households travel 25 miles or more to their jobs. However, 13 percent of rural workers from welfare households take more than an hour to get to their jobs, almost twice the proportion of suburban and city workers.

There may be a connection between earnings and commuting times. Only 7 percent of rural welfare households with majority earnings income require more than one hour to get to work, compared to 14 percent of those with some earned income. The link between earnings and vehicles is certainly clear: rural households without earnings are less likely to have access to transportation. One third of rural welfare households with no earned income own neither cars nor trucks, compared to 19 percent of those with some earnings, and 11 percent of those for whom earnings are the primary source of income.

Despite the importance of transportation for rural workers, welfare programs are not always designed with rural transportation needs in mind. For example, several years ago New York state began requiring welfare recipients to visit five potential employers every week, while at the same

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<sup>32</sup> The AHS provides variables for means of transportation to work and distance traveled for up to 6 workers in each household. However, over 90 percent of welfare households with earners had only one earner, and the data for additional earners are too limited to be useful. Thus, the generalizations in this section are drawn from data for "worker number 1" in each case.

time prohibiting them from owning a car worth more than a specified value<sup>33</sup>—in other words, creating a conflict that many rural welfare recipients could not resolve. Other states have forbidden welfare recipients to own cars at all.<sup>34</sup> Programs are underway to establish viable public transportation systems for new workers in some rural areas, including Joblinks, sponsored by the Federal Transit Administration and the Community Transportation Association of America.<sup>35</sup> So far, however, these programs rely on subsidies from government or employers, and are available in only a few places.

### Education

Education and training is essential in rural areas, as in cities, to enable welfare recipients to qualify for jobs. Almost half of the rural welfare householders with no earned income have less than a high school education. Even among those with earnings, one third lack a high school diploma. About one quarter of those with earnings have at least some college or post-high school education, compared to only 17 percent of those with no earnings. The availability of education and training programs in rural areas seems not to have been measured, but there is no reason to believe that such programs are any more available, or any easier to reach, than rural jobs.

### **Housing**

Rural welfare recipients face serious housing problems even before welfare reform begins. These problems are not likely to improve if they cannot find jobs before they lose welfare benefits, or if they must relocate to new areas in search of jobs or education.

The housing conditions of rural welfare recipients are best understood in the context of the conditions experienced by other rural households with children. For example, almost three quarters of rural families with children are homeowners, a slightly higher proportion than for suburban families and significantly more than the 50 percent of city families with children. About 14 percent live in mobile homes, compared to 2 percent in suburbs and less than 1 percent in central cities. Yet only one third of rural welfare households are homeowners. More than one rural welfare household in five lives in a mobile home, compared to only 4 percent in suburbs and less than 1 percent in cities.

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<sup>33</sup> “Linking People With Jobs Through Transportation,” *Economic Development Digest* 6: 3 (March 1997), 1, 9.

<sup>34</sup> “Welfare Reform Legislation Poses Opportunities and Challenges for Rural America,” 47.

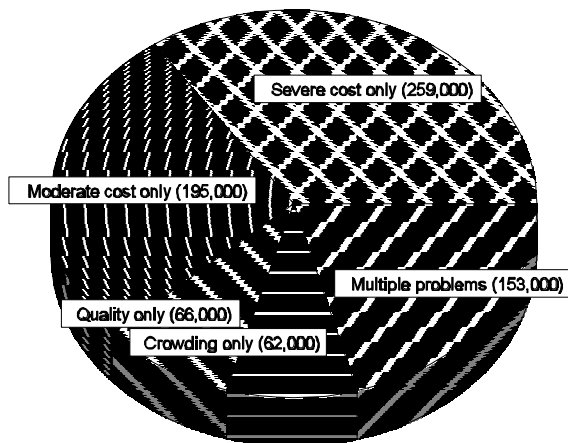
<sup>35</sup> Bogren.

Almost three fifths of rural households with children present live in housing built since 1978, when lead paint was banned for residential use. One quarter live in units built before 1950, when lead paint was widely used and still presents hazards, particularly for young children. This is far lower than the proportion in central cities (36 percent), but somewhat higher than in suburbs (18 percent). Slightly higher proportions of welfare recipient households in all geographic areas occupy older homes with potential lead hazards: 27 percent in rural areas, 46 percent in cities, and 23 percent in suburbs.

One third of rural families with children, and a far greater proportion of rural welfare recipients, experience housing problems, as do 27 percent of childless rural households. In all, 1.4 million rural households with children have severe housing problems—that is, their units are either severely inadequate or they have severe housing cost burdens. Some 400,000 of these households are unsubsidized renters with “worst case” housing needs—that is, they are renters not receiving federal housing assistance, with incomes under 50 percent of area median, and paying more than half their income for housing or living in severely substandard housing. Another 500,000 are equally poor owners, with incomes below 50 percent of median.

Given their low incomes, it is hardly surprising that more than half of rural welfare households have major housing problems. As Figure 17 shows, one third of them have severe problems and another third have moderate problems. Cost burden is the most common problem, affecting 40 percent. Only 1 percent have quality and overcrowding problems without cost burden.

**Figure 17. Housing Problems of Rural Welfare Households**



Doubling up is far more common among welfare households than among others. Excluding single-person households, 4 percent of rural housing units are occupied by more than one family. For rural welfare households, however, 19 percent of homes are shared by two or more families.

Using the 30 percent of income standard for housing affordability, the median rural welfare household with no income from earnings could afford only \$150 monthly for housing costs, including utilities, yet half of these households report paying more than \$250 monthly for their housing. The median

household with some income from earnings could afford \$233 for housing, but two thirds pay more than \$250 for housing. Those with higher earnings do much better; the median welfare household with a majority of its income from earnings could afford \$500 monthly, and almost three quarters of rural welfare households obtain housing for less than this amount.



This situation seems unlikely to improve as a result of welfare reform. Neither TANF payments nor full-time minimum wage jobs provide enough funds to cover the average rent for a two-bedroom apartment in 49 states, according to the National Low Income Housing Coalition.<sup>36</sup>

Their current affordability problems would undoubtedly be worse if not for the housing assistance received by some rural welfare households. Thirty-eight percent of rural welfare households with no earned income live in subsidized housing, compared to 28 percent of those with some earnings and 18 percent of those relying primarily on earnings. Overall, just over one quarter of rural welfare households report living in subsidized rental housing. Nonmetro renters are more likely to do so than are rural metro renters. Indeed, about 46 percent of nonmetro rural renter welfare households report living in subsidized housing, well above the rural metro rate of 33 percent and generally comparable to the city rate of 48 percent. In addition, 15 percent of rural welfare owners report they had subsidized mortgages, with more than half of them in the metro portions of rural areas, although the small sample size makes these figures only broadly reliable.

The proportion of rural welfare households not receiving housing assistance may increase if current proposals to reduce income targeting in assisted housing programs are adopted. Also, if—as seems likely—welfare reform reduces welfare recipients' income, their need for housing assistance will increase. Federal or state agencies may need to increase subsidies to keep housing payments at 30 percent of income or below for those already in assisted housing, and others not yet receiving housing aid may become eligible for it. The problem could be compounded in some states that choose to view housing assistance as income and to reduce TANF benefits accordingly; Minnesota has adopted such a provision, to take effect in 1998, and some other states are considering similar arrangements.<sup>37</sup>

The Welfare Reform Act will impact rural housing conditions in several ways, although it makes few direct changes in housing assistance. Most obviously, rural residents who lose welfare assistance but are unable to find jobs paying enough to support their families will have less money available to pay for housing.

Even those already receiving housing assistance will suffer. First, because food stamps are not counted when calculating income for HUD or Rural Housing Service (RHS) housing assistance, reductions in food stamp allocations will not lead to corresponding reductions in housing payments. Second, those already receiving housing assistance who lose welfare aid without corresponding increases in income will need additional government resources to keep them in their homes, but government aid is already stretched thinly. Rental assistance programs will have to provide additional funds or serve fewer households as housing authorities and project owners use larger amounts of their rental assistance allocations for each tenant. Fluctuating rental income

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<sup>36</sup> Tracy L. Kaufman, *Out of Reach: Rental Housing at What Cost?* (Washington, DC: National Low Income Housing Coalition, 1997).

<sup>37</sup> Center for Community Change, 8.

could also endanger the maintenance of properties, since decreasing rental income may force project owners to draw from their maintenance funds to make their loan payments.

Homeownership programs will be affected as well. HAC research has found that poverty-level borrowers in the Rural Housing Service's Section 502 direct lending program are more likely than higher-income borrowers to make mortgage payments ahead of schedule and far less likely to fall behind in their payments. This is in part attributable to their greater dependence upon transfer payments, which have been steady sources of income, while households above the poverty level are more dependent upon earnings, which tend to be more irregular.<sup>38</sup> Termination of income assistance will threaten borrowers' abilities to avoid delinquency and default on their mortgages.

If residents move from remote areas to population centers in search of jobs or training—or because state governments such as New Mexico's require them to move—the added population may overburden social service providers and put stress on the housing market, driving up rents. For some, substandard housing may be the only affordable option; for others, even substandard housing may not be affordable. In addition, one of the support services on which rural residents often rely—their communities and extended families—will be lost if they must move in order to find jobs or improve their job skills. As a result of all these problems, some rural welfare recipients may become part of the rural homeless population, living “doubled up” with friends or relatives, or in cars or barns, unless additional housing assistance becomes available.

Some of these impacts could be softened if states took advantage of the flexibility of the TANF block grant and used it for housing assistance, an option not available with AFDC. On the other hand, however, some social service provider advocates are reluctant to use TANF funds for housing-related activities. Their reasoning is that housing is a costly enterprise, and this would divert too much money away from income maintenance and job training efforts.

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<sup>38</sup> Housing Assistance Council, *“A Home of Our Own”: the Cost and Benefits of the Rural Homeownership Program* (Washington, DC: Housing Assistance Council, 1988), 20.

## CONCLUSION

The results of the federal Welfare Reform Act cannot be measured yet, but its limits on assistance seem likely to present serious challenges for rural welfare recipients and those seeking to aid them. This report has documented serious issues of rural poverty and poor housing even among rural residents not receiving welfare payments. These conditions, still often overlooked in an urban-focused nation, may well worsen as rural residents lose cash assistance and food stamps without having access to the jobs, training, transportation, and child care necessary to enable them to become self-sufficient.

Welfare recipients face similar obstacles in cities and suburbs, but the scantier resources of many rural areas make the challenges there particularly difficult to overcome. Like others, rural welfare recipient households generally have low incomes, low educational levels, and serious housing problems. Unlike others, a high proportion of them—almost two thirds—also earn income, but most cannot earn enough to raise their families out of poverty or off the welfare rolls. For many, finding full-time employment with wages sufficient to replace assistance entirely has not been possible because of long-term economic conditions: the majority of nonmetropolitan counties with high welfare dependency rates have had high poverty and unemployment rates for decades, and have not previously been able to generate the jobs and services needed to change these conditions. It is difficult to be optimistic about the prospects for altering these existing conditions so that welfare reform can somehow improve the lives of rural welfare recipients.



## APPENDIX A ABOUT THE DATA

### ***AHS Data and Sampling Error***

The American Housing Survey (AHS) is conducted every two years by the Bureau of the Census for the Department of Housing and Urban Development (HUD). In 1995, interviewers obtained information for a nationwide sample of almost 46,000 housing units occupied year-round. Like any sample, the AHS is subject to errors from sampling and errors from other causes (such as incomplete data and wrong answers). For an extensive discussion of AHS methodology and possible errors, see the appendices to the published American Housing Survey book.<sup>39</sup>

Because of the sampling errors and other possible errors inherent in the AHS, readers are cautioned not to rely on small differences in percentages or numbers presented in this report. The reliability of the data decreases as the sample size decreases. In 1995, the national sample was not quite 46,000 housing units, the rural sample was less than 16,000, and the sample for any given rural population group—households with children or households receiving welfare income, for example—was smaller still.

The AHS is intended to count housing units, and therefore households, so most of the data presented in this report is for households rather than families. (For definitions, see below.) This unit-focused methodology also means that the AHS does not include homeless persons.

AHS data is known to differ from information collected by other surveys. For example, the Census Bureau notes that, historically, the AHS underreports income and overreports poverty when compared with the Current Population Survey, and both surveys underreport income and overreport poverty when compared with tax returns and national income accounts. AHS data about welfare recipients is probably different than data from other sources, at least in part because the AHS provides information about households in which one or more individuals receive welfare assistance, while other sources focus on individuals or families rather than households.

### ***Geographic Terms***

This report aggregates several geographic categories used in the AHS under the general terms “rural area,” “city,” and “suburb.” For the AHS as well as other surveys (including the decennial census), the Census Bureau collections information on seven geographic categories. Four categories designate types of place within a metropolitan statistical area (MSA): central city, urbanized, other urban, and rural. The other three categories designate types of place in nonmetropolitan areas: urbanized, other urban, and rural.

A “central city” is an incorporated city in a metropolitan statistical area, usually the largest city, but sometimes as small as 15,000 population. An “urbanized area” is an incorporated place and the densely settled surrounding area that together have a minimum population of 50,000. Urbanized areas may be either within MSAs or in nonmetropolitan places. “Other urban” areas consist of places with 2,500 or

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<sup>39</sup> U.S. Department of Commerce, Bureau of the Census, and U.S. Department of Housing and Urban Development, *American Housing Survey for the United States in 1995*, Current Housing Reports H150/95RV (Washington, DC: U.S. Government Printing Office, July 1997).

Bureau defines “rural housing” as all housing “not classified as urban”—essentially, housing in open country and places under 2,500 population.

Census Bureau’s “outside urbanized areas.” It aggregates “other urban” places and Census-defined “rural” places in both metro and nonmetro areas into a definition of rural areas that includes not only open country 50,000 population.

This report uses “central cities,” “cities,” or “urban” to refer to the central cities of metropolitan areas, and older, sometimes deteriorated areas, or, in the case of newer cities or those with large land areas, may include housing which is similar in characteristics to suburban areas. Conversely, some of the communities central cities.

HAC’s definition of rural areas approaches, but is not identical to, the definition used by the Rural Housing USDA-defined “rural” areas include open country that is not part of or associated with an urban area. Also included is any town, village, city or place, including a place that is not part of or associated with an and rural in character. Such a place may be either in an MSA or in a nonmetro area. In addition, a nonmetro place with a population in excess of 10,000 but not in excess of 20,000 is eligible if it has a Development.

It should be noted that the AHS uses areas defined by the 1980 (not 1990) Census for urban, rural, farm by the Office of Management and Budget as of 1983. This usage has the advantage of being able to measure change over time within constant boundaries, but the disadvantage of being out of date. A small urbanized areas if definitions based on 1990 Census data had been used.

This report’s information on percent of area median income is based on estimates prepared by HUD for For all places outside of large identified metropolitan areas, including almost all of the area we have defined as rural, HUD’s median income estimates are averaged over all places in the same Census region

### ***Household Characteristics***

A “household” is the group of individuals occupying a housing unit. A “family” consists of a householder adoption. A household may consist of a family, no family (i.e., one or more single unrelated individuals), or more than one family.

The “householder” (sometimes called the “head of household”) is the first household member 18 years old or over who is the owner or renter of the sampled housing unit.

### ***Welfare Households***

The AHS combines welfare and SSI income in a single variable that shows only whether any household member received either SSI or AFDC income during the 12 months before the survey interview. As noted in the text, this report assumes that all single-person or childless households that received welfare or SSI income in fact received SSI income. Thus it is assumed that households with more than one person and with children present received welfare income. This definition of “welfare” overestimates the number of households receiving income through the AFDC program, because some would have received SSI instead, and some would have received both AFDC and SSI, but the distinction does seem useful. Moreover, welfare reform does impact children who received SSI: by August 1997 the SSI provisions of the welfare reform legislation had already resulted in removal of 100,000 households with disabled children from the program.<sup>40</sup> Therefore, the group identified here as “welfare households” appears to reflect reasonably well the universe of households that will be affected by welfare reform. However, it should also be noted that the presence of SSI households in this group may explain the relatively high median income of rural welfare households who earn more than half their total income.

Some additional fuzzy areas should be mentioned. First, because the AHS question refers to income of *any* household member during the previous year, some of these households may not, in fact, have had welfare income at the time of the interview. Some welfare recipients live, at least temporarily, as subfamilies in households with relatively adequate incomes. Also, during the course of a year a welfare recipient may obtain a job or a higher-paying job, or may lose a job. During a year individuals receiving welfare or other income may move into or out of a household. These changes in household composition may help explain why some households in this group reported incomes over 120 percent of median; HUD’s aggregation of median incomes is another possible reason for that result. In addition, except for households with only one adult, there is no way to determine whether it is the householder who receives the welfare income, or some other member of the household.

### ***Housing Problems***

Housing “cost burdens” are generally measured as a percentage of income, on what has become a slowly sliding scale. In the early days of the public housing program, housing costs above 20 percent of income were considered burdensome. During the late 1960s and early 1970s, 25 percent of income became the dividing line. In the late 1970s, an effort was made—successful in the early 1980s—to raise the cost burden threshold to 30 percent of income. Since then, the Department of Housing and Urban Development (HUD) has defined moderate cost burdens as those between 30 percent and 50 percent of income, and severe cost burdens as those above 50 percent of income. Percent of income paid for housing is, at best, a rough measure of affordability, but its use has become widespread for several reasons. First, it is relatively simple to grasp and to calculate. Second, 30 percent of income has become the norm that housing subsidy programs require households living in subsidized housing to pay.

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<sup>40</sup> *Morning Edition*, National Public Radio, August 28, 1997.

Severe physical problems.

it has any of the following five problems:

*Plumbing*

shower, all inside the structure for the exclusive use of the unit.

*Heating*

heating equipment broke down, and it broke down at least three times last winter for at least 6 hours each time.

. Having no electricity, or all of the following three electric problems: exposed wiring; a room with no working wall outlet; and three blown fuses or tripped circuit

*Upkeep.* Having any five of the following six maintenance problems: water leaks from the such as pipes or plumbing fixtures; holes in the floors; holes or open cracks in the walls or ceilings; more than 8 inches by 11 inches of peeling paint or broken plaster; or signs of

*Hallways.* Having all of the following four problems in public areas: no working light

Moderate Physical Problems. A unit has moderate physical problems [is moderately

*Plumbing.* On at least three occasions during the last 3 months or while the household was time for 6 hours or more.

*Heating*

*Upkeep.* Having any three or four of the overall list of six upkeep problems mentioned

*Hallways.* Having any three of the four hallway problems mentioned above under severe

*Kitchen.* Lacking a kitchen sink, refrigerator, or burners inside the structure for the