

# The U.S. Safety Net

An Overview of United States Safety Net Programs

Heritage Bank NW,  
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- **Mission**

- NEED unites the skills and knowledge of a vast network of professional economists to promote understanding of the economics of policy issues in the United States

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## Overview of Major Safety Net Programs

- **What programs are included in the “safety net”?**
  - **Means-tested** (must have low income to receive)
  - **Federal programs** (often with state partnership in financing & running programs)
  - **Provision** of cash, services or in-kind benefits, tax credits/refunds
- **What programs are not included?**
  - Social Insurance: non-means tested, participants pay in to system
    - Example: Unemployment Insurance, Social Security, Disability Insurance
    - (Though these programs also assist the poor)



## Major Safety Net Programs

- **Medicaid**
- **Supplemental Security Income (SSI)**
- **Temporary Assistance to Needy Families (TANF)**
  - formerly Aid to Families with Dependent Children (AFDC)
- **Earned Income Tax Credit (EITC)**
- **Supplemental Nutrition Assistance Program (SNAP)**
  - formerly food stamps
- **School nutrition programs**
- **Special Supplemental Nutrition Program for Women, Infants and Children (WIC)**
- **Housing Assistance**
  - Vouchers
  - Rental Assistance
  - Public Housing
- **Head Start**



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## Major Safety Net Programs



- **Supplemental Nutrition Assistance Program (SNAP)**
  - formerly food stamps

- School nutrition programs
- **Special Supplemental Nutrition Program for Women, Infants and Children (WIC)**
- **Housing Assistance**
  - Vouchers
  - Rental Assistance
  - Public Housing
- **Headstart**



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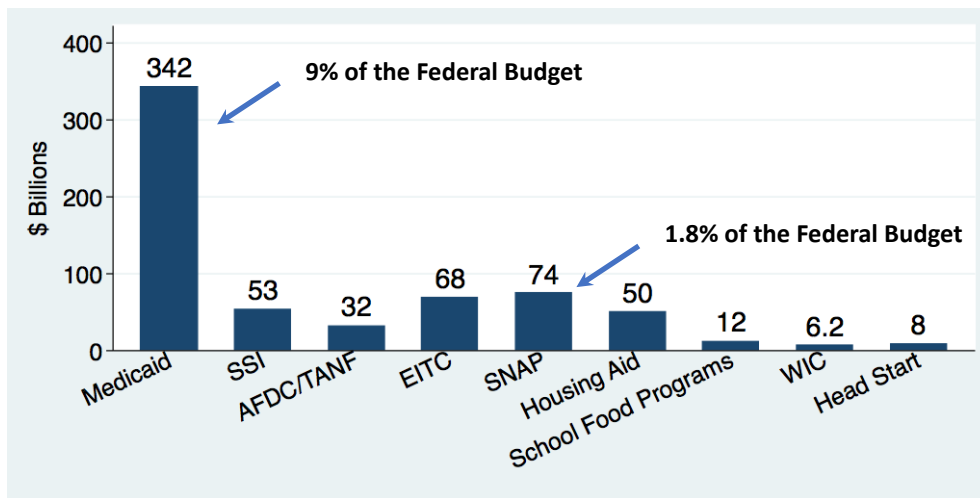


- **Housing Assistance**
  - Vouchers
  - Rental Assistance
  - Public Housing

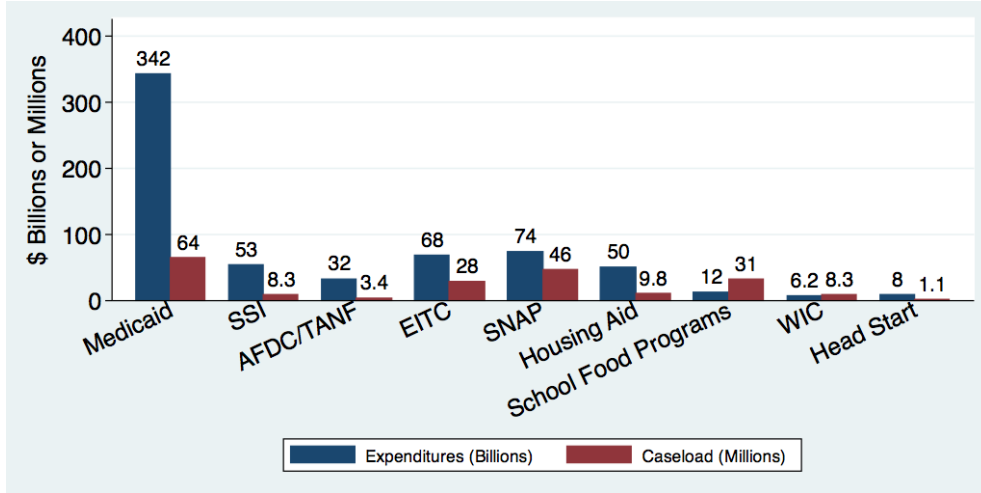
- **Head Start**



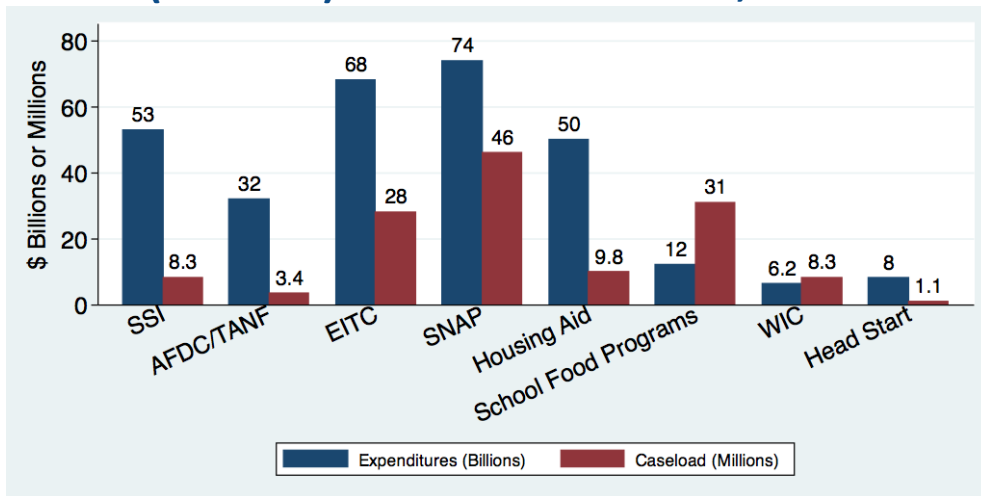
## U.S. Safety Net Programs, Federal Expenditures 2014 or 2015



## U.S. Safety Net Expenditures (\$ Billions) and Caseload (Millions), 2014 or 2015



## U.S. Safety Net Expenditures (\$ Billions) and Caseload (Millions) – without Medicaid, 2014 or 2015



## MEDICAID & Children's Health Insurance Program (CHIP)

### • Eligibility

- **Expansion states:** most under age of 65 with incomes < 133% of poverty line
- **Non-expansion states:** children with income < 133% of poverty line; parents up to lower income cutoffs, ~43% of poverty line.
- **CHIP:** children up to 200% of poverty line (46 states)

### • Participants

- **74.9 million** people in 2017 on Medicaid (including CHIP)
- **72.6 million** in March 2019

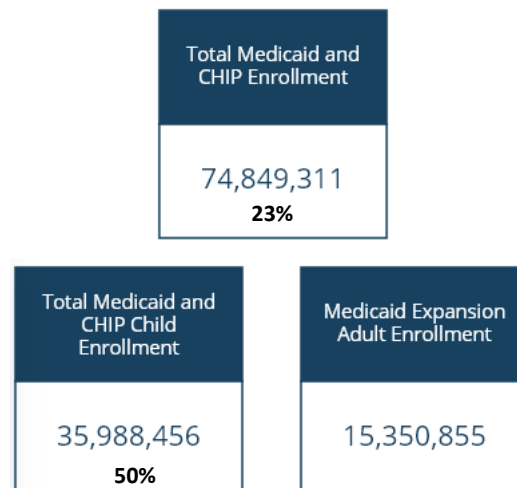
### • Spending

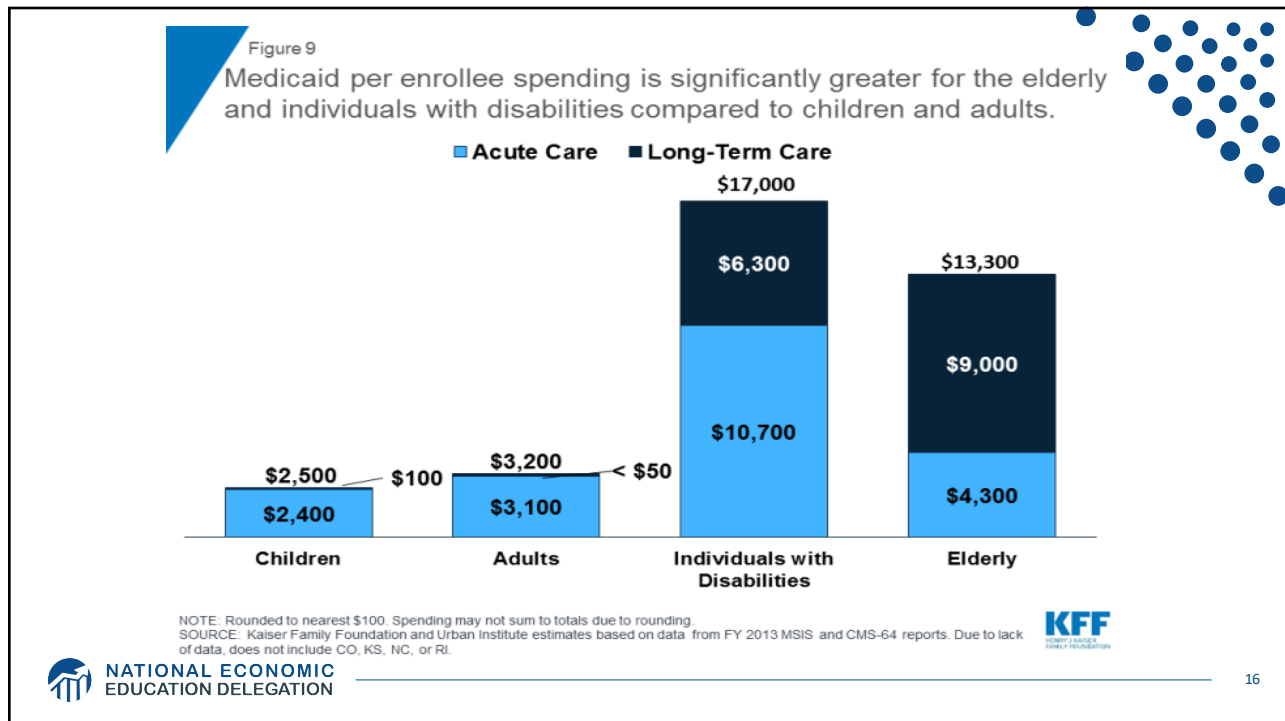
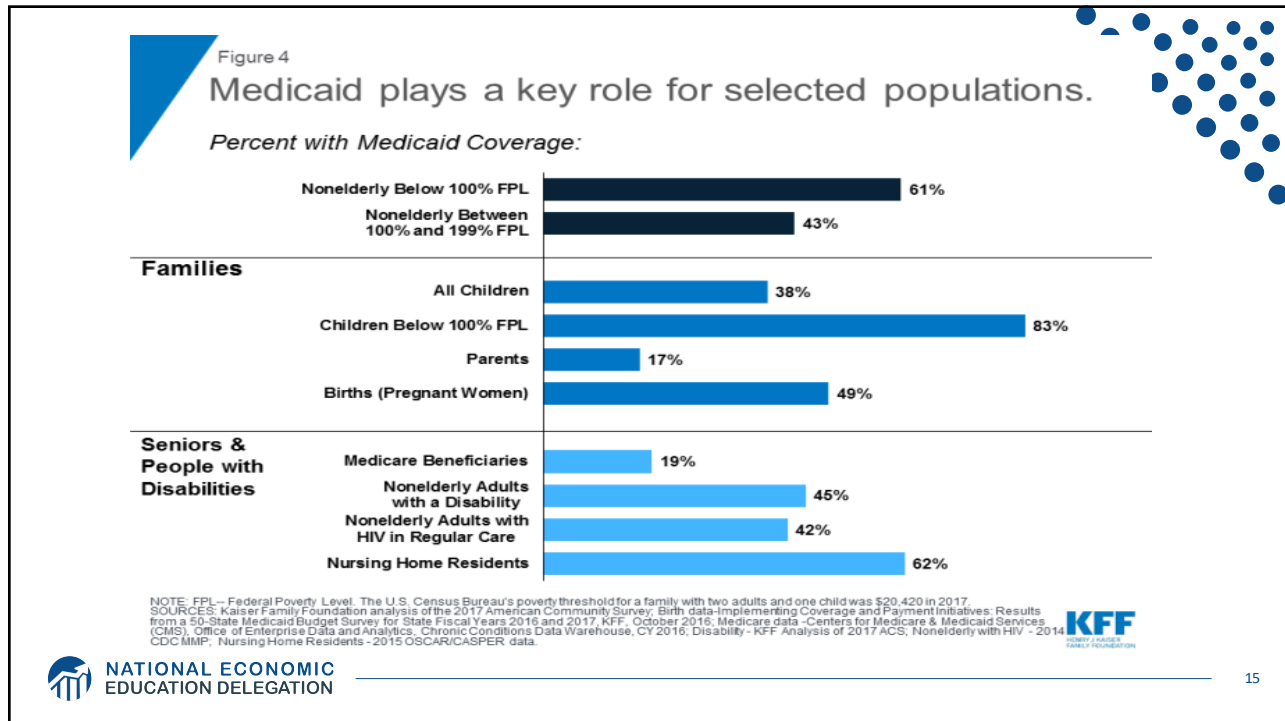
- Total spending in 2016 was **\$565.5 billion** (63% federal)



## Eligibility & Enrollment

- Children
- Pregnant women
- Very low-income adults
- People with disabilities
- Elderly, poor adults

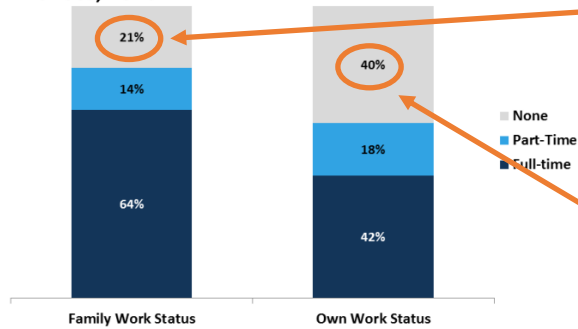






## MEDICAID & WORK

Figure 1  
Work Status of Non-SSI, Nonelderly Adult Medicaid Enrollees, 2016



21% of adult enrollees in families with no adult worker

40% of adult enrollees do not work themselves

Total = 24.6 Million Non-Elderly Adults without SSI

NOTE: Totals may not add due to rounding. Includes nonelderly adults who do not receive Supplemental Security Income (SSI).  
SOURCE: Kaiser Family Foundation analysis of March 2017 Current Population Survey.



## SSI: Supplemental Security Income

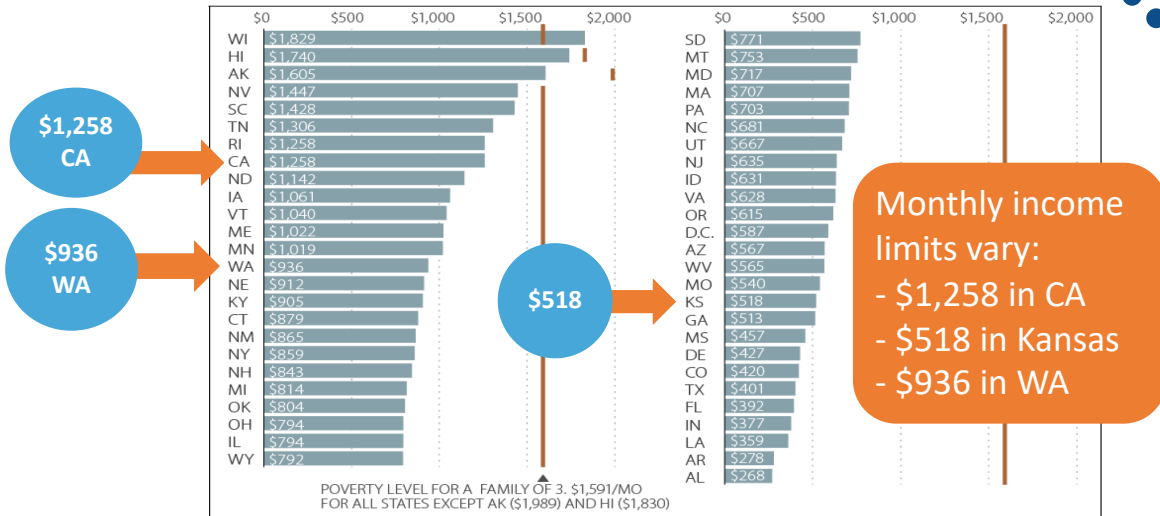
- **Eligibility:** Disabled/blind adults and children with low income; people 65 and older with low income.
- **Participants:** In 2016, **4.8 million** people received SSI.
- **Spending:** Total spending from June 2015-June 2016 was roughly **\$53 billion**.

## TANF: Temporary Assistance for Needy Families Formerly AFDC: Aid to Families with Dependent Children

- **Eligibility:** Poor families with children, primarily single mothers
- **Federal limit of 60 months of lifetime benefits**
  - Some states have shorter limits
  - Work, job search, or training requirements
- **Participants:** In 2017, *2.5 million families*
- **Spending:** In 2017, total spending of **\$31.7 billion** (\$17.3 billion federal)

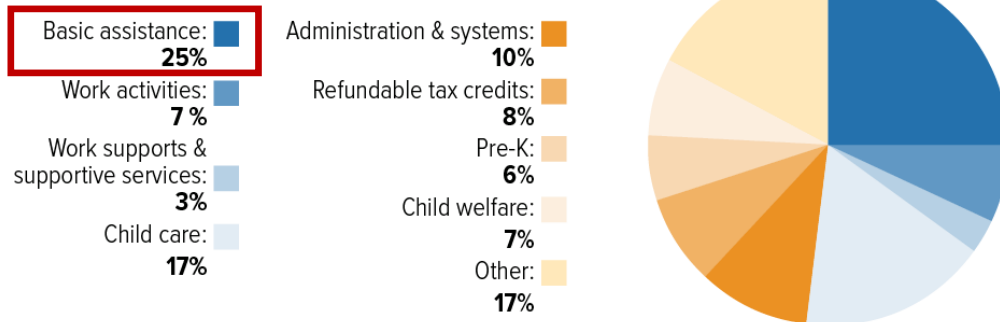


**Figure 1. Maximum Monthly Earnings An Applicant Family May Have and Be Eligible for TANF Cash Assistance: Single Parent Caring for Two Children: July 2012**



Source: Congressional Research Service (CRS), based on data from the Urban Institute's Welfare Rules Database

## How States Spent Federal and State TANF Funds in 2015



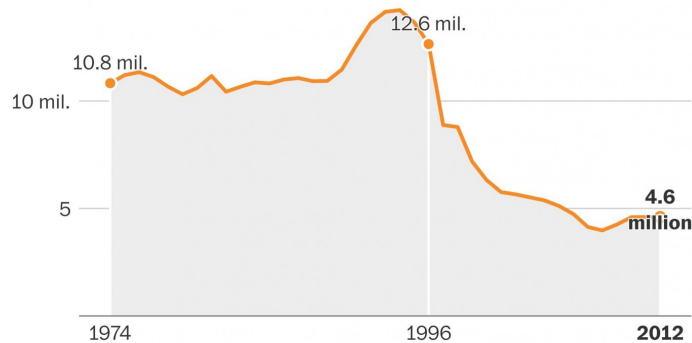
Note: TANF = Temporary Assistance for Needy Families.

Source: CBPP analysis of Department of Health and Human Services 2015 TANF financial data

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## Welfare rolls declined after reform

The number of Americans receiving welfare payments from the federal government fell abruptly during the Clinton administration.



**Caseloads have clearly fallen and stayed down, even during recession**

Includes both Aid to Families with Dependent Children and Temporary Assistance to Needy Families.

Source: Hartley, R.P., Lamarche, C. and Ziliak, J. 2016 (working paper).

THE WASHINGTON POST

## EITC: Earned Income Tax Credit

- **Federal tax credit designed for low and mid-income working people**
- **Eligibility-** Working families with children that have annual incomes below a range of \$39,000 to \$53,000
  - Small credit for working individuals with no children & low incomes
- **Participants** - In 2015, **28 million** working families and individuals received EITC
- **Spending-** In the 2015, the cost of EITC was **\$68.5 billion**



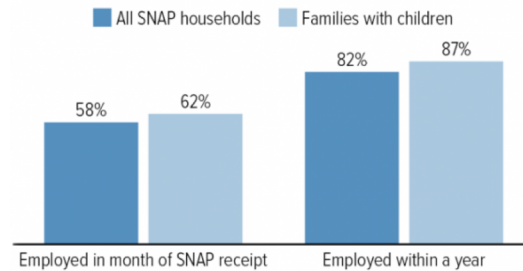
## SNAP: Supplemental Nutrition Assistance Program

- **Nutrition assistance to low-income individuals and families**
- **Eligibility:** Monthly income no higher than 130% of the poverty level for their household size.
  - Some people who receive SSI are automatically eligible for SNAP, dependent on state laws.
- **Participants:** In 2017, an average of **42.1 million** receiving SNAP.
- **Spending:** In 2017, **\$68 billion** was spent to fund SNAP.

## SNAP: Supplemental Nutrition Assistance Program

### SNAP Households with Working-Age Non-Disabled Adults Have High Work Rates

Work participation during the previous and following year for households that received SNAP in a typical month



Most SNAP recipients are employed

Source: CBPP calculations based on 2004 Survey of Income and Program Participation Panel data.

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## SCHOOL NUTRITION PROGRAMS

### (National School Lunch Program)



- **The school lunch program serves nutritionally balanced low-cost or free lunches to children in school each day.**
- **Eligibility:** Students who attend public and non-profit private schools, as well as residential child care institutions, are potentially eligible.
- **Participants:** Over **30.4 million** children every day were served by the program in the 2016 year.
- **Spending:** In 2016, the program cost was **\$13.6 billion**.



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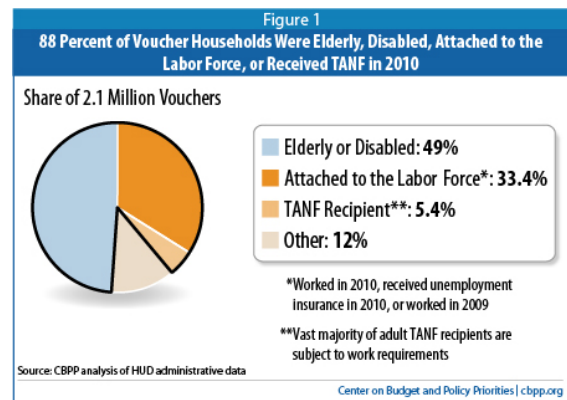
## WIC: Special Supplemental Nutrition Program for Women, Infants, and Children

- **Eligibility:** Low income women, infants, and children up to the age of 5 who are at nutritional risk.
- **Participants:** During 2016, WIC served **8 million people**.
  - 3.98 million participants were children,
  - 1.88 million were infants, and
  - 1.84 million were *pregnant* women.
- **Spending:** In 2017, the WIC program cost **\$6.5 billion**.

## HOUSING AID

### Housing Choice Voucher Program (Section 8)

- **Eligibility:** Low income families, the elderly, and the disabled are eligible to receive the vouchers. Family income must be less than **50% of local median income**.
- **Participants:** Just over **5.3 million individuals**, or 2.2 million low income families utilize the vouchers.
- **Spending:** During the 2016 year, the amount spent was **\$17.5 billion**.



## HEAD START

- **Eligibility:** Primarily low-income children (0-5).
- **Participants:** In 2016, *1.1 million children* were served by the program.
- **Spending:** In the 2016 year, *\$9.16 billion* was spent on Head Start.



## Safety Net: A Collection of Separate Programs

- **Medical Assistance**
- **Cash Assistance**
- **Nutritional Assistance**
- **Housing Programs**



## Safety Net: A Collection of Separate Programs

- **Different forms of assistance**
  - Medical Assistance
  - Cash Assistance
  - Nutritional Assistance
  - Housing Programs
- **Different eligibility (income & categorical)**
- **Different work rules and limits**
- **Different agencies and funding streams**



## Safety Net: Important issues

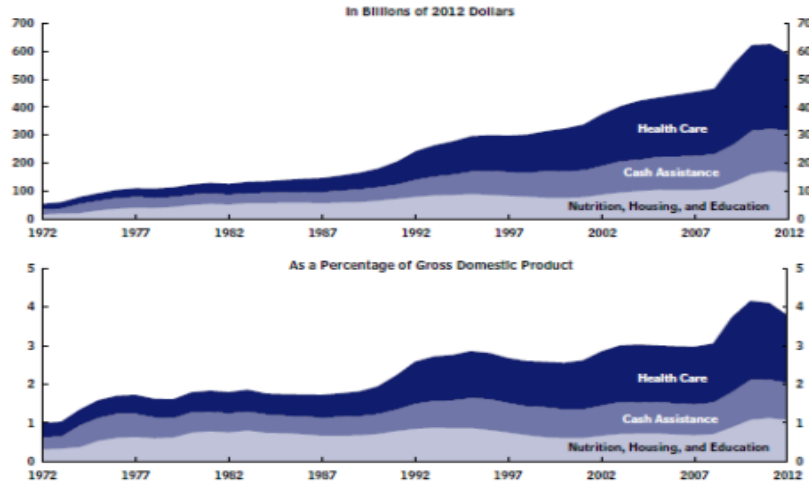
- **Expenditures on means-tested transfers over time**
  - Billions of dollars
  - % of GDP
  - Per capita (person) real expenditures
- **Participation in means-tested programs**
- **Effects of safety net programs**
  - Measuring effects of safety net on poverty
  - Total effects are complicated
  - Full effect of safety net includes behavioral changes
  - Effects of welfare payments on work



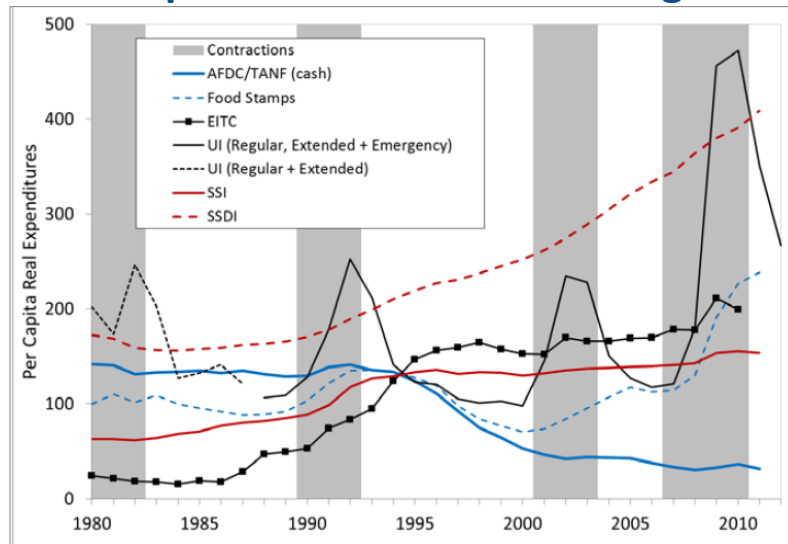


## Expenditures on Means-Tested Transfers over Time

Federal Spending on Various Categories of Means-Tested Programs and Tax Credits, 1972 to 2012

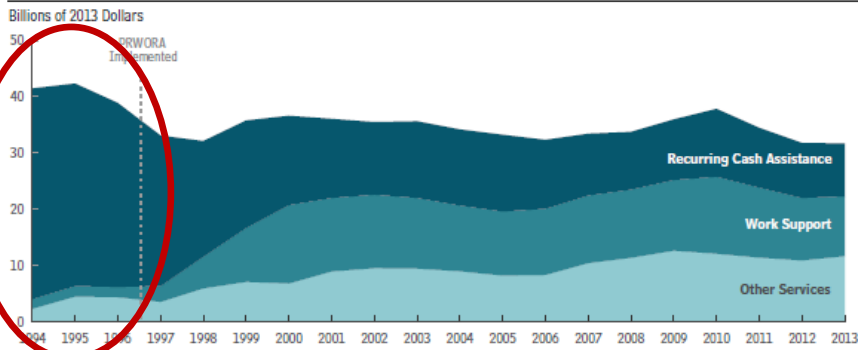


## Expenditures on Specific Means-Tested Programs



**Figure 4.**

**Spending on TANF and the Programs That Preceded It, by Type of Assistance, 1994 to 2013**



Source: Congressional Budget Office based on data from the Department of Health and Human Services.

Notes: Before PRWORA, Aid to Families With Dependent Children distributed recurring cash assistance, while the Job Opportunities and Basic Skills Training program provided work support and the Emergency Assistance program supplied other services for low-income families. Administration and systems costs are distributed proportionally among the three types of assistance.

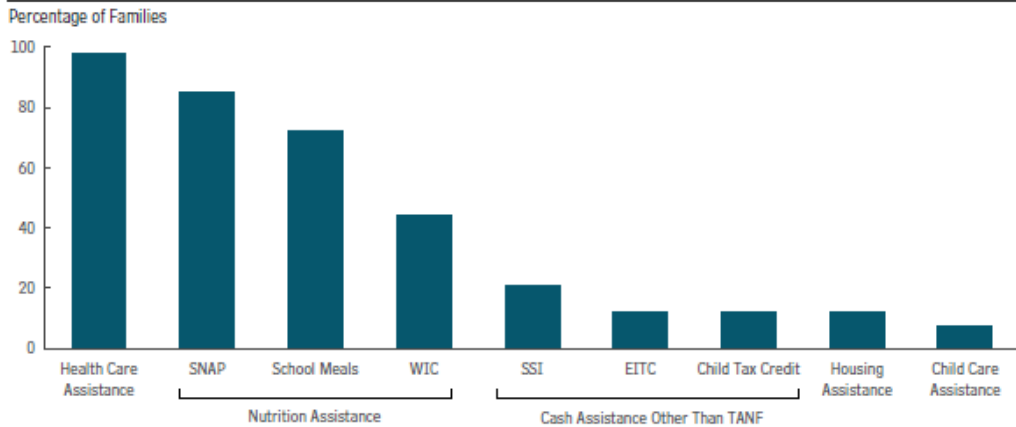
This figure includes TANF funding that states transferred to the Child Care and Development Block Grant and to the Social Services Block Grant.

Because the available data are limited, the figure does not include three of the smaller federal funding mechanisms for TANF. In every year, those mechanisms have provided less than \$0.3 billion in total.

TANF = Temporary Assistance for Needy Families; PRWORA = Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

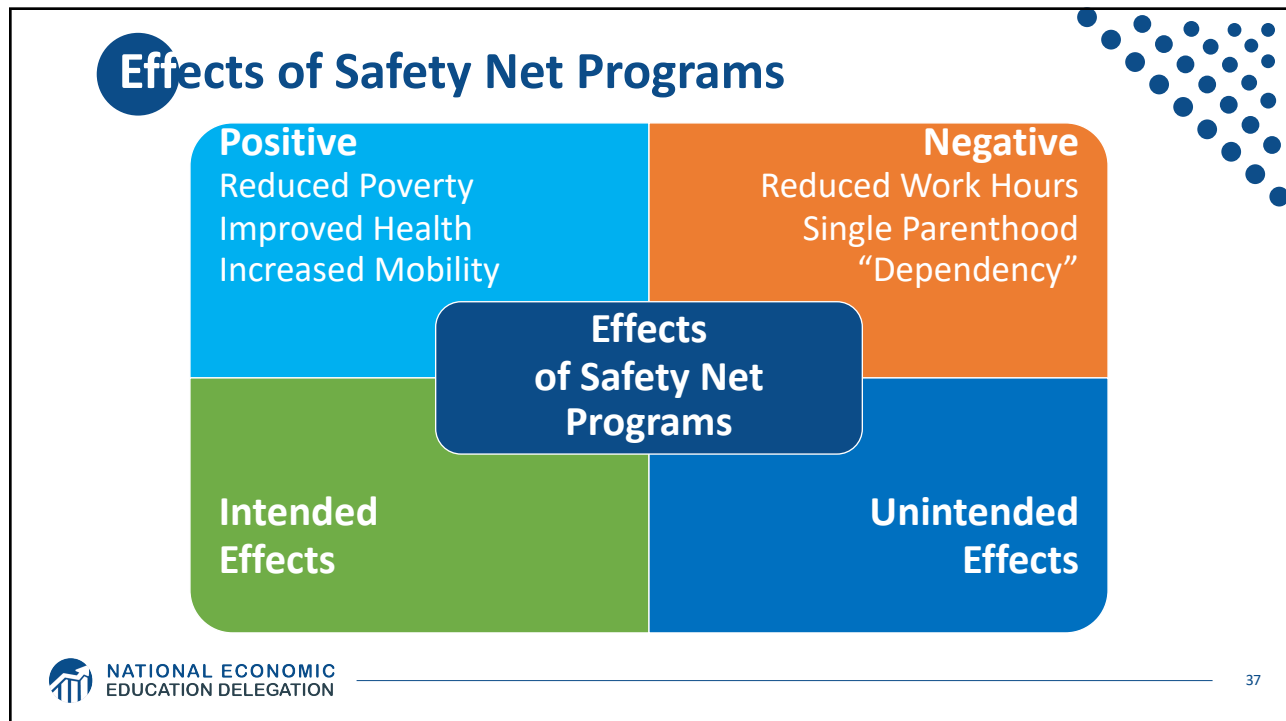
**Figure 12.**

**Participation in Other Means-Tested Programs by Families Receiving Recurring Cash Assistance Through TANF**



Source: Congressional Budget Office based on data from the Department of Health and Human Services and from the Census Bureau.

Notes: Most of the percentages are based on data from 2012, but for school meals, WIC, and SSI, the most recent readily available data cover 2009.



## Challenge: Measuring Effects of Safety Net on Poverty

- **Official Poverty Measures: Includes only cash income**
  - Excludes: SNAP, EITC, Housing Assistance
- **Supplemental Poverty Measure (SPM):**
  - Includes in-kind & after tax benefits.
- **SPM is a more inclusive measure of what the safety net does.**

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Table 5a.

**Effect of Individual Elements on SPM Rates: 2015**

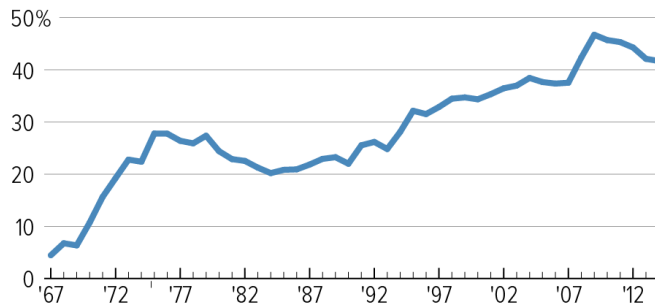
(Margin of error in percentage points. For information on confidentiality protection, sampling error, nonsampling error, and definitions, see [www2.census.gov/programs-surveys/cps/techdocs/cpsmar16.pdf](http://www2.census.gov/programs-surveys/cps/techdocs/cpsmar16.pdf))

Element	All people		Under 18 years		18 to 64 years		65 years and over	
	Estimate	Margin of error <sup>1</sup> (±)	Estimate	Margin of error <sup>1</sup> (±)	Estimate	Margin of error <sup>1</sup> (±)	Estimate	Margin of error <sup>1</sup> (±)
<b>All people</b> .....	<b>14.32</b>	<b>0.28</b>	<b>16.11</b>	<b>0.50</b>	<b>13.80</b>	<b>0.30</b>	<b>13.67</b>	<b>0.50</b>
<b>ADDITIONS</b>								
Social Security .....	-8.34	0.19	-2.12	0.18	-3.99	0.16	-36.04	0.79
Refundable tax credits .....	-2.88	0.13	-6.52	0.34	-2.16	0.10	-0.19	0.05
SNAP .....	-1.44	0.09	-2.70	0.21	-1.13	0.08	-0.77	0.11
SSI .....	-1.04	0.08	-0.79	0.12	-1.07	0.09	-1.30	0.16
Housing subsidies .....	-0.80	0.06	-1.16	0.14	-0.61	0.06	-0.99	0.14
Child support received .....	-0.43	0.05	-1.07	0.13	-0.29	0.04	-0.03	0.02
School lunch .....	-0.40	0.05	-0.96	0.14	-0.27	0.03	-0.03	0.02
TANF/general assistance .....	-0.21	0.04	-0.47	0.10	-0.15	0.03	-0.02	0.02
Unemployment insurance .....	-0.20	0.03	-0.26	0.06	-0.23	0.04	-0.02	0.01
LIHEAP .....	-0.08	0.02	-0.10	0.04	-0.06	0.02	-0.10	0.04
Workers' compensation .....	-0.12	0.03	-0.15	0.07	-0.13	0.03	-0.03	0.02
WIC .....	-0.12	0.04	-0.29	0.09	-0.08	0.02	Z	Z
<b>SUBTRACTIONS</b>								
Child support paid .....	0.08	0.02	0.07	0.03	0.10	0.02	0.02	0.02
Federal income tax .....	0.44	0.05	0.37	0.07	0.54	0.06	0.11	0.05
FICA .....	1.52	0.10	2.07	0.19	1.58	0.10	0.41	0.09
Work expenses .....	1.75	0.10	2.44	0.22	1.80	0.10	0.47	0.09
MOOP .....	3.52	0.14	3.41	0.21	3.05	0.16	5.65	0.30

<sup>1</sup> The margin of error (MOE) is a measure of an estimate's variability. The larger the MOE in relation to the size of the estimate, the less reliable the estimate. The MOE is the estimated 90 percent confidence interval. The MOEs shown in this table are based on standard errors calculated using replicate weights. For more information, see "Standard Errors and Their Use" at [www2.census.gov/library/publications/2016/demo/p60-256sa.pdf](http://www2.census.gov/library/publications/2016/demo/p60-256sa.pdf).  
 Z Represents or rounds to zero.  
 Source: U.S. Census Bureau, Current Population Survey, 2016 Annual Social and Economic Supplement.

**Safety Net's Effectiveness at Reducing Poverty Has Grown Nearly Ten-Fold Since 1967**

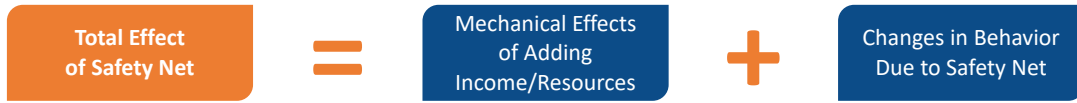
Percent of otherwise poor lifted above the poverty line by the safety net



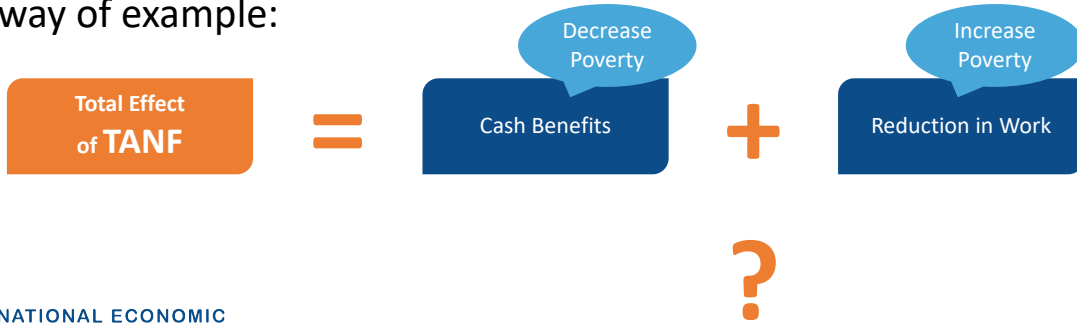
Note: For each year, figures show the percent reduction in the number of people in poverty from when government benefits and taxes are not counted to when they are counted. Calculations use Supplemental Poverty Measure (SPM) and 2012 SPM poverty line adjusted for inflation.

Source: 1967-2012 data are from Christopher Wimer et al., "Trends in Poverty with an Anchored Supplemental Poverty Measure," Columbia Population Research Center, December 2013. (Plot points generously shared by the authors.) For 2013-2014, CBPP analysis of Census Bureau data from the March Current Population Survey and SPM public use files.

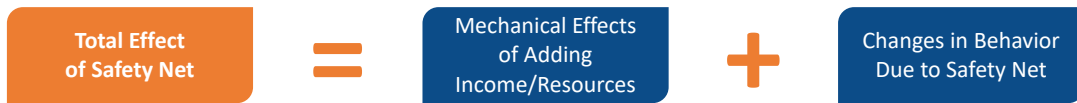
## Total Effects are Complicated: TANF



By way of example:

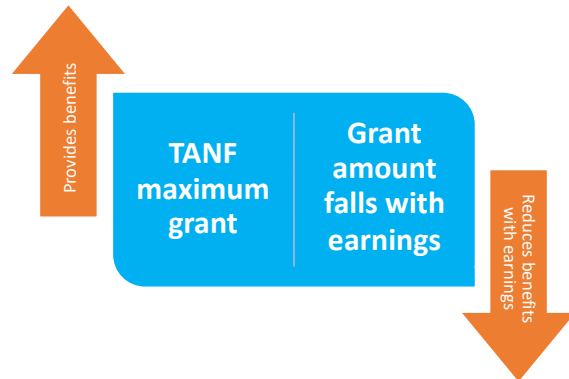


## Total Effects are Complicated: EITC



## Full Effect of Safety Net: Includes Behavioral Changes

- Focus on work effects of safety net (one of several possible unintended consequences)
- What does economics tell us about safety net programs and work?



## Two Effects of Welfare Payment on Work

### Welfare Provides Income

- More income increases consumption
- One form of consumption is leisure
- More income reduces work (by encouraging leisure)

### Work Reduces Welfare Payments

- Rising earnings reduce benefit level
- Wage for working is effectively reduced
- Welfare discourages work (due to benefit reduction)

## What do we know about magnitude of work disincentives from welfare?

- Many studies
- Basic approach is important



## Perfect (but Impossible) Approach to Research

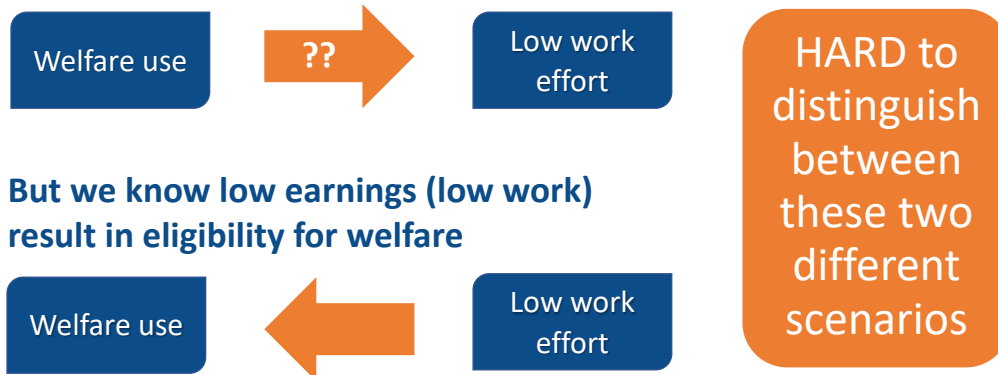
- Randomly divide population into two groups
- Offer some individuals welfare, others no welfare
- Compare how much the two groups work
- Challenge of social science:

no controlled experiments



## Challenges to Empirical Studies

Does welfare use cause low work effort?



But we know low earnings (low work) result in eligibility for welfare

## How large are welfare/work disincentives?

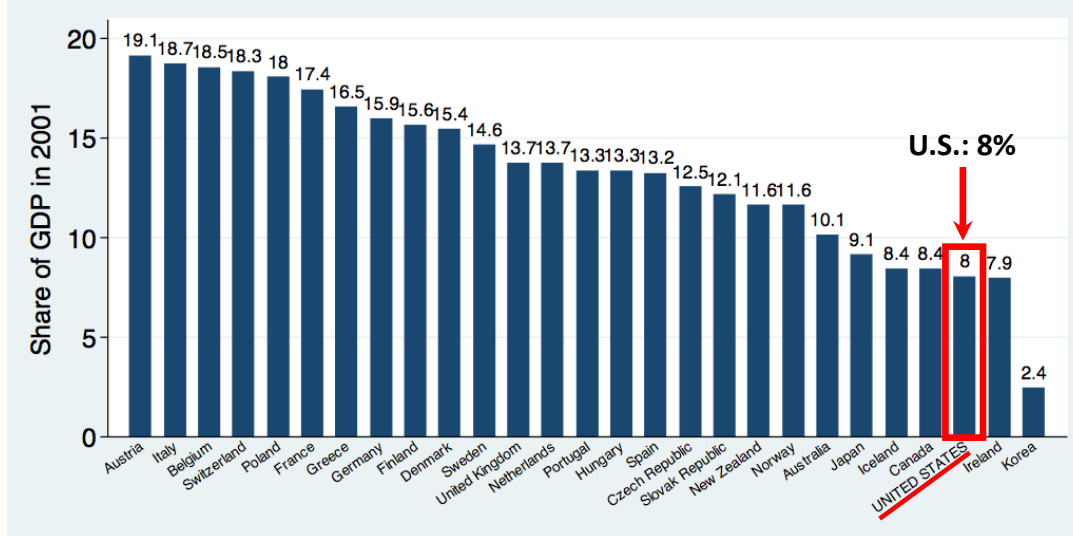
- **United States: old-style AFDC/Food Stamp programs reduced work by 500 to 600 hours per year among recipients.**
- **TANF likely has smaller effects on work (designed to encourage/require work).**
- **International evidence suggests fairly small effects of cash assistance on work.**



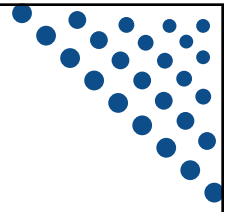
## Summary: U.S. Safety Net

- **The U.S. safety net is a complex set of programs to aid the poor.**
  - Medical, nutrition, education, housing, cash
  - Different benefit amounts, eligibility rules, duration of assistance, administration
- **There are unintended consequences on the labor supply, and possibly on marriage and childbearing as well.**
- **There are substantial direct effects on measured poverty under measures that fully account for benefits.**

## Safety Net Spending Across the OECD



**Thank you!**



## Any Questions?

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