

APPENDIX K. SPENDING FOR INCOME-TESTED BENEFITS, FISCAL YEARS 1968-94

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OVERVIEW¹

The Congressional Research Service (CRS) has found that more than 80 benefit programs provide cash and noncash aid that is directed primarily to persons with limited income (Burke, 1995). Such programs constitute the public "welfare" system, if welfare is defined as income-tested or need-based benefits (the programs are listed at the end of this chapter). This definition excludes social insurance programs, such as Social Security and Medicare.

These income-tested benefit programs in fiscal year 1994 cost \$344.9 billion: \$246.2 billion in Federal funds and \$98.6 billion in State-local funds. Total outlays by these programs amounted to 5.1 percent of the gross domestic product (GDP), the highest share in a quarter-century of records. Federal funds provided 71.4 percent of the total. These Federal welfare outlays accounted for 16.9 percent of the fiscal year 1994 Federal budget.

In fiscal year 1994, almost 47 percent of welfare funds were used for medical services. Cash relief, food benefits, and housing aid together accounted for 43 percent. Slightly more than 6 percent was invested in "human capital" programs, ones providing education,

¹The Census Bureau (Tin, 1996), based on the Survey of Income and Program Participation, examines participation in several of the programs reviewed in this section. These include: Aid to Families with Dependent Children, General Assistance, food stamps, Supplemental Security Income, Medicaid, and housing assistance. The Census Bureau study provides measures of how many adults and children actually receive benefits from these programs.

jobs, and training. The rest (4.2 percent) went for energy aid and other services. The composition of welfare spending differed by level of government. Medical aid consumed 68.2 percent of State-local welfare funds, but only 38.1 percent of Federal welfare dollars.

Most income-tested programs provide benefits, in the form of cash, goods, or services, to persons who make no payment and render no service in return. However, in the case of the job and training programs and some educational benefits, recipients must work or study. Further, the Aid to Families with Dependent Children (AFDC) and Food Stamp Programs require some able-bodied recipients to engage in work or a work-related activity. Finally, the Earned Income Credit (EIC) is available only to workers.

An unduplicated count of welfare beneficiaries is not available. Record large numbers of recipients were served by the four most costly programs in 1994: Medicaid, 34 million persons; AFDC, 14.2 million persons in 5 million families; Supplemental Security Income (SSI), 6.4 million aged, blind, or disabled persons; and food stamps, 28.9 million persons (the last 3 numbers are monthly averages). The largest program, EIC, went to an estimated 54.2 million persons in 18.1 million families.

TRENDS IN SPENDING

The CRS data series provides annual spending figures for 22 fiscal years (1968, 1973, and 1975–94). Total expenditures on cash and noncash welfare programs were 21 times as great in 1994 as in 1968 (table 18–1). Even after allowance for price inflation, spending more than quintupled (rising 435 percent) over the 26 years, a period when the U.S. population rose 30 percent. Trends shown in table 18–1 are consistent with those in a less inclusive data series maintained by the Social Security Administration (SSA). The SSA series, called public aid, is a category within SSA reports on social welfare expenditures. SSA data on public aid exclude income-tested child nutrition, subsidized housing, educational benefits, adoption assistance, foster care, some job training, and other programs covered in the CRS series. Public aid expenditures reported by SSA generally are about 30 percent below income-tested outlays reported by CRS. Adjusted for price inflation, public aid outlays in the SSA series rose 371 percent, and income-tested outlays in the CRS series rose 379 percent, between 1968 and 1992. (For fiscal year 1992 public aid data of SSA, see Bixby, 1995.)

The CRS data series is somewhat different from one presented in a recent study by Rector and Lauber (1995) of the Heritage Foundation. The list of 80 major programs included in their analysis (see their Appendix One, pp. 45ff) is similar to the CRS list. However, the Rector and Lauber list includes some programs (grants to local education authorities for educationally deprived children and programs of community development aid) not in the CRS series, which is restricted to programs that provide benefits to individuals or families who meet a needs test. Moreover, the Rector and Lauber study provides estimates for years (1965–67; 1969–72; and 1974) that are not covered in the CRS study.

Even so, results from the two studies are similar. The most recent year for comparison of results is 1993. In that year, Rector

and Lauber estimate total (Federal and State) welfare spending at \$324.4 billion, as compared with \$310.5 billion in the CRS analysis. Almost all of the difference between the two estimates is accounted for by the education and community development programs included in the Rector and Lauber analysis. For the period 1965–93, the Rector and Lauber study estimated that a total of \$5.4 trillion in constant 1993 dollars was spent by Federal and State governments on the programs included in their analysis. The total for the CRS series, which does not include all the programs and all the years used in the Rector and Lauber series, is \$4.5 trillion in 1994 dollars (see table 18–1).

TABLE 18–1.—EXPENDITURES FOR INCOME-TESTED BENEFITS, FISCAL YEARS 1968–94
[In billions]

Fiscal year	Federal	State/local	Total spending	
			Current dollars	Constant 1994 dollars
1968	\$11.406	\$4.710	\$16.116	\$64.474
1973	26.876	10.054	36.930	119.075
1975	39.461	14.753	54.214	147.289
1976	49.954	16.990	66.944	170.410
1977	55.113	18.892	74.005	174.158
1978	63.964	20.151	84.115	184.828
1979	70.172	21.304	91.476	185.441
1980	80.043	24.633	104.676	192.401
1981	87.936	29.045	116.981	196.438
1982	88.977	31.706	120.683	190.397
1983	93.830	33.982	127.812	192.146
1984	99.151	36.191	135.342	195.248
1985	105.064	38.230	143.294	199.354
1986	107.775	40.811	148.586	199.562
1987	114.789	43.364	158.153	204.997
1988	125.047	46.580	171.627	213.270
1989	134.715	51.587	186.302	220.897
1990	151.478	59.339	210.817	238.365
1991	177.899	72.194	250.093	269.715
1992	208.211	87.094	295.305	308.712
1993	223.528	87.700	311.228	316.652
1994	246.240	98.621	344.861	344.861

Source: Burke, 1995.

Measured in constant 1994 dollars (calculated by use of the implicit price deflators for personal consumption expenditures), the annual rate of growth in spending for income-tested benefits over the whole period, 1968–94, was 6.7 percent in the CRS study. However, the growth pattern was uneven. During the first 8 years (1968–75) spending climbed at an annual rate of 12.9 percent; in the next 8 years (1976–83) the annual rate of increase dropped to 1.7 percent (in 1 year, 1982, real spending declined, and it remained below the 1981 level until 1985); in the last 11 years (1984–94) the annual growth rate rose to 5.8 percent.

Total per capita welfare spending grew in constant 1994 dollars from \$321 in fiscal year 1968 to \$854 in fiscal year 1981, an increase of 166 percent. However, in fiscal year 1982, welfare spending failed to keep pace with inflation. In 1994 dollars welfare outlays fell 3 percent (\$6 billion), and per capita spending declined to \$820. In fiscal year 1984 real per capita welfare spending increased, but it did not regain (and overtake) its 1981 level until 1988, when it reached \$870. Each year since then real per capita welfare spending has set new records: 1989, \$893; 1990, \$954; 1991, \$1,068; 1992, \$1,218; 1993, \$1,232; and 1994, \$1,325.

SPENDING TRENDS BY LEVEL OF GOVERNMENT

FEDERAL GOVERNMENT

Measured in constant 1994 dollars, Federal spending for income-tested benefits climbed from \$45.6 billion in fiscal year 1968 to \$246.2 billion in fiscal year 1994, an increase of 440 percent (table 18-2). Cash aid was the leading form of Federal welfare until 1980, when it was overtaken in value by medical benefits. Two years later, in 1982, Federal welfare spending declined for all forms of aid except subsidized housing, in which case outlays reflected earlier commitments, and education benefits. In 1983, Federal spending declined further for medical benefits, cash aid, and energy aid.

Between 1983 and 1994, real Federal welfare spending climbed \$105 billion, or 75 percent. The increases were dominated by medical benefits (\$58.5 billion) and cash aid (\$28 billion). Next came increases for food benefits (\$9 billion), housing aid (\$7 billion), education (\$3 billion) and services (\$2.4 billion). Real Federal outlays for jobs/training benefits and energy aid spending declined.

A comparison of 1983 and 1994 data shows a marked change in the composition of Federal income-tested spending. Shares of Federal welfare outlays: Medical benefits, 25 percent in 1983 and 38 percent in 1994; cash benefits, 24 percent and 25 percent, respectively; food benefits, 19 percent and 15 percent; housing benefits, 13 percent and 10.5 percent; job/training aid, 5 percent and 2 percent; and services, 3.5 percent and 3 percent.

STATE/LOCAL GOVERNMENTS

Measured in constant 1994 dollars, State/local spending for income-tested benefits climbed from \$18.8 billion in fiscal year 1968 to \$98.6 billion in fiscal year 1994, an increase of 423 percent (table 18-3). Cash aid was overtaken by medical benefits as the dominant form of State/local welfare spending in 1976. Unlike Federal welfare spending, which fell below 1981 levels in real value in 1982-86, State-local spending rose steadily in all years except two, 1978 and 1993.

TABLE 18-2.—FEDERAL SPENDING FOR INCOME-TESTED BENEFITS BY FORM OF BENEFIT, FISCAL YEARS 1968-94
 [Millions of constant fiscal year 1994 dollars]

Fiscal year	Medical benefits	Cash aid	Food benefits	Housing benefits	Education benefits	Jobs/train- ing aid	Services/ other ¹	Energy aid	Total
1968	\$10,966	\$20,151	\$3,573	\$3,133	\$3,441	\$2,836	\$1,532	\$0	\$45,631
1973	21,471	27,649	12,430	10,827	5,872	2,976	5,433	0	86,658
1975	26,041	34,609	17,493	11,775	5,923	5,838	5,529	0	107,208
1976	27,862	37,983	19,670	13,517	9,404	11,725	6,932	71	127,161
1977	31,017	36,940	18,252	14,214	8,183	12,762	7,620	711	129,699
1978	32,006	35,260	18,697	16,131	8,936	21,314	7,605	600	140,549
1979	33,268	34,325	21,036	17,148	9,753	18,784	7,405	533	142,253
1980	35,657	34,883	24,058	17,656	8,988	15,853	6,865	3,163	147,124
1981	37,368	35,197	26,345	18,235	8,038	12,621	6,487	3,374	147,665
1982	36,349	34,038	24,728	18,590	12,282	6,293	4,895	3,199	140,375
1983	35,440	33,677	27,205	18,760	11,159	6,776	4,967	3,076	141,060
1984	35,841	34,310	27,000	18,516	11,557	7,757	4,961	3,096	143,038
1985	38,787	34,066	26,937	19,634	13,239	5,419	4,940	3,146	146,168
1986	39,989	35,360	25,709	17,816	13,505	4,870	4,553	2,948	144,750
1987	45,494	35,592	25,785	17,124	12,661	4,902	4,675	2,555	148,789
1988	47,976	37,669	25,121	18,268	13,852	4,657	5,578	2,267	155,388
1989	50,265	39,321	24,704	18,882	14,802	4,523	5,301	1,931	159,730
1990	56,748	41,207	26,990	19,841	15,559	4,494	4,618	1,814	171,272
1991	67,293	45,589	30,202	20,449	16,029	4,733	5,614	1,948	191,857
1992	82,187	50,928	34,299	22,917	14,220	5,246	6,106	1,762	217,664
1993	86,466	54,280	35,378	24,373	14,562	4,854	5,950	1,561	227,424
1994	93,892	61,477	36,233	25,738	14,804	4,870	7,389	1,837	246,240

¹ "Other" represents State Legalization Impact Assistance Grants, first available in fiscal year 1988, which fund medical, cash, educational, and other benefits.
 Source: Burke, 1995.

TABLE 18-3.—STATE/LOCAL SPENDING FOR INCOME-TESTED BENEFITS BY FORM OF BENEFIT, FISCAL YEARS 1968-94¹

Fiscal year	Medical benefits	Cash aid	Food benefits	Housing benefits	Education benefits	Jobs/train- ing aid	Services/ other ²	Energy aid	Total
1968	\$8,245	\$9,962	\$0	NA	\$0	\$172	\$464	\$0	\$18,843
1973	13,429	17,079	0	NA	0	181	1,728	0	32,418
1975	17,961	18,341	1,519	NA	389	106	1,766	0	40,081
1976	19,866	19,525	1,611	NA	397	99	1,751	0	43,249
1977	20,919	19,238	1,913	NA	435	134	1,819	0	44,459
1978	21,448	18,462	1,918	NA	521	138	1,791	0	44,278
1979	22,575	17,381	801	NA	509	158	1,764	0	43,188
1980	24,262	17,914	840	NA	526	149	1,586	0	45,277
1981	26,246	18,467	974	NA	490	141	2,455	0	48,773
1982	27,697	17,626	1,134	NA	424	118	2,998	24	50,021
1983	28,388	17,755	1,177	NA	454	119	3,157	38	51,087
1984	29,619	17,870	1,370	NA	436	113	2,741	62	52,210
1985	29,995	18,295	1,432	NA	632	113	2,678	43	53,187
1986	30,982	18,967	1,481	NA	665	98	2,552	67	54,812
1987	31,895	19,210	1,513	NA	662	92	2,566	270	56,208
1988	33,744	19,128	1,415	NA	676	89	2,610	220	57,882
1989	36,773	19,551	1,378	NA	646	115	2,490	213	61,166
1990	41,377	20,137	1,396	NA	711	302	3,029	140	67,093
1991	51,183	20,869	1,415	NA	590	473	3,206	122	77,858
1992	59,753	22,065	1,509	\$2,404	642	498	4,085	92	91,048
1993	59,016	21,825	1,593	1,353	779	572	4,018	72	89,228
1994	67,247	22,272	1,867	392	903	661	5,245	34	98,621

¹ In millions of constant fiscal year 1994 dollars. ² The spending "decline" in 1979 represents a change in accounting. Data for 1975-78 include estimated State-local funds used for free and reduced price school lunches. For subsequent years these estimates could not be made.

NA—Not available.

Source: Burke, 1995.

Between 1983 and 1994, State-local spending for income-tested benefits almost doubled in real value, rising by \$47.5 billion. More than four out of five of these extra dollars (\$38.9 billion in all) were spent on medical benefits. Other sizable increases: cash aid, up \$4.5 billion; and services, up \$2 billion. In both years medical benefits and cash aid together consumed 90 percent of state-local welfare dollars, but their shares were drastically changed. The share spent on medical aid climbed by almost 13 percentage points (to 68.2 cents out of the benefit dollar); the share spent on cash aid declined by 12 percentage points (to 22.6 cents out of the benefit dollar).

SHARE OF FEDERAL BUDGET USED FOR INCOME-TESTED BENEFITS

The share of the Federal budget used for income-tested benefits climbed from 6.4 percent in fiscal year 1968 to 16.9 percent in fiscal year 1994 (table 18-4). Most of the increase of 10.5 percentage points was accounted for by medical benefits (4.9 percentage point gain). Measured in percentage points, increases for other forms of aid are: cash benefits, 1.5; food aid, 2; housing benefits, 1.3; education, 0.5; services, 0.3; energy aid, 0.1. Federal spending for income-tested jobs/training benefits declined as a percent of the budget (down 0.1 percentage point).

TABLE 18-4.—SHARE OF FEDERAL BUDGET USED FOR INCOME-TESTED AID, BY FORM OF AID, SELECTED FISCAL YEARS 1968-94

[In percent]

Fiscal year	Medical aid	Cash aid	Food aid	Housing aid	Education aid	Jobs/training	Energy	Services
1968	1.54	2.83	0.50	0.44	0.48	0.40	0.00	0.22
1973	2.71	3.49	1.57	1.37	0.74	0.38	0.00	0.69
1978	3.18	3.50	1.85	1.60	0.89	¹ 2.11	0.06	0.75
1983	2.92	2.77	2.24	1.54	0.92	0.56	0.25	0.41
1988	3.63	2.85	1.90	1.38	1.05	0.35	0.17	0.42
1990	4.01	2.91	1.91	1.40	1.10	0.32	0.13	0.33
1991	4.71	3.19	2.12	1.43	1.12	0.33	0.14	0.39
1992	5.69	3.53	2.38	1.59	0.99	0.36	0.12	0.42
1993	6.03	3.79	2.47	1.70	1.02	0.34	0.11	0.42
1994	6.43	4.21	2.48	1.76	1.01	0.33	0.13	0.51

¹ In fiscal year 1978, jobs and training benefit outlays were \$9.7 billion of this total; \$5.8 billion represented public service employment and \$2 billion employment and training services.

Source: Burke, 1995.

LIST OF INCOME-TESTED PROGRAMS

Below is the list of programs providing income-tested benefits. Within each category, the programs are listed in the order of their total cost (fiscal year 1994, in millions of dollars) to Federal and State/local governments.

MEDICAL AID

1. Medicaid (143,593)
2. Medical care for veterans without service-connected disability (8,162)
3. General assistance (medical care component) (5,370)
4. Indian health services (1,943)
5. Maternal and child health services block grant (1,118)
6. Community health centers (604)
7. Title X family planning services (181)
8. Medical assistance to refugees and Cuban/Haitian entrants (109)
9. Migrant health centers (59)

CASH AID

10. Supplemental Security Income (SSI) (27,310)
11. Aid to Families with Dependent Children (AFDC) (25,920)
12. Earned Income Tax Credit (EITC) (16,549)
13. Foster care (5,159)
14. General assistance (nonmedical care component) (3,250)
15. Pensions for needy veterans, their dependents, and survivors (3,159)
16. Emergency assistance (EA) to needy families with children (1,564)
17. Adoption assistance (629)
18. General assistance to Indians (84)
19. Cash assistance to refugees and Cuban/Haitian entrants (70)
20. Dependency and indemnity compensation (DIC) and death compensation for parents of veterans (54.5)

FOOD AID

21. Food stamps (27,396)
22. School lunch program (free and reduced price segments) (4,438)
23. Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (3,309)
24. School breakfast program (free and reduced price segments) (936)
25. Child and adult care food program (774)
26. Nutrition program for the elderly (689)
27. Summer food service program for children (243)
28. The Emergency Food Assistance Program (TEFAP) (169)
29. Commodity Supplemental Food Program (CSFP) (90)
30. Food distribution program on Indian reservations (55)
31. Special milk program (free segment) (1)

HOUSING AID

32. Section 8 low-income housing assistance (14,576)
33. Low-rent public housing (6,609)
34. Rural housing loans (section 502) (2,384)
35. Section 236 interest reduction payments (659)
36. Home Investment Partnerships Program (HOME) (595)
37. Rural rental housing loans (section 515) (512)
38. Rural rental assistance payments (section 521) (445)

39. Home Ownership and Opportunity for People Everywhere (HOPE) Programs (81)
40. Farm labor housing loans (section 514) and grants (section 516) (59)
41. Section 101 rent supplements (56)
42. Rural housing repair loans and grants (section 504) (53)
43. Section 235 home ownership assistance for low-income families (46)
44. Rural housing preservation grants (section 533) (23)
45. Indian housing improvement grants (20)
46. Rural housing self-help technical assistance grants (section 523) and rural housing site loans (sections 523 and 524) (13)

EDUCATION AID

47. Federal Pell grants (6,459)
48. Head Start (4,156)
49. Subsidized Federal Stafford loans (2,757)
50. Federal work-study program (617)
51. Supplemental educational opportunity grants (584)
52. Federal trio programs (388)
53. Chapter 1 Migrant Education Program (303)
54. Perkins loans (166)
55. State Student Incentive Grant (SSIG) Program (145)
56. Fellowships for graduate and professional study (65)
57. Health professions student loans and scholarships (43)
58. Follow through (9)
59. Migrant High School Equivalency Program (HEP) (8)
60. Ellender fellowships (4)
61. College Assistance Migrant Program (CAMP) (2)
62. Child Development Associate Scholarship Program (1)

OTHER SERVICES

63. Social services block grant (Title XX) (8,322)
64. Child care for recipients (and ex-recipients) of AFDC (1,199)
65. Child Care and Development Block Grant (893)
66. "At risk" child care (to avert eligibility for AFDC) (505)
67. Community services block grant (464)
68. Legal services (400)
69. Emergency Food and Shelter Program (130)
70. Social services for refugees and Cuban/Haitian entrants (69)

JOBS AND TRAINING AID

71. Job Opportunities and Basic Skills Training Program (JOBS) (1,417)
72. Job corps (1,040)
73. Adult training (988)
74. Summer Youth Employment and Training Program (877)
75. Youth training (609)
76. Senior Community Service Employment Program (456)
77. Foster grandparents (97)
78. Senior companions (48)

ENERGY AID

- 79. Low-Income Home Energy Assistance Program (LIHEAP) (1,731)
- 80. Weatherization assistance (140)

OTHER AID

- 81. State legalization impact assistance grants (652)

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