

APPENDIX K. SPENDING FOR INCOME-TESTED BENEFITS, FISCAL YEARS 1968-96

CONTENTS

- Overview**
- Trends in Spending**
- Spending Trends by Level of Government**
 - Federal Government**
 - State and Local Governments**
- Share of Federal Budget Used for Income-Tested Benefits**
- List of Income-Tested Programs**
 - Medical Aid**
 - Cash Aid**
 - Food Aid**
 - Housing Aid**
 - Education Aid**
 - Other Services**
 - Jobs and Training Aid**
 - Energy Aid**
- References**

OVERVIEW ¹

The Congressional Research Service (CRS) has found that almost 80 benefit programs provide cash and noncash aid that is directed primarily to persons with limited income (Burke, 1998). 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 1996 cost \$367.7 billion: \$261.3 billion in Federal funds and \$106.4 billion in State-local funds. Total outlays by these programs amounted to 4.8 percent of the gross domestic product (GDP), dropping slightly from the record-high share set in fiscal year 1995 (5.1 percent). Federal funds provided 71 percent of the total. These Federal welfare outlays accounted for 16.7 percent of the fiscal year 1994 Federal budget.

In fiscal year 1996, medical services represented 48.3 percent of total welfare spending, exceeding combined outlays for benefits in the form of cash, food, housing, services, and energy aid (46 percent). The remainder (less than 6 percent) was invested in “human

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.

capital” programs; that is, those providing education, jobs, and training. The composition of welfare spending differed by level of government. Medical aid consumed 69.6 percent of State-local welfare funds, but only 39.6 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 program of Aid to Families with Dependent Children (AFDC) required some able-bodied recipients to engage in work or a work-related activity. The block grant program of Temporary Assistance for Needy Families (TANF), which has replaced AFDC, imposes work requirements as a condition of eligibility, and the Food Stamp Program also has work and training requirements. Finally, the earned income credit (EIC) is available only to workers.

An unduplicated count of welfare beneficiaries is not available. Enrollment in Medicaid, AFDC, and food stamps declined from their record-high levels of 1994 or 1995, but the number of SSI and EIC recipients continued to grow. Numbers of beneficiaries in 1996: Medicaid, 41.3 million; food stamps, 26.8 million, monthly average; AFDC, 14.6 million, monthly average; and EIC, 53.7 million persons in 17.9 million families.

TRENDS IN SPENDING

The CRS data series provides annual spending figures for 24 fiscal years (1968, 1973, and 1975–96). Total expenditures on cash and noncash welfare programs were almost 23 times as great in 1994 as in 1968 (table K–1). Even after allowance for price inflation, spending almost quintupled (rising 399 percent) over the 28 years, a period when the U.S. population rose 32 percent. Trends shown in table K–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 years 1960–93 public aid data of SSA, see Bixby, 1996. SSA also maintains a data series on private social welfare expenditures. See Kerns, 1997.)

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.

TABLE K-1.—EXPENDITURES FOR INCOME-TESTED BENEFITS, SELECTED FISCAL YEARS
1968–96

[In billions of dollars]

Fiscal year	Federal	State/local	Total spending	
			Current dollars	Constant 1996 dollars
1968	\$11,406	\$4,710	\$16,116	\$73,755
1973	26,876	10,054	36,930	134,259
1975	39,461	14,753	54,214	162,851
1976	49,954	16,990	66,944	187,684
1977	55,113	18,892	74,005	192,884
1978	63,964	20,151	84,115	204,824
1979	70,172	21,304	91,476	202,183
1980	80,043	24,633	104,676	203,595
1981	87,936	29,045	116,981	204,752
1982	88,977	31,706	120,683	196,834
1983	93,830	33,982	127,812	201,291
1984	99,151	36,191	135,342	204,651
1985	105,064	38,230	143,294	209,161
1986	107,775	40,811	148,586	211,527
1987	114,789	43,364	158,153	218,938
1988	125,047	46,580	171,627	228,247
1989	134,715	51,587	186,302	236,454
1990	151,478	61,064	212,542	256,965
1991	177,899	73,943	251,842	289,845
1992	208,211	88,130	296,341	331,016
1993	223,528	88,736	312,264	338,594
1994	246,302	102,396	348,698	368,346
1995	258,382	108,212	366,594	376,763
1996	261,311	106,401	367,712	367,711

Source: Burke, 1997.

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 \$311.2 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. For fiscal years 1968, 1973, and 1975–94, total spending in the CRS series was \$4.5 trillion in fiscal year 1994 dollars.

Measured in constant 1996 dollars (calculated by use of the Consumer Price Index for Urban Consumers), the annual rate of growth in spending for income-tested benefits over the whole period, 1968–96 was 5.9 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); from 1985 to 1995 growth resumed and averaged an annual rate of 6 percent. However, real spending declined 2.4 percent in 1996.

Total per capita welfare spending grew in constant 1996 dollars from \$367 in fiscal year 1968 to a peak of \$1,434 in fiscal year 1995 and receded to \$1,386 in fiscal year 1996.

SPENDING TRENDS BY LEVEL OF GOVERNMENT

FEDERAL GOVERNMENT

Measured in constant 1996 dollars, Federal spending for income-tested benefits climbed from \$52.2 billion in fiscal year 1968 to \$261.3 billion in fiscal year 1996, an increase of 401 percent (table K–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. For the next 12 years, aggregate real Federal welfare outlays climbed steadily, from \$147.8 billion in fiscal year 1983 to \$265.6 billion in fiscal year 1995. However, in fiscal year 1996, real Federal welfare spending declined by \$4.2 billion or 1.6 percent. Decreases occurred for all forms of income-tested aid: medical benefits, down \$0.6 billion; cash aid, \$0.2 billion; food benefits, \$0.7 billion; housing benefits, \$0.5 billion; education benefits, \$0.2 billion; jobs/training, \$0.8 billion; services, \$0.7 billion; and energy aid, \$0.5 billion.

STATE AND LOCAL GOVERNMENTS

Measured in constant 1996 dollars, State-local spending for income-tested benefits climbed from \$21.6 billion in fiscal year 1968 to \$106.4 billion in fiscal year 1996, an increase of 392 percent (table K–2). 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 three, 1978, 1993, and 1996. The 1996 decline totaled \$4.8 billion (4.3 percent): cash aid, down \$2.3 billion; medical benefits, down \$1.2 billion; services, down \$0.8 billion; housing, down \$0.3 billion; and jobs/training, down \$0.2 billion.

Between 1983 and 1996, State-local spending for income-tested benefits almost doubled in real value, rising by \$52.8 billion. More than four out of five of these extra dollars (\$44.3 billion in all) were spent on medical benefits. 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 14 percentage points (to 70 cents out of the benefit dollar); the share spent on cash aid declined by 13 percentage points (to 21 cents out of the benefit dollar).

TABLE K-2.—FEDERAL AND STATE-LOCAL SPENDING FOR INCOME-TESTED BENEFITS BY FORM OF BENEFIT, SELECTED FISCAL YEARS 1968–96
 [Millions of constant fiscal year 1996 dollars]

Fiscal year	Medical benefits	Cash aid	Food benefits ¹	Housing benefits	Education benefits	Jobs/training	Services/other ²	Energy aid	Total ³
Federal spending:									
1968	\$12,544	\$23,052	\$4,087	\$3,583	\$3,936	\$3,245	\$1,753	0	\$52,200
1973	24,209	31,174	14,015	12,208	6,620	3,356	6,126	0	97,708
1975	28,792	38,266	19,342	13,019	6,548	6,455	6,113	0	118,535
1976	30,685	41,833	21,653	14,887	10,356	12,913	7,634	\$79	140,051
1977	34,352	40,912	20,215	15,742	9,062	14,134	8,439	787	143,644
1978	35,469	39,075	20,720	17,876	9,903	23,620	8,428	665	155,756
1979	36,272	37,424	22,936	18,696	10,633	20,480	8,074	581	155,096
1980	37,731	36,912	25,458	18,684	9,511	16,776	7,265	3,347	155,684
1981	38,949	36,686	27,460	19,007	8,379	13,155	6,761	3,516	153,914
1982	37,578	35,189	25,564	19,218	12,697	6,506	5,061	3,308	145,121
1983	37,127	35,279	28,499	19,653	11,690	7,098	5,203	3,222	147,773
1984	37,567	35,962	28,300	19,408	12,113	8,131	5,200	3,245	149,926
1985	40,695	35,741	28,262	20,600	13,890	5,685	5,183	3,300	153,358
1986	42,386	37,481	27,251	18,884	14,314	5,162	4,826	3,125	153,428
1987	48,588	38,013	27,539	18,289	13,522	5,236	4,993	2,729	158,907
1988	51,345	40,315	26,885	19,551	14,824	4,984	5,970	2,426	166,300
1989	53,805	42,090	26,444	20,212	15,845	4,842	5,675	2,068	170,980
1990	60,680	44,062	28,860	21,216	16,637	4,806	4,938	1,939	183,138
1991	71,813	48,651	32,231	21,822	17,106	5,051	5,992	2,079	204,744
1992	87,817	54,416	36,648	24,487	15,194	5,605	6,524	1,882	232,574
1993	92,151	57,848	37,704	25,975	15,520	5,173	6,341	1,663	242,376
1994	98,891	66,969	38,142	25,506	15,462	5,135	8,051	2,025	260,181
1995	104,149	69,807	37,818	25,640	15,557	4,754	6,179	1,645	265,550
1996	103,568	69,637	37,116	25,096	15,320	3,955	5,452	1,167	261,311

TABLE K-2.—FEDERAL AND STATE-LOCAL SPENDING FOR INCOME-TESTED BENEFITS BY FORM OF BENEFIT, SELECTED FISCAL YEARS 1968-96—
Continued

[Millions of constant fiscal year 1996 dollars]

Fiscal year	Medical benefits	Cash aid	Food benefits ¹	Housing benefits	Education benefits	Jobs/training	Services/other ²	Energy aid	Total ³
State and local spending:									
1968	\$9,432	\$11,395	0	0	0	\$197	\$531	0	\$21,555
1973	15,142	19,257	0	0	0	204	1,949	0	36,551
1975	19,859	20,279	\$1,679	0	\$430	117	1,953	0	44,316
1976	21,879	21,504	1,775	0	437	109	1,929	0	47,633
1977	23,168	21,307	2,119	0	482	149	2,015	0	49,239
1978	23,769	20,459	2,126	0	577	153	1,985	0	49,069
1979	24,613	18,951	873	0	555	172	1,923	0	47,087
1980	25,674	18,956	889	0	556	158	1,679	0	47,911
1981	27,357	19,248	1,015	0	511	147	2,559	0	50,837
1982	28,634	18,222	1,173	0	439	122	3,099	\$24	51,712
1983	29,739	18,600	1,233	0	476	124	3,307	39	53,518
1984	31,045	18,730	1,436	0	457	118	2,873	65	54,724
1985	31,470	19,195	1,502	0	663	118	2,810	45	55,803
1986	32,840	20,104	1,570	0	705	104	2,705	71	58,099
1987	34,064	20,516	1,616	0	707	98	2,741	288	60,031
1988	36,113	20,471	1,515	0	723	96	2,793	235	61,947
1989	39,363	20,928	1,475	0	692	123	2,665	228	65,474
1990	44,244	21,532	1,493	0	760	323	5,324	150	73,827
1991	54,621	22,271	1,510	0	630	505	5,435	130	85,101
1992	63,846	23,577	1,612	\$2,569	686	532	5,522	98	98,442
1993	62,896	23,260	1,698	1,442	831	609	5,405	77	96,218
1994	71,545	24,214	1,870	1,706	954	691	7,105	81	108,166
1995	75,249	24,332	1,881	2,389	981	833	5,464	83	111,214

1996 74,007 22,036 1,921 2,113 955 612 4,684 73 106,401

¹ The spending "decline" in 1979 represents a change in accounting. Data for 1975-78 include State-local funds used for free and reduced price school lunches. For later years, these estimates could not be made.

² "Other" represents State Legalization Impact Assistance Grants, which funded medical, cash, education, and other benefits for legalized immigrants in fiscal years 1988-94.

³ Housing data represent HOME and HOPE Programs, begun in 1992. HOME includes some private funds (amount not available).

NA—Not available.

Source: Burke, 1997.

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 17.1 percent in fiscal year 1995, then declined slightly, to 16.8 percent, in fiscal year 1996 (table K-3). Most of the 1968-96 increase of 10.4 percentage points was accounted for by medical benefits (5.1 percentage point gain). Measured in percentage points, increases for other forms of aid were: cash benefits, 1.6; food aid, 1.9; housing benefits, 1.2; education, 0.5; services, 0.2. Federal spending for income-tested jobs/training benefits declined as a percent of the budget (down 0.2 percentage points), and energy aid was not provided in 1968.

TABLE K-3.—SHARE OF FEDERAL BUDGET USED FOR INCOME-TESTED AID, BY FORM OF AID, SELECTED FISCAL YEARS 1968-96

[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	4.00	2.91	1.90	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	2.37	1.59	0.98	0.36	0.12	0.42
1993	6.03	3.79	2.47	1.70	1.02	0.34	0.11	0.41
1994	6.40	4.34	2.47	1.65	1.00	0.33	0.13	0.52
1995	6.69	4.48	2.43	1.65	1.00	0.31	0.11	0.40
1996	6.64	4.46	2.38	1.61	0.98	0.25	0.07	0.35

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, 1997.

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 in fiscal year 1996 to Federal and State-local governments. Amounts shown are millions of dollars.

MEDICAL AID

1. Medicaid (\$159,357)
2. Medical care for veterans without service-connected disability (\$8,697)
3. General assistance (medical care component)—no Federal dollars (\$5,429)
4. Indian health services (\$1,984)
5. Maternal and child health services block grant (\$1,105)
6. Community health centers (\$615)

7. Title X family planning services (\$193)
8. Medical assistance to refugees and Cuban/Haitian entrants (\$131)
9. Migrant health centers (\$65)

CASH AID

10. Supplemental Security Income (SSI) (\$30,367)
11. Aid to Families with Dependent Children (AFDC) (\$23,677)
12. Earned income tax credit (EITC) (\$21,566)
13. Foster care (\$5,853)
14. Emergency assistance for needy families with children (\$3,185)
15. Pensions for needy veterans, their dependents, and survivors (\$3,086)
16. General assistance (nonmedical care component)—no Federal dollars (\$2,880)
17. Adoption assistance (\$897)
18. Cash assistance to refugees and Cuban/Haitian entrants (\$64)
19. General assistance to Indians (\$61)
20. Dependency and indemnity compensation (DIC) and death compensation for parents of veterans (\$37)

FOOD AID

21. Food stamps (\$27,344)
22. School Lunch Program (free and reduced price segments) (\$4,784)
23. Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (\$3,688)
24. School Breakfast Program (free and reduced price segments) (\$1,088)
25. Child and Adult Care Food Program (\$945)
26. Nutrition Program for the Elderly (\$691)
27. Summer Food Service Program for Children (\$258)
28. Commodity Supplemental Food Program (CSFP) (\$87)
29. The Emergency Food Assistance Program (TEFAP) (\$80)
30. Food Distribution Program on Indian Reservations (\$70)
31. Special Milk Program (free segment) (\$1)

HOUSING AID

32. Section 8 low-income housing assistance (\$15,015)
33. Low-rent public housing (\$4,710)
34. Home Investment Partnerships Program (HOME) (\$3,136)
35. Rural housing loans (section 502) (\$2,716)
36. Section 236 interest reduction payments (\$651)
37. Rural rental assistance payments (section 521) (\$538)
38. Rural rental housing loans (section 515) (\$151)
39. Home Ownership and Opportunity for People Everywhere (HOPE) Programs (\$79)
40. Rural housing repair loans and grants (section 504) (\$61)
41. Section 101 rent supplements (\$59)
42. Section 235 home ownership assistance for low-income families (\$31)
43. Farm labor housing loans (section 514) and grants (section 516) (\$25)

- 44. Rural housing self-help technical assistance grants (section 523) and rural housing site loans (sections 523 and 524) (\$14)
- 45. Indian housing improvement grants (\$13)
- 46. Rural housing preservation grants (section 533) (\$11)

EDUCATION AID²

- 47. Federal Pell grants (\$6,144)
- 48. Head Start (\$4,461)
- 49. Subsidized Federal Stafford loans (\$3,339)
- 50. Federal Work-Study Program (\$617)
- 51. Supplemental educational opportunity grants (\$583)
- 52. Federal Trio Programs (\$463)
- 53. Chapter 1 Migrant Education Program (\$305)
- 54. Perkins loans (\$158)
- 55. State Student Incentive Grant (SSIG) Program (\$127)
- 56. Fellowships for graduate and professional study (\$33)
- 57. Health professions student loans and scholarships (\$32)
- 58. Migrant High School Equivalency Program (HEP) (\$8)
- 59. Ellender fellowships (\$3)
- 60. College Assistance Migrant Program (CAMP) (\$2)

OTHER SERVICES

- 61. Social Services Block Grant (title XX) (\$6,095)
- 62. Child care for recipients (and ex-recipients) of AFDC (\$1,737)
- 63. Child Care and Development Block Grant (\$935)
- 64. At-risk child care (to avert eligibility for AFDC) (\$487)
- 65. Community Services Block Grant (\$436)
- 66. Legal services (\$278)
- 67. Emergency Food and Shelter Program (\$100)
- 68. Social services for refugees and Cuban/Haitian entrants (\$69)

JOBS AND TRAINING AID

- 69. Job Opportunities and Basic Skills Training Program (JOBS) (\$1,280)
- 70. Job Corps (\$1,094)
- 71. Adult training (\$850)
- 72. Summer Youth Employment and Training Program (\$625)
- 73. Senior Community Service Employment Program (\$446)
- 74. Youth training (\$127)
- 75. Foster grandparents (\$94)
- 76. Senior companions (\$51)

ENERGY AID

- 77. Low-Income Home Energy Assistance Program (LIHEAP) (\$1,064)
- 78. Weatherization assistance (\$175)

²Dropped from the fiscal year 1996 list of income-tested benefit programs were two education programs that ended in fiscal year 1995: Follow Through and Child Development Associate Scholarship Program.

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