

25. INCOME SECURITY

Table 25-1. FEDERAL RESOURCES IN SUPPORT OF INCOME SECURITY

(In millions of dollars)

Function 600	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Spending:							
Discretionary Budget Authority	29,748	32,819	32,652	36,396	36,196	36,196	36,196
Mandatory Outlays:							
Existing law	192,303	202,410	214,844	223,419	232,353	240,912	250,073
Proposed legislation .....	.....	.....	829	1,879	2,205	2,164	2,816
Credit Activity:							
Direct loan disbursements	35	21	7	N/A	N/A	N/A	N/A
Guaranteed loans	24	88	85	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	117,906	132,388	135,291	138,642	141,850	144,946	147,757
Proposed legislation .....	.....	27	277	817	807	779	656

N/A=Not available

The Federal Government provides about \$248 billion a year in cash or in-kind benefits to individuals through income security programs, including about \$164 billion for programs in this chapter generally defined as part of the “social safety net.” Since the 1930s, these safety net programs, plus Social Security, Medicare, Medicaid, and housing assistance (each discussed in other chapters in this Section), have grown enough in size and coverage so that even in the worst economic times, most Americans can count on some form of minimum support to prevent destitution.

The remaining \$84 billion for income security programs include retirement and disability insurance (excluding Social Security, which is described in Chapter 26), Federal activity related to private pensions and Federal employee retirement and disability programs.

Major Public Benefit Programs

The largest means-tested income security programs are Food Stamps, Supplemental Security Income (SSI), Temporary Assistance for Needy Families (TANF), and the Earned Income Tax Credit (EITC). The various kinds

of low-income housing assistance are discussed in Chapter 19, “Commerce and Housing Credit.” These programs, along with unemployment compensation (which is not means-tested), form the backbone of cash and in-kind “safety net” assistance in the Income Security function.

The major income security programs are managed by four of the High Impact Agencies (see Section IV, “Improving Performance through Better Management”), agencies designated as such because they interact the most with the American people and businesses. These agencies are the Food and Nutrition Service, the Administration on Children and Families, the Social Security Administration, and the Internal Revenue Service.

Nutrition Assistance

Federal nutrition assistance programs are managed by the Department of Agriculture’s Food and Nutrition Service (FNS). The largest of all means-tested income security programs is the Food Stamp Program. In addition, FNS administers the Special Supplemental Nutrition Program for Women, Infants and

Children, and the National School Lunch and Breakfast Programs.

Food Stamps: Food Stamps help most low-income people get a more nutritious diet. In an average month in 1998, 19.8 million people, or 8.2 million households, received benefits and that year, the program provided total benefits of \$17 billion. In 2000, the program will provide an average projected benefit of \$75 to 20.1 million persons each month. Food Stamps is the only Nationwide, low-income assistance program available to essentially all financially-needy households that does not impose non-financial criteria, such as whether households include children or elderly persons. (The new welfare law limits the eligibility of non-citizens as well as the number of months that childless, able-bodied individuals can receive benefits while unemployed.)

- In 2000, FNS will expand the number of States using Electronic Benefits Transfer (EBT) to issue Food Stamp benefits to 42 percent, compared to 36 percent in 1998, improving the delivery of benefits, and increasing the ability to track benefits redemption as a fraud prevention tool.

Nutrition Program for Women, Infants and Children (WIC): WIC provides nutrition assistance, nutrition education and counseling, and health and immunization referrals to low-income women, infants and children. The program reached an average of 7.4 million people each month in 1998. The budget proposes \$4.1 billion to serve 7.5 million people through 2000 fulfilling the President's goal of full participation in WIC.

- In 2000, FNS, together with State public health agencies, will increase the incidence of breast-feeding among WIC mothers to 36 percent, compared to 34 percent in 1998.

Child Nutrition Programs: The National School Lunch and Breakfast Programs provide free or low-cost nutritious meals to children in participating schools. In 2000, the programs will serve an estimated 27.3 million lunches daily.

- In 2000, FNS' goal is that school districts will have reduced the average percent of calories from saturated fat in school

lunches to 10 percent, compared to 11 percent in elementary schools and 12 percent in secondary schools in 1998.

Income Assistance to Aged, Blind, and Disabled Individuals

The SSI program, administered by the Social Security Administration (SSA), provides benefits to needy aged, blind, and disabled adults and children. In 1998, 6.3 million individuals received \$27.3 billion in benefits. In 2000, an estimated 6.3 million individuals will receive a total of \$28.7 billion in SSI benefits. Eligibility rules and payment standards are uniform across the Nation. Average monthly benefit payments range from \$242 for aged adults to \$430 for blind and disabled children. Most States supplement the SSI benefit.

- In 2000, SSA will process 66 percent of initial SSI aged claims within 14 days of the filing date. SSA estimates that only 54 percent of these claims met this goal in 1998. In future years, the agency's goal is to continue to increase the proportion of SSI aged claims processed within 14 days.

Income Assistance to Families

Major income assistance for low-income families is provided through the TANF program, administered by the Department of Health and Human Service's Administration for Children and Families (ACF) and the Earned Income Tax Credit, administered by the Internal Revenue Service. In addition, ACF administers the Child Support Enforcement Program and the Child Care and Development Fund. Other income security programs run by ACF include refugee assistance and low-income home energy assistance.

Temporary Assistance for Needy Families: In the 1996 welfare reform law, the President and Congress enacted TANF as the successor to the 60-year-old Aid to Families with Dependent Children (AFDC) program. TANF, for which the Federal Government allocates about \$16.5 billion each year, is designed to meet the President's goal of dramatically changing the Nation's welfare system into one that requires and rewards work in exchange for time-limited assistance. The TANF program gives States broad flexibility to set

eligibility criteria and to determine the types of assistance they provide.

- The strong work focus of welfare reform and the economy have enabled ACF to meet its goal of moving one million welfare recipients into new employment before its 2000 goal date. Using new program data, ACF will continue to develop measures of high performance in the areas of job retention and earnings gains.

Individual Development Accounts (IDAs): The budget includes \$20 million for IDAs, to empower low-income individuals to save for a first home, post-secondary education, or to start a new business. ACF will select sites to administer this program in 1999. Performance measures will be developed based on the design of these programs.

Child Support Enforcement: The Child Support Enforcement Program establishes and enforces the support obligations owed by noncustodial parents to their children. In 1998, the Federal Government provided \$2.6 billion to State and local governments to help them run this program. The Federal Government retained more than \$1.3 billion in TANF-related collections from the States, making the net cost of this program to the Federal Government \$1.2 billion. In 2000, estimated Federal costs net of TANF collections will be \$1.9 billion. In 2000, the budget provides an additional \$6.5 million to the Departments of Health and Human Services and Justice to investigate and prosecute noncustodial parents who owe large sums of child support.

- By October 2000, ACF will increase parents' financial support for their children by increasing the amount of total child support collections to \$20.8 billion, an increase of 40 percent over 1998 and 160 percent over 1992. The agency's goal is to maximize child support collections for all families served in the program.

Child Care: The Child Care and Development Fund provides grants to States for the purposes of providing low-income families with financial assistance for child care, improving the quality and availability of child care, and establishing, expanding or conducting early childhood development programs

and before- and after-school programs. Federal child care funding has risen by 80 percent under this Administration, providing child care services for 1.25 million children from low-income working families or whose parents are moving from welfare to work.

In addition to the \$173 million increase for child care quality already provided by Congress for 2000, the President also proposes a 2000 increase of \$1.2 billion for child care subsidies as well as a new \$600 million Early Learning Fund for grants to communities to improve early childhood education and the quality and safety of child care for children under five years old. For the proposed Early Learning Fund, ACF will measure the type of quality and safety activities funded and will work to establish performance measures that focus on language development, emergent literacy, and other child development outcomes and aspects of school readiness.

Access to high-quality, affordable child care is critical to the achievement of self-sufficiency by TANF recipients and low-income working families. ACF is currently developing performance measures and baseline data for the program's twin goals of increasing access to affordable care and improving the quality of care to promote children's development.

- In 2000, the Child Care and Development Fund, including new funds, will provide child care assistance to an additional 500,000 low-income children over 1999.

Earned Income Tax Credit: The EITC, a refundable tax credit for low-income workers, has two broad goals: (1) to encourage families to move from welfare to work by making work pay; and (2) to reward work so parents who work full-time do not have to raise their children in poverty. In 1998, the EITC provided \$29.6 billion in credits for low-income tax filers, including spending on both tax refunds and reduced tax receipts. For every dollar that low-income workers earn—up to certain limits—they receive between seven and 40 cents as a tax credit. In 1998, the EITC provided an average credit of nearly \$1,584 to nearly 20 million workers and their families. In 2000, an estimated 20 million families will receive an average credit of \$1,644.

Unemployment Compensation

Unemployment Compensation, administered by the Department of Labor's Employment and Training Administration, provides benefits, which are taxable, to individuals who are temporarily out of work and whose employer has previously paid payroll taxes to the program. The State payroll taxes finance the basic benefits out of a dedicated trust fund. States set benefit levels and eligibility criteria, which are not means-tested. Regular benefits are typically available for up to 26 weeks of unemployment. In 1998, about 7.1 million persons claimed unemployment benefits that averaged \$191 weekly. In 2000, an estimated 8.3 million persons will receive an average benefit of \$210 a week.

Benefits are available to experienced workers who lose their jobs through no fault of their own. Thus, unemployment compensation does not cover all of the unemployed in any given month. In 1998, on average, the "insured unemployed" represented about 36 percent of the estimated total number of unemployed. Those who are not covered include new labor force entrants, re-entrants with no recent job experience, and those who quit their jobs voluntarily without good cause and, thus, are not eligible for benefits. However, others do not receive benefits because State laws restrict eligibility or because the unemployed worker is not aware of the program.

- In 2000, DOL's goal is that all States will meet the Secretary's standard for promptness in paying worker claims by providing 87 percent of initial intrastate payments and 70 percent of interstate payments within 14 days in States with a waiting period and within 21 days in States without a waiting period. In 1998, 78 percent of States met the interstate standard and 90 percent met the intrastate standard.

Effects of Income Security Programs

Federal safety net programs have a major effect on reducing poverty. Chapter 26, "Social Security," explores the impact of Social Security alone on the income and poverty of the elderly. This section looks at the cumulative impact across the major programs.

For purposes of this discussion, Government benefits includes both means-tested and social insurance benefits. Means-tested benefits include AFDC, SSI, certain veterans pensions, Food Stamps, child nutrition meals subsidies, rental assistance, and State-funded general assistance. Medicare and Medicaid greatly help eligible families who need medical services during the year, but experts do not agree about how much additional income Medicare or Medicaid coverage represents to the covered. Consequently, those benefits are not included in the analysis that follows. Social insurance benefits include Social Security, railroad retirement, veterans compensation, unemployment compensation, Pell Grants, and workers' compensation. The definition of income for this discussion (cash and in-kind benefits), and the notion of pre- and post-Government transfers, do not match the Census Bureau's definitions for developing official poverty statistics. Census counts income from cash alone, including Government transfers.

Reducing Numbers of People in Poverty: Based on special tabulations from the March 1998 Current Population Survey (CPS), 56.4 million people were poor in 1997 before accounting for the effect of Government programs. After accounting for Government transfer programs and taxes, the number of poor fell to 29.8 million, a drop of 47 percent.

Reducing the Poverty Gap: The poverty gap is the amount by which the incomes of all poor people fall below the poverty line. Before counting Government benefits, the poverty gap was \$205.7 billion in 1997. Benefits from Government programs cut it by \$139 billion, or 68 percent.

Employee Retirement Benefits

Federal Employee Retirement Benefits: The Civil Service Retirement and Disability Program provides a defined benefit pension for 1.9 million Federal civilian employees and 800,000 U.S. Postal Service employees. In 1998, the program paid \$43 billion in benefits to 1.7 million retirees and 600,000 survivors. Along with the defined benefit, employees can participate in a defined contribution plan—the Thrift Savings Plan (TSP). Employees hired since 1983 are also covered by

Social Security. The budget proposal to increase pension portability includes provisions that would allow newly-hired Federal employees to participate immediately in, and to roll over private sector accounts into, the TSP. (For a discussion of military retirement programs, see Chapter 27, “Veterans Benefits and Services.” For a discussion of performance measures for this program, see Chapter 29 “General Government.”)

Private Pensions: The Department of Labor’s Pension and Welfare Benefits Administration (PWBA) establishes and enforces safeguards to protect the roughly \$3.5 trillion in pension assets. Also at the Department of Labor, the Pension Benefit Guaranty Corporation (PBGC) protects the pension benefits of about 42 million workers and retirees who earn traditional (i.e., “defined benefit”) pensions. Through its early warning program, PBGC also works with solvent companies to more fully fund their pension promises, and has protected the benefits of more than 1.6 million people since its inception eight years ago. The budget proposes a new, simplified defined benefit plan for small businesses that PBGC will insure. The budget also proposes new rules to improve the audits of private pension plans to ensure that promised benefits are secure. In 2000:

- PWBA will more speedily process the exemptions that allow certain financial transactions that are needed by pension plans, reducing the time taken by 5.6 percent from the 1998 average of 179 days.
- PBGC will more quickly replace the initial calculation with the final dollar levels of its pension benefits, reducing the time taken by about 13 percent from seven to eight years, which is the 1998 level.

Tax Treatment of Retirement Savings: The Federal Government encourages retirement savings by providing income tax benefits. Generally, earnings devoted to workplace pension plans and to many traditional individual retirement accounts (IRAs) receive beneficial tax treatment in the year earned and ordinarily are taxed only in retirement, when lower tax rates usually prevail. Moreover, taxpayers can defer taxes on the interest and other gains that add value to these retirement accounts. For the newer Roth IRA accounts, contributions are made from after-tax earnings, with no tax deduction. However, account earnings are free from tax when the account is used in retirement. These tax incentives amount to \$99 billion in 2000—one of the three largest sets of preferences in the income tax system.