The War on Poverty: 50 Years Later

A House Budget Committee Report

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House Budget Committee Majority Staff

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**Report updated on 3/3/2014*

The War on Poverty: 50 Years Later

"We have declared unconditional war on poverty. Our objective is total victory. . . . I believe that thirty years from now Americans will look back upon these 1960s as the time of the great American Breakthrough . . . toward the victory of prosperity over poverty."

— Lyndon B. Johnson, *My Hope for America* (1964)[1]

Fifty years ago, President Lyndon Johnson declared war on poverty. Today, in the aftermath of the Great Recession, we are once again debating the best way to help the least among us. On this important anniversary, we should take stock of the federal government's anti-poverty programs—and figure out why we have yet to achieve the "total victory" Johnson predicted.

The War on Poverty at a Glance

Despite trillions of dollars in spending, poverty is widespread:

- In 1965, the poverty rate was 17.3 percent. In 2012, it was 15 percent.[2]
- Over the past three years, "deep poverty" has reached its highest level on record.[3]
- About 21.8 percent of children live below the poverty line.

Today, the federal government's anti-poverty programs are duplicative and complex. There are at least 92 federal programs designed to help lower-income Americans. For instance, there are dozens of education and job-training programs, 17 different food-aid programs, and over 20 housing programs. The federal government spent $799 billion on these programs in fiscal year 2012.

And a significant challenge today is the decline in labor-force participation.

- The labor-force participation rate has fallen to a 36-year low of 62.8 percent.
- CBO projects the rate will fall to 60.8 percent over the next decade.[4]

A number of factors are causing this decline—changing demographics, slow economic growth. But federal policies are also discouraging work. For example, a rapid increase in disability caseloads has reduced the labor force. But a large problem is the "poverty trap." There are so many anti-poverty programs—and there is so little coordination between them—that they often work at cross purposes and penalize families for getting ahead.

- CBO finds that some low-income households face implicit marginal tax rates of nearly 100 percent.[5]

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[1] Lyndon B. Johnson, "My Hope for America," Random House LLC, 1964.
[2] The Official Poverty Rate does not include government transfers to low-income households. For a fuller discussion of poverty measures, see Appendix I.
[3] A household living in "deep poverty" makes less than 50 percent of the poverty line.
[4] "The Budget and Economic Outlook: 2014–2024," Congressional Budget Office, Feb. 2014: p. 38.
[5] "Effective Marginal Tax Rates for Low- and Moderate-Income Workers," Congressional Budget Office, Nov. 2012.

On the other hand, research finds that the best anti-poverty programs encourage work.

- Economists Bruce Meyer and James Sullivan find that lower tax rates and bigger tax credits helped low-income families the most.[6]
- Programs like the Earned Income Tax Credit increase labor-force participation.[7]

Overview

There are many reasons why poverty persists to such a wide extent today. Changes in family structure, changes in labor-market opportunities, and changes in broader demographics are a major part of the answer. But federal policies also have contributed. To promote work and improve upward mobility, then, the first step is to review what the federal government is doing now—so policymakers can determine what it can do better.

This report catalogues the most significant federal programs and tax provisions that try to reduce poverty or to increase upward mobility. Over the past year, the staff of the House Budget Committee has identified over 90 such programs, ranging from nutrition assistance to job training. In some cases, these programs have helped. But in others, they have been counterproductive.

Congress has taken a haphazard approach to this problem; it has expanded programs and created new ones with little regard to how these changes fit into the larger effort. Rather than provide a roadmap out of poverty, Washington has created a complex web of programs that are often difficult to navigate.

To inform the public debate, this report reviews the causes of poverty, the history of anti-poverty efforts, federal programs' effect on labor-force participation, and the current status of these programs today.

By its very nature, the amount of poverty in the country is hard to measure. There are several methods available, and each provides a different perspective on the problem. But unless otherwise noted, this report uses the Official Poverty Measure. OPM measures household earnings, not consumption. So it does not reflect material deprivation per se. Instead, it measures the percentage of families who do not earn enough to afford a basic standard of living.

The Causes of Poverty

Family

Perhaps the single most important determinant of poverty is family structure. It has been the subject of fierce academic debate since the Moynihan Report—named after its author, then-assistant secretary of labor Daniel Patrick Moynihan—was released in 1965. The Moynihan Report identified the breakdown of the family as a key cause of poverty within the black community.[8]

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[6] Bruce D. Meyer and James X. Sullivan, "Winning the War: Poverty from the Great Society to the Great Recession," National Bureau of Economic Research, *NBER Working Paper Series*, Jan. 2013.

[7] But there is little evidence they increase the number of hours worked by the currently employed.

[8] Daniel Moynihan, "The Negro Family: The Case for National Action." U.S. Department of Labor, Mar. 1965.

More recent research on Americans of all backgrounds has backed up Moynihan's argument. According to the Census Bureau, single parenthood is a key correlate with poverty.[9] Single women head less than 20 percent of all households; but they head 34 percent of all poor households. The Brookings Institution's Ron Haskins and Isabel Sawhill point out that if a person works full time, gets a high-school education, and waits until he or she is married to have children, the chances of being poor are just 2 percent.[10] And Hilary Hoynes finds, "If all else had been held constant over the past forty years, changes in family structure would have led to a rise in the poverty rate from 13% (in 1967) to 17% (in 2003)."[11]

In conjunction with these observations, scholars behind the most comprehensive study of upward mobility to date find that family-structure-related variables were the strongest predictors of upward mobility across labor markets within the United States.[12] Although causality has not been definitively established,[13] there's much to be said for the changing nature of American families as it pertains to poverty and upward mobility.

Poverty is most concentrated among broken families. For all families, the poverty rate was 13.1 percent. But 34.2 percent of families headed by a single female were considered below poverty, and 22.8 percent of households composed of unrelated individuals were considered to be in poverty.[14]

Work

Another factor in understanding poverty is labor-force participation. There have been a number of changes in labor-force participation since the beginning of the War on Poverty. Most important, women have entered the work force in large numbers. During this same period, male labor-force participation has fallen dramatically. In 1965, it was approximately 80 percent. Today, it has fallen to a record low of below 70 percent. Since 2009 alone, male labor-force participation has fallen 3.3 percentage points. Among working-age men, the labor-force participation rate has fallen from 97 percent in 1965 to 88 percent in 2013. In recent years, female labor-force participation has also declined. Since it reached its record high of 60.3 percent in 2000, female labor-force participation has fallen to 56.9 percent—declining 2.5 percentage points since 2009. And among working-age women, the labor-force participation rate has fallen from 77 percent to 74 percent from 2000 to 2013.[15]

Only 2.7 percent of Americans above the age of 16 who worked full time year-round were in poverty, even in 2007—before the Great Recession had taken firm hold. This number has

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[9] "Historical Poverty Tables – People: Table 2. Poverty Status, by Family Relationship, Race, and Hispanic Origin," U.S. Census Bureau, Accessed 25 Feb. 2014.
[10] Ron Haskins and Isabel Sawhill, "Creating an Opportunity Society," Brookings Institution Press, Sep. 2009.
[11] Hilary Hoynes, Marianne Page, and Ann Stevens, "Poverty in America: Trends and Explanations," National Bureau of Economic Research, *NBER Working Paper Series*, Oct. 2005.
[12] Raj Chetty, Nathaniel Hendren, Patrick Kline, and Emmanuel Saez, "Where Is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States," Harvard University, Jan. 2014.
[13] Sara McLanahan, Laura Tach, and Daniel Schneider, "The Causal Effects of Father Absence," *Annual Review of Sociology*, Vol. 39, Jul. 2013: pp. 399–427.
[14] "Historical Poverty Tables – People: Table 2. Poverty Status, by Family Relationship, Race, and Hispanic Origin," U.S. Census Bureau, Accessed 25 Feb. 2014.
[15] "Labor Force Statistics from the Current Population Survey," Bureau of Labor Statistics, Accessed 25 Feb. 2014.

remained fairly constant since 1987. Those who worked only part time had a poverty rate similar to the national average—14.9 percent in 2011. Finally, 23.6 percent of adults above the age of 16 who did not work at all were below the poverty line.[16]

Education

Without a job, it is difficult to get out of poverty. And without education, it is difficult to find a job. The lack of affordable education—and of effective training programs—hinders skill formation, which is critical to social mobility. According to the Pew Economic Mobility Project, 47 percent of those born in the bottom quintile will remain there if they are unable to complete college. Contrast that with their peers who do manage to complete college—only 10 percent will remain in the bottom quintile.[17] Yet Martha Bailey and Susan Dynarski find that gains in college completion have overwhelmingly favored those from high-income families: Over a 20-year period, completion rates for the top quartile increased 18 percentage points, while completion rates increased only four percentage points for those in the lowest quartile.[18]

A college degree is often a valuable indicator of other, earlier educational factors, like the quality of elementary and secondary education. Unfortunately, the achievement gap between low-income children and their wealthier peers is evident in those critical years. For instance, the 2013 National Assessment of Educational Progress report shows that only 24 percent of fourth-graders eligible for free lunch are at least proficient in math. In contrast, 59 percent of those who are not eligible reach the same standard.[19] And while the achievement gap has narrowed across the board between white and black students over time, the same cannot be said for the gap between low-income children and their higher-income classmates.[20] This is despite record investments in education: The Center for American Progress notes that inflation-adjusted spending per pupil has nearly tripled over the past four decades with largely stagnant achievement to show for it.[21]

Federal Programs and the Incentive for Work

The very disarray among all these federal programs has created what's known as the poverty trap. Because the federal government created different programs to solve different problems—at different times—there's little to no coordination among them. And because these programs

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[16] "Historical Poverty Tables – People: Table 25. Work Experience and Poverty Status for People 16 Years Old and Over," U.S. Census Bureau, Accessed 25 Feb. 2014.

[17] These figures refer to "relative intergenerational mobility" and are adjusted for family size. It is important to note that it is common for individuals to experience no "relative upward mobility" even though they experience "absolute upward mobility." Individuals may occupy the same relative position in the income distribution as their parents did despite experiencing significant improvements in inflation-adjusted income. For instance, the same data source shows that 43 percent of those born into the bottom quintile will remain there in adulthood; however, 93 percent of those born into the bottom quintile will have higher inflation-adjusted incomes than their parents. (Susan K. Urahn et al. "Pursuing the American Dream: Economic Mobility Across Generations," The Pew Charitable Trusts: Economic Mobility Project, Jul. 2012.)

[18] Martha J. Bailey and Susan M. Dynarski, "Gains and Gaps: Changing Inequality in U.S. College Entry and Completion," National Bureau of Economic Research, *NBER Working Paper Series*, Dec. 2011

[19] "What Proportions of Student Groups Are Reaching Proficient: Mathematics 4th Grade, NSLP Eligibility," National Assessment of Educational Progress, *The Nation's Report Card*, Accessed 26 Feb. 2014.

[20] "Have Achievement Gaps Changed? NSLP Not Eligible – Eligible, White – Black," National Assessment of Educational Progress, *The Nation's Report Card*, Accessed 26 Feb. 2014.

[21] Ulrich Boser, "Return on Educational Investment: A District-by-District Evaluation of U.S. Educational Productivity," Center for American Progress, *Doing What Works*, Jan. 2011.

are means-tested—meaning that benefits decline as recipients make more money—poor families face very high implicit marginal tax rates. The federal government effectively discourages them from making more money.

Gene Steuerle of the Urban Institute has done extensive work on this issue.[22] For example, he looks at the example of a single mother with two children living in Colorado. If her income jumps from $10,000 to $40,000, she will not keep much of that extra $30,000. Instead, she will lose most of it to higher taxes and benefit cuts.

According to Steuerle's calculations, if she is enrolled in programs like food stamps, Medicaid, and SCHIP, her implicit marginal tax rate will be as high as 55 percent. And if she is enrolled in other programs—like housing assistance and welfare—the rate will reach above 80 percent. The complex web of federal programs and sudden drop-off in benefits create extraordinarily high effective marginal tax rates, which reduce the incentive to work. The Congressional Budget Office found in 2012 that the top effective tax rate could reach nearly 100 percent.

Unfortunately, the Affordable Care Act will exacerbate this trend.[23] The CBO estimates that the ACA would increase the effective marginal tax rate for those affected by 13 percentage points.[24]

From the Great Depression to the 1996 Welfare Reform[25,26]

At the turn of the 20th century, most public assistance for low-income households was provided by local and state governments—not the federal government. That changed with the passage of the Social Security Act of 1935. Beyond creating Social Security, the 1935 act put in place programs to share the cost of relief programs for low-income seniors, blind adults, and dependent children.

Many of these programs eventually became the Supplemental Security Income program. The Old-Age Assistance, the Aid to the Blind, and the Aid to the Permanently and Totally Disabled programs all eventually became SSI. And the Aid to Families with Dependents became the Aid to Families with Dependent Children, the precursor to today's Temporary Assistance to Needy Families program.

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[22] Elaine Maag, C. Eugene Stueurle, Ritadhi Chakravarti, and Caleb Quakenbush "How Marginal Tax Rates Affect Families at Various Levels of Poverty," *National Tax Journal*, Vol. 65, No. 4 Dec. 2012: pp. 759-782.
[23] "Effective Marginal Tax Rates for Low- and Moderate-Income Workers," Congressional Budget Office, Nov. 2012.
[24] Ibid.
[25] Vee Burke, "Social Security Benefits, Cash Relief, and Food Aid: A Short History," Congressional Research Service, 26 Jun. 1980.
[26] James Storey, "Welfare Reform: Background and Key Issues," Congressional Research Service, 4 Jan. 1995.

Over time, these programs grew. And during his administration, Lyndon Johnson expanded the size and scope of assistance programs to an unprecedented degree. The Great Society created or made permanent a number of programs that remain with us today, including:

- Medicaid
- Food Stamps
- Head Start
- Job Corps
- Volunteers in Service to America
- Legal Services
- Child-nutrition programs

These programs were meant to eliminate poverty in America. But almost immediately, people identified disincentives associated with the collection of new programs. By the 1970s, President Richard Nixon proposed a "family assistance plan," which would provide a national income floor. The idea was to eliminate the disincentives associated with the old AFDC program.

The Family Support Act of 1988 contained a number of reforms to move people from welfare to work. However, AFDC caseloads continued to rise, dashing the hopes of policymakers who thought that the Family Support Act would encourage work. But one bright spot did emerge from the law. It continued to support states' experimentation with their welfare programs. Although the broader reforms were disappointing and did not move large numbers of people into the labor force, the welfare waivers provided additional evidence that a "work first" approach to welfare could be successful. The studies authorized by the Family Support Act came to be known as the National Evaluation of Welfare-to-Work Strategies and provided critical evidence that work-first programs were successful at reducing dependency on the federal government and increasing household income.[27]

After the broader disappointment with the Family Support Act, Congress again turned to welfare reform in the mid-1990s. The major issue was again how to help low-income Americans, especially children, without discouraging able adults from working. There were two problems: First, welfare receipt itself provided an income floor for individuals. Second, benefit phase-outs created high effective marginal tax rates, reducing the reward for work.

The first reforms of federal welfare programs in the 1990s were made to the EITC. First introduced in 1975, the EITC was designed to offset Social Security taxes and to do so in a way that encouraged work. President George H.W. Bush oversaw an expansion of the program in 1990, and President Bill Clinton oversaw another in 1993.

[27] Douglas Besharov and Douglas Call, "JPAM Classics Poverty, Welfare and Public Policy," Journal of Policy Analysis and Management, 2009.

In 1996, Congress passed the most fundamental reform to welfare yet. The old AFDC program was replaced with the Temporary Assistance for Needy Families program. TANF did several things, but the most revolutionary of them were:

- Eliminated the entitlement to federal cash assistance
- Changed AFDC from an open-ended program to a fixed-dollar block-grant program
- Required adults to engage in approved "work activities"—under penalty of sanctions
- Imposed a five-year lifetime limit on receipt of federal assistance

There were a number of additional changes to welfare programs at both the state and federal level at this time. Many states implemented earned-income tax credits, and the Child Support Enforcement program was reformed to help track down delinquent fathers and enforce child-support payments. In 1997, the State Children's Health Insurance Program was created to expand health insurance for low-income children.

The 1996 welfare-reform law revolutionized how families received income support. Poverty fell dramatically among children in female-headed households and single mothers, the traditional focus of federal anti-poverty efforts. In 1991, 55.4 percent of children in female-headed households were in poverty. By 2001, 39.3 percent were—the lowest level ever recorded. The recent recession has driven this number higher again, but it is still below its pre-welfare-reform levels at 47.2 percent. According to the non-partisan Congressional Research Service, "Since 1996 welfare reform, progress appears to have been largely sustained in both reducing welfare dependency and poverty among children in female-headed families, in spite of the recent recession."[28]

Using more comprehensive poverty measures strengthens this case. Using the Supplemental Poverty Measure, Christopher Wimer et al. show that child poverty plummeted beginning in 1994.[29] In fact, for almost all demographic groups (except the elderly), poverty begins a sharp decline in the early to mid-90s. The success of welfare reform in the 1990s shows the benefits of a work-first approach.

Conclusion

Today, the poverty rate is stuck at 15 percent—the highest in a generation. And the trends are not encouraging. Federal programs are not only failing to address the problem. They are also in some significant respects making it worse. Changes are clearly necessary, and the first step is to evaluate what the federal government is doing right now.

That is what this report aims to do. Because there are so many programs, it is difficult to pin down everything the federal government is doing to fight poverty and improve mobility. But the numbers below—from fiscal year 2012—are a good start:

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[28] Thomas Gabe, "Welfare, Work, and Poverty Status of Female-Headed Families with Children: 1987–2012," Congressional Research Service, 3 Dec. 2013.

[29] Chrisopher Wimer, Liana Fox, Irv Garfinkel, Neeraj Kaushal, and Jane Waldfogel, "Trends in Poverty with an Anchored Supplemental Poverty Measure," Columbia Population Research Center, 5 Dec. 2013.

- The federal government spent $799 billion on 92 programs to combat poverty.
- Over 15 programs and over $100 billion spent on food aid
- Over $200 billion spent on cash aid
- Over 20 programs and over $90 billion spent on education and job training
- Nearly $300 billion spent on health care
- Almost $50 billion spent on housing

Not every program is counterproductive or unnecessary; indeed, some are very important. But the 50th anniversary of the War on Poverty is an opportunity to review the record in full. And we should seize it.

Chapter 1: Cash Aid

- Number of federal programs: 5
- Number of federal agencies involved: 3
    - Social Security Administration
    - Department of Health and Human Services
    - Department of the Treasury
- Fiscal year 2012 cost: $220 billion

Supplemental Security Income

Purpose

The Supplemental Security Income program provides cash benefits to elderly, blind, or disabled persons with limited income and assets.

History

Created in 1974, the SSI program is administered by the Social Security Administration. The maximum federal payment is $721 per month for an individual living independently and $1,082 for a couple living independently. The payments for the children's program are intended to replace wages for parents who have to take time off for children with special needs.

When the program began, most payments went toward the aged. But over time, a rising percentage of beneficiaries were under age 18 or between the ages of 18 and 64. Between 1990 and 2010, the number of recipients under the age of 18 increased from 308,000 to 1.2 million—an increase of nearly 300 percent. During the same period, recipients aged 18–64 increased 89 percent, while those aged 65 or older *decreased* slightly (less than 1 percent.) The entirety of the growth in this program has been driven by those under the age of 65, with the majority of that driven by children under the age of 18. Total SSI payments in 1990 were $16 billion; by 2010, total SSI payments were $48 billion, an increase of 200 percent.

There are several reasons for the growth in the children's SSI program. Most important is the fact that SSI has become a more general welfare program that in large part targets able-bodied single mothers who also are eligible for TANF. According to Richard Burkhauser, "these mothers' "children have medical conditions that are increasingly difficult to objectively measure, and they are coming onto the program via increasingly subjective evaluations by Social Security Administration gatekeepers."[30]

Secondly, there have been changes in the definition of "disability under SSI." For adults, disability has always been defined as an inability to work at substantial levels. But under the SSI children's program, the definition of disability has been altered by a major court case and legislative changes in the 1990s.

In *Sullivan v. Zebley*, the Supreme Court liberalized the definition of disability, prompting dramatic increases in the SSI's children-benefit rolls. Soon after, there were numerous instances of children inappropriately receiving benefits. SSI was sometimes called "crazy checks" based on the suggestion that if children "acted crazy" at school they could readily qualify for SSI payments. In response to such concerns, the 1996 welfare-reform law included three major children's-disability reforms:

1) Redefined the definition of children's disability to be "a medically determinable physical or mental impairment which results in marked and severe functional limitations, and which can be expected to result in death or which has lasted or can be expected to last for a

[30] Richard Burkhauser, "Supplemental Security Income—Disabled Children: Time for Fundamental Change," Testimony before the House Ways and Means Committee, 27 Oct. 2011.

continuous period of not less than 12 months."[31]

2) Required SSA to review all SSI childhood cases authorized by an "individual functional assessment."[32] Such assessments were thought to be a major source of inappropriate allowances in the wake of *Zebley*. This caused a large number of cases to be reviewed, especially those with mental and behavioral impairments.
3) Required all children on SSI to undergo an "age-18 redetermination"[33]—a review of the disability evidence against the adult standard of an inability to work—in order to remain eligible for SSI benefits after age 18.

These efforts temporarily stemmed the dramatic growth in the children's SSI program in the late 1990s. But after 2000, the children's program again started expanding at an accelerating rate.

Evidence

Effect on Labor Supply

- ***SSI reduces the labor supply.*** Neumark and Powers (2003)[34] find that SSI reduces the labor supply of likely SSI participants aged 62–64. A $100 increase in SSI benefits is associated with a 5 percent reduction in the employment rate.

Effect on Children

- ***Child recipients of SSI are unlikely to receive education or find a job.*** Rangaran et al. (2009)[35] find that as child SSI recipients near the age of 18, parents and their children face incentives to maintain disabled status. At age 18, approximately two-thirds of beneficiaries remain on adult SSI benefits. For child recipients of SSI benefits who continued to receive benefits between the ages of 19 and 23:
    - Fifty-seven percent were not enrolled in education programs, not receiving vocational services, and not employed.
    - Thirty-nine percent did not have a high-school diploma and were not currently attending school.
    - Only 22 percent were employed.
    - Only 6 percent were enrolled in some form of postsecondary education.
    - Only 13 percent ever participated in vocational rehabilitation services.
    - Approximately 20 percent had been arrested.

Funding

In fiscal year 2012, the federal government spent $50 billion on the SSI program.

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[31] See 42 U.S.C. 1614.
[32] Ibid.
[33] Ibid.
[34] David Neumark and Elizabeth T. Powers, "The Effects of Changes in State SSI Supplements on Pre-Retirement Labor Supply," National Bureau of Economic Research, *NBER Working Paper Series*, Jul. 2003.
[35] Anu Rangarajan, Thomas Fraker, Todd Honeycutt, Arif Mamun, John Martinez, Bonnie O'Day, and David Wittenburg, "The Social Security Administration's Youth Transition Demonstration Projects: Evaluation Design Report," Mathematica Policy Research Inc. for Social Security Administration, Office of Program Development and Research, 30 Jan. 2009.

Temporary Assistance for Needy Families

Purpose

The Temporary Assistance for Needy Families program is intended to provide assistance to needy families, end dependence of needy parents on government benefits, prevent and reduce the incidence of out-of-wedlock pregnancies, and encourage the formation and maintenance of two-parent families.[36]

History

The creation of the Temporary Assistance for Needy Families program is widely seen as the most successful reform of a welfare program. Before, cash welfare was largely provided through the Aid for Families with Dependent Children program. The AFDC program was a cash-assistance program that was created in 1935 with the Social Security Act. In 1996, this program was reformed from an open-ended entitlement administered and funded by the federal government to a block grant to states with time limits and work requirements.

Starting in the late '80s, the AFDC program saw significant growth in its caseload, increasing from approximately 4 million households receiving cash assistance to a peak of 5.1 million households. This rapid growth in caseloads and spending culminated in the historic bipartisan welfare-reform bill, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. This legislation replaced the AFDC with a cash-welfare block grant. By December 2010, only 1.9 million households were receiving cash assistance through the TANF program.

Because of welfare reform, there was a marked change in behavior by single mothers. According to CRS, more mothers are now working, and "fewer are relying on cash welfare to support themselves and their children."[37] Since welfare reform, poverty among children living in female-headed households has fallen significantly. The incidence of poverty among children in female-headed households fell from 55.4 percent in 1991 to 39.3 percent by 2001,[38] which represents the single largest drop since the 1960s. Even though this has increased over the past two recessions, rising from 39.3 percent to 46.9 percent in 2010, according to CRS, "progress appears to have been . . . sustained in both reducing welfare dependency and poverty among children in female-headed households."[39]

Anecdotal Evidence on States Shifting Individuals from TANF to SSI

While the TANF program has largely been considered a success, anecdotal evidence suggests that many states are shifting their TANF populations to SSI in order to shift the cost from the state to the federal government. HHS is currently studying this issue.[40]

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[36] See 42 U.S.C. 601

[37] Thomas Gabe, "Welfare, Work, and Poverty Status of Female-Headed Families with Children: 1987–2012," Congressional Research Service, 3 Dec. 2013.

[38] Ibid.

[39] Ibid.

[40] TANF/SSI Disability Transition Project, 2008–2013, U.S. Department of Health and Human Services, Administration for Children and Families, Office of Planning, Research, and Evaluation, Accessed 23 Feb. 2014.

Evidence

TANF and Labor Supply

Robert Schoeni and Rebecca Blank (2000) study the welfare-reform bill and find, "[T]hese policy changes reduced public assistance participation and increased family earnings. The result was a rise in total family income and a decline in poverty."[41]

In another paper, Blank (2002) finds, "[S]ingle mothers with children show little change in their labor force participation through the 1980s and into the mid-1990s. But between 1994 and 1999 their labor force participation rises by 10 percentage points. . . . This provides at least prima facae evidence that the caseload declines were associated with increases in work. Other available data supports the idea that women are moving from welfare to work at a high rate."[42]

TANF and Poverty

Blank (2002) finds, "The official U.S. poverty data suggest unambiguous improvements in poverty among single-mother families."[43]

Thomas Gabe (2011) finds that since 1996, progress appears to have been largely sustained in both reducing welfare dependency and poverty among children in female-headed families, in spite of the recent recession.[44]

Funding

In fiscal year 2012, the federal government spent $16.739 billion on TANF.

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[41] Robert F. Schoeni and Rebecca M. Blank, "What Has Welfare Reform Accomplished? Impacts on Welfare Participation, Employment, Income, Poverty, and Family Structure," National Bureau of Economic Research, *NBER Working Paper Series*, Mar. 2000.

[42] Rebecca M. Blank, "Evaluating Welfare Reform in the United States," National Bureau of Economic Research, *NBER Working Paper Series*, Jun. 2002.

[43] Ibid.

[44] Thomas Gabe, "Welfare, Work, and Poverty Status of Female-Headed Families with Children: 1987–2012," Congressional Research Service, 3 Dec. 2013.

Earned Income Tax Credit

Purpose

The Earned Income Tax Credit provides cash assistance to low-income working families.

History

The Earned Income Tax Credit is the largest measure aimed at reducing poverty in the tax code. The EITC tries to lower poverty by promoting work (you can claim the credit only if you have earned income) and by boosting the wages of lower-paid workers. Although the income tax is highly progressive, the payroll tax is quite regressive (it is disproportionately paid by lower- and middle-income workers). The EITC is meant to offset the burden of payroll taxes for working families at the lower end of the income scale.

The EITC had its origin in the welfare-reform efforts of the early 1970s and was originally enacted as part of the Tax Reduction Act of 1975. Since then, it has been significantly expanded in scope and dollar amounts to become one of the largest antipoverty programs in the budget. For instance, it was expanded in the Tax Reform Act of 1986 as well as the Omnibus Reconciliation Act of 1993. And the tax-relief package in 2001 made changes to the credit to provide marriage-penalty relief. Most recently, stimulus legislation in 2009 temporarily expanded the EITC (as well as the Child Tax Credit) for families with three or more children and boosted the credit's overall benefits. The fiscal-cliff deal extended these stimulus-related program expansions until 2017.

Real spending on the EITC averaged about $5 billion in the first ten years of the program, but then real spending climbed considerably after expansions in 1986 and the early part of the 1990s to over $30 billion. In the latest year, real spending on the EITC was about $60 billion, according to the Tax Policy Center. One thing to note is that since the early part of the 1990s, real spending on the EITC has exceeded that of Aid to Families with Dependent Children and Temporary Aid to Needy Families.

The EITC is a refundable credit, meaning that if it exceeds a household's tax liability, the IRS will send a check refunding the difference. The amount of the EITC depends on a mix of factors, including a person's income level, marital status, and how many children they have.

According to the Center on Budget and Policy Priorities,[45] in 2012 a married couple with one child would start earning the credit with their first dollar of earned income, and that amount would rise to a maximum amount of $3,169 once their earnings exceeded $9,320. After this family's income started to exceed $22,300, the amount of the EITC would gradually decline until they reached the maximum earnings for their qualifications ($42,130), when the credit would be fully phased out. It is worth noting that the EITC for single workers without children is extremely small and does not fully offset federal taxes for people at the poverty line. A single individual without children would receive a maximum of $475, and the credit would be fully phased out after this person's earned income began to exceed $13,980.

[45] "Policy Basics: The Earned Income Tax Credit," Center on Budget and Policy Priorities, Accessed 12 Feb. 2014.

The average EITC amount was $2,905 for a family with children and $264 for a family without children in 2011, according to the Center on Budget and Policy Priorities.[46]

About 28 million working families received the EITC in 2010, roughly one in five tax filers. That represented the highest percentage of recipients since the program was enacted according to the Brookings Institution.[47] The total amount refunded to these individuals was nearly $60 billion.

Evidence

EITC and Labor-Force Participation

The consensus among studies on the EITC is that it is an effective tool for encouraging and rewarding work among lower-income individuals, particularly single mothers. In theory, the program creates a legitimate incentive to move from welfare to work—which should produce a decline in the number of families dependent on cash-welfare benefits. But it is less effective at increasing hours worked, with the literature finding an ambiguous to negative effect, especially in the phase-out range.

Additionally, there are small negative effects on the labor-market participation of married mothers.

- V. Joseph Hotz and John Karl Scholz (2001) find, "The literature provides consistent evidence, generated from a variety of empirical approaches, that the EITC positively affects labor force participation."[48]
- Nada Eissa and Hilary Hoynes (2006) find, "[T]here is overwhelming evidence that the EITC encourages work among single mothers, but little evidence that eligible-working women adjust their hours of work in response to the EITC. . . . [E]xpansions of the EITC are associated with a reduction in labor market participation by married mothers."[49]
    - They add, "EITC expansions between 1984 and 1996 increased married men's labor force participation only slightly but reduced married women's labor force participation by over a full percentage point."
- Bruce Meyer (2010) finds, "If a single parent is thinking about whether or not to participate in the labor market at all . . . the EITC unequivocally makes work more attractive. . . . [M]ost people should be encouraged to reduce their hours under the EITC. However, this theoretical prediction has not been borne out in the data analyzed to date."[50]

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[46] Ibid.
[47] Sabrina Tavernise, "Antipoverty Tax Program offers Relief, Though Often Temporary," *New York Times*, 17 Apr. 2012
[48] V. Joseph Hotz and John Karl Scholz, "The Earned Income Tax Credit," National Bureau of Economic Research, *NBER Working Paper Series*, Jan. 2001.
[49] Nada Eissa and Hilary W. Hoynes, "Behavioral Responses to Taxes: Lessons from the EITC and Labor Supply," *Tax Policy and the Economy*, Vol. 20, Sep. 2006.
[50] Bruce D. Meyer, "The Effects of the Earned Income Tax Credit and Recent Reforms," *Tax Policy and the Economy*, Vol. 24, Aug. 2010.

- Jeffrey Liebman (1998) writes, "The EITC has increased labor force participation among single women with children. . . . The limited evidence available suggests that the labor supply impact of the phaseout of the credit is minimal."[51]
- V. Joseph Hotz et al. (2006) find, "Our . . . estimates are consistent with the EITC having a substantial, positive effect on the employment of families who have used or will use welfare."[52]

EITC and Noncompliance

The EITC is a complex credit. Potential recipients often seek help with their federal tax returns from paid tax preparers, which erodes the net benefit of the credit. (It is estimated that two-thirds of low-income parents pay for such assistance.)

A related issue is that the IRS makes a large amount of improper payments. According to a recent inspector general's report, the IRS issued more than $11 billion in improper payments through the EITC last year, meaning that roughly 20 percent of EITC payments last year were faulty. The IRS says these improper payments arise from a variety of causes, including the complex nature of the law, the ever-shifting EITC-eligible population, and the nature of the credit.

Jeffrey Liebman (1998) finds, "Experience with the EITC suggests that there is a major disadvantage from using the tax system to transfer income to the poor: high rates of non-compliance. . . . [O]ne-third of 1985 and 1988 recipients were ineligible for the credit."[53]

In addition, a 2013 inspector-general report argues, "The IRS has made little improvement in reducing EITC payments. . . . [T]he IRS estimated that 21 to 25 percent of the EITC payments made in FY2012 were paid in error."[54]

EITC and Poverty

According to the Center on Budget and Policy Priorities,[55] the EITC raised about 6.1 million people out of poverty in 2011 (including just over 3 million children). In combination with the refundable portion of the Child Tax Credit, the EITC raised about 9 million people out of poverty, over half of whom were children. According to the Census Bureau, the poverty rate in 2011 would have been nearly three percentage points higher, or close to 19 percent, if it were not for the aid that the EITC and the refundable portion of the CTC provide.

Funding

In fiscal year 2012, the federal government spent $59 billion on the EITC.

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[51] Jeffrey B. Liebman, "The Impact of the Earned Income Tax Credit on Incentives and Income Distribution," *Tax Policy and the Economy*, Vol. 12, Jan. 1998.
[52] V. Joseph Hotz, Charles H. Mullin, and John Karl Scholz, "Examining the Effect of the Earned Income Tax Credit on the Labor Market Participation of Families on Welfare," National Bureau of Economic Research, *NBER Working Paper Series*, Jan. 2006.
[53] Jeffrey B. Liebman, "The Impact of the Earned Income Tax Credit on Incentives and Income Distribution," *Tax Policy and the Economy*, Vol. 12, Jan. 1998.
[54] "Final Audit Report—The Internal Revenue Service Is Not in Compliance with Executive Order 13520 to Reduce Improper Payments," U.S. Department of the Treasury, Treasury Inspector General for Tax Administration, 28 Aug. 2013.
[55] "Policy Basics: The Earned Income Tax Credit," Center on Budget and Policy Priorities, Accessed 12 Feb. 2014.

Child Tax Credit

Purpose
The Child Tax Credit provides assistance to families with children.

History
The Child Tax Credit is the largest tax-code provision for families with children, according to the Tax Policy Center, and is currently worth up to $1,000 per eligible child (under age 17).[56] It was enacted as part of the Taxpayer Relief Act of 1997. The 2001/2003 tax-relief legislation doubled the CTC to $1,000 per child, made it refundable for more families, and allowed it regardless of Alternative Minimum Tax liability. The 2009 stimulus legislation (the American Recovery and Reinvestment Act) made the refundable component of the credit more generous. The American Taxpayer Relief Act extended these stimulus-related expansions until 2017.

The CTC has a refundable component, the Additional Child Tax Credit. The value of the credit may exceed a family's total tax liability, in which case that family would receive a refund check for a portion of or the full amount of the difference.

Currently, a family's refund amount equals 15 percent of their earnings above $3,000—with a limit of $1,000 for each child.

The CTC increases as a family's earnings rise, up to the ceiling amount of $1,000-per-child, though a family earning less than $3,000 is not eligible for the credit. According to the Center on Budget and Policy Priorities,[57] the CTC's parameters are such that a couple with two children and income in excess of $110,000 would receive a smaller CTC as the credit phases out; once incomes exceed $150,000, couples are no longer eligible for the credit.

Evidence
According to the Center on Budget and Policy Priorities, the CTC protected about 2.9 million people from falling into poverty, including about 1.5 million children.[58]

Funding
The IRS spent just over $57 billion in total child credits in 2013, according to the Joint Committee on Taxation.[59]

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[56] "Taxation and the Family: What Is the Child Tax Credit," Tax Policy Center, Accessed 27 Feb. 2014.
[57] "Policy Basics: The Child Tax Credit," Center on Budget and Policy Priorities," Accessed 12 Feb 2014.
[58] Ibid.
[59] "Estimates of Federal Tax Expenditures For Fiscal Years 2012–2017," Joint Committee on Taxation, Staff for the House Committee on Ways and Means and the Senate Committee on Finance, 1 Feb. 2013.

Title IV-E Foster Care/Adoption Assistance

Purpose

Title IV-E Foster Care helps states pay for arranging temporary homes for disadvantaged children or for facilitating their adoption.[60]

History

The Title IV-E program was created in 1980. Congress made significant changes to the program in 1997 and expanded it in 2008. A report by the Congressional Research Service notes that in the latter case, Congress "expanded federal eligibility and gave states the option of providing kinship guardianship assistance."[61]

The Title IV-E program is administered by the Children's Bureau, and, among other things, it provides monthly support for eligible children and funds case-management programs.

In situations where a child could be in danger, Title IV-E provides funding to help states arrange an adoption. States can also receive funding for kinship guardianship assistance as well.

Evidence

In a 2009 paper, Joseph Doyle finds that school-aged children who are on the margin of being placed in foster care have lower adult arrest rates when they remain at home.[62]

The Bush administration's PART program found that the foster-care and adoption programs were either moderately effective or adequate.

Funding

The federal government spent $6.847 billion on Title IV-E Foster Care Assistance in fiscal year 2012.

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[60] "Title IV-E Foster Care," U.S. Department of Health and Human Services, Administration for Children and Families, Children's Bureau, 17 May 2012.

[61] Emilie Stoltzfus, "Child Welfare: A Detailed Overview of Program Eligibility and Funding for Foster Care, Adoption Assistance and Kinship Guardianship Assistance under Title IV-E of the Social Security Act," Congressional Research Service, 26 Oct. 2012

[62] Joseph J. Doyle, Jr., "Child Protection and Adult Crime: Using Investigator Assignment to Estimate Causal Effects of Foster Care," National Bureau of Economic Research, *NBER Working Paper Series*, Aug. 2007.

Chapter 2: Education and Job Training

- Number of federal programs: 24
    - Number of tax expenditures: 4
- Number of federal agencies involved: 7
    - Department of Education
    - Department of Health and Human Services
    - Department of Labor
    - Corporation for National and Community Service
    - Environmental Protection Agency
    - Department of the Interior
    - Department of the Treasury
- Fiscal year 2012 cost: $94.4 billion

Child Care Access Means Parents in School

Purpose

The Child Care Access Means Parents in School Program funds child-care services for low-income families at higher-education institutions.

History

Created in 1998, CCAMPIS funds child-care services for low-income students on college campuses. According to the Department of Education, to qualify, students must be eligible for Pell grants. An institution can receive a CCAMPIS grant if the total amount of Pell Grant funds awarded to its students is greater than or equal to $350,000. The minimum grant amount awarded through CCAMPIS is $10,000. The maximum is 1 percent of the total Pell funds awarded to students at the institution the previous year.[63]

Evidence

- ***Evaluations range from "results not demonstrated" to "adequate***."[64] In 2004, the Office of Management and Budget found the program's results were not demonstrated.[65] In 2007, OMB noted improvements in the program and rated it "adequate." The report finds that "the program has made some progress in helping students with children stay in school or graduate" but still lacks "evaluation and targets for its efficiency measure."

Funding

In fiscal year 2012, the program spent $16 million on new awards.[66]

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[63] "Department of Education (Higher Education) Fiscal Year 2014 Budget Request," U.S. Department of Education.
[64] "Program Assessment: Child Care Access Means Parents in School," ExpectMore.gov, Accessed 11 Feb. 2014.
[65] Heather Rieman, "Child Care Access Means Parents in School (CCAMPIS)," New American Foundation: The Ed Money Watch Blog, 11 Dec. 2008.
[66] "Child Care Access Means Parents in School Program," U.S. Department of Education, Accessed 5 Feb. 2014.

Race to the Top: Early Learning Challenge

Purpose

The Race to the Top: Early Learning Challenge helps states create early-learning and development programs.

History

The Race to the Top program was created in 2009 as part of the stimulus legislation. States compete for grants by executing reforms at the K–12 level, such as improving assessments and data collection.[67] According to the Congressional Research Service, in 2011, Congress gave the Department of Education new authority to use some RTT funding to create a grant program for states—RTT-Early Learning Challenge grants—to advance early-childhood care and education.[68]

So far, 20 states have received funding through RTT-ELC (California, Delaware, Massachusetts, Maryland, Minnesota, North Carolina, Ohio, Rhode Island, Washington, Colorado, Illinois, New Mexico, Oregon, Wisconsin, Georgia, Kentucky, Michigan, New Jersey, Pennsylvania and Vermont).[69,70,71] According to the Department of Education, as part of the conditions to apply for a RTT–ELC grant, states must agree to use:

- A set of statewide Early Learning and Development Standards;
- A set of statewide Program Standards;
- A statewide Tiered Quality Rating and Improvement System; and
- A statewide Workforce Knowledge and Competency Framework and progression of credentials[72]

Evidence

RTT–ETC's impact on students is not yet known.

Funding

In fiscal year 2012, the program spent $133 million on awards.[73]

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[67] "Race to the Top," the White House, Accessed 19 Feb. 2014.
[68] Karen E. Lynch and Gail McCallion, "Early Childhood Care and Education Programs: Background and Funding," Congressional Research Service, 9 Jan. 2013.
[69] "Race to the Top – Early Learning Challenge: RTT-ELC Phase 1," U.S. Department of Education, 23 Dec. 2013.
[70] Race to the Top – Early Learning Challenge: RTT-ELC Phase 2," U.S. Department of Education, 2 Aug. 2013.
[71] "Six States Awarded Race to the Top-Early Learning Challenge (RTT-ELC) Grants to Build Statewide Systems of High-Quality Early Learning," U.S. Department of Education, 19 Dec. 2013.
[72] "Race to the Top – Early Learning Challenge FY Competition Guidance and Frequently Asked Questions for Applicants," U.S. Department of Education and U.S. Department of Health and Human Services, 13 Sep. 2013.
[73] "Race to the Top – Early Learning Challenge," U.S. Department of Education, 19 Dec. 2013.

Child Care and Development Fund

Purpose

The Child Care and Development Fund helps low-income families afford child care.

History

Many low-income families find the costs of child care impede their ability to work or further their education. According to the Congressional Research Service, the Child Care and Development Block Grant, a discretionary program established as part of the CCDBG Act of 1990, provides subsidies to help such families find child care so they can achieve those goals. Mandatory funding for child-care subsidies, which prior to 1996 was spread across three programs with three sets of rules and three sets of targeted populations, was consolidated into one block of funding, authorized under the Social Security Act, as part of the 1996 welfare-reform law.[74]

Together, this funding is known as the Child Care and Development Fund. The CCDF provides formula-based block grants to states for child-care subsidies for low-income families who have children 13 years old and younger. CCDF funding can also be used to enhance the supply and quality of child care for all families.[75]

While the Department of Health and Human Service's Office of Child Care manages CCDF, states determine how they will deliver services. The Government Accountability Office notes that when a child who is eligible under a state's CCDF program receives child care, the provider—whether it's a child-care center or relative—is reimbursed by the state. [76] In the same report, they found that "[u]nregulated relatives represent 12 percent of providers in the CCDF program."

For fiscal year 2009, the CCDF received an additional $2 billion in discretionary funding for CCDBG through stimulus legislation.[77]

Evidence

Single Mothers and the Labor Force

- ***Child-care subsidies increase the likelihood of participation in the labor force.*** David Blau and Erdal Tekin (2003)[78] find "subsidy recipients were . . . about 13 percentage points more likely to be employed after controlling for family characteristics."
- ***Child-care subsidies encourage single mothers to pursue education.*** Chris Herbst and Erdal Tekin (2011)[79] analyze the kindergarten cohort of the Early Childhood Longitudinal

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[74] Karen E. Lynch, "The Child Care and Development Block Grant: Background and Funding," Congressional Research Service, 30 Jan. 2014.
[75] Ibid.
[76] "Child Care and Development Fund: Undercover Tests Show Five State Programs Are Vulnerable to Fraud and Abuse," U.S. Government Accountability Office, 22 Sep. 2010.
[77] Karen E. Lynch, "The Child Care and Development Block Grant: Background and Funding," Congressional Research Service, 30 Jan. 2014.
[78] David Blau and Erdal Tekin, "The Determinants and Consequences of Child Care Subsidies for Single Mothers," National Bureau of Economic Research, *NBER Working Paper Series*, Apr. 2003.

Study and find receiving a child-care subsidy "increases the likelihood that a single mother enrolls in courses at a school or university by 13 percentage points and participates in a job training program by 8 percentage points."

- ***Participating mothers are more likely to use center care.*** Erdal Tekin (2004)[80] finds that subsidies make single mothers more likely to work. They are also more likely to put their children in center care than in family day or relative care.
- ***Married women are more likely to work if child care is readily available.*** Janice Compton and Robert Pollak (2011)[81] find married women with young children living near their mother or their mother-in-law are more likely to participate in the labor force than those whose mother or mother-in-law live further away.
- ***Child care encourages married women to enter the labor force.*** Michael Baker et al. (2005)[82] study the effects of the introduction of Quebec's universal, subsidized child-care program in the late 1990s. They discover a substantial "shift into new child-care use," a highly significant positive impact on the participation of married women in the labor supply, a number of negative behavioral and health outcomes for the children, and the suggestion that the new program caused "lower-quality parental relationships."

Effect on Families and Child Development

- ***Child-care subsidies are associated with worse maternal health.*** Chris Herbst and Erdal Tekin (2012)[83] find "that child care subsidies are associated with worse maternal health and poorer interactions between parents and their children. In particular, subsidized mothers report lower levels of overall health and are more likely to show symptoms consistent with anxiety, depression, and parenting stress. . . . Together, these findings suggest that work-based public policies aimed at economically disadvantaged mothers may ultimately undermine family well-being."
- ***Child-care subsidies have negative effects on child development.*** Chris Herbst and Erdal Tekin (2008)[84] use data from the Early Childhood Longitudinal Study and show that "subsidy receipt in the year before kindergarten lowers reading and math test scores and increases a variety of behavior problems at kindergarten entry. Some of these negative effects persist to the end of kindergarten. A tentative explanation for the poorer outcomes is that subsidized children are more likely to receive intense exposure to low-quality child care." A study by the same authors in 2010 indicated the negative

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[79] Chris M. Herbst and Erdal Tekin, "Do Child Care Subsidies Influence Single Mothers' Decision to Invest in Human Capital," Economics of Education Review, Vol. 30, 10 Mar. 2011.
[80] Erdal Tekin, "Child Care Subsidy Receipt, Employment, and Child Care Choices of Single Mothers," National Bureau of Economic Research, *NBER Working Paper Series*, Apr. 2004.
[81] Janice Compton and Robert A. Pollak, "Family Proximity, Childcare, and Women's Labor Force Attachment," National Bureau of Economic Research, *NBER Working Paper Series*, Dec. 2011.
[82] Michael Baker, Jonathan Gruber, and Kevin Milligan, "Universal Childcare, Maternal Labor Supply and Family Well-Being," National Bureau of Economic Research, *NBER Working Paper Series*, Dec. 2005.
[83] Chris M. Herbst and Erdal Tekin, "Child Care Subsidies, Maternal Well-Being, and Child-Parent Interactions: Evidence from Three Nationally Representative Datasets," National Bureau of Economic Research, *NBER Working Paper Series*, Jan. 2012.
[84] Chris M. Herbst and Erdal Tekin, "Child Care Subsidies and Child Development," National Bureau of Economic Research, *NBER Working Paper Series*, Nov. 2008.

effects associated with child care largely disappear by the time the child completes third grade.[85]

- ***Child-care subsidies have insignificant effects on labor-force participation.*** Sandra Black et al. (2012)[86] use data from Norway and find "very small and statistically insignificant effects of childcare subsidies on childcare utilization and parental labor force participation. Despite this, we find significant positive effect of the subsidies on children's academic performance in junior high school, suggesting the positive shock to disposable income provided by the subsidies may be helping to improve children's scholastic aptitude."
- ***Distance decreases the likelihood of receiving a child-care subsidy.*** Chris Herbst and Erdal Tekin (2011)[87] use data from the kindergarten cohort of the Early Childhood Longitudinal Study and find the farther away a family is from a public human-services agency, the less likely it is to receive a child-care subsidy. Their estimates also suggest that subsidized child care makes low-income children more likely to be overweight and obese.

Regulations

- ***Child-care subsidies are susceptible to fraud.*** The Government Accountability Office (2010)[88] conducts ten fictitious scenarios as part of an undercover examination of child-care programs in five states. It finds that "the five states GAO tested lacked controls over child care assistance application and billing processes for unregulated relative providers, leaving the program vulnerable to fraud and abuse."
- ***Some families cannot afford highly regulated child-care centers.*** Janet Currie and V. Joseph Holtz (2001)[89] find that requiring caregivers to have more than a high-school education reduces the incident of accidents. However, "other types of regulation have mixed effects on unintentional injuries. . . . In particular, while some children may benefit from safer environments, other that appear to be squeezed out of the more expensive regulated sector are placed at higher risks of injury."

Funding

In fiscal year 2012, the program spent $5.2 million.[90]

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[85] Chris M. Herbst and Erdal Tekin, "The Impact of Child Care Subsidies on Child Well-Being: Evidence From Geographic Variation in the Distance to Social Service Agencies," National Bureau of Economic Research, *NBER Working Paper Series*, Aug. 2010.

[86] Sandra E. Black, Paul J. Devereux, Katrine V. Loken, and Kjell G. Salvanes, "Care of Cash? The Effect of Child Care Subsidies on Student Performance," National Bureau of Economic Research, *NBER Working paper Series*, May 2012.

[87] Chris M. Herbst and Erdal Tekin, "The Geographic Accessibility of Child Care Subsidies and Evidence on the Impact of Subsidy Receipt on Childhood Obesity," National Bureau of Economic Research, *NBER Working Paper Series*, Sep. 2011.

[88] Undercover Tests Show Five State Programs Are Vulnerable to Fraud and Abuse," U.S. Government Accountability Office, 22 Sep. 2010.

[89] Janet Currie and V. Joseph Hotz, "Accidents Will Happen? Unintentional Injury, Maternal Employment, and Child Care Policy," National Bureau of Economic Research, *NBER Working Paper Series*, Jan. 2001.

[90] Karen E. Lynch, "The Child Care and Development Block Grant: Background and Funding," Congressional Research Service, 30 Jan. 2014.

Head Start

Purpose

Head Start gives grants directly to local public and private non-profit and for-profit agencies to provide early-learning and development services for low-income children from birth to age five.

History

Head Start was created as part of the Economic Opportunity Act of 1964. Head Start primarily serves three- to five-year-olds. In 1994, Early Head Start was created to serve pregnant women and children three-years old and younger. According to the Office of Head Start, the program offers a number of benefits, including health, nutrition, and social services, in addition to education services.[91] Grants are allocated by the Office of Head Start through a competitive process.

According to the Department of Health and Human Services, "at least 90 percent of the enrollees in a program must be children from families with income below the federal poverty level, families receiving public assistance, homeless families or children in foster care." If spots are still available after addressing all the families in the local population who fit those criteria, then, HSS notes, a program can "propose to fill up to 35 percent of funded enrollment with children whose family income is between 100 to 130 percent of the poverty line."[92]

When the program began in 1965, grants were awarded with no end date. But since Head Start's 2007 reauthorization, grants have been limited to five years, and lower-performing programs are required to compete for continued funding through the Designation Renewal System. The seven benchmarks to determine performance include failure to establish school-readiness goals; low scores on assessments; and revocation of the agency's operating license.[93]

Head Start was appropriated $2.1 billion through stimulus legislation. Of that money, HHS reported obligating $577 million in 2009 and $1.523 billion in 2010.[94]

Evidence

HHS's own research demonstrates the Head Start program, as a whole, is failing to prepare children for school.

- ***Head Start does not improve student outcomes.*** Michael Puma et al. (2010)[95] find that Head Start has little to no impact on the cognitive and social-emotional skills, parenting, or health

[91] "Head Start Services," U.S. Department of Health and Human Services, Administration for Children and Families, Office of Head Start, Accessed 11 Feb. 2014.
[92] "Department of Health and Human Services, Administration for Children and Families FY 2014 Justification of Estimates for Appropriations Committees," U.S. Department of Health and Human Services.
[93] "Report to Congress on the Final Head Start Program Designation Renewal System," U.S. Department of Health and Human Services, Administration for Children and Families, Office of Head Start, Nov. 2011.
[94] Karen E. Lynch, "Head Start: Background and Funding," Congressional Research Service, 2 Jan. 2014.

status. And any impact that the program may have had had faded by the time the student completed first grade. For instance, across 22 measures, the study found no statistically significant ($p \leq 0.05$) cognitive effects for either the three- or four-year-old cohorts through the first grade. For the three-year-old cohort, there was one significant favorable impact ($p \leq 0.10$) across the 19 measures through kindergarten (oral comprehension). But there was also one significant unfavorable impact (math). So when the three-year-old cohort reached kindergarten, their math scores were actually worse than the students who had not attended Head Start.

- ***A follow-up study also finds limited results.*** Michael Puma et al. (2012)[96] conduct a follow-up to the 2010 study and find Head Start had "few impacts on children in kindergarten through 3rd grade." For instance, by the end of the third grade, the study showed Head Start failed to show statistically significant ($p \leq 0.05$) cognitive effects for either the three- or four-year-old cohorts. For the four-year-old cohort, there was one significant favorable impact ($p \leq 0.10$) across the 11 measures through third grade (the Early Childhood Longitudinal Study-kindergarten reading). However, "at the end of 3rd grade [for the 3-year-old cohort], there was suggestive evidence [$p<0.10$] of an unfavorable impact—the parents of the Head Start group children reported a significantly lower child grade promotion rate than the parents of the non-Head Start group children."
- ***The program is vulnerable to fraud.*** The Government Accountability Office (2010)[97] conducts 15 fictitious scenarios (13 eligibility tests and two enrollment tests) as part of an undercover examination of Head Start programs in six states and the District of Columbia. Seven tests resulted in no evidence of manipulation. In the eight instances (all eligibility tests) that did show evidence of manipulation, "Head Start employees actively encouraged [GAO's] fictitious families to misrepresent their eligibility for the program." This includes disregarding income to make over-income families under the income requirements. GAO notes that "this would have had the effect of filling slots reserved for under-income children with over-income children. . . . At no point during [GAO's] registrations was any of the information contained in fictitious documentation submitted by our parents verified, which indicates that the program is vulnerable to beneficiary fraud in addition to grantee fraud."

Early Education

The Head Start program is failing to prepare children for school, but research on early education in general has had mixed results.

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[95] "Head Start Impact Study: Final Report," Westat, Chesapeake Research Associates, Abt Associates, Ronna Cook Associates, The Urban Institute, American Institutes for Research, Decision Information Resources, Inc. for U.S. Department of Health and Human Services, Jan. 2010.

[96] Michael Puma, Stephen Bell, Ronna Cook, Camilla Heid, Pam Broene, Frank Jenkins, Andrew Mashburn and Jason Downer, "Third Grade Follow-Up to the Head Start Impact Study: Final Report," U.S. Department of Helath and Human Services, Administration for Children and Families, Office of Planning, Research, and Evaluation, Oct. 2012.

[97] "Head Start: Undercover Testing Finds Fraud and Abuse at Selected Head Start Centers," U.S. Government Accountability Office, Sep. 2010.

- ***Early education improves lifetime outcomes.*** Lawrence Schweinhart et al. (2005)[98] follow a sample of participants who attended the High/Scope Perry Preschool program from 1962 to 1967 through age 40. They find the benefits of high-quality preschool extend not only to young adults but to adults in midlife, and that, for every dollar invested in high-quality pre-school, there is a $12.90 return. They also find program participants were less likely to be arrested multiple times, more likely to have earned more than $20,000, and more likely to have graduated from high school.
- ***Boys do not have the same significant long-term benefits as girls do.*** Michael Anderson (2005)[99] conducted a de novo analysis of the three prominent early-education experiments: the Abecedarian Project, the Perry Preschool Program, and the Early Training Project. He found "serious statistical inference problems affect these studies," most critically "concerns about multiple inference: Significant coefficients may emerge simply by chance, even if there are no treatment effects." His analysis finds "strong evidence that females benefit from these interventions. . . . There is limited evidence of positive long-term treatment effects for males, however."
- ***Children in Tennessee's Voluntary State Pre-K did not improve student outcomes.*** Mark Lipsey et al. (2013)[100] found no statistically significant cognitive difference between participants and non-participants in the state's full-day kindergarten program by the end of kindergarten and no statistically significant non-cognitive differences—as measured by first-grade teachers' ratings—by the end of first grade.
- ***A consolidated, well-funded system would be better.*** Ann Dryden Witte and Marisol Trowbridge (2004)[101] find the U.S. early-care and education programs (Head State, Pre-K, and the child-care voucher program) are neither efficient nor equitable. According to the study, the literature and the early-education programs in Europe show the way to improve school readiness for low-income children is a consolidated, well-funded system.
- ***Peer enrollment in preschool helps math and reading scores.*** Matthew Neidell and Jane Waldfogel (2008)[102] find "robust, significant spillover effects from [peer] preschool [enrollment] on math and reading scores that appear to persist through the third grade." There was little evidence that early education affects behavioral and social outcomes.
- ***Participating states have fewer high-school dropouts.*** Elizabeth Cascio (2009)[103] analyzes the long-term effects of the large public investments in early education made in states in the 1960s and 1970s. She finds "evidence of lower high school dropout and

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[98] Lawrence J. Schweinhart, Jeanne Montie, Zongping Xiang, W. Steven Barnett, Clive R. Belfield, and Milagros Nores, "The High/Scope Perry Preschool Study Through Age 40: Summary, Conclusions, and Frequently Asked Questions," *HighScope Press*, 2005.

[99] Michael L. Anderson, "Multiple Inference and Gender Differences in the Effects of Early Intervention: A Reevaluation of the Abecedarian, Perry Preschool, and Early Training Projects," *Journal of the American Statistical Association*, Vol. 103, No. 484, Dec. 2008.

[100] Mark W. Lipsey, Kerry G. Hofer, Nianbo Dong, Dale C. Farran, and Carol Bilbrey, "Evaluation of the Tennessee Voluntary Prekindergarten Program: Kindergarten and First Grade Follow-Up Results from the Randomized Control Design," Vanderbilt University Peabody College, Peabody Research Institute, Aug. 2013.

[101] Ann Dryden Witte and Marisol Trowbridge, "The Structure of Early Care and Education in the United States: Historical Evolution and International Comparisons," National Bureau of Economic Research, *NBER Working Paper Series*, Nov. 2004.

[102] Matthew Neidell and Jane Waldfogel, "Cognitive and Non-Cognitive Peer Effects in Early Education," National Bureau of Economic Research, *NBER Working Paper Series*, Aug. 2008.

[103] Elizabeth U. Cascio, "Do Investments in Universal Early Education Pay Off? Long-Term Effects of Introducing Kindergartens into Public Schools," National Bureau of Economic Research, *NBER Working Paper Series*, May 2009.

institutionalization rates for whites—but not blacks—who turned five after the typical state reform, and detect no impacts of state funding for children of either race on other margins that were targeted by reformers. The most likely explanations for these findings are the low-intensity nature of kindergarten as an early intervention and the likely substitution of public kindergarten for Head Start attendance for a critical mass of black five year olds."

Funding

In fiscal year 2012, the program was appropriated about $8 billion.[104]

[104] "Head Start Program Facts, Fiscal Year 2012: Head Start Federal Funding and Funded Enrollment History," U.S. Department of Health and Human Services, Administration for Children and Families, Office of Head Start, 6 Jan. 2014.

Title I

Purpose

Title I, Part A (Title I) of the Elementary and Secondary Education Act, provides funding to local educational agencies and schools with numerous or high concentrations of children from low-income families.[105]

History

Federal Title I, Part A funds are allocated through four statutory formulas that are based on the number of children from low-income families as determined by Census Bureau estimates, as well as the state's education spending.[106] According to the Department of Education:

- ***Basic Grants*** are directed to LEAs with at least 10 children from low-income families (also known as formula children) who consist of more than 2 percent of the LEA's school-age populations.
- ***Concentration Grants*** are directed to LEAs with more than 6,500 formula children or where formula children make up more than 15 percent of the total school-age population.
- ***Targeted Grants*** use the same data used for Basic Grants but weight it to ensure LEAs with more or higher concentrations of children from low-income families receive more money. Targeted Grants flow to LEAs where the number of schoolchildren counted in the formula is at least 10—like Basic Grants—and at least 5 percent of the LEA's school-age population.
- ***Education Finance Incentive Grants*** are directed to states based on their support for education.

The Department of Education reports that the Title I program served nearly 23 million students, or 46 percent of the total student population, in the 2010–2011 academic year.[107]

All Title I grants received an additional $10 billion appropriation through stimulus legislation in fiscal year 2009.[108]

Evidence

- ***Reading and math scores for 17-year-olds have flatlined.*** *The National Center for Education (2013)*[109] finds that since the 1970s, reading and math test scores for 17-year olds have remained virtually unchanged. The 2013 update of the report shows that only 24 percent of fourth-graders eligible for free lunch are at least proficient in math. In

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[105] "Improving Basic Programs Operated by Local Educational Agencies (Title I, Part A)," U.S. Department of Education, Accessed 11 Feb. 2014.
[106] Ibid.
[107] "Department of Education (Accelerating Achievement and Ensuring Equity): Fiscal Year 2014 Budget Request," U.S. Department of Education.
[108] "Budget History Tables," U.S. Department of Education, 30 Oct. 2013.
[109] "The Nation's Report Card: Trends in Academic Progress (2012)," U.S. Department of Education, National Assessment of Educational Progress, Jun. 2013.

contrast, 59 percent of those who are not eligible reach the same standard.[110] And while the achievement gap has narrowed across the board between white and black fourth-graders over time, the same cannot be said for the gap between low-income children and their higher-income classmates.[111]

- ***The achievement gap has been widening.*** Sean Reardon (2013)[112] studies the differences in test scores between a child from a family at the 90th percentile of the family income distribution and a child from a family at the 10th percentile. He found that "[t]he achievement gap between children from high- and low-income families is roughly 30 to 40 percent larger among children born in 2001 than among those born twenty-five years earlier." The income gap is now twice the black-white achievement gap. Reardon notes that the income achievement gap has likely been growing for at least five decades. But he adds that there is limited data from before 1970. The study also suggest that "it is not rising income inequality per se that has caused the income achievement gap; rather, a dollar of income (or factors correlated with income) appears to buy more academic achievement than it did several decades ago."
- ***Higher-income students are more likely to complete college.*** Martha Bailey and Susan Dynarski (2011)[113] find that rates of college completion, a valuable indicator of the quality of elementary and secondary education, are growing much faster for students who grew up in higher-income families than those who grew up in lower-income families. They also note differences in college persistence, noting that "it is clear that inducing more low-income youth into college will not, by itself, serve to close income gaps in educational attainment."
- ***Low-income students' performance has failed to meet government benchmarks.*** The Department of Education (2013)[114] finds that the percentage of low-income students in grades 3–8 who score at the proficient or advanced levels on state reading and math assessments has remained stagnant at 61 percent between 2009 and 2011—well short of the targets set by the department. Although the gap between the percentage of low-income students and all students in grades 3–8 scoring at the proficient or advanced levels on state reading and math assessments has closed between 2009 and 2011, both are still over double the department's goals.

Funding

In fiscal year 2013, Title I, as a whole, received approximately $13.8 billion in funding.[115]

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[110] "What Proportions of Student Groups Are Reaching Proficient? Mathematics 4th Grade," National Assessment of Educational Progress, *The Nation's Report Card*, Accessed 26 Feb. 2014.
[111] "Have Achievement Gaps Changed? NSLP Not Eligible – Eligible, White – Black," National Assessment of Educational Progress, *The Nation's Report Card*, Accessed 26 Feb. 2014.
[112] Sean F. Reardon, "The Widening Academic Achievement Gap between the Rich and the Poor: New Evidence and Possible Explanations," Stanford University, Jul. 2011.
[113] Martha J. Bailey and Susan M. Dynarski, "Gains and Gaps: Changing Inequality in U.S. College Entry and Completion," National Bureau of Economic Research, *NBER Working Paper Series*, Dec. 2011.
[114] "Department of Education (Accelerating Achievement and Ensuring Equity): Fiscal Year 2014 Budget Request," U.S. Department of Education.
[115] "Education Department Budget by Major Programs," U.S. Department of Education, 30 Oct. 2013.

21st Century Learning Centers

Purpose

Twenty-first Century Learning Centers are intended to help communities establish places that support educational activities during the time students are not in school. This includes before school, after school, and during the summer.

History

According to the Department of Education, Centers are required to focus their services on students from schools with at least a 40 percent child poverty rate.[116] Funding flows through grants to states that are awarded for three to five years.

Evidence

- ***The program had mixed effects on students.*** Susanne James-Burdumy et al. (2005)[117] find "that elementary students who were randomly assigned to attend the 21st Century Community Learning Centers after-school program were more likely to feel safe after school, no more likely to have higher academic achievement, no less likely to be in self-care, more likely to engage in some negative behaviors, and experience mixed effects on developmental outcomes relative to students who were not randomly assigned to attend the centers."

The department noted that it is starting two more assessments of this program to evaluate 1) states' administration of their grants, and 2) states' use of grant money to fund activities during the school day. The department hopes this second "study will also help determine the feasibility of an impact evaluation of high-quality [expanded learning time] programs."[118]

Funding

In fiscal year 2012, the program was appropriated $1.2 billion.

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[116] "Department of Education (Supporting Student Success): Fiscal Year 2014 Budget Request," U.S. Department of Education.
[117] Susanne James-Burdumy, Mark Dynarski, Mary Moore, John Deke, Wendy Mansfield, Carol Pistorino, and Elizabeth Warner, "When Schools Stay Open Late: The National Evaluation of the 21st Century Community Learning Centers Program: Final Report," U.S. Department of Education, Institute of Education Sciences, National Center for Education Evaluation and Regional Assistance, Apr. 2005.
[118] "Department of Education (Supporting Student Success): Fiscal Year 2014 Budget Request," U.S. Department of Education.

Education of Migratory Children

Purpose

The Migrant Education Program provides funding, through the states, for the creation of learning systems for the children of migratory farmworkers and fishers. It is Part C of Title I of the Elementary and Secondary Education Act.

History

Created in 1966, the MEP is meant to help migrant children, who experience challenges from frequent moves, achieve the same academic standards as their peers and complete at least a high school or GED level of education.

According to the Department of Education, migratory children who have made a "qualifying move" within the last three years are generally eligible for the program. A move qualifies if it (1) is made out of economic need; (2) includes going across school-district boundaries; (3) is done to obtain temporary or seasonal work in agriculture or fishing; and (4) was made in the last three years.[119]

Evidence

- ***OMB considers the program "adequate."*** In a 2006 report, the Office of Management and Budget[120] finds the program to be "adequate." The report notes that the program was on track to meet its long-term goals and that participating children were performing better on tests than the children in other programs that served a similar population.
- ***The Department of Education finds that states have mixed results meeting performance targets.*** The Department of Education (2013)[121] in its budget justifications reported actual results for the program in 2009–2011. It found that number of states (among reporting states) that met the performance targets for math and reading at the elementary-school level and for math at the middle-school level for migrant students had fallen over that time. But more states reported meeting the performance targets for reading at the middle-school level for migrant students in 2011 than in 2009. Looking back to past budget justifications,[122] it appears that, between 2005 and 2011, the number of states that met their middle-school math- and reading-performance target have generally increased, while the number that met their elementary math- and reading-performance targets have fallen after a couple years of improvement.

Funding

In fiscal year 2012, the program was appropriated $393 million.

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[119] "Department of Education (Accelerating Achievement and Ensuring Equity): Fiscal Year 2014 Budget Request," U.S. Department of Education.
[120] "Detailed Information on the Migrant State Agency Program Assessment," ExpectMore.gov, Accessed 11 Feb. 2014.
[121] "Department of Education (Accelerating Achievement and Ensuring Equity): Fiscal Year 2014 Budget Request," U.S. Department of Education.
[122] "Department of Education (Education for the Disadvantaged): Fiscal Year 2010 Budget Request," U.S. Department of Education.
"Department of Education (Accelerating Achievement and Ensuring Equity): Fiscal Year 2011 Budget Request," U.S. Department of Education.

GEAR UP

Purpose

Gaining Early Awareness and Readiness for Undergraduate Programs provides two types of grants for college-preparation programs targeted at low-income students.

History

GEAR UP was created in 1998. It provides services, like mentoring, as well as college scholarships to participants. Grants are available to states, as well as "partnerships," which are defined by the Department of Education as one or more local educational agencies, one or more institutions of higher education, and at least two other community organizations.[123] When allocating awards, preference is given to applicants who have managed successful GEAR UP programs before. There is also a matching requirement for grantees.[124]

Grantees are required to start services no later than seventh grade and must continue through the twelfth grade. The Department of Education also requires that each group of students must include either all of the seventh-grade students at a school where the majority of students are eligible for free or reduced-price lunch; or all the students in that grade level who live in public housing.[125]

Evidence

- ***GEAR UP does not make students more likely to attend college.*** Kim Standing et al. (2008)[126] find that attending a GEAR UP school was positively associated with parents' and students' knowledge of the benefits of postsecondary education and with parents' involvement in higher education. "However, there was no evidence of an association between attending a GEAR UP school and the strength of student intentions to attend college, expectations for postsecondary education or overall orientation toward college."
- ***The program helps academic achievement.*** Donna Linderman and Corinne Baron-Donovan (2006)[127] evaluated GEAR UP students at the City University of New York and find that, after controlling for differences, GEAR UP participants had a higher GPA and attendance rate than non-GEAR UP students. They also note that the GEAR UP activities with a significant relationship to GPA included class instruction, summer programs, and college visits.

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[123] "Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP); Frequently Asked Questions," U.S. Department of Education, 14 Jun. 2011.
[124] "Department of Education (Higher Education) Fiscal Year 2014 Budget Request," U.S. Department of Education.
[125] "Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP); Frequently Asked Questions," U.S. Department of Education, 14 Jun. 2011
[126] Kim Standing, David Judkins, Brad Keller, and Amy Shimshak,"Early Outcomes of the GEAR UP Program – Final Report," Westat for U.S. Department of Education, Office of Planning, Evaluation and Policy Development, Policy and Program Studies Service, Aug. 2008.
[127] Donna Linderman and Corinne Baron-Donovan, "GEAR UP: A History of the Project and An Evaluation of GEAR UP: Archival Data Analyses & Student Focus Groups," The City University of New York, Jun. 2006.

- ***OMB considered the program "adequate."*** In a 2003 report, the Office of Management and Budget [128] rated the program as "adequate." It found that "initial program results suggest that grantees have been successful in increasing the percentage of students taking a more challenging course load, better preparing these students for future college enrollment."

Funding

In fiscal year 2012, the program was appropriated $302 million.

[128] "Detailed Information on the Gaining Early Awareness and Readiness for Undergraduate Programs Assessment," ExpectMore.gov, Accessed 11 Feb. 2014.

Education for Homeless Children and Youth

Purpose

The Education for Homeless Children and Youth program provides funding for states to create programs to ensure homeless children and youth have access to public education.

History

According to the National Coalition for the Homeless, the program has its origins in reforms to government programs for the homeless. In 1987, Congress passed the Urgent Relief for the Homeless Act; it provided for many services including shelter, housing, health, education, job training, and nutrition. It was renamed the McKinney–Vento Homelessness Assistance Act after the deaths of its lead author, Representative Stewart B. McKinney, and advocate, Representative Bruce Vento.[129]

States use these grants to coordinate services and provide funding to educational agencies.

According to the Department of Education, grants are awarded through a formula according to Title I, Part A allocations.[130] This program received an additional $70 million appropriation through stimulus legislation in fiscal year 2009.[131]

Evidence

- ***The program seems to improve student performance.*** The National Center for Homeless Education (2011)[132] analyzes data from the 2008–2009 school year and the 2009–2010 school year. The authors find that, year over year, the percentage of homeless students in grades 3–8 meeting or exceeding proficiency standards in reading rose from 50 percent to 53 percent. The percentage of homeless students in grades 3–8 meeting or exceeding proficiency standards in math rose from 50 percent to 52 percent.

Funding

In fiscal year 2012, the program received $65 million in funding.

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[129] "McKinney–Vento Act: NCH Fact Sheet #18," National Coalition for the Homeless, June 2006.
[130] "Department of Education (Accelerating Achievement and Ensuring Equity): Fiscal Year 2014 Budget Request," U.S. Department of Education.
[131] Ibid.
[132] Education for Homeless Children and Youth Program: Data Collection Summary," National Center for Homeless Education for U.S. Department of Education, Jun. 2011.

The Pell Grant Program

Purpose

The Pell Grant Program provides aid to help students from low-income families afford higher education.

History

The Basic Educational Opportunity Grant Program became law in 1972 as part of the Higher Education Amendments of that year. It was renamed for the bill's author, Senator Clairborne Pell, in 1980. Provided solely to undergraduate students, Pell is by far the largest federal grant program for postsecondary students.[133] It costs taxpayers over $33 billion per year.[134] It is need-based aid, but there is no maximum income eligibility level. Because of Pell's formula, recipients are chiefly low-income. In award year 2011–2012, about 74 percent of all Pell grant recipients had a total family income at or below $30,000.[135]

The program is funded mostly through annual, discretionary appropriations, but also has a mandatory-spending component.

According to the Congressional Research Service, the primary Pell grant rule "is that a student's annual grant is the *least* of (1) the total maximum Pell grant minus the student's Expected Family Contribution (EFC) toward the cost of college, or (2) Cost of Attendance (COA) minus EFC."[136]

Based on public data available through the Department of Education, the number of Pell recipients reached 9,444,368 in award year 2011–2012. With regard to the lowest income categories, about 58 percent of all Pell recipients came from families making $20,000 per year or less and about three-fourths from families making $30,000 per year or less.[137]

In recent years, the program has grown significantly. As the John Locke Foundation notes, "although the program began as a way to provide college access to low-income students, it has grown so vast in recent years that nearly 60 percent of all undergraduates received a Pell grant in the 2009–2010 academic year. Of the 16.4 million undergraduate students enrolled in college in the United States in 2010, 9.6 million received Pell grants."[138] Not only are more students receiving Pell grants, but a greater proportion of them are coming from families with higher incomes: Over the 2004–2005 award year, 0.6 percent had incomes exceeding

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[133] Shannon M. Mahan, "Federal Pell Grant Program of the Higher Education Act: How the Program Works, Recent Legislative Changes, and Current Issues," Congressional Research Service, 15 Jan. 2013.
[134] U.S. Department of Education, "U.S. Department of Education Fiscal Year 2014 President's Budget," 2 April 2013.
[135] "2011–2012 Federal Pell Grant Program End-of-Year Report," U.S. Department of Education, Office of Postsecondary Education, 2013.
[136] Shannon M. Mahan, "Federal Pell Grant Program of the Higher Education Act: How the Program Works, Recent Legislative Changes, and Current Issues," Congressional Research Service, 15 Jan. 2013.
[137] "2011–2012 Federal Pell Grant Program End-of-Year Report," U.S. Department of Education, Office of Postsecondary Education, 2013.
[138] Jenna Ashley Robinson and Duke Cheston, "Pell Grants: Where Does All the Money Go?" The John William Pope Center for Higher Education Policy, Jun. 2012.

$60,000. That number swelled over five-fold to 3.3 percent in the 2011–2012 award year.[139] Moreover, the program is expected to face a fiscal shortfall in fiscal year 2016.[140]

As part of stimulus legislation, the Pell Grant program received $17 billion in additional appropriations in fiscal year 2009. As the Congressional Research Service notes, that money, in conjunction with funding from the fiscal year 2009 Omnibus Appropriations Act, was primarily used to fund the largest one-year increase in the discretionary-base maximum award: from $4,241 in the 2008–2009 award year to $4,860 in the 2009–2010 award year.[141]

Historically, Pell has contributed to increasing access to higher education for the neediest students. According to Postsecondary Education Opportunity, between 1970 and 2009, college-continuation rates for 18-to-24-year-old dependent high-school graduates from the bottom income quartile (below $36,080) increased from 45.8 percent to 58.9 percent. Unfortunately, graduation rates have not shown a commensurate improvement. As Postsecondary Education Opportunity found "[i]n 2009 a student born into the top quartile of family income is ten times more likely to earn a bachelor's degree by the age of 24 than is another student born into the bottom quartile of family income."[142]

Evidence

Pell is intended to help low-income students access higher education. Historically, Pell has contributed to increasing access to higher education for the neediest students. However, though research is mixed, there is empirical evidence that increases to Pell do increase tuition in some situations. This unintended consequence could jeopardize access for low-income students by pricing them out of college or causing them to take on debt to pay for the increased costs.

- ***Pell grants push tuition higher at private universities.*** Larry Singell and Joe Stone (2003)[143] find that "private universities increase tuition by $3.96 for each dollar in Pell aid, or by significantly more than one-for-one. . . . In particular, the top-ranked private institutions appear to increase net tuition by $4.25 for each dollar in Pell grants, a roughly 5 percent increase in net tuition for every 10 percent increase in Pell aid."
- ***Pell grants increase tuition at public universities.*** Judith Li (1999)[144] finds that "[f]or every $100 increase in Pell revenue per undergraduate, public four-year schools increase their [published] list tuition by $36 and their net [published less financial aid] tuition revenue

[139] "2011–2012 Federal Pell Grant Program End-of-Year Report," U.S. Department of Education, Office of Postsecondary Education, 2013, and "2004–2005 Federal Pell Grant Program End-of-Year Report," U.S. Department of Education, Office of Postsecondary Education, 2006.
[140] Kelly Field, "Budget Outlook Sees Long-Term Profits on Federal Student Loans," *The Chronicle of Higher Education*, 5 Feb. 2014.
[141] Shannon M. Mahan, "Federal Pell Grant Program of the Higher Education Act: How the Program Works, Recent Legislative Changes, and Current Issues," Congressional Research Service, 15 Jan. 2013.
[142] "Family Income and Educational Attainment 1970 to 2009," *Postsecondary Education Opportunity*, No. 221, Nov. 2010.
[143] Larry D. Singell Jr. and Joe A. Stone, "For Whom the Pell Tolls: Market Power, Tuition Discrimination, and the Bennett Hypothesis," University of Oregon – Department of Economics, Apr. 2003.
[144] Judith Ann. Li, "Estimating the Effect of Federal Financial Aid on Higher Education: A Study of Pell Grants," Harvard University, Aug. 1999.

per student by $76." She also found that a $100 increase in Pell grants increases list tuition at private four-year schools by $130.

- ***Schools capture a significant share of student financial aid.*** Lesley Turner (2012)[145] shows that 16 percent of all Pell grant aid is captured by schools in the form of higher effective prices.

Beyond direct increases in tuition, Arthur Hauptman notes that "increases in Pell Grants may lead institutions to reduce the amount of discounts they would otherwise have provided to the recipients, who are from poor families, and move the aid these students would have received to others. This possibility of a substitution effect is supported by the data showing that public and private institutions are now more likely to provide more aid to more middle-income students than low-income students."[146]

Funding

In fiscal year 2012, program costs exceeded $33 billion.

[145] Lesley J. Turner, "The Incidence of Student Financial Aid: Evidence from the Pell Grant Program," Columbia University, 29 Apr. 2012.

[146] Arthur M. Hauptman, "Rising College Costs: A Federal Role? – Class Differences," *The New York Times*, Feb. 2010.

The Federal TRIO Programs

Purpose

The Federal TRIO Programs encourages enrollment and retention at higher-education institutions by providing support services for people, including those from low-income families.[147]

History

According to the Department of Education, TRIO is supposed to help "low-income individuals, first-generation college students, and people with disabilities move through the academic pipeline from middle school to post-baccalaureate programs."[148] The five discretionary programs are Educational Opportunity Centers, Ronald E. McNair Post-Baccalaureate Achievement, Student Support Services, Talent Search, and Upward Bound. There is also a program to train staff.

According to the Department of Education, recipients vary depending on the specific program, but they are generally colleges and universities, public and private agencies, and organizations with experience serving the targeted population.[149]

The name "TRIO" comes from the 1968 Higher Education Amendments because it consolidated three (or a "trio" of) programs: Upward Bound, Talent Search, and Student Support Services (initially called Special Services for the Disadvantaged). More programs were added over the years: The Higher Education Amendments of 1972 authorized the Educational Opportunity Centers. The training program was authorized as part of the 1976 Education Amendments. The Higher Education Amendments of 1986 authorized the Ronald E. McNair Post-Baccalaureate Achievement Program. And Upward Bound's math and science program was started by the Department of Education in 1990.[150]

Evidence

The Department of Education and OMB have both evaluated the effectiveness of the TRIO programs.

Student Support Services

- ***Peer tutoring improves academic performance.*** Bradford Chaney et al. (1997)[151] find that "SSS participation showed a small but positive and statistically significant effect on all three measures of student outcomes: grades, number of semester credits earned, and persistence in college." Although the impact's size depended on student participation

[147] Cassandria Dortch, "The TRIO Programs: A Primer," Congressional Research Service, 10 Jan. 2014.
[148] "Federal Trio Programs – Home Page," U.S. Department of Education, Office of Postsecondary Education, Accessed 11 Feb. 2014.
[149] Ibid.
[150] "History of the Federal Trio Programs," U.S. Department of Education, Office of Postsecondary Education, Accessed 11 Feb. 2014.
[151] Bradford Chaney, Lana Muraskin, Margaret Cahalan, and Rebecca Rak, "National Study of Student Support Services. Third Year Longitudinal Study Results and Program Implementation Study Update," Westat Inc., SMB Economic Research Inc. for U.S. Department of Education, Office of Education Research and Improvement, Feb. 1997.

and which services were received, "peer tutoring received in the first year showed the most consistent positive impact on all three student outcomes."

- ***Student Support Services improves academic performance.*** Bradford Chaney (2010)[152] finds that participation in SSS "is associated with moderate increases on the key measures of college retention and degree completion." But general supplemental services usually produce better outcomes than just first-year SSS participation. Chaney suggests this could be because "later-year services may be more critical with regard to affecting long-term outcomes, or the models may be failing to fully differentiate between SSS and non-SSS services, so that some of the effect of SSS is captured through the other measures. . . . The specific SSS services that were found to have a positive effect were home-based programs, blended programs, peer tutoring, and services for the disabled."
- ***OMB considered SSS "moderately effective."*** The Office of Management and Budget (2005)[153] found that the program was "moderately effective." The report notes the program is unique and has "exceeded its long-term performance goal for college persistence."

Upward Bound

- ***Some believe Upward Bound does not increase postsecondary enrollment.*** Neil Seftor et al. (2009)[154] use data collected between 1992 and 2004 and find that "Upward Bound had no detectable effect on the rate of overall postsecondary enrollment or the type or selectivity of postsecondary institution attended for the average eligible applicant." It did increase postsecondary enrollment for some, such as those who did not expect to complete a bachelor's degree. Although Upward Bound increased the likelihood of earning a postsecondary certificate or a license from a vocational school, it failed to change the likelihood of earning an associate or bachelor's degree.
- ***Others believe the program works.*** Margaret Cahalan (2009)[155] suggests that Seftor et al. are wrong. When adjusting for what Cahalan believes are errors in their study, she finds that "the Upward Bound program demonstrated statistically significant and substantive positive impacts on the major goals of the program, postsecondary entrance, application for financial aid; and attainment of postsecondary credentials."
- ***OMB finds Upward Bound to be "ineffective."*** The Office of Management and Budget (2002)[156] says the program was "ineffective." The report notes, "there is no overall impact on college enrollment because the program is poorly targeted, serving students who are not most in need of services."

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[152] Bradford W. Chaney, "National Evaluation of Student Support Services: Examination of Student Outcomes After Six Years," Westat for U.S. Department of Education, Office of Planning, Evaluation and Policy Development, Policy and Program Studies Service, Apr. 2010.

[153] "Detailed Information on the Trio Student Support Services Assessment," ExpectMore.gov, Accessed 11 Feb. 2014.

[154] Neil S. Seftor, Arif Mamun, and Allen Schim, "The Impacts of Regular Upward Bound on Postsecondary Outcomes Seven to Nine Years After Scheduled High School Graduation," Mathematica Policy Research Inc. for U.S. Department of Education, Office of Planning, Evaluation and Policy Development, Policy and Program Studies Service, Jan. 2009.

[155] Margaret Cahalan, "Addressing Study Error in the Random Assignment, National Evaluation of UPWARD BOUND: Do the Conclusions Change?" Council for Opportunity in Education, 2009.

[156] "Detailed Information on the Trio Upward Bound Assessment," ExpectMore.gov, Accessed 11 Feb. 2014.

Talent Search

- ***Talent Search makes students more likely to apply for financial aid.*** Jill Constantine et al. (2006)[157] finds that TS participants were more likely to be first-time financial-aid applicants, to enroll in a public college or university in their state, and to enroll in two- and four-year institutions than nonparticipants.
- ***OMB judges Talent Search to be "moderately effective."*** The Office of Management and Budget (2005)[158] finds the program is "moderately effective." The report notes that "recent evaluation findings and project performance data indicate that Talent Search has positive effects and has met most of its targets for college enrollment." But OMB adds that the program could improve accountability measures.[159]

Educational Opportunity Centers

- ***OMB says results were "not demonstrated."*** The Office of Management and Budget (2007)[160] says program results were "not demonstrated." The report notes that EOC lacked independent evaluations to determine if the program was effective, a target for measuring cost effectiveness, and procedures to measure efficiencies.

Ronald E. McNair Post-Baccalaureate Achievement

- ***McNair alumni are more likely to go to graduate school.*** Ann McCoy et al. (2008)[161] find that about 73 percent of McNair alumni enrolled in graduate school at some point—which is significantly higher than the 30 percent of all other bachelor's-degree recipients who had enrolled in a graduate program. In discussing the report, Congressional Research Service Analyst Cassandria Dortch remarks, "It is important to note that the findings presented in the report were not the result of a random assignment study design and that there may be differences in the propensity to enroll in graduate school between McNair participants and all bachelor's degree recipients."[162]
- ***OMB considers McNair "moderately effective."*** The Office of Management and Budget (2006)[163] finds the program to be "moderately effective." The report notes that 70 percent of participants are low-income, first-generation college students, and over half enroll in graduate school within a year of receiving their bachelor's degree. That said, the Department of Education was still developing program cost-efficiency measures.

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[157] Jill M. Constantine, Neil S. Seftor, Emily Sama Martin, Tim Silva, and David Myers, "A Study of the Effect of the Talent Search Program on Secondary and Postsecondary Outcomes in Florida, Indiana and Texas: Final Report From Phase II of the National Evaluation," Mathematica Policy Research Inc. for U.S. Department of Education, Office of Planning, Evaluation and Policy Development, Policy and Program Studies Service, Jun. 2006.
[158] "Program Assessment: TRIO Talent Search," ExpectMore.gov, Accessed 11 Feb. 2014.
[159] "Detailed Information on the Trio Talent Search Assessment," ExpectMore.gov, Accessed 11 Feb. 2014.
[160] "Detailed Information on the Trio Educational Opportunity Centers Assessment," ExpectMore.gov, Accessed 11 Feb. 2014.
[161] Ann McCoy, Anna Wilkinson, and Russell Jackson, "Education and Employment Outcomes of the Ronald E. McNair Postbaccalaureate Achievement Program Alumni," Decision Information Resources Inc. for U.S. Department of Education, Office of Planning, Evaluation and Policy Development, Policy and Program Studies Service.
[162] Cassandria Dortch, "The TRIO Programs: A Primer," Congressional Research Service, 10 Sep. 2012.
[163] "Detailed Information on the Trio McNair Postbaccalaureate Achievement Assessment," ExpectMore.gov, Accessed 11 Feb. 2014.

Funding

In fiscal year 2012, the TRIO programs received $840 million in appropriations.

Federal Supplemental Educational Opportunity Grant Program

Purpose

The Federal Supplemental Educational Opportunity Grant Program provides financial aid to low-income students to help pay for postsecondary undergraduate education.

History

SEOG is a campus-based aid program—that is, the postsecondary institution administers the program and must partially match federal funds. According to the Department of Education, focus is given to Pell-eligible students as well as those with "exceptional need," who have the least ability to pay.[164]

Evidence

There is little, if any, academic research on the effectiveness of SEOG.

Many, including the Obama administration, have noted that SEOG's allocation formula is flawed and "grossly [distorts] the allocation of funding among institutions than would otherwise be the case, preventing a more equitable distribution of funds to institutions based on student need."[165] The bulk of aid goes to private colleges, which traditionally enroll a much smaller share of low-income and/or Pell-eligible students than public or proprietary schools. The New America Foundation notes that "Bunker Hill Community College receives about one-tenth the amount of SEOG funds than Harvard University, but Bunker Hill's share of Pell Grant recipients enrolled is nearly four times larger than Harvard's."[166]

The Congressional Research Service found that students at "very high cost" institutions are more likely to receive a SEOG and have a higher average award than students at "low cost" institutions. This is despite the fact that "low cost" institutions enrolled 14 times as many Pell recipients than "very high cost" institutions.[167]

Funding

In fiscal year 2012, the program received a $735 million appropriation.[168]

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[164] "Federal Supplemental Educational Opportunity Grant (FSEOG) Program," U.S. Department of Education, Accessed 11 Feb. 2014.
[165] "Department of Education (Student Financial Assistance) Fiscal Year 2014 Budget Request," U.S. Department of Education.
[166] Stephen Burd, Kevin Carey, Jason Delisle, Rachel Fishman, Alex Holt, Amy Laitinen, and Clare McCann, "Rebalancing Resources and Incentives in Federal Student Aid," New America Foundation, 29 Jan. 2013.
[167] David P. Smole, "The Campus-Based Financial Aid Programs: A Review and Analysis of the Allocation of Funds to Institutions and the Distribution of Aid to Students," Congressional Research Service, 25 Jan. 2007.
[168] Alexandra Hegji and David P. Smole. "Campus-Based Student Financial Aid Programs Under the Higher Education Act," Congressional Research Service, 24 Dec. 2013.

Job Corps

Purpose

Job Corps provides educational and job training to young people from low-income families.

History

Job Corps began in 1964.[169] According to the Department of Labor, the program serves young people ages 16–24, "who must also be one or more of the following: deficient in basic skills; a school dropout; homeless; a runaway; a foster child; a parent; or an individual who requires additional education, vocational training, or intensive counseling and related assistance."[170] Job Corps center provides numerous services, including job training and counseling.[171]

As part of stimulus legislation, Job Corps received $250 million in fiscal year 2009.[172]

Evidence

- ***The program's costs outweigh its benefits to society.*** Peter Schochet et al. (2006)[173] find that Job Corps causes an increase in earnings during the first two years after participants finish the program, but that impact does not persist. They conclude that "[b]ecause overall earnings gains do not persist, the benefits to society of Job Corps are smaller than the substantial program costs. . . . [However], benefits exceed costs from the perspective of program participants."
- ***The program does help participants' job prospects and wages.*** Peter Schochet et al. (2001)[174] find that Job Corps "generated positive employment and earnings impacts by the beginning of the third year after random assignment, and the impacts persisted through the end of the 48- month follow-up period."
- ***Participants were less likely to earn a high-school diploma.*** The Institute of Education Sciences (2008),[175] specifically the What Works Clearinghouse, reviews Schochet et al.'s 2001 study and concludes Job Corps had no discernible effect on progress in school. WWC finds that there was a potentially positive effect on completing school. However, this effect was a direct result of an increase in the number of participants earning a GED. In fact, Job Corps had a small adverse effect on participants earning a high-school diploma.

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[169] "About Job Corps," Job Corps, Accessed 11 Feb. 2014.
[170] "FY 2014 Congressional Budget Justification, Employment and Training Administration, Job Corps," U.S. Department of Labor.
[171] Adrienne L. Fernandes-Alcantara, "Vulnerable Youth: Employment and Job Training Programs," Congressional Research Service, 13 Jan. 2014.
[172] Ibid.
[173] Peter Z. Schochet, John Burghardt, and Sheena McConnell, "National Job Corps Study and Longer-Term Follow-Up Study: Impact and Benefit-Cost Findings Using Survey and Summary Earnings Records Data: Final Report," Mathematica Policy Research Inc. for U.S. Department of Labor, Office of Policy Development and Research: Research and Evaluations, Aug. 2006.
[174] Peter Z. Schochet, John Burghardt, and Steven Glazerman, "National Job Corps Study: The Impacts of Job Corps on Participants' Employment and Related Outcomes," Mathematica Policy Research Inc. for U.S. Department of Labor, Office of Policy Development and Research: Research and Evaluations, Jun. 2001.
[175] "What Works Clearinghouse: WWC Intervention Report," U.S. Department of Education, Institute of Education Sciences, Apr. 2008.

- ***OMB considers Job Corps "adequate."*** The Office of Management and Budget (2007)[176] considers the program to be "adequate." The report notes that program participation had improved educational attainment and literacy. "However, in the most recent year, Job Corps met just one of its four annual goals, although the program did surpass its literacy/numeracy target. Overall, the program's costs exceed its benefits."

Funding

In fiscal year 2012, the program received $1.7 billion in appropriations.[177]

[176] "Program Assessment: Job Corps," ExpectMore.gov, Accessed 11 Feb. 2014

[177] Adrienne L. Fernandes-Alcantara, "Vulnerable Youth: Employment and Job Training Programs," Congressional Research Service, 13 Jan. 2014.

Workforce Investment Act

Purpose

The Workforce Investment Act is the chief federal program for the development of unemployed and underemployed workers.

History

Federally funded services are provided locally through "One-Stop centers."

WIA has its roots in the Wagner–Peyser Act of 1933, which created public employment offices across the country.[178] In 1962, the Manpower Development Training Act became law. The Congressional Research Service notes that this law provided federal funding to workers who lost their job because of a technology change. More changes to job-training programs followed with the Comprehensive Employment and Training Act of 1973 and the Job Training Partnership Act of 1982. When WIA became law in 1998, it amended Wagner–Peyser.[179]

The three major state-formula grant programs are WIA Adult (for low-skilled, disadvantaged, and underemployed adults), WIA Dislocated Workers (for laid-off workers), and WIA Youth (for young people).

As part of stimulus legislation, WIA state grant programs received an additional $2.95 billion in fiscal year 2009. That included $500 million for WIA Adult, $1.2 billion for WIA Youth, and $1.25 billion for WIA Dislocated Workers.[180]

Evidence

- ***WIA Adult has a positive effect on earnings and employment while WIA Dislocated Worker did not.*** Carolyn Heinrich et al. (2008)[181] study both the WIA Adult and WIA Dislocated Worker programs. They find WIA Dislocated Worker provides "small or nonexistent" gains for participants. The study's results "imply large and immediate impacts on earnings and employment for individuals who participate in the WIA Adult program," though they note that "a selection story can be constructed to explain away estimated effects."
- ***WIA services increase employment rates.*** Kevin Hollenbeck et al. (2005)[182] study the "value-add" of WIA services across nine states. They found that "receiving any WIA services increases employment rates . . . and average quarterly earnings" versus a

[178] "Wagner-Peyser/Labor Exchange," U.S. Department of Labor, Employment and Training Administration, Accessed 11 Feb. 2014.
[179] David H. Bradley, "The Workforce Investment Act and the One-Stop Delivery System," Congressional Research Service, 14 Jun. 2013.
[180] "DOL Information Related to the American Recovery and Reinvestment Act of 2009: Implementing the Recovery Act," U.S. Department of Labor, Accessed 11 Feb. 2014.
[181] Carolyn J. Heinrich, Peter R. Mueser, Kenneth R. Troske, and Jacob M. Benus, "Workforce Investment Act Non-Experimental Net Impact Evaluation: FINAL REPORT," IMPAQ International, Dec. 2008.
[182] Kevin Hollenbeck, Daniel Schroeder, Christopher T. King, and Wei-Jang Huang, "Net Impact Estimates for Services Provided through the Workforce Investment Act," U.S. Department of Labor, Employment and Training Administration, Office of Policy and Research, Division of Research and Demonstration, Oct. 2005.

comparison group. Moreover, "the impacts for dislocated workers seemed to be consistently larger than those for adults."

- ***Employment among participants has risen in recent years.*** The Workforce Investment Act Standardized Record Data Databook provides trends over time for WIA Adult, WIA Dislocated Workers, and WIA Youth "exiters" (those who have completed the programs).[183]
    - Between program year 2007 and program year 2010, adult exiters have experienced stagnant rates of retention and average earnings. The percentage of adult exiters entering employment fell from program year 2007 to program year 2008, but it has grown annually in each program year through program year 2010.
    - The percentage of dislocated-workers exiters entering employment, the percentage being retained, and their average earnings fell from program year 2007 to program year 2008. But all three measures have grown annually in each program year through program year 2010.
    - The percentage of youth exiters entering employment has remained relatively stable between program year 2008 and program year 2011. A higher proportion of youth exiters were placed in education by program year 2011 than in program year 2008. For those who entered employment, retention has increased annually in each program year through program year 2010.
- ***Congress is awaiting a further evaluation.***[184] When Congress passed WIA in 1998, it required a national evaluation of the program. The estimated completion date is 2015.
- ***There is pervasive duplication among federal job-training programs.*** The Government Accountability Office (2011)[185] studies 47 federal job-training programs and finds little is known about most programs' effectiveness. In addition, most programs are duplicative. For instance, WIA Adult overlaps with the Temporary Assistance for Needy Families and the Employment Services/Wagner–Peyser activities—because they "maintain separate administrative structures to provide some of the same services."

Funding

In fiscal year 2012, WIA's state formula grant programs received $2.6 billion in appropriations.[186]

[183] "PY 2011 WIASRD Data Book," Social Policy Research Associates for U.S. Department of Labor, Office of Performance and Technology, Employment and Training Administration, 27 Nov. 2012.
[184] "Workforce Investment Act Adult and Dislocated Worker Programs Gold Standard Evaluation," Mathematica Policy Research, Accessed 11 Feb. 2014.
[185] "Multiple Employment and Training Programs: Providing Information on Colocating Services and Consolidating Administrative Structures Could Promote Efficiencies," U.S. Government Accountability Office, Jan. 2011.
[186] David H. Bradley, "The Workforce Investment Act and the One-Stop Delivery System," Congressional Research Service, 14 Jun. 2013.

YouthBuild

Purpose

YouthBuild is a competitive grant program for at-risk, high-school dropouts.[187]

History

YouthBuild provides education, employment skills, and leadership training to young adults as well as opportunities for them to serve their communities.[188]

The program has its origins in 1978 when the Youth Action Program renovated a building in New York City. It was expanded nationally in 1990. By 1994, the Department of Housing and Urban Development was issuing federal grants to local YouthBuild programs. In 2007, the program was transferred to the Department of Labor. Currently, there are 273 YouthBuild programs.[189] Since HUD issued its first grants, 110,000 students have participated in building affordable housing.[190]

As part of stimulus legislation (the American Recovery and Reinvestment Act), YouthBuild activities received an additional $50 million in fiscal year 2009.[191]

Evidence

- ***YouthBuild is a relatively high-cost program.*** Maxine Mitchell et al. (2003)[192] compare YouthBuild to four other federal programs that serve a similar population. Of these programs, only Job Corps still exists today. Compared to these similar programs, the authors find that YouthBuild is relatively high cost. Compared to the control group, YouthBuild results in a smaller percentage of employed "exiters."
- ***Participants are more likely to graduate from high school.*** Mark Cohen and Alex Piquero (2008)[193] compare YouthBuild Offender Program graduates and dropouts. Graduates are more likely to graduate from high school or earn a GED and have lower criminal-offending rates. The authors also find that the only program with a significant effect on outcomes is the YouthBuild USA National Schools Initiative, which specifically tries to prepare young people for college.

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[187] "FY 2014 Congressional Budget Justification, Employment and Training Administration, Training and Employment Services," U.S. Department of Labor.
[188] "Youthbuild Transfer," U.S. Department of Labor, Employment and Training Administration, 2006.
[189] "History," YouthBuild USA, Accessed 11 Feb. 2014.
[190] "About Us," YouthBuild USA, Accessed 11 Feb. 2014.
[191] "DOL Information Related to the American Recovery and Reinvestment Act of 2009: Implementing the Recovery Act," U.S. Department of Labor, Accessed 11 Feb. 2014.
[192] Maxine V. Mitchell, Davis Jenkins, Dao Nguyen, Alona Lerman, and Marian DeBerry, "Evaluation of the Youthbuild Program," Applied Real Estate Analysis Inc. for U.S. Department of Housing and Urban Development, Office of Policy Research and Development Division, Aug. 2003.
[193] Mark A. Cohen and Alex R. Piquero, "Costs and Benefits of a Targeted Intervention Program for Youthful Offenders: the YouthBuild USA Offender Project," YouthBuild USA, Mar. 2008.

Funding

In fiscal year 2012, the program received $80 million in appropriations.[194]

[194] Adrienne L. Fernandes-Alcantara, "Vulnerable Youth: Employment and Job Training Programs," Congressional Research Service, 26 Nov. 2012.

Senior Community Service Employment

Purpose

The Senior Community Service Employment Program provides part-time, paid community-service positions and job training for low-income workers aged 55 and older.[195]

History

Created in 1965, SCSEP funds are generally distributed according to the number of low-income people aged 55 and older in the community. In the past year, the Department of Labor reported that SCSEP grantees served over 70,000 participants.[196] Participants work in a variety of community-service positions including schools and libraries. According to the Department of Labor, they "work an average of 20 hours a week and receive the highest of federal, state, or local minimum wage."[197]

As part of stimulus legislation, SCSEP activities received $120 million in fiscal year 2009.[198] The program also received $225 million in additional funding in fiscal year 2010.[199]

Evidence

- ***OMB considers the program "ineffective."*** The Office of Management and Budget (2003)[200] finds the program to be "ineffective." It compares poorly to other programs with similar goals and lacks cost-effectiveness measures.
- ***Participants often find unsubsidized unemployment.*** Deborah Kogan et al. (2012)[201] find 46 percent of exiters entered unsubsidized employment. But results varied across projects and participant groups. For instance, 10 percent of sub-recipients had placement rates below 18 percent, and participants with a disability, older workers, and participants with lower levels of education had a lower employment rate.
- ***The program spent over $6,000 per participant.*** The Department of Labor (2013)[202] performs budget justifications and reports actual results for program year 2011. In that year, the program cost $6,338 per participant. Six-month average earnings for participants were $7,580.

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[195] "DOL Federal Program Inventory – May 2013: Community Service Employment for Older Americans (ETA)," U.S. Department of Labor, Accessed 11 Feb. 2014.
[196] "FY 2014 Congressional Budget Justification: Employment and Training Administration, Community Service Employment for Older Americans," U.S. Department of Labor.
[197] "Frequently Asked Questions," U.S. Department of Labor, Employment and Training Administration, Accessed 11 Feb. 2014.
[198] "DOL Information Related to the American Recovery and Reinvestment Act of 2009: Implementing the Recovery Act," U.S. Department of Labor, Accessed 11 Feb. 2014.
[199] "FY 2011 Congressional Budget Justification Employment and Training Administration Community Service Employment for Older Americans," U.S. Department of Labor.
[200] "Detailed Information on the Senior Community Service Employment Program Assessment," ExpectMore.gov, Accessed 11 Feb. 2014.
[201] Deborah Kogan, Hannah Betesh, Maraian Negoita, Jeffrey Salzman, Laura Paulen, Haydee Cuza, Liz Potamites, Jillian Berk, Carrie Wolfson, and Patty Cloud, "Evaluation of the Senior Community Service Employment Program (SCSEP): Process and Outcomes Study Final Report," Mathematica Policy Research Inc. for U.S. Department of Labor, Employment and Training Administration, Office of Policy Development and Research, 24 Sep. 2012.
[202] "FY 2014 Congressional Budget Justification: Employment and Training Administration, Community Service Employment for Older Americans," U.S. Department of Labor.

Funding

In fiscal year 2012, the program received an appropriation of $448 million.[203]

[203] Ibid.

Social Services Block Grant

Purpose

The Social Services Block Grant is a stream of federal funding used by states to provide services—such as day care, education, and training services—to people, generally regardless of income.

History

The Social Services Block Grant, which has a funding ceiling of $1.7 billion, is allocated to states based on a formula. Since fiscal year 2001, states have been able to transfer up to 10 percent of their Temporary Assistance for Needy Families funding to SSBG.[204]

SSBG's predecessor was created in 1956 to match targeted state spending on specific services to help families get off welfare.[205] The current program requires no state match.

Evidence

- ***OMB finds "results not demonstrated."*** The Office of Management and Budget (2005)[206] finds the program does not demonstrate results. The report notes that, though the program does give significant flexibility to states, it does so with minimum reporting requirements and without accountability measures. Moreover, it "lacks a national system of performance measures against which program performance can be measured and improvements sought. Evaluations of Social Services Block Grant-funded activities and programs are not of sufficient scope to provide a comprehensive view of the effectiveness of all or most of the activities funded by the program."
- ***SSBG activities overlap with other programs.*** The Committee on Ways and Means (2012)[207] has jurisdiction over SSBG and identified key flaws in the program. It notes that 29 different services are supported by SSBG—including one called "other"—and many of these services supported by SSBG are also supported by specific programs. But unlike SSBG, these programs contain accountability measures, which help policymakers evaluate their efficacy. State reporting requires only the number of participants, "and there is no information collected on the demographics of recipients, their earnings, or their progress out of poverty and toward self-sufficiency."

Funding

Spending in fiscal years 2006 and 2008 included additional SSBG funding for disaster recovery. In fiscal year 2012, the program received a $1.7 billion appropriation.[208]

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[204] Karen E. Lynch, "Social Services Block Grant: Background and Funding," Congressional Research Service, 4 Jan 2013.
[205] "2011 Green Book; Social Services Block Grants Legislative History," U.S. House of Representatives Committee on Ways and Means, Accessed 20 Feb. 2014.
[206] "Detailed Information on the Social Services Block Grant Assessment," ExpectMore.gov, Accessed 11 Feb. 2014.
[207] "Transmission to the House Budget Committee on Budget Reconciliation Recommendations: Social Services Block Grant," House of Representatives, Ways and Means Committee, Apr. 2012.
[208] "ACF All-Purpose Table — FY 2012–2013," U.S. Department of Health and Human Services, Administration for Children and Families, Office of Legislative Affairs and Budget, Accessed 11 Feb. 2014.

AmeriCorps Vista

Purpose
AmeriCorps Vista funds volunteers for community organizations that combat poverty.

History
The program was founded in 1965 as Volunteers in Service to America. According to the Corporation for National and Community Service, AmeriCorps Vista participants typically do not provide direct services. Rather, they commit to at least one year of service helping build capacity at non-profits or public agencies.[209] The program was incorporated into AmeriCorps in 1993.[210]

Participants receive a stipend for living expenses. After their service, they can also collect an educational award to pay for college or student loans.[211]

Evidence
- ***OMB considers the program "adequate."*** The Office of Management and Budget (2006)[212] finds the program to be "adequate." The report notes that, though the program is well managed and does address a compelling need, it is duplicative of other volunteer efforts, and the program's impact is unclear.

Funding
In fiscal year 2012, this program received $95 million in appropriations.

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[209] "What VISTA Members Do," Corporation for National and Community Service, Accessed 11 Feb. 2014.
[210] "AmeriCorps VISTA," Corporation for National and Community Service, Accessed 11 Feb. 2014.
[211] "Segal AmeriCorps Education Award," Corporation for National and Community Service, Accessed 11 Feb. 2014.
[212] "Detailed Information on the AmeriCorps Volunteers In Service to America Assessment," ExpectMore.gov, Accessed 11 Feb. 2014.

Migrant and Seasonal Farmworker Program

Purpose
The Migrant and Seasonal Farmworker Program provides job training to itinerant workers.

History
Created in 1964, the Migrant and Seasonal Farmworker Program is a competitive grant program that funds job training and housing assistance for migrant and seasonal farmworkers. According to the Department of Labor, grantees include state and local agencies, workforce-investment boards, and community organizations.[213]

Evidence
- ***OMB considers the program "ineffective."*** The Office of Management and Budget (2003)[214] finds the program to be "ineffective." The report notes that the program fails to concentrate enough on training services, duplicates other federal efforts, and fails to hold grantees accountable.
- ***The Department of Labor believes the program has exceeded past performance.*** The Department of Labor (2013)[215] conducts budget justifications and finds that in program year 2011, 19,700 people participated. The employment retention rate was 80.9 percent. Both measures exceeded the program's goals, and the results found in program year 2010.[216]

Funding
In fiscal year 2012, the program received $84 million in funding.[217]

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[213] "FY 2014 Congressional Budget Justification, Employment and Training Administration, Training and Employment Services," U.S. Department of Labor.
[214] "Detailed Information on the Workforce Investment Act – Migrant and Seasonal Farmworkers Assessment," ExpectMore.gov, Accessed 11 Feb. 2014.
[215] "FY 2014 Congressional Budget Justification, Employment and Training Administration, Training and Employment Services," U.S. Department of Labor.
[216] "FY 2013 Congressional Budget Justification, Employment and Training Administration, Training and Employment Services," U.S. Department of Labor.
[217] David H. Bradley, "The Workforce Investment Act and the One-Stop Delivery System," Congressional Research Service, 14 Jun. 2013.

Indian and Native American Program

Purpose

The Indian and Native American program provides workforce development to Native Americans.

History

The Indian and Native American program awards competitive grants to fund job training and literacy services for American Indians and Native American workers. According to the Department of Labor, eligible grantees include Indian tribes, Alaskan Natives, Native Hawaiians, and tribal non-profit organizations. Applicants must compete for funding every two years.[218]

Evidence

- ***OMB considers the program "adequate."*** The Office of Management and Budget (2004)[219] finds the program to be "adequate." The report notes that the program does try to improve effectiveness, but it does not have sufficient accountability measures.
- ***The Department of Labor finds the program exceeded past performance.*** The Department of Labor (2013)[220] finds that in program year 2011, 38,238 people participated. The employment retention rate was 76.84 percent. This was an improvement on the retention rate in program year 2010.[221]
- ***The Department of Labor finds the employment retention rate improved between 2011 and 2012 across the program, while average earnings decreased.*** The Department of Labor (2012)[222] finds that the employment retention rate increased between the end of June 2011 and June 2012, while six months' average earnings fell $317.

Funding

In fiscal year 2012, this program received $47.6 million in funding.[223]

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[218] "FY 2014 Congressional Budget Justification, Employment and Training Administration, Training and Employment Services," U.S. Department of Labor.
[219] "Detailed Information on the Workforce Investment Act – Native American Programs Assessment," ExpectMore.gov, Accessed 12 Feb. 2014.
[220] "FY 2014 Congressional Budget Justification, Employment and Training Administration, Training and Employment Services," U.S. Department of Labor.
[221] "FY 2013 Congressional Budget Justification, Employment and Training Administration, Training and Employment Services," U.S. Department of Labor.
[222] "Indian and Native American Adult Program (INAP)," U.S. Department of Labor, Employment and Training Administration, Accessed 20 Feb. 2014.
[223] David H. Bradley, "The Workforce Investment Act and the One-Stop Delivery System," Congressional Research Service, 14 Jun. 2013.

American Opportunity Tax Credit

Purpose

The American Opportunity Tax Credit helps students pay for college.

History

The American Opportunity Tax Credit is a partially refundable tax credit that helps students or their parents pay for post-secondary education. The credit allows families to reduce the amount of income tax they pay by 100 percent of the first $2,000 of tuition expenses, plus 25 percent of the next $2,000 spent on tuition, fees, or course materials, with a maximum credit of $2,500. Forty percent of the credit is refundable, or up to $1,000. The AOTC is phased down between $80,000 and $90,000 ($160,000 and $180,000, if filing jointly) of income. Taxpayers making more than $90,000 ($180,000, if filing jointly) are ineligible.[224,225]

The AOTC was enacted as part of the 2009 stimulus legislation, the American Recovery and Reinvestment Act. It will replace the Hope Credit through the end of 2017. The Hope Credit, enacted in 1997 as part of the Taxpayer Relief Act, is a non-refundable credit and provides eligible taxpayers up to $1,800 in tax relief (in its most recent, 2008 iteration) for tuition expenses for the first two years of higher education.[226,227] The AOTC is bigger and accessible to more people, with a higher income phase-out than the Hope Credit.[228]

Debate over higher-education tax credits stretches back decades. Over the years, proponents have argued that, as tuition costs have soared, middle-class families have found themselves priced out of higher education in part because they are ineligible for assistance programs, such as Pell grants. Proponents argue tax credits are a way to help to these middle-class families.

Opponents argue that, besides the loss of cash aid for low-income aid, tax credits by their very nature are ineffective. Because families must pay tuition before they file their tax returns, Bridget Long explains, "[t]ax credits are more likely to be used for noneducational expenses than are other types of aid." [229] Furthermore, credits do not help students who can't afford college because of cash-flow problems.

Evidence

Research on the AOTC is limited because it is relatively new. Research has been done, however, on the Hope Credit and the Lifetime Learning Credit,[230] another product of the 1997 Taxpayer Relief Act, as well as other higher-education tax preferences.

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[224] "Tax Benefits for Education: For Use in Preparing 2013 Returns," Internal Revenue Service, 7 Jan. 2014.
[225] "American Opportunity Tax Credit: Questions and Answers," Internal Revenue Service, Accessed 11 Feb. 2014.
[226] "Tax Benefits for Education: Information Center," Internal Revenue Service, Accessed 11 Feb. 2014.
[227] "Tax Changes for Individuals: Hope and Lifetime Learning Credits," Internal Revenue Service, Accessed 11 Feb. 2014.
[228] In 2008, the Hope Credit phased out between $48,000 and $58,000 ($96,000 and $116,000, if filing jointly) in income.
[229] Bridget T. Long, "The Impact of Federal Tax Credits for Higher Education Expenses," National Bureau of Economic Research, *The Economics of Where to Go, When to Go, and How to Pay for It*, Sep. 2004.
[230] The Lifetime Learning Credit is a nonrefundable tax credit, up to $2,000 per return, which provides assistance for both undergraduate and graduate tuition and enrollment fees. It begins to phase out between $53,000 and $63,000 ($107,000 and $127,000, if filing jointly) of income. Taxpayers making more than $63,000 ($127,000, if filing jointly) are ineligible for the

College Access

Research shows the Hope Credit and the Lifetime Learning Credit generally cause little to no change in enrollment.

- ***Tax preferences have little effect on enrollment.*** Nicholas Turner (2011)[231] examines the impact of the Hope Credit, the Lifetime Learning Credit, and the tuition deduction. He finds that "tax-based aid increases full-time enrollment in the first two years of college for 18 to 19 years old by 7 percent. . . . If all youths eligible for tax-based aid avail themselves of the programs, then a 7 percent enrollment increase implies that 93 percent of tax-based aid recipients would have enrolled without the tax-based aid subsidy. . . . This finding affirms speculation by Dynarski and Scott-Clayton (2006), Long (2004), and Kane (1997, 1998) that youths who would have enrolled in the absence of tax-based aid will also benefit from the programs."
- ***CBO comes to a similar conclusion.*** The Congressional Budget Office (2000)[232] also finds that the Hope Credit and the Lifetime Learning Credit "are unlikely to cause substantial increases in college enrollment."

Transfers to the Middle Class

- ***The tax incentives are inefficient.*** Caroline Hoxby (1998)[233] finds that "the higher-education tax credits are an inefficient means of distributing middle-class tax cuts, especially if a substantial share of the Hope Credit is absorbed by tuition increases." Meanwhile, Bridget Long (2003)[234] admits the limitations of her study but finds the tax credits produced "no enrollment response." She also finds "that what was intended to be a transfer to the middle class did benefit families with incomes between $30,000 and $75,000 the most."

College Affordability

The transparency of tax credits makes them especially susceptible to being absorbed by states in the form of lower postsecondary appropriations or by institutions in the form of reduced institution aid. The result is that the financial benefit from the credits shifts away from families and is absorbed by states and institutions.

- ***States capture the benefit of federal tax credits.*** Bridget Long (2003)[235] examines the impact of the Hope Credit and the Lifetime Learning Credit. She finds that "many states did react to the introduction of the tax credits by considering ways to capture the federal resources available through the new tax credits."
    - "In a report from California's Legislative Analyst's Office, Turnage (1998) notes that the credits 'create opportunities to increase the effective federal subsidy of

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Lifetime Learning Credit. It is available for an unlimited number of years. (Lifetime Learning Credit: Table 3.1. Overview of the Lifetime Learning Credit," Internal Revenue Service, Accessed 20 Feb. 2014.)

[231] Nicholas Turner, "The Effect of Tax-Based Federal Student Aid on College Enrollment," *National Tax Journal*, Vol. 63, No. 3, Sep. 2011.

[232] "An Economic Analysis of the Taxpayer Relief Act of 1997," Congressional Budget Office, Apr. 2000.

[233] Catherine M. Hoxby, "Tax Incentives for Higher Education," National Bureau of Economic Research, *Tax Policy and the Economy*, Vol. 12, Jan. 1998.

[234] Bridget T. Long, "The Impact of Federal Tax Credits for Higher Education Expenses," National Bureau of Economic Research, *The Economics of Where to Go, When to Go, and How to Pay for It*, Sep. 2004.

[235] Ibid.

California's higher education programs' . . . [and] suggests increasing fees at public colleges in California."
    - "Wolanin (2001) notes other states that responded to the introduction of the tax credits. Budget analysis by the Arkansas legislature recommended that the state reconsider its tuition policies in light of the tax credits. Minnesota, North Carolina, and Washington took similar actions to consider how to devise state financial aid programs while taking into account the HTC support."
    - "Another example is New York, which provides need-based aid through its Tuition Assistance Program. Under this program, New York families with a student in a four-year public college would not be eligible for the maximum HTC unless their taxable income is $45,000 or higher. In comparison, most families would be eligible for the full credit if their taxable income is at least $30,000. As a result, the New York State Higher Education Services Corporation recommended studying whether federal funds could be substituted for state funds."
    - Long concludes "that states did in fact lower state appropriations at colleges in which students faced the lowest marginal cost due to prepolicy tuition levels."

- ***States adjust behavior in response to federal tax credits.*** Judith Li (1999)[236] discusses how "colleges and universities themselves have acknowledged the powerful incentive they face to raise their tuition in response to increases in federal aid." She notes several behavioral changes after the 1997 Taxpayer Relief Act:
    - "Officials at North Carolina expressed concern that tuition at many state campuses might be too low, since it was less than the $2000 students would have to spend to be able to get the full federal tax credit."
    - "Moreover, college officials at Arizona reasoned that increasing tuition would not harm their postsecondary students, and that the extra revenue from the federal government might replace higher state appropriations or pay for new university programs."
    - "Some colleges, like Bowdoin College, announced that although they had no plans to increase tuition in response to the additional federal subsidy, they planned to lower the amount of financial aid that they themselves award to students who will qualify for the credit."
    - Li notes that, as a result of these announcements, then-secretary of education Richard Riley sent university presidents a letter warning against shifting the benefits from the tax credits away from "families to colleges and universities through increased tuition charges."[237]

- ***Tax aid crowds out institutional aid.*** Nicholas Turner (2012)[238] finds "that the intended cost reductions of tax-based federal student aid are substantially offset by institutional price increases for a sample of 4-year colleges and universities. Contrary to the goal of

[236] Judith Ann Li, "Estimating the Effect of Federal Financial Aid on Higher Education: A Study of Pell Grants," Harvard University, Aug 1999.
[237] Richard W. Riley, "The Hope Scholarship and Lifetime Learning Tax Credits," U.S. Department of Education, 1 Dec. 2008.
[238] Nicholas Turner, "Who Benefits from Student Aid? The Economic Incidence of Tax-Based Federal Student Aid," *Economics of Education Review*, Vol. 31, No. 4, Aug. 2012.

policymakers, [he finds] that tax-based aid crowds out institutional aid roughly dollar-for-dollar."

Error Rates

In terms of federal aid, a taxpayer may choose the AOTC, the tuition and fees deduction, or the Lifetime Learning Credit. Because the tax credits are so complex and confusing, families often file incorrectly.

- ***Millions of taxpayers received tax credits erroneously.*** The Treasury Inspector General for Tax Administration (2011)[239] found, as of May 28, 2010, "2.1 million taxpayers receiving $3.2 billion in education credits that appear to be erroneous." In addition:
    - "1.7 million taxpayers received $2.6 billion in education credits for students for whom there was no supporting documentation in IRS files that they attended an educational institution."
    - "370,924 individuals claimed as students who were not eligible because they did not attend the required amount of time and/or were postgraduate students, resulting in an increase and, as a result, have increased the estimated $550 million in erroneous credits."
    - "63,713 taxpayers erroneously received $88.4 million in education credits for students claimed as a dependent or spouse on another taxpayer's tax return.
    - "250 prisoners erroneously received $255,879 in education credits."
    - "84,754 students who did not have a valid Social Security number received $103 million in education credits."

- ***Families fail to take full advantage of the available tax credits.*** GAO (2005)[240] finds that, when looking at the vast array of complex Title IV aid and tax benefits, some tax filers make suboptimal choices. Specifically:
    - "[S]ome people who appear to be eligible for tax credits and/or the tuition deduction did not claim them."
    - "Some tax filers used a higher education tax credit or the tuition deduction but chose one that yielded a smaller reduction in their tax liability than they could have otherwise realized. Among those who claimed the tuition deduction, we estimate that 21 percent (representing about 51,000 tax filers) would have been better off claiming the Lifetime Learning tax credit while 8 percent (representing about 22,000 tax filers) of those claiming the Lifetime Learning credit would have reduced their taxes by a greater amount if they had claimed the tuition deduction instead."
    - "The suboptimal choices extended even to those returns filed by paid tax-preparers."

[239] "Recovery Act: Billions of Dollars in Education Credits Appear to Be Erroneous," Treasury Inspector General for Tax Administration, 16 Sep. 2011.

[240] "Student Aid and Postsecondary Tax Preferences: Limited Research on Effectiveness of Tools to Assist Students and Families through Title IV Student Aid and Tax Preferences," U.S. Government Accountability Office, Jul. 2005.

Funding

In fiscal year 2012, the government provided a $20 billion subsidy through the AOTC and Lifetime Learning credits.

Tax Deduction for Interest on Student Loans

Purpose

The federal government gives tax preferences to interest on student loans in an attempt to make higher education more affordable.

History

The tax code allows filers to reduce taxable income by up to $2,500 for paying interest on a student loan. It is an "above the line" deduction, so most taxpayers can claim it and do not have to itemize their deductions to do so. The student must be enrolled at least half time in a degree program, and the loan must pay for qualified expenses—such as tuition and fees, room and board, or books and supplies—at an eligible educational institution. Both undergraduate and graduate students can claim the deduction. It begins to phase out between $60,000 and $75,000 ($125,000 and $155,000, if filing jointly) in income.[241]

Before 1986, student-loan interest (like other forms of personal interest) was deductible. According to the Congressional Research Service, in 1986, the deduction was eliminated as part of the Tax Reform Act, along with all other forms of personal interest deductions except mortgage interest. The deduction for student-loan interest was restored in the Taxpayer Relief Act of 1997.[242]

Evidence

GAO has said there is little research on the effectiveness of many of the higher-education tax benefits.[243] Because families must pay tuition before they file their taxes, they do not have the tax credit when they need it. And in general, deductions disproportionally favor upper-income families and fail to help non-tax filers at all.

- ***Tax benefits disproportionately favor higher-income families.*** Leonard Burman et al. (2005)[244] find "more than one-fifth of the total benefit from the interest deduction is received by tax units with cash income above $100,000; this is a higher share than for either the Hope or [the Lifetime Learning Credit]." Moreover, "[t]he highest recipiency rate for the interest deduction occurs between $75,000 and $100,000 in cash income."

Funding

In fiscal year 2012, the government provided a $1.3 billion subsidy through the tax deduction of interest on student loans.

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[241] "Student Loan Interest Deduction," Internal Revenue Service, Accessed 11 Feb. 2014.
[242] Margot L. Crandall- Hollick, "Higher Education Tax Benefits: Brief Overview and Budgetary Effects," Congressional Research Service, 18 Mar. 2013.
[243] "Student Aid and Postsecondary Tax Preferences: Limited Research on Effectiveness of Tools to Assist Students and Families through Title IV Student Aid and Tax Preferences," U.S. Government Accountability Office, Jul. 2005.
[244] Leonard E. Burman, Elaine Maag, Peter Orszag, Jeffrey Rohaly, and John O'Hare, "The Distributional Consequences of Federal Assistance for Higher Education: The Intersection of Tax and Spending Programs," The Urban-Brookings Tax Policy Center, Aug. 2005.

Qualified Zone Academy Bonds

Purpose

The federal government gives tax preferences to qualified zone academy bonds to promote school development.

History

A tax credit bond gives the investor, or sometimes the issuer, a federal tax credit. State and local governments sell these types of bonds to finance certain projects.

According to the Congressional Research Service, the first tax-credit bond was the qualified zone academy bond, first issued in 1998. Public schools use QZABs to fund activities like school renovation and teacher training.[245] To qualify for the program, the Congressional Research Service notes that a school must be a "Qualified Zone Academy." QZAs are defined in statute as a public school or program "designed in cooperation with business to enhance the academic curriculum, increase graduation and employment rates, and prepare students for the rigors of college and the increasingly complex workforce" and that is "located in an empowerment zone or enterprise community."[246] A school can also qualify if at least 35 percent of its students are eligible for free or reduced-price lunch.

As the Department of Education explains, "[F]or schools serving low income students, QZABs reduce the burden of interest payments by giving financial institutions holding the bonds (or other debt mechanism) a tax credit in lieu of interest. The school district must still pay back the amount of money it initially borrowed, but does not have to pay any interest—typically about half the cost of renovating a school."[247]

Evidence

- ***School infrastructure has little effect on academic achievement.*** Stephanie Cellini et al. (2008)[248] examine the impact of school-bond issues on student achievement. They find that, at most, "bond-financed improvements to existing facilities raise achievement by about one third as much as [the effect of] a reduction in class sizes from 22 to 15 students [as found by Alan Krueger[249]]." They also find that "the services provided by capital investments may be reflected only imperfectly in student test scores. Infrastructure improvements may produce improvements in student safety, athletic and art training, or the aesthetic appeal of the campus, all of which may be valued by parents or homeowners, without any effect on academic achievement."

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[245] Steven Maguire, "Tax Credit Bonds: Overview and Analysis," Congressional Research Service, 20 Sep. 2012.
[246] "26 U.S. Code §54E – Qualified Zone Academy Bonds," Cornell University Law, Legal Information Institute, Accessed 20 Feb. 2014.
[247] "Qualified Zone Academy Bonds: Frequently Asked Questions," U.S. Department of Education, Accessed 11 Feb. 2014.
[248] Stephanie Riegg Cellini, Fernando Ferreira, Jesse Rothstein, "The Value of School Facilities: Evidence from a Dynamic Regression Discontinuity Design," National Bureau of Economic Research, *NBER Working Paper Series*, Dec. 2008.
[249] Alan B. Krueger, "Experimental Estimates of Education Production Functions," *The Quarterly Journal on Economics*, Vol. 114. 1999., and Alan B. Krueger, "Economic Considerations and Class Size," *NBER Working Paper Series*, April 2002.

- ***There is little to no connection between resources and performance***. Eric Hanushek (1997)[250] reviews nearly 400 studies of the relationship between student resources and academic performance. After accounting for variations among families, he concludes there is not a strong or consistent relationship between the two.

Funding

In fiscal year 2012, the government provided a $300 million subsidy through QZABs.

[250] Eric A. Hanushek, "Assessing the Effects of School Resources on Student Performance: An Update," *Education Evaluation and Policy Analysis*, Vol. 19, No. 2, Summer 1997, pp. 141-164.

Tax Exclusion for Education Savings Accounts

Purpose

The federal government gives tax preferences to certain types of savings accounts to help make education more affordable.

History

Earnings from qualified tuition programs, or 529 plans, are not taxable as they are used to pay for eligible higher-education expenses.[251] According to the Congressional Research Service, if a withdrawal is used to pay for ineligible expenses, then some of the withdrawal becomes taxable. Moreover, a penalty might apply.[252]

As Susan Dynarski explains, "529 savings plans are an innovation of the states. The 529 savings plans have their roots in prepaid tuition plans, the first of which was introduced by Michigan in 1986. . . . As of summer 2003, every state except Washington had a 529 savings plan, as does the District of Columbia."[253]

The Taxpayer Relief Act of 1997 created a new tax exclusion for earnings from education individual retirement accounts (renamed Coverdell education savings accounts in 2001). According to the Internal Revenue Service, the Coverdells have a $2,000 annual limit on contributions per beneficiary, and the benefit begins to phase out between $95,000 and $110,000 ($190,000 and $220,000 if filing jointly) in income. However, unlike 529s, Coverdells can also be used for qualifying K–12 expenses. [254]

Evidence

GAO has said there has been little research on the effectiveness of many of the higher-education tax benefits.[255] Higher-income families are much more likely to use these savings accounts because they are more likely to save for college—regardless of the tax benefits. In fact, college-savings plans might harm some families financially.

- ***Families eligible for financial aid can effectively face high tax rates.*** Susan Dynarski (2004) [256] finds that "[t]he joint treatment by the income tax code and financial aid system of college savings creates tax rates that exceed 100 percent for those families on the margin of receiving additional financial aid." Her simulations show that "$1,000 of pretax income placed in a Coverdell for a newborn and left to accumulate until

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[251] "529 Plans: Questions and Answers," Internal Revenue Service, Accessed 20 Feb. 2014.
[252] Margot L. Crandall-Hollick, "Tax-Preferred College Savings Plans: An Introduction to 529 Plans," Congressional Research Service, 2 Nov. 2012.
[253] Susan M. Dynarski, "Who Benefits From the Education Saving Incentives? Income, Educational Expectations, and The Value of the 529 and Coverdell," National Bureau of Economic Research, *NBER Working Paper Series*, May 2004.
[254] "Tax Benefits for Education," Internal Revenue Service, Department of the Treasury, 7 Jan. 2014.
[255] Student Aid and Postsecondary Tax Preferences: Limited Research on Effectiveness of Tools to Assist Students and Families through Title IV Student Aid and Tax Preferences," U.S. Government Accountability Office, Jul. 2005.
[256] Susan M. Dynarski, "Tax Policy and Education Policy: Collision or Coordination? A Case Study of the 529 and Coverdell Saving Incentives," National Bureau of Economic Research, *NBER Working Paper Series*, Mar. 2004.

college will face income and aid taxes that consume all of the principal, all of the earnings and an additional several hundred dollars."

- ***There is too little data to evaluate some of these tax benefits.*** Leonard Burman et al. (2005) [257] say they "were not able to simulate the distributional effect of the section 529 plans because of lack of data. Although there are some data on education IRAs, very few taxpayers utilized them before the 2001 law expansions so the data are also inadequate to analyze that program." They add, "It is safe to assume that almost all tax benefits would accrue to those with high incomes."
- ***Higher-income families benefit the most from these tax benefits.*** Susan Dynarski (2004) [258] finds "that the advantages of the 529 and Coverdell rise sharply with income, for three reasons. First, those with the highest marginal tax rates benefit the most from sheltering income, gaining most in both absolute and relative terms. Second, the tax penalties that are assessed on families whose children do not use their Coverdell accounts to pay for college hit some families harder than others. . . . Finally, the college financial aid system reduces aid for those families that have any financial assets, including an ESA or 529. Since the highest-income families are unaffected by this aid tax, this further intensifies the positive correlation between income and the advantages of the tax-advantaged college savings accounts."

Funding

In fiscal year 2012, the government provided a $600 million subsidy through this exclusion.

[257] Leonard E. Burman, Elaine Maag, Peter Orszag, Jeffrey Rohaly, and John O'Hare, "The Distributional Consequences of Federal Assistance for Higher Education: The Intersection of Tax and Spending Programs," The Urban-Brookings Tax Policy Center, Aug. 2005.

[258] Susan M. Dynarski, "Who Benefits From the Education Saving Incentives? Income, Educational Expectations, and The Value of the 529 and Coverdell," National Bureau of Economic Research, *NBER Working Paper Series*, May 2004.

Community Services Block Grant

Purpose

The Community Services Block Grant is a stream of federal funding used by local organizations to provide services—such as education and training services—to help alleviate poverty.

History

According to the Congressional Research Service, CSBG has its roots in President Johnson's Economic Opportunity Act of 1964, which called for local communities to develop "Community Action Programs" to fight poverty.[259] Now administered by the Department of Health and Human Services, CSBG continues to fund this system of community initiatives, called Community Action Agencies. The program's annual report shows that those local agencies receive most of their funding not from CSBG, but from other federal programs like the Low-Income Home Energy Assistance Program and Head Start.[260]

The same report finds that, in fiscal year 2012, the CSBG network served 6.9 million families. Almost 70 percent of the families reporting their income data were below the poverty line.

The program received an additional $1 billion under the American Recovery and Reinvestment Act.[261]

Evidence

- ***The Obama administration recommended a cut in CSBG's funding, noting its history of "documented failures in program oversight and accountability."*** The Office of Management and Budget (2012)[262] notes that the grants provided through the CSBG network are not awarded on a competitive basis, and many agencies in the networks "receiving funding have remained unchanged since 1964, regardless of their level of performance." Subpar oversight has "the likely result that even grossly negligent CAAs continue to receive funding. In addition, the current reporting systems are not robust enough for States or the Federal Government to determine what different CAAs are accomplishing as a result of receiving CSBG funds." CSBG was again included in the administration's "Cuts, Consolidations, and Savings" materials in the fiscal year 2014 budget.[263]
- ***The program overseeing CSBG lacks internal-control standards.*** GAO (2005)[264] finds that the Office of Community Services—the office within HHS charged with running

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[259] Karen Spar, "Community Services Block Grant: Background and Funding," Congressional Research Service, 14 Feb 2014.
[260] Tabitha Beck et al. "Community Services Block Grant Annual Report 2013," National Association for State Community Services Programs, Sept. 2013.
[261] Karen Spar, "Community Services Block Grant: Background and Funding," Congressional Research Service, 14 Feb 2014.
[262] "The Fiscal Year 2013 Budget of the United States Government: Cuts, Consolidations and Savings," Office of Management and Budget, Feb. 2012.
[263] "The Fiscal Year 2014 Budget of the United States Government: Cuts, Consolidations and Savings," Office of Management and Budget, Apr. 2013.
[264] "Community Services Block Grant Program: HHS Should Improve Oversight by Focusing Monitoring and Assistance Efforts on Areas of High Risk," Government Accountability Office, Jun. 2006.

CSBG—"lacked effective policies, procedures, and controls to help ensure that it fully met legal requirements for monitoring states and internal control standards."

- ***Internal controls are still missing at the state level.*** HHS's Office of Inspector General (2011)[265] finds that the state of Nevada "did not establish adequate internal controls for assessing and monitoring CSBG funds provided to CAAs under the Recovery Act." HHS warns that without these controls, "Recovery Act and CSBG program funds may be at risk for fraud, waste, and abuse."

Funding

In fiscal year 2012, the federal government appropriated $677 million for CSBG.[266]

[265] "Review of Nevada's Monitoring of the Community Services Block Grant Program," Department of Health and Human Services: Office of Inspector General, Jan. 2011.

[266] Karen Spar, "Community Services Block Grant: Background and Funding," Congressional Research Service, 14 Feb 2014.

Environmental Workforce Development and Job Training

Purpose

The Environmental Workforce Development and Job Training program, formerly known as the Brownfield job-training program, provides funds for environmentally related workforce development for those living by polluted sites.

History

The Environmental Workforce Development and Job Training Grants are part of a larger Brownfields program administered by the Environmental Protection Agency that focuses on polluted areas known as Brownfield sites. The program was created by the EPA in 1995.[267] In 2002, the Small Business Liability Relief and Brownfields Revitalization Act became law, which provided funding authority for the program.[268]

According to the EPA, "[t]hese Environmental Workforce Development and Job Training (EWDJT) grants are provided to recruit, train, and place, unemployed and under-employed, including low-income and minority, residents historically affected by hazardous and solid waste sites and facilities with the skills needed to secure full-time, sustainable employment in the environmental field and in the assessment and cleanup work taking place in their communities."[269] The first Brownfields Job Training grants were awarded in 1998. By 2012, the EPA had provided over $42 million through 191 job-training grants for the former Brownfields Job Training Program and newly expanded Environmental Workforce Development and Job Training Program.[270]

The Brownfields program received an additional $100 million in stimulus funding in fiscal year 2009.[271]

Evidence

- ***OMB considered the Brownfields program as a whole to be "adequate."*** The Office of Management and Budget (2003)[272] found that the program was "adequate." The report notes the program is unique, but it lacked cost-effectiveness measures.
- ***The program has met its own jobs goals.*** The EPA (2012)[273] finds that the amount of jobs produced from Brownfields activities has surpassed the program's target in each year between fiscal year 2007 and 2012.

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[267] "Brownfields and Land Revitalization Basic Information," Environmental Protection Agency, 16 July 2012.
[268] "Brownfields and Land Revitalization Laws and Statutes," Environmental Protection Agency, 16 July 2012.
[269] "Brownfields and Land Revitalization Apply for Funding," Environmental Protection Agency, 24 February 2014.
[270] "EPA Announces Environmental Workforce Development and Job Training Grants," Environmental Protection Agency, 21 June 2012.
[271] Carol Hardy Vincent, "Interior, Environment, and Related Agencies: FY2010 Appropriations," Congressional Research Service, 5 Jan. 2010.
[272] "Detailed Information on the Brownfields Revitalization Assessment," ExpectMore.gov, Accessed 23 Feb. 2014.
[273] "United States Environmental Protection Agency: Fiscal Year 2014 Justifications of the Appropriation Estimates for the Committee on Appropriations," Environmental Protection Agency, April 2013.

Funding

In fiscal year 2012, the federal government provided $167.8 million for the entire Brownfields program.[274] In that same year, the program awarded $3 million in job-training grants.[275]

[274] Robert Esworthy and David M. Bearden, "Environmental Protection Agency (EPA): Appropriations for FY2013 in P.L. 113-6," Congressional Research Service, 29 Aug. 2013.
[275] "Brownfields Grant Fact Sheet Search," Environmental Protection Agency, 24 Feb. 2014.

Refugee and Entrant Assistance—Voluntary Agency Matching Grant Program

Purpose

The Voluntary Agency Matching Grant program provides funds to states and programs for services—such as job training—that help refugees achieve economic autonomy.

History

The Voluntary Agency Matching Program is part of the Transitional and Medical Services program of Refugee and Entrant Assistance.[276] According to the Office of Refugee Resettlement, the Voluntary Agency Matching program began in 1979, when Congress started a matching grant program targeted at refugees from the Soviet Union and other countries.[277] The fiscal year 2014 guidelines for the program show that the federal government provides $2 for every $1 raised by participating agencies up to a maximum of $2,200 per client in federal spending.[278] Participating agencies include the U.S. Conference of Catholic Bishops, the World Relief Corporation of National Association of Evangelicals, and the Hebrew Immigrant Aid Society.[279]

Evidence

- ***OMB considered the program to be "effective."*** The Office of Management and Budget (2005)[280] found that the Refugee Transitional and Medical Services program—the program that includes the Voluntary Matching Grant program—was "effective." The report notes the program has "demonstrated improved efficiencies since 2000" and achieved "meaningful performance outcomes goals."
- ***Best practices for this population are unclear.*** GAO (2011)[281] finds that "little is known about the effectiveness of the different approaches providers use to improve employment outcomes for refugees, such as intensive case management and employment incentives." GAO also notes that the Voluntary Matching program has characteristics that make it different from other related programs.

Funding

In fiscal year 2012, the federal government spent $65.3 million on its portion of the Voluntary Agency Matching Grant program.[282] It spent $323.2 million on the entire Transitional and Medical Services program.[283]

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[276] "Department of Health and Human Services Administration for Children and Families Refugee and Entrant Assistance Fiscal Year 2014 Budget Justifications," Department of Health and Human Services.
[277] "The History of the Matching Grant Program," Office of Refugee Resettlement, 1 Oct. 2012.
[278] "Office of Refugee Resettlement Voluntary Agencies Matching Grant Program FY 2014 Program Guidelines," Office of Refugee Resettlement, Accessed 23 Feb. 2014.
[279] "About the Voluntary Agencies Matching Grant Program," Office of Refugee Resettlement, Accessed 23 Feb. 2014.
[280] "Summary Information on the Refugee Transitional and Medical Services," ExpectMore.gov, Accessed 23 Feb. 2014.
[281] "Refugee Assistance: Little Is Known about the Effectiveness of Different Approaches for Improving Refugees' Employment Outcomes," Government Accountability Office, Mar. 2011.
[282] "Voluntary Agencies Matching Grant Program: ORR FY 2012 Funding and Grantee Contact Information," Office of Refugee Resettlement, Accessed 24 Feb. 2014.
[283] Andorra Bruno, "Refugee Admissions and Resettlement Policy," Congressional Research Service, 8 Aug. 2013.

Job Placement and Training

Purpose

Job Placement and Training provides funds, through the Department of the Interior's Bureau of Indian Affairs, for the workforce development of American Indians.

History

According to the Department of the Interior, like most federal programs related to Indian affairs, the Job Placement and Training program has its roots in the Snyder Act of 1921, which authorized the Bureau of Indian Affairs to fund programs that provide "general support and civilization, including education" and "industrial assistance."[284,285]

Job Placement and Training is part of BIA's Community and Economic Development program. According to the Department of the Interior, Job Placement and Training provides workforce-development support to 300 tribal communities.[286]

Evidence

- ***OMB considered the program to be "moderately effective."*** The Office of Management and Budget (2004)[287] found that the program succeeded in streamlining tribal reporting regulations and achieved a high success rate of job retention. However, OMB notes that the program might have design flaws as "some Indian communities do not have sufficient jobs on Native American reservations to place all tribal members that are trained through the program."

Funding

In fiscal year 2012, Placement and Training received about $11.5 million in appropriations.[288]

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[284] "BIA," Department of the Interior Indian Affairs, Accessed 27 Feb 2014.
[285] 25 U.S.C. § 13 (Legal Information Institute 2012).
[286] "The United States Department of the Interior Indian Affairs: Budget Justifications and Performance Information Fiscal Year 2014," Department of the Interior.
[287] "Detailed Information on the Bureau of Indian Affairs- Job Placement and Training Assessment," ExpectMore.gov, Accessed 23 Feb. 2014.
[288] "The United States Department of the Interior Indian Affairs: Budget Justifications and Performance Information Fiscal Year 2014," Department of the Interior.

Chapter 3: Energy

- Number of federal programs: 2
- Number of federal agencies involved: 2
    - Department of Energy
    - Department of Health and Human Services
- Fiscal year 2012 cost: $3.9 billion

Weatherization Assistance Program

Purpose

The Weatherization Assistance Program encourages energy efficiency in low-income households.

History

The Department of Energy's Weatherization Assistance Program is a formula-grant program created under Title IV of the Energy Conservation and Production Act of 1976. It helps low-income families invest in energy efficiency.

More specifically, according to its authorizing statute, the program's mission is "to increase the energy efficiency of dwellings owned or occupied by low-income persons, reduce their total residential energy expenditures, and improve their health and safety, especially low-income persons who are particularly vulnerable such as the elderly, the handicapped, and children."[289]

According to the Department of Energy (DOE) in a "Program Overview" document from 2008, the Weatherization Assistance Program "prioritizes services to the elderly, people with disabilities, and families with children. . . . These low-income households are often on fixed incomes or rely on income-assistance programs and are most vulnerable to volatile changes in energy markets."[290] The Department of Energy's WAP website indicates that WAP is operating in all 50 states, the District of Columbia, Native American reservations, and U.S. territories.[291] Low-income families use the grant money to improve the energy efficiency of their homes by using the latest technology and methods.[292]

In the 1970s—the program's early phase—providers installed low-cost conservation measures. For instance, a DOE "History of the Weatherization Assistance Program" states that they covered windows with plastic sheeting, caulking, and performed weather-stripping to reduce home heating bills.[293] But, as DOE's "Program Overview" points out, by the 1980s, providers were using "more permanent and cost-effective measures, such as adding insulation (with its long track record of effectiveness) and improving efficiency in heating systems."[294]

The program underwent a number of minor tweaks during its early years. For example, Congress raised the expenditure limit per dwelling, and it increased the percentage of funds dedicated to materials acquisition.[295] But the program did not experience any major changes until 1995. In that year, Congress changed WAP's allocation formula to equalize benefits both

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[289] Fred Sissine, "DOE Weatherization Program: A Review of Funding, Performance, and Cost-Effectiveness Studies," Congressional Research Service, 11 Jan. 2012.
[290] "Weatherization Assistance Program: Program Overview," U.S. Department of Energy, 2008.
[291] "Weatherization and Intergovernmental Program (About)," Office of Energy Efficiency and Renewable Energy, U.S. Department of Energy, Accessed 11 Feb. 2014.
[292] Ibid.
[293] "Weatherization and Intergovernmental Program (History)," Office of Energy Efficiency and Renewable Energy, U.S. Department of Energy, Accesses 27 Feb. 2014
[294] Weatherization Assistance Program: Program Overview," U.S. Department of Energy, 2008.
[295] Ibid.

between renters and homeowners and between warm-weather states and cold-weather states.[296] It also added a factor to the formula to account for the financial burden of energy use.[297]

From 1995 to 2009, WAP stayed largely the same until the 2009 stimulus bill. In addition to giving the program an additional $5 billion dollars, according to DOE's Weatherization Assistance Program Allocation Formula, the stimulus bill:[298]

- Raised income eligibility from 150 percent to 200 percent of the poverty level, making about 54 percent more low-income households eligible.
- Increased the "average expenditure limit per home" from $2,500 to $6,500 "to achieve greater energy savings."
- Authorized DOE to use up to 20 percent of WAP funds on Training and Technical Assistance.

Evidence

The program is meant to help lower-income households, which spend a disproportionate share of their income on heating and cooling their homes. The stimulus bill tried to use this program to fund "shovel-ready jobs." The program has been partially successful in that it has weatherized a number of homes.

In 2011, a *New York Times* article authored by Saqib Rahim identified a number of problems with the Weatherization Assistance Program. Specifically, Rahim found inexperienced contractors who were unaware of obvious dangers, like the risk of spreading asbestos through certain retrofitting practices, were hired to perform work with program funds.[299] According to the article, in Missouri alone, a state inspection found that about 30 percent of the homes retrofitted "required further action because the work was not acceptable."[300] For example, furnaces were leaking dangerous amounts of carbon monoxide, water heaters were missing vents and pressure-release pipes, and insulation was incorrectly installed.[301]

A series of state-level inspector-general reports show that many states are running their programs inefficiently. Sometimes they use funds on ineligible projects or hire contractors who do poor work. In addition, a 2010 DOE Inspector General Report and 2011 Government Accountability Office Report are summarized below:

- ***In 2010, DOE found little progress in weatherizing homes***. In "DOE Weatherization Program: A Review of Funding, Performance, and Cost Effectiveness Studies," the Congressional Research Service summarized the Inspector General Report as follows: "In early 2010, the IG found that the nation had not realized the potential economic

[296] Ibid.
[297] Ibid.
[298] "Weatherization and Intergovernmental Program (About)," Office of Energy Efficiency and Renewable Energy, U.S. Department of Energy, Accessed 11 Feb. 2014.
[299] Rahim, Saquib, "Beseiged DOE Weatherization Program Faces Republican Attacks," *New York Times*, 9 Sept. 2011.
[300] Ibid.
[301] Ibid.

benefits of the $5 billion in Recovery Act funds allocated to the program. In particular, the job creation impact of what many considered to be one of DOE's most 'shovel ready' projects had not materialized. Further, the IG observed that modest income residents had not enjoyed the benefits of reduced energy use and better living conditions that had been promised as part of the Recovery Act weatherization effort."[302]

- ***In 2011, GAO found program funds were not spent as quickly as expected.*** In 2011, GAO found that funds allocated for the program were not drawn down as quickly as expected. The report also said that DOE will meet or exceed its production target of 607,000 homes because of a lower average cost of weatherizing homes and lower training and technical-assistance expenses than anticipated.[303]

Funding

WAP is a formula grant program, so funding flows from DOE to state governments and then to local governments and weatherization agencies. Over the 32 years from the program's start-up in fiscal year 1977 through fiscal year 2008, Congress appropriated about $8.7 billion in constant fiscal year 2010 dollars or $5.6 billion in current dollars. In 2009, the American Recovery and Reinvestment Act of 2009 provided the program $5 billion in additional appropriations—more than 50 percent of the programs previous spending total, in 2010 dollars, or almost 100 percent in current dollars. Since then, spending on the program has decreased dramatically.

In fiscal year 2009, citing more cost-beneficial uses of WAP funds, the Bush administration requested that funding for the program be terminated. (This was one of many requests to zero out the program rebuffed by Congress).[304] Seeing things differently, the Obama administration requested, and was granted, an additional $5 billion for the program, calling it "shovel ready" and claiming wider implementation would be relatively easy.[305] Congress appropriated $64.4 million for WAP in fiscal year 2013.

[302] Fred Sissine, "DOE Weatherization Program: A Review of Funding, Performance, and Cost-Effectiveness Studies," Congressional Research Service, 11 Jan. 2012.
[303] Progress and Challenges in Spending Weatherization Funds" U.S. Government Accountability Office, December 2011.
[304] "Department of Energy: FY 2009 Congressional Budget Request," U.S. Department of Energy, Vol. 3, Feb. 2008: p. 44.
[305] Fred Sissine, "DOE Weatherization Program: A Review of Funding, Performance, and Cost-Effectiveness Studies," Congressional Research Service, 11 Jan. 2012.

WAP Appropriations and Homes Weatherized

Fiscal Year	Appropriation (Millions of Dollars)	Homes Weatherized
1993	185.4	103,394
1994	214.8	114,904
1995	226.4	102,981
1996	111.7	76,393
1997	120.8	71,597
1998	124.8	68,470
1999	133	71,984
2000	135	74,316
2001	153	77,709
2002	230	104,860
2003	223.5	100,428
2004	227.2	99,593
2005	228.2	97,500
2006	242.6	104,283
2007	204.6	89,772
2008	227.2	6,116
2009	5427.5	125,588
2010	210.0	334,225
2011	171.0	358,975
2012	68.0	197,532

Low Income Home Energy Assistance Program

Purpose

The Low Income Home Energy Assistance Program helps low-income families heat and cool their homes.

History

The Low Income Home Energy Assistance Program gives annual grants to states, tribes, and territories to operate home-energy-assistance programs for low-income households. LIHEAP can be used "to help low-income households pay for heating and cooling costs, for crisis assistance, weatherization assistance and services . . . [and] to reduce the need for energy assistance."[306] States are given wide latitude to set eligibility criteria and the level of assistance.

Any person with an income of 110 percent of poverty or lower must be considered eligible by the state. But the highest income a person can have is 150 percent of the poverty level, depending on the state. In addition, states can make households categorically eligible if a member of the household receives other certain means-tested programs.

States can also decide whether they would like to provide cooling assistance. The amount of benefits varies. In fiscal year 2008, the average LIHEAP benefit for heating assistance was $293—with a range from $73 to $1,172.[307][308]

Evidence

The Bush administration's PART evaluation found that results were not demonstrated.[309]

Funding

In fiscal year 2009, as a result of the stimulus legislation, states received a total of $5.1 billion for LIHEAP, compared to about $3.8 billion in fiscal year 2012.

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[306] Libby Perl, "LIHEAP: Program and Funding," Congressional Research Service, 7 Feb. 2014.
[307] Ibid.
[308] "FY2008 LIHEAP Report to Congress," Department of Health and Human Services, 21 May 2014.
[309] "Program Assessment: Low Income Home Energy Assistance Program," ExpectMore.gov, Accessed 21 Feb. 2014.

Chapter 4: Food Aid

- Number of federal programs: 17
- Number of federal agencies involved: 3
    - Department of Agriculture
    - Department of Health and Human Services
    - Department of Homeland Security
- Fiscal year 2012 cost: $105 billion

Supplemental Nutrition Assistance Program

Purpose

The Supplemental Nutrition Assistance Program helps low-income families buy food so they can maintain a healthy diet.

History

In 1935, Congress authorized the Department of Agriculture to help dispose of agricultural surpluses by offering food benefits to low-income families.[310] Four years later, USDA began the first Food Stamp Program, the precursor to SNAP. Beneficiaries bought special coupons—called food stamps—at a discount and then exchanged those coupons for food. Even early on, there was significant fraud. USDA estimated that 25 percent of all benefits were misused.[311] USDA closed the program in 1943—after the country had entered World War II.[312]

The modern program began in 1961, when President John Kennedy signed an executive order authorizing eight pilot projects mainly in rural areas. In 1964, President Lyndon Johnson signed into law the Food Stamp Act, which made the program permanent and allowed any state to participate. From the beginning, Congress linked program funding with agricultural subsidies. The authorizing legislation included subsidies for cotton and wheat farmers specifically.[313]

The new program worked very much like the old one: Beneficiaries had to buy food stamps with their own money. The theory was that every household should pay for its own food, but no household should have to spend more than a reasonable share of its income in this one area. Food stamps, then, would supplement, not replace, the household's food budget.[314]

In 1971, Congress imposed a work requirement. All able-bodied adults—except those responsible for children—would have to hold down a job to receive food stamps.[315]

In 1977, Congress made the biggest change to the program yet—namely, it eliminated the purchase requirement. Eligible families would now receive benefits free of charge. In exchange, Congress lowered the amount of benefits they could receive overall. So on net, families would receive benefits roughly equivalent in value to the old food stamps.[316]

Since 1977, Congress has approved benefit hikes and eligibility expansions, such as the 2002 and 2008 farm bills. It renamed the program SNAP in 2008.

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[310] The Act of August 24, 1935, Pub. L. no. 74-320.
[311] Staff of the U.S. Senate Committee on Agriculture, Nutrition, and Forestry, "The Food Stamp Program: History, Description, Issues, and Options," Apr. 1985.
[312] "A Short History of SNAP," U.S. Department of Agriculture, Accessed 27 Jan. 2014.
[313] Dennis Roth, "Food Stamps: 1932–1977: From Provisional and Pilot Programs to Permanent Policy," U.S. Department of Agriculture, Economic Research Service, Jul. 2013.
[314] Staff of the U.S. Senate Committee on Agriculture, Nutrition, and Forestry, "The Food Stamp Program: History, Description, Issues, and Options," Apr. 1985.
[315] An Act to Amend the Food Stamp Act of 1964, as Amended, Pub. L. no. 91-671.
[316] Staff of the U.S. Senate Committee on Agriculture, Nutrition, and Forestry, "The Food Stamp Program: History, Description, Issues, and Options," Apr. 1985.

Selected Expansions in SNAP[317]		
2008 Farm Bill		
Provisions	**Benefit Expansion**	**Eligibility Expansion**
Increased minimum standard deduction for certain households to $144	X	X
Eliminated cap on dependent-care deductions	X	X
Increased minimum benefit for certain households to 8% of Thrifty Food Plan	X	
Indexed asset test to inflation		X
Excluded tax-preferred retirement plans from asset test		X
Let states exclude or deduct child-support payments from household income		X
Excluded certain education-assistance payments from means test	X	X
Excluded certain state assistance-program payments from means test	X	X
Excluded certain types of income from means test	X	X
Reduced households' reporting requirements	X	
Raised asset-test threshold for households with disabled members		X
Let states exclude certain resources from means test		X
Increased transitional benefits for certain households	X	X

Evidence

The academic literature suggests that SNAP reduces poverty—but not by much. The program also reduces labor-force participation somewhat.

SNAP and Poverty

- ***Noncash transfers decrease poverty only slightly.*** Bruce Meyer and James Sullivan (2013) look at consumption data and find that the true poverty rate is much lower than the official estimate: closer to 4 percent than 15 percent. After taking into account federal assistance (including cash transfers like the EITC), they find that noncash transfers like SNAP reduce poverty by slight amounts. It is important to note that point-in-time estimates may differ.[318]
- ***SNAP has a modest effect on poverty.*** The Census Bureau's new Supplemental Poverty Measure found that—without SNAP—the poverty rate would have been 17.6 percent rather than 16.1 percent. In other words, SNAP reduced poverty by 1.5 percentage points.[319] Meanwhile, Yonatan Ben-Shalom et al. (2011) conducted a survey of the

[317] Dottie Rosenbaum, "Food Stamp Provisions of the Final 2008 Farm Bill," Center on Budget and Policy Priorities, 1 Jul. 2008.
[318] Bruce Meyer and James Sullivan, "Winning the War: Poverty from the Great Society to the Great Recession," National Bureau of Economic Research, *NBER Working Paper Series*, Jan. 2013.
[319] Kathleen Short, "The Research Supplemental Poverty Measure: 2011," U.S. Census Bureau, Nov. 2012.

relevant literature and found that SNAP reduces poverty by just 0.4 percentage points.[320]

SNAP and Labor-Force Participation

There have not been many studies of SNAP's effect on labor-force participation. Mainstream labor-supply theory predicts that the introduction of a welfare program such as SNAP will discourage work. The academic literature largely confirms this theory; studies find that the program has a small negative effect on labor-force participation.

- ***SNAP discourages work among female-headed households.*** Hilary Williamson Hoynes and Diane Whitmore Schanzenbach (2010) examine the initial rollout of the Food Stamp programs, which was staggered among the states, to study its effects on labor-force participation. They find that nonwhite female-headed households reduced their labor supply by 9.7 percentage points. All female-headed households reduced their work effort by a statistically insignificant 4 percentage points.[321]
- ***SNAP discourages work among married men.*** Paul Hagstrom (1996) finds an insignificant reduction in labor-force participation among married couples. But he also finds that nonlabor income (of which SNAP is a part) does have a statistically significant and negative effect on the probability that the husband will work part time and on the probability that married couples will work full time.[322]

SNAP and Error Rates

SNAP's error rates have fallen over the past decade. In 2004, the improper-payment rate was 6.6 percent. In 2011, it was 3.8 percent. But the main reason for the decline is that Congress has relaxed eligibility standards. Because the program can deem people "categorically" eligible, it has drastically lowered the number of people ineligible for the program because of asset limitations. Before, state agencies had to evaluate applicants' assets—an admittedly difficult task. Today, however, many states do not have asset tests, or their asset tests are much less strict than the traditional criteria. As a result, SNAP considers fewer payments improper than it would have before the program's expansion.

And though the error rate has fallen, the absolute amount of money paid in error has risen. In 2004, there was $1.6 billion in improper payments. In 2011, there was $2.5 billion.

Funding

In fiscal year 2012, SNAP received $78 billion in funding.[323] SNAP has received very large increases in funding over the past decade. Although much of the increase is due to the struggling economy, the expansions highlighted earlier have also caused increases in outlays.

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[320] Yonatan Ben-Shalom, Robert A. Moffitt, and John Karl Scholz, "An Assessment of the Effectiveness of Anti-Poverty Programs in the United States," National Bureau of Economic Research, *NBER Working Paper Series*, May 2011.
[321] Hilary Williamson Hoynes and Diane Whitmore Schanzenbach, "Work Incentives and the Food Stamp Program," National Bureau of Economic Research, *NBER Working Paper Series*, July 2010.
[322] Paul Hagstrom, "The Food Stamp Participation and Labor Supply of Married Couples: An Empirical Analysis of Joint Decisions," *Journal of Human Resources*, Vol. 32, No. 2, Spring 1996: pp. 383–403.
[323] Budget Projections, February 2014 Baseline Projection, Congressional Budget Office, Accessed 22 Feb. 2014.

Over the next ten years, spending is expected to fall slightly, but it will still be above CBO's pre-recession projections.

National School Lunch Program

Purpose

The National School Lunch Program provides inexpensive meals to schoolchildren from low-income families.

History

During World War II, one-third of all draftees had nutritional deficiencies that made them unfit for combat. So in 1946, Congress created the National School Lunch Program to promote healthy eating among schoolchildren.

Since then, the country has changed dramatically. First, obesity is much more of a problem today—it's also the subject of a high-profile campaign by the First Lady. Second, America's population is much less rural, so fewer people live in isolated areas with limited food options.

The NSLP is the single largest child-nutrition program. The Department of Agriculture reimburses schools for every reduced-price or free meal they offer. Currently, federal subsidies range from 27 cents to $3.09 per meal (depending on the type of meal and the recipient's income). If schools offer meals in accordance with the department's nutritional guidelines, they receive an additional six cents in reimbursement for each meal served.

In 2012, 31.6 million children participated. Of those, 21.4 million received free or reduced-price lunches.

Evidence

NSLP and Obesity

The academic literature suggests that the NSLP contributes to childhood obesity, but overall the findings are inconclusive.

- ***NSLP contributes to obesity among schoolchildren.*** Millimet et al. (2008) analyze panel data from over 13,500 children, following them from kindergarten through third grade. They find that "the NSLP exacerbates the current epidemic."[324] Diane Schanzenbach (2005) finds that by the end of first grade, children eligible for free or reduced-price lunches weigh more than children right above or below the eligibility cutoff. They were also more likely to be obese.[325]
- ***Participating low-income girls see an increase in body mass index.*** Daphne Hernandez et al. find that overall participation in NSLP does not increase the incidence of obesity. But low-income girls who participate experience a faster increase in body mass index.[326]

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[324] Daniel Millimet, Rusty Tchernis, and Muna Husain, "School Nutrition Programs and the Incidence of Childhood Obesity," National Bureau of Economic Research, *NBER Working Paper Series*, Sep. 2008.
[325] Diane Whitmore Schanzenbach, "Do School Lunches Contribute to Childhood Obesity?" *Journal of Human Resources*, Vol. 44, No. 3, Summer 2009: pp. 684–709.
[326] Daphne Hernandez, Lori Francis, and Emily Doyle, "National School Lunch Program Participation and Sex Differences in Body Mass Index Trajectories of Children from Low-Income Families," *JAMA Pediatrics*, Vol. 165, No. 4, 6 Dec. 2010: pp. 346–353.

Funding

NSLP received $11.6 billion in funding in fiscal year 2012. Funding has steadily increased since the program started.[327]

[327] "NSLP: Fact Sheet," U.S. Department of Agriculture, Accessed 28 Jan. 2014.

School Breakfast Program

Purpose
The School Breakfast Program provides inexpensive meals to schoolchildren from low-income families.

History
The School Breakfast Program was established in 1966 as a two-year pilot project. In 1975, it received permanent authorization.

The SBP is the second largest child-nutrition program (after the NSLP). It reimburses schools that serve reduced-cost or free breakfast to schoolchildren from low-income families. Currently, federal subsidies range from about 25 cents to $1.80 per meal.

Evidence
The program seems to increase both nutrition and academic achievement among low-income children.[328] But it doesn't seem to increase the likelihood that a child will eat breakfast.

SBP and Breakfast

- ***Students in participating schools are not more likely to eat breakfast.*** Philip Gleason (1995) finds that the "availability of the SBP at school does not affect the probability that a student will eat breakfast."[329]

Funding
In fiscal year 2012, SBP cost $3.3 billion. Funding has steadily increased in recent years.[330]

[328] Howard Taras, "Nutrition and Student Performance at School," *Journal of School Health*, Vol. 75, No. 6, August 2005: pp. 199-213.
[329] Philip Gleason, "Participation in the National School Lunch Program and the School Breakfast Program," *American Journal of Clinical Nutrition*, Vol 61, No. 1, Jan. 1995: pp. 213S–220S.
[330] "SBP: Fact Sheet," U.S. Department of Agriculture, Accessed 29 Jan. 2014.

Child and Adult Care Food Program

Purpose

The Child and Adult Care Food Program reimburses child-care and adult-care centers for meals and snacks they serve to children, the elderly, and the disabled.

History

The Child and Adult Care Food Program began in 1968 as a pilot program called the Child Care Food Program. In 1978, Congress made it permanent, and in 1987, it expanded the program to allow certain adult day-care centers to participate. The program provides cash subsidies to child-care and adult-care centers for the meals and snacks they serve to children, the elderly, and the chronically disabled. In child-care centers and non-residential adult-care centers, the reimbursements are the same as those for school meals. Family day-care homes receive reimbursement according to a tiered system.

Evidence

There have been few studies on the CACFP program. The Bush administration's Program Assessment Rating Tool gave CACFP a grade of "adequate." The performance measures were:

- Percentage of eligible children enrolled in CACFP
- Average number of children served by CACFP
- Percentage of CACFP meals served to low-income children or through low-income providers
- Percentage of licensed child-care providers participating in CACFP
- Percentage of CACFP sponsors making payments accurately
- Percentage of CACFP sponsors without major administrative problems

But these "performance measures" did not focus on the program's main goals: ensuring adequate nutrition and exercise after school.

Funding

In fiscal year 2012, the federal government spent $3.3 billion on the CACFP.[331]

[331] "Child and Adult Care Food Program Background," Childcare Aware of America, Accessed 29 Jan. 2014.

Summer Food Service Program for Children

Purpose
The Summer Food Service Program provides free meals and snacks during the summer months when they are not in school.

History
The Summer Food Service Program began in 1968 as a pilot program. In 1975, it received permanent authorization. The program provides cash aid and some food products to public and private nonprofit sites that run summer youth programs for low-income children. Participating sites receive subsidies for the meals and snacks they serve as well as assistance with operating costs.

Evidence
There have been few studies on the effectiveness of the SFSP. Most have measured participation in the program instead of the program's impact on participants.[332]

Funding
In fiscal year 2012, SFSP received $398 million in funding.[333]

[332] See, for example, USDA's 2003 report, *Feeding Low-Income Students When School Is Out-The Summer Food Service Program*.
[333] "SFSP: Frequently Asked Questions," U.S. Department of Agriculture, Accessed 29 Jan. 2014.

Special Milk Program

Purpose
The Special Milk Program provides milk to children in schools and other child-care institutions.

History
Begun in 1966, the Special Milk Program provides milk to children in schools and other child-care institutions that do not participate in other federal meal-service programs. According to the USDA, "schools that participate in the NSLP and School Breakfast Program may also participate in the SMP for children in half-day pre-kindergarten and kindergarten programs if those children do not have access to the school-meal programs."[334] USDA provides a reimbursement of 19.25 cents for each half-pint of milk sold to children.

Evidence
There have been few studies on the effectiveness of the SMP.

Funding
In fiscal year 2012, SMP received $12.3 million in funding. The program's funding has declined since 1993.

[334] "Special Milk Program (SMP)," U.S. Department of Agriculture, Accessed 29 Jan. 2014.

Fresh Fruits and Vegetables Program

Purpose

The Fresh Fruit and Vegetable Program encourages healthy eating habits among children.

History

The 2002 farm bill created the Fresh Fruit and Vegetable Program to increase the consumption of fruits and vegetables in schools. In 2008, Congress made it a national program. The Agricultural Marketing Service funds the program.

Evidence

USDA'S interim evaluation[335] found that fruit and vegetable consumption among students in participating schools increased by about 14.6 percent. There was no statistically significant increase in total energy intake. It appears that the Fresh Fruit and Vegetable program increases consumption of fruits and replaces consumption of other foods. But because the program is so new, it is too early to tell how effective the program is.

Funding

The program received $165.5 million in funding for the 2013–2014 school year.[336]

[335] "Evaluation of the Fresh Fruit and Vegetable Program: Interim Report," U.S. Department of Agriculture, Food and Nutrition Service, Office of Research and Analysis, Sep. 2011.
[336] "Fresh Fruit and Vegetable Program: Fact Sheet," U.S. Department of Agriculture, Accessed 29 Jan. 2014.

Emergency Food Assistance Program

Purpose

The Emergency Food Assistance Program distributes food to states with high unemployment and poverty.

History

In 1981, Congress created the Temporary Emergency Food Assistance Program to help dispose of government-held food commodities. In the 1990 farm bill, Congress extended the program and renamed it the Emergency Food Assistance Program. But it continues to be known as the TEFAP program. The USDA purchases food and gives it to the states so they can distribute it their low-income population. The amount of food each state receives is based on unemployment rates and the number of people with incomes below the poverty level.

Public or private nonprofit organizations that provide food to low-income Americans are eligible to participate. If they distribute food for home use, they must determine household eligibility by applying income standards set by the state. If they provide prepared meals, they must demonstrate that they serve predominately low-income persons. There is no explicit means test, but states determine what households are eligible to receive food for home consumption.[337]

Evidence

The Bush administration's PART rating for this program was "Results not Demonstrated."[338] There were no annual or long-term performance measures.

Funding

In fiscal year 2012, the Emergency Food Assistance Program received $444 million in funding.

[337] "The Emergency Food and Assistance Program Fact Sheet," U.S. Department of Agriculture, Accessed 29 Jan. 2014.
[338] "Program Assessment: The Emergency Food Assistance Program," ExpectMore.gov, Accessed 23 Feb. 2014.

Commodity Supplemental Food Program

Purpose
The Commodity Supplemental Food Program is supposed to improve the health of low-income mothers, young children, and senior citizens.

History
The Department of Agriculture started the Commodity Supplemental Food Program in 1969. The program provides USDA foods to states that then distribute the foods to low-income mothers, children, and senior citizens. The program targets nearly the same population as the Special Supplemental Nutrition Program for Women, Infants, and Children—but CSFP includes the elderly as well.

States are supposed to set income guidelines that are similar to WIC—with the maximum income allowed at 185 percent of the federal poverty level.

Evidence
The Bush administration's PART rating for this program was "results not demonstrated."[339] There were no annual or long-term performance measures.

Funding
For fiscal year 2012, CSFP received $209 million in funding.[340]

[339] "Program Assessment: Commodity Supplemental Food Program." ExpectMore.gov, Accessed 23 Feb. 2014.
[340] "Commodity Supplemental Food Program: Fact Sheet," U.S. Department of Agriculture, Jul. 2013.

Special Supplemental Nutrition Program for Women, Infants, and Children

Purpose

WIC is supposed to ensure that pregnant women, infants, and young children have adequate nutrition.

History

WIC dates back to the 1960s. Initially, there was a plan to build food commissaries that would be attached to neighborhood clinics and stocked with food. On September 26, 1972, WIC was formally authorized as a two-year pilot program. In 1975, WIC was established as a permanent program. It was created because Congress found "that substantial numbers of pregnant women, infants and young children are at special risk in respect to their physical and mental health by reason of poor or inadequate nutrition."[341] [342]

In the 1980s, with prices for infant formula rising faster than prices for other foods, Congress required WIC state agencies to begin implementing cost-containment practices. In 1987, Tennessee was the first state to implement a rebate system to control costs associated with infant formula. In 1989, Congress mandated that all WIC state agencies enter into a rebate system for the purchase of infant formula. In other words, WIC State agencies are required by law to competitively bid infant-formula rebate contracts with manufacturers. The state agencies then agree to provide only the winning brand of infant formula, and in return, the brand provides a rebate to the state. This same legislation established "adjunct income eligibility" (similar to categorical eligibility) for SNAP, Medicaid, and AFDC participants.[343]

Currently, the program provides a number of benefits to eligible families:

- Supplemental food packages: There are seven different food packages available, depending on the category of participant (such as infants through three months, children one to five years old, etc.). Foods include infant formula, frozen juice, cereal, milk, and cheese, among others.
- Nutrition education: WIC makes nutrition education available to "stress the relationship between proper nutrition and good health" and "assist the nutritionally at-risk individual in achieving a positive change in food habits." WIC agencies are required to offer participants at least two nutrition-education sessions.
- Referrals to health care and social services: WIC agencies assist participants in obtaining health care and social services.

To qualify for WIC, applicants must meet categorical, residential, income, and nutrition-risk eligibility requirements.

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[341] P.L. 94-105, Government Printing Office, Accessed 27 Feb. 2014.
[342] Victor Oliveira, Elizabeth Racine, Jennifer Olmsted, and Linda Ghelfi, "The WIC Program, Background Trends, and Issues," USDA, Economic Research Service, Food Assistance and Nutrition Research Report No. FANRR-27, October 2002.
[343] Ibid.

1. Categorical eligibility means that an individual must be: a pregnant woman; a nonbreastfeeding woman up to six months postpartum; a breastfeeding woman up to one year postpartum; an infant under one year of age; or a child up to his or her fifth birthday.
2. WIC applicants must reside within the state where they establish eligibility and receive benefits.
3. Their income must not exceed 185 percent of the federal poverty guideline; or, be adjunctively eligible (similar to categorical eligibility for SNAP) through SNAP, TANF, or Medicaid.
4. Applicants must be at nutrition risk as determined by a health professional.[344]

The program has grown markedly over the decade. According to Oleveira et. al, "Between 1988 and 1997, the program grew by 106 percent. Since a large proportion of high-priority low-income pregnant women and infants already participated in WIC, the program's growth in this period was targeted toward lower priority children."[345]

The growth in this program has been so marked that according to Doug Besharov, by "2006, about half of all American infants were on some WIC benefit, and about 41 percent of postpartum and breastfeeding mothers received WIC benefits."[346] The reason for this growth is due in large part to the fact that state WIC agencies appear to not be following the law as written.[347]

Evidence

Most of the academic literature supports that the WIC program increases birth weights for low-income women, but as mothers' educational level increases, the effect of participating WIC declines. This effect is greater or smaller depending on the study, but there is nearly universal agreement that it improves infant health.

- ***The program leads to higher birth weights among infants***. Hoynes et. al. (2009) in a literature review find that the "implementation of WIC lead to an increase in average birthweight and a decrease in the fraction of births that are classified as low birthweight."[348]

Funding

In fiscal year 2012, $6.8 billion was appropriated for this program.

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[344] "WIC Eligibility Requirements," U.S. Department of Agriculture, Accessed 27 Feb. 2014
[345] Victor Oliveira, Elizabeth Racine, Jennifer Olmsted, and Linda Ghelfi, "The WIC Program, Background Trends, and Issues," USDA, Economic Research Service, Food Assistance and Nutrition Research Report No. FANRR-27, October 2002.
[346] Doug Besharov, "The Expansion of WIC Eligibility and Enrollment," American Enterprise Institute, March 2009.
[347] Ibid.
[348] Hilary Hoynes et al, "Is a WIC Start a Better Start? Evaluating WIC's Impact on Infant Health Using Program Introduction," National Bureau of Economic Research, Dec. 2009.

Seniors Farmers' Market Nutrition Program

Purpose

The Seniors Farmers' Market Nutrition Program encourages senior citizens to buy produce from farmers' markets.

History

The Senior Farmers' Market Nutrition Program reimburses states for offering coupons to low-income seniors, which they can exchange for fruits and vegetables at farmers' markets, roadside stands, and other programs. Eligibility is based on WIC income guidelines—e.g., a recipient's income can be no higher than 185 percent of poverty.

Evidence

There has been little research on SFMNP. A 2003 study looked at South Carolina's experience[349] and found that "the SNFMP is an effective method for increasing consumption of agricultural commodities from farmers' markets by low-income seniors." But it also found that 83 percent of individuals didn't purchase food that they had never tried before. The Bush administration's PART tool found in 2006 that program had not demonstrated results.[350]

Funding

The 2008 farm bill gave SFMNP $20.6 million in funding through fiscal year 2012.[351]

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[349] Mary E. Kunkel, Barbara Luccia, and Archie C. Moore, "Evaluation of the South Carolina Seniors Farmers' Market Nutition Education Program," *Journal of the American Dietetic Association*, Vol. 103, No. 7, Jul. 2003: pp. 880–883.
[350] "Summary Information on the Senior and Women, Infants, and Children Farmers' Market Programs Assessment," ExpectMore.gov, Accessed 28 Feb. 2014.
[351] "Seniors Farmers' Market Nutrition Program: Fact Sheet," U.S. Department of Agriculture, June 2012, Accessed 29 Jan. 2014.

WIC Farmers' Market Nutrition Program

Purpose

The Women, Infants, and Children Farmers' Market Nutrition Program provides fresh fruits and vegetables and nutritional education to low-income mothers and children.

History

This program is associated with the Special Supplemental Nutrition Program for Women, Infants and Children, known as WIC. Congress created WIC FMNP in 1992 to provide fresh fruits and vegetables to low-income mothers and children and to expand their use of farmers' markets. Women, infants, and children who participate in the WIC program or who are on the waiting list are eligible to participate in WIC FMNP. A beneficiary can receive up to $30 in benefits per year.[352]

Evidence

There is little evidence that FMNP is effective. In 2010, GAO found that FNMP did not have research to support its program outcomes.[353] The Bush administration's PART evaluation concluded no results had been demonstrated—because there was no standardized means to demonstrate results. It also found that the programs were unlikely to improve the diets of participants because the voucher they received was so small.[354]

Funding

In fiscal year 2012, FMNP received $16.548 million in funding.[355]

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[352] "WIC Farmers' Market Nutrition Program: Fact Sheet," U.S. Department of Agriculture, April 2012, Accessed 27 Feb. 2014.
[353] "Domestic Food Assistance: Complex System Benefits Millions, but Additional Efforts Could Address Potential Inefficiency and Overlap among Smaller Programs," U.S. Government Accountability Office, Apr. 2010.
[354] "Seniors and Women, Infant and Children Farmers' Market Nutrition Program," ExpectMore.gov, Accessed 23 Feb. 2014.
[355] "WIC Farmers' Market Nutrition Program: Fact Sheet," U.S. Department of Agriculture, April 2012, Accessed 29 Jan. 2014.

Elderly Nutrition Program

Purpose
The Elderly Nutrition Program funds group meals and home-delivered meals for senior citizens.

History
ENP provides assistance to programs that help with nutrition screening and education, assistance in shopping, planning and preparing nutritious meals, and providing positive social interaction with the elderly. The most prominent example is the grant that supports the "Meals on Wheels" program.

To qualify, an individual must be at least 60 years old. There is no explicit means test, but the program is targeted toward those with the greatest economic or social need.

Evidence
By and large, studies have found that the program is well targeted towards the low-income elderly and to those with increased risk for nutrition and health problems.[356] [357]

Funding
In fiscal year 2012, the Elderly Nutrition Program received $816 million in appropriations.

[356] "Evaluation of the Federal Elderly Nutrition Program," *Mathematica Policy Research*, Accessed 19 Feb. 2014.
[357] "Highlights from the *Pilot Study: Second National Survey of Older Americans Act Title III Service Recipients*," Florida International University, Accessed 19 Feb. 2014.

Section 32 Food Aid Assistance

Purpose
Section 32 funds a variety of child-nutrition programs.

History
USDA's Section 32 program is funded by a permanent appropriation. It receives 30 percent of the previous year's customs receipts. Most of this appropriation is transferred to the USDA account that funds child-nutrition programs.

According to CRS, "Section 32 was first created to assist Depression–era producers of non-price-supported commodities."[358] The law requires the secretary to use the funds to:

- "Encourage the export of farm products through producer payments
- Encourage the domestic consumption of farm products by diverting surpluses or increasing their use by low-income groups
- Reestablish farmers' purchasing power"[359]

Until recently, the Secretary had wide latitude to spend this money as he or she wishes. However, the 2008 Farm Bill placed some limitations have been put on Section 32.

The majority of this money goes toward the National School Lunch Program and School Breakfast Program. Other portions go toward direct commodity purchases, which are then provided to schools and other domestic feeding programs.

Eligibility for Section 32 would be contingent upon eligibility for the base programs. That is, once Section 32 funding is shifted toward child-nutrition programs, the programs that it is funding are what govern eligibility levels.

Evidence
The Bush administration's PART evaluation found that the Section 32 program had not adequately demonstrated results. The program had no clear purpose, no performance measures, and no criteria for surplus commodity purchases.[360]

Funding
In fiscal year 2012, the Section 32 program received $837 million in appropriations.

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[358] "Farm and Food Support Under USDA's Section 32 Program." Congressional Research Service, Jan. 2010.
[359] Ibid.
[360] "Commodity Purchase Services (Section 32)," ExpectMore.gov, Accessed 23 Feb. 2014.

Emergency Food and Shelter Program

Purpose

The Emergency Food and Shelter Program provides food and lodging to people in economically depressed areas.

History

The Emergency Food and Shelter National Board Program is supposed to supplement and expand ongoing efforts to provide shelter, food, and supportive services for hungry and homeless people across the nation.[361] Its objectives are to allocate funds to the neediest areas, to ensure a fast response, to foster public-private sector partnerships, and to ensure local decision making. It provides food; lodging in a hotel; one month's rent or mortgage; transportation costs associated with purchasing food or shelter; repairs to mass feeding or shelter facilities; and, finally, supplies and equipment necessary to feed or shelter people.[362]

To receive funding, the program requires that a jurisdiction have at least 300 unemployed individuals located there. After that, the jurisdiction poverty level must be slightly below the national level; or it must have an unemployment rate of 2 percent above the national average.

Evidence

GAO has found that the program didn't have any performance metrics or targets for the level of performance.[363] Moreover, FEMA appears to be uninterested in overseeing the program, with the DHS Inspector General finding that "staff within the EFSP declined from six in 1997 to one in 2008. . . . This decline led to a significant decrease in financial and program monitoring."[364]

Funding

In fiscal year 2012, this program spent $120 million.

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[361] "DHS Federal Management Agency, Emergency Food and Shelter FY 2013 Congressional Justification," U.S. Department of Homeland Security, Accessed 28 Feb. 2014.
[362] Ibid.
[363] "Homelessness: Fragmentation and Overlap in Programs Highlight the Need to Identify, Assess, and Reduce Inefficiencies," U.S. Government Accountability Office, 10 May 2012.
[364] "Improvements Needed in Federal Emergency Management Agency Monitoring of Grantees," Department of Homeland Security," Office of Inspector General, 5 Mar. 2009.

Food Distribution Program on Indian Reservation

Purpose

The Food Distribution Program on Indian Reservations provides food to low-income households living on Indian reservations and to American Indian households in approved areas near reservations or in Oklahoma.[365]

History

Most households participate in FDPIR as an alternative to the SNAP program because they live in remote areas. Participating households create a food package by choosing from a list of nutritional products that FDPIR offers.

To be eligible, participants must live on an Indian reservation (or select areas near reservations) and their incomes must meet the SNAP net monthly-income standard plus the SNAP standard deduction. An individual cannot receive both SNAP and FDPIR in the same month.

Evidence

There have been few studies of the FDPIR's effectiveness. A 1990 GAO report[366] did find that hunger is less common in FDPIR households versus SNAP households; but it also faulted the program for providing food of limited variety and poor quality.

Funding

In fiscal year 2012, Congress appropriated $97 million in funding for FDPIR.[367]

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[365] "Food Distribution Program on Indian Reservations: Fact Sheet," U.S. Department of Agriculture, July 2013, Accessed 29 Jan. 2014.
[366] "Food Assistance Programs: Recipient and Expert Views on Food Assistance at Four Indian Reservations," U.S. Government Accountability Office, Jun. 1990.
[367] "Food Distribution Program on Indian Reservations: Fact Sheet," U.S. Department of Agriculture, July 2013, Accessed 29 Jan. 2014.

Grants to American Indian, Alaska Native, and Native Hawaiian Organizations for Nutrition and Supportive Services

Purpose

This program provides cash grants directly to tribal and native organizations to fund supportive and nutrition services.

History

The largest portion of these funds goes toward nutrition, providing both group and home-delivered meals. Originally, the program was supposed to provide nutrition and supportive services. But in 2000, it was expanded to also provide caregiver-support services.

Evidence

The GAO found that there was too little research available to identify outcomes for this program.[368]

Funding

In fiscal year 2012, $28 million was appropriated for this program.

[368] "Domestic Food Assistance: Complex System Benefits Millions, but Additional Efforts Could Address Potential Inefficiency and Overlap among Smaller Programs," U.S. Government Accountability Office, Apr. 2010.

Chapter 5: Health Care

- Number of federal programs: 8
- Number of federal agencies involved: 1
    - Department of Health and Human Services
- Fiscal year 2012 cost: $291.3 billion

Medicaid and the Children's Health Insurance Program

Purpose

Medicaid attempts to provide health coverage to low-income families, single mothers, and disabled individuals through coordinated federal and state efforts. The Children's Health Insurance Program attempts to provide coverage to children in families who are just above the financial eligibility requirements for Medicaid.

History

Created in 1965, Medicaid is a joint federal-state program that provides health-care assistance to low-income people. The program is now administered by the Center for Medicare and Medicaid Services. According to the agency's guidelines, "in order to participate in Medicaid, federal law requires states to cover certain population groups (mandatory eligibility groups) and gives them the flexibility to cover other population groups (optional eligibility groups). States set individual eligibility criteria within federal minimum standards. States can apply to CMS for a waiver of federal law to expand health coverage beyond these groups."[369]

In 1997, the State Children's Health Insurance Program was added as a new program under the Social Security Act. It built on the goals of the Medicaid program by extending health coverage to children of families who are just beyond the financial eligibility standards of Medicaid. Because the populations who rely on Medicaid and CHIP are so similar, the two programs are often combined for purposes of analysis.

Financial Operations

Medicaid is funded through a joint partnership between states and the federal government. The federal share, called the Federal Medical Assistance Percentage, is determined by a formula set in law and takes into considerations factors such as per capita income within a state. According to CMS, "the regular average state FMAP is 57%, but ranges from 50% in wealthier states up to 75% in states with lower per capita incomes (the maximum regular FMAP is 82%)."[370] CHIP is financed in a similar manner. It too is a partnership between states and the federal government. The federal share a state receives is generally higher than its Medicaid payment by about 15 percent, but the Affordable Care Act will increase that match to about 93 percent in 2015.[371]

Coverage and Benefits

According to a February 2014, Congressional Budget Office report on the federal budget outlook, Medicaid provided coverage to 69 million people in 2013 and is expected to cover 73 million in 2014. The CHIP program covered about 8 million people in 2013 and is expected to cover a similar number in 2014.[372]

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[369] "Eligibility," Medicaid, Accessed 20 Feb. 2014.
[370] "Financing and Reimbursement," Medicaid, Accessed 20 Feb. 2014.
[371] "Children's Health Insurance Program Financing," Medicaid, Accessed 27 Feb. 2014.
[372] "The Budget and Economic Outlook: 2014 to 2024," Congressional Budget Office, Feb 2014, LIS, Accessed 27 Feb. 2014.

Each state has significant latitude in designing its own Medicaid and CHIP programs. But to receive the federal match, these programs must be approved by the Secretary of Health and Human Services and cover a required set of benefits. Among others, these include inpatient and outpatient hospital services, home health services, rural health-clinic services, and family-planning services. CMS catalogs the entire list, which can be viewed on its website.[373]

Medicaid over the Years

According to the Office of Retirement and Disability Policy's Annual Statistical Supplement for 2012, "Medicaid was initially formulated as a medical care extension of federally funded programs providing cash income assistance for the poor, with an emphasis on dependent children and their mothers, the disabled, and the elderly. Over the years, however, Medicaid eligibility has been incrementally expanded beyond its original ties with eligibility for cash programs. Legislation in the late 1980s extended Medicaid coverage to a larger number of low-income pregnant women and poor children and to some Medicare beneficiaries who are not eligible for any cash assistance program. Legislative changes also focused on increased access, better quality of care, specific benefits, enhanced outreach programs, and fewer limits on services."[374]

Major changes to the program will occur in 2014 in large part because of the ACA. For states to receive new ACA Medicaid matching funds, they must cover a new eligibility group: all those with income up to 133 percent of the federal poverty level (with a 5 percent income disregard, the effective income eligibility cutoff is 138 percent of the federal poverty level).[375] The federal government will cover 100 percent of the Medicaid costs of this new mandatory eligibility group from 2014 to 2016. After 2016, the match will begin to fall. By 2020, it will be 90 percent, where it will remain.[376]

Evidence

Selected Health Outcomes of Medicaid and CHIP Enrollees

Those enrolled in Medicaid and the CHIP generally report having poorer health and using more services than people who have other health insurance or who lack insurance altogether. In a 2013 report, the Medicaid and CHIP Payment and Access Commission observed:

- "Children [under age 19] enrolled in Medicaid or CHIP were more likely than privately insured or uninsured children to be in fair or poor health and to have certain impairments and health conditions (e.g., attention deficit hyperactivity disorder/attention deficit disorder (ADHD/ADD), asthma, autism)."
- "Adults younger than 65 enrolled in Medicaid (who are generally eligible on the basis of being the parent of a dependent child, pregnant, or disabled) reported that they were in worse health than were those enrolled in private coverage or the uninsured, but were in

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[373] "Medicaid Benefits" and "CHIP Benefits", Medicaid, Accessed 27 Feb 2014.
[374] Barbara S. Klees, Christian J. Wolfe, and Catherine A Curtis, "Annual Statistical Supplement, 2012: Medicaid Program Description and Legislative History," U.S. Social Security Administration, Office of Retirement and Disability Policy, 31 Dec. 2012.
[375] Evelyne Baumrucker et al, "Medicaid and the State Children's Health Insurance Program (CHIP) Provisions in ACA: Summary and Timeline," Congressional Research Service, 29 Jan 2014.
[376] "Affordable Care Act Financing," Medicaid, accessed 27 Feb 2014.

better health than those enrolled in Medicare (nearly all of whom are eligible for that program on the basis of a disability)."

- "Compared to those enrolled in private coverage or Medicare, Medicaid enrollees aged 65 and older were more likely to report being in fair or poor health, being in worse health compared to 12 months before, and having any of several limitations in their [activities of daily living]. Medicaid enrollees aged 65 and older were also more likely to have lost all of their natural teeth, or have any of a number of specific chronic conditions (e.g., depression, diabetes, chronic bronchitis)."[377]

Access

Eligibility expansions alone might not be sufficient to ensure access to health care. Medicaid beneficiaries also must be able to see a provider.

- ***One-third of primary-care physicians did not accept new Medicaid patients.*** Sandra Decker (2013)[378] finds that "about 33 percent of primary care physicians (those in general and family medicine, internal medicine, or pediatrics) did not accept new Medicaid patients in 2011–12, ranging from a low of 8.9 percent in Minnesota to a high of 54.0 percent in New Jersey. Primary care physicians in New Jersey, California, Alabama, and Missouri were less likely than the national average to accept new Medicaid patients in 2011–12." Among other specialists, psychiatrists, and dermatologists were least likely to accept new Medicaid patients. In an earlier study, Decker (2012)[379] found that only 69.4 percent of physicians accepted new Medicaid patients in 2011, less than the acceptance rate for Medicare, private insurance, and self-pay.
- ***Medicaid pays less than Medicare.*** Stephen Zuckerman et al. (2009)[380] look at physician-fee data and find that Medicaid pays at a rate that is 72 percent of Medicare's physician-reimbursement rates. The report adds that "the fees that Medicaid pays physicians have not caught up with those of Medicare and may have contributed to enrollees' access problems." Citing a 2008 report by the Medicare Payment Advisory Commission, the authors note that the ratio of Medicare to private-payer rates has remained relatively consistent over time (about 80 percent).[381]
- ***Physicians may increase the number of visits to compensate for lower reimbursement.*** Jeralynn Cossman et al. (2006)[382] find that "[p]hysicians do not appear to have been less likely to participate in the Medicaid program because of the reimbursement rate decrease; however, they do seem to have temporarily increased the number of patient visits to compensate for the lower level of reimbursement."

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[377] "Report to the Congress on Medicaid and CHIP," Medicaid and CHIP Payment and Access Commission, Jun. 2013.
[378] "Two-Thirds of Primary Care Physicians Accepted New Medicaid Patients in 201-12: A Baseline to Measure Future Acceptance Rates," *Health Affairs*, Vol. 32, No. 7, Jul. 2013: pp. 1183–1187.
[379] "In 2011 Nearly One-Third of Physicians Said They Would Not Accept New Medicaid Patients, But Rising Fees May Help," *Health Affairs*, Vol. 31, No. 8, Aug. 2012, pp. 1673–1679.
[380] Stephen Zuckerman, Aimee F. Williams, and Karen E. Stockley, "Trends in Medicaid Fees, 2003-2008," *Health Affairs*, Vol. 28, No. 3, May/Jun. 2009: pp. w510-w519.
[381] "Report to the Congress: Medicare Payment Policy," Medicare Payment Advisory Commission, Mar. 2008.
[382] Jeralynn S. Cossman, Jarryl B. Ritchie, and Arthur G. Cosby, "Medicaid Reimbursement and Access to Physicians: Does Lower Reimbursement Mean Less Access to Care?" Mississippi Health Policy Research Center, Aug. 2006.

- ***Program expansions encourage less efficient care.*** Laurence Baker and Anne Royalty (1998)[383] find that, holding fees constant, after the program expanded to serve children and pregnant women, more patients were served in public settings, such as hospitals or public clinics, rather than by private physicians. The authors suggest that this shift to public settings could be of concern as they "are thought to be the least efficient sources of care for Medicaid populations."
- ***In Rhode Island, managed plans were more likely to provide adequate prenatal care.*** Jane Griffin et al. (1999)[384] conclude that Rhode Island changed the financing system for its Medicaid program from fee-for-service to managed care with a capitated payment to health plans. Their study shows that Medicaid patients were more likely to receive adequate prenatal care after the change.
- ***But in California, managed plans hurt the quality of care.*** Anna Aizer et al. (2005)[385] note that California changed its Medicaid policy and required some pregnant women to enter managed-care plans. They find that the new program "reduced the quality of prenatal care and increased low birth weight, prematurity, and neonatal death."

Utilization

- ***Medicaid patients are less likely to receive certain procedures.*** M. B. Wenneker et al. (1990)[386] show that status is associated with the use of cardiac procedures: Medicaid patients were less likely than those with private insurance to receive an angiography, bypass grafting, or angioplasty.
- ***Medicaid patients are more likely to use health care.*** Amy Finkelsten et al. (2012)[387] study a group of low-income, uninsured adults who were selected randomly to enroll in Oregon's Medicaid program in 2008. They find that in the first year of coverage, this "group had substantively and statistically significantly higher health care utilization (including primary and preventive care as well as hospitalizations), lower out-of-pocket medical expenditures and medical debt (including fewer bills sent to collection), and better self-reported physical and mental health than the control group."
- ***Medicaid increases use of the emergency room.*** Sarah Taubman et al. (2014)[388] use data from the Oregon Medicaid experiment and find that Medicaid coverage significantly increased overall emergency visits, even for cases that were treatable in primary-care settings.

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[383] Laurence Baker and Anne Beeson Royalty, "Medicaid Policy, Physician Behavior, and Health Care for the Low-Income Population," Stanford University and National Bureau of Economic Research, Jun. 1998.
[384] Jane F. Griffin, Joseph W. Hogan, Jay S. Buechner, and Tricia M. Leddy, "The Effect of a Medicaid Managed Care Program on the Adequacy of Prenatal Care Utlization in Rhode Island," *American Journal of Public Health*, Vol. 89, No. 4, Apr. 1999.
[385] Anna Aizer, Janet Currie, and Enrico Moretti, "Does Managed Care Hurt Health? Evidence from Medicaid Mothers," National Bureau of Economic Research, Jul. 2005.
[386] M. B. Wenneker, J. S. Weissman, A. M. Epstein, "The Association of Payer with Utilization of Cardiac Procedures in Massachusetts," *Journal of the American Medical Association*, Sep. 1990.
[387] Amy Finkelstein et al., "The Oregon Health Insurance Experiment: Evidence from the First Year," *The Quarterly Journal of Economics*, 3 May 2012.
[388] Sarah Taubman et al, "Medicaid Increases Emergency-Department Use: Evidence from Oregon's Health Insurance Experiment," *Science*, Vol. 343, No. 6168, 17 Jan. 2014: pp. 263–268.

- ***Medicaid patients use the emergency room inappropriately.*** Sandra Smith Gooding et al. (1996)[389] show that, compared to the uninsured, Medicaid patients have a higher rate of inappropriate emergency-department use.

Outcomes

- ***Medicaid patients are likely to incur the highest costs.*** Damien LaPar et al. (2007)[390] use evaluations from 2003 to 2007 in the Nationwide Inpatient Sample database. They find that Medicaid patients were most likely to die, stay in the hospital the longest, and incur the highest costs among Medicare patients, the privately insured, or the uninsured.
- ***Medicaid coverage has little effect on patients' health.*** Katherine Baicker et al. (2012)[391] find, after two years of study, "no significant effect of Medicaid coverage on the prevalence or diagnosis of hypertension or high cholesterol levels or on the use of medication for these conditions. Medicaid coverage significantly increased the probability of a diagnosis of diabetes and the use of diabetes medication. . . . Medicaid coverage decreased the probability of a positive screening for depression . . . increased the use of many preventive services, and nearly eliminated catastrophic out-of-pocket medical expenditures."
- ***Medicaid reduces mortality in certain states.*** Benjamin Sommers et al. (2012)[392] study three states—Maine, Arizona, and New York—and compare them to their neighboring states. They find that Medicaid improves mortality outcomes in New York (vs. Pennsylvania) and Arizona (vs. Nevada and New Mexico) and worsens mortality in Maine (vs. New Hampshire).
- ***Medicaid patients are more likely to get sick during their hospital stay.*** Rachel Rapaport Kelz et al. (2004)[393] report, "Uninsured and Medicaid patients were found to have more emergent admissions and more comorbid disease compared with patients with private health insurance. . . . After adjusting for patient and hospital characteristics, patients with Medicaid were found to be 22% more likely to develop a complication during their hospital admission . . . and 57% more likely to die postoperatively . . . compared with patients with private insurance."
- ***Insurance status predicts access to care and outcomes of vascular disease.*** Jeannine Giacovelli et al. (2008)[394] study three procedures to treat vascular disease: lower extremity revascularization, carotid revascularization, and abdominal aortic aneurysm repair. They find Medicaid recipients and the uninsured were more likely than insured, non-Medicaid patients to experience symptoms of these diseases. Although post-operative

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[389] Sandra Smith Gooding, Darlene Brannigan Smith, and Mark Peyrot, "Insurance Coverage and Appropriate Utilization of Emergency Departments," *Journal of Public Policy & Marketing*, Vol. 15, No. 1, Spring 1996: pp. 76–86.

[390] Damien J. LaPar, Castigliano M. Bhamidipati, Carlos M. Mery, George J. Stukenborg, David R. Jones, Bruce D. Schirmer, Irving L. Kron, and Gorav Ailawadi, "Primary Payer Status Affects Mortality for Major Surgical Operations," *Annals of Surgery*, Vol. 252, Sep. 2010.

[391] Katherine Baicker et al., "The Oregon Experiment— Effects of Medicaid on Clinical Outcomes," *The New England Journal of Medicine*, 2 May 2013.

[392] Benjamin D. Sommers, Katherine Baicker, and Armold M. Epstein, "Morality and Access to Care among Adults after State Medicaid Expansions," *The New England Journal of Medicine*, vol. 367, 13 Sep. 2012.

[393] Rachel Rapaport Kelz, Phyllis A. Gimotty, Daniel Polsky, Sandra Norman, Douglas Fraker, Angela DeMichele, "Morbidity and Mortality of Colorectal Carcinoma Surgery Differs by Insurance Status," *Wiley Interscience*, 20 Sep. 2004.

[394] Jeannine K. Giacovelli, Natalia Egorova, Roman Nowygrod, Annetine Gelijns, Craig Kent, and Nicholas J. Morrissey, "Insurance Status Predicts Access to Care and Outcomes of Vascular Disease," *Journal for Vascular Surgery*, Vol. 48, 2008: pp. 905–911.

rates for poor outcomes did not differ significantly based on insurance status for AAA and CR, "[v]ascular patients with Medicaid or without insurance have increased mortality, pre-operative stroke, and limb loss following LER."

- ***Medicaid patients are less likely to follow guideline treatment.*** Linda Harlan et al. (2005)[395] analyze newly diagnosed patients from the National Cancer Institute's Patterns of Care studies and find that "overall, levels of guideline treatment were lower than expected and particularly low for patients with Medicaid or Medicare only."
- ***Medicaid coverage doesn't improve health but does reduce financial strain.*** Katherine Baicker et al. (2013)[396] analyze data from participants and non-participants in Oregon's 2008 Medicaid expansion and find "that Medicaid coverage generated no significant improvements in measured physical health outcomes in the first 2 years, but it did increase use of health care services, raise rates of diabetes detection and management, lower rates of depression, and reduce financial strain."

Enrollment

One measure of Medicaid's effectiveness is its ability to insure eligible individuals.

- ***Many people eligible for Medicaid are not signed up.*** Benjamin Sommers and Arnold Epstein (2010)[397] use data from the Current Population Survey and find that 61.7 percent of eligible individuals are enrolled in Medicaid. Participation is also highly variable across states.
- ***The poorest have the lowest rate of Medicaid enrollment.*** Amy Davidoff et al. (2004)[398] use data from the National Survey of America's Families and find that 54 percent of adults who were eligible and had no other source of coverage enrolled in Medicaid. Moreover, the poorest of the eligible adults had the lowest rate of enrollment.
- ***The social stigma discourages enrollment.*** Arik Levinson and Sjamsu Rahardja (2004)[399] use data from the National Survey of America's Families and find that "that welfare stigma plays a statistically and economically significant role in deterring Medicaid take-up."
- ***A complicated application process discourages enrollment.*** Dahlia Remler and Sherry Glied (2003)[400] find that "welfare stigma" was not a barrier to Medicaid enrollment. Rather, potential enrollees are deterred by other factors such as filling out a long application.

Crowd Out

As with many public programs, the availability of government-provided health care in the form of Medicaid has been shown to reduce private-insurance participation. This could cause concern because people are enrolling in taxpayer-funded Medicaid despite having access to

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[395] Linda C. Harlan, Amanda L. Greene, Limin X. Clegg, Margaret Mooney, Jennifer L. Stevens, and Martin L. Brown, "Insurance Status and the Use of Guideline Therapy in the Treatment of Selected Cancers," *Journal of Clinical Oncology*, Vol. 23, No. 36, 20 Dec. 2005.

[396] Kathernie Baicker, Sarah L. Taubman, Heidi L. Allen, Mira Bernstein, Jonathan H. Gruber, Joseph P. Newhouse, Eric C. Schneider, Bill J. Wright, Alan M. Zaslavsky, and Amy N. Finkelstein, "The Oregon Experiment – Effects of Medicaid on Clinical Outcomes," *The New England Journal of Medicine*, Vol. 368, 2 May 2013.

[397] Benjamin D. Sommers, Arnold M. Epstein, "Medicaid Expansion – The Soft Underbelly of Health Care Reform?" *The New England Journal of Medicine*, Vol. 363, 25 Nov. 2010: pp. 2085–2087.

[398] Amy Davidoff, Anna S. Sommers, Jennifer Lesko, Alshadye Yemane, "Medicaid and State-Funded Coverage for Adults: Estimates of Eligibility and Enrollment," Kaiser Commission on Medicaid and the Uninsured, Apr. 2004.

[399] Arik Levinson and Sjamsu Rahardja, "Medicaid Stigma," Georgetown University, Jul. 2004.

[400] Dahlia Remler and Sherry Glied, "What Other Programs Can Teach Us: Increasing Participation in Health Insurance Programs," Health Policy and Ethics Forum, American Journal of Public Health, Jan. 2003.

private health insurance. Moreover, this makes Medicaid enrollment trends less instructive when analyzing the program's effectiveness.

- ***Medicaid crowds out private insurance.*** Jonathan Gruber and Kosali Simon (2007)[401] follow up on a 2006 analysis of the "crowd out" effect. As that previous work suggested, "the number of privately insured falls about 60% as much as the number of publicly insured rises." The effect is amplified when families are also eligible for public insurance. The paper includes a table reviewing the literature on the subject. Eleven of the twelve studies cited find at least some evidence of private-insurance crowd out.
- ***Medicaid imposes an "implicit tax" on beneficiaries.*** Jeffrey Brown and Amy Finkelstein (2004)[402] find that Medicaid imposes an "implicit tax"—that is, the premiums one might have paid for existing private policies go to pay for benefits that would have otherwise been provided by Medicaid. Because of this and other factors, the study shows that "Medicaid can explain the lack of private [long-term care] insurance purchases for at least two-thirds and as much as 90 percent of the wealth distribution"

Impact on Labor Supply and Welfare Participation

As health-care costs continue to rise, so does the value of Medicaid since many of its enrollees could not find comparable, low-cost-to-the-beneficiary coverage in either the individual market or through their (typically) low-wage employer. Thus, Medicaid could create adverse incentives to work.

- ***Medicaid discourages a female head of household from working.*** Anne Winkler (1991)[403] finds that Medicaid has a significant negative impact on the probability that a female head of household will work. Medicaid does not have a significant effect on hours worked.
- ***Medicaid increases the likelihood of receiving welfare benefits.*** Robert Moffit and Barbara Wolfe (1990)[404] show a rise in expected Medicaid benefits increases the likelihood of AFDC participation and decreases the likelihood the head of household will work. Only a minority of families alter their employment decisions in response to Medicaid's design. And private health insurance decreases the likelihood of AFDC participation and increases the likelihood of employment.
- ***Medicaid is associated with lower labor-force participation among pregnant women.*** Dhaval Dave et al. (2013)[405] show that "expansions in Medicaid eligibility targeted at pregnant women were associated with a reduction in their labor force participation, and the decrease in labor force participation, work effort, and income was concentrated almost exclusively among low-educated and unmarried pregnant women."

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[401] Jonathan Gruber and Kosali Simon, "Crowd-Out Ten Years Later: Have Recent Public Insurance Expansions Crowded Out Private Health Insurance," National Bureau of Economic Research, *NBER Working Paper Series*, Jan. 2007.

[402] Jeffrey R. Brown and Amy Finkelstein, "The Interaction of Public and Private Insurance: Medicaid and the Long-Term Care Insurance Market," National Bureau of Economic Research, *NBER Working Paper Series*, Dec. 2004.

[403] Anne E. Winkler, "The Incentive Effects of Medicaid on Women's Labor Supply," *The Journal of Human Resources*, Vol. 26, No. 2, Spring 1991.

[404] Robert Moffitt and Barbara Wolfe, "The Effect of the Medicaid Program on Welfare Participation and Labor Supply," National Bureau of Economic Research, *NBER Working Paper Series*, Mar. 1990.

[405] Dhaval M. Dave, Sandra L. Decker, Robert Kaestner, Kosali Ilayperuma Simon, "The Effect of Medicaid Expansions in the Late 1980s and Early 1990s on the Labor Supply of Pregnant Women," National Bureau of Economic Research, *NBER Working Paper Series*, Jun. 2013.

- ***Medicaid encouraged the use of Supplemental Security Income.*** Aaron Yelowitz (1998)[406] finds the number of participants in the Supplemental Security Income program—a means-tested program that provides benefits for aged, blind, and disabled individuals—grew significantly between 1987 and 1993. This study examines Medicaid's role in this growth. It finds that the rising value of public health insurance through the Medicaid program explained up to 20 percent of the growth.
- ***Medicaid encourages the use of food stamps.*** Aaron Yelowitz (1996)[407] find that the Medicaid expansions of the 1980s resulted in a modest increase in food-stamp participation. He notes that information spillover, rather than changes in labor supply, is responsible for this growth.
- ***Raising the income eligibility limit for Medicaid increases labor-force participation.*** Aaron Yelowitz (1995)[408] examines whether losing Medicaid coverage is a deterrent to leaving welfare. In the past, Medicaid eligibility was contingent on eligibility for the AFDC program, the cash-assistance program that was the predecessor for the TANF program of today. The author shows that created a "notch" where an individual works too much and loses both AFDC eligibility and Medicaid benefits. Medicaid reforms in 1986 increased the income eligibility limit for Medicaid beyond the limit for AFDC. This effectively severed the connection between Medicaid and AFDC eligibility. The author finds that increasing the income eligibility limit of Medicaid (that is, being able to make more money than AFDC's eligibility levels, but being able to keep Medicaid coverage) increased labor-force participation and decreased participation in AFDC.
- ***Other research suggests the opposite***. John Ham and Lara Shore-Sheppard (2003)[409] evaluate Yelowitz's 1995 study and find fault with his analysis. Correcting for those problems, Ham and Shore-Sheppard find that Medicaid income limits had no significant effect on AFDC participation.
- ***Medicaid's impact on other assistance programs is unclear.*** Katherine Baicker et al. (2013)[410] find that Medicaid increases the receipt of food stamps but does not have a significant effect on employment, earnings, or the receipt of other government benefits, including Social Security Disability Insurance.

Other Effects

- Medicaid expansions decreased savings. Jonathan Gruber and Aaron Yelowitz (1999)[411] show that the Medicaid expansions of the late 1980s and early 1990s resulted in increased consumption and decreased saving.

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[406] Aaron S. Yelowitz, "Why Did the SSI-Disabled Program Grow So Much? Disentangling the Effect of Medicaid," *Journal of Health Economics,* Vol. 17, 1998: pp. 321–349.
[407] Aaron S. Yelowitz, "Did Recent Medicaid Reforms Cause the Caseload Explosion in the Food Stamp Program," Department of Economics, University of California, Los Angeles, 11 Jul. 1996.
[408] Aaron S. Yelowitz, "The Medicaid Notch, Labor Supply, and Welfare Participation: Evidence from Eligibility Expansions," *The Quarterly Journal of Economics*, Nov. 1995.
[409] John C. Ham and Lara D. Shore-Sheppard, "Did Expanding Medicaid Affect Welfare Participation?" National Bureau of Economic Research, *NBER Working Paper Series*, Jun. 2003.
[410] Katherine Baicker, Amy Finkelstein, Jae Song, Sarah Taubman, "The Impact of Medicaid on Labor Force Activity and Program Participation: Evidence from the Oregon Health Insurance Experiment," *NBER Working Paper Series*, Oct. 2013.
[411] Jonathan Gruber and Aaron Yelowitz, "Public Health Insurance and Private Savings," *Journal of Political Economy*, Vo. 107, No. 6, 1999.

- ***Seniors prefer to avoid Medicaid.*** Edward Norton (1995)[412] finds that seniors receive wealth transfers to avoid Medicaid eligibility, rather than divest wealth to gain Medicaid eligibility.

CHIP

Payment rates for both the Medicaid and CHIP programs have resulted in fewer providers offering services and longer wait times for those that do offer treatment. This often leads to worse health outcomes for those who rely on these services. There is evidence that Medicaid and CHIP enrollees also use certain health-care services in larger quantities than those with private coverage. That said, these two programs have served as a viable safety net in some cases.

- ***Low Medicaid payment rates for dentistry reducing access to care for children.*** Thomas Buchmueller et al. (2013) examine if the large gap between Medicaid and private payment rates for dental care effects access for low-income children.[413] The study shows "a positive and significant effect of Medicaid rates on the probability that a dentist treats any publicly insured patients and on the share of the practice's patients covered by public insurance. . . . Although these results suggest that increasing Medicaid payments to the level of private fees would increase access to care, the magnitude of the effect is modest. As a result, such a policy would be a costly way to increase utilization as increased payments for inframarginal visits would dwarf payments for the additional visits caused by the policy."
- ***Low Medicaid rates lead to overuse of certain types of high-cost care.*** Jeffrey Hulbert (2013) demonstrates that a 10 percent boost to Medicaid reimbursement rates for longer sick visits results in a 4.4 percent reduction in potentially preventable hospital stays.[414] "Every additional dollar spent on primary care saves $0.25 on preventable hospitalizations."
- ***Medicaid expansions increase access to medical and hospital services for certain groups.*** Janet Currie and Jonathan Gruber (1995) find the Medicaid expansions of the late 1980s dramatically increased eligibility.[415] These eligibility changes increased the probability that a child would be covered by insurance by about 30 percent, a far smaller take-up rate than other social programs. The study shows a child eligible for Medicaid was more likely to visit a doctor within the last year or be hospitalized. The eligibility expansions lowered the child mortality rate, and the authors calculate that the expansions resulted in a cost-per-life saving of $2.1 million.
- ***Primary-payer status is significantly associated with postoperative mortality, morbidity, and hospital-resource use in pediatric surgical patients***. Matthew Stone et al. (2013) use a risk-adjusted model and show pediatric Medicaid patients accrued greater morbidity, hospital lengths of stay, and total charges than pediatric patients covered by private insurance.[416]

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[412] Edward C. Norton, "Elderly Assets, Medicaid Policy, and Spend-Down in Nursing Homes," *Review of Income and Wealth*, Vol. 41, No. 3, 1995: pp. 309–29.

[413] Thomas C. Buchmueller, Sean Orzol, and Lara D. Shore-Sheppard, "The Effect of Medicaid Payment Rates on Access to Dental Care Among Children," National Bureau of Economic Research, *NBER Working Paper Series*, Jul. 2013.

[414] Jeffrey Michael Hulbert, "Three Essays on Health Insurance," University of Virginia, May 2013.

[415] Janet Currie and Jonathan Gruber, "Health Insurance Eligibility, Utilization of Medical Care, and Child Care," National Bureau of Economic Research, *NBER Working Paper Series*, Mar. 1995.

[416] Matthew Stone et al., "Primary Payer Status is Significantly Associated with Postoperative Mortality, Morbidity, and Hospital Resource Utilization in Pediatric Surgical Patients within the United States," J Pediatr Surg, January 2013.

Funding

CBO estimates that federal outlays for Medicaid totaled $265 billion in 2013 and 6 percent above what was spent in 2012. The agency estimates that spending on this program will increase by 8 percent per year over the next decade.[417]

Historically, federal spending on Medicaid has generally increased faster than the U.S. economy. According to the 2012 Department of Health and Humans Services Actuarial Report on the Financial Outlook for Medicaid, the combined federal and state expenditures for Medicaid represented 0.5 percent of gross domestic product in 1970, but this increased to 2.8 percent in 2011. Moreover, this report found that, "Medicaid costs will almost certainly continue to increase as a share of GDP in the future under current law."[418]

[417] "Medicaid Spending and Enrollment Detail for CBO's May 2013 Baseline," Congressional Budget Office, accessed 27 Feb 2014.

[418] Christopher J. Truffer, John D. Klemm, Christian J. Wolfe, Kathryn E. Rennie, Jessica F. Shuff, "2012 Actuarial Report of the Financial Outlook for Medicaid," Office of the Actuary, Centers for Medicare & Medicaid Services, United States Department of Health & Human Services.

The Indian Health Service

Purpose

The Indian Health Service, an agency within the Department of Health and Human Services, provides American Indians and Alaska Natives access to and coverage for health-care services.

History

The IHS was officially established within the Department of Health and Human Services in 1955 (then the Department of Health, Education, and Welfare) as part of the Transfer Act. But the federal initiatives designed to increase access to health services for tribal members existed as far back as 1830. [419] The first programs were attempts to provide access to small-pox immunizations, but these efforts eventually expanded to include the construction of clinics and deployment of medical resources. The Snyder Act of 1921 eventually provided a continuing authorization for the broad array of federal Indian programs and split oversight between two agencies, the Bureau for Indian Affairs and the Department of the Interior. Thirty years later, a single agency was created to manage and coordinate medical resources for American Indians. [420]

Operations and Services

According to IHS and HHS, today, IHS is responsible for providing medical and environmental health services for approximately 2 million American Indians and Alaska Natives (AI/AN) who belong to 566 federally recognized tribes located in 35 states.[421] The Indian health-care system consists of direct services, tribally operated services, and urban services and resource centers.[422] As of October 1, 2012, IHS operated 28 hospitals, 61 health centers, three school-based health centers, and 33 health stations.[423] Most services are provided for free, but some tribes with contract services do charge co-pays.

In general, those served by the IHS are less healthy than the overall U.S. population. According to IHS, the average life expectancy at birth for AI/ANs is 72.5 years, compared to the U.S. overall life expectancy of 77.5 years.[424] The Congressional Research Service found that AI/ANs are six and a half times more likely to die from alcoholism, six times more likely to die from tuberculosis, almost three times more likely to die from diabetes, two and a half times more likely to die in accidents, and suffer from a disproportionately high and growing rate of Type 2 diabetes.[425] AI/AN are more likely to binge drink or need treatment for an alcohol or illicit-drug-use problem than the overall U.S. population.[426] The IHS notes that the age-

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[419] Elayne Heisler, "The Indian Health Service (IHS): An Overview," Congressional Research Service, 3 Dec. 2013.
[420] Ibid
[421] "About IHS," U.S. Department of Health and Human Services, Indian Health Service, Accessed 20 Feb. 2014.
[422] "IHS Year 2014 Profile," Indian Health Service, January 2014.
[423] "Department of Health and Human Services, Fiscal Year 2014, Indian Health Service, Justification for Estimates for Appropriations Committees," Department of Health and Human Services, 12 March 2013.
[424] Ibid.
[425] Roger Walke, "Indian Health Service: Health Care Delivery, Status, Funding, and Legislative Issues," Congressional Research Service, 21 Jan. 2009.
[426] "The NSDUH Report: Substance Use among American Indian or Alaska Native Adults," Substance Abuse and Mental Health Services Administration, Office of Applied Studies, 24 Jun. 2010.

adjusted alcohol related death rate for AI/ANs is over six times that of the general population.[427] As a result, IHS provides mental-health and alcohol- and substance-abuse services and focuses on health conditions prevalent among AI/AN.

Evidence

- ***Despite IHS efforts, American Indian access to medical care remains strained and health outcomes remain poor.*** Yvette Roubideaux (2004) uses a variety of sources, most from the past five years, to review the quality of care for AI/ANs. Roubideaux reported that "AIANs seem to have less insurance coverage, less access, and lower utilization of services. . . . [M]uch [IHS] clinical care is still of poor quality . . . and indicators of more general outcomes, including health status, reveal significant and persistent health disparities for AIANs."[428]
- ***IHS efforts have led to a decline in infant mortality rate.*** Abraham Bergman et al. (1999) attribute health improvements in the American Indian population from 1972 to 1992 to the IHS.[429] But, they also find that "[d]espite the improvement, some conditions still have considerable excess mortality."
- ***American Indians still face significant hurdles accessing necessary medical care.*** In 1999, the GAO found that AI/ANs faced significant wait times and insufficient care: [430]
    - Waiting times at four IHS-funded facilities ranged from two to six months for women's health, general physicals, and dental care
    - Three facilities indicated that medical-care slots made available for same-day appointments were usually filled within 45 minutes of the phone lines being opened. At one of these facilities, an official estimated that it was turning away 25 to 30 patients a day.
    - Ancillary and specialty services that were unavailable on site or at other IHS-funded facilities could be obtained only through contract care, which was rationed by 12 of the 13 facilities on the basis of relative medical need.
- ***OMB found IHS to be an effective program.*** A 2002 Office of Management and Budget program assessment rated the program "effective." The report noted that "from 1973 to 1995, the Indian Health Service reduced the years of potential life lost—a measure used to gauge overall health—among American Indians and Alaska Natives by 50 percent." [431] However, the program could not show the relationship between specific health outcomes and funding.

Funding

In fiscal year 2012, $4.3 billion was appropriated for this program.

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[427] "Department of Health and Human Services, Fiscal Year 2014, Indian Health Service, Justification for Estimates for Appropriations Committees," Department of Health and Human Services, 12 March 2013.
[428] Yvette Roubideaux, "A Review of the Quality of Health Care for American Indians and Alaska Natives," Sep. 2004.
[429] Abraham B. Bergman, David C. Grossman, Angela M. Erdrich, John G. Todd, and Ralph Forquera, "A Political History of the Indian Health Service," *The Milbank Quarterly*, Vol. 77, No. 4, 1999.
[430] "Indian Health Service: Health Care Services Are Not Always Available to Native Americans," U.S. Government Accountability Office, Aug. 2005.
[431] "Detailed Information on the Indian Health Service Federally-Administered Activities Assessment," Expectmore.gov, Accessed 20 Feb. 2014.

Federal Health Centers

Purpose

The Federal Health Center program provides grants to outpatient primary-care facilities.

History

According to the Congressional Research Service, the Federal Health Center program provides grants to "four types of health centers: (1) community health centers; (2) health centers for the homeless; (3) health centers for residents of public housing; and (4) migrant health centers," all of which provide care chiefly to low-income people who have little access to care in their area.[432]

Elayne Heisler of the Congressional Research Service writes:

> According to HRSA data there are over 9,064 unique health center sites (i.e., individual health center facility locations); the majority is community health centers (CHCs). CHCs serve the general low income or otherwise disadvantaged population whereas the remaining three types of health centers provide care to more targeted low income or otherwise disadvantaged populations (e.g., migrant health workers). Regardless of type, health centers are required, by statute, to provide health care to all individuals regardless of their ability to pay and are required to be located in geographic areas that have few health care providers. These requirements make health centers part of the health safety net—providers that serve the uninsured, the underserved, or those enrolled in Medicaid. Data compiled by HRSA demonstrate that health centers serve the intended safety net population as the majority of patients are uninsured or enrolled in Medicaid.[433]

According to HHS, community and migrant health-center programs were launched in 1966.[434]

As part of stimulus legislation, the Federal Health Center program received $2 billion in additional appropriations in fiscal year 2009.

Evidence

- ***Quality standards vary widely at community health centers.*** Marshall Chin et al. (2000)[435] show that "community health centers met quality-of-care standards at relatively low rates compared with ideals. . . . Of note, adherence to quality standards varied widely across community health centers."

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[432] Elayne J. Heisler, "Federal Health Centers," Congressional Research Service, 10 Jan. 2013.
[433] Ibid.
[434] "Historical Highlights," U.S. Department of Health and Human Services, Accessed 20 Feb. 2014.
[435] Marshall H. Chin, et al., "Quality of Diabetes Care in Community Health Centers," *American Journal of Public Health*, Vol. 90, No. 3, Mar. 2000.

- ***There are fewer racial and ethnic disparities at community health centers.*** Leiyu Shi et al. (2009)[436] find "health center patients experience fewer racial/ethnic and socioeconomic disparities in access to care and quality of care, compared with non–health center patients nationally."
- ***Health centers perform better than private-practice primary case in some cases.*** L. Elizabeth Goldman et al. (2012)[437] find federal qualified health centers and look-alikes performed better than private-practice primary-care physicians across six statistically significant measures. They perform worse on one measure and the same on eleven other measures.
- ***Health centers sometimes provide inadequate care. L. Elizabeth Goldman et al.*** (2012)[438] show most health-center providers provided generally appropriate primary health services. However, about a quarter of patients did not receive necessary preventive health exams, 17 percent did not receive necessary vaccinations, and 10 percent did not receive necessary referrals. Almost all centers maintained quality-assurance programs, although sometimes there was insufficient documentation.
- ***Patients at health centers report lower medical costs. Patrick Richard et al.*** (2012)[439] show "that patients who receive a majority of their ambulatory care at community health centers have significantly lower annual overall medical expenditures (24%) and ambulatory expenditures (25%) than those who do not."
- ***Health-center patients are more likely than the uninsured to receive regular care.*** The Health and Human Services Department (2012)[440] finds "[p]atients who receive a majority of their medical care at a community health center have significantly lower medical expenses than do people who receive the majority of their care elsewhere. Medical expenses for health center patients are 41 percent lower ($1,810 per person annually) compared to patients seen elsewhere." Moreover, "[h]ealth center uninsured patients are far more likely to have a usual source of care than the uninsured nationally (98 percent vs. 75 percent)."

Funding

In fiscal year 2012, $2.77 billion was appropriated for this program.

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[436] Leiyu Shi, Jenna Tsai, Patricia Collins Higgins, Lydie A. Lebrun, "Racial/Ethnic and Socioeconomic Disparities in Access to Care and Quality of Care for US Health Center Patients Compared with Non-Health Center Patients,"*Journal of Ambulatory Care Manage*, Vol. 32, No. 4, 2009: pp. 342–350.

[437] L. Elizabeth Goldman, Philip W. Chu, Huong Tran, and Randall S. Stafford, "Federally Qualified Health Centers and Private Practice Performance on Ambulatory Care Measures," Elsevier Inc. on behalf of *American Journal of Preventive Medicine*, 2012.

[438] Stuart Wright for Mark K. Wakefield, "Memorandum Report: Quality Assurance and Care Provided at HRSA-Funded Health Centers," U.S. Department of Health and Human Services, Office of Inspector General, 2 Mar. 2012.

[439] Patrick Richard et al. "Cost Savings Associated with the Use of Community Health Centers," *Journal of Ambulatory Care Management*, Vol. 35, No. 1, 2012: pp. 50–59.

[440] "Report to Congress: Efforts to Expand and Accelerate Health Center Program Quality Improvement," U.S. Department of Health and Human Services, Health Resources and Services Administration, Bureau of Primary Health Care, Accessed 27 Feb 2014.

Maternal and Child Health Services Block Grants

Purpose

The Maternal and Child Health Services Block Grant provides funding to states to help coordinate, develop, and provide health-care services for eligible mothers and children.

History

The program was established in 1935 through an amendment to the Social Security Act. This amendment initially created only two programs: one focused on improving health services for low-income mothers and children and another to extend services to those with special needs. Over time, federal initiatives expanded to include additional categories of eligible populations. The 1981 Omnibus Budget Reconciliation Act consolidated all these efforts into a single block-grant program and gave the Maternal and Child Health Bureau, a part of the Health Resources and Service Administration, oversight responsibilities. [441]

According to the Maternal and Child Health Bureau, the MCH consists of:

- State Formula Block Grants;
- Special Projects of Regional and National Significance (SPRANS); and
- Community Integrated Service Systems (CISS) projects. [442]

Current law requires that 85 percent of the amount appropriated for MCH activities be directed to the states and 15 percent be dedicated for SPRANS activities. If the appropriation is larger than $600,000, 12.75 percent of the excess is dedicated to CISS activities. Of the remainder, 85 percent is then directed to states and 15 percent is directed to SPRAS projects.[443]

For every four dollars of federal money, states and jurisdictions are required to match one dollar of their own resources. According to the Maternal and Child Health Bureau, "at least 30 percent of the Federal Title V funds are earmarked for preventive and primary care services for children and at least 40 percent are earmarked for services for children with special health care needs."[444]

Evidence

There is some research on the general effectiveness of programs related to MCH's purpose. For instance, the Coalition for Evidence-Based Policy reviewed three randomized controlled trials to find if a nurse-home-visitation program for first-time mothers, most of whom were low-income and unmarried, produced positive results. Their summary found that the program's studied resulted in "reductions in child abuse/neglect and injuries (20-50%); (ii) reduction in

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[441] Carmen Solomon-Fears, "The Maternal and Child Health Service Block Grant: Background and Funding" Congressional Research Service, 17 Jan. 2013
[442] Ibid.
[443] Ibid.
[444] "Title V Maternal and Child Health Services Block Grant Program," Department of Health and Human Services, Health Resources and Services Administration, Maternal and Child Health, accessed 27 Feb 2014.

mothers' subsequent births (10-20%) during their late teens and early twenties; (iii) improvement in cognitive/educational outcomes for children of mothers with low mental health/confidence/intelligence (e.g., 6 percentile point increase in grade 1-6 reading/math achievement)."[445]

- ***The Maternal and Child Health Services Block Grant has helped reduce infant mortality.*** A 2008 OMB program assessment rated the program "effective."[446] The report noted that the program "has contributed to reductions in the infant mortality rate (from 9.2/1000 live births in 1990 to 6.9/1000 in 2005) and to increases in the percentage of pregnant women who receive prenatal care in the first trimester (from 75.8% in 1990 to 83.9% in 2005)." Moreover, it has improved both the scope and quality of its evaluations. The assessment cites independent evaluations showing the program is effective and achieving results.

Funding

In fiscal year 2012, $639 million was appropriated for this program.

[445] "Nurse-Family Partnership," Top Tier Evidence, Coalition for Evidence-Based Policy, 2012.
[446] "Detailed Information on the Maternal and Child Health Block Grant Assessment," ExpectMore.gov, Accessed 20 Feb. 2014.

The Ryan White HIV/AIDS Program

Purpose

The Ryan White HIV/AIDS program provides funding to states in support of health-care costs associated with HIV/AIDS treatments for individuals and families.

History

The Ryan White HIV/AIDS program is named after a boy who had been diagnosed with HIV/AIDS. He was removed from school and not allowed back for fear the disease would spread. Ryan White and his mother petitioned the school and raised awareness about HIV/AIDS. Congress passed the Ryan White Comprehensive AIDS Resources Emergency Act in 1990 after Ryan White had passed away.[447] According to HHS, the program has been reauthorized four times since then: 1996, 2000, 2006, and 2009.[448]

According to the Congressional Research Service, the program funds services for HIV/AIDS patients like medical care, drug treatments, dental care, home health care, and outpatient mental-health and substance-abuse treatment. The program currently serves more than half a million low-income people with HIV/AIDS in the United States; 29 percent of those served are uninsured and an additional 56 percent are underinsured.[449]

Evidence

- ***The Ryan White program has been shown to fill gaps in Medicaid's HIV/AIDS services and delivery programs.*** While those moving from the Ryan White program to Medicaid experienced difficult transition periods, satisfaction with the Ryan White program was extremely high. [450]
    - One survey found Ryan White–funded facilities offered more clinic, non-clinic, and adherence support services than non-RW–funded facilities.[451]
- ***The Ryan White program is funding two programs to test a new model of integrating hepatitis C treatment into their clinical practices.*** An estimated 33 percent of persons living with HIV are coinfected with the hepatitis B or C virus.[452]
- ***HIV care helps reduce mortality rates:*** "Engagement in HIV care reduces morbidity and mortality among people living with HIV. The continuum of HIV care focuses attention on

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[447] "About the Ryan White HIV/AIDS Program: Who Was Ryan White?," Department of Health and Human Services, Health Resources and Services Administration,

[448] "About the Ryan White HIV/AIDS Program: The Legislation," Department of Health and Human Services, Health Resources and Services Administration,

[449] Judith A. Johnson, "The Ryan White HIV/AIDS Program," Congressional Research Service, 13 Nov. 2012.

[450] "The Study of Medicaid and Ryan White Program Coordination: Where Does the Responsibility Lie?" The Center for Public Policy Research and Ethics, the AIDS Institute for The Florida Department of Health, Bureau of HIV/AIDS, Accessed 28 Feb. 2014.

[451] E. Valverde, C. Del Rio, L. Metsch, P. Anderson-Mahoney, C. S. Krawczyk, L. Gooden, and L. I. Gardner, "Characteristics of Ryan White and Non-Ryan White Funded HIV Medical Care Facilities across Four Metropolitan Areas: Results from the Antiretroviral Treatment and Access Studies Site Survey," AIDS CARE, Vol. 16, No. 7, Oct. 2004.

[452] Rupali K. Doshi and Laura W. Cheever, "Ryan White Program Addressing Coinfection with Viral Hepatitis," U.S. Department of Health and Human Services, Health Resources and Services Administration, AIDS.gov, 2 May 2013.

health care services delivery at critical points in engagement in HIV care."[453] In 2010, 546,156 individuals received RW services. Of these:

- Seventy-nine percent had documentation and received RW case management/outpatient care;
- Of those who received RW funded medical care and had dates available, 76 percent were retained in medical treatment; and
- Similar performance outcomes were demonstrated across the continuum of RW services.

Funding

In fiscal year 2012, $2.367 billion was spent on Ryan White.

[453] "Continuum of HIV Care Among Ryan White HIV/AIDS Program Clients, U.S., 2010," U.S. Department of Health and Human Services, Health Resources and Services Administration, HIV/AIDS Program, Accessed 20 Feb. 2014.

Title X Family Planning

Purpose

The Title X Family Planning program provides grants to states for family planning and related preventive health services, excluding abortion services.

History

The program was added to the Public Health Service Act in 1970 and is now administered by the Office of Population Affairs in the Department of Health and Human Services. According to the Congressional Research Service, 90 percent of Title X funds are used for clinical services. This includes but is not limited to natural family-planning methods; infertility services; breast- and cervical-cancer screening and prevention; sexually-transmitted-disease and HIV education, counseling, testing, and referral. In 2011, Title X-funded clinics served more than 5 million clients. Servicers are directed first to low-incomes families and individuals with charges assessed according to a patient's ability to pay.[454]

Evidence

- ***HHS highlights increase of STD testing and contraceptive services, especially among low-income Americans.*** A 2012 HHS survey highlights increased use of sexually transmitted disease-testing among clients in Title X service projects.[455] The percentage of Title X users living under the poverty line increased from 65 percent in 2002 to 71 percent in 2012. Medicaid is by far the largest payer of Title X services. Medicaid accounted for 17 percent of overall Title X payments in 2002. In 2012, Medicaid paid for 40 percent of Title X services.
- ***OMB considered the program "moderately effective."*** A 2005 OMB program assessment rated the program "moderately effective."[456] The report noted that "women who utilize Title X (Family Planning program) services as their primary source of health care have significantly greater odds of receiving contraceptive services and/or care for sexually transmitted diseases (STDs) than women who utilize private physicians or HMOs."

Funding

In fiscal year 2012, the federal government spent $294 million on Title X Family Planning.

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[454] Angela Napili, "Title X (Public Health Service Act) Family Planning Program," Congressional Research Service, 13 Oct. 2013.
[455] "Family Planning Annual Report: 2012 National Summary," RIT International for Office of Population Affairs, U.S. Department of Health and Human Services, Nov. 2013, Revised Dec. 2013.
[456] "Summary Information on the Family Planning Assessment," ExpectMore.gov, Accessed 24 Feb. 2014.

The Low-Income Subsidy Program for Part D

Purpose

The Low-Income Subsidy program for Medicare's Part D Prescription Drug program is intended to help low-income seniors purchase prescription drugs.

History

In 2006, the new Medicare Part D Prescription Drug program went into effect. In addition to the standard benefit, the federal government offers a low-income subsidy to provide additional help to low-income seniors. According to the Congressional Budget Office, both eligibility and the subsidy amount are adjusted for a beneficiary's income and assets. Dual-eligible seniors, those enrolled in both Medicare and Medicaid, receive the highest LIS benefit. The subsidy phases out to a point where eligible beneficiaries must cover out-of-pocket spending up to 15 percent of costs until they reach the catastrophic limit.[457]

Evidence

- ***The LIS program is helping low-income senior's access medications they otherwise would not use.*** A 2012 study compared two groups of seniors with similar comorbidities and found that seniors taking advantage of the LIS subsidy were significantly more likely to take medically necessary medications than the group not enrolled in the LIS program.[458]

Funding

According to the Congressional Budget Office, "In 2007, the first full year that the program was in operation, LIS benefits were paid to 9 million recipients at a cost of $18 billion—or an average of $2,000 per participant. Both participation and spending per participant increased gradually over the next four years. In 2011, roughly $25 billion in LIS benefits were distributed to 10.6 million people for an average cost of $2,300 per participant."[459]

In fiscal year 2012, the federal government spent $21.41 billion on the LIS subsidy.

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[457] "Economic and Budget Issue Brief: Spending Patterns for Prescription Drugs Under Medicare Part D," Congressional Budget Office, Dec. 2011.
[458] B. Stuart, X. Yin, A. Davidoff, L. Simoni-Wastila, I. Zuckerman, J.S. Shoemaker, J. Doshi, "Impact of Part D Low-Income Subsidies on Medication Patterns for Medicare Beneficiaries with Diabetes," *Medical Care*, Vol. 50, Nov. 2012.
[459] "Growth in Means-Tested Programs and Tax Credits for Low-Income Households," Congressional Budget Office, Feb. 2013.

Chapter 6: Housing

- Number of federal programs: 20
    - Number of tax expenditures: 2
- Number of federal agencies involved: 3
    - Department of Agriculture
    - Department of Housing and Urban Development
    - Department of Treasury
- Fiscal year 2012 cost: $49.6 billion

RENTAL-ASSISTANCE PROGRAMS
Tenant-Based Rental Assistance Program

Purpose
The Tenant-Based Rental Assistance Program provides vouchers to low-income families to help them find affordable housing.

History
The Tenant-Based Rental Assistance Program, also known as the Housing Choice Voucher Program or Tenant-Based Section 8, is the federal government's largest low-income housing assistance program. Of the approximately $49.6 billion spent on low-income housing assistance in fiscal year 2012, $17.9 billion (about 36 percent of the total) funded Section 8 vouchers. Roughly 2.2 million households receive voucher subsidies through the program.[460]

Section 8 of the Housing Act of 1937 authorized the federal government to provide rental assistance to low-income households in the form of project-based and tenant-based aid. Section 8 programs are administered by the U.S. Department of Housing and Urban Development. Following the passage of the 1937 Housing Act, HUD focused primarily on project-based aid and providing subsidies to stimulate the supply of clean, structurally sound, and affordable housing available to low-income families. As the supply of available low-income housing increased over time, the focus began to shift to affordability and to providing subsidies to privately owned, already existing units. So Congress approved the Housing and Community Development Act of 1974, which amended the Housing Act of 1937 to create the Section 8 program. According to the legislative text, the program's mission was to aid "lower-income families in obtaining a decent place to live and of promoting economically mixed housing."[461] In contrast to prior federal housing programs, which focused primarily on new construction of affordable housing units, the act provided authorization to "enter into contracts to make assistance payments to owners of existing dwelling units."[462]

From 1974 to 1983, Section 8 was primarily a project-based program. It provided subsidies to privately owned units and paid owners the difference between the tenant payment and the rent charged. (For more on the project-based portion, see the next section.) There was also a housing-certificate component. In 1983, Congress repealed the construction and rehabilitation components of the Section 8 program and authorized a new program aimed at giving low-income families more flexibility in choosing their home, called the Housing Choice Voucher Program. The voucher program was combined with the existing certificate program in 1998.[463]

Outlays of the tenant-based portion of Section 8 assistance have grown over time, and in fiscal year 2012, they were almost twice as large as those for the project-based component. Until 2005, funding for both project-based and tenant-based rental assistance was provided

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[460] "HUD FY 2014 Congressional Justifications," U.S. Department of Housing and Urban Development: p. G-1.
[461] "Housing and Community Development Act of 1974" (P.L. 93-383, 22 Aug. 1974) p. 30.
[462] Ibid.
[463] Maggie McCarty, "An Overview of the Section 8 Housing Programs: Housing Choice Vouchers and Project-Based Rental Assistance," Congressional Research Service, Feb. 2014.

through the Housing Certificate Fund. Now the two programs are funded from separate accounts. As described in the appendix to the President's fiscal year 2014 budget, the Housing Certificate Fund "retains and recovers balances from previous years' appropriations, and uses those balances to support contract renewals, amendments, and performance-based contract administrators."[464]

Tenant-based Section 8 is administered by approximately 2,350 local Public Housing Authorities, which receive annual funding from HUD.[465] Under the terms of the program, households that apply and are approved to receive assistance are granted a housing-choice voucher, which they may use towards rent for an eligible unit in the private market. Eligible units include single-family homes, townhouses, and apartments.[466]

Unlike many means-tested programs, housing is not an entitlement. Rather, federal housing programs are funded by annual congressional appropriations. So not all eligible households receive benefits, and the Public Housing Authorities that oversee most housing-assistance programs typically have waitlists. Families seeking housing assistance may apply through a Public Housing Authority for more than one kind of assistance, and they can accept assistance through various programs based on their eligibility as additional Section 8 vouchers or units through other HUD programs become available. PHAs may establish preferences that would allow certain families to move up the waitlist more quickly. For example, PHAs may establish preferences that favor families who are homeless or living in substandard housing, families paying more than 50 percent of their income for rent, or families who are involuntarily displaced.[467] Currently, the majority of annual appropriations for Tenant-Based Section 8 are used to fund existing vouchers. Of HUD's total fiscal year 2014 request for Tenant-based Section 8, $17.9 billion was requested for contract renewals.[468] If additional funds are available after contracts are renewed, HUD grants new vouchers to PHAs on a competitive basis.

In order to be eligible to receive a Housing Choice Voucher, a household must have an annual adjusted income[469] at or below 50 percent of the area median income. However, PHAs are statutorily required to provide 75 percent of vouchers to "extremely low-income" households, or households with income at the higher of 30 percent of local AMI or the poverty guidelines.[470] Of the families currently receiving Tenant-Based Section 8 assistance, 78

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[464] "The Appendix, Budget of the United States Government, Fiscal Year 2014," Office of Management and Budget, p. 546.
[465] "The Appendix, Budget of the United States Government, Fiscal Year 2014," Office of Management and Budget, p. 543.
[466] "HUD FY 2014 Congressional Justifications," U.S. Department of Housing and Urban Development: p. G-4.
[467] "Housing Choice Vouchers Fact Sheet," U.S. Department of Housing and Urban Development, Accessed 11 Feb. 2014.
[468] "HUD FY 2014 Congressional Justifications," U.S. Department of Housing and Urban Development: p. G-4.
[469] Adjusted income is calculated as gross income less income exclusions and deductions. Gross income includes funds from sources such as employment, payments from Social Security, disability income, TANF cash assistance (with exceptions), unemployment compensation, and alimony and child support. Excludable income sources may include Earned Income Tax Credit (EITC) refund payments on or after January 1, 1991, lump sum deferred payments for Supplemental Security Income or Social Security or Veterans Disability, payments received for the care of foster children, and amounts received to pay for medical assistance. This list is not exhaustive. See "General Income and Rent Determination Frequently Asked Questions (FAQs)," U.S. Department of Housing and Urban Development, Accessed 11 Feb. 2014. See also: "Housing and Urban Development: Annual Income," 24 CFR 5.609.
[470] Maggie McCarty, "An Overview of the Section 8 Housing Programs: Housing Choice Vouchers and Project-Based Rental Assistance," Congressional Research Service, Feb. 2014. As noted in the CRS report, prior to the passage of the 2014 Omnibus

percent are extremely low income—their adjusted incomes are at or below 30 percent of the area median income.[471] Forty percent have a disabled head of household, and 18 percent are elderly families.[472]

Whether a unit is eligible to be occupied by Section 8 voucher holders depends on both the rent price charged by the property owner as well as the physical condition of the unit. HUD determines Fair Market Rents (FMRs) for over 500 metropolitan areas and over 2,000 nonmetropolitan areas before the start of each fiscal year. HUD generally sets FMRs at the 40th percentile of the local market rents for various apartment sizes, but under certain circumstances, they will also use the 50th percentile.[473] Voucher recipients may use that voucher at any unit that is not priced higher than 90 percent to 110 percent of HUD's FMR for their local area. And to remain eligible for occupancy by Section 8 voucher holders, a unit must pass biennial inspection to ensure compliance with HUD standards.[474]

Households that are granted a voucher shop for and select a unit of their choice, sign a contract with the building's landlord, and pay rent to the owner of the unit they select. The rental payment—which HUD calls an "annual tenant payment"—goes toward occupancy and utilities. Annual tenant payments are calculated as the greater of:

- 30 percent of monthly adjusted income (i.e., monthly annual income less any applicable deductions)
- 10 percent of monthly income
- Welfare rent
- A minimum rent set by the housing authority (PHAs may set minimum rent between $25 and $50).[475]

If a family selects a unit with rent above the local payment standard, the family must pay 30 percent of its monthly adjusted gross income plus the additional difference between the rent and the payment standard. However, a family may not pay more than 40 percent of adjusted monthly income in rent during the first year in a new unit.

With monies received from HUD, Public Housing Authorities pay a subsidy, called a Housing Assistance Payment, directly to the landlord in the amount equal to the difference between the rent charged by the owner and the tenant payment as determined by the conditions above.[476] According to HUD, in 2012 the average total rent of voucher recipients was $955 per month. Of this, the average tenant contribution was $336, and the average Housing Assistance

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Appropriations Act, "extremely low-income" households were defined as households with income at or below 30 percent of AMI—with no consideration of poverty guidelines.

[471] "HUD FY 2014 Congressional Justifications," U.S. Department of Housing and Urban Development: p. G-4.

[472] Ibid.

[473] "Fair Market Rents for Existing Housing: Methodology," 24 CFR 888.113.

[474] Prior to the passage of the fiscal year 2014 Omnibus Appropriations bill, inspections were required to be conducted on an annual basis. See the following: Maggie McCarty, "An Overview of the Section 8 Housing Programs: Housing Choice Vouchers and Project-Based Rental Assistance," Congressional Research Service, Feb. 2014.

[475] "Chapter 6: Calculating Rent and HAP Payments," Housing Choice Voucher Program Guidebook, Accessed 11 Feb. 2014: p. 6-1.

[476] Maggie McCarty, "An Overview of the Section 8 Housing Programs: Housing Choice Vouchers and Project-Based Rental Assistance," Congressional Research Service, Feb. 2014.

Payment was $617.[477]

There are no work requirements for receiving tenant-based Section 8 assistance. And once a household has a voucher, it may keep it for an unlimited amount of time if the family is still eligible based on the income requirements. A household is no longer eligible for Section 8 assistance when its income increases to a level where rent is less than 30 percent of that income.[478] However, a household may keep its voucher for up to six months after passing the income threshold. This provision allows for the smoothing of income over the year and keeps households with seasonal jobs from losing their voucher due to a temporary boost in income. According to HUD's Resident Characteristics Report, which considers data from October 2012 through January 2014, 30 percent of current voucher holders remain on Section 8 assistance for ten years or longer.[479]

Section 8 vouchers are portable; however, some restrictions apply.[480] Generally speaking, households may move from one unit to another as long as they provide advance notice to the PHA, terminate their existing lease, and find alternative housing.

The Tenant-Based Section 8 account has several set-asides, including vouchers specifically designated for veterans (through the HUD–VASH program) or tenant-protection vouchers for households whose current form of housing assistance is being demolished and who are granted a Section 8 voucher as a replacement.

Evidence

Evidence on the effectiveness of Tenant-Based Rental assistance is mixed. While some families use their Section 8 voucher to relocate to a neighborhood with lower poverty and greater opportunity, the evidence suggests many families make an initial move to a low-poverty neighborhood but then move back to a high-poverty neighborhood. Or many never move from a high-poverty neighborhood at all. Evidence also suggests voucher recipients do not experience substantial improvement in education or earnings upon obtaining a voucher.

- ***The Section 8 Voucher Program concentrates new vouchers on the lowest-income families.*** As discussed above, households granted a Section 8 voucher are required to pay no more than 30 percent of their income towards rent. Thus, assuming a household was paying more than 30 percent of its income in rent prior to receiving a voucher, the program by design eases participating households' rent burdens. Additionally, the requirement that PHAs issue 75 percent of vouchers to "extremely low-income" households (i.e., households with income at the higher of 30 percent of local AMI or the poverty guidelines) focuses the program's mission and directs assistance to families who are experiencing the greatest need. As mentioned above, 78 percent of families receiving housing vouchers are defined

[477] "HUD FY 2014 Congressional Justifications," U.S. Department of Housing and Urban Development: p. G-17.
[478] Maggie McCarty, "An Overview of the Section 8 Housing Programs: Housing Choice Vouchers and Project-Based Rental Assistance," Congressional Research Service, Feb. 2014.
[479] "HUD Resident Characteristics Report," U.S. Department of Housing and Urban Development, Accessed 11 Feb. 2014.
[480] For example, if the PHA in the area a family moves to does not absorb the voucher, the original value of the voucher still applies. This could act as a barrier to a family wishing to move from a low-cost area to a higher-cost area.

as extremely low income, and 19 percent have incomes between 31 and 50 percent of median income; the average annual gross income of a household receiving Tenant-Based Section 8 assistance is $12,933.[481]

- ***Spending on Tenant-Based Section 8 has grown, but the number of eligible households hasn't declined.*** Tenant-Based Rental Assistance costs have grown from $10 billion in 2005 to almost $18 billion in 2012, a cumulative increase of 79 percent. From 1998 to 2004, voucher outlays grew 93 percent, or 71 percent after an inflation adjustment.[482] In a 2006 report, GAO attributed the majority of growth in voucher costs over this period to an increase in the average rental subsidy per household, driven by changes in market rents, decisions by PHAs to increase the maximum rents eligible for subsidies, and low growth in incomes of assistance recipients.[483] Meanwhile, as outlined in HUD's most recent Worst Case Housing Needs Report to Congress, the population of very low-income renters facing "worst case housing needs," defined as "renters with very low incomes (below 50% of the median income in their areas) who do not receive government housing assistance and who either paid more than 50% of their monthly incomes in rent, lived in substandard conditions, or both," increased from 7.1 million in 2009 to 8.5 million in 2011.[484] This is a 19 percent increase since 2009 and a 43 percent increase since 2007.[485] Notably, only 3 percent of households with "worst-case housing needs" qualify as such because of substandard conditions. The overwhelming majority are classified as experiencing worst-case housing needs because they pay over 50% of their income in rent.[486] While the Great Recession was a contributing factor, these statistics are troubling given the growth in program outlays described above. GAO has suggested costs of administering the Tenant-Based Section 8 program could be reduced by billions of dollars by taking actions including reducing PHA reserves, streamlining program administration, and implementing rent reform.[487]

Tenant-Based Section 8 and Household Relocation

- ***Voucher recipients don't necessarily use them to relocate to a lower-poverty neighborhood***. A study by Devine et al. (2003) found that in the 50 largest Metropolitan Statistical Areas, 28 percent of households that receive vouchers and have children live in neighborhoods with poverty rates that are 10 percent or less and 30 percent of voucher households with children live in neighborhoods with poverty rates between 10 percent and 20 percent. However, 22 percent live in neighborhoods with poverty rates over 30 percent.[488] Covington et al. (2011) examine the location of voucher recipients in the 100 largest U.S.

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[481] "HUD FY 2014 Congressional Justifications," U.S. Department of Housing and Urban Development: pp. G-14-15.
[482] "Rental Housing Assistance: Policy Decisions and Market Factors Explain Changes in The Costs of the Section 8 Programs," U.S. Government Accountability Office, Apr. 2006.
[483] Ibid.
[484] "Worst Case Housing Needs 2011: Report to Congress," U.S. Department of Housing and Urban Development, Feb. 2013.
[485] Ibid.
[486] Ibid.
[487] "Housing Choice Vouchers: Options Exist to Increase Program Efficiencies," U.S. Government Accountability Office, Mar. 2012.
[488] Deborah Devine, Robert Gray, Lester Rubin, and Lydia Taghavi, "Housing Choice Voucher Location Patterns: Implications For Participant And Neighborhood Welfare," U.S. Department of Housing and Urban Development Office of Policy Development and Research, Jan. 2003.

metropolitan areas between 2000 and 2008 and find that voucher holders, along with low-income households on the whole, are increasingly moving to the suburbs. The percentage of voucher holders living in suburban areas increased 2.1 percent from 2000 to 2008; by 2008, 49.4 percent of voucher households lived in suburban areas. However, the study reports that even when families use a voucher to move to suburbs, they are more likely to live in "low-income suburbs with inferior access to jobs."[489]

Tenant-Based Section 8 and Mobility

Some studies report that Section 8 vouchers have a negative effect on employment and earnings. However, the reported effect is small, and the academic community lacks consensus that this effect exists for the majority of voucher recipients.

- ***Section 8 Vouchers' impact on earnings and employment is contested***. Jacob and Ludwig (2008) study a randomized housing-voucher wait-list lottery in Chicago and find that Section 8 voucher use reduces quarterly labor-force participation by four percentage points and quarterly earnings by $285.[490] Carlson et al. (2008) analyze outcomes for voucher recipients in the State of Wisconsin who requested or received food stamps and/or TANF benefits compared with outcomes of a comparison group that did not receive housing assistance. They find that for their full sample, recipients initially experience an average annual decline in earnings of $858 in the initial year of voucher receipt. However, the negative income effect decreased to $277 five years after voucher receipt, or, as the authors note, to "about 3 percent of the average earnings of the matched comparison cases," however, "this difference is not statistically significant."[491] Basolo (2013) uses survey data from voucher holders in California combined with secondary data to examine outcomes of voucher holders. The paper finds that movers did not have better outcomes than non-movers, but that voucher holders moved to neighborhoods with lower poverty and better school quality relative to their pre-move residence. The study also finds that employment among movers dropped after their moves. [492]

Lessons from the Moving to Opportunity for Fair Housing Demonstration Program

In 1992, Congress authorized a ten-year demonstration program, Moving to Opportunity, to test the impact of voucher receipt combined with housing counseling on low-income households with children. MTO was authorized under Section 152 of the Housing and Community Development Act of 1992. Randomly selected households from the five public housing authorities were selected to participate in the demonstration. The participating PHAs were located in Baltimore, Boston, Chicago, Los Angeles, and New York City. Families randomly selected to be in the experimental group were given Section 8 certificates or vouchers that could be used only in areas with a poverty rate of 10 percent or lower, as well as

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[489] Kevin Covington, Lance Freeman, and Michael A. Stoll, "The Suburbanization of Housing Choice Voucher Recipients," Brookings Institution, 11 Oct. 2011: p. 1.

[490] Brian Jacob and Jens Ludwig, "The Effects of Housing Assistance on Labor Supply: Evidence from a Voucher Lottery: Evidence from a Voucher Lottery," The National Bureau of Economic Research, Dec. 2008.

[491] Devon Carlson, Robert Haveman, Thomas Kaplan, and Barbara Wolfe, "Long-Term Effects of Public Low-Income Housing Vouchers on Work, Earnings, and Neighborhood Quality," Institute for Research on Poverty, Jul. 2008: p. 19.

[492] Victoria Basolo, "Examining Mobility Outcomes in the Housing Choice Voucher Program: Neighborhood Poverty, Employment and Public School Quality," *Cityscape*, Vol. 15, No.2, 2013.

housing counseling assistance. Families in the comparison group were given vouchers without restrictions. The control group did not receive vouchers but remained eligible for project-based housing assistance and other government programs. Over 4,600 low-income families with children participated in the demonstration.[493] The demonstration was not re-authorized. Moving to Opportunity was not funded from a separate account but as a set-aside within the account funding other Section 8 programs.

Literature on the Moving to Opportunity Program generally finds that households in the experimental group who received vouchers and counseling ended up living in neighborhoods with lower poverty. However, while households in this group were shown to have slightly improved health outcomes, the evidence shows that MTO did not substantially impact their employment or earnings outcomes.

- ***Households that use vouchers to move to a lower-poverty neighborhood don't always stay there.*** While many MTO households in the treatment group made an initial move to a lower-poverty neighborhood, many families ultimately moved back to a higher-poverty neighborhood after one or two years.[494] Additionally, Turner et al (2012) observed that while "the experimental group families moved to better-quality housing and safer neighborhoods than their counterparts in the control group, few spent more than a year or two in high-opportunity neighborhoods."[495]

- ***Vouchers help health outcomes, but not education, employment, or income.*** The Final Impacts Evaluation of MTO, conducted by Sanbonmatsu et al. (2011), found that demonstration participants who received vouchers without restrictions and participants who received counseling and vouchers with restrictions relocated to lower poverty neighborhoods than the control group. However, the evaluation also noted that while members of the Section 8 group and experimental group had better health outcomes than members of the control group, they did not have better educational, employment, or income outcomes. The evaluation states, "A more comprehensive approach is needed to reverse the negative consequences of living in neighborhoods with heavily concentrated poverty. Housing is a platform for positive outcomes, but it is not sufficient alone for

[493] Lisa Sanbonmatsu, Jens Ludwig, Lawrence F. Katz, Lisa A. Gennetian, Greg J. Duncan, Ronald C. Kessler, Emma Adam, Thomas W. McDade and Stacy Tessler Lindau, With Matthew Sciandra, Fanghua Yang, Ijun Lai, William Cogdon, Joe Amick, Ryan Gillette, Michael A. Zabek, Jordan Marvakov, Sabrina Yusuf and Nicholas A. Potter, "Moving to Opportunity for Fair Housing Demonstration Program: Final Impacts Evaluation," U.S. Department of Housing and Urban Development Office of Policy Development and Research, Nov. 2011.
[494] Margery Austin Turner, Jennifer Comey, Daniel Kuehn, and Austin Nichols, with Kaitlin Franks and David Price, "Helping Poor Families Gain and Sustain Access to High-Opportunity Neighborhoods," Urban Institute, Oct. 2011.
[495] Margery Austin Turner, Austin Nichols, and Jennifer Comey, with Kaitlin Franks and David Price, "Benefits of Living in High-Opportunity Neighborhoods; Insights from the Moving to Opportunity Demonstration," Urban Institute, Sept. 2012: p. 2.

achieving these additional benefits."[496] Leventhal et al. (2003) also found that MTO did not materially impact employment or economic well-being.[497]

Funding

Before 2005, funding for both Tenant-Based Assistance and Project-Based Assistance was provided through the Housing Certificate Fund. After 2005, Tenant-Based Assistance and Project-Based Assistance were funded from distinct accounts. In fiscal year 2012, the federal government spent $17.9 billion on Tenant-Based Assistance.

[496] Lisa Sanbonmatsu, Jens Ludwig, Lawrence F. Katz, Lisa A. Gennetian, Greg J. Duncan, Ronald C. Kessler, Emma Adam, Thomas W. McDade and Stacy Tessler Lindau, with Matthew Sciandra, Fanghua Yang, Ijun Lai, William Cogdon, Joe Amick, Ryan Gillette, Michael A. Zabek, Jordan Marvakov, Sabrina Yusuf and Nicholas A. Potter, "Moving to Opportunity for Fair Housing Demonstration Program: Final Impacts Evaluation," U.S. Department of Housing and Urban Development Office of Policy Development and Research, Nov. 2011: p. vii.

[497] Tama Leventhal and Jeanne Brooks-Gunn, "Moving to Opportunity: An Experimental Study of Neighborhood Effects on Mental Health," American Journal of Public Health, Sept. 2003.

Project-Based Rental Assistance

Purpose

Project-Based Rental Assistance supports affordable housing units for low-income families.

History

The Project-Based Rental-Assistance Program, also known as Project-Based Section 8, was authorized under Section 8 of the U.S. Housing Act of 1937, as amended by the Housing and Community Development Act of 1974. In contrast with the Tenant-Based Section 8 Program, Project-Based Section 8 vouchers are not portable; they are assigned to a specific unit and not to the individual household.[498] Like Tenant-Based Section 8 units, however, eligible project-based Section 8 units are not owned and operated by the government but by a landlord in the private sector. As the focus has shifted away from project-based assistance and toward a portable-voucher system, the program has taken a back seat to the Tenant-Based Section 8 program. While Congress stopped issuing new project-based contracts in 1983, property owners have the option to renew existing contracts when they expire. Approximately 1.2 million units are still funded.[499]

In order to quality for Project-Based Rental Assistance, participants must be "low-income" (i.e., their income must be at or below 80 percent of area median income). Additionally, 40 percent of newly available units must be rented to "extremely low-income" households (i.e., their income must be at the higher 30 percent of AMI or the poverty guidelines).[500]

In order to live in a Project-Based Section 8 unit, participating households must pay rent calculated according to the same criteria as Tenant-Based assistance, i.e., the higher of:

- 30 percent of monthly adjusted income (i.e., monthly annual income less any applicable deductions)
- 10 percent of monthly income
- Welfare rent
- A minimum rent set by a HA (regulations allow PHAs to set minimum rent between $25 and $50)

HUD pays subsidies, called Housing Assistance Payments, to property owners in amounts equal to the difference between the tenant payment and the contract rent charged by the owner. HUD generally adjusts contract rents each year based on an inflation factor. When a contract expires, landlords have the option of renewing the contract for up to five years or converting the unit to market rate. [501]

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[498] Maggie McCarty, Libby Perl, Katie Jones, and Meredith Peterson, "Overview of Federal Housing Assistance Programs and Policy," Congressional Research Service, Jan. 2011.
[499] "HUD FY 2014 Congressional Justifications," U.S. Department of Housing and Urban Development: p. Y-3.
[500] Maggie McCarty, "An Overview of the Section 8 Housing Programs: Housing Choice Vouchers and Project-Based Rental Assistance," Congressional Research Service, Feb. 2014. As noted in the report, the definition of extremely low income was amended by the 2014 Omnibus Appropriations Bill to include the poverty guidelines.
[501] Maggie McCarty, "An Overview of the Section 8 Housing Programs: Housing Choice Vouchers and Project-Based Rental Assistance," Congressional Research Service, Feb. 2014.

Evidence

Research on Project-Based Section 8 is limited, but Congress's decision to stop issuing new project-based vouchers demonstrates the general preference for other forms of low-income housing assistance, particularly Tenant-Based Section 8 vouchers. The Bush administration's Program Assessment Rating Tool rated the program "ineffective" in 2002, for reasons including the program's poor financial controls, participating household's inability to move to better housing, confusion over the objective of the program, and lack of performance targets.[502]

Funding

Before 2005, funding for both Tenant-Based Assistance and Project-Based Assistance was provided through the Housing Certificate Fund. After 2005, Tenant-Based Assistance and Project-Based Assistance were funded from distinct accounts. As described in the appendix to the President's fiscal year 2014 budget, the Housing Certificate Fund "retains and recovers balances from previous years' appropriations, and uses those balances to support contract renewals, amendments, and performance-based contract administrators."[503] In fiscal year 2012, outlays for Project-Based Assistance were $9.2 billion.

[502] "Program Assessment: Project-Based Rental Assistance," ExpectMore.gov, Accessed 11 Feb. 2014.
[503] "The Appendix, Budget of the United States Government, Fiscal Year 2014," Office of Management and Budget: p. 546.

Public Housing

Purpose

The Public Housing program provides funding to local housing authorities that own and operate public-housing complexes for low-income families.

History

Today approximately 3,300 PHAs provide public housing to roughly 1.2 million households.[504] Over 50 percent of Public Housing tenants are elderly, disabled, or both.[505]

Public housing is funded from two separate appropriations—one appropriation for the operating fund and one for the capital fund. The process of funding Public Housing from two streams was established in 1998 by the Quality Housing and Work Responsibility Act. The Operating Fund provides funding to PHAs for the operating and management of public housing. The Capital Fund provides funds for the development, financing, and modernization of public housing.[506] Notably, under the 1998 Public Housing Reform Act, PHAs were prohibited from growing the total number of public-housing units in their inventory.

Resident households are required to pay rent, called a "total tenant payment," which is calculated as the highest of the following:

- 30 percent of monthly adjusted income (i.e., monthly annual income less any applicable deductions)
- 10 percent of monthly income
- Welfare rent
- A minimum rent set by a HA (regulations allow PHAs to set minimum rent between $25 and $50)

Participants in the Public Housing program generally have the option to pay a flat rent rather than the rent calculated as a percentage of income as described above. Notably, the fiscal year 2014 omnibus appropriations bill includes a provision that requires PHAs to establish a flat rent that is at least 80 percent of the fair-market rent. However, the new flat rent will be phased in over time if it increases a household's existing rent by more than 35 percent annually. PHAs are required to comply by June 1, 2014.[507]

In order to be eligible for public housing, a household must have income at or below 80 percent of local area median income. But 40 percent of newly available units must be reserved for households with income at or below 30 percent of local area median income.[508]

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[504] "Public Housing," U.S. Department of Housing and Urban Development. Accessed 11 Feb. 2014.
[505] Barbara Sard, "Most Rental Assistance Recipients Work, Are Elderly, or Have Disabilities," Center on Budget and Policy Priorities, 17 Jul. 2013.
[506] Maggie McCarty, "Introduction to Public Housing," Congressional Research Service, 13 Feb. 2014.
[507] Ibid.
[508] Maggie McCarty, Libby Perl, Katie Jones, and Meredith Peterson, "Overview of Federal Housing Assistance Programs and Policy," Congressional Research Service, Jan. 2011.

Once granted public housing, a household may stay there as long as its income does not exceed eligibility requirements and it complies with the lease. Non-exempt tenants (i.e., those who are not working and are not elderly or disabled) are required to perform eight hours of community service each month.[509]

Like many of the other rental-assistance programs, waiting lists to receive Public Housing assistance are long—families can spend months or even years waiting to receive assistance.[510]

Evidence

The 1998 legislation prohibited the program from increasing the net number of public-housing units, and HOPE VI program works specifically to demolish public-housing projects. Both are evidence of the general consensus that public housing is not the most effective method of providing low-income housing assistance. Public housing is generally seen as concentrating poverty in one area.

- ***Public housing may impede the upward mobility of tenants.*** Newman and Harkness (1999) compare the outcomes of low-income teenagers who lived in HUD's public and assisted housing developments with teenagers who did not receive assistance. They conclude that individuals who lived in assisted housing at some point between the ages of 10 and 16 spent more time on welfare, had lower earnings, and were more likely to be in poverty as adults than teenagers who did not receive assistance. However, the authors attribute this more to the disadvantaged backgrounds of teenagers who received assistance rather than to the direct impact of time spent living in public housing.[511] Currie and Yelowitz (1997) also acknowledge that living in housing projects is associated with more negative outcomes for children, but suggest that the widely held notion that public-housing projects are detrimental to children is not founded on empirical research.[512]

Funding

In fiscal year 2012, the federal government spent $6.9 billion on Public Housing. Of this, $2.7 billion came from the Capital Fund and $4.2 billion from the Operating Fund.

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[509] Maggie McCarty, "Introduction to Public Housing," Congressional Research Service, 13 Feb. 2014.
[510] Ibid.
[511] Sandra Newman and Joseph Harkness, "The Long Term Effects of Housing Assistance on Self-Sufficiency," U.S. Department of Housing and Urban Development Office of Policy Development and Research, Dec. 1999.
[512] Janet Currie and Aaron Yelowitz, "Are Public Housing Projects Good for Kids?" *Journal of Public Economics*, Vol. 75, 1 Jun. 1998.

Moving to Work

Purpose

The Moving to Work program gives Public Housing Authorities greater flexibility to provide low-income families with affordable housing.

History

Congress authorized Moving to Work in Section 204 of the Omnibus Consolidated Recessions and Appropriations Act of 1996 as a demonstration program designed to give local Public Housing Authorities flexibility in administering Tenant-Based Section 8 and Public Housing. Under the Moving to Work program, PHAs can combine funding from Tenant-Based Section 8 and Public Housing and allocate the funds according to that PHA's needs. MTW PHAs also have the ability to request from HUD exemption from many of the typical program rules of the Tenant-Based Section 8 and Public Housing programs. With the approval of HUD, MTW PHAs may consolidate program administration, impose work requirements and time limits for beneficiaries, and implement policies to measure outcomes. Over 30 PHAs currently participate in MTW.

The program is scheduled to run until the end of participating PHAs' fiscal year 2018. Congress must authorize the addition of new PHAs into the program. When new slots are added, PHAs can generally apply based on their eligibility as determined by criteria in the authorization.[513] Congress has also authorized specific PHAs to join MTW.

Evidence

Moving to Work was created as a demonstration program to give a limited number of PHAs the opportunity to test new strategies that could ultimately be used by all PHAs and for all participants. Although the ideas tested by MTW are innovative, a major shortcoming of the program is the lack of metrics for tracking impacts and outcomes.

- ***MTW was passed as a demonstration program but has design flaws.*** GAO has written extensively about the lack of guidance that would allow MTW outcomes to be measured and analyzed. In a 2013 report, GAO notes that HUD did not develop guidance specifying that performance information collection from MTW agencies be outcome-oriented, identify the performance data needed to assess results, or establish performance indicators for the program. According to the study, the shortage of this standard performance data has impeded comprehensive evaluation of MTW, which is key in determining whether the program should be scaled across PHAs.[514]

- ***MTW may help participants, but more information is needed.*** Cadik and Nogic (2010) analyze the MTW program and report that PHAs participating in MTW have served substantially more families than they would have without the MTW designation by

[513] "Moving to Work: Interim Policy Applications and the Future of the Demonstration," Department of Housing and Urban Development, Aug. 2010.
[514] "Moving to Work Demonstration; Improved Information and Monitoring Could Enhance Program Assessment," U.S. Government Accountability Office, 26 Jun. 2013.

streamlining operations and using accumulated funds to administer new housing units. They note that rent structures may have positive self-sufficiency outcomes for residents, but that the reforms implemented under MTW "vary greatly" and thus "further exploration is needed" to determine which reforms should be implemented for PHAs across the board.[515]

Funding

PHAs participating in MTW do not receive special MTW funding. Rather, the MTW program allows PHAs to combine Tenant-Based Section 8 and Public Housing funds. As of 2010, the participating PHAs managed approximately $2.7 billion in Tenant-Based Section 8 funding and $1.1 billion in Public Housing funding.[516]

[515] Emily Cadik and Amanda Nogic, "Moving to Work: Interim Policy Applications and the Future of the Demonstration," U.S. Department of Housing and Urban Development, Aug. 2010: p. 6.
[516] Maggie McCarty, "Moving to Work (MTW): Housing Assistance Demonstration Program," Congressional Research Service, Jan 2014.

Family Self-Sufficiency Program

Purpose

The Family Self-Sufficiency Program provides a number of social services to families living in public housing to help them become self-sufficient.

History

Congress authorized the creation of the Family Self-Sufficiency Program in 1990 under Section 23 of the Housing Act of 1937, as amended. The program was created "to coordinate the use of assistance under Sections 8 and 9 of the [1937 act] with public and private resources, and enable eligible families to achieve economic independence and self-sufficiency."[517]

The Family Self-Sufficiency Program is a voluntary program for households participating in the Section 8 Housing Choice Voucher program and Public Housing. PHAs operate separate programs for Housing Choice Voucher and Public Housing participants. However, in its fiscal year 2014 Congressional Budget Justification, HUD proposed combining the programs. As of March 31, 2012, 57,087 families were enrolled in FSS programs. Of this, 47,888 were enrolled in Housing Choice Voucher FSS and 9,199 were enrolled in Public Housing FSS.[518]

The program is designed to promote work, allow asset building, and increase upward mobility. Under the Section 8 voucher program, residents pay 30 percent of household income in rent. Thus, additional income increases rent paid. Under the FSS program, however, participating families agree to enroll in the program for a five-year period, during which increases in rent due to additional income is deposited into an escrow account as a credit. Upon completion of the program, families receive the monies held in the fund. FSS program coordinators work with local service providers, who offer financial counseling, education, job training, and child care. Families are connected with services based on the personal goals they develop at the beginning of their time in the program.

Notably, FSS program funds are used to cover the cost of salaries of FSS coordinators and not the cost of the services themselves. According to HUD's fiscal year 2014 Congressional Budget Justification, with the combined FSS funding in fiscal year 2011 of $75 million, HUD provided PHAs money to fund salaries of 1,104 Housing Choice Vouchers FSS and 275 Public Housing FSS program coordinators.[519]

Evidence

Evidence suggests the FSS program is linked with an increase in the earnings and upward mobility of participants. However, one must consider that the program is voluntary and thus could have self-selection bias.

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[517] "HUD FY 2014 Congressional Justifications," U.S. Department of Housing and Urban Development: p. H-6.
[518] Ibid: p. H-2.
[519] Ibid.

- ***The FSS program has been shown to lead to self-sufficiency.*** Statistics from HUD suggest the FSS program increases the earnings and upward mobility of participants.[520] This is a positive for both participating families as well as families on housing waiting lists. As FSS families become self-sufficient, funds are freed up to serve additional families.

- ***However, data collection from FSS programs could be improved.*** In 2013, GAO released a report recommending HUD improve the collection and analysis of FSS program data so that program outcomes can be better understood and the program can be expanded if deemed effective.[521]

Funding

The FSS program is funded through set-asides in the Housing Choice Voucher and Public Housing accounts. In fiscal year 2012, FSS program coordinators received $60 million in funding from the Tenant-Based Rental Assistance account, and $15 million from the Public Housing Capital Fund.[522]

[520] "HUD FY 2014 Congressional Justifications," Department of Housing and Urban Development. See FSS Program Justification, p. H-4.
[521] "Rental Housing Assistance: HUD Data on Self-Sufficiency Programs Should Be Improved," U.S. Government Accountability Office, 9 July 2013.
[522] "HUD FY 2014 Congressional Justifications," Department of Housing and Urban Development: p. H-1.

HOPE VI

Purpose

The HOPE VI program was created to fund the demolition and rehabilitation of public-housing projects.

History

Under the HOPE VI Program, PHAs receive grant monies through a competitive process. The funds may be used to demolish, rebuild, or rehabilitate severely distressed public housing and replace it with mixed-income housing. Notably, the HOPE VI program has contributed to the demolition of more units than it has replaced.[523] The authorization for HOPE VI was scheduled to expire at the end of fiscal year 2006, but Congress has extended the authorization in each year since 2006. Fiscal year 2012 was the first year since HOPE VI began in which it received no new appropriations. The remaining balance of HOPE VI funds will be spent as redevelopment projects are completed. The Choice Neighborhoods program has largely replaced HOPE VI.

Evidence

According to the appendix of the President's fiscal year 2014 budget, HOPE VI funds, combined with those of the Public Housing Capital Fund, have been used to demolish 100,000 severely distressed public-housing units.[524] But the Bush administration's PART evaluation deemed the program "ineffective" in 2003.[525]

- ***HOPE VI has led to improvements in formerly distressed communities.*** Zielenbach (2003) analyzed HOPE VI neighborhoods since 1990 and found that, though they were initially worse off, they ultimately surpassed conditions in other high-poverty areas. The author attributes the progress in HOPE VI communities to a number of factors including private-market activity, increased attention to communities by lenders, and specific commitments of resources by city governments.[526]

- ***But families who move as a result of HOPE VI are not necessarily better off.*** HOPE VI has been shown to improve neighborhoods, but households displaced by HOPE VI demolitions who receive vouchers or move into mixed-income developments do not seem significantly better off than households living in traditional public-housing projects.[527] Popkin et al. (2004) find that households forced to move as a result of HOPE VI tend to remain close to

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[523] Maggie McCarty, Libby Perl, Katie Jones, and Meredith Peterson, "Overview of Federal Housing Assistance Programs and Policy," Congressional Research Service, Jan. 2011.
[524] "The Appendix, Budget of the United States Government, Fiscal Year 2014," Office of Management and Budget: p. 550.
[525] "Program Assessment: HOPE VI (Severely Distressed Housing)," ExpectMore.gov, Accessed 11 Feb. 2014.
[526] Sean Zielenbach, "Assessing Economic Change in HOPE VI Neighborhoods," *Housing Policy Debate*, Vol. 14, No. 4, 31 Mar. 2010.
[527] Robert Chaskin, Mark Joseph, Sara Voelker and Amy Dworsky, "Public Housing Transformation and Resident Relocation: Comparing Destinations and Household Characteristics in Chicago," *Cityscape*, Vol. 14, No. 1 Mar. 2012.

their original public-housing developments rather than relocating to higher-opportunity neighborhoods.[528]

Funding

As mentioned above, Choice Neighborhoods has replaced HOPE VI efforts. Remaining HOPE VI funds will be spent out, but no new HOPE VI funds have been appropriated. Fiscal year 2012 was the first year in which HOPE VI received no new appropriations, and Choice Neighborhoods was fully funded.[529] In fiscal year 2012, outlays for HOPE VI totaled $129 million.

[528] Susan J. Popkin, Diane K. Levy, Laura E. Harris, Jennifer Comey, and Mary K. Cunningham, "The HOPE VI Program: What about the Residents?" *Housing Policy Debate*, Vol. 15, No. 2, 2004.
[529] Maggie McCarty, "HOPE VI Public Housing Revitalization Program: Background, Funding, and Issues," Congressional Research Service, Jan. 2012.

Choice Neighborhoods

Purpose
The Choice Neighborhoods Initiative is intended to revitalize distressed neighborhoods.

History
Congress approved the Choice Neighborhoods Initiative, a program of the White House Neighborhood Revitalization Initiative, with the passage of HUD's fiscal year 2010 budget.[530] Under CNI, HUD awards two different kinds of grants, Implementation Grants and Planning Grants, to "redevelop distressed housing and bring comprehensive neighborhood revitalization to blighted areas."[531] Past grantees include the Housing Authority of the City of Seattle and the City of Boston/Dorchester Bay Economic Development Corporation.[532]

CNI has largely replaced the efforts of the HOPE VI program. Fiscal year 2012 was the first year in which HOPE VI received no new appropriations, and Choice Neighborhoods was fully funded.[533] CNI received $120 million in budget authority in fiscal year 2012 and $121 million in fiscal year 2013. The President's fiscal year 2014 budget proposed $400 million in funding for CNI.

Evidence
There is limited evidence on the effectiveness of CNI.

Funding
CNI began spending money in fiscal year 2013, when the program received $8 million in outlays ($121 million budget authority).

[530] Donna White, "HUD Awards Nearly $109 Million to Four Communities to Revitalize Housing, Surrounding Neighborhoods," U.S. Department of Housing and Urban Development, 13 Dec. 2012.
[531] Ibid.
[532] Ibid.
[533] Maggie McCarty, "HOPE VI Public Housing Revitalization Program: Background, Funding, and Issues," Congressional Research Service, Jan. 2012.

Rental Assistance Demonstration

Purpose

The Rental Assistance Demonstration program preserves affordable-housing options for lower-income families.

History

The Rental Assistance Demonstration program was authorized by the Consolidated and Further Continuing Appropriations Act of 2012. RAD enables Public Housing Authorities and other property owners receiving subsidies through Public Housing and other programs (such as the Rent Supplement Program and Rental Assistance Payment Program) to convert their contracts to Section 8 contracts. Additionally, participating PHAs and property owners may seek private financing to rehabilitate units that need capital improvements.

RAD has never received appropriations and thus under the program HUD only processes no-cost conversions.[534] The 2014 omnibus appropriations bill extends the authorization of RAD through December 31, 2014.

Evidence

From the time of RAD's inception through February 2013, HUD had granted 112 approvals to PHAs and 24 approvals to private owners. This will support the conversion of over 14,000 units.[535]

Funding

Congress approved RAD as a budget-neutral demonstration, although HUD requested an additional $10 million to expand the program in 2014.[536]

[534] The President's fiscal year 2014 budget included a request of $10 million to fund an expansion of RAD.
[535] "The Appendix, Budget of the United States Government, Fiscal Year 2014," Office of Management and Budget: p. 543.
[536] "HUD FY 2014 Congressional Justifications," U.S. Department of Housing and Urban Development: p. C-1.

Housing Counseling Assistance Program

Purpose

The Housing Counseling Assistance program funds housing counseling for homeowners and tenants who own or rent though various HUD, Veterans Affairs, or state and local programs.

History

The program's counseling assistance gives advice about making rent or mortgage payments as well as being a responsible tenant or owner. Specifically, eligible housing counseling subjects can include money management, default, foreclosure, or the threat of homelessness.[537]

HCA provides grants through a competitive process to non-profit intermediaries, state governmental entities, and an assortment of other agencies.[538] Funds provided through the Housing Counseling Assistance program are typically combined with funding from other sources.

Evidence

The Moving to Opportunity demonstration program tested the effect of the receipt of a housing voucher and housing counseling. But there is very limited evidence on the effectiveness of housing counseling provided by the HCA program.

Funding

Funding for the Housing Counseling Assistance program dwindled during the early 2000s, but it has increased over the past three years. The increase in HCA funding corresponds to the uptick in foreclosures and decline in home values starting in 2008. HCA was funded through a set-aside in the HOME account until fiscal year 2009. In fiscal year 2012, the federal government spent $51 million on HCA.

[537] "HUD FY 2014 Congressional Justifications," U.S. Department of Housing and Urban Development: p. CC-4.
[538] "The Appendix, Budget of the United States Government, Fiscal Year 2014," Office of Management and Budget: p. 567

Section 202 Supportive Housing for the Elderly

Purpose

The Section 202 Supportive Housing for the Elderly program provides capital grants and project rental assistance to private entities for the production and operation of supportive-housing facilities for elderly low-income households.

History

A household is eligible to apply if the head, spouse, or co-head of the household is age 62 or older, and if the family's income is at or below 50 percent of area median income.

Section 202 differs from other rental-assistance programs in that it specifically targets the elderly. Additionally, Section 202 units are designed to provide residents with supportive services such as wheelchair accessibility. As of December 2006, the roughly 6,000 Section 202 facilities housed approximately 263,000 elderly households.[539] Tenants of Section 202 units have a median age of 74 and an average stay in the Section 202 program of five and a half years.[540]

Section 202 was enacted in 1959. From the passage of the Housing Act of 1964 until the passage of the Cranston–Gonzalez National Affordable Housing Act in 1990, non-elderly disabled households were eligible to live in Section 202 properties.[541]

Evidence

As mentioned above, Section 202 housing is unique in that provides housing and supportive services. Section 202 is found to be more cost effective than institutionalization.

- ***Section 202 Supportive Housing is more expensive than Tenant-Based Section 8 housing but less expensive than institutionalization.*** Haley et al (2008) report that Section 202 provides housing at a cost comparable to that of other development programs, but that assistance is more costly than that provided under the Tenant-Based Section 8 program. The authors also compare the cost of Section 202 to institutionalization and indicate that when Section 202 housing is provided alone with supportive services (e.g., meals, transportation, and housekeeping), the cost of housing and Medicaid-paid services provided to at-risk individuals is about half as expensive as institutionalization over a two-year period.[542]

Funding

In fiscal year 2012, Section 202 outlays were $862 million.

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[539] Barbara Haley, Robert Gray, Lydia Taghavi, Dianne Thompson, Deborah Devine, Abdollah Haghighi, Seth Marcus, "Section 202 Supportive Housing for the Elderly: Program Status and Performance Measurement," U.S. Department of Housing and Urban Development, Jun. 2008, p. 15.
[540] Ibid.
[541] Maggie McCarty, Libby Perl, Katie Jones, and Meredith Peterson, "Overview of Federal Housing Assistance Programs and Policy," Congressional Research Service, Jan. 2011.
[542] Ibid.

Section 811 Supportive Housing for Persons with Disabilities

Purpose

The Section 811 Supportive Housing for Persons with Disabilities Program funds supportive housing for low-income, disabled individuals.

History

To be eligible for Section 811 housing, a household must contain one or more persons who are between the ages of 18 and 62 and are disabled.[543] Additionally, the household must have income at or below 50 percent of area median income.[544] Persons with developmental disabilities (as defined by the Developmental Disabilities Assistance and Bill of Rights Act) also qualify. The Public Housing program, as well as the Tenant-Based and Project-Based Section 8 programs, also provides housing for disabled persons.

Until 2011, Section 811 primarily funded capital grants and project rental assistance. Since fiscal year 2012, Section 811 funding has been used for rental assistance only. With this change, Section 811 funds are used to subsidize units developed with capital funding from sources outside the Section 811 program (such as LIHTC, HOME, or other public or private sources).[545]

As described by CRS, "project-based Section 8 and Public Housing give project owners the option of dedicating facilities to the elderly, people with disabilities, or both populations together."[546] LIHTC and HOME grants may be used in conjunction with capital grants funded through Section 811. Prior to the passage of the Cranston–Gonzalez National Affordable Housing Act in 1990, which authorized Section 811, non-elderly disabled households were eligible to live in Section 202 properties.[547]

Evidence

There is limited evidence of Section 811's effectiveness. Most data focus on the cost of Section 811 units relative to other forms of low-income housing assistance.

- ***Section 811 units are more expensive than Section 8 vouchers.*** DiPasquale et al. (2003) compare the cost of Section 811 and other federal housing programs to Section 8 Housing Choice Vouchers and conclude that the average total costs of one-bedroom Section 811 units in metropolitan areas are about 8 percent higher than costs of vouchers.[548]

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[543] A disability is defined (U.S.C. 8013(k)(2) as (1) having a physical, mental or emotional impairment that is expected to be of long-continued or indefinite duration, substantially impedes the ability to live independently, and could be improved by suitable housing, and (2) a developmental disability.
[544] Libby Perl, "Section 811 and Other HUD Housing Programs for Persons with Disabilities," Congressional Research Service, Feb. 2014.
[545] Ibid.
[546] Ibid.
[547] Maggie McCarty, Libby Perl, Katie Jones, Meredith Peterson, "Overview of Federal Housing Assistance Programs and Policy," Congressional Research Service, Jan. 2011.
[548] Denise DiPasquale, Dennis Fricke, and Daniel Garcia-Diaz, "Comparing the Costs of Federal Housing Assistance Programs," *FRBNY Economic Policy Review*, Jun. 2003.

Funding

In fiscal year 2012, Section 811 outlays were $226 million.

Section 521 Rural Rental Assistance Program

Purpose

The Section 521 Rural Rental Assistance Program alleviates rent burdens for low-income households living in rural areas.

History

The Rural Rental Assistance Program was created under the 1968 amendment to the Housing Act of 1949. The program is authorized under Section 521 of the Act and is commonly known as Section 521. Section 521 is operated by the Department of Agriculture. The program aims to alleviate rent burdens for low-income households living in rural areas. Under the program, tenants pay rent typically calculated as 30 percent of monthly adjusted income, and USDA provides rental-assistance payments directly to the owners of rental properties in an amount equal to the difference between tenants' rental payments and the USDA-approved rent for the unit. Notably, property owners must agree to operate the property for a limited profit.[549]

Evidence

Evidence suggests the Section 521 program has not succeeded in alleviating rental burdens of rural populations.

- Many rural households face high rent burdens despite Section 521. Despite Section 521, in 2010 about 1.7 million rural households spent more than 30 percent of their income on housing costs, and 1.0 million spent more than 50 of their income.[550]

- USDA has not taken steps to address improper payments. According to GAO, USDA has not implemented measures to reduce improper payments under the Section 521.[551]

Funding

In fiscal year 2012, Section 521 outlays were $905 million.

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[549] "Federal Housing Assistance," Committee on Ways and Means: p. 15–6
[550] "The State of the Nation's Housing 2012," Joint Center for Housing Studies of Harvard University, Jun. 2012.
[551] "RURAL HOUSING SERVICE: Efforts to Identify and Reduce Improper Rental Assistance Payments Could Be Enhanced," U.S. Government Accountability Office, 31 May 2012.

Section 236 Rental Housing Assistance Program

Purpose
The Section 236 program was created to help stimulate the development of affordable housing.

History
Section 236 Rental Housing Assistance Program was established by the Housing and Urban Development Act of 1968 and was active from 1968 to 1974. Section 236 replaced HUD's Section 221 Below Market Interest Rate program. BMIR was authorized in the Housing Act of 1961, and tried to encourage the construction of lower-cost housing by private developers by offering FHA loans with a 3 percent interest rate. BMIR did not actively insure new loans after it was replaced by Section 236.[552]

The Section 236 program combined federal mortgage insurance for 40-year loans with interest-reduction payments to private developers to encourage the construction of affordable rental housing. No new insurance or subsidies are provided under Section 236, but properties that were given subsidies when the program was operational continue to operate under the existing contracts.

As a result of the insurance, private developers are able to charge a lower rent to building residents. Many units in Section 236 properties may be utilized by families who also receive Section 8 Tenant-Based assistance, assistance through the Rent Supplement Program, or Rental Assistance Payments.[553] Almost 11,500 units still receive interest-reduction payments.[554]

Evidence
There have been few studies on the effectiveness of the Section 236 program. The program was suspended when rising interest rates rendered the program economically inefficient, however HUD continues to make payments on outstanding Section 236 contracts.

Funding
In fiscal year 2012, outlays for the Section 236 program were $401 million.

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[552] "Federal Housing Assistance," Committee on Ways and Means: p. 15-5
[553] Ibid.
[554] "HUD FY 2014 Congressional Justifications," U.S. Department of Housing and Urban Development: pp. FF-3.

Rental Assistance Payment Program

Purpose

The Rental Assistance Payment program provides an additional subsidy to Section 236 properties to make those units more affordable for low-income households.

History

The Rental Assistance Payment program was established by the Housing and Community Development Act of 1974. RAP was created to provide an additional rental-assistance subsidy to owners of Section 236 properties to make those units more affordable for low-income households. Though the program, HUD pays owners of Section 236 units a subsidy in an amount equal to the difference between the basic rent charged and a rental fee paid by tenants, calculated as 30 percent of household income. Like Project-Based Section 8, the subsidy is not portable but is attached to a specific unit.

While RAP has largely been replaced by Section 8 vouchers, approximately 11,300 Section 236 units still have RAP contracts.[555] However, the program has not been given new funds since 2003. According to HUD's fiscal year 2013 Congressional Budget Justification, when a unit that has operated with a RAP contract faces expiration of that contract, HUD typically provides one of three solutions in order to keep that unit subsidized and accessible to low-income families. These options include:

- Providing a contract extension of up to one year while the owner obtains new financing or for the residents to find new housing;
- Providing tenant-protection vouchers to residents; these vouchers can be used at Section 8 properties; or
- Converting tenant-protection vouchers to project-based vouchers under the Rental Assistance Demonstration program. This keeps the properties as affordable housing for an additional 15 years.[556]

Evidence

There have been few studies on the effectiveness of Rental Assistance Payments. The RAP program has largely been replaced by Section 8 housing programs.

Funding

RAP has not received new funding since 2003. RAP is funded out of the "Other Assisted Housing Program Account"; RAP spending is not broken out from the other programs funded through that account.

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[555] "The Appendix, Budget of the United States Government, Fiscal Year 2014," Office of Management and Budget: p. 570.
[556] "HUD FY 2013 Congressional Justifications," U.S. Department of Housing and Urban Development: p. H-4.

Rent Supplement Program

Purpose
The Rent Supplement Program used to help low-income families pay for housing.

History
The Rent Supplement Program was enacted by Congress as a part of the Housing and Urban Development Act of 1965. The program focused largely on providing rent subsidies for units in subsidized by programs such as Section 236. Eligible tenants pay the greater of 30 percent of the rent or 30 percent of their income. The difference between the payment and the rent charged is paid directly by HUD to the project owner.[557] Most (but not all) of these contracts have been converted to Section 8 assistance.[558]

Evidence
Given the Rent Supplement program has largely been phased out, the most robust literature on the program's effectiveness is from the 1960s.

Funding
In fiscal year 2012, outlays for the Rent Supplement Program were $43 million.

[557] "HUD FY 2014 Congressional Justifications," U.S. Department of Housing and Urban Development: p. G-2.
[558] Ibid.

Housing Trust Fund

Purpose

The Housing Trust Fund was proposed as a method for funding low-income housing programs that would be separate from the annual appropriations process.

History

The Housing Trust Fund was established in the Housing and Economic Recovery Act of 2008. Its mission was to fund construction of rental housing for "very low-income" (that is, household income at or below 50 percent of area median income) and "extremely low-income" (household income at or below 30 percent of area median income) households.[559] As described in the appendix to the President's fiscal year 2014 budget, the Housing Trust Fund would be similar to the HOME Investment Partnerships Program, providing grants to states to fund low-income housing. However, the Housing Trust Fund would be more income-targeted than HOME.[560]

When the fund was established, it was supposed to be funded from contributions from Fannie Mae and Freddie Mac. This design would result in a low-income housing program that would be separate from the annual appropriations process.

However, Fannie and Freddie went into conservatorship before the fund received any monies, and Fannie and Freddie's regulator, the Federal Housing Finance Agency suspended contributions. Several housing advocates have taken legal action to attempt to make Fannie and Freddie resume contributions.[561]

Evidence

The fund has not been operational since its inception so there is no evidence of its effectiveness.

Funding

The Housing Trust Fund has never received funding. The President's fiscal year 2014 budget proposed a $1 billion mandatory appropriation for the fund.[562]

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[559] "The Appendix, Budget of the United States Government, Fiscal Year 2014," Office of Management and Budget: p. 559.
[560] Ibid.
[561] Katie Jones, "The Housing Trust Fund: Background and Issues," Congressional Research Service, 8 Jan. 2014.
[562] Ibid.

AID TO STATES AND LOCALITIES
Low Income Housing Tax Credit

Purpose
The purpose of the Low Income Housing Tax Credit is to provide financing to private developers to subsidize the construction and maintenance of mixed-income affordable housing developments.

History
One of the largest programs the federal government provides for low-income housing is the Low Income Housing Tax Credit. LIHTCs are distributed to states according to a population-based formula. States then grant LIHTCs to private developers through a competitive process. Private developers typically sell the tax credits to investors and use the proceeds to fund construction costs of multifamily housing properties. The money received from the sale of the LIHTC allows developers to borrow less money to fund the construction project, and thus to charge lower rents in the new units. In exchange, investors retain an equity stake in the housing development.[563] As explained by HUD, "provided the property remains in compliance, investors receive a dollar-for-dollar credit against their federal tax liability each year over a period of ten years."[564]

LIHTC is Section 42 of the Internal Revenue Code and was enacted by Congress as a part of the Tax Reform Act of 1986. LIHTC was initially intended to be a temporary tax expenditure, but it was made permanent in the Omnibus Budget Reconciliation Act of 1993.

According to HUD, between 1995 and 2010, an average of 1,423 projects and 107,000 units have been placed in service each year through the LIHTC program.[565]

Under the terms of the program, housing built using LIHTC must remain affordable for at least 15 years.[566] In addition, some units of each LIHTC property must be offered at below-market rents. In order for a LIHTC property to remain in compliance, one of the following must be true. Either:

- 20 percent of the units must be rented to families with incomes at or below 50 percent of area median income (AMI); or
- 40 percent of the units must be rented to families with incomes at or below 60 percent of AMI.[567]

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[563] Maggie McCarty, Libby Perl, Katie Jones, Meredith Peterson, "Overview of Federal Housing Assistance Programs and Policy," Congressional Research Service, Jan. 2011.
[564] "How Do Housing Tax Credits Work?" U.S. Department of Housing and Urban Development, Accessed 10 Aug. 2013.
[565] "Data Sets: Low-Income Housing Tax Credits," U.S. Department of Housing and Urban Development, 15 Apr. 2013.
[566] Maggie McCarty, Libby Perl, Katie Jones, Meredith Peterson, "Overview of Federal Housing Assistance Programs and Policy," Congressional Research Service, Jan. 2011.
[567] Ibid.

Unlike in many of the other federal housing programs, rents are flat and based on AMI rather than income-based. Rents for LIHTC units are set at 30 percent of either 50 percent or 60 percent of Area Median Income.

Evidence

Critics of LIHTC often cite as a major flaw of the program the fact that LIHTC projects usually need at least one additional layer of subsidy to finance the project. Other criticisms include the complexity of LIHTC and its cost compared to other federal housing programs, particularly vouchers. However, LIHTC units tend to be located in lower-poverty neighborhoods than Section 8 units.

- ***LIHTC is less effective than Section 8 vouchers at serving households with the greatest need.*** O'Regan and Horn (2012) find that about 40 percent of LIHTC units serve extremely low-income households compared to 75 percent of HUD's Tenant-Based Section 8 and Public Housing units. [568] However, proponents of LIHTC emphasize the importance of mixed-income developments in facilitating upward mobility.

- ***In many metropolitan areas, LIHTC is more expensive than other forms of housing assistance.*** Deng (2005) examines the cost-effectiveness of LIHTC relative to Section 8 vouchers in Boston, New York, San Jose, Atlanta, Cleveland, and Miami. She finds that LIHTC is more expensive than vouchers on the whole, but the premium varies by voucher-payment standards and by local housing market. For example, LIHTC is 2 percent more expensive than vouchers in San Jose but 200 percent as expensive as vouchers in Atlanta. [569]

- ***LIHTC units are more likely than Section 8 units to be located in lower-poverty neighborhoods.*** McClure (2006) uses the national database of LIHTC units and HUD data, including its Multifamily Tenant Characteristics System, to compare the performance of the Low Income Housing Tax Credit and the Housing Choice Voucher Program, particularly the success of participants at obtaining a unit in a low-poverty neighborhood. The study finds LIHTC properties tend to have a higher presence in suburbs with lower-poverty rates.[570]

Funding

LIHTC received an increase in funding in the American Recovery and Reinvestment Tax Act of 2009. LIHTC expenditures were $6.0 billion in fiscal year 2012.

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[568] K. O'Regan and K. Horn, "What Can We Learn about the Low Income Housing Tax Credit Program by Looking at the Tenants?" Moelis Institute for Affordable Housing, Oct. 2012.
[569] Lan Deng, "The Cost Effectiveness of Low-Income Housing Tax Credits Relative to Vouchers: Evidence from Six U.S. Metropolitan Areas," *Housing Policy Debate*, Vol. 16, No. 3/4, 2005.
[570] Kirk McClure, "The Low Income Housing Tax Credit Program Goes Mainstream and Moves to the Suburbs," *Housing Policy Debate*, Vol. 17, No. 3, 2006.

Private Activity Bond Interest Exclusion

Purpose

The Private Activity Bond Interest Exclusion for rental housing encourages the development of affordable rental housing for low-income families.

History

Under the Private Activity Bond Interest Exclusion, state and local governments (and their authorized agencies) are able to issue, up to a limit, private-activity bonds to fund the construction and development of rental housing. Private Activity Bonds can also be issued to fund other private activities such as student loans.

Interest income on these bonds can be excluded from taxable income; thus, they can carry a lower interest rate than taxable bonds. Developers must limit 20 percent of units to households earning 50 percent of area median income or less, or must limit 40 percent of units to households earning 60 percent of area median income or less.[571]

Evidence

As Whitaker noted in his 2011 paper, "on the specific topic of private-activity bonds, the literature is remarkably limited."[572] Indeed, there have been few studies on the effectiveness of the Private Activity Bond Interest Exclusion for the development of rental housing as it relates to improving the upward mobility of tenants. One issue with this method of financing low-income housing is that because of the tax exemption, some of the benefits go to investors rather than to developers and ultimately low-income families.[573]

Funding

Private Activity Bond Interest Exclusion expenditures for the development of rental housing totaled $800 million in fiscal year 2012.

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[571] "Present Law, Data, and Analysis Relating to Tax Incentives for Residential Real Estate," Joint Committee on Taxation, Apr. 2013.
[572] Stephan Whitaker, "Prioritization in Private-Activity-Bond Volume Cap Allocation," Federal Reserve Bank of Cleveland, Apr. 2011: p. 7.
[573] "Present Law, Data, and Analysis Relating to Tax Incentives for Residential Real Estate," Joint Committee on Taxation, Apr. 2013.

HOME Investment Partnerships Program

Purpose

The Home Investment Partnerships Program helps state and local governments build affordable housing for low-income families.

History

The HOME Investment Partnerships program is a federal block-grant program that provides funds for affordable rental-housing projects at the state and local level. HOME grants were authorized in 1990 under Title II of the Cranston–Gonzalez National Affordable Housing Act. HOME is the federal government's largest block-grant program designed to fund affordable-housing production.[574]

HOME funds are awarded to participating state and local governments (called "participating jurisdictions") on an annual basis. HUD provides HOME funds to approximately 650 participating jurisdictions.[575] Following the appropriation of HOME funds by Congress, 40 percent of monies are allocated to states and 60 percent to local governments. The allocation of funds aims to provide monies to participating jurisdictions in accordance with housing needs. HOME funds may be used only for one of four purposes:

- Production of new housing units;
- Housing rehabilitation;
- Homeownership assistance; and
- Time-limited tenant-based rental assistance.

According to HUD's fiscal year 2014 Congressional Budget Justification, HOME funds are often used to provide gap financing for rental projects funded with Low-Income Housing Tax Credits.[576] Grant recipients must match every HOME dollar used with at least $0.25. Additionally, all HOME monies must be used to help low-income families (i.e., households with incomes at or below 80 percent of area median income), and 90 percent of the funds used for rental housing or tenant-based assistance must be used to help families with incomes at or below 60 percent of area median income.[577]

Evidence

There have been few studies on the effectiveness of HOME grants. Recent studies focus on the impact of HOME grants on low-income homeownership:

- ***The effectiveness of HOME block grants is unclear.*** As GAO notes in its 2012 assessment of HUD's block-grant programs, "Information on the overall effectiveness (or impact) of . . . HOME programs is limited," and there exist few studies providing

[574] "HUD Has Identified Performance Measures for Its Block Grants, but Information on Impact is Limited," U.S. Government Accountability Office, 15 May 2012.
[575] "HUD FY 2014 Congressional Justifications," U.S. Department of Housing and Urban Development: p. S-3.
[576] Ibid.
[577] Maggie McCarty, Libby Perl, Katie Jones, and Meredith Peterson, "Overview of Federal Housing Assistance Programs and Policy," Congressional Research Service, Jan. 2011.

evidence on HOME's impact on beneficiaries.[578] The studies that do exist focus primarily on the impact on HOME funds on homeownership. Turnham et al (2004) conclude that homebuyers who received HOME funds tend to purchase homes in neighborhoods with moderate incomes and low welfare dependence.[579]

Funding

In fiscal year 2012, HOME outlays totaled $1.78 billion.

[578] "HUD Has Identified Performance Measures for Its Block Grants, but Information on Impact is Limited," U.S. Government Accountability Office, 15 May 2012.

[579] Jennifer Turnham, Christopher Herbert, Sandra Nolden, Judith Feins, and Jessica Bonjorni, "Study of Homebuyer Activity Through the HOME Investment Partnerships Program," Abt Associates Inc., Jan. 2004.

Self-Help Homeownership Opportunity Program

Purpose

The Self-Help Homeownership Opportunity Program provides grant funds to non-profits to fund land purchases and infrastructure improvements for low-income housing.

History

The Self-Help Homeownership Opportunity Program was authorized by Section 11 of the Housing Opportunity Act of 1996. Through SHOP, HUD provided grant funds to non-profit organizations to be used for land purchases, infrastructure improvements, or administrative costs related to housing for low-income households. Organizations that have completed at least 30 units of self-help homeownership housing within the last two years may apply to receive SHOP grant monies.[580] Eligible homebuyers may apply to receive SHOP funds through grantees. In exchange for their commitment to volunteer their own time and efforts, participants receive SHOP grant monies to use toward the construction or rehabilitation of their homes. The four current SHOP grantees are Community Frameworks, Habitat for Humanity International, Housing Assistance Counsel, and Western States Housing Consortium.[581]

HUD's fiscal year 2013 Congressional Budget Justification states that approximately 60 percent of SHOP funds are used in rural and non-metropolitan areas.

Evidence

There have been few studies on the effectiveness of SHOP. According to HUD, the $373 million in grant monies awarded through SHOP since 1996 have been used to produce 28,000 units of affordable housing since 1996.

In fiscal year 2012 and fiscal year 2013, HUD did not request funding for SHOP. In fiscal year 2014, the budget request for SHOP of $10 million was requested as a set-aside in the HOME Investment Partnerships Program account. HUD's fiscal year 2013 Congressional Budget Justification states, "The Department is not requesting funding for the Self-Help Homeownership Opportunity Program (SHOP) in fiscal year 2013. Self-help homeownership activities are eligible under the HOME Program, the Community Development Block Grant (CDGB) Program, and the Neighborhood Stabilization Program (NSP). These programs have well-established, local delivery systems for administering and overseeing housing activities."[582]

Additionally, the Budget Justification acknowledges that the HOME program permits per unit subsidies roughly eight times higher than the SHOP subsidy maximum, and it has fewer

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[580] "A Guide to Using Self-Help Homeownership Opportunity Program Funds," U.S. Department of Housing and Urban Development, May 2005.
[581] "Self-help Homeownership Opportunity Program (SHOP)." U.S. Department of Housing and Urban Development, Accessed 11 Feb. 2014.
[582] "HUD FY 2013 Congressional Justifications," U.S. Department of Housing and Urban Development: p. S-1.

restrictions on who can use the funds and what they can be used for, "allowing more flexibility in addressing local conditions."[583]

Funding

SHOP has been funded from a separate account since 2006. Prior to 2006, SHOP was funded from the Community Development Fund account. The fiscal year 2014 budget request for SHOP was a set-aside in the HOME Investment Partnerships Program account. In fiscal year 2012, outlays totaled $63 million.

[583] Ibid.

Homeless Assistance Grants

Purpose

The Homeless Assistance Grants program provides grant monies to states and local communities to provide housing and services for homelessness individuals and households.

History

The Homeless Assistance Grant program was authorized in 1987 under the McKinney–Vento Homeless Assistance Act. The grants were historically composed of four separate programs: Emergency Shelter Grants focused on short-term needs while the Supportive Housing Program, Shelter Plus Care, and Section 8 Moderate Rehabilitation for Single Room Occupancy Dwellings were focused on longer-term transitional needs and permanent housing.[584]

In 2011, Congress implemented the Homeless Emergency Assistance and Rapid Transition to Housing Act, which renamed Emergency Shelter Grants to Emergency Solutions Grants, provided additional flexibility for the use of the grant monies to homelessness prevention, and consolidated the SHP, S+C, and SRO programs into one program called Continuum of Care. Additionally, HEARTH broadened the definition of homelessness and separated the Rural Housing Stability Assistance Program to provide assistance to the homeless in rural areas.[585] HEARTH implemented a new definition of homelessness, which will take effect as of January 5, 2015. The definition is significant in that it broadens the definition of homelessness to include housing instability.

Following the changes in 2011, HAG comprises two separate grants, as described in greater detail below:

Emergency Solutions Grants

ESG are distributed to local communities and states through the CDBG program formula. Upon receipt, states and communities distribute ESG funds to local-government entities or nonprofit organizations. Each receipt organization must match federal ESG funds dollar for dollar (but can bring in other resources such as salary and volunteer hours).[586] In recent years, ESG grants have totaled approximately $250 million, or 10–15 percent of the total HAG amount. The funds have four main uses:

- Renovation of shelters or conversions of buildings into shelters;
- Employment, health care, or education services;
- Homelessness prevention (rent or utility payments); and
- Operational/administrative expenses

After the passage of the HEARTH Act, the focus of the national homelessness agenda broadened to include prevention and rapid re-housing in addition to providing shelter and other basic needs. Grant recipients may now spend a greater portion of funds on rental assistance

[584] Libby Perl, "The HUD Homeless Assistance Grants: Programs Authorized by the HEARTH Act," Congressional Research Service, Aug. 2013.
[585] Ibid.
[586] Ibid.

and housing relocation for individuals at risk of homelessness.[587] Recipients may not use more than 60 percent of funds for emergency shelter and related services.

Continuum of Care
CoC Grants are distributed primarily through a competitive process, although the CDGB formula is used to determine community need and set a baseline amount of funding a community can receive. CoC constitutes 85 percent of HAG funds and were first awarded in their current form in 2012. While ESG focus on short-term needs, CoC focuses on longer-term housing and service needs. The name describes the program's design to serve a homeless individual's continuum of needs, including prevention, emergency shelter, transitional housing, and permanent housing with supportive services provided at all stages.[588] Local communities establish CoC advisory boards who meet to establish priorities and address homelessness.[589]

As described in the overview, prior to the passage of the HEARTH Act, the CoC monies were provided as separate grants (SHP, SRO, and S+C).

Upon receipt, funds are distributed to states, local governments, PHAs, and nonprofits. Eligible uses of CoC monies include:

- Transitional housing (i.e., the provision of housing for up to 24 months as individuals try to secure permanent housing)
- Permanent supportive housing and rapid rehousing
- Supportive services such as case management, child care, mental health, substance abuse treatment
- Homeless Management Information Systems

High-performing communities are given more flexibility regarding how the monies may be spent.[590]

Under HEARTH, in addition to serving homeless individuals, CoC programs can now serve nondisabled adults and families.

Evidence
Homelessness programs aimed at rapid rehousing and supportive housing have been shown to decrease homeless and reduce costs related to health care and institutionalization.

- ***Rapid re-housing helps the homeless find stable, permanent housing.*** A National Alliance to End Homelessness study from 2012 found that 91 percent of families who received rapid re-housing assistance in the first year of the program ultimately secured permanent housing. Additionally, the brief highlights the cost-effectiveness of rapid re-housing relative to reactive treatment and services. In Alameda County, CA, each successful exit from homelessness to rapid re-housing costs $2,800 compared to

[587] Ibid.
[588] Ibid.
[589] Ibid.
[590] Ibid.

$25,000 for a successful exit from transitional housing and $10,714 from emergency shelter.[591]

- ***Providing permanent housing reduces the costs of other services.*** The Heartland Alliance Mid-America Institute on Poverty's 2009 study finds that among 177 supportive housing residents in Illinois, there was a 39 percent reduction in the total cost of services from pre- to post-supportive housing. The average savings occurred over the two-year period in which the study was conducted; the authors suggest that in practice and over a longer horizon, cost savings are likely to be much higher.[592]

Funding

The HAG program received additional funding under the 2009 stimulus. In fiscal year 2012, outlays for HAG totaled $1.95 billion.

[591] "Rapid Re-Housing: Successfully Ending Family Homelessness," National Alliance to End Homelessness, 21 May 2012.
[592] "Supportive Housing Means Less Time in Mental Health, Nursing Homes, Prisons," Heartland Alliance Mid-America Institute on Poverty, Apr. 2009.

Housing Opportunities for Persons with AIDS

Purpose

The Housing Opportunities for Persons with AIDS provides housing assistance and supportive services for low-income people living with HIV/AIDS.

History

HOPWA was authorized by the AIDS Housing Opportunity Act to provide housing assistance and related supportive services for low-income people living with HIV/AIDS. Under HOPWA, Congress appropriates and distributes monies to states and eligible local governments to provide housing for people with HIV/ AIDS.

HOPWA funds states and local resources according to the following formula:

- 90 percent of funds are distributed to states and metropolitan areas based on formula including the number of AIDS cases in a jurisdiction
- 10 percent of funds are awarded through a competitive process to state and local governments as well as non-profits

The funds can then be used for a range of activities related to housing, social services, program planning, and development.[593] These include the acquisition or rehabilitation of housing units, rental assistance, and homelessness prevention. Grant monies can also be used for coordinated support services including case management, substance-abuse treatment, and job-training and placement assistance.[594]

Eligible beneficiaries include people who are low income (i.e., have income at or below 80 percent of local area median income) and have been medically diagnosed with HIV/AIDS, as well as their families.[595]

Evidence

In 2008, the OMB PART evaluation considered the program "effective," and reported that the program had a specific mission, "high levels of results in assisting a vulnerable population to achieve beneficial outcome," and focus on enhancing program performance.[596]

- ***Giving housing to people with AIDS reduces use of medical care.*** Wolitski et al. (2010) study a group of people with HIV/AIDS in unstable housing. They find those who were randomly assigned to rental assistance or customary care through HOPWA showed greater improvement in overall stability than those not in the treatment group. The study also showed that beneficiaries of HOPWA assistance used medical care less often and that HOPWA assistance may lead to improved health outcomes in addition

[593] Libby Perl, "Housing for Persons Living with HIV / AIDS," Congressional Research Service, Aug. 2013.
[594] Ibid.
[595] Ibid.
[596] "Program Assessment: Housing Opportunities for Persons with AIDS" ExpectMore.gov, Accessed 11 Feb. 2014.

to improved housing stability for homeless individuals living with HIV/AIDS.[597] Buchanan et al. (2009) find that providing stable housing for homeless individuals living with HIV/AIDS led to improved health outcomes.[598]

Funding

In fiscal year 2012, outlays for HOPWA were $334 million.

[597] Richard Wolitski, Daniel Kidder, Sherri Pals, Scott Royal, Angela Aidala, Ron Stall, David Holtgrave, David Harre, Cari Courtenay-Quirk, "Randomized Trial of the Effects of Housing Assistance on the Health and Risk Behaviors of Homeless and Unstably Housed People Living with HIV," *AIDS and Behavior,* Vol. 14, No. 3, Jun. 2010.

[598] D. Buchanan, R. Kee, L.S. Sadowski, D. Garcia,"The Health Impact of Supportive Housing for HIV-Positive Homeless Patients: A Randomized Controlled Trial," *American Journal of Public Health*, Nov. 2009.

Native American Housing Block Grants

Purpose

Native American Housing Block Grants help fund affordable housing for Indian tribes.

History

Native American Housing Block Grants were authorized under Title I of the Native American Housing Assistance and Self-Determination Act of 1996. This program provides funds to Indian tribes based on a formula. Participating tribes must submit an Indian Housing Plan with specified goals and uses of funds.[599] HUD makes block grants to participating Indian tribes or their tribally designated housing entities using a needs-based formula.[600]

Evidence

- ***The failure to track the use of NAHBG funds has resulted in the underdevelopment of infrastructure.*** In 2008, Congress requested in NAHASDA's reauthorization that GAO evaluate the use of NAHASDA funds. GAO found that while NAHBG monies are effective in emphasizing tribal self-determination, HUD's failure to track tribal housing plans or monitor use of funds has resulted in the underdevelopment of important infrastructure.[601]

Funding

In fiscal year 2012, outlays for the Native American Housing Block Grant program were $751 million.

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[599] Maggie McCarty, Libby Perl, Katie Jones, and Meredith Peterson, "Overview of Federal Housing Assistance Programs and Policy," Congressional Research Service, Jan. 2011.
[600] Ibid.
[601] "Native American Housing: Tribes Generally View Block Grant Program as Effective, but Tracking of Infrastructure Plans and Investments Needs Improvement," U.S. Government Accountability Office, Feb. 2010.

Native Hawaiian Housing Block Grant

Purpose

The Native Hawaiian Housing Block Grant Program helps fund affordable housing for low-income native Hawaiians.

History

The Native Hawaiian Housing Block Grant Program was authorized by the American Homeownership and Economic Opportunity Act of 2000, which amended the Native American Housing Assistance and Self-Determination Act of 1996. The program is administered by the Department of Housing and Urban Development's Office of Native American Programs.

Through NHHBG, Hawaii's State Department of Hawaiian Lands may submit to HUD a list of proposed activities for HUD's review. HUD then grants funds to the SDHL, some of which are used by the SDHL itself. The remaining funds are distributed by the SDHL to local entities in the form of grants. Funds granted through the NHHBG program may be used to fund the development of Hawaiian lands for native Hawaiian households that qualify as low-income (i.e., their income is at or below 80 percent of area median income). Specifically, according to HUD, funds may be used for "new construction, rehabilitation, acquisition, infrastructure, and various support services."[602] According to the Census Bureau's 2011 American Community Survey, the median value of a home in Hawaii was $487,000 compared to the median value of $173,600 nationwide. [603] Additionally, according to the Census 2010 American Community Survey, while 10.7 percent of people in Hawaii lived in poverty, 18 percent of native Hawaiians qualify as living in poverty.[604]

According to HUD's fiscal year 2014 Congressional Budget Justification, NHHBG's annual program goal is to assist 65 families through the construction, acquisition, or rehabilitation of affordable housing units and related infrastructure.[605] Additionally, the Congressional Budget Justification states that funds will be used to provide case management and counseling to low-income native Hawaiian families in subjects including "pre- and post-homebuyer issues, financial literacy, loan packaging, and self-help home repair."[606]

Evidence

HUD's fiscal year 2014 Congressional Budget Justification reports that from 2005 to 2012, NHHBG funds were used to provide affordable housing to 501 native Hawaiian families and to fund training for over 1,300 low-income native Hawaiian households.[607]

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[602] "Native Hawaiian Housing Block Grant Program," U.S. Department of Housing and Urban Development, Accessed 11 Feb. 2014.
[603] "HUD FY 2014 Congressional Justifications," U.S. Department of Housing and Urban Development: p. N-8.
[604] Ibid.
[605] "HUD FY 2014 Congressional Justifications," U.S. Department of Housing and Urban Development: p. N-12.
[606] "HUD FY 2014 Congressional Justifications," U.S. Department of Housing and Urban Development: p. N-1.
[607] "HUD FY 2014 Congressional Justifications," U.S. Department of Housing and Urban Development: p. N-12.

Funding

In the program's early years, NHHBG was funded through the Community Development Fund. NHHBG has been funded from a separate account since 2006. In fiscal year 2012, program outlays were $3 million.

HOMEOWNERSHIP ASSISTANCE
Affordable Housing Program

Purpose
The Affordable Housing Program extends grants and subsidized loans to very low- and moderate-income households.

History
The Affordable Housing Program was created by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989. The act requires Federal Home Loan Banks to contribute the greater of either 10 percent of their net income or $100 million toward an Affordable Housing Program that extends grants and loans to low- and moderate-income households.[608] Under AHP, funds may be used in combination with other programs and funding sources including the Low-Income Housing Tax Credit.[609]

Funds are granted to developers and community organizers on a competitive basis. Each Federal Home Loan Bank receives guidance on local housing issues from a 15-member Affordable Housing Advisory Council.[610]

Evidence
The $4.8 billion in AHP funds distributed since 1990 have been used to build over 800,000 units, including almost 500,000 units for very low-income households.[611] However, there have been few studies further quantifying the effectiveness of the Affordable Housing Program.

Funding
In fiscal year 2012, outlays for the Affordable Housing Program were $286 million.

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[608] "The Appendix, Budget of the United States Government, Fiscal Year 2014," Office of Management and Budget: p. 1200.
[609] "Frequently Asked Questions: Federal Home Loan Banks? Affordable Housing Program," FHLBanks.com, Accessed 11 Feb. 2014.
[610] "Federal Home Loan Bank Programs for Community Investments," Office of the Comptroller of the Currency, Jul. 2013.
[611] "Federal Home Loan Banks: The Basics," FHLBanks.com, 2012.

Section 235 Mortgage Insurance and Assistance Payments for Homeownership Program

Purpose

The Section 235 Program provides mortgage-insurance subsidies to lenders to reduce interest costs for eligible borrowers.

History

The Section 235 Program was authorized by the Housing and Urban Development Act of 1968. The program, which was overseen by the Federal Housing Administration, provided mortgage-insurance subsidies to lenders to reduce interest costs for eligible borrowers. The Section 235 program was halted in 1973 by President Nixon, reactivated in 1976, restructured by the Housing and Urban-Rural Recovery Act of 1983, and finally terminated in 1989 by the Housing and Community Development Act of 1987. No new Section 235 mortgages have been issued since the program was terminated, but some Section 235 mortgages remain outstanding.[612]

Eighty percent of program funds were reserved for home loans for applicants with household income at or below 135 percent of the maximum income that would qualify a family for public housing. Borrowers were required to pay at least 20 percent of their income toward their loan. FHA then paid lenders either: 1) the balance of the monthly payment or 2) the difference between the required payments at the FHA interest rate and the payments that would be due at a 1 percent interest rate, whichever was smaller.[613]

Evidence

There have been few studies on the effectiveness of the Section 235 program. The program was terminated in 1989, suggesting it was deemed less effective than other forms of low-income-housing assistance.

Funding

The program was terminated in 1989. But there are still outstanding mortgages under the program. In fiscal year 2012, Section 235 outlays totaled $1 million.

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[612] Maggie McCarty, Libby Perl, Katie Jones, and Meredith Peterson, "Overview of Federal Housing Assistance Programs and Policy," Congressional Research Service, Jan. 2011.
[613] Ibid.

Rural Housing Assistance Grants

Purpose

Rural Housing Assistance Grants are primarily intended to fund the repair and improvement of rural housing units.

History

The primary Rural Housing Assistance Grant is the Very Low-Income Housing Repair program, which is authorized under Section 504 of the Housing Act of 1949. Through this program, elderly low-income residents of rural communities can apply to receive monies to make repairs to their units.

Evidence

Rural Housing Assistance Grants lack significant analysis on program effectiveness. The Department of Agriculture's fiscal year 2014 Congressional Budget Justification cites the importance of Section 504 housing repair grants, stating that the grants "allow very low-income elderly homeowners on a fixed budget to remain at home and independent, improving their quality of life by assuring a safe and functional environment. These rural homeowners that receive grant assistance have no other recourse of getting the necessary repairs completed on their homes."[614]

Funding

In fiscal year 2012, Rural Housing Assistance Grants totaled $39 million.

[614] "2014 Explanatory Notes Rural Housing Service," U.S. Department of Agriculture: p. 27–98.

Chapter 7: Social Services

- Number of federal programs: 8
- Number of federal agencies involved: 8
    - Appalachian Regional Commission
    - Court Services and Offender Supervision Agency for the District of Columbia
    - Department of Commerce
    - Department of Housing and Urban Development
    - Department of Transportation
    - Federal Communications Commission
    - The Judiciary
    - Legal Services Corporation
- Fiscal year 2012 cost: $13 billion

Community Development Block Grants

Purpose

The Community Development Block Grant program aims to improve the quality of life in low-income communities.

History

The Community Development Block Grant program was authorized by Title I of the Housing and Community Development Act of 1974. Its mission is to facilitate local solutions to community and economic-development challenges through grants to state and local governments. At least 70 percent of all CDBG funds must be used to benefit low- or moderate-income people.[615]

The Department of Housing and Urban Development distributes CDBG funds through the Community Development Fund, either directly to cities with populations of at least 50,000 or urban counties with populations of at least 200,000 (entitlement communities[616]); or to states to be dispersed to rural areas and small cities (non-entitlement communities). Seven percent of program funds are set aside for the Insular Areas CDBG program; the remaining amount is divided 70/30 to entitlement and non-entitlement communities, respectively. States may not carry out CDBG-eligible projects themselves; they must re-direct all CDBG funding to the non-entitlement communities. The CDBG program provides annual grants on this basis to nearly 1,200 entitlement, non-entitlement, and insular-area grantees. Historically, the CDBG program constitutes 80–90 percent of total CDF spending.

Grants to both entitlement and non-entitlement communities are distributed by formula. The total grant awarded to a community is determined by the higher amount derived by two formulas for both entitlement and non-entitlement communities. These formulas weigh community characteristics such as poverty rate, population growth or loss, overcrowded housing, and age of housing stock.

CDBG funds may be spent on 28 different eligible activities, and projects must meet one of three national objectives: 1) to provide benefit to low- and moderate-income persons; 2) to eliminate slums or blight; or 3) to address urgent community health and safety needs.[617] Examples of eligible activities include acquiring and rehabbing property for public works, beautification, or historic preservation; demolishing blighted properties; developing housing and housing counseling; and services such as crime prevention, child care, drug counseling, education, and recreation. Grantees spend approximately one-third of total grant funding on public improvements and one-quarter on housing activities.[618] They are limited by caps of 20

[615] "Moderate-income people" are defined as persons with incomes up to 120 percent of area median income.
[616] Cities and urban counties that no longer meet the respective 50,000 or 200,000 thresholds continue to be classified as entitlement communities
[617] "Community Development Block Grants," 24 CFR 570.
[618] "HUD FY 2014 Congressional Justifications," U.S. Department of Housing and Urban Development.

and 15 percent of total grant spending on management/administration and public services, respectively.

The base CDBG program includes a set-aside for Indian CDBG, which directs competitively awarded grants to recognized tribes for housing stock, community facilities, infrastructure, and job opportunities in Indian country. Congress may also provide an appropriation for CDBG Disaster Recovery grants. These are noncompetitive, nonrecurring grants, determined by a formula that considers needs unmet by other federal disaster assistance. Eligible grantees are presidentially declared disaster areas that have significant unmet recovery needs and otherwise meet CDBG eligibility criteria (this later requirement can be waived). Target beneficiaries are largely the same as in the regular CDBG program, and eligible activities include recovery and mitigation efforts directly connected to the targeted disaster. These disaster grants may not duplicate Federal Emergency Management Agency, Small Business Agency, or Army Corps of Engineers funding. In 2013 Congress provided the CDBG program with an additional $16 billion in emergency-designated funding for Hurricane Sandy recovery through the Disaster Relief Appropriations Act (P.L. 113-2).

In general, the CDBG program seeks to supply public funding where private investment is unavailable. Grantees frequently emphasize job creation, greater services, and the establishment of decent, affordable housing. Citizen participation is encouraged through requirements that grantees hold public meetings, make project plans widely available, and provide written answers to written complaints and grievances. In addition, the flexibility of the CDBG program means that it can be used by the federal government to respond to a variety of extraordinary situations, such as natural disasters (as discussed above) or the recent housing crisis (demonstrated in the three iterations of the Neighborhood Stabilization Program in 2008, 2009, and 2010).

Evidence

A 2012 GAO report on the block-grant programs administered by HUD noted that "information on the overall effectiveness of the CDBG and HOME programs is limited."[619] The report identified as specific challenges the limited amount of program data and the difficultly in attributing community development to CDBG funding independent of other local factors.

The following are the most commonly cited in-depth analyses of the CDBG program:

- ***There is little evidence on CDBG's contribution to communities.*** Christopher Walker et al. (1995) find that for the period under consideration, CDBG played a positive role in the stabilization and recovery of sample communities. However, the study "did not attempt to isolate the impact of CDBG-funded activities in these communities."[620]

[619] "HUD Has Identified Performance Measures for Its Block Grant Programs, but Information on Impact Is Limited," U.S. Government Accountability Office, 15 May 2012.

[620] Christopher Walker, Paul Dommel, Harry P. Hatry, Amy Bogdon, and Patrick Boxall, "Federal Funds, Local Choice: An Evaluation of the Community Development Block Grant Program," Urban Institute, 1 Nov. 1994.

- ***In some cases, CDBG helps spur economic growth***. IHS Global Insight (2011) examines ten grantee communities and finds that they leverage CDBG funding to secure other government or private investment, which helps spur economic development.[621]
- ***Targeted, sufficient aid can have an effect. George Galster et al.*** (2004) find that certain types of CDBG spending above a threshold level can result in neighborhood improvements. But for CDBG spending to be effective it must be both targeted and concentrated. The study did not link CDBG spending to specific measures of neighborhood quality because the authors determined that a more nationally representative sample was needed.[622]

An additional HUD-requested Urban Institute study carried out in 2002 identified two data sources: median home-loan amount and number of businesses—as potentially significant indicators of CDBG grant impact at the neighborhood level. However, while identifying the study as "a good first step," the authors cautioned that "this initial work does not support the use of this methodology as the basis for a national performance measure applicable to all CDBG programs."[623]

One explanation for the dearth of CDBG studies is the lack of consistent, quality data collected by HUD (and available to the public). There is some program-wide data. For example, program grantees use 94 percent of CDBG funds on activities that benefit low- and moderate-income families. CDBG economic development activities have created or retained early 356,000 jobs in the last decade. And the program has provided $138 billion in community investment since its inception.[624] That said, all these data points say very little about whether the program is meeting its statutory mission.[625]

Insufficient CDBG program-data collection may stem from poor internal oversight. According to a 2006 GAO report, HUD collects enough data to show that CDBG recipients spend the largest portion of their grant funding on public improvements; housing; and administration and planning. Yet the agency lacks a central database to determine overall compliance with the 15 percent spending limit on public services set in law. From its own survey of 100 HUD field offices cited in its report, GAO estimated that up to 3 percent of entitlement recipients exceeded this limit in 2006 alone (and while field offices have the authority to sanction recipients, there are no standard disciplinary measures).[626]

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[621] "Community Development Block Grants: Impacts on Metro Economies Preliminary Report," IHS Global Insight, 16 Mar. 2011.
[622] George Galster, Chris Walker, Chris Hayes, Patrick Boxall, and Jennifer Johnson, "Measuring the Impact of CDBG Spending on Urban Neighborhoods," The Urban Institute, Mar. 2004.
[623] Chris Walker, Chris Hayes, George Galster, Patrick Boxall, Jennifer Johnson, "The Impact of CDBG Spending on Urban Neighborhoods: Final Report," The Urban Institute, Aug. 2002.
[624] "HUD FY 2014 Congressional Justifications," U.S. Department of Housing and Urban Development.
[625] From 42 USC 5301: "Systematic and sustained action by Federal, state, and local governments to eliminate blight, to conserve and renew older urban areas, to improve the living environment of low- and moderate-income families, and to develop new centers of population growth and economic activity."
[626] "Community Development Block Grants: Program Offers Recipients Flexibility but Oversight Can Be Improved," U.S. Government Accountability Office, Jul. 2006.

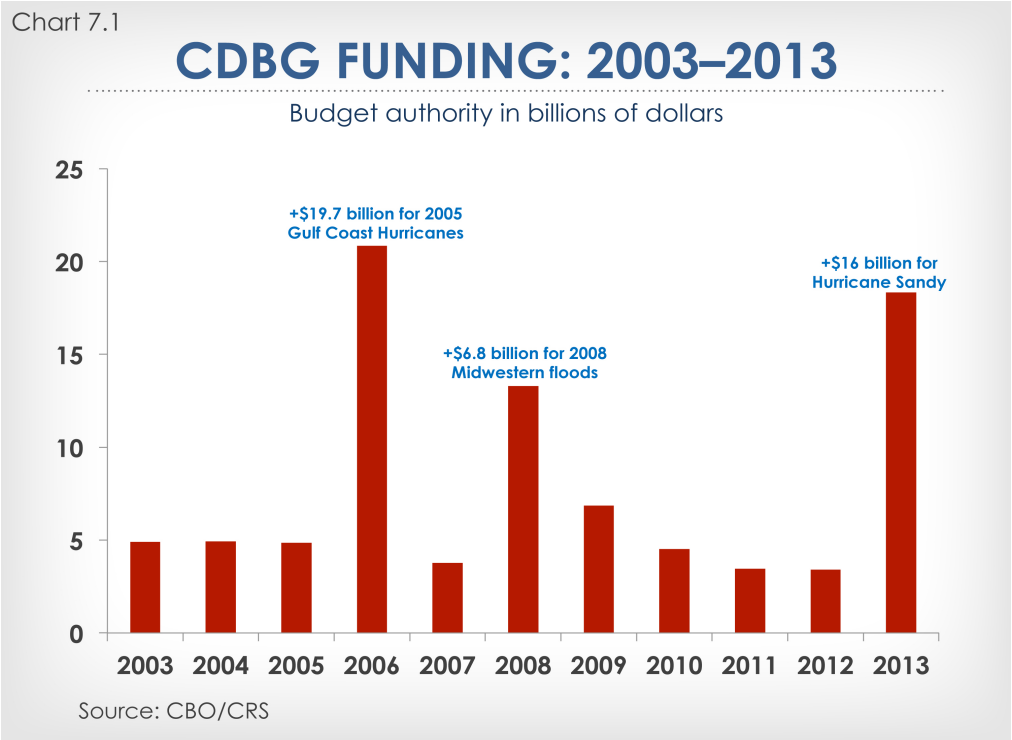
The quality of available program data must be improved to include clear, outcome-based performance measures such as the local unemployment rate, education attainment, and private investment in CDBG-recipient communities versus "control communities" over time. This may help isolate the impact of the grants in the absence of other factors.[627]

Yet while more and better data will provide HUD, academic researchers, and the general public with a better picture of how the CDBG program is working, evaluating its precise impact will still be a challenge. For example, are recipient communities able to sustain economic growth and job creation for a significant period of time after grant funding has expired? Does reaching more households within an entitlement community with public services result in a lower poverty rate over time?

These questions cannot be answered until further research on the CDBG program is carried out. At the very least, it is far from clear that entitlement and non-entitlement communities have experienced the type of population growth and economic activity envisioned by the Community Development Act nearly 40 years ago.

Funding

The historical pattern of CDBG funding shown in the chart below reflects the way in which Congress has used the program to respond to economic crises and natural disasters. The spikes indicate emergency funding authorized in response to specific events:



[627] For more on this see June 29, 2006 testimony of Mercatus Center Senior Research Fellow Eileen Norcross before the Subcommittee on Federal Financial Management, Government Information and International Security of the Senate Committee on Homeland Security and Government Affairs.

The CDBG program has distributed a total of $138 billion in grants since it was established in 1974. For the past 20 years, the base CDBG program has received about $5 billion per year, although in 2011 and 2012 that amount was closer to $3 billion. In 2006 the CDBG program received nearly $21 billion, its largest total appropriation to date.

The 2009 stimulus provided an additional $1 billion to the base CDBG program and $2 billion for the neighborhood-stabilization program within the Community Development Fund. The 2013 CDBG appropriation of $19 billion includes $16 billion in emergency-designated funding appropriated specifically for Hurricane Sandy recovery. While this total reflects an unusually high level of CDBG disaster funding, it is likely that future CDBG appropriations will at times include supplemental CDBG disaster-related funding beyond the projected program base of $3–4 billion.[628]

[628] It is important to distinguish between the CDBG Disaster Recovery program and the disaster designation given to certain funds by Congress under Sec. 251(b) of the Deficit Control Act of 1985, as amended.

Appalachian Regional Commission

Purpose

The Appalachian Regional Commission is a federal-state partnership to help the Appalachian region reach socioeconomic parity with the rest of the nation.

History

The Appalachian Regional Commission was created by the Appalachian Regional Development Act of 1965. The 13 member states are Alabama, Georgia, Kentucky, Maryland, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia, and West Virginia. ARC serves 420 counties and 25 million people across all of West Virginia and parts of the other 12 member states.

The commission itself comprises the governors of the 13 member states and a federal co-chair (a presidential appointment subject to Senate confirmation). The other co-chair is selected annually by the governors from within their own ranks.

ARC has established four priority goals for the region: 1) increase job opportunities and per capita income; 2) strengthen the capacity of the people to compete in the global environment; 3) develop and improve infrastructure; and 4) build the Appalachian Development Highway System to reduce isolation.[629] In order to achieve these goals, the commission seeks to coordinate all available federal funding to provide leverage for local government and private investment. Grants are awarded for priority regional activities such as reforestation, green energy, food-system development, and community-based philanthropy.

The ARC program was reformed by major legislation in 1975, 1998, and 2002. Of these, the Appalachian Regional Development Reform Act of 1998 was the most comprehensive. The act divided ARC counties into three categories—distressed, competitive, and attainment—and placed a 30 percent federal match cap on projects in competitive counties. ARC assistance to attainment counties was prohibited, limits on federal matches for other types of projects were instituted, and certain ARC programs were repealed. Finally, the 1998 Reform Act further adjusted the commission's decision-making process (a major element of the 1975 reform).

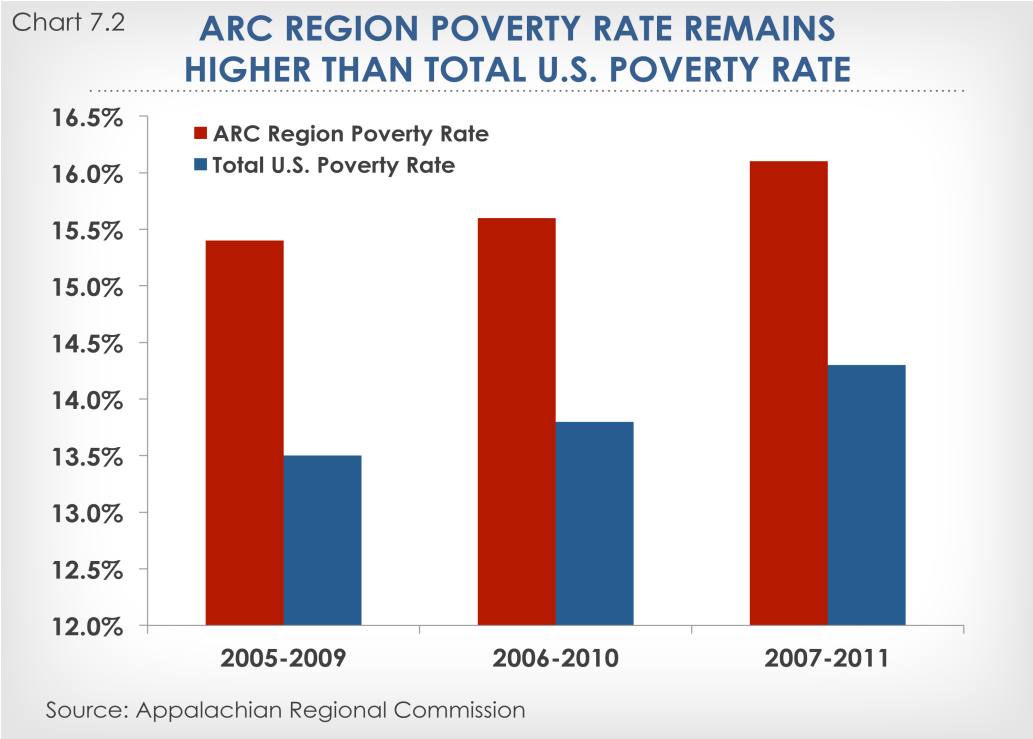
Another significant development came in 1998 with the passage of the Transportation Equity Act for the 21st Century (TEA-21), which moved funding for the ADHS from the General Fund (through the annual ARC appropriation) to the Highway Trust Fund.

Evidence

The Appalachian region continues to lag behind the rest of the U.S. when measured by rates of poverty, unemployment, and educational achievement. The poverty rate for the entire ARC area was 113 percent of the national poverty rate for the period of 2007–2011. The Appalachian regions of Kentucky, Mississippi, Tennessee, Virginia, and West Virginia in particular have

[629] Further funding for the ADHS was recently authorized by the most recent surface-transportation authorization, Moving Ahead for Progress in the 21st Century (MAP-21), in 2012.

much higher poverty rates than the nation as a whole, with Kentucky's approaching 175 percent of the national rate.



At the same time, poverty within the ARC region is not as widespread today as it was in the pre-ARC era: In 1960, there were 295 high-poverty counties in the ARC area, compared to 110 in 2010.

ARC has developed a socioeconomic development index to track progress toward fulfilling the goal of parity with the rest of the country.[630] According to this index, in fiscal year 2013, ARC will have served 197 of the economically weakest counties in the country (25 percent of the total in this category). Conversely, only 15 (or 2 percent) of the economically strongest counties in the country are in ARC territory.

ARC has commissioned several evaluations of program activities in the last decade. These tend to focus on the number of Appalachian residents reached by ARC programs, attainment of education or job skills, and job creation. A 2012 study by Westat found an 18 percentage-point drop in the proportion of participants who were unemployed before and after participating in an ARC education or workforce-development initiative.[631] The study recommended that ARC continue to track employment progress after grants have expired. A 2008 Cambridge

[630] The index compares three economic indicators at the county level (three-year-average unemployment rate, per-capita market income, and poverty rate) with national averages:
"Source and Methodology: Distressed Designation and County Economic Status Classification System, FY 2007–FY 2014," Appalachian Regional Commission, Accessed 11 Feb. 2014.
[631] Gary Silverstein, Melissa Bryce, Diana Long, Steve Landau, "Evaluation of the Appalachian Regional Commission's Education and Workforce Development Projects: 2000-2008," Wester for Appalachian Regional Commission, Dec. 2012.

Systematics study found that completion of the ADHS would increase travel efficiency within the ARC region and freight efficiency beyond (for freight haulers that must pass through).[632] One limitation of this study is that, although it included future cost increases for completing the system, it may well underestimate the extent to which ADHS completion will ultimately exceed the current $11.4 billion estimate (already a significant upward adjustment).

Funding

The reforms instituted in 1998 had a significant impact on ARC appropriations. Fiscal year 1999 saw a 61 percent decrease in the ARC appropriation, while TEA-21 authorized $300 million from the Highway Trust Fund for the ADHS. Annual ARC appropriations have been between $65 and $75 million since TEA-21, and there is nearly $2.4 billion in unobligated balances for the ADHS, which ARC anticipates will result in about $470 million in annual ADHS expenditures for 2013–2017.

[632] "Economic Impact Study of Completing the Appalachian Development Highway System," Cambridge Systematics, Inc., Economic Development Research Group, HDR Decision Economics for Appalachian Regional Commission, Jun. 2008.

Economic Development Assistance Programs

Purpose

The Economic Development Administration works to support job creation and economic growth in the country's most distressed areas.

History

The Economic Development Administration of the Department of Commerce was created by the Public Works and Economic Development Act of 1965.

EDA administers six main Economic Development Assistance Programs: Economic Adjustment Assistance, Partnership Planning, Technical Assistance, Public Works, Research and Evaluation, and Trade Adjustment Assistance. EDA distributes grants through these programs to communities and regions struggling from persistently high unemployment, population loss, low average incomes, and general economic distress. Grantees include state and local governments, colleges and universities, Economic Development Districts, planning organizations, and non-profits.

EDA's economic development activities try to leverage private investment; promote export capacity and attract foreign direct investment; and invest in communities that have suffered disproportionately from the loss of a particular industry or employer. Examples include public-works projects, technical services, business assistance, and research grants.

Limits apply to the federal cost share of EDA projects and are based on the relative need of a community as measured by an established unemployment formula.[633] Exceptions are made for Indian tribes, presidentially declared disaster areas, and states or local governments that have exhausted their taxing and borrowing powers.

Evidence

In 2012, GAO issued a report on one of the major EDAP programs, TAA for Firms. Through a network of eleven TAA centers (most of which are affiliated with universities), EDA helps U.S. firms negatively affected by increases in global trade to develop and implement business recovery plans. As with other community-development programs, GAO found a lack of data and limited performance measures were preventing EDA from determining program effectiveness. Specifically, although GAO found that participation in the program was positively associated with an increase in sales, it also found that "EDA's lack of centralized, comprehensive, and reliable data on participating firms limits its ability to improve program management and program outcomes."[634]

Coordinating with rather than duplicating other federal community and regional development programs is a major challenge for EDA. It has nearly 400 Economic Development Districts

[633] The formula considers severity and duration of unemployment, per capita income levels and underemployment, outmigration, and "such other factors as EDA deems relevant" (13 CFR 301.4)

[634] "Trade Adjustment Assistance: Commerce Program Has Helped Manufacturing and Service Firms, but Measures, Data, and Funding Formula Could Improve," U.S. Government Accountability Office, Sep. 2012.

across the country—counties or communities that coordinate development activities with each other. More information is needed to determine the extent to which these activities enhance rather than overlap CDBG entitlement community activities. In some cases CDBG funds may be used as a local match for other federal grants, as long as the project meets CDBG eligibility requirements.

Funding

As with the CDBG, annual EDA appropriations often reflect Congressional intent to employ EDA programs in response to a specific economic crisis. The 2008 total, for example, includes $100 million in supplemental funding for EDAP and $400 million for Emergency Assistance Act grants through EDA, in response to Hurricanes Ike and Gustav. The 2009 stimulus provided EDAP with an additional $150 million, and in 2012, EDAP programs were given $200 million in BBEDCA Disaster category funding.

Universal Service Fund

The universal-service concept is the belief that all Americans should have affordable access to telecommunications services. The universal-service concept dates back to the 1934 Communications Act, in which Congress stated its intention to "make available, so far as possible, to all the people of the United States . . . a rapid, efficient, Nation-wide, and world-wide wire and radio communication service with adequate facilities at reasonable charges."[635] According to the Congressional Research Service, the "Telecommunications Act of 1996 not only codified the universal-service concept; it also led to the establishment in 1997 of a federal Universal Service Fund to meet the universal-service objectives and principles contained in the 1996 act."[636]

The USF is administered by the Universal Service Administrative Company, an independent nonprofit organization, and funded through federally mandated contributions from telecommunications carriers that provide interstate service. Every quarter, USAC submits projections of demand and administrative expenses to the FCC, which then, after approval, sets the contribution factor based on these projections. USF funds never go to the Treasury; they are deposited in a commercial bank that is selected by a competitive process held by USAC and approved by the FCC. While these funds do not flow through the Treasury, they are included in the federal budget.

A service provider's contributions are determined by a percentage of its interstate and international revenues. Calculated on a quarterly basis, this percentage is called the contribution factor and may increase, decrease, or stay the same depending on the needs of the universal-service programs drawing on the USF. Most assessed providers have chosen, but are not required, to recover USF contributions directly from their customers (which are seen as earmarked universal-service charges on subscribers' bills). According to the Congressional Research Service, "if an assessed provider does choose to collect USF fees directly from their customers, the provider is not permitted to recover, through a federal universal-service line item on a customer's bill, an amount that exceeds the universal-service-charge contribution factor."[637] The average USF charge on a user's phone bill is about $2.50 per month.

The USF provides support and discounts for providers and subscribers through four main programs: high-cost support; rural health-care support; low-income support; and schools and libraries support. Low-income support and schools and libraries support are the two programs in the USF that are means-tested.

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[635] 47 U.S.C. § 151; Federal Communications Commission created.
[636] Angele Gilroy, "Universal Service Fund: Background and Options for Reform," Congressional Research Service, 25 Oct. 2011.
[637] Ibid.

Universal Service Fund: Low-Income Support

Purpose

The Universal Service Fund provides subsidies to help low-income Americans afford access to telecommunications services.

History

In 1984, the Federal Communications Commission established the Low-Income Support, or Lifeline program, to assist eligible low-income subscribers to cover the monthly service charges for landline-telephone usage. The program was implemented in the wake of the 1984 break-up of AT&T. According to the FCC, its initial purpose was to ensure that "any increase in local rates that occurred following major changes in the marketplace would not put local phone service out of reach for low-income households and result in service disconnections."[638] The commission found that voice service had "become crucial to full participation in our society and economy, which are increasingly dependent upon the rapid exchange of information."[639] The commission was also concerned about low-income users not being able to contact emergency services, including low-income Americans with disabilities.

In 1996, Congress established a national telecommunication goal that services should be available at "affordable"[640] rates and that "consumers in all regions of the nation, including low-income consumers . . . should have access to telecommunications and information services [e.g. Internet]."[641] Based on recommendations of the Joint Board, which consists of FCC commissioners, state utility commissioners, and a state consumer-advocate representative, the commission further revised and expanded the Lifeline program after passage of the Telecommunications Act of 1996.[642] Some of these expansions included providing Lifeline benefits to consumers in states that were not participating in the program and increasing federal funding for the program. After implementation of the 1996 Act and soon thereafter, the level of federal Lifeline support steadily increased.

Since 1996, the program has been administered by USAC under commission direction, although the states are responsible for implementing key elements of the program including consumer eligibility and verification, Eligible Telecommunication Carrier status designations, and outreach.

To be eligible for the Lifeline program, consumers must either have an income that is at or below 135 percent of the federal poverty guidelines or participate in federal assistance programs such as Medicaid, Supplemental Nutrition Assistance Program, Supplemental Security Income, Federal Public Housing Assistance, Low-Income Home Energy Assistance

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[638] "MTS and WATS Market Structure, and Amendment of Parts 67 & 69 of the Commission's Rules and Establishment of a Joint Board," Report and Order, 50 Fed. Reg. 939 (Jan. 8, 1985).
[639] *Id*. at 942, para. 11.
[640] 47 U.S.C. § 254(b)(1).
[641] 47 U.S.C. § 254(b)(1),(3).
[642] "Universal Service First Report and Order," 12 FCC Rcd at 8952, paras. 326–28.

Program, Temporary Assistance to Needy Families, and the National School Lunch Program's Free Lunch Program to name a few.

Eligible households can receive up to $10.00 per month in Lifeline subsidies, depending on the subscriber's location. Only one Lifeline discount can be used per household.

In 2005, the FCC began granting petitions for non-facilities-based providers (companies that do not own the infrastructure used to provide service, such as prepaid wireless providers including TracFone) to become ETCs on a case-by-case basis. Allowing wireless-service plans, in addition to landline service, to qualify as ETCs greatly expanded the number of telecommunications companies eligible to participate in Universal Service programs (especially Lifeline) and is a contributing factor to the program's growth.

In 2013, $2.3 billion was spent on the Lifeline program, an increase of 187 percent since 2005. As of the fourth quarter of 2012, there were about 16 million Lifeline beneficiaries. Currently, about 75 percent of the program supports wireless phones and about 25 percent of the program supports landline phones.

The Link Up program, established in 1987, is another income-based program that assists eligible low-income subscribers to pay the costs for the installation of telephone service. Eligibility for Link Up is the same as Lifeline in terms of income requirements. The program provides up to $30 to subsidize phone-service-installation costs. In 2012, the FCC limited the program to tribal lands only, drastically reducing the size of the Link Up program. This is because technological advancements, specifically wireless, made installation services no longer required for phone access. Although Link Up had mostly outlived its original purpose, some tribal lands still have infrastructure challenges and require such installation to have communications services.

In 2012, there were 1.4 million Link Up beneficiaries, which cost approximately $48 million. In 2013, there were 8,000 Link Up beneficiaries (all beneficiaries were tribal lands), which cost approximately $283,000.

Evidence

Whether Lifeline is considered effective depends on how the program is evaluated. According to a 2010 GAO report,[643] the FCC has failed to develop performance goals and measures of success for the Low-Income Program. Consequently, GAO argues that the FCC has "limited insight on the intent of the program and what it is accomplishing,"[644] which negatively affects the commission's ability to manage the program.

When looking at access, evidence suggests that Lifeline has helped increase the availability of voice service to low-income consumers. Telephone subscribership among low-income Americans has grown significantly since the program began in 1984. According to the FCC, the gap between

[643] "Telecommunications: Improved Management Can Enhance FCC Decision Making for the Universal Service Fund Low-Income Program," U.S. Government Accountability Office, Oct. 2010.
[644] Ibid.

telephone penetration rates for low-income and non-low-income households has narrowed from approximately 12 percent to 4 percent between 1984 and 2011.[645] However, there is no evidence that proves that this trend would have still occurred if the Lifeline program did not exist.

It is more difficult to measure Lifeline's effectiveness when looking at whether the program increases low-income users' ability to interact with society and the economy, access health and education services, or find employment. No studies have been done yet to provide insight on this issue.

Fraud, Waste, and Abuse

Unfortunately, the Lifeline Program has experienced multiple instances of fraud, waste, and abuse. The most common violations include:

1. More than one discount benefit given per household
2. Ineligible consumers receiving benefits
3. Either eligible or ineligible recipients selling cell phones and/or benefits in exchange for drugs, shoes, and cash. Further, wireless companies have been caught giving out benefits knowing the recipient's intent to sell them.[646]

The FCC is currently trying to strengthen Lifeline program administration and increase accountability. For example, the FCC is in the process of creating a National Accountability Database to verify consumer eligibility and validate ongoing eligibility for current recipients. The FCC also adopted a policy to eliminate funding for services that go unused for more than 60 days, in addition to requiring all subscribers to annually confirm their eligibility status by submitting documentation of income or participation in a qualifying federal assistance program. In spite of these efforts, sufficient program accountability, oversight, and management have yet to be attained. According to a U.S. House of Representatives Committee on Energy and Commerce hearing, "As many as 41 percent of those receiving Lifeline support either could not demonstrate eligibility for the subsidy or refused to respond to requests for certification."[647]

Funding

Funding for the Low-Income program started to dramatically rise in 2009 because of the 2005 approval of wireless carriers as ETCs, which went into effect in 2008. In addition, the poor economy encouraged more low-income users to apply for benefits, which also contributed to program growth during this time period. The Low-Income program currently has no funding cap.

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[645] The Commission's telephone-subscription penetration rate is based on the Census Bureau's Current Population Survey. "Telephone Subscribership in the United States (Data through July 2011)," Industry Analysis and Technology Division, Wireline, Competition Bureau, Federal Communications Commission, Dec. 2011.

[646] David Martosko, "Exclusive: Hidden Camera Catches Wireless Company Employees Passing Out 'Obama Phones' to People Who Say They'll Sell Them for Drugs, Shoes, Handbags, and Spending Cash," *The Daily Mail*, 18 Jun. 2013.

[647] "The Lifeline Fund: Money Well Spent?" Hearing: House Committee on Energy and Commerce, Subcommittee on Communications and Technology, 25 Apr. 2013.

Universal Service Fund: Schools and Libraries Support

Purpose

The Schools and Libraries program (often called Education-Rate or E-Rate) helps to ensure that schools and libraries can obtain telecommunications services, Internet access, and internal connections and basic maintenance at affordable rates.

History

Under universal-service provisions contained in the 1996 Telecommunications Act, elementary and secondary schools and libraries are eligible for discounts for telecommunications services. The purpose of the E-Rate program is for every student in America to have access to telecommunications and information services so all students, especially those living in rural areas, can stay academically and technologically competitive globally. Under this program, which began in 1998, eligible schools and libraries receive discounts from the USF ranging from 20 to 90 percent for services. The school or school district's poverty level, based on the percentage of students eligible for the National School Lunch Program, and location (urban/rural status) determine the level of E-rate benefit that can be received.

Applicants in rural areas are given an advantage when calculating the percentage discount. See the table below[648] for E-Rate benefit calculations:

Income Measured by % of Students Eligible for the National School Lunch Program	Urban Location E-Rate Discount	Rural Location E-Rate Discount
If the percentage of students in the school qualifying for the National School Lunch Program is . . .	. . . and the school is in an *urban* area, the E-Rate discount will be . . .	. . . and the school is in a *rural* area, the E-Rate discount will be . . .
Less than 1%	20%	25%
1% to 19%	40%	50%
20% to 34%	50%	60%
35% to 49%	60%	70%
50% to 74%	80%	80%
75% to 100%	90%	90%

[648] "Discount Matrix," Universal Service Administrative Company, Accessed 20 Feb. 2014.

Evidence

The E-Rate program has been successful in providing American students access to telecommunication and information services. When Congress created the program in 1996, only 14 percent of classrooms had access to the Internet, and 74 percent of schools with Internet access used dial-up.[649] By 2005, nearly all schools had access to the Internet,[650] and, by 2006, the same was true for most public libraries.[651]

Today, the FCC is in the middle of a rulemaking process in which the public has the opportunity to comment on the following proposed goals by the FCC: "(1) increased broadband capacity; (2) cost-effective purchasing; and (3) streamline program administration."[652] If these goals are adopted, then the purpose of the E-Rate program will expand to include not just telecommunication access, but also the type of access the program provides (e.g. high-capacity broadband).

Despite certain successes of the E-Rate program, the FCC's inspector general has identified several instances of fraud, waste, and abuse.[653] According to the Congressional Research Service, "the ability to ensure that only eligible services are funded, that funding is disbursed at the proper level of discount, that claimed services have been received, and that the integrity of the competitive-bidding process is upheld have been questioned."[654] In addition, multiple GAO reports[655] have highlighted concerns about the financial oversight of the E-Rate program. As a result, the Universal Service Administrative Company initiated a number of measures to address these issues and applied them to all USF programs, including E-rate. According to the Congressional Research Service, "these measures included establishing a whistleblower hotline to report violations and conducting random and targeted audits of USF program participants and contributors."[656]

Funding

In 2012, $2.22 billion was spent on the E-Rate program, a 34 percent increase since 2005, and 36,004 applications for E-Rate benefits were funded. The cap for spending on the E-Rate program is $2.25 billion adjusted for inflation. The FCC established this cap beginning with fiscal year 2010.

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[649] Anne Kleiner, Elizabeth Farris, "Internet Access in U.S. Public Schools and Classrooms: 1994-2001," U.S. Department of Education, National Center for Education Statistics, Sep. 2002, and "Internet Access in U.S. Public Schools and Classrooms: 1994-2005," U.S. Department of Education, Institute of Education Sciences, Nov. 2006: pp. 4–5, 16.

[650] *See id*. at 4–5.

[651] "Public Libraries and the Internet 2006," Florida State University [Study Results and Findings at 7 (2006)], Accessed 15 Jul. 2013.

[652] "*Notice of Proposed Rulemaking: Modernizing the E-rate Program for Schools and Libraries*," Federal Communications Commission, July 23, 2013.

[653] "Semiannual Report to Congress, April 1, 2006–September 30, 2006," Federal Communications Commission Office of the Inspector General, Accessed July 12, 2013: p.8.

[654] Angele A. Gilroy, "Universal Service Fund: Background and Options for Reform," Congressional Research Service, 25 Oct. 2011.

[655] For example, "FCC Should Assess the Design of the E-rate Program's Internal Control Structure," U.S. Government Accountability Office, Sept. 2010.

[656] Angele A. Gilroy, "Universal Service Fund: Background and Options for Reform," Congressional Research Service, 30 June 2011.

Defender Services and the Public Defender of the District of Columbia

Purpose

The Defender Services program carries out provisions of the Criminal Justice Act by funding legal representation to persons who are financially unable to obtain counsel in federal criminal proceedings. The appropriation to the Defender Services account directly funds compensation and expenses of court-appointed counsel, as well as program staff, research, grants, and other activities.

The Public Defender Service for the District of Columbia (PDS) provides defense counsel to low-income defendants in the criminal justice system of the District of Columbia. Although it is federally-funded, PDS is an independent organization outside of the Judicial Branch or any other federal agency.

History

Passage of the CJA in 1964 provided the federal government, for the first time, with the authority to compensate counsel appointed to represent low-income individuals involved in in federal criminal proceedings. Congress subsequently amended the CJA to establish a coordinated system of federal defender organizations.

There are two types of FDOs. The first is a federal public defender appointed to a four-year term by a federal circuit court for leadership of an organization consisting of full-time public defense attorneys and various administrative staff. The second type of Federal Defender Organization is a non-government, non-profit community defender organization that receives federal grants to carry out the same responsibilities as a federal public defender.

Originally authorized in 1970, The District of Columbia PDS was reorganized along with other programs in the District of Columbia through the National Capital Revitalization and Self-Government Improvement Act of 1997 (P.L. 91-358).[657] PDS now receives an annual appropriation from Congress. In addition, Congress funds a separate account for Defender Services in District of Columbia Courts to fulfill the requirements of the Criminal Justice Act.

Evidence

According to the Administrative Office of the United States Courts, 86,142 criminal representations were opened and 86,185 were closed by federal defender organizations in 2012.[658] These totals include appeals, probation and parole hearings, and motions to correct or reduce sentences. They also represent an increase over the 2011 caseload.

Funding

Spending on the federal Defender Services program has nearly doubled over the past decade, from $559 million in 2003 to $1.04 billion in 2012. The PDS received a $41 million

[657] "Fiscal Year 2013 Congressional Budget Justification," The Public Defender Service of the District of Columbia, Feb. 2013: p. 2.

[658] Administrative Office of the U.S. Courts, "Judicial Business of the United States Courts: 2012 Annual Report of the Director," (Washington: 2013), Table S-21.

appropriation from Congress in the 2014 omnibus appropriations bill, a level consistent with PDS funding in recent years.

The Legal Services Corporation

Purpose

The Legal Services Corporation provides federal funds to local non-profit organizations that offer free civil legal assistance to people living in poverty.

History

The LSC was established in 1974 to fill and expand the role previously occupied by the Legal Services Program of the Office of Economic Opportunity. Of particular concern to Congress at the time was the lack of access to the civil legal system for low-income individuals who qualified for other forms of federal assistance.

The corporation is governed by an eleven-member board of directors, every member of which is nominated by the President and confirmed by the Senate. The board is divided into an Executive office, which oversees all LSC operations, and eight other offices responsible for corporation policies in specific legal areas.

In order to qualify for assistance through an LSC organization, a person must be part of a household living at or below 125 percent of the federal poverty level. According to LSC data, 70 percent of LSC clients are women.[659] LSC beneficiaries commonly seek assistance for cases involving family law, housing and foreclosure, consumer issues, income maintenance, military issues, and disaster recovery. According to the corporation, 2.3 million people received assistance from LSC-funded programs in 2011 (the most recent year for which data are available).[660] Congress usually requires LSC (through the annual appropriation bill) to apportion the grants based on Census Bureau poverty data.

Evidence

Proper grant oversight is a significant challenge for LSC—a challenge highlighted by two recent high-profile fraud cases. In 2010 the former chief financial officer of the LSC-funded Maryland Legal Aid Bureau was sentenced to 2 ½ years in prison for stealing over $1 million from the organization by submitting inflated invoices for office supplies.[661] In 2011, the Grant Administrator and Legal Assistant of American Samoa pled guilty to stealing more than $150,000 in grant funds by awarding grants to herself and several relatives, all of whom were ineligible to receive LSC funds.

GAO released two reports in 2007 indicating that LSC lacked sufficient internal governing and accountability controls, and a follow-up report in 2009 found that, despite making limited

[659] "Legal Services Corporation 2012 Fact Book," Legal Services Corporation Jul. 2013: p. 23.
[660] "Fact Sheet on the Legal Services Corporation," Legal Services Corporation, Accessed 26 Feb. 2014.
[661] "Former Finance Chief of Maryland Legal Aid Bureau Sentenced to Two and One-Half Years in Prison for Stealing More Than $1 Million," Federal Bureau of Investigation, 14 Dec. 2010.

progress, the LSC board "fell short of the modern practices employed by other nonprofit corporations and public companies."[662]

Public interest law groups on both the left and the right have sharply criticized the LSC board for poor grant oversight, conflicts of interest, and excessive spending on travel, headquarters, and personnel.[663]

Funding

Discretionary funding for LSC has remained steady at about $400 million per year over the past decade. Congress appropriated $365 million for LSC in the 2014 omnibus appropriations bill.

[662] "GAO-10-194T Legal Services Corporation: Some Progress Made in Addressing Governance and Accountability Weaknesses, But Challenges Remain," U.S. Government Accountability Office, 27 Oct. 2009.

[663] John Solomon, "Federal Legal Aid Vulnerable to Fraud, Questions of Conflicts and Intimidation," Center for Public Integrity, 14 Jul. 2010.

Chapter 8: Veterans

- Number of federal programs: 2
- Number of federal agencies involved: 1
    - Department of Veterans Affairs
- Fiscal year 2012 cost: $21.8 billion

Disability Pension

Purpose

The Department of Veterans Affairs provides veterans and their families two pension programs: the Improved Disability Pension for low-income veterans and the Improved Death Pension for low-income surviving spouses and dependent children of disabled veterans.

History

Both programs were created by the Veterans and Survivors Pension Improvement Act of 1978.

Improved Disability Pension

The Improved Disability Pension provides a monthly benefit to veterans who meet eligibility criteria related to the length and type of service; age or disability; and financial well-being.

Generally, a veteran must have completed at least 90 days of active-duty service, with at least one day of service during a wartime period to be eligible for a VA Pension.[664] The U.S. has been in a wartime period since August 1990 and will remain so until a law is passed or via presidential proclamation. In addition to meeting minimum-service requirements, the veteran must meet age and/or disability requirements:

- Age 65 or older,
- Totally and permanently disabled,
- A patient in a nursing home receiving skilled nursing care,
- Receiving Social Security Disability Insurance, or
- Receiving Supplemental Security Income

In the 2001 Veterans Education and Benefits Expansion Act, eligibility for the Improved Disability Benefit was expanded to veterans age 65 or over, regardless of disability status, who meet the other requirements. Prior to the 2001 Act, veterans had to prove 100 percent disability (along with the other requirements) to be eligible for the pension benefit. Now, being age 65 or older is considered a 100 percent disability and fulfills the disability requirement.

In addition to meeting the criteria above regarding length of service and age or disability, a veteran must also qualify as low income and have annual countable income below the annual maximum-benefit amount. For 2013, the annual maximum-benefit amount was $12,465 for a veteran and $16,324 for a veteran with one dependent. A veteran with annual countable income below the annual maximum-benefit amount will have his or her benefit reduced dollar-for-dollar by the amount of annual countable income below the threshold. According to the Congressional Research Service, in addition to income, there is also an asset test component to the pension benefits: "a veteran may not have a net worth or estate large enough that it would be reasonable for part of the estate to be used for the veteran's

[664] According to the Department of Veterans Affairs, "if you entered active duty after September 7, 1980, generally you must have served at least 24 months or the full period for which you were called or ordered to active duty (with some exceptions), with at least one day during a wartime period." ("Pensions," U.S. Department of Veterans Affairs.)

maintenance."[665] Annual countable income includes income from multiple sources including salary, retirement or annuity payments, Social Security Disability Insurance, workers' compensation, and similar income. Supplemental Security Income is not included as countable income.

Veterans can receive a higher maximum annual pension rate if they are housebound and substantially confined to their immediate home because of a permanent disability. To qualify as housebound, a veteran must have a 100 percent disability rating and a second disability rating of at least 60 percent. The highest maximum annual pension rate is for veterans qualifying for Aid and Attendance. These veterans must have two disability ratings, each of 100 percent.

Improved Death Pension Benefit
The Improved Death Pension Benefit is for the surviving spouse or dependent child of a veteran who meets eligibility requirements. The surviving spouse must have been married to a deceased veteran who qualified for the Improved Disability Pension for at least one year, has not remarried, and meets low-income requirements. The surviving child of a deceased veteran who qualified for the Improved Disability Pension must be under the age of 18 (or under the age of 23 if a student) and meet a low-income requirement. For 2013, the annual maximum-benefit amount was $8,359 for a survivor, and $10,942 for a survivor with one dependent. Similar to the Improved Disability Pension, these annual rates increase if the survivor is a spouse of a housebound veteran or of a veteran who received Aid and Attendance.

Evidence
According to a 2012 GAO report, the "VA pension program's design and management do not adequately ensure that only veterans with financial need receive pension benefits. Although the pension program is means-tested, there is no prohibition on transferring assets before applying for benefits. Other means-tested programs, such as Medicaid, conduct a review to determine if an individual has transferred assets at less than fair market value, and if so, may deny benefits. This control helps ensure that only those in financial need receive benefits. By contrast, VA pension claimants can transfer assets for less than fair market value immediately before applying for, and receiving approval of, benefits."[666]

Funding
In 2012 the federal government spent $4.537 billion on these two means-tested veterans' benefits. Since 2002, spending on pension benefits has increased about 80 percent. At the end of fiscal year 2012, there were 518,068 total pension-benefit recipients, of which 314,072 were veterans and 203,996 were survivors.

Two factors have primarily contributed to the growth of the VA pension program over the past decade. First, a poor economy has encouraged veterans to seek benefits. Second, the 2001

[665] "Veterans' Pension Benefits: Improvements Needed to Ensure Only Qualified Veterans and Survivors Receive Benefits," U.S. Government Accountability Office, 15 May 2012.
[666] Ibid.

Veterans Education and Benefits Expansion Act expanded the program to allow veterans age 65 or older to qualify as 100 percent disabled.

VA Healthcare

Purpose

The Department of Veterans Affairs provides health care to veterans injured or sick as a result of their military service.

History

According to the Congressional Research Service, the VA's Veterans Health Administration "operates the nation's largest integrated direct health-care-delivery system, provides care to more than 5.7 million unique veteran patients,[667] and employs more than 270,000 full-time equivalent employees."[668] Established in 1946, the VHA was first developed to provide medical care to veterans injured or sick as a result of service during wartime. The VHA's mission has evolved over time and has also become a safety net for lower-income veterans.

Eligibility

The Veterans' Health Care Eligibility Reform Act of 1996 established an eligibility enrollment system based on defined Priority Groups. According to the Congressional Research Service, the 1996 act authorized the VA to provide "all needed hospital care and medical services to veterans with service-connected disabilities; former prisoners of war; veterans exposed to toxic substances and environmental hazards such as Agent Orange; veterans whose attributable income and net worth are not greater than an established means test; and veterans of World War I. These veterans are generally known as 'higher priority' or 'core' veterans."[669] The non-"core" category of veterans includes those with higher incomes and with no service-connected disabilities.

Since VA health care is a discretionary program, the number of veterans who can be enrolled in the health-care system is determined by the amount of money annually appropriated to the VA by Congress. Based on eligibility status, determined mainly by service-connected disability ratings and income, a veteran is assigned a priority group ranging from one to eight—with one being the chief priority. For example, a veteran with a service-connected disability rating of 50 percent or higher will be automatically placed in Priority Group 1. A veteran who is eligible for Medicaid benefits and does not have a service-connected disability will be placed in Priority Group 5.

Due to rising health-care costs, in 2003, the VA announced it would stop enrolling Priority Group 8 veterans who were not enrolled as of January 17, 2003. Priority Group 8 Veterans are the lowest-priority veterans and have incomes exceeding the applicable VA income thresholds and do not qualify for other priority groups. In 2009, the VA re-opened enrollment for Priority Group 8 veterans whose income exceeded the current VA means test and geographic means-test income thresholds by 10 percent or less.

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[667] A unique veteran patient is a veteran who has received medical care from the VHA. There are currently 8.9 million veterans enrolled in the VHA.

[668] Sidath Viranga Panangala and Erin Bagalman, "Health Care for Veterans: Answers to Frequently Asked Questions," Congressional Research Service, 25 Feb. 2014.

[669] Ibid.

Evidence
VA health-care benefits for priority groups 5, 7, and 8 are effective in providing access to inexpensive health care for low-income veterans.

P5s, who are considered higher-priority veterans because of their low-income status, do not pay copayments for outpatient services, including basic care and specialty-care services, inpatient services, and long-term care (such as nursing-home care). For medications, P5s currently pay $8 for each 30-day supply of medication for treatment of non-service-connected conditions (and are limited to a $960 annual cap).[670]

P7s and P8s are not, according to law, considered high-priority veterans and are subject to copayments for health-care services, which are still very affordable compared to the private-sector health-care copayments. For outpatient services, P7s and P8s currently pay $15 per visit for basic care and $50 per visit for specialty care. There is no copayment for preventative-care services such as screenings and immunizations. For medications, P7s and P8s pay $9 for each 30-day-or-less supply of medication for treatment of non-service-connected conditions (P7s and P8s do not qualify for a medication copay annual cap).[671]

Funding
As is true for heath-care costs across the United States, medical costs per VHA patient have grown more rapidly than general inflation, contributing to the general rise in VHA health-care spending. This trend applies to Priority Groups 5, 7, and 8: Over the past decade, enrollment in these groups has remained relatively stable, while costs have risen significantly. Further, as the veterans population ages (essentially Vietnam veterans), health-care costs are projected to rise since older, sicker patients are more expensive to treat than younger, healthier patients.

In fiscal year 2012, there were 2.2 million veterans enrolled in Priority Group 5, of which, 1.4 million were unique patients who accessed care.[672] In fiscal year 2012, the federal government spent about $12 billion on Priority Group 5 veterans. Since fiscal year 2004, spending on Priority Group 5 health care has increased about 16 percent, adjusting for inflation.

In fiscal year 2012, there were 2.3 million veterans enrolled in Priority Groups 7 and 8, of which, 1.3 million were unique patients who accessed care.[673] For these veterans, the federal government spent $5.3 billion in fiscal year 2012. Since fiscal year 2004, spending on Priority Groups 7 and 8 health care has increased about 43 percent, adjusting for inflation.

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[670] "Copays," U.S. Department of Veterans Affairs, Accessed 28 Feb. 2014.
[671] Ibid.
[672] "Congressional Budget Submission, Volume II Medical Programs," Department of Veterans Affairs, Various fiscal years.
[673] Ibid.

Appendix I
Measures of Poverty

Measuring Poverty

There are a number of ways to measure poverty, but there are two main methods: income-based measures and consumption-based measures. The most famous poverty measure, the Official Poverty Rate, is an income-based measure. However, it does not capture poor families' material circumstances as well as consumption-based measures.

The Official Poverty Rate

The OPR is an income-based poverty measure calculated by the Census Bureau. The Bureau determines poverty status by comparing pre-tax cash income against a predetermined threshold. The threshold is equal to three times the cost of a minimum food diet in 1963, updated annually for inflation. In 2013, the poverty level for a four-person household was $23,550.

Poverty, as measured by the OPR, fell at the beginning of the War on Poverty in 1964, but it roughly leveled off by 1970. Between 1973 and 2012, the poverty rate fluctuated in a narrow band between approximately 11 and 15 percent of the population,[674] depending on the economy. According to the OPR, poverty has not declined over the past few decades.

There are several problems with the OPR. First, consumption and income are not strongly correlated. In fact, families in the bottom 20 percent often consume far more than their income.[675] And to a certain extent, we should most be concerned about consumption—because our goal is to reduce material deprivation. Income, especially as defined by the OPR, does not capture the actual resources an individual or household may have.

The OPR's definition of income is also problematic. It defines a family's income as the total pre-tax income of all family members—and it does not include assistance programs such as the EITC, SNAP, or other pre-tax and non-cash benefits.[676] So it does not fully capture all the income an individual receives.

In addition, most economists believe that inflation is generally overstated. As a result, the federal poverty level is higher than it would be under a more accurate measure of inflation.

Finally, the poverty line ignores the fact that non-relatives living in the same household often share resources. With the rise of non-married cohabitating adults, this issue has become much more widespread.

In other words, there is good evidence that the OPR significantly overstates the amount of poverty. This has implications for both conservatives and liberals. For conservatives, this suggests that federal programs have actually decreased poverty. For liberals, it lessens the

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[674] Carmen DeNavas-Walt, Bernadette D. Proctor, Jessica C. Smith, "Income, Poverty, and Health Insurance Coverage in the United States: 2012, Current Population Reports," U.S. Census Bureau, Sep. 2013.

[675] Susan E. Meyer, "Memo: Potential Policy-Related Uses of Measures of Consumption among Low-Income Populations," University of Chicago, Harris School, 18 Oct. 2004.

[676] Non-cash benefits increase income, but it is very difficult to put a dollar amount on these benefits.

supposed need to expand existing programs or to create new ones. However, the measure of success for these programs is not the amount of money they spend or the number of people they enroll. The true measure of success is the number of people who get off these programs and get out of poverty.

The Supplemental Poverty Measure

Because of concerns about the OPR, the Census Bureau has developed a new poverty measure, the Supplemental Poverty Measure. This statistic has some advantages compared to the OPR, but it has some shortcomings as well. Most importantly, it tries to incorporate non-cash and post-tax transfers to low-income individuals. This gives a better idea of total income for low-income households.

Unfortunately, the SPM has significant flaws. The OPR is an absolute measure of poverty, but the SPM is a relative measure. It is pegged to the expenditures of a family in the 33rd percentile on food, clothing, shelter, and utilities.[677] So what it really measures is inequality. According to the SPM, even if everyone in America increased his or her consumption on these goods, no one would move out of poverty. The only way to reduce poverty would be for the poor to increase their incomes faster than consumption on food, clothing, shelter and utilities increased. Additionally, the SPM subtracts out-of-pocket costs for health care from income, but it does not count third-party payments for health care as income.

Recent research[678] addresses some of these concerns, using an anchored SPM. With an anchored measure, researchers in Columbia indicate that poverty fell from 22 percent in 1969, to 16 percent in 2012.

Consumption Poverty

Academics generally agree in principle that the best way to measure living conditions is through consumption, though concerns remain regarding the data associated with consumption measures.[679] Consumption more closely reflects permanent income. Income-based measures fail to capture disparities in consumption that result from differential access to credit. Consumption also better captures public transfers, which are consistently underreported in most survey data. Finally, it better captures housing and vehicle ownership.

But almost every researcher who has looked at consumption-based measures of poverty has found that consumption-based measures find a lower poverty rate than income-based measures.[680,681] Bruce Meyer and James Sullivan find that over the past five decades, consumption poverty has fallen by 26.4 percentage points, and since 1980 it has declined by

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[677] Kathleen Short, "The Research Supplemental Poverty Measure: 2011, Current Population Reports," U.S. Census Bureau, Nov. 2012.

[678] Christopher Wimer, Liana Fox, Irv Garfinkel, Neeraj Kaushal, Jane Waldfogel, "Trends in Poverty with an Anchored Supplemental Poverty Measure," Columbia Population Research Center, 5 Dec. 2013.

[679] Susan E. Meyer, "Memo: Potential Policy-Related Uses of Measures of Consumption among Low-Income Populations," University of Chicago, Harris School, 18 Oct. 2004.

[680] Ibid.

[681] Bruce D. Meyer, James X. Sullivan, "Winning the War: Poverty from the Great Society to the Great Recession," National Bureau of Economic Research, *NBER Working Paper Series*, Jan. 2013.

8.5 percentage points.[682] In fact, in 2010, Meyer and Sullivan find that consumption poverty would have fallen to 4.5 percentage points.

One reason consumption poverty fell is government assistance. But most of the reduction in consumption poverty was due to changes in tax policy, including decreases in tax rates for low-income earners and increases in refundable tax credits, such as the EITC.[683] Direct payments to individuals—otherwise known as "transfers"—had a much lower effect on consumption poverty, but that is partly due to underreporting issues in the survey data.

[682] Ibid.
[683] Ibid.

Appendix II

Data

Criteria

The purpose of this report is to provide a broad overview of federal assistance programs for low-income households. As a result, it does not include every related program. For example, many low-income households receive Social Security and Medicare. In fact, these programs help keep many elderly Americans above the poverty line. That said, eligibility is not based on income but age, so this report does not include them. Similarly, there are a myriad of federal job-training programs. Both the Government Accountability Office and the Education and Workforce Committee have done extensive work cataloging them. This report focuses on job-training programs that specifically target the "economically disadvantaged."

Programs such as Unemployment Insurance and Disability Insurance also provide benefits to millions of low-income households. But eligibility is based on employment or disabled status. The House Budget Committee excluded from this report programs that are universal in scope. Most programs listed in this report have an explicit income or asset test for benefits, but some do not. Programs such as the CDBG or SSBG do not have an explicit means test; but the programs and projects that they support are designed for low-income households, so the committee staff included them.

Finally, this report reviews certain tax expenditures that have explicit means tests for beneficiaries or are meant to assist low-income households. In many cases, these expenditures are meant to help lower- to middle-class households afford college or to increase the stock of affordable housing.

This report also attempts to provide short summaries of the associated literature surrounding each program. This report concedes the unintentional omission of academic literature on certain programs. Although the report tries to case a wide net, it is not exhaustive. It serves as an invitation to focus on results and outcomes, instead of judging a program simply by inputs and intentions.

Data

The complete report is available at http://budget.house.gov/waronpoverty/.

Below are additional resources for researchers and others interested in learning more. The charts and table below show each program's funding level over the latest ten-year period for which complete data is available (2003–2012).

- Chart library: http://budget.house.gov/uploadedfiles/wop_charts.pdf
- Tables: http://budget.house.gov/UploadedFiles/War_on_Poverty_Full_Inventory.xlsx

War on Poverty: 50 Years Later

A House Budget Committee Report

Corrections and Updates

1) March 3, 2014: An inaccurate reference was corrected.
    a. On page 130, an earlier version of report said: "Carlson et al. (2009) analyze outcomes for voucher recipients in the State of Wisconsin experienced for five years after voucher receipt."
        i. And the footnote read: "Devon Carlson, Robert Haveman, Tom Kaplan, and Barbara Wolfe, "Long-Term Effects of Public Low-Income Housing Vouchers on Labor Market Outcomes," Institute for Research on Poverty, Apr. 2009."
    b. The line now reads: "Carlson et al. (2008) analyze outcomes for voucher recipients in the State of Wisconsin who requested or received food stamps and/or TANF benefits compared with outcomes of a comparison group that did not receive housing assistance. They find that for their full sample. . ."
        i. Per the feedback from the authors of the study, the following line was added: "as the authors note, to 'about 3 percent of the average earnings of the matched comparison cases,' however, 'this difference is not statistically significant.'"
        ii. And the corrected footnote now reads: "Devon Carlson, Robert Haveman, Thomas Kaplan, and Barbara Wolfe, "Long-Term Effects of Public Low-Income Housing Vouchers on Work, Earnings, and Neighborhood Quality," Institute for Research on Poverty, Jul. 2008: p. 19."