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House Budget Committee Hearings on the War on Poverty: Lessons Learned

The House Budget Committee during the past year held five hearings described as a “progress report” on the War on Poverty. The Committee heard from a variety of witnesses, including researchers, advocates, former state and federal human-services program administrators, individuals involved in providing services directly to low-income clients, and one woman who described the challenges her family faces every day trying to cobble together enough money to get by from low-paying jobs and safety-net supports.

The United States has made enormous strides in reducing the extent of poverty and deprivation in this country over the last half-century. A recent report from the White House Council of Economic Advisers showed that anti-poverty programs have cut the poverty rate by more than one-third from 1967 to 2012. Without these efforts, an additional 45 million Americans would be in poverty.

However, about 50 million people are still poor in America today, an unacceptable status quo. Clearly, the task of expanding economic opportunity to all corners of American society is far from complete. One thing that did become clear in the hearings is that simply slashing federal spending on programs that provide assistance to poor people is no way to fight poverty.

“It does seem clear, and there seems to be agreement among various folks in this room, that the transfer of funding through programs like food stamps and other things, Social Security, other income support programs, pulls many people out of poverty.” (Jon Baron, president of the Coalition for Evidence-Based Policy, testifying at a House Budget Committee hearing July 31, 2013)

The expert testimony underscored the importance of several key principles regarding anti-poverty policy that are useful guideposts for evaluating proposals to modify or overhaul federal anti-poverty programs. These principles are that an anti-poverty policy proposal should:

- **Help individuals climb the ladder of opportunity from poverty to the middle class** by expanding access to tools necessary for self-sufficiency and by making work pay.
- **Provide a safety net for those unable to support themselves** that results in economic resources equal to or better than what these individuals have under current law.

- **Reduce the extent of poverty** relative to current law.
- **Serve as an effective automatic stabilizer during economic downturns** and be able to respond in real time to increased need.

The remainder of this report discusses these principles in more detail and explores ways in which the House-passed Republican budget for 2015 fails to live up to them.¹

Help Individuals Climb Ladder of Opportunity from Poverty to the Middle Class

There is bipartisan agreement that the most effective anti-poverty measure is a job that pays a living wage. But simply having a job – even a full-time job – is no guarantee against poverty. To achieve success in helping people move up the economic ladder, an anti-poverty plan must meet certain conditions and acknowledge certain realities.

“I would like to say that I know for a fact that food stamps is a very important part of my life. It helps me and my husband to make sure that we can feed our children, three of them with medical disabilities, nutritious and adequate food.” (Tianna Gaines-Turner, member of Witnesses to Hunger, who is employed in a seasonal job where her hours were recently cut back and whose husband works part-time, testifying at a House Budget Committee hearing July 9, 2014)

An anti-poverty plan should recognize that many poor working-age adults who receive means-tested federal benefits do, in fact, have jobs. Federal anti-poverty policy has evolved substantially over the decades to promote work and support working families. Eligibility for the Earned Income Tax Credit (EITC) and child care subsidies, for example, is linked to employment (or, in the case of child care, participation in education job training). And since federal anti-poverty programs are largely targeted to families with children, work rates among low-income mothers have increased. More than two-thirds of poor children live in families with at least one worker; over 30 percent of poor children live in families with at least one worker employed full-time year-round.² If an anti-poverty plan is based on outdated, inaccurate ideas about who receives means-tested benefits, it is not likely to be effective.

¹ For more detail on the FY 2015 House Republican budget, see the Budget Committee Democratic staff analysis at <http://democrats.budget.house.gov/committee-report/summary-and-analysis-gop-budget>.

² Written testimony of Olivia Golden, executive director of CLASP, House Budget Committee hearing June 10, 2014. http://budget.house.gov/uploadedfiles/golden_testimony_.pdf.

Jobs have to be available, so that a person seeking employment can find a job. As the United States continues to recover from the worst economic downturn since the Great Depression, the Congress could promote job creation by making much-needed investments in things like transportation and other physical infrastructure. These and other federal investments, such as in education and research and development, create jobs now and also contribute to productivity improvements necessary for stronger long-term economic growth and thus more and better-paying jobs in the future. The Republican budget goes in the opposite direction. It harms job creation by gutting the category of federal funding that includes the types of investments critical to powering the economy and sharpening America's competitive edge. The Congressional Budget Office (CBO) has estimated that these misguided austerity policies will mean fewer jobs in the short term. Clearly, a budget that undermines job creation will make it harder for struggling families to climb out of poverty.

Even in a booming economy, there is no guarantee that the market will provide a suitable job that matches the skills of each person looking for a job. An anti-poverty plan that emphasizes the importance and value of work should match that rhetoric with the necessary resources to create paid work opportunities for low-income individuals needing help who are shut out of the traditional job market. This is even more important during periods of high unemployment.

A job has to pay a living wage. One factor contributing to the persistence of poverty in the United States is declining real wages at the low end of the labor market. Forty years ago, someone working full-time at the minimum wage earned nearly enough to get a family of three up to the poverty line. But the federal minimum wage – currently \$7.25 an hour – has failed to keep pace with inflation, and now a full-

“The single most important thing, if we want to help at the bottom, is a very low unemployment rate. The single most important factor in the '90s gains [in reducing poverty] was not changes in programs. It was a 4 percent unemployment rate. When the rate gets that low, people who otherwise do not get hired do get jobs.” (Robert Greenstein, president of the Center on Budget and Policy Priorities, testifying at a House Budget Committee hearing January 28, 2014)

“The major study of [subsidized employment] found that [the Recovery Act] succeeded in putting low-income people into jobs in hard economic times and provided some evidence that the jobs programs improved some participants' chances of finding unsubsidized jobs after the job slot ended.” (Robert Greenstein, January 28, 2014)

“The most important piece that we could do that would support families would be [to] raise the minimum wage.” (Sister Simone Campbell, SSS, executive director of NETWORK, testifying at a House Budget Committee hearing July 31, 2013)

“We have a lousy, crummy, small little EITC, about \$500 for [single adults]. It ought to be more like \$2,000 or \$3,000... I will bet they are going to show that these young men will work more if they make higher wages through the Earned Income Tax Credit.” (Ron Haskins, co-director of the Brookings Institution Center on Children and Families, testifying at a House Budget Committee hearing January 28, 2014)

“We now have longitudinal studies that indicate kids that have gotten through Head Start have a higher graduation rate than kids from low income neighborhoods who do not.” (Sister Simone Campbell, July 31, 2013)

“You literally cannot expect to make good money unless you have at least some college or a specific skill.” (Ron Haskins, January 28, 2014)

time minimum-wage worker earns only 71 percent of the poverty level for a family of three.³ The President and Democrats in Congress have proposed to raise the minimum wage to \$10.10 an hour. CBO estimates this would lift almost one million people out of poverty and would directly raise the wages of another 15 million working Americans. Unfortunately, House Republican leadership has refused to allow a vote on this measure.

Another way to make work pay for low-wage workers is through tax credits for those with earned income. The EITC, for example, is a valuable income supplement for low-wage workers, but its reach could be improved. Childless workers in particular get very little benefit from the EITC. The President’s budget request for 2015 doubles the maximum EITC for childless workers. The Republican budget does not expand the EITC. And in fact, it fails to extend several tax credit provisions that help make work pay for low-income workers with children. The President’s budget permanently extends these provisions, which are scheduled to expire after 2017.

An anti-poverty plan should make appropriate investments in education, from early childhood through college and job training. Children from low-income families are at risk of falling behind their middle-class peers before they even get to kindergarten. The President’s budget included a major initiative to expand access to high-quality pre-kindergarten programs for all four-year-olds from families up to 200 percent of the poverty line. In contrast, not only does the Republican budget ignore the need to expand pre-school, it makes deep long-term cuts to all non-defense funding – which supports education – directly cuts college aid, and lets the college tax credit expire. Many low-income adults simply could not afford to pursue post-secondary education without federal financial aid.

³ CLASP, “Declining Wages Require Growing Income Supports,” July 31, 2013.

<http://www.clasp.org/resources-and-publications/poverty-trends-declining-wages-require-growing-income-supports>.

An anti-poverty plan must address the barriers to work that can undermine the best efforts of low-income individuals to get into and stay in the workforce. Removing barriers to work means ensuring access to affordable child care and reliable transportation, making sure people can get treatment for mental or physical health problems that may interfere with holding a job, and addressing specific human capital needs such as education, training, or simply basic work experience.

During the hearings, addressing barriers to work often came up in the context of case management for individuals who need extra help to lead successful, productive lives. Millions of people working low-wage jobs receive federal benefits. Many of them might be working part-time instead of full-time because they cannot afford child care, cannot find a full-time job, or have health problems, for example. They need income support, not necessarily intensive, individualized case management. For a subset of people in poverty who face significant personal challenges, customized case management that wraps around their benefits can make a significant positive difference in their lives. But adding paid case managers to help clients work through the personal issues they may have – and to help them navigate the array of available services and supports – will require more resources in the near term, not less. Heather Reynolds, president and CEO of Catholic Charities Fort Worth, testified at a hearing July 9th that case management costs more up front but could generate savings in future years if clients rely less on public benefits. Personalized case management is more likely to be effective if case managers can connect their clients with the services the clients need, such as mental health treatment or safe and sanitary housing. But those actual services also require resources. The Republican budget makes deep cuts to the areas of the budget that fund things like case management as well as the basic supports and services that case managers’ clients might need.

One of the biggest barriers to work for low-income families is the difficulty in finding affordable child care. Existing federal child care subsidies, in the form of block grants and non-refundable tax credits, are inadequate to meet the need. In 2009, only 18 percent of children federally eligible for child care subsidies got any help from block grants and related state spending.⁴

“Since the war on poverty began, we have seen not only dramatic increases in mothers’ work, but also major breakthroughs in the underlying science about young children’s development. Yet while there has been progress, support for child care and early childhood programs has lagged far behind what is needed, leaving large gaps in support.” (Olivia Golden, executive director of CLASP, testifying at a House Budget Committee hearing June 10, 2014)

⁴ Golden, written testimony, June 10, 2014.

“So for us, the thing that would be really beneficial is more of an incremental decrease of losing benefits as well as the case management that could more quickly work hand-in-hand with families to remove the barriers to get them where they need to go.” (Heather Reynolds, president and CEO of Catholic Charities Fort Worth, testifying at a House Budget Committee hearing July 9, 2014)

An anti-poverty plan should consider the effects of so-called eligibility “cliffs.” One issue that came up in the hearings as a possible barrier to work is the existence of eligibility “cliffs” – that is, as a low-income worker’s earnings increase, he or she faces a reduction in benefits such as the Supplemental Nutritional Assistance Program (SNAP), or elimination of child care subsidies, or phase-out of the EITC. But if the problem is that income supports phase out too quickly or steeply – before a person earns enough money to manage well without them – then fixing the problem requires more funding, not less. Some might propose instead to reduce the cliff problem by simply reducing the benefits available to low-income individuals at the outset, but this would do the opposite of making low-income individuals better off.

The Affordable Care Act has eliminated one of the most damaging benefit cliffs (especially in majority of states that have expanded their Medicaid eligibility) by allowing workers to maintain their eligibility for financial assistance for health insurance coverage above pre-Affordable Care Act Medicaid eligibility levels. The Affordable Care Act allows workers to receive sliding-scale subsidies for health coverage up to an income level of 400 percent of poverty – providing a continuum of affordable coverage into the middle class. The Republican budget actually worsens cliffs by repealing the Medicaid expansion and financial assistance for insurance coverage available through the Affordable Care Act.

A major cliff problem remains with child care subsidies. In many states, a low-wage worker who increases her earnings by a small amount may lose eligibility for a much larger child care subsidy, leaving her worse off. This cliff issue, combined with the failure of child care funding to keep pace with demand, makes clear that investments in child care should be a major focus of any anti-poverty plan that aims to promote work effort. Expanding quality early childhood education can complement this effort as well.

Helping low-income children and young adults succeed requires addressing factors shown to improve their long-term prospects. Research has identified key factors that play important roles in shaping children’s health and their ability to succeed in school and later in life. In addition to the importance of early childhood education, discussed above, these factors include things like prenatal care and adequate childhood nutrition. Federal programs such as Medicaid, subsidized school meals, SNAP, and Head Start have played a major role in improving poor children’s chances of upward mobility. An anti-poverty plan should build on these efforts and increase support for other activities that have been shown to improve outcomes for children, such as the Maternal, Infant, and Early Childhood Home Visiting Program. The President’s

budget extends and expands this program, in which states use a case-management approach to connect at-risk families with services that support their child's health, development, and ability to learn.

Provide a Safety Net for Those Unable to Support Themselves

Not everyone is able – or expected – to get a job to support him- or herself; we do not assume children, or the elderly, should be working to earn a living. And as discussed above, even having a job is no guarantee of being able to earn a living wage. A just society requires a safety net for the most vulnerable. Through programs such as SNAP, Supplemental Security Income, Medicaid, and others, we have decided as a society that there should be certain minimum standards of income, food, and health security, especially for children.

At the very least, any proposal to change federal anti-poverty programs should not reduce the incomes of the poor and near-poor. But the Republican budget fails this most basic test. One analysis indicates over two-thirds of the spending cuts in the Republican budget come from programs that serve low- and middle-income populations.⁵ Two policies in particular stand out: \$137 billion cut from SNAP over ten years, and \$732 billion cut from the base Medicaid program (in addition to repealing the Affordable Care Act expansion). More than 80 percent of SNAP beneficiaries are either aged, disabled, children, an adult caring for someone who is disabled or a child under age six, or are already working. The only way to achieve these SNAP savings is to throw some people off the program entirely, reduce the amount of assistance per person, or some combination of both. The Medicaid cut could cause up to one-third of vulnerable Medicaid enrollees to lose their health coverage. Half of the 60 million people who rely on Medicaid for health coverage are children. Another quarter are aged or disabled – the populations that account for the vast majority of Medicaid spending.

The Republican budget envisions converting these programs into fixed funding streams, or block grants, leaving it up to states to decide who deserves help. In such a scenario, states could push those decisions even further down – as some states have with other block grant programs – to county or local agencies, resulting in a patchwork where a family could lose benefits if it moves across a county line, for example.

⁵ Center on Budget and Policy Priorities, "Ryan Plan Gets 69 Percent of Its Budget Cuts From Programs for People With Low or Moderate Incomes," April 8, 2014.

<http://www.cbpp.org/cms/index.cfm?fa=view&id=4122>.

“States of both parties are seizing the opportunities available today under current federal law to integrate the major safety-net programs into a coherent package for children and families, and address gaps in coverage.” (Olivia Golden, June 10, 2014)

“Flexibility does not compensate for inadequate funding; the child care block grant, one of the most flexible of safety net programs, has hit a more than a decade low in the number of children served because of capped funding.” (Olivia Golden, June 10, 2014)

The purported rationale for these policies is to give states more flexibility in administering the programs. However, states already have a great deal of flexibility in tailoring their programs, while remaining accountable for meeting program goals. States have substantial leeway to decide who gets Temporary Assistance for Needy Families (TANF) and child care subsidies. Eligibility for SNAP and Medicaid also varies by state, within certain federal limits. And nearly every state has a current federal waiver allowing increased Medicaid flexibility that, for example, allows them to use a managed-care delivery system or provide long-term care in community settings. States also have the ability under current federal law to coordinate administration of different programs so that low-income individuals do not have to deal with separate bureaucratic silos, and several states are making progress in this area. South Carolina, for example, created an “express lane” process to ensure that children would not get dropped from Medicaid at eligibility review time if the state already had the necessary information in its SNAP case files to determine that they remain eligible for Medicaid.

What Republican block-grant policies really represent is a rejection of the idea that there should be some minimum federal guarantee of a basic level of income security. Some states have a history of providing extremely low levels of support for poor families. Giving these states even more flexibility could do serious harm to the most vulnerable populations, especially in states with growing numbers of poor children.

Reduce the Extent of Poverty Relative to Current Law

An anti-poverty plan should reduce the number of adults and children in poverty and/or reduce the depth of poverty faced by these individuals. As noted throughout this report, there are a variety of proven pathways to reducing poverty, such as:

- evidence-based interventions to give low-income children the best possible chance at upward mobility;
- investing in education and effective job-training programs;

- boosting the incomes of low-wage workers through supports such as SNAP, EITC, and child care subsidies;
- raising the minimum wage;
- addressing barriers to work that may be holding individuals back, such as lack of child care or transportation, health issues, lack of basic work experience, or other issues; and
- for those who simply cannot work, ensuring that a basic level of support is available through the major federal safety-net programs.

Ideally, the specific policies in an anti-poverty plan will be based on interventions that have been shown to work through rigorous program evaluations.

Serve As An Effective Automatic Stabilizer During Economic Downturns

One important feature of SNAP, Medicaid, and Unemployment Insurance is their ability to expand automatically to meet increased need during recessionary periods. Not only does this feature protect people from severe hardship when jobs are scarce, it helps blunt the recession – acting as a “countercyclical” force that causes recessions to be shorter and less severe than they otherwise would be, which in turn keeps the poverty rate lower than it otherwise would be. An anti-poverty plan should retain this crucial feature.

Turning SNAP and Medicaid into block grants, as envisioned in the Republican budget, would undermine these programs’ ability to respond fully to an economic shock, such as a recession. The experience with the TANF block grant is instructive in this regard. During the most recent recession, which was severe, TANF caseloads did not go up significantly. Part of the explanation for this is that financially strapped states shifted TANF money around to fill holes in other parts of their budgets and dealt with the rising demand for services by tightening eligibility requirements and cutting back on child care and other services – basically the opposite of what income security policy should do during a recession, and something that increases, rather than decreases, poverty.

Conservative and liberal experts agree that the safety net should have a countercyclical component. However, they disagree on whether block grants and countercyclical features are mutually exclusive.

“One easy way to minimize the number of people who fall through the cracks is to build a counter-cyclical element into any block grant or consolidated credit program so that the system can respond appropriately in downturns as unemployment worsens. “ (Scott Winship, Walter B. Wriston fellow at the Manhattan Institute for Policy Research, testifying at a House Budget Committee hearing January 28, 2014)

“The problem is no one has ever designed a good method to adjust block grants for changes in the economy and other factors, because it is not possible to do so.” (Robert Greenstein, January 28, 2014)

“Personally, I sort of shudder to think what 2009 would have looked like if we had not had some stimulus in the economy.” (Scott Winship, January 28, 2014)

In past recessions, Congress has often provided temporary enhanced spending through these programs, such as through extended unemployment benefits when rates of long-term unemployment are high or enhanced Medicaid matching funds to states, which relieves pressure on state budgets. In the most recent recession, Congress did these things and also temporarily expanded food stamp eligibility and benefits, funded an array of infrastructure investments and other spending, and provided tax cuts.

Conclusion

Many of the issues and problems identified in the Budget Committee’s hearings would likely cost money to address. For example, fixing the eligibility “cliff” by providing a smoother transition off of benefits as people increase their earnings means allowing them to keep more of their benefits as their earnings go up, and this costs money. Individualized case management costs money. Addressing barriers to work faced by a significant number of people – such as lack of affordable child care – costs money. Creating subsidized jobs for people unable to secure employment in the conventional labor market costs money. These things may pay off over time, in a broader economic and social sense if not in a narrow budgetary scoring sense. But an upfront commitment of resources likely would be necessary.

The Committee hearings provided a useful opportunity to discuss gaps in the nation’s safety net and identify ways the country’s anti-poverty strategy could be improved. What they did not do was shed any light on how any of these improvements could be achieved under the rubric of a Republican budget that deeply slashes funding across so many crucial programs. It does not seem possible to reduce poverty in America by cutting programs that have helped lift 45 million Americans out of poverty.

An assessment of any anti-poverty plan must ultimately determine whether the plan provides budgetary resources consistent with the goals of reducing poverty, expanding opportunity, and protecting the most vulnerable. Without sufficient budgetary resources, no amount of administrative flexibility, increased coordination, or one-on-one case management is going to matter.

The Republican budget by its nature omits many key policy details. A specific anti-poverty plan that bears any resemblance to the basic assumptions in that budget is bound to fail at the core objective of reducing poverty. In all likelihood, it will make poverty worse. As always, the devil is in the details.