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Republicans, Poverty, and the Budget: Rhetoric vs. Reality

For several years now, House Republican leaders have professed an interest in overhauling the nation's anti-poverty safety net. They lay out an abstract vision to "strengthen America's social safety net to better help those in need...and empower everyone to live their own American Dream."¹ They insist that their interest in overhaul is not budget-driven; rather, they just want to make life better for America's poor, based on solid evidence about what really works.

Toward this end, the House Budget Committee has held a series of hearings on poverty since 2013 to learn what works. However, actions speak louder than words, and the Committee-passed Republican budget resolution for 2017 tells a very different story. It slashes the social safety net, cuts down ladders of opportunity, and will mean significantly increased hardship for millions of struggling Americans – all while refusing to close a single special-interest tax break to reduce the deficit.

The United States has made enormous strides in reducing the extent of poverty and deprivation in this country over the last half-century. A 2016 report from the Department of Health and Human Services² shows that anti-poverty programs – including various forms of cash assistance, nutrition and housing assistance, refundable tax credits, and Social Security – together reduced the poverty rate by more than one-third between 1967 and 2012. In 2014, these programs cut the poverty rate nearly in half, from 27 percent to 15 percent – lifting nearly 40 million people, including 8 million children, out of poverty.

However, nearly 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. A major barrier to further poverty reduction is four decades of wage stagnation experienced by families in the bottom fifth of the income

"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)

¹ <http://www.speaker.gov/press-release/task-force-poverty-opportunity-and-upward-mobility-releases-mission-statement>

² <https://aspe.hhs.gov/pdf-report/poverty-united-states-50-year-trends-and-safety-net-impacts>

distribution. Simply put, working full time provides no guarantee that one can escape poverty. The House Budget Committee's poverty hearings made clear that slashing federal spending on programs that provide assistance to poor people is no way to fight poverty. And yet that is exactly what this year's Republican budget does.

REPUBLICAN RHETORIC ON OVERHAULING POVERTY PROGRAMS

"This initiative is not about numbers and budgets...Nobody is talking about slashing programs...That is not what we are interested in." (Chairman Tom Price, M.D., House Budget Committee hearing, October 28, 2015)

"This is not a budget-cutting exercise. Take the same amount of money. It should be a life-saving exercise." (Speaker of the House Paul Ryan, Kemp Forum on Expanding Opportunity, January 9, 2016)

REPUBLICAN 2017 BUDGET REALITY

The House Committee on the Budget reported a budget resolution for 2017 calling for trillions of dollars in cuts to programs serving vulnerable populations. **Major cuts affecting low-income individuals include:**

- \$2 trillion from **Medicaid** – up to \$1 trillion from cutting the base program plus another \$1 trillion from repealing the Affordable Care Act Medicaid expansion
- \$887 billion from already-low non-defense discretionary funding levels, putting a broad array of programs serving low-income populations such as **housing assistance, WIC, job training**, and others at risk of deep funding cuts
- \$185 billion from **federal college aid** for low-income students
- \$157 billion from the **Supplemental Nutrition Assistance Program**
- \$0.6 trillion from other income security programs, a category where most spending is for safety-net programs such as **Temporary Assistance for Needy Families, child nutrition, Supplemental Security Income for the aged and disabled, Unemployment Insurance, refundable tax credits for low-income workers, and child care**

In hearings from 2013 through 2015, the Budget Committee heard from a variety of experts, advocates, and people with front-line experience with poverty. The 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. The remainder of this report discusses these principles, highlights proposals in the President's budget that are consistent with these principles, and explores how the 2017 Republican budget fails to live up to them.

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 climb up the economic ladder, an anti-poverty plan must meet certain conditions and acknowledge certain realities. In particular, a plan must acknowledge 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 through programs such as the Earned Income Tax Credit (EITC) and child care subsidies. 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.³ If an anti-poverty plan is based on outdated, inaccurate ideas about who receives means-tested benefits, it is not likely to be effective.

“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)

Jobs have to be available, so that a person seeking

employment can find a job. 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-time minimum-wage worker earns only 71 percent of the poverty level for a family of three.⁴ 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. And of course

³ Written testimony of Olivia Golden, executive director of CLASP, House Budget Committee hearing June 10, 2014. http://budget.house.gov/uploadedfiles/golden_testimony_.pdf.

⁴ CLASP, “Declining Wages Require Growing Income Supports,” July 28, 2014. <http://www.clasp.org/resources-and-publications/poverty-trends-declining-wages-require-growing-income-supports>.

there is a strong relationship between educational attainment and earnings. An anti-poverty plan should make appropriate investments in education to ensure that college and job-training programs are affordable and accessible to low-income individuals.

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, providing safe and stable housing, 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. 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.⁵

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. 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

“The overwhelming empirical evidence is that the safety net as a whole supports work, particularly for low-income parents. It is not too much support for work but too little—such as the absence of help with child care or the instability associated with not being able to afford a stable residence—that typically holds people back from working. There are some circumstances where individuals or families encounter barriers to work as a result of specific features of safety net programs, or the way those features interact with family circumstances and the demands of the low-wage labor market—but these effects are much smaller than the work-promoting effects.”
(Olivia Golden, executive director of CLASP, testifying at a House Budget Committee hearing October 28, 2015)

⁵ Golden, written testimony, June 10, 2014.

expanded 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 long-term prospects. Children from low-income families are at risk of falling behind their middle-class peers before they even get to kindergarten. A growing body of research shows that high-quality early education makes a big difference for these children, and that the long-term benefits to children far outweigh the costs of the investment in services. Research has identified other key factors that also play important roles in shaping children’s health and their ability to succeed in school and later in life, such as 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.

*“These supports have positive effects into the next generation. Receiving help in childhood improves health, work trajectory, and income many years later. For example, the National Bureau of Economic Research finds that access to SNAP in early childhood has positive effects on adult health and economic self-sufficiency.”
(Olivia Golden, October 28, 2015)*

The President’s budget

The President’s budget makes significant investments in proven strategies for improving outcomes for low-income children and provides ladders of opportunity for low-income adults to work their way into the middle class. For example, the budget:

- provides a \$75 billion, ten-year investment in early childhood education for all 4-year-olds from low- and moderate-income families;
- extends and expands the successful Maternal, Infant, and Early Childhood Home Visiting 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;
- invests in making permanent an electronic benefits transfer program for child nutrition to help students who lose access to school meals during the summer, an initiative that has been shown to reduce food insecurity for these children;
- includes significant investments to make college more affordable, encourage students to finish their degree, and help graduates manage their debt;

- provides new funding for job-training initiatives targeted at those who need them most;
- doubles the EITC for childless workers and non-custodial parents; and
- calls for increasing federal investments in child care so that, by 2026, all low-income families with children ages 3 and under have access to high-quality child care so that parents can work, attend school, or participate in training.

*“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)*

The President and Democrats in Congress have proposed to raise the minimum wage. CBO estimates raising the minimum wage to \$10.10 an hour would lift almost one million people out of poverty and would directly raise the wages of another 15 million working Americans.

The Republican budget

Unfortunately, the House Republican budget goes in the opposite direction, ignoring the President’s evidence-based proposals and instead making deep, damaging cuts to safety-net programs, work supports, and education. Despite bipartisan support for the idea, the Republican budget does not expand the EITC for childless workers. Instead of investing in preschool, child care, job training, and college affordability, the Republican budget makes deep long-term cuts to all non-defense funding – which supports education, job training, and some child care – and directly cuts mandatory college aid. Many low-income adults simply could not afford to pursue post-secondary education without federal financial aid. The budget also makes damaging cuts to Medicaid and SNAP and additional cuts to mandatory income security programs, a category where most spending is for safety-net programs. As for the minimum wage, House Republican leadership has refused to allow a vote on a measure to increase it.

Provide a Meaningful Safety Net for the Most Vulnerable

The safety net provides crucial supports for low-wage workers, but many of the same programs also play a vital role for those who cannot work. 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. As discussed above, even having a job is no guarantee of being able to earn a living wage. For all these reasons, a just society requires a meaningful safety net for the most vulnerable. Through programs such as SNAP, Supplemental Security Income, Medicaid, and others, our society decided that there should be certain minimum standards of income, food, and health security, especially for children. For safety-net programs to achieve their goals,

there must be a direct relationship between need for services and budgetary resources provided.

The President's budget

The President's budget invests in long-overdue improvements to Temporary Assistance for Needy Families (TANF) to make it a more effective safety net and employment opportunity program. Among other reforms, the budget increases the basic grants by \$8 billion over five years and requires states to spend more of the grant on core benefits. The budget also supports new mandatory funding to put the President's goal of ending homelessness of all families by 2020 in reach. Funds would be used for additional housing vouchers and rapid rehousing, a strategy that helps stabilize families and then assists them to become self-sufficient. The budget also provides resources to encourage remaining states to adopt the Affordable Care Act Medicaid expansion for poor working-age adults.

The Republican budget

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 62 percent of the non-defense spending cuts in the Republican budget come from programs that serve low- and moderate-income populations.⁶ In 2026, the budget cuts these programs overall by 42 percent, leaving millions of people to face the loss of critical health, nutrition, and other basic support. Two policies in particular stand out: \$157 billion cut from SNAP over ten years, and roughly \$1 trillion 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 would undermine the health care safety net for 70 million vulnerable Americans, including children, low-income seniors, and people with disabilities.

The Republican budget envisions achieving these SNAP and Medicaid cuts in large part by converting these programs into fixed funding streams, or block grants, leaving it up to states to decide who deserves help. The purported rationale for these policies is to give

*"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, testifying at a House Budget Committee hearing June 10, 2014)*

⁶ Center on Budget and Policy Priorities, "House GOP Budget Gets 62 Percent of Budget Cuts from Low- and Moderate-Income Programs." <http://www.cbpp.org/research/federal-budget/house-gop-budget-gets-62-percent-of-budget-cuts-from-low-and-moderate-income>

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 TANF and child care subsidies. Eligibility for SNAP and Medicaid also varies by state. 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 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.

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.

When it comes to block grants, past is prologue. By endorsing the conversion of major income-security programs such as Medicaid and SNAP to block grants, the Republican budget sets up these programs to wither away over time, leaving tens of millions of vulnerable low-income people at risk of destitution. The TANF program, signed into law 20 years ago, provides a vivid and instructive example of what happens when an entitlement to individuals is converted into a block grant with extensive flexibility granted to states in how they spend the money. The TANF block grant has lost about one-third of its purchasing power since it was created. The number of families served has also declined dramatically, which Republicans say is evidence of success. But a review of the data instead paints a picture of disastrous failure. The program serves a steadily shrinking percentage of poor families, and the number of households living in “extreme poverty” in any given month – defined as living on less than \$2 per person per day – more than doubled between 1996 and 2011. The number of children living in extremely poor households also doubled, to 2.8 million.⁷ States are not held accountable for providing assistance to families in need; instead, the program’s incentives basically reward states that avoid helping families facing the most significant barriers to work.

Republicans’ current attitude toward the Social Services Block Grant (SSBG) suggests what may lie in wait for TANF as well as for Medicaid and SNAP if Republicans succeed in converting those programs into block grants. The Republican budget calls for special procedures for passing a package of mandatory cuts totaling \$140 billion over ten years, in an attempt to placate Tea Party Members who want to renege on last fall’s budget agreement. This legislative “sidecar” includes \$16.5 billion in savings from eliminating the SSBG, taking away a funding stream for

⁷ Center on Budget and Policy Priorities, “TANF Continues to Weaken as a Safety Net,” October 27, 2015. <http://www.cbpp.org/research/family-income-support/tanf-continues-to-weaken-as-a-safety-net>

services for abused children, frail seniors, and other vulnerable populations. The SSBG represents exactly what Republicans say they want: giving states flexibility to direct resources based on local needs rather than having to comply with centralized federal decision-making. And yet Republicans now deride the SSBG as a repeal-worthy “slush fund.” Speaker Ryan’s proposal to consolidate 11 major safety-net programs into one “Opportunity Grant” to states would put SNAP, TANF, child care, housing vouchers, public housing, energy assistance, and a few smaller programs into one pot of money that conceivably could also someday be accused of being a “slush fund.”

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; and for those who simply cannot work, ensuring that a basic level of support is available through the major federal safety-net programs.

As described in previous sections, the President’s budget supports evidence-based interventions to fight poverty and improve opportunity by investing in children. It increases investments in education, it provides significant new resources for child care, EITC, and other supports for low-wage workers, and it supports raising the minimum wage.

Unfortunately, the Republican budget does none of these things. It rejects the President’s expansion of interventions that have been shown to help children, and it guts funding for education and other investments that can 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. It jeopardizes basic income support for the most vulnerable through severe cuts to SNAP and other programs, and it reduces access to health care. The budget is the opposite of evidence-based. It would increase hardship for millions of struggling families and would reduce poor children’s chances to thrive and succeed.

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 would be otherwise, 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. The President’s budget includes a new TANF Emergency Response Fund that would automatically trigger funding for states to assist families during economic downturns, which should improve the program’s ability to serve as an economic stabilizer.

“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, testifying at a House Budget Committee hearing 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, Walter B. Wriston fellow at the Manhattan Institute for Policy Research, January 28, 2014)

Conservative and liberal experts agree that the safety net should have a countercyclical component. However, they disagree on whether block grants can truly serve as effective automatic stabilizers.

Conclusion

Many of the issues and problems identified in the Budget Committee’s hearings on poverty would 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 or access to mental health treatment – 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.

“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, June 10, 2014)

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 40 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, the most eloquent and inspiring talk of a vision to “reduce poverty by helping people move from welfare to work,” “promote opportunity for every American to get ahead and stay ahead,” or “increase knowledge and skills of workers and job-seekers”⁸ is just that – nothing more than talk.

⁸ <http://www.speaker.gov/press-release/task-force-poverty-opportunity-and-upward-mobility-releases-mission-statement>