Congressional Research Service
Informing the legislative debate since 1914

Low-Income Assistance Programs: Trends in Federal Spending

Gene Falk
Specialist in Social Policy

May 7, 2014

Congressional Research Service
7-5700
www.crs.gov
R41823

CRS REPORT
Prepared for Members and
Committees of Congress

Summary

This report examines the spending trends of 10 major need-tested benefit programs or groups of programs: (1) health care from Medicaid and the Children's Health Insurance Program (CHIP); (2) the refundable portion of the health insurance tax credit enacted in the 2010 health care reform law; (3) the Supplemental Nutrition Assistance Program (SNAP); (4) assisted housing; (5) financial assistance for post-secondary students (Pell Grants); (6) compensatory education grants to school districts; (7) the Earned Income Tax Credit (EITC); (8) the Additional Child Tax Credit (ACTC); (9) Supplemental Security Income (SSI); and (10) Family Support Payments. The common feature of need-tested programs is that they provide benefits, services, or funding based on a measure of limited financial resources (income and sometimes assets). However, other than that common feature, the programs differ considerably in their target populations, services, and focus.

In total and in inflation-adjusted terms, federal outlays for major need-tested programs increased in each decade examined in this report, from the 1960s to the present. There were particularly large increases in need-tested outlays during the FY2007 through FY2011 period, attributable to the effects of the recent deep recession (which increased the number of people eligible for aid) and policy responses to it that increased federal funding and benefits for certain programs. Spending for these programs declined from FY2011 to FY2012, as the effects of many of the temporary funding increases for these programs made in response to the recession expired. Total outlays for these programs began to rise again from FY2012 to FY2013. The Congressional Budget Office (CBO) forecasts that under current law, federal outlays for need-tested programs would increase, even in inflation-adjusted terms, in the upcoming decade. However, that increase is attributable to health care programs. For programs other than health care, total inflation-adjusted spending is projected to decrease over the period from FY2013 through FY2024.

Different programs also have different spending trends. Cash benefits—to the aged, blind, and disabled and needy families with dependent children—comprised most aid to low-income families in the early 1960s. However, over the period from the 1960s through the end of the 1980s, most of the growth in aid was for non-cash benefits in the form of education, food, housing, and medical assistance.

The 1990s was the decade of "welfare reform." The policies affecting low-income families with children, in particular, were substantially altered, with less emphasis on providing a "safety net" for families without a worker and more emphasis on aiding low-income workers in a system geared to "make work pay." Federal funding for cash assistance for needy families with children fell, but this was far more than offset by increases in the EITC, which supplements the earnings of lower-income families, as well as federal funding for other programs that support lower-earning families (e.g., child care subsidies).

Outlays for major low-income assistance programs continued to increase in the 2000s even before the onset of the recent recession. This increase stemmed from increased spending on the refundable EITC and child tax credits, SNAP, education programs, and Medicaid.

Contents

Figures

Tables

Appendixes

Contacts

Introduction

The debate over the size and scope of federal spending has raised interest in how federal dollars are spent. This report focuses on federal outlays for major "need-tested" programs—programs targeted toward families and individuals with limited income. The major need-tested programs discussed in this report provide cash, food, housing, and educational and medical assistance to families and individuals with limited financial resources, and they had collective FY2013 federal outlays of $606 billion. These programs represented 17.6% of all federal outlays and 3.7% of the gross domestic product (GDP).

This report provides perspective on current federal outlays for these programs, examining historical trends in the outlays as well as showing the Congressional Budget Office's (CBO's) April 2014 baseline budget projections for them. The baseline projections cover the period from FY2014 through FY2024, indicating what spending would be if current law were continued. Additional perspective is provided by showing their trends as a percentage of all federal outlays as well as a percent of GDP.

Need-Tested Programs

The common feature of need-tested programs is that they provide benefits, services, or funding based on a measure of low financial resources (income and sometimes assets). However, beyond that the programs differ considerably in their target populations, benefits, services, and focus. That is, aid from these programs is not provided to one common group of people or families, nor do these programs address the same purposes. Some address basic needs (food, housing, and medical care); others (e.g., student financial assistance) seek to enable recipients to overcome financial need in order to engage in an activity.

Moreover, need-tested programs are not the only programs that benefit low-income persons and families. More universally available social programs—such as the social insurance programs of Social Security, Medicare, and Unemployment Insurance—also benefit low-income persons and families. These programs also tend to be substantially larger (in spending) than need-tested programs.

To simplify the analysis, this report focuses on nine of the largest need-tested programs based on federal spending, plus subsidies for health care that were created in the 2010 health reform law, and are available to lower-income families and persons.[1] The need-tested programs discussed in this report are the following:[2]

- **Medicaid/CHIP.** Medicaid provides medical assistance to needy families with dependent children and the aged, blind, and disabled who have low incomes. Beginning in 2014, states have the option to expand coverage to able-bodied individuals under age 65 with incomes below 133% of the federal poverty

[1] The selection of programs for this report was based on the largest programs identified in CRS Report R41625, *Federal Benefits and Services for People with Low Income: Programs, Policy, and Spending, FY2008-FY2009*, by Karen Spar. See the **Appendix** to this report for a discussion of the selection of programs.

[2] The order of the programs listed here is the same order in which they appear on this report's graphic figures.

guidelines. A large share of Medicaid expenditures pays for nursing home care for the elderly and disabled. The State Children's Health Insurance Program (CHIP) allows states to cover targeted low-income children with no health insurance in families with income above Medicaid eligibility levels. In addition, when certain conditions are met, states may extend CHIP coverage to pregnant women and parents of Medicaid- and CHIP-eligible children. In FY2013, Medicaid/CHIP outlays of $275 billion accounted for 8.0% of all federal outlays and 1.7% of GDP.

- **The health insurance tax credit**, created by the 2010 health care reform law,[3] helps certain individuals and families purchase health insurance beginning in 2014. Under the 2010 law, individuals and families not otherwise covered are able to purchase health insurance from state-based "exchanges." Families with incomes below 400% of the poverty line have their out-of-pocket premium payments capped at a certain percentage of their incomes. The remainder of the premium cost is paid for through an advance-payable, refundable tax credit. The refundable portion of that tax credit is considered a federal outlay.
- **The Supplemental Nutrition Assistance Program (SNAP, formerly known as food stamps)** provides low-income families with an income supplement to enable them to purchase a minimal cost, nutritious diet. SNAP is available to all low-income households regardless of their demographic composition, though benefits for able-bodied adults without dependents and who are not working is time-limited and certain noncitizens are excluded.[4] SNAP benefits are uniform nationwide for families of a given size except in Alaska, Hawaii, and the territories. In FY2013, SNAP outlays of $83 billion accounted for 2.4% of all federal outlays and 0.5% of GDP.
- **Student Financial Assistance** provides funds (mostly through Pell Grants) to students from low-income families to help meet the cost of post-secondary education. Awards are based on a need analysis that considers both the cost of education and the financial resources of the student's family. In FY2013, outlays for student financial assistance of $34 billion accounted for 1.0% of all federal outlays and 0.2% of GDP.
- **Compensatory Education** (Title I-A of the Elementary and Secondary Education Act) provides aid to school districts based on their number and percentage of economically disadvantaged children. The purpose of this aid is to ensure that each child has a high-quality education and reaches, at a minimum, proficiency on state academic achievement standards and assessments under the No Child Left Behind Act. In FY2013, total outlays for compensatory education grants of $16.8 billion accounted for 0.5% of all federal outlays and 0.1% of GDP.
- **Housing Assistance**, as categorized for this report, includes federal outlays for project-based rental assistance and tenant-based vouchers (under the Section 8

[3] The Patient Protection and Affordable Care Act (P.L. 111-148) as amended by the Heath Care and Education Reconciliation Act of 2010 (P.L. 111-152).

[4] There are also rules that restrict noncitizen eligibility for other low-income benefit programs; see CRS Report RL33809, *Noncitizen Eligibility for Federal Public Assistance: Policy Overview and Trends*, by Ruth Ellen Wasem.

program); other support for public housing; and housing assistance for the elderly, the disabled, and American Indians. In FY2013, housing assistance outlays of $36 billion accounted for 1.1% of all federal outlays and 0.2% of GDP.

- **The Earned Income Tax Credit (EITC)** represents the refundable portion of the earned income tax credit. It provides an earnings supplement for low-wage earners, with the size of the credit dependent on family type and earnings. The bulk of EITC dollars was historically delivered through tax refund checks and goes to families with children. Beginning in 2012, all "advance payments" of EITC benefits were ended, and all refundable EITC dollars are paid through refund checks. In FY2013, EITC outlays of $57 billion accounted for 1.7% of all federal outlays and 0.4% of GDP.
- **The Additional Child Tax Credit (ACTC)** represents the refundable portion of the child tax credit. It assists eligible parents of children who have earned income above a certain threshold but whose tax liability is too small to fully benefit from the regular nonrefundable child tax credit. It is delivered to families through refund checks when they file their taxes. In FY2013, ACTC outlays of $22 billion accounted for 0.6% of all federal outlays and 0.1% of GDP.
- **Supplemental Security Income (SSI)** provides a federally funded cash income floor for low-income persons or couples who are aged, blind, or disabled. Federal SSI benefits are based on uniform nationwide eligibility and benefit rules, and they are paid with federal funds. States may supplement SSI with their own funds. In FY2013, SSI outlays of $57 billion accounted for 1.6% of all federal outlays and 0.3% of GDP.
- **Family Support,** as categorized for this report, includes outlays for the Temporary Assistance for Needy Families (TANF) block grant, the Child Support Enforcement (CSE) program, and federal grants to help support state child care subsidy programs. In FY2013, family support outlays of $26 billion accounted for 0.8% of all federal outlays and 0.2% of GDP.

This report focuses only on federal outlays. A number of programs (Medicaid, SNAP, housing assistance, and family support) are actually administered at the state or local level. States also contribute financially to Medicaid, SNAP (administrative and employment and training costs), and family support. Further, the bulk of financing for elementary and secondary education represents state and local dollars.

Additionally, this report focuses on programs classified as "major" by their current spending level. This focus might leave out some programs that historically comprised a greater share of aid to low-income persons. For example, employment and training programs had much higher spending levels in the 1970s than they do today. Excluding such programs has the effect of somewhat depressing historical spending levels (in the late 1970s) and overstating growth since then. It also leaves out the part of the story regarding low-income assistance: training and employment, particularly public service employment in the late 1970s, were once a greater part of low-income aid.

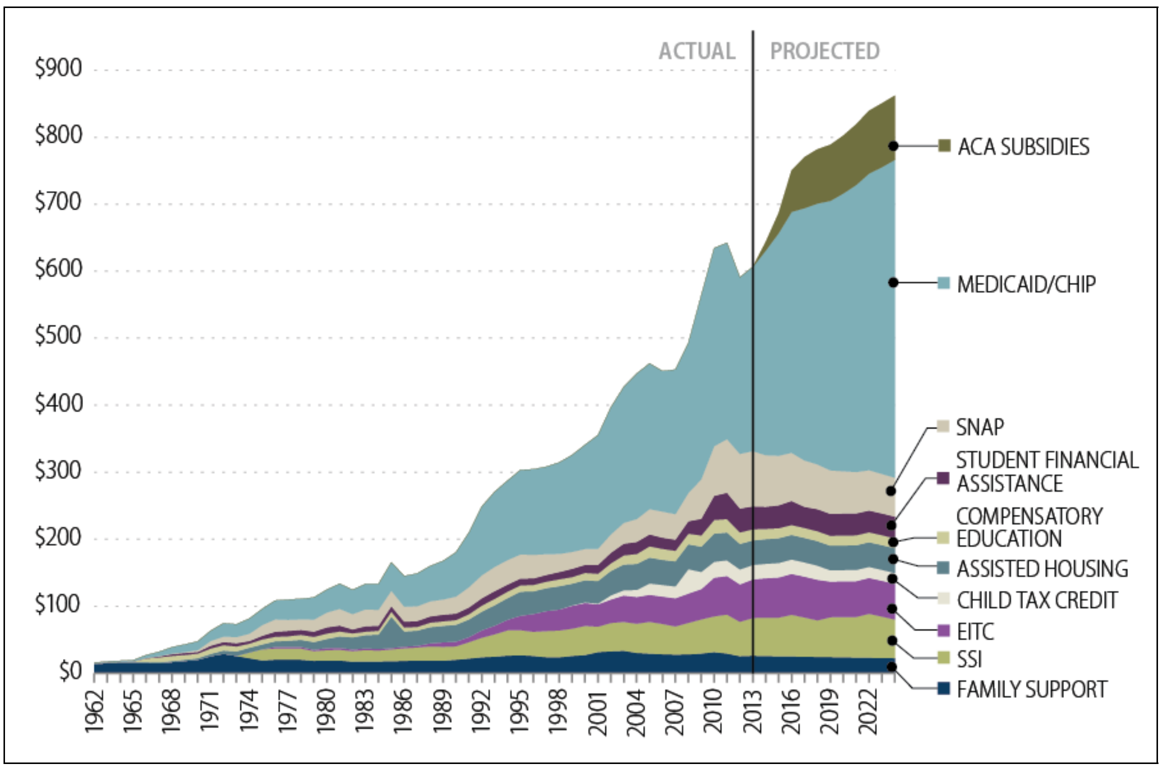
Low-Income Assistance Spending Trends

Federal outlays for low-income assistance have generally increased over the past five decades. In total, spending for low-income assistance in inflation-adjusted terms has been higher at the end of each decade. Though there have been some declines in spending immediately following recessions, the long-term trend in federal outlays for low-income assistance is one of increasing spending during both economic downturns and periods of economic growth.

Figure 1 shows federal outlays for the major low-income assistance programs in inflation-adjusted terms for FY1962 through FY2013, and shows CBO-projected outlays under current law for FY2014 through FY2024. The figure shows several periods of pronounced growth, with the most recent occurring from FY2007 through FY2011. This represents spending, both automatic (through increased enrollment) as well as legislated (e.g., benefit and funding increases through the American Recovery and Reinvestment Act of 2009 (ARRA, P.L. 111-5)), in response to the deep recession from 2007 to 2009. Federal outlays for selected programs declined from FY2011 to FY2012. The temporary increases in funding for these programs under ARRA expired during this period. Total federal outlays for these programs again increased from FY2012 to FY2013.

Figure 1. Federal Outlays for Selected Low-Income Assistance Programs: FY1962 through FY2024

(In billions of constant FY2013 dollars)



Source: Congressional Research Service (CRS), based on data from the U.S. Office of Management and Budget (OMB) FY2015 Public Budget Database and the Congressional Budget Office (CBO) April 2014 baseline budget projections for FY2014 through FY2024.

Notes: Constant dollars were calculated using the price index for the gross domestic product (GDP).

Rates of Growth: Health Programs and Non-health Programs

Historically, spending for health care (mostly Medicaid) has grown faster than the other categories of low-income assistance spending. Over the entire FY1962 through FY2013 period, federal outlays for low-income health programs have increased, in inflation-adjusted terms, at a rate of 12.7% per year versus 6.2% for other spending. Some of this is attributable to high rates of growth early in the period, as Medicaid was established. As shown in **Table 1**, the growth of inflation-adjusted spending for health care generally outpaced the growth for other low-income assistance programs. The major exceptions were in the 1970s, when rates of growth were equivalent between health and non-health programs; and during the recent recessionary period, which saw more rapid growth for non-health programs than for health programs. In FY2013, federal outlays for both health and non-health programs were below their FY2011 levels. The temporary increase in the Medicaid matching rate for states expired during this period, reducing federal Medicaid spending.

Table 1 shows that under current policies, CBO projects that health outlays would grow at an average annual rate of 6.9% in the upcoming decade; whereas real spending for other low-income assistance will decline at an average annual rate of 1.2% for that same period.

Table 1. Average Annual Rates of Change in Inflation-Adjusted Outlays for Major Low-Income Assistance Programs: Selected Periods from FY1962 through FY2024

	Non-health Programs	Health Programs	Total
Historical Spending			
1962-1970	10.7%	46.5%	14.7%
1970-1980	9.9	9.9	9.9
1980-1990	2.4	6.8	3.8
1990-2000	4.9	9.0	6.6
2000-2007	3.6	4.8	4.2
2007-2011	10.1	8.0	9.1
2011-2013	-2.6	-3.1	-2.8
Total: 1962-2013	6.2	12.7	7.4
Spending Under the Congressional Budget Office (CBO) Baseline			
2013-2024	-1.2	6.9	3.2

Source: Congressional Research Service (CRS), based on data from the Office of Management and Budget (OMB) FY2015 Public Budget Database and the Congressional Budget Office (CBO) April 2014 baseline budget projections for FY2014 through FY2024.

Notes: Constant dollars were computed using the price index for the gross domestic product (GDP).

The factors affecting spending for low-income health care (primarily through Medicaid) are complex. However, two major factors are

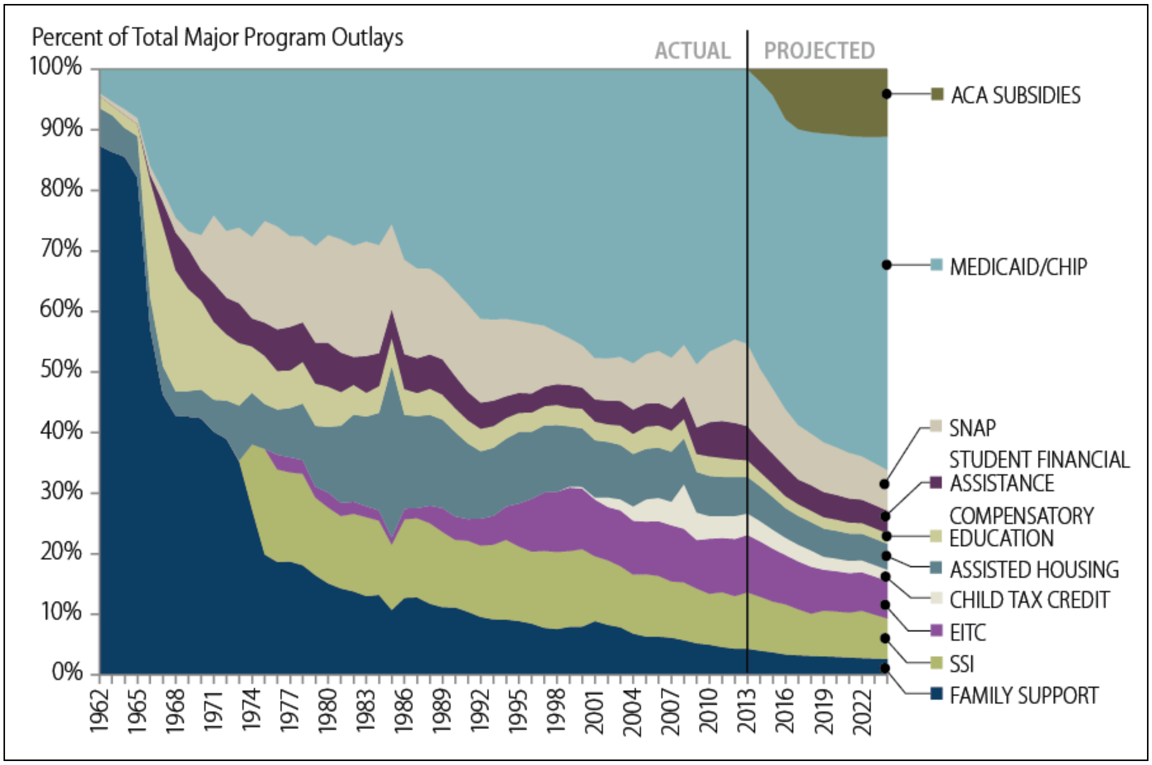
- health care cost increases that are greater than the rate of general price inflation; and
- the growth in Medicaid enrollment.

Originally, Medicaid eligibility was tied to the receipt of cash assistance from programs for the elderly, blind, and disabled and families with dependent children. Growth in the enrollment of these programs—particularly in two periods (the late 1960s through the 1970s, and the late 1980s through the early 1990s)—contributed to Medicaid spending increases. However, Medicaid enrollment also increased as a result of legislated expansions of coverage for children beyond those in families receiving cash assistance, as well as pregnant women with incomes below 133% of the federal poverty level.

The much faster rate of growth in health care than in other forms of need-tested aid means that health has been an increasing share of total federal outlays for need-tested programs. **Figure 2** shows the composition of federal outlays on major low-income assistance programs for FY1962 through FY2024. In FY1962, most need-tested aid was in the form of cash public assistance through grants to states for families with children and the aged, blind, and disabled. This has changed dramatically over time. Non-cash benefits or services, particularly health care, began to account for an increasing share of aid to low-income families and persons. In FY2013, federal outlays for Medicaid and CHIP alone accounted for almost half (48%) of all federal outlays for major low-income assistance programs.

As projected under current policies by CBO, federal outlays for health will account for a growing share of need-tested aid in the coming decade. By FY2024, health would account for two-thirds of all dollars spent on major low-income assistance programs. The projected health outlays include the estimated costs of the expansions made in the 2010 health reform law, such as the expansion of Medicaid coverage for currently uncovered persons under age 65 with incomes below 133% of the federal poverty level and the refundable portion of the health tax credit that subsidizes health insurance purchased through state exchanges for those with incomes under 400% of the federal poverty level.

Figure 2. Composition of Federal Outlays on Major Low-Income Assistance Programs: FY1962 through FY2024



Source: Congressional Research Service (CRS), based on data from the Office of Management and Budget (OMB) FY2015 Public Budget Database and the Congressional Budget Office (CBO) April 2014 baseline budget projections for FY2014 through FY2024.

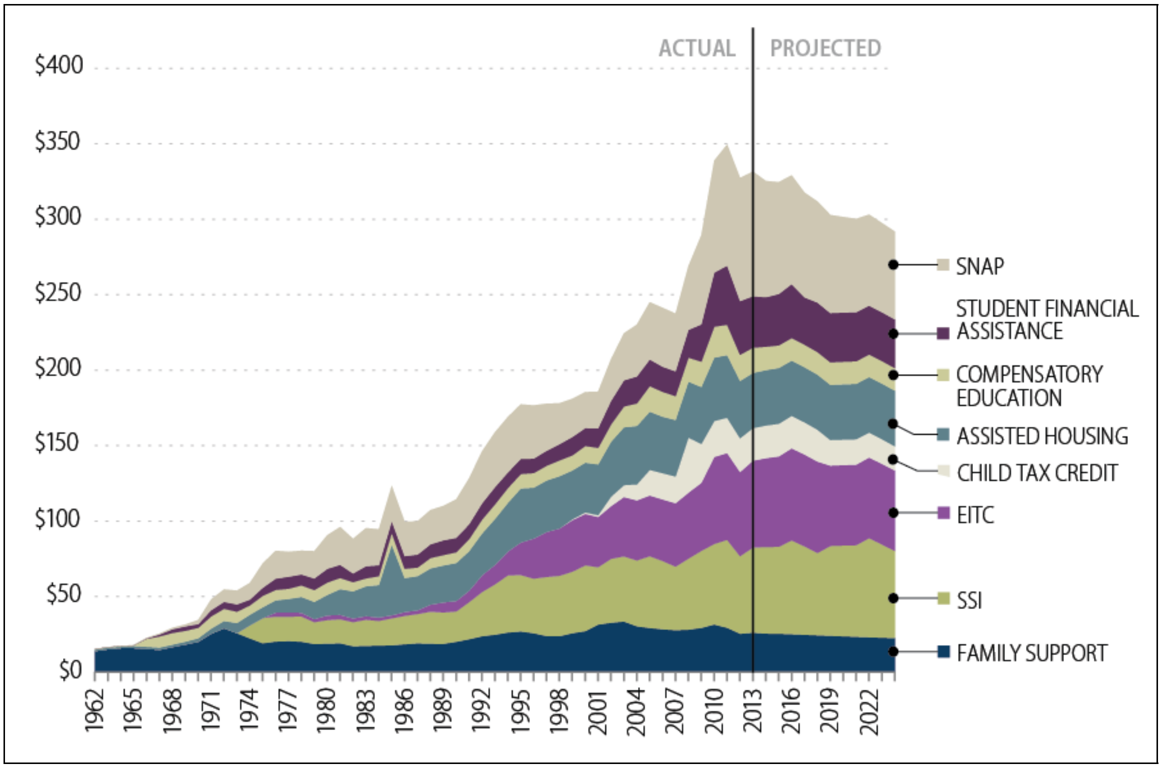
Trends in Non-health Spending

The large growth in health spending obscures some of the trends in the non-health portion of aid to low-income families and persons. As discussed above, inflation-adjusted outlays for the major non-health low-income assistance programs also grew over the past five decades, albeit at a slower rate than health spending.

Figure 3 shows the trends for inflation-adjusted outlays of the selected non-health programs that provide low-income assistance. Historically, aggregate outlays for the non-health need-tested programs increased during periods of both economic downturn and economic growth. However, CBO projects that, under current law, spending for all of these programs except SSI will decline in real terms over the next few years as the economy continues to recover from the 2007-2009 recession.

Figure 3. Federal Outlays for Selected Non-Health Low-Income Assistance Programs: FY1962 through FY2024

(In billions of constant FY2013 dollars)



Source: Congressional Research Service (CRS), based on data from the Office of Management and Budget (OMB) FY2015 Public Budget Database and the Congressional Budget Office (CBO) April 2014 baseline budget projections for FY2014 through FY2024.

Notes: Constant dollars were computed using the price index for the gross domestic product (GDP).

Trends through the Late 1980s

As discussed above, cash benefits (in the family support category) dominated spending in the early years. Supplemental Security Income (SSI) represented a federalization of cash benefits for the aged, blind, and disabled beginning in FY1974. However, from the mid-1970s through the end of the 1980s, cash benefits as represented by the family support and SSI categories increased only slightly. The largest growth in spending through the late 1980s was in noncash benefits and services:

- **Elementary and Secondary Education Aid**. Compensatory education grants to school districts (Title I-A of the Elementary and Secondary Education Act), based on their number and percentage of disadvantaged children, date back to President Lyndon Johnson's Great Society.
- **Higher Education Aid**. The Basic Educational Opportunity Grants (BEOG), the predecessor to Pell Grants, was created in the Education Amendments of 1972.
- **SNAP (the program formerly known as food stamps).** A Food Stamp pilot program began in 1961 and legislation in 1964 made the program permanent. However, it did not operate nationwide until 1974.

- **Housing Assistance.** Federal housing aid dates back to the Great Depression. Until the Housing Act of 1974, federal policy emphasized supporting the construction of public housing for low-income persons. The 1974 act established the Section 8 program, which changed the emphasis of housing assistance policies toward providing rent subsidies for lower-income households in private market housing.[5]

The 1990s

The 1990s was the decade of welfare reform. In that decade, total spending on non-health low-income assistance programs increased. However, aid was substantially restructured during the period. For low-income families with children, policies were shifted away from providing a safety net for families without earnings toward a policy to support work among low-income parents. The 1996 welfare reform law converted the cash assistance entitlement for families with dependent children into the Temporary Assistance for Needy Families (TANF) block grant, with recipients of cash aid subject to work requirements and time limits for federal aid. The 1996 law also curtailed aid to noncitizens.

However, aid to working poor families with children was increased during the 1990s through other programs. Earnings supplements for working parents through the EITC were substantially expanded through legislation in 1990, with a major increase in the amount of the credit enacted in 1993. A child tax credit of $500 per child was established by tax legislation in 1997. The 1996 welfare reform law also substantially expanded funding to help states pay for child care subsidies for working parents.

2000-2007

The major legislated expansions in aid in the 2000s before the onset of the recession were in the EITC and child tax credit. Several pieces of legislation increased the size of the child tax credit (to $1,000 beginning in 2003). In addition, tax legislation through this period made the credit refundable to more families.[6] Substantial changes were also made to Pell Grants in 2007 amendments (and again in 2010).

Recent Years

There were large increases in spending for low-income aid in recent years in response to the 2007-2009 recession. This resulted from both automatic factors (increases in enrollments in the entitlement programs) as well as legislated changes. The American Recovery and Reinvestment Act of 2009 (P.L. 111-5) provided an increase in the EITC for families with three or more children; further expanded the availability of the refundable portion of the child tax credit; increased the average SNAP benefit by 15%; increased the maximum Pell Grant; and provided extra funding for both compensatory education and TANF.

---

[5] The trend in housing outlays shows the effects of a one-time payment made in FY1985, which resulted from a change in financing of public housing construction and modernization activities.

[6] For a discussion, see CRS Report R41873, *The Child Tax Credit: Current Law and Legislative History*, by Margot L. Crandall-Hollick.

Many of the ARRA provisions were temporary and have expired. However, ARRA changes to the two refundable tax credits (EITC and the child credit) have been extended. Under current law, the child credit and the EITC would revert back to pre-2009 rules after 2017. CBO's April 2014 baseline projects that enrollment in SNAP will gradually decline as the economy recovers over the next 10 years. Thus, federal outlays for the major non-health need-tested programs are projected to decline, in real terms, over the coming decade.

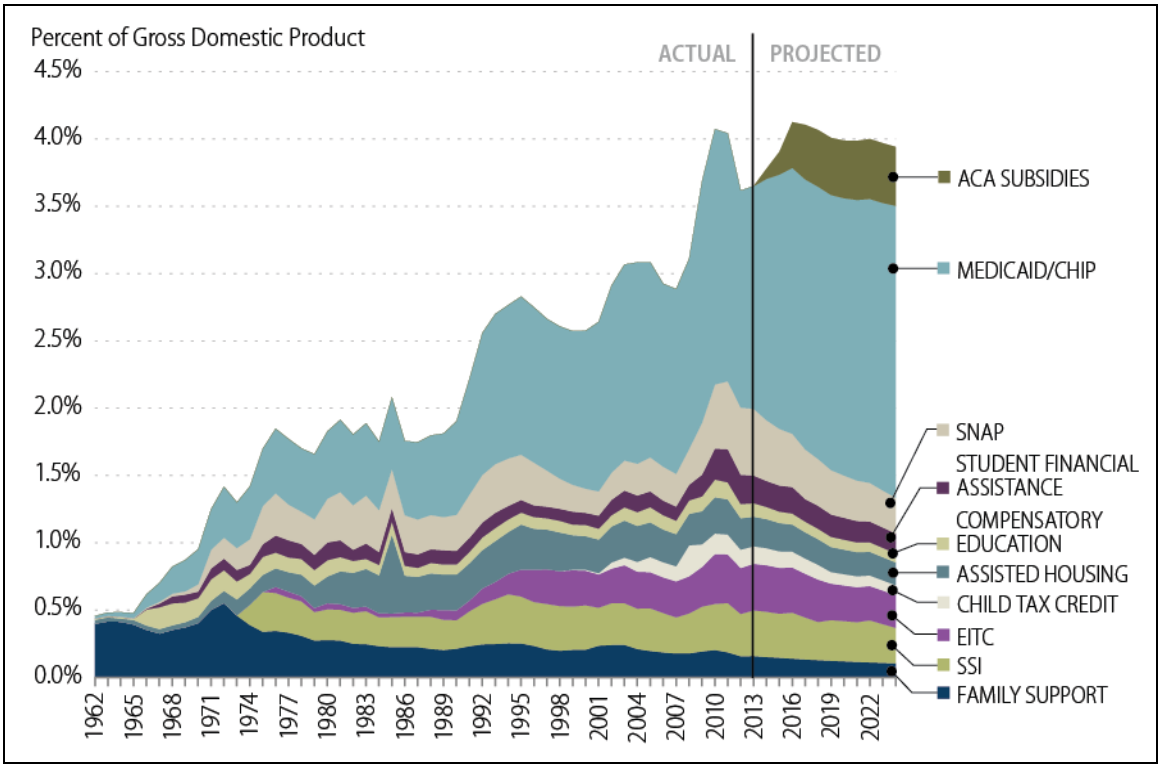
Federal Outlays for Low-Income Assistance Programs as a Percentage of the Gross Domestic Product

Federal outlays for major low-income assistance programs measured as a percentage of gross domestic product (GDP) provide a sense of how large these programs are relative to the size of the national economy. These programs have grown as a share of GDP over the past five decades, ending each decade at a higher level as a percentage of GDP.

Figure 4 shows federal outlays for major low-income assistance programs as a percentage of GDP for FY1962 through FY2013, and as projected under the CBO baseline for FY2014 through FY2024. Outlays for these programs—both the non-health and health programs—generally increased as a share of GDP, with some fluctuations due mostly to the economic cycle (e.g., increasing as a share of GDP during economic slumps, decreasing during periods of growth). The longest period of decline as a percentage of GDP was in the late 1990s. Federal outlays for major low-income assistance programs as a percentage of GDP decreased for four consecutive years. During this period, outlay growth for these programs increased, but at a rate slower than overall economic growth.

In FY2011, federal outlays on the selected low-income assistance programs as a percentage of GDP reached 4.1%. They have since fallen back to 3.7% of GDP. However, total federal outlays for the selected low-income assistance programs would again rise, to 4.1%, in FY2017 and remain in the neighborhood of 4% of GDP thereafter. All of that increase reflects the growth of health care spending. Federal outlays for the major non-health programs as a percentage of GDP would drop from their peak of 2.2% in FY2011 to below their pre-recession levels by FY2020, with continued declines thereafter.

Figure 4. Federal Outlays for Major Low-Income Assistance Programs as a Percentage of the Gross Domestic Product: FY1962 through FY2024

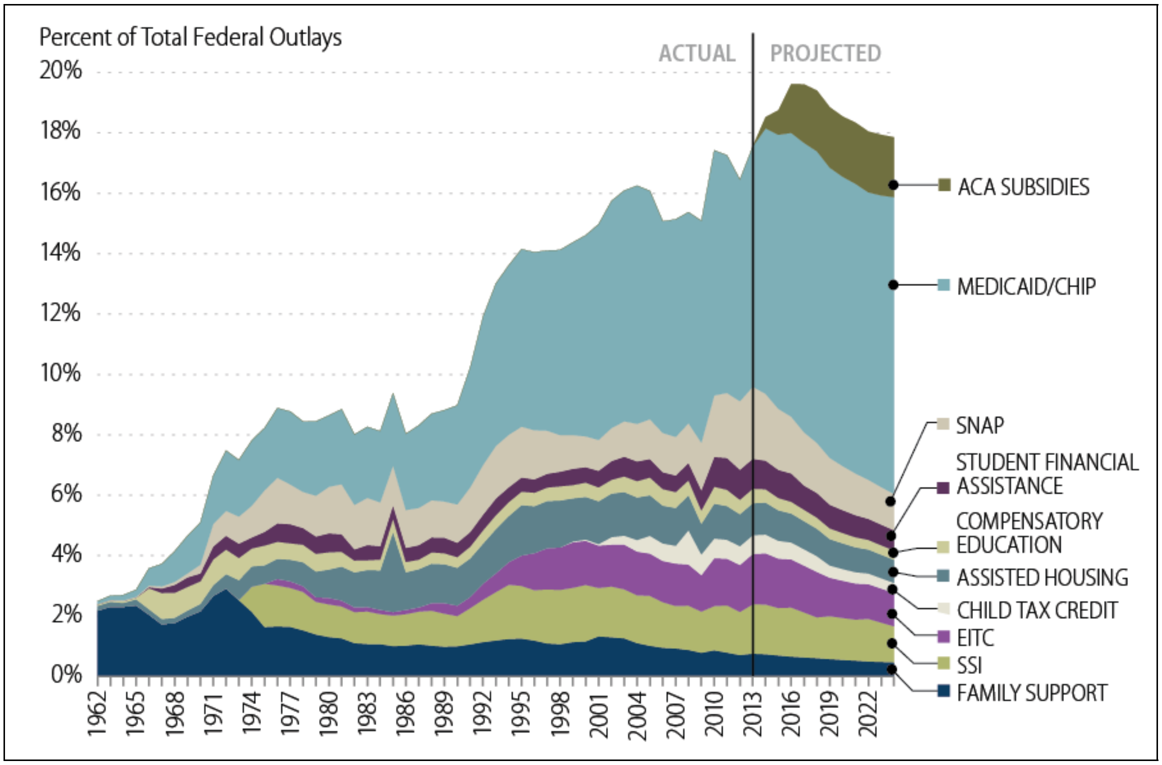


Source: Congressional Research Service (CRS), based on data from the Office of Management and Budget (OMB) FY2015 Public Budget Database and the Congressional Budget Office (CBO) April 2014 baseline budget projections for FY2014 through FY2024.

Federal Outlays for Low-Income Assistance Programs as a Percentage of the Federal Budget

Though federal spending for major low-income assistance programs has increased by almost any measure, so has total federal spending. **Figure 5** shows total federal outlays for major need-tested programs as a percentage of total federal spending. Though the long-term trend has been for the major need-tested programs to account for a greater share of total federal spending, the largest jumps in this measure occurred from the mid-1980s to the mid-1990s, when spending for them jumped from about 8% to 14% of total federal outlays. Aggregate federal outlays for these programs increased again, to about 16% of total federal outlays, by FY2004; fell before the recession; and then increased to 17.4% of total outlays in FY2010. In FY2013, federal outlays for the selected low-income assistance programs were 17.6% of total outlays. Under CBO's April 2014 baseline, federal outlays for the selected programs would peak as a percentage of total federal outlays in FY2016 and FY2017 at 19.6%, with declines thereafter.

Figure 5. Federal Outlays for Major Low-Income Assistance Programs as a Percentage of Total Federal Outlays: FY1962 through FY2024



Source: Congressional Research Service (CRS), based on data from the Office of Management and Budget (OMB) FY2015 Public Budget Database and the Congressional Budget Office (CBO) April 2014 baseline budget projections for FY2014 through FY2024.

Conclusion

At the beginning of the period examined in this report (FY1962), federal aid to address low income was dominated by grants to the states to provide public assistance for the aged, blind, and disabled and families with dependent children. Grant-in-aid programs for the low-income aged, blind, and families with dependent children were established by the Social Security Act of 1935 and focused on groups that, during that era, were not expected to work. A grant-in-aid program for low-income disabled persons was added in 1950.

The period since the 1960s saw large changes in programs that assist low-income families. First, there were large expansions in noncash medical, food, and housing assistance. The Great Society era also produced expanded educational aid for elementary and secondary education for school districts with large concentrations of low-income children, and the early 1970s saw the establishment of grants to help students from low-income families attend college.

Second, there was the increasing dominance of medical assistance in spending for low-income families. By FY2013, Medicaid and the State Children's Health Insurance Program (CHIP) accounted for almost half of all spending on major low-income assistance programs.

Third, low-income aid became increasingly federalized. In the 1970s, the federal government assumed the costs of providing a cash income floor for the aged, blind, and disabled; by mid-decade, the expanded food stamp program provided 100% federally funded benefits nationwide using uniform benefit and eligibility rules; and housing aid shifted to 100% federally financed vouchers. In the last two decades (the 1990s and the 2000s), the major expansion of aid was done through refundable tax credits for families with children, 100% federally financed and administered through the tax code. The exception to the rule of increasing federalization—and it is a major exception—is that the costs of Medicaid and CHIP are shared with the states.

Fourth, for families with children, expansions of aid went to the working poor rather than the nonworking poor. The Medicaid expansions of the 1980s and early 1990s were for children who were not on cash assistance and thus targeted families with earnings. The Earned Income Tax Credit (EITC) and the refundable portion of the child credit require earnings to qualify for them. Food and housing assistance programs benefit families with and without earned income, and increasingly assist those who work.

Looking at CBO's budget projections of current policies, low-income aid would become increasingly dominated by health care. Medicaid, CHIP, and the new health care tax credit established in the 2010 health law would account for two-thirds of all dollars spent on low-income aid through the selected programs by 2024. Non-health programs would see their aggregate spending decline.

Additional Reading

CRS Report R41625, *Federal Benefits and Services for People with Low Income: Programs, Policy, and Spending, FY2008-FY2009*, by Karen Spar.

CRS Report R43357, *Medicaid: An Overview*, coordinated by Alison Mitchell.

CRS Report R42663, *Health Insurance Exchanges Under the Patient Protection and Affordable Care Act (ACA)*, by Bernadette Fernandez and Annie L. Mach.

CRS Report R42446, *Federal Pell Grant Program of the Higher Education Act: How the Program Works, Recent Legislative Changes, and Current Issues*, by Shannon M. Mahan.

CRS Report RL33960, *The Elementary and Secondary Education Act, as Amended by the No Child Left Behind Act: A Primer*, by Rebecca R. Skinner.

CRS Report RL34591, *Overview of Federal Housing Assistance Programs and Policy*, by Maggie McCarty, Libby Perl, and Katie Jones.

CRS Report RL31768, *The Earned Income Tax Credit (EITC): An Overview*, by Christine Scott and Margot L. Crandall-Hollick.

CRS Report R41873, *The Child Tax Credit: Current Law and Legislative History*, by Margot L. Crandall-Hollick.

CRS Report R42505, *Supplemental Nutrition Assistance Program (SNAP): A Primer on Eligibility and Benefits*, by Randy Alison Aussenberg.

CRS Report R40946, *The Temporary Assistance for Needy Families Block Grant: An Introduction*, by Gene Falk.

CRS Report R41917, *Welfare, Work, and Poverty Status of Female-Headed Families with Children: 1987-2012*, by Thomas Gabe.

Appendix.

The spending trends shown in this report are based on spending for 9 of the 10 largest programs (in terms of spending) providing low-income assistance catalogued in CRS Report R41625, *Federal Benefits and Services for People with Low Income: Programs, Policy, and Spending, FY2008-FY2009*, by Karen Spar. That report provides a "snapshot" of federal or federally assisted need-based programs with $100 million or more in obligations in FY2008 or FY2009. This report intends to complement the material in CRS Report R41625 by providing information on long-term spending trends.

The 10 largest need-tested programs discussed in CRS Report R41625 were (1) Medicaid; (2) SNAP; (3) SSI; (4) EITC; (5) Pell Grants; (6) the ACTC (the refundable portion of the child tax credit); (7) Title I-A Education for the Disadvantaged; (8) Medicare Part D, the Prescription Drug Low-Income Subsidy; (9) TANF; and (10) Section 8 Housing Choice Vouchers. CRS Report R41625 used federal obligations as its measure of spending for a program because they are the most consistent measure at the level of detail (program-level) used in that report. However, as mentioned in that report, obligations are difficult to track in a consistent manner over time.

The most consistent measure of federal spending available over time is outlays, which represent actual payments from the federal government, usually in the form of checks or electronic transfers of funds. Each year, the Office of Management and Budget (OMB) releases a database that shows historical outlays for each budget account for each fiscal year from FY1962 and later. Additionally, the Congressional Budget Office (CBO) makes its baseline budget projections in terms of outlays for each budget account. The tradeoff here is that budget account outlays do not necessarily represent program-level activity. Some programs represent spending within only a part of an account. Moreover, the composition of accounts sometimes changes over time, which necessitates combining multiple accounts to provide consistent measures of spending over time.

Table A-1 shows the federal outlays for the selected major income assistance programs by budget account. It shows that three of the categories represent combinations of accounts. Medicaid (the largest program) is combined in this report with the State Children's Health Insurance program (CHIP) because some CHIP programs are expansions of Medicaid. Housing assistance combines many accounts and represents far more spending than the Section 8 Housing Choice Vouchers discussed in CRS Report R41625. The account composition of housing aid has changed many times over the years, and a consistent measure of "housing assistance" requires combining both rent vouchers and support for families in public housing. Finally, the "Family Support" account comprises more than TANF. In the federal budget, TANF's predecessor (Aid to Families with Dependent Children) was included in the same account as the Child Support Enforcement (CSE) program and child care for families receiving, transitioning from, or at-risk of receiving cash assistance. Therefore, the "Family Support" category covers TANF, CSE, and today's child care subsidy programs. TANF also consolidated funding in the pre-1996 program to provide employment services, education, and training for cash assistance recipients (the Job Opportunity and Basic Skills Training, or JOBS, program); funding for that program is included in the historical outlays of the "Family Support" category.

In addition, Pell Grants are the major component of the "Student Financial Assistance" account. Also included in the "Student Financial Assistance" account are federal supplemental educational opportunity grants (SEOGs) and college work study programs. The largest component of the "Compensatory Education" account (currently named "Accelerating Achievement and Ensuring

Equity") is the Title I-A grants to school districts with low-income children, but it also includes School Improvement Grants, Even Start, and the High School Graduation initiative, among other activities.

The Medicare Part D (prescription drug) low-income subsidy is not included in this report because it is not separately accounted for in the federal budget, but instead is subsumed in the much larger budget account that finances the Medicare prescription drug program. Unlike it did for other programs, CRS Report R41625 did not use federal budget information to capture spending for this program. Rather, it used information from the annual report of the Medicare trustees.

Table A-1. Federal Outlays for Selected Major Low-Income Assistance Programs, By Budget Account, FY2013-FY2015

(Dollars in millions)

			Projected	
Program/Group	**Treasury Account Code**	**2013**	**2014**	**2015**
Medicaid/SCHIP				
Medicaid	75-0512-0-1-551	$265,392	298,867	330,158
SCHIP	75-0515-0-1-551	9,483	11,020	12,483
Total Medicaid/SCHIP		274,875	309,887	342,641
Health Care Tax Credit	20-0949-0-1-551	0	12,839	30,525
SNAP	12-3505-0-1-605	82,548	78,091	76,378
Pell Grants	91-0200-0-1-502	34,037	33,233	35,038
Compensatory Education	91-0900-0-1-501	16,795	15,752	15,513
Assisted Housing				
Choice Neighborhood Initiative	86-0349-0-1-604	1	25	47
Family Self-Sufficiency	86-0350-0-1-604	0	56	76
Flexible Subsidy Fund	86-4044-0-1-604	-41	-42	-42
Green Retrofit Program for Multi-Family Housing	86-0306-0-1-604	0	-5	0
HOPE VI	86-0218-0-1-604	159	130	110
Housing Certificate	86-0319-0-1-604	479	325	300
Housing for Persons with Disabilities	86-0237-0-1-604	218	234	211
Housing for the Elderly	86-0320-0-1-604	855	727	592
Native American Housing Block Grant	86-0313-0-1-604	728	691	651
Other Assisted Housing Programs	86-0206-0-1-604	391	343	304
Project-Based Rental Assistance	86-0303-0-1-604	9,429	9,827	10,015
Public Housing Capital Fund	86-0304-0-1-604	2,182	2,006	1,891
Public Housing Operating Fund	86-0163-0-1-604	4,068	4,104	4,450
Tenant-Based Housing Assistance	86-0302-0-1-604	18,022	18,743	19,387
Total Assisted Housing		36,491	37,164	37,992

Program/Group	Treasury Account Code	2013	Projected 2014	Projected 2015
EITC	20-0906-0-1-609	57,513	59,614	61,680
Additional Child Credit	20-0922-0-1-609	21,608	21,985	22,359
SSI	28-0406-0-1-609	56,489	58,229	59,422
Family Support				
CCDBG	75-1515-0-1-609	2,177	2,230	2,435
Child Care Entitlement	75-1550-0-1-609	2,872	2,924	2,917
CSE	75-1501-0-1-609	4,066	4,120	4,200
Federal Share Child Support Payments	75-9992-0-1-609	-841	-740	-740
TANF	75-1552-0-1-609	17,107	16,697	16,717
TANF Contingency Fund	75-1522-0-1-609	699	627	619
Total Family Support		26,080	25,858	26,148
Total Selected Major Programs		606,436	652,652	707,696

Source: Congressional Research Service (CRS), based on data from the U.S. Office of Management and Budget (OMB) and Congressional Budget Office (CBO).

Author Contact Information

Gene Falk
Specialist in Social Policy
gfalk@crs.loc.gov, 7-7344

Acknowledgments

CRS Graphics Specialist Amber Wilhelm created the figures in this report.