UNIT IV STUDY GUIDE

Major Government Programs and Subsidies

Course Learning Outcomes for Unit IV

Upon completion of this unit, students should be able to:

3. Compare contemporary financial management practices at the federal, state, and local levels.
   3.1 Evaluate the evolution of major public assistance programs.
   3.2 Analyze the means test used by public programs.

7. Describe the impact of budgetary deficiencies on public agencies.
   7.1 Summarize intergovernmental role and relationships of public programs.

Reading Assignment

Chapter 7:
Government Subsidies and Income Support for the Poor

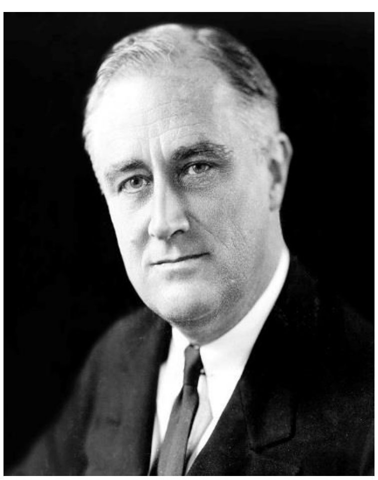
Chapter 8:
Social Security and Social Insurance

Chapter 9:
Government and Health Care

Unit Lesson

Following our Revolutionary War, the founders of our new government feared the power of a central government because of their experience with the English monarchy. As a result, they created a federalist system, limiting the power of the federal government and entrusting all other powers to the states. Along that same line, they recognized the fact that some powers would need to be shared among all levels of government.

Federal, state, and local (intergovernmental) entities join together to combat poverty. Social problems such as inadequate health care, education, substandard housing, and lack of resources contribute to poverty for many citizens. Although charitable organizations seek to provide assistance to impoverished citizens, government's role, as indicated previously, is to allocate programs that increase market efficiency. During economic downturns, demand for public assistance increases. These demands typically increase budget expenditures of safety-net programs (Moffitt, 2013). There are several variables or means tests, such as income, family size, consumption, and accessibility to basic needs that determine the poverty threshold level. Government subsidized programs provide social stability and safety nets to those in need, including disabled, aged, and single parent families (Hyman, 2014). Programs to assist the poor are oftentimes subsidized to improve the well-being of recipients. This unit's discussion will provide a snapshot of intergovernmental programs. These programs are facilitated through a multifaceted approach, including cash, medical care, food, housing, education, job training, services, and childcare assistance.



FDR in 1933
(Goldensky, 1933)

Historical intergovernmental approaches to assist the poor are rooted in the Great Depression of 1933 and the New Deal War on Poverty implemented by President Franklin Roosevelt (Hyman, 2014). The New Deal embodied a succession of domestic programs that provided basic needs such as food and shelter to sustain citizens during the economic downturn of the depression. President Lyndon Johnson expanded this approach into the Great Society reform efforts. This reform included not only basic needs but also consumer protection, employment programs, education, training, civil rights, health care, and urban development (Hyman, 2014).

As anti-poverty programs continued to evolve, shifts in federal power (devolution) toward unfunded mandates became prominent. An unfunded mandate is a requirement that must be met by state and local governments without federal financial assistance (Greve, 2014). This financial management practice was perceived as encroachment. This perception was based on the federal government's increasing requirement of states to provide services to the poor while supplemental funding was decreased. This requirement exacerbated state government fiscal stress.

Devolution of responsibilities from the federal to state government allowed states more control and flexibility to administer programs to their constituents. States were required to assume responsibility for many of society's growing needs. Some argued devolution had negative consequences. First, state budgets lacked revenue sources to maintain required service levels to citizens. Subsequently, eligibility requirements varied across states, thereby making it more difficult for some impoverished populations to receive benefits (Kansas Action for Children, 2014).

Contemporary approaches to alleviate poverty include the 1996 Personal Responsibility and Work Opportunity Act (PRWORA) (Hyman, 2014). Targeting a wide-range of social deficiencies, the PRWORA is considered an umbrella or overall safety net for impoverished citizens. PRWORA's major pillar (title) is block grants (Brown, 2015). However, other pillars include Supplemental Security Income, child support, restricting welfare and public benefits for noncitizens, programs of protection for children, individual care, and monetary provision for nutrition assistance (Underwood, Axelson, & Friesner, 2010).

Temporary Assistance to Needy Families (TANF), a block grant, fused three historical federal-state programs: Aid to Families with Dependent Children (AFDC); Emergency Assistance (EA); and Job Opportunities and Basic Skills (JOBS) (Underwood et al., 2010). The central tenant of the block grant was to stimulate recipients to work first and then receive assistance. Additionally, this subsidy has a statute of limitations for participation as well as sanctions for non-compliance. More specifically, TANF allowed recipients two years of assistance with a five-year maximum (Thatcher, 2010). TANF disqualifies education and training as work. As devolution became a more prominent part of intergovernmental programs, state governments were allowed more administrative control of TANF. Therefore, many consider the program successful. However, concerns continue to emerge that federal funding levels have not kept in sync with the needs of working families, such as in rising child-care costs (Brown, 2015). Additionally, other programs impacted by the reduction in federal funding included local communities' Boys and Girls Clubs (Lyon, 2011).

For example, many of you may be surprised to learn that shifting federal control of TANF to the state government of Kansas has possibly resulted in impoverished families being denied benefits (Kansas Action for Children, 2014). Kansas Action for Children (2014) argues that childhood poverty in Kansas has increased more than 21 percent over the past several years, while the number of children receiving or benefiting from TANF is actually decreasing. This claim is also being supported by the Center on Budget and Policy Priorities (Floyd, Pavetti, & Schott, 2013).

Let's turn our focus toward the Supplemental Security Income (SSI) program, which is designed to deliver federal currency as a provision to citizens who are disabled (Hyman, 2014). Prior to PRWORA, SSI eligibility requirements or means tests were uniform nationwide. However, PRWORA implemented more rigid eligibility guidelines for SSI. As a result, more than 260,000 children were notified that their SSI eligibility was subject to redetermination (Davies, Iams, & Rupp, 2000). SSI eligibility requirements are based on previous employment earnings (Moffitt, 2013).

Earned Income Tax Credit (EITC), an antipoverty strategy, is implemented through the tax code (Hyman, 2014). This strategy indirectly promotes work by offsetting mandatory payroll deductions for low-income families. The EITC is a tax credit, which typically manifests in a tax refund to workers (Moffitt, 2013). This tax tool makes work more attractive, but many workers need assistance with the application of this benefit when completing tax forms. Seeking assistance in many cases comes with a cost, thereby negating the benefit in some circumstances. In 2009, the American Recovery and Reinvestment Act (ARRA) sought to increase employment and reinforce public programs, including extending unemployment benefits (Underwood et al., 2010). Funding of the ARRA ended in 2012, causing fiscal hardships for many state and local governments.

Public educational programs include the Head Start grant, which was designed to improve lifetime outcomes for less affluent populations (Hyman, 2014). The Title I Elementary and Secondary Education Act stipulated subsidies to be awarded to schools that have higher percentages of low-income families. As indicated previously, the Pell Grant program provides aid to help students from low-income families afford higher education. Similarly, the Job Corps provides education and job training to young people from low-income families. The Workforce Investment Act (WIA) is the chief federal program for the development of unemployed and underemployed workers, and services are provided through One-Stop Career Centers (Underwood et al., 2010). Other educational program tools include the Hope Credit and the Lifetime Learning Credit that stimulates college affordability. Tax deduction for interest on student loans is an attempt to make higher education more affordable.

Coastguardsman reading to children at a Head Start facility
(Fabich, 2014)

Food assistance programs such as the Supplemental Nutrition Assistance Program (SNAP) support low-income families' basic dietary needs (Hyman, 2014). Additionally, the ARRA subsidized an increase in food stamp benefits by 13 percent as well as provided assistance to food banks and elderly nutrition services such as Meals on Wheels (Davies et al., 2000). The national school lunch program provides breakfast and lunch to schoolchildren from low-income families. The Women, Infants, and Children (WIC) program ensures that pregnant women, infants, and young children have adequate nutrition.

Public housing programs assist families by limiting housing expenses (Hyman, 2014). The Tenant-Based Rental Assistance Program provides vouchers to low-income families to help them find affordable rental housing. Another public housing program offers finance to local housing authorities that own and operate public-housing complexes for low-income families. The Aid to States and Localities tax credit approves financing to private developers to subsidize the construction and maintenance of mixed-income affordable housing developments. Other supplementary homeownership programs extend grants and subsidized loans to very low-and moderated-income households. However, housing policies originating from the New Deal Era have dramatically evolved (Goetz, 2012). Policy shifts have provided qualified applicants greater flexibility and increased options for public housing.

Financing health care in the United States has become a central focus (Hyman, 2014). In particular, many employers incorporate health insurance as a benefit for employees. The poor and elderly receive basic healthcare coverage from Medicaid and Medicare known as government insurance. Other citizens can purchase health insurance in the marketplace. More specifically, Medicaid provides an umbrella of health coverage to low-income families, single mothers, and disabled individuals through coordinated federal and state efforts (Eggbeer & Bowers, 2014). The Children's Health Insurance Program (CHIP) central focus involves healthcare provisions for children in families who exceed the financial eligibility requirements for Medicaid (Hyman, 2014). However, during fiscal year 2010, forty-one states reduced services and imposed restrictions on eligibility of low-income children and families for health insurance, and 27 states reduced access to healthcare services (Anderson, 2010). Medicare provides health care for individuals 65 and older as well as some qualifying disabled individuals. The 2010 Patient Protection and Affordable Care Act requires uninsured individuals to obtain health insurance, along with a host of provisions to subsidize the costs (Hyman, 2014).

Many impoverished communities lack access to basic needs. Therefore, greater dependency and reliance is placed on public programs. Consequently, this dependency increases fiscal stress on public budgets. Public programs designed to fight the war on poverty generally require aggressive methods from intergovernmental relationships to be effective.

References

Anderson, L. (2010). Fiscal aftershocks. *Government Procurement*, *17*(6), 60-63.

Brown, K. (2015). Temporary Assistance for Needy Families: An overview of spending, federal oversight, and program incentives. *GAO Reports,* 1-16.

Davies, P., Iams, H., & Rupp, K. (2000). The effect of welfare reform on SSA's disability programs: Design of policy evaluation and early evidence. *Social Security Bulletin*, *63*(1), 3.

Eggbeer, B., & Bowers, K. (2014). Taking a fresh look at Medicaid. *HFM Magazine*, *68*(9), 64-70.

Fabich, R. A. (2014, February 21). *Coast Guard reads to Head Start children in Saint Croix, US Virgin Islands 140221-G-ZZ999-002* [Photograph]. Retrieved from http://commons.wikimedia.org/wiki/File:Coast_Guard_reads_to_Head_Start_children_in_Saint_Croix,_US_Virgin_Islands_140221-G-ZZ999-002.jpg

Goetz, E. G. (2012). The transformation of public housing policy, 1985-2011. *Journal of the American Planning Association*, *78*(4), 452-463. doi:10.1080/01944363.2012.737983

Goldensky, E. (1933, December 27). *FDR in 1933* [Photograph]. Retrieved from http://commons.wikimedia.org/wiki/File:FDR_in_1933.jpg

Greve, M. S. (2014). Coercion, conditions, and commandeering: A brief note on the Medicaid holding of *NFIB v. Sebelius*. *Harvard Journal of Law & Public Policy*, *37*(1), 83-92.

Floyd, I, Pavetti, L., & Schott, L. (2015, June 16). TANF continues to weaken as a safety net. Retrieved from http://www.cbpp.org/research/family-income-support/tanf-continues-to-weaken-as-a-safety-net

Hyman, D. N. (2014). *Public finance: A contemporary application of theory to policy* (11th ed.). Stamford, CT: Cengage Learning.

Kansas Action for Children. (2014). TANF: Troubling trends in Kansas. Retrieved from http://kac.org/wp-content/uploads/2014/11/TANF-Report.pdf

Lyon, J. (2011, December 13). TANF program cutting services; may halt funding to boys and girls club. Retrieved from http://pbcommercial.com/sections/news/state/tanf-program-cutting-services-may-halt-funding-boys-and-girls-club.html

Moffitt, R. A. (2013). The great recession and the social safety net. Retrieved from http://www.russellsage.org/sites/all/files/moffitt%20annals%204-26-2013.pdf

Thatcher, H. (2010). Adequate funding of the TANF block grant is critical. *Policy & Practice*, *68*(1), 13-14.

Underwood, D. A., Axelson, D., & Friesner, D. (2010). Cultural filtering, employment and wages under Temporary Assistance for Needy Families (TANF). *Journal of Economic Issues*, *44*(1), 225-241.

Suggested Reading

To learn of more public and private social programs and subsidies, students may find the article below very informative.

The article below can be located in the Academic Search Premier Database in the Waldorf Online Library.

Goudswaard, K., & Caminada, K. (2010). The redistributive effect of public and private social programmes: A cross-country empirical analysis. *International Social Security Review*, *63*(1), 1-19.

The article below can be found online by searching the Web.

Moffitt, R. A. (2013). The great recession and the social safety net. Retrieved from http://www.russellsage.org/sites/all/files/moffitt%20annals%204-26-2013.pdf