Volume 8, Number 7 The Center for Community Solutions November 14, 2012

Social Policy and the Fiscal Cliff: Background and Observations

By John A. Begala, Executive Director
and
Joseph Smith, Program Assistant

Highlights:

- This issue of *State Budgeting Matters* explores the implications of the "fiscal cliff" for health and social policy. The extensive citations accompanying the narrative, graphs, and tables provide access to the vast array of national and state (Ohio) data on the national economy and major income support and health and social service programs.
- Between now and the inauguration of the President on January 20, 2013, national leaders will choose between allowing the provisions of the Budget Control Act of 2011 to take effect, or adopt changes to taxes and major domestic and military spending programs. Their decision will at best buy time, because extensive adjustments are needed to rationalize health and social policy.
- The complexity of the over 2,100 federal domestic assistance programs has become a barrier to improving their effectiveness. Long-term changes in the major income support, and health and social service programs, which account for most of the spending, could entail major realignment of spending programs and tax credits, as well as a reorganization of roles in the federal system between the federal government, states and communities.
- The "private" and "public" aspects of the American economy are interdependent at every level. It is counter-productive to frame policy questions as though they are somehow separable or antithetical.
- Social Security is much more than just pensions for older adults; it is the architecture supporting national policies for helping nearly half of all Americans meet their basic needs.

With the 2012 election behind us, national leaders have no choice but to address the next phase of managing the nation's continuing economic challenges. Between now and the inauguration of the President on January 20, 2013, they will either act to forestall the "fiscal cliff" and its repercussions, or not. Any action they may take will at best buy time, setting the stage for further long-range structural changes in national tax and spending policies, while possibly creating an atmosphere of conciliation and compromise for the much heavier lifting ahead. The consequences of inaction or gridlock would be grim.

This briefing aims to provide background data and information for civic leaders and those working in the fields of health and social services. The magnitude and complexity of the issues, policies and programs suggest that we are going to be working through major decisions on many fronts for years to come.

The Fiscal Cliff

The "fiscal cliff" refers to the combined budgetary consequences of the Budget Control Act of 2011 (BCA), which aims to reduce discretionary spending by $1.2 trillion over 10 years. It will accomplish this primarily through sequestration, in effect across the board reductions to many domestic and military spending programs. This will be accompanied by (1) expiration of reduced national income tax rates originally enacted in 2001 and 2003; (2) expiration of extended Unemployment Insurance benefits adopted in 2009; and (3) expiration of temporary social security payroll tax cuts in effect during 2011 and 2012. These actions and events will be triggered effective January 1, 2013, in part because of the failure of a BCA-created joint committee of Congress to reach agreement on increased revenue and reduced spending to meet the $1.2 trillion goal in 2011.

The scheduled expiration of reductions in national income and payroll taxes, along with limits on the Alternative Minimum Tax (AMT), would increase national tax revenues, contributing part of the deficit reduction goal. However, most of the deficit reduction would come from sequestration. Because the BCA exempted the largest income support and health and social service programs from these across the board cuts, reductions to other programs would be deep, while leaving unaddressed the long-term financial sustainability of these major programs. Equally problematic, the Congressional Budget Office (CBO) estimates that the combined impact of sequestration and increased tax rates on Gross Domestic Product (GDP) would constrict economic growth to put the U.S. economy back into recession.[1]

Chart 1 illustrates historical national revenues, expenses and deficits for recent decades. It is noteworthy that after a brief period of annual surpluses in the late 1990s, the long-standing pattern of annual deficits returned following enactment of tax cuts during the first term of President George W. Bush.

Chart 1: Annual Deficits 1980 - 2012[2]

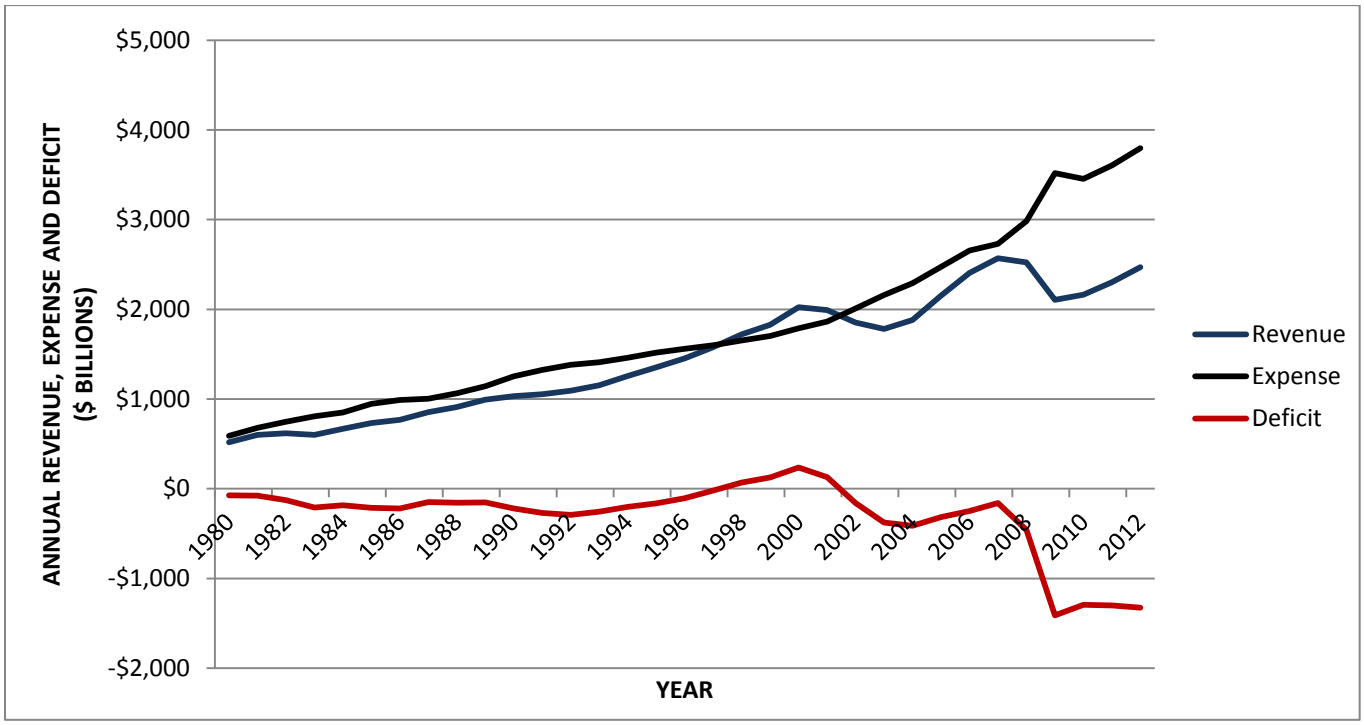
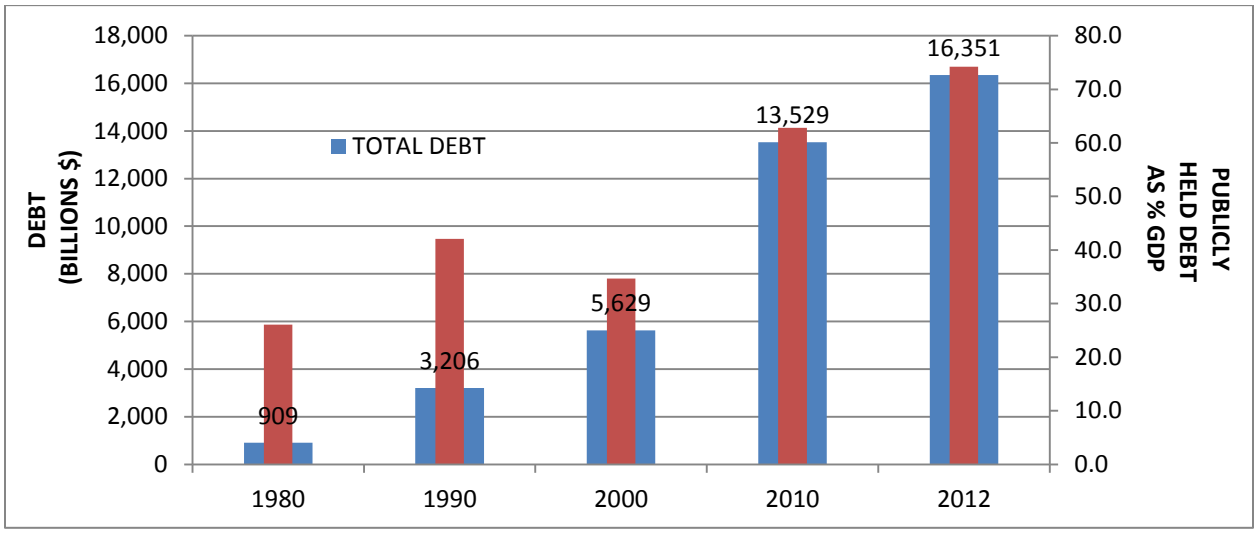


Chart 2 shows the impact of regular annual deficits upon the accumulated debt of the federal government. While the overall trend in total debt has been consistently upward since 1980, it is alarming to many economists and policy makers that debt as a percentage of GDP has more than doubled since 2000.

Chart 2: U.S. Public Debt as a Percentage of GDP, 1980 - 2012[3]



The opinions of economists about the potential benefits and adverse impact of growing annual deficits and national debt vary significantly. A general survey of research about the impact of national debt suggests the following:

- Borrowing to increase public spending during a recession usually has the effect of stimulating the economy;
- High deficits and accumulated debt, together with increases in the money supply, often contribute to inflation in a growing economy;
- Although economists disagree on this point, debt to GDP ratios may begin to adversely affect economic growth when they reach the range of 70 to 90 percent (U.S. debt to GDP reached 70 percent during Federal Fiscal Year (FFY) 2011).

How Are People Doing in this Economy?

The Great Recession of 2008 has had an enormous impact on the quality of life in America. Among the most obvious measures of this are increases in the unemployment rate, which rose from 4.7 percent in July of 2007 to 10.0 percent in October of 2009, and still hovers near 8 percent over five years later (Ohio's rates were initially higher, at 5.7 percent in July, 2007, increasing to 10.6 percent from July, 2009 through January, 2010, but then declining to below national numbers, reaching 7.0 percent in September, 2012). [4] The recession also brought a fourfold increase in long-term unemployment (27 or more weeks), reaching 4.4 percent, its highest level since 1948.[5]

The shadow cast by the trauma of the past four years has come to obscure long-term trends in the financial strength of American households. For over 30 years, annual earnings have stagnated for the vast majority of Americans. Chart 3 shows the average household incomes, in constant 2010 dollars, for each quintile (one-fifth, or 20 percent) of American households. To gauge the importance of these data, the following general information about American households in each quintile is helpful (based on 2010 Census estimates of 117,528,000 U.S. households, or 23,507,600 households per quintile, with an average size of 2.59 persons):

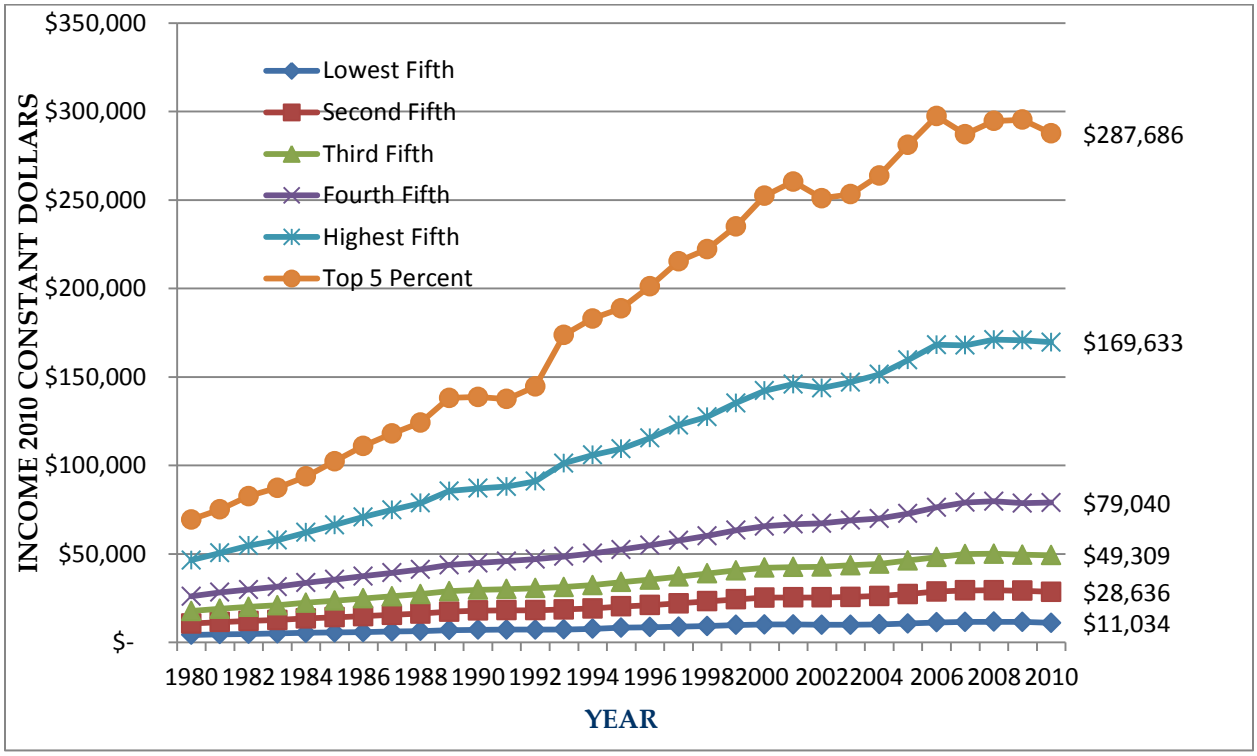
- The 2010 poverty level for a family of three was $17,374;
- In calculating poverty rates, earnings, unemployment compensation, workers compensation, OASDI and SSI Social Security payments, public assistance, veterans benefits, survivor benefits, pension and retirement income, interest, dividends, rents, royalties, income from estates and trusts, educational assistance, alimony, child support, and other sources of cash are counted; noncash benefits, such as Supplemental Nutritional Assistance Program (SNAP,

formerly called Foodstamps), health insurance, and housing subsidies are not included.

- To get a sense of proportion, it is useful to consider that the 61 million Americans living in households in the bottom quintile, with an average annual income of $11,034, outnumber the entire populations of all but 23 of the world's 195 countries.

There is a sharp contrast between the experience of the lowest two quintiles and the top quintile (not to mention the top 5 percent). In effect, the benefits of economic growth during the past three decades has increasingly accrued to those households with higher incomes, leaving incomes for the middle of the middle class stagnant and far closer to those of the poor.

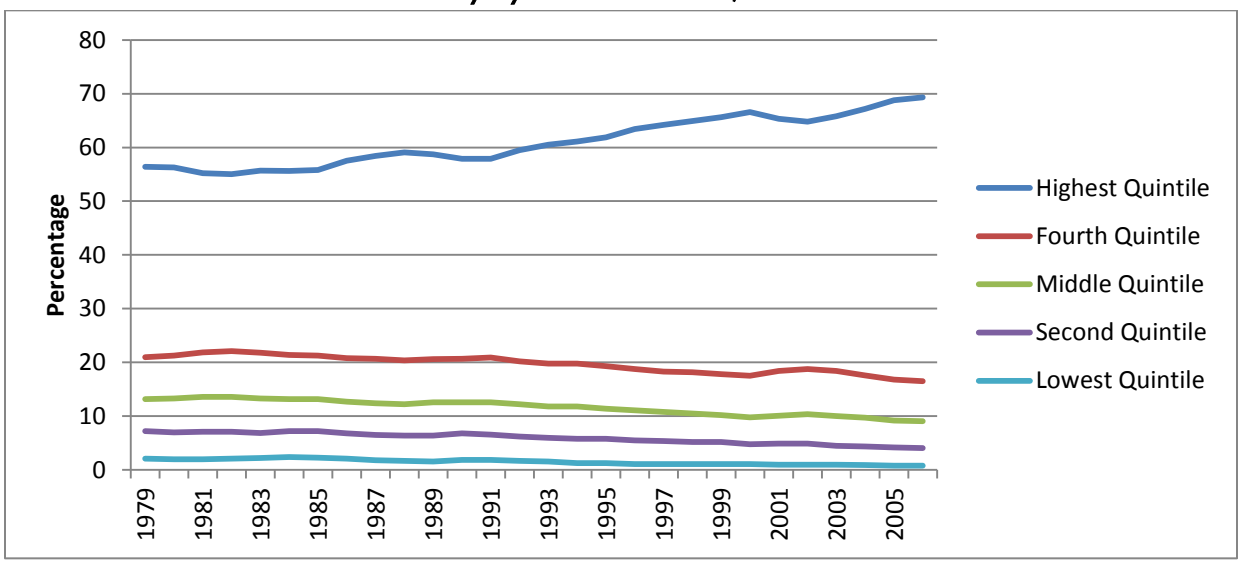
Chart 3: Average Household Incomes by Quintile, 1980-2010[6]



The income stagnation for the middle class and poor, and the rising fortunes of those in the highest income quintile, have been offset to some extent by changes in national tax policies over these years. Chart 4 shows, for the period from 1979 to 2006, the downward trend in the proportion of national taxes (income tax; OASDI, Medicare and Unemployment Insurance taxes; corporate and excise taxes) paid by the lowest four household income quintiles. This contrasts sharply with the corresponding steady increase in the share of taxes paid by the top 20 percent. These trends, which remained unchanged from 2007 through 2009, in part reflect the growing impact of tax credits, in particular the earned income and child care tax credits

discussed below. Further, they indicate a general and long-term responsiveness to the relatively stagnant real incomes of most families on the parts of Congress and Presidents of both parties.

Chart 4: Share of Federal Tax Liability by Income Quintile, 1979-2006[7]



On the other hand, however just or appropriate one might believe such tax relief for the middle class and poor to be, with tax collections from the top quintile providing nearly 70 percent of combined federal revenue, and the nation facing a fiscal and economic crisis, it is reasonable to ask whether those in lower income groups should be relieved of all obligation to contribute to the general cost of national government. This goes beyond a question of fairness to one of commonality, trust and respect: relief from all obligations, however well intentioned, also contributes to a diminished perception of common purpose and shared sacrifice.

That said, it is difficult to imagine what form those contributions might take. From 1979 through 2009, average individual income tax rates for those in the lowest quintile declined from zero to minus 9.3 percent (in other words, they are net recipients of federal taxes). During these same years, average individual income tax rates for those in the second-lowest quintile declined from 4.0 percent to minus 2.6 percent (making most net recipients of federal taxes).

More fundamentally, one might reasonably ask whether Americans in general are "stepping-up" to meet the costs of public services from the federal government. As federal spending and annual deficits have grown, average total federal tax rates fell from 22.0 percent in 1979 to 17.4 percent in 2009, with average federal *income* taxes down from 11.0 percent to 7.2 percent. For those in the third quintile, the "middle of the middle class," average income tax rates fell from 7.4 percent to just 1.3 percent during the same period.[8] These trends stand in

stark contrast to the continually expanding scale and scope of federal spending, discussed in the section that follows.

Before proceeding to details on federal programs for health and social needs, it is helpful in considering "how are people doing in this economy" to look at the combined impact of tax and social welfare policies on the most financially vulnerable Americans. Table 1 illustrates the disparity in benefits for meeting basic needs between "the poor" (lowest income quintile) from the "lower-middle class" (second-lowest quintile). It uses data for Columbus, Ohio, from the "Basic Family Budget Calculator" of the Economic Policy Institute (EPI), a non-partisan Washington, D.C. research and analysis organization,[9] and compares the estimated value of federally funded benefits for housing, food, transportation, health care, and child care for model families of three (one parent, two children) with earned incomes equal to the averages of the two lowest income quintiles.

Table 1: Estimated Basic Needs and Federal Benefits for Families of 3 with Average Quintile Incomes [10]

Annual Expenses	EPI Basic Family Budget – Columbus $45,912	Lowest Quintile (Average = $11,034)		Second-Lowest Quintile (Average = $28,636)		Source of Subsidies
		Subsidies Available	Net Annual Expenses from Average Quintile Income	Subsidies Available	Net Annual Expenses from Average Quintile Income	
Housing	$ 8,616	$ 5,506	$ 3,110	$ 25	$ 8,591	Section 8
Food	$ 5,580	$ 6,312	$ (732)	$ -	$ 5,580	SNAP
Transportation	$ 3,816	$ -	$ 3,816	$ -	$ 3,816	None
Other Necessities	$ 3,408	$ -	$ 3,408	$ -	$ 3,408	None
Health Care	$ 3,288	$ 3,288	$ -	$ -	$ 3,288	Medicaid/SCHIP
Child Care	$ 15,312	$ 15,312	$ -	$ 1,680	$ 13,632	Child Care Block Grant & Child Care Tax Credit
Taxes	$ 5,892	$ 5,651	$ 241	$ 5,025	$ 867	EITC and Others
Total Expenses	$ 45,912	$ 36,069	$ 9,843	$ 6,730	$ 39,182	
Net Annual Income	$ -		$ 1,191		$ (10,546)	

These data provide the broad outlines of the federal ***"benefits cliff,"*** a long-known phenomenon resulting from the concentration of federal income transfers on those with the lowest incomes. There are limits to the applicability of this model, due to the use of average quintile earned incomes, which masks the enormous diversity of the financial circumstances of low-income families, and the significant impact of losing subsidies for child day care through the Child Care Block Grant or Title XX. Further, it would be erroneous to assume that all families are actually enrolled in and receiving all of the benefits for which they are eligible. But even with these qualifications, t***he basic finding is illustrative of this reality: if a poor family is able to take advantage of all of the federal subsidies identified in the right-most column, it can attain an income equivalent to the EPI's Basic Family Budget with a little cash to spare. A similar lower-middle income family, with more than double the cash earnings, can wind up significantly short of the same Basic Family Budget.***

This benefits cliff is largely the product of decades-old, means-tested income transfer programs, often paid in "funny money" through vouchers for specific goods and services – food (SNAP), housing (Section 8), health care (Medicaid), child day care (Title XX and Child Care Block Grant). Over the past 30 years, new graduated benefits, such as the Earned Income Tax Credit (EITC) and Child Care Tax Credit, have provided more graduated approaches to income support, in effect allowing federally subsidized benefits to continue as incomes increase, and (hopefully) providing financial incentives to increase earnings. Helpful though they may be, the newer approaches have not erased a bias in federal benefits that can, in effect, repress upward mobility.

The Scope of Government and Complexity of Federalism

The power, size, and scope of the national government have been an American concern since 1776, and are explicitly addressed in our Constitution. Even so, for over a century it has grown steadily, adding to the complexity of the American federal system – the relationships between national, state and local governments in serving the needs of the nation and our communities.

Nearly a century ago, British author G.K. Chesterton observed that "All conservatism is based upon the idea that if you leave things alone you leave them as they are….But you do not. If you leave a thing alone you leave it to a torrent of change. If you leave a white post alone it will soon be a black post. If you particularly want it to be white you must be always painting it again, that is, you must be always having a revolution. Briefly, if you want the old white post you must have a new white post."[11]

This might just as well apply to the evolution of progressive social policy during the past 80 years, but perhaps with this difference: the old white posts, occasionally repainted but rarely replaced, have become an ever-growing clutter filling a vast expanse of varying shades, in various states of disrepair and decrepitude. Since the Great Depression of the 1930s, national investments in the social security of Americans have evolved from a coherent framework of support for basic human needs, to a staggeringly complex array of programs that in sheer breadth defies comprehension. Of the over 2,150 programs listed in the U.S. government's Catalogue of Federal Domestic Assistance (CFDA), the Department of Health and Human Services administers the most at 432, followed by Interior (249), Agriculture (237), Education (152), and Housing and Urban Development (117). In the midst of these, together with programs managed by the Social Security Administration (9), the Veteran's Administration (46), Department of Labor (60), and Department of Transportation (82), the architecture of America's social safety net is barely discernible.[12]

Often complex within themselves, this multitude of programs interacts and collides through a federal system sometimes managed directly by national agencies (e.g., Old Age, Survivors, and Disability Insurance, or OASDI), sometimes by employing the 50 state governments as agents of national policies (e.g., Medicaid and Supplemental Nutrition Assistance Program, or SNAP, formerly known as Foodstamps), and sometimes by leapfrogging states to provide direct support to local governments (e.g., most Community Development Block Grants, or CDBGs) .

Adding further complexity, these programs operate through a mixed market economy that makes broad use of private organizations, both for-profit and nonprofit, and both secular and religious, paying hundreds of billions of dollars annually to them to perform public functions. For example, claims processing for Medicare's 44 million recipients relies on private insurance companies and managed care organizations (which in turn contract with both for-profit and nonprofit organizations to provide health care services), and Section 8 housing vouchers are used by over three million eligible recipients to rent privately owned housing units.

Adding yet further complexity, some federal programs *concurrently* enter operating agreements with the states, local governments, and private contractors in fulfilling public policy. For example, the Ryan White Program, providing support to people with Human Immunodeficiency Virus (HIV), provides some grants directly to states, others to cities, and yet others directly to nonprofit provider organizations. A variation on this pattern exists in Medicaid, through which most of the 50 states, receiving varying levels of financial support from the national government, contract with privately owned Health Maintenance Organizations (HMOs) to process claims and manage networks of thousands of private

providers. As America's largest system of providing health benefits (over 60 million people), the organizational complexity of Medicaid is in itself beyond comprehension.

As this growing network of relationships has become more complex through the decades, it has increasingly reinforced interdependence *in fulfilling public purposes* between thousands of governments (federal, state, local) and innumerable private companies doing business with them. At the same time, though, *competition* among these parties for public dollars has grown (1) between the public and private sector entities engaged in the public's business; (2) among governments; and (3) among private businesses competing for contracts and grants.

If this is confounding to "*progressive*" advocates of basic health and economic security for American families, and their less ideological allies in trade associations, industrial lobbies and labor unions on whom they rely to secure federal financing, it is equally so to "*conservative*" advocates of free enterprise for whom public spending represents a major source – often *the* major source – of business. As for the general public (and not a few elected officials), the understandable confusion in public discourse is a source of enormous uncertainty and frustration. Again, G.K. Chesterton might have been writing for our own time – "The whole modern world has divided itself into Conservatives and Progressives. The business of Progressives is to go on making mistakes. The business of Conservatives is to prevent the mistakes from being corrected."[13]

As the increasingly polarized politics of "right" and "left" have produced ever-tighter gridlock in Washington and state capitols, they have left unresolved the problems of managing roles within the federal system, and their relationships to complex and contradictory mixed markets. This has had the effect of leaving decisions about public spending to the vagaries of hardball competition for tax and program expenditures. Clearly, we have yet to develop a coherent, shared understanding of our mixed market economy, for effectively managing relationships between the public and private economies, and balancing the quests for social justice and economic vitality. With the looming "fiscal cliff," which we approach while still emerging from prolonged global and domestic economic crises, national leaders will decide on a course of action in the absence of such clarity.

American Social Security

If the "across the board" cuts of sequestration are to be avoided, decisions about where to cut, and how deeply, depend first on setting priorities. Surveying the broad spectrum of domestic programs, there are approximately one and one-half dozen that are essential to meeting basic needs. Most of them are exempt from sequestration, but are certain to be central to discussions about alternatives because of their sheer size and roles in the mounting federal

debt. During and after deliberations on the "fiscal cliff," a focus on protecting and strengthening these "drivers" may bring into perspective ways of better balancing the relationship of public and private enterprise – and the enormous stake we have in charting and proceeding along a new, financially sustainable course in social policy.

These centrally important programs operate within and around the provisions of the Social Security Act. The term "*Social Security*" has deeper meaning than its use as shorthand for pension benefits available under Title II – the Old Age, Survivors and Disability Insurance program (OASDI). Conceived during the mid-1930s in response to the Great Depression, it was intended to provide for the basic needs of various segments of American society confronting a range of negative impacts from industrial era capitalism. As summarized by Frances Perkins, Secretary of Labor and Chair of President Roosevelt's Committee on Economic Security, in a national radio address on February 25, 1935,

> "The process of recovery is not a simple one. We cannot be satisfied merely with makeshift arrangements which will tide us over the present emergencies. We must devise plans that will not merely alleviate the ills of today, but will prevent, as far as it is humanly possible to do so, their recurrence in the future. The task of recovery is inseparable from the fundamental task of social reconstruction. Among the objectives of that reconstruction, President Roosevelt in his message of June 8, 1934, to the Congress placed *'the security of the men, women and children of the Nation first.'*…We have come to learn that the large majority of our citizens must have protection against the loss of income due to unemployment, old age, death of the breadwinners and disabling accident and illness, not only on humanitarian grounds, *but in the interest of our National welfare*."[14] (Italics added)

Precedent for a system meeting basic needs had evolved during the decades between the Civil War and Great Depression at the national and state levels. Congressional attention in this arena focused on programs to assist military veterans, including 1862 legislation creating pensions for Union Civil War veterans. Growing through the decades, by 1910 the program reached nearly one-third of men over the age of 65 as well as about 300,000 widows, orphans and dependents.[15] The system of support for veterans was expanded in 1917 upon the country's entry into World War I, and further in 1930, when Congress created the Veterans Administration to consolidate veterans' programs under a single agency.

State initiatives during this period picked up momentum during the height of the Progressive Era, between 1910 and 1920, when 40 states created Mothers' Pension programs for poor women with dependent children where fathers were not present in the home. [16] During this same decade, 46 states enacted Workers' Compensation programs addressing the growing risk of worker disability from industrial injuries and disease. Taken together, these state

initiatives reinforced the significant role that states had played historically, and would continue to play, in meeting basic human needs.

The Social Security Act (SSA) of 1935 vastly elaborated upon what was until then a gradually expanding system of publicly financed provision for American families, providing a more comprehensive framework for addressing impacts of variously caused economic hardships. The original act included:

- grants to the states for old-age assistance (Title I);
- federal old-age benefits (Title II);
- grants to the states for unemployment compensation (Title III);
- grants to the states for aid to dependent children, later (1962) aid to families with dependent children (Title IV);
- grants to the states for maternal and child welfare, (Title V);
- grants to the states (through the Surgeon General) for public health services (Title VI);
- grants to the states for aid to the blind (Title X).

Noteworthy among proposals *not* included in the original legislation was financial support for hospital and medical services. While strongly favored by some members of the Committee for Economic Security, the legislation limited its health provisions to "…extension of existing public health services to meet conditions accentuated by the depression."[17] This foothold in the public health arena would be elaborated through succeeding decades. But it would take another 30 years for proponents of publicly subsidized health services to overcome the opposition of the private medical and business lobbies.

During succeeding decades, numerous changes to these and contemporaneous national programs were enacted, in some cases expanding eligibility and benefits, and in others extending the reach of social security to new populations and services. The major milestones in this progress include:

- 1944 – enactment of the Public Health Service Act of 1944, expanding the role of the Surgeon General and Public Health Service, elevating the role of the National Institutes of Health, expanding relationships between the Public Health Service and state public health programs, and tightening the organization and administration of federal public health programs;
- 1944 – enactment of the Servicemen's Readjustment Act, or G.I. Bill of Rights, providing unemployment insurance for returning veterans, financial support for education and training, and no-down-payment low-interest loans for house purchases.

- 1946 – creation of the Communicable Disease Center, forerunner of the Centers for Disease Control;
- 1950 – adoption of Title XIV of the Social Security Act, providing grants to the states for permanently and totally disabled individuals, along with amendments expanding coverage under Title II (old age pensions) and Title IV (dependent children and family members);
- 1953 – creation of the cabinet-level Department of Health, Education and Welfare (HEW);
- 1956 – addition of disability insurance for non-elderly people with disabilities to Title II of the Social Security Act, making Title II the Old Age, Survivors and Disability Insurance Program (OASDI);
- 1961 – amendment of Title IV-A to extend aid to dependent children benefits to foster families caring for abused or neglected children coming from homes eligible for cash benefits;
- 1962 – amendment of Title IV-A of the Social Security Act from Aid to Dependent Children to Aid to Families with Dependent Children (AFDC);
- 1965 – enactment of Medicare as Title XVIII of the Social Security Act, providing hospital insurance and optional medical insurance to recipients of pensions under Title II;
- 1965 – enactment of Medicaid as Title XIX of the Social Security Act, providing matching grants to the states for hospital, medical, and other health care services, generally to recipients of cash benefits under Title I (old age assistance), Title IV (aid to families with dependent children), Title X (aid to the blind) and Title XIV (aid to the permanently and totally disabled);
- 1967 – enactment of Title IV-B of the Social Security Act, encompassing Child Welfare Services previously covered under Title V, and requiring states to provide child welfare services;
- 1972 – enactment of Supplemental Security Income (SSI) as Title XVI of the Social Security Act, replacing the highly variable federal-state cash benefits under Title I (old age assistance), Title X (aid to the blind) and Title XIV (aid to the permanently disabled), with a single national cash benefit program for these populations; states were granted the option to supplement these cash benefits;
- 1975 – enactment of Title XX of the Social Security Act, providing for state and local planning of health and social services and block grants to the states for such services, with eligibility generally tied to people receiving various forms of cash assistance under the Social Security Act, along with a sliding scale reaching up into the middle class;
- 1980 – enactment of Title IV-E of the Social Security Act, providing financial support for child foster care and adoption assistance;

- 1996 – enactment of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), replacing grants to the states for aid to families with dependent children with block grants for time-limited benefits, and replacing the AFDC program with a new Title IV-A – Temporary Assistance to Needy Families (TANF);
- 1997 – enactment of the State Children's Health Insurance Program (SCHIP) as Title XXI of the Social Security Act, providing matching funds to the states for expanding payment for hospital, medical, and other health services to children in families based on family income rather than eligibility for other Social Security Act benefits. By allowing states to extend benefits to children in families up to 300 percent of the poverty level, well into the "middle-class," SCHIP included a significant departure from eligibility rules under Medicare and Medicaid that generally limited eligibility to those receiving cash benefits under other parts of Social Security (OASDI, TANF and SSI).[18]

Table 2: Summary of Major Current Programs of the Social Security Act[19]

SOCIAL SECURITY ACT TITLE	TITLE CONTENT	ADMINISTRATION
Title II – Old Age, Survivors and Disability Insurance (OASDI)	Basic pensions for those who contribute to the system through payroll taxes (FICA)	Federal through Social Security Administration; *payroll taxes managed through trust funds*.
Title III – Grants to States for Unemployment Compensation Administration	Federal government assists states with costs of unemployment compensation programs.	Federal through Department of Labor; state administration varies.
Title IV – Grants to States for Aid and Services to Needy Families with Children and Child-Welfare Services	Block grants to states to provide cash assistance to low-income families; grants to states for enforcing child support; grants to states for costs of foster care and subsidizing some adoptions.	Federal through various offices within the Department of Health and Human Services; state administration varies.
Title V – Maternal and Child Health Services Block Grant	Block grants to states to support initiatives that will enhance prenatal and perinatal care for mothers and newborns.	Federal through Department of Health and Human Services, Public Health Service, Health Resources and Services Administration
Title XVI – Supplemental Security Income	Cash assistance to low-income individuals and couples who are aged, blind or disabled.	Federal through various offices within the Department of Health and Human Services.
Title XVIII – Health Insurance for the Aged and Disabled (MEDICARE)	Health insurance *benefits for recipients of OASDI (Title II)* benefits and some others for limited services; limited coverage for long-term care and pharmacy.	Federal through Department of Health and Human Services, Centers for Medicare and Medicaid Services; *funded in part through payroll tax managed through trust fund*.

Title XIX – Grants to States for Medical Assistance Programs	Federal matching funds to states for health care services generally to recipients of TANF (Title IV-A) and SSI (Title XVI), and other low-income families with children; expanded in Affordable Care Act, to cover those with lower middle class incomes and other low-income individuals.	Federal through Department of Health and Human Services, Centers for Medicare and Medicaid Services; state administration varies.
Title XX – Block Grants to States for Social Services	Financial support to states for social services; funding may be supplemented with portion of TANF block grant funds.	Federal through Department of Health and Human Services, Administration for Children and Families.
Title XXI – State Children's Health Insurance Program	Financial support to states for medical services to most children below and above the poverty level.	Federal through Department of Health and Human Services, Centers for Medicare and Medicaid Services; state administration varies.

Six patterns woven throughout the Social Security Act provide its general contours and cohesiveness. First, it provides two basic forms of assistance to eligible Americans, (1) social insurance (OASDI, Unemployment Compensation, and Medicare); and (2) income transfers (TANF, SSI, Medicaid, Title XX, SCHIP). The social insurance programs are primarily paid for by dedicated payroll taxes. For OASDI, the Federal Insurance Contributions Tax (FICA – 6.2 percent each for employers and employees and 12.4 percent for self-employed) provides the revenue. For Medicare, the Hospital Insurance Tax (HI – 1.45 percent each for employers and employees and 2.9 percent for self-employed) provides most resources (these are supplemented from general revenue appropriated by Congress). Somewhat differently, Unemployment Compensation is funded in part from the Federal Unemployment Tax Act (FUTA – paid exclusively by employers at a rate of 6 percent of annual wages up to $7,000 per employee), and various state unemployment tax acts (SUTA). SUTA payments qualify for a credit of up to 5.4 percent against the 6 percent FUTA tax.

Second, SSA health care benefits generally are associated with its pension and cash benefit programs – again, Medicare for OASDI recipients, and Medicaid for TANF and SSI recipients. There is not a health benefit program designed for recipients of unemployment insurance payments, a shortcoming addressed through coverage under the Affordable Care Act.

Third, the general alignment of the social insurance programs (OASDI and Medicare) with national administration, and the income transfer programs (TANF, Medicaid, Title XX and SCHIP) with management by states, are complicated by two major exceptions: UI, a social insurance program, is generally administered by the states and supported by state taxes; SSI, an

income transfer program, is administered by the national Social Security Administration (SSA). State supplemental payments, which vary significantly from state to state, are managed by 30 states, and by the SSA in 14 states and the District of Columbia. Six states do not offer any supplemental payments for SSI residents.

Fourth, there is significant variation in eligibility, coverage, and payment practices among the 50 states in administering SSA programs. The longstanding joke about Medicaid – "if you've seen one state Medicaid program, you've seen…one state Medicaid program, "– applies as well to UI programs, TANF, child welfare services, Title XX social services, and SCHIP.

Fifth, while focusing on ameliorating the effects of poverty and poor health, significant preventive and restorative measures are laced through the fabric of these programs, including job placement services through UI programs, creating safe home environments for children at risk of abuse, neglect or exploitation through Title IV-B and –E; and health and social services under Titles XVIII through XXI.

Sixth, and perhaps most importantly, all of the social security programs, whether cash benefits, payments for health care, or support for social services, *primarily* aim to reach population groups systematically separated from employment. Like the Civil War Pensions, mothers' pensions for single parents, and workers compensation that preceded them, the SSA programs focus on people deemed unable to work – older adults, people with disabilities, and families headed by single parents (usually women, whose role in the home was considered their primary role prior to the women's rights movement of the 1960s and 1970s. Ironically, lifetime limits on the duration of cash benefits under TANF in part reflect a shift in policy regarding women's roles and their expanded presence in the paid workplace.)

Exceptions to this last principle have increasingly found their way into social policies. The extension of health and social services to lower-middle class families under the SSA dates back to the 1970s for Titles XIX (Medicaid) and Title XX (social services). As noted above, these provisions were vastly expanded in 1997 through Title XXI (SCHIP), covering children up to 300 percent of the poverty level. The trend reached new levels in the Affordable Care Act (ACA) of 2009 through national Medicaid eligibility expansion to 138 percent of poverty and subsidies of private health care premiums up to 400 percent of the poverty level.

This extension of the eligibility for SSA programs to increasing numbers of the middle class has been accompanied by similar initiatives in federal policy, especially since the presidency of Ronald Reagan. Most notably, tax expenditures[20] to increase the incomes of working families through the Earned Income Tax Credit (EITC) and Child Tax Credit provide cash benefits to tens of millions of middle-class families, vastly exceeding the scope and cost of such long-standing SSA programs as TANF.

In February, 2012, it was widely reported that nearly one in three Americans lived in households receiving means-tested government assistance.[21] Combined with other Social Security programs – OASDI, Medicare and UI – the proportion reaches about half of all households. Public data estimating SSA beneficiaries for the years leading up to and through the bottom of Great Recession, are provided in Tables 3 (national) and 4 (Ohio).

Table 3: Social Security Act Beneficiaries, United States 2007-2010[22]

		FFY 2007	FFY 2008	FFY 2009	FFY 2010
	United States	Individuals Enrolled			
	Population (est. as of July 1)	301,579,895	304,374,846	307,006,550	308,745,538
	Number of Housing Units	128,132,164	129,313,137	129,969,653	131,704,730
OASDI & SSI	OASDI [a]	49,864,978	50,898,396	52,522,819	54,032,097
	SSI[b]	8,207,780	8,407,821	8,648,819	9,176,526
Medicaid	Medicaid-Adults[c]	12,195,423	12,746,325	13,226,071	14,049,689
	Medicaid ABD[d]	12,470,810	12,840,634	12,537,947	13,333,584
	Medicaid-Children[e]	26,455,381	26,945,707	27,560,925	26,121,454
	Medicaid Total[f]	56,820,750	58,770,540	60,119,138	66,695,156
	S-CHIP[g]	5,095,390	5,298,667	5,516,134	5,539,773
Medicare	Aged Medicare[h]	36,140,302	37,048,933	37,894,840	38,738,259
	Non-elderly Medicare[i]	7,118,978	7,336,021	7,572,157	7,846,486
	Total Medicare Beneficiaries[j]	43,259,280	44,384,954	45,466,997	46,584,745
Unemployment	Unemployment (avg wkly)[k]	2,571,541	3,306,433	5,723,941	4,486,834
	Unemployment exhausting benefits[l]	2,670,579	3,423,977	7,530,223	6,374,290
	Unemployment- First payments[m]	7,642,400	10,052,694	14,172,822	10,738,572
	Total Unemployment[n]	9,629,104	12,566,724	29,854,989	40,974,031
	TANF[o]	3,960,907	3,782,455	4,041,292	4,370,844
	Title IV-E Foster Care[p]	602,200			

Table 4: Social Security Act Beneficiaries, Ohio 2007-2010[23]

		FFY 2007	FFY 2008	FFY 2009	FFY 2010
	Ohio	*Individuals Enrolled*			
	Population (est. as of July 1)	11,520,815	11,528,072	11,542,645	11,536,504
	Number of Housing Units	5,073,632	5,088,627	5,094,126	5,127,508
OASDI & SSI	OASDI [a]	1,992,152	2,021,874	2,074,384	2,124,650
	SSI[b]	257,874	265,273	273,980	285,569
Medicaid	Medicaid-Adults[c]	444,012	468,695	521,874	520,664
	Medicaid ABD[d]	465,558	487,552	491,656	514,168
	Medicaid-Children[e]	1,049,721	1,014,262	1,102,100	1,178,251
	Medicaid Total[f]	2,061,230	2,061,731	2,238,140	2,319,252
	S-CHIP	Ohio Includes children in Medicaid only			
Medicare	Aged Medicare[g]	1,523,281	1,549,670	1,568,241	1,585,568
	Non-elderly Medicare[h]	281,954	291,044	302,043	315,008
	Total Medicare[i]	1,805,235	1,840,714	1,870,284	1,900,576
	Dual Eligibles[j]	290,193	305,471	316,504	330,468
Unemployment	Unemployment (avg wkly)[k]	98,705	127,314	228,890	not reported
	Unemployment exhausting benefits[l]	78,525	97,460	247,778	not reported
	Unemployment- First payments[m]	278,006	357,192	503,921	not reported
	Total Unemployment[n]	347,156	442,550	1,087,840	1,333,149
	TANF[o]	167,017	174,554	201,443	237,312
	Title IV-E Foster Care & Adoption[p]	49,410	47,910	45,072	42,943

Social Security Writ Large

Around the Social Security Act's place as the core of domestic policy, a surrounding mantle might be identified, supported by both programmatic and tax expenditures. These are as follows:

The Veterans Administration and Veterans Benefits – Generally considered apart from most social policy, the broad array of health, social, and educational benefits available to veterans

reach millions of Americans each year and, as such, represent a significant aspect of national investments in social security. Indeed, as noted above, pensions for Civil War veterans represent one of the first forms of social provision by the national government. In 2010, over 20 million veterans were eligible for one or more of a broad assortment of benefits, including pensions, educational support (including in some cases dependents), vocational rehabilitation and employment services, home loans, life insurance, disability benefits, and health care benefits.[24]

Housing – Since the 1930s, program and tax expenditures have played enormous roles in making housing affordable for low- and middle-income families. Passage of the Housing Act of 1937 laid the groundwork for massive capital projects and rent subsidies for low-income families. This assistance takes several forms, including (1) financial support from the U.S. Department of Housing and Urban Development (HUD) to approximately 3,300 local public housing authorities (PHAs) to build, operate, and maintain rental units (in 2008, 1.35 million units were occupied by 2.24 million people); (2) tenant-based Housing Choice Voucher Program certificates and vouchers, administered by PHAs under contract with HUD, for use in securing privately-owned rental units (in 2008, 2.02 million subsidized units were occupied by 5.08 million people); and (3) privately owned, project-based housing in which rents are subsidized by HUD for eligible individuals (in 2008, 1.37 million subsidized units were occupied by 2.31 million people).[25]

Predating these forms of federal housing assistance to the poor by two decades, tax expenditures in the form of federal income tax deductions for homeowners were enacted in 1916, and for nearly a century have been a mainstay of social security for middle-income (and wealthy) families. In 2009, 34.6 million households claimed the deduction for owner-occupied homes at a projected annual cost of $76.7 billion.[26] Other tax expenditures supporting home ownership include federal income tax deductions for residential property taxes, and capital gains exclusions for sales of owner-occupied homes, the estimated 2012 costs of which are $31 billion and $50 billion respectively.[27]

Supplemental Nutrition Assistance Program (SNAP, or Food Stamps) and Special Supplemental Nutrition Program for Women, Infants and Children (WIC) – The Food and Nutrition Service (FSN) of the U.S. Department of Agriculture manages the SNAP program, generally through agreements with state public assistance agencies. Aiming to find a way to bridge the gulf between surplus agricultural production and widespread hunger and poor nutrition, the first Food Stamp program was initiated in 1939 behind the leadership of Agriculture Secretary Henry Wallace. This temporary program expired at the end of World War II, leading to repeated attempts to create a similar system addressing the effects of agricultural overproduction and hunger. In 1964, the Food Stamp Act of 1964 was adopted by

Congress, establishing a state-administered system structured around the purchase of stamps by eligible individuals and families.

The program grew gradually to several million participants during its first five years, gaining momentum until participation levels reached over 15 million in 1974. In 1977, behind leadership of FSN administrator Robert Greenstein and Senatorial leaders from both parties, major revisions to the program were enacted, including elimination of the purchase requirement and categorical (public assistance-based) eligibility, and national statutory eligibility guidelines. Through the 1980s and 1990s, numerous changes and conditions were adopted, culminating in a new set of restrictions and work requirements in conjunction with the adoption of the PRWORA in 1996. Participation declined dramatically during the following years, from a high of about 28 million (1994) to about 17 million in 2000.

The Food Security and Rural Investment Act of 2002 reauthorized Food Stamps, reversed some of the PRWORA restrictions, and eased some of the administrative requirements. As a result, program participation rebounded to reach 26 million by 2007. During the following year, the Congress adopted further changes in the Food, Conservation, and Energy Act of 2008, including a new name – the Supplemental Nutrition Assistance Program (SNAP). Since then, monthly participation levels have reached over 43 million people, or 14 percent of the population, at an annual cost of about $80 Billion.

The WIC program, providing nutritional counseling, supplemental foods (through vouchers redeemable for specific foods and supplements), and referrals to health and social services to low-income women, infants, and children up to age 5, was initiated as a pilot program in 1972. It was expanded to national scope beginning in 1974, and like SNAP, administered through the states by the FNS. From participation levels of 88,000 in 1974, and 1.9 million in 1980, the program has grown steadily, reaching 8.1 million mothers and children in 2008 at an annual cost of $5.1 billion.[28] During the succeeding two years, the impact of the prolonged economic downturn brought about an upward spike in participation to 9.2 million during 2010, with annual costs of exceeding $6.7 billion.

Head Start, Child Care and Development Block Grant, and Child and Dependent Care Tax Credit – Head Start was initiated from enactment of the Economic Opportunity Act of 1964, starting in the Office of Economic Opportunity (OEO). The program aims to improve early-childhood intellectual and social development to enhance educational performance, and ultimately economic opportunity, for poor children. Begun as a summer program with massive volunteer support, the program is now administered by the Administration for Children and Families (ACF), and has grown through numerous changes to provide comprehensive child development services to over one million children through about 1,600 local public, nonprofit,

and for-profit grantees and delegate agencies. National spending for Head Start was over $7.2 billion in FFY 2010.[29]

The Child Care and Development Block Grant (CCBDG) Act of 1990 consolidated several streams of financial support for states to pay for child care services to low-income parents who work or attend job training and education. Subsidies to state administering agencies, together with other subsidies authorized under Title IV of the SSA, are combined in the Child Care and Development Fund as the primary source of federal support for child day care services. Annual federal appropriations under the program are over $5 billion; the American Recovery and Reinvestment Act (ARRA) increased funding in Federal Fiscal Year (FFY) 2009 to over $7 billion. An average of 1.6 million children was served in 2008 and 2009, down about 100,000 from average monthly participation during the each of the five prior years.[30]

In addition to programmatic expenditures for child care described above, national policy extends support for child day care (and other dependent care) through tax expenditures under the Child and Dependent Care Tax Credit. With antecedents dating to the mid-1950s, its most recent significant changes were enacted in the Economic Growth and Tax Relief Reconciliation Act of 2001. It is notable that the number of Americans benefitting from this tax expenditure, most of whom are middle- and upper-income, far exceed the numbers receiving subsidies under the Head Start of CCBDG programs (although the value of subsidies is considerably less). In 2010, 6.8 million families claimed the credit, and annual tax expenditures were about $3.55 billion. The vast majority of claimants had annual incomes of over $50,000, and about one-third of tax expenditures went to 1.2 million families earning over $100,000 in 2009.[31]

Services Under the Older Americans Act – Congress enacted the Older Americans Act in 1965, creating within HEW the Administration on Aging, and providing roles for state units on aging. Amendments in 1973 created Area Agencies on Aging (AAAs) to plan and coordinate services under the direction of the state units, and expanded funding for social and nutrition services. Further amendments in 1977 consolidated funding for social services, nutrition, and multi-purpose senior centers under a revamped Title III, and a new Title V provided for the Community Service Employment Program.

An unusual aspect of the Older Americans Act is the prominent planning and coordinating roles of the over 625 AAAs, a unique construct within the federal system that has built collaborative funding and service arrangements between public and private provider organizations, and charitable and public funders of services. Congress authorized FFY 2010 spending under the Older Americans Act at about $2.3 billion. Older Americans Act programs are available to people beginning at age 60. Of the approximately 57 million Americans who

are 60 and older, annually about 3 million receive subsidized meals and another 10 million receive other social services arranged by AAAs. Significantly, Older Americans Act programs benefit a large number of low-income elderly (in 2006, 27 percent; the poverty rate for older adults that year was 9.7 percent).[32]

Earned Income Tax Credit – The EITC is a tax expenditure first adopted as part of the Tax Reduction Act of 1975. Revised at various points since then, its most significant expansion was enacted as part of the Tax Reform Act of 1986, a significant legacy of the Reagan presidency. The EITC is intended to promote employment through income transfers to low-income individuals and families. It provides a refundable tax credit equal to a percentage of earned income up to a defined annual maximum. If the credit exceeds the tax obligation, the Internal Revenue Service (IRS) will pay the difference, along with any refundable taxes paid.

The EITC has become the America's largest cash assistance program. In 2003, it reached nine times as many families as TANF (19.6 million versus 2.1 million), transferring $33.4 billion (versus $24.5 billion under TANF). By 2006, EITC income transfers were reaching 22 million families, at a cost of $42.1 billion. In the wake of the recession, EITC assistance reached 26 million households in 2010, at a cost of $59 billion. A sign of the depth of the recession, the IRS estimates that 20 percent to 25 percent of eligible individuals and families fail to claim it. Significantly, the EITC reaches families with incomes well above the poverty level, and in doing so lifts as many as 6 million families, including over 3 million children, above poverty level incomes.[33]

Most of the major income support and human service programs summarized in this section are either exempt from sequestration, or subject to special rules limiting the extent of spending cuts to them. Table 5 provides a summary of these. (For other programs protected from the full impact of sequestration, see the Congressional Research Service's October 2, 2012 overview *Budget "Sequestration" and Selected Program Exemptions and Special Rules.)*[34]

Table 5: Major Social Security Exemptions and Special Rule Limits to Sequestration[35]

Policy or Program	Treatment Under Sequestration Provisions
OASDI	Exempt from sequestration.
Unemployment Insurance	Regular Unemployment Compensation and federal loans to states exempt from sequestration.
TANF, Child Support Enforcement, Child Welfare	Exempt from sequestration
Maternal & Child Health Block Grants	Not exempt from sequestration
Supplemental Security Income	Exempt from sequestration
Medicare	Limits on sequestration (detailed and complex)[36]

Medicaid	Exempt from sequestration
Social Services Block Grant	Not exempt from sequestration
State Child Health Insurance Program	Exempt from sequestration
Veterans Administration Programs	Exempt from sequestration
SNAP (formerly Foodstamps)	Exempt from sequestration
WIC	Not exempt from sequestration
Head Start, Child Care Development Block Grant and Dependent Care Tax Credit	Head Start and Child Care Development Block Grant both subject to sequestration; Dependent Care Tax Credit exempt from sequestration
Older Americans Act Programs	Subject to sequestration
EITC	Exempt from sequestration
Tax Credits under Affordable Care Act	Exempt from sequestration

Have These Programs Done Any Good?

In a word, yes. Taken as a whole, the quality of American life during the past 100 years improved dramatically. There is no question that the income support and health and social service programs noted above have contributed significantly to improved quality of life for tens of millions of Americans. Some examples of these improvements are a good reminder that American progress is a real and enduring legacy:

- Life expectancy at birth increased nearly 60 percent, from 49.2 years in 1900-1902 to 77.3 years in 2002.[37]
- Personal income per capita (in constant 2000 dollars) grew from $19,477 in 1900 to $29,845 in 2000, an increase of 53 percent.[38]
- The average income of middle-income households tripled (in 1999 base year dollars) from about $16,000 in 1929 to $48,000 in 1999, an increase of 300 percent.[39]
- Real hourly wages in manufacturing tripled (in 1999 base year dollars) from $3.80 in 1913 to $13.90 in 2000.[40]
- Between 1930 and 2000, women's earnings as a percent of men's earnings grew from 56 percent to 74 percent, and Black earnings as a percent of White earnings grew from 44 percent in 1940 to 76 percent in 2000 (1999 dollars).[41]
- While poverty rate data were not collected until the latter decades of the century, the data here too are impressive – overall, poverty declined from 22 percent in 1959 to 12 percent in 1999, with Black poverty rates during these years falling from 55 percent to 24 percent. [42]

- From 1900 to 2000, home ownership increased from 46.5 percent of families to 66.2 percent.[43]

Of course, data do not live the lives of the people they are about, and so one would not know from these numbers about the tumult that accompanied them all – the Spanish flu epidemic of 1918, the Great Depression, half dozen major wars and over 160 other military operations around the world, lynchings, labor unrest, the civil rights movement, the struggle for women's suffrage, cold war and détente. The 20th century was far from an uninterrupted march of progress. But the reverse might be said as well: in the face of so much turmoil and trouble, it is easy to lose sight of the accumulated progress on many fronts, and few would trade the quality of life enjoyed in 2012 for their prospects a century earlier.

Implications and Recommendations

The scale and scope of the national fiscal crisis has been a long time developing, and will take many years to address. Here are some observations and reflections that may be helpful in evaluating policy short-term and long-range options.

- The "private" and "public" aspects of the American economy are interdependent at every level. Belief to the contrary is simply wrong, and it is counter-productive to frame policy questions as though they are somehow separable or antithetical.

- Going over the fiscal cliff would allow significant deficit and debt reduction while providing temporary protection to the central parts of American social security broadly construed. The likely price would be a new recession, the depth and duration of which are impossible to predict. Sooner or later, a balanced approach to sustainable federal spending for health and social needs will require changes to these major programs, both "on-budget," like TANF, SSI, Medicaid and SCHIP, and "off-budget" like OASDI and Medicare ("off-budget" refers to federal entities operating outside the federal budget, including the OASDI and Medicare trust funds, U.S. Postal Service, and Federal Reserve System).

- Social policy is not and never has been static. As the brief overview of milestones in the history of the Social Security Act above indicates, periodic adjustments are necessary to account for social and economic change. The factors influencing change are not only domestic – in a global economy, events beyond our control are constantly at work reshaping our own economy and culture.

- The pace of change on all fronts continues to accelerate. This is an enormous challenge for defining, let alone sustaining, a comprehensible system of social security. Flexibility in making necessary adjustments to the "nuts and bolts" of programs depends on an underlying set of principles and commitments that can withstand the winds of change. This is the very heart of the modern social contract, and they need reaffirmation if the ***security*** part of social security is to endure.

- A balanced approach to addressing *short-term* deficit reduction will have to include new revenue. This can be done several ways – by increasing federal income tax rates, broadening the base of the income tax (reducing tax expenditures/closing loopholes), or accelerating economic growth. It will probably take a combination of all three, mathematically and politically. On the question of revenue alone, there is a balancing act to be done:
    - Much of the national debate during the recent election cycle focused on the tax rates of the rich. The data on this are clear: wealthy Americans have disproportionally benefitted from both declining tax rates and upwardly trending earnings over the past 30 years.
    - Concurrently, wealthy Americans also have borne an increasing share of the nation's tax burden – now about 70 percent is paid by the top quintile.
    - The middle class and poor have also experienced declining federal tax rates, while benefitting from soaring tax expenditures for child care, EITC, and home mortgage interest deductions. Even so, the current dollar incomes of the vast majority of the middle class and poor have been stagnant for over 30 years.
    - The fairness of rates within the progressive income tax is generally considered without weighing who benefits from the *distribution* of federal spending. How progressive is our *spending* of those dollars, and to what extent should this be acknowledged in the public debate?

- *Long-term,* revenue questions, such as comprehensive tax reform, might be more politically feasible with the emergency of the "fiscal cliff" so near, or might be "kicked down the road." Whichever occurs, here are a few matters to consider:
    - The "off-budget" OASDI and Medicare programs are supported by their own payroll taxes. Both are inadequate to sustain the programs as currently operated, even with some adjustments to eligibility and benefit provisions. Further, the taxes are regressive, in the case of FICA are limited to the first $110,000 of income. The longer changes are delayed, the greater the changes will need to be made in the future.

- There is support on both the political right and left for tax reforms that reduce tax expenditures for special interests, notwithstanding the pressures of the innumerable lobbies seeking to protect or expand them. The case for limiting and cutting tax expenditures is weakened by the popularity of those that directly benefit the middle class, including the EITC and home mortgage interest deduction.
- Failure to reach a compromise will cause the top income tax rate for wealthy taxpayers to go up from 36 percent to 39 percent – in other words, doing nothing means a return to pre-Bush tax rates.

- In addressing *short-term spending cuts*, exemptions to sequestration for the major programs comprising social security broadly construed (i.e., the major Social Security Act programs, plus veterans benefits, housing, nutrition, child development, and senior services discussed above, along with the EITC), provide supporters of a strong federal role in meeting basic human needs considerable "cover." Because these include the largest and most important domestic programs, they will have to be included in any alternative to the "fiscal cliff." Yet, if the current "hands-off" approach to most of them is impossible to sustain, protecting the fundamentals of these programs represents a valid first line of defense *and* a foundation for reforms aimed at simplifying, stabilizing, and sustaining them.

- *Long-term reform of social security broadly construed* needs to be brought "in-bounds" by the political left, with the aim of adapting it to a different, and evolving, economy. The economies of the 1930s and 1960s, during which the fundamentals of these programs were developed, have given way to globalization, technology, and an increasingly skilled, specialized, and female workforce.

- As the roles of state and local governments in the federal system have adapted to a growing national government presence in practically every sphere, organizational complexity and the growth of institutional interests within governments have contributed to dense policy gridlock. Just two of many examples:
  - The federal-state partnership on Unemployment Insurance has yielded different programs in every state and territory. The federal-state partnership was a political expedient in 1935 that today is rendering the program fragile. Most state taxes are insufficient to cover liabilities, and a wave of state UI tax reductions during the past 20 years left many states unable to cover the impact of the Great Recession. They now have a collective debt to the federal government of over $26 billion.

- The internal logic of Medicaid, which covers health costs for more Americans than any other health plan and is about to expand further under the ACA, has broken down. Some aspects of this are historical – e.g., the differential federal match rates for the 50 states. Some aspects are due to the innumerable waivers granted to the states over the past 30 years, rendering meaningless such basic principles as statewide consistency in eligibility and service coverage – or, stated more plainly, equal protection under the law. Some aspects are due to the layering of SCHIP programs on many state Medicaid plans, splitting middle-income family health coverage arrangements even as it expanded coverage for millions of children. The final straw may come with some states opting out of the ACA's Medicaid expansion, and others seeking only partial expansion.

A comprehensive assessment of federal relationships and responsibilities is long overdue, and in this era of gridlock might be hoping for too much. However, such a review of the major social security programs discussed above could be accomplished on the heels of a "grand bargain" on deficit reduction by the next Congress and is worthy of consideration by policy makers.

- There are constructive ideas from the political right for making social welfare affordable, sustainable, and comprehensible to the general public. In particular, libertarian approaches built more upon respect than concern, trusting that most people acting for themselves will get things right most of the time, offer a path not only to program innovations, but perhaps to a new consensus. For example:
  - The consumer-driven health plan (CDHP) movement is a "back to the future" approach to making benefits affordable and getting patients re-engaged in purchasing decisions. The high out-of-pocket expenses associated with them, the bane of critics from the political left, can be addressed through traditional income transfer policies, either with cash subsidies or tax credits. Just as legalized recreational use of marijuana might work for Washington but not Indiana, it is possible that CDHPs might work well in Indiana, if not Massachusetts. As suggested above, since its inception the Social Security Act has allowed roles for and variation among the states. However dysfunctional some of these arrangements have become, they worked in their day; similar utilization of the states as laboratories of democracy might get us over some hurdles that can't be crossed in today's Washington, D.C.
  - Charles A. Murray's *In Our Hands: A Plan to Replace the Welfare State* offers a libertarian approach addressing poverty that is certain not to resonate with the millions who work in and around income support and health and social services, but might very well resonate with many of the poor. Would we be a more just

society distributing currency rather than vouchers for food, housing, and health care benefits? Would we be better off with a simpler system for redistributing income? Perhaps one of the 50 states would be willing to give it a try.

- The impact of the Affordable Care Act (ACA) on deficits is unknown and not reliably calculable. This alone is likely to require further action within the next several years, whatever course is taken over the next two months. A few potential trouble spots include (1) the cost of tax credits for families up to 400 percent of the poverty level (administered by the Internal Revenue Service through tax returns); (2) the cost of operating a national exchange in states that opt out of creating their own insurance exchanges; (3) the number who opt to pay tax penalties instead of purchasing health insurance; (4) the number of states who opt-in or –out of Medicaid expansion. There are measures that could be adopted now to address the future cost of health care, both public and private. To name a few:
    - Reform Graduate Medical Education (GME) payments under Medicare and Medicaid. For decades, a major cause of unnecessarily high and spiraling health care costs has been the steadily growing oversupply of specialists, and undersupply, and significantly lower incomes, of primary care doctors and advanced practice nurses. Bearing in mind that doctors, not patients, prescribe the course of health care, it is not difficult to understand the consequences. Unfortunately, it has been the policy of the federal government to heavily subsidize this imbalance. GME payments, which exceed $12 billion per year, have historically been made *exclusively for inpatient hospital* (nearly always subspecialist) services. These subsidies are *in addition to* routine payments for these services, and are paid by no other third parties. This system needs to be scrapped and replaced with one setting targets for increasing the supply of primary care doctors, nurse practitioners, and other primary care professionals, while adjusting downward the number of medical specialists.
    - Expand federal support for consumer-driven health plans featuring health savings accounts and high deductibles – subsidizing on a sliding scale out-of-pocket expenses for those with lower incomes. This offers a way to get the question of price into the basic transaction between patients and providers, and as such is a non-regulatory way of getting at upwardly spiraling health costs by trusting that individuals and families, interacting with their doctors, have as good a shot at bringing real market forces to bear as the enormous and wasteful public and private insurance bureaucracies.
    - With more people living longer, prevention of chronic disease must assume a larger role. Redirecting even a small portion of current acute health care

spending – say one dollar per person per month – to public health programs aimed at reducing the incidence of chronic illness can have a long-term impact on upwardly spiraling costs. Treatment is good – prevention is better, and in the end, much less expensive.

- Social justice matters for America's standing in the world. The rankings in Table 6, from the Organization for Economic Cooperation and Development (OECD), compare the United States to other developed countries. In a global economy, they deserve attention.

Table 6: American Social Justice in International Perspective: OECD[44]

	Overall Social Justice Rating	Overall Poverty Prevention Rating	Overall Poverty Rate	Child Poverty Rate	Senior Citizen Poverty Rate	*Income Inequality	**Pre-Primary Educa-tion	***Health Rating
Iceland	8.73	9.07	6.4%	6.7%	6.7%	0.301	0.75%	8.53
Norway	8.31	8.87	7.8%	5.5%	8.0%	0.250	0.42%	7.30
Denmark	8.20	9.16	6.1%	3.7%	12.3%	0.248	0.60%	7.53
Sweden	8.18	8.43	8.4%	7.0%	9.9%	0.259	0.67%	7.87
Finland	8.06	8.53	8.0%	5.2%	13.0%	0.259	0.36%	7.17
Netherlands	7.72	8.88	7.2%	9.6%	1.7%	0.294	0.38%	7.08
Switzerland	7.44	7.39	9.3%	9.4%	17.6%	0.303	0.19%	8.03
Luxembourg	7.27	8.35	8.5%	11.0%	2.7%	0.288	0.45%	7.89
Canada	7.26	7.00	12.0%	14.8%	4.9%	0.324	0.20%	7.63
France	7.25	8.66	7.2%	9.3%	5.3%	0.293	0.63%	7.67
Czech Rep.	7.17	9.18	5.5%	8.8%	3.6%	0.256	0.42%	5.84
N. Zealand	7.14	6.27	11.0%	12.2%		0.330	0.45%	8.18
Austria	7.13	8.49	7.9%	7.2%	9.9%	0.261	0.45%	6.87
Germany	7.03	8.12	8.9%	8.3%	10.3%	0.295	0.40%	6.63
Britain	6.79	6.92	11.0%	13.2%	12.2%	0.345	0.28%	6.77
Belgium	6.73	7.56	9.4%	10.0%	13.5%	0.259	0.59%	7.05
Hungary	6.41	9.14	6.4%	7.2%	4.7%	0.272	0.69%	
Ireland	6.41	7.51	9.1%	11.0%	13.4%	0.293		7.00
Italy	6.29	6.78	11.4%	15.3%	8.9%	0.337	0.49%	7.45
Poland	6.17	7.15	11.2%	13.5%	7.7%	0.305	0.57%	
Australia	6.14		14.6%	14.0%		0.336		7.68
Japan	6.00	5.21		14.2%	21.7%	0.329		7.66
Portugal	5.97	5.77	12.0%		15.2%		0.37%	5.66
Slovakia	5.96	8.33	7.2%	10.7%	7.2%	0.257	0.37%	
South Korea	5.89	4.26	15.0%	10.3%		0.315		7.18
Spain	5.83	5.20	14.0%	17.2%		0.317	0.63%	7.35

U.S.A.	**5.70**	**3.85**	**17.3%**	**21.6%**	**22.2%**	**0.378**	**0.33%**	**6.23**
Greece	5.37	6.24	10.8%	13.2%	22.7%	0.307	0.11%	6.61
Chile	5.20	3.30	18.4%	24.0%	22.8%	0.494	0.59%	5.65
Mexico	4.75	2.11	21.0%	25.8%	29.0%	0.476	0.59%	3.51
Turkey	4.19	4.26	17.0%	23.5%	13.7%	0.406	0.02%	3.79

The stakes are high, the options innumerable, and all of this is in-play on a deadline. Realistically, there are few chances for those "outside the beltway" to influence decisions over the next two months. Equally realistically, the underlying issues will require years of concerted effort on many fronts. The grassroots work of civic leaders, human service professionals, "policy wonks," and advocates can have an impact over the long haul – most importantly by engaging elected officials at home where their votes matter.

---

[1] Congressional Budget Office, "Economic Effects of Reducing the Fiscal Restraint That Is Scheduled to Occur in 2013," Washington D.C., May, 2012, pp. 1-2 http://www.cbo.gov/sites/default/files/cbofiles/attachments/FiscalRestraint_0.pdf.

[2] Office of Management and Budget, "Summary of Receipts, Outlays, and Surpluses or Deficits as Percentages of GDP, 1930-2017," Historical Tables, Washington, D.C., 2013 http://www.whitehouse.gov/omb/budget/Historicals. Please note that figures in Chart 1 and 2 do not include revenue and expenses for "off-budget" portions of the federal government such as the Old-Age, Survivors and Disability and Medicare trust funds, U.S. Postal Service, Federal Reserve System, and government-sponsored enterprises (GSEs) such as Fannie Mae and Freddie Mac.

[3] Ibid.

[4] U.S. Bureau of Labor Statistics, "Labor Force Statistics from the Current Population Survey," Washington, D.C., November 7, 2012 http://data.bls.gov/timeseries/LNS14000000.

[5] U.S. Bureau of Labor Statistics, "The Recession of 2007-2009," BLS Spotlight on Statistics, Washington, D.C., February, 2012 http://www.bls.gov/spotlight/2012/recession/pdf/recession_bls_spotlight.pdf.

[6] U.S. Census Bureau, "Table H-3. Mean Household Income Received by Each Fifth and the Top 5 Percent of All Households: 1967 to 2011," Washington, D.C., http://www.census.gov/hhes/www/income/data/historical/inequality/.

[7] Congressional Budget Office, "Shares of Federal Tax Liabilities for All Households, by Comprehensive Household Income Quintile, 1979-2006," Washington, D.C., 2009 http://www.cbo.gov/publication/42878.

[8] Data on tax rates above may be found at Congressional Budget Office, "The Distribution of Household Income and Federal Taxes, 2008 and 2009, Supplemental Tables Final, Table 1, Average Federal Tax Rates for All Households, by Before-Tax Income Group, 1979 to 2009 (Percent)" Washington, D.C., July 10, 2012 http://www.cbo.gov/publication/43373.

[9] Economic Policy Institute, "Basic Family Budget Calculator," Washington, D.C. http://www.epi.org/resources/budget/.

[10] This table is represents estimates prepared by the authors based on data from multiple sources, including: Economic Policy Institute, "Basic Family Budget Calculator," Washington, D.C. http://www.epi.org/resources/budget/; Tax Policy Center of the Urban Institute & Brookings, Washington, D.C. http://www.taxpolicycenter.org/; U.S. Census Bureau, op. cit. http://www.census.gov/hhes/www/income/data/historical/inequality/; U.S. Department of Housing and Urban Development, Washington D.C. http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/affordablehousing/training/web/calculator/assistanceamounts/tbra; Ohio Department of Job and Family Services, Columbus, Ohio http://jfs.ohio.gov/cdc/BCCD.stm; and Internal Revenue Service, Washington, D.C. http://www.irs.gov/Individuals/EITC-Home-Page--It%E2%80%99s-easier-than-ever-to-find-out-if-you-qualify-for-EITC and http://www.irs.gov/Help-&-Resources/Tools-&-FAQs/FAQs-for-Individuals/Frequently-Asked-Tax-Questions-&-Answers/Child-Care-Credit,-Other-Credits.

[11] Quoted by Hitchens, Christopher, "The Reactionary: The Charming, Sinister G.K. Chesterton," the Atlantic, March, 2012, p.79.

[12] U.S. General Services Administration, Catalogue of Federal Domestic Assistance. https://www.cfda.gov/?_so_list_fromda5df66d9f809a53b1563b95a6dce8e3=0&_so_list_fromda5df66d9f809a53b1563b95a6dce8e3_page=1

[13] Illustrated London News, April 19, 1924.

[14]Hon. Frances Perkins, "Social Security for U.S.," National Radio Address Delivered February 25, 1935, Social Security Administration, Social Security History. http://www.ssa.gov/history/perkinsradio.html .

[15] DeWitt, Larry, "Review of Protecting Soldiers and Mothers: The Political Origins of Social Welfare in the United States by Theda Skocpol," Social Insurance in the Gilded Age/Progressive Era, December, 2003. http://www.larrydewitt.net/SSinGAPE/skocpolreview.htm.

[16] For a thorough history of Civil War Veterans' and Mothers' pensions, see Skocpol, Theda, Protecting Soldiers and Mothers: The Political Origins of Social Welfare in the United States, Cambridge, MA, The Belknap Press of Harvard University Press, 1992.

[17] Perkins, op. cit.

[18] It is important to note that many states supplement SSI benefits, and extend Medicaid and Title XX services to people other than those "categorically eligible" through TANF and SSI. Additionally, Medicare covers some individuals with specific medical conditions regardless of age. These significantly abbreviated descriptions allow for a clearer view of the basic interrelationships of social security programs.

[19] For a compilation of Social Security Laws, see http://www.ssa.gov/OP_Home/ssact/ssact-toc.htm.

[20] Tax expenditures are deductions, credits, or exemptions from taxes for defined categories of taxpayers, intended to provide publicly financed benefits similar to those of programmatic expenditures. Tax expenditures achieve this by reducing tax obligations or refunding taxes already paid.

[21] Luhby, Tammi, "Government Assistance Expands," CNN Money, February 7, 2012 http://money.cnn.com/2012/02/07/news/economy/government_assistance/index.htm. Several months after this and similar news reports, the U.S. Census Bureau published a report with estimates considerably below levels reported by various federal and state agencies (see Tables 2 and 3 and citations below). See Kim, Jeonsoo, Shelley K. Irving and Tracy A. Loveless, "Dynamics of Economic Well-Being: Participation in Government Programs, 2004, 2007 and 2009 – Who Gets Assistance," U.S. Census Bureau, Washington, D.C., July, 2012 http://www.census.gov/prod/2012pubs/p70-130.pdf.

[22] [a] *Source: http://www.ssa.gov/OACT/ProgData/icp.html. Query for last 5 years.* Data is for number in current payment for end of December each year and includes those also receiving SSI.

[b] *Source: http://ssa.gov/policy/docs/statcomps/ssi_asr/2010/sect01.html*. Persons who received at least one check during the calendar year. Includes those also receiving OASDI. This includes both Federal payment and State supplementation.

[c] *Source: msis.cms.hhs.gov data query.* All information as of 10-3-11. Only 10 States are reporting 2010 data; therefore, 2010 was excluded.

[d] *Source: msis.cms.hhs.gov data query.* All information as of 10-3-11. Only 10 States are reporting 2010 data; therefore, 2010 was excluded.

[e] *Source: msis.cms.hhs.gov data query.* All information as of 10-3-11. Includes only children eligible under Medicaid or Medicaid Expansions. Only 10 States are reporting 2010 data; therefore, 2010 was excluded.

[f] *Source: msis.cms.hhs.gov data query.* All information as of 10-3-11. Includes Adults, ABD, Children and others (Child of Unemployed Adult, Unemployed Adult, Foster Care Child, Breast and Cervical Cancer Act (BCCA), Eligibility status unknown). 2010 Medicaid Total data from CMS, "Medicaid Enrollment by State," Baltimore, MD 2012. http://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-State/By-State.html.

[g] *Source: SCHIP Statisical Enrollment Data System (SEDS).* Includes only stand-alone S-CHIP programs (not Medicaid Expansions).

[h] *Source: Medicare & Medicaid Research Review- Statistical Supplement [year]; http://www.cms.gov/MedicareMedicaidStatSupp/LT/list.asp#TopOfPage.* Includes only individuals who qualify based on age.

[i] *Source: Medicare & Medicaid Research Review- Statistical Supplement [year]; http://www.cms.gov/MedicareMedicaidStatSupp/LT/list.asp#. TopOfPage.* Only those who qualify based on disability or other status.

[j] *Source: Medicare & Medicaid Research Review- Statistical Supplement [year]; http://www.cms.gov/MedicareMedicaidStatSupp/LT/list.asp#. TopOfPage.* Totals may not be the sum of the above categories due to rounding and/ or incomplete data.

[k] *Source: http://www.ssa.gov/policy/docs/statcomps/supplement/index.html.* Average weekly unemployment rates based on calendar year data reported.

[l] *Source: http://www.ssa.gov/policy/docs/statcomps/supplement/index.html.*

[m] *Source: http://www.ssa.gov/policy/docs/statcomps/supplement/index.html.*

[n] *Source:* U.S. Department of Labor (Unemployment benefits and claims, Emergency Unemployment compensation, and Extended benefits program. http://oui.doleta.gov/unemploy/finance.asp). Total Unemployment calculated by adding carry-over claims from previous fiscal year plus those receiving at least one check from regular unemployment, emergency unemployment compensation [EUC] or extended benefits [EB] during the fiscal year. The spike in numbers in 2009 is due to a full year of implementation of EUC and EB after implementation in July 2008.

[o] *Source:* http://www.acf.hhs.gov/programs/ofa/data-reports/index.htm *Caseload data [year].* Includes only Federal TANF. This represents the average caseload for the entire fiscal year.

[p] *Source: 2007 Data is from http://democrats.waysandmeans.house.gov/media/pdf/111/s11cw.pdf p. 84 table11-23* and represents the average monthly caseload for all 50 states.

[23] [a] *Source: http://www.ssa.gov/OACT/ProgData/icp.html. Query for last 5 years.* Data is for number in current payment for end of December each year and includes those also receiving SSI.

[b] *Source: http://ssa.gov/policy/docs/statcomps/ssi_asr/2010/sect01.html.* Persons who received at least one check during the calendar year. Includes those also receiving OASDI This includes both Federal payment and State supplementation.

[c] *Source: msis.cms.hhs.gov data query.* All information as of 10-3-11.

[d] *Source: msis.cms.hhs.gov data query.* All information as of 10-3-11.

[e] *Source: msis.cms.hhs.gov data query.* All information as of 10-3-11. Includes only children eligible under Medicaid or Medicaid Expansions

[f] *Source: msis.cms.hhs.gov data query.* All information as of 10-3-11. Includes Adults, ABD, Children and others (Child of Unemployed Adult, Unemployed Adult, Foster Care Child, Breast and Cervical Cancer Act (BCCA), Eligibility status unknown)

[g] *Source: Medicare & Medicaid Research Review- Statistical Supplement [year]; http://www.cms.gov/MedicareMedicaidStatSupp/LT/list.asp#TopOfPage.* Includes only individuals who qualify based on age.

[h] *Source: Medicare & Medicaid Research Review- Statistical Supplement [year]; http://www.cms.gov/MedicareMedicaidStatSupp/LT/list.asp#TopOfPage.* Includes only those who qualify based on disability or other status.

[i] *Source: Medicare & Medicaid Research Review- Statistical Supplement [year]; http://www.cms.gov/MedicareMedicaidStatSupp/LT/list.asp#TopOfPage.* Data may not add due to rounding and/or unknown classification.

[j] *Source: Public Records Request, Courtesy of ODJFS (September 2011).* Data is for state fiscal years (1 July- 30 June).

[k] *Source: http://www.ssa.gov/policy/docs/statcomps/supplement/index.html.* Average weekly unemployment rates based on calendar year data reported.

[l] *Source: http://www.ssa.gov/policy/docs/statcomps/supplement/index.html.*

[m] *Source: http://www.ssa.gov/policy/docs/statcomps/supplement/index.html.*

[n] *Source:* U.S. Department of Labor (Unemployment benefits and claims, Emergency Unemployment compensation, and Extended benefits program http://oui.doleta.gov/unemploy/finance.asp). Total Unemployment calculated by adding carry-over claims from previous fiscal year plus those receiving at least one check from regular unemployment, emergency unemployment compensation [EUC] or extended benefits [EB] during the fiscal year. The spike in numbers in 2009 is due to a full year of implementation of EUC and EB after implementation in July 2008.

[o] *Source: http://www.acf.hhs.gov/programs/ofa/data-reports/index.htm Caseload data [year]. Includes only Federal TANF. This represents the average caseload for the entire fiscal year.*

[p] *Source: Public Records Request, Courtesy of ODJFS (September 2011).* Ohio Foster/Adoption reflects unduplicated counts of children in Foster Care and In Adoption during state fiscal years (1 July-June 30).

[q] *Source: http://www.fns.usda.gov/pd/15SNAPpartPP.htm.* Represents the average monthly number of persons (adults and children) receiving benefits.

[24] The number and scope of veterans benefits are generally considered outside the scope of the "social safety net," and yet represent the most extensive, cohesive sets of benefits provided by the federal government. A broad overview, along with details, data, and references to other sources, may be found at: http://www.va.gov/.

[25] U.S. Department of Housing and Urban Development, "A Picture of Subsidized Households," Washington, D.C., 2008. http://www.huduser.org/portal/picture2008/index.html. On February 27, 2012, The Center for Community Solutions submitted a Freedom of Information Act request for annual public housing data for Ohio; the HUD response, dated August 6, 2012 did not provide sufficient information to provide estimates for Ohio.

[26] Staff, Joint Committee on Taxation, U.S. Congress, Present Law and Background Relating to Tax Treatment of Household Debt , Washington, D.C., July 11, 2011, p. 42.

[27] An overview of and analysis of reform proposals concerning the mortgage interest deduction may be found in Toder, Eric, Margery Austin Turner, Katherine Lim, and Liza Getsinger, Reforming the Mortgage Interest Deduction, Washington, D.C., The Urban Institute, 2010. http://www.urban.org/uploadedpdf/412099-mortgage-deduction-reform.pdf.

[28] For a historical overview of WIC, see Devaney, Barbara, "WIC Turns 35: Program Effectiveness and Future Directions," National Invitational Conference of the Early Childhood Research Collaborative, Minneapolis, MN, December, 2007. http://www.earlychildhoodrc.org/events/presentations/devaney.pdf.

[29] For summary information and data on Head Start, see factsheets posted by the U.S. Department of Health and Human Services, Administrtion for Children and Families, Early Childhood Learning and Knowledge Center, Office of Head Start. http://eclkc.ohs.acf.hhs.gov/hslc/About%20Head%20Start.

[30] For a detailed description of the Child Care and Development Block Grant, see Lynch, Karen E., "The Child Care and Development Block Grant: Background and Funding," Washington D.C., Congressional Research Service, January, 2010. http://www.policyarchive.org/handle/10207/bitstreams/19845.pdf. For data on CCDBG participation, see Mathews, Hannah and Teresa Lim, Child Care and Development Block Grant Participation in 2009, Washington, D.C., CLASP, 2011.

[31] Summary information and data on the Child and Dependent Care Tax Credit may be found in McKenna, Christine, Child Care Subsidies in the United States: Government Funding To Families (2010), Chestnut Hill, MA, Boston College (Sloan Work and Family Research Network), 2010. http://wfnetwork.bc.edu/encyclopedia_entry.php?id=17275&area=All. For current data, see also "Quick Facts: Child Care and Dependent Tax Credit (CCDTC)," Washington, D.C., Tax Policy Center (Urban Institute and Brookings Institution). http://www.taxpolicycenter.org/press/quickfacts_cdctc.cfm#two.

[32] For detailed information about Older Americans Act programs, visit the website for the U.S. Department of Health and Human Services, Administration on Aging. http://www.aoa.gov/AoARoot/AoA_Programs/index.aspx. See also Napili, Angela and Kirsten J. Coello, "Older Americans Act: Funding," Washington, D.C., Congressional Research Service, 2010. http://aging.senate.gov/crs/aging18.pdf. For summary service data, see National Health Policy Forum, "The Basics: The Older Americans Act," Washington, D.C., George Washington University, 2008. http://www.nhpf.org/library/the-basics/Basics_OlderAmericansAct_06-10-11.pdf.

[33] See Forman, Jonathan Barry, "Earned Income Credit" from Encyclopedia of Taxation and Tax Policy, republished by The Tax Policy Center, Washington, D.C. http://taxpolicycenter.org/publications/url.cfm?ID=1000524. See also Maag, Elaine and Adam Carasso, "Taxation and the Family: What is the Earned Income Tax Credit," Washington, D.C., Tax Policy Center (Urban Institute and Brookings Institution), 2010. http://www.taxpolicycenter.org/briefing-book/key-elements/family/eitc.cfm. See also "Life's a Little Easier with the EITC," Washington, D.C., Internal Revenue Service, 2011. http://www.eitc.irs.gov/central/abouteitc/.

[34] Spar, Karen, "Budget 'Sequestration' and Selected Program Exemptions and Special Rules," Washington, D.C., Congressional Research Service, October 2, 2012.

[35] Ibid. p. 5-17.

[36] Ibid. pp. 9-12.

[37] Shrestha, Laura B., "Life Expencancy in the United States – Updated August 16, 2006," Washington, D.C., Congressional Research Service, The Library of Congress, 2006, p. 4.

[38] U.S. Census Bureau, Statistical Abstract of the United States: 2006, Washington, DC, 2005, Table 662, p. 452. http://books.google.com/books?id=jlToB5qQT4gC&pg=PA2056&lpg=PA2056&dq=earnings+in+constant+dollars+1900+to+2000&source=bl&ots=kRUHnKyJfr&sig=af4l3YNU31Rsj656e6e0DsCuGrQ&hl=en&sa=X&ei=Zh-HT5rnEszqtgfW8rn1Bw&ved=0CDAQ6AEwAg#v=onepage&q=earnings%20in%20constant%20dollars%201900%20to%202000&f=false

[39] Caplow, Theodore, Louis Hicks and Ben J. Wattenberg, The First Measured Century: An Illustrated Guide to Trends in America, 1900-2000, PBS, 2000, p. 165. http://www.pbs.org/fmc/book.htm

[40] Ibid. p. 161.

[41] Ibid. p. 163.

[42] Ibid. p. 175.

[43] U.S. Census Bureau, "Census of Housing: Historical Census of Housing Tables – Homeownership," Washington, DC, 2000. http://www.census.gov/hhes/www/housing/census/historic/owner.html

[44] Source: Bertelsmann Stiftung (Foundation), Germany. Selected measures from the report "Social Justice in the OECD- How Do the Member States Compare?" Includes some categories of index ratings and some raw data.

*Gini Index - higher numbers represent more income inequality. A population with perfect equality in income distribution would have a score of 0; a population where one person has all the income would have a score of 1.0

**Public expenditure on pre-primary education as a percentage of GDP.

***Inclusiveness, quality of service, and perceived health between highest/lowest incomes.

****Includes family and pension policies, environmental policies, and assessment of political-economic well-being being established for future generations.

State Budgeting Matters is published by The Center for Community Solutions. Comments and questions about this edition may be sent to jbegala@CommunitySolutions.com.

1501 Euclid Ave., Ste. 310, Cleveland, OH 44115
37 W. Broad St., Ste. 350, Columbus, OH 43215
P: 216-781-2944, F: 216-781-2988
www.CommunitySolutions.com