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A Credible Deficit Reduction Blueprint Must Address Escalating Antipoverty Spending

**Testimony before
The National Commission on Fiscal
Responsibility and Reform**

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**Brian Riedl
Grover M. Hermann Fellow for Federal Budgetary Affairs
The Heritage Foundation**

My name is Brian Riedl. I am the Grover M. Hermann Fellow in Federal Budgetary Affairs at The Heritage Foundation. The views I express in this testimony are my own, and should not be construed as representing any official position of The Heritage Foundation.

Thank you for this opportunity to share my views today.

First, I'd like to emphasize that surging long-term budget deficits are 100 percent a spending problem. Even if the all tax cuts are extended, CBO data shows tax revenues surpassing the historical average of 18 percent of GDP by the end of the decade. According to a current-policy budget baseline, the reason the 2020 deficit will be 6 percent of GDP above its historical average, is because federal spending will be 6 percent of GDP above its historical average. Spending is driving long-term deficits.¹

Social Security and Medicare costs are driving long-term deficits upward, and should be the main source of budget savings. However, I am confident the Commission is already examining all reform options to those programs. Therefore, I believe my value-added is to point out other parts of the federal budget that are growing rapidly, and that should not be overlooked as additional sources of savings.

Over the past two decades, the fastest growing part of the federal budget has been – surprisingly – antipoverty spending.

Since 1990, federal antipoverty spending has more than doubled, from 2.0 percent of GDP to 4.4 percent. This 2.4 percent of GDP expansion exceeds the combined 2.1 percent of GDP expansion of Social Security, Medicare, defense, and education spending over the same two decades.²

It's tempting to dismiss this antipoverty spending surge as a temporary result of the recession. Yet the majority of this growth occurred before the current recession. Indeed, Medicaid and food stamp rolls had already expanded by 10 million in the decade before the recession.

Furthermore, President Obama's own budget proposals would keep antipoverty spending as a percentage of GDP permanently above pre-recession levels – and even that assumes the stimulus provisions expire, and it excludes the large low-income subsidies the new health care law.

With trillion-dollar deficits, Washington cannot continue spending \$20,000 for each family with children in the bottom-third of the income tables. Once the recession ends, simply

¹ Brian Riedl, "The Three Biggest Myths About Tax Cuts and the Budget Deficit," Heritage Foundation Backgrounder No. 2423, June 21, 2010 at <http://www.heritage.org/Research/Reports/2010/06/The-Three-Biggest-Myths-About-Tax-Cuts-and-the-Budget-Deficit>.

² Office of Management and Budget, *Budget of the United States Government, FY 2011, Historical Tables*, Tables 3.2 and 8.5, at <http://www.whitehouse.gov/omb/budget/Historicals>, consisting of budget functions 604 (housing aid), 605 (food aid), 609 (other income support), Medicaid, and SCHIP. Specific program growth figures are available at Brian Riedl, "Federal Spending by the Numbers 2010," Heritage Foundation *Special Report* No. 78, June 1, 2010, at http://thf_media.s3.amazonaws.com/2010/pdf/sr0078.pdf.

returning means-tested antipoverty spending to its pre-recession level and then allowing it to grow at the inflation rate would save more than \$2 trillion over the decade.³

As the 1996 welfare reforms showed, these reforms do not have to harm the poor. Indeed, they can end the cycle of poverty.

- Extending TANF's successful work requirements to able-bodied recipients of Food Stamps, housing subsidies, and other programs would encourage self-sufficiency, reduce poverty, and ultimately save money.
- Reform should encourage positive behaviors, such as staying in school and avoiding out-of-wedlock births.
- Even requiring able-bodied welfare recipients to repay some portion of their benefits (perhaps one-third) in the future would ensure that the needy receive aid, while encouraging dependence-reducing behaviors in the future.
- Finally, reform should eliminate the welfare system's bias against marriage, and also address the escalating welfare cost of immigration.

This is not about balancing the budget on the backs of the poor. Most of the Commission's budget savings must come from Social Security and Medicare reforms. However, welfare reform can be a win-win. It can produce substantial budgetary savings by replacing the safety *net* – which catches and traps people – with a trampoline that springs families back up towards self-sufficiency. I urge you to include welfare reforms in your budget recommendations.

Thank you.

³ Kiki Bradley and Robert Rector, "Confronting the Unsustainable Growth of Welfare Entitlements: Principles of Reform and the Next Steps," Heritage Foundation *Backgrounder* No. 2427, June 24, 2010, at <http://www.heritage.org/Research/Reports/2010/06/Confronting-the-Unsustainable-Growth-of-Welfare-Entitlements-Principles-of-Reform-and-the-Next-Steps>.

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