

The Social Safety Net Overview



What is the Social Safety Net?

The Social Safety Net is a collection of programs designed to alleviate the effects of poverty and protect against the exigencies of old age and illness. While programs are both public and private, the principal programs are established and funded by the federal government.

MYTHS

MYTH: Private giving can replace federal expenditures.

Reality: Charitable giving by individuals, private foundations, and corporations in the U.S. is approximately \$400 billion annually. Most charitable giving goes to religious, educational, arts, and other organizations. It has been estimated that only 30% of private charitable giving directly benefits the poor. Also, unlike government programs, charitable giving declines during periods of economic recessions, when it is needed most.

MYTH: The Social Security and Medicare programs are “bankrupt”.

Reality: The Social Security Program is fully funded until 2034. (1) The Medicare Program is fully funded through 2026. (2) The reports of their demise have been circulating for decades and have been demonstrably false.

Types of Programs

Federal safety net programs are of two types:

- **Social Insurance programs** are funded by payroll taxes and the beneficiary's contributions to the program are taken into account. Social Security and Medicare are the two largest social insurance programs in the U.S.
- **Means-Tested programs** provide benefits to low-income individuals and families who meet specific income criteria (in other words, to poor people). These programs are funded by general government receipts (i.e., income taxes).

Entitlement vs. Non-entitlement Programs

Some means-tested programs are entitlements and some are not.

Entitlement programs provide benefits to all applicants who meet the criteria of the program. For example, the Supplementary Nutrition Assistance Program (formerly “Food Stamps”) provides nutrition assistance to all applicants who earn less than the program income limits and meet the other program criteria. These programs are sometimes called “uncapped” in that the federal government is required by law to pay for the benefits, irrespective of the costs in any given year.

Non-entitlement programs place limits on the total amount of assistance that is provided in any given year. The limits are set by Congress as part of the annual federal budget process. People who are eligible for non-entitlement programs are not guaranteed to receive assistance because funding is limited (or “capped”). Most federal housing programs are non-entitlement and as a result 75% of low-income individuals and families who are otherwise eligible for federal housing assistance do not receive it.

Key Components of the U.S. Safety Net

Major federal safety net programs include the following:

- Social Security Retirement Benefits
- Social Security Disability Insurance (SSDI)
- Medicare
- Medicaid
- Affordable Care Act
- Unemployment Insurance
- Supplemental Nutritional Assistance Program
- Subsidized Housing Programs
- Earned Income & Child Tax credits

Approximately 55% of federal spending is for safety net programs.