



**BENEFITS**

**COSTS**

## **Cost/Benefit Analysis**

### **Initiative: 1MMOW by 2025**

*“According to the U.S. Census Bureau, in 2013, the official poverty rate was 14.5% of the U.S. population, or 45.3 million people”.*

## **Introduction**

The following cost benefit analysis examines whether or not there would be federal cost savings and local economy enhancement if 1 million women (and by default, many of their dependent children) were no longer receiving select welfare services over the course of a 10-year period. The analysis acknowledges the fact that there are more than 50 government social programs where Americans receive funds to support themselves (food, health, shelter), but that not all of these services were considered for this analysis.

## **Methodology**

This work considered the following welfare (social) programs: Temporary Assistance for Needy Families (TANF), Section 8 Voucher Program/ Public Housing (Federal Assistance Rental Program), and Medicaid (not including coverage for children). The author of this work acknowledges that there are numerous “welfare” programs that were not taken into consideration for this work, but in the spirit of conciseness, the aforementioned programs are the only ones analyzed.

Step 1 of the Methodology: A list of select monetary cost was considered for the project. It was decided that there would be three areas of focus for the cost-benefit analysis. These areas are ones that would be used during the 10-year life of the project. As mentioned before, the areas of welfare considered were: TANF, Section 8/Public Housing, and Medicaid. Information obtained on the three programs was obtained from sources created by the following

agencies: Housing and Urban Development (HUB), U.S. Census Bureau, Center on Budget and Policy Priorities, [usgovernmentspending.com](http://usgovernmentspending.com), Pew Research Center, Congressional Research Service, and [Medicaid.gov](http://Medicaid.gov).

Step 2 of the Methodology: After deciding on the areas of welfare services to conduct the cost-benefit analysis, annual expenses (costs) for each program were research and found. Secondly, average per month/per recipient expenses to the program were tallied (with the exception of Medicaid). Thirdly, average annual expenses per recipient were tallied. Finally, the average annual cost for 1 million adult women (and by default, many of their dependent children) was tallied.

Step 3 of the Methodology: To calculate the “benefit” of the analysis, the model assumes the following: That 100,000 adult females will be removed annually as service recipients from welfare rolls, each year, for 10 years; That 100,000 adult females (and by default, many of their dependent children) who have been removed from welfare recipient rolls, will be trained and educated (annually for 10 consecutive years) to the degree that they will pursue and find employment with an annual minimum salary of \$30,000 and will pay federal income taxes at an annual rate of 15% or \$3,500 (only the trained adult females are assumed to receive a job paying \$30,000- while many of their children will also find jobs, children will make less but still pay taxes in the area of food, state, and gas); That 100,000 adult females (annually for 10 consecutive years) who have been removed from welfare, and who have found employment with an

annual minimum salary of \$30,000, will enhance their respective local economies annually by infusing at-least \$3,000 per person/per year into the local area (business, services, goods, etc.). Though not stated specifically, the economy will also be enhanced as a result of many of the children spending money as a result of being employed.

Step 4 of the Methodology: After 10-year totals for each benefit were tallied, the sum of the three decade-long benefits were totaled, resulting in a cumulative benefit total.

### **Assumed Costs**

1. TANF- According to the Center on Budget & Policy Priorities, **\$76 billion** was spent on Temporary Assistance for Needy Families in 2014.
2. According to the Housing and Urban Development (HUD), more than 5 million low-income households use federal rental assistance programs to rent modest homes at an affordable cost. In 2012, **\$270 billion** was spent by the government to help low-income Americans buy or rent housing. This housing could be public housing, Section 8, or privately-owned subsidized housing. Depending on the state/city, the rental assistance can range from \$500 to \$1,500 per month. On average, the monthly subsidy paid on behalf of a recipient is \$1,000.
3. According to Medicaid.gov, in 2013, 55 million people were enrolled in Medicaid for at least one month during the aforementioned year. State

and federal Medicaid benefits combined to total **\$449 billion** dollars for calendar year 2014. According to the Center on Budget & Policy Priorities (2014), 11% of the federal budget went to welfare programs.

4. The calculated average TANF rate is \$125 per month, per family.
5. The average monthly housing voucher is \$1,000.
6. According to Medicaid.gov, services spent on adults average \$4,362 per year, and for children, \$6,100 yearly. The average yearly Medicaid expenditure is \$5,000.
7. The approximate annual total cost for 1 million adult women on welfare is \$18.5 billion. This number does not represent the children who are also receiving certain benefits.

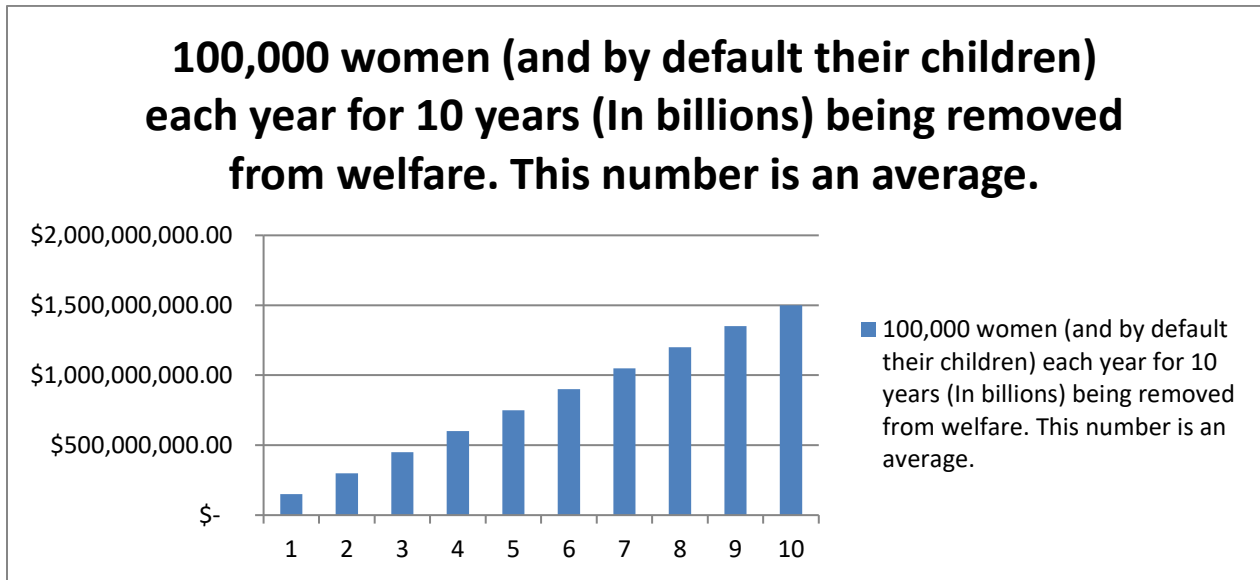
### **Results**

1. If 100,000 adult women (and by default, their children), each year for 10 years, are removed from welfare, the savings to the federal government will be **\$8,250,000,000.00** at the end of the 10-year period. Though the projection is for 100,000 to be removed each year during the 10-year project, the reality is that as long as there are 1 million adult women (and their children) off the rolls of welfare, the savings are the same at the end of the 10-year project period. This is the case for each of the findings listed below. Please see **Table 1** ;

2. If 100,000 adult females (each year for 10 years) are removed from welfare recipient rolls, trained and educated to find employment with an annual minimum salary of \$30,000, they will pay approximately 15% (or \$3,500) in federal income taxes. Tax revenues at the conclusion of the 10-year period will equal approximately **\$19,250,000,000**. Though not stated specifically, these numbers also assume that many children of former welfare recipients will find employment also and pay taxes in the area of food, gas, and state income taxes. Please see **Table 2**;
3. If 100,000 adult females (annually for 10 consecutive years) are removed from welfare, and have found employment with an annual minimum salary of \$30,000, they will enhance their respective local economies annually by infusing at-least \$3,000 per person/per year into the local area (business, services, goods, etc.). At the conclusion of the 10-year project, this aspect of the project will add **\$16.5 billion** to the respective local economies of these 1 million women. Though not stated explicitly, this work assumes that children of former welfare recipients between ages 14-18 will enhance the local economy as a result of earning money from their own jobs and purchasing goods in the local area. **Please see Table 3.**
4. Based on information referenced in the 1MMOW Cost-Benefit Analysis, cumulative 10-year savings will equal, or surpass, at least \$ **44,000,000,000.00**.(44 Billion)

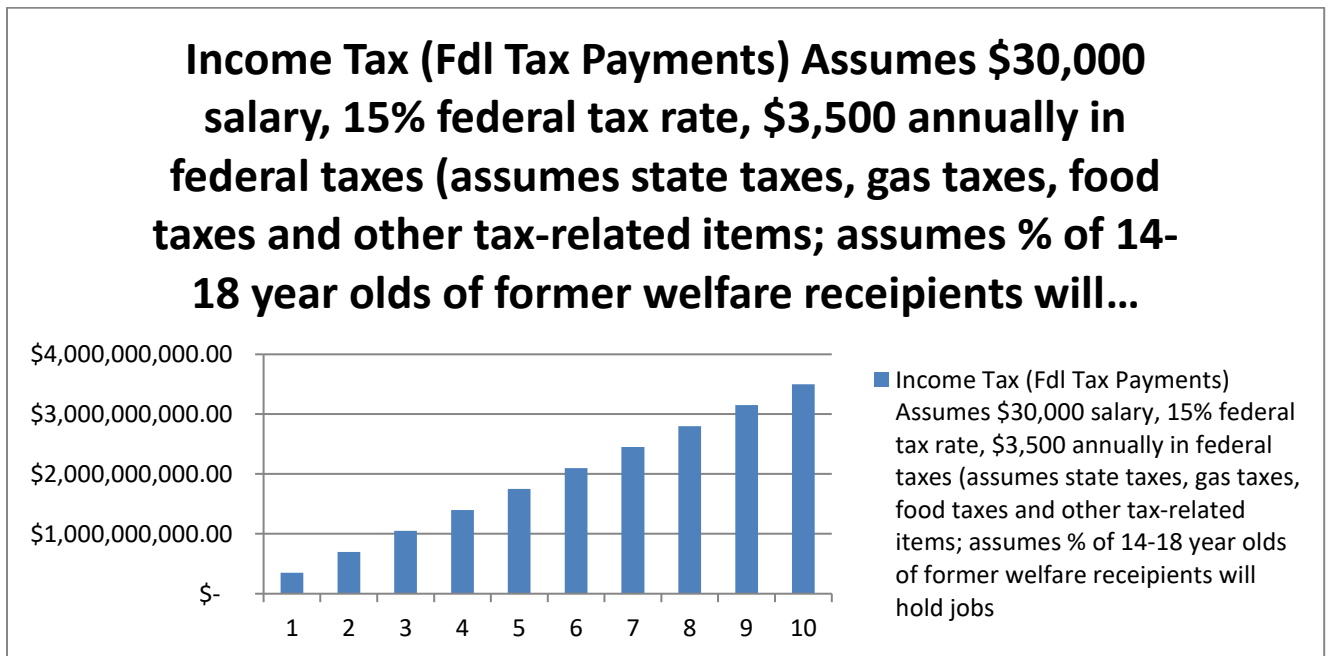
Tables

Table 1: Savings Over 10-Years: 2016-2025 (Welfare Removal)



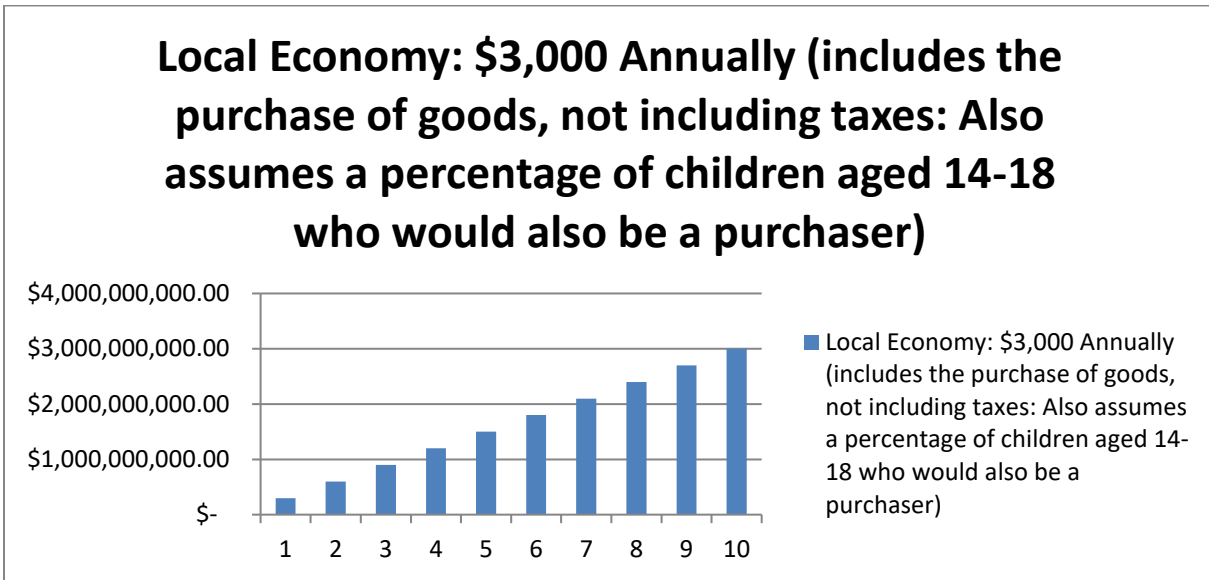
**Cumulative Benefit: \$ 8,250,000,000.00**

Table 2: Savings Over 10-Years: 2016-2025 (Additional Federal Income Taxes)

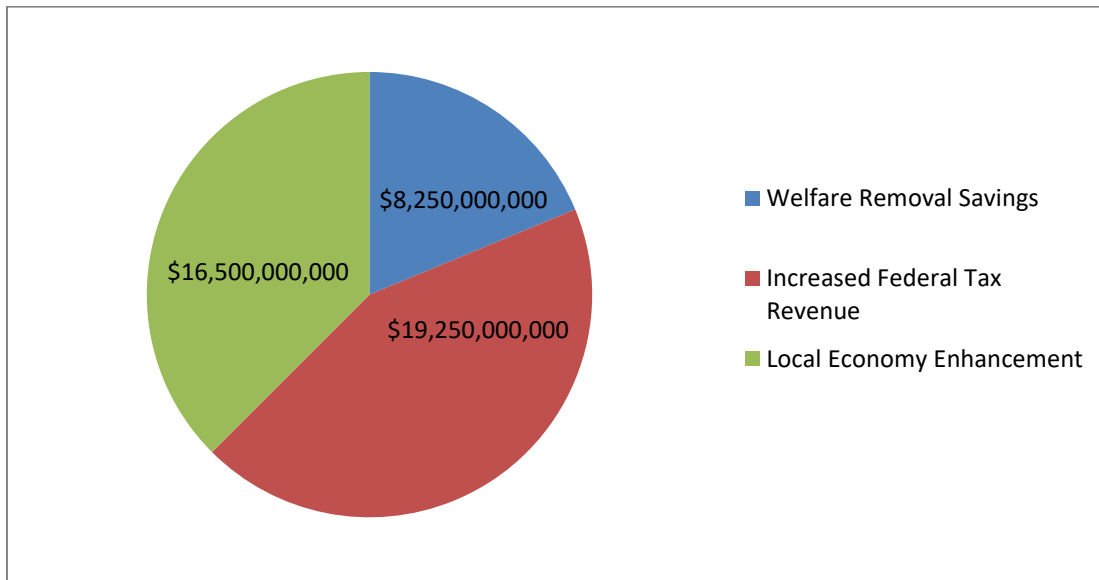


**Cumulative Benefit: \$19,250,000,000**

**Table 3: Savings Over 10-Years: 2016-2025 (Dollars Enhancing Local Economy)**



**Table 4: Savings/Benefit Chart**



**Combined Benefit Over 10-Years: \$44,000,000,000.00**



## References

1. Congressional Research Service (.....)
2. HUD.gov
3. Center on Budget & Policy Priorities
4. Medicaid.gov
5. Congressional Budget Office
6. usgovernmentspending.com
7. [www.pewresearch.org](http://www.pewresearch.org)
8. [www.census.gov](http://www.census.gov)