Poverty Reduction through Federal and State Policy Mechanisms: Variation over Time and across the United States

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ABSTRACT   The efficacy of the US antipoverty policy is shaped both by its reliance on categorical sorting and by its decentralized structure. To examine the implications of these features, this study introduces a novel disaggregation of poverty reduction instruments into four mechanisms: federal taxes and federal transfers (centralized) and state taxes and state transfers (decentralized). Using the Current Population Survey's Annual Social and Economic Supplement data and a sequence-independent decomposition, this analysis assesses the relative effectiveness of the mechanisms at the national level between 1996 and 2016 and across the states in 2016. The study finds that absolute and relative poverty reduction is greater and has increased over time for working-age households with children compared with those without children. We also find cross-state variation in market- and disposable-income poverty and in the poverty reduction attributable to each of the redistributive mechanisms, highlighting the importance of examining poverty and antipoverty policy subnationally.

INTRODUCTION

One of the most common terms used to describe social welfare policies in the United States is "patchwork." Meant to refer to the assortment of

programs that are defined by their categorical eligibility structures and income targeting, these programs provide different forms of assistance—from cash to in-kind services—to groups such as children or the elderly (Bailey and Danziger 2013; Brady, Finnigan, and Hübgen 2017; Duncan and Le Menestrel 2019). Although this aspect of social welfare policy is well known, a second key institutional feature that has attracted increasing attention is the variety of federal-state arrangements that define the decentralized configurations of these programs (Bruch, Meyers, and Gornick 2018). Taken together, these two features (categorical and income-targeted policy designs and decentralization), to a large extent, shape the distributional consequences of social welfare policies.

In this article, we examine the distributional consequences of these key institutional features of social welfare policies. We begin by distinguishing between federal- and state-level policy making and between transfers and taxes. Combining those, we assess and compare four policy mechanisms: federal transfers, state transfers, federal taxes, and state taxes. To capture the different categorical eligibility structures embedded in our policy mechanisms, we measure poverty reduction within two important household types: working-age households with children and working-age households without children. Using the Current Population Survey's Annual Social and Economic Supplement (CPS ASEC) data and a sequence-independent Shapley decomposition, we examine the levels of absolute and relative poverty reduction attributable to the four policy mechanisms—further disaggregated by household type, by year (1996–2016), and by state. In doing so, we contribute conceptually and empirically to scholarly understanding of how the institutional features of social provision shape poverty reduction, directing attention to two important consequences of safety net decentralization—inequalities in poverty reduction across household types and geographic inequalities in poverty reduction.

CATEGORICAL ELIGIBILITY, DESERVINGNESS, AND POVERTY REDUCTION

One of the key features of US social provision is the tiered design of programs based on demographically defined, categorical eligibility structures. Whereas some groups, such as the elderly and workers, enjoy standardized, national sources of assistance through contributory social insurance policy designs, others, such as parents of dependent children, have access

to more limited and localized supports that are largely income targeted (i.e., means tested). Importantly, these categorically defined programs differ in terms of the overall quality and quantity of benefits, as well as the policy instrument used (i.e., cash, in-kind, service, tax expenditure). These differences map onto social distinctions—especially race and gender—and related constructions of "deservingness" (Anderson 2004; Fraser and Gordon 1992; Katz 2013; Schneider and Ingram 1993; Steensland 2006). Together, these result in a bifurcation between programs mainly serving the "deserving" groups, which are more politically popular and thus more stable, and programs with more targeted designs serving less "deserving" populations (Brady and Bostic 2015; Korpi and Palme 1998; Pierson 1995).

Recent empirical research in this area examines the distributional impacts of shifting approaches to social provision (i.e., different types of policy instruments), as well as changes to specific programs, in terms of expanding and contracting eligibility across populations (Brady and Parolin 2020; Fox et al. 2015; Moffitt 2015; Wimer et al. 2020). Seen as a particularly deserving group, children have been the focus of a great deal of poverty policy research (Bitler, Hoynes, and Kuka 2017; Chen and Corak 2008; Duncan and Le Menestrel 2019; Gornick and Jäntti 2012; Pac, Nam, et al. 2017; Pac, Waldfogel, and Wimer 2017; Parolin 2021*b*; Rainwater and Smeeding 2003).[1] Among the most consistent findings in this research is that federal income tax credits (most especially the Earned Income Tax Credit, or EITC) and near-cash food assistance (Supplemental Nutrition Assistance Program, or SNAP) have played the largest roles in reducing child poverty over the past 20 years. Importantly, however, many social programs are conditioned on employment and so are less effective for some of the most economically marginalized families experiencing deep or extreme poverty (Brady and Parolin 2020; Duncan and Le Menestrel 2019; Shaefer and Edin 2013; Shaefer et al. 2020).

In part because of the work-conditioned and child-centered focus of many safety net programs, an increasing amount of research examines working-age adults and households, both with and without children (Brady and Parolin 2020; Hingtgen, Saenz, and Zippel 2021; Wimer et al. 2016,

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1. Scholarship in this area at times focuses on children as the unit of analysis, and at other times uses families or households, in recognition that these likely reflect the income-pooling unit. Using families or households as the unit of analysis also allows for comparative analyses between families or households with or without children.

2020), as well as forms of assistance available for able-bodied adults without dependents or "ABAWDs" (Hahn et al. 2019). A consistent finding in this area is that households without children have experienced greater economic marginalization compared with households with children and have received considerably less antipoverty assistance over the past few decades. These differences in poverty reduction across demographically different households reflect the categorical eligibility and income targeting shaping both access to assistance and the efficacy of differently designed programs for reducing poverty.

In the case of childless households, the categorical nature of eligibility is visible in the limited number of programs from which they benefit unless they are "categorized into assistance." Although households without children can receive assistance specific to people with disabilities (e.g., Social Security Disability Insurance or Supplemental Security Income [SSI]), veterans (benefits from the Department of Veterans Affairs, including disability compensation, retirement, or pension payments), or those who were recently employed (such as unemployment insurance [UI] and worker's compensation), many people do not satisfy the additional categorical eligibility criteria these programs require, resulting in low levels of receipt (a pattern that we demonstrate below). Often the only recourse for childless households is assistance from state-based general assistance and SNAP. General assistance, however, is limited in its generosity (Schott 2020), and although SNAP has a substantial impact on poverty among childless households (Brady and Parolin 2020), SNAP's requirement of employment limits its effectiveness (Carlson, Rosenbaum, and Keith-Jennings 2016), resulting in poverty reductions substantially lower than those among households with children.

CHANGES OVER TIME IN POVERTY REDUCTION IN THE UNITED STATES

In the US context, scholars have focused a great deal of attention on examining how the policy changes enacted during the "big bangs" of social policy—represented by the 1930s' New Deal period, the 1960s' War on Poverty, and the 1990s' welfare reforms—have affected the economic outcomes of households, families, and individuals. Efforts to determine whether President Lyndon B. Johnson's War on Poverty was "won" and the consequences of a reconfigured safety net that provides conditional, work-supporting

services and expense-reducing benefits continue to receive considerable attention (Burkhauser et al. 2019; Fox et al. 2015; Haveman et al. 2015; Blank 2002; Halpern-Meekin et al. 2015; Heinrich and Scholz 2009; Ziliak 2009). Recent work has also explored the efficacy of largely temporary policy changes made in response to the Great Recession (Bitler and Hoynes 2016; Chang, Romich, and Ybarra 2021; Larrimore, Burkhauser, and Armour 2015; Moffitt 2013) and the COVID-19 pandemic (Bernstein, Gonzalez, and Karpman 2021; Bitler, Hoynes, and Schanzenbach 2020; Cooney and Shaefer 2021; Moffitt and Ziliak 2020; Parolin and Curran 2021), characterized by fiscal stimulus cash supports and temporary federal extensions of benefits or eligibility for specific programs.

Several consistent empirical findings summarize the state of knowledge in this area. First, programs initiated or expanded during the War on Poverty and shortly after substantially reduced rates of poverty (Fox et al. 2015). Second, the cyclicality of the responsiveness of safety net programs has changed in the post–welfare reform period, with cash assistance becoming less responsive (Bitler and Hoynes 2010; Hardy, Smeeding, and Ziliak 2018; Parolin 2021*a*). Third, in the post–welfare reform period, the role of cash assistance has declined (especially the Temporary Assistance for Needy Families [TANF] program), increasing the importance of in-kind food assistance (SNAP in particular) and of work-conditioned tax benefits (federal and state EITCs), especially for poverty reduction and income gains among households with children and those able to work (Chang et al. 2021; Fox et al. 2015; Hoynes and Schanzenbach 2018; Wimer et al. 2020).

DECENTRALIZATION IN SOCIAL PROVISION

The second key institutional feature that defines safety net provision in the United States is the decentralization—the degree to which authority or discretion has been devolved to subnational governments, especially state governments. The programs that make up the patchwork of safety net provisions, from cash assistance to a wide range of in-kind forms of assistance and services, are decentralized to varying degrees. The devolution of discretion to state or local governments can occur in three dimensions—financing, administration, and rulemaking—each of which can be conceptualized as falling on a scale that runs from low to high levels of state discretion (Bruch et al. 2018). In terms of financing, the range of state discretion is shaped by the way in which fiscal responsibility (program funding) is split between

state and federal jurisdictions (ranging from completely state-financed programs to completely federally financed programs) and the degree of autonomy states have in spending federal dollars (e.g., block grants). In terms of rulemaking, the range of discretion is shaped both by the jurisdiction (federal and state) at which the basic standards for coverage, eligibility, and other program elements are set and by the range of choices allowed within those standards. In terms of administration, the range of state discretion is shaped by the direct jurisdictional responsibility (federal, state, and local) for the design and management of program implementation and by the degree of autonomy afforded to state or local administrative agencies. Each safety net program has a distinct configuration of decentralization across these dimensions that represents the specific federal-state arrangement of shared responsibility.

Recognition of the extent and dimensions of decentralization in safety net programs has increasingly motivated examinations of cross-state differences in the generosity and scope of benefits and terms or conditions of receipt (Bentele and Nicoli 2012; Cheng and Lo 2018; Hahn et al. 2017; Soss, Fording, Schram 2011; Bruch, Gornick, and van der Naald 2022). Other scholars have examined how different state policy choices result in cross-state variation or inequality in social safety net provision and family policies (Bruch et al. 2018; Campbell 2014; Parolin and Daiger von Gleichen 2020; Meyers, Gornick, and Peck 2001), in social service provision (Allard 2009; Kelly and Lobao 2021), and in state and local spending (Gais 2009; Hoynes and Schanzenbach 2018; McGuire and Merriman 2006; Hardy, Samudra, and Davis 2019; Reynolds, Fox, and Young 2021; Azevedo-McCaffrey and Safawi 2022) and taxes (Newman and O'Brien 2011; O'Brien 2017). Most similar to the current study, many scholars have examined the consequences for the economic well-being of cross-state variation in policy designs and social provision (Bitler et al. 2017; Hardy et al. 2018; Laird et al. 2018; Shaefer et al. 2020; Parolin 2021b). A key takeaway from all this research is that there is substantial cross-state variation in market-based poverty, in the programs and services available to assist economically marginalized populations, and in the efficacy of these programs at reducing poverty.

CONTRIBUTIONS AND RESEARCH QUESTIONS

Recognizing the ways in which social welfare policy is structured is crucial; we must use the institutional features defining it to guide empirical

work exploring its consequences. In this article, we link the institutional features of categorically defined eligibility, income targeting, and decentralization to four redistributive mechanisms in an attempt to examine the efficacy of poverty reduction over time and between demographically different households and to assess how poverty reduction varies across states. To measure the extent to which government actions reduce market-generated poverty through income redistribution, we aggregate household-level data, creating "income packages" composed of market and private income sources, income transfers from various government programs, and income taxes.[2] We categorize social welfare programs and policies into four types. We first draw on a distinction between taxes and transfers, and then layer an additional distinction between federal and state roles to separate redistributive instruments that are centralized (i.e., financed, administered, or designed at the federal level) from those that are partially or wholly decentralized (i.e., financed, administered, or designed at the state or local level). Combining these two axes results in four redistributional policy mechanisms: federal transfers, state transfers, federal taxes, and state taxes.

We distinguish between taxes and transfers for both conceptual and empirical reasons. Conceptually, both taxes and transfers are government interventions aimed at reshaping market-income distributions; in the end, their effects on households' disposable income are arguably experienced together. However, government transfers and taxes represent distinct policy tools that affect household income in different ways—as documented in recent studies of poverty and inequality reduction in the United States, as well as in cross-national comparative research (see, e.g., OECD 2008; Gornick and Smeeding 2018; Caminada et al. 2019; Guillaud, Olckers, and Zemmour 2020; Parolin and Gornick 2021). Scholars have also paid increasing attention to the unique role of taxes in relation to poverty—both in terms of poverty alleviation through progressive taxation systems and income-targeted tax credits and in terms of fiscal impoverishment, whereby the payment of taxes pushes households into poverty by reducing their income (Martin and Prasad 2014; Kleiman, 2020; Schechtl and O'Brien 2022). A central point made in both these areas of scholarship is the importance of

2. Government policies also affect the distribution of market income through a variety of "predistribution" policies that shape labor market processes and outcomes. However, this article focuses on redistributive policy mechanisms (but see O'Neill [2020] for discussion of the challenges in drawing this distinction and Granovetter [1985] on the embeddedness of market-income processes). Additional details on the poverty measurement decisions made in this article are described in the data and measures section.

identifying the distributive impacts of various types of direct taxes (especially income taxes and payroll taxes) for households at different points in the income distribution. As Martin and Prasad (2014, 332) state, "Sociologists who ignore recent scholarship on taxation will misunderstand the causes of poverty and inequality and the means to address them."

We distinguish between federal and state levels of government because of the large number of programs and policies that are designed, administered, or financed either jointly or wholly at the state or local levels. We use the term "state transfers" to refer to both programs that are fully financed and operated by states (e.g., general assistance) and to programs that allow for some degree of state discretion in financing, administration, or rulemaking. For many safety net programs, the degree of decentralization represents the latitude afforded to state or local government to make discretionary decisions within federal programs; in this sense, these programs are operated jointly. We also distinguish federal from state taxes to capture the unique role of state income taxes on household incomes (Newman and O'Brien 2011; Oliff, Mai, and Johnson 2012; O'Brien 2017; Williams, Waxman, and Legendre 2020).

Because of the decentralized designs of many safety net programs, states have varying levels and types of discretion that likely affect the efficacy of poverty reduction for specific programs. In particular, administrative and rulemaking discretionary choices that affect initial program access or take-up and continued enrollment, and financial and rulemaking choices that influence the generosity of benefits and availability of support services, stand out as particularly important for understanding poverty reduction. The role of state discretion in highly decentralized programs like TANF has received the vast majority of attention. Previous scholarship has demonstrated how the devolution of discretion in relation to financial decisions (e.g., how to spend federal block-granted dollars, the use of state matching funds) and administrative and rulemaking decisions (e.g., the design and administration of the program, setting of benefit levels, or determination of the provision of a wide range of supportive services) is associated with large cross-state differences in rates of receipt and average benefits received (Azevedo-McCaffrey and Safawi 2022; Hahn et al. 2017) and varying rates of poverty reduction (Parolin 2021*b*; Hardy et al. 2019). However, substantial cross-state variation in program enrollment and average benefit levels exists even in programs with much lower levels of state discretion, such as SNAP (Ganong and Liebman 2018; Kogan 2017) and SSI (Duggan, Kearney, and Rennane 2016; Soss and Keiser 2006). In fact, looking across 10 safety net programs and using comparable policy indicators, Bruch and colleagues (2018) demonstrate

that the level of state discretion in safety net programs is associated with the magnitude of cross-state variation in the generosity of benefits and the inclusiveness of receipt. They also show that the increasing levels of discretion provided to states in the welfare reforms of the mid-1990s was associated with increased cross-state variation (Bruch et al. 2018). Categorizing programs and policies along these two axes—transfers and taxes, and federal and state—reflects the interconnectedness between the institutional features of categorical eligibility and decentralization and allows for an examination of the patterns of poverty reduction for differently situated households, as well as how this varies over time and across states.

Among the wide range of methods used to estimate poverty reduction and redistribution, one common approach examines fiscal redistribution by adding (or subtracting) income components and sources and comparing the "pre-" and "post-" measures of poverty or inequality to estimate distributional impacts (Gornick and Smeeding 2018; Mahler and Jesuit 2006). Other common methods include microsimulation models that estimate the distributional impact of specific policies or programs (Duncan and Le Menestrel 2019; Fox et al. 2015; Pac et al. 2020), a variety of analytic approaches that use microdata and time-series methods (Bitler et al. 2017; Hardy et al. 2018), microdata paired with aggregate policy indicators (Alper, Huber, and Stephens 2021; Brady and Burroway 2012), and decomposition methods (Brady et al. 2017; Chen and Corak 2008).

In this article, we examine the contribution of the four mechanisms to poverty reduction using a decomposition analysis unaffected by the sequence in which components are assessed based on the Shapley value (Azevedo, Sanfelice, and Nguyen 2012). Using this sequence-independent decomposition, we estimate the poverty reduction attributable to each of the four policy mechanisms, across two household types, from 1996 to 2016, using nationally representative household survey data.

We ask three research questions. First, how much poverty reduction is attributable to each of the four policy mechanisms, and how does poverty reduction differ between working-age households with children and without children? Second, given the considerable economic and social policy changes over the past few decades, how has the poverty reduction attributable to each of the policy mechanisms changed between 1996 and 2016? Third, given the substantial role of state-level social policy provision, how does poverty reduction attributable to the redistributive mechanisms vary across the United States?

DATA

We use CPS ASEC data for the years 1995–2017 to create household income measures from the data's detailed income components and then produce 3-year moving averages for 1996–2016.[3] We focus on two household types: working-age households with children, defined as households with heads who are 18–64 years old and with resident children under the age of 18, and similar households without children (see appendix (appendix available online) for more details on sample definition and measurement).

HOUSEHOLD INCOME MEASURES

We create two income measures: pretax-pretransfer income and posttax-posttransfer income. Throughout this article, these are referred to as "market income" and "disposable income," respectively. Market income includes income from wages and salary, self-employment earnings, farm income, retirement, survivor pensions, disability pensions, and annuities. Disposable income includes all market-income sources and also incorporates federal transfers, state transfers, federal taxes, and state taxes (see table 1). We use the US Census Bureau's poverty thresholds to determine whether a household is living in absolute poverty based on their market income or disposable household income.[4]

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3. CPS ASEC data used in these analyses were obtained from the Integrated Public Use Microdata Series-CPS database (Flood et al. 2021). The analyses end in 2016 because of the lack of availability of the TRIM3-based adjustment for benefit underreporting (see n. 9 for more information).

4. There remain active debates on the measurement of poverty. These revolve around the use of absolute or relative conceptualizations, units of analysis, and the income and expense components that must be included (see, e.g., National Research Council 1995; National Academies of Sciences, Engineering, and Medicine 2023). The Census Bureau poverty thresholds vary by the size of family, number of dependent children, and age of the head of household. We use the term "absolute poverty" to indicate that we classify households as poor if their income falls below the absolute threshold for households with their characteristics. The Census Bureau's official poverty measure differs in two important ways from the measurement strategy used in this article. First, the Census Bureau applies its poverty thresholds to groups of people meeting its own definition of a "family." We apply the threshold to groups of people meeting its definition of a "household." Second, the Census Bureau uses money income as its income definition, which differs from our income definition (see table 1 for a listing of the income components in each definition).

TABLE 1. Annual Social and Economic Supplement Data: Income Components

	Component
Market income	Wage and salary; self-employment earnings; farm income; retirement;* survivor pensions;† disability pensions;† annuities;* rent, royalties, estate, and trust income; interest; dividends; friend/family financial assistance; alimony; interest from retirement accounts; other income not otherwise classified‡
Federal transfers	OASDI;§ veterans' benefits‖
State transfers	TANF;# unemployment insurance; general assistance;** workers' compensation; SSI;†† child support; SNAP;‡‡ school lunch subsidy;‡‡,§§ housing subsidy;‡‡,‖‖ energy assistance‡‡,##
Federal taxes:***	
Liabilities	Income tax liability
Credits	Earned income tax credit; child credit; child-care tax credit
State taxes:***	
Liabilities	Income tax payments
Credits	Earned income tax credit; property credit; child-care and other tax credits

Note.—OASDI = Old-Age, Survivors, and Disability Insurance Program; SNAP = Supplemental Nutrition Assistance Program; SSI = Supplemental Security Income; TANF = Temporary Assistance for Needy Families.

  * Sources of retirement income in this component include all those from a past employer or from a labor union (including pensions, individual retirement accounts, and annuities); sources from profit-sharing mechanisms; retirement income from the US military; pensions from employment by the federal, state, or local government; and the United States Railroad Retirement program. Not included in this component are any payments from the OASDI program or any payments from the Department of Veterans Affairs. Both are reported separately and are classified as federal transfers. Scholars continue to debate the placement of contributory benefits, such as old-age pensions and unemployment benefits. Some analysts argue that some or all contributory benefits should be allocated to "market income" because they are, arguably, deferred wages. We acknowledge the logic of considering contributory transfers to be market income. However, in this study, we follow what is still the dominant approach: we consider all state-administered transfers (contributory or not) to be disposable income. For a good synopsis of this debate, see Chancel and colleagues (2019).

  † Disability and survivor income excludes any payments from the OASDI program (and any payments from the Department of Veterans Affairs), which are included under their respective components as federal transfers, as well as any survivor disability benefits income from workers' compensation programs, which are included under state transfers.

  ‡ Though "other" income can also be derived from a variety of both market and nonmarket sources, we choose here to treat all other income as market income because most households that report income that is classified this way indicate the income is from market or private sources. A small number of households in any given year of the Current Population Survey report nonmarket other income, but this is infrequent, and the amounts are typically relatively small.

  § OASDI is composed of income from the Social Security Administration's pension, survivors' benefits, and permanent disability insurance payments.

  ‖ Veterans' benefits are composed of payments made by the Department of Veterans Affairs for disability compensation, survivors' benefits, veterans' pension benefits, and educational assistance.

  # TANF is composed of income from cash assistance payments. Prior to 1997, this income component comprised cash assistance payments from the Aid to Families with Dependent Children (AFDC) program. The question posed to respondents asks whether anyone in the household received cash assistance from any state or county welfare program, but the census income measure only includes income reported as being received from welfare or welfare to work, TANF (or state program names), or AFDC.

  ** General assistance is composed of cash assistance from other non-TANF or non-AFDC sources. The question posed to respondents asks whether anyone in the household received cash assistance from any state or county welfare program, but the census income measure only includes income

TABLE 2. Categorization of State Transfer Programs by Levels of State Discretion

	Financing	Rulemaking	Administration
General assistance	High	High	High
Workers' compensation	High	High	High
Temporary Assistance for Needy Families	High	High	High
Child support	Medium	Medium	High
Unemployment insurance	Medium	Medium	Medium
Low-Income Home Energy Assistance Program	Low	Medium	High
Public housing and rental subsidies	Low	Medium	High
Supplemental Nutrition Assistance Program	Low	Low	Medium
National School Lunch Program	Low	Low	Medium
Supplemental Security Income	Low	Low	Low

Note.—Low = limited state discretion; High = a great deal of state discretion. Authors' coding based on program design features distributing federal, state, and local government responsibilities and authority.

Transfers categorized as "state" include programs that range from completely state designed, financed, and administered (e.g., general assistance or worker's compensation) to federal programs for which states have high levels of discretion in each of these areas (e.g., TANF; see

reported as being received from non-TANF or non-AFDC sources, which include state-level general assistance programs, emergency assistance/short-term cash assistance, diversion payments, refugee cash and medical assistance programs, general assistance from the Bureau of Indian Affairs, or tribal-administered general assistance. For additional information on how we calculate and disaggregate this component from TANF and AFDC, see Benefit Underreporting Data, Measures, and Analysis section of the appendix.

[††] SSI encompasses cash transfer payments to adults and children with eligible disabilities or vision impairments, as well as individuals 65 and older, whose income falls below a defined income-eligibility guideline.

[‡‡] Reported at the household level.

[§§] School lunch subsidies are composed of the total household value of in-kind benefits provided to needy children through the National School Lunch Program. The value of school lunch subsidies is imputed by the Census Bureau and can encompass either free or reduced-price hot lunches served to children whose household income falls beneath a federally defined income-eligibility threshold. For additional information, see School Lunch and Housing Subsidies Value Imputation Details section of the appendix.

[||||] Housing subsidies are composed of the total household value of rental assistance programs and can encompass either the value of public housing, rental subsidies from the Section 8 Housing Choice Voucher Program, or other rental subsidies provided by state and local programs. This value is imputed by the Census Bureau. For additional information, see School Lunch and Housing Subsidies Value Imputation Details section of the appendix.

[##] Energy subsidies are composed of the total household value of assistance received from the Federal Low-Income Home Energy Assistance Program, providing financial assistance to qualified households to help defray heating and cooling costs. Prior to 2011, interviewers only inquired about the value of energy assistance associated with heating subsidies and only asked households to estimate the value of energy assistance received between October 1 of the prior year and their March interview. After 2011, the interviewer questionnaire shifted to inquire about the value of both heating and cooling energy assistance received by the household during the entire prior year.

[***] Derived from the National Bureau of Economic Research's TAXSIM program, apart from the Federal Insurance Contributions Act (FICA), which is derived from the Census Bureau's tax calculator.

table 2).[5] States administer both the federal TANF programs and separate state programs. They have broad flexibility in allocating how federal block grants funds are spent in the TANF program, and they use state funding (i.e., maintenance of effort) in both the federal program and separate state programs. States also have discretion over program rules that determine eligibility and participation requirements (and sanctions for noncompliance) and set benefit levels (Center on Budget and Policy Priorities 2022).

States have moderate levels of discretion in financing, administration, and rulemaking in some federal-state programs where federal policies dictate program rules or guidelines within which states exercise discretion, including child support and UI. For example, although states are charged with enforcing child support orders and collecting and distributing assistance, they do so within broad federal rules and must meet certain federal requirements (e.g., establishing paternity). However, states set the bulk of enforcement guidelines, which are upheld by state courts, and have a great deal of discretion within the guidelines in how to determine support award amounts (Congressional Research Service 2019). States largely administer UI programs, with federal oversight; although federal laws and regulations provide broad guidelines on benefit coverage, eligibility, and benefit determination, the specifics of UI eligibility and benefits (amount and duration) are determined by each state and financed largely by state unemployment taxes (Congressional Research Service 2022).

States have lower levels of discretion in financing, administration, and rulemaking in a handful of federal-state programs, including energy assistance,

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5. General assistance programs are designed, financed, and administered by state and local governments; however, the number of states with statewide programs (or local programs mandated by statewide guidelines) has declined over time. By 2020, only 25 states offered these programs, which vary in terms of benefit levels, categories of people who are eligible, and time limits (Schott 2020). State workers' compensation boards administer workers' compensation programs according to state legislative and regulatory laws and statutes that serve to define the coverage, benefits, and financing of the state-specific programs. Contributions from employers (and, in three states, workers) finance these social insurance programs. However, the federal government administers a handful of workers' compensation programs for specific groups of employees (i.e., the Federal Employees' Compensation Program, the Longshore and Harbor Workers' Compensation Program, the Federal Black Lung Program, and the Energy Employee Occupational Illness Compensation Program; Murphy et al. 2021).

housing subsidies, SNAP, SSI, and school lunch subsidies. In the Low-Income Home Energy Assistance Program (LIHEAP), the majority of financing comes from a federal block grant provided to states, although a number of states provide supplemental state funds for specifically targeted groups. States have considerable rulemaking discretion in determining eligibility (categorical and income based) and benefit levels and targeting within broad federal guidelines; state and local governments administer programs, including outreach and enrollment, and benefits are directed to energy providers (National Center for Appropriate Technology 2022). The housing subsidies measure is an imputed value that includes both rental subsidy programs such as Section 8 vouchers and project-based public housing, both of which are primarily financed by the federal government.[6] Similar to LIHEAP, states have considerable rulemaking discretion in determining eligibility (categorical and income based), benefit levels, and targeting within broad federal guidelines; in addition, state and local governments operate, manage, and administer the programs (Center on Budget and Policy Priorities 2021*a*, 2021*b*).

SNAP, formerly the Food Stamp Program, offers federally funded benefits. State and federal governments share financial responsibility for administration, which is done at the state and local county levels. However, the federal government reviews state eligibility and benefit determinations, which are largely determined by the federal government (Hoynes and Schanzenbach 2018). State administrative discretion and flexibility expanded with the passage of the 1996 Personal Responsibility and Work Opportunity Act and subsequent federal regulatory changes and policies, such as the 2002 and 2008 farm bills, which expanded access and outreach with expedited application and recertification processes. They also increased state discretion to determine and implement policies aimed at improving access to benefits—particularly for working families (e.g., broad-based categorical eligibility)—and to determine exemption policies and employment and training support provided for ABAWDs (USDA 2018; Economic Research Service 2022).

The school lunch subsidies measure represents an imputed value for the National School Lunch Program, which is largely federally financed: local

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6. The housing subsidy values are imputed by the Census Bureau (see School Lunch and Housing Subsidies Value Imputation Details in the appendix for details).

schools and districts are reimbursed by the federal government at a set rate per meal provided but can choose to supplement this with their own funds (USDA 2017).[7] The program is administered at the federal and state levels in partnership with local schools and districts (Hoynes and Schanzenbach 2018). Administrative discretion concerning the contents and preparation of the lunch are made at the local level, but these must adhere to federally specified requirements. However, starting in 2010, local schools and districts gained discretion in being able to adopt community-eligibility free-meal policies (USDA 2015).

SSI is a federal program in which eligibility, benefit levels, and other rulemaking decisions are largely federally determined (Committee on Ways and Means 1996; SSA 2022). In terms of financing, benefits are largely federally funded—with states having the option to use their own funds to supplement these benefits—and administrative costs are shared by federal and state governments (Committee on Ways and Means, US House of Representatives 1996). Although the program is federally administered, states administer their own disability determination process and supplemental benefits, and they vary in other administrative decisions such as outreach (HHS 2015).

As these policy and program descriptions make clear, distinguishing state discretion in the specific domains of policy design (financing, administration, and rulemaking) allows us to pinpoint the particular types of decisions devolved to state and local governments. These descriptions also illustrate that state discretion in each of these domains of policy design is best conceptualized as a continuum in which there are lower or higher levels of discretion. We justify the classification of programs even with low levels of state discretion as state transfers to draw attention to the many ways that decentralized policy designs shape poverty reduction.

We categorize two income sources as federal transfers—Old-Age, Survivors, and Disability Insurance (OASDI) and veterans' benefits. Both income sources include income from several programs that are all administered and financed at the federal level by the Social Security Administration and the Department of Veterans Affairs, respectively.[8]

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7. The school lunch subsidy values are imputed by the Census Bureau (see School Lunch and Housing Subsidies Value Imputation Details in the appendix for details).

8. For more information on the specific programs included in each of these income sources, see table 1.

The final two policy mechanisms—federal taxes and state taxes—are captured by estimates derived from the National Bureau of Economic Research's TAXSIM program, a microsimulation tool that estimates total federal and state tax liabilities and credits using survey data (Feenberg and Coutts 1993). In our analyses below, we further disaggregate federal taxes into federal income taxes and Federal Insurance Contributions Act (FICA) payments made by household members.[9] In contrast, we do not include state-level payroll taxes for social programs paid by workers, because the magnitude of these taxes is limited—especially compared with FICA, which is characterized by both a high level of coverage and a substantial tax rate.[10]

BENEFIT UNDERREPORTING

Underreporting, especially in low-income households, is an important source of measurement error in data based on household surveys such as the CPS ASEC, where underreporting distorts estimates of poverty and poverty reduction (Stevens, Fox, and Heggeness 2018). Underreporting of benefits refers to not reporting receipt, as well as reporting smaller dollar amounts than the amount of benefits received. Recent analyses comparing the CPS ASEC data with administrative data find that benefit underreporting ranges between 20 and 60 percent across several transfer programs, with higher rates of underreporting for workers' compensation, TANF, and SNAP as compared with OASDI and UI (Meyer and Mittag 2019; Meyer, Mok, and Sullivan 2009; Wheaton 2008).

To correct for underreporting, we employ a procedure developed by Parolin (2019) that uses the Urban Institute's Transfer Income Model

9. More information on the TAXSIM program and direct links to the program's internet portal are available on the National Bureau of Economic Research website at http://users .nber.org/~taxsim/. For additional information on our use and analysis of TAXSIM, as well as our estimation and use of FICA, see appendix.

10. State-level unemployment compensation programs are financed by payroll taxes, with the contributions paid almost entirely by employers; employees contribute in three states. In a few states, employees pay modest contributions—mostly for parental leave, family leave, and temporary disability insurance programs—but these impose comparatively small burdens on workers.

(TRIM3) simulated benefit receipt data (Zedlewski and Giannarelli 2015). This correction approach imputes underreported benefit values using probability-based methods for three types of means-tested benefits: SNAP, TANF, and SSI. The approach increases the SNAP, TANF, and SSI dollars accounted for in the ASEC data to between 84 and 94 percent of corresponding amounts available in administrative data sources.[11]

ANALYTIC APPROACH AND METHODS

To examine the extent of poverty reduction attributable to each of the four policy mechanisms (federal transfers, state transfers, federal taxes, and state taxes), we estimate a Shapley value-based decomposition (Shorrocks 2013). This decomposition procedure addresses one of the classic issues involved in estimating poverty or inequality reductions attributable to various transfers or taxes—the sequence in which income components are added (Caminada et al. 2019). The Shapley value calculates the contribution of each income component (in this case, income components bundled by policy mechanism) independent of the order of their contribution by averaging the potential contributions of each component across all possible permutations.[12] The result is a sequence-independent decomposition estimation of the marginal poverty reduction attributable to each mechanism. Although

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11. As Brady and Parolin (2020) note, TRIM3 adjustments made to CPS data likely result in lower-bound estimates of poverty, both because CPS data exclude groups likely to be facing extreme poverty, such as the homeless, and because TRIM3 adjustments can overestimate the size and recipience rate of transfers when compared with administrative data (Stevens et al. 2018). See appendix for discussion of a comparison of TRIM3 estimation with administrative sources and for selected analysis results without the adjustment.

12. The Shapley decomposition estimation we employ was developed by João Pedro Azevedo and colleagues and made available through the Stata statistical package ADECOMP (Azevedo et al. 2012). ADECOMP further decomposes changes in poverty into Foster-Greer-Thorbecke indexes (Foster, Greer, and Thorbecke 1984). We measure changes in poverty as changes in the Foster-Greer-Thorbecke headcount ratio (FGT (0)), or the proportion of the population that is poor. Although the ADECOMP procedure was designed to measure changes in poverty and inequality between two points in time, we adapt the application to measure changes in poverty before and after households receive nonmarket income. Thus, we decompose the change in absolute poverty for households between two different income definitions (i.e., market income and disposable income).

the benefit of the Shapley decomposition is that it estimates average changes in poverty attributable to a given component across all possible sequences of a household's total income components, the absolute impact of a single component on a household's poverty can be greater or lesser depending on the size of the other components included in the sequence. Thus, the Shapley decomposition cannot counterfactually simulate the effect of an income component on poverty, absent all others. For analyses that estimate changes in poverty using counterfactual simulations, see Pac and colleagues (2020). This approach to estimating poverty reduction also does not account for behavioral changes that might result from the receipt of transfers or taxes, such as changes in labor force engagement, that could themselves affect levels of market-income poverty (see, e.g., Bitler and Karoly [2015] for an overview of intended and unintended consequences).[13]

We perform this decomposition procedure at both the national and state levels among each household type using 3-year moving averages. The decomposition methodology allows us to examine the overall poverty reduction attributable to each of the four redistributive mechanisms for the entire country, as well as to examine how the poverty reduction effects vary across the states. We estimate two types of poverty reduction: absolute reductions are calculated as the difference between market- and disposable-income poverty attributable to each mechanism; relative reductions are calculated as the percentage of market-income poverty reduced overall and attributable to each mechanism.

RESULTS

DECOMPOSING POVERTY REDUCTION WITHIN HOUSEHOLD TYPES IN 2016

To determine how much overall poverty reduction is attributable to each of the four policy mechanisms, we present results from our poverty

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13. E.g., the federal EITC has been shown to increase paid work effort among low-income mothers and, in doing so, reduces levels of aggregate market-income poverty (Meyer and Rosenbaum 2001). On the other hand, the change from cash assistance in the Aid to Families with Dependent Children program to the work-conditioned eligibility for cash assistance in the TANF program increased hours worked and labor market earnings but did not substantially reduce poverty (Matsudaira and Blank 2014).

decomposition analysis for working-age households with and without children in 2016. Three findings stand out from this analysis.

First, market-income poverty is reduced much more for households with children compared with households without children. In fact, looking absolutely and relatively, the poverty reduction for households with children is twice as large when compared with households without children: .100 compared with .054 for the absolute reduction and 59 percent compared with 29 percent of market-income poverty reduced, respectively (table 3). These dramatic differences in poverty reduction stem in part from the fact that, for households with children, two of the four mechanisms reduce market poverty by at least 25 percent (state transfers, 35 percent; federal taxes, 26 percent), whereas for households without children, only one of the mechanisms—federal transfers—reduces market poverty to this degree.

Second, we find that the primary poverty reduction mechanisms for each household type differ. Looking at poverty reduction absolutely or relatively among households with children, the greatest poverty reduction is attributable to state transfers (59 percent of overall absolute poverty reduction; market poverty reduced by 35 percent; see table 3).[14] Federal income taxes have the second-largest poverty-reducing impact, followed by federal transfers and state taxes, whereas FICA payments made by these households serve to increase market poverty. The large role of state transfers is attributable to the large average dollar amount received by households with market incomes below the poverty line ($9,568), and the high rate

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14. The poverty reduction attributable to state transfers is smaller—and the reduction attributable to federal transfers is larger—if programs with lower levels of state discretion, such as SNAP and SSI, are recategorized as federal transfers (see table A2). In brief, for working-age households with children, if one were to classify SNAP and SSI as federal instead of state transfers, the balance of poverty reduction we have attributed to federal and state transfer mechanisms is reversed: instead of state transfers comprising a .058 absolute poverty reduction and a 35 percent relative reduction and federal transfers comprising .015 of absolute and a 9 percent relative reduction, we see that the contribution of federal transfers increases substantially to a .053 absolute poverty reduction and a 31 percent relative reduction, and the contribution of state transfers is considerably reduced to comprise a .019 absolute reduction and a 12 percent relative reduction. Examining the results when only SSI or SNAP is reclassified as a federal transfer, we see that the impact of reclassifying only SNAP is much greater than reclassifying only SSI. This outcome results, in large part, from the much-higher rates of SNAP receipt among market-poor households with children (89 percent) compared to with rates of receipt for SSI (20 percent).

TABLE 3. Poverty Reduction by Policy Mechanism and Household Type, 2016

| Household Type | Market-Income Poverty | Poverty Reduction Attributable to . . . | | | | | Overall Poverty Reduction | Disposable-Income Poverty |
| | | Federal Transfers | Federal Taxes | | State Transfers | State Income Taxes | | |
			Federal In-come Taxes	FICA				
Working-age households with children:	.169							.069
Absolute reduction		.015	.044	−.019	.058	.002	.100	
% total absolute poverty reduction		14.8	44.0	−19.1	58.7	1.6		
Relative reduction (%)		8.7	25.8	−11.2	34.5	.9	58.7	
Average value ($)		15,905	5,309	−2,091	9,568	553		
% market-poor households receiving		17.8			97.5			
Working-age households without children:	.183							.129
Absolute reduction		.046	−.001	−.011	.021	−.001	.054	
% total absolute poverty reduction		86.6	−2.8	−21.5	38.7	−1.3		
Relative reduction (%)		25.2	−.4	−6.2	11.2	−.8	29.0	
Average value ($)		16,142	228	−1,130	5,275	96		
% market-poor households receiving		40.8			66.5			

Note.—FICA = Federal Insurance Contributions Act. The calculations included in this table use a 3-year moving average (2015–2017) and include the Urban Institute's Transfer Income Model benefit underreporting adjustments for state transfers (Supplemental Security Income, Temporary Assistance for Needy Families, and Supplemental Nutrition Assistance Program). See table A1 for the unadjusted estimates. Market- and disposable-income poverty calculations are the proportion of each household type in poverty using each income definition. Absolute poverty reductions are calculated as the difference between market and disposable income and the share (percentage) of this overall poverty reduction attributable to each mechanism. Relative reductions are calculated as the percentage of market-income poverty reduced overall and attributable to each mechanism. Average values are the average, nonzero dollar amounts paid or received from each mechanism by market-income-poor households and are inflation adjusted to 2016 dollars using the Consumer Price Index for All Urban Consumers Research Series. Tax values are net of all credits and liabilities. Percentages of market-poor households receiving are the percentages of these households who receive income from each source.

of receipt (98 percent).[15] Unpacking this mechanism to look at specific programs, we find that the vast majority of market-poor households with children received support from the two food assistance programs: almost 90 percent of households receive SNAP benefits, with an average value just under $5,000; 70 percent receive school lunch subsidies, with an imputed average value of slightly more than $1,000 (table 4).[16] Three other state transfers are received by approximately one in five of these households: SSI (20 percent), TANF (17 percent), and child support (17 percent), with average values of approximately $9,000, $4,000, and $5,000. The state transfer program with the highest average value ($17,401), workers' compensation, is received by less than 2 percent of households. Moving to federal transfers, the smaller poverty reduction attributable to this mechanism results from the lower rates of receipt (18 percent), though the average dollar amount received is high ($15,905). In unpacking this mechanism to look at specific programs, we find that much of the poverty reduction attributable to federal transfers is from OASDI, which is received by 17 percent of these households, with average values of almost $15,000.

Turning to taxes, we distinguish between households whose tax value is positive (net receiving income), negative (net payer), or zero (net neither receiving nor paying; see table 5).[17] For households with children, federal taxes are the second-largest poverty reduction mechanism: 63 percent of market-income-poor households on net receive income from this source, with an average value of $5,309. State taxes, on the other hand, reduce poverty little for these households, in part because only 29 percent on net receive income from this source and the average value is relatively small ($553). FICA payments, on the other hand, contribute to overall poverty.

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15. The poverty reduction attributable to state transfers is smaller when the TRIM3 adjustment for benefit underreporting is not used: 47 percent of the overall reduction and an average transfer value of $7,004 and rate of receipt of 89 percent (see table A1 for complete unadjusted estimates).

16. The value of school lunches, as well as other noncash transfers, is imputed by the Census Bureau, and not reported by the interviewee. See appendix for details on how the value is imputed.

17. We do not include a detailed disaggregation of taxes into specific credits (e.g., EITC, child tax credits, child-care tax credits) because we are unable to provide data on child-care expenses (and a few other of the data components, such as capital gains and losses) that TAXSIM uses to estimate specific credits and tax liabilities.

More than 63 percent of market-income-poor households with children pay FICA, with an average annual payment of $2,091.

Last, the poverty reduction mechanism mix is much different for households without children. By far the largest share of total poverty reduction is attributable to federal transfers, followed by state transfers (table 3).[18] Federal transfers are received by 41 percent of these households (more than twice the rate of receipt for households with children), with large average values ($16,142). Unpacking this mechanism, we see that almost 40 percent of market-poor households without children receive income from OASDI, with an average value of approximately $15,000 (table 4).[19] State transfers reduce poverty less because the average value is much smaller ($5,275), although this type of transfer is received by 67 percent of these households. This relatively high rate of receipt of state transfers masks varying rates of receipt across the specific programs: although almost 60 percent of these households receive SNAP (average value almost $2,000) and slightly more than 20 percent receive SSI (average value approximately $7,700), the remaining transfer programs are rarely received by these households.

18. The poverty reduction attributable to state transfers is smaller—and the reduction attributable to federal transfers is larger—if programs with lower levels of state discretion, such as SNAP and SSI, are recategorized as federal transfers (see table A2). In brief, reclassifying SNAP and SSI as federal transfers, the absolute and relative poverty reduction attributable to federal transfers increases (from .046 to .058 and from 25 to 33 percent, respectively), and the poverty reduction attributable to state transfers decreases (from .021 to .005 and from 11 to 4 percent, respectively). Interestingly, reclassifying either SNAP or SSI as federal transfers results in relatively similar changes to the contribution of federal vs. state transfers. This more muted overall poverty reduction change and the program-specific results reflect differences in rates of receipt and average values of SNAP and SSI for households without children.

19. Further disaggregating the source of OASDI income of these households shows that the majority (approximately 70 percent) indicate the source as disability, and approximately 25 percent report retirement as the source. This relatively high rate of receipt of OASDI income among this household type stems in part from the age range included in our definition of working age (i.e., through 64). Although our age range is consistent across households with and without children, household heads of market-income-poor households without children are, on average, about 10 years older (49) than heads of poor households with children (38). The higher rate of receipt for households without children also reflects a larger percentage of these households having a spouse or other adult in the household who is eligible to receive OASDI retirement income. For example, of market-income-poor households without children receiving OASDI in 2016, approximately 19 percent contain a spouse who is a recipient.

TABLE 4. Recipience and Average Value of Transfers by Household Type, 1996–2016

Household Type	Federal Transfers		State Transfers									
	OASDI	Veterans' Benefits	Unemployment Insurance	Workers' Compensation	Child Support	Supplemental Security Income	SNAP	TANF	General Assistance	Housing Subsidy	School Lunch Subsidy	Energy Assistance
Working-age households with children:												
1996:												
% market-poor HHs receiving	14.83	1.14	9.38	2.94	17.08	18.52	71.76	53.81	4.96	23.24	67.14	15.83
Average value ($)	12,541.96	13,762.12	4,583.49	10,377.39	3,954.82	7,867.13	4,430.92	5,810.16	5,297.85	3,843.95	886.64	307.84
2000:												
% market-poor HHs receiving	14.61	1.42	7.43	2.68	16.89	19.12	61.21	39.12	4.77	25.78	68.83	12.78
Average value ($)	13,171.28	14,844.63	4,362.20	9,272.73	4,328.11	7,873.17	3,749.07	4,698.77	4,923.49	3,651.42	872.35	340.50
2004:												
% market-poor HHs receiving	15.02	1.29	10.44	2.76	19.25	19.61	67.52	28.50	3.41	22.06	65.52	12.02
Average value ($)	13,636.10	17,257.61	6,326.47	13,204.07	5,071.27	8,012.59	3,969.46	4,184.46	4,467.76	3,713.83	861.51	392.83
2008:												
% market-poor HHs receiving	16.30	1.10	7.39	1.66	18.47	20.76	77.64	23.87	3.14	20.87	66.41	13.51
Average value ($)	14,781.73	21,219.81	5,469.00	12,565.98	5,293.54	8,429.76	4,132.01	3,948.12	4,586.43	3,566.68	829.72	444.45
2012:												
% market-poor HHs receiving	14.65	1.29	14.88	1.26	17.35	19.72	88.74	22.41	2.93	18.55	68.52	15.48
Average value ($)	14,177.25	17,642.17	9,088.31	12,193.35	5,120.80	8,412.94	5,531.50	3,647.70	3,911.95	3,591.02	890.89	471.91
2016:												
% market-poor HHs receiving	16.61	1.90	4.82	1.39	16.80	19.99	89.25	17.40	3.13	18.93	70.44	14.89
Average value ($)	14,833.72	19,151.18	4,995.85	17,400.79	4,671.91	8,962.26	4,992.92	3,821.01	3,952.89	3,564.61	1,006.89	445.45

Working-age households without children:

1996:

% market-poor												
HHs receiving	36.53	4.09	5.54	3.49	.71	21.57	29.71	.39	5.07	14.80	.86	9.90
Average value ($)	12,721.87	11,529.63	5,116.01	11,957.00	3,165.82	7,434.27	1,480.04	4,683.46	3,928.87	3,233.49	392.88	270.89

2000:

% market-poor												
HHs receiving	38.88	3.92	3.75	2.49	.44	23.86	33.78	.47	2.43	16.69	.93	8.42
Average value ($)	13,343.16	14,754.29	5,431.70	16,378.59	5,588.15	7,698.83	1,106.37	3,473.33	3,614.80	3,212.82	405.81	332.03

2004:

% market-poor												
HHs receiving	38.15	4.08	6.28	2.25	.76	20.00	37.66	.30	1.51	14.67	.78	7.98
Average value ($)	14,208.45	16,843.50	7,643.26	14,552.07	3,578.11	7,832.91	1,125.98	3,994.89	2,533.95	3,160.61	369.29	354.89

2008:

% market-poor												
HHs receiving	39.65	4.14	4.29	1.83	.85	21.13	45.21	.29	1.32	15.13	.94	9.53
Average value ($)	15,415.29	18,039.38	7,013.19	17,557.96	3,634.84	7,538.72	1,179.12	3,493.67	2,746.42	3,048.77	382.61	411.69

2012:

% market-poor												
HHs receiving	37.20	4.04	11.01	1.60	.92	20.10	58.68	.23	1.41	14.60	1.15	11.37
Average value ($)	15,426.19	17,342.05	10,873.16	13,382.37	4,338.86	7,620.81	2,054.18	3,092.52	2,186.22	2,936.90	421.88	401.32

2016:

% market-poor												
HHs receiving	39.15	3.49	3.08	1.28	0.78	21.27	57.56	0.20	1.41	15.60	1.31	12.04
Average value ($)	15,260.51	17,574.58	6,612.90	20,840.42	3,776.29	7,776.41	1,859.61	2,881.45	3,769.33	2,994.18	515.92	402.75

Note.—HHs = households; OASDI = Old-Age, Survivors, and Disability Insurance; SNAP = Supplemental Nutrition Assistance Program; TANF = Temporary Assistance for Needy Families. The calculations included in this table are 3-year moving averages apart from the housing subsidy and school lunch values for 2004, which are an average of years 2003 and 2005 only (as these variables are unavailable in the original Current Population Survey data for the year 2004) and the housing subsidy value for 2016, which is a 1-year average of 2015 only (beginning in 2016, the Current Population Survey ceased collecting data on housing subsidy). All calculations include the Urban Institute's Transfer Income Model benefit underreporting adjustments for state transfers (Supplemental Security Income, TANF, and SNAP) and average values are inflation adjusted to 2016 dollars using the CPI-U-RS. Average values are the average dollar amounts received from transfers (excluding households that received $0) by households whose market income is below the poverty line. Percentage recipience indicates the percentage of households that receive a nonzero value for a transfer.

TABLE 5. Federal and State Taxes, 1996–2016: Paying, Neither Paying nor Receiving, Receiving (by Household Type)

	Federal Income Taxes			FICA	State Income Taxes		
	% Net Payers	% Neither Paying nor Receiving	% Net Receiving Income	% Net Payers	% Net Payers	% Neither Paying nor Receiving	% Net Receiving Income
Working-age households with children:							
1996	.4	36.7	62.9	63.4	10.4	74.0	15.6
2000	.1	29.4	70.5	70.9	9.1	70.9	19.9
2004	.1	33.7	66.2	66.6	8	67.8	23.6
2008	0	23.5	76.5	64.7	6.7	63.0	30.3
2012	.5	37.3	62.1	62.4	6.4	65.8	27.8
2016	.1	36.9	63.0	63.3	5.1	66.0	28.9
Working-age households without children:							
1996	6.5	65.3	28.2	41.3	10.3	75.1	14.6
2000	5.4	71.1	23.5	35.6	9.0	75.4	15.6
2004	5.9	71.2	22.9	33.5	9.5	74.3	16.2
2008	4.8	48.6	46.6	32.2	7.6	74.4	18.0
2012	8.6	67.8	23.6	31.5	9.8	75.5	14.7
2016	4.2	75.0	20.8	28.6	7.5	77.5	15.0

Note.—FICA = Federal Insurance Contributions Act. Percentages may not sum to totals because of rounding. Each percentage represents the proportion of market-income-poor households that either pay tax liabilities, receive income from tax credits, or neither pay nor receive taxes. Net payer households possess federal or state tax values that are negative, in which case the sum of liabilities exceeds those of credits, whereas households that receive income have positive federal or state tax values, in which case the sum of credits exceeds liabilities. Unlike federal and state income taxes, FICA taxes do not possess a credit component. We therefore only provide rates of FICA payment in this table.

In sharp contrast to households with children, federal and state income taxes, on average, push households without children into poverty (although both the absolute and relative changes in poverty are small). This potentially unexpected result is explained by the fact that a minority of these households receive income from federal income taxes (21 percent) or state income taxes (15 percent), whereas the vast majority neither receive nor pay (75 and 78 percent, respectively), and a small percentage are net payers (4 and 8 percent, respectively; table 5).

DECOMPOSING POVERTY REDUCTIONS WITHIN HOUSEHOLD TYPES, 1996–2016

Turning to our second research question, in this section, we describe changes in market- and disposable-income poverty over time and examine shifts in both total poverty reduction and mechanism-specific reductions across both household types. Four findings stand out from these analyses.

First, market- and disposable-income poverty declined from 1996 to 2016 for households with children, whereas both increased for households without children (see fig. 1, table 6). For households with children, market- and disposable-income poverty declined most dramatically from 1996 to 2006. However, from 2008 to 2012, although there was a substantial increase in market-income poverty, disposable-income poverty continued to decline to a low of 6.2 percent. For households without children, growth in market- and disposable-income poverty rose throughout this period, most substantially from 2008 to 2012.

Second, for both household types, total poverty reduction increased from 1996 to 2016: from an absolute reduction for households with children of 8 percentage points in 1996 to 10 in 2016, and from 4 to 5 percentage points for households without children (table 6). However, the total poverty reduction increased more substantially for households with children, especially when calculated as the percentage reduction in market-income poverty, increasing from 41 percent in 1996 to 59 percent in 2016, compared with an increase from 25 to 29 percent for households without children. This divergence in poverty reduction is most dramatically illustrated in
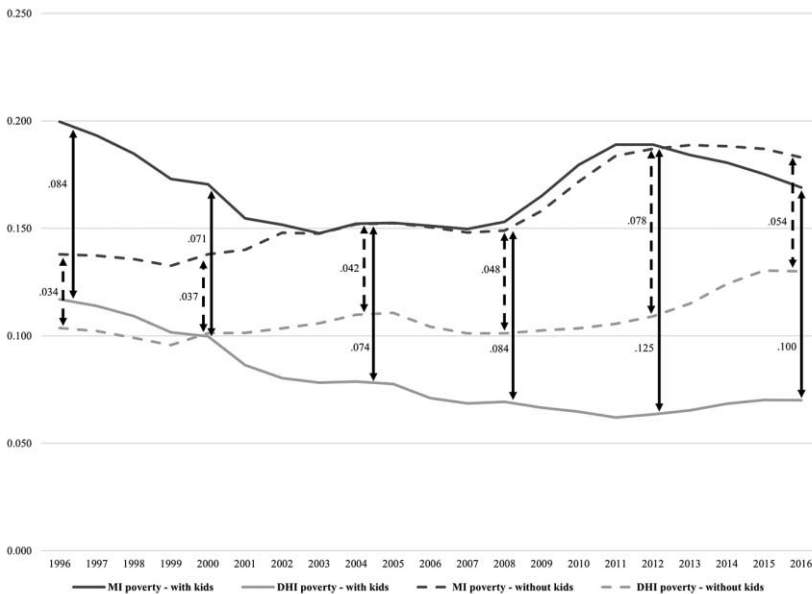

FIGURE 1. Market-income (MI) and disposable-household-income (DHI) poverty rates and total poverty reduction for households with and without children, 1996–2016.

TABLE 6. Poverty Reduction by Policy Mechanism and Household Type, 1996–2016 (Selected Years)

Household Type	Market-Income Poverty	Poverty Reduction Attributable to . . .					Overall Poverty Reduction	Disposable-Income Poverty
		Federal Transfers	Federal Taxes		State Transfers	State Income Taxes		
			Federal Income Taxes	FICA				
Working-age households with children:								
1996:	.200							.116
Absolute reduction		.013	.028	−.025	.068	0	.084	
% total absolute poverty reduction		15.2	33.3	−30.1	82.1	−.6		
Relative reduction (%)		8.3	13.8	−12.5	34.0	−.2	41.4	
Average value ($)		12,998	2,778	−1,835	11,646	139		
% market-poor HHs receiving		15.5			94.5			
2000:	.171							.100
Absolute reduction		.011	.032	−.023	.051	0	.071	
% total absolute poverty reduction		15.8	44.6	−32.4	71.8	.2		
Relative reduction (%)		6.6	18.5	−13.4	29.8	.1	41.5	
Average value ($)		13,831	3,320	−1,903	9,483	251		
% market-poor HHs receiving		15.4			92.7			
2004:	.152							.078
Absolute reduction		.012	.034	−.021	.048	.001	.074	
% total absolute poverty reduction		16.2	46.8	−32.4	65.4	.8		
Relative reduction (%)		7.8	22.6	−14.1	31.6	.4	48.3	
Average value ($)		14,456	3,730	−2,006	9,597	327		
% market-poor HHs receiving		15.7			89.3			
2008:	.152							.65
Absolute reduction		.014	.036	−.020	.053	.001	.084	
% total absolute poverty reduction		16.2	43.4	−24.2	62.9	1.4		
Relative reduction (%)		9.0	23.7	−13.3	34.4	.8	54.7	
Average value ($)		15,759	3,478	−2,044	9,465	402		
% market-poor HHs receiving		16.8			95.2			

2012:	.189						.064
Absolute reduction		.015	.045	−.018	.082	.001	.125
% total absolute poverty reduction		11.6	36.1	−14.4	65.7	1.1	
Relative reduction (%)		7.7	24.0	−9.6	43.7	.7	66.5
Average value ($)		15,214	5,243	−1,871	11,730	457	
% market-poor HHs receiving		15.4			98.4		
2016:	.169						.069
Absolute reduction		.015	.044	−.019	.058	.002	.100
% total absolute poverty reduction		14.8	44.0	−19.1	58.7	1.6	
Relative reduction (%)		8.7	25.8	−11.2	34.5	.9	58.7
Average value ($)		15,905	5,309	−2,091	9,568	553	
% market-poor HHs receiving		17.8			97.5		
Working-age households without children:							
1996:	.138						.103
Absolute reduction		.032	−.003	−.013	.020	−.001	.035
% total absolute poverty reduction		91.6	−7.9	−38.3	57.0	−2.5	
Relative reduction (%)		22.8	−2.0	−9.5	14.2	−.6	24.9
Average value ($)		13,221	171	−1,041	6,778	97	
% market-poor HHs receiving		38.7			51.8		
2000:	.138						.101
Absolute reduction		.032	−.001	−.012	.019	−.001	.037
% total absolute poverty reduction		87.4	−3.7	−33.1	50.9	−3.7	
Relative reduction (%)		23.2	−1.0	−8.8	13.5	−.4	26.6
Average value ($)		14,192	220	−1,018	6,405	106	
% market-poor HHs receiving		40.6			55.3		
2004:	.152						.110
Absolute reduction		.038	−.001	−.012	.018	−.001	.042
% total absolute poverty reduction		89.5	−3.1	−28.0	43.2	−1.5	
Relative reduction (%)		24.9	−.9	−7.8	12.0	−.4	27.8
Average value ($)		15,289	173	−1,046	5,914	102	
% market-poor HHs receiving		40.0			54.6		

TABLE 6 (*continued*)

| Household Type | Market-Income Poverty | Federal Transfers | Federal Taxes | | State Transfers | State Income Taxes | Overall Poverty Reduction | Disposable-Income Poverty |
| | | | Poverty Reduction Attributable to . . . | | | | | |
			Federal Income Taxes	FICA				
2008:	.149							.101
Absolute reduction		.042	−.001	−.012	.019	−.001	.048	
% total absolute poverty reduction		87.1	−1.7	−24.6	40.2	−1.1		
Relative reduction (%)		28.0	−.5	−7.9	12.9	−.3	32.2	
Average value ($)		16,529	148	−1,088	5,598	109		
% market-poor HHs receiving		41.5			59.7			
2012:	.187							.109
Absolute reduction		.051	0	−.011	.039	−.001	.078	
% total absolute poverty reduction		65.4	0	−14.2	49.7	−.9		
Relative reduction (%)		27.2	0	−5.9	20.7	−.4	41.6	
Average value ($)		16,514	120	−996	6,728	47		
% market-poor HHs receiving		39.0			70.2			
2016:	.183							.129
Absolute reduction		.046	−.001	−.011	.021	−.001	.054	
% total absolute poverty reduction		86.6	−2.8	−21.5	38.7	−1.3		
Relative reduction (%)		25.2	−.4	−6.2	11.2	−.8	29.0	
Average value ($)		16,142	228	−1,130	5,275	96		
% market-poor HHs receiving		40.8			65.7			

Note.—FICA = Federal Insurance Contributions Act; HHs = households. The calculations included in this table use a 3-year moving average (2015–2017) and include the Urban Institute's Transfer Income Model benefit underreporting adjustments for state transfers (Supplemental Security Income, Temporary Assistance for Needy Families, and Supplemental Nutrition Assistance Program). Market- and disposable-income poverty calculations are the proportion of each household type in poverty using each income definition. Absolute poverty reductions are calculated as the difference between market and disposable income and the share (percentage) of this overall poverty reduction attributable to each mechanism. We calculate relative reductions as the percentage of market-income poverty reduced overall and attributable to each mechanism. Average values are the average, nonzero dollar amounts paid or received from each mechanism by market-income-poor households and are inflation adjusted to 2016 dollars using the Consumer Price Index for All Urban Consumers Research Series. Tax values are net of all credits and liabilities. Percentages of market-poor households receiving are the percentages of these households who receive income from each source.

the Great Recession and recovery period (2008 and 2012), when we see a substantial increase in market-income poverty for both household types—but unlike households without children, the level of disposable-income poverty does not increase during this period for households with children. The increases in total poverty reductions during this period demonstrate that the US tax and transfer system was responsive to increases in market-income poverty; however, they also demonstrate that the system reduces poverty to varying degrees for differently situated households.

Third, disaggregating these total poverty reductions, we find that across the 1996–2016 period, state transfers remain the largest poverty reduction mechanism for households with children and that federal taxes play an increasing poverty reduction role (see fig. 2, table 6). In contrast, for households without children, federal transfers remain the primary poverty reduction mechanism throughout the period, with both federal and state transfers increasing their poverty reduction from 1996 to 2016.

Looking first at the role of state transfers for households with children, we find different trends depending on the poverty reduction measure used. When examining the absolute amount of poverty reduced by state transfers, we see an increase in the Great Recession and recovery period, followed by a decline in 2016 to a level that remains slightly lower than the poverty reduction in 1996 (.058 in 2016 and .068 in 1996; table 6). Shifting to the share of the total absolute poverty reduced by state transfers, we find that on this metric, poverty reduction has fallen steadily since 1996, from comprising 82 percent of the absolute reduction to 59 percent in 2016, replaced by the increasing significance of federal income taxes as a share of the total absolute reduction from 33 to 44 percent. However, shifting the focus to relative poverty reductions shows that although the percentage of market-income poverty reduced by state transfers fluctuates from a low of 30 percent in 2000 to a high of 44 percent during the Great Recession recovery period, the starting and ending period values are remarkably similar (34 percent in 1996 compared with 35 percent in 2016). Throughout this period, there are also high rates of receipt (fluctuating between 89 and 98 percent) and substantial average amounts received (from a low of approximately $9,500 in 2008 to a high of nearly $12,000 in 2012). Taken together, these results suggest a consistently large and increasing role for state transfers for households with children. Unpacking this poverty-reducing mechanism, we see that a substantial portion of such households receive income from several sources throughout this period: SNAP (ranging
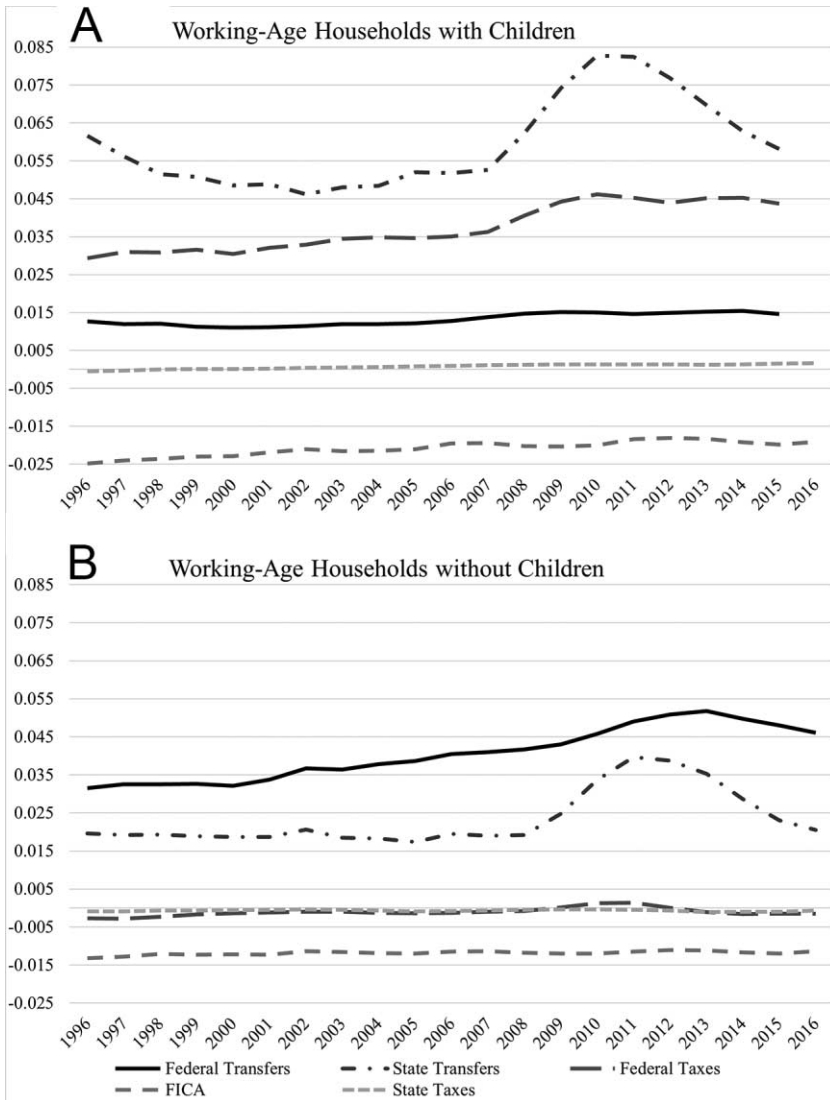
FIGURE 2. Poverty reduction by redistributive mechanism, 1996–2016, for (*A*) working-age households with children and (*B*) working-age households without children. FICA = Federal Insurance Contributions Act.

from a low of 61 percent to a high of 89 percent), school lunches (66–70 percent), SSI (19–21 percent), TANF (17–54 percent), housing subsidies (19–26 percent), energy assistance (12–16 percent), child support (17–21 percent), and UI (5–15 percent). However, the mix of specific programs that

contribute to this poverty reduction shift quite substantially during the pe-riod. We see significant declines in rates of receipt of TANF (from 54 per-cent in 1996 to only 17 percent by 2016) and average values (from more than $6,000 to approximately $3,800), paired with increasing rates of receipt of SNAP (from 72 to 89 percent) and average values (from approximately $4,400 to more than $5,000).

Although the poverty reduction attributable to federal income taxes increased during this period for households with children, the role of state income taxes has remained consistently small. Poverty reductions attributable to federal income taxes increase from an absolute reduction of .028 in 1996 to .044 by 2016, and from a relative reduction of 14 percent of market-income poverty to 26 percent (table 6). This increase in poverty reduction results from the substantial increase in the average amount re-ceived—from $2,778 in 1996 to $5,309 in 2016 (table 6). Turning to state in-come taxes, although the average value received and rates of receiving income from this source both increased (from $139 to $553, and from 16 per-cent receiving to 29 percent), the poverty reduction from this mechanism remained limited throughout the period. Throughout, FICA contributed to overall poverty, with 63 percent of households with children paying in both 1996 and 2016; they made average payments of $1,835 and $2,091, respectively.

Fourth, for households without children, from 1996 to 2016, federal transfers increase their primary poverty reduction role, whereas the sec-ondary role of state transfers remains relatively consistent. Looking first at federal transfers, we find that the absolute percentage points of poverty reduced between 1996 and 2016 increased from 3 to 5, and the percentage of market poverty reduced increased from 23 to 25 percent (table 6). These increases result, in part, from the higher rates of receipt of income from this mechanism (from 39 to 41 percent), but to a larger degree from an increase in the average amount received (from $13,221 to $16,142). Unpacking these figures to look at the rates of receipt and average values separately for OASDI and veterans' benefits, we see that rates of receipt increased slightly for OASDI (from 37 to 39 percent) but remained similarly low for veterans' benefits (from 4 to 3 percent), and the average amount received from OASDI increased from $12,722 in 1996 to $15,261 in 2016 (table 4). State transfers make up the second-largest source of poverty reduction for house-holds without children, peaking in the period directly following the Great Recession (absolute reduction of 4 percentage points; 21 percent of

market-income poverty reduced) before declining to similar levels of absolute and relative poverty reduction in 2016 as in 1996.

Further examining the rates of receipt and average values for specific programs, we see that rates of receipt and average values of SNAP increased (from 30 to 58 percent, and from less than $1,500 to more than $1,800), the role of SSI remained consistent (21–22 percent of households without children receiving approximately $7,500 on average), and the role of general assistance declined (from 5 percent to slightly more than 1 percent receiving this form of assistance, receiving on average $4,000 in 1996 and declining to approximately $3,800 by 2016).

Turning to the role of the two tax mechanisms, unlike for households with children, federal and state taxes contribute to, rather than reduce, poverty throughout this period (table 6). Though their absolute and relative impacts remain small, these mechanisms impoverish households without children both because of the consistently low percentages receiving income (21–47 percent for federal income taxes, 15–18 percent for state income taxes; table 5) and the small average values these mechanisms provide ($120–$230 for federal income taxes throughout the period, $50–$100 for state income taxes; table 6).

STATE-LEVEL POVERTY DECOMPOSITION WITHIN HOUSEHOLD TYPES IN 2016

In this final section of results, we turn to an examination of state-level market- and disposable-income poverty rates and examine cross-state variation in total poverty reduction and mechanism-specific reductions across both household types. Three findings stand out from these analyses.

First, market- and disposable-income poverty rates vary across states, but we see greater cross-state variation in disposable-income poverty than in market poverty. When only accounting for market income, the percentage of households with children who fall under the poverty threshold ranges from a high of 28 percent in Mississippi to a low of 9 percent in Minnesota (a cross-state range of 19 percentage points; see fig. 3). Looking at disposable-income poverty, the extent of cross-state variation declines from a high of 13 percent in Louisiana to a low of 3 percent in Minnesota (a cross-state range of 10 percentage points). A similar pattern is found for households without children: market-income poverty ranges from 30 percent in West Virginia and Mississippi to 11 percent in North Dakota
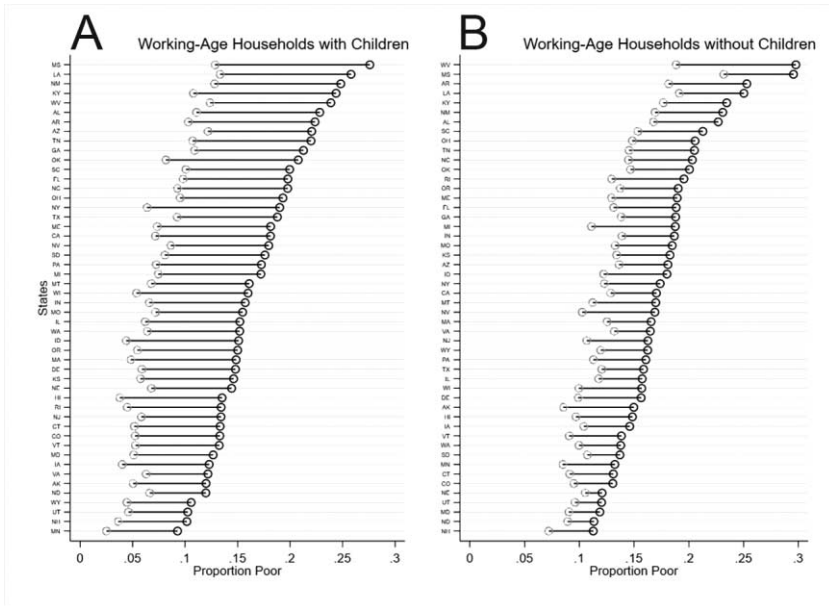
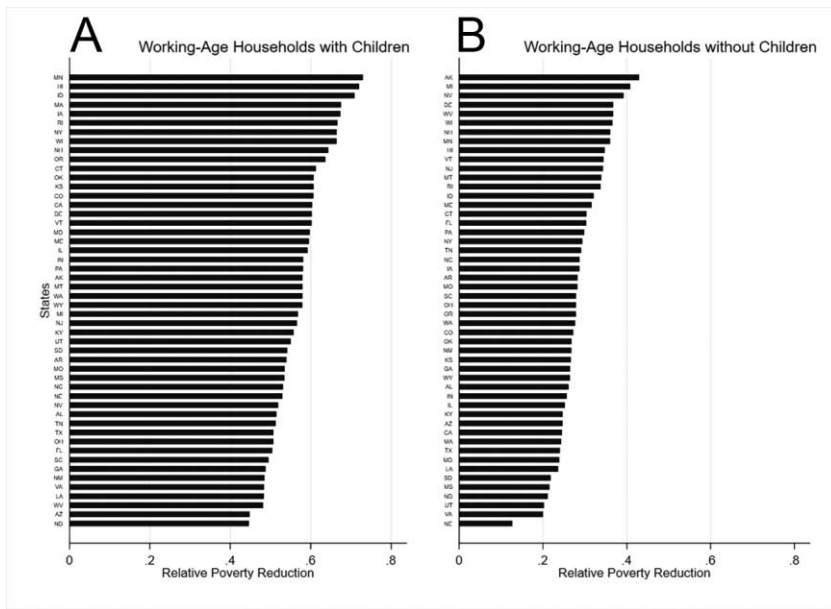FIGURE 3. Absolute market- and disposable-income poverty by state, 2016, for (*A*) working-age households with children and (*B*) working-age households without children. States ordered highest (*top*) to lowest (*bottom*) by market-income poverty. The left side of each horizontal bar shows the state-level disposable-income poverty rate, and the right side of the bar captures the state-level market-income poverty rate. The length of the bar thus illustrates the total absolute poverty reduction attributable to the four mechanisms. Detailed estimates provided in table A3 for households with children and table A4 for households without children. Results that do not include the TRIM3 benefit underreporting adjustments for state transfers are available in figure A1, table A7 for households with children, and table A8 for households without children. TRIM3 = Urban Institute's Transfer Income Model.

and New Hampshire (a cross-state range of 19 percentage points); disposable-income poverty ranges from 23 percent in Mississippi to 7 percent in New Hampshire (a cross-state range of 16 percentage points).

Second, the total poverty reduction varies considerably across states. Looking first at absolute poverty reductions, we observe an important pattern for households with and without children: greater poverty reductions in states with higher levels of market poverty (see fig. 3). For example, Mississippi has the highest percentage of households with children in market-income poverty, and it also has the largest absolute poverty reduction (15 percentage points). Similarly, for households without children, West Virginia has the highest percentage of households in market-income poverty and also the largest absolute poverty reduction (11 percentage

points). This pattern, in part, helps to explain why we observe a smaller degree of cross-state variation in disposable-income poverty levels compared with market-income poverty.

However, a different picture emerges if we examine relative poverty reductions. For both household types, we see that although there are large cross-state differences in the percentage of market-income poverty reduced, states with the highest rates of market-income poverty do not have the largest percentage reductions (see fig. 4). In fact, in the case of households with children, the state with the lowest rate of market-income poverty (Minnesota) has the highest relative reduction—reducing fully 73 percent of market-income poverty. Whereas in the state with the highest rate of market-income poverty (Mississippi), 54 percent of market-income poverty is reduced, and the two states with the smallest poverty reduction (North

FIGURE 4. Relative poverty reduction by state, 2016, for (*A*) working-age households with children and (*B*) working-age households without children. States ordered highest (*top*) to lowest (*bottom*) by percentage of market poverty reduced (relative poverty reduction). Length of the bar illustrates the total relative poverty reduction attributable to the four mechanisms. Detailed estimates provided in table A5 for households with children and table A6 for households without children. Results that do not include the TRIM3 benefit underreporting adjustments for state transfers are available in figure A2, table A9 for households with children, and table A10 for households without children. TRIM3 = Urban Institute's Transfer Income Model.

Dakota and Arizona, both with 45 percent) have very different levels of market-income poverty (12 and 22 percent, respectively). We can observe a similar pattern for households without children (see fig. 4). For example, although Alaska has the largest relative poverty reduction (43 percent), it is in the bottom quarter of states in terms of market-income poverty. These patterns suggest that the degree to which market-income poverty is reduced is not simply a function of market-income poverty but also other factors, including state-level differences in the poverty reduction efficacy of different policy mechanisms.

Third and finally, the poverty reduction attributable to each policy mechanism varies across states, whether examined as an absolute reduction or percentage reduction of market-income poverty (see figs. 5 and 6). As we found at the national level, for households with children, state
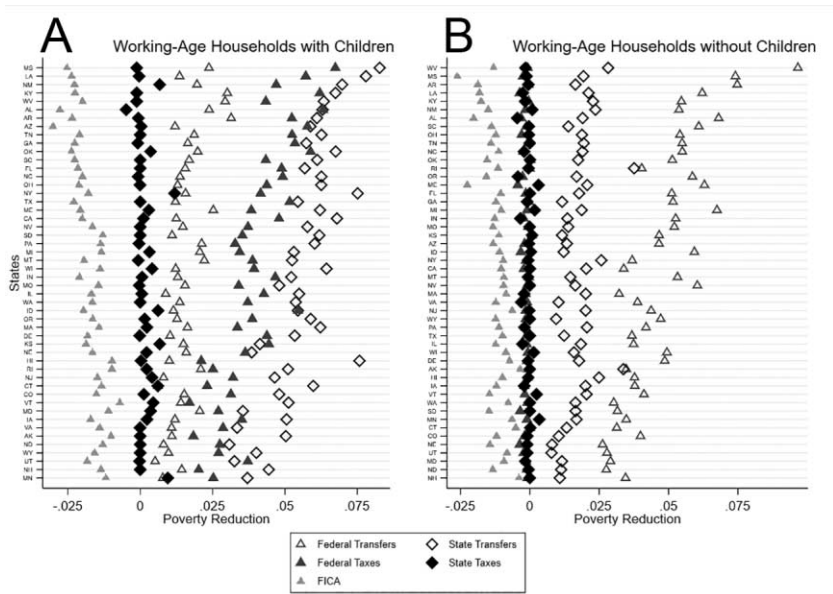
FIGURE 5. Average absolute poverty reduction attributed to redistributive mechanisms by state, 2016, for (A) working-age households with children and (B) working-age households without children. States ordered highest (top) to lowest (bottom) by market-income poverty. Positive estimates indicate reduction; negative estimates indicate mechanisms increasing poverty (as is the case with the Federal Insurance Contributions Act [FICA]). Detailed estimates provided in table A3 for households with children and table A4 for households without children. Results that do not include the TRIM3 benefit underreporting adjustments for state transfers are available in figure A3. TRIM3 = Urban Institute's Transfer Income Model.
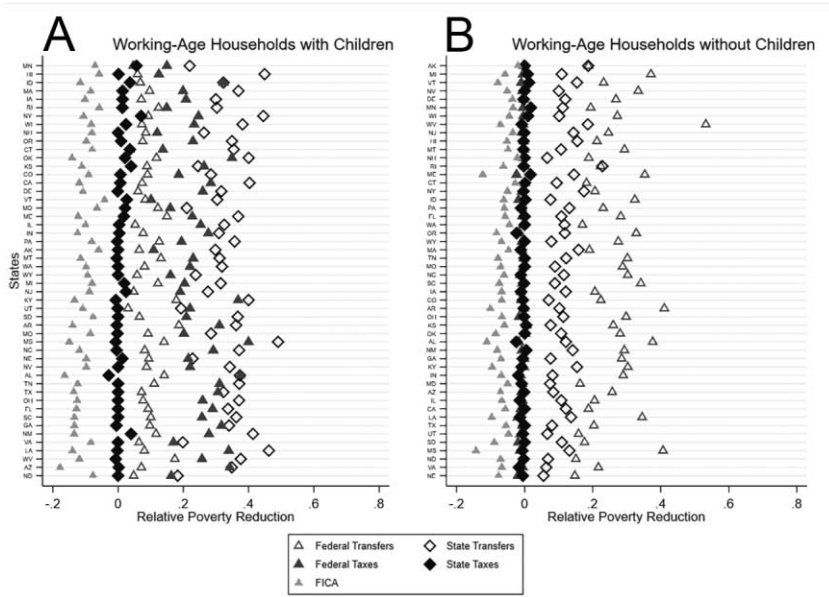
FIGURE 6. Average relative poverty reduction attributed to redistributive mechanisms by state, 2016, for (*A*) working-age households with children and (*B*) working-age households without children. States ordered highest (*top*) to lowest (*bottom*) by percentage of market poverty reduced (relative poverty reduction). Positive estimates indicate reduction; negative estimates indicate mechanisms increasing poverty (as is the case with the Federal Insurance Contributions Act [FICA]). Detailed estimates provided in table A5 for households with children and table A6 for households without children. Results that do not include the TRIM3 benefit underreporting adjustments for state transfers are available in figure A4. TRIM3 = Urban Institute's Transfer Income Model.

transfers reduce poverty the most, followed by federal taxes. We can see that the extent of poverty reduction attributable to these mechanisms varies quite a bit across states: for state transfers, the absolute reduction ranges from .03 to .08 and the relative reduction from 18 to 49 percent of market poverty; for federal taxes, the absolute reduction ranges from .02 to .07 and the relative reduction from 10 to 37 percent of market poverty. Looking at how these state-specific poverty reductions are associated with state-level market- and disposable-income levels, we find stronger associations between market-income poverty and these two mechanisms (state transfers $r = .76$; federal taxes $r = .83$), but only slightly weaker associations between disposable-income poverty and these mechanisms (state transfers $r = .56$; federal taxes $r = .75$).

Turning to households without children, we also observe a pattern consistent with the national level, finding that federal transfers reduce poverty the most. Like the cross-state variability findings for households with children, we find considerable cross-state variation in the poverty reduced by this mechanism: the absolute reduction ranges from .02 to .11, and the relative reduction ranges from 13 to 43 percent of market poverty. In terms of how these poverty reductions are associated with state-level market- and disposable-income levels, we find stronger associations between market-income poverty ($r = .87$) compared with disposable-income poverty ($r = .74$). These patterns suggest that although the cross-state variations in poverty reduction attributable to the redistributive mechanisms are strongly related to levels of market- and disposable-income poverty, they also likely reflect compositional differences within these household types in addition to state-level differences in approaches to poverty.

DISCUSSION

In this article, we argue that the institutional design features of categorically defined eligibility, income targeting, and decentralization in social welfare policies result in differential efficacy in poverty reduction across households with and without children. To highlight how this occurs, we draw on the distinction between taxes and transfers as distinct mechanisms of redistribution, and we further distinguish between taxes and transfers that are wholly administered, financed, and designed at the federal level compared with taxes and transfers that allow for some level of state discretion. Using the resulting set of four redistributive mechanisms (federal transfers, state transfers, federal taxes, and state taxes) and a sequence-independent decomposition procedure, we examine the poverty reduction efficacy attributable to each mechanism for two household types (working-age with children and working-age without children) over a 20-year period.

Several important findings stand out. First, we find increasing and larger poverty reductions for working-age households with children compared with those without children from 1996 to 2016. A consequence of these unequal poverty reductions is a widening gap in disposable-income poverty rates between households with and without children and a safety net that is more responsive to increases in market-income poverty for households with children compared with households without children (Brady and Parolin 2020; Wimer et al. 2020).

Second, market-poor households with children have a more diversified assistance package, whereby poverty is reduced to some degree by all four redistributive mechanisms and in which seven programs are received by at least 15 percent of this population. This finding contrasts with our results for market-poor households without children, for whom poverty is only reduced by federal and state transfers, most of which are received by only a small percentage of this population (only four programs are received by at least 15 percent of this population), whereas federal and state taxes push these households further into poverty. Being able to access a broader set of safety net programs reflects the social construction of children as a particularly deserving population for whom a variety of programs are designed. This situation contrasts with the social construction of working-age households without children as a group less deserving of targeted assistance—unless they have a specific status characteristic, such as being a veteran or having a disability, that categorizes them into assistance.

However, though market-poor households with children are categorically eligible for several different types of assistance, many of these programs are decentralized to some degree. A substantial share of the poverty reduction experienced by these households is attributable to decentralized transfer programs such as UI, SNAP, SSI, TANF, workers' compensation, and school lunch subsidies. It is also notable that the two state transfers that contribute the most to the poverty reduction for households with children (SNAP and SSI) are both programs with comparatively low levels of state discretion.

The decentralized nature of these transfer programs is important—whether low, moderate, or high—because the decisions that states make in financing, administration, or rulemaking result in geographically defined differences in quantity (i.e., benefit levels), quality (i.e., the terms or conditions of receipt), and access to safety net assistance (i.e., coverage or inclusion) across states. Although programs with higher levels of state discretion vary more considerably across states in their generosity and inclusiveness (Bruch et al. 2018), state policy and administrative decisions in programs (even those with lower levels of state discretion, including SNAP and SSI) have been shown to contribute to inequities in receipt and benefits for economically marginalized individuals and families (Ganong and Liebman 2018; Kogan 2017; Edwards et al. 2016; HHS 2015; Sevak and Bruns 2018; Hemmeter et al. 2020). Policy and programmatic differences across states contribute to the cross-state inequality in poverty reduction reported in

the current article and in previous research (Laird et al. 2018; Parolin 2021*b*), reflecting the unequal responses to citizen needs across states. This unevenness is particularly concerning in regard to race—a considerable body of previous scholarship has demonstrated that states with higher percentages of African Americans have more paternalistic and punitive safety net policy designs (Soss et al. 2011), are less inclusive (Bruch et al. 2022; Floyd et al. 2021), and are less effective at reducing poverty for racially marginalized populations (Bitler et al. 2017; Parolin 2021*b*; Gaines, Hardy, and Schweitzer 2021; Kelly and Lobao 2021). A key takeaway is that the role of decentralization in the US safety net, or "discretion by design," encapsulated in our distinction between state and federal programs, is an important institutional feature that structures inequality in social provision and deserves continued attention by poverty scholars.

The second key distinction made in this article, between transfers and taxes, also leads to a number of important insights. First, federal taxes play an increasingly important role in poverty reduction for households with children (Duncan and Le Menestrel 2019; Fox et al. 2015). Second, state income taxes also provide an increasing, albeit smaller, role in poverty reduction for these households (Williams et al. 2020; Pac et al. 2020). The expanding role of tax mechanisms reflects growing evidence regarding their effectiveness in income targeting and poverty reduction (Hoynes and Patel 2018; Eissa and Hoynes 2011). Yet tax mechanisms differ from transfers in important ways: they are more "hidden," have broader political support, and are less stigmatizing for recipients (Howard 1999; Martin and Prasad 2014). Identifying the unique role of state taxes also provides an opportunity to examine cross-state inequalities in treatment of similarly situated households and to explore the determinants of the policies that shape these distributional consequences (Newman and O'Brien 2011; O'Brien 2017).

The findings from our research also demonstrate the disadvantageous distributional consequences for households without children from both federal and state tax mechanisms, which serve to increase their impoverishment. This dynamic results, in part, from relatively small percentages of these households receiving income from federal or state taxes and is reflected in the ongoing debate about whether to expand tax credits such as the EITC for childless adults and households (Dolby, Burnside, and Bunts 2022; Marr and Huang 2020).

Our findings on the cyclical responsiveness of the US tax and transfer programs (especially for households with children) echo work on poverty

alleviation in recent policy debates that demonstrate the importance of the expansion of social safety net programs during the pandemic. These include cash transfers, such as the COVID-19 economic impact payments; expanded UI benefits; the expansion of food assistance programs, including both subsidized school meal assistance and SNAP; and the large antipoverty impact of the temporary expansion of child tax credit (Parolin et al. 2022; Cooney, Shaefer, and Jubaed 2022).

The poverty reduction analyses provided in this article highlight the utility of sequence-independent decompositions for opening the black box of poverty reduction estimates and for examining between-state variation in poverty alleviation. Nevertheless, future research using decomposition methods that incorporate demographic, labor market, and other factors can build on this work to further unpack the state-level variation in taxes and transfers that we observe here. In addition, future work employing panel regression techniques will be important to assessing year-to-year changes within states and can serve as a complement to work such as ours that focuses on between-state differences.

NOTE

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