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1. note	Paul Toback to McLarty re: gaming taxes, 1p	5/17/94	P5

RESTRICTIONS

P1 National security classified information [(a)(1) of the PRA].
P2 Relating to appointment to Federal office [(a)(2) of the PRA].
P3 Release would violate a Federal statute [(a)(3) of the PRA].
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA].
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA].
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA].

C. Closed in accordance with restrictions contained in donor's deed of gift.

B1 National security classified information [(b) (1) of the FOIA].
B2 Release could disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA].
B3 Release would violate a Federal statute [(b)(3) of the FOIA].
B4 Release would disclose trade secrets or confidential commercial financial information [(b)(4) of the FOIA].
B6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA].
B7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA].
B8 Release would disclose information concerning the regulation of financial institutions [(b)(9) of the FOIA].
B9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA].

Welfare Reform Financing Options

6/7/94 14:41	5 Year Savings Billions of Dollars 17-May-94 Offset Table *	 Possible Outcome
Summary:		
A. Program Savings	6.93	5.96
B. Enforcement Savings	0.29	0.29
C. Extend Expiring Provisions	2.01	1.82
Total: Financing Options	9.23	8.07

* This column represents the numbers shared with the President in a memo from the Director, sent on May 17, 1994.

Welfare Reform Financing Options

6/7/94 14:41	5 Year Savings Billions of Dollars 17-May-94 Offset Table*	Possible Outcome
A. Program Savings		
• Limit Emergency Assistance	1.89	1.60
• Limit SSI, Medicaid and AFDC Assistance to some PRUCOLs and Col 1: Make Current 5 Year SSI Deeming Rules 10 Years and Permanent. Extend 10 Year Deeming to AFDC and Food Stamps. Col 2: Make Current 5 Year Deeming Permanent and Limit Eligibility thereafter to Aliens Whose Sponsor's Income Falls Below Median Family Income.	2.64	3.50
• Income Test Meal Reimbursements to Family Day Care Homes	0.52	0.52
• Graduated Interest Rates for Early Redemption of Savings Bonds	0.30	0.00
• Time Limit SSI Benefits for Drug and Alcohol Addicted Recipients	1.59 1/	0.34 1/
Subtotal	6.93	5.96
B. Enforcement Savings		
EITC:		
• Deny to Non-Resident Aliens	0.13	0.13
• Require Reporting for DOD Personnel	0.16	0.16
Subtotal	0.29	0.29

1/ The figure in Col. 1 is a staff estimate of CBP scoring. OMB adopted CBO scoring of the DAA proposal in the memo to the President. The figure in Col.2 is OMB scoring of the legislation to be enacted with our support.

PRELIMINARY

Welfare Reform Financing Options

6/7/94 14:41	5 Year Savings Billions of Dollars 17-May-94 Offset Table *	Possible Outcome
C. Extend Expiring Provisions*		
• Hold Constant the Portion of Food Stamp Overpayment Recoveries that States May Keep	0.05	0.05
• Fees for Passenger Processing and other Customs Services (savings in second 5 years)	0.00	0.00
• Extend Railroad Safety User Fees	0.16	0.16
• Extend Corporate Environmental Income (Superfund) Tax and (Net of 20% corporate income tax offset and Orphan Shares)	1.79	1.60 1/
Subtotal	2.01	1.82
Total: Financing Options	9.23	8.07

Welfare Reform Financing Options

6/7/94 14:41	5 Year Savings Billions of Dollars 17-May-94 Offset Table *	Possible Outcome	
Total: Financing Options	9.23	8.07	
Options to Fill the Gap			
• Increase the Emergency Assistance Savings		0.29	
• Support a Tougher Policy on DAA.		0.24	
• Propose Other SSI Reforms (e.g. Zebley children)		?	
• Propose a Tougher Version of the Alien Deeming		?	0.40
• Reduce the Costs of the Program		0.32	
Subtotal		0.85	
			1.25

Emergency Assistance

Option 1: Basic Allocation from 1995 Level of $418 million

Rationale: A level of $418 million equals 1993 expenditures inflated to 1995. The basic allocation formula balances the need to protect states that have been spending heavily on EA in and before 1994 with the potential claims of states who have not yet begun claiming for services under EA.

Total cost in 1995: $418 million

Five year savings from OMB baseline: $1.9 billion

Five states (Iowa, Maine, New Jersey, New York, Oklahoma) are capped at in 1995 at **less than their 1991 incurred expenditures.**

Thirty-two states are capped in 1995 at **less than their 1994 requested expenditures.**

Twelve states (Connecticut, DC, Indiana, Massachusetts, Nevada, New Jersey, New York, North Dakota, Rhode Island, South Dakota, Tennessee and Wyoming) have caps that **decline between 1995 and 1999.**

Option 2: Basic Allocation from 1995 Level of $491 million with Hold Harmless to 1991 Incurred Levels

Rationale: $501 million is equal to 1994 requested expenditures adjusted for inflation plus the funds necessary to hold states harmless at their 1991 incurred level. Although this number is considerably lower than what we expect the states to claim for 1994 (perhaps $544 million), with this level we can still argue that we are slowing the growth of the program rather than cutting it. In addition, this option protects those who made early expenditures in EA.

Total cost in 1995: $501 million

Five year savings from the OMB baseline: $1.4 billion

No states are capped in 1995 at **less than their 1991 incurred expenditures.**

Eleven states (Connecticut, DC, Indiana, Massachusetts, Nevada, New Jersey, North Dakota, Rhode Island, South Dakota, Tennessee, Wyoming) are capped in 1995 at **less then their 1994 requested expenditures**, but by very small amounts (in no case more than 5%).

These **same eleven states** have caps that **decline between 1995 and 1999.**

WR - Financing

DRAFT 6/4/94

EMERGENCY ASSISTANCE: ALTERNATIVE CAPS

All formulations assume the following base levels:

1991 total incurred expenditures (claimed for 1991 in 1991, 1992 and 1993): $281 million

1993 total claimed expenditures (claimed in 1993 for 1991, 1992 and 1993): $395 million

1994 total requested expenditures (requested in 1994 for 1992, 1993 and 1994): $476 million

1995 projected incurred expenditures (estimated to be claimed for 1995 in 1995, 1996 and 1997): $644 million

In all cases, the amount of the cap is assumed to be a cap on expenditures for the given year, which can be claimed in that year or in the subsequent two years. In calculating savings, deferred claiming is assumed to be equal to retroactive claiming.

The basic allocation formula is a combination of:

Component 1: allocation among states proportional to their requested expenditures in 1994; and

Component 2: allocation among states proportional to their total AFDC spending in the previous year.

The weighting of the components shifts over time, with increasingly more weight being given to Component 2, the component that is independent of the creativity and timing of state claiming. The components are weighted as follows:

1995: 90 percent by Component 1; 10 percent by Component 2

1996: 30 percent by Component 1; 20 percent by Component 2

...

1999: 50 percent by Component 1; 50 percent by Component 2

...

2004: 100 percent by Component 2.

Option 1: Basic Allocation from 1995 Level of $418 million

Rationale: A level of $418 million equals 1993 expenditures inflated to 1995. The basic allocation formula balances the need to protect states that have been spending heavily on EA in and before 1994 with the potential claims of states who have not yet begun claiming for services under EA.

<u>Total cost in 1995:</u> $418 million

<u>Five year savings from OMB baseline:</u> $1.9 billion

<u>Five</u> states (Iowa, Maine, New Jersey, New York and Oklahoma) are capped in 1995 at <u>less than their 1991 incurred expenditures.</u>

<u>Thirty-two</u> states are capped in 1995 at <u>less than their 1994 requested expenditures.</u>

<u>Twelve</u> states (Connecticut, DC, Indiana, Massachusetts, Nevada, New Jersey, New York, North Dakota, Rhode Island, South Dakota, Tennessee and Wyoming) have caps that <u>decline between 1995 to 1999.</u>

Option 2: Option 1 with Hold Harmless to 1991 Incurred Levels

Rationale: The hold-harmless to 1991 protects those states who made early expenditures under the EA program for homeless and to a lesser extent child welfare services. Setting the hold harmless level at 1991 prevents gaming, since the window in which 1991 claims can be submitted is closed.

<u>Total cost in 1995:</u> $454 million

<u>Five year savings from OMB baseline:</u> $1.6 billion

<u>No</u> states are capped in 1995 at <u>less than their 1991 incurred expenditures.</u>

<u>Thirty-one</u> states are capped in 1995 at <u>less than their 1994 requested expenditures.</u>

<u>Ten</u> states (the states with declines under Option 1, with the exception of New Jersey and New York) have caps that <u>decline between 1995 to 1999.</u>

Option 3: Basic Allocation from 1995 Level of $491 million

Rationale: $491 is equal to 1994 requested expenditures adjusted for inflation. Although this number is considerably lower that what we expect the states to claim for 1994 (expected to be $544 million), with this level we could still argue that we were slowing the growth of the program rather than cutting it.

Total cost in 1995: $491 million

Five year savings from OMB baseline: $1.5 billion

One state (New York) is capped in 1995 at less than its 1991 incurred expenditures.

Twelve states (Connecticut, DC, Indiana, Massachusetts, Nevada, New Jersey, New York, North Dakota, Rhode Island, South Dakota, Tennessee and Wyoming) are capped in 1995 at less than their 1994 requested expenditures. In no case is the difference more than 5 percent.

Twelve states (same as above) have caps that decline between 1995 to 1999.

Option 4: Option 3 with Hold Harmless to 1991 Incurred Levels

Rationale: As in Option 2 above, this option protects those states who made early expenditures in EA.

Total cost in 1995: $491 million

Five year savings from OMB baseline: $1.4 billion

No states are capped in 1995 at less than their 1991 incurred expenditures.

Eleven states (same states as Option 3, minus New York) are capped in 1995 at less than their 1994 requested expenditures, but by very small amounts (in no case more than 5 percent).

Eleven states (same states as above) have caps that decline between 1995 to 1999.

Option 5: Hold Harmless at 1994 Requested Levels

Rationale: This option ensures that no state goes lower in any year than the level of its 1994 request. It does so at the cost, however, of very small increases for the forty-one states who were spending below their proportionate share in 1994.

Total cost in 1995: $491 million

<u>Five year savings from OMB baseline:</u> $1.5 billion

<u>One</u> states (New York) is capped in 1995 at <u>less than its 1991 incurred expenditures</u>, but less than a $1 million difference.

<u>No</u> states are capped in 1995 at <u>less than their 1994 requested expenditures.</u>

<u>No</u> states have caps that <u>decline between 1995 to 1999.</u>

Table 1 compares what states receive over the five year period 1995 to 1999 under the five options. It also shows the total spending and the total five year savings from the OMB baseline of each of the options. The following tables give more details on the baseline and on the year by year allocations under the five options.

Table 1

	OPTION 1 $418M; NO HH	OPTION 2 $418; '91 HH	OPTION 3 94 BASE; NO HH	OPTION 4 '94 BASE; '91 HH	OPTION 5 '94 BASE; '94 HH
Alabama	7.8	7.8	9.2	9.2	8.8
Alaska	3.4	3.4	4.0	4.0	1.6
Arizona	24.9	24.9	29.3	29.3	29.4
Arkansas	6.4	6.4	7.5	7.5	7.8
California	413.4	413.4	485.5	485.5	441.5
Colorado	14.4	14.4	16.9	16.9	16.7
Connecticut	141.9	141.9	166.7	166.7	200.0
Delaware	2.1	2.1	2.4	2.4	1.9
D.C.	17.6	17.6	20.7	20.7	21.8
Florida	45.3	45.3	53.2	53.2	42.9
Georgia	38.1	38.1	44.6	44.8	44.3
Guam	0.3	0.3	0.3	0.3	0.1
Hawaii	8.0	8.0	9.4	9.4	7.6
Idaho	2.8	2.8	3.3	3.3	3.4
Illinois	52.1	52.1	61.2	61.2	50.8
Indiana	39.4	39.4	46.3	46.3	50.0
Iowa	7.9	7.9	9.3	9.3	6.7
Kansas	10.1	10.1	11.9	11.9	11.4
Kentucky	7.1	7.1	8.3	8.3	4.0
Louisiana	5.4	5.4	6.4	6.4	2.5
Maine	4.9	4.9	5.8	5.8	3.7
Maryland	25.6	25.6	30.0	30.0	28.8
Massachusetts	114.4	116.2	134.4	134.4	140.5
Michigan	72.1	72.1	84.7	84.7	71.4
Minnesota	35.8	35.8	42.1	42.1	42.4
Mississippi	2.7	2.7	3.1	3.1	1.2
Missouri	20.0	20.0	23.4	23.4	21.3
Montana	2.1	2.1	2.4	2.4	1.5
Nebraska	4.2	4.2	4.9	4.9	4.3
Nevada	13.0	13.0	15.3	15.3	17.9
New Hampshire	4.4	4.4	5.1	5.1	4.8
New Jersey	105.6	116.9	124.1	124.6	137.1
New Mexico	3.7	3.7	4.3	4.3	1.7
New York	668.4	905.6	785.0	905.6	902.4
North Carolina	23.0	23.0	27.0	27.0	23.6
North Dakota	7.3	7.3	8.6	8.6	9.9
Ohio	41.7	41.7	49.0	49.0	31.6
Oklahoma	9.5	15.5	11.2	15.5	8.9
Oregon	20.6	20.6	24.2	24.2	25.0
Pennsylvania	38.3	38.3	44.9	44.9	26.4
Puerto Rico	2.9	2.9	3.4	3.4	1.8
Rhode Island	22.7	22.7	26.6	26.6	26.5
South Carolina	5.0	5.0	5.9	5.9	3.8
South Dakota	3.7	3.7	4.3	4.3	4.5
Tennessee	29.3	29.3	34.4	34.4	34.7
Texas	24.2	24.2	28.4	28.4	19.5
Utah	3.2	3.2	3.8	3.8	2.4
Vermont	5.2	5.2	6.1	6.1	5.7
Virgin Islands	0.1	0.1	0.1	0.1	0.0
Virginia	7.2	7.2	8.5	8.5	3.5
Washington	31.8	31.8	37.4	37.4	28.9
West Virginia	6.8	6.8	8.0	8.0	6.4
Wisconsin	20.5	20.5	24.0	24.0	16.8
Wyoming	5.8	5.8	6.8	6.8	7.7
TOTAL	2,234.0	2,490.2	2,624.0	2,749.4	2,624.0
FY95-99 SAVINGS	1,885.0	1,628.0	1,493.0	1,369.0	1,493.0

EMERGENCY ASSISTANCE EXPENDITURES INCURRED (FEDERAL SHARE)

($'s in Millions)

	FY 1988	FY 1990	FY 1991
Alabama	0.0	0.0	0.0
Alaska	0.0	0.0	0.0
Arizona	0.0	0.0	0.2
Arkansas	0.0	0.0	0.0
California	19.9	20.8	*
Colorado	0.0	0.0	0.0
Connecticut	0.0	0.0	0.0
Delaware	0.1	0.2	0.2
D.C.	0.5	3.6	3.2
Florida	1.0	4.4	4.1
Georgia	4.3	2.5	1.4
Guam	0.0	0.0	0.0
Hawaii	0.0	0.0	0.0
Idaho	0.0	0.0	0.0
Illinois	0.3	1.5	3.1
Indiana	0.0	0.0	0.0
Iowa	0.0	0.0	1.0
Kansas	0.2	0.3	0.3
Kentucky	0.0	0.0	0.0
Louisiana	0.0	0.0	0.0
Maine	0.4	0.6	0.6
Maryland	2.3	2.6	2.9
Massachusetts	16.7	27.6	23.1
Michigan	8.4	10.3	10.4
Minnesota	4.5	5.2	4.7
Mississippi	0.0	0.0	0.0
Missouri	0.0	0.0	0.0
Montana	0.1	0.1	0.1
Nebraska	0.5	0.8	0.6
Nevada	*	0.1	0.1
New Hampshire	0.0	0.2	0.1
New Jersey	20.7	25.3	23.4
New Mexico	0.0	0.0	0.0
New York	34.1	153.1	181.1
North Carolina	1.5	2.0	2.8
North Dakota	0.0	0.0	0.0
Ohio	2.4	4.0	4.4
Oklahoma	1.7	2.2	3.1
Oregon	2.3	2.4	2.5
Pennsylvania	*	2.5	3.0
Puerto Rico	0.1	0.1	0.2
Rhode Island	0.0	0.0	0.0
South Carolina	0.0	0.0	0.0
South Dakota	0.0	0.0	0.0
Tennessee	0.0	0.0	0.0
Texas	0.0	0.0	0.0
Utah	0.0	0.1	0.3
Vermont	0.3	0.7	0.7
Virgin Islands	*	*	*
Virginia	*	*	*
Washington	1.2	1.2	1.6
West Virginia	0.7	0.8	0.8
Wisconsin	1.3	1.4	1.9
Wyoming	0.3	0.2	0.2
TOTAL	$126.1	$276.9	$281.7

* Less than $50,000.

1/ Data reflect State expenditure reports received to date. States have up to two years to seek Federal matching funds for previously incurred expenditures.

31-May-94

EMERGENCY ASSISTANCE EXPENDITURES INCURRED (FEDERAL SHARE)

($'s in Millions)

	FY 1988	FY 1990	(Prelim.) FY 1992	(Prelim.) FY 1993	(Est.) 1/ FY 1994
Alabama	0.0	0.0	0.0	0.0	1.3
Alaska	0.0	0.0	0.0	0.0	0.0
Arizona	0.0	0.0	0.6	1.8	4.6
Arkansas	0.0	0.0	0.1	1.3	1.3
California	19.9	20.8	0.0	10.0	120.0
Colorado	0.0	0.0	1.3	*	2.5
Connecticut	0.0	0.0	0.0	9.0	38.0
Delaware	0.1	0.2	0.2	0.2	0.3
D.C.	0.5	3.6	5.7	10.8	4.1
Florida	1.0	4.4	1.8	1.9	6.2
Georgia	4.3	2.5	2.1	4.8	7.7
Guam	0.0	0.0	0.0	0.4	0.0
Hawaii	0.0	0.0	0.4	0.2	1.1
Idaho	0.0	0.0	0.0	0.0	0.3
Illinois	0.3	1.5	2.4	2.1	5.3
Indiana	0.0	0.0	0.0	1.9	5.0
Iowa	0.0	0.0	0.9	0.9	1.2
Kansas	0.2	0.3	0.3	0.3	0.4
Kentucky	0.0	0.0	0.0	0.0	0.9
Louisiana	0.0	0.0	0.0	0.0	0.0
Maine	0.4	0.6	0.6	0.4	0.4
Maryland	2.3	2.6	2.6	3.3	4.7
Massachusetts	16.7	27.6	18.9	25.4	28.5
Michigan	8.4	10.3	8.8	9.9	11.7
Minnesota	4.5	5.2	5.0	5.6	7.2
Mississippi	0.0	0.0	0.0	0.0	0.0
Missouri	0.0	0.0	0.4	1.2	2.1
Montana	0.1	0.1	0.1	0.2	0.2
Nebraska	0.5	0.8	0.6	0.7	0.7
Nevada	*	0.1	0.0	0.1	2.7
New Hampshire	0.0	0.2	0.4	0.6	0.8
New Jersey	20.7	25.3	26.3	26.6	27.7
New Mexico	0.0	0.0	0.0	0.0	0.0
New York (as submitted)	34.1	153.1	200.0	205.0	210.0
New York (adjusted) 2/	34.1	109.6	146.7	205.0	210.0
North Carolina	1.5	2.0	2.7	2.7	5.0
North Dakota	0.0	0.0	0.0	0.7	1.8
Ohio	2.4	4.0	4.1	4.0	3.5
Oklahoma	1.7	2.2	2.9	1.8	1.7
Oregon	2.3	2.4	2.1	2.4	4.3
Pennsylvania	*	2.5	1.6	2.9	3.4
Puerto Rico	0.1	0.1	0.1	0.1	0.2
Rhode Island	0.0	0.0	0.0	3.6	5.3
South Carolina	0.0	0.0	0.0	0.3	0.4
South Dakota	0.0	0.0	0.0	0.2	0.9
Tennessee	0.0	0.0	2.5	3.5	6.9
Texas	0.0	0.0	0.0	0.0	5.0
Utah	0.0	0.1	0.2	0.2	0.2
Vermont	0.3	0.7	0.7	0.7	0.8
Virgin Islands	*	*	*	0.0	0.0
Virginia	*	*	*	0.0	*
Washington	1.2	1.2	1.4	1.5	4.1
West Virginia	0.7	0.8	0.9	0.9	1.0
Wisconsin	1.3	1.4	1.6	1.6	2.1
Wyoming	0.3	0.2	0.1	1.0	1.5
TOTAL, AS SUBMITTED	$126.1	$276.9	$300.4	$352.7	$544.9
TOTAL, ADJUSTED	$126.1	$233.3	$247.0	$352.7	$544.9

* Less than $50,000.

1/ Estimates for FY 1994 are based on State grant requests for the first three quarters.
2/ A portion of the claims submitted are in dispute. For illustrative purposes, claims in dispute have been allocated equally between the EA and IV-E Foster Care program.

03-Jun-94

STATE DISTRIBUTION OF EA AND AFDC EXPENDITURES

($'s in Thousands)

	FY 1994 EMERGENCY ASSISTANCE		FY 1993 AFDC	
	FEDERAL SHARE	STATE DISTRIBUTION	TOTAL	STATE DISTRIBUTION
Alabama	$1,500	0.3%	$95,499	0.4%
Alaska	0	0.0%	110,589	0.5%
Arizona	5,131	1.1%	268,714	1.2%
Arkansas	1,400	0.3%	59,765	0.3%
California	71,813	15.1%	5,854,990	26.3%
Colorado	2,875	0.6%	163,957	0.7%
Connecticut	40,000	8.4%	386,254	1.7%
Delaware	260	0.1%	39,730	0.2%
D.C.	4,358	0.9%	112,637	0.5%
Florida	6,324	1.3%	804,663	3.6%
Georgia	7,649	1.6%	432,100	1.9%
Guam	0	0.0%	9,228	0.0%
Hawaii	1,113	0.2%	143,364	0.6%
Idaho	601	0.1%	28,539	0.1%
Illinois	7,680	1.6%	882,944	4.0%
Indiana	10,000	2.1%	224,831	1.0%
Iowa	885	0.2%	163,345	0.7%
Kansas	1,930	0.4%	125,876	0.6%
Kentucky	200	0.0%	210,017	0.9%
Louisiana	0	0.0%	176,860	0.8%
Maine	407	0.1%	117,144	0.5%
Maryland	4,869	1.0%	316,527	1.4%
Massachusetts	28,100	5.9%	749,906	3.4%
Michigan	10,925	2.3%	1,190,051	5.3%
Minnesota	7,389	1.6%	384,046	1.7%
Mississippi	0	0.0%	86,871	0.4%
Missouri	3,456	0.7%	283,800	1.3%
Montana	170	0.0%	49,112	0.2%
Nebraska	675	0.1%	65,619	0.3%
Nevada	3,589	0.8%	44,015	0.2%
New Hampshire	810	0.2%	56,045	0.3%
New Jersey	27,410	5.8%	538,247	2.4%
New Mexico	0	0.0%	119,107	0.5%
New York	180,470	37.9%	2,658,384	11.9%
North Carolina	3,724	0.8%	353,432	1.6%
North Dakota	1,976	0.4%	28,074	0.1%
Ohio	3,553	0.7%	980,451	4.4%
Oklahoma	1,303	0.3%	171,980	0.8%
Oregon	4,423	0.9%	202,440	0.9%
Pennsylvania	3,096	0.6%	917,659	4.1%
Puerto Rico	153	0.0%	76,754	0.3%
Rhode Island	5,708	1.2%	134,179	0.6%
South Carolina	434	0.1%	118,004	0.5%
South Dakota	900	0.2%	25,025	0.1%
Tennessee	6,944	1.5%	219,762	1.0%
Texas	2,410	0.5%	532,314	2.4%
Utah	259	0.1%	77,959	0.3%
Vermont	963	0.2%	65,748	0.3%
Virgin Islands	0	0.0%	3,461	0.0%
Virginia	41	0.0%	231,158	1.0%
Washington	4,070	0.9%	605,531	2.7%
West Virginia	934	0.2%	121,635	0.5%
Wisconsin	2,126	0.4%	441,153	2.0%
Wyoming	1,537	0.3%	26,466	0.1%
TOTAL	$476,539	100.0%	$22,285,959	100.0%

ILLUSTRATIVE ALLOCATION OF EA CAP, BY STATE 1/

03-Jun-94

	FY 1995 (90/10)	FY 1996 (80/20)	FY 1997 (70/30)	FY 1998 (60/40)	FY 1999 (50/50)	FY 2000 (40/60)
Alabama	$1,363,283	$1,458,081	$1,556,063	$1,660,834	$1,772,733	$1,888,272
Alaska	207,423	428,741	663,953	915,045	1,183,504	1,467,843
Arizona	4,554,936	4,763,200	4,975,075	5,201,845	5,443,896	5,690,073
Arkansas	1,217,316	1,247,023	1,276,014	1,307,122	1,340,272	1,372,603
California	67,673,706	74,779,757	82,199,476	90,128,371	98,600,049	107,430,205
Colorado	2,577,169	2,720,678	2,867,894	3,025,379	3,193,531	3,365,920
Connecticut	32,302,162	30,506,636	28,524,610	26,413,381	24,152,966	21,679,410
Delaware	279,773	342,588	408,867	479,650	555,308	634,926
D.C.	3,651,654	3,597,230	3,531,351	3,461,526	3,386,528	3,298,439
Florida	6,501,319	7,705,606	8,973,834	10,328,410	11,776,183	13,297,033
Georgia	6,848,614	7,222,217	7,605,168	8,014,852	8,452,272	8,900,375
Guam	17,309	35,778	55,406	76,359	98,761	122,489
Hawaii	1,147,151	1,362,624	1,589,571	1,831,968	2,091,044	2,363,235
Idaho	527,983	546,506	565,082	584,982	606,211	627,502
Illinois	7,718,590	8,992,467	10,332,153	11,763,167	13,292,558	14,897,162
Indiana	8,316,121	8,123,936	7,901,241	7,664,663	7,410,934	7,122,336
Iowa	1,004,833	1,274,916	1,560,324	1,865,102	2,190,892	2,534,194
Kansas	1,759,587	1,887,577	2,020,042	2,161,673	2,312,948	2,469,338
Kentucky	551,801	959,257	1,391,925	1,853,825	2,347,659	2,870,307
Louisiana	331,722	685,664	1,061,827	1,463,385	1,892,718	2,347,447
Maine	541,008	749,310	969,937	1,205,506	1,457,338	1,723,257
Maryland	4,437,376	4,758,184	5,090,153	5,445,093	5,824,201	6,216,064
Massachusetts	23,589,870	23,286,241	22,911,722	22,515,154	22,088,941	21,581,712
Michigan	10,856,743	12,536,818	14,302,219	16,188,061	18,203,485	20,316,425
Minnesota	6,553,317	6,847,439	7,146,399	7,466,392	7,807,937	8,155,010
Mississippi	162,938	336,790	521,557	718,798	929,681	1,153,039
Missouri	3,260,411	3,606,464	3,967,869	4,354,071	4,766,714	5,196,901
Montana	226,320	313,690	406,230	505,038	610,667	722,207
Nebraska	655,555	743,563	835,852	934,450	1,039,815	1,150,072
Nevada	2,915,579	2,773,227	2,615,320	2,447,166	2,267,097	2,069,251
New Hampshire	744,212	804,388	866,849	933,620	1,004,946	1,078,883
New Jersey	22,648,518	21,965,582	21,189,216	20,363,591	19,478,699	18,487,028
New Mexico	223,400	461,765	715,095	985,527	1,274,665	1,580,905
New York	147,456,791	141,188,384	134,193,589	126,747,344	118,771,822	109,966,141
North Carolina	3,602,539	4,070,739	4,561,465	5,085,748	5,646,003	6,232,002
North Dakota	1,612,361	1,541,679	1,462,914	1,379,060	1,289,250	1,190,204
Ohio	4,643,534	6,377,547	8,213,870	10,174,572	12,270,617	14,483,586
Oklahoma	1,351,474	1,611,960	1,886,396	2,179,509	2,492,794	2,822,021
Oregon	3,871,630	3,992,733	4,113,280	4,242,475	4,380,257	4,517,405
Pennsylvania	4,165,590	5,803,237	7,537,986	9,390,205	11,370,298	13,461,363
Puerto Rico	264,778	408,555	561,075	723,910	897,997	1,082,076
Rhode Island	4,757,868	4,659,862	4,545,175	4,423,403	4,292,758	4,143,049
South Carolina	564,129	772,403	992,950	1,228,438	1,480,179	1,745,949
South Dakota	757,520	749,803	739,941	729,517	718,302	704,635
Tennessee	5,893,841	5,887,765	5,868,500	5,848,735	5,827,055	5,790,303
Texas	2,900,721	3,811,287	4,774,574	5,803,170	6,902,725	8,062,532
Utah	350,979	490,339	637,971	795,599	964,110	1,142,073
Vermont	883,263	953,028	1,025,397	1,102,763	1,185,404	1,271,021
Virgin Islands	6,491	13,416	20,776	28,633	37,034	45,931
Virginia	465,786	925,772	1,414,562	1,936,354	2,494,236	3,085,035
Washington	4,348,777	5,299,254	6,301,897	7,372,696	8,517,242	9,721,405
West Virginia	965,085	1,148,565	1,341,843	1,548,276	1,768,914	2,000,749
Wisconsin	2,505,789	3,252,134	4,041,412	4,884,221	5,785,158	6,735,164
Wyoming	1,263,353	1,217,595	1,166,129	1,111,365	1,052,693	987,498
TOTAL	$418,000,000	$432,000,000	$446,000,000	$461,000,000	$477,000,000	$493,000,000

1/Projected State allocations for FY 1995-2004 represent weighted distributions of estimated EA expenditures for FY 1994 and reported AFDC claims for the prior fiscal year.

03-Jun-94

	FY 2001 (30/70)	FY 2002 (20/80)	FY 2003 (10/90)	FY 2004 (0/100)
Alabama	$2,011,394	$2,138,384	$2,273,413	$2,416,822
Alaska	1,771,534	2,092,098	2,433,999	2,798,727
Arizona	5,952,047	6,218,406	6,501,078	6,800,449
Arkansas	1,406,872	1,440,271	1,475,506	1,512,501
California	116,847,955	126,646,588	137,077,624	148,174,670
Colorado	3,549,505	3,737,591	3,937,403	4,149,338
Connecticut	19,030,025	16,154,177	13,075,858	9,775,086
Delaware	719,914	809,108	904,167	1,005,463
D.C.	3,203,540	3,094,732	2,977,478	2,850,551
Florida	14,920,216	16,621,043	18,433,336	20,363,948
Georgia	9,377,548	9,866,072	10,385,003	10,935,341
Guam	147,831	174,582	203,113	233,549
Hawaii	2,653,744	2,958,187	3,282,588	3,628,177
Idaho	650,130	672,824	696,862	722,251
Illinois	16,609,545	18,401,840	20,311,316	22,345,025
Indiana	6,812,228	6,465,072	6,092,048	5,689,886
Iowa	2,900,698	3,285,809	3,696,311	4,133,844
Kansas	2,636,012	2,808,122	2,991,154	3,185,590
Kentucky	3,428,489	4,017,286	4,645,219	5,314,991
Louisiana	2,833,126	3,345,787	3,892,572	4,475,862
Maine	2,007,199	2,306,109	2,624,803	2,964,602
Maryland	6,633,688	7,064,865	7,523,398	8,010,482
Massachusetts	21,034,711	20,401,630	19,718,650	18,978,176
Michigan	22,571,136	24,929,457	27,441,740	30,117,126
Minnesota	8,524,325	8,899,515	9,297,638	9,719,214
Mississippi	1,391,599	1,643,412	1,911,986	2,198,492
Missouri	5,655,723	6,133,186	6,641,476	7,182,239
Montana	841,306	966,685	1,100,362	1,242,893
Nebraska	1,267,707	1,390,542	1,521,366	1,660,639
Nevada	1,857,268	1,626,396	1,379,166	1,113,910
New Hampshire	1,157,702	1,239,294	1,326,095	1,418,347
New Jersey	17,422,742	16,245,005	14,981,306	13,621,633
New Mexico	1,907,989	2,253,244	2,621,481	3,014,302
New York	100,527,413	90,206,641	79,149,053	67,276,820
North Carolina	6,857,190	7,509,730	8,204,678	8,944,447
North Dakota	1,084,048	968,078	843,844	710,479
Ohio	16,846,513	19,333,672	21,985,405	24,812,672
Oklahoma	3,173,414	3,541,744	3,934,233	4,352,373
Oregon	4,663,061	4,808,042	4,961,453	5,123,234
Pennsylvania	15,694,174	18,044,894	20,551,230	23,223,588
Puerto Rico	1,278,656	1,485,853	1,706,800	1,942,434
Rhode Island	3,982,084	3,800,864	3,606,005	3,395,721
South Carolina	2,029,726	2,328,409	2,646,853	2,986,373
South Dakota	689,870	672,501	653,727	633,318
Tennessee	5,749,752	5,693,187	5,630,940	5,561,597
Texas	9,300,829	10,603,144	11,991,481	13,471,488
Utah	1,332,100	1,532,170	1,745,486	1,972,934
Vermont	1,362,286	1,456,714	1,557,161	1,663,907
Virgin Islands	55,434	65,465	76,164	87,577
Virginia	3,716,038	4,382,016	5,092,312	5,850,013
Washington	11,006,757	12,355,471	13,792,825	15,324,420
West Virginia	2,248,189	2,507,526	2,783,867	3,078,263
Wisconsin	7,749,432	8,815,836	9,952,636	11,164,432
Wyoming	917,575	840,723	758,330	669,786
TOTAL	$510,000,000	$527,000,000	$545,000,000	$564,000,000

03-Jun-94

FEDERAL SHARE COST/SAVINGS
($'s in Millions)

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 1995-1999 TOTAL	FY 1995-2004 TOTAL
ACF BASELINE	$644	$740	$850	$910	$975	$4,119	$9,925
FY 1993 BASE ($395 mil.)	418	432	446	461	477	2,234	4,872
SAVINGS	(226)	(309)	(404)	(449)	(498)	(1,885)	(5,053)
CBO BASELINE	$525	$598	$682	$729	$778	$3,312	N.A.
FY 1993 BASE ($395 mil.)	418	432	446	461	477	2,234	4,872
SAVINGS	(107)	(166)	(236)	(268)	(301)	(1,078)	N.A.

418 [illegible] + 1991 hold harmless
454 Total

ILLUSTRATIVE ALLOCATION OF EA CAP, BY STATE 1/

03-Jun-94

(WITH HOLD HARMLESS PROVISION)

	FY 1995 (90/10)	FY 1996 (80/20)	FY 1997 (70/30)	FY 1998 (60/40)	FY 1999 (50/50)	FY 2000 (40/60)
Alabama	$1,363,283	$1,458,081	$1,556,063	$1,660,834	$1,772,733	$1,888,272
Alaska	207,423	428,741	663,953	915,045	1,183,504	1,467,843
Arizona	4,554,936	4,763,200	4,975,075	5,201,845	5,443,896	5,690,073
Arkansas	1,217,316	1,247,023	1,276,014	1,307,122	1,340,272	1,372,603
California	67,673,706	74,779,757	82,199,476	90,128,371	98,600,049	107,430,205
Colorado	2,577,169	2,720,678	2,867,894	3,025,379	3,193,531	3,365,920
Connecticut	32,302,162	30,506,636	28,524,610	26,413,381	24,152,966	21,679,410
Delaware	279,773	342,588	408,867	479,650	555,308	634,926
D.C.	3,651,654	3,597,230	3,531,351	3,461,526	3,386,528	3,298,439
Florida	6,501,319	7,705,606	8,973,834	10,328,410	11,776,183	13,297,033
Georgia	6,848,614	7,222,217	7,605,168	8,014,852	8,452,272	8,900,375
Guam	17,309	35,778	55,406	76,359	98,761	122,489
Hawaii	1,147,151	1,362,624	1,589,571	1,831,968	2,091,044	2,363,235
Idaho	527,983	546,506	565,082	584,982	606,211	627,502
Illinois	7,718,590	8,992,467	10,332,153	11,763,167	13,292,558	14,897,162
Indiana	8,316,121	8,123,936	7,901,241	7,664,663	7,410,934	7,122,336
Iowa	1,024,608	1,274,916	1,560,324	1,865,102	2,190,892	2,534,194
Kansas	1,759,587	1,887,577	2,020,042	2,161,673	2,312,948	2,469,338
Kentucky	551,801	959,257	1,391,925	1,853,825	2,347,659	2,870,307
Louisiana	331,722	685,664	1,061,827	1,463,385	1,892,718	2,347,447
Maine	557,154	749,310	969,937	1,205,506	1,457,338	1,723,257
Maryland	4,437,376	4,758,184	5,090,153	5,445,093	5,824,201	6,216,064
Massachusetts	23,589,870	23,286,241	23,106,377	23,106,377	23,106,377	23,106,377
Michigan	10,856,743	12,536,818	14,302,219	16,188,061	18,203,485	20,316,425
Minnesota	6,553,317	6,847,439	7,146,399	7,466,392	7,807,937	8,155,010
Mississippi	162,938	336,790	521,557	718,798	929,681	1,153,039
Missouri	3,260,411	3,606,464	3,967,869	4,354,071	4,766,714	5,196,901
Montana	226,320	313,690	406,230	505,038	610,667	722,207
Nebraska	655,555	743,563	835,852	934,450	1,039,815	1,150,072
Nevada	2,915,579	2,773,227	2,615,320	2,447,166	2,267,097	2,069,251
New Hampshire	744,212	804,388	866,849	933,620	1,004,946	1,078,883
New Jersey	23,371,098	23,371,098	23,371,098	23,371,098	23,371,098	23,371,098
New Mexico	223,400	461,765	715,095	985,527	1,274,665	1,580,905
New York	181,110,172	181,110,172	181,110,172	181,110,172	181,110,172	181,110,172
North Carolina	3,602,539	4,070,739	4,561,465	5,085,748	5,646,003	6,232,002
North Dakota	1,612,361	1,541,679	1,462,914	1,379,060	1,289,250	1,190,204
Ohio	4,643,534	6,377,547	8,213,870	10,174,572	12,270,617	14,483,586
Oklahoma	3,100,950	3,100,950	3,100,950	3,100,950	3,100,950	3,100,950
Oregon	3,871,630	3,992,733	4,113,280	4,242,475	4,380,257	4,517,405
Pennsylvania	4,165,590	5,803,237	7,537,986	9,390,205	11,370,298	13,461,363
Puerto Rico	264,778	408,555	561,075	723,910	897,997	1,082,076
Rhode Island	4,757,868	4,659,862	4,545,175	4,423,403	4,292,758	4,143,049
South Carolina	564,129	772,403	992,950	1,228,438	1,480,179	1,745,949
South Dakota	757,520	749,803	739,941	729,517	718,302	704,635
Tennessee	5,893,841	5,887,765	5,868,500	5,848,735	5,827,055	5,790,303
Texas	2,900,721	3,811,287	4,774,574	5,803,170	6,902,725	8,062,532
Utah	350,979	490,339	637,971	795,599	964,110	1,142,073
Vermont	883,263	953,028	1,025,397	1,102,763	1,185,404	1,271,021
Virgin Islands	6,491	13,416	20,776	28,633	37,034	45,931
Virginia	465,786	925,772	1,414,562	1,936,354	2,494,236	3,085,035
Washington	4,348,777	5,299,254	6,301,897	7,372,696	8,517,242	9,721,405
West Virginia	965,085	1,148,565	1,341,843	1,548,276	1,768,914	2,000,749
Wisconsin	2,505,789	3,252,134	4,041,412	4,884,221	5,785,158	6,735,164
Wyoming	1,263,353	1,217,595	1,166,129	1,111,365	1,052,693	987,496
TOTAL	$454,161,358	$474,816,293	$496,507,674	$519,882,999	$544,856,341	$570,831,694

1/Projected State allocations for FY 1995-2004 represent weighted distributions of estimated EA expenditures for FY 1994 and reported AFDC claims for the prior fiscal year.

	FY 2001 (30/70)	FY 2002 (20/80)	FY 2003 (10/90)	FY 2004 (0/100)
Alabama	$2,011,394	$2,138,384	$2,273,413	$2,416,822
Alaska	1,771,534	2,092,098	2,433,999	2,798,727
Arizona	5,952,047	6,218,406	6,501,078	6,800,449
Arkansas	1,406,872	1,440,271	1,475,506	1,512,501
California	116,847,955	126,646,588	137,077,624	148,174,670
Colorado	3,549,505	3,737,591	3,937,403	4,149,338
Connecticut	19,030,025	16,154,177	13,075,858	9,775,086
Delaware	719,914	809,108	904,167	1,005,463
D.C.	3,203,540	3,183,314	3,183,314	3,183,314
Florida	14,920,216	16,621,043	18,433,336	20,363,948
Georgia	9,377,548	9,866,072	10,385,003	10,935,341
Guam	147,831	174,582	203,113	233,549
Hawaii	2,653,744	2,958,187	3,282,588	3,628,177
Idaho	650,130	672,824	696,862	722,251
Illinois	16,609,545	18,401,840	20,311,316	22,345,025
Indiana	6,812,228	6,465,072	6,092,048	5,689,886
Iowa	2,900,698	3,285,809	3,696,311	4,133,844
Kansas	2,636,012	2,808,122	2,991,154	3,185,590
Kentucky	3,428,489	4,017,286	4,645,219	5,314,991
Louisiana	2,833,126	3,345,787	3,892,572	4,475,862
Maine	2,007,199	2,306,109	2,624,803	2,964,602
Maryland	6,633,688	7,064,865	7,523,398	8,010,482
Massachusetts	23,106,377	23,106,377	23,106,377	23,106,377
Michigan	22,571,136	24,929,457	27,441,740	30,117,126
Minnesota	8,524,325	8,899,515	9,297,638	9,719,214
Mississippi	1,391,599	1,643,412	1,911,986	2,198,492
Missouri	5,655,723	6,133,186	6,641,476	7,182,239
Montana	841,306	966,685	1,100,362	1,242,893
Nebraska	1,267,707	1,390,542	1,521,366	1,660,639
Nevada	1,857,268	1,626,396	1,379,166	1,113,910
New Hampshire	1,157,702	1,239,294	1,326,095	1,418,347
New Jersey	23,371,098	23,371,098	23,371,098	23,371,098
New Mexico	1,907,989	2,253,244	2,621,481	3,014,302
New York	181,110,172	181,110,172	181,110,172	181,110,172
North Carolina	6,857,190	7,509,730	8,204,678	8,944,447
North Dakota	1,084,048	968,078	843,844	710,479
Ohio	16,846,513	19,333,672	21,985,405	24,812,672
Oklahoma	3,173,414	3,541,744	3,934,233	4,352,373
Oregon	4,663,061	4,808,042	4,961,453	5,123,234
Pennsylvania	15,694,174	18,044,894	20,551,230	23,223,588
Puerto Rico	1,278,656	1,485,853	1,706,800	1,942,434
Rhode Island	3,982,084	3,800,864	3,606,005	3,395,721
South Carolina	2,029,726	2,328,409	2,646,853	2,986,373
South Dakota	689,870	672,501	653,727	633,318
Tennessee	5,749,752	5,693,187	5,630,940	5,561,597
Texas	9,300,829	10,603,144	11,991,481	13,471,488
Utah	1,332,100	1,532,170	1,745,486	1,972,934
Vermont	1,362,286	1,456,714	1,557,161	1,663,907
Virgin Islands	55,434	65,465	76,164	87,577
Virginia	3,716,038	4,382,016	5,092,312	5,850,013
Washington	11,006,767	12,355,471	13,792,825	15,324,420
West Virginia	2,248,189	2,507,526	2,783,867	3,078,263
Wisconsin	7,749,432	8,815,836	9,952,636	11,164,432
Wyoming	917,575	840,723	758,330	669,786
TOTAL	$598,602,780	$627,822,952	$658,944,474	$692,043,781

03-Jun-94

FEDERAL SHARE COST/SAVINGS
($'s In Millions)

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 1995-1999 TOTAL	FY 1995-2004 TOTAL
ACF BASELINE	$644	$740	$850	$910	$975	$4,119	$9,925
FY 1995 BASE ($418 mil.) *	454	475	497	520	545	2,490	5,638
SAVINGS	(190)	(265)	(353)	(390)	(430)	(1,628)	(4,287)
CBO BASELINE	$525	$598	$682	$729	$778	$3,312	N.A.
FY 1995 BASE ($418 mil.) *	454	475	497	520	545	2,490	5,638
SAVINGS	(71)	(123)	(185)	(209)	(233)	(822)	N.A.

* WITH HOLD HARMLESS PROVISION

94 base no hold harmless

ILLUSTRATIVE ALLOCATION OF EA CAP, BY STATE 1/

	FY 1995 (90/10)	FY 1996 (80/20)	FY 1997 (70/30)	FY 1998 (60/40)	FY 1999 (50/50)
Alabama	$1,601,356	$1,711,209	$1,828,190	$1,952,642	$2,081,188
Alaska	$243,648	$503,175	$780,071	$1,075,823	$1,389,439
Arizona	$5,350,019	$5,589,782	$5,844,827	$6,115,544	$6,390,906
Arkansas	$1,429,898	$1,463,510	$1,499,164	$1,536,782	$1,573,478
California	$79,492,051	$87,762,106	$96,574,946	$105,964,177	$115,756,700
Colorado	$3,027,225	$3,192,996	$3,369,434	$3,556,936	$3,749,204
Connecticut	$37,943,128	$35,802,632	$33,512,953	$31,054,108	$28,355,481
Delaware	$328,631	$402,063	$480,371	$563,925	$651,933
D.C.	$4,289,348	$4,221,717	$4,148,912	$4,069,708	$3,975,776
Florida	$7,637,086	$9,043,723	$10,543,556	$12,143,435	$13,825,522
Georgia	$8,044,940	$8,476,327	$8,935,449	$9,423,305	$9,923,177
Guam	$20,332	$41,989	$65,095	$89,775	$115,946
Hawaii	$1,347,946	$1,599,607	$1,867,945	$2,154,189	$2,455,182
Idaho	$620,186	$641,381	$663,904	$687,763	$711,691
Illinois	$9,066,976	$10,554,028	$12,139,456	$13,830,310	$15,605,774
Indiana	$9,768,378	$9,534,268	$9,283,006	$9,011,324	$8,700,416
Iowa	$1,180,543	$1,496,462	$1,833,393	$2,192,975	$2,572,258
Kansas	$2,067,023	$2,215,409	$2,373,439	$2,541,592	$2,715,499
Kentucky	$648,166	$1,125,794	$1,635,354	$2,179,550	$2,756,161
Louisiana	$389,654	$804,703	$1,247,528	$1,720,509	$2,222,059
Maine	$635,501	$879,408	$1,139,576	$1,417,328	$1,710,927
Maryland	$5,212,407	$5,584,334	$5,980,428	$6,401,884	$6,837,689
Massachusetts	$27,709,407	$27,328,784	$26,918,518	$26,471,013	$25,932,367
Michigan	$12,752,690	$14,713,269	$16,803,432	$19,032,320	$21,370,913
Minnesota	$7,697,969	$8,036,389	$8,396,361	$8,778,401	$9,166,660
Mississippi	$191,394	$395,261	$612,771	$845,094	$1,091,450
Missouri	$3,830,023	$4,232,780	$4,661,976	$5,119,258	$5,596,275
Montana	$265,844	$368,148	$477,274	$593,775	$716,925
Nebraska	$770,500	$873,074	$982,413	$1,098,975	$1,221,037
Nevada	$3,425,066	$3,254,972	$3,072,963	$2,877,371	$2,661,776
New Hampshire	$874,593	$944,416	$1,018,792	$1,097,965	$1,180,072
New Jersey	$26,603,244	$25,778,466	$24,894,424	$23,941,107	$22,867,670
New Mexico	$262,415	$541,933	$840,157	$1,158,689	$1,496,462
New York	$173,207,366	$165,698,928	$157,661,221	$149,016,419	$139,437,700
North Carolina	$4,231,953	$4,777,705	$5,359,427	$5,979,533	$6,628,598
North Dakota	$1,894,204	$1,809,568	$1,718,974	$1,621,558	$1,513,748
Ohio	$5,454,820	$7,485,066	$9,650,653	$11,962,541	$14,405,967
Oklahoma	$1,587,180	$1,891,523	$2,216,041	$2,562,226	$2,926,350
Oregon	$4,547,475	$4,685,640	$4,832,393	$4,987,677	$5,142,250
Pennsylvania	$4,892,701	$6,810,403	$8,855,980	$11,039,837	$13,348,542
Puerto Rico	$310,979	$479,448	$659,167	$851,075	$1,054,226
Rhode Island	$5,588,669	$5,468,757	$5,339,973	$5,200,529	$5,039,640
South Carolina	$662,434	$906,302	$1,166,426	$1,444,121	$1,737,600
South Dakota	$889,708	$879,879	$869,260	$857,619	$843,222
Tennessee	$6,923,370	$6,910,150	$6,895,015	$6,876,551	$6,841,128
Texas	$3,407,585	$4,473,225	$5,609,821	$6,823,021	$8,104,005
Utah	$411,929	$575,151	$749,258	$935,136	$1,131,650
Vermont	$1,037,848	$1,118,787	$1,205,001	$1,296,767	$1,391,878
Virgin Islands	$7,624	$15,745	$24,410	$33,664	$43,478
Virginia	$547,303	$1,086,654	$1,662,094	$2,276,707	$2,928,352
Washington	$5,108,219	$6,219,234	$7,403,995	$8,668,092	$9,999,258
West Virginia	$1,134,085	$1,348,388	$1,576,893	$1,820,651	$2,077,001
Wisconsin	$2,943,386	$3,816,725	$4,748,192	$5,742,390	$6,791,789
Wyoming	$1,483,575	$1,428,606	$1,369,730	$1,306,335	$1,235,605
TOTAL	$491,000,000	$507,000,000	$524,000,000	$542,000,000	$560,000,000

	04-Jun-94				04-Jun-94
	FY 2000 (40/60)	FY 2001 (30/70)	FY 2002 (20/80)	FY 2003 (10/90)	FY 2004 (0/100)
Alabama	$2,221,490	$2,362,398	$2,515,743	$2,673,866	$2,836,766
Alaska	$1,726,874	$2,080,684	$2,461,291	$2,862,740	$3,285,030
Arizona	$6,693,996	$6,990,577	$7,315,661	$7,646,164	$7,982,088
Arkansas	$1,614,821	$1,652,381	$1,694,433	$1,735,410	$1,775,312
California	$126,388,336	$137,238,959	$148,995,910	$161,223,368	$173,921,332
Colorado	$3,959,893	$4,168,919	$4,397,159	$4,630,960	$4,870,322
Connecticut	$25,505,020	$22,350,821	$19,004,824	$15,379,082	$11,473,594
Delaware	$746,970	$845,545	$951,891	$1,063,433	$1,180,171
D.C.	$3,880,498	$3,762,575	$3,640,852	$3,501,946	$3,345,860
Florida	$15,643,763	$17,524,090	$19,554,271	$21,680,363	$23,902,364
Georgia	$10,471,174	$11,014,134	$11,607,222	$12,214,328	$12,835,453
Guam	$144,104	$173,629	$205,390	$238,890	$274,130
Hawaii	$2,780,515	$3,117,033	$3,480,348	$3,860,872	$4,258,605
Idaho	$738,235	$763,582	$791,556	$819,612	$847,749
Illinois	$17,526,284	$19,508,237	$21,649,336	$23,889,148	$26,227,671
Indiana	$8,379,177	$8,000,995	$7,605,945	$7,165,131	$6,678,554
Iowa	$2,981,523	$3,406,990	$3,865,721	$4,347,437	$4,852,137
Kansas	$2,905,177	$3,096,079	$3,303,712	$3,518,057	$3,739,114
Kentucky	$3,376,830	$4,026,794	$4,726,218	$5,463,459	$6,238,518
Louisiana	$2,761,702	$3,327,534	$3,936,219	$4,578,236	$5,253,583
Maine	$2,027,367	$2,357,479	$2,713,073	$3,087,156	$3,479,728
Maryland	$7,313,060	$7,791,366	$8,311,629	$8,848,632	$9,402,375
Massachusetts	$25,390,131	$24,705,382	$24,001,854	$23,191,994	$22,275,802
Michigan	$23,901,630	$26,509,985	$29,328,749	$32,275,502	$35,350,244
Minnesota	$9,594,219	$10,011,974	$10,470,066	$10,935,412	$11,408,013
Mississippi	$1,356,516	$1,634,446	$1,933,426	$2,248,777	$2,580,500
Missouri	$6,114,112	$6,642,787	$7,215,572	$7,811,381	$8,430,216
Montana	$849,654	$988,121	$1,137,276	$1,294,188	$1,458,857
Nebraska	$1,353,266	$1,489,121	$1,636,060	$1,789,416	$1,949,189
Nevada	$2,434,573	$2,181,504	$1,913,493	$1,622,146	$1,307,462
New Hampshire	$1,269,490	$1,359,899	$1,458,109	$1,559,741	$1,664,797
New Jersey	$21,749,111	$20,462,923	$19,111,592	$17,620,122	$15,988,512
New Mexico	$1,859,889	$2,240,952	$2,650,876	$3,083,247	$3,538,064
New York	$129,371,171	$118,069,844	$106,125,054	$93,090,694	$78,966,764
North Carolina	$7,331,905	$8,053,943	$8,835,051	$9,649,944	$10,498,624
North Dakota	$1,400,375	$1,273,330	$1,138,988	$992,522	$833,931
Ohio	$17,039,688	$19,786,530	$22,745,590	$25,858,112	$29,124,094
Oklahoma	$3,319,859	$3,727,076	$4,166,669	$4,627,189	$5,108,636
Oregon	$5,314,436	$5,476,688	$5,656,436	$5,835,354	$6,013,441
Pennsylvania	$15,836,703	$18,432,811	$21,229,183	$24,171,210	$27,258,892
Puerto Rico	$1,273,009	$1,501,777	$1,748,051	$2,007,442	$2,279,949
Rhode Island	$4,874,112	$4,676,948	$4,471,571	$4,241,174	$3,985,757
South Carolina	$2,053,944	$2,383,846	$2,739,244	$3,113,056	$3,505,282
South Dakota	$828,926	$810,216	$791,147	$768,863	$743,363
Tennessee	$6,812,238	$6,753,231	$6,697,930	$6,622,844	$6,527,974
Texas	$9,485,478	$10,924,028	$12,474,366	$14,103,783	$15,812,279
Utah	$1,343,434	$1,564,424	$1,802,456	$2,052,898	$2,315,749
Vermont	$1,495,493	$1,600,153	$1,713,874	$1,831,498	$1,953,026
Virgin Islands	$54,037	$65,108	$77,018	$89,580	$102,794
Virginia	$3,629,543	$4,364,593	$5,155,361	$5,989,332	$6,866,505
Washington	$11,436,930	$12,927,542	$14,535,839	$16,222,383	$17,987,174
West Virginia	$2,354,062	$2,640,706	$2,950,159	$3,274,303	$3,613,138
Wisconsin	$7,923,713	$9,101,777	$10,371,567	$11,705,758	$13,104,351
Wyoming	$1,161,545	$1,077,534	$988,970	$891,848	$786,167
TOTAL	$580,000,000	$599,000,000	$620,000,000	$641,000,000	$662,000,000

FY1994 BASE; NO HOLD HARMLESS

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 1995-1999 TOTAL	FY 1995-2004 TOTAL
ACF BASELINE	$644	$740	$850	$910	$975	$4,119	$9,925
FY 1995 BASE	491	507	524	542	560	2,626	5,727
SAVINGS	(153)	(233)	(325)	(368)	(414)	(1,493)	(4,198)
CBO BASELINE	$525	$598	$682	$729	$778	$3,312	N.A.
FY 1995 BASE ($418 in	491	507	524	542	560	2,626	5,727
SAVINGS	(34)	(91)	(158)	(187)	(218)	(686)	N.A.

94 base; 91 hold harmless

	FY 1995 (90/10)	FY 1996 (80/20)	FY 1997 (70/30)	FY 1998 (60/40)	FY 1999 (50/50)
Alabama	$1,601,356	$1,711,209	$1,828,190	$1,952,642	$2,081,188
Alaska	243,648	503,175	780,071	1,075,823	1,389,439
Arizona	5,350,019	5,589,782	5,844,827	6,115,544	6,390,906
Arkansas	1,429,898	1,463,510	1,499,164	1,536,782	1,573,478
California	79,492,051	87,762,106	96,574,946	105,964,177	115,756,700
Colorado	3,027,225	3,192,996	3,369,434	3,556,936	3,749,204
Connecticut	37,943,128	35,802,632	33,512,953	31,054,108	28,355,481
Delaware	328,631	402,063	480,371	563,925	651,933
D.C.	4,289,348	4,221,717	4,148,912	4,069,708	3,975,776
Florida	7,637,086	9,043,723	10,543,556	12,143,435	13,825,522
Georgia	8,044,940	8,476,327	8,935,449	9,423,305	9,923,177
Guam	20,332	41,989	65,095	89,775	115,946
Hawaii	1,347,946	1,599,607	1,867,945	2,154,189	2,455,182
Idaho	620,186	641,381	663,904	687,763	711,691
Illinois	9,066,976	10,554,028	12,139,456	13,830,310	15,605,774
Indiana	9,768,378	9,534,268	9,283,006	9,011,324	8,700,416
Iowa	1,180,543	1,496,462	1,833,393	2,192,975	2,572,258
Kansas	2,067,023	2,215,409	2,373,439	2,541,592	2,715,499
Kentucky	648,166	1,125,794	1,635,354	2,179,550	2,756,161
Louisiana	389,654	804,703	1,247,528	1,720,509	2,222,059
Maine	635,501	879,408	1,139,576	1,417,328	1,710,927
Maryland	5,212,407	5,584,334	5,980,428	6,401,884	6,837,689
Massachusetts	27,709,407	27,328,784	26,918,518	26,471,013	25,932,367
Michigan	12,752,690	14,713,269	16,803,432	19,032,320	21,370,913
Minnesota	7,697,969	8,036,389	8,396,361	8,778,401	9,166,660
Mississippi	191,394	395,261	612,771	845,094	1,091,450
Missouri	3,830,023	4,232,780	4,661,976	5,119,258	5,596,275
Montana	265,844	368,148	477,274	593,775	716,925
Nebraska	770,500	873,074	982,413	1,098,975	1,221,037
Nevada	3,425,066	3,254,972	3,072,963	2,877,371	2,661,776
New Hampshire	874,593	944,416	1,018,792	1,097,965	1,180,072
New Jersey	26,603,244	25,778,466	24,894,424	23,941,107	23,371,098
New Mexico	262,415	541,933	840,157	1,158,689	1,496,462
New York	181,110,172	181,110,172	181,110,172	181,110,172	181,110,172
North Carolina	4,231,953	4,777,705	5,359,427	5,979,533	6,628,598
North Dakota	1,894,204	1,809,568	1,718,974	1,621,558	1,513,748
Ohio	5,454,820	7,485,066	9,650,653	11,962,541	14,405,967
Oklahoma	3,100,950	3,100,950	3,100,950	3,100,950	3,100,950
Oregon	4,547,475	4,685,640	4,832,393	4,987,677	5,142,250
Pennsylvania	4,892,701	6,810,403	8,855,980	11,039,837	13,348,542
Puerto Rico	310,979	479,448	659,167	851,075	1,054,226
Rhode Island	5,588,669	5,468,757	5,339,973	5,200,529	5,039,640
South Carolina	662,434	906,302	1,166,426	1,444,121	1,737,600
South Dakota	889,708	879,879	869,260	857,619	843,222
Tennessee	6,923,370	6,910,150	6,895,015	6,876,551	6,841,128
Texas	3,407,585	4,473,225	5,609,821	6,823,021	8,104,005
Utah	411,929	575,151	749,258	935,136	1,131,650
Vermont	1,037,848	1,118,787	1,205,001	1,296,767	1,391,878
Virgin Islands	7,624	15,745	24,410	33,664	43,478
Virginia	547,303	1,086,654	1,662,094	2,276,707	2,928,352
Washington	5,108,219	6,219,234	7,403,995	8,668,092	9,999,258
West Virginia	1,134,085	1,348,388	1,576,893	1,820,651	2,077,001
Wisconsin	2,943,386	3,816,725	4,748,192	5,742,390	6,791,789
Wyoming	1,483,575	1,428,606	1,369,730	1,306,335	1,235,605
TOTAL	$500,416,576	$523,620,671	$548,333,860	$574,632,477	$602,350,500

94 CBSE, 91-hold harmless

	FY 2000 (40/60)	FY 2001 (30/70)	FY 2002 (20/80)	FY 2003 (10/90)	FY 2004 (0/100)
Alabama	$2,221,490	$2,362,398	$2,515,743	$2,673,866	$2,836,766
Alaska	1,726,874	2,080,684	2,461,291	2,862,740	3,285,030
Arizona	6,693,996	6,990,577	7,315,661	7,646,164	7,982,088
Arkansas	1,614,821	1,652,381	1,694,433	1,735,410	1,775,312
California	126,388,336	137,238,959	148,995,910	161,223,368	173,921,332
Colorado	3,959,893	4,168,919	4,397,159	4,630,960	4,870,322
Connecticut	25,505,020	22,350,821	19,004,824	15,379,082	11,473,594
Delaware	746,970	845,545	951,891	1,063,433	1,180,171
D.C.	3,880,498	3,762,575	3,640,852	3,501,946	3,345,860
Florida	15,643,763	17,524,090	19,554,271	21,680,363	23,902,364
Georgia	10,471,174	11,014,134	11,607,222	12,214,328	12,835,453
Guam	144,104	173,629	205,390	238,890	274,130
Hawaii	2,780,515	3,117,033	3,480,348	3,860,872	4,258,605
Idaho	738,235	763,582	791,556	819,612	847,749
Illinois	17,526,284	19,508,237	21,649,336	23,889,148	26,227,671
Indiana	8,379,177	8,000,995	7,605,945	7,165,131	6,678,554
Iowa	2,981,523	3,406,990	3,865,721	4,347,437	4,852,137
Kansas	2,905,177	3,096,079	3,303,712	3,518,057	3,739,114
Kentucky	3,376,830	4,026,794	4,726,218	5,463,459	6,238,518
Louisiana	2,761,702	3,327,534	3,936,219	4,578,236	5,253,583
Maine	2,027,367	2,357,479	2,713,073	3,087,156	3,479,728
Maryland	7,313,060	7,791,366	8,311,629	8,848,632	9,402,375
Massachusetts	25,390,131	24,705,382	24,001,854	23,191,994	23,106,377
Michigan	23,901,630	26,509,985	29,328,749	32,275,502	35,350,244
Minnesota	9,594,219	10,011,974	10,470,066	10,935,412	11,408,013
Mississippi	1,356,516	1,634,446	1,933,426	2,248,777	2,580,500
Missouri	6,114,112	6,642,787	7,215,572	7,811,381	8,430,216
Montana	849,654	988,121	1,137,276	1,294,188	1,458,857
Nebraska	1,353,266	1,489,121	1,636,060	1,789,416	1,949,189
Nevada	2,434,573	2,181,504	1,913,493	1,622,146	1,307,462
New Hampshire	1,269,490	1,359,899	1,458,109	1,559,741	1,664,797
New Jersey	23,371,098	23,371,098	23,371,098	23,371,098	23,371,098
New Mexico	1,859,889	2,240,952	2,650,876	3,083,247	3,538,064
New York	181,110,172	181,110,172	181,110,172	181,110,172	181,110,172
North Carolina	7,331,905	8,053,943	8,835,051	9,649,944	10,498,624
North Dakota	1,400,375	1,273,330	1,138,988	992,522	833,931
Ohio	17,039,688	19,786,530	22,745,590	25,858,112	29,124,094
Oklahoma	3,319,859	3,727,076	4,166,669	4,627,189	5,108,636
Oregon	5,314,436	5,476,688	5,656,436	5,835,354	6,013,441
Pennsylvania	15,836,703	18,432,811	21,229,183	24,171,210	27,258,892
Puerto Rico	1,273,009	1,501,777	1,748,051	2,007,442	2,279,949
Rhode Island	4,874,112	4,676,948	4,471,571	4,241,174	3,985,757
South Carolina	2,053,944	2,383,846	2,739,244	3,113,056	3,505,282
South Dakota	828,926	810,216	791,147	768,863	743,363
Tennessee	6,812,238	6,753,231	6,697,930	6,622,844	6,527,974
Texas	9,485,478	10,924,028	12,474,366	14,103,783	15,812,279
Utah	1,343,434	1,564,424	1,802,456	2,052,898	2,315,749
Vermont	1,495,493	1,600,153	1,713,874	1,831,498	1,953,026
Virgin Islands	54,037	65,108	77,018	89,580	102,794
Virginia	3,629,543	4,364,593	5,155,361	5,989,332	6,866,505
Washington	11,436,930	12,927,542	14,535,839	16,222,383	17,987,174
West Virginia	2,354,062	2,640,706	2,950,159	3,274,303	3,613,138
Wisconsin	7,923,713	9,101,777	10,371,567	11,705,758	13,104,351
Wyoming	1,161,545	1,077,534	988,970	891,848	786,167
TOTAL	$633,360,989	$664,948,503	$699,244,624	$734,770,454	$772,356,569

1994 BASE; 1991 HOLD HARMLESS

	1995	1996	1997	1998	1999	5-YEAR TOTAL	10-YEAR TOTAL
ACF BASELINE	$644	$740	$850	$910	$975	$4,119	$9,925
SCENARIO COSTS	500	524	548	575	602	2,749	6,254
SAVINGS	(144)	(217)	(301)	(335)	(373)	(1,369)	(3,671)
CBO BASELINE	$525	$598	$682	$729	$778	$3,312	N.A.
SCENARIO COSTS	500	524	548	575	602	2,749	N.A
SAVINGS	(25)	(74)	(134)	(154)	(176)	(563)	N.A.

4 JUNE 1994; 1994 BASE; 1991 HOLD HARMLESS

HOLD HARMLESS VALUE	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Alabama	0	0	0	0	0	0	0	0	0	0
Alaska	0	0	0	0	0	0	0	0	0	0
Arizona	0	0	0	0	0	0	0	0	0	0
Arkansas	0	0	0	0	0	0	0	0	0	0
California	0	0	0	0	0	0	0	0	0	0
Colorado	0	0	0	0	0	0	0	0	0	0
Connecticut	0	0	0	0	0	0	0	0	0	0
Delaware	0	0	0	0	0	0	0	0	0	0
D.C.	0	0	0	0	0	0	0	0	0	0
Florida	0	0	0	0	0	0	0	0	0	0
Georgia	0	0	0	0	0	0	0	0	0	0
Guam	0	0	0	0	0	0	0	0	0	0
Hawaii	0	0	0	0	0	0	0	0	0	0
Idaho	0	0	0	0	0	0	0	0	0	0
Illinois	0	0	0	0	0	0	0	0	0	0
Indiana	0	0	0	0	0	0	0	0	0	0
Iowa	0	0	0	0	0	0	0	0	0	0
Kansas	0	0	0	0	0	0	0	0	0	0
Kentucky	0	0	0	0	0	0	0	0	0	0
Louisiana	0	0	0	0	0	0	0	0	0	0
Maine	0	0	0	0	0	0	0	0	0	0
Maryland	0	0	0	0	0	0	0	0	0	0
Massachusetts	0	0	0	0	0	0	0	0	0	830,575
Michigan	0	0	0	0	0	0	0	0	0	0
Minnesota	0	0	0	0	0	0	0	0	0	0
Mississippi	0	0	0	0	0	0	0	0	0	0
Missouri	0	0	0	0	0	0	0	0	0	0
Montana	0	0	0	0	0	0	0	0	0	0
Nebraska	0	0	0	0	0	0	0	0	0	0
Nevada	0	0	0	0	0	0	0	0	0	0
New Hampshire	0	0	0	0	0	0	0	0	0	0
New Jersey	0	0	0	0	503,428	1,621,987	2,906,175	4,259,506	5,750,976	7,382,586
New Mexico	0	0	0	0	0	0	0	0	0	0
New York	7,902,806	15,411,244	23,448,951	32,093,753	41,672,472	51,739,001	63,040,326	74,985,118	88,019,478	102,143,408
North Carolina	0	0	0	0	0	0	0	0	0	0
North Dakota	0	0	0	0	0	0	0	0	0	0
Ohio	0	0	0	0	0	0	0	0	0	0
Oklahoma	1,513,770	1,209,427	884,909	538,724	174,600	0	0	0	0	0
Oregon	0	0	0	0	0	0	0	0	0	0
Pennsylvania	0	0	0	0	0	0	0	0	0	0
Puerto Rico	0	0	0	0	0	0	0	0	0	0
Rhode Island	0	0	0	0	0	0	0	0	0	0
South Carolina	0	0	0	0	0	0	0	0	0	0
South Dakota	0	0	0	0	0	0	0	0	0	0
Tennessee	0	0	0	0	0	0	0	0	0	0
Texas	0	0	0	0	0	0	0	0	0	0
Utah	0	0	0	0	0	0	0	0	0	0
Vermont	0	0	0	0	0	0	0	0	0	0
Virgin Islands	0	0	0	0	0	0	0	0	0	0
Virginia	0	0	0	0	0	0	0	0	0	0
Washington	0	0	0	0	0	0	0	0	0	0
West Virginia	0	0	0	0	0	0	0	0	0	0
Wisconsin	0	0	0	0	0	0	0	0	0	0
Wyoming	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
TOTAL	9,416,576	16,620,671	24,333,860	32,632,477	42,350,500	53,360,988	65,948,503	79,244,624	93,770,454	110,356,569

AMOUNTS
ADDED BY
HOLD HARMLESS
PROVISION
(to 1991)

1994 BASE; 1994 HOLD HARMLESS (6/4/94)

	1995	1996	1997	1998	1999
Alabama	1,580,558	1,669,715	1,764,443	1,864,744	1,965,045
Alaska	93,288	196,533	306,230	422,381	538,531
Arizona	5,357,675	5,608,543	5,875,090	6,157,316	6,439,543
Arkansas	1,450,415	1,506,211	1,565,494	1,628,265	1,691,036
California	76,752,007	82,218,156	88,025,939	94,175,357	100,324,774
Colorado	3,013,307	3,166,376	3,329,011	3,501,213	3,673,416
Connecticut	40,000,000	40,000,000	40,000,000	40,000,000	40,000,000
Delaware	293,514	330,606	370,016	411,743	453,471
D.C.	4,358,000	4,358,000	4,358,000	4,358,000	4,358,000
Florida	7,002,778	7,754,002	8,552,177	9,397,304	10,242,431
Georgia	8,013,500	8,416,904	8,845,520	9,299,350	9,753,179
Guam	7,765	16,400	25,554	35,247	44,939
Hawaii	1,233,938	1,367,779	1,509,987	1,660,560	1,811,134
Idaho	625,074	651,718	680,027	710,001	739,976
Illinois	8,424,812	9,249,118	10,124,942	11,052,286	11,979,630
Indiana	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Iowa	1,022,791	1,175,288	1,337,316	1,508,875	1,680,434
Kansas	2,036,183	2,153,699	2,278,560	2,410,766	2,542,971
Kentucky	377,161	573,231	781,554	1,002,133	1,222,711
Louisiana	149,191	314,305	489,739	675,492	861,246
Maine	505,817	615,181	731,380	854,415	977,449
Maryland	5,136,008	5,431,514	5,745,489	6,077,933	6,410,377
Massachusetts	28,100,000	28,100,000	28,100,000	28,100,000	28,100,000
Michigan	11,928,874	13,039,892	14,220,348	15,470,243	16,720,138
Minnesota	7,712,964	8,071,505	8,452,455	8,855,813	9,259,171
Mississippi	73,281	154,363	240,554	331,794	423,034
Missouri	3,695,401	3,960,353	4,241,864	4,539,935	4,838,007
Montana	211,429	257,279	305,995	357,576	409,157
Nebraska	730,353	791,614	856,703	925,622	994,540
Nevada	3,589,000	3,589,000	3,589,000	3,589,000	3,589,000
New Hampshir	857,277	909,599	965,192	1,024,055	1,082,916
New Jersey	27,410,000	27,410,000	27,410,000	27,410,000	27,410,000
New Mexico	100,474	211,671	329,818	454,915	580,012
New York	180,470,000	180,470,000	180,470,000	180,470,000	180,470,000
North Carolina	4,022,139	4,352,099	4,702,661	5,073,886	5,445,091
North Dakota	1,976,000	1,976,000	1,976,000	1,976,000	1,976,000
Ohio	4,380,064	5,295,401	6,267,947	7,297,701	8,327,455
Oklahoma	1,448,075	1,606,633	1,779,227	1,959,855	2,140,484
Oregon	4,593,769	4,782,765	4,983,573	5,196,193	5,408,813
Pennsylvania	3,870,096	4,726,812	5,637,073	6,600,878	7,564,683
Puerto Rico	217,746	289,402	365,537	446,150	526,763
Rhode Island	5,708,000	5,708,000	5,708,000	5,708,000	5,708,000
South Carolin	533,543	643,710	760,762	884,700	1,008,638
South Dakota	900,000	900,000	900,000	900,000	900,000
Tennessee	6,944,000	6,944,000	6,944,000	6,944,000	6,944,000
Texas	2,859,036	3,355,998	3,884,020	4,443,102	5,002,184
Utah	324,762	397,544	474,874	556,753	638,632
Vermont	1,018,462	1,079,843	1,145,061	1,214,115	1,283,169
Virgin Islands	2,919	6,150	9,582	13,217	16,852
Virginia	235,995	451,801	681,095	923,877	1,166,660
Washington	4,580,799	5,146,115	5,746,764	6,382,744	7,018,725
West Virginia	1,036,606	1,150,162	1,270,817	1,398,568	1,526,319
Wisconsin	2,498,137	2,909,991	3,347,587	3,810,924	4,274,260
Wyoming	1,537,000	1,537,000	1,537,000	1,537,000	1,537,000
TOTAL	491,000,000	507,000,000	524,000,000	542,000,000	560,000,000

1994 BASE; 1994 HOLD HARMLESS (6/4/94)

	2000	2001	2002	2003	2004
Alabama	2,076,490	2,182,363	2,299,381	2,416,399	2,533,416
Alaska	667,587	790,190	925,699	1,061,208	1,196,716
Arizona	6,753,128	7,051,033	7,380,297	7,709,561	8,038,826
Arkansas	1,760,781	1,827,038	1,900,271	1,973,503	2,046,735
California	107,157,461	113,648,512	120,822,833	127,997,153	135,171,474
Colorado	3,864,752	4,046,521	4,247,423	4,448,326	4,649,228
Connecticut	40,000,000	40,000,000	40,000,000	40,000,000	40,000,000
Delaware	499,836	543,882	592,564	641,247	689,929
D.C.	4,358,000	4,358,000	4,358,000	4,358,000	4,358,000
Florida	11,181,461	12,073,540	13,059,521	14,045,503	15,031,485
Georgia	10,257,433	10,736,475	11,265,942	11,795,410	12,324,877
Guam	55,709	65,940	77,248	88,556	99,864
Hawaii	1,976,438	2,137,376	2,313,045	2,488,715	2,664,384
Idaho	773,280	804,920	839,890	874,860	909,830
Illinois	13,010,013	13,988,876	15,070,777	16,152,676	17,234,580
Indiana	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Iowa	1,871,056	2,052,146	2,252,299	2,452,451	2,652,604
Kansas	2,689,866	2,829,417	2,983,657	3,137,896	3,292,136
Kentucky	1,467,798	1,700,630	1,957,971	2,215,313	2,472,654
Louisiana	1,067,838	1,263,711	1,480,424	1,697,136	1,913,846
Maine	1,114,154	1,244,023	1,387,563	1,531,104	1,674,644
Maryland	6,779,760	7,130,673	7,518,524	7,906,376	8,294,227
Massachusetts	28,100,000	28,100,000	28,100,000	28,100,000	28,100,000
Michigan	18,108,911	19,428,244	20,886,455	22,344,666	23,802,677
Minnesota	9,707,347	10,133,115	10,603,700	11,074,284	11,544,869
Mississippi	524,412	620,720	727,167	833,614	940,060
Missouri	5,169,197	5,483,827	5,831,577	6,179,326	6,527,076
Montana	466,470	520,917	581,096	641,274	701,453
Nebraska	1,071,116	1,143,863	1,224,268	1,304,673	1,385,078
Nevada	3,589,000	3,589,000	3,589,000	3,589,000	3,589,000
New Hampshir	1,148,322	1,210,455	1,279,128	1,347,802	1,416,475
New Jersey	27,410,000	27,410,000	27,410,000	27,410,000	27,410,000
New Mexico	719,009	851,056	997,002	1,142,949	1,288,895
New York	180,470,000	180,470,000	180,470,000	180,470,000	180,470,000
North Carolina	5,857,540	6,249,368	6,682,440	7,115,512	7,548,584
North Dakota	1,976,000	1,976,000	1,976,000	1,976,000	1,976,000
Ohio	9,471,626	10,558,589	11,759,969	12,961,349	14,162,729
Oklahoma	2,341,182	2,531,845	2,742,578	2,953,312	3,164,045
Oregon	5,645,057	5,869,490	6,117,546	6,365,603	6,613,660
Pennsylvania	8,635,578	9,652,928	10,777,368	11,901,807	13,026,247
Puerto Rico	616,333	701,425	795,474	889,523	983,571
Rhode Island	5,708,000	5,708,000	5,708,000	5,708,000	5,708,000
South Carolin	1,146,347	1,277,170	1,421,764	1,566,358	1,710,953
South Dakota	900,000	900,000	900,000	900,000	900,000
Tennessee	6,944,000	6,944,000	6,944,000	6,944,000	6,944,000
Texas	5,623,386	6,213,529	6,865,791	7,518,054	8,170,316
Utah	729,609	816,037	911,562	1,007,088	1,102,613
Vermont	1,359,896	1,432,786	1,513,349	1,593,912	1,674,475
Virgin Islands	20,890	24,726	28,967	33,207	37,447
Virginia	1,436,418	1,692,688	1,975,934	2,259,180	2,542,426
Washington	7,725,371	8,396,684	9,138,682	9,880,839	10,622,617
West Virginia	1,668,265	1,803,114	1,952,158	2,101,201	2,250,244
Wisconsin	4,789,079	5,278,156	5,818,716	6,359,275	6,899,835
Wyoming	1,537,000	1,537,000	1,537,000	1,537,000	1,537,000
TOTAL	580,000,000	599,000,000	620,000,000	641,000,000	662,000,000

THIS FORM MARKS THE FILE LOCATION OF ITEM NUMBER 1
LISTED IN THE WITHDRAWAL SHEET AT THE FRONT OF THIS FOLDER.

MEMORANDUM

TO: MACK MCLARTY

FROM: KEITH MASON

DATE: APRIL 19, 1994

SUBJECT: GOVERNOR MILLER (D-NV) / GAMBLING TAX

Since you met with Governor Bob Miller (D-NV) on the gaming tax issue when he was in Washington last month, I wanted to make you aware that he is seeking support for the attached letter from governors expressing opposition to a federal gaming excise tax as a funding source for welfare reform. You should also know that he is personally calling governors to ask them to sign this letter.

In the letter, Governor Miller offers several reasons why he opposes taxing gambling establishments to fund welfare reform: 1) taxing would set a new precedent whereby the federal government intrudes into an area that has historically been left to the States; 2) the federal government would be relying on one industry to finance the overhaul of the entire welfare system though there is no correlation between the two; 3) taxing gambling establishments would decrease state revenues that are depended upon to pay for unfunded federal mandates.

At this time, it is unclear as to how many governors will sign this letter. Please let Marcia or I know if you have any particular thoughts on this matter. Thank you.

cc: Marcia Hale
Carol Rasco
Bruce Reed
Rahm Emanuel

Attachment

STATE OF NEVADA
EXECUTIVE CHAMBER
Capitol Complex
Carson City, Nevada 89710

BOB MILLER
Governor

TELEPHONE
(702) 687-5670
Fax: (702) 687-4486

<<FOR IMMEDIATE ATTENTION...FOR IMMEDIATE ATTENTION>>

VIA FAX

RECEIVED
APR 1 3 1994
GOVERNOR'S OFFICE

TO: ALL GOVERNORS
FR: GOVERNOR BOB MILLER
DT: APRIL 12, 1994
RE: LETTER TO PRESIDENT re: FEDERAL GAMING TAX

Pursuant to our conversation, I appreciate your support in opposing a federal gaming tax to fund welfare reform. Attached is a letter to President Clinton for your review and signature. I believe it is imperative that we act promptly if we are to defeat this proposal.

If you would like to discuss this further, please call me directly or have your staff contact any of the following people on my staff at 702/687-5670,

Chief of Staff - Patty Becker
Legal Counsel - Margaret Springgate
Executive Assistant - Nicole Lamboley

Your immediate response is greatly appreciated. Time is of the essence.

Dear Mr. President:

We, the undersigned, firmly oppose the imposition of a federal gaming excise tax as a funding source for welfare reform.

The regulation, legality, and taxation of gaming has always been left to each individual state. The federal government should not intrude in an area that historically and constitutionally has been delegated to the States. We oppose federal intervention into an issue which affects the policing powers of each state. Of equal concern is the government's reliance on one industry to finance the overhaul of the United States' welfare system when there is no correlation between the industry and the problem. In effect, this proposal would set a precedent which would allow the federal government to target a specific industry as a primary financier of an unrelated federal program. We believe that this constitutes bad public policy.

In addition, you are well aware of our opposition to unfunded federal mandates. Many of the past unfunded mandates have been in the area of welfare reform. Recently, additional forms of gaming have been legalized in numerous states. It is clear that one reason legalized gaming is expanding is that it generates revenue for States -- revenue we have relied upon and utilized, in part, to pay for past unfunded federal mandates. The imposition of a federal tax on gaming only directs a revenue stream or potential revenue source from the States.

We assure you that we are committed to reforming the welfare system; however, we are unified in our position that targeting a new tax on a single industry, not associated with the problem and the regulation of which has been delegated to the States, is <u>not</u> the solution.

Sincerely,

Bruce Reed

WR - $ Financing

April 22, 1994

MEMORANDUM FOR BRUCE REED

From: Steve Hilton
Chris Lin
Subject: Annuity Insurance

At your request, we are forwarding the information that received on annuity insurance (see attached) after the N.Y. Times article. Apparently, in 1992, when Bush proposed this in 1992, there was a political firestorm with a groundswell of opposition from both on and off the Hill -- "the switchboards lit up." One individual who strongly opposed, was then-Senator Bentsen, who argued that this was a middle class product which would negatively impact retirees and discourage long-term savings.

The Gallup Organization
PRINCETON, NEW JERSEY

Insurance Research Group
300 South 68th Street Place
Lincoln, Nebraska 68510
(402) 489-8700
Fax (402) 486-6402

COMMITTEE OF ANNUITY INSURERS

Survey of Non-Qualified Annuity Owners

JANUARY 1994

TABLE OF CONTENTS

INTRODUCTION

In October 1993, The Gallup Organization surveyed 1,155 owners of non-qualified annuities for the Committee of Annuity Insurers, a diverse group of life insurance companies which sell annuities. The results of the survey are presented in this report (the "1993 Survey"). Mathew Greenwald & Associates, Inc. consulted with the Committee on this project. This is the second time this survey has been conducted. In February, 1992, 1,007 non-qualified annuity owners were interviewed by Gallup (the "1992 Survey"). Findings from the two surveys are compared in this report where applicable.

The principal purpose of the surveys was to obtain a profile of the demographic characteristics of owners of non-qualified annuities. Questions on owners' opinions on saving for retirement, sources of funds for purchasing annuities and reasons for purchasing annuities were also included. The questionnaire used in the 1993 survey was developed by Greenwald & Associates, The Gallup Organization and the Committee of Annuity Insurers, and it contains many of the same questions asked in the 1992 Survey.

To ensure that only owners of non-qualified annuities were interviewed in this survey, 32 life insurance companies provided the names of individuals who currently own non-qualified annuities (i.e., annuities purchased with after-tax dollars). The companies used specific sampling procedures, developed by The Gallup Organization and Greenwald & Associates, to ensure that a representative sample of non-qualified policyholders was identified. The 32 companies are geographically diverse, represent a mix of large and small companies, and account for over 3.2 million currently in force non-qualified annuities. They also represent a mix of the main systems for distributing annuities.

The people interviewed were selected at random by The Gallup Organization from the files of the 32 companies. It is The Gallup Organization's view (based on the sampling procedures used and other research that Gallup has conducted in this area) that the results of this survey represent the characteristics of non-qualified annuity owners, with a sampling error of plus or minus three percent, at the 95% confidence level.

1993 SURVEY SUMMARY

Demographic Profile

- Most non-qualified annuity owners have moderate annual household incomes. More than 80% have total annual household incomes under $75,000.
- The average age of non-qualified annuity owners is 63. They are evenly divided between males and females.
- Slightly more than half of the owners are retired, while roughly three in ten are employed full-time.
- More than one-third of non-qualified annuity owners did not attend college. Two in five are college graduates.
- Almost two-thirds of non-qualified annuity owners are married, while two in ten are widowed.

Saving For Retirement

- Only eleven percent of non-qualified annuity owners believe that people in the United States save enough money for retirement. Seventy-nine percent believe that the government should give tax incentives to encourage people to save.

Preparing Financially For Retirement

- Most non-qualified annuity owners believe they have done a very good job of saving for retirement. However, many also are concerned that they might run out of money during retirement, that inflation may affect their standard of living, and that the costs of catastrophic illness or nursing home care might bankrupt them.

Reasons For Purchasing An Annuity

- Many owners purchased an annuity to cover the expense of unpredictable events such as catastrophic illness or the need for nursing home care.

Uses Of Annuity Savings

- Owners are most likely to say they will use their annuity savings for retirement.

Attributes Of Annuities

- Nearly all non-qualified annuity owners agree that keeping the current tax treatment of annuities is a good way to encourage long term savings and that annuities are an effective way to save for retirement.

PROFILE OF NON-QUALIFIED ANNUITY OWNERS

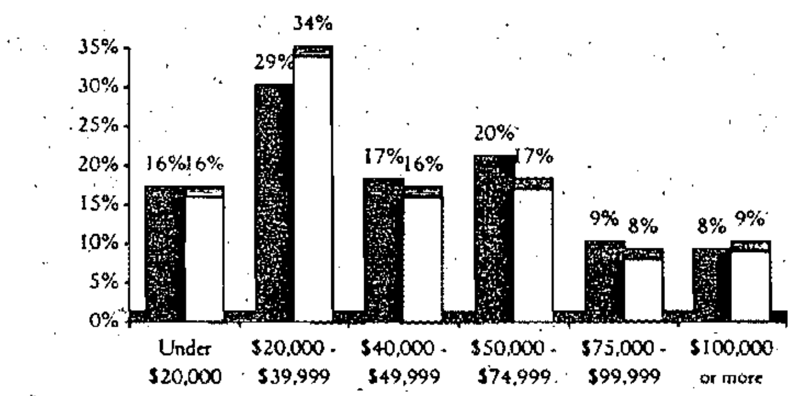
Typical Non-Qualified Annuity Owner

The typical non-qualified annuity owner is a high school graduate, has a moderate annual household income, and is as likely to be male as female. The average age of non-qualified annuity owners is 63.

Income

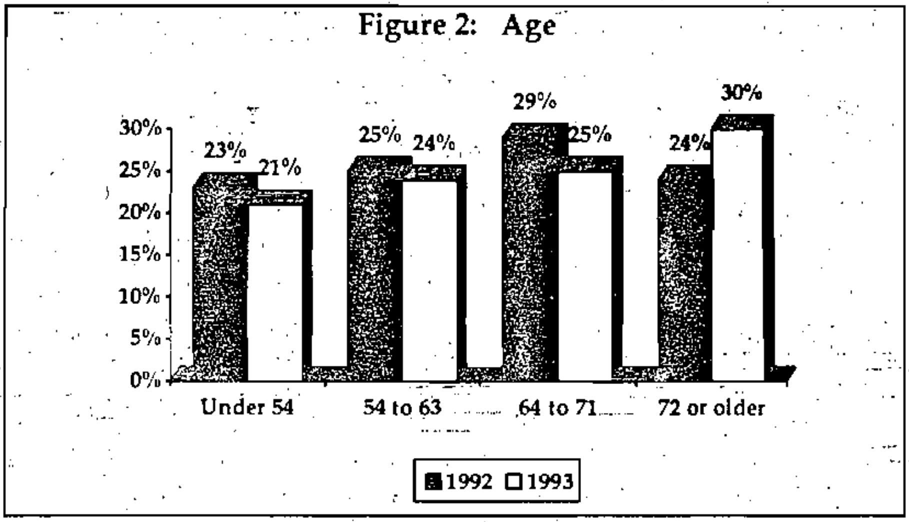
Over 80% of non-qualified annuity owners have household incomes under $75,000. Two-thirds have annual household incomes below $50,000 (66%). Half have household incomes below $40,000 (50%) and 16% have annual household incomes of less than $20,000. Just nine percent have annual household incomes of $100,000 or more. As shown in Figure 1, these findings are consistent with the findings of the 1992 Survey.

Figure I: Annual Household Income



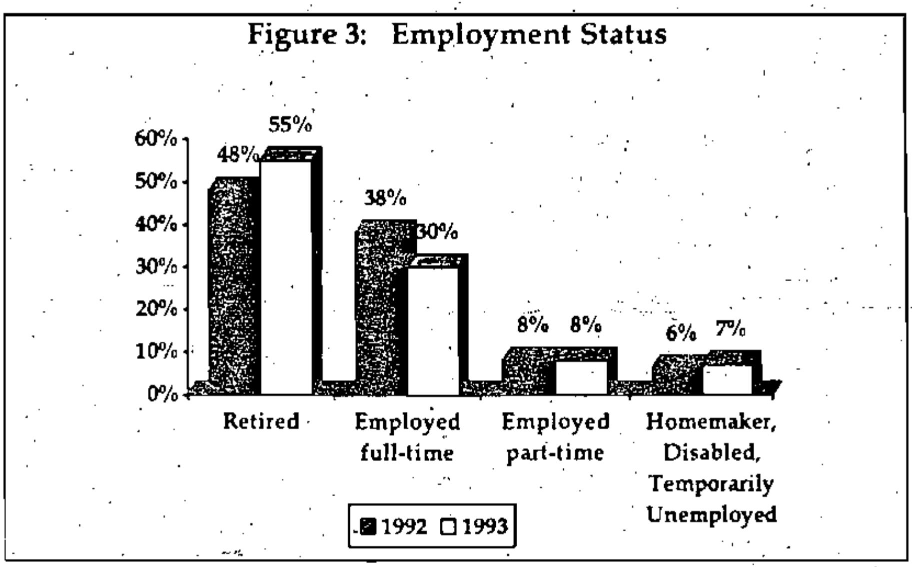
Age

The average age of non-qualified annuity owners is 63. Approximately one-quarter are under age 54 (21%), between 54 and 63 (24%), 64 to 71 (25%), or 72 or older (30%).



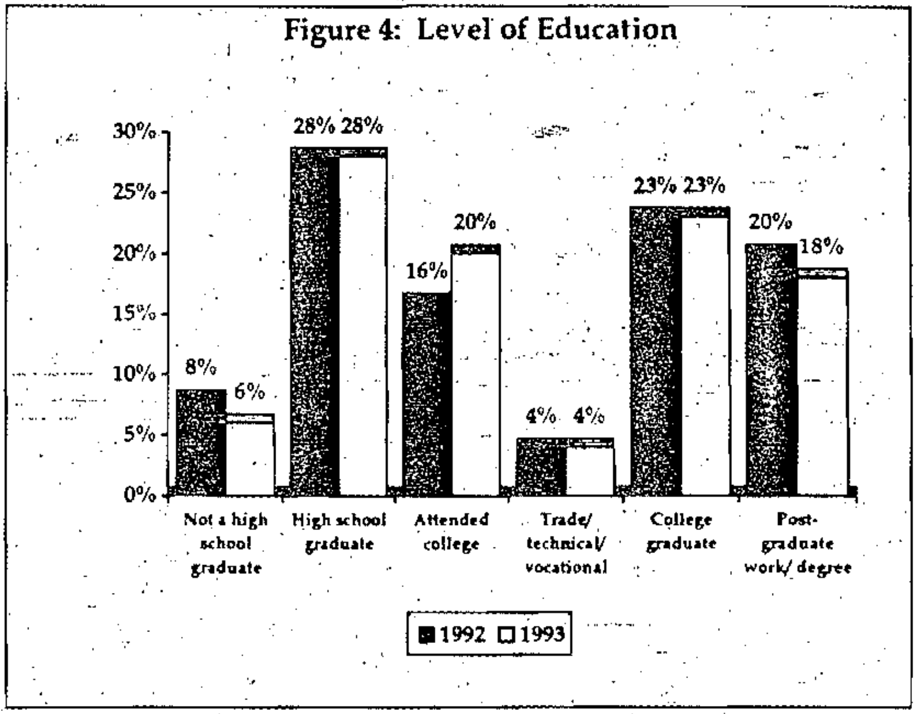
Employment Status

Slightly more than half of non-qualified annuity owners are retired (55%)--up from 48% in the 1992 Survey. Three in ten are employed full-time (30%), while another eight percent are employed part-time.



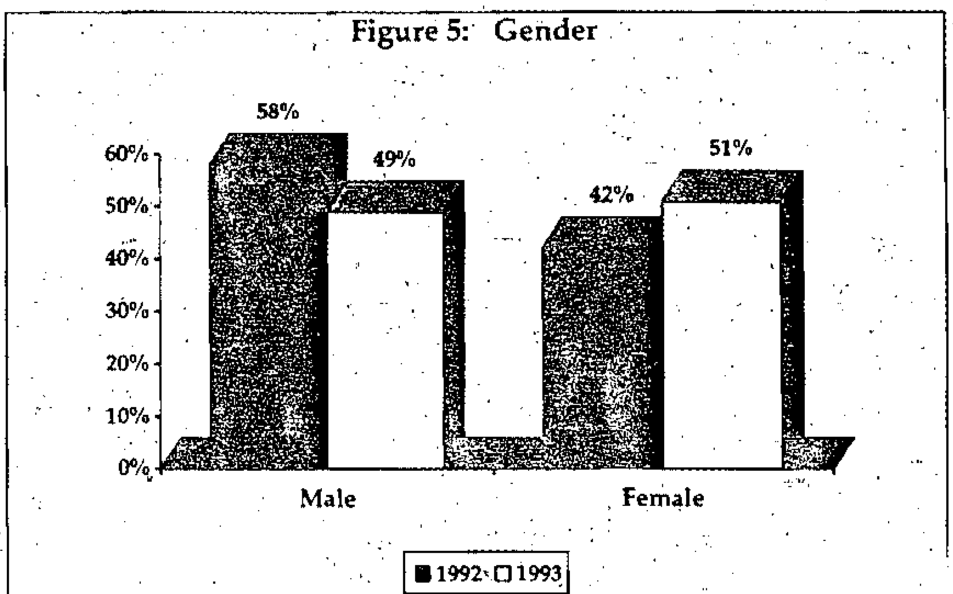
Education

Non-qualified annuity owners have diverse educational backgrounds. Three in five are not college graduates. These findings are similar to the findings of the 1992 Survey.



Gender

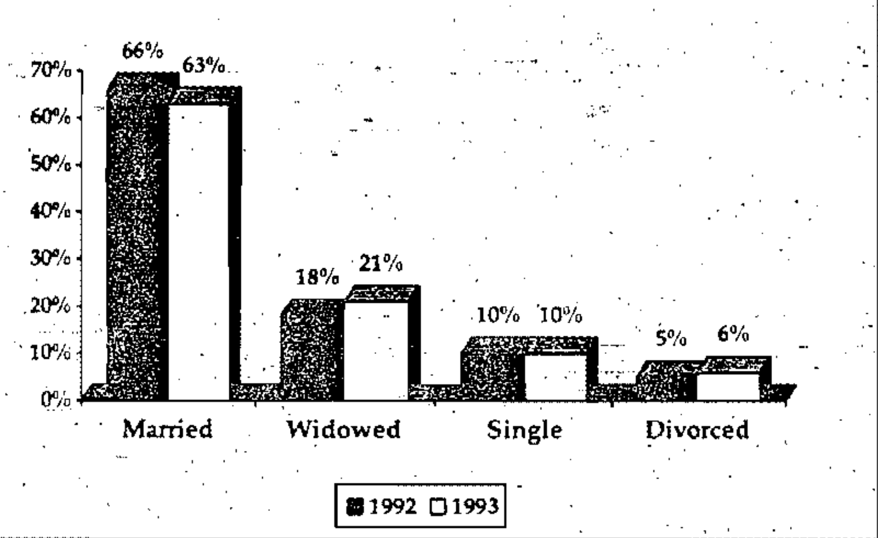
Non-qualified annuity owners are nearly equally divided between females (51%) and males (49%).



Marital Status

A large majority of non-qualified annuity owners are married (63%). One owner in five is widowed (21%), while only one in ten (10%) is single.

Figure 6: Marital Status



SURVEY FINDINGS

Saving For Retirement

Only eleven percent of non-qualified annuity owners believe that people in the United States save enough money for retirement. This proportion is similar to that found in the 1992 Survey (8%). Of note, as age increases, so does the proportion of respondents who indicate they think people save enough money for retirement.

A very large majority of non-qualified annuity owners believe the government should give tax incentives to encourage people to save (79%).

Preparing Financially For Retirement

While most non-qualified annuity owners are confident that they have done a very good job of preparing financially for retirement, many are concerned about inflation and running out of money during retirement. They are also concerned about their ability to cover the costs of a catastrophic illness or nursing home care. As shown in Table 1, 87% of non-qualified annuity owners believe the statement "you have done a very good job of preparing financially for retirement" describes them "very" well or "somewhat" well. However, nearly that many also feel the statement "you are concerned that inflation will reduce your standard of living in retirement" describes them "very" well or "somewhat" well (79%).

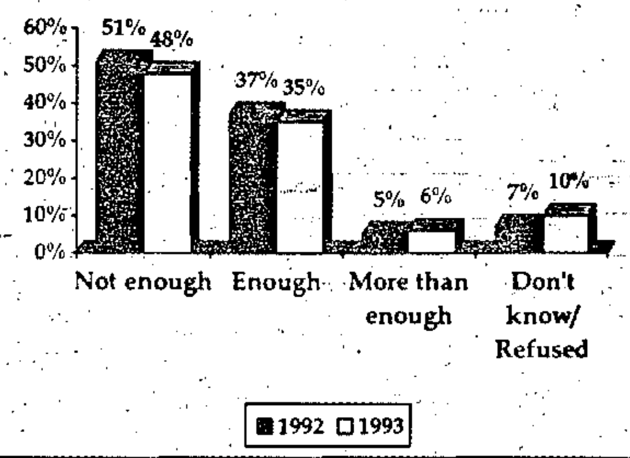
Nearly two-thirds of non-qualified annuity owners express concern about being able to cover the costs of catastrophic illness or the need for nursing home care (63%) and over half (53%) are concerned about running out of money during retirement.

Table 1:
Agreement With Various Statements About Preparedness For Retirement

	1992	1993
	(Percentage)	
They have done a very good job of saving for retirement	84	87
They are concerned that inflation will reduce their standard of living in retirement	78	79
They are concerned that a catastrophic illness or the need for nursing home care might bankrupt them during retirement	66	63
They are concerned that they might run out of money during retirement	52	53

As shown in Figure 7, half of non-qualified annuity owners (48%) do not feel that the money they will receive from pensions and other employment related retirement programs will be enough to take care of their financial needs in retirement. One-third believe it will be enough (35%), while just six percent say it will be more than enough.

Figure 7: Whether Money From Pension and Retirement Plans Will Cover Retirement Expenses



Uses of Annuity Savings

Non-qualified annuity owners were asked about the amount of savings they have accumulated in their annuities and the intended uses of these savings. Nearly half of non-qualified annuity owners report that the current value of all the annuities that they or their spouse own is between $25,000 and $100,000 (43%). One-quarter say the value is under $25,000 (26%), while a similar number say it is over $100,000 (20%). These percentages are nearly identical to those found in the 1992 Survey.

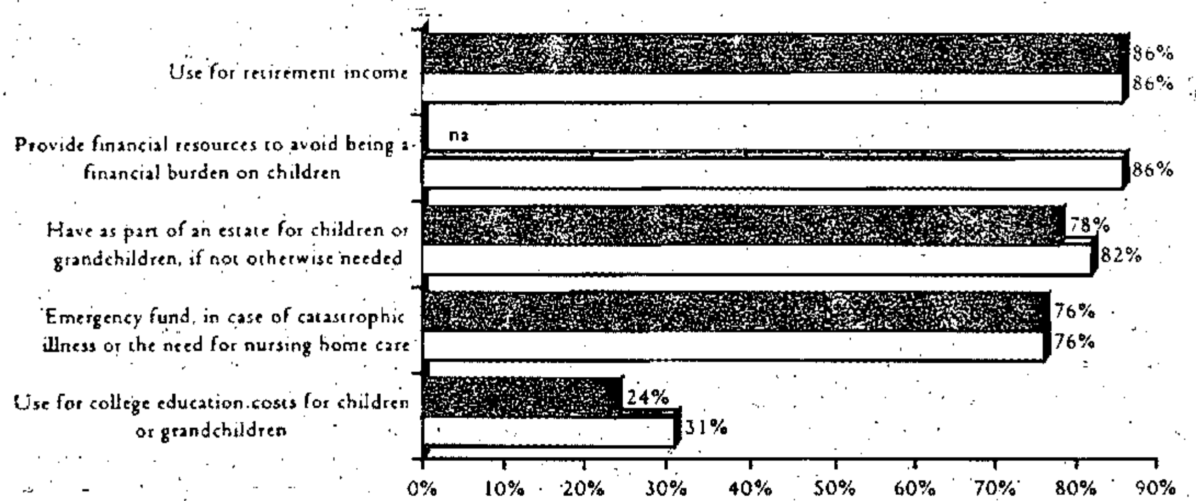
In an open-ended question, non-qualified annuity owners were asked to name the primary uses they intend to make of their annuity savings. Of the many uses given, owners are most likely to say they intend to use the savings for retirement income (53%) and/or to pay for daily living expenses (12%). (Of course, for non-qualified annuity owners who are retired, living expenses are retirement expenses.)

Non-qualified annuity owners were also asked in a separate question if they intended to use their annuity savings in any of five specific ways. As shown in Figure 8, nearly nine in ten plan on using annuity savings for either of two aspects of retirement: for retirement income (86%) or to avoid being a financial burden on their children (86%). The other leading uses of annuity savings identified were to have as part of an estate to be passed on to children or grandchildren (82%) or to have as an emergency fund, in case of catastrophic illness or the need for nursing home care (76%).

Clearly, older people are concerned about unpredictable events which can have severely adverse financial consequences, such as catastrophic illness and the need for nursing home care. One of the ways they deal with these possibilities is saving through annuities, which build in value until needed. The fact that a high proportion believe that some of their non-qualified annuity savings will be part of their estate is, no doubt, a reflection of the fact that the event they fear may not occur and some of their annuity savings will be left for their heirs.

Age is a factor in some of the ways in which owners intend to use their annuity savings. For example, older respondents are more likely to indicate that they will use their savings in case of catastrophic illness.

Figure 8: Intended Uses Of Annuity Savings



na = Not asked in 1992

Reasons For Purchasing Annuities

The fact that earnings on annuity savings are not taxed until the savings are used is a strong motivation for purchasing a non-qualified annuity. Three-fourths of non-qualified annuity owners say this was a "very" important reason they purchased a non-qualified annuity (75%). As shown in Table 2, large proportions also indicate that "very" important reasons for purchasing an annuity were that it is a safe purchase (65%) and that it has a good rate of return (60%). Nearly that many say a "very" important reason for purchasing a non-qualified annuity was that they wanted a long term savings plan (57%).

Roughly half of non-qualified annuity owners report the following reasons as being "very" important in their decision to purchase an annuity: a guaranteed income (49%), a source of funds for emergencies (46%), and an easy way to save (44%). Seven in ten owners say that having a choice of methods of receiving payments from their annuity savings was "very" or "somewhat" important (68%).

Household income also plays some role in determining the reasons owners have purchased annuities. For example, non-qualified annuity owners with lower incomes are more likely to say they purchased an annuity because it is an easy way to save. Additionally, non-qualified annuity owners who did not attend college are more likely to have purchased annuities because they are an easy way to save, they offer choices of methods of receiving income, and for use in emergencies.

Table 2:
Importance Of Various Reasons For Buying An Annuity

	Very Important		Somewhat Important	
	1992	1993	1992	1993
	(Percentage)			
Earnings would not be taxed until the funds were used	77	75	18	18
Was a safe purchase	68	65	27	27
Have a good rate of return	60	60	31	30
Wanted a long term savings plan	59	57	26	26
Could get an income guaranteed for as long as you live	49	49	25	27
Easy way to save	46	44	32	31
Wanted a source of funds that could be used to pay for emergencies, such as catastrophic illness during retirement	46	46	25	28
Have a choice of methods of getting the money	39	37	30	31

Sources Of Funds For Annuities

A typical non-qualified annuity owner uses more than one source of funds for the purchase of his or her annuity. Many owners buy annuities with the proceeds from "one time" events, such as an inheritance (23%), the sale of a home, farm or business (14%), a death benefit from a life insurance policy (15%), a bonus (12%), or a gift from a relative (11%). Overall, about half of the owners say they have used money from at least one of these "one time" events to buy a non-qualified annuity. As shown in Table 3, many owners also indicate that some of their annuity premiums come from their regular savings (66%), current income (55%) and proceeds from an investment (35%).

Age and marital status play a role in determining sources of funds for many annuity owners. Older respondents are more likely to have used money from the sale of a family home, farm, or business, and less likely to have used money from current income. Those not married are <u>more</u> likely to have used money from a death benefit and <u>less</u> likely to say they have used their current income to purchase annuities.

Table 3:
Sources of Funds for Owners' Annuities

	1992	1993
	(Percentage)	
Regular savings	62	66
Current income	57	55
Proceeds from an investment	44	35
An inheritance	20	23
Sale of a family home, farm or business	16	14
Death benefit from a life insurance policy	15	15
Gift from a relative	11	11
A bonus	11	12

Attributes Of Annuities

Nearly all non-qualified annuity owners agree "completely" or agree "somewhat" that "keeping the tax advantage of annuities is a good way of encouraging long term savings" (95%) and that "annuities are an effective way to save for retirement" (95%). (See Table 4.)

Very large proportions of non-qualified annuity owners agree "completely" or agree "somewhat" that annuities "have attractive tax treatment" (89%), "are safe and secure" (88%), "offer a good return" (87%), "are a good source of emergency funds in old age" (85%), "are an important source of retirement security" (83%), and "will prevent them from being a financial burden on their children in their later years" (78%).

Table 4:
Agreement With Various Statements About Attributes Of Annuities

	1992	1993
	(Percentage)	
Keeping the tax advantage of annuities is a good way of encouraging long term savings	96	95
Annuities are an effective way to save for retirement	95	95
Annuities have attractive tax treatment	92	89
Annuities offer a good return	90	87
Annuities are a good source of emergency funds in old age	89	85
Annuities are an important source of retirement security	87	83
Annuities are safe and secure	85	88
Annuities will prevent them from becoming a financial burden on their children in their later years	80	78

DEPARTMENT OF HEALTH & HUMAN SERVICES

A fax message from:
Melissa T. Skolfield
Deputy Assistant Secretary for Public Affairs
Phone: (202) 690-6853 Fax: (202) 690-5673

To: Bruce Reed / Kathy Mays

Fax: 456-7431 Phone:

Date: 2-25-94 Total number of pages sent: 3

Comments:

Bruce & Carol made comments to the welfare finance talking points last nite & this morning. But, I'm faxing them to you again.

Any ?'s - I'm at 690-6889.

Ange Amores

200 Independence Avenue, S.W., Bldg. HHH, Room 647-D, Washington, D.C. 20201

TALKING POINTS 2/25/94
WELFARE FINANCING

(Contact: Melissa Skolfield, HHS)

The Administration is committed to the introduction of a welfare reform plan which will be deficit neutral. That means that new investments in child care, jobs, education and training programs for AFDC recipients will be paid for by other changes that will save or raise money.

We are committed to the letter and the spirit of the 1990 budget law, which requires paying for any new spending increases with offsetting taxes or program reductions.

All discussions are very preliminary, and no decisions have been made. The welfare reform working group appointed by the President has not yet reached any final decisions, although they are working very hard to fulfill the President's pledge to introduce legislation this spring. The Department of Health and Human Services, the Office of Management and Budget, and the Treasury Department are working cooperatively to develop a list of possible financing options.

To pay for the investments in the plan, staff at HHS, OMB and Treasury are exploring a number of entitlement reforms as well as measures that would raise revenue. Because discussions are in a very preliminary phase, there are 40 or more options currently on the table. None of them have been presented to the President; none of them can be ruled in or out at this stage.

The bulk of the financing, however, would come from entitlement reforms. (If asked: Social Security, Medicare and Medicaid are not being considered for cuts. That leaves Supplemental Security Income, AFDC, food stamps, the Earned Income Tax Credit, and some smaller entitlement programs. We have ruled out taxing benefits for the poor.)

Additional savings will come from within the plan itself. For example, money saved by streamlining program administration will be used for job training. And stepped up child support enforcement will mean fewer women go on welfare in the first place.

It is not true that financing is limiting the development of the plan or the way it is phased in. The welfare reform working group is expected to recommend a gradual phase-in of the plan, but that decision is based on capacity issues and discussions with local welfare administrators.

WR - Financing

DEPARTMENT OF HEALTH AND HUMAN SERVICES
ASSISTANT SECRETARY FOR PLANNING AND EVALUATION

DEPARTMENT OF HEALTH & HUMAN SERVICES • USA •

PHONE: (202)690-7858 **FAX:** (202)690-7383

Date:

From: David T. Ellwood / Geri **To:** Bruce Reed

Division: **Division:**

City & State: **City & State:**

Office Number: **Office Number:** 456-6515

Fax Number: **Fax Number:** 456-7431

Number of Pages + cover 9

REMARKS:

MEMORANDUM

To: The Secretary

From: David T. Ellwood

Re: Entitlements

Enclosed are a few materials on overall entitlement levels and growth. A few basic facts:

o Of the projected growth in entitlements between 1985 and 1998, 70% is from health costs.

o In 1993 AFDC, Food Stamsps and SSI accounted for less than 9% of entitlements and less than 5% of the total budget.

o Social Security remains the largest entitlement by far , accounting for over 40% of all entitlements and over 20% of Federal expenditures.

Bruce + Bella

FYI

D.E.

FEDERAL OUTLAYS BY CATEGORIES FOR SELECTED YEARS

[By fiscal year]

	estimated 1960	1970	1980	1985	1990	estimated 1993	projected 1998
	In nominal dollars (billions)						
Defense discretionary	47.0	81.9	134.6	253.1	300.1	294.0	a
International discretionary	4.0	4.0	12.8	17.4	19.1	21.0	a
Domestic discretionary	16.0	42.5	131.9	163.4	189.0	246.0	a
Subtotal, discretionary	67.0	128.4	279.3	433.9	508.2	547.0	556.0
Social Security	11.0	29.6	117.1	186.4	246.5	302.0	391.0
Medicare	0	6.8	34.0	69.7	107.4	143.0	239.0
Medicaid	0	2.7	14.0	22.7	41.1	76.0	139.0
AFDC, SSI, Food Stamps	3.0	4.7	22.2	30.4	39.7	63.0	79.0
Other entitlements and mandatories	12.0	21.1	101.5	123.1	126.3	165.0	179.0
Subtotal, mandatory	26.0	64.9	288.8	432.3	561.0	749.0	1,027.0
Net Interest	7.0	14.4	52.5	129.5	184.2	198.0	253.0
Deposit Insurance	-0.3	-0.5	-0.4	-2.2	58.1	-26.0	-10.0
Offsetting receipts	-7.0	-11.5	-29.2	-47.1	-58.8	-67.0	-85.0
Total	$92.2	$195.6	$590.9	$946.4	$1,252.7	$1,416.0	$1,747.0

a: not available.

Note. Net Discretionary Outlays equals Discretionary Outlays minus Offsetting Receipts (the breakdown of Offsetting Receipts which should have been netted against Mandatory Outlays was not available). Agriculture price supports have been included in Domestic Discretionary Outlays. Outlays have been adjusted for inflation using the CPI-U.

Source: Congressional Budget Office, The Economic and Budget Outlook: Fiscal Years 1994-1998, January 26, 1993 and The Economic and Budget Outlook: An Update, September, 1993

FEDERAL OUTLAYS BY CATEGORIES FOR SELECTED YEARS

[By fiscal year]

	estimated 1960	1970	1980	1985	1990	estimated 1993	projected 1998
	in constant 1992 dollars (billions)						
Defense discretionary	208.7	278.2	229.5	341.8	322.1	284.9	a
International discretionary	17.8	13.6	21.8	23.5	20.5	20.3	a
Domestic discretionary	71.0	144.4	224.9	220.6	202.9	238.4	a
Subtotal, discretionary	297.5	436.2	476.1	585.9	545.5	530.0	463.8
Social Security	48.8	100.6	199.6	251.7	264.6	292.6	326.2
Medicare	0	23.1	58.0	94.1	115.3	138.6	199.4
Medicaid	0	9.2	23.9	30.7	44.1	73.6	116.0
AFDC, SSI, Food Stamps	13.3	16.0	37.8	41.1	42.6	61.0	65.9
Other entitlements and mandatories	53.3	71.7	173.0	166.2	135.6	159.9	149.3
Subtotal, mandatory	115.4	220.5	492.3	583.8	602.2	725.8	856.8
Net Interest	31.1	48.9	89.5	174.9	197.7	191.9	211.1
Deposit Insurance	-1.3	-1.7	-0.7	-3.0	62.4	-25.2	-8.3
Offsetting receipts	-31.1	-39.1	-49.8	-63.6	-63.1	-64.9	-70.9
Total	$409.5	$664.5	$1,007.3	$1,278.0	$1,344.7	$1,372.1	$1,457.4

a: not available.

Note., Net Discretionary Outlays equals Discretionary Outlays minus Offsetting Receipts (the breakdown of Offsetting Receipts which should have been netted against Mandatory Outlays was not available). Agriculture price supports have been included in Domestic Discretionary Outlays. Outlays have been adjusted for inflation using the CPI-U.

Source: Congressional Budget Office, The Economic and Budget Outlook: Fiscal Years 1994-1998, January 26, 1993 and The Economic and Budget Outlook: An Update, September, 1993

FEDERAL OUTLAYS BY CATEGORIES FOR SELECTED YEARS

[By fiscal year]

	estimated 1960	1970	1980	1985	1990	estimated 1993	projected 1998
	As a percentage of Total Federal Outlays						
Defense discretionary	51.0%	41.9%	22.8%	26.7%	24.0%	20.8%	a
International discretionary	4.3%	2.0%	2.2%	1.8%	1.5%	1.5%	a
Domestic discretionary	17.3%	21.7%	22.3%	17.3%	15.1%	17.4%	a
Subtotal, discretionary	72.6%	65.6%	47.3%	45.8%	40.6%	38.6%	31.8%
Social Security	11.9%	15.1%	19.8%	19.7%	19.7%	21.3%	22.4%
Medicare	0	3.5%	5.8%	7.4%	8.6%	10.1%	13.7%
Medicaid	0	1.4%	2.4%	2.4%	3.3%	5.4%	8.0%
AFDC, SSI, Food Stamps	3.3%	2.4%	3.8%	3.2%	3.2%	4.4%	4.5%
Other entitlements and mandatories	13.0%	10.8%	17.2%	13.0%	10.1%	11.7%	10.2%
Subtotal, mandatory	28.2%	33.2%	48.9%	45.7%	44.8%	52.9%	58.8%
Net Interest	7.6%	7.4%	8.9%	13.7%	14.7%	14.0%	14.5%
Deposit Insurance	-0.3%	-0.3%	-0.1%	-0.2%	4.6%	-1.8%	-0.6%
Offsetting receipts	-7.6%	-5.9%	-4.9%	-5.0%	-4.7%	-4.7%	-4.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

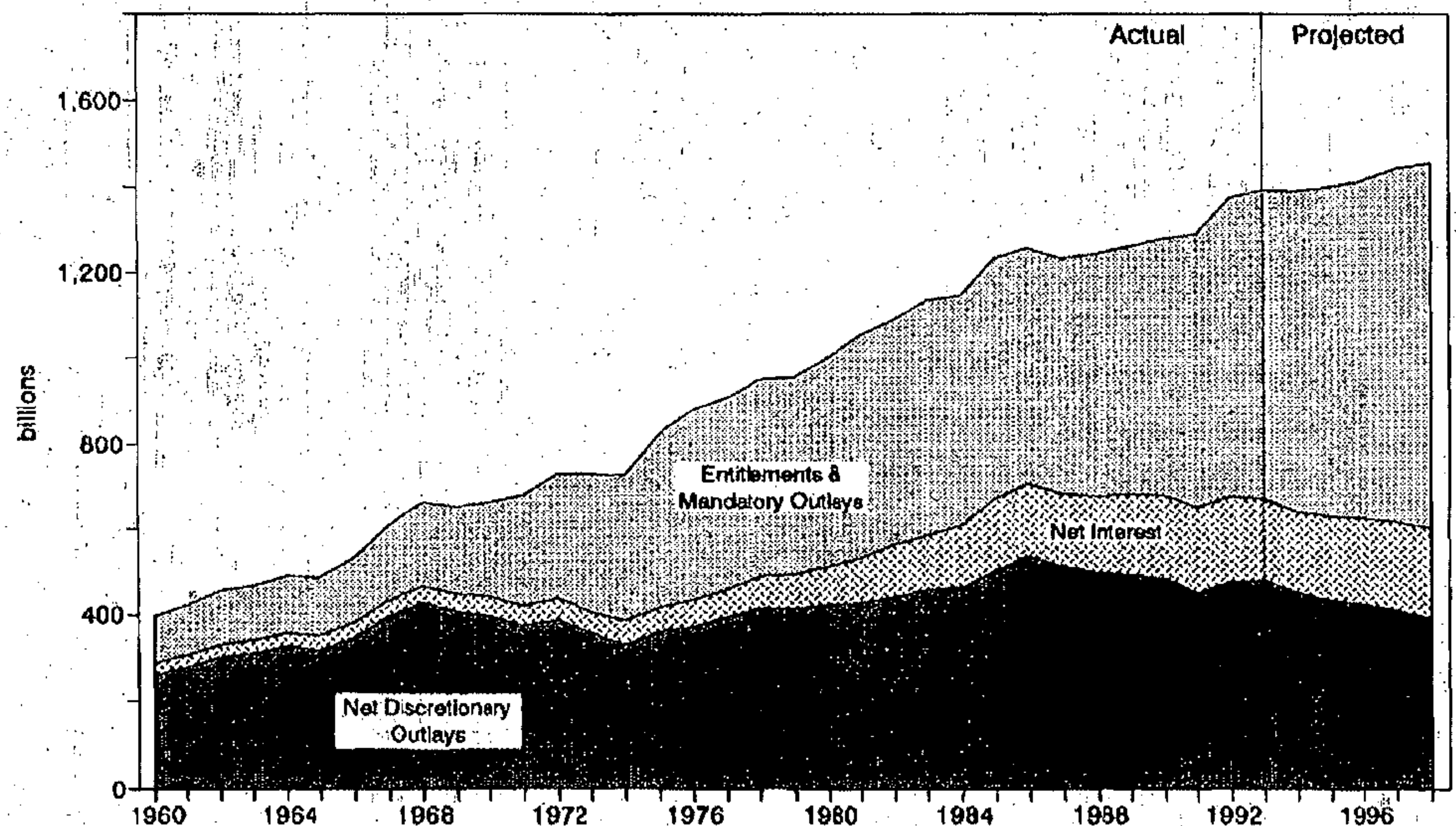
a: not available.

Note. Net Discretionary Outlays equals Discretionary Outlays minus Offsetting Receipts (the breakdown of Offsetting Receipts which should have been netted against Mandatory Outlays was not available). Agriculture price supports have been included in Domestic Discretionary Outlays. Outlays have been adjusted for inflation using the CPI-U.

Source: Congressional Budget Office, The Economic and Budget Outlook: Fiscal Years 1994-1998, January 26, 1993 and The Economic and Budget Outlook: An Update, September, 1993

FEDERAL GOVERNMENT OUTLAYS

By category in constant 1992 dollars

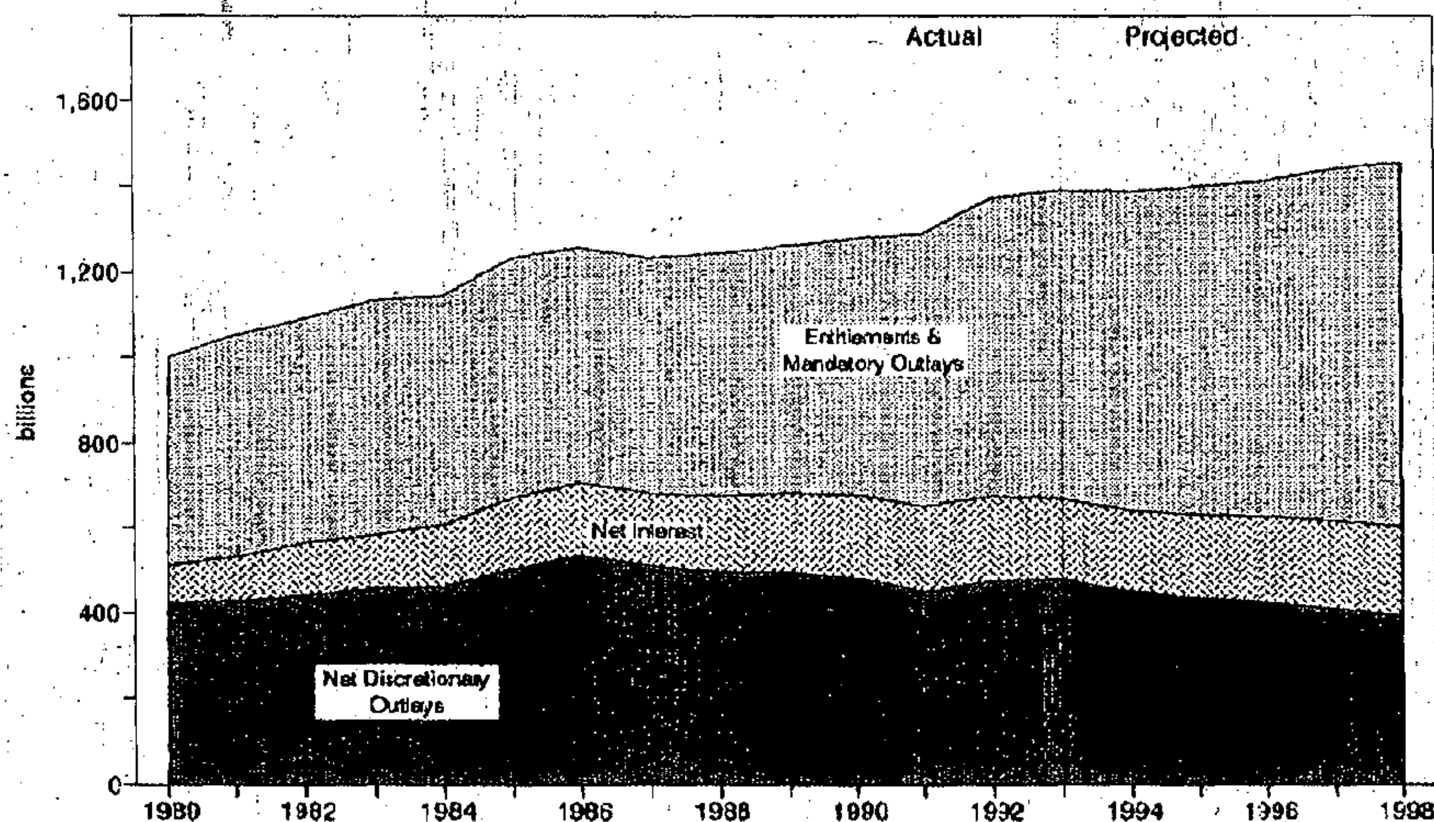


Note: Excludes deposit insurance; agriculture price supports are included in Net Discretionary Outlays.

Source: Congressional Budget Office, *The Economic and Budget Outlook: Fiscal Years 1994-1998*, January 26, 1993 and *The Economic and Budget Outlook: An Update*, September, 1993.

FEDERAL GOVERNMENT OUTLAYS

By category in constant 1992 dollars

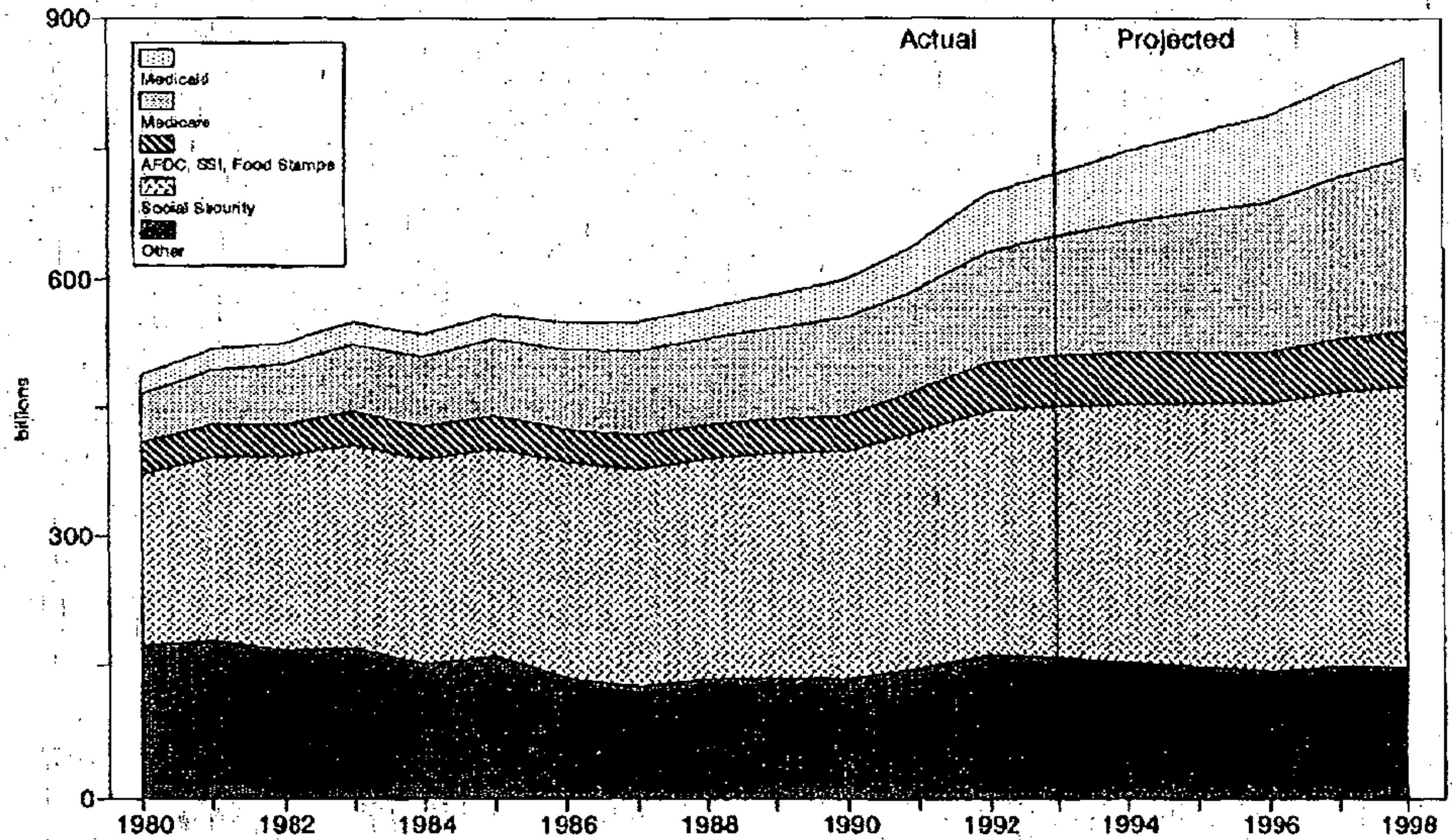


Note: Excludes deposit insurance; agriculture price supports are included in Net Discretionary Outlays.

Source: Congressional Budget Office, *The Economic and Budget Outlook: Fiscal Years 1994-1998*, January 26, 1993 and *The Economic and Budget Outlook: An Update*, September, 1993.

ENTITLEMENT & MANDATORY OUTLAYS, FY 1980-1998

By category in constant 1992 dollars

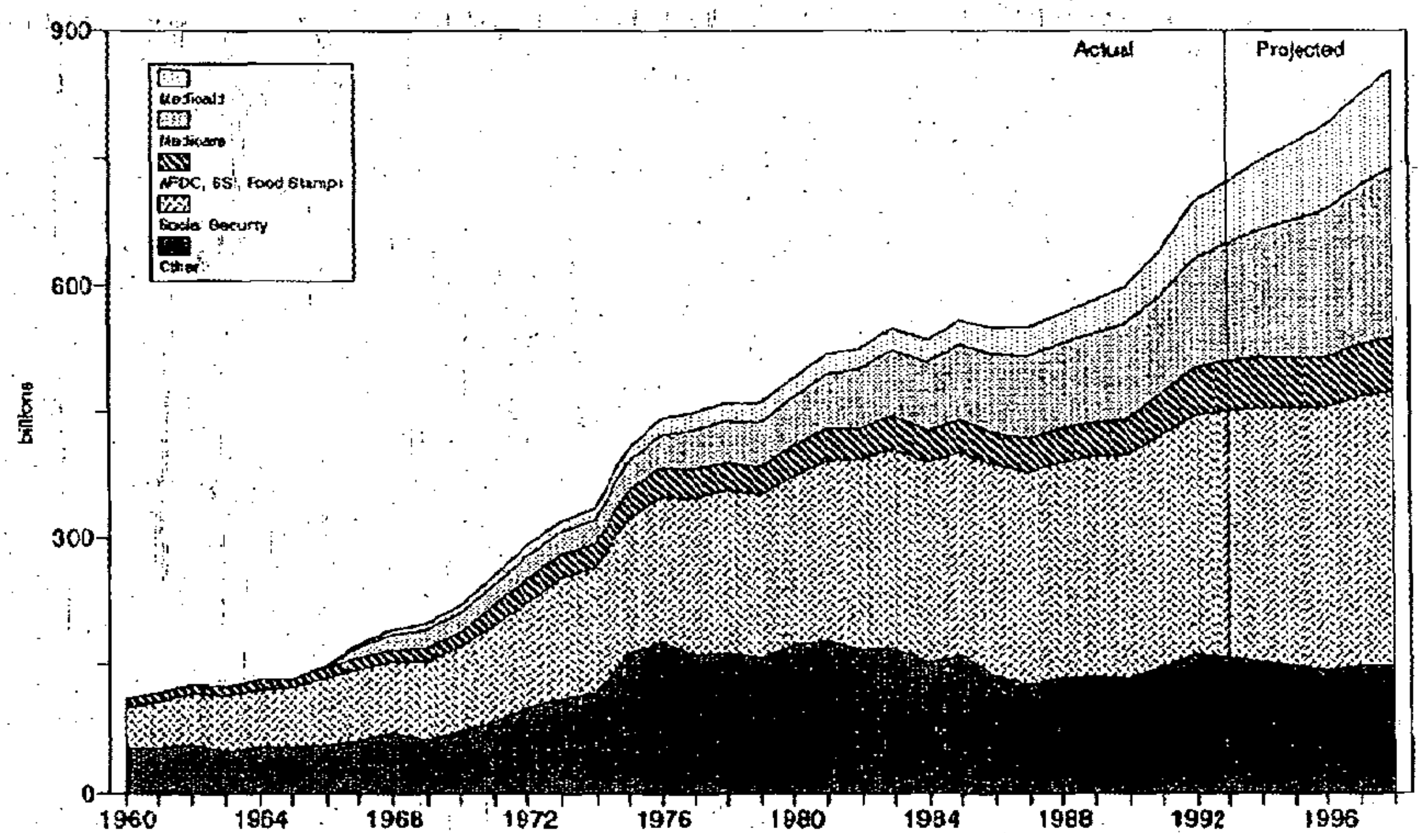


Note: Figures exclude agriculture price supports and deposit insurance.

Source: Congressional Budget Office, *The Economic and Budget Outlook: Fiscal Years 1994-1998*, January 26, 1993 and *The Economic and Budget Outlook: An Update*, September, 1993.

ENTITLEMENT & MANDATORY OUTLAYS, FY 1960-1998

By category in constant 1992 dollars



Note: Figures exclude agriculture price supports and deposit insurance.

Source: Congressional Budget Office, *The Economic and Budget Outlook: Fiscal Years 1994-1998*, January 26, 1993 and *The Economic and Budget Outlook: An Update*, September, 1993.

WR - Financing

WALTER WILLIAMS

Welfare kings and queens

Everybody knows about those welfare queens for whom we toil under the congressional threat of fines, imprisonment or, if we resist too vehemently, death. If you don't believe there's coercion, just deduct your per capita share of queen-support money from your 1040 tax form. You may be surprised to know that welfarism knows no sex and, for that matter, no income class. We have welfare kings who put welfare queens to shame.

The National Wool Act of 1954 updated an earlier World War II subsidy program for wool and mohair. Wool used to be considered a strategic material since soldiers needed woolen clothing. With the end of the war and the introduction of synthetic fibers, wool and mohair fell off the military's list of strategic materials. But no big thing. Congress instructs the U.S. Department of Agriculture to continue making welfare payments, now at $180 million a year, to sheep and angora ranchers.

In 1992, the Agriculture Department's office in Rocksprings, Texas, issued $5.2 million in checks to sheep and mohair ranchers. According to Sharon LaFraniere, staff writer for The Washington Post's National Weekly Edition (April 12, 1993), Rocksprings' top 10 recipients collected between $90,000 and $340,000 apiece. Two percent of the program's "welfarees" receive 54 percent of the handouts.

Instead of eliminating this rich man's welfare, President Clinton's budget proposes only capping these payments at $50,000 per rancher. But sheep and mohair ranchers, just like the welfare queens who use multiple names and addresses to get fatter checks, know the way around caps. The ranchers, as they've done in the past, simply divide their ranch among family members, making each eligible for the handout. In this time of "concern" about budget deficits, why doesn't Mr. Clinton just propose eliminating this costly, useless program? It turns out that Rep. E "Kika" de la Garza and Charles W. Stenholm are powerful Democrats from Texas, a state that receives 86 percent of mohair payments and 26 percent of wool payments. If Mr. Clinton alienates these men, he won't be able to count on their votes for tax increases, support for government-sponsored pornographic art or homosexuals in the military.

It'd be unfair to give the impression that only ranchers are fleecing us. Led by Archer-Daniel-Midland's multimillionaire CEO Wayne Andreas, the ethanol industry has received $7 billion in federal handouts since 1980. Sen. Robert Dole, a Kansas Republican, is the chief procurer for this handout. You say, "Clinton can't count on Dole for support, how come he doesn't ice the ethanol industry welfare?" That question shows how little you understand the inner-workings of Washington. Mr. Clinton, Democrats and other Washington insiders, can count on Wayne Andreas for political contributions, junkets and, if you're friendly enough, cheap condos.

Then there's a bank you've never heard of that Congress created for other welfare kings — the Export-Import Bank. Former Office of Management and Budget Director David Stockman called it "food stamps for the rich." Congress created it to funnel our earnings into big businesses to the tune of $4 billion a year. In the past decade, 70 percent of Export-Import loans have gone to fewer than 20 corporations, including Boeing, Westinghouse and General Motors. Just so you don't think college students are the only government-loan deadbeats, in 1990, the Export-Import Bank stood ready to lose $5 billion. That's 40 percent of its outstanding loans and loan guarantees.

In this time of debt and deficit emergency, you ought to write or call the president and your congressman and ask why these wasteful programs exist. I guarantee that the letter coming back will be a lie or it won't be the truth.

Walter Williams, an economics professor at George Mason University, is a nationally syndicated columnist.

PAUL GREENBERG

Deja vu all over again

A tip for the White House press corps: You could save yourselves a little trouble by entering this opening paragraph into your laptops, since it has become the standard beginning of stories out of Washington in the Age of Clinton:

"WASHINGTON — The Clinton administration has altered major facets of its proposed . . . in response to political pressures."

Then fill in the blank with the topic of the day.

I can't say it's an original technique. The wording is borrowed intact from a story in the New York Times last month about the energy tax. The subject may have been the energy tax, but the reporter — Steven Greenhouse — could just as well have been writing about the administration's approach to taxing and spending. Or health care. Or homosexuals in the military. Or political asylum. Or foreign and domestic policy in general.

If there's anything this administration is, it's flexible. If it has a single principle, appointee or policy that it will stick with when pressure mounts, no one has yet discovered it.

Naturally, the reporter will want to try some variations on that opening to give the reader a little variety. For example, here is the opening of a front-page story by Michael Wines of the New York Times just the other day:

"WASHINGTON, June 9 — Barely a day after giving up his demand for a $71.5 billion tax on the heat content of energy sources, President Clinton seemed close today to retreating from his fallback position as well. . . ."

To add a little suspense, why not quote a couple of administration sources taking diametrically opposite positions on any issue? A couple of successive paragraphs from an Associated Press story about the energy tax would not be out of place in many another story:

It's not the economy. It's political viability.

"Democratic sources said the administration had generally signed off on broad outlines of the new package.

"President Clinton, however, said in an ABC interview: 'I've never agreed to any specific proposal.'"

There's always somebody in every outfit who never gets the word.

Actually, anybody accustomed to clintonspeak can translate that: The President is withdrawing his Btu Tax in general — it's only the *specific* terms of the retreat that haven't been worked out yet.

This is all new to some folks. For example, the Democratic members of Congress who stuck their necks out and agreed to go along with the administration's Btu Tax. After all, they had been told how important, how integral, how crucial and indispensable a part of the Clinton program the tax was — and doubtless how much in benefits their support could mean for their districts.

Not all the lawmakers seemed to be taking the administration's cave-in very well. To quote the AP story:

"At the same time, Clinton came under sharp criticism from some House members for the way in which he abandoned the original tax emphasizing the heat content of fuels. 'There is resentment with the administration not allowing the House to make that decision,' Rep. Billy Tauzin (D-La.) said. Tauzin said many House Democrats went along with the unpopular tax only because Clinton promised them it was an integral part of his package. Now many are 'filled with nothing but anger' and feel Clinton has pulled the rug out from under them,' he said."

They don't understand. This may be the first time they've seen Bill Clinton step out boldly, then fade away while explaining how decisive he's been. The Clinton two-step is still a novelty in Washington. Few if any in Congress may have spent the last couple of decades in Arkansas, where the Clinton administration was always launching some ambitious new initiative, often a good one, preparatory to backing off.

That's how one Arkansas industry after another got exempted from sales taxes while an administration oh-so-dedicated to fairness was raising the sales tax on ordinary customers 50 percent. It's how the state never got a civil rights or fair-housing law during the Clinton Years. Or an environmental commission that represented the public rather than various interests.

Yes, there was a lot of churning in all those areas — just not much change. As governor, Bill Clinton might start almost any well-intentioned program, then go off and leave it to twist in the wind — like some of his recent presidential appointees.

When he was governor, Mr. Clinton would propose some comprehensive tax reform, but when various interests objected, he could exempt every one of them. Or maybe deposit the whole idea with a study commission for a couple of years and then walk away, as he did with a state civil rights law.

Now the same pattern repeats itself on the national level.

For anybody from Arkansas, it's deja vu all over again. What starts out as a brave new initiative somehow turns into a mainly paper reform. Then election year arrives, and it's cited as one of the 100 Great Achievements of the last Clinton administration.

Just wait. No matter what kind of energy bill is passed, Bill Clinton will OK it and declare victory. Once the special interests have had their way, what began as a broadly based tax may emerge as a regressive one that could fall heaviest on those least able to pay. And the administration will take credit for another Great Reform.

The solemn pundits who try to puzzle out the essence of the Clinton administration need wonder no more. What, they ask, unites this New Class of experts, politicos, spin chiropractors and hangers-on? What is the organizing principle and one indispensable object of Clintonism?

No, it's not the economy, stupid. It's political viability.

Paul Greenberg is editorial page editor of the Arkansas Democrat Gazette in Little Rock and a nationally syndicated columnist.

TABLE 3 -- PRELIMINARY SUMMARY COST ESTIMATES (FEDERAL AND STATE)
FOR ELEMENTS OF A WELFARE REFORM PROPOSAL
(By fiscal year, in millions of dollars)

	5 Year Total	5 Year Federal	10 Year Total	10 Year Federal
PARENTAL RESPONSIBILITY				
Minor Mothers	(85)	(30)	(210)	(85)
No Additional Benefits for Additional Children	(660)	(220)	(2,150)	(810)
Child Support Enforcement				
Paternity Establishment (Net)	(535)	(90)	(2,080)	(400)
Enforcement (Net)	(405)	(160)	(4,700)	(1,555)
Computer Costs	465	420	1,085	975
SUBTOTAL, PARENTAL RESPONSIBILITY	(1,220)	(80)	(8,055)	(1,875)
TRANSITIONAL ASSISTANCE FOLLOWED BY WORK				
JOBS-Prep	305	275	1,225	1,105
Additional JOBS Spending	2,580	2,320	7,140	6,425
Additional Child Care for JOBS	1,805	1,625	4,900	4,410
WORK Program	790	710	10,150	9,135
Additional Child Care for WORK	365	330	4,585	4,125
Savings from Child Care and Other Expansion	(90)	(50)	(1,275)	(700)
Transitional Child Care	560	505	2,580	2,320
Enhanced Teen Case Management	210	190	595	535
Savings - Caseload Reduction	(520)	(285)	(5,090)	(2,800)
ADP Federal and State Systems/Admin Efficiency	680	665	825	900
SUBTOTAL, JOBS/WORK	6,685	6,285	25,635	25,455
SUBTOTAL, JOBS/WORK AND PARENTAL RESP	5,465	6,205	17,580	23,580
Working Poor Child Care (Capped at $2b in net spending).	5,000	4,500	16,270	14,645
Remove Two Parent (UP) Restrictions	2,210	1,160	8,260	4,355
Comprehensive Demonstration Grants	200	200	350	350
Non-Custodial Parent JOBS/WORK	370	335	1,855	1,670
Access Grants and Parenting Demonstrations	135	120	285	255
Child Support Assurance Demonstrations	550	495	1,500	1,350
IDA and Microenterprise Demonstrations	300	270	700	630
SUBTOTAL DEMONSTRATIONS	1,555	1,420	4,690	4,255
REINVENTING GOVERNMENT ASSISTANCE				
State Flexibility on Earned Income and and Child Support Disregards	1,720	945	4,895	2,695
Generally Conform Assets to Food Stamps on Limit, Burial Insurance, Real Property, Transfers	265	100	655	240
Set Auto Exclusions to $4500 Equity Value	955	955	2,785	2,785
Double Territories' Caps/Adjust for Inflation	370	275	1,060	790
All Others	905	555	2,265	1,375
SUBTOTAL RGA	4,215	2,830	11,660	7,885
GRAND TOTAL	18,445	16,115	58,460	54,720
OPTION 1 - No Child Care, 2 Parent, Demos or RGA	5,465	6,205	17,580	23,580
OPTION 2 - No 2 Parent, 50% Child Care, 50% Demos and 50% RGA	10,850	10,580	33,890	36,973
OPTION 3 - 50% Child Care, 50% Demos, and 50% RGA	13,060	11,740	42,150	41,328
OPTION 4 - 50% Demos and 50% RGA	15,560	13,990	50,285	48,650
OPTION 5 - TOTAL PLAN	18,445	16,115	58,460	54,720

Note 1: Parentheses denote savings.
Note 2: Five Year and Ten Year Federal estimates represent 90% of all expenditures except for the following: benefits are at current match rates; child support is matched at rates specified in the hypothetical plan; and comprehensive demonstration grants are matched at 100%.

Source: HHS/ASPE staff estimates. These estimates have been shared with staff within HHS and OMB but have not been officially reviewed by OMB. The policies do not represent a consensus recommendation of the Working Group co-chairs.

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Possible Offset Options for Welfare Reform -- Federal

Extrapolated to 2004

	1995	1996	1997	1998	1999	5-year Total	2000	2001	2002	2003	2004	10-year Total
					dollars in billions							
Cafeteria Plan Exemption	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Subtotal	0.09	0.22	0.21	0.19	0.21	0.91	0.21	0.21	0.22	0.22	0.23	2.00
Other Items--Revenues (continued):												
Tax Compliance 4/												
EITC info reporting for DOD personnel	0.00	0.01	0.06	0.06	0.06	0.19	0.07	0.07	0.08	0.08	0.08	0.57
Increase withholding on gambling winnings > $50,000 to 36%	0.26	0.12	0.05	0.05	0.05	0.52	0.05	0.06	0.06	0.06	0.07	0.81
Withholding rate of 28% on keno, slots, and bingo winners > $7,500	0.15	0.06	0.01	0.01	0.01	0.25	0.01	0.01	0.01	0.01	0.01	0.31
Require information reporting on winnings of $10,000+ from gambling regardless of odds (except State lotteries)	0.01	0.04	0.05	0.06	0.06	0.22	0.07	0.08	0.08	0.09	0.10	0.64
Subtotal	0.42	0.23	0.16	0.17	0.19	1.17	0.20	0.22	0.23	0.24	0.26	2.32
New Revenue												
4% excise tax on net receipts of gambling establishments (except State lotteries) 4/	0.45	0.63	0.66	0.69	0.73	3.16	0.76	0.80	0.83	0.86	0.90	7.31
Other Items:												
Reduce inappropriate EITC credits	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
TOTAL ALL ITEMS	2.17	2.59	3.35	3.92	4.44	16.47	4.76	5.07	5.40	5.76	6.21	43.67

January 2, 1997

Income Maintenance Branch

Office of Management and Budget
Executive Office of the President
Washington, DC 20503

Please route to:

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Through:
Ken Apfel
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Subject: Welfare Budget Chapter

From: Stacy Dean and Edwin Lau

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Attached is our marked up version of your last edit on the chapter. We have substantial edits to the immigrants section. Otherwise, most edits incorporate comments from the Health Division and the Labor Branch.

Please contact either one of us if you have any questions.

a. "... we have an historic opportunity to make welfare what it was meant
be – a second chance, not a way of life. And even though the bill has serious flaws
at are unrelated to welfare reform, I believe we have a duty to seize the opportunity
gives us to end welfare as we know it.
... I want to [illegible], to correct the problems that are still
there with this legislation."

IMPLEMENTING WELFARE REFORM

[About an 8-line quote from the President's oral statement announcing that he will sign the welfare reform bill, noting that good things in it but referencing the bad things that he will come back to fix. Use ellipses if you have to.]

President Clinton
~~[Month] X (?)~~, 1996
July 31,

Not long ago, America's welfare system was broken. It did not serve the taxpayers or those trapped in it. And it undermined the values of work and family.

The President made welfare reform a key goal of his first term -- reform that would promote the basic goals of work, family, and responsibility. When Congress twice sent him welfare legislation that did not meet those goals, he was forced to veto the bills. When, however, Congress finally produced a bill that did meet the basic goals, the President signed it into law on August 22, 1996, as the Personal Responsibility and Work Opportunities Reconciliation Act.

For the many months that Congress worked to devise a good bill, the President acted on his own. He and his Administration helped States advance the goals of welfare reform by letting them test innovative ways to move people from welfare to work and to protect children. The Administration's actions, combined with the falling unemployment rate that a strong economy has generated, are having an impact. Since the President took office, welfare caseloads have fallen by 2.1 million persons -- the biggest such drop in history.

[Chart: Declining welfare rolls]

The new law gives States and individuals unprecedented opportunities to build a new system that rewards work, invests in people, and demands responsibility. Unfortunately, the law also included overly deep budget cuts -- primarily affecting nutrition programs, legal immigrants, and children -- that are unrelated to reforming welfare. With this budget, the President will seek to fix those problems. In the meantime, the essential long-term task of building the new, work-based system is underway in every State.

[Possible two-column box: AFDC vs. TANF, WTW, WOTC]

The new welfare law has laid the groundwork for moving those who can work to independence by focusing on tough, but realistic work requirements. The law repealed Aid to Families with Dependent Children (AFDC), a 60-year-old, joint Federal-State program, and created the time-limited, work-oriented Temporary Assistance for Needy Families (TANF) program. States must now implement the new law by tailoring a reform plan that works for their communities. The plans must require and reward work, impose time limits, increase child care payments, and demand personal responsibility. By mid-December 1996, the Federal Government already had certified 18 State plans as complete.

The new welfare law ~~provides new resources for~~ enhances child care and Medicaid -- the health insurance program for low-income Americans -- to better welfare recipients to move off, and stay off, welfare. It ensures that low-income people do not lose Medicaid as a result of changes in welfare reform, and reauthorizes the transitional Medicaid program that provides health insurance coverage for those leaving welfare for work.

Finally, the welfare law gives States vast flexibility to design welfare programs suitable to their own needs and circumstances, but it also holds States accountable for making welfare reform a success. The law requires a sustained State financial contribution, but also recognizes that State welfare bureaucracies need a positive incentive to focus on the central goal of moving people from welfare to work. Consequently, the law provides $800 million in performance bonuses by the year 2002 to reward States that achieve the best results in moving people from welfare to work.

Welfare Jobs initiatives

To help welfare recipients move from welfare to work, and to help communities help them do so, the President proposes two new initiatives:

- a performance-based Welfare-To-Work Jobs Challenge to help States and cities create job opportunities for the hardest-to-employ welfare recipients **[policy issue]**; and

- a greatly-enhanced and targeted Work Opportunity Tax Credit to provide powerful new, private-sector financial incentives to create jobs for long-term welfare recipients.

Welfare to Work Jobs Challenge: The jobs challenge is designed to help States and cities move a million of the hardest-to-employ welfare recipients into lasting jobs by the year 2000. It gives States and cities $3 billion in mandatory funding, of which 25 percent is dependent on documentation by the States and cities that long-term welfare recipients have been in jobs that pay at least enough to raise their families above the poverty line for a year **[policy issue]**. The jobs challenge will encourage States and cities to use methods of job creation for this population that hold the promise of success -- including those that have proved successful elsewhere. States and cities can use these funds to provide subsidies and other incentives to private business. The Federal Government also will encourage them to use voucher-like arrangements, so that as many individuals as possible can exercise personal responsibility and make their own choices about the services they need to become employable.

Work Opportunity Tax Credit: For States and cities, TANF and the jobs challenge provide new resources to create jobs and prepare individuals for them. For employers, the budget proposes incentives to create new job opportunities for long-term welfare recipients by converting the current Work Opportunity Tax Credit (WOTC) into a much-enhanced credit that focuses on those who most need help --long-term welfare recipients ~~and childless adults aged 18-50 who will lose Food Stamp benefits under the new law.~~ The new credit would let employers claim a 50 percent credit on the first $10,000 a year of wages, for up to two years, for their workers who were long-term welfare recipients ~~or were the adult Food Stamp recipients cited above.~~ The new credit would cost $xxx million in lost revenue to the Federal Government from 1998 to 2002.

Related programs that help make work pay

Earned Income Credit (EITC). As an important component of helping people move from welfare to work, the Federal Government can help ensure that those who work can support their children. The EITC, a 20-year-old Federal program, supplements wages to meet this goal. In 1993, the President proposed and Congress enacted legislation to substantially expand the EITC, helping 40 million Americans in 15 million lower-income working families. The welfare law maintains these gains for hard-working, low-income families.

[Chart 2.1 -- EITC]

about 15

The Minimum Wage. President Clinton has consistently supported an increase in the minimum wage for all low-wage earners. Before 1996, the last such increase was in ~~19XX~~. 1991 Because of inflation, the value of the minimum wage had eroded by ~~XX~~ percent between ~~19xx~~ 1991 and 1996. As a result, Congress responded to the President's request last year by raising the minimum wage from $4.25 to $5.15 an hour over two years -- in two steps of 45 cents each. The first step went into effect October, 1996; the second step will occur in October, 1997.

This 90-cent rise means over $1,800 a year in higher earnings for full-time, full-year minimum wage workers, who previously earned less than $9,000 a year. Nearly 10 million working Americans received an immediate pay raise. Another nine million low-wage workers with wages up to a dollar above the new minimum also may benefit if employers raise their paychecks with the minimum wage increase -- as employers have done in the past.

Improving the welfare reform law

Several provisions in last year's Personal Responsibility and Work Opportunities Act have nothing to do with the goals of welfare reform -- moving people from welfare to work. Rather, they were misguided cuts in federal support to vulnerable populations, including the elderly and people with disabilities. To fix them, the President proposes changes to build on the sweeping work-based reform while better protecting children, people with disabilities, legal immigrants, and those who try to find work but cannot.

[Summary chart: Welfare reform fixes]

The Nutrition Safety Net: Throughout its negotiations with Congress over welfare reform, the Administration worked hard to maintain the nutritional safety net because it provides an essential tool to enable lower-income families and individuals buy food and obtain nutritious meals for their school-age children.

Throughout their history, the Agriculture Department's Food Stamps and Child Nutrition programs have produced significant, measurable benefits in the nutrition of children and families. Food Stamps reach almost one in 10 Americans every month -- **over 13 million children and two million elderly (?).** About 26 million children receive subsidized nutritious lunches each school day. Another 2.5 million children a day participate in the child and adult care feeding program. **[check numbers]**

The welfare law cut Food Stamps too deeply; indeed, 40 percent of budgetary savings in the law came from Food Stamps. Many of these cuts, however, have nothing to do with welfare reform; they affect working families with children, the elderly, and people with disabilities. Several types of cuts are not only overly harsh, they do not focus on the challenge of helping move people from welfare to work.

Welfare reform should impose sanctions on those who refuse to work -- *not those who want to, but need more time to find a job.* The welfare law limited Food Stamps for able-bodied childless adults to three months of assistance in a 36-month period. This time limit does not reflect the reality that most Food Stamp recipients face -- that finding work takes time. Nearly 60 percent of all new participants in Food Stamps leave within six months. Only 13 percent of the childless adults entering the program still receive benefits after 18 months. Once they leave, most childless adults do not return. The President proposes to limit Food Stamps to six months out of 12, thus giving those out of work the transitory help they need to get back on their feet. **[policy issue]**

The time limit also punishes those want to work, *but who cannot find a job at all.* Moving people from welfare to work involves giving them real options, not just cutting them off. The budget proposes to restore Food Stamps for those who actively seek work but cannot find it and for whom the State does not provide workfare or a training opportunity. The President proposes to make work requirements real by giving the States new funding to support another
(?) 400,000 work slots from 1998 to 2002, and adding tough new sanctions **for those who don't play by the rules** ~~(?)~~. In addition, the budget would allow States, at their option, to extend ~~**work**~~ wage **supplementation** ~~(?)~~ to all childless adults. **[policy issue]**

The new law makes deep cuts in Food Stamp benefits that disproportionately affect those with high housing costs, especially families with children. With these cuts, these families will see their real benefits erode over time as living costs rise, forcing them to choose between heating and eating. The President proposes to ameliorate these cuts by restoring the link between benefits for such families and rising living costs. The President also proposes to raise the vehicle asset limit for food stamp participants so that benefits do not fall when working families and others secure a means to get to work. **[policy issue]**

By, specifically targeting low income legal immigrants as a source of savings,

unless

undamental

Equity in Benefits for Legal Immigrants. The ~~welfare~~ law denies most legal immigrants access to safety net programs ~~until~~ they become citizens -- even though they are in the United States legally and are making every effort to become productive members of society. ~~In fact,~~ the welfare law affected legal immigrants -- including children, the elderly, and people with disabilities -- more adversely than any other group. ~~It~~ punishes those who have worked, but who no longer can through no fault of their own. It makes short-sighted cuts by barring cash and medical assistance to disabled immigrant children. ~~For the nation's sake, we must give children access to health care (?)~~ Finally, the bill places significant new administrative burdens on State and local service providers.

The bill

The President proposes that legal immigrants have the same opportunity, and bear the same responsibility, as other members of society. Thus, the budget proposes to revise the law so that legal immigrants who become disabled after entering our country can get Supplemental Security Income (SSI) and Medicaid. The Nation should protect legal immigrants and their families -- people who are admitted as permanent members of our American community -- when they suffer accidents or crippling illnesses that prevent them from earning a living. Similarly, legal immigrant children should be eligible for SSI if they become disabled, and for Medicaid if their family is impoverished. **Finally, the budget would lengthen the exemption for refugees and asylees from five to seven years (?).** ~~The five-year exemption in the welfare law simply does not give refugees and asylees enough time to become citizens.~~ Refugees and asylees are admitted into this country on a humanitarian basis and our expectations for this group should be sensitive to their special needs. Many refugees and asylees may need more time to naturalize than the law allows.

Many legal immigrants may encounter unforeseen difficulties before they are able to naturalize.

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Reforming Supplemental Security Income (SSI). The SSI program provides critical financial support to the needy elderly, blind, and people with disabilities. To its credit, the new welfare law helps to ensure that SSI continues to support only those people who are eligible for benefits. ~~But the law is too harsh on children (how?).~~ To ensure that only needy children with severe disabilities can get SSI, the law called for a tighter childhood eligibility requirement. The new law is not precise, however, so the Administration has promulgated rules that specify how it will be applied. The Government will tight eligibility, while allowing the most disabled children to retain their benefits. **[policy issue]**

For children who will lose SSI benefits under the new rules, the Administration is proposing legislation that would ensure that these children continue to have access to Medicaid.

Promoting security and stability for children

The Administration proposes a new initiative to move children more quickly from foster care to safe, permanent homes -- with the goal of doubling, by the year 2002, the number of children adopted or permanently placed. It would set annual targets for increases in the number of children adopted or permanently placed, and establish a financial bonus to States for increasing adoption while stressing permanent placement and the safety of children. **This initiative would cost ...... (?) [offset by the savings in Federal foster care programs as a result of the increased rate of permanent adoptions.]**

¶ Ongoing Challenge of Improving Welfare. Finally, the Administration is committed to working with Congress and the States to ensure that the new welfare reform law is implemented effectively. Implementation ill be ~~both~~ challenging, ~~exciting~~ and it will provide opportunities to learn more about how the legislation will work. If the Administration discovers significant impediments to moving families from welfare to work or to protecting children, such as inadequate funding for states during times of recession, we will work with Congress to address such problems.

Welfare Reform Budget Chapter

DRAFT

2. IMPLEMENTING WELFARE REFORM

> I think the objective of welfare reform should be to break the cycle of dependency in a way that promotes responsibility, work, and parenthood. I believe that our objective for all Americans should be to make sure that every family can succeed at home and at work, not to make people choose.
>
> ...President Clinton February 1996

America's welfare system was broken. It did not serve the taxpayers or those trapped in it, and it undermined the values of work and family. The President made replacing it one of the central goals of his first term. He was forced to veto two versions of welfare reform that did not meet his goals. When the Congress finally produced a bill that does meet basic reform goals, the President signed it into law, on August 22, 1996, as the Personal Responsibility and Work Opportunities Reconciliation Act.

While Congress worked on an acceptable bill, the President helped the States advance welfare reform objectives by giving them the freedom to test innovative ways to move people from welfare to work and protect children. The Administration's actions, combined with the falling unemployment rates that a strong economy has generated, are having an impact. Since the President took office, welfare caseloads have fallen by 2.1 million persons -- the biggest drop in the welfare rolls in history.

(Chart here on declines in welfare rolls)

The new law now provides unprecedented opportunities for States and individuals to build a new system which rewards work, invests in people, and demands responsibility. Unfortunately, the law also includes overly deep budget cuts that are unrelated to reforming welfare. The President will seek to make improvements in the coming Congress. In the meantime, the essential long-term task of building the new, work-based system is underway in every State.

(Possibly a two-column box comparing bad old AFDC to good new TANF plus the new WTW and WOTC initiatives)

The welfare reform law has set the stage for moving those who can work to independence by focusing on tough but realistic work requirements. The law repealed Aid to Families with Dependent Children (AFDC) and created the time-limited, work-oriented Temporary Assistance for Needy Families (TANF) program. States must now implement the new law by tailoring a reform plan that

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works for their communities. All of the plans will require and reward work, impose time limits, increase child care payments, and demand personal responsibility. By mid-December 1996, 18 States had already had their plans certified as complete. The new welfare reform law provides new resources for child care and Medicaid in order to make it more possible for low income people to move off and stay off welfare. It ensures that low income people do not lose Medicaid as a result of changes in welfare reform, and reauthorizes the transitional Medicaid program that provides coverage for those leaving welfare for work.

Welfare reform gives States vast flexibility to design welfare programs suitable to their own needs and circumstances, but it also holds States accountable for making welfare reform a success. The welfare reform law requires a sustained State financial contribution, but also recognizes that State welfare bureaucracies need a positive incentive to focus on the central goal of moving people from welfare to work. The law includes $800 million in performance bonuses by the year 2002 to reward States that achieve the best results in moving people from welfare to work.

Welfare Jobs initiatives. In order to help welfare recipients and their communities meet the challenge of moving from welfare to work, the President proposes two new initiatives: a performance-based Welfare-To-Work Jobs Challenge to help States and cities create job opportunities for the hardest-to-employ welfare recipients **[policy issue]**; and a greatly enhanced and targeted Work Opportunity Tax Credit to provide powerful new financial incentives to the private sector to create jobs for long-term welfare recipients.

The Welfare to Work Jobs Challenge is designed to help States and cities move one million of the hardest-to-employ welfare recipients into lasting jobs by the year 2000. It will do so by providing $3 billion to States and cities in mandatory funding, of which 25% can only be earned upon documentation that long term welfare recipients have been in jobs that pay at least enough to raise their families above the poverty line for a year **[policy issue]**. The initiative will encourage States and cities to use methods of job creation for this population that have been proven to be successful or by whatever other means they devise that hold promise of success. States and cities will have the ability use these funds to provide subsidies and other incentives to private business and will be encouraged to use voucher-like arrangements, so that as many individuals as possible can exercise personal responsibility and make their own choices about the types of services they need in order to become employable.

TANF and the Welfare-to-Work Jobs Funds provide new resources to States and cities for job creation and the preparation of individuals for unsubsidized jobs. In addition, the Budget proposes incentives for business to create new job opportunities for long-term welfare recipients by converting the current Work Opportunity Tax Credit (WOTC) to a much enhanced credit focused on the individuals most in need of assistance: long term welfare recipients and childless adults age 18-50 who lose Food Stamp benefits under the new law. The new credit would enable employers to claim a 50 percent credit on the first $10,000 per year of wages for up to two years for employees who were long-term welfare recipients or these adult Food Stamp recipients. Revenue losses associated with these credit enhancements are $XXX million, 1998-2002.

Related programs helping make work pay for low income people

Earned Income Credit (EIC). To help people from welfare to work, additional policies are needed to help ensure that those who do work can support their children. The EIC supplements wages to meet this goal. In 1993, the President proposed and Congress enacted a substantial expansion of the EIC affecting 15 million lower income families. The welfare reform law maintains these gains for hard-working, low-income families.

[Chart 2.1. EIC]

The Minimum Wage. President Clinton consistently supported a raise in the minimum wage, for all low-wage earners. The last minimum wage increase was in **19XX**. With inflation, its value had eroded by **XX** percent by 1996. Congress responded to the Administration in 1996 with a law that raises the minimum wage from $4.25 to $5.15 an hour over two years, in two steps of 45 cents each. The first step went into effect October, 1996; the second step will occur in October, 1997.

This 90-cent rise means over $1,800 a year in higher earnings for full-time, full-year minimum wage workers, who previously earned less than $9,000 a year. With this increase, nearly 10 million working Americans received an immediate pay raise. Another nine million low-wage workers with wages up to a dollar above the new minimum also may benefit if, as has happened in the past, their paychecks rise with the minimum wage increase.

CORRECTING FLAWS IN THE WELFARE REFORM LAW

Several provisions in the Personal Responsibility and Work Opportunities Act have nothing to do with appropriate policies for moving people from welfare to work. They were misguided cuts in federal support to vulnerable populations, including the elderly and disabled, that the President proposes to correct. The President proposes changes that will build on the sweeping work-based reform while better protecting children, the disabled, legal immigrants, and those who try to find work but cannot.

[multiple policies here and below] DRAFT

Possible summary chart on welfare reform fixes

The Nutrition Safety Net. The Administration worked hard to keep the nutritional safety net intact throughout welfare reform negotiations because these programs are an essential lower income families' and individuals' ability to purchase food and to obtain nutritious meals for their school-age children. Throughout their history, the Agriculture Department's Food Stamps and Child Nutrition programs have produced significant, measurable improvements in the nutrition of children and families. The Food Stamp program reaches almost one in 10 Americans every month, over 13 million children and two million elderly people. About 26 million children receive subsidized nutritious lunches each school day. Another 2.5 million children a day participate in the child and adult care feeding program. **[check numbers]**

The Food Stamp program was cut too deeply by the welfare reform law. Forty percent of welfare reform savings came from these cuts, but many of the cuts have nothing to do with welfare reform; they affect working families with children, the elderly, and the disabled. Several cuts are overly harsh, and fail to focus on the challenges involved in helping move people from welfare to work.

True welfare reform should focus sanctions on those who refuse to work, not those who are willing to work, but who need more time to find a job. The food stamp time limits in the new law limit able-bodied childless adults to three months of assistance in a 36 month period. This time limit does not correspond with the reality of most of those on Food Stamps, which is that finding a job takes time. Nearly 60% of all new participants leave within six months. Only 13% of the childless adults entering the program still receive benefits after 18 months. Once they leave, most childless adults do not return. The President proposes to moderate the time limit of three months in 36 to six months in twelve, thereby giving those out of work the transitory assistance that they need to get back on their feet. **[policy issue]**

The time limit also punishes those who are willing to work, but who search and fail to find a job. Moving people from welfare to work involves providing them with real options, not simply cutting them off. The President's Budget also proposes to restore food stamps for those who actively seek employment but cannot find a job and for whom the State does not provide workfare or a training opportunity. The President would make work requirements real by providing new funding to States to support another 400,000 work slots over 1998 to 2002, and adding tough new sanctions for those who don't play by the rules. In addition, States would be allowed to extend work supplementation to all childless adults. **[policy issue]**

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The new law also made deep cuts in food stamp benefit amounts that disproportionately affect those with high housing costs, especially families with children. Because of the cuts, these families will see their real benefits erode over time as living costs rise, forcing them to chose between heating and eating. The President proposes to ameliorate these cuts by restoring the link between benefits for such families and rising living costs. The President also proposes to raise the vehicle asset limit for food stamp participants so that benefits are not reduced when working families and others secure a means of getting to work. **[policy issue]**

Equity in Benefits for Legal Immigrants. The new welfare reform law denies most legal immigrants access to safety net programs until they become citizens, even though they were admitted into this country legally and are making every effort to become productive members of society. Legal immigrants, including children, the disabled, and the elderly, were more adversely affected by the welfare reform law than any other segment of society. The law punishes those who have worked, but are now no longer able to work through no fault of their own. It also makes short sighted cuts by prohibiting cash and medical assistance to disabled immigrant children. It is in our national interest to provide children this access to health care.

The President proposes that legal immigrants have the opportunity, and bear the responsibility, to be treated like other members of society. The Budget therefore proposes to revise the new law so that legal immigrants who become disabled after entering our country are eligible for SSI and Medicaid. Legal immigrants and their families -- people who are admitted as permanent members of our american community -- should be protected when they suffer accidents or crippling illnesses that prevent them from earning a living. Similarly, legal immigrant children should be eligible for SSI if they become disabled and should be eligible for Medicaid if their family is impoverished. Finally, the President's Budget would lengthen the exemption for refugees and asylees from 5 to 7 years. The 5 year exemption in the bill simply does not provide enough time for refugees and asylees to become citizens. In these respects the original legislation was too harsh and should be corrected.

Reforming Supplemental Security Income (SSI). The SSI program provides critical financial support to needy aged, blind, and disabled persons. The new welfare law supports key reforms to ensure that SSI continues to support only those persons who are eligible for benefits, but is too harsh on children. In order to ensure that only needy children with severe disabilities are eligible for SSI, the new law called for a tighter childhood eligibility requirement, but because the statutory language is not precise, the Administration has promulgated rules that specify its application. Eligibility will be tightened, but the most disabled children will retain their benefits. **[policy issue]**

Promoting the Security and Stability of Children

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The Administration proposes a new initiative to move children more rapidly from foster care to safe, permanent homes with the goal of doubling, by the year 2002, the number of children adopted or permanently placed. It would do so by setting annual targets for increases in the number of children adopted or permanently placed and to establish a financial bonus to States for increasing adoption, while emphasizing permanent placement and the safety of children. The cost of this initiative is [offset by the savings in Federal foster care programs as a result of the increased rate of permanent adoptions.]

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Jim —
pls distribute
thx
Naomi

CONGRESSIONAL BUDGET OFFICE
U.S. CONGRESS
WASHINGTON, D.C. 20515

June E. O'Neill
Director

June 9, 1995

Honorable Bob Packwood
Chairman
Committee on Finance
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

The Congressional Budget Office has prepared the enclosed estimate of H.R. 4, the Family Self-Sufficiency Act of 1995, as ordered reported by the Senate Committee on Finance on May 26, 1995.

Enactment of H.R. 4 would affect direct spending and thus would be subject to pay-as-you-go procedures under section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

June E. O'Neill

June E. O'Neill

cc: Honorable Daniel P. Moynihan
Ranking Minority Member

CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

June 9, 1995

1. BILL NUMBER: H.R. 4

2. BILL TITLE: Family Self-Sufficiency Act of 1995

3. BILL STATUS: As ordered reported by the Committee on Finance on May 26, 1995

4. BILL PURPOSE:

To enhance support and work opportunities for families with children, reduce welfare dependence, and control welfare spending.

5. ESTIMATED COST TO THE FEDERAL GOVERNMENT:

DIRECT SPENDING

The bill would affect federal outlays in the following mandatory programs: Family Support Payments, Food Stamps, Supplemental Security Income, Medicaid, and Foster Care. The following table shows projected outlays for these programs under current law, the changes that would stem from the bill, and the projected outlays for each program if the bill were enacted.

(Outlays by fiscal year, in millions of dollars)

	1995	1996	1997	1998	1999	2000	2001	2002
PROJECTED SPENDING UNDER CURRENT LAW								
Family Support Payments	18,223	18,544	19,048	19,534	20,132	20,793	21,477	22,184
Food Stamp Program	25,120	25,930	27,400	28,900	30,390	32,030	33,600	35,100
Supplemental Security Income	24,322	24,497	29,894	32,967	36,109	42,749	39,481	46,807
Medicaid	89,216	99,292	110,021	122,060	134,830	148,116	162,600	177,800
Foster Care	3,540	4,146	4,508	4,930	5,356	5,809	6,290	6,798
Total	160,421	172,409	190,871	208,391	226,817	249,497	263,448	288,689

(continued)

(Outlays by fiscal year, in millions of dollars)

	1995	1996	1997	1998	1999	2000	2001	2002
PROPOSED CHANGES								
Family Support Payments*	0	-729	-1,192	-1,603	-2,207	-2,559	-3,234	-3,842
Food Stamps	0	238	745	993	1,274	1,511	1,818	2,155
Supplemental Security Income	0	-441	-3,554	-4,482	-4,674	-5,218	-4,646	-5,331
Medicaid	0	-22	-375	-545	-606	-662	-711	-777
Foster Care	0	0	0	0	10	25	35	45
Total	0	-954	-4,376	-5,637	-6,203	-6,903	-6,738	-7,750
PROJECTED SPENDING UNDER H.R. 4								
Family Support Payments	18,223	17,815	17,856	17,931	17,925	18,234	18,243	18,342
Food Stamps	25,120	26,168	28,145	29,893	31,664	33,541	35,418	37,255
Supplemental Security Income	24,322	24,056	26,340	28,485	31,435	37,531	34,835	41,476
Medicaid	89,216	99,270	109,646	121,515	134,224	147,454	161,889	177,023
Foster Care	3,540	4,146	4,508	4,930	5,366	5,834	6,325	6,843
Total	160,421	171,455	186,495	202,754	220,614	242,594	256,710	280,939

Notes: Details may not add to totals because of rounding.

* Under current law, Family Support Payments includes spending on Aid to Families with Dependent Children (AFDC), AFDC-related child care, administrative costs for child support enforcement, net federal savings from child support collections, and the Job Opportunities and Basic Skills Training program (JOBS). Under proposed law, Family Support Payments would include spending on the Temporary Assistance for Needy Families Block Grant, administrative costs for child support enforcement, and net federal savings from child support collections.

H.R. 4 would create a new Temporary Assistance for Needy Families block grant and specifies funding levels through fiscal year 2000. CBO's estimates for 2001 and 2002 assume that the level of the block grant will remain the same as in 2000.

The direct spending costs of this bill fall within budget functions 500, 550, and 600.

AUTHORIZATIONS OF APPROPRIATIONS

The bill would increase the administrative costs of the Supplemental Security Income (SSI) program, which are funded by an annual appropriation. Those extra costs stem from provisions of Title III that would require program administrators to verify the citizenship of all SSI recipients and conduct reviews of some disabled recipients.

6. BASIS OF ESTIMATE

CBO estimates the enactment of H.R. 4, as amended by the Committee on Finance, would reduce outlays for direct spending programs by $1.0 billion in 1996 and $7.8 billion in 2002. The bill would also increase the administrative costs of the

Supplemental Security Income (SSI) program, which are funded by an annual appropriation. These estimates incorporate the economic and technical assumptions from CBO's March 1995 baseline and assume an enactment date of October 1, 1995. The remainder of this section outlines the methodology used for the estimates. The attached tables detail the estimates for each title of the bill.

<u>Titles I and II: Temporary Assistance for Needy Families Block Grant and JOBS Modification</u>

Title I of H.R. 4 would alter the method by which the federal government shares in the cost of providing cash and training assistance to low-income families with children. It would combine current entitlement programs--Aid to Families with Dependent Children (AFDC), the Job Opportunities and Basic Skills Training program (JOBS), and related child care programs--into a single block grant with a fixed funding level. In addition, Title I would require that a sponsor's income be counted in determining an alien's eligibility for the Temporary Assistance for Needy Families Block Grant, Supplemental Security Income, and Medicaid for five years after arrival in the U.S.. Title II would modify the definitions of activities authorized under the JOBS program. By itself, Title II would have no budgetary effects. The effects of Titles I and II are detailed in Table 1.

<u>Effect of the block grant on cash and training assistance</u>. The new Temporary Assistance for Needy Families Block Grant would replace federal participation for AFDC benefit payments, AFDC administrative costs, AFDC emergency assistance benefits, the JOBS program, and three related child care programs. The bill would fix the base level of the block grant at $16.8 billion annually through 2000. CBO assumes the block grant would continue at the same level in 2001 and 2002, although the levels are not specified in the bill. Each state would be entitled to a portion of the grant based on its recent spending in the AFDC, JOBS, and related child care programs. In addition, the bill would authorize a loan fund (called the Supplemental Assistance for Needy Families Federal Fund) with an initial balance of $1.7 billion from which states could borrow during economic downturns. States would repay borrowed amounts, with interest, within three years.[1]

CBO estimates federal savings in Title I by comparing current law projections of AFDC, JOBS, and child care spending with the block grant levels. In 1996, CBO projects that under current law the federal government would spend $17.2 billion on AFDC benefits, AFDC administration, AFDC emergency assistance, the JOBS program, and related child care, or $0.6 billion more than the federal government

1. CBO estimates the creation of the Supplemental Assistance for Needy Families Federal Fund would not generate additional outlays. Although up to $1.7 billion would be made available to states for loans, CBO assumes that every state borrowing funds would repay its loans with interest. Therefore, the program would involve no long-run loss to the federal government, and under the credit reform provisions of the Congressional Budget Act, it would have no cost.

would spend under the block grant. By 2000, the gap between spending projected under current law ($19.4 billion) and spending permitted under the block grant ($16.8 billion) would grow to $2.6 billion.

Criteria for state participation in the block grant. To participate in the block grant program, states would present an assistance plan to the Department of Health and Human Services and would ensure that block grant funds would be spent only on needy families with minor children. States would not be required to spend any of their own resources to receive the block grant amounts. However, states would have to satisfy certain conditions. Notably, states would be prohibited from providing federal dollars to most families who have received cash assistance for more than 5 years since September 30, 1995. At their option, states could choose a shorter time limit and could grant hardship exemptions for up to 15 percent of all families. Although no family would encounter a 5-year time limit until October 1, 2000, the limit's effect on welfare participation could be noticed sooner if recipients shortened their stays on welfare or delayed childbearing in order to preserve access to the system in future years. CBO estimates that the full, potential effect of such a limit would not be realized until 2003 or later. Eventually, under current demographic assumptions, this provision could reduce cash assistance rolls by 30 percent to 40 percent. The actual effect of the time limit on families is uncertain however, because H.R. 4 would permit states and localities to provide cash assistance to such groups with their own resources. The inclusion of the time limit in the legislation does not affect the CBO estimate of federal costs because it would not directly change the amount of block grant funds disbursed to the states.

Work and training requirements under the block grant. Other provisions in Title I would require states to provide work and training activities for an increasing percentage of block grant recipients or face penalties of up to 5 percent of the state's share of the block grant. States would face three separate requirements, with each becoming increasingly difficult to satisfy over time. CBO estimates that by 2000 most states would have difficulty satisfying the requirements. The following discussion outlines the challenges states would encounter in 2000.

First, states would have to show on a monthly basis that individuals in 45 percent of all families are engaged in an education, work, or training activity. (This requirement would rise to 50 percent in 2001 and thereafter.[2]) By contrast, program data for 1994 indicate that, in an average month, only about 11 percent of all families were engaged in a JOBS activity or an unsubsidized job at 20 hours per week. Most states would be unlikely to satisfy this requirement for several reasons. The costs of administering

2. The CBO estimate assumes the work participation requirements would apply to all families assisted under the state plan for needy families and would not be limited to those who receive federal dollars. Given the lack of a maintenance of effort requirement in this bill, however, it is unclear whether the federal government would have the authority to impose work requirements on individuals who receive benefits funded with state or local resources.

such a large scale work and training program would be high and federal funding is frozen at 1994 levels. Because the pay-off for such programs has been shown to be low in terms of reductions in the welfare caseload, states may be relucant to commit their own funds. Morever, although states may succeed in reducing their caseloads through other measures, which would in turn free up federal funds for training, the requirements would still be difficult to meet because the remaining caseload would likely consist of the most needy individuals (incapacitated adults and parents with very young children) who would be very difficult and expensive to train.

Second, while tracking the work requirement for all families, states simultaneously would track a separate guideline for the smaller number of families with two parents participating in the AFDC-Unemployed Parent (AFDC-UP) program. By 2000, H.R. 4 would require that 90 percent of such families participate in a narrow set of work-related activities. States attempted to implement a similar requirement in 1994 for only 40 percent of AFDC-UP families; although final participation figures have not been released by the Department of Health and Human Services, preliminary analyses indicate that roughly 40 states failed the requirement. Given the states' records to date, CBO is not optimistic about their abilities to meet a 90 percent participation requirement.

Finally, states would also have to ensure that all parents who have received cash assistance for more than two years would engage in work activities. CBO estimates that approximately 70 percent of all parents on the cash assistance rolls in 2000 would have received such assistance for two years or more since the bill's effective date. The experience of the JOBS program to date suggests that such a requirement is well outside the states' abilities to implement.

In short, each of three work requirements would represent a significant challenge to states. Given the costs and administrative complexities involved, CBO assumes that most states would simply accept penalties of up to 5 percent of their block grant amounts rather than implement the requirements. CBO further assumes--consistent with current practice--that the Secretary of Health and Human Services would impose small penalties (less than one-half of one percent of the block grant) on non-complying states.

Effect of the block grant on the Food Stamp program. The federal savings estimated from the block grant conversion was reduced to account for higher estimated spending in the Food Stamp program. CBO estimates that enactment of Title I would result in families receiving lower average cash payments relative to current law and consequently, higher food stamp benefits. Under current rules, each dollar lost in cash would increase a participating family's food stamp benefits by an estimated 33 cents. CBO estimates the incomes of AFDC families would decline relative to current projections by $2.2 billion in 2000, generating a food stamp cost in that year of

$0.6 billion. This estimate assumes that states--on average--would follow the federal example and freeze their spending on cash benefits at their 1994 levels. Should states decide to spend more or less than 1994 levels, the costs of the food stamp program would be smaller or greater than the estimate.

Effect of the block grant on the Food Stamp Employment and Training program. The fixed federal contribution under the block grant may inspire states to seek alternative means of financing their training and child care programs. One possibility for states would involve channeling AFDC families through the Food Stamp Employment and Training program, which is not altered by this bill and would remain an uncapped entitlement with the federal government matching 50 percent of state expenditures. With no maintenance-of-effort requirement to receive block grant funds, states could use their shares of JOBS and JOBS child care expenditures (approximately $1.0 billion in 1994) to draw an equal amount of federal funding. CBO assumes it would take a number of years before states would turn to this alternative and estimates federal costs would rise from $100 million in 1999 to $400 million in 2002.

Effect of Title I on the Medicaid program. CBO estimates no change in Medicaid spending associated with the conversion to a block grant, which reflects the bill's stated intention to preserve current standards for Medicaid. How states implement these new programs would determine the ultimate impact on the Medicaid program. The requirement that states continue to provide Medicaid benefits to all individuals who meet current eligibility criteria for AFDC may increase the administrative burden in state agencies.

The creation of the block grant could affect Medicaid spending in a second way. Granting funds for cash assistance (with no requirement for state spending) while leaving Medicaid as a shared federal-state responsibility would provide states seeking to maximize federal assistance with an incentive to spend more money on Medicaid. Under the bill, a state dollar spent on cash assistance would no longer generate a federal matching payment while a state dollar spent on Medicaid would. Consequently, states could decide to expand Medicaid eligibility, financing the expansion with state dollars that otherwise would have been devoted to cash assistance. CBO has little basis upon which to predict such behavior and therefore has not estimated any change in Medicaid spending.

Title I also includes a provision requiring counting a sponsor's income (termed deeming) for a period of five years after an alien's arrival in the U.S. to determine the alien's eligibility for any need-based program authorized under the Social Security Act. Programs potentially affected by such a provision include Aid to Families with Dependent Children, Medicaid, and Supplemental Security Income. Since other provisions of the bill would replace AFDC with a program of block grants to the states and would make most aliens ineligible for SSI, however, the new deeming rule would affect only the Medicaid program. CBO estimates that savings in Medicaid would be about $0.1 billion in 1997 and $0.2 billion a year thereafter. The population targeted by the provision comprises primarily those aged aliens who, under current law, would seek SSI benefits within five years of arrival. Non-aged aliens are less likely to have financial sponsors. CBO assumes that, in the absence of more specific instructions, deeming regulations like those currently used in SSI would apply to Medicaid. CBO also assumes that about 25 percent of the individuals that have financial sponsors would still be able to obtain Medicaid benefits because their medical expenditures are high enough that they could still apply for benefits as a medically needy recipient if their state has such a program.

Effect of the block grant on the Foster Care program. Although H.R. 4 does not directly amend the foster care program, which would remain an open-ended entitlement with state expenditures matched by the federal government, the bill could affect foster care spending in two ways. First, eligibility for foster care is currently based on eligibility for AFDC payments in the home from which the child is removed. Because this bill would repeal the sections of the Social Security Act upon which AFDC eligibility is based, the effect of the bill on foster care payments is unclear. Should states adopt AFDC eligibility requirements that are more restrictive than current law, fewer children would be deemed eligible for foster care, and foster care payments could decline. Second, by retaining the foster care program as a matched entitlement, the bill would create an incentive for states to shift AFDC children who also are eligible for foster care benefits into the foster care program. AFDC administrative data for 1993 suggest that roughly 500,000 children (5 percent of all children on AFDC) fall into this category because they live in a household without a parent. CBO assumes a number of legal and financial barriers would prevent states from transferring a large share of such children and estimates states would collect an additional $10 million in foster care payments in 1996, rising to $45 million in 2002.

Title III: Supplemental Security Income

Title III of H.R. 4 would reduce spending in the Supplemental Security Income program for three distinct groups of participants: legal aliens, drug addicts and alcoholics, and disabled children. Net savings are estimated to equal $5.1 billion in 2002 (see Table 2).

Legal aliens. In general, legal aliens are now eligible for SSI and other benefits administered by the federal government. Most aliens, other than refugees, do not collect benefits during their first few years in the U.S., because administrators must deem a portion of a sponsor's income to the alien during that period when determining the alien's eligibility. H.R. 4 would eliminate SSI benefits altogether for most legal aliens. Exceptions would be made for groups that make up about one-fifth of aliens on the SSI rolls: refugees who have been in the country for less than five years, aliens who receive a Social Security benefit based on their own earnings, and veterans of the U.S. military. All other legal aliens now on SSI would be removed from the rolls on January 1, 1997.

CBO bases its estimate of savings on administrative records for the SSI program. Those data suggested that there were about 700,000 non-citizen beneficiaries in 1994, or 12 percent of all recipients of federal SSI payments in that year, and that their numbers might be expected to continue to grow in the absence of a change in policy. The administrative records, though, are of uncertain quality. They are not likely to reflect changes in citizenship status (such as naturalization) that may have occurred since the recipient first began collecting benefits. It has not been important for agencies to keep citizenship status up-to-date so long as they have verified that the recipient is, in fact, legally eligible. That problem is thought to be particularly acute for SSI, where some beneficiaries identified as aliens have been on the program for many years. Recognizing this problem, CBO assumes that about one-fifth of SSI beneficiaries coded as aliens are in fact naturalized citizens.

CBO estimates the number of noncitizen recipients who would be removed from the SSI rolls by projecting the future caseload in the absence of policy change and subtracting the three groups (certain refugees, Social Security recipients, and veterans) exempted under the bill. CBO also assumes that some of the remainder will be spurred to become naturalized. The rest, estimated by CBO at approximately one-half million legal aliens, would be cut from the SSI rolls. Multiplying by the average benefits paid to such aliens--assumed to equal 1994 levels plus subsequent cost-of-living adjustments, or about $4,700 per alien in 1997--yields annual federal budgetary savings of between $2 billion and $3 billion a year.

Removing these aliens from the SSI rolls has indirect effects on two other programs: Medicaid and food stamps. In most states, Medicaid is automatically available to anyone on SSI. Although H.R. 4 does not explicitly bar legal aliens from Medicaid, some aliens who lose SSI would thereby lose their only route onto the Medicaid program. CBO assumes that most aliens who lose SSI disability benefits could keep Medicaid eligibility under other terms of the program, only about half of those aliens who lose SSI old-age benefits, however, would be able to requalify as medically needy. Savings in Medicaid of $0.2 billion to $0.3 billion a year would result. H.R. 4 is silent about legal aliens' eligibility for food stamps, a program that is outside the jurisdiction of the Finance Committee. Under current law, legal aliens who lose cash income and who also get food stamps would automatically receive larger benefits under that program. CBO assumes that only a fraction of the SSI loss would be made up at the state and local level through general assistance programs. For aliens participating in food stamps, food stamp benefits are estimated to increase by about 33 cents for each dollar of cash income lost. Extra food stamp costs would be approximately $300 million a year.

These estimates, and other CBO estimates concerning legal aliens, are rife with uncertainties. First, administrative data in all programs are of uncertain quality. Citizenship status is not recorded at all for about 8 percent of SSI recipients, and--as previously noted--some persons coded as aliens are certainly naturalized citizens by now. Second, it is hard to judge how many noncitizens would react to the legislation by becoming citizens. At least 80 percent of legal aliens now on the SSI rolls are eligible to become citizens; the fact that they have not been naturalized may be attributable, in part, to the lack of a strong financial incentive. Heretofore, all legal immigrants have not been barred from most jobs, from eligibility for benefits, or from most other privileges except voting. Because the naturalization process takes time and effort, CBO assumes that only about one-third of those whose benefits would otherwise be eliminated will become citizens by the year 2000.

Drug addicts and alcoholics. For many years, the Social Security Administration (SSA) has been required to identify certain drug addicts and alcoholics (DA&As) in the SSI program, when the substance abuse is a material contributing factor to the finding of disability. Special provisions apply to those recipients: they must comply with treatment if available, they must have representative payees, and (as a result of legislation enacted last year) they can receive a maximum of 36 months' benefits. About 100,000 recipients classified as drug addicts and alcoholics received benefits in December 1994.

CBO assumes that, under current law, the DA&A caseload would grow to about 190,000 by 1997, fall in 1998 (as the first wave of terminations under last year's legislation occurs), then resume climbing gradually. Under H.R. 4, awards to DA&As would stop immediately, and those already receiving benefits would be removed from the rolls on January 1, 1997, unless they had another seriously disabling condition.

Estimating the number of DA&As who already have or will soon develop another disabling condition is a thorny issue. A sample of 1994 awards with a primary diagnosis of substance abuse found that two-thirds identified a secondary disabling condition (predominantly mental rather than physical). That fact must be interpreted with caution. In order to be worth noting, the secondary condition must be quite severe--but not necessarily disabling in its own right. On the other hand, there is no requirement to record secondary conditions; some of the one-third for whom none was recorded undoubtedly had them. And the health of many DA&A recipients certainly deteriorates over time, with or without continued substance abuse. Thus, CBO assumes that only about one-quarter of DA&A recipients would be permanently terminated from the program; the rest could requalify by documenting that they have another sufficiently disabling condition. Multiplying the number of recipients terminated times an average benefit yields savings of $200 million to $300 million a year in SSI benefits.

Besides saving on benefits, the Social Security Administration would also be freed from the requirement to maintain contracts with referral and monitoring agencies (RMAs) for its SSI recipients. Those agencies monitor addicts' and alcoholics' treatment status and often serve as representative payees. Savings are estimated at about $150 million to $200 million a year in 1997 through 2002. Savings in 1996, however, are uncertain, as SSA will likely have to pay cancellation penalties on the contracts to be terminated.

The legislation would also eliminate Medicaid coverage for DA&As terminated from the SSI program, resulting in another $100 million a year or so in savings. And because former SSI recipients would experience a reduction in their cash income, food stamp costs under current law would increase slightly--by approximately $30 million a year.

Disabled children. H.R. 4 would restructure the SSI program for disabled children. Under current law, low-income children can qualify for the SSI program and its federal cash benefits of up to $458 a month in two ways. They may match one of the medical listings (a catalogue of specific impairments, with accompanying clinical findings), or they may be evaluated under an individualized functional assessment (IFA) that determines whether an unlisted impairment seriously limits a child from performing activities normal for his or her age. Both methods are spelled out in regulation. Until the Supreme Court's decision in the Zebley case in 1990, the medical listings were the sole path to eligibility for children. Adults, in contrast, could receive an assessment of their functional and vocational capacities even if they did not meet their own set of listings. The court ruled that sole reliance on the listings did not comport with the law's requirement to gauge whether children's disorders were of "comparable severity" to impairments that would disable adults.

H.R. 4 would eliminate childhood IFAs and their statutory underpinning, the "comparable severity" rule, as a basis for receipt. Many children on the rolls as a result of an IFA (roughly a quarter of children now on SSI) would be terminated, and future awards based on an IFA would be barred. Thus, the program would be restricted to those who met or equaled the listings. The bill would also remove the reference to maladaptive behavior--behavior that is destructive to oneself, others, property, or animals--from the personal/behavioral domain of the medical listings, the only place where it appears as a basis for award.

Even as it repealed the "comparable severity" language, the bill would create a new statutory definition of childhood disability. It states that a child would be considered disabled if he or she has "a medically determinable physical or mental impairment which results in marked, pervasive and severe functional limitations [and can be expected to last 12 months or lead to death]." That language appears to be intended to preserve SSI eligibility for some of the most severely impaired children who now qualify by way of an IFA. The exact implications of this language would remain to be clarified through regulation (and perhaps court interpretation) and are difficult for CBO to estimate definitively.

CBO estimated the savings from these changes by judging how many present and future children would likely qualify under the new criteria. CBO relied extensively on SSA program data and on analyses conducted by the General Accounting Office and the Inspector General of the Department of Health and Human Services. Approximately 900,000 children now collect SSI benefits, and CBO projects that the number would reach 1.35 million in 2002 if policies were unchanged. CBO assumed that more than half of children who qualify through an IFA would be rendered ineligible under the proposed criteria--specifically, those who fail to rate a "marked" or "extreme" impairment in at least two areas of functioning. CBO chose that assumption because the bill's key phrase--"marked, pervasive and severe functional impairments"--might reasonably be interpreted to mean marked limitations in several different areas of functioning, a tighter standard than the one that now allows some children with "moderate" limitations onto the program. CBO also assumes that the provisions on maladaptive behavior would bar a small percentage of children from eligibility for benefits. Overall, approximately 21 percent of children who would be eligible under current law would be rendered ineligible. Because of the room for regulatory interpretation, however, that figure is uncertain. A tight interpretation might bar up to 28 percent of children; a loose one might trim the rolls by about 10 percent or even less.

CBO estimates the savings in cash benefits relative to current law by multiplying the number of children assumed to lose benefits by the average benefit. That average benefit was about $430 a month in December 1994 and would grow with inflation thereafter. Children already on the rolls would be reviewed under the new criteria but could keep their benefits through December 1996 even if found ineligible. CBO assumes that children who do not meet the new criteria could be removed from the rolls even if their medical condition has not improved since award--as is clearly intended by the bill--even though current law generally requires that SSA document such progress before it terminates a beneficiary. New awards would be affected immediately. Total savings in cash benefits would equal $0.2 billion in 1996 and $2.1 billion in 2002.

H.R. 4 would make several other changes to the SSI program for disabled children, notably by stepping up requirements for continuing disability reviews (CDRs). Savings from that requirement are embedded in CBO's estimate. The bill also requires that representative payees (usually parents) develop a treatment plan for the child and demonstrate to SSA's satisfaction that they have followed that plan. Noncompliance would lead to appointment of another representative payee, not to termination of benefits. The bill also mandates several studies of disability issues.

The proposed cutbacks in children's SSI benefits would affect spending in other programs. Food stamp outlays would increase, under current law, to replace a portion of the cash income lost by the children's families. Effects on two other programs, however, are omitted from CBO's estimate. Under current law, approximately half of the disabled children losing SSI benefits would be likely to end up on the AFDC program; but because that program would be abolished in Title I and replaced by a fixed block grant to the states, no extra spending would result. The cutback in children's SSI benefits would have only negligible effects on the Medicaid program. Most children removed from SSI would still qualify for Medicaid--either through their eligibility for the program of temporary assistance to needy families (the successor to the AFDC program) or their poverty status.

Administrative costs. Several provisions of Title III would affect the administrative costs of the SSI program. Those costs are funded out of an overall discretionary appropriation that limits administrative expenses of the Social Security Administration. The most significant burdens would be those involved in checking citizenship status and conducting continuing disability reviews (CDRs). Title III would presumably require SSA to check the citizenship status of all SSI beneficiaries--those coded as citizens as well as those identified as aliens--to verify their continued eligibility for benefits. CBO estimates the one-time cost of that effort at about $50 million; some savings would materialize in later years, though, as SSA would need to sift through fewer applications from legal aliens. The disability-related provisions would, in CBO's judgment, involve approximately $300 million in nonrecurring costs (principally in 1996) as SSA reviews drug addicts and alcoholics and disabled children for continued eligibility, and about $100 million a year thereafter because of the permanent requirement for additional CDRs. SSA would save small amounts of money (less than $5 million a year) from processing fewer benefit checks. Extra administrative costs are expected to total $0.3 billion in 1996 and $0.1 billion a year thereafter.

Title IV: Child Support Enforcement

Title IV would change many aspects of the operation and financing of the federal and state child support enforcement system. CBO estimates that the change in spending relative to current law would fluctuate between net costs or net savings of $100 million annually over the seven-year estimation period (see Table 3). The key provisions of Title IV would mandate the use of new enforcement techniques with a potential to increase collections, eliminate a current $50 payment to welfare recipients for whom child support is collected, allow former public assistance recipients to keep a greater share of their child support collections, and authorize new spending on automated systems. Similar to current law, the bill would require that states share with the federal government child support collected on behalf of families who receive cash assistance through the Temporary Assistance for Needy Families Block Grant.

New enforcement techniques. Using reports on the performance of various enforcement strategies at the state level, CBO estimates that child support collections received by families on cash assistance in 2000 would increase under the bill by roughly 12 percent over current projections (from $3.5 billion to $3.9 billion). Most of the improvement would result from the creation of a new-hire registry (designed to speed the receipt of earnings information on noncustodial parents) and provisions that would expedite the process by which states seize the assets of noncustodial parents who are delinquent in their child support payments. Some states have already applied the proposed enforcement techniques, thereby reducing the potential of improving collections further. CBO projects that the additional collections would result in savings of roughly $0.2 billion in 2000 to the federal government through shared child support collections, as well as reduced spending in food stamps and Medicaid.

Elimination of the $50 passthrough. Additional federal savings would be generated by eliminating the current $50 passthrough. Under current law, amounts up to the first $50 in monthly child support collected are paid to the family receiving cash assistance without affecting the level of the welfare benefit. Thus, families for whom noncustodial parents contribute child support get as much as $50 more a month than do otherwise identical families for whom such contributions are not made. Eliminating the $50 child support payment beginning in 1996 would save the federal government between $0.1 billion and $0.2 billion annually.

Distributing additional child support to former AFDC recipients. H.R. 4 would require states to share more child support collections with former recipients of public assistance, reducing federal and state recoupment of prior benefit payments. When someone ceases to receive public assistance, states continue to collect and enforce the family's child support order. All amounts of child support collected on time are sent directly to the family. If a state collects past-due child support, however, it may either send the amount to the family or to use the collection to reimburse itself and the federal government for past AFDC payments. The proposal, which would take effect in fiscal year 2000, would require states to send a larger share of arrearage collections to families, which would reduce recoupment by federal and state governments. Based on a survey of child support directors, CBO estimates that this provision would cost the federal government $0.3 billion in 2000 and $0.4 billion in 2001 and 2002.

Additional provisions with budgetary implications. A number of other provisions would increase federal outlays. First, H.R. 4 would fund further improvements in states' automated systems at an estimated annual cost of $0.1 billion. Second, the bill would provide about $50 million annually to provide technical assistance to states and to operate a computer system designed to locate non-custodial parents. Third, the bill would change federal cost sharing in enforcing child support. Although individual states would see their share of federal funds change relative to current law, CBO estimates that the new funding formula would be cost neutral from the federal standpoint.

7. PAY-AS-YOU-GO CONSIDERATIONS:

The Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts through 1998. The pay-as-you-go effects of the bill are as follows.

(by fiscal years, in millions of dollars)

	1995	1996	1997	1998
Outlays	0	-954	-4,376	-5,637
Receipts	0	0	0	0

8. ESTIMATED COST TO STATE AND LOCAL GOVERNMENTS:

In general, H.R. 4 mandates no new or additional spending by state and local governments and gives those governments the freedom to cut back on some spending that they already incur. It is possible that state and local government will opt to spend more on certain activities, but that choice would be up to them.

Title I of H.R. 4 would change the structure of federal funding for cash assistance and job training for recipients of welfare benefits. The bill would repeal the federal entitlement for these programs to individuals and would allow states to spend a specified amount of federal money provided in a block grant with a greater degree of flexibility. To the extent that demand or eligibility for these programs increases above the level of federal funding, states could choose to increase their own spending to keep pace or could reduce the amount of benefits or limit eligibility to maintain current levels of spending.

Title III's provisions, which would affect the SSI program, likewise could increase or decrease state and local spending, depending on a variety of factors. State and local government spending for legal immigrants would automatically be reduced by limiting aliens' eligibility for two programs: SSI (which is typically supplemented by states) and Medicaid. Legal immigrants cut off from federal benefits, however, might turn to state- and locally-funded general assistance (GA) and general medical assistance (GMA) programs instead, raising the demand for such benefits. Elsewhere, the bill permits but does not require states to deny benefits under the new family assistance block grant to legal aliens.

The proposed removal of drug addicts and alcoholics from the SSI and Medicaid rolls would probably boost demand for general assistance payments but trim states' costs for Medicaid and for SSI supplements, with uncertain overall effects. Cutbacks in cash SSI benefits to disabled children will probably increase demands on state and local welfare programs, but those are extensively restructured by Title I in a way that affords states great latitude.

Title IV would increase child support collections and reduce the reliance on welfare for certain families. CBO estimates the provisions would reduce state and local spending by $0.3 billion in 2002.

9. ESTIMATE COMPARISON: None.

10. PREVIOUS CBO ESTIMATE:

On March 31, 1995, CBO issued an estimate of H.R. 4 as passed by the House of Representatives. Comparisons between the House-passed version of H.R. 4 and this substitute are difficult to make because this bill amends only programs under the jurisdiction of the Committee on Finance (AFDC, Supplemental Security Income, Foster Care, Medicaid, and Child Support Enforcement). The House-passed bill also addressed the Food Stamp program, Child Nutrition programs, and the Child Care and Development Block Grant. The following outlines the key modifications to the House bill made by the Committee on Finance.

<u>Titles I and II: Temporary Assistance for Needy Families Block Grant and JOBS Modification</u>

The Temporary Assistance for Needy Families Block Grant is funded at a higher level in the Finance Committee substitute ($16.8 billion rather than $15.4 billion a year). The difference stems from two sources. First, the Finance version includes $1.0 billion for three AFDC-related child care programs. The House provided for such funding in a separate, discretionary child care block grant. Second, the Finance Committee provides an additional $0.4 billion for the AFDC and JOBS programs.

In addition, the Finance Committee amended the House-proposed adjustments to the block grant, dropping the population adjustment and eliminating the adjustments based on the so-called illegitimacy ratio. The federal loan fund is increased from $1.0 billion to $1.7 billion.

Finally, the Finance Committee struck a number of requirements in the House-passed version that would prohibit states from providing cash assistance to children born while their mothers were receiving welfare and to families headed by a mother who is under age 18 and who gave birth outside of marriage.

Title III: Supplemental Security Income

Restricting benefits for aliens. H.R. 4, as reported by the Committee on Finance, would save more money by restricting SSI benefits for aliens than would its counterpart passed by the House. That is chiefly because the House bill contains two significant exemptions--namely, for legal aliens who are 75 years of age or older or who are developmentally disabled--that are absent in this version. In contrast, the Finance Committee's bill exempts another group (Social Security recipients who have paid enough in taxes to collect benefits on their own record) that would not be spared by the House. Although that is a large group, its average SSI benefit is much lower than that for other aliens, and thus the exemption is not particularly costly. CBO assumes that there would be a stronger incentive for aged aliens to become naturalized under the Finance Committee's version. Under the House-passed bill, many elderly aliens could simply wait until age 75 to claim SSI benefits. Since that possibility is blocked in the Senate bill, naturalization would be the only way to obtain benefits.

H.R. 4, as passed by the House, would bar most legal aliens from the Medicaid and food stamp programs as well as from SSI. Those provisions are absent in the Finance Committee-reported bill.

Restricting benefits for drug addicts and alcoholics. This bill and the House-passed act have nearly identical restrictions on the eligibility of drug addicts and alcoholics for SSI. The House approved a provision adding $100 million a year in budget authority beginning in 1997 to drug treatment and research programs. This bill has no comparable provision.

Restricting benefits for certain disabled children. Both the House-passed and Finance Committee-reported bills would limit the provision of SSI benefits to disabled children by repealing IFAs and tightening eligibility. The greatest contrast lies in the two bills' emphasis on cash payments versus services. The House bill would steer most children seeking SSI in the future toward noncash benefits. It would set up a program of block grants to states enabling them to offer services (chosen from a list authorized by the Commissioner of Social Security) to disabled children. All qualified children would be entitled to an evaluation of their need for services, but no child would be entitled to a specific level or value of services. The total amount of the block grant would be set at just under 75 percent of the amount of cash benefits for which it would substitute. SSA could award cash benefits to future applicants only if it were convinced that the child would otherwise be institutionalized. In contrast, the Finance bill would retain cash benefits for disabled children.

Title IV: Child Support Enforcement

The differences between this substitute and the House-passed version are technical in nature and would have no effect on the federal budget. CBO's estimate of this substitute differs from that of the House bill because CBO has revised its estimate of the proposal to distribute additional child support to former AFDC recipients. Information from states that was available to CBO at the time of the House's action suggested that the policy would result in only modest federal and state costs. Subsequent analyses by states in early May indicate the proposal would be more costly than previously estimated.

Child Protection

The major difference between the Finance Committee substitute and the House-passed version is that the House bill would transform Foster Care, Adoption Assistance, and other child welfare programs into a block grant. The House-passed version saved between $0.3 billion and $0.8 billion in Child Protection programs annually. The Finance Committee's bill does not amend Child Protection programs.

11. ESTIMATE PREPARED BY:

John Tapogna and Sheila Dacey (Titles I, II and IV), Kathy Ruffing (Title III), and Robin Rudowitz (Medicaid) at 226-2820.

12. ESTIMATE APPROVED BY:

Paul N. Van de Water
Assistant Director
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SUMMARY TABLE
FEDERAL BUDGET EFFECTS OF THE FAMILY SELF-SUFFICIENCY ACT
As reported by the Senate Committee on Finance

06/08/95
12:51 PM

(by fiscal year, in millions of dollars)

	1996	1997	1998	1999	2000	2001	2002	1996-2000 Total	1996-2002 Total
TITLE I: TEMPORARY ASSISTANCE FOR NEEDY FAMILIES BLOCK GRANT									
Direct Spending									
Budget Authority	(557)	(998)	(1,429)	(1,713)	(2,065)	(2,355)	(2,650)	(6,762)	(11,767)
Outlays	(473)	(943)	(1,384)	(1,678)	(2,030)	(2,312)	(2,615)	(6,508)	(11,435)
TITLE II: JOBS PROGRAM									
Direct Spending									
Budget Authority	0	0	0	0	0	0	0	0	0
Outlays	0	0	0	0	0	0	0	0	0
TITLE III: SUPPLEMENTAL SECURITY INCOME									
Direct Spending									
Budget Authority	(547)	(3,419)	(4,221)	(4,459)	(5,006)	(4,427)	(5,102)	(17,652)	(27,181)
Outlays	(405)	(3,375)	(4,241)	(4,432)	(4,985)	(4,406)	(5,082)	(17,438)	(26,926)
Authorizations of Appropriations									
Budget Authority	300	125	100	100	100	100	100	NA	NA
Outlays	300	125	100	100	100	100	100	NA	NA
TITLE IV: CHILD SUPPORT									
Direct Spending									
Budget Authority	(76)	(58)	(12)	(93)	112	(20)	(53)	(127)	(200)
Outlays	(76)	(58)	(12)	(93)	112	(20)	(53)	(127)	(200)
TOTALS: TITLES I - IV									
Direct Spending									
Budget Authority	(1,180)	(4,475)	(5,662)	(6,265)	(6,959)	(6,802)	(7,805)	(24,541)	(39,148)
Outlays	(954)	(4,376)	(5,637)	(6,203)	(6,903)	(6,738)	(7,750)	(24,073)	(38,561)
Authorizations of Appropriations									
Budget Authority	300	125	100	100	100	100	100	NA	NA
Outlays	300	125	100	100	100	100	100	NA	NA

Notes: Numbers in parentheses are negative numbers.
Rows and columns may not add because of rounding.
NA = not available

NOTE: H.R. 4 creates a new block grant of temporary assistance for needy families and specifies funding levels through fiscal year 2000. CBO's estimates for 2001 and 2002 assume that the level of the block grant will remain the same as in 2000.

TABLE 1
FEDERAL BUDGET EFFECTS OF THE FAMILY SELF-SUFFICIENCY ACT, TITLES I AND II
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES BLOCK GRANT AND JOBS
As reported by the Senate Committee on Finance 06/07/95

(by fiscal year, in millions of dollars)

	1996	1997	1998	1999	2000	2001	2002
Repeal AFDC , Emergency Assistance, JOBS, and Child Care Programs							
Family Support Payments							
Budget Authority	(17,454)	(17,855)	(18,311)	(18,845)	(19,437)	(20,027)	(20,622)
Outlays	(17,194)	(17,800)	(18,266)	(18,810)	(19,402)	(19,992)	(20,587)
Food Stamp Program a/							
Budget Authority	50	175	300	450	625	825	1,025
Outlays	50	175	300	450	625	825	1,025
Medicaid							
Budget Authority	b/	b/	b/	b/	b/	b/	b/
Outlays	b/	b/	b/	b/	b/	b/	b/
Authorize Temporary Family Assistance Block Grant							
Family Support Payments							
Budget Authority	16,787	16,787	16,787	16,787	16,787	16,787	16,787
Outlays	16,619	16,787	16,787	16,787	16,787	16,787	16,787
Evaluation of Block Grant							
Family Support Payments							
Budget Authority	10	10	10	10	10	0	0
Outlays	2	10	10	10	10	8	0
Penalties for State Failure to Meet Work Requirements							
Family Support Payments							
Budget Authority	0	0	0	0	(50)	(50)	(50)
Outlays	0	0	0	0	(50)	(50)	(50)
Incentive for States to Pay Foster Care rather than AFDC Benefits							
Foster Care Program							
Budget Authority	0	0	0	10	25	35	45
Outlays	0	0	0	10	25	35	45
Incentive for States to Fund Training through the Food Stamp Employment and Training Program							
Food Stamp Program a/							
Budget Authority	0	0	0	100	200	300	400
Outlays	0	0	0	100	200	300	400

(continued)

TABLE 1 (cont'd).
FEDERAL BUDGET EFFECTS OF THE FAMILY SELF-SUFFICIENCY ACT, TITLES I AND II
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES BLOCK GRANT AND JOBS
As reported by the Senate Committee on Finance 06/07/95

(by fiscal year, in millions of dollars)

	1996	1997	1998	1999	2000	2001	2002
Denial of Benefits to Persons who Misrepresent Residence							
Food Stamp Program a/							
Budget Authority	0	(5)	(5)	(5)	(5)	(5)	(5)
Outlays	0	(5)	(5)	(5)	(5)	(5)	(5)
Hold States Harmless for Cost-Neutrality Liabilities							
Family Support Payments							
Budget Authority	50	0	0	0	0	0	0
Outlays	50	0	0	0	0	0	0
Impose Five-Year Deeming of Sponsors' Income and Resources							
Medicaid							
Budget Authority	0	(110)	(210)	(220)	(220)	(220)	(230)
Outlays	0	(110)	(210)	(220)	(220)	(220)	(230)
TOTAL TITLES I AND II, BY ACCOUNT							
Family Support Payments							
Budget Authority	(607)	(1,058)	(1,514)	(2,048)	(2,690)	(3,290)	(3,885)
Outlays	(523)	(1,003)	(1,469)	(2,013)	(2,655)	(3,247)	(3,850)
Food Stamp Program							
Budget Authority	50	170	295	545	820	1,120	1,420
Outlays	50	170	295	545	820	1,120	1,420
Medicaid b/							
Budget Authority	0	(110)	(210)	(220)	(220)	(220)	(230)
Outlays	0	(110)	(210)	(220)	(220)	(220)	(230)
Foster Care Program							
Budget Authority	0	0	0	10	25	35	45
Outlays	0	0	0	10	25	35	45
TOTAL, ALL ACCOUNTS							
Budget Authority	(557)	(998)	(1,429)	(1,713)	(2,065)	(2,355)	(2,650)
Outlays	(473)	(943)	(1,384)	(1,678)	(2,030)	(2,312)	(2,615)

NOTE: H.R. 4 creates a new block grant of temporary assistance for needy families and specifies funding levels through fiscal year 2000. CBO's estimates for 2001 and 2002 assume that the level of the block grant will remain the same as in 2000.

a/ Estimate assumes the Food Stamp program is an open-ended entitlement.

b/ Medicaid savings shown for Title I reflect only the effect of imposing a 5-year sponsor-to-alien deeming requirement. Other language in Title I, intended to hold Medicaid beneficiaries harmless from the switch to temporary assistance for needy families, has unclear effects on the Medicaid program. States may implement such provisions in a number of ways potentially resulting in small costs, small savings, or budget neutrality. The impact of the legislation would be largely determined by the implementing regulations.

TABLE 2
FEDERAL BUDGET EFFECTS OF THE FAMILY SELF-SUFFICIENCY ACT, TITLE III — 06/08/95
SUPPLEMENTAL SECURITY INCOME — 12:50 PM
As reported by the Senate Committee on Finance

(by fiscal year, in millions of dollars)

	1996	1997	1998	1999	2000	2001	2002
Restricting Benefits for Legal Aliens							
Supplemental Security Income							
Budget Authority	(170)	(2,190)	(2,710)	(2,710)	(2,900)	(2,470)	(2,760)
Outlays	(170)	(2,190)	(2,710)	(2,710)	(2,900)	(2,470)	(2,760)
Medicaid a/							
Budget Authority	(10)	(180)	(230)	(240)	(260)	(270)	(290)
Outlays	(10)	(180)	(230)	(240)	(260)	(270)	(290)
Food Stamps b/							
Budget Authority	20	270	335	335	330	335	340
Outlays	20	270	335	335	330	335	340
Drug Addicts and Alcoholics c/							
Supplemental Security Income-Benefits							
Budget Authority	(29)	(200)	(215)	(249)	(260)	(230)	(280)
Outlays	(29)	(200)	(215)	(249)	(260)	(230)	(280)
Supplemental Security Income-Referral and Monitoring Costs							
Budget Authority	(142)	(186)	(166)	(193)	(214)	(235)	(255)
Outlays	0	(142)	(186)	(166)	(193)	(214)	(235)
Medicaid							
Budget Authority	(12)	(81)	(89)	(108)	(117)	(125)	(136)
Outlays	(12)	(81)	(89)	(108)	(117)	(125)	(136)
Food Stamps b/							
Budget Authority	3	25	25	30	30	30	35
Outlays	3	25	25	30	30	30	35
Disabled Children c/							
Supplemental Security Income Benefits							
Budget Authority	(242)	(1,022)	(1,371)	(1,549)	(1,865)	(1,732)	(2,056)
Outlays	(242)	(1,022)	(1,371)	(1,549)	(1,865)	(1,732)	(2,056)
Food Stamps b/							
Budget Authority	35	145	200	225	250	270	300
Outlays	35	145	200	225	250	270	300
Additional administrative costs (authorization of appropriations)							
Supplemental Security Income							
Budget Authority	300	125	100	100	100	100	100
Outlays	300	125	100	100	100	100	100
TOTAL TITLE III, BY ACCOUNT							
Supplemental Security Income							
Budget Authority	(583)	(3,598)	(4,462)	(4,701)	(5,239)	(4,667)	(5,351)
Outlays	(441)	(3,554)	(4,482)	(4,674)	(5,218)	(4,646)	(5,331)
Medicaid							
Budget Authority	(22)	(261)	(319)	(348)	(377)	(395)	(426)
Outlays	(22)	(261)	(319)	(348)	(377)	(395)	(426)
Food Stamps b/							
Budget Authority	58	440	560	590	610	635	675
Outlays	58	440	560	590	610	635	675
TOTAL, ALL ACCOUNTS (DIRECT SPENDING)							
Budget Authority	(547)	(3,419)	(4,221)	(4,459)	(5,006)	(4,427)	(5,102)
Outlays	(405)	(3,375)	(4,241)	(4,432)	(4,985)	(4,406)	(5,082)
Authorization of appropriations							
Supplemental Security Income							
Budget Authority	300	125	100	100	100	100	100
Outlays	300	125	100	100	100	100	100

a/ The proposal would not bar aliens explicitly from Medicaid. However, some aliens would lose Medicaid coverage by virtue of losing their SSI eligibility.
b/ Estimate assumes the Food Stamp program is an open-ended entitlement.
c/ Proposal could increase number of individuals participating in the Temporary Assistance for Needy Families block grant; however, such an increase would not affect federal spending.

TABLE 3
FEDERAL BUDGET EFFECTS OF THE FAMILY SELF-SUFFICIENCY ACT, TITLE IV
CHILD SUPPORT ENFORCEMENT
As reported by the Senate Committee on Finance a/

06/05/95
07:00 PM

(by fiscal year, in millions of dollars)

	1996	1997	1998	1999	2000	2001	2002
New Enforcement Techniques							
State directory of new hires							
Family support payments	0	0	11	(9)	(13)	(18)	(19)
Food stamp program	0	0	(2)	(10)	(15)	(22)	(23)
Medicaid	0	0	(8)	(18)	(31)	(46)	(52)
Subtotal	0	0	2	(37)	(59)	(86)	(93)
State laws providing expedited enforcement of child support							
Family support payments	0	0	0	(18)	(38)	(60)	(84)
Food stamp program	0	0	0	(6)	(14)	(22)	(30)
Medicaid	0	0	0	(6)	(14)	(24)	(37)
Subtotal	0	0	0	(31)	(66)	(106)	(152)
State laws concerning paternity							
Family support payments	0	(17)	(18)	(20)	(22)	(24)	(26)
Food stamp program	0	(3)	(3)	(4)	(4)	(4)	(5)
Medicaid	0	(2)	(2)	(3)	(3)	(4)	(5)
Subtotal	0	(22)	(24)	(26)	(29)	(32)	(36)
Suspend Drivers' Licenses							
Family support payments	0	(8)	(17)	(27)	(37)	(39)	(41)
Food stamp program	0	(2)	(5)	(8)	(12)	(12)	(13)
Medicaid	0	(2)	(4)	(6)	(10)	(11)	(12)
Subtotal	0	(12)	(26)	(41)	(59)	(62)	(66)
Adoption of uniform state laws							
Family support payments	0	10	2	(8)	(13)	(18)	(24)
Food stamp program	0	0	(1)	(3)	(5)	(7)	(9)
Medicaid	0	0	(2)	(4)	(7)	(11)	(16)
Subtotal	0	10	(1)	(15)	(25)	(36)	(49)
SUBTOTAL, NEW ENFORCEMENT	0	(23)	(49)	(151)	(239)	(323)	(396)
Eliminate $50 Passthrough							
Family support payments	(250)	(270)	(290)	(320)	(360)	(390)	(420)
Food stamp program	130	140	150	170	190	200	220
Medicaid	0	0	0	0	0	0	0
Subtotal	(120)	(130)	(140)	(150)	(170)	(190)	(200)
Distribute Child Support Arrears to Former AFDC Families First							
Family support payments	0	0	0	0	360	420	470
Food stamp program	0	0	0	0	(60)	(70)	(80)
Medicaid	0	0	0	0	0	0	0
Subtotal	0	0	0	0	300	350	390
Other Provisions with Budgetary Implications							
Automated data processing development							
Family support payments	0	28	59	84	84	5	0
Food stamp program	0	0	0	0	0	0	0
Medicaid	0	0	0	0	0	0	0
Subtotal	0	28	59	84	84	5	0

(continued)

TABLE 3
FEDERAL BUDGET EFFECTS OF THE FAMILY SELF-SUFFICIENCY ACT, TITLE IV
CHILD SUPPORT ENFORCEMENT
As reported by the Senate Committee on Finance a/

06/05/95
07:00 PM

(by fiscal year, in millions of dollars)

	1996	1997	1998	1999	2000	2001	2002
Automated data processing operation and maintenance							
Family support payments	3	12	55	52	52	46	40
Food stamp program	0	0	0	0	0	0	0
Medicaid	0	0	0	0	0	0	0
Subtotal	3	12	55	52	52	46	40
Technical assistance to state programs							
Family support payments	36	47	51	55	60	56	60
Food stamp program	0	0	0	0	0	0	0
Medicaid	0	0	0	0	0	0	0
Subtotal	36	47	51	55	60	56	60
State obligation to provide services							
Family support payments	0	0	0	3	11	22	39
Food stamp program	0	0	0	0	0	0	0
Medicaid	0	0	0	0	0	0	0
Subtotal	0	0	0	3	11	22	39
Federal and state reviews and audits							
Family support payments	0	3	3	3	3	3	3
Food stamp program	0	0	0	0	0	0	0
Medicaid	0	0	0	0	0	0	0
Subtotal	0	3	3	3	3	3	3
Performance-based incentives							
Family support payments	0	0	0	0	0	0	0
Food stamp program	0	0	0	0	0	0	0
Medicaid	0	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0	0
Grants to States for Visitation							
Family support payments	5	5	10	10	10	10	10
Food stamp program	0	0	0	0	0	0	0
Medicaid	0	0	0	0	0	0	0
Subtotal	5	5	10	10	10	10	10
SUBTOTAL, OTHER PROVISIONS	44	95	178	208	220	143	152
TOTAL TITLE IV, BY ACCOUNT							
Family support payments	(206)	(189)	(134)	(194)	96	13	8
Food stamp program	130	135	138	139	81	63	60
Medicaid	0	(4)	(16)	(38)	(65)	(96)	(121)
TOTAL TITLE IV	(76)	(58)	(12)	(93)	112	(20)	(53)

Note: Numbers in parentheses are negative numbers.
a/ Based on discussions with Committee staff, this estimate assumes a technical correction will be made to Section 461 (Federal Tax Offset).

<u>Welfare Reform Financing Possible Themes</u>

o <u>Option One</u>: "Our welfare reform saves money" (because it is overfinanced and includes mostly poor people's programs as offsets).

o <u>Option Two</u>: "Our welfare reform cuts welfare for the wealthy to reform welfare for the poor" (would need to include farm and corporate subsidies, etc.).

o <u>Option Three</u>: "Our welfare reform is financed by eliminating fraud and abuse" (would need to include Medicare secondary payer extender, EITC abuse, tightening up on sponsor responsibility for aliens, and some smaller items).

o <u>Option Four</u>: "Our welfare reform is paid for" (set of ad hoc cuts; no theme; keeps financing out of picture as much as possible).

Welfare Bill Savings

$ Billions (March 1996 CBO Baseline Unless Otherwise Noted)

Draft	Admin w/ med	Admin no cap	HR 4	Castle-Tanner	House	Senate
Memo entries in italics	7-yr	7-yr	7-yr	7-yr	7-yr	7-yr
Child Protection	-	-	+0.7	-	+0.2	+0.1
Child Care	+2.6	+2.6	+0.3	+3.5	+3.5	+3.5
AFDC/JOBS/EA	-6.3	-6.3	-2.4	+2.3	-1.4	-1.0
Food Stamp interactions & misc	+0.0	+0.0	+1.9	+1.4	+1.8	+1.9
Subtotal	-3.7	-3.7	-0.2	+7.2	+3.9	+4.3
AFDC-related Medicaid	+2.0	+1.2	-	-	-	-
Medicaid capitation interaction	-0.9					
Transitional Medicaid	+1.5	+1.5	-	-	-	-
subtotal	-1.0	-1.0	-0.2	+7.2	+3.9	+4.3
CSE	+0.6	+0.6	+0.71	+0.7	+0.9	+0.8
Related Medicaid	-0.2	-0.2	-0.24	-0.2	-0.2	-0.2
subtotal	+0.4	+0.4	+0.47	+0.4	+0.6	+0.6
SSBG	-1.7	-1.7	-1.7	-1.7	-1.7	-3.3
Subtotal without Medicaid	-4.7	-4.7	-0.4	+6.2	+3.3	+1.9
Subtotal with Medicaid	-1.4	-2.2	-0.7	+6.0	+3.0	+1.7
Immigrants						
SSI	-4.5	-4.5	-12.9	-11.0	-13.3	-13.3
Child Nutrition	-	-	-0.3	-	-0.3	-
AFDC	-0.1	-0.1	-	-	-	-
Battered Individuals	-	-				
Food Stamps	-0.5	-0.5	-2.9	-2.3	-3.4	-3.4
Subtotal, excl. Medicaid	-5.1	-5.1	-16.0	-13.4	-17.0	-16.7
Related Medicaid	-0.6	-0.6	-5.9	-4.2	-11.8	-6.0
Total with Medicaid	-5.7	-5.7	-21.9	-17.5	-28.9	-22.7
SSI children's provisions w/ admin	-6.7	-6.7	-10.0	-8.7	-7.2	-7.2
Related Medicaid	-0.2	-0.2	-0.3	-0.2	-0.2	-0.2
	-6.9	-6.9	-10.3	-8.9	-7.4	-7.4
Other SSI	-0.5	-0.5		-1.485	-1.5	-1.2
related Medicaid	-	-		-	-	-
	-0.5	-0.5		-1.5	-1.5	-1.2
Medicaid capitation interaction	-0.8					
Total SSI, non-immigrants	-7.2	-7.2	-10.0	-10.2	-8.7	-8.4
Related Medicaid	-1.0	-0.2	-0.3	-0.2	-0.2	-0.2
Subtotal with Medicaid	-8.2	-7.4	-10.3	-10.4	-8.9	-8.6
SSI, incl. Immigrants (no medicaid)	*-11.7*	*-11.7*	*-22.9*	*-21.2*	*-22.0*	*-21.7*
Food Stamps, excl immigrants	-18.4	-18.4	-25.1	-20.1	-27.2	-24.3
Food Stamps, incl immigrants	*-18.9*	*-18.9*	*-27.9*	*-22.5*	*-30.6*	*-27.8*
Commodity Programs	-	-	+1.8	+1.8	+1.8	+0.6
Child Nutrition, excl immigrants	-3.2	-3.2	-3.1	-3.6	-3.0	-2.8
Child Nutrition, incl. immigrants	*-3.2*	*-3.2*	*-3.4*	*-3.6*	*-3.3*	*-2.8*
Food Subtotal (excl. immigrants)	-21.6	-21.6	-26.3	-21.9	-28.4	-26.5
Food Subtotal (incl. immigrants)	*-22.1*	*-22.1*	*-29.5*	*-24.3*	*-32.1*	*-30.0*
Welfare subtotal, No Medicaid	**-38.6**	**-38.6**	**-52.8**	**-39.3**	**-50.8**	**-49.7**
Medicaid	+0.9	+1.7	-6.4	-4.6	-12.3	-6.5
Welfare subtotal, with Medicaid	-37.694	-36.908	**-59.2**	**-43.9**	**-63.1**	**-56.2**
Dependent Care Tax Credit	-	-	-	-	-	-
Tax on benefits	-	-	-	-	-	-
Adoption tax credit						+1.7
Math error extension to dep ded	-1.4	-1.4		-1.4		
EITC	-3.3	-3.3	-	-4.3	-1.6	-5.0
Subtotal tax	-4.7	-4.7	-	-5.7	-1.6	-3.3
Wefare & Tax, No Medicaid	**-43.2**	**-43.2**	**-52.8**	**-45.0**	**-52.4**	**-53.0**
Welfare, incl Medicaid, & Tax	**-42.4**	**-41.6**	**-59.2**	**-49.6**	**-64.7**	**-59.5**
Public Housing				-1.8		
Total With Public Housing				**-51.4**		

Food Stamps	-18	-18	-25	-20	-27	-24
Immigrants	-6	-6	-22	-18	-29	-23
SSI Kids	-7	-7	-10	-9	-7	-7
Other	-7	-6	-2	+1	+1	-2
EITC	-5	-5	-	-6	-2	-5
Adoption credit	-	-	-	-	-	+2
Total	-42	-42	-59	-51	-65	-60

Child Care & Performance Bonus		+3.4			+3.9	+4.2
Adoption tax credit						+1.7
Gross cuts		-45.0			-68.6	-65.4

E X E C U T I V E   O F F I C E   O F   T H E   P R E S I D E N T

01-Apr-1996 06:02pm

TO: (See Below)

FROM: Stacy L. Dean
Office of Mgmt and Budget, HRD

SUBJECT: Your Request

The table below is based on your request for a highly preliminary read of what the year by year pricing, based on CBO's December baseline, would be for a welfare bill with the following components:
1. The Administration's nutrition proposals
2. Deeming until citizenship for the AFDC, Food Stamp, SSI and Medicaid programs. Exemptions for the disabled and those with 40 quarters of coverage only.
3. The Administration's SSI proposals which include $3.2 billion in savings from two welfare reform provisions already enacted in the Debt Limit/Earning Test legislation -- SSI benefits for drug addicts and alcoholics and continuing disability reviews.
4. Use HR4 as a base for AFDC, Child Care and CSE and include the NGA addbacks for Child Care, Contingency Fund and Performance Bonus.
5. We assumed the NGA Child Protection Block Grant.

The pricing for this proposal is under Alternative One.

We would require additional time to review these estimates in order to give you a more accurate read of the pricing.

Alternative One
Savings in Billions

FY96	FY97	FY98	FY99	FY00	FY01	FY02	7yr
-0.2	-2.2	-3.7	-5.1	-6.5	-7.2	-9.6	-34.5
-.2	-2.6	-4.3	-5.9	-7.5	-8.4	-11.1	

In addition, you expressed interest in making sure the entire package reached a total seven year savings of $ 40 billion. Per your guidance, which was to focus on the NGA recommendations, below is one alternative. First, drop the NGA Child Protection Block Grant; this saves $2 billion. Second, decrease funds set aside for the NGA Performance Bonus from $1.5 billion to $0.8 billlion (the level proposed in the Administration's bill).

Third, reduce the NGA Child Care addback from $4 billion to $1 billion. We did not reduce the NGA Contingency Fund, which adds $1.3 billion according to preliminary conversations with CBO.

Alternative Two
Savings in Billions

	FY96	FY97	FY98	FY99	FY00	FY01	FY02	7yr
Alt1	-0.2	-2.2	-3.7	-5.1	-6.5	-7.2	-9.6	-34.5
CP	0	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-2.0
PB	0	0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.7
CC	0	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-3.0
Total	-0.2	-3.1	-4.7	-6.1	-7.5	-8.2	-10.6	-40.0

CP - saving gained from dropping the NGA Child Protection Block grant
PB - savings gained from reducing the NGA Performance Bonus
CC - savings gained from reducing the NGA Child Care Add Back

Please let us know if you have any questions.

Distribution:

TO: Bruce N. Reed

CC: Kenneth S. Apfel
CC: Barry White
CC: Larry R. Matlack
CC: Keith J. Fontenot
CC: Deborah F. Kramer
CC: Mary I. Cassell
CC: Jeffrey A. Farkas
CC: Lester D. Cash
CC: Jack A. Smalligan
CC: Christine B. Ellertson
CC: Richard E. Green
CC: Stacy L. Dean

Call
Sue Nelson
224-0560

ISSUE	NGA	Possible Alternative NGA heavy	Senate passed	President's plan
SAVINGS	$23 billion*	$29 billion	$51.2 billion	$40.6 billion
CASH BENEFITS				
Conditional entitlement	no	no	no	yes
Block grant	yes	yes	yes	no
5 year time limit	yes	yes	yes	yes
Hardship Exemption	20%	20%	20%	20%
Vouchers for children after 5 yr time limit is reached	optional	mandatory	no	mandatory
STATE ACCOUNTABILITY				
State accountability **	some	stronger	no	yes
Maintenance of effort	75%	80%	80%	n/a
CONTINGENCY FUND				
Level of funding	$2	$2 (+)	$1	n/a
Trigger based on child poverty rates	yes	yes (+)	no	n/a
100% Maintenance of effort required to draw fund	no	yes	yes	n/a
EMERGENCY ACTION				
Action triggered if child poverty increases	no	yes	no	n/a
CHILD CARE				
Funding level ($9 billion baseline)	$14.70	$14.70	$9.90	$12.80
Funds sufficient to meet work requirements per CBO	yes	yes	no	
Retain health and safety standards	no	yes	yes	yes
Quality Improvements	$.7 billion	$1.1 billion	$1 billion	n/a

Maintenance of Effort to get more childcare

* The Governors did not agree on any immigrant savings.

** State plan must be enforceable, state must treat similar populations similarly, and state must operate a statewide program.

ISSUE	NGA	NGA heavy	Senate passed	President's plan
WORK PROGRAM				
Separate fund to reward states for attaining job placement goals	yes	yes	no	n/a
100% maintenance of effort if work goals not met	no	yes	no	n/a
FOOD STAMPS				
Savings level	$24.7 billion	$22 billion	$24.6 billion	$20.8 billion
Block grant option	yes	no	yes	no
Overall spending cap	no	no	~~yes~~ no	no
Work required for recipients w/o dependents if jobs	no	yes	no	yes
Work required for recipients w/o dependents even if no jobs	yes	no	yes	no
CHILD NUTRITION				
Optional school lunch block grant demo	admin. costs	no	no	no
SSI/ DISABLED ADULTS				
Ends benefits for drug addicts and alcoholics	no	yes	yes	yes
Implements continuing disability reviews	no	yes	yes	yes
Increase age eligibility to 67 yrs	yes	no	yes	no
Ends state supplement maintenance of effort	yes	no	yes	no
SSI/ DISABLED CHILDREN				
Current recipients affected January 1998	yes	yes	no	yes
Increase parent-child income deeming	no	no	no	yes
MEDICAID				
Guaranteed coverage for those now eligible	option	option (+)	yes	yes

ISSUE	NGA	NGA heavy	Senate passed	President's plan
IMMIGRANTS				
Savings	n/a	$5.40	$18	$5.40
Denies SSI benefits to all noncitizens with exemptions	n/a	no	yes	no
Exempt over age 75 from SSI ban	n/a	n/a	no	n/a
Exempt those disabled after entry from SSI benefits	n/a	n/a	no	n/a
Exempt over age 75 from deeming	n/a	?	no	yes
Exempt those disabled after entry from deeming	n/a	yes	no	
CHILD PROTECTION				
Block Grant	yes	no	no	no
Retain entitlement to foster care and adoption assistance	yes	yes	yes	yes
MISC.				
Social Services Block Grant	cut 10%	cut 10%	no cuts	cut 10%

February 16, 1995

To: Ron Haskins

From: Paul Cullinan
Budget Analysis Division
Congressional Budget Office
Subject: Comparison of Conference Agreement on HR 4 and the NGA Welfare Reform Proposal

This memorandum is in response to your inquiry on the potential budgetary effects of the National Governors' Association welfare reform proposal. Specifically, it addresses how much the NGA's modifications to H.R. 4 would affect the cost impact of the legislation.

We have not had sufficient details to estimate precisely the impact of the NGA proposal. What follows is a rough guideline of what portions of the NGA proposal are likely to have significant budgetary effects. This is not an official Congressional Budget Office estimate.

Seven-Year Estimated Savings From H.R. 4 (as passed by the Congress, based on the CBO's December 1995 baseline)	$64.1 billion
Less: Medicaid savings in HR. 4	-$ 4.0 billion
Total Non-Medicaid Effects of H.R. 4	$60.2 billion
NGA proposed changes:	
Contingency fund increase(cost)	-$ 1.3 billion
SSI disabled children	-$ 5.1 billion
Additional Child Care funds	-$ 4.0 billion
Maximum effects of performance bonuses	-$ 4.1 billion
Retain Foster Care as open-ended entitlement	-$ 0.4 billion
State Option within Child Protection Block Grant(guess of maximum effect)	-$ 2.0 billion
Subtotal, specific changes	-$16.9 billion
H.R. 4 net of Medicaid and Specific NGA changes	$43.3 billion

In addition to the specific policy changes, the Governors also proposed shifting approximately $2.9 billion of spending on child welfare services from the discretionary portion of the federal budget to the mandatory or pay-as-you-go category. Thus, while the discretionary spending totals would be lessened, mandatory spending would be increased by $2.9 billion. This would lower the direct spending savings from the conference-passed version of H.R.4, adjusted for Medicaid and for the specific policy proposals of the NGA, to about $40.4 billion.

The NGA proposal also expressed support for the food stamp income deduction changes in the Senate-passed version of H.R. 4. In staff discussions with NGA and Congressional committees, there seemed to be a consensus that the changes in food stamp income deductions recommended by the Governors would could reduce the H.R. 4 savings by perhaps another $1.0 billion.

The governors did not take a position with regard to the alien provisions in H.R. 4. If the alien provisions in H.R. 4 were excluded for the package, $22.9 billion of the estimated savings (about $19.4 billion in non-medicaid savings) in the bill would drop out.

If we can be of further assistance, please call us at 226-2820.

Comparison of H.R. 4 and Governors' Proposal on Welfare
February 1996

Issue	H.R. 4	Governors' Proposal
Child care funding	$18 billion\7 years ($2 billion above current law); 3% cap on administration	$22 billion\7 years ($6 billion above current law); 5% cap on administration
Family cap	State opt-out (national policy; state can override)	State opt-in (no national policy)
Work requirements	States are credited with net caseload reductions	Families leaving welfare for work count for 1 year
Work hours	Must work 35 hours\week	Must work 25 hours\week
Work if have under-6 child	No special treatment for families with young children	Families with children under 6 can work as few as 20 hours
Job search	Maximum job search: 4 weeks	Maximum job search: 12 weeks
Contingency fund~	$1 billion fund; states must continue current level of spending and have high unemployment	$2 billion fund; more liberal trigger based on food stamps and no requirement that states continue current spending
Child protection	Maintain entitlement to foster care and adoption maintenance payments; end 18 current programs and create 2 block grants	Retain all current open-ended entitlements; end 14 current programs and create 2 block grants; give states option of replacing all open-ended entitlements with single capped, entitlement block grant
Performance bonus	States can reduce state spending below the 75% floor required	States can tap $3 billion in new federal funds
Two-tiered SSI for kids	Some kids get 100% of full benefit, others 75%	All children receive 100% of benefits
SSI changes	Children's reforms effective 1-1-97	Children's reforms effective 1-1-98 + no 25% cut
Hardship exemption	States can exempt 15% of families from the 5-year limit	States can exempt 20% of families from the 5-year limit
Fair treatment	No provision	Explicit guarantee of "fair and equal" treatment
Savings	$60 billion\7 years	$43 billion\7 years

Comparison of Direct Spending On Families With Children Under Current Law and H.R. 4 Conference Agreement

Under CBO December 1995 Baseline, dollars in millions

Projected Federal and State Spending Under Current Law

	1995	1996	1997	1998	1999	2000	2001	2002	Total 1997 - 2002
Family support payments	16,956	16,841	17,143	17,462	17,939	18,483	19,082	19,704	109,813
Child Care	1,130	1,145	1,200	1,245	1,295	1,345	1,395	1,445	7,925
Food Stamp Program	25,554	26,233	27,784	29,214	30,565	32,048	33,390	34,834	187,835
SSI - Disabled Children Only	4,900	4,900	5,900	6,500	7,100	8,400	7,700	9,000	44,600
Child Nutrition	7,899	8,395	8,895	9,427	9,972	10,529	11,106	11,694	61,623
Foster Care	3,282	3,950	4,393	4,781	5,160	5,557	5,929	6,385	32,205
Social Services Block Grant	2,797	3,190	3,100	2,945	2,840	2,805	2,800	2,800	17,290
Projected State Spending	16,872	17,096	17,765	18,367	19,023	19,749	20,492	21,317	116,713
welfare-related	14,187	13,864	14,170	14,456	14,801	15,202	15,641	16,093	90,364
foster care	2,685	3,232	3,594	3,912	4,222	4,547	4,851	5,224	26,350
Total Federal and State	79,390	81,750	86,180	89,941	93,894	98,916	101,894	107,179	578,004
Percent Change from 1995	na	3.0%	8.6%	13.3%	18.3%	24.6%	28.3%	35.0%	
Totals deflated by child population and inflation	79,390	78,348	79,248	79,503	80,067	81,408	81,023	82,374	
Percent Change from 1995	na	-1.3%	-0.2%	0.1%	0.9%	2.5%	2.1%	3.8%	

Projected Federal and Required State Spending Under H.R.4

	1995	1996	1997	1998	1999	2000	2001	2002	Total 1997 - 2002
Family support payments	16,956	16,995	17,953	18,150	18,287	18,354	18,250	18,017	109,011
Child Care	1,130	1,145	1,170	1,390	1,490	1,680	1,880	2,035	9,645
Food Stamp Program	25,554	25,794	24,639	25,318	26,285	27,523	28,572	29,775	162,112
SSI - Disabled Children Only	4,900	4,800	4,800	4,700	4,800	5,400	4,900	5,700	30,300
Child Nutrition	7,899	8,305	8,499	8,931	9,400	9,824	10,376	10,924	57,954
Foster Care	3,282	3,961	4,598	4,708	5,031	5,442	5,833	6,301	31,913
Social Services Block Grant	2,797	3,190	2,848	2,665	2,560	2,525	2,520	2,520	15,638
Required State Spending	16,872	17,105	7,890	7,840	7,116	7,110	(3,324)	(3,320)	23,313
welfare-related	14,187	13,864	10,480	10,480	10,480	10,480	0	0	41,919
reduction equivalent to 30% of cash assistance block grant	0	0	(5,369)	(5,420)	(5,449)	(5,455)	(5,409)	(5,405)	(32,507
foster care	2,685	3,241	2,780	2,780	2,085	2,085	2,085	2,085	13,900
Additional State Foster Care Spending	0	0	982	1,072	2,031	2,368	2,687	3,070	12,211
Total Federal and State	79,390	81,295	73,379	74,774	77,001	80,225	71,694	75,022	452,096
Percent Change from 1995	na	2.4%	-7.6%	-5.8%	-3.0%	1.1%	-9.7%	-5.5%	
Totals deflated by child population and inflation	79,390	77,912	67,478	66,096	65,661	66,026	57,009	57,659	
Percent Change from 1995	na	-1.9%	-15.0%	-16.7%	-17.3%	-16.8%	-28.2%	-27.4%	

Reduction in Total Spending from Current Law ***125,908***
Percentage Reduction in Spending ***21.8%***

Reduction in AFDC-Related Spending from Current Law ***80,033***
Percentage Reduction in Spending ***38.5%***

Note: Federal spending figures in this table are supplied by the Congressional Budget Office. State spending figures are calculated using match rates derived from HHS data.
All spending figures are re-estimated for the CBO 12/95 baseline, except for 1995 family support and child care spending which was not available in time for this analysis.
Totals were deflated by estimates of child population under age 18 (Current Population Report, P25-1104) and by inflation, using the CPI-U index.
Figures for food stamp spending represent spending on all households and not only on households with children.
Under H.R. 4, this analysis assumes that states maintain foster care spending for children receiving AFDC at current law match rates despite the bill's lower maintenance of effort requirement.

TOTAL WELFARE REFORM SAVINGS IN THE ADMINISTRATION PLAN, H.R. 4, CURRENT POSITION AND OPTIONS

	Admin. Bill	Current Admin. Position	KA Option	H.R. 4
	7 year outlay savings in billions, CBO December baseline			
Food Stamps (Excluding immigrants)	-$19.0	-$21.7	-$21.7	-$27.5
Commodities	$0.0	$0.0	$0.0	+$1.8
Child Nutrition .... (Excluding immigrants)	-$3.4	-$3.4	-$3.9	-$3.4
Subtotal--Food Programs	*-$22.4*	*-$25.1*	*-$25.6*	*-$29.1*
SSI Children........... (including Medicaid changes)	-$4.3	-$7.2	-$7.2	-$12.4 (-12.6 with Medicaid)
Welfare reform issues in Earnings Limit bill				
SSI DA&A	-$2.9	-$2.9	-$2.9	$0.0
SSI and DI CDRs 1/	$0.0	$0.0	-$1.0	$0.0
Social Service Block Grant (Title XX)..........	-$1.9	-$1.7	-$2.6	-$1.7
AFDC/JOBS/ChildCare/ Child Protection/CSE (including Medicaid changes)	$0.0	+$3.7	+$3.7	+$2.8 /2 (+$2.5 with Medicaid)
Immigrants (including Medicaid changes)	-$5.4	-$5.0	-$7.5	-$19.5 (-$22.9 with Medicaid)
Total -- Welfare Programs	*-$36.9*	*-$38.2*	*-$43.1*	*-$59.9 (-$63.8 with Medicaid)*
Earned Income Tax Credit	-$1.6	-$1.6	-$10	-$27.7
TOTAL	*-$38.5*	*-$39.8*	*-$53.1*	*-$87.6 (-$91.5 with Medicaid)*

1/5/96

1/ Preliminary projection of CBO's likely scoring.

2/ Does not include effects of ending catagorical Medicaid eligibility for AFDC recipients.

Options to Achieve added Savings

As noted above, painful choices would need to be made to reach $58 billion in savings. The following is a run-down of my recommendations for increasing welfare reform and EITC savings above the current level of $40 billion to about $53 billion:

- Social Security Earnings Test -- The current Earnings Test bill increases the earnings limit from $11,520 to $30,000 in 2002. A more modest but still very significant policy change--and one that doesn't use the SSI DA&A savings and continuing disability review (CDR) savings to pay for the earnings limit increase, but does use the other savings in the Earnings Test bill-- would be to increase the limit to $25,000 in 2002. This would reduce costs by approximately $600 million in 2002 alone. If the full earnings limit increase is provided, then we'll lose our DA&A savings. $0 net

- Continuing Disability Review (CDR) Funding -- We are developing with Senate Budget Committee an alternative to the CDR revolving fund in the Earnings Test bill. It could save about $1 billion over 7 years if used in reconciliation for deficit reduction, including $500 million in 2002. -$1.0 B

- EITC -- If there is a $500 child tax credit, the EITC can be reduced somewhat for families above the poverty line who will benefit from the child tax credit. Some of the changes proposed in reconciliation relating to families with capital gains, passive income, and certain types of investment losses (and maybe social security) could also be accepted. -$8.4 B

- Child Nutrition -- Move 33% closer to the Reconciliation level of cuts. This entails taking some slightly deeper cuts that didn't cause any controversy. $-0.5 B

- SSBG -- Increase Title XX cut from 10% to 15%. $-0.9 B

- Noncitizens -- Tougher deeming until citizenship policy with exception for the disabled but not for elderly over 75 (Daschle's 8/95 proposal); adds $2.5 billion and increases by 100,000 the number of legal immigrants who would lose SSI and Food Stamp benefits. -$2.5 B

BUDGET ITEMS WE SHOULD TRY VERY HARD TO OPPOSE:

- Food Stamps -- After 4 months of benefits, terminate benefits for recipients aged 18-50 with no dependents-- without offering a work opportunity-- unless they are working part-time or participating in a specific training/workfare program. Approximately 700,000 individuals would lose benefits. This is the next Republican proposal for added savings. -$4.1 B

  Noncitizens -- To achieve savings beyond deeming requires moving to provisions that ban legal immigrants from programs. For example, a prospective SSI ban on new immigrants entering the U.S. with exemptions for the disabled (which is the least damaging banning proposal) would increase savings by $1.5 billion. Any ban represents a major change in policy-- eliminating benefits for people who have no sponsors to turn to. Vastly deeper cuts are proposed by the Republicans. -$1.5 B

02/15/96

Welfare Reform Key Concerns

AFDC:

Maintenance of Effort - Biggest problem with NGA. 75% match, transferability options, no match for child care or contingency.

Contingency - NGA made improvements (more money and food stamp trigger) but still no automaticity during recessions.

Equal Protections - NGA provides a modicum of equal protections.

Child Care/Work Requirements - Excellent movement from the governors; minor changes needed.

Child Protection - NGA proposes optional block grant that we oppose.

Food Stamps:

Good Features - NGA drops spending cap and shelter cut.

Negative Features - NGA still has optional block grant/simplified program. In addition, NGA includes mandatory work requirement for single adults. These amount to about $5 billion in savings beyond our levels.

Immigrants:

NGA is silent, but many governors express reservations. We still won't go beyond deeming. Our highest priority restorations aimed at protecting children, in order of importance, are in school lunch, Medicaid, food stamps, and disabled SSI exemption.

SSI/Kids:

NGA proposal consistent with our current position.

Overall Savings Level:

The Administration's bill saves $40 billion, the Conference $60 billion. NGA adds back too much (about $15 billion) in non-food stamp/immigrant areas. It will be very hard to split the difference with the Republicans on the savings number without doing the vast majority of their food stamp and immigrant cuts.

DRAFT

CHART A
CBO COST ESTIMATES OF THE HOUSE AND SENATE WELFARE BILLS AND THE WELFARE PROVISIONS IN THE RECONCILIATION CONFERENCE REPORT

(Direct Spending Reductions and Authorization of Appropriations, Outlays in billions)

	SEVEN YEAR TOTAL SPENDING REDUCTION			
	House H.R. 4	Senate H.R.4	Conference	Coalition Substitute
Cash Assistance Block Grant	$14.9	$8.1	$5.8	$1.5
Child Care (increased spending in the Senate & Conference)	$0.7	($0.7)	($0.7)	See Title XX
Child Protection	$4.0	$0	$2.3	$0.1
Child Nutrition Programs	$11.3	$2.3	$5.7	$2.4
Food Stamp Program Changes	$38.7	$28.5	$33.2	$15.6
Food Stamps Offsets (increase in spending)	($5.2)	($6.8)	($5.2)	($4.1)
Restricting Welfare for Immigrants (SSI only)	$11.4	$15.9	$15.8	$4.1
Supplemental Security Income	$28.2	$12.9	$16.0	$13.6
Child Support Enforcement	$0.1	$2.3	$0.5	$1.3
Title XX Reductions	$0	$0	$3.3	$0.4
Other Provisions	$0	$0.7	$0	$0
TOTAL REDUCTION OF WELFARE BILL(all amounts)	$104.1	$63.2	$76.7	$35.0
Title XX - Reconciliation	$0	$3.3	$0	$0.0
Earned Income Tax Credit - Reconciliation	$23.3	$43.2	$32.4	$1.5
Child Care Tax Credit	$0	$0	$0	$5.7
Taxation of benefits	$0	$0	$0	$4.6
GRAND TOTAL	$127.4	$109.7	$109.1	$46.8

DRAFT

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Notes:
The Congressional Budget Office's official seven year direct spending estimate under Title XII of the Reconciliation bill is $85.1 billion. The official estimate is $75.1 billion after deducting for EITC and Medical Education. This analysis makes minor modifications to the CBO estimate: 1) it adjusts CBO's child protection estimate. It corrects a technical error made by CBO in which they assumed that obligations for child protection would not be subtracted from individual states' block grants. We believe that this is a drafting error which will soon be corrected and 2) it adjusts CBO's child care estimate. We assume that CCDBG will be reauthorized through 2002

DRAFT

NATIONAL GOVERNORS' ASSOCIATION

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November 29, 1995

The President
The White House
Washington, DC 20500

Dear Mr. President:

We commend the willingness of both you and the congressional leadership to negotiate a budget package that is consistent with your agreement as specified in H.J. Res. 122.

As you begin these negotiations, the Executive Committee of the National Governors' Association has adopted interim policy that recommends you adopt a consumer price index (CPI) that accurately reflects the real rate of inflation to United States citizens. An index that neither overestimates or underestimates inflation is important not only to federal spending, but also for state spending on many programs. As an illustration, a 0.5 percent adjustment in the CPI could reduce the deficit by about $140 billion while a 1.0 percent adjustment could reduce the deficit by as much as $280 billion over seven years.

The deficit savings from such an adjustment should be used to reduce the budget reductions in the following four areas: Medicaid, child care, the Earned Income Tax Credit (EITC), and Medicare.

We look forward to working with you as you negotiate a major deficit reduction package.

Sincerely,

Tommy G. Thompson
Governor Tommy G. Thompson

Bob Miller
Governor Bob Miller

Roy Romer
Governor Roy Romer

John Engler
Governor John Engler

George V. Voinovich
Governor George V. Voinovich

Michael O. Leavitt
Governor Michael O. Leavitt

Howard Dean
Governor Howard Dean, M.D.

Gaston Caperton
Governor Gaston Caperton

Proposed Changes in Welfare Reform Provisions

Child Care

Option 1: Adopt child care provisions from Coalition plan, which consolidate child care assistance in a single program while maintaining the guarantee of assistance to all individuals who need child care assistance to participate in a work program or to obtain and keep a job while on welfare and in the first year after leaving welfare.

Option 2. Increase mandatory child care funding under the block grant in the conference agreement by $1.5 billion over seven years. The increase in funding in each year should be proportional to the work participation rate in the bill.

Funding for work program

Option 1: Adopt capped entitlement for work programs in the Coalition plan providing $9 billion over seven years to states to meet work requirements.

Option 2: Increase funding for welfare block grant by an amount relative to increases in work participation rates.

Personal Responsibility Contract

Adopt provision in Coalition plan requiring all welfare beneficiaries sign an individual responsibility contract which requires them to take actions to move toward work and act in a responsible manner and provide sanctions for individuals who violated their contract.

Contingency fund

Increase contingency fund levels to $1.4 billion over seven years for states with unemployment over 6.5% for three months.

Maintenance of effort

Require states to continue to spend at least 80% of 1995 spending levels on block grant for seven years, instead of the 75% maintenance of effort requirement for five years in the conference agreement.

Performance Bonus

Provide $1 billion over seven years for high performance states instead of the reduction in maintenance of effort provisions in the conference agreement.

Child Nutrition

Restore half of child nutrition savings by eliminating all provisions except means-testing of child and adult day care food program.

Foster Care

Remove foster care administrative expenses from block grant.

The Impact of Budget Proposals on Low Income Programs

(Direct Spending Reductions and Authorization of Appropriations, Outlays in Billions)

Seven Year Total

	Senate	Conference	Coalition Substitute	President's Revised Budget
Low Income Programs:				
AFDC	-8.1	-5.8	-0.6	0
Child Care	0.7	0.7	2.8	0
Child Protection	0	-2.3 (1)	0.1	0
Child Support	-2.3	-0.5	1.3	0
Title XX	-3.3	-3.3	(See Child Care)	-1.9
Food Stamps	-21.7	-28.0	-14.9	-19.0
Immigrants	-1.0	-4.7	-0.5	NA
Other	-20.7	-23.3	-14.4	NA
Child Nutrition	-2.3	-5.7	-2.4	-3.7
Immigrants	0	-0.5	0	NA
Other	-2.3	-5.2	-2.4	NA
SSI	-28.8	-32.5	-17.7	-18.5
Immigrants	*-15.9*	*-15.8*	*-4.1*	*-11.0*
Disabled Children	*-9.7*	*-14.2*	*-9.7*	*-4.1*
DA&A	*-3.1*	*-2.5*	*-5.6*	*-3.4*
Appropriation	*0*	*0.7*	*1.7*	*0*
EITC	-43.2	-32.4	-1.5	-2.9
Child Care Tax Credit	0	0	-5.7	0
Taxation of Benefits	0	0	-4.6	0
Other (2)	-0.7	0	0	0
Medicaid Savings	-5.2	-5.2	1.0	0
SSI	-0.7	-0.7	-1.6	0
Immigrants	-4.2	-4.2	-0.1	0
Other	-0.3	-0.3	2.7	0
Total Low Income Programs (without Medicaid)	-109.7	-109.1	-43.4	-46.0
Total Low Income Programs (with Medicaid)	-114.8	-114.2	-42.4	-46.0
Total without EITC or Medicaid	-66.5	-76.7	-41.9	-43.1

Notes: Senate, Conference, and Coalition Substitute columns are based on cost estimates from the Congressional Budget Office. President's Budget column is based on OMB baselines. However, differences in scoring would not vary significantly in these program areas. For example, the $19.0 billion figure for Food Stamps under the President's Revised Budget is based on CBO scoring. This analysis modifies the CBO cost estimates by correcting a technical error under child protection and by assuming CCDBG will be reauthorized through 2002 in the child care estimate. Estimates do not include any savings from a technical adjustment to the CPI.

(1) Under the OMB baseline, this number is $3.9 billion. Other numbers would vary as well.

(2) "Other" provisions in the Senate bill include those to reduce Federal government positions, changes to the protection of battered individuals and adoption expenses programs, and miscellaneous.

December 12, 1995

Recommended Proposal for the Income Assistance Programs

The recommendation is $ 41.5 to $43.0 billion in savings[1] over seven years ($35.1b in spending and $6.4 to $7.9 in taxes, including the EITC.) This is about the level of the Administration's proposal and $4.5 to $7b below the Coalition. Key components are as follows:

- Food Stamps -- Recommended the Administration's policy, which $4.0b deeper in cuts than the Coalition proposal. Includes increases for the Puerto Rico Nutrition Assistance Program at the CBO baseline. -$19b.

- Child Nutrition -- Recommended the Administration's policy, which is $0.9 billion deeper in cuts than the Coalition proposal. -$3.3b.

- SSI Kids -- Recommended the Coalition plan with modifications. New eligibility for SSI children begins as soon as possible for new beneficiaries. For children now on the rolls, a one year transition period would be granted with reviews beginning in 1997, to be completed by 1998.
  SSI Adults -- Recommended the Coalition plan on eligibility restrictions for drug addicts and alcoholics. Coalition reductions in the unearned income exclusion is dropped. Coalition provisions on reapplication for benefits is modified; the new proposal increases Continuing Disability Reviews for SSI (savings not yet calculated or included in budget estimates) -$9.5b

- Social Services Block Grant -- Recommended the Coalition plan. -$1.9.

- AFDC/JOBS/Child Care -- Recommended $0.5b above the Coalition plan, with structural modifications. AFDC cash benefits retained. No changes in child protection programs. Increases provided for child care, with welfare recipients moving to work receiving child care and no sanctions if child care is not available. Consolidation of Emergency Assistance and WORK funding. +$3.7b.

- Immigrants -- Recommended the Coalition plan. -$5.0b.

- EITC -- Recommended the Coalition plan. -$2.4b.

- Other Tax Provisions -- Recommended the Coalition proposal on modifying the Dependent Care Tax Credit (DCTC). Dropped tax on welfare benefits, but tax on SSI still undecided. (-$4.0 DCTC only. Up to -$5.5 if SSI is taxed.)

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[1] These estimates are based on old CBO assumptions. New estimates not yet available.

SAVINGS IN LOW INCOME AREAS IN ADMINISTRATION BILL, HOUSE COALITION, SENATE DEMOCRATIC WELFARE PLAN, AND PRELIMINARY PROPOSAL

	Administration Bill	House Coalition Plan	Senate Democratic Welfare Bill	Preliminary Proposal
	7-year savings, OMB	7-year, CBO, 10/25	7-year, CBO, 8/9	Proj, 7-yr CBO[1]
Food Stamps	$-19.0	$-15.1	$-16.6	$-19.0
Child Nutrition	$-3.7	$-2.4	$-2.4	$-3.4
Total, Food Programs	$-22.7	$-17.5	$-19.0	$-22.4
SSI	$-7.5	$-14.5	$-9.8	$-9.5
Social Service Block Grant	$-1.9	$-1.9	----	$-1.9
AFDC/JOBS/Child Care/Child Protection/CSE	$0.0	+$3.2	+$14.9	+$3.7
Immigrants	$-6.8	$-5.0	$-7.7	$-5.0
Total, Non-Tax Provisions	$-38.9	$-35.7	$-21.6	$-35.1
Earned Income Tax Credit	$-2.9	$-2.4	----	$-2.4
Other Tax Provisions	----	$-10.3	----	$-4.0 to $-5.5
Total, Tax Provisions	$-2.9	$-12.7	----	$-6.4 to $-7.9
TOTAL	$-41.8	$-48.4	$-21.6	$-41.5 to $-43.0

[1] Using old CBO technical and economics. New estimates not yet available.

December 17, 1995

KEY ITEMS TO DISCUSS ON WELFARE REFORM

(1) Overall savings target: The Administration plan saves about $42B ($39B in spending and $3B in EITC). The House Coalition (HC) plan saves about $48B using old economic assumptions ($35B in spending and about $13B in EITC and other revenues). The Senate Democratic (SD) welfare bill saves about $21B in spending. The big question is this: what is our target? If it's about $48B (using old assumptions, and about $44B using new assumptions), then anything that comes out of the HC plan will need offsets.

(2) Two key revenue differences: (a) The HC plan includes AFDC, Food Stamps and SSI in taxable income, raising $6B. There are significant implementation issues on taxing food stamps and AFDC. (b) The HC plan makes the Dependent Care Tax Credit refundable for low income workers and reduces it for higher income workers, raising $4B. What do we do about these two proposals?

(3) Child care: The biggest dollar difference between the HC and SD welfare bills relates to child care. The SD bill adds about $8 to $9B above current services for child care, the HC bill about $2 to $3B. The Administration is closer to the HD levels. How much child care?

(4) SSI changes: The HC plan saves about $4B by requiring disabled adults to reapply every 3 years and by reducing the unearned income exclusion from $20 to $15. These provisions are not in the SD or Administration plan.

(5) Other differences: On the spending side, there are not big differences between the Administration plan and the HC plan (in aggregate or by area). The SD plan saves considerably less. Differences worth discussing are the following:

- Title XX- The Administration and the HC's save $2B by cutting Title XX by 10%. The SD's didn't touch Title XX. The Reconciliation bill cuts 20%. On Friday, the Republicans proposed to accept the Administration's cut.

- Child Nutrition- The Administration saves $3.7B. Plan is similar to HC and SD but Administration has a few more cuts. On Friday, the Republicans proposed to accept the Administration's savings number. Both HC and SD plans cut $1.3B less.

- Immigrants- The SD plan cuts almost $3B deeper than the HC plan. The Administration savings figure is closer to the Senate, but this appears to be primarily the difference between CBO and OMB scoring; by CBO scoring, the Administration bill's savings is closer to the HC proposal. All three proposals deem until citizenship with different exclusions. The Administration plan excludes those with sponsors below median income, the HC plan excludes those over age 75. The SD plan provides neither exemption.

December 17, 1995

- Food Stamps- The Administration saves \$3-4B more than the Democratic proposals, primarily in the standard deduction.

- Medicaid- The Congressional proposals provide transitional Medicaid at a cost of \$2B, the Administration does not.

- SSI Kids- The HC plan saves about \$7B by changing eligibility prospectively and retroactively. There is some confusion over the implementation date of kids currently on the rolls. The Administration bill only saves \$4B, since all the kids now on the rolls are grand fathered.

- EITC- The HC plan counts capital gains as income toward the \$2,350 eligibility limit, saving about \$1B. The Administration bill does not.

December 17, 1995

KEY ITEMS TO DISCUSS ON WELFARE REFORM

Administration Offer of 12/7/95 (OMB Pricing 12/7/95)	House Coalition (CBO Pricing 10/24/95)	Senate Democratic Plan (CBO Pricing 8/9/95)
Overall Savings Target: -$41.8 billion total Welfare Related: -$39 b including Medicaid (-$36b excluding Medicaid) Tax Provisions: -$3 EITC	**Overall Savings Target:** -$48.4 billion total Welfare Related: -$37 b including Medicaid (-$36 b excluding Medicaid) Tax Provisions: -$13 EITC and other Revenues	**Overall Savings Target:** -$21.6 billion total Welfare Related: -$21.6 b including Medicaid (-$25.3 b excluding Medicaid) Tax Provisions: $ 0 EITC
Non-EITC Revenue: No Provision	**Non-EITC Revenue:** Includes AFDC, Food Stamps and SSI in taxable income. (-$6b) Makes the DCTC refundable, while reducing its cost. (-$4 b)	**Non-EITC Revenue:** No provision
Child Care:	**Child Care:** +$3 b in AFDC related child care (open ended) At-Risk Program made discretionary.	**Child Care:** +$9 b in child care (capped) Main difference from the Coalition is the child care program structure. See additional paper.
SSI Adults (non-DAA): No Provision.	**SSI Adults (non-DAA):** Requires many disabled adults to reapply every 3 years and reduces the unearned income exclusion from $20 to $15. (-$3.7b)	**SSI Adults (non-DAA):** No provision
Title XX: Cut Title XX by 10%. (-$1.9b)	**Title XX:** Cut Title XX by 10%. (-$1.9b)	**Title XX:** No Provision.

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December 17, 1995

Administration Offer of 12/7/95 (OMB Pricing 12/7/95)	House Coalition (CBO Pricing 10/24/95)	Senate Democratic Plan (CBO Pricing 8/9/95)
Child Nutrition: Reduces Child Nutrition spending without threatening the nutritional safety net. (-$3.7b)	**Child Nutrition:** Cuts in Child Nutrition similar but not as deep as those in the Administration plan. (-$2.4b)	**Child Nutrition:** Cuts in Child Nutrition similar but not as deep as those in the Administration plan. (-$2.4b)
Immigrants: Makes sponsors of immigrants more responsible for those they bring in the country. Deeming until citizenship with main exemption: immigrants whose sponsor's income is below the median (-$6.7b)	**Immigrants:** Similar to the Administration. Main Difference is exemptions: immigrants who have worked and those over age 75. (-$5b CBO)	**Immigrants:** Similar to the Administration. Main Difference is exemptions: those immigrants who have worked. No exemption for those over 75. (-$7.7b)
Food Stamps: Reduces Food Stamps spending without threatening the nutritional safety net. (-$19b)	**Food Stamps:** Cuts in Food Stamps similar to those in the Administration plan. Main difference: treatment of the standard deduction (-$15.1b)	**Food Stamps:** Cuts in Food Stamps similar to those in the Administration plan. Main difference: treatment of the standard deduction (-$16.6b)
Medicaid: No provision	**Medicaid:** Provide transitional Medicaid. (-$2b)	**Medicaid:** Provide transitional Medicaid. (-$2b)
SSI Kids: Reforms SSI without cutting off assistance to children currently receiving help or reducing assistance to severely disabled children. (-$4.1b)	**SSI Kids:** Similar to Administration, except limits eligibility for current recipients as well as future applicants. (-$ 8b) Some confusion over the date of implementation for future applicants vs. current recipients.	**SSI Kids:** Same as Coalition. (-$8b)
EITC: Strengthens EITC compliance provisions and makes undocumented and temporary aliens ineligible (-$3 billion in tax savings)	**EITC:** Includes the Administration's EITC provision and one other small change. (-$1.6b) Counts capital gains as income toward the $2,350 eligibility limit. (-$.8b)	**EITC:** No Provision.

SAVINGS IN LOW INCOME AREAS IN ADMINISTRATION BILL, HOUSE COALITION, AND SENATE DEMOCRATIC WELFARE PLAN

	Administration Bill	House Coalition Plan	Senate Democratic Welfare Bill
	7-year savings, OMB	7-year, CBO, 10/25	7-year, CBO, 8/9
Food Stamps	$-19.0	$-15.1	$-16.6
Child Nutrition	$-3.7	$-2.4	$-2.4
Total -- Food Programs	$-22.7	$-17.5	$-19.0
SSI	$-7.5	$-14.5	$-9.8
~~Social Service Block Grant~~	~~$-1.9~~	~~$-1.9~~	----
AFDC/JOBS/Child Care/Child Protection/CSE	$0.0	+$3.2	+$14.9
Immigrants	$-6.8	$-5.0	$-7.7
Earned Income Tax Credit	$-2.9	$-2.4	----
Other Low Income Tax Provisions	----	$-10.3	----
TOTAL	$-41.8	$-48.4	$-21.6

9.3

Admin Food -22.7
1/2 Admin/Coal SSI -9.5
Title XX - 1.9
C. Care +3.2

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December 17, 1995

Immig -5.0
EIC -2.9
Tax SSI -3.0 ?
DCTC -4.0

CONGRESSIONAL BUDGET OFFICE
U.S. CONGRESS
WASHINGTON, D.C. 20515

June E. O'Neill
Director

December 13, 1995

Honorable Pete V. Domenici
Chairman
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

At your request, the Congressional Budget Office (CBO) has prepared the enclosed, preliminary analysis of the Administration's budgetary proposals using our updated economic and technical estimating assumptions. In the time available, CBO staff have not been able to complete a thorough evaluation of every element of the Administration's plan. Although the estimates would likely change if the proposals were subject to further review, we believe that they provide a good approximation of the budgetary effects of the Administration's plan.

Sincerely,

June E. O'Neill

June E. O'Neill

cc: Honorable J. James Exon
Ranking Minority Member

Honorable John R. Kasich
Chairman
House Committee on the Budget

Honorable Martin Olav Sabo
Ranking Minority Member
House Committee on the Budget

CONGRESSIONAL BUDGET OFFICE

PRELIMINARY ANALYSIS OF THE ADMINISTRATION'S BUDGETARY PROPOSALS

December 13, 1995

The Congressional Budget Office (CBO) has prepared a preliminary analysis of the Administration's December budgetary proposals, the Balanced Budget Act of 1995 for Economic Growth and Fairness. The analysis employs CBO's updated economic and technical estimating assumptions, which include the economic effects of balancing the federal budget by 2002. It is based on draft legislative language, where available, or on other descriptive material provided to CBO by the Office of Management and Budget (OMB). The estimate assumes that the proposals would be enacted by February 1, 1996. In the time available, staff of CBO and the Joint Committee on Taxation have not been able to complete a thorough analysis of every element of the Administration's plan. Although the estimates would likely change if the proposals were subject to further review, they provide a good approximation of the budgetary effects of the Administration's plan.

Under CBO's December assumptions, the Administration's proposals would result in deficits of $148 billion in 1996, $162 billion in 1997, and $115 billion in 2002 (see Table 1). These figures, however, include the full fiscal dividend from balancing the budget, even though CBO estimates that the Administration's plan would fall short of that goal. Over the 1996-2002 period, the Administration's proposals would reduce the projected deficit by a total of $385 billion compared to CBO's December baseline. In contrast, the Administration estimates that its proposals would save a total of $500 billion over seven years and produce a small surplus in 2002.

CBO's estimate of the cumulative savings from the Administration's proposals is less than OMB's estimate by $115 billion (see Table 2). The major differences are as follows:

- $27 billion less savings in Medicare. In most instances, CBO finds that the Administration's Medicare proposals would save less or cost more than the Administration has estimated.

- $17 billion less savings in Medicaid. The Administration's proposal directs the Secretary of Health and Human Services to achieve $54 billion in savings from Medicaid. CBO estimates that $37 billion of this amount would come from reducing disproportionate share payments. CBO believes that Administration's proposal does not adequately specify how the additional savings would be achieved.

- o $10 billion less savings in discretionary appropriations. CBO has not reestimated the level of discretionary outlays proposed by the Administration. However, since CBO's baseline for discretionary appropriations is lower than OMB's because of slightly lower inflation, CBO's estimate of the savings from limiting discretionary appropriations is correspondingly less.

- o $9 billion more in net tax reductions. The Joint Committee on Taxation estimates that the Administration's proposal to expand Individual Retirement Accounts would cost $6 billion more than estimated by the Administration.

- o $8 billion less savings from auctioning the analog television spectrum. CBO's estimate of lower receipts reflects an assumption that as more spectrum is made available through auctions, the average price paid will decline.

- o $7 billion less savings from imposing a one-time special assessment on members of the Savings Association Insurance Fund (SAIF). CBO assumes that SAIF would be recapitalized by late 2001 and that the proposed special assessment would largely represent an acceleration of annual premium payments by thrifts.

- o $4 billion less savings from poverty programs. Most of the difference involves the provisions limiting benefits to legal aliens.

- o $7 billion less savings from remaining mandatory programs, including lower savings for agriculture and energy privatization proposals.

In 2002, CBO's estimate of the deficit under the Administration's plan exceeds the Administration's estimate by $117 billion. Of this difference, $78 billion reflects CBO's higher baseline deficit, and $39 billion reflects lower estimated savings from the proposals.

The Balanced Budget Act of 1995, cleared by the Congress on November 20 and vetoed by the President on December 6, provides an alternative approach to reducing the federal deficit. CBO estimates that if the Balanced Budget Act had been enacted by November 15, it would have reduced the budget deficit by a total of $750 billion over the next seven years and would have produced a surplus of $3 billion in 2002. Over the 1996-2002 period, the Balanced Budget Act would reduce the deficit by $365 billion more than the Administration's proposal (see Table 3).

TABLE 1. PRELIMINARY CBO ESTIMATE OF THE ADMINISTRATION'S DECEMBER BUDGETARY PROPOSALS
(By fiscal year, in billions of dollars)

	1996	1997	1998	1999	2000	2001	2002	Total, 1996-2002
Adjusted CBO Baseline Deficit	173	183	185	197	206	213	231	1,388
Proposed Changes								
Discretionary Spending	-18	-18	-20	-32	-37	-51	-67	-240
Medicare	-1	-3	-6	-12	-19	-24	-31	-97
Medicaid	-2	-3	-5	-6	-6	-7	-8	-37
Poverty Programs	-1	-5	-6	-7	-7	-7	-8	-41
Other Mandatory Spending	-6	2	2	2	a	1	-5	-4
Revenues[b]	2	8	8	10	16	18	19	81
Debt Service	-1	-2	-3	-5	-8	-11	-16	-46
Total Changes	-26	-21	-30	-49	-61	-83	-116	-385
Deficit Under Administration's Proposal as Estimated by CBO	148	162	155	148	145	130	115	1,002

SOURCES: Congressional Budget Office, Joint Committee on Taxation.

a. Less than $500 million.
b. Revenue decreases are shown with a positive sign because they increase the deficit.

TABLE 2. COMPARISON OF CBO AND ADMINISTRATION ESTIMATES OF ADMINISTRATION'S DECEMBER BUDGETARY PROPOSALS (Cumulative totals for 1996-2002, in billions of dollars)

	Administration Estimate	CBO Estimate	Difference
Baseline Deficit	1,198	1,388	189
Proposed Changes			
Discretionary Spending	-250	-240	10
Medicare	-124	-97	27
Medicaid	-54	-37	17
Poverty Programs	-45	-41	4
Other Mandatory Spending	-27	-4	22
Revenues	72	81	9
Debt Service	-72	-46	26
Total Changes	-500	-385	115
Deficit under Administration's Proposal	698	1,002	304

SOURCES: Office of Management and Budget, Congressional Budget Office, Joint Committee on Taxation.

TABLE 3. COMPARISON OF ADMINISTRATION'S PROPOSAL AND THE CONFERENCE AGREEMENT ON THE BALANCED BUDGET ACT (Cumulative totals for 1996-2002, in billions of dollars)

	Conference	Administration	Difference
Proposed Changes			
Discretionary Spending	-408	-240	168
Medicare	-226	-97	129
Medicaid	-133	-37	96
Poverty Programs	-87	-41	46
Other Mandatory Spending	-35	-4	31
Revenues	218	81	-137
Debt Service	-80	-46	33
Total Changes	-750	-385	365

SOURCES: Congressional Budget Office, Joint Committee on Taxation.

NOTE: CBO's estimates of the budgetary effects of the Balanced Budget Act are illustrative because the legislation was not enacted by the November 15, 1995, date assumed by its drafters. Legislative modifications required to reflect a later enactment date would determine the actual budgetary effects of the bill.