

AFDC-Related Provisions in Coalition and Senate Democratic Plans

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>7-year</u>
Coalition Plan								
Repeal Emergency Assistance	0	-865	-925	-1,005	-1,090	-1,140	-1,180	-6,205
Flexible AFDC entitlement to States & misc.	29	201	406	591	694	651	676	3,248
Work program	0	0	0	294	649	933	1,171	3,047
AFDC-related child care (open-ended)	0	0	0	220	560	885	1,270	2,935
Make At-risk (non-AFDC) child care discretionary	0	-295	-295	-295	-295	-295	-295	-1,770
Expanded Transitional Medicaid Option	<u>0</u>	<u>140</u>	<u>150</u>	<u>302</u>	<u>316</u>	<u>322</u>	<u>340</u>	<u>1,570</u>
	29	-819	-664	107	834	1,356	1,982	2,825
Senate Democratic Plan								
Repeal Emergency Assistance	0	-865	-925	-1,005	-1,090	-1,140	-1,180	-6,205
Flexible AFDC entitlement to States & misc.	73	414	670	887	1,043	1,027	1,092	5,206
Work program	0	75	261	531	929	1,368	1,427	4,591
Child care (capped)	0	488	1,200	1,562	1,748	2,115	2,339	9,452
Expanded Transitional Medicaid Option	<u>0</u>	<u>160</u>	<u>180</u>	<u>380</u>	<u>420</u>	<u>450</u>	<u>500</u>	<u>2,090</u>
	73	272	1,386	2,355	3,050	3,820	4,178	15,134

Chart E
FEDERAL CHILD CARE PROGRAM LEVEL
HOUSE AND SENATE WELFARE BILLS, WELFARE CONFERENCE REPORT
 (dollars in millions)

	1996	1997	1998	1999	2000	2001	2002	5 Year Total	7 Year Total
HHS BASELINES (1)	\$2,230	\$2,326	\$2,415	\$2,500	\$2,588	\$2,671	\$2,758	\$12,059	\$17,488
AFDC/JOBS (entitlement)	\$734	\$784	\$829	\$869	\$911	\$945	\$978	\$4,127	\$6,050
TCC (entitlement)	\$220	\$234	\$248	\$260	\$272	\$283	\$314	\$1,234	\$1,841
At-Risk (capped entitlement)	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$1,500	\$2,100
Child Care and Development Block Grant (discretionary)	\$982	\$993	\$1,023	\$1,055	\$1,088	\$1,116	\$1,149	\$5,121	\$7,386
Child Development Associate Scholarships (discretionary)	\$1	\$1	\$1	\$2	\$2	\$2	\$2	\$7	\$11
Dependent Care Planning and Development Grant (discretionary)	\$13	\$14	\$14	\$14	\$15	\$15	\$15	\$70	\$100
HOUSE Welfare Bill									
Child Care Block Grant (2) (discretionary)	\$2,093	\$2,093	\$2,093	\$2,093	\$2,093	\$2,093	\$2,093	\$10,465	\$14,651
Child Care Program Level Relative to Baseline	(\$137)	(\$233)	(\$322)	(\$407)	(\$495)	(\$578)	(\$665)	(\$1,594)	(\$2,837)
PERCENT CHANGE IN PROGRAM LEVEL	-6%	-10%	-13%	-16%	-19%	-22%	-24%	-13%	-16%
SENATE Welfare Bill									
Total Federal Child Care Program Level (3)	\$2,580	\$2,580	\$2,580	\$2,580	\$2,580	\$1,980	\$1,980	\$12,900	\$16,860
Title 1 - Set-Aside (capped entitlement)	\$980	\$980	\$980	\$980	\$980	\$980	\$980	\$4,900	\$6,860
Title 1 - Additional Funding (capped entitlement)	\$600	\$600	\$600	\$600	\$600	\$0	\$0	\$3,000	\$3,000
Title 6 - Child Care and Dev. Block Grant (discretionary)	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$5,000	\$7,000
Child Care Program Level Relative to Baseline	\$350	\$254	\$165	\$80	(\$8)	(\$691)	(\$778)	\$841	(\$628)
PERCENT CHANGE IN PROGRAM LEVEL	18%	11%	7%	3%	-3%	-28%	-28%	7%	-4%
CONFERENCE Report									
Child Care Block Grant	\$2,170	\$2,240	\$2,320	\$2,400	\$2,500	\$2,625	\$2,745	\$11,630	\$17,000
Sec. 658B (discretionary)	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$5,000	\$7,000
Sec. 418 (capped entitlement)	\$1,170	\$1,240	\$1,320	\$1,400	\$1,500	\$1,625	\$1,745	\$6,630	\$10,000
Child Care Program Level Relative to Baseline	(\$60)	(\$86)	(\$95)	(\$100)	(\$88)	(\$46)	(\$13)	(\$429)	(\$488)
PERCENT CHANGE IN PROGRAM LEVEL	-3%	-4%	-4%	-4%	-3%	-2%	-0%	-4%	-3%

Notes:

1. FY 1995 current services budget.
2. The House welfare bill (Title III) establishes a Child Care Block Grant as a discretionary program subject to annual appropriations.
3. The Senate welfare bill provides states with \$7.9 billion in child care funding over five years as a capped entitlement (Title I), and authorizes \$5 billion for the states (\$1 billion/year) under the Child Care and Development Block Grant as discretionary funding subject to annual appropriations (Title VI). The capped entitlement funding includes a \$4.9 billion five-year child care set-aside (allocated at \$980 million/year), plus an additional \$3 billion for the five year period, FY1998 - FY2000. Subject to further clarification, this table allocates the \$3 billion evenly (\$600 million/year) over the five year period.

Welfare Reform Financing Options

Dollars in Billions

4/11/94 16:45	5 Year			10 Year		
	Total	Federal	State	Total	Federal	State
Summary:						
A. Program Savings	5.64	5.24	0.40	16.83	15.03	1.80
B. Enforcement Savings	2.07	2.07	0.00	4.27	4.27	0.00
C. Extend Expiring Provisions	2.10	2.10	0.00	11.46	11.46	0.00
Total: Financing Options	9.82	9.42	0.40	32.56	30.76	1.80

Welfare Reform Financing Options

Dollars in Billions

4/11/94 16:45	5 Year			10 Year		
	Total	Federal	State	Total	Federal	State
A. Program Savings						
• Limit Emergency Assistance	1.50	1.50	0.00	4.00	4.00	0.00
• Make Current 5 Year SSI Deeming Rules Permanent and Extend to AFDC and Food Stamps. After 5 Years, Continue Deeming for those Sponsors with AGI > 40K for 10 years or Citizenship. Limit Assistance to PRUCOLS.	2.20	1.80	0.40	8.70	6.90	1.80
• Income Test Meal Reimbursements to Family Day Care Homes	0.57	0.57	0.00	1.72	1.72	0.00
• Limit Deficiency Payments to Those Making \$100K or More from Off-Farm Income per Year	0.61	0.61	0.00	1.31	1.31	0.00
• Fair Transaction Costs with Graduated Interest Rates for Early Redemption of Savings Bonds	0.31 0.76	0.76	0.00	0.65 1.10	1.10	0.00
<i>Subtotal</i>	5.64	5.24	0.40	16.83	15.03	1.80
B. Enforcement Savings						
<i>EITC:</i>						
• Deny to Non-Resident Aliens *	0.13	0.13	0.00	0.33	0.33	0.00
• Require Reporting for DOD Personnel	0.16	0.16	0.00	0.40	0.40	0.00
<i>Gambling:</i>						
• Increase Withholding on Gambling Winnings > \$50K to 36%	0.52	0.52	0.00	0.78	0.78	0.00
• Withholding Rate of 28% on Keno, Bingo, Slots	0.25	0.25	0.00	0.32	0.32	0.00
• Require Information Reporting on Winnings > \$10K from Gambling	0.22	0.22	0.00	0.61	0.61	0.00

* Treasury currently reviewing this estimate.

Welfare Reform Financing Options

4/11/94 16:45	Dollars in Billions					
	5 Year			10 Year		
	Total	Federal	State	Total	Federal	State
• Limit Tax Deferred Annuity Interest Build-Up of 100K/50K per Year Annuities	0.80	0.80	0.00	1.83	1.83	0.00
<i>Subtotal</i>	2.07	2.07	0.00	4.27	4.27	0.00
C. Extend Expiring Provisions*						
• Hold Constant the Portion of Food Stamp Overpayment Recoveries that States May Keep	0.05	0.05	0.00	0.12	0.12	0.00
• Fees for Passenger Processing and other Customs Services	0.00	0.00	0.00	1.04	1.04	0.00
• Extend Railroad Safety User Fees	0.16	0.16	0.00	0.41	0.41	0.00
• Veterans: Guarantee the Securities Issued in Connection with VA's Direct Loan Sales	0.08	0.08	0.00	0.16	0.16	0.00
• Increase the Housing Loan Fee to 3% for Multiple use of the guaranteed home loan program when there is less than a 5% downpayment	0.03	0.03	0.00	0.14	0.14	0.00
• Increase the Housing Loan Fee on most guaranteed Loans by .75% (i.e., no downpayment loan fee increased from 1.25% to 2.00%)	0.14	0.14	0.00	0.78	0.78	0.00
• Extend VA's Authority to Consider Resale Losses in Determining Whether VA Should Pay the Guarantee or Buy the Foreclosed Property and Resell it	0.02	0.02	0.00	0.09	0.09	0.00
• Collect the Cost of Treating Service Connected Veterans for Non-service Connected Conditions from Health Insurers	0.39	0.39	0.00	2.95	2.95	0.00
• Some savings require additional administrative effort which may have discretionary costs.						

Welfare Reform Financing Options

4/11/94 16:45	Dollars in Billions					
	5 Year			10 Year		
	Total	Federal	State	Total	Federal	State
• Collect Per Diems and Copayments from Certain Veteran's for Non-service Care	0.05	0.05	0.00	0.31	0.31	0.00
• VA pensions and Medical Care Cost Recovery. Verify veteran's self-reported income data with the IRS and SSA	0.21	0.21	0.00	1.35	1.35	0.00
• Cap means-tested pension benefits at \$90 per month for veterans and survivors who receive Medicaid nursing home benefits	0.19	0.19	N/A *	1.30	1.30	N/A *
• Round down monthly benefit levels and provide reduced COLAs to beneficiaries grandfathered into the new survivors program	0.64	0.64	0.00	1.98	1.98	0.00
• Maintain GI benefit COLAs at 50%, which was to have been a full COLA in 1994 but was eliminated and reduced by 50% in 1995 in OBRA93	0.15	0.15	0.00	0.83	0.83	0.00
<i>Subtotal</i>	2.10	2.10	0.00	11.46	11.46	0.00
Total: Financing Options	9.82	9.42	0.40	32.56	30.76	1.80

Possible Alternative

- | | | | | | | |
|-----------------------------|------|------|------|------|------|------|
| • Gambling Excise Tax at 4% | 3.16 | 3.16 | 0.00 | 7.21 | 7.21 | 0.00 |
|-----------------------------|------|------|------|------|------|------|

- This proposal represents a shift from federal VA costs to federal/state Medicaid costs. States would bear the cost of the federal savings.

Welfare Reform Financing Options

A Program Savings

Limit Emergency Assistance

- 5 year Federal savings: \$1.5 B 10 year Federal savings: \$ 4.0 B
- cap each State's AFDC emergency assistance expenditure at FY1993 levels (with inflation adjustments for future years), or limit spending to 3% of a State's total AFDC benefit payments from the past year (a grandfather clause could protect States with large funding drops).
- specifics of this proposal are still under development.

Tighten Sponsorship and Eligibility Rules for Non-Citizens

SSI, AFDC and Food Stamps require that part of a legal immigrant sponsor's income is deemed available to the immigrant for a limited time, should he/she need public assistance. The following tightens benefit eligibility for non-citizens:

- 5 year Federal savings: \$ 1.8 B 10 year Federal savings: \$6.9 B
- change the deeming period for AFDC and Food Stamps from three to five years, and permanently extend SSI's five year deeming provision, which reverts to three years until FY1997.
- deeming continues for another five years for those aliens whose sponsors have adjusted gross income over \$40,000.
- Creates PRUCOL eligibility criteria in the SSI, AFDC, and Medicaid programs similar to the tighter Food Stamps criteria.

Income Test Meal Reimbursements to Family Day Care Homes

- 5 year Federal savings: \$.57 B 10 year Federal savings: \$ 1.72 B
- Family day care homes in low-income areas would receive reimbursement for all meals at the "free meal" rate.
- Other homes could choose between:

(a) not means-testing and thus receiving "reduced price" rates, or
(b) means-testing, in which case meals for children under 185% of poverty would be reimbursed at the "free meal" rate and meals for children above 185% of poverty would be reimbursed at the "reduced price" rate.

Limit Deficiency Payments to Those Making \$100,000 or More Annually From Off-Farm Income

- 5 year Federal savings: \$.61 B 10 year Federal savings: \$ 1.31 B
- Producers receiving \$100,000 or more in off-farm adjusted gross income would be ineligible for Commodity Credit Corporation (CCC) crop subsidies.

Graduated Interest Rates for Early Redemption of Savings Bonds

- 5 year Federal savings: \$.76 B 10 year Federal savings: \$ 1.1 B
- New savings bonds issued would initially yield 2% interest, which would gradually rise over 5 years to 4%.
- Current outstanding bonds unaffected.

B. Enforcement Savings

Deny EITC to Non-Resident Aliens

- 5 year Federal savings: \$.13B 10 year Federal savings: \$.33 B
- Deny EITC to nonresident aliens such as foreign students, professors, etc.

Require Income Reporting for DOD Personnel, for EITC Purposes

- 5 year Federal savings: \$.16 B 10 year Federal savings: \$.4 B
- Families living overseas and on active military duty would become EITC eligible.
- To finance this, and produce above savings, DOD would report nontaxable earned income (such as subsistence and living quarters allowances) paid to military personnel, overseas and stateside. This is counted for EITC purposes.

Increase Withholding Rate on Gambling Winnings

- 5 year Federal savings: \$.52 B 10 year Federal savings: \$.78 B
- Increase the withholding rate of 28% to 36% for gambling winnings over \$50,000. The odds of winning would be irrelevant.

Withhold 28% From Keno, Bingo and Slot Machine Winnings

- 5 year Federal savings: \$.25 B 10 year Federal savings: \$.32 B
- Impose 28% withholding on winnings over \$7,500, regardless of the odds. (No withholding is currently done.)

Information Reporting on Gambling Winnings

- 5 year Federal savings: \$.22 B 10 year Federal savings: \$.61 B
- Requires reporting on gambling, bingo, slot and keno winnings of \$10,000 or more, regardless of the betting odds. (Reporting is currently required at various winning thresholds, if odds are 300:1 or more.)
- State lotteries exempt.

Limit Tax Deferred Interest Build-Up of Large Annuities

- 5 year Federal savings: \$.8 B 10 year Federal savings: \$ 1.83
- Prohibit tax deferral on interest accruing to annuities that pay annual incomes over \$100,000 for couples, \$50,000 for single persons.

C. Extend Expiring Provisions

Hold Constant the Food Stamps Overpayment Recoveries States May Keep

- 5 year Federal savings: \$.05 B 10 year Federal savings: \$.12 B
- Extend 1990 Farm Bill provision letting States keep 25% of Food Stamps recovered due to fraud/intentional program violations.
- Extend the provision letting States keep 10% of Food Stamps recovered due to other unintentional errors.
- This provision would extend the current recoveries rate structure which is set to expire in FY1996.

Fees for Passenger Processing and Other Customs Services

- 5 year Federal savings: \$ 0 B 10 year Federal savings: \$ 1.04 B
- Extend the flat rate charge for merchandise processing and other U.S. customs services.
- The current fee structure, extended by NAFTA, expires after FY2003.

Extend Railroad Safety User Fees

- 5 year Federal savings: \$.16 B 10 year Federal savings: \$.41 B
- Extend (and expand) railroad safety inspection fees.
- The provision would extend the fees through FY04. Currently they are set to expire in FY1996.

¹ Preliminary staff estimate, based on extrapolation of prior year savings.

Veterans:

Guarantee the Securities Issued in Connection with VA's Direct Loan Sales

- 5 year Federal savings: \$.08 B 10 year Federal savings: \$.16 B
- Currently, VA may sell its direct loans (i.e., mortgages held by VA) to the secondary market. Secondary market institutions package these mortgages into securities and sell them to investors. VA has the authority through December 1995 to guarantee investors the timely payment of principal and interest on the securities. Because this guarantee eliminates risk to the investors, the investors will pay a higher price for the securities.
- Savings are net of increased costs due to increased default liability of this proposal.
- Permanently extending this provision would sustain the current higher price paid to VA for their direct loans sold to the secondary market.

Increase Housing Loan Fee for Multiple Use of the Guaranteed Home Loan Program

- 5 year Federal savings: \$.03 B 10 year Federal savings: \$.14 B
- The loan guaranty program, established to promote home-ownership among returning WWII GI's, guarantees mortgages made by private lenders to veterans, active duty service persons, and selected reservists.
- There is no limit on how many times a beneficiary can use the Home Loan Program. OBRA 93 increased the fee to 3 percent through FY98 for multiple use of the guaranteed home loan program when there is less than a 5 percent downpayment.
- This proposal would permanently extend the 3 percent fee for multiple use when there is less than a 5 percent downpayment.

Increase Housing Loan Fee by .75 percent

- 5 year Federal savings: \$.14 B 10 year Federal savings: \$.78 B
- Fees on VA guaranteed home loans decrease as the downpayment increases and can be financed as part of the loan.
- OBRA 93 increased the fee on most guaranteed home loans by .75 percent through FY98 (e.g., the no-downpayment fee increased from 1.25 to 2 percent).
- This proposal would permanently extend the fee increase. Increasing the fee reduces the taxpayers' subsidy to this program while continuing to offer veterans a downpayment and fee package that would be below conventional loan requirements. (Because the fee can be financed over the life of the loan, i.e., thirty years, the cost would not be significant to beneficiaries.)

Extend VA's Authority to Consider Resale Losses on Loans

- 5 year Federal savings: \$.02 B 10 year Federal savings: \$.09 B
- When a private lender forecloses on a VA guarantee property, VA uses a formula to determine whether it is more cost-effective to: (1) acquire a foreclosed property from the lender and resell it, or (2) pay the guarantee to the lender. Under current law, this formula takes into consideration the potential for losses on the resale of a foreclosed property through FY98. This is consistent with the acquisition decisionmaking of private mortgage insurers who consider resale losses.
- This proposal would make permanent the inclusion of potential losses on the resale of a foreclosed property in the formula.

Medical Care Cost Recovery Program: Third Party Health Insurance Reimbursements.

- 5 year Federal savings: \$.39 B 10 year Federal savings: \$ 2.95 B
- In 1986, VA received permanent authority to collect reimbursement for the cost of care from health insurers of nonservice-connected veterans. OBRA 1990 expanded this authority to allow VA to collect reimbursement from health insurers of service-connected veterans for treatment of nonservice-connected conditions.
- OBRA 1993 extended the service-connected authority to the end of FY 1998.
- This proposal would make this authority permanent.

Medical Care Cost Recovery Program: Per Diems and Prescription Copayments

- 5 year Federal savings: \$.05 B 10 year Federal savings: \$.31 B
- OBRA 1990 authorized VA to collect hospital and nursing home per diems and outpatient prescription copayments from certain veterans for treatment of their nonservice-connected conditions.
- OBRA 1993 extended this authority to the end of FY 1998.
- This proposal would make this authority permanent.

VA Pensions and Medical Care Cost Recovery Programs: Income Verification Match

- 5 year Federal savings: \$.21 B 10 year Federal savings: \$ 1.35 B
- Under current authority, VA has access to IRS tax data to verify income reported by VA pension and medical care beneficiaries. VA's pension and medical care programs are means-tested.
- For pensions, the proposal would improve program integrity by reducing overpayments that occur when self-reported income is the only information

used to verify eligibility. For medical care, the proposal would allow VA to more effectively identify and collect copayments from higher income veterans.

- This proposal would make this authority permanent.

VA Pension Benefits for Veterans and Spouses in Medicaid Nursing Homes

- 5 year Federal savings: \$.19 B 10 year Federal savings: \$ 1.3 B
- VA pensions is a means-tested program which provides monthly cash support to eligible veterans or their survivors. OBRA 1993 extended through FY 1998 a provision that caps pension benefits at \$90 per month for beneficiaries receiving Medicaid nursing home benefits.
- This proposal does not affect the pension beneficiaries. It reduces the amount of income that the beneficiary would have to turn over to the Medicaid program to help offset the costs of their nursing home care.
- These savings are: (1) net of the lost receipts to the Federal Medicaid program, and (2) represent less Federal Reimbursement of State Medicaid programs.
- This proposal would make permanent this provision which is currently scheduled to expire in FY1998.

Round down and Reduce COLA Adjustment for Death and Indemnity Compensation (DIC) Benefits

- 5 year Federal savings: \$.64 B 10 year Federal savings: \$ 1.98 B
- The DIC program provides monthly cash benefits to survivors of service-connected veterans who died during military service, or after service from their service-connected condition.
- OBRA 1993 provided authority to round down the monthly benefit levels to the nearest dollar and reduce the COLAs by 50% to beneficiaries who were grandfathered into the new DIC program. (The old DIC program based benefits on military rank; the new program pays a flat rate.)
- This proposal would make this authority permanent.

Maintain Montgomery GI Bill (MGIB) COLA at 50 Percent

- 5 year Federal savings: \$.15 B 10 year Federal savings: \$.83 B
- Servicemembers and veterans who have elected and contributed to the MGIB program receive \$400 per month towards educational benefits. Under Title 38, MGIB recipients were to have begun receiving annual COLAs increases on their benefits for the first time in FY 1994. OBRA 1993, however, eliminated the FY 1994 COLA and reduced by 50 percent the FY 1995 COLA.
- This proposal would permanently reduce future COLA increases by 50 percent in FY 1996 and beyond for those beneficiaries who benefited by electing to stay in the old payment structure.

Possible Alternative

Excise Tax on Gambling Revenues

- 5 year Federal savings: \$ 3.16 B 10 year Federal savings: \$ 7.21 B
- Tax gross revenues (wagers minus winnings paid out) from all gambling activities at 4%. (Current Federal wager taxes range from .25%-2%.)
- State lotteries would be exempt from this tax.

**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
IMPROVING GOVERNMENT ASSISTANCE (IGA)				
State Flexibility on Earned Income and and Child Support Disregards	1,720	945	4,895	2,695
Generally Conform Assets to Food Stamps	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 IGA	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 IGA	5,465	6,205	17,580	23,580
OPTION 2 - No 2 Parent, 50% Child Care, 50% Demos and 50% IGA	10,850	10,580	33,890	36,973
OPTION 3 - 50% Child Care, 50% Demos, and 50% IGA	13,060	11,740	42,150	41,328
OPTION 4 - 50% Demos and 50% IGA	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 officially reviewed by OMB. The policies do not represent a consensus recommendation of the Working Group Co-Chairs.

OVERVIEW

Our current system seems at odds with the core values Americans share: work, family, opportunity, responsibility. While we believe that work is central to the strength, independence and pride of American families, the present reality is that people who go to work are often worse off than those on welfare. Instead of giving people access to needed education, training and employment, the welfare system is driven by numbingly complex eligibility rules, and staff resources are spent overwhelmingly on eligibility determination, benefit calculation and writing checks. The culture of welfare offices seems to create an expectation of dependence rather than independence. Noncustodial parents often provide little or no economic or social support to the children they parented, and single-parent families sometimes get welfare benefits and other services that are unavailable to equally poor two-parent families. One wonders what messages this system sends to our children about the value of hard work and the importance of personal and family responsibility.

This welfare reform plan is designed to give people back the dignity and control that comes from work and independence. It is about reinforcing the values of work, family, opportunity and responsibility. The current system pays cash when people lack adequate means to provide for their families. We propose a new vision aimed at helping people regain the means of supporting themselves and at holding people responsible for themselves and their families. The proposal emphasizes that work is valued by making work pay. It signals that people should not have children until they are ready to support them. It stresses that parents--*both parents*--have responsibilities to support their children. It gives people access to the skills they need, but also expects work in return. It limits cash assistance to two years and then requires work, preferably in the private sector, but in community service jobs if necessary. Most important, it requires changing the culture of welfare offices, getting them out of the business of writing checks and into the business of finding people jobs and giving them the skills and support to keep those jobs.

Ultimately, this plan requires changing almost everything about the way in which we provide support to struggling families. To achieve this vision, the plan has four main elements.

MAJOR ELEMENTS

Preventing Teen Pregnancy and Promoting Parental Responsibility

If we are going to end long-term welfare dependency, we must do everything we can to prevent people from going onto welfare in the first place. Families and communities need to work together to ensure that real opportunities are available for young people, and they must teach young people that men and women who parent children have responsibilities and should not become parents until they are able to nurture and support their children. We also need to make it clear that **both parents** have responsibilities to support their children. Our proposal calls for:

Prevention.

A national campaign against teen pregnancy, which sets clear goals of opportunity and responsibility for youth, and draws on all segments of society and government.

Responsibilities of school-age families receiving assistance. Teen parents will be required to finish school.

Learning from prevention approaches that promote responsibility.

Responsible family planning. Expanded resources and support for family planning.

Requiring minor mothers to live at home, with their parents or a responsible adult--not receive a separate check for setting up a separate household.

State option to limit additional benefits for additional children conceived by parents on welfare.

Supporting two-parent families.

End rules which discriminate against two-parent families. The 100-hour rule and quarters-of-work rule which apply only to two-parent families would be repealed.

Child support enforcement.

Universal paternity establishment, preferably in the hospital. Strict penalties for women seeking AFDC who do not cooperate in identifying and finding the father. Serious financial incentives to States that do not establish paternity once the mother has cooperated.

Central child support registries in every State, to track payments and take prompt action when money isn't paid.

A national registry of child support awards and a national registry of new hires based on W-4 reporting so that delinquent noncustodial parents can be tracked quickly and easily across State lines.

Regular updating of awards.

New measures to penalize those who refuse to pay--from license suspension to IRS enforcement.

A new program of required work and training for men who owe child support and fail to pay.

Demonstrations of parenting and access programs and child support assurance.

Support for Working Families

One of the greatest perversities of the current system is that people on welfare often have higher incomes, better health protection, and greater access to child care than working poor families. This plan is designed to help families support themselves by going to work—not staying on welfare. The key elements are:

Earned Income Tax Credit (EITC). The expanded EITC makes it possible for low-wage workers to support their families above poverty. Efforts will be made to help families receive the EITC on a regular basis.

Health care reform. Too many people go on welfare and stay there because they cannot find work that provides health coverage for their families. An essential part of moving people from welfare to work is ensuring that working persons get health protection.

Child care for the working poor. In addition to ensuring child care for participants in the transitional assistance program and for those who transition off welfare, child care subsidies will be made available to low-income working families who have never been on welfare but for whom assistance is essential to enable them to remain in the workforce and off welfare.

Replacing Welfare with Transitional Assistance and Work

We do not need a welfare program built around writing welfare checks—we need a program built around helping people get paychecks. We need to transform the culture of the welfare bureaucracy to convey the message that everyone is expected to move toward work and independence. We envision a system whereby people would be asked to start on a track toward work and independence immediately, with limited exemptions and extensions. Each adult would sign a personal responsibility contract that spells out their obligations, as well as what the government will do in return. Our proposal calls for:

Full participation. Every able-bodied individual who receives cash support is expected to do something to help themselves and their community. The requirement applies to those who are preparing themselves for work and to those who are currently not ready to work. Those who are unable to work due to disability or other reasons will be expected to do something for themselves or their community but will not be subject to time limits until they are ready to engage in training, education, job search or job placement.

A reformed JOBS program. The focus of the welfare system must be changed from a system focused on writing checks and verifying circumstance to one geared toward helping people move rapidly to work. The Family Support Act offered the first clear vision for converting welfare into a transitional system. But the vision was not realized, in part due to insufficient resources. A reformed JOBS program would include:

Personal Responsibility Contract. In order to receive assistance, people will have to sign a personal responsibility contract that spells out their responsibilities and opportunities, and develop an employability plan to move them into work as quickly as possible.

Job Search First. Most recipients will go through supervised job search as the first step of their employability plan. Anyone taking part in the JOBS program will be required to take a private sector job if offered.

A clear focus on employment. Too many programs seem to worry little about whether people actually get jobs and keep them. The plan will attempt to build bridges between the welfare office and the private sector.

Integration with mainstream education and training programs. We should not have a separate system for welfare recipients; it ought to be integrated with new and existing programs in the community.

Emphasis on worker support once a person is placed in a job. The most effective programs do more than try to find someone a job, they offer help so that person can keep the job.

Time limits. Individuals who are able to work will be limited to two years of cash assistance. Most people will be expected to enter employment well before the two years are up. Mothers with infants, people with disabilities that limit work, and those who care for a disabled child will be placed in a JOBS-Prep program, and not be immediately subject to the time limit. Extensions would be granted in a limited number of cases such as those who need to complete high school, or people who need more time because of language barriers.

A WORK program. Those people who are still unable to find work at the end of two years will be required to work in a private sector, community service or public sector job. Instead of welfare, States would be expected to provide jobs for those who have exhausted their time limit and cannot find unsubsidized private sector work. Key elements of the WORK program include:

Work, not workfare. States would be expected to place persons in subsidized jobs which pay a paycheck. Recipients would have the dignity and responsibility that comes from a real job.

Flexible, community-based program. States would be able to use money which would have been spent on welfare and an additional amount for administration to place people instead in subsidized private jobs, with local community organizations, or in public service employment. The program will have close links to the local community.

Strong private sector emphasis. The strong emphasis will be on placing people in subsidized private sector placements that will lead to unsubsidized work.

Non-displacing jobs. These jobs will be designed to avoid displacing existing workers.

Keeping stays in the WORK program short. To discourage long-term stays in the WORK program, the plan includes limits on the duration of any one placement, frequent job search requirements, no EITC for those in subsidized work slots, and a comprehensive reassessment for people after two placements.

Special rules for places with high unemployment. Places with very high unemployment may be granted special exemptions and given added financial support.

Dollar caps on the JOBS and WORK programs. These programs will be capped entitlements, with fixed dollar amounts designed to meet the projected caseload. This will increase State accountability and encourage rapid movement into the private sector.

Reinventing Government Assistance

A major problem with the current welfare system is its enormous complexity and inefficiency. It consists of multiple programs with different rules and requirements that are poorly coordinated and confuse and frustrate recipients and caseworkers alike. Waste, fraud and abuse can more easily arise in such an environment.

The real work of encouraging work and responsibility will happen at the State and local levels. The Federal government must be clearer about stating broad goals and give more flexibility over implementation to States and localities. Our proposal calls for:

Coordination, simplification and improved incentives in income support programs. The administrative and regulatory program structures of AFDC and food stamps will be redesigned to simplify and coordinate rules and to encourage work, family formation and asset accumulation. The proposal will:

Allow families to own a reliable automobile. Current rules prevent those on AFDC from owning a car with an equity value of more than \$1,500. That will be changed to \$4,500 for both AFDC and Food Stamps.

Allow States to reward work. Current law requires States to reduce benefits by \$1 for each \$1 earned. The proposal would give States the flexibility to reward work.

Allow families to accumulate savings. The proposal would allow families to set up Individual Development Accounts which could be used for specific purposes without losing eligibility.

A performance-based system. In addition to incentives for clients, incentives will be designed to bring about change in the culture of welfare offices with an emphasis on work and performance.

Accountability, efficiency and reducing fraud. The plan calls for significant expansions in the use of technology and tracking systems to ensure accountability, efficiency and fraud reduction. Among the advancements would be:

A nationwide public assistance clearinghouse, which tracks people whenever and wherever they use welfare. Such a system is essential for keeping the clock in a time-limited welfare system. Persons will not be able to escape their responsibilities by moving or by trying to collect benefits in two jurisdictions simultaneously.

State tracking systems which follow people in the JOBS and WORK programs. These systems will ensure that people are getting access to what they deserve and that they are being held accountable if they are failing to meet their obligations. Each State will be expected to develop a tracking system which indicates whether people are receiving and participating in the training and placement services they are expected to.

The Impact of Reforms

Making all these changes overnight would severely strain the ability of Federal and State governments to implement the new system. We recommend phasing in the plan by starting with young people, to send a clear message that we are ending welfare for the next generation. The attached tables are based on starting with the youngest third of the projected caseload—persons born after 1971, who will be age 25 and under in 1996 when the new system is implemented.

Starting with that cohort of people, the system will be transformed. Anyone born after 1971 who is on welfare today, and anyone born after 1971 who enters it subsequently, will face new opportunities and responsibilities. By the year 2004, this group will represent over 60 percent of the projected caseload, as older cohorts leave and new persons born after 1971 enter. States wanting to move faster would have the option of doing so.

Table 1 indicates the number of persons in various parts of the program by year, assuming this phase-in. Note that because the States will need up to two years to pass legislation and implement their systems, the program would not begin fully until late 1996. Thus, FY 1997 is the first full year of implementation. The initial JOBS program starts up rapidly and grows somewhat over time as more and more people are phased in. The WORK program grows over time starting with roughly 170,000 jobs in the first year when people begin to hit the limit (FY 1999), rising to roughly 540,000 by FY 2004.

TABLE 1

PROJECTED CASELOADS UNDER A HYPOTHETICAL PROPOSAL, ASSUMING IMPLEMENTATION FOR PERSONS BORN AFTER 1971			
	FY 1997	FY 1999	FY 2004
Projected Adult Cases With Parent Born After 1971 Without Reform	1.43 million	1.93 million	3.34 million
Off welfare with Reform (Health reform after 1999, EITC, Child Care, JOBS, WORK, etc.)	.04 million	.08 million	.81 million
Program Participants	1.39 million	1.85 million	2.53 million
Working While on Welfare	.12 million	.17 million	.21 million
JOBS Participants	.74 million	.89 million	.92 million
WORK Participants	.00 million	.17 million	.54 million
JOBS-Prep--disability/age limits work	.24 million	.31 million	.44 million
JOBS-Prep--severely disabled child	.06 million	.06 million	.08 million
JOBS-Prep--caring for child under one	.24 million	.25 million	.35 million

Notes:

Numbers assume modest behavioral effects that increase over time. These behavioral effects include employment and training impacts similar to San Diego's SWIM program and a modest increase in the percent of recipients who leave welfare for work when they hit the time limit. Figures for 2004 are subject to considerable error, since it is difficult to make caseload projections or to determine the impact of WORK requirements on behavior. Figures for FY 2004 also assume behavioral effects from the full implementation of health reform.

The hypothetical proposal assumes the policy will be implemented in all States by Federal law by October 1996. In addition, the estimates assume that for 20 percent of the caseload, States will implement the policy by October 1995. This follows the pattern of State implementation under the Family Support Act.

Table 2 shows the impact of these changes for the phased-in caseload over the next 10 years, compared with what we project would be the caseload without welfare reform and health reform.

Under the plan, we will go from a situation where three-quarters of the persons are collecting welfare and doing nothing in return—neither working nor in training—to a situation where three-quarters are either off welfare, working with a subsidy, or in time-limited training. Only those unable to work are outside the time limits, and even these persons will have greater expectations and opportunities under the proposed system. In addition, we expect the reform proposal to significantly increase paternity establishment rates, to increase child support payments and to lower child poverty.

TABLE 2

Projected Welfare and Work Status for Persons Born after 1971 Who Would Have Been on Welfare Without Reforms		
	FY 2004 -- Without Reforms	FY 2004 -- With Health and Welfare Reforms
Working with Subsidy; In Mandatory Education, Training or Placement; or Off Welfare with Reforms	23%	74%
Not Working; nor In mandatory Education, Training or Placement	77%	26%
TOTAL	100%	100%

Transforming the social welfare system to one focused on work and responsibility will not be easy. There will be setbacks. We must guard against unrealistic expectations. A welfare system which evolved over 50 years will not be transformed overnight. We must admit that we do not have all the answers. But we must not be deterred from making the bold and decisive actions needed to create a system that reinforces basic values.

**TABLE 1 -- PRELIMINARY DETAILED COST ESTIMATES (FEDERAL AND STATE)
FOR ELEMENTS OF A WELFARE REFORM PROPOSAL**
(By fiscal year, in millions of dollars)

	1995	1996	1997	1998	1999	5 Year Total	5 Year Federal
PARENTAL RESPONSIBILITY							
Minor Mothers	0	(20)	(20)	(20)	(25)	(85)	(30)
No Additional Benefits for Additional Children	(20)	(50)	(125)	(200)	(265)	(660)	(220)
Child Support Enforcement							
Paternity Establishment (Net)	5	0	(135)	(200)	(205)	(535)	(90)
Enforcement (Net)	0	(15)	(55)	(45)	(290)	(405)	(160)
Computer Costs	15	35	95	160	160	465	420
SUBTOTAL, PARENTAL RESPONSIBILITY	0	(50)	(240)	(305)	(625)	(1,220)	(80)
TRANSITIONAL ASSISTANCE FOLLOWED BY WORK							
JOBS-Prep	0	15	85	95	110	305	275
Additional JOBS Spending	0	100	670	850	960	2,580	2,320
Additional Child Care for JOBS	0	70	465	600	670	1,805	1,625
WORK Program	0	0	0	80	710	790	710
Additional Child Care for WORK	0	0	0	40	325	365	330
Savings from Child Care and Other Expansion	0	0	0	(10)	(80)	(90)	(50)
Transitional Child Care	0	0	120	185	255	560	505
Enhanced Teen Case Management	0	20	55	65	70	210	190
Savings - Caseload Reduction	0	0	(80)	(250)	(190)	(520)	(285)
ADP Federal and State Systems/Admin Efficiency	50	50	95	210	275	680	665
SUBTOTAL, JOBS/WORK	50	255	1,410	1,865	3,105	6,685	6,285
SUBTOTAL, JOBS/WORK AND PARENTAL RESP	50	205	1,170	1,560	2,480	5,465	6,205
WORKING POOR CHILD CARE (Capped at \$2b in net spending).							
	0	500	1,000	1,500	2,000	5,000	4,500
REMOVE TWO PARENT (UP) RESTRICTIONS							
	0	0	375	795	1,040	2,210	1,160
Comprehensive Demonstration Grants	0	50	50	50	50	200	200
Non-Custodial Parent JOBS/WORK	0	10	75	105	180	370	335
Access Grants and Parenting Demonstrations	20	25	30	30	30	135	120
Child Support Assurance Demonstrations	0	0	100	200	250	550	495
IDA and Microenterprise Demonstrations	0	0	100	100	100	300	270
SUBTOTAL, DEMONSTRATIONS	20	85	355	485	610	1,555	1,420
IMPROVING GOVERNMENT ASSISTANCE (IGA)							
State Flexibility on Earned Income and and Child Support Disregards	0	0	555	575	590	1,720	945
Generally Conform Assets to Food Stamps	20	40	65	70	70	265	100
Set Auto Exclusions to \$4500 Equity Value	0	0	305	320	330	955	955
Double Territories' Caps/Adjust for Inflation	0	0	120	125	125	370	275
All Others	(30)	225	230	235	245	905	555
SUBTOTAL IGA	(10)	265	1,275	1,325	1,360	4,215	2,830
GRAND TOTAL	60	1,055	4,175	5,665	7,490	18,445	16,115

Note 1: Parentheses denote savings.

Note 2: Five Year and Ten Year Federal estimates represent 90% of all expenditures except 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.

**TABLE 1 -- PRELIMINARY DETAILED COST ESTIMATES (FEDERAL AND STATE)
FOR ELEMENTS OF A WELFARE REFORM PROPOSAL**
(By fiscal year, in millions of dollars)

	2000.	2001	2002	2003	2004	10 Year Total	10 Year Federal
PARENTAL RESPONSIBILITY							
Minor Mothers	(25)	(25)	(25)	(25)	(25)	(210)	(85)
No Additional Benefits for Additional Children	(275)	(285)	(300)	(310)	(320)	(2,150)	(810)
Child Support Enforcement							
Paternity Establishment (Net)	(240)	(280)	(315)	(340)	(370)	(2,080)	(400)
Enforcement (Net)	(445)	(855)	(940)	(1,000)	(1,055)	(4,700)	(1,555)
Computer Costs	155	130	115	110	110	1,085	975
SUBTOTAL, PARENTAL RESPONSIBILITY	(830)	(1,315)	(1,465)	(1,565)	(1,660)	(8,055)	(1,875)
TRANSITIONAL ASSISTANCE FOLLOWED BY WORK							
JOBS-Prep							
Additional JOBS Spending	790	850	880	970	1,070	7,140	6,425
Additional Child Care for JOBS	555	585	600	650	705	4,900	4,410
WORK Program							
Additional Child Care for WORK	620	750	855	960	1,035	4,585	4,125
Savings from Child Care and Other Expansion	(150)	(190)	(240)	(285)	(320)	(1,275)	(700)
Transitional Child Care							
Enhanced Teen Case Management	75	75	75	80	80	595	535
Savings - Caseload Reduction	(250)	(620)	(1,100)	(1,160)	(1,440)	(5,090)	(2,800)
ADP Federal and State Systems/Admin Efficiency	170	45	(20)	(25)	(25)	825	900
SUBTOTAL, JOBS/WORK	3,600	3,625	3,520	4,005	4,200	25,635	25,455
SUBTOTAL, JOBS/WORK AND PARENTAL RESP	2,770	2,310	2,055	2,440	2,540	17,580	23,580
WORKING POOR CHILD CARE (Capped at \$2b in net spending).							
	2,080	2,165	2,250	2,340	2,435	16,270	14,645
REMOVE TWO PARENT (UP) RESTRICTIONS							
	1,175	1,195	1,210	1,225	1,245	8,260	4,355
Comprehensive Demonstration Grants							
Non-Custodial Parent JOBS/WORK	225	265	295	335	365	1,855	1,670
Access Grants and Parenting Demonstrations	30	30	30	30	30	285	255
Child Support Assurance Demonstrations	250	250	250	200	0	1,500	1,350
IDA and Microenterprise Demonstrations	100	100	100	100	0	700	630
SUBTOTAL, DEMONSTRATIONS	655	695	725	665	395	4,690	4,255
IMPROVING GOVERNMENT ASSISTANCE (IGA)							
State Flexibility on Earned Income and and Child Support Disregards							
Generally Conform Assets to Food Stamps on Limit	605	620	635	650	665	4,895	2,695
Set Auto Exclusions to \$4500 Equity Value	70	75	80	80	85	655	240
Double Territories' Caps/Adjust for Inflation	340	355	365	380	390	2,785	2,785
All Others	130	135	140	145	140	1,060	790
SUBTOTAL IGA	1,400	1,450	1,490	1,535	1,570	11,660	7,885
GRAND TOTAL							
	8,080	7,815	7,730	8,205	8,185	58,460	54,720

Note 1: Parentheses denote savings.

Note 2: 5 Year and 10 Year Federal estimates represent 90% of all expenditures except 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%.

**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
IMPROVING GOVERNMENT ASSISTANCE (IGA)				
State Flexibility on Earned Income and and Child Support Disregards	1,720	945	4,895	2,695
Generally Conform Assets to Food Stamps	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 IGA	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 IGA	5,465	6,205	17,580	23,580
OPTION 2 - No 2 Parent, 50% Child Care, 50% Demos and 50% IGA	10,850	10,580	33,890	36,973
OPTION 3 - 50% Child Care, 50% Demos, and 50% IGA	13,060	11,740	42,150	41,328
OPTION 4 - 50% Demos and 50% IGA	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 officially reviewed by OMB. The policies do not represent a consensus recommendation of the Working Group Co-Chairs.

APPENDIX: ENDNOTES TO TABLES 1 and 3**General Notes:**

1. The estimates in these tables do not include interactions amongst the various proposals, e.g. the expansion of the caseload due to the elimination of special rules applying to two parent families are not in the JOBS/WORK program.
2. Medicaid costs and savings from the various proposals are not estimated.

Child Support Enforcement Estimates

1. The costs for the noncustodial parent JOBS/WORK provisions are 10 percent of the JOBS and WORK program costs.

Caseload Numbers and JOBS and WORK Estimates

The caseload numbers and the JOBS and WORK cost estimates are based on the following policies, assumptions and sources of data:

1. Adult recipients (including teen custodial parents) born after 1971 are subject to the time limit beginning in October 1996 (FY 1997). The cost estimates assume that States representing 20 percent of the caseload, will implement the policy a year earlier than required. This follows the pattern of State implementation under the Family Support Act. JOBS spending on other portions of the caseload would continue as per current law.
2. Non-parental caretaker relatives are not subject to the new rules and are not phased-in.
3. Parents who have a child under one (or under 3 months, if conceived after the initial welfare receipt), are caring for a severely disabled child, report a work limitation or who are 60 years of age and older are deferred from participation in the JOBS and WORK programs. As of FY 1999, about 30 percent of the phased-in caseload is deferred.
4. The caseload numbers include non-welfare and welfare treatment effects as a result of the new rules.
5. Cost per JOBS participant figures are taken from the FY 1993 JOBS data (adjusted for inflation using the projected CPI).
6. The cost estimate assumes that all non-deferred phased-in recipients are engaged in activities. We assume that at a given point in time, 55 percent of the phased-in recipients are engaged in activities which have cost. For recipients with extensions, it is assumed that everyone is participating in a JOBS activity which costs the program money.
7. The cost of developing and maintaining a WORK assignment is calculated using CWEP data from JOBS and from the welfare-to-work demonstrations of the 1980s (again, adjusted for inflation using the projected CPI). Approximately 20,000 and 165,000 WORK slots would be required in 1998 and 1999, respectively.

8. The JOBS and WORK cost estimates do not consider the potential impact of child support on the size of the caseload.
9. The WORK cost estimates assume that the EITC is not payable to recipients in the WORK program.

Teen Case Management and JOBS-Prep Cost Estimates

1. The case management cost estimate presumes that at full implementation, enhanced case management services would be provided to all teen parents under the age of 19 and receiving assistance. The percentage of teen parents receiving comprehensive case management services is predicted to rise from 70 percent in FY 1996 to 80 percent in FY 1997, 90 percent in FYs 1998 and 1999 and to 100 percent in FY 2004.

The cost per teen figure for enhanced case management is drawn from Teen Parent Demonstration data. There is no data available on the current level of case management expenditures in the JOBS program. Consequently, the estimate employs, as a proxy for a JOBS case management cost per participant number, a figure calculated using data from the welfare-to-work demonstrations of the 1980s (San Diego I and Baltimore Options).

The additional cost of comprehensive case management for teens is the difference between the cost of providing enhanced case management to teen parents under 19 and the cost of delivering standard case management to the same population. The difference is roughly \$560 per participant per year, in 1993 dollars.

2. The JOBS-Prep cost estimate presumes that JOBS-Prep services will be provided to 20 percent of those in the JOBS-Prep program. As States currently serve only 16 percent of the non-exempt caseload in the JOBS program, it is plausible to suppose that States will not serve a significantly higher percentage of persons in the JOBS-Prep program. We do not know what services States will provide during the JOBS-Prep program (candidates include parenting skills classes, life skills training and substance abuse treatment), so arriving at a cost per participant figure for the program is difficult.

For purposes of the estimate, we assume that States will not provide services such as vocational rehabilitation in the JOBS-Prep program. JOBS-Prep services will consist primarily of case management and referral to external service providers. Many persons in the JOBS-Prep program have disabilities, although most mothers of children under one do not. The cost estimates assume that a fairly intensive level of case management would be required for a small percentage of persons in this program.

The cost per JOBS-Prep participant figure represents a level of case management more intensive than that in the current JOBS program but not as intensive as the level provided in the Teen Parent Demonstration. The number is arrived at by multiplying the Teen Parent Demonstration case management figure by .75.

Child Care Estimates

1. These estimates reflect the child care costs associated with the phase-in assumptions described above under JOBS and WORK.
2. This estimate assumes that some AFDC and working poor children will have their child care needs partially met by Head Start expansion. These children will also require wrap around care.
3. There is no sliding scale fee for services included in this estimate because no decisions have been made about fees for child care services.
4. We assume that approximately 40 percent of all AFDC families participating in JOBS and WORK will use paid child care.
5. We assume that Transitional Child Care eligibles who are phased into JOBS will have a phased in utilization rate which will peak at 37% in FY 2000.
6. Our working poor estimate represents a phase-in of a capped entitlement to cover children whose families are below 130 percent of poverty but do not receive AFDC. By FY1999, we will approach full implementation with \$2 billion in net funding. We assume that there are approximately 8 million non-AFDC children below 130 percent of poverty, 40 percent of whom will potentially need child care because of their parents' work status, and that 40 percent of these families will use paid child care.
7. There will be an additional cost for the Child Care Feeding Program. We believe this additional cost to be between \$3-5 billion over the ten year period. OMB believes this cost is not scoreable.

No Additional Benefits for Additional Children

1. The estimate assumes a State option policy where States representing 33 percent of the affected caseload adopt a cap for benefits for new children.
2. It is assumed that States would reduce the monthly benefit by \$63 for each child (after the first) born while the mother was receiving AFDC.

Two-Parent Estimates

1. The cost for eliminating the special eligibility requirements for two-parent families is based upon estimates from the TRIM2 model employed by the Urban Institute. These estimates are corroborated by estimates from the Food Stamp Quality Control data and tabulations from the Survey of Program Participation (SIPP).
2. The cost assumes that the full impact of the proposal will not occur until the third year of implementation. On average, in the first year of implementation half of the newly expected recipients will enter the program; in the second year, on average, 90 percent of the newly expected recipients will enter the program. These assumptions are based on caseload growth streams in the states which implemented programs for two-parent families subsequent to the Family Support Act.

3. The estimates reflect that roughly 60 percent of the two-parent family caseload are in states where demonstrations have been implemented or are planned, therefore reducing the cost of this proposal in the first five years.

Set Auto Exclusions to \$4500 Equity Value

1. The cost for this proposal reflects impacts in the Food Stamp Program only; it is assumed that the policy will be changed in the AFDC program via regulation. This regulatory policy will have a federal cost of \$315 million over 5 years and \$1.2 billion over 10 years.

THE INTEGRATED TAX-TRANSFER CONCEPT**Vision:**

Welfare reform is difficult to achieve. On the one hand, we want to "end welfare as we know it," particularly continuing dependency on public assistance. On the other, we want children to be free from economic want, to have access to a sense of economic security. Finally, we want our public resources to be spent wisely, specifically, that our limited resources be targeted on those for whom the benefits were intended. It is very difficult to minimize welfare dependency and child poverty while targeting scarce public resources carefully all at the same time.

Real wage opportunities for young heads of households have dropped substantially over the past two decades. One recent study estimates that by 1988 nearly 15 percent of children under six lived in families that could not have escaped poverty even if the adults in their family were working and earning at their full capacity levels. This is because the family heads' earnings capacities were low due to poor education and other human capital traits. Such market failures must be addressed.

Public assistance transfers must also be clearly defined. Are they truly entitlements that are provided to those who meet the categorical and income criteria? Or are they best thought of as temporary assistance to help a disadvantaged family over hard times, that is, a form of public loan that ought to be repaid if possible.

In order to address these questions, we can, first, alter the tax rules so that the revenue system can be used to recapture some or all public benefits received by non-poor families. Second, we can alter the rules governing how earnings affect the level of benefits provided so that AFDC benefits can assist low-income working families escape poverty.

By making these changes, dissatisfaction with the current system could be muted. The proportion of families who derive all of their economic support from welfare would drop substantially. The ability of low-income working families with children to escape poverty would be enhanced. Public benefits would be better targeted on the truly disadvantaged.

Basic Concept:

The Integrated Tax-Transfer (ITT) proposal is designed to achieve four objectives: 1) reduce poverty among children in working families who otherwise would be eligible for AFDC benefits; 2) enhance the economic rationality of work over exclusive dependence on welfare; 3) more efficiently target benefits on the poor and near-poor; and 4) minimize the degree to which fraudulent and inappropriate expenditures are made in the current system. The ITT proposal attempts to achieve these objectives through two major initiatives:

- a. A recapture component that uses the tax system to recoup a portion of benefits that have been paid to recipients who turn out not to be poor when income is considered over the entire year, or who abuse the system by reporting differently to the transfer system as compared to the tax system.
- b. A supplement or fill-the-gap component that uses the transfer system to ensure that AFDC recipients who work or receive child support can have incomes that exceed the poverty guideline or some specified fraction thereof before benefits are phased out.

These two components are designed to work in tandem. Above a threshold, the tax system will be used to improve the target efficiency of income support programs; the revenue system will be used to recapture those public benefits going to the non-poor. Below an established threshold, earnings will not reduce transfer payments.

Proposals:

The basic proposals are outlined below. Specific parameters have been added to the proposals for purposes of clarity. However, at this point the conceptual framework is more important; the actual parameters can be established at a later time.

A. Recapture Component.

Because benefit eligibility is determined on a monthly basis, some families may receive benefits for certain months of the year, even though they have moderate total annual income. The recapture component will recover a portion of the benefit payments made to families with annual income that exceeds a threshold.

Partial recapture would begin when:

Income (AGI and perhaps EITC) + Benefits (AFDC, Food Stamps, SSI, GA and/or housing) exceeds a certain threshold

Above the income threshold, benefits would be recaptured. A recapture rate of 15 to 33 percent may be reasonable. Further, at some point, for example when total income exceeds 200 percent of the poverty guideline, benefits could be recaptured fully; that is, the benefits paid to families above a threshold could be considered an interim loan, which government would reclaim in whole or in part at the end of the year. This implies that the maximum amount recaptured may or may not be limited.

The recapture scheme should greatly reduce fraud and abuse. Under the current system, individuals and families can benefit from claiming a different family status under the tax and transfer systems. A father (or grandparent, boyfriend) with earnings can claim head of household status and use his children to receive the EITC; a mother can claim the same children without using the earnings that formed the basis for EITC receipt and receive welfare

benefits. Coordinating the two systems would require the unit to report to the tax system as they did to the transfer system. As a deterrent to abuse, families which receive a bonus from working under the tax system should know that the tax and transfer systems can communicate with each other.

It is also envisioned that one could not claim the EITC or child exemptions for any child for which the taxpayer owes child support. The recapture system might also apply to past due child support. Finally, all refunds would automatically be matched against child support arrearages and garnished.

B. Supplement Component

Some states have chosen to set their AFDC benefits very low. Politically, we cannot do anything to raise the need standard or benefit level in particular states. However, if individuals work or receive child support, this additional income should be used to supplement benefits in low-benefit states (through a fill-the-gap policy), instead of reducing benefits as under current law.

Need and Payment Standards:

States would continue to establish need standards and payment standards as under current law.

Earnings Disregards:

A fill-the-gap policy would be mandated, with the minimum earnings disregard policy as follows:

- o A flat \$100 per month disregard applied against earnings or child support received;
- o A child care disregard;
- o Plus a minimum disregard of 20 percent of child support and remaining earnings.

In addition, the earnings disregard provisions would not be applicable until the combination of AFDC, Food Stamps, earnings, and child support exceeded 75 percent of the poverty guideline for a family of three. That is, AFDC benefits could not be reduced until total income from those sources reaches that proportion of the poverty threshold.

In effect, the Federal Government would establish a new break-even point. For recipients with earnings, states must ensure that AFDC benefits do not phase out completely until AFDC, food stamps, earnings, and child support are equal to the poverty guideline for a family of three. This implies that some low-benefit states must disregard a higher percentage of earnings and child support than 20 percent.

Issues for Discussion

1. General Approach

There are two fundamentally different approaches to the integrated tax-transfer concept:

- o Count means-tested benefits as taxable income, i.e. include in AGI. Other parameters (threshold and recapture rates) would not be altered.
- o Use a separate worksheet on the tax form to calculate the amount of public benefits to be recovered during the annual reconciliation. Rules that were different from tax provisions would be developed to apply to public benefits.

2. How might the recapture component work?

There are alternative ways of doing this but we start with the following considerations. There are four generic issues that can be discussed independent of the specific options presented below.

- a. **The Threshold.** A threshold will be established and families with incomes above that threshold would have public assistance benefits recaptured. There are two potential thresholds:

The first is the income level at which a family is liable for a positive tax liability, i.e. the tax threshold. This would place the threshold a little above the poverty threshold at present. The virtue of this approach is that it appears more fully integrated with the tax code and a dollar of earnings is treated identically to a dollar of public assistance. The disadvantage is that it is not directly tied to the poverty line and is not uniform across family sizes. Also, several public assistance programs have eligibility levels above the tax thresholds which would add to the marginal tax rate.

The second standard or threshold would be set at a percentage of the poverty line (e.g. 125 to 140 percent of the poverty threshold). The primary disadvantage of this threshold is that it requires a separate worksheet to administer. However, it does make sense that the threshold set for the recapture proposal be set above the income levels at which benefits normally phase out.

- b. **The Definition of Income** to be applied against the threshold: The income that would be applied to the threshold would be AGI plus some combination of the following public assistance benefits: EITC, AFDC, Food Stamps, General Assistance, SSI and housing.

- c. **The Recapture Rate.** The two primary issues here are implications for marginal tax rates and whether the taxpayer has the income to repay the amount identified for recapture. In most cases, the amount recaptured would not exceed the amount of the Earned Income Tax Credit and thus repayment for families receiving the EITC is probably not a problem. In addition, where earnings are part-year, income tax withholding is usually larger than is required at the end of the year. This is because withholding tables assume those part year earnings are earned steadily throughout the year.

- d. **Maximum Amount Recaptured.** The maximum amount recaptured would be the recapture rate times the amount of income above the threshold subject to the constraint that it not exceed the amount of public assistance benefits. This could include AFDC, SSI, food stamps, GA, and/or housing but probably not the EITC. It might also be a substantially smaller list of benefits and include only AFDC and/or food stamps, and it might only be a fraction (a different percentage than the recapture rate--say 50 percent) of the amount of those public assistance benefits received.

3. Administrative Issues

Under the Integrated Tax-Transfer concept, at the end of each year the welfare office would complete a 1099-type form for each person who had received benefits at any point during the year. Information provided on the form would include the recipient's Social Security number, the amount of total benefits received during the year, perhaps the number of months in which benefits were received, and total annual earnings. This information would be reported to the IRS electronically and would be distributed to each recipient with instructions about how to file their tax return.

DISPOSABLE INCOME, A MOTHER WITH TWO CHILDREN PLUS ONE OTHER INCOME EARNER IN NEW YORK, JULY 1993

Line Number	Other Adult		Tax		Mother & Children		Other Adult		Combined	Reduction in Combined Disposable Income						
	In filing unit for:		Filing Status		AFDC + Food Stamps	Housing Subsidy	Earnings	EITC	Disposable Income	Disposable Income	Benefits & EITC Reduced	Benefits & EITC not Reduced	25% Claw Back of AGI + EITC + TaxThreshld	25% Claw Back of AGI + TaxThreshld	25% Claw Back of AGI + EITC + 1.25*PovThreshld	25% Claw Back of AGI + TaxThreshld
	AFDC	Kind	Other Adult	Mother												
1	-	-	S	dnf	9,420	0	5,000	286	4,403	13,823	0	0	0	0	0	0
2	-	-	HH	dnf	9,420	0	5,000	2,000	6,118	15,538	0	0	195	0	0	0
3	-	-	J	dnf	9,420	0	5,000	2,000	6,118	15,538	0	0	205	0	0	0
4	-	X	S	dnf	9,180	0	5,000	286	4,403	13,583	0	0	0	0	0	0
5	-	X	HH	dnf	9,180	0	5,000	2,000	6,118	15,298	0	0	155	0	0	0
6	-	X	J	J	9,180	0	5,000	2,000	6,118	15,298	0	0	145	0	0	0
7	X	X	J	J	7,608	0	5,000	2,000	6,118	13,726	0	0	0	0	0	0
8	-	-	S	dnf	9,420	0	10,000	0	7,643	17,063	0	0	0	0	0	0
9	-	-	HH	dnf	9,420	0	10,000	3,272	11,507	20,927	1,747	567	1,570	945	1,269	451
10	-	-	J	dnf	9,420	0	10,000	3,272	11,507	20,927	1,753	573	1,773	955	1,077	259
11	-	X	S	dnf	7,980	0	10,000	0	7,643	15,623	0	0	0	0	0	0
12	-	X	HH	dnf	7,980	0	10,000	3,272	11,507	19,487	1,400	423	1,330	705	1,029	211
13	-	X	J	J	7,980	0	10,000	3,272	11,507	19,487	1,334	357	1,413	595	717	0
14	X	X	J	J	2,940	0	10,000	3,272	11,507	14,447	270	0	153	0	0	0
15	-	-	S	dnf	9,420	0	15,000	0	11,454	20,874	0	0	0	0	0	0
16	-	-	HH	dnf	9,420	0	15,000	2,362	14,783	24,203	2,265	942	1,570	1,570	2,292	1,701
17	-	-	J	dnf	9,420	0	15,000	2,362	15,158	24,578	2,646	1,323	2,355	2,205	2,100	1,509
18	-	X	S	dnf	6,924	0	15,000	0	11,454	18,378	0	0	0	0	0	0
19	-	X	HH	dnf	6,924	0	15,000	2,362	14,783	21,707	1,665	692	1,154	1,154	1,876	1,285
20	-	X	J	J	6,924	0	15,000	2,362	15,158	22,082	1,921	949	1,731	1,581	1,476	885
21	X	X	J	J	1,740	0	15,000	2,362	15,158	16,898	415	171	435	285	180	0

Notes: If the other adult claims the children for tax purposes, the mother's taxable income is set equal to 1/3 of her benefits (when benefits are taxed). However, when the other adult does not claim them, all tax related to benefits is withheld from the mother's benefits. When the other adult files jointly with the mother, his/her tax liability equals their combined tax minus the amount withheld from the mother's benefits--the increment in the other adult's tax liability from the children's share of benefits is subtracted from the EITC. When the tax threshold is the basis of the benefit claw back, the maximum benefit reduction is 25% of total benefits; when 125% of the poverty threshold is used, 100% of benefits can be clawed back.

DISPOSABLE INCOME, A MOTHER WITH TWO CHILDREN IN NEW YORK, JULY 1993

Line	Number of Months Worked	Current Law					Reduction in Disposable Income						
		Annual Earnings	AFDC	Food	Housing Subsidy	Disposable Income	Benefits Taxed & EITC Reduced	Benefits Taxed & EITC not Reduced	25% Claw Back of AGI + EITC + Total Benefits - TaxThreshld	25% Claw Back of AGI + Total Benefits - TaxThreshld	25% Claw Back of AGI + EITC + 1.25*PovThreshld	25% Claw Back of AGI + Total Benefits - 1.25*PovThreshld	
1	0	0	6,924	2,496	0	9,420	0	0	0	0	0	0	
2	6	5,000	3,462	2,238	0	11,818	0	0	50	0	0	0	
3	8	5,000	2,884	2,504	0	11,506	0	0	0	0	0	0	
4	10	5,000	3,124	2,436	0	11,678	0	0	15	0	0	0	
5	12	5,000	3,360	2,364	0	11,842	0	0	56	0	0	0	
6	12 w/o bnfts	5,000	--	--	--	6,118	--	--	--	--	--	--	
7	6	10,000	3,462	1,248	0	16,217	1,180	332	1,178	553	877	59	
8	8	10,000	2,308	1,352	0	15,167	802	174	915	290	614	0	
9	10	10,000	1,154	1,666	0	14,327	499	48	705	80	404	0	
10	12	10,000	0	1,980	0	13,487	274	0	495	0	194	0	
11	12 w/o bnfts	10,000	--	--	--	11,507	--	--	--	--	--	--	
12	6	15,000	3,462	1,248	0	19,493	1,699	707	1,178	1,178	1,899	1,309	
13	8	15,000	2,308	832	0	17,923	1,132	471	785	785	1,507	916	
14	10	15,000	1,154	416	0	16,353	566	236	393	393	1,114	524	
15	12	15,000	0	780	0	15,563	281	117	195	195	780	326	
16	12 w/o bnfts	15,000	--	--	--	14,783	--	--	--	--	--	--	
17	6	20,000	3,462	1,248	0	22,308	1,699	707	1,178	1,178	2,886	2,559	
18	8	20,000	2,308	832	0	20,738	1,132	471	785	785	2,493	2,166	
19	10	20,000	1,154	416	0	19,168	566	236	393	393	1,570	1,570	
20	12	20,000	0	0	0	17,598	0	0	0	0	0	0	
21	12 w/o bnfts	20,000	--	--	--	17,598	--	--	--	--	--	--	

Notes: EITC fully implemented to the 1996 levels. Work expense equals 10% of earnings up to a cap of \$88 per month. No child care expenses are assumed. The AFDC benefit assumes a \$120 income disregard. When no housing subsidy is available, the food stamp benefit calculation assumes a \$103.50 excess shelter cost deduction, 50% of the maximum. The housing subsidy benefit calculation assumes a 45th percentile FMR of \$819 per month for New York. When the tax threshold is the basis of the benefit claw back, the maximum benefit reduction equals 25% of total benefits; when 125% percent of the poverty threshold is used, 100% of benefits can be clawed back.

DISPOSABLE INCOME, A MOTHER WITH TWO CHILDREN PLUS ONE OTHER INCOME EARNER IN NEW YORK, JULY 1993

Line Number	Other Adult		Tax		Mother & Children		Other Adult		Combined	Reduction in Combined Disposable Income						
	in filing unit for:		Filing Status		AFDC +		Earnings		Disposable	Benefits Taxed & EITC Reduced	Benefits Taxed & EITC not Reduced	25% Claw Back of AGI + EITC + Total Benefits - TaxThreshld.	25% Claw Back of AGI + Total Benefits - TaxThreshld.	25% Claw Back of AGI + EITC + Total Benefits - 1.25*PovThreshld.	25% Claw Back of AGI + Total Benefits - 1.25*PovThreshld.	
	AFDC	In-Kind	Other Adult	Mother	Food Stamps	Housing Subsidy		EITC	Income	Income						
1	-	-	S	dnf	9,048	7,894	5,000	286	4,403	21,345	666	666	1,111	1,111	617	617
2	-	-	HH	dnf	9,048	7,894	5,000	2,000	6,118	23,060	569	569	1,449	949	955	455
3	-	-	J	dnf	9,048	7,894	5,000	2,000	6,118	23,060	951	951	2,086	1,586	1,390	890
4	-	X	S	dnf	8,808	6,394	5,000	286	4,403	19,605	405	405	676	676	182	182
5	-	X	HH	dnf	8,808	6,394	5,000	2,000	6,118	21,320	395	395	1,159	659	665	165
6	-	X	J	J	8,808	6,394	5,000	2,000	6,118	21,320	690	690	1,651	1,151	955	455
7	X	X	J	J	7,236	7,068	5,000	2,000	6,118	20,422	556	556	1,426	926	730	230
8	-	-	S	dnf	9,048	7,894	10,000	0	7,643	24,585	666	666	1,111	1,111	617	617
9	-	-	HH	dnf	9,048	7,894	10,000	3,272	11,507	28,449	3,555	1,319	2,824	2,199	2,523	1,705
10	-	-	J	dnf	9,048	7,894	10,000	3,272	11,507	28,449	3,937	1,701	3,653	2,836	2,958	2,140
11	-	X	S	dnf	7,608	4,894	10,000	0	7,643	20,145	0	0	1	1	0	0
12	-	X	HH	dnf	7,608	4,894	10,000	3,272	11,507	24,009	2,488	875	2,084	1,459	1,783	965
13	-	X	J	J	7,608	4,894	10,000	3,272	11,507	24,009	2,648	1,035	2,543	1,726	1,848	1,030
14	X	X	J	J	2,568	6,972	10,000	3,272	11,507	21,047	1,787	591	1,803	985	1,107	289
15	-	-	S	dnf	9,048	7,894	15,000	0	11,454	28,396	666	666	1,111	1,111	617	617
16	-	-	HH	dnf	9,048	7,894	15,000	2,362	14,783	31,725	4,056	1,694	2,824	2,824	3,545	2,955
17	-	-	J	dnf	9,048	7,894	15,000	2,362	15,158	32,100	4,813	2,451	4,236	4,086	3,980	3,390
18	-	X	S	dnf	6,924	3,394	15,000	0	11,454	21,772	0	0	0	0	0	0
19	-	X	HH	dnf	6,924	3,394	15,000	2,362	14,783	25,101	2,481	1,032	1,720	1,720	2,441	1,851
20	-	X	J	J	6,924	3,394	15,000	2,362	15,158	25,476	2,907	1,458	2,580	2,430	2,324	1,734
21	X	X	J	J	1,368	5,472	15,000	2,362	15,158	21,998	1,896	936	1,710	1,560	1,455	864

Notes: If the other adult claims the children for tax purposes, the mother's taxable income is set equal to 1/3 of her benefits (when benefits are taxed). However, when the other adult does not claim them, all tax related to benefits is withheld from the mother's benefits. When the other adult files jointly with the mother, his/her tax liability equals their combined tax minus the amount withheld from the mother's benefits--the increment in the other adult's tax liability from the children's share of benefits is subtracted from the EITC. When the tax threshold is the basis of the benefit claw back, the maximum benefit reduction is 25% of total benefits; when 125% of the poverty threshold is used, 100% of benefits can be clawed back.

DISPOSABLE INCOME, A MOTHER WITH TWO CHILDREN IN NEW YORK, JULY 1993

Line Number	Number of Months Worked	Current Law					Reduction in Disposable Income					
		Annual Earnings	AFDC	Food	Housing Subsidy	Disposable Income	Benefits Taxed & EITC Reduced	Benefits Taxed & EITC not Reduced	25% Claw Back of AGI + EITC + Total Benefits - TaxThrsld	25% Claw Back of AGI + Total Benefits - TaxThrsld	25% Claw Back of AGI + EITC + Total Benefits - 1.25*PovThrsld	25% Claw Back of AGI + Total Benefits - 1.25*PovThrsld
1	0	0	6,924	2,124	7,894	16,942	666	666	1,111	1,111	617	617
2	6	5,000	3,462	1,866	7,433	18,879	1,009	789	1,815	1,315	1,322	822
3	8	5,000	2,884	2,132	7,606	18,740	959	768	1,781	1,281	1,287	787
4	10	5,000	3,124	2,064	7,534	18,840	995	783	1,806	1,306	1,312	812
5	12	5,000	3,360	1,992	7,464	18,934	1,029	797	1,829	1,329	1,335	835
6	12 w/o bnfts	5,000	--	--	--	6,118	--	--	--	--	--	--
7	6	10,000	3,462	1,062	5,933	21,964	3,253	1,194	2,614	1,989	2,313	1,496
8	8	10,000	2,308	980	6,279	21,074	2,932	1,060	2,392	1,767	2,091	1,273
9	10	10,000	1,154	1,294	6,626	20,581	2,754	986	2,268	1,643	1,968	1,150
10	12	10,000	0	1,608	6,972	20,087	2,576	912	2,145	1,520	1,844	1,026
11	12 w/o bnfts	10,000	--	--	--	11,507	--	--	--	--	--	--
12	6	15,000	3,462	1,062	4,433	23,740	3,230	1,344	2,239	2,239	2,961	2,371
13	8	15,000	2,308	708	4,779	22,579	2,811	1,169	1,949	1,949	2,671	2,080
14	10	15,000	1,154	354	5,126	21,417	2,392	995	1,658	1,658	2,380	1,790
15	12	15,000	0	408	5,472	20,663	2,120	882	1,470	1,470	2,192	1,601
16	12 w/o bnfts	15,000	--	--	--	14,783	--	--	--	--	--	--
17	6	20,000	3,462	1,062	3,947	26,069	2,579	1,271	2,118	2,118	3,826	3,499
18	8	20,000	2,308	708	3,279	23,893	2,253	944	1,574	1,574	3,282	2,955
19	10	20,000	1,154	354	3,626	22,731	1,851	770	1,283	1,283	2,992	2,665
20	12	20,000	0	0	3,972	21,570	1,432	596	993	993	2,701	2,374
21	12 w/o bnfts	20,000	--	--	--	17,598	--	--	--	--	--	--

Notes: EITC fully implemented to the 1996 levels. Work expense equals 10% of earnings up to a cap of \$88 per month. No child care expenses are assumed. The AFDC benefit assumes a \$120 income disregard. When no housing subsidy is available, the food stamp benefit calculation assumes a \$103.50 excess shelter cost deduction, 50% of the maximum. The housing subsidy benefit calculation assumes a 45th percentile FMR of \$819 per month for New York. When the tax threshold is the basis of the benefit claw back, the maximum benefit reduction equals 25% of total benefits; when 125% percent of the poverty threshold is used, 100% of benefits can be clawed back.

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DISPOSABLE INCOME, FAMILY OF ONE PERSON, JULY 1993

	EITC	X
	Chld Supp	-
Col. A	S S I	X
	Food Sta	X
	Housing S	-

States	Annual Earnings from 0 Hours Work per Week (\$4.25/Hour)	1993 Poverty Threshold	1993 Tax Threshold	Taxable Income [Single] Bnfts taxd	Federal Income Tax	Annual Housing Subsidy [Off]	Annual S S I Jan-93 Single-LI	Annual Food Stamps FY'94	Disposable Income
California	0	6,816	6,950	490	74	0	7,440	0	7,367
	0	6,816	6,950	7,054	1,058	6,564	7,440	0	12,946

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DISPOSABLE INCOME, FAMILY OF TWO PERSONS, JULY 1993

	EITC	X
	Chld Supp	-
Col. A	S S I	X
	Food Sta	X
	Housing S	-

States	Annual Earnings from 0 Hours Work per Week (\$4.25/Hour)	1993 Poverty Threshold	1993 Tax Threshold	Taxable Income [Jnt Filr] Bnfts taxd	Federal Income Tax	Annual Housing Subsidy [Off] ¹	Annual S S I Jul-93 -2-Persons-	Annual Food Stamps FY'94	Disposable Income
California	0	9,192	12,300	1,380	207	0	13,680	0	13,473
	0	9,192	12,300	7,644	1,147	6,264	13,680	0	18,797

TABLE 8, REVISED
NUMBER OF FAMILIES RECEIVING TRANSFER PAYMENTS AND AVERAGE BENEFIT, BY POVERTY LEVEL*

All dollar amounts are in 1994 dollars

	BASELINE PERCENT OF POVERTY (REDEFINED POVERTY MEASURE)						TOTAL All	150%+ poverty	
	< 50%	50-94%	95-105%	106-149%	150-199%	200%+		Amounts	% of total
No. of families, unrel. indiv. (thou.)	3,132	7,900	2,787	13,223	13,518	63,986	104,667	77,504	74.0%
No. of children under 18 (thou.)	1,194	7,316	2,743	11,765	10,300	33,561	66,927	43,861	65.5%
Number of families receiving AFDC (thou.)	228	1,969	538	1,649	565	496	5,449	1,061	19.5%
Percent of families receiving AFDC	7.3%	24.9%	19.3%	12.5%	4.2%	0.8%	5.2%	1.4%	--
Average annual benefit	\$2,707	\$4,842	\$3,800	\$3,641	\$3,263	\$2,616	\$3,919	\$2,960	--
Total annual benefit (mill.)	\$618	\$9,532	\$2,044	\$6,005	\$1,842	\$1,298	\$21,355 ^b	\$3,140	14.7%
Number of families receiving SSI (thou.) ^c	20	1,297	276	1,206	683	700	4,183	1,383	33.0%
Percent of families receiving SSI	0.6%	16.4%	9.9%	9.1%	5.1%	1.1%	4.0%	1.8%	--
Average annual benefit	\$3,152	\$3,531	\$4,336	\$4,015	\$4,738	\$4,319	\$4,058	\$4,526	--
Total annual benefit (mill.)	\$62	\$4,580	\$1,195	\$4,843	\$3,236	\$3,021	\$16,976 ^b	\$6,258	36.9%
Number of families receiving Food Stamps (thou.)	1,053	3,654	1,223	4,247	1,356	657	12,252	2,013	16.4%
Percent of families receiving Food Stamps	33.6%	46.2%	43.9%	32.1%	10.0%	1.0%	11.7%	2.6%	--
Average annual benefit	\$1,764	\$2,313	\$2,020	\$1,409	\$813	\$440	\$1,658	\$691	--
Total annual benefit (mill.)	\$1,857	\$8,451	\$2,470	\$5,985	\$1,103	\$289	\$20,314 ^b	\$1,392	6.8%
Number of families receiving housing subsidy (thou.)	3	359	336	1,920	1,221	397	4,238	1,618	38.2%
Percent of families receiving housing subsidy	0.1%	4.5%	12.1%	14.5%	8.0%	0.6%	4.0%	2.1%	--
Average annual benefit	\$384	\$5,448	\$5,192	\$4,138	\$3,919	\$2,631	\$4,127	\$3,603	--
Total annual benefit (mill.)	\$1	\$1,958	\$1,746	\$7,945	\$4,787	\$1,044	\$17,492 ^b	\$5,831	33.3%
Number of families receiving EITC (thou.)	865	3,210	1,313	5,251	3,423	3,532	17,599	6,955	39.5%
Percent of families receiving EITC	27.6%	40.6%	47.1%	39.7%	25.3%	5.5%	16.8%	9.0%	--
Average annual EITC	\$338	\$915	\$1,274	\$1,486	\$1,020	\$681	\$1,057	\$848	--
Total annual EITC (mill.)	\$292	\$2,837	\$1,673	\$7,803	\$3,491	\$2,405	\$18,602 ^b	\$5,896	31.7%
Total transfer benefits: AFDC, SSI, FS, housing (mill.)	\$2,539	\$24,520	\$7,455	\$24,778	\$10,968	\$5,652	\$76,138	\$16,620	21.8%
Total transfer benefits plus EITC (mill.)	\$2,831	\$27,457	\$9,128	\$32,580	\$14,459	\$8,057	\$94,740	\$22,516	23.8%

Source: The Urban Institute's TRIM2 Model

Definitions:

"Family" is defined to include related subfamilies as part of the primary family. A family may include more than one tax unit. Children are defined as persons under age 18 who are not the head or spouse of a primary family or an unrelated subfamily. Income for percent-of-poverty is cash after federal income tax and FICA tax plus the cash value of Food Stamps and housing subsidy. Families with negative net income are not shown separately but are included in the totals.

Notes:

- a. Transfer program simulations use 1991 program rules. The EITC calculation uses 1996 rules.
- b. TRIM2 estimates may differ from actual program data.
- c. SSI benefits to children under age 15, and benefits to the institutionalized, are not captured.

*\$56B of \$70B goes to
200% of poverty (\$20,000+)*

TABLE 1
 AGGREGATE EFFECTS OF TAXING TRANSFER PAYMENTS:
 EITC CALCULATED USING NEW AGI DEFINITION

All dollar amounts are in 1994 dollars.

	Baseline	Alternative IA2: Tax SSI, AFDC	Alternative IB2: Tax SSI, AFDC, FS, housing subs.
Number of families & unrelated indiv. (mill.)	104.7	104.7	104.7
Number of children under 18 (mill.)	66.9	66.9	66.9
Federal income tax liability			
Total tax liability (\$bill.)	\$438.5	\$439.4	\$441.6
Change from baseline (\$bill.)		\$0.9	\$3.1
Percent change from baseline		0.2%	0.7%
Adjusted Gross Income			
Total AGI (\$bill.)	\$3,673.3	\$3,711.7	\$3,749.4
Change from baseline (\$bill.)		\$38.3	\$76.1
Percent change from baseline		1.0%	2.1%
Federal income tax returns			
# of non-\$0 tax returns (thou.) ^a	99,762	100,642	101,483
Change from baseline (thou.)		880	1,721
# of returns with positive tax (thou.) ^a	85,088	85,980	87,403
Change from baseline (thou.)		892	2,315
Poverty Counts, using after-tax income plus Food Stamps and housing subsidies			
Families (mill.)	12.4	12.4	12.5
Percent of families	11.8%	11.8%	12.0%
Children (mill.)	9.7	9.7	10.1
Percent of children	14.4%	14.5%	15.0%
Poverty Gap, using after-tax income plus Food Stamps and housing subsidies			
Size of gap (\$bill.)	42.6	42.6	42.9
Percent change from baseline		0.1%	0.7%

Source: The Urban Institute's TRIM2 Model

Definitions:

"Family" is defined to include related subfamilies as part of the primary family.

A family may include more than one tax unit.

Income for the poverty calculation is cash income, plus the value of Food Stamps and housing subsidy, after federal payroll and income tax.

The poverty gap is the amount of money necessary to bring all families and unrelated individuals up to the poverty threshold, where poverty is based on after-tax cash income plus the cash value of Food Stamps and housing subsidies.

Children are defined as persons under age 18 who are not the head or spouse of a primary family or an unrelated subfamily.

Notes:

a. These baseline estimates differ slightly from those in the 10/14 memo due to slight technical differences; in particular, these figures use the weight of the family head, while tables in the 10/14 memo use the weight of the head of the tax unit.

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TABLE 4
 TAXING TRANSFER PAYMENTS: EFFECTS ON TAX LIABILITY BY PERCENT OF POVERTY,
 POVERTY BASED ON AFTER-TAX CASH INCOME PLUS THE CASH VALUE OF FOOD STAMPS AND HOUSING SUBSIDIES
 EITC CALCULATED USING NEW AGI DEFINITION

All dollar amounts are in 1994 dollars

	BASELINE PERCENT OF POVERTY (REDEFINED POVERTY MEASURE)						TOTAL All
	< 50%	50-94%	95-105%	106-149%	150-199%	200% +	
No. of families, unrel. indiv. (thou.)	3,132	7,900	2,787	13,223	13,518	63,986	104,667
No. of children under 18 (thou.)	1,194	7,316	2,743	11,765	10,300	33,561	66,927
Baseline							
Number of returns with positive tax (thou.)	73	466	547	4,428	8,816	70,755	85,088
Total tax liability (mill.)	(\$289)	(\$2,800)	(\$1,480)	(\$3,751)	\$9,504	\$437,311	\$438,495
Average tax liability per family	(\$92)	(\$354)	(\$531)	(\$284)	\$703	\$6,834	\$4,189
Tax liability as % of total family income	-5.8%	-5.3%	-5.6%	-2.1%	3.4%	12.5%	10.9%
Alternative IA2: Tax SSI and AFDC							
Number of returns with positive tax (thou.)	87	587	594	4,673	9,042	70,922	85,980
Percent change from baseline	19.7%	25.9%	8.5%	5.5%	2.6%	0.2%	1.0%
Total tax liability (mill.)	(\$294)	(\$2,786)	(\$1,458)	(\$3,529)	\$9,728	\$437,691	\$439,354
Change from baseline (mill.)	(\$5)	\$14	\$22	\$222	\$224	\$380	\$859
Percent change from baseline	-1.7%	0.5%	1.5%	5.9%	2.4%	0.1%	0.2%
Average tax liability per family	(\$94)	(\$353)	(\$523)	(\$267)	\$720	\$6,840	\$4,198
Change from baseline	(\$2)	\$2	\$8	\$17	\$17	\$6	\$9
Percent change from baseline	-1.7%	0.5%	1.5%	5.9%	2.4%	0.1%	0.2%
Tax liability as % of total family income	-5.9%	-5.3%	-5.5%	-2.0%	3.5%	12.5%	10.9%
Alternative IB2: Tax SSI, AFDC, Food Stamps, and housing subsidies							
Number of returns with positive tax (thou.)	90	725	705	5,406	9,390	71,083	87,403
Percent change from baseline	23.3%	55.5%	28.8%	22.1%	6.5%	0.5%	2.7%
Total tax liability (mill.)	(\$294)	(\$2,635)	(\$1,273)	(\$2,356)	\$10,311	\$437,840	\$441,596
Change from baseline (mill.)	(\$5)	\$165	\$207	\$1,395	\$807	(\$529)	\$3,101
Percent change from baseline	-1.7%	5.9%	14.0%	37.2%	8.5%	0.1%	0.7%
Average tax liability per family	(\$94)	(\$334)	(\$457)	(\$178)	\$763	\$6,843	\$4,219
Change from baseline	(\$2)	\$21	\$74	\$105	\$60	\$8	\$30
Percent change from baseline	-1.7%	5.9%	14.0%	37.2%	8.5%	0.1%	0.7%
Tax liability as % of total family income	-5.8%	-5.0%	-4.8%	-1.3%	3.7%	12.5%	10.9%

Source: The Urban Institute's TRIM2 Model

Definitions:

"Family" is defined to include related subfamilies as part of the primary family.

A family may include more than one tax unit.

Children are defined as persons under age 18 who are not the head or spouse of a primary family or an unrelated subfamily.

Income for percent-of-poverty is cash after federal income tax and FICA tax plus the cash value of Food Stamps and housing subsidy.

Families with negative net income are not shown separately but are included in the totals.

"Total family income" includes all cash income reported on the CPS, but with simulated AFDC and SSI in place of the reported amounts and with TRIM2-imputed capital gains income.

TABLE 2
TAXING TRANSFER PAYMENTS: EFFECTS ON TAX LIABILITY BY FAMILY TYPE FOR ALL FAMILIES
EITC CALCULATED USING NEW AGI DEFINITION

All dollar amounts are in 1994 dollars

	FAMILIES WITH CHILDREN								FAMILIES WITH NO CHILDREN	TOTAL All Families
	WORKERS						NO WORKERS			
	2 Parents, 2 Workers PT or PY FT and FY		2 Parents, 1 Worker PT or PY FT and FY		1 Parent, 1 Worker PT or PY FT and FY		2 Parents	1 Parent		
Number of families, unrelated indiv. (mill.)	10,724	7,046	1,505	5,400	2,959	4,228	750	2,932	69,122	104,667
Number of children under 18 (mill.)	20,619	12,138	3,102	11,192	5,152	6,901	1,522	6,302	0	66,927
Baseline										
Number of returns with positive tax (thou.)	10,656	8,231	728	4,889	762	3,235	225	441	55,921	85,088
Total tax liability (mill.)	\$56,190	\$57,308	\$820	\$25,013	(\$2,050)	\$6,386	\$391	\$859	\$293,579	\$438,495
Average tax liability per family	\$5,240	\$8,133	\$545	\$4,632	(\$693)	\$1,510	\$521	\$293	\$4,247	\$4,189
Tax liability as % of total family income	10.1%	12.2%	2.0%	9.4%	-4.1%	4.7%	2.5%	2.4%	11.9%	10.9%
Alternative IA2: Tax SSI and AFDC										
Number of returns with positive tax (thou.)	10,716	8,273	751	4,944	802	3,281	255	568	56,390	85,980
Percent change from baseline	0.6%	0.5%	3.2%	1.1%	5.3%	1.4%	13.4%	28.6%	0.8%	1.0%
Total tax liability (mill.)	\$56,317	\$57,356	\$913	\$25,116	(\$1,957)	\$6,441	\$410	\$895	\$293,863	\$439,354
Change from baseline (mill.)	\$127	\$48	\$93	\$103	\$93	\$55	\$19	\$36	\$284	\$859
Percent change from baseline	0.2%	0.1%	11.3%	0.4%	4.5%	0.9%	4.9%	4.2%	0.1%	0.2%
Average tax liability per family	\$5,252	\$8,140	\$607	\$4,651	(\$661)	\$1,524	\$546	\$305	\$4,251	\$4,198
Change from baseline	\$12	\$7	\$62	\$19	\$32	\$14	\$25	\$12	\$4	\$9
Percent change from baseline	0.2%	0.1%	11.3%	0.4%	4.6%	0.9%	4.9%	4.2%	0.1%	0.2%
Tax liability as % of total family income	10.1%	12.2%	2.2%	9.4%	-3.9%	4.8%	2.6%	2.5%	11.9%	10.9%
Alternative IB2: Tax SSI, AFDC, Food Stamps, and housing subsidies										
Number of returns with positive tax (thou.)	10,777	8,275	785	4,984	920	3,314	292	1,032	57,023	87,403
Percent change from baseline	1.1%	0.5%	7.8%	1.9%	20.8%	2.5%	30.2%	133.8%	2.0%	2.7%
Total tax liability (mill.)	\$56,682	\$57,372	\$1,152	\$25,396	(\$1,504)	\$6,704	\$428	\$1,071	\$294,295	\$441,596
Change from baseline (mill.)	\$492	\$64	\$332	\$383	(\$546)	\$318	\$37	\$212	\$716	\$3,101
Percent change from baseline	0.9%	0.1%	40.5%	1.5%	26.6%	5.0%	9.5%	24.7%	0.2%	0.7%
Average tax liability per family	\$5,286	\$8,142	\$765	\$4,703	(\$508)	\$1,586	\$570	\$365	\$4,258	\$4,219
Change from baseline	\$46	\$9	\$220	\$71	\$185	\$76	\$49	\$72	\$11	\$30
Percent change from baseline	0.9%	0.1%	40.4%	1.5%	26.7%	5.0%	9.5%	24.6%	0.2%	0.7%
Tax liability as % of total family income	10.2%	12.2%	2.8%	9.5%	-3.0%	4.9%	2.8%	3.0%	11.9%	10.9%

Source: The Urban Institute's TRIM2 Model.

Definitions:

- "Family" includes related subfamilies as part of the primary family. NOTE: A family may include more than one tax unit. Children are defined as persons under age 18 who are not the head or spouse of a primary family or an unrelated subfamily.
- "PT or PY" means either the head or spouse of the broad family works part-time or part-year.
- "FT and FY" means any head or spouse worker works full-time and full-year.
- "NO WORKERS" means neither the head or spouse of the broad family works nor has earnings; another family member may have earnings.
- "Total family income" includes all cash income reported on the CPS, but with simulated AFDC and SSI in place of the reported amounts and with TRIM2-imputed capital gains income.

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TABLE 6
TAXING TRANSFER PAYMENTS: WINNERS AND LOSERS BY PERCENT OF POVERTY,
POVERTY BASED ON AFTER-TAX CASH INCOME PLUS THE CASH VALUE OF FOOD STAMPS AND HOUSING SUBSIDIES
EITC CALCULATED USING THE NEW AGI DEFINITION

All dollar amounts are in 1994 dollars, family counts are in thousands

	BASELINE PERCENT OF POVERTY (REDEFINED POVERTY MEASURE)						TOTAL All
	< 50%	50-94%	95-105%	106-149%	150-199%	200% +	
Number of families, unrelated indiv. (thou.)	3,132	7,900	2,787	13,223	13,518	63,986	104,667
Alternative IA2: Tax SSI and AFDC							
Lost \$500 +	0	14	10	143	136	282	586
Lost \$250-499	0	14	17	181	185	329	726
Lost \$50-249	13	83	63	280	216	213	868
Little or no change	3,104	7,769	2,697	12,603	12,975	63,145	102,411
Gained \$50 +	15	21	0	17	6	17	76
Percent of families lost \$250+	0.0%	0.3%	1.0%	2.4%	2.4%	1.0%	1.3%
Percent of families lost \$50 +	0.4%	1.4%	3.2%	4.6%	4.0%	1.3%	2.1%
Average Loss \$500 +	--	\$621	\$679	\$861	\$946	\$843	\$862
Alternative IB2: Tax SSI, AFDC, Food Stamps and housing subsidies							
Lost \$500 +	0	103	176	1,047	578	375	2,281
Lost \$250-499	3	85	91	914	321	404	1,817
Lost \$50-249	15	339	167	937	578	484	2,519
Little or no change	3,099	7,352	2,354	10,314	12,035	62,706	97,977
Gained \$50 +	15	21	0	12	6	17	72
Percent of families lost \$250+	0.1%	2.4%	9.6%	14.8%	6.6%	1.2%	3.9%
Percent of families lost \$50 +	0.6%	6.7%	15.5%	21.9%	10.9%	2.0%	6.3%
Average Loss \$500 +	--	\$907	\$849	\$874	\$1,067	\$861	\$920

Source: The Urban Institute's TRIM2 Model

Definitions:

"Family" is defined to include related subfamilies as part of the primary family.

A family may include more than one tax unit.

Children are defined as persons under age 18 who are not the head or spouse of a primary family or an unrelated subfamily.

Income for percent-of-poverty is cash after federal income tax and FICA tax plus Food Stamps and housing subsidy.

Families with negative net income are not shown separately but are included in the totals.

THE URBAN INSTITUTE

MEMORANDUM

TO: Bill Prosser

FROM: Keith Watson^{KW} and John Sabelhaus^{JS}

SUBJECT: Taxing AFDC, SSI, and Food Stamps without taxing housing subsidies

DATE: January 19, 1994

As you requested, we have simulated the proposal to tax AFDC, SSI, and the cash value of Food Stamps, without taxing housing subsidies. We have simulated this proposal with two different specifications for the EITC. Under the first specification, the transfer payments being taxed are not considered part of AGI for the EITC calculation. Under the second, AFDC, SSI, and the cash value of Food Stamps are considered part of AGI for the EITC calculation; we will focus primarily on this specification in this memo.

We find that when transfers are considered part of AGI for the EITC calculation, total federal tax liability increases by 0.4% above the baseline to \$440.5 billion. This is \$1.1 billion less than total federal tax liability when housing subsidies are taxed in addition to AFDC, SSI, and Food Stamps (alternative IB2). However, the burden on families in poverty is also mitigated. When the EITC is calculated based on the old AGI concept, total federal tax liability increases by 0.2% above the baseline to \$439.4 billion.

We refer to the simulation in which AFDC, SSI, and Food Stamps are taxed as Alternative C. Alternative C1 refers to the simulation in which AGI used for the EITC does not include transfer payments. Alternative C2 refers to the simulation in which AGI used for the EITC calculation does include transfer payments. Recall that in alternative A, AFDC and SSI are the only transfer payments which are taxed, and in alternative B AFDC, SSI, Food Stamps, and housing subsidies are taxed; these two alternatives will be used for comparison.

Simulation with EITC based on new AGI concept

The results from simulations IA2, IB2, and IC2, in which the EITC is calculated using the AGI measure which includes transfer income, are shown in Table A below. As expected, the

changes for alternative C are greater than the changes in alt. A but less than those in alt. B. Total tax liability increases by 0.4% above the baseline, compared to a 0.2% increase for alt. A and a 0.7% increase for alt. B.

The effects on families at less than 105% of poverty are closer to those in alt. B, however. Under alternative C, average tax liability for those families increases by 6.3% and the percent of poverty families losing \$250 or more is 2.7%.

Additional detailed information on alternative C2 can be found in Tables 1, 2, 4, 5, and 6 at the end of this memo.¹

Table A
Comparison of Proposals to Tax Transfer Payments
with EITC Calculated Based on AGI which Includes Transfer Income

TAX AFDC - SSI
AFDC FS Hous SSI
AFDC FS SSI

	Baseline	Alt. I ¹	Alt. IB2	Alt. IC2
Total Federal Tax Liability (bill.)	\$438.5	\$439.4	\$441.6	\$440.5
Change from baseline		\$0.9	\$3.1	\$2.0
% change from baseline		0.2%	0.7%	0.4%
Families in Poverty (mill.)	12.4	12.4	12.5	12.5
Poverty Gap. (bill.)	\$42.6	\$42.6	\$42.9	\$42.8
Avg tax liability, families <105% poverty	(\$331)	(\$328)	(\$304)	(\$310)
% change from baseline		0.9%	8.2%	6.3%
% of all families losing \$250+		1.3%	3.9%	2.7%
% families <105% poverty losing \$250+		0.4%	3.3%	2.7%

Note: All poverty measures are based on cash income plus the cash value of Food Stamps and housing subsidies after federal tax and FICA.

Simulation with EITC based on old AGI concept

Under alternative C, with EITC calculated using the old AGI concept which does not include transfer income, the total federal income tax liability increases by 0.2% above the

¹ Table 3, which in previous memos has shown information for families receiving transfer payments, is not included in this memo but can be provided at your request.

baseline to \$439.4 billion. The number of families in poverty does not change by a significant amount and the poverty gap increases by only 0.1%. The average tax refund for families at less than 105% of poverty is \$328, a 0.9% increase in tax liability from the baseline. Of all families, 1.3% lose \$250 or more, and 0.3% of families at less than 105% of poverty lose \$250 or more.

Additional detail on this simulation is provided in the tables at the end of this memo.

A note on the value of housing subsidies in TRIM2

The simulation of alternative C involves the removal of the cash value of housing subsidies from the list of items considered as taxable income. Obviously, the change in any family's tax liability from alternative B to alternative C depends largely upon the size of the housing subsidy which that family receives. However, the cash value of the housing subsidy received by a family cannot be determined with certainty because for families in public housing it is an in-kind benefit.

Therefore TRIM relies on an imputation procedure in order to determine the cash value of the housing subsidy. The cash value of the subsidy is equal to the fair market rent for an apartment of the required size in the same state, minus the rent paid by the family. We believe that TRIM probably overestimates the value of the housing subsidy by overestimating the value of the apartment, assuming that public housing units are of lower quality than a similar apartment in the same state.

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TABLE 1
AGGREGATE EFFECTS OF TAXING
AFDC, SSI, AND FOOD STAMPS

All dollar amounts are in 1994 dollars.

	Baseline	Alternative IC1: EITC BASED ON OLD AGI	Alternative IC2: EITC BASED ON NEW AGI
Number of families & unrelated indiv. (mill.)	104.7	104.7	104.7
Number of children under 18 (mill.)	66.9	66.9	66.9
Federal income tax liability			
Total tax liability (\$bill.)	\$438.5	\$439.4	\$440.5
Change from baseline (\$bill.)		\$0.9	\$2.0
Percent change from baseline		0.2%	0.4%
Adjusted Gross Income			
Total AGI (\$bill.)	\$3,673.3	\$3,731.9	\$3,731.9
Change from baseline (\$bill.)		\$58.6	\$58.6
Percent change from baseline		1.6%	1.6%
Federal income tax returns			
# of non-\$0 tax returns (thou.) ^a	99,762	100,868	100,758
Change from baseline (thou.)		1,106	996
# of returns with positive tax (thou.) ^a	85,088	86,213	86,307
Change from baseline (thou.)		1,126	1,220
Poverty Counts, using after-tax income plus Food Stamps and housing subsidies			
Families (mill.)	12.4	12.4	12.5
Percent of families	11.8%	11.8%	11.9%
Children (mill.)	9.7	9.7	9.9
Percent of children	14.4%	14.5%	14.8%
Poverty Gap, using after-tax income plus Food Stamps and housing subsidies			
Size of gap (\$bill.)	42.6	42.6	42.8
Percent change from baseline		0.1%	0.5%

Source: The Urban Institute's TRIM2 Model

Definitions:

"Family" is defined to include related subfamilies as part of the primary family.

A family may include more than one tax unit.

Income for the poverty calculation is cash income, plus the value of Food Stamps and housing subsidy, after federal payroll and income tax.

The poverty gap is the amount of money necessary to bring all families and unrelated individuals up to the poverty threshold, where poverty is based on after-tax cash income plus the cash value of Food Stamps and housing subsidies.

Children are defined as persons under age 18 who are not the head or spouse of a primary family or an unrelated subfamily.

Notes:

a. These baseline estimates differ slightly from those in the 10/14 memo due to slight technical differences; in particular, these figures use the weight of the family head, while tables in the 10/14 memo use the weight of the head of the tax unit.

TABLE 4
TAXING AFDC, SSI, AND FOOD STAMPS
EFFECTS ON TAX LIABILITY BY PERCENT OF POVERTY

All dollar amounts are in 1994 dollars

	BASELINE PERCENT OF POVERTY (REDEFINED POVERTY MEASURE)						TOTAL All
	< 50%	50-94%	95-105%	106-149%	150-199%	200% +	
No. of families, unrel. indiv. (thou.)	3,132	7,900	2,787	13,223	13,518	63,986	104,667
No. of children under 18 (thou.)	1,194	7,316	2,743	11,765	10,300	33,561	66,927
Baseline							
Number of returns with positive tax (thou.)	73	466	547	4,428	8,816	70,755	85,088
Total tax liability (mill.)	(\$289)	(\$2,800)	(\$1,480)	(\$3,751)	\$9,504	\$437,311	\$439,495
Average tax liability per family	(\$92)	(\$354)	(\$531)	(\$284)	\$703	\$6,834	\$4,189
Tax liability as % of total family income	-5.8%	-5.3%	-5.6%	-2.1%	3.4%	12.5%	10.9%
Alternative IC1: EITC CALCULATED USING OLD AGI DEFINITION							
Number of returns with positive tax (thou.)	90	675	618	4,769	9,066	70,992	86,213
Percent change from baseline	23.3%	44.7%	10.0%	7.7%	2.8%	0.3%	1.3%
Total tax liability (mill.)	(\$294)	(\$2,772)	(\$1,460)	(\$3,471)	\$9,733	\$437,699	\$439,437
Change from baseline (mill.)	(\$5)	\$28	\$20	\$280	\$229	\$368	\$942
Percent change from baseline	-1.7%	1.0%	1.4%	7.5%	2.4%	0.1%	0.2%
Average tax liability per family	(\$94)	(\$351)	(\$524)	(\$262)	\$720	\$6,841	\$4,198
Change from baseline	(\$2)	\$4	\$7	\$21	\$17	\$6	\$9
Percent change from baseline	-1.7%	1.0%	1.4%	7.5%	2.4%	0.1%	0.2%
Tax liability as % of total family income	-5.8%	-5.2%	-5.5%	-1.9%	3.5%	12.5%	10.9%
Alternative IC2: EITC CALCULATED USING NEW AGI DEFINITION							
Number of returns with positive tax (thou.)	90	686	623	4,812	9,094	70,998	86,307
Percent change from baseline	23.3%	47.2%	13.8%	8.7%	3.2%	0.3%	1.4%
Total tax liability (mill.)	(\$294)	(\$2,660)	(\$1,323)	(\$2,889)	\$9,887	\$437,740	\$440,463
Change from baseline (mill.)	(\$5)	\$140	\$157	\$862	\$383	\$429	\$1,968
Percent change from baseline	-1.7%	6.0%	10.6%	23.0%	4.0%	0.1%	0.4%
Average tax liability per family	(\$94)	(\$337)	(\$475)	(\$218)	\$731	\$6,841	\$4,208
Change from baseline	(\$2)	\$18	\$56	\$65	\$28	\$7	\$19
Percent change from baseline	-1.7%	5.0%	10.6%	23.0%	4.0%	0.1%	0.4%
Tax liability as % of total family income	-5.8%	-5.0%	-5.0%	-1.6%	3.6%	12.5%	10.9%

Source: The Urban Institute's TRIM2 Model

Definitions:

"Family" is defined to include related subfamilies as part of the primary family.

A family may include more than one tax unit.

Children are defined as persons under age-18 who are not the head or spouse of a primary family or an unrelated subfamily.

Income for percent-of-poverty is cash after federal income tax and FICA tax plus the cash value of Food Stamps and housing subsidy.

Families with negative net income are not shown separately but are included in the totals.

"Total family income" includes all cash income reported on the CPS, but with simulated AFDC and SSI in place of the reported amounts and with TRIM2-imputed capital gains income.

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TABLE 2
TAXING AFDC, SSI, AND FOOD STAMPS
EFFECTS ON TAX LIABILITY BY FAMILY TYPE FOR ALL FAMILIES

All dollar amounts are in 1994 dollars

	FAMILIES WITH CHILDREN								FAMILIES WITH NO CHILDREN	TOTAL All Families
	WORKERS				NO WORKERS					
	2 Parents, 2 Workers		2 Parents, 1 Worker		1 Parent, 1 Worker		2 Parents, 1 Parent			
	PT or PY	FT and FY	PT or PY	FT and FY	PT or PY	FT and FY	2 Parents	1 Parent		
Number of families, unrelated indiv. (mill.)	10,724	7,046	1,505	5,400	2,959	4,228	750	2,932	69,122	104,667
Number of children under 18 (mill.)	20,619	12,139	3,102	11,192	5,152	6,901	1,522	6,302	0	66,927
Baseline										
Number of returns with positive tax (thou.)	10,656	8,231	728	4,889	762	3,235	225	441	55,921	85,088
Total tax liability (mill.)	\$56,190	\$57,308	\$820	\$25,013	(\$2,050)	\$6,386	\$391	\$859	\$293,579	\$438,495
Average tax liability per family	\$5,240	\$8,193	\$545	\$4,632	(\$693)	\$1,510	\$521	\$293	\$4,247	\$4,169
Tax liability as % of total family income	10.1%	12.2%	2.0%	9.4%	-4.1%	4.7%	2.5%	2.4%	11.9%	10.9%
Alternative IC1: EITC CALCULATED USING OLD AGI DEFINITION										
Number of returns with positive tax (thou.)	10,731	8,274	754	4,951	803	3,284	260	585	56,570	86,213
Percent change from baseline	0.7%	0.5%	3.5%	1.3%	5.4%	1.5%	16.0%	32.6%	1.2%	1.3%
Total tax liability (mill.)	\$56,357	\$57,357	\$860	\$25,115	(\$1,930)	\$6,461	\$408	\$901	\$293,928	438,437
Change from baseline (mill.)	\$167	\$49	\$70	\$102	\$70	\$75	\$17	\$42	\$349	\$942
Percent change from baseline	0.3%	0.1%	8.5%	0.4%	3.4%	1.2%	4.3%	4.9%	0.1%	0.2%
Average tax liability per family	\$5,255	\$8,140	\$591	\$4,651	(\$668)	\$1,528	\$544	\$307	\$4,252	\$4,189
Change from baseline	\$15	\$7	\$46	\$19	\$24	\$18	\$23	\$14	\$5	\$9
Percent change from baseline	0.3%	0.1%	8.5%	0.4%	3.4%	1.2%	4.4%	4.9%	0.1%	0.2%
Tax liability as % of total family income	10.1%	12.2%	2.2%	9.4%	-3.9%	4.8%	2.6%	2.5%	11.9%	10.9%
Alternative IC2: EITC CALCULATED USING NEW AGI DEFINITION										
Number of returns with positive tax (thou.)	10,762	8,275	767	4,965	811	3,285	260	585	56,598	86,307
Percent change from baseline	1.0%	0.5%	5.3%	1.6%	6.4%	1.5%	16.0%	32.6%	1.2%	1.4%
Total tax liability (mill.)	\$6,613	\$7,371	1,097	\$25,320	(\$1,803)	\$6,570	\$414	\$903	\$293,979	440,463
Change from baseline (mill.)	\$423	\$63	\$277	\$307	\$247	\$184	\$23	\$44	\$400	\$1,968
Percent change from baseline	0.8%	0.1%	33.8%	1.2%	12.0%	2.9%	5.9%	5.1%	0.1%	0.4%
Average tax liability per family	\$5,279	\$8,142	\$729	\$4,689	(\$609)	\$1,554	\$552	\$308	\$4,253	\$4,208
Change from baseline	\$39	\$9	\$184	\$57	\$84	\$44	\$31	\$15	\$5	\$19
Percent change from baseline	0.7%	0.1%	33.7%	1.2%	12.1%	2.9%	5.9%	5.1%	0.1%	0.5%
Tax liability as % of total family income	10.2%	12.2%	2.7%	9.5%	-3.6%	4.8%	2.7%	2.5%	11.9%	10.9%

Source: The Urban Institute's TRIM2 Model.

Definitions:

"Family" includes related subfamilies as part of the primary family. NOTE: A family may include more than one tax unit.
 Children are defined as persons under age 18 who are not the head or spouse of a primary family or an unrelated subfamily.
 "PT or PY" means either the head or spouse of the bread family works part-time or part-year.
 "FT and FY" means any head or spouse works full-time and full-year.
 "NO WORKERS" means neither the head or spouse of the bread family has earnings; another family member may have earnings.
 "Total family income" includes all cash income reported on the CPS, but with simulated AFDC and SSI in place of the reported accounts and with TRIM2-imputed capital gains income.

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TABLE 6
TAXING AFDC, SSI, AND FOOD STAMPS
WINNERS AND LOSERS BY PERCENT OF POVERTY

All dollar amounts are in 1994 dollars, family counts are in thousands

	BASELINE PERCENT OF POVERTY (REDEFINED POVERTY MEASURE)						TOTAL All
	< 50%	50-94%	95-105%	106-149%	150-199%	200% +	
Number of families, unrelated indiv. (thou.)	3,132	7,900	2,787	13,223	13,518	63,986	104,667
Alternative IC1: EITC CALCULATED USING OLD AGI DEFINITION							
Lost \$500 +	0	16	4	68	132	265	487
Lost \$250-499	3	11	12	278	204	350	858
Lost \$50-249	13	158	108	959	502	404	2,145
Little or no change	3,101	7,694	2,663	11,901	12,673	62,950	101,101
Gained \$50 +	15	21	0	17	6	17	76
Percent of families lost \$250+	0.1%	0.3%	0.6%	2.6%	2.5%	1.0%	1.3%
Percent of families lost \$50 +	0.5%	2.3%	4.5%	9.9%	6.2%	1.6%	3.3%
Average Loss \$500 +	--	\$749	\$574	\$778	\$700	\$797	\$764
Alternative IC2: EITC CALCULATED USING NEW AGI DEFINITION							
Lost \$500 +	0	81	145	645	245	294	1,412
Lost \$250-499	3	79	60	666	252	359	1,418
Lost \$50-249	15	294	136	764	510	395	2,114
Little or no change	3,099	7,426	2,447	11,132	12,504	62,920	99,646
Gained \$50 +	15	21	0	17	6	17	76
Percent of families lost \$250+	0.1%	2.0%	7.3%	9.9%	3.7%	1.0%	2.7%
Percent of families lost \$50 +	0.6%	5.7%	12.2%	15.7%	7.5%	1.6%	4.7%
Average Loss \$500 +	--	\$951	\$792	\$792	\$931	\$855	\$838

Source: The Urban Institute's TRIM2 Model

Definitions:

"Family" is defined to include related subfamilies as part of the primary family.

A family may include more than one tax unit.

Children are defined as persons under age 18 who are not the head or spouse of a primary family or an unrelated subfamily.

Income for percent-of-poverty is cash after federal income tax and FICA tax plus Food Stamps and housing subsidy.

Families with negative net income are not shown separately but are included in the totals.

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DISPOSABLE INCOME, A MOTHER WITH TWO CHILDREN IN NEW YORK, JULY 1993

Line	Number of Months Worked	Current Law					Reduction in Disposable Income					
		Annual Earnings	AFDC	Food	Housing Subsidy	Disposable Income	Benefits Taxed & EITC Reduced	Benefits Taxed & EITC not Reduced	25% Claw Back of AGI + EITC + Total Benefits - TaxThrhld	25% Claw Back of AGI + Total Benefits - TaxThrhld	15% Claw Back of AGI + EITC + Total Benefits - 1.25*PovThrhld	15% Claw Back of AGI + Total Benefits - 1.25*PovThrhld
1	0	0	6,924	2,496	0	9,420	0	0	0	0	0	0
2	6	5,000	3,462	2,238	0	11,818	0	0	50	0	0	0
3	8	5,000	2,884	2,504	0	11,506	0	0	0	0	0	0
4	10	5,000	3,124	2,436	0	11,678	0	0	15	0	0	0
5	12	5,000	3,360	2,364	0	11,842	0	0	56	0	0	0
6	12 w/o bnfts	5,000	--	--	--	6,118	--	--	--	--	--	--
7	6	10,000	3,462	1,248	0	16,217	1,180	332	1,178	553	526	35
8	8	10,000	2,308	1,352	0	15,167	802	174	915	290	369	0
9	10	10,000	1,154	1,666	0	14,327	499	48	705	80	243	0
10	12	10,000	0	1,980	0	13,487	274	0	495	0	117	0
11	12 w/o bnfts	10,000	--	--	--	11,507	--	--	--	--	--	--
12	6	15,000	3,462	1,248	0	19,493	1,699	707	1,178	1,178	1,140	785
13	8	15,000	2,308	832	0	17,923	1,132	471	785	785	904	550
14	10	15,000	1,154	416	0	16,353	566	236	393	393	669	314
15	12	15,000	0	780	0	15,563	281	117	195	195	550	196
16	12 w/o bnfts	15,000	--	--	--	14,783	--	--	--	--	--	--
17	6	20,000	3,462	1,248	0	22,308	1,699	707	1,178	1,178	1,732	1,535
18	8	20,000	2,308	832	0	20,738	1,132	471	785	785	1,496	1,300
19	10	20,000	1,154	416	0	19,168	566	236	393	393	1,261	1,064
20	12	20,000	0	0	0	17,598	0	0	0	0	0	0
21	12 w/o bnfts	20,000	--	--	--	17,598	--	--	--	--	--	--

Notes: EITC fully implemented to the 1996 levels. Work expense equals 10% of earnings up to a cap of \$88 per month. No child care expenses are assumed. The AFDC benefit assumes a \$120 income disregard. When no housing subsidy is available, the food stamp benefit calculation assumes a \$103.50 excess shelter cost deduction, 50% of the maximum. The housing subsidy benefit calculation assumes a 45th percentile FMR of \$819 per month for New York. When the tax threshold is the basis of the benefit claw back, the maximum benefit reduction equals 25% of total benefits; when 125% percent of the poverty threshold is used, 100% of benefits can be clawed back.

DISPOSABLE INCOME, A MOTHER WITH TWO CHILDREN PLUS ONE OTHER INCOME EARNER IN NEW YORK, JULY 1993

Line Item Number	Other Adult		Tax Filing		Mother & Children		Other Adult		Combined	Reduction in Combined Disposable Income						
	In filing unit for:		Filing Status		AFDC +		Earnings		Disposable	Benefits Taxed & EITC Reduced	Benefits Taxed & EITC not Reduced	25% Claw Back of AGI + EITC + TaxThreshid	25% Claw Back of AGI + TaxThreshid	15% Claw Back of AGI + EITC + 1.25*PovThreshid	15% Claw Back of AGI + 1.25*PovThreshid	
	AFDC	In-Kind	Other Adult	Mother	Food Stamps	Housing Subsidy	Earnings	EITC	Income	Income						
1	-	-	S	dnf	9,420	0	5,000	286	4,403	13,823	0	0	0	0	0	0
2	-	-	HH	dnf	9,420	0	5,000	2,000	6,118	15,538	0	0	195	0	0	0
3	-	-	J	dnf	9,420	0	5,000	2,000	6,118	15,538	0	0	205	0	0	0
4	-	X	S	dnf	9,180	0	5,000	286	4,403	13,583	0	0	0	0	0	0
5	-	X	HH	dnf	9,180	0	5,000	2,000	6,118	15,298	0	0	155	0	0	0
6	-	X	J	J	9,180	0	5,000	2,000	6,118	15,298	0	0	145	0	0	0
7	X	X	J	J	7,608	0	5,000	2,000	6,118	13,726	0	0	0	0	0	0
8	-	-	S	dnf	9,420	0	10,000	0	7,643	17,063	0	0	0	0	0	0
9	-	-	HH	dnf	9,420	0	10,000	3,272	11,507	20,927	1,747	567	1,570	945	762	271
10	-	-	J	dnf	9,420	0	10,000	3,272	11,507	20,927	1,753	573	1,773	955	646	156
11	-	X	S	dnf	7,980	0	10,000	0	7,643	15,623	0	0	0	0	0	0
12	-	X	HH	dnf	7,980	0	10,000	3,272	11,507	19,487	1,400	423	1,330	705	618	127
13	-	X	J	J	7,980	0	10,000	3,272	11,507	19,487	1,334	357	1,413	595	430	0
14	X	X	J	J	2,940	0	10,000	3,272	11,507	14,447	270	0	153	0	0	0
15	-	-	S	dnf	9,420	0	15,000	0	11,454	20,874	0	0	0	0	0	0
16	-	-	HH	dnf	9,420	0	15,000	2,362	14,783	24,203	2,265	942	1,570	1,570	1,375	1,021
17	-	-	J	dnf	9,420	0	15,000	2,362	15,158	24,578	2,646	1,323	2,355	2,205	1,260	906
18	-	X	S	dnf	6,924	0	15,000	0	11,454	18,378	0	0	0	0	0	0
19	-	X	HH	dnf	6,924	0	15,000	2,362	14,783	21,707	1,665	692	1,154	1,154	1,125	771
20	-	X	J	J	6,924	0	15,000	2,362	15,158	22,082	1,921	949	1,731	1,581	886	531
21	X	X	J	J	1,740	0	15,000	2,362	15,158	16,898	415	171	435	285	108	0

Notes: If the other adult claims the children for tax purposes, the mother's taxable income is set equal to 1/3 of her benefits (when benefits are taxed). However, when the other adult does not claim them, all tax related to benefits is withheld from the mother's benefits. When the other adult files jointly with the mother, his/her tax liability equals their combined tax minus the amount withheld from the mother's benefits--the increment in the other adult's tax liability from the children's share of benefits is subtracted from the EITC. When the tax threshold is the basis of the benefit claw back, the maximum benefit reduction is 25% of total benefits; when 125% of the poverty threshold is used, 100% of benefits can be clawed back.

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DISPOSABLE INCOME, A MOTHER WITH TWO CHILDREN IN NEW YORK, JULY 1993

L J n e	Number of Months Worked	Current Law					Reduction in Disposable Income					
		Annual Earnings	AFDC	Food	Housing Subsidy	Disposable Income	Benefits Taxed & EITC Reduced	Benefits Taxed & EITC not Reduced	25% Claw Back of AGI + EITC + Total Benefits - TaxThrsld	25% Claw Back of AGI + Total Benefits - TaxThrsld	15% Claw Back of AGI + EITC + Total Benefits - 1.25*PovThrsld	15% Claw Back of AGI + Total Benefits - 1.25*PovThrsld
1	0	0	6,924	2,124	7,894	16,942	666	666	1,111	1,111	370	370
2	6	5,000	3,462	1,866	7,433	18,879	1,009	789	1,815	1,315	793	493
3	8	5,000	2,884	2,132	7,606	18,740	959	768	1,781	1,281	772	472
4	10	5,000	3,124	2,064	7,534	18,840	995	783	1,806	1,306	787	487
5	12	5,000	3,360	1,992	7,464	18,934	1,029	797	1,829	1,329	801	501
6	12 w/o bnfts	5,000	--	--	--	6,118	--	--	--	--	--	--
7	6	10,000	3,462	1,062	5,933	21,964	3,253	1,194	2,614	1,989	1,388	897
8	8	10,000	2,308	980	6,279	21,074	2,932	1,060	2,392	1,767	1,255	764
9	10	10,000	1,154	1,294	6,626	20,581	2,754	986	2,268	1,643	1,181	690
10	12	10,000	0	1,608	6,972	20,087	2,576	912	2,145	1,520	1,107	616
11	12 w/o bnfts	10,000	--	--	--	11,507	--	--	--	--	--	--
12	6	15,000	3,462	1,062	4,433	23,740	3,230	1,344	2,239	2,239	1,777	1,422
13	8	15,000	2,308	708	4,779	22,579	2,811	1,169	1,949	1,949	1,602	1,248
14	10	15,000	1,154	354	5,126	21,417	2,392	995	1,658	1,658	1,428	1,074
15	12	15,000	0	408	5,472	20,663	2,120	882	1,470	1,470	1,315	961
16	12 w/o bnfts	15,000	--	--	--	14,783	--	--	--	--	--	--
17	6	20,000	3,462	1,062	3,947	26,069	2,579	1,271	2,118	2,118	2,296	2,099
18	8	20,000	2,308	708	3,279	23,893	2,253	944	1,574	1,574	1,969	1,773
19	10	20,000	1,154	354	3,626	22,731	1,851	770	1,283	1,283	1,795	1,599
20	12	20,000	0	0	3,972	21,570	1,432	596	993	993	1,621	1,425
21	12 w/o bnfts	20,000	--	--	--	17,598	--	--	--	--	--	--

Notes: EITC fully implemented to the 1996 levels. Work expense equals 10% of earnings up to a cap of \$88 per month. No child care expenses are assumed. The AFDC benefit assumes a \$120 income disregard. When no housing subsidy is available, the food stamp benefit calculation assumes a \$103.50 excess shelter cost deduction, 50% of the maximum. The housing subsidy benefit calculation assumes a 45th percentile FMR of \$819 per month for New York. When the tax threshold is the basis of the benefit claw back, the maximum benefit reduction equals 25% of total benefits; when 125% percent of the poverty threshold is used, 100% of benefits can be clawed back.

27
DISPOSABLE INCOME, A MOTHER WITH TWO CHILDREN PLUS ONE OTHER INCOME EARNER IN NEW YORK, JULY 1993

Line Number	Other Adult		Tax		Mother & Children		Other Adult		Combined	Reduction in Combined Disposable Income						
	In filing unit for:		Filing Status		AFDC + Food Stamps	Housing Subsidy	Earnings	EITC	Disposable Income	Disposable Income	Benefits Taxed & EITC Reduced	Benefits Taxed & EITC not Reduced	25% Claw Back of AGI + EITC + Total Benefits - TaxThreshld	25% Claw Back of AGI + Total Benefits - TaxThreshld	15% Claw Back of AGI + EITC + Total Benefits - 1.25*PovThreshld	15% Claw Back of AGI + Total Benefits - 1.25*PovThreshld
	AFDC	In-Kind	Other Adult	Mother							Reduced	Reduced	- TaxThreshld	- TaxThreshld	- 1.25*PovThreshld	- 1.25*PovThreshld
1	-	-	S	dnf	9,048	7,894	5,000	286	4,403	21,345	666	666	1,111	1,111	370	370
2	-	-	HH	dnf	9,048	7,894	5,000	2,000	6,118	23,060	569	569	1,449	949	573	273
3	-	-	J	dnf	9,048	7,894	5,000	2,000	6,118	23,060	951	951	2,086	1,586	834	534
4	-	X	S	dnf	8,808	6,394	5,000	286	4,403	19,605	405	405	676	676	109	109
5	-	X	HH	dnf	8,808	6,394	5,000	2,000	6,118	21,320	395	395	1,159	659	399	99
6	-	X	J	J	8,808	6,394	5,000	2,000	6,118	21,320	690	690	1,651	1,151	573	273
7	X	X	J	J	7,236	7,068	5,000	2,000	6,118	20,422	556	556	1,426	926	438	138
8	-	-	S	dnf	9,048	7,894	10,000	0	7,643	24,585	666	666	1,111	1,111	370	370
9	-	-	HH	dnf	9,048	7,894	10,000	3,272	11,507	28,449	3,555	1,319	2,824	2,199	1,514	1,023
10	-	-	J	dnf	9,048	7,894	10,000	3,272	11,507	28,449	3,937	1,701	3,653	2,836	1,775	1,284
11	-	X	S	dnf	7,608	4,894	10,000	0	7,643	20,145	0	0	1	1	0	0
12	-	X	HH	dnf	7,608	4,894	10,000	3,272	11,507	24,009	2,488	875	2,084	1,459	1,070	579
13	-	X	J	J	7,608	4,894	10,000	3,272	11,507	24,009	2,648	1,035	2,543	1,726	1,109	618
14	X	X	J	J	2,568	6,972	10,000	3,272	11,507	21,047	1,787	591	1,803	985	664	174
15	-	-	S	dnf	9,048	7,894	15,000	0	11,454	28,396	666	666	1,111	1,111	370	370
16	-	-	HH	dnf	9,048	7,894	15,000	2,362	14,783	31,725	4,056	1,694	2,824	2,824	2,127	1,773
17	-	-	J	dnf	9,048	7,894	15,000	2,362	15,158	32,100	4,813	2,451	4,236	4,086	2,388	2,034
18	-	X	S	dnf	6,924	3,394	15,000	0	11,454	21,772	0	0	0	0	0	0
19	-	X	HH	dnf	6,924	3,394	15,000	2,362	14,783	25,101	2,481	1,032	1,720	1,720	1,465	1,111
20	-	X	J	J	6,924	3,394	15,000	2,362	15,158	25,476	2,907	1,458	2,580	2,430	1,395	1,040
21	X	X	J	J	1,368	5,472	15,000	2,362	15,158	21,998	1,896	936	1,710	1,560	873	519

Notes: If the other adult claims the children for tax purposes, the mother's taxable income is set equal to 1/3 of her benefits (when benefits are taxed). However, when the other adult does not claim them, all tax related to benefits is withheld from the mother's benefits. When the other adult files jointly with the mother, his/her tax liability equals their combined tax minus the amount withheld from the mother's benefits--the increment in the other adult's tax liability from the children's share of benefits is subtracted from the EITC. When the tax threshold is the basis of the benefit claw back, the maximum benefit reduction is 25% of total benefits; when 125% of the poverty threshold is used, 100% of benefits can be clawed back.

MEMORANDUM

MATHEMATICA
Policy Research, Inc.

TO: Alana Landey and Bob Dalrymple

FROM: Harold Beebout

DATE: 1/21/94

SUBJECT: Materials for First Presentation on Households Receiving Welfare Benefits
Contract No.: 53-3198-3-038-063

The materials for the first presentation profiling households receiving benefits from the AFDC and Food Stamp Programs is attached. The purpose of these materials is to clarify the implications of the diverse set of households receiving benefits for some of the policy changes being examined as part of the welfare reform deliberations.

We currently are planning to meet with you on Friday, January 21, to discuss this first set of materials and the focus for additional work.

cc: Carole Trippe
Bob Cohen
John DiCarlo

PROFILE OF HOUSEHOLDS RECEIVING WELFARE BENEFITS

INITIAL PRESENTATION

A. INTRODUCTION

This is the first in a series of presentations profiling households receiving AFDC and food stamps. These presentations are intended to indicate the diversity of the households being served by the current programs. Issues being examined include the nature of the larger households within which program assistance units are often embedded as well as the frequency with which the household's composition and receipt of benefits change during the year.

1. Perspective and Source of Data

This profile of households receiving welfare is based on data from the 1990 panel of the Survey of Income and Program Participation (SIPP). Snapshot views are based on December 1990. The end of the year was chosen to facilitate analyses of policies that might reconcile benefits received and taxes owed in some manner at the end of each year. Longitudinal views look back over the previous 11 months to determine how the situation of each household changed since January in terms of its receipt of AFDC and food stamps as well as the composition of the household. Welfare benefits are defined as AFDC and Food Stamp Program benefits.

2. The Household Versus the Program Unit View

The picture one obtains of the composition and resources of units receiving welfare benefits depends substantially on the comprehensiveness of the view of the economic and social unit. For example, the view can be limited to a narrowly defined program filing or assistance unit within a household or it can encompass the entire household. The filing unit for SSI is generally the individual. For federal income taxes it is the individual or the married couple. For AFDC, it is the nuclear family with some exceptions, and for the Food Stamp Program it is the set of persons within the dwelling unit that prepare food together with some exceptions. This presentation takes a

relatively broad view of the unit of interest and uses the Census Bureau's household definition. An attempt is made to show how the program filing units fall within the broader household definition.

B. THE DECEMBER 1990 PROFILE

For the profile households are classified according to their December composition. The first five classifications all contain children age 18 and under. The first category consists of households containing only a married couple and their children. The second consists of a single parent and her/his own children. The third consists of a three generation family although other people may also be present. The fourth consists of two adults of opposite sex not married to each other and at least one own child. The fifth consists of households with children not meeting any of the previous definitions. The sixth category contains households without children.

1. Composition of Welfare Households

Examining households receiving AFDC or food stamps in December by type of household as shown in Table 1, we note several important patterns:

- About 70 percent of the households receiving welfare have children age 18 or younger.
- Of the households with children receiving welfare, fewer than half (46 %) are single parent families only.
- Of the households with children receiving welfare, 37 percent have various complex compositions including three generation families (13%), two adults of opposite sex not married to each other (5%), and other compositions (19%).

2. Type of Benefit and Coverage

Examining these same households receiving welfare in December, but focusing on whether they receive both AFDC and food stamps and whether all the individuals in the household are covered as shown in Table 2, we find:

TABLE 1

HOUSEHOLDS WITH WELFARE BY COMPOSITION AND BY TYPE OF RECEIPT

December Welfare Receipt	Households with Children Under 19						Total
	Two Parent	Single Parent	Three Generation	Two Adults	Other Units	No Children LT 19	
All Receive AFDC & FS	180	1,552	16		70	8	1,825
All AFDC or FS	544	607	85	17	265	1,723	3,240
Only Some Receive	95	41	518	224	570	373	1,821
Total	818	2,199	620	241	904	2,104	6,886
Percent by Household Type	11.9	31.9	9.0	3.5	13.1	30.6	100.0

TABLE 2

PERCENT OF HOUSEHOLDS WITH WELFARE BY
TYPE OF RECEIPT AND BY COMPOSITION

December Welfare Receipt	Households with Children Under 19						Total
	Two Parent	Single Parent	Three Generation	Two Adults	Other Units	No Children LT 19	
All Receive AFDC & FS	21.9	70.6	2.6	0.0	7.7	0.4	26.5
All AFDC or FS	66.4	27.6	13.8	7.1	29.3	81.9	47.1
Only Some Receive	11.6	1.9	83.6	92.9	63.0	17.7	26.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total	818	2,199	620	241	904	2,104	6,886

- *Across all household types, in only 27 percent of household receiving welfare did all members participate in both AFDC and food stamps. If the universe is limited to households with children, this proportion rises to 38 percent.*
- *Of the two parent families receiving welfare, two thirds receive food stamps covering all the members, and 22 percent receive benefits from both programs covering all the members. In 12 percent of the families the benefit does not cover all the members.*
- *Of the single parent families receiving welfare, most members (72%) are covered by both AFDC and food stamps.*
- *Of the three generation family households, in most households the benefits cover a subset of the members (84%). This is even more true for two unmarried adult households where the benefit covers a subset of members in 93 percent of the households.*

C. COMPARISON OF DECEMBER RECEIPT TO THOSE RECEIVING DURING THE YEAR

Considerable insight into the dynamics of participation during the year can be obtained by comparing the number of households receiving in December with the number receiving continuously throughout the year, and with the number receiving during any month of the year. Examining these comparisons as presented in Table 3 leads to the following findings:

- *Across all household types, two-thirds of the households receiving welfare in December received benefits all 12 months.*
- *Across all household types, 26 percent more households received welfare at some time during the year than received welfare in December. However, this percentage varies widely across household types.*
- *Single parent households tend to have relatively stable patterns of receipt over the year with 76 percent of the December recipients receiving benefits all year and those receiving benefits at any time being only 115 percent of the number of December recipients. Two unmarried adults also tend to be relatively stable.*
- *In contrast, simple two parent households have very unstable patterns with the number receiving benefits at any time being 165 percent of the number of December recipients.*

If we look just at AFDC receipt, the patterns are very similar for most household types as shown in Table 4. However, three generation families have much less stable patterns of receipt as do the tiny group of households receiving AFDC with no children under age 19. Some of those with

TABLE 3
 RATIO OF HOUSEHOLDS RECEIVING WELFARE IN DECEMBER
 TO ALL YEAR AND ANY TIME

December Welfare Receipt	Households with Children Under 19						Total
	Two Parent	Single Parent	Three Generation	Two Adults	Other Units	No Children LT. 19	
Received Welf. in Dec.	819	2,199	620	241	904	2,104	6,887
Received All Year	511	1,677	418	157	487	1,393	4,643
Received Any Time in Y.	1,348	2,522	737	258	1,109	2,690	8,663
Receive Welf. in Dec.	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Received All Year	62.4%	76.3%	67.5%	65.3%	53.9%	66.2%	67.4%
Received Any Time in Y.	164.7%	114.7%	118.9%	107.4%	122.6%	127.8%	125.8%

TABLE 4

RATIO OF HOUSEHOLDS RECEIVING AFDC IN DECEMBER TO ALL YEAR AND ANY TIME BY COMPOSITION

December ^{AFDC} Welfare Receipt	Households with Children Under 19						Total
	Two Parent	Single Parent	Three Generation	Two Adults	Other Units	No Children LT 19	
Receive AFDC in Dec.	269	1,679	400	158	566	20	3,091
Received All Year	184	1,239	283	134	309	4	2,153
Received Any Time in Y.	455	1,889	528	166	650	87	3,775
Receive Welf. in Dec.	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Received All Year	68.4%	73.8%	70.6%	85.2%	54.6%	19.5%	69.6%
Received Any Time in Y.	168.8%	112.5%	131.9%	105.5%	114.9%	448.2%	122.1%

[Handwritten signature]

children over 18 and in-school may have lost their eligibility. If we look just at receipt of food stamps, there is somewhat less stability over the year, but there is less difference among household types with the exception of two parent families as shown in Table 5. Two parent families again have much less stable patterns over the year than other household types.

D. HOUSEHOLD COMPOSITION CHANGE

Household composition change represents a serious challenge for the administration of policies which attempt to reconcile benefits received and taxes owed at the end of the year. For example, those qualifying for benefits or earning the bulk of the household's money may no longer be present in the household in December when accounts are reconciled.

This section examines the frequency with which new members enter households over the year. Given that we are looking back over the months prior to December, it is much easier to look back for those household members present at the end of the year. Therefore, this first examination is limited to the frequency of persons entering households during the year and omits those leaving. One approach to approximating the frequency of both entry and exit excluding births is to double the number entering not including births. It is only approximate since deaths will occur and entrances and exits may not be of equal magnitude. For example, as marriages break up mothers and their children may systematically enter welfare while the men do not rejoin welfare households in equal numbers.

Our examination of the number of households receiving welfare that change composition during the year shows that composition changes are common. The noteworthy findings from Table 6 are:

- *Across all household types about 19 percent of welfare households experience persons entering during the year. About half of that change is the result of births and half from other entrants.*
- *If entrants, excluding births, equals exits, then 19 percent is also a rough approximation of the number of household composition changes not counting births. At the caseload levels observed in the SIPP, that would amount to roughly 1.3 million welfare households changing composition annually.*

TABLE 5

RATIO OF HOUSEHOLDS RECEIVING FS IN DECEMBER TO ALL YEAR AND ANY TIME BY COMPOSITION

December ^{FS} Welfare Receipt	Households with Children Under 19						Total
	Two Parent	Single Parent	Three-Generation	Two Adults	Other Units	No Children LT 19	
Receive FS in Dec.	810	2,144	526	210	770	2,098	6,558
Received All Year	472	1,572	346	115	427	1,384	4,316
Received Any Time in Y.	1,326	2,476	599	232	962	2,672	8,267
Receive Welf. in Dec.	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Received All Year	58.3%	73.3%	65.8%	54.6%	55.5%	66.0%	65.8%
Received Any Time in Y.	163.6%	115.5%	113.8%	110.4%	124.9%	127.4%	126.1%

TABLE 6

RATIO OF HOUSEHOLDS WITH NEW ENTRANTS
TO THOSE RECEIVING WELFARE IN DECEMBER

December Welfare Receipt	Households with Children Under 19						Total
	Two Parent	Single Parent	Three Generation	Two Adults	Other Units	No Children LT 19	
Receive Welfare in Dec.	819	2,199	620	241	904	2,104	6,887
Comp. Changed, New Baby	152	220	116	96	86	0	671
Comp. Changed Other	49	51	122	53	240	135	650
Comp. Changed-Entrants	202	271	238	149	326	135	1,322
Receive Welfare in Dec.	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Comp. Changed, New Baby	18.6%	10.0%	18.7%	40.0%	9.5%	0.0%	9.7%
Comp. Changed Other	6.0%	2.3%	19.7%	21.8%	26.6%	6.4%	9.4%
Comp. Changed-Entrants	24.7%	12.3%	38.4%	61.9%	36.0%	6.4%	19.2%

- *The frequency of composition changes also varies greatly by household type with 27 percent of other household units having a person entering other than a birth.*

E. COMBINED HOUSEHOLD COMPOSITION CHANGE AND PART-YEAR RECEIPT

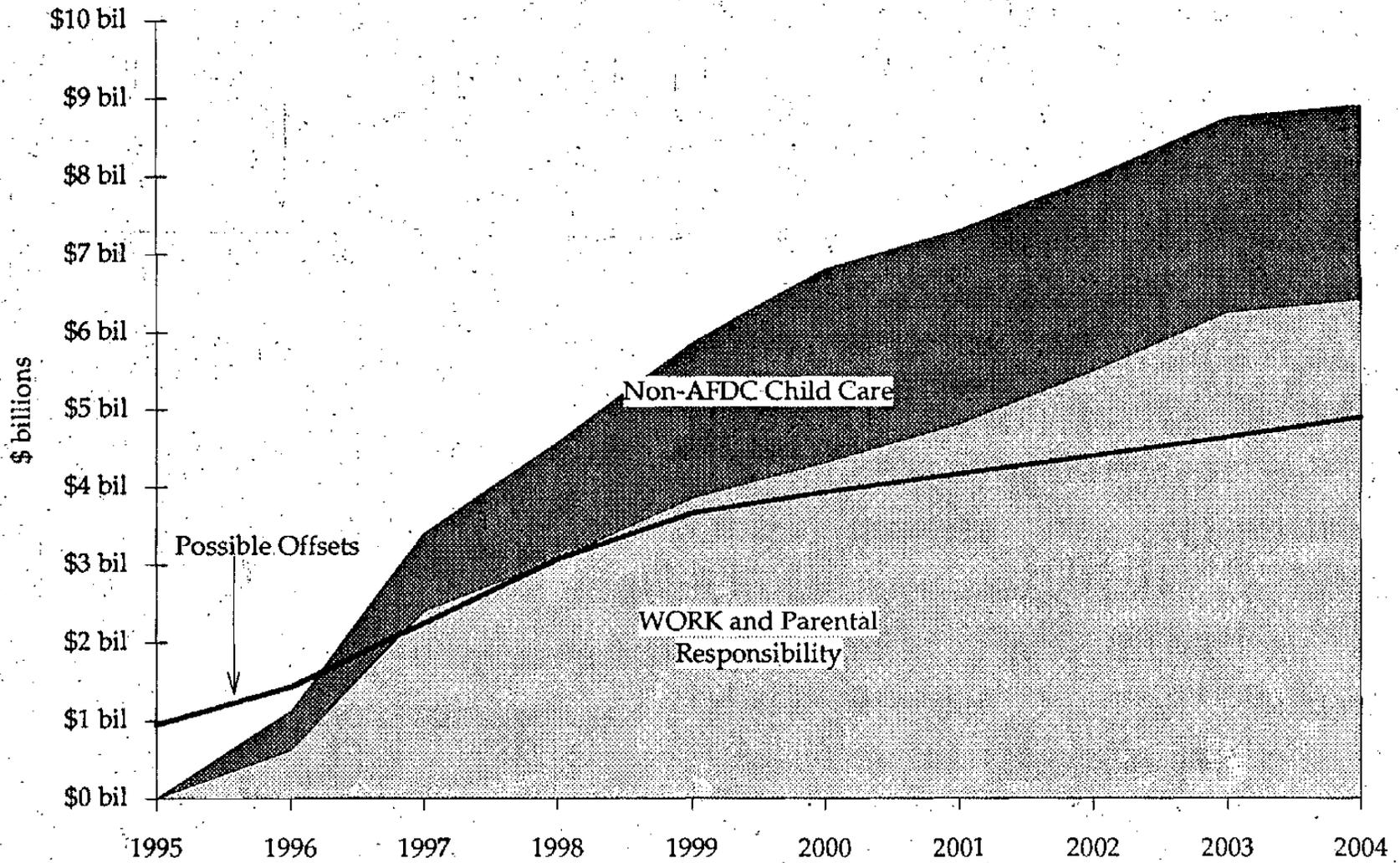
Part-year receipt of welfare benefits was measured in a manner that is independent of the measure of individuals entering the household. Therefore, the two sources of change can be summed to estimate the total changes resulting from both part-year receipt of welfare benefits and changes in composition as a new person enters the household. The resulting estimates of the combined changes are:

- *Across all household types the most conservative estimate of the combined magnitude of change is that 35 percent of the number of households receiving welfare in December experience a change. At 1990 caseload levels, this implies 2.4 million households receiving welfare during the year have changes in receipt or composition. This is the sum of 26 percent receiving in months other than December from Table 3 and the 9.4 percent of households receiving in December that had persons enter the household during the year other than new babies. Thus, it is conservative in that it does not count a new baby as a change in composition nor does it count the individuals that leave households. It also does not count a change in the amount of the benefit as a change.*
- *A higher, but plausible estimate is 45 percent. This is the sum of twice the entrants not counting babies being born plus the 26 percent receiving in months other than December.*

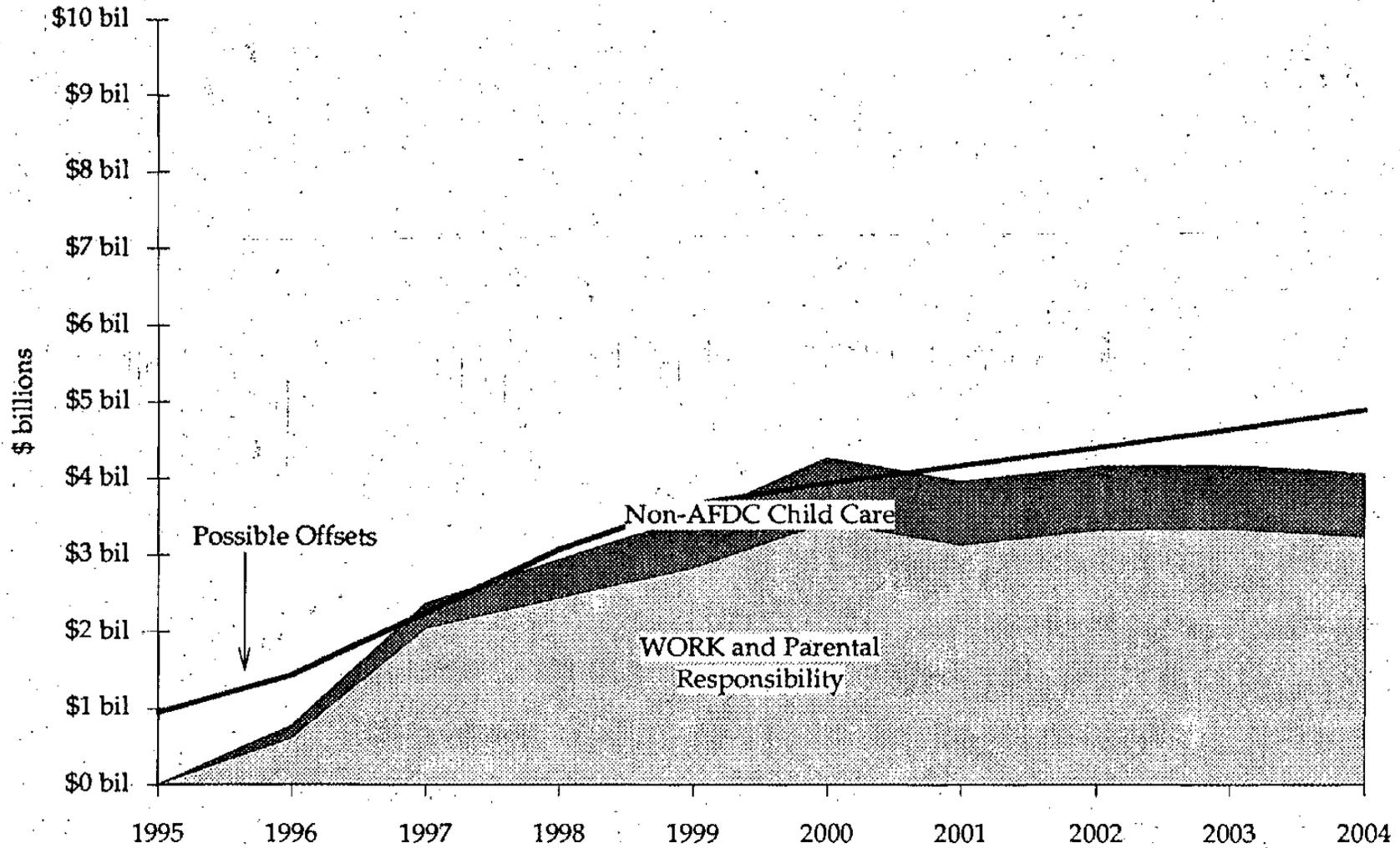
WELFARE TRADEOFFS

COSTS	5-yr	10-yr
HHS Proposal	14.9	54.8
OMB Reestimate of HHS Costs	17.7	64.6
OMB Medium Option	9.6	30.3
OMB Low Option	3.7	10.1
OFFSETS		
HHS Entitlement Reforms		
Cap Emergency Assistance	2.1	
Tighten Sponsorship for Aliens	5.8	
Target Child Care Food Program	1.2	
SSI Reapplication	1.3	
SSI Deeming for Disabled Kids	1.1	
TOTAL, HHS	11.4	31. (est.)
Additional Cuts/Taxes Needed to Pay for HHS Proposal	3.5	24.
Additional Cuts/Taxes Needed to Pay for OMB Reestimate of HHS	6.3	33.
Potential Additional Sources of Revenue		
-4% Gambling Tax	3.1	7-
-33% Increase in Liquor Tax	3.5	7-
100% Increase in High Alcohol Beer and Wine	.7	2-
Phase Out Dependent Care Tax Credit for AGI over \$90k	.8	2-
Amount Still Needed to Pay for HHS Proposal	--	6
Amount Still Needed to Pay for OMB Reestimate of HHS Proposal	--	15

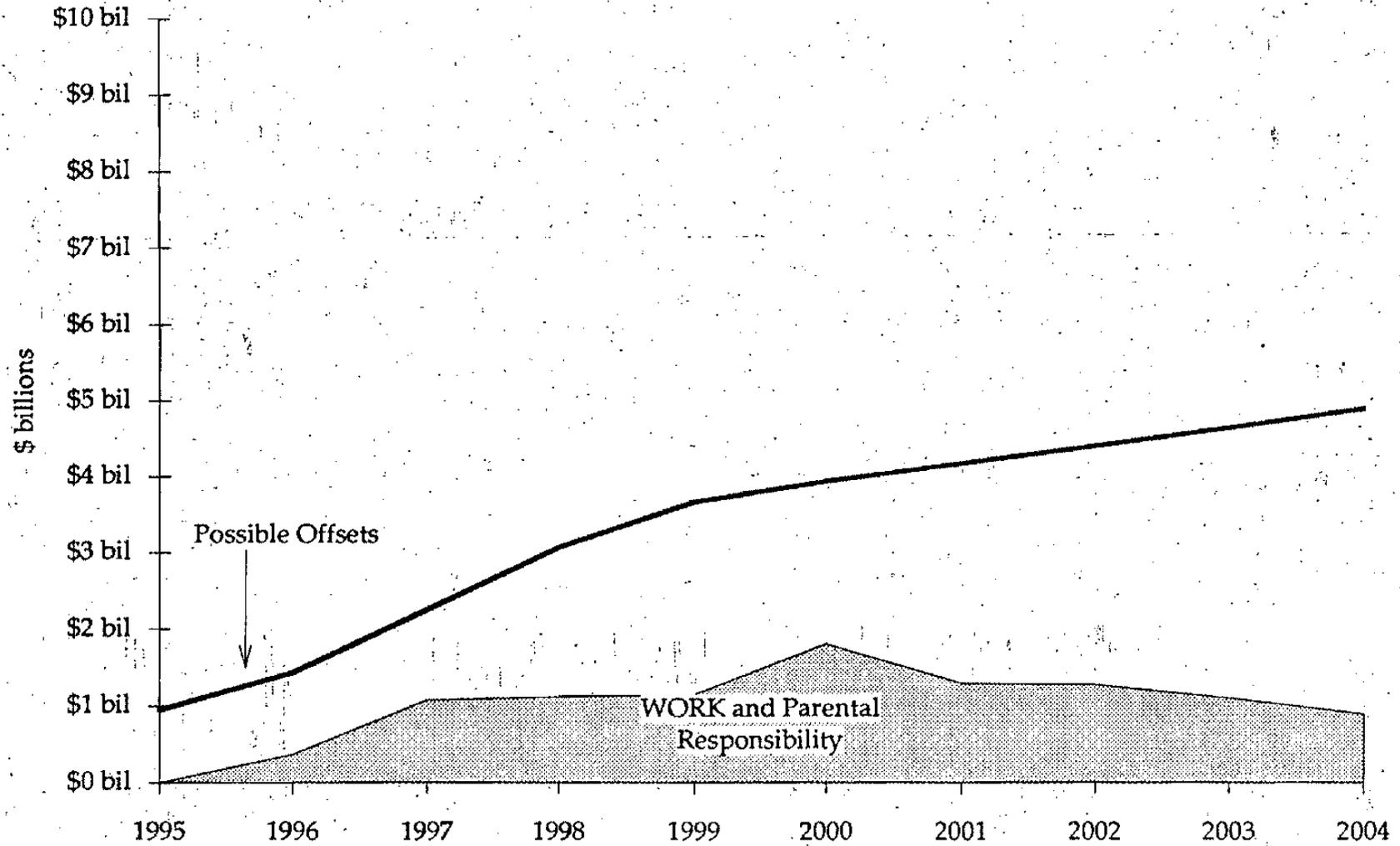
Welfare Reform Costs and Offsets HHS Estimates Extrapolated To 2004



Welfare Reform Costs and Offsets Option A



Welfare Reform Costs and Offsets Option B



WR - \$

DRAFT

POSSIBLE REVENUE OPTIONS FOR WELFARE REFORM

~~CONFIDENTIAL~~ nos

Proposal	02/08/94 01:16 PM		Fiscal years				
	1995	1996	1997	1998	1999	1995-99	
							(\$ millions)
1 Deny EITC to nonresident aliens <i>students</i>	1	30	33	34	35	133	
2 EITC information reporting for DoD personnel <i>- compliance measure</i>	0	10	58	59	63	190	
3 Gambling compliance proposals							
a Increase withholding rate on gambling winnings > \$50,000 to 36 percent	256	118	45	47	60	616	
b Withholding rate of 28% on keno, slots, and bingo winnings > \$7,500 <i>compliance</i>	154	59	11	12	12	248	
c Require information reporting on winnings of \$10,000+ from gambling regardless of odds	10	39	47	56	63	215	
4 Impose 4% excise tax on all net gambling revenue (except state lotteries) <i>winning & losses</i>	454	628	680	693	727	3,162	
5 Increase taxes on pistols and revolvers from 10% to 25%	40	49	52	55	59	255	
6 Increase tax on distilled spirits from \$13.50 per proof gallon to \$18.18 (tax would increase from \$2.14 per fifth to \$2.88 per fifth)	563	766	780	752	745	3,586	
7 Double tax on high-alcohol content beer (current rate is \$6.45 per proof gallon, or \$.33 per six pack) 2/	81	111	111	112	112	527	
8 Double tax on fortified wine (current tax is \$4.46 per proof gallon, or \$.21 per 750 ml. bottle) 3/	23	31	31	30	29	144	
9 Phase-out dependent care credit for AGI between \$90,000 and \$110,000	94	188	175	181	165	781	
10 Apply 30% withholding to 85% of Social Security benefits (as opposed to 50% under current law) paid to nonresident aliens. Tax has been conceded under certain treaties.	20	61	64	67	70	282	
11 Voluntary withholding on unemployment compensation	67	30	2	2	2	103	
TOTAL:	1,763	2,110	2,049	2,080	2,132	10,142	

Note 1/ All proposals are assumed to be effective on 1/1/95.
 2/ High-alcohol content beer is beer with more than 5% of alcohol by volume, and consists primarily of malt liquors and the new "ice" beers.
 3/ Fortified wine is wine with more than 14% of alcohol by volume. About 10% of all wine sold would be affected.

- 4. Migration has not changed, some values OK
- 5. Not very good.
- 10. Increase tax on non-resident aliens up to 85% => conform change
- 11. Border on states - UI raises

~~CONFIDENTIAL~~ DAS

Revised 2/21/94

ENTITLEMENT REFORMS TO FINANCE WELFARE PROPOSALS

(dollars in billions)

	<u>FY</u>	<u>95</u>	<u>96</u>	<u>97</u>	<u>98</u>	<u>99</u>	<u>FY 95-99</u>
Cap Emergency Assistance		0.26	0.35	0.42	0.50	0.56	2.09
Target Child Care Food Program		0.16	0.21	0.23	0.27	0.30	1.17
Adjust SSI Deeming Rules		0.18	0.19	0.21	0.23	0.25	1.06
Reapplication for SSI Cases Most Likely to Improve [being re-estimated]		0.07	0.16	0.26	0.37	0.42	1.28
Tighten Sponsorship and Eligibility Rules for Aliens		0.27	0.52	1.13	1.70	2.14	5.76
Improving EITC and Related Tax and Transfer Policies		N/A					

WR = \$

EXECUTIVE OFFICE OF THE PRESIDENT

07-Mar-1994 01:14pm

TO: Isabel Sawhill
FROM: Bruce N. Reed
Domestic Policy Council
CC: Kathryn J. Way
SUBJECT: WR costs/financing

Belle --

Richard may have mentioned to you that we discussed upfront job search at HHS this morning, and appeared to make some progress. Kathi, Richard, Bonnie, and I pressed the point again, and for once got surprising support from the HHS rank-and-file. Lavinia, who runs the refugee program, and Howard Rolston, who likes job search, blew David and Mary Jo out of the water by pointing out that 1) upfront job search works, and 2) few states do it. I'm sure that when David and Mary Jo get over the initial embarrassment, they'll come up with some new excuse not to do it, but it was one Specs mtg worth attending.

We're trying to arrange the costs/financing mtg for early Thursday afternoon. Our WH group should get together well before then, at your convenience. Kathi and I are at your disposal.

I thought of a few cost and financing questions over the weekend that weren't reflected in the tables you gave Leon. I would also be curious as to your overall opinion of the accuracy of the financing estimates we have received from HHS and Treasury.

Here's my list. I'm sure there are other ideas we've discussed and forgotten:

Other Savings Within the Program:

1. Upfront Job Search -- an earlier OMB estimate said 125m over 5
2. Provide 20% of child care slots thru work program (or was it 20% of work slots thru child care?) -- a very preliminary OMB estimate said 500m over 5 and 600m/yr in steady state
3. Cap on work slots -- should save money in 10yr estimate, but not in 5yr
4. Time limit on WORK program -- ditto
5. How much does it cost to eliminate the 100 hr rule but not the work history reqt?

Unresolved Financing Questions:

1. Cash for Addicts: can we save ANY money from the DA&A SSI program? (I saw Richard's e-mail of Feb 11)
2. Are the non-immigrant SSI offsets that HHS proposed politically feasible? (eg, disabled kids). Can the savings from better targeting the child care food program be used to pay for the increased child care food costs OMB anticipates but HHS has not taken account of in its estimates?
3. EITC savings -- for example, no EITC if no paternity is established. I know David's looking at this, but I don't know where it stands.
4. Someone told me we should look at letting states impose a tax on mail-order items, and target the \$ for WR. Bumpers has a bill that would raise about \$2.5b/yr for the states. I have no idea of the political viability of this idea (I know it would fall hard on Maine, where George Mitchell and LLBean are based), and I assume it's been tried before and failed. But it occurred to me that perhaps we could use this for the out-year money as a fallback. Congress doesn't seem to mind raising taxes in the out years. I have not brought this idea up to HHS because I'm afraid they'll spend the money before we can raise it -- and I still agree with Leon's point that the overall package can't come in at much more than \$25-30b over 10yrs. (Of course, this particular tax would only go to the states, which would reduce our overall costs.)
5. The only items on Treasury's list that made much sense to me were the gambling tax and the phaseout of the dependent care tax credit at \$90+K AGI. The Mainstream Forum plans to do the latter and use the money to make the DCTC refundable -- which might be a nice baby step on child care.

Let us know how it's going and what we can do to help. Thanks.

cc - Bruce
Read
WF #

EXECUTIVE OFFICE OF THE PRESIDENT

11-Feb-1994 09:31pm

TO: (See Below)
FROM: Richard A. Popper
Office of Mgmt and Budget, HIMD
SUBJECT: DA&A SSI and DI Issues and Options

This is in response to the information you requested regarding SSI & DI recipients who are drug addicts and alcoholics (DA&A). We were not able to reach anyone at HHS and SSA today due to the weather.

Eligibility Definition

Individuals may be considered disabled under both the SSI and Social Security DI programs as a drug addict or alcoholic (DA&A) if they:

- have a medically determined, physical drug addiction or alcoholism that has or will last 12 months or result in death, and
- are unable to perform substantial gainful activity because of the impairment

CLARIFICATION: This is slightly different than what we told you late yesterday evening. As best we can reconstruct from the regulations and other information, DA&A is now the basis for finding of disability for both programs. However, inconsistent past implementation by SSA often led to benefit denial for claimants who did not have another condition that, in itself, was so severe that benefits could be awarded based on the other condition alone. For example, a physical condition such as cirrhosis supported the award without consideration of alcoholism. Two court cases (McShea, Wilkerson) affirmed that substance addiction disorder in and of itself can be a medically determinable impairment. The discrepancy in policy and practice apparently has been reduced as a result, and the clarification caused by these court cases may help partially explain the growth in DA&A awards.

In addition to the above disability definition, SSI DA&A recipients must:

- undergo appropriate treatment for their addiction at approved facilities that must be monitored, and which must be free of charge to SSA and the recipient
- receive their benefits through a representative payee

Rolls Are Growing

SSI DA&A recipients have increased from 24,000 in FY91 to 78,000 in September 1993. DA&A recipients have also grown from 1 to 2.6% of the total SSI population during the same period. 72% of DA&A SSI recipients are male, with an average age of 42.

Case breakdown of those who are impaired solely due to DA&A:

SSI: 78,000 SSI

DI: 49,000 DI

Concurrent (subset of both): 14,000

Hill Proposals

In addition to the amendment introduced eliminating benefits to drug dealers, the following legislation has recently been introduced:

House Republican Welfare Reform bill

H.R. 3500 requires random drug tests of SSI DA&A recipients disabled due to addiction to illegal drugs (alcoholism is not addressed). Removes this class of SSI recipients if they are determined to be using illegal drugs, or if they refuse to submit to a test. Its not clear how this would work in practice since the bill does not alter the current eligibility of drug addicts.

Senate Republican Welfare Reform bill

Does not specifically address SSI recipients, but requires AFDC recipients to participate in treatment, with those who refuse expelled from AFDC eligibility for 2 years.

H.R. 1712

Requires DA&A recipients to participate in 3 consecutive months of approved treatment before being eligible for benefits

Other options:

Eliminate DA&A as a basis of disability

Eligibility would be limited to those individuals who have a severe impairment, excluding any addiction. SSA estimates that 40% of recipients under DI have impairments solely attributable to DA&A. This option could terminate a large portion of recipients. Alternatively, the proposal could be phased-in for new recipients only.

Time limit eligibility

Flag DA&A cases for an early, thorough CDR reassessment. Alternatively, terminate benefits after certain period of time. Assumption of adequate treatment availability may be important for this approach.

Administrative Improvements

Some modest administrative improvements could be pursued. For example: permit payments to qualified organizations (social service agencies, treatment centers) to offset their costs as rep. payees.

SSA's FY95 budget request for the SSI program expands referral and monitoring activities to cover over 75% of DA&A recipients by FY95, compared to just 45% in FY93. Outlays from this activity will increase from \$4 million in FY93 to an estimated \$36 million in FY95. HHS is thus continuing the policy of providing benefits to such individuals while enhancing the focus on referring individuals to treatment.

HHS context:

We understand there has been sharp disagreement within HHS on revising current policy in reaction to Congressional, public and media criticism. Some within the Department favor altering or eliminating the payment of benefits to DA&A recipients, while others favor a more administrative solution of emphasizing treatment.

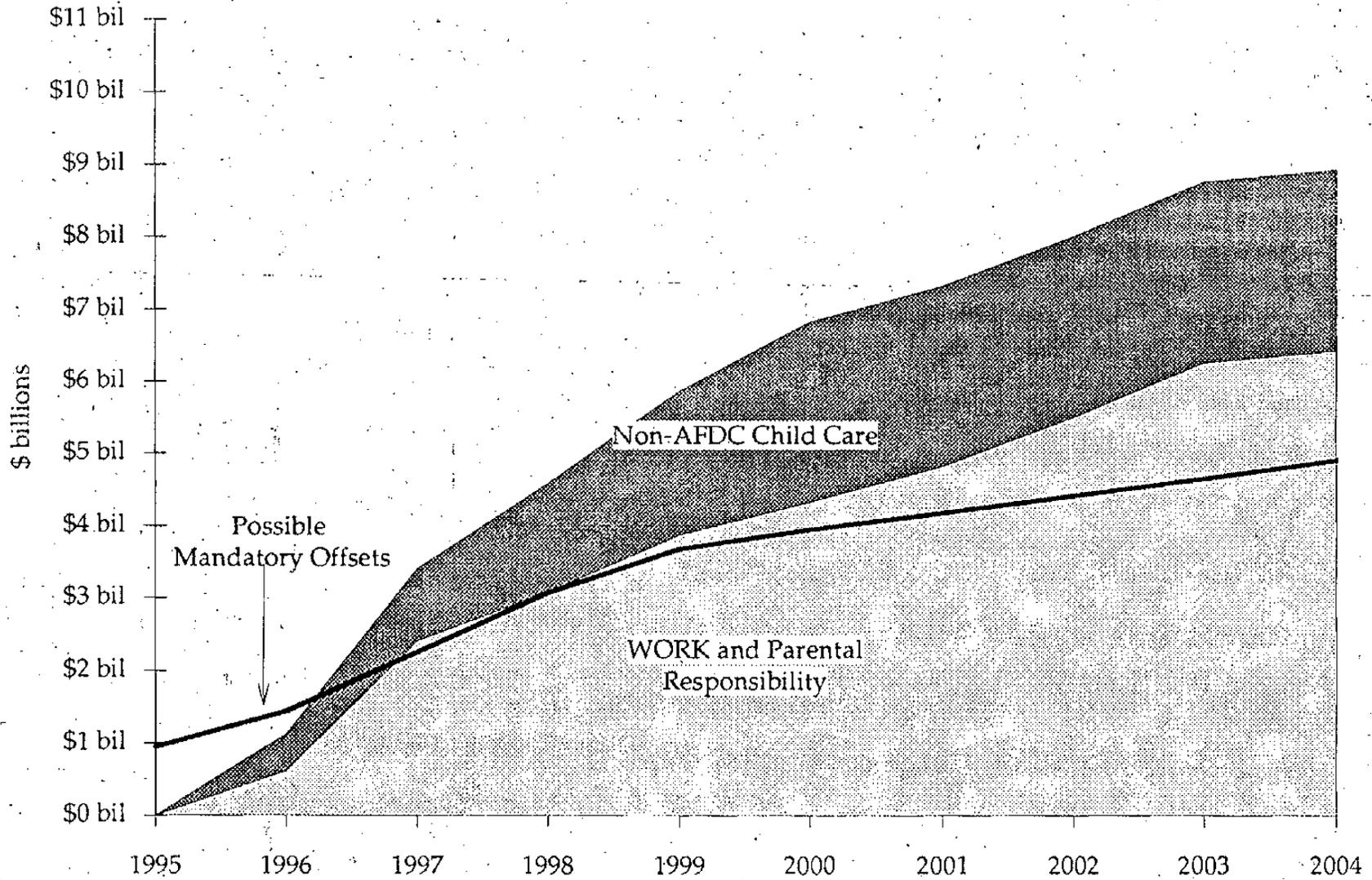
We will pursue further with HHS early next week.

Distribution:

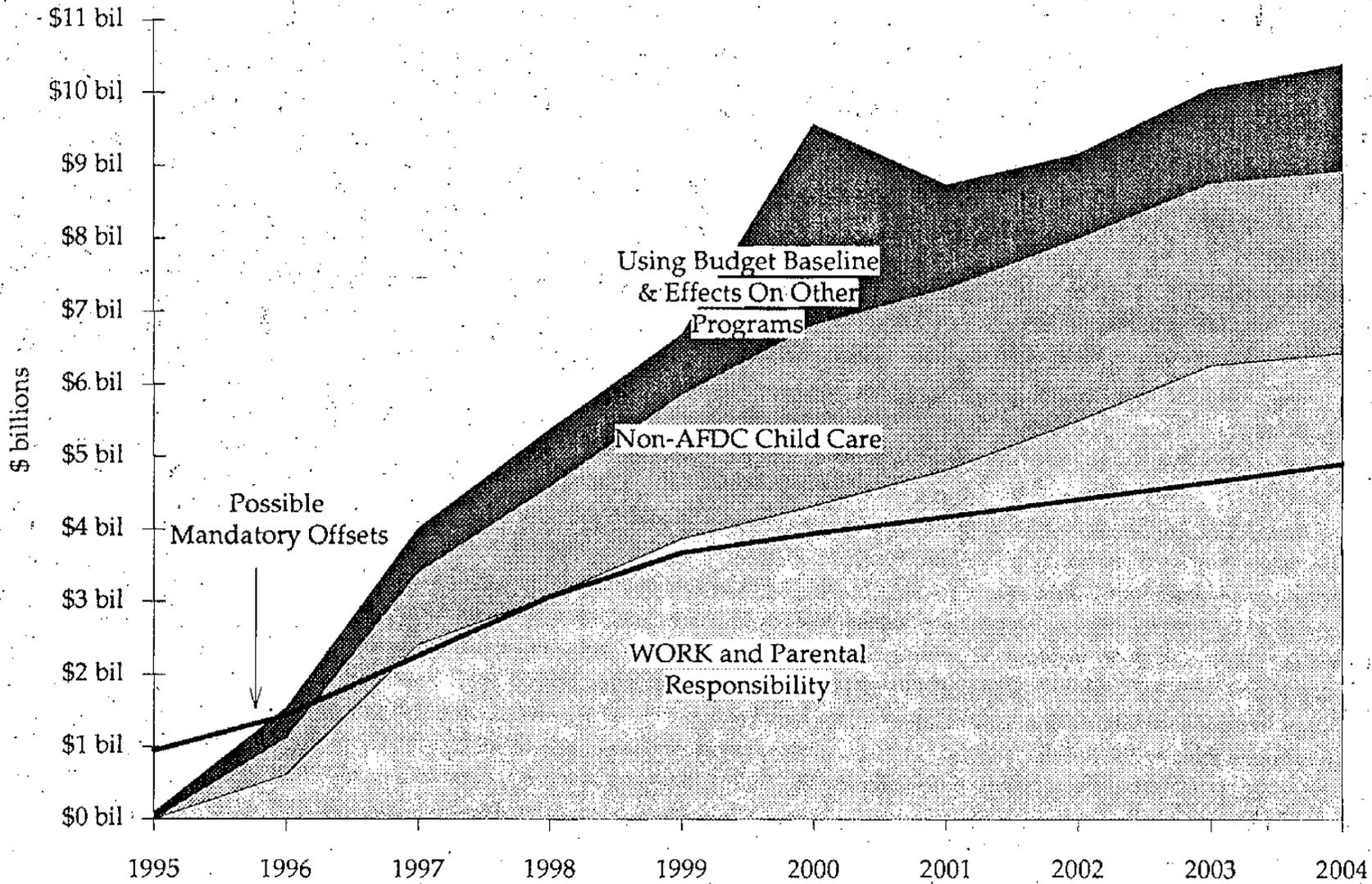
TO: Isabel Sawhill
TO: Barbara S. Selfridge

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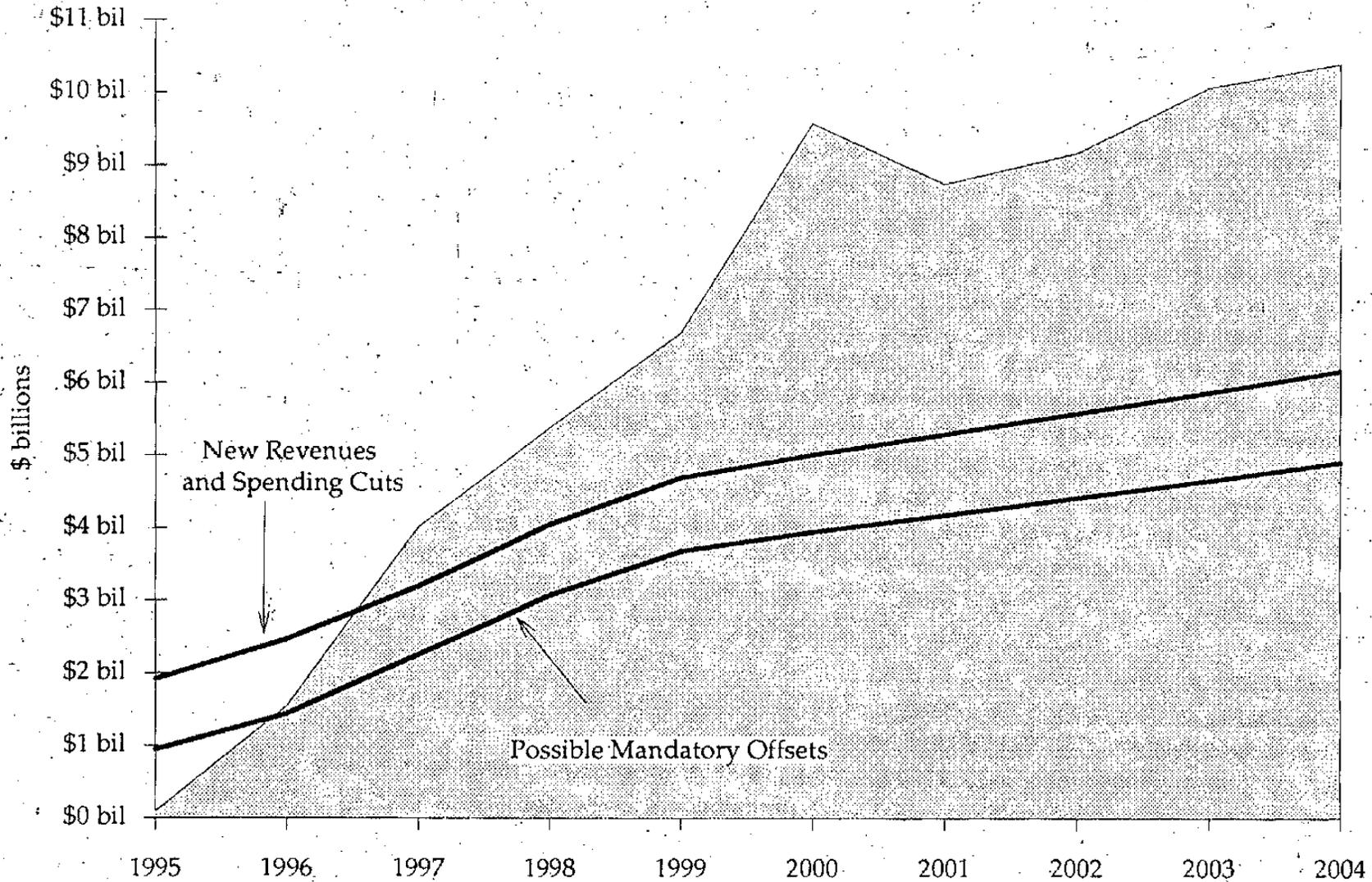
Welfare Reform Costs and Offsets High Option



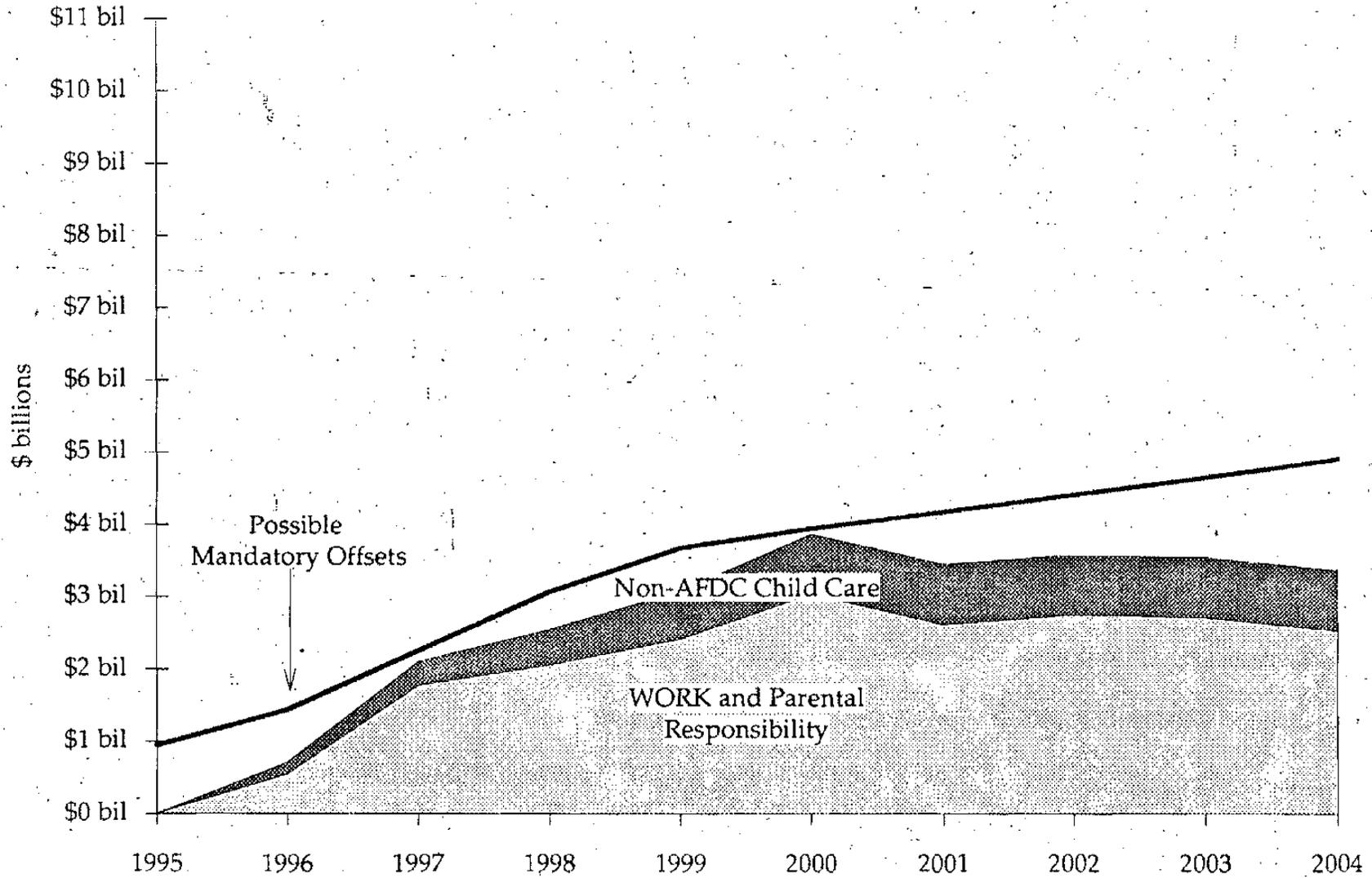
Welfare Reform Costs and Offsets High Option With Other Costs Added



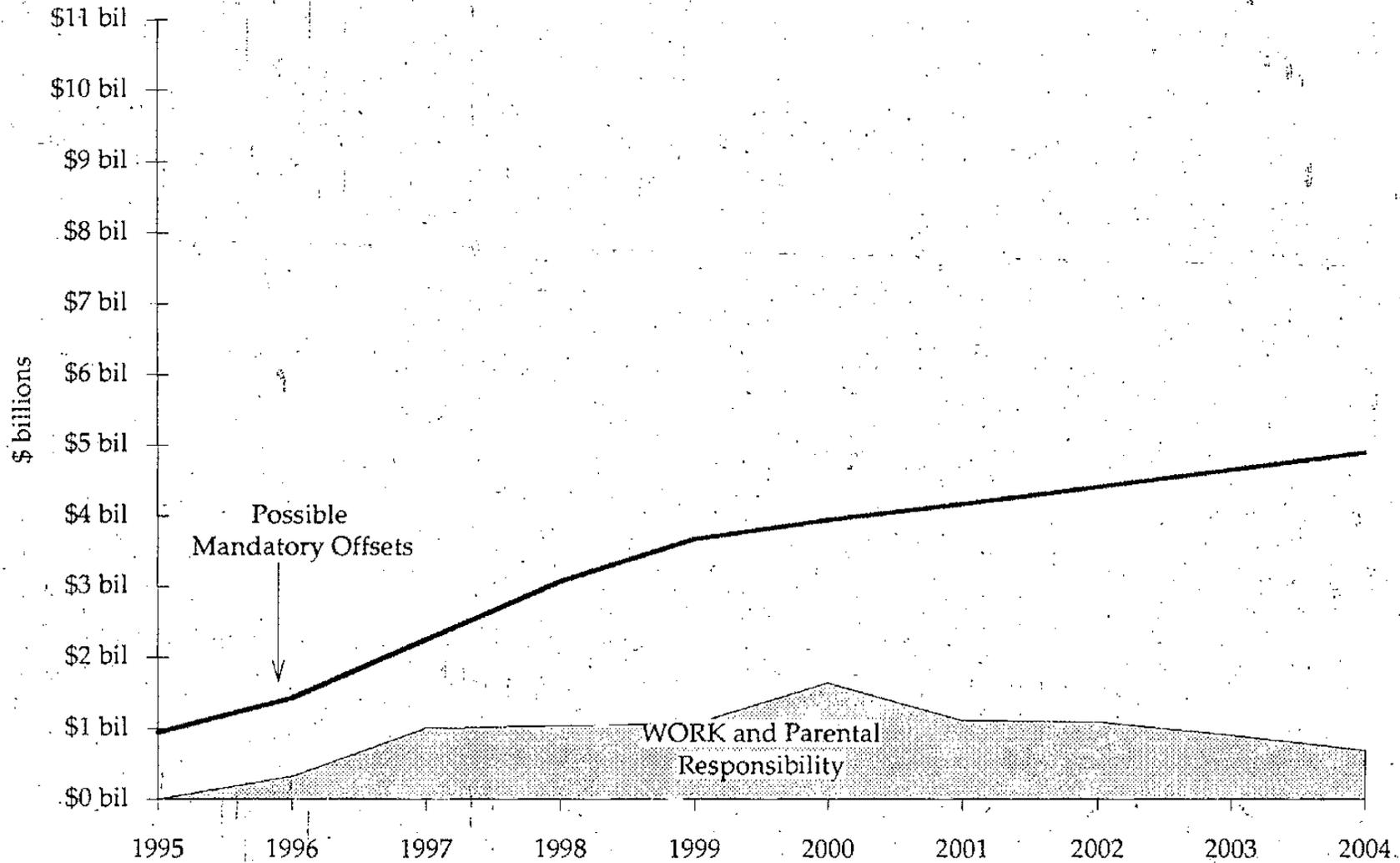
Adding New Revenues To Help Pay For Welfare Reform High Option With Other Costs Added



Welfare Reform Costs and Offsets Medium Option



Welfare Reform Costs and Offsets Low Option



SUMMARY PRICING
Three Possible Options
 (By fiscal year, in millions of dollars)

*Annual
Steady
State*

3/10/94 12:45

	1995	1996	1997	1998	1999	5 Year Total	2004	10 Year Total	Annual Steady State
TRANSITIONAL ASSISTANCE FOLLOWED BY WORK									
A Subtotal Transitional Assistance/WORK	0	620	1,950	2,285	3,000	7,855	6,535	33,300	N/A
B Option	0	545	1,595	1,780	2,265	6,185	3,235	22,305	N/A
C Option	0	385	1,185	1,340	1,705	4,615	2,140	16,230	N/A
PARENTAL RESPONSIBILITY									
A Subtotal Parental Responsibility	(5)	0	460	795	865	2,115	(110)	4,000	N/A
B Option	10	5	180	275	150	620	(710)	(1,860)	N/A
C Option	(20)	(60)	(180)	(295)	(635)	(1,190)	(1,445)	(7,345)	N/A
MAKING WORK PAY									
A Subtotal Making Work Pay	0	500	1,000	1,500	2,000	5,000	2,500	17,500	N/A
B Option	0	165	335	500	665	1,665	835	5,840	N/A
C Option	0	0	0	0	0	0	0	0	N/A
REINVENTING GOVERNMENT									
A Subtotal Reinventing Government	0	0	0	0	0	0	0	0	N/A
B Option	0	0	0	0	0	0	0	0	N/A
C Option	0	0	0	0	0	0	0	0	N/A
GRAND TOTAL									
A <i>Subtotal</i>	(5)	1,120	3,410	4,580	5,865	14,970	8,925	54,800	N/A
B <i>Subtotal</i>	10	715	2,110	2,555	3,080	8,470	3,360	26,285	N/A
C <i>Subtotal</i>	-20	325	1,005	1,045	1,070	3,425	695	8,885	N/A

WORKING DRAFT

DETAILED OPTIONS

PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL/STATE)

Three Possible Options
(By fiscal year, in millions of dollars)

	1995	1996	1997	1998	1999	5 Year Total	2004	10 Year Total	Delta from adjusted Steady State	<i>annual</i>
TRANSITIONAL ASSISTANCE FOLLOWED BY WORK										
A JOBS Prep: Case Management for Deferrals	0	15	50	60	70	195	120	695		
B Limited Case Management for JOBS Prep	0	10	25	30	35	100	60	350		
C No Case Management for JOBS Prep	0	0	0	0	0	0	0	0		
A Additional JOBS Spending: Assumes everyone in JOBS is in an education or training activity or job search 9 months out of the year. (about 50% above the level in a demo intended to achieve maximum participation)	0	260	820	940	980	3,000	730	6,910		1,405
A.technical reestimate of Option A costs (excludes EITC, health care reform and part time work behavior changes)	0	300	930	1,070	1,120	3,420	1,020	8,510	1,600	1,940
B More realistic participation levels in JOBS: Assumes everyone in JOBS is in an education or training activity or job search 7 months out of the year.	0	200	620	690	710	2,220	450	4,880	(3,630)	(940)
C • Up front JOBS search for 30 days before AFDC benefit More realistic participation levels in • JOBS: Assumes everyone in JOBS is in an education or training activity or job search 7 months out of the year.										
C SUBTOTAL	0	150	545	610	625	1,930	355	4,125	(4,385)	

PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL/STATE)

Three Possible Options
(By fiscal year, in millions of dollars)

	1995	1996	1997	1998	1999	5 Year Total	2004	10 Year Total	Delta from adjusted	Steady State
A WORK Program	0	0	0	120	620	740	3,040	11,810		8,005
A technical reestimate of Option A costs (excludes EITC, health care reform and part time work behavior changes)	0	0	0	130	680	810	3,820	14,660	2,850	10,050
B										
• Cap Overhead at \$3,500/job/year(vs. \$5,250) This is approximately the spending level required for community service (work-for- welfare) rather than work-for-wages.										
• Cap the WORK Slot number at 5m										
• Limit time on WORK to 3 years then 75% of AFDC + Food Stamps										
B SUBTOTAL	0	0	0	90	400	490	400	4,980	(9,680)	
C										
• Cap Overhead at \$3,500/job/year(vs. \$5,250)										
• Limit Time on WORK to 1.5 years then 75% of AFDC + Food Stamps										
• 1/5 WORK Slots in Child Care/Monitoring										
C SUBTOTAL	0	0	0	70	290	360	(280)	2,340	(12,320)	

PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL/STATE)

Three Possible Options
(By fiscal year, in millions of dollars)

	1995	1996	1997	1998	1999	5 Year Total	2004	10 Year Total	Delta from adjusted Steady State	
OTHER WORK OPTIONS										
D	Cap the Work Slot number at .4m and WORK overhead at \$3,500 per slot	0	0	0	95	445	540	1,120	6,830	(7,830)
E	Cap the Work Slot number at .5m and WORK overhead at \$3,500 per slot	0	0	0	95	445	540	1,470	8,020	(6,640)
F	Cap the Work Slot number at .5m and WORK overhead at \$4,000 per slot	0	0	0	105	510	615	1,720	9,170	(5,490)
G	Cap the Work Slot number at .7m and WORK overhead at \$4,000 per slot	0	0	0	105	510	615	2,520	10,820	(3,840)
H	Part-time workers not eligible for AFDC after two years	0	0	0	110	560	670	3,170	12,290	(2,370)
A	Savings in AFDC Benefits from Caseload Reduction (Savings in JOBS/WORK are incorporated above)	0	(10)	(40)	(90)	(100)	(240)	(250)	(1,150)	
B	Not Yet Estimated	0	(10)	(40)	(90)	(100)	(240)	(250)	(1,150)	
C	Not Yet Estimated	0	(10)	(40)	(90)	(100)	(240)	(250)	(1,150)	
A	Child Care for JOBS/WORK Participants	0	240	680	750	870	2,540	2,175	10,330	
B	Less Child Care Needed	0	230	640	660	770	2,300	1,925	9,180	
C	Less Child Care Needed	0	160	430	450	540	1,580	1,715	7,430	

PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL/STATE)

Three Possible Options
(By fiscal year, in millions of dollars)

	1995	1996	1997	1998	1999	5 Year Total	2004	10 Year Total	Delta from adjusted Steady State
A Transitional Child Care	0	85	250	300	350	985	600	3,485	
<i>B Alternative under review</i>	0	85	250	300	350	985	600	3,485	
<i>C Alternative under review</i>	0	85	250	300	350	985	600	3,485	
A Enhanced Teen Case Management	0	30	90	105	110	335	120	920	
<i>B Cap case management admin costs at \$ 50 m.</i>	0	30	50	50	50	180	50	430	
<i>C Defer</i>	0	0	0	0	0	0	0	0	
A Economic Development: Microenterprise loans and Individual Development Accounts	0	0	100	100	100	300	0	300	
<i>B Modest Economic Development</i>	0	0	50	50	50	150	0	150	
<i>C Defer</i>	0	0	0	0	0	0	0	0	
A Subtotal Transitional Assistance/WORK	0	620	1,950	2,285	3,000	7,855	6,535	33,300	
<i>B Subtotal</i>	0	545	1,595	1,780	2,265	6,185	3,235	22,305	
<i>C Subtotal</i>	0	385	1,185	1,340	1,705	4,615	2,140	16,230	

PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL/STATE)

Three Possible Options
(By fiscal year, in millions of dollars)

	1995	1996	1997	1998	1999	5 Year Total	2004	10 Year Total	Delta from adjusted Steady State
PARENTAL RESPONSIBILITY									
A Require Minor Moms to Live with Parents	0	(45)	(50)	(50)	(50)	(195)	(50)	(445)	
B No change	0	(45)	(50)	(50)	(50)	(195)	(50)	(445)	
C No change	0	(45)	(50)	(50)	(50)	(195)	(50)	(445)	
A Comprehensive Demonstration Grants	0	50	50	50	50	200	50	450	
B No change	0	50	50	50	50	200	50	450	
C No change	0	50	50	50	50	200	50	450	
A Two Parent Provision: Quarters of Work and 100 hour rule	0	0	440	680	945	2,065	1,115	7,290	
B Quarters of Work Only	0	0	220	340	475	1,035	560	3,655	
C Quarters of Work Only	0	0	220	340	475	1,035	560	3,655	
A No additional benefits for additional children (Family Cap at State Option)	(35)	(100)	(110)	(140)	(150)	(535)	(150)	(1,285)	
B No change	(35)	(100)	(110)	(140)	(150)	(535)	(150)	(1,285)	
C Mandatory Family Cap	(65)	(150)	(375)	(605)	(800)	(1,995)	(800)	(5,995)	

PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL/STATE)

Three Possible Options
(By fiscal year, in millions of dollars)

	1995	1996	1997	1998	1999	5 Year Total	2004	10 Year Total	Delta from adjusted Steady State
A Child Support Enforcement	10	40	(85)	(85)	(375)	(495)	(1,270)	(5,560)	
B Same as A, but higher computer costs	45	85	(25)	(30)	(310)	(235)	(1,205)	(5,010)	
C OPTION B	45	85	(25)	(30)	(310)	(235)	(1,205)	(5,010)	
A Non-custodial Parent Provisions	0	30	85	110	165	390	165	1,215	
B Modest Non-custodial Parent Provisions	0	15	45	55	85	200	85	625	
C Defer	0	0	0	0	0	0	0	0	
A Access Grants and Parenting Demonstrations	20	25	30	30	30	135	30	285	
B Defer	0	0	0	0	0	0	0	0	
C Defer	0	0	0	0	0	0	0	0	
A Child Support Assurance Demonstrations	0	0	100	200	250	550	0	2,050	
B Limit and Cap CSA Demos	0	0	50	50	50	150	0	150	
C Defer	0	0	0	0	0	0	0	0	
A Subtotal Parental Responsibility	(5)	0	460	795	865	2,115	(110)	4,000	
B Subtotal	10	5	180	275	150	620	(710)	(1,860)	
C Subtotal	(20)	(60)	(180)	(295)	(635)	(1,190)	(1,445)	(7,345)	

DETAILED OPTIONS

PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL/STATE)

Three Possible Options
(By fiscal year, in millions of dollars)

	1995	1996	1997	1998	1999	5 Year Total	2004	10 Year Total	Delta from adjusted Steady State
MAKING WORK PAY									
A Working Poor Child Care	0	500	1,000	1,500	2,000	5,000	2,500	17,500	
B Target Child Care at Parents 26 and under	0	165	335	500	665	1,665	835	5,840	
C Defer	0	0	0	0	0	0	0	0	
<hr/>									
A Advance EITC	0	0	0	0	0	0	0	0	
B No Change	0	0	0	0	0	0	0	0	
C No Change	0	0	0	0	0	0	0	0	
<hr/>									
A Subtotal Making Work Pay	0	500	1,000	1,500	2,000	5,000	2,500	17,500	
B Subtotal	0	165	335	500	665	1,665	835	5,840	
C Subtotal	0	0	0	0	0	0	0	0	

PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL/STATE)

Three Possible Options
(By fiscal year, in millions of dollars)

	1995	1996	1997	1998	1999	5 Year Total	2004	10 Year Total	Delta from adjusted	Steady State
REINVENTING GOVERNMENT										
A Asset Rules, Filing Unit, Simplification of Earnings Disregards, Accounting and Reporting Rules	0	0	0	0	0	0	0	0		
Subtotal Reinventing Government	0	0	0	0	0	0	0	0		
B No Change	0	0	0	0	0	0	0	0		
C No Change	0	0	0	0	0	0	0	0		
GRAND TOTAL										
A TOTAL	(5)	1,120	3,410	4,580	5,865	14,970	8,925	54,800		N/A
B Total	10	715	2,110	2,555	3,080	8,470	3,360	26,285		N/A
C Total	(20)	325	1,005	1,045	1,070	3,425	695	8,885		N/A

PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL/STATE)

Three Possible Options
(By fiscal year, in millions of dollars)

	1995	1996	1997	1998	1999	5 Year Total	2004	10 Year Total	Delta from adjusted Steady State
OPTION A: EFFECTS ON OTHER PROGRAMS									
JOB/WORK Systems Costs <i>Includes estimates of State/Federal costs to adapt computer and other under the new program.</i>	100	300	300	400	300	1,400	100	2,200	
Child Care Feeding Costs (JOB/WORK/TCC) <i>The CACFP costs associated with expanded child care</i>	0	35	95	105	120	355	280	1,380	
Child Care Feeding Costs(Working Poor) <i>The CACFP costs associated with expanded child care</i>	0	50	100	150	200	500	250	1,750	
WORK Program <i>Remove EITC and Health Care Reform Behavioral Assumptions</i>	0	0	0	10	60	70	780	2,850	
JOB Program <i>Remove EITC and Health Care Reform Behavioral Assumptions</i>	0	40	110	130	140	420	290	1,600	
Subtotal	100	425	605	795	820	2,745	1,700	9,785	
Sanctions									Not Yet Estimated
Federal Match Rate effect on State behavior									Not Yet Estimated
Food Stamps Interactions									Not Yet Estimated
Medicaid Interactions									Not Yet Estimated
EITC Interactions									Not Yet Estimated
Other Interactions									Not Yet Estimated

HHS Preliminary Welfare Reform Offset Estimates

Extrapolated to 2004

3/9/94 19:50		1995	1996	1997	1998	1999	5-year Total	2004	10-year Total
					dollars in billions				
Cap Emergency Assistance	1/	0.26	0.35	0.42	0.50	0.56	2.09	0.70	5.39
Target Child Care Food Program	2/	0.16	0.21	0.23	0.27	0.30	1.17	0.45	3.12
Adjust SSI Deeming Rule	2/	0.18	0.19	0.21	0.23	0.25	1.06	0.35	2.61
Reapplication for SSI Cases Most Likely to Improve	2/	0.07	0.16	0.26	0.37	0.42	1.28	0.67	4.13
Tighten Sponsorship and Eligibility Rules for Aliens	3/	0.27	0.52	1.13	1.70	2.14	5.76	2.73	18.18
	Total	0.94	1.43	2.25	3.07	3.67	11.36	4.90	33.43

Notes on extrapolations for 2000 - 2004

- 1/ Assumes that under current law, States would take maximum advantage of EA by 1999, with baseline growing by inflation afterwards.
- 2/ Growth assumed to be at the same dollar increment as between 1998 and 1999.
- 3/ Assumes that continued immigration would keep savings growing slightly more than inflation. A 5% growth rate is assumed.

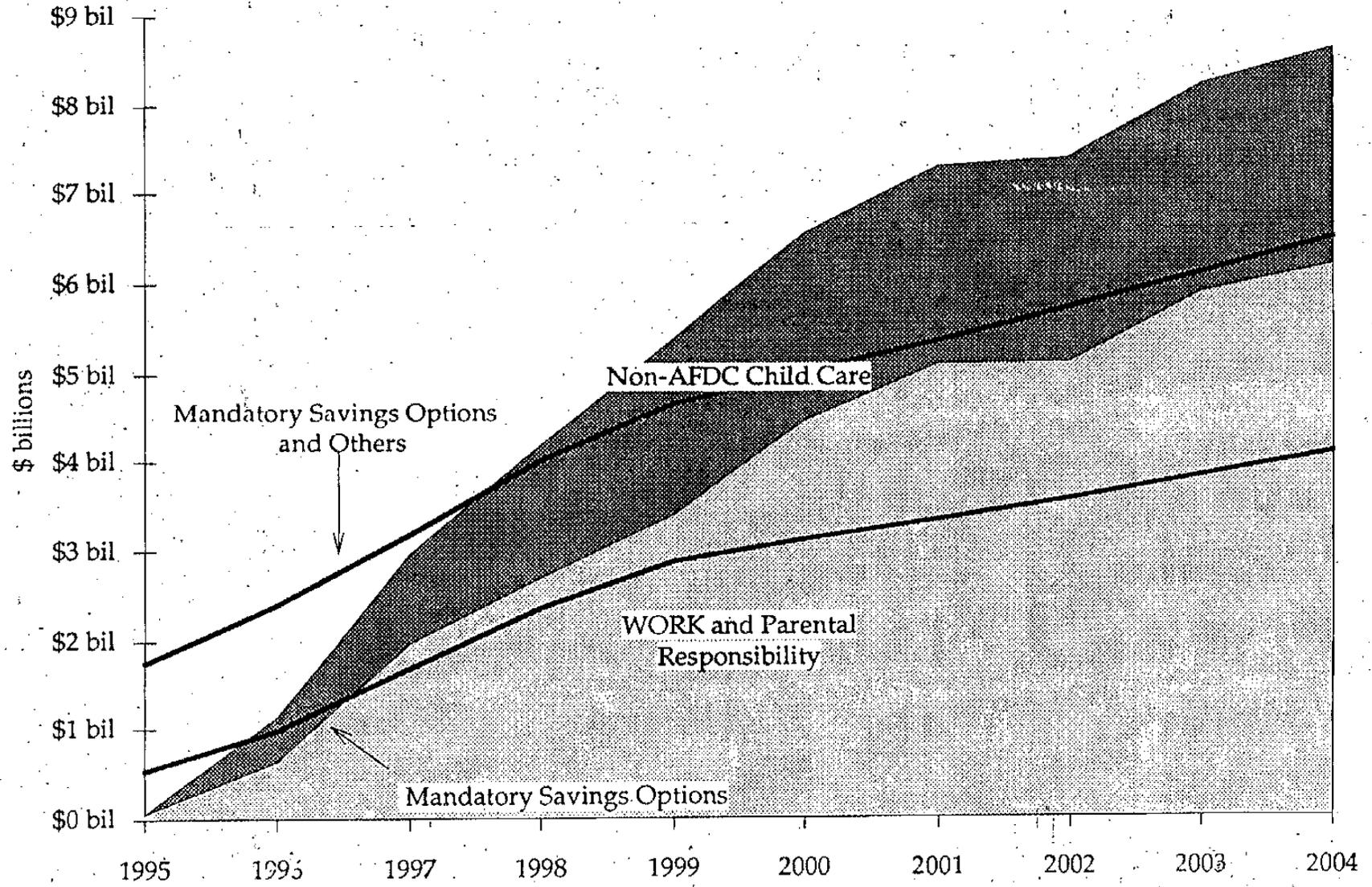
Possible Revenue Options For Welfare Reform

Extrapolated to 2004

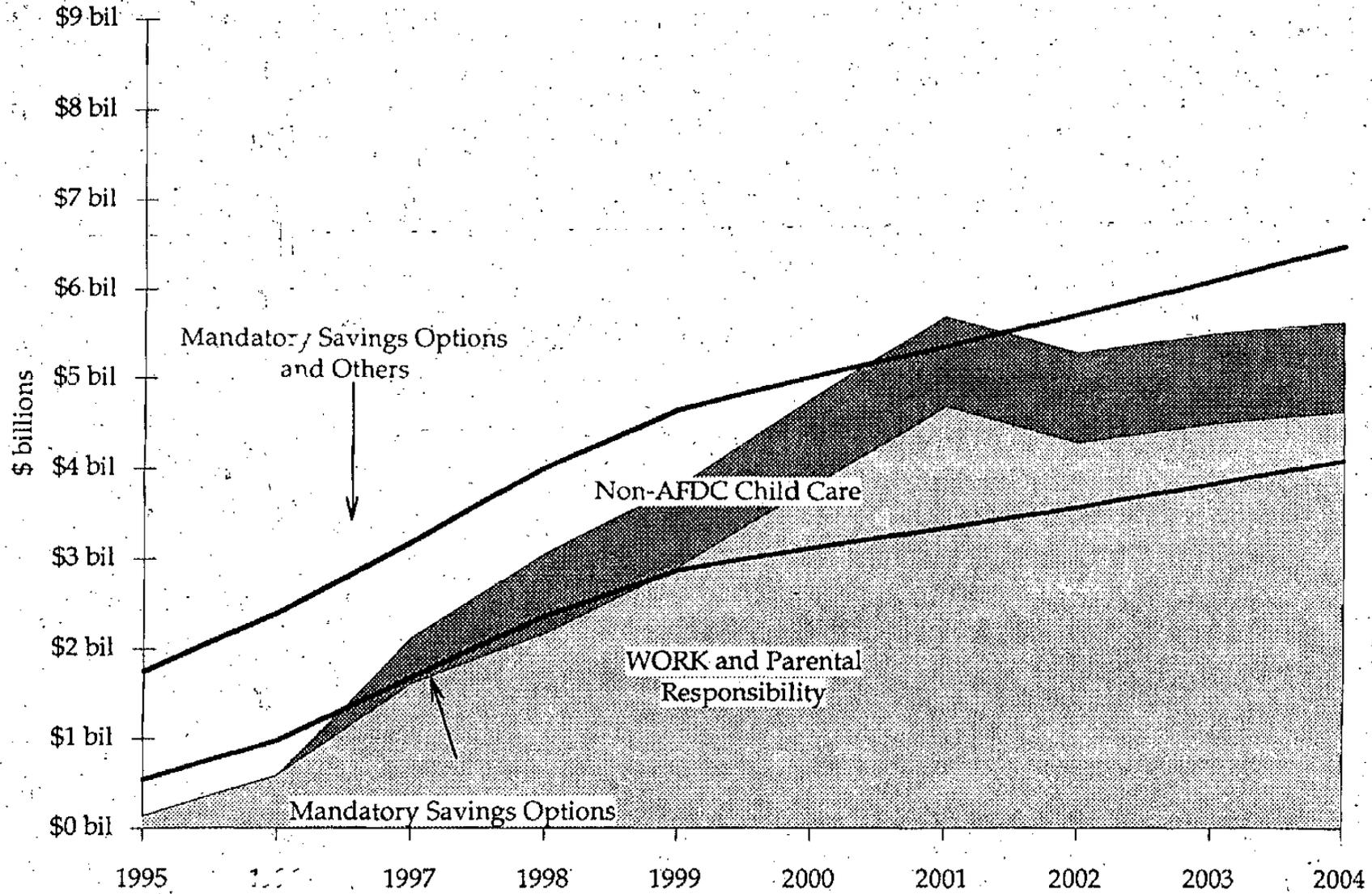
3/9/94 19:50	1995	1996	1997	1998	1999	5-year Total	2004	10-year Total
	dollars in billions							
Deny EITC to non-resident aliens	0.00	0.03	0.03	0.03	0.04	0.13	0.04	0.32
EITC information reporting for DoD personnel	0.00	0.01	0.06	0.06	0.06	0.19	0.08	0.57
Increase withholding on gambling winnings > \$50,000 to 36%	0.26	0.12	0.05	0.05	0.05	0.52	0.07	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	0.31
Require information reporting on winnings of \$10,000+ from gambling regardless of odds	0.01	0.04	0.05	0.06	0.06	0.22	0.10	0.64
4% excise tax on net gambling revenue (except State lotteries)	0.45	0.63	0.66	0.69	0.73	3.16	0.90	7.31
Phase out dependent care tax credit for AGI between \$90,000 and \$110,000	0.09	0.19	0.18	0.16	0.17	0.78	0.19	1.67
Total	0.97	1.03	0.94	0.97	1.02	4.92	1.26	10.73

Growth assumed to be at the same dollar increment as between 1998 and 1999.

Offsets for Welfare Reform Preliminary Estimates: Option A



Offsets for Welfare Reform Preliminary Estimates: Option B



Possible Savings Options for Welfare Reform

Extrapolated to 2004

3/16/94 8:54		1995	1996	1997	1998	1999	5-year Total	2004	10-year Total
		dollars in billions							
Cap Emergency Assistance	1/	0.26	0.35	0.42	0.50	0.56	2.09	0.70	5.39
Target Child Care Food Program	2/	0.16	0.21	0.23	0.27	0.30	1.17 0.6	0.45	3.12 2.0
Adjust SSI Deeming Rule *	2/	0.18	0.19	0.21	0.23	0.25	1.06 1.4	0.35	2.61 3.7 *
Reapplication for SSI Cases Most Likely to Improve	2/	0.07	0.16	0.26	0.37	0.42	1.28	0.67	4.13 -?
Tighten Sponsorship and Eligibility Rules for Aliens	3/	<u>0.27</u>	<u>0.52</u>	<u>1.13</u>	<u>1.70</u>	<u>2.14</u>	<u>5.76</u>	<u>2.73</u>	<u>18.18</u> 20.
Total		0.94	1.43	2.25	3.07	3.67	11.36	4.90	33.43

Notes on extrapolations for 2000 - 2004

- 1/ Assumes that under current law, States would take maximum advantage of EA by 1999, with baseline growing by inflation afterwards.
- 2/ Growth assumed to be at the same dollar increment as between 1998 and 1999.
- 3/ Assumes that continued immigration would keep savings growing slightly more than inflation. A 5% growth rate is assumed.

Possible Revenue Options For Welfare Reform

Extrapolated to 2004

3/16/94 8:54	1995	1996	1997	1998	1999	5-year Total	2004	10-year Total
	dollars in billions							
Deny EITC to non-resident aliens	0.00	0.03	0.03	0.03	0.04	0.13	0.04	0.32
EITC information reporting for DoD personnel	0.00	0.01	0.06	0.06	0.06	0.19	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	0.07	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	0.31
Require information reporting on winnings of \$10,000+ from gambling regardless of odds	0.01	0.04	0.05	0.06	0.06	0.22	0.10	0.64
4% excise tax on net gambling revenue (except State lotteries)	0.45	0.63	0.66	0.69	0.73	3.16	0.90	7.31
Phase out dependent care tax credit for AGI between \$90,000 and \$110,000	<u>0.09</u>	<u>0.19</u>	<u>0.18</u>	<u>0.16</u>	<u>0.17</u>	<u>0.78</u>	<u>0.19</u>	<u>1.67</u>
Total	0.97	1.03	0.94	0.97	1.02	4.92	1.26	10.73

grad students (less than \$50,000) - DOD favors

Growth assumed to be at the same dollar increment as between 1998 and 1999.

Cafeteria child care - 2.8/yr

Possible Savings Options for Welfare Reform

Extrapolated to 2004

3/16/94 8:54		1995	1996	1997	1998	1999	5-year Total	2004	10-year Total	
		dollars in billions								
Cap Emergency Assistance	1/	0.26	0.35	0.42	0.50	0.56	2.09	0.70	5.39	
Target Child Care Food Program	2/	0.16	0.21	0.23	0.27	0.30	1.17 0.6	0.45	3.12 2.0	
Adjust SSI Deeming Rule *	2/	0.18	0.19	0.21	0.23	0.25	1.06 1.4	0.35	2.61 3.7 *	
Reapplication for SSI Cases Most Likely to Improve	2/	0.07	0.16	0.26	0.37	0.42	1.28	0.67	4.13 -?	
Tighten Sponsorship and Eligibility Rules for Aliens	3/	<u>0.27</u>	<u>0.52</u>	<u>1.13</u>	<u>1.70</u>	<u>2.14</u>	<u>5.76</u>	<u>2.73</u>	<u>18.18</u> 20.	
Total		0.94	1.43	2.25	3.07	3.67	11.36	4.90	33.43	

Notes on extrapolations for 2000 - 2004

- 1/ Assumes that under current law, States would take maximum advantage of EA by 1999, with baseline growing by inflation afterwards.
- 2/ Growth assumed to be at the same dollar increment as between 1998 and 1999.
- 3/ Assumes that continued immigration would keep savings growing slightly more than inflation. A 5% growth rate is assumed.

Possible Revenue Options For Welfare Reform

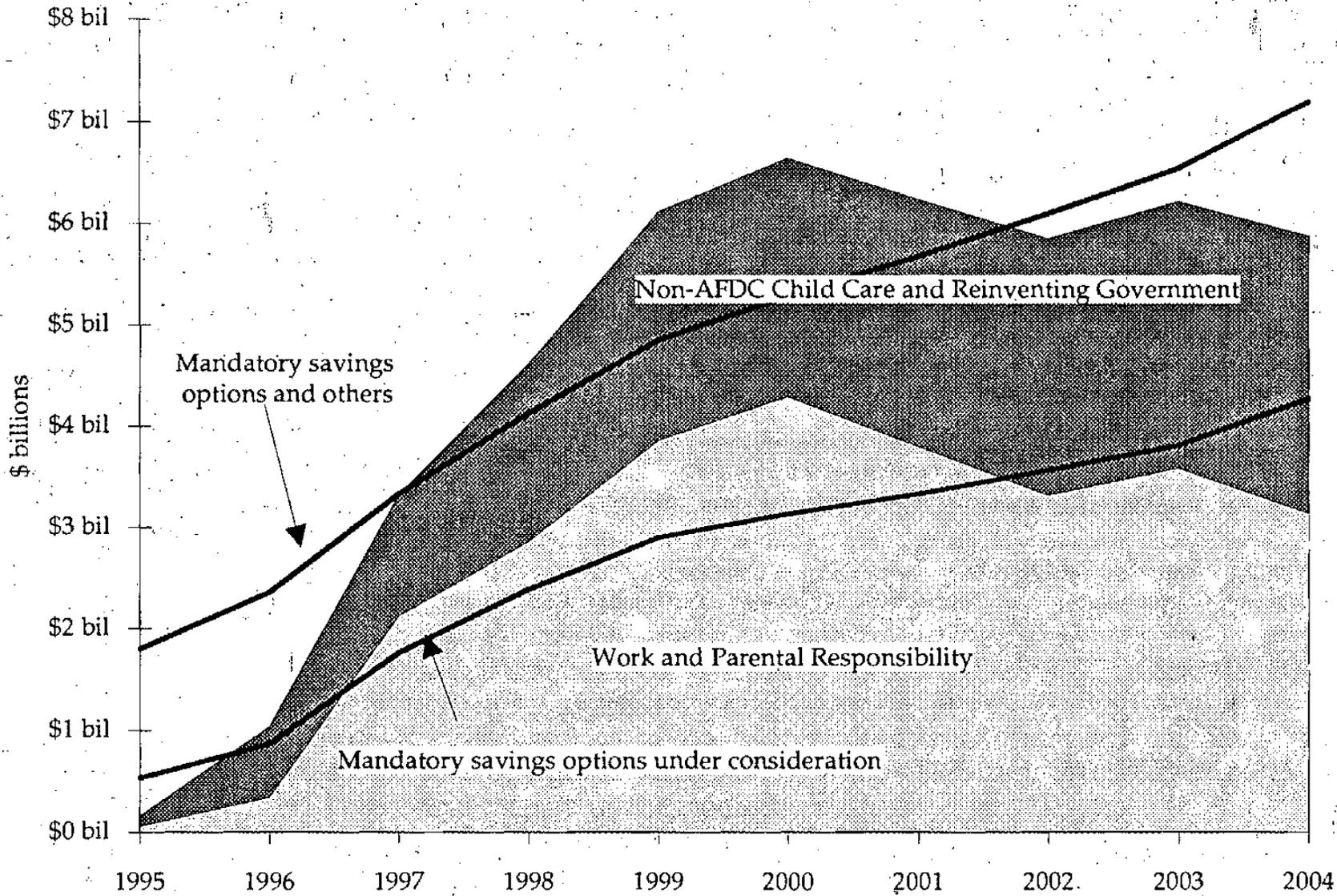
Extrapolated to 2004

3/16/94 8:54	1995	1996	1997	1998	1999	5-year Total	2004	10-year Total	
	dollars in billions								
Deny EITC to non-resident aliens	0.00	0.03	0.03	0.03	0.04	0.13	0.04	0.32	- good students (less than \$50,000)
EITC information reporting for DoD personnel	0.00	0.01	0.06	0.06	0.06	0.19	0.08	0.57	- DOD favors
Increase withholding on gambling winnings > \$50,000 to 36%	0.26	0.12	0.05	0.05	0.05	0.52	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	0.31	
Require information reporting on winnings of \$10,000+ from gambling regardless of odds	0.01	0.04	0.05	0.06	0.06	0.22	0.10	0.64	
4% excise tax on net gambling revenue (except State lotteries)	0.45	0.63	0.66	0.69	0.73	3.16	0.90	7.31	
Phase out dependent care tax credit for AGI between \$90,000 and \$110,000	<u>0.09</u>	<u>0.19</u>	<u>0.18</u>	<u>0.16</u>	<u>0.17</u>	<u>0.78</u>	<u>0.19</u>	<u>1.67</u>	
Total	0.97	1.03	0.94	0.97	1.02	4.92	1.26	10.73	

Growth assumed to be at the same dollar increment as between 1998 and 1999.

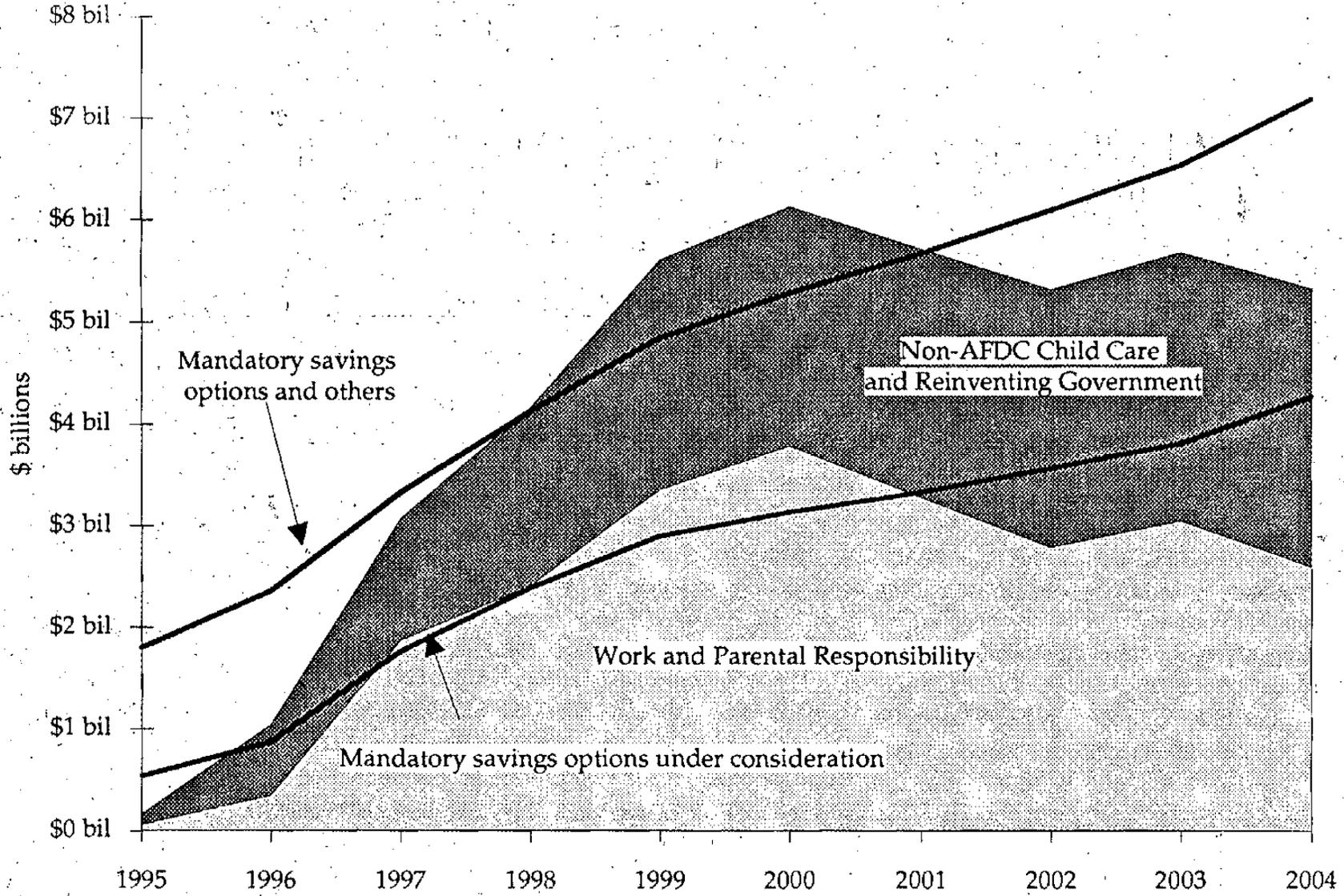
California child care - 2.8/yr

Offsets for Welfare Reform Option A Assuming Nonwelfare Impacts



Offsets for Welfare Reform Option B Assuming Nonwelfare Impacts

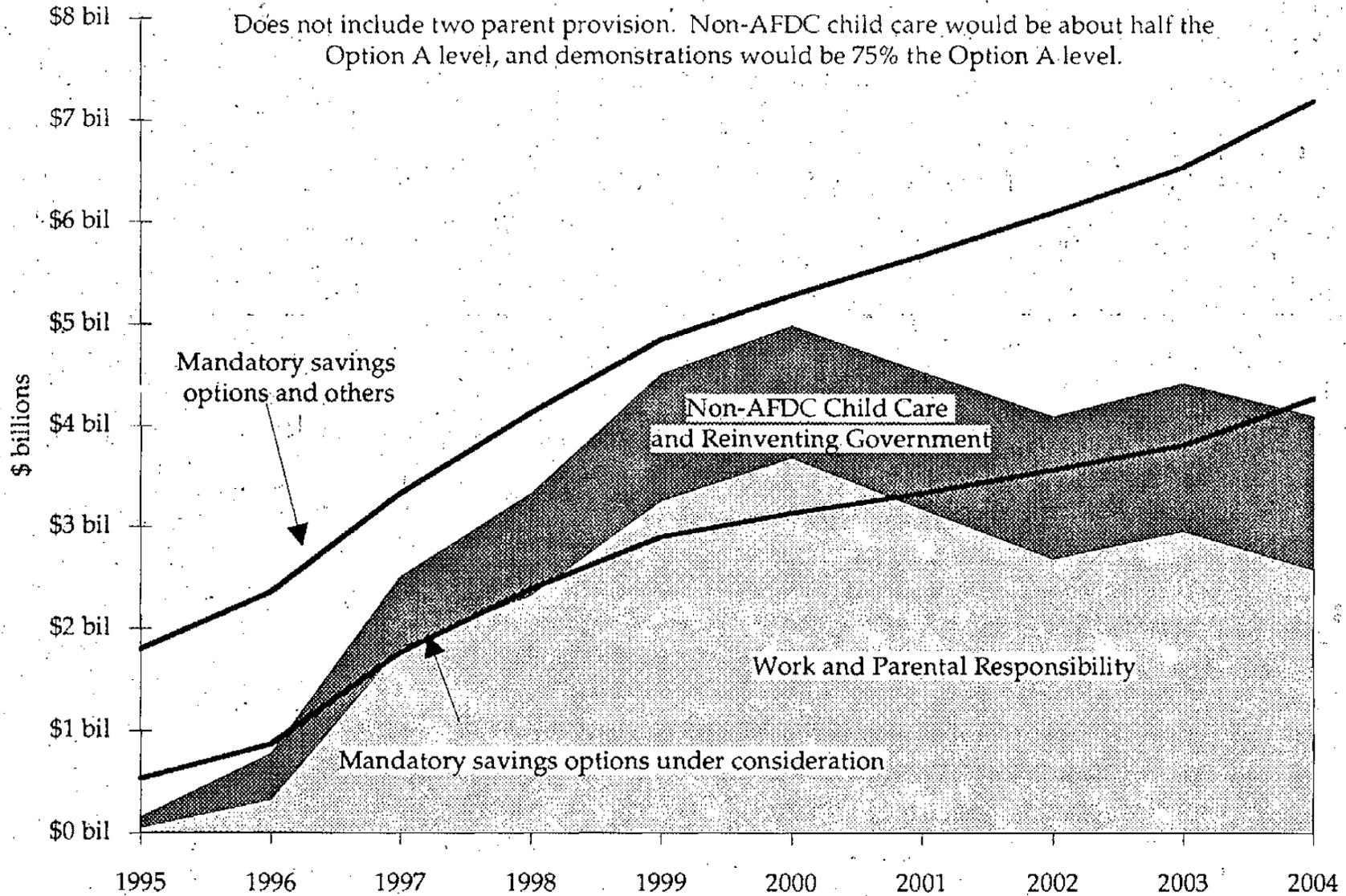
Does not include two parent provision.



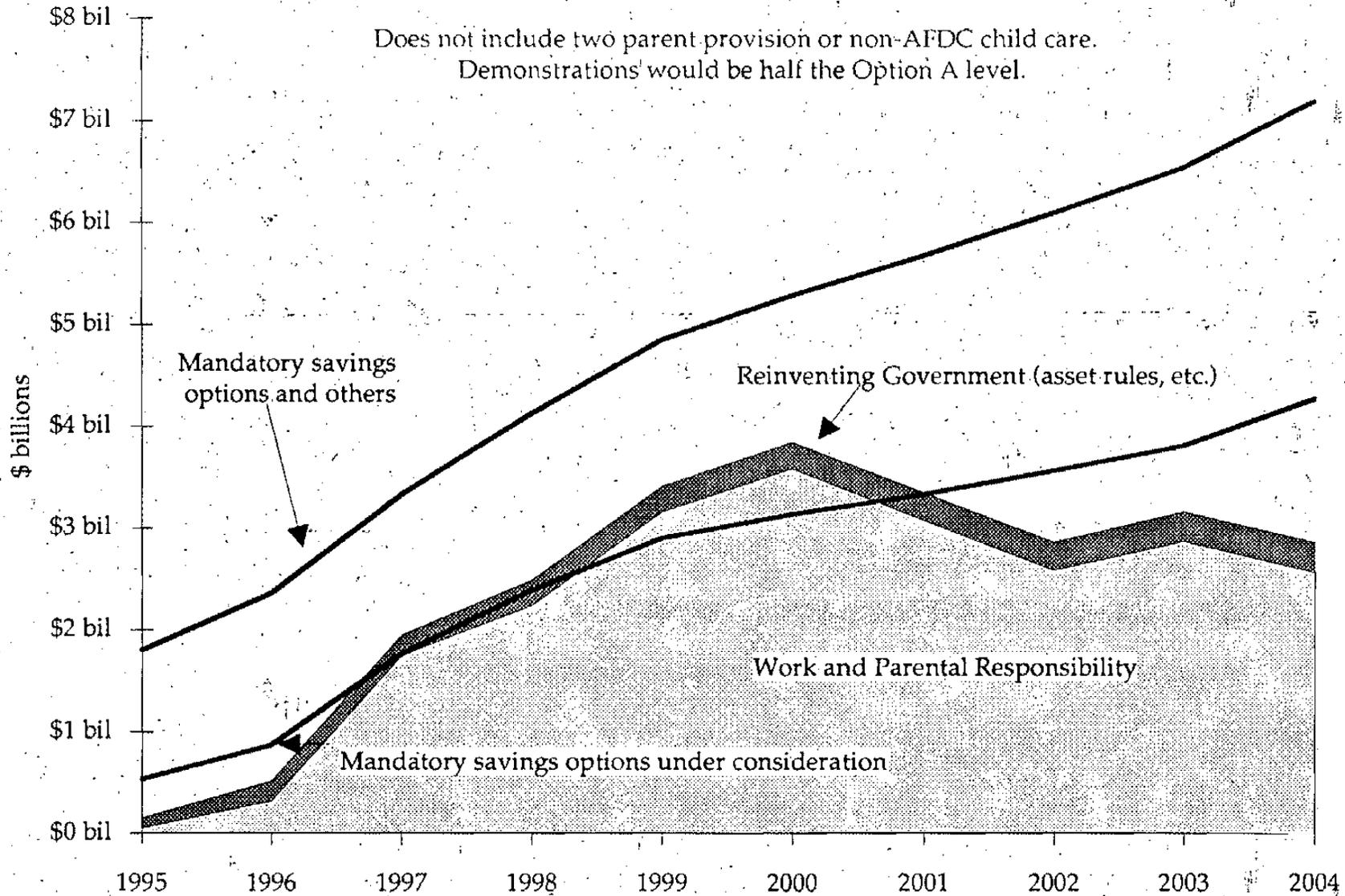
March 18 estimates

Offsets for Welfare Reform Option C Assuming Nonwelfare Impacts

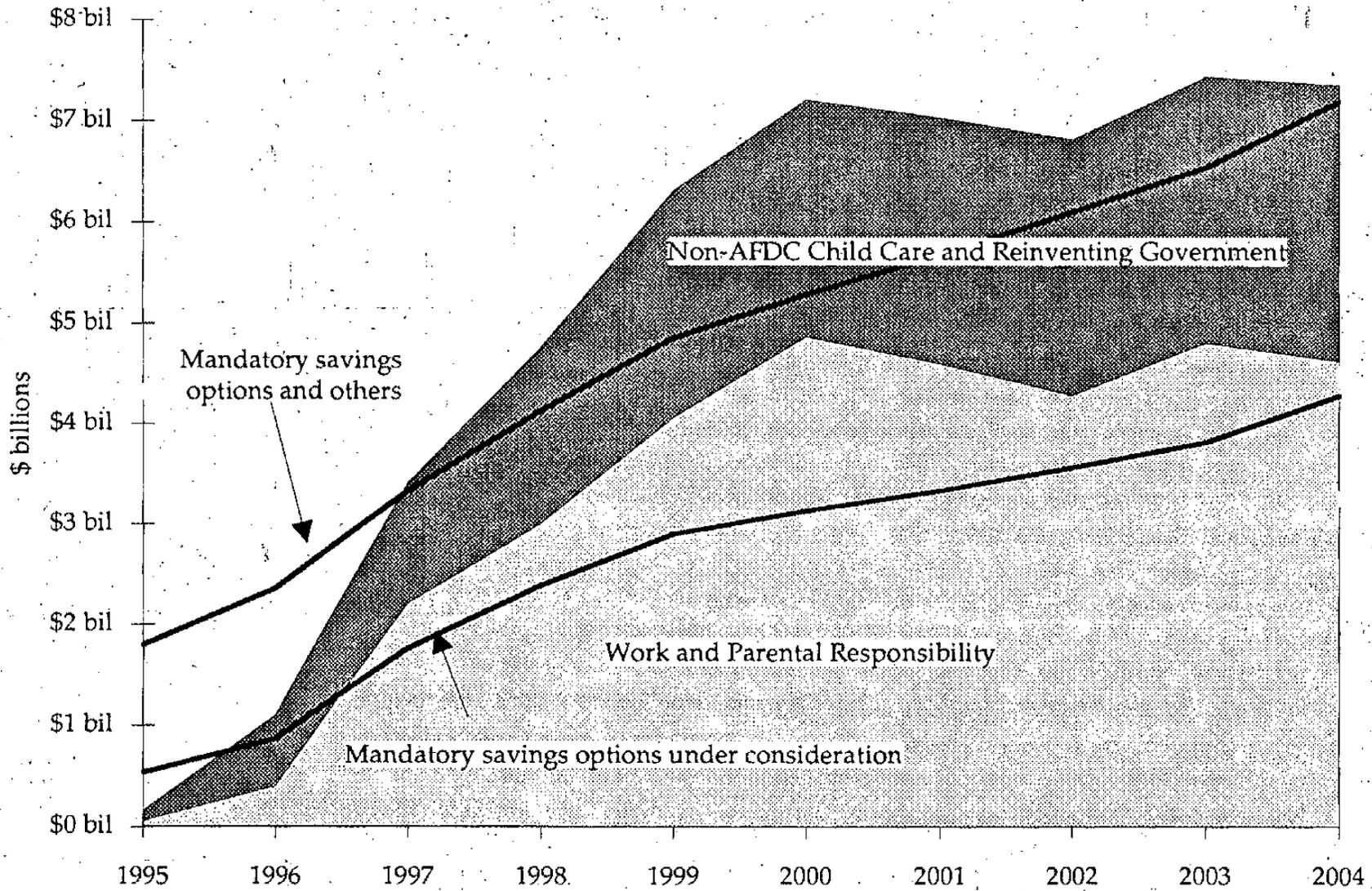
Does not include two parent provision. Non-AFDC child care would be about half the Option A level, and demonstrations would be 75% the Option A level.



Offsets for Welfare Reform Option D Assuming Nonwelfare Impacts

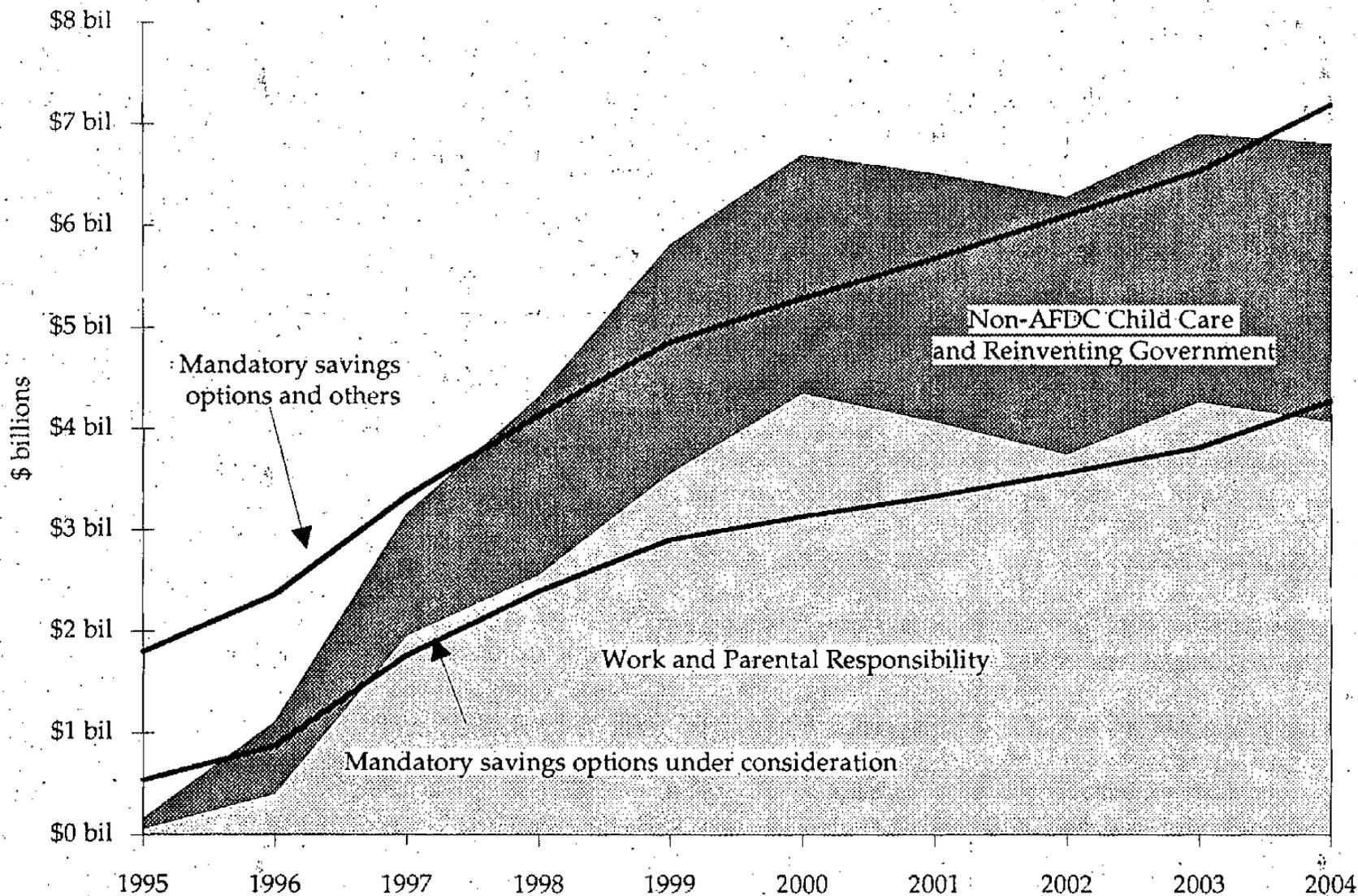


Offsets for Welfare Reform Option A

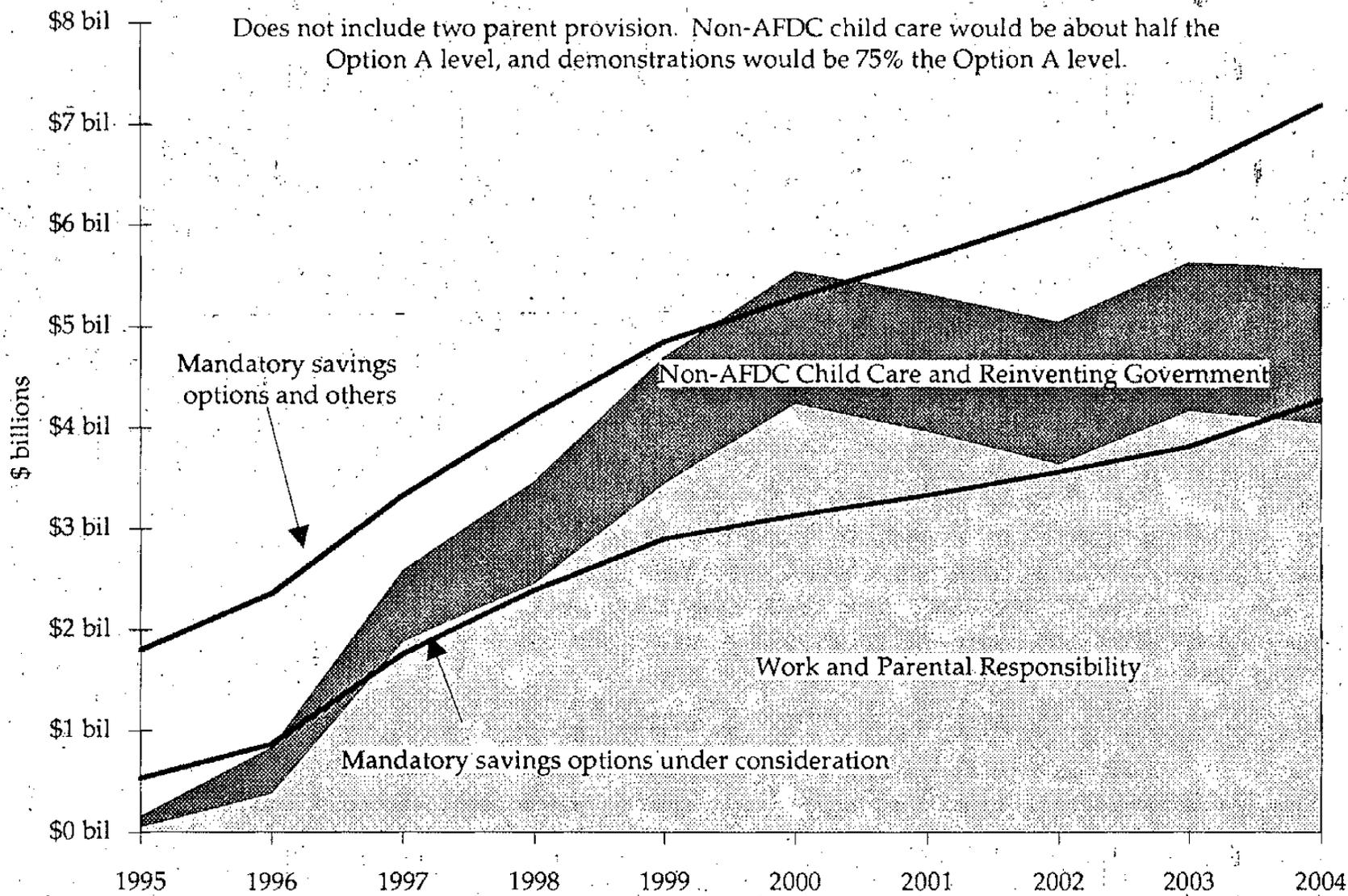


Offsets for Welfare Reform Option B

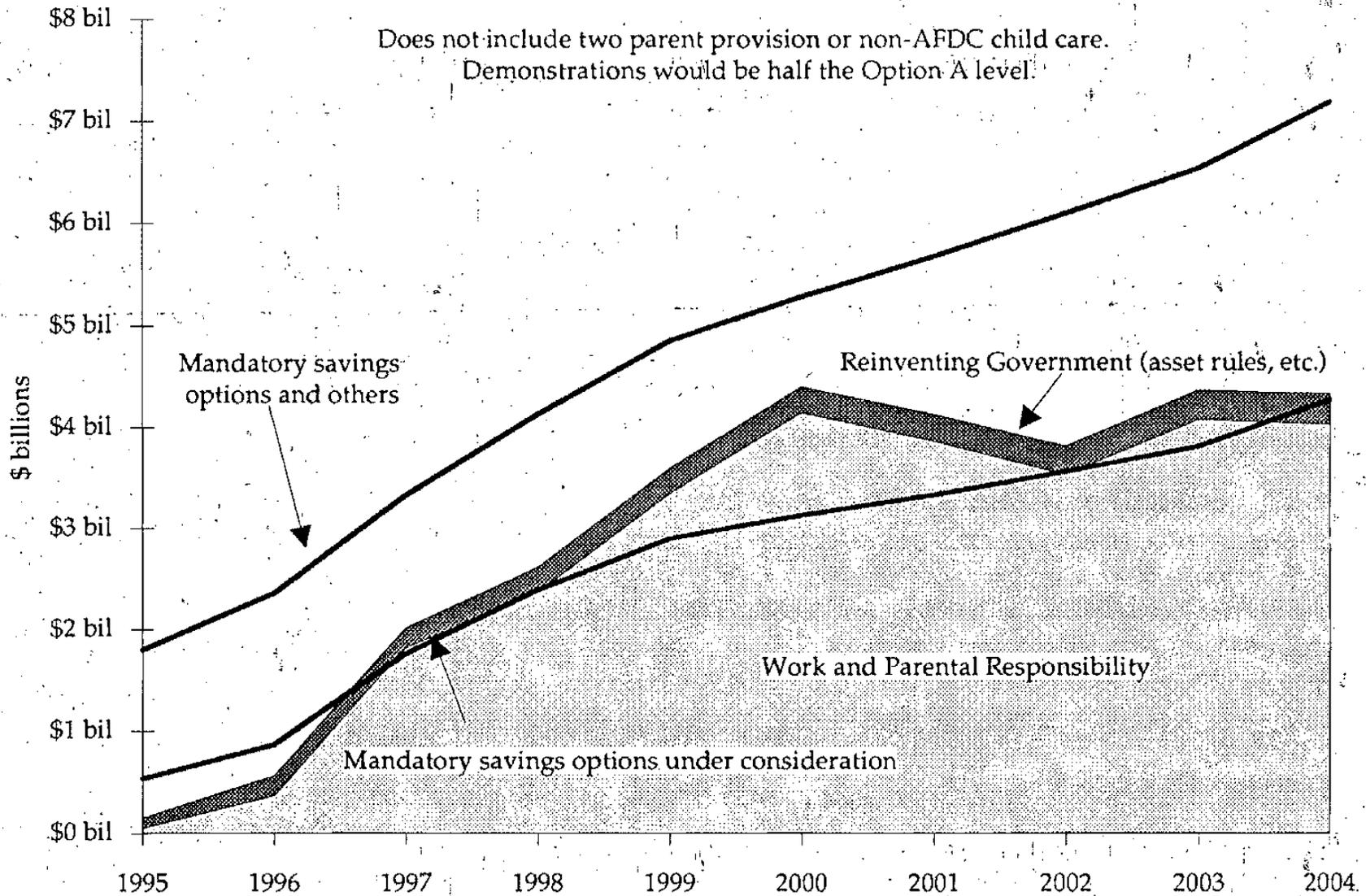
Does not include two parent provision.



Offsets for Welfare Reform Option C



Offsets for Welfare Reform Option D



Possible Offset Options for Welfare Reform

Extrapolated to 2004

		1995	1996	1997	1998	1999	5-year Total	2004	10-year Total	
dollars in billions										
<u>Mandatory Savings Options Under Consideration:</u>										
1	Cap Emergency Assistance	1/	0.26	0.35	0.42	0.50	0.56	2.09	0.70	5.39
2	Target Child Care Food Program	2/	0.00	0.11	0.14	0.16	0.18	0.59	0.27	1.76
3	Tighten Sponsorship and Eligibility Rules for Aliens	3/	0.27	0.52	1.13	1.70	2.14	5.76	3.14	19.30
	Subtotal		0.53	0.98	1.69	2.36	2.88	8.44	4.11	26.45
<u>Other Savings and Revenues:</u>										
<i>Savings</i>										
4	Adjust SSI Parent to Child Deeming Rule	2/	0.18	0.19	0.21	0.23	0.25	1.06	0.35	2.61
5	Reapplication for SSI Cases Most Likely to Improve	2/	0.07	0.16	0.26	0.37	0.42	1.28	0.67	4.13
	Subtotal		0.25	0.35	0.47	0.60	0.67	2.34	1.02	6.74
<i>Tax Credit Eligibility</i>										
6	Deny EITC to non-resident aliens	4/	0.00	0.03	0.03	0.03	0.04	0.13	0.04	0.33
7	Phase out dependent care tax credit for AGI between \$90,000 and \$110,000		0.09	0.19	0.18	0.16	0.17	0.78	0.19	1.67
	Subtotal		0.09	0.22	0.21	0.19	0.21	0.91	0.23	2.00

*Phase down from 20 to 10 at Fok
Criteria*

NO

Possible Offset Options for Welfare Reform

Extrapolated to 2004

	1995	1996	1997	1998	1999	5-year Total	2004	10-year Total			
	dollars in billions										
<u>Other Savings and Revenues (continued):</u>											
<i>Tax Compliance</i>											
8 EITC info reporting for DOD personnel			4/	0.00	0.01	0.06	0.06	0.06	0.19	0.08	0.57
9 Increase withholding on gambling winnings > \$50,000 to 36%	0.26	0.12	0.05	0.05	0.05	0.52	0.07	0.81			
10 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	0.31			
11 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	0.10	0.64			
Subtotal	0.42	0.23	0.16	0.17	0.19	1.17	0.26	2.32			
<i>New Revenue</i>											
12 4% excise tax on net gambling revenue (except State lotteries)	4/	0.45	0.63	0.66	0.69	0.73	3.16	0.90	7.31		
TOTAL	1.75	2.40	3.18	4.02	4.67	16.02	6.51	44.81			

Notes on extrapolations for 2000 - 2004

- 1/ Assumes that under current law, States would take maximum advantage of EA by 1999, with baseline growing by inflation afterwards.
- 2/ Growth assumed to be at the same dollar increment as between 1998 and 1999.
- 3/ A 5% growth rate is assumed.
- 4/ Growth Rate assumed to be at the same dollar increment as between 1998 and 1999.

TABLE - PRELIMINARY REVENUE ESTIMATES (FEDERAL AND STATE)
 (By fiscal year, in billions of dollars)

	5 Year Total	5-Year Federal	10 Year Total	10 Year Federal
Cap Emergency Assistance	2.12	2.12	5.66	5.66
Target Child Care Food Program	0.57	0.57	2.29	2.29
Conform AFDC to Food Stamps, 130% of Poverty	6.99	3.84	19.18	8.49
Reduce by 1/2	3.50	1.92	9.59	5.28
Reduce by 1/3	4.66	2.56	12.78	7.03
Tighten Sponsorship and Eligibility Rules for Aliens:				
Make current 5-year SSI deeming rules permanent and extend to AFDC and Food Stamps and limit assistance to PRUCOLS	2.74	1.85	9.10	6.11
Extend deeming period to 7 years	3.45	2.32	11.99	7.99
Extend deeming period to citizenship	6.80	4.67	23.95	16.29
EITC: Denial to non-resident aliens info reporting for DOD personnel	0.32	0.32	0.90	0.90
Gambling				
Increase withholding on gambling winnings > \$50,000 to 36%	0.52	0.52	0.81	0.81
Withholding rate of 28% on keno, slots, and bingo winners > \$7,500	0.25	0.25	0.31	0.31
Require information reporting on winnings of \$10,000+ from gambling regardless of odds (except State lotteries)	0.22	0.22	0.64	0.64
5% excise tax on net receipts of gambling establishments (except State lotteries)	3.95	3.95	9.14	9.14
Other:				
Phase down dependent care tax credit 10% for AGI over \$70,000	0.78	0.78	1.67	1.67
OPTION 1 (5 Yr Deeming, No 130% Income Test)	11.47	10.58	30.52	27.53
OPTION 2 (7 Yr Deeming, 1/3rd 130% Income Test)	16.84	13.61	46.19	36.44
OPTION 3 (Deem to Citizenship, 1/2 130% Test)	19.03	15.32	54.96	42.99
OPTION 4 (Deem to Citizenship, Full 130% Test)	22.52	17.24	64.55	46.20

Possible Offset Options for Welfare Reform

Extrapolated to 2004

		1995	1996	1997	1998	1999	5-year Total	2004	10-year Total
dollars in billions									
<u>Mandatory Savings Options Under Consideration:</u>									
1	Cap Emergency Assistance	1/	0.26	0.35	0.45	0.50	2.12	0.81	5.56
2	Target Child Care Food Program	2/	0.00	0.00	0.18	0.19	0.57	0.32	1.69
3	Tighten Sponsorship and Eligibility Rules for Aliens	3/	0.27	0.52	1.13	1.70	5.76	3.14	19.30
	- Show both options								
	Subtotal		0.53	0.87	1.76	2.39	8.45	4.27	26.55
							5-8		11-26
<u>Other Savings and Revenues:</u>									
	<i>Savings</i>								
4	Adjust SSI Parent to Child Deeming Rule	2/	0.23	0.26	0.28	0.31	1.42	0.54	3.71
5	Reapplication for SSI Cases Most Likely to Improve	2/	0.07	0.16	0.26	0.37	1.35	1.00	5.35
	Subtotal		0.30	0.42	0.54	0.68	2.77	1.54	9.06
	<i>ADD 130% CHILD ONLY: \$1.3 b/yr.</i>								
	<i>Soc. Sec BABY BONUS</i>								
	<u>Tax Credit Eligibility</u>	4/							
6	Deny EITC to non-resident aliens		0.00	0.03	0.03	0.03	0.13	0.04	0.33
7	Phase out dependent care tax credit for AGI between \$90,000 and \$110,000 <i>Phase down Reduce above \$70,000 to 10%</i>		0.09	0.19	0.18	0.16	0.17	0.78	1.67
8	Cafeteria Plan Exemption		N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Subtotal		0.09	0.22	0.21	0.19	0.91	0.23	2.00

got bigger
Non-starters

- Most of savings
is in FICA

CUTS
5 18 3
1/3 2 5 .5
5 12 1.5

Possible Offset Options for Welfare Reform

Extrapolated to 2004

	1995	1996	1997	1998	1999	5-year Total	2004	10-year Total
	dollars in billions							
<u>Other Savings and Revenues (continued):</u>								
<i>Tax Compliance</i>								
8 EITC info reporting for DOD personnel			4/					
	0.00	0.01	0.06	0.06	0.06	0.19	0.08	0.57
9 Increase withholding on gambling winnings > \$50,000 to 36%	0.26	0.12	0.05	0.05	0.05	0.52	0.07	0.81
10 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	0.31
11 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	0.10	0.64
Subtotal	0.42	0.23	0.16	0.17	0.19	1.17	0.26	2.32
<i>New Revenue</i>								
12 4% excise tax on net gambling revenue (except State lotteries)	4/	0.45	0.63	0.66	0.69	0.73	3.16	7.31
TOTAL	1.80	2.36	3.33	4.13	4.85	16.46	7.19	47.23
						13.90		38.

Notes on extrapolations for 2000 - 2004

- 1/ Assumes that under current law, States would take maximum advantage of EA by 1999, with baseline growing by inflation afterwards.
- 2/ Growth assumed to be at the same dollar increment as between 1998 and 1999.
- 3/ A 5% growth rate is assumed.
- 4/ Growth Rate assumed to be at the same dollar increment as between 1998 and 1999.