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Attached are two policy options which might aid in meeting the overall objectives of the plan:

1. Do not allow any enhanced matches until the state has implemented the time limit portion of the plan on a statewide basis.

2. Require states to meet a maintenance of effort on services (IV-A child care, TCC, at-risk child care and JOBS). Failure to do so would eliminate the enhanced match for the state. Maintenance of effort is defined as actual state spending in the above programs for which federal funding was obtained. States would be required to maintain in real terms state spending for the year in question relative to the higher of actual state spending in fiscal years 1991 through 1994. The enhanced match is available if the state draws down the entire amount of matching funds under WORK, JOBS and at risk child care.

WR-$

TOTAL JOBS, WORK, TCC, IV-A Child Care, At-Risk Child Care
Assumes States Spend ALL -- Serve current level for Non-Phased-In

YEAR	1995	1996	1997	1998	1999	5 Year
Current ACF FY '95 Baseline						
Federal	1976	2012	2047	2081	2117	10233
State	1364	1416	1441	1469	1495	7185
Total	3340	3428	3488	3550	3612	17418
Cost Estimate Based on Welfare Reform at Current Match Rates						
Federal	1976	2732	3278	3891	4980	16856
State	1364	1886	2265	2689	3433	11637
Total	3340	4618	5543	6580	8413	28494
Net	0	1190	2055	3030	4801	11076
Cost Estimate based on Welfare Reform and Enhanced Match Rate(J-FMAP+7)						
Federal	1976	3186	3825	4540	5805	19332
State	1364	1432	1718	2040	2608	9162
Total	3340	4618	5543	6580	8413	28494
Net	0	1190	2055	3030	4801	11076
Cost Estimate based on Welfare Reform and Enhanced Match Rate(J-FMAP+10)						
Federal	1976	3325	3991	4738	6057	20087
State	1364	1293	1552	1842	2356	8407
Total	3340	4618	5543	6580	8413	28494
Net	0	1190	2055	3030	4801	11076
Cost Estimate of Enhanced Match Rate (J-FMAP+7) (Holds States at current level of effort)						
Federal	1976	3152	3207	3270	3328	14932
State	1364	1416	1441	1469	1495	7185
Total	3340	4568	4648	4739	4823	22117
Net	-0	1140	1160	1189	1211	4699
Cost Estimate of Enhanced Match Rate (J-FMAP+10) (Holds States at current level of effort)						
Federal	1976	3641	3705	3777	3844	16944
State	1364	1416	1441	1469	1495	7185
Total	3340	5057	5146	5246	5339	24129
Net	-0	1629	1658	1696	1727	6711

TOTAL JOBS, WORK, TCC, IV-A Child Care, At-Risk Child Care
Assumes -- Serve Phased-In Only

YEAR	1995	1996	1997	1998	1999	5 Year
Current ACF FY '95 Baseline						
Federal	1976	2012	2047	2081	2117	10233
State	1364	1416	1441	1469	1495	7185
Total	3340	3428	3488	3550	3612	17418
Cost Estimate Based on Welfare Reform at Current Match Rates						
Federal	1976	1674	2305	2918	4031	12903
State	1364	1179	1613	2037	2797	8990
Total	3340	2853	3918	4955	6828	21894
Net	0	-575	430	1405	3216	4476
Cost Estimate based on Welfare Reform and Enhanced Match Rate(J-FMAP+7)						
Federal	1976	1969	2703	3419	4711	14778
State	1364	884	1215	1536	2117	7116
Total	3340	2853	3918	4955	6828	21894
Net	0	-575	430	1405	3216	4476
Cost Estimate based on Welfare Reform and Enhanced Match Rate(J-FMAP+10)						
Federal	1976	2054	2821	3568	4916	15335
State	1364	799	1097	1387	1912	6559
Total	3340	2853	3918	4955	6828	21894
Net	0	-575	430	1405	3216	4476
Cost Estimate of Enhanced Match Rate (J-FMAP+7) (Holds States at current level of effort)						
Federal	1976	3152	3207	3270	3328	14932
State	1364	1416	1441	1469	1495	7185
Total	3340	4568	4648	4739	4823	22117
Net	-0	1140	1160	1189	1211	4699
Cost Estimate of Enhanced Match Rate (J-FMAP+10) (Holds States at current level of effort)						
Federal	1976	3641	3705	3777	3844	16944
State	1364	1416	1441	1469	1495	7185
Total	3340	5057	5146	5246	5339	24129
Net	-0	1629	1658	1696	1727	6711

JOBS and WORK operations/service not including child care

YEAR	1995	1996	1997	1998	1999	5 Year
Current ACF FY'95 Baseline						
Federal	965	970	975	980	985	4875
State	612	651	655	659	663	3240
Total	1577	1621	1630	1639	1648	8115
Cost Estimate Based on Welfare Reform at Current Match Rates (Assumes that States maintain current level of service to Non phased-in)						
Federal	965	1310	1548	1835	2428	8087
State	612	831	982	1164	1540	5128
Total	1577	2141	2530	2999	3968	13215
Net	0	520	900	1360	2320	5100
Cost Estimate Based on Welfare Reform plus enhanced match (J-FMAP+7) (Assumes that States maintain current level of service to Non phased-in)						
Federal	965	1477	1746	2069	2738	8995
State	612	664	784	930	1230	4220
Total	1577	2141	2530	2999	3968	13215
Net	0	520	900	1360	2320	5100
Cost Estimate Based on Welfare Reform plus enhanced match (J-FMAP+10) (Assumes that States maintain current level of service to Non phased-in)						
Federal	965	1542	1822	2159	2857	9344
State	612	599	708	840	1111	3871
Total	1577	2141	2530	2999	3968	13215
Net	0	520	900	1360	2320	5100
Cost Estimate of Enhanced Match Rate (J-FMAP+7) (Holds States at current level of effort)						
Federal	965	1449	1458	1467	1476	6814
State	612	651	655	659	663	3240
Total	1577	2100	2113	2126	2139	10054
Net	-0	479	483	487	491	1939
Cost Estimate of Enhanced Match Rate (J-FMAP+10) (Holds States at current level of effort)						
Federal	965	1674	1684	1695	1705	7723
State	612	651	655	659	663	3240
Total	1577	2325	2339	2354	2368	10963
Net	-0	704	709	715	720	2848

States serve only mandatory phased-in group--no voluntaries, etc.
JOBS and WORK operations/service not including child care

YEAR	1995	1996	1997	1998	1999	5 Year
Current ACF FY '95 Baseline						
Federal	965	970	975	980	985	4875
State	612	651	655	659	663	3240
Total	1577	1621	1630	1639	1648	8115
Cost Estimate Based on Welfare Reform at Current Match Rates						
Federal	965	625	936	1229	1835	5590
State	612	396	594	780	1163	3545
Total	1577	1021	1530	2009	2998	9135
Net	0	-600	-100	370	1350	1020
Cost Estimate Based on Welfare Reform plus enhanced match (J-FMAP+7)						
Federal	965	704	1056	1386	2069	6180
State	612	317	474	623	929	2955
Total	1577	1021	1530	2009	2998	9135
Net	0	-600	-100	370	1350	1020
Cost Estimate Based on Welfare Reform plus enhanced match (J-FMAP+10)						
Federal	965	735	1102	1446	2159	6407
State	612	286	428	563	839	2728
Total	1577	1021	1530	2009	2998	9135
Net	0	-600	-100	370	1350	1020
Cost Estimate of Enhanced Match Rate (J-FMAP+7) (Holds States at current level of effort)						
Federal	965	1449	1458	1467	1476	6814
State	612	651	655	659	663	3240
Total	1577	2100	2113	2126	2139	10054
Net	-0	479	483	487	491	1939
Cost Estimate of Enhanced Match Rate (J-FMAP+10) (Holds States at current level of effort)						
Federal	965	1674	1684	1695	1705	7723
State	612	651	655	659	663	3240
Total	1577	2325	2339	2354	2368	10963
Net	-0	704	709	715	720	2848

Cost Estimates and State Behavior -- in general states will look to fund mandates and with remaining funds will elect various options and other non-mandatory spending (e.g. At-Risk child care). Overall, states will likely maintain their current level of spending but we are also likely to see shifts in state spending; mandated programs will certainly receive priority.

The enhanced match rates could mean more total dollars spent within a state. The enhanced match will mean that states may shift spending. This will most likely take place in shifting child care dollars from TCC and at-risk to IV-A to meet the needs of the JOBS/WORK clients at the expense of the working poor.

One scenario on state spending behavior:

If we look at combined JOBS, IV-A child care and At-Risk child care we can assume no decrease in overall spending. We could further assume that one-third will spend no more in real terms; one-third will spend 10% more state dollars and the remaining one-third will spend at least their combined JOBS and child care allocations. Of this last one-third, one-half will spend up to their allocations and the remaining one-half will spend 10% beyond their allocation and draw down additional federal dollars remaining under the capped entitlements.

A less optimistic assumption maybe that states representing 80% of the caseload maintain their current level of spending and the remaining 20% increase spending by 10%.

One scenario on state implementation behavior:

One set of working assumptions is that states with 75% of the caseload will implement on time with the remaining caseload coming in one year late. In addition, those states who implement on time will increase the mandatory population by 10% either by expanding the phase-in group or by mandating that JOBS volunteers be subject to the time limit.

WR-5

State Behaviors:

JOBS/WORK and Time Limits:	Comments	Suggested Assumptions
Implementation -- on-time or delayed	Political pressure will be immense within states to implement on time regardless of program readiness. Few states may have legislative calendar problems which will prohibit coming in on time; this should be minimal but at least quantifiable. Additional incentives from richer match rates for all investment programs will help to ensure timely implementation.	75% of caseload in on time
Non Phased-in JOBS participation -- continue current effort or reduce -- serve only volunteers or subject some to mandatory JOBS	States will continue services to the non-phased in currently in the JOBS program; these folks will be gradually phased out. The level of state effort for the non-phased-in will depend on our policy which has yet to be decided. If we go with a voluntary program with no sanctions states will provide for a minimum of clients -- States need to focus all their energies on the phased-in group with its high participation standards, time limits and WORK. All cost estimates to date have assumed that states would be required to serve non-phased-in at current levels of resources.	This will need to be reduced significantly NEED A POLICY HERE

Optional Non-phased-in under the time limit	Fear of the WORK program will minimize states from bringing in additional cases under the time limit in the initial years. When the program proves successful states will be likely to expand. On the other hand states may feel considerable pressure to place all those receiving JOBS funded services in the time limited world. Current estimates provide services but no time limits to non-phased-in group.	-- This will be increased -- likely guess 10% increase in phased-in group.
Part time work 20 w/ 30 option	State are not likely to opt for 30 hours for several reasons including combiners will not be subject to the time limit and will not require a WORK slot. Combiners will count toward the 'states' monthly participation standard. Current estimates use 20 hours to stop the clock.	No change is proposed from current assumption
Part time work -- Labor supply response	More liberal earnings disregards and combiners will not be subject to the time limit should lead to an increase in combiners. States will have incentive to get clients working because they will count toward JOBS particpation standard. Currently we assume an increase in the number who work 20 hours or more from about 6% to 8% of the caseload.	8% of caseload may be too low given incentives.

Non-custodial parent JOBS/WORK	While a politically appealing program states are not likely to spend significant dollars on this program -- at best we could assume that several states will implement local programs. There are no incentives in the proposal for states to implement.	
IGA/MWP		
UP expansion	States with 70% of the caseload have requested waivers from the 100 hour rule and states with 30% of the caseload have requested to waive the quarters of work rule. An additional factor is that states will look to shift two parent GA cases to AFDC.	States with 1/2 caseload will remove 100 rule and 1/4 caseload remove work history
Earnings disregards - beyond 120 indexed	States currently applying for waivers see earnings disregards as a saver. Given that increased disregards are assumed to increase labor supply and that 20 hour combiners will count toward JOBS participation states may opt for more generous earnings disregard policies.	States with 1/2 caseload would provide more generous disregard @ 1/3 of earnings
Child support disregards - beyond indexing	Currently few state waiver applications contain requests to increase the $50 child support disregard.	States with 10% of caseload will opt for increasing to $100.
Step-parent deeming	NEW PROPOSAL from ACF	

CHILD CARE		
IV-A	Child care needs will be increased because of the younger phased-in group and deferrals families with children under 1 rather than age 3. Our current cost estimates assume that States will draw down all necessary dollars to provide care for JOBS/WORK participants. This estimate is tied closely to the JOBS/WORK estimate which assumes that States maintain current level of effort for non-phased-in clients. In additional, we assume 10% of IV-A child care dollars for the child care guarantee -- working on welfare and self-initiated clients.	Need final decision on child care guarantee. Need decision on non-phased-in.
TCC	A dramatic increase in FFP will mean more total dollars expended if states maintain their current level of effort. It is possible that states will reduce their effort in response to the higher match to free-up dollars to pay for other mandatory provisions. Most recent estimates assume that states maintain their current level of effort.	Reduce level of state effort

At-Risk	A dramatic increase in FFP will mean more total dollars if states maintain their current level of effort. Discussions with NGA, APWA and NCSL would lead us to believe that this is the most vulnerable part of the package to cuts in State spending. State dollars for At-Risk would be shifted to increased IV-A child care. Our estimates assume states will draw down all At-Risk dollars.	Reduce expenditures to a level consistent with state maintenance of effort; possibly reduce further.
OTHERS		
Family Cap	While several states have expressed interest the New Jersey lawsuit and the tying of this issue to comprehensive family planning and abortion makes the political feasibility of this option questionable. At present we are assuming states with 1/3 of the caseload will adopt a family cap policy -- this maybe too high. We will be calling several big states to get a better read on state behavior.	

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June 3, 1994

Current and preferred policies

Current	Preferred	
2.0	2.0	Extend expiring provisions
0.3	0.3	Enforcement savings
0.3	0.3	Savings bonds
0.5	0.5	Family day care
1.6	0.5	DA&A
2.7	3.5	SSI immigrant deeming
1.9	1.6	Emergency Assistance
$9.3b	$8.7b	

Goal: $9.5 billion

Barry: EITC
Reg. changes
Alice: go back to Leon

Options

1. Plug SSI/other entitlement reforms
2. Add $0.4b in EA savings
3. Other financing options (e.g. require information on winnings over $10k from gambling: $0.2b)
4. Reduce package

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03-Jun-94

EMERGENCY ASSISTANCE EXPENDITURES INCURRED (FEDERAL SHARE)

($'s in Millions)

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

* Less than $50,000.

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

03-Jun-94

STATE DISTRIBUTION OF EA AND AFDC EXPENDITURES

($'s in Thousands)

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

03-Jun-94

ILLUSTRATIVE ALLOCATION OF EA CAP, BY STATE 1/

	FY 1995 (90/10)	FY 1996 (80/20)	FY 1997 (70/30)	FY 1998 (60/40)	FY 1999 (50/50)	FY 2000 (40/60)
Alabama	$1,363,283	$1,458,081	$1,556,063	$1,660,834	$1,772,733	$1,888,272
Alaska	207,423	428,741	663,953	915,045	1,183,504	1,467,843
Arizona	4,554,936	4,763,200	4,975,075	5,201,845	5,443,896	5,690,073
Arkansas	1,217,316	1,247,023	1,276,014	1,307,122	1,340,272	1,372,603
California	67,673,706	74,779,757	82,199,476	90,128,371	98,600,049	107,430,205
Colorado	2,577,169	2,720,678	2,867,894	3,025,379	3,193,531	3,365,920
Connecticut	32,302,162	30,506,636	28,524,610	26,413,381	24,152,966	21,679,410
Delaware	279,773	342,588	408,867	479,650	555,308	634,926
D.C.	3,651,654	3,597,230	3,531,351	3,461,526	3,386,528	3,298,439
Florida	6,501,319	7,705,606	8,973,834	10,328,410	11,776,183	13,297,033
Georgia	6,848,614	7,222,217	7,605,168	8,014,852	8,452,272	8,900,375
Guam	17,309	35,778	55,406	76,359	98,761	122,489
Hawaii	1,147,151	1,362,624	1,589,571	1,831,968	2,091,044	2,363,235
Idaho	527,983	546,506	565,082	584,982	606,211	627,502
Illinois	7,718,590	8,992,467	10,332,153	11,763,167	13,292,558	14,897,162
Indiana	8,316,121	8,123,936	7,901,241	7,664,663	7,410,934	7,122,336
Iowa	1,004,833	1,274,916	1,560,324	1,865,102	2,190,892	2,534,194
Kansas	1,759,587	1,887,577	2,020,042	2,161,673	2,312,948	2,469,338
Kentucky	551,801	959,257	1,391,925	1,853,825	2,347,659	2,870,307
Louisiana	331,722	685,664	1,061,827	1,463,385	1,892,718	2,347,447
Maine	541,008	749,310	969,937	1,205,506	1,457,338	1,723,257
Maryland	4,437,376	4,758,184	5,090,153	5,445,093	5,824,201	6,216,064
Massachusetts	23,589,870	23,286,241	22,911,722	22,515,154	22,088,941	21,581,712
Michigan	10,856,743	12,536,818	14,302,219	16,188,061	18,203,485	20,316,425
Minnesota	6,553,317	6,847,439	7,146,399	7,466,392	7,807,937	8,155,010
Mississippi	162,938	336,790	521,557	718,798	929,681	1,153,039
Missouri	3,260,411	3,606,464	3,967,869	4,354,071	4,766,714	5,196,901
Montana	226,320	313,690	406,230	505,038	610,667	722,207
Nebraska	655,555	743,563	835,852	934,450	1,039,815	1,150,072
Nevada	2,915,579	2,773,227	2,615,320	2,447,166	2,267,097	2,069,251
New Hampshire	744,212	804,388	866,849	933,620	1,004,946	1,078,883
New Jersey	22,648,518	21,965,582	21,189,216	20,363,591	19,478,699	18,487,028
New Mexico	223,400	461,765	715,095	985,527	1,274,665	1,580,905
New York	147,456,791	141,188,384	134,193,589	126,747,344	118,771,822	109,966,141
North Carolina	3,602,539	4,070,739	4,561,465	5,085,748	5,646,003	6,232,002
North Dakota	1,612,361	1,541,679	1,462,914	1,379,060	1,289,250	1,190,204
Ohio	4,643,534	6,377,547	8,213,870	10,174,572	12,270,617	14,483,586
Oklahoma	1,351,474	1,611,960	1,886,396	2,179,509	2,492,794	2,822,021
Oregon	3,871,630	3,992,733	4,113,280	4,242,475	4,380,257	4,517,405
Pennsylvania	4,165,590	5,803,237	7,537,986	9,390,205	11,370,298	13,461,363
Puerto Rico	264,778	408,555	561,075	723,910	897,997	1,082,076
Rhode Island	4,757,868	4,659,862	4,545,175	4,423,403	4,292,758	4,143,049
South Carolina	564,129	772,403	992,950	1,228,438	1,480,179	1,745,949
South Dakota	757,520	749,803	739,941	729,517	718,302	704,635
Tennessee	5,893,841	5,887,765	5,868,500	5,848,735	5,827,055	5,790,303
Texas	2,900,721	3,811,287	4,774,574	5,803,170	6,902,725	8,062,532
Utah	350,979	490,339	637,971	795,599	964,110	1,142,073
Vermont	863,263	953,028	1,025,397	1,102,763	1,185,404	1,271,021
Virgin Islands	6,491	13,416	20,776	28,633	37,034	45,931
Virginia	465,786	925,772	1,414,562	1,936,354	2,494,236	3,085,035
Washington	4,348,777	5,299,254	6,301,897	7,372,696	8,517,242	9,721,405
West Virginia	965,085	1,148,565	1,341,843	1,548,276	1,768,914	2,000,749
Wisconsin	2,505,789	3,252,134	4,041,412	4,884,221	5,785,158	6,735,164
Wyoming	1,263,353	1,217,595	1,166,129	1,111,365	1,052,693	987,498
TOTAL	$418,000,000	$432,000,000	$446,000,000	$461,000,000	$477,000,000	$493,000,000

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

03-Jun-94

	FY 2001 (30/70)	FY 2002 (20/80)	FY 2003 (10/90)	FY 2004 (0/100)
Alabama	$2,011,394	$2,138,384	$2,273,413	$2,416,822
Alaska	1,771,534	2,092,098	2,433,999	2,798,727
Arizona	5,952,047	6,218,406	6,501,078	6,800,449
Arkansas	1,406,872	1,440,271	1,475,506	1,512,501
California	116,847,955	126,646,588	137,077,624	148,174,670
Colorado	3,549,505	3,737,591	3,937,403	4,149,338
Connecticut	19,030,025	16,154,177	13,075,858	9,775,086
Delaware	719,914	809,108	904,167	1,005,463
D.C.	3,203,540	3,094,732	2,977,478	2,850,551
Florida	14,920,216	16,621,043	18,433,336	20,363,948
Georgia	9,377,548	9,866,072	10,385,003	10,935,341
Guam	147,831	174,582	203,113	233,549
Hawaii	2,653,744	2,958,187	3,282,588	3,628,177
Idaho	650,130	672,824	696,862	722,251
Illinois	16,609,545	18,401,840	20,311,316	22,345,025
Indiana	6,812,228	6,465,072	6,092,048	5,689,886
Iowa	2,900,698	3,285,809	3,696,311	4,133,844
Kansas	2,636,012	2,808,122	2,991,154	3,185,590
Kentucky	3,428,489	4,017,286	4,645,219	5,314,991
Louisiana	2,833,126	3,345,787	3,892,572	4,475,862
Maine	2,007,199	2,306,109	2,624,803	2,964,602
Maryland	6,633,688	7,064,865	7,523,398	8,010,482
Massachusetts	21,034,711	20,401,630	19,718,650	18,978,176
Michigan	22,571,136	24,929,457	27,441,740	30,117,126
Minnesota	8,524,325	8,899,515	9,297,638	9,719,214
Mississippi	1,391,599	1,643,412	1,911,986	2,198,492
Missouri	5,655,723	6,133,186	6,641,476	7,182,239
Montana	841,306	966,685	1,100,362	1,242,893
Nebraska	1,267,707	1,390,542	1,521,366	1,660,639
Nevada	1,857,268	1,626,396	1,379,166	1,113,910
New Hampshire	1,157,702	1,239,294	1,326,095	1,418,347
New Jersey	17,422,742	16,245,005	14,981,306	13,621,633
New Mexico	1,907,989	2,253,244	2,621,481	3,014,302
New York	100,527,413	90,206,641	79,149,053	67,276,820
North Carolina	6,857,190	7,509,730	8,204,678	8,944,447
North Dakota	1,084,048	968,078	843,844	710,479
Ohio	16,846,513	19,333,672	21,985,405	24,812,672
Oklahoma	3,173,414	3,541,744	3,934,233	4,352,373
Oregon	4,663,061	4,808,042	4,961,453	5,123,234
Pennsylvania	15,694,174	18,044,894	20,551,230	23,223,588
Puerto Rico	1,278,656	1,485,853	1,706,800	1,942,434
Rhode Island	3,982,084	3,800,864	3,606,005	3,395,721
South Carolina	2,029,726	2,328,409	2,646,853	2,986,373
South Dakota	689,870	672,501	653,727	633,318
Tennessee	5,749,752	5,693,187	5,630,940	5,561,597
Texas	9,300,829	10,603,144	11,991,481	13,471,488
Utah	1,332,100	1,532,170	1,745,486	1,972,934
Vermont	1,362,286	1,456,714	1,557,161	1,663,907
Virgin Islands	55,434	65,465	76,164	87,577
Virginia	3,716,038	4,382,016	5,092,312	5,850,013
Washington	11,006,767	12,355,471	13,792,825	15,324,420
West Virginia	2,248,189	2,507,526	2,783,867	3,078,263
Wisconsin	7,749,432	8,815,836	9,952,636	11,164,432
Wyoming	917,575	840,723	758,330	669,786
TOTAL	$510,000,000	$527,000,000	$545,000,000	$564,000,000

ILLUSTRATIVE ALLOCATION OF EA CAP, BY STATE 1/

03-Jun-94

(WITH HOLD HARMLESS PROVISION)

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

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

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

03-Jun-94

FEDERAL SHARE COST/SAVINGS

($'s in Millions)

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

* WITH HOLD HARMLESS PROVISION

WR-$$

Income Maintenance Branch

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

April 20, 1994

Please route to:

Keith Fontenot
Bernie Martin
✓ Belle Sawhill

Decision needed ___
Please comment ___
For your information ___
Per your request _X_
Take necessary action ___

With informational copies for:

Phone: 202/395-4686
Fax: 202/395-3910
Room: #7026

Subject: Welfare Reform Financing Options

From: Stacy Dean and Chris Ellertson

Per your request, we have attached the revised tables for the Director's meeting. Please let us know if we can provide you with any further information.

Welfare Reform Financing Options

4/20/94 15:03	5 Year Total	5 Year Federal	5 Year State	10 Year Total	10 Year Federal	10 Year State
	Dollars in Billions					
Summary:						
A. Program Savings	6.00	5.11	0.89	16.12	14.32	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	10.17	9.28	0.89	31.85	30.05	1.80

Shapiro - oped

Welfare Reform Financing Options

4/20/94 15:03	Dollars in Billions					
	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 Sponsers with AGI > 40K for 10 years or Citizenship. Limit Assistance to some PRUCOLs.	3.13	2.24	0.89	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	0.49	0.49	0.00	1.05	1.05	0.00
• Graduated Interest Rates for Early Redemption of Savings Bonds	0.31	0.31	0.00	0.65	0.65	0.00
Subtotal	6.00	5.11	0.89	16.12	14.32	1.80
B. Enforcement Savings						
EITC:						
• 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
Gambling:						
• 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

4/20/94 15:03	Dollars in Billions 5 Year Total	Federal	State	10 Year 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
Subtotal	2.07	2.07	0.00	4.27	4.27	0.00

C. Extend Expiring Provisions*

	5 Year Total	Federal	State	10 Year Total	Federal	State
• 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
• 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

4/20/94 15:03	5 Year Total	5 Year Federal	5 Year State	10 Year Total	10 Year Federal	10 Year State
	Dollars in Billions					
• 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
Subtotal	2.10	2.10	0.00	11.46	11.46	0.00
Total: Financing Options	10.17	9.28	0.89	31.85	30.05	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.

April 20, 1994

Welfare Reform Financing Options

A. Program Savings

Limit Emergency Assistance

- 5 year Federal savings: $1.5 B 10 year Federal savings: $ 4.0 B
- Limit each State's AFDC emergency assistance expenditures.
- 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 and lengthens the deeming period:

- 5 year Federal savings: $ 2.24 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 (this currently reverts to three years starting in FY1997.)
- Deeming continues for another five years (10 year total) for aliens whose sponsors have adjusted gross income over $40,000.
- PRUCOL eligibility criteria in the SSI, AFDC, and Medicaid programs would be conformed 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, <u>or</u>
  (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: $ .49 B   10 year Federal savings: $ 1.05 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: $ .31 B   10 year Federal savings: $ .65
- 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 (a coster).
- To finance the above cost, and produce net savings, DOD would report nontaxable earned income (such as subsistence and living quarters allowances) paid to military personnel, overseas and stateside. Such income 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 from 28% to 36% for gambling winnings over $50,000. 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
- Require 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]: $ 1.83
- Prohibit tax deferral on interest accruing to annuities that pay annual interest 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% (rather than 50%) of Food Stamps recovered due to fraud/intentional program violations.
- Extend the provision letting States keep 10% (rather than 25%) of Food Stamps recovered due to other unintentional errors.
- This provision, which would extend the current recoveries rate structure, currently expires in FY1996.

Fees for Passenger Processing and Other Customs Services

- 5 year Federal savings: $ 0.0 B 10 year Federal savings: $ 1.04 B
- Extend the flat rate charge for merchandise processing and other U.S. customs services permanently.
- 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 permanently. Currently they are set to expire in FY1996.

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

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 VA 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 1993 increased the fee to 3 percent through FY1998 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 VA 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 1993 increased the fee on most guaranteed home loans by .75 percent through FY1998 (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 FY1998. 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.

VA 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 <u>service-connected veterans</u> for treatment of <u>nonservice-connected</u> conditions.
- OBRA 1993 extended the service-connected authority to the end of FY 1998.
- This proposal would make this authority permanent.

VA 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 VA 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 for those beneficiaries who benefited by electing to stay in the old payment structure.

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.

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 excise tax is imposed at a .25% rate on gross wagers from a small subset of gambling activities.)
- State lotteries would be exempt from this tax.

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PROVISION	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	5 Year	10 Year
SECTION 601 COOPERATION AND GOOD CAUSE												
Collections												
AFDC/payments to families	0	40	91	140	154	163	169	171	174	176	424	1,278
AFDC/offset	0	64	151	240	280	320	357	389	417	442	735	2,660
Expenditures (IV-D)												
increased costs	0	147	162	177	194	195	198	201	204	207	680	1,685
Sanctions												
IVA benefit reductions	0	37	84	62	39	25	25	26	26	26	223	350
expenditures IVA	0	2	2	2	2	2	2	2	2	2	8	18
sanctions savings	0	35	82	60	37	23	23	24	24	24	215	332
Net Effect	0	48	(71)	(123)	(123)	(148)	(182)	(211)	(237)	(259)	(270)	(1,308)
SECTION 602 EXPANDED ELIGIBILITY FOR IVD SERVICES												
Collections												
NAFDC/cost avoidance	0	0	11	55	150	303	460	555	580	603	215	2,717
NAFDC/no cost avoidance	0	0	314	961	1,967	3,446	3,627	3,767	3,939	4,050	3,242	22,071
Expenditures												
increased services	0	0	6	18	35	59	59	59	59	59	59	351
elimination of fees	0	0	24	25	26	26	27	28	29	30	74	214
Net Effects												
Net Effects	0	0	28	31	31	24	(6)	(25)	(29)	(33)	90	22
SECTION 603 DISTRIBUTION OF PAYMENTS												
Increased payments to families												
current law	0	0	0	151	163	175	187	197	207	214	314	1,294
proposal	0	0	0	26	40	55	70	78	82	86	67	437
Increased cost avoidance	0	0	0	35	41	46	51	55	58	60	76	346
Net effect	0	0	0	142	162	184	205	220	231	240	304	1,385

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PROVISION		1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	5 Year	10 Year
SECTION 604													
DUE PROCESS RIGHTS	negligible costs												
SECTION 605													
PRIVACY SAFEGUARDS	negligible costs												
SECTION 606													
ACCESS TO SERVICE	negligible costs												
SECTION 611													
FEDERAL MATCHING PAYMENTS	(see tables at end)												
SECTION 612													
INCENTIVES AND PENALTIES													
Collections													
AFDC/payments to families		1	2	3	5	6	8	9	11	12	14	16	70
AFDC/offset		1	3	5	8	12	16	21	26	31	36	29	159
NAFDC/cost avoidance		1	1	3	4	6	8	11	13	16	19	15	82
Expenditures													
decreased costs		2	6	12	17	23	29	35	41	47	54	61	266
increased costs		1	3	4	6	8	9	11	13	15	17	23	88
Net Expenditures		(1)	(4)	(7)	(11)	(15)	(19)	(24)	(28)	(32)	(37)	(38)	(179)
Net Effects		(2)	(7)	(13)	(20)	(28)	(37)	(46)	(56)	(67)	(77)	(70)	(353)
SECTION 613	(this section incorporates all state ADP costs for the proposal)												
AUTOMATED DATA PROCESSING													
State systems (enhanced)		16	48	66	65	57	43	17	13	13	13	253	351
State systems (regular)		5	18	83	79	79	70	61	61	61	61	264	576
SECTION 614													
REVIEWS AND AUDITS													
Expenditures (state audits)		2	3	5	5	5	5	5	5	5	5	20	45

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PROVISION	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	5 Year	10 Year
SECTION 615												
TRAINING AND STAFFING												
Expenditures (state trning)	9	5	6	8	8	8	8	7	6	6	36	71
Federal Discretionary	5	5	5	5	5	5	5	5	5	5	25	50
SECTION 616												
SECRETARIAL ASSISTANCE TO STATES												
AFDC collections tap												
T & TA	24	27	31	35	40	46	52	59	63	66	158	444
ADP	24	27	31	35	40	46	52	59	63	66	158	444
SECTION 617												
DATA COLLECTION AND REPORTS	(negligible costs)											
SECTION 621 and SECTION 622												
CENTRAL REGISTRY and CENTRALIZED COLLECTION AND DISBURSEMENT												
Collections												
AFDC/payments to families	0	0	0	0	15	33	53	74	77	80	15	333
AFDC/offset	0	0	0	0	61	131	210	296	310	321	61	1,330
NAFDC/cost avoidance	0	0	0	0	199	428	685	963	1,022	1,067	199	4,364
Expenditures	(see Section 613)											
Net Effects	0	0	0	0	(101)	(217)	(347)	(489)	(514)	(535)	(101)	(2,203)
SECTION 622												
CENTRALIZED COLLECTION AND DISBURSEMENT	(see Section 613 and Section 621)											
SECTION 623												
AMENDMENTS CONCERNING WAGE WITHHOLDING	(no additional costs)											
SECTION 624												
LOCATOR INFORMATION FROM INTERSTATE NETWORKS AND LABOR UNIONS												
Collections												
AFDC/payments to families	0	0	1	1	1	1	1	1	1	1	3	7
AFDC/offset	0	2	3	3	3	3	3	3	3	3	11	27
NAFDC/cost avoidance	0	2	4	4	4	4	4	4	4	4	14	34
Expenditures	0	1	2	2	2	2	2	2	2	2	7	17
Net Effects	(excluded to account for interactions)											

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PROVISION	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	5 Year	10 Year
SECTION 625												
NATIONAL CHILD SUPPORT ENFORCEMENT CLEARINGHOUSE												
ENTITLEMENT (W-4)												
Collections												
AFDC/payments to families	0	0	0	24	48	73	99	101	102	104	72	552
AFDC/offset	0	0	0	61	131	218	315	337	356	371	193	1,791
NAFDC/cost avoidance	0	0	0	118	245	385	539	563	600	634	363	3,084
Expenditures												
Increased Costs	0	0	0	17	34	52	70	71	72	73	51	389
Net Effects (entitlement)	0	0	0	(68)	(147)	(244)	(353)	(379)	(404)	(425)	(215)	(2,019)
DISCRETIONARY												
Federal Systems (Discretionary)												
Nat'l Registry	1	1	1	5	5	5	5	5	5	5	12	35
New Hires (W-4)	5	3	3	11	11	11	11	11	11	11	31	84
Emp Sec Info	1	0	0	2	2	2	2	2	2	2	5	14
Total NCSE Clearinghouse	7	3	3	17	17	17	17	17	17	17	48	133
SECTION 626												
EXPANDED LOCATE AUTHORITY												
Federal Systems (Discretionary)												
Nat'l Locate Reg	1	1	1	4	4	4	4	4	4	4	10	29
SECTION 627												
STUDIES AND DEMOS--FPLS												
Federal Discretionary	(see Section 616)											
SECTION 628												
USE OF SOCIAL SECURITY NUMBERS	(negligible costs)											
SECTION 635												
STATE LAWS PROVIDING EXPEDITED PROCESS												
Collections												
AFDC/payments to families	0	0	0	14	28	43	58	59	59	60	42	321
AFDC/offset	0	0	0	55	118	195	280	298	314	327	174	1,589
NAFDC/cost avoidance	0	0	0	86	180	289	411	433	460	480	267	2,340
											0	0
Net Effect	0	0	0	(73)	(154)	(253)	(362)	(385)	(406)	(423)	(227)	(2,057)
											0	0

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PROVISION	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	5 Year	10 Year
SECTION 636												
ADOPTION OF UNIFORM STATE LAWS												
Collections												
AFDC/ payments to families	0	2	5	8	10	10	11	11	11	11	25	79
AFDC/offset	0	8	17	27	38	42	45	48	51	53	89	330
NAFDC/cost avoidance	0	33	69	107	149	159	170	179	190	199	358	1,256
Net Effect	0	(14)	(30)	(48)	(68)	(74)	(79)	(84)	(89)	(93)	(161)	(581)
SECTION 640												
STATE LAWS CONCERNING PATERNITY ESTABLISHMENT												
Collections												
AFDC/payments to families	0	6	6	6	6	6	7	7	8	8	24	60
AFDC /offset	0	9	10	11	12	14	16	17	19	21	42	128
NAFDC/cost avoidance	0	18	18	19	20	22	25	27	30	32	74	210
Expenditures												
decreased cost	0	19	20	20	21	22	23	24	26	27	80	202
Net Effects	0	(32)	(33)	(34)	(36)	(40)	(44)	(47)	(51)	(54)	(136)	(372)
SECTION 641												
OUTREACH FOR VOLUNTARY PATERNITY ESTABLISHMENT												
Expenditures	5	7	4	4	4	4	4	4	4	4	24	44
SECTION 642												
FAILURE TO ESTABLISH PATERNITY PROMPTLY												
STATE IVA FMAP (Fed savings)	0	0	0	0	0	0	(16)	(20)	(47)	(55)	0	(138)
SECTION 643												
PATERNITY ESTABLISHMENT DEMONSTRATIONS	(not costed)											

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PROVISION	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	5 Year	10 Year
SECTION 651 NATIONAL COMMISION ON CHILD SUPPORT GUIDELINES												
Federal Discretionary	1	1									2	2
SECTION 652 MODIFICATION OF CHILD SUPPORT ORDERS												
Collections												
NAFDC/cost avoidance	0	0	0	0	0	64	172	264	288	309	0	1,096
NAFDC/no cost avoidance	0	0	0	0	0	10	38	85	136	178	0	449
Expenditures	0	0	0	0	0	105	114	124	133	135	0	612
Net Effects	0	0	0	0	0	92	80	71	76	73	0	393
SECTION 653 STUDY OF USE OF TAX RETURN INFORMATION FOR MODIFICATION (See Section 616)												
SECTION 661 REVOLVING LOAN FUND ($100m or negligible costs)												
SECTION 662 FEDERAL INCOME TAX REFUND OFFSET (to be costed by IRS)												
SECTION 663 IRS COLLECTION OF ARREARS (to be costed by IRS)												
SECTION 664 AUTHORITY TO COLLECT SUPPORT EMPLOYMENT RELATED PAYMENTS BY US GOV (not costed)												
SECTION 665 LIENS (not costed--interactive effects)												
SECTION 666 VOIDING OF FRAUDULENT TRANSFERS (negligible savings)												
SECTION 667 SUSPENSION OF LICENSES												
Collections												
AFDC/payments to families	0	3	7	12	17	18	20	21	22	22	40	143
AFDC/offset	0	14	29	48	68	74	78	83	87	90	159	571
											0	0
NAFDC/cost avoidance	0	44	95	154	223	239	256	270	286	299	516	1,866
Expenditures increased costs	0	1	2	3	4	4	4	4	4	4	10	31
Net Effects	0	(21)	(46)	(75)	(109)	(117)	(126)	(133)	(140)	(145)	(252)	(913)

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PROVISION	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	5 Year	10 Year
SECTION 668												
REPORTING ARREARAGES TO CREDIT BUREAUS												
Collections												
AFDC/payments to families	1.6	1.6	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	9	18
AFDC/offset	6.4	6.4	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	34	70
NAFDC/cost avoidance	16	17	18	19	20	20	20	20	20	20	90	190
Net Effects	(savings excluded to account for interactions)											
SECTION 669												
EXTENDED STATUTE OF LIMITATIONS	(negligible savings)											
SECTION 670												
CHARGES FOR ARREARAGES	(not costed)											
SECTION 671												
VISITATION ISSUES BARRED	(no costs/savings)											
SECTION 681												
NO INCOME TAX DEDUCTION FOR CHILD OWED PAST-DUE SUPPORT	(to be costed by IRS)											
SECTION 682												
TREATMENT OF SUPPORT OBLIGATION UNDER BANKRUPTCY	(negligible savings)											
SECTION 683												
DENIAL OF PASSPORTS FOR NON-PAYMENT	(See Section 667)											
SECTION 685												
CHILD SUPPORT ENFORCEMENT AND ASSURANCE DEMONSTRATIONS												
Net Expenditures (demo)	0	0	25	55	70	70	70	70	55	0	150	415
Expenditure (evaluation)			2	2	2	2	3	3	3		5	16
SECTION 686												
MINIMUM BENEFIT DEMONSTRATION	(not costed)											
SECTION 691												
GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAMS												
Net Expenditures	5	5	10	10	10	10	10	10	10	10	40	90
SECTION 695												
EFFECTIVE DATES	(no costs/savings)											
SECTION 696												
SEVERABILITY	(no costs/savings)											

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PROVISION	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	5 Year	10 Year
CUMULATIVE TOTALS (INCLUDING ADP)												
COLLECTIONS												
AFDC/payments to families	1	53	112	207	285	355	425	454	465	476	658	2,834
AFDC/offset	1	97	212	450	721	1,010	1,323	1,495	1,585	1,662	1,481	8,557
NAFDC/cost avoidance	1	96	196	543	1,172	1,897	2,728	3,269	3,471	3,640	2,008	17,014
NAFDC /no cost avoidance	0	0	314	961	1,967	3,456	3,665	3,853	4,075	4,229	3,242	22,520
Total Collections	2	246	835	2,161	4,145	6,719	8,141	9,070	9,597	10,007	7,389	50,924
EXPENDITURES												
Entitlement (regular)	22	165	280	326	383	525	550	567	583	593	1,176	3,994
Entitlement (enhanced)	16	48	66	65	57	43	17	13	13	13	253	351
Federal Discretionary	13	9	9	26	26	26	26	26	26	26	82	212
SANCTIONS AND PENALTIES												
Sanctions (savings)	0	(35)	(82)	(60)	(37)	(23)	(23)	(24)	(24)	(24)	(215)	(332)
Penalties (federal savings)	0	0	0	0	0	0	(16)	(20)	(47)	(55)	0	(138)
FINANCING CHANGE (SECTION 615)												
Base under Current Law FFP												
federal share	793	875	977	1,090	1,228	1,353	1,476	1,594	1,706	1,808	4,963	12,900
state share	(599)	(658)	(703)	(745)	(775)	(820)	(855)	(884)	(906)	(920)	(3,480)	(7,865)
Base under New FFP												
federal share	794	953	1,156	1,054	1,240	1,416	1,598	1,781	1,963	2,087	5,197	14,042
state share	(600)	(736)	(882)	(709)	(787)	(883)	(977)	(1,071)	(1,163)	(1,199)	(3,714)	(9,007)
Change												
federal share	1	78	179	(36)	12	63	122	187	257	279	234	1,142
state share	(1)	(78)	(179)	36	(12)	(63)	(122)	(187)	(257)	(279)	(234)	(1,142)
DISTRIBUTION CHANGE												
Decrease in offset $	0	0	0	142	162	184	205	220	231	240	304	1,385

WR - $

Progressive POLICY INSTITUTE

FAX TRANSMITTAL SHEET

DATE 5/3/94 # OF PAGES 8
(including cover page)

FAX # 456-7431
PHONE #

TO: Bruce Reed

FROM: Lyn Hogan

COMMENTS:
Bruce -- As we discussed, following is a copy of the proposal from which Mainstream Forum members pulled the EITC to illegals information. The estimate is on page 6 ($260 million each year), however there is not much detail. Suzanne Klinker in Rep Slattery's office was approached by the author of this proposal.

IF THERE IS A PROBLEM WITH THIS TRANSMISSION
PLEASE CONTACT:

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Roy Beck
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WED 202-265-1179
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Earned Income Tax Credit: Another Benefit For Illegal Aliens

a story idea
15MAR94
(also phone 202-265-1179)

TIMING: Good at any time. Especially strong hook for April 15.

BASIC THESIS: When American taxpayers mail their returns by April 15, they may be disconcerted by the fact that some of the money they send to Washington will be sent back out immediately as a direct federal cash payment to illegal aliens.

QUOTE: "Illegal aliens can get Earned Income Credit refunds, even if they have paid no taxes; nothing in the tax form asks if they are illegal." Amanda Michanczyk, public affairs official of the Internal Revenue Service (11MAR94).

THE CONTRADICTION: Congress and its laws suggest a public stance against illegal immigration. They say that:
1. a citizen of another country must not enter the U.S. without official U.S. permission;
2. a foreign citizen with official permission to enter the U.S. may not stay longer than a visa allows;
3. foreign citizens who violate #1 or #2 may not hold a job in the U.S.

BUT . . . .
if foreign citizens succeed in violating those prohibitions while working at low-income jobs, Congress has written a law that will reward them with annual cash payments of up to hundreds of dollars.

(See p. 6)

IMAGES:

♦ Cover of IRS EIC publication with noted irony that the words apply equally to U.S. citizens and illegal aliens.
Title: "Did you Know? The Government May Owe You Money!!"
Copy in cover box: "In 1993, If You . . .

- Had a Job,
- Earned Less Than $23,050, and
- Had a Child Who Lived With You

You may qualify for the Earned Income Credit"
Voiceover could be something like: But you don't have to be an American. In fact, if you are a foreign citizen who entered the United States illegally, the government still feels it owes you money and will give you hundreds of dollars if you file the proper form.

♦ Locate an illegal alien, protect his or her identity and show filling out Earned Income Tax Credit form. Show later with IRS check.

♦ Additional or alternate option: Show illegal alien being helped to file an electronic return. The money should arrive within no more than a few days. EIC for an illegal alien can seem better than an ATM machine.

♦ Show steps of the process as described below: the Social Security number computer matchup. The Unpostables Unit. Assigning of new national identification number.

♦ Contrast shots of a more typical American taxpayer filling out tax forms with footage of illegal aliens scaling the walls on the San Diego border (with the very real prospect of having the IRS reward them for their efforts).

QUICK SUMMARY: The jarring image of the federal government using Americans' tax payments to provide a gift to illegal aliens is made possible because of the way Congress set up the Earned Income Credit.

The credit is designed to give low-income American workers a cash payment at tax time to help ensure that they make more by working than do Americans who rely solely on public welfare assistance. Some of the credit payment to the workers is a refund of income taxes that were withheld from their pay checks. But many workers have not made high enough income to have had any income taxes withheld; they get a credit refund regardless.

But the Earned Income Credit also is quite easily available to illegal aliens -- those foreign citizens expressly forbidden by law to be in the United States or to hold a job.

There is a slight hitch. Because most illegal aliens obtain jobs by using phony Social Security cards, the names and Social Security numbers on their tax returns don't match in the federal computer. After a short delay, however, the IRS works things out by assigning the illegal aliens a temporary, legal number and paying them their cash credit.

The IRS apparently has no choice but pay the illegal aliens. As with many other federal benefits, Congress has chosen not to prohibit foreign citizens from obtaining the U.S. Earned Income Credit.

THE DETAILED STORY

1. **Source: Amanda Michancyk, spokeswoman for the Internal Revenue Service**
   In the office of Public Affairs
   202-622-4060
   Interviews on 11MAR94 and 14MAR94.
   All on the record. These comments were made with ease and in response to conversational questioning, without prodding. I have no reason to believe she would answer any differently at another time.

Notes from Amanda Michancyk comments:

A. Tax Rules & Illegal Aliens

There is nothing in the tax codes that suggests the IRS should wonder if a person is an illegal alien.

(***)(THE NEXT 3 PARAGRAPHS ARE BACKGROUND INFO PROBABLY TOO TECHNICAL TO BE INCLUDED IN A TV REPORT) The only question is whether a person is a "citizen," a "resident" or a "non-resident." The latter categories are determined according to the number of days the person resided in the U.S. the previous three years. The IRS has no way of knowing -- and no interest in knowing -- whether a "resident" or "non-resident" is living and working legally in the U.S.

(***) A "resident" pays income taxes on all income earned worldwide. A "non-resident" pays income taxes only on income earned in the U.S. Most illegal aliens probably work enough in the U.S. to have to be considered "residents."

(***) Non-citizens are considered "residents" if they lived at least 183 days in 1993 -- or if all the days lived in the U.S. in 1993 (minimum of 31), plus one-third of such days in 1992, plus one-sixth of such days in 1991, add up to at least 183.

The job of the IRS is to collect taxes. A person's immigration status doesn't matter. If the person earned income in the U.S., that person should pay the proper tax on the income.

(***)(ROY'S NOTE: I doubt viewers would contest the idea that the IRS doesn't want to scare illegal aliens away from paying their taxes. Obviously, that is what would happen if the IRS actually asked people to note that they are illegal aliens. Most Americans probably also would agree with the IRS that it has an ethical obligation to send refunds that illegal aliens have coming to them from over-withheld income taxes. The controversial move, however, comes with the Earned Income Credit because it is federal money given to a person not only from taxes paid by that person but above those taxes.)

"Illegal aliens can get Earned Income Credit refunds, even if they have paid no taxes; nothing in the tax form asks if they are illegal."

If an illegal alien:
- earned less than $23,050 in 1993
- had a job that paid at least $1
- lived together with a child (but not necessarily providing for the child's support) for at least 183 days in 1993 in the U.S.

THEN that illegal alien can get Earned Income Credit of up to $2,364.

And even if illegal aliens don't have a child living with them, they can get an IRS check for up to $300.

The above criteria is the same for legal immigrants and for U.S. citizens, but they are being stated here in such a way as to make clear what is available to illegal aliens.

EIC payments go up with income until peaking at incomes between $7,750 and $12,200. After that the EIC payments decline until they reach zero at $23,050.

B. Fake Social Security Numbers

When an illegal alien has used a phony Social Security number, that number shows up on forms filed with the IRS by the employer. That number probably also appears on the illegal alien's form filed to collect the Earned Income Credit.

◆ All tax forms are cross-checked with Social Security computers to make sure the SS number and the name match in the computers.

◆ If the name and SS number don't match (and those of illegal aliens are unlikely to), the tax forms are sent to the IRS's Unpostable Unit. The job of the unit is to make certain that a taxpayer's contributions to Social Security are credited to the proper account.

◆ If the Unpostable Unit is unable to resolve the discrepancy (often it is just a matter of the taxpayer having transposed numbers), a letter is sent to the illegal alien.

◆ If the illegal alien is unable to provide documentation to clear up the discrepancy between name and number, the Unpostable Unit assigns the illegal alien a Temporary Identification Number. This comes from a long list of unused numbers provided by the Social Security Administration. The temporary number is not technically a Social Security number but acts the same way, providing an official account and number for the illegal alien's Social Security contributions to be credited to.

◆ The Unpostable Unit sends the new legal national identification number to the illegal alien and signals the IRS computer to send the Earned Income Credit check to the illegal alien.

At no point does the IRS attempt to determine if the reason for the Social Security discrepancies is because the taxpayer is an illegal alien who has illegally made up or purchased a counterfeit number in order to get a job. It would violate the tax code for the IRS to share information in any way with the Immigration and Naturalization Service.

Even though the Earned Income Credit typically is larger (even much larger) than the amount of income taxes paid by the illegal alien, it is treated by the IRS as if it were a refund. Therefore, the IRS sees its primary task as one of making certain that the illegal alien gets his refund.

2. SOURCE: **Publication 596, Earned Income Credit, Internal Revenue Service, Catalog Number 15173A**

Pg. 2: "If you think you qualify for the basic part of the earned income credit, you should also read about the other two credits. (1) The Health Insurance Credit--It's for your qualifying child, and (2) The Extra Credit For A Child Born in 1993--It's for a child under age 1."

Pg. 3: "The total amount of the overall credit you can receive has increased from $2,211 in 1992 to $2,364 in 1993."

"The earned income credit and the advance earned income credit payments you receive will not be used to determine whether you are eligible for certain benefit programs . . . (or) how much you can receive. . . (They include) AFDC, Medicaid, SSI, Food Stamps, and Low-Income Housing."

Pg. 24: The IRS will figure the credit for the illegal alien if he fills in a few blanks on the form.

Pg. 25: An illegal alien applying for a low-wage job can ask at that time for the employer to add his share of Earned Income Credit into each weekly pay check. The federal government will in effect reimburse the employer. (ROY's NOTE: This easily becomes another subsidy for employers who choose to pay very low wages. The employer can offer a wage package that will seem higher than it actually is because it includes the federal subsidy of the Earned Income Credit.

3. SOURCE: **David Simcox, fellow of the Center for Immigration Studies, a retired State Department official, Ph.D. student in urban studies.**

502-244-9869 (Simcox phone in Louisville)
202-466-8185 (Center for Immigration Studies)

The following information is from an 8FEB94 telephone call and from Simcox writings. Simcox says he would be happy to provide background help or appear on camera concerning this issue.

As outrageous as is the practice of illegal aliens collecting "bonus" checks from U.S. taxpayers through the Earned Income Credit program, EIC actually constitutes an even bigger problem: its use by LEGAL immigrants.

Legal immigrants disproportionately qualify for EIC. "EIC has become another case study in the baffling dilemma of operating and funding complex income transfer programs for poor residents, while the number of these residents in continuously being expanded by mass illegal immigration and legal immigration and refugee policies which import about half a million additional needy people each year."

According to 1990 census data, legal immigrants were 23 percent more likely than U.S. citizens to have incomes below $15,000 a year. And they are 72.6 percent more likely than citizen households to have annual earnings of less than $10,000, the range of peak EITC cash benefits.

In 1990, immigrants received an estimated $1.57 billion in Earned Income Credit. Of that, an estimated $260 million went to illegal aliens. ×5 = $1.3 billion

"Now there is an active network of immigrant aid groups to publicize the credit and help aliens file their returns and claim it."

"Federally-funded legal aid groups assist migrant farmworkers, whether legal or illegal. Following the 1990 changes in the credit, the IRS worked with a network of non-profit groups, such as the Farm Bureau Federation, Hispanic organizations and the U.S. Catholic Bishops Conference to publicize the availability of the credit."

"Farm labor contractors, some unscrupulous employers, and ethnic crime rings have been reported to purchase claimants' prospective credits at a discount or charge sizable fees to collect the credit for them."

"The EIC works as a subsidy to low-skill, low-wage workers, and indirectly to their employers, as it cushions them from some upward pressure on wages."

"Thus the EIC further increases the prospective return for working in the United States to those who are considering migration and helps stabilize wages for the marginal employers who employ migrants."

Simcox has worked through data and created charts looking at immigrants in Los Angeles County. His finding heavily refute the arguments of some immigrant advocates that even though immigrants don't pay nearly their share of local taxes to cover their social costs, they overpay into the federal Social Security system.

Simcox finds that the average legal immigrant with two or more children paid $644 into Social Security in 1990 but got more than $1,600 in Earned Income Credits.

The comparable average for illegal aliens was found to be $337 into Social Security and more than $1,000 in Earned Income Credits.

Simcox states that the comparable average for the rest of Los Angeles County's population was $1,641 into Social Security and no Earned Income Credits. (ROY NOTE: I don't understand why the average EIC was none and need to quiz Simcox further on that point.)

The use by aliens of the EIC is just going to go up because the numbers of foreign-born continue to rise quickly and because President Clinton favors using EIC as a major vehicle to carry out other programs on his wish list.

4. SOURCE: Unnamed mid-level official in IRS, speaking off-the-record to provide background. Much of this should be able to be confirmed by IRS officials.

"EIC fraud is a big problem because the dollars are so low for each person." The cost of prosecuting is quite high compared with the money defrauded. And when you win in court, it is very difficult to ever actually collect the money because the person is so poor.

A bad loophole in the EIC system is that a rich kid of a rich family in a foreign country can come to the U.S. to some school like Georgetown. That college student fairly easily can qualify for EIC as a "non-resident." As a non-resident, only the money made by the rich foreign college student has to be reported and that rich foreign kid can have U.S. taxpayers foot a nice EIC bonus check at the end of the year.

The same loophole also can work for a member of a foreign embassy who manages to make a few dollars during the year on the U.S. economy.

"EIC is for the working poor, not for rich foreign kids with U.S. scholarships while going to Georgetown."

IRS had a case of some 2,000 returns from Texas that were a sample of the problem of SS numbers not matching with names. Finally released all of them and paid the EIC payments.

Whatever problems there are with EIC payments to illegal aliens are responsibility of Congress, not IRS. If Congress would set up better border control and require counterfeit-proof Social Security cards, illegal aliens would not be getting the low-paying jobs that enable them to collect the EIC bonus.

04/12/94

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

	5 Year Federal Package 1	5 Year Federal Package 2
PARENTAL RESPONSIBILITY		
Minor Mothers	(30)	(30)
No Additional Benefits for Additional Children	(220)	(220)
Child Support Enforcement		
Paternity Establishment (Net)	(90)	(90)
Enforcement (Net)	(160)	(160)
Computer Costs	370	370
SUBTOTAL, PARENTAL RESPONSIBILITY	**(130)**	**(130)**
TRANSITIONAL ASSISTANCE FOLLOWED BY WORK		
JOBS-Prep	0	300
Additional JOBS Spending	2,295	2,295
Additional Child Care for JOBS	1,610	1,610
WORK Program	1,330	1,330
Additional Child Care for WORK	610	610
Savings from Child Care and Other Expansion	(100)	(100)
Transitional Child Care	445	445
Enhanced Teen Case Management	170	170
Savings - Caseload Reduction	(215)	(215)
ADP Federal and State Systems/Admin Efficiency	545	545
SUBTOTAL, JOBS/WORK	**6,690**	**6,990**
SUBTOTAL, JOBS/WORK AND PARENTAL RESP	**6,560**	**6,860**
WORKING POOR CHILD CARE	**1,500**	**3,500**
REMOVE TWO PARENT (UP) RESTRICTIONS	**495**	**495**
Comprehensive Grants	200	200
Non-Custodial Parent JOBS/WORK Programs	130	390
Access Grants and Parenting Demonstrations	30	70
Child Support Assurance Projects	120	290
IDA and Microenterprise Projects	60	145
SUBTOTAL SPECIAL INITIATIVES	**540**	**1,095**
IMPROVING GOVERNMENT ASSISTANCE (IGA)		
State Flexibility on Earned Income and Child Support Disregards	385	385
Generally Conform Assets to Food Stamps	0	100
Increase Territories' Caps	0	185
All Others	(5)	(5)
SUBTOTAL IGA	**380**	**665**
GRAND TOTAL	**9,475**	**12,615**

President's Table with Full Phase-In in FY 1996 with Further Adjustments in IGA, Working Poor Child Care, and Demonstrations; UP Two-Parent Provision as State Option. Comparisons between Package 1 and Package 2

Note 1: Parentheses denote savings.
Note 2: Five Year and Ten Year Federal estimates represent 80% of all expenditures except for the following: benefits are at current match rates; child support is matched at rates specified in the hypothetical plan; and comprehensive demonstration grants are matched at 100%.
Source: HHS/ASPE staff estimates. These estimates have been shared with staff within HHS and OMB but have not been officially reviewed by OMB. The policies do not represent a consensus recommendation of the Working Group Co-Chairs.

04/12/94

SUMMARY OF COSTS FOR WELFARE REFORM PACKAGES
(Dollars in Millions)

PACKAGE 1 COSTS	FY 1999 Total	5 Year Total	5 Year Federal	5 Year State	10 Year Total	10 Year Federal	10 Year State
PARENTAL RESPONSIBILITY	(625)	(1,220)	(130)	(1,090)	(8,055)	(1,980)	(6,075)
TRANSITIONAL ASSISTANCE	3,305	8,170	6,690	1,480	25,185	22,030	3,155
WORKING POOR CHILD CARE	900	1,875	1,500	375	6,930	5,545	1,385
TWO PARENT (UP) PROVISIONS	375	895	495	400	2,875	1,580	1,295
SPECIAL INITIATIVES	225	625	540	85	1,830	1,530	300
IMPROVING GOVERNMENT ASSISTANCE	265	635	380	255	2,060	845	1,215
TOTAL COSTS FOR PACKAGE 1	4,445	10,980	9,475	1,505	30,825	29,550	1,275

PACKAGE 2 COSTS	FY 1999 Total	5 Year Total	5 Year Federal	5 Year State	10 Year Total	10 Year Federal	10 Year State
PARENTAL RESPONSIBILITY	(625)	(1,220)	(130)	(1,090)	(8,055)	(1,980)	(6,075)
TRANSITIONAL ASSISTANCE	3,415	8,545	6,990	1,555	26,555	23,125	3,430
WORKING POOR CHILD CARE	1,875	4,375	3,500	875	14,945	11,955	2,990
TWO PARENT (UP) PROVISIONS	375	895	495	400	2,875	1,580	1,295
SPECIAL INITIATIVES	505	1,315	1,095	220	3,945	3,225	720
IMPROVING GOVERNMENT ASSISTANCE	400	1,085	665	420	3,250	1,620	1,630
TOTAL COSTS	5,945	14,995	12,615	2,380	43,515	39,525	3,990

Note 1: Parentheses denote savings.

Note 2: Five Year and Ten Year Federal estimates represent 80% of all expenditures except for the following: benefits are at current match rates; child support is matched at rates specified in the hypothetical plan; and comprehensive demonstration grants are matched at 100%.

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

04/12/94

TABLE Package 1 – DETAILED 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	370	1,085	870
SUBTOTAL, PARENTAL RESPONSIBILITY	**(1,220)**	**(130)**	**(8,055)**	**(1,980)**
TRANSITIONAL ASSISTANCE FOLLOWED BY WORK				
JOBS-Prep	0	0	0	0
Additional JOBS Spending	2,870	2,295	7,110	5,690
Additional Child Care for JOBS	2,010	1,610	4,910	3,930
WORK Program	1,660	1,330	11,490	9,190
Additional Child Care for WORK	760	610	5,240	4,190
Savings from Child Care and Other Expansion	(185)	(100)	(1,480)	(815)
Transitional Child Care	555	445	2,565	2,050
Enhanced Teen Case Management	210	170	595	475
Savings - Caseload Reduction	(390)	(215)	(6,070)	(3,340)
ADP Federal and State Systems/Admin Efficiency	680	545	825	660
SUBTOTAL, JOBS/WORK	**8,170**	**6,690**	**25,185**	**22,030**
SUBTOTAL, JOBS/WORK AND PARENTAL RESP	**6,950**	**6,560**	**17,130**	**20,050**
WORKING POOR CHILD CARE (Capped at $900 million in net spending).	**1,875**	**1,500**	**6,930**	**5,545**
REMOVE TWO PARENT (UP) RESTRICTIONS	**895**	**495**	**2,875**	**1,580**
Comprehensive Grants	200	200	350	350
Non-Custodial Parent JOBS/WORK Programs	165	130	815	650
Access Grants and Parenting Demonstrations	35	30	75	60
Child Support Assurance Projects	150	120	415	330
IDA and Microenterprise Projects	20	15	175	140
SUBTOTAL SPECIAL INITIATIVES	**570**	**495**	**1,830**	**1,530**
IMPROVING GOVERNMENT ASSISTANCE (IGA)				
State Flexibility on Earned Income and Child Support Disregards	710	385	2,225	850
Generally Conform (but not Increase)				
Assets to Food Stamps	0	0	0	0
All Others	(75)	(5)	(165)	(5)
SUBTOTAL IGA	**635**	**380**	**2,060**	**845**
GRAND TOTAL	**10,925**	**9,430**	**30,825**	**29,550**

President's Table with Full Phase-In in Fy 1996 with Further Adjustments in IGA, Working Poor Child Care, and Demonstrations; UP Two-Parent Provision as State Option; Eliminate Increase in Territories' Cap; Conform Asset Rules to Food Stamps but no Increase in Limits.

Note 1: Parentheses denote savings.
Note 2: Five Year and Ten Year Federal estimates represent 80% of all expenditures except for the following: benefits are at current match rates; child support is matched at rates specified in the hypothetical plan; and comprehensive demonstration grants are matched at 100%.
Source: HHS/ASPE staff estimates. These estimates have been shared with staff within HHS and OMB but have not been officially reviewed by OMB. The policies do not represent a consensus recommendation of the Working Group Co-Chairs.

04/12/94

TABLE Package 2 – DETAILED 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	370	1,085	870
SUBTOTAL, PARENTAL RESPONSIBILITY	**(1,220)**	**(130)**	**(8,055)**	**(1,980)**
TRANSITIONAL ASSISTANCE FOLLOWED BY WORK				
JOBS-Prep	375	300	1,370	1,095
Additional JOBS Spending	2,870	2,295	7,110	5,690
Additional Child Care for JOBS	2,010	1,610	4,910	3,930
WORK Program	1,660	1,330	11,490	9,190
Additional Child Care for WORK	760	610	5,240	4,190
Savings from Child Care and Other Expansion	(185)	(100)	(1,480)	(815)
Transitional Child Care	555	445	2,565	2,050
Enhanced Teen Case Management	210	170	595	475
Savings - Caseload Reduction	(390)	(215)	(6,070)	(3,340)
ADP Federal and State Systems/Admin Efficiency	680	545	825	660
SUBTOTAL, JOBS/WORK	**8,545**	**6,990**	**26,555**	**23,125**
SUBTOTAL, JOBS/WORK AND PARENTAL RESP	**7,325**	**6,860**	**18,500**	**21,145**
WORKING POOR CHILD CARE (Capped at $1.9 billion in net spending).	**4,375**	**3,500**	**14,945**	**11,955**
REMOVE TWO PARENT (UP) RESTRICTIONS	**895**	**495**	**2,875**	**1,580**
Comprehensive Grants	200	200	350	350
Non-Custodial Parent JOBS/WORK Programs	490	390	2,000	1,600
Access Grants and Parenting Demonstrations	85	70	180	145
Child Support Assurance Projects	360	290	995	795
IDA and Microenterprise Projects	180	145	420	335
SUBTOTAL SPECIAL INITIATIVES	**1,315**	**1,095**	**3,945**	**3,225**
IMPROVING GOVERNMENT ASSISTANCE (IGA)				
State Flexibility on Earned Income and Child Support Disregards	710	385	2,225	850
Generally Conform Assets to Food Stamps	265	100	655	240
Increase Territories' Caps	185	185	535	535
All Others	(75)	(5)	(165)	(5)
SUBTOTAL IGA	**1,085**	**665**	**3,250**	**1,620**
GRAND TOTAL	**14,995**	**12,615**	**43,515**	**39,525**

President's Table with Full Phase-In in FY 1996 with Adjustments in IGA, Working Poor Child Care, Demonstrations; UP Parent Provision as State Option.

Note 1: Parentheses denote savings.
Note 2: Five Year and Ten Year Federal estimates represent 80% of all expenditures except for the following: benefits are at current match rates; child support is matched at rates specified in the hypothetical plan; and comprehensive demonstration grants are matched at 100%.
Source: HHS/ASPE staff estimates. These estimates have been shared with staff within HHS and OMB but have not been officially reviewed by OMB. The policies do not represent a consensus recommendation of the Working Group Co-Chairs.

5/17 To: Bruce Reed From: Mack McLarty

WR-$

Commentary

Gaming tax returns from the grave to haunt Miller, o

Bill Clinton, Friend of Nevada, bared his fangs again this week.

And as all of the state's would-be Dr. Von Helaings scurry for a better wooden stake, the administration bloodsucker once again terrorizes the gaming industry and threatens a few political careers.

Not unlike most horror film sequels, this one turns on the same plot, the same recurring characters, the same themes. The monster (in this case, a gaming tax) appears, the monster wreaks havoc, the monster dies. In "The Gaming Tax Horror II," we also have the requisite downplaying by the White House, the scrambling for savior status by Nevada pols and the secret glee of GOP candidates.

The resurrection of this tax corpse comes only a fortnight after Gov. Bob Miller and the state's three congressional Democrats fell over themselves claiming credit for the knife wounds in the carcass. No one should be more humiliated than Miller, a charter Friend of Bill, who now appears to be the victim of a vampirous bite by his White House pal.

Jon Ralston

The latest incarnation of the gaming levy is much different from the 4 percent excise tax for welfare reform floated earlier this year. This one is a classic case of bureaucratic legerdemain, an attempt to answer the hoary question: When is a tax not a tax?

The answer, of course, is to call it something else, whether it is a revenue enhancement or a fee. But a tax by any other name is still a tax.

The administration's latest attempted incursion into casino profits is a tripartite proposal to pay for welfare reform that includes withholding 28 percent of a gambler's winnings over $7,500 in keno, slots and bingo ($250 million); withholding 36 percent of a player's winnings over $5,000 when the odds are 300-to-1 or greater ($520 million); and forcing resorts to hew to more stringent reporting laws in casino transactions of $10,000 or more ($200 million). Yes, there's more than one way to skin a casino.

No one who has watched this roller-coaster expected the gaming tax to stay off the tracks forever despite the Nevada pols' strutting two weeks ago about their successful derailment. But few expected it to be rolling again so quickly.

Conventional wisdom had it that the tax would not resurface before the first Tuesday after the first Monday in November. "They (the Nevadans) didn't even have a chance to get a cup of coffee and savor the victory," noted one observer.

Instead, less than two weeks after a National Journal cover story lauded "Gambling's Preemptive Strike" and one day after The New York Times gave front-page treatment to the delegation-industry lobbying effort, the tax reappeared.

In contrast to the 4 percent tax, which provoked a Chicken Little reaction from Nevada, the response Wednesd considerably muted. Sen. Harry fact, sent out a "don't worry, be news release that made it soun the new idea concerned him not

Easy for him to say, consideri doesn't face the voters this year thing tells me, though, that Mil Richard Bryan and Rep. Jim Bi have a different perspective.

There are really only two pos for why this occurred so soon af Nevadans declared V-Gaming T Either, as one insider sardonica it, "one wing (of the White Hous know what the other was doing Clinton has little regard for his buddy in Carson City. At the ve it seems, the administration ha disingenuous with Miller and t gation.

The greater political problem current proposal is, ironically e that it is not nearly so financial trous and not as easy to argue What happens to the Republica were committed against the ex but may not be so opposed to th

Slimed by Slick Willie

■ The gaming tax rears its head again.

5/12 RT, BB

Remember Bill Clinton's response on March 29, 1992 when a reporter asked him whether he had ever smoked marijuana? Clinton said: "I've never broken a state law."

But later, he admitted he had broken *British* law, asserting "(W)hen I was in England I experimented with marijuana a time or two ... and I didn't like it. I didn't inhale it, and never tried it again."

Pretty slick, Willie.

Now, you will recall that this spring the Clinton administration caused one heck of a stir in Nevada when it floated the idea of slapping a 4 percent tax on net casino revenues to finance the expansion of welfare. The Nevada delegation screamed bloody murder and Clinton dropped the idea. Gov. Bob Miller assured a relieved Nevada that the job-killing gaming tax would not, after all, be levied to finance welfare "reform."

Alas. It appears that the Nevada delegation might have been slimed by Slick Willie.

The administration is now toying with the idea of new gambling taxes — on individuals, not casinos — to pay for welfare expansion. Under the new Clinton plan, slot machine players who win more than $7,500 would be required to pay a withholding tax of 28 percent. Keno and bingo winners would also be slapped with the withholding tax. The new taxes will suck hundreds of millions of dollars out of the Nevada economy, to pay for what Clinton laughably refers to as welfare "reform." So, Clinton can still keep his word about not raising casino taxes to finance welfare by raising taxes on individual gamblers instead. Pretty slick.

The latest proposal floating around Congress and the Clinton administration involves not just the higher withholding on certain individual gambling winnings to subsidize more illegitimate births, but a whole host of other stuff, including new taxes on retail inventories and on radio and television broadcasters — levies that will are supposed to raise billions to offset revenues lost to the GATT international trade agreement. All in all, the new taxes would add up to some $12 billion a year.

Silly us. We thought the world trade agreement was supposed to stimulate the economy, invigorate business and generate more taxes for Uncle Sam. Now it's going to cost us money? Gee. The same thing goes for Clinton's welfare "reform" proposals. Instead of "ending welfare as we know it" and saving money, Clinton's plan would require new billions to give us even bigger, more expensive "welfare as we know it." Absolutely everything this president touches turns into taxes.

Sen. Harry Reid suggests the gambling tax is just a trial balloon. But one must take into account two key character traits of the Clinton administration: (1) It is voracious for new taxes of any kind, and (2) it views success as evil that must be punished. Nevada's highly successful casino industry is a made-to-order target for Bill Clinton.

Those Democrats in our congressional delegation who have supported every other Clinton tax enthusiasm hardly have much room to gripe about this recurring gaming-tax nightmare. They might want to think long and hard about continually aligning themselves with an administration that sees Nevada as a giant cash cow.

WR-#

23-May-94

ILLUSTRATIVE ALLOCATION OF EA CAP, BY STATE 1/

	FY 1995 (90/10)	FY 1996 (80/20)	FY 1997 (70/30)	FY 1998 (60/40)	FY 1999 (50/50)	FY 2000 (40/60)
Alabama	$1,118,063	$1,235,591	$1,361,266	$1,492,454	$1,632,524	$1,778,476
Alaska	210,897	435,688	675,863	930,924	1,203,353	1,491,662
Arizona	3,770,872	4,050,441	4,349,499	4,659,173	4,989,752	5,331,655
Arkansas	1,026,519	1,073,329	1,123,441	1,174,442	1,228,864	1,284,233
California	95,400,616	100,408,926	105,769,205	111,256,980	117,113,724	123,106,465
Colorado	2,067,567	2,257,235	2,460,075	2,671,222	2,896,649	3,130,936
Connecticut	27,411,005	26,013,363	24,523,002	22,875,425	21,114,166	19,185,210
Delaware	272,315	336,989	406,111	479,039	556,923	638,866
D.C.	3,094,702	3,087,994	3,081,142	3,066,865	3,051,455	3,028,125
Florida	5,877,623	7,157,841	8,526,145	9,968,703	11,509,247	13,128,997
Georgia	6,240,653	6,675,728	7,141,170	7,622,295	8,135,878	8,666,191
Guam	17,599	36,357	56,399	77,684	100,418	124,476
Hawaii	1,033,854	1,263,038	1,507,990	1,766,275	2,042,106	2,332,160
Idaho	288,411	327,274	368,823	412,378	458,886	507,535
Illinois	5,384,992	6,876,856	8,471,219	10,155,410	11,954,075	13,848,557
Indiana	3,938,550	4,108,350	4,290,155	4,474,698	4,671,610	4,871,443
Iowa	1,139,581	1,403,846	1,686,287	1,984,221	2,302,396	2,637,098
Kansas	506,325	740,399	990,521	1,255,500	1,538,506	1,837,359
Kentucky	1,032,271	1,407,470	1,808,413	2,232,673	2,685,787	3,163,771
Louisiana	337,277	696,774	1,080,873	1,488,780	1,924,462	2,385,539
Maine	509,083	723,820	953,283	1,196,274	1,455,796	1,729,747
Maryland	3,904,757	4,278,020	4,677,189	5,093,076	5,537,097	5,998,950
Massachusetts	21,412,500	21,301,649	21,185,404	21,013,382	20,828,528	20,584,178
Michigan	10,482,374	12,229,293	14,096,659	16,059,807	18,156,174	20,354,708
Minnesota	5,779,700	6,147,317	6,540,645	6,946,084	7,378,848	7,824,530
Mississippi	165,667	342,248	530,912	731,271	945,274	1,171,749
Missouri	2,002,213	2,459,531	2,948,304	3,463,822	4,014,362	4,593,429
Montana	217,670	307,350	403,181	504,651	613,022	727,408
Nebraska	598,608	693,244	794,410	900,694	1,014,190	1,133,147
Nevada	1,999,217	1,931,958	1,860,306	1,779,558	1,693,204	1,597,146
New Hampshire	695,120	760,905	831,255	904,537	982,776	1,064,141
New Jersey	20,456,653	19,960,756	19,433,055	18,825,415	18,175,312	17,439,941
New Mexico	227,142	469,248	727,922	1,002,630	1,296,043	1,606,559
New York	152,480,818	145,821,767	138,723,184	130,826,289	122,383,421	113,089,021
North Carolina	4,159,166	4,592,386	5,055,634	5,539,124	6,055,342	6,593,151
North Dakota	1,310,523	1,264,729	1,215,939	1,161,069	1,102,393	1,037,232
Ohio	4,352,190	6,141,985	8,054,532	10,079,591	12,242,404	14,525,231
Oklahoma	1,535,886	1,786,621	2,054,647	2,336,350	2,637,168	2,952,575
Oregon	3,379,257	3,545,817	3,724,104	3,906,165	4,100,457	4,298,775
Pennsylvania	4,138,884	5,808,700	7,593,049	9,482,191	11,499,837	13,629,263
Puerto Rico	289,610	433,903	588,087	751,479	925,989	1,110,322
Rhode Island	3,976,261	3,944,564	3,911,105	3,866,530	3,818,711	3,759,033
South Carolina	514,458	730,638	961,643	1,206,263	1,467,524	1,743,307
South Dakota	659,787	660,569	661,472	660,944	660,345	658,218
Tennessee	5,293,278	5,341,126	5,392,783	5,435,793	5,481,460	5,517,904
Texas	4,524,929	5,319,741	6,169,329	7,063,046	8,017,423	9,018,871
Utah	276,772	424,754	582,877	750,489	929,507	1,118,648
Vermont	668,483	757,685	853,050	953,007	1,059,739	1,171,369
Virgin Islands	6,599	13,633	21,149	29,130	37,655	46,677
Virginia	469,476	936,999	1,436,520	1,966,933	2,533,462	3,132,943
Washington	4,011,735	5,008,793	6,074,396	7,199,105	8,400,238	9,664,418
West Virginia	914,733	1,106,105	1,310,648	1,526,210	1,756,412	1,998,367
Wisconsin	2,333,654	3,108,252	3,936,021	4,811,470	5,746,448	6,732,286
Wyoming	1,083,103	1,052,400	1,019,708	982,480	942,659	898,000
TOTAL	$425,000,000	$439,000,000	$454,000,000	$469,000,000	$485,000,000	$501,000,000

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

WR - $

PRESS RELEASE

For Immediate Release:
May 11, 1994

Contact:
Rosemary Freeman
(202) 371-6179

NATIONAL COALITION APPLAUDS PRESIDENT'S DECISION AGAINST IMPOSING FEDERAL TAX ON GAMING INDUSTRY

Washington, D.C. -- A growing national coalition opposed to federal gaming taxes today sent a letter to President Clinton applauding his decision not to impose a federal tax on the industry, because such a tax would cause serious widespread job losses, harm small businesses, and deprive numerous states of vital revenues.

The private sector coalition represents a broad and diverse array of travel and tourism industries, including the hotel and restaurant, transportation, and gaming and resort industries, and horse and dog racing and breeding, and economic development interests across the nation.

In its letter to President Clinton, the coalition emphasized that a new federal tax to fund welfare reform or other federal initiatives would cripple the growing gaming industry and cost the nation many thousands of small businesses and service jobs.

The letter showed why a federal gaming tax would cause serious national harm. "Many of these companies, including a substantial number of small businesses, earn lower profit margins than companies in other industries," the letter states. "These businesses cannot survive the imposition of a new federal tax."

Bankrupting small businesses and destroying service jobs, the coalition pointed out, would run counter to the President's goal of expanding employment opportunities and stimulating economic growth.

(more)

State and local governments, which increasingly fund essential services with special taxes on this growing industry, also would be harmed, according to the coalition.

"These industries are engines of economic growth and job creation," the letter states. "Special state and local governmental taxes on these businesses provide significant revenues to fund essential services. A federal tax would reduce state and municipal receipts."

Members of the coalition have also noted that a study is under preparation by former Congressional Budget Office Director, Rudolph Penner analyzing how more than a million gaming industry jobs would be put at risk by the tax, and countless other jobs in related industries would be affected.

"Your administration is dedicated to increasing jobs and stimulating economic growth. We strongly support these goals. A federal tax on gaming would have had exactly the opposite effect. It would have eliminated jobs and increased welfare dependency."

The President, the coalition said, was wise to drop plans to fund welfare reform with a new gaming tax and should reject proposals to fund other initiatives through such a tax.

"We applaud your decision not to fund welfare reform through a tax on gaming, and we urge you to reject any proposal to fund other federal initiatives through any federal tax adversely affecting our industries," the letter concludes.

#

Attachment - Letter to President Clinton

May 11, 1994

The Honorable William J. Clinton
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mr. President:

The undersigned represent a diverse array of industries that would have been severely affected had you moved forward on the proposal to tax all forms of gaming to defray costs of welfare reform. We welcome and support your decision not to impose any new federal tax on gaming.

The travel and tourism industry, including the transportation, hotel and restaurant, and gaming and resort industries, and the racing and breeding industries employ millions of workers -- many in basic service jobs for which there are few other employment opportunities available. Gaming is an important stimulus to many industries, including tourism, and in the case of racing and breeding, an entire agribusiness sector. Many of these companies, including a substantial number of small businesses, earn lower profit margins than companies in other industries. These businesses cannot survive the imposition of a new federal tax.

These industries are engines of economic growth and job creation. As Secretary Brown recently noted, travel and tourism is one of the top three employers in 37 states. In fact, it is the nation's largest export industry. Special state and local governmental taxes on these businesses provide significant revenues to fund essential services. A federal tax on these businesses would reduce state and municipal receipts.

Your Administration is dedicated to increasing jobs and stimulating economic growth. We strongly support these goals. A tax on gaming would have had exactly the opposite effect. It would have eliminated jobs and increased welfare dependency.

We applaud your decision not to fund welfare reform through a tax on gaming, and we urge you to reject any proposal to fund other federal initiatives through any federal tax adversely affecting our industries.

Sincerely,

Air Transport Association
American Bus Association
American Greyhound Track Operators Association
American Horse Council
American Hotel/Motel Association
American Quarter Horse Association
American Society of Travel Agents
America West Airlines
Arabian Jockey Club

Atlantic City Chamber of Commerce
Casino Association of New Jersey
Churchill Downs
Harness Horsemen International
McCarran International Airport
National Association of Tour Operators
National Horsemen's Benevolent Protective Association
Nevada Hotel/Motel Association
National Restaurant Association
New Jersey Business and Industry Association
New Jersey Hotel/Motel Association
New Jersey State Chamber of Commerce

Nevada Resort Association
Passenger Vessel Association
Racing Commissioners International
Reno Cannon International Airport
Southern New Jersey Chamber of Commerce
Southern New Jersey Development Council
Thoroughbred Racing Association
Travel and Tourism Government Affairs Council
United States Trotting Association

WR-8

Senate Small Business Committee **Fax Cover Sheet**

428-A Russell Senate Office Building
Washington, DC 20510
(202) 224-5175

TO: Bruce Reed
OFFICE: White House -- Domestic Policy

FROM: Stan Fendley
OFFICE: Senate Small Business Committee
United States Senate
Washington, DC 20510

PAGES: 3 total (including cover sheet)

COMMENTS:

Sending To Fax Number: 456-~~6515~~ 7431

DATE: Monday, 3/21/1994 TIME: 12:11:00.69

MEMORANDUM

March 21, 1994

TO: BRUCE REED

FROM STAN FENDLEY, TAX COUNSEL, SENATE SMALL BUSINESS COMMITTEE

SUBJECT: MAIL ORDER TAX COLLECTION

I wanted to give you a quick update on Senator Bumpers mail order bill.

1. We now have eleven cosponsors in the Senate, as shown on the attached list.

2. As yet, there is still no house companion. We believe Mike Synar (D-OK) will introduce the companion soon. If he doesn't, Sander Levin (D-Mich) appears ready to do it.

3. On Wednesday, April 13, there will be a hearing on the bill in the Senate Small Business Committee.

4. No hearing is yet scheduled in Senate Finance, and I don't know when one will be. I have a good dialogue going with the Finance Committee staff, however, and am keeping them advised of growing support for the bill.

Please let me know if you have any ideas or questions about tying the mail order bill into other initiatives. I'm at 224-5175.

COSPONSORS OF
THE TAX FAIRNESS FOR MAIN STREET BUSINESS ACT OF 1994
(S. 1825)

As of 3/21/94

SPONSOR: Bumpers

COSPONSORS:

Democrat	Republican
Boren	Cochran
Conrad	Kempthorne
Dorgan	
Graham	
Heflin	
Mathews	
Inouye	
Levin	
Feinstein	

WR - $

Senate Small Business Committee

Fax Cover Sheet

428-A Russell Senate Office Building
Washington, DC 20510
(202) 224-5175

TO: Bruce Reed
OFFICE: White House - Domestic Policy

FROM: Stan Fendley
OFFICE: Senate Small Business Committee
United States Senate
Washington, DC 20510

PAGES: 3 total (including cover sheet)

COMMENTS:

Bruce,
Thanks for your call. Information on mail order sales by state is attached. I am mailing a hard copy of the same. Let me know if you need anything else.

Stan Fendley

Sending To Fax Number: 456-7431

DATE: Wednesday, 3/9/1994 TIME: 12:33:02.09

1993-94

DIRECT MARKETING ASSOCIATION'S STATISTICAL FACT BOOK

CURRENT INFORMATION ABOUT DIRECT MARKETING

NUMBER OF CATALOG AND MAIL ORDER HOUSES BY STATE

The U. S. Bureau of Census defines catalog and mail order houses as establishments primarily engaged in the retail sale of products by television, catalog, and mail-order. These establishments do not ordinarily maintain stock for sale on the premises. Separate stores operated by catalog and mail order houses for the retail sale of products on the premises are classified according to the product sold. This category (SIC 5961) includes:

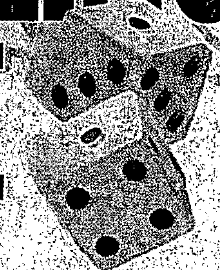
- Book clubs, not publishing
- Books, mail-order–retail
- Catalog (order taking) offices of mail-order houses–retail
- Cheese, mail-order–retail
- Coins, mail-order–retail
- Computer and peripheral equipment, mail-order–retail
- Computer software, mail-order–retail
- Food, mail-order–retail
- Fruit, mail-order–retail
- Jewelry, mail-order–retail
- Magazines, mail-order–retail
- Mail-order houses–retail (not including retail outlets)
- Novelty merchandise, mail-order–retail
- Order taking offices of mail-order houses–retail
- Record clubs, mail-order–retail
- Stamps, mail-order–retail
- Television, mail-order (home shopping)–retail

Geographic Area	#Establishments	Receipts ($1,000)	Geographic Area	#Establishments	Receipts ($1,000)
United States	**7 227**	**20 346 643**			
Alabama	97	96 491	Missouri	177	400 070
Alaska	20	22 106	Montana	36	20 120
Arizona	113	258 349	Nebraska	53	158 840
Arkansas	94	(D)	Nevada	48	102 339
California	813	1 554 424	New Hampshire	77	225 323
Colorado	90	162 727	New Jersey	222	855 356
Connecticut	113	604 952	New Mexico	39	51 179
Delaware	15	24 064	New York	623	2 127 171
District of Columbia	18	18 405	North Carolina	201	291 113
Florida	311	1 018 262	North Dakota	24	19 648
Georgia	203	336 780	Ohio	240	631 010
Hawaii	8	9 263	Oklahoma	81	56 185
Idaho	32	17 033	Oregon	136	319 837
Illinois	318	2 026 808	Pennsylvania	341	1 830 487
Indiana	123	1 047 602	Rhode Island	18	75 398
Iowa	97	73 200	South Carolina	68	85 851
Kansas	105	107 615	South Dakota	28	65 805
Kentucky	104	99 251	Tennessee	158	144 238
Louisiana	111	70 842	Texas	382	607 401
Maine	53	(D)	Utah	49	45 163
Maryland	129	157 620	Vermont	43	96 702
Massachusetts	194	616 082	Virginia	186	504 969
Michigan	185	279 620	Washington	146	194 106
Minnesota	176	1 201 010	West Virginia	52	41 478
Mississippi	77	49 580	Wisconsin	174	928 522
			Wyoming	26	31 775

NOTE: (D) denotes figures withheld to avoid disclosure of operations of individual establishments

Source: U.S. Bureau of Census, 1987 Census of Business (figures released in June 1990).

AMERICA'S GAMBLING CRAZE



The casino boom is growing daily. But it might not last forever, and its ill effects are potent

No one howled in protest last month when H&R Block set up makeshift tax-preparation offices in four Nevada casinos and offered gamblers same-day "refund-anticipation loans." And few people cared recently when a Florida inventor won a U.S. patent that could someday enable television audiences to legally bet on game shows, football games and even beauty pageants from their homes.

What's the deal? Not that long ago, Americans held gambling in nearly the same esteem as heroin dealing and applauded when ax-wielding police paid a visit to the corner dice room. But moral outrage has become as outmoded as a penny slot machine. In 1955, for example, baseball commissioner Ford Frick considered wagering so corrupt he prohibited major leaguers from overnighting in Las Vegas. Last year, by contrast, Americans for the first time made more trips to casinos than they did to Major League ballparks—some 92 million trips, according to one study.

It took six decades for gambling to become America's Pastime, from the legalization of Nevada casinos in 1931 to April Fool's Day 1991, when Davenport, Iowa, launched the Diamond Lady, the

 PHOTO: (DICE) JEFFREY MACMILLAN—USN&WR; IMAGING: DOUG STERN—USN&WR

nation's first legal riverboat casino. The gradual creation of 37 state lotteries broke down the public's mistrust, conveying a clear message that the government sanctioned gambling; indeed, is even coming to depend on it as a tax-revenue source. Corporate ownership of casinos helped in its own way, too, replacing shady operators with trusted brand names like Hilton and MGM. Casinos now operate or are authorized in 23 states, and 95 percent of all Americans are expected to live within a three- or four-hour drive of one by the year 2000.

Today, the Bible Belt might as well be renamed the Blackjack Belt, with floating and land-based casinos throughout Mississippi and Louisiana and plans for more in Florida, Texas, Alabama and Arkansas. Meanwhile, the Midwest is overrun with slot hogs, none of the porcine variety. Iowa, Illinois, Indiana and Missouri allow riverboat gambling, and a 50,000-square-foot land-based casino is scheduled to open in mid-May just outside Detroit, in Windsor, Ontario. Low-stakes casinos attract visitors to old mining towns in Colorado and South Dakota, and Indian tribes operate 225 casinos and high-stakes bingo halls nationwide. Add church bingo, card rooms, sports wagering, dog and horse racing and jai alai to the mix and it becomes clear why Americans legally wagered $330 billion in 1992—a 1,800 percent increase over 1976.

Calling for new games. Like the first bars that opened after Prohibition, modern gambling halls are enormously successful. "It will be impossible not to make a lot of money," one executive in New Orleans bragged before his casino had even opened. "It's like spitting and missing the floor." Such boasts—and the real possibility that the boom will create 500,000 jobs nationwide this decade—have not been lost on federal, state and local lawmakers. In the first six weeks of this year alone they introduced more than 200 bills regarding gambling.

But casinos and lotteries may not guarantee the jackpots many politicians expect. When urban-planning professor Robert Goodman reviewed the economic-impact studies that 14 government agencies relied upon before deciding to embrace casino gambling, he found that most were written with a pro-industry spin and only four were balanced and factored in gambling's hidden costs. Goodman's two-year study, due out next week, concludes that newly opened casi-

INVADING THE NATION

♥ ♦ ♠ ♣

Amount wagered on legal gambling in 1992: **$330 billion**

•

Gain since 1976: **1,800%**

•

Frequency in 1964 of the first modern state lottery, in New Hampshire: **Once a year.**

•

State and municipal lottery sales in 1992: **$24 billion**

•

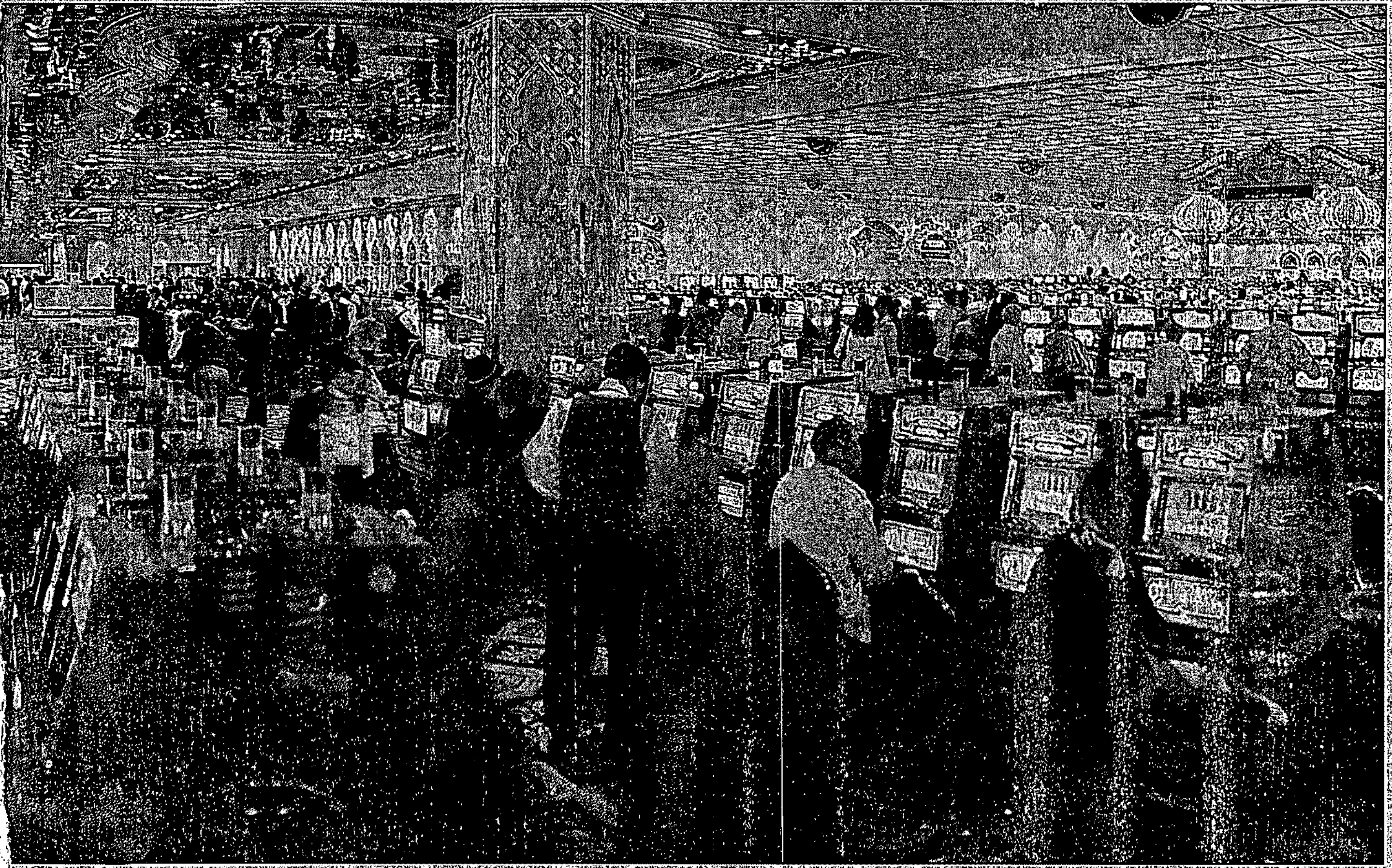
Retail price of a new slot machine: **$5,000**

•

Days needed to recoup its cost in Nevada vs. Illinois: **20 vs. 67**

•

States with no legal gambling of any kind: **Utah and Hawaii**



LOUIS PSIHOYOS—MATRIX

JEFF TOPPING—GAMMA/LIAISON

Jackpot. *Many struggling communities and Indian tribes hope gambling will be their salvation.*

nos "suck money out of the local economy," away from existing movie theaters, car dealerships, clothing shops and sports arenas. In Atlantic City, for example, about 100 of 250 local restaurants have closed since the casinos debuted in 1978, says Goodman, who teaches at the University of Massachusetts at Amherst.

"Slum by the sea." States that get hooked on gambling revenues soon suffer withdrawal symptoms when local competition kicks in. Although pioneering casinos and lotteries typically are profitable, gambling grosses decline when lotteries or casinos open in neighboring states. In Biloxi, Miss., for example, slot revenues at first topped about $207 per machine per day. A year later, when competitors moved in, however, the daily win-per-machine figure dipped to $109.

States frequently overestimate the financial impact of gambling revenues, too. "Legalized gambling is never large enough to solve any social problems," says gambling-law professor and paid industry consultant I. Nelson Rose. In New Jersey, for example, horse racing alone accounted for about 10 percent of state revenue in the 1950s. Today, despite the addition of a lottery and 12 casinos, the state earns only 6 percent of its revenue through gambling. "Atlantic City used to be a slum by the sea," says Rose. "Now it's a slum by the sea with casinos."

America's love affair with dice and cards has always been a fickle romance, and some academics predict a breakup soon. Legalized gambling in America has been running on a 70-year boom-and-bust cycle since the colonists started the first lotteries. "We're now riding the third wave of legal gambling" that began with the Depression, says Rose, who has written extensively on the subject and teaches at Whittier Law School in Los Angeles. The trend self-destructs after a few decades when the public simply gets fed up and embraces more-conservative values. Rose believes a cheating or corruption scandal will trigger the next crash in about 35 years, an idea that most casino officials think is ludicrous.

The sky is not falling yet. Apart from a handful of academics and the odd politician, few Americans are seriously questioning the morality of an industry that is expected to help gamblers lose a record $35 billion in 1995 alone. Religious leaders have been oddly silent, perhaps because so many churches and synagogues rely on bingo revenues. "The biggest things we have to help people are churches and temples and the government," says Arnie Wexler, executive director of the Council on Compulsive Gambling of New Jersey. "And now they're all in the gambling business."

Getting hooked. The consequences can be damaging. Wexler says he got a phone call late last week from a man in his 70s who ran up $150,000 in debt just by buying lottery tickets. Although most gambling experts believe that only 1 percent to 3 percent of Americans have a serious gambling problem at any given time, a July 1993 Gallup Poll funded by Wexler's group suggests that the figure may be closer to 5 percent. Regardless, now that casinos are no longer located just in Atlantic City and Nevada it's reasonable to assume that the total number of problem gamblers will soar. "If you put a guy who wouldn't cheat on his wife in a room with a gorgeous nude woman, some guys would fall by the wayside," Wexler says. "When you make gambling legal and socially acceptable, people will try it and some of them will get hooked."

But try telling that to a gambler happily feeding a slot machine and waiting for a multimillion-dollar payoff. Fifty-one percent of American adults now find casino gambling "acceptable for anyone," and 35 percent describe it as "acceptable for others but not for me," according to a recent Yankelovich Inc. survey paid for by Harrah's Casinos. The attraction is simple. "The action for them is the thrill of what's going to happen in the next pull of that slot-machine handle," explains Harrah's president Phil Satre. ■

BY JAMES POPKIN WITH KATIA HETTER

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STACKING THE ODDS

♡ ◇ ♤ ♧

A "house advantage" of 5 percent means gamblers lose $5 for every $100 bet, on average. Examples:

•

House edge, craps: **.6 to 1.4%**

•

House edge, roulette: **5.2%**

•

House edge, "21": **2 to 10%**

•

House edge, slots: **2 to 15%**

•

House edge, big wheel: **15%**

•

House edge, keno: **about 20%**

United States Senate
COMMITTEE ON SMALL BUSINESS
WASHINGTON, DC 20510-6350

WR-#
[Outyr money?]

February 7, 1994

Dear Colleague:

I have recently introduced legislation to resolve a serious problem facing Main Street businesses in America. The problem is the unfair competition that Main Street firms face from out-of-state companies which are exempt from collecting sales taxes on goods delivered across state lines.

As the mail order industry has grown dramatically, this has become an increasingly significant issue. Many mail order companies even tout their exemption from collecting sales taxes as a so-called "tax savings" to the customer. In fact, the purchaser remains personally liable for the taxes. Consumers are largely ignorant of this requirement, and states lack the ability to effectively police each out-of-state purchase. Consequently, sales across state lines are rising, and Main Street firms find themselves increasingly disadvantaged.

The bill I have introduced, The Tax Fairness for Main Street Business Act of 1994 (S. 1825), will remove this unfair advantage and allow Main Street firms to compete on an equal footing with businesses located in other states. The legal effect will be to authorize a state or local jurisdiction to require out-of-state companies to collect taxes on sales of personal property delivered into that state or local jurisdiction.

The intent of this bill is not to injure the mail order industry. There are many fine mail order companies in the United states, and they make an important contribution to our economy. The competition between mail order houses and other retailers, however, must be fair. This bill is designed to ensure that fairness. It is designed to ensure that mail order companies and Main Street retailers compete on an equal basis, with neither side receiving an undue advantage.

Why Must Congress Get Involved?

A short discussion of case law is in order to explain why this matter requires Congressional intervention. The Supreme Court has twice considered the question of whether a state may impose tax collections duties on an out-of-state mail order company. In 1967, the Court ruled in National Bellas Hess v.

Department of Revenue that such a state action violated both the Due Process Clause and the Commerce Clause of the United states Constitution. Bellas Hess therefore made it impossible for Congress to craft a legislative solution to the problem: although the Commerce Clause is the exclusive domain of Congress, the Due Process Clause is not subject to Congressional discretion. As long as the due process holding from Bellas Hess remained good law, Congress' hands were tied.

In 1992, however, the Supreme Court overruled the due process portion of Bellas Hess. In the case of Quill Corporation v. North Dakota, the Court revisited the issue of mail order tax collection and, applying a more modern due process analysis, concluded that mail order activities now constitute a sufficient connection to the state to justify the tax collection requirement. In other words, a state's imposition of tax collection requirements on an out-of-state mail order company no longer offends due process.

The Quill case therefore clears the way for Congress to act on this issue. Although Quill did not overrule the Commerce Clause portion of Bellas Hess, that holding does not preclude Congressional action. As I mentioned earlier, because the Commerce Clause grants Congress exclusive authority over interstate commerce, Congress may, if it chooses, grant the states the authority to require out-of-state tax collection. Indeed, the Supreme Court expressly acknowledged in Quill that "Congess is now free to decide whether, when, and to what extent the states may burden interstate mail-order concerns with a duty to collect use taxes."

Protections Against Undue Burdens on Business

In writing this bill, I have taken great care to insure that it does not place an undue burden on business -- particularly small business. I have included four provisions designed to protect against an overburdensome effect, as follows: (1) De minimus exception -- The Act expressly exempts any company whose total U.S. revenue is less than $3 million. The exemption will not apply, however, in any state where the company's revenue exceeds $100,000; (2) Standard local tax rate -- In situations where an out-of-state company is subject to multiple local tax rates in a single state, the company will have the option of paying each applicable local rate or paying one standard rate, called an "in-lieu fee;" (3) Filing frequency limitation -- states may not require out-of-state companies to file tax returns more than once per quarter; (4) Mandatory information service -- states must maintain a toll-free telephone service to provide out-of-state companies with necessary tax information and forms.

To give you more information on The Tax Fairness for Main Street Business Act, I attach an outline of its provisions, a list of organizations which have endorsed the bill, and a table outlining the revenue potential for each state. I hope that you will support this important legislation by joining as a co-sponsor. If you have any questions or would like to co-sponsor, please contact Stan Fendley of my office at 4-5175.

Sincerely,

Dale

Dale Bumpers

OUTLINE OF
THE TAX FAIRNESS FOR MAIN STREET BUSINESS ACT OF 1994

*<u>Effect</u>: Will allow State and local jurisdictions to require out-of-State companies to collect sales taxes on tangible personal property sold to residents of the State or local jurisdiction. Requirements:

> *The company must solicit or conduct business in the State or local jurisdiction.
>
> *The company must deliver the tangible personal property into the State or local jurisdiction.

*<u>De Minimus Provision</u>: A company will be exempt if its nationwide sales are less than $3 million. The exemption will not apply, however, in any State where the company's sales exceed $100,000.

*<u>Central Collection of Local Taxes Required</u>: To utilize this law, a State must collect local sales taxes on behalf of its local jurisdictions.

*<u>Standard Local Sales Tax Option</u>: If local sales taxes vary within a State, companies will have the option of paying all applicable local tax rates or a standard local rate called the "in-lieu fee."

*<u>Distribution of Local Sales Taxes</u>: States must distribute local taxes collected pursuant to this law proportionate to the distribution of local taxes collected separate from this law -- i.e., local taxes collected from out-of-State companies will be distributed proportionate to local taxes collected from in-State companies. Distributions must occur at least once every calendar quarter.

*<u>Filing Frequency</u>: States may not require out-of-State companies to file tax returns more than once every calendar quarter.

*<u>Toll-Free Information Service</u>: States must establish a toll-free information service to provide out-of-State companies with necessary information and forms.

SUPPORTERS OF
THE TAX FAIRNESS FOR MAIN STREET BUSINESS ACT OF 1994

Retail Associations

Home Furnishing International
International Council of Shopping Centers
Jewelers of America
Marine Operators Association of America
Marine Retailers Association of America
Microcomputer Industry Association
National Association of Retail Dealers of America
National Home Furnishing Association
Performance Warehouse Association
The National Floor Covering Association

State and Local Government Associations

National Governors' Association
National Conference of State Legislatures
National Association of Counties
National League of Cities
U.S. Conference of Mayors
Multistate Tax Commission
Federal Tax Administrators
Government Finance Officers Association
National Association of State Budget Officers
National Association of State Auditors, Comptrollers and Treasurers
National Association of State Treasurers

Education and Labor Organizations

AFL-CIO Public Employees Department
American Federation of State, County and Municipal Employees
American Federation of Teachers
National School Boards Association

Table 1: Estimated Revenue Potential on Untaxed Interstate Mail Order Sales, 1990-1992 (in millions)

	State Mail Order Base 1990	Nexus-Adjusted Base 1990	Estimated Revenue Potential 1990	Estimated Revenue Potential 1991	Estimated Revenue Potential 1992
Alabama	$861.5	$775.9	$30.8	$32.6	$34.6
Arizona	868.8	782.5	38.4	40.7	43.2
Arkansas	495.5	446.3	17.7	18.8	19.9
California	8,911.7	8,026.2	394.1	417.8	442.9
Colorado	888.2	800.0	23.6	25.0	26.5
Connecticut	1,217.2	1,096.3	81.4	86.3	91.5
District of Columbia	217.4	195.8	11.5	12.2	12.9
Florida	3,474.4	3,129.2	183.7	194.8	206.4
Georgia	1,603.8	1,444.5	57.3	60.7	64.4
Hawaii	315.9	284.5	11.3	12.0	12.7
Idaho	220.2	198.3	9.8	10.4	11.1
Illinois	3,367.1	3,032.5	189.5	200.9	213.0
Indiana	1,358.1	1,223.2	60.1	63.7	67.5
Iowa	685.1	617.0	24.2	25.7	27.2
Kansas	639.3	575.8	24.3	25.7	27.3
Kentucky	799.3	719.9	42.4	45.0	47.7
Louisiana	886.0	798.0	31.4	33.2	35.2
Maine	301.6	271.6	12.7	13.5	14.3
Maryland	1,514.4	1,364.0	66.7	70.7	75.0
Massachusetts	1,978.9	1,782.3	84.7	89.8	95.2
Michigan	2,480.3	2,233.9	83.6	88.6	93.9
Minnesota	1,204.3	1,084.7	58.6	62.1	65.8
Mississippi	479.8	432.1	25.7	27.3	28.9
Missouri	1,299.3	1,170.2	49.0	52.0	55.1
Nebraska	385.9	347.6	16.3	17.2	18.3
Nevada	331.8	298.8	16.9	17.9	19.0
New Jersey	2,801.0	2,522.7	159.0	168.5	178.6
New Mexico	308.8	278.1	13.9	14.7	15.6
New York	5,666.4	5,103.3	190.2	201.6	213.7
North Carolina	1,536.5	1,383.9	41.2	43.6	46.3
North Dakota	133.2	120.0	5.9	6.2	6.6
Ohio	2,738.8	2,466.7	115.4	122.3	129.6
Oklahoma	700.0	630.5	28.1	29.8	31.6
Pennsylvania	3,206.3	2,887.7	164.1	173.9	184.3
Rhode Island	273.1	246.0	16.3	17.3	18.3
South Carolina	755.2	680.2	33.7	35.8	37.9
South Dakota	143.5	129.3	5.1	5.4	5.8
Tennessee	1,206.5	1,009.3	55.1	58.4	61.9
Texas	4,058.7	3,655.4	213.7	226.5	240.1
Utah	344.2	310.0	15.4	16.3	17.3
Vermont	142.3	128.1	5.0	5.3	5.7
Virginia	1,786.9	1,609.4	53.2	56.4	59.8
Washington	1,314.7	1,184.1	69.8	74.0	78.4
West Virginia	356.4	321.0	19.1	20.2	21.5
Wisconsin	1,255.0	1,130.3	52.9	56.0	59.4
Wyoming	102.8	92.5	2.8	2.9	3.1
Total	65,530.3	59,019.6	2,905.5	3,079.9	3,264.7

WR-#

State Taxation of Interstate Mail Order Sales: Estimates of Revenue Potential 1990-1992

by Advisory Commission on Intergovernmental Relations (Report #M-179)

Introduction

Consumers who purchase goods from out-of-state mail order firms owe a use tax on taxable purchases equivalent to what would have been owed if they had made the purchase from an in-state firm. Although most states have had use taxes as long as they have had sales taxes, the use tax is quite difficult to collect unless the out-of-state seller has some nexus or physical link to the state that permits the state to require collection, according to the U.S. Supreme Court in *National Bellas Hess* (1967). This report estimates the potential revenue from collecting state (and local) sales or use tax on those sales that are presently untaxed. Currently, 45 states impose a sales and use tax. In 30 of those states, local sales taxes are also imposed (local sales taxes were authorized but not imposed in Idaho and South Carolina as of early 1991).

Highlights

The major findings are as follows:

- The revenue potential to states from untaxed interstate mail order sales is estimated to be \$2.91 billion in 1990, with projections of \$3.08 billion in 1991 and \$3.27 billion in 1992.
- For the average sales tax state, the 1990 potential use tax revenue was \$63.2 million.
- The 1990 estimated nexus-adjusted revenue potential represents an increase of 73 percent over the comparable 1985 estimates and a 34 percent increase over the 1988 estimates presented in an earlier ACIR report (SR-5, 1987).
- If states that impose a local sales tax at a state-wide uniform rate were allowed to collect that tax as well, the revenue potential from untaxed interstate mail order sales is estimated to be \$3.07 billion in 1990, with projections of \$3.26 billion in 1991 and \$3.45 billion in 1992.
- If all local jurisdictions with sales taxes were allowed to collect those taxes on interstate mail order sales, the revenue potential from untaxed interstate mail order sales is estimated to be \$3.49 billion in 1990, with projections of \$3.69 billion in 1991 and \$3.91 billion in 1992.
- If a *de minimis* rule exempted mail order firms with sales of \$5 million or less from the obligation to collect the tax in order to reduce compliance and collection cost, 93 percent of mail order firms would be exempt (based on Census size data). The estimated revenue potential would fall to \$2.09 billion in 1990, with projections of \$2.25 billion in 1991 and \$2.41 billion in 1992.
- If a *de minimis* rule exempted mail order firms with sales of \$10 million or less from the obligation to collect the tax in order to reduce compliance and collection cost, 97 percent of mail order firms would be exempt (based on Census size data). The estimated revenue potential would fall to \$1.93 billion in 1990, with projections of \$2.08 billion in 1991 and \$2.22 billion in 1992.

Methodology: Overview

The methodology of estimation is straightforward. We develop a base of total mail order sales that are potentially taxable, apportion those sales among the 45 states with sales and use taxes in proportion to 1990 U.S. personal income, and adjust that figure for the amount that we estimate to be already subject to sales or use taxes. The resulting figure is the nexus-adjusted state base. We then develop an exemption-adjusted rate for each state that reflects the proportion of mail order purchases in each state that consists of items subject to the sales and use tax. The exemption-adjusted rate is then applied to the nexus-adjusted base for each state to arrive at a state-estimated revenue potential. State potential revenues are then summed to develop the national estimates.

Overall Base Estimates

Data from the *1987 Census of Retail Trade* show that the 1,503,593 retail stores with payroll in the U.S. had sales totaling \$1.5 trillion. In 1982, 1,421,988 stores had sales of \$1.0 trillion.

The adjusted mail order sales and use tax base is based on data from Arnold Fishman's *Guide to Mail Order Sales 1990*. The decision to use Fishman rather than the *Census of Retail Trade* is consistent with the 1987 estimates. In addition to being less recent, the Census data are much less comprehensive than Fishman because they only identify firms whose primary business is mail order. A significant amount of mail order trade is with firms for whom it is a secondary line of business.

Fishman identifies mail order sales of products to consumers of \$54.49 billion and sales of services to consumers of \$32.5 billion for a total of \$87 billion. An additional \$50.4 billion of mail order products were sold to business firms.

These sales total $130.4 billion. We included all consumer products in the original base because most state sales and use taxes cover tangible goods purchased by consumers (adjustments for exemptions are made later). Although a few states tax most services and a few services purchased by mail are widely taxed (e.g., photo finishing), for simplicity, we excluded all consumer services from the base.

Finally, we included 25 percent of business purchases in the base, a somewhat arbitrary figure that was used in earlier ACIR estimates. A review of the composition of business purchases suggests that 25 percent is quite conservative. A large share of such purchases consists of office supplies and furnishings and electronic equipment. Because such purchases are final sales (not directly incorporated in the final product), they would be taxable in many states. However, given that the 25 percent figure was used in the 1985 and 1987 estimates, we preserved that figure for consistency.

The resulting estimate of mail order sales for 1990, prior to applying state exemptions of certain items, is $67.09 billion. These sales were then apportioned among the 50 states and the District of Columbia on the basis of the proportion of U.S. personal income received in each state. After excluding mail order sales to those states without sales taxes, there will be a total base of $65.53 billion apportioned among the 45 states and the District of Columbia that have a sales tax.

Nexus Adjustment

This base must be adjusted for taxes currently being collected because of nexus or other reasons. We subtracted the sales of Sears, Penney's, and Montgomery Ward, which meet the nexus test in most states, and the sales of the Home Shopping Club and the QVC network, which are in voluntary compliance. We also adjusted for nexus in the home states of mail order firms, using *Census of Retail Trade* 1987 data to estimate the share of mail order sales originating in each state. We assumed that in-state sales were also proportional to personal income in that state. This base reduction was then also distributed among states in proportion to their personal income. The result is a nexus-adjusted potential revenue base of $59.02 billion.

Exemption-Adjusted Rates

The 1990 state sales tax rate for each state was adjusted to account for four commonly used exemptions that involve a significant share of mail order purchases: food, clothing, prescription and nonprescription drugs (separately), and magazine subscriptions. In each state where one or more of these categories was exempt from the sales and use tax, we adjusted the rate for the proportion of total mail order purchases accounted for by this item. For example, clothing accounts for 3.885 percent of consumer product mail order sales, and consumer products are 81.2 percent of the mail order base used in our estimates, so we reduced the effective tax rate in each state that exempts clothing by 3.155 percent (3.885 X 0.812) of the official rate. (In Connecticut, the adjustment was smaller because that state only exempts clothing for children under age 10.) The result of these adjustments was an exemption-adjusted effective sales tax rate in each state. The average adjusted sales tax rate for the 45 states and the District of Columbia was 4.92 percent.

Estimated Revenue Potential

The final step was to apply this exemption-adjusted rate to the nexus-adjusted base to arrive at an estimated revenue potential for 1990 for each of the 45 states with sales taxes and the District of Columbia. The resulting state-by-state estimates for 1990 are reported in Table 1. We place more confidence in the aggregate figure than in the individual state estimates because our allocation among states is at best an approximation. (Some states may make more mail-order purchases relative to personal income than others, depending on how rural they are, how many elderly persons there are in the state, the distribution of increasingly upscale purchases by mail, etc.) The total revenue potential is estimated at $2.91 billion dollars for 1990.

As the recession continues, we chose to make conservative projections of growth in the base and the revenue potential for 1991 and 1992, estimating six percent growth each year (the same rate as Fishman reported for 1990). We adjusted state sales tax rates to reflect tax increases in some states taking effect either in January or July of 1991. Thus, revenue potential is estimated to rise to $3.08 billion in 1991 and $3.26 billion in 1992.

Comparison to Prior Estimates

It should be noted that the 1990 estimated revenue potential represents a 73 percent increase over ACIR's estimates for 1985 and a 34 percent increase over the projected revenue potential for 1988 in the 1987 ACIR report, *Estimates of Revenue Potential From State Taxation of Out-of-State Mail Order Sales* (SR-5). This increase is more than one would expect from growth rates of mail order sales ranging from six to 10 percent per year in the intervening period. In fact, we anticipated a smaller increase because we chose to make further adjustments for exemption of purchases of drugs and a more generous nexus adjustment for in-state mail order sales than in previous estimates. However, Fishman points out in both his 1989 Guide and his 1990 Guide that the increase in reported mail order sales in both years is considerably larger than the actual growth. The difference is accounted for by improved reporting, resulting in a more accurate and inclusive data base. For example, between 1988 and 1989, Fishman's reported total mail order sales grew by 12.6 percent, of which eight percent was actual sales growth and 4.6 percent was the result of improved reporting.

Further Refinements

Local Taxes. Numerous efforts have been made in the last ten years to reverse *National Bellas Hess* either through litigation or legislation. In the course of those efforts, two issues have arisen repeatedly. One is the collection of local taxes by cities, counties, and school districts. The other is the possibility of a *de minimis* rule that would exempt small firms from the obligation to collect the tax. Both of these refinements involve several issues, including trading off revenue considerations against compliance costs. It is not the purpose of this report to weigh the merits of either of these issues, but merely to provide some adjusted revenue estimates that reflect both of these possibilities.

Local Tax Collections. Tables 2 and 3 present combined state and local revenue potential under two different assumptions. The first assumption, reflected in Table 2, is that the local tax is only collected in those states that have a uniform statewide tax rate applied in all jurisdictions of one kind (counties or municipalities). Five states (California, North Carolina, Utah, Virginia, and Washington) meet this test. This proposal involves little if any increased compliance cost. If mail order firms were required to collect these local taxes as well as state taxes in all states, the resulting revenue would be $3.07 billion instead of $2.91 billion. The projections for 1991 and 1992 are $3.26 billion and $3.45 billion, respectively.

The second assumption is that all local jurisdictions would be entitled to collect the tax. The revenue estimates in Table 3 are based on the ratio of local to state tax collections in states that were collecting local sales taxes by the beginning of 1990. These estimates do not include jurisdictions that have adopted local sales taxes since January 1990 (including those in Pennsylvania and South Carolina where local governments have been allowed to adopt the tax after that date). This assumption increases the revenue potential from taxing presently untaxed mail order purchases to $3.49 billion in 1990, rising to $3.69 billion in 1991 and $3.91 billion in 1992. Note that the estimates are different from the five states with statewide uniform local rates. Although revenue potential is greater under the second assumption, estimated revenue potential may be lower in some states than under the earlier (uniform local rate) assumption because they reflect the actual ratio of local to state tax collections. In some states, it is possible that state taxes are collected without collecting the corresponding local taxes.

de Minimis Rule. The application of a *de minimis* rule would reduce revenue potential (and also reduce compliance costs) by exempting very small firms. We applied two *de minimis* rules: firms with sales less than $5 million and less than $10 million. These two figures are based on size distribution data from the *1987 Census of Retail Trade* applied to the broader base developed from Fishman. The *de minimis* rules are applied to the estimated state tax revenue potential only, and do not include estimated local sales tax revenue potential.

The exclusion of firms with less than $5 million in sales would exempt 93 percent of mail order firms from compliance. The exclusion of these smaller firms from the base reduced the original base by 25.5 percent from $67.09 billion to $49.98 billion at the $5 million sales threshold level. The estimated revenue potential for 1990 with a $5 million *de minimis* rule, shown in Table 4, is $2.09 billion.

The exclusion of firms with less than $10 million in sales would exempt 97 percent of mail order firms from compliance. The exclusion of these firms from the base reduces the original base by 30.5 percent, from $67.09 billion to $46.63 billion at the $10 million sales threshold level. At a threshold of $10 million in sales, the estimated revenue potential in 1990 becomes $1.93 billion, as shown in Table 4.

Concluding Comments

Several cautions should be attached to these estimates. First, they are based on current reporting of mail order sales. There may be unreported mail order sales that are not included. Second, one of the most difficult figures to determine is the nexus adjustment, correcting for taxes already being collected. As a result of stepped-up state enforcement in recent years, this figure may be higher than our estimates, reducing the estimated revenue potential from untaxed mail order sales.

Third, we believe that the share of business purchases that would fall in the tax realm is higher than we thought to be the case in earlier estimates. For consistency, we kept that ratio the same as before. However, business mail order purchases consist largely of office supplies and equipment, which are taxable in many states. This limited inclusion of business purchases probably makes the revenue estimates too low.

On the other hand, it is possible that more firms may be either meeting the nexus test or are in voluntary compliance than we allowed for, so the nexus correction may be too high. In that case, estimated revenue potential would be overstated. Given these offsetting errors, the resulting estimates of revenue potential should be used with caution.

Finally, if states are able to tax a broader range of mail order sales than is presently feasible, they may experience increases in sales and use tax revenues close to those projected in this report, but some of that revenue may come from in-state firms rather than mail order firms. These revenue projections do not attempt to take account of any switching of purchases between in-state and mail order sellers as a result of changes in tax obligation.

References

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U.S. Advisory Commission on Intergovernmental Relations, *State and Local Taxation of Interstate Mail Order Sales* (A-105), April 1986.

U.S. Advisory Commission on Intergovernmental Relations, *Estimated Revenue Potential from State Taxation of Out-of State Mail Order Sales* (SR-5), September 1987.

U.S. Department of Commerce, Bureau of the Census, *1987 Census of Retail Trade*.

Summary: Revenue Potential Estimates, 1990-1992 (in millions)

	1990 Base*	Nexus Adjusted Base	Estimated Revenue Potential 1990	1991	1992
State Tax Only	$65.530	$59.020	$2.906	$3.080	$3.265
State/Uniform Local	$65.530	$59.020	$3.072	$3.256	$3.451
State/All Local	$65.530	$59.020	$3.488	$3.694	$3.914
$5.000.000 de Minimis	$48.820	$42.309	$2.087	$2.249	$2.411
$10.000.000 de Minimis	$45.544	$39.033	$1.925	$2.075	$2.224

*Less than $67.09 billion because it includes only the 45 states and D.C. with sales taxes.

Table 1: Estimated Revenue Potential on Untaxed Interstate Mail Order Sales, 1990-1992 (in millions)

	State Mail Order Base 1990	Nexus-Adjusted Base 1990	Estimated Revenue Potential 1990	Estimated Revenue Potential 1991	Estimated Revenue Potential 1992
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Georgia	1,603.8	1,444.5	57.3	60.7	64.4
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Idaho	220.2	198.3	9.8	10.4	11.1
Illinois	3,367.1	3,032.5	189.5	200.9	213.0
Indiana	1,358.1	1,223.2	60.1	63.7	67.5
Iowa	685.1	617.0	24.2	25.7	27.2
Kansas	639.3	575.8	24.3	25.7	27.3
Kentucky	799.3	719.9	42.4	45.0	47.7
Louisiana	886.0	798.0	31.4	33.2	35.2
Maine	301.6	271.6	12.7	13.5	14.3
Maryland	1,514.4	1,364.0	66.7	70.7	75.0
Massachusetts	1,978.9	1,782.3	84.7	89.8	95.2
Michigan	2,480.3	2,233.9	83.6	88.6	93.9
Minnesota	1,204.3	1,084.7	58.6	62.1	65.8
Mississippi	479.8	432.1	25.7	27.3	28.9
Missouri	1,299.3	1,170.2	49.0	52.0	55.1
Nebraska	385.9	347.6	16.3	17.2	18.3
Nevada	331.8	298.8	16.9	17.9	19.0
New Jersey	2,801.0	2,522.7	159.0	168.5	178.6
New Mexico	308.8	278.1	13.9	14.7	15.6
New York	5,666.4	5,103.3	190.2	201.6	213.7
North Carolina	1,536.5	1,383.9	41.2	43.6	46.3
North Dakota	133.2	120.0	5.9	6.2	6.6
Ohio	2,738.8	2,466.7	115.4	122.3	129.6
Oklahoma	700.0	630.5	28.1	29.8	31.6
Pennsylvania	3,206.3	2,887.7	164.1	173.9	184.3
Rhode Island	273.1	246.0	16.3	17.3	18.3
South Carolina	755.2	680.2	33.7	35.8	37.9
South Dakota	143.5	129.3	5.1	5.4	5.8
Tennessee	1,206.5	1,009.3	55.1	58.4	61.9
Texas	4,058.7	3,655.4	213.7	226.5	240.1
Utah	344.2	310.0	15.4	16.3	17.3
Vermont	142.3	128.1	5.0	5.3	5.7
Virginia	1,786.9	1,609.4	53.2	56.4	59.8
Washington	1,314.7	1,184.1	69.8	74.0	78.4
West Virginia	356.4	321.0	19.1	20.2	21.5
Wisconsin	1,255.0	1,130.3	52.9	56.0	59.4
Wyoming	102.8	92.5	2.8	2.9	3.1
Total	65,530.3	59,019.6	2,905.5	3,079.9	3,264.7

Table 2: Estimated Revenue Potential on Untaxed Interstate Mail Order Sales, 1990-1992 Including Statewide Uniform Local Taxes* (in millions)

	State Mail Order Base 1990	Nexus-Adjusted Base 1990	Estimated Revenue Potential 1990	Estimated Revenue Potential 1991	Estimated Revenue Potential 1992
Alabama	$861.5	$775.9	$30.8	$32.6	$34.6
Arizona	868.8	782.5	38.4	40.7	43.2
Arkansas	495.5	446.3	17.7	18.8	19.9
California	8,911.7	8,026.2	492.7	522.2	553.6
Colorado	888.2	800.0	23.6	25.0	26.5
Connecticut	1,217.2	1,096.3	81.4	86.3	91.5
District of Columbia	217.4	195.8	11.5	12.2	12.9
Florida	3,474.4	3,129.2	183.7	194.8	206.4
Georgia	1,603.8	1,444.5	57.3	60.7	64.4
Hawaii	315.9	284.5	11.3	12.0	12.7
Idaho	220.2	198.3	9.8	10.4	11.1
Illinois	33,367.1	3,032.5	189.5	200.9	213.0
Indiana	1,358.1	1,223.2	60.1	63.7	67.5
Iowa	685.1	617.0	24.3	25.7	27.2
Kansas	639.3	575.8	24.3	25.7	27.3
Kentucky	799.3	719.9	42.4	45.0	47.7
Louisiana	886.0	798.0	31.4	33.3	35.2
Maine	301.6	271.6	12.7	13.5	14.3
Maryland	1,514.4	1,364.0	66.7	70.7	75.0
Massachusetts	1,978.9	1,782.3	84.7	89.8	95.2
Michigan	2,480.3	2,233.7	83.6	88.6	93.9
Minnesota	1,204.3	1,084.7	58.6	62.1	65.8
Mississippi	479.8	432.1	25.7	27.3	28.9
Missouri	1,299.3	1,170.2	49.0	52.0	55.1
Nebraska	385.9	347.6	16.3	17.2	18.3
Nevada	331.8	298.8	16.9	17.9	19.0
New Jersey	2,801.0	2,522.7	159.0	168.5	178.6
New Mexico	308.8	278.1	13.9	14.7	15.6
New York	5,666.4	5,103.3	190.2	201.6	213.7
North Carolina	1,536.5	1,383.9	68.6	72.7	77.1
North Dakota	133.2	120.0	5.9	6.2	6.6
Ohio	2,738.8	2,466.7	115.4	122.3	129.6
Oklahoma	700.0	630.5	28.1	29.8	31.6
Pennsylvania	3,206.3	2,887.7	164.1	173.9	184.4
Rhode Island	273.1	246.0	16.3	17.3	18.3
South Carolina	755.2	680.2	33.7	35.8	37.9
South Dakota	143.5	129.3	5.1	5.4	5.8
Tennessee	1,206.5	1,009.3	55.1	58.4	61.9
Texas	4,058.7	3,655.4	213.7	226.5	240.1
Utah	344.2	310.0	19.2	20.4	21.6
Vermont	142.3	128.1	5.0	5.3	5.7
Virginia	1,786.9	1,609.4	68.4	72.5	76.9
Washington	1,314.7	1,184.1	90.7	96.2	101.9
West Virginia	356.4	321.0	19.1	20.2	21.5
Wisconsin	1,255.0	1,130.3	52.9	56.0	59.4
Wyoming	102.8	92.5	2.8	3.0	3.1
Total	65,530.3	59,019.6	3,071.5	3,255.8	3,451.2

*California, North Carolina, Utah, Virginia and Washington.

Table 3: Estimated State and Local Revenue Potential on Untaxed Interstate Mail Order Sales, 1990-1992 (in millions)

	State Mail Order Base 1990	Nexus-Adjusted Base 1990	Estimated Revenue Potential 1990	Estimated Revenue Potential 1991	Estimated Revenue Potential 1992
Alabama	$861.5	$775.9	$48.0	$50.9	$53.9
Arizona	868.8	782.5	46.6	49.4	52.4
Arkansas	495.5	446.3	20.5	21.6	22.9
California	8,911.7	8,026.2	472.8	498.8	526.2
Colorado	888.2	800.0	33.4	35.4	37.6
Connecticut	1,217.2	1,096.3	81.4	86.3	91.5
District of Columbia	217.4	195.8	11.5	12.2	12.9
Florida	3,474.4	3,129.2	184.0	195.1	206.8
Georgia	1,603.8	1,444.5	79.9	84.7	89.8
Hawaii	315.9	284.5	11.3	12.0	12.7
Idaho	220.2	198.3	9.8	10.4	11.1
Illinois	3,367.1	3,032.5	261.4	277.1	293.7
Indiana	1,358.1	1,223.2	60.0	63.7	67.5
Iowa	685.1	617.0	24.6	26.1	27.7
Kansas	639.3	575.8	30.2	32.0	33.9
Kentucky	799.3	719.9	42.4	45.0	47.7
Louisiana	886.0	798.0	55.9	59.3	62.8
Maine	301.6	271.6	12.7	13.5	14.3
Maryland	1,514.4	1,364.0	66.7	70.7	75.0
Massachusetts	1,978.9	1,782.3	84.7	89.8	95.2
Michigan	2,480.3	2,233.7	83.6	88.6	93.9
Minnesota	1,204.3	1,084.7	63.3	66.8	70.8
Mississippi	479.8	432.1	25.8	27.3	29.0
Missouri	1,299.3	1,170.2	65.9	69.9	74.1
Nebraska	385.9	347.6	19.1	20.2	21.4
Nevada	331.8	298.8	17.1	18.1	19.2
New Jersey	2,801.0	2,522.7	159.0	168.5	178.6
New Mexico	308.8	278.1	16.7	17.7	18.7
New York	5,666.4	5,103.3	348.7	369.7	391.9
North Carolina	1,536.5	1,383.9	61.1	64.1	68.0
North Dakota	133.2	120.0	6.1	6.5	6.9
Ohio	2,738.8	2,466.7	132.3	140.3	148.7
Oklahoma	700.0	630.5	46.1	48.8	51.8
Pennsylvania	3,206.3	2,887.7	164.1	173.9	184.3
Rhode Island	273.1	246.0	16.3	17.3	18.3
South Carolina	755.2	680.2	33.7	35.8	37.9
South Dakota	143.5	129.3	6.7	7.0	7.5
Tennessee	1,206.5	1,009.3	71.9	76.2	80.8
Texas	4,058.7	3,655.4	256.1	271.5	287.8
Utah	344.2	310.0	18.8	19.9	21.1
Vermont	142.3	128.1	5.0	5.3	5.7
Virginia	1,786.9	1,609.4	71.6	75.9	80.4
Washington	1,314.7	1,184.1	85.6	90.7	96.1
West Virginia	356.4	321.0	19.1	20.2	21.5
Wisconsin	1,255.0	1,130.3	53.4	56.6	59.9
Wyoming	102.8	92.5	3.4	3.6	3.8
Total	65,530.3	59,019.6	3,488.4	3,694.4	3,913.5

Table 4: Estimated Revenue Potential on Untaxed Interstate Mail Order Sales, 1990-1992 With de Minimis Exemption ($5 or $10 Million) (in millions)

	Revenue Potential With $10 Million de Minimis			Revenue Potential With $5 Million de Minimis		
	1990	1991	1992	1990	1991	1992
Alabama	$20.4	$21.6	$22.9	$22.1	$23.4	$24.8
Arizona	25.4	26.9	28.6	27.6	29.2	31.0
Arkansas	11.7	13.2	14.0	12.7	14.3	15.2
California	260.7	303.9	351.5	282.6	329.5	381.0
Colorado	15.6	16.5	17.5	16.9	17.9	19.0
Connecticut	53.7	49.8	45.3	58.2	54.0	49.1
District of Columbia	7.6	8.1	8.5	8.2	8.7	9.3
Florida	121.5	128.8	136.5	131.7	139.6	148.0
Georgia	37.9	40.2	42.6	41.1	43.5	46.2
Hawaii	7.5	7.9	8.4	8.1	8.6	9.1
Idaho	6.5	6.9	7.3	7.1	7.5	7.9
Illinois	125.3	132.9	140.8	135.9	144.0	152.7
Indiana	39.7	42.1	44.6	43.1	45.6	48.4
Iowa	16.0	17.0	18.0	17.4	18.4	19.5
Kansas	16.1	17.0	18.0	17.4	18.4	19.5
Kentucky	28.1	29.7	31.5	30.4	32.2	34.2
Louisiana	20.7	22.0	23.3	22.5	23.8	25.3
Maine	8.4	9.8	11.3	9.1	10.6	12.2
Maryland	44.1	46.8	49.6	47.8	50.7	53.8
Massachusetts	56.0	59.4	62.9	60.7	64.4	68.2
Michigan	55.3	58.6	62.1	59.9	63.5	67.3
Minnesota	38.7	42.8	47.2	42.0	46.4	51.1
Mississippi	17.0	18.0	19.1	18.4	19.5	20.7
Missouri	32.4	34.4	36.4	35.2	37.3	39.5
Nebraska	10.7	11.4	12.1	11.7	12.4	13.1
Nevada	11.2	11.8	12.5	12.1	12.8	13.6
New Jersey	105.1	111.4	118.1	114.0	120.8	128.0
New Mexico	9.2	9.7	10.3	10.0	10.6	11.2
New York	125.8	133.3	141.3	136.4	144.5	153.2
North Carolina	27.2	38.5	40.8	29.5	41.7	44.2
North Dakota	3.9	4.1	4.4	4.2	4.5	4.7
Ohio	76.3	80.9	85.7	82.7	87.7	92.9
Oklahoma	18.6	19.7	20.9	20.2	21.4	22.7
Pennsylvania	108.5	115.0	121.9	117.6	124.7	132.2
Rhode Island	10.8	11.4	12.1	11.7	12.4	13.2
South Carolina	22.3	23.6	25.1	24.2	25.6	27.2
South Dakota	3.4	3.6	3.8	3.7	3.9	4.1
Tennessee	36.4	38.6	40.9	39.5	41.8	44.3
Texas	141.3	149.8	158.8	153.2	162.4	172.1
Utah	10.2	10.8	11.4	11.0	11.7	12.4
Vermont	3.3	4.4	4.7	3.6	4.8	5.1
Virginia	35.2	37.3	39.3	38.2	40.4	42.9
Washington	50.0	53.0	56.2	54.2	57.4	60.9
West Virginia	12.6	13.4	14.2	13.7	14.5	15.4
Wisconsin	35.0	37.1	39.3	37.9	40.2	42.6
Wyoming	1.8	1.9	2.0	2.0	2.1	2.2
Total	1,925.3	2,075.2	2,224.2	2,086.9	2,249.4	2,410.9

2/25/94

Bruce,

Thanks for talking w/ me about Sen. Bumpers' bill on interstate sales tax collection. I've included ~~the~~ bill and some background info for your use.

We now have 2 more cosponsors - Mathews & Kempthorne and we're talking with

STANLEY G. FENDLEY
TAX COUNSEL

SMALL BUSINESS COMMITTEE
UNITED STATES SENATE

428A RUSSELL
WASHINGTON, D. C. 20510
(202) 224-5175

a couple of Congressmen
about the companion
bill.

I would welcome
any ideas you
might have on
how this bill might
fit in w/ other
initatives from the
White House.

Thanks.

Stan Paulley

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II

103D CONGRESS
2D SESSION

S. 1825

To authorize collection of certain State and local taxes with respect to the sale, delivery, and use of tangible personal property.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 3 (legislative day, JANUARY 25), 1994

Mr. BUMPERS (for himself, Mr. COCHRAN, Mr. CONRAD, Mr. DORGAN, Mr. HEFLIN, Mr. BOREN, and Mr. GRAHAM) introduced the following bill; which was read twice and referred to the Committee on Finance

---

A BILL

To authorize collection of certain State and local taxes with respect to the sale, delivery, and use of tangible personal property.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Tax Fairness for Main Street Business Act of 1994".

SEC. 2. FINDINGS.

The Congress finds that—

(1) sales by out-of-State firms already are subject to State and local sales taxes, but State and

June 7, 1993

SUBJECT: MONEY FOR WELFARE REFORM

Here is a proposal you can put to Moynihan as proof of your commitment to welfare reform: Increase funding for the JOBS program by $250 million in both FY94 and FY95, as a way to raise the federal matching rate of 85% in states that begin early implementation of time-limited welfare.

According to his staff, Moynihan has two goals for welfare reform, which you share: 1) increase the federal match for JOBS so that states can afford to implement the Family Support Act; and 2) move toward a system of time-limited welfare. This proposal would enable us to waive the current cost-neutrality rules for demonstrations in states that want to move toward time-limited welfare.

This proposal should pass muster with the Byrd rule, which is being interpreted to allow expansion of an existing program. It would also please the governors, particularly in industrial states where the current federal match is only about 60%. A temporary adjustment in the JOBS matching rate was included in the tax bill Bush vetoed last year (although that provision did not address time-limited welfare). In the meantime, the AFDC caseload has grown to record levels, passing the 5 million mark.

If you raise this idea with Moynihan, you may have to persuade him that it isn't just a token effort on our part, but an important downpayment on welfare reform that will significantly improve the prospects of getting the sweeping reform plan we'll propose late this year. This isn't a substitute for ending welfare as we know it; it's a way both to build on the Family Support Act and to underscore that welfare reform is a make-or-break element of this Administration's agenda.

Date:______

Time:___:___

THE WHITE HOUSE

FAX COVER SHEET

TO: Al From

Phone: (___)

FAX: (___) 546-5554

FROM: Bruce Reed

Phone: (202) 456-6515

Pages following cover sheet = 1

To: Bruce

Date: 4/20 Time: 7:30

WHILE YOU WERE OUT

M: Wendell Primus

of:

Phone: 690-7409

Area Code Number Extension

TELEPHONED	✓	PLEASE CALL	✓
CALLED TO SEE YOU		WILL CALL AGAIN	
WANTS TO SEE YOU		URGENT	

RETURNED YOUR CALL

Message: 9A-95

Home

~~40~~ → 20 maintenance of effort

300-500 94

703-356-2347

600-800 95

Operator

negotiating tool

At end of reconciliation Don't set PAYGO scorecard to zero for welfare reform

1-2-3-4-5 = Put half of that away for WR bill credit

KEY PTS FOR MEMO

Discussions w/Ellwood, d/R discussions w/Finance Comm.
- We can beat Byrd w (see below)
- HHS would have discretion to pick states, grant waivers of cost neutrality

Note: Current match
HR 11 - temporary adjust in match

Stress to Moynihan
* genuine downpayment - not token effort
* plan this fall to end welfare as know it, but want to show commitment now.
* he'll only go for this if you're serious

Note to Mack
~~Be part of it~~
-

Timeline
- no major speech
- NGA OK - Tulsa

Little $, go to table w/Moynihan
- $ for specific for purpose
Moynihan

up to $4m - 5%
1115 new authorization
- HCFA + us
-

Offner 6/4/93

Expansion of existing program is likely to pass muster
JOBS - building on JOBS
try out time-limited

Broad demonstration - demon authority
Howard Ralston

First step
Not token
Serious stuff will come soon

Howard Ralston
401-9220

Offner - 547 4958

Ellwood
617-729-2565

60
15-10-5-
15-12-4-~~70~~

HR.11 - temporarily adjust the match
- Maintenance of effort

400m - 5 yr.

at Sec's discretion
early implementation of ~~states~~ welfare reform programs in furtherance of improved child support enforcement and transitional time-limited welfare

Administratively
when you come in for waiver
Cost neutrality - Reagan policy - cost neutrality over 5 yr period
Wouldn't need more $ - they're entitlements

JOBS program - capped entitlement
Could probably pass Byrd for demons for purpose of limiting time 224-4515
85% - higher matching rate

$250m - $250m
85%

50-80%

$500m over 2 yrs.

Boren - admin - 50
program - NY 60
Miss 80

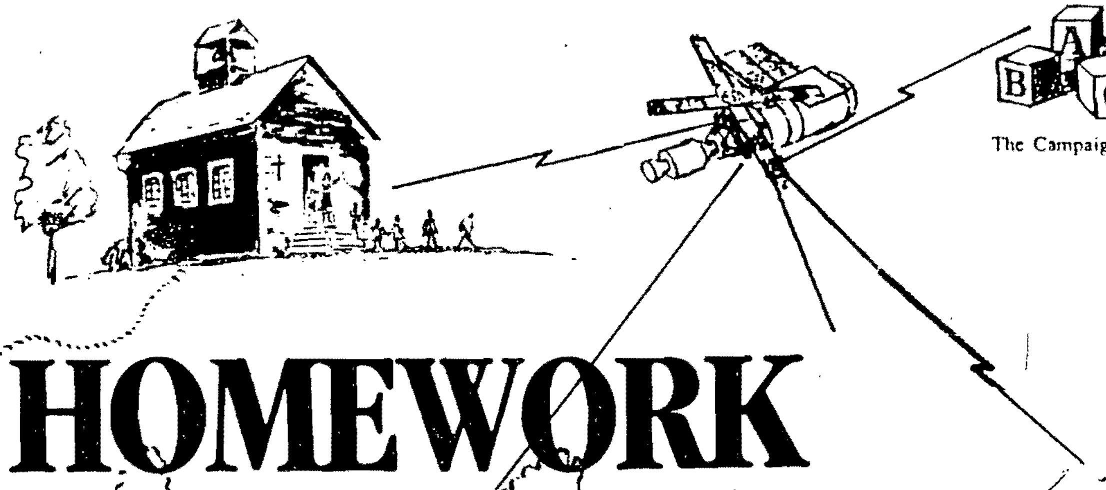
* Early Implem. of W. Reform ~~that moves~~ toward the goal of time-limited welfare
- 250m
- 85%

HITEC SATELLITE CORP. HOMEWORK VIDEOLINE ™

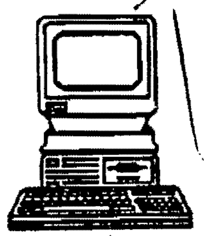
ABC HITEC SCHOOLS

ADVOCATES FOR BETTER CULTURE

The Campaign to Improve Literacy TLC ™



HOMEWORK HOTLINE



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Seal Beach, Ca., 90740 (310) 592-3791

TO: The Secretary
Through: DS____
COS____
ES____

FROM: Jerry Klepner
Assistant Secretary for Legislation

SUBJECT: Meeting with Senator Daniel Patrick Moynihan on Tuesday, June 21, 1994 at 5:30 PM in 464 Russell - BRIEFING

CONGRESSIONAL PARTICIPANTS

Senator Daniel Patrick Moynihan (D-NY)

ADMINISTRATION PARTICIPANTS (Subject to Change)

Jerry Klepner, Assistant Secretary for Legislation

David Ellwood, Assistant Secretary for Planning and Evaluation

Mary Jo Bane, Assistant Secretary for Children and Families

Bruce Reed, Deputy Assistant to the President for Domestic Policy

BACKGROUND

On Tuesday, June 21, 1994, you will meet with Senator Daniel Patrick Moynihan in his Washington office. The purpose of the meeting is to discuss the content and financing of the Administration's welfare reform initiative and the introduction of the plan this week. The meeting is one in a continuing series of meetings with Congressional and Committee leadership on welfare reform. The co-chairs of the Welfare Reform Working Group have met with Senator Moynihan at least four times during the past year. HHS staff also have met frequently with Finance Committee staff.

A complete congressional biography of Senator Moynihan is attached.

POINTS OF DISCUSSION

Senator Moynihan's staff has indicated that he is primarily focused on health care reform at the moment. Welfare reform is, however, an issue of longstanding interest to the Senator and he is concerned about the effects on New York. Generally, he believes that the Administration's initiative is moving welfare in the right direction. He is particularly concerned about several issues:

(1) **Timing** -- As you know, Senator Moynihan has publicly criticized the Administration's "delay" in submitting the welfare plan to Congress. His view is that a new President has a brief window to tackle controversial issues and that it will be extremely difficult to enact welfare reform in the last half of this year.

(2) **Financing** -- He is interested in the financing proposals and has indicated concern about the legal alien deeming provision and its possible impact on New York. In addition, New York currently receives a large share of HHS Emergency Assistance funds which would be capped under the Administration's welfare reform proposal.

(3) **Termination of Benefits** -- He has also expressed interest in the point at which recipients will be terminated from the program and for what cause. He may ask about the WORK program and what happens to people who fulfill all of their obligations, complete the number of allowed WORK placements, and still are not able to find jobs in the private sector.

(4) **Teenage Pregnancy Prevention** -- Teenage pregnancy prevention has been an issue of major concern to Senator Moynihan for many years. His staff has repeatedly emphasized in meetings that the initiative needs to focus on preventing teenage pregnancies. We know he was pleased to see the President highlight this issue during his welfare reform speech on June 14.

Finally, Senator Moynihan appeared on **Meet The Press** on Sunday, June 19, to discuss health care reform. When asked about the President's welfare reform plan, the Senator said the bill could be passed despite current Congressional opposition to it. In addition, Senator Moynihan said that he will "start hearings the minute we have just a moment's window in the health care proceedings." When asked if welfare reform could pass in 1994, the Senator said, "We might surprise you," and offered this insight, "I regret, and I think a lot of people do now, that money for welfare was not put in the five-year budget that we passed last year."

ATTACHMENTS FOR THE MEETING

Attached are the following briefing materials:

1. Congressional Biography of Senator Moynihan.

2. General Talking Points Prepared by ASPA on the Administration's Plan.

3. A 5-page Summary of the Administration's Plan.

4. A Description of the Financing Provisions for the Administration's Plan.

5. A Comparison of Major Welfare Reform Legislation Before the Congress.

6. A State Profile of Welfare Reform Activities in New York State.

POLITICAL PROFILE

Senator Moynihan succeeded Senator Lloyd Bentsen as Chairman of the Senate Finance Committee. He has had one of the most varied public service careers of modern times. He is a former Harvard University professor. He was an aide to New York Governor Averell Harriman, Assistant Secretary of Labor under Presidents Kennedy and Johnson, a domestic policy advisor to President Nixon, and UN Ambassador under President Ford. While with Nixon, he conceived the controversial Family Assistance Plan (FAP), a welfare reform proposal that was fiercely criticized by both liberals and conservatives.

In 1976, following public statements in which he denied any interest in elective office, he reversed himself and ran for Senate. He won a narrow primary victory, and then upset incumbent James Buckley in the general election. He easily won reelection in 1982 and 1988. Moynihan has made the transition from conservative to liberal with great success in New York and is an unabashed supporter of the New Deal and Great Society programs, although he once was a critic of those programs. Moynihan established himself as one of the Reagan Administration's most persistent critics on health and social services policy. He is known for his scholarly, almost professorial, demeanor and high political rhetoric.

Senator Moynihan has long been a major authority on work and the family. His interests lie primarily in Social Security and welfare reform issues, rather than in health care, although his interest seems to be growing with the pending introduction of the President's legislation. He was instrumental in working out the compromise that led to the Social Security reform legislation of 1983, which included a combination of tax increases and benefit restraints. He has recently introduced legislation to establish the Social Security Administration as an independent agency, S. 1560.

Senator Daniel Moynihan (D-NY)

Born:	3/16/27, Tulsa, OK
Education:	City College, NY; Tufts U., B.N.S., B.A.; Fletcher School of Law and Diplomacy, M.A., Ph.D.
Military:	Navy, 1944-47
Prev. Occup:	Professor of government; writer
Family:	Wife, Elizabeth Brennan; 3 children
Religion:	Roman Catholic
Pol. Career:	Sought Democratic nomination for NY City Council President, 1965; Assistant Secretary of Labor; White House Advisor; UN Ambassador
Residence:	Pindars Corners
Elected:	1976, [Re-election: 1994]
Committees:	Finance, Foreign Relations, Environment and Public Works, Rules and Administration, Joint Committee on Taxation

HEALTH REFORM ISSUES/PRIORITIES

Health Care Reform: While the Chairman's initial comments about "fantasy" numbers caused alarm and received widespread national publicity, he seems now to be ready to proceed - albeit cautiously - on health care. He has long wanted a one-card system. Moynihan was quoted in a New York Newsday editorial on September 9 saying "You have to be very careful about what you bring into the public sector. There is a danger that government will become too important in our lives." Last year, Senator Moynihan cosponsored Senator Bentsen's small group market reform legislation.

At the September 30 Finance hearing with Mrs. Clinton, Senator Moynihan asked whether the plan to reach zero growth in Medicare and Medicaid could survive a reality check, discussed the unanticipated consequences of social actions, and noted in a discussion on gun taxes that the Administration already has the authority to tax ammunition. Following the First Lady's hearing, Senator Moynihan has held four additional hearings on health care reform on: the causes of rising health care costs; the foreign experience in controlling health care costs, social problems in health care and physician practice patterns. Issues he raised in these hearings include: concerns about the increasing number of illegitimate births and the impact on the nation's cities; how the inequities among State Medicaid spending will be addressed in the plan and the impact of the long term care initiative in the plan on New York.

LEGISLATIVE INTERESTS

102nd: Senator Moynihan focused on legislation to reduce welfare dependency, establish SSA as an independent agency, liberalize the retirement earnings test, and to cut Social Security contribution rates and return to pay-as-you-go financing. His interests also included managed care and mental health care.

103rd: The Senator has re-introduced legislation to require full funding for job opportunity and basic skills training (S. 16); to direct the Secretary of HHS to develop and implement an information gathering system to measure and analyze welfare dependency (S. 111) and to establish the Social Security Administration as an independent agency. He has also cosponsored bills to: protect the reproductive rights of women (Mitchell, S. 25, Mitchell); expand Family and Medical Leave (PL 103-3); amend the Federal Food, Drug and Cosmetic act to clarify the uses of animal drugs and new drugs (S 340, Heflin); and to provide for the expanded studies and programs for traumatic brain injury victims (S. 725, Kennedy).

NEW YORK

DEMOGRAPHICS		State	U.S. (*)	Rank
Population (7/1/92)		18,119	255.1M (T)	2
Child Population (4/1/90)		4,292,000	63.9M (T)	3
Percent of Population that are children (7/1/92)		23.9%	25.7% (A)	44
Per Capita Personal Income-FY 89		20,540	17,567 (A)	6
Poverty Rate	1991	15.3%	13.7% (A)	18
	1989	12.6%	12.7% (A)	22
	1983	15.8%	15.4% (A)	22
	1979	13.5%	12.4% (A)	15
Change in Rate (1979-1991)		1.9%	+1.3% (A)	

Aid to Families with Dependent Children

AFDC -- Benefits	State	U.S. (*)
Total assistance payments-FY 92	2,972.2m	22,223.5m(T)
AFDC Grant-Jan 93 (Mother-two children-0 income)	577(NYC) 703(SC)*	367 (M)
Food Stamp benefit-Jan 93	232(NYC) 195(SC)	285 (M)
Combined benefits-Jan 93	809(NYC) 898(SC)	652 (M)
% of poverty threshold-Jan 93	62%(NYC) 75%(SC)	70%
% change in AFDC benefit levels since 1980	-14.1%(NYC)	-22.4%

AFDC -- Caseloads	State	U.S. (*)
Average Monthly AFDC Caseload (people)-FY 92	397,200	4,768,600 (T)
AFDC Recipiency Rate-FY 92	6.2	5.3% (A)
Change in AFDC Recipiency-FY 88-92	+9%	+20% (A)
Average Payment per Family-FY 92	614	388 (A)
Average Number in AFDC Unit (10/90-9/91)	2.9	2.9 (A)
Food Stamp Recipiency FY 92	10.40%	9.95% (A)

AFDC -- Income Data	State	U.S. (*)
Percent of Families with Unemployed Parent-9/92	3.3%	5.7% (A)
Percent with Earned Income-10/90-9/91	6.2%	7.9% (A)
Percent Receiving Public Housing/ HUD Rent Subsidy-10/90-9/91	25.4%	21.0% (A)
Number of JOBS participants on AFDC- FY 91	21,986	460,914 (T)

Child Support Enforcement

Collections and Expenditures	State	U.S. (*)
Total Collections-FY 92	487.7m	7,951.1m (T)
AFDC Collections-FY 92	174.6m	2,252.6m (T)
Child Support Collections per $ of Total Admin. Expends.-FY 92	3.22	3.99 (A)
Average Number AFDC Cases in which a Collection was Made-FY 92	51,290	830,713 (T)
Percentage Change in Total Real Collections since 1983	+180%	+203%
Total Number of Paternities Established-FY 92	34,434	515,393 (T)
Number of out-of-wedlock births-1990	98,110	1,165,384 (T)

*Type: A=average, M=median, T=total SC=Suffolk County NYC=New York City

Source: 1993 Green Book

STATE WELFARE POLICY

In January of 1994, the New York State Department of Social Services announced a new welfare reform strategy, "Jobs First". The program builds on the CAP program, a demonstration project conducted in seven sites in New York State, which promotes welfare over work and embodies the principle that both parents are responsible for the support of their children. The prime tenet of Jobs FIRST is to reconnect an individual to the labor force as quickly as possible and to do it whenever possible without engaging ADC or Home Relief.

Some services which the state can provide to keep a person from needing long-term welfare support include emergency one-time cash assistance if just a temporary setback has occurred, help in accessing other income supports such as child support payments, and immediate job search and participation in job readiness training or referral to transitional/permanent employment if the applicant is job-ready.

For those individuals who need long-term assistance, an individualized self-sufficiency plan will be developed with a job as the ultimate goal. Education, training, counseling, day care and other support services are but means to that end.

Jobs FIRST also promotes family formation by expanding in-hospital paternity establishment, making minor live at home in order to receive ADC, and rewarding parents whose children regularly attend school.

Under the new program, the CAP program will be expanded. CAP is based on a holistic, case management system in which recipients develop their own plan for improving their family's economic and social situation. Case workers have a much smaller caseload, thus they can give more individualized attention and help clients receive necessary services quickly.

CAP was a very successful program which involved a major restricting of benefit levels and service delivery. CAP benefits are reduced by only 10 cents on the dollar up to the poverty level and then 67 cents on the dollar up to the benefit limit at 150% of the poverty level, whereas AFDC takes away benefits almost dollar for dollar. CAP also pays recipients their benefits, as well as child care support, directly and allows them to manage a personal budget. If recipients need training, it ties directly into JTPA or other pre-existing employment and training services.

Waivers for AFDC, Child Support, Medicaid and the Food Stamp Program were granted in September, 1988. CAP requires AFDC waivers for certain provisions, including: 1) replacing earnings disregards with incentives; 2) eliminating the resource test; and 3) eliminating certain employment rules.

Operating in seven counties since 1988, CAP is available to all single AFDC recipients with children who are able to get a support order on a voluntary basis. The program was implemented in counties between October, 1988 and April, 1989. CAP was originally authorized to run through April, 1994 has the original sites have been extended through 1998 and six additional sites will be phased in.

A demonstration group of approximately 4200 participating families has been evaluated by

Abt Associates, Inc., whose final report was released earlier this year. According to Abt results, two years after recipients learned about CAP, significant progress was demonstrated. Those clients informed about CAP:

- had earnings from employment 27 percent higher than those uninformed about CAP;
- were 25 percent more likely to have obtained a support order for all children lacking one than those uninformed about CAP;
- were 18 percent more likely to have income exceeding 125 percent of poverty than those uninformed about CAP.

Additionally, the evaluation's cost-benefit analysis found CAP able to achieve these impacts without any increase or decrease in government expenditures.

As of March 17, 1994, New York State had not requested a waiver from HHS to expand, but state officials had met with HHS representatives and indicated that they will request a waiver for the following: to permit payments and loans for one-time emergencies to avoid eventual welfare dependency; modify allowable work experience and job training for AFDC and food stamp recipients; consolidate and streamline food stamp and AFDC eligibility requirements; provide incentives for children to attend school; make non-custodial parents eligible for JOBS programs; expand and broaden eligibility for CAP; require minors to live at home