

| <b>SUMMARY OF ADMINISTRATION'S WELFARE REFORM<br/>COST ESTIMATES<br/>(in billions)</b> |                                    |
|--|------------------------------------|
|  | <b>Five-Year<br/>Federal Costs</b> |
| <b>Transitional Assistance Followed by Work</b>  |                                    |
| Additional Education, Training and Placement Spending                                  | 2.8                                |
| WORK Spending (including Noncustodial Parents)   | 1.2                                |
| Additional Child Care Spending for Program Participants                                | 2.7                                |
| Investments in Automation  | .8                                 |
| Subtotal   | 7.5                                |
| Savings from Caseload Reductions and Reduced Fraud                                     | (1.5)                              |
| Subtotal, Transitional Assistance  | 6.0                                |
| <b>Making Work Pay</b>   |                                    |
| Working Poor Child Care Expenditures   | 1.5                                |
| State Flexibility on Earned Income and<br>Child Support Disregards                     | .2                                 |
| State Demonstrations to Advance EITC   | .1                                 |
| Subtotal, Making Work Pay  | 1.8                                |
| <b>Prevention/Parental Responsibility</b>  |                                    |
| Teenage Pregnancy Prevention Grants  | .3                                 |
| Child Support Enforcement and Demonstrations   | .6                                 |
| State Option to Limit Additional Benefits to<br>Additional Children/Minor Parents      | (1)                                |
| Subtotal, Prevention/Parental Responsibility   | .8                                 |
| <b>Improving Government Assistance (IGA)</b>   |                                    |
| Remove Two-Parent (UP) Restrictions  | .2                                 |
| IDA/Microenterprise Demonstrations   | .1                                 |
| Conform Resource Limit, Income Definitions and Other                                   | .2                                 |
| Subtotal, IGA  | .5                                 |
| Net Medicaid Impact  | .2                                 |
| <b>TOTAL</b>   | <b>9.3</b>                         |

## COSTS

In any welfare reform plan, up-front investments in education, training and placement services, child care, and the development of work opportunities and automation are required. The costs of welfare reform to the Federal government in our plan are estimated at \$9.3 billion over five years. The cost package is modest and carefully matched to financing.

Costs gradually increase over the five-year period, reaching an annual level of \$3.3 billion in 1999. The program phases in over time in a focused and pragmatic way that recognizes the need for States to develop infrastructure, train staff in the new culture and ensure that the program will be well-developed and implemented. In the second five-year period of welfare reform, annual costs range between \$3 and \$4 billion, with increased investments in the new program balanced by increased savings from child support enforcement and caseload reductions. Our financing plan will cover these costs in this period as well.

The package assumes that States share in the cost of welfare reform at a reasonable level; they will also share in the savings. The States' share of required expenditures on transitional assistance, WORK and child support enforcement of \$1.6 billion are more than balanced by estimated savings of \$1.7 billion from caseload reductions and child support enforcement. If States choose to enact the optional provisions of the proposal, which many States have already requested through waivers, our estimate is that the total cost to the States would be about \$1 billion.

### TRANSITIONAL ASSISTANCE FOLLOWED BY WORK

Additional JOBS spending. The new JOBS spending of \$2.8 billion over five years is added to baseline spending under current law of \$1 billion per year. In 1999, total spending allowed under the JOBS program will be \$1.9 billion. This will enable the JOBS program to serve approximately 800,000 participants at any one time. Costs per participant were estimated from the experience of the most effective current programs that provide education, training and placement services to welfare recipients.

WORK Spending. The WORK program, which begins serving participants in 1998 (when they begin hitting the two-year time limit), costs \$1.2 billion during the first five-year period. Costs of the WORK program increase over time, as more slots need to be developed for an expanded phased-in group, more of whom hit the time limit each year. By 1999, the WORK program is expected to be serving approximately 260,000 participants. Costs per WORK slot were estimated based on the experience of operating work programs in funding materials and equipment, supervision, job development, and other costs.

Child Care Spending for JOBS and WORK participants. The estimated child care spending of \$2.7 billion for JOBS and WORK participants is added to annual Federal spending under current law of about \$750 million. This represents the cost of a guarantee of child care to participants in both programs, and of transitional child care for one year to those who leave the rolls. The estimates assume that in fiscal year 1999, 370,000 new slots will be created. The proposal guarantees parental choice of child care arrangements and assumes the use of both formal and informal arrangements. In addition, Head Start is estimated to serve many of the 3- and 4-year-old children of welfare recipients.

## MAKING WORK PAY/CHILD CARE

Working Poor Child Care. The proposal expands the "At-Risk" program of child care for the working poor from its current capped level of \$300 million to an annual cap of \$1 billion by 1999. This program supplements the Child Care and Development Block Grant (CCDBG), which is currently funded at about \$1 billion with increases requested. Together, the two programs will serve approximately 1.1 million working-poor children in fiscal year 1999.

Disregards for Earned Income and Child Support. The proposal requires States to disregard for purposes of calculating benefits \$120 per month of earned income for work expenses. States have the option of increasing disregards, both for earned income and for child support. The cost estimates assume that States serving half the caseload increase their disregards.

## PREVENTING TEEN PREGNANCY AND PROMOTING PARENTAL RESPONSIBILITY

Teen Pregnancy Prevention Grants. The proposal will make about 1,000 grants over five years, averaging \$60,000 per year each, to school and community-based organizations for teen pregnancy prevention projects. In addition, the proposal will fund five to seven comprehensive youth and prevention demonstrations.

Child Support Enforcement and Demonstrations. Total net spending of \$0.5 billion over five years will increase computerization and enforcement staff. This new spending will generate modest AFDC savings and substantial improvements in the economic well-being of children by 1999. Savings to State and Federal governments increase dramatically during the second five-year period. Much of the financial benefit from the new provisions will accrue to the States.

Minor Parent Requirements and State Option to Limit Benefits for Additional Children. These new provisions are estimated to save \$0.1 billion over five years.

## IMPROVING GOVERNMENT ASSISTANCE

Remove Two-parent Restrictions. The proposal allows States to remove the restrictions that treat two-parent families less favorably than one-parent families. Assuming that States serving half the caseload choose this option results in estimated Federal costs of \$0.2 billion.

Asset and Microenterprise Demonstrations. The proposal allows recipients to accumulate assets in restricted accounts and fund demonstrations of subsidized accounts and programs. The costs of these activities are estimated to be \$0.2 billion.

Other Conforming and Efficiency-enhancing Provisions. The proposal takes a number of steps to conform the rules of the AFDC and Food Stamp programs, to improve the efficiency of program operations and to decrease fraud. The total costs of these provisions are estimated to be \$0.2 billion.

WR-\*

To: Bruce Reed  
Belle Sawhill  
Kathi Way

From: *NG* Naomi Goldstein

Re: Attached table

Date: April 13, 1994

---

The attached table corrects a couple of errors in one of the tables you received yesterday.

04/13/94

**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<br>Total | 5 Year<br>Federal | 10 Year<br>Total | 10 Year<br>Federal |
|--|-----------------|-------------------|------------------|--------------------|
| <b>PARENTAL RESPONSIBILITY</b>   |                 |                   |                  |                    |
| 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                |
| <b>SUBTOTAL, PARENTAL RESPONSIBILITY</b>   | <b>(1,220)</b>  | <b>(130)</b>      | <b>(8,055)</b>   | <b>(1,980)</b>     |
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>  |                 |                   |                  |                    |
| 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                |
| <b>SUBTOTAL, JOBS/WORK</b>   | <b>8,170</b>    | <b>6,690</b>      | <b>25,185</b>    | <b>22,030</b>      |
| <b>SUBTOTAL, JOBS/WORK AND PARENTAL RESP</b>   | <b>6,950</b>    | <b>6,560</b>      | <b>17,130</b>    | <b>20,050</b>      |
| <b>WORKING POOR CHILD CARE (Capped at \$900 million<br/>in net spending).</b>                              | <b>1,875</b>    | <b>1,500</b>      | <b>6,930</b>     | <b>5,545</b>       |
| <b>REMOVE TWO PARENT (UP) RESTRICTIONS</b>   | <b>895</b>      | <b>495</b>        | <b>2,875</b>     | <b>1,580</b>       |
| 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   | 75              | 60                | 175              | 140                |
| <b>SUBTOTAL SPECIAL INITIATIVES</b>  | <b>625</b>      | <b>540</b>        | <b>1,830</b>     | <b>1,530</b>       |
| <b>IMPROVING GOVERNMENT ASSISTANCE (IGA)</b>   |                 |                   |                  |                    |
| State Flexibility on Earned Income<br>and Child Support Disregards<br>Generally Conform (but not increase) | 710             | 385               | 2,225            | 850                |
| Assets to Food Stamps  | 0               | 0                 | 0                | 0                  |
| All Others   | (75)            | (5)               | (165)            | (5)                |
| <b>SUBTOTAL IGA</b>  | <b>635</b>      | <b>380</b>        | <b>2,060</b>     | <b>845</b>         |
| <b>GRAND TOTAL</b>   | <b>10,980</b>   | <b>9,475</b>      | <b>30,825</b>    | <b>29,550</b>      |

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.

Cc. Bruce  
Kathi. WR-#

From: Balle

EXECUTIVE OFFICE OF THE PRESIDENT

23-Feb-1994 05:27pm

TO: (See Below)

FROM: Richard B. Bavier  
Office of Mgmt and Budget, HRVL

SUBJECT: Report on meeting to discuss STEWARD model

In attendance at the meeting to discuss the STEWARD model were David Ellwood and Wendell Primus and ASPE staff, Harold Beebout from Mathematica and staff, Robert Moffitt (by phone), and Ralph Smith and John Tampogna from CBO.

In an initial stage, Ellwood led a discussion with Beebout and Moffitt about the reliability of the estimates of the effects of universal health care, EITC increases, and welfare reform on the AFDC caseload. All three agreed that the impacts were generally in line with earlier work by Moffitt, Ellwood, and others.

Wendell pressed about estimates of the combined effects. They are in the 40 percent range. All agreed that they expected a lower combined effect, but speculated on reasons for the apparent lack of overlap.

After Ellwood had to leave, the questions focussed more on the model itself. In the course of the discussion, it became evident that the estimates of the time-limit and work program had assumed CWEP limited to 18 months. The model's relative lack of external validation was noted, and suggestions for testing it were made. In addition, at least one question of internal consistency was identified in table outputs. Mathematica is going to look into it.

After the meeting, Oellerich again stressed that ASPE cost estimates were still preliminary. We should expect to see a new table tomorrow. He thinks the numbers will show progressively less change with each subsequent version.

On a related point, I had asked Oellerich to have STEWARD estimate the effects of JOBS, time-limits for all non-deferred (including part-timer workers), followed by CWEP. (They already had done this package reflecting the HHS part-time policy.) With time-limits for part-timers, measured combined costs for AFDC, food stamps, and EITC were lower than the no-time-limit option, while work and work exits from AFDC were up. David asserted that the number of WORK slots we would have to find would be higher with time-limits for part-timers.

\*  
PART-TIME WORK  
COSTS MONEY

The tables don't appear to support him, but he had to leave before we could get very far into the problem. In any case, these time-limit-then-CWEP tables will all have to be reproduced without the CWEP time-limit before we can get back to this discussion.

Distribution:

TO: Isabel Sawhill  
TO: Stacy L. Dean

CC: Barbara S. Selfridge  
CC: Keith J. Fontenot  
CC: Lester D. Cash  
CC: Michael E. Ruffner  
CC: David K. Kleinberg  
CC: Len M. Nichols

WR #

## Outline of Costs Paper

The purpose of this memo is to describe the vision for the cost and financing paper that will ultimately go to the President. That paper will outline as simply as possible the different cost and financing pieces. Cost and financing should be described together because the issues are intimately intertwined: To the extent that one decides to go for a more costly set of provisions, one will need additional financing. I believe strongly that it is important to be able to understand the interaction of all of these decisions.

The attached table lists the major cost items and financing options for fiscal years 1995-99, a five-year total, and a steady state number. All cost figures include the total change in both Federal and State costs. I have tried to accommodate OMB's desire to see low-cost, mid-cost and higher-cost options, as well as the impact of several free-standing provisions.

The table is constructed fairly simply. The low-cost option consists of the child support enforcement provisions, an enhanced JOBS funding stream (hopefully consistent with one of the phase-in assumptions), the WORK program with one year of community service work at minimum wage, the non-custodial parent provisions and child support assurance demonstrations already agreed upon, child care to cover participants in the JOBS and WORK programs, and 12 months of transitional care for everyone who leaves the AFDC program. Finally, this option includes the budget impact of the prevention items already agreed upon. By itself, this option is not a proposal that anyone should like, but it does illustrate the major components of a low-cost option. When we actually see the cost numbers, we may want to include fewer or more provisions in this first option.

The next part of the table, labeled as the mid-cost option, includes additional cost provisions which could be added to the low-cost option. The higher-cost option includes more expensive provisions which could be combined with the low- and mid-cost options. The addendum section costs show the impact relative to the mid-cost proposal of various policies in which members of the group have expressed particular interest. Obviously, some provisions could be classified differently than they currently appear, but I would hope we would not need a long discussion about classification. Finally, under the financing section, 10 to 12 options will be listed.

OK | In the paper for the President, each provision and the rationale for the provision should be detailed. I would suggest that the individual in the group of six who feels most strongly about each of the more expensive options should attempt to draft an additional paragraph detailing the rationale for such.

Within the five-year budget window, one can lower costs by moving the effective date. Costs should be estimated conservatively assuming current budget scoring rules. One can only take credit for provisions actually contained in the welfare reform bill. Thus, we must assume that the Health Security Act has not be enacted and we must be realistic about how fast the proposal could be phased in. The steady state numbers would assume that the proposal is fully implemented and fully effective relative to the 1999 caseload. The steady state figures would assume the enactment of the Health Security Act, and they might also assume full implementation of an advance EITC proposal.

For the moment, I would hope that we could avoid getting into lengthy discussions about other major options to cost out. I believe it would be most useful to focus our attention on getting one set of options completely done right first.

**WELFARE REFORM COST ESTIMATES (FEDERAL AND STATE)**

(By fiscal year, in millions of dollars)

|   | Effective<br>Date | 1995 | 1996 | 1997 | 1998 | 1999 | 5-Year<br>Total | Steady<br>State |
|---|-------------------|------|------|------|------|------|-----------------|-----------------|
| <b>LOW-COST OPTION</b>                            |                   |      |      |      |      |      |                 |                 |
| Child Support Enforcement                         |                   |      |      |      |      |      |                 |                 |
| Paternity Establishment (Net)                     |                   |      |      |      |      |      |                 |                 |
| Enforcement (Net)                                 |                   |      |      |      |      |      |                 |                 |
| Computer Costs                                    |                   |      |      |      |      |      |                 |                 |
| TOTAL   |                   |      |      |      |      |      |                 |                 |
| JOBS Funding                                      |                   |      |      |      |      |      |                 |                 |
| Associated Child Care                             |                   |      |      |      |      |      |                 |                 |
| WORK Program (Limit of one year)                  |                   |      |      |      |      |      |                 |                 |
| Associated Child Care                             |                   |      |      |      |      |      |                 |                 |
| Non-Custodial Parent Provisions                   |                   |      |      |      |      |      |                 |                 |
| Child Support Demonstrations                      |                   |      |      |      |      |      |                 |                 |
| Child Care (Only transitional care)               |                   |      |      |      |      |      |                 |                 |
| Prevention Package (Minor parent, demonstrations) |                   |      |      |      |      |      |                 |                 |
| SUBTOTAL  |                   |      |      |      |      |      |                 |                 |

*- RANGE*

*- Followed by what?*

*- FAMILY CAP*

**MID-COST OPTION**

Simplification Package (Accounting period, asset rules)

Filing Unit Option

Disregard Package

Two-Parent Provisions?

Child Care for Working Poor (Below poverty)

Additional Year of Community Service Jobs

SUBTOTAL, Combined with Low-Cost Option

**HIGHER-COST OPTION**

Unlimited Time in Community Service Jobs

Additional Child Care (Below 130% of poverty)

More Generous Disregards and Simplification Package

Less Generous Exemption Package

Advance EITC

TOTAL COST, Including Low- and Mid-Cost Options

*Savings*  
 ADDENDUM (Costs relative to Mid-Cost Option)

Tougher Paternity Establishment

Up-Front Job Search

Prevailing Wage Community Service Jobs

Part-Time Work Not Exempted

A Different Phase-In Option

- Family CAP

FINANCING OPTIONS

- Housing / FS
- Count EITC as income

WR - \$



**Income Maintenance Branch**  
Office of Management and Budget  
Executive Office of the President  
Washington, DC 20503

February 24, 1994

Please route to:

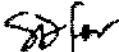
Keith Fontenot  
Barbara Selfridge  
Belle Sawhill

Decision needed \_\_\_\_\_  
Please comment \_\_\_\_\_  
For your information \_\_\_\_\_  
Per your request X  
Take necessary action \_\_\_\_\_

With informational copies for:  
CE

Subject: Possible Low, Medium and High  
Welfare Reform Options

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

From:  Richard Bavier, Lester Cash,  
Stacy Dean and Micheal Ruffner

Per your request we have developed the attached tables which represent hypothetical low, medium and high cost options for welfare reform. Our intent was not to suggest these combinations as policy options, but rather to illustrate that low and medium cost options could be developed from the high cost option HHS sent over yesterday. The preliminary five year costs associated with each option are: low; \$3.1 billion, medium; ~~\$7.7~~ billion and high; \$15 billion.

0.7

In order to create the low and medium options we took variations of the HHS high cost option:

- Eliminated or limited certain elements. For instance, for the low cost option we eliminated Child Support Assurance Demos and for the medium cost option we capped the demos at \$50 million per year.
- Added some possible savings options. For the low cost option we included the Up Front Job Search, Family Cap and Capped the DCTC.
- Scaled back the Transitional Assistance and WORK programs. Richard developed some estimates for a less ambitious program.

February 24, 1994

In addition, we added lines without pricing for those items which we believe will have either costs or savings but which were not included on HHS's table:

- Child Care Feeding Costs
- Systems Costs for the Transitional Assistance and WORK programs.
- Food Stamp Interactions
- Medicaid Interactions

If you have any questions or comments about the tables, please do not hesitate to contact us.

# HHS PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL/STATE)

## A HIGH OPTION

(By fiscal year, in millions of dollars)

|  | 1995       | 1996       | 1997         | 1998              | 1999         | 5 Year<br>Total |
|--|------------|------------|--------------|-------------------|--------------|-----------------|
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>                |            |            |              |                   |              |                 |
| JOBS Prep  | 0          | 20         | 55           | 60                | 70           | 205             |
| Additional JOBS Spending                                       | 0          | 270        | 850          | 1,020             | 1,070        | 3,210           |
| WORK Program   | 0          | 0          | 0            | 170               | 790          | 960             |
| Additional Child Care for JOBS/WORK Participants               | 0          | 250        | 700          | 830               | 980          | 2,760           |
| Transitional Child Care  | 0          | 85         | 250          | 325               | 340          | 1,000           |
| Child Care Feeding Costs                                       |            |            |              | Not Yet Estimated |              |                 |
| Enhanced Teen Case Management                                  | 0          | 30         | 90           | 105               | 110          | 335             |
| Economic Development   | 0          | 0          | 100          | 100               | 100          | 300             |
| Systems Costs  |            |            |              | Not Yet Estimated |              |                 |
| <b>Subtotal Transitional Assistance/WORK</b>                   | <b>0</b>   | <b>655</b> | <b>2,045</b> | <b>2,610</b>      | <b>3,460</b> | <b>8,770</b>    |
| <b>PARENTAL RESPONSIBILITY</b>                                 |            |            |              |                   |              |                 |
| Prevention Package   | 0          | (40)       | (40)         | (45)              | (45)         | (170)           |
| Two Parent Provision   | 0          | 0          | 400          | 600               | 800          | 1,800           |
| Child Support Enforcement 4/<br><i>Paternity Establishment</i> | 0          | (85)       | (200)        | (300)             | (450)        | (1,035)         |
| <i>Enforcement(Net)</i>  | 130        | 70         | 60           | (300)             | (500)        | (540)           |
| <i>Computer Costs</i>  | <u>100</u> | <u>150</u> | <u>200</u>   | <u>250</u>        | <u>300</u>   | <u>1,000</u>    |
| Sub-total CSE  | 230        | 135        | 60           | (350)             | (650)        | (575)           |
| Other Services   |            |            |              |                   |              |                 |
| <i>Non-custodial Parent Provisions</i>                         | 0          | 30         | 90           | 125               | 195          | 440             |
| <i>Access Grants and Parenting Demonstrations</i>              | 20         | 25         | 30           | 30                | 30           | 135             |
| <i>Child Support Assurance Demonstrations</i>                  | 0          | 0          | 100          | 200               | 250          | 550             |
| Sub-total Other Services                                       | 20         | 55         | 220          | 355               | 475          | 1,125           |
| <b>Subtotal Parental Responsibility</b>                        | <b>250</b> | <b>150</b> | <b>640</b>   | <b>560</b>        | <b>580</b>   | <b>2,180</b>    |

**HHS PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL/STATE)  
A HIGH OPTION**

(By fiscal year, in millions of dollars)

|  | 1995       | 1996       | 1997              | 1998         | 1999         | 5 Year<br>Total |
|--|------------|------------|-------------------|--------------|--------------|-----------------|
| <b>MAKING WORK PAY</b>   |            |            |                   |              |              |                 |
| Working Poor Child Care  | 0          | 165        | 1,185             | 1,310        | 1,440        | 4,100           |
| Child Care Feeding Costs   |            |            | Not Yet Estimated |              |              |                 |
| Advance EITC   | 0          | 0          | 0                 | 0            | 0            | 0               |
| Subtotal Making Work Pay   | 0          | 165        | 1,185             | 1,310        | 1,440        | 4,100           |
| <b>REINVENTING GOVERNMENT</b>  |            |            |                   |              |              |                 |
| Asset Rules, Filing Unit,<br>Simplification of Earnings<br>Disregards, Accounting and<br>Reporting Rules | 0          | 0          | 0                 | 0            | 0            | 0               |
| <b>GRAND TOTAL</b>   | <b>250</b> | <b>970</b> | <b>3,670</b>      | <b>4,480</b> | <b>5,480</b> | <b>15,050</b>   |

| <b>ADDENDUM</b>                                |      |       |       |                   |       |       |
|--|------|-------|-------|-------------------|-------|-------|
| No additional benefits for additional children | (40) | (100) | (120) | (160)             | (160) | (580) |
| Food Stamps Interactions                       |      |       |       | Not Yet Estimated |       |       |
| Medicaid Interactions                          |      |       |       | Not Yet Estimated |       |       |
| Other Interactions                             |      |       |       | Not Yet Estimated |       |       |

**NOTES:**

- These are HHS preliminary estimates dated Feb. 23, 1994. New estimates may be available as of Feb. 24.
  - Additional JOBS Participants in thousands  
Additional WORK participants
- |   | 1995 | 1996 | 1997 | 1998 | 1999 |
|---|------|------|------|------|------|
| Additional JOBS Participants in thousands | 0    | 123  | 374  | 435  | 444  |
| Additional WORK participants              | 0    | 0    | 0    | 33   | 147  |
- HHS numbers for the same proposal show a caseload savings for the Transitional Assistance Followed By Work section. Over five years the savings represent \$190 million.
  - Child Support estimates are combined Federal and State shares of costs and collections. Under current law, these provisions would increase costs to the Federal government while generating savings to the State. Thus, the Grand Total cost would increase.
  - HHS assumes the Federal government will pay 100% of the added costs of welfare reform. If States paid the same share of welfare reform costs as they do under current law, costs could be reduced 45%.

**PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL AND STATE)  
A MEDIUM OPTION**  
(By fiscal year, in millions of dollars)

|  | 1995 | 1996 | 1997  | 1998              | 1999  | 5 Year<br>Total |
|--|------|------|-------|-------------------|-------|-----------------|
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>  |      |      |       |                   |       |                 |
| Additional JOBS Spending                         | 0    | 270  | 850   | 1,020             | 1,070 | 3,210           |
| WORK Program                                     | 0    | 0    | 0     | 170               | 790   | 960             |
| Additional Child Care for JOBS/WORK Participants | 0    | 250  | 700   | 830               | 960   | 2,740           |
| Child Care Feeding Costs                         |      |      |       | Not Yet Estimated |       |                 |
| Systems Costs                                    |      |      |       | Not Yet Estimated |       |                 |
| Subtotal   | 0    | 520  | 1,550 | 2,020             | 2,820 | 6,910           |

|  |      |       |       |       |       |         |
|--|------|-------|-------|-------|-------|---------|
| <b>PARENTAL RESPONSIBILITY</b>                 |      |       |       |       |       |         |
| Prevention Package                             | 0    | (40)  | (40)  | (45)  | (45)  | (170)   |
| Two Parent Provision                           | 0    | 0     | 200   | 300   | 400   | 900     |
| No additional benefits for additional children | (40) | (100) | (120) | (160) | (160) | (580)   |
| Child Support Enforcement 3/                   |      |       |       |       |       |         |
| <i>Paternity Establishment</i>                 | 0    | (85)  | (200) | (300) | (450) | (1,035) |
| <i>Enforcement(Net)</i>                        | 130  | 70    | 60    | (300) | (500) | (540)   |
| <i>Computer Costs</i>                          | 100  | 150   | 200   | 250   | 300   | 1,000   |
| Sub-total CSE                                  | 230  | 135   | 60    | (350) | (650) | (575)   |
| Capped Child Support Assurance Demonstrations  | 0    | 50    | 50    | 50    | 0     | 150     |
| Subtotal                                       | 190  | 45    | 150   | (205) | (455) | (275)   |

*Leaves out NCPs*

|   |   |    |     |                   |     |                       |
|---|---|----|-----|-------------------|-----|-----------------------|
| <b>MAKING WORK PAY</b>                            |   |    |     |                   |     |                       |
| Working Poor Child Care                           | 0 | 80 | 590 | 655               | 720 | <del>1,023</del> 2045 |
| Child Care Feeding Costs                          |   |    |     | Not Yet Estimated |     |                       |
| Advance EITC                                      | 0 | 0  | 0   | 0                 | 0   | 0                     |
| Cap and Make Refundable Dependent Care Tax Credit | 0 | 0  | 0   | 0                 | 0   | 0                     |
| Subtotal  | 0 | 80 | 590 | 655               | 720 | <del>1,023</del> 2045 |

**PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL AND STATE)**  
**A MEDIUM OPTION**  
 (By fiscal year, in millions of dollars)

|  | 1995       | 1996       | 1997         | 1998         | 1999         | 5 Year<br>Total   |
|--|------------|------------|--------------|--------------|--------------|-------------------|
| <b>REINVENTING GOVERNMENT</b>  |            |            |              |              |              |                   |
| Asset Rules, Filing Unit,<br>Simplification of Earnings<br>Disregards, Accounting and<br>Reporting Rules | 0          | 0          | 0            | 0            | 0            | 0                 |
| <b>GRAND TOTAL</b>   | <b>190</b> | <b>645</b> | <b>2,290</b> | <b>2,470</b> | <b>3,085</b> | <b>7,658 8680</b> |

**ADDENDUM**

|                          |                   |
|--------------------------|-------------------|
| Food Stamps Interactions | Not Yet Estimated |
| Medicaid Interactions    | Not Yet Estimated |
| Other Interactions       | Not Yet Estimated |

**NOTES:**

- 1 These are HHS preliminary estimates dated Feb. 23, 1994. New estimates may be available as of Feb. 24.
- 2 Additional JOBS Participants in thousands
 

|                   |   |     |     |     |     |
|-------------------|---|-----|-----|-----|-----|
|                   | 0 | 123 | 374 | 435 | 444 |
| WORK participants | 0 | 0   | 0   | 33  | 147 |
- 3 Child Support estimates are combined Federal and State shares of costs and collections. Under current law, these provisions would increase costs to the Federal government while generating savings to the State. Thus, the Grand Total cost would increase.
- 4 HHS assumes the Federal government will pay 100% of the added costs of welfare reform. If States paid the same share of welfare reform costs as they do under current law, costs could be reduced 45%.

**PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL AND STATE)  
A LOW OPTION**

(By fiscal year, in millions of dollars)

|  | 1995       | 1996       | 1997         | 1998                                | 1999         | 5 Year<br>Total |
|--|------------|------------|--------------|-------------------------------------|--------------|-----------------|
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>                |            |            |              |                                     |              |                 |
| Applicant Job Search/No AFDC 30 days                           | 19         | (29)       | (33)         | (38)                                | (44)         | (125)           |
| Additional JOBS Spending                                       | 0          | 160        | 460          | 525                                 | 535          | 1,680           |
| WORK Program   | 0          | 0          | 0            | 125                                 | 565          | 690*            |
| Additional Child Care for JOBS/WORK Participants               | 0          | 180        | 540          | 665                                 | 840          | 2,225           |
| Child Care Feeding Costs                                       |            |            |              | Not Yet Estimated                   |              |                 |
| Systems Costs  |            |            |              | Not Yet Estimated                   |              |                 |
| <b>Subtotal Transitional Assistance/WORK</b>                   | <b>19</b>  | <b>311</b> | <b>967</b>   | <b>1,277</b>                        | <b>1,896</b> | <b>4,470</b>    |
| <b>PARENTAL RESPONSIBILITY</b>                                 |            |            |              |                                     |              |                 |
| Prevention Package   | 0          | (40)       | (40)         | (45)                                | (45)         | (170)           |
| No additional benefits for additional children                 | (40)       | (100)      | (120)        | (160)                               | (160)        | (580)           |
| Child Support Enforcement 1/<br><i>Paternity Establishment</i> | 0          | (85)       | (200)        | (300)                               | (450)        | (1,035)         |
| <i>Enforcement(Net)</i>  | 130        | 70         | 60           | (300)                               | (500)        | (540)           |
| <i>Computer Costs</i>  | 100        | 150        | 200          | 250                                 | 300          | 1,000           |
| Sub-total CSE  | 230        | 135        | 60           | (350)                               | (650)        | (575)           |
| <b>SUBTOTAL Parental Responsibility</b>                        | <b>190</b> | <b>(5)</b> | <b>(100)</b> | <b>(555)</b>                        | <b>(855)</b> | <b>(1,325)</b>  |
| <b>MAKING WORK PAY</b>   |            |            |              |                                     |              |                 |
| Working Poor Child Care  |            |            |              | Funded under the discretionary cap. |              |                 |
| Child Care Feeding Programs                                    |            |            |              | Not Yet Estimated                   |              |                 |
| Cap Dependent Care Tax Credit                                  |            |            |              | Not Yet Estimated                   |              |                 |
| <b>GRAND TOTAL</b>   | <b>209</b> | <b>306</b> | <b>867</b>   | <b>722</b>                          | <b>1,041</b> | <b>3,145</b>    |

**ADDENDUM**

|                          |                   |
|--------------------------|-------------------|
| Food Stamps Interactions | Not Yet Estimated |
| Medicaid Interactions    | Not Yet Estimated |
| Other Interactions       | Not Yet Estimated |

**NOTES:**

- 1 These are HHS preliminary estimates. New estimates may be available Feb 24.
- 2 Child Support estimates are combined Federal and State shares of costs and collections. Under current law, these provisions would increase costs to the Federal government while generating savings to the State. Thus, the Grand Total cost would increase.
- 3 HHS assumes the Federal government will pay 100% of the added costs of welfare reform. If States paid the same share of welfare reform costs as they do under current law, costs could be reduced 45%.

\* Assume lower admin. costs

WR - \$

## Welfare Reform Options

(Federal outlays in millions)

| OPTION   |     | FY1995 | FY1996 | FY1997 | FY1998 | FY1999 | FY1995-9          |
|--|-----|--------|--------|--------|--------|--------|-------------------|
| <b>1 Minor Moms Live with Parents as a Dependent</b>                         |     |        |        |        |        |        |                   |
| (Preliminary OMB staff pricing)  | O/L | (20)   | (20)   | (20)   | (20)   | (20)   | (100)             |
| (HHS estimate)   | O/L | 0      | (45)   | (50)   | (50)   | (50)   | (195)             |
| <b>2 Up front JOBS search for 30 days before AFDC benefit</b>                |     |        |        |        |        |        |                   |
| (Preliminary OMB pricing <u>Low Option</u> )                                 | O/L | 19     | (29)   | (33)   | (38)   | (44)   | (125)             |
| <b>3 Paternity Cooperation and Reduced State Match</b>                       |     |        |        |        |        |        |                   |
| (OMB staff pricing)  | O/L |        |        |        |        |        | Not Yet Estimated |
| <b>4 National Family Cap (no AFDC for children born on welfare)</b>          |     |        |        |        |        |        |                   |
| (Preliminary CBO staff pricing)  | O/L | (40)   | (100)  | (120)  | (160)  | (160)  | (580)             |
| (HHS estimate)   | O/L | (35)   | (100)  | (110)  | (140)  | (150)  | (535)             |
| <b>5 State Option to have a family cap (50% take the cap)</b>                |     |        |        |        |        |        |                   |
| (OMB Staff Pricing)  | O/L | (18)   | (50)   | (55)   | (70)   | (75)   | (268)             |
| <b>6 Declining Match rate over time (60% JOBS, 70% WORK, 50% thereafter)</b> |     |        |        |        |        |        |                   |
| (OMB Staff Pricing)  | O/L |        |        |        |        |        | Not Yet Estimated |

no behavior

?

**Welfare Reform Options**  
(Federal outlays in millions)

| OPTION | <u>FY1995</u> | <u>FY1996</u> | <u>FY1997</u> | <u>FY1998</u> | <u>FY1999</u> | <u>FY1995-9</u> |
|--------|---------------|---------------|---------------|---------------|---------------|-----------------|
|--------|---------------|---------------|---------------|---------------|---------------|-----------------|

**Welfare Reform Options**  
(Federal outlays in millions)

| OPTION | <u>FY1995</u> | <u>FY1996</u> | <u>FY1997</u> | <u>FY1998</u> | <u>FY1999</u> | <u>FY1995-9</u> |
|--------|---------------|---------------|---------------|---------------|---------------|-----------------|
|--------|---------------|---------------|---------------|---------------|---------------|-----------------|

7 *25% Set Aside for Job Placement and Work Support*

|                     |     |                   |
|---------------------|-----|-------------------|
| (OMB Staff Pricing) | O/L | Not Yet Estimated |
|---------------------|-----|-------------------|

8 *No Mixing of Work and Welfare after the time limit*

|                     |     |                   |
|---------------------|-----|-------------------|
| (OMB Staff Pricing) | O/L | Not Yet Estimated |
|---------------------|-----|-------------------|

9 *Set a percentage cap for the exempt caseload*

|                     |            |                   |
|---------------------|------------|-------------------|
| (OMB Staff Pricing) | 0 O/L<br>0 | Not Yet Estimated |
|---------------------|------------|-------------------|

# *2 year JOBS, 2 year WORK, 4 year AFDC with a declining match rate, 75% benefit package*

|                     |     |                   |
|---------------------|-----|-------------------|
| (OMB Staff Pricing) | O/L | Not Yet Estimated |
|---------------------|-----|-------------------|

**NOTES:**

- Most options are non-additive
- Pricing is preliminary.
- Assumptions used for pricing should be verified.

Comparison of Alternative Ways of Treating Part-Time Work for Phased-In Group

|   | # Beyond<br>Two Years | % Reduction<br>from<br>Previous<br>Option | % Reduction<br>from No<br>Stopping<br>of the Clock | % of Total<br>Reduction | # Combining<br>Work and<br>Welfare |
|---|-----------------------|---|--|-------------------------|------------------------------------|
| FY 2000   |                       |   |  |                         |                                    |
| No Provision for Allowing Part-Time Work                                | 460                   |   |  |                         | 0                                  |
| Part-Time Work Only Before the Time Limit; Slows the Clock by 1/2 Month | 403                   | 12.39%                                    | 12.39%   | 36.31%                  | 174                                |
| Part-Time Work Only Before the Time Limit; Stops the Clock              | 338                   | 16.13%                                    | 26.52%   | 41.40%                  | 191                                |
| Part-Time Work Before and After the Time Limit; Stops the Clock         | 303                   | 10.36%                                    | 34.13%   | 22.29%                  | 231                                |
| <b>Total Difference</b>   | <b>157</b>            |   |  |                         |                                    |
| <b>Percent Reduction</b>  | <b>34.13%</b>         |   |  |                         |                                    |
| FY 2004   |                       |   |  |                         |                                    |
| No Provision for Allowing Part-Time Work                                | 872                   |   |  |                         | 0                                  |
| Part-Time Work Only Before the Time Limit; Slows the Clock by 1/2 Month | 820                   | 5.96%                                     | 5.96%  | 24.53%                  | 195                                |
| Part-Time Work Only Before the Time Limit; Stops the Clock              | 776                   | 5.37%                                     | 11.01%   | 20.75%                  | 214                                |
| Part-Time Work Before and After the Time Limit; Stops the Clock         | 660                   | 14.95%                                    | 24.31%   | 54.72%                  | 339                                |
| <b>Total Difference</b>   | <b>212</b>            |   |  |                         |                                    |
| <b>Percent Reduction</b>  | <b>24.31%</b>         |   |  |                         |                                    |

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

| 3/10/94 12:45                                   | 1995 | 1996  | 1997  | 1998  | 1999  | 5 Year<br>Total | 2004    | 10 Year<br>Total | Annual<br>Steady<br>State |
|---|------|-------|-------|-------|-------|-----------------|---------|------------------|---------------------------|
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b> |      |       |       |       |       |                 |         |                  |                           |
| A Subtotal Transitional Assistance/WORK         | 0    | 620   | 1,950 | 2,285 | 3,000 | 7,855           | 6,535   | 33,300           | N/A                       |
| B Option  | 0    | 545   | 1,595 | 1,780 | 2,265 | 6,185           | 3,235   | 22,305           | N/A                       |
| C Option  | 0    | 385   | 1,185 | 1,340 | 1,705 | 4,615           | 2,140   | 16,230           | N/A                       |
| <b>PARENTAL RESPONSIBILITY</b>                  |      |       |       |       |       |                 |         |                  |                           |
| A Subtotal Parental Responsibility              | (5)  | 0     | 460   | 795   | 865   | 2,115           | (110)   | 4,000            | N/A                       |
| B Option  | 10   | 5     | 180   | 275   | 150   | 620             | (710)   | (1,860)          | N/A                       |
| C Option  | (20) | (60)  | (180) | (295) | (635) | (1,190)         | (1,445) | (7,345)          | N/A                       |
| <b>MAKING WORK PAY</b>                          |      |       |       |       |       |                 |         |                  |                           |
| A Subtotal Making Work Pay                      | 0    | 500   | 1,000 | 1,500 | 2,000 | 5,000           | 2,500   | 17,500           | N/A                       |
| B Option  | 0    | 165   | 335   | 500   | 665   | 1,665           | 835     | 5,840            | N/A                       |
| C Option  | 0    | 0     | 0     | 0     | 0     | 0               | 0       | 0                | N/A                       |
| <b>REINVENTING GOVERNMENT</b>                   |      |       |       |       |       |                 |         |                  |                           |
| A Subtotal Reinventing Government               | 0    | 0     | 0     | 0     | 0     | 0               | 0       | 0                | N/A                       |
| B Option  | 0    | 0     | 0     | 0     | 0     | 0               | 0       | 0                | N/A                       |
| C Option  | 0    | 0     | 0     | 0     | 0     | 0               | 0       | 0                | N/A                       |
| <b>GRAND TOTAL</b>                              |      |       |       |       |       |                 |         |                  |                           |
| A Subtotal                                      | (5)  | 1,120 | 3,410 | 4,580 | 5,865 | 14,970          | 8,925   | 54,800           | N/A                       |
| B Subtotal                                      | 10   | 715   | 2,110 | 2,555 | 3,080 | 8,470           | 3,360   | 26,285           | N/A                       |
| C Subtotal                                      | -20  | 325   | 1,005 | 1,045 | 1,070 | 3,425           | 695     | 8,885            | N/A                       |

WORKING DRAFT

PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL/STATE)

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

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

PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL/STATE)

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

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

3500 admin  
soc. sec. tax FICA -  
work expenses \$20/mo. -

PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL/STATE)

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

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

PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL/STATE)

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

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

PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL/STATE)

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

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

PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL/STATE)

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

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

PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL/STATE)

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

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

PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL/STATE)

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

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

PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL/STATE)

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

|  | 1995 | 1996 | 1997 | 1998 | 1999 | 5 Year<br>Total | 2004  | 10 Year<br>Total | Delta<br>from<br>adjusted | Steady<br>State   |
|--|------|------|------|------|------|-----------------|-------|------------------|---------------------------|-------------------|
| <b>OPTION A: EFFECTS ON OTHER PROGRAMS</b>   |      |      |      |      |      |                 |       |                  |                           |                   |
| JOBS/WORK Systems Costs<br><i>Includes estimates of State/Federal costs to adapt computer and other under the new program.</i> | 100  | 300  | 300  | 400  | 300  | 1,400           | 100   | 2,200            |                           |                   |
| Child Care Feeding Costs (JOBS/WORK/TCC)<br><i>The CACFP costs associated with expanded child care</i>                         | 0    | 35   | 95   | 105  | 120  | 355             | 280   | 1,360            |                           |                   |
| Child Care Feeding Costs(Working Poor)<br><i>The CACFP costs associated with expanded child care</i>                           | 0    | 50   | 100  | 150  | 200  | 500             | 250   | 1,750            |                           |                   |
| WORK Program<br><i>Remove EITC and Health Care Reform Behavioral Assumptions</i>   | 0    | 0    | 0    | 10   | 60   | 70              | 780   | 2,850            |                           |                   |
| JOBS Program<br><i>Remove EITC and Health Care Reform Behavioral Assumptions</i>   | 0    | 40   | 110  | 130  | 140  | 420             | 290   | 1,600            |                           |                   |
| Subtotal   | 100  | 425  | 605  | 795  | 820  | 2,745           | 1,700 | 9,785            |                           |                   |
| Sanctions  |      |      |      |      |      |                 |       |                  |                           | Not Yet Estimated |
| Federal Match Rate effect on State behavior  |      |      |      |      |      |                 |       |                  |                           | Not Yet Estimated |
| Food Stamps Interactions   |      |      |      |      |      |                 |       |                  |                           | Not Yet Estimated |
| Medicaid Interactions  |      |      |      |      |      |                 |       |                  |                           | Not Yet Estimated |
| EITC Interactions  |      |      |      |      |      |                 |       |                  |                           | Not Yet Estimated |
| Other Interactions   |      |      |      |      |      |                 |       |                  |                           | Not Yet Estimated |

**PROJECTED CASELOADS UNDER PROGRAM FOR  
OCTOBER 1996 IMPLEMENTATION FOR PERSONS BORN AFTER 1971**

|  | FY 1997             | FY 1999             | FY 2004             |
|--|---------------------|---------------------|---------------------|
| <b>Projected Adult Cases With Parent Born After 1971 Without Reform</b>                      | <b>1.43 million</b> | <b>1.93 million</b> | <b>3.34 million</b> |
| Off welfare with Reform<br>(Health reform after 1999, EITC,<br>Child Care, JOBS, WORK, etc.) | .11 million         | .21 million         | .68 million         |
| <b>TAP Participants</b>  | <b>1.32 million</b> | <b>1.72 million</b> | <b>2.66 million</b> |
| Working While on Welfare   | .16 million         | .22 million         | .33 million         |
| JOBS Participants  | .66 million         | .77 million         | .88 million         |
| WORK Participants  | .00 million         | .15 million         | .65 million         |
| Pre-JOBS— disability/age limits work   | .13 million         | .17 million         | .28 million         |
| Pre-JOBS—severely disabled child   | .07 million         | .09 million         | .12 million         |
| Pre-JOBS—caring for child under one  | .30 million         | .32 million         | .40 million         |

} 1/3

**Notes:**

Numbers assume modest behavioral effects that increase over time. These behavioral effects include a 50 percent increase in the percent of recipients working part-time, employment and training impacts similar to San Diego's SWIM program and a modest increase in the percent of recipients who leave welfare for work when they hit the time limit. Figures for 2004 are subject to considerable error, since it is difficult to make caseload projections or to determine the impact of WORK requirements on behavior. Figures for FY 2004 also assume behavioral effects from the implementation of health reform.

| PROJECTED CASELOADS UNDER PROGRAM FOR<br>OCTOBER 1996 IMPLEMENTATION FOR PERSONS BORN AFTER 1971 |                     |                     |                     |
|--|---------------------|---------------------|---------------------|
|  | FY 1997             | FY 1999             | FY 2004             |
| <b>Projected Adult Cases With Parent<br/>Born After 1971 Without Reform</b>                      | <b>1.43 million</b> | <b>1.93 million</b> | <b>3.34 million</b> |
| Off welfare with Reform<br>(Health reform after 1999, EITC,<br>Child Care, JOBS, WORK, etc.)     | .11 million         | .22 million         | .71 million         |
| <b>TAP Participants</b>  | <b>1.32 million</b> | <b>1.72 million</b> | <b>2.63 million</b> |
| Working While on Welfare   | .16 million         | .22 million         | .33 million         |
| JOBS Participants  | .66 million         | .77 million         | .88 million         |
| WORK Participants  | .00 million         | .14 million         | .40 million         |
| Pre-JOBS-- disability/age limits work  | .13 million         | .17 million         | .50 million         |
| Pre-JOBS--severely disabled child  | .07 million         | .09 million         | .12 million         |
| Pre-JOBS--caring for child under one   | .30 million         | .32 million         | .40 million         |

40%

## Notes:

Numbers assume modest behavioral effects that increase over time. These behavioral effects include a 50 percent increase in the percent of recipients working part-time, employment and training impacts similar to San Diego's SWIM program and a modest increase in the percent of recipients who leave welfare for work when they hit the time limit. Figures for 2004 are subject to considerable error, since it is difficult to make caseload projections or to determine the impact of WORK requirements on behavior. Figures for FY 2004 also assume behavioral effects from the implementation of health reform.

**PROJECTED CASELOADS UNDER PROGRAM FOR  
OCTOBER 1996 IMPLEMENTATION FOR PERSONS BORN AFTER 1971**

|  | FY 1997      | FY 1999      | FY 2004      |
|--|--------------|--------------|--------------|
| <b>Projected Adult Cases With Parent Born After 1971 Without Reform</b>                      | 1.43 million | 1.93 million | 3.34 million |
| Off welfare with Reform<br>(Health reform after 1999, EITC,<br>Child Care, JOBS, WORK, etc.) | .11 million  | .22 million  | .74 million  |
| <b>TAP Participants</b>  | 1.32 million | 1.72 million | 2.60 million |
| Working While on Welfare   | .16 million  | .22 million  | .33 million  |
| JOBS Participants  | .66 million  | .77 million  | .88 million  |
| WORK Participants  | .00 million  | .14 million  | .48 million  |
| Pre-JOBS— disability/age limits work   | .13 million  | .17 million  | .39 million  |
| Pre-JOBS—severely disabled child   | .07 million  | .09 million  | .12 million  |
| Pre-JOBS—caring for child under one  | .30 million  | .32 million  | .40 million  |

647-  
phased in

1/3 2752

**Notes:**

Numbers assume modest behavioral effects that increase over time. These behavioral effects include a 50 percent increase in the percent of recipients working part-time, employment and training impacts similar to San Diego's SWIM program and a modest increase in the percent of recipients who leave welfare for work when they hit the time limit. Figures for 2004 are subject to considerable error, since it is difficult to make caseload projections or to determine the impact of WORK requirements on behavior. Figures for FY 2004 also assume behavioral effects from the implementation of health reform.

**SUMMARY PRICING**  
**HHS Estimate (Feb 24) and Two Possible Alternatives**  
 (By fiscal year, in millions of dollars)

| 3/9/94 14:15                                    | 1995 | 1996  | 1997  | 1998  | 1999  | 5 Year<br>Total | 2004    | 10 Year<br>Total | Steady<br>State |
|---|------|-------|-------|-------|-------|-----------------|---------|------------------|-----------------|
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b> |      |       |       |       |       |                 |         |                  |                 |
| Subtotal Transitional Assistance/WORK           | 0    | 620   | 1,950 | 2,285 | 3,000 | 7,855           | 6,535   | 33,300           | N/A             |
| Option A  | 0    | 605   | 1,870 | 2,170 | 2,690 | 7,335           | 3,960   | 26,330           | N/A             |
| Option B  | 0    | 435   | 1,260 | 1,420 | 1,790 | 4,905           | 2,345   | 17,475           | N/A             |
| <b>PARENTAL RESPONSIBILITY</b>                  |      |       |       |       |       |                 |         |                  |                 |
| Subtotal Parental Responsibility                | (5)  | 0     | 460   | 795   | 865   | 2,115           | (110)   | 4,000            | N/A             |
| Option A  | 10   | 5     | 180   | 275   | 150   | 620             | (710)   | (1,860)          | N/A             |
| Option B  | (20) | (60)  | (180) | (295) | (635) | (1,190)         | (1,445) | (7,345)          | N/A             |
| <b>MAKING WORK PAY</b>                          |      |       |       |       |       |                 |         |                  |                 |
| Subtotal Making Work Pay                        | 0    | 500   | 1,000 | 1,500 | 2,000 | 5,000           | 2,500   | 17,500           | N/A             |
| Option A  | 0    | 165   | 335   | 500   | 665   | 1,665           | 835     | 5,840            | N/A             |
| Option B  | 0    | 0     | 0     | 0     | 0     | 0               | 0       | 0                | N/A             |
| <b>REINVENTING GOVERNMENT</b>                   |      |       |       |       |       |                 |         |                  |                 |
| HHS Subtotal Reinventing Government             | 0    | 0     | 0     | 0     | 0     | 0               | 0       | 0                | N/A             |
| Option A  | 0    | 0     | 0     | 0     | 0     | 0               | 0       | 0                | N/A             |
| Option B  | 0    | 0     | 0     | 0     | 0     | 0               | 0       | 0                | N/A             |
| <b>GRAND TOTAL</b>                              |      |       |       |       |       |                 |         |                  |                 |
| HHS Proposal                                    | (5)  | 1,120 | 3,410 | 4,580 | 5,865 | 14,970          | 8,925   | 54,800           | N/A             |
| A Subtotal                                      | 10   | 775   | 2,385 | 2,945 | 3,505 | 9,620           | 4,085   | 30,310           | N/A             |
| B Subtotal                                      | -20  | 375   | 1,080 | 1,125 | 1,155 | 3,715           | 900     | 10,130           | N/A             |

PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL/STATE)

HHS Estimate (Feb 24) and Two Possible Alternatives

(By fiscal year, in millions of dollars)

| 3/9/94 14:44   | 1995 | 1996 | 1997 | 1998  | 1999  | 5 Year<br>Total | 2004  | 10 Year<br>Total | Delta<br>from<br>adjusted<br>HHS | Steady<br>State |
|--|------|------|------|-------|-------|-----------------|-------|------------------|----------------------------------|-----------------|
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>  |      |      |      |       |       |                 |       |                  |                                  |                 |
| • JOBS Prep: Case Management for Deferrals   | 0    | 15   | 50   | 60    | 70    | 195             | 120   | 695              |                                  |                 |
| A Limited Case Management for JOBS Prep  | 0    | 10   | 25   | 30    | 35    | 100             | 60    | 350              |                                  |                 |
| B No Case Management for JOBS Prep   | 0    | 0    | 0    | 0     | 0     | 0               | 0     | 0                |                                  |                 |
| • Additional JOBS Spending: Assumes everyone in JOBS is in an education or training activity or job search 9 months out of the year. (about 50% above the level in a demo intended to achieve maximum participation) | 1/   | 0    | 260  | 820   | 940   | 980             | 3,000 | 730              | 6,910                            | 1,405           |
| A technical reestimate of HHS costs (excludes EITC, health care reform and part time work behavior changes)  | 0    | 300  | 930  | 1,070 | 1,120 | 3,420           | 1,020 | 8,510            | 1,600                            | 1,940           |
| A Up front JOBS search for 30 days before AFDC benefit   | 0    | 250  | 855  | 990   | 1,035 | 3,130           | 925   | 7,755            | (755)                            |                 |
| B More realistic participation levels in JOBS: Assumes everyone in JOBS is in an education or training activity or job search 7 months out of the year.  | 0    | 200  | 620  | 690   | 710   | 2,220           | 560   | 5,370            | (3,140)                          | 1,000           |
| <i>Job search particip.</i>  |      |      |      |       |       |                 |       | 4,600            |                                  |                 |

PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL/STATE)

HHS Estimate (Feb 24) and Two Possible Alternatives

(By fiscal year, in millions of dollars)

| 3/9/94 14:44  | 1995 | 1996 | 1997 | 1998 | 1999 | 5 Year<br>Total | 2004  | 10 Year<br>Total | Delta<br>from<br>adjusted<br>HHS | Steady<br>State |
|---|------|------|------|------|------|-----------------|-------|------------------|----------------------------------|-----------------|
| • WORK Program 2/   | 0    | 0    | 0    | 120  | 620  | 740             | 3,040 | 11,810           |                                  | 8,005           |
| A technical reestimate of HHS costs<br>(excludes EITC, health care reform and part time<br>work behavior changes)   | 0    | 0    | 0    | 130  | 680  | 810             | 3,820 | 14,660           |                                  | 10,050          |
| A 1 Cap Overhead at \$3,500/job/year (vs. \$5,250)<br>This is approximately the spending level<br>required for community service (work-for-<br>welfare) rather than HHS's proposal for<br>work-for-wages. | 0    | 0    | 0    | 90   | 400  | 490             | 2,210 | 8,860            | (5,800)                          | 5,715           |
| A 2 Limit time on WORK to 3 years<br>then 75% of AFDC + Food Stamps   | 0    | 0    | 0    | 130  | 680  | 810             | 2,760 | 12,880           | (1,780)                          | 7,380           |
| Cost of Combined Option A1 and A2   | 0    | 0    | 0    | 90   | 400  | 490             | 400   | 4,980            | (9,660)                          |                 |
| B 1 Cap Overhead at \$3,500/job/year (vs. \$5,250)  | 0    | 0    | 0    | 90   | 400  | 490             | 2,210 | 8,860            | (5,800)                          | 5,715           |
| B 2 Limit Time on Work to 1.5 years<br>then 75% of AFDC + Food Stamps   | 0    | 0    | 0    | 130  | 680  | 810             | 1,370 | 8,610            | (6,050)                          | 4,970           |
| B 3 1/5 WORK Slots in Child Care/Monitoring   | 0    | 0    | 0    | 100  | 510  | 610             | 2,820 | 11,050           |                                  |                 |
| Cost of Combined Option B1, B2 and B3   | 0    | 0    | 0    | 70   | 290  | 360             | (280) | 2,340            | (12,320)                         |                 |
| C Cap the Work Slot number at 4m  | 0    | 0    | 0    | 130  | 680  | 810             | 2,570 | 11,930           | (2,730)                          | 4,120           |
| D Part-time workers not eligible for<br>AFDC after two years  | 0    | 0    | 0    | 110  | 560  | 670             | 3,170 | 12,290           | (2,370)                          |                 |

**PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL/STATE)**  
**HHS Estimate (Feb 24) and Two Possible Alternatives**  
 (By fiscal year, in millions of dollars)

| 3/9/94 14:44  | 1995     | 1996       | 1997         | 1998         | 1999         | 5 Year<br>Total | 2004         | 10 Year<br>Total | Delta<br>from<br>adjusted<br>HHS | Steady<br>State |
|---|----------|------------|--------------|--------------|--------------|-----------------|--------------|------------------|----------------------------------|-----------------|
| • Savings in AFDC Benefits from Caseload Reduction<br>(Savings in JOBS/WORK are incorporated above) | 0        | (10)       | (40)         | (90)         | (100)        | (240)           | (250)        | (1,150)          |                                  |                 |
| A Not Yet Estimated   | 0        | (10)       | (40)         | (90)         | (100)        | (240)           | (250)        | (1,150)          |                                  |                 |
| B Not Yet Estimated   | 0        | (10)       | (40)         | (90)         | (100)        | (240)           | (250)        | (1,150)          |                                  |                 |
| • Child Care for JOBS/WORK Participants   | 0        | 240        | 680          | 750          | 870          | 2,540           | 2,175        | 10,330           |                                  |                 |
| A Subject to Change   | 0        | 240        | 680          | 750          | 870          | 2,540           | 2,175        | 10,330           |                                  |                 |
| B Subject to Change   | 0        | 160        | 430          | 450          | 540          | 1,580           | 1,715        | 7,430            |                                  |                 |
| • Transitional Child Care 3/  | 0        | 85         | 250          | 300          | 350          | 985             | 600          | 3,485            |                                  |                 |
| A Alternative under review  | 0        | 85         | 250          | 300          | 350          | 985             | 600          | 3,485            |                                  |                 |
| B Alternative under review  | 0        | 85         | 250          | 300          | 350          | 985             | 600          | 3,485            |                                  |                 |
| • Enhanced Teen Case Management   | 0        | 30         | 90           | 105          | 110          | 335             | 120          | 920              |                                  |                 |
| A Cap case management admin costs at \$ 50 m.   | 0        | 30         | 50           | 50           | 50           | 180             | 50           | 430              |                                  |                 |
| B Defer   | 0        | 0          | 0            | 0            | 0            | 0               | 0            | 0                |                                  |                 |
| • Economic Development: Microenterprise loans<br>and Individual Development Accounts 4/             | 0        | 0          | 100          | 100          | 100          | 300             | 0            | 300              |                                  |                 |
| A Modest Economic Development   | 0        | 0          | 50           | 50           | 50           | 150             | 0            | 150              |                                  |                 |
| B Defer   | 0        | 0          | 0            | 0            | 0            | 0               | 0            | 0                |                                  |                 |
| <b>Subtotal Transitional Assistance/WORK</b>  | <b>0</b> | <b>620</b> | <b>1,950</b> | <b>2,285</b> | <b>3,000</b> | <b>7,855</b>    | <b>6,535</b> | <b>33,300</b>    |                                  |                 |
| A Subtotal  | 0        | 605        | 1,870        | 2,170        | 2,690        | 7,335           | 3,960        | 26,330           |                                  |                 |
| B Subtotal  | 0        | 435        | 1,260        | 1,420        | 1,790        | 4,905           | 2,345        | 17,475           |                                  |                 |

PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL/STATE)

HHS Estimate (Feb 24) and Two Possible Alternatives

(By fiscal year, in millions of dollars)

| 3/9/94 14:44  | 1995 | 1996  | 1997  | 1998  | 1999  | 5 Year<br>Total | 2004  | 10 Year<br>Total | Delta<br>from<br>adjusted<br>HHS | Steady<br>State |
|---|------|-------|-------|-------|-------|-----------------|-------|------------------|----------------------------------|-----------------|
| <b>PARENTAL RESPONSIBILITY</b>  |      |       |       |       |       |                 |       |                  |                                  |                 |
| • Require Minor Moms to Live with Parents   | 0    | (45)  | (50)  | (50)  | (50)  | (195)           | (50)  | (445)            |                                  |                 |
| A No change   | 0    | (45)  | (50)  | (50)  | (50)  | (195)           | (50)  | (445)            |                                  |                 |
| B No change   | 0    | (45)  | (50)  | (50)  | (50)  | (195)           | (50)  | (445)            |                                  |                 |
| • Comprehensive Demonstration Grants  | 0    | 50    | 50    | 50    | 50    | 200             | 50    | 450              |                                  |                 |
| A No change   | 0    | 50    | 50    | 50    | 50    | 200             | 50    | 450              |                                  |                 |
| B No change   | 0    | 50    | 50    | 50    | 50    | 200             | 50    | 450              |                                  |                 |
| • Two Parent Provision: Quarters of Work<br>and 100 hour rule 5/                    | 0    | 0     | 440   | 680   | 945   | 2,065           | 1,115 | 7,290            |                                  |                 |
| A Quarters of Work Only   | 0    | 0     | 220   | 340   | 475   | 1,035           | 560   | 3,655            |                                  |                 |
| B Quarters of Work Only   | 0    | 0     | 220   | 340   | 475   | 1,035           | 560   | 3,655            |                                  |                 |
| • No additional benefits for additional children<br>(Family Cap at State Option) 9/ | (35) | (100) | (110) | (140) | (150) | (535)           | (150) | (1,285)          |                                  |                 |
| A No change   | (35) | (100) | (110) | (140) | (150) | (535)           | (150) | (1,285)          |                                  |                 |
| B Mandatory Family Cap  | (65) | (150) | (375) | (605) | (800) | (1,995)         | (800) | (5,995)          |                                  |                 |

PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL/STATE)

HHS Estimate (Feb 24) and Two Possible Alternatives

(By fiscal year, in millions of dollars)

| 3/9/94 14:44                                 | 1995 | 1996 | 1997  | 1998  | 1999  | 5 Year<br>Total | 2004    | 10 Year<br>Total | Delta<br>from<br>adjusted<br>HHS | Steady<br>State |
|--|------|------|-------|-------|-------|-----------------|---------|------------------|----------------------------------|-----------------|
| • Child Support Enforcement 6/               |      |      |       |       |       |                 |         |                  |                                  |                 |
| Paternity Establishment                      | 5    | 20   | (110) | (165) | (215) | (465)           | (355)   | (1,970)          |                                  |                 |
| Enforcement(Net)                             | (10) | (20) | (65)  | (80)  | (320) | (495)           | (1,015) | (4,655)          |                                  |                 |
| Computer Costs                               | 15   | 40   | 90    | 160   | 160   | 465             | 100     | 1,065            |                                  |                 |
| Sub-total CSE                                | 10   | 40   | (85)  | (85)  | (375) | (495)           | (1,270) | (5,560)          |                                  |                 |
| A Includes added cost of proposed match rate |      |      |       |       |       |                 |         |                  |                                  |                 |
| Paternity Establishment                      | 5    | 20   | (110) | (165) | (215) | (465)           | (355)   | (1,970)          |                                  |                 |
| Enforcement(Net)                             | (10) | (20) | (65)  | (80)  | (320) | (495)           | (1,015) | (4,655)          |                                  |                 |
| Computer Costs (Staff re-estimate)           | 50   | 85   | 150   | 215   | 225   | 725             | 165     | 1,615            |                                  |                 |
| Sub-total CSE                                | 45   | 85   | (25)  | (30)  | (310) | (235)           | (1,205) | (5,010)          |                                  |                 |
| B Option A                                   | 45   | 85   | (25)  | (30)  | (310) | (235)           | (1,205) | (5,010)          |                                  |                 |
| • Non-custodial Parent Provisions            | 0    | 30   | 85    | 110   | 165   | 390             | 165     | 1,215            |                                  |                 |
| A Modest Non-custodial Parent Provisions     | 0    | 15   | 45    | 55    | 85    | 200             | 85      | 625              |                                  |                 |
| B Defer                                      | 0    | 0    | 0     | 0     | 0     | 0               | 0       | 0                |                                  |                 |
| • Access Grants and Parenting Demonstrations | 20   | 25   | 30    | 30    | 30    | 135             | 30      | 285              |                                  |                 |
| A Defer                                      | 0    | 0    | 0     | 0     | 0     | 0               | 0       | 0                |                                  |                 |
| B Defer                                      | 0    | 0    | 0     | 0     | 0     | 0               | 0       | 0                |                                  |                 |
| • Child Support Assurance Demonstrations 11/ | 0    | 0    | 100   | 200   | 250   | 550             | 0       | 2,050            |                                  |                 |
| A Limit and Cap CSA Demos                    | 0    | 0    | 50    | 50    | 50    | 150             | 0       | 150              |                                  |                 |
| B Defer                                      | 0    | 0    | 0     | 0     | 0     | 0               | 0       | 0                |                                  |                 |
| Subtotal Parental Responsibility             | (5)  | 0    | 460   | 795   | 865   | 2,115           | (110)   | 4,000            |                                  |                 |
| A Subtotal                                   | 10   | 5    | 180   | 275   | 150   | 620             | (710)   | (1,860)          |                                  |                 |
| B Subtotal                                   | (20) | (60) | (180) | (295) | (635) | (1,190)         | (1,445) | (7,345)          |                                  |                 |

**PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL/STATE)**  
**HHS Estimate (Feb 24) and Two Possible Alternatives**  
 (By fiscal year, in millions of dollars)

| 3/9/94 14:44  | 1995     | 1996       | 1997         | 1998         | 1999         | 5 Year<br>Total | 2004         | 10 Year<br>Total | Delta<br>from<br>adjusted<br>HHS | Steady<br>State |
|---|----------|------------|--------------|--------------|--------------|-----------------|--------------|------------------|----------------------------------|-----------------|
| <b>MAKING WORK PAY</b>  |          |            |              |              |              |                 |              |                  |                                  |                 |
| • Working Poor Child Care 10/   | 0        | 500        | 1,000        | 1,500        | 2,000        | 5,000           | 2,500        | 17,500           |                                  |                 |
| A Target Child Care at Parents 26 and under   | 0        | 165        | 335          | 500          | 665          | 1,665           | 835          | 5,840            |                                  |                 |
| B Defer   | 0        | 0          | 0            | 0            | 0            | 0               | 0            | 0                |                                  |                 |
| • Advance EITC 7/   | 0        | 0          | 0            | 0            | 0            | 0               | 0            | 0                |                                  |                 |
| A No Change   | 0        | 0          | 0            | 0            | 0            | 0               | 0            | 0                |                                  |                 |
| B No Change   | 0        | 0          | 0            | 0            | 0            | 0               | 0            | 0                |                                  |                 |
| <b>Subtotal Making Work Pay</b>   | <b>0</b> | <b>500</b> | <b>1,000</b> | <b>1,500</b> | <b>2,000</b> | <b>5,000</b>    | <b>2,500</b> | <b>17,500</b>    |                                  |                 |
| A Subtotal  | 0        | 165        | 335          | 500          | 665          | 1,665           | 835          | 5,840            |                                  |                 |
| B Subtotal  | 0        | 0          | 0            | 0            | 0            | 0               | 0            | 0                |                                  |                 |
| <b>REINVENTING GOVERNMENT</b>   |          |            |              |              |              |                 |              |                  |                                  |                 |
| • Asset Rules, Filing Unit,<br>Simplification of Earnings<br>Disregards, Accounting and<br>Reporting Rules 8/ | 0        | 0          | 0            | 0            | 0            | 0               | 0            | 0                |                                  |                 |
| <b>Subtotal Reinventing Government</b>  | <b>0</b> | <b>0</b>   | <b>0</b>     | <b>0</b>     | <b>0</b>     | <b>0</b>        | <b>0</b>     | <b>0</b>         |                                  |                 |
| A No Change   | 0        | 0          | 0            | 0            | 0            | 0               | 0            | 0                |                                  |                 |
| B No Change   | 0        | 0          | 0            | 0            | 0            | 0               | 0            | 0                |                                  |                 |

PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL/STATE)

HHS Estimate (Feb 24) and Two Possible Alternatives

(By fiscal year, in millions of dollars)

| 3/9/94 14:44  | 1995 | 1996  | 1997  | 1998  | 1999  | 5 Year<br>Total | 2004  | 10 Year<br>Total | Delta<br>from<br>adjusted<br>HHS | Steady<br>State |
|---|------|-------|-------|-------|-------|-----------------|-------|------------------|----------------------------------|-----------------|
| <b>GRAND TOTAL</b>  |      |       |       |       |       |                 |       |                  |                                  |                 |
| HHS Proposal  | (5)  | 1,120 | 3,410 | 4,580 | 5,865 | 14,970          | 8,925 | 54,800           |                                  | N/A             |
| A Total   | 10   | 775   | 2,385 | 2,945 | 3,505 | 9,620           | 4,085 | 30,310           |                                  | N/A             |
| B Total   | (20) | 375   | 1,080 | 1,125 | 1,155 | 3,715           | 900   | 10,130           |                                  | N/A             |
| <b>EFFECTS ON OTHER PROGRAMS</b>  |      |       |       |       |       |                 |       |                  |                                  |                 |
| JOBS/WORK Systems Costs 5/<br><i>Includes estimates of State/Federal costs to adapt computer and other under the new program.</i> | 100  | 300   | 300   | 400   | 300   | 1,400           | 100   | 2,200            |                                  |                 |
| Child Care Feeding Costs (JOBS/WORK/TCC)<br><i>The CACFP costs associated with expanded child care</i>                            | 0    | 35    | 95    | 105   | 120   | 355             | 280   | 1,380            |                                  |                 |
| Child Care Feeding Costs(Working Poor)<br><i>The CACFP costs associated with expanded child care</i>                              | 0    | 50    | 100   | 150   | 200   | 500             | 250   | 1,750            |                                  |                 |
| WORK Program<br><i>Remove EITC and Health Care Reform Behavioral Assumptions from HHS's estimates</i>                             | 0    | 0     | 0     | 10    | 60    | 70              | 780   | 2,850            |                                  |                 |

PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL/STATE)

HHS Estimate (Feb 24) and Two Possible Alternatives

(By fiscal year, in millions of dollars)

| 3/9/94 14:44  | 1995 | 1996 | 1997 | 1998 | 1999 | 5 Year<br>Total | 2004  | 10 Year<br>Total | Delta<br>from<br>adjusted<br>HHS | Steady<br>State   |
|---|------|------|------|------|------|-----------------|-------|------------------|----------------------------------|-------------------|
| JOBS Program  | 0    | 40   | 110  | 130  | 140  | 420             | 290   | 1,600            |                                  |                   |
| <i>Remove EITC and Health Care Reform Behavioral Assumptions from HHS Estimates</i> |      |      |      |      |      |                 |       |                  |                                  |                   |
| <b>Subtotal</b>   | 100  | 425  | 605  | 795  | 820  | 2,745           | 1,700 | 9,785            |                                  |                   |
| <b>Sanctions</b>  |      |      |      |      |      |                 |       |                  |                                  | Not Yet Estimated |
| Federal Match Rate effect on State behavior   |      |      |      |      |      |                 |       |                  |                                  | Not Yet Estimated |
| Food Stamps Interactions  |      |      |      |      |      |                 |       |                  |                                  | Not Yet Estimated |
| Medicaid Interactions   |      |      |      |      |      |                 |       |                  |                                  | Not Yet Estimated |
| Other Interactions (ETC)  |      |      |      |      |      |                 |       |                  |                                  | Not Yet Estimated |

**PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL/STATE)**

**HHS Estimate (Feb 24) and Two Possible Alternatives**

(By fiscal year, in millions of dollars)

|  | 1995 | 1996 | 1997 | 1998 | 1999 | 5 Year<br>Total | 2004 | 10 Year<br>Total | Delta<br>from<br>adjusted<br>HHS | Steady<br>State |
|--|------|------|------|------|------|-----------------|------|------------------|----------------------------------|-----------------|
|--|------|------|------|------|------|-----------------|------|------------------|----------------------------------|-----------------|

3/9/94 14:44

**NOTES:**

- 1 HHS dollar estimates were provided only through FY99. Subsequent estimates are based on HHS caseload tables. Two technical corrections were made: 1) the Budget baseline is assumed, rather than the lower baseline HHS assumes; 2) the share of the caseload working is held at current levels, rather than increasing 50 percent, as in HHS's estimates. HHS and Technical Reestimates include JOBS/WORK savings due to caseload reduction. Savings are for options considered independently. Combined effect have not been estimated yet. Steady State estimate uses 2004 caseload with no effects of EITC increases or health reform. Effects of applicant job search extrapolated from Florida FIP one-year impacts.
- 2 Repeat Footnote 1
- 3 Working with HHS to understand TCC assumptions.
- 4 Economic development is a 3 year demonstration project.
- 5 HHS has determined 5 yr. cost, but stream of outlays is not set. 10 yr estimate is placeholder.
- 6 These numbers were received verbally Feb. 28. Child Support estimates are combined Federal and State shares of costs and collections. Under current law, these provisions would have Federal costs and savings
- 7 HHS's current proposal assumes no scoreable costs for the Advanced EITC. A change in law in order to mandate the advanced EITC could have significant costs
- 8 HHS's current proposal assumes that the Reinventing Government items will have no net costs. This may be difficult to accomplish given the magnitude of the savings and costs within this category.
- 9 CBO estimates for a Family Cap are significantly lower than HHS.  

|                           |      |       |       |       |       |       |
|---------------------------|------|-------|-------|-------|-------|-------|
| CBO: Mandatory Family Cap | (40) | (100) | (120) | (160) | (160) | (580) |
|---------------------------|------|-------|-------|-------|-------|-------|
- 10 Place holder estimate – will be revised shortly.
- 11 HHS CSA based on outdated CBO pricing, HHS will reestimate.

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

(24 month WORK program followed by assessment leading to 10% sanction, 50% WORK and 40% pre-JOBS)

|   | (24 month WORK program followed by assessment leading to 10% sanction, 50% WORK and 40% pre-JOBS) |            |              |              |              | (Welfare and Nonwelfare Impacts) |              |              |              |              |              |                |
|---|---|------------|--------------|--------------|--------------|----------------------------------|--------------|--------------|--------------|--------------|--------------|----------------|
|   | 1995  | 1996       | 1997         | 1998         | 1999         | Total                            | 2000         | 2001         | 2002         | 2003         | 2004         | Total          |
| <b>PARENTAL RESPONSIBILITY</b>                  |   |            |              |              |              |                                  |              |              |              |              |              |                |
| Minor Mothers                                   | 0   | (45)       | (50)         | (50)         | (50)         | (195)                            | (50)         | (50)         | (55)         | (55)         | (60)         | (465)          |
| Comprehensive Demonstration Grants              | 0   | 50         | 50           | 50           | 50           | 200                              | 50           | 50           | 55           | 60           | 60           | 475            |
| Two-Parent Provisions                           | 0   | 0          | 440          | 680          | 945          | 2,065                            | 990          | 970          | 980          | 990          | 1,005        | 8,970          |
| No Additional Benefits for Additional Children  | (20)  | (50)       | (125)        | (200)        | (285)        | (880)                            | (275)        | (285)        | (300)        | (310)        | (320)        | (2,180)        |
| <b>Child Support Enforcement</b>                |   |            |              |              |              |                                  |              |              |              |              |              |                |
| Paternity Establishment (Net)                   | 5   | 20         | (110)        | (165)        | (215)        | (465)                            | (240)        | (280)        | (305)        | (330)        | (355)        | (1,475)        |
| Enforcement (Net)                               | (10)  | (20)       | (85)         | (80)         | (320)        | (495)                            | (445)        | (635)        | (910)        | (955)        | (1,015)      | (4,855)        |
| Computer Costs                                  | 15  | 35         | 95           | 160          | 160          | 465                              | 155          | 130          | 115          | 110          | 110          | 1,085          |
| Non-Custodial Parent Provisions                 | 0   | 25         | 80           | 120          | 185          | 410                              | 240          | 290          | 330          | 375          | 374          | 2,014          |
| Access Grants and Parenting Demonstrations      | 30  | 25         | 30           | 30           | 30           | 135                              | 30           | 30           | 30           | 30           | 30           | 285            |
| Child Support Assurance Demonstrations          | 0   | 0          | 100          | 200          | 250          | 550                              | 250          | 250          | 250          | 200          | 0            | 1,500          |
| <b>SUBTOTAL CSE</b>                             | <b>30</b>   | <b>85</b>  | <b>130</b>   | <b>285</b>   | <b>90</b>    | <b>800</b>                       | <b>(10)</b>  | <b>(415)</b> | <b>(460)</b> | <b>(570)</b> | <b>(656)</b> | <b>(1,741)</b> |
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b> |   |            |              |              |              |                                  |              |              |              |              |              |                |
| JOBS-Prep                                       | 0   | 25         | 80           | 95           | 100          | 300                              | 115          | 145          | 160          | 225          | 280          | 1,245          |
| Additional JOBS Spending                        | 0   | 200        | 720          | 920          | 850          | 2,720                            | 750          | 780          | 770          | 620          | 680          | 6,730          |
| Additional Child Care for JOBS with Head Start  | 0   | 150        | 555          | 720          | 700          | 2,125                            | 615          | 625          | 615          | 650          | 680          | 5,210          |
| WORK Program                                    | 0   | 0          | 0            | 110          | 660          | 770                              | 1,380        | 1,810        | 2,010        | 2,370        | 2,580        | 10,920         |
| Additional Child Care for WORK with Head Start  | 0   | 0          | 0            | 45           | 265          | 310                              | 580          | 750          | 835          | 955          | 1,000        | 4,520          |
| Transitional Child Care with Head Start         | 0   | 25         | 185          | 250          | 335          | 775                              | 390          | 450          | 500          | 575          | 640          | 3,330          |
| Enhanced Teen Case Management                   | 0   | 20         | 55           | 65           | 65           | 205                              | 75           | 75           | 75           | 80           | 85           | 565            |
| Economic Development                            | 0   | 0          | 100          | 100          | 100          | 300                              | 100          | 100          | 100          | 100          | 0            | 700            |
| Savings - Caseload Reduction                    | 0   | (220)      | (410)        | (480)        | (800)        | (1,910)                          | (730)        | (800)        | (1,060)      | (1,220)      | (1,600)      | (7,350)        |
| Savings from Child Care and Other Expansion     | 0   | 0          | 0            | (5)          | (35)         | (40)                             | (75)         | (100)        | (120)        | (145)        | (170)        | (690)          |
| ADP Federal and State Systems                   | 50  | 60         | 130          | 250          | 320          | 630                              | 220          | 100          | 40           | 40           | 45           | 1,275          |
| Enhanced Administrative Efficiency              | 0   | (30)       | (35)         | (40)         | (45)         | (150)                            | (50)         | (55)         | (60)         | (65)         | (70)         | (450)          |
| <b>SUBTOTAL, JOBS/WORK</b>                      | <b>50</b>   | <b>280</b> | <b>1,365</b> | <b>2,070</b> | <b>2,590</b> | <b>6,385</b>                     | <b>3,430</b> | <b>3,935</b> | <b>3,915</b> | <b>4,480</b> | <b>4,480</b> | <b>28,825</b>  |
| <b>MAKING WORK PAY</b>                          |   |            |              |              |              |                                  |              |              |              |              |              |                |
| Working Poor Child Care (Capped at \$2b)        | 0   | 500        | 1,000        | 1,500        | 2,000        | 5,000                            | 2,080        | 2,163        | 2,250        | 2,340        | 2,433        | 16,266         |
| Advance EITC                                    | 0   | 0          | 0            | 0            | 0            | 0                                | 0            | 0            | 0            | 0            | 0            | 0              |
| <b>GRAND TOTAL</b>                              | <b>80</b>   | <b>790</b> | <b>2,805</b> | <b>4,275</b> | <b>5,315</b> | <b>13,245</b>                    | <b>6,135</b> | <b>6,313</b> | <b>6,285</b> | <b>6,870</b> | <b>6,872</b> | <b>45,530</b>  |

Note: Parentheses denote savings.

13-16

45-53

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.

SEE APPENDIX FOR ENDNOTES TO TABLE

March 9, 1994

Note to Wendell

From: Steve Bartolomei-Hill

Subject: Filing Unit Savings Options

Listed below are the filing unit options that save money that we are simulating with TRIM2.

- o Remove the provision that prevents SSI recipients from being in the AFDC unit;
- o Reduce the maximum payment by 1/3 when a unit meets at least one of the following conditions:
  - The unit receives a housing subsidy;
  - The unit is a child only unit; or,
  - The unit lives with the grandparents of the child, and the grandparent are not in any AFDC unit.
- o Make the payment standard for child only units equal to the increment of the payment standard for a unit of one adult to a unit of one adult and one child (or, one adult and x children if there is more than one child in the unit).
- o Make the AFDC unit equal to the food stamp unit.
- o Apply an additional eligibility test: When the pre-AFDC income of the food stamp unit is equal to or greater than 130 percent of poverty, then the AFDC unit is not eligible. This is similar to the option above, except that it does not add any people to the AFDC unit. By definition, this option would affect only those AFDC units that do not currently receive food stamps.

Simulation results will not be available for most of these options prior to your meeting this afternoon. However, using available information I have done some back of the envelope estimates. I will pass along simulation results as soon as I receive them.

Of note, all the savings below are AFDC savings only. A large portion of these savings would be offset by increases in food stamps (30 percent offset would be in the ballpark for most of the estimates), and increases in housing assistance. Further, under current match rate policy, about half of the AFDC savings would be accrued by states. As a result, unless changes in federal financing are proposed as well, these proposals won't save much in terms of federal dollars.

1. Reducing the maximum payment by 1/3 for child only units:

About 15 percent of units are child-only units. In 1992, it appears these units received about \$1.8 billion in benefits. One-third of this amount would be \$600 million.

Notes: In some cases, child only units result from a parent receiving SSI. If we include SSI recipients in the unit, the savings from this option will be reduced.

2. Reducing the maximum payment by 1/3 for units that receive housing assistance:

In 1991, 9.5% of units reported living in public housing; another 13.4% reported receiving another rent subsidy.

Assuming these 23 percent of units received an average benefit, 1/3 of their benefits would total \$1.5 billion. If we wanted to exclude those in public housing, the total would be \$900 million.

Notes: Reducing the average payment by 1/3 is not the same as reducing the maximum payment by 1/3. The latter would likely save more money, and for all of these options, could result in people losing eligibility.

3. Reduce maximum payment by 1/3 when the unit lives with the grandparents of the child, and the grandparents are not in another AFDC unit:

An earlier simulation that included grandparents in the unit affected 12.3 percent of units. Assuming these 12.3 percent receive an average benefit, 1/3 of their benefits would total \$800 million.

Notes: From QC data, it appears that grandparents are present more frequently than in TRIM2.

Also, the cumulative impact of the three options above would be less than the sums added together, because some AFDC units may meet more than one of the 3 conditions that result in a reduction in the maximum payment.

4. Make the AFDC unit equal to the Food Stamp unit (simulation V2).

You received the simulation results for this. This simulation was done in combination with a change in the asset limit and the two-parent family provisions. TRIM2 estimated that this combination would save 3.3 percent of baseline costs (roughly \$670 million in 1991).

If we subtract out the asset increase and two-parent family provisions, it would appear from TRIM2 that this option

would save about 9 percent of baseline costs (\$1.8 billion). I believe, however, that this estimate is too high.

5. Apply an additional eligibility test: When the pre-AFDC income of the food stamp unit is equal to or greater than 130 percent of poverty, then the AFDC unit is not eligible. This is similar to the option above, except that it does not add any people to the AFDC unit. By definition, this option would affect only those AFDC units that do not currently receive food stamps (and only a subset of those).

According to AFDC QC data, 13 percent of AFDC units do not receive food stamps. In roughly a quarter of those cases, there is no one else in the dwelling unit. In the remaining three quarters, there is some one else in the dwelling unit. It is possible that these AFDC units do not receive food stamps because the additional person would be in the food stamp unit but has income that makes the household ineligible. In 1991, these units received \$1.6 billion in AFDC benefits.

Notes: This doesn't mean we would get \$1.6 billion in savings. There may be a reason other than the presence of the additional person that the unit does not receive food stamps. Also, if this person's presence means the loss of AFDC for the unit, there may be some behavioral affects (i.e. the person or the AFDC unit may move out).

6. I did not do any back-of-the-envelope estimates for including SSI recipients or changing the payment standard for children.



THE BOCA RATON RESORT & CLUB

Jobs Prep  
Jobs Partia  
Cap overhead  
1/10 core slits

offman

Drop 2-parent  
day care

Use 4-5 B to  
allow states  
to go faster

(challenge grant \$)

- wake history
- CBO

PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL/STATE)

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

Delta  
from Annual  
adjusted Steady  
State

|  | 1995 | 1996 | 1997 | 1998  | 1999  | 5 Year<br>Total | 2004  | 10 Year<br>Total | Delta<br>from Annual<br>adjusted Steady<br>State |
|--|------|------|------|-------|-------|-----------------|-------|------------------|--|
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>  |      |      |      |       |       |                 |       |                  |  |
| A JOBS Prep: Case Management for Deferrals   | 0    | 25   | 80   | 95    | 100   | 300             | 280   | 1,245            |  |
| B Limited Case Management for JOBS Prep  | 0    | 15   | 40   | 50    | 50    | 155             | 140   | 635              | - ?  |
| C No Case Management for JOBS Prep   | 0    | 0    | 0    | 0     | 0     | 0               | 0     | 0                |  |
| A Additional JOBS Spending: Assumes everyone in JOBS is in an education or training activity or job search 9 months out of the year. (about 50% above the level in a demo intended to achieve maximum participation) Using Budget Baseline | 0    | 300  | 930  | 1,070 | 1,120 | 3,420           | 1,020 | 8,510            | 1,940  |
| B More realistic participation levels in JOBS: Assumes everyone in JOBS is in an education or training activity or job search 7 months out of the year.  | 0    | 200  | 620  | 690   | 710   | 2,220           | 450   | 4,880            | (3,630) (940)                                    |
| C Up front JOBS search for 30 days before AFDC benefit 12/ - no savings assumed<br>* More realistic participation levels in JOBS: Assumes everyone in JOBS is in an education or training activity or job search 7 months out of the year. | 0    | 200  | 620  | 690   | 710   | 2,220           | 450   | 4,880            | (3,630) (940)                                    |
| C SUBTOTAL   | 0    | 200  | 620  | 690   | 710   | 2,220           | 450   | 4,880            | (3,630) (940)                                    |

PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL/STATE)

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

Delta  
from Annual  
adjusted Steady  
A State

|  | 1995 | 1996 | 1997 | 1998 | 1999 | 5 Year<br>Total | 2004  | 10 Year<br>Total | Delta<br>from Annual<br>adjusted Steady<br>A State |
|--|------|------|------|------|------|-----------------|-------|------------------|--|
| <b>A WORK Program</b>  |      |      |      |      |      |                 |       |                  |  |
| Using Budget Baseline  | 0    | 0    | 0    | 130  | 680  | 810             | 3,820 | 14,660           | 10,050   |
| <b>B • Cap Overhead at \$4,000/job/year (vs. \$5,250)<br/>Cap WORK slots at .5m</b>  |      |      |      |      |      |                 |       |                  |  |
| <b>B SUBTOTAL (1/10 child care slots)</b>  | 0    | 0    | 0    | 105  | 510  | 615             | 1,720 | 9,170            | (5,490)  |
| <b>C • Cap Overhead at \$3,500/job/year (vs. \$5,250)<br/>• Limit Time on WORK to 1.5 years<br/>then 75% of AFDC + Food Stamps<br/>• 1/5 WORK Slots in Child Care/Monitoring</b> |      |      |      |      |      |                 |       |                  |  |
| <b>C SUBTOTAL</b>  | 0    | 0    | 0    | 70   | 290  | 360             | (280) | 2,340            | (12,320)   |
| <b>OTHER WORK OPTIONS</b>  |      |      |      |      |      |                 |       |                  |  |
| <b>D Cap the Work Slot number at .4m and<br/>WORK overhead at \$3,500 per slot</b>   | 0    | 0    | 0    | 95   | 445  | 540             | 1,120 | 6,830            | (7,830)  |
| <b>E Cap the Work Slot number at .5m and<br/>WORK overhead at \$3,500 per slot</b>   | 0    | 0    | 0    | 95   | 445  | 540             | 1,470 | 8,020            | (6,640)  |
| <b>F Cap the Work Slot number at .5m and<br/>WORK overhead at \$4,000 per slot</b>   | 0    | 0    | 0    | 105  | 510  | 615             | 1,720 | 9,170            | (5,490)  |
| <b>G Cap the Work Slot number at .7m and<br/>WORK overhead at \$4,000 per slot</b>   | 0    | 0    | 0    | 105  | 510  | 615             | 2,520 | 10,820           | (3,840)  |
| <b>H Part-time workers not eligible for<br/>AFDC after two years</b>   | 0    | 0    | 0    | 110  | 560  | 670             | 3,170 | 12,290           | (2,370)  |

PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL/STATE)

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

|   | 1995 | 1996 | 1997 | 1998 | 1999  | 5 Year<br>Total | 2004  | 10 Year<br>Total | Delta<br>from<br>adjusted<br>A | Annual<br>Steady<br>State |
|---|------|------|------|------|-------|-----------------|-------|------------------|--------------------------------|---------------------------|
| <b>A AFDC Savings from Behavior Effects</b><br>(JOBS/WORK savings incorporated above)       | 0    | (10) | (40) | (90) | (100) | (240)           | (250) | (1,150)          |                                |                           |
| B Not Yet Estimated   | 0    | (10) | (40) | (90) | (100) | (240)           | (250) | (1,150)          | 0                              |                           |
| C Not Yet Estimated   | 0    | (10) | (40) | (90) | (100) | (240)           | (250) | (1,150)          | 0                              |                           |
| <b>A Child Care for JOBS/WORK Participants</b>  | 0    | 150  | 555  | 765  | 965   | 2,435           | 1,760 | 9,830            |                                |                           |
| B Less Child Care Needed  | 0    | 70   | 305  | 465  | 635   | 1,475           | 1,300 | 6,930            | (2,900)                        |                           |
| C Less Child Care Needed  | 0    | 70   | 305  | 465  | 635   | 1,475           | 1,300 | 6,930            | (2,900)                        |                           |
| <b>A Transitional Child Care</b>  | 0    | 25   | 165  | 250  | 335   | 775             | 640   | 3,330            |                                |                           |
| B Alternative under review  | 0    | 25   | 165  | 250  | 335   | 775             | 640   | 3,330            | 0                              |                           |
| C Alternative under review  | 0    | 25   | 165  | 250  | 335   | 775             | 640   | 3,330            | 0                              |                           |
| <b>A Enhanced Teen Case Management</b>  | 0    | 20   | 55   | 65   | 65    | 205             | 85    | 595              |                                |                           |
| B Cap case management admin costs at \$ 50 m.   | 0    | 30   | 50   | 50   | 50    | 180             | 50    | 430              | 430                            |                           |
| C Defer   | 0    | 0    | 0    | 0    | 0     | 0               | 0     | 0                | (595)                          |                           |
| <b>A Economic Development: Microenterprise loans</b><br>and Individual Development Accounts | 0    | 0    | 100  | 100  | 100   | 300             | 0     | 700              |                                |                           |
| B Option A  | 0    | 0    | 100  | 100  | 100   | 300             | 0     | 300              | 700                            | (400)                     |
| C Modest Economic Development   | 0    | 0    | 50   | 50   | 50    | 150             | 0     | 150              |                                | (150)                     |

Change in culture

DETAILED OPTIONS

PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL/STATE)

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

|                                  | 1995 | 1996 | 1997  | 1998  | 1999  | 5 Year<br>Total | 2004  | 10 Year<br>Total | Delta<br>from<br>adjusted<br>A | Annual<br>Steady<br>State |
|----------------------------------|------|------|-------|-------|-------|-----------------|-------|------------------|--------------------------------|---------------------------|
| <b>A JOBS/WORK Systems Costs</b> |      |      |       |       |       |                 |       |                  |                                |                           |
| <i>Federal and State</i>         | 50   | 80   | 130   | 250   | 320   | 830             | 45    | 1,275            |                                |                           |
| B <i>Option A</i>                | 100  | 300  | 300   | 400   | 300   | 1,400           | 100   | 2,200            |                                |                           |
| C <i>Option A</i>                | 100  | 300  | 300   | 400   | 300   | 1,400           | 100   | 2,200            |                                |                           |
| <br>                             |      |      |       |       |       |                 |       |                  |                                |                           |
| A Subtotal                       | 50   | 590  | 1,975 | 2,635 | 3,585 | 8,835           | 7,400 | 38,995           |                                |                           |
| B Subtotal                       | 100  | 630  | 1,540 | 2,020 | 2,590 | 6,880           | 4,150 | 26,725           |                                |                           |
| C Subtotal                       | 100  | 585  | 1,400 | 1,835 | 2,220 | 6,140           | 1,960 | 18,680           |                                |                           |

PARENTAL RESPONSIBILITY

|   |   |      |      |      |      |       |      |       |   |  |
|---|---|------|------|------|------|-------|------|-------|---|--|
| A Require Minor Moms to Live with Parents | 0 | (45) | (50) | (50) | (50) | (195) | (60) | (465) |   |  |
| B <i>No change</i>                        | 0 | (45) | (50) | (50) | (50) | (195) | (60) | (465) | 0 |  |
| C <i>No change</i>                        | 0 | (45) | (50) | (50) | (50) | (195) | (60) | (465) | 0 |  |

PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL/STATE)

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

|  | 1995 | 1996  | 1997  | 1998  | 1999  | 5 Year<br>Total | 2004    | 10 Year<br>Total | Delta<br>from Annual<br>adjusted Steady<br>State |
|--|------|-------|-------|-------|-------|-----------------|---------|------------------|--|
| <b>A Comprehensive Demonstration Grants</b>  | 0    | 50    | 50    | 50    | 50    | 200             | 60      | 475              |  |
| B <i>Cap at \$50 m</i>   | 0    | 50    | 50    | 50    | 50    | 200             | 50      | 450              | (25)   |
| C <i>Cap at \$50 m</i>   | 0    | 50    | 50    | 50    | 50    | 200             | 50      | 450              | (25)   |
| <b>A Two Parent Provision: Quarters of Work<br/>and 100 Hour Rule</b>                    | 0    | 0     | 440   | 680   | 945   | 2,065           | 1,005   | 6,970            |  |
| B <i>Included in "Reinventing Government"</i>  | 0    | 0     | 0     | 0     | 0     | 0               | 0       | 0                |  |
| C <i>Included in "Reinventing Government"</i>  | 0    | 0     | 0     | 0     | 0     | 0               | 0       | 0                |  |
| <b>A No additional benefits for additional children<br/>(Family Cap at State Option)</b> | (20) | (50)  | (125) | (200) | (265) | (660)           | (320)   | (2,150)          |  |
| B <i>No change</i>   | (20) | (50)  | (125) | (200) | (265) | (660)           | (320)   | (2,150)          | 0  |
| C <i>Mandatory Family Cap</i>  | (65) | (150) | (375) | (605) | (800) | (1,995)         | (800)   | (5,995)          | (3,845)  |
| <b>A Child Support Enforcement</b>   | 10   | 40    | (85)  | (85)  | (375) | (495)           | (1,270) | (5,005)          |  |
| B <i>Same as A, but higher computer costs</i>  | 45   | 85    | (25)  | (30)  | (310) | (235)           | (1,205) | (4,455)          | 550  |
| C <i>OPTION B</i>  | 45   | 85    | (25)  | (30)  | (310) | (235)           | (1,205) | (4,455)          | 550  |
| <b>A Non-custodial Parent Provisions</b>   | 0    | 25    | 80    | 120   | 185   | 410             | 375     | 2,020            |  |
| B <i>Modest Non-custodial Parent Provisions</i>  | 0    | 20    | 60    | 90    | 140   | 310             | 280     | 1,520            | (500)  |
| C <i>Defer</i>   | 0    | 0     | 0     | 0     | 0     | 0               | 0       | 0                | (2,020)  |
| <b>A Access Grants and Parenting Demonstrations</b>                                      | 20   | 25    | 30    | 30    | 30    | 135             | 30      | 285              |  |
| B <i>Defer</i>   | 0    | 0     | 0     | 0     | 0     | 0               | 0       | 0                | (285)  |
| C <i>Defer</i>   | 0    | 0     | 0     | 0     | 0     | 0               | 0       | 0                | (285)  |

PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL/STATE)

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

Delta  
from Annual  
adjusted Steady  
State

|   | 1995      | 1996      | 1997       | 1998       | 1999       | 5 Year<br>Total | 2004         | 10 Year<br>Total | Delta<br>from Annual<br>adjusted Steady<br>State |
|---|-----------|-----------|------------|------------|------------|-----------------|--------------|------------------|--|
| A Child Support Assurance Demonstrations  | 0         | 0         | 100        | 200        | 250        | 550             | 0            | 1,500            |  |
| B Limit and Cap CSA Demos                 | 0         | 0         | 50         | 50         | 50         | 150             | 0            | 150              | (1,350)  |
| C Defer                                   | 0         | 0         | 0          | 0          | 0          | 0               | 0            | 0                | (1,500)  |
| <b>A Subtotal Parental Responsibility</b> | <b>10</b> | <b>45</b> | <b>440</b> | <b>745</b> | <b>770</b> | <b>2,010</b>    | <b>(180)</b> | <b>3,630</b>     |  |
| B Subtotal                                | 25        | 60        | (40)       | (90)       | (385)      | (430)           | (1,255)      | (4,950)          | (8,580)  |
| C Subtotal                                | (20)      | (60)      | (400)      | (635)      | (1,110)    | (2,225)         | (2,015)      | (10,465)         | (14,095)   |

MAKING WORK PAY

|                                   |          |            |              |              |              |              |              |               |          |
|-----------------------------------|----------|------------|--------------|--------------|--------------|--------------|--------------|---------------|----------|
| A Working Poor Child Care         | 0        | 500        | 1,000        | 1,500        | 2,000        | 5,000        | 2,435        | 16,270        |          |
| B Target Child Care               | 0        | 0          | 500          | 900          | 900          | 2,300        | 1,000        | 7,300         | (8,970)  |
| C Defer                           | 0        | 0          | 0            | 0            | 0            | 0            | 0            | 0             | (16,270) |
| <b>A Advance EITC</b>             | <b>0</b> | <b>0</b>   | <b>0</b>     | <b>0</b>     | <b>0</b>     | <b>0</b>     | <b>0</b>     | <b>0</b>      |          |
| B No Change                       | 0        | 0          | 0            | 0            | 0            | 0            | 0            | 0             | 0        |
| C No Change                       | 0        | 0          | 0            | 0            | 0            | 0            | 0            | 0             | 0        |
| <b>A Subtotal Making Work Pay</b> | <b>0</b> | <b>500</b> | <b>1,000</b> | <b>1,500</b> | <b>2,000</b> | <b>5,000</b> | <b>2,435</b> | <b>16,270</b> |          |
| B Subtotal                        | 0        | 0          | 500          | 900          | 900          | 2,300        | 1,000        | 7,300         | (8,970)  |
| C Subtotal                        | 0        | 0          | 0            | 0            | 0            | 0            | 0            | 0             | (16,270) |

PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL/STATE)

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

|  | 1995 | 1996  | 1997  | 1998  | 1999  | 5 Year<br>Total | 2004  | 10 Year<br>Total | Delta<br>from<br>adjusted<br>A | Annual<br>Steady<br>State |
|--|------|-------|-------|-------|-------|-----------------|-------|------------------|--------------------------------|---------------------------|
| <b>REINVENTING GOVERNMENT</b>  |      |       |       |       |       |                 |       |                  |                                |                           |
| A Asset Rules, Filing Unit, Simplification of Earnings Disregards, Accounting, Reporting Rules | 0    | 0     | 0     | 0     | 0     | 0               | 0     | 0                | 0                              |                           |
| B Include Two Parent Provisions  | 0    | 0     | 0     | 0     | 0     | 0               | 0     | 0                | 0                              |                           |
| C Option B   | 0    | 0     | 0     | 0     | 0     | 0               | 0     | 0                | 0                              |                           |
| Subtotal Reinventing Government  | 0    | 0     | 0     | 0     | 0     | 0               | 0     | 0                | 0                              |                           |
| B No Change  | 0    | 0     | 0     | 0     | 0     | 0               | 0     | 0                | 0                              | 0                         |
| C No Change  | 0    | 0     | 0     | 0     | 0     | 0               | 0     | 0                | 0                              | 0                         |
| <b>GRAND TOTAL</b>   |      |       |       |       |       |                 |       |                  |                                |                           |
| A TOTAL  | 60   | 1,135 | 3,415 | 4,880 | 6,355 | 15,845          | 9,655 | 58,895           |                                | N/A                       |
| B Total  | 125  | 690   | 2,000 | 2,830 | 3,105 | 8,750           | 3,895 | 29,075           |                                | N/A                       |
| C Total  | 80   | 525   | 1,000 | 1,200 | 1,110 | 3,915           | (55)  | 8,215            |                                | N/A                       |

PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL/STATE)

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

Delta  
from Annual  
adjusted Steady  
A State

|  | 1995 | 1996 | 1997 | 1998 | 1999 | 5 Year<br>Total | 2004 | 10 Year<br>Total | Delta<br>from Annual<br>adjusted Steady<br>A State |
|--|------|------|------|------|------|-----------------|------|------------------|--|
| <b>EFFECTS ON OTHER PROGRAMS</b>           |      |      |      |      |      |                 |      |                  |  |
| A Child Care Feeding Costs (JOBS/WORK/TCC) | 0    | 20   | 70   | 100  | 130  | 320             | 240  | 1,315            |  |
| B Based on Option B Child Care             | 0    | 10   | 45   | 70   | 95   | 220             | 195  | 1,020            |  |
| C Based on Option C Child Care             | 0    | 10   | 45   | 70   | 95   | 220             | 195  | 1,020            |  |
| A Child Care Feeding Costs(Working Poor)   | 0    | 50   | 100  | 150  | 200  | 500             | 244  | 1,627            |  |
| B Based on Option B Child Care             | 0    | 0    | 50   | 90   | 90   | 230             | 100  | 730              |  |
| C Based on Option C Child Care             | 0    | 0    | 0    | 0    | 0    | 0               | 0    | 0                |  |
| A Subtotal                                 | 0    | 70   | 170  | 250  | 330  | 820             | 484  | 2,947            |  |
| B Subtotal                                 | 0    | 10   | 95   | 160  | 185  | 450             | 295  | 1,750            |  |
| C Subtotal                                 | 0    | 10   | 45   | 70   | 95   | 220             | 195  | 1,020            |  |

|   |                   |
|---|-------------------|
| Sanctions                                   | Not Yet Estimated |
| Federal Match Rate effect on State behavior | Not Yet Estimated |
| Food Stamps Interactions                    | Not Yet Estimated |
| Medicaid Interactions                       | Not Yet Estimated |
| ETTC Interactions                           | Not Yet Estimated |
| Other Interactions                          | Not Yet Estimated |

PRELIMINARY WELFARE REFORM COST ESTIMATES (FEDERAL/STATE)

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

Delta  
from Annual  
adjusted Steady  
A State

1995 1996 1997 1998 1999 5 Year Total 2004 10 Year Total

GENERAL NOTES:

HHS dollar estimates were provided only through FY99. Subsequent estimates are based on HHS caseload tables. Two technical corrections were made: 1) the Budget baseline is assumed, rather than the lower baseline HHS assumes; 2) the share of the caseload working is held at current levels, rather than increasing 50 percent, as in HHS's estimates. HHS and Technical Reestimates include JOBS/WORK savings due to caseload reduction. Savings are for options considered independently. Combined effect have not been estimated yet. Steady State estimate uses 2004 caseload with no effects of EITC increases or health reform. Effects of applicant job search extrapolated from Florida FIP one-year impacts.

Working with HHS to understand TCC assumptions.

Economic development is a 3 year demonstration project.

HHS has determined 5 yr. cost, but stream of outlays is not set. 10 yr estimate is placeholder.

These numbers were received verbally Feb. 28. Child Support estimates are combined Federal and State shares of costs and collections. Under current law, these provisions would have Federal costs and savings

HHS's current proposal assumes no scoreable costs for the Advanced EITC. A change in law in order to mandate the advanced EITC could have significant costs

HHS's current proposal assumes that the Reinventing Government items will have no net costs. This may be difficult to accomplish given the magnitude of the savings and costs within this category.

CBO estimates for a Family Cap are significantly lower than HHS.

CBO: Mandatory Family Cap (40) (100) (120) (160) (160) (580)

Place holder estimate -- will be revised shortly.

HHS CSA based on outdated CBO pricing. HHS will reestimate.

12 The net effect of Job Search, excluding behavioral effects is roughly zero. It is unclear whether or not the behavioral effect would be scoreable. Savings from behavior are as follows:

(230) (235) (240) (240) (245) (1,190)

## **Reinventing Government Assistance**

- ▶ **Coordination, simplification and improved incentives in income support programs**
  - ▶ Allow families to own a reliable automobile
  - ▶ Allow States to reward work
  - ▶ Allow families to accumulate savings
  
- ▶ **A performance-based system**
  
- ▶ **Accountability, efficiency, and reducing fraud**
  - ▶ A nationwide public assistance clearinghouse
  - ▶ State tracking systems which follow people in the JOBS and WORK programs
  - ▶ EBT expansion

# COSTS

\* Program is popular. Paying for it is not (no surprise to you)

\* Not going to cost \$58B (1/2)

\* Our costs + your costs

## YARS

1. Former gov. - how hard it is to get it at state level  
- 12 yrs on receiving end  
- opposed to unfunded mandates

2. FSA: Many states not drawing down at current match  
- BC + Moynihan understood that

3. BASIC PRINCIPLE ~~is~~ = WE PICK UP MOST OF THE TAB

\* EXPECT YOU TO DRAW DOWN ~~THE~~ CURRENT TABS &

\* BUT NEW MONEY WILL COME AT A MUCH RICHER MATCH (LAST PIECE OF THE PUZZLE)

\* ANTICIPATE SIGNIFICANT CSE + CASELOAD SAVINGS

\* OVER TIME, THIS SHD SAVE YOU \$ (NOT US, BUT YOU)

\* MANY OF NEW COSTS WILL BE OPTIONAL

~~AAA~~

\* WORK DISREGARDS, DEMONSTRATIONS, 2-PARENT, ASSET CHANGES

## OUR COSTS

- 10-12/5, 30/10

- CONSERVATIVE ESTIMATES - NOT cutting corners

- CBO SCORING RULES - overfunded

## OFFSETS

1. GOP PLAN

1. Non-citizens - 1/2 savings from Medicaid - shift to states (GOP yrs)

2. Block grant nutrition - cut by 5% + capped

2. OURS - BALANCE

1. GOAL = something to beat GOP

2. NOT DUAL

1. Taxing poor people

2. Child only care

3/18, 8 am

**TABLE 1 -- PRELIMINARY COST ESTIMATES (FEDERAL AND STATE)  
FOR A HYPOTHETICAL WELFARE REFORM PROPOSAL**  
(By fiscal year, in millions of dollars)  
(24 month WORK program followed by assessment leading to 10% sanction, 50% WORK and 40% pre-JOBS)  
(Welfare and Nonwelfare Impacts) - OPTION A

|   | 1995      | 1996       | 1997         | 1998         | 1999         | 5 Year<br>Total | 2000         | 2001         | 2002         | 2003         | 2004         | 10 Year<br>Total |
|---|-----------|------------|--------------|--------------|--------------|-----------------|--------------|--------------|--------------|--------------|--------------|------------------|
| <b>PARENTAL RESPONSIBILITY</b>  |           |            |              |              |              |                 |              |              |              |              |              |                  |
| Minor Mothers   | 0         | (45)       | (50)         | (50)         | (50)         | (195)           | (50)         | (50)         | (55)         | (55)         | (60)         | (465)            |
| Comprehensive Demonstration Grants  | 0         | 50         | 50           | 50           | 50           | 200             | 50           | 50           | 55           | 60           | 60           | 475              |
| Two-Parent Provisions   | 0         | 0          | 440          | 680          | 945          | 2,065           | 980          | 970          | 980          | 990          | 1,005        | 6,970            |
| No Additional Benefits for Additional Children  | (20)      | (50)       | (125)        | (200)        | (265)        | (660)           | (275)        | (285)        | (300)        | (310)        | (320)        | (2,150)          |
| <b>Child Support Enforcement</b>  |           |            |              |              |              |                 |              |              |              |              |              |                  |
| Paternity Establishment (Net)   | 5         | 20         | (110)        | (165)        | (215)        | (465)           | (240)        | (280)        | (305)        | (330)        | (355)        | (1,975)          |
| Enforcement (Net)   | (10)      | (20)       | (95)         | (80)         | (320)        | (485)           | (445)        | (835)        | (910)        | (955)        | (1,015)      | (4,655)          |
| Computer Costs  | 15        | 35         | 95           | 160          | 180          | 485             | 155          | 130          | 115          | 110          | 110          | 1,085            |
| Non-Custodial Parent Provisions   | 0         | 25         | 80           | 115          | 165          | 385             | 225          | 275          | 295          | 340          | 375          | 1,865            |
| Access Grants and Parenting Demonstrations  | 20        | 25         | 30           | 30           | 30           | 135             | 30           | 30           | 30           | 30           | 30           | 285              |
| Child Support Assurance Demonstrations  | 0         | 0          | 100          | 200          | 250          | 550             | 250          | 250          | 250          | 200          | 0            | 1,500            |
| <b>SUBTOTAL, CSE</b>  | <b>30</b> | <b>85</b>  | <b>130</b>   | <b>260</b>   | <b>70</b>    | <b>575</b>      | <b>(25)</b>  | <b>(430)</b> | <b>(525)</b> | <b>(605)</b> | <b>(655)</b> | <b>(1,665)</b>   |
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>   |           |            |              |              |              |                 |              |              |              |              |              |                  |
| <b>JOBS-Prep</b>  |           |            |              |              |              |                 |              |              |              |              |              |                  |
| JOBS-Prep   | 0         | 25         | 80           | 95           | 100          | 300             | 115          | 145          | 180          | 225          | 280          | 1,245            |
| Additional JOBS Spending  | 0         | 200        | 720          | 920          | 880          | 2,720           | 780          | 780          | 770          | 820          | 880          | 6,730            |
| Additional Child Care for JOBS  | 0         | 150        | 555          | 720          | 700          | 2,125           | 615          | 625          | 615          | 650          | 680          | 5,310            |
| <b>WORK Program</b>   |           |            |              |              |              |                 |              |              |              |              |              |                  |
| WORK Program  | 0         | 0          | 0            | 110          | 680          | 770             | 1,380        | 1,610        | 2,010        | 2,370        | 2,580        | 10,920           |
| Additional Child Care for WORK  | 0         | 0          | 0            | 45           | 265          | 310             | 580          | 750          | 835          | 985          | 1,080        | 4,520            |
| Savings from Child Care and Other Expansion   | 0         | 0          | 0            | (5)          | (35)         | (40)            | (75)         | (100)        | (120)        | (145)        | (170)        | (650)            |
| Transitional Child Care with Head Start   | 0         | 25         | 165          | 250          | 335          | 775             | 390          | 450          | 500          | 575          | 640          | 3,330            |
| Enhanced Teen Case Management   | 0         | 20         | 55           | 65           | 65           | 205             | 75           | 75           | 75           | 80           | 85           | 595              |
| Economic Development  | 0         | 0          | 100          | 100          | 100          | 300             | 100          | 100          | 100          | 100          | 0            | 700              |
| Savings - Caseload Reduction  | 0         | (220)      | (410)        | (480)        | (800)        | (1,910)         | (730)        | (800)        | (1,090)      | (1,220)      | (1,800)      | (7,350)          |
| ADP Federal and State Systems/Admin Efficiency  | 50        | 50         | 95           | 210          | 275          | 680             | 170          | 45           | (20)         | (25)         | (25)         | 825              |
| <b>SUBTOTAL, JOBS/WORK</b>  | <b>50</b> | <b>250</b> | <b>1,360</b> | <b>2,030</b> | <b>2,545</b> | <b>6,235</b>    | <b>3,390</b> | <b>3,680</b> | <b>3,855</b> | <b>4,415</b> | <b>4,410</b> | <b>26,175</b>    |
| <b>MAKING WORK PAY</b>  |           |            |              |              |              |                 |              |              |              |              |              |                  |
| Working Poor Child Care (Capped at \$2b)  | 0         | 500        | 1,000        | 1,500        | 2,000        | 5,000           | 2,080        | 2,163        | 2,250        | 2,340        | 2,433        | 16,266           |
| Advance EITC  | 0         | 0          | 0            | 0            | 0            | 0               | 0            | 0            | 0            | 0            | 0            | 0                |
| <b>GRAND TOTAL - OPTION A</b>   | <b>80</b> | <b>790</b> | <b>2,805</b> | <b>4,270</b> | <b>5,295</b> | <b>13,220</b>   | <b>6,120</b> | <b>6,298</b> | <b>6,260</b> | <b>6,835</b> | <b>6,673</b> | <b>45,408</b>    |
| <b>GRAND TOTAL - OPTION B (UP provision costs 0)</b>  | <b>80</b> | <b>790</b> | <b>2,365</b> | <b>3,590</b> | <b>4,350</b> | <b>11,155</b>   | <b>5,180</b> | <b>5,328</b> | <b>5,280</b> | <b>5,845</b> | <b>5,668</b> | <b>38,438</b>    |
| <b>GRAND TOTAL - OPTION C (UP provision costs 0,<br/>Working Poor Child Care at \$1b in 99,<br/>Demonstrations cut by 25%).</b> | <b>55</b> | <b>521</b> | <b>1,820</b> | <b>2,770</b> | <b>3,268</b> | <b>8,434</b>    | <b>4,038</b> | <b>4,184</b> | <b>4,071</b> | <b>4,602</b> | <b>4,429</b> | <b>29,738</b>    |
| <b>GRAND TOTAL - OPTION D (UP provision costs 0,<br/>Working Poor Child Care at 0,<br/>Demonstrations cut by 50%).</b>          | <b>50</b> | <b>253</b> | <b>1,275</b> | <b>1,950</b> | <b>2,165</b> | <b>5,713</b>    | <b>2,915</b> | <b>3,000</b> | <b>2,863</b> | <b>3,360</b> | <b>3,190</b> | <b>21,041</b>    |

Note: Parentheses denote savings.

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.

SEE APPENDIX FOR ENDNOTES TO TABLE

3/18, 1:45 pm

**TABLE 1 - PRELIMINARY COST ESTIMATES (FEDERAL AND STATE)  
FOR A HYPOTHETICAL WELFARE REFORM PROPOSAL**  
(By fiscal year, in millions of dollars)  
(24 month WORK program followed by assessment leading to 10% sanction, 50% WORK and 40% pre-JOBS)  
(Welfare and Nonwelfare Impacts) - OPTION A

|   | 1995       | 1996         | 1997         | 1998         | 1999         | 5 Year<br>Total | 2000         | 2001         | 2002         | 2003         | 2004         | 10 Year<br>Total |
|---|------------|--------------|--------------|--------------|--------------|-----------------|--------------|--------------|--------------|--------------|--------------|------------------|
| <b>PARENTAL RESPONSIBILITY</b>  |            |              |              |              |              |                 |              |              |              |              |              |                  |
| Minor Mothers   | 0          | (45)         | (50)         | (50)         | (50)         | (195)           | (50)         | (50)         | (55)         | (55)         | (60)         | (465)            |
| Comprehensive Demonstration Grants  | 0          | 25           | 25           | 25           | 25           | 100             | 25           | 25           | 28           | 30           | 30           | 238              |
| Two-Parent Provisions   | 0          | 0            | 250          | 450          | 500          | 1,200           | 510          | 520          | 530          | 535          | 545          | 3,840            |
| No Additional Benefits for Additional Children  | (20)       | (50)         | (125)        | (200)        | (265)        | (860)           | (275)        | (285)        | (300)        | (310)        | (320)        | (2,150)          |
| <b>Child Support Enforcement</b>  |            |              |              |              |              |                 |              |              |              |              |              |                  |
| Paternity Establishment (Net)   | 5          | 20           | (110)        | (165)        | (215)        | (465)           | (240)        | (280)        | (305)        | (330)        | (355)        | (1,975)          |
| Enforcement (Net)   | (10)       | (20)         | (65)         | (80)         | (320)        | (495)           | (445)        | (835)        | (910)        | (955)        | (1,015)      | (4,655)          |
| Computer Costs  | 15         | 35           | 95           | 160          | 160          | 465             | 155          | 130          | 115          | 110          | 110          | 1,065            |
| Non-Custodial Parent Provisions   | 0          | 15           | 95           | 125          | 195          | 430             | 255          | 265          | 305          | 335          | 355          | 1,985            |
| Access Grants and Parenting Demonstrations  | 20         | 25           | 30           | 30           | 30           | 135             | 30           | 30           | 30           | 30           | 30           | 285              |
| Child Support Assurance Demonstrations  | 0          | 0            | 100          | 200          | 250          | 550             | 250          | 250          | 250          | 200          | 0            | 1,500            |
| <b>SUBTOTAL, CSE</b>  | <b>30</b>  | <b>75</b>    | <b>145</b>   | <b>270</b>   | <b>100</b>   | <b>620</b>      | <b>5</b>     | <b>(420)</b> | <b>(515)</b> | <b>(810)</b> | <b>(875)</b> | <b>(1,795)</b>   |
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>   |            |              |              |              |              |                 |              |              |              |              |              |                  |
| JOBS-Prep   | 0          | 15           | 90           | 100          | 110          | 315             | 120          | 145          | 185          | 225          | 275          | 1,265            |
| Additional JOBS Spending  | 0          | 120          | 850          | 1,040        | 1,090        | 3,100           | 850          | 750          | 680          | 690          | 680          | 6,750            |
| Additional Child Care for JOBS  | 0          | 120          | 610          | 750          | 770          | 2,250           | 590          | 515          | 450          | 435          | 410          | 4,850            |
| WORK Program  | 0          | 0            | 0            | 90           | 780          | 850             | 1,580        | 1,970        | 2,160        | 2,430        | 2,570        | 11,540           |
| Additional Child Care for WORK  | 0          | 0            | 0            | 40           | 325          | 365             | 670          | 850          | 930          | 1,035        | 1,080        | 4,930            |
| Savings from Child Care and Other Expansion   | 0          | 0            | 0            | (10)         | (80)         | (90)            | (165)        | (220)        | (280)        | (305)        | (340)        | (1,380)          |
| Transitional Child Care   | 0          | 10           | 180          | 235          | 320          | 725             | 360          | 400          | 430          | 490          | 530          | 2,935            |
| Enhanced Teen Case Management   | 0          | 20           | 55           | 65           | 70           | 210             | 75           | 75           | 75           | 80           | 80           | 595              |
| Economic Development  | 0          | 0            | 100          | 100          | 100          | 300             | 100          | 100          | 100          | 100          | 0            | 700              |
| Savings - Caseload Reduction  | 0          | 0            | (80)         | (250)        | (190)        | (520)           | (250)        | (820)        | (1,100)      | (1,160)      | (1,440)      | (5,090)          |
| ADP Federal and State Systems/Admin Efficiency  | 50         | 50           | 95           | 210          | 275          | 680             | 170          | 45           | (20)         | (25)         | (25)         | 825              |
| <b>SUBTOTAL, JOBS/WORK</b>  | <b>50</b>  | <b>335</b>   | <b>1,880</b> | <b>2,370</b> | <b>3,550</b> | <b>8,185</b>    | <b>4,060</b> | <b>4,010</b> | <b>3,630</b> | <b>3,995</b> | <b>3,820</b> | <b>27,720</b>    |
| <b>MAKING WORK PAY</b>  |            |              |              |              |              |                 |              |              |              |              |              |                  |
| Working Poor Child Care (Capped at \$2b)  | 0          | 500          | 1,000        | 1,500        | 2,000        | 5,000           | 2,080        | 2,183        | 2,250        | 2,340        | 2,433        | 16,266           |
| Advance EITC  | 0          | 0            | 0            | 0            | 0            | 0               | 0            | 0            | 0            | 0            | 0            | 0                |
| Assets, Coordination, disregards  | 100        | 200          | 200          | 250          | 250          | 1,000           | 260          | 270          | 280          | 290          | 300          | 2,400            |
| <b>GRAND TOTAL - OPTION A</b>   | <b>160</b> | <b>1,040</b> | <b>3,325</b> | <b>4,815</b> | <b>6,110</b> | <b>15,250</b>   | <b>6,635</b> | <b>6,233</b> | <b>5,847</b> | <b>6,215</b> | <b>5,873</b> | <b>48,053</b>    |
| <b>GRAND TOTAL - OPTION B (UP provision costs 0)</b>  | <b>160</b> | <b>1,065</b> | <b>3,100</b> | <b>4,120</b> | <b>5,635</b> | <b>14,150</b>   | <b>6,150</b> | <b>5,738</b> | <b>5,345</b> | <b>5,710</b> | <b>5,358</b> | <b>42,451</b>    |
| <b>GRAND TOTAL - OPTION C (UP provision costs 0,<br/>Working Poor Child Care at \$1b in 99,<br/>Demonstrations cut by 25%).</b> | <b>155</b> | <b>797</b>   | <b>2,531</b> | <b>3,346</b> | <b>4,528</b> | <b>11,357</b>   | <b>5,003</b> | <b>6,068</b> | <b>4,131</b> | <b>6,027</b> | <b>4,027</b> | <b>36,613</b>    |
| <b>GRAND TOTAL - OPTION D (UP provision costs 0,<br/>Working Poor Child Care at 0,<br/>Demonstrations cut by 50%).</b>          | <b>150</b> | <b>528</b>   | <b>1,960</b> | <b>2,500</b> | <b>3,420</b> | <b>8,556</b>    | <b>3,855</b> | <b>3,360</b> | <b>2,878</b> | <b>3,175</b> | <b>2,880</b> | <b>24,706</b>    |

Note: Parentheses denote savings.

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.

SEE APPENDIX FOR ENDNOTES TO TABLE

**TABLE 1 - PRELIMINARY COST ESTIMATES (FEDERAL AND STATE)  
FOR A HYPOTHETICAL WELFARE REFORM PROPOSAL**  
(By fiscal year, in millions of dollars)  
(24 month WORK program followed by assessment leading to 10% work, 50% WORK and 40% pre-JOB)  
(Welfare and Nonwelfare projects) - OPTION A

| PARENTAL RESPONSIBILITY   | Year |       |       |       |       |        |       |       |       |       | 10 Year Total |         |
|---|------|-------|-------|-------|-------|--------|-------|-------|-------|-------|---------------|---------|
|   | 1995 | 1996  | 1997  | 1998  | 1999  | 2000   | 2001  | 2002  | 2003  | 2004  |               |         |
| <b>PARANTAL RESPONSIBILITY</b>  |      |       |       |       |       |        |       |       |       |       |               |         |
| Mirror Account  | 0    | (45)  | (35)  | (50)  | (50)  | (50)   | (50)  | (50)  | (50)  | (50)  | (50)          | (485)   |
| Comprehensive Demonstration Grants  | 0    | 25    | 25    | 25    | 25    | 25     | 25    | 25    | 25    | 25    | 25            | 288     |
| Two-Parent Provisions   | 0    | 0     | 250   | 450   | 500   | 510    | 520   | 530   | 535   | 545   | 545           | 5,840   |
| No Additional Benefits for Additional Children  | (20) | (50)  | (125) | (200) | (205) | (275)  | (285) | (300) | (310) | (320) | (320)         | (2,150) |
| <b>CHILD SUPPORT ENFORCEMENT</b>  |      |       |       |       |       |        |       |       |       |       |               |         |
| Paternity Establishment (Net)   | 5    | 20    | (110) | (180) | (215) | (445)  | (240) | (280) | (305) | (330) | (355)         | (1,975) |
| Enforcement (Net)   | (10) | (20)  | (55)  | (80)  | (120) | (445)  | (445) | (635) | (910) | (965) | (1,015)       | (4,650) |
| Computer Costs  | 15   | 35    | 95    | 180   | 190   | 405    | 155   | 130   | 115   | 110   | 110           | 1,085   |
| Non-Custodial Parent Provisions   | 0    | 15    | 95    | 125   | 185   | 430    | 245   | 285   | 305   | 305   | 355           | 1,885   |
| Access Grants and Parenting Demonstrations  | 20   | 25    | 30    | 30    | 30    | 135    | 30    | 30    | 30    | 30    | 30            | 285     |
| Child Support Assurance Demonstrations  | 0    | 0     | 100   | 200   | 250   | 550    | 250   | 250   | 250   | 200   | 0             | 1,500   |
| <b>SUBTOTAL, CSE</b>  | 30   | 75    | 145   | 270   | 100   | 620    | 5     | (420) | (315) | (810) | (875)         | (1,705) |
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>   |      |       |       |       |       |        |       |       |       |       |               |         |
| JOB-Prep  | 0    | 15    | 30    | 100   | 110   | 315    | 120   | 145   | 185   | 225   | 275           | 1,285   |
| Additional JOB Spending   | 0    | 120   | 850   | 1,040 | 1,090 | 2,100  | 650   | 750   | 680   | 600   | 690           | 6,790   |
| Additional Child Care for JOBS  | 0    | 120   | 810   | 750   | 770   | 2,250  | 580   | 515   | 450   | 435   | 410           | 4,850   |
| <b>WORK Program</b>   |      |       |       |       |       |        |       |       |       |       |               |         |
| Additional Child Care for WORK  | 0    | 0     | 0     | 80    | 780   | 650    | 1,580 | 1,870 | 2,180 | 2,430 | 2,570         | 11,540  |
| Savings from Child Care and Other Expenses  | 0    | 0     | 0     | 40    | 325   | 265    | 670   | 650   | 630   | 1,035 | 1,090         | 4,090   |
| <b>Transitional Child Care</b>  |      |       |       |       |       |        |       |       |       |       |               |         |
| Transitional Child Care   | 0    | 10    | 180   | 235   | 220   | 725    | 380   | 400   | 430   | 440   | 530           | 2,935   |
| <b>Enhanced Teen Case Management</b>  |      |       |       |       |       |        |       |       |       |       |               |         |
| Economic Development  | 0    | 30    | 55    | 85    | 70    | 210    | 75    | 75    | 75    | 80    | 80            | 595     |
| Savings - Caseload Reduction  | 0    | 0     | 100   | 100   | 100   | 300    | 160   | 100   | 100   | 100   | 0             | 700     |
| ADP Federal and State System/Adm'n Efficiency   | 50   | 50    | 95    | 210   | 275   | 680    | 170   | 45    | (20)  | (25)  | (25)          | 825     |
| <b>SUBTOTAL, JOBS/WORK</b>  | 50   | 305   | 1,880 | 2,370 | 3,550 | 8,185  | 4,080 | 4,070 | 3,830 | 3,895 | 3,820         | 27,720  |
| <b>MAKING WORK PAY</b>  |      |       |       |       |       |        |       |       |       |       |               |         |
| Working Poor Child Care (Capped at \$20)  | 0    | \$50  | 1,000 | 1,500 | 2,000 | 5,000  | 2,080 | 2,180 | 2,350 | 2,340 | 2,450         | 18,298  |
| Advance EITC  | 0    | 0     | 0     | 0     | 0     | 0      | 0     | 0     | 0     | 0     | 0             | 0       |
| Assets, Coordination, Savings   | 100  | 200   | 200   | 250   | 250   | 1,000  | 290   | 270   | 290   | 290   | 300           | 2,420   |
| <b>GRAND TOTAL - OPTION A</b>   | 190  | 1,040 | 3,325 | 4,615 | 6,110 | 15,252 | 8,255 | 8,255 | 8,347 | 8,215 | 8,875         | 48,625  |
| <b>GRAND TOTAL - OPTION B (UP provision costs 0)</b>  | 160  | 1,040 | 3,075 | 4,185 | 5,810 | 14,080 | 8,125 | 5,710 | 5,317 | 5,490 | 5,358         | 42,813  |
| <b>GRAND TOTAL - OPTION C (UP provision costs 0, Working Poor Child Care at \$12 in '99, Demonstrations cut by 25%)</b> | 185  | 778   | 2,511 | 3,328 | 4,508 | 11,278 | 4,084 | 4,590 | 4,000 | 4,420 | 4,097         | 38,400  |
| <b>GRAND TOTAL - OPTION D (UP provision costs 0, Working Poor Child Care at 0, Demonstrations cut by 50%)</b>           | 150  | 515   | 1,948 | 2,488 | 3,408 | 8,508  | 3,843 | 3,348 | 2,854 | 3,190 | 2,865         | 24,586  |

Note: Parentheses denote savings.

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.

SEE APPENDIX FOR ENDNOTES TO TABLE

3/18, 2:10 PM  
(Welf/Rowell)

TABLE 1 -- PRELIMINARY COST ESTIMATES (FEDERAL AND STATE)  
FOR A HYPOTHETICAL WELFARE REFORM PROPOSAL  
(By fiscal year, in millions of dollars)  
(24 month work program followed by assessment leading to 10% reduction, 50% work, and 40% pre-JOBES)  
(Welfare Impact) - OPTION A

|   | 10 Year Total |              |              |              |              |              |              |              |              |              |               |                |
|---|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|----------------|
|   | 1985          | 1996         | 1997         | 1998         | 1999         | 2000         | 2001         | 2002         | 2003         | 2004         | 10 Year Total |                |
| <b>PARENTAL RESPONSIBILITY</b>  |               |              |              |              |              |              |              |              |              |              |               |                |
| Minor Medicare  | 0             | (45)         | (50)         | (50)         | (50)         | (50)         | (50)         | (50)         | (50)         | (50)         | (50)          | (485)          |
| Comprehensive Demonstration Grants  | 0             | 50           | 50           | 50           | 50           | 50           | 50           | 50           | 50           | 50           | 50            | 475            |
| Two-Parent Provisions   | 0             | 0            | 250          | 450          | 800          | 510          | 520          | 530          | 535          | 545          | 545           | 3,540          |
| No Additional Benefits for Additional Children  | (20)          | (50)         | (125)        | (200)        | (265)        | (275)        | (285)        | (300)        | (310)        | (320)        | (320)         | (2,150)        |
| <b>Child Support Enforcement</b>  |               |              |              |              |              |              |              |              |              |              |               |                |
| Parental Establishment (Net)  | 5             | 20           | (110)        | (165)        | (215)        | (240)        | (260)        | (305)        | (330)        | (355)        | (355)         | (1,975)        |
| Entitlement (Net)   | (10)          | (20)         | (65)         | (90)         | (120)        | (145)        | (165)        | (190)        | (210)        | (230)        | (230)         | (1,015)        |
| Computer Costs  | 15            | 35           | 85           | 130          | 160          | 155          | 130          | 115          | 110          | 110          | 110           | 1,085          |
| Non-Childhood Parent Provisions   | 0             | 15           | 95           | 130          | 205          | 285          | 335          | 385          | 415          | 455          | 455           | 2,300          |
| Access Grants and Parenting Demonstrations  | 20            | 25           | 30           | 30           | 30           | 30           | 30           | 30           | 30           | 30           | 30            | 285            |
| Child Support Assurance Demonstrations  | 0             | 0            | 100          | 200          | 250          | 250          | 250          | 250          | 200          | 200          | 0             | 1,500          |
| <b>SUBTOTAL, CSE</b>  | <b>30</b>     | <b>75</b>    | <b>145</b>   | <b>275</b>   | <b>410</b>   | <b>435</b>   | <b>(370)</b> | <b>(485)</b> | <b>(530)</b> | <b>(775)</b> | <b>(775)</b>  | <b>(1,460)</b> |
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>   |               |              |              |              |              |              |              |              |              |              |               |                |
| JOBES Prep  | 0             | 15           | 30           | 60           | 100          | 130          | 190          | 210          | 290          | 325          | 325           | 1,400          |
| Additional JOBES Spending   | 0             | 140          | 890          | 1,100        | 1,160        | 1,040        | 1,020        | 1,010        | 1,100        | 1,100        | 1,100         | 8,540          |
| Additional Child Care for JOBES   | 0             | 140          | 625          | 785          | 825          | 735          | 700          | 865          | 720          | 750          | 750           | 5,865          |
| <b>WORK PROGRAM</b>   |               |              |              |              |              |              |              |              |              |              |               |                |
| Additional Child Care for WORK  | 0             | 0            | 0            | 100          | 780          | 1,080        | 2,170        | 2,430        | 2,790        | 3,020        | 3,020         | 12,970         |
| Savings from Child Care and Other Expenditure   | 0             | 0            | 0            | 45           | 335          | 380          | 720          | 805          | 1,050        | 1,275        | 1,275         | 5,550          |
| Transitional Child Care   | 0             | 10           | 165          | 240          | 300          | 385          | 445          | 490          | 590          | 630          | 630           | 3,255          |
| Enhanced Teen Case Management   | 0             | 20           | 55           | 85           | 70           | 80           | 85           | 80           | 90           | 95           | 95            | 650            |
| Economic Development  | 0             | 0            | 100          | 100          | 100          | 100          | 100          | 100          | 100          | 100          | 100           | 700            |
| Savings - Caseload Reduction  | 0             | 0            | (80)         | (250)        | (180)        | (270)        | (290)        | (1,200)      | (1,300)      | (1,860)      | (1,860)       | (5,730)        |
| ADP Federal and State System/Admin Efficiency   | 50            | 50           | 95           | 95           | 275          | 170          | 45           | (20)         | (25)         | (25)         | (25)          | 825            |
| <b>SUBTOTAL, JOBS/WORK</b>  | <b>50</b>     | <b>375</b>   | <b>1,840</b> | <b>2,485</b> | <b>3,715</b> | <b>4,565</b> | <b>4,730</b> | <b>4,606</b> | <b>5,105</b> | <b>5,170</b> | <b>5,170</b>  | <b>32,670</b>  |
| <b>MAKING WORK PAY</b>  |               |              |              |              |              |              |              |              |              |              |               |                |
| Working Poor Child Care (Capped at \$20)  | 0             | 500          | 1,000        | 1,500        | 2,000        | 2,080        | 2,165        | 2,250        | 2,340        | 2,430        | 2,430         | 18,295         |
| Advance EITC  | 0             | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0             | 0              |
| Assets, Coordination, Standards   | 100           | 200          | 200          | 250          | 250          | 280          | 270          | 280          | 290          | 300          | 300           | 2,400          |
| <b>GRAND TOTAL - OPTION A</b>   | <b>150</b>    | <b>1,105</b> | <b>3,410</b> | <b>4,760</b> | <b>6,310</b> | <b>7,825</b> | <b>7,028</b> | <b>6,810</b> | <b>7,435</b> | <b>7,353</b> | <b>7,353</b>  | <b>51,578</b>  |
| <b>GRAND TOTAL - OPTION B (JIP provision costs 0)</b>   | <b>100</b>    | <b>1,105</b> | <b>3,185</b> | <b>4,310</b> | <b>5,610</b> | <b>6,695</b> | <b>6,505</b> | <b>6,290</b> | <b>6,900</b> | <b>6,808</b> | <b>6,808</b>  | <b>47,726</b>  |
| <b>GRAND TOTAL - OPTION C (JIP provision costs 0, Demonstration out by 25%)</b>                               | <b>155</b>    | <b>606</b>   | <b>2,590</b> | <b>3,465</b> | <b>4,703</b> | <b>5,348</b> | <b>5,319</b> | <b>5,046</b> | <b>5,632</b> | <b>5,599</b> | <b>5,599</b>  | <b>38,663</b>  |
| <b>GRAND TOTAL - OPTION D (JIP provision costs 0, Working Poor Child Care at 0, Demonstration out by 50%)</b> | <b>150</b>    | <b>608</b>   | <b>2,030</b> | <b>2,670</b> | <b>3,295</b> | <b>4,400</b> | <b>4,130</b> | <b>3,813</b> | <b>4,385</b> | <b>4,330</b> | <b>4,330</b>  | <b>29,860</b>  |

Note: Parentheses denote savings.

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.

SEE APPENDIX FOR ENDNOTES TO TABLE

3/18, 2:10 PM  
(with only)

- conservative, could be dropped if  
OMB says so

- 10% of (JOBES + work)

**TABLE 2 -- PRELIMINARY COST ESTIMATES (FEDERAL AND STATE)  
FOR A HYPOTHETICAL WELFARE REFORM PROPOSAL**  
(By fiscal year, in millions of dollars)  
(24 month WORK program followed by Assessment.)  
(Welfare Impacts) - OPTION A

|   | 1995      | 1996       | 1997         | 1998         | 1999         | 5 Year<br>Total |
|---|-----------|------------|--------------|--------------|--------------|-----------------|
| <b>PARENTAL RESPONSIBILITY</b>  |           |            |              |              |              |                 |
| Minor Mothers   | 0         | (45)       | (50)         | (50)         | (50)         | (195)           |
| Comprehensive Demonstration Grants  | 0         | 50         | 50           | 50           | 50           | 200             |
| Two-Parent Provisions   | 0         | 0          | 250          | 450          | 500          | 1,200           |
| No Additional Benefits for Additional Children  | (20)      | (50)       | (125)        | (200)        | (285)        | (880)           |
| <b>Child Support Enforcement</b>  |           |            |              |              |              |                 |
| Paternity Establishment (Net)   | 5         | 20         | (110)        | (165)        | (215)        | (465)           |
| Enforcement (Net)   | (10)      | (20)       | (65)         | (80)         | (320)        | (495)           |
| Computer Costs  | 15        | 35         | 95           | 160          | 160          | 465             |
| Non-Custodial Parent Provisions   | 0         | 15         | 90           | 125          | 200          | 430             |
| Access Grants and Parenting Demonstrations  | 20        | 25         | 30           | 30           | 30           | 135             |
| Child Support Assurance Demonstrations  | 0         | 0          | 100          | 200          | 250          | 550             |
| <b>SUBTOTAL, CSE</b>  | <b>30</b> | <b>75</b>  | <b>140</b>   | <b>270</b>   | <b>105</b>   | <b>620</b>      |
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>   |           |            |              |              |              |                 |
| JOBS-Prep   | 0         | 15         | 85           | 100          | 110          | 310             |
| Additional JOBS Spending  | 0         | 130        | 830          | 1,070        | 1,130        | 3,160           |
| Additional Child Care for JOBS  | 0         | 85         | 560          | 750          | 760          | 2,205           |
| WORK Program  | 0         | 0          | 0            | 90           | 780          | 870             |
| Additional Child Care for WORK  | 0         | 0          | 0            | 40           | 330          | 370             |
| Savings from Child Care and Other Expansion   | 0         | 0          | 0            | (10)         | (80)         | (90)            |
| Transitional Child Care   | 0         | 10         | 155          | 235          | 320          | 720             |
| Enhanced Teen Case Management   | 0         | 20         | 55           | 65           | 70           | 210             |
| Economic Development  | 0         | 0          | 100          | 100          | 100          | 300             |
| Savings - Caseload Reduction  | 0         | (30)       | (300)        | (380)        | (380)        | (1,090)         |
| ADP Federal and State Systems/Admin Efficiency  | 50        | 50         | 95           | 210          | 275          | 680             |
| <b>SUBTOTAL, JOBS/WORK</b>  | <b>50</b> | <b>280</b> | <b>1,600</b> | <b>2,270</b> | <b>3,445</b> | <b>7,645</b>    |
| <b>MAKING WORK PAY</b>  |           |            |              |              |              |                 |
| Working Poor Child Care (Capped at \$2b)  | 0         | 500        | 1,000        | 1,500        | 2,000        | 5,000           |
| Advance EITC  | 0         | 0          | 0            | 0            | 0            | 0               |
| Assets, Coordination, State Flexibility<br>on Disregards  | 0         | 0          | 100          | 150          | 200          | 450             |
| Child Care Feeding Programs   | 0         | 100        | 200          | 300          | 300          | 900             |
| <b>GRAND TOTAL - OPTION A</b>   | <b>60</b> | <b>910</b> | <b>3,165</b> | <b>4,740</b> | <b>6,285</b> | <b>15,160</b>   |
| GRAND TOTAL - OPTION B (UP provision costs 0).  | 60        | 910        | 2,915        | 4,290        | 5,785        | 13,960          |
| GRAND TOTAL - OPTION C (UP provision costs 0,<br>Working Poor Child Care at \$1b in 1999,<br>Demonstrations cut by 25% relative to Option A). | 55        | 615        | 2,295        | 3,370        | 4,580        | 10,915          |
| GRAND TOTAL - OPTION D (UP provision costs 0,<br>Working Poor Child Care at 0,<br>Demonstrations cut by 50% relative to Option A).            | 50        | 325        | 1,975        | 2,450        | 3,370        | 7,870           |

Note: Parentheses denote savings.

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.

1/2

-not Demos

Asset

Really \$1.3\*



REINVENTING GOVERNMENT PROPOSALS:

| Proposal  |      | 1995      | 1996      | 1997      | 1998      | 1999      | 2000      | 2001      | 2002      | 2003      | 2004      | Ten Year TOTAL |
|---|------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------|
| 130% Gross Income Test  | AFDC | -1305     | -1350     | -1395     | -1440     | -1500     | -1545     | -1605     | -1665     | -1725     | -1785     | -15315         |
|   | FS   | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         |                |
| Limit Essential Persons<br>Limit Type of Care   | AFDC | -25       | -26       | -27       | -28       | -29       | -30       | -31       | -32       | -33       | -34       | -293           |
|   | FS   | 7         | 7         | 8         | 8         | 8         | 9         | 9         | 9         | 10        | 10        | 85             |
| State Flex. on Earned Income<br>& Child Supp. Disregards  | AFDC | 0         | 600       | 609       | 618       | 628       | 639       | 649       | 660       | 671       | 682       | 5756           |
|   | FSP  | 0         | -174      | -176      | -179      | -182      | -185      | -188      | -191      | -195      | -198      | -1669          |
| FS Accounting Procedures/<br>Rept. \$75 Changes   | AFDC | 0         | 243       | 250       | 258       | 265       | 277       | 286       | 296       | 306       | 316       | 2488           |
|   | FSP  | 0         | 10        | 10        | 11        | 11        | 12        | 12        | 13        | 13        | 14        | 106            |
| Expedite and Conform<br>Application Process   | AFDC | 0         | 408       | 416       | 425       | 433       | 442       | 450       | 459       | 468       | 478       | 488            |
|   | FSP  | 0         | -118      | -122      | -128      | -133      | -138      | -143      | -149      | -154      | -160      | -166           |
| Generally Conform to FS<br>on limit, burial, insur.<br>real property, transfers.                | AFDC | 86        | 89        | 92        | 95        | 99        | 102       | 106       | 110       | 114       | 117       | 1010           |
|   | FSP  | -25       | -26       | -27       | -28       | -29       | -30       | -31       | -32       | -33       | -34       | -293           |
| Exclude<br>1 Automobile*  | FSP  | 0         | 293       | 304       | 319       | 331       | 342       | 354       | 366       | 379       | 392       | 3081           |
| \$10,000 Asset Damos for<br>Ed., Train., Busin., etc.   | AFDC | neg.           |
| IDA Accounts  | AFDC | neg.           |
| Confirm Underpayment Pol.   | AFDC | -24       | -25       | -26       | -27       | -27       | -28       | -29       | -30       | -31       | -32       | -279           |
|   | FSP  | 7         | 7         | 8         | 8         | 8         | 9         | 9         | 9         | 9         | 10        | 84             |
| Double Territories Caps<br>Adjust for Inflation   | AFDC | 118       | 122       | 126       | 130       | 135       | 140       | 145       | 150       | 156       | 160       | 1382           |
| Exclude lump sum Incl.<br>EITC  | AFDC | 2         | 2         | 2         | 2         | 2         | 2         | 2         | 2         | 2         | 2         | 20             |
| Disrgd. ed assist   | FSP  | neg. sav. |                |
|   | AFDC | neg.      |                |
| Remove provis. requir. States<br>to provide Child Supp. supp.<br>paymnt whn incm. deduct fr. NS | FSP  | 5         | 5         | 5         | 5         | 5         | 5         | 5         | 5         | 5         | 5         | 50             |
|   | AFDC | -45       | -46       | -48       | -49       | -51       | -52       | -54       | -55       | -56       | -58       | -514           |
| Simplify Verification   | AFDC | -2        | -2        | -2        | -2        | -2        | -2        | -2        | -2        | -2        | -2        | -20            |
|   | FSP  | -3        | -3        | -3        | -3        | -3        | -3        | -3        | -3        | -3        | -3        | -30            |
| Generally Conform<br>Treatment of Income  | AFDC | 7         | 7         | 7         | 7         | 7         | 7         | 7         | 7         | 7         | 7         | 70             |
|   | FSP  | -2        | -2        | -2        | -2        | -2        | -2        | -2        | -2        | -2        | -2        | -20            |
| TOTAL   |      | -1199     | 22        | 9         | 1         | -24       | -29       | -54       | -74       | -94       | -114      | -1557          |

All AFDC Costs Include Both Federal and State Funding

Assume One Auto Excluded by Regulations in AFDC

**TABLE 1 - PRELIMINARY COST ESTIMATES (FEDERAL AND STATE)  
FOR A HYPOTHETICAL WELFARE REFORM PROPOSAL**  
(By fiscal year, in millions of dollars)  
(24 month WORK program followed by assessment leading to 10% sanction, 50% WORK and 40% pre-JOBSS)  
(Values and Row/Column Totals) - OPTION A

|   | 1995       | 1996         | 1997         | 1998         | 1999         | 5 Year Total  | 2000         | 2001         | 2002         | 2003         | 2004         | 10 Year Total  |                |           |           |
|---|------------|--------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|----------------|----------------|-----------|-----------|
| <b>PARENTAL RESPONSIBILITY</b>                            |            |              |              |              |              |               |              |              |              |              |              |                |                |           |           |
| Minor Motives   | 0          | (46)         | (50)         | (50)         | (50)         | (195)         | (50)         | (50)         | (50)         | (50)         | (50)         | (495)          | (495)          | - Benefit |           |
| Comprehensive Demonstration Grants                        | 0          | 25           | 25           | 25           | 25           | 100           | 25           | 25           | 25           | 25           | 25           | 200            | 200            | - Cost    |           |
| Two-Parent Provisions                                     | 0          | 0            | 250          | 450          | 500          | 1,200         | 510          | 520          | 530          | 530          | 530          | 2,620          | 2,620          | - Benefit |           |
| No Additional Benefits for Additional Children            | (20)       | (50)         | (125)        | (200)        | (265)        | (860)         | (275)        | (295)        | (300)        | (310)        | (320)        | (2,150)        | (2,150)        | - Cost    |           |
| <b>Child Support Enforcement</b>                          |            |              |              |              |              |               |              |              |              |              |              |                |                |           |           |
| Paternity Establishment (Net)                             | 5          | 20           | (110)        | (155)        | (215)        | (465)         | (240)        | (280)        | (305)        | (330)        | (355)        | (1,975)        | (1,975)        | - Cost    |           |
| Enforcement (Net)   | (10)       | (20)         | (65)         | (80)         | (80)         | (435)         | (445)        | (505)        | (510)        | (565)        | (565)        | (4,055)        | (4,055)        | - Cost    |           |
| Computer Costs  | 15         | 25           | 65           | 100          | 120          | 425           | 155          | 130          | 115          | 110          | 110          | 1,065          | 1,065          | - Cost    |           |
| Non-Custodial Parent Provisions                           | 0          | 15           | 65           | 125          | 155          | 420           | 255          | 285          | 305          | 305          | 355          | 1,965          | 1,965          | - Cost    |           |
| Access Grants and Parenting Demonstrations                | 20         | 25           | 30           | 30           | 30           | 135           | 250          | 250          | 250          | 250          | 250          | 1,500          | 1,500          | - Cost    |           |
| Child Support Assurance Demonstrations                    | 0          | 0            | 100          | 200          | 250          | 550           | 250          | 250          | 250          | 250          | 250          | 1,500          | 1,500          | - Cost    |           |
| <b>SUBTOTAL, CSE</b>                                      | <b>30</b>  | <b>75</b>    | <b>145</b>   | <b>275</b>   | <b>320</b>   | <b>1,370</b>  | <b>6</b>     | <b>(400)</b> | <b>(915)</b> | <b>(610)</b> | <b>(875)</b> | <b>(1,795)</b> | <b>(1,795)</b> |           |           |
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>           |            |              |              |              |              |               |              |              |              |              |              |                |                |           |           |
| JOBSS-Prep  | 0          | 15           | 60           | 100          | 110          | 315           | 120          | 145          | 145          | 145          | 145          | 1,260          | 1,260          | - Benefit |           |
| Additional JOBS Spending                                  | 0          | 120          | 850          | 1,040        | 1,040        | 3,100         | 850          | 750          | 650          | 650          | 650          | 6,750          | 6,750          | - Cost    |           |
| Additional Child Care for JOBS                            | 0          | 120          | 610          | 750          | 770          | 2,350         | 590          | 515          | 450          | 435          | 410          | 4,160          | 4,160          | - Cost    |           |
| <b>WORK PROGRAM</b>                                       |            |              |              |              |              |               |              |              |              |              |              |                |                |           |           |
| Additional Child Care for WORK                            | 0          | 0            | 0            | 0            | 0            | 0             | 1,500        | 1,870        | 2,160        | 2,430        | 2,570        | 11,530         | 11,530         | - Benefit |           |
| Savings from Child Care and Other Expansion               | 0          | 0            | 0            | 40           | 325          | 365           | 870          | 860          | 800          | 1,025        | 1,080        | 4,900          | 4,900          | - Benefit |           |
| <b>SUBTOTAL, TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b> | <b>0</b>   | <b>120</b>   | <b>610</b>   | <b>790</b>   | <b>885</b>   | <b>2,765</b>  | <b>2,960</b> | <b>2,635</b> | <b>2,405</b> | <b>2,485</b> | <b>2,620</b> | <b>13,415</b>  | <b>13,415</b>  |           |           |
| <b>TRANSITIONAL CHILD CARE</b>                            |            |              |              |              |              |               |              |              |              |              |              |                |                |           |           |
| Enhanced Teen Case Management                             | 0          | 20           | 55           | 65           | 70           | 210           | 75           | 75           | 75           | 75           | 80           | 80             | 595            | 595       | - Benefit |
| Economic Development                                      | 0          | 0            | 100          | 100          | 100          | 300           | 100          | 100          | 100          | 100          | 100          | 700            | 700            | - Benefit |           |
| Savings - Caseload Reduction                              | 0          | 0            | (80)         | (250)        | (190)        | (520)         | (250)        | (950)        | (1,100)      | (1,100)      | (1,440)      | (5,000)        | (5,000)        | - Cost    |           |
| ADP Federal and State System/Adoption Efficiency          | 50         | 50           | 85           | 210          | 275          | 660           | 170          | 45           | (20)         | (25)         | (25)         | 825            | 825            | - Benefit |           |
| <b>SUBTOTAL, TRANSITIONAL CHILD CARE</b>                  | <b>50</b>  | <b>50</b>    | <b>1,25</b>  | <b>2,370</b> | <b>3,550</b> | <b>8,165</b>  | <b>4,080</b> | <b>4,010</b> | <b>3,050</b> | <b>3,085</b> | <b>3,620</b> | <b>27,720</b>  | <b>27,720</b>  |           |           |
| <b>MAKING WORK PAY</b>                                    |            |              |              |              |              |               |              |              |              |              |              |                |                |           |           |
| Working Poor Child Care (Capped at \$20)                  | 0          | 500          | 1,000        | 1,500        | 2,000        | 5,000         | 2,000        | 2,160        | 2,250        | 2,340        | 2,430        | 18,200         | 18,200         | - Benefit |           |
| Advance EITC  | 0          | 0            | 0            | 0            | 0            | 0             | 0            | 0            | 0            | 0            | 0            | 0              | 0              | - Cost    |           |
| Assets, Coordination, Strategies                          | 100        | 200          | 300          | 250          | 250          | 1,000         | 280          | 270          | 280          | 290          | 290          | 2,430          | 2,430          | - Cost    |           |
| <b>GRAND TOTAL - OPTION A</b>                             | <b>100</b> | <b>1,040</b> | <b>3,325</b> | <b>4,815</b> | <b>6,110</b> | <b>15,250</b> | <b>6,635</b> | <b>6,220</b> | <b>5,847</b> | <b>6,215</b> | <b>6,275</b> | <b>48,053</b>  | <b>48,053</b>  |           |           |
| <b>GRAND TOTAL - OPTION B (UP provision costs 0)</b>      | <b>180</b> | <b>1,040</b> | <b>3,075</b> | <b>4,185</b> | <b>5,610</b> | <b>14,060</b> | <b>6,125</b> | <b>6,718</b> | <b>5,517</b> | <b>6,090</b> | <b>6,326</b> | <b>42,813</b>  | <b>42,813</b>  |           |           |
| <b>GRAND TOTAL - OPTION C (UP provision costs 0)</b>      | <b>155</b> | <b>778</b>   | <b>2,311</b> | <b>3,326</b> | <b>4,508</b> | <b>11,378</b> | <b>4,964</b> | <b>4,530</b> | <b>4,596</b> | <b>4,420</b> | <b>4,087</b> | <b>33,400</b>  | <b>33,400</b>  |           |           |
| <b>GRAND TOTAL - OPTION D (UP provision costs 0)</b>      | <b>150</b> | <b>515</b>   | <b>1,848</b> | <b>2,488</b> | <b>3,438</b> | <b>8,506</b>  | <b>3,843</b> | <b>3,944</b> | <b>2,864</b> | <b>3,180</b> | <b>2,883</b> | <b>24,598</b>  | <b>24,598</b>  |           |           |
| Notes: Prenatal care savings.                             |            |              |              |              |              |               |              |              |              |              |              |                |                |           |           |

Source: HHSA/SASPE 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.

SEE APPENDIX FOR ENDNOTES TO TABLE

3/18 2:10 (A)

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

|  | 5 Year<br>Total | 5 Year<br>Federal<br>at 80% | 10 Year<br>Total | 10 Year<br>Federal<br>at 80% |
|--|-----------------|-----------------------------|------------------|------------------------------|
| <b>PARENTAL RESPONSIBILITY</b>   |                 |                             |                  |                              |
| 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                          |
| <b>SUBTOTAL, PARENTAL RESPONSIBILITY</b>                                 | <b>(1,220)</b>  | <b>(130)</b>                | <b>(8,055)</b>   | <b>(1,980)</b>               |
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>                          |                 |                             |                  |                              |
| JOBS-Prep  | 305             | 245                         | 1,255            | 1,005                        |
| Additional JOBS Spending   | 2,670           | 2,135                       | 7,220            | 5,775                        |
| Additional Child Care for JOBS   | 1,880           | 1,505                       | 4,995            | 3,995                        |
| WORK Program   | 790             | 630                         | 10,890           | 8,710                        |
| Additional Child Care for WORK   | 365             | 290                         | 4,985            | 3,990                        |
| Savings from Child Care and Other Expansion                              | (90)            | (50)                        | (1,375)          | (755)                        |
| Transitional Child Care  | 560             | 450                         | 2,580            | 2,065                        |
| Enhanced Teen Case Management  | 210             | 170                         | 595              | 475                          |
| Savings - Caseload Reduction   | (520)           | (285)                       | (5,090)          | (2,800)                      |
| ADP Federal and State Systems/Admin Efficiency                           | 680             | 580                         | 825              | 775                          |
| <b>SUBTOTAL, JOBS/WORK</b>   | <b>6,850</b>    | <b>5,670</b>                | <b>26,880</b>    | <b>23,235</b>                |
| <b>SUBTOTAL, JOBS/WORK AND PARENTAL RESP</b>                             | <b>5,630</b>    | <b>5,540</b>                | <b>18,825</b>    | <b>21,255</b>                |
| WORKING POOR CHILD CARE (Capped at \$2b<br>in net spending)              | 5,000           | 4,000                       | 16,270           | 13,015                       |
| REMOVE TWO PARENT (UP) RESTRICTIONS                                      | 1,505           | 830                         | 5,615            | 3,100                        |
| Comprehensive Demonstration Grants                                       | 200             | 200                         | 350              | 350                          |
| Non-Custodial Parent JOBS/WORK   | 375             | 300                         | 1,940            | 1,550                        |
| Access Grants and Parenting Demonstrations                               | 135             | 110                         | 285              | 230                          |
| Child Support Assurance Demonstrations                                   | 550             | 440                         | 1,500            | 1,200                        |
| IDA and Microenterprise Demonstrations                                   | 300             | 240                         | 700              | 560                          |
| <b>SUBTOTAL DEMONSTRATIONS</b>   | <b>1,560</b>    | <b>1,290</b>                | <b>4,775</b>     | <b>3,890</b>                 |
| <b>IMPROVING GOVERNMENT ASSISTANCE (IGA)</b>                             |                 |                             |                  |                              |
| State Flexibility on Earned Income<br>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   | 275             | 310                         | 605              | 680                          |
| <b>SUBTOTAL IGA</b>  | <b>1,435</b>    | <b>980</b>                  | <b>4,020</b>     | <b>2,305</b>                 |
| <b>GRAND TOTAL</b>   | <b>15,130</b>   | <b>12,640</b>               | <b>49,505</b>    | <b>43,565</b>                |
| <b>OPTION 1 - No Child Care, 2 Parent, Demos or IGA</b>                  | <b>5,630</b>    | <b>5,540</b>                | <b>18,825</b>    | <b>21,255</b>                |
| <b>OPTION 2 - No 2 Parent, 50% Child Care, 50% Demos<br/>and 50% IGA</b> | <b>9,628</b>    | <b>8,675</b>                | <b>31,358</b>    | <b>30,860</b>                |
| <b>OPTION 3 - 50% Child Care, 50% Demos, and 50% IGA</b>                 | <b>11,133</b>   | <b>9,505</b>                | <b>36,973</b>    | <b>33,960</b>                |
| <b>OPTION 4 - 50% Demos and 50% IGA</b>                                  | <b>13,633</b>   | <b>11,505</b>               | <b>45,108</b>    | <b>40,468</b>                |
| <b>OPTION 5 - TOTAL PLAN</b>   | <b>15,130</b>   | <b>12,640</b>               | <b>49,505</b>    | <b>43,565</b>                |

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.

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

|   | 5 Year<br>Total | 5 Year<br>Federal<br>at 80% | 10 Year<br>Total | 10 Year<br>Federal<br>at 80% |
|---|-----------------|-----------------------------|------------------|------------------------------|
| <b>PARENTAL RESPONSIBILITY</b>                                      |                 |                             |                  |                              |
| 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                          |
| <b>SUBTOTAL, PARENTAL RESPONSIBILITY</b>                            | <b>(1,220)</b>  | <b>(130)</b>                | <b>(8,055)</b>   | <b>(1,980)</b>               |
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>                     |                 |                             |                  |                              |
| JOBS-Prep   | 305             | 245                         | 1,255            | 1,005                        |
| Additional JOBS Spending  | 2,670           | 2,135                       | 7,220            | 5,775                        |
| Additional Child Care for JOBS                                      | 1,880           | 1,505                       | 4,995            | 3,995                        |
| WORK Program  | 790             | 630                         | 10,890           | 8,710                        |
| Additional Child Care for WORK                                      | 365             | 290                         | 4,985            | 3,990                        |
| Savings from Child Care and Other Expansion                         | (90)            | (50)                        | (1,375)          | (755)                        |
| Transitional Child Care   | 560             | 450                         | 2,580            | 2,065                        |
| Enhanced Teen Case Management                                       | 210             | 170                         | 595              | 475                          |
| Savings - Caseload Reduction  | (520)           | (285)                       | (5,090)          | (2,800)                      |
| ADP Federal and State Systems/Admin Efficiency                      | 680             | 580                         | 825              | 775                          |
| <b>SUBTOTAL, JOBS/WORK</b>  | <b>6,850</b>    | <b>5,670</b>                | <b>26,880</b>    | <b>23,235</b>                |
| <b>SUBTOTAL, JOBS/WORK AND PARENTAL RESP</b>                        | <b>5,630</b>    | <b>5,540</b>                | <b>18,825</b>    | <b>21,255</b>                |
| <b>WORKING POOR CHILD CARE (Capped at \$2b<br/>in net spending)</b> | <b>5,000</b>    | <b>4,000</b>                | <b>16,270</b>    | <b>13,015</b>                |
| <b>REMOVE TWO PARENT (UP) RESTRICTIONS</b>                          | <b>895</b>      | <b>495</b>                  | <b>2,875</b>     | <b>1,580</b>                 |
| Comprehensive Demonstration Grants                                  | 300             | 200                         | 350              | 350                          |
| Non-Custodial Parent JOBS/WORK                                      | 190             | 150                         | 970              | 775                          |
| Access Grants and Parenting Demonstrations                          | 70              | 55                          | 145              | 115                          |
| Child Support Assurance Demonstrations                              | 275             | 220                         | 750              | 600                          |
| IDA and Microenterprise Demonstrations                              | 150             | 120                         | 350              | 280                          |
| <b>SUBTOTAL DEMONSTRATIONS</b>                                      | <b>885</b>      | <b>745</b>                  | <b>2,565</b>     | <b>2,120</b>                 |
| <b>IMPROVING GOVERNMENT ASSISTANCE (IGA)</b>                        |                 |                             |                  |                              |
| State Flexibility on Earned Income<br>and Child Support Disregards  | 710             | 385                         | 2,225            | 850                          |
| Generally Conform Assets to Food Stamps                             | 135             | 50                          | 330              | 120                          |
| Increase Territories' Caps  | 185             | 185                         | 535              | 535                          |
| All Others  | 275             | 310                         | 605              | 680                          |
| <b>SUBTOTAL IGA</b>   | <b>1,305</b>    | <b>930</b>                  | <b>3,695</b>     | <b>2,185</b>                 |
| <b>GRAND TOTAL</b>  | <b>13,715</b>   | <b>11,710</b>               | <b>44,230</b>    | <b>40,155</b>                |
| <b>Regulations</b>  | <b>2,250</b>    | <b>1,625</b>                | <b>5,685</b>     | <b>3,975</b>                 |

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.

**TABLE 3 - PRELIMINARY SUMMARY COST ESTIMATES (FEDERAL AND STATE)  
FOR ELEMENTS OF A WELFARE REFORM PROPOSAL**

(By fiscal year, in millions of dollars)

(David Ellwood's Option, Full Phase-In in FY 1996)

|  | 5 Year<br>Total | 5 Year<br>Federal | 10 Year<br>Total | 10 Year<br>Federal |
|--|-----------------|-------------------|------------------|--------------------|
| <b>PARENTAL RESPONSIBILITY</b>   |                 |                   |                  |                    |
| Minor Mothers  | (85)            | (30)              | (210)            | (85)               |
| No Additional Benefits for Additional Children                                   | (660)           | (220)             | (2,150)          | (810)              |
| Child Support Enforcement  |                 |                   |                  |                    |
| Paternity Establishment (Net)  | (535)           | (90)              | (2,080)          | (400)              |
| Enforcement (Net)  | (405)           | (160)             | (4,700)          | (1,555)            |
| Computer Costs   | 465             | 420               | 1,085            | 975                |
| <b>SUBTOTAL, PARENTAL RESPONSIBILITY</b>   | <b>(1,220)</b>  | <b>(80)</b>       | <b>(8,055)</b>   | <b>(1,875)</b>     |
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>                                  |                 |                   |                  |                    |
| 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                |
| <b>SUBTOTAL, JOBS/WORK</b>   | <b>8,545</b>    | <b>6,990</b>      | <b>26,555</b>    | <b>23,125</b>      |
| <b>SUBTOTAL, JOBS/WORK AND PARENTAL RESP</b>                                     | <b>7,325</b>    | <b>6,910</b>      | <b>18,500</b>    | <b>21,250</b>      |
| WORKING POOR CHILD CARE (Capped at \$2b<br>in net spending).                     | 5,000           | 4,000             | 16,270           | 13,015             |
| REMOVE TWO PARENT (UP) RESTRICTIONS  | 895             | 495               | 2,875            | 1,580              |
| Comprehensive Demonstration Grants   | 200             | 200               | 350              | 350                |
| Non-Custodial Parent JOBS/WORK and<br>Access Grants and Parenting Demonstrations | 400             | 320               | 1,780            | 1,425              |
| Child Support Assurance Demonstrations   | 300             | 240               | 825              | 660                |
| IDA and Microenterprise Demonstrations   | 150             | 120               | 350              | 310                |
| <b>SUBTOTAL DEMONSTRATIONS</b>   | <b>1,050</b>    | <b>880</b>        | <b>3,305</b>     | <b>2,745</b>       |
| <b>IMPROVING GOVERNMENT ASSISTANCE (IGA)</b>                                     |                 |                   |                  |                    |
| State Flexibility on Earned Income<br>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   | 275             | 310               | 605              | 680                |
| <b>SUBTOTAL IGA</b>  | <b>1,435</b>    | <b>980</b>        | <b>4,020</b>     | <b>2,305</b>       |
| <b>GRAND TOTAL</b>   | <b>15,705</b>   | <b>13,265</b>     | <b>44,970</b>    | <b>40,895</b>      |
| Regulations  | 2,250           | 1,625             | 5,685            | 3,975              |

Note 1: Parentheses denote savings.

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

Note 3: Full 1996 represents full phase-in in first year; 20% 1996 represents a 20% phase-in in first year.  
Source: HHS/ASPE staff estimates. These estimates have been shared with staff within HHS and OMB but have not been officially reviewed by OMB. The policies do not represent a consensus recommendation of the Working Group Co-Chairs.

**TABLE 3 - PRELIMINARY SUMMARY COST ESTIMATES (FEDERAL AND STATE)  
FOR ELEMENTS OF A WELFARE REFORM PROPOSAL**  
(By fiscal year, in millions of dollars)  
(David Ellwood Option, 20% Phase-In)

|  | 5 Year<br>Total | 5 Year<br>Federal<br>at 80% | 10 Year<br>Total | 10 Year<br>Federal<br>at 80% |
|--|-----------------|-----------------------------|------------------|------------------------------|
| <b>PARENTAL RESPONSIBILITY</b>   |                 |                             |                  |                              |
| 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                          |
| <b>SUBTOTAL, PARENTAL RESPONSIBILITY</b>   | <b>(1,220)</b>  | <b>(130)</b>                | <b>(8,055)</b>   | <b>(1,980)</b>               |
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>                                  |                 |                             |                  |                              |
| JOBS-Prep  | 305             | 245                         | 1,255            | 1,005                        |
| Additional JOBS Spending   | 2,670           | 2,135                       | 7,220            | 5,775                        |
| Additional Child Care for JOBS   | 1,880           | 1,505                       | 4,995            | 3,995                        |
| WORK Program   | 790             | 630                         | 10,890           | 8,710                        |
| Additional Child Care for WORK   | 365             | 290                         | 4,985            | 3,990                        |
| Savings from Child Care and Other Expansion                                      | (90)            | (50)                        | (1,375)          | (755)                        |
| Transitional Child Care  | 560             | 450                         | 2,580            | 2,065                        |
| Enhanced Teen Case Management  | 210             | 170                         | 595              | 475                          |
| Savings - Caseload Reduction   | (520)           | (285)                       | (5,090)          | (2,800)                      |
| ADP Federal and State Systems/Admin Efficiency                                   | 680             | 580                         | 825              | 775                          |
| <b>SUBTOTAL, JOBS/WORK</b>   | <b>6,850</b>    | <b>5,670</b>                | <b>26,880</b>    | <b>23,235</b>                |
| <b>SUBTOTAL, JOBS/WORK AND PARENTAL RESP.</b>                                    | <b>5,630</b>    | <b>5,540</b>                | <b>18,825</b>    | <b>21,255</b>                |
| WORKING POOR CHILD CARE (Capped at \$2h<br>in net spending).                     | 5,000           | 4,000                       | 16,270           | 13,015                       |
| REMOVE TWO PARENT (UP) RESTRICTIONS  | 895             | 495                         | 2,875            | 1,580                        |
| Comprehensive Demonstration Grants   | 200             | 200                         | 350              | 350                          |
| Non-Custodial Parent JOBS/WORK and<br>Access Grants and Parenting Demonstrations | 400             | 320                         | 1,780            | 1,425                        |
| Child Support Assurance Demonstrations   | 300             | 240                         | 825              | 660                          |
| IDA and Microenterprise Demonstrations   | 150             | 120                         | 350              | 310                          |
| <b>SUBTOTAL DEMONSTRATIONS</b>   | <b>1,050</b>    | <b>880</b>                  | <b>3,305</b>     | <b>2,745</b>                 |
| <b>IMPROVING GOVERNMENT ASSISTANCE (IGA)</b>                                     |                 |                             |                  |                              |
| State Flexibility on Earned Income<br>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   | 275             | 310                         | 605              | 680                          |
| <b>SUBTOTAL IGA</b>  | <b>1,435</b>    | <b>980</b>                  | <b>4,020</b>     | <b>2,305</b>                 |
| <b>GRAND TOTAL</b>   | <b>14,010</b>   | <b>11,895</b>               | <b>45,295</b>    | <b>40,900</b>                |
| Regulations  | 2,250           | 1,625                       | 5,685            | 3,975                        |

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.

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

|   | 5 Year<br>Total | 5 Year<br>Federal<br>at 80% | 10 Year<br>Total | 10 Year<br>Federal<br>at 80% |
|---|-----------------|-----------------------------|------------------|------------------------------|
| <b>PARENTAL RESPONSIBILITY</b>                                  |                 |                             |                  |                              |
| Minor Mothers   | (85)            | (30)                        | (210)            | (85)                         |
| No Additional Benefits for Additional Children                  | 0               | 0                           | 0                | 0                            |
| Child Support Enforcement                                       |                 |                             |                  |                              |
| Paternity Establishment (Net)                                   | (535)           | (90)                        | (2,080)          | (400)                        |
| Enforcement (Net)   | (405)           | (160)                       | (4,700)          | (1,535)                      |
| Computer Costs  | 465             | 370                         | 1,085            | 870                          |
| <b>SUBTOTAL, PARENTAL RESPONSIBILITY</b>                        | <b>(560)</b>    | <b>90</b>                   | <b>(5,905)</b>   | <b>(1,170)</b>               |
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>                 |                 |                             |                  |                              |
| JOBS-Prep   | 0               | 0                           | 0                | 0                            |
| Additional JOBS Spending  | 2,670           | 2,135                       | 7,220            | 5,775                        |
| Additional Child Care for JOBS                                  | 1,880           | 1,505                       | 4,995            | 3,995                        |
| WORK Program  | 790             | 630                         | 10,890           | 8,710                        |
| Additional Child Care for WORK                                  | 365             | 290                         | 4,985            | 3,990                        |
| Savings from Child Care and Other Expansion                     | (90)            | (50)                        | (1,375)          | (755)                        |
| Transitional Child Care   | 560             | 450                         | 2,580            | 2,065                        |
| Enhanced Teen Case Management                                   | 210             | 170                         | 595              | 475                          |
| Savings - Caseload Reduction                                    | (520)           | (285)                       | (5,090)          | (2,800)                      |
| ADP Federal and State Systems/Admin Efficiency                  | 680             | 580                         | 825              | 775                          |
| <b>SUBTOTAL, JOBS/WORK</b>                                      | <b>6,545</b>    | <b>5,425</b>                | <b>25,625</b>    | <b>22,230</b>                |
| <b>SUBTOTAL, JOBS/WORK AND PARENTAL RESP</b>                    | <b>5,985</b>    | <b>5,515</b>                | <b>19,720</b>    | <b>21,060</b>                |
| WORKING POOR CHILD CARE (Paid for out of revenues).             | 0               | 0                           | 0                | 0                            |
| REMOVE TWO PARENT (UP) RESTRICTIONS                             | 1,505           | 830                         | 5,615            | 3,100                        |
| Comprehensive Demonstration Grants                              | 200             | 200                         | 350              | 350                          |
| Non-Custodial Parent JOBS/WORK                                  | 345             | 275                         | 1,810            | 1,450                        |
| Access Grants and Parenting Demonstrations                      | 135             | 110                         | 285              | 230                          |
| Child Support Assurance Demonstrations                          | 450             | 360                         | 1,000            | 800                          |
| IDA and Microenterprise Demonstrations                          | 300             | 240                         | 500              | 250                          |
| <b>SUBTOTAL DEMONSTRATIONS</b>                                  | <b>1,430</b>    | <b>1,185</b>                | <b>3,945</b>     | <b>3,080</b>                 |
| <b>IMPROVING GOVERNMENT ASSISTANCE (IGA)</b>                    |                 |                             |                  |                              |
| 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  | 275             | 310                         | 605              | 680                          |
| <b>SUBTOTAL IGA</b>   | <b>1,435</b>    | <b>980</b>                  | <b>4,020</b>     | <b>2,305</b>                 |
| <b>GRAND TOTAL</b>  | <b>10,355</b>   | <b>8,510</b>                | <b>33,300</b>    | <b>29,545</b>                |
| Regulations   | 2,485           | 1,755                       | 6,670            | 4,515                        |

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.

WR - \$

TO: Belle Sawhill

FROM: Mary Jo Bane  
David Ellwood  
Wendell Primus

SUBJECT: Summary of Attached Tables on Welfare Reform Options

DATE: April 6, 1994

---

Attached are five tables that display the costs of various welfare reform options. All total costs are matched at an 80 percent federal match rate except for the following:

- AFDC and Food Stamp benefits are matched at current match rates,
- child support is matched at rates specified in the hypothetical plan,
- comprehensive demonstration grants are matched at a 100 percent federal match.

We do not show costs on these tables for changes that will be made through regulation rather than statute.

Following is a description of these options and costs.

Table 1

This is the option that was priced for the Presidential briefing on March 22, with several adjustments in the "Improving Government Assistance" (IGA) section. Under this plan, 20 percent of our target population would be phased in during FY 1996, the first year of implementation. This plan yields a five year total cost of \$15 billion and a five year federal cost of \$12 billion.

In comparison to the table for the President's briefing, we have made the following changes in the IGA section:

The UP parent provision reflects the fact that some of the changes in the 100 hour rule will be accomplished through regulation and not statute; this portion of the change will not yield a scorable cost. Also, overall costs were revised downward.

We changed the earned income disregards to \$120 per month, indexed to inflation, and the child support disregard of \$50, indexed to inflation, with state flexibility to disregard income above those amounts. There would be complete flexibility in fill the gap policies.

There are no longer costs attached to the changes in the rules governing IDA's and Microenterprises.

- e We increase the territories' cap by 50 percent rather than 100 percent.
- e The change in automobile and accounting procedures will be by regulation.

#### Table 2

This table costs out the same plan as shown in Table 1 except that this plan fully phases in the target group in FY 1996. This plan yields a five year total cost of \$17 billion and a five year federal cost of \$14 billion.

#### Table 3

Table 3, we use the same basic plan as Table 2 (with the full phase-in in FY 1996) with the following adjustments:

Working Poor Child Care is capped at \$1.5 billion (decreased from \$2 billion) in FY 1999, yielding a five year federal cost of \$3 billion.

The UP Provision is a state option.

Demonstration programs (except for comprehensive prevention demonstrations) have been reduced.

The total five year cost of this plan is \$14 billion with a five year federal cost of \$12 billion.

#### Table 4

Table 4 is the same as Table 3 with the following adjustments:

The cost of JOBS-Prep is set at 0.

Working Poor Child Care is capped at \$1 billion in FY 1999, yielding a five year federal cost of \$2 billion.

Demonstration programs (except for comprehensive prevention demonstrations) have been reduced by 50% from the level of spending shown in Table 3.

The policy of conforming asset rules to those in Food Stamps remains but the asset limits will not be increased.

There is no increase in the territories' cap.

This plan yields a total five year cost of \$12 billion with a five year federal cost of \$10 billion.

**Table 5**

Table 5 is the same as Table 4 with the following adjustments:

- We return to the Table 1 policy of phasing in 20 percent of the target group in FY 1996.
- We reduce Working Poor Child Care to \$500 million in FY 1999, yielding a five year federal cost of \$1 billion.

This plan yields a total five year cost of \$9 billion and a five year federal cost of \$8 billion.

04/05/94

**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<br>Total | 5 Year<br>Federal | 10 Year<br>Total | 10 Year<br>Federal |
|--|-----------------|-------------------|------------------|--------------------|
| <b>PARENTAL RESPONSIBILITY</b>                           |                 |                   |                  |                    |
| At-Risk Mothers  | (85)            | (30)              | (210)            | (85)               |
| Additional Benefits for Additional Children              | (660)           | (220)             | (2,150)          | (810)              |
| Child Support Enforcement                                |                 |                   |                  |                    |
| - Maternity Establishment (Net)                          | (535)           | (90)              | (2,080)          | (400)              |
| - Enforcement (Net)                                      | (405)           | (160)             | (4,700)          | (1,555)            |
| - Computer Costs   | 465             | 370               | 1,085            | 870                |
| <b>SUBTOTAL, PARENTAL RESPONSIBILITY</b>                 | <b>(1,220)</b>  | <b>(150)</b>      | <b>(8,055)</b>   | <b>(1,980)</b>     |
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>          |                 |                   |                  |                    |
| JOBS-Prep  | 305             | 245               | 1,255            | 1,005              |
| Additional JOBS Spending                                 | 2,670           | 2,135             | 7,220            | 5,775              |
| Additional Child Care for JOBS                           | 1,880           | 1,505             | 4,995            | 3,995              |
| - Job Program  | 790             | 630               | 10,890           | 8,710              |
| - Additional Child Care for WORK                         | 365             | 290               | 4,985            | 3,990              |
| - Savings from Child Care and Other Expansion            | (90)            | (50)              | (1,375)          | (755)              |
| - Additional Child Care                                  | 560             | 450               | 2,580            | 2,065              |
| - Additional Teen Case Management                        | 210             | 170               | 595              | 475                |
| - Caseload Reduction                                     | (520)           | (285)             | (5,090)          | (2,800)            |
| - Federal and State Systems/Admin Efficiency             | 680             | 580               | 825              | 775                |
| <b>SUBTOTAL, JOBS/WORK</b>                               | <b>6,850</b>    | <b>5,670</b>      | <b>26,880</b>    | <b>23,235</b>      |
| <b>SUBTOTAL, JOBS/WORK AND PARENTAL RESP</b>             | <b>5,630</b>    | <b>5,540</b>      | <b>18,825</b>    | <b>21,255</b>      |
| WORKING POOR CHILD CARE (Capped at \$2b<br>in spending). | 5,000           | 4,000             | 16,270           | 13,015             |
| WORKING TWO PARENT (WP) RESTRICTIONS                     | 1,505           | 830               | 5,615            | 3,100              |
| - Comprehensive Demonstration Grants                     | 200             | 200               | 350              | 350                |
| - Parental Parent JOBS/WORK                              | 375             | 300               | 1,940            | 1,550              |
| - Grants and Parenting Demonstrations                    | 135             | 110               | 285              | 230                |
| - Support Assurance Demonstrations                       | 550             | 440               | 1,500            | 1,200              |
| - Small Microenterprise Demonstrations                   | 300             | 240               | 700              | 560                |
| <b>SUBTOTAL DEMONSTRATIONS</b>                           | <b>1,560</b>    | <b>1,290</b>      | <b>4,775</b>     | <b>3,890</b>       |
| <b>IMPROVING GOVERNMENT ASSISTANCE (IGA)</b>             |                 |                   |                  |                    |
| - Eligibility on Earned Income                           | 710             | 385               | 2,225            | 850                |
| - Child Support Disregards                               | 265             | 100               | 655              | 240                |
| - Allow Confront Assets to Food Stamps                   | 185             | 185               | 535              | 535                |
| - State Territories' Caps                                | (75)            | (5)               | (165)            | (5)                |
| <b>SUBTOTAL IGA</b>                                      | <b>1,085</b>    | <b>665</b>        | <b>3,250</b>     | <b>1,620</b>       |
| <b>TOTAL</b>   | <b>14,780</b>   | <b>12,325</b>     | <b>48,735</b>    | <b>42,880</b>      |

Table with 20% Phase-In in FY 1996 with Adjustments in IGA

- Parentheses denote savings.
- 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%.
- 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.

04/05/94

**TABLE 2 -- PRELIMINARY SUMMARY COST ESTIMATES (FEDERAL AND STATE)  
FOR ELEMENTS OF A WELFARE REFORM PROPOSAL**  
(By fiscal year, in millions of dollars)

|  | 5 Year<br>Total | 5 Year<br>Federal | 10 Year<br>Total | 10 Year<br>Federal |
|--|-----------------|-------------------|------------------|--------------------|
| <b>PARENTAL RESPONSIBILITY</b>   |                 |                   |                  |                    |
| Child Support  | (85)            | (30)              | (210)            | (85)               |
| National Benefits for Additional Children                              | (660)           | (220)             | (2,150)          | (810)              |
| Child Support Enforcement  |                 |                   |                  |                    |
| Family Establishment (Net)   | (535)           | (90)              | (2,080)          | (400)              |
| Enforcement (Net)  | (405)           | (160)             | (4,700)          | (1,555)            |
| Computer Costs   | 465             | 370               | 1,085            | 870                |
| <b>SUBTOTAL, PARENTAL RESPONSIBILITY</b>                               | <b>(1,220)</b>  | <b>(130)</b>      | <b>(8,055)</b>   | <b>(1,980)</b>     |
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>                        |                 |                   |                  |                    |
| Child Support Prep   | 375             | 300               | 1,370            | 1,095              |
| Federal JOBS Spending  | 2,870           | 2,295             | 7,110            | 5,690              |
| Local Child Care for JOBS  | 2,010           | 1,610             | 4,910            | 3,930              |
| Child Support Program  | 1,660           | 1,330             | 11,490           | 9,190              |
| Local Child Care for WORK  | 760             | 610               | 5,240            | 4,190              |
| Program from Child Care and Other Expansion                            | (185)           | (100)             | (1,480)          | (815)              |
| Local Child Care   | 555             | 445               | 2,565            | 2,050              |
| Local Teen Case Management   | 210             | 170               | 595              | 475                |
| Local Caseeload Reduction  | (390)           | (215)             | (6,070)          | (3,340)            |
| Federal and State Systems/Admin Efficiency                             | 680             | 545               | 825              | 660                |
| <b>SUBTOTAL, JOBS/WORK</b>   | <b>8,545</b>    | <b>6,990</b>      | <b>26,555</b>    | <b>23,125</b>      |
| <b>SUBTOTAL, JOBS/WORK AND PARENTAL RESP</b>                           | <b>7,325</b>    | <b>6,860</b>      | <b>18,500</b>    | <b>21,145</b>      |
| <b>ENDING POOR CHILD CARE (Capped at \$2 billion<br/>in spending).</b> |                 |                   |                  |                    |
|  | 5,000           | 4,000             | 16,270           | 13,015             |
| <b>NET TWO PARENT (UP) RESTRICTIONS</b>                                | <b>1,585</b>    | <b>830</b>        | <b>5,615</b>     | <b>3,100</b>       |
| Comprehensive Demonstration Grants                                     | 200             | 200               | 350              | 350                |
| Local Parent JOBS/WORK   | 490             | 390               | 2,000            | 1,600              |
| Child Support and Parenting Demonstrations                             | 135             | 110               | 285              | 230                |
| Child Support Assurance Demonstrations                                 | 550             | 440               | 1,500            | 1,200              |
| Child Support Enterprise Demonstrations                                | 300             | 240               | 700              | 560                |
| <b>SUBTOTAL DEMONSTRATIONS</b>   | <b>1,675</b>    | <b>1,380</b>      | <b>4,835</b>     | <b>3,940</b>       |
| <b>ENDING GOVERNMENT ASSISTANCE (IGA)</b>                              |                 |                   |                  |                    |
| Liability on Earned Income   |                 |                   |                  |                    |
| Child Support Disregards   | 710             | 385               | 2,225            | 850                |
| Conform Assets to Food Stamps  | 265             | 100               | 655              | 240                |
| Territories' Caps  | 185             | 185               | 535              | 335                |
|  | (75)            | (5)               | (165)            | (5)                |
| <b>SUBTOTAL IGA</b>  | <b>1,085</b>    | <b>665</b>        | <b>3,250</b>     | <b>1,620</b>       |
| <b>TOTAL</b>   | <b>16,590</b>   | <b>13,735</b>     | <b>48,470</b>    | <b>42,820</b>      |

Table with Full Phase-Ins in FY 1996 with Adjustments in IGA

Consensus across savings.

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

defined in the hypothetical plan; and comprehensive demonstration grants are matched at 100%.

ASPE staff estimates. These estimates have been shared with staff within HHS and OMB but  
not officially reviewed by OMB. The policies do not represent a consensus recommendation

Working Group Co-Chairs.

04/05/94

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

|  | 5 Year<br>Total | 5 Year<br>Federal | 10 Year<br>Total | 10 Year<br>Federal |
|--|-----------------|-------------------|------------------|--------------------|
| <b>PARENTAL RESPONSIBILITY</b>   |                 |                   |                  |                    |
| For Mothers  | (85)            | (30)              | (210)            | (85)               |
| Additional Benefits for Additional Children                              | (660)           | (220)             | (2,150)          | (810)              |
| Support Enforcement  |                 |                   |                  |                    |
| Agency Establishment (Net)   | (535)           | (90)              | (2,080)          | (400)              |
| Enforcement (Net)  | (405)           | (160)             | (4,700)          | (1,555)            |
| Computer Costs   | 465             | 370               | 1,085            | 870                |
| <b>SUBTOTAL, PARENTAL RESPONSIBILITY</b>                                 | <b>(1,220)</b>  | <b>(130)</b>      | <b>(8,055)</b>   | <b>(1,980)</b>     |
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>                          |                 |                   |                  |                    |
| 5-Prop   | 375             | 300               | 1,370            | 1,095              |
| 5-Prop JOBS Spending   | 2,870           | 2,295             | 7,110            | 5,690              |
| 5-Prop Child Care for JOBS   | 2,010           | 1,610             | 4,910            | 3,930              |
| 5-Prop Program   | 1,660           | 1,330             | 11,490           | 9,190              |
| 5-Prop Child Care for WORK   | 760             | 610               | 5,240            | 4,190              |
| 5-Prop Child Care and Other Expansion                                    | (185)           | (100)             | (1,480)          | (815)              |
| 5-Prop Child Care  | 555             | 445               | 2,565            | 2,050              |
| 5-Prop Teen Case Management  | 210             | 170               | 595              | 475                |
| 5-Prop Caseload Reduction  | (390)           | (215)             | (6,070)          | (3,340)            |
| 5-Prop Federal and State Systems/Admin Efficiency                        | 680             | 545               | 825              | 660                |
| <b>SUBTOTAL, JOBS/WORK</b>   | <b>8,545</b>    | <b>6,990</b>      | <b>26,555</b>    | <b>23,125</b>      |
| <b>SUBTOTAL, JOBS/WORK AND PARENTAL RESP</b>                             | <b>7,325</b>    | <b>6,860</b>      | <b>18,500</b>    | <b>21,145</b>      |
| <b>WORKING POOR CHILD CARE (Capped at \$1.5 billion<br/>in spending)</b> | <b>3,750</b>    | <b>3,000</b>      | <b>12,185</b>    | <b>9,750</b>       |
| <b>REMOVE TWO PARENT (UP) RESTRICTIONS</b>                               | <b>895</b>      | <b>495</b>        | <b>2,875</b>     | <b>1,580</b>       |
| <b>Comprehensive Demonstration Grants</b>                                | <b>200</b>      | <b>200</b>        | <b>350</b>       | <b>350</b>         |
| UP Parent JOBS/WORK and<br>Trusts and Parenting Demonstrations           | 400             | 320               | 1,780            | 1,425              |
| Court Assurance Demonstrations   | 300             | 240               | 825              | 660                |
| Entrepreneurship Demonstrations  | 150             | 120               | 350              | 310                |
| <b>SUBTOTAL DEMONSTRATIONS</b>   | <b>1,050</b>    | <b>880</b>        | <b>3,305</b>     | <b>2,745</b>       |
| <b>WORKING GOVERNMENT ASSISTANCE (IGA)</b>                               |                 |                   |                  |                    |
| Liability on Earned Income   | 710             | 385               | 2,225            | 850                |
| Child Support Disregards   | 265             | 100               | 655              | 240                |
| Conform Assets to Food Stamps  | 185             | 185               | 595              | 535                |
| Welfare's Caps   | (75)            | (5)               | (165)            | (5)                |
| <b>SUBTOTAL IGA</b>  | <b>1,085</b>    | <b>665</b>        | <b>3,350</b>     | <b>1,620</b>       |
| <b>TOTAL</b>   | <b>14,185</b>   | <b>11,900</b>     | <b>40,115</b>    | <b>36,840</b>      |

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

    Parentheses denote savings.

    Five Year and Ten Year Federal estimates represent 80% of all expenditures except for  
    allowing; 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%.

    ASPE staff estimates. These estimates have been shared with staff within HHS and OMB but

    are not officially reviewed by OMB. The policies do not represent a consensus recommendation  
    of the Joint Working Group Co-Chairs.

04/05/94

TABLE 4 - PRELIMINARY SUMMARY COST ESTIMATES (FEDERAL AND STATE)  
FOR ELEMENTS OF A WELFARE REFORM PROPOSAL  
(By fiscal year, in millions of dollars)

|   | 5 Year<br>Total | 5 Year<br>Federal | 10 Year<br>Total | 10 Year<br>Federal |
|---|-----------------|-------------------|------------------|--------------------|
| <b>PARENTAL RESPONSIBILITY</b>  |                 |                   |                  |                    |
| Additional Benefits for Additional Children                                     | (85)            | (30)              | (210)            | (85)               |
| Child Support Enforcement   | (660)           | (220)             | (2,150)          | (810)              |
| Community Establishment (Net)   | (535)           | (90)              | (2,080)          | (400)              |
| Placement (Net)   | (405)           | (160)             | (4,700)          | (1,555)            |
| Computer Costs  | 465             | 370               | 1,085            | 870                |
| <b>SUBTOTAL, PARENTAL RESPONSIBILITY</b>  | <b>(1,220)</b>  | <b>(130)</b>      | <b>(8,055)</b>   | <b>(1,980)</b>     |
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>                                 |                 |                   |                  |                    |
| Job 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              |
| Job Program   | 1,660           | 1,330             | 11,490           | 9,190              |
| Additional Child Care for WORK  | 760             | 610               | 5,240            | 4,190              |
| Additional Child Care and Other Expansion                                       | (185)           | (100)             | (1,480)          | (815)              |
| Additional Child Care   | 555             | 445               | 2,565            | 2,050              |
| Additional Teen Case Management   | 210             | 170               | 595              | 475                |
| Additional Caseload Reduction   | (390)           | (215)             | (6,070)          | (3,340)            |
| Additional Federal and State Systems/Admin Efficiency                           | 680             | 545               | 825              | 660                |
| <b>SUBTOTAL, JOBS/WORK</b>  | <b>8,170</b>    | <b>6,690</b>      | <b>25,185</b>    | <b>22,030</b>      |
| <b>SUBTOTAL, JOBS/WORK AND PARENTAL RESP</b>                                    | <b>6,950</b>    | <b>6,560</b>      | <b>17,130</b>    | <b>20,050</b>      |
| <b>WORKING POOR CHILD CARE (Capped at \$1 billion<br/>non-Federal spending)</b> |                 |                   |                  |                    |
|   | 2,500           | 2,000             | 8,130            | 6,505              |
| <b>UP TWO PARENT (UP) RESTRICTIONS</b>  |                 |                   |                  |                    |
|   | 895             | 495               | 2,875            | 1,580              |
| <b>DEMONSTRATIONS</b>   |                 |                   |                  |                    |
| Comprehensive Demonstration Grants  | 200             | 200               | 350              | 350                |
| Additional Parent JOBS/WORK and<br>Grants and Parenting Demonstrations          | 200             | 160               | 890              | 710                |
| Support Assurance Demonstrations  | 150             | 120               | 415              | 330                |
| Microenterprise Demonstrations  | 75              | 60                | 175              | 140                |
| <b>SUBTOTAL DEMONSTRATIONS</b>  | <b>625</b>      | <b>540</b>        | <b>1,830</b>     | <b>1,530</b>       |
| <b>WORKING GOVERNMENT ASSISTANCE (IGA)</b>                                      |                 |                   |                  |                    |
| Ability on Earned Income  |                 |                   |                  |                    |
| Child Support Disregards<br>to Conform (but not increase)                       | 710             | 385               | 2,225            | 850                |
| Food Stamps   | 0               | 0                 | 0                | 0                  |
|   | (75)            | (5)               | (165)            | (5)                |
| <b>SUBTOTAL IGA</b>   | <b>635</b>      | <b>380</b>        | <b>2,060</b>     | <b>845</b>         |
| <b>TOTAL</b>  | <b>11,605</b>   | <b>9,975</b>      | <b>32,025</b>    | <b>30,510</b>      |

Table with Full Phase-In in FY 1996 with Further Adjustments in IGA, Working Poor  
Care, and Demonstrations; UP Two-Parent Provision as State Option; Eliminate Increase  
in '85' Cap; Conform Asset Rules to Food Stamps but no Increase in Limits.

Numbers in parentheses denote savings.

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%.

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.

04/05/94

TABLE 5 - PRELIMINARY SUMMARY COST ESTIMATES (FEDERAL AND STATE)  
FOR ELEMENTS OF A WELFARE REFORM PROPOSAL.  
(By fiscal year, in millions of dollars)

|   | 5 Year<br>Total | 5 Year<br>Federal | 10 Year<br>Total | 10 Year<br>Federal |
|---|-----------------|-------------------|------------------|--------------------|
| <b>PARENTAL RESPONSIBILITY</b>                          |                 |                   |                  |                    |
| Child Support   | (85)            | (30)              | (210)            | (85)               |
| Additional Benefits for Additional Children             | (660)           | (220)             | (2,150)          | (810)              |
| Support Enforcement                                     |                 |                   |                  |                    |
| Child Support Establishment (Net)                       | (535)           | (90)              | (2,080)          | (400)              |
| Child Support Enforcement (Net)                         | (405)           | (160)             | (4,700)          | (1,555)            |
| Other Costs   | 465             | 370               | 1,085            | 870                |
| <b>SUBTOTAL, PARENTAL RESPONSIBILITY</b>                | <b>(1,220)</b>  | <b>(130)</b>      | <b>(8,055)</b>   | <b>(1,980)</b>     |
| <b>NATIONAL ASSISTANCE FOLLOWED BY WORK</b>             |                 |                   |                  |                    |
| Job Training  | 0               | 0                 | 0                | 0                  |
| Job Training JOBS Spending                              | 2,670           | 2,135             | 7,220            | 5,775              |
| Job Training Child Care for JOBS                        | 1,880           | 1,305             | 4,995            | 3,995              |
| Job Training Program                                    | 790             | 630               | 10,890           | 8,710              |
| Job Training Child Care for WORK                        | 365             | 290               | 4,985            | 3,990              |
| Job Training Child Care and Other Expansion             | (90)            | (50)              | (1,375)          | (755)              |
| Job Training Child Care                                 | 560             | 450               | 2,580            | 2,065              |
| Job Training Case Management                            | 210             | 170               | 595              | 475                |
| Job Training Caseload Reduction                         | (520)           | (285)             | (5,090)          | (2,800)            |
| Job Training Federal and State Systems/Admin Efficiency | 680             | 580               | 825              | 775                |
| <b>TOTAL, JOBS/WORK</b>                                 | <b>6,545</b>    | <b>5,425</b>      | <b>25,625</b>    | <b>22,230</b>      |
| <b>TOTAL, JOBS/WORK AND PARENTAL RESP</b>               | <b>5,325</b>    | <b>5,295</b>      | <b>17,570</b>    | <b>20,250</b>      |
| <b>UP TWO PARENT (UP) RESTRICTIONS</b>                  | <b>1,250</b>    | <b>1,000</b>      | <b>4,055</b>     | <b>3,245</b>       |
| <b>UP TWO PARENT (UP) RESTRICTIONS</b>                  | <b>895</b>      | <b>495</b>        | <b>2,875</b>     | <b>1,580</b>       |
| <b>UP TWO PARENT (UP) RESTRICTIONS</b>                  | <b>200</b>      | <b>200</b>        | <b>350</b>       | <b>350</b>         |
| <b>UP TWO PARENT (UP) RESTRICTIONS</b>                  | <b>200</b>      | <b>160</b>        | <b>890</b>       | <b>710</b>         |
| <b>UP TWO PARENT (UP) RESTRICTIONS</b>                  | <b>150</b>      | <b>120</b>        | <b>415</b>       | <b>330</b>         |
| <b>UP TWO PARENT (UP) RESTRICTIONS</b>                  | <b>75</b>       | <b>60</b>         | <b>175</b>       | <b>140</b>         |
| <b>TOTAL DEMONSTRATIONS</b>                             | <b>625</b>      | <b>540</b>        | <b>1,830</b>     | <b>1,530</b>       |
| <b>GOVERNMENT ASSISTANCE (IGA)</b>                      |                 |                   |                  |                    |
| Unemployment on Earned Income                           |                 |                   |                  |                    |
| Unemployment Support Disregards                         | 710             | 385               | 2,225            | 850                |
| Unemployment Conform (but not Increase)                 |                 |                   |                  |                    |
| Unemployment Food Stamps                                | 0               | 0                 | 0                | 0                  |
| Unemployment Food Stamps                                | (75)            | (5)               | (165)            | (5)                |
| <b>TOTAL IGA</b>  | <b>635</b>      | <b>380</b>        | <b>2,060</b>     | <b>845</b>         |
| <b>TOTAL</b>  | <b>8,730</b>    | <b>7,710</b>      | <b>28,390</b>    | <b>27,450</b>      |

able with 20% Phase-In in FY 1996 with Further Adjustments in IGA and

Child Care; UP Two-Parent Provisions at State Option; Eliminate Increase  
Cap; Conform Assets to Food Stamps but do not Increase Limits.

These are savings.

Year and Ten Year Federal estimates represent 80% of all expenditures except for  
savings; benefits are at current match rates; child support is matched at rates

in the hypothetical plan; and comprehensive demonstration grants are matched at 100%.

ASPE staff estimates. These estimates have been shared with staff within HHS and OMB but

officially reviewed by OMB. The policies do not represent a consensus recommendation

Group Co-Chairs.

**ADDITIONAL ENTITLEMENT AND REVENUE OPTIONS**  
(In millions of dollars)

1995-99

1. FY95 Budget

Increase 8 percent royalty on hardrock minerals removed from Federal lands 346

Increase land railroad safety user fees 169

Increase Bureau of Alcohol, Tobacco and Firearms fees 194

2. Extension of Current Fees or Sunset Provisions

Eliminate all sunset dates on Veterans' provisions in OBRA 1993 (FY99) 545

Increase patent and trademark surcharges (FY99) 120

Increase NRC fees (FY99) 500

Increase increases in SEC fees (FY99) 50

Increase increases in tonnage duties (FY99) 70

Increase holding fee on owners of mining claims on public lands (FY99) 54

Increase custom service user charges (FY99) 900

3. Revenue Items

Elimination of marketable securities treated as cash 225

Increase tax-deferred annuities per couple, over \$100,000 800

Increase superfund tax 2,300

Incentive for employers to offer employees tax-free health insurance or cash, which would be taxable 500

2001 CBO Deficit Reduction Document

|   |       |
|---|-------|
| Lower market prices for electricity sold<br>power marketing administrations (ENT-01)                          | 4,800 |
| Recreation fees at Federal facilities (ENT-02)  | 720   |
| Nuclear waste disposal fees for inflation (ENT-04)  | 255   |
| Qualify from price support programs people<br>- gross revenue from commodity sales<br>less \$500,000 (ENT-09) | 670   |
| Reduce FCC user fees (ENT-16)   | 575   |
| Remove penalty for early redemptions<br>of savings bonds (ENT-55)   | 240   |
| Remove mortgage interest deductions<br>on second homes (REV-04)   | 2,600 |
| Remove limit for deferrals in salary<br>in 401(k) plans to \$4,000 (REV-08)                                   | 2,900 |
| Remove minimum tax on foreign-owned<br>corporations (REV-19)  | 2,600 |
| Remove time capital gains from home<br>sales in excess of \$125,000 (REV-20)                                  | 1,400 |
| Remove tax on unions with more than \$10 million<br>in assets like other thrift institutions (REV-25)         | 3,400 |
| Remove alcohol fuels credit and partial<br>tax exemption (REV-29)   | 3,200 |
| <u>2002</u>   |       |
| Remove number of times the \$70,000 exclusion<br>for foreign earned income can be used to 2                   | ?     |
| Remove 100% EIT for individuals and corporations<br>with income taxed twice                                   | ?     |
| Remove maximum mortgage principal eligible for<br>deductions to \$500,000 or \$750,000                        | ?     |

## FINANCING OPTIONS

|  | <u>5-Year<br/>Total</u> | <u>5-Year<br/>Federal</u> | <u>10-Year<br/>Total</u> | <u>10-Year<br/>Federal</u> |
|--|-------------------------|---------------------------|--------------------------|----------------------------|
| Cap EA   | 1.5                     | 1.5                       | 4.0                      | 4.0                        |
| Target Child Care<br>Food Program                        | .6                      | .6                        | 1.7                      | 1.7                        |
| Benefit Reduction If<br>Grandparents In<br>Dwelling Unit | 2.1                     | .9                        | 4.7                      | 1.9                        |
| Modify Sponsor-to-Alien<br>Deeming, Tighten<br>PRUCOL    | 2.2                     | 1.8                       | 8.7                      | 6.9                        |
| Payment By Social<br>Security To<br>General Fund         | 6.4                     | 6.4                       | 21.4                     | 21.4                       |
| Energy Assistance  | .9                      | .9                        | 1.9                      | 1.9                        |
| LOC and Tax Compliance                                   | <u>1.3</u>              | <u>1.3</u>                | <u>2.7</u>               | <u>2.7</u>                 |
| Subtotal   | 15.0                    | 13.4                      | 45.1                     | 40.5                       |

Cap Emergency Assistance--Modify the current AFDC-Emergency Assistance Program by establishing a Federal matching cap for each State's EA expenditures. This cap would be set at an amount equal to 3 percent of the State's total AFDC benefit payments incurred during the previous fiscal year, grandfathering States that are above that level at their FY 1993 expenditure level.

Target Child Care Food Program--This proposal would utilize pass-testing in determining the rate of Federal reimbursement for meals provided to children in family day care homes. Those family day care homes that are not located in census tracts where third or half of the children are below 200 percent of poverty would receive slightly reduced Federal subsidies for meals.

Benefit Reduction If Grandparents In Dwelling Unit--This proposal would reduce AFDC benefits by one-third to recipients whose grandparents reside in the dwelling unit with the recipient and whose income is above 130 percent of the poverty guidelines. This reduction is based on the presumption that such grandparents are contributing to the support and maintenance of these AFDC recipients--usually a daughter and grandchild(ren).

Welfare Sponsor-to-Alien Deeming, Tighten PRUCOL--This option consists of two proposals. The first would: make permanent the current 5-year sponsor-to-alien deeming period in SSI, and extend this policy to AFDC and Food Stamps; and, if a sponsor's adjusted gross income exceeds \$40,000 then continue sponsor-to-alien deeming for ten years (or citizenship, whichever occurred first).

The second proposal would effectively reduce the current number of PRUCOL categories of immigrants eligible for benefits, and make these categories consistent with those covered under the Immigration and Naturalization Act. The proposal would define in statute the specific categories of temporary immigrants that would be eligible for SSI, AFDC, and Medicaid benefits (similar to the categories already utilized by the Food Stamp program).

Payment By Social Security To General Fund--Situations exist in which the Social Security Trust Funds have benefitted at the expense of the General Fund. We propose that these situations be corrected. This option includes 1) crediting the Trust Funds with income from taxation of benefits when those taxes are levied instead of using the current liability method; 2) payment of the lump sum credited to the Trust Fund by the General Fund to offset the cost of granting deemed military wages for non-covered military service; 3) eliminating special wage credits for military service after 1956 for retirement beneficiaries which would eliminate the requirement that the General Fund pay FICA tax on these credits (credit would continue to be granted for disability and survivor benefits and the Trust Fund would be reimbursed for the cost of any increase in the credit amount), and; 4) reimbursement by the Trust Fund to the General Fund for the amount of the actuarial reduction suffered by concurrent SSI beneficiaries. The Trust Funds would be held

unless by proposals which would increase revenues or reduce costs, including 1) prospective elimination of entitlement of children and young wives (entitled on the basis of a young child in their care) of retirement beneficiaries; 2) extension of Social Security coverage to students employed by their educational institutions, and; 3) FICA tax revenues resulting from increased employment through welfare reform.

Energy Assistance--Currently, several States define a significant portion of their AFDC grant to families as "special energy assistance". The Food Stamp program (FSP) excludes such assistance from their determination of "income", which results in a greater amount of food stamp benefits going to such households than would otherwise occur if the full AFDC grant were taken into account. This proposal would allow the FSP to count such special energy assistance as income for the purpose of determining food stamp benefits, and would result in savings in the FSP.

Wage and Tax Compliance--A number of proposals comprise this category, and are meant to modify and improve current implementation of the EITC, as well as the treatment of gambling winnings. Improvements in the EITC include: denying EITC to non-resident aliens; extending EITC to active military families living overseas; and counting nontaxable earned income of military personnel. Changes in the treatment of gambling winnings include: increasing the withholding rate on gambling winnings in excess of \$50,000; imposing withholding on certain gambling winnings for which there is currently no withholding; and requiring additional reporting of information on gambling winnings of \$10,000 or more.

## Possible Welfare Reform Package-- Federal/State Costs

|   | 1995          | 1996          | 1997        | 1998         | 1999         | 5-year<br>Total     |
|---|---------------|---------------|-------------|--------------|--------------|---------------------|
|   |               |               |             |              |              | dollars in billions |
|   |               |               |             |              |              | dollars in billions |
| <b><u>Program Spending Package</u></b>                                      |               |               |             |              |              |                     |
| JOBSPrep  | 0             | 0.015         | 0.085       | 0.095        | 0.11         | 0.305               |
| Additional JOBSPending  | 0             | 0.1           | 0.67        | 0.85         | 0.96         | 2.58                |
| Additional Child Care   | 0             | 0.07          | 0.465       | 0.6          | 0.67         | 1.805               |
| WORK Program  | 0             | 0             | 0           | 0.08         | 0.71         | 0.79                |
| Additional Child Care for WORK  | 0             | 0             | 0           | 0.04         | 0.325        | 0.365               |
| Savings from Child Care and Other Expansion                                 | 0             | 0             | 0           | -0.01        | -0.08        | -0.09               |
| Transitional Child Care   | 0             | 0             | 0.12        | 0.185        | 0.255        | 0.56                |
| Enhanced Teen Case Management   | 0             | 0.02          | 0.055       | 0.065        | 0.07         | 0.21                |
| Savings Caseload Reduction  | 0             | 0             | -0.08       | -0.25        | -0.19        | -0.52               |
| ADP Federal and State/ Admin Efficiency                                     | 0.05          | 0.05          | 0.095       | 0.21         | 0.275        | 0.68                |
| Sub Total Core Program  | 0.05          | 0.255         | 1.41        | 1.865        | 3.105        | 6.685               |
| Generally Conform Assets to Food Stamps                                     | 0.02          | 0.04          | 0.065       | 0.07         | 0.07         | 0.265               |
| Set Auto Exclusion to \$4500 Equity Value                                   | 0             | 0             | 0.305       | 0.32         | 0.33         | 0.955               |
| Sub Total Add-Ons from Demos and IGA  | 0.02          | 0.04          | 0.37        | 0.39         | 0.4          | 1.22                |
| <b>Total Costs</b>  | <u>0.07</u>   | <u>0.295</u>  | <u>1.78</u> | <u>2.255</u> | <u>3.505</u> | <u>7.905</u>        |
| <b><u>Mandatory Savings Options Under Consideration:</u></b>                |               |               |             |              |              |                     |
| Limit Emergency Assistance  | -0.26         | 0.35          | 0.45        | 0.50         | 0.56         | 2.12                |
| Target Child Care Food Program  | 0.00          | 0.00          | 0.18        | 0.19         | 0.20         | 0.57                |
| Tighten Sponsorship and Eligibility Rules for Aliens:                       | 0.36          | 0.36          | 0.36        | 0.36         | 0.36         | 1.80                |
| Parental Responsibility   | 0.00          | 0.05          | 0.24        | 0.31         | 0.63         | 1.22                |
| Eliminate School Lunch Subsidies for Children with Household Income > \$50K | <u>0.44</u>   | <u>0.44</u>   | <u>0.44</u> | <u>0.44</u>  | <u>0.44</u>  | <u>2.20</u>         |
| Subtotal  | 1.06          | 1.20          | 1.67        | 1.80         | 2.19         | 7.91                |
| <b>Spending minus Saving</b>  | <u>(0.99)</u> | <u>(0.91)</u> | <u>0.11</u> | <u>0.46</u>  | <u>1.32</u>  | <u>0.00</u>         |

*Add 1.7 for Jan Dec.  
+ 9 decm-7  
state savings*

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<br>Federal<br>Package 1 | 5 Year<br>Federal<br>Package 2 |
|--|--------------------------------|--------------------------------|
| <b>PARENTAL RESPONSIBILITY</b>   |                                |                                |
| 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                            |
| <b>SUBTOTAL, PARENTAL RESPONSIBILITY</b>                               | <b>(130)</b>                   | <b>(130)</b>                   |
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>                        |                                |                                |
| 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                            |
| <b>SUBTOTAL, JOBS/WORK</b>   | <b>6,690</b>                   | <b>6,990</b>                   |
| <b>SUBTOTAL, JOBS/WORK AND PARENTAL RESP</b>                           | <b>6,560</b>                   | <b>6,860</b>                   |
| <b>WORKING POOR CHILD CARE<br/>REMOVE TWO PARENT (UP) RESTRICTIONS</b> | <b>1,500</b>                   | <b>3,500</b>                   |
|  | 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                            |
| <b>SUBTOTAL SPECIAL INITIATIVES</b>                                    | <b>540</b>                     | <b>1,095</b>                   |
| <b>IMPROVING GOVERNMENT ASSISTANCE (IGA)</b>                           |                                |                                |
| State Flexibility on Earned Income<br>and Child Support Disregards     | 385                            | 385                            |
| Generally Conform Assets to Food Stamps                                | 0                              | 100                            |
| Increase Territories' Caps   | 0                              | 185                            |
| All Others   | (5)                            | (5)                            |
| <b>SUBTOTAL IGA</b>  | <b>380</b>                     | <b>665</b>                     |
| <b>GRAND TOTAL</b>   | <b>9,475</b>                   | <b>12,615</b>                  |

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      | 5 Year        |               |              | 10 Year       |               |              |
|----------------------------------|--------------|---------------|---------------|--------------|---------------|---------------|--------------|
|                                  | Total        | Total         | Federal       | State        | Total         | Federal       | 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        |
| <b>TOTAL COSTS FOR PACKAGE 1</b> | <b>4,445</b> | <b>10,980</b> | <b>9,475</b>  | <b>1,505</b> | <b>30,825</b> | <b>29,550</b> | <b>1,275</b> |
| PACKAGE 2 COSTS                  | FY 1999      | 5 Year        |               |              | 10 Year       |               |              |
|                                  | Total        | Total         | Federal       | State        | Total         | Federal       | 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        |
| <b>TOTAL COSTS</b>               | <b>5,945</b> | <b>14,995</b> | <b>12,615</b> | <b>2,380</b> | <b>43,515</b> | <b>39,525</b> | <b>3,990</b> |

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<br>Total | 5 Year<br>Federal | 10 Year<br>Total | 10 Year<br>Federal |
|--|-----------------|-------------------|------------------|--------------------|
| <b>PARENTAL RESPONSIBILITY</b>   |                 |                   |                  |                    |
| 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                |
| <b>SUBTOTAL, PARENTAL RESPONSIBILITY</b>   | <b>(1,220)</b>  | <b>(130)</b>      | <b>(8,055)</b>   | <b>(1,980)</b>     |
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>  |                 |                   |                  |                    |
| 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                |
| <b>SUBTOTAL, JOBS/WORK</b>   | <b>8,170</b>    | <b>6,690</b>      | <b>25,185</b>    | <b>22,030</b>      |
| <b>SUBTOTAL, JOBS/WORK AND PARENTAL RESP</b>   | <b>6,950</b>    | <b>6,560</b>      | <b>17,130</b>    | <b>20,050</b>      |
| <b>WORKING POOR CHILD CARE (Capped at \$900 million<br/>in net spending).</b>                              | <b>1,875</b>    | <b>1,500</b>      | <b>6,930</b>     | <b>5,545</b>       |
| <b>REMOVE TWO PARENT (UP) RESTRICTIONS</b>   | <b>895</b>      | <b>495</b>        | <b>2,875</b>     | <b>1,580</b>       |
| 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                |
| <b>SUBTOTAL SPECIAL INITIATIVES</b>  | <b>570</b>      | <b>495</b>        | <b>1,830</b>     | <b>1,530</b>       |
| <b>IMPROVING GOVERNMENT ASSISTANCE (IGA)</b>   |                 |                   |                  |                    |
| State Flexibility on Earned Income<br>and Child Support Disregards<br>Generally Conform (but not Increase) | 710             | 385               | 2,225            | 850                |
| Assets to Food Stamps  | 0               | 0                 | 0                | 0                  |
| All Others   | (75)            | (5)               | (165)            | (5)                |
| <b>SUBTOTAL IGA</b>  | <b>635</b>      | <b>380</b>        | <b>2,060</b>     | <b>845</b>         |
| <b>GRAND TOTAL</b>   | <b>10,925</b>   | <b>9,430</b>      | <b>30,825</b>    | <b>29,550</b>      |

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 60% 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<br>Total | 5 Year<br>Federal | 10 Year<br>Total | 10 Year<br>Federal |
|---|-----------------|-------------------|------------------|--------------------|
| <b>PARENTAL RESPONSIBILITY</b>  |                 |                   |                  |                    |
| Minor Mothers   | (85)            | (30)              | (210)            | (85)               |
| No Additional Benefits for Additional Children                        | (660)           | (720)             | (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                |
| <b>SUBTOTAL, PARENTAL RESPONSIBILITY</b>                              | <b>(1,220)</b>  | <b>(130)</b>      | <b>(8,055)</b>   | <b>(1,980)</b>     |
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>                       |                 |                   |                  |                    |
| 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                |
| <b>SUBTOTAL, JOBS/WORK</b>  | <b>8,545</b>    | <b>6,990</b>      | <b>26,555</b>    | <b>23,125</b>      |
| <b>SUBTOTAL, JOBS/WORK AND PARENTAL RESP</b>                          | <b>7,325</b>    | <b>6,860</b>      | <b>18,500</b>    | <b>21,145</b>      |
| WORKING POOR CHILD CARE (Capped at \$1.9 billion<br>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                |
| <b>SUBTOTAL SPECIAL INITIATIVES</b>                                   | <b>1,315</b>    | <b>1,095</b>      | <b>3,945</b>     | <b>3,225</b>       |
| <b>IMPROVING GOVERNMENT ASSISTANCE (IGA)</b>                          |                 |                   |                  |                    |
| State Flexibility on Earned Income<br>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)                |
| <b>SUBTOTAL IGA</b>   | <b>1,085</b>    | <b>665</b>        | <b>3,250</b>     | <b>1,620</b>       |
| <b>GRAND TOTAL</b>  | <b>14,995</b>   | <b>12,615</b>     | <b>43,515</b>    | <b>39,525</b>      |

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.

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

|  | 5 Year<br>Federal<br>Package 1A | 5 Year<br>Federal<br>Package 1B | 5 Year<br>Federal<br>Package 2 |
|--|---------------------------------|---------------------------------|--------------------------------|
| <b>PARENTAL RESPONSIBILITY</b>   |                                 |                                 |                                |
| Minor Mothers  | (30)                            | (30)                            | (30)                           |
| No Additional Benefits for Additional Children                         | 0                               | (220)                           | (220)                          |
| Child Support Enforcement  |                                 |                                 |                                |
| Paternity Establishment (Net)  | (90)                            | (90)                            | (90)                           |
| Enforcement (Net)  | (160)                           | (160)                           | (160)                          |
| Computer Costs   | 370                             | 370                             | 370                            |
| <b>SUBTOTAL, PARENTAL RESPONSIBILITY</b>                               | 90                              | (130)                           | (130)                          |
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>                        |                                 |                                 |                                |
| Additional JOBS Spending   | 2,195                           | 2,195                           | 2,195                          |
| Additional Child Care for JOBS   | 1,610                           | 1,610                           | 1,610                          |
| WORK Program   | 1,330                           | 1,330                           | 1,330                          |
| Additional Child Care for WORK   | 610                             | 610                             | 610                            |
| Savings from Child Care and Other Expansion                            | (100)                           | (100)                           | (100)                          |
| Transitional Child Care  | 225                             | 225                             | 225                            |
| Enhanced Teen Case Management  | 170                             | 170                             | 170                            |
| Savings - Caseload Reduction   | (215)                           | (215)                           | (215)                          |
| ADP Federal and State Systems/Admin Efficiency                         | 545                             | 545                             | 545                            |
| <b>SUBTOTAL, JOBS/WORK</b>   | 6,370                           | 6,370                           | 6,370                          |
| <b>SUBTOTAL, JOBS/WORK AND PARENTAL RESP</b>                           | 6,460                           | 6,240                           | 6,240                          |
| <b>WORKING POOR CHILD CARE<br/>REMOVE TWO PARENT (UP) RESTRICTIONS</b> |                                 |                                 |                                |
|  | 1,500                           | 1,720                           | 3,500                          |
|  | 495                             | 495                             | 495                            |
| Teenage Pregnancy Prevention Grants                                    | 200                             | 200                             | 400                            |
| Non-Custodial Parent JOBS/WORK Programs                                | 130                             | 130                             | 390                            |
| Access Grants and Parenting Demonstrations                             | 30                              | 30                              | 70                             |
| Child Support Assurance Projects                                       | 120                             | 120                             | 290                            |
| IDA and Microenterprise Projects                                       | 60                              | 60                              | 145                            |
| <b>SUBTOTAL SPECIAL INITIATIVES</b>                                    | 540                             | 540                             | 1,295                          |
| <b>IMPROVING GOVERNMENT ASSISTANCE (IGA)</b>                           |                                 |                                 |                                |
| State Flexibility on Earned Income<br>and Child Support Disregards     | 385                             | 385                             | 385                            |
| Generally Conform Assets to Food Stamps                                | 100                             | 100                             | 100                            |
| Increase Territories' Caps   | 0                               | 0                               | 185                            |
| All Others   | (5)                             | (5)                             | (5)                            |
| <b>SUBTOTAL IGA</b>  | 480                             | 480                             | 665                            |
| <b>GRAND TOTAL</b>   | 9,475                           | 9,475                           | 12,195                         |

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 Packages 1A and 1B and Package 2.

Note 1: Parentheses denote savings.

Note 2: Five 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 teenage pregnancy prevention 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.

04/26/94

**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<br>Federal<br>Package 1A | 5 Year<br>Federal<br>Package 1B | 5 Year<br>Federal<br>Package 2 |
|--|---------------------------------|---------------------------------|--------------------------------|
| <b>PARENTAL RESPONSIBILITY</b>                                     |                                 |                                 |                                |
| Minor Mothers  | (30)                            | (30)                            | (30)                           |
| No Additional Benefits for Additional Children                     | 0                               | (220)                           | (220)                          |
| Child Support Enforcement  |                                 |                                 |                                |
| Paternity Establishment (Net)                                      | (90)                            | (90)                            | (90)                           |
| Enforcement (Net)  | (160)                           | (160)                           | (160)                          |
| Computer Costs   | 370                             | 370                             | 370                            |
| <b>SUBTOTAL, PARENTAL RESPONSIBILITY</b>                           | <b>90</b>                       | <b>(130)</b>                    | <b>(130)</b>                   |
| <b>TRANSITIONAL ASSISTANCE FOLLOWED BY WORK</b>                    |                                 |                                 |                                |
| Additional JOBS Spending   | 2,195                           | 2,195                           | 2,195                          |
| Additional Child Care for JOBS                                     | 1,610                           | 1,610                           | 1,610                          |
| WORK Program   | 1,330                           | 1,330                           | 1,330                          |
| Additional Child Care for WORK                                     | 610                             | 610                             | 610                            |
| Savings from Child Care and Other Expansion                        | (100)                           | (100)                           | (100)                          |
| Transitional Child Care  | 225                             | 225                             | 225                            |
| Enhanced Teen Case Management                                      | 170                             | 170                             | 170                            |
| Savings - Caseload Reduction                                       | (215)                           | (215)                           | (215)                          |
| ADP Federal and State Systems/Admin Efficiency                     | 545                             | 545                             | 545                            |
| <b>SUBTOTAL, JOBS/WORK</b>   | <b>6,370</b>                    | <b>6,370</b>                    | <b>6,370</b>                   |
| <b>SUBTOTAL, JOBS/WORK AND PARENTAL RESP</b>                       | <b>6,460</b>                    | <b>6,240</b>                    | <b>6,240</b>                   |
| WORKING POOR CHILD CARE  | 1,500                           | 1,720                           | 3,500                          |
| REMOVE TWO PARENT (UP) RESTRICTIONS                                | 495                             | 495                             | 495                            |
| Teenage Pregnancy Prevention Grants                                | 200                             | 200                             | 200                            |
| Non-Custodial Parent JOBS/WORK Programs                            | 130                             | 130                             | 390                            |
| Access Grants and Parenting Demonstrations                         | 30                              | 30                              | 70                             |
| Child Support Assurance Projects                                   | 120                             | 120                             | 290                            |
| IDA and Microenterprise Projects                                   | 60                              | 60                              | 145                            |
| <b>SUBTOTAL SPECIAL INITIATIVES</b>                                | <b>540</b>                      | <b>540</b>                      | <b>1,095</b>                   |
| <b>IMPROVING GOVERNMENT ASSISTANCE (IGA)</b>                       |                                 |                                 |                                |
| State Flexibility on Earned Income<br>and Child Support Disregards | 385                             | 385                             | 385                            |
| Generally Conform Assets to Food Stamps                            | 100                             | 100                             | 100                            |
| Increase Territories' Caps   | 0                               | 0                               | 185                            |
| All Others   | (5)                             | (5)                             | (5)                            |
| <b>SUBTOTAL IGA</b>  | <b>480</b>                      | <b>480</b>                      | <b>665</b>                     |
| <b>GRAND TOTAL</b>   | <b>9,475</b>                    | <b>9,475</b>                    | <b>11,995</b>                  |

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 Packages 1A and 1B 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.

04/26/94

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

| PACKAGE 1A COSTS                  | FY 1999      | 5 Year        |              |              | 10 Year       |               |              |
|-----------------------------------|--------------|---------------|--------------|--------------|---------------|---------------|--------------|
|                                   | Total        | Total         | Federal      | State        | Total         | Federal       | State        |
| PARENTAL RESPONSIBILITY           | (360)        | (560)         | 90           | (650)        | (5,905)       | (1,170)       | (4,735)      |
| TRANSITIONAL ASSISTANCE           | 3,225        | 7,770         | 6,370        | 1,400        | 23,465        | 20,655        | 2,810        |
| 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   | 335          | 900           | 480          | 420          | 2,715         | 1,085         | 1,630        |
| <b>TOTAL COSTS FOR PACKAGE 1A</b> | <b>4,700</b> | <b>11,505</b> | <b>9,475</b> | <b>2,030</b> | <b>31,910</b> | <b>29,225</b> | <b>2,685</b> |
| PACKAGE 1B COSTS                  | FY 1999      | 5 Year        |              |              | 10 Year       |               |              |
|                                   | Total        | Total         | Federal      | State        | Total         | Federal       | State        |
| PARENTAL RESPONSIBILITY           | (625)        | (1,220)       | (130)        | (1,090)      | (8,055)       | (1,980)       | (6,075)      |
| TRANSITIONAL ASSISTANCE           | 3,225        | 7,770         | 6,370        | 1,400        | 23,465        | 20,655        | 2,810        |
| WORKING POOR CHILD CARE           | 1,000        | 2,150         | 1,720        | 430          | 7,780         | 6,225         | 1,555        |
| 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   | 335          | 900           | 480          | 420          | 2,715         | 1,085         | 1,630        |
| <b>TOTAL COSTS</b>                | <b>4,535</b> | <b>11,120</b> | <b>9,475</b> | <b>1,645</b> | <b>30,610</b> | <b>29,095</b> | <b>1,515</b> |

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.

SUMMARY OF COSTS FOR PRELIMINARY WELFARE REFORM PACKAGES

04/26/94

(Dollars in Millions)

| PACKAGE 2 COSTS                  | FY 1999      | 5 Year        |               |              | 10 Year       |               |              |
|----------------------------------|--------------|---------------|---------------|--------------|---------------|---------------|--------------|
|                                  | Total        | Total         | Federal       | State        | Total         | Federal       | State        |
| PARENTAL RESPONSIBILITY          | (625)        | (1,220)       | (130)         | (1,090)      | (8,055)       | (1,980)       | (6,075)      |
| TRANSITIONAL ASSISTANCE          | 3,225        | 7,770         | 6,370         | 1,400        | 23,465        | 20,655        | 2,810        |
| 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        |
| <b>TOTAL COSTS FOR PACKAGE 2</b> | <b>5,755</b> | <b>14,220</b> | <b>11,995</b> | <b>2,225</b> | <b>40,425</b> | <b>37,055</b> | <b>3,370</b> |

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.

TABLE 1

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

**TABLE 2**

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

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

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

Note 1: Parentheses denote savings.

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

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

**TABLE 4 - PRELIMINARY FINANCING ESTIMATES (FEDERAL AND STATE)**  
(By fiscal year, in millions of dollars)

|   | 5 Year<br>Total | 5 Year<br>Federal | 10 Year<br>Total | 10 Year<br>Federal |
|---|-----------------|-------------------|------------------|--------------------|
| Cap Emergency Assistance  | 2,110           | 2,110             | 5,640            | 5,640              |
| Target Child Care Food Program  | 570             | 570               | 1,720            | 1,720              |
| Conform AFDC to Food Stamps 130% Pov.   | 6,990           | 3,845             | 15,340           | 8,435              |
| Reduce by 1/2   | 3,495           | 1,920             | 7,670            | 4,220              |
| Reduce by 1/3   | 2,330           | 1,280             | 5,110            | 2,810              |
| <b>Tighten Sponsorship and Eligibility Rules<br/>for Aliens:</b>  |                 |                   |                  |                    |
| Make current 5-year SSI deeming rules<br>permanent and extend to AFDC and<br>Food Stamps and limit assistance to<br>PRUCOLS | 2,740           | 1,850             | 9,110            | 6,110              |
| Extend deeming period to 7 years  | 3,450           | 2,320             | 12,000           | 7,990              |
| Extend deeming period to citizenship  | 6,820           | 4,670             | 23,990           | 16,290             |
| <b>EITC:</b>  |                 |                   |                  |                    |
| Denial to non-resident aliens   | 130             | 130               | 330              | 330                |
| Info reporting for DOD personnel  | 190             | 190               | 570              | 570                |
| Reduce inappropriate credits  | na              | na                | na               | na                 |
| <b>Gambling:</b>  |                 |                   |                  |                    |
| Increase withholding on gambling<br>winnings > \$50,000 to 36%  | 530             | 530               | 830              | 830                |
| Withholding rate of 28% on keno, slots,<br>and bingo winners > \$7,500  | 250             | 250               | 300              | 300                |
| Require information reporting on<br>winnings of \$10,000+ from gambling<br>regardless of odds (except Sl. lotteries)        | 220             | 220               | 640              | 640                |
| 4% excise tax on net receipts of gambling<br>establishments (except State lotteries)  | 3,160           | 3,160             | 7,340            | 7,340              |
| <b>Dependent Care Tax Credit:</b>   |                 |                   |                  |                    |
| Phase down to 10% for persons<br>with AGI over \$70,000   | 630             | 630               | 1,220            | 1,220              |
| Full Phase-out for persons with<br>AGI starting at \$90,000   | 790             | 790               | 1,680            | 1,680              |
| <b>OPTION 1 (5 Yr Deeming, No 130% Income Test)</b>   | 10,530          | 9,640             | 27,700           | 24,700             |
| <b>OPTION 2 (7 Yr Deeming, 1/3rd 130% Income Test)</b>  | 13,570          | 11,390            | 35,700           | 29,390             |
| <b>OPTION 3 (Deem to Citizenship, 1/2 130% Test)</b>  | 18,105          | 14,380            | 50,250           | 39,100             |
| <b>OPTION 4 (Deem to Citizenship, Full 130% Test)</b>   | 21,600          | 16,305            | 57,920           | 43,315             |

TO: David Ellwood  
Mary Jo Bane

FROM: Jennifer Mezey

THROUGH: Wendell Primus and Don Oellerich

DATE: March 18, 1994

SUBJECT: Child Care Cost Estimate Spreadsheet Model

---

### Introduction

Over the past months, ASPE and ACF have been estimating the cost of providing child care for children whose parents will participate in JOBS and WORK and to those whose parents do not receive cash assistance but are still poor. In order to accomplish this task, we have been looking at data from different sources to inform us about the costs of providing child care, the number of parents that would use paid child care if it were available and the number of hours children would need to be served. These sources of data include: ACF information on the JOBS program and the Child Care Development Block Grant; results from demonstration programs like the Teen Parent Demonstration; and national surveys like the National Child Care Survey (1990), the Profile of Child Care Settings Survey (1990), and the Survey of Income and Program Participation. In addition, we have been in close communication with CBO about their methodology, assumptions and unit costs.

There are three basic assumptions that underlie the cost estimate for AFDC families. We believe that child care costs will increase when welfare reform is implemented for the following reasons:

- There will be more people participating in JOBS.
- There will be more younger children served because of changed exemption policies.
- With the increased participation standards and fewer exemptions, it will be more difficult for states to "cream" by preferring participants with older children, smaller families and/or access to informal arrangements.

We also assume that there will be higher utilization rates for working poor families if more money is put into child care subsidies for this population.

The following memo will describe the methodology used to operationalize these assumptions. This model estimates the total Federal and State costs for the provision of child care to AFDC and working poor families. I will also discuss the assumptions and unit costs that inform the estimates. Since many policy decisions are still open, all estimates are preliminary and subject to revision as policies change.

## **Overview of the Model**

The model is a child-centered one, meaning that I am determining how much it costs to provide care for a specified number of children rather than the cost of care for an average AFDC or working poor family. First, I determine how many children there are on AFDC (ACF data) and in the working poor family population (Current Population Survey (CPS), 1993) and the distribution of ages for these populations. Once I determine how many children potentially will need to be served (based on the participation rates of AFDC families and the number of poor families in the workforce), I divide these families into those who potentially will need full-time and part-time child care. Then, I attach a utilization rate for paid child care to each child.

Finally, I multiply the number of children whose parents will need and use paid child care by a unit cost that varies by the age of the child to determine the overall cost of the provision of child care. After attaching an administrative cost of 8%, I can apply a specified federal match rate to allocate spending between the federal and state governments.

I am in contact with the policy office at FNS, and they are getting ready to prepare cost estimates for the increased use of the Child and Adult Care Feeding Program. Since I have not yet received these estimates, the cost of the program is not included in this discussion.

In the sections below, I detail my specific assumptions.

### **AFDC Children**

#### **Number and Age Distribution**

The number of participants in the JOBS and WORK program vary according to the different policy options and are produced by ASPE's AFDC-SIM model.

From the 1992 QC data, I have determined the number and ages of children under 12 whose parents would be phased into this program. As the cohort ages, the children age and the number of children increases.

#### **Full-time vs. Part-time Care**

I assume that all JOBS and WORK slots will average 20 hours per week. Therefore, they are all part-time. The children of these participants will need 30 hours of care per week. This assumption is subject to change as decisions are finalized concerning the WORK program.

#### **Take-Up (Utilization) Rate**

Although we know (from the above assumptions) how many children might need care, we do not yet know how many parents would use paid child care. The percentage of parents who

would use child care that the federal government would pay for is called the take-up (or utilization) rate.

Current estimates of the overall take-up rate for IV-A funded child care among JOBS participants range from 21% to 30% depending on the data source one uses. The data also supports the idea that current take-up rates for infants and toddlers are higher than those of school-age children. SIPP reports a take-up rate of about 68% for children under 5 and 19% for children over 5 (in all families above and below poverty). There is also evidence that the take-up rates for parents who work full-time are higher than those who work part-time (NCCS, 1990).

I assumed that when additional people are added to the JOBS and WORK programs, the take-up rate will rise. First of all, the population we are serving will more closely resemble the overall AFDC population than does the current JOBS program. This means that there will be more infants and toddlers whose parents will be participating. Second, hours of participation will be increased. Finally, there will be more people with larger families and less access to informal care as the population being served increases. Because of these factors, this estimate uses take-up rates that vary according to the age of the child, full-time vs. part-time status of the parents, and working or AFDC status of the parents.

#### Children 5 and under

In the Teen Parent Demonstration project, the overall take-up rate for agency-paid child care was approximately 45% (Maynard). Since these were young children whose parents were participating part-time, I will use this rate for part-time care for children 5 and under. The NCCS data shows that the take-up rate for full-time care for young children is approximately twice the rate for part-time care. Therefore, I use a take-up rate of 90% for AFDC parents who are participating full-time. At the present time, no AFDC parents are participating full-time.

#### Children over 5

These children need part-time care during the school year whether or not their parents work full-time or part-time during the year. Therefore, I assume the same take-up rate for all children between the ages of 6 and 12. According to the NCCS data, the take-up rate for children between the ages of 6 and 12 is approximately one-third for both full-time and part-time care. In my estimate, I assume that the take-up rate for all children over 5 will be 35%. These rates apply to AFDC, working poor families, and TCC-eligibles.

#### **Current Law**

Current law is the portion of the costs for JOBS child care that would have been spent on the population we are phasing in to the JOBS and WORK program.

## Transitional Child Care

### **Number of Children**

Each year, a certain percentage of the AFDC caseload leaves the program. If they have received AFDC for at least three months and leave for work, they are eligible for one year of transitional child care benefits. According to Donna Pavetti, an average of four percent of the adult AFDC caseload leaves the program each month, and sixty percent stay off of AFDC for at least one year. Half of these exits are for work.

In a welfare reform scenario, we assume that an additional average .6% of AFDC recipients will leave the program each month because of the impacts of our reform efforts. We also assume that two-thirds of all exits will now be for work because of health care and the impacts of education and training. Therefore, the marginal increase in exits for work is 17%.

We are currently discussing the issue of scoring TCC costs with OMB. Therefore, the TCC costs that have been reported up until now, might be overestimated in scoring terms.

### **Full-Time vs. Part-Time Care**

In most states it does not pay to leave AFDC for a part-time job. Therefore, I assume that the majority of AFDC recipients (75%) who leave AFDC for work will leave for full-time jobs and 25% will leave for part-time jobs. Part-time work is defined as twenty hours per week of work, requiring 30 hours per week of care. Full-time work is defined as forty hours per week of work, requiring 50 hours per week of care.

### **Take-Up (Utilization) Rate**

For the purposes of our estimates, we divide the TCC-eligible population into three groups.

**GROUP 1:** Those who are not phased into our "26 and under" welfare reform will leave AFDC at baseline rates and will utilize TCC at a baseline level. It is very difficult to determine what this level is, but we assume that it would reach about 20% in 1999 and stay at that rate over the next five years. This take-up rate will be phased in over the next five years at the following rate:

*1994: 10%, 1995: 13%, 1996: 15%, 1997: 15%, 1998: 17%, 1999: 20%.*

There is no additional TCC cost attached to this group.

**GROUP 2:** We assume that most of the "26 and unders" who leave welfare would have left the program without our reforms and that half of them will leave for work. These people will have increased utilization rates for TCC because of our changes in welfare offices and the regulations governing TCC. Therefore, their take-up rates will increase above baseline by the following amounts:

*1994: 0%, 1995: 0%, 1996: 10%, 1997: 15%, 1998: 18%, 1999: 20%.*

We are in the process of discussing the costs for this group with OMB. It is likely that this cost is not scorable and its inclusion in our estimates has caused them to be too high.

**GROUP 3:** The remaining people in the "26 and under" group will leave welfare because of reform and they will be more likely to leave for work. We assume that these recipients would not have left AFDC without our program and that their utilization rates will equal the baseline rates plus the marginal rates of the group above. Therefore their rates will be the following:

*1994: 0%, 1995: 0%, 1996: 25%, 1997: 30%, 1998: 35%, 1999: 40%.*

These people will have a cost attached to them for their increased exit rates and utilization rates.

### **Current Law**

Current law is our current Transitional Child Care program which will cover those people who are not phased-in to our program but leave welfare for work.

### Remaining Issue:

There still has to be a policy decision made about what kind of sliding fee scale we are going to have for the TCC program. All estimates up until this stage do not account for such a mechanism.

### Working Poor Child Care

#### **Number and Age Distribution of Children from Working Poor Families**

The first step was to determine the size of the population of children who were under 130% of poverty and whose families did not receive AFDC. We had the Urban Institute do a TRIM run using average monthly data in order to accurately gauge the number of children who received and did not receive AFDC. Using this data, I found that, in 1991, there were between 8 and 8.5 million children who were under 130% of poverty and whose families did not receive AFDC. (These families will, in the future, be referred to as working poor families to distinguish them from AFDC families.)

Since all of this data was for 1991, we then had to make some estimate of how the number of working poor children would change over the next 15 years from 1991 to 2004. The Census Bureau performs population projections by age each year, but no one projects poverty rates. Therefore, I used Census data to determine the total number of children in 1991.

Using the TRIM data, I determined the percentage of children who were below 130% of poverty. Then, keeping these percentages constant, I applied them to population projections in subsequent years to determine the overall population of children below 130% of poverty. To get the number of working poor families, I subtracted ACF's AFDC caseload projections from that number. My justification for using constant percentages is the fact that macroeconomic conditions might lead to a decrease in poverty rates, but demographics (increasing number of single parents, out-of-wedlock births) would balance this out by increasing poverty rates.

Finally, I removed TCC participants from the working poor population. Each year approximately 1,000,000 children will be in families who will leave welfare for work and stay off of welfare for at least one year. I assume that 90% of those people will stay below 130% of poverty. Approximately 900,000 children each year will be potentially eligible for TCC, representing about 12% of the working poor population. Non-TCC eligible children below 130% of poverty represent approximately 88% of the population of children below 130% of poverty.

#### **Full-Time vs. Part-Time Care**

I determined the work statuses of the parents of these children. Families were considered to need full-time care if they lived in a two parent family in which both parents worked full-time or in a single parent family where the parent worked full-time. We judged that children would need part-time care if their two parents worked part-time or one parent worked full-time and the other worked part-time. If a single parent worked part-time, his or her child would need part-time care as well. If one parent did not work, the child was not considered to need child care. These same standards applied to legal guardians of children who did not live with their parents.

Our definition of a full-time worker was someone who usually works full-time (40 hours or more) during the year. We defined a part-time worker to be someone who did not usually work full-time during the year. We found that approximately 25% of children below 130% of poverty had parents who satisfied the definition of full-time work and approximately 15% had parents who satisfied the definition of part-time work.

#### **Take-Up (Utilization) Rates**

I assumed that working poor families would have the same utilization rates for full-time and part-time care and that these rates are the same as those for AFDC families in part-time work. These rates are 45% for full-time and part-time care for children who are five years old and younger and 35% for children who are six years old and over. The average rate is

approximately 40%, representing about a 10 percentage points increase over average current rates for families below 130% of poverty (Current rates from SIPP).

### **Current Law**

In order to determine our net costs for working poor child care, I subtract what we are currently spending on the following programs: Child Care Development Block Grant (90%), Food Stamp Disregard, and At-Risk Child Care.

### **Unit Costs**

In my estimates, I used the same unit costs for AFDC and working poor families.

Although some 2 to 4 year olds will be in preschool, this estimate assumes that all of children will need full-year full-time or part-time care depending on their parents' participation in the labor force, JOBS or WORK. There is an offset for children in Head Start. These children are only assumed to need wrap-around care for the hours they are not in Head Start. For the purposes of these estimates, I assume that the average Head Start child is in care for 20 hours per week.

I assumed that the average 5 year old would be in kindergarten during the school year (38 weeks) for 3 hours per day, 5 days per week (Department of Education). The child would then need wrap-around care for the time they are not in school and full-time or part-time care during the summer (14 weeks). I also assumed that the average 6 to 12 year old would be in school during the school year for 6 hours per day, 5 days per week (Department of Education). If a child's parents work full-time, he or she would need 20 additional hours of care per week during the school year and 14 weeks of full-time care during the summer; if a child's parents work part-time, he or she would only need part-time care during the summer.

The costs we are using are weighted averages determined from data in the Profiles in Child Care Settings and National Child Care Surveys by multiplying the hourly cost of care in different day care settings (centers, regulated family day care and unregulated family day care) by the percentage of children in each setting. These weighted averages come out to approximately \$1.70 for children under 1, \$1.75 for 1-2 year olds, \$1.90 for 3-4 year olds, \$1.70 for 5 year olds, and \$1.80 for school age children (in FY1994 dollars) (PCCS-NCCS, 1990).

The 1994 full-time and part-time costs are shown in Table 1. In subsequent years, they will be inflated by inflation (3%) plus 1%.

**Table 1 - Unit Cost per Child**

| <b>Age of Child</b> | <b>Full-Time</b> | <b>Part-Time</b> |
|---------------------|------------------|------------------|
| <b>0</b>            | 4602             | 2779             |
| <b>1</b>            | 4669             | 2820             |
| <b>2</b>            | 4724             | 2875             |
| <b>3</b>            | 4931             | 3044             |
| <b>4</b>            | 5057             | 3147             |
| <b>5</b>            | 3604             | 1791             |
| <b>6-12</b>         | 2726             | 802              |

**Other Assumptions**

- I assumed an additional 8% cost for administration (ACF assumption).
- All costs are combined federal and state costs. No final decisions have been made on the issue of match rates.

March 14, 1994

Note to Wendell Primus

From: Steve Bartolomei-Hill

Subject: Cost estimates for eliminating special eligibility requirements for two parent families

This note provides an estimate of the impact of eliminating the special eligibility requirements for two-parent families. Five different sources were used to inform our estimate of eliminating these requirements. These sources are: TRIM2; Food Stamp Program QC data; SIPP; and, experiences in Michigan and Washington.

Of note, the estimates from these sources vary widely. In general, the estimates from TRIM2, FSP QC, and SIPP are in the same general ballpark, while the experiences in Michigan and Washington indicate that a somewhat different result could be expected.

I believe that the eligibility estimates generated by TRIM2 reflect the financial circumstances of low-income families. These estimates are supported somewhat by FSP QC and SIPP data. I also believe that some adjustments need to be made to the TRIM2 estimates. That is, while I am comfortable with the eligibility estimates (with a minor adjustment), the participation estimates need some adjustments.

Below I discuss the different sources and the estimates generated from them.

#### EXPERIENCE IN TWO STATES

Two states have received waivers to eliminate the 100-hour rule and the work history requirement: Michigan and Washington.

##### Michigan

Michigan implemented the change on October 1, 1992. From September 1992 to October 1993, the UP caseload in Michigan increased by 29 percent while benefit costs increased by 33 percent.

However, it is possible that not all of this caseload growth can be explained by the change in rules. For example, nationwide (net of Michigan and California) the UP caseload grew by 7 percent.

Much of the change experienced in Michigan results from state transferring two-parent families from a previously state-funded program into the AFDC program. The state estimates that about 2/3 of the growth is directly attributable to transferred cases.

500,000 children  
\$200 per month  
100,000,000

## Washington

Washington implemented the change in July 1988 as part of a state welfare reform demonstration. The two-parent rule changes were repealed after 10 months due to rapid increases in the caseload. At that time, UP caseloads had increased 50- to 65% in demonstration sites (overall 63%). However, further evaluation may suggest that some of the increase was related to other changes that were made as part of the reform. Net of those changes, it appears that elimination of the special eligibility requirements for two-parent families increased the UP caseload by 25 to 30 percent.

### ESTIMATES FROM SURVEY AND PROGRAM DATA

#### TRIM2

TRIM2, a CPS-based microsimulation model developed and used by the Urban Institute, estimates that elimination of the special eligibility requirements for two-parent families would increase the UP caseload by 90 percent and increase annual AFDC benefits by 62 percent.

TRIM2 estimates that the number of new eligibles would increase by 95 percent (470,000 in 1991). Of these, 259,000 were simulated to be receiving Food Stamps.

*Double  
the UP  
caseload*

#### Notes about the TRIM2 estimates:

TRIM2 does not simulate the quarters of work rule. However, TRIM2 requires that the principal wage earner be in the labor force. It is possible that this requirement may be more stringent than current practice. If so, this would mean that TRIM2 underestimates the number of eligibles under current law. This would influence the estimates in two ways:

- 1). Because it would underestimate the number currently eligible, it would overstate the number that would become newly eligible under the reform option.
- 2). Because it would underestimate the number currently eligible, the participation function used in TRIM2 would be too high.

The combination of these two (too many new eligibles estimated, and too high of a participation function) would mean that the TRIM2 estimates would be too high.

Of note, I believe that the concern above is legitimate. However, changing TRIM2's eligibility criteria would bias the estimates in the other direction. As a matter of practice, TRIM2's labor force attachment requirement is

likely a good proxy for caseworker behavior, although there would be some exceptions.

TRIM2 also estimates that Food Stamp costs would increase by 1.2 percent. This results from many of the newly participating AFDC units also becoming newly participating Food Stamp households.

#### FOOD STAMP PROGRAM QUALITY CONTROL (FSP QC) DATA

FSP QC data was used to estimate the effects of the rule change from units currently receiving Food Stamps. The analysis was limited to "pure" two-parent households with children under age 18. That is, the analysis does not include two-parent families when someone outside the family is included in the food stamp unit. Further, the analysis does not include units that do not currently receive Food Stamps (TRIM2 estimates that there would be 210,000 newly eligible units from this group). Estimates from FSP QC indicate that from current food stamp households alone that UP caseloads would increase by 63 percent (204,000 units in 1992) and benefits by 36 percent.

#### SIPP

SIPP was not used to estimate the impacts of this reform option. However, tabulations were done on the number of low-income two-parent households to check the estimates from other sources. These tabulations are of reported income and program participation, and do not correct for underreporting.

In January 1992, among pure two-parent households with children under age 18, there were 197,000 with income below 50 percent of poverty who reported receiving Food Stamps but not AFDC; another 94,000 with income between 50 and 75 percent of poverty reported receiving Food Stamps but not AFDC.

Assuming 90 percent of those under half of poverty and 50 percent of those with income between 50 and 75 percent of poverty would be eligible if the two-parent eligibility requirements were eliminated would yield 224,000 newly eligible units from among those currently receiving food stamps. This estimate is close to both the FSP QC and TRIM2 estimates. Note, too, the SIPP tabulations are for pure two-parent households only.

There were another 320,000 households with income below 75 percent of poverty who reported receipt of benefits from neither program.

Also of note, SIPP tabulations show 258,000 two parent families with incomes above 75 percent of poverty report food stamps but not AFDC. This suggests that the tabulations above may understate increases in AFDC eligibility, and that even under the

reform, many households would be eligible for food stamps but not AFDC.

### OPTIONS

It seems that there are three options for estimating the costs of eliminating the special eligibility requirements for two-parent families.

- 1). Using estimates from the experiences in Michigan and Washington;
- 2). Using estimates generated by TRIM2, perhaps with some adjustments for the noted concern on estimates of those currently eligible; and,
- 3). Selecting a point estimate between that generated by options 1 or 2 above.

Options 1 and 2 are discussed below. Absent a rationale for the point estimate, option 3 isn't much of an option.

#### 1. Michigan and Washington

It is difficult to argue against using estimates based on the experiences of Michigan and Washington. Both cases provide evidence of what would happen to caseloads based on actual experience.

Unfortunately, neither state reform effort has an evaluation component that can indicate why caseloads changed as they did. For example, it is unknown whether cases came from current food stamp households, or households who were brought into the welfare system as a result of the reform. Further, it is difficult to isolate the impact of the change from other changes that may have been occurring locally or nationally (recall, Michigan's change was made during a recession).

One note, in Michigan, benefit costs increased more than the caseload increased. This result is different than those generated by TRIM2 or FSP QC, and different than what one would expect. I have contacted the state for possible explanations.

Extending Michigan's experience of a 33 percent increase in benefit costs to the entire UP caseload would increase AFDC costs by \$730 million in 1999.

#### 2. TRIM2

TRIM2 is time-tested and well-understood as a tool for estimating expansions to the AFDC program. Further, it appears that the estimates generated by TRIM2 could be substantiated by the FSP QC results and SIPP tabulations.

In addition to the concerns noted above regarding TRIM2's estimation of currently eligible UP units, it may be appropriate to adjust TRIM2's participation function for those who would become newly eligible for AFDC among those who are eligible for but not participating in the Food Stamp program. One could reasonably expect that those people who have a lower propensity to participate, given that they aren't presently receiving benefits for which they are eligible.

Without adjustments, TRIM2 estimates that AFDC costs would increase by \$1.37 billion in 1999. Additional Food Stamp costs would increase the total to \$1.66 billion in 1999.

#### RECOMMENDATION

I believe that TRIM2's eligibility estimates represent the financial circumstances of low-income two parent families who could become eligible for AFDC. However, I have made an additional adjustment to reflect that TRIM2 may underestimate the number who are currently eligible.

Therefore, I recommend the following:

- 1). Adjust the current law estimate of eligible households upward by assuming that 20 percent of those "newly eligible" based solely on the labor force participation screen are in fact currently eligible.<sup>1</sup>
- 2). This has the effect of increasing the number of currently eligible units (by 26,200); decreasing the number of newly eligible units (by 26,200); and, decreasing the participation rate among currently eligible units (from 54.5% to 51.9%).
- 3a). If we stopped there, and applied the new participation rate to the new estimate of eligibles, we would increase the caseload by 80.2 percent and increase costs by 55.5 percent.

---

1. I believe this is a reasonable estimate. We can ask for a simulation that would indicate the impact of the labor force participation screen if it were applied universally.

In 1988, TRIM2 was used to estimate the impact of mandating UP in all states. TRIM2 estimated that this would increase federal costs by \$98 million in FY 92. Actual costs in the new states were \$91 million in FY 92 (a 7 percent difference). While this estimate is close, recall that there was a recession that increased UP caseloads in all states. Absent the recession, it seems reasonable that TRIM2 may have overestimated eligibility by 20 percent (with more time, we could take a modestly more scientific approach).

In the recommendation above, I have ignored the distinction between newly eligible units who are and are not current FSP recipients. But, we need to think about the secondary effects of this reform on the Food Stamp program.

Some individual components of the participation estimates generated by TRIM2 do not make sense (although, in the aggregate, they appear reasonable). As an example, TRIM2 estimates a participation rate of 51 percent for all new eligibles. However, the simulated participation rates for current food stamp recipients are lower than the simulated participation rates for those who do not currently receive food stamps. This does not make sense. Therefore, I believe another "adjustment" is necessary.

TRIM2 estimates that 55 percent of new eligibles currently receive Food Stamps, and 45 percent of new eligibles do not receive Food Stamps. In the aggregate, we should expect that current food stamp recipients are more likely to receive AFDC because they are already in the welfare system and have demonstrated a willingness to accept benefits (this is not reflected in TRIM2's participation estimates).

I attempted to apply different participation rates to each group, but the results would only increase the TRIM2 aggregates. For example, if I assumed 85% of FSP units and 15% of non-FSP units participated in AFDC, I would end up with more new units than TRIM2 estimated. I preferred generating a new participation number in this manner, but it does not make sense for new units to have a higher participation rate than currently eligible units.

Instead, we might say that some percentage of new recipients come from current FSP units, and some come from those not currently receiving FSP benefits. For example, 80 percent and 20 percent, respectively, may be appropriate ratios.

TRIM2 would have to be "hard wired" to come up with this, or we would have to make the adjustment out of model. In any event, this would reduce the current TRIM2 estimate that FSP costs would increase by 1.2 percent (\$300 million in 1999). In fact, it would likely generate Food Stamp savings.

Finally, I don't believe that our assumption that it would take three years before the full caseload affects would be felt is a good assumption. Michigan and Washington experienced their caseload growth in a relatively short period of time. And, looking at caseloads in the new UP states may suggest that two-years is a sufficient period before the full impacts of the program can be expected.

A note on these costs:

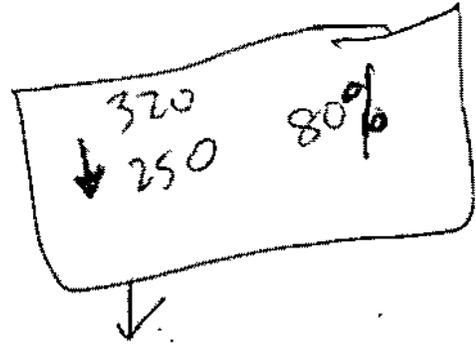
The mandatory UP provisions of the Family Support Act expire on October 1, 1998. These estimates assume that all states will continue to operate UP programs as they do under current law. However, CBO may score this differently. This would potentially increase the costs of this provision.

Also, the participation rates used in TRIM2 are historically low, in part resulting from the extension of eligibility for two-parent families in all states (likely also a function of economic conditions). Subsequent years of the CPS may have higher participation rates, which would increase the costs of this proposal. For example, when TRIM2 was based on the 1990 CPS, the UP participation rate was 79 percent. The current model, which uses the 1991 CPS, uses a participation rate of 54 percent.

Costs (AFDC costs increased by 55% over the UP baseline. Also, at this time, we will assume no food stamp costs, although our assumptions will likely generate some modest food stamp savings (modest housing savings will be experienced as well, and are not reflected here)

|      | <u>1995</u> | <u>1996</u> | <u>1997</u> | <u>1998</u> | <u>1999</u> | <u>Total</u> |  |
|------|-------------|-------------|-------------|-------------|-------------|--------------|--|
| AFDC | 0           | 0           | 600         | 1,200       | 1,200       | 3,000        |  |
| FSP  |             |             | Savings TBD |             |             |              |  |

Calif?  
Illinois



D-parent

March 16, 1994

Note to Wendell

From: Steve

Addendum to UP estimate

Two things that could result in lower estimates.

- 1). I am reconsidering my conclusion on the take-up rate. In concluding that two years was ample time, I wasn't considering the average monthly caseload, but the caseload at the end of each year. Therefore, I will look at the caseload data from the new UP states and see if it is appropriate to phase in the costs more slowly.
- 2). When TRIM2 removes all special eligibility requirements for two-parent families, it removes all special requirements. Most notably, it eliminates the labor force attachment requirement. As a result, it brings in students and others not in the labor force.

We could require labor force attachment -- for example, requiring that UPs participate in JOBS, or register with the state employment agency (this is the spirit of current law). Of course, some would do that, and some students could have their education count as JOBS. Nonetheless, some would get screened out.

cc: Bill, Tom, Reuben, Don, Canta

March 16, 1994

Note to Wendell

From: Steve Bartolomei-Hill

Subject: Reinventing Government Savings

Several filing unit issues regarding reinventing government are discussed below. Relevant TRIM2 simulations are attached.

Note, these costs are not additive. That is, if all the policy options were selected, the total impact would be less than the sum of the individual impacts.

1. Reduce Payment Standard for Child-Only Units

First, some caveats. Reuben did some work on child only units last summer. He found that the number is growing, and it is somewhat volatile. For example, this analysis is based on the 1991 QC model at the Urban Institute, and estimates that 13% of units are child-only units. Reuben found that in FY 1992 15% of units were child only. A graphic done by Reuben showing changes in the number of child-only units is attached.

The estimates below come from the FY 91 AFDC-QC model.

The policy simulated here was to set the payment standard and maximum payment for child-only units equal to the increment of between the levels for n+1 people and 1 adult.

In 1991, such a policy would have reduced the AFDC caseload by .4%, and resulted in monthly benefit savings of 4.3 percent.

Applying that AFDC benefit savings percentage to the baselines in other years would yield the following savings:

|          | AFDC Savings    | Food Stamp Costs |
|----------|-----------------|------------------|
| 1995:    | \$ 1.00 billion | \$ .0 billion    |
| 1996:    | 1.03            | .0               |
| 1997:    | 1.07            | .0               |
| 1998:    | 1.10            | .0               |
| 1999:    | 1.14            | .0               |
| 5-years: | \$5.34 billion  | \$ . billion     |

Food Stamp estimates generated by the QC model were implausible. I am having some tabulations done that will be used to do out-of-model adjustments. For now, I think Food Stamp costs of \$1.5 billion per year is close to what we can

expect, for net five year savings of \$3.84 billion. I also will need to make an adjustment for increases in housing costs, which will decrease the savings slightly.

Impacts in California are forthcoming (California has roughly 1/4 of all child only units).

Notes:

There were 560 million average monthly child only units in 1991 -- about 13 percent of the AFDC caseload.

Almost all (99%) of those units were negatively affected by this proposal. 95 percent received lower benefits -- an average of \$130 less per month. 4 percent lost eligibility entirely, averaging \$282 per month.

Attached is a table Cantu did showing how the payment standard would have changed if this policy were in effect in January 1992.

We can't examine poverty impacts because AFDC QC data is used. TRIM2 is not a good source for examining child-only units.

2. Include SSI recipients in the AFDC unit

The policy option simulated here is to not exclude people from the AFDC unit based on SSI receipt. Unlike other times we have simulated this option, this time we did not include a disregard for income from SSA programs.

Some caveats:

TRIM2 does not identify children younger than 15 as SSI recipients. It would appear, then, that these estimates would be much too low, because SSI kids are missed. However, TRIM2 does note the presence of SSI income in the family; it is usually assigned to an adult -- perhaps erroneously to the AFDC casehead. Nonetheless, in those cases, it would bring an SSI recipient into the unit.

TRIM2 is based on the 1991 CPS. Therefore, any growth in SSI caseloads among people who would otherwise be in an AFDC unit would not be reflected in these estimates.

TRIM2 estimates that including SSI recipients in the AFDC unit would reduce the average monthly number of units by 5.1 percent and reduce annual AFDC benefits by 5.4 percent. Some of these savings were offset by increases in Food Stamps (1.6% of baseline) and housing (.6% of baseline).

|         | AFDC<br>(savings) | Food Stamps<br>(costs) | Housing<br>(costs) | TOTAL<br>(savings) |
|---------|-------------------|------------------------|--------------------|--------------------|
| 1995:   | \$1.25 bil.       | .38                    | .13                | .74                |
| 1996:   | 1.29              | .39                    | .13                | .77                |
| 1997:   | 1.34              | .41                    | .14                | .79                |
| 1998:   | 1.38              | .42                    | .14                | .82                |
| 1999:   | 1.44              | .44                    | .14                | .86                |
| 5-year: | \$6.70            | \$2.04                 | \$ .68             | \$3.98             |

**Poverty Impacts:**

If one defines income to include Food Stamps and housing assistance, and the relevant unit is the household (versus the Census definition of the family), then, among households who would participate at some time during the year in either the baseline or the alternative:

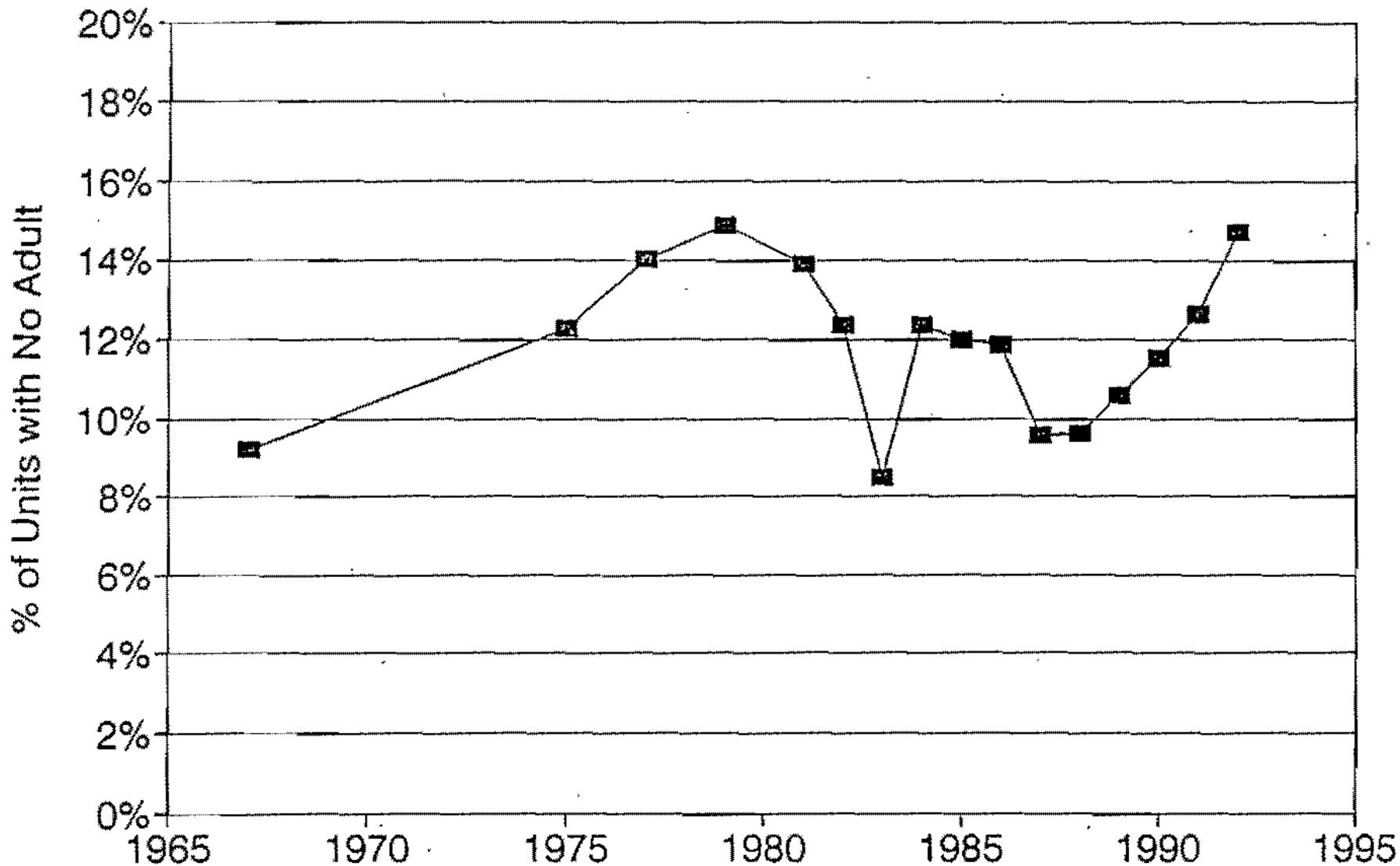
# of Households in poverty increases by 2.3% (50,000 households)

# of kids in poverty increases by 1.7 percent (88,000 kids)

The poverty gap increases 3.1 percent (\$234 million).

# UNITS WITH NO ADULT RECIPIENT

U.S. Average



Source: ACF. Note: 1979 was 14.9% and 1992 was 14.7%

January 1992 Need and Payment Amounts

|             | Pay. Stand.<br>for 1 Adlt. | Pay. Stand.<br>for 1 Chld | Diff. | Pay. Stand.<br>for 2 | Diff.<br>bet 2&1 | Diff. Bet.<br>2&1chld | Diff. bet<br>2-1 &1 |
|-------------|----------------------------|---------------------------|-------|----------------------|------------------|-----------------------|---------------------|
| Alabama     | 100                        | 100                       | 0     | 123                  | 23               |                       | -77                 |
| Alaska      | 498                        | 315                       | 183   | 792                  | --               | 477                   | 162                 |
| Arizona     | 198                        | 198                       | 0     | 266                  | 68               |                       | -130                |
| Arkansas    | 81                         | 81                        | 0     | 162                  | 81               |                       | 0                   |
| California  | 341                        | 341                       | 0     | 560                  | 219              |                       | -122                |
| Colorado    | 253                        | 117                       | 136   | 331                  | --               | 214                   | 97                  |
| Connectic   | 356                        | 356                       | 0     | 473                  | 117              |                       | -239                |
| Delaware    | 201                        | 201                       | 0     | 270                  | 69               |                       | -132                |
| DC          | 258                        | 258                       | 0     | 321                  | 63               |                       | -195                |
| Florida     | 167                        | 167                       | 0     | 225                  | 58               |                       | -109                |
| Georgia     | 155                        | 155                       | 0     | 235                  | 80               |                       | -75                 |
| Hawaii      | 396                        | 396                       | 0     | 531                  | 135              |                       | -261                |
| Idaho       | 208                        | 208                       | 0     | 254                  | 46               |                       | -162                |
| Illinois    | 212                        | 102                       | 110   | 268                  | --               | 166                   | 64                  |
| Indiana     | 155                        | 155                       | 0     | 255                  | 100              |                       | -65                 |
| Iowa        | 183                        | 183                       | 0     | 361                  | 178              |                       | -5                  |
| Kansas      | 239                        | 239                       | 0     | 321                  | 82               |                       | -157                |
| Kentucky    | 162                        | 162                       | 0     | 196                  | 34               |                       | -126                |
| Louisiana   | 72                         | 72                        | 0     | 138                  | 66               |                       | -6                  |
| Maine       | 214                        | 127                       | 87    | 337                  | --               | 210                   | 83                  |
| Maryland    | 167                        | 167                       | 0     | 294                  | 127              |                       | -40                 |
| Massachu    | 392                        | 392                       | 0     | 486                  | 94               |                       | -298                |
| Michigan    | 332                        | 116                       | 216   | 446                  | --               | 330                   | 214                 |
| Minnesota   | 437                        | 250                       | 187   | 532                  | --               | 282                   | 32                  |
| Mississipp  | 218                        | 218                       | 0     | 293                  | 75               |                       | -143                |
| Missouri    | 132                        | 132                       | 0     | 228                  | 96               |                       | -36                 |
| Montana     | 232                        | 83                        | 149   | 310                  | --               | 227                   | 144                 |
| Nebraska    | 222                        | 222                       | 0     | 293                  | 71               |                       | -151                |
| Nevada      | 246                        | 246                       | 0     | 309                  | 63               |                       | -163                |
| New Ham     | 145                        | 145                       | 0     | 451                  | 306              |                       | 161                 |
| New Jerse   | 162                        | 162                       | 0     | 322                  | 160              |                       | -2                  |
| New Mexi    | 192                        | 192                       | 0     | 258                  | 66               |                       | -126                |
| New York    | 352                        | 352                       | 0     | 468                  | 116              |                       | -236                |
| North Car   | 177                        | 177                       | 0     | 231                  | 54               |                       | -123                |
| North Dak   | 217                        | 108                       | 109   | 326                  | --               | 218                   | 110                 |
| Ohio        | 199                        | 199                       | 0     | 274                  | 75               |                       | -124                |
| Oklahoma    | 211                        | 95                        | 116   | 264                  | --               | 169                   | 74                  |
| Oregon      | 297                        | 202                       | 95    | 380                  | --               | 178                   | -24                 |
| Pennsylv    | 205                        | 205                       | 0     | 316                  | 111              |                       | -94                 |
| Rhode Isla  | 327                        | 327                       | 0     | 449                  | 122              |                       | -205                |
| South Car   | 261                        | 261                       | 0     | 350                  | 89               |                       | -172                |
| South Dak   | 284                        | 162                       | 122   | 357                  | --               | 195                   | 33                  |
| Tennesse    | 95                         | 95                        | 0     | 142                  | 47               |                       | -48                 |
| Texas       | 75                         | 63                        | 12    | 158                  | --               | 95                    | 32                  |
| Utah        | 233                        | 233                       | 0     | 323                  | 90               |                       | -143                |
| Vermont     | 768                        | 768                       | 0     | 937                  | 169              |                       | -599                |
| Virginia    | 157                        | 157                       | 0     | 231                  | 74               |                       | -83                 |
| Washingto   | 339                        | 339                       | 0     | 428                  | 89               |                       | -250                |
| West Virgi  | 145                        | 145                       | 0     | 201                  | 56               |                       | -89                 |
| Wisconsin   | 248                        | 248                       | 0     | 440                  | 192              |                       | -56                 |
| Wyoming     | 414                        | 414                       | 0     | 585                  | 171              |                       | -243                |
| Guam        | 60                         | 60                        | 0     | 120                  | 60               |                       | 0                   |
| Puerto Ric  | 32                         | 32                        | 0     | 56                   | 24               |                       | -8                  |
| Virgin Isla | 82                         | 82                        | 0     | 180                  | 98               |                       | 16                  |

# THE URBAN INSTITUTE

## MEMORANDUM

TO: Steve Bartolomei-Hill

FROM: Linda Giannarelli<sup>1</sup>

SUBJECT: Simulation Q, with the AFDC-QC model:  
Reducing benefits for child-only units

DATE: March 15, 1994

---

Attached are two tables with the results of simulation Q. We simulated this alternative using the AFDC-QC model for FY 1991. Let us know if you need more details.

### What we simulated

We modified both the payment standard and the maximum payment (but not the need standard) for child-only units.

For a child-only unit of  $n$  children (and 0 adults) we set the payment standard to the difference between the payment standard for  $n+1$  people and the payment standard for 1 adult. And we set the maximum payment to the state's maximum payment for  $n+1$  people minus the maximum payment for 1 adult. Notice that the calculation uses the payment standards and maximum payments for 1 adult; some states have lower payment standards and maximum payments for units consisting of just one child vs. units consisting of just one adult.

### The results

The results look good. Keep in mind that all the data apply to the average month.

Table 1 gives the aggregate results. Average monthly caseload falls by .4 percent, because the reduction in the payment standard and maximum payment is enough to make some units ineligible for any benefit. Total benefits fall by 4.3 percent.

Table 2 shows more detail on the losers. A total of 552 thousand units lost some or all benefits. This seems correct because published data show about 560 thousand

---

<sup>1</sup>Paul Johnson did the programming for this analysis.

child-only units in FY 1991.<sup>2</sup> Most of the units losing benefits in the simulation, 532 thousand, received lower benefits but were still eligible: the average loss was \$130. Only a handful lost all their benefits.

---

<sup>2</sup> Probably, all the child-only units the model found lost some or all benefits. The difference between our 332 thousand and the 560 thousand in the published data is probably due to our dropping some units from the QC model's baseline simulation because they look ineligible. We could check this to be certain if you think it's important.

TABLE 1  
EFFECT OF REDUCING PAYMENT STANDARD AND MAXIMUM PAYMENT  
FOR CHILD-ONLY UNITS<sup>1</sup>

BASED ON THE AFDC-QC MODEL, FY 1991

|                                 | <u>Baseline:</u><br>1991 law | <u>Alternative:</u><br>Reduce bens.<br>for child-only | <u>Percent chg.</u><br>Alternative<br>vs. Baseline |
|---------------------------------|------------------------------|---|--|
| <b>Average Monthly Caseload</b> |                              |   |  |
| Units (mill.)                   | 4.375                        | 4.356   | -0.4%  |
| Persons (mill.)                 | 12.974                       | 12.939  | -0.3%  |
| Benefits (bil. of 91 \$)        | \$1.731                      | \$1.657   | -4.3%  |
| Avg. benefit per unit           | \$396                        | \$380   | -3.9%  |
| Annual Benefits (bil of 91 \$)  | \$20.776                     | \$19.878  | -4.3%  |

Source: The Urban Institute's AFDC-QC model, FY 1991 data

<sup>1</sup> For a unit consisting of n children and 0 adults, the payment standard and maximum payment are both set to equal the amount for n+1 people minus the amount for 1 adult.

TABLE 2  
AFDC STATUS CHANGES DUE TO  
REDUCING PAYMENT STANDARD AND MAXIMUM PAYMENT  
FOR CHILD-ONLY UNITS<sup>1</sup>

BASED ON THE AFDC-QC MODEL, FY 1991

| TYPE OF CHANGE                 | Number<br>of units<br><u>(mill.)</u> | <u>Reduction in AFDC Benefits</u> |                                   |
|--------------------------------|--------------------------------------|-----------------------------------|-----------------------------------|
|                                |                                      | Aggregate<br><u>(bill.)</u>       | Per unit w/<br><u>this change</u> |
| Lower benefits, still eligible | 0.532                                | \$0.069                           | \$130                             |
| Become ineligible              | 0.019                                | \$0.005                           | \$282                             |
| TOTAL                          | 0.552                                | \$0.075                           | \$136                             |

Source: The Urban Institute's AFDC-QC model, FY 1991 data

<sup>1</sup> For a unit consisting of n children and 0 adults, the payment standard and maximum payment are both set to equal the amount for n+1 people minus the amount for 1 adult.