EFFECTS OF CURTAILING COST-OF-LIVING ADJUSTMENTS IN SELECTED FEDERAL BENEFIT PROGRAMS

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SUMMARY

Reducing or temporarily forgoing cost-of-living adjustments (COLAs) in federal cash transfer programs could substantially reduce government expenditures by providing lower benefits than would occur under current law. While most of the savings would result from benefit reductions for people who are not now classified as poor--that is, those with incomes above the official poverty thresholds--limiting COLAs would also reduce the incomes of significant numbers of low-income people and would move some of them into poverty. COLA reduction options could be structured to mitigate the impact on low-income people, however, with varying effects on the net budgetary savings.

This paper examines the potential savings and the impact on low-income people of four approaches to curtailing COLAs in cash transfer programs. The first approach would reduce or eliminate COLAs for one or more years for all current recipients under all cash transfer programs. The second alternative would exempt the means-tested programs from COLA reductions. The final two alternatives would provide additional protection for low-income recipients.

While many methods could be used to protect the incomes of the poor and the near-poor, the two examined here would provide COLAs for some Social Security and Railroad Retirement benefits. The "Poverty COLA" approach would increase program payments only if annual benefits based on

a single earnings record were below the poverty threshold, while the "COLA Cap" alternative would grant COLAs on the first $5,000 of annual benefits based on a single earnings record. 1/ Although both options are designed to protect low-income beneficiaries, they would also provide benefit increases to some recipients with total incomes well above the poverty line. Further, these options would be difficult to administer, since they would require that the Social Security Administration provide COLAs to some but not all beneficiaries, or for only part of most recipients' benefits.

Within each approach, four specific options are considered. Benefits could be frozen at current levels for one or three years, or currently legislated COLAs could be reduced by three percentage points, again for one or three years. As one would expect, so long as inflation exceeds 3 percent each year, the benefit freezes would result in larger budgetary savings and greater effects on beneficiaries than the COLA reductions. Also, longer periods of curtailing COLAs would have greater impacts than shorter periods.

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1. Under both the Poverty COLA and COLA Cap options, the benefit measure used to determine eligibility for and size of the COLA would be total benefits--both primary and dependents'--based on a single earnings record; that is, the Social Security/Railroad Retirement record showing the earnings of one worker.

   Under both the Poverty COLA and the COLA Cap, some families would be given COLAs on more than the amounts of benefits described above. For example, if both members of a married couple were beneficiaries as a result of their own earnings, under the COLA Cap, the couple could get COLAs on up to $10,000 of annual benefits. On the other hand, a married couple receiving benefits as a worker and dependent spouse (that is, based on the earnings of only one worker) could get a COLA on no more than $5,000 of annual benefits. This approach would be necessary because the Social Security Administration cannot determine whether primary beneficiaries are in the same family.

The Summary Table shows the potential tradeoffs between budgetary savings and effects on low-income program participants for a one-year benefit freeze. For example, a one-year benefit freeze for all non-means-tested cash transfer programs would reduce net federal outlays by $43 billion over the next five years but would also reduce total income to the poor by about $400 million per year and could cause 420,000 additional people to fall into poverty. The Poverty COLA option would generate 25 percent smaller budgetary savings but would have only about one-third the adverse effect on the poor and near-poor. 2/ The COLA Cap approach would protect even more low-income people, but, because it would provide COLAs to many more people with higher incomes, would yield much smaller savings.

The results of this analysis should be viewed with caution for a number of reasons. First, budgetary savings and estimated impacts on poverty statistics are not directly comparable because they are based on different data sources. Second, effects on beneficiaries reflect the population as it was in 1983, not as it will be in the future when COLA changes might be implemented. Third, the Bureau of the Census definition of poverty is used; since the value of in-kind benefits such as food stamps or housing assistance is excluded from income, official poverty statistics may overstate need. Fourth, severe data limitations mean that the beneficiary impact analysis can only be indicative of the actual effects. Other reasons for caution are presented in the text.

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2. Actual increases in poverty gaps and rates would be somewhat smaller than shown here for the Poverty COLA and the COLA Cap. See text for details.

SUMMARY TABLE. ESTIMATED BUDGETARY SAVINGS AND POVERTY EFFECTS OF FREEZING BENEFIT LEVELS FOR ONE YEAR IN SELECTED FEDERAL CASH TRANSFER PROGRAMS

Approach or Programs Affected	Fiscal Years 1986-1990 Budgetary Savings (in billions of dollars)	Change in Poverty Gap a/ (in billions of dollars)	Change in Poverty Gap a/ (in percent)	Change in Number of Poor People (in thousands)	Change in Poverty Rate (in percentage points)
All Programs b/	45.8	0.6	1.4	530	0.3
Non-Means-Tested Programs b/	42.9	0.4	0.9	420	0.2
Poverty COLA c/	32.9	0.1	0.3	150	0.1
COLA Cap d/	18.6	e/	f/	60	0.1

SOURCE: Congressional Budget Office estimates.

NOTE: Budgetary savings are relative to CBO baseline. Poverty effects are based on tabulations of the March 1984 Current Population Survey which reports incomes for calendar year 1983. See text for additional detail and cautions in interpreting findings.

a. The "Poverty Gap" is the aggregate amount by which incomes of poor individuals and families fall short of the poverty thresholds, i.e., the total amount of income that poor people as a group would require to move up to the poverty thresholds.

b. For budget estimates, "All Programs" include Social Security, Railroad Retirement, Civil Service Retirement, Military Retirement, Supplemental Security Income (SSI), Veterans' Pensions and Compensation, and retirement benefits for the Foreign Service, the Public Health Service, and the Coast Guard. For beneficiary effects, only the first five programs were considered. "Non-Means-Tested Programs" include all of the above except SSI and Veterans' Pensions for the budget estimates, but only exclude SSI from the programs examined for the effects on beneficiaries. See text for details.

c. Full COLA provided for means-tested programs. No COLA provided for non-means-tested programs, except for Social Security and Railroad Retirement benefits on which the full COLA is provided if annual benefits based on a single earnings record are less than the poverty threshold. See text for more detail.

d. Full COLA provided for means-tested programs. No COLA provided for non-means-tested programs, except for Social Security and Railroad Retirement benefits on which a full COLA is provided on the first $5,000 of annual benefits based on a single earnings record. See text for more detail.

e. Less than $50 million.

f. Less than 0.05 percent.

INTRODUCTION

Congressional concern about large and continuing federal budget deficits has led to consideration of proposals to reduce or temporarily forgo cost-of-living adjustments (COLAs) for federal transfer programs. Because these programs account for about one-fourth of all federal spending, they present an opportunity for achieving substantial budgetary savings. Curtailing COLAs is one means of realizing sizable savings while spreading the impact across all current recipients, rather than concentrating effects on only one group. 1/ Nonetheless, limiting COLAs would necessarily affect the well-being of program participants, whose benefits would be lower than under current law. Particular concern has focused on those beneficiaries who are now poor or who might be made poor if scheduled benefit increases did not occur.

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1. While reducing or freezing COLAs for federal cash transfer programs would spread effects broadly among all current recipients, such changes could create inequities between current and future program participants. This would result from the fact that benefit levels in some programs--including Social Security, the largest single transfer program--are based on earnings histories that are indexed for real wage growth. Freezing benefits or reducing COLAs for those now receiving benefits, while not reducing indexing rates for the earnings of today's workers, could result in current retirees getting lower benefits than future retirees, even if their earnings histories were identical in real terms. If the Congress chooses to modify COLAs for those already retired, it could also alter the indexing of benefit formulas to treat current and future retirees more similarly. Making parallel changes in the benefit formulas would also increase budgetary savings and make them permanent. The effects of COLA changes alone would be realized only for as long as current recipients are alive.

This paper examines a number of specific options for curtailing COLAs--some designed specifically to limit the adverse effects on the poor and the near-poor. The first section describes the options considered. The second explains the procedures used to estimate savings and impacts of the options and discusses limitations on the analysis. The final section reports the budgetary savings resulting from COLA changes and the effects of those changes on low-income recipients.

OPTIONS TO CURTAIL COLAS

Currently, nearly a dozen federal cash assistance programs, including Social Security, Supplemental Security Income (SSI), and most retirement programs for federal employees, have legislated COLAs under which benefits are adjusted annually based on changes in the Consumer Price Index (CPI). In addition, although it is not formally indexed, Veterans' Compensation has been increased annually by the Congress in line with CPI changes. 2/ Together, federal outlays for these programs are expected to total $254 billion in fiscal year 1985. Anticipated COLAs will add about $7 billion to fiscal year 1986 spending and will account for $153 billion in additional outlays over the 1986-1990 period.

Numerous approaches are available to limit benefit COLAs. Most broadly, COLAs for all indexed cash assistance programs could be reduced

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2. Other programs are indexed in different ways. Black Lung Disability benefits and Special Benefits for Disabled Miners are increased annually on the basis of changes in the pay of Civil Service GS-2 workers, while food stamps and child nutrition programs are indexed to the CPI for food. None of these programs is considered in this paper.

or eliminated for one or more years. Alternatively, those programs designed to aid low-income people could be exempt, and COLAs could be curtailed only for non-means-tested programs--that is, those programs in which eligibility does not depend on income. Finally, specific COLA-reductions schemes could be created that would protect the benefits of more low-income recipients. This paper considers examples of all three approaches.

Curtailing COLAs in All Cash Transfer Programs

Four options for changing COLAs in all federal cash assistance programs are considered:

- A one-year reduction in which the COLA is three percentage points less than the increase in the CPI.

- A one-year freeze on benefit levels in which no COLA is provided.

- A three-year reduction in which the COLA is three percentage points less than the change in the CPI in each year.

- A three-year freeze on benefit levels in which no COLA is provided for three years.

This part of the analysis applies the COLA limitations to all federal cash transfer programs legislatively or customarily indexed to the CPI.

These include Social Security, Railroad Retirement, Military Retirement, Civil Service Retirement, SSI, Veterans' Pensions, Foreign Service Retirement, Public Health Service Retirement, Coast Guard Retirement, and Veterans' Compensation.

Curtailing COLAs Only for Non-Means-Tested Cash Transfer Programs

The second set of options applies the four changes described above only to non-means-tested programs. In these instances, means-tested programs--SSI and Veterans' Pensions--are exempted from the COLA reductions or benefit freezes, but all other programs listed in the preceding paragraph are included. Exempting means-tested programs from any COLA limitations would protect some low-income people from income losses; however, because only a small minority of all poor people receive SSI or Veterans' Pensions, large numbers of poor and near-poor recipients of cash transfers would still be affected adversely by these options.

Further Limiting Effects on Low-Income People

The final two sets of options would go further still in attempting to limit the adverse effects of COLA changes on low-income people. Two specific alternatives are examined to provide contrasting examples:

- Curtailing COLAs for all non-means-tested programs, except that full COLAs would be provided to Social Security and

Railroad Retirement recipients whose annual benefits (primary plus dependents' based on a single earnings record 3/) are below the poverty line for the number of people receiving primary or dependents' benefits. In other words, a COLA on total Social Security or Railroad Retirement benefits would be paid if benefits are below the poverty threshold. 4/ No COLA would be given to recipients with benefits above the threshold. (This is referred to as the "Poverty COLA" option.)

- Curtailing COLAs for all non-means-tested programs, except that full COLAs would be provided on the first $5,000 of annual Social Security or Railroad Retirement benefits (primary plus dependents' based on a single earnings record). All Social Security and Railroad Retirement beneficiaries would thus receive some COLA, but those with total annual benefits above $5,000 would receive less than under current law. 5/ (This is referred to as the "COLA Cap" option.)

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3. That is, the sum of all benefits paid to a worker and his or her dependents based on the Social Security or Railroad Retirement record of that worker's earnings.

4. To avoid raising benefits of those receiving COLAs above benefits of those not getting COLAs, the COLA is limited to the amount that would be required to raise benefits up to but not over the poverty threshold.

5. The $5,000 cutoff is defined in 1983 dollars and would be indexed to the Consumer Price Index (CPI) for subsequent years.

For each of these modifications, the four alternatives listed above--a one-year reduction, a one-year freeze, a three-year reduction, and a three-year freeze--are considered.

Because 85 percent of the elderly poor and about 94 percent of elderly people with incomes between the poverty level and 125 percent of the poverty level receive Social Security or Railroad Retirement benefits, providing COLAs for some Social Security payments would keep many of the poor from becoming even more poor and many of the near-poor from becoming poor. Similarly, since a large majority of younger people who would be affected by curtailing COLAs are Social Security recipients, those near or below the poverty line would also be partially protected by these options. On the other hand, not all poor beneficiaries would be protected, and some of the Social Security and Railroad Retirement COLAs paid under these options would go to people with total income above the poverty thresholds. 6/ Finally, these options would be more difficult to administer, because they would require that the Social Security Administration provide COLAs to some but not all beneficiaries, or for only some share of most recipients' benefits.

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6. The "target efficiency" of these options is discussed at greater length later in the paper.

ANALYTIC APPROACH AND LIMITATIONS

Numerous assumptions must be made to estimate the budgetary effects of COLA changes and to gauge the impact of such changes on low-income people. Estimating the impact on low-income people, in particular, is subject to a high degree of uncertainty because of data limitations.

Methodology

The starting point for any analysis of this type is a set of assumptions regarding inflation. This analysis is based on the Congressional Budget Office's (CBO's) most recent economic forecast, which projects CPI changes (third quarter over third quarter) of 3.7 percent for 1986, 4.6 percent for 1987, and 4.2 percent for 1988. Applying these assumptions would yield benefit reductions, compared with currently scheduled levels, of between 3 percent for a one-year COLA reduction and 12 percent at the end of a three-year freeze (see Table 1).

Estimating Budgetary Effects. Estimates of the budgetary savings that would result from curtailing COLAs were arrived at in two steps. First, gross benefit payments under the affected programs were estimated by substituting the allowable COLA under each option for the COLA that would be paid under current law. For the first two sets of options, in which all participants in a given program would be treated the same, this simply involved decreasing the currently scheduled COLA by a fixed percentage and

TABLE 1. EFFECTS ON BENEFIT LEVELS OF CURTAILING COLAS IN FEDERAL CASH TRANSFER PROGRAMS a/

Alternative b/	COLA Under Alternative (in percent)	COLA Under Current Law (in percent)	Benefit Under Alternative as a Proportion of Current Law c/
One-year reduction	0.7	3.7	.97
One-year freeze	0.0	3.7	.96
Three-year reduction	3.5	13.0	.92
Three-year freeze	0.0	13.0	.88

SOURCE: Congressional Budget Office.

a. Assumes 3.7 percent inflation for 1986, 4.6 percent for 1987, and 4.2 percent for 1988 (third quarter over third quarter).

b. See page 3 for definitions of alternatives.

c. The proportion is the ratio between what benefit levels would be under the alternative and what they would be under current law, measured at the end of one year for the first two options and at the end of three years for the last two. In the case of the one-year reduction, for example, benefits would be raised 0.7 percent rather than 3.7 percent, so benefits would be 1.007/1.037 = 0.97 as large as under current law.

adjusting for anticipated changes in program participation. For the last two sets of options, in which not all beneficiaries are allowed the same COLA, the process was more complicated. Program data from 1982 describing the distribution of benefits among participants were used to estimate the number of beneficiaries who would be affected and the savings that would result from limiting their COLAs. This process assumed that benefit distributions would be constant over time in real terms. Since the last two sets of options require distributional analyses for which data are incomplete, the results are more uncertain than those for the first two sets.

The second step involved taking account of indirect budgetary effects. Because reductions in income resulting from curtailing COLAs in non-means-tested programs could cause SSI and food stamp benefit levels to rise and could limit some scheduled premium increases for Supplemental Medical Insurance (SMI), initial savings estimates were adjusted to account for these offsetting cost increases. Program data were used to estimate the indirect spending effects. The resulting offsets were subtracted from the direct savings; the savings reported below represent the net budgetary effects that would arise from the various options.

Estimating Effects on Beneficiaries. The impacts of COLA reductions and benefit freezes on beneficiaries were estimated based on the March 1984 Current Population Survey (CPS) which reports incomes for calendar year 1983--the most recent data available. The CPS identifies program benefits under four non-means-tested federal cash assistance programs affected by COLAs--Social Security and Railroad Retirement, Civil Service Retirement, and Military Retirement--as well as under one means-tested, indexed cash assistance program--SSI. 7/ Together these five programs account for about 90 percent of outlays under indexed federal cash transfer programs.

7. Veterans' Compensation and Pensions, and retirement benefits for the Foreign Service, the Public Health Service, and the Coast Guard cannot be determined from the CPS and are therefore not included in the analysis of impacts on beneficiaries. They are, however, included in estimates of budgetary savings.

In estimating impacts on beneficiaries, income from the programs reported on the CPS that are subject to COLAs was reduced by the factors given in the final column of Table 1 to obtain estimated incomes under the policy alternatives. 8/ The resulting total income for each family was then compared with the 1983 poverty threshold for a family of that type ($4,775 for an aged individual, $6,023 for an aged couple, and $7,938 for a family of three, for example) to calculate resulting poverty rates. In addition, for each option, the effect on the poverty gap--the aggregate amount by which the incomes of the poor fall short of the poverty thresholds--was calculated.

Limitations of the Analysis

The procedure described above provides separate estimates of budgetary savings and impacts on program beneficiaries. Because they are derived from different data sources, the two sets of estimates are not entirely comparable. In addition, the accuracy of the analysis--particularly the estimated impacts on recipients--is limited by:

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8. While the factors given in Table 1 are accurate for people whose benefit levels were determined prior to COLAs being curtailed, they overstate the benefit reduction for recipients who enter affected programs while the changes are in effect. For example, for retirement programs in which benefits are determined by earnings histories, people who become eligible after two years of a three-year benefit freeze are affected only by the final year of the freeze, not by the first two. As a result, the analysis overstates benefit reductions for some program participants. For the options analyzed here, however, only a small minority of all recipients would be affected by this issue, and, therefore, the effect on poverty gaps and rates would likely be quite small.

- Uncertainty about future inflation rates;
- Shortcomings of the official poverty measures;
- An inability to determine in detail the offsetting effects of benefit increases in means-tested programs resulting from COLA cutbacks in other programs;
- An inability to describe the affected population in 1986; and
- Problems with the CPS as a source of data.

The results should therefore be viewed with caution and with the following caveats in mind.

Sensitivity of the Analysis to Projected Inflation Rates. The results of this analysis are highly sensitive to assumptions regarding inflation rates. Although this analysis is based on CBO's most recent forecast of inflation rates, those rates are difficult to predict, and actual inflation could be higher or lower than now anticipated.

Budgetary savings and benefit cutbacks under the COLA-reduction options would vary little with different assumed rates of inflation, but the effects of the benefit-freeze options could be significantly less (greater) with lower (higher) inflation rates. To show the effects of a range of CPI increases, the analysis of beneficiary impacts was replicated using constant inflation rates of 3 percent and 6 percent over one- and three-year periods.

For the two COLA-reduction alternatives, benefits would differ by less than one-half of one percent between these two alternative inflation rates (see Table 2 below). There would be virtually no difference in the effects on official poverty rates (see Appendix Tables A-25 through A-36 for detailed results).

TABLE 2. PERCENTAGE REDUCTION IN BENEFITS UNDER COLA-LIMITATION OPTIONS RELATIVE TO CURRENT LAW, BY ASSUMED INFLATION RATE a/

Alternative b/	3 Percent Inflation	CBO Economic Assumptions c/	6 Percent Inflation
One-year reduction	2.9	2.9	2.8
One-year freeze	2.9	3.6	5.7
Three-year reduction	8.5	8.4	8.3
Three-year freeze	8.5	11.5	16.0

SOURCE: Congressional Budget Office.

a. Percentage reductions are calculated at the end of the period during which COLAs would be affected--that is, at the end of one year for the shorter options and after three years for the longer ones. For example, in the case of the one-year reduction with 6 percent inflation, benefits would be raised 3 percent (6-3) rather than 6 percent and would thus be 1.03/1.06 = .972 as large as under current law. The reduction is 1 - .972 = 0.028 or 2.8 percent.

b. See page 3 for definitions of alternatives.

c. Assumes 3.7 percent inflation for 1986, 4.6 percent for 1987, and 4.2 percent for 1988 (third quarter over third quarter).

Much larger variation would occur with the options to freeze benefits. Under a one-year freeze, with 3 percent inflation, benefits would be 2.9 percent lower relative to current law, but they would be reduced by nearly twice that if inflation were 6 percent. Under a three-year freeze, benefits would be 8.5 percent lower with inflation at 3 percent, but would be 16 percent lower if inflation averaged 6 percent. Similarly, if inflation is greater than forecast, a benefit freeze would move a larger number of people into poverty.

Limitations of Official Poverty Measures. This analysis uses the official Bureau of the Census definition of poverty, which compares an individual's or family's total cash income with a poverty threshold based on size of family, the age of the family head, and number of children. The individual or family members are classified as poor if income is below the threshold. This definition has numerous well-documented shortcomings. Three problems are particularly significant for this analysis. 9/

First, poverty rates provide less information about the effects of policy options on the poor than do poverty gaps. The poverty rate is affected only when a policy alternative causes incomes to move across the

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9. Another problem is that poverty statistics make no allowance for geographic differences in living costs. It is more expensive to live in New York City, for example, than in many rural areas, but poverty thresholds are uniform across the country. While data limitations make it impossible to determine the effect of price variations on poverty rates and gaps, it is clear that these thresholds overstate income needs in some locations and understate them in others.

poverty thresholds, even though an option could significantly reduce resources for many individuals and families whose incomes are either well above or far below the thresholds. Changes in the poverty rate, in essence, concentrate attention on the impacts on people in a very narrow band of the income distribution--those just above the poverty thresholds. In contrast, changes in the poverty gap show how policy options would affect the aggregate amount of incomes for people living below the poverty line--a better gauge of the full impact of policy on the poor. Even this measure, however, does not capture the effects on the near-poor who remain above the poverty threshold. Because of time constraints, only changes in poverty rates and poverty gaps are reported below.

A second problem with the official poverty measure is that it omits in-kind income such as food stamps or housing assistance in assessing poverty status, even though such benefits are an important part of the resources available to low-income people. To the extent that in-kind transfers satisfy resource needs and leave cash income available to purchase other things, a family that receives some benefits in kind is less poor than a family with identical cash income that does not have any in-kind income. Excluding in-kind benefits in measuring income thus understates a family's ability to meet its needs and overstates both poverty rates and gaps. 10/

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10. Modifying the current poverty measure is exceedingly complex, however, and alternatives are not considered here. A forthcoming analysis will examine the measurement of poverty in greater detail.

A third problem with the official poverty measure is that by focusing only on cash income, it ignores differences in wealth--that is, tangible assets, such as savings or equity in a home. Wealth is included in the poverty determination only to the extent that it generates cash income, yet the ability to draw down accumulated assets may be an important supplement to current income, especially for the elderly. As a result, assessing whether the elderly are poor by considering only cash income may be particularly misleading.

Offsets Provided Through Means-Tested Transfer Programs. The analysis of impacts on beneficiaries presented here does not fully reflect the effects that constraining COLAs under cash transfer programs would have in expanding eligibility or increasing benefits under means-tested transfer programs, especially SSI, food stamps, and housing assistance. In the case of SSI, benefits are assumed to increase for current recipients to make up for the reduced or forgone COLAs in other programs. 11/ On the other hand, while it is likely that reductions in real income caused by COLA changes in other programs would make more people eligible for SSI (and, as a result, for Medicaid) and would induce some additional eligible people to participate, no additional recipients were assumed in conducting this analysis.

11. Except under the first approach when the COLA for SSI is curtailed. In that case, the SSI guarantee level--which would decline in real terms--effectively determines recipients' incomes.

Consequently, estimated changes in poverty rates and gaps are overstated; however, the effect is likely to be modest since new participants would generally only qualify for small amounts of benefits.

Eligibility for and benefit levels in the food stamp and housing assistance programs would also increase if COLAs were reduced in cash transfer programs. For each dollar of cash income lost due to a COLA limitation, a family's food stamp allotment would be increased by 30 cents until the maximum benefit level was reached. Similarly, the rent that a family has to pay for a rent-assisted housing unit would fall by 30 cents for each dollar of lost income. 12/

Because the official poverty measure does not take account of in-kind income, these "offsets" to COLA limitations are not considered in the present analysis. Only a minority of poor households, however, receive these in-kind benefits. In 1982, just 28 percent of poor households with an elderly head and 47 percent of those with younger heads received food

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12. A related effect would occur in the Supplementary Medical Insurance (SMI) component of Medicare, which pays for physician services. Under current law, the annual increase in premiums paid by Medicare beneficiaries for SMI coverage is restricted to the increase in the nominal value of the Social Security cash benefit. Thus, part of the cash income lost by some beneficiaries as the result of COLA restrictions would otherwise have been spent on SMI premiums.

stamps, and only 12 percent of the elderly poor and 14 percent of younger poor families lived in federally subsidized housing. The low participation rate for food stamps--an entitlement--reflects, among other factors, ineligibility because of the asset test and the low level of benefits to which some nonparticipants are entitled. The low participation rate for housing assistance reflects the limited availability of subsidized rental units and the fact that a large share of low-income people own their own homes. 13/

Findings Reflect 1983, Not Future Years. The effects of the COLA options on beneficiaries have been analyzed for the population as it was in 1983. No allowance has been made for growth in the population since then, or for changes in economic circumstances that might affect the poverty rates and gaps that constitute the starting points for measuring policy impacts. Improvement in the economy since 1983 is likely to reduce the overall poverty rate by 1986 as well as the total poverty gap. However, unless the shape of the income distribution were to change dramatically in those three years--which is highly unlikely--estimated changes in poverty rates and gaps resulting from the policy options examined here would be largely unaffected by the different starting points.

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13. While the number of people participating in food stamps would increase slightly if COLAs were curtailed, this effect would be small and the average new food stamp benefit would be low. Since housing programs are not entitlements, an increase in participation would not be possible unless additional units were subsidized.

Data Limitations. Several other data limitations affect the analysis of beneficiary effects, although the resulting bias is likely to be small. First, the analysis is based almost entirely on CPS data, which are subject to underreporting of income. As a result, all poverty rates and gaps may overstate the actual situation. While 98 percent of earnings and 93 percent of Social Security and Railroad Retirement benefits show up in CPS data, only 78 percent of SSI benefits, 61 percent of private pension payments, 57 percent of net rent and royalties, and 43 percent of interest and dividend income are included. 14/ On the other hand, CPS data are used to calculate official poverty measures, and thus the results of this analysis are consistent with published poverty statistics. Moreover, the poor and near-poor are unlikely to have substantial amounts of unreported income from sources such as interest and dividends, though underreporting of SSI presents more of a problem. In any event, while underreporting of income is likely to affect the starting poverty rates and gaps, it is unlikely to have appreciable effects on estimated changes in those measures resulting from the options examined here.

Second, as noted earlier, the indexed federal benefits that cannot be identified on the CPS were necessarily excluded from the distributional analysis. If all indexed cash transfers could have been considered, changes

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14. These values are for 1982. In addition, CPS data may confuse some SSI and Social Security income where surveyed recipients do not know the source of their benefits. This may affect the results of the analysis for all options, but the direction of the effect is uncertain.

in poverty rates and gaps would be greater than reported below. The effect of the omission is likely to be small, however, because the omitted programs provide less than 10 percent of all benefits subject to COLAs, and because benefits for most participants in the excluded programs exceed the poverty threshold.

Third, state supplements to federal SSI benefit levels are not identified separately on the CPS. Under the SSI program, the federal government pays all benefits up to a level specified in federal legislation, but states may provide supplements, paying the full cost of the additional benefits themselves. (In fact, some beneficiaries receive only the state supplements.) While only the basic benefit level is automatically indexed by federal law, in this analysis COLA options affecting SSI had to be applied to total benefits, the only amount reported on the CPS. As a result, the effects of COLA limitations on SSI recipients may be slightly overstated. Actual effects would depend on how states would alter their SSI supplements if federal benefit COLAs were curtailed.

Fourth, SSI benefits may be understated in the CPS because recent legislative changes had not fully taken effect in 1983. For example, the 7 percent increase in basic SSI benefits that occurred in July 1983 both increased benefits to current participants and probably induced more eligible people to enter the program, but those changes are unlikely to be fully reflected on the March 1984 CPS.

Finally, CPS data make it impossible to model precisely the distributional effects of the final two sets of options--those that would provide COLAs for some, but not all, Social Security and Railroad Retirement benefits. The CPS reports total Social Security/Railroad Retirement benefits for a family; it does not identify primary beneficiaries on whose earnings records benefits are based nor does it identify all dependents on whose behalf benefits are paid. As a result, for the Poverty COLA options, the simulations provided COLAs in two situations: single beneficiaries living alone were given COLAs if their annual Social Security or Railroad Retirement benefits were below the poverty threshold for a single elderly person ($4,775 in 1983), while beneficiaries living in families received COLAs if total annual benefits to the family were less than the poverty threshold for a two-member household headed by an elderly person ($6,023 in 1983). Similarly, under the COLA Cap options, COLAs were assumed to be paid on the first $5,000 of total annual benefits paid to a family, since it was not possible to identify multiple benefits paid to a single family based on separate earnings records. The effects of both these adjustments is to overstate the effects these options would have on poverty statistics.

EFFECTS OF CURTAILING COLAS

The remainder of this paper describes the budgetary savings and potential effects on recipients of 16 specific options for curtailing COLAs in federal cash assistance programs:

- Four options for reducing COLAs or freezing benefits for all programs;

- Four parallel options for curtailing COLAs only for non-means-tested programs; and

- Eight specific options for curtailing COLAs only for non-means-tested programs, with additional provisions designed to limit adverse effects on people with low incomes.

In reviewing the results presented below, it is important to remember that the budgetary effects and the impacts on recipients are not directly comparable. The budgetary effects are reported for fiscal years 1986 through 1990 and assume that all federal cash transfer programs that have legislated COLAs (or specific subsets of those programs, as appropriate) would experience reduced or no COLAs effective January 1, 1986. By contrast, the impacts on recipients reflect the population as it was in calendar year 1983, not as it will be in future years. In addition, estimates of the impacts on recipients include only some federal programs and are based on benefit data that are not fully consistent with budget totals. Consequently, the effects on recipients presented below are only illustrative of what might occur if COLAs were curtailed for federal cash transfer programs. Finally, because the Poverty COLA and COLA Cap options could not be simulated precisely using CPS data, the distributional analysis of those options is based on modified versions that understate the amounts of COLAs that would be provided.

Budgetary Effects

Among the options considered, curtailing COLAs for all federal cash transfer programs would provide the greatest budgetary savings. Freezing benefit levels for one year, beginning on January 1, 1986, would reduce outlays by $6.6 billion in fiscal year 1986 and by over $45 billion during the 1986-1990 period (see Table 3). 15/ By contrast, reducing COLAs by three percentage points for one year would yield savings about 15 percent lower. Extending either a benefit freeze or a COLA reduction to three years would have no effect on fiscal year 1986 savings, but would result in savings about three times as large in fiscal year 1988 and thereafter, relative to the one-year alternatives.

Exempting means-tested programs from the COLA reductions would cause savings to fall by about 6 percent. For example, a one-year freeze would save $6.2 billion in 1986 and about $43 billion over the 1986-1990 period. A one-year COLA reduction for non-means-tested programs would yield savings of $5.4 billion in 1986 and $35 billion over the five-year period. Three-year freezes or reductions would generate savings about two and one-half times as large over the five-year period.

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15. Note that because the options are assumed to be implemented on January 1, 1986, they would be in effect for only 9 months during fiscal year 1986. Budgetary savings in 1986 are consequently only three-fourths as large as they would be if the options were in place for the entire fiscal year.

TABLE 3. BUDGETARY SAVINGS OF COLA-CURTAILMENT OPTIONS, FISCAL YEARS 1986-1990 (In billions of dollars)

Option a/	1986 b/	1987	1988	1989	1990	1986-1990
	COLAs Curtailed for all Cash Transfer Programs					
One-year reduction	5.7	7.9	8.0	8.0	8.0	37.6
One-year freeze	6.6	9.6	9.9	9.9	9.8	45.8
Three-year reduction	5.7	13.8	22.1	24.5	24.6	90.7
Three-year freeze	6.6	17.6	29.1	31.9	31.8	116.9
	COLAs Curtailed for All Non-Means-Tested Cash Transfer Programs					
One-year reduction	5.4	7.4	7.5	7.5	7.5	35.3
One-year freeze	6.2	9.0	9.3	9.3	9.2	42.9
Three-year reduction	5.4	13.0	20.7	22.7	22.8	84.6
Three-year freeze	6.2	16.4	27.1	29.9	29.8	109.4
	COLAs Curtailed for All Non-Means-Tested Cash Transfer Programs Except Full COLA Given if Social Security or Railroad Retirement Benefit is Below Poverty					
One-year reduction	4.2	5.7	5.8	5.8	5.8	27.4
One-year freeze	4.9	6.9	7.0	7.1	7.0	32.9
Three-year reduction	4.2	9.9	15.3	16.8	16.9	63.1
Three-year freeze	4.9	12.4	18.9	20.7	20.6	77.6
	COLAs Curtailed for All Non-Means-Tested Cash Transfer Programs Except Full COLA Given on First $5,000 of Social Security or Railroad Retirement Benefit					
One-year reduction	2.3	3.2	3.3	3.3	3.3	15.4
One-year freeze	2.6	3.8	4.0	4.1	4.1	18.6
Three-year reduction	2.3	5.6	8.8	9.6	9.7	36.1
Three-year freeze	2.6	6.9	10.8	11.8	11.7	43.8

SOURCE: Congressional Budget Office estimates.

NOTE: See text for additional detail and cautions in interpreting findings. Details may not add to totals because of rounding.

a. See page 3 for definitions of options.

b. Budgetary savings are for only 9 months of fiscal year 1986, because implementation is assumed to occur on January 1, 1986.

Significant fractions of the budgetary savings described above would be forgone if the specific adjustments examined in this analysis to limit the impact on the poor and near-poor were made. The Poverty COLA option--which would adjust a recipient's Social Security or Railroad Retirement benefit only if the annual value was below the appropriate poverty threshold--would reduce savings by about 25 percent, relative to curtailing COLAs for all non-means-tested programs. A one-year freeze with the Poverty COLA exception would save about $4.9 billion in fiscal year 1986 and $33 billion by 1990, while a similarly modified one-year reduction would save just over $4 billion in 1986 and about $27 billion over five years. The three-year versions would yield larger savings: the longer modified freeze would save $78 billion by 1990, while the three-year modified reduction would generate savings of $63 billion.

The COLA Cap alternative--providing COLAs for the first $5,000 of each annual Social Security or Railroad Retirement benefit--would provide the least budgetary savings. Each of the options would save between $2 billion and $3 billion in 1986, only about 40 percent as much as if all benefits in non-means-tested programs were affected. For the 1986-1990 period, the one-year freeze with the COLA Cap exception would reduce outlays by nearly $19 billion relative to current law, while the three-year freeze would save $44 billion. Five-year savings under similarly modified COLA-reduction options would be about $15 billion for the one-year alternative and $36 billion for the three-year change.

Effects on Program Recipients

Because Social Security, Railroad Retirement, and SSI are important sources of income for many beneficiaries, curtailing COLAs under these programs could significantly affect recipients' total incomes. Table 4 shows the percent of families receiving benefits from these programs.

Low-income families, particularly those with elderly members, are highly reliant on Social Security, Railroad Retirement, and SSI. About 86 percent of total income for the elderly poor and 80 percent of that for elderly families just above poverty come from the three programs, while older families that are well above poverty receive less than one-third of their incomes from them (see Table 5). For all younger families below 125 percent of poverty, these transfers provide about one-tenth of income; for younger families that actually get benefits, however, the programs account for over 60 percent of income. Because low-income families rely on these transfers more than do wealthier families, COLA changes would have greater percentage effects on their incomes than on the incomes of families well above poverty. Approaches designed to protect the incomes of low-income families would reduce that impact, however.

The effects on program beneficiaries of curtailing COLAs were simulated for calendar year 1983 with no adjustments made to estimate the effects for future years. The results reported below are therefore only

TABLE 4. FAMILIES RECEIVING SOCIAL SECURITY, RAILROAD RETIREMENT, OR SUPPLEMENTAL SECURITY INCOME BY PRESENCE OF ELDERLY MEMBERS AND POVERTY STATUS, Calendar Year 1983 (In thousands of families)

	Poor a/	Near-Poor a/	Non-Poor a/	Total
		Elderly Families b/		
Total Families	3,280	1,860	14,870	20,010
Receiving Social Security or Railroad Retirement	2,800	1,750	13,860	18,400
Percent of Families	85.4	94.1	93.2	92.0
Receiving SSI	910	310	530	1,750
Percent of Families	27.7	16.7	3.6	8.7
Receiving Social Security or Railroad Retirement or SSI	2,980	1,810	13,940	18,740
Percent of Families	91.0	97.4	93.8	93.6
		Non-Elderly Families		
Total Families	11,450	3,190	57,110	71,750
Receiving Social Security or Railroad Retirement	1,090	440	3,580	5,110
Percent of Families	9.5	13.9	6.3	7.1
Receiving SSI	710	160	370	1,240
Percent of Families	6.2	5.1	0.6	1.7
Receiving Social Security or Railroad Retirement or SSI	1,610	550	3,830	5,980
Percent of Families	14.0	17.3	6.7	8.3

SOURCE: Congressional Budget Office tabulations of March 1984 Current Population Survey.

a. Poor families are those with incomes below Census poverty thresholds. Near-poor families have incomes between the poverty threshold and 125 percent of the poverty threshold. Non-poor families are those with incomes above 125 percent of the poverty threshold.

b. Elderly families are those with any members age 65 and over.

TABLE 5. SOCIAL SECURITY, RAILROAD RETIREMENT, AND SUPPLEMENTAL SECURITY INCOME RECEIPT BY PRESENCE OF ELDERLY FAMILY MEMBERS AND POVERTY STATUS, Calendar Year 1983 (In thousands of families)

Family Type a/	Poor b/	Near-Poor b/	Non-Poor b/	Total
		Elderly Families		
Number of Elderly Families	3,280	1,860	14,870	20,010
Percentage of Total Income From Social Security or Railroad Retirement				
All Elderly Families	74	73	30	33
Recipient Families	82	79	34	37
Percentage of Total Income From Supplemental Security Income				
All Elderly Families	12	7	1	1
Recipient Families	40	36	14	23
Percentage of Total Income From Social Security, Railroad Retirement, and SSI				
All Elderly Families	86	80	31	34
Recipient Families	89	82	34	38

(continued)

TABLE 5 (continued)

Family Type a/	Poor b/	Near-Poor b/	Non-Poor b/	Total
		Non-Elderly Families		
Number of Non-Elderly Families	11,450	3,190	57,110	71,750
Percentage of Total Income From Social Security or Railroad Retirement				
All Non-Elderly Families	8	7	1	1
Recipient Families	64	61	22	25
Percentage of Total Income From Supplemental Security Income				
All Non-Elderly Families	4	2	0	0
Recipient Families	54	43	12	26
Percentage of Total Income From Social Security, Railroad Retirement, and SSI				
All Non-Elderly Families	12	9	1	2
Recipient Families	68	62	21	26

SOURCE: Congressional Budget Office tabulations of March 1984 Current Population Survey.

a. Elderly families are those with any members age 65 and over.

b. Poor families are those with incomes below Census poverty thresholds. Near-poor families have incomes between the poverty threshold and 125 percent of the poverty threshold. Non-poor families are those with incomes above 125 percent of the poverty threshold.

illustrative of how the options would affect the poor and the near-poor. Poverty statistics in 1983--which provide a baseline for the results of the analysis--are shown in Table 6.

Curtailing COLAs for All Programs. Freezing benefits in all five cash transfer programs identified on the CPS--Social Security, Railroad Retirement, Civil Service Retirement, Military Retirement, and SSI--for one year would increase the poverty gap by about $600 million, about two-thirds of which would represent lower incomes for the elderly poor relative to current law (see Table 7). About 530,000 people would become poor; two out of three would be age 65 or older--primarily Social Security annuitants--while the remainder would consist of early retirees, the disabled, and non-elderly recipient of survivors' benefits. The poverty rate for the elderly

TABLE 6. POVERTY STATISTICS BY POPULATION SUBGROUP, Calendar Year 1983

Population Subgroup	Number of People (in thousands)	Number of Poor (in thousands)	Poverty Rate (in percent)	Poverty Gap (in billions of dollars)
Elderly a/	26,291	3,711	14.1	5.4
Nonelderly	205,322	31,556	15.4	41.6
Total	231,612	35,267	15.2	47.1

SOURCE: Congressional Budget Office tabulations of March 1984 Current Population Survey data.

a. Sixty-five years and older.

TABLE 7. EFFECTS OF SELECTED CHANGES IN COST-OF-LIVING ADJUSTMENTS FOR SOCIAL SECURITY, RAILROAD RETIREMENT, CIVIL SERVICE RETIREMENT, MILITARY RETIREMENT, AND SUPPLEMENTAL SECURITY INCOME ON POVERTY OF THE U.S. POPULATION

Alternative a/	Change in Poverty Gap (in billions of dollars)	Change in Poverty Gap (in percent)	Number of Additional Poor (in thousands)	Change in Poverty Rate (in percentage points)
		Elderly b/		
One-year reduction	0.3	6.3	300	1.1
One-year freeze	0.4	7.8	350	1.3
Three-year reduction	1.1	19.6	700	2.7
Three-year freeze	1.5	28.1	950	3.6
		Nonelderly		
One-year reduction	0.2	0.4	120	c/
One-year freeze	0.2	0.5	190	0.1
Three-year reduction	0.5	1.3	490	0.2
Three-year freeze	0.8	1.8	650	0.3
		Total		
One-year reduction	0.5	1.1	420	0.2
One-year freeze	0.6	1.4	530	0.3
Three-year reduction	1.6	3.4	1,190	0.5
Three-year freeze	2.3	4.8	1,610	0.7

SOURCE: CBO simulations based on the March 1984 Current Population Survey.

NOTE: Results are for the population as of 1983. See text for additional detail and cautions in interpreting findings.

a. See page 3 for definitions of alternatives.
b. Sixty-five years and older.
c. Less than 0.05 percentage points.

would increase by 1.3 percentage points, while that for the population as a whole would rise by 0.3 percentage points.

The one-year reduction would have slightly smaller effects, raising poverty gaps by about $300 million (6.3 percent) for the elderly and by about $200 million (0.5 percent) for the nonelderly. Roughly 420,000 additional people would be pushed below the poverty line, about two-thirds of whom would be 65 or over. The poverty rate for the elderly would climb by 1.1 percentage points, but that for younger people would increase by less than 0.05 percentage points.

Because they would constrain COLAs for a longer period, the three-year options would have considerably larger effects, as shown in Table 7.

<u>Curtailing COLAs for Non-Means-Tested Programs Only</u>. Exempting SSI from the COLA reductions would significantly reduce the impact on the poor and the near-poor (see Table 8). Even so, because less than one-third of the elderly poor and about 6 percent of the nonelderly poor receive SSI, providing COLAs for SSI would not alleviate all the poverty effects. A one-year freeze on non-means-tested programs would cause the poverty gap for all people to increase by about $400 million, about three-fourths of which would affect the elderly. Slightly more than 400,000 people would become poor, two-thirds of them age 65 or over; poverty rates would increase by 0.2 percentage points for the entire population and by 1.1 percentage points for the aged.

TABLE 8. EFFECTS OF SELECTED CHANGES IN COST-OF-LIVING ADJUSTMENTS FOR NON-MEANS-TESTED PROGRAMS a/ ON POVERTY OF THE U.S. POPULATION

Alternative b/	Change in Poverty Gap (in billions of dollars)	Change in Poverty Gap (in percent)	Number of Additional Poor (in thousands)	Change in Poverty Rate (in percentage points)
		Elderly c/		
One-year reduction	0.2	4.2	240	0.9
One-year freeze	0.3	5.3	280	1.1
Three-year reduction	0.7	13.5	580	2.2
Three-year freeze	1.1	19.4	800	3.0
		Nonelderly		
One-year reduction	0.1	0.2	80	d/
One-year freeze	0.1	0.3	140	d/
Three-year reduction	0.3	0.7	310	0.1
Three-year freeze	0.4	1.0	430	0.2
		Total		
One-year reduction	0.3	0.7	320	0.2
One-year freeze	0.4	0.9	420	0.2
Three-year reduction	1.0	2.2	890	0.4
Three-year freeze	1.5	3.1	1,230	0.6

SOURCE: CBO simulations based on the March 1984 Current Population Survey.

NOTE: Results are for the population as of 1983. See text for additional detail and cautions in interpreting findings.

a. Includes Social Security, Railroad Retirement, Civil Service Retirement, and Military Retirement only, not Supplemental Security Income.
b. See page 3 for definitions of alternatives.
c. Sixty-five years and older.
d. Less than 0.05 percentage points.

The one-year COLA reduction would have smaller effects, with the poverty gap growing by $300 million. The three-year options would affect more of the poor and the near-poor, raising the poverty gap by about $1.0 billion in the case of a COLA reduction and by about $1.5 billion in the case of a benefit freeze.

Further Limiting the Effects on Low-Income People. The final two sets of options, which have specific provisions to protect more of the income of poor and near-poor individuals, would have markedly smaller effects on poverty gaps and rates. The Poverty COLA alternative would give COLAs only to Social Security and Railroad Retirement recipients with total benefits (based on a single earnings record) below the poverty line, while the COLA Cap approach would provide COLAs on the first $5,000 of annual benefits based on single earnings records. 16/ Thus, under either set of options, all Social Security and Railroad Retirement beneficiaries with incomes below the poverty threshold would receive some COLA. At the same time, however, some people with large amounts of income from other sources--and thus total incomes well above poverty--would receive at least partial COLAs under either alternative. Also, those poor people who do not

16. While limiting COLAs on total family benefits could better target those COLAs on low-income families, the Social Security Administration (SSA) could not administer such an option because it cannot determine total family benefits. SSA records identify benefits--both the worker's and his or her dependents'--paid on the basis of an individual worker's earnings record, but do not identify cases in which more than one member of a family qualify for benefits on the basis of their own earnings. Because separate earnings records of members of the same family cannot be connected, the SSA cannot determine total benefits for all families.

receive Social Security, Railroad Retirement, or means-tested benefits would get no COLAs at all.

While the options described above are what the Social Security Administration could administer, data limitations made it necessary to model the distributional effects of the Poverty COLA and COLA Cap alternatives based on slightly modified versions. The version of the Poverty COLA option simulated for the distributional analysis would provide COLAs only for those individuals living alone whose annual Social Security and Railroad Retirement benefits are less than the poverty level for a single elderly person ($4,775 in 1983) and for those Social Security and Railroad Retirement recipients living in families where total annual benefits for the entire family are below the poverty level for elderly couples ($6,023 in 1983). Because the Poverty COLA option had to be modified in this way, the reported effects on larger families are greater than they would be under the version used in the budgetary savings estimates. In essence, this simulation denied COLAs to families with benefits above the two-person poverty threshold; large families could therefore have Social Security and Railroad Retirement benefits above that cutoff--and thus receive no COLA--yet still have total incomes below the poverty line for families of their size. Such recipients would most likely be younger families with disabled heads or families receiving survivors' benefits, although some elderly people living with others would also be affected. The result is to overstate the extent of the impact on poverty rates and gaps that would occur under this approach.

Under this Poverty COLA approach, most of the elderly poor and near-poor would be protected from benefit reductions. Under the one-year options, poverty gaps for the elderly would increase by less than $50 million and only about 20,000 people age 65 and over would become poor; the three-year options would increase poverty gaps of the elderly by about $100 million (see Table 9). The nonelderly would be affected more; their poverty gap would grow by $100 million with the shorter options and by nearly $400 million with the three-year freeze. The one-year freeze would move about 130,000 younger people below the poverty line, while nearly three times that many would become poor under the longer freeze.

The COLA Cap approach also had to be modified because of limitations of CPS data. Under the option used for budgetary estimates, families with multiple earnings records could qualify for COLAs on more than $5,000 of annual Social Security and Railroad Retirement benefits; the version used here would limit such families to COLAs on no more than $5,000. For example, if each member of a married couple were receiving more than $5,000 annually in Social Security benefits based on his or her own earnings record, the original option would provide COLAs on a total of $10,000--$5,000 for each earnings record. The modified version would allow the couple a COLA only on $5,000, and thus simulate lower benefits than the couple would get under the original option. On the other hand, a married couple receiving benefits greater than $5,000 as a worker and dependent spouse (that is, based on the earnings record of only one spouse) would be

TABLE 9. EFFECTS OF SELECTED CHANGES IN COST-OF-LIVING ADJUSTMENTS FOR NON-MEANS-TESTED PROGRAMS a/ ON POVERTY OF THE U.S. POPULATION; COLA PROVIDED FOR SOCIAL SECURITY ONLY IF SOCIAL SECURITY BENEFITS ARE BELOW POVERTY LEVEL b/

Alternative c/	Change in Poverty Gap (in billions of dollars)	Change in Poverty Gap (in percent)	Number of Additional Poor (in thousands)	Change in Poverty Rate (in percentage points)
		Elderly d/		
One-year reduction	e/	0.4	20	0.1
One-year freeze	e/	0.5	20	0.1
Three-year reduction	0.1	1.1	50	0.2
Three-year freeze	0.1	1.5	70	0.3
		Nonelderly		
One-year reduction	0.1	0.2	70	f/
One-year freeze	0.1	0.3	130	f/
Three-year reduction	0.3	0.7	280	0.1
Three-year freeze	0.4	1.0	370	0.1
		Total		
One-year reduction	0.1	0.2	80	0.1
One-year freeze	0.1	0.3	150	0.1
Three-year reduction	0.4	0.7	340	0.2
Three-year freeze	0.5	1.1	440	0.2

SOURCE: CBO simulations based on the March 1984 Current Population Survey.

NOTE: Results are for the population as of 1983. See text for additional detail and cautions in interpreting findings.

a. Includes Social Security, Railroad Retirement, Civil Service Retirement, and Military Retirement only, not Supplemental Security Income.
b. COLA provided for Social Security and Railroad Retirement if benefits from those programs are below $4,775 for a single person and $6,023 for larger families.
c. See page 3 for definitions of alternatives.
d. Sixty-five years and over.
e. Less than $50 million.
f. Less than 0.05 percentage points.

given a COLA on just $5,000 under either version. The effects on poverty gaps and rates are thus overstated, relative to those that would result from the option used to estimate budgetary savings. The estimating error is likely to be small, however, since families with multiple earnings records and total benefits above $5,000 would be likely to have incomes above the poverty level.

The COLA Cap would lead to virtually no increase in poverty gaps compared with current law, regardless of which COLA reduction or benefit-freeze option were chosen: even under the three-year freeze, the overall poverty gap would rise by only about $100 million (see Table 10). Under either of the one-year options, about 40,000 elderly people and not more than half as many younger persons would move below the poverty line, and the poverty rate for all people would climb only about 0.1 percentage point. Because this alternative would index some or all of the benefits for all Social Security recipients, it would provide substantial protection for those near or below the poverty line.

Comparison of Effects

The four approaches to curtailing COLAs--affecting all programs, affecting only non-means-tested programs, the Poverty COLA, and the COLA Cap--would have markedly different impacts on program beneficiaries. Changing COLAs in all programs would reduce incomes for 95 percent of elderly families compared with current law, exempting means-tested programs

TABLE 10. EFFECTS OF SELECTED CHANGES IN COST-OF-LIVING ADJUSTMENTS FOR NON-MEANS-TESTED PROGRAMS a/ ON POVERTY OF THE U.S. POPULATION; COLA PROVIDED FOR FIRST $5,000 OF SOCIAL SECURITY BENEFITS b/

Alternative c/	Change in Poverty Gap (in billions of dollars)	Change in Poverty Gap (in percent)	Number of Additional Poor (in thousands)	Change in Poverty Rate (in percentage points)
		Elderly d/		
One-year reduction	e/	0.1	40	0.2
One-year freeze	e/	0.2	40	0.2
Three-year reduction	e/	0.4	60	0.2
Three-year freeze	e/	0.6	80	0.3
		Nonelderly		
One-year reduction	e/	f/	10	g/
One-year freeze	e/	f/	20	g/
Three-year reduction	e/	0.1	90	g/
Three-year freeze	e/	0.1	90	g/
		Total		
One-year reduction	e/	f/	50	g/
One-year freeze	e/	f/	60	0.1
Three-year reduction	0.1	0.1	150	0.1
Three-year freeze	0.1	0.2	170	0.1

SOURCE: CBO simulations based on the March 1984 Current Population Survey.

NOTE: Results are for the population as of 1983. See text for additional detail and cautions in interpreting findings.

a. Includes Social Security, Railroad Retirement, Civil Service Retirement, and Military Retirement only, not Supplemental Security Income.
b. Up to $5,000 of each family's Social Security and Railroad Retirement benefit is indexed based on changes in the CPI; amounts in excess of $5,000 receive no COLA.
c. See page 3 for definitions of alternatives.
d. Sixty-five years and over.
e. Less than $50 million.
f. Less than 0.05 percent.
g. Less than 0.05 percentage points.

would affect 86 percent of them, and the Poverty COLA and COLA Cap approaches would affect just under 60 percent (see Table 11). Under the first two approaches, a large share of the elderly recipients in all income groups would be affected; by contrast, under the Poverty COLA and COLA Cap approaches, less than 10 percent of all poor elderly families would receive less than currently scheduled. Much smaller fractions of younger families would be affected under all approaches--ranging from 10 percent if all programs were changed to about 5 percent if the COLA Cap were used. 17/

For elderly families that would be affected by the COLA reductions or benefit freezes, incomes would be decreased by the amounts shown in Tables 12, 13, and 14, relative to what they would be under current law. 18/ For example, under a one-year freeze in benefits for all programs, elderly families below the poverty level whose benefits would be affected would get

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17. The impact of the Poverty COLA on younger families is probably overstated because of the way that option had to be simulated. As explained above, limitations of CPS data mean that the number of Social Security and Railroad Retirement beneficiaries in a family cannot always be determined. Hence, in simulating this option, program benefits for those people living with others were compared with the poverty threshold for a two-person family to determine whether a COLA would be provided. As actually administered by the SSA, however, a higher poverty threshold would be used to judge whether a COLA was to be paid whenever the number of beneficiaries exceeded two.

18. Due to data limitations, similar analyses for the nonelderly are not presented here.

TABLE 11. AVERAGE PERCENTAGE OF FAMILIES AFFECTED BY CURTAILING COLAS FOR FEDERAL CASH TRANSFER PROGRAMS, BY PRESENCE OF ELDERLY FAMILY MEMBERS AND POVERTY STATUS a/

Family Type b/	Poor c/	Near-Poor c/	Non-Poor c/	Total
		All Programs		
Elderly	92	98	95	95
Non-Elderly	15	17	8	10
Total	34	47	26	28
		Non-Means-Tested Programs Only		
Elderly	68	82	91	86
Non-Elderly	9	12	8	8
Total	23	38	25	25
		Poverty COLA		
Elderly	6	60	71	59
Non-Elderly	9	12	8	8
Total	8	32	21	19
		COLA Cap		
Elderly	8	42	71	58
Non-Elderly	2	8	5	5
Total	3	20	19	16

SOURCE: Congressional Budget Office simulations based on the March 1984 Current Population Survey.

a. Percentages shown are simple averages of families affected by one-year reduction, one-year freeze, three-year reduction, and three-year freeze options. Five-sixths of the values in the table differed by one percentage point or less across the options.

b. Elderly families are those with any members age 65 or over.

c. Poor families are those with incomes below Census poverty thresholds. Near-poor families have incomes between the poverty threshold and 125 percent of the poverty threshold. Non-poor families are those with incomes above 125 percent of the poverty threshold.

TABLE 12. EFFECTS ON POOR ELDERLY FAMILIES a/ RESULTING FROM CURTAILING COLAS FOR FEDERAL CASH TRANSFER PROGRAMS b/

	Poor Elderly Families Affected: Number (thousands)	Poor Elderly Families Affected: As Percent of Poor Elderly Recipients	Average Income Loss of Affected Poor Elderly (dollars)	Average Income Loss of Affected Poor Elderly (percent)
		One-Year Reduction c/		
All Programs	3,250	100	110	2.6
Non-Means-Tested	2,300	72	110	2.6
Poverty COLA	200	6	120d/	2.3
COLA Cap	250	8	30	0.5
		One-Year Freeze c/		
All Programs	3,300	100	140	3.2
Non-Means-Tested	2,350	72	130	3.2
Poverty COLA	200	6	160d/	2.9
COLA Cap	250	8	40	0.7
		Three-Year Reduction c/		
All Programs	3,600	100	330	7.6
Non-Means-Tested	2,600	74	320	7.5
Poverty COLA	200	7	360d/	6.4
COLA Cap	250	9	100	1.7
		Three-Year Freeze c/		
All Programs	3,800	100	460	10.5
Non-Means-Tested	2,800	75	450	10.3
Poverty COLA	200	7	500d/	8.7
COLA Cap	250	9	140	2.3

SOURCE: Congressional Budget Office simulations based on the March 1984 Current Population Survey.

a. Poor families are those with incomes below Census poverty thresholds. Elderly families are those with any members age 65 or over.

b. Transfer programs affected are Social Security, Railroad Retirement, Civil Service Retirement, and Military Retirement in all options. SSI is affected in the "All Programs" approach. Note that recipients can get benefits from more than one program; this is particularly likely for SSI recipients.

c. See page 3 of text for definitions of alternatives.

d. Average income loss for poor elderly families is greater under the Poverty COLA than under the "All Programs" or "Non-Means-Tested" alternatives, because the relatively few poor families affected under the Poverty COLA are those poor families with the largest program benefits who thus have the largest income losses in absolute terms.

TABLE 13. EFFECTS ON NEAR-POOR ELDERLY FAMILIES a/ RESULTING FROM CURTAILING COLAS FOR FEDERAL CASH TRANSFER PROGRAMS b/

	Near-Poor Elderly Families Affected		Average Income Loss of Affected Near-Poor Elderly	
	Number (thousands)	As Percent of Near-Poor Elderly Recipients	(dollars)	(percent)
		One-Year Reduction c/		
All Programs	1,800	100	160	2.4
Non-Means-Tested	1,500	83	150	2.4
Poverty COLA	1,150	58	150	2.4
COLA Cap	750	39	30	0.5
		One-Year Freeze c/		
All Programs	1,850	100	190	3.0
Non-Means-Tested	1,550	83	190	2.9
Poverty COLA	1,200	59	180	2.9
COLA Cap	800	40	40	0.6
		Three-Year Reduction c/		
All Programs	1,900	100	470	7.0
Non-Means-Tested	1,600	84	460	6.9
Poverty COLA	1,400	63	400	6.4
COLA Cap	850	43	100	1.5
		Three-Year Freeze c/		
All Programs	1,850	100	660	9.6
Non-Means-Tested	1,600	84	640	9.4
Poverty COLA	1,550	65	540	8.4
COLA Cap	850	44	140	2.2

SOURCE: Congressional Budget Office simulations based on the March 1984 Current Population Survey.

a. Near-poor families are those with incomes between Census poverty thresholds and 125 percent of poverty thresholds. Elderly families are those with any members age 65 or over.

b. Transfer programs affected are Social Security, Railroad Retirement, Civil Service Retirement, and Military Retirement in all options. SSI is affected in the "All Programs" approach. Note that recipients can get benefits from more than one program; this is particularly likely for SSI recipients.

c. See page 3 of text for definitions of alternatives.

TABLE 14. EFFECTS ON NON-POOR ELDERLY FAMILIES a/ FROM CURTAILING COLAS FOR FEDERAL CASH TRANSFER PROGRAMS b/

	Non-Poor Elderly Families Affected: Number (thousands)	Non-Poor Elderly Families Affected: As Percent of Non-Poor Elderly Recipients	Average Income Loss of Affected Non-Poor Elderly (dollars)	Average Income Loss of Affected Non-Poor Elderly (percent)
		One-Year Reduction c/		
All Programs	13,900	100	240	1.1
Non-Means-Tested	13,400d/	96	230	1.1
Poverty COLA	10,450	75	270e/	1.2
COLA Cap	10,550	74	140	0.6
		One-Year Freeze c/		
All Programs	13,850	100	290	1.4
Non-Means-Tested	13,350d/	96	290	1.3
Poverty COLA	10,450	75	330e/	1.5
COLA Cap	10,550	74	170	0.8
		Three-Year Reduction c/		
All Programs	13,450	100	690	3.1
Non-Means-Tested	13,000d/	96	680	3.1
Poverty COLA	10,200	74	760e/	3.5
COLA Cap	10,500	74	390	1.8
		Three-Year Freeze c/		
All Programs	13,250	100	950	4.3
Non-Means-Tested	12,800d/	96	940	4.2
Poverty COLA	10,050	74	1,040e/	4.7
COLA Cap	10,450	74	540	2.5

SOURCE: Congressional Budget Office simulations based on the March 1984 Current Population Survey.

a. Non-poor families are those with incomes above 125 percent of Census poverty thresholds. Elderly families are those with any members age 65 or over.

b. Transfer programs affected are Social Security, Railroad Retirement, Civil Service Retirement, and Military Retirement in all options. SSI is affected in the "All Programs" approach. Note that recipients can get benefits from more than one program; this is particularly likely for SSI recipients.

c. See page 3 of text for definitions of alternatives.

d. About 500,000 elderly families with incomes above 125 percent of poverty have members receiving SSI benefits and no members receiving benefits from the other programs. This results from the fact that only some incomes of other family members is considered in determining eligibility for SSI.

e. Average income loss for non-poor elderly families is greater under the Poverty COLA than under the "All Programs" or "Non-Means-Tested" alternatives, because non-poor elderly families affected under the Poverty COLA are those non-poor families with the largest program benefits who thus have the largest income losses in absolute terms.

about $140 less than if full COLAs were given. Absolute dollar losses would be greater for those with incomes well above poverty because of their higher benefits, but they would lose a smaller proportion of their total incomes.

One finding reported in Table 12 warrants special note. For elderly poor families, the average income loss (in dollars) would be greater under the Poverty COLA than under the first two approaches. This result would occur because the Poverty COLA would protect the lowest-income beneficiaries. Families whose Social Security and Railroad Retirement benefits are above the cutoffs for receiving the Poverty COLA are the best off among the poor, with annual benefits between $6,023 and the poverty threshold for their family type. Hence, they could get the largest COLAs under current law and thus would have the greatest losses if COLAs were curtailed. In any event, only about 6 percent of poor elderly families receiving cash transfer benefits would be affected by the Poverty COLA option. A similar phenomenon is shown in Table 14 for non-poor families.

<u>Tradeoffs Between Budgetary Savings and Effects on Beneficiaries</u>

Curtailing COLAs would achieve significant savings but would do so at the cost of lower incomes for the poor and the near-poor as well as for those in better financial positions. As the Poverty COLA approach indicated, however, it would be possible to mitigate most of the effects on low-income groups while retaining about three-fourths of the savings. Other mechanisms for protecting low-income individuals that also provide COLAs

to large numbers of people well above the poverty line--such as the COLA Cap--would result in much lower savings. For example--as shown in Table 15--a one-year freeze on benefits in all non-means-tested programs would save about $43 billion over five years but would raise the overall poverty gap by about $400 million and cause 420,000 people to become poor. By contrast, the Poverty COLA approach would save about one-fourth less, or $33 billion, while raising the poverty gap by $100 million and moving 150,000 people below the poverty line--about one-third of the number under the preceding option. A one-year benefit freeze under the COLA Cap approach would increase the poverty gap by less than $50 million and move 60,000 people into poverty, but would save only $19 billion over the next five years--less than one-half the savings of a one-year freeze on all non-means-tested programs.

The alternative approaches examined here would differ greatly in the share of budgetary savings that would come as a result of reducing benefits for the poor and the near-poor (see Table 16). If COLAs were curtailed for all cash transfer programs, about 10 percent of the savings would come from people with incomes below the poverty threshold and another 7 percent from those with incomes no more than 25 percent above the poverty line. 19/ Exempting means-tested programs from the COLA changes would reduce the share of savings coming from the poor to about 7 percent and that from the near-poor to about 6 percent. The Poverty COLA would shift even more of the impact away from the poor: only about 3 percent of savings would

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19. Incomes are measured after COLA changes are implemented.

TABLE 15. BUDGETARY SAVINGS AND EFFECTS ON BENEFICIARIES RESULTING FROM CURTAILING COLAS IN SELECTED FEDERAL CASH TRANSFER PROGRAMS

Option	Fiscal Years 1986-1990 Budgetary Savings (in billions of dollars)	Change in Poverty Gap (in billions of dollars)	Change in Number of Poor Persons (in thousands)
	One-Year Reduction c/		
All Programs a/	37.6	0.5	420
Non-Means-Tested Programs a/	35.3	0.3	320
Poverty COLA b/	27.4	0.1	80
COLA Cap b/	15.4	d/	50
	One-Year Freeze c/		
All Programs a/	45.8	0.6	530
Non-Means-Tested Programs a/	42.9	0.4	420
Poverty COLA b/	32.9	0.1	150
COLA Cap b/	18.6	d/	60
	Three-Year Reduction c/		
All Programs a/	90.7	1.6	1,190
Non-Means-Tested Programs a/	84.6	1.0	890
Poverty COLA b/	63.1	0.4	340
COLA Cap b/	36.1	0.1	150
	Three-Year Freeze c/		
All Programs a/	116.9	2.3	1,610
Non-Means-Tested Programs a/	109.4	1.5	1,230
Poverty COLA b/	77.6	0.5	440
COLA Cap b/	43.8	0.1	170

SOURCE: Budgetary savings based on CBO baseline; distribution of savings based on tabulations of the March 1984 Current Population Survey which reports incomes for calendar year 1983. See text for more detail and cautions in interpreting findings.

a. For budgetary estimates, "All Programs" include Social Security, Railroad Retirement, Civil Service Retirement, Military Retirement, SSI, Veterans' Pensions and Compensation, and retirement benefits for the Foreign Service, the Public Health Service, and the Coast Guard. For beneficiary effects, only the first five programs were considered. See text for details. "Non-Means-Tested Programs" include all of those listed above except SSI and Veterans' Pensions for the budgetary estimates. Only SSI was excluded from those analyzed for the distributional impacts.

b. See pages 4 and 5 of text for definitions of Poverty COLA and COLA Cap.

c. See page 3 for definitions of alternatives.

d. Less than $50 million.

TABLE 16. AMOUNTS AND SOURCES OF BUDGETARY SAVINGS

Options b/	Fiscal Years 1986-1990 Budgetary Savings a/ (in billions of dollars)	Distribution of Effects (in percent) Poor c/	Near-Poor c/	Nonpoor c/
	COLAs Curtailed for All Cash Transfer Programs			
One-year reduction	37.6	10.2	7.0	82.8
One-year freeze	45.8	10.4	7.0	82.6
Three-year reduction	90.7	11.6	7.3	81.1
Three-year freeze	116.9	12.5	7.4	80.1
	COLAs Curtailed for All Non-Means-Tested Cash Transfer Programs			
One-year reduction	35.3	7.2	6.1	86.7
One-year freeze	42.9	7.4	6.1	86.5
Three-year reduction	84.6	8.4	6.5	85.1
Three-year freeze	109.4	9.2	6.6	84.2
	COLAs Curtailed for All Non-Means-Tested Cash Transfer Programs Except Full COLA Given if Social Security or Railroad Retirement Benefit is Below Poverty			
One-year reduction	27.4	2.9	5.5	91.6
One-year freeze	32.9	3.0	5.6	91.4
Three-year reduction	63.1	3.4	6.2	90.4
Three-year freeze	77.6	3.6	6.6	89.8
	COLAs Curtailed for All Non-Means-Tested Cash Transfer Programs Except Full COLA Given to First $5,000 of Social Security or Railroad Retirement Benefits			
One-year reduction	15.4	0.8	2.0	97.2
One-year freeze	18.6	0.9	1.9	97.2
Three-year reduction	36.1	1.1	2.1	96.8
Three-year freeze	43.8	1.1	2.3	96.6

SOURCE: Budgetary savings based on CBO baseline; distribution of savings based on tabulations of the March 1984 Current Population Survey which reports incomes for calendar year 1983. See text for more detail and cautions in interpreting the findings.

a. Budgetary savings estimated for fiscal years 1986-1990, whereas distributional effects are for calendar year 1983.

b. See page 3 for definitions of alternatives.

c. Poor families are those with incomes below Census poverty thresholds. Near-poor families have incomes between the poverty threshold and 125 percent of the poverty threshold. Non-poor families are those with incomes above 125 percent of the poverty threshold.

result from lower benefit levels for them, while the share from the near-poor would remain at about 6 percent. Under the COLA Cap option, barely 1 percent of budgetary savings would derive from the poor, and roughly 2 percent would come from those just above poverty.

Because both the Poverty COLA and the COLA Cap options would give at least partial COLAs to individuals well above the poverty line, the reduction in budgetary savings under those options would be much larger than the gains to the poor and the near-poor. With the Poverty COLA approach, individuals with low Social Security benefits but with high incomes from other sources would receive COLAs. The problem would be aggravated with the COLA Cap, because all Social Security recipients--nearly 90 percent of whom are not poor--would be given some COLA.

Some or all of the increased benefits going to those with higher incomes could be recaptured through the tax system. Under current law, up to half of Social Security benefits--and thus half of any Social Security COLA--is taxable for single people with incomes above $25,000 and for those filing joint returns with incomes above $32,000, so part of the COLA for such people would automatically revert to the government. 20/ More complex schemes that would specifically increase the taxation of COLAs could be devised to reduce the budgetary cost of protecting the poor and near-poor, but they would add further complexity to the revenue code.

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20. For this purpose, income is defined as adjusted gross income plus tax-exempt interest and half of Social Security (and Tier 1 Railroad Retirement) benefits.

Other Approaches to Protecting Low-Income People. The adverse impact on low-income people of curtailing COLAs could be mitigated by means other than adjusting the COLA options themselves. The two approaches discussed here are:

- Providing a refundable tax credit that would replace the reduced or forgone COLA for program beneficiaries with incomes below a given level, and

- Increasing guarantee levels or income disregards in SSI.

A refundable credit in the federal personal income tax system could be devised to replace the reduced or forgone COLAs for people with incomes below a given level such as the poverty line. Program beneficiaries with total incomes below the cutoff would qualify for a tax credit equal to the COLA that would have been provided had COLAs not been curtailed. This would reduce the amount of taxes owed for those with tax liabilities greater than the credit, and would result in cash payments to those whose credits exceeded their tax liabilities.

Such a tax credit would be straightforward to design and could, in theory, be well targeted toward any chosen group of program beneficiaries. At the same time, however, many poor people have no tax liability and consequently do not file tax returns. Unless such people could be informed of the credit and induced to file an application, many families with low incomes might not benefit from this approach.

An alternative approach to protecting low-income people from the adverse effects of curtailing COLAs would be to raise guarantee levels or income disregards in SSI. Because SSI is designed to provide income only for the poor and near-poor, this approach would likely target benefit increases almost entirely toward them and therefore would be a low-cost means of mitigating the real benefit reductions caused by the COLA changes. Further, at least some of those people who would be made poor as a result of the COLA changes would become eligible for SSI and would therefore be aided by any increase in SSI benefits.

Raising SSI as a means of reducing poverty would have three shortcomings, however. First, although any benefit increase for poor people would reduce the poverty gap, to affect the poverty rate the benefit increase would have to be large, as it would first have to move individuals up to the poverty level and then move them across it. This means that costs could be high. Second, because of state supplements and income that is not counted in determining program eligibility, a substantial number of SSI recipients are above the poverty line. Raising benefits for them would have no effect on either poverty gaps or rates. Third, less than one-third of the elderly poor and only about 6 percent of the nonelderly poor receive SSI. While increased benefit levels might induce more people to participate (and thus, incidentally, raise program costs further), people who are not SSI recipients would not benefit at all.

APPENDIX

Tables A-1 through A-6 show the effects on poverty gaps and rates of curtailing COLAs for Social Security, Railroad Retirement, Civil Service Retirement, Military Retirement, and Supplemental Security Income.

Tables A-7 through A-12 show the effects on poverty gaps and rates of curtailing COLAs for non-means-tested programs only--Social Security, Railroad Retirement, Civil Service Retirement, and Military Retirement.

Tables A-13 through A-18 show the effects on poverty gaps and rates of curtailing COLAs for non-means-tested programs only, and providing COLAs for Social Security and Railroad Retirement to families whose annual program benefits are below poverty thresholds ($4,775 for a single person and $6,023 for larger families in 1983).

Tables A-19 through A-24 show the effects on poverty gaps and rates of curtailing COLAs for non-means-tested programs only, and providing COLAs for the first $5,000 of annual Social Security and Railroad Retirement benefits paid to a family.

Tables A-25 through A-30 show the effects on poverty gaps and rates of curtailing COLAs for Social Security, Railroad Retirement, Civil Service Retirement, Military Retirement, and Supplemental Security Income, assuming constant inflation at 3 percent per year.

Tables A-31 through A-36 show the effects on poverty gaps and rates of curtailing COLAs for Social Security, Railroad Retirement, Civil Service Retirement, Military Retirement, and Supplemental Security Income, assuming constant inflation at 6 percent per year.

See table notes on following page.

The following notes apply to all of the appendix tables:

1. The tables are based on CBO tabulations of the March 1984 Current Population Survey, which reports incomes for calendar year 1983.

2. Some programs that would be affected by COLAs are omitted from the analysis due to data limitations. These include Veterans' Pensions and Compensation; retirement benefits for the Foreign Service, the Public Health Service, and the Coast Guard; Black Lung Disability benefits; and Special Benefits for Disabled Miners.

3. Data apply only to calendar year 1983, not to any other years.

4. Effects of alternatives are based on projected CPI changes of 3.7 percent in 1986, 4.6 percent in 1987, and 4.2 percent in 1988. The analysis assumes that these CPI changes would have occurred during one year or three years prior to 1983. See text for more detail. This does not apply to Tables A-25 through A-30, which assume a constant inflation rate of 3 percent, or to Tables A-31 through A-36, which assume a constant inflation rate of 6 percent.

5. The official poverty measures used here are based on cash incomes only. In-kind benefits such as food stamps or housing assistance are excluded from income.

6. SSI receipt was based on CPS reporting only; no allowance was made for increases in the number of eligible people or of participants as a result of lower benefits in non-means-tested programs.

7. See page 3 of text for definitions of alternatives.

TABLE A-1. EFFECTS ON POVERTY GAPS OF THE ELDERLY OF CURTAILING COLAS IN SELECTED FEDERAL CASH TRANSFER PROGRAMS (In billions of dollars)

Alternative	Poverty Gap for Families With Only Elderly Members	Change in Gap from Baseline		Poverty Gap for Families With Any Elderly Members	Change in Gap from Baseline	
		Amount	Percent		Amount	Percent
Full COLA	3.4	--	--	5.4	--	--
One-Year Reduction	3.7	0.3	8.1	5.8	0.3	6.3
One-Year Freeze	3.7	0.3	10.1	5.9	0.4	7.8
Three-Year Reduction	4.3	0.9	25.4	6.5	1.1	19.6
Three-Year Freeze	4.6	1.2	36.4	7.0	1.5	28.1

TABLE A-2. EFFECTS ON POVERTY RATES OF THE ELDERLY OF CURTAILING COLAS IN SELECTED FEDERAL CASH TRANSFER PROGRAMS

Alternative	Number of Poor Elderly (in thousands)	Change from Baseline (in thousands)	Percentage Change from Baseline	Poverty Rate of the Elderly (in percents)
Full COLA	3,711	---	---	14.1
One-Year Reduction	4,004	293	7.9	15.2
One-Year Freeze	4,058	347	9.4	15.4
Three-Year Reduction	4,409	698	188	16.8
Three-Year Freeze	4,664	953	25.7	17.7

TABLE A-3. EFFECTS ON POVERTY GAPS OF THE NONELDERLY OF CURTAILING COLAS IN SELECTED FEDERAL CASH TRANSFER PROGRAMS (In billions of dollars)

Alternative	Poverty Gap for All Nonelderly Families	Change in Gap from Baseline	
		Amount	Percent
Full COLA	41.6	---	---
One-Year Reduction	41.8	0.2	0.4
One-Year Freeze	41.8	0.2	0.5
Three-Year Reduction	42.1	0.5	1.3
Three-Year Freeze	42.4	0.8	1.8

TABLE A-4. EFFECTS ON POVERTY RATES OF THE NONELDERLY OF CURTAILING COLAS IN SELECTED FEDERAL CASH TRANSFER PROGRAMS

Alternative	Number of Poor Nonelderly (in thousands)	Change from Baseline (in thousands)	Percentage Change from Baseline	Poverty Rate of All Nonelderly (in percent)
Full COLA	31,556	---	---	15.4
One-Year Reduction	31,678	122	0.4	15.4
One-Year Freeze	31,741	185	0.6	15.5
Three-Year Reduction	32,045	489	1.5	15.6
Three-Year Freeze	32,209	653	2.1	15.7

TABLE A-5. EFFECTS ON POVERTY GAPS OF ALL PEOPLE OF CURTAILING COLAS IN SELECTED FEDERAL CASH TRANSFER PROGRAMS (In billions of dollars)

Alternative	Poverty Gap for All Families	Change in Gap from Baseline Amount	Change in Gap from Baseline Percent
Full COLA	47.1	--	--
One-Year Reduction	47.6	0.5	1.1
One-Year Freeze	47.7	0.6	1.4
Three-Year Reduction	48.7	1.6	3.4
Three-Year Freeze	49.3	2.3	4.8

TABLE A-6. EFFECTS ON POVERTY RATES OF ALL PEOPLE OF CURTAILING COLAS IN SELECTED FEDERAL CASH TRANSFER PROGRAMS

Alternative	Number of Poor People (in thousands)	Change from Baseline (in thousands)	Percentage Change from Baseline	Poverty Rate of All People (in percent)
Full COLA	35,267	--	--	15.2
One-Year Reduction	35,682	415	1.2	15.4
One-Year Freeze	35,800	533	1.5	15.5
Three-Year Reduction	36,454	1,187	3.4	15.7
Three-Year Freeze	36,873	1,606	4.6	15.9

TABLE A-7. EFFECTS ON POVERTY GAPS OF THE ELDERLY OF CURTAILING COLAS IN SELECTED NON-MEANS-TESTED FEDERAL CASH TRANSFER PROGRAMS (In billions of dollars)

Alternative	Poverty Gap for Families With Only Elderly Members	Change in Gap from Baseline: Amount	Change in Gap from Baseline: Percent	Poverty Gap for Families With Any Elderly Members	Change in Gap from Baseline: Amount	Change in Gap from Baseline: Percent
Full COLA	3.4	--	--	5.4	--	--
One-year reduction	3.6	0.2	5.5	5.7	0.2	4.2
One-year freeze	3.6	0.2	6.9	5.7	0.3	5.3
Three-year reduction	4.0	0.6	17.6	6.2	0.7	13.5
Three-year freeze	4.3	0.9	25.5	6.5	1.1	19.4

TABLE A-8. EFFECTS ON POVERTY RATES OF THE ELDERLY OF CURTAILING COLAS IN SELECTED NON-MEANS-TESTED FEDERAL CASH TRANSFER PROGRAMS

Alternative	Number of Poor Elderly (in thousands)	Change from Baseline (in thousands)	Percentage Change from Baseline	Poverty Rate of the Elderly (in percent)
Full COLA	3,711	--	--	14.1
One-year reduction	3,952	241	6.5	15.0
One-year freeze	3,994	283	7.6	15.2
Three-year reduction	4,289	578	15.6	16.3
Three-year freeze	4,507	796	21.4	17.1

TABLE A-9. EFFECTS ON POVERTY GAPS OF THE NONELDERLY OF CURTAILING COLAS IN SELECTED NON-MEANS-TESTED FEDERAL CASH TRANSFER PROGRAMS (In billions of dollars)

Alternative	Poverty Gap for All Nonelderly Families	Change in Gap from Baseline	
		Amount	Percent
Full COLA	41.6	--	--
One-Year Reduction	41.7	0.1	0.2
One-Year Freeze	41.7	0.1	0.3
Three-Year Reduction	41.9	0.3	0.7
Three-Year Freeze	42.0	0.4	1.0

TABLE A-10. EFFECTS ON POVERTY RATES OF THE NONELDERLY OF CURTAILING COLAS IN SELECTED NON-MEANS-TESTED FEDERAL CASH TRANSFER PROGRAMS

Alternative	Number of Poor Nonelderly (in thousands)	Change from Baseline (in thousands)	Percentage Change from Baseline	Poverty Rate of All Nonelderly (in percent)
Full COLA	31,556	--	--	15.4
One-Year Reduction	31,633	77	0.2	15.4
One-Year Freeze	31,696	140	0.4	15.4
Three-Year Reduction	31,865	309	1.0	15.5
Three-Year Freeze	31,989	433	1.4	15.6

TABLE A-11. EFFECTS ON POVERTY GAPS OF ALL PEOPLE OF CURTAILING COLAS IN SELECTED NON-MEANS-TESTED FEDERAL CASH TRANSFER PROGRAMS (In billions of dollars)

Alternative	Poverty Gap for All Families	Change in Gap from Baseline: Amount	Change in Gap from Baseline: Percent
Full COLA	47.1	--	--
One-Year Reduction	47.4	0.3	0.7
One-Year Freeze	47.5	0.4	0.9
Three-Year Reduction	48.1	1.0	2.2
Three-Year Freeze	48.5	1.5	3.1

TABLE A-12. EFFECTS ON POVERTY RATES OF ALL PEOPLE OF CURTAILING COLAS IN SELECTED NON-MEANS-TESTED FEDERAL CASH TRANSFER PROGRAMS

Alternative	Number of Poor People (in thousands)	Change from Baseline (in thousands)	Percentage Change from Baseline	Poverty Rate of All People (in percent)
Full COLA	35,267	--	--	15.2
One-Year Reduction	35,586	319	0.9	15.4
One-Year Freeze	35,690	423	1.2	15.4
Three-Year Reduction	36,154	887	2.5	15.6
Three-Year Freeze	36,496	1,229	3.5	15.8

TABLE A-13. EFFECTS ON POVERTY GAPS OF THE ELDERLY OF CURTAILING COLAS IN SELECTED NON-MEANS-TESTED FEDERAL CASH TRANSFER PROGRAMS; COLA PROVIDED ON SOCIAL SECURITY BENEFITS BELOW POVERTY THRESHOLDS ($4,775 FOR SINGLE PERSONS; $6,023 FOR COUPLES) (In billions of dollars)

Alternative	Poverty Gap for Families With Only Elderly Members	Change in Gap from Baseline: Amount	Change in Gap from Baseline: Percent	Poverty Gap for Families With Any Elderly Members	Change in Gap from Baseline: Amount	Change in Gap from Baseline: Percent
Full COLA	3.4	--	--	5.4	--	--
One-year reduction	3.4	a/	0.3	5.5	a/	0.4
One-year freeze	3.4	a/	0.3	5.5	a/	0.5
Three-year reduction	3.4	a/	0.8	5.5	0.1	1.1
Three-year freeze	3.4	a/	1.1	5.5	0.1	1.5

a. Less than $50 million.

TABLE A-14. EFFECTS ON POVERTY RATES OF THE ELDERLY OF CURTAILING COLAS IN SELECTED NON-MEANS-TESTED FEDERAL CASH TRANSFER PROGRAMS; COLA PROVIDED ON SOCIAL SECURITY BENEFITS BELOW POVERTY THRESHOLDS ($4,775 FOR SINGLE PERSONS; $6,023 FOR COUPLES)

Alternative	Number of Poor Elderly (in thousands)	Change from Baseline (in thousands)	Percentage Change from Baseline	Poverty Rate of the Elderly (in percent)
Full COLA	3,711	--	--	14.1
One-year reduction	3,730	19	0.5	14.2
One-year freeze	3,733	22	0.6	14.2
Three-year reduction	3,765	54	1.5	14.3
Three-year freeze	3,781	70	1.9	14.4

TABLE A-15. EFFECTS ON POVERTY GAPS OF THE NONELDERLY OF CURTAILING COLAS IN SELECTED NON-MEANS-TESTED FEDERAL CASH TRANSFER PROGRAMS; COLA PROVIDED FOR SOCIAL SECURITY BENEFITS BELOW POVERTY THRESHOLD ($4,775 FOR SINGLE PERSONS; $6,023 FOR COUPLES) (In billions of dollars)

Alternative	Poverty Gap for All Nonelderly Families	Change in Gap from Baseline Amount	Change in Gap from Baseline Percent
Full COLA	41.6	--	--
One-Year Reduction	41.7	0.1	0.2
One-Year Freeze	41.7	0.1	0.3
Three-Year Reduction	41.9	0.3	0.7
Three-Year Freeze	42.0	0.4	1.0

TABLE A-16. EFFECTS ON POVERTY RATES OF THE NONELDERLY OF CURTAILING COLAS IN SELECTED NON-MEANS-TESTED FEDERAL CASH TRANSFER PROGRAMS; COLA PROVIDED FOR SOCIAL SECURITY BENEFITS BELOW POVERTY THRESHOLD ($4,775 FOR SINGLE PERSONS; $6,023 FOR COUPLES)

Alternative	Number of Poor Nonelderly (in thousands)	Change from Baseline (in thousands)	Percentage Change from Baseline	Poverty Rate of All Nonelderly (in percent)
Full COLA	31,556	--	--	15.4
One-Year Reduction	31,621	65	0.2	15.4
One-Year Freeze	31,681	125	0.4	15.4
Three-Year Reduction	31,837	281	0.9	15.5
Three-Year Freeze	31,927	371	1.2	15.5

TABLE A-17. EFFECTS ON POVERTY GAPS OF ALL PEOPLE OF CURTAILING COLAS IN SELECTED NON-MEANS-TESTED FEDERAL CASH TRANSFER PROGRAMS; COLA PROVIDED FOR SOCIAL SECURITY BENEFITS BELOW POVERTY THRESHOLDS ($4,775 FOR SINGLE PERSONS; $6,023 FOR COUPLES) (In billions of dollars)

Alternative	Poverty Gap for All Families	Change in Gap from Baseline	
		Amount	Percent
Full COLA	47.1	--	--
One-Year Reduction	47.2	0.1	0.2
One-Year Freeze	47.2	0.1	0.3
Three-Year Reduction	47.4	0.4	0.7
Three-Year Freeze	47.6	0.5	1.1

TABLE A-18. EFFECTS ON POVERTY RATES OF ALL PEOPLE OF CURTAILING COLAS IN SELECTED NON-MEANS-TESTED FEDERAL CASH TRANSFER PROGRAMS; COLA PROVIDED FOR SOCIAL SECURITY BENEFITS BELOW POVERTY THRESHOLDS ($4,775 FOR SINGLE PERSONS; $6,023 FOR COUPLES)

Alternative	Number of Poor People (in thousands)	Change from Baseline (in thousands)	Percentage Change from Baseline	Poverty Rate of All People (in percent)
Full COLA	35,267	--	--	15.2
One-Year Reduction	35,351	84	0.2	15.3
One-Year Freeze	35,414	147	0.4	15.3
Three-Year Reduction	35,602	335	0.9	15.4
Three-Year Freeze	35,708	441	1.3	15.4

TABLE A-19. EFFECTS ON POVERTY GAPS OF THE ELDERLY OF CURTAILING COLAS IN SELECTED NON-MEANS-TESTED FEDERAL CASH TRANSFER PROGRAMS; COLA PROVIDED ON FIRST $5,000 OF SOCIAL SECURITY BENEFITS (In billions of dollars)

Alternative	Poverty Gap for Families With Only Elderly Members	Change in Gap from Baseline		Poverty Gap for Families With Any Elderly Members	Change in Gap from Baseline	
		Amount	Percent		Amount	Percent
Full COLA	3.4	--	--	5.4	--	--
One-year reduction	3.4	a/	0.1	5.5	a/	0.1
One-year freeze	3.4	a/	0.1	5.5	a/	0.2
Three-year reduction	3.4	a/	0.3	5.5	a/	0.4
Three-year freeze	3.4	a/	0.5	5.5	a/	0.6

a. Less than $50 million.

TABLE A-20. EFFECTS ON POVERTY RATES OF THE ELDERLY OF CURTAILING COLAS IN SELECTED NON-MEANS-TESTED FEDERAL CASH TRANSFER PROGRAMS; COLA PROVIDED ON FIRST $5,000 OF SOCIAL SECURITY BENEFITS

Alternative	Number of Poor Elderly (in thousands)	Change from Baseline (in thousands)	Percentage Change from Baseline	Poverty Rate of the Elderly (in percent)
Full COLA	3,711	--	--	14.1
One-year reduction	3,748	37	1.0	14.3
One-year freeze	3,749	38	1.0	14.3
Three-year reduction	3,772	61	1.6	14.3
Three-year freeze	3,788	77	2.1	14.4

TABLE A-21. EFFECTS ON POVERTY GAPS OF THE NONELDERLY OF CURTAILING COLAS IN SELECTED NON-MEANS-TESTED FEDERAL CASH TRANSFER PROGRAMS; COLA PROVIDED ON FIRST $5,000 OF SOCIAL SECURITY BENEFITS (In billions of dollars)

Alternative	Poverty Gap for All Nonelderly Families	Change in Gap from Baseline	
		Amount	Percent
Full COLA	41.6	--	--
One-Year Reduction	41.6	a/	b/
One-Year Freeze	41.6	a/	b/
Three-Year Reduction	41.6	a/	0.1
Three-Year Freeze	41.7	a/	0.1

TABLE A-22. EFFECTS ON POVERTY RATES OF THE NONELDERLY OF CURTAILING COLAS IN SELECTED NON-MEANS-TESTED FEDERAL CASH TRANSFER PROGRAMS; COLA PROVIDED ON FIRST $5,000 OF SOCIAL SECURITY BENEFITS

Alternative	Number of Poor Nonelderly (in thousands)	Change from Baseline (in thousands)	Percentage Change from Baseline	Poverty Rate of All Nonelderly (in percent)
Full COLA	31,556	--	--	15.4
One-Year Reduction	31,569	13	c/	15.4
One-Year Freeze	31,576	20	0.1	15.4
Three-Year Reduction	31,641	85	0.3	15.4
Three-Year Freeze	31,649	93	0.3	15.4

a. Less than $50 million.
b. Less than 0.05 percent.
c. Less than 0.05 percentage points.

TABLE A-23. EFFECTS ON POVERTY GAPS OF ALL PEOPLE OF CURTAILING COLAS IN SELECTED NON-MEANS-TESTED FEDERAL CASH TRANSFER PROGRAMS; COLA PROVIDED ON FIRST $5,000 OF SOCIAL SECURITY BENEFITS (In billions of dollars)

Alternative	Poverty Gap for All Families	Change in Gap from Baseline	
		Amount	Percent
Full COLA	47.1	--	--
One-Year Reduction	47.1	a/	b/
One-Year Freeze	47.1	a/	b/
Three-Year Reduction	47.1	0.1	0.1
Three-Year Freeze	47.1	0.1	0.2

a. Less than $50 million.
b. Less than 0.05 percent.

TABLE A-24. EFFECTS ON POVERTY RATES OF ALL PEOPLE OF CURTAILING COLAS IN SELECTED NON-MEANS-TESTED FEDERAL CASH TRANSFER PROGRAMS; COLA PROVIDED ON FIRST $5,000 OF SOCIAL SECURITY BENEFITS

Alternative	Number of Poor People (in thousands)	Change from Baseline (in thousands)	Percentage Change from Baseline	Poverty Rate of All People (in percent)
Full COLA	35,267	--	--	15.2
One-Year Reduction	35,317	50	0.1	15.2
One-Year Freeze	35,325	58	0.2	15.3
Three-Year Reduction	35,413	146	0.4	15.3
Three-Year Freeze	35,437	170	0.5	15.3

TABLE A-25. EFFECTS ON POVERTY GAPS OF THE ELDERLY OF CURTAILING COLAS IN SELECTED FEDERAL CASH TRANSFER PROGRAMS; ASSUMING CONSTANT 3 PERCENT INFLATION (In billions of dollars)

Alternative	Poverty Gap for Families With Only Elderly Members	Change in Gap from Baseline: Amount	Change in Gap from Baseline: Percent	Poverty Gap for Families With Any Elderly Members	Change in Gap from Baseline: Amount	Change in Gap from Baseline: Percent
Full COLA	3.4	--	--	5.4	--	--
One-year reduction	3.7	0.3	8.1	5.8	0.3	6.3
One-year freeze	3.7	0.3	8.1	5.8	0.3	6.3
Three-year reduction	4.3	0.9	25.7	6.5	1.1	19.9
Three-year freeze	4.3	0.9	25.7	6.5	1.1	19.9

TABLE A-26. EFFECTS ON POVERTY RATES OF THE ELDERLY OF CURTAILING COLAS IN SELECTED FEDERAL CASH TRANSFER PROGRAMS; ASSUMING CONSTANT 3 PERCENT INFLATION

Alternative	Number of Poor Elderly (in thousands)	Change from Baseline (in thousands)	Percentage Change from Baseline	Poverty Rate of the Elderly (in percent)
Full COLA	3,711	--	--	14.1
One-year reduction	4,005	294	7.9	15.2
One-year freeze	4,005	294	7.9	15.2
Three-year reduction	4,418	707	19.1	16.8
Three-year freeze	4,418	707	19.1	16.8

TABLE A-27. EFFECTS ON POVERTY GAPS OF THE NONELDERLY OF CURTAILING COLAS IN SELECTED FEDERAL CASH TRANSFER PROGRAMS; ASSUMING CONSTANT 3 PERCENT INFLATION (In billions of dollars)

Alternative	Poverty Gap for All Nonelderly Families	Change in Gap from Baseline	
		Amount	Percent
Full COLA	41.6	--	--
One-Year Reduction	41.8	0.2	0.4
One-Year Freeze	41.8	0.2	0.4
Three-Year Reduction	42.2	0.5	1.3
Three-Year Freeze	42.2	0.5	1.3

TABLE A-28. EFFECTS ON POVERTY RATES OF THE NONELDERLY OF CURTAILING COLAS IN SELECTED FEDERAL CASH TRANSFER PROGRAMS; ASSUMING CONSTANT 3 PERCENT INFLATION

Alternative	Number of Poor Nonelderly (in thousands)	Change from Baseline (in thousands)	Percentage Change from Baseline	Poverty Rate of All Nonelderly (in percent)
Full COLA	31,556	--	--	15.4
One-Year Reduction	31,678	122	0.4	15.4
One-Year Freeze	31,678	122	0.4	15.4
Three-Year Reduction	32,046	490	1.6	15.6
Three-Year Freeze	32,046	490	1.6	15.6

TABLE A-29. EFFECTS ON POVERTY GAPS OF ALL PEOPLE OF CURTAILING COLAS IN SELECTED FEDERAL CASH TRANSFER PROGRAMS; ASSUMING CONSTANT 3 PERCENT INFLATION (In billions of dollars)

Alternative	Poverty Gap for All Families	Change in Gap from Baseline	
		Amount	Percent
Full COLA	47.1	--	--
One-Year Reduction	47.6	0.5	1.1
One-Year Freeze	47.6	0.5	1.1
Three-Year Reduction	48.7	1.6	3.4
Three-Year Freeze	48.7	1.6	3.4

TABLE A-30. EFFECTS ON POVERTY RATES OF ALL PEOPLE OF CURTAILING COLAS IN SELECTED FEDERAL CASH TRANSFER PROGRAMS; ASSUMING CONSTANT 3 PERCENT INFLATION

Alternative	Number of Poor People (in thousands)	Change from Baseline (in thousands)	Percentage Change from Baseline	Poverty Rate of All People (in percent)
Full COLA	35,267	--	--	15.2
One-Year Reduction	35,682	415	1.2	15.4
One-Year Freeze	35,682	415	1.2	15.4
Three-Year Reduction	36,464	1,197	3.4	15.7
Three-Year Freeze	36,464	1,197	3.4	15.7

TABLE A-31. EFFECTS ON POVERTY GAPS OF THE ELDERLY OF CURTAILING COLAS IN SELECTED FEDERAL CASH TRANSFER PROGRAMS; ASSUMING CONSTANT 6 PERCENT INFLATION (In billions of dollars)

Alternative	Poverty Gap for Families With Only Elderly Members	Change in Gap from Baseline Amount	Change in Gap from Baseline Percent	Poverty Gap for Families With Any Elderly Members	Change in Gap from Baseline Amount	Change in Gap from Baseline Percent
Full COLA	3.4	--	--	5.4	--	--
One-year reduction	3.7	0.3	7.9	5.8	0.3	6.1
One-year freeze	4.0	0.6	16.5	6.1	0.7	12.8
Three-year reduction	4.2	0.8	24.9	6.5	1.1	19.3
Three-year freeze	5.2	1.8	53.7	7.7	2.3	41.4

TABLE A-32. EFFECTS ON POVERTY RATES OF THE ELDERLY OF CURTAILING COLAS IN SELECTED FEDERAL CASH TRANSFER PROGRAMS; ASSUMING CONSTANT 6 PERCENT INFLATION

Alternative	Number of Poor Elderly (in thousands)	Change from Baseline (in thousands)	Percentage Change from Baseline	Poverty Rate of the Elderly (in percent)
Full COLA	3,711	--	--	14.1
One-year reduction	4,000	289	7.8	15.2
One-year freeze	4,234	523	14.1	16.1
Three-year reduction	4,397	686	18.5	16.7
Three-year freeze	5,017	1,306	35.2	19.1

TABLE A-33. EFFECTS ON POVERTY GAPS OF THE NONELDERLY OF CURTAILING COLAS IN SELECTED FEDERAL CASH TRANSFER PROGRAMS; ASSUMING CONSTANT 6 PERCENT INFLATION

Alternative	Poverty Gap for All Nonelderly Families	Change in Gap from Baseline: Amount	Change in Gap from Baseline: Percent
Full COLA	41.6	--	--
One-Year Reduction	41.8	0.2	0.4
One-Year Freeze	42.0	0.3	0.8
Three-Year Reduction	42.1	0.5	1.3
Three-Year Freeze	42.7	1.1	2.6

TABLE A-34. EFFECTS ON POVERTY RATES OF THE NONELDERLY OF CURTAILING COLAS IN SELECTED FEDERAL CASH TRANSFER PROGRAMS; ASSUMING CONSTANT 6 PERCENT INFLATION

Alternative	Number of Poor Nonelderly (in thousands)	Change from Baseline (in thousands)	Percentage Change from Baseline	Poverty Rate of All Nonelderly (in percent)
Full COLA	31,556	--	--	15.4
One-Year Reduction	31,676	120	0.4	15.4
One-Year Freeze	31,871	315	1.0	15.5
Three-Year Reduction	32,044	488	1.5	15.6
Three-Year Freeze	32,468	912	2.9	15.8

TABLE A-35. EFFECTS ON POVERTY GAPS OF ALL PEOPLE OF CURTAILING COLAS IN SELECTED FEDERAL CASH TRANSFER PROGRAMS; ASSUMING CONSTANT 6 PERCENT INFLATION (In billions of dollars)

Alternative	Poverty Gap for All Families	Change in Gap from Baseline	
		Amount	Percent
Full COLA	47.1	--	--
One-Year Reduction	47.6	0.5	1.1
One-Year Freeze	48.1	1.0	2.2
Three-Year Reduction	48.6	1.6	3.3
Three-Year Freeze	50.4	3.4	7.1

TABLE A-36. EFFECTS ON POVERTY RATES OF ALL PEOPLE OF CURTAILING COLAS IN SELECTED FEDERAL CASH TRANSFER PROGRAMS; ASSUMING CONSTANT 6 PERCENT INFLATION

Alternative	Number of Poor People (in thousands)	Change from Baseline (in thousands)	Percentage Change from Baseline	Poverty Rate of All People (in percent)
Full COLA	35,267	--	--	15.2
One-Year Reduction	35,676	409	1.2	15.4
One-Year Freeze	36,105	838	2.4	15.6
Three-Year Reduction	36,442	1,175	3.3	15.7
Three-Year Freeze	37,485	2,218	6.3	16.2