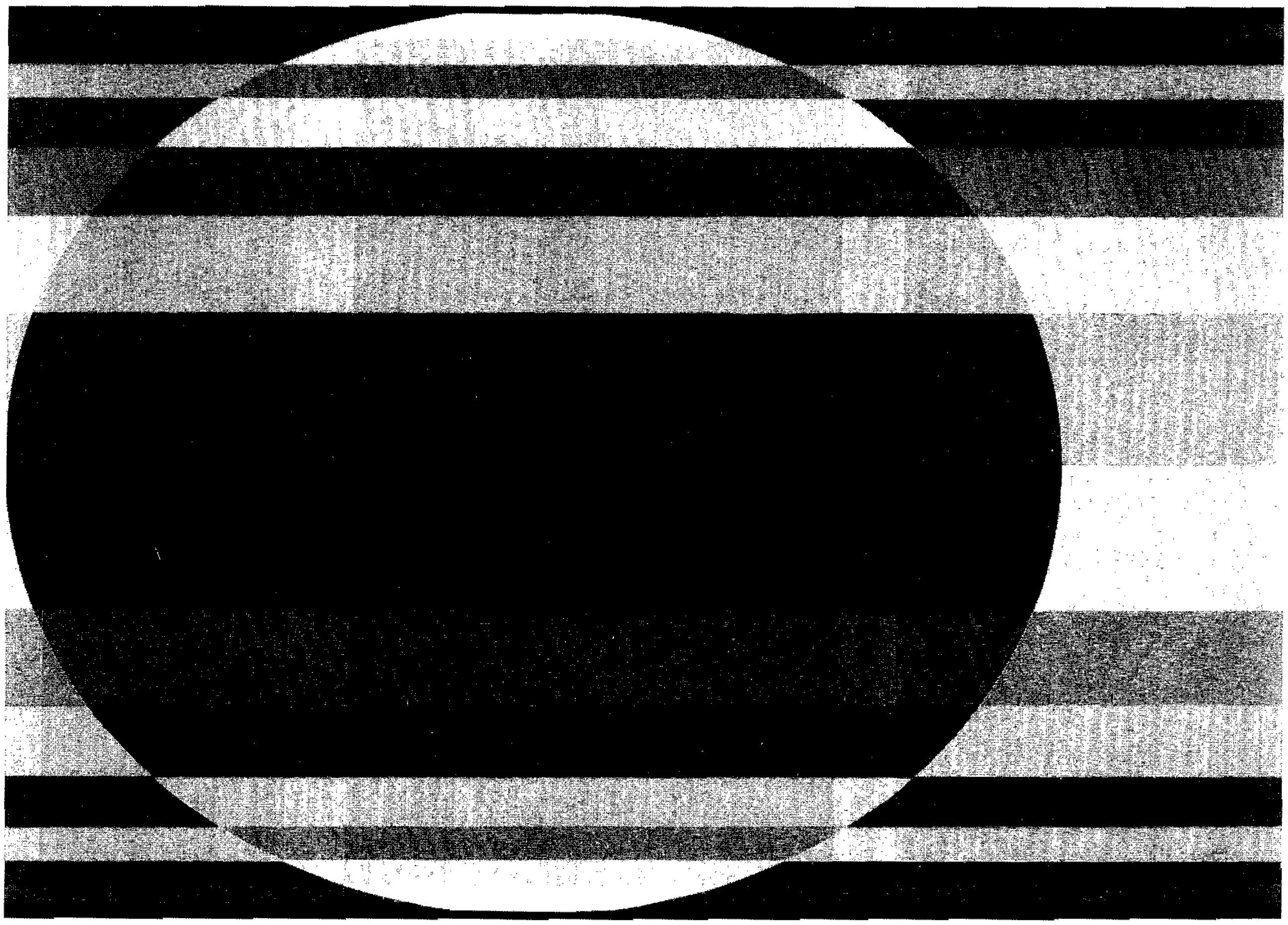
BACKGROUND PAPER

Welfare Reform: Issues, Objectives, and Approaches

July 1977



Congress of the United States
Congressional Budget Office
Washington, D.C.

WELFARE REFORM:

ISSUES, OBJECTIVES, AND APPROACHES

The Congress of the United States
Congressional Budget Office

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PREFACE

Long a matter of widespread concern and controversy, welfare reform will become an issue of increased legislative importance after the Carter Administration puts its reform proposal before the 95th Congress. Welfare Reform: Issues, Objectives, and Approaches was prepared in response to requests from the Senate and House Committees on the Budget to help provide a basis for evaluating approaches to welfare reform.

The paper was written by John J. Korbel and G. William Hoagland of the Congressional Budget Office's Human Resources and Community Development division, with the assistance of Brian L. Davidson and under the supervision of Robert D. Reischauer. The authors wish to acknowledge the helpful comments and suggestions of Robert Black, M. Kenneth Bowler, Vee Burke, Scott A. Elliff, Frank Levy, Margaret Malone, George Merrill, David Mundel, John Palmer, Jim Rotherham, Jim Storey and Alair Townsend, and some background research done by Robert Lerman. Special thanks go to C. William Fischer and Stanley Wallack, formerly with CBO, for their leadership and guidance in the early stages of this project. The paper was edited by Mary Richardson Boo under the supervision of Johanna Zacharias. Norma Leake, Janet Fain, Jill Bury and Toni Wright provided the secretarial assistance for this paper and prepared the manuscript for publication.

The computer simulations and technical support that form the basis of the analysis were provided by Raymond J. Uhalde, Jodie T. Allen, Harold Beebout of Mathematica Policy Research, and Helen Cohn of the Hendrickson Corporation. A technical report published by Mathematica in 1977 and entitled Anaylsis of Current Income Maintenance Programs and Budget Allocations, Fiscal Years 1976, 1978, and 1982: Technical Documentation and Basic Output, presents a detailed explanation of the simulation procedures. A portion of the technical activities was supported by the Congressional Research Service.

In accordance with the CBO's mandate to provide objective and impartial analysis, this paper contains no recommendations.

Alice M. Rivlin
Director

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SUMMARY

The welfare system is a collection of overlapping and ill-coordinated programs designed to aid the poor. It provides cash assistance to low-income families with children through Aid to Families with Dependent Children (AFDC) and Emergency Assistance (EA), to needy aged, blind, and disabled persons through Supplemental Security Income (SSI), and to needy veterans through pensions. In-kind benefits, also based on need, are provided through the food stamp, medicaid, child nutrition, and housing assistance programs. These and the other welfare programs, which provided $44.7 billion in benefits in fiscal year 1976, are part of a larger government income-transfer system that includes social insurance programs such as social security, government retirement, and unemployment insurance; social insurance programs provided $141.0 billion in benefits in 1976.

In fiscal year 1976, more than one out of every four American families had resources below the government poverty thresholds before the benefits from government transfer programs were counted in (see Table S-1). After receiving social insurance benefits (excluding medicare) 15.7 percent of all families remained poor; after receiving welfare benefits (excluding medicaid) 11.3 percent of all families were poor. While the transfer system reduced the overall incidence of poverty by about 58 percent, families headed by someone who cannot or is not expected to work -- the aged, the disabled, the single parent with dependent children -- benefited most.

The criticisms leveled against the current welfare system include: costs and caseloads are too big and growing too fast; administration of the programs is too complex; benefits are inadequate and coverage too limited; the fiscal burden on the states is too great; interstate differences in benefits and coverage are unfair; and work, self-sufficiency, and family stability are discouraged by the system.

Reform proposals vary according to the priority placed upon these concerns. Yet implicit in most proposals is a set of objectives that can serve as the criteria for evaluating reform alternatives. These objectives include: providing adequate benefits for those judged to be in need of public support;

TABLE S-1. IMPACT OF TRANSFER PROGRAMS ON THE INCIDENCE OF POVERTY BY TYPE OF FAMILY IN FISCAL YEAR 1976: PERCENT OF FAMILIES

Characteristics of Family	Pre-Tax Pre-Transfer Income	Pre-Tax Post-Social Insurance Income	Pre-Tax Post-Welfare Transfers Income	Pre-Tax Post-Medical Benefits	Post-Tax Post-Transfers Income a/ I	II
ALL FAMILIES	27.0	15.7	11.3	8.1	11.5	8.3
Age of Head						
Under 65	18.6	14.2	10.6	8.6	10.9	8.9
65 and Over	59.9	21.5	14.1	6.1	14.1	6.1
Sex of Head b/						
Male	14.0	6.0	4.3	3.4	4.4	3.5
Female	46.7	36.7	18.2	10.4	18.2	10.4
Race						
White	24.7	13.3	9.8	7.1	10.0	7.3
Nonwhite	43.8	33.6	22.7	15.9	23.0	16.1
Working Status c/						
Full-Time	5.3	3.9	2.8	2.6	3.0	2.8
Non-Working	52.3	29.4	21.2	14.5	21.5	14.7
Region						
South	30.8	19.5	15.4	11.9	15.6	12.1
West	26.2	15.6	10.4	8.0	10.6	8.2
Northeast	26.4	14.0	9.0	5.6	9.2	5.7
North Central	23.3	12.5	9.0	5.7	9.2	5.9

SOURCE: See Appendix Table C-3.

a/ Column I excludes medicare and medicaid transfers; Column II includes medicare and medicaid transfers.

b/ Excludes single unrelated individuals.

c/ Defines full-time as working 50 weeks a year or more; defines non-working as less than 50 weeks during the year or not in labor force.

treating similarly situated people equally; focusing aid on those most in need; minimizing fraud and abuse; encouraging work and self-sufficiency; and promoting family stability and the dignity of recipients. Tradeoffs among competing objectives, program structures, and funding levels will determine the extent to which these objectives can be realized.

Welfare reform proposals can be divided into those that involve incremental changes in the current system and those that call for comprehensive restructuring of it. The incremental approach encompasses proposals that range from those that would involve only marginal changes in current programs to those that would substantially alter the basic structure of a program or add entirely new programs. What distinguishes the incremental approach is that it builds on the base provided by the programs of the current system. Generally this approach involves changes made one step at a time and are designed to fill gaps and answer criticisms leveled against the current system. Incremental proposals would leave welfare a multi-program system with fiscal and administrative responsibilities shared by the federal, state, and local governments.

The comprehensive restructuring approach, on the other hand, involves radically altering the current system, generally following one of three broad strategies:

- The packaged incremental reforms strategy to change simultaneously a number of existing programs in a way that stresses the integration of current programs and the achievement of overall objectives.

- The comprehensive cash assistance strategy to replace many of the current programs with a single cash system that follows the principles of a negative income tax.

- The work-welfare strategy to substitute for the existing categorical system a more comprehensive and simplified group of programs that distinguishes between those who are expected to work and those who are not. This strategy uses current programs or a negative income tax to provide benefits for those not expected to work, and work-conditioned benefits, training, or jobs for those considered employable.

Current Policy

If the current welfare system is not changed, total benefit costs will rise to $53.2 billion in fiscal year 1978 (see Table S-2). Without these welfare programs (but after cash social insurance benefits) 14.5 percent of all families would have incomes below the official poverty level in 1978 as compared to 15.7 percent in fiscal year 1976; after welfare transfers 10.4 percent of all families will be poor in 1978 under current policy, down from 11.3 percent in 1976. This drop reflects population growth, benefit increases to keep pace with inflation, and underlying economic assumptions of sustained growth.

Incremental Changes in Current Programs

Many people argue that, whatever the shortcomings of the existing welfare system, it can be changed only by altering current programs piece by piece. They therefore advocate various incremental changes that could either increase or decrease costs.

Program Tightening to Reduce Expenditures. A number of bills were introduced in the 94th Congress that would tighten and simplify administration and restrict eligibility in the AFDC and food stamp programs. Their purpose was to streamline operations, target benefits more on the very poor, reduce errors and erroneous overpayments, and reduce costs. 1/

The major AFDC cost-cutting features of one of these bills, the National Welfare Reform Program Act of 1975, included: eliminating AFDC benefits for dependent children over age 17 and

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1/ See, for example, the National Welfare Reform Act of 1975 (H.R. 5133 and S. 1719) and the National Food Stamp Reform Act of 1975 (H.R. 8145 and S. 1993), which were not reported out of committee.

TABLE S-2. BUDGET OPTIONS FOR WELFARE OUTLAYS IN FISCAL YEAR 1978: DOLLARS IN BILLIONS

	First Full-Year Costs		
	Federal	State and Local	Total
Current Policy a/	$36.9	$16.3	$53.2
Change From Current Policy			
Program Tightening			
AFDC	-0.8	-0.8	-1.6
Food Stamps	-2.5	--	-2.5
National Standards			
AFDC (Benefit 75 to 100% of Poverty)	3.5 to 11.8	-2.0 to -4.6	1.5 to 7.3
Food Stamps	-0.8 to -0.3	--	-0.8 to -0.3
Medicaid	16.1	-9.2	6.9
Comprehensive Restructuring			
Packaged Incremental Reforms	11.1 to 27.5	-4.4 to -14.1	6.6 to 13.3
Comprehensive Cash Assistance	10.6 to 10.9	-2.1	8.4 to 8.8
Work-Welfare	NA b/	NA	6.0 to 44.0

a/ Includes benefit payments but not administrative costs for AFDC, food stamps, SSI, medicaid, veterans' pensions, housing assistance, and child nutrition.

b/ Not available.

for workers on strike; imposing a gross income cutoff for eligibility; reducing and standardizing work expense deductions; requiring non-needy persons in AFDC households to contribute to the support of the household; and designing procedures and offering federal funds to reduce program fraud and abuse.

This AFDC program-tightening proposal would have reduced total federal, state, and local benefit costs by $1.6 billion in fiscal year 1978. Federal and state governments would have shared equally in the savings (see Table S-2). The reform would have eliminated about 730 thousand families a year from the 4.5 million who would be receiving AFDC benefits in fiscal year 1978 under a continuation of current policy. However, since some families would qualify for larger food stamp benefits, the reduction in AFDC benefits would have been partially offset by cost increases in the food stamp program.

One of the food stamp reform proposals, the National Food Stamp Reform Act of 1975, would have shifted the emphasis of the program towards increased food consumption and would have reduced program costs by limiting eligibility to households with net incomes below the poverty level; eliminating itemized deductions from the calculation of net income; raising the basic food stamp allotment; and raising the amount a recipient must pay for food stamps (the purchase requirement).

This food stamp reform proposal would have reduced benefit costs by $2.5 billion in fiscal year 1978 from a current policy level of $5 billion. Although benefits would be improved for some recipients, almost half of the 8.8 million households who would qualify for the current program in 1978 would be eliminated.

<u>National Standards and Liberalized Benefits and Eligibility</u>. Specific incremental reforms designed to increase benefits, expand coverage, and make the system more uniform are possible in the AFDC, food stamp, and medicaid programs. Proposals for these reforms often involve federalizing the existing programs. In the case of AFDC, federalization might involve imposing national standards for many of the program characteristics that currently vary from state to state, such as benefit levels, the treatment of work expenses, and the eligibility of incapacitated fathers, stepfathers, and unemployed fathers. Depending upon basic benefit levels and the provisions made for state supplementation, federalization could provide substantial fiscal relief to states.

If the minimum federal benefit for AFDC and the food stamp program were set at the level of 75 percent of the poverty threshold, total benefit costs could increase by $1.5 billion in fiscal year 1978 and fiscal relief to the states would amount to $2.0 billion. The low level of fiscal relief reflects the fact that many states already pay benefits that exceed this amount. If the federal minimum were established at the poverty threshold, benefit costs would be $7.3 billion higher than current policy and fiscal relief to the states would amount to $4.6 billion in fiscal year 1978. Relative to current policy, an additional one million families would participate in AFDC if this higher benefit were established.

One reform designed to improve the fairness and efficiency of food stamp program would eliminate automatic eligibility for SSI and AFDC recipients; establish net income eligibility at the poverty level; establish a standard deduction for determining net income, replacing the current use of itemized deductions; and set a uniform purchase requirement at 27.5 percent of net income. This modification of the current program would reduce federal benefit costs by $775 million in fiscal year 1978; household caseloads would fall by about 1.6 million. If the purchase requirement were eliminated (elimination of purchase requirement), rather than set at 27.5 percent of net income, participation would be encouraged among those eligible for the program, and the savings over current costs would be only $325 million 1978.

Another example of incremental reform is full federalization of the medicaid program. This approach, which would provide a limited but uniform array of federally funded medical services in all states, could meet the medical needs of all the low-income population, not just those who are eligible under current medicaid rules. Families would be eligible if their income, after deducting out-of-pocket hospital expenditures, were below the poverty level. Medical services covered by such a plan would include institutional, physician, and home health care; physician, and home health care; preventive care; and mental health services. Patient cost-sharing would be at a rate of $3 per visit per family for the first 10 out patient physician visits each year. This plan would raise total medicaid benefit costs by $6.9 billion over the fiscal year 1978 current policy level of $20.8 billion; with federalization of costs, federal benefit costs increase by $16.1 billion. The additional costs reflect both an expansion in eligibility to population categories not generally covered by the current program such as single persons, childless couples, and intact families, and the provision of a benefit package that was generous relative to that provided in many current state programs.

Advocates of incremental changes like those described above feel that the major advantages of this approach are that by making changes one at a time reform may be politically more feasible and less risky than it would be under a comprehensive restructuring. Despite its many problems, the current welfare system enjoys considerable acceptance with established constituencies such as current recipients, bureaucracies in the executive branch and the states and committees in the Congress. By dealing with changes in single programs, incremental reform is limited in scope and thus may be less threatening to existing interests. Incremental reform also may be less risky than the comprehensive approaches because little is known about how a totally restructured system would affect labor markets, industry, and family and social patterns. Finally, there is the budgetary argument for incrementalism. Depending upon benefits and eligibility rules, the short run costs of incremental reform can be kept fairly small (program tightening plans actually cut costs) compared to comprehensive approaches which, to be politically feasible, are generally thought to require improved coverage and some assume that the situation for current recipients is not worsened.

A primary disadvantage of the incremental approach is that, by building on the current system, it retains the basic weaknesses of that system, namely that it is a composite of uncoordinated programs each designed to meet individual objectives. While some reforms such as the AFDC and food stamp national standard options could provide some greater coherence to the welfare system, the major tradeoffs between competing objectives for the system as a whole may not be faced up to under a fragmented reform strategy. By not highlighting these tradeoffs, incremental reform runs the risk that it might fail to remedy some existing problems or might in fact worsen them.

It is possible that individual incremental changes may be part of a grand design. Unless the overall goal is specified and the steps by which it would be achieved carefully spelled out, however, there is no assurance that future legislation would follow the same path of reform. Furthermore, even if a course of reform is well specified, future Congresses and vested interests might frustrate the original intent of the reformers.

Comprehensive Restructuring

Packaged Incremental Reforms. One way of restructuring the current system would be to implement simultaneously a number of the incremental changes discussed above. A packaged reform could consist of the federalized AFDC program with a uniform national minimum that, with food stamps, would equal the poverty level; a basic food stamp reform that maintained the purchase requirement; and a federalized medicaid program. This option would increase benefit costs in these three programs by $13.3 billion in fiscal year 1978; without federalized medicaid, costs would increase by $6.6 billion (see Table S-2).

Because the option of packaged incremental reforms is generally targeted on current categories of recipients, it would have a limited effect on the economic status of those poor who reside in intact families, are childless couples, or are single. The pre-transfer poor would receive 67 percent of the $5.2 billion increase in disposable income brought about by the packaged incremental reforms option, but the poverty gap -- the amount of money needed to bring all poor families up to the poverty level -- would fall by about $1.6 billion from the $16.6 billion gap under current policy (see Table S-3). There would be little change in the disparity between the average incomes of the poor and the nonpoor, and 9.8 percent of families would remain in poverty compared to 10.7 percent is current policies are continued. Since the reforms are targeted primarily on current AFDC recipients, only about 11 percent of all families would be affected, with 7 percent gaining and 5 percent losing benefits.

A major advantage of the package approach over individual program changes is that it forces a direct evaluation of the integrated impact of a multiple-program system. Furthermore, it has some of the strengths of the incremental approach. But it also shares a number of the disadvantages of incrementalism, including the difficulty of achieving simultaneous legislation in several programs and the possible retention of problems

TABLE S-3. SUMMARY OF DISTRIBUTIONAL IMPACTS OF THREE COMPREHENSIVE RESTRUCTURING OPTIONS IN FISCAL YEAR 1978

Characteristics	Current Policy	Packaged Incremental Reforms	Comprehensive Cash Assistance	
			ISP a/	ISA b/
Incidence of Poverty c/ (Percent of Families)	10.7	9.8	9.0	9.7
Changes in Disposable Income From Current Policy (Dollars in Billions)				
All Families	--	5.2	8.5	8.8
Poor d/	--	3.5	5.7	7.1
Poverty Gap e/ (Dollars in Billions)	16.6	15.0	12.3	12.4
Ratio of Average Income of Non-Poor to Poor Families	3.7 to 1	3.6 to 1	3.5 to 1	3.5 to 1
Gainers and Losers (Percent) f/				
Gainers	--	6.7	34.0	57.1
Losers	--	4.6	4.6	33.3
No Change	--	88.7	61.4	9.8

a/ Income Supplement Program.

b/ Income Security for Americans.

c/ Family income is defined as post-tax, post-transfer excluding medicare and medicaid.

d/ Pre-tax, pre-transfer poor families.

e/ The amount of income needed to bring all poor families to the poverty level.

f/ Gainers or losers are defined in terms of the difference between a family's benefit under current polcy and its income after the reform proposal. Families who gain or lose less than $25 a year are counted in the "no change" category.

that characterize the current system, such as the strain placed on state governments, complex administrative structures, and negative work incentives.

Comprehensive Cash Assistance. The replacement of several cash and in-kind transfer programs with a single cash benefit, often called a negative income tax (NIT), is another way of reforming the welfare system. The NIT generally provides benefits to all whose incomes are below certain thresholds regardless of other characteristics such as age, sex, or employability. Benefit structures provide financial incentives to work by ensuring that for each additional dollar of earnings a recipient's benefit will be reduced by less than one dollar.

There have been many NIT proposals over the past decade. Two recent versions would replace AFDC, food stamps, and possibly SSI with a single cash payment. One plan (Income Supplement Program, or ISP) would guarantee a minimum income of roughly two-thirds of the poverty level by providing a straight transfer payment with some minor modifications of the positive tax structure. The other plan (Income Security for Americans, or ISA) would provide a minimum income through a combination of transfer payments and refundable tax credits. If the the level of the basic benefits were set at about two-thirds of the poverty level, comprehensive cash assistance of this sort could increase total benefit costs over current policy levels by between $8.4 and $8.8 billion in fiscal year 1978.

If the states supplement these relatively low benefits to prevent current recipients from being worse off, comprehensive cash assistance will offer less in the way of fiscal relief to states than the incremental reforms targeted on the AFDC program alone.

Through its general income eligibility requirements, comprehensive cash assistance aids the low-income population not covered by current programs. As a result of universal coverage, comprehensive cash assistance would target about 67 to 81 percent of additional benefits on the pre-transfer poor and reduce the poverty gap under current policy by about 25 percent. Even though there would be only a small change in the disparity between the average incomes of the poor and the non-poor, the incidence of poverty among families would fall to about 9.0 to 9.7 percent, compared to 9.8 percent under the packaged incremental reforms option and 10.7 percent under current policy. The proportion of gainers and losers, and the extent to which the general population is affected, depends upon the level of basic benefits and the way the NIT is melded into the positive tax structure.

Advocates of comprehensive cash assistance argue that it has a number of advantages over the alternatives. First, they feel that it is more equitable because it would provide a more uniform treatment of low-income persons. Second, it would leave the recipient with maximum freedom in budget decisions because all of the assistance would be provided in cash, rather than through in-kind benefits. Third, by not categorizing persons or constructing elaborate work requirements, it would not induce recipients to change their family situations or labor market behavior to gain the program's benefits; and, to the extent that the program was integrated with the tax system, it could make payments more or less automatically, thus minimizing the stigma of welfare and loss of recipient self-esteem. Fourth, by eliminating AFDC, food stamps and possibly SSI, this approach could simplify administration and reduce the administrative costs of the welfare system. Finally, it would provide a clear framework in which the various national objectives in the welfare area could be seen and decided upon; such a single, federally financed program could serve to sort out and rationalize the federal, state, and local government roles in the welfare area.

Opponents of comprehensive cash assistance argue that it has a number of weaknesses. First, universality may not be an advantage if the causes of poverty fall into distinct categories, each calling for different solutions, such as separate in-kind transfer programs designed to meet the specific consumption needs of the poor. Second, because of the continually changing circumstances of the poor, the administrative simplicity and administrative cost savings of comprehensive cash assistance may be illusory. Third, comprehensive cash assistance could be costly because of its universal coverage, and because of the probable necessity for an adequate basic benefit level for those with no other resources and a moderate benefit-reduction rate to provide a financial incentive to work.

Work-Welfare Strategies. Work-welfare strategies would separate needy families who have a member who might be expected to work from those who do not, and they would devise separate programs to meet the particular needs of each group. Specific plans differ in their treatment of those expected to work.

One plan would guarantee one public service job to each family. The pay for this job would vary according to family type. Another plan would subdivide the employable families into the working poor, who would receive income supplements through an earned income credit, and the unemployed who would receive special unemployment assistance, support in finding employment, and job training to improve basic skills. If the benefits were relatively generous (for example, if a guaranteed job paid $7,500 a year to a family with children) and large numbers of those who are potentially eligible applied, the costs of such plans could be quite high. Because of uncertainities about incentives and potential recipient response, total benefit costs are difficult to estimate; however, one set of estimates ranges between $6.0 and $44.0 billion in fiscal year 1978.

The work-welfare plans have a number of advantages. First, of all the approaches to welfare, they provide most in the way of work incentives by conditioning benefits on employment or on the willingness to accept employment. Further, by increasing job skills such plans increase the possibility that recipients will move into the private sector and achieve self-sufficiency. Second, by separating employable persons from those not expected to work, these plans could remove the stigma from welfare by limiting it to those clearly in need and not capable of working outside the home. Third, by distinguishing among the needy population, work-welfare plans could better tailor incentive structures to the populations they serve.

Critics of work-welfare plans note the difficulty of establishing guidelines and administrative procedures for separating the poor population into the various categories; employability is a matter of values and a subject of some debate. Second, even if guidelines could be established, the changing economic status of recipients could make program administration costly and difficult. Third, for the guaranteed jobs approach, some critics question whether it will be possible to create a sufficient number of jobs -- possibly one to two million -- to provide employment for all those who would be eligible. Moreover,

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it would be difficult to create jobs in the public sector that match the skills of the recipients, give meaningful work experience, and provide a transition to private sector employment. Fourth, depending on the level of benefit payments to employable persons, whether through cash assistance or guaranteed jobs, work-welfare plans could disrupt some local labor markets and be relatively expensive.

Whatever route is taken to reform the current welfare system the changes will have to be carefully integrated with other programs that provide services and assistance to the poor (e.g. social services, housing assistance, medical care), the social insurance programs which provide a significant amount of resource to the low-income population, and labor markets.

CHAPTER I. PLAN OF THE PAPER

Over the last decade, pressure has increased to reform what is known as the "welfare system" -- the largely uncoordinated set of government programs that provide cash and in-kind assistance to low-income persons. The pressure for reform has come from groups with diverse interests; some have been concerned about the growth and costs of the current system, others with the structure, lack of equity, or socioeconomic effects of welfare programs. The Carter Administration will respond to this pressure with a welfare reform proposal in 1977. Thus, welfare reform will be a major item on the Congressional agenda within the coming year.

This paper describes the general approaches to welfare reform and provides a systematic evaluation of the costs and distributional impacts of a number of specific options. These options range from small or incremental changes in existing programs to comprehensive overhauls of the current system.

By way of background, Chapter II of this paper describes briefly the various social insurance and welfare programs that now channel resources to low income persons and indicates the impact these programs have had in reducing the incidence of poverty. Chapter II also contains a summary of the criticism that has generated the impetus for reform.

The disparity in the criticism leveled by various groups has fostered rather different general approaches to welfare reform. Chapter III sketches the broad outlines, strengths and weaknesses of these approaches, and lists the various criteria and objectives upon which reform proposals can be compared and evaluated. While the general approach chosen to reform the system is of great importance, the scores of decisions that must be made concerning specific program features may have an even greater influence on the costs, caseloads, and distributional impacts of any reform proposal. The importance of some of these features, such as the definitions of the filing unit (household, family, person), income, and eligibility, is also discussed in Chapter III.

Many detailed welfare reform plans have been proposed over the last ten years that fit into one or another of the general approaches to reform. A number of these specific plans are described and their costs analyzed in Chapter IV. The impact of these illustrative plans on different types of families are examined in Chapter V. The final chapter summarizes the major findings of this paper and points to some unresolved issues.

CHAPTER II. THE CURRENT SYSTEM FOR ASSISTING THE POOR

Government programs that provide cash and in-kind assistance to persons are known collectively as the income-transfer system. More than one out of every four American families is poor before government transfers are added to their income. 1/ Some are poor because they contain no member who can work or, given the values of our society, is expected to work. Included in this group are many families of aged and retired workers, families of disabled or incapacitated workers, and single-parent families in which the potential worker cares for children or other dependents. Nearly 60 percent of those families counted as poor before the intervention of government transfer programs (pre-transfer) fall into one of these groups; all of these groups exhibit a high incidence of pre-transfer poverty (see Table 1). In fiscal year 1976, before transfer payments more than half (60 percent) of the families headed by a person over 65 years of age were in poverty; more than 55 percent of all families headed by a female with children were poor; and 57 percent of families headed by a disabled person were poor.

1/ Families are defined throughout this paper to include unrelated individuals as one-person families. The official government poverty thresholds are used to compare the impacts of various government programs. In using these thresholds, the Congressional Budget Office is not making a judgment as to their correctness or adequacy. For the most part, the relative impacts of different programs would not be affected by selecting higher or lower thresholds. For a brief description of the origins of the government poverty thresholds and the criticisms that have been leveled against them, see Appendix A. Also see Appendix Table C-2 for the average poverty thresholds used for fiscal years 1976 and 1978. A thorough analysis of the poverty measures is available in U.S. Department of Health, Education, and Welfare, The Measures of Poverty, A Report to Congress as Mandated by the Education Amendments of 1974 (April 1976).

TABLE 1. PRE-TRANSFER POVERTY BY TYPE OF FAMILY AND GEOGRAPHICAL REGION IN FISCAL YEAR 1976

Characteristics of Family	Percent of Families That Are Poor Before Transfers	Distribution of All Pre-Transfer Poor Families by Family Characteristics (Percent)
All Families	27.0	100.0
Age of Head		
Over 65	59.9	45.0
Under 65	18.6	55.0
Family Type		
Female Head with Children	55.4	14.1
Other	24.9	85.9
Health Status of Head		
Disabled	57.2	13.9
Non-disabled	24.9	86.1
Employment Status of Head		
Working Full Time	5.3	10.5
Unemployed	35.8	15.9
Not in Labor Force	58.1	73.6
Race		
White	24.7	80.8
Nonwhite	43.8	19.2
Region of Residence		
South	30.8	36.7
West	26.2	18.3
Northeast	26.4	22.2
North Central	23.3	22.8

SOURCE: See Appendix Table C-3.

Other families are poor before government transfers because, while the heads of the family can work, they cannot find jobs or full-time employment. For some this may be a temporary, cyclical situation caused by weakness in the national or local economy. High overall unemployment tends to affect low-wage more than high-wage workers. 2/ For others unemployment may be primarily related to structural factors such as age, racial and sexual discrimination, lack of skills, or regional location. In fiscal year 1976 nearly 16 percent of all pre-transfer poor families had an unemployed head; of families with an unemployed head, 36 percent were poor. Nearly 44 percent of nonwhite families had pre-transfer income below the poverty level.

Finally, some families are poor before transfers because they do not earn enough to provide an adequate living. Their poverty is caused both by low wage levels and by large family size. The head of a family of four, working full time (50 weeks a year) at the minimum wage of $2.30 per hour, would have earned about $4,600 in 1976; this is 20 percent less than the poverty threshold for such a family. The same income for a two-person family is 25 percent above the relevant poverty threshold. The low level of the minimum wage relative to some families' poverty thresholds in part explains why, in fiscal year 1976, 2.3 million families whose heads worked full time continued to have pre-transfer incomes below the poverty level. 3/ Although the incidence of pre-transfer poverty among families with heads who worked full time is relatively low (5.3 percent), these families constitute 11 percent of the pre-transfer poor.

GOVERNMENT PROGRAMS TO AID THE POOR

Over the past 50 years a number of government programs have been developed to address the various causes of poverty. Collectively these programs are referred to as the income-transfer system, a system with a social insurance and a welfare component.

2/ Edward M. Gramlich, "The Distributional Effects of Higher Unemployment," Brookings Papers on Economic Activity (2:1974); also Wayne Vroman, Cyclical Earnings Changes of Low-Wage Workers, (University of Maryland, 1976).

3/ See Appendix Table C-3.

Social Insurance System

Social insurance programs provide benefits to persons (and their families) who have contributed to the program's support, usually through earmarked taxes, and who have a particular characteristic: for example, are aged, unemployed, or disabled. 4/ Benefits are paid without regard to the level of income or wealth of the family unit to which the recipient belongs.

In fiscal year 1976, $141 billion was spent on social insurance programs; that was 76 percent of all federal, state, and local government income-transfer benefit expenditures. The social insurance system includes social security (Old Age, Survivors and Disability Insurance or OASDI), railroad retirement, government pensions, federal/state unemployment insurance, veterans' compensation, disabled coal miners' benefits, and medicare. The larger social insurance programs are described briefly below.

- Social Security (OASDI). OASDI, the largest income-transfer program, provided benefits costing nearly $74 billion to about 27.8 million families in fiscal year 1976. 5/ The program is designed to partially replace the earnings lost when a worker retires or becomes disabled and to pay benefits to family survivors when a worker or retiree dies. It is administered solely by the federal government. The program is financed by a payroll tax paid half by the employee and half by the employer.

  All persons who meet the program's tests for age, retirement, and disability and who have contributed to

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4/ Some social insurance programs such as veterans' compensation, military retirement, and disabled coal miners' benefits, do not involve direct contributions, but can be viewed as a form of deferred compensation.

5/ See Congressional Budget Office, Financing Social Security: Issues for the Short and Long Term, Background Paper (July 1977).

the program through the payroll tax for a specified minimum length of time are eligible for benefits. Roughly 90 percent of the families with a retired worker over age 65 receive benefits. In July 1976 the average monthly benefit received by a retired worker was $223; by a disabled worker, $243; by an aged widow, $206; and by a child of a deceased worker, $150. Benefits are automatically increased periodically to reflect changes in the cost of living.

The Social Security program was conceived as a work-related retirement program, but it has over time been implicitly altered to reflect need as well as past earnings. Relative to payroll tax payments, benefits are greater for low-wage workers than for high-wage workers. Larger benefits are paid to those with dependents than to those without dependents.

- Unemployment Insurance (UI). Unemployment insurance, the second major social insurance program, is administered by the states according to federal guidelines. 6/ Financed by federal and state payroll taxes levied on employers, the program provides cash benefits during limited periods of involuntary unemployment. Under the regular program there is substantial variation among the states in benefits and coverage. In 1974 two nationally uniform programs, special unemployment assistance (SUA) and federal supplemental benefits (FSB), were added to the regular program to provide coverage to previously uncovered workers (agricultural, state and local government, and domestic workers) and to extend benefits to long-term unemployed persons. About 85 percent of all wage and salary earners are covered by UI, but because of the program's work experience requirements, new

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6/ See Congressional Budget Office, Unemployment Compensation: A Background Report, Background Paper No. 15 (December 18, 1976).

entrants and re-entrants to the labor force are generally excluded from UI coverage. About 60 percent of the unemployed received UI benefits in 1976. 7/ Benefits under the regular UI program are about one-half of a worker's wage up to certain limits; the length of time a person can receive these benefits increases with the length of work experience. Some states supplement the UI benefit check for unemployed heads of families with a dependency allowance for a spouse or child, again reflecting an implicit assumption of different needs for these unemployed.

The amount of the outlays and the number of beneficiaries of the unemployment insurance program depend crucially on the state of the economy. Because of the deep recession in fiscal year 1976, outlays reached $18.5 billion; three years earlier, when the economy was closer to full employment, outlays were only $5.7 billion.

- Medicare. The medicare program, enacted in 1965, provides hospital health insurance (medicare part A) for social security and railroad retirement recipients who are 65 and older or who are disabled, and for chronic renal disease patients who have social security coverage either as a worker, spouse, or dependent. 8/ Other aged persons may qualify for medicare by paying a fixed monthly premium.

7/ This estimate should be viewed with caution because of differences in definition. See U. S. Department of Labor, Bureau of Labor Statistics, "Employment and Unemployment in 1976," Monthly Labor Review (February 1977).

8/ Medicare part B, the Supplementary Medical Insurance program, is an optional supplement available to this same population; it is designed to pay part of the non hospital expenses. In fiscal year 1976, approximately 13.3 million persons received benefit payments totaling more than $4.7 billion.

The program is financed by these premiums and by a payroll tax paid half by employees and half by employers. The medicare program makes payments to the providers of medical services up to specified "reasonable" limits.

In fiscal year 1976, medicare paid medical providers about $12.3 billion for hospital benefits received by an estimated 5.7 million of the 24.5 million covered persons. The average hospital payment per recipient was more than $2,150.

- Other Social Insurance Programs. A number of other government programs provide benefits to particular categories of persons based on their past work histories or work-related disabilities. Among these programs are federal, state, and local government retirement programs, which often supplement rather than supplant social security benefits. Also, every state has adopted workmen's compensation programs to cover work in hazardous environments. Coverage, eligibility rules, and basic benefits vary widely in these state run programs. It is estimated that government pensions provided benefits to more than 4.4 million families in fiscal year 1976, and that workmen's compensation programs provided benefits to more than 2.6 million families. The Black Lung program, an occupation-related program for coal miners, provided more than $1 billion in benefits to nearly one-half million miners and their dependents in fiscal year 1976.

Welfare System

Unlike the social insurance system, the welfare system conditions benefits from its programs on a test of need. Eligibility usually depends on a family's current lack of income, its composition, and its wealth, and not on any prior tax payments or contributions.

In fiscal year 1976, welfare programs accounted for nearly $44.7 billion, or about 24 percent, of all government income-transfer spending. The major cash programs in this category are Aid to Families with Dependent Children (AFDC), Supplemental

Security Income (SSI), veterans' pensions, Emergency Assistance (EA), and the various state general-assistance programs. In-kind assistance to the poor is provided by the food stamp and medicaid programs as well as by a number of housing assistance programs. Following are brief descriptions of these programs.

- <u>Aid to Families with Dependent Children (AFDC)</u>. The AFDC program provides cash assistance to low-income female-headed families with dependent children, and to families in which the father is incapacitated. In roughly half the states, some intact (husband-and-wife) families with an unemployed father are also eligible if they meet rather stringent eligibility requirements. Eligibility standards and payment levels vary widely among states, which are required to administer and pay part of the cost of the program. In fiscal year 1976, the federal government financed about 55 percent of total AFDC benefits out of general revenues; the remainder was financed by the states and some localities. Each state is required to establish a basic "needs standard" for determining eligibility. The amount of benefits a qualified family receives is based on a "payments standard" that is often less than a state's needs standard. In July 1976 the average payment standard nationally for a female-headed family of four was about 60 percent of the poverty threshold. Payment standards as a percent of the poverty threshold ranged from a low of 13 percent in Mississippi to a high of about 90 percent in Wisconsin.

  AFDC families may receive benefits from other income-transfer programs such as social security and Supplemental Security Income, but these benefits are counted as income in determining the AFDC grant. Families eligible for AFDC are automatically eligible for medicaid and in most instances for a minimum amount of food stamp benefits. Federal regulations require states to deduct work expenses from countable income in determining AFDC benefits, but states vary in what they consider to be allowable work expenses.

  In fiscal year 1976, approximately 4.3 million families participated in the AFDC program at some time during the year at a total benefit cost of nearly $9.6 billion. Participation in this program has been estimated to be about 90 percent of the eligible families.

- Supplemental Security Income (SSI). The SSI program provides cash assistance, based on need, to the aged, blind, and disabled. Dependents are not included as beneficiaries, but the children of disabled fathers may be eligible for AFDC benefits. About half of all SSI beneficiaries receive social security benefits; one-third receive food stamps. SSI beneficiaries are not automatically eligible for medicaid in all states but most do qualify.

  For the year ending July 1, 1977, single SSI recipients were guaranteed $167.80 a month or approximately 73 percent of the poverty line for a one-person family. SSI couples were guaranteed a benefit of $231.80 a month, approximately 83 percent of the poverty threshold for a two-person family.

  SSI benefits are periodically adjusted upward to reflect increases in consumer prices. Basic benefits are paid by the federal government, but most states provide a supplementary state payment that can raise monthly benefits to as high as $282 (Massachusetts) for single individuals and $522 (California) for couples. In 30 states the state supplement program is administered by the federal government; the state government administers it in the remaining states. The diversity of payments and administrative complexity of the SSI program reflect the fact that SSI replaced three separate federal/state categorical welfare programs in 1972.

  About 4.4 million persons participated in the SSI program in fiscal year 1976. Total benefit costs were about $6 billion. Participation in this program has been estimated to be between 50 and 70 percent of those eligible.

- Food Stamps. The food stamp program provides needy households with a monthly allotment of coupons that can be used to purchase food. 9/ Eligibility standards and benefit levels are uniform throughout the nation. The federal government bears the entire cost of the benefits and shares the administrative costs with the states, which are responsible for the program's administration. The amount a household pays for the coupons varies with the size and income of the household. The difference between the total value of the coupons and the amount paid for them is the benefit referred to as "bonus coupons." Most households receiving benefits from AFDC, SSI, or state general-assistance programs are automatically eligible for at least a minimum amount of benefits under the food stamp program. Other families, including single persons and childless couples, may qualify on the basis of need.

In fiscal year 1976, the monthly food allotment for a family of four was $166, or about 34 percent of the four-person poverty threshold. In fiscal year 1976, nearly 7.7 million households received assistance through the food stamp program at a benefit cost of nearly $5.3 billion.

- Child Nutrition Programs. These programs provide indirect subsidies to both needy and non-needy children through food assistance programs such as the national school lunch program, the school breakfast program, the summer feeding program, the child care feeding program, and the special feeding program for women, infants, and children (WIC). For every dollar of federal funds transferred through most of these programs, state and local governments pay about three dollars. Federal payments to states, schools, and other sponsors of the various programs are usually based on the family income of the participating children. Children are eligible to

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9/ For a more detailed description of the food stamp program, see Congressional Budget Office, The Food Stamp Program: Income or Food Supplementation?, Budget Issue Paper (January 1977).

receive free lunches, suppers, and breakfasts if their family income is below 125 percent of the poverty level; they may receive meals at reduced prices if the family's income is between 125 and 195 percent of the poverty level. Children from families with incomes above these levels also have breakfast, lunch, and milk costs reduced by more limited amounts in particpating schools. The national school lunch program, which accounts for about 80 percent of child nutrition costs, served about 26 million children in fiscal year 1976 at a federal cost of about $2 billion.

- Medicaid. The medicaid program, enacted in 1965, finances medical care for the needy. Financial responsibility for the program is shared by federal, state, and sometimes local governments, while the administration is handled by the states. There is substantial variation from state to state both in the categories of persons covered and in the benefits to which they are entitled. Arizona is the only state without a medicaid program. By federal statute, AFDC recipients are eligible for medicaid if a program exists; they are, in other words, categorically eligible. State laws have made SSI recipients categorically eligible for medicaid in 35 states. Some states also cover the medically indigent: those who are poor but are not AFDC recipients. Almost half of medicaid recipients are under 21; one-sixth are over 65. In the 19 states in which eligibility is restricted to AFDC and SSI recipients, large segments of the poor population -- poor childless couples, single persons under age 65, the working poor, and intact families -- may not qualify for medicaid.

  In fiscal year 1976, medicaid provided medical services to more than 23 million persons at a cost of $14.6 billion. This is an average of $632 per recipient, but the average by state and by type of recipient varies widely. In Missouri the average was $297, in New York it was $1,160. For dependents under 21 the average cost was $213; for institutionalized blind or otherwise disabled persons it was $17,673. Since participation in other public assistance program usually makes individuals automatically eligible for medicaid, growth in the number of persons receiving benefits from the other programs has automatically pushed up the number of medicaid recipients. Soaring medical costs and an increase in the number of those requiring expensive long-term nursing home care have further increased federal and state outlays.

- <u>Housing Assistance</u>. The various government housing assistance programs lowered shelter costs for an estimated 2.2 million low-income households in fiscal year 1976. The major types of housing assistance, which are primarily federally funded, are public housing and programs that subsidize rent and mortgage payments for low-income families. While the other transfer programs are entitlements -- that is, anyone qualifying for the program must by law be provided with benefits -- participation in the housing assistance programs is limited by the availability of suitable low-cost housing and by the amount appropriated for the programs. Only 8 percent of all households that could qualify under existing laws currently receive assistance. Federal costs for housing assistance were about $2.4 billion in fiscal year 1976.

- <u>Veterans' Pensions</u>. In fiscal year 1976 about 2.2 million non-service disabled veterans and dependents or survivors of veterans received $2.9 billion in veterans' pensions benefits that were financed out of federal funds. Permanently and totally disabled or aged wartime veterans whose income and resources are considered to be insufficient may qualify for benefits. Benefits vary according to physical condition, number of dependents, and income. In fiscal year 1976, the maximum monthly benefit for an unmarried aged veteran was about $173, or 77 percent of the poverty threshold for an aged person. Unmarried widows and children of deceased disabled veterans are also eligible to receive monthly federal benefits if their income and resources fall below specified levels. Excluded in the definition of income are any welfare benefits, 10 percent of retirement benefits, and in the case of the veteran, his spouse's earnings. Needy veterans may also receive health services and housing and educational assistance administered by the Veterans' Administration.

- Emergency Assistance. Just under half of the states have emergency assistance programs that provide cash and in-kind benefits to those low-income families that have emergency needs in a given month. The cost of this program is shared equally by the federal, state and sometimes local governments. Families may not receive emergency assistance for more than 30 consecutive days. Participation in the program is closely related to the condition of the economy. Between 80 and 90 percent of the caseload has been in seven states located primarily in the Northeast. In fiscal year 1976 the average monthly caseload was 34,000 families. The total cost of the program was $65 million, and the average benefit paid per month was $165.

- General Assistance. All states except Arkansas have general assistance programs that provide aid to some needy persons who are ineligible for the federally subsidized cash assistance programs. The programs are entirely a state and local responsibility, and eligibility and benefit levels vary considerably among states. In fiscal year 1976 approximately one million persons received assistance at a cost to the states and local governments of nearly $1.2 billion. Average benefit per recipient was approximately $103 a month.

- Earned Income Credit. While not strictly speaking a welfare program, the federal earned-income credit does supplement the incomes of poor families with earnings and children. It provides a refundable tax credit equal to 10 percent of the first $4,000 of earned income to all such families with total incomes below $8,000. 10/ Those with earned incomes above $4,000 and total incomes below $8,000 receive a credit that is equal to $400 less 10 cents for every dollar earned above $4,000. In 1976, $1.3 billion was transferred to 6.3 million low-income tax units through this credit.

10/ A refundable tax credit is one that can be received as a payment from the federal government if the family's tax liability is less than the value of the credit.

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IMPACT OF THE INCOME-TRANSFER SYSTEM ON THE POOR

The benefits of the income-transfer programs do not go exclusively to those with low incomes. In fiscal year 1976, about one-third of the $124 billion spent for cash social insurance programs went to families whose pre-transfer incomes placed them in the poorest 20 percent of all families (see Table 2). Those in the top quintile -- with pre-transfer incomes over $21,700 per year -- received roughly 12 percent of all social insurance benefits. The benefits of the welfare programs are targeted more on the low-income population. In fiscal year 1976, more than half of these benefits went to families in the lowest quintile, while less than 5 percent went to those in the top quintile.

Table 2. DISTRIBUTION OF TRANSFER BENEFITS TO FAMILIES AND IMPACT OF TAXES ON FAMILIES CLASSIFIED BY PRE-TAX/PRE-TRANSFER INCOME QUINTILES IN FISCAL YEAR 1976

Quintiles a/	Social Insurance	Welfare Benefits	Medical Benefits b/	Taxes c/
Low 20 percent	31.9	56.7	53.2	0.3
Second 20 percent	28.4	24.2	26.5	3.3
Third 20 percent	16.2	10.2	10.5	13.1
Fourth 20 percent	12.0	5.2	5.4	24.5
High 20 percent	11.5	3.7	4.5	58.8
Total d/	100.0%	100.0%	100.0%	100.0%
Total (in billions)	$124.0	$ 27.6	$ 41.4	$206.2

SOURCE: Based on Congressional Budget Office, Poverty Status of Families Under Alternative Definitions of Income, Background Paper No. 17, Revised (June 1977).

a/ The upper limits of each quintile are: low 20 percent, $1,812; second 20 percent, $7,871; third 20 percent, $13,994; and fourth 20 percent, $21,682.

b/ Includes both medicare and medicaid benefits.

c/ Includes federal personal income and employee taxes and state income taxes.

d/ Components may not add to totals because of rounding.

Overall, the various income-transfer programs do much to alter the poverty status of the low-income population. About 21.4 million families -- 27 percent of all families -- were in poverty in fiscal year 1976 before public transfer payments; social insurance benefits, exclusive of medicare, reduced the number of families in poverty to 12.5 million or 15.7 percent of all families (see Table 3). The addition of welfare benefits, exclusive of medicaid, reduced the number of families counted as

TABLE 3. NUMBER AND PERCENT OF FAMILIES BELOW 100 AND 150 PERCENT OF POVERTY UNDER ALTERNATIVE DEFINITIONS OF INCOME IN FISCAL YEAR 1976: FAMILIES IN THOUSANDS a/

	Pre-Tax Pre-Transfer Income	Pre-Tax Post-Social Insurance Income	Pre-Tax Post-Welfare Transfer Income	Pre-Tax Post-Medical Benefits	Post-Tax Post-Total Transfer Income b/ I	Post-Tax Post-Total Transfer Income b/ II
Number of Families Below 100% of Poverty	21,436	12,454	8,978	6,441	9,165	6,597
Percent of all Families	27.0	15.7	11.3	8.1	11.5	8.3
Number of Families Below 150% of Poverty	27,164	19,546	17,958	14,317	19,284	15,535
Percent of all Families	34.2	24.6	22.6	18.0	24.3	19.5

SOURCE: See Appendix Table C-3.

a/ Families are defined to include unrelated individuals as one-person families.

b/ Column I excludes medicare and medicaid benefits received by families participating in these programs; Column II includes medicare and medicaid benefits.

poor to 9.0 million or 11.3 percent of all families. 11/ If medicare and medicaid benefits are counted as income, the number of poor families drops to 6.4 million or 8.1 percent of the total. 12/ Some families are pushed back into poverty when taxes are subtracted from their incomes. These taxes, which for the low-income population are primarily payroll taxes, cause the post-tax/ post-transfer poverty count to rise slightly, to 9.2 million, or roughly 11.5 percent of all families. Overall, there is about a 57 percent reduction in the incidence of poverty resulting from the government income-transfer and tax systems.

More than one-third of all families were below the level of 150 percent of poverty on the basis of their pre-transfer income in fiscal year 1976. After taxes and all transfers except medical benefits, about one-fourth of all families fell below the level of 150 percent of poverty; a 30 percent reduction from the pre-transfer count.

IMPACT OF THE INCOME-TRANSFER SYSTEM ON TARGET POPULATIONS

The income-transfer programs have different effects on different types of low-income families. The current system

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11/ Actual benefits received are counted as income, it is assumed that in-kind benefits are valued at their full cost to the government.

12/ To arrive at this estimate, medicare and medicaid benefits were distributed among classes of recipients according to their average utilization rates. Since current poverty levels are based on normal health expenditures, which may be small for the poor, this approach can be criticized since it implies that a family can be made non-poor by incurring large health costs. But receipt of benefits from these programs does provide some health services that the low-income family would have purchased out of their limited income, so completely excluding them would understate increased resources to the low-income family.

provides fairly significant benefits to those families with heads who cannot work or are generally not expected to work -- the aged, the disabled, and mothers with dependent children. The system does less well for intact families and the working poor.

Aged. The current system benefits families headed by a person over 65 more than it does families with a younger head. Sixty percent of the families headed by a person 65 or older had pre-transfer incomes below the poverty level in fiscal year 1976, but after taxes and transfers, poverty in this group was reduced to 14 percent. Income-transfer programs moved 7.4 million elderly families out of poverty, 6.2 million by social insurance programs, and 1.2 million by welfare programs (see Table 4).

Family Type. The incidence of poverty for families headed by females is reduced significantly under the current system but remains high relative to that of the total population. Nearly 47 percent of the families headed by females were poor before transfers in fiscal year 1976; transfers reduced the incidence to about 18 percent.

While intact families had a pre-transfer poverty incidence of nearly 14 percent in fiscal year 1976, this incidence was reduced to 4.4 percent after transfers and taxes. Intact families, like the aged, benefited primarily from the social insurance programs. About one out of every six of the intact families removed from poverty by transfers was removed as a result of welfare programs.

Race. Although the pre-transfer incidence of poverty is greater for nonwhites (43.8 percent) than for whites (24.7 percent), the relative impact of transfer payments in alleviating poverty is greater for whites. The number of white families in poverty is reduced by 60 percent by transfer programs, while the number of nonwhite families in poverty is reduced by 48 percent. Poor whites, more of whom are aged or unemployed, benefit relatively more from the social insurance programs, while nonwhites benefit more from welfare programs.

Working Poor. The incidence of pre-transfer poverty among those families whose head worked more than 50 weeks in the year was 4.6 percent. The current transfer system removes about 45 percent of these families from poverty, primarily through the

TABLE 4. IMPACT OF TRANSFER PROGRAMS ON THE INCIDENCE OF POVERTY BY TYPE OF FAMILY IN FISCAL YEAR 1976: PERCENT OF FAMILIES

Characteristics of Family	Pre-Tax Pre-Transfer Income	Pre-Tax Post-Social Insurance Income	Pre-Tax Post-Welfare Transfer Income	Pre-Tax Post-Medical Benefits	Post-Tax Post-Total Transfer Income a/ I	II
ALL FAMILIES	27.0	15.7	11.3	8.1	11.5	8.3
Age of Head						
Under 65	18.6	14.2	10.6	8.6	10.9	8.9
65 and Over	59.9	21.5	14.1	6.1	14.1	6.1
Sex of Head b/						
Male	14.0	6.0	4.3	3.4	4.4	3.5
Female	46.7	36.7	18.2	10.4	18.2	10.4
Race						
White	24.7	13.3	9.8	7.1	10.0	7.3
Nonwhite	43.8	33.6	22.7	15.9	23.0	16.1
Working Status c/						
Full-Time	5.3	3.9	2.8	2.6	3.0	2.8
Non-Working	52.3	29.4	21.2	14.5	21.5	14.7
Region						
South	30.8	19.5	15.4	11.9	15.6	12.1
West	26.2	15.6	10.4	8.0	10.6	8.2
Northeast	26.4	14.0	9.0	5.6	9.2	5.7
North Central	23.3	12.5	9.0	5.7	9.2	5.9

SOURCE: See Appendix Table C-3.

a/ Column I excludes medicare and medicaid benefits received by families participating in those programs; Column II includes medicare and medicaid.

b/ Excludes single unrelated individuals.

c/ Defines full-time as working 50 weeks a year or more; defines non-working as less than 50 weeks during the year or not in labor force.

social insurance programs. Many of the working poor families removed from poverty as a result of income transfers are female-headed families with dependent children. Before income-transfers nearly 281 thousand families headed by a female who worked full time and had dependent children were below the poverty threshold. After transfers, 72 thousand remained in poverty, a 74 percent reduction. The reduction for similar male-headed families was 48 percent. The incidence of poverty after transfers was still slightly higher for working female-headed families (2.6 percent) than for working male-headed families (1.5 percent).

Region. The southern region of the country suffers the highest incidence of poverty both on a pre-transfer basis (30.8 percent) and after transfers (12.1 percent). 13/ The northcentral and northeast regions had the lowest incidence of pre-transfer poverty in fiscal year 1976, 23.3 and 26.4 percent respectively. Government transfers reduce the incidence of poverty to 9.2 percent in both regions. In the South, the number of families removed from poverty by transfers was 49 percent, compared to 65 percent in the Northeast, reflecting the fact that the current system appears to benefit industrialized-urban areas more than agricultural-rural areas.

THE IMPETUS FOR WELFARE REFORM

Few would disagree that the welfare system is in need of reform, but "reform" means very different things to different people. The perceived inadequacies or problems at which reform efforts are ususally directed include: excessive total costs; excessive fiscal burden on states and localities; inadequacies and inequities caused by low benefits, spotty program coverage, and interstate variations in programs; administrative complexities; and certain undersirable social and

13/ The use of national poverty thresholds to count families in poverty by region of residence may exaggerate the differences among regions if there are regional cost-of-living differentials. For example, if the cost of living is lower in the South and West, as some people contend, the estimates in this paper overstate the poverty incidence in these regions and understate the number of poor families in the northeast and north central regions.

economic distortions such as disincentives to work and incentives to break up families.

Costs and Caseloads. Some critics of the current welfare system feel that the costs and caseloads are growing too rapidly and are too large. Over the last decade total federal, state and local expenditures for welfare benefit payments increased from $7.5 billion to an estimated $44.7 billion (see Table 5). Over the same period, the number of persons on welfare has increased dramatically. For example, AFDC caseloads have more than doubled, the number of housing assistance recipients has increased nearly fourfold, and the number receiving food stamps or commodities has gone up threefold.

Spending and caseloads have grown for a number of reasons. First, new programs such as medicaid, food stamps, SSI, and Section 8 housing assistance have been created since the mid-sixties. Second, benefits have been raised, coverage expanded, and restrictions relaxed in many programs. For example, since 1969 states have been required to exclude all earnings of children enrolled in school and a portion of the earnings of other family members in calculating AFDC benefits. Third, population growth and increased participation of those who are eligible have swollen caseloads and costs. The number of female-headed families, for example -- those categorically eligible for AFDC -- has grown by almost 90 percent since 1966, and the proportion of the eligible who actually participate has risen from about 50 percent in the 1960s to about 90 percent today. 14/

Fiscal Relief. Some critics are primarily concerned with the fiscal burden that the current welfare system places on state and local governments and view reform as a vehicle for providing fiscal relief. States and sometimes local governments share in the benefit costs and administrative costs of such programs as

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14/ Barbara Boland, "Participation in the Aid to Families with Dependent Children Program (AFDC)," in "The Family, Poverty, and Welfare Programs: Factors Influencing Family Instability," Studies in Public Welfare, Joint Economic Committee, Subcommittee on Fiscal Policy, Paper No. 12, Part I, (November 1973).

Table 5. RECIPIENTS AND TOTAL FEDERAL, STATE, AND LOCAL BENEFIT COSTS FOR WELFARE PROGRAMS IN FISCAL YEARS 1966 AND 1976: RECIPIENTS IN THOUSANDS; DOLLARS IN BILLIONS

Programs	1966 Recipients a/	1966 Benefits	1976 Recipients a/	1976 Benefits
Aid to Families with Dependent Children	4,666	$1.8	11,278	$ 9.6
Supplemental Security Income b/	2,745	2.2	4,384	6.0
Veterans' Pensions	2,170	0.3	2,242	2.9
Food Stamps	864	0.1	18,526	5.3
Food Donation Program	5,169	0.3	80	0.0 e/
Child Nutrition c/	18,040	0.3	25,650	2.0
Housing Assistance	609	0.3	2,248	2.4
Medicaid d/	--	1.9	23,119	14.6
General Assistance	663	0.3	968	1.2
Emergency Assistance	--	--	33	0.7
Earned Income Credit	--	--	6,282	1.3
TOTAL	-- f/	$7.5	-- f/	$46.0

SOURCE: Social Security Bulletins and administrative sources; Preliminary Statistics of Income, 1975 Internal Revenue Service.

a/ Average number of recipients per month.

b/ Includes old state assistance programs for the aged, blind, and disabled.

c/ National school lunch program only; the number of recipients represents the average number of lunches served daily in the program.

d/ Includes medical vendor payments in programs replaced by medicaid, number of recipients in fiscal year 1966 is not available.

e/ Less than $100 million.

f/ Cannot be totaled due to multiple program entitlements.

AFDC, medicaid, and state supplements to SSI; the administrative costs of the food stamp program; and the full costs of general assistance programs. State and local benefit costs in the major welfare programs grew from $3.0 billion in fiscal year 1966 to $13.9 billion in fiscal year 1976.

Inadequacies and Inequities. Other critics are concerned primarily with the inadequacy of the benefits provided by current programs, and with the inequities that result from state-to-state variations in benefits and coverage. For those who consider the poverty threshold a crude measure of adequacy, welfare benefit levels fall far short of the mark. In only about 15 to 20 states would a female-headed family of four with no other income receive enough from the AFDC and food stamp programs to be lifted out of poverty. Inequities arise from the current situation in which, for example, the benefits for a family of four in Mississippi amount to only 13 percent of the poverty threshold, while in Wisconsin they are as high 90 percent of the threshold. Furthermore, in some states many low-income families simply are not covered by any program except food stamps, while in others they may receive a wide range of benefits. An intact family with an unemployed head and children may receive medicaid, AFDC, and food stamp benefits in Massachusetts but be eligible only for food stamps in Arizona.

Finally, some critics of inequities in the current system point to the fact that some persons with relatively high incomes can receive welfare benefits. They also object to the fact that some recipients can receive more in benefits from a number of welfare programs than others can earn from full-time jobs. This is partly the result of the lack of coordination among the multiple welfare programs and partly the result of a deliberate effort to provide welfare recipients with work incentives by reducing their benefits by only a fraction of the amount they earn.

Administrative Complexities. Another concern is that the uncoordinated and overlapping programs of the welfare system are administratively costly and needlessly complex. In fiscal year 1976, the administrative costs of the welfare system were roughly $3.5 billion or about 8 percent of total benefit costs. Each program has its own rules and regulations and is separately administered, even though much of the same information is required -- often from the same people -- to determine eligibility and benefits. This complex and duplicative administrative system is confusing for welfare workers and recipients alike. It may lead to high error rates and opportunities for fraud. For some recipients, the system may delay, distort, or deny benefits. Others consider the varied investigative procedures repressive and demeaning.

Advocates of administrative simplification would consolidate some programs and coordinate others. They believe that simplified eligibility and benefit rules and uniform application procedures across programs could save administrative costs and produce a system that is more intelligible to the populations it serves. 15/

Social and Economic Distortions. Other critics of the current system are most concerned about the possible tendencies of existing programs to discourage work, undermine family stability, promote larger families, encourage unproductive migration, stigmatize recipients, and undermine the self-esteem and confidence needed to get off welfare.

Two factors in the current mix of programs are thought to discourage welfare recipients from working. First, the benefits available in some states exceed what a recipient could earn. Second, the high rate at which welfare benefits are reduced as other income increases -- the benefit reduction or marginal tax rate -- yields little gain in total income from working. 16/

15/ See State of California, Governor's Office, Welfare Reform in California...Showing the Way (1972).

16/ In 1969 the maximum AFDC tax rates that states could impose on earned income was lowered from the explicit 100 percent level to 67 percent. This adjustment has been partially offset, however, by increases in the benefits and tax rates of other programs, particularly food stamps. On average, one additional dollar in earnings results in an estimated reduction of 52 to 76 cents in net income when the combined effects of the various programs are considered. See Leonard Hausman, "Cumulative Tax Transfer Programs: How They Tax the Poor," Studies in Public Welfare, Joint Economic Committee, Subcommittee on Fiscal Policy, Paper No. 4 (April, 1974).

This high rate results when recipients receive benefits from several separate programs, each with its own tax rate. Sometimes there are large benefit "notches" that mean that an additional dollar in earnings can result in more than a dollar loss in total income. For example, at some income levels an AFDC family that earns another dollar will lose its AFDC benefit and thus lose the free medical coverage provided by medicaid, which may be worth hundreds of dollars to the family. 17/

Overall, the evidence suggests that current income-transfer programs discourage work effort and that higher welfare guarantees and higher welfare tax rates influence mothers to work less. For families receiving cash or in-kind transfers in the current system, it is estimated that the number of hours worked has been reduced between 7.4 and 18.6 percent. 18/

Because assistance is provided primarily to female-headed families with children, many critics feel that current transfer programs influence family structure by disrupting marriages, delaying or discouraging the remarriage of divorced or widowed mothers, and increasing illegitimate births. While it is true that the proportion of families headed by one parent (primarily a mother) has nearly doubled over the last ten years, the influence of the current transfer system, as distinguished from

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17/ See David W. Lyon, "The Dynamics of Welfare Dependence: A Survey," The Rand Papers Series, P-5769, The Rand Corporation (Santa Monica, California, December 1976). This study reports that 83 percent of all AFDC cases in New York City receive cash and in-kind benefits with a value higher than the poverty threshold, and that 95 percent have multiple benefit incomes (including medicaid) higher than could be achieved working full time at a minimum wage job.

18/ See Irwin Garfinkel and Larry Orr, "Welfare Policy and the Employment Rate of AFDC Mothers," National Tax Journal, XXVII (June 1974); Glen G. Cain and Harold Watts, Income Maintenance and Labor Supply Econometric Studies, (Chicago: Markam, 1973); Leonard Hausman, "Cumulative Tax Transfers: How They Tax the Poor;" Robert Plotnick, Transfers, Labor Supply and Income Distribution: Towards an Income Equilibrium, Unpublished research paper,(Madison, Wisconsin, Poverty Research Institute, 1976).

other, more general social forces, is difficult to isolate. There is some evidence that higher welfare payments are associated with higher proportions of families headed by females and larger proportions of welfare recipients. 19/ There is also evidence, however, that economic deprivation and insecurity may affect the amount of stress and conflict between parents. 20/ Beyond the issue of whether welfare influences the splitting of families, the evidence suggests that welfare does relieve the pressure for remarriage, even though it may not be a cause of the initial family breakup. 21/

There is no conclusive evidence to support the claim that the welfare system has caused increases in child-bearing by increasing benefits for each additional child -- benefits that may exceed the direct cost of raising another child. 22/ And,

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19/ See Marjorie Honig, "The Impact of Welfare Payment Levels on Family Stability," in "The Family, Poverty, and Welfare Programs: Factors Influencing Family Stability," Studies in Public Welfare, Joint Economic Committee, Subcommittee on Fiscal Policy, Paper No. 12, Part I (November 1973).

20/ Heather Ross and Isabel Sawhill, Time of Transition (Washington, D.C., The Urban Institute, 1975) and Perspective on Human Deprivation, National Institutes of Health, U.S. Department of Health Education and Welfare (1968).

21/ Heather Ross and Isabel Sawhill, Time of Transition, and Number, Timing and Duration of Marriages and Divorces in the United States: June, 1975 Current Population Reports, Series P-20, No. 297 (October 1976). Other studies suggest that higher welfare payments may also be associated with higher rates of illegitimacy. See Barbara Janowitz, "The Impact of AFDC on Illegitimate Birth Rates," Journal of Marriage and the Family (August 1976), and Premarital Fertility, Current Population Reports, Series P-23, No. 63 (August 1976).

22/ Glen Cain, "Effects of Income Maintenance Laws on Fertility in the United States," in Robert Parke, Jr. and Charles F. Westoff (ed.), Aspects of Population Growth, Research Reports, Vol. 6, U. S. Commission on Population and Future Alternatives (Washington, D. C., 1973).

although many people contend that interstate variations in benefit levels promote migration, studies of this problem fail to demonstrate clearly whether or not such effects really occur. 23/ A reason for this failure is that it is difficult to determine whether people who migrate to high-benefit states do so because of the prospect of higher paying, long-term employment or because they are pursuing the promise of more generous benefits. 24/

23/ See Julie DaVanzo, "An Analytical Framework for Studying the Potential Effects of an Income Maintenance Program on U.S. Interregional Migration," (Santa Monica, California: RAND, 1972); and Julie DaVanzo and David H. Greenberg, Assessing Regional Effects of Income Maintenance Programs: A Guide to Policy Analysis (Santa Monica, California: RAND, 1974).

24/ In the late 1960s the Supreme Court (Shapiro v Thompson) declared state residency requirements for welfare recipients unconstitutional. While this change may have had an impact on migration decisions, it is difficult to assess.

CHAPTER III. GENERAL APPROACHES TO WELFARE REFORM: OBJECTIVES, ISSUES, AND IMPORTANT PROGRAM CHARACTERISTICS

The various criticisms of the current welfare system have generated rather disparate approaches to reform. Before describing these approaches, it is useful to review the objectives and essential characteristics of a welfare system and some of the issues that must be faced in designing one. Such a review can provide the criteria for comparing and evaluating different approaches and specific plans.

OBJECTIVES AND ISSUES

The general objectives of a welfare system are to provide adequate support for those at whom the system is directed through programs that are fair and efficient and that encourage self-sufficiency and discourage nonproductive or antisocial behavior. 1/ It may be easy, in the abstract, to generate a consensus behind each of these individual goals, but tradeoffs among the goals and various interpretations of the concepts make their practical application controversial and difficult.

While all might agree that the level of benefits provided by the welfare system should be "adequate," there is no consensus on what constitutes adequacy. Some would argue that the poverty thresholds represent a sufficient level of assistance, while others feel that some other absolute measure, such as the Bureau of Labor Statistics' Lower Family Budget, 2/ or a relative

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1/ For a more detailed discussion of the objectives of a welfare system, see Michael C. Barth, George J. Carcagno, and John L. Palmer, Toward an Effective Income Support System: Problems, Prospects, and Choices (Madison, Wisconsin: Institute for Poverty Research, 1974).

2/ See Bureau of Labor Statistics, "Revised Estimates for Urban Family Budgets and Comparative Indexes for Selected Urban Areas, Autumn 1975" (U.S. Department of Labor, May 1976).

measure, such as one-half of the median family income, would be more appropriate. A related issue is whether one national standard can be considered adequate in a nation in which the costs and standards of living vary from place to place.

There is also considerable disagreement over whom the welfare system should cover. Most of the older welfare programs were designed to provide benefits to segments of the low-income population that were considered the most deserving because they were incapable of helping themselves. Dependent children, the aged, blind, and disabled fell into this group. Needy veterans were also considered deserving because of their wartime service to the nation. More recently, in-kind welfare programs such as food stamps and housing assistance have made the coverage of the current system more universal, but the issue remains of whether a reformed welfare system should be available to all those with low incomes or whether it should be restricted to certain types of low-income persons. It is possible, of course, to categorize those in need into different groups and design specific welfare programs for each group. This would result in a system like the current one; it would be universal but not uniform and could be structured to concentrate benefits on certain categories of the low income population.

A reasonable definition of a fair system is one that provides both horizontal and vertical equity. Horizontal equity requires that families with equal needs or in similar circumstances be treated in the same manner by the system. Vertical equity demands that those with greater needs receive more generous benefits than those with lesser needs. What is at issue, however, is how to calculate the relative needs of different families.

An efficient welfare system is one that is inexpensive to administer, one that involves few instances in which persons get either more or less than they are entitled to, and one that concentrates benefits on those most in need -- in other words, one that is target-efficient.

A system that encourages self-sufficiency provides work incentives; does not discourage savings or assistance by family, friends, and private charities; and does not reduce employability by stigmatizing the recipient. Of course, the goal of self-sufficiency can be pursued through many mechanisms -- training programs to enhance the skills and employability of recipients, mandatory work registration, job counseling and placement services, guaranteed public service employment, and financial incentives that leave recipients who work better off than those who choose not to work. Controversy over these mechanisms has centered around the relative emphasis that should be placed on each one.

A system that discourages nonproductive behavior would not provide incentives for people to do such things as change their family circumstances or place of residence to increase their benefits.

In any welfare system, these goals inevitably compete with each other. Achievement of one goal may be possible only at the expense of another. For example, the greatest equity could be achieved by evaluating need on a case-by-case basis, but such an individualized process would be very costly to run and would conflict with the goals of administrative efficiency and simplicity. Similarly, greater equity and target efficiency could be achieved through a system that limited benefits exactly to needs, a system that reduced payments dollar for dollar according to increases in earnings. But such a system could act as a work disincentive, undermining the objective of encouraging self-sufficiency.

The goals of providing adequate benefits and encouraging self-sufficiency can also be in conflict. With a limited budget, high basic benefits for those with no income can be realized only if benefits are reduced significantly for those with some income. But if benefits are reduced significantly when a recipient earns money, the recipient has little financial incentive to work. If the basic benefit given those with no other income were lower, a more gradual reduction of benefits for those with earned income could be instituted at the same cost to provide greater work incentives. But the lower basic benefit might be considered by some to be inadequate.

GENERAL APPROACHES TO WELFARE REFORM

There are both direct and indirect approaches to assisting the low-income population. Among the indirect approaches are strategies directed at changing those aspects of the labor market or the social insurance system that are most likely to affect the low-income population. For example, increased minimum wages,

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expanded public service employment and training programs, higher unemployment insurance benefits, and increased social security payments for retired workers who had low earnings are possible indirect ways of helping the poor. By and large, these approaches are not dealt with in this paper, which focuses primarily on direct approaches to changing the welfare system itself. Included in this direct approach are strategies for incremental change and for comprehensive restructuring.

Incremental Change

The term "incremental change" covers a wide range of proposals, some of which involve only marginal changes in current programs, while others would substantially alter the basic structure or form of one or more programs or add entirely new programs. What distinguishes the incremental approach is that it builds off the current system and its programs. Generally this approach involves changes that are made one step at a time -- changes designed to fill gaps and answer criticisms of the current system. Incremental proprosals would therefore leave the welfare system a categorical one with responsibilities shared by the federal, state, and local governments.

Some incremental proposals consist of many changes to be implemented over a number of years; once in place, they would result in a system not very different from that proposed by some comprehensive restructuring proposals. Incrementalism in such instances may be simply a tactic for implementing comprehensive reform.

The current welfare system is largely the product of incremental change. 3/ Since the passage of the Social Security Act

3/ For a legislative history of the major welfare programs, see Joint Economic Committee, Subcommittee on Fiscal Policy, "Handbook of Public Income Transfer Programs: 1975," Studies in Public Welfare, Paper No. 20. Incremental changes approved by the 94th Congress, 2nd session, included SSI legislation that expanded rehabilitation services for disabled children under age six and broadened the scope of living arrangements in which individuals could be eligible for SSI (P.L. 94-566); that excluded entirely the value of an owner-occupied home for the assets test (previously, only up to $25,000 of the market value of a home was excluded) (P.L. 94-569); and that mandated states to pass through the federal cost-of-living increase rather than absorb the increase by reducing state supplements (P.L. 94-585).

of 1935, the eligibility requirements and benefits of the original programs have been liberalized, and coverage has been extended to new groups. In the AFDC program the parent of the dependent child was covered after 1950. In 1961 states were permitted to assist children in families with unemployed fathers and to extend coverage to foster children; since 1962 states have been required to deduct work expenses in determining for eligibility and benefits. In 1966 the formula for allocating the costs of AFDC was changed to increase the federal contribution, and in 1969 a uniform earned-income disregard was enacted for establishing payment levels (the so-called "$30 plus one-third").4/

Incremental changes in the existing system have also involved the addition of new programs. Among the major additions have been the food stamp program in 1964, medicaid in 1965, and Section 8 housing assistance in 1974. Also, old programs have been restructured. For example, the original federal/state assistance programs for needy aged, blind, and disabled persons (Old Age Assistance, Aid to the Blind, and Aid to the Permanently and Totally Disabled), were replaced by the nationally uniform federal Supplemental Security Income (SSI) program in 1974.

Today, incremental reform continues to be an important approach for shaping the future of the welfare system. Among the current proposals that could be classified as incremental reform are those designed to tighten program administration and rules in the hope of reducing expenditures and better targeting benefits on the most needy; reforms designed to expand eligibility and liberalize and standardize the benefits of existing programs; proposals that would rationalize, integrate, and coordinate the existing programs; and proposals for new programs, such as a housing allowance, to fill perceived gaps in current coverage.

Advocates of the incremental approach feel that its major advantages are that it may be more feasible politically and less risky than comprehensive restructuring. Despite its many problems, the current system does have considerable acceptance. Certain groups benefit from it and special constituencies defend it. Social and economic patterns have adjusted to its existence

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4/ The goal of disregarding the first $30 of monthly earnings plus one-third of the rest in calculating AFDC benefits was to provide a positive work incentive for recipients to work their way off the welfare rolls. In practice, it has some instances allowed a number of higher-income families to receive a supplement from welfare.

and its peculiarities. Bureaucracies in the executive branch and committees in the legislative branch have vested interests in the existing system. A major reform or restructuring is likely to hurt some current beneficiaries and disrupt existing patterns of behavior. This possibility, or the fear of it, could possibly generate some opposition to any comprehensive approach to reform. By nature, incremental reform is limited in scope and thus less threatening to existing interests.

Incremental reform also involves fewer risks. Despite a number of social experiments and a considerable research effort, little is known about how a totally restructured system will affect labor markets, industry, and family and social patterns.5/ There is also some doubt that the federal government could administer some of the more complex reform alternatives even as well as the current system is being administered. Advocates of an incremental approach argue that these uncertainties dictate that reform be implemented slowly in a step by step fashion that builds on the current system.

Finally, there is the budgetary argument for incrementalism. In the short run, the costs of incremental reforms can be kept fairly small. In contrast, many observers feel that any politically feasible comprehensive reform proposal will probably cost considerably more than the existing system because most comprehensive proposals would considerably expand the eligibility or

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5/ See Albert Rees and Harold W. Watts, "An Overview of the Labor Supply Results," in Joseph A. Pechman and P. Michael Timpane (ed.), Work Incentives and Income Guarantees: Results from the Negative Income Tax Experiment, (Brookings Institution, 1975); Department of Health, Education, and Welfare "Rural Income Maintenance Experiment," (November 1976); Michael C. Keeley, Phillip K. Robins, Robert G. Spiegelman, and Richard W. West, The Estimation of Labor Supply Models Using Experimental Data: Evidence From the Seattle and Denver Income Maintenance Experiments, (Menlo Park, California: Stanford Research Institute, 1976); and Philip K. Robins, Robert G. Spiegelman, "Labor Supply Responses to a National Income Maintenance Program: Preliminary Estimates Based on Results from Seattle and Denver Income Maintenance Experiments" (paper presented at the 89th annual meeting of the American Economics Association, Atlantic City, New Jersey, September 17, 1976).

coverage of the existing system. Unless those groups already covered have their benefits reduced -- which is unlikely, judging from past experience -- the expansion of coverage will drive costs up substantially. If the other constraints on the federal budget mean that such resources are not available, the incremental approach may be the only viable alternative.

The basic disadvantage of the incremental approach is that, by building on the current system, it retains the basic weaknesses of that system: namely that it is a composite of ill-coordinated programs, each designed to meet individual objectives. While it might be possible to provide some greater coherence to this collection of programs, the major tradeoffs between competing objectives for the system as a whole are not likely to be faced up to in incremental reform, so the broad objectives of reform would be difficult to achieve. By not highlighting the tradeoffs, incremental reform runs the risk of failing to remedy some existing problems or in fact worsening them.

Even though an incremental strategy might be part of a grand design, there is no assurance that future legislation would follow the same reform path unless the overall goal is specified and the steps by which it would be achieved are carefully spelled out. Furthermore, by creating vested interests, incremental reform may compromise the ability to alter the course of future reform. It is possible that once some of the glaring problems in the current systems were dealt with, the impetus for reform would die out and the nation would be left with a welfare system distinctly inferior to one it could have had under a comprehensive approach.

Comprehensive Restructuring

The comprehensive restructuring approach involves radically altering the current system. Comprehensive change can be classified into three broad types:

- The packaged incremental reforms strategy, which would simultaneously change a number of existing programs in a way that stressed the integration of current programs with the achievement of overall objectives.

- The comprehensive cash assistance strategy, which would replace many of the current programs with a single cash system that followed the principles of a negative income tax.

- The work-welfare strategy, which would substitute for the existing categorical welfare system a more comprehensive and simplified group of programs that distinguished between those who were expected to work and those who were not and provided each group with a different type of assistance.

<u>Packaged Incremental Reforms</u>. Making changes in a number of existing programs all at once is a form of comprehensive reform in the sense that it allows for the rationalization of the current system and an assessment of the tradeoffs involved in balancing competing program objectives. A major advantage of this packaged strategy over simple incremental reform is that it forces a direct evaluation of the integrated impact of a multiple-program system. Further, it shares some of the alleged strengths of the incremental approach: it would build off existing programs and therefore would not threaten the recipients, bureaucracies, and legislative groups that have vested interest in the current system; and it might cause less abrupt or radical budgetary, social, labor market, and industrial shifts than might arise from a totally new system.

This strategy, however, runs a risk of not achieving rational integration of existing programs because it would require legislative changes in a number of separate programs, an effort that might be difficult to coordinate. Furthermore, the problems that are inherent in the current system -- the financial strain placed on state governments, the complex administrative setup, and so forth -- may not be solved even with a package of incremental reforms.

<u>Comprehensive Cash Assistance</u>. Another comprehensive approach to welfare reform would replace a number of existing cash and in-kind welfare programs with a single program providing cash benefits. These benefits would be available to all who met simplified eligibility criteria, criteria which would stress the incomes and assets of applicants rather than their family situations or potential for employment. In other words, the program

would be universal rather than categorical in nature. Work or self-sufficiency incentives would be provided solely by reducing a recipient's benefit by less than the amount he or she earned; that is, benefits would phase out gradually so that those who worked would be better off than those who didn't. The program could be administered by a single agency -- possibly the Internal Revenue Service.

Sometimes this approach is referred to as a negative income tax (NIT) because it represents an extension of the current positive income tax system to those low-income persons who have no income tax liability. The NIT would provide payments -- or negative taxes -- based on some of the same criteria that determine current tax liabilities: the level of pre-transfer income, family size, etc.

Advocates of the comprehensive cash assistance approach believe that it has a number of advantages over the alternatives. First, they feel it would be more equitable because it would provide a more uniform treatment of low-income persons; all would be subject to the same basic program and set of benefits. Second, because all of the assistance would be provided in cash, rather than some in-kind, the recipients would have a maximum amount of freedom to decide how to use the resources to best meet their particular needs. Furthermore, by not categorizing persons or constructing elaborate work requirements, the NIT would not induce recipients to change their family situations or labor market behavior to gain the program's benefits. To the extent that the program was integrated with the tax system it could become more or less automatic, and recipients would be subject to a minimum amount of stigma and loss of self-esteem. Third, this approach could simplify the administration of the welfare system and reduce administrative costs by eliminating duplication. It would provide a framework in which the various national objectives in the welfare area could be seen clearly and decided upon. A single federally financed program could also serve to sort out and rationalize the roles of federal, state and local governments in the welfare area.

Opponents of the comprehensive cash assistance approach argue that is has a number of weaknesses. First, universality may not be an advantage if the causes of poverty fall into a number of distinct categories, each calling for a different solution. Providing the same treatment for all could be unfair, excessively costly, and generally bad public policy. Maintaining separate programs such as medicaid, housing assistance, and food stamps may be a more efficient way of addressing the individual needs of the poor.

Second, the administrative simplicity and attendant cost savings of the comprehensive cash approach may be illusory. Since the economic and family circumstances of individuals may change from month to month, it would be impossible to simply graft a comprehensive cash assistance plan onto the income tax system, which for the most part makes adjustments only once a year. Even the administrative experience of the social security or SSI programs would not be particularly relevant because old age, disability, and blindness are, for the most part, more permanent characteristics than economic need among the non-aged. The administrative mechanism required for a comprehensive cash assistance program might have to be much like the existing mechanisms for the food stamp or AFDC program, and the savings much smaller than might have been expected.

Third, the comprehensive cash assistance approach may be quite costly because it does not allow for different treatments of different types of families. To provide adequate benefits for those unable to work, there would be pressure for a relatively high basic benefit. But the desire to provide a strong work incentive could result in a pressure for a low benefit-reduction rate. If this occurs, the breakeven level -- the income level at which a family no longer receives a benefit -- could be fairly high and the cost of the program quite large.

The first of the recent comprehensive cash assistance proposals, the NIT plan advanced by Milton Friedman,called for replacement of all income assistance programs, including unemployment insurance, social security, and other government retirement programs. 6/ More recent proposals have called for substituting a negative income tax for only some of the existing welfare programs. For the most part, in-kind welfare programs such as medicaid, housing assistance, and child nutrition would not be affected by these proposals. In 1969 the Nixon Administration put forward the Family Assistance Plan (FAP), a reform proposal that followed the basic approach of compre-

6/ Milton Friedman, Capitalism and Freedom (Chicago: The University of Chicago Press, 1962), p. 191.

hensive cash assistance. FAP was passed by the House of Representatives in 1970 and 1971 but was never approved by the Senate. The reasons for the failure of this first major attempt at comprehensive welfare restructuring were numerous. Some opposed direct cash relief for families with persons who were able to work. Others considered FAP's benefits either excessively generous or miserly. Some felt that FAP's work incentives were too weak, others that they were too strong. The failure of FAP demonstrated, among other things, the difficulty of reaching general agreement about such basic program parameters as eligibility, basic benefits, and work incentives. Conflicts occurred even within similar philosophical frameworks; both liberals and conservatives were divided among themselves. 7/

Work-Welfare. Since at least as early as the seventeenth century in Great Britain, persons involved with welfare policy have been concerned over the possibility that the existence of welfare programs might undermine the work effort of the low-wage labor force. Policymakers have long debated whether welfare benefits should be made available to those capable of employment and whether it is possible or prudent to put able-bodied welfare recipients to work as a condition for receiving benefits. The work-welfare or multi-track approach to reform encompasses proposals that would make working or willingness to work a condition for receiving benefits. These proposals call for categorizing the low-income population into those who would not be expected to work (usually the aged, the disabled, and those who are taking care of small children) and those regarded as employable. The former group would receive welfare benefits through some form of comprehensive cash assistance plan or through categorical programs such as AFDC and SSI. The group regarded as employable would be assisted in one of three ways:

- Through work-conditioned benefits tied directly to earned income;

7/ For a history of the FAP debate, see Vincent J. and Vee Burke, Nixon's Good Deed: Welfare Reform (Columbia University Press, 1974); M. Kenneth Bowler, Nixon's Guaranteed Income Proposal: Substance and Process in Policy Changes (Cambridge, Massachusetts: Balinger, 1974); and Daniel P. Moynihan, The Politics of Guaranteed Income (Random House, 1973).

- o Through guaranteed jobs created in either the public or the private sector; or
- o Through benefits paid for participating in programs for training, education, and employment registration.

Advocates of the work-welfare approach argue that it has a number of advantages. First, of all the approaches, it provides the greatest in the way of work incentives. This, it is argued, best reflects society's values and the willingness of taxpayers to support income transfers that are work-related. Second, the work-welfare approach might remove the stigma of welfare by limiting it to those who are clearly in need and not capable of working outside the home. Third, by separating employable persons from those not expected to work, the multi-track approach would allow for incentive structures tailored to specific populations. For example, the financial incentive to work would be greater in the manpower track than the welfare track in which work would not be required. The multi-track approach would also permit adequate benefits for those not expected to work.

Critics of the multi-track approach note the difficulty of establishing fair guidelines and administrative procedures to separate the poor population into the various categories. Deciding who is employable clearly requires value judgments and would be a matter of some debate. While welfare policy has traditionally considered that certain groups should not be forced to work, many of these "non-employables" do in fact work. For example, at some time during the year 66 percent of female heads of families with children under six years old are in the labor force; 41 percent of 65 to 67 year olds are in the labor force; and 44 percent of disabled persons are employed or looking for work.

A multi-track system that tried to classify persons fairly could be both costly and difficult to administer. With several different tracks or treatments, families would be switching from track to track as their circumstances changed or as it became advantageous for them to do so. Another general criticism of the work-welfare approach is that, depending on the level of the payments made to employable persons, it could have a disruptive effect on some local labor markets and tend to be relatively expensive.

Within the general work-welfare approach there is debate over the best way to provide assistance to the employable population. One way is through work-conditioned benefits. Work-conditioned programs would reward work by relating benefits either to hourly wage rates through mechanisms such as a wage subsidy, to overall earnings as in the existing earned-income credit, or to some combination of the two. 8/ Work-conditioned programs such as these would fill a gap in the current system by directing benefits to the working poor, the group not generally covered by existing cash assistance programs.

During the debate over the Family Assistance Program (FAP), the Senate Finance Committee advanced a work-conditioned reform strategy. 9/ Under this plan, welfare aid would have been restricted to female-headed families with children six years of age and under. Other female-headed families would have been guaranteed a job at a wage rate less than the minimum wage. In addition, the plan would have provided wage subsidies for persons in low-wage private sector jobs. The current earned-income credit, at a slightly different level, was another element of this proposal.

Proponents of work-conditioned benefits see the major advantage of this approach as strengthening the attachment of the low-income population to the labor market; this would occur because benefits would be received only if the recipient had a job and would generally rise with additional work effort. These financial incentives would presumably encourage those expected to work to find employment and, to the maximum extent possible, work their way out of welfare dependency. Those working full time but earning an inadequate income would have their earnings supplemented.

8/ For a discussion of work-conditioned options see Robert H. Haveman, "Work-Conditioned Subsidies as an Income Maintenance Strategy: Issues of Program Structure and Integration," in "Concepts in Welfare Program Design," Studies in Public Welfare, Joint Economic Committee, Subcommittee on Fiscal Policy, Paper No. 9, Part 1 (August 1973); and Henry Aaron, Why is Welfare So Hard To Reform? (Brookings Institution, 1973), Chapter 5.

9/ See Senate Finance Committee report on H.R. 1, "Social Security Amendments of 1972," (Senate report No. 92-1230).

A major limitation of the work-conditioned benefit is that it does not provide assistance to those who are considered employable but who are not fortunate enough to have jobs. Critics of work-conditioned benefits suggest that the government's experience with programs like Work Incentive (WIN) and Job Corps do not provide convincing evidence of the ability of such programs to put low-income persons to work. A work-conditioned program would also be targeted inefficiently on the poor because work-conditioned benefits such as wage subsidies or tax credits are difficult to relate directly to need, which is determined by family characteristics. A final limitation of such a reform strategy is that, rather than simplifying administrative procedures, it could further complicate them.

The guaranteed jobs approach has been advanced as a vehicle for getting "people off welfare back to work." 10/ Under this approach the federal government would guarantee a job in either the public or private sector to low-income families with an employable member. The guaranteed jobs approach could be buttressed by tax credits and wage bill subsidies for employers to encourage the creation of private sector jobs. 11/

Advocates of the guaranteed job approach argue that it is preferable to the alternatives because taxpayers are more willing to reward work than to provide welfare. Some proponents of this approach believe that everyone has a right to work and that the federal government should guarantee that right.

A number of criticisms have been leveled against the guaranteed jobs approach. Some critics question whether it will be possible to create enough jobs -- possible one or two million -- to provide employment to all who would be eligible. Job creation is likely to be especially difficult when the overall economy is weak, a time when job creation would be most needed. Even if

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10/ For several papers dealing with employment strategies, see "Public Employment and Wage Subsidies," Studies in Public Welfare, Joint Economic Committee, Subcommittee on Fiscal Policy, Paper No. 19 (December 1974).

11/ See Congressional Budget Office, Employment Subsidies and Employment Tax Credits, Background Paper (April 1977).

enough jobs could be created in the aggregate, it might be difficult to ensure that they were distributed in the same geographic areas as the eligible population and were matched to the skills of the recipients. Critics have also questioned whether mass public service employment would provide meaningful work experiences for the recipients -- whether the output would be really valued by society, as opposed to "leaf raking or make-work," and whether the experience would provide a transition to private sector employment.

Another concern is that guaranteed public jobs might undermine the low-wage private sector of the economy if they prove to be more attractive than low-wage private sector jobs. There is some controversy over whether these public service jobs should pay the prevailing wage for similar types of employment, the minimum wage, or less than the minimum wage. Paying the prevailing wage would make the jobs very attractive and raise program costs considerably. Paying minimum or below minimum wages would make the jobs less attractive but could make the benefit inadequate to support a family. Even low-wage levels, however, may not keep public service jobs from being more attractive to some recipients than many private sector jobs. Working conditions, job security, and fringe benefits (vacations, sick pay, health insurance, pensions) might be so much better in the public sector that persons working in unpleasant, disagreeable low-wage private jobs might be induced to leave private for public service employment.

If state and local governments are asked to administer a program of guaranteed public service jobs, there is the additional concern that state and local government employees might be displaced. This has occurrred to a certain extent under the existing Comprehensive Employment and Training Act (CETA) programs, in which public service employees have been hired to do work that normally would have been done by regular state or local workers, with the result that the governmental unit has had to hire fewer regular employees. 12/ The record of state and local governments in administering the CETA program also raises doubts as to whether these units of government are able or willing to gear up to provide the requisite number of jobs.

12/ See Congressional Budget Office, Public Employment Training Assistance: Alternative Federal Approaches, Budget Issue Paper (February 1977).

If current public service employment programs are indicative, the cost of a guaranteed jobs program could be fairly high. In the CETA program, administrative costs tend to be about $650 per job per year, while the salary of the worker is about $6,500, with additional fringe benefits and costs totaling $1,100 per year. In a guaranteed jobs program, there would undoubtedly be added costs for materials and capital used by the workers. At these rates one million jobs would cost roughly $8.3 billion. Advocates of other approaches have argued that it may be preferable to supplement the $4,000 earnings of a private sector worker, producing an output that meets a market test, with a $1,000 bonus rather than guaranteeing him or her a $5,000 public service job that may involve $1,000 in overhead cost and may produce an output of marginal social value.

Finally, because wages would generally reflect the nature of the work performed, not the worker's need, a guaranteed jobs program might be inequitable in that benefits would not be related to various family characteristics.

The third approach to work-welfare would identify those who are employable and therefore expected to work and divide this segment of the poor population into a number of categories or groups for the purpose of tailoring separate programs or tracks to their particular requirements. Recent versions of this multi-track approach would provide a special form of unemployment insurance for those who are unemployed but not eligible for regular unemployment insurance benefits. To receive benefits an individual would have to register with the job placement service and enter skill development, training, or apprenticeship programs. Those holding low-wage jobs would receive work-conditioned benefits and those not expected to work would receive welfare benefits.

In 1971 Representative Al Ullman, now chairman of the House Ways and Means Committee, developed a multi-track approach known as REACH. 13/ Its major features were an expanded AFDC program for families considered unemployable, a training allowance and public service employment for those who are unemployed but expected to work, and a monthly work-expense allowance for those employed in low-wage jobs.

13/ See H.R. 6004, 92nd Congress, "The Rehabilitation, Employment Assistance and Child Care Act of 1971" (March 1971).

The multi-track approach is favored by some because they feel that it reflects economic and political reality better than the other work-welfare strategies. It admits the possibility that potential recipients may not have enough training for needed public or private sector jobs. It also allows for the possibility that a guaranteed jobs program may be difficult to set up on a large enough scale. Critics of the multi-track approach point to the same problems associated with the guaranteed jobs approach and also highlight the complexities of administering a multi-track program.

PROGRAM CHARACTERISTICS

Choosing the general approach to welfare reform is important, but it is by no means the only major policy decision that must be made. Within any general approach there are numerous important choices to be made, such as determining the benefit structure, defining the filing unit, and choosing the administrative and financing mechanism. Decisions in these technical areas will be just as important as the choice of a general approach in determining the costs, distributional impact, and social effects of a reformed system.

Benefit Structure. The benefits going to recipients who have no other income (the basic benefit or guarantee) and the rate at which benefits are reduced as other income increases (marginal tax or benefit-reduction rate) constitute a program's benefit structure. Within this framework, a program's benefits may be varied according to family size and type or place of residence so as to better match benefits to needs. The marginal tax rate may be varied according to whether income is earned or unearned. A lower benefit-reduction rate might be applied to earned income to encourage work and a higher rate applied to unearned income to reduce program costs. The benefit structure could be indexed -- that is, adjusted automatically from year to year to reflect rising prices or incomes -- or adjustments in benefits could be left to the legislative process.

Decisions will also have to be made on the form of the benefit, whether it should be cash or in-kind. In some instances, in-kind transfers might be preferable to cash payments for several reasons. If one aim of the transfer system is to meet the consumption needs of the poor, it might be best to provide goods and services directly. Even if enough cash were provided to buy food, health care, and housing, there is no assurance that the recipients would spend it on these basic needs. Although some recipients would rather receive a smaller amount of cash than in-kind transfers with a greater dollar value, the public appears to be more willing to support larger program outlays if there is some assurance that these outlays are supporting specific types of expenditures. 14/

The public's consumption goals may not be fully realized even with in-kind transfers, however. Whether in-kind transfers really increase consumption of particular goods or services or simply supplement income by releasing available cash for other purposes depends upon the type and amount of the in-kind transfer. Without in-kind medical assistance, the poor would probably spend little on health care. But, because poor families, with or without assistance, spend most of their limited funds on food and housing, the effect of the food stamp and housing assistance programs is more one of general income supplementation than increased food or shelter consumption. 15/

There is, moreover, no assurance that program goals, such as providing a nutritionally adequate diet, are actually achieved. In the case of food stamps, the type of food that recipients buy with stamps is left up to them; there is little evidence that the food purchased with stamps is any more or less nutritious than foods purchased with cash. Some argue that programs such as food stamps, viewed as income supplementation, are demeaning and inefficient and should be replaced with direct cash assistance. 16/

14/ For many of the poor, the cash value of the in-kind is less than its cost to the government. Therefore, by providing cash, savings could be realized both from the reduced level of outlays in a cash program and from the elimination of administration of several in-kind programs.

15/ See Congressional Budget Office, The Food Stamp Program: Income or Food Supplementation? Budget Issue Paper (January 1977).

16/ For further discussion, see John L. Palmer and Joseph L. Minarik, "Income Security Policy," in Henry Owen and Charles L. Schultze (ed.), Setting National Priorities (Brookings Institution, 1976). For a consideration of other forms of non-cash assistance as gap fillers, see Richard P. Nathan, "Alternatives for Federal Income Security," in Quality of Life: Critical Choices for Americans, Volume VII (Lexington, Massachusetts: Lexington Books, 1976).

Filing Unit. The filing unit (that is, household, family, person) is the unit that may apply for a program's benefits. This unit may be very small or large. Programs such as unemployment insurance base eligibility and benefits on an individual person's status with no consideration of the financial condition of the economic unit in which the individual resides. At the other extreme are programs such as food stamps and housing assistance that require all persons living under the same roof to file a single application as a "household"; benefits are then based on the joint needs of the household.

The costs and distributions of benefits from the same program can be altered drastically by changing the filing unit. A smaller unit may qualify for benefits it might not receive were a larger filing unit used. In general, the smaller the filing unit, the more people who will be eligible and the higher the program costs. For example, subfamilies within a larger family may be a filing unit in the current AFDC program. An unmarried mother living with her parents is eligible if she and the child are poor, no matter what the economic situation of the parents. Extending the filing unit to include all relatives living within the same household would clearly lower program costs. Making the extended family the filing unit -- regardless of residence -- would be an even more stringent option. This would not only make parents responsible for children but children responsible for parents.

The objective should be to develop a filing unit that conforms to generally accepted patterns of economic responsibility. There is, however, tremendous variation in these patterns. In one family, distant relatives might think it normal to pitch in and help someone in need; in another, middle-income adults may be unwilling to help support their destitute aged parents; in others, a stepfather may see no reason why he should provide for his wife's children by a previous marriage.

Choice of a filing unit will not only affect the equity of a system but could also affect living patterns. Some families remain together to economize on food and housing costs. If the only way to obtain eligibility for a program were to establish a separate household, secondary families, subfamilies, college students, and aged parents might set up separate living arrangements. This could have detrimental effects. For example, the woman with a child living with her parents might feel forced to set up a separate household to obtain AFDC eligibility;

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this could reduce her chance of finding a job, make parental child care impossible, and in some cases remove needed emotional support.

Eligibility. Closely related to the choice of a filing unit is the selection of the population groups eligible for a plan. The possibilities range from categorical eligibility, based on such characteristics as age, disability, and dependency, to universal eligibility without special treatment of particular categories. AFDC and SSI are examples of categorical eligibility; the food stamp program is representative of universal eligibility. Programs that provide benefits only to particular population categories are, in general, cheaper than programs with universal eligibility, but it is argued that universal eligibility is a fairer way to treat families with similar needs.

Even under a universal eligibility program, the eligibility of some individuals is likely to be a highly emotional issue. Included among these are strikers, illegal aliens, members of communes, persons living in unmarried households, college students, and drug addicts and alcoholics.

Accounting System. The length of time over which income and resources are counted for determining program eligibility and the methods for reporting income and adjusting benefits are known as the accounting system. It is another program feature which may be specified in a number of ways. The accountable period for determining eligibility and benefits may be as short as the previous week or month, or a relatively longer period, such as three months or even a year. With a shorter period, there is greater likelihood that more families, particularly those with fluctuating incomes, would qualify for benefits at some time during the year; shorter period would therefore add to program benefit costs. A longer period might, on the other hand, require extensive verification of eligibility and higher administrative costs.

The various accountable periods could differ greatly in their responsiveness to current needs and in the equity of their treatment of families. Much would depend on the carry-forward procedures -- that is, the length of time and amount of past income that is considered in determining current entitlements. A system that provided benefits to families with relatively high annual incomes but large fluctuations from month to month (families of constructions workers, for example) but denied aid to those whose monthly income was uniformly low throughout the year might be viewed as unfair. If the accountable period were long and it took those with high past incomes but no current income several months to qualify for benefits there would be a need for some sort of emergency assistance program to meet the crisis situations that would arise.

Income reporting and benefit adjustments, another part of the accounting system, may also be done frequently or infrequently. The accounting method used could be prospective or retrospective. Looking ahead a week, a month, or a quarter, prospective accounting would attempt to anticipate future needs. While responsive to current needs, prospective accounting could result in erroneous benefit payments and thus affect overall costs. Retrospective accounting, on the other hand, bases benefit payments on past income, thus reducing payment errors. However, by forcing applicants to qualify retrospectively and by basing benefits on past income, it is less responsive to current needs than prospective accounting. 17/

Countable Income and Assets. The definition of income can affect whether or not an applicant is eligible for assistance and the level of benefits received. Under a broad definition of income few adjustments for out-of-pocket expenditures would be allowed. Countable income would include all earned and unearned income as well as public and private transfer benefits. Such a definition of income would minimize program eligibility and costs. Other, narrower definitions of income do not count income from certain sources. In some programs, certain types of essential expenses, such as shelter, medical, and work expenses, may be deducted from income in an attempt to achieve greater equity or to provide financial incentives to work. AFDC, for example, allows child care and work deductions, while the food stamp program allows deductions for medical and shelter expenses as well. Deductions or set-asides such as these expand eligibility and raise benefits.

17/ See Jodie T. Allen, "Designing Income Maintenance Systems: The Income Accounting Problem," in "Issues in Welfare Administration: Implications of the Income Maintenance Experiments," Studies in Public Welfare, Joint Economic Committee, Subcommittee on Fiscal Policy, Paper No. 5, Part 3 (March 1973).

The definition of countable income affects program costs both directly by affecting the number of recipients and the amount of benefits they receive and indirectly by necessitating increased administrative procedures. A complex definition of countable income may enhance fairness, but it makes administration much more difficult.

Assets are such liquid resources as cash and savings or checking accounts and other resources such as a car or home that may be converted to cash and used for current consumption needs. The assets test sets limits on the amount of assets a recipient may have and still remain eligible for benefits. Under various programs, different assets may be excluded from the assets test. SSI, for example, places a limit on the amount of cash a recipient may have on hand, excludes the value of household goods and personal effects up to $1,500, excludes the value of an automobile up to $1,200, and excludes entirely the value of an owner-occupied home.

Like countable income, the level of the assets test or tests may have a direct impact on program costs and the distribution of benefits by affecting eligibility. While it might seem fair to make a family with a car or a home sell that property and live off the equity before applying for welfare, such a policy might be detrimental in the long run. For example, the car may be necessary if the recipient is to look for or get to a job, or the house may afford a cheaper form of shelter than the rental units available. An alternative is to attribute an income equivalence value to the assets of the applicant and to reduce his or her benefit by the amount implied by this added income. For example, the income equivalence value of an applicant's fully owned house would be its fair market rental value.

Fiscal and Administrative Responsibilities. The welfare program could be administered and funded by any level of government. State and local governments are considered by many to be better able to evaluate the needs of their poor populations, but the fiscal capability for funding the programs is clearly greater at the federal level. Economists generally view income redistribution as a function that should be performed at the federal level because those states with the greatest need, the ones with the largest low-income populations are least able to raise the resources required to support an adequate income-transfer system.

Current welfare programs represent a mix of federal, state, and local roles -- a mix that some people consider inherently inefficient. Recently, there has been increasing pressure for federal fiscal relief for state and local governments. This has implications, however, both for control over the expenditure of federal tax dollars and for the appropriate roles of different levels of government in the transfer system. Welfare policy viewed from a national perspective might require different structures from those that might be appropriate at lower levels of government. In balancing competing objectives, the local determination of need afforded by present program structures may have to be sacrificed for a structure with uniform treatment of the poor throughout the nation. 18/

The financial and the administrative responsibilities of a welfare program need not rest at the same level of government. In the current system both administration and financing tend to be shared responsibilities. Some reformers would not separate the two responsibilities because they believe that shared financial responsibilities would not ensure efficient program administration at the state and local level. Efficient administration is especially important for programs that attempt to control case loads and costs through administrative mechanisms such as work tests or work requirements.

SUMMARY

The previous discussion has covered the issues, objectives, and general approaches to welfare reform. The objectives of reform are also the criteria for measuring and comparing the success or failure of particular proposals. These criteria include adequacy, equity, efficiency, and federal and state costs as well as some desirable socioeconomic outcomes such as positive incentives to work, family stability, and reduced migration. Each reform plan gives a different emphasis to these often competing objectives. The reform options described in the following chapter indicate how some specific plans balance these competing objectives.

18/ Some national structures might promote greater fairness by providing for regional or state variations in the cost of living.

CHAPTER IV. SELECTED WELFARE REFORM OPTIONS AND THEIR COSTS

Within the general approaches to reform discussed in the previous chapter and the various hybrid approaches that could be created by combining pieces of different approaches lie an infinite number of specific reform options. This chapter describes a number of proposals that have received considerable attention during the past few years. These proposals were selected to illustrate the broad range of options available.

The discussion includes an estimate of the first full-year benefit costs of each reform option. 1/ To facilitate comparison, the estimates assume that the reform option could be in full operation in fiscal year 1978, although it is clear that many of the more complex and comprehensive reforms would take a number of years to implement fully. The cost estimates depend crucially on a large number of factors. The specific program characteristics mentioned in the previous chapter are among the most important of these. Obviously, the cost and distributional impact of any option could be changed by raising or reducing basic benefit levels or expanding or narrowing the definition of the filing unit. The projected state of the economy is another important factor affecting estimated costs. A higher rate of inflation or increased unemployment would drive costs up substantially. While it would be desirable to include in the estimates the impact of a reformed welfare system on aggregate demand, the work effort of the labor force, the industrial structure, etc., the state of knowledge about these important secondary economic effects and the likely behavioral responses of individuals to the new system is too rudimentary to provide a basis for adjustments.

The cost estimates are calculated in terms of an increase or decrease from the estimated benefit cost of continuing the seven

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1/ For a discussion of the methodology used to generate these estimates and their limitations, see Appendix B. Appendix C contains estimates of the impact of the reform options if they were first implemented in fiscal year 1982.

major in-kind and cash-transfer programs that comprise the current welfare system. With the exception of housing assistance, these programs are all entitlements; that is, benefits must be paid to any applicant who meets the legal eligibility standards. The costs of these programs will therefore change according to growth in the eligible population and the rate at which eligible persons choose to participate in particular programs. Economic conditions also affect these costs. In many cases, federal costs rise automatically as prices increase or as states decide to raise their benefit levels. If no new legislation is enacted, benefit payments for these seven programs will rise from $42.8 billion in fiscal year 1976 to $53.2 billion in fiscal year 1978, mainly as a result of inflation and population growth (see Table 6).

TABLE 6. SUMMARY OF WELFARE PROGRAM BENEFIT COSTS, CURRENT POLICY ESTIMATES FOR FISCAL YEARS 1976 AND 1978: DOLLARS IN BILLIONS a/

Programs	1976	1978
AFDC b/	$ 9.6	$11.4
SSI	6.0	7.0
Veterans' Pensions	2.9	3.2
Food Stamps	5.3	5.0
Child Nutrition c/	2.0	2.2
Medicaid b/	14.6	20.8
Housing Assistance	2.4	3.6
TOTAL	$42.8	$53.2

a/ Estimates based on CBO July 15, 1976, economic assumptions. The benefits shown in this table may not correspond exactly to simulated budget totals shown in Appendix Table C-1 because they have been adjusted for simulation error.

b/ Includes states' share of benefit payments but excludes administrative costs. State benefit levels are assumed to rise with the cost of living.

c/ National School Lunch Program only.

INCREMENTAL CHANGES

In recent years specific proposals for incremental reform have tended to focus on one of two sets of objectives:

- Tightening the administration and eligibility requirements of existing programs to streamline operations, target benefits more precisely on the very poor, reduce errors and erroneous overpayments, and reduce costs; or

- Expanding eligibility and liberalizing benefits to better address the issues of adequacy and equity and to make the system more uniform across the nation.

Proposals directed at the second set of objectives include those that would establish national standards in AFDC with a federal minimum benefit, eliminate the purchase requirement in the food stamp program, federalize the medicaid program, extend the current earned-income credit to single persons and childless couples, and create a housing allowance with universal eligibility and benefits based on income, housing expenditures, family size, and regional housing costs.

Program Tightening to Reduce Expenditures

The National Welfare Reform Act of 1975 (H.R. 5133, S. 1719) and the National Food Stamp Reform Act of 1975 (H.R. 8145, S. 1993) are representative of proposals designed to tighten and simplify program administration, restrict eligibility, and improve the target-efficiency of the welfare programs. 2/ The AFDC reform bill had a number of major cost-cutting features. It would have limited eligibility by prohibiting AFDC benefits for dependent childen over age 17 and for workers on strike, and by imposing a gross income eligibility cutoff equal to 150 percent

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2/ Both of these proposals were introduced in the 94th Congress but never reported out of committee. They were based on recommendations contained in a reform plan designed by the state of California in the early 1970s. See State of California, Governor's Office, Welfare Reform in California... Showing the Way (1972).

of the family's needs standard. 3/ It would have reduced and standardized work-expense deductions, tightened work requirements, and required non-needy persons in an AFDC household to contribute to the support of the family with whom they were living. In addition, it would have attempted to curb program fraud and abuse by offering federal funds for investigation and prosecuton of fraud cases and by requiring welfare agencies to issue photo identification cards.

An argument raised against the bill was that by targeting benefits more directly on the very poor it could have a negative influence on work incentives. It was also criticized as inadequate because it would have cut some needy families out of the program.

The food stamp reform proposal would have shifted the emphasis of the program toward increased food consumption. Overall, the reform plan was designed to reduce program costs by making some current recipients ineligible, but to improve benefits for the very poor, mostly low-wage workers. Eligibility would have been limited to households with "net" incomes below the poverty level. The current system of using itemized deductions to calculate net income would have been eliminated, and the definition of income would have been broadened to include all federal in-kind transfer payments for food and housing.4/ These measures would have tended to reduce program costs. The proposal would also have increased food consumption both by raising the basic food stamp allotment and by raising the purchase requirement--the amount a recipient must pay for food stamps. The structural characteristics of both these reform bills are outlined in Appendix Table C-4.

3/ Currently, children under the age of 21 who are enrolled in school are eligible.

4/ Currently, households are allowed to deduct 10 percent of income up to $30 per month as work expenses, income and payroll taxes, medical expenses in excess of $10 per month, child or adult care expenditures, disaster and casualty losses, educational tuitions and fees, and rent or mortgage payments in excess of 30 percent of the household's income after all other deductions.

The AFDC program-tightening option would reduce total federal, state, and local benefit costs by $1.6 billion in fiscal year 1978 (see Table 7). 5/ If the current cost-sharing in AFDC and medicaid were continued, these savings would be split equally between the federal and state governments. 6/

The savings result from the effects of several different program interactions. AFDC benefit costs would decline by $1.4 billion because 730 thousand of the 4.5 million families anticipated to be receiving AFDC in fiscal year 1978 under current policy would be made ineligible. 7/ Because of multiple program entitlements this would cause offsets in other programs. AFDC families are also categorically eligible for medicaid, so the AFDC tightening option would reduce medicaid benefit costs by $310 million in fiscal year 1978. These cost savings would be partially offset, however, by the $140 million increase in food stamp benefits that would result from the loss of AFDC income.

The food stamp reform proposal, designed to increase food consumption and improve benefits for the poor, would reduce federal benefit costs in fiscal year 1978 by $2.5 billion from a current policy level of $5.0 billion. Benefits would be improved for some households who remain in the program, but this cost increase would be more than offset by the elimination of 4.1 million or 45 percent of the 8.8 million households expected to participate in the program in fiscal year 1978. 8/

5/ The estimate does not include the feature that would require non-needy persons residing with AFDC families to make a contribution to the state welfare agency equal to the state's payment standard for a single person.

6/ Throughout this chapter, increases or decreases in costs to local governments are counted with the state share. Also, cost impacts on Emergency Assistance and state general assistance programs are not included in any of the estimates in this chapter.

7/ For additional information on AFDC caseloads for this and other AFDC options, see Appendix Table C-10.

8/ Household caseloads for each of the food stamp options are shown in Appendix Table C-11.

TABLE 7. BUDGET OPTIONS FOR WELFARE BENEFIT OUTLAYS IN FISCAL YEAR 1978: DOLLARS IN BILLIONS

Option	First Full-Year Costs		
	Federal	State and Local	Total
Current Policy a/	$36.9	$16.3	$53.2
Change from Current Policy			
Program Tightening			
AFDC	-.8	-.8	-1.6
Food Stamps	-2.5	--	-2.5
National Standards (AFDC)			
Uniform 75% Poverty	3.5	-2.0	1.5
Uniform 100% Poverty	11.8	-4.5	7.3
Varied by Region	11.3	-4.5	6.7
Varied by State	11.5	-4.6	6.9
National Standards (Food Stamps)			
Simplified Structure	-.8	--	-.8
Simplified Structure with EPR b/	-.3	--	-.3
National Standards (Medicaid)	16.1	-9.2	6.9
Packaged Incremental Reforms			
With Federalized Medicaid	27.5	-14.2	13.3
With Current Policy Medicaid	11.1	-4.5	6.6
Comprehensive Cash Assistance			
Income Supplement Program	10.6	-2.1	8.4
Income Security for Americans	10.9	-2.1	8.8
Work-Welfare			
Categorical Job Guarantees	N.A.c/	N.A.	32.0 to 44.0
Multi-Track Systems	N.A.	N.A.	6.0 to 20.0

SOURCE: Appendix Table C-8.

a/ Includes benefit payments but not the administrative costs for AFDC, food stamps, child nutrition, SSI, medicaid, veterans' pensions, and housing assistance.

b/ Elimination of purchase requirement.

c/ Not available.

National Standards and Liberalized Benefits and Eligibility

A number of incremental reform proposals have been put forward recently to improve the distribution and adequacy of benefits in programs such as AFDC, food stamps, and medicaid. In general, these proposals call for raising benefits and reducing or eliminating the interstate disparities that now exist in benefit levels and eligibility.

AFDC. A federalization of the AFDC program could be patterned after the recent replacement of the federal/state programs for the aged, blind, and disabled by the federal SSI program. Such a reform would provide uniform treatment to persons in similar circumstances in different states. It would also provide substantial fiscal relief to state and local governments. In particular, federalizing the AFDC program could: 9/

- Standardize the treatment of work expenses in eligibility and benefit determination by replacing the current work expense deductions that vary from state to state with a uniform deduction that would be set at a fixed percent of earned income.

- Eliminate the current inequity between recipients and new applicants by allowing them the same deductions; that is, by permitting new applicants to take the "$30 plus one-third" earned-income disregard when determining eligibility. 10/

9/ For a detailed listing of the structural characteristics of the national standards options see Appendix Table C-5.

10/ Under current law, recipients are allowed to disregard the first $30 of monthly earnings plus one-third of the remainder in calculating AFDC benefits. New applicants are not allowed this deduction in determining whether or not they are eligible for the program. As a result, families that fail the eligibility test may be worse off than similar families that become employed after acceptance in the program. These latter families could end up with higher total incomes because of the $30 plus one-third disregard provision.

- Eliminate a state's ability to set its own definition of incapacity and therefore treat families with incapacitated fathers the same way in all states.

- Include stepfathers in the AFDC unit for purposes of eligibility and benefit determination, as is done in Washington and Vermont.

- Mandate the AFDC program for unemployed fathers (AFDC-UF) nationwide and relax the 30-day waiting period for determination of eligibility and the provision of benefits in an effort to make the program more responsive to immediate needs. 11/

- Establish a guaranteed minimum, which would be administered and financed by the federal government. This minimum could be uniform throughout the nation or it could vary in an attempt to adjust benefits for regional cost-of-living differences or for differences in the wage structures and prevailing standards of living in different areas. 12/

11/ The 100-hour a month limit for unemployed fathers would be retained. Elimination of this feature creates a program similar to the Nixon Administration's Family Assistance Plan. The 100-hour limit creates a "notch"--that is, a complete loss of benefits if a father works one hour over the limit--that results in strong work disincentives and is potentially inequitable in its treatment of similar families in need.

12/ There are no reliable measures of the cost-of-living differences in different regions, states, or smaller areas of the nation. Moreover, there are many theoretical and practical problems associated with identifying regional cost-of-living differentials. For a discussion of these, see U. S. Department of Health, Education, and Welfare, The Measure of Poverty, A Report to Congress as Mandated by the Education Amendment of 1974 (April 1976) and "Analytical Support for Cost-of-Living Differentials in the Poverty Threshold," in The Measure of Poverty, Technical Paper XV (October 1976). It should be noted that if the federal minimum were adjusted to reflect such differentials, some recipients, depending upon where they live, would be made worse off relative to a uniform federal minimum, while others would be better off.

- o Require state supplementation of the federal minimum to prevent loss of benefits for current recipients and provide holdharmless payments to states to ensure that they pay no more than they would have under a continuation of the old programs.

The cost of this incremental change in the AFDC program depends crucially on the level at which benefits are set. If the federal minimum were set so that the combination of the minimum plus food stamps equaled 75 percent of the poverty threshold, overall program benefit costs would rise by only $1.5 billion in fiscal year 1978. 13/ States would receive about $2.0 billion in fiscal relief and the total cost to the federal government would therefore be roughly $3.5 billion. Although the minimum benefit would be more than some recipients would receive in low-benefit states, relatively few new families--about 200 thousand in fiscal year 1978--would be brought into the program.

If the federal minimum AFDC benefit were set so that the combination of AFDC and food stamps brought family incomes up to the poverty threshold, benefit costs would rise by $7.3 billion in fiscal year 1978. Roughly $4.5 billion would be provided in fiscal relief to the states; total federal costs would amount to $11.8 billion. While some of the $7.3 billion growth in net costs would be caused by raising the benefit standard from 75 percent to 100 percent of the poverty level, much of the growth would be attributable to expanded eligibility. About 1.2 million new families would participate in the program in fiscal year 1978.

13/ To protect current recipients from benefit losses, it was assumed that states would be required to supplement the federal minimum up to the level of benefits current recipients would have received under the unreformed AFDC program. Also, federal benefit costs of all options in this report include hold-harmless payments to states to ensure that they spend no more on the reformed program than they would have paid for the programs that are replaced.

The net budget costs include offsets in other programs, such as food stamps and medicaid. For example, the expanded AFDC caseload caused by the higher AFDC option would increase total medicaid costs by over $1.2 billion in fiscal year 1978 but raising AFDC benefits would reduce food stamp costs by about the same amount. 14/ The primary reason that the food stamp offset is not larger is that a portion of the additional AFDC income would go to families who do not participate in the food stamp program.

While there are no reliable indices of regional cost-of-living or labor-market wage differences, some rough idea can be given of the impact of adjusting benefit levels for these differences. If the federal minimum set at the poverty threshold were varied according to estimates of the regional differences in the Bureau of Labor Statistics' Lower Family Budget, the net budget costs of this option would be $560 million lower than the uniform federal minimum in fiscal year 1978. 15/ Although certain states might be made significantly better or worse off, most of the net savings from this type of indexing as compared with the uniform federal minimum would go to the federal government. This is because most of the savings occur in the low-benefit states of the South, in which the benefits paid under the current programs are generally lower than the federal minimum.

14/ It is assumed that states would not respond by restricting benefits and that medicaid cost increases are split according to the current federal/state cost-sharing mechanism. In fact, given the interaction with an expanded AFDC program, states may respond by cutting back services.

15/ The Bureau of Labor Statistics develops costs of three family budgets--lower, intermediate, and higher--for a hypothetical urban family of four. These budgets are available for 39 metropolitan areas; four regional classes of non-metropolitan areas; Anchorage, Alaska; and urban United States, metropolitan and non-metropolitan areas. Regional budgets were estimated from weighted averages of the metropolitan and non-metropolitan areas within a region. Because the national average does not represent the average of the regional budgets weighted by the relative size of their poor populations, the net cost of this option would differ from the option with a nationally uniform benefit.

In order not to disrupt local labor markets, some have proposed varying benefits across states or regions by using some measure of local wages for the low-skilled population. If the uniform poverty-level benefit were varied according to each state's average wage in jobs covered by unemployment insurance, the savings from the uniform system would amount to $390 million in fiscal year 1978.

Food Stamp Program. A great number of incremental proposals have been aimed at improving the fairness and efficiency of the food stamp program. A reform option of this sort could include the following components:

- Elimination of categorical eligibility for SSI and AFDC recipients.
- Elimination of eligibility for those over the poverty level.
- Establishment of a standard deduction for determining net income, which would vary by household size and would replace the current complex system of itemized deductions.
- A uniform requirement that 27.5 percent of income be used to purchase the stamps. 16/

This basic incremental food stamp reform option would reduce federal benefit costs by $775 million in fiscal year 1978. The reduction would result from limited eligibility and the

16/ The combination of net income eligibility at the poverty level and the uniform purchase requirement of 27.5 percent creates a "benefit notch"; that is, for families just below the eligibility cutoff a small increase in earnings could result in complete loss of food stamp benefits. Not only does this create work disincentives, it also results in inequitable treatment of similar families. This option is similar to H.R. 13613, a bill reported by the House Agriculture Committee during the 94th Congress, but it does not include a provision of H.R. 13613 that would have cashed-out food stamp benefits for the elderly and some blind and disabled recipients by providing them with higher levels of cash assistance and no stamps.

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standardized deductions and purchase requirements. The household caseload would fall by about 1.6 million in fiscal year 1978. If, in addition to these changes, the purchase requirement were eliminated (elimination of purchase requirement, or EPR) instead of being set at a uniform 27.5 percent of income, the initial savings would be reduced by $450 million in fiscal year 1978. 17/ Without the purchase requirement, 200 thousand more households would participate in the food stamp program in fiscal year 1978. These incremental changes would leave the costs of other programs unchanged.

Medicaid. Federalization of medicaid is one way of meeting the general medical needs of all the low-income population, not just those who are categorically eligible under the current program. Federalization could eliminate current interstate variations in benefits and eligibility and provide fiscal relief to states.

A proposal similar in some features to the medical assistance portion of one of the recent national health insurance proposals would provide a limited but uniform array of medical services in all states. 18/ Families would be eligible if their income, after deducting out of pocket health expenditures, were below the poverty level. Some families would qualify for assistance on the basis of their health expenditures. In this option, patients would share the costs of care at a rate of $3 for each of the family's first 10 outpatient visits per year to a doctor. The medical services covered under such a prgoram would fall into the following four categories:

17/ The participation rate assumptions used in this analysis are specified in Raymond Uhalde, Jodie Allen, and Harold Beebout (Mathematica Policy Research) Analysis of Current Income Maintenance Programs and Options; for a discussion of the problems associated with estimating costs from the EPR-induced changes in the participation rate, see Congressional Budget Office, The Food Stamp Program: Income or Food Supplementation? (January 1977).

18/ S. 2470 introduced by Senators Long and Ribicoff in the 94th Congress. See Congressional Budget Office, Budget Options for Fiscal Year 1978: A Report to the Senate and House Committees on the Budget, CBO Report (February 1977).

- Institutional. All necessary hospital care, skilled nursing and intermediate nursing care, and home health services.

- Medical. All necessary medical and health care services (physicians, laboratories, x-rays) prenatal and well-baby care, family planning and counseling. For children under age 18, periodic screening, routine immunization, and diagnosis and treatment.

- Other. Payment of the supplemental medical insurance premium for those enrolled in medicare.

- Mental Health. Unlimited inpatient care for active treatment in an accredited institution, unlimited out-patient care in a community mental health center, and five visits to a psychiatrist for crisis intervention.

Establishing uniform federal standards for the medicaid program would increase total medicaid benefit costs by $6.9 billion over the fiscal year 1978 current policy level of $20.8 billion. As a result of full federal financing of costs, the federal costs of benefits would rise by $16.1 billion. These increases reflect both an expansion in eligibility to new population categories--single persons, childless couples, and intact families headed by able-bodies persons between the ages of 18 and 64--and the provision of a benefit package that is generous relative to that provided in many current state programs. Assuming the same participation rate as in the current program, the total number of beneficiary families under the federalized program would increase by 3.3 million in fiscal year 1978 from the anticipated level of 11.6 million for the current program. 19/ States and localities now pay an average of 45 percent of all medicaid benefit costs; full federalization would yield them $9.2 billion in fiscal relief. An incremental reform of this type would probably have little effect on the cost or caseloads of the other welfare programs.

19/ Family caseloads for the medicaid options are shown in Appendix Table C-12.

PROPOSALS FOR COMPREHENSIVE RESTRUCTURING

As with the incremental approach to welfare reform there are a large number of specific proposals for comprehensive restructuring. These proposals fall into three general categories: packaged incremental reforms, comprehensive cash assistance, or work-welfare strategies.

Packaged Incremental Reforms

Because of categorical eligibility and general interaction among programs, simultaneous changes made in a number of existing programs would have a different impact on the recipient population and total program costs than the impact of the same changes made one at a time. A package consisting of a number of the incremental reform options presented in the previous section represents one way of instituting a fairly comprehensive reform while maintaining the basic structure of the existing system.

A national standard reform option consisting of an AFDC program with a uniform national minimum that, with food stamps, would equal the poverty level, a basic food stamp reform that maintained the purchase requirement, and a federalized medicaid program would cause benefit costs to rise by $13.3 billion in fiscal year 1978. Federal benefit costs would rise by $27.5 billion, while states would realize $14.2 billion in fiscal relief. Without federalized medicaid, the net budget impact of the reform package would be $6.6 billion, consisting of $11.1 billion in additional federal benefit costs and $4.5 billion in state fiscal relief. With federalized medicaid, the AFDC, food stamp, and medicaid reforms made simultaneously would result in a net budget impact slightly less than the sum of each incremental reform taken one at a time.

Comprehensive Cash Assistance

The Income Supplement Program (ISP) and the Income Security for Americans (ISA) plan are two examples of the many specific comprehensive cash assistance programs of the negative income tax (NIT) variety that have been put forward in the past decade. The first emphasizes direct cash transfers; the second relies on both tax credits and direct cash transfers.

Income Supplement Program. The Income Supplement Program (ISP) was developed by the U. S. Department of Health, Education, and Welfare in 1974. 20/ Although President Ford chose not to submit ISP to the Congress for legislative consideration, the plan represents the most comprehensive negative income tax plan developed within the executive branch.

ISP would have replaced the current AFDC, SSI, and food stamp programs with a single cash transfer that would have been integrated with the tax system and administered by the Internal Revenue Service. All families, including single persons and childless couples, would have been eligible for basic income support, which would have been equal to half the value of personal exemptions and the standard deduction as determined in the tax system. 21/ The transfer benefit for a family of four with no other income would be $4,325, which would equal about two-thirds of the poverty level in fiscal year 1978. 22/ The benefit-reduction rate for other resources would vary for different types of income. For example, for each additional dollar of earnings the government transfer would be reduced by 50 cents. For non-employment income such as social security, rents, interest, and dividends, the benefit-reduction rate would be 60 percent and, for veterans' pensions 100 percent.

20/ See Office of Income Security Policy, Office of the Assistant Secretary for Planning and Evaluation, U. S. Department of Health, Education, and Welfare, Income Supplement Program (1974 HEW Welfare Replacement Proposal), Technical Analysis Paper 11 (October 1976). The structural characteristics of the ISP plan are detailed in Appendix Table C-6.

21/ As a result of the Tax Reduction and Simplication Act of 1977, the standard deduction was changed to a flat $2,200 for single persons and $3,200 for joint returns. The standard deduction under 1976 law was 16 percent of adjusted gross income with a minimum of $1,700 for single persons and $2,100 for joint returns and a maximum of $2,400 for single persons and $2,800 for joint returns.

22/ The original ISP proposal had lower benefits for an earlier year; this benefit structure reflects CBO projections of changes in the cost of living. The ISP proposal provides for such an adjustment.

With a benefit-reduction rate of 50 percent for earned income, a family of four could continue to receive assistance up to $8,650 in earned income, at which point the transfer payment would become zero (the breakeven level of income). The breakeven level for this four person family is equal exactly to the sum of the standard tax deduction of $5,650 with four personal exemptions. 23/ With earnings above the breakeven level, the family would move into the positive tax system.

This option would provide an element of tax relief because of the liberalized standard deductions for families with incomes below the breakeven level. For families above that level, the standard deduction would be reduced at the rate of 50 cents for each additional dollar until the standard deduction reached the current maximum under the law. 24/ This feature is designed to avoid providing tax relief for higher-income families. For a typical family of four that does not itemize deductions, this tax relief would be available only to those with incomes under $17,500. 25/

Income Security for Americans. After an intensive examination of the welfare problem, the Joint Economic Committee, under the direction of former Congresswoman Martha W. Griffiths, developed the Income Security for Americans (ISA) plan in 1974; 26/ updated versions of this proposal were introduced in the 94th Congress (H.R. 14031, S. 3000) and the 95th Congress (H.R. 317).

23/ The standard deduction and personal exemption are defined in the tax code.

24/ Calculated using the maximum in effect in 1976; in other words, $2,400 for single returns and $2,800 for joint returns.

25/ The maximum standard deduction under 1976 law is $2,800 or 16 percent of total income, whichever is smaller; $17,500 is the point at which the $2,800 is equal to 16 percent of total income.

26/ See Joint Economic Committee, Subcommittee on Fiscal Policy, "Income Security for Americans: Recommendations of the Public Welfare Study," Studies In Public Welfare (December 1974). For a detailed listing of the structural characteristics of the ISA plan, see Appendix Table C-6.

Like ISP, the ISA plan would use the tax system as a vehicle for welfare reform and would be administered by the Internal Revenue Service. ISA would replace the current AFDC and food stamp programs with a system of tax credits for all families and cash allowances for the very poor. 27/ A version of ISA, which incorporates the changes in tax laws through 1976, would include the replacement of the $750 personal exemption with a refundable tax credit of $225 per person. The existing $35 tax credit per exemption would be retained but in a refundable form. Taxpayers with positive tax liabilities would also have their taxes reduced by the credits if they faced less than a 30 percent marginal tax rate; 28/ for the rest, tax liabilities would increase. For example, a four-person family filing a joint return would get some tax relief if its taxable income were under approximately $24,000.

In addition to the refundable tax credit, low-income families would be eligible to receive an allowance for basic living expenses (ABLE). This allowance would vary according to family size and the type and amount of other family income. For a family of four with no other income, the combination of tax credits (4 x [$225 + $35]) and ABLE ($3,400) would provide an annual income guarantee of $4,440 in fiscal year 1978, an amount virtually identical to the ISP benefit. Other income would reduce the basic allowance according to benefit-reduction formulae, which would vary by source of income. With a 50 percent benefit-reduction rate on wages and salaries, the ABLE payment would fall to zero at an income of $6,800 for a family of four with earned

27/ The version of ISA before the 95th Congress (H.R. 317) would also fold SSI into the comprehensive cash program. However, benefits would be higher for categories of recipients such as the aged or disabled who would have qualified for such benefits in the SSI program if it were run separately.

28/ Because ($750 x .30) + $35 = $225 + $35.

income only; if the family's income were above $8,880, it would have a positive tax liability. 29/

The SSI program would continue as a separate program, although dependents of SSI recipients (spouses and children) would be included and permitted to receive ABLE payments. Although proponents of ISA and ISP assume that the medicaid program would be replaced with a national health insurance program, the estimates and discussion that follow assume a continuation of the current medicaid program. 30/

ISP and ISA would both establish uniform national benefits to moderate state-to-state differentials; ISP would allow state supplementation while ISA would make supplementation mandatory for two years after the plan was implemented. This requirement was designed to protect current recipients from any benefit losses, a problem that would eventually be eliminated with turnover in the welfare caseload.

The net federal benefit costs of ISP would be $10.6 billion in fiscal year 1978. Assuming that states were required to supplement the benefits of those groups that would have received more assistance under existing welfare programs (AFDC, SSI, and food stamps) to prevent a loss of benefits, the fiscal relief to the states from such a reform would be $2.1 billion in fiscal year 1978. State fiscal relief estimates are very difficult to calculate, of course, because they depend crucially on the nature of the reform; the mandates, if any, the federal government

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29/ The positive tax, which would be partially offset by the tax credits, would be 50 percent on income above the ABLE break-even level. Therefore, for a family of four, the tax would equal the value of the tax credits at an income of $8,880; the family would neither pay taxes nor receive a refund. Moreover, since the original plan allows for deductions of payroll taxes and work expenses from income before reducing the ABLE payment or calculating taxes, gross income break-evens would be somewhat higher.

30/ Although not included as part of the option analyzed here, the original ISA plan would have deducted 80 percent of the value of any housing subsidy received from a family's ABLE payment, while ISP would make no such deduction.

places on state behavior; and the desire of states, if not forced, to supplement. 31/

ISA would add $8.8 billion to welfare benefit costs. Federal spending would rise by $10.9 billion and states would receive $2.1 billion in fiscal relief. The estimate of state savings is based on an assumption that the states would pay the difference between the ISA guarantee (ABLE plus the tax credits) and the cash benefits of the current programs plus 80 percent of food stamps.

Both ISA and ISP are more costly plans than any of the AFDC incremental options or the incremental reform package without medicaid, even though benefit levels are less generous. The extension of benefits to new classes of beneficiaries such as single persons, childless couples, and intact poor families accounts for much of the expense. The incremental AFDC options, on the other hand, provide larger benefits to fewer people. The incremental approaches extend more fiscal relief to states only because states would not be required to provide supplements beyond current AFDC levels. Under ISP and ISA, states would

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31/ A state supplement program could work in a number of ways. One way is to make state supplements to the federal benefit optional; another is to mandate them through federal statutes. In either case, state supplementation could be limited to those individuals currently on welfare (AFDC, SSI, and general assistance) or those types of persons currently covered by existing programs; or it could be extended to classes of recipients, such as single-parent families with children, the aged, blind, and disabled. States could continue to run the current AFDC and general assistance programs alongside the federal guarantee program. Alternatively, they could develop state supplement programs that employ the same rules as the federal program, such as accounting systems, filing units, and benefit structures. The state supplement could be funded fully by states, by the federal government alone, or by some sort of federal/state cost sharing. Under the SSI program the law ensures that mandatory state supplements structured in accordance with federal procedures will not entail a greater state cost than that borne by the state government in the old programs for the aged, disabled, and blind.

have to provide supplements equal to the difference between current policy AFDC, SSI, and food stamps, and the benefit provided by the new program. In other words, ISA and ISP would cover the federal food stamp benefit first and then the federal/state programs. Because the benefit is low in ISP and ISA compared to the combined benefits of the programs replaced, there is little in the way of fiscal relief for states.

The net budget costs of these two plans are remarkably close in fiscal year 1978. The difference between the two plans is not so much in their benefit outlays (though ISA provides more in the way of such outlays when refunded credits are counted with ABLE benefits) but in the provision of direct tax relief; that is, reduced tax liability. ISP would provide tax relief of \$2.9 billion in fiscal year 1978. Only those families with incomes under \$5,000 who now benefit from the earned-income credit that ISP would eliminate would be made worse off. All other families would either gain or have their tax liability stay the same. ISA, on the other hand, by replacing the personal exemption with a \$225 refundable tax credit, would extend some tax relief to middle-income families. In total, ISA would provide direct tax relief of \$0.9 billion in fiscal year 1978: because the earned income credit is also eliminated under ISA, the taxes of some families with pre-tax/pre-welfare incomes below \$5,000 would increase by \$0.1 billion; \$0.4 billion to those with pre-tax/pre-welfare incomes between \$5,000 and \$10,000; and \$3.6 billion to those with pre-tax/pre-welfare incomes between \$10,000 and \$25,000. Families with pre-tax/pre-welfare incomes in excess of \$25,000 would have their taxes increased by \$3.1 billion (see Table 8).

TABLE 8. CHANGE IN TAX LIABILITY FOR COMPREHENSIVE CASH ASSISTANCE PLANS IN FISCAL YEAR 1978: THOUSANDS OF FAMILIES, MILLIONS OF DOLLARS

	ISP		ISA		
Pre-Tax/ Pre-Welfare Income Class	Families	Change in Tax Liability	Families	Change in Tax Liability a/	Tax Relief Only
Less than $5,000	3,391	$ 251	15,948	$-5,300	$ $93
$5,000 - $9,999	7,994	-830	12,917	-3,028	-400
$10,000 - $14,999	7,507	-1,155	12,700	-2,199	-1,501
$15,000 - $19,999	2,885	-408	11,622	-1,567	-1,454
$20,000 - $24,999	1,305	-214	9,109	-722	-690
$25,000 and over	4,151	-553	20,869	3,043	-3,058
TOTAL	27,234	$-2,909	83,165	$-9,916	$ -895

SOURCE: Appendix Table C-14.

a/ Includes refundable tax credits.

Work-Welfare Strategy

A number of specific work-welfare plans have been proposed in recent years. 32/ Some have stressed guaranteed jobs, others a multi-track approach using the current system to provide employment and training for those expected to work and tax credits or other forms of income support for the working poor.

32/ See Robert I. Lerman, "JOIN: A Jobs and Income Program for American Families," Studies in Public Welfare, Joint Economic Committee, Subcommittee on Fiscal Policy, Paper No. 19 (December 1974) and Arnold H. Packer, "Categorical Public Employment Guarantees: A Proposed Solution to the Poverty Problem," Studies in Public Welfare, Joint Economic Committee, Subcommittee on Fiscal Policy, Paper No. 9, Part I (August 1973).

Categorical Job Guarantees. One of the plans presented to the Joint Economic Committee of the Congress during its examination of the welfare problem involved categorical job guarantees. 33/ This plan would provide jobs for people considered employable and income support for those who cannot or are not expected to work. The federal government would guarantee a job either by creating public service employment or by finding work in the private sector at a wage rate at least as high as the federal guarantee. Although not a feature of the plan presented to the Joint Economic Committee, wage subsidies could be used to bring low private wages up to the federal guarantee.

Under the job guarantee plan, every family (including single people and childless couples) with at least one employable member would be guaranteed one full-time job; the wage of the job would be related to some family characteristics. For families with children at home, the job would pay $7,500 a year (about one-half the national median family income) plus a health insurance premium, regardless of the number of children. 34/ Childless couples would earn $5,625 a year (75 percent of the benefit for families with children) and single persons $3,750 a year (half the income for families with children or about 80 percent of the minimum wage). 35/ Single-parent families with children in school could elect to work half-time and have their wage guarantee reduced by 25 percent.

A single parent with a child under six years old could choose not to work and instead receive a welfare payment related to family size. For example, a family of four with no other income would receive a benefit payment of about $4,800 (75 percent of the poverty level for a family of four). 36/ For those families choosing jobs, an employable family member would

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33/ Ibid.

34/ These figures are for fiscal year 1978 and represent inflated values of those contained in the original proposal.

35/ Working 2,000 hours a year at the minimum wage of $2.30 per hour yields an annual income of $4,600.

36/ All benefits and public wages would be adjusted to reflect variations in state average wages.

be allowed to retain the guaranteed job as long as the combined income of other family members was below 70 percent of the Bureau of Labor Statistics' Lower Family Budget (about $10,800 for an urban family of four in fiscal year 1978). A family member would have to be unemployed for at least 15 weeks to be eligible for the job program.

This plan would eliminate AFDC for people considered employable, retain the current food stamp program, and replace medicaid with job-related health insurance for those considered employable.

While the merit of giving jobs to people who want to work is indisputable, there are several areas of concern with job guarantees of the type described here. First, the specific guarantee mentioned is high relative to the wage structure; roughly 25 percent of all full-time jobs pay below it. This could create pressures for expanded public service employment and could push the private wage rate for similar types of jobs up to the federal guarantee level. This concern should be somewhat alleviated by the fact that family heads--the primary beneficiaries of this program--tend to have above average earnings.

Second, a sizable benefit notch is created by allowing families to retain full benefits from the job guarantee as long as the earnings of other family members are less than 70 percent of the Bureau of Labor Statistics' Lower Family Budget. That is, the moment family earnings exceed the income limit, the family is no longer eligible for the $7,500 guaranteed job. For example, the spouse of a family head holding a public service job might find employment at $7,500 a year (about 70 percent of the Lower Family Budget); if the spouse then received a pay increase of one dollar, the family would lose the $7,500 in benefits from the guaranteed job. Unless the family member with the guaranteed job could find a private job paying about the same amount as the guarantee level, the family would be better off to reduce its income by a dollar and once again qualify for the program. In other words, the incentive would be to go back to public service employment, or welfare.

A third concern is that the wage guarantee does not relate well to need as measured by family income and size. Families of all sizes with children would receive the same guarantee, as would families with no outside earnings or with earnings of $7,500.

Finally, of course, there is the practical problem of separating the needy population into employable and unemployable categories.

The costs of a plan of this sort are difficult to calculate with any accuracy because they depend on the number of persons who would want a public service job and the definition of employable. Nevertheless, HEW has estimated that a plan similar to the one described above would have raised welfare costs by between $25 and $35 billion in 1974; adjusted for inflation, benefit costs could be raised by between $32 and $44 billion in fiscal year 1978. 37/

Multi-Track System. A multi-track system would rely on some current program structures to provide support to those on welfare (Track I), to the unemployed (Track II), and to the working poor (Track III). Welfare families (Track I) would receive income support through a federalized AFDC program. Eligibility would be restricted primarily to single-parent families with children under age 12, adults needed in the home to care for other family members, and disabled individuals who cannot work. 38/ The basic benefit structure would include a federal minimum AFDC payment set at 75 percent of the poverty level (with regional variation) and a 100 percent benefit-reduction rate on all sources of income in excess of a $50 a month exemption. 39/ The welfare track would be administered by the states, with mandatory state supplementation up to current benefit levels. Welfare recipients would

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37/ See "Leading Welfare Reform Options," Report on the 1977 Welfare Reform Study, Supplement No. 1, Volume 2, Paper No. 5 (May 1977). Figures have been adjusted to reflect total costs rather than costs to the federal government alone as estimated by HEW. They do not incorporate changes in the economy and therefore are probably over-estimates.

38/ Other families might qualify for welfare with unemployability determined by such characteristics as age of the family head, number of children, education, work history, and availability of suitable employment.

39/ The federal minimum AFDC payment would be raised to the poverty level in the future.

continue to be eligible for food stamps and medicaid. SSI would continue as a separate program that could be folded into the welfare track in the future.

The manpower system (Track II) would be expanded to include those who had exhausted their unemployment insurance benefits and re-entrants and new entrants to the labor force who are unemployed, able-bodied, and over 21. These new groups of workers would be eligible, at the rate of one per household, for job training and temporary income support through a special unemployment assistance benefit (SUAB). The SUAB benefit would vary according to household size, ranging, for example, from $2,010 a year for one person to $4,760 for a four-person household, or about 75 percent of the poverty level (the same as the welfare track). Basic benefits would be adjusted according to variations in state wage differentials and reduced at a rate of 60 percent on earned and unearned income. The benefit would become zero at approximately 125 percent of the poverty level, the eligibility ceiling for the program.

When a SUAB recipient became employed the SUAB payment would be reduced dollar for dollar with earnings. The eligibility ceiling on income of other household members or from previous periods of employment would be set at 125 percent of the poverty level. That is, only households with incomes below 125 percent of the poverty level would be eligible for benefits. Households would continue to be eligible for food stamps. 40/

To enhance the employability of SUAB recipients, support programs such as social services and child care would be expanded and greater emphasis placed on manpower and training. The Comprehensive Employment and Training Act (CETA) program would be integrated with the State Employment Service, which would have responsibility for assessment, placement, and job development activities for SUAB recipients.

40/ An alternative benefit structure would provide a flat amount to one eligible individual per household that would be a percentage of state average wages or equal to the UI benefit paid to a worker earning the minimum wage in that state. In addition, an income-conditioned family supplement would be designed to provide more support for larger families.

The SUAB program relies on the effective administration of a work requirement; that is, a worker must be willing to accept suitable employment or job training. A worker could reject a bona fide job offer for one month, after which he would be required to take a job, training, or public service employment (if available) or lose eligibility for the program. Other members of the family might still be eligible for benefits under the welfare track.

The working poor would be served through the tax system (Track III). Low-income families would receive income support through an expansion of the current earned-income credit; they would also receive food stamps. Coverage would be extended to single persons and childless couples. The earned-income credit would be 12 percent per person, calculated on earned incomes up to $4,000; at this point the credit would reach its maximum and would then be reduced at the same rate, becoming zero for earnings of $8,000. For example, a family of four could receive a maximum credit of $1,920 ([4 x .12] x $4,000). This credit would, in turn, be counted as income in computing food stamp benefits.

Proponents of the multi-track plan view an expansion of the traditionally acceptable programs, such as UI and the U. S. Employment Service of the Department of Labor, as the most feasible way to reform the welfare system. It is this link with the manpower system, however, that has provoked some critics to question whether the plan could accomplish its ultimate objective of getting people to work. Since individuals could define themselves as part of the labor force and thus qualify for special unemployment assistance benefits, critics warn that the potential caseload could be large, with commensurate costs. Proponents intend that a strong work test (a limited suitability requirement), administered through the UI system or the U. S. Employment Service, would curb this growth by discouraging those who were not actually seeking employment from applying. Judging from experience with the work test in the current UI system, however, questions about the effectiveness and efficiency of such tests are bound to arise, especially in the absence of job creation as an integral part of the plan. Even if administered effectively, a strong work-test would not solve this problem if there were no jobs. 41/ HEW has estimated that a multi-track

41/ Structural characteristics of these examples of work-welfare strategies are summarized in Appendix Table C-7.

program similar to the one described here would have cost between $11 and $16 billion more than current policy if in place in 1974; adjusted for anticipated inflation, these added costs would amount to between $14 and $20 billion in fiscal year 1978. 42/

Other multi-track systems could be designed by altering the criteria for determining eligibility and by varying benefit levels. Modifications to the system described above could significantly change the estimated costs and redistribute benefits among the various tracks.

By modifying the welfare track (Track I) to provide benefits that would be equivalent to the poverty threshold, welfare benefit costs would increase. Nearly 3.0 million AFDC families (77 percent of all fiscal year 1978 current policy AFDC families) would participate in this modified track. The the food stamp program would be eliminated under this version of the multi-track system, but states would be required to supplement benefits of families eligible for Track I to ensure that they did not receive less than under a continuation of existing programs. Such mandatory supplements would be inexpensive (about $44 million) and states would receive $5.2 billion in fiscal relief.

Track II, the manpower system, would remain almost identical to that described above, except that SUAB benefits--again approximately 75 percent of the poverty level--would be paid to any family with an able-bodied employable so long as the total income of the family did not exceed 150 percent of the poverty level. Any earned income in the family from non-SUAB members would reduce the SUAB benefit 50 cents for every dollar earned. Compared to the other multi-track system, which had a higher tax rate on both earned and unearned income, this plan would provide more of an incentive for non-SUAB family members to work. The elimination of food stamps further reduces the cumulative tax rate faced by SUAB families, but the package of benefits provided would be less adequate.

This multi-track plan would provide low-income working families (Track III) with an earned-income credit calculated as 10 percent per person on the family's earned income up to $4,000. Compared to the other Track III proposal, a family of four at $4,000 would receive smaller refundable tax credits

42/ See U. S. Department of Health, Education, and Welfare, Report on the 1977 Welfare Reform Study (May 1977).

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($1,500 versus $1,920) and would also not receive food stamps (an additional loss of about $620).

This modified multi-track system would have a net benefit cost of between $6.0 and $10.0 billion in fiscal year 1978. 43/ Thus it is clearly possible to design a multi-track proposal with benefit costs similar to those for the packaged incremental and comprehensive cash assistance approaches. To achieve this level of costs under the multi-track approach, benefits were significantly reduced for the working poor and AFDC families with no children under 12; while significantly increased benefits were provided for a subset of the current AFDC population (i.e., those with any children under 12).

43/ The range of cost estimates for the modified multi-track system reflects varying assumptions of participation rates.

CHAPTER V. DISTRIBUTIONAL IMPACT OF THREE OPTIONS FOR COMPREHENSIVE REFORM

Various welfare reform proposals -- even those with similar costs -- could have significantly different distributional impacts. This becomes apparent by examining the following aspects of three of the comprehensive welfare reform proposals described in the previous chapter:

- Impact on average transfers to participating families and the distribution of income after transfers.
- Effectiveness in reducing the poverty gap (the amount of income needed to move all families out of poverty).
- Effect on the incidence of poverty among families of various types and regions of residence.
- Number of families that would gain or lose benefits relative to what they receive from the current system.
- Possible effects on behavior patterns, especially in the supply of labor, in family structure, and in regional migration.

The three proposals analyzed on the basis of these criteria are: the packaged incremental reforms proposal that does not change the medicaid program (PIR), the Income Supplement Program (ISP), and the Income Security for Americans (ISA) plan. 1/

1/ The packaged incremental reforms option with federalized medicaid is not analyzed here to avoid misleading comparisons with the comprehensive cash proposals, which assume reform of the national health system but do not specify the structure of such reform. Therefore, current medicaid costs are used in conjunction with the ISA and ISP cost estimates.

INCOME AND DISTRIBUTION OF BENEFITS

In fiscal year 1978, the current policy estimate for disposable personal income -- including earned and unearned income as well as all transfers -- is $1,295.2 billion. Not counting medicare and medicaid benefits, disposable income is estimated to be about $1,249.7 billion. 2/ Families whose pre-tax, pre-

TABLE 9. TOTAL DISPOSABLE PERSONAL INCOME UNDER SELECTED WELFARE REFORM OPTIONS IN FISCAL YEAR 1978: DOLLARS IN BILLIONS a/

Option	Disposable Income of Pre-Tax, Pre-Transfer Poor Families b/	Change in Income From Current Policy: All c/ Families	Change in Income From Current Policy: Pre-Tax, Pre-Transfer Poor Families	Percent of Change in Income Received by Poor
Current Policy	$104.5	--	--	--
PIR	108.0	$5.2	$3.5	67.3%
ISP	110.2	8.5	5.7	67.1
ISA	111.6	8.8	7.1	80.7

SOURCE: See Appendix Tables C-15.

a/ PIR (Packaged Incremental Reforms Option), ISP (Income Supplement Program) and ISA (Income Security for Americans).

b/ Total disposable income is defined as post-tax, post-total transfer excluding medicare and medicaid benefits.

c/ The estimated changes in total income associated with the reform options are not identical to net program cost figures discussed in previous chapters. The figures shown in this table are simulated amounts and have not been adjusted for simulation errors.

2/ Unless otherwise specified, disposable personal income includes income after taxes including all transfer payments except medicaid and medicare. See Appendix Table C-15.

transfer incomes are below the poverty level would receive $104.5 billion in income -- slightly more than 8 percent of all income in fiscal year 1978 (see Table 9). Any reform proposal would alter the amount of income received by the poor and non-poor.

Total income would increase marginally in fiscal year 1978 under all three of the comprehensive reform options. The income of the pre-tax, pre-transfer poor would increase by approximately 3.3 percent under the packaged incremental reforms proposal, by 5.5 percent under ISP, and by 6.8 percent under ISA. Slightly more than 80 percent of the increase in total income under ISA would be received by families whose pre-tax, pre-transfer incomes classified them as poor; 67 percent of the increase in total income under ISP and the packaged incremental reforms option would be received by the pre-tax, pre-transfer poor (see Table 9).

These changes in income also change the poverty gap -- the total amount of money required to bring all low-income families up to the poverty threshold. Without transfers the poverty gap in fiscal year 1978 would be $64.8 billion. Social insurance transfers reduce the gap to $33.3 billion (see Table 10). The current welfare system would further reduce the poverty gap to $16.6 billion, or a reduction of $16.7 billion from the estimated post-social insurance gap. To achieve this $16.7 billion reduction, welfare programs would spend nearly $32.4 billion; therefore, approximately 52 cents out of every dollar spent in the current welfare system goes toward closing the poverty gap. While roughly 70 percent of all welfare transfers would raise pre-tax, pre-transfer poor families toward their poverty thresholds, another 30 percent would move poor families over their thresholds. 3/

3/ The "leakage ratio" is sometimes used to calculate the targeting of transfers on poor families as a measure of closing their poverty gap. It is defined here as:

$$\text{Leakage Ratio} = 1 - \frac{\text{(pre-tax, post-social insurance poverty gap)} - \text{(post-tax, post-transfer gap)}}{\text{total welfare transfers}}$$

Under current policy the leakage ratio was estimated to be 29.5:

$$\text{Leakage Ratio} = 1 - \frac{\$33.3 \text{ billion} - 16.6 \text{ billion}}{\$23.7 \text{ billion}}$$

TABLE 10. POVERTY GAP UNDER SELECTED WELFARE REFORM OPTIONS IN FISCAL YEAR 1978: DOLLARS IN BILLIONS a/

	Pre-Tax Post-Social Insurance	Post-Tax, Post-Total Transfers Current Policy	PIR	ISP	ISA
Poverty Gap	$33.3	$16.6	$15.0	$12.3	$12.4
Reduction in Gap	--	16.7	18.3	21.0	20.9
Total Costs	--	32.4	37.8	40.8	41.3
Reduction in Poverty Gap as Percent of Total Costs	--	51.5%	48.4%	51.1%	50.6%

SOURCE: Appendix Table C-16.

a/ PIR (Packaged Incremental Reforms Options), ISP (Income Supplement Program) and ISA (Income Security for Americans).

The poverty gap would be reduced by an additional $1.6 billion under the packaged incremental reforms option, by an additional $4.2 billion under the ISA proposal, and by an additional $4.3 billion under the ISP proposal. But to achieve these reductions in the poverty gap, each proposal would spend more money than would current programs. Therefore, when the reduction in the poverty gap is measured against the additional costs, no proposal appears to be significantly more cost-effective than the current system and only one (ISP) appears to equal the current system in cost-effectiveness.

If examined at the margin (that is, at the additional increment of both cost and the additional reduction in the poverty gap), the cost-effectiveness of both the ISP and ISA proposals surpasses that of the packaged incremental reforms proposal. While the poverty gap is reduced by an additional $1.6 billion under the packaged incremental reforms proposal, the additional cost is nearly $5.4 billion, or a cost ratio to gap reduction of about 30 percent. The similar ratio for ISA and ISP is between 47 and 50 percent, nearly twice as effective as the packaged incremental reforms proposal.

Average Family Income Under Alternative Reform Options. The average income, before any taxes and transfers, of all non-poor families in fiscal year 1978 will be about $21,685 while that of the 20 million pre-transfer poor families will be only $1,009 or 1/22 as large (see Table 11). Social insurance, welfare, and tax programs significantly narrow the income disparity between poor and non-poor families. Social insurance transfers raise the average income of pre-transfer poor families by about $2,911 to $3,920 in 1978. The current welfare transfer and tax systems lower the average family income of the non-poor to about $18,413, and raise the average family income of the pre-transfer poor to about $4,969. Overall, disparity between pre-transfer family incomes -- a disparity measured by $21.50 for the non-poor for every $1 for the poor -- is significantly reduced to about $3.70 for the non-poor to $1 for the poor.

Relative to the current system the packaged incremental reforms proposal would increase the average annual income of pre-transfer poor families by $167; ISP would increase it by $272; ISA would increase it by $336. The ratio of the average family income of non-poor families to that of pre-transfer poor families is not significantly altered by any of three comprehensive restructuring proposals.

THE AGGREGATE INCIDENCE OF POVERTY

Under current welfare programs, some 8.9 million families -- 10.7 percent of all families -- will fall below the poverty threshold in fiscal year 1978 (see Table 12). 4/ The ISP option would, in the aggregate, lower the number of these families to 7.5 million, a reduction of 16.1 percent. The number of families below 150 percent of poverty in 1978 would be reduced from 18.7 million under current policy to 18.4 million under ISP, a reduction of about 337 thousand families or 2 percent. 5/

4/ Unless otherwise specified in the following sections, poverty is defined on the basis of income after taxes and after total transfers, excluding medicare and medicaid benefits.

5/ See Appendix Table C-18 (PART TWO).

TABLE 11. AVERAGE FAMILY INCOMES UNDER SELECTED WELFARE REFORM OPTIONS IN FISCAL YEAR 1978 a/

INCOME	Non-Poor Families	Poor Families b/
Pre-Tax, Pre-Transfer Income	$21,685	$1,009
Post-Tax, Post-Nonmedical Transfer Income		
Current Policy	18,413	4,969
PIR	18,440	5,136
ISP	18,457	5,241
ISA	18,442	5,305
RATIOS		
Pre-Tax, Pre-Transfer Non-poor Family Income to Poor Family Income	21.5 to 1	
Post-Tax, Post-Transfer Non-poor Family Income to Poor Family Income By:		
Current Policy	3.7 to 1	
PIR	3.6 to 1	
ISP	3.5 to 1	
ISA	3.5 to 1	

SOURCE: See Appendix Table C-17.

a/ PIR (Packaged Incremental Reforms Options), ISP (Income Supplement Program) and ISA (Income Security for Americans).

b/ Poor families are defined as families whose pre-tax, pre-transfer incomes fall below their poverty threshold.

TABLE 12. THE NUMBER OF FAMILIES AND INCIDENCE OF POVERTY UNDER CURRENT POLICY AND SELECTED WELFARE REFORM OPTIONS IN FISCAL YEAR 1978: FAMILIES IN MILLIONS a/

Option	Pre-Tax Pre-Transfer Income	Pre-Tax Post-Social Insurance Income	Pre-Tax Post-Welfare Transfer Income	Pre-Tax Post-Medical Benefits	Post-Tax Post-Total Transfers Income b/ I	Post-Tax Post-Total Transfers Income b/ II
			NUMBER OF FAMILIES			
Current Policy	21.0	12.0	8.7	5.8	8.9	6.0
PIR	21.0	12.0	7.9	5.1	8.1	5.3
ISP c/	21.0	12.0	7.2	4.8	7.5	5.1
ISA d/	21.0	12.0	9.3	6.1	8.1	5.1
			PERCENT OF FAMILIES			
Current Policy	25.2	14.5	10.4	6.9	10.7	7.2
PIR	25.2	14.5	9.5	6.1	9.8	6.4
ISP c/	25.2	14.5	8.6	5.8	9.0	6.1
ISA d/	25.2	14.5	11.2	7.3	9.7	6.1

SOURCE: See Appendix Table C-18 (PART ONE).

a/ PIR (Packaged Incremental Reform Option), ISP (Income Supplement Program), and ISA (Income Security for Americans).

b/ Column I excludes medicare and medicaid benefits received by families participating in those programs; Column II includes medicare and medicaid benefits.

c/ Increased medicaid benefits received by families becoming eligible for them as a result of modifications in the AFDC program are not included in the estimates. Offsetting the increased medicaid benefits would be a reduction in medically-needy benefits such families would be receiving before the AFDC reform, and reduction in medicaid benefits for current AFDC families made ineligible by the reform option.

d/ Assumes current policy for medicaid and medicare programs; families who would qualify for medicaid benefits under the current policy AFDC program would continue to receive benefits under the ISP and ISA option.

In fiscal year 1978, the ISA option would remove 791 thousand more families from poverty than would be removed under current policy. This represents over a 9 percent reduction in the number of poor families. The number of families below 150 percent of poverty in fiscal year 1978 is reduced by 1.0 million, a 5 percent reduction from current policy. ISP is slightly more effective than ISA in reducing the incidence of poverty, while ISA is more effective than ISP at reducing the number of families below 150 percent of poverty. Since the estimated cost of ISP in fiscal year 1978 is $500 million less than ISA and the number of families that would be removed from poverty under ISP is approximately 641 thousand more than the ISA, the ISP option could be judged more effective.

The least effective of the three options in reducing poverty is the incremental reforms package. The number of families who would be removed from poverty in fiscal year 1978 as a result of this option was estimated to be 776 thousand, a 9 percent reduction from current policy. Approximately 18.3 million families would continue to have incomes below 150 percent of poverty in fiscal year 1978, a 2.4 percent reduction from current policy levels.

While the packaged incremental reforms proposal is 35 percent less costly than the ISP plan and 39 percent less costly than the ISA proposal, about 8 percent fewer families are moved out of poverty under it than under the ISP option and 1 percent fewer than under ISA. Neither ISA or ISP appears to be any more effective than the packaged incremental reforms proposal in reducing the incidence of poverty when measured against the additional costs involved.

INCIDENCE OF POVERTY BY TYPE OF FAMILY AND SOCIOECONOMIC IMPACT

While all the reforms would lower the number of families in poverty, they would affect various types of families differently. Current programs are designed primarily to provide benefits to single-parent families with dependent children, elderly poor people, and the blind and otherwise disabled. In theory, this design should result in a low incidence of poverty for these groups when all benefits are counted. In fact, however, families consisting of a single mother with children will have a relatively high incidence of poverty in fiscal year 1978 if current policy is pursued (see Table 13).

TABLE 13. INCIDENCE OF POVERTY BY FAMILY TYPE UNDER SELECTED WELFARE REFORM OPTIONS IN FISCAL YEAR 1978 a/

Family Type	Current Policy	PIR	ISP	ISA
		(PERCENT)		
All Families	10.7	9.8	9.0	9.7
Single Person	20.8	21.2	16.7	20.2
Both Parents				
No Children	2.9	2.8	2.1	1.8
1 Child	3.1	2.9	2.5	2.1
2 Children	3.4	3.2	2.9	2.4
3 or More Children	7.6	6.9	7.2	5.4
Mother Only				
No Children	4.6	4.5	2.7	3.0
1 or 2 Children	21.5	14.4	19.9	21.5
3 or More Children	33.8	8.4	33.1	34.7
Other (Primarily Father Only)	22.4	20.1	21.7	21.2
Multiple-Person Family	6.6	5.1	5.8	5.5

SOURCE: See Appendix Table C-20.

a/ Family income is defined as post-tax, post-transfer excluding medicare and medicaid benefits. PIR (Packaged Incremental Reforms Option), ISP (Income Supplement Program), and ISA (Income Security for Americans).

Family Type. Under all of the reform options, two types of families would continue to have a relatively high incidence of poverty: single-member families and single-parent families consisting of a father with children. This appears to be true even if the comparison is made at 150 percent of the poverty level. Approximately 40 percent of the single individuals would be below 150 percent of poverty in fiscal year 1978 regardless of the reform option. 6/ The packaged incremental reforms proposal would be the most effective in reducing the incidence of poverty among female-headed families. This package would reduce by more than half, or approximately 715,000 families, the number of such families in poverty in 1978. Compared with current policy, the number of poor families consisting of women without children would be increased slightly by the packaged incremental reforms but would be nearly halved under either ISP or ISA.

Some studies have shown that benefit levels under the current AFDC program have had an impact on family dissolution; on the rate of marriages and remarriage; and on the growth of female-headed households. The packaged incremental reforms proposal could further promote these behavioral responses. 7/ The national standards in the reformed AFDC program include expanded nationwide eligibility for unemployed fathers, and this might reduce the pressure to form female-headed families. But even under this modification, the exclusion of intact families with a working father might provide some fathers with an incentive to abandon their families so the family could quality for the high benefits found in the reformed AFDC program. Or, fathers might reduce their work effort to qualify for AFDC-UF.

The ISA option, because it would replace the personal tax exemption with a per-person credit, would reduce the incidence of poverty for intact families more than the ISP option, which was designed to retain the personal exemption. The tax credit benefits larger families, especially those below 150 percent of the poverty threshold. Above that income point,

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6/ See Appendix Table C-20.

7/ Marjorie Honig, "The Impact of Welfare Payments Levels on Family Stability," in Subcommittee on Fiscal Policy of the Joint Economic Committee of the Congress, Studies on Public Welfare, Paper No. 12 (1973). See also Heather Ross and Isabel Sawhill, Time of Transition: The Growth of Families by Women (Washington, D.C.: the Urban Institute, 1975).

however, the tax difference resulting from family size would narrow under both ISA and ISP.

While a number of non-economic factors affect family structure, it is possible that comprehensive cash assistance plans like ISA and ISP could strengthen family structure more than the incremental reform proposal.

Age of family head. The incremental reform proposal would tend to benefit families headed by younger persons (almost entirely female) more than a continuation of current policy, ISP, or ISA. The incidence of families below 150 percent of poverty is not significantly changed for the younger families under any reform option. Most of the families remaining in poverty in the under-25 age group are single individuals.

Nearly 12.5 percent of the families headed by an elderly person are estimated to be poor in 1978 under current policy (see Table 14). The incidence of poverty would increase slightly under the incremental reforms package because of reduced food stamp benefits. Nearly 32,000 elderly families would slip back into poverty under this reform option. ISP and ISA reduce the incidence of poverty among elderly families to 6.5 and 10.5 percent respectively in 1978. The tax credit in the ISA proposal offers slightly greater advantages to non-elderly families than it does to elderly families. Fewer non-elderly families -- aged 25 to 64 -- remain in poverty under the ISA proposal than under ISP or the packaged incremental reforms proposal.

Race of family head. The probability of being poor under the current welfare system is nearly two and one-half times greater for the nonwhite population than for the white population. The incidence of poverty for the white population in fiscal year 1978 is estimated to be 9.2 percent compared to 21.9 percent for the nonwhite population. About 20 percent of the white population is estimated to fall below 150 percent of poverty in 1978, compared to more than 43 percent of the nonwhite population (see Table 15).

Reduction in the incidence of poverty for the nonwhite population would be significantly greater under the packaged incremental reforms proposal than under the comprehensive cash proposals. The white population would gain most under the ISP and ISA proposals; their incidence of poverty would be only marginally reduced under the packaged incremental reforms approach.

TABLE 14. INCIDENCE OF POVERTY BY AGE OF HEAD OF FAMILY, UNDER SELECTED WELFARE REFORM OPTIONS IN FISCAL YEAR 1978 a/

Age of Head Reform Option	Below Poverty	Below 150% Poverty
	PERCENT	
Under 25 Years of Age		
Current Policy	23.0	36.7
PIR	21.1	35.6
ISP	22.0	36.4
ISA	22.3	36.4
25 to 64 Years of Age		
Current Policy	8.2	14.4
PIR	7.1	13.5
ISP	7.7	14.1
ISA	7.6	13.6
Over 65 Years of Age		
Current Policy	12.5	16.9
PIR	12.7	16.8
ISP	6.5	14.4
ISA	10.5	15.1

SOURCE: See Appendix Table C-22.

a/ Family income is defined as post-tax, post-transfer excluding medicare and medicaid benefits. PIR (Packaged Incremental Reforms Option), ISP (Income Supplement Program), and ISA (Income Security for Americans).

None of the reform proposals significantly alters the incidence of families, white or nonwhite, below 150 percent of poverty, but the ISA proposal appears to favor slightly the white population.

TABLE 15. INCIDENCE OF POVERTY BY RACE OF FAMILY HEAD, UNDER SELECTED WELFARE REFORM OPTIONS IN FISCAL YEAR 1978 a/

Region Reform Option	Below Poverty	Below 150% Poverty
	PERCENT	
White		
Current Policy	9.2	19.7
PIR	8.7	19.3
ISP	7.7	19.3
ISA	8.3	18.7
Nonwhite		
Current Policy	21.9	43.1
PIR	17.9	41.1
ISP	18.7	42.8
ISA	20.4	41.1

SOURCE: See Appendix Table C-24.

a/ Family income is defined as post-tax, post-transfer excluding medicare and medicaid benefits. PIR (Packaged Incremental Reforms Option), ISP (Income Supplement Programs) and ISA (Income Security for Americans).

Region. All three of the reform options favor the South (see Table 16). Any national minimum standard of benefit levels, whether through the AFDC program in the incremental reform package or through cash assistance in ISP or ISA, will remove a significant number of southern families from poverty. 8/

8/ Both the use of national poverty thresholds to count families in poverty by place of residence and a uniform national benefit structure without regional cost-of-living differentials account for the distributional impact that favors the South. Relatively more poor families live in the South, and the benefit gap filled by the programs is larger than in the other regions because current policy benefits are generally lower.

TABLE 16. INCIDENCE OF POVERTY BY REGION OF COUNTRY, UNDER SELECTED WELFARE REFORM OPTIONS IN FISCAL YEAR 1978 a/

Region Reform Option	Below Poverty	Below 150% Poverty
	PERCENT	
South		
Current Policy	14.4	27.9
PIR	12.6	26.8
ISP	11.5	27.3
ISA	12.5	26.5
West		
Current Policy	9.8	21.5
PIR	9.2	21.1
ISP	8.8	21.1
ISA	9.2	20.7
Northeast		
Current Policy	8.8	20.7
PIR	8.4	20.5
ISP	7.9	20.4
ISA	8.4	19.6
North Central		
Current Policy	8.5	18.2
PIR	7.9	17.9
ISP	6.9	17.9
ISA	7.9	17.3

SOURCE: See Appendix Table C-18.

a/ Family income is defined as post-tax, post-transfer excluding medicare and medicaid benefits. PIR (Packaged Incremental Reforms Option), ISP (Income Supplement Programs) and ISA (Income Security for Americans).

More than 62 percent, or 482,000, of the 776,000 families who would be removed from poverty by the packaged incremental reforms proposal live in southern states. About 63 percent of the total reduction in poverty under ISA and 55 percent under ISP would be in the South. The northeast region would have the smallest reduction in the incidence of poverty as a result of the packaged incremental reforms proposal.

Despite a significant reduction as the result of any reform proposal, the incidence of poverty in the southern region would still be higher than in any other. In fiscal year 1978, under current policy, 43 percent of the post-tax, post-transfer poor would reside in the southern region, while 39 percent would be in the northeast and north central regions. Any of the comprehensive reform options, but especially the packaged incremental reforms option, would favor the southern over other regions in moving relatively more poor families out of poverty.

Evidence on the effects of welfare policies on migration is inconclusive, but it is probably true that benefit variations among states and localities have had some marginal impact on migration patterns. Reform plans that reduce such variations should moderate current incentives to move to more generous welfare jurisdictions. In general, AFDC programs in the northeast and north central regions are more generous than those in the South. If the current system creates incentives for recipients to migrate to high benefit areas in the North, the provision of more adequate benefits in the South under any of the comprehensive options might reduce the financial incentive to move.

Impact on the Working Poor and Work Incentives. Of families defined as working, that is, headed by a person who works more than 50 weeks a year, approximately 1.3 million (2.8 percent) will have fiscal year 1978 incomes below poverty under current policy. Over 3.8 million (8.3 percent) will have incomes below 150 percent of poverty. If working status is defined as having any earned income during the year, approximately 3.5 million (5.3 percent) working families will be below poverty and 9.7 million (13.7 percent) below 150 percent of poverty (see Table 17).

In fiscal year 1978, the number of working families (in which the head worked more than 50 weeks a year) moved out of poverty under the incremental reforms proposal would be an additional 84,000 to current policy. The number moved under ISP would be about 92,000 greater and under ISA, 168,000

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TABLE 17. INCIDENCE OF POVERTY BY WORKING STATUS OF FAMILY UNDER SELECTED WELFARE REFORM OPTIONS IN FISCAL YEAR 1978 a/

Working Status Reform Option	Below Poverty	Below 150% Poverty	Below Poverty	Below 150% Poverty
	PERCENT		PERCENT	
	NO EARNED INCOME		HEAD WORKED LESS THAN 50 WEEKS	
Non-Working				
Current Policy	31.0	55.5	20.4	40.0
PIR	29.3	55.4	18.5	39.3
ISP	24.7	54.4	16.8	39.5
ISA	29.1	52.8	18.7	38.3
	REPORTED EARNED INCOME		HEAD WORKED 50 WEEKS OR MORE	
Working				
Current Policy	5.3	13.7	2.8	8.3
PIR	4.6	13.0	2.7	7.8
ISP	4.8	13.5	2.6	7.9
ISA	4.6	13.0	2.5	7.7

SOURCE: See Appendix Tables C-26 and C-28.

a/ Family income is defined as post-tax, post-transfer excluding medicare and medicaid benefits. PIR (Packaged Incremental Reforms Options), ISP (Income Supplement Program) and ISA (Income Security for Americans).

greater. 9/ Under all the options except ISA the proportion of working families removed from poverty is significantly smaller than the proportion of families headed by a person who worked

9/ These estimates assume no change in the amount of labor supplied under each alternative.

less than 50 weeks a year. While the packaged incremental reform proposal reduced the number of working poor families (working 50 weeks a year) by 6.4 percent and the ISP and ISA proposals by approximately 7.0 and 12.9 percent respectively, the reduction among the families headed by a person working less than 50 weeks in the year was 9.1 percent under the incremental proposal, 17.6 percent under ISP and 8.2 percent under ISA.

Under all options the overall incidence of poverty continues to remain high for families whose head worked less than 50 weeks in the year compared to those whose head worked 50 weeks. But the relative impact on the incidence of poverty for all working families drops only slightly under each reform proposal.

When working status is defined as having earned income during the year, the number of working families moved out of poverty would be 468,000 greater under the packaged incremental reforms proposal than under current policy, and approximately 453,000 under ISA and 324,000 under ISP. Under both definitions of working status, the ISA proposal tended to benefit working families, while the ISP proposal benefited non-working families.

Results from experiments with negative income tax experiments indicate that comprehensive cash assistance approaches such as ISA and ISP would lead to a reduction in work effort. This reduction, however, would vary significantly for different categories or recipients. For a family of four with no other income, both ISP and ISA would provide benefits of about two-thirds of the poverty level; this translates into a nontaxable average wage rate of about $2.10 an hour. Benefits would be reduced at the rate of about 50 cents for each additional dollar of private income. Overall, the experiments imply that such a structure could have some impact on incentives to work. Certain population groups, unable to secure the wage rate implicit in the program's benefit structure, might withdraw in significant numbers from the labor market. The implicit hourly wage rate for pre-tax, pre-transfer poor female-headed families with more than three children is approximately $2.70 for both the ISP and ISA proposal. Such nontaxable wage rates would exceed minimum wages and suggest a relatively low financial incentive to work. It is not clear, however, that such a response is socially undesirable, especially for secondary workers, or in families headed by females with young children.

The packaged incremental reforms proposal provides much more generous benefits (a guarantee at the poverty level) and retains current benefit-reduction rates that, for AFDC coupled with food stamps, significantly exceed those in ISA or ISP. The implicit wage rate for the incremental package is more than $3.30 per hour for pre-tax, pre-transfer poor female-headed families with more than three children. By expanding eligibility to unemployed fathers nationwide and liberalizing benefits overall, such a federalized structure for AFDC would provide more disincentives to work than the current system and would probably result in a reduction in work effort greater than that produced by either ISA or ISP. The incremental reform proposal retains the current 100 hours per month limitation for unemployed fathers to quality for AFDC. If these provisions were eliminated, the incentives for withdrawal from the labor force or reduction in working hours would perhaps be moderated.

GAINERS AND LOSERS

Each welfare reform proposal alters the current distribution of benefits and, in some instances, the income of the non-welfare population. These changes will result in some families gaining and some losing. Gains or losses are defined in terms of the difference between a family's post-tax, post-transfer income under current policy and its post-tax, post-transfer income under the various reform proposals. This section examines the gainers and losers, assuming that the increased cost of any welfare reform proposal is paid for through deficit financing or through a fiscal surplus in the year of implementation. If the increased costs of a particular proposal were financed through additional taxes, the number of losers above the poverty level could be greater than the number estimated here.

Under the incremental reform approach, more than 88 percent of all families would be unaffected in fiscal year 1978, but 14 percent of all poor families would lose benefits (see Table 18). The majority of those losing benefits would lose between $25 and $250 a year. About 22.2 percent of those who are poor under current policy would gain benefits in fiscal year 1978, most of them having significant gains of more than $500 a year. By family type, the obvious gainers under the incremental reform proposal are female-headed families with children because of expanded AFDC benefits; the losers under this proposal are predominately single-person families because of increased purchase requirements in the food stamp program. More than 60 percent of all families would be unaffected by the ISP proposal in fiscal year 1978. About 34 percent of all families would have increased benefits -- most of them families with incomes above the poverty level; they would benefit because ISP would index the standard deduction for inflation. Nearly 60 percent of poor families would gain benefits, the majority having gains of more than $500 a year. The majority of non-poor families would receive gains of between $25 and $250 a year.

Because of the refundable tax credit, the ISA plan would affect the income status of almost every family. Only about 10 percent of all families would be unafeccted by this reform proposal. In general, while the cost of ISA and ISP are quite similar, more poor families (73.8 percent) would gain benefits under ISA than ISP (57.1 percent). The average gain per family, however, appears to be slightly less under ISA than under ISP; this results in similar costs for both proposals. The ISA tax-credit provision provides benefits to lower-income families but results in a reduction in incomes for more families whose incomes are above poverty.

TABLE 18. PROPORTION OF FAMILIES THAT GAIN OR LOSE UNDER SELECTED WELFARE REFORM OPTIONS IN FISCAL YEAR 1978 a/

Current Policy Post-Tax, Post-Transfer Income Status	Reform Option	LOSERS: AMOUNT OF INCOME LOSS More Than $500	$250-499	$25-249	Total Losers	Total No Change	GAINERS: Total Gainers	AMOUNT OF INCOME GAIN $25-249	$250-499	More Than $500
Below Poverty	PIR	0.7	1.6	11.6	14.0	63.8	22.2	5.4	2.0	14.8
	ISP	0.5	1.9	5.0	7.4	35.5	57.1	7.7	6.7	42.7
	ISA	0.7	2.2	15.4	18.4	7.8	73.8	28.3	11.8	33.7
Above Poverty	PIR	0.3	0.7	2.6	3.6	91.6	4.8	1.4	0.7	2.7
	ISP	0.7	1.3	2.2	4.2	64.4	31.2	23.6	5.7	1.9
	ISA	3.3	6.4	25.1	35.0	10.1	54.9	38.9	10.3	5.7
Total Families	PIR	0.3	0.8	3.5	4.6	88.7	6.7	1.8	0.9	4.0
	ISP	0.7	1.4	2.5	4.6	61.4	34.0	21.9	5.8	6.3
	ISA	3.0	6.0	24.0	33.3	9.8	57.1	37.9	~~10.5~~	8.7

SOURCE: See Appendix Table C-30.

a/ Numbers may not add to totals due to rounding. PIR (Packaged Incremental Reforms Options), ISP (Income Supplement Program), and ISA (Income Security for Americans).

CHAPTER VI. AN OVERVIEW OF WELFARE REFORM

The options analyzed in this paper, while not identical to those that will be considered in the 95th Congress, are examples of broad approaches to reform welfare. As examples they provide a useful framework for considering the major issues that must be dealt with in changing the welfare system.

If current policy is continued, the programs designed to assist the poor will continue to be complex both for welfare recipients and program administrators. Benefits, regulations, and eligibility will continue to vary from state to state and from program to program. The fiscal burdens of states and localities will vary widely depending on their financial resources and the priority they give to helping the low-income population. Much of the poor population will not be covered by any federal cash assistance program, and many of the groups who are covered will continue to experience a high incidence of poverty because of the low benefits paid by some states.

Reform alternatives that would make incremental changes in existing programs without a complete overhaul of the whole system could entail substantial savings or costs. In general, incremental reforms involving national minimum benefit standards would result in increased federal outlays and reduced state costs. Because incremental proposals would build off current programs, benefits would continue to be provided primarily to single-parent families with dependent children, the blind, the disabled, and the elderly. Poverty among those who qualify for AFDC and SSI could be significantly reduced. The working poor, intact families, and single persons would continue to receive less assistance.

Comprehensive cash assistance proposals would provide increased benefits to a wide range of low-income persons. Compared to incremental options, they would usually offer less fiscal relief to states. This is because the federal payment, although it would provide benefits to a larger population, tends to be lower for this approach than for an equally expensive incremental option and because states would be expected to to supplement federal benefits up to current levels for persons now covered. Because coverage in comprehensive proposals would be universal, the reduction in the incidence of poverty could be relatively large and could affect a broad range of family types. Comprehensive cash assistance proposals tend to be slightly more effective than the incremental approach in reducing the poverty gap.

Work-welfare reform proposals generally are quite complex and can entail large costs. They do more than the other approaches, however, to ensure that those capable of supporting themselves through work will do so to the greatest extent possible. Since work-welfare proposals are directed towards those not assisted through existing categorical programs, it is probable that this approach would do much to reduce the incidence of poverty among single individuals, intact families, and the non-aged.

Because the welfare system is both complex and an integral part of the nation's socioeconomic system, welfare reform should not be undertaken without a thorough examination of the interactions and repercussions that will result from changes. Reforms may affect some programs that have not been discussed or mentioned only briefly in this paper. The various government housing assistance programs, for example, will have to be fully integrated with a reformed welfare system. Medical care for the poor will also have to be closely coordinated. Major changes in the welfare system may call for rethinking and restructuring of the array of social services provided to the poor by state and local governments, and the structure of such programs as local property tax relief plans for the poor may have to be re-evaluated.

In particular changes in the welfare system and changes in the social insurance system should be coordinated. If the coverage of the welfare system were broadened and the benefits raised, there might be less interest in changing the benefit structures of the social security and unemployment insurance programs to reflect presumed family need. Changes in social insurance programs, on the other hand, could reduce the need for welfare reform or influence the shape of the most efficient kinds of reform.

Probably the most difficult area of integration and coordination will be between welfare reform and labor markets. In many ways closing the poverty gap, is less important than correcting what some perceive as a growing maldistribution of private earned income. The poor will not achieve self-sufficiency unless programs can be designed to enhance their earning capabilities. Education and training programs that develop and maintain the skills demanded by a continually changing economy will therefore have to be integrated with a reformed welfare system.

Beyond the administrative issues associated with the current welfare system and the approaches to its reform, costs and distributional impacts are important criteria for evaluating various alternatives. The current welfare system has been fairly successful in reducing poverty in those segments of the population that are particularly vulnerable. It may not be possible to make further substantial reductions in poverty or major changes in the overall distribution of income without significantly higher levels of transfer payments. Higher transfer payments that provide more adequate benefits for meeting the needs of families obviously will be judged by the Congress against budget contraints and possible withdrawals from the labor force.

APPENDIX

APPENDIX A THE DEFINITION OF POVERTY

In fiscal year 1976 approximately 21 million families had pre-transfer resources that were below official government poverty measure. 1/ The government measure was developed in 1965. The original poverty threshold definition was derived in three steps: first, the amount of income required for food for families of different sizes and compositions was defined to be the cost of the economy food plan that was developed by the U.S. Department of Agriculture; second, based on 1955 studies of family budgets, which revealed that about one-third of a family's post-tax cash income went towards food, the poverty threshold was established at three times the economy food plan; and finally, the definition was adjusted for whether or not the family lived on a farm.

Since 1969 the poverty thresholds have been adjusted by the annual change in the consumer price index. Prior to that date the adjustment was made on the basis of changes in the per capita price of the economy food plan. The poverty thresholds are, therefore, kept fixed in terms of real dollars. Because real median family income has increased over time, the income of a family at the poverty threshold has dropped farther behind the median family income.

The current definition of poverty has been much criticized. Some feel that it is inadequate and that the measure should be based on a relative income concept such as a fixed percent of mean or median family income or set at the income of families at a specific percentile of the income distribution (e.g. the twentieth percentile family). Others have said that the current approach for determining the poverty level are not wrong, but a higher level should be selected such as the Bureau of Labor Statistics' Lower Family Budget, a level four or five times the economy food plan or some multiple of the current threshold. In

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1/ See Congressional Budget Office, Poverty Status of Families Under Alternative Definitions of Income, Background Paper No. 17 Revised (June 1977).

addition some have suggested that whatever the benchmark, it should be adjusted to reflect geographic differences in the cost of living. There are many conceptual and practical problems that must be resolved to achieve such variations. 2/

2/ In April 1976, the Poverty Studies Task Force concluded that any poverty definition is inherently value-laden and difficult to empirically estimate, see U.S. Department of Health, Education, and Welfare, The Measure of Poverty, A Report to Congress as Mandated by the Education Amendments of 1974 (April 1976).

BASIS FOR ESTIMATING THE COSTS OF REFORM 1/

The data base used in estimating costs in the distributional analysis is the Current Population Survey (CPS) for March 1975. The CPS was adjusted to reflect projected economic and demographic changes between the survey year and the projection years--in this case, fiscal years 1976, 1978, and 1982.

The CPS contains detailed information relating to the economic and demographic composition of each family in the survey. Since some of the income information in the survey is incomplete, however, it is necessary to adjust for underreporting and nonreporting. A statistical model was used to make these adjustments. For some of the current transfer programs, such as AFDC, SSI, and food stamps, benefits are calculated by applying program rules to families in the survey. For other programs, including housing assistance and medicaid, benefit distributions were computed according to the broad economic and demographic characteristics of the families that are categorically eligible. 2/

The same statistical model was used to analyze the welfare reform options. In such a model, it is possible to change program rules or create completely new transfer programs with

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1/ For a documentation of the technical procedures employed in this analysis, see Raymond Uhalde, Jodie Allen, and Harold Beebout, Analysis of Current Income Maintenance Programs and Budget Alternatives, Fiscal Years 1976, 1978, and 1982: Technical Documentation and Basic Output, (Mathematica Policy Research, Washington, D.C., March, 1977).

2/ Some of the limitations of the CPS data base and the procedures used for adjusting transfer and nontransfer incomes on the survey are described in Congressional Budget Office, Poverty Status of Families Under Alternative Definitions of Income, Background Paper No. 17, Revised (June 1977).

their own sets of rules. After these changes have been made, benefit costs can be recalculated. Since these calculations were done for individual families in the survey, the distributional effects on certain categories of the population can be calculated as well. 3/

Projections to Fiscal Years 1978 and 1982

Estimating costs for a future year requires adjusting the CPS data base to make it represent the future population and economy. For the demographic adjustments, Census Bureau estimates were used. The economic assumptions for fiscal years 1978 and 1982 follow the recovery path projected by the Congressional Budget Office in July 1976. Table B-1 summarizes the economic and demographic assumptions used in this study.

Income transfer programs such as AFDC, food stamps, and unemployment compensation are particularly sensitive to the state of the economy. Some of the reform options are equally sensitive. Assumptions about future changes in income, inflation, and unemployment directly affect the costs of these programs. Because of the uncertainty that surrounds future economic conditions, statements concerning the relative costs of alternatives can be made with greater assurance than can predictions of their absolute levels. Furthermore, it should be noted that the economic assumptions used to project current policy also assume a continuation of current programs. This point is especially important as it relates to the year in which welfare reform options are implemented.

CALCULATING THE COSTS OF REFORM OPTIONS

The net budget impact of each reform option was calculated in terms of the increased or decreased costs relative to continuing current programs. Thus, the change produced by a reform depends not only on the specific features of the reform and the

3/ While the sample size is large enough to do some regional analysis, it is not large enough to provide reliable estimates at the state level. A new government survey--the Survey of Income and Education--does provide state-reliable estimates but was unavailable at the time this study was done.

TABLE B-1. ECONOMIC AND DEMOGRAPHIC ASSUMPTIONS FOR FISCAL YEARS 1976, 1978, AND 1982: DOLLARS IN BILLIONS, NUMBERS IN THOUSANDS

Assumptions	1976	1978	1982
Economic Assumptions a/			
Wages and Salaries	847.6	1,093.9	1,660.5
Nonwage Income b/	268.4	348.2	528.8
Transfer Income c/	182.2	220.7	326.8
Consumer Price Index (1972 = 100.0)	166.2	187.1	233.0
Unemployment Rate (Percent)	8.0	5.9	4.5
Demographic Assumptions d/			
Population	217,086	221,163	225,799
Households	72,886	76,219	82,548
Families e/	57,901	59,255	62,009
Unrelated Individuals	21,562	24,018	28,189

SOURCE: Congressional Budget Office and Mathematica Policy Research; for more detail, see Raymond Uhalde, Jodie Allen, and Harold Beebout, Analysis of Current Income Maintenance Programs and Budget Alternatives, Fiscal Years 1976, 1978, and 1982: Technical Documentation and Basic Output, Mathematica Policy Research, Washington, D.C., March 1977.

a/ Based on CBO July 15 economic assumptions; see "Five-Year Economic Assumptions," CBO Economic Assumptions Panel, August 3, 1976.

b/ The part of personal income that includes self-employed farm and non-farm incomes and personal rent, dividends, and personal interest incomes.

c/ For a listing of individual programs included in total transfers, see Appendix Table C-1.

d/ Demographic assumptions are as of July 1, of each year. Included are both the noninstitutional and institutionalized population and persons residing in Puerto Rico.

e/ Excludes one-person families.

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state of the economy, but also on the current policy base projections.

The cost estimates in this analysis represent benefit payments only. They do not include the costs of administration. Therefore, the estimates do not reflect any costs or savings that may result from such changes in administrative procedures or structures as program standardization to reduce error rates or program consolidation to eliminate administrative duplication. Qualitative impacts of such increases, however, are indicated where their direction appears obvious.

In this analysis, options are compared on the basis of direct cost effects and their net budget impacts. Reform costs were calculated as if the reforms were first implemented in each of the fiscal years. The costs in fiscal years 1978 and 1982 therefore should not be compared. 4/ This is because the 1982 costs are not computed as if the program had been in force for the previous four years.

A number of programmatic and behavioral assumptions were required to project the current policy base to fiscal years 1978 and 1982. Factors that could have considerable impact on future program costs include the rate at which program standards keep pace with inflation, the rate at which persons who are eligible choose to participate, and the strictness with which programs are administered. However arbitrary they may be, many such assumptions must be made either explicitly or implicitly. This analysis assumed that program standards will be adjusted for inflation,5/ that the participation rates will remain at their

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4/ These are first-year costs. Any reform implemented in fiscal year 1978 would change the economic environment by 1982, and thus affect the costs of reform in that year.

5/ For example, AFDC benefits and eligibility standards are not required by law to be adjusted periodically for inflation. However, states have generally adjusted these levels and at times they have kept pace with inflation. Recently, these adjustments have lagged behind price changes. AFDC caseloads and costs are extremely sensitive to this assumption. For example, if AFDC standards were not indexed for inflation, fiscal year 1978 annual caseloads would be 180,000 below the indexed level of 45 million families, and benefit costs would be $2 billion less than the $11.4 billion in benefit payments that resulted when indexing was assumed.

current levels, and that governments will administer the programs strictly according to the regulations.

In calculating the net budgetary and distributional impact of welfare reforms, generally only the direct effects were considered, although the secondary cost effects may be just as important. Secondary costs of reform result from changes in recipient behavior, the financing mechanism used to support reform, and the shifts in financial resources between recipients and nonrecipients. For example, an option that would increase costs above current levels would have different effects on the overall level of economic activity depending upon whether these costs were supported by fiscal substitution (that is, cuts in other programs), a reduced budget surplus or larger deficit, or through raised taxes. While such secondary effects are obviously important, the wide range of possible outcomes make them difficult if not impossible to estimate with any degree of confidence. 6/

Recipient response to changed program structures may also significantly affect cost. The two major areas of change in recipient behavior that may arise from different reforms are participation rates and labor supply responses. In general, the current policy base participation rates were used in the reform option simulations. 7/ This assumption is most question-

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6/ See Frederick L. Galladay and Robert H. Haverman, The Economic Impacts of Tax-Transfer Policy, Regional and Distributional EFfects (Institute for Research on Poverty, Madison, Wisconsin, 1977).

7/ One goal of any reform option would be to encourage participation for all those eligible. With the exception of the food stamp option that eliminates the purchase requirement, no attempt was made to estimate how the various reforms would affect current participation rates. The removal of purchase requirements should have a direct impact on the behavior of some classes of recipients, especially those for whom the purchase requirement exceeds what they would normally spend on food. For this option, participation rates were adjusted upward. A summary of the adjustment is in Mathematica Policy Research, op. cit.

able in the case of the comprehensive cash assistance options with their simplified administrative procedures and the addition of new classes of beneficiaries whose participation patterns can only be guessed at. In the comprehensive cash transfer programs, the overall participation rate among eligible persons was taken to be about 90 percent. For tax transfers, complete participation was assumed. In the absence of sufficient empirical evidence for making such adjustments, consistent treatment of options using current participation rates has the advantage of focusing the analysis on other reform features and offers better bases for comparisons with current program costs.

Although a little more is known about recipient labor supply response to alternative program structures, adjustments in this area were also omitted from the analysis. Experimental and nonexperimental evidence indicate that recipients tend to reduce the amount they are willing to work when they have access to the benefits of a negative income tax. Some analysts feel that the results from the New Jersey negative income tax experiment conducted from 1968 to 1972 indicate that disregarding the labor supply response could understate the total costs of such a plan by 5 to 10 percent. 8/ The negative income tax experiments that began in 1971 in Seattle and Denver indicate an even larger costs impact even though the work effort effects were comparable to those from the New Jesey experiment. 9/ Using more sophisti-

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8/ See Albert Rees and Harold W. Watts, "An Overview of the Labor Supply Results," in Joseph A. Pechman and P. Michael Timpane (ed.), Work Incentives and Income Guarantees: Results from the Negative Income Tax Experiment (The Brookings Institution, 1975).

9/ These experiments show that for an average negative income tax plan, hours worked will be reduced by between 13 and 14 percent overall. The New Jersey experiment found an 8 to 16 percent reduction for white households, 2 to 6 percent for Spanish-speaking households, and slight, but significant, changes for black households. See Ibid, p. 85 and Philip K. Robins, Robert G. Spiegelman, "Labor Supply Responses to a National Income Maintenance Program: Preliminary Estimates Based on Results from Seattle and Denver Income Maintenance Experiments," (Paper presented at the 89th annual meeting of the American Economics Association, Atlantic City, New Jersey, September 17, 1976), Tables 2 and 4.

cated procedures, the Seattle and Denver experiments indicated that net budget costs could rise by 20 to over 50 percent because of the labor supply response to a negative income tax. In general, the studies suggest that secondary workers (i.e. people who work, but whose earnings are not the family's principal source of income) are more likely to reduce their work effort than are primary workers, and that the total reduction in hours worked increases with higher basic grants and higher benefit reduction rates. Because these experiments dealt with limited populations and time spans, however, their results cannot be generalized with any degree of certainty to adjust cost estimates of a permanent, nationwide negative income tax program.

Finally, in order to estimate the net budget cost and fiscal impact on states, some simplifying assumptions regarding state responses were necessary. With a few exceptions, state supplementation to prevent losses of benefits for current policy recipients (i.e. those who would be receiving benefits under a continuation of the current program) was assumed throughout. Thus, after computing the basic federal benefit, the state share was calculated to be the difference between total costs under current policy and the new federal benefit. This procedure insures that the state supplement program does not change the incentive mechanisms built into the current system and the basic federal benefit. The analysis also assumed that, in states in which the supplements exceed the state's share under the old program, the federal government would hold these states harmless by paying the difference to the states.

APPENDIX C SUPPORTING TABLES

This appendix contains detailed back-up material for the summary tables and descriptions in the text. Tables C-1 through C-3 summarize current program beneficiaries and benefit costs, family poverty thresholds, and the impact of current transfer programs on family poverty status. Structural characteristics of welfare reform options are shown in Tables C-4 through C-7. Tables C-8 through C-13 show the aggregate impact of welfare reform options on individual program benefit costs and caseloads. And Tables C-14 through C-31 contain information on the distributional impacts of welfare reform on families of different types.

The tables provide estimates for fiscal year 1982 as well as for fiscal year 1978. The 1982 figures were calculated assuming the reform options were first implemented in that year. To conserve space the following abbreviations are used in these tables:

PIR = Packaged Incremental Reforms

ISP = Income Supplement Program

ISA = Income Security for Americans

TABLE C-1. MAJOR PUBLIC INCOME TRANSFER PROGRAMS, SUMMARY OF TOTAL BENEFICIARIES AND BENEFIT PAYMENTS RECEIVED, BY INCOME SOURCE IN FISCAL YEARS 1976, 1978, AND 1982: BENEFICIARIES IN MILLIONS; DOLLARS IN BILLIONS

	1976		1978		1982	
Programs by Type	Beneficiary Units During the Year a/	Benefits b/	Beneficiary Units During the Year a/	Benefits b/	Beneficiary Units During the Year a/	Benefits b/
Cash Social Insurance (Non-Means-Tested)						
Social Security and Railroad Retirement	27.8	$ 73.7	29.4	$ 91.9	32.1	$134.2
Government Pensions c/	4.4	22.7	5.2	29.3	6.1	48.1
Unemployment Insurance	16.3	18.5	10.4	12.0	9.1	10.7
Workmen's Compensation	2.6	3.8	2.8	5.0	3.1	8.5
Veterans' Compensation	2.6	15.3	2.5	5.6	2.5	6.8
Subtotal e/	d/	$124.0	d/	$143.7	d/	$208.2
Cash Assistance (Means-Tested) f/						
Veterans' Pensions	2.2	$ 2.7	2.1	$ 3.2	2.2	$ 4.0
Supplemental Security Income	4.4	6.0	4.6	7.0	4.6	8.0
Aid to Families With Dependent Children	4.1	9.3	4.6	11.0	5.0	14.8
Subtotal e/	d/	$ 18.0	d/	$ 21.2	d/	$ 26.8
In-Kind Transfers (Means-Tested)						
Food Stamps	7.7	$ 5.3	8.8	$ 5.0	8.2	$ 5.5
Child Nutrition	26.1	2.0	23.3	2.2	21.2	2.5
Housing Assistance	2.1	2.3	2.9	3.6	3.9	6.2
Medicaid	23.5	14.9	24.1	20.8	25.9	33.0
Medicare (Non-Means-Tested)						
Hospital Insurance	5.7	12.3	6.1	17.8	7.0	34.1
Supplemental Medical Insurance	13.3	4.7	14.2	6.9	17.0	11.5
Subtotal e/	d/	$ 41.4	d/	$ 56.3	d/	$ 92.8
Total Transfers e/	d/	$183.4	d/	$221.3	d/	$327.8

SOURCE: Raymond Uhalde, Jodie Allen, and Harold Beebout, Analysis of Current Income Maintenance Programs and Budget Alternatives, Fiscal Years 1976, 1978, and 1982, Mathematica Policy Research, Washington, D.C. March 1977.

a/ Beneficiary Units refer to families, except for Supplemental Security Income, medicaid, medicare, and child nutrition in which beneficiary units are actual recipients and housing assistance and food stamps in which beneficiary units are households.

b/ Simulated benefits do not correspond exactly to control totals on an item-by-item basis. These differences are due to simulation error and to computer truncation of simulated benefits. Since net budget costs of reform options are calculated on the basis of a current policy base which corrects for the simulation error, figures cited in this table do not correspond exactly to those in Chapters II and IV.

c/ Includes Federal Civil Service Retirement, Military Retirement, and state and local retirement.

d/ Cannot be summed due to multiple program entitlements.

e/ Components may not add to totals because of rounding.

f/ Does not include state general assistance or emergency assistance.

TABLE C-2. AVERAGE POVERTY THRESHOLDS BY FAMILY SIZE AND SEX OF FAMILY HEAD, BY FARM OR NONFARM RESIDENCE IN FISCAL YEARS 1976, 1978, AND 1982: INCOME IN DOLLARS a/

Size of Family	FISCAL YEAR 1976				FISCAL YEAR 1978				FISCAL YEAR 1982			
	Nonfarm		Farm		Nonfarm		Farm		Nonfarm		Farm	
	Male Head	Female Head	Male Head	Female Head	Male Head	Female Head	Male Head	Female Head	Male Head	Female Head	Male Head	Female Head
1 Person Under 65 Years	2,992	2,769	2,543	2,353	3,367	3,116	2,861	2,648	4,194	3,881	3,565	3,298
1 Person 65 Years or Over	2,690	2,654	2,285	2,255	3,027	2,986	2,571	2,537	3,771	3,720	3,203	3,161
2 Persons Head Under 65 Years	3,750	3,640	3,182	3,025	4,219	4,096	3,580	3,404	5,256	5,102	4,460	4,240
2 Persons Head 65 Years or Over	3,362	3,338	2,859	2,857	3,783	3,756	3,217	3,215	4,713	4,679	4,007	4,005
3 Persons	4,452	4,306	3,766	3,589	5,009	4,845	4,237	4,038	6,240	6,036	5,279	5,031
4 Persons	5,674	5,644	4,844	4,760	6,384	6,351	5,450	5,356	7,953	7,911	6,790	6,672
5 Persons	6,707	6,635	5,725	5,770	7,547	7,466	6,443	6,492	9,401	9,300	8,026	8,088
6 Persons	7,551	7,497	6,425	6,296	8,496	8,435	7,229	7,084	10,584	10,509	9,006	8,825
7 Persons or More	9,339	9,094	7,878	7,886	10,508	10,232	8,864	8,873	13,091	12,747	11,043	11,054

SOURCE: U.S. Bureau of the Census, Current Population Reports, Series P-60, "Money Income and Poverty Status of Families and Persons in the United States: 1975 and 1974 Revision," (Advance Report), No. 103, U.S. Government Printing Office, Washington, D.C., 1976, p. 33, adjusted to fiscal years 1976, 1978, and 1982.

a/ The average poverty thresholds are weighted by the presence of children. The Census poverty count is based on a more detailed set of poverty levels--124 in all--which explicitly account for the number of children. Estimates included in this paper use the more detailed set of poverty levels.

TABLE C-3. FAMILIES AND PERCENT OF FAMILIES BELOW 100 AND 150 PERCENT OF THE POVERTY LEVEL, BY VARIOUS CHARACTERISTICS, UNDER ALTERNATIVE DEFINITIONS OF INCOME IN FISCAL YEAR 1976: FAMILIES IN THOUSANDS

Families By Various Characteristics	Pre-Tax Pre-Transfer Income		Pre-Tax Post-Social Insurance Income		Pre-Tax Post-Welfare Transfer Income		Pre-Tax Post-Medical Benefits		Post-Tax Post-Total Transfer Income a/ I		Post-Tax Post-Total Transfer Income a/ II	
	BELOW 100 PERCENT OF POVERTY											
	#	%	#	%	#	%	#	%	#	%	#	%
By Type		b/										
Single Person	10,306	47.8	6,131	28.4	5,002	23.2	3,537	16.4	5,130	23.8	3,659	17.0
Both Parents												
0 Children	3,995	19.6	958	4.7	683	3.4	488	2.4	704	3.5	506	2.5
1 Child	881	8.4	535	5.1	391	3.7	331	3.1	389	3.7	331	3.2
2 Children	735	7.8	519	5.5	392	4.2	326	3.5	398	4.2	326	3.5
3 Children or More	1,121	14.4	862	11.1	601	7.7	507	6.5	633	8.1	521	6.7
Mother Only												
0 Children	589	25.8	220	9.7	108	4.7	74	3.2	117	5.1	78	3.4
1 or 2 Children	1,899	48.6	1,599	40.9	816	20.9	474	12.1	810	20.7	467	12.0
3 Children or More	1,132	72.5	1,027	65.8	484	31.0	261	16.7	484	31.0	263	16.9
All Other (Primarily Father Only)	779	37.4	603	28.9	502	24.1	443	21.2	499	24.0	445	21.4
By Race												
White	17,330	24.7	9,305	13.3	6,853	9.8	4,948	7.1	7,013	10.0	5,091	7.3
Nonwhite	4,106	43.8	3,148	33.6	2,126	22.7	1,492	15.9	2,152	23.0	1,506	16.1
By Age												
Under 65	11,789	18.6	8,994	14.2	6,710	10.6	5,463	8.6	6,886	10.9	5,615	8.9
65 and Over	9,647	59.9	3,459	21.5	2,268	14.1	977	6.1	2,278	14.1	982	6.1
By Region												
South	2,873	30.8	4,986	19.5	3,928	15.4	3,041	11.9	3,993	15.6	3,092	12.1
West	3,918	26.2	2,339	15.6	1,551	10.4	1,200	8.0	1,585	10.6	1,233	8.2
Northeast	4,765	26.4	2,521	14.0	1,622	9.0	1,005	5.6	1,662	9.2	1,032	5.7
North Central	4,881	23.3	2,607	12.5	1,878	9.0	1,194	5.7	1,924	9.2	1,240	5.9
By Working Status												
Working 50 weeks or more	2,261	5.3	1,667	3.9	1,261	2.8	1,115	2.6	1,299	3.0	1,196	2.8
Working less than 50 weeks	19,165	52.3	10,787	29.4	7,763	21.2	5,325	14.5	7,866	21.5	5,401	14.7
All Families c/	21,436	27.0	12,454	15.7	8,978	11.3	6,441	8.1	9,165	11.5	6,597	8.3

TABLE C-3 (CONTINUED)

Families By Various Characteristics	Pre-Tax Pre-Transfer Income		Pre-Tax Post-Social Insurance Income		Pre-Tax Post-Welfare Transfer Income		Pre-Tax Post-Medical Benefits		Post-Tax Post-Total Transfer Income a/ I		Post-Tax Post-Total Transfer Income a/ II	
	BELOW 150 PERCENT OF POVERTY											
	#	%	#	%	#	%	#	%	#	%	#	%
By Type												
Single Person	12,054	55.9 b/	9,440	43.8	9,017	41.8	6,718	31.2	9,381	43.5	7,086	32.9
Both Parents												
0 Children	5,161	25.4	1,993	9.8	1,741	8.6	1,245	6.1	1,942	9.5	1,434	7.0
1 Child	1,417	13.5	1,021	9.7	893	8.5	805	7.7	1,003	9.5	907	8.6
2 Children	1,306	13.9	1,028	10.9	913	9.7	843	8.9	1,124	11.9	1,015	10.8
3 Children or More	1,870	24.0	1,595	20.5	1,480	19.0	1,347	17.3	1,790	23.0	1,632	20.9
Mother Only												
0 Children	788	34.6	409	18.0	319	14.0	213	9.3	336	14.7	229	10.0
1 or 2 Children	2,318	59.3	2,037	52.1	1,766	45.2	1,520	38.9	1,813	46.4	1,548	39.6
3 Children or More	1,325	84.9	1,256	80.5	1,136	72.8	1,010	64.7	1,168	74.9	1,030	66.0
All Other (Primarily Father Only)	921	44.2	767	36.8	693	33.3	617	29.6	726	34.8	654	31.4
By Race												
White	22,139	31.6	15,151	21.6	13,938	19.9	10,903	15.6	15,059	21.5	11,944	17.0
Nonwhite	5,025	53.6	4,395	46.9	4,021	42.9	3,414	36.4	4,224	45.1	3,591	38.3
By Age												
Under 65	16,166	25.5	13,383	21.1	12,351	19.5	1,162	17.6	13,636	21.5	12,349	19.5
65 and Over	10,998	68.3	6,163	38.3	5,607	34.8	3,155	19.6	5,648	35.1	3,186	19.8
By Region												
South	10,044	39.3	7,672	30.0	7,153	28.0	6,172	24.2	7,661	30.0	6,653	26.0
West	5,058	33.8	3,684	24.6	3,283	22.0	2,674	17.9	3,537	23.7	2,916	19.5
Northeast	5,921	32.8	4,039	22.4	3,673	20.4	2,543	14.1	3,436	21.8	2,750	15.2
North Central	6,141	29.3	4,151	19.8	3,849	18.4	2,928	14.0	4,149	19.8	3,217	15.4
By Working Status												
Working 50 weeks or more	4,331	10.1	3,525	8.2	3,145	7.3	2,881	6.7	3,970	9.3	3,652	8.5
Working less than 50 weeks	22,833	62.3	16,021	43.7	14,813	40.4	11,436	31.2	15,313	41.8	11,883	32.4
All Families c/	27,164	34.2	19,546	24.6	17,958	22.6	14,317	18.0	19,284	24.3	15,535	19.5

a/ Column I excludes medicare and medicaid benefits received by families participating in those programs; Column II includes medicare and medicaid benefits.

b/ Percent refers to families as a percent of all families within a particular demographic category.

c/ Components may not add to totals due to rounding.

Table C-4. STRUCTURAL CHARACTERISTICS OF AFDC AND FOOD STAMP PROPOSALS DESIGNED TO REDUCE EXPENDITURES IN FISCAL YEAR 1978

Characteristics	AFDC Program (S. 1719, H.R. 5133)	Food Stamp Program (S. 1993, H.R. 8145)
Filing Unit	Family -- . Primary family . Subfamily a/	Household
Eligibility	Categorical b/-- current law, but excludes: . Children over age 17 . Workers on strike Income -- gross income must be less than 150% of family needs (no limit is defined under current law)	Categorical -- current law, but excludes: . Students over 18 if enrollment substitutes for work . Strikers . Illegal aliens Income -- must be less than official poverty level (current law is 3.3 times the monthly food stamp allotment or USDA poverty level) c/
Accounting System	Eligibility -- current law Benefits -- current law	Eligibility -- current law Benefits -- current law
Assets Test	Current law	Current law
Countable Income	Net Income -- . State option to standardize work expense deductions (individual expenses considered under current law) . Application of $30 plus 1/3 disregard to net income d/ . Exclusion of $30 plus 1/3 disregard after four months of consecutive earnings	All income including in-kind payments and public food and housing transfer payments, less $25 for households with at least one member over 65 (current law excludes in-kind income and allows certain itemized deductions)

(continued)

Table C-4. (CONTINUED)

Characteristics	AFDC Program (S. 1719, H.R. 5133)	Food Stamp Program (S. 1933, H.R. 8145)
Benefit Structure	Benefits -- current law Non-recipient -- non-needy household member must make payment to welfare agency equal to payment standard for one-person household	Purchase requirement -- set at lower of (1) percent of income spent for food by average household of same size and income range in same region per BLS e/ Consumer Expenditure Survey; or (2) 30% of net income (current law states it is not to exceed 30% of net income) Coupon allotments -- based on low-cost food plan (current law based on Thrifty Food Plan) Future year -- adjustments based on overall cost of living (current law based on food prices)
Work Requirement or Test	Reaffirms work requirements under current law	Require job searches including community work-training programs (current law contains no requirements)
Financing	Current law	Current law including: . Federal government to provide 100% of cost for aliens . 75% of costs related to investigation, claims, etc.
Administration	Current law plus undertake measures to reduce administrative errors and recipient fraud and abuse	Current law
Relation to Other Programs	Current law	Current law

(continued)

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a/ The distinction is that a primary family's head is also the household head; the subfamily's head is not.

b/ Categorical refers primarily to single-parent families and in some states families with unemployed fathers.

c/ The official poverty level is the administrative guideline set by the Office of Management and Budget (OMB). It lags by one year behind current poverty level used in Bureau of the Census poverty statistics. The U.S. Department of Agriculture poverty level is yet another poverty definition which is slightly higher than the OMB poverty level.

d/ Current law requires the first $30 of family monthly earnings plus one-third of the remainder to be deducted from gross income, before deducting work and child care expenses.

e/ Bureau of Labor Statistics.

Table C-5. STRUCTURAL CHARACTERISTICS OF AFDC, FOOD STAMP, AND MEDICAID NATIONAL SPENDING OPTIONS IN FISCAL YEAR 1978

Characteristics	AFDC Program
Filing Unit	Family -- . Primary family . Subfamily a/
Eligibility	Categorical -- current law, plus . Mandate AFDC Unemployed Fathers Program in all states . Uniform treatment of incapacitated fathers and stepfathers (counted as part of AFDC unit) Income -- include $30 plus 1/3 income disregard in eligibility determination
Accounting System	Eligibility -- current law Benefits -- current law
Assets Test	Current law
Countable Income	Net Income -- gross income less: . Work expenses -- 25% of earned income . Child care -- no limit . $30 plus 1/3 disregard -- for income net of work expenses and child care
Benefit Structure	Benefit -- current law plus additional benefits up to federal minimum such that 75% or 100% of Poverty = AFDC + Food Stamps Variants on federal minimum benefit: . Uniform minimum . Adjusted for regional cost-of-living . Adjusted for state average wage Future year -- benefits adjusted for cost of living
Work Requirement or Test	Current law
Financing	Minimum benefit -- federal State supplementation . Mandatory, with federal hold-harmless b/
Administration	Minimum Benefit -- federal State supplementation -- federal or state (optional)
Relation to Other Programs	Current law

Table C-5. (CONTINUED)

Food Stamp Program	Medicaid Program
Household	Family -- . Primary and subfamily treated as one unit
Categorical -- eliminate categorical eligibility for AFDC and SSI recipients Income -- net income less than the poverty level	Categorical -- eliminate categorical eligibility for AFDC and SSI recipients Income -- family cash income net of out-of-pocket health-expenditures covered in program must be below the poverty level
Eligibility: current law Benefits: current law	Eligibility: 12 months carry forward of out-of-pocket health expenditures
Current law	Same as food stamp program
Net income -- gross less standard deduction (to vary by household size from $45 for size equal to one to $85 for size equal to six or more) . $25 for family member 65+, blind, or disabled . Income and payroll taxes . Dependent expenses up to $75 per household . Standard deductions adjusted semiannually for cost of living	Same as for eligibility
Current law Variants on purchase requirement -- . Purchase price equal to 27.5% of income . Elimination of purchase price Future year -- benefits adjusted for food prices	Benefits -- . Institutional services . Medical services . Mental health Cost sharing -- $3 per visit per family for 10 outpatient physician visits
Current law	Current law
Current law	Federal
Current law	Federal
Current law	Current law

a/ The distinction is that a primary family's head is also the household head; the subfamily's head is not.

b/ A "hold-harmless" provision ensures that communities do not receive less than they received in the past from the assistance programs that were discontinued.

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Table C-6. (PART ONE) STRUCTURAL CHARACTERISTICS OF COMPREHENSIVE CASH ASSISTANCE OPTIONS IN FISCAL YEAR 1978

	INCOME SUPPLEMENT PROGRAM (ISP)			
Characteristics	Transfer System		Tax System	
Filing Unit	Family -- primary family and sub-family are considered as one unit		Current law	
Eligibility	Universal		Current law	
Accounting System	Eligibility --12-month accountable period using the LIFO a/ carry-forward approach Benefits -- monthly retrospective reporting and benefit adjustment (i.e., last month's income used in determining current month's benefits)		Eligibility and Benefits - calendar year with income averaging as in current law	
Assets Test	Same as food stamp program		Not applicable	
Countable Income	Net income -- income including cash transfers less: . Expenses of self-employed . ISP state supplmentary benefits		Net income -- current law AGI with alimony treated as an adjustment to income rather than an itemized deduction	
Benefit or Tax Structure	Basic benefits --		Deductions and credits -- replace low-income allowance d/ with maximum standard deductions:	
	1 person	$1,450		$2,150
	1 person (ABD) b/	2,775		4,050
	2 persons	2,900		4,300
	2 persons (1 ABD)	3,425		4,600
	2 persons (2 ABD)	3,800		4,600
	3 persons	3,950		4,950
	4 persons	4,325		5,650
	Additional person	375		
	Additional ABD	750		

(continued)

	INCOME SUPPLEMENT PROGRAM (ISP)	
Characteristics	Transfer System	Tax System
Benefit or Tax Structure (continued)	Supplement -- states supplement up to current levels of AFDC plus food stamps (optional) c/ Benefit reduction rates -- . 50% on employment income . 60% on nonemployment income . 100% on veteran's pensions Future year -- benefits adjusted for cost of living	. $750 personal exemption . Retain $35 personal tax credit . Eliminate earned income tax credit . Standard deduction: 50% reduction on new maximum standard deductions for incomes greater than the sum of maximum standard deduction and personal exemptions e/ Income Tax Rate -- current law Future year -- maximum standard deduction adjusted for cost of living
Work Requirement or Test	State administered	Not applicable
Financing	Basic benefit -- federal State supplementation -- state option	Current law
Administration	Basic benefit -- federal . Internal Revenue Service, or . New office in Treasury, or . Social Security Administration Supplement -- federal or state	Current law

(continued)

Table C-6. (PART ONE) (CONTINUED)

	INCOME SUPPLEMENT PROGRAM (ISP)	
Characteristics	Transfer System	Tax System
Relation to Other Programs	Programs eliminated f/ -- . Federal share of AFDC . Emergency Assistance . Work Incentive Program . Supplementary Security Income . Food stamps	Current law

a/ Last in, first out - This method takes income in excess of the eligibility level (i.e., breakeven level) in any one month and adds it to income in other months with income below this level.

b/ Aged, blind or disabled.

c/ Simulations discussed in paper assume mandatory state supplementation up to current levels with a hold-harmless provision.

d/ Minimum standard deduction under 1976 law.

e/ The reduction rate is aplied up to the point where maximum standard deduction equals the 1976 law minimum ($2,800 in fiscal year 1978). The standard deduction is indexed for CPI.

f/ Simulations discussed in paper assume retention of medicaid program.

Table C-6.(PART TWO)

Characteristics	INCOME SECURITY FOR AMERICANS (ISA) Transfer System (ABLE) a/	Tax System
Filing Unit	Anyone age 18 or over not claimed as a dependent by any other adult; unit includes filer, spouse, dependent children, and any other persons dependent on filer or spouse	Current law
Eligibility	Universal, except for SSI recipients (SSI dependents are not excluded)	Current law
Accounting System	Eligibility -- 12 month accountable period using the LIFO b/ carry-forward approach Benefit -- monthly retrospective reporting and benefit adjustment (i.e., last month's income used in determining current month's benefits)	Current law
Assets Test	Same as food stamp program	Not applicable
Countable Income	Net income -- income less: . Social security taxes . Special work expense deduction which varies by family type c/	Net income -- current law AGI less: . Social security taxes . Special work expense deduction which varies by family type c/
Benefit (Tax) Structure	ABLE Benefits -- Single Filers $ 875 Head of Household filers 1,750 Married filers 1,325 Spouse filers 1,325 Dependent Adult filers (over 18) 875 First 3 children (ea.) 375 Additional children (ea.) 275	Deductions and credits -- . Replace $750 personal exemption with $225 refundable credit . Retain $35 personal tax credit . Eliminate minimum standard deduction . Eliminate child care deduction . Eliminate earned income tax credit

(continued)

Table C-6. (PART TWO) (CONTINUED)

	INCOME SECURITY FOR AMERICANS	
Characteristics	Transfer System (ABLE) a/	Tax System
Benefit (Tax) Structure (continued)	Supplement -- mandatory state supplement up to current levels of AFDC and up to 80% of cash value of food stamp bonus Benefit Reduction rates -- . 50% on earned income less deductions . 100% on veterans pensions . 67% on all other income Future year -- ABLE adjusted for cost of living	Income Tax rate -- current law tax rates or 50% on income above ABLE guarantee e/
Work Requirement Test	None	Not applicable
Financing	ABLE benefit -- federal State supplement -- state, mandatory for two years with hold-harmless provision, then becomes optional	Current law
Administration	ABLE benefit -- Internal Revenue Service Supplement -- federal or state	Current law
Relation to Other Programs	Programs retained -- d/ . SSI - SSI recipients excluding dependents are ineligible for ABLE . Medicaid Programs eliminated -- . AFDC, but state mandatory supplementation up to current levels is required for two years . Food stamps, but state mandatory supplementation up to 80% of current levels is required for two years . SSI beneficiaries under 18 years of age	Current law

Footnotes on next page

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a/ Allowance for Basic Living Expenses.

b/ Last in, first out - This method takes income in excess of the eligibility level (i.e., breakeven level) in any one month and adds it to income in other months with income below this level.

c/ Simulations discussed in paper do not include work expense deductions, which are as follows: (a) for any single-parent families with children, with at least one child under age 15 or a disabled, 20 percent of gross earnings up to a maximum deduction of $1,500; (b) for all other single-parent families with children, 10 percent of gross earnings of the single parent up to a maximum of $1,000; (c) for all husband-wife families with at least one child under age 15 or a disabled dependent, 10 percent of gross earnings of the spouse with the lower earnings up to a maximum deduction of $1,000; and (d) for husband-wife families with no children under age 15 and no disabled dependents (this category includes childless couples), 10 percent of gross earnings of the spouse with the lower earnings up to a maximum of $500.

d/ Simulations discussed in paper assume retention of medicaid program. Other descriptions of ISA replace it with a national health insurance program.

e/ Guarantee equal to the sum of maximum standard deduction and personal exemptions.

Table C-7. (PART ONE) STRUCTURAL CHARACTERISTICS OF WORK-WELFARE STRATEGIES IN FISCAL YEAR 1978

	CATEGORICAL JOB GUARANTEES	
Characteristics	Welfare	Work (Job)
Filing Unit	Family	Family -- Household
Eligibility	Categorical -- single-parent family with a child under age six Income: monthly prospective accounting	Universal, all families with head under age 65 and not a full time student Income -- family income (excluding UI) must be less than 70% of BLS lower family benefit (about $10,800)
Accounting System	Current law	Eligibility: 15 weeks of unemployment
Assets Test	Current law	None
Countable Income	Net Income -- gross less: . Work expenses -- 25% of earned income . Child care -- no limit . $30 plus 1/3 disregard -- for income net of work expenses and child care	All income excluding UI paid to family head
Benefit Structure	Current law plus additional benefits up to federal minimum such that 75% or 100% of Poverty = AFDC + Food Stamps Variants on federal minimum benefit: . Uniform minimum . Adjusted for regional cost-of-living . Adjusted for state average wage Reduction rate -- 100% on all income Future year -- benefit adjusted for cost of living	Benefit -- one job per family . Families with children at home - $7,500 plus health insurance premiums . Childless couples - $5,625 . Single - $3,750 . Single parent families who work part time - $5,625 Reduction rate -- none Future year -- benefit adjusted for cost of living

(continued)

Table C-7. (PART ONE) (CONTINUED)

	CATEGORICAL JOB GUARANTEES	
Characteristics	Welfare	Work (Job)
Work Requirement or Test	None	Not applicable
Financing	Minimum Benefit -- federal State supplementation . Mandatory, with federal hold-harmless, or . Optional, states may chose not to supplement	Federal
Administration	Minimum Benefit -- federal State supplementation -- federal or state (optional)	CETA
Relation to Other Programs	SSI benefits raised to poverty level	Medicaid replaced with job-related health insurance for those deemed employable Unemployment insurance retained, except benefits subject to tax

Table C-7. (PART TWO)

Characteristics	Track I: Welfare	Track II: Manpower (SUAB) c/	Track III: Working Poor
	MULTI-TRACK SYSTEM		
Filing Unit	Household	Household	Household
Eligibility	Categorical -- . Single parent family with a child under age 12 . Family with no employable adults, where employability is determined by work history, employment suitability, age of head, etc.	Universal -- all households in which all individuals are unemployed and at least one able-bodied adult over age 21 can be expected to work; this includes new or re-entrants to the labor force, UI exhaustees, and welfare track eligibles (by their own choice) Income -- all cash income less than 125% of poverty level	Current law -- Earned Income Credit (EIC) expanded to include single families and childless couples
Accounting System	Eligibility -- monthly accountable period Benefit -- monthly prospective accounting	Eligibility -- monthly accountable period Benefit -- monthly prospective accounting	Current law
Assets Test	Similar to food stamp program	Similar to food stamp program	Not applicable
Countable Income	Net income -- all income less: . $50 standard deduction	Net income -- all earned and unearned income	All earned income, including public service employment

(continued)

Table C-7. (PART TWO) (CONTINUED)

	MULTI-TRACK SYSTEM		
Characteristics	Track I: Welfare	Track II: Manpower (SUAB) c/	Track III: Working Poor
Benefit Structure	Benefit a/ -- 75% of poverty level: 1 person $2,010 b/ 2 persons 2,777 b/ 3 persons 3,714 4 persons 4,757 5 persons 5,615 6 persons 6,317 Supplement -- states are required to supplement up to current AFDC benefit levels Reduction rate -- 100% on all income Future year - benefit adjusted for cost of living	Benefit d/ -- 75% of poverty level (same as welfare track) Reduction rate -- 60% on all earned and unearned income Future year -- benefit adjusted for cost of living	Benefit -- 12% of earned income per family member up to $4,000 gross income less 12% of earned income per family member for gross income greater than $4,000, EIC will phase out at $8,000
Work Requirement or Test	Not applicable	Strong work test (with suitability)	Not applicable
Financing	Benefit -- federal Supplement - state	Benefit -- federal	Benefit -- federal
Administration	Benefit and Supplement -- state	State employment services	Federal

(continued)

Table C-7. (PART TWO) (CONTINUED)

	MULTI-TRACK SYSTEM		
Characteristics	Track I: Welfare	Track II: Manpower (SUAB) d/	Track III: Working Poor
Relation to Other Programs	Programs eliminated -- . AFDC, but state mandatory supplementation will maintain current benefit levels Programs retained -- . SSI, to be phased into welfare track at some future date . Food stamps will be phased out when benefits reach 100% of poverty level . Medicaid	Programs retained . Food stamps . Unemployment Insurance (possible supplementation of UI recipients with UI benefits less than two-thirds of their normal average weekly wage . Medicaid	May affect benefits from other transfer programs

a/ Benefits will be phased up to 100% of poverty level in future years. Also, benefits may be indexed for regional differences in the cost of living.

b/ Benefits for one and two person units are equivalent to current SSI levels.

c/ Special Unemployment Assistance Benefits.

d/ An alternative type of benefit would be a fixed stipend based on either a percentage of state average weekly wages or equivalent to a UI benefit level for a minimum wage worker in that state. An income-conditioned supplement would be available for larger families either through the welfare track or the manpower agency. Eligibles would be those unemployed individuals not receiving UI, where unemployed means looking for work or working less than 35 hours per week.

TABLE C-8. AGGREGATE IMPACT OF WELFARE REFORM OPTION ON BENEFIT COSTS a/ BY LEVEL OF GOVERNMENT IN FISCAL YEAR 1978: DOLLARS IN MILLIONS

	AFDC			SSI			Medicaid			Food Stamps	All Programs			Net Change		
Option	State and Local	Federal	Total	State and Local	Federal	Total	State and Local	Federal	Total	Total	State and Local	Federal	Total	State and Local	Federal	Total
Current Services	5,214	6,164	11,378	1,846	5,152	6,998	9,197	11,611	20,808	5,037	16,257	27,964	44,221	--	--	--
AFDC Reform																
Tightening	4,573	5,412	9,985	1,846	5,152	6,998	9,062	11,440	20,502	5,178	15,481	27,182	42,663	-776	-782	-1,558
75% Poverty	3,190	9,812	13,002	1,846	5,152	6,998	9,266	11,698	20,964	4,752	14,302	31,414	45,716	-1,955	3,450	1,495
100% Poverty	208	18,428	18,636	1,846	5,152	6,998	9,736	12,291	22,027	3,856	11,790	39,727	51,517	-4,467	11,763	7,296
Varied by Region	177	17,870	18,047	1,846	5,152	6,998	9,707	12,254	21,961	3,952	11,730	39,228	50,958	-4,527	11,264	6,737
Varied by State	118	18,191	18,309	1,846	5,152	6,998	9,678	12,218	21,896	3,923	11,642	39,484	51,126	-4,615	11,520	6,905
Food Stamp Reform																
Tightening	5,214	6,164	11,378	1,846	5,152	6,998	9,197	11,611	20,808	2,526	16,257	25,453	41,710	--	-2,511	-2,511
Simplified	5,214	6,164	11,378	1,846	5,152	6,998	9,197	11,611	20,808	4,262	16,257	27,189	43,446	--	-775	-775
With EPR	5,214	6,164	11,378	1,846	5,152	6,998	9,197	11,611	20,808	4,709	16,257	27,636	43,893	--	-328	-328
Medicaid Reform	5,214	6,164	11,378	1,846	5,152	6,998	--	27,757	27,757	5,037	7,060	44,110	51,170	-9,197	16,146	6,949
Packaged Incremental Reforms																
With Federalized Medicaid	221	18,338	18,559	1,846	5,152	6,998	--	28,663	28,663	3,302	2,067	55,455	57,522	-14,190	27,491	13,301
With Current Policy Medicaid	221	18,338	18,559	1,846	5,152	6,998	9,722	12,273	21,995	3,302	11,789	39,065	50,854	-4,468	11,101	6,633
Comprehensive Cash Assistance																
ISP b/	--	--	--	--	--	--	9,197	11,611	20,808	--	14,109	38,530	52,639	-2,148	10,566	8,418
ISA c/	--	--	--	--	--	--	9,197	11,611	20,808	--	14,114	38,896	53,010	-2,143	10,932	8,789

a/ Federal hold-harmless payments to states are included under federal benefit costs.

b/ ISP replaces AFDC, SSI, and food stamps with a single cash program. Federal costs include $3,467 million in federal holdharmless payments to states and $2,891 million in tax relief.

c/ ISA replaces AFDC and food stamps with a single cash program. SSI payments are not shown separately but are included in the total. Federal costs include $1,740 million in federal holdharmless payments to states and $9,774 million in tax relief.

TABLE C-9. AGGREGATE IMPACT OF WELFARE REFORM OPTION ON BENEFIT COSTS a/ BY LEVEL OF GOVERNMENT IN FISCAL YEAR 1982: DOLLARS IN MILLIONS

	AFDC			SSI			Medicaid			Food Stamps	All Programs			Net Change		
Option	State and Local	Federal	Total	State and Local	Federal	Total	State and Local	Federal	Total	Total	State and Local	Federal	Total	State and Local	Federal	Total
Current Services	7,041	8,244	15,285	2,167	5,827	7,994	14,902	18,812	33,714	5,534	24,110	38,417	62,527	--	--	--
AFDC Reform																
Tightening	6,235	7,289	13,524	2,167	5,827	7,994	14,765	18,639	33,404	5,686	23,167	37,441	60,608	-943	-976	-1,919
75% Poverty	4,132	13,278	17,410	2,167	5,827	7,994	15,143	19,117	34,260	5,171	21,442	43,393	64,835	-2,668	4,976	2,308
100% Poverty	190	24,647	24,837	2,167	5,827	7,994	15,594	19,687	35,281	3,986	17,951	54,147	72,098	-6,159	15,730	9,571
Varied by Region	164	23,935	24,099	2,167	5,827	7,994	15,546	19.627	35,173	4,100	17,877	53,489	71,366	-6,233	15,072	8,839
Varied by State	117	24,443	24,560	2,167	5,827	7,994	15,556	19,638	35,194	4,033	17,840	53,941	71,781	-6,270	15,524	9,254
Food Stamp Reform																
Tightening	7,041	8,244	15,285	2,167	5,827	7,994	14,902	18,812	33,714	3,042	24,110	35,925	60,035	--	-2,492	-2,492
Simplified	7,041	8,244	15,285	2,167	5,827	7,994	14,902	18,812	33,714	5,029	24,110	37,912	62,022	--	-505	-505
With EPR	7,041	8,244	15,285	2,167	5,827	7,994	14,902	18,812	33,714	3,042	24,110	35,925	60,035	--	35	35
Medicaid Reform	7,041	8,244	15,285	2,167	5,827	7,994	--	42,951	42,951	5,534	9,208	62,556	71,764	-14,902	24,139	9,237
Packaged Incremental Reforms																
With Federalized Medicaid	271	24,331	24,602	2,167	5,827	7,994	--	44,108	44,108	3,682	2,438	77,948	80,386	-21,672	39,531	17,859
With Current Policy Medicaid	271	24,331	24,602	2,167	5,827	7,994	15,594	19,687	35,281	3,682	18,032	53,527	71,559	-6,078	15,110	9,032
Comprehensive Cash Assistance																
ISP b/	--	--	--	--	--	--	14,902	18,812	33,714	--	20,990	64,885	85,875	-3,120	26,468	23,348
ISA c/	--	--	--	--	--	--	14,902	18,812	33,714	--	21,234	55,551	76,785	-2,876	17,134	14,258

a/ Federal hold-harmless payments to states are included under federal benefit costs.

b/ ISP replaces AFDC, SSI, and food stamps with a single cash program. Federal costs includes $3,960 million in federal holdharmless payments to states and to $16,029 million in tax relief.

c/ ISA replaces AFDC and food stamps with a single cash program. SSI payments are not shown separately but are included in the total. Federal costs include $2,071 million in federal holdharmless payments to states and $15,487 million in tax relief.

TABLE C-10. ANNUAL AFDC FAMILY CASELOADS, CURRENT POLICY AND INCREMENTAL REFORM OPTIONS IN FISCAL YEARS 1978 AND 1982: FAMILIES IN THOUSANDS

		Change From Current Policy					
				100 Percent Of Poverty			
Family Type	Current Policy AFDC	Program Tightening	75 Percent of Poverty	Uniform	Varied by Region	Varied by State	Integrated 100 Percent of Poverty a/
			FISCAL YEAR 1978				
Single Person	3	-3	0	0	0	0	0
Both Parents							
0 Children	21	-13	3	6	6	10	5
1 Child	347	-63	18	82	82	73	67
2 Children	243	-25	33	84	79	78	80
3 Children or More	375	-92	34	107	104	95	109
Mother Only							
0 Children	40	-10	-3	6	4	4	6
1 or 2 Children	2,117	-353	43	578	545	553	578
3 Children or More	1,063	-88	47	226	218	217	220
All Other (Primarily Father Only)							
1 Child or More	286	-81	25	95	87	88	88
All Families b/	4,495	-728	201	1,182	1,127	1,121	1,152
			FISCAL YEAR 1982				
Single Person	2	-2	0	0	0	0	0
Both Parents							
0 Children	20	-11	2	3	3	3	3
1 Child	292	-62	40	79	76	72	76
2 Children	237	-41	25	56	53	53	55
3 Children or More	278	-81	49	95	90	84	95
Mother Only							
0 Children	36	-13	0	3	3	4	3
1 or 2 Children	2,683	-546	139	570	541	562	575
3 Children or More	1,120	-108	101	242	229	248	240
All Other (Primary Father Only)							
1 Child or More	299	-118	20	91	78	88	89
All Families b/	4,968	-982	375	1,140	1,074	1,114	1,136

a/ Simulated in the packaged incremental reforms proposal as discussed in Chapter IV of the text.

b/ Components may not add to totals because of rounding.

TABLE C-11. ANNUAL FOOD STAMP HOUSEHOLD CASELOADS, CURRENT POLICY AND INCREMENTAL REFORM OPTIONS IN FISCAL YEARS 1978 AND 1982: HOUSEHOLDS IN THOUSANDS

Household Type	Current Policy Food Stamps	Change From Current Policy: Program Tightening	Simplified Structure	Simplified Structure With EPR a/	Integrated Simplified Structure b/
		FISCAL YEAR 1978			
Single Person	3,101	-1,442	-432	-358	-434
Both Parents					
0 Children	670	-274	-79	-63	-79
1 Child	588	-278	-160	-148	-181
2 Children	563	-298	-177	-166	-194
3 Children or More	827	-462	-280	-265	-341
Mother Only					
0 Children	184	-82	-34	-30	-39
1 or 2 Children	1,722	-750	-277	-237	-453
3 Children or More	1,009	-445	-168	-145	-346
All Other (Primarily Father Only)					
1 Child or More	161	-72	-18	-14	-33
All Households c/	8,825	-4,103	-1,626	-1,426	-2,099
		FISCAL YEAR 1982			
Single Person	3,022	-1,454	-389	-113	-391
Both Parents					
0 Children	465	-146	-24	23	-24
1 Child	394	-161	-91	-59	-101
2 Children	362	-155	-87	-59	-105
3 Children or More	606	-312	-166	-120	-213
Mother Only					
0 Children	143	-59	-4	11	-5
1 or 2 Children	2,025	-779	-238	-51	-373
3 Children or More	1,054	-450	-139	-43	-299
All Other (Primarily Father Only)					
1 Child or More	151	-58	-24	-10	-36
All Households c/	8,222	-3,576	-1,162	-422	-1,547

a/ Elimination of purchase requirement.

b/ Simulated in the packaged incremental reforms proposal as discussed in Chapter IV of the text.

c/ Components may not add to totals because of rounding.

TABLE C-12. ANNUAL MEDICAID FAMILY CASELOADS, CURRENT POLICY AND INCREMENTAL REFORM OPTIONS IN FISCAL YEARS 1978 AND 1982: FAMILIES IN THOUSANDS

	FISCAL YEAR 1978			FISCAL YEAR 1982		
		Change From Current Policy			Change From Current Policy	
Family Type	Current Policy Medicaid	Federalized Medicaid a/	Integrated Federalized Medicaid b/	Current Policy Medicaid	Federalized Medicaid c/	Integrated Federalized Medicaid b/
Single Person	3,654	668	668	4,269	846	846
Both Parents						
0 Children	1,085	366	368	931	587	587
1 Child	681	528	552	657	401	435
2 Children	635	471	511	628	336	359
3+ Children	959	639	665	805	400	433
Mother Only						
0 Children	453	-42	-40	441	-41	-40
1 or 2 Children	2,445	224	359	3,066	199	351
3 Children or More	1,198	90	172	1,280	58	154
All Other (Primarily Father Only)						
1 Child or More	492	376	422	543	289	332
All Families d/	11,602	3,320	3,677	12,620	3,075	3,457

a/ Federalized medicaid costs were simulated on the basis of projected eligible recipients, while current policy costs were simulated with estimated recipients. In order to translate federalized medicaid eligibles into recipients, a ratio of recipients to eligibles was developed from fiscal year 1978 current policy estimates and applied to federalized medicaid eligibles. The overall participation rate is estimated at 71 percent, with higher rates of participation for families with children and lower rates for other family types.

b/ Simulated in the packaged incremental reforms as discussed in Chapter IV of the text.

c/ To calculate recipients of federalized medicaid in fiscal year 1982, the same procedure was followed in note a/. However, the overall participation rate in fiscal year 1982 is estimated at 75 percent.

d/ Components may not add to totals because of rounding.

TABLE C-13. SIMULATED ANNUAL ELIGIBLE AND PARTICIPANT FAMILY CASELOADS AND BENEFIT COSTS FOR COMPREHENSIVE CASH ASSISTANCE OPTIONS IN FISCAL YEARS 1978 AND 1982: FAMILIES IN THOUSANDS; DOLLARS IN MILLIONS

FISCAL YEAR 1978

Option	Family Caseloads		Gross Costs		Net Costs a/	
	Eligibles	Participants	Eligibles	Participants	Eligibles	Participants
Income Supplement Program						
Basic Benefits	12,409	11,090	$22,114	$20,561	$5,761	$4,208
State Supplements	5,745	5,745	8,379	8,379	1,319	1,319
Changed Tax Liability	27,234	27,234	2,891	2,891	2,891	2,891
TOTAL	b/	b/	$33,384	$31,831	$9,971	$8,418
Income Security for Americans c/						
Basic Benefits	11,667	10,585	$16,759	$15,771	$ 405	$ -582
State Supplements	5,602	5,602	6,657	6,657	-403	-403
Changed Tax Liability	83,162	83,162	9,774	9,774	9,774	9,774
(Refund Only)	(22,185)	(22,185)	(8,879)	(8,879)	(8,879)	(8,879)
TOTAL	b/	b/	$33,190	$32,202	$9,776	$8,789

a/ Programs replaced by reform options and their current policy benefit costs are as follows: AFDC, $11.38 billion (state and local portion $5.13 billion); SSI, $7.00 billion (state and local portion $1.85 billion); and food stamps, $5.04 billion.

b/ Components cannot be totaled because of double counting.

c/ Although SSI is not replaced by the Income Security for Americans (ISA) program, SSI costs are not shown separately and are included in the overall cost estimates for basic benefits and state supplements. SSI costs do not change except for some additional benefits provided under ISA to SSI dependents who are not covered by the current SSI program.

TABLE C-13. (CONTINUED)

	FISCAL YEAR 1982					
	Family Caseloads		Gross Costs		Net Costs d/	
Option	Eligibles	Participants	Eligibles	Participants	Eligibles	Participants
Income Supplement Program						
Basic Benefits	12,564	11,204	$27,960	$26,084	$8,355	$6,479
State Supplements	6,067	6,067	10,048	10,048	840	840
Changed Tax Liability	72,414	72,414	16,029	16,029	16,029 e/	16,029 e/
TOTAL	b/	b/	$54,037	$62,161	$25,224	$23,348
Income Security for Americans c/						
Basic Benefits	11,296	10,313	$20,379	$19,181	$ 774	$ -424
State Supplements	6,047	6,047	8,403	8,403	-805	-805
Changed Tax Liability	90,041	90,041	15,487 f/	15,487 f/	15,487	15,487
(Refund Only)	(22,202)	(22,202)	(10,772)	(10,772)	(10,772)	(10,772)
TOTAL	b/	b/	$44,269	$43,071	$15,456	$14,258

d/ Programs replaced by reform options and their current policy benefit costs are as follows: AFDC, $15.29 billion (state and local portion $7.04 billion); SSI, $7.99 billion (state and local portion $2.17 billion); and food stamps, $5.53 billion.

e/ The large increase in foregone tax receipts between fiscal year 1978 and fiscal year 1982 results from the Income Supplement Program plan for indexing of personal exemptions and deductions for changes in prices. No such indexing was employed in the tax simulations under current policy.

f/ Under Income Security for Americans, the refundable tax credit is indexed from $225 in fiscal year 1978 to $280 in fiscal year 1982 to reflect changes in prices, while the $35 per person tax credit is not so indexed.

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TABLE C-14. DISTRIBUTION OF TOTAL BENEFIT PAYMENTS AND CHANGE IN TAX LIABILITY FOR COMPREHENSIVE CASH ASSISTANCE PLANS IN FISCAL YEARS 1978 AND 1982: FAMILIES IN THOUSANDS; DOLLARS IN MILLIONS

FISCAL YEAR 1978

Families By Pre-Tax Pre-Welfare Income Group	Benefit Payments		Change In Tax Liability: Refunds		Change In Tax Liability: Tax Relief	
	Families	Amount	Families	Amount	Families	Amount
INCOME SUPPLEMENT PROGRAM						
Less Than $2,500	6,312	$17,552	--	--	882	$ 92
$2,500 - 4,999	3,336	5,134	--	--	2,509	170
5,000 - 7,499	1,329	2,033	--	--	3,634	-163
7,500 - 9,999	689	887	--	--	4,360	-661
10,000 - 12,499	387	623	--	--	4,025	-689
12,500 - 14,999	294	484	--	--	3,482	-465
15,000 - 19,999	450	762	--	--	2,885	-408
20,000 - 24,999	243	422	--	--	1,305	-214
25,000 and Over	447	727	--	--	4,151	-553
TOTAL a/	13,486	$28,625	--	--	27,234	$-2,891
INCOME SECURITY FOR AMERICANS						
Less Than $2,500	5,940	$13,071	8,003	$-3,268	60	$ -8
$2,500 - 4,999	1,899	3,157	6,231	-2,125	1,797	101
5,000 - 7,499	1,137	1,531	3,658	-1,669	3,426	-52
7,500 - 9,999	641	862	2,209	-959	4,818	-348
10,000 - 12,499	531	754	1,169	-478	5,551	-665
12,500 - 14,999	427	564	490	-221	6,055	-835
15,000 - 19,999	631	876	296	-113	11,463	-1,454
20,000 - 24,999	368	504	84	-32	9,075	-690
25,000 and Over	645	815	44	-15	20,835	3,058
TOTAL a/	12,219	$22,135	22,185	$-8,879	63,080	$ -895

TABLE C-14. (CONTINUED)

FISCAL YEAR 1982

Families By Pre-Tax Pre-Welfare Income Group	Benefit Payments		Change In Tax Liability: Refunds		Change In Tax Liability: Tax Relief	
	Families	Amount	Families	Amount	Families	Amount
			INCOME SUPPLEMENT PROGRAM			
Less Than $2,500	5,603	$21,035	--	--	690	$ 75
$2,500 - 4,999	3,348	6,273	--	--	1,607	57
5,000 - 7,499	1,580	2,706	--	--	2,714	-290
7,500 - 9,999	800	1,457	--	--	3,388	-683
10,000 - 12,499	497	724	--	--	4,094	-867
12,500 - 14,999	321	576	--	--	4,549	-896
15,000 - 19,999	446	780	--	--	8,848	-1,531
20,000 - 24,999	338	506	--	--	8,978	-1,697
25,000 and Over	832	1,633	--	--	37,546	-10,198
TOTAL a/	13,765	$35,690	--	--	72,414	$-16,029
			INCOME SECURITY FOR AMERICANS			
Less Than $2,500	5,539	$15,965	7,001	$ -3,706	15	$ -9
$2,500 - 4,999	1,930	3,400	5,223	-2,068	972	4
5,000 - 7,499	1,088	1,890	4,069	-1,900	2,285	-140
7,500 - 9,999	681	1,168	2,417	-1,368	3,374	-489
10,000 - 12,499	455	706	1,582	-801	4,009	-754
12,500 - 14,999	400	670	917	-455	4,506	-927
15,000 - 19,999	608	937	663	-322	8,767	-1,783
20,000 - 24,999	451	616	189	-101	8,961	-1,774
25,000 and Over	1,116	1,781	141	-52	37,466	1,156
TOTAL a/	12,267	$27,133	22,202	$-10,772	70,354	$- 4,716

a/ Components may not add to totals because of rounding.

TABLE C-15. AGGREGATE INCOME DISTRIBUTION, UNDER SELECTED WELFARE REFORM OPTIONS AND DEFINITIONS OF INCOME AND BY PRE-TAX, PRE-TRANSFER POVERTY STATUS IN FISCAL YEARS 1978 AND 1982: DOLLARS IN BILLIONS

	FISCAL YEAR 1978					
Option	Pre-Tax Pre-Transfer Income	Pre-Tax Post-Social Insurance Income	Post-Tax Post-Welfare Transfer Income	Pre-Tax Post-Medical Benefits	Post-Tax Post-Total Transfer Income a/ I	II
		Total Income of Pre-Tax, Pre-Transfer Poor Families				
Current Policy	21.225	82.425	106.132	136.011	104.492	134.371
PIR b/	21.225	82.425	109.643	139.523	108.003	137.883
ISP	21.225	82.425	112.278	142.158	110.219	140.099
ISA	21.225	82.425	105.546	135.426	111.550	141.430
		Total Income of All Families				
Current Policy	1,370.978	1,514.838	1,546.873	1,592.012	1,250.606	1,295.745
PIR	1,370.978	1,514.838	1,552.064	1,597.203	1,255.797	1,300.936
ISP	1,370.978	1,514.838	1,552.426	1,597.566	1,259.050	1,304.190
ISA	1,370.978	1,513.838	1,545.936	1,591.076	1,259.429	1,304.569
		Increase or Decrease in Income to Pre-Tax, Pre-Transfer Poor Families				
Current Policy	--	61.200	23.707	29.880	-1.640	-1.640
PIR	--	61.200	27.218	29.880	-1.640	-1.640
ISP	--	61.200	29.853	29.880	-2.059	-2.059
ISA	--	61.200	23.121	29.880	6.004	6.004
		Increase or Decrease in Income to All Families				
Current Policy	--	143.860	32.035	45.140	-296.267	-296.267
PIR	--	143.860	37.226	45.140	-296.267	-296.267
ISP	--	143.860	37.508	45.140	-293.376	-293.376
ISA	--	143.860	32.098	45.140	-286.507	-286.507
		Percent of Increase in Income Received by Pre-Tax, Pre-Transfer Poor Families				
Current Policy	--	42.5	74.0	66.2	0.6	0.6
PIR	--	42.5	73.1	66.2	0.6	0.6
ISP	--	42.5	79.6	66.2	0.7	0.7
ISA	--	42.5	72.0	66.2	c/	c/

TABLE C-15. (CONTINUED)

Option	Pre-Tax Pre-Transfer Income	Pre-Tax Post-Social Insurance Income	Post-Tax Post-Welfare Transfer Income	Pre-Tax Post-Medical Benefits	Post-Tax Post-Total Transfer Income a/ I	II
	FISCAL YEAR 1982					
	Total Income of Pre-Tax, Pre-Transfer Poor Families					
Current Policy	22.893	108.723	139.568	189.108	136.578	186.119
PIR	22.893	108.723	144.349	193.890	141.360	190.900
ISP	22.893	108.723	147.331	196.872	144.290	193.831
ISA	22.893	108.723	138.532	188.073	145.180	194.721
	Total Income of All Families					
Current Policy	2,077.995	2,285.626	2,326.655	2,404.754	1,822.080	1,900.179
PIR	2,077.995	2,285.626	2,333.794	2,411.894	1,829.219	1,907.319
ISP	2,077.995	2,285.626	2,334.006	2,412.106	1,845.459	1,923.559
ISA	2,077.995	2,285.626	2,325.449	2,403.549	1,836.346	1,914.446
	Increase or Decrease in Income to Pre-Tax, Pre-Transfer Poor Families					
Current Policy	--	85.830	30.785	49.541	-2.990	-2.989
PIR	--	85.830	35.626	49.541	-2.989	-2.990
ISP	--	85.830	38.608	49.541	-3.041	-3.041
ISA	--	85.830	29.809	49.541	6.648	6.648
	Increase or Decrease in Income to All Families					
Current Policy	--	207.631	41.039	78.100	-504.575	-504.575
PIR	--	207.631	48.168	78.100	-504.575	-504.575
ISP	--	207.631	48.380	78.100	-488.547	-488.547
ISA	--	207.631	39.823	78.100	-489.103	-489.103
	Percent of Increase in Income Received by Pre-Tax, Pre-Transfer Poor Families					
Current Policy	--	41.3	75.0	63.4	0.6	0.6
PIR	--	41.3	74.0	63.4	0.6	0.6
ISP	--	41.3	79.8	63.4	0.6	0.6
ISA	--	41.3	74.9	63.4	c/	c/

a/ Column I excludes medicare and medicaid benefits received by all families participating in those programs; Column II includes medicare and medicaid benefits.
b/ Packaged incremental reforms; applies to all succeeding tables.
c/ Not applicable, poor families receive a positive tax transfer.

TABLE C-16. POVERTY GAP, BY FAMILY TYPE, UNDER SELECTED WELFARE REFORM OPTIONS IN FISCAL YEARS 1978 AND 1982: DOLLARS IN MILLIONS a/

Family Type Option	Current Policy	PIR	ISP	ISA
	FISCAL YEAR 1978			
Single Person	$7,164	$7,256	$5,295	$5,764
Both Parents				
0 Children	1,756	1,774	1,372	1,288
1 Child	1,402	1,368	1,085	1,014
2 Children	1,295	1,279	1,038	913
3 Children or More	1,976	1,828	1,559	1,189
Mother Only				
0 Children	150	150	70	75
1-2 Children	1,015	336	634	761
3 Children or More	785	124	557	590
All Other (Primarily Father Only)				
1 Child or More	1,020	885	725	817
All Families	$16,561	$15,000	$12,336	$12,411
	FISCAL YEAR 1982			
Single Person	$9,262	$9,375	$6,771	$7,414
Both Parents				
0 Children	2,297	2,311	1,879	1,777
1 Child	1,765	1,726	1,447	1,381
2 Children	1,727	1,694	1,401	1,313
3 Children or More	2,175	2,036	1,691	1,366
Mother Only				
0 Children	143	145	49	63
1-2 Children	1,503	515	973	1,170
3 Children or More	1,111	193	764	856
All Other (Primarily Father Only)				
1 Child or More	1,225	1,046	865	976
All Families	$21,209	$19,042	$15,840	$16,315

a/ The poverty gap is calculated as a family's poverty level less its post-tax, post-total transfer income (excluding medical benefits) summed over all families.

TABLE C-17. PER FAMILY INCOME DISTRIBUTION, UNDER SELECTED WELFARE REFORM OPTIONS AND DEFINITIONS OF INCOME AND BY PRE-TAX, PRE-TRANSFER POVERTY STATUS IN FISCAL YEARS 1978 AND 1982: IN DOLLARS

FISCAL YEAR 1978

Option	Pre-Tax Pre-Transfer Income	Pre-Tax Post-Social Insurance Income	Pre-Tax Post-Welfare Transfer Income	Pre-Tax Post-Medical Benefits	Post-Tax Post-Total Transfer Income a/ I	II
	Average Family Income of Pre-Tax, Pre-Transfer Poor Families					
Current Policy	1,009	3,920	5,047	6,468	4,969	6,390
PIR	1,009	3,920	5,214	6,635	5,136	6,557
ISP	1,009	3,920	5,339	6,760	5,241	6,662
ISA	1,009	3,920	5,019	6,440	5,305	6,726
	Average Family Income of All Families					
Current Policy	16,464	18,191	18,576	19,118	15,018	15,560
PIR	16,464	18,191	18,638	19,180	15,081	15,623
ISP	16,464	18,191	18,643	19,185	15,120	15,662
ISA	16,464	18,191	18,565	19,107	15,124	15,666
	Increase or Decrease in Income to Pre-Tax, Pre Transfer Poor Families					
Current Policy	--	2,911	1,127	1,421	-78	-78
PIR	--	2,911	1,294	1,421	-78	-78
ISP	--	2,911	1,419	1,421	-98	-98
ISA	--	2,911	1,099	1,421	286	286
	Increase or Decrease in Income All Families					
Current Policy	--	1,727	385	542	-3,558	-3,558
PIR	--	1,727	447	542	-3,557	-3,557
ISP	--	1,727	452	542	-3,523	-3,523
ISA	--	1,727	374	542	-3,441	-3,441

FISCAL YEAR 1982

Option	Pre-Tax Pre-Transfer Income	Pre-Tax Post-Social Insurance Income	Pre-Tax Post-Welfare Transfer Income	Pre-Tax Post-Medical Benefits	Post-Tax Post-Total Transfer Income a/ I	II
	Average Family Income of Pre-Tax, Pre-Transfer Poor Families					
Current Policy	1,053	4,999	6,417	8,694	6,280	8,557
PIR	1,053	4,999	6,636	8,914	6,499	8,777
ISP	1,053	4,999	6,774	9,051	6,634	8,911
ISA	1,053	4,999	6,369	8,647	6,674	8,952
	Average Family Income of All Families					
Current Policy	23,038	25,340	25,795	26,661	20,201	21,067
PIR	23,038	25,340	25,874	26,740	20,280	21,146
ISP	23,038	25,340	25,876	26,742	20,460	21,326
ISA	23,038	25,340	25,781	26,647	20,359	21,225
	Increase or Decrease in Income to Pre-Tax, Pre-Transfer Poor Families					
Current Policy	--	3,946	1,418	2,277	-137	-137
PIR	--	3,946	1,637	2,277	-137	-137
ISP	--	3,946	1,775	2,277	-140	-140
ISA	--	3,946	1,370	2,277	305	305
	Increase or Decrease in Income Going to All Families					
Current Policy	--	2,302	455	866	-5,594	-5,594
PIR	--	2,302	534	866	-5,594	-5,594
ISP	--	2,302	536	866	-5,416	-5,416
ISA	--	2,302	441	866	-5,422	-5,422

a/ Column I excludes medicare and medicaid benefits received by all families participating in those programs; Column II includes medicare and medicaid benefits.

TABLE C-18. NUMBER AND PERCENT OF FAMILIES BELOW 100 AND 150 PERCENT OF THE POVERTY LEVEL, BY REGION, UNDER SELECTED WELFARE REFORM OPTIONS AND DEFINITIONS OF INCOME IN FISCAL YEAR 1978: FAMILIES IN THOUSANDS

		BELOW 100 PERCENT OF POVERTY									
Census Region	Option	Pre-Tax Post-Social Insurance Income		Pre-Tax Post-Welfare Transfer Income		Pre-Tax Post-Medical Benefits		Post-Tax Post-Total Transfer Income a/ I		Post-Tax Post-Total Transfer Income a/ II	
		#	%	#	%	#	%	#	%	#	%
South	Current Policy	4,789	17.9	3,759	14.1	2,767	10.4	3,849	14.4	2,853	10.7
	PIR	4,789	17.9	3,278	12.3	2,261	8.5	3,367	12.6	2,355	8.8
	ISP	4,789	17.9	2,936	11.0	2,170	8.1	3,072	11.5	2,268	8.5
	ISA	4,789	17.9	3,846	14.4	2,794	10.5	3,347	12.5	2,295	8.6
West	Current Policy	2,274	14.4	1,485	9.4	1,040	6.6	1,543	9.8	1,099	7.0
	PIR	2,274	14.4	1,401	8.9	988	6.3	1,451	9.2	1,044	6.6
	ISP	2,274	14.4	1,327	8.4	947	6.0	1,395	8.8	1,013	6.4
	ISA	2,274	14.4	1,616	10.2	1,138	7.2	1,450	9.2	978	6.2
North-east	Current Policy	2,488	13.2	1,618	8.6	888	4.7	1,664	8.8	926	4.9
	PIR	2,488	13.2	1,544	8.2	857	4.5	1,587	8.4	897	4.7
	ISP	2,488	13.2	1,459	7.7	800	4.2	1,492	7.9	830	4.4
	ISA	2,488	13.2	1,843	9.7	997	5.3.	1,597	8.4	853	4.5
North Central	Current Policy	2,496	11.4	1,797	8.2	1,057	4.8	1,851	8.5	1,105	5.1
	PIR	2,496	11.4	1,676	7.7	992	4.5	1,726	7.9	1,040	4.8
	ISP	2,496	11.4	1,458	6.7	901	4.1	1,514	6.9	944	4.3
	ISA	2,496	11.4	2,011	9.2	1,132	5.2	1,720	7.9	985	4.5
All Regions	Current Policy	12,048	14.5	8,659	10.4	5,752	6.9	8,906	10.7	5,983	7.2
	PIR	12,048	14.5	7,900	9.5	5,098	6.1	8,130	9.8	5,336	6.4
	ISP	12,048	14.5	7,180	8.6	4,817	5.8	7,474	9.0	5,054	6.1
	ISA	12,048	14.5	9,316	11.2	6,061	7.3	8,115	9.7	5,112	6.1

TABLE C-18. (CONTINUED)

		BELOW 150 PERCENT OF POVERTY									
Census Region	Option	Pre-Tax Post-Social Insurance Income		Pre-Tax Post-Welfare Transfer Income		Pre-Tax Post-Medical Benefits		Post-Tax Post-Total Transfer Income a/ I		Post-Tax Post-Total Transfer Income a/ II	
		#	%	#	%	#	%	#	%	#	%
South	Current Policy	7,345	27.5	6,807	25.5	5,624	21.1	7,452	27.9	6,245	23.4
	PIR	7,345	27.5	6,571	24.6	5,249	19.7	7,154	26.8	5,827	21.8
	ISP	7,345	27.5	6,746	25.3	5,492	20.6	7,282	27.3	6,014	22.5
	ISA	7,345	27.5	6,860	25.7	5,668	21.2	7,069	26.5	5,854	21.9
West	Current Policy	3,508	22.2	3,102	19.7	2,352	14.9	3,387	21.5	2,637	16.7
	PIR	3,508	22.2	3,056	19.4	2,296	14.6	3,322	21.1	2,564	16.2
	ISP	3,508	22.2	3,110	19.7	2,320	14.7	3,335	21.1	2,549	16.2
	ISA	3,508	22.2	3,158	20.0	2,508	15.9	3,261	20.7	2,540	16.1
North-east	Current Policy	3,961	20.9	3,594	19.0	2,249	11.9	3,906	20.7	2,548	13.5
	PIR	3,961	20.9	3,593	19.0	2,220	11.7	3,883	20.5	2,506	13.3
	ISP	3,961	20.9	3,574	18.9	2,156	11.4	3,857	20.4	2,417	12.8
	ISA	3,961	20.9	3,670	19.4	2,364	12.5	3,700	19.6	2,396	12.7
North Central	Current Policy	4,055	18.5	3,698	16.9	2,728	12.5	3,984	18.2	2,992	13.7
	PIR	4,055	18.5	3,642	16.6	2,617	12.0	3,917	17.9	2,869	13.1
	ISP	4,055	18.5	3,660	16.7	2,587	11.8	3,919	17.9	2,807	12.8
	ISA	4,055	18.5	3,744	17.1	2,809	12.8	3,794	17.3	2,833	12.9
All Regions	Current Policy	18,869	22.7	17,202	20.7	12,952	15.5	18,729	22.5	14,422	17.3
	PIR	18,869	22.7	16,862	20.2	12,382	14.8	18,276	21.9	13,766	16.5
	ISP	18,869	22.7	17,090	20.5	12,555	15.1	18,392	22.1	13,787	16.6
	ISA	18,869	22.7	17,431	20.9	13,350	16.0	17,824	21.4	13,623	16.4

a/ Column I excludes medicare and medicaid benefits received by families participating in those programs; Column II includes medicare and medicaid benefits.

TABLE C-19. NUMBER AND PERCENT OF FAMILIES BELOW 100 AND 150 PERCENT OF THE POVERTY LEVEL, BY REGION, UNDER SELECTED WELFARE REFORM OPTIONS AND DEFINITIONS OF INCOME IN FISCAL YEAR 1982: FAMILIES IN THOUSANDS

		BELOW 100 PERCENT OF POVERTY									
Census Region	Option	Pre-Tax Post-Social Insurance Income		Pre-Tax Post-Welfare Transfer Income		Pre-Tax Post-Medical Benefits		Post-Tax Post-Total Transfer Income a/ I		II	
		#	%	#	%	#	%	#	%	#	%
South	Current Policy	4,674	16.2	3,736	12.9	2,569	8.9	3,914	13.6	2,732	9.5
	PIR	4,674	16.2	3,167	11.0	2,087	7.2	3,342	11.6	2,247	7.8
	ISP	4,674	16.2	2,873	10.0	2,012	7.0	3,046	10.6	2,156	7.5
	ISA	4,674	16.2	3,794	13.1	2,585	9.0	3,349	11.6	2,229	7.7
West	Current Policy	2,236	12.9	1,442	8.3	888	5.1	1,535	8.9	969	5.6
	PIR	2,236	12.9	1,329	7.7	850	4.9	1,415	8.2	935	5.4
	ISP	2,236	12.9	1,304	7.5	785	4.5	1,372	7.9	847	4.9
	ISA	2,236	12.9	1,543	8.9	961	5.6	1,442	8.3	857	5.0
North-east	Current Policy	2,504	12.3	1,629	8.0	776	3.8	1,664	8.1	791	3.9
	PIR	2,504	12.3	1,499	7.3	755	3.7	1,533	7.5	768	3.8
	ISP	2,504	12.3	1,459	7.1	701	3.4	1,499	7.3	712	3.5
	ISA	2,504	12.3	1,888	9.2	819	4.0	1,631	8.0	717	3.5
North Central	Current Policy	2,513	10.6	1,813	7.7	949	4.0	1,859	7.9	993	4.2
	PIR	2,513	10.6	1,651	7.0	899	3.8	1,700	7.2	943	4.0
	ISP	2,513	10.6	1,429	6.1	812	3.4	1,481	6.3	848	3.6
	ISA	2,513	10.6	1,994	8.4	1,010	4.3	1,735	7.3	895	3.8
All Regions	Current Policy	11,927	13.2	8,619	9.6	5,182	5.7	8,972	9.9	5,485	6.1
	PIR	11,927	13.2	7,646	8.5	4,591	5.1	7,990	8.9	4,893	5.4
	ISP	11,927	13.2	7,065	7.8	4,311	4.8	7,399	8.2	4,563	5.1
	ISA	11,927	13.2	9,219	10.2	5,375	6.0	8,157	9.0	4,699	5.2

TABLE C-19. (CONTINUED)

		BELOW 150 PERCENT OF POVERTY									
Census Region	Option	Pre-Tax Post-Social Insurance Income		Pre-Tax Post-Welfare Transfer Income		Pre-Tax Post-Medical Benefits		Post-Tax Post-Total Transfer Income a/ I		II	
		#	%	#	%	#	%	#	%	#	%
South	Current Policy	7,122	24.7	6,571	22.8	5,251	18.2	7,247	25.1	5,913	20.5
	PIR	7,122	24.7	6,327	21.9	4,890	16.9	6,933	24.0	5,447	18.9
	ISP	7,122	24.7	6,457	22.4	5,037	17.5	7,007	24.3	5,583	19.3
	ISA	7,122	24.7	6,602	22.9	5,315	18.4	6,818	23.6	5,464	18.9
West	Current Policy	3,493	20.2	3,048	17.6	2,208	12.8	3,390	19.6	2,526	14.6
	PIR	3,493	20.2	2,993	17.3	2,132	12.3	3,299	19.1	2,421	14.0
	ISP	3,493	20.2	3,033	17.5	2,152	12.4	3,305	19.1	2,424	14.0
	ISA	3,493	20.2	3,110	18.0	2,363	13.7	3,247	18.8	2,419	14.0
North-east	Current Policy	3,884	19.0	3,523	17.3	2,118	10.4	3,833	18.8	2,396	11.7
	PIR	3,884	19.0	3,494	17.1	2,049	10.0	3,781	18.5	2,298	11.3
	ISP	3,884	19.0	3,472	17.0	1,980	9.7	3,722	18.2	2,195	10.7
	ISA	3,884	19.0	3,588	17.6	2,263	11.1	3,658	17.9	2,242	11.0
North Central	Current Policy	3,948	16.7	3,567	15.1	2,430	10.3	3,939	16.7	2,742	11.6
	PIR	3,948	16.7	3,526	14.9	2,296	9.7	3,857	16.3	2,571	10.9
	ISP	3,948	16.7	3,520	14.9	2,289	9.7	3,827	16.2	2,564	10.9
	ISA	3,948	16.7	3,614	15.3	2,535	10.7	3,746	15.9	2,595	11.0
All Regions	Current Policy	18,446	20.5	16,710	18.5	12,007	13.3	18,409	20.4	13,577	15.1
	PIR	18,446	20.5	16,340	18.1	11,368	12.6	17,869	19.8	12,738	14.1
	ISP	18,446	20.5	16,483	18.3	11,484	12.7	17,861	19.8	12,765	14.2
	ISA	18,446	20.5	16,915	18.8	12,476	13.8	17,469	19.4	12,719	14.1

a/ Column I excludes medicare and medicaid benefits received by families participating in those programs; Column II includes medicare and medicaid benefits.

TABLE C-20. NUMBER AND PERCENT OF FAMILIES BELOW 100 AND 150 PERCENT OF THE POVERTY LEVEL, BY FAMILY TYPE, UNDER SELECTED REFORM OPTIONS IN FISCAL YEAR 1978: FAMILIES IN THOUSANDS a/

Family Type	Current Policy		Packaged Incremental Reforms		Income Supplement Program		Income Security for Americans		Current Policy		Packaged Incremental Reforms		Income Supplement Program		Income Security for Americans	
	BELOW 100 PERCENT OF POVERTY								BELOW 150 PERCENT OF POVERTY							
	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
Single Person	5,001	20.8 b/	5,083	21.2	4,010	16.7	4,854	20.2	9,661	40.2	9,693	40.4	9,459	39.4	9,416	39.2
Both Parents																
0 Children	589	2.9	581	2.8	434	2.1	360	1.8	1,628	8.0	1,635	8.0	1,535	7.5	1,384	6.8
1 Children	344	3.1	323	2.9	280	2.5	239	2.1	904	8.0	893	7.9	874	7.8	818	7.3
2 Children	329	3.4	313	3.2	279	2.9	232	2.4	902	9.3	900	9.3	868	9.0	835	8.6
3 Children or More	552	7.6	502	6.9	520	7.2	389	5.4	1,435	19.8	1,407	19.4	1,426	19.6	1,336	18.4
Mother Only																
0 Children	109	4.6	108	4.5	64	2.7	71	3.0	315	13.3	312	13.1	302	12.7	271	11.4
1 or 2 Children	968	21.5	648	14.4	898	19.9	968	21.5	2,054	45.6	1,773	39.3	2,082	46.2	2,003	44.4
3 Children or More	524	33.8	130	8.4	512	33.1	538	34.7	1,131	73.0	986	63.6	1,137	73.4	1,089	70.3
All Other (Primarily Father Only)																
1 Child or More	491	22.4	442	20.1	475	21.7	464	21.2	699	31.9	677	30.9	708	32.3	672	30.6
All Families c/	8,907	10.7	8,130	9.8	7,472	9.0	8,115	9.7	18,729	22.5	18,276	21.9	18,391	22.1	17,824	21.4

a/ Family income defined as post-tax, post-total transfer excluding medicare and medicaid.

b/ Percent refers to families as a percent of all families within a particular demographic category.

c/ Components may not add to totals because of rounding.

TABLE C-21. NUMBER AND PERCENT OF FAMILIES BELOW 100 AND 150 PERCENT OF THE POVERTY LEVEL, BY FAMILY TYPE, UNDER SELECTED WELFARE REFORM OPTIONS IN FISCAL YEAR 1982: FAMILIES IN THOUSANDS a/

Family Type	Current Policy		Packaged Incremental Reforms		Income Supplement Program		Income Security for Americans		Current Policy		Packaged Incremental Reforms		Income Supplement Program		Income Security for Americans	
	BELOW 100 PERCENT OF POVERTY								BELOW 150 PERCENT OF POVERTY							
	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
Single Person	5,025	17.8b/	5,085	18.0	3,928	13.9	4,787	17.0	9,790	34.7	9,806	34.8	9,395	33.3	9,503	33.7
Both Parents																
0 Children	544	2.6	547	2.6	400	1.9	334	1.6	1,318	6.3	1,315	6.3	1,264	6.1	1,131	5.4
1 Child	302	2.4	291	2.3	234	1.9	201	1.6	748	5.9	738	5.9	747	5.9	665	5.3
2 Children	291	3.0	265	2.7	231	2.4	191	1.9	768	7.8	763	7.8	740	7.5	697	7.1
3 Children or More	453	6.9	411	6.2	416	6.3	319	4.8	1,093	16.6	1,078	16.3	1,065	16.1	1,000	15.1
Mother Only																
0 Children	90	3.6	92	3.7	58	2.3	59	2.3	285	11.4	280	11.2	269	10.7	222	8.9
1 or 2 Children	1,229	21.8	764	13.6	1,132	20.1	1,212	21.5	2,533	45.0	2,214	39.3	2,510	44.6	2,441	43.3
3 Children or More	578	34.3	126	7.5	557	33.1	605	35.9	1,207	71.7	1,043	62.0	1,210	71.9	1,162	69.1
All Other (Primarily Father Only)																
1 Child or More	461	19.5	408	17.3	443	18.8	449	19.0	666	28.2	631	26.7	662	28.0	648	27.4
All Families	8,972	9.9	7,990	8.9	7,399	8.2	8,157	9.0	18,409	20.4	17,869	19.8	17,860	19.8	17,469	19.4

a/ Family income defined as post-tax, post-total transfer excluding medicare and medicaid.

b/ Percent refers to families as a percent of all families within a particular demographic category.

c/ Components may not add to totals because of rounding.

TABLE C-22. DISTRIBUTION OF FAMILIES BELOW 100 AND 150 PERCENT OF THE POVERTY LEVEL, BY AGE OF HEAD OF FAMILY, UNDER SELECTED WELFARE REFORM OPTIONS AND DEFINITIONS OF INCOME IN FISCAL YEAR 1978: FAMILIES IN THOUSANDS

Age of Family Head Option	Pre-Tax Post-Social Insurance Income		Pre-Tax Post-Welfare Transfer Income		Pre-Tax Post-Medical Benefits		Post-Tax Post-Total Transfer Income a/ I		Post-Tax Post-Total Transfer Income a/ II		Pre-Tax Post-Social Insurance Income		Pre-Tax Post-Welfare Transfer Income		Pre-Tax Post-Medical Benefits		Post-Tax Post-Total Transfer Income a/ I		Post-Tax Post-Total Transfer Income a/ II	
	BELOW 100 PERCENT OF POVERTY										BELOW 150 PERCENT OF POVERTY									
	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
Under 25																				
Current Policy	2,320	25.9 b/	1,970	22.0	1,642	18.4	2,054	23.0	1,722	19.3	3,267	36.5	3,104	34.7	2,901	32.4	3,472	38.8	3,285	36.7
PIR	2,320	25.9	1,812	20.3	1,446	16.2	1,888	21.1	1,525	17.1	3,267	36.5	3,057	34.2	2,805	31.4	3,403	38.0	3,181	35.6
ISP	2,320	25.9	1,886	21.1	1,522	17.0	1,964	22.0	1,590	17.8	3,267	36.5	3,151	35.2	2,936	32.8	3,449	38.6	3,257	36.4
ISA	2,320	25.9	2,042	22.8	1,751	19.6	1,993	22.3	1,637	18.3	3,267	36.5	3,164	35.4	2,991	33.4	3,447	38.5	3,257	36.4
25 to 64																				
Current Policy	6,438	11.2	4,562	8.0	3,316	5.8	4,716	8.2	3,460	6.0	9,420	16.5	8,484	14.8	7,187	12.6	9,595	16.8	8,253	14.4
PIR	6,438	11.2	3,926	6.9	2,859	5.0	4,073	7.1	3,013	5.3	9,420	16.5	8,207	14.4	6,726	11.8	9,232	16.1	7,708	13.5
ISP	6,438	11.2	4,185	7.3	2,843	5.0	4,393	7.7	3,005	5.3	9,420	16.5	8,542	14.9	7,187	12.6	9,499	16.6	8,066	14.1
ISA	6,438	11.2	5,008	8.8	3,481	6.1	4,332	7.6	2,926	5.1	9,420	16.5	8,644	15.1	7,426	13.0	9,169	16.0	7,783	13.6
65 and Over																				
Current Policy	3,290	19.2	2,127	12.4	795	4.6	2,137	12.5	801	4.7	6,181	36.2	5,614	32.8	2,864	16.8	5,662	33.1	2,883	16.9
PIR	3,290	19.2	2,161	12.6	792	4.6	2,169	12.7	798	4.7	6,181	36.2	5,598	32.7	2,851	16.7	5,641	33.0	2,877	16.8
ISP	3,290	19.2	1,109	6.5	452	2.6	1,116	6.5	460	2.7	6,181	36.2	5,397	31.6	2,432	14.2	5,444	31.8	2,464	14.4
ISA	3,290	19.2	2,265	13.2	829	4.8	1,790	10.5	549	3.2	6,181	36;2	5,623	32.9	2,932	17.1	5,208	30.5	2,584	15.1

a/ Column I excludes medicare and medicaid benefits received by families participating in those programs; Column II includes medicare and medicaid benefits.

b/ Percent refers to families as a percent of all families within a particular demographic category.

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TABLE C-23. DISTRIBUTION OF FAMILIES BELOW 100 AND 150 PERCENT OF THE POVERTY LEVEL, BY AGE OF HEAD OF FAMILY, UNDER SELECTED WELFARE REFORM OPTIONS AND DEFINITIONS OF INCOME IN FISCAL YEAR 1982: FAMILIES IN THOUSANDS

Age of Family Head Option	Pre-Tax Post-Social Insurance Income		Pre-Tax Post-Welfare Transfer Income		Pre-Tax Post-Medical Benefits		Post-Tax Post-Total Transfer Income a/ I		Post-Tax Post-Total Transfer Income a/ II		Pre-Tax Post-Social Insurance Income		Pre-Tax Post-Welfare Transfer Income		Pre-Tax Post-Medical Benefits		Post-Tax Post-Total Transfer Income a/ I		Post-Tax Post-Total Transfer Income a/ II	
	BELOW 100 PERCENT OF POVERTY										BELOW 150 PERCENT OF POVERTY									
	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
Under 25																				
Current Policy	2,250	22.9 b/	1,869	19.1	1,451	14.8	1,976	20.1	1,543	15.7	3,106	31.7	2,908	29.6	2,682	27.3	3,390	34.6	3,146	32.1
PIR	2,250	22.9	1,642	16.7	1,268	12.9	1,756	17.9	1,373	14.0	3,106	31.7	2,839	29.0	2,546	26.0	3,284	33.5	2,971	30.3
ISP	2,250	22.9	1,761	18.0	1,309	13.3	1,859	19.0	1,387	14.1	3,106	31.7	2,939	30.0	2,687	27.4	3,341	34.1	3,099	31.6
ISA	2,250	22.9	1,924	19.6	1,515	15.4	1,912	19.5	1,466	14.7	3,106	31.7	2,971	30.3	2,763	28.2	3,347	34.1	3,101	31.6
25 to 64																				
Current Policy	6,374	10.4	4,553	7.4	3,037	4.9	4,787	7.8	3,244	5.3	9,054	14.7	8,159	13.3	6,647	10.8	9,328	15.2	7,733	12.6
PIR	6,374	10.4	3,787	6.2	2,629	4.3	4,006	6.5	2,822	4.6	9,054	14.7	7,863	12.8	6,146	10.0	8,908	14.5	7,067	11.5
ISP	6,374	10.4	4,193	6.8	2,626	4.3	4,416	7.2	2,792	4.5	9,054	14.7	8,230	13.4	6,605	10.7	9,161	14.9	7,490	12.2
ISA	6,374	10.4	5,014	8.1	3,171	5.2	4,427	7.2	2,797	4.5	9,054	14.7	8,319	13.5	6,974	11.3	8,865	14.4	7,247	11.8
65 and Over																				
Current Policy	3,303	17.5	2,197	11.7	694	3.7	2,209	11.7	698	3.7	6,286	33.3	5,644	29.9	2,678	14.2	5,690	30.2	2,699	14.3
PIR	3,303	17.5	2,217	11.8	694	3.7	2,227	11.8	698	3.7	6,286	33.3	5,638	29.9	2,677	14.2	5,677	30.1	2,700	14.3
ISP	3,303	17.5	1,112	5.9	376	2.0	1,124	6.0	384	2.0	6,286	33.3	5,314	28.2	2,166	11.5	5,358	28.4	2,175	11.5
ISA	3,303	17.5	2,280	12.1	690	3.7	1,818	9.6	455	2.4	6,286	33.3	5,625	29.8	2,740	14.5	5,257	27.9	2,372	12.6

a/ Column I excludes medicare and medicaid benefits received by families participating in those programs; Column II includes medicare and medicaid benefits.

b/ Percent refers to families as a percent of all families within a particular demographic category.

TABLE C-24. NUMBER AND PERCENT OF FAMILIES BELOW 100 AND 150 PERCENT OF THE POVERTY LEVEL, BY RACE, UNDER SELECTED WELFARE REFORM OPTIONS AND DEFINITIONS OF INCOME IN FISCAL YEAR 1978: FAMILIES IN THOUSANDS

Race Option	Pre-Tax Post-Social Insurance Income		Pre-Tax Post-Welfare Transfer Income		Pre-Tax Post-Medical Benefits		Post-Tax Post-Total Transfer Income a/ I		Post-Tax Post-Total Transfer Income a/ II	
	BELOW 100 PERCENT OF POVERTY									
	#	%	#	%	#	%	#	%	#	%
White										
Current Policy	8,910	12.2	6,522	8.9	4,374	6.0	6,726	9.2	4,561	6.2
PIR	8,910	12.2	6,163	8.4	4,045	5.5	6,347	8.7	4,231	5.8
ISP	8,910	12.2	5,396	7.4	3,743	5.1	5,608	7.7	3,916	5.3
ISA	8,910	12.2	6,924	9.4	4,534	6.2	6,084	8.3	3,932	5.4
Nonwhite										
Current Policy	3,138	31.5	2,138	21.4	1,378	13.8	2,180	21.9	1,422	14.3
PIR	3,138	31.5	1,737	17.4	1,053	10.6	1,783	17.9	1,105	11.1
ISP	3,138	31.5	1,784	17.9	1,074	10.8	1,865	18.7	1,138	11.4
ISA	3,138	31.5	2,391	24.0	1,527	15.3	2,031	20.4	1,180	11.8
	BELOW 150 PERCENT OF POVERTY									
White										
Current Policy	14,477	19.7	13,185	18.0	9,699	13.2	14,433	19.7	10,912	14.9
PIR	14,477	19.7	13,021	17.8	9,451	12.9	14,183	19.3	10,605	14.5
ISP	14,477	19.7	13,087	17.9	9,371	12.8	14,129	19.3	10,359	14.1
ISA	14,477	19.7	13,363	18.2	9,991	13.6	13,727	18.7	10,295	14.0
Nonwhite										
Current Policy	4,392	44.1	4,017	40.3	3,253	32.6	4,296	43.1	3,509	35.2
PIR	4,392	44.1	3,841	38.5	2,931	29.4	4,094	41.1	3,161	31.7
ISP	4,392	44.1	4,003	40.2	3,184	31.9	4,262	42.8	3,428	34.4
ISA	4,392	44.1	4,068	40.8	3,359	33.7	4,097	41.1	3,327	33.4

a/ Column I excludes medicare and medicaid benefits received by families participating in those programs; Column II includes medicare and medicaid benefits.

TABLE C-25. NUMBER AND PERCENT OF FAMILIES BELOW 100 AND 150 PERCENT OF THE POVERTY LEVEL, BY RACE, UNDER SELECTED WELFARE REFORM OPTIONS AND DEFINITIONS OF INCOME IN FISCAL YEAR 1982: FAMILIES IN THOUSANDS

Race Option	Pre-Tax Post-Social Insurance Income		Pre-Tax Post-Welfare Transfer Income		Pre-Tax Post-Medical Benefits		Post-Tax Post-Total Transfer Income a/ I		Post-Tax Post-Total Transfer Income a/ II	
	BELOW 100 PERCENT OF POVERTY									
	#	%	#	%	#	%	#	%	#	%
White										
Current Policy	8,782	11.1	6,406	8.1	3,946	5.0	6,676	8.4	4,194	5.3
PIR	8,782	11.1	5,927	7.5	3,645	4.6	6,203	7.8	3,895	4.9
ISP	8,782	11.1	5,255	6.6	3,321	4.2	5,512	7.0	3,525	4.5
ISA	8,782	11.1	6,821	8.6	4,033	5.1	6,089	7.7	3,610	4.6
Nonwhite										
Current Policy	3,145	28.6	2,213	20.1	1,236	11.3	2,296	20.9	1,292	11.8
PIR	3,145	28.6	1,720	15.6	946	8.6	1,787	16.3	998	9.1
ISP	3,145	28.6	1,811	16.5	989	9.0	1,887	17.2	1,038	9.4
ISA	3,145	28.6	2,398	21.8	1,342	12.2	2,068	18.8	1,088	9.9
	BELOW 150 PERCENT OF POVERTY									
White										
Current Policy	14,085	17.8	12,781	16.1	8,984	11.3	14,077	17.8	10,196	12.9
PIR	14,085	17.8	12,588	15.9	8,675	11.0	13,783	17.4	9,779	12.3
ISP	14,085	17.8	12,580	15.9	8,565	10.8	13,620	17.2	9,553	12.1
ISA	14,085	17.8	12,936	16.3	9,345	11.8	13,351	16.9	9,568	12.1
Nonwhite										
Current Policy	4,361	39.7	3,929	35.8	3,023	27.5	4,332	39.4	3,381	30.8
PIR	4,361	39.7	3,752	34.1	2,693	24.5	4,087	37.2	2,959	26.9
ISP	4,361	39.7	3,902	35.5	2,893	26.3	4,240	38.6	3,212	29.2
ISA	4,361	39.7	3,979	36.2	3,132	28.5	4,118	37.5	3,151	28.7

a/ Column I excludes medicare and medicaid benefits received by families participating in those programs; Column II includes medicare and medicaid benefits.

TABLE C-26. NUMBER AND PERCENT OF FAMILIES BELOW 100 AND 150 PERCENT OF THE POVERTY LEVEL, BY WORKING STATUS, UNDER SELECTED WELFARE REFORM OPTIONS AND DEFINITIONS OF INCOME IN FISCAL YEAR 1978: FAMILIES IN THOUSANDS

Working Status Option	Pre-Tax Post-Social Insurance Income		Pre-Tax Post-Welfare Transfer Income		Pre-Tax Post-Medical Benefits		Post-Tax Post-Total Transfer Income a/ I		Post-Tax Post-Total Transfer Income a/ II	
	BELOW 100 PERCENT OF POVERTY									
	#	%	#	%	#	%	#	%	#	%
Working Families b/		c/								
Current Policy	4,749	7.2	3,227	4.9	2,573	3.9	3,466	5.3	2,795	4.3
PIR	4,749	7.2	2,775	4.2	2,298	3.5	2,998	4.6	2,525	3.8
ISP	4,749	7.2	2,856	4.3	2,190	3.3	3,142	4.8	2,420	3.7
ISA	4,749	7.2	3,394	5.2	2,588	3.9	3,013	4.6	2,338	3.6
Non-Working Families										
Current Policy	7,298	41.6	5,432	31.0	3,179	18.1	5,440	31.0	3,188	18.2
PIR	7,298	41.6	5,124	29.2	2,800	16.0	5,132	29.3	2,811	16.0
ISP	7,298	41.6	4,324	24.7	2,628	15.0	4,331	24.7	2,633	15.0
ISA	7,298	41.6	5,921	33.8	3,473	19.8	5,101	29.1	2,774	15.8
	BELOW 150 PERCENT OF POVERTY									
Working Families b/										
Current Policy	8,532	13.0	7,483	11.4	6,425	9.8	8,996	13.7	7,884	12.0
PIR	8,532	13.0	7,166	10.9	5,981	9.1	8,565	13.0	7,352	11.2
ISP	8,532	13.0	7,552	11.5	6,422	9.8	8,842	13.5	7,645	11.6
ISA	8,532	13.0	7,698	11.7	6,638	10.1	8,559	13.0	7,385	11.2
Non-Working Families										
Current Policy	10,337	58.9	9,719	55.4	6,528	37.2	9,733	55.5	6,538	37.3
PIR	10,337	58.9	9,695	55.3	6,401	36.5	9,711	55.4	6,413	36.6
ISP	10,337	58.9	9,537	54.4	6,133	35.0	9,550	54.4	6,142	35.0
ISA	10,337	58.9	9,733	55.5	6,712	38.3	9,264	52.8	6,238	35.6

a/ Column I excludes medicare and medicaid benefits received by families participating in those programs; Column II includes medicare and medicaid benefits.

b/ Working families include those who report any earned income during the year.

c/ Percent refers to families as a percent of all families within a particular demographic category.

TABLE C-27. NUMBER AND PERCENT OF FAMILIES BELOW 100 AND 150 PERCENT OF THE POVERTY LEVEL, BY WORKING STATUS, UNDER SELECTED WELFARE REFORM OPTIONS AND DEFINITIONS OF INCOME IN FISCAL YEAR 1982: FAMILIES IN THOUSANDS

Working Status Option	Pre-Tax Post-Social Insurance Income		Pre-Tax Post-Welfare Transfer Income		Pre-Tax Post-Medical Benefits		Post-Tax Post-Total Transfer Income a/ I		II	
BELOW 100 PERCENT OF POVERTY										
	#	%	#	%	#	%	#	%	#	%
Working Families b/										
Current Policy	4,149	5.9 c/	2,723	3.9	2,049	2.9	3,067	4.4	2,347	3.3
PIR	4,149	5.9	2,280	3.2	1,849	2.6	2,616	3.7	2,145	3.0
ISP	4,149	5.9	2,374	3.4	1,729	2.5	2,704	3.8	1,977	2.8
ISA	4,149	5.9	2,862	4.1	2,046	2.9	2,627	3.7	1,948	2.8
Non-Working Families										
Current Policy	7,778	39.5	5,896	30.0	3,133	15.9	5,904	30.0	3,138	15.9
PIR	7,778	39.5	5,367	27.3	2,742	13.9	5,374	27.3	2,747	14.0
ISP	7,778	39.5	4,691	23.8	2,581	13.1	4,695	23.9	2,586	13.1
ISA	7,778	39.5	6,356	32.3	3,329	16.9	5,531	28.1	2,750	14.0
BELOW 150 PERCENT OF POVERTY										
Working Families b/										
Current Policy	7,439	10.5	6,453	9.2	5,218	7.4	8,126	11.5	6,772	9.6
PIR	7,439	10.5	6,096	8.6	4,772	6.8	7,604	10.8	6,125	8.7
ISP	7,439	10.5	6,509	9.2	5,186	7.4	7,879	11.2	6,487	9.2
ISA	7,439	10.5	6,668	9.5	5,503	7.8	7,643	10.8	6,269	8.9
Non-Working Families										
Current Policy	11,007	55.9	10,258	52.1	6,788	34.5	10,283	52.2	6,806	34.6
PIR	11,007	55.9	10,244	52.0	6,596	33.5	10,266	52.1	6,613	33.6
ISP	11,007	55.9	9,974	50.7	6,272	31.9	9,982	50.7	6,278	31.9
ISA	11,007	55.9	10,247	52.1	6,974	35.4	9,825	49.9	6,451	32.8

a/ Column I excludes medicare and medicaid benefits received by families participating in those programs; Column II includes medicare and medicaid benfits.

b/ Working families include those which report any earned income during the year.

c/ Percent refers to families as a percent of all families within a particular demographic groups.

TABLE C-28. NUMBER AND PERCENT OF FAMILIES BELOW 100 AND 150 PERCENT OF THE POVERTY LEVEL, BY WORKING STATUS, UNDER SELECTED WELFARE REFORM OPTIONS AND DEFINITIONS OF INCOME IN FISCAL YEAR 1978: FAMILIES IN THOUSANDS

Weeks Worked By Family Head Option	Pre-Tax Post-Social Insurance Income		Pre-Tax Post-Welfare Transfer Income		Pre-Tax Post-Medical Benefits		Post-Tax Post-Total Transfer Income a/ I		Post-Tax Post-Total Transfer Income a/ II	
	BELOW 100 PERCENT OF POVERTY									
	#	%	#	%	#	%	#	%	#	%
Worked Less Than 50 Weeks										
Current Policy	10,433	27.9 b/	7,451	20.0	4,692	12.6	7,605	20.4	4,834	12.9
PIR	10,433	27.9	6,779	18.2	4,088	11.0	6,912	18.5	4,228	11.3
ISP	10,433	27.9	6,098	16.3	3,871	10.4	6,264	16.8	4,004	10.7
ISA	10,433	27.9	8,111	21.7	5,007	13.4	6,981	18.7	4,098	11.0
Worked 50 or More Weeks										
Current Policy	1,614	3.5	1,209	2.6	1,060	2.3	1,302	2.8	1,150	2.5
PIR	1,614	3.5	1,120	2.4	1,010	2.2	1,218	2.7	1,108	2.4
ISP	1,614	3.5	1,082	2.4	946	2.1	1,210	2.6	1,050	2.3
ISA	1,614	3.5	1,205	2.6	1,054	2.3	1,134	2.5	1,014	2.2
	BELOW 150 PERCENT OF POVERTY									
Worked Less Than 50 Weeks										
Current Policy	15,561	41.7 b/	14,308	38.3	10,372	27.8	14,923	40.0	10,956	29.3
PIR	15,561	41.7	14,088	37.7	9,975	26.7	14,678	39.3	10,526	28.2
ISP	15,561	41.7	14,164	37.9	9,961	26.7	14,751	39.5	10,514	28.2
ISA	15,561	41.7	14,457	38.7	10,701	28.7	14,295	38.3	10,449	28.0
Worked 50 or More Weeks										
Current Policy	3,308	7.2	2,893	6.3	2,580	5.6	3,806	8.3	3,465	7.5
PIR	3,308	7.2	2,773	6.0	2,407	5.2	3,599	7.8	3,240	7.1
ISP	3,308	7.2	2,925	6.4	2,594	5.6	3,641	7.9	3,273	7.1
ISA	3,308	7.2	2,974	6.5	2,648	5.8	3,528	7.7	3,174	6.9

a/ Column I excludes medicare and medicaid benefits received by families participating in those programs; Column II includes medicare and medicaid benefits.

b/ Percent refers to families as a percent of all families within a particular demographic category.

TABLE C-29. NUMBER AND PERCENT OF FAMILIES BELOW 100 AND 150 PERCENT OF THE POVERTY LEVEL, BY WORKING STATUS, UNDER SELECTED WELFARE REFORM OPTIONS AND DEFINITIONS OF INCOME IN FISCAL YEAR 1982: FAMILIES IN THOUSANDS

Weeks Worked By Family Head Option	Pre-Tax Post-Social Insurance Income		Pre-Tax Post-Welfare Transfer Income		Pre-Tax Post-Medical Benefits		Post-Tax Post-Total Transfer Income a/ I		Post-Tax Post-Total Transfer Income a/ II	
	BELOW 100 PERCENT OF POVERTY									
	#	%	#	%	#	%	#	%	#	%
Worked Less Than 50 Weeks										
Current Policy	10,491	25.7	7,520	18.4	4,231	10.4	7,720	18.9	4,401	10.8
PIR	10,491	25.7	6,650	16.3	3,696	9.0	6,841	16.7	3,858	9.4
ISP	10,491	25.7	6,068	14.8	3,473	8.5	6,284	15.4	3,609	8.8
ISA	10,491	25.7	8,115	19.9	4,438	10.9	7,072	17.3	3,743	9.2
Worked 50 or More Weeks										
Current Policy	1,436	2.9	1,099	2.2	951	1.9	1,251	2.5	1,085	2.2
PIR	1,436	2.9	997	2.0	895	1.8	1,149	2.3	1,035	2.1
ISP	1,436	2.9	998	2.0	837	1.7	1,114	2.3	954	1.9
ISA	1,436	2.9	1,104	2.2	937	1.9	1,085	2.2	955	1.9
	BELOW 150 PERCENT OF POVERTY									
Worked Less Than 50 Weeks										
Current Policy	15,702	38.4	14,310	35.0	9,940	24.3	15,125	37.0	10,665	26.1
PIR	15,702	38.4	14,064	34.4	9,422	23.1	14,809	36.2	10,080	24.7
ISP	15,702	38.4	14,064	34.4	9,397	23.0	14,697	36.0	9,980	24.4
ISA	15,702	38.4	14,449	35.4	10,352	25.3	14,437	35.3	10,089	24.7
Worked 50 or More Weeks										
Current Policy	2,744	5.6	2,401	4.9	2,066	4.2	3,284	6.7	2,912	5.9
PIR	2,744	5.6	2,276	4.6	1,946	3.9	3,061	6.2	2,658	5.4
ISP	2,744	5.6	2,418	4.9	2,061	4.2	3,164	6.4	2,785	5.6
ISA	2,744	5.6	2,466	5.0	2,125	4.3	3,032	6.1	2,630	5.3

a/ Column I excludes medicare and medicaid benefits received by families participating in those programs; Column II includes medicare and medicaid benefits.

TABLE C-30. NUMBER OF FAMILIES GAINING OR LOSING BENEFITS, BY FAMILY TYPE, UNDER SELECTED WELFARE REFORM OPTIONS IN FISCAL YEAR 1978: FAMILIES IN THOUSANDS a/

Family Type	Amount of Income Lost			Total Families Losing	Families With No Change	Total Families Gaining	Amount of Income Gained		
	$500 or More	$250-499	$25-249				$25-249	$250-499	$500 or More
				PACKAGED INCREMENTAL REFORMS					
Single Parent	23	164	1,622	1,809	21,893	316	312	2	2
Both Parents									
0 Children	40	86	275	401	19,854	143	106	21	16
1 Child	42	62	247	351	10,542	373	111	69	193
2 Children	55	93	155	303	9,046	350	126	47	177
3 Children or More	76	132	212	420	6,298	543	157	79	307
Mother Only									
0 Children	6	8	77	91	2,216	72	37	13	22
1 or 2 Children	18	68	309	395	1,912	2,202	474	352	1,376
3 Children or More	13	37	39	89	275	1,185	97	94	994
All Other (Primarily Father Only)									
1 Child or More	4	8	20	32	1,785	375	82	48	245
All Families a/	277	658	2,956	3,891	73,821	5,559	1,502	725	3,332
Percent	0.3	0.8	3.5	4.6	88.7	6.7	1.8	0.9	4.0

TABLE C-30. (CONTINUED)

Family Type	Amount of Income Lost			Total Families Losing	Families With No Change	Total Families Gaining	Amount of Income Gained		
	$500 or More	$250-499	$25-249				$25-249	$250-499	$500 or More
				INCOME SUPPLEMENT PROGRAM					
Single Parent	126	119	363	608	13,003	10,406	6,321	1,188	2,897
Both Parents									
0 Children	56	28	63	147	14,598	5,653	4,297	889	467
1 Child	88	145	251	484	7,672	3,111	2,218	640	253
2 Children	98	141	195	434	6,888	2,377	1,465	610	302
3 Children or More	146	154	277	577	4,681	2,004	1,207	466	331
Mother Only									
0 Children	4	4	16	24	1,010	1,347	1,024	205	118
1 or 2 Children	47	340	607	994	1,704	1,809	925	502	382
3 Children or More	25	171	278	474	559	559	192	134	233
All Other (Primarily Father Only)									
1 Child or More	17	33	47	97	1,037	1,058	616	191	251
All Families	607	1,135	2,097	3,839	51,110	28,324	18,265	4,825	5,234
Percent	0.7	1.4	2.5	4.6	61.4	34.0	21.9	5.8	6.3

TABLE C-30. (CONTINUED)

Family Type	Amount of Income Lost: $500 or More	Amount of Income Lost: $250-499	Amount of Income Lost: $25-249	Total Families Losing	Families With No Change	Total Families Gaining	Amount of Income Gained: $25-249	Amount of Income Gained: $250-499	Amount of Income Gained: $500 or more
				INCOME SECURITY FOR AMERICANS					
Single Parent	197	512	7,058	7,767	4,844	11,407	8,580	1,772	1,055
Both Parents									
0 Children	461	1,224	5,760	7,445	1,219	11,734	8,538	1,600	1,596
1 Child	363	876	2,161	3,400	635	7,232	5,363	1,014	855
2 Children	513	871	1,661	3,045	489	6,165	4,027	1,406	732
3 Children or More	705	609	890	2,204	334	4,724	1,891	1,623	1,210
Mother Only									
0 Children	22	103	526	651	194	1,535	822	368	345
1 or 2 Children	94	399	1,152	1,645	244	2,618	1,412	517	689
3 Children or More	88	249	376	713	37	801	168	206	427
All Other (Primarily Father Only)									
1 Child or More	46	127	429	602	265	1,327	720	242	365
All Families	2,490	4,970	20,013	27,472	8,261	47,543	31,521	8,748	7,274
Percent	3.0	6.0	24.0	33.3	9.8	57.1	37.9	10.5	8.7

a/ Gain or loss in income is calculated as a family's current policy post-tax, post-transfer income

TABLE C-31. NUMBER OF FAMILIES GAINING OR LOSING BENEFITS, BY FAMILY TYPE, UNDER SELECTED WELFARE REFORM OPTIONS IN FISCAL YEAR 1982: FAMILIES IN THOUSANDS a/

Family Type	Amount of Income Lost: $500 or More	Amount of Income Lost: $250-499	Amount of Income Lost: $25-249	Total Families Losing	Families With No Change	Total Families Gaining	Amount of Income Gained: $25-249	Amount of Income Gained: $250-499	Amount of Income Gained: $500 or More
				PACKAGED INCREMENTAL REFORMS					
Single Parent	38	169	1,539	1,746	26,125	319	311	7	1
Both Parents									
0 Children	30	64	168	262	20,373	142	94	38	10
1 Child	24	54	131	209	12,062	335	102	52	181
2 Children	32	39	94	165	9,364	314	75	71	168
3 Children or More	68	55	115	238	5,906	461	112	81	268
Mother Only									
0 Children	8	13	54	75	2,345	83	48	11	24
1 or 2 Children	41	86	275	402	2,472	2,756	455	446	1,855
3 Children or More	23	32	40	950	296	1,291	56	117	1,118
All Other (Primarily Father Only)									
1 Child or More	7	2	14	23	1,965	376	66	43	267
All Families b/	271	514	2,430	3,215	80,907	6,077	1,319	866	3,892
Percent	0.3	0.6	2.7	3.6	89.7	6.7	1.5	1.0	4.3

TABLE C-31. (CONTINUED)

Family Type	Amount of Income Lost			Total Families Losing	Families With No Change	Total Families Gaining	Amount of Income Gained		
	$500 or More	$250-499	$25-249				$25-249	$250-499	$500 or More
				INCOME SUPPLEMENT PROGRAM					
Single Parent	120	87	208	415	6,484	21,290	13,483	4,407	3,400
Both Parents									
0 Children	25	23	35	83	2,729	17,963	12,156	4,811	996
1 Child	58	81	122	261	203	12,142	7,667	3,406	1,069
2 Children	58	47	96	201	127	9,516	3,805	4,455	1,256
3 Children or More	99	64	117	280	150	6,175	1,003	3,615	1,557
Mother Only									
0 Children	10	4	2	16	324	2,164	1,078	806	280
1 or 2 Children	47	278	516	841	1,154	3,636	1,719	1,231	686
3 Children or More	31	127	230	388	479	816	226	233	357
All Other (Primarily Father Only)									
1 Child or More	15	23	30	68	326	1,969	874	690	405
All Families	463	734	1,356	2,553	11,976	75,671	42,011	23,654	10,006
Percent	0.5	0.8	1.5	2.8	13.3	83.9	46.6	26.2	11.1

TABLE C-31. (CONTINUED)

Family Type	Amount of Income Lost: $500 or More	Amount of Income Lost: $250-499	Amount of Income Lost: $25-249	Total Families Losing	Families With No Change	Total Families Gaining	Amount of Income Gained: $25-249	Amount of Income Gained: $250-499	Amount of Income Gained: $500 or More
				INCOME SECURITY FOR AMERICANS					
Single Parent	236	603	5,239	6,078	4,795	17,316	10,922	5,176	1,218
Both Parents									
0 Children	579	1,037	5,219	6,835	1,992	11,948	7,984	1,716	2,248
1 Child	315	968	2,576	3,859	622	8,125	4,350	2,770	1,005
2 Children	470	868	1,917	3,255	443	6,147	2,505	2,585	1,057
3 Children or More	632	547	965	2,144	251	7,210	1,090	1,399	1,721
Mother Only									
0 Children	34	70	339	443	149	1,912	929	537	446
1 or 2 Children	95	433	1,216	1,744	273	3,614	1,425	1,076	1,113
3 Children or More	130	275	298	703	38	942	147	201	594
All Other (Primarily Father Only)									
1 Child or More	65	119	352	536	227	1,599	683	430	486
All Families	2,556	4,920	18,121	25,597	8,790	55,813	30,035	15,890	9,888
Percent	2.8	5.5	20.1	28.4	9.7	61.9	33.3	17.6	11.0

a/ Gain or loss in income is calculated as a family's current policy post-tax, post-transfer income (excluding medical benefits) less its post-tax, post-transfer income following the reform option.

b/ Components may not add to totals because of rounding.