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Divider Title: Economic Security and Poverty

Current Population Reports
Household Economic Studies

A Brief Look at Postwar U.S. Income Inequality

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CENSUS BUREAU

P60-191
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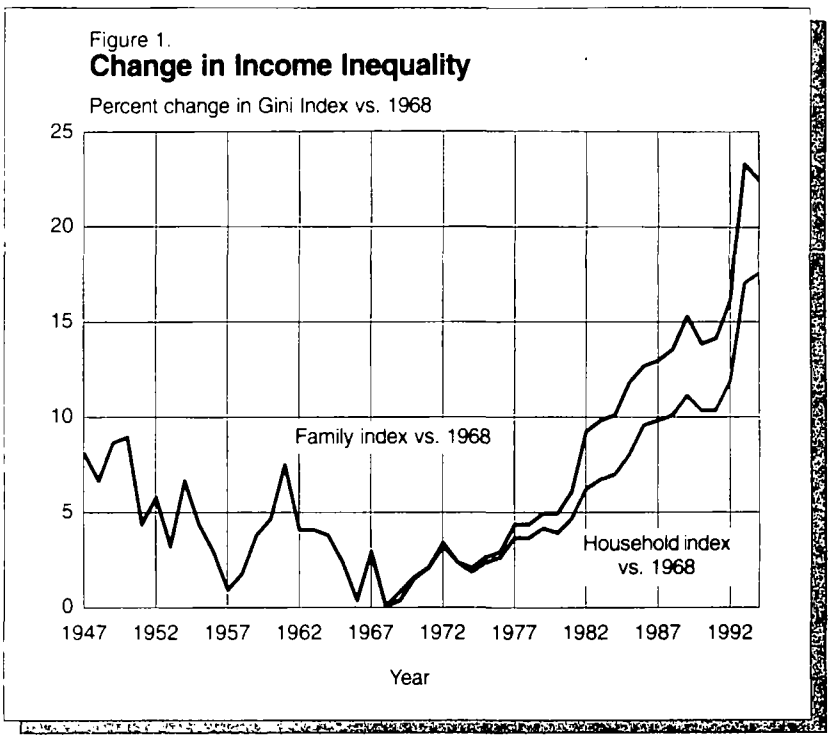
Are the rich getting richer and the poor getting poorer?

Historical Census Bureau statistics on income can shed some light on that debate. Although the Census Bureau has been measuring incomes for a half-century and a large number of factors have been identified as contributing to changes in inequality, the root causes are still not entirely understood.

The Census Bureau has been studying the distribution of income since the late 1940's. The first income inequality statistics were published for families and came from the annual demographic supplement to the Current Population Survey (CPS). The most commonly used measure of income inequality, the Gini index (also known as the index of income concentration),[1] indicated a *decline* in family income *inequality* of 7.4 percent from 1947 to 1968. Since 1968, there has been an *increase* in income inequality, reaching its 1947 level in 1982 and increasing further since then. The increase was 16.1 percent from 1968 to 1992 and 22.4 percent from 1968 to 1994 (see figure 1).[2]

Figure 1.
Change in Income Inequality



Living conditions of Americans have changed considerably since the late 1940's. In particular, a smaller fraction of all persons live in families (two or more persons living together related by blood or marriage). Therefore, starting in 1967, the Census Bureau began reporting on the income distribution of households in addition to families. By coincidence, 1968 was the year in which measured postwar income was at its most equal for families. The Gini index for households indicates that there has been growing income inequality over the past quarter-century. Inequality grew slowly in the 1970's and rapidly during the early 1980's. From about 1987 through 1992, the growth in measured inequality seemed to taper off, reaching 11.9 percent above its 1968 level. This was followed by a large apparent jump in 1993, partly due to a change in survey methodology.[3] The Gini index for households in 1994 was 17.5 percent above its 1968 level.

[1] The Gini index ranges from 0.0, when every family (household) has the same income, to 1.0, when one family (household) has all the income. It is, therefore, one way to measure how far a given income distribution is from equality.

[2] Part of the increase from 1992 to 1994 is due to changes in survey methodology, see footnote 3.

[3] Computer-assisted personal interviewing (CAPI) was introduced in January 1994 to the Current Population Survey. As part of the March 1994 supplement, households were permitted to report up to $1 million in earnings, up from $300,000, and parallel increases were made in the reporting limits for selected other income sources. Both of these changes affected the data. Analysis of the 1993 statistics suggests that the increase in the maximum amounts that could be reported accounts for about 1.8 percentage points or about one-third of the 1992 to 1993 increase of 5.2 percentage points. The contribution of the change to CAPI to the increase in measured inequality cannot be determined, but may bring the share of survey methods-related changes in inequality to over one-half of the 5.2 percentage points. See Paul Ryscavage, "A Surge in Growing Income Inequality?", Monthly Labor Review, August 1995.

Income inequality measures such as the Gini index or shares of aggregate income are particularly sensitive to changes in data collection measures. A change that may only affect a relatively small number of cases (especially those in the upper end of the income distribution) can affect these measures, while having virtually no effect on median income. We are unable to determine what fraction of the measured increase in income inequality between 1992 and 1993 was due to changes in survey administration between those 2 years, though our analysis suggests there was nonetheless a real increase in inequality between 1992 and 1993.[4]

Figure 2.
Shares of Household Income

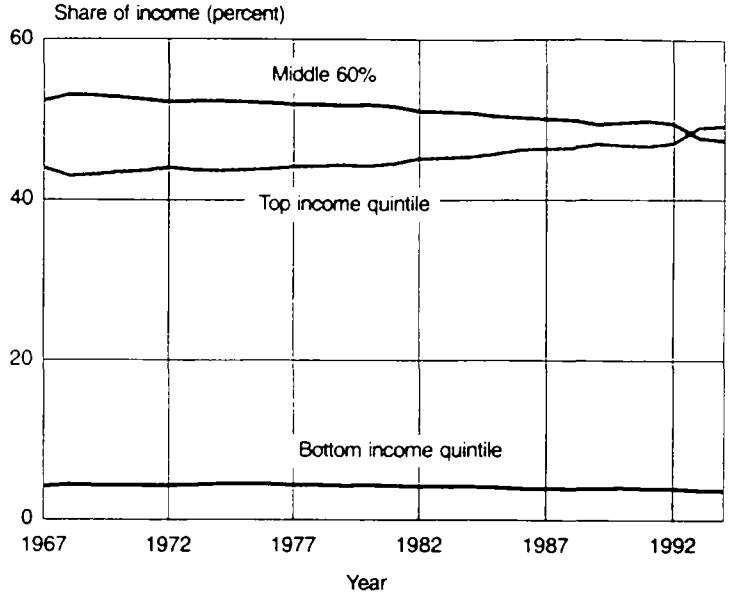


Figure 2 illustrates the increasing share of aggregate household money income received by the highest income quintile (households with incomes above $62,841 in 1994)[5], 49.1 percent in 1994 and 46.9 percent in 1992, up from 42.8 percent in 1968, and the declining share for households in the middle 60 percent and those in the bottom quintile (incomes below $13,426).[6] During that same period, the share received by households in the top 5 percent of the income distribution went from 16.6 percent in 1968 to 18.6 percent in 1992 and 21.2 percent in 1994.

Yet another way to look at the change in inequality involves the income at selected positions in the income distribution. As figure 3 shows, in 1994 dollars the household at the 95th percentile in 1994 had $109,821 in income, 8.2 times that of the household at the 20th percentile, whose income was $13,426 (the comparable 1992 ratio was 7.9).[7] In contrast, in 1968, the household at the 95th percentile had but 6.0 times the income of the household at the 20th percentile.

A parallel way to look at this change examines the average (mean) household income in each quintile (see figure 4). The average income of households in the top quintile grew from $73,754 in 1968 to $96,240 in 1992 and $105,945 in 1994. In percentage terms, this growth was 30 percent from 1968 to 1992 and 44 percent from 1968 to 1994. During the 1968 to 1994 period, the average income in the bottom quintile grew by only 8 percent, from $7,202 to $7,762 (7 percent from 1968 to 1992).[8] Consequently, the ratio of the average income of the top 20 percent of households to the average income of the bottom 20 percent went from 10.2 in 1968 to 12.5 in 1992 and 13.6 in 1994.

Yet one more way to look at the income distribution adjusts for family size changes over the period, by examining the change in the ratio of family income to its poverty threshold. Poverty thresholds vary by family size and composition, reflecting consumption efficiencies achieved through economies of scale (i.e., families of two or more persons can share certain goods

[4] See U.S. Bureau of the Census, Income, Poverty, and Valuation of Noncash Benefits: 1993, Current Population Reports P60-188, Washington DC: U.S. Government Printing Office, February 1995, and Ryscavage, op. cit. for a discussion of the 1993 statistics. The Gini index of inequality did not change significantly between 1993 and 1994.

[5] All dollar amounts are in 1994 dollars and all percentage increases are corrected for inflation, as measured by the experimental Consumer Price Index for Urban Consumers. (The experimental index uses the official methodology adopted in 1983 by the Bureau of Labor Statistics as applied to the 1968-1982 period; see U.S. Bureau of the Census, op. cit., appendix A.)

[6] The respective shares of the middle 60 percent and the bottom 20 percent were 53.0 and 4.2 percent in 1968, down to 49.3 and 3.8 percent in 1992 and 47.3 and 3.6 percent in 1994.

[7] Not significantly different from the 1994 ratio.

[8] Not significantly different from the 1968 to 1994 percentage change.

Figure 3.
Upper Limits of Percentiles

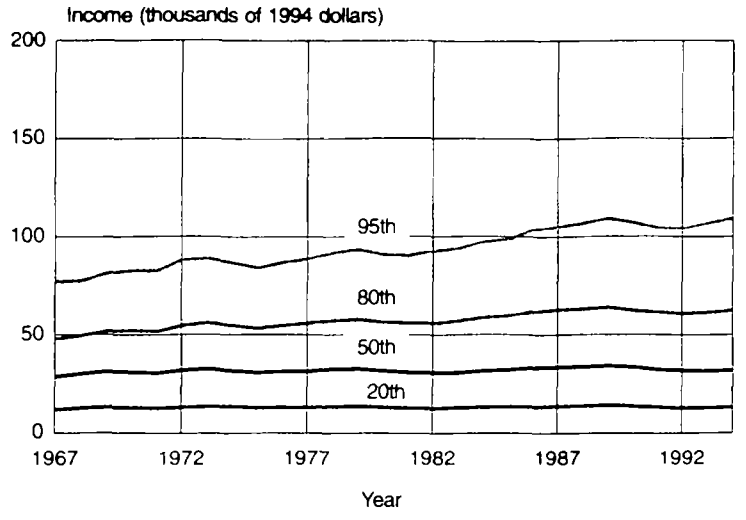
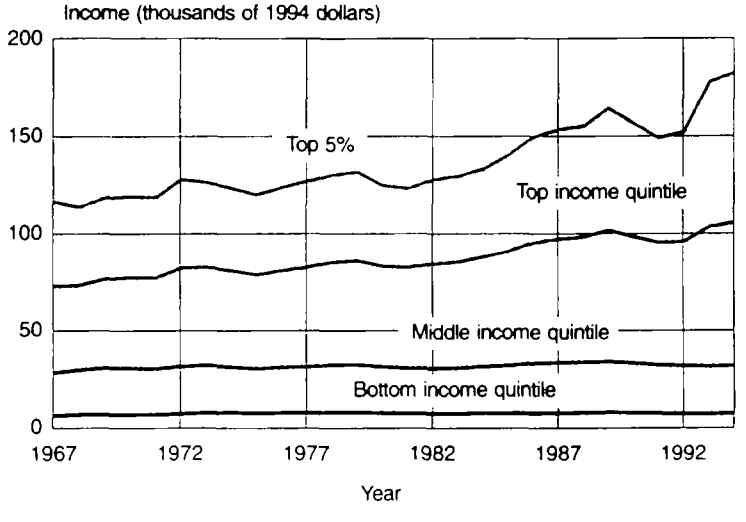


Figure 4.
Average Incomes



such as housing).[9] A ratio of 1.00 thus indicates that the family has an income equal to the poverty threshold for its size and composition. The average ratio in the bottom quintile in 1968 was 1.04, while the average in the top quintile was 6.13. By 1994, these ratios were 0.92 and 9.22, respectively (and 0.89 and 8.39 in 1992), also indicating a widening income gap (see figure 5). The ratio for the middle quintile also rose, from 2.80 in 1968 to 3.26 in both 1992 and 1994.

In sum, when money income is examined, each of these indicators shows increasing income inequality over the 1968 to 1994 period. But, are there other perspectives that change this story?

Since 1979, the Census Bureau has examined several experimental measures of income. These measures add the value of noncash benefits (such as food stamps and employer contributions to health insurance) to, and subtract taxes from, the official money income measure. The Bureau's research in this area[10] has shown that the distribution of income is more equal under a broadened definition of income that takes account of the effects of taxes and noncash benefits. Further, government transfer benefits play a much more equalizing role on income than do taxes. Nonetheless, while the levels of inequality are lower, this alternative perspective does not change the picture of increasing income inequality over the 1979 to 1994 period.[11]

Why are these changes in inequality happening?[12]

The long-run increase in income inequality is related to changes in the Nation's labor market and its household composition. The wage distribution has become considerably more unequal with more highly skilled, trained, and educated workers at the top experiencing real wage gains and those at the bottom real wage losses. One factor is the shift in employment from those goods-producing industries that have disproportionately provided

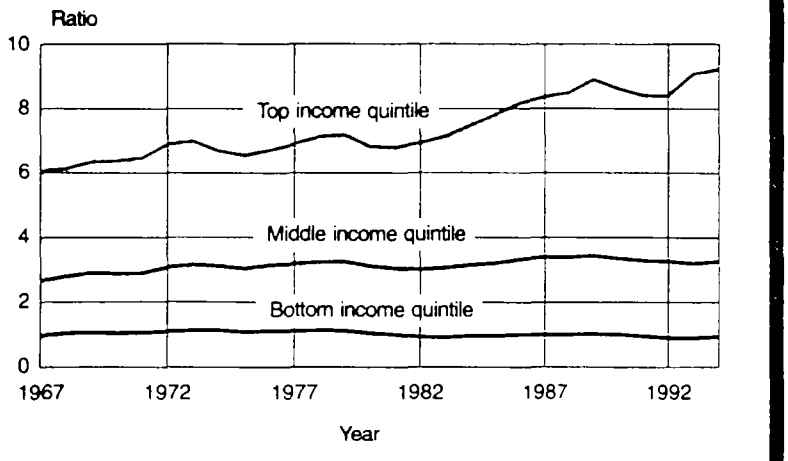
[9] Poverty is defined only for families and unrelated individuals, not for households.

[10] See U.S. Bureau of the Census, op. cit., and U.S. Bureau of the Census, Income, Poverty, and the Valuation of Noncash Benefits: 1994, Current Population Reports P60-189, April 1996.

[11] For example, there was no significant difference between the percentage changes in the Gini index measured using the official income definition and a comprehensive measure including all income sources except imputed rent to owner-occupied dwellings.

[12] This section is based on Paul Ryscavage and Peter Henle, "Earnings Inequality Accelerates in the 1980's," Monthly Labor Review, December 1990; Sheldon Danziger and Peter Gottschalk (eds.) Uneven Tides: Rising Inequality in America, New York: Russell Sage Foundation, 1993; Lynn A. Karoly and Gary Burtless, "Demographic Change, Rising Earnings Inequality, and the Distribution of Personal Well-Being, 1959-89," Demography, v. 32, no. 3 (August 1995), 379-405; U.S. Council of Economic Advisors, Economic Report of the President, Washington, DC: U.S. Government Printing Office, February 1992, Chapter 4; and U.S. Council of Economic Advisors, Economic Report of the President, Washington, DC: U.S. Government Printing Office, February 1995, Chapter 5.

Figure 5.
Ratio of Income to Poverty



high-wage opportunities for low-skilled workers, towards services that disproportionately employ college graduates, and towards low-wage sectors such as retail trade. But within-industry shifts in labor demand away from less-educated workers are perhaps a more important explanation of eroding wages than the shift out of manufacturing. Also cited as factors putting downward pressure on the wages of less-educated workers are intensifying global competition and immigration, the decline of the proportion of workers belonging to unions, the decline in the real value of the minimum wage, the increasing need for computer skills, and the increasing use of temporary workers.

At the same time, long-run changes in living arrangements have taken place that tend to exacerbate differences in household incomes. For example, divorces and separations, births out of wedlock, and the increasing age at first marriage have led to a shift away from married-couple households and toward single-parent and nonfamily households, which typically have lower incomes. Also, the increasing tendency over the period for men with higher-than-average earnings to marry women with higher-than-average earnings has contributed to widening the gap between high-income and low-income households.

Accuracy of the Estimates

All statistics in the report are from the Current Population Survey and are subject to sampling variability, as well as survey design flaws, respondent classification errors, and data processing mistakes. The Census Bureau has taken steps to minimize errors, and analytical statements have been tested and meet statistical standards. However, because of methodological differences, use caution when comparing these data with data from other sources.

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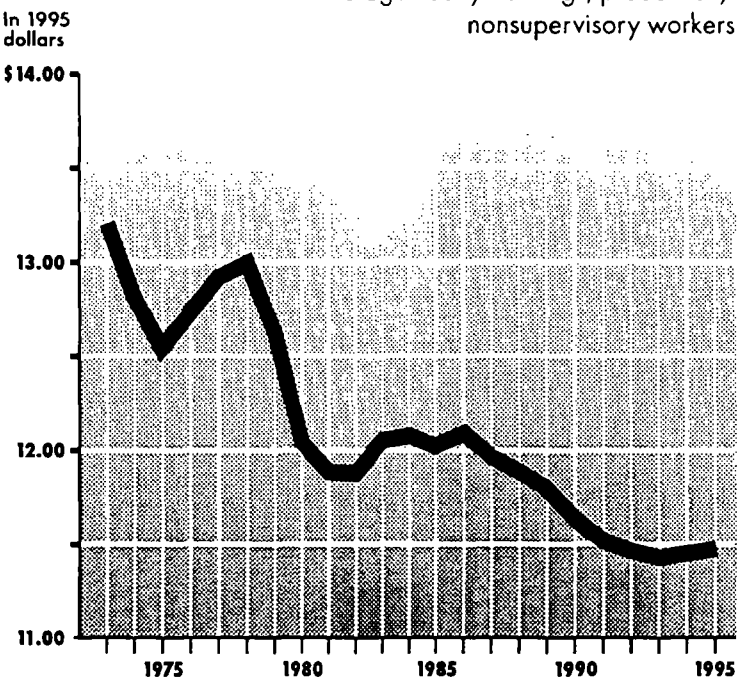
Historical tabulations on income and poverty can be found on the Census Bureau's Internet site, at http://www.census.gov.

Most working Americans are falling behind.

- **Between 1978 and 1995,** the buying power of workers' hourly earnings fell 12 percent.
- **For nearly 30 years,** between 1950 and 1978, family income grew across all income categories. But from 1979 to 1994, the bottom 60 percent of all families saw their inflation-adjusted income decline, while the top 40 percent gained.
- **More than 6 percent** of all American workers (8 million) hold two or more jobs.
- **Combining** several incomes in a family still doesn't maintain living standards. Median family income fell 5 percent between 1989 and 1994.

Hourly earnings are declining

Average hourly earnings, production/ nonsupervisory workers



Source: Bureau of Labor Statistics

- **The rate of home ownership** among households headed by those between the ages of 30 and 34 fell from 57 percent in 1982 to 51 percent in 1994.
- **More Americans** are working long hours to make ends meet. Economist Juliet Schor found that one-fourth of all full-time workers spent 49 or more hours a week on the job in 1990. Of these, almost half were working 60 hours or more.

Incomes are falling and work hours are rising.

AMERICA NEEDS A RAISE

AFL-CIO

Hispanic Poverty: An Overview

Poverty among Hispanics in the U.S. is persistent and severe. More than one in four Hispanics (29.3%) -- and two in five Hispanic children (40.4%) -- are poor. Latino poverty research and data reveal that the disadvantaged socioeconomic situation facing Hispanics can be explained largely by the poverty of four groups:

- **The Working Poor.** A significant proportion of poor Hispanic families include workers. In 1992, 20.9% of all Hispanic families below poverty had a householder who worked year-round, full-time, compared to 11.3% of Black and 17.3% of White families in poverty. Among Hispanics, Mexican Americans are especially likely to be among the working poor. In 1989, the most recent year for which data were available, 18.9% of poor Mexican American families included a householder who worked year-round, full-time; this compares to 15.5% of all poor Hispanic families in the same year.

- **Female-Headed Households.** Hispanic female-headed families have the highest poverty rate of all family types. While about one in five Hispanic married-couple families was below the poverty level in 1991, one in two Hispanic female-headed households was poor (19.1% vs. 49.7%).

- **Puerto Ricans.** For several reasons including low educational attainment, displacement from the manufacturing sector, and high unemployment, families of Puerto Rican origin are the most likely to be poor. More than one in three (35.6%) Puerto Rican families were living below the poverty line in 1991, compared to just over one in four (27.4%) Mexican American, under one in four Central and South American (23.9%), about one in five Other Hispanic (19.8%), and about one in seven (13.9%) Cuban families.

- **Children.** While persons under age 18 represent more than one-third of the Hispanic population, about one-half of all Hispanic persons in poverty were under 18 years old (48.8%) in 1991. Although Puerto Rican children have the highest poverty rate among Hispanic subgroups (52.2%), the child poverty rate of other groups is growing. For example, the poverty rate for Cuban children increased from 23.8% in 1989 to 32.4% in 1991.

Female-Headed Households

With respect to poverty among Latino female-headed households, four issues need to be examined:

For more information: **National Council of La Raza:** 1111 19th Street, N.W., Suite 1000, Washington, D.C. 20036.

- **Households headed by women have slowly increased.** In 1982, just over one in five Hispanic families (22.7%) were headed by a female with no husband present, compared with just under one in six non-Hispanic families (15.0%); in 1992, one in four Hispanic families (24.4%) were headed by women, compared to one in six non-Hispanic families (16.8%).

- **Differences among Hispanic subgroups.** Among Hispanic subgroups, Puerto Ricans have the highest proportion of single female-headed households. Two in five Puerto Rican families (40.9%) are headed by females with no husband present, compared to just over one in five Mexican and Cuban families (21.3% and 21.8%, respectively), and just under one in four Central and South American families (24.5%).

- **Poverty is especially likely for Hispanic single-mother families.** Single-mother families tend to be poorer than two-parent families. About half of all Hispanic female-headed households (48.8%) were poor in 1992, while just under one in five Hispanic married-couple families (18.5%) were poor. About three in ten White (28.1%) and half of all Black female-headed households (49.8%) were poor that year.

- **Children are greatly affected by poverty among Hispanic single-mother families.** Latino poverty rates for Hispanic female-headed households with children are disturbingly high. In 1992, over half of Hispanic female-headed households with children (57.4%) were poor, while just over one in five Hispanic married-couple families with children (22.5%) were poor. Virtually the same percentage of Black female-headed households with children (57.2%) were poor in 1992, compared to two in five White female-headed households with children (39.1%).

Factors Associated with Poverty of Single-Mother Families

A number of key factors are associated with the high rates of poverty among Latina single-mother households including:

- Low educational attainment levels;
- Concentration in low-wage, low-benefit, and/or part-time work;
- Lack of child care;
- Insufficient child support;
- AFDC restrictions, including loss of benefits if employed; and
- Employment discrimination.

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TRENDS IN THE LOW-WAGE LABOR MARKET AND WELFARE REFORM: THE CONSTRAINTS ON MAKING WORK PAY

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February 22, 1994

One of the central goals of welfare reform is to move welfare recipients off the welfare rolls and into the labor market. Yet that segment of the labor market that is most accessible to former welfare recipients is presently characterized by low and falling wages and high and rising unemployment. The success of welfare reform--in particular, the viability of time limits--is in part predicated on the ability of labor markets to generate higher levels of employment at better wages, yet the trends we portray show this goal to be unrealistic in the current economic climate. The following tables and charts present the data that confirm this characterization.

Using data from the Current Population Survey (prepared by the Census Bureau for the Bureau of Labor Statistics), we track the wage and employment trends for young persons (age 16-35) with at most a high school education. We highlight the experience of women in these categories, since they are the most relevant group in the welfare reform debate.

Wage and Employment Trends of Young Women, High School Education or Less

- Hourly wages declined steeply for all women between 1979 and 1989 (Table 1 and Figures 1-4). The most severe wage loss was for African-American women with less than a high school education, who saw their hourly wages fall by over 20 percent.

- Most women have continued to lose ground since 1989. Of particular concern is the fact that, except for high school graduates age 26-35, each group experienced wage loss over the last year, 1992-93. Again, these declines have been most severe for African-American females.

- Wage trends have generally been more negative for those women with less than 12 years of education. These women also have the lowest wage levels.

- Those with the steepest wage declines have also had the highest levels of unemployment (Table 2). African-American women age 26-35, for example, saw their unemployment rates rise over the full period. Drop-outs added over 8 points to their unemployment rates, so that by the end of the period over a quarter of this group was unemployed. High school graduates added 1.5 points, and also had high unemployment in 1993 (13.8 percent). This is the very same group of women that experienced the steepest wage declines in the sample. Younger members of the female workforce had even higher levels of unemployment in 1993, ranging from 9.4 percent for white high-school graduates to 41.8 percent for African-American drop-outs.

These trends portray a group of workers whose labor market status has deteriorated, despite the long period of economic growth over the 1980s and the recovery from the recent recession. Furthermore, there is clear evidence that the supply of workers in these categories already exceeds the demand for their services. In fact, these negative wage and employment trends have led to a decline in labor force participation among some of the groups described above. It is therefore almost a certainty that, absent significant policy shifts (e.g., raising the minimum wage, further increasing the Earned Income Tax Credit), the pursuit of a time limit strategy that forces more young women with at most a high school degree into the labor market will exacerbate these negative trends.

Wage and Employment Trends of Young Men, High School Education or Less

The wage and employment trends for young males are similar, but generally more negative than those for women. While male wages start from higher levels, their wage declines are steeper in every case than those for females (Table 3). Unemployment has also risen more quickly for men than for women, and was particularly high in 1993 (Table 4). The relevance of these trends in the context of the welfare reform debate is twofold. First, and most important, since men dominate the labor market, their trends provide vital information on the quality of overall employment. Second, to the extent that family formation presents a path off of welfare, negative trends for males make this form of exit less likely.

- In every case, male hourly wages fell by more than one-fifth during the 1979-1993 period. The most current trends, however, are the most dramatic. For many groups, wages fell faster between 1989 and 1993 than over the 1979-1989 period. For example, the wages of African-American drop-outs fell 14.4 percent during the ten years between 1979 and 1989, and fell another 14.3 percent in the four year period 1989-1993. Older white high school graduates (age 26-35) lost ground at an annual rate of 1.6 percent over the 1980s; that rate accelerated to 1.9 percent between 1989 and 1993.

- Increases in male unemployment are greater than those for females in almost every comparable category. Also, by 1993, male unemployment levels are about as high as those for females. Only white high school graduates age 26-35 have unemployment rates that are close to those for the full labor market in 1993.

Summary

For the "make work pay" component of welfare reform to be successful, the portion of the labor market accessible to young, non-college educated persons needs to be generating jobs that pay wages that at least keep pace with inflation. In fact, the above data portray a labor market characterized by weak demand and over-supply. Unless economic policies to ameliorate these trends are pursued, forcing welfare recipients into the labor market in this climate will further lower wages and increase unemployment.

TABLE 1
Female Average Hourly Wages, by Age Group:
Drop-Outs and High School Graduates, 1979-1993
(1993 Dollars)

					Percent Change		
	1979	1983	1989	1993	1979-89	1989-93	1979-93
Females, 16-25							
Whites							
Drop-Out	$5.82	$5.10	$4.89	$4.86	-16.0%	-0.6%	-16.5%
HS Graduate	7.59	7.00	6.68	6.37	-12.0	-4.6	-16.1
African-Americans							
Drop-Out	$6.12	$5.33	$4.77	$5.03	-22.1%	5.5%	-17.8%
HS Graduate	7.38	6.58	6.28	6.08	-14.9	-3.2	-17.6
Latinos							
Drop-Out	$6.40	$5.63	$5.37	$5.31	-16.1%	-1.1%	-17.0%
HS Graduate	7.39	7.12	6.66	6.51	-9.9	-2.3	-11.9
Females, 26-35							
Whites							
Drop-Out	$7.64	$7.39	$6.81	$6.74	-10.9%	-1.0%	-11.8%
HS Graduate	9.12	8.97	8.82	8.67	-3.3	-1.7	-4.9
African-Americans							
Drop-Out	$7.85	$7.01	$6.05	$6.40	-22.9%	5.8%	-18.5%
HS Graduate	9.25	8.65	7.91	7.58	-14.5	-4.2	-18.1
Latinos							
Drop-Out	$7.13	$6.51	$6.14	$6.11	-13.9%	-0.5%	-14.3%
HS Graduate	8.93	9.02	8.46	8.31	-5.3	-1.8	-6.9

TABLE 2
Female Unemployment Rates, by Age Group:
Drop-Outs and High School Graduates, 1979-1993

					Percentage Point Change		
	1979	1983	1989	1993	1979-89	1989-93	1979-93
Females, 16-25							
Whites							
Drop-Out	17.4%	23.2%	15.1%	17.7%	-2.3	2.6	0.3
HS Graduate	8.2	12.0	7.3	9.4	-0.9	2.1	1.2
African-Americans							
Drop-Out	42.9%	51.9%	38.5%	41.8%	-4.4	3.3	-1.1
HS Graduate	24.8	37.2	24.4	23.4	-0.4	-1.0	-1.4
Latinos							
Drop-Out	20.3%	30.8%	26.4%	26.4%	6.1	0.0	6.1
HS Graduate	12.4	15.5	N/A	20.0	N/A	N/A	0.0
Females, 26-35							
Whites							
Drop-Out	12.2%	18.4%	11.3%	11.9%	-0.9	0.6	-0.3
HS Graduate	5.3	8.7	4.8	6.1	-0.5	1.3	0.8
African-Americans							
Drop-Out	18.7%	34.6%	21.6%	27.0%	2.9	5.4	8.3
HS Graduate	12.3	19.3	12.5	13.8	0.2	1.3	1.5
Latinos							
Drop-Out	12.2%	19.1%	N/A	15.9%	N/A	N/A	3.7
HS Graduate	N/A	9.8	N/A	9.3	N/A	N/A	N/A

N/A: Not available due to small sample size.

TABLE 3
Male Average Hourly Wages, by Age Group:
Drop-Outs and High School Graduates, 1979-1993
(1993 Dollars)

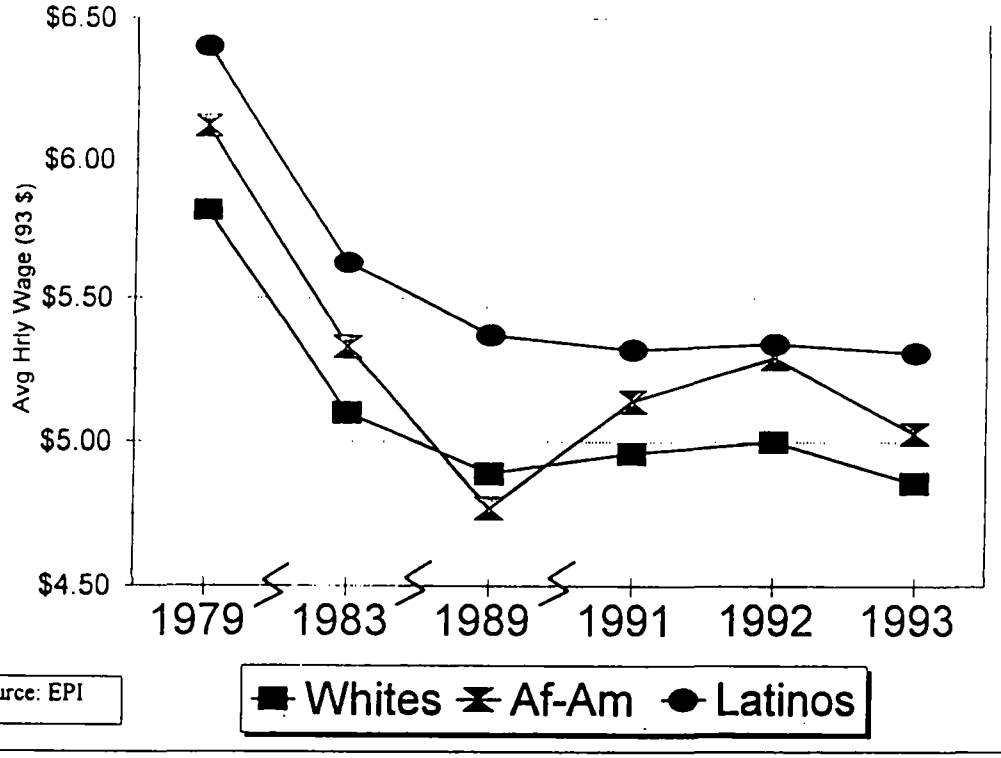
					Percent Change		
	1979	1983	1989	1993	1979-89	1989-93	1979-93
Males, 16-25							
Whites							
Drop-Out	$7.53	$6.45	$6.00	$5.70	-20.3%	-5.0%	-24.3%
HS Graduate	10.24	8.67	8.23	7.48	-19.6	-9.1	-27.0
African-Americans							
Drop-Out	$7.10	$5.88	$6.08	$5.21	-14.4%	-14.3%	-26.6%
HS Graduate	9.15	7.69	7.16	6.68	-21.7	-6.7	-27.0
Latinos							
Drop-Out	$7.67	$6.74	$6.77	$5.86	-11.7%	-13.4%	-23.6%
HS Graduate	9.66	8.13	7.86	7.56	-18.6	-3.8	-21.7
Males, 26-35							
Whites							
Drop-Out	$12.19	$10.49	$10.24	$8.99	-16.0%	-12.2%	-26.3%
HS Graduate	14.08	12.91	11.99	11.12	-14.8	-7.3	-21.0
African-Americans							
Drop-Out	$9.98	$8.61	$7.89	$7.62	-20.9%	-3.4%	-23.6%
HS Graduate	12.04	10.95	9.62	8.60	-20.1	-10.6	-28.6
Latinos							
Drop-Out	$9.99	$9.16	$8.23	$7.44	-17.6%	-9.6%	-25.5%
HS Graduate	12.60	11.32	10.65	9.59	-15.5	-10.0	-23.9

TABLE 4
Male Unemployment Rates, by Age Group:
Drop-Outs and High School Graduates, 1979-1993

					Percentage Point Change		
	1979	1983	1989	1993	1979-89	1989-93	1979-93
Males, 16-25							
Whites							
Drop-Out	15.3%	23.1%	15.2%	18.3%	-0.1	3.1	3.0
HS Graduate	7.8	14.6	7.1	10.8	-0.7	3.7	3.0
African-Americans							
Drop-Out	30.4%	52.0%	34.9%	42.1%	4.5	7.2	11.7
HS Graduate	20.2	51.9	17.8	21.3	-2.4	3.5	1.1
Latinos							
Drop-Out	15.6%	25.5%	13.4%	22.1%	-2.2	8.7	6.5
HS Graduate	N/A	11.5	N/A	15.6	N/A	N/A	N/A
Males, 26-35							
Whites							
Drop-Out	7.6%	18.1%	8.9%	12.6%	1.3	3.7	5.0
HS Graduate	3.8	11.1	4.1	6.8	0.3	2.7	3.0
African-Americans							
Drop-Out	12.8%	21.4%	14.1%	23.5%	1.3	9.4	10.7
HS Graduate	8.6	20.1	11.6	12.4	3.0	0.8	3.8
Latinos							
Drop-Out	N/A	15.3%	6.4%	11.5%	N/A	5.1	N/A
HS Graduate	N/A	11.5	N/A	10.5	N/A	N/A	N/A

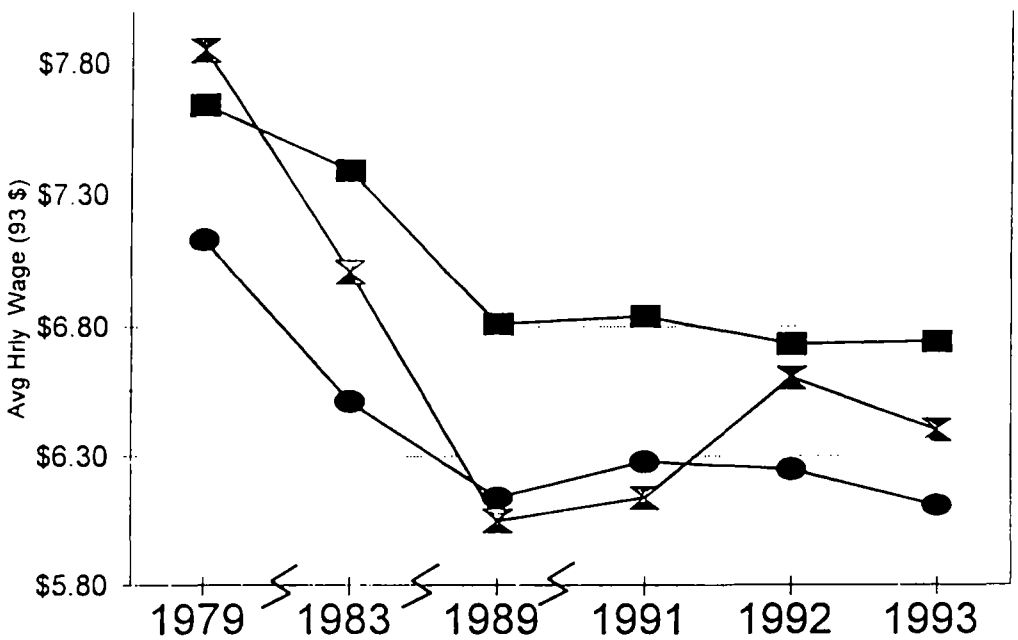
N/A: Not available due to small sample size.

Figure 1: Avg Wage Trends, 1979-93
Female Drop-Outs, Age 16-25



Source: EPI

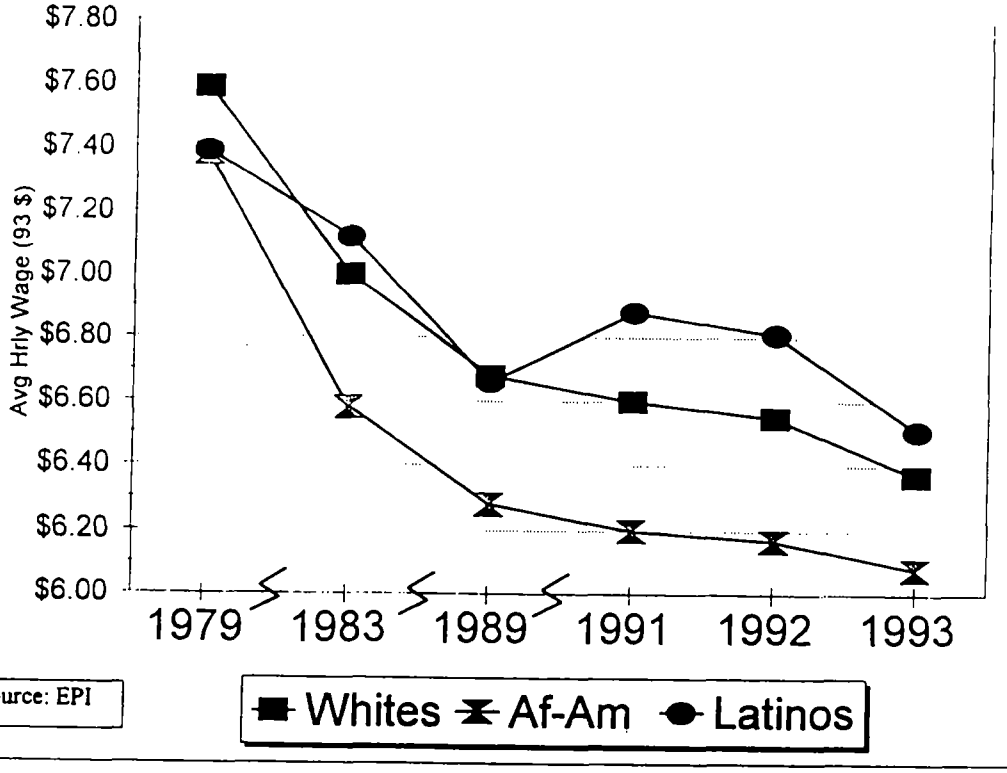
Figure 2: Avg Wage Trends, 1979-93
Female Drop-Outs, Age 26-35



Source: EPI

Figure 3: Avg Wage Trends, 1979-93

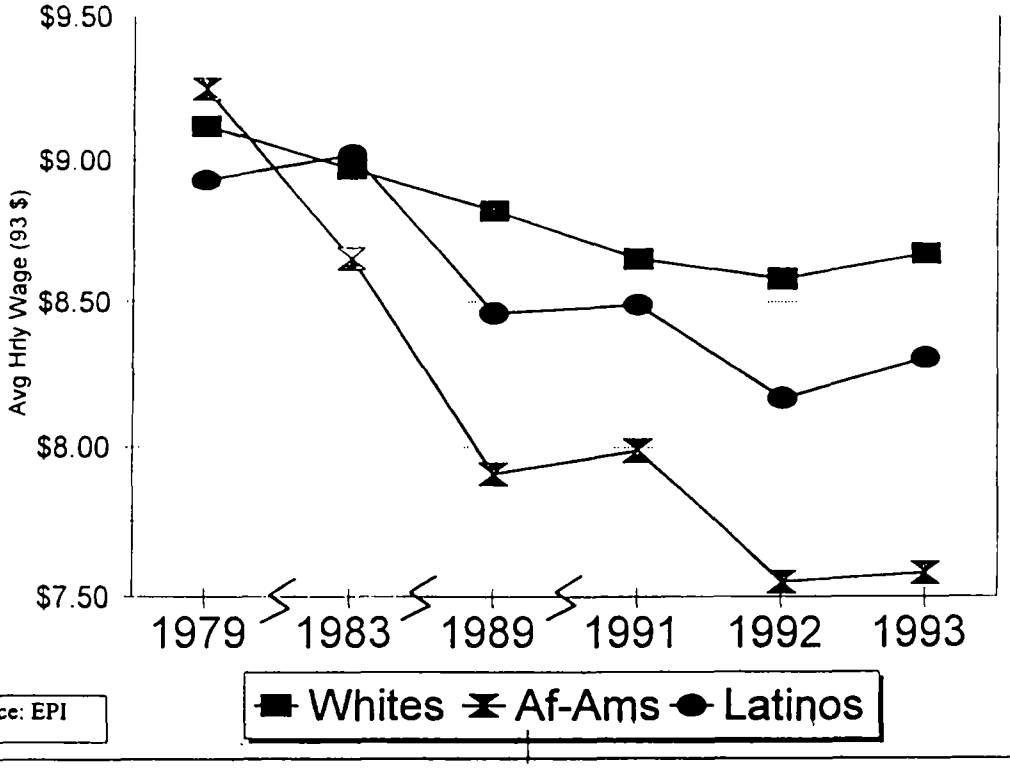
Female High Sch Educ, Age 16-25



Source: EPI

Figure 4: Avg Wage Trends, 1979-93

Female High School Educ, Age 26-35



Source: EPI

Excerpts

Public Assistance Programs

The following is a summary of major public assistance programs. The interrelationships among public assistance programs are somewhat complex; eligibility for AFDC does not entitle a recipient to food stamps or housing assistance, for example. It is important, however, to understand what each program provides and who is likely to participate.

Aid to Families with Dependent Children (AFDC)

Overview

- Provides cash payments primarily to single parent families or two-parent families in which one parent is either incapacitated or unemployed (AFDC - Unemployed Parent).

- Recipients of AFDC automatically receive Medicaid and are required to participate in a child support enforcement program. They are *not* automatically eligible for food stamps, though most do receive them. Housing assistance is not related to receipt of AFDC; in fact, most AFDC recipients do not receive housing assistance.

Eligibility and Benefits

- Eligibility requirements and benefit levels are set at the state level.

- Amount of AFDC benefits received in all 50 states is below the Census Bureau's poverty threshold, varying from 13% of the threshold in Mississippi to 79% in Alaska. The median benefit is 39% of the poverty level.

- Federal funds pay from 50% to 80% of the AFDC benefit costs in a state and 50% of administrative costs.

- The share of all federal spending devoted to AFDC family support was 1.1% in 1992.

- In 1991, 38% of AFDC recipients were White, 39% were Black, and 17.4% were Hispanic. This is representative of the actual proportion of Black, White, and Hispanic female-headed households living below the poverty level. However, while there are numerically more Whites in poverty, a larger part of the Black and Hispanic female-headed household population is poor. In 1991, 60.1% of Hispanic, 60.5% of Black, and 39.6% of White female-headed households with children under 18 were poor.

- According to the Children's Defense Fund, two-thirds of AFDC recipients in 1992 were children.

- In 1992, 67.6% of poor Hispanics in families with a female householder were receiving "means-tested cash assistance" (welfare). This compares to 61.0% of poor Whites and 70.0% of poor Blacks in families with a female householder.

Job Opportunities and Basic Skills (JOBS)

Overview

- The Family Support Act of 1988 created a program for welfare recipients, the Job Opportunities and Basic Skills (JOBS), to help families on AFDC become self-sufficient.

- The program is administered at the state level, and non-exempt AFDC recipients are required to participate. Those with children under three, or who are ill or incapacitated, are exempted.

- The state must make an initial assessment of the education, child care, and other supportive service needs as well as the skills, prior work experience, and employability of each JOBS participant. On the basis of this assessment, the state must develop an employability plan for the participant.

Effectiveness

- Findings from the Manpower Demonstration Research Corporation (MDRC) evaluation of the Greater Avenues for Independence (GAIN) program, a JOBS program in California, show some success. Persons who participated in JOBS earned more income and received less in welfare payments than did a control group of nonparticipants. There was, however, a high noncompletion rate, and participation in activities other than basic education and job search was limited.

- JOBS activities and the level of support services offered vary widely from state to state. Federal reporting is limited and little data have been aggregated. Further evaluations of the JOBS program are underway; however, it will be some time before significant conclusions can be reached about the overall program and the efforts of the many states in implementation.

Child Support Enforcement Program

Overview

- Enacted in 1975, this program encourages states to enforce the support obligations of noncustodial parents to their children and the custodial parent. The program authorizes the use of federal funds to match state expenditures.

- Provides funds for locating absent parents, establishing paternity, and obtaining child and spousal support.

- Requires the provision of child support enforcement services for both welfare and non-welfare families.

Effectiveness

- Little information is available to make assessments about the impact of the recent expansions of federal child care assistance. Only limited data are available on the total number of families served, the degree of choice they have in selecting care, and whether choice is inhibited by payment rates or other factors.

- Most of the available data are qualitative, rather than quantitative; for example, two recent studies found that child care was a particularly crucial issue in the lives of poor Puerto Rican and Mexican American women. Both groups of women had strong opinions about who takes care of their children while they work or participate in training; Puerto Rican mothers, in particular, were not satisfied with the child care options they had (NCLR, 1990, 1991; NPRC, 1991, 1992).

Child Care and Development Block Grant and At-Risk Child Care Program

Overview

- In 1990, federal support for child care was expanded through the establishment of two new state child care grant programs, the Child Care and Development Block Grant and the At-Risk Child Care Program. In addition to these programs, numerous other federal programs, such as the Job Training Partnership Act, provide assistance for child care services while mothers participate in training. The largest federal source of child care assistance is still provided indirectly through the tax code, in the form of a nonrefundable tax credit for taxpayers who work or are seeking work.

Effectiveness

- The Office of Child Support Enforcement provides figures which show an increase of 165% in the child support collection rate between 1978 and 1989. However, Census data show an increase of only 26% during that same time period, which suggests that the effectiveness of the program is unclear.

- Of all single mothers with children under 21 years of age present in their household, 57.7% were awarded child support payments in the spring of 1990.

- Although the courts authorized child support by "awarding" child support payments, many women awarded child support payments do not receive the full amount they are due. In 1989, about half (51%) of the 5.0 million women owed child support received the full amount, about one-quarter (24%) received less than they were owed, and the remaining quarter (25%) received no payment at all.

- Hispanic and Black women were less likely to be awarded support payments than White women. Child support payments were awarded to 67.5% of White women, 34.5% of Black women, and 40.6% of Hispanic women. Even fewer actually received their payment – 30.3% of Black women, 30.2% of Hispanic women, and 23.5% of White women received no payment in 1989.

Food Stamps

Overview

- Derived from the U.S. Department of Agriculture's lowest cost food plan (the Thrifty Food Plan), food stamps are designed to increase the food purchasing power of eligible low-income households to a point where they can buy a nutritionally adequate low-cost diet.

- Benefits are available to nearly all households that meet federal eligibility tests for limited monthly income and liquid assets, as long as certain household members fulfill work registrations and employment and training program requirements.

Effectiveness

- U.S. Census data reveal that many individuals below the poverty line do not receive food stamps. One-half (51.3%) of all poor Hispanics were receiving food stamps in 1992, compared to two-thirds (66.6%) of poor Blacks and more than two-fifths (45.1%) of poor Whites.

Housing Assistance

Overview

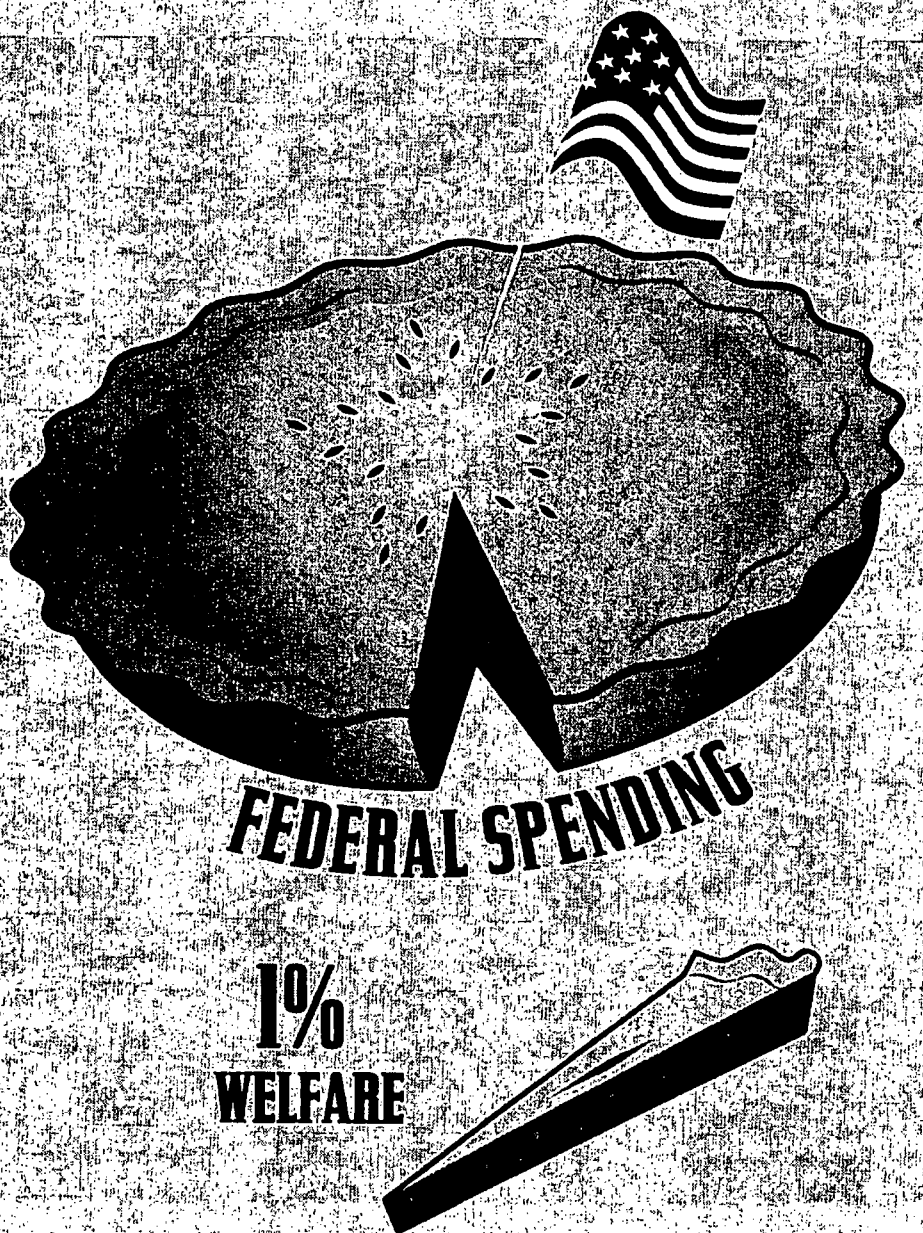
- Housing assistance is available from a number of different programs, with benefits ranging from public housing to assistance in buying a home. Individuals receiving welfare are *not* automatically eligible for these programs and, based on the data below, are not likely to receive housing assistance. Hispanics are particularly likely to be underserved by housing assistance programs.

Effectiveness

- The majority of AFDC families were renting private housing in 1990 (63.8%). One in ten (9.5%) AFDC families were in public housing, and just over one in ten (11.5%) received a Housing and Urban Development rent subsidy.

- Hispanics represented only 12% of the public housing population, compared to 44% for Whites and 53% for Blacks. In the Section 8 Certificate and Voucher programs, which provide rental assistance, Hispanics again represented 12% of the participating population, while the comparable rate for Whites was 66% and for Blacks 40%. In privately-owned housing projects, 9% of the participating populations in these programs were Hispanic; 66% were White, and 30% were Black.

Is Welfare Busting the Budget?



The major welfare program, Aid to Families with Dependent Children, represents just 1% of total federal spending.

For more information, contact:

American Federation of State, County and Municipal Employees, AFL-CIO
1625 L Street, N.W.
Washington, D.C. 20036

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making welfare work

an outline for constructive welfare reform

The welfare system is broken. Poor people who have to rely on Aid to Families with Dependent Children (AFDC), the program that provides cash assistance to families, know this better than anyone else. The current system does not reward initiative or hard work, and it discourages the formation and stability of two-parent families.

Americans want to help the poor, but they want public assistance to be provided in a way that helps parents support their own families. In a 1994 *Los Angeles Times* poll, almost three-quarters of Americans said the main goal of welfare reform should be "to get people into the work force," not simply to cut costs, and an equally large majority said they would favor a comprehensive welfare reform that included job training and child care, even if it cost $50 billion over ten years. Americans aren't against helping the poor, they just want a welfare system that works.

Unfortunately, the reforms pending in Congress will not deliver such a system. Current proposals include a lifetime limit on welfare use, mandatory workfare, and cuts in training and child-care assistance. A strict time limit on cash assistance, especially in areas of high unemployment, is likely to cause more homelessness since 75 percent of AFDC recipients use their AFDC grant to pay rent; it could also send more children into foster care. And simply mandating that all welfare recipients work will not make hiring women on welfare more attractive to private employers, nor will it create more jobs for them. Without better educational credentials and child care, most welfare recipients will be unable to compete for and hold onto even low-wage jobs.

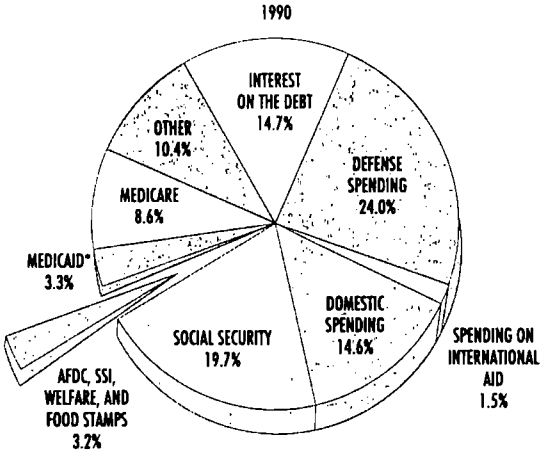
To win the approval of American citizens, public assistance must be pro-work and pro-family. Our goal should be to prepare poor parents for the labor force, help them find jobs, and ensure that their children are adequately cared for. And instead of pushing fathers away from families, our policies should encourage them to participate responsibly in their children's lives.

The current welfare system was created for another era—when jobs lasted a lifetime and marriage was for keeps. Today, we live in a world where jobs are tenuous, real wages are falling, and there are more low-skilled workers than employers need. Marriages fail, women work, and many American children grow up knowing only one parent.

the changing environment

A new welfare system must help poor parents cope with the changing economic and social environment. The job prospects for people with a high school education or less have declined dramatically in

How the federal budget is divided
1990



* Two-thirds of Medicaid funding pays for nursing home care for elderly poor people.

The full report

This summary highlights the key points of a more detailed proposal, entitled *Making Welfare Work: The Principles for Constructive Welfare Reform*, by Katherine McFate. Single copies of the full proposal may be obtained free-of-charge by writing to:

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Joint Center for Political and Economic Studies
1090 Vermont Ave., NW
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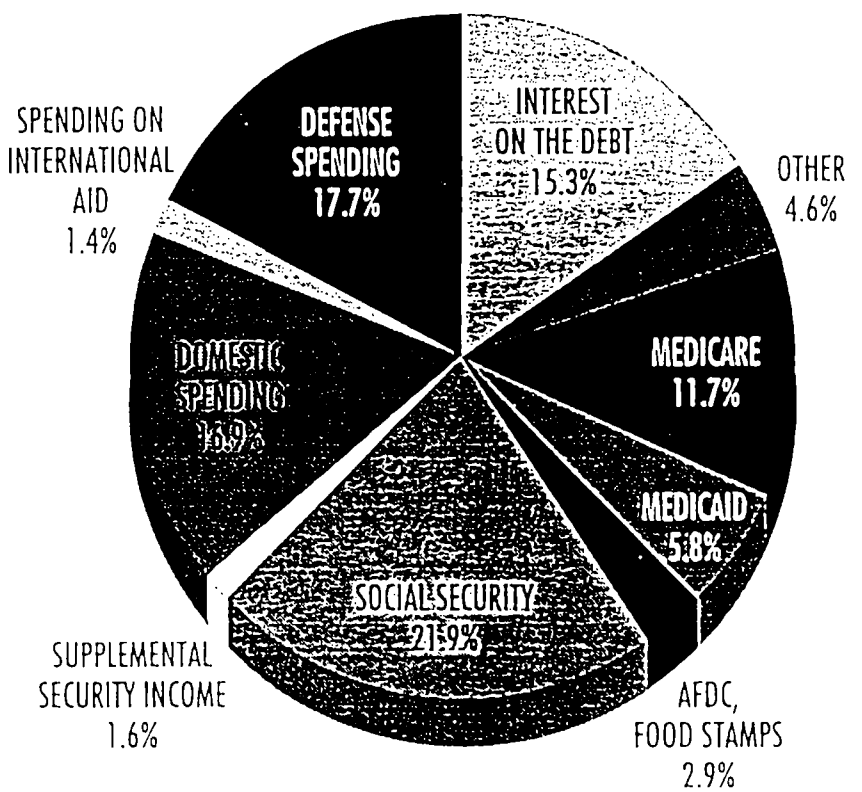
How the 1995 federal budget is divided.

Total Spending: $1,518 billion



Source: Congressional Budget Office, *The Economic and Budget Outlook: An Update*. August 22, 1995

Figure 5
The costs of work vs. the benefits of welfare

Sample monthly budget for a working mother with 2 children, ages 4 and 7, living in Prince William Co., Virginia

Shelter (shared living arrangement)	$500
Child care	
4-year-old, all day	$380
7-year-old, before and after school	$260
Food (USDA low-cost plan)	$250
Transportation	$200
Miscellaneous (clothes, toiletries, etc.)	$200
No health care coverage for family	
TOTAL	$1,790
Hourly wage needed to achieve budget	$11.20

Welfare benefits for a family of three in Virginia

AFDC (rent*, toiletries, clothing, phone)	$354
Food Stamps	
(76 cents per person per meal)	$290
Medicaid for entire family	
TOTAL	$644

Excerpt from Making Welfare Work: The Principles of Constructive Welfare Reform by Katherine McFate (Washington, DC: Joint Center for Political and Economic Studies, 1995. For further information or full copies write: 1090 Vermont Avenue, NW, Suite 1100, Washington, DC 20005-4961 or call (202) 789-3500.

Few Welfare Moms Fit the Stereotypes

In contrast to stereotypes of pathological dependency on public assistance, single mothers participating in the AFDC program actually "package" income from several different sources, including paid employment, means- and non-means tested welfare benefits, and income from other family members, to provide for themselves and their children. These patterns are described in a new Institute for Women's Policy Research (IWPR) study, *Welfare That Works*, based on a nationally-representative sample of single welfare mothers generated from the U.S. Bureau of the Census' Survey of Income and Program Participation. The study presents a complex portrait of women who participate in the AFDC program.

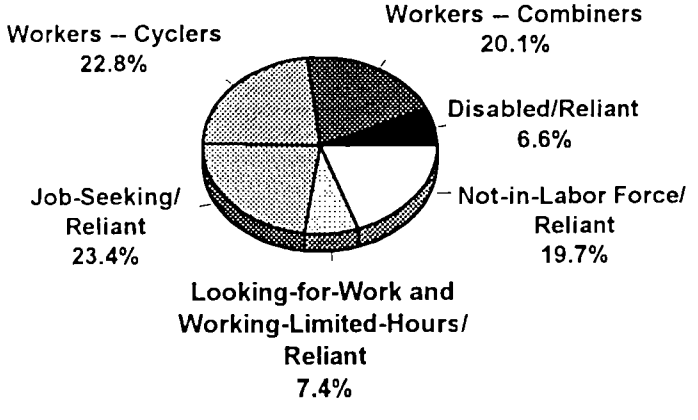
The findings from this research indicate that many of the current "welfare reform" plans (including the Clinton Administration's proposed Work and Family Responsibility Act of 1994 and the Republican Contract With America's proposed Personal Responsibility Act) are based on faulty assumptions concerning the behavior of AFDC recipients. If enacted into law and implemented, these proposals are likely to further reduce the meager resources of an already impoverished group of women and their children.

The Many Faces of AFDC Recipients

The average AFDC mother is 29 years old and has two children. Close to half of the women in our sample have been previously married. They have an average of four years of work experience. Only five percent were born in a foreign country.

AFDC serves as a safety net that catches poor single-mother families. There are many different faces of welfare mothers. Almost half use welfare as a source of unemployment benefits between jobs or when they first enter the labor market, one-fifth work at such low-wage jobs that they continue to qualify for welfare, and nearly one-fifth use welfare as temporary disability insurance.

Figure 1. Welfare Mothers, Grouped by Labor Force Activity



Source: IWPR calculations based on the Survey of Income and Program Participation, 1984-1988.

African-American women have actually declined as a proportion of AFDC mothers since 1969, from 45 percent to 40 percent, despite the fact that during the same period African-Americans slightly increased as a percent of the U.S. population.

Unwed teenage mothers compose a small portion of welfare mothers. Only eleven percent of welfare mothers are teenagers, 65 percent of whom continue to live with their own parents, while an additional 20 percent live with other adults.

The Myth of the Lazy Welfare Mother

Figure 1 shows that half of all single mothers who spend any time on welfare during a two-year period also work during that period, with 20 percent combining work and welfare, 23 percent cycling between work and welfare, and another seven percent working limited hours and spending more time looking for work than actually working.

Figure 2. Welfare Mothers' Time Use Over a Two-Year Period

Percent of time receiving welfare	77%
Percent of time not receiving welfare	23%
Percent of time receiving welfare	100%
Working	13%
Looking for work	18%
In school	8%
Caring for baby (under 2 years)	18%
Caring for pre-school children (ages 2-5)	22%
Caring for children (ages 6-12) during summer months	4%
Disabled and doing none of the above	8%
Able-bodied and doing none of the above	9%

Source: IWPR calculations based on the Survey of Income and Program Participation.

Another 23 percent of the welfare mothers are not employed during the two-year period, but spend a substantial amount of time looking for work. These women unsuccessfully looked for work seven of the 24 study months.

Severe disabilities prevent seven percent of welfare mothers from working or seeking work. These women make up one quarter of welfare mothers who neither work nor look for work.

Figure 2 shows that only 17 percent of the time spent on AFDC during the two-year study period by all single mothers is spent neither working at paid employment, looking for work, attending school, caring for babies or pre-schoolers year-round, or pre-teens during the summer. And of the total time spent by all mothers on AFDC, only nine percent of this time can be attributed to "able-bodied" mothers who participate in none of these activities.

Low-Wage Jobs

Those recipients who are most likely to engage in paid employment are high school graduates with previous work experience, family resources (such as income from other earners or child support), and no infants or toddlers.

For the 43 percent of welfare mothers who do spend substantial time at work, their jobs pay an average of $4.29 per hour and their employers provide health insurance coverage less than one-third of the time they work. They are likely to work in the lowest-wage female-dominated occupations and industries. Over the two-year study period, they work on average half the time.

The most common jobs held by welfare mothers are maids, cashiers, nursing aids, child care workers, and waitresses. The top employers of welfare mothers are restaurants, nursing homes, private households, hotels and motels, department stores, and hospitals. On average, these women who work hold an average of 1.7 jobs during the two-year period and are unemployed 16 weeks. Only half experience wage increases during the survey period. Of those who work, only about one-quarter had full-time, full-year jobs during the survey period.

African Americans are slightly less likely than whites to work because they live in states with higher rates of unemployment. Among working welfare mothers, African-Americans spend an average of one month more time at work, earn more per hour, and have higher total earnings.

Escaping Poverty

Table 1 shows that only one-fourth of all AFDC recipients are solely dependent on means-tested benefits. The remainder package welfare

Table 1. Types and Impact of Income Packages Among AFDC Recipients

	Total Number	AFDC Only*	Family and AFDC**	Employed and AFDC***	Employment, Family, and AFDC
Total	2,797,285	732,335	865,995	484,511	714,444
As Percent of Total	100%	26%	31%	17%	26%
Total in Poverty	2,027,494	716,937	634,878	372,565	303,114
Percent in Poverty	72%	98%	73%	77%	42%

Source: IWPR calculations based on the Survey of Income and Program Participation, 1984-1988.

* To be included in this study of AFDC recipients, a woman must receive AFDC for at least 2 months out of the 24-month study period.

** In order to be included in this category, recipients must live with relatives contributing $1,500 in family income over the 24-month study period.

*** In order to be considered employed, a welfare recipient must work at least 300 hours during the 24-month study period.

with income from other family members, their own earnings, or both. Those who package AFDC and paid employment increase their families' chances of escaping poverty and decrease the dollar amount of benefits they receive. Among those who package all three sources, 58 percent have incomes above the poverty level.

Among those without access to family resources, those who have a high school diploma and are able to obtain a stable, unionized job are significantly more likely to escape poverty.

Conclusions

Based on these findings, IWPR concludes that the real policy action should be on fostering economic growth, ensuring that there are enough jobs for all, and reforming the low-wage labor market. Rather than enforcing arbitrary time limits, women should be encouraged to package earnings with other resources including AFDC so that they can stabilize their family income at a higher level than can be provided by either low-wage intermittent jobs or welfare alone. If U.S. financial resources are such that welfare reforms need to be phased in over time, the first group to be targeted for an employment program should be those mothers who have work experience, high school diplomas, and no infants or toddlers. For these women, additional education and job training is more likely to lead to stable jobs at higher wages that are sufficient to support a family. Finally, without greater access to health insurance on the job, no reform plan based on employment alone can be expected to succeed in keeping women and children off welfare and out of poverty.

This fact sheet is based on the IWPR report, ***Welfare That Works: The Working Lives of AFDC Recipients****, by Roberta Spalter-Roth, Beverly Burr, Heidi Hartmann, and Lois Shaw. The study upon which this report is based was made possible through the support of The Ford Foundation. This "Research-in-Brief" was prepared by Jill Braunstein in August 1994 and updated in January 1995. The Institute for Women's Policy Research (IWPR) is an independent, nonprofit research institute dedicated to conducting and disseminating research that informs public policy debates affecting women. Members of the Institute receive regular mailings including fact sheets such as this. Individual memberships begin at $40.00. Organizational memberships are also available. Contact the Institute for further information.*

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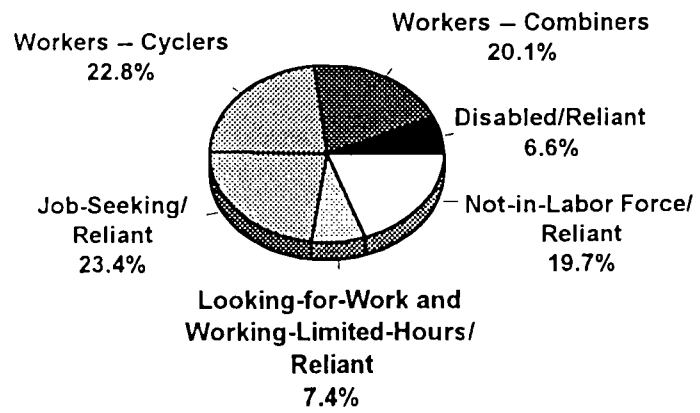

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	Total Number	AFDC Only*	Family and AFDC**	Employed and AFDC***	Employment, Family, and AFDC
Total	2,797,285	732,335	865,995	484,511	714,444
As Percent of Total	100%	26%	31%	17%	26%
Total in Poverty	2,027,494	716,937	634,878	372,565	303,114
Percent in Poverty	72%	98%	73%	77%	42%

Source: IWPR calculations based on the Survey of Income and Program Participation, 1984-1988.

* To be included in this study of AFDC recipients, a woman must receive AFDC for at least 2 months out of the 24-month study period.

** In order to be included in this category, recipients must live with relatives contributing $1,500 in family income over the 24-month study period.

*** In order to be considered employed, a welfare recipient must work at least 300 hours during the 24-month study period.

with income from other family members, their own earnings, or both. Those who package AFDC and paid employment increase their families' chances of escaping poverty and decrease the dollar amount of benefits they receive. Among those who package all three sources, 58 percent have incomes above the poverty level.

Among those without access to family resources, those who have a high school diploma and are able to obtain a stable, unionized job are significantly more likely to escape poverty.

Conclusions

Based on these findings, IWPR concludes that the real policy action should be on fostering economic growth, ensuring that there are enough jobs for all, and reforming the low-wage labor market. Rather than enforcing arbitrary time limits, women should be encouraged to package earnings with other resources including AFDC so that they can stabilize their family income at a higher level than can be provided by either low-wage intermittent jobs or welfare alone. If U.S. financial resources are such that welfare reforms need to be phased in over time, the first group to be targeted for an employment program should be those mothers who have work experience, high school diplomas, and no infants or toddlers. For these women, additional education and job training is more likely to lead to stable jobs at higher wages that are sufficient to support a family. Finally, without greater access to health insurance on the job, no reform plan based on employment alone can be expected to succeed in keeping women and children off welfare and out of poverty.

This fact sheet is based on the IWPR report, ***Welfare That Works: The Working Lives of AFDC Recipients****, by Roberta Spalter-Roth, Beverly Burr, Heidi Hartmann, and Lois Shaw. The study upon which this report is based was made possible through the support of The Ford Foundation. This "Research-in-Brief" was prepared by Jill Braunstein in August 1994 and updated in January 1995. The Institute for Women's Policy Research (IWPR) is an independent, nonprofit research institute dedicated to conducting and disseminating research that informs public policy debates affecting women. Members of the Institute receive regular mailings including fact sheets such as this. Individual memberships begin at $40.00. Organizational memberships are also available. Contact the Institute for further information.*

Welfare to Work: The Job Opportunities of AFDC Recipients

In the frenzy to move welfare recipients off the rolls through budget cuts, block grants, time limits, cries to "end welfare as we know it," and attempts to exclude children and young mothers from coverage, little attention has been paid to what works to help current AFDC recipients find work and earn wages that will help them escape poverty.

The Institute for Women's Policy Research (IWPR) has conducted research and analysis on the current survival strategies of AFDC recipients. IWPR's most recent phase of this study, ***Welfare That Works: The Working Lives of AFDC Recipients***, examines the factors that increase the likelihood that single mothers receiving AFDC engage in paid employment, the kinds of jobs they obtain, and the factors that improve their prospects for obtaining better jobs (and higher incomes). IWPR's research suggests that if employment opportunities are not reformed along with welfare, efforts to reduce the rolls will likely result in increased poverty for many single mothers and their children and increased frustration for tax payers who will see yet another "reform" go awry.

The data for the study were generated from the U.S. Bureau of the Census' Survey of Income and Program Participation (1984-1989), a nationally representative sample of individuals and families, and cover two years in the lives of single mothers receiving AFDC. The study sample includes 1,181 single mothers (who received AFDC for at least two months out of 24), and who represent about 2.8 million women, or 80 percent of all adult AFDC recipients.

Types of Jobs Available to Welfare Mothers

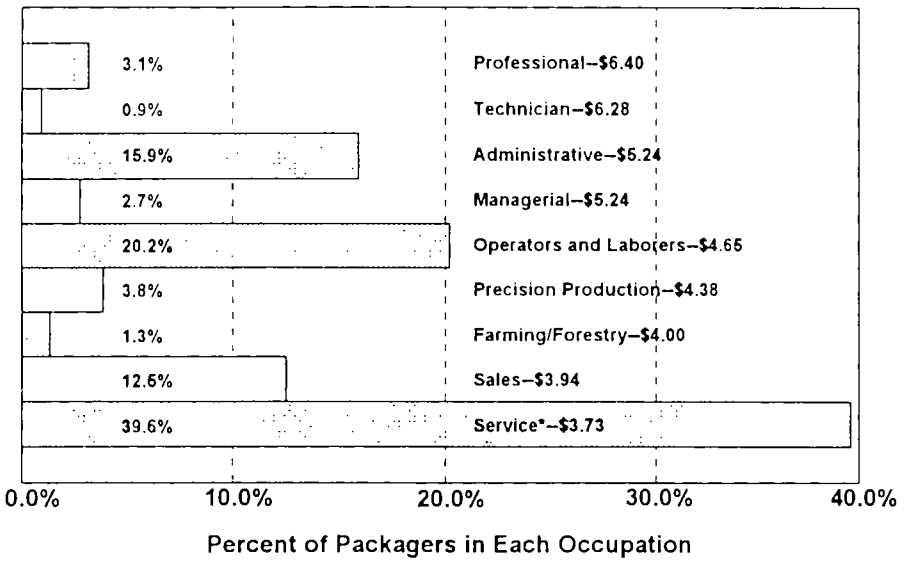
IWPR finds that most welfare mothers are *already* working, but cannot earn enough or find enough work to lift their families out of poverty. Forty-three percent of AFDC mothers work substantial hours (950 per year on average). The most striking characteristics of welfare mothers' jobs are that they are low-wage, unstable, and unlikely to provide health benefits:

- The average job lasts only 46 weeks, less than a year. Working AFDC mothers hold an average of 1.7 jobs during the two-year survey period. These mothers also spend an average of 16 weeks looking for work.
- These mothers' jobs provide health insurance coverage only one-third of the months they work.
- Their jobs pay an average of $4.29 per hour (1990 dollars). For those who work all 24 months of the study period, approximately half earn more at the end of the period than at the beginning, while half earn less.
- Their jobs tend to be in the lowest-wage women's occupations -- 37 percent work as maids, cashiers, nursing aides, child care workers, and waitresses, while 13 percent of all women work in those occupations (see Figure 1).
- Their employers tend to be in the low-paying service industries, such as restaurants, bars, nursing homes, private households, hotels and motels, department stores, hospitals, and temporary help services firms. These businesses employ two-fifths of welfare mothers (as compared to 19 percent of all women).

These findings show that if work is to be an improvement over welfare and produce a higher standard of living, then the quality of jobs available to AFDC recipients will need to be improved.

Chart 1.
Jobs and Wages of Cyclers and Combiners

(average hourly wages in 1990 dollars)



*"Service" includes Cleaning, Personal, Food, and Other Service occupations.

Source: IWPR calculations based on the Survey of Income and Program Participation, 1984 and 1986-1988 panels.

sample to a hypothetical white high school drop-out with no prior work experience and the average number of children (two); the hypothetical woman has a 20 percent probability of working. IWPR finds that:

- The most significant factors in predicting whether an AFDC recipient works are: the ability to work (not having a work-preventing disability); availability of jobs (living in states with lower unemployment rates); not having toddlers or infants; family supports (receiving child support or earnings from other members); and greater amounts of human capital (having past work experience and having a high school diploma).

Factors that Increase the Likelihood of Working

- IWPR research finds that more than seven out of 10 AFDC recipients spend significant time in the labor force, with 43 percent working for substantial periods and an additional 30 percent looking for work.

Half of all single mothers who spend any time on welfare during a two-year period also work during that period, including both the 43 percent who work 300 hours or more and another seven percent spending more time looking for work than actually working. An additional 23 percent of the welfare mothers are not employed during the two-year period, but spend substantial time looking for work (eight out of the 24 study months).

Why does a single mother seek paid employment when, if she succeeds in finding it, she is likely to lose some or all of her secure income (welfare benefits) and health insurance (Medicaid) for her family and may face income instability due to potential layoffs, firm failures, or work hours volatility? IWPR compared women in the

Disabilities prevent some mothers from being able to work (and decrease their likelihood of employment substantially, from 20 percent to three percent). Recipients are more likely to find work if more jobs are available (living in states with low rates of unemployment, less than 3.5 percent, increases the likelihood of working by nearly half, to 29 percent). Mothers with older children (not babies or toddlers) have lower child care costs and fewer demands on their time and are much more likely to work (28 percent compared to 20 percent). Family supports increase the likelihood of working (to 32 percent), perhaps because they make the costs of working more affordable. Finally, greater human capital, as measured by previous work experience, high school completion, and job training, can result in making the mothers more attractive to employers, and more likely to find work (these factors increase the likelihood to 37 percent -- nearly double, 28 percent, and 26 to 29 percent, respectively).

- Contrary to popular stereotypes, average state benefit levels, the amount of time spent looking for work, the mother's age, and the mother's welfare history were insignificant in distinguishing between

those mothers who engaged in paid employment and those who did not. Being African American also had *no* significant value in predicting whether or not an AFDC mother engages in paid work.

Improving Family Income and the Chances of Escaping Poverty

IWPR findings point to methods that work to increase earnings and income for AFDC mothers and increase the likelihood that their families can escape poverty. Compared to a hypothetical woman similar to the one above, who has an 11 percent chance of escaping poverty when she does work, women who use these methods improve their ability to raise their families' incomes above poverty:

Increasing Human Capital

- Completing high school increases the chances of escaping poverty nearly three times, to 31 percent (from 11 percent for the baseline mother). The majority of high school dropouts have service jobs, especially cleaning and food service; in contrast, high school graduates are more likely to have administrative support jobs and skilled blue collar jobs. High school graduates are less likely to work part-time and make 20 percent higher wages than do dropouts.
- Some job training more than doubles the chances of escaping poverty (to 26 percent). Welfare mothers with job training are more likely to work at white collar jobs than those without such training (although the largest share of both groups work at service jobs). Those with job training are less likely to work at part-time jobs (21 percent compared to 31 percent).
- Although having more previous work experience increases a mother's chances of escaping poverty, it takes 10 years of work experience to raise her family's chances of escaping poverty by two-thirds (from 11 to 18 percent).

Increasing Job Availability and Stability

- State unemployment rates -- a measure of job availability -- are a powerful and significant predictor of welfare mothers' likelihood of escaping poverty. High state unemployment rates (10 percent or more) mean that these mothers are likely to have longer, unsuccessful job searches. The result is that their chances of escaping poverty decline by nearly half (from 11 percent to six percent).

Chart 2.

Factors Improving the Chances that an AFDC Recipient Works

Human Capital
Able-bodied
Completed high school
Has work experience
Job training

Additional Income
Another earner in household
Gets married
Child support recipient

Children
Only one child
No infants or toddlers

State-of-Residence Characteristics
Low unemployment rate (3.5%)

Factors Improving the Chances that an AFDC Recipient Escapes Poverty

Human Capital
Completed high school
Has work experience
Job training

Additional Income
Income from other family members
Non-means-tested cash benefits

Children
Only one child

State-of-Residence Characteristics
High welfare benefit per person per month ($195)
Low unemployment rate (3.5%)

Employment Conditions
Stable work (one transition)
Union coverage

- Regardless of the reasons for job loss, the more times the mother starts and stops working (job instability), the more likely she is to be poor. The kinds of jobs that most welfare recipients can obtain are likely to be low-wage and unstable; on average mothers have over two transitions into and out of working during the two-year study period. Those with greater job instability are less likely to escape poverty (eight percent versus 11 percent).

Increasing Union Membership

- Only seven percent of work/welfare packagers obtain jobs covered by union contracts. For those who do, union coverage (other factors such as occupation, industry, and hours of work held constant) increases the chances of an AFDC recipient's having high enough income to bring her family out of poverty more than three times (from 11 percent to 39 percent).

Increasing Other Resources

- For the 57 percent of working AFDC mothers who have access to income from other family members, the more months during which they have such access, the more likely they are to escape poverty. Mothers who have access to income from family members for all 24 survey months increase their chances of escaping poverty nearly eight times (to 86 percent from 11 percent).

- Working AFDC mothers are better off when they live in states with higher AFDC benefits (raising their chances of escaping poverty to 17 percent) and when they receive non means-tested benefits, such as unemployment compensation, social security, or workers' compensation (more than doubling their chances of escaping poverty to 26 percent).

Policy Conclusions

A major goal of most current welfare reform proposals is to move impoverished single mothers and their children off the welfare rolls by mandating their participation in the work force. IWPR's research demonstrates that if this effort is to be successful -- if it is to avoid the further impoverishment of poor mothers and their children and the further frustration of taxpayers over another failed program -- policymakers must pay attention to what works. There are no simple or inexpensive ways to make welfare mothers self-sufficient over the long term. Public policy changes should not reduce their ability to survive further.

Based on the study findings, we conclude that without mending the gaps in our existing income support policies, AFDC should ***not*** become time limited. IWPR's research shows that neither existing programs nor poor extended families or private charities can take up the slack. Welfare meets several essential needs for poor and near-poor women:

- Health care and child care. The current entitlement to one year of transitional benefits should be ***extended***, not eliminated, since the jobs these women can get are unlikely to provide health insurance or to pay well enough to allow the purchase of good quality child care.

- Stable family income. Rather than initiating arbitrary time limits and wasting scarce resources enforcing them, welfare reform should encourage AFDC recipients, who already exhibit substantial work and job search effort, to package earnings with public assistance so that they can stabilize their family income at a higher level.

In addition, policy action should focus on reforming the low-wage labor market (through raising wages, increasing the ability of low-wage workers to join unions and bargain collectively, and/or ensuring that there are enough jobs for all) if mothers are to bring their families above poverty. Over time, especially with further education and training and a reformed low-wage labor market, these mothers can lengthen and strengthen their labor market participation, improve their earnings, and perhaps, eventually, move beyond the need for income assistance.

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NEGLECTED VOICES:

What low-income Americans think of welfare reform

Why this survey?

We are in the midst of a debate about the future of social policy in the United States. Conservatives are attacking the need for long-established antipoverty programs, arguing that even the existence of safety-net programs encourages personal irresponsibility and therefore increases poverty. Liberals acknowledge that many programs must be restructured, but have failed to capture the public's imagination with new alternatives. Meanwhile, Congress is moving to dismantle the federal safety net.

Through all this, few have bothered to ask the people who will be most affected by the proposed changes what they think about current social programs or what they need the government to do to make a difference in their lives. The experiences and opinions of low-income Americans need to be brought to the policy debate. With this understanding, the Joint Center undertook the survey of low-income Americans summarized here, the most comprehensive and meaningful effort to assess poor Americans' views on welfare reform ever undertaken.

What the survey shows

The survey results outlined here demonstrate that poor Americans are almost as dissatisfied with the welfare system as the general public* is. Even among recipients of AFDC there is widespread criticism that the program fails to encourage work.

Low-income people, including welfare recipients, agree that the major goal of reform should be to move people off of welfare and into the labor market. Just about any plan—even one perceived to have a very damaging impact on poor families and communities—receives more support from the poor than keeping the status quo.

Frustration with the current system may stem from the fact that little is done to support low-income working Americans who are struggling in a labor market where wages are low and benefits scarce. Both current and past AFDC recipients want to see the government offer the supportive services people need to get into the work force, remain there, and adequately support their families.

* All figures concerning the general public used in this summary are from a 1993 Hart poll of American voters

The full report

Additional copies of this advance summary are available on request, free of charge. A full-length report is forthcoming.

For more information, call or write:
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A F D C Caseload Growth

Prepared by the American Public Welfare Association
July 1989 / April 1996
Sorted by percent change in cases (in thousands)

Rank	State	July 1989 Cases	April 1996 Cases	Percent Change
1	Alabama	44.5	42.2	-5.2
2	**Alaska**	**7.3**	**13.0**	**78.1**
3	Arizona	37.0	62.6	69.2
4	**Arkansas**	**24.0**	**22.9**	**-4.6**
5	California	604.7	903.4	49.4
6	**Colorado**	**33.2**	**36.0**	**8.4**
7	Connecticut	37.7	57.9	53.6
8	**Delaware**	**7.3**	**10.3**	**41.1**
9	District of Columbia	18.1	25.9	43.1
10	**Florida**	**121.6**	**227.6**	**87.2**
11	Georgia	93.1	130.4	40.1
12	**Guam**	**1.1**	**2.1**	**90.9**
13	Hawaii	13.9	22.0	58.3
14	**Idaho**	**5.8**	**9.4**	**62.1**
15	Illinois	198.5	226.2	14.0
16	**Indiana**	**51.0**	**52.0**	**2.0**
17	Iowa	33.7	33.0	-2.1
18	**Kansas**	**24.7**	**25.4**	**2.8**
19	Kentucky	58.3	71.8	23.2
20	**Louisiana**	**91.8**	**70.1**	**-23.6**
21	Maine	18.0	20.8	15.6
22	**Maryland**	**63.0**	**63.2**	**0.3**
23	Massachusetts	87.6	86.2	-1.6
24	**Michigan**	**210.2**	**178.8**	**-14.9**
25	Minnesota	53.7	54.0	0.6
26	**Mississippi**	**59.2**	**47.9**	**-19.1**
27	Missouri	67.4	82.5	22.4
28	**Montana**	**9.0**	**11.1**	**23.3**
29	Nebraska	14.1	14.2	0.7
30	**Nevada**	**7.4**	**14.7**	**98.6**
31	New Hampshire	5.3	9.7	83.0
32	**New Jersey**	**100.1**	**112.0**	**11.9**
33	New Mexico	20.1	33.9	68.7
34	**New York**	**336.6**	**434.7**	**29.1**
35	North Carolina	78.3	114.3	46.0
36	**North Dakota**	**5.4**	**5.0**	**-7.4**
37	Ohio	218.6	205.6	-5.9
38	**Oklahoma**	**35.7**	**38.3**	**7.3**
39	Oregon	30.6	34.1	11.4
40	**Pennsylvania**	**173.5**	**190.9**	**10.0**
41	Puerto Rico	59.4	51.0	-14.1
42	**Rhode Island**	**15.2**	**21.0**	**38.2**
43	South Carolina	35.5	45.5	28.2
44	**South Dakota**	**6.6**	**6.1**	**-7.6**
45	Tennessee	70.6	93.0	31.7
46	**Texas**	**183.6**	**253.1**	**37.9**
47	Utah	14.8	14.8	0.0
48	**Vermont**	**7.0**	**9.2**	**31.4**
49	Virgin Islands	0.9	1.4	55.6
50	**Virginia**	**54.2**	**65.6**	**21.0**
51	Washington	78.1	100.5	28.7
52	**West Virginia**	**35.1**	**36.2**	**3.1**
53	Wisconsin	79.0	60.0	-24.1
54	**Wyoming**	**5.0**	**4.9**	**-2.0**
	United States	3746.1	4558.4	21.7

Source: HHS / ACF

Food Stamp Participant Increase by State

Prepared by the American Public Welfare Association
July 1989 / March 1996
Sorted by percent change

Rank	State	July 1989 Persons	March 1996 Persons	Percent Change
1	Connecticut	115,384	226,000	95.87
2	Maine	84,003	134,721	60.38
3	Massachusetts	316,846	374,394	18.16
4	New Hampshire	22,687	54,635	140.82
5	New York	1,409,633	2,132,731	51.30
6	Rhode Island	57,001	96,903	70.00
7	Vermont	33,171	57,799	74.25
8	Delaware	29,441	59,083	100.68
9	District of Columbia	57,983	93,158	60.66
10	Maryland	246,939	379,281	53.59
11	New Jersey	355,355	547,892	54.18
12	Pennsylvania	911,206	1,151,785	26.40
13	Virginia	326,986	546,853	67.24
14	West Virginia	256,646	304,549	18.67
15	Virgin Islands	16,067	23,141	44.03
16	Alabama	435,296	515,344	18.39
17	Florida	683,036	1,367,290	100.18
18	Georgia	485,681	800,683	64.86
19	Kentucky	448,071	492,952	10.02
20	Mississippi	491,564	465,408	-5.32
21	North Carolina	386,258	611,871	58.41
22	South Carolina	252,258	361,441	43.28
23	Tennessee	494,625	648,683	31.15
24	Illinois	974,221	1,114,597	14.41
25	Indiana	276,276	397,595	43.91
26	Michigan	876,266	932,227	6.39
27	Minnesota	246,246	296,422	20.38
28	Ohio	1,071,114	1,065,542	-0.52
29	Wisconsin	284,353	291,350	2.46
30	Arkansas	220,392	278,472	26.35
31	Louisiana	722,324	660,997	-8.49
32	New Mexico	146,512	239,585	63.53
33	Oklahoma	252,067	362,734	43.90
34	Texas	1,659,003	2,414,588	45.54
35	Colorado	206,645	253,471	22.66
36	Iowa	164,508	181,699	10.45
37	Kansas	130,767	177,401	35.66
38	Missouri	400,284	561,237	40.21
39	Montana	53,922	73,488	36.29
40	Nebraska	91,523	104,091	13.73
41	North Dakota	38,847	40,494	4.24
42	South Dakota	49,500	51,192	3.42
43	Utah	94,381	112,895	19.62
44	Wyoming	27,815	33,891	21.84
45	Alaska	24,746	52,076	110.44
46	Arizona	272,507	429,693	57.68
47	California	1,780,476	3,195,064	79.45
48	Hawaii	79,510	130,758	64.45
49	Idaho	55,153	84,780	53.72
50	Nevada	41,831	98,657	135.85
51	Oregon	205,474	299,966	45.99
52	Washington	265,611	484,188	82.29
53	Guam	12,200	17,687	44.98
54	Puerto Rico	N/A	N/A	N/A
	United States	18,640,611	25,883,434	38.86

Source: USDA / FNS

Federal Nutrition Programs


USDA

In 1995, Congress proposed eliminating federal guidelines and cutting funding for most of the nutrition programs. As this background paper was written, Congress had not made final decisions on program cuts and block grants.

Special Supplemental Nutrition Program for Women, Infants and Children (WIC)

Provides nutrition education and prescribed supplemental foods (milk, juice, eggs, cereals, beans, etc.) to improve the diets and health of pregnant women, nursing mothers, infants and children under age 5. Participants must have gross incomes under 185 percent of poverty and identifiable nutrition problems.

Serves: 7 million (Reaches only 72 percent of those eligible.)

Appropriations (Fiscal Year (FY) 1996): $3.7 billion

Value: Reduces infant mortality and anemia, and increases cognitive performance. Saves $3.50 in Medicaid and special education costs for each $1 spent on pregnant women by increasing birthweight and length of pregnancy.

National School Lunch Program

Serves a nutritious lunch to children in participating schools. (Ninety-eight percent of public schools participate.) Children from families whose incomes are below 130 percent of the poverty level get free lunches and those under 185 percent of poverty pay a reduced price.

Serves: 24 million children

Appropriations (FY 1996): $4.4 billion

Value: Provides one-third to one-half the recommended daily allowance (RDA) for key nutrients.

School Breakfast Program

Serves breakfast at about 42,000 participating schools for free or reduced price to low-income children and at cost to other children. Most breakfasts are served to low-income children.

Serves: 5.8 million

Appropriations (FY 1996): $1.1 billion

Value: Provides one-fourth or more of the RDA for key nutrients; low-income children who receive breakfast at school score higher on standardized tests than those who do not.

Child and Adult Care Food Program

Subsidizes nutritious meals for children in child care centers, Head Start, and family day care homes and disabled adults in day care situations.

Serves: 2 million

Appropriations (FY 1996): $1.4 billion

Value: Requires that meals meet national nutrition standards. Has a major impact on the quality of care provided in family day care homes by requiring licensing, offering training and regularly monitoring the providers of care.

Summer Food Program

Provides meals and snacks to low-income children in recreation and study programs during the summer.

Serves: 2.3 million

Appropriations (FY 1996): $280 million

Value: Provides food to poor children during the summer months.

Food Stamps

Provides basic assistance to families to help them purchase enough food to obtain a nutritionally adequate diet. More than half of the recipients are children and over 80 percent of benefits go to families with children. Benefits are determined by family size, assets and income. Ninety-seven percent of participating families have gross incomes at or below the poverty level – $15,150 for a family of four.

Serves: 26 million

Appropriations (FY 1996): $28.7 billion

Value: Children who receive food stamps have significantly better diets than low-income children who do not. As a federal entitlement program, food stamps is available to all people whose incomes and assets are too low to provide for a nutritionally adequate diet.

Bread for the World, 1100 Wayne Avenue, Suite 1000, Silver Spring, MD 20910 (301) 608-2400 FAX (301) 608-2401

F·R·A·C

FOOD RESEARCH
& ACTION CENTER

Q. WHAT IS THE SINGLE MOST IMPORTANT NUTRITION PROGRAM LEADING THE FIGHT AGAINST HUNGER IN THE UNITED STATES?

A. FOOD STAMPS

The Food Stamp Program is an important safety net for families living in poverty. However, it is often the victim of myths and the target of misinformation. Here are some basic facts about the program and the people it serves...

1875 Connecticut Ave., NW
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THE FOOD STAMP PROGRAM: An Overview

The Food Stamp Program is the nation's single most important program in the fight against hunger. Developed in the 1960's, the program is designed to improve the nutrition level and food purchasing power of people with low incomes.

Why is the Food Stamp Program Important? What makes it unique?

The Food Stamp Program is the only federal benefit program available nationwide to all who need it and meet eligibility standards, regardless of their age or family composition.

The Food Stamp Program is effective and well-targeted; only people who are poor with few, if any, assets can receive food stamps. And, food stamp benefits, issued on a monthly basis, can only be used for the purchase of food.

Another important and unique aspect of the Food Stamp Program is its ability to respond to changing needs caused by economic cycles or natural emergencies on the local, state and national levels. This means when need increases or decreases, the funds for the program respond accordingly. It is second only to unemployment insurance in its responsiveness to economic changes.

Who runs the program and how much does it cost?

State and local welfare agencies actually administer the Food Stamp Program, under guidance and standards established by Congress and the U.S. Department of Agriculture (USDA).

The Federal Government pays most of the cost of the Food Stamp Program. In 1995, federal costs totalled $25.7 billion, which included 100 percent of the benefits portion of the program. State and local governments pay half of the program's administrative costs. 94 percent of federal food stamp dollars go directly for benefits. Only 6 percent of federal dollars, with an equal state dollar match, goes for program administration.

FOOD STAMP RECIPIENTS: A Profile.

The USDA's latest report indicates that in November 1995, approximately 25.8 million people were participating in the Food Stamp Program. To a large extent, the Food Stamp Program is a child nutrition program; more than half of all recipients (14 million people) are children. The program also targets the primary caregivers of children, the elderly, and the disabled.

Who are food stamp recipients?

Over half of food stamp recipients are children aged 17 and under. Almost forty percent of children on the program are preschool age.

Over 80 percent of benefits go to households with children. The average size of food stamp households with children is 3.4 persons; the average size of all food stamp households is 2.6 persons.

Over 10 percent of food stamp households contain at least one disabled person. Nearly two million seniors receive food stamps, seven percent of all recipients; 16 percent of food stamp households contain at least one elderly person.

Almost 90 percent of benefits go to households with either a child or a senior.

What is the average income of food stamp recipients?

There are strict income and resource limits for eligibility in the Food Stamp Program. Almost all (97 percent) food stamp benefits go to households with gross incomes at or below the federal poverty level ($14,808 for a family of four in 1995). More than half of all food stamp benefits go to households with a gross income at or below half the poverty level.

Ninety-one percent of food stamp households have gross incomes at or below the poverty line; forty two percent have incomes below half the poverty line. Households below half the poverty line receive 57 percent of all food stamp benefits.

PARTICIPATION IN THE FOOD STAMP PROGRAM: A short-term safety net.

The Food Stamp Program serves as a **temporary** safety net for millions of families experiencing short-term economic crises. Most people turn to food stamps because of a job loss or reduction in earnings, and remain on the program for a brief period of time. The single most important reason for people leaving the program is a household's increase in earnings.

How long do people usually receive food stamp benefits?

Forty percent of food stamp recipients leave the program within four months; half of all recipients leave within six months. The average length of participation is less than two years.

Able-bodied childless adults stay on the program for the shortest amount of time. Nearly half of these people leave the program within four months; over 76 percent leave in less than a year.

Elderly and disabled individuals tend to receive food stamp benefits for longer periods of time. While over 60 percent leave the program within a year, their average length of participation in the program is slightly under 2-1/2 years.

Can unemployed people automatically qualify for food stamps?

There are strict eligibility requirements for participation in the Food Stamp Program, based on financial and non-financial factors. Households must have gross incomes below 130 percent of the poverty line and net incomes below 100 percent of poverty (except households with elderly or disabled members). Countable resources (checking/savings account, cash, stocks/bonds) cannot exceed $2,000. For example, the market value of a car in excess of $4,600 is considered a countable resource, and could make a household ineligible for benefits.

Eligibility in the Food Stamp Program includes work requirements. All non-elderly adults receiving benefits who are able to work are required to be employed or to register for employment. Many must participate in work training and job search programs.

FOOD STAMP FRAUD: The problem and possible solutions.

The overwhelming majority of the 25.8 million food stamp recipients provide accurate information about their eligibility and use the benefits legitimately. However, fraudulent activities of relatively few recipients and retailers have tainted the image of the program.

What is "food stamp fraud?"

There are two kinds of fraudulent activities connected to the Food Stamp Program--providing false information about eligibility, or misusing food stamp coupons also called "trafficking."

How much money does the Food Stamp Program lose due to fraud?

Recent official estimates indicate that the Food Stamp Program loses approximately $1.7 billion a year due to improperly issued benefits. Most of this loss (77 percent), however, is due to inadvertent agency and client errors, and not fraud.

According to program estimates, only a small percentage of program benefits--less than two-tenths of one percent of the benefits issued--are lost through intentional program violations which constitute fraud. Program errors also result in "underissuances" - too few benefits being issued to eligible recipients. Estimates place the loss to recipients due to underissuances at around $600 million. Thus, the net loss to the Food Stamp Program due to improper issuances is approximately $1.1 billion.

Other fraud is reportedly due to trafficking--the use of benefits, legally or illegally obtained, for improper purposes, such as trading stamps for cash. There is little concrete evidence of the amount of trafficking that occurs.

What steps are being taken to reduce or prevent these problems?

Food stamp trafficking undermines the integrity of the program and diverts benefits from those who need them. The program has systems to prevent trafficking and strong penalties for those who do the trafficking. Recipients and retailers who engage in such illegal activities will be disqualified from the program and prosecuted.

The advent of electronic benefits transfer systems (EBT) will make it easier to prevent trafficking. EBT will eliminate the paper coupon system and replace it with a type of benefit card similar to a bank card; recipients can use the card for their food purchases where they shop.

An EBT card is much less likely than a paper coupon

to be traded or sold since access to the benefits requires a "Personal Identification Number."

Recipients are also likely to be unwilling to trade the card since it would provide access to the entire month's benefits. In addition, EBT will significantly improve the ability to detect trafficking by creating an electronic "paper trail."

Recipients found guilty of providing false information in an attempt to participate in the program face strong penalties, including being disqualified from the program and criminal prosecution.

FOOD STAMP "CASHOUT": What Does It Really Mean?

"Cashing-out" the Food Stamp Program would give recipients their benefits in cash. Research indicates that cash-out reduces food purchases and increases the proportion of low-income households seeking emergency food assistance. The program's goals of improving the nutritional status and food purchasing ability of poor families would be undermined, and the danger of hunger and malnutrition would increase.

Why shouldn't food stamp recipients receive their benefits in cash?

Food Stamp cashout provides no guarantee that benefits will actually be used for food. Recipients would be able to spend the money on other household needs, including housing and medical costs. While these are also important, they are not the reason the benefits were given.

Recipients of cashed-out food stamp benefits might actually have less money available for food purchases; they are often subject to check-cashing fees to access their benefits, and increases in rent by landlords.

SHOPPING WITH FOOD STAMPS: Helping low-income families improve their nutrition.

Food stamp benefits are based on the "Thrifty Food Plan," USDA's theoretical estimate of what it would cost to purchase a market basket list of particular amounts and kinds of food representing a minimally adequate diet. The Food Stamp Program assumes that households will be able to purchase the Thrifty Food Plan with their benefits and 30 percent of any income they receive.

What is the average food stamp benefit?

A food stamp recipient receives only 79 cents per meal, on average.

Does the Thrifty Food Plan provide a realistic basis for benefit levels?

The Thrifty Food Plan is the most frugal of four food plans developed by USDA as standards of family food use and costs.

USDA research shows that only 12 percent of low income households who spend at the Thrifty Food Plan level get their recommended dietary allowances for 11 key nutrients.

The Thrifty Food Plan contains a number of assumptions which may not be accurate for many food stamp recipients. For example, purchasing foods for a nutritious diet requires adequate food preparation facilities, extensive time for food preparation, an in-depth knowledge about nutrition and inexpensive transportation to warehouse-type grocery stores or supermarkets.

Although the Food Stamp Program assumes that households will be able to purchase the Thrifty Food Plan with their benefits, many studies show that food costs are so high in many areas of the country that the maximum food stamp benefit is insufficient to purchase the Thrifty Food Plan.

Can food stamp recipients purchase anything they want with their coupons?

Food stamps can only be used to buy food, beverages, and food-producing seeds or plants. The coupons cannot be used to buy alcohol, tobacco, pet food, soap, tooth paste, toilet paper, non-prescription drugs or any other non-food item, regardless of how essential it might be.

Do poor people use their food stamps wisely?

Households participating in the Food Stamp Program, on average, buy more food than low-income households who don't participate in the program. Food stamp shoppers obtain more nutrients for every dollar they spend on food than other shoppers.

March 28, 1996

Food Stamp Participation and the Economic Well-Being of Single Mothers

In new research entitled *Food Stamps and AFDC: A Double Life-Line for Low-Income Working Single Mothers*, the Institute for Women's Policy Research (IWPR) shows that eligible families of single working mothers are more likely to participate in the Food Stamp Program during the months in which they receive Aid to Families with Dependent Children (AFDC). The study also shows that major losses in family purchasing power occur when they do not receive food stamp benefits but are eligible to do so.

Food Stamp Program

The primary goal of the Food Stamp Program, administered by the U.S. Department of Agriculture's Food and Nutrition Service, is to increase the purchasing power of low-income households and the quality of their diet by providing monthly "stamps" that can be exchanged for food items. Prior research suggests that food stamps do increase the nutritional well-being of poor families, that the availability of all nutrients to the household is positively associated with food stamp benefit levels, and that the dietary effects of changes in benefits are considerably larger than those due to changes in cash income.

A second goal of the program is to strengthen the food industry and the agricultural sector of the economy by encouraging low-income individuals to increase their consumption and purchase of food items.

Proposed Cuts

In recent months Congress has proposed subjecting both the Food Stamp and the AFDC programs to cutbacks in financing, exclusions of currently eligible participants, curtailments in benefits, and decreases in the federal role in setting minimum standards. The impact of cuts in either of these programs is likely to be a drop in the Food Stamp Program rolls. What is especially troubling is that decreases in the AFDC rolls will likely lead to declines in food stamp participation, even when families remain eligible for the program. Thus, cuts in AFDC could have a doubly negative effect on the living standards of single mothers and their families.

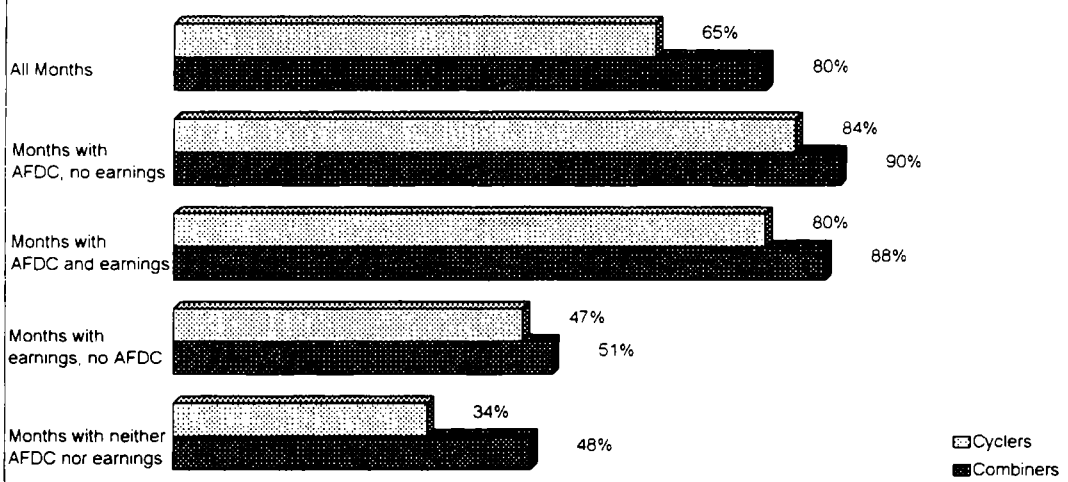
To determine if this concern is warranted, the IWPR study examines the importance of AFDC receipt as a predictor of food stamp participation among single working mothers who receive AFDC.

Study Sample

The study uses the 1984, 1986, 1987, and 1988 panels of the U.S. Census Bureau's Survey of Income and Program Participation (SIPP). The SIPP is a panel survey that tracks a nationally representative sample of respondents for approximately 30 months, revealing changes in their work behavior, jobs, earnings, family structures, and participation in government assistance programs.

Our sample consists of 502 single mothers who received AFDC for at least two months during a 24-month period and who worked for at least 300 hours. These women represent 1.2 million working single AFDC recipients with an estimated 2.3 million children. On average, these mothers--referred to as work/welfare packagers--are employed for 1,903 hours and receive AFDC for 14 months over the two year study period. The work/welfare packagers are divided into two subgroups--cyclers and simultaneous combiners. Cyclers tend to cycle between work and welfare reliance, receiving their income from these sources sequentially rather than simultaneously. Simultaneous combiners, by contrast, tend to receive both earnings and welfare benefits at the same

Figure 1
Comparison of Food Stamp Participation Rates* for Cyclers and Combiners



* The Food Stamp Participation Rate is the average of the monthly participation rates over the 24 month study period. The monthly participation rate is defined as the number of single mothers receiving food stamps divided by the number of single mothers eligible to receive food stamps.
Source: IWPR calculations based on the U.S. Census Bureau Survey of Income and Program Participation, 1984 and 1986-1988 panels.

to receive both earnings and welfare benefits at the same time, combining these two sources of income for at least four months of the survey. For each of these groups, we examine food stamp usage for eligible participants under four conditions: 1) months in which they receive AFDC only; 2) months in which they neither receive AFDC nor engage in paid employment; 3) months in which they combine AFDC receipt with paid employment; and 4) months in which they engage in paid employment but do not receive AFDC.

Relationship Between Eligibility and Usage

The study found that participation in the AFDC program has a strong and independent effect on the likelihood that those individuals who are eligible for food stamps receive this benefit. Eligible combiners and cyclers are at least eight times more likely to participate in the Food Stamp Program during months in which they receive AFDC than in months in which they do not (data from regression analysis not shown). The study also found that food stamp participation rates are higher among eligible combiners than among eligible cyclers, with 81 percent of the former participating in the program compared to 65 percent of the latter. The higher food stamp participation rate for eligible combiners may be explained by their longer period on the AFDC rolls and by their greater likelihood of experiencing prior AFDC spells. In other words, eligible combiners are more likely to have access to food stamps through the AFDC certification process and may have greater knowledge of the Food Stamp Program through their prior participation in AFDC. Even *eligible combiners, however, were about half as likely to receive food stamps in those months in which they were employed but did not receive AFDC* than in those months in which they packaged these two income sources (with 51 percent and 88 percent participation rates, respectively--see Figure 1). Food stamp participation rates among both eligible combiners and cyclers *were lowest in the months when they neither received AFDC nor engaged in paid employment.* These were the months during which these families were the most impoverished. These months may represent transition periods with lags between qualification and actual receipt of benefits.

Poverty, Loss of Purchasing Power, and Food Stamp Receipt Patterns

IWPR findings show that, despite their efforts to pull together a variety of sources into an income package, the families of combiners and cyclers have average incomes that are below the poverty line for families of their size. As expected, food stamp receipt improves the living standards for eligible families. Overall, food stamp receipt increases the level of family income for these families from 65 percent to 88 percent of the poverty line (see Table 1). These food-stamp eligible fami-

Table 1.
Effect of Food Stamps on Reducing Family Poverty

Pattern of AFDC, Food Stamp, and Earnings Receipt	Family* Income plus Food Stamp Benefits (if received) as a percent of the Poverty Line		
	Packagers	Cyclers	Combiners
Population	1, 198,955	636,626	562,329
Sample	502	275	227
All Months			
Months with food stamps	88%	84%	92%
Months eligible but not receiving	65%	62%	70%
Months with AFDC, no earnings:			
Months receiving food stamps	73%	74%	71%
Months eligible but not receiving	49%	49%	51%
Months with AFDC and earnings:			
Months receiving food stamps	115%	122%	110%
Months eligible but not receiving	88%	88%	88%
Months with earnings, no AFDC:			
Months receiving food stamps	103%	105%	101%
Months eligible but not receiving	84%	81%	88%
Months with neither AFDC nor earnings:			
Months receiving food stamps	49%	47%	53%
Months eligible but not receiving	24%	24%	25%

*Family is defined as the actual or potential food unit.
Source: IWPR calcualtions based on the U.S. Census Bureau Survey of Income and Program Participation, 1984 and 1986-1988 panels.

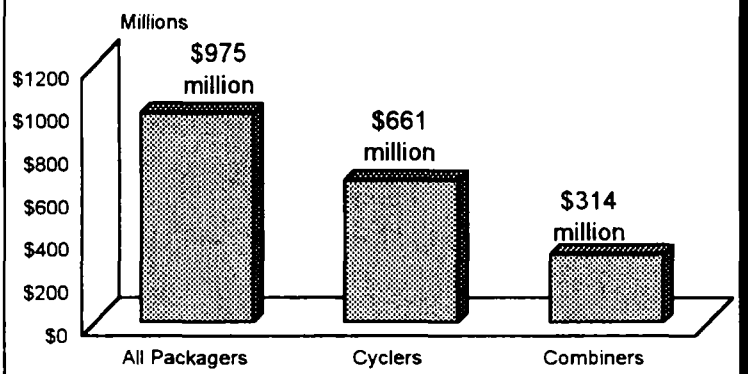
lies are most likely to escape poverty in months when they package paid employment, AFDC, and food stamps. During these months, their income averages 115 percent of the poverty line (including the cash value of food stamps). During the months when mothers receive neither earnings from employment nor AFDC benefits, when their families experience the worst levels of poverty, food stamps double their family income from 24 percent to 49 percent of the poverty line.

These working welfare mothers may sometimes fail to participate in the Food Stamp Program because they lack knowledge about the program or are unaware that they qualify for benefits, or because the transaction costs of receiving benefits in months when their earnings are greater may be high. Due to such factors, in addition to lags between qualification and benefit receipt, these women and their families lose an average of $814 (in 1990 dollars) in food stamp benefits over the 24-month study period. When multiplied by the total population of combiner and cycler families, these losses amount to $975 million dollars in lost purchasing power over a 24-month period, or close to $488 million per year (see Figure 2). Eligible cyclers lose twice as much as eligible combiners, and both groups lose the most during periods when they do not receive AFDC.

Entry and Exit Patterns

To provide a more in-depth look at patterns of entry onto or exit from the food stamp rolls, IWPR looked at a sub-sample of single mothers, half of whom are combiners and half of whom are cyclers. The average single mother in this sub-sample makes 2.2 transitions onto or off of the food stamp rolls

Figure 2
Estimated Purchasing Power Lost as a Result of Non-Receipt of Food Stamps
(in 1990 dollars, over a 24-month period)



Source: IWPR calculations based on the U.S. Bureau of the Census Survey of Income and Program Participation, 1984 and 1986-1988.

stamp rolls starts when these single mothers experience decreases in their own earnings as a result of job loss, wage declines, or decreased hours of paid employment. These declines in earnings result in subsequent drops into poverty for their families, followed by a simultaneous movement onto the AFDC and food stamp rolls.

A second pattern begins with the break-up of families, births of additional children, or the loss of earnings by family members other than the mother. This pattern is more likely to occur among cyclers. These changes result in the need for additional financial resources. The mothers in these families try to compensate for losses in income and to provide additional resources by entering the AFDC and food stamp rolls.

The sequence of events that results in exits from the Food Stamp Program appears to be the mirror image of entries, with increases in employment and reformulation of families often triggering these exits. The most common exit pattern for both cyclers and combiners occurs when the mother improves her employment situation and her earnings increase.

Policy Conclusions

Both the Food Stamp and the AFDC programs are extremely vulnerable to cutbacks in funding, tightening of eligibility requirements, and loss of federal control over the programs if many current proposals are enacted. The results of this study, done under current (1995) eligibility rules and benefit levels, suggest a double negative effect on the well-being of single mothers and their children if such proposals are implemented. As the AFDC program is transformed into a transitional employment program and as job losses are less likely to be cushioned by AFDC receipt, food stamp participation rates among eligible recipients are likely to fall. Families' nutritional standards are likely to decline unless programmatic changes that emphasize outreach are implemented. If the proposed cutbacks in the Food Stamp Program become law, outreach programs that encourage food stamp use are unlikely to be implemented. As a result, lack of awareness of eligibility will increase while a major gateway to the Food Stamp Program, AFDC, closes. Furthermore, as a result of a likely emphasis on cutting food stamp costs, fewer poor single mothers will likely be eligible for the program and the amounts they receive will be smaller.

Given these likely outcomes, food stamps will have a much smaller impact on poverty reduction and on increasing purchasing power than our findings based on current policy show. The greatest losses in well-being may occur among those who are the poorest--those who neither receive AFDC nor find employment. These losses in purchasing power will likely not only decrease the well-being of poor families but are also likely to result in substantial lost revenues to the food industry.

This fact sheet is based on the report entitled ***Food Stamps and AFDC: A Double Life-Line for Low-Income Working Single Mothers,****, by Roberta Spalter-Roth and Enrique Soto. The study was funded by the United States Department of Agriculture and is now available from IWPR for $15.00, item # D427, ISBN 1-878428-16-0. This fact sheet was prepared by Andrew Groat and Kris Ronan with the assistance of Roberta Spalter-Roth, Jackie Chu, and Jill Braunstein in September 1995. The Institute for Women's Policy Research is an independent, nonprofit, scientific research organization founded in 1987 to meet the need for women-centered, policy-oriented research. Members of the Institute receive regular mailings including fact sheets such as this. Individual memberships begin at $40. Please contact Terri Morgan, Coordinator of Membership and Publications, at (202)785-5100 for details on how to become a member of the IWPR Information Network, or use your credit card to order publications by fax at (202)833-4362. Residents of the District of Columbia add 5.75% tax to publication orders.*

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Elect to End Childhood Hunger

Bread for the World's 1996 Offering of Letters

by Barbara Howell and Lynette Engelhardt
BFW Domestic Policy Analysts

PHOTO RESPONSE STUDIOS

"Is there anyone among you who, if your child asks for bread, will give a stone?"

– Matthew 7:9

Some 13 million children under age 12 in the United States are hungry or at risk of hunger – more than one in four. To these children, government leaders have said, "We will radically cut food assistance and end federal responsibility for providing a basic safety net." They would give them stones instead of bread.

The 1996 congressional elections hold great potential for people of faith and conscience to seek justice for people who are poor and hungry. We can use our citizenship effectively in the fight against hunger.

Members of Congress and other candidates listen intently to what citizens have to say during campaign time. "Elect to End Childhood Hunger" will educate candidates, the church community and others about the extent of hunger among U.S. children. It will seek to convince them of the moral, social and political imperative of addressing childhood hunger through national public policy in addition to private efforts. By making childhood hunger a significant issue in campaigns, we assure that the next Congress will know that many of their constituents care deeply about how their decisions will affect hungry children. Candidates who commit themselves to helping to end childhood hunger can be held accountable for their promises. Without a strong bipartisan majority in Congress that supports anti-hunger legislation, hungry people will continue to shoulder the burden of federal budget cuts.

We expect to be joined in this campaign by many others. The Offering of Letters has already been endorsed by a wide range of church leaders and other organizations that work against hunger and poverty.

The efforts of all of us will be needed to raise childhood hunger above the many voices competing for attention in the election campaigns. Ours will be a powerful voice of conscience and Christian concern for children who are hungry. If we are silent, who then will speak for our children?

Churches and Charities Can't Do It All

"Charity is a matter of personal attributes, justice a matter of public policy. Never can the first be a substitute for the second."

– The Rev. William Sloane Coffin

According to the U.S. Department of Agriculture (USDA), the proposed cuts in food stamps alone for 1996 are five times larger than the current private hunger relief effort.

Churches and other private groups are already pouring much of their charitable money into emergency food and shelter for needy people. They no longer have the resources and time to do what they are best able to do: help people overcome emergencies and become self-reliant. Furthermore, most of the major charitable organizations providing direct service rely heavily on federal dollars and food commodities to support their work. Researchers at Princeton University estimate that 25 percent of charities' funds come from the federal government.

Childhood Hunger State Profiles

	Number of Children Under Age 12* (1993)	Number of Hungry or At-Risk Children Under Age 12* (1993)	Infant Mortality Rate by Race Per 1,000 Live Births** (1992)		Number of Children Under Age 18 Receiving Food Stamps*** (FY 1993)	Number of Participants in Child Nutrition Programs**** (FY 1994)	
			White Rate	Black Rate		WIC	School Lunch
Alabama	719,000	212,000	7.6	16.2	287,848	122,302	551,152
Alaska	128,000	26,000	7.3	–	23,974	15,751	45,223
Arizona	726,000	221,000	7.8	16.7	268,442	117,136	376,508
Arkansas	421,000	152,000	8.6	16.2	141,257	88,050	312,411
California	5,934,000	2,200,000	6.3	16.8	1,931,912	912,066	2,272,785
Colorado	629,000	132,000	7.2	14.6	147,542	68,995	293,349
Connecticut	525,000	102,000	6.2	17.2	117,334	65,497	225,598
Delaware	119,000	26,000	5.8	18.0	31,113	16,456	63,515
District of Columbia	80,000	32,000	–	22.0	48,102	18,156	47,061
Florida	2,146,000	848,000	7.0	15.1	789,136	298,600	1,176,410
Georgia	1,241,000	304,000	7.1	15.9	417,471	206,113	960,501
Hawaii	204,000	39,000	–	–	49,655	24,881	139,326
Idaho	219,000	67,000	8.8	–	42,125	31,672	142,029
Illinois	2,073,000	545,000	7.4	19.8	612,143	237,203	929,378
Indiana	978,000	275,000	8.0	20.3	256,511	133,953	596,264
Iowa	483,000	112,000	7.7	–	96,760	61,566	381,306
Kansas	454,000	132,000	7.5	21.7	92,965	58,537	306,595
Kentucky	643,000	217,000	7.9	12.7	240,572	114,680	506,556
Louisiana	827,000	323,000	6.9	13.0	410,456	118,015	670,721
Maine	203,000	71,000	5.5	–	61,468	27,350	105,104
Maryland	843,000	168,000	6.7	16.5	197,531	84,741	359,947
Massachusetts	948,000	213,000	5.8	13.4	229,016	113,263	446,743
Michigan	1,675,000	501,000	7.0	22.1	513,005	209,032	741,849
Minnesota	815,000	199,000	6.2	17.5	171,796	97,101	515,387
Mississippi	504,000	188,000	8.0	16.1	273,355	103,242	407,983
Missouri	907,000	294,000	6.9	15.9	291,197	121,946	555,113
Montana	152,000	46,000	6.7	–	33,600	19,262	86,741
Nebraska	290,000	72,000	6.7	–	61,100	34,792	203,762
Nevada	240,000	55,000	5.9	16.6	54,651	27,153	93,192
New Hampshire	189,000	43,000	5.8	–	29,209	19,642	87,971
New Jersey	1,289,000	292,000	5.9	18.7	267,689	140,616	506,656
New Mexico	322,000	101,000	6.8	–	131,698	52,267	173,965
New York	3,040,000	932,000	7.1	15.8	964,858	447,349	1,625,538
North Carolina	1,150,000	339,000	7.3	16.5	323,552	177,871	750,500
North Dakota	113,000	24,000	7.4	–	23,694	17,933	88,975
Ohio	1,911,000	507,000	7.9	18.0	611,112	252,693	972,666
Oklahoma	576,000	223,000	7.9	16.8	179,726	89,286	365,797
Oregon	519,000	131,000	6.8	–	137,388	77,037	246,201
Pennsylvania	1,921,000	539,000	6.9	20.4	556,377	258,405	975,334
Rhode Island	159,000	41,000	6.9	–	49,045	20,793	57,773
South Carolina	640,000	229,000	7.1	16.0	213,828	122,932	450,845
South Dakota	137,000	41,000	7.7	–	31,562	23,337	106,393
Tennessee	850,000	313,000	7.0	17.4	364,193	131,635	593,090
Texas	3,499,000	1,072,000	6.8	14.2	1,421,597	611,029	2,136,447
Utah	441,000	109,000	6.0	–	74,253	55,963	246,321
Vermont	96,000	21,000	7.3	–	25,386	16,220	46,343
Virginia	1,073,000	222,000	6.9	17.7	261,125	129,403	583,697
Washington	933,000	257,000	6.4	15.9	229,855	102,237	418,243
West Virginia	284,000	106,000	8.9	–	207,751	53,409	199,502
Wisconsin	886,000	253,000	6.4	13.5	181,409	107,113	486,013
Wyoming	90,000	26,000	9.0	–	18,512	11,949	57,247
United States	44,912,000	13,528,000	6.9	16.8	14,195,859	6,466,630	24,688,026

Sources: *Census Bureau. **Food Research and Action Center. ***U.S. Department of Health and Human Services. ****U.S. Department of Agriculture.

FACT SHEET

SOCIAL SECURITY: SOME BASICS

Who Receives Social Security Benefits

- 42.9 million people receive monthly Old Age, Survivors and Disability Insurance benefits (OASDI) as of December 1993:
  - 73% are age 65 or older;
  - 27% are under age 65;
  - 41.7% are men;
  - 58.3% are women.
- 3.5 million children receive OASDI benefits (8.3 percent of all beneficiaries):
  - 78.7% are children under age 18;
  - 2.7% are students age 18 to 19;
  - 18.6% are children with disabilities age 18 or over;
  - 12.4% are children of retired workers;
  - 52.1% are children of deceased workers;
  - 35.5% are children of disabled workers.

What Beneficiaries Receive

- The average monthly benefit for retired workers at the end of 1993 was $656:
  - For their wives and husbands--$347;
  - For their children--$296.
- The average monthly benefit for widow/ers at the end of 1993 was $624:
  - For children of deceased workers--$443;
  - For widowed mothers and fathers--$448;
  - For parents of deceased workers--$547.
- The average monthly benefit for a disabled worker at the end of 1993 was $641:
  - For wives and husbands of disabled workers--$156;
  - For children of disabled workers--$173.

Who Pays for Social Security

- 137.8 million people work in jobs covered by Social Security.[1]
  - 130.1 million are wage and salaried taxpayers;[2]
  - 13.3 million are self-employed taxpayers.
- Some beneficiaries also contribute to the system by paying taxes on their benefits.

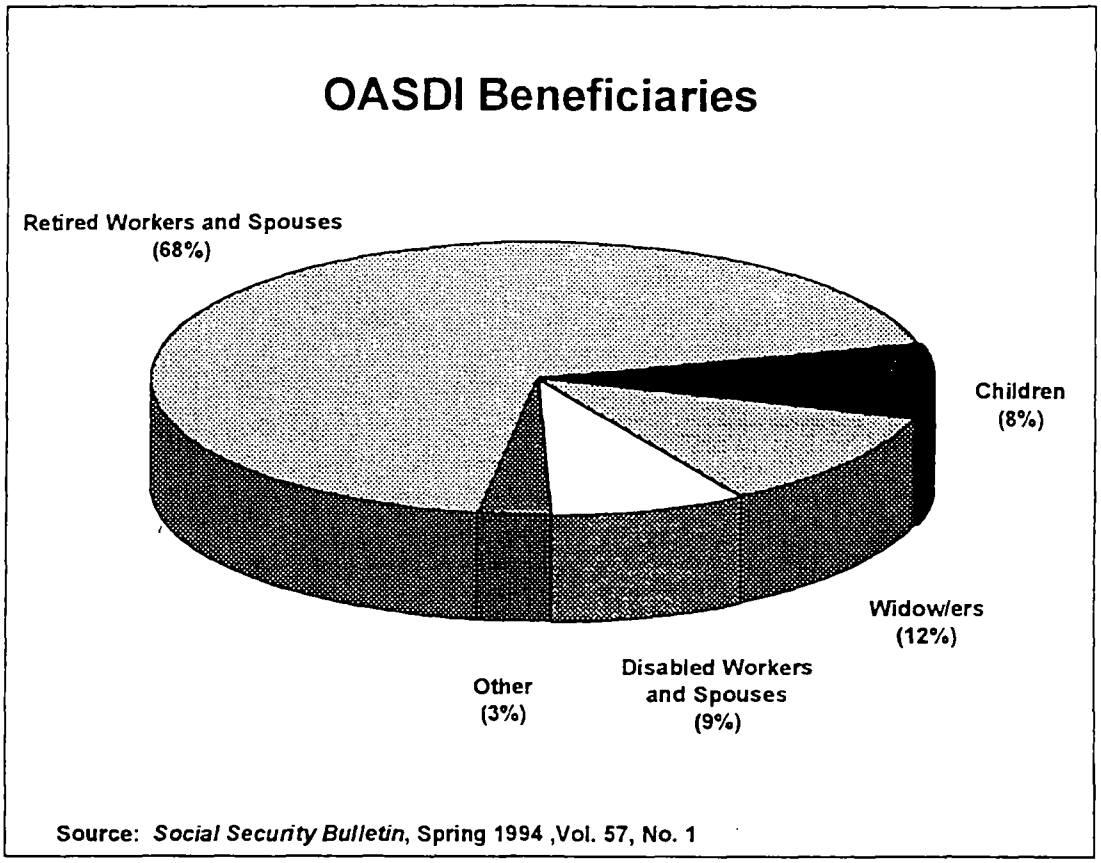
If a married couple has a combined income of between $32,000 and $44,000, or if a single individual has income of between $25,000 and $34,000, up to 50 percent of Social Security benefits can be taxed. If the married couple has a combined income of $44,000 or more, or the single person has income of $34,000 or more, up to 85 percent of the benefit is subject to tax[3].

The revenue raised from the tax on income between the two thresholds--income between $32,000 and $44,000 for married couples, and $25,000 and $34,000 for single individuals--goes to the Social Security trust funds. The revenue from the tax on income above the second thresholds--$44,000 and over, and $34,000 and over--is credited to the Hospital Insurance trust fund.

How Much Workers Pay

Wage and salaried workers pay a total of 7.65 percent of their earnings, matched by 7.65 percent paid by their employers in FICA[4] tax for Old Age, Survivors, Disability and Hospital Insurance (OASDHI).

AARP



FICA taxes for OASDI (6.2 percent) are paid on income up to the taxable maximum amount (in 1994 the maximum is $60,600 for OASDI). FICA taxes for Hospital Insurance (HI) are 1.45 percent and have no taxable maximum.

Self-employed workers pay 15.3 percent of their taxable earnings in SECA[5] tax. This is an amount equivalent to the employer and employee contribution combined. However, the self-employed compute their SECA tax based on 92.35 percent of their net annual income and may deduct one-half of the combined tax from income subject to federal income tax. The 92.35 percent is equal to 100 percent of net annual income minus 7.65 percent–the amount equivalent to the employer's share of the tax. Thus, the self-employed are treated in much the same manner as employers and employees for Social Security and income tax purposes.

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[1]Additionally, 4.7 million people pay only Hospital Insurance (HI). HI is mandatory for all federal workers and for state and local workers hired after April 1, 1986.

[2]This number includes those self-employed individuals who also work as wage or salaried employees.

[3]See AARP Public Policy Institute Fact Sheet "Will Your Social Security Be Taxed?" for further information and a complete definition of income as it pertains to taxation of benefits.

[4]Federal Insurance Contributions Act

[5]Self-Employment Contributions Act

Written by Laurel Beedon
August 1994

Preserving Social Security for Future Generations

Since its enactment in 1935, Social Security has become the nation's greatest social policy success story. For sixty years, it has provided income security for American workers and their families.

- Social Security is a self-funded program with a large surplus -- it does not add a penny to the federal deficit.

- Social Security will be able to pay benefits for another 34 years after which, without adjustments, shortfalls are projected.

The long-term solvency of Social Security has become a major issue. The next president and congress will have to make decisions about the types of adjustment to Social Security that will be needed to ensure its viability for future generations.

Social Security is the cornerstone of the nation's retirement system. Without Social Security, millions of Americans would have little or no retirement income to fall back on.

- Nine out of ten Americans receive Social Security upon retirement, while only 41 percent of current retirees receive income from a pension plan.

- Nearly two-thirds of the recipients receive one-half or more of their total income from Social Security alone.

Social Security is a family protection program which insures families against the loss of earnings due to the disability or death of the wage earner. Today, Social Security beneficiaries include over three million children, nearly three million disabled workers, and five million widowers.

AARP/VOTE 601 E Street, NW • Washington, DC 20049 202-434-3730 202-434-3745 FAX

Social Security Benefits are earned based on contributions. Workers have earned the benefits they receive because they are based on payroll or Federal Insurance Contribution Act (FICA) taxes paid during their working life.

- Today, over 138 million workers and their employers contribute to Social Security, and they and their families are earning valuable protection as a result.

- About one in every six Americans -- 42 million people -- currently receive a Social Security benefit because they've earned it.

Social Security is a strong defense against poverty.

- Without Social Security, the poverty rate for Americans 65 and older would increase from 12 percent to nearly 50 percent.

- By 1993, twenty years after Social Security benefits were indexed for inflation, the percentage of poor elderly had been cut in half, from 24 percent to 12 percent.

- Social Security benefits replace a larger percentage of preretirement wages for lower wage workers than for higher wage workers to guarantee an adequate standard of living for America's elderly.

Social Security must remain viable for future generations. Adjustments to maintain the solvency of Social Security have been made throughout its history. By making carefully considered and modest adjustments today, more radical changes can be avoided in the future. These changes could include:

- a modest increase in payroll (FICA) taxes;

- some reduction in benefits;

- a reasonable increase in the retirement age; or

- some combination of these and other options.

The most acceptable solutions to resolving Social Security's long-term solvency problem will be those that are fair to all generations.

Voters need to know the details of how the candidates plan to ensure the long-term solvency of Social Security.

FACT SHEET

THE MEDICARE PROGRAM

What Is Medicare?
Medicare is a federal health insurance program that provides benefits to those aged 65 and older, disabled workers, and certain people with end-stage renal disease (ESRD).

Medicare is a social insurance program. Individuals are entitled to Medicare by virtue of paying into the system during their working years. Beneficiaries continue to help fund Medicare through premiums and taxes.

The Medicare program is made up of Part A, which covers in-patient hospitalization and limited post-hospital care; and Part B, which covers physician, out-patient care, and other medical services.

Who Is Covered Under Medicare?
At age 65, individuals qualify for Medicare Part A if they paid into the system for at least 40 quarters (about ten years of work), or if their spouse paid into the system for at least 40 quarters.[1] There is no premium required for enrollment in Part A because beneficiaries paid into the system during their working years; those who lack sufficient work history may purchase Part A coverage. Individuals qualify for Medicare Part B upon turning 65 by virtue of their age; if they wish, they may enroll in Part B by paying the monthly Part B premium. Ninety-nine percent of the elderly are insured, virtually all through Medicare.

Individuals entitled to Social Security or Railroad Retirement disability benefits for at least 25 months are eligible for Medicare Parts A and B. Individuals with end-stage renal disease who paid into the system for 40 quarters, or whose spouse did so, also qualify for Parts A and B.

Medicare covers all who qualify, regardless of age, medical condition, or ability to pay.

Medicare Enrollment in 1995:

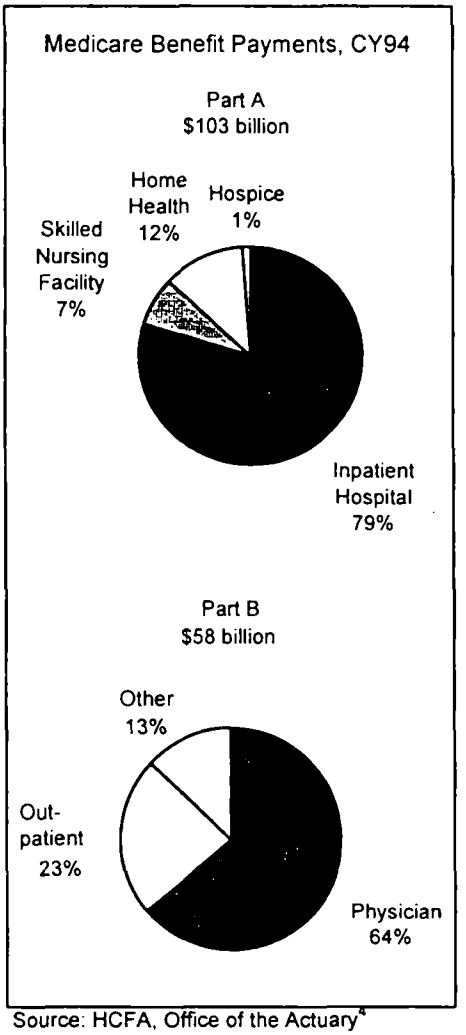
Part A:	32.6 million aged persons; 4.5 million disabled persons[2]
Part B:	32 million aged persons; 4 million disabled persons[3]

What Services Are Covered?
Part A coverage includes:

- In-patient hospital care, up to 90 days per benefit period plus 60 lifetime reserve days
- *Skilled* nursing facility care, for 100 days following a 3-day hospital stay
- Intermittent home-health care, if *skilled* care is needed
- Hospice care

Part B coverage includes:

- Physician services (including visits, surgeries, consultations)
- Lab and other diagnostic tests
- Outpatient services at hospitals
- Mental health services



Source: HCFA, Office of the Actuary[4]

How Much Do Medicare Beneficiaries Pay for Their Health Care Needs?

On average, Medicare coverage pays ***less than half*** of older Americans' health care expenses.[5] The remainder is paid by beneficiaries, by private supplemental coverage, by Medicaid, and by other public payers.

On average, a person 65 years of age and older who lives in the community paid an estimated $2,750 out-of-pocket for health care costs in 1995.[6] This includes Medicare cost-sharing payments, Medicare Part B and private insurance premiums, and payments for goods and services not covered by Medicare. The 1.7 million elderly persons living in nursing homes paid out-of-pocket costs that averaged an estimated $14,120 in 1995.[7]

Medicare-Related Beneficiary Costs in 1996:

Beneficiary Coinsurance Requirements:

Part A -- Hospital inpatient care: $184/day for days 61-90, $368 per additional day, up to limit of 60 lifetime reserve days.
-- Skilled nursing facility care: $92/day for days 21-100 in skilled nursing facility.

Part B: -- Physician care, durable medical equipment: 20% of the Medicare approved amount, plus balance billing of up to 15%.[8]
-- Hospital outpatient: 20% of charge.[9]
-- Outpatient mental health therapy: 50% of the Medicare approved amount.

Beneficiary Deductibles:

-- Part A hospital care: $736/benefit period
-- Part B services: $100 annual deductible

Beneficiary Premiums:

- Part B Beneficiary Premium: $42.50/month
- People age 65 and older who do not meet the Medicare contribution requirement of 40 work quarters, and lack connection to a spouse with 40 quarters may "buy-in" to Part A. For those with under 30 quarters, the Part A premium is $289 per month; for those with 30 to 39 quarters, the premium is $188 per month.[10]

Some Services Not Covered by Medicare:

-- Most outpatient prescription drugs
-- Long-term care
-- Most preventive health care

Beneficiaries with Supplemental Private Insurance or Medicaid Coverage

About 75% of Medicare beneficiaries have private supplemental policies to cover the costs of Medicare coinsurance and deductibles and some services or products not covered by Medicare.[11] Half of these policies are purchased individually by beneficiaries; half are provided by employers; about 7% of beneficiaries have both individual and employer-sponsored coverage.[12] In 1992, on average, beneficiaries who purchased individual Medigap policies paid $1,014 in premiums.[13]

About half of private supplemental policies include some coverage of outpatient prescription drugs; virtually none covers the costs of long term care. About 1% of Americans have purchased private long-term care insurance, but about half of these policies have lapsed, due largely to high premiums.

Twelve percent of Medicare beneficiaries are protected from some or most out-of-pocket health costs by Medicaid.[14] The very poorest (e.g., those eligible for Supplemental Security Income) are not required to pay Medicare premiums, deductibles or coinsurance, *and* receive full Medicaid benefits, including prescription drugs and long term care.

For those with incomes under 100% of poverty *who are not eligible for full Medicaid benefits*, Medicaid pays Medicare premiums, deductibles, and coinsurance, through the Qualified Medicare Beneficiary Program (QMB). For those with incomes between 100% and 120% of poverty, Medicaid pays only the Medicare Part B premium, through the Specified Low Income Medicare Beneficiary Program (SLMB).

Eleven percent of Medicare beneficiaries have neither assistance from Medicaid nor private supplemental health coverage to help pay for the cost of Medicare coinsurance, deductibles, and uncovered services.[15] These people are more likely to have low incomes and/or poor health than those with supplemental coverage.

Individually purchased supplemental coverage generally is unavailable to disabled Medicare beneficiaries; only a few states require that such supplemental coverage be offered.

How is Medicare Financed?

Medicare Part A (Hospital Insurance) is financed primarily by payroll taxes; employers and employees each pay 1.45% of payroll. In addition to contributions made to the Part A Trust Fund during their younger years, about 6% of Hospital Insurance payroll taxes are paid by older households.[16] Also, Social Security beneficiaries with incomes above specific amounts pay *federal income tax* on a portion of those benefits. A portion of these payments (totaling $4 billion in 1995) is designated for the Part A trust fund.

Medicare Part B is financed by a combination of 1) *beneficiary premiums* and 2) *general federal revenues* collected from workers, retirees, corporations and others that pay federal income taxes. Typically, beneficiary premiums are intended to cover 25% of program costs, while general federal revenues finance the remaining 75% of costs through the Part B Trust Fund.[17] In addition to having paid income taxes during their younger years, in 1995, people age 65 and older are paying about 10% of federal personal income taxes.[18] Personal income taxes represent about 70% of general revenues.

How Are Medicare Services Delivered?

Most Medicare beneficiaries obtain their health care in a fee-for-service system that allows them free choice of physician and hospital.

About 9% of beneficiaries are enrolled in Medicare HMOs, which are available in many parts of the country. These offer beneficiaries reduced out-of-pocket costs and broader coverage that usually includes preventive services and often includes some prescription drug coverage as well. Medicare beneficiaries in HMOs are free to end their enrollment and change to another HMO or return to fee-for-service coverage on the first of any month.

Medicare Program Costs and Projections of Future Spending:

In 1994 Medicare spent about $165 billion for benefits and administration.[19] Medicare spends 98% of funds on health services and less than 2% on overhead. Over the next decade, Medicare spending is projected to increase by 9.4% per year. Following is a description of Medicare cost projections:[20]

Medicare Part A:

- Spending is projected to increase by about 8% per year over the next 25 years.
- Total Part A spending is projected to increase from 1.6% of GDP today to 2.8% in 2020, and to 4.4% by 2065.[21]
- Current funding sources are insufficient to assure long-term solvency of the Part A Trust Fund, which is estimated to lack sufficient funds to pay all benefits beginning in 2002.[22]

Medicare Part B:

- Part B spending is projected to increase by 11.4% per year through 2004. Outpatient hospital care is projected to have the sharpest increases in cost; growth in spending for physician care also will be substantial.
- From about 2008 through 2020, increases in Part B costs *per enrollee* are expected to gradually decline to the rate of growth in GDP per capita. Thereafter, Part B program costs are projected to increase by the rate of growth in GDP per capita.
- As a percent of GDP, Part B spending is projected to increase from 0.93% of GDP in 1994 to 3.2% in 2020, and to 4.3% in 2069.

Medicare Payments to Providers

Beginning in 1983, Medicare implemented new payment systems that dramatically slowed growth in program spending. From 1984-1993, Medicare spending per enrollee increased by 7.7% annually, on average, while private health insurance grew by 9.8%.[23] Over the last few years, sharp increases in the amount and complexity of home health and skilled nursing facility care provided to Medicare patients drove up Medicare costs. But, the Health Care Financing Administration projects that Medicare and private insurance spending will increase at virtually the same rate of growth, per enrollee, into the 21st century. Following is a description of Medicare payment systems.

Hospital Inpatient Reimbursement:

In 1983, Medicare began paying a fixed prospective rate for inpatient hospital care rather than the amount hospitals billed or spent. Prospective payments are determined in advance, based on the average cost of treating patients with various medical conditions ("diagnosis related groups" or DRGs). Medicare pays an extra amount for cases that are extremely costly ("outliers"). The pay rate is adjusted to recognize: area wages; costs of medical teaching programs; and a hospital's disproportionate share of patients with low incomes. Medicare also pays a prospectively determined amount for hospital capital and equipment.

Physician Reimbursement:

In 1992, Medicare program spending on physician care was limited through implementation of physician payment reform, which will be fully phased in by 1996. This program established a physician fee schedule and a system of limiting payment increases when the total cost of physician services billed in a year exceeds estimated levels (called volume performance standards, or VPS). The physician payment reform program also limits the amount doctors can charge beneficiaries above the approved Medicare rate.

Hospital Outpatient Reimbursement:

Medicare is developing new prospective payment methods to replace the eleven different payment systems used today for the different types of hospital outpatient care. For hospital outpatient services requiring coinsurance (i.e., all but lab), beneficiaries must pay 20% of the hospital charge. But, because hospital charges are much higher than the amount Medicare approves for payment, beneficiaries pay a large portion of the total hospital payment. For surgery, radiology, and diagnostic services, beneficiaries end up paying 50% of the amount hospitals receive as payment; if the system is not reformed, by 2000, they will pay about 65%.[24] Escalating outpatient hospital charges are driving up beneficiary payments and Medicare payments. Prospective payment could begin in 1997 for surgery, radiology and diagnostic care, if Congress enacts such change. It is expected that prospective payment would reduce growth in Medicare spending for hospital outpatient care.

Managed Care Reimbursement:

For every beneficiary enrolled in a risk-contract HMO, Medicare pays the HMO 95% of what it would have paid had the individual been enrolled in the fee-for-service sector. However, healthier beneficiaries have tended to enroll in managed care plans. Rather than reduce Medicare program costs, Medicare risk contracts cost the program about 6% more than traditional fee-for-service Medicare.[25] Medicare HMOs spend an estimated 10% -13% on overhead and reduce benefit payments by an estimated 10% below what fee-for-service Medicare pays.[26] Many are discussing ways to improve how Medicare pays HMOs because: 1) The Medicare program currently loses money on managed care; 2) Medicare pays dramatically different rates to HMOs in different areas; and 3) Medicare has no system to adjust payments to account for the health status of those who enroll in various HMOs.

What Factors Affect Medicare Spending Growth?

Medicare spending growth is comprised of general inflation, health care inflation in excess of general inflation, increases in the amount of services provided, increases in the intensity of care provided, increases in enrollment, and the aging of the population.

Medicare spending in the next decade:
Medicare Part A spending is projected to increase by 8.0% per year over the next decade (1995-2005).[27] Nearly one-fourth of this increase is due to increasing enrollment and our success in living longer. Over half of the increase is due to general inflation and health care inflation. The remainder is due to the increasing number of services being delivered, including medical advances.

Medicare Part A spending growth 1995-2005

Average Annual Growth Rates:

1.7%	enrollment, people living longer
3.7%	general inflation
0.8%	health inflation (above general inflation)
x 1.6%	increased use of care and improving medical technology
= 8.0%	

Source: HCFA Office of the Actuary

Medicare Part B spending is projected to increase by 11.4% per year from 1995-2004.[28] Part B spending is increasing for reasons similar to Part A -- inflation, health care inflation above general inflation, improving medical technology, increasing number of services being delivered, rising enrollments, and increasing longevity. Part B spending is projected to increase at slightly faster rates than Part A because:

1) Most Part A services are controlled by prospective payment; spending for many Part B services is still unrestrained; and

2) Certain kinds of care, such as some types of surgery, are being shifted from inpatient (Part A) to outpatient (Part B).

Increases in Part B spending on physician care, over the next decade, are expected to be due primarily to increases in the amount and complexity of care provided by physicians. Payments to physicians are expected to be rather flat over the next decade.

Part B spending for hospital outpatient care is rising rapidly because: 1) Congress has not yet put in place a system to restrain prices for such care; and 2) the amount and complexity of care in outpatient departments is increasing due to medical advances, and because care is being shifted from an inpatient to an outpatient basis.

Total Medicare spending is projected to increase by almost 10% per year over the next decade, just to maintain the same level of Medicare services, for a growing Medicare population that is living longer.

Medicare spending in the longer term:
The Medicare Trustees do not attempt to identify the relative weights of different causes of spending growth beyond 2005. However, enrollment growth will represent an increasingly important factor after 2010, as baby boomers join Medicare.

The Medicare Trustees HI Report for 1995 expresses projected spending in Medicare *Part A* as a percent of taxable payroll. To maintain 25 years of solvency, with no changes in program spending, payroll taxes would need to increase by 1.3 percentage points (or 0.65% each for employers and employees). To maintain 75 years of solvency would require a 3.2 percentage point increase in the payroll tax (or 1.6% each for employers and employees).

The Medicare Trustees SMI Report for 1995 expresses projected spending in *Part B* in comparison to GDP per capita. From about 2008-2020, it is expected that *Part B* spending per enrollee will gradually decline to the same growth rate as GDP per capita. From 2020-2069, per-enrollee spending will continue at the same rate as GDP per capita.

[1] Those 65 years old and above, who do not meet these requirements, may purchase Part A coverage.
[2] HCFA Office of the Actuary, *HI Enrollment Projections, 1994*, and personal conversation, Clare Albrecht, HCFA Office of the Actuary, January 6, 1995. Note: Most enrollees with ESRD are included in the counts of the aged and disabled; today, there are about 225,000 ESRD beneficiaries included in these counts and another 77,000 considered ESRD only.
[3] HCFA Office of the Actuary, *SMI Enrollment Projections, 1994*. Note: Most enrollees with ESRD are included in the counts of the aged and disabled; today, there are about 225,000 ESRD beneficiaries included in these counts and another 77,000 considered ESRD only.
[4] Part B "other" includes managed care (risk HMOs, cost HMOs, HCCPs, CMPs); Part A actuaries include such costs within each service category.
[5] Waldo, Daniel R., et al., *Health Expenditures by Age Group, 1977 and 1987*. Health Care Financing Review, Summer 1989, Vol. 10, No. 4 and errata reprint Fall 1989, Vol. 11, No. 1, p. 167.
[6] AARP Public Policy Institute and Urban Institute, *Coming Up Short, Increasing Out-of-Pocket Health Spending by Older Americans*, April 1994, updated, 1995.
[7] Lewin-VHI.
[8] Physicians and durable medical equipment providers also are allowed to bill Medicare patients up to 15% above the Medicare approved amount (known as "balance billing.") As of May 1995, state law protects some or all beneficiaries from some or all physician balance billing in: CT, FL, MA, NY, OH, PA, RI, & VT.
[9] Medicare beneficiaries pay 20% of what the hospital charges, as opposed to 20% of the Medicare approved amount. As a result, beneficiaries are liable for more than half of the amount the hospital receives as payment for diagnostic, surgery and radiology services; HCFA projects this will increase to about 65% by 2000.
[10] Federal Register, 12/8/94.
[11] 1991 Medicare Current Beneficiary Survey.
[12] Ibid.
[13] Data from Medicare Current Beneficiary Survey, compiled by George Chulis, Office of the Actuary, Health Care Financing Administration. Note: Researchers also found that beneficiaries with employer-sponsored coverage paid $728, on average, in 1992, while beneficiaries with individual *and* employer-sponsored coverage paid $1,369, on average.
[14] Data from Medicare Current Beneficiary Survey.
[15] Ibid.
[16] AARP-Peat Marwick individual income tax model.
[17] The Part B premium in 1995 represents about 31% of program costs; this occurred because the premium was determined several years ago. The premium amount was intended to represent 25% of Part B spending, but estimates of program spending that were higher than actual spending.
[18] AARP-Peat Marwick individual income tax model.
[19] This figure includes benefits ($162 billion), and administrative expenses ($3 billion).
[20] Cost projections summarized in this section are based upon the 1995 Annual Reports of the Board of Trustees of the Federal Supplementary Medicare Insurance Trust Fund and the Board of Trustees of the Federal Hospital Insurance Trust Fund.
[21] 1995 Annual Report of the Board of Trustees of the Federal Hospital Insurance Trust Fund. This estimate is based on Intermediate, sometimes called Alternative II, assumptions. These are the Trustees' best estimates of future economic and demographic conditions. The low-cost estimates, often called Alternative I, assume more rapid economic growth, low inflation, and demographic conditions favorable to the program. High-cost, or Alternative III, estimates are more pessimistic, i.e. they assume slower economic growth, inflation at a higher rate, and disadvantageous economic conditions.
[22] 1995 Annual Report of the Board of Trustees of the Federal Hospital Insurance Trust Fund.
[23] HCFA Office of the Actuary
[24] Prospective Payment Assessment Commission, *Report and Recommendations to the Congress*, March 1, 1995.
[25] Health Care Financing Administration, and U.S. Government Accounting Office, *Medicare: Changes to HMO Rate Setting Method Are Needed to Reduce Program Costs*, September 1994, and Jerrold Hill, Randall Brown, Dexter Chu, and Jeanette Bergeron. *The Impact of the Medicare Risk Program on the Use of Services and Costs to Medicare*, Mathematica Policy Research, Inc., December 1992.
[26] Randall Brown, et al, *Does Managed Care Work for Medicare? An Evaluation of the Medicare Risk Program for HMOs*, Mathematica Policy Research, Inc., December 1993.
[27] Health Care Financing Administration projection.
[28] Ibid.

Written by Lorraine Driscoll
January 1996

FACT SHEET

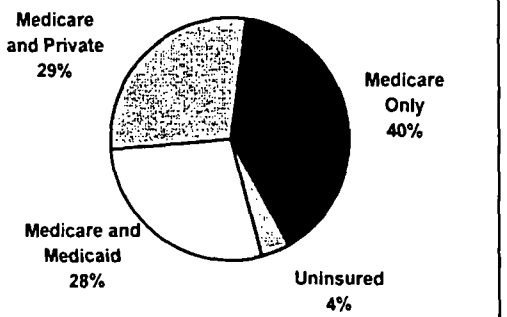
PROTECTIONS FOR LOW-INCOME QUALIFIED MEDICARE BENEFICIARIES (QMBs): A PROGRAM AT RISK

Introduction

It is widely assumed that all elderly persons are adequately insured because they have Medicare coverage. In fact, out-of-pocket expenses are a particular concern for older Americans because of their greater use of health services and the limits of Medicare coverage. In 1994, the average Medicare beneficiary spent $2,519, or 21 percent of family income, on out-of-pocket health care expenses, roughly four times the share of family income spent by their non-elderly counterparts. For low-income Medicare beneficiaries age 65 and older, out-of-pocket spending represents a third of their family income, leaving little money for other basic necessities.[1]

In 1993, 12.2 percent of all persons age 65 and older were living below the federal poverty threshold.[2,3] For these individuals, paying for basic necessities like food and rent, is often difficult. While most poor elderly persons have Medicare coverage, 40 percent have neither private supplemental coverage nor Medicaid (Figure 1). For those who rely exclusively on Medicare, paying the Medicare Part B premium and cost sharing, as well as the cost of services not covered by Medicare, such as prescription drugs and long term care, can be even more burdensome.

Figure 1: Sources of Health Care Coverage For Poor Persons Age 65 and Older, 1993



Source: March 1994 CPS.

In addition to the 3.7 million elderly persons living below the federal poverty guideline, more than 2 million additional elderly persons live near poverty. In total, roughly six million elderly persons, nearly 20 percent of all elderly persons, have income at or below 125 percent of poverty.

Who are Qualified Medicare Beneficiaries (QMBs)?[4]

Recognizing the burden of Medicare-related out-of-pocket costs on low-income Medicare beneficiaries, Congress enacted a requirement in 1988 for state Medicaid programs to pay the Medicare premium, deductibles, and coinsurance for certain Medicare beneficiaries (Figure 2). Persons receiving this assistance from Medicaid are designated Qualified Medicare Beneficiaries (QMBs).

Qualified Medicare Beneficiaries are persons eligible for Medicare Part A with annual income at or below the federal poverty guideline and few assets. In 1996, *annual income* eligibility levels could not exceed $7,740 for an individual and $10,360 for a couple; non-housing *assets* could not exceed $4,000 for a single person, and $6,000 for a couple.[5]

Medicaid also pays the Medicare premium -- but not cost sharing -- for beneficiaries with annual incomes between 100 and 120 percent of the federal poverty guideline ($9,288 for an individual, and $12,432 for a couple in 1996). These individuals are referred to as Specified Low-Income Medicare Beneficiaries (SLMBs).

How Does the QMB Program Work?

Although the QMB program assists Medicare beneficiaries, it is financed and administered through the Medicaid program. As a result, individuals must apply through their state Medicaid agency.

Figure 2: Medicare-Related Beneficiary Costs in 1996

Premium	Part B Beneficiary Premium:	$42.50/month
Deductibles	Part A hospital care:	$736/ episode of illness
	Part B services:	$100 annual deductible
Coinsurance	**Part A** Hospital inpatient care: days 61-90 up to 60 lifetime reserve days Skilled nursing facility care: days 21-100	 $184/day $368/day $92/day
	Part B Physician care, durable medical equipment: Hospital outpatient: Outpatient mental health therapy:	 20% of the Medicare approved amount, plus balance billing of up to 15% 20% of the hospital charge 50% of the Medicare approved amount

Since its enactment, participation in the QMB program has been relatively low. Studies of participation rates suggest that only between 41 percent [6] and 58 percent[7] of those eligible participate. Many potentially eligible individuals are unaware of the program or choose not to participate because of the welfare stigma associated with Medicaid.

What Do Proposed Medicare and Medicaid Changes Mean for the QMB Program?

Recent proposals to balance the federal budget would increase out-of-pocket expenses for Medicare beneficiaries and reduce federal Medicaid spending. Major changes in either program could have serious implications for low-income elderly Americans.

Increasing Medicare-Related Out-of-Pocket Costs

Whether or not Congress enacts major changes in Medicare, the Part B premium and Part A deductible and coinsurance will increase over time. These increases in Medicare out-of-pocket costs are likely to cause more low-income elderly to seek QMB assistance, leading to a need for increased Medicaid funding.

Limited Federal Medicaid Funds

If federal Medicaid funds are reduced or capped, and states are given greater flexibility to determine whom to cover, the QMB program is at great risk. Low-income Medicare beneficiaries will be competing for limited Medicaid dollars with other vulnerable populations.

Given the potential changes in Medicare and Medicaid, it is unclear to what extent current protections for low-income Medicare beneficiaries will remain in place. Substantial reductions in spending and/or elimination of QMB protections would leave many low-income Medicare beneficiaries at risk.

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[1] AARP, Public Policy Institute, and The Urban Institute, Coming Up Short: Increasing Out-of-Pocket Health Expenses for Older Americans, revised April 1995.

[2] AARP, Public Policy Institute, "Income and Poverty in 1993: How Did Older Americans Do?" DD Number 20, July 1995.

[3] In 1993, the annual poverty threshold was $6,930 for an elderly individual. The poverty threshold is set by the Census Bureau and used to determine the number of persons living in poverty.

[4] According to HCFA, Medicaid paid the Part B Premium for 4.8 million Medicare beneficiaries in 1995. These Medicare beneficiaries include three types of individuals: 1) dually eligible individuals, those Medicare beneficiaries who are receiving assistance from Medicaid for Medicare-related costs, and Medicaid coverage of services Medicare does not cover; 2) QMBs, Medicare beneficiaries for whom Medicaid pays all Medicare-related out-of-pocket costs; and 3) SLMBs, Medicare beneficiaries for whom Medicaid pays just the Part B premium. The focus of this fact sheet is on those individuals who only receive assistance with Medicare-related out-of-pocket costs and not on dually eligible individuals.

[5] Eligibility for the QMB and other HHS programs is based on a HHS poverty guideline that does not distinguish by age.

[6] Project Hope, Identifying Barriers to Elderly Participation in the Qualified Medicare Beneficiary Program, report to HCFA, August 23, 1995.

[7] Families USA Foundation, The Medicare Buy-In: A Promise Unfulfilled, March 1993.

Written by Amanda McCloskey and Danielle Holahan
February 1996

THE COMMONWEALTH FUND

Briefing Note of The Commonwealth Fund

MEDICAID'S ROLE IN INSURING LOW INCOME WOMEN

Karen Davis, President

May 1996

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A recent study conducted for The Commonwealth Fund by Pamela Farley Short, a senior economist at RAND, provides compelling evidence of the importance of Medicaid for low income women, particularly for those who are pregnant or have children.

Being on welfare is a major way in which low income women qualify for Medicaid, and as the author warns, changes to either program could significantly increase the number of uninsured poor and near-poor women, including those in greatest need of health care.

Short points out that many women move on and off Medicaid rather quickly, with the majority covered for 5 years or less. However, a substantial minority have been covered for a longer period. Cutting off Medicaid at the five year time limit would end the eligibility of 37% of the beneficiaries, nearly 2 million women, and ending Medicaid after two years would end eligibility for 61%.

By linking Medicaid to welfare, Medicaid penalizes low income mothers for working, Short notes. Despite this, nearly half of single, low income mothers are working, often without the benefit of health insurance.

The author concludes that public officials must face the challenge of how to maintain or expand Medicaid eligibility in order to encourage work and to avoid increasing the number of uninsured families with children.

Medicaid's Value to Low Income Women

- One out of five women with family incomes below 200% of poverty is covered by the Medicaid, including half of all single, low income women with children.
- Even with Medicaid, almost one-third of low income women are uninsured.
- Almost two-thirds (63%) of women leaving Medicaid become uninsured.
- While more than one-fourth (28%) are on Medicaid for less than a year, three-fifths (61%) are enrolled for more than two years, and more than one-third (37%) are enrolled for more than five years.
- Working puts women at risk for losing Medicaid coverage. Low income women who go to work or increase their hours or wages account for more than 40% of Medicaid disenrollment.
- Single working mothers are twice as likely to be uninsured (29%) as nonworkers (15%).
- One-fourth of all low income women enrolling in Medicaid did so because they were having a child, and another 7% enrolled because of a decline in their health.

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MEDICAID'S ROLE IN INSURING LOW-INCOME WOMEN

EXECUTIVE SUMMARY

In order to inform the momentous changes in Medicaid and welfare that are now under consideration in Washington and in state capitals around the country, this study describes the role that Medicaid currently plays in insuring low-income women. Because eligibility for Aid to Families with Dependent Children (AFDC) automatically qualifies welfare recipients for Medicaid, the health insurance of low-income women will be affected by modifications to either AFDC or Medicaid.

The study characterizes women and their health insurance according to their circumstances at the start of a two-year period and then describes the changes in coverage that women experience over that time. The study focuses particularly on low-income women, defined here as those with family incomes over the study period totaling less than 200% of the poverty standard for two years. The data source is the 1990 panel of the Survey of Income and Program Participation (SIPP), a longitudinal survey conducted by the U.S. Bureau of the Census that follows a nationally representative sample of adults over time.

Whatever the final shape and timing of federal legislation regarding Medicaid and welfare, the states will almost certainly be given considerable flexibility to redesign both programs. The federal government has already authorized a great deal of change and experimentation by the states through waivers of normal program requirements. As Congress, the President, and the states wrestle with the best ways to re-design welfare and Medicaid, they will need to consider the following issues that are raised by the survey estimates from this study.

Importance of Medicaid for Low Income Women

- Medicaid figures importantly in the health insurance coverage of low-income women. One out of 5 low-income women is covered by the program at any given time. Half of single women with children in this income group are covered by Medicaid.

- Currently, almost two-thirds of low-income women who leave the Medicaid program become uninsured, suggesting that cutbacks in Medicaid would leave many former recipients without insurance coverage.

- If Medicaid were cut back to cover only those women who are on welfare (either AFDC or SSI), about a quarter of the current recipients (about 1.3 million women) would lose their coverage.

- Even without cutbacks in Medicaid or welfare, nearly a third of low-income women are uninsured. This means that about 6 million low-income women are uninsured at any given time, compared with 4.4 million who are on Medicaid. The percentage of women who are

uninsured falls sharply with family income, to as little as 3 percent of women with family incomes equal to 400% of the poverty line or more.

Discontinuity in Medicaid Coverage

- Reform efforts have focused on long-term welfare dependency, but many women move on and off Medicaid rather quickly. A significant proportion of the women who are on Medicaid at any point in time are recent enrollees; 16 percent have been covered for less than 3 months and 28 percent for less than a year. The majority of recipients have been covered for 5 years or less. Twenty-eight percent of today's enrollees will leave the program in the next two years. Comparable statistics for the subgroup receiving AFDC are not very different from the statistics for Medicaid as a whole: 25 percent of AFDC recipients have been covered by Medicaid for less than a year.

- Despite the turnover in the Medicaid population, there is a large minority of women who have been covered by the program for a long time. Cutting off Medicaid at the 5-year time limit suggested for welfare would end the eligibility of nearly 2 million women, 37 percent of those who are now covered (and 37 percent of AFDC recipients). Cutting off Medicaid after 2 years would drop 61 percent of current recipients from the program.

Medicaid Penalty for Working

- By linking Medicaid to welfare recipiency, the current system has penalized single, low-income mothers for working. Eighty percent of single mothers below 200% of poverty who are not working are covered by Medicaid, compared with 18 percent of workers. Single mothers who work are uninsured at twice the rate for non-workers (29.1% vs. 15.1%).

- Although welfare reform efforts have focused on getting welfare recipients to work, the majority of single, low-income women are already working. Employment rates are somewhat lower for single mothers, compared with women without children, but virtually half of single mothers below 200% of poverty are employed.

Profile of Low Income Women on Medicaid

- The women who are served by Medicaid are above-average in terms of their health care needs. Even among single women with children, who typically qualify for Medicaid because of their low income and not their poor health, 21 percent are in fair or poor health. This is twice the rate for single mothers below 200% of poverty who are not covered by Medicaid. Almost one-third of program entrants have experienced an increase in their health care needs (24 percent are pregnant and 7 percent have suffered a decline in health status).

- About 20 million women, (27% of adult women under age 65) have family incomes totaling less than 200% of poverty over a two-year period.

- More than half of low-income women are single. About half of single women below 200% of poverty have children. A quarter have children under age 6.

The expansions of the last decade extended Medicaid to pregnant women and children in low-income families that earn too much to qualify for welfare. This moved Medicaid towards more similar treatment of workers and non-workers. By breaking the link between Medicaid and AFDC benefits, which go primarily to single heads of households, the expansions also gave families headed by married couples more equal access to publicly sponsored insurance. Many of the states that have redesigned eligibility for their Medicaid programs under waivers from the federal government have moved in similar ways to open up the program to all low-income families, especially to provide coverage for children. Thus, despite the budgetary pressures to cut back on Medicaid expenditures, government officials are likely to find that the only way to encourage work, promote marriage, protect the unborn, and achieve other important policy objectives is to expand--or at least maintain--Medicaid eligibility.

MEDICAID'S ROLE IN INSURING LOW-INCOME WOMEN

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May 1996

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MEDICAID: A PROGRAM CRUCIAL TO WOMEN'S HEALTH

Medicaid plays a critical role in the US health care system by ensuring access to health care for many low-income women and children. Medicaid, funded through a state and federal partnership, provides health insurance coverage to women and their families receiving cash assistance, and to low-income pregnant women, including those in working families. The program enables our most vulnerable populations--who often have the greatest health needs and the least ability to meet them financially--to obtain necessary health care.

Certain proposals pending in the 104th Congress contain significant changes to the Medicaid program which, if enacted, could be devastating to women's health. Proposals to block grant the program, cap spending, and eliminate the entitlement nature of the program would significantly impair women's access to basic health and long-term care services, as well as to reproductive health services, including critical prenatal care and family planning services. At the same time, proposals to reduce the eligibility for cash assistance also threaten to curtail many women's health coverage under Medicaid. While these proposals are largely designed both to pay for tax cuts promised in the Contract with America and to balance the federal budget, they would leave countless women and their families without access to critical health services. Such proposals threaten women's health and economic stability, while shifting costs to state and local governments.

HOW MEDICAID WORKS

Authorized under Title XIX of the Social Security Act, Medicaid is the nation's major publicly financed program for providing health and long-term care coverage to low-income people. While Medicaid is jointly funded by state and federal governments, it is administered by the states. Federal guidelines require states to cover specific groups of people and to provide a core package of benefits. States also have the option to provide additional services and still receive matching funds. The federal government reimburses states for 50 to 80 percent of their Medicaid expenditures, with higher reimbursement rates for states with lower per capita incomes.

Except with respect to services for pregnant women, states establish their own financial eligibility requirements, resulting in large state to state variations in income eligibility thresholds. Nationally, the average income ceiling for a single-parent family of three to qualify for Medicaid is $6,004, which is only 49% of the 1994 federal poverty level of $12,320 for a family that size. The ceiling ranges from 16% of the poverty line in Alabama to 91% in California.[1]

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Committed to improving the health of pregnant women and infants, Congress "delinked" Medicaid eligibility from states' welfare programs and established a national minimum eligibility standard of 133% of the poverty line for pregnant women ($16,385.60 for a family of three). In so doing, Congress eliminated past inequities resulting from wide variation in state eligibility rules for pregnant women, while ensuring access to health care for low-income pregnant women and children in working families.

PROFILE OF WOMEN ON MEDICAID AND RELATED EXPENDITURES

Women are entitled to Medicaid if they fall into a particular category that is eligible for coverage. These categories include families with children who receive AFDC, low-income pregnant women, the elderly, or the disabled. In addition, states have the option to extend coverage to the "medically needy"--individuals and families whose incomes are slightly higher than the AFDC threshold, or who otherwise do not meet the requirements for AFDC.

- Women comprise over 69% of all Medicaid beneficiaries between the ages of 18 and 64.[2]

- Eight percent of all women depend on Medicaid as their only source of health insurance coverage for essential treatment and preventive services.[3]

- Medicaid use is highest among women between the ages of 18-24; 11% of women in this age group depend on Medicaid for their health insurance.[4]

- Although adults and children in low-income families make up nearly three-fourths of beneficiaries, they account for only a third of Medicaid spending.[5]

- The elderly and the disabled account for 27% of Medicaid beneficiaries, but account for 59% of spending.[6]

- Mandatory coverage for pregnant women, infants and children under 19 accounted for 18% of all Medicaid beneficiaries in FY 1991.[7]

- The cost of Medicaid for pregnant women and children is relatively low and represents only a small fraction of Medicaid payments; while children and pregnant women accounted for half of the increase in Medicaid participation between 1988 to 1991, payments made on behalf of these groups accounted for only 11% of Medicaid spending growth.[8]

- In most states, Medicaid eligibility levels fall way below the poverty line, leaving many low-income women and women in working families without access to necessary health and reproductive services. Currently, Medicaid covers only 58% of poor Americans.[9]

- Medicaid requires states to provide transitional health care coverage for six months to women who move off welfare to join the work force, and gives states the option to provide an additional six months of coverage for families earning below 185 percent of the poverty level. In 1990-91, at least 10 states opted to provide the additional six months of transitional Medicaid benefits.[10*] Because many women who leave AFDC take low-paying jobs that do not provide health care benefits, the loss of Medicaid coverage may serve as a disincentive to leaving AFDC. In addition, families who lose AFDC after increases in child support collection can get up to four months of transitional Medicaid. Transitional Medicaid is therefore essential to women's ability to obtain employment and become self-sufficient, resulting in significant savings to state and federal governments.

MEDICAID OFFERS KEY SERVICES TO WOMEN

For those women who qualify, Medicaid covers a broad range of services, with few or no cost-sharing requirements. Federally mandated services of importance to women and their families include:

* inpatient and outpatient hospital
* physician, midwife, and certified nurse practitioner
* laboratory and x-ray
* nursing home and home health
* rural health clinics & federally qualified health centers
* family planning
* early and periodic screening, diagnosis and treatment (EPSDT) for children under age 21

States also have the option to cover additional services and still receive federal matching funds. Commonly offered optional services include prescription drugs, hearing aids, and prosthetic devices.

While Medicaid provides a wide range of services that are vital to women's health, the program is not without its limitations. Due to low reimbursement rates, many physicians providing services of critical importance to women have opted not to participate in the Medicaid

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* These states include Colorado, Maine, Massachusetts, Minnesota, New York, Oregon, South Dakota, Washington, Wisconsin and the District of Columbia.

program. A 1987 survey found that only 63% of Ob/Gyns accepted Medicaid, while the percentage of pediatricians accepting Medicaid dropped from 85% between 1878 and 1989.[11] In 1984, only 58% of psychiatrists accepted Medicaid.[12]

Despite these shortcomings, studies consistently show that Medicaid-eligible women are more likely to receive preventive and treatment services and have significantly better health outcomes than women who lack any type of health insurance coverage.[13] Cuts in Medicaid would severely impair women's access to basic treatment and preventive care, including the following essential services and programs:

1. Clinical Preventive Services

Clinical preventive services play a critical role in improving women's health by detecting diseases at an early stage when they are easier--and far less costly--to treat. Medicaid coverage of preventive services is especially vital, given that low-income women are less likely to have cancer detected at an early stage, and therefore are more likely to suffer more severe consequences, than women from higher income brackets. Medicaid has played a key role in making preventive services more accessible to low-income women, and improving their health outcomes, including their survival rates from cancer. These services include:

- **Mammograms:** Mammograms allow for the early detection and treatment of breast cancer, which causes 46,000 deaths each year, and strikes one in nine women over their lifetime. According to a 1991 survey by the American College of Obstetricians and Gynecologists (ACOG), 44 states and the District of Columbia cover mammograms under Medicaid.[14**]

- **Pap Smears:** Over the past 40 years, Pap smears have played an enormous role in lowering mortality rates from cervical cancer by 70%.[15] All states provide reimbursement for Pap smears under Medicaid.[16]

- **Screening for Sexually Transmitted Diseases (STDs):** Medicaid covers physician, clinic and laboratory services for the diagnosis and treatment of STDs. Screening for STDs in women is particularly important, given that some STD-rates are at their highest level in 40 years, and that STDs are more easily transmitted to women than to men, more difficult to diagnose in women, and present a greater threat to their overall health. Moreover, STD screening and treatment results in reduced rates of STD-related complications, such as cervical cancer, life-endangering ectopic pregnancies, birth defects, perinatal mortality, and infertility. Studies have also demonstrated that testing

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** In 1991, the only states which did not provide mammography screening under Medicaid are Alabama, Michigan, Nevada, North Carolina, Oklahoma and Virginia.

mental health care. For reimbursement purposes, Medicaid treats acute mental health care as general health care services. But unlike general health care, states have considerable latitude to limit coverage for mental health services, by denying coverage to specific types of providers, or by restricting the frequency of visits or the dollar amount reimbursed for services.****

Mental health care services are vital to women, who are twice as likely as men to suffer a major depressive disorder or anxiety disorders.[29] Post-traumatic stress disorder is also a major mental health problem for women, often resulting from violence in women's lives.[30] Mental health services have the potential to vastly improve the quality of many women's lives, enabling them to participate in the work force and care for their families. These services are especially critical given that it is estimated that 3,400 women each year commit suicide as the result of depression.[31]

In Fy 1991, over $2 billion in federal and state Medicaid funds went to mental institutions, while additional funds were spent on services for mental illness in ordinary hospitals and nursing homes and in the community.[32] Despite these costs, investing in mental health services results in significant cost-savings, by reducing overall use of medical services.[33]

- **Substance Abuse Treatment:** Medicaid is an essential, albeit limited, source of funding for treating alcohol and drug addiction. Although the Medicaid statute does not specify coverage for treating drug and alcohol addiction, treatment is reimbursed if the service provided is otherwise covered, such as inpatient hospitalization or physician services. However, common treatment modes, such as residential treatment or counseling provided by non-psychologists, are generally not covered.

  Moreover, the dearth of treatment programs serving women continues to be a serious problem, especially for pregnant women, who are frequently excluded from many drug treatment programs. However, due to the expanded eligibility for pregnant women, Medicaid has the potential to become a major funding source for substance abuse treatment services for this population.[34] Therefore, reductions in Medicaid will not only thwart efforts to treat addictions, but will impede efforts to reduce the incidence of drug and alcohol related deaths and injuries, liver disease, and HIV-infection in women, along with fetal alcohol syndrome, perinatal drug exposure, and pediatric HIV-infection.

**** A 1989 survey found that 25 states had imposed some restrictions on mental health visits by physicians and psychiatrists, and 22 states imposed restrictions on outpatient mental health services, including the number of visits or dollar amount that can be reimbursed within a given period.

While drug treatment is proven to be cost effective, barriers to drug treatment services cost state and federal governments billions of dollars annually. For every dollar invested in treatment, taxpayers save $7.14 in future costs.[35] Moreover, conservative estimates indicate that people who are addicted to drugs or alcohol use 20 times more medical services than non-addicts.[36]

One recent study projects that the alcohol and drug addiction will account for approximately $23 billion in federal payments for health care and disability costs, of which $10 billion will go to Medicaid, and an additional $12 billion in payments will go to social welfare programs.[37] Only 8% of the funds spent on health care costs due to addiction go to treatment, while 92% cover the cost of the consequences of drug addiction.[38] Reduced Medicaid funding could significantly increase our nation's health and social costs due to addiction.

4. Long-Term Care

- **Nursing Home Care:** Medicaid pays for almost half of all nursing home care,[39] covering the cost of services for people who have exhausted all their income and assets. Cuts in funding for long-term care will significantly affect women, who disproportionately comprise the elderly population and represent 75% of all nursing home residents 65 and older. Women over 65 are more likely than men to have functional limitations, in part due to chronic disabling conditions such as arthritis or osteoporosis, which contribute to their greater use of long-term care services. Over half of all women over the age of 85 have problems in managing basic daily activities such as bathing and eating.[40] However, the typical woman age 75 or above has an income of only $9,170--less than one-third of what its costs to stay in the average nursing home for one year.[41]

- **Women as Caregivers:** Funding cuts would also increase the burden on unpaid caregivers, 72% of whom are women.[42] When women provide care for elderly parents or infirm spouses, they often sacrifice employment, substantially impairing their own economic well-being or that of their families. Moreover, women comprise the vast majority of low-paid long-term care workers, 93% of whom are women.[43]

CONCLUSION

Medicaid is critical to the health and economic well-being of low-income women, including those in working families. By ensuring access to a full range of preventive and treatment services, Medicaid plays a significant role in improving women's health. Medicaid's

guarantee of health coverage better enables low-income women to join the workforce, maintain employment, and care for themselves and their families. Moreover, these services are cost effective. Ultimately, preserving the Medicaid program demonstrates this nation's commitment to investing in not only women's health, but the health of our nation.

The National Women's Law Center is a non-profit organization that has been working since 1972 to advance and protect women's legal rights. The Center focuses on major policy areas of importance to women and their families including child support, employment, education, reproductive rights and health, child and adult dependent care, public assistance, tax reform, and social security with special attention given to the concerns of low income women.

NATIONAL WOMEN'S LAW CENTER, Washington, D.C., April 1995

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June 20, 1996

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Get the Facts

Medicaid Proposal Threatens Families' Health Care

All Americans will be affected by the new congressional proposal (HR 3507/S 1795) that would dismantle Medicaid and cut it by $72 billion over the next six years. **Health care coverage would no longer be guaranteed to people who now receive Medicaid.** If the measure is enacted, it will especially hurt women, children, the elderly, and disabled, but will also have consequences for everyone's medical costs.

- **No Safety Net.** States would be able decide who gets Medicaid, how long they get it, and which services they get. This takes away the guarantee of health care coverage for children, women (including pregnant women), the elderly, and disabled individuals. Women are over 70 percent of Medicaid recipients between 18 and 64, and this would reduce their access to preventive services such as prenatal care, pap smears, and mammograms.

- **Families No Longer Protected From Poverty Due To Nursing Home Costs.** The new plan would allow states to make adult children pay nursing home bills when the elderly person cannot pay. About half of nursing home care is paid for by Medicaid, and 75 percent of nursing home residents are women.

- **Medical Costs Would Rise and Emergency Room Services Threatened.** Many who are no longer guaranteed health care coverage under the new plan would be forced to go to emergency rooms for care. Emergency rooms cannot deny life-saving emergency care to anyone, and would not get paid for these services to the uninsured. Their costs would then rise, and either raise everyone's bills or decrease everyone's services. A study by the Consumer's Union shows that when Medicaid funding was cut in California in 1982, all emergency rooms in Los Angeles closed down once a week, even in affluent areas, because of financial strain.

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STATISTICS ON WOMEN, PENSIONS AND POVERTY -- 1996

COMPILED BY THE OFFICE OF SENATOR CAROL MOSELEY-BRAUN

COVERAGE

- More than 50 million workers, or just over half of all workers, earn no pension (dol)
- 24 million working women -- nearly two out of three working women -- do not have pension plans. (dol)
- Only 39 percent of women in the private-sector work force are covered, compared with 46 percent of men. (dol)
- For current retirees, 32 percent of women are covered by pensions, compared to 55 percent of men. (dol)
- About three-fourths of married couples over 45 can expect pension benefits. (dol)
- In 1989, only 23 percent of divorced women age 62 and older received any employer-sponsored pension income. (aarp)
- Less than 1/3 of all women retirees age 55 and over receive pension benefits (compared to 55 percent of male retirees) (dol)
- Only about 54 percent of married private pension plan recipients have selected a joint and survivor option, which, in the event of their death, will continue to provide benefits to their spouse. (rbaw)

BENEFITS

- Among new pensioners in 1993-94, men received median annual benefits of $9,600 and mean annual benefits of $14,654, while women received median annual benefits of $4,800 and mean annual benefits of $6,748. (rbaw)
- In 1994, the median amount of pension benefits received by new female retirees was half that received by new male retirees. (dol)
- The median lump sum payout for men is $11,373. That is over twice as much as the median distribution of $5,005 received by women. (rbaw)
- 63 percent of women, compared to 44 percent of men, receive pension benefits only in the form of a lump sum distribution. (rbaw)
- Eighty one percent of women who received lump sum distributions did not roll over all the money into an IRA or another retirement plan. (dol)

DEMOGRAPHICS

- The typical American woman who retires can expect to live approximately 19 years. (dol)
- Women's average life expectancy at age 65 is 19 years, versus 15 years for men. (dol)
- After age 40, there are five times as many widows as widowers (bu)
- Half of all women who become widowed are age 63. At age 63, women are expected to live another 20 years. (dol)
- Three-quarters of men age 65 and older live with their spouse as compared to slightly more than one-third of older women. (bu)
- In 1970, divorced women were only 5 percent of all women between the ages of 45 and 64. By 1992, divorced women made up 14% of that age group. (aarp)
- Divorced women increased as a percentage of all women age 65 and over, from 2 to 4 percent, between 1970 and 1992. (aarp)

POVERTY

- According to the 1990 Census, while women comprise 58% of the population over 65, they comprise three-fourths of the elderly poor. Black women were 5 percent of the elderly population in 1990, but 16 percent of the elderly poor.
- Elderly women are twice as likely as men to be poor. (dol)
- Almost a quarter of older women were poor or near poor in 1993. (owl)
- Over one-third of elderly women living alone subsist below the federal poverty threshold for the elderly. Over three-fifths live within 150% of the poverty line. (dol)
- Almost four times more widows live in poverty than do wives the same age. (owl)
- Research indicates that almost 80 percent of widows living in poverty were not poor before their husbands died. The same is not generally true of men. (gao)
- An elderly person living alone is five times more likely to be living in poverty than an elderly person living with a spouse. (bu)
- For women age 62 and older, 27 percent of divorced women are poor and 22 percent of widows are poor. (aarp)
- In non-metropolitan areas, 44 percent of older divorced and separated women were poor. (aarp)

WORK

- Two-thirds of working women are employed in the sectors of the economy that have the lowest pension coverage rates. (dol)
- More than half of female workers are in the services and retail sectors of the economy. (dol)
- Only 12% of retirees who had earnings of less than $10,000 per year have received a pension while 68 percent of those who earned more than $40,000 in their last year of work have received pension benefits. (rbaw)
- In 1993, 34% of women earned less than $15,000 compared to 19% of men. The 21% coverage rate for this low income group of workers had a much greater negative impact on overall coverage rates for women than men. (dol)
- 12 million women work for small firms that do not offer pension plans. (dol)
- Approximately half of the 24 million working women who lack pension coverage are employed by small firms. (dol)
- Only 11 percent of retirees from firms with fewer than 25 workers report the receipt of a pension while 68 percent of retirees from firms with more than 1,000 workers report they have received a pension benefit. (rbaw)
- Annuity benefits paid by large firms average almost twice as much as benefits paid by small firms. (rbaw)
- Women are only half as likely to be members of unions and thereby have access to collectively bargained pension benefits. (dol)
- Workers covered by union agreements are nearly twice as likely to have a pension. Women are half as likely as men to be in these jobs. (dol)
- Women are nearly three-times as likely as men to be working part-time. (dol)

WORK PATTERNS

- Of women age 35 to 44, the labor force participation rate was 77 percent in 1992, compared to 96 percent for men. The average woman spends 11.5 years out of the workforce. Approximately 70 percent of caregivers are female. (dol)
- According to the Older Women's League (OWL), 89 percent of all women over age 18 will be caregivers to children, parents or both. (owl)

EARNINGS

- According to 1994 Census Bureau data, women working on a full year, full time basis earn only 72 cents for every dollar men earn. (dol)
- Individually, women lose over $420,000 during their lifetime due to pay inequity. (ncpe)
- In 1994, women age 55-64 who were employed full-time were paid just 66 percent of what men the same age were paid. (owl)
- For most American women -- and men -- real wages have not increased in more than 20 years. (dol)

SAVINGS

- American's save only 4.7 percent of their incomes.(dol)

SOCIAL SECURITY

- Among retired workers receiving Social Security benefits based on their own work records, the average amount a man receives is $858 per month, compared with $538 per month for women. (owl)
- A woman is still more likely to receive pension benefits as a wife, divorced spouse or widow than she is from her own work years. (owl)
- Twenty percent of older women have no other source of income than social security. (owl)
- The average monthly spousal benefit for social security was $355 for divorced women age 62 or older. (owl)
- Elderly widows receive, on average, only $5,964 a year in social security benefits. Only 21 percent receive survivor pensions based on their husbands benefits. Of those that do get a benefit, half receive less than $4,800 a year. (dol)

PERCEPTIONS

- According to a recent survey by Money Magazine, only 48% of women expect to live well in retirement.

aarp -- American Association of Retired Persons
ncpe -- National Committee on Pay Equity
gao -- Government Accounting Office
owl -- Older Women's League
dol -- Department of Labor
bu -- Boston University School of Social Work
rbaw -- Retirement Benefits of American Workers, 1995, Department of Labor

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WOMEN'S PENSION EQUITY ACT OF 1996

Private Pensions

- **Require the IRS to create a model form for spousal consent with respect to survivor annuities**

  Background -- In 1984, Congress passed the Retirement Equity Act (REA) which provided, among other things, that survivor annuities were to apply automatically and any opt-out could be obtained only with spousal consent.

  Problem -- The consent forms are not in plain language and do not contain sufficient explanation, i.e. that the decision is irrevocable even in the event of divorce. For the past ten years, the IRS, at the urging of the GAO, has been preparing a model consent form for couples that choose to take a larger annuity during the husband's life and give up the survivor annuity -- but that form has never been completed.

- **Require the Department of Labor to create a model QDRO form.**

  Background -- The 1984 REA required pension plans to honor court orders dividing pensions upon divorce. But the law does not protect spouses automatically. The divorced woman, or her lawyer, must ask for a court order specifically including the pensions in the divorce settlement. Without a qualified domestic relations order (QDRO) spelling out how, to whom, and when the pension should be paid, plans don't have to pay the divorced spouse a dime.

  Problem -- 1) Many lawyers do not know to ask for a QDRO. 2) There are no model QDRO's for lawyers, or couples who divorce without a lawyer, and pension plans will not honor the orders unless they are complete. 3) Pre- and post-retirement survivor benefits are often forgotten.

Civil Service Retirement System

- **Make widow or divorced widow benefits payable no matter when the ex-husband dies or starts collecting his benefits**

  Background -- If the husband dies after leaving the government (either before or after retirement age) and before starting to collect retirement benefits, no retirement or survivor benefits are payable to the spouse or former spouse.

  Problem -- The widow or divorced wife loses everything: the ex-wife's benefits never start because he didn't choose to or didn't live to start collecting his benefits, and the widow's benefits are canceled because he wasn't working in the federal government at the time of his death.

- **Authorize courts to order the ex-husband to name his former wife as the beneficiary of all or a portion of any refunded contributions**

  Background -- In the case of a husband dying before collecting benefits, his contributions to the CSRS are paid to the person named as the "beneficiary." The employee may name anyone as the beneficiary.

  Problem -- A divorce court cannot order him to name his former spouse as the beneficiary to receive a refund of contributions upon his death, even if she was to receive a portion of his pension..

Military Retirement System

- **Transfer the pension benefits awarded during divorce from a military to a civil service pension, if the spouse rolls the military pension into a civil service pension.**

  Background -- The Uniformed Services Former Spouses' Protection Act of 1982 (USFSPA) provides that a court may treat only the member's "disposable" retired pay as marital property. The definition of disposable now includes, among other deductions, government salary or pension.

  Problem -- The allowed deductions can leave former wives with little if any pension. For example, if an ex-husband leaves the military and enters the civil service, he can roll over his military pension into his civil service pension and the ex-wife loses the military pension awarded to her during the divorce settlement.

Railroad Retirement Board

- **Allow payment of a Tier 2 survivor annuity after divorce.**

  Background -- The Tier 1 benefits under the Railroad Retirement Board take the place of social security. The Tier 2 benefits take the place of a private pension.

  Problem -- Unlike the nondivorced widow, the divorced widow loses any Tier 2 benefits she may have been receiving while her ex-husband was alive, leaving her with only a Tier 1 annuity.

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Unemployment Insurance: Barriers to Access for Women and Part-Time Workers

Created in 1935 as a national program, Unemployment Insurance (UI) was designed to provide income support to workers with a strong attachment to the labor force who are experiencing temporary job loss. Such recent changes in the structure of the economy as the decline of the manufacturing sector, the growth of part-time work, and the expansion of women's participation in the labor market, as well as changes in state legal requirements for UI eligibility, appear to have contributed to a growing inadequacy of UI. The recipiency rate (the proportion of all unemployed who receive UI benefits) has fallen and continues to fall. In new research conducted for the National Commission for Employment Policy, the Institute for Women's Policy Research (IWPR) identifies the specific barriers to workers in qualifying for UI. The study determines the numbers and proportions of women versus men and part-time versus full-time workers who are disqualified because of various eligibility requirements. Our findings show that women are less likely than men to receive UI benefits -- 80 percent of the unemployed women did not meet the eligibility criteria. Similarly, part-time workers are almost four times less likely than full-time workers to receive UI benefits -- 90 percent of part-time workers did not meet eligibility criteria. These findings suggest that the UI system has not adapted to changes in the structure of the workplace and the family, and that UI, which provides insurance to fewer than one-third of the unemployed, will likely increasingly fail to meet the needs of unemployed workers.

UI recipiency has declined steadily since 1975

Unemployment Insurance is a social insurance program administered by 50 states, the District of Columbia, the Virgin Islands, Puerto Rico, and the federal government that is financed through payroll taxes. UI provides temporary and partial wage replacement to workers in times of involuntary job loss. It is also intended to boost the economy during periods of recession by maintaining the purchasing power of unemployed workers and to encourage employers to stabilize employment. While the Federal Unemployment Tax Act (FUTA) generally determines which industries and types of workers are covered by the program, the states generally determine eligibility requirements, level of benefit, and duration of recipiency. After peaking at 49 percent in 1975, the share of the unemployed population receiving UI benefits fell despite relatively high rates of unemployment during the 1980s to a low of 31 percent in 1993, even though 90 percent of all employees are covered by UI.[1] Researchers have offered various explanations for the declining recipiency rate, such as sectoral and industrial shifts in employment, demographic shifts, and the changing eligibility requirements that make it more difficult for unemployed workers to collect benefits.

The Changing Composition of the Workforce and Jobs

The demographic composition of the workforce is far more diverse than it was six decades ago and the characteristics of the job market have changed dramatically since the adoption of the UI program. Women's labor force participation rates nearly doubled from 33 percent to 59 percent between 1948 and 1994. The share of workers in manufacturing (which has traditionally accounted for a significant share of UI claims) decreased from 35 percent of the workforce in 1947 to 16 percent in 1994. The percentage of workers in the service sector increased from 59 percent to 79 percent. At the same time, with the expansion of the service sector, part-time work has also become more prevalent.

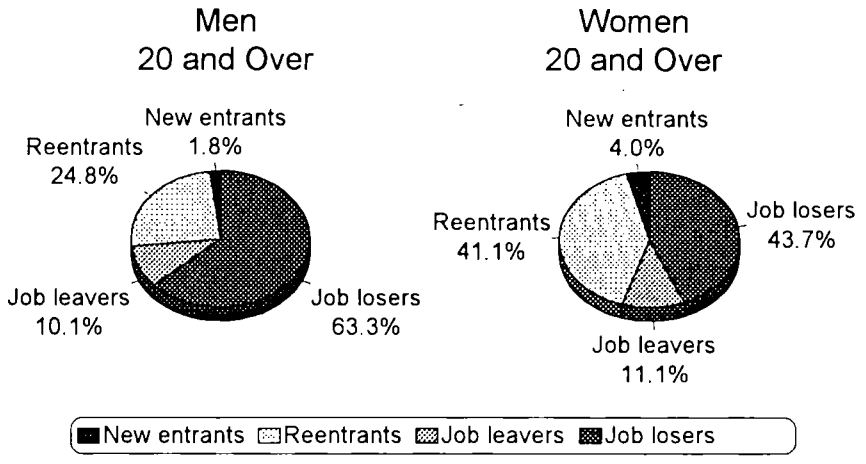
---

[1] Originally, the law excluded farm workers, domestic servants, government employees, and employees of non-profit organizations from coverage. Coverage indicates that the employer is required to pay insurance premiums but any particular covered worker will be eligible for benefits only if she or he also meets various earnings and other criteria.

Do Reasons for Unemployment Differ by Gender?

Although women's labor force participation rates have grown dramatically and increasingly resemble men's, women's patterns of unemployment still differ substantially from men's (see Figure 1). The primary difference is that women are nearly twice as likely as men (41 percent versus 25 percent) to be re-entrants into the labor force (Bureau of Labor Statistics, Employment and Earnings, January, 1995). Despite their growing responsibility for the financial well-being of their families, women are still primarily responsible for performing the unpaid work of child and family care. Women are more likely than men to leave the labor force at some point during their careers for child rearing and other family-related reasons, and re-enter thereafter. Women are also twice as likely as men to be new entrants to the labor force and are over-represented among part-time workers.

Figure 1. Gender Differences in Types of Unemployment (percent of unemployed)



Source: Employment and Earnings, January, 1995. Bureau of Labor Statistics, U.S. Department of Labor.

But, while family responsibilities differentially affect women's labor force patterns, the primary reasons for women's unemployment are job-related. Over 40 percent of the unemployed women cited layoffs, unsatisfactory work conditions and pay, or the temporary nature of their jobs, while fewer than a quarter cited personal, family, or health reasons as the cause for unemployment (based on IWPR calculations of the 1988 Panel of the SIPP).

IWPR's Study

Using data from the Wave 6 of the 1988 Panel of the U.S. Bureau of the Census' Survey of Income and Program Participation (which covers the period from February 1988 to January 1990), the study identifies unemployed and discouraged workers and replicates key aspects of the experience of these workers who attempt to receive UI benefits.[2] The study estimates what would have occurred had each unemployed person in the database applied for benefits in their state of residence, modeling the process by applying seven eligibility criteria determined by state and federal requirements. The initial pool of potential UI beneficiaries in the SIPP data set used in the study represents 6.6 million individuals who said that they were unemployed or discouraged during the survey period. ("Discouraged" indicates those not actively looking for work.) We apply each criterion in successive of screens, with each eliminating additional workers from eligibility.

♦ Non-Student: Thirteen states require that unemployed persons not be enrolled in school as full-time and/or part-time students. Claimants in "approved" training programs are still eligible for benefits under federal law.

♦ Looking for Work: Individuals must be looking for work or they are not considered "unemployed" by the Bureau of Labor Statistics; thus, this criterion excludes "discouraged" workers.

♦ Covered Employment: Workers who have lost jobs not covered by UI, such as self-employed workers or those working without pay in family businesses, are also ineligible for UI benefits.

♦ Weeks Worked: Nearly one quarter of the states require that workers must work a minimum number of weeks with minimum weekly earnings. The number of weeks required by states ranges from 14 to 20 weeks.

♦ High Quarter Earnings: In 28 states, individuals must receive a minimum amount of earnings in at least one of the quarters in their "base period."[3]

♦ Base Period Earnings: In all but Washington State, workers must meet the state's minimum earnings requirements over the base period. Base period earnings are calculated as a flat amount, a multiple of the weekly benefit, or an additional fraction of high quarter earnings. All but six states also require individuals to have earnings in at least two quarters.

[2] Wave 6 is the last four months of the survey (from October 1989 to January 1990), and was used because it allowed us to observe the 12 month period prior to the unemployment spell.

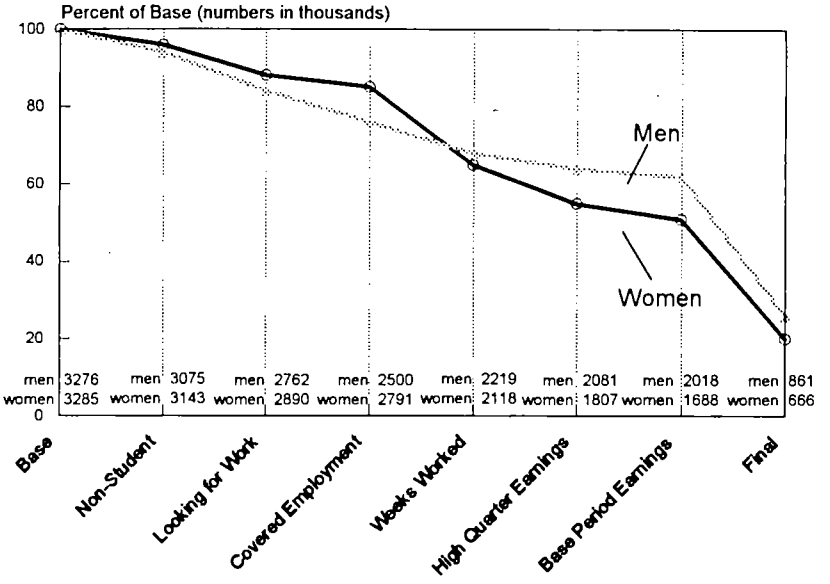
[3] Generally, the 12 months prior to the first quarter before the start of the unemployment spell.

♦ Remaining Eligibility Criteria: This residual category captures unmeasured variations across states and individuals and other job separation issues that might restrict eligibility for benefits, such as exhaustion of benefits, failure to apply, lack of "good cause" (i.e. family or personal reasons), and lack of availability for full-time work.

IWPR Results
UI Eligibility and Gender

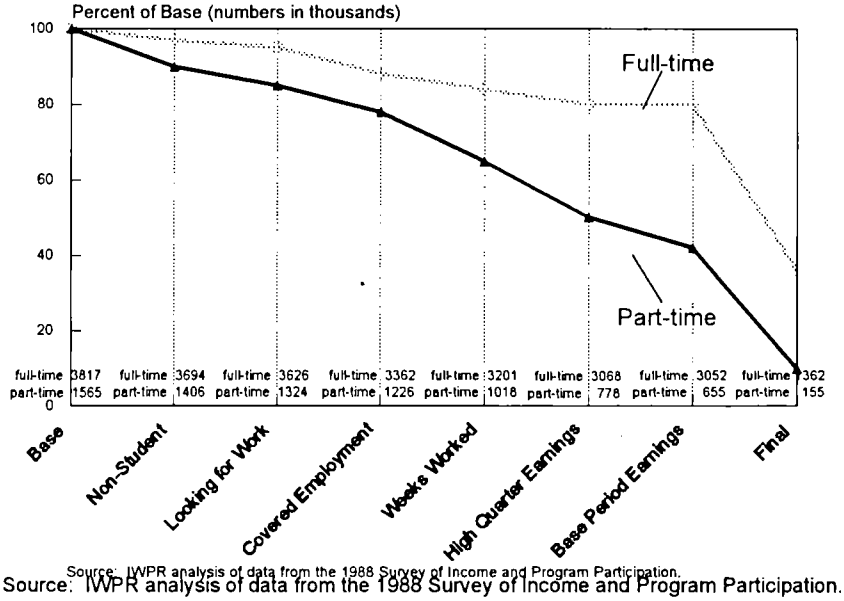
Since women's employment patterns differ from the traditional male model of full-time work, women historically have been less able to meet the program's stringent eligibility criteria. The study shows that women are less likely to receive UI benefits than men. Of unemployed women, 2.6 million (80 percent) did not received UI versus 2.4 million (74 percent) of unemployed men. As Figure 2a shows, the first three eligibility criteria (Non-Student, Looking for Work, and Covered Employment) eliminated a higher proportion of men than women from receiving UI. The next criterion (Looking for Work) also eliminated a higher proportion of men than women from eligibility, likely because more women leave the labor force for family or personal reasons, and are not counted as discouraged.

Figure 2a: How Eligibility Criteria Reduce the Receipt of Unemployment Benefits for Men and Women



Source: IWPR analysis of data from the 1988 Survey of Income and Program Participation.

Figure 2b: How Eligibility Criteria Reduce the Receipt of Unemployment Benefits for Full-time and Part-time Workers



Source: IWPR analysis of data from the 1988 Survey of Income and Program Participation.

When subsequent eligibility rules are applied, increasing numbers of women lose access to UI as they generally have fewer hours or weeks of work and are less likely to meet the earnings requirements. The largest share of the unemployed lost access to UI due to the Weeks Worked requirement (one million workers, or 15 percent), with women losing eligibility at more than twice the rate of men (20 percent versus eight percent). This is most likely since a smaller proportion of women than men work full-time year-round than men. According to the March 1991 Current Population Survey (CPS), 71 percent of men and 54 percent of women between ages 18 and 64 worked full-time year-round in 1990. Women also lost access to UI at twice the rate of men as a result of the High Quarter Earnings and Base Period Earnings requirements (13 percent of unemployed women versus six percent of unemployed men).

The remaining eligibility criteria eliminate a greater proportion of men than women. Although it is likely that fewer women than men have "good cause" reasons for unemployment and fewer women are available for full-time work, proportionally more men are eliminated for other reasons, while proportionally fewer men than women are eliminated for monetary reasons.

Based on our calculations of other months of the SIPP, we found that 17 percent of unemployed women cite family or personal reasons as the cause for job separation,

compared to three percent for men. In contrast, 27 percent of the unemployed men (versus 15 percent of unemployed women) cited plant closings or layoffs as the reason for job separation which is considered "good cause" according to state regulations.

UI Eligibility and Part-Time Status

Because the UI system was designed to assist "traditional" workers (typically full-time year-round workers, those who do not work the necessary hours or weeks) earn the requisite amounts, or are unable to work full-time are likely to lose access to benefits. Part-time workers are thus particularly vulnerable to losing access to UI, which is significant for women since they constitute 68 percent of part-time workers.

After the first six eligibility criteria are applied, 30 percent of the initial 5.4 million unemployed workers were disqualified from receiving UI, while 70 percent remained eligible. The first six criteria left only 42 percent of the unemployed part-time workers compared to 80 percent of full-time workers as eligible. The study shows that it is the monetary eligibility requirements that disqualify the most part-time workers from UI. Four times more part-time workers than full-time workers failed to meet the High Quarter earnings requirement. Part-time workers were twenty times more likely to fail the Base Period Earnings requirement than full-time workers. Part-time workers were significantly more likely to lose access to UI than full-time workers as a result of the Non-Student requirement, since students tend to work part-time rather than full-time. A higher proportion of part-time workers than full-time workers lost access to UI as a result of the Looking for Work criterion, most likely due to part-time workers dropping out of the labor force and thus not being counted as unemployed in official statistics.

About equal proportions of part-time and full-time workers were excluded as a result of the Covered Employment criterion; this is because "coverage" is determined by class of worker or industry, not by number of hours worked. In the Minimum Weeks screen, a significantly higher proportion of part-time workers were excluded since part-timers tend to work fewer weeks than full-time workers (36 weeks versus 46 weeks per year, according to the March 1991 CPS). Beyond the initial six, other eligibility criteria, such as benefit exhaustion, lack of "good cause," and availability for work further reduced the number of eligible workers to 1.5 million workers. Although a greater proportion of full-time workers lost eligibility from the remaining eligibility criteria, (44 percent compared to 32 percent), in the end part-time workers are nearly four times less likely to receive UI benefits than full-time workers.

Policy Recommendations

The findings from this study show that unemployed women are less likely than unemployed men to receive UI benefits. Our findings show that although women are more likely than men to leave or lose their jobs because of family reasons, three-quarters become unemployed for job-related reasons. Similarly, the majority of part-time workers also become unemployed for job-related reasons. These findings suggest that the length of employment, and especially the monetary eligibility criteria, are most likely to disqualify women and part-time workers from receiving UI benefits.

As more workers enter part-time and temporary jobs, and particularly if AFDC becomes a time-limited non-entitlement program, the need for UI will grow. More women will necessarily look to UI as a source of income security, especially because women are more likely to be in precarious labor market positions. However, in its current form, UI will not be adequate for these women. Other IWPR research shows that only 11 percent of working AFDC recipients receive UI, relying on AFDC as a "poor woman's" unemployment insurance instead.

In light of the impact state laws and regulations have had on UI benefit recipiency, the federal government can play a key role in making UI more responsive to recent changes in the economy. UI system reforms should focus on making the system more accessible to workers with low earnings and more sporadic work patterns and expanding the definition of "good cause" to acknowledge the realities of women's labor force participation and workers' family care responsibilities.

This fact sheet is based on the report titled **Unemployment Insurance: Barriers to Access for Women and Part-Time Workers** *by Young-Hee Yoon, Roberta Spalter-Roth, and Marc Baldwin. The study upon which this report is based was funded by the the National Commission for Employment Policy. The study is available for a handling charge of $5 from the Institute for Women's Policy Research; contact Kris Ronan, Publications, (202)785-5100. This fact sheet was prepared by Jackie Chu in June 1995. The Institute for Women's Policy Research is an independent, nonprofit, scientific research organization founded in 1987 to meet the need for women-centered, policy-oriented research. Members of the Institute receive regular mailings including fact sheets such as this. Individual memberships begin at $35.00. Organizational memberships are also available. Contact the Institute for further information.*

NATIONAL WOMEN'S LAW CENTER

OVER 20 YEARS ADVANCING WOMEN'S RIGHTS

MEDICAID: A PROGRAM CRUCIAL TO WOMEN'S HEALTH

Medicaid plays a critical role in the US health care system by ensuring access to health care for many low-income women and children. Medicaid, funded through a state and federal partnership, provides health insurance coverage to women and their families receiving cash assistance, and to low-income pregnant women, including those in working families. The program enables our most vulnerable populations--who often have the greatest health needs and the least ability to meet them financially--to obtain necessary health care.

Certain proposals pending in the 104th Congress contain significant changes to the Medicaid program which, if enacted, could be devastating to women's health. Proposals to block grant the program, cap spending, and eliminate the entitlement nature of the program would significantly impair women's access to basic health and long-term care services, as well as to reproductive health services, including critical prenatal care and family planning services. At the same time, proposals to reduce the eligibility for cash assistance also threaten to curtail many women's health coverage under Medicaid. While these proposals are largely designed both to pay for tax cuts promised in the Contract with America and to balance the federal budget, they would leave countless women and their families without access to critical health services. Such proposals threaten women's health and economic stability, while shifting costs to state and local governments.

HOW MEDICAID WORKS

Authorized under Title XIX of the Social Security Act, Medicaid is the nation's major publicly financed program for providing health and long-term care coverage to low-income people. While Medicaid is jointly funded by state and federal governments, it is administered by the states. Federal guidelines require states to cover specific groups of people and to provide a core package of benefits. States also have the option to provide additional services and still receive matching funds. The federal government reimburses states for 50 to 80 percent of their Medicaid expenditures, with higher reimbursement rates for states with lower per capita incomes.

Except with respect to services for pregnant women, states establish their own financial eligibility requirements, resulting in large state to state variations in income eligibility thresholds. Nationally, the average income ceiling for a single-parent family of three to qualify for Medicaid is $6,004, which is only 49% of the 1994 federal poverty level of $12,320 for a family that size. The ceiling ranges from 16% of the poverty line in Alabama to 91% in California.[1]

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Committed to improving the health of pregnant women and infants, Congress "delinked" Medicaid eligibility from states' welfare programs and established a national minimum eligibility standard of 133% of the poverty line for pregnant women ($16,385.60 for a family of three). In so doing, Congress eliminated past inequities resulting from wide variation in state eligibility rules for pregnant women, while ensuring access to health care for low-income pregnant women and children in working families.

PROFILE OF WOMEN ON MEDICAID AND RELATED EXPENDITURES

Women are entitled to Medicaid if they fall into a particular category that is eligible for coverage. These categories include families with children who receive AFDC, low-income pregnant women, the elderly, or the disabled. In addition, states have the option to extend coverage to the "medically needy"--individuals and families whose incomes are slightly higher than the AFDC threshold, or who otherwise do not meet the requirements for AFDC.

- Women comprise over 69% of all Medicaid beneficiaries between the ages of 18 and 64.[2]

- Eight percent of all women depend on Medicaid as their only source of health insurance coverage for essential treatment and preventive services.[3]

- Medicaid use is highest among women between the ages of 18-24; 11% of women in this age group depend on Medicaid for their health insurance.[4]

- Although adults and children in low-income families make up nearly three-fourths of beneficiaries, they account for only a third of Medicaid spending.[5]

- The elderly and the disabled account for 27% of Medicaid beneficiaries, but account for 59% of spending.[6]

- Mandatory coverage for pregnant women, infants and children under 19 accounted for 18% of all Medicaid beneficiaries in FY 1991.[7]

- The cost of Medicaid for pregnant women and children is relatively low and represents only a small fraction of Medicaid payments; while children and pregnant women accounted for half of the increase in Medicaid participation between 1988 to 1991, payments made on behalf of these groups accounted for only 11% of Medicaid spending growth.[8]

- In most states, Medicaid eligibility levels fall way below the poverty line, leaving many low-income women and women in working families without access to necessary health and reproductive services. Currently, Medicaid covers only 58% of poor Americans.[9]

- Medicaid requires states to provide transitional health care coverage for six months to women who move off welfare to join the work force, and gives states the option to provide an additional six months of coverage for families earning below 185 percent of the poverty level. In 1990-91, at least 10 states opted to provide the additional six months of transitional Medicaid benefits.[10*] Because many women who leave AFDC take low-paying jobs that do not provide health care benefits, the loss of Medicaid coverage may serve as a disincentive to leaving AFDC. In addition, families who lose AFDC after increases in child support collection can get up to four months of transitional Medicaid. Transitional Medicaid is therefore essential to women's ability to obtain employment and become self-sufficient, resulting in significant savings to state and federal governments.

MEDICAID OFFERS KEY SERVICES TO WOMEN

For those women who qualify, Medicaid covers a broad range of services, with few or no cost-sharing requirements. Federally mandated services of importance to women and their families include:

* inpatient and outpatient hospital
* physician, midwife, and certified nurse practitioner
* laboratory and x-ray
* nursing home and home health
* rural health clinics & federally qualified health centers
* family planning
* early and periodic screening, diagnosis and treatment (EPSDT) for children under age 21

States also have the option to cover additional services and still receive federal matching funds. Commonly offered optional services include prescription drugs, hearing aids, and prosthetic devices.

While Medicaid provides a wide range of services that are vital to women's health, the program is not without its limitations. Due to low reimbursement rates, many physicians providing services of critical importance to women have opted not to participate in the Medicaid

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* These states include Colorado, Maine, Massachusetts, Minnesota, New York, Oregon, South Dakota, Washington, Wisconsin and the District of Columbia.

program. A 1987 survey found that only 63% of Ob/Gyns accepted Medicaid, while the percentage of pediatricians accepting Medicaid dropped from 85% between 1878 and 1989.[11] In 1984, only 58% of psychiatrists accepted Medicaid.[12]

Despite these shortcomings, studies consistently show that Medicaid-eligible women are more likely to receive preventive and treatment services and have significantly better health outcomes than women who lack any type of health insurance coverage.[13] Cuts in Medicaid would severely impair women's access to basic treatment and preventive care, including the following essential services and programs:

1. Clinical Preventive Services

Clinical preventive services play a critical role in improving women's health by detecting diseases at an early stage when they are easier--and far less costly--to treat. Medicaid coverage of preventive services is especially vital, given that low-income women are less likely to have cancer detected at an early stage, and therefore are more likely to suffer more severe consequences, than women from higher income brackets. Medicaid has played a key role in making preventive services more accessible to low-income women, and improving their health outcomes, including their survival rates from cancer. These services include:

- **Mammograms:** Mammograms allow for the early detection and treatment of breast cancer, which causes 46,000 deaths each year, and strikes one in nine women over their lifetime. According to a 1991 survey by the American College of Obstetricians and Gynecologists (ACOG), 44 states and the District of Columbia cover mammograms under Medicaid.[14**]

- **Pap Smears:** Over the past 40 years, Pap smears have played an enormous role in lowering mortality rates from cervical cancer by 70%.[15] All states provide reimbursement for Pap smears under Medicaid.[16]

- **Screening for Sexually Transmitted Diseases (STDs):** Medicaid covers physician, clinic and laboratory services for the diagnosis and treatment of STDs. Screening for STDs in women is particularly important, given that some STD-rates are at their highest level in 40 years, and that STDs are more easily transmitted to women than to men, more difficult to diagnose in women, and present a greater threat to their overall health. Moreover, STD screening and treatment results in reduced rates of STD-related complications, such as cervical cancer, life-endangering ectopic pregnancies, birth defects, perinatal mortality, and infertility. Studies have also demonstrated that testing

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** In 1991, the only states which did not provide mammography screening under Medicaid are Alabama, Michigan, Nevada, North Carolina, Oklahoma and Virginia.

women for STDs results in substantial savings to state and federal governments.[17]

While some states impose periodicity guidelines and age limits on mammograms and Pap smears which are not consistent with nationally recognized screening guidelines, studies show that Medicaid plays an crucial role in increasing women's access to key preventive services.[18] Reduced funding for Medicaid would impair low-income women's access to preventive services that are both medically necessary and cost-effective.

2. Reproductive Health Care Services

- **Family Planning Services:** Medicaid is the single largest source of public funding for contraceptive services, with the federal government reimbursing states for 90 percent of their expenditures on family planning services.

  Publicly funded contraceptive services enable women to avoid up to 1.2 million additional unintended pregnancies each year.[19] Effective family planning services improve the health of women by assisting them to space their children, avoid sexually transmitted diseases, and reduce the need for abortions. Healthy children also depend on women receiving effective family planning services. The National Commission to Prevent Infant Mortality estimates that if all pregnancies were planned, infant mortality rates could be reduced by approximately 10% and low birth weight by 12%.[20]

  Moreover, family planning services are cost-effective. Each dollar spent on family planning services saves an average of $4.40 in health and welfare costs.[21] Funding cutbacks in the $500 million expended through Medicaid on family planning in FY 93 would significantly limit the effectiveness of services with proven benefits and cost savings, while increasing the number of unintended pregnancies, abortion rates, and the cost of public assistance.[22]

- **Prenatal and Maternity Care:** Medicaid covers prenatal and neonatal care for pregnant women with incomes below 133% of the poverty line, and allows states to extend coverage to pregnant women with incomes up to 185% of the poverty line. In 1994, 34 states had made use of this option, with 28 states setting their income limits for receiving prenatal and neonatal care at the maximum 185% level.[23] Women who qualify are also entitled to post-partum care and family planning services for 60 days after the pregnancy ends.

  These services are critical to the health of women and children. Prenatal care reduces the incidence of life-endangering pregnancy complications, low birth weight babies, and infant morbidity. Moreover, maternal health services are cost-effective. Every dollar spent on prenatal care saves $3.38 in the cost of caring for low birth weight infants,[24] and averting one low birth weight baby saves $14,000-$30,000 in first year hospital and

long-term health care costs.[25] Since Medicaid is the only source of prenatal care for many women, program cutbacks causing women to forego necessary prenatal care will result in severe financial consequences for state and federal governments forced to assume the high costs of medical care associated with poor birth outcomes.

In addition to prenatal care, one-third of all births in this country are funded by Medicaid. Severe funding cuts could force regional hospital units specializing in high-tech maternity care to close, endangering all high-risk pregnant women in a given region, not just Medicaid beneficiaries. Because these regional health services have played a key role in lowering infant mortality rates across the nation, closures could result in rising infant mortality rates over the next decade.

- **Abortion:** Since 1977, Medicaid funding for abortion services has been severely limited. Currently, federal Medicaid funds are available for abortion only if a woman's life would be endangered by carrying the pregnancy to term, or when a pregnancy results from rape or incest. However, 17 states and the District of Columbia use state funds to provide abortion services to Medicaid-eligible women.[26***] For many low-income women who seek an abortion, however, the lack of Medicaid funding constitutes a potentially insurmountable obstacle; in 1993, the average charge for a first-trimester abortion was $296--just $100 less than the average monthly AFDC benefit for a mother with two children.[27] These restrictions force many women to raise the money for an abortion by diverting funds that would otherwise go toward rent or other necessities such as food for themselves and their children.

  Often lost in the heated debate over abortion funding are cost implications. Recent data shows that state and federal governments would save at least $612 million in health care and welfare expenditures over the two-year period following restoration of public funding of abortions. The states would save approximately $251 million in delivery, health and welfare costs, and the federal government would save approximately $361 million.[28]

3. <u>Mental Health and Substance Abuse Treatment</u>

- **Mental Health Treatment:** Although coverage for mental health services varies greatly among the states, Medicaid is an important source of funding for the treatment of mental illness, including long and short-term problems. For adults aged 18-64, Medicaid covers institutional care in general hospitals or nursing homes, while states may opt to provide coverage for institutional care for children and seniors in facilities which specialize in

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*** These states are Alaska, California, Connecticut, Hawaii, Idaho, Illinois, Maryland, Massachusetts, Minnesota, New Jersey, New Mexico, New York, North Carolina, Oregon, Vermont, Washington, and West Virginia.

mental health care. For reimbursement purposes, Medicaid treats acute mental health care as general health care services. But unlike general health care, states have considerable latitude to limit coverage for mental health services, by denying coverage to specific types of providers, or by restricting the frequency of visits or the dollar amount reimbursed for services.****

Mental health care services are vital to women, who are twice as likely as men to suffer a major depressive disorder or anxiety disorders.[29] Post-traumatic stress disorder is also a major mental health problem for women, often resulting from violence in women's lives.[30] Mental health services have the potential to vastly improve the quality of many women's lives, enabling them to participate in the work force and care for their families. These services are especially critical given that it is estimated that 3,400 women each year commit suicide as the result of depression.[31]

In Fy 1991, over $2 billion in federal and state Medicaid funds went to mental institutions, while additional funds were spent on services for mental illness in ordinary hospitals and nursing homes and in the community.[32] Despite these costs, investing in mental health services results in significant cost-savings, by reducing overall use of medical services.[33]

- **Substance Abuse Treatment:** Medicaid is an essential, albeit limited, source of funding for treating alcohol and drug addiction. Although the Medicaid statute does not specify coverage for treating drug and alcohol addiction, treatment is reimbursed if the service provided is otherwise covered, such as inpatient hospitalization or physician services. However, common treatment modes, such as residential treatment or counseling provided by non-psychologists, are generally not covered.

  Moreover, the dearth of treatment programs serving women continues to be a serious problem, especially for pregnant women, who are frequently excluded from many drug treatment programs. However, due to the expanded eligibility for pregnant women, Medicaid has the potential to become a major funding source for substance abuse treatment services for this population.[34] Therefore, reductions in Medicaid will not only thwart efforts to treat addictions, but will impede efforts to reduce the incidence of drug and alcohol related deaths and injuries, liver disease, and HIV-infection in women, along with fetal alcohol syndrome, perinatal drug exposure, and pediatric HIV-infection.

**** A 1989 survey found that 25 states had imposed some restrictions on mental health visits by physicians and psychiatrists, and 22 states imposed restrictions on outpatient mental health services, including the number of visits or dollar amount that can be reimbursed within a given period.

While drug treatment is proven to be cost effective, barriers to drug treatment services cost state and federal governments billions of dollars annually. For every dollar invested in treatment, taxpayers save $7.14 in future costs.[35] Moreover, conservative estimates indicate that people who are addicted to drugs or alcohol use 20 times more medical services than non-addicts.[36]

One recent study projects that the alcohol and drug addiction will account for approximately $23 billion in federal payments for health care and disability costs, of which $10 billion will go to Medicaid, and an additional $12 billion in payments will go to social welfare programs.[37] Only 8% of the funds spent on health care costs due to addiction go to treatment, while 92% cover the cost of the consequences of drug addiction.[38] Reduced Medicaid funding could significantly increase our nation's health and social costs due to addiction.

4. Long-Term Care

- **Nursing Home Care:** Medicaid pays for almost half of all nursing home care,[39] covering the cost of services for people who have exhausted all their income and assets. Cuts in funding for long-term care will significantly affect women, who disproportionately comprise the elderly population and represent 75% of all nursing home residents 65 and older. Women over 65 are more likely than men to have functional limitations, in part due to chronic disabling conditions such as arthritis or osteoporosis, which contribute to their greater use of long-term care services. Over half of all women over the age of 85 have problems in managing basic daily activities such as bathing and eating.[40] However, the typical woman age 75 or above has an income of only $9,170--less than one-third of what its costs to stay in the average nursing home for one year.[41]

- **Women as Caregivers**: Funding cuts would also increase the burden on unpaid caregivers, 72% of whom are women.[42] When women provide care for elderly parents or infirm spouses, they often sacrifice employment, substantially impairing their own economic well-being or that of their families. Moreover, women comprise the vast majority of low-paid long-term care workers, 93% of whom are women.[43]

CONCLUSION

Medicaid is critical to the health and economic well-being of low-income women, including those in working families. By ensuring access to a full range of preventive and treatment services, Medicaid plays a significant role in improving women's health. Medicaid's

guarantee of health coverage better enables low-income women to join the workforce, maintain employment, and care for themselves and their families. Moreover, these services are cost effective. Ultimately, preserving the Medicaid program demonstrates this nation's commitment to investing in not only women's health, but the health of our nation.

The National Women's Law Center is a non-profit organization that has been working since 1972 to advance and protect women's legal rights. The Center focuses on major policy areas of importance to women and their families including child support, employment, education, reproductive rights and health, child and adult dependent care, public assistance, tax reform, and social security with special attention given to the concerns of low income women.

NATIONAL WOMEN'S LAW CENTER, Washington, D.C., April 1995

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June 20, 1996

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Get the Facts

Medicaid Proposal Threatens Families' Health Care

All Americans will be affected by the new congressional proposal (HR 3507/S 1795) that would dismantle Medicaid and cut it by $72 billion over the next six years. **Health care coverage would no longer be guaranteed to people who now receive Medicaid.** If the measure is enacted, it will especially hurt women, children, the elderly, and disabled, but will also have consequences for everyone's medical costs.

- **No Safety Net.** States would be able decide who gets Medicaid, how long they get it, and which services they get. This takes away the guarantee of health care coverage for children, women (including pregnant women), the elderly, and disabled individuals. Women are over 70 percent of Medicaid recipients between 18 and 64, and this would reduce their access to preventive services such as prenatal care, pap smears, and mammograms.

- **Families No Longer Protected From Poverty Due To Nursing Home Costs.** The new plan would allow states to make adult children pay nursing home bills when the elderly person cannot pay. About half of nursing home care is paid for by Medicaid, and 75 percent of nursing home residents are women.

- **Medical Costs Would Rise and Emergency Room Services Threatened.** Many who are no longer guaranteed health care coverage under the new plan would be forced to go to emergency rooms for care. Emergency rooms cannot deny life-saving emergency care to anyone, and would not get paid for these services to the uninsured. Their costs would then rise, and either raise everyone's bills or decrease everyone's services. A study by the Consumer's Union shows that when Medicaid funding was cut in California in 1982, all emergency rooms in Los Angeles closed down once a week, even in affluent areas, because of financial strain.

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STATISTICS ON WOMEN, PENSIONS AND POVERTY -- 1996

COMPILED BY THE OFFICE OF SENATOR CAROL MOSELEY-BRAUN

COVERAGE

- More than 50 million workers, or just over half of all workers, earn no pension (dol)
- 24 million working women -- nearly two out of three working women -- do not have pension plans. (dol)
- Only 39 percent of women in the private-sector work force are covered, compared with 46 percent of men. (dol)
- For current retirees, 32 percent of women are covered by pensions, compared to 55 percent of men. (dol)
- About three-fourths of married couples over 45 can expect pension benefits. (dol)
- In 1989, only 23 percent of divorced women age 62 and older received any employer-sponsored pension income. (aarp)
- Less than 1/3 of all women retirees age 55 and over receive pension benefits (compared to 55 percent of male retirees) (dol)
- Only about 54 percent of married private pension plan recipients have selected a joint and survivor option, which, in the event of their death, will continue to provide benefits to their spouse. (rbaw)

BENEFITS

- Among new pensioners in 1993-94, men received median annual benefits of $9,600 and mean annual benefits of $14,654, while women received median annual benefits of $4,800 and mean annual benefits of $6,748. (rbaw)
- In 1994, the median amount of pension benefits received by new female retirees was half that received by new male retirees. (dol)
- The median lump sum payout for men is $11,373. That is over twice as much as the median distribution of $5,005 received by women. (rbaw)
- 63 percent of women, compared to 44 percent of men, receive pension benefits only in the form of a lump sum distribution. (rbaw)
- Eighty one percent of women who received lump sum distributions did not roll over all the money into an IRA or another retirement plan. (dol)

DEMOGRAPHICS

- The typical American woman who retires can expect to live approximately 19 years. (dol)
- Women's average life expectancy at age 65 is 19 years, versus 15 years for men. (dol)
- After age 40, there are five times as many widows as widowers (bu)
- Half of all women who become widowed are age 63. At age 63, women are expected to live another 20 years. (dol)
- Three-quarters of men age 65 and older live with their spouse as compared to slightly more than one-third of older women. (bu)
- In 1970, divorced women were only 5 percent of all women between the ages of 45 and 64. By 1992, divorced women made up 14% of that age group. (aarp)
- Divorced women increased as a percentage of all women age 65 and over, from 2 to 4 percent, between 1970 and 1992. (aarp)

POVERTY

- According to the 1990 Census, while women comprise 58% of the population over 65, they comprise three-fourths of the elderly poor. Black women were 5 percent of the elderly population in 1990, but 16 percent of the elderly poor.
- Elderly women are twice as likely as men to be poor. (dol)
- Almost a quarter of older women were poor or near poor in 1993. (owl)
- Over one-third of elderly women living alone subsist below the federal poverty threshold for the elderly. Over three-fifths live within 150% of the poverty line. (dol)
- Almost four times more widows live in poverty than do wives the same age. (owl)
- Research indicates that almost 80 percent of widows living in poverty were not poor before their husbands died. The same is not generally true of men. (gao)
- An elderly person living alone is five times more likely to be living in poverty than an elderly person living with a spouse. (bu)
- For women age 62 and older, 27 percent of divorced women are poor and 22 percent of widows are poor. (aarp)
- In non-metropolitan areas, 44 percent of older divorced and separated women were poor. (aarp)

WORK

- Two-thirds of working women are employed in the sectors of the economy that have the lowest pension coverage rates. (dol)
- More than half of female workers are in the services and retail sectors of the economy. (dol)
- Only 12% of retirees who had earnings of less than $10,000 per year have received a pension while 68 percent of those who earned more than $40,000 in their last year of work have received pension benefits. (rbaw)
- In 1993, 34% of women earned less than $15,000 compared to 19% of men. The 21% coverage rate for this low income group of workers had a much greater negative impact on overall coverage rates for women than men. (dol)
- 12 million women work for small firms that do not offer pension plans. (dol)
- Approximately half of the 24 million working women who lack pension coverage are employed by small firms. (dol)
- Only 11 percent of retirees from firms with fewer than 25 workers report the receipt of a pension while 68 percent of retirees from firms with more than 1,000 workers report they have received a pension benefit. (rbaw)
- Annuity benefits paid by large firms average almost twice as much as benefits paid by small firms. (rbaw)
- Women are only half as likely to be members of unions and thereby have access to collectively bargained pension benefits. (dol)
- Workers covered by union agreements are nearly twice as likely to have a pension. Women are half as likely as men to be in these jobs. (dol)
- Women are nearly three-times as likely as men to be working part-time. (dol)

WORK PATTERNS

- Of women age 35 to 44, the labor force participation rate was 77 percent in 1992, compared to 96 percent for men. The average woman spends 11.5 years out of the workforce. Approximately 70 percent of caregivers are female. (dol)
- According to the Older Women's League (OWL), 89 percent of all women over age 18 will be caregivers to children, parents or both. (owl)

EARNINGS

- According to 1994 Census Bureau data, women working on a full year, full time basis earn only 72 cents for every dollar men earn. (dol)
- Individually, women lose over $420,000 during their lifetime due to pay inequity. (ncpe)
- In 1994, women age 55-64 who were employed full-time were paid just 66 percent of what men the same age were paid. (owl)
- For most American women -- and men -- real wages have not increased in more than 20 years. (dol)

SAVINGS

- American's save only 4.7 percent of their incomes.(dol)

SOCIAL SECURITY

- Among retired workers receiving Social Security benefits based on their own work records, the average amount a man receives is $858 per month, compared with $538 per month for women. (owl)
- A woman is still more likely to receive pension benefits as a wife, divorced spouse or widow than she is from her own work years. (owl)
- Twenty percent of older women have no other source of income than social security. (owl)
- The average monthly spousal benefit for social security was $355 for divorced women age 62 or older. (owl)
- Elderly widows receive, on average, only $5,964 a year in social security benefits. Only 21 percent receive survivor pensions based on their husbands benefits. Of those that do get a benefit, half receive less than $4,800 a year. (dol)

PERCEPTIONS

- According to a recent survey by Money Magazine, only 48% of women expect to live well in retirement.

aarp -- American Association of Retired Persons
ncpe -- National Committee on Pay Equity
gao -- Government Accounting Office
owl -- Older Women's League
dol -- Department of Labor
bu -- Boston University School of Social Work
rbaw -- Retirement Benefits of American Workers, 1995, Department of Labor

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FINANCE
SPECIAL AGING

United States Senate
WASHINGTON, DC 20510-1303

WOMEN'S PENSION EQUITY ACT OF 1996

Private Pensions

- **Require the IRS to create a model form for spousal consent with respect to survivor annuities**

  Background -- In 1984, Congress passed the Retirement Equity Act (REA) which provided, among other things, that survivor annuities were to apply automatically and any opt-out could be obtained only with spousal consent.

  Problem -- The consent forms are not in plain language and do not contain sufficient explanation, i.e. that the decision is irrevocable even in the event of divorce. For the past ten years, the IRS, at the urging of the GAO, has been preparing a model consent form for couples that choose to take a larger annuity during the husband's life and give up the survivor annuity -- but that form has never been completed.

- **Require the Department of Labor to create a model QDRO form.**

  Background -- The 1984 REA required pension plans to honor court orders dividing pensions upon divorce. But the law does not protect spouses automatically. The divorced woman, or her lawyer, must ask for a court order specifically including the pensions in the divorce settlement. Without a qualified domestic relations order (QDRO) spelling out how, to whom, and when the pension should be paid, plans don't have to pay the divorced spouse a dime.

  Problem -- 1) Many lawyers do not know to ask for a QDRO. 2) There are no model QDRO's for lawyers, or couples who divorce without a lawyer, and pension plans will not honor the orders unless they are complete. 3) Pre- and post-retirement survivor benefits are often forgotten.

Civil Service Retirement System

- **Make widow or divorced widow benefits payable no matter when the ex-husband dies or starts collecting his benefits**

  Background -- If the husband dies after leaving the government (either before or after retirement age) and before starting to collect retirement benefits, no retirement or survivor benefits are payable to the spouse or former spouse.

  Problem -- The widow or divorced wife loses everything: the ex-wife's benefits never start because he didn't choose to or didn't live to start collecting his benefits, and the widow's benefits are canceled because he wasn't working in the federal government at the time of his death.

- **Authorize courts to order the ex-husband to name his former wife as the beneficiary of all or a portion of any refunded contributions**

  Background -- In the case of a husband dying before collecting benefits, his contributions to the CSRS are paid to the person named as the "beneficiary." The employee may name anyone as the beneficiary.

  Problem -- A divorce court cannot order him to name his former spouse as the beneficiary to receive a refund of contributions upon his death, even if she was to receive a portion of his pension..

Military Retirement System

- **Transfer the pension benefits awarded during divorce from a military to a civil service pension, if the spouse rolls the military pension into a civil service pension.**

  Background -- The Uniformed Services Former Spouses' Protection Act of 1982 (USFSPA) provides that a court may treat only the member's "disposable" retired pay as marital property. The definition of disposable now includes, among other deductions, government salary or pension.

  Problem -- The allowed deductions can leave former wives with little if any pension. For example, if an ex-husband leaves the military and enters the civil service, he can roll over his military pension into his civil service pension and the ex-wife loses the military pension awarded to her during the divorce settlement.

Railroad Retirement Board

- **Allow payment of a Tier 2 survivor annuity after divorce.**

  Background -- The Tier 1 benefits under the Railroad Retirement Board take the place of social security. The Tier 2 benefits take the place of a private pension.

  Problem -- Unlike the nondivorced widow, the divorced widow loses any Tier 2 benefits she may have been receiving while her ex-husband was alive, leaving her with only a Tier 1 annuity.

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(202) 342-0726

Jennifer A. Vasiloff
Executive Director

Coalition on Human Needs
Welfare Reform Task Force Organizations

Resource Directory for Hill Staffers

General Information on Welfare Reform

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Divider Title: Federal Budget and Devolution

Special Edition

Women's Budget

February 1996

The budget battle raging in Washington is a high stakes contest and the future well-being of our country hangs in the balance. Programs that benefit women and their families are being slashed while the Pentagon, the wealthy and the corporations are getting richer.

Did you know Congress wants to:

- Cut $245 billion from Medicaid and Medicare,
- Cut $270 billion in taxes for the rich,
- Give the Pentagon $6 billion more than it asked for?

Our elected representatives are attempting to balance the budget on the backs of women, people of color, and children. Only 10% of the elected officials making crucial decisions about the use of our tax money are women, yet they comprise 52% of the population. *It is in the interest of all women to understand the budgetary challenges we are facing, unite to hold back further erosion of our society, and push for a new set of values and priorities.*

Politicians have failed to address adequately the real problems facing the country: unemployment; expanding poverty: greater economic security for most Americans; racism; environmental poisoning; violence; lack of access to health care for millions of Americans; a crumbling infrastructure; increasing corporate greed; a bloated military bureaucracy; and short-sighted foreign policy. We have been told, however, that our urgent problems are reducing the deficit and getting control of welfare mothers. Immigrants, families of color, and particularly single African-American mothers, are being singled out for attack to justify cutting or dismantling vital social programs.

The focus on the deficit and the sexist and racist attacks on poor women and children are smokescreens for the real dynamic in national budget politics: using the federal budget to continue a giant transfer of wealth from low-income, middle class and working people to the wealthy and corporations that went into high gear in the early 80s.

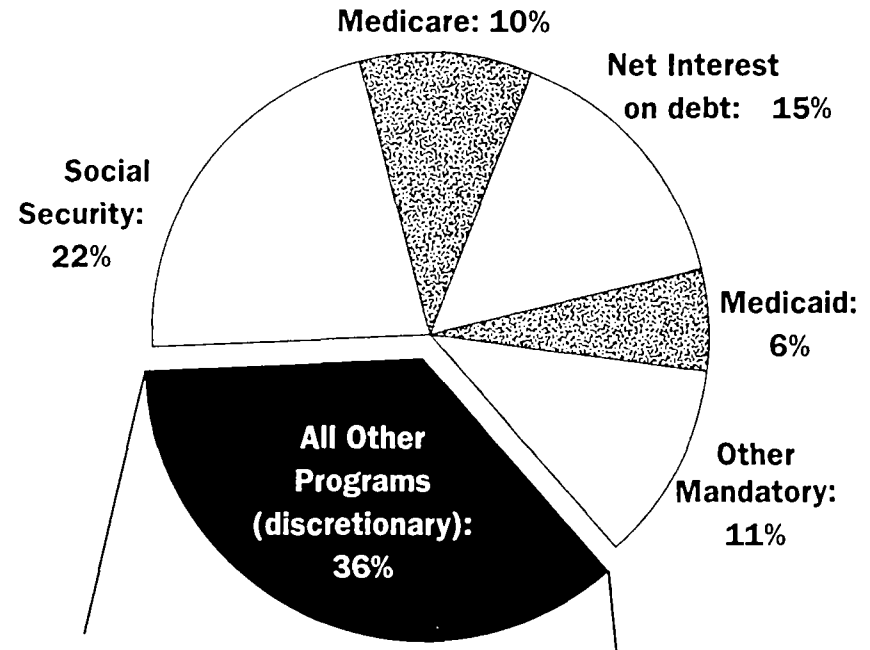
The national debt "crisis" was created through government policy that gave huge tax breaks to the rich and corporations, subsidized the military industry to the tune of $4 *trillion,* starved programs for low-income Americans and refused to make adequate investments in civilian jobs and education. These policies have eroded the economic viability of most women and increased the stress in their lives. Most of the community and family work women do is vital to the US economy but is not paid or included in official GDP statistics. Politicians rely on women to be the silent shock absorbers as they cut public services and programs.

We need to **forge a new mission** for the United States both at home and in the world, in which our vast economic and human resources would be mobilized to insure a **decent life for all Americans, healthy development for all countries,** and a **thriving ecosystem** on planet earth.

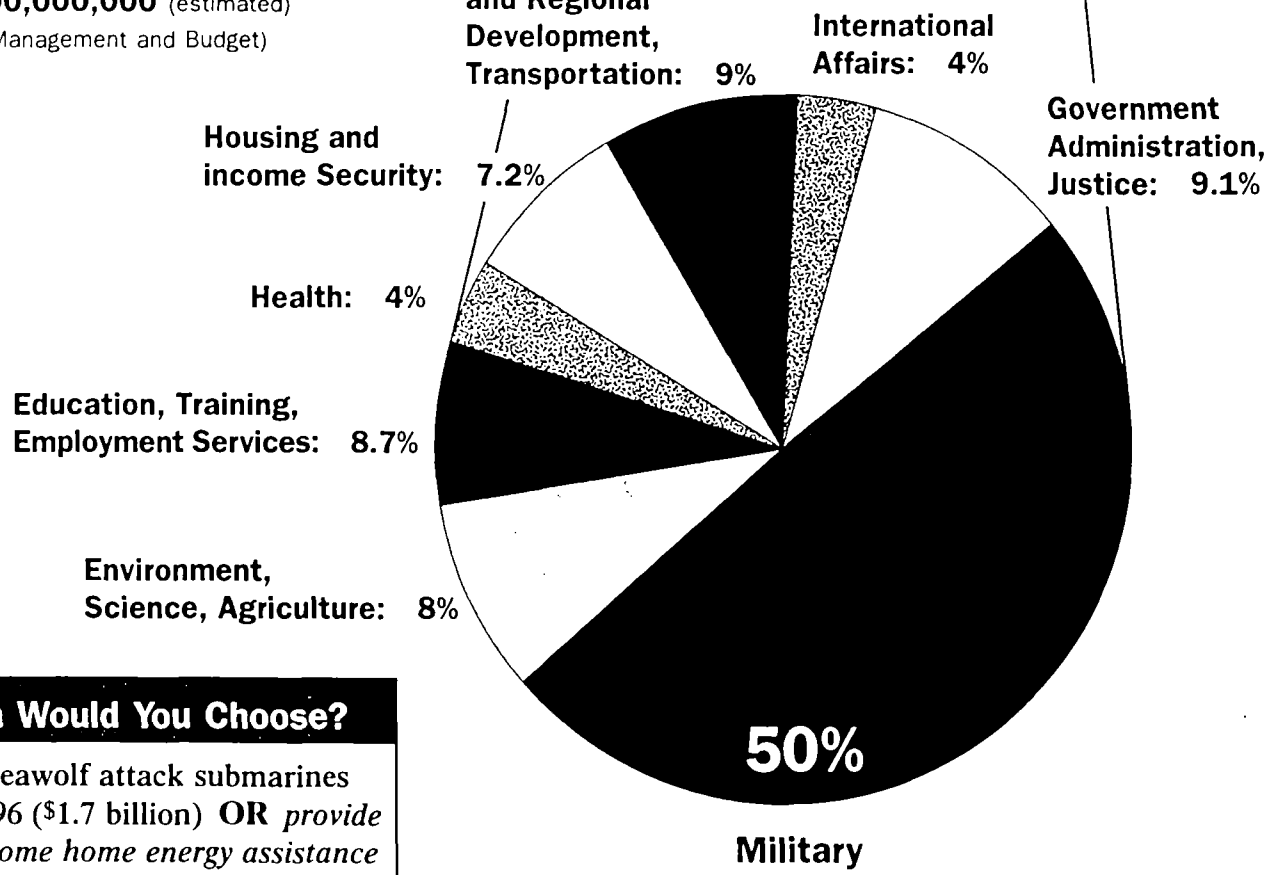
How is the Pie Sliced?

Each year Congress and the President must approve spending for the fiscal year (September–August). The first pie shows the total budget. A large part of the budget is spent on fixed costs (mandatory spending) such as Social Security, Medicare, and interest on the federal debt. The second pie shows the distribution of the non-mandatory part of the budget (discretionary) that is the major focus of the budget debates in Congress each year. Over 50% of this discretionary spending still goes to the military.

Total Federal Budget Outlays, FY95
$1,538,000,000,000 (estimated)



Federal Discretionary Spending, FY95
$553,000,000,000 (estimated)
(Office of Management and Budget)



Which Would You Choose?

Fund Seawolf attack submarines for FY96 ($1.7 billion) **OR** *provide low-income home energy assistance for 5.6 million households?*

What do Women Want?

As seen in the budget pie chart, the distribution of federal payments is heavily weighted toward military expenditures. Investments in programs that guarantee a social safety net for low-income people, fund vital local services, and enrich the infrastructure of the country are seriously underfunded. In addition to the kinds of investments listed below, the government could enhance women's economic potential through policies such as full employment, an increase in the minimum wage, universal access to health care, and the guarantee of child care for all who need it.

High levels of military spending are particularly damaging to women's economic prospects because women are severely under-represented in the military and in military contractor jobs, and because military spending creates fewer jobs than civilian spending. When the government spends money in the military sector, spending on consumer goods, state and local governments, schools, health care, and day care lose out, all sectors that have high concentrations of women. One billion transferred from military spending to civilian investment would create a net gain of 6,800 jobs, which means that a $350 billion transfer from military to civilian spending would create over 2 million jobs in five years[1].

Investments of $350 billion could be made in social investments over five years through military cuts as outlined elsewhere in this resource. Following are examples of investments that could be made[2]:

Education **$40 billion**
Increase funding for Head Start, Compensatory Education, Student Aid, enforcement of the Women's Educational Equity Act

Infrastructure **$45 billion**
Increase spending for highways, bridges and airports, Mass Transit, Amtrak, Wastewater Collection and Treatment

Environment **$20 billion**
Increase funding for Superfund cleanup, Municipal Solid Waste Program, Groundwater Protection, Forestry and Conservation, Renewable Energy and Energy Conservation

Housing **$55 billion**
Increase investment in Public Housing and support services for the homeless

Income Support **$60 billion**
Increase investment in Child Care, Aid to Families with Dependent Children (AFDC), Supplemental Security Income, Low-Income Energy Assistance, Unemployment Compensation

Health Care **$50 billion**
Expand Medicaid, increase funding for Maternal and Child Health Block Grant, Community and Migrant Health Centers, the Family Planning Program, the Child Immunization Program, Office of Research on Women's Health

Nutrition **$20 billion**
Expand the Women's, Infants and Children's Program (WIC), the Older Americans Act Nutrition Programs, School Breakfast, Child Care, and Summer Food Programs, and Food Stamps

Employment & Training **$25 billion**
Increase funding for Job Training and Partnership Act (JTPA), the Economic Dislocation and Worker Act, Senior Community Services Employment Program, Occupational Safety and Health Administration (OSHA), the Wage and Hour Administration, and new initiatives to provide training targeted for low-income women

Special Women's Programs **$15 billion**
Increase funding for Violence Against Women Act, Older Americans Act, Displaced Homemakers Self-sufficiency Act, transition programs and services for women entering the job market, the Women's Bureau

International Relations **$20 billion**
Increase funding for US development assistance for women, support goals of the Fourth World Conference on Women, pay debt to UN and increase contribution

Total Investments **$350 billion**

Which Would You Choose? The ballistic missile defense ("Star Wars") program ($91 billion) **OR** *Provide early education for 740,000 children under Head Start for 26 years?*

Military Budget Cuts Overdue

Since the end of the Cold War, there has been broad agreement among many national security experts that the military could be safely cut by 40 to 80% in five to ten years[3]. Yet the military budget has remained quite high by historical standards and is projected to still be comparable to Cold War spending levels in the year 2001. After World War II, with detailed planning for conversion in place, the defense economy was drastically reduced in just two years. The cuts in the military budget in the last few years have caused job losses and community dislocation because there is no plan for integrating these workers and plants into the civilian economy. Many groups in the US are working to convert military facilities to civilian purposes, but so far there is no coherent federal support for these efforts.

The US is still spending over $270 billion a year for Pentagon programs, but the total spent on the military includes military aid, veterans benefits, part of the NASA budget, and one-half of the interest on the debt that can be attributed to past military spending[4]. This brings the total to over $450 billion for FY95.

The continuing high military spending is based on a totally unrealistic assessment of threats to the US. In 1990, Colin Powell lamented "I'm running out of demons. I'm running out of villains." The "potential adversaries" identified in Pentagon reviews are Iraq, China, North Korea, Iran, Cuba and Libya. The US is spending *ten times the combined spending* of all of them. In addition, the US still forks over tens of billions of dollars a year to "defend" Western Europe against a non-existent Soviet Union.

Pentagon planners want to be able to fight two wars in developing countries simultaneously, imaginary scenarios that enable the military contractors and armed forces to keep tax dollars flowing. These same contractors are now busy selling weapons abroad at an unprecedented rate, thereby increasing the chance of violence and civil wars.

A combination of de-militarization, conversion, development of peacekeeping infrastructure, and increased international cooperation would make a large military unnecessary. Conversion, peacekeeping, and dismantling nuclear weapons are examples of parts of the military budget that should be increasing but are being cut back.

We can reach a 50% reduction in military expenditures over the next five years. That would free up over $350 billion for investments in rebuilding America. Below are examples of how $350 billion worth of savings could be found in the military budget:

Eliminate additional Trident II (D-5 missiles)	$2.8 b
Cancel MILSTAR communications satellite	$4.6 b
Terminate C-17 cargo transport aircraft	$10.5 b
Cancel F-22 Advanced Technology Fighter	$18.5 b
Eliminate support for conventional arm transfers	$23.9 b
Cut Ballistic Missile Defense	$12.0 b
Reduce foreign intelligence budget	$17.0 b
Increase burden-sharing by allies	$17.5 b
Reduce active-duty force structure	$132.0 b
Eliminate SSN-21 Seawolf and New Attack Submarine	$10.6 b
Eliminate corporate welfare to defense contractors	$50.0 b
B-2 Bomber	$15.0 b
Recover unaccounted for Pentagon funds and reduce waste and abuse	$30.0 b
Close more bases and nuclear laboratories	$18.0 b
In addition, conversion and reduction of nuclear forces need additional investment:	
Implementation of START II agreement to reduce nuclear forces	+$6.4 b
Expanded industry conversion and worker retraining	+$6.0 b
Net Cuts	**$350.0 billion**

Which Would You Choose?

Fund the F-22 fighter program for FY96 ($2.1 billion) OR ***pay the annual health care expenses for 1.3 million American women?***

What Are The Trade-Offs?

The US is number one in military spending compared to all other countries in the world. According to the UN, we spend 5% of our $6.1 *trillion* gross national product (GDP) on the military, far surpassing other Western industrial nations. (France: 2%; United Kingdom: 4%; Sweden: 2%). At the same time, the US lags far behind other countries on key socio-economic indicators, which are measures of the well-being of the American people as a whole:

US Rank Among 140 Countries

Social Development

Population with safe water (percent)	1
Literacy rate	4
GNP per capita	6
Economic-Social Standing	9
Public education expenditures per capita	9
Life expectancy (years)	10
Public health expenditures per capita	11
School-age population per teacher	12
Population with family planning (percent)	15
Infant mortality rate	21
Population per physician	22
Economic aid given as a percent of GNP	24
Population with sanitation (percent)	25

Military Power

Arms exports	1
Military Expenditures	1
Military Technology	1
Military bases worldwide	1
Military training of foreign forces	1
Military aid to foreign countries	1
Naval fleet	1
Combat aircraft	1
Nuclear reactors	1
Nuclear warheads and bombs	1
Armed forces	3

From *World Military and Social Expenditures, 1993*

A recent study of 18 nations revealed that poor children in the United States are poorer than the children in most other Western industrialized nations because the gap between rich and poor is particularly large in the United States and because social welfare programs here are less generous than abroad. The US ranks sixteenth out of the 18 countries, ahead of only Israel and Ireland[5].

The Children's Defense Fund estimates that every year of child poverty at current levels will cost the economy between $36 billion and $177 billion in lower future productivity and employment among those who grow up poor. These costs don't include the billions of additional dollars that will be spent on special education, crime, foster care, and teenage childbearing resulting from child poverty.

The deteriorating social conditions in the US are exacerbated for people of color because of the historic legacy of racism. The United Nations Development Program rates countries by a Human Development Index (HDI) that measures life expectancy, literacy, education, and GDP per capita. In 1993, they found that when the HDI of the US was broken down by race, its ranking changed dramatically: first place for whites; 31st for African Americans (along with Trinidad and Tobego) and 35th for Hispanics (comparable to Estonia).

World military spending by the United States, is still over $700 billion a year which equals the income of nearly half the world's people[6]. This continuing high level of resources going into the military is having a huge impact on women all over the world by draining resources that could be spent on human needs. For instance, at a cost of less than half their military expenditures, the developing countries could have a package of basic health services that would save ten million lives a year[7].

Which Would You Choose?

The B-2 bomber program ($44 billion) OR *fund the Child Care Block Grant for 44 years?*

What You Can Do

The budget now being considered is disastrous for women and all American families. The Fiscal Year 1996–2001 budget pending in Congress will set the broad priorities for many years to come, but Congress still has to decide on exact spending each year. **Now is the time to make your voice heard!**

Ask Congress and the President to use the following minimum guidelines for the seven-year budget package now under consideration:

- Reject cuts to social programs, particularly the Earned Income Tax Credit (EITC) and Aid to Families with Dependent Children (AFDC), which will penalize low-income families and poor children.
- Urge President Clinton to reject Congressional attempts to overturn the federal welfare guarantee of income support for poor children.
- Support reductions in spending for unnecessary weapons (like the B-2 bomber) and end Pentagon waste, fraud and abuse; support a plan for military to civilian conversion.
- Increase investments in education, infrastructure, and job training.
- Reject tax breaks to the wealthy and end corporate welfare.
- Engage in gradual debt reduction.

This is an election year

Register to vote, educate yourself and others, and get out and vote! Write letters to the editor and get on radio talk shows. Contact the national office of your religious denomination for materials on economic justice. Hold community meetings.

Distribute this resource widely and join with organizations in your community to protest the emerging priorities in Congress.

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This resource was prepared by the Women's Budget Project of the Women's International League for Peace and Freedom, in conjunction with the Feminist Majority and Women's Action for New Directions (WAND).

The Women's Budget Project provides information to the public about the effects of budgetary policies on women and proposes alternative policies that would address the needs of all people in the US. Women's Budget Projects have also started in Canada, Finland, Sweden, New Zealand, the Netherlands and South Africa. For more information, contact the Women's International League for Peace and Freedom (see above).

Endnotes

1. *Converting the American Economy* (Employment Research Associates, 1991).
2. Sources for investments were: US Federal Budget, FY95 (Office of Management and Budget); *Converting the American Economy: State of America's* Children (Children's Defense Fund, 1995); *The Women's Budget* (Women's International League for Peace and Freedom, 1991).
3. McNamara/Korb Statement, 1992; Forsberg in *Boston Review* (1992); Wiesner, Morrison, Tsipis, *Beyond the Looking Glass. The United States Military in 2000 & Later* (MIT, 1993); Employment Research Associates, *Converting the American Economy* (1991); Economic Policy Institute, *Converting the Cold War Economy* (1992); Military Spending Working Group, 1995.
4. Center for Defense Information, 1992.
5. *New York Times*, 8/14/95.
6. United Nations Development Program, 1994.
7. World Military and Social Expenditures, 1993.

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"OVERVIEW OF THE FEDERAL BUDGET"

Feminist Expo

February 2-4, 1996
Washington, D.C.

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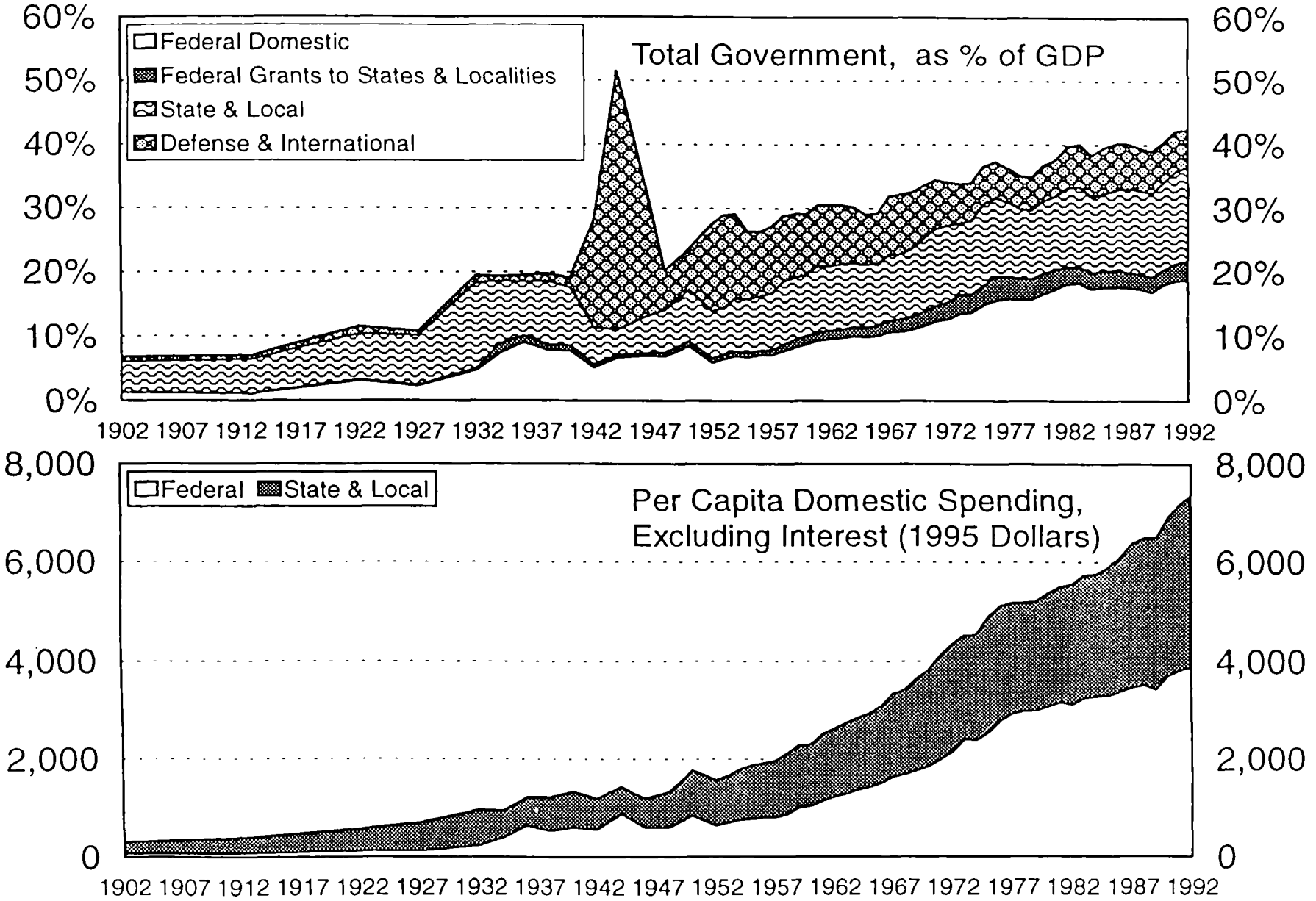
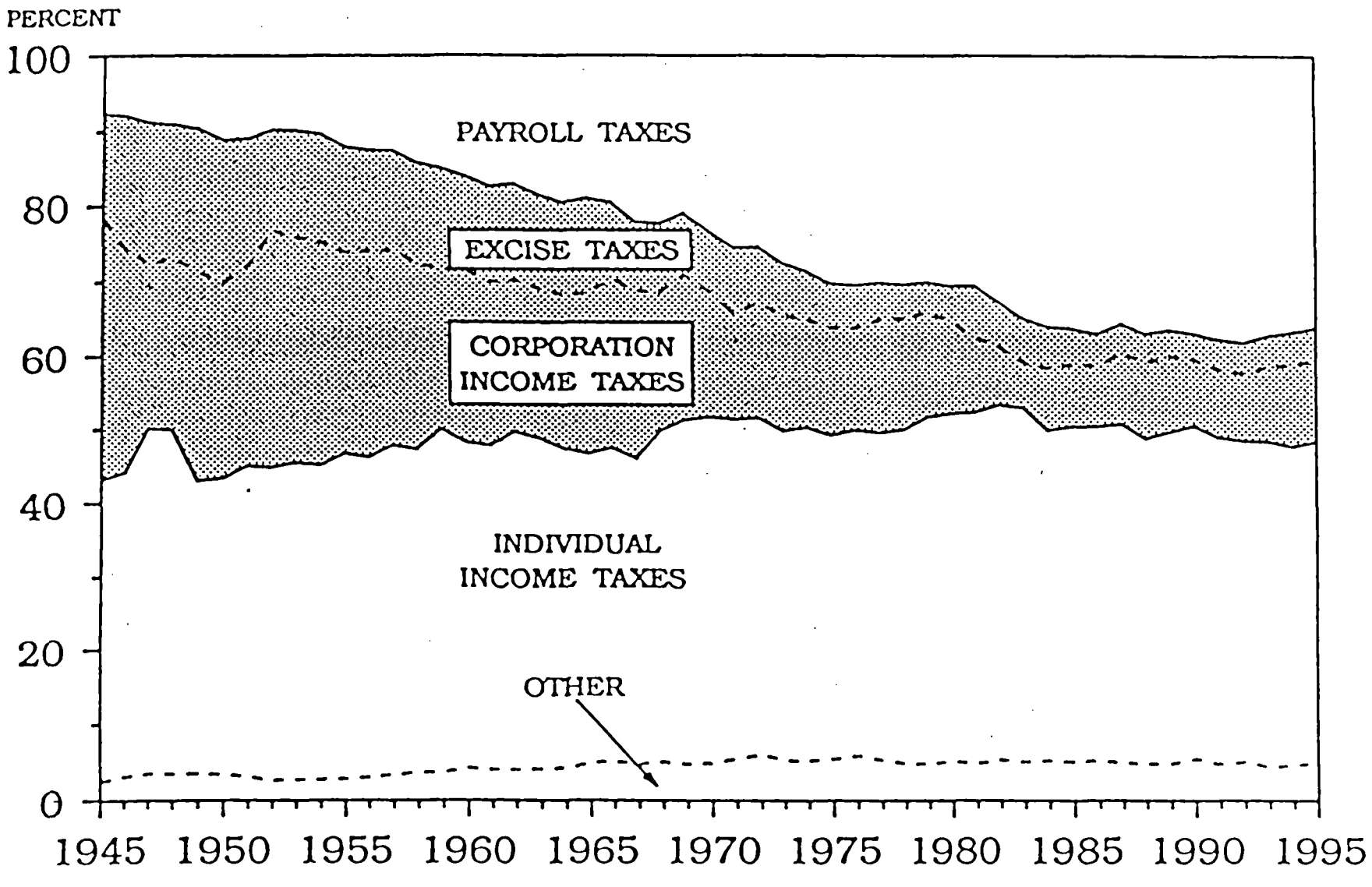
Figure I.2: Government Spending, 1902-1992



Source: THE URBAN INSTITUTE. Government spending does not include utility, liquor store, and postal expenditures. Calculations based on finance and population data from the Bureau of the Census, loc. cit., and GDP and GNP data from the Bureau of Economic Analysis, loc. cit. Census data does not include the years 1903-1912, 1914-1921, 1923-1926, 1928-1931, and odd years from 1932-1954. The missing values are interpolated.

Chart 1. SOURCES OF FEDERAL RECEIPTS



"A Citizen's Guide To The Federal Budget, Fiscal Year 1996," Office of Management and Budget, U.S. Government Printing Office, ISBN# 0-16-045453-0, p. 7

HISTORICAL BUDGET SUMMARY

Year	In Billions of Dollars				As Percentages of GDP			
	Receipts	Outlays	Surplus or Deficit (-)	Debt Held By the Public [1]	Receipts	Outlays	Surplus or Deficit (-)	Debt Held By the Public [1]
1930	4.1	3.3	0.7	15.4	4.2	3.4	0.8	15.9
1931	3.1	3.6	-0.5	16.5	3.7	4.3	-0.6	19.9
1932	1.9	4.7	-2.7	19.2	2.9	7.0	-4.1	28.7
1933	2.0	4.6	-2.6	22.2	3.5	8.1	-4.6	39.1
1934	3.0	6.5	-3.6	26.7	4.9	10.8	-5.9	44.1
1935	3.6	6.4	-2.8	28.1	5.3	9.3	-4.1	40.9
1936	3.9	8.2	-4.3	33.2	5.1	10.6	-5.6	42.8
1937	5.4	7.6	-2.2	34.9	6.2	8.7	-2.5	40.2
1938	6.8	6.8	-0.1	34.5	7.7	7.8	-0.1	39.3
1939	6.3	9.1	-2.8	41.4	7.2	10.4	-3.2	47.2
1940	6.5	9.5	-2.9	42.8	6.9	9.9	-3.1	44.8
1941	8.7	13.7	-4.9	48.2	7.7	12.1	-4.4	42.9
1942	14.6	35.1	-20.5	67.8	10.3	24.8	-14.5	47.8
1943	24.0	78.6	-54.6	127.8	13.7	44.8	-31.1	72.8
1944	43.7	91.3	-47.6	184.8	21.7	45.3	-23.6	91.6
1945	45.2	92.7	-47.6	235.2	21.3	43.7	-22.4	110.9
1946	39.3	55.2	-15.9	241.9	18.5	26.0	-7.5	113.8
1947	38.5	34.5	4.0	224.3	17.3	15.5	1.8	100.6
1948	41.6	29.8	11.8	216.3	16.8	12.1	4.8	87.7
1949	39.4	38.8	0.6	214.3	15.0	14.8	0.2	81.6
1950	39.4	42.6	-3.1	219.0	14.8	16.0	-1.2	82.4
1951	51.6	45.5	6.1	214.3	16.5	14.5	1.9	68.4
1952	66.2	67.7	-1.5	214.8	19.4	19.9	-0.4	63.1
1953	69.6	76.1	-6.5	218.4	19.1	20.9	-1.8	60.0
1954	69.7	70.9	-1.2	224.5	18.9	19.3	-0.3	61.0
1955	65.5	68.4	-3.0	226.6	17.0	17.8	-0.8	58.9
1956	74.6	70.6	3.9	222.2	17.9	17.0	0.9	53.4
1957	80.0	76.6	3.4	219.3	18.3	17.5	0.8	50.0
1958	79.6	82.4	-2.8	226.3	17.8	18.4	-0.6	50.5
1959	79.2	92.1	-12.8	234.7	16.5	19.2	-2.7	48.9
1960	92.5	92.2	0.3	236.8	18.3	18.3	0.1	46.9
1961	94.4	97.7	-3.3	238.4	18.3	18.9	-0.6	46.1
1962	99.7	106.8	-7.1	248.0	18.0	19.2	-1.3	44.7
1963	106.6	111.3	-4.8	254.0	18.2	19.0	-0.8	43.5
1964	112.6	118.5	-5.9	256.8	18.0	19.0	-0.9	41.1
1965	116.8	118.2	-1.4	260.8	17.4	17.6	-0.2	38.9
1966	130.8	134.5	-3.7	263.7	17.8	18.3	-0.5	35.9
1967	148.8	157.5	-8.6	266.6	18.8	19.8	-1.1	33.6
1968	153.0	178.1	-25.2	289.5	18.1	21.0	-3.0	34.2
1969	186.9	183.6	3.2	278.1	20.2	19.8	0.4	30.0
1970	192.8	195.6	-2.8	283.2	19.6	19.9	-0.3	28.7
1971	187.1	210.2	-23.0	303.0	17.8	20.0	-2.2	28.8
1972	207.3	230.7	-23.4	322.4	18.1	20.1	-2.0	28.1
1973	230.8	245.7	-14.9	340.9	18.1	19.3	-1.2	26.8
1974	263.2	269.4	-6.1	343.7	18.8	19.2	-0.4	24.5

HISTORICAL BUDGET SUMMARY

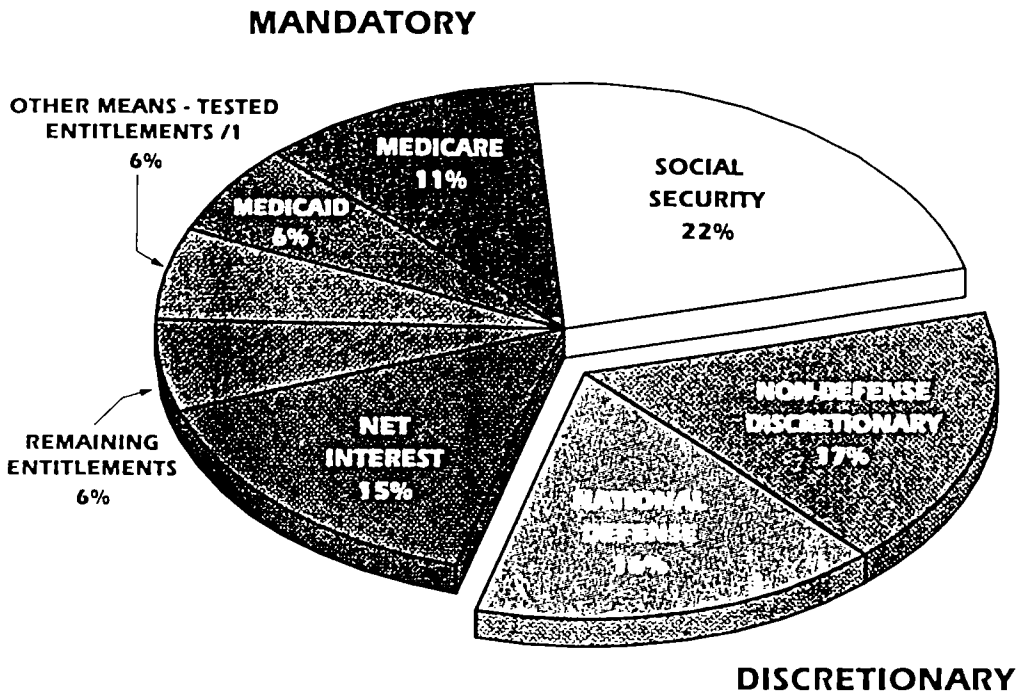
Year	In Billions of Dollars				As Percentages of GDP			
	Receipts	Outlays	Surplus or Deficit (-)	Debt Held By the Public [1]	Receipts	Outlays	Surplus or Deficit (-)	Debt Held By the Public [1]
1975	279.1	332.3	-53.2	394.7	18.5	22.0	-3.5	26.1
1976	298.1	371.8	-73.7	477.4	17.7	22.1	-4.4	28.3
TQ	81.2	96.0	-14.7	495.5	18.3	21.6	-3.3	111.4
1977	355.6	409.2	-53.7	549.1	18.5	21.3	-2.8	28.6
1978	399.6	458.7	-59.2	607.1	18.5	21.3	-2.7	28.2
1979	463.3	504.0	-40.7	640.3	19.1	20.7	-1.7	26.4
1980	517.1	590.9	-73.8	709.8	19.6	22.3	-2.8	26.8
1981	599.3	678.2	-79.0	785.3	20.2	22.9	-2.7	26.5
1982	617.8	745.8	-128.0	919.8	19.8	23.9	-4.1	29.5
1983	600.6	808.4	-207.8	1,131.6	18.1	24.4	-6.3	34.1
1984	666.5	851.8	-185.4	1,300.5	18.0	23.1	-5.0	35.2
1985	734.1	946.4	-212.3	1,499.9	18.5	23.9	-5.4	37.8
1986	769.1	990.3	-221.2	1,736.7	18.2	23.5	-5.2	41.2
1987	854.1	1,003.9	-149.8	1,888.7	19.2	22.5	-3.4	42.4
1988	909.0	1,064.1	-155.2	2,050.8	18.9	22.1	-3.2	42.7
1989	990.7	1,143.2	-152.5	2,189.9	19.2	22.1	-2.9	42.3
1990	1,031.3	1,252.7	-221.4	2,410.7	18.8	22.9	-4.0	44.0
1991	1,054.3	1,323.4	-269.2	2,688.1	18.6	23.3	-4.7	47.4
1992	1,090.5	1,380.9	-290.4	2,998.8	18.4	23.3	-4.9	50.6
1993	1,153.5	1,408.7	-255.1	3,247.5	18.4	22.5	-4.1	51.9
1994	1,257.7	1,460.9	-203.2	3,432.2	19.0	22.0	-3.1	51.7
1995 estimate	1,346.4	1,538.9	-192.5	3,640.1	19.2	21.9	-2.7	51.8
1996 estimate	1,415.5	1,612.1	-196.7	3,857.3	19.1	21.8	-2.7	52.1
1997 estimate	1,471.6	1,684.7	-213.1	4,101.2	18.8	21.6	-2.7	52.5
1998 estimate	1,548.8	1,745.2	-196.4	4,334.9	18.8	21.2	-2.4	52.6
1999 estimate	1,624.7	1,822.2	-197.4	4,571.2	18.7	20.9	-2.3	52.5
2000 estimate	1,710.9	1,905.3	-194.4	4,805.4	18.6	20.7	-2.1	52.3

[1] The figures shown under Debt Held By the Public for 1930-1938 are not comparable to those shown for 1939 forward. For the earlier period, the debt figures have only been partially adjusted to exclude debt held by Government accounts and have not been adjusted to reflect current definitions of Federal debt outstanding. All debt figures are for debt outstanding at the end of the fiscal year.

Note: Debt held by the public stood at $3,432 billion at the end of the fiscal year 1994. Of this amount, $2,665, or 78 percent, was accumulated between fiscal years 1982 and 1994.

Source: "A Citizen's Guide To The Federal Budget, Fiscal Year 1996," Office of Management and Budget, U.S. Government Printing Office, ISBN# 0-16-045453-0

Chart 1
President Clinton's Proposed FY 1997 Budget

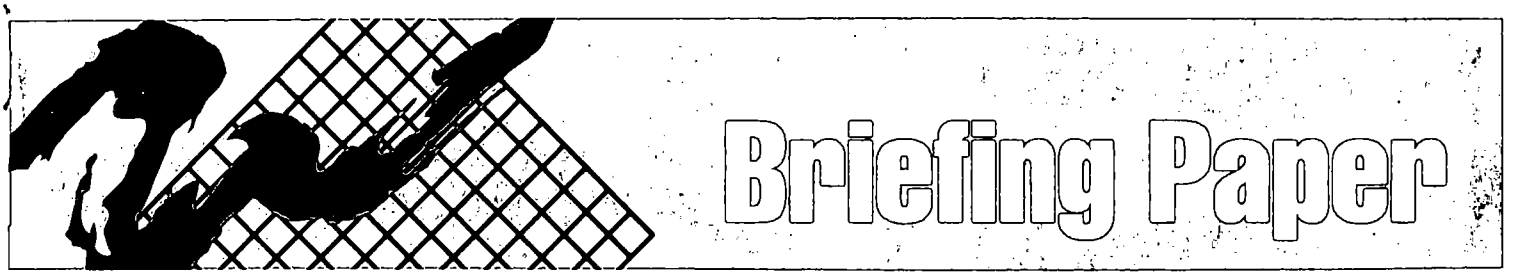


Total: $1.635 Trillion

Note: Numbers do not add due to rounding.

[1] Means-tested entitlements are those for which eligibility is abased on income. The Medicaid program is also a means-tested entitlement.

Source: *A Citizen's Guide to the Federal Budget: Fiscal Year 1997*, Washington, DC: Government Printing Office, 1996.



A FEMINIST PERSPECTIVE ON THE FEDERAL BUDGET: A SUMMARY[1]

The economic gap between women and men--the wage gap, the gap in occupational representation, the gap in the amount of time spent caring for family members and doing housework--is slowly closing. There have been vast gains in women's earnings and in their entry into better jobs, and there have been small gains in men doing housework and child care. There has also been progress in getting women who head families alone out of poverty, although they still bear a disproportionate share of poverty.

The public policy gap, however, remains large. There has always been a lag between public policy and the reality of people's lives, but the lag appears to be growing. Much public policy in the United States, from the income tax structure to the social security system, is based on a model of a traditional nuclear family, founded on heterosexual marriage between a man and a woman, designed to produce children and last an entire adult lifetime (and in which the woman works at home while the man brings home the paycheck). But no longer is this the reality.

Society must adjust its public policy to new realities. There are many diverse ways of living--alone, in groups, with partners of the same sex or opposite sex, in marriage or not. Today, most married women and mothers also work outside the home, as well as single, childless, and divorced women. As a result of these social changes, the traditional nuclear model applies only to a minority of all families and households, and public policies based on this traditional model fail to meet the needs of the vast majority.

Public policies are, of course, established through the government's expenditures and its tax collections. Thus, knowledge of the federal budget is key to understanding current policy priorities. This summary briefly sets forth a feminist analysis of federal expenditures and proposes a "feminist budget" that would readjust priorities to reflect women's interests.

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[1] This paper is based upon a speech given by Heidi Hartmann at the Feminist Expo '96, convened by the Feminist Majority Foundation in February. The budget calculations are based upon the "Help for Working Parents" plan by Barbara Bergmann and Heidi Hartmann, "The Woman's Budget" by the Women's International League for Peace and Freedom (WILPF), February 1996, and other sources, adjusted by the author. The main difference between the budget shown here and the WILPF budget is that health care (long term care and universal coverage for low income families) and assistance for working parents (child care and EITC) are increased much more, while basic income supports are reduced somewhat as more parents are expected to be working.

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The federal budget affects many aspects of life in the United States, from employment status to home ownership to nutrition and access to medical care. Joblessness, homelessness, hunger, and inadequate medical care could all be affected by altering federal spending and tax policies. To assess the adequacy of a government budget, it is necessary to consider what people need given the way they live, and whether one wants government to help meet those needs, by how much, and at what level of government.

Following is one example of alternative expenditures at the federal level that would promote the kinds of priorities feminists advocate. The example uses the federal budget for Fiscal Year 1995, and adjusts various line items to reflect feminist priorities.

Cutting military expenditures in half would save $136 billion in discretionary spending annually. With that $136 billion, funds could be allocated to other areas, for example:

- $1 billion additional for the Violence Against Women Act,
- $17 billion additional for investments in infrastructure,
- $8 billion additional for housing assistance,
- $13 billion additional for education and training, and
- $11 billion additional for public health and health research.

Even with these additional expenditures, there would still be an additional $76 billion available in discretionary spending, which, supplemented with an estimate $30 billion in health care savings from adopting a single payer system, could be used for new entitlements that would meet basic human needs, such as universal health care and universally available child care:

- Increasing Medicare by roughly 50 percent would provide $28 billion to reduce co-payments (reducing the percentage of income that the elderly pay for health care, presently 22 percent) and also provide $44 billion for long-term care;
- Increasing Medicaid by approximately one-third would provide $30 billion in federal funds to improve the Medicaid system and extend coverage to the entire poor population without health insurance; and
- $56 billion in new spending on child care would provide universal access to free child care for families in the bottom two-fifths of the income distribution, with availability to higher income families on a sliding scale.

DEVELOPING A FEMINIST BUDGET

	Federal Budget Expenditures FY 1995		A Proposed Feminist Budget		
	Percent of the budget	Expenditures (in billions)	Percent of the budget	Expenditures (in billions)	Change (in billions)
Total	100%	$1538	100%	$1589	$51
Interest on the Debt	15%	234	15%	234	0
Entitlements	49%	751	55%	878	127
Social Security	22%	334	21%	334	0
Medicare	10%	154	11%	182	28
Long Term Care	0%	0	3%	44	44
Medicaid	6%	88	7%	118	30
Savings/Single Payer	0%	0	-3%	-40	-40
[Total Health Care]	16%	242	19%	304	62
AFDC & Food Stamps	3%	53	2%	39	-14
SSI	2%	25	2%	30	5
Child Care (New Spending)	0%	0	4%	56	56
EITC/Unemployment Insur.	3%	48	4%	66	18
Other	3%	48	3%	48	0
Discretionary Spending	36%	554	30%	478	-76
Military Spending	18%	272	9%	136	-136
Domestic					
Gov't Admin & Justice (Viol Against Women)	4%	54	3%	55	1
Community Devel/Transport.	3%	51	4%	68	17
Environmental/Science/Agric.	3%	49	3%	55	6
Housing/Income Security	3%	43	3%	51	8
Education/Training/Emp	3%	40	3%	53 *	13
Health	1%	23	2%	34	11
International	1%	22	2%	26	4

* Education could be increased significantly if federally funded higher education were made more universal.

Source: Heidi Hartmann, Institute for Women's Policy Research, based upon the Help for Working Parents Plan, the Woman's Budget, and other sources, adjusted by the author.

The feminist budget proposed here alters social welfare spending considerably, based upon careful analysis of a new social welfare system, the Help for Working Parents Plan (HWP), that would encourage, but not require, greater employment efforts on the part of poor parents. The HWP projections are based on the assumption that there would be more employment if people had access to free child care and health care (and there would be more jobs, at least partly because shifting federal spending from military uses to social services tends to generate more jobs per dollar of expenditure). Because more people would be working, there would be more spending (an additional $18 billion) on the earned income tax credit (which goes to low-income working parents) and unemployment insurance (to tide people over between jobs), but there would actually be less spending on welfare and food stamps ($14 billion less). This is one set of assumptions that can be embedded into a feminist budget, for which the cost projections have been carefully worked out.

Other assumptions could be chosen instead or in addition. One might, for example, incorporate a guaranteed annual income, which would eliminate the necessity for spending on many categorical programs. In working out the overall federal budget, it is crucial to remember that one part usually impacts another, and that these interactions must be taken into account.

In this feminist budget, entitlements grow by $127 billion, or by about one-sixth; and overall the budget grows by $51 billion, or 3 percent. This is a modest increase, indeed, but it does illustrate that the United States likely needs a larger federal budget rather than a smaller one, if reasonable societal needs are to be met. In addition, if universal access to higher education, to be funded by the federal government, were a priority, for example, an even larger federal budget would be required.

How can this proposed additional spending be financed? One way, of course, is to raise taxes; another is to allow expenditures to exceed revenues and allow the deficit to grow. The US deficit, as a proportion of the Gross Domestic Product (GDP), is smaller than those of nearly every other advanced industrial nation. The size of the government budget, tax rates, and the deficit are all lower in this country than in other comparable, advanced industrial societies. There actually is room for the public sector in the United States to grow, rather than shrink. And there is certainly potential to redirect federal spending from military to domestic priorities. All this is possible for a country as large and as wealthy as the United States.

Those advocating on behalf of women should pay careful attention to federal priorities, as expressed in the annual budget, in order to monitor how women's needs are, or are not, being addressed at the federal level.

Prepared by Heidi Hartmann, with
the assistance of Jodi Burns, July 1996.

BUDGET and WELFARE CUTS TARGET WOMEN and CHILDREN

Cruel Reductions Turn the New Deal into a "Raw Deal" for Women and Children

Budget and programmatic reductions and cuts currently promoted by Republican leadership in both the House and the Senate will have a disproportionately devastating impact on women and children. In addition to abandoning our 60-year federal pledge to help the nation's poor through cash assistance, the current Congress is slashing welfare benefits such as Food Stamps and Medicaid. The "safety net" will be almost non-existent if these cuts are made. Economically vulnerable individuals and families who rely on federal support programs to escape poverty will almost certainly be THROWN INTO POVERTY. In addition, cuts in housing, Medicare, education and job training, services to victims of violence, and legal services will deny life-enhancing and life-saving services to women and children. Proposed cuts affect the Earned Income Tax Credit, student financial aid, school lunches, public transportation, and other programs serving a majority of women and children. The Senate welfare bill could **move 1.2 million children below poverty**; the House bill doubles this figure, **moving 2.1 million children below poverty!**[1] Families with incomes of under $30,000 would be hit the hardest,[2] while high-income families receive over $3000 in tax breaks.[3] Most cuts (✂) are for a 7-year period and represent the deeper of the House or Senate cuts. These figures may change at any time; * denotes reported reconciliation figure.

$270 Billion ✂ in Medicare*[4]

♀ = 58%

This vital health care program serves 36.3 million seniors and people with disabilities. $70 billion of the cuts would come from seniors paying higher premiums and deductibles.[5] These cuts, coupled with the billions in Medicaid cuts, will likely force hospitals to close.[6]

$177 Billion ✂ in Medicaid[7]

♀ and kids = 85%

This health care safety net provides health coverage for the poorest Americans and for over a quarter of our nation's children.[8] Up to 8.8 million children, elderly, and people with disabilities could lose coverage in 2002 alone![9] States may be forced to eliminate coverage for about 350,000 nursing home residents and another 330,000 people needing home care in 2002.[10] 75% of nursing home residents are women .[11]

$81 Billion ✂ in Welfare programs,[12] including AFDC [13]

♀ and kids AFDC recipients = 97%

AFDC is a cash assistance program serving almost 15 million people. In a typical state, the total income (in vouchers and cash) of a mother and two children receiving AFDC and food stamps is only $661 a month – equal to only 2/3 of the poverty line![14] Women head over 85% of the 10.5 million single-parent families.[15] Almost half of all families headed by single mothers are poor, partly because women earn only 70% of what men earn on average.[16] Only families with children qualify for AFDC[17] – approximately 2/3 of all AFDC recipients are children.[18] The cuts eliminate assistance for 3.3 million children simply because their paternity has not been established,[19] and for 77,000 children simply because they were born to unmarried mothers under 18. The cuts eliminate the JOBS program, which provides education, training and work programs for parents receiving AFDC.[20] 90% of people in the JOBS program are women.[21]

$32.4 Billion ✂ in the Earned Income Tax Credit[22]

♀ = 75%

The EITC helps working moms pay for food, clothing, transportation, and shelter, and keeps them from going back on welfare.[23] This reduction increases taxes on 17 million low- and moderate-income working families -- primarily families with children .[24]

$36 Billion ✂ from Food Stamp program*[25] ♀ and kids = 85%

This program provides impoverished children and working poor women and families with vouchers for buying food. Food Stamps ensure that 26 million vulnerable Americans won't go hungry.

$28 Billion ✂ in Supplemental Security Income (SSI) funds;

$14 Billion ✂ in SSI funds for kids [26] Kids = 100%

This cut denies as many as 755,000 disabled children SSI cash benefits.[27]

$11 Billion ✂ from Child Nutrition programs[28] Pregnant ♀ and kids =100%

Programs affected include: school lunch; school breakfast; Women, Infants, Children (WIC); child care food; and summer food.

$10 Billion ✂ in Student Loan funds ♀ = 56%

Poor and middle-class families rely most heavily on these loans.[29]

$3 Billion ✂ in Public Housing funds[30] ♀ and kids =over 84%

The median annual income of these families is only $6,800.[31]

$2.8 Billion ✂ in Child Care funds for low-income children[32] Kids = 100%

This cut denies 404,000 children child care assistance. [33]

$1.3 Billion ✂ to end Energy Assistance program [34] ♀ and kids = est. 75%

This program[35] helps 5 to 6 million low-income families with home heating and cooling bills.[36]

$444 Million ✂ in HUD Homeless Assistance funds[37] ♀ and kids = 39%

This drastic 40% cut will deny assistance to more than 16,000 homeless children.[38] Almost half of the women in homeless shelters are fleeing domestic violence. Women head almost 60% of the families that now pay over 50% of their income in rent; funding for these families is being eliminated.[39]

$310 Million ✂ in Urban Public Transportation funds[40] ♀ Riders = over 50%

This 47% cut in operating assistance likely means increased fares and decreased services for poor women who depend on public transportation.[41]

$137 Million ✂ in Head Start funds[42] Kids = 100%

This cut denies this crucial program to 180,000 children nationwide.[43]

$71.9 Million ✂ in Domestic Violence & Sexual Assault Funds ♀ and families =100%

This cut reduces Violence Against Women Act funding for shelters, police stations, and courthouses, where funds are so desperately needed to help women and children be safe. [44]

$4 Million ✂ to end Women's Educational Equity Act Program ♀ and girls = 100%

Pending legislation eliminates this program that helps schools implement non-discriminatory practices and curricula.

Poor and middle-class women and children bear the brunt of these budget cuts -- Turn this raw deal into a fair deal!!

Nov. 14, 1995 (#7)

Compiled and produced by Kate O'Malley, Cecelia Prewett, Bronwen Macro, and Pat Reuss, NOW LDEF/ WDC (202) 544-4470

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30. Women's Initiatives and Outreach, Cuts Impacting Women. The percentage of women and children served by public housing has been estimated based on a phone conversation with Housing and Urban Development on November 13, 1995, based on American Housing Survey 1991 Report: Characteristics of HUD Assisted Renters and their Units.
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32. Women's Initiatives and Outreach, Impact on Children.
33. Women's Initiatives and Outreach, Impact on Children.
34. Percents are based on HHS, Admin. for Child. and Families, Low-Income Home Energy Assistance Program, Oct., 1994. Most states use AFDC as an energy assistance guideline. See Energy and the Poor: The Crisis Continues, Nat'l Consumer Law Ctr., Jan. 1995; Living at the Bottom: Analysis of 1994 AFDC Benefit Levels, Ctr. on Soc. Welfare Pol. & Law.
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39. Phone conversations with Housing and Urban Development on November 10 and 13, 1995.
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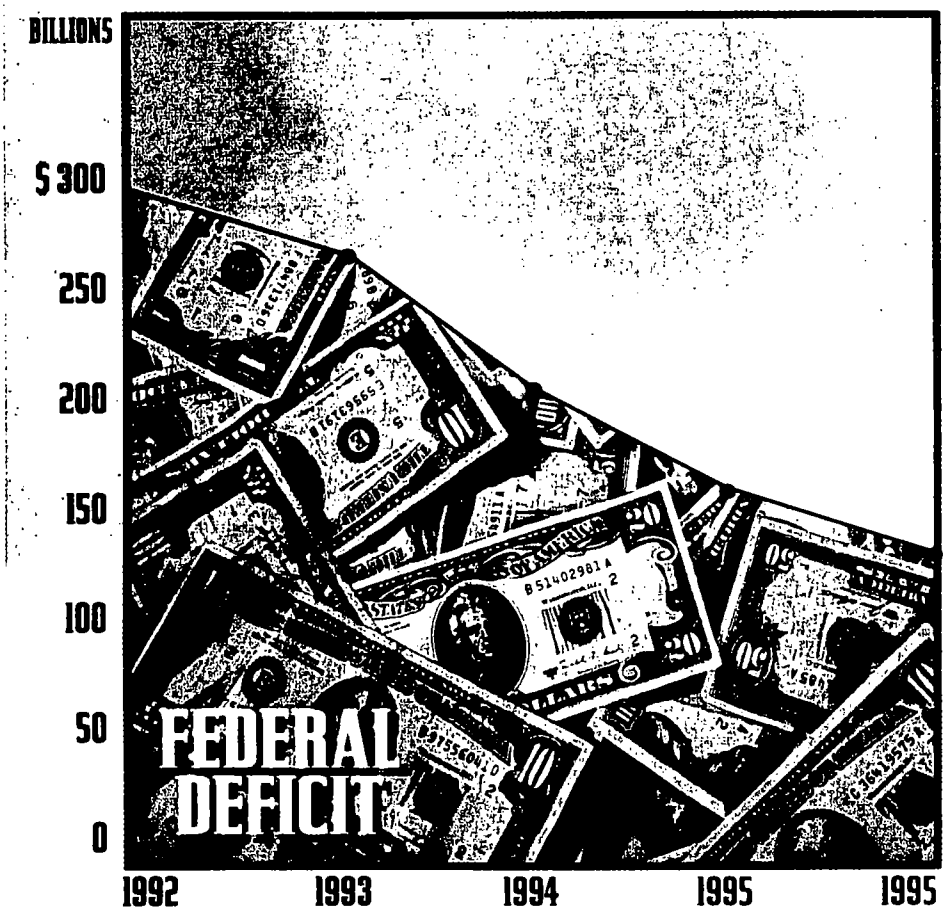
Is the Federal Budget Deficit a Problem?



The federal budget deficit has been cut in half over the last four years. Compared with the size of the nation's economy, it is smaller than the deficits of almost all other industrialized nations.

And What's More...

- U.S. public investment in public infrastructure has declined by nearly one-third since the early 1980s and is expected to drop further under current spending patterns.
- The federal budget deficit became a problem because President Reagan's tax cuts never generated the revenue "windfall" they promised.

What Helps:

- Targeting investments in public infrastructure, education, and job training to help the economy grow and reduce the deficit
- Empowering front-line workers to help streamline government services

What Doesn't:

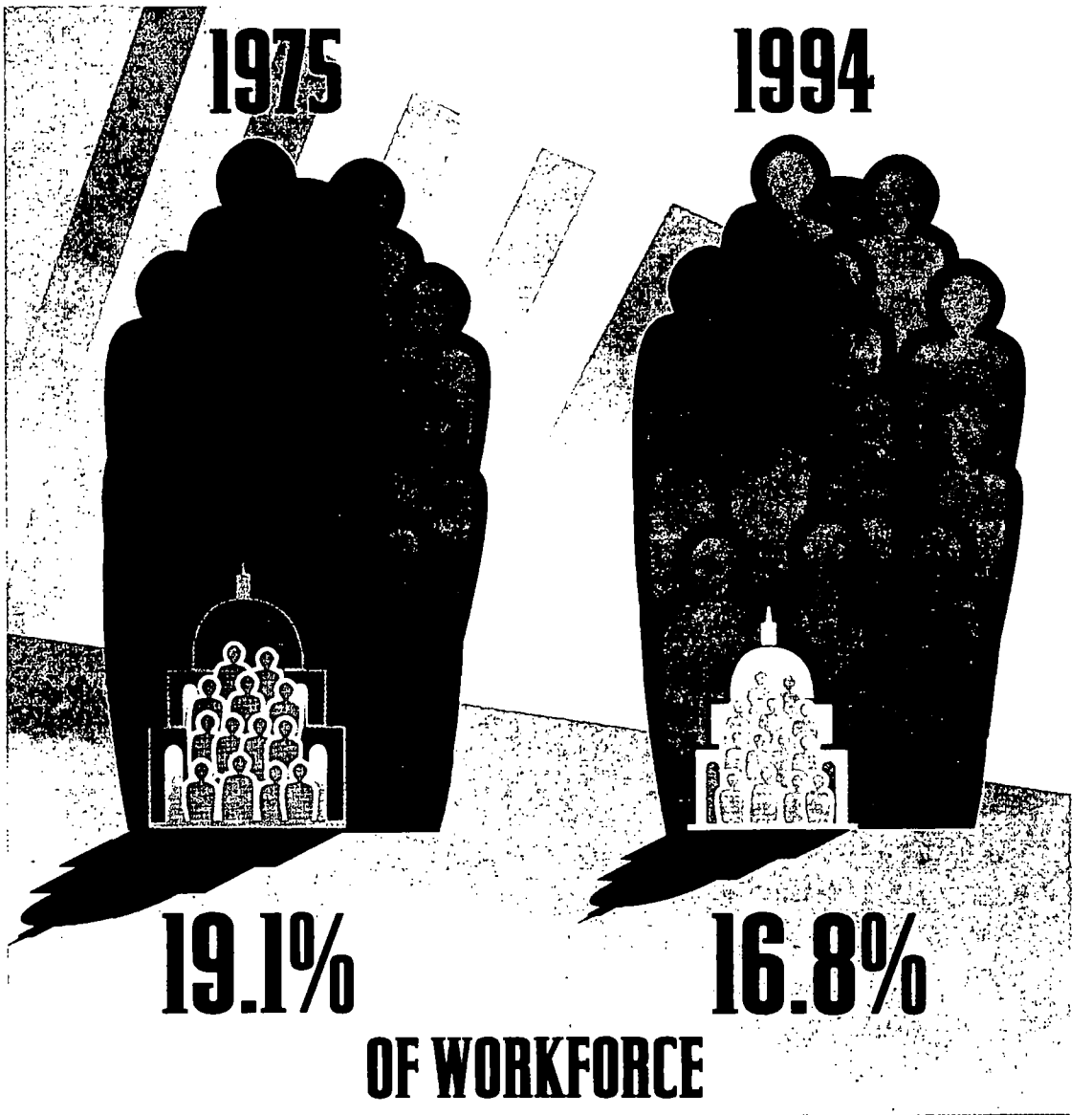
- Balancing the federal budget while giving capital gains tax cuts to the rich at the expense of programs like Medicare
- Enacting a balanced budget amendment to the U.S. Constitution that would hamper the government's ability to respond to economic downturns

Making the Economy Work for Workers:

- Be active in your union, since unions are the best way to earn good wages, benefits, and job security.
- Find out if your elected officials support policies that help or policies that don't, then let your vote be your voice.
- Work in local coalitions to demand corporate accountability.

For more information, contact American Federation of State, County and Municipal Employees, AFL-CIO
1625 L Street, N.W., Washington, D.C. 20036-5687 Telephone: (202) 429-1000 Fax: (202) 429-1293

Is Government Too Big?



Government workers make up less of the total workforce today than they did 20 years ago.

And What's More...

- Government spending for public investment in the U.S. has declined by nearly one-third since the early 1980s, and is forecast to drop even more.
- The biggest and fastest growing government programs are the most popular and successful: Social Security and Medicare, which provide income and health security to Americans over the age of 65.

What Helps:

- Maintaining Social Security, Medicare, and other government programs for those who need them
- Expanding public investment in people (such as education) and infrastructure (such as highways) to improve economic growth

What Doesn't:

- Requiring a balanced budget that would eliminate government's ability to make public investments
- Privatizing government functions, which leads to a loss of accountability to taxpayers and to conflicts of interest for elected officials and businesses

Making the Economy Work for Workers:

- Be active in your union, since unions are the best way to earn good wages, benefits, and job security.
- Find out if your elected officials support policies that help or policies that don't, then let your vote be your voice.
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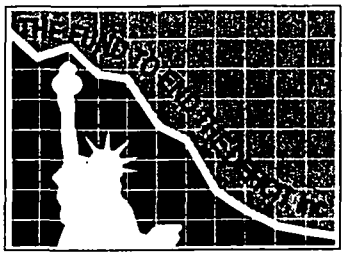


QUESTIONS AND ANSWERS ABOUT OUR NATIONAL FINANCES

Q: What exactly is the budget deficit?

A: The budget deficit is the amount by which the government annually spends more than it takes in. Last year, 1995, our country's deficit was $164 billion. For the last three years the deficit was: $290 billion for 1992, $255 billion for 1993 and $203 billion for 1994. For 1996, the deficit is predicted to continue to decline for the fourth consecutive year to $144 billion; however, the deficit will begin to grow again in 1997 and every year thereafter unless action is taken now to control mandatory spending.

Q: What is the national debt?

A: The national debt is the total amount we have borrowed since the country began. Our current national debt is over $5 trillion dollars. In other words, each individual's share is about $20,000 and each family of 4 owes around $80,000.

Q: How is our government able to spend more than it takes in as revenues?

A: The same way you and I do - by borrowing. In our government's case, it borrows more by selling bonds and Treasury bills. Sometimes it also borrows from itself - advancing money, for instance, from the Social Security trust fund to pay for current budget expenses.

Q: Is there a limit on the amount our government can borrow?

A: Yes. Congress sets a debt limit by law periodically. In 1993, Congress set the debt limit at $4.9 trillion. On March 28, 1996, Congress raised the debt ceiling to $5.5 trillion to allow the government to avoid defaulting on interest payments and other obligations. The new debt limit is predicted to last us until October of 1997.

Q: How important is it to cut the deficit? After all, the government has been spending more than it takes in for quite some time.

A: The bad effects are not always immediately apparent - just as a family can maintain a certain standard of living for a while by running up credit card bills. But it's a <u>false</u> standard of living because at some time the bills must be paid. It has been said that maintaining high deficits assures that our children and grandchildren will end up paying the debts that we run up.

Q: So what's so bad about that?

A: Well, it isn't just a matter of postponing bills. Our nation debt has <u>quadrupled</u> since 1980. It threatens to strangle the U.S. economy if not checked. The high deficit ties up resources and keeps long term interest rates high. Because of high interest costs, our national debt is now growing at a faster pace than our national economy.

Q: How much interest is being paid on the national debt?

A: This year, $240 billion, or over 15% of our annual federal budget. Interest on the debt has increased every year, from $199 billion in 1992 (14% of the budget) to $203 billion in 1994 (almost 16% of the budget) and $232 billion in 1995. The interest on the debt has been equal to or greater than the deficit for the last few years. In fact, in 1995, we would have had a balanced budget <u>plus</u> a $68 billion surplus if we didn't have to make those interest payments!

Q: **What happens if our government can't meet all of its interest payments or other financial obligations when they come due?**

A: Our government could default - something it has never done. Domestically, our government would not be able to honor Social Security checks, redeem savings bonds, make other government payments for federal programs or pay the interest on our national debt. The resulting uncertainty of our government's financial position would cause interest rates to jump significantly. The dollar, as well as our international financial security, would be threatened.

The United States is the world's largest economy, accounting for a quarter of the gross world product. A default by the U.S. government could trigger a worldwide recession.

Q: **Can't our government simply print more money?**

A: Sure. But that would be the worst possible way out of the deficit dilemma, devaluating the dollar and creating instant inflation. Such a move would make every American's dollars worth less, eroding savings accounts and salaries alike.

Q: **Why does the deficit tie up resources?**

A: Paying interest on our national debt represents money that can't be spent on other programs, such as health, education, even road and highway repair. The Congressional Budget Office Estimates that, if unchecked, the deficit will grow to $500 billion by the end of the decade - including $350 billion in those interest payments.

Furthermore, with our government borrowing so much money, private funds that might otherwise be used to loan money to businesses or individuals are tied up. That means less money - and higher rates- for home mortgages, for starting up new businesses or expanding old ones.

And our government's large requirement for borrowing causes it to look beyond domestic sources of money. Our government is forced to borrow heavily from Japanese and other foreign investors. Therefore, the payments of interest are flowing out of our country and out of our domestic economy.

Q: **How does the deficit affect our interest rates?**

A: Although U.S. interest rates have come down substantially, it's all relative. The high deficit requires our government to sell bonds and Treasury bills at interest rates high enough to draw the requisite number of buyers - and that applies long term heavy pressure to keep U.S. interest rates higher than rates in other industrialized nations.

Q: **What is the effect of proposed government deficit reduction programs on American citizens?**

A: The White House has said that its deficit reduction program will mean tax increases for nearly everyone earning over $30,000.

The Fund to End the Deficit, Inc. P.O. Box 34796 Washington, DC 20043

Q: **Is there an alternative to tax increases?**

A: Yes. Voluntary contributions to reduce the debt. Many citizens in our Country today are already making individual efforts to reduce our national debt by sending checks to the Bureau of the Public Debt. In February 1993, $70,312 was contributed to reduce the public debt.

Q: **What if I don't have $1000, $100, or even $20 dollars that I can spare right now to contribute to reduce our national debt?**

A: You can give whatever you can comfortably contribute, $5.00, $1.00 or whatever, to a pool of voluntary contributions established by The Fund to End the Deficit, Inc., a charitable, nonprofit organization. The Fund to End the Deficit, Inc. pays over our pooled contributions to our government semi-annually to directly reduce our national debt.

Q: **How does the Fund to End the Deficit, Inc. collect money to reduce the deficit?**

A: We ask for voluntary pledges from ordinary citizens, like you and me. These pledges can be for any amount on any time basis, i.e., one-time, monthly, semi-annually, or annually.

Q: **How do these collected funds get paid to reduce the deficit?**

A: Semiannually, we write a check to the Bureau of the Public Debt which in turn pays off the principal of the government's debt by retiring federal securities which were sold to raise money to finance government expenditures. In 1961, a special account for citizen contributions was created by statute within the Bureau of the Public Debt. Since 1961, citizens have been empowered to contribute directly to reduce our national debt. Further, all monies given to the Bureau, under this statute, must be used to pay down our national debt and not for spending programs. The Bureau of the Public Debt makes monthly public disclosures of the contributions to reduce our debt.

Q: **Why does paying the principal of the government's debt reduce the deficit?**

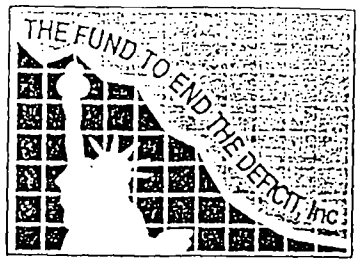
A: Just as in our own lives, borrowed money has the cost of interest payments. The longer the money remains unpaid, the more interest must be paid as the cost of borrowing money increases over time. If we help pay off the amount borrowed (the principal), the interest on the principal paid off stops accumulating. In 1992, the interest due on the debt was $199.4 billion, or 69% of the $290 billion deficit for that year. Just the interest due in 1992 was greater than the entire federal deficit of 1982. If we act together to reduce the principal, we'll reduce the interest. If we continue to do nothing to reduce the debt, the interest payment due in the year 2000 alone will be $1.521 trillion, according to one estimate.

Q: **Have Americans in the past shown a willingness to voluntarily reduce the national debt?**

A: Yes, since 1961, the federal government has received $56.3 million in voluntary payments to reduce the debt. Interestingly, Americans have given more during those years when the deficit was higher, such as in 1992.

BREAK THE GRIDLOCK ON THE DEFICIT AND THE DEBT
MAKE THE PLEDGE!

The Fund to End the Deficit, Inc. P.O. Box 34796 Washington, DC 20043



ABOUT THE FUND TO END THE DEFICIT

- The Fund to End the Deficit, is a national nonpolitical, grassroots charitable organization. The Fund has two goals: (1) to make citizens aware of the everyday impacts of the debt and the interest payments upon our lives and upon the future of our Country; and (2) to reinvolve citizens in our government by rallying America to take responsibility to pay down our national debt today under P.L.87-58.

- Over thirty years ago in 1961, a federal statute, P.L. 87-58, was passed that empowers all citizens to make contributions to the Bureau of the Public Debt on the condition that these contributions only be used to reduce our national debt. The Bureau of the Public Debt, under this 1961 statute, must use citizens' contributions to buy back the bonds which finance the government's operations to produce a budget interest saving.

- The Fund to End the Deficit's staff is totally volunteer; therefore, 100% of all contributions from businesses and citizens that we collect go to a separate bank account to be paid over to the Bureau of the Public Debt to retire our national debt. Our goal is to rekindle the flame of citizenship that once burned so brightly in our Country that it illuminated the whole world.

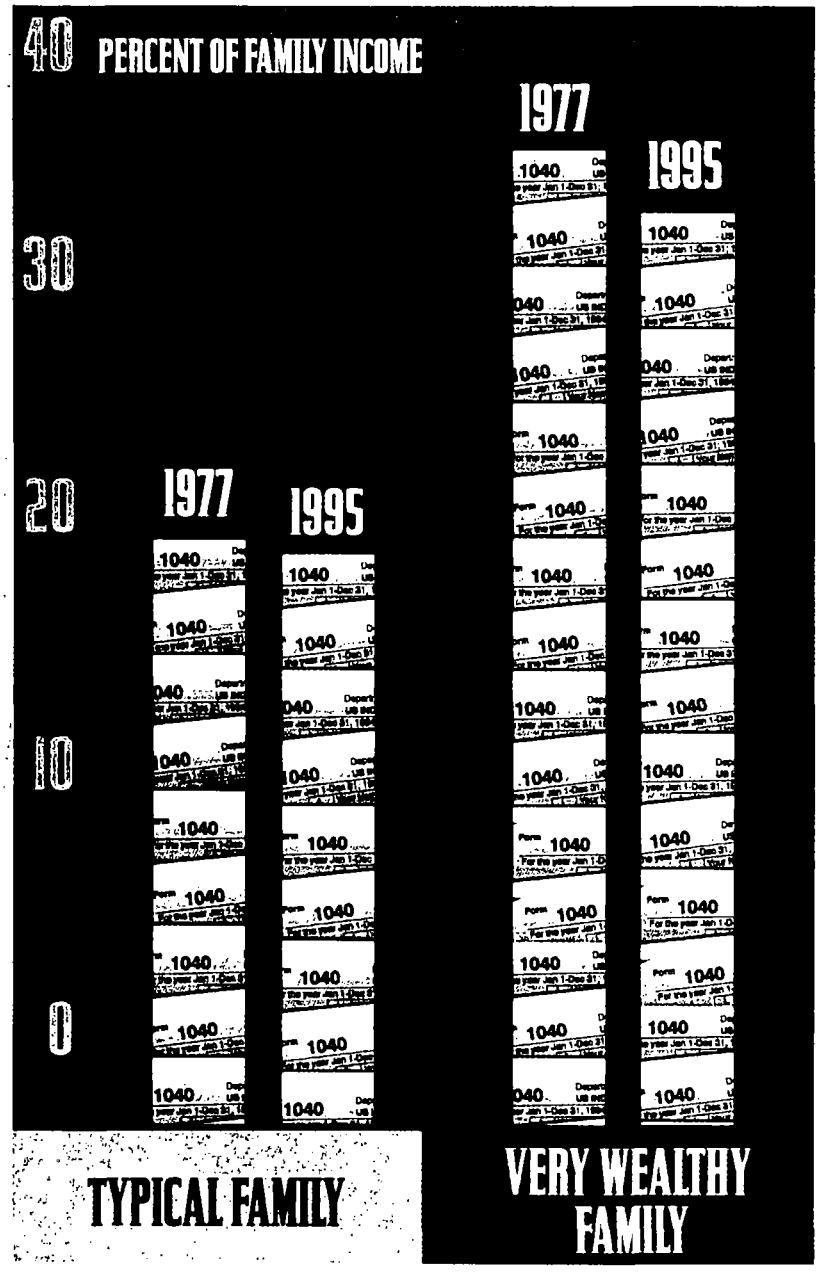
- Our current national debt totals over $5 trillion. The debt increases at approximately $10,000 per second. Even with the deficit reduction legislation passed in 1993 and a balanced budget, the debt is expected to increase another $2 trillion by 2002. Our tax dollars do not go to retire the debt; tax dollars only pay interest on the debt. Over 30% of all personal income tax paid goes to make interest payments on the debt. We each work six weeks out of the year just to pay our share of the interest on the debt.

- THE CITIZENS DEBT RETIREMENT PLAN - The Real Deal - of The Fund to End the Deficit has four components: (1) a check off box on the 1040 tax form to enable citizens to donate a portion of tax refunds to retire our debt and a payroll deduction plan for adults ("Citizens to change America's Future"); (2) an active civics curriculum for students ("The National Penny Parade"); (3) a corporate contribution campaign ("Say Yes to America's Tomorrow!"); and (4) a interactive forum for college students to develop innovative debt retirement strategies("The Students National Debt Summit"). The goal of the Citizens Debt Retirement Plan is to promote a national voluntary citizen initiative under P.L. 87-58 to reclaim our children's future.

- Call our office (202)628-4455 or THE FED LINE 1-888-882-8758to JOIN FORCES WITH THE FUND TO END THE DEFICIT AND SAY "YES!" TO AMERICA'S TOMORROW! JUST SAY "YES!" OUR FUTURE IS OUR CHOICE!

The Fund to End the Deficit, Inc. P.O. Box 34796 Washington, DC 20043 1-888-882-8758

Are Taxes Too High?



While the tax burden on working families in the U.S. hasn't changed much over the last 20 years, the tax burden for the very wealthiest has actually declined.

And What's More...

- Compared with other major industrial nations, U.S. federal, state, and local taxes combined rank second lowest.
- Corporations pay less in taxes than ever. In 1973, the corporate income tax represented 16% of all federal taxes. By 1993 it represented only 9%.

What Helps:

- Reforming taxes so corporations pay their fair share
- Closing tax loopholes that benefit the rich and corporations

What Doesn't:

- Cutting the capital gains tax for wealthy individuals
- Enacting a flat tax that raises taxes for the middle class while cutting them for the wealthy
- Keeping tax loopholes that allow companies to deduct questionable expenses

Making the Economy Work for Workers:

- Be active in your union, since unions are the best way to earn good wages, benefits, and job security.
- Find out if your elected officials support policies that help or policies that don't, then let your vote be your voice.
- Work in local coalitions to demand corporate accountability.

For more information, contact American Federation of State, County and Municipal Employees, AFL-CIO
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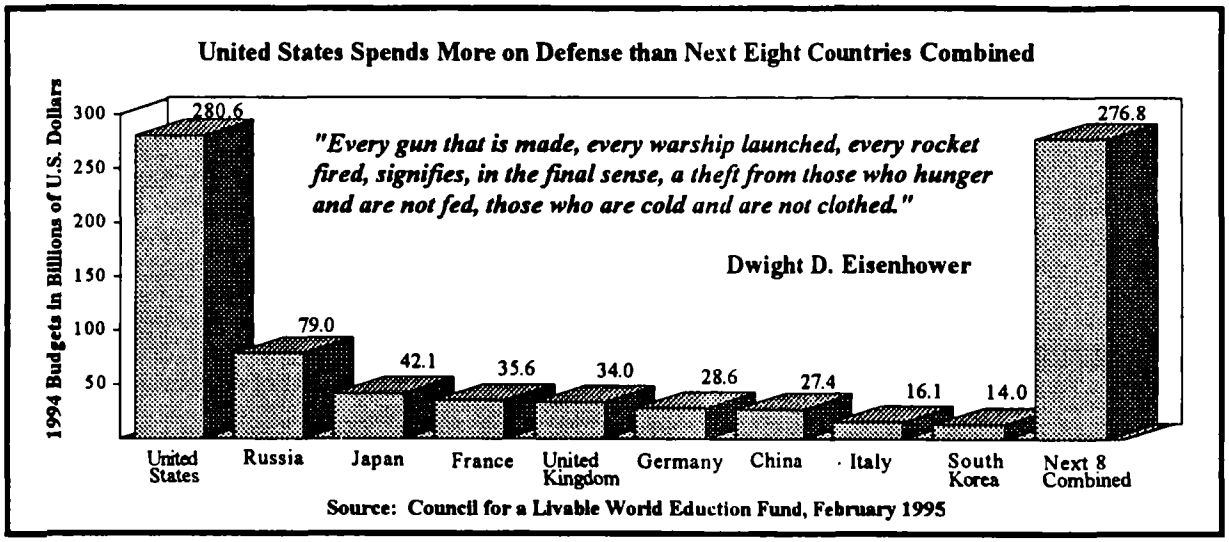
WOMEN'S ACTION FOR NEW DIRECTIONS
NATIONAL OFFICE: 691 Mass. Ave., Arlington, Massachusetts 02174 (617)643-6740 fax (617)643-6744 e-mail: wand@world.std.com
DC OFFICE: Suite 205, 110 Maryland Avenue N.E., Wash., DC 20002 (202)543-8505 fax (202)675-6469 e-mail: wandwill@clark.net

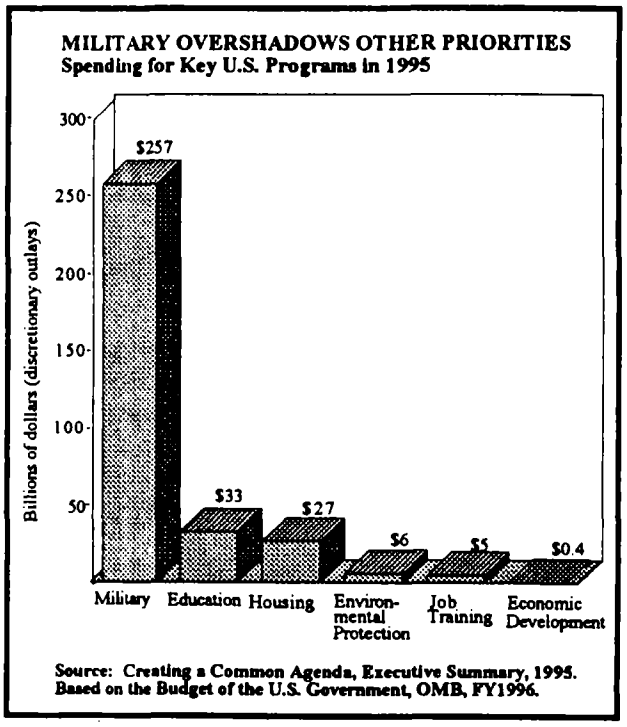
MILITARISM -- A WOMAN'S BURDEN WORLDWIDE

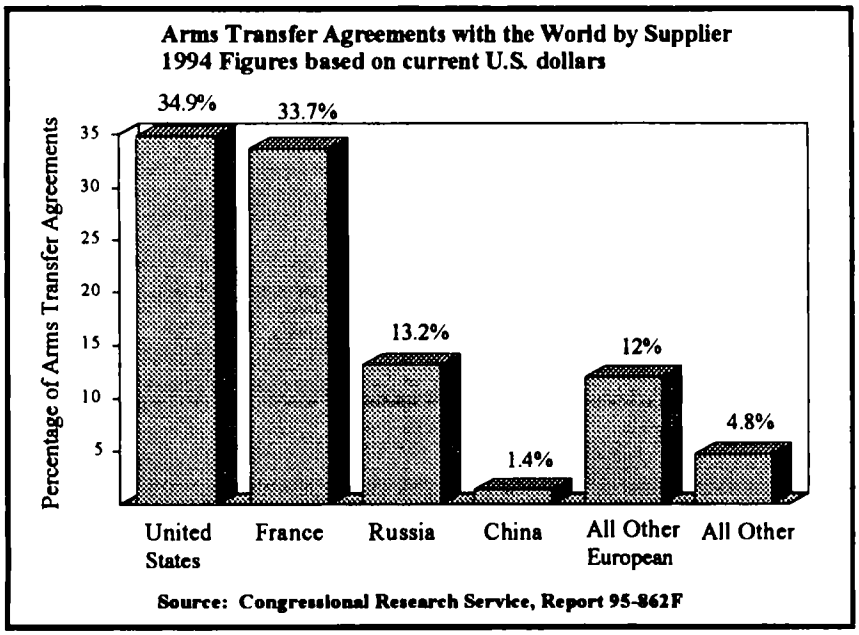
Military spending undermines human security and affects the lives of women and children around the world by using up precious resources that could be spent on basic human needs.



MILITARISM -- WHAT IT MEANS FOR THE U.S.

The United States spends more than any other country in the world on the military. We have paid a heavy price for making the military our national priority. U.S. spending on the military overshadows other important federal priorities. In Fiscal Year 1995, military spending accounted for 49% of U.S. total discretionary spending.





The United States leads the world in arms sales and encourages the export of American weapons abroad to keep the U.S. defense industry thriving. The largest market for conventional weapons is in developing countries where military spending deprives those countries of money to feed and educate their people.

The United States Military pollutes and destroys our environment and threatens the health of our citizens.

- ☒ "The Pentagon generates a ton of toxic waste per minute, more toxic waste than the five largest U.S. chemical companies together, making it the largest polluter in the U.S."
- ☒ Military sites are among the most polluted hazardous waste sites in the U.S.
- ☒ The Pentagon is the largest sole consumer of energy in the United States.

Quote taken from H. Patricia Hynes, Taking Population Out of the Equation, 1993. Amherst, MA.

MEANWHILE: In 1994, 22% of children in the United States lived in poverty -- the highest rate in the industrialized world. Forty million Americans had no health care. And fear of violent crime is prevalent in American society - youth homicides have more than doubled in the last decade.

MILITARISM AND WHAT WOMEN ARE DOING ABOUT IT

Women's Action for New Directions (WAND) is an organization of women who believe there are more humane and sustainable approaches to achieving national security. We encourage women everywhere to create a new definition of national security -- security defined not in terms of firepower and bombs -- but in terms of access to health care, economic security, education, a clean environment, and freedom from violence.

WAND organizes grassroots actions, uses the media to educate the public, trains women for political office, and lobbies elected officials. We believe that women working together can make a difference.

"The world is spending a trillion dollars a year on weapons, globally, and if that was transferred to saving the earth, we could easily solve overpopulation, global pollution, species extinction, and eliminate nuclear weapons. The money is there. The scientific knowledge and expertise is there. All we need is the political will."

Dr. Helen Caldicott, WAND's founder, from her book, If You Love This Planet: A Plan to Heal the Earth

(8/95)

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Force Without Reason

Randall Forsberg

Excerpts

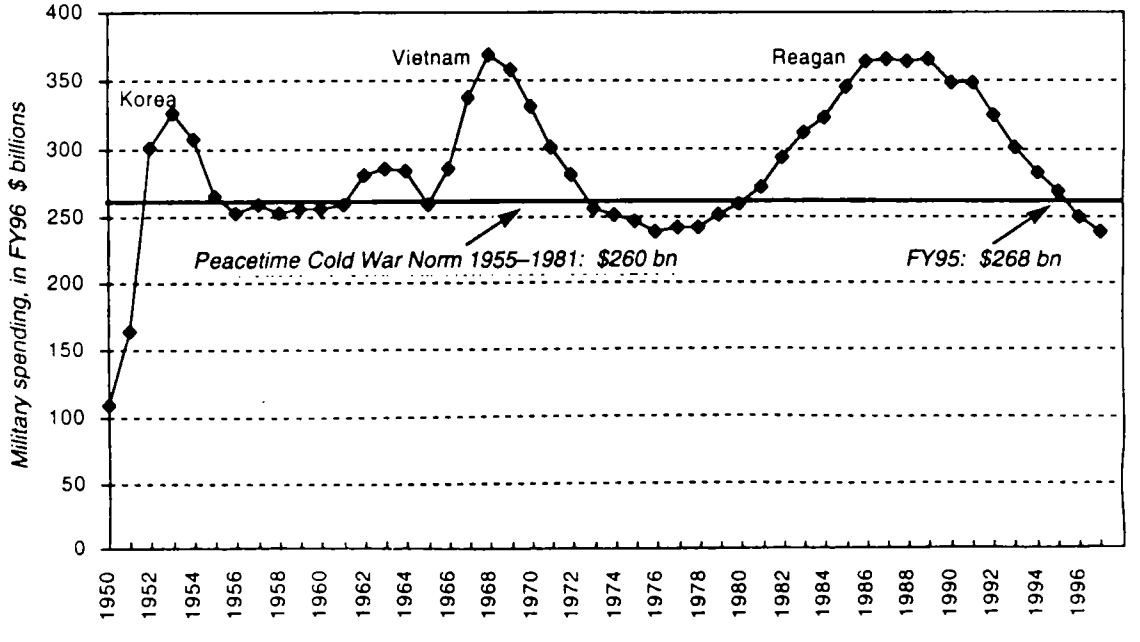
FOR THE FIRST TIME in recent memory, the world's most powerful nations are not merely at peace but expected to remain so, perhaps for decades. At the same time, despite the rampant civil and ethnic conflicts around the world, outside the Korean peninsula there is no near-term risk of a major regional war that might lead to large-scale US military intervention, involving several hundred thousand troops or more. As a result the US government could set aside its usual crisis-oriented approach to matters of war and peace and focus instead on ensuring long-term security at home and abroad.

To strengthen domestic security, the government could begin by cutting $100 billion from the $250 billion US military budget. This would halve the deficit without jeopardizing Medicare or gutting programs that pay back far more than they cost, such as education, job training, drug rehabilitation, and prenatal care.

To strengthen international security, the United States could take the lead in creating a cooperative security system in which this country and others share the rights, responsibilities, and economic costs of preserving peace. In addition to enhancing the prospects for world peace, full burden-sharing would permit another $100 billion reduction in annual US military spending, bringing outlays down to around $50 billion (close to those in all other large industrial nations).

Instead of taking such steps, the Clinton Administration and the Republican Congress are both proposing to *increase* military spending: they differ mainly on the scale and timing of the increase. • • •

Figure 1: The long-term trend in US military spending, 1950–1997



Source: See footnote 1.

Back to the Cold War Norm

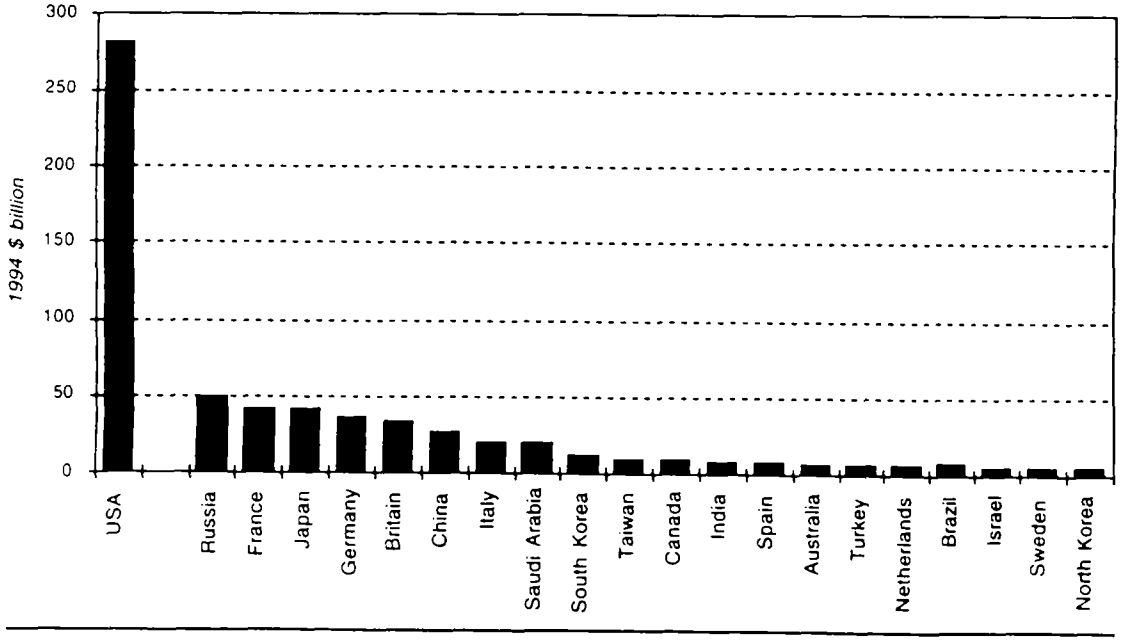
Recent Pentagon presentations, and even ostensibly objective analyses by the Congressional Budget Office and others, give the illusion that military spending has already been reduced so drastically that further cuts would be imprudent. Taking the fiscal year 1987 (FY87) peak reached under President Reagan as their starting point, they show that by the late 1990s, national defense spending will have fallen by 40 percent. (Here and below, all spending analyses refer to Defense Department outlays measured in real terms, after allowing for inflation; and all dollar figures are in projected FY96 dollars, for comparison with the FY96 budget. The figures do not include the military activities of the Department of Energy and other agencies, which were about $15 billion annually in the 1980s and are currently around $10 billion.)

The Washington bureaucracies seem to have forgotten the huge increases in military spending in Reagan's first term. In fact, cuts since 1987 have merely returned the Pentagon's budget to the pre-Reagan, Cold War norm. In all peacetime years between 1950 and 1980, US Defense Department spending lay within $20 billion of $260 billion (in FY96 dollars).[1] Then, between FY81 and FY85, it shot up by nearly 50 percent, reaching $365 billion. During Reagan's second term and the Bush years, the figure declined gradually. By FY94 — Clinton's first budget — it was back to $282 billion, at the edge of the Cold War norm.

Clinton's proposed Defense Department budgets for FY95 and FY96, $268 billion and $250 billion respectively, involve modest cuts; but they do no more than put military spending back at the pre-Reagan level (see Figure 1). Even the expected low point of post-Cold War military spending — $239 billion in FY97 — falls within the Cold War range.

US military spending is also disproportionately large in comparative terms. The United States spends seven- or eight-fold more on the military than the next largest spenders — Russia, France, Japan, Germany, and Britain (see Figure 2). With the collapse of Russia's military budget, the United States alone now accounts for 40 percent of world military spending.[2] ...

Figure 2: US military spending vs. the next 20 largest military budgets, 1994



Source: See footnote 2.

[1] All estimates of Defense Department funding are taken from the annual Defense Department document *National Defense Budget Estimates for FY 1996* (Washington, DC, Office of the Undersecretary of Defense [Comptroller], 1995).

[2] Where available, military spending figures for 1994 (or 1993) are taken from US Arms Control and Disarmament Agency, *World Military Expenditures and Arms Transfers 1993–1994* (Washington, DC: US GPO, 1995). For coun-

Why?

Why has the United States failed so totally to seize the historic chance to use a combination of arms control, collective security, and unilateral cuts to prevent the rise of new military threats, promote democracy and the rule of law worldwide, and change national priorities at home? Why has the government failed to protect and pursue the nation's real security interests?

Many people respond to questions of this kind with a off-hand allusion to the "military-industrial complex," suggesting that the narrow vested interests of a few people in profits and careers are prevailing over the general security interests of the nation as a whole.

I offer an alternative, more comprehensive response — one that clarifies why the vested interests in this area are especially hard to overcome. Many different kinds of vested interests benefit from perpetuating the current military system. Moreover, other important factors — cultural attitudes, the educational and political system, and the special difficulty of educating and involving the public on military affairs — make this sector unusually resistant to change. • • •

Confusion and Cultural Brain-washing

Furthermore, the US lead in military technology offers only modest and declining benefits to the civilian economy. Increasingly, civilian manufacturing is moving to modular, computer-based, diversified production lines, coupled with demand-related inventory maintenance. Production of major weapon systems, which is so highly specialized that it cannot be adapted to this production mode, actually impedes the successful conversion of industries to this highly efficient structure — and thereby reduces civilian productivity and international competitiveness.[19]

Another misguided view is that cuts in military spending will not make much difference to domestic programs because the combined Federal funding for health care, social security, and welfare comes to more than the military budget. The mistake here is failing to appreciate the scale of military spending relative to the very modest individual domestic *discretionary* programs that are being decimated or eliminated altogether (see Table 2). Proposed rescissions from the FY95 budget (that is, cancellations of previously approved funding for the current year), which come to about $16 billion, could be more than doubled by the modest unilateral cuts described in the last part of this article (see Table 3). • • •

Caution and Demoralization

The end of the Cold War has left people cautious and uncertain about international security matters. Not surprisingly, people think it is unwise to change too much too fast. This natural caution tends to merge with the idea that defense-funded employment may be better than higher unemployment; and these two ideas, combined, reinforce an exaggerated view of the intractability of vested interests.

[19] Michael Piore and Charles Sabel, *The Second Industrial Divide* (New York: Basic Books, 1984).

Ignorance

What about the general public? Less than 5 percent of the workforce is employed in jobs supported directly by military spending. The overwhelming majority would benefit directly and immediately from deep cuts in the military budget. Why, then, is there no public outcry demanding such cuts?

To a great extent, the answer is simple ignorance. Few people know that most US military spending goes to conventional military forces intended entirely for use overseas; even fewer are aware of the feeble state of Russian military forces; and virtually no one realizes that another war in the Middle East on the scale of the Gulf War could not occur for a minimum of a decade — and with global restraints on arms exports, could be prevented for several decades. People do not know that US military spending is vastly greater than that in all other countries. And the lack of national debate on trade-offs between military and domestic programs has made people discount military cuts as a way to reduce the deficit without gouging domestic programs. In fact, military spending accounts for nearly half of all discretionary spending in the FY96 budget.

Citizens are even more unfamiliar with the government's inaction and counterproductive action in security policy and arms control. Few people know, for example, that *all* advanced weaponry acquired in the Third World comes from just five nations — or that an agreement among these five to stop arms exports would prevent the emergence of the potential future threats which the huge US military budget is ostensibly intended to guard against. • • •

Table 2: Comparative costs of some FY96 civilian and military programs (in $ millions)

Civilian Programs		Comparably-priced Military Programs	
Drug-abuse Prevention	$2000	F-22 stealth fighter development	$2200
National Park Service	1200	One Seawolf attack submarine	1526
Child Immunization Program	844	F/A-18E/F Hornet fighter development	845
Corporation for Public Broadcasting	306	Four Trident II nuclear missiles	348
National Endowment for the Arts	172	164 Tomahawk nuclear/conv. missiles	168
Arms Control & Disarmament Agency	76	Weapon upgrades for Oh-58D helicopters	78

Sources: Budget of the United States Government for FY 1996, Appendix; Department of Defense, *Program Acquisition Costs by Weapon System for FY 1996*; Council for a Livable World Education Fund, 1995.

Table 3: Platform of the budget-cutting coalition (in $ billions)

		Change in FY96	Change over FY96-FY2001
Dirty Dozen: Top 12 Items to Cut			
Hardware			
1	Cut Ballistic Missile Defense R&D	$–1.7	$–12.0
2	Eliminate arms export subsidies	–1.5	–9.7
3	Stop producing Trident II missiles	–0.1	–2.8
4	Do not build 2 new submarines	–2.9	–10.6
5	Cancel F-22 fighter R&D and production	–2.4	–18.5
6	Stop B-2 production at 20	0.0	0.0
7	Cancel Milstar communications satellite	–0.8	–4.6
8	Cancel C-17 cargo aircraft	–0.2	–10.5
Forces			
9	Consolidate DoD, DoE, and NASA bases & labs	–3.0	–18.0
10	Cut foreign intelligence budget by 10%	–2.7	–17.6
11	Increase burden-sharing by allies	–1.5	–17.5
12	Reduce active forces: Uniformed Personnel: 1.4 to 1.1 mn Army divisions: 10 to 7 Carrier battle groups: 12 to 9 Air Force wings: 20 to 17	–1.5	–120.0
Total, 1996 High Priority Funding Cuts		**–18.3**	**–241.8**
Top Ten: Top 10 Items to Increase			
Hardware			
1	Nunn-Lugar nuclear weapon dismantlement	$0.3	$1.5
2	Environmental clean-up of DoD facilities	0.0	0.0
3	Industry conversion and worker retraining	1.0	6.0
4	More sealift ships	0.3	1.5
5	Multilateral communication and intelligence	0.1	0.6
Forces			
6	Rapid implementation of START II nuclear cuts	0.3	–6.4
7	Training for peacekeeping operations	0.0	0.0
8	Consolidate armed forces roles and missions	0.0	0.0
9	Keep existing submarines in place of new ones	0.0	0.5
10	Keep B-52s in place of more B-2s	0.6	2.2
Total, 1996 High Priority Funding Increases		**2.6**	**5.9**
Net Change		**–15.7**	**–235.9**
Average Annual Change (over six years)			**–39.3**

Source: *Military Spending Briefing Book* (Washington, DC, May 1995) by the Military Spending Working Group: FAS, CLW, CDI, Peace Action, PSR, UCS, IDDS, National Commission for Economic Conversion, LAWS, 20/20 Vision, Project on Demilitarization and Democracy, CNS, Campaign for New Priorities, FCNL, Common Agenda, WAND.

Who Should Hold the Pentagon Accountable?

One ray of hope in this grim scene is offered by a broad coalition of public interest groups, based mainly in Washington, planning a new national campaign to cut the military budget. The coalition, currently called the Military Spending Working Group, has developed an agreed platform for 1995 organized around what are called the "dirty dozen" and "top ten" components of the military budget (see Table 3). This platform would lead to cuts in military spending of $294 billion over the next six years (an average annual cut of $39 billion). Coalition members have jointly produced a detailed briefing book to support the platform, and they are developing a political and media strategy, and a set of long-term goals for changes in military policy and spending. At the same time, other groups and coalitions with similar impulses have begun springing up around the country.

A convergence of national and local efforts could create the first opportunity in decades for broad public education on US security policy and military spending. With a concerted effort, this new activism might awaken the one group capable of cutting the Pentagon to size: the taxpayers who fund it. ■

RANDALL FORSBERG

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Children's Defense Fund

WHY SAFETY NET ENTITLEMENTS MUST NOT BE CONVERTED INTO BLOCK GRANTS - Summary

Transforming certain key means-tested "entitlement" programs (food stamps, school lunches and other child nutrition programs, Medicaid, AFDC, and Foster Care and Adoption Assistance, among others) into block grants would do incalculable damage to America's children and families, states' finances, and the nation's future.

These entitlement programs exist to make sure that eligible children are served; that emergencies can be responded to flexibly; and that the nation fulfills its commitment to children and families facing hard times. They are ill-suited to treatment as block grants:

1) **If safety net programs are funded as block grants, children and states will suffer when recessions or emergencies create increased demand for services or assistance.** States will have to choose whether to turn away tens of thousands of needy applicants, many of them children, or to dramatically reduce benefits for everyone, or to pay billions of dollars for the rapid growth of the program out of their own declining revenues. Recessions could be prolonged and deepened in individual states.

2) **The block grant proposals would dismantle programs that have proven records of success in helping reduce hunger, malnutrition, infant mortality and ill health among children and that were made into federal guarantees because children suffered when the federal government provided funds but no leadership or standards.**

3) **Without assurance that all who meet the standards in the law will obtain the benefits of the program, there will be long waiting lists for equally needy families when funds run out.** Even successful and popular programs like Head Start and WIC, while not entitlements, are typically so squeezed for funds that they only serve one half or fewer of eligible children and have long waiting lists.

4) **History shows that block grants tend to shrink over time, since Congressional interest in them wanes.** From 1982 to 1995, for example, the Community Services, Title XX Social Services, Preventive Health, and Chapter II Education block grants shrank 49%, 28%, 7%, and 53%, respectively, in inflation-adjusted dollars.

5) **While states need more discretion in a variety of areas and programs, certain basic needs of children should be met in every state and every community. Children in this nation should not be penalized based on where they live.**

6) **While most states will act responsibly, not all will at all times.** Some states, for example, in the past have denied aid on the basis of race or national origin; others have denied aid in recent times to working poor families or two-parent families or have erected huge barriers to child support enforcement services for children born out of wedlock.

7) **Investments in children often have payoffs that, because they are long-term, help the nation more than they help individual states, and therefore are harder to get states to make.**

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Children's Defense Fund

WHY SAFETY NET ENTITLEMENTS MUST NOT BE CONVERTED INTO BLOCK GRANTS

A number of proposals are being circulated that would transform key means-tested "entitlement" programs (food stamps, school lunches and other child nutrition programs, Medicaid, AFDC, and Foster Care and Adoption Assistance, among others) into block grants. **Such a transformation of these key safety net programs would do incalculable damage to America's children and families, states' finances, and the nation's future.**

These programs exist to make sure that eligible needy children are served; that emergencies can be responded to flexibly; and that the nation fulfills its commitment to children and families facing hard times. They are ill-suited to treatment as block grants.

Some of the proposals to consolidate groups of federal discretionary spending programs, if carefully crafted, could improve services for Americans and make government more efficient. **But block grants must not be used as a means to unravel the safety net for a number of fundamental reasons:**

1) **If safety net programs are funded as block grants, children and states will suffer when recessions or emergencies create increased demand for services or assistance.** The structure of the existing programs allows elasticity. The needs-based programs grow when need grows, as in recessions or after natural disasters like floods and earthquakes. Program participation then declines when need abates. If such programs are converted into block grants with capped funds, this stabilizing effect will be abandoned and states will have impossible choices during recessions and other emergencies: they will have to choose whether to turn away tens of thousands of needy applicants, many of them children, or to dramatically reduce benefits for everyone, or to pay for the rapid growth of the program out of their own declining revenues. Recessions could be prolonged and deepened in individual states, and therefore in the nation as a whole. Federal allocations would be misdirected -- states hard hit by recession would get no more funds while states with vibrant economies would get no less. Creating a block grant does not do away with the needs of children and families; it just leaves states with impossible choices in hard times.

2) **The block grant proposals would dismantle programs that have proven records of success in helping children and that were made into federal guarantees because children suffered when the federal government provided funds but no leadership.** The Food Stamp program, which has reduced hunger and malnutrition for millions of children, is one example of why federal leadership is essential. In the late 1960s, doctors working with HEW's "Ten State Nutrition Survey" found that low income children in some parts of the country were suffering from nutritional deficiency diseases at rates comparable to children in underdeveloped countries. At that time, states were left to set their own income eligibility and benefit levels for food stamps, even though the program was 100% federally funded. Many states set very low limits, and some of the poorest counties in the nation declined to operate a program at all. The findings about child hunger shocked the nation, and led President Nixon to institute national food stamp standards. When doctors

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returned ten years later to the areas they had studied, they found hunger and malnutrition had been reduced dramatically, with the Food Stamp program a major reason for this progress. A block grant that abdicates federal leadership ignores these important lessons. And, if states failed to meet the need when the federal government footed the entire bill, the pressure to slash benefits for children would be even worse under a block grant that reduced federal funding and left states to pick up the slack.

3) **Without assurance that all who meet the standards in the law will obtain the benefits offered, there will be long waiting lists for equally needy families when funds run out.** The safety net programs promise that children can get subsistence benefits so long as they meet stringent legislatively-defined tests. Block grant proposals would do away with this commitment, giving states little choice but to turn children away without help when fixed funds run out, even though the children meet all the stringent standards for help and would have been helped the week or month before. Waiting lists are standard for low-income children's programs that are not entitlements. Even successful and popular programs like Head Start and WIC are typically so squeezed for funds that they only serve one half or fewer of the eligible children. The specter of long waiting lists for help with food, shelter or health care is not mere speculation; indeed, one central provision of the AFDC and Medicaid laws -- that aid shall be furnished "with reasonable promptness to all eligible individuals" -- was enacted precisely because many states used to have such waiting lists for subsistence benefits. Especially in programs for the nation's neediest children, people who meet program rules should not be denied help because they applied too late in the year after money ran out, or live in the wrong state or county, or face some other arbitrary barrier unrelated to their need or the program's purposes.

4) **History shows that federal block grants tend to shrink over time.** Whether because their purposes become diluted, or because it is hard to sustain federal funds for a program in which states make all the decisions, block grants tend to shrink. From 1982 to 1995, for example, the Community Services, Title XX Social Services, Preventive Health, and Chapter II Education block grants shrank 49%, 28%, 7% and 53%, respectively, in inflation-adjusted dollars. Similar shrinkage in the decade ahead in safety net entitlement programs would mean millions of children without food, clothing, shelter and health care, or tens of billions of dollars of costs shifted to the states, or both.

5) **While states need more discretion in a variety of areas and programs, certain basic needs of children should be met in every state and every community. Children in this nation should not be penalized based on where they live.** We are one nation with a common commitment to humane treatment of each other. Just as we have made and kept national promises to provide basic help to the elderly and veterans, we should keep our national promise to children. Whether a child's most basic subsistence or health needs are met must not depend on the state of her residence or the month of her destitution. Making sure that children are healthy and not hungry and not abused or neglected must be as much a national priority in Mississippi as in Minnesota, in New Mexico as in New York. When the federal government is providing one half or more of the funds, moreover, there is additional reason that states should be held accountable to these national commitments.

6) **While most states will act responsibly, not all will at all times.** Before federal standards were applied, state and local governments often denied aid to poor families because they were Black or had Eastern European origins. While such denials would be far less common today, other forms of arbitrary decision-making persist, denying aid to penniless families and leaving children hungry, homeless, and without health care. When states had the option to extend Medicaid to children in working poor families as well as in welfare families, only about one third did so. And even though all evidence shows that denying AFDC to two-parent families fosters family dissolution (as well as leaving the children with no safety net benefits), half of the states had no two-parent AFDC program before Congress acted in 1988 to require it. Another example is child support enforcement: until federal standards took effect, many states did not allow children born out of wedlock to pursue support from their fathers, or put other major roadblocks in the way of child support enforcement.

7) **Investments in children often have payoffs that, because they are long-term, help the nation more than they help individual states, and therefore are harder to get states to make.** There are important pay-offs from preventive health care, sound nutrition, and services that strengthen families and protect children. But in fiscal terms, some of the savings are reaped 5, 10 and 20 years after the initial investment. States know that huge numbers of families move out of their jurisdictions over such a 5, 10 or 20 year period, reducing significantly the return to the states of their investment. It is the nation that gains the most from and must make the commitment to the investment. It is also the nation that loses the most if these investments are not made at adequate levels and to all children in need.

CRAFTING BLOCK GRANTS THAT HELP -- NOT HURT -- CHILDREN

Children's Defense Fund

The consolidation of some federal discretionary programs, if properly structured, can make them more efficient and improve services to children and families. By bringing together programs already serving common purposes and similar beneficiaries, block grants can reduce administrative burdens on states and local communities while also giving them greater flexibility to design more integrated and effective strategies for meeting children's and families' needs. **Block grants, however, must not be used as a Trojan horse for reducing federal investments in children or repealing assurances that children will receive the help they need when threatened by severe deprivation, hunger, homelessness, abuse or neglect, illness, and disability.**

The risks are greatest when block grants are proposed to include key child survival programs -- including AFDC, food stamps, foster care and adoption assistance, child nutrition, Medicaid, SSI, and child support enforcement -- that entitle children to help based on need. Under current law, federal expenditures for these programs rise automatically when recessions or demographic changes cause caseloads to rise. If this "entitlement" status is lost by inclusion in a block grant, states will exhaust their federal money and be faced with terrible options: picking and choosing among equally needy groups of children; placing children or families on waiting lists even when they face immediate crises; slashing benefits or services; or making up for the funding shortfall with huge amounts of state dollars. For state budgets and for children, such choices simply are unacceptable. Individual entitlement programs must not be included in block grants.

Even when entitlements are off the table, block grant proposals may include other spending reductions that will restrict their usefulness now or in the future. Many governors and state legislative leaders, for example, view block grant proposals as acceptable or even desirable if accompanied by congressional pledges to maintain federal funding for five years at levels 10-15 percent below current appropriations. Such pledges, however, cannot bind future spending decisions by Congress, and other actions proposed by the new House leadership will create enormous pressures to cut block grant appropriations further in the years ahead. The constitutional amendment requiring a balanced federal budget, if enacted and ratified, will necessitate government-wide cuts averaging 30 percent in all federal discretionary spending to avoid raising taxes or cutting Social Security and defense when the amendment takes effect in the year 2002. More immediate budget cuts, including possible rescissions of fiscal year 1995 funds, also will place great strains on state and local budgets. The danger that the Congress will abandon support for block grants is real: those established in 1981 were initially funded at levels 25 percent below the combined appropriations of the programs folded into the block grant, and over the next 13 years federal funding for a number of these block grants typically plummeted to between one-fourth and one-half of their original levels in inflation-adjusted dollars.

In addition to preventing the repeal of entitlements and spending reductions, the task of shaping block grants so that they help children and families must be guided by clear principles.

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These principles must define respective federal and state roles, assure accountability in the use of block grant funds, and lay a strong foundation for future federal investment in these areas. If block grants are structured in such a way that it proves impossible to tell how federal funds are spent, what results are achieved, or whether basic notions of fairness and public involvement have been observed, they will be doomed to fail. The following principles reflect the minimum protections and assurances that must be incorporated in any future block grant legislation:

Clarity of Purpose. **A clear description of the goals and objectives of the program and the children and families it intends to benefit.** Block grants intended to help children and families should specify clearly the purposes for which they are to be used and the intended beneficiaries of the block grant. Consolidations should combine programs which already share common goals and similar beneficiaries in order to ensure clarity of purpose. Overbroad consolidations will subvert program quality and funding over the long-term.

Services for Those Most in Need. **Assurances that children with the greatest needs will not be overlooked.** A federal commitment to caring for those least able to care for themselves must be maintained in any block grant. Block grants should require states to specify how they plan to reach low-income children and families, or other children with special needs related to the program's purpose, and describe the range of children and families that will be helped. A requirement for an assessment of the unmet needs of children and families and capacities of current programs will help to determine the extent to which resources will be directed to those most in need.

Accountability for the Use of Funds. **An established set of measurable outcomes or results, including improvements in child well-being and service delivery, that are to be achieved and descriptions of how they are to be assessed, and regular reporting on and auditing of the use of funds.** Both Congress and the executive branch have a responsibility for ensuring that taxpayers' dollars are used efficiently, effectively, and for the purposes for which they are intended. The establishment of new block grants makes it possible to specify intended outcomes and measure or document progress over time in reaching the goals for children that states have established. Periodic reporting on the use of funds, including the types of services provided and children served, as well as regular audits also are essential. Reports should be shared with the public, agencies providing similar services and support, and the responsible federal agency.

Assurances of Quality and Fair Treatment. **Basic protections to safeguard the health and safety of children and prevent discrimination or arbitrary decision-making.** Assurances of at least minimum or basic quality services should be specified in the block grant and states should be required to describe the procedures they will use to monitor and maintain the quality of services provided to children. Although specifics will vary from block grant to block grant, provisions should range from minimal protections for children's health and safety to other safeguards to ensure that the care children receive is appropriate to their needs and reviewed periodically. The statute should explicitly include prohibitions against discrimination on the basis of race, color or national origin, sex, disability, and age. A fair and timely review of claims regarding denial of access to services also must be provided.

Public Participation in Planning and Delivery of Services. **An inclusive process to develop and review service priorities and implementation activities that ensures meaningful input from community representatives, parents, and other child and family advocates as well as service providers.** A framework must be established within states for making decisions about program goals, integration of services, and the expenditure of funds. Meaningful community and client involvement in the planning and operation of services will help to ensure that the needs of children and families are respected and more effectively addressed. Parents and other community representatives also can play an important role in monitoring the effectiveness of the services.

Maximizing the Impact of Federal Funds. **Provisions to ensure that the intent of federal investments in children and families is not subverted or undermined by offsetting state and local budget cuts.** States faced with enormous fiscal pressures and competition among constituencies will have to fight to keep limited resources directed toward important goals for children. Although the clarity of purpose and accountability mechanisms will help, states should be required to maintain their level of state and local support for the program goals, continuing to supplement federal dollars to the extent previously required. To further maximize the impact of these dollars, states also should be required to specify and regularly report how these activities are being coordinated with similar activities funded from other sources.

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The Budget Process

- **President submits** proposed budget to Congress in February.
- **The Budget Committee** in each chamber sets spending targets for each authorizing committee. Each authorizing committee determines its priorities for programs under its jurisdiction within targets set by the budget committee, and reports their priorities to the Budget Committee.
- **House and Senate budget committees** evaluate requests from authorizing committees and the President's budget, and submit their recommendations, in the form of a resolution, to their chamber for approval.
- **The House and Senate** vote on their respective **budget resolutions**, each of which needs a simple majority to pass.
- **Conference committee** meets to work out differences in House and Senate versions of the budget resolution. Sends **conference report** integrating both versions to the House and Senate for approval.
- **The House and Senate** each vote on the conference report -- no amendments are allowed, and only a simple majority is needed to pass.
- **Budget resolution** is intended to guide and restrain Congress as it acts on various spending bills. The budget resolution does not go to the President: it is a congressional document only. Although lacking the force of law, the resolution establishes targets and assumptions that often dictate the ultimate results.
- **The conference report** on the budget resolution is sent back to the authorizing committees, which add detail to their allocations and account for permanent authorizations not included in the budget resolution. The **authorizing committees** write legislation which authorizes federal programs and the amount of money they can receive.
- At the same time, the **tax-writing committees** in both chambers (Senate Finance and House Ways and Means) receive the budget resolution conference report and write legislation to raise revenue to fund the programs outlined in the budget resolution.

The Budget Process:
(continued)

- Meanwhile, the **13 appropriations subcommittees** in each chamber divide the allocation of funds set out in the budget resolution conference report among the various agency programs within each subcommittee's jurisdiction. The 13 appropriations bills assign government funds for federal programs.

- **Authorizing and tax-writing committees** are required to "reconcile" differences between their committees' legislation and the budget resolution, and report back to the budget committee in their respective chamber by the end of September.

- Each chamber must prepare a **reconciliation bill** which combines the work of the authorizing committees and the tax-writing committees, and makes changes to existing laws so that revenue and expenditure figures conform with the numbers in the budget resolution. Each chamber votes on its respective reconciliation bill, both of which are sent to a conference committee to work out the differences. The House and Senate each then vote on the **reconciliation conference report**, which is also a congressional document that is not sent to the President.

- **The House and Senate Appropriations Committees** then receive the reconciliation bill, and allocate the approved budgetary amounts to each of their 13 subcommittees.

- **Each appropriations subcommittee** then sets specific funding levels based on the reconciliation bill for all programs under its jurisdiction, and presents its "reconciled" appropriations bill to the full committee, which reports each of the 13 appropriations bills to the floor for debate and passage by simple majority. [**Appropriations bills** are where the actual detailed decisions about what to fund and what to cut are made. Appropriations bills are not just about money or funding levels; because all 13 appropriations bills must be passed each year to keep the government operating, they offer a convenient target for legislators seeking to attach substantive provisions for special interests, called riders, that significantly change existing laws.]

- **House and Senate** meet in conference on each of the 13 appropriations bills, and send each conference report back to both chambers for approval by simple majority. Each appropriations bill is sent to the President for signing or veto. If appropriations bills have not been signed into law by October 1 (beginning of the fiscal year), then those agencies and programs affected by those bills will not have funding.

- In addition, Congress often passes a **rescission bill** or a **supplemental appropriation bill.** A **rescission bill** revokes money appropriated for the current fiscal year, but not yet spent. **Supplemental appropriations bills** are enacted to provide funding in addition to that previously designated for the current fiscal year.

Reprinted from WAND's guidebook, Your Political Voice: A Citizen's Guide to Accessing the Legislative Process,October, 1995.

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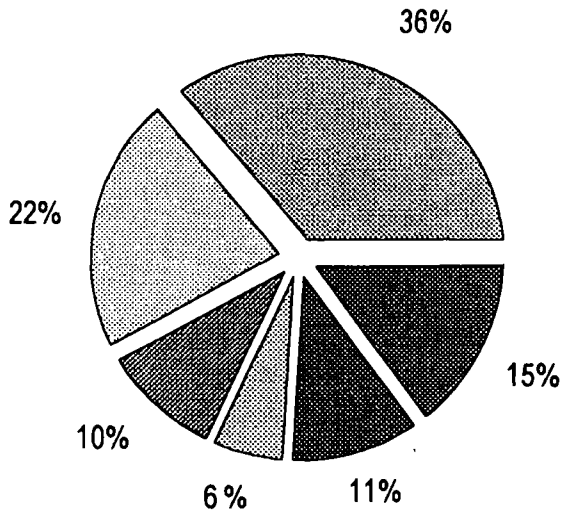
How Do You Think the Federal Budget Pie Was Sliced Last Year (FY1995)?

Total Federal Budget Outlays (FY95)



Next to each slice of the pie write the letter of the category you think goes with each percentage.

Mandatory:

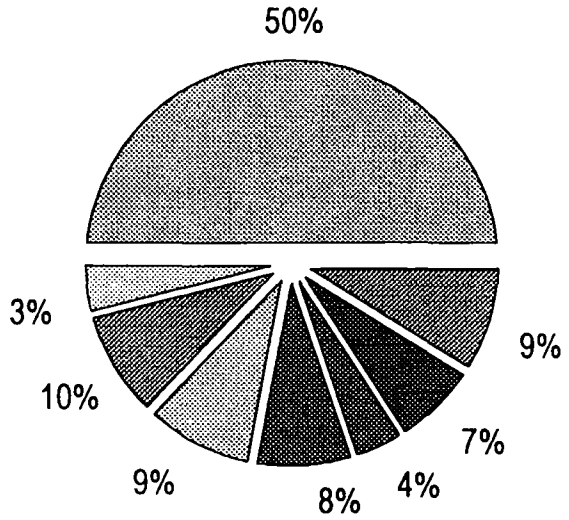
A. Social Security
B. Medicare
C. Medicaid
D. Other Mandatory

E. **Interest**: (Net Interest on the Debt)

F. **Discretionary Programs** (Military, Domestic Programs, and International Affairs)

STEP #1: Take the Quiz

Discretionary Outlays Only (FY95)



Using the percentages above, write in next to each program area the percentage you think applies.

(Domestic Programs)

____ Government Administration and Justice
____ Community & Regional Development, Transportation
____ Housing & Income Security
____ Health
____ Education, Training, Employment, & Social Services
____ Environment, Science, Agriculture

____ **(International Affairs)**

____ **(Military programs)**