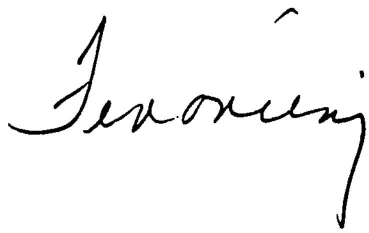

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NOTES FOR REVISED COST TABLE

General

1. These estimates are all preliminary. We will have new baselines in a few weeks which will change many of our revised estimates. We are also still examining our assumptions and estimating techniques. The revised numbers have not been reviewed by OMB.

2. Column 1 represents our original five year federal estimates for the 1994 WRA.

3. In column 2 the estimates our revised to correct mistakes in our original estimates, adjust baselines, and incorporate CBO scoring methodology when appropriate.

4. Column 2 uses AFDC and Food Stamp estimates from the FY95 baselines and Medicaid per capitas from estimated FY96 baseline. CBO will release numbers this week - 12-1, 12-2-after Congress adjourns

Column 2

Parental Responsibility

1. The minor mothers estimate decreases because the Medicaid per capita costs decrease.

2. The child support enforcement estimates change for the following reasons:

   - moving the baseline from FY1995-1999 to FY1996-2000. This increases the caseload numbers;
   - reductions in Medicaid per capitas decreases the savings due to caseload reductions and medical support enforcement;
   - increases in regular ADP costs to account for capacity increases needed in existing state systems, many of which pre-date the Family Support Act requirements;
   - corrections to the universal services and administrative authority provisions estimates to account for activities already taking place under current law (reduced savings);
   - correction in the Food Stamp costs to estimate on implementation of the Leland Amendments. The original estimate overestimated costs because current law child support collections were not included.
   - estimate (for the first time) the interaction between the Federal tax offset changes and the lump sum AFDC rules. The five year federal costs estimated at $150 million (including Food Stamp savings).

   CBO's cost estimate is still believed to be about $230 million higher than ours since CBO does not anticipate as much increase in child support collections from paternity establishment efforts as are assumed in the HHS estimate.

Making Work Pay

1. The cost of child support and earned income disregards decreases because of the decrease in Medicaid per capitas. However, the overall costs of the disregard have increased. This is to correct an error in the original Administration cost estimate. In the original cost estimate, it

was intended that states with half of the AFDC caseload would implement a policy that was equivalent to removing the time limit on the $30 and 1/3 disregards, and that the remaining states would maintain current law. However, the cost estimate reflected a policy where states with half of the caseload would remove the time limit on the $30 and 1/3 disregards, and that the remaining states <u>would disregard only the new federal minimum</u>. This was not intended, and has been corrected in the column 2 estimate.

<u>Transitional Assistance Followed by Work</u>

1. Additional JOBS spending decreases because, with the increase in the estimate for enhanced teen case management, states will not be able to serve as many people in the JOBS program as we had previously believed. The teen case management estimate has been corrected because we had originally assumed that more people were covered under the baseline than actually are under current law.

2. The cost of providing child care to JOBS and WORK participants increases because we have increased our unit costs to take account of the new ACF-108 data and CBO estimates. We are also estimating the total number of participants instead of just the net number as we had previously done. The Transitional Child Care estimate also increases because of the increased unit costs and baseline shifts. The Child and Adult Care Feeding Program cost increases as the child care cost increases.

3. The AFDC caseload reduction savings decrease because we no longer take AFDC savings for the increase in the number of part-time workers.

4. The Food Stamp savings decrease because we lose some savings from the part-time workers and because of a technical correction in the Food Stamp methodology.

5. The Medicaid savings decrease because of the per capita adjustments.

6. The EITC outlays decrease because we no longer have earnings associated with AFDC part-time workers.

<u>Improving Government Assistance</u>

1. AFDC UP costs have increased since our original estimate. In the original administration cost estimate, California was taken out of the analysis because the state has relaxed the 100-hour rule under a cost neutral demonstration. However, that demonstration expires in FY 99. Therefore, costs have increased in the fifth year (FY 00) to account for inclusion of California.

2. CBO did not score any saving for the "Fill the Gap" proposal. CBO felt that the legislative language did not achieve the policy intent, and would not result in any AFDC savings. Therefore, in "column 2," we remove roughly $75 million per year in AFDC savings attributed to this proposal.

3. Other <u>minor</u> cost changes may be included in a final estimate of the Administration's bill; however, these adjustments have not been completed at this time.

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PRELIMINARY DRAFT

FEDERAL COST ESTIMATES OF ADMINISTRATION'S WELFARE REFORM PROPOS FOR ELEMENTS OF A WELFARE REFORM PROPOSAL

	95-99 Original 5 Year Federal	96-2000 Revised 5 Year Federal
PARENTAL RESPONSIBILITY		
Minor Mothers	(105)	(95)
No Additional Benefits for Additional Children	(45)	(45)
Teenage Parent Educational Attainment	10	10
Comprehensive Demonstration Grants	100	100
Teenage Pregnancy Prevention Grants	300	300
Access and Visitation Grants	40	40
Child Support Assurance Demonstrations	140	140
Child Support Enforcement		
Net Effect of Child Support Proposal	240	620
Medicaid Savings from Caseload Reductions	(325)	(270)
Computer Costs	285	285
NET	200	635
SUBTOTAL, PARENTAL RESPONSIBILITY	640	1,085
MAKING WORK PAY		
At-Risk Child Care Expenditures (includes R and E TAP)	1,600	1,600
State Demonstration Projects for Advanced Payments of EITC	50	50
State Flexibility on Earned Income and Child Support Disregards	615	765
SUBTOTAL, MAKING WORK PAY	2,265	2,415
TRANSITIONAL ASSISTANCE FOLLOWED BY WORK		
Secretarial Fund	300	300
Additional JOBS Spending	1,990	1,565
WORK Operations and Employer FICA	825	825
Work Expenses	220	220
Administrative Costs	75	75
Additional Child Care Spending for JOBS	1,680	2,610
Child Care Spending for WORK	365	610
Transitional Child Care	295	405
Child Care Monitoring and Licensing	60	60
Child and Adult Care Feeding Program (all child care)	225	290
Non-Custodial Parent JOBS/WORK (Gross)	325	325
Non-Custodial Parent JOBS/WORK (Savings)	(140)	(140)
Enhanced Teen Case Management	320	745
ADP Federal and State Systems	825	825
Enhanced Administrative Efficiency	(290)	(290)
Caseload Reduction and Sanctions	(1,035)	(650)
Food Stamp Savings	(495)	(140)
Medicaid Savings	(470)	(350)
EITC Outlays	540	335
SUBTOTAL, TRANSITIONAL ASSISTANCE	5,615	7,620
IMPROVING GOVERNMENT ASSISTANCE (IGA)		
Remove Two Parent (UP) Restrictions	710	735
IDA/Microenterprise Demonstrations	50	50
Generally Conform Resource Limit and Exclusion Rules to those of Food Stamps	330	330
Increase by 25% Territories' Caps and Adjust for Inflation	105	105
All Others	(105)	5
SUBTOTAL IGA	1,090	1,225
Tribal TAP (JOBS/WORK)	160	160
Research and Evaluation TAP (J/W)(At-Risk included above)	130	130
Outlay effect	(530)	(710)
GRAND TOTAL	9,370	11,925
CBO GRAND TOTAL		11,800

Note 1: Parentheses denote savings.

Note 2: Five Year Federal estimates represent the following state match rates: services at 67% (JOBS match+5) in 19 69% (JOBS match+7) in 1999, and 71% (JOBS match+9) in 2000; benefits at current match rates; benefits at current match rates,; child support is matched at rates specified in the hypothetical plan; comprehensive demonstration grants, teenage pregnancy prevvention grants and IDA/Microenterprise demons grants are matched at 100%; and other demonstrations ar matched at 90%.

Note 3: Totals may not add due to rounding

Note 4: See attached pages for more detailed notes.

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NOTES FOR REVISED REVENUE TABLE

General

1. Column 1 represents the Administration's original revenue estimate.

2. Column 2 shows these estimates after revenues were lost to GATT and adjusted to match CBO scoring.

3. Column 3 shows further modifications on these estimates for technical corrections or other assumptions.

Column 2

1. CBO's estimate of the decrease in Emergency Assistance was $.8 billion, Immigrants was $3.4 billion, farm income was $.4 billion, and Superfund was $1.1 billion. Column 2 is adjusted to take these estimates into account.

2. The money raised by DA and A provisions ($.8 billion) was put into GATT. Also, the EITC provisions were put into GATT. The revenue portion raises $.05 billion and the outlay portion saves $.25 billion.

Column 3

1. The new Administration estimate for the Emergency Assistance cap is $1.5 billion over five years. We believe that the cap on Emergency Assistance will be scored between $1 billion and $1.5 billion. We do not know what CBO's estimate will be.

2. The revised immigrant estimate of savings from the two noncitizen proposals included in the original WRA shows the following changes: (1) the reference to PRUCOL in the Social Security Act is deleted and the specific immigration statuses that would be eligible for benefits under AFDC, SSI, and Medicaid are listed; and (2) sponsor-to-alien deeming is maintained and extended to 5 years under SSI, AFDC, and Food Stamps, and all sponsored immigrants whose sponsors' income exceeds the median family income measure from year 6 until citizenship are made ineligible.

PRELIMINARY DRAFT
REVISED REVENUE TABLE FOR WRA 1995
(Numbers in billions)

Revenue Provisions	Original Estimate	Revised Estimate	Modified Estimate
Emergency Assistance	1.6	0.8	1.0-1.5
Immigrants	3.8	3.4	4.0
DA and A	0.8	0.0	0.0
Farm Income	0.5	0.4	0.4
EITC	0.3	0.0	0.0
Superfund	1.5	1.1	0.0
Child Care Feeding Program	0.5	0.5	0.5
Other Expiring Provisions	0.3	0.3	0.3
TOTAL	9.3	6.5	6.2-6.7
TOTAL without farm income			5.8-6.3

See attached page for notes.

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DIFFERENCES WITH CBO

PRELIMINARY REVISED COST ESTIMATES OF WRA	
Original Administration Estimate	$9.3 billion
Revised Administration Estimate (making technical adjustments to estimates and using CBO scoring).	$11.9 billion
CBO Estimate	$11.8 billion
HSP Preferred Estimate (same as revised Administration estimate above with net savings for increased part-time work effort. Also we believe that our immigrant and emergency assistance scoring is better.)	$11.7 billion

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SAVINGS PROPOSALS

	Five Year Savings (in billions)
1. Increased Efficiency and Reduced Fraud and Abuse	
Mandate federal tax offset for Food Stamps (AFDC overpayments, and other government payments still to be estimated).	0.2
Allow SSI payments to be recovered from OASDI benefits.	0.2
EITC abuse - undocumented aliens.	0.8
EITC abuse (EITC adult must be the same as AFDC adult).	0.4 .5 would be Treasury position for total of 3 EITC issues
EITC abuse (Paternity establishment).	2.1
W4 - New hire database - mandate use in other programs (UI and Food Stamps).	0.3
Extend Medicare secondary payer provisions.	3.0
RANGE	1.2 to 4.2
2. Benefit Coordination and State Flexibility	
For children of undocumented aliens only, change the benefit to that provided as the difference between a one and two person family.	0.1
Eliminate AFDC payments to families above Food Stamps income eligibility level in a three generation household.	1.5
State option to have AFDC program adopt Food Stamp filing unit.	
SSI units	NA
Other units	NA
Increased enforcement of medical support.	NA
State option to conform assets, car and accounting provisions.	(0.1)
Count AFDC energy assistance payments as income for Food Stamps.	0.4 check numbers with FNS
Count cash energy assistance payments as cash in calculating excess shelter deductions.	0.4
Eliminate Food Stamp shelter deduction if receiving housing benefits.	NA
	1.0
3. Current Plan Changes (JOBS/WORK/Child Support Enforcement)	
Allow complete phase-in flexibility in phase-in (must cover 1/3 of all recipients) thereby reducing child care costs.	0.6
Cover those born after 1975 and complete flexibility beyond that.	0.6
Fees for non-custodial parents.	NA
Reorder child support distribution rules.	0.2
Change effective date of distribution.	0.1
Reduce working poor child care increase to $1.0 billion over five years.	0.6
Allow CWEP instead of work for wages.	0.1
Take credit for payments to Social Security by changing accounting rules.	0.1
	1.0 - 1.6
4. Aliens	
Current proposal.	4.0
Alternative proposal including Medicaid (10 year deeming - option for Medicare buy-in).	4.9
Alternative proposal including Medicaid (10 year deeming with Medicare buy-in but allow aliens to get Medicaid long-term care services). ~~option for~~	1.0 3.9
ADD option for non-medical deeming to citizenship	
5. SSI Kids	
Change deeming rules (no medicaid savings, start phase out at 66% of poverty).	1.1
Reduce benefits to level when living in a household of another (1/3 reduction).	4.2
Pre Zebley.	NA
McCrery/Santorum amendment to convert all children to voucher.	NA
Convert 1/3 of cash payment to voucher.	NA

11/30/94

Welfare Reform Financing Possible Themes

o Option One: "Our welfare reform saves money" (because it is overfinanced and includes mostly poor people's programs as offsets).

o Option Two: "Our welfare reform cuts welfare for the wealthy to reform welfare for the poor" (would need to include farm and corporate subsidies, etc.).

o Option Three: "Our welfare reform is financed by eliminating WASTE, fraud and abuse" (would need to include Medicare secondary payer extender, EITC abuse, tightening up on sponsor responsibility for aliens, and some smaller items).

o Option Four: "Our welfare reform is paid for" (set of ad hoc cuts; no theme; keeps financing out of picture as much as possible).

WORK AND RESPONSIBILITY ACT OF 1994

COSTS

Work and Responsibility Act of 1994

Five-Year Cost Summary[1]

($ billions)

Additional funding for education, training and placement	2.8
WORK slots for participants who reach the two-year time limit	1.2
Additional child care spending for those in the mandatory education and training program and in the WORK slots	2.7
Additional child care for the working poor	1.5
Initial investments in the child support enforcement system and demonstrations	0.6
Teen pregnancy prevention	0.3
Other[2]	1.7
Total	10.8
Net savings[3]	(1.5)
Net total	9.3

[1] Budget outlays

[2] Includes state option to eliminate bias against two-parent families; investments in automation; and incentives to work and save.

[3] From caseload reductions and reduced fraud

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

COSTS

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

Costs gradually increase over the five-year period, reaching an annual level of $3.3 billion in 1999. The program phases in over time in a focused and pragmatic way that recognizes the need for States to develop infrastructure, train staff in the new culture and ensure that the program will be well-developed and implemented.

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

TRANSITIONAL ASSISTANCE FOLLOWED BY WORK

Additional JOBS spending. New JOBS spending of $2.8 billion over five years represents a 56-percent increase over current spending. In 1999, Federal spending allowed under the JOBS program will be $1.9 billion. This will enable the JOBS program to serve approximately 750,000 participants at any one time. Costs per participant were estimated from the experience of the most effective current programs that provide education, training and placement services to welfare recipients.

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

Child Care Spending for JOBS and WORK participants. New child care spending of $2.7 billion over five years for JOBS and WORK participants is added to annual Federal spending under current law. This represents the cost of a guarantee of child care to participants in both programs, and the costs of transitional child care for one year to those who leave the rolls. The estimates assume that in fiscal year 1999, 370,000 new slots will be created. Parental choice of child care arrangements, including both formal and informal arrangements, is guaranteed.

MAKING WORK PAY/CHILD CARE

Working Poor Child Care. The "At-Risk" program of child care for the working poor is increased to $1 billion by 1999. This program supplements the Child Care and Development Block Grant (CCDBG), which is currently funded at about $1 billion with increases requested. Together, the two programs will serve approximately 1.1 million working-poor children in fiscal year 1999. The cost of this provision is estimated at $1.5 billion over five years.

Disregards for Earned Income and Child Support. To cover the costs of work expenses, States will disregard $120 per month from the earnings of families working their way off the welfare rolls. States have the option of increasing disregards, both for earned income and for child support. The cost estimates assume that States serving half the caseload increase their disregards. The cost of this provision is estimated at $0.2 billion over five years.

PREVENTING TEEN PREGNANCY AND PROMOTING PARENTAL RESPONSIBILITY

Teen Pregnancy Prevention Grants. About 1,000 grants, averaging $60,000 per year each, will be made to schools and community-based organizations for teen pregnancy prevention projects. In addition, the proposal will fund five to seven comprehensive youth and prevention demonstrations.

Child Support Enforcement and Demonstrations. Total net spending of $0.5 billion over five years will increase computerization and enforcement staff. This new spending will generate modest AFDC savings and substantial improvements in the economic well-being of children by 1999. The returns on these investments will grow during the second five-year period. In addition, $0.1 billion over five years will be spent on demonstrations.

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

IMPROVING GOVERNMENT ASSISTANCE

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

Asset and Microenterprise Demonstrations. The proposal allows recipients to accumulate assets in restricted accounts and fund demonstrations of subsidized accounts and programs, and will cost about $0.1 billion.

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