

Ronald Reagan Presidential Library
Digital Library Collections

This is a PDF of a folder from our textual
collections.

Collection: Deaver, Michael
Folder Title: Fairness II-An Executive
Briefing Book [WG Office of Policy
Information 05/01/1983] (4)

To see more digitized collections
visit: <https://reaganlibrary.gov/archives/digital-library>

To see all Ronald Reagan Presidential Library inventories
visit: <https://reaganlibrary.gov/document-collection>

Contact a reference archivist at: reagan.library@nara.gov

Citation Guidelines: <https://reaganlibrary.gov/citing>

National Archives

Catalogue: <https://catalog.archives.gov/>

JOB TRAINING AND EMPLOYMENT

History.

The federal government initiated job training and employment programs in the 1930s. The public jobs of that era were widely criticized as "make-work," and were generally ineffective in treating the root causes of the unemployment problem.

With the return of prosperity after World War II, the federal government largely withdrew from jobs creation, although not from job training. Yet the government spent only \$209 million for all employment and training programs in 1963.

Job training programs were greatly expanded during the "Great Society" era of the mid-1960s. With the passage of the Emergency Employment Act of 1971 and the Emergency Jobs and Unemployment Assistance Act of 1974, there was a reversion of policy from job training back to direct provision of jobs. In 1964, public jobs accounted for none of the employment and training dollars spent. By 1980, public jobs accounted for more than half.

o The Program.

- The federal government's principal employment and training programs were brought together under the Comprehensive Employment and Training Act of 1973 (CETA).
- * These included the Job Corps training program (established in 1964) and the public jobs program established by the Emergency Employment Act of 1971.
- * Subsequent legislation, in 1974 and 1978, expanded the jobs creation role of CETA, and put the Young Adult Conservation Corps (established 1977) and the Summer Youth Employment Program (established 1965) under CETA auspices.
- CETA programs were administered by units called prime sponsors, which are states, cities, and counties, or combinations thereof of over 100,000 population.
- Grants to prime sponsors were used to provide various kinds of training, counseling, and supportive services to unemployed and economically disadvantaged individuals.
- CETA has also provided subsidized public jobs, stipends, and other income support to those individuals who participated in federally-sponsored job experience or training.

o Coverage.

- CETA was expanded in 1974 to to allow for the creation of more public jobs in FY 1975. In that year, 2.8 million people were enrolled in the program.
- By 1978, there were 4.5 million participants in CETA.
- In 1982, approximately 1.3 million people participated in CETA.

o Costs.

- In 1968, at the height of the Great Society, federal job training and employment programs cost \$1.6 billion.
- By 1974, the amount had nearly doubled to \$3.1 billion.
- This amount more than tripled in the first 1978 Carter budget, to \$10.8 billion; more than half of that amount was for subsidized jobs.

o Administration Action to Date.

-- For FY 1982:

* President Carter had proposed funding CETA programs at a level of \$9.6 billion, including:

- \$4 billion to give "economically disadvantaged" unemployed persons public service jobs. (The federal government subsidized 313,000 such jobs in FY 1981; the Carter Administration would have increased that number to 340,000 in FY 1982.)
- \$1.1 billion for a new youth initiative program, to consolidate and expand efforts to provide subsidized jobs, education, and training to disadvantaged young people.

-- Abolition of the Young Adult Conservation Corps (YACC).

* President Reagan proposed a major overhaul of the whole CETA concept.

- The President called for:

- a) Eliminating the public service employment program.
- b) Shelving the costly Carter youth initiative.
- c) Abolishing YACC.

- The President requested a total budget of \$3.9 billion for remaining CETA programs.

* Congress approved:

- Eliminating the public service employment programs and YACC.
- A total budget of \$3.8 billion for the remaining CETA programs.

-- For FY 1983:

- * The statutory authority for appropriations for CETA expired at the end of FY 1982.
- * President Reagan proposed an alternative to CETA, with total funding of \$2.4 billion, that would:
 - Replace all the separate grants to states and localities with a single block grant, totalling \$1.8 billion in FY 1983.
 - a) Rely primarily on the private sector to develop and administer programs at the local level.
 - b) Require that 75% of resources be spent on training, as opposed to 18% under CETA.
 - Continue the Job Corps at a reduced level of \$387 million.
 - Provide \$200 million of assistance to special groups to replace the other nationally administered programs.
 - Specify that none of the grant or other nationally administered programs would pay stipends, wages, or other forms of income support, allowing service to the same number of people as in the programs that would be replaced.
- * Congress responded by passing the Job Training Partnership Act of 1982 (JTPA), which incorporated the principal features of the President's proposal, including:
 - Grants to states.
 - A primary role for the private sector.
 - The requirement that 70% of program resources be spent on actual training.

* JTPA also provided for:

- Continuation of the Job Corps as a separate program.
- A new grant program to assist displaced workers in getting training for new occupations.

* Congress, however, delayed full implementation of the President's program until 1984 by providing that FY 1983 would be a transition year, during which the old CETA programs would continue to be funded at a total of \$4.0 billion.

-- Beginning in FY 1984:

* Resources for most job training programs will be available through grants to the states.

- Resources will be allocated to service areas with populations of 200,000 or more, designated by state governors.

- Programs will be developed and administered by local private industry councils (PICs), working in cooperation with local governments.

* Three grants -- a block grant for training disadvantaged youth and adults, one for SYEP, and one for displaced workers -- will be provided to the states.

- 70% of resources must be spent on training.
- Only 30% may be spent on support services, administration, and stipends.

* The Job Corps training program will be continued.

The President's Proposals for FY 1984.

o Block grants to the states.

-- Funding of \$1.9 billion.

o Summer jobs.

-- Funding of \$638 million for SYEP.

o Assistance to displaced workers.

-- Funding of \$223 million -- a doubling in funding from last year.

o Job Corps.

-- Funding of \$553 million to train more more than 80,000 severely disadvantaged youths.

-- This is more than were assisted in 1980, and about the same number as were assisted in 1983.

o Other training programs.

-- Funding of \$230 million for other job-related efforts, including training programs for veterans, native Americans, and migrant workers, and labor market information development.

o A bipartisan jobs bill recently signed into law with three major provisions.

-- More than \$4.4 billion in accelerated funding of construction projects already underway.

-- \$5.3 billion for unemployment insurance benefits.

-- \$216 million for humanitarian assistance for the unemployed.

o Federal-state employment services.

-- Funding of \$858 million for employment services.

o Proposed legislation to create a "youth employment opportunity wage" for youth under age 22.

-- This would be in effect a special minimum wage for youth of \$2.50 an hour, 25% below the regular minimum wage of \$3.35.

-- This wage would be effective between May 1 and September 30.

o Legislation by which eligible workers who have exhausted their unemployment benefits would qualify for vouchers (good for jobs begun by March 31, 1984) which would entitle an employer hiring them to a tax credit.

-- Individuals eligible for Federal supplemental compensation would have the option of converting their benefits into vouchers.

-- These vouchers would entitle an employer hiring the individual on a full-time basis to receive a tax credit equal to the value of the voucher.

o Legislation to permit the states to use 2% of their unemployment insurance tax receipts for training, job search, and relocation of unemployed workers.

Justification (General).

o The nature of the unemployment problem.

-- During nonrecession times, persons who leave their jobs, new entrants to the labor force looking for their first jobs, and reentrants, account for more of the unemployed than those who lose their jobs.

-- Unemployment for most workers is usually less than ten weeks.

-- The recent recession resulted in a longer period of unemployment for many workers; as many as one-quarter of the unemployed will have been involuntarily out of work for longer than six months 1983.

-- This is due in part to the length and depth of the recession; to what economists call cyclical unemployment -- unemployment that results from cyclical downturns in economic activity.

-- It is also due to structural unemployment -- unemployment that remains even after cyclical recoveries. Among the structural factors that create such unemployment are:

-- Inability of older industries to compete with foreign imports.

* A mismatch between the skills of laid-off workers in declining industries, and the skills needed by rising new industries.

* Barriers to labor market entry and mobility -- such as the minimum wage.

o Costly federal makework programs provide no real solutions to these problems.

-- That approach has been tried many times before and has consistently failed.

The CETA program, the most recent example, spent \$57 billion over eight years, yet only 30% of participants were ever placed in jobs, and only half of these were placed in private sector jobs.

o The job training and employment programs proposed by President Reagan will:

-- To provide help to more than 3 million unemployed in securing training or finding real jobs in the private sector.

-- Reduce Administrative overhead.

- Reduce administrative overhead.
- Promote the economic growth that will create more than 5 million new jobs by the end of next year and more than 15 million by the end of 1988.

Justification (Specific).

o Block grants to the states.

- The best way to ensure that training programs will prepare participants for jobs that actually exist is to have the business community play a pivotal role in the development of training programs. The block grant program provided for by the JTPA is structured toward that end.
- Under JTPA, 70% of resources will be spent on actual training; only 18% of CETA resources were spent on training.
- The block grant approach also ensures that programs will be managed by persons familiar with local needs, and that administrative costs will be held to a minimum.
- The proposed funding level will support 406,000 service/years, a one-third increase over programs in effect in FY 1983.

o Summer jobs.

- This proposed funding level will provide approximately 718,000 summer jobs for persons between the ages of 14 and 21 -- about the same number as last year.

o Assistance to displaced workers.

- The proposed funding level will assist nearly 100,000 displaced workers -- four to five times the number assisted by earlier programs.

o Jobs Corps.

- The proposed funding level will train more youths than were helped in 1980, and about the same number as were assisted in 1983.

o Bipartisan jobs bill.

- The accelerated construction funding will provide jobs now, when they are needed, without increasing long-term budget totals.
- The supplemental unemployment insurance benefits will assist workers who have exhausted unemployment payments.

- Humanitarian aid will assist those unemployed workers for whom current federal programs cannot provide adequate assistance.
- o Federal-state employment services.
 - The proposed funding level will maintain the same level of employment services as financed in FY 1983 under the previous system.
- o Youth employment opportunity wage.
 - Permitting young people to work at the special youth employment opportunity wage allows them to compensate for lack of skills and experience when seeking jobs by offering their services at a lower rate.
 - * This proposal allows young people to place their feet firmly on the first rung of the job ladder.
 - * Once they have acquired skills and experience, they can command higher wages.
 - This proposal would open up between 150,000 and 640,00 new jobs for youth.
- o Employment vouchers.
 - Under current law, no special tax incentives are provided to employers who hire individuals who have experienced long-term unemployment.
 - The legislation proposed by President Reagan would provide employers precisely such an incentive.
 - The vouchers would help more than 700,000 long-term unemployed workers secure new jobs over the next two years.
- o Using unemployment receipts for training, research, and relocation.

This proposal will provide an added option for states to assist displaced workers, without requiring increased state spending.

Questions and Answers.

- o Persistently high unemployment. Unemployment is projected to remain at historically high levels in FY 1983 and 1984. Shouldn't the Administration initiate a full-scale jobs creation program like the WPA in response to this problem?
- History proves that the federal government cannot create jobs.
 - * The federal government has no resources of its own; it must take money from the private sector through borrowing or taxation.
 - Thus the government destroys private jobs in the process of "creating" public jobs; since federal jobs are far more costly to create, the number of private sector jobs lost is greater than the number of public jobs generated.
 - Make-work jobs are especially wasteful, since they produce little of value to society.
 - * The Works Progress Administration (WPA), in particular, did not work.
 - WPA employed a total of 8 million people between 1935 and 1943, but put many of them to "work" putting on plays and painting murals.
 - * Ultimately, it took World War II to end the high unemployment levels of the Great Depression.
- The single most effective long-term cure for the unemployment problem is to pursue policies that foster sustained economic growth.
 - * The economic program the Reagan Administration has put in place will produce the necessary economic growth to put millions of Americans back to work without reigniting inflation during the next two years.
 - * Comparison to "jobs" program.
 - Growth will create more than 5 million new jobs by the end of next year.
 - In contrast, the "jobs bill" considered by Congress last December would have "created" a mere 300,000 public jobs, while destroying an even greater number of private sector jobs.
- o The right to a job. Doesn't the federal government have a responsibility to ensure that everyone who wants to work has a job?

- The President certainly believes that everyone who wants to work should be able to do so.
- However, public jobs are not the answer; the government simply does not have the resources to "guarantee" everyone a job -- at least without sending the economy into hyperinflation or imposing social controls antithetical to the American principles of freedom.
- It is better for the unemployed for the government to foster conditions for long-term non-inflationary growth.
- o The bipartisan bill. How does the accelerated construction measure, which the President has signed, differ from "jobs creation" legislation of which he disapproves?
 - These will not be make-work jobs, but jobs in projects previously determined to be necessary.
 - Because the expenditures are already planned, total federal spending over the next few years will not be increased -- but the jobs will be provided now, when they are needed.
- o Objections to the youth employment opportunity wage. Will a lower minimum wage for youth reduce unemployment, or just throw a different group of people out of work? Won't employers fire adult workers in order to hire young people at the lower rate?
 - The President's proposal includes specific protections for current workers.
 - * Employers could not lay off an adult worker and replace him with a youth at \$2.50 an hour.
 - * Employers could not reduce the wage rate of a youth employed before May 1.
 - * Violations of either protection would be subject to criminal and civil penalties contained in the Fair Labor Standards Act.
- o Net effect. Then what good is the special wage? How will young people be helped?
 - The youth employment wage will create more jobs for young people.
 - The number of jobs in our economy is not permanently fixed. There are many employers, particularly in the service sector of our economy, who would hire more unskilled workers if they did not have to pay the minimum wage.

- The youth employment opportunity wage would create between 150,000 and 640,000 jobs for youth.
- o Unfair to youth. Why should young people be forced to work for less than the minimum wage? Isn't that unfair?
 - No one will be "forced" to work for less than the minimum wage.
 - Instead, young people would have the opportunity to get training and work experience at jobs that would not exist if the full minimum wage were in effect.
 - To put it another way: Instead of being forced to be unemployed at \$3.35 an hour, young people would have the opportunity to work at \$2.50 an hour if they wanted to.
- o Other help for the unemployed. What else has the Administration done to help the unemployed?
 - The Administration has already extended unemployment benefits three times.
 - The President supported the Export Trading Company Act, enacted into law last year, which is expected to help create up to 300,000 new jobs.
 - The Administration has proposed the creation of enterprise zones to create jobs -- particularly jobs for disadvantaged workers -- in the nation's depressed urban areas and rural towns and to rebuild and revitalize these areas.
 - * The legislation would create a series of federal tax incentives and provide federal regulatory relief.
 - * State and local governments would be encouraged to offer additional tax and regulatory initiatives.

SOCIAL SECURITY

History.

In a June 8, 1934, message to Congress, President Roosevelt indicated that he was planning a national social insurance system to provide against "misfortunes which cannot be wholly eliminated in this man-made world of ours."

The following year, Congress enacted the Social Security Act of 1935.

o The Program.

-- Old Age, Survivors, Disability, and Health Insurance (OASDHI), which provides benefits through three major trust funds:

- * Old Age and Survivors Insurance (OASI), a system under which people contribute payroll taxes while working in order to collect benefits when they retire, or to enable their survivors to receive benefits in the event of the worker's death.
- * Disability Insurance (DI), established in 1956, which provides benefits in the event the covered worker is totally disabled and unable to do any work for a year or more.
- * Hospital Insurance (HI), established in 1965, which covers hospital insurance costs for individuals who are either disabled for a period of 48 months or more or over 65 years old.

o Program Changes.

- In 1939, even before the first benefits were paid out, Congress made survivors and dependents of insured workers, not just the workers themselves, eligible for future monthly retirement benefits.
- Amendments in 1950 and 1954 expanded the system from one largely for urban workers to one that included virtually all of the labor force, including self-employed, farm, and domestic service workers as well as many employees of state and local governments and non-profit organizations.
- In 1956, disability insurance was added for the long-term and permanently disabled. This placed the "D" in OASDHI.
- Beginning in 1956, women were allowed to retire as early as age 62 -- rather than 65 -- and receive reduced benefits. In 1961, men were included in this provision.

- Later amendments allowed disabled widows and widowers to received reduced payments as early as age 50, and non-disabled widows and widowers at age 60.
- In 1972, automatic COLAs were enacted, taking effect in 1975.
- In 1977, the previous Administration proposed, and Congress enacted, a change in the method of indexing benefits in order to eliminate overcompensation for inflation.
- During that year, the previous Administration also proposed, and Congress enacted, major increases in tax rates. The tax increase was spread out through 1990.

o Costs.

-- Total costs.

* In 1962, Social Security OASDI outlays totaled \$14 billion.

* In 1970, the level was \$29.8 billion.

* And in FY 1983, \$168.0 billion.

-- Share of budget and GNP.

* In 1962, Social Security accounted for 13.1% of the federal budget and 2.6% of GNP.

* In 1970, it accounted for 15.2% of the budget and 3.1% of GNP.

* In FY 1983, the level is 20.9% of the budget and 5.3% of GNP.

-- Tax rates.

* In 1962, the maximum Social Security tax rate for each of employers and employees was 3.125% on an earnings base of \$4,800.

* In 1970, the maximum was 4.8% on \$7,800.

* And in 1983, it is 6.7% on a \$35,700 earnings base.

o Coverage.

- The number of beneficiaries increased from 3.5 million in 1950 to 14.8 million in 1960. In 1983, approximately 36 million Americans will receive Social Security benefits.
- The covered worker-beneficiary ratio was 36-to-1 in 1945. It was 13.9-to-1 in 1950. It was 4.9-to-1 in 1960. And in 1983, there are slightly more than 3 workers paying into the system for each person receiving benefits.
- For all retired workers, monthly benefit levels averaged \$76.19 in 1962. They averaged \$118.10 in 1970. And the average benefit level for a retired worker alone is \$408 in FY 1983.

o Administration Action to Date.

-- For FY 1982:

- * This Administration proposed, and Congress enacted, significant reforms through the Omnibus Budget Reconciliation Act of 1981, including:
 - Elimination of benefits for new adult students and phase-out of benefits to current adult students over four years.
 - Payment of lump-sum death benefits only to survivors and not directly to estates or funeral homes.
 - Integration of disability insurance benefits with other public disability payments, and elimination of public disability benefits which exceed a worker's pre-disability take-home pay, adjusted for inflation.
- * Later in 1981, the Administration proposed, and Congress enacted, more reforms, including:
 - Provision for inter-fund borrowing, allowing the greatly depleted OASI trust fund to borrow from the DI and HI trust funds through December 31, 1982, with provision for repayment with interest. This borrowing was allowed to facilitate benefit payments through June 1983.
 - Extension of Social Security payroll taxation to the first six months of sick pay.

-- For FY 1983, the Administration proposed, and Congress enacted, Social Security reforms in the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA), including:

- * Inclusion of Federal employees for HI portion of Social Security (Medicare), effective January 1, 1983.
- * Allowances for reporting tip income for employers with ten or more employees for Social Security purposes.
- * Indefinite extension of interim provisions first enacted in the Revenue Act of 1978 under which taxpayers who had a reasonable basis for not treating workers as employees in the past could continue to do so without incurring federal Social Security or unemployment compensation tax liabilities.

The President's Proposals for FY 1984.

- o The President endorsed a bipartisan recommendation by the National Commission on Social Security Reform to address the solvency of the Social Security system. The Congress passed this package substantially as proposed, and the President signed the Social Security Amendments of 1983 into law on April 20, 1983.
- o The main elements of the package are:
 - Raise \$25 billion by covering all non-profit and new federal employees under Social Security, and ban withdrawal from coverage by State and local employers.
 - Raise \$27 billion by counting half of Social Security benefits as taxable income for taxpayers with adjusted gross incomes in excess of \$25,000 for an individual and \$32,000 for a couple, and credit the revenues raised to the OASDI trust funds.
 - Raise \$39 billion by advancing the OASDI tax rate increase scheduled for 1985 to 1984, and provide a refundable tax credit for the year 1984 for the part of the employee rate that is rescheduled, and advancing 72% of the 1990 rate increase to 1988.
 - Save \$39 billion by delaying the Social Security COLA for six months, making the increase payable in January instead of July.
 - Raise the self-employment OASDI tax rate by one-third, making it comparable to the combined employer-employee rate, and permit a credit initially and later a deduction for part of the tax.
 - Raise \$18 billion through a "catch-up" federal general revenues payment to the Social Security trust funds for past military service and making future payments on a timely basis.

- Improve equity by removing certain gender-based distinctions affecting widows, widowers, divorced spouses and survivors, and eliminating "windfall" benefits for future retirees with pensions from non-covered employment.
- Provide incentives for later retirement for those between ages 65 and 70 by gradually increasing from 3% to 8% the delayed retirement credit phased in over the years 1990-2010.

Justification (General).

- o To make the system solvent.
 - The OASI trust fund was no longer operating on a sound financial basis.
 - Without corrective legislation in the very near future, the fund would have been unable to make benefit payments on time beginning no later than mid-1983.
 - Under previous law, and on the basis of any reasonable set of economic assumptions, the expenditures of the OASI program would have continued to exceed income from payroll taxes and other sources through at least 1986.
 - The enacted legislation will correct these critical problems.
- o To correct the trust fund's shortfalls.
 - For the short-term, the enacted legislation will reduce the shortfall by an estimated \$166 billion through 1989 -- enough to make up the funding gap the Social Security Commission had foreseen through 1990 -- and it is projected to restore trust fund balances to a safer reserve level.
 - For the long-term, the legislation eliminates the 75-year shortfall identified by both the Commission and the 1982 Trustees Report.
- o The legislation contains some elements which in isolation would not have been totally acceptable to the President, but were included in a package which was the best proposal which could have been agreed upon and enacted for the benefit of the Nation's workers and Social Security recipients.

Justification (Specific).

- o The inclusion of all non-profit and new federal civilian workers in the Social Security system.
 - The additional OASDI taxes paid on behalf of the newly-covered workers over the long run will exceed, on the average, the additional benefits that result from such employment, thereby improving the Social Security system's cash-flow position.
 - This occurs because many federal workers receive Social Security benefits upon their retirement by having worked a short time in the private sector; they should be required to contribute to the system as well, and their windfalls should be eliminated.
 - Present federal workers will not be affected by this recommendation, and the financing of their benefits over the long run will not be adversely affected.
 - * This recommendation would benefit the system by \$20 billion between 1984 and 1989.
- o Counting half of Social Security benefits as taxable income for higher income recipients.
 - This aspect of the legislation will treat Social Security benefits for high-income recipients in much the same way as private pension income is treated under the Internal Revenue Code.
 - This provision will affect only about 10% of OASDI beneficiaries.
- o Advancing the current law Social Security tax increases.
 - These are not new taxes, but only minor accelerations of taxes that are already in the law.
 - The taxes will have only a small effect on the overall economy, but a major effect on the solvency of the Social Security system.
- o Delaying the COLA.
 - Social Security benefits will not be reduced in any way whatsoever; increases in their levels will just be postponed six months.
 - The current low rates of inflation ensure that the COLA delay will have no significant adverse effect on Social Security recipients.

-- Low-income elderly -- those receiving both Social Security and Supplemental Security Income benefits -- will be further protected by an increase in the SSI disregard provision from the present \$20 to \$50 per month.

o Increasing the self-employment Social Security tax.

-- This provision will put self-employed individuals on the same basis as employees.

-- Previously, the self-employed had contributed less into the system on their behalf than has been contributed jointly by employers and employees on the latter's behalf, but had received equal benefits.

Questions and Answers.

- o Fairness. Hasn't the Administration been callous in its treatment of women and poor elderly people who depend on the Social Security system for their survival?
 - Not at all. The legislation exhibits compassion toward both of these groups.
 - The following provisions, which are primarily designed to benefit women, were included in the reform package even though these provisions add more cost to the system at a time when savings are being sought.
 - * The law previously permitted the continuation of benefits for surviving spouses who remarry after age 60. The legislation permits the continuation of benefits also for:
 - Disabled surviving spouses aged 50-59.
 - Disabled divorced surviving spouses aged 50-59.
 - Divorced surviving spouses aged 60 and over.
 - * Spouse benefits for those who have been divorced for a significant period of time will be payable at age 62 or over if the former spouse is eligible for benefits, whether or not the benefits have been claimed or whether they have been suspended for substantial employment.
 - * The benefit rate for disabled widows and widowers aged 50-59 at disablement will be the same as that for non-disabled widows and widowers first claiming benefits at age 60, instead of the lower amount under present law. This change will be applicable to beneficiaries of this category who are on the rolls already as well as new recipients.
 - The legislation also demonstrates compassion for elderly people who depend on Social Security benefits for their livelihood.
 - * No elderly recipient will have his or her benefits reduced.
 - * The inclusion of 50% of Social Security benefits as taxable income for the elderly with substantial outside incomes will affect only 10% of elderly people -- those with the highest incomes -- whereas a more general benefit reduction would have harmed all recipients, including those with little or no outside income.

- o Employee tax increases. How can the Administration justify taking even more out of working men and women's paychecks?
 - The speed-up in OASDI tax rate increases for employers and employees affects only three calendar years.
 - * In 1984, the tax rate will be 5.7% rather than the 5.4% scheduled under previous law. (The 1985-1987 rates will stay at the 5.7% level as scheduled under the previous law.)
 - * In 1988 and 1989, the tax rate will rise to 6.06% rather than the 5.7% scheduled under the previous law. (In 1990 and beyond, the rates will be 6.2%, as mandated by present law.)
 - In 1984, a refundable income tax credit will be provided against the individual's Federal income tax liability so that he will pay no more in total than he would have under present law.
 - For 1988 and 1989, the tax increase amounts to a mere \$1.38 per week for a worker earning \$20,000 per year.
 - The amount of increase was minimized by two other actions to make sure employees contributing to the system are not unduly burdened:
 - * The elimination of "windfall" benefits to individuals who spend most of their working careers in noncovered employment but who also become eligible for OASDI benefits as a result of relatively short periods in covered employment with other employers.
 - * The requirement that self-employed workers pay an amount equal to the combined employer-employee tax rate.
- o General revenue financing. Aren't a number of the legislation's provisions actually thinly-disguised means of dipping into general revenues?
 - No. The Commission specifically rejected general revenue financing of Social Security.
 - Specific provisions, while appearing to "dip into general revenues," actually do not.
 - * The crediting to Social Security of income taxes on half of some Social Security benefits: These recipients would not even be a part of general revenues were it not for the legislation.

- * The refundable tax credit in 1984: This is not used to finance Social Security, but merely to ease the tax burden faced by employees when the 1985 Social Security tax increase is accelerated; it is thus an equity measure.
- * The deductibility of the increased self-employment tax: This provision merely conforms deductibility for self-employed persons to that already enjoyed by employers.
- * The military service credits have always been paid out of general revenues, so paying the present value of these long-standing entitlements does not represent a new "tap" on general revenues.
- * Unnegotiated checks are trust fund monies held by the Treasury, which are now being returned to the trust funds.

SOCIAL SERVICES

History.

In 1909, President Theodore Roosevelt called for a White House Conference on Children and Youth. Out of that conference came recommendations to Congress concerning services for children and youth, and, eventually, passage of the Children's Bureau Act of 1912.

Since that time, the federal role in the provision of "social services" has grown with the addition of various titles of the Social Security Act of 1935. Today, the term social services is used to include services not only for youth but certain public services for families, the economically disadvantaged, the elderly and the handicapped.

o Programs.

-- Social services block grant.

* Provides for various types of aid for the disadvantaged, including child day care, child protective services, foster care, homemaker services, family planning, preparation and delivery of meals, transportation, counselling, legal services, and substitute care and day care for adults.

* In FY 1973, the combined cost of the various categorical programs was \$1.6 billion. In FY 1981, the last year before the programs were combined into a block grant, the cost was \$2.6 billion.

-- Rehabilitation services.

* Makes grants to states for the vocational rehabilitation of physically and mentally handicapped individuals to help them become gainfully employed and live more independently.

* In FY 1973, the cost of rehabilitation services was \$699 million. In FY 1981, the cost was \$1 billion.

-- Community service programs.

* Provides aid to states through the Community Services Block Grant to help the poor avoid or escape long-term poverty, primarily through employment and education.

* In FY 1981, the budget for these programs was \$619 million.

-- Family social services.

* Provides aid to the states for foster care, adoption assistance and a consolidated child welfare services program that combines funding for child welfare services and training.

* In FY 1981, the budget for these programs was \$506 million.

-- Services for children, youth and families.

* These programs are designed to improve the quality of services for low income, neglected, abused or homeless children.

* Funding in this area is almost entirely for one program -- Head Start -- which assists community groups in providing comprehensive services for low-income pre-school children and their families.

* In FY 1973, the cost of these programs was \$916 million. In FY 1981, the cost was \$1 billion.

-- Services for the elderly and other special groups.

* Provides grants to state and local agencies that offer a wide range of services for older Americans, particularly those with the greatest needs. These services include transportation, legal services and the provision of meals served in a group setting or delivered to the home-bound.

* In FY 1973, \$63 million was devoted to these programs. In FY 1981, budget authority was \$915 million.

-- Domestic volunteer programs.

* ACTION and a small network of agencies attempt to stimulate volunteer services through technical assistance, demonstrations and small grants.

* These programs provide personal aid to the poor, the handicapped, the elderly, and other groups such as Viet Nam veterans with special problems stemming from military service.

* In FY 1973, the level of spending for these programs was \$78 million. In FY 1981, the level was \$150 million.

o Costs.

- In FY 1973, the federal government spent \$3.7 billion to aid the disadvantaged with social services programs.
- In FY 1981, the budget for these programs was \$6.5 billion.

o Administration Action to Date.

-- In FY 1982:

- * President Carter requested \$7.2 billion.
- * President Reagan requested \$5.8 billion, with significant savings to be accomplished through the proposed Social Services Block Grant.
- * Congress approved \$6.1 billion, enacting the Social Services Block Grant.

-- For FY 1983:

- * President Reagan requested \$5.0 billion, with savings to be accomplished through a proposed Child Welfare Block Grant.
- * Congress approved \$6.4 billion, failing to enact the Child Welfare Block Grant.

The President's Proposals for FY 1984.

o Social services block grant.

- Maintain budget authority at \$2.44 billion for 1984.
 - * Allow the states maximum flexibility to select the activities that should be funded.
 - * Permit states to fund economic development, rural housing programs and other activities previously funded under the community services block grant, which is in its last stage of phase-out.

o Rehabilitation services.

- Maintain budget authority at the 1983 level of \$1 billion.
- Simplify administration and increase state flexibility in service delivery in the state grant program.

- Base the distribution of one-third of the grant funds to the states on their success rates at rehabilitating severely handicapped individuals. Continue to distribute the remaining two-thirds according to population.
- o Community service programs.
 - Provide \$3 million for the proposed close out of the Community Services Block Grant.
- o Family social services.
 - Increase budget authority from the 1983 level of \$560 million to \$601 million in 1984.
 - Consolidate child welfare services and training programs at the state level.
- o Services for children, youth and families.
 - Increase budget authority from the 1983 level of \$940 million to \$1.1 billion in 1984.
- o Services for the elderly and other special groups.
 - Reduce budget authority from the 1983 level of \$1.2 billion to \$1.1 billion in 1984.
 - Consolidate the Department of Labor's Senior Employment Program and the Department of Agriculture's Elderly Feeding Program into the Department of Health and Human Services' Older Americans Program.
- o Domestic volunteer programs.
 - Reduce budget authority from the 1983 level of \$129 million to \$110 million in 1984.
 - Eliminate the VISTA program.
 - Reduce overhead costs at ACTION from the 1983 level of \$25.8 million to \$18.1 million in 1984 primarily by reducing staffing.

Justification (General).

- o Maximize state responsibility for planning and delivering social services by giving them the flexibility to design programs that best meet their citizens' needs.
 - 40% of social services spending would be through block grants in FY 1984.
 - Legislative proposals will be submitted by the Administration to give states more flexibility in the aging and child welfare programs.

- o Maintain or expand coverage in those programs that effectively serve the needy and foster self-sufficiency while promoting management efficiency.
- Increase Head Start enrollments in the most cost-effective, high quality projects. Funding would be provided to serve 424,900 children, 43,000 of whom are handicapped.
- Maintain the FY 1983 level of delivering 190 million meals to some 9 million elderly persons each day.
- Provide an array of services to more than 2 million children and their families.
- Provide monthly subsidies to families adopting more than 3,000 children with special needs.
- Continue to help states strengthen and unite families and find permanent homes for children who need to be adopted.
- Continue reliance on volunteers to help the needy. Over 500,000 volunteers help out in Head Start classrooms, and another 300,000 serve meals to the elderly.

Justification (Specific).

o Social services block grant.

-- Increased flexibility.

* State and local governments are best equipped to determine the needs of their particular communities, to establish priorities, and to fashion and implement programs to meet those needs in the most effective and efficient way.

-- Permitting states to use social services funds to support activities previously funded under the community services block grant.

* Social and economic needs are interrelated.

* If dependency on government programs is to be reduced, both social and economic needs should be addressed.

o Rehabilitation services.

-- The proposal to distribute a portion of the state grant funds according to performance is intended to encourage the states to concentrate more attention on the most severely disabled and to apply methods that are the most effective and the least time consuming.

o Community services programs.

- The provision of \$3 million for the community services programs is sufficient to close out activities funded under the Community Services Block Grant.
- This block grant is unnecessary because its functions are all provided for under the Social Services Block Grant.

o Family social services.

- The consolidation of service programs and training programs at the state level is designed to give states greater ability to apply resources where they would be most beneficial.
- The consolidation would also improve the effectiveness of program administration. Presently, services are provided at the state level while training programs are the responsibility of the federal government.
- The increase in budget authority would allow the states to provide services to a greater number of people.

o Services for children, youth and families.

- The increase in budget authority for these programs -- slightly more than \$100 million -- is primarily intended to ensure that the Head Start program serves at least as many children in FY 1984 as in the previous year by offsetting the effect of inflation.

o Services for the elderly and other special groups.

- The slight reduction in budget authority reflects improved program management and increases in voluntary contributions; service levels would be maintained.
- The consolidation of programs that are currently housed in different federal agencies into one program would further facilitate better administration.

o Domestic volunteer programs.

-- The proposed reduction in domestic volunteer programs primarily reflects the elimination of the VISTA program.

-- VISTA should be eliminated because:

* The agency is not cost-effective, especially when compared to other domestic volunteer agencies.

- VISTA.

a) Expenditure per full-time volunteer: \$6,700.00 per year.

b) Return on each \$1 spent: \$2.18.

- Retired Senior Volunteer Program.

a) Expenditure per full-time volunteer: \$80.00 per year, or 48¢ per hour.

b) Return on each \$1.00 spent: \$7.00.

- Foster Grandparents.

a) Expenditure per full-time volunteer: \$2,847.00 per year.

b) Return on each \$1.00 spent: \$2.50.

* The agency is less effective in meeting human needs than are other volunteer programs.

* The agency's volunteer level of 1,750 service years is an insignificant portion of nationwide volunteer service.

Questions and Answers.

o Reduction of the budget at the expense of the needy.
Won't the cutbacks in social services programs drastically reduce support for those who are most vulnerable in our society?

-- In the critical areas, the President has not proposed a reduction, but an increase in spending. Under his proposal:

* Budget authority for family social services grants to the states, which supports such programs as foster care and adoption assistance, would be increased from the FY 1983 level of \$560 million to \$601 million in FY 1984.

* Budget authority for the children, youth and families account -- primarily consisting of Head Start -- would be increased from the FY 1983 level of \$940 million to \$1.1 billion in FY 1984.

-- Under the President's proposal, at least as many individuals will be served under these programs as in the past.

* The number of Head Start enrollees would increase by 10%.

* Though budget authority for programs that serve the elderly will be reduced, service levels will remain the same, due to improved management. The same number of elderly individuals will continue to receive meals.

o Promoting family stability. Don't the Administration's proposals undercut family stability by cutting back on services that keep families together?

-- Sufficient funding is provided under the social services block grant to enable states to continue funding for day care at or above the FY 1983 level.

-- Ongoing programs that serve abused, neglected, runaway and homeless youth are funded sufficiently to serve at least as many as in the previous year. Two million children and their families will receive counselling and reunification services.

STUDENT FINANCIAL AID

History.

Federal student financial aid programs, now in the Department of Education, were established to assist students who might otherwise be unable to attend college because of financial need. However, since their inception these programs have expanded far beyond their original purpose and now provide government subsidies to many undergraduate and graduate students who can and should pay their own way.

o Programs.

Federal postsecondary student financial aid falls into three major program areas:

-- Guaranteed Student Loans (GSL):

- * Established in 1965 to provide low-interest loans to students from low- and moderate-income families.
- * The current program completely subsidizes interest during a student's postsecondary education and any interest above 9% after graduation.
- * In 1978, family income qualifications for obtaining loans were abolished. In 1981, income qualifications were added back only for students whose families had incomes over \$30,000.

-- Pell Grants:

- * Established in 1972 as Basic Educational Opportunity Grants (BEOG) to provide direct aid to students with demonstrated financial need.
- * Needs analysis provisions have been liberalized by legislation in recent years to loosen eligibility requirements and increase the size of awards.

-- Campus Based Aid:

* Includes:

- National Direct Student Loans (NDSL, begun in 1958), which provides loans at 5% interest.
 - College Work-Study (begun in 1965), which pays 80% of a student's salary in federally-approved work-study programs.
 - Supplemental Education Opportunity Grants (SEOG, established in 1965), which provides direct grants to needy students.
- * Eligibility is determined for the students by the institution according to a need analysis using guidelines set by the federal government.

o Coverage.

- 10 years ago, only 14% of college students received government loans and grants, with nearly 60% of it going to low-income families.
- Now, more than 40% of the nation's 12.5 million degree-seeking college students receive such aid, with significant amounts of aid going to students from middle- and upper-income families.

o Costs.

- Overall costs for postsecondary student financial aid have grown enormously over the past 16 years. In 1965, outlays for such aid were \$250 million. By 1981, it had soared to \$6.5 billion, representing a 25-fold increase.
- Costs for GSLs increased seven-fold between 1977 and 1981, from \$357 million to \$2.5 billion.
- Pell Grants costs increased more than 75% over this period, from \$1.4 billion in 1977 to an estimated \$2.5 billion in 1981.
- Campus-based aid rose from \$963 million in 1977 to \$1.1 billion in 1981.

o Administration Action to Date.

-- For FY 1982:

* President Carter requested \$6.4 billion.

* President Reagan requested \$5.7 billion in budget authority, including program reforms as follows:

- Guaranteed Student Loans.

- a) Require a needs analysis for all applicants.
- b) Eliminate in-school interest subsidies for all GSL borrowers.
- c) Eliminate the administrative allowance of 10% per applicant that was paid to the institutions.
- d) Allow the Secretary of Education to collect on all state guarantee agencies' unsecured defaults after the Department of Education had paid reinsurance claims.

- Pell Grants.

- a) Increase the maximum award from \$1,750 to \$1,800 in FY 1982.
- b) Require that a student contribute \$750 to his education before receiving a grant.
- c) Raise assessment rates on family discretionary income from 10.5% to 20%.

* Congress approved \$6.6 billion, and acted on the President's programmatic reform proposals as follows:

- Guaranteed Student Loans.

- a) Approved the requiring of a needs analysis for students whose families earn more than \$30,000, rather than for all students as the President had requested.
- b) Enacted a 5% origination fee on new loans rather than approving the elimination of the in-school interest subsidy.
- c) Approved the elimination of the administrative allowance of 10% paid to the institutions.
- d) Approved the proposal to allow the Secretary of Education to act on defaults held by the state guarantee agencies.

- Pell Grants.

- a) Approved the increase in the maximum grant to \$1,800.
- b) Rejected the proposed self-help requirement.
- c) Rejected the proposal to increase assessment rates on family discretionary income from 10.5% to 20%, and instead increased the rates to 11%, 13%, 18% and 25% on increments of \$5,000 in discretionary income.

-- For FY 1983:

* President Reagan requested \$4.3 billion in budget authority, including program reforms as follows:

- Guaranteed Student Loans.

- a) Increase origination fee charged on new student loans from 5% to 10%.
- b) Require all applicants to demonstrate need.

c) Limit graduate and professional students to borrowing from the less subsidized auxiliary loan program, and increase the amount they would be able to borrow in the auxiliary loan program to \$8,000 per year and \$40,000 over five years.

- Pell Grants.

a) Reduce or eliminate benefits to the highest income students by increasing the percentage of discretionary income that families are expected to contribute to the support of a student.

- Campus Based Aid.

a) Fund NDSL with funds received by repayments into its \$5 billion revolving loan fund; otherwise, provide no new funds.

b) Provide no funds for SEOG except for funds schools wish to transfer from their Work Study funding.

c) Focus College Work Study assistance on the neediest students from lower-income families.

* Congress approved \$6.7 billion, but failed to enact any of the President's programmatic reform proposals.

The President's Proposals for FY 1984.

o Guaranteed Student Loans.

-- In line with declining interest rates and actual prior year loan volume, reduce budget authority from the 1983 level of \$3.1 billion to \$2.2 billion in 1984, without reducing loan volume.

-- Require that all students demonstrate need for assistance, as opposed to the current practice of applying a test only to students from families earning \$30,000 or more.

-- Increase loan origination fee from the current 5% to 10% of the loan for graduate students.

-- Require state grant agencies to return loan advances they have received from the federal government.

o Pell Grants.

- Increase budget authority from the 1983 level of \$2.4 billion to \$2.7 billion in 1984.
- Require that all students contribute at least \$800 or 40%, whichever is higher, of the cost of their education before receiving a Pell Grant.
 - * The student contribution could be satisfied by Work-Study, summer or part-time earnings, loans or grants from private sources, or savings.
- Raise maximum amount that a student can receive from the current level of \$1,800 to \$3,000 in 1984.

o Campus Based Aid

- Increase budget for the College Work-Study program by 40%, from the 1983 level of \$590 million to \$850 million in 1984.
- Request no new capital for the National Direct Student Loan program. Through collections, \$550 million should be available for loans to 688,000 students in 1984.

o Education Savings Accounts.

- Permit the creation of special tax-exempt savings accounts into which parents could deposit money to be used for their children's education.
- Parents could deposit up to \$1,000 per year per child.
- Full use of these accounts would be available to families with annual adjusted incomes up to \$40,000, with partial benefits available to families with incomes up to \$60,000.

Justification (General).

- o Restore the primary role of the family and the student in meeting the responsibility for postsecondary education costs.
 - Because students and families are the primary beneficiaries of education, they and not the taxpayers should bear the major cost.

-- Yet:

* Despite increased family incomes, families contributed 25% less to their children's education in 1981 than in 1978.

* Under current law, students are able to assemble an aid package that requires them to make no contribution at all to their education.

o Target federal education programs to the neediest students.

-- The President's proposal to require that all applicants for Guaranteed Student Loans demonstrate need will ensure that GSL funds go only to those who really need them.

-- The proposed changes in the Pell Grant program will target more of the funds to students from families that earn less than \$12,000 per year.

* In 1981, 66% of the students receiving Pell Grants were from families earning less than \$12,000 per year.

* In 1984, the percentage is expected to be 73%.

-- The proposal to offer complete use of Education Savings Accounts to lower- and middle-income families, and to begin the phasing out use between \$40,000 and \$60,000 is designed to make sure this program provides maximum benefit to the families and students who need the help the most.

Justification (Specific).

o Guaranteed Student Loans.

-- The reduction in budget authority for GSL primarily reflects the substantial decline in Treasury Bill rates, from 12.2% in 1982 to a projected rate of 8% in 1984.

* Still, total loan volume will increase; \$7.2 billion in loans will be made in 1984, as compared to \$6.6 billion in 1983.

-- The requirement that all students meet the needs test to qualify for GSLs will ensure that available monies go to the students with financial need.

* If a family truly needs assistance, a needs test will only confirm this, and not reduce their assistance levels or deny them aid.

-- The higher loan origination fee is warranted because graduate students can be expected, on average, to earn a substantially higher income than the general population, and therefore should be able to pay more toward the interest costs of their subsidized loans.

o Pell Grants.

-- The proposal to require a minimum contribution by the student is intended to restore the primary roles of the family and the student in meeting the responsibility for postsecondary education costs.

* Under current law, schools and students can assemble monies from as many as six different federal programs to pay for education costs in ways that require only a limited contribution from the family and none from the student.

* The proposed reform ensures that all students make at least some contribution to their own education.

-- The proposed increase in the maximum possible award will open up new opportunities for low-income students to attend a wider range of schools.

o Campus Based Aid.

-- The additional funding for Work-Study will expand student employment opportunities on the campuses, in state and local government agencies, and in the private non-profit sector.

-- Thus, students will be more able to provide their expected self-help contribution to their education.

- The number of students participating in the Work-Study program is expected to increase from 810,000 in 1983 to 1.1 million in 1984.

- The number of participating institutions is expected to increase from 3,400 in 1983 to 3,600 in 1984.

* With a 40% increase in the Work-Study budget, the average award will increase from \$725 in 1983 to \$800 in 1984 -- exactly matching the expected student contribution under the Pell Grant program.

Questions and Answers.

- o Students losing aid. Will students lose aid under the Reagan proposals?
 - Some students may lose their eligibility to receive student aid. Those who do will be students from families that are too affluent to qualify under the needs test.
 - * Those who need aid will continue to receive it.
 - The reduction in the number of awards allows for an increase in the size of awards to those with genuine financial need.
 - * The size of the average Pell Grant award is expected to increase from the current level of \$968 in 1983 to \$1,300 in 1984 -- a more than one-third rise.
- o Minimum contribution and neediest students. How will the very poorest be able to provide the minimum contribution?
 - Needy students in particular would be eligible for aid under the expanded College Work-Study program. The money such a student earns in the Work-Study program could be used to satisfy the minimum contribution requirement.
 - The student is encouraged, however, to apply earnings from summer employment and part-time employment, or loans or grants from private sources, when available, toward his own educational expenses. For many needy students, this would be an active option as well.
- o Education Savings Accounts. Aren't these proposed tax-exempt savings accounts just another tax shelter for the rich?
 - No. These accounts are designed to help families with annual earnings below \$60,000 per year to pay the cost of their children's education.
 - Maximum tax benefits will be available only to families with annual incomes below \$40,000.
 - Even for a family in the 20% marginal tax bracket, the tax savings amount to \$200 per year per child -- a significant contribution to the children's higher education.

UNEMPLOYMENT COMPENSATION

History.

Unemployment compensation was first authorized under the Social Security Act of 1935. It provides benefit payments to those who lose their jobs through no fault of their own.

o Programs.

-- Unemployment Insurance:

- * Provides direct cash payments to individuals temporarily out of work and looking for jobs.
- * Regular benefits are financed through a state payroll tax on employers. Extended benefits are financed one-half from state and one-half from federal taxes on employers.
- * State and federal administrative costs are financed by a federal tax on employers.
- * Benefit levels and the number of weeks a recipient is entitled to receive benefits varies from state to state. The benefit usually paid is 26 weeks for regular benefits, and 13 additional weeks for extended benefits in high unemployment states.

-- Trade Adjustment Assistance.

- * Provides training costs, and job search and relocation allowances to workers whose loss of work is attributed, at least in part, to foreign imports. TAA also provides additional weeks of cash unemployment payments for such workers.
- * TAA benefits equal the worker's weekly unemployment benefits and are paid to those who exhausted all their weeks of unemployment and were still not working. Such workers can receive a total of 52 weeks of unemployment and TAA benefits combined.

o Coverage.

-- For Unemployment Insurance:

- * About 97% of wage and salaried employment in the United States is covered by unemployment compensation programs.
- * An estimated 4.8 million workers per week will receive unemployment benefits during 1983, and 3.4 million workers in 1984.

-- For Trade Adjustment Assistance:

- * From April 1975 to March 1981, 1.3 million workers received TAA.
- * In September 1982, slightly more than 8,000 workers were receiving TAA benefits.

o Costs.

-- For Unemployment Insurance:

- * Total cost of benefits for this program are projected at \$32.7 billion for 1983.

-- For Trade Adjustment Assistance:

- * TAA cost \$1.5 billion in 1981.
- * The Omnibus Reconciliation Act of 1981 reduced the cash benefits portion of the program so that it cost only \$84 million in 1982.

o Administration Action to Date.

-- For FY 1982:

* President Carter had proposed:

- To revise the calculation of the insured unemployment rate ("trigger rate") used to determine when extended benefits are payable.
- To make unemployment insurance coverage of CETA public service employees optional rather than mandatory, and to prohibit the use of federal public service employment funds to pay such benefits.

* President Reagan proposed:

- To target extended benefits on high unemployment states through revisions in the trigger rate calculation.
- To prohibit the payment of extended benefits to those who did not work at least 20 weeks in the year that made them eligible for unemployment insurance.
- To require workers who had received 13 weeks of regular benefits and whose prospects for returning to their previous line of work were not good to seek employment that provided wages at least equal to their benefit amount, or the minimum wage, whichever was higher.

- To terminate TAA effective September 30, 1983, and in the interim to restrict its use to actual employment adjustment problems.
- To make ineligible for Unemployment Compensation for Ex-Servicemembers those who voluntarily left the service, who were released or separated for cause, or who failed to reenlist when they could have done so.

* Congress approved:

- All of President Reagan's proposed reforms for extended benefits.
- The proposed changes in Trade Adjustment Assistance for workers.
- The basic eligibility changes in Unemployment Compensation for Ex-Servicemembers.

-- For FY 1983:

* President Reagan proposed:

- To round down the weekly unemployment benefit amount to the next lower dollar.
- To eliminate Trade Adjustment Assistance weekly cash benefits and concentrate instead on training, job search and relocation.
- To deny eligibility for unemployment benefits to ex-servicemembers who are not given an opportunity to reenlist because of a record of indiscipline or failure to maintain skill proficiency.

* Congress approved:

- A change in federal payment to states for the 50% federal share of extended benefits aimed at encouraging states to round benefit amounts down to the next lower dollar.
- (No change in TAA weekly cash benefits.) A change in TAA certification criteria designed to make more workers eligible for TAA benefits.
- An expansion in coverage under Unemployment Compensation for Ex-Servicemembers that provides up to 13 weeks of benefits (after a 4-week waiting period) to those who complete their first full term of service (and to others under certain circumstances) and who are discharged under honorable conditions.

- A change in the income threshold at which unemployment benefits become taxable, from \$20,000 (single person) and \$25,000 (joint return) to \$12,000 (single) and \$18,000 (joint).
- With the President's support, a temporary program of Federal Supplemental Compensation (FSC) that provides additional weeks of unemployment benefits to those who have used up all their weeks of regular and, where available, extended benefits. Originally enacted to last through March 31, 1983, the program has twice been amended. At the President's request, the program was extended through September 1983 in the Social Security Act amendment of 1983.
 - a) FSC as enacted provided up to 10 weeks of additional benefits, but as amended it paid up to 16 weeks. A six-month extension of the program until September 30, 1983 provides up to 14 weeks of additional benefits for new claimants, and up to 10 more weeks to those who had used up all their FSC or were already collecting it on March 31, 1983.
 - b) The number of weeks available varies by state depending on the level of unemployment and whether the state has paid or is paying extended benefits.
- * To supplement unemployment assistance over the short-term, President Reagan proposed a bi-partisan jobs bill with three major provisions.
 - \$4.4 billion in accelerated funding of construction projects already in the budget, intended to be spent in FY 1983.
 - \$5.3 billion to finance unemployment insurance benefits.
 - \$216 million for humanitarian assistance for the unemployed.
- * Congress enacted:
 - \$4.4 billion in accelerated funding.
 - \$5.3 billion for unemployment benefits.
 - \$790 million in humanitarian assistance.

The President's Proposals for FY 1984.

o Unemployment Compensation.

-- Provide outlays of \$24.6 billion in 1984 -- \$8.1 billion less than 1983.

o Job vouchers.

-- Provide an option for FSC recipients to receive assistance in securing work through a system of tax credits to employers.

* Under the proposal, those eligible for FSC would have the choice of receiving either the additional weeks of unemployment compensation under FSC, or a set of vouchers that would give anyone who hires them a tax credit of equal value to the unemployment compensation that would otherwise be paid.

* The program would provide unemployment benefits from April 1 through September 30, 1983, with tax credits remaining available for jobs started by March 31, 1984.

* The estimated benefit outlays for this proposal are \$2.8 billion in 1983.

* The estimates of the tax revenue reduction for this proposal are \$453 million in 1984, and \$97 million in 1985.

o Unemployment insurance tax receipts.

-- Permit the states to devote 2% of their unemployment insurance tax receipts to training, job search, and relocation of unemployment workers.

Justification.

o Smaller outlays for unemployment compensation.

-- The reduction in proposed outlays is based on an expected decline in the unemployment rate from 10.2% in FY 1983 to 9.3% in FY 1984.

o Job voucher.

-- Workers who elect the voucher plan would receive full wages, rather than unemployment benefits that are designed to replace a portion (usually no more than half) of lost wages.

-- The tax credit would give employers a strong incentive to hire the long-term unemployed.

-- The unemployed would increase their prospects for long-term financial well-being and employment by working rather than remaining unemployed.

o Unemployment tax receipts.

-- Permitting states to use a portion of unemployment tax receipts for training, job search, and relocation will more rapidly and effectively increase the employability of those out of work than the payment of unemployment benefits alone.

-- Moving people permanently off the unemployment rolls and into private sector jobs will reduce long-term federal spending.

-- Because state governments are closer to their own unemployment problems, they can target assistance to areas of greatest need.

Questions and Answers.

o TAA phaseout. At a time when American workers are still losing their jobs to imports, is it really fair to phase out TAA?

-- TAA has effectively been replaced by the Job Training Partnership Act of 1982.

* JTPA consolidates federal efforts to retrain all displaced workers, whether they have lost their jobs because of imports or because of some other reason.

* The Administration has proposed spending \$223 million in FY 1984 to retrain displaced workers, more than double the present amount.

* This is a much fairer approach to the problem, since it does not treat workers displaced by imports as a privileged class of unemployed; being out of work is bad, regardless of the cause.

* Moreover, assistance can be made available faster, since there is no need for a cumbersome bureaucratic process to determine the cause of dislocation.

o Vouchers. Will the Administration's voucher plan do any good?

-- Given the significant tax break, employers will have a strong incentive to hire the long-term unemployed.

-- The Administration estimates that the plan could help as many as 700,000 unemployed persons get jobs.

#