

**MAJOR LEGISLATIVE CHANGES IN HUMAN RESOURCES PROGRAMS  
SINCE JANUARY 1981**

**Special Study**

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Speaker Thomas P. O'Neill**

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## SUMMARY

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In the last two years, major changes have been enacted in many of the human resources programs. These changes have affected both total program outlays and the numbers and types of families served by particular programs. This memorandum summarizes the effects of these changes, both for the budget and for families and individuals.

The focus of this analysis is the effect of program changes enacted from January 1981 through July 1983 in five major areas of the human resources budget:

- o Retirement and disability programs,
- o Other income security programs,
- o Health care programs,
- o Education and social services, and
- o Employment programs.

Overall, the programs considered here account for 96 percent of human resources spending. For each area, the impacts of legislative changes on program outlays have been estimated by comparing the Congressional Budget Office's current projections with those that would have occurred under the laws in effect at the beginning of 1981. It should be noted, however, that the 1981 spending levels are not intended to represent optimal



amounts, but rather what would have occurred if no policies had been changed. Both sets of projections have been prepared using the CBO's February 1983 economic assumptions, so that the effects of legislative changes may be seen without complications introduced by changing economic factors.

In addition to summarizing the effects of changes in particular programs, this memorandum also examines the overall impact on households in different income categories of the changes in programs providing benefits for individuals. In this part of the analysis, only those changes directly affecting specific households have been included. Thus, for example, changes in such programs as Social Security and Food Stamps, which provide benefits to identifiable individuals and families in the population, have been included in the estimates, but changes in grants-in-aid to state and local governments (other than individual assistance grants) have not. Because most education aid, social services, and employment services are provided through grants to states and localities, changes in these programs are for the most part included in the first part of this study only.

To estimate the impacts of the changes in benefit programs on households in different income categories, federal benefits have been valued at the cost to the federal government of providing them, which may either exaggerate or understate their value to individuals. This is especially likely for benefits provided in kind as goods and services, rather than in cash. A



reduction in federal outlays for a health-care program, for example, may not reduce the perceived well-being of the recipients by the same amount as a reduction in cash benefits with equivalent federal savings.

In addition, the estimates of changes in benefits for households in different income categories represent averages over the entire income group. Within each category, some households will actually be affected by changes in many programs, while others will experience no changes. In fact, in all income categories many households receive no benefits. Therefore, the impacts of benefit reductions or increases on those who are affected will generally be larger than the averages for the entire income group suggest.

Further, the estimates presented here are for changes in federal spending only; they do not include the effects of the tax reductions and increases enacted over the last two years, nor do they reflect any change in state and local spending or taxes in response to the federal program changes. The federal tax reductions would raise after-tax incomes for some households in all income categories. For some income groups, particularly the higher-income ones, the tax reductions would more than offset benefit reductions, on average, while for other groups, average tax reductions would only partially offset average benefit cuts. In any event, the tax reductions would not necessarily affect the specific households whose benefits had been cut.



Finally, an important caution that applies to both parts of the study is that the estimates of projected changes in spending presented here do not include any macroeconomic impacts of either the tax or the spending changes enacted over the last two years. If the program changes taken together significantly raise the rate of economic growth and reduce unemployment, for example, then they would provide higher incomes that would to some extent offset the reductions in benefits.

The major conclusions of this study are:

- o **Spending for human resources programs has been reduced, in total, by about 7 percent** relative to what it would have been under the laws existing at the beginning of 1981.
- o **Reductions differ markedly by program area.** In percentage terms, they are largest for the employment programs, which have been reduced by almost 60 percent compared to what they would have been under prior law. The largest dollar savings over the 1982-1985 period will result from reductions in retirement and disability programs, other income security programs, and employment programs.
- o **Reductions in benefit payments for individuals will be greatest for households with incomes below \$10,000.** In 1984, for example, such households will lose an average of \$430 in benefits relative to what they would have received under prior law, as compared to an average loss over all income categories of about \$250.

The impacts of the legislative changes in human resources programs are outlined in the Summary Table for the major programs in each area. Federal savings resulting from reductions in retirement and disability programs, other income security programs, and employment programs are



SUMMARY TABLE. OUTLAY CHANGES IN FISCAL YEARS 1982-1985  
 RESULTING FROM LEGISLATIVE ACTIONS UNDERTAKEN  
 BETWEEN JANUARY 1981 AND JULY 1983, SELECTED  
 HUMAN RESOURCES PROGRAMS

Programs	Total Outlay Changes, 1982-1985, Resulting from Legislative Actions	
	In Billions of Dollars	As a Percent of Program Outlays <u>a/</u>
<b>Retirement and Disability</b>		
Social Security <u>b/</u>	-24.1	-3
Civil Service Retirement <u>c/</u>	-2.5	-3
Veterans' Pensions and Compensation	-0.6	-1
SSI	+1.4	+4
<b>Other Income Security</b>		
Unemployment Insurance	-7.8	-7
AFDC <u>d/</u>	-4.8	-13
Food Stamps	-7.0	-13
Child Nutrition <u>e/</u>	-5.2	-28
WIC <u>f/</u>	+0.2	+4
Housing Assistance <u>g/</u>	-1.8	-4
Low Income Energy Assistance	-0.7	-8
<b>Health</b>		
Medicare	-13.2	-5
Medicaid	-3.9	-5
Other Health Services <u>h/</u>	-1.4	-22
<b>Education and Social Services</b>		
Compensatory Education	-2.6	-17
Vocational Education	-0.6	-12
Head Start	<u>i/</u>	<u>j/</u>
Guaranteed Student Loans	-3.8	-27
Other Student Financial Assistance	-2.1	-13
Community Services Block Grant	-1.0	-39
Social Services Block Grant	-2.9	-22
Veterans' Readjustment Benefits	-0.7	-10
<b>Employment and Training</b>		
General Employment and Training	-7.4	-35
Job Corps	-0.1	-6
Public Service Employment	-16.9	-99
Work Incentive Program	-0.6	-33

SOURCE: Congressional Budget Office.

(Continued)



## Summary Table Footnotes

- a. Base used to calculate percentage changes is the CBO 1981 baseline projection for each program, adjusted for subsequent changes in economic assumptions but not for legislative changes. See text for fuller description.
- b. Includes Social Security, Old Age and Survivors' Insurance (OASI) and Disability Insurance (DI) benefits. Also includes Railroad Retirement changes of \$600 million in fiscal years 1982-1985.
- c. Includes Civil Service Disability benefits.
- d. Includes Child Support Enforcement.
- e. Includes the National School Lunch Program, National School Breakfast Program, Childcare Feeding Program, Special Milk Program, and Summer Feeding Program.
- f. Includes Special Supplementary Feeding Program for Women, Infants, and Children (WIC) and the Commodity Supplemental Feeding Program (CSFP).
- g. Includes both subsidized housing programs and public housing operating subsidies.
- h. Includes all programs previously under the Health Services Administration. Among these are three categorical programs--for family planning, migrant health, and black lung clinics--and two block grants--for primary care and maternal and child health. For technical reasons, the block grants for substance abuse and preventive care have been excluded. Funding for the excluded block grants declined by 16.1 percent between 1981 and 1982, compared to a 15.8 percent decline for the two that were included.
- i. Total change of less than \$50 million.
- j. Total change of less than 0.5 percent.



about the same magnitude, with projected savings in 1982-1985 exceeding \$25 billion in each of these areas. Total reductions in outlays for human resources programs relative to prior law are projected to be about \$110 billion over the fiscal year 1982-1985 period.

The largest percentage reductions, other than those in the employment programs, are projected in the area of education and social services, outlays for which have been reduced by almost 20 percent overall relative to prior law. Projected outlays for income security programs, excluding retirement and disability programs, have been reduced by about 10 percent, while projected health-care outlays have been cut about 5 percent and projected outlays for retirement and disability programs have fallen about 3 percent overall.

Within each area, the relative size of the changes varies by program. In the employment area, for example, the Public Service Employment program was eliminated, reducing projected outlays by about \$17 billion, while projected outlays for the Job Corps have been reduced by about \$145 million relative to what they would have been for the 1982-1985 period--a reduction of about 6 percent. Similarly, projected outlays for child nutrition programs are about 28 percent lower than they would have been under prior law, while outlays for the Supplemental Feeding Program for Women, Infants, and Children (WIC) have been increased slightly. The only other major human resources program to experience a net increase in projected



outlays as a result of legislative action in this period is the Supplemental Security Income (SSI) program, which provides means-tested benefits for aged, disabled, and blind persons. Its outlays are projected to be about 4 percent higher than they would have been under prior law, largely as a result of a benefit increase enacted as part of the Social Security Amendments of 1983.

The changes in projected outlays will also have different effects on households with different incomes. Overall, about 40 percent of the federal savings from changes in benefit programs are projected to result from reductions affecting households with 1982 incomes of less than \$10,000--who make up about 23 percent of the population--and another 30 percent will come from reductions affecting households with incomes between \$10,000 and \$20,000--about 25 percent of the population. Reductions in cash benefits will account for about 60 percent of the total savings from reductions in benefits for individuals, with the remainder coming from in-kind benefits.

Average reductions in benefits per household are also projected to be greater for households in the below \$10,000 income category than for any other group. In 1984, for example, the average reduction in benefits going to this group is projected to be about \$430, compared to an average



reduction of about \$300 for those with incomes between \$10,000 and \$20,000. Reductions for the households in higher income categories are projected to range from \$140 to \$170 per household.



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## INTRODUCTION

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This memorandum analyzes the impacts of policy changes enacted in the last two years in human resources programs serving families and individuals. The analysis focuses primarily on programs providing direct benefits for individuals; examples include Social Security, other income assistance programs, and health programs. For the most part, these programs are entitlements that provide benefits--either cash or payments for goods and services--directly to particular families and individuals who meet the programs' qualifying criteria. The study also examines the impacts of recent policy changes on spending for certain grants to state and local governments; under these programs, benefits are largely passed through non-federal governments and agencies to families and individuals within each jurisdiction. Programs of this latter type include those providing aid to elementary and secondary education, social services, and employment assistance. In all, the programs that are examined in this study account for about two-thirds of all nondefense spending. 1/

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1. The major types of domestic spending not considered in detail in this memorandum are outlays for net interest, grants to state and local governments for such purposes as local public works, natural resources programs, and local and regional development, and spending for programs in the budget category known as "other federal operations." This category includes, for example, non-grant spending for energy, transportation, and natural resource programs, spending for farm price supports and other agricultural programs, and the general administrative costs of the federal government.



For a number of reasons, the findings of this study should be viewed with care. Most of these reasons are discussed later, in the context of the analyses to which they are particularly relevant. But one point that applies to the study as a whole is that the estimates of the impact of legislative changes on program outlays shown here take into account only the immediate impacts of those changes on the programs affected and do not attempt to consider the overall macroeconomic effects of the spending reductions. Program changes that might affect recipients' behavior are taken into account, where possible, in the estimates for particular programs, if such factors would have a direct effect on program outlays--for example, if increasing beneficiaries' incentives to work would reduce the number of persons eligible for benefits. The effects on the economy as a whole of such behavioral changes, however, are not considered in this analysis. Similarly, the effects of spending reductions on economic performance in general and on other aspects of government policy cannot be estimated in a study of this type.

Further, the estimates presented here are for changes in federal spending only; they do not include the effects of the tax reductions and increases enacted over the last two years, nor do they reflect any change in state and local spending or taxes in response to the federal program changes. The federal tax reductions would raise after-tax incomes for some households in all income categories. For some income groups, particularly



the higher-income ones, the tax reductions would more than offset benefit reductions, on average, while for other groups, average tax reductions would only partially offset average benefit cuts. In any event, the tax reductions would not necessarily affect the specific households whose benefits had been cut. In addition, state and local governments, or private charities, may replace some of the benefits that would have been federally provided under prior law. On the other hand, many states are already facing considerable fiscal pressures, and some may increase taxes or reduce spending for benefits, thus compounding the effects of the benefit reductions discussed in this study.

This analysis is presented in four major parts. The first section summarizes the impact of both economic and legislative changes on the budget as a whole over the last two years. The second part describes projected domestic spending by area and outlines the impacts of recently enacted legislative changes. The third section analyzes these changes for the major human resources programs and examines their impacts on federal outlays. To the extent possible, the section also describes the numbers and types of recipients affected in each program and the impacts of changes across programs. The final part of this study discusses the overall distributional impact of the policy changes on families in different income categories. This section concentrates on changes in federal expenditures for benefits that directly affect household resources--for the most part, changes in entitlement programs.