Projected outlays in 1982-1985 for JTPA programs (excluding the Job Corps) are about 35 percent lower than the revised 1981 baseline projections for the CETA programs continued under JTPA. This reflects a substantial decline in real funding for programs for the disadvantaged, together with a large percentage (but small absolute) increase in funding for dislocated workers. Since state and local governments typically do not support employment programs for the disadvantaged from their own funds, the decline in federal funding could substantially reduce services provided to disadvantaged workers.

Public Service Employment

Funding for PSE was eliminated under OBRA. Previously, PSE programs authorized through CETA provided federal funds to state and local governments to pay most of the costs of jobs for low-income persons. About two-thirds of the jobs were in state and local government agencies and one-third were in not-for-profit organizations.

Under OBRA, all PSE jobs were eliminated by the end of 1981. Compared to the baseline, this provision eliminated about 350,000 PSE jobs that would have employed about 600,000 persons, each for an average of about seven months. Total outlay reductions relative to the revised 1981 baseline for PSE come to almost $17 billion for the 1982-1985 period, although some of these savings would be offset by increased outlays in

income support programs and by reductions in income tax and Social Security revenues.

Job Corps

Job Corps is the major program administered by the federal government that is authorized by JTPA. It is a residential program providing disadvantaged youth with an intensive set of services including remedial education, vocational and on-the-job training, health care, counseling, and placement assistance.

Projected funding for the Job Corps is about 6 percent lower for the 1982-1985 period under the current baseline than under the revised 1981 baseline projections. This program--which has proven effective for those who complete it--has not undergone the more substantial reductions in real funding that have been made in most other employment programs for the disadvantaged.

Work Incentive Program

The WIN Program provides grants to states to assist recipients of AFDC and other able-bodied adult applicants in achieving self-support. Established in 1967, WIN prepares individuals for employment through structured job search activities, on-the-job training, public service employment, work experience, and institutional training. Child care, job placement

assistance, and other services necessary to enable WIN participants to participate in training or employment are also provided. AFDC recipients without children younger than six in their care are required to register for WIN or for an alternative state "workfare" program as a condition for AFDC eligibility.

About one million people were registered under WIN at the end of 1982, and $281 million was appropriated for the program in that year. This represented a decrease from 1981 levels, when $365 million was appropriated to serve 1.6 million registrants.

Because of interest in trying alternative approaches to increasing the employment of welfare recipients, and because WIN was unable to serve all registrants with the available funding, states were authorized under OBRA to established three-year demonstration projects of their own design as an alternative to WIN. Operated by state welfare agencies, the demonstrations are funded under the same matching formula as AFDC. As of late 1982, 17 states were operating WIN demonstrations in at least one site within the state.

SECTION IV. IMPACT OF LEGISLATIVE CHANGES ON HOUSEHOLDS IN DIFFERENT INCOME CATEGORIES

The changes enumerated in Section III would affect individuals and families in many different ways. In the descriptions of the individual program changes, an attempt was made to indicate what types of people would have been most affected by the changes enacted. This section summarizes the overall impact of those program changes on households in different income categories.

The analysis concentrates on legislative changes directly affecting the incomes or resources of specific persons and families. No attempt has been made to estimate the effect on the distribution of income that might result from policy changes that indirectly affect individual incomes, for example, by changing growth rates or unemployment rates for the economy as a whole. The analysis also does not include changes in most grants to states, other than individual assistance grants such as AFDC. Because programs such as the Social Services Block Grant provide a variety of services available to a diverse population, the impacts of reductions in these programs on specific individuals cannot be estimated with any certainty. Also, what additional services states would have funded if they had been given larger grants cannot be known; even under existing grants, data on the characteristics of those who benefit are lacking in many cases.

The methodology underlying this analysis is the same as that used in several earlier CBO studies of the distributional impacts of tax and benefit changes, and it is outlined in more detail in the first of those studies, which appeared in February 1982. 1/ Several important caveats discussed in that study should also be noted here.

First, a breakdown of the distribution of expenditure changes by income category may be misleading in some respects. For example, average household size varies somewhat by income group; thus, a distribution of benefits by income category only will not take into account differences in the relative needs of these different sized households.

Also, although the overall distribution of households by income group stays fairly constant over time, individual households may move among groups relatively often. Such movement may be particularly likely for households in the bottom category, which contains a comparatively large share of single persons who are attending school. Similarly, events such as marriage, divorce, sustained unemployment, and retirement may also cause households to move among income groups over time. Thus, the impact shown for a particular category may represent changes in the benefits

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1. Congressional Budget Office, "Effects of Tax and Benefit Reductions Enacted in 1981 for Households in Different Income Categories," Special Study (February 1982).

received by a changing group of people over time, rather than reductions that are all experienced by the same people.

In addition, the estimates presented here represent average changes in benefits for all households in each income category, but within each category, the households that are affected by benefit reductions in different programs are not necessarily the same. In fact, in any category only a minority of households will have been affected by any one change. Therefore, the impact of benefit reductions or increases for those who receive them may be substantially greater than the averages for the entire income category would indicate. Moreover, households of different income levels vary in their eligibility for and participation in the programs examined here. These differences in the distribution of benefits will lead to differences in the average impact across income groups of changes in those programs.

Further, for the purpose of this study, federal benefits for individuals have been valued at the cost to the federal government of providing them, which may either exaggerate or understate the value of those benefits to individuals. Problems of valuation are especially likely if the assistance is provided as goods or services rather than in cash. For example, the loss to students unable to obtain loans to replace GSLs or to persons unable to obtain basic medical care without Medicaid may be greater, from the individual's point of view, than the loss of an equivalent amount in cash. On

the other hand, students who can relatively easily finance their educations without guaranteed loans, or persons who may have received nonessential medical care, might see their loss as less than the federal savings. 2/

A final caution with respect to the findings is that the analysis does not include any assumed macroeconomic impact of the tax and benefit changes enacted since the beginning of 1981. If the program changes taken together should significantly raise the rate of economic growth and reduce unemployment, for example, they would provide higher incomes that would offset reductions in benefits.

DISTRIBUTION OF TOTAL OUTLAY CHANGES RESULTING FROM LEGISLATIVE CHANGES IN PROGRAMS PROVIDING BENEFITS TO INDIVIDUALS

To examine the impact of changes in federal benefit programs, the resulting reductions and increases in outlays have been distributed over five categories of households based on the amount of cash they received from all sources--including, for example, earnings, AFDC, and Social Security benefits. Although in-kind benefits have been excluded from the categorization process, changes in both cash and in-kind benefits are shown on the tables. There are two major reasons for this approach. First, benefits

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2. This point is discussed in more detail, and alternative methods of valuing in-kind benefits are proposed, in Timothy Smeeding, Alternative Methods for Valuing Selected In-Kind Transfer Benefits and Measuring Their Impact on Poverty, U.S. Bureau of the Census, Technical Paper no. 50, Washington, D.C. (1982).

provided in-kind by those other than the federal government--for example, employer-provided fringe benefits--cannot be included, and the inclusion of such benefits only when they are federally provided would be inconsistent. Second, there is no universally agreed on way to measure in-kind benefits. To maintain a roughly constant composition of households in the categories over time, the brackets used have been defined in constant 1982 dollars.

All outlay changes resulting from legislative actions affecting cash benefit programs have been included in this analysis, as have changes in in-kind benefit programs that directly affect recipients throughout the United States. Certain changes affecting in-kind benefit programs have been excluded, however. For example, much of the savings in Medicare results from changes in the way hospitals are reimbursed for the care they provide to that program's beneficiaries, rather than from direct changes in benefits. Since it is not known what effect, if any, these hospital reimbursement changes will have on beneficiaries, savings resulting from those changes were not allocated to households. A portion of the reduction in Medicaid has also been excluded, because it results from changes in the treatment of states under the program, which cannot be said to affect individuals directly. Similarly, the portion of savings in the Food Stamp program that results from providing aid to Puerto Rico through a block grant (see Section III) has not been distributed across these income categories, because the

households affected by this change are all in Puerto Rico. Puerto Rico is not represented in the Census Bureau's Current Population Survey (CPS), which serves as the basis for the distributional estimates--the CPS includes only households in the 50 states and the District of Columbia. Thus, savings from the block grant, which would not affect families and individuals in the United States proper, were not distributed across these households. Table 10 summarizes total changes in outlays and the proportion of the changes allocated for each program included in this section of the analysis.

Overall, the total legislative changes in benefits that directly affect the incomes of individuals and families resulted in reductions of about $65 billion in projected outlays for the 1982-1985 period, or about 60 percent of the total reductions in human resources outlays considered in this memorandum. 3/ The pattern of the reductions varies markedly from year to year, however, as Table 11 shows. In particular, reductions in cash benefits in 1982 and 1983 are much lower than those projected for 1984 and 1985. This difference results primarily from the phasing in of changes during 1982, and also from the large increase in Unemployment Insurance benefits enacted for 1983 under the Federal Supplemental Compensation program. As a result of this increase, UI outlays in 1983 are estimated to be

3. As noted earlier, although because of data limitations this memorandum does not consider every human resource program, the programs included represent 96 percent of projected outlays for human resources in 1983.

TABLE 10. LEGISLATIVE CHANGES IN BENEFITS FOR INDIVIDUALS--
TOTAL CHANGES IN OUTLAYS, FISCAL YEARS 1982-1985,
AND PERCENTAGE ALLOCATED TO HOUSEHOLDS

Programs	Total Change 1982-1985 (In billions of dollars)	Percentage Allocated to Households
	Cash Benefits	
Social Security	-23.5	100
Railroad Retirement	-0.6	100
Civil Service Retirement	-2.5	100
Veterans' Compensation	-0.3	100
Veterans' Pensions	-0.3	100
SSI	+1.4	100
Unemployment Insurance	-7.8	100
AFDC	-4.8	100
Low Income Energy Assistance	-0.7	100
	In-Kind Benefits	
Food Stamps	-7.0	94
Child Nutrition	-5.2	100
GSLs	-3.8	100
Student Financial Assistance	-2.1	100
Medicare	-13.2	31
Medicaid	-3.9	69
Housing Assistance	-1.8	100

SOURCE: Congressional Budget Office.

TABLE 11. TOTAL REDUCTIONS IN OUTLAYS FOR BENEFIT PAYMENTS FOR INDIVIDUALS RESULTING FROM LEGISLATIVE CHANGES ENACTED SINCE JANUARY 1981, BY HOUSEHOLD INCOME CATEGORY, FISCAL YEARS 1982-1985

Fiscal Years	Total Savings (In millions of current dollars)	Total (percent)	Percent of Total Spending Reductions by Income Group a/ Less than $10,000	$10,000-20,000	$20,000-40,000	$40,000-80,000	$80,000 or More
			Cash Benefits				
1982	$4,320	100	40	26	23	9	2
1983	3,650	100	71	29	1	-2 b/	c/
1984	14,560	100	35	32	25	8	1
1985	16,490	100	36	34	22	7	1
			In-Kind Benefits				
1982	3,940	100	50	24	18	8	1
1983	5,390	100	40	25	22	12	1
1984	7,870	100	43	25	20	11	1
1985	9,210	100	38	27	23	13	1
			Totals				
1982	8,260	100	45	25	21	9	1
1983	9,040	100	52	27	14	6	1
1984	22,430	100	38	30	23	9	1
1985	25,700	100	37	31	23	9	1
Percent of all Households in Each Category		100	23	25	35	16	1

SOURCE: Congressional Budget Office.

NOTE: Components may not add to totals because of rounding.

a. Income groups are defined in constant 1982 dollars. Income categories are based on cash benefits, but exclude in-kind benefits.

b. Negative percentages indicate that benefits received by this income category are higher than they would have been under prior law. Higher benefits largely result from the increase in Unemployment Insurance benefits enacted for 1983.

c. Less than 0.5 percent.

about \$3 billion higher under the current baseline than they would have been under the revised 1981 baseline. Since about half of all UI benefits go to households with annual incomes over \$20,000, while relatively few other cash benefits are received by those in the upper half of the income distribution, this increase in UI benefits actually results in small increases in the total cash benefits going to middle- and upper-income households in 1983 relative to the amounts they would have received under prior law.

Aside from the effects of the increases in UI benefits in 1983, however, the distributional pattern of the changes is fairly consistent over time. In general, benefits for the lowest categories have been reduced the most, with about 40 percent of the total outlay savings over the four years coming from outlay reductions affecting households with cash incomes below \$10,000, and about 70 percent coming from reductions affecting households with incomes below \$20,000. This results in part because households in the lowest income categories are likely to receive more in benefits than are those in other categories. Thus, they are more likely to be affected by the benefit cuts. In addition, however, the means-tested benefit programs, which primarily benefit low-income households, were cut by about 8 percent overall, while the non-means-tested programs, whose beneficiaries are likely to have higher incomes on average, were reduced about 4 percent. Further, much of the savings in non-means-tested programs comes from the Medicare reductions, most of which do not directly affect individuals and are not reflected in Table 11.

DISTRIBUTION OF AVERAGE PER-HOUSEHOLD CHANGES IN FEDERAL OUTLAYS FOR BENEFITS TO INDIVIDUALS

Because the number of households in each income category varies, average changes in benefits for different income groups cannot be inferred from the totals shown in Table 11. As Table 12 shows, however, average reductions in outlays per household follow much the same pattern as do the total reductions. The average reduction in cash benefits is generally more than twice as large for households with incomes below $20,000 as for those in the other categories, and the size of the average cut generally declines with income. The one major exception to this decline is the relatively large loss in average cash benefits experienced by the $80,000 or more category in years other than 1983. These declines result largely from changes in Social Security benefits, which, with Medicare, make up the bulk of benefits received by beneficiaries with high incomes. Another cash-benefit program experiencing reductions that affected some recipients with high incomes is UI (in 1984 and 1985).

When cash and in-kind benefit cuts are considered in combination, the same pattern emerges. Those in the lowest income group lose about one-fourth more than those in any other category, and average losses generally decline as income increases. In-kind benefit cuts affecting some recipients with high incomes include those under the child nutrition and GSL programs.

TABLE 12. AVERAGE PER HOUSEHOLD CHANGES IN OUTLAYS FOR BENEFIT PAYMENTS BY INCOME CATEGORY OF RECIPIENTS, FISCAL YEARS 1982-1985 (In current dollars)

		Household Income (in 1982 dollars)				
Fiscal Years	All Households	Less than $10,000	$10,000-20,000	$20,000-40,000	$40,000-80,000	$80,000 or More
			Cash Benefits			
1982	-50	-90	-50	-30	-30	-90
1983	-40	-130	-50	a/	10b/	-10
1984	-160	-260	-210	-120	-80	-110
1985	-180	-290	-250	-120	-80	-120
			In-Kind Benefits			
1982	-50	-100	-40	-20	-20	-20
1983	-60	-110	-60	-40	-50	-40
1984	-90	-170	-90	-50	-60	-50
1985	-100	-170	-110	-70	-80	-50
			Totals			
1982	-100	-200	-100	-60	-50	-110
1983	-100	-240	-110	-40	-40	-50
1984	-250	-430	-300	-170	-140	-160
1985	-280	-470	-360	-180	-160	-170

SOURCE: Congressional Budget Office.

a. Average change of less than $10.

b. Positive amount indicates that households in this category received higher benefits than they would have under prior law, largely as a result of changes in UI benefits.

Table 12 should be interpreted with some caution. In particular, these figures represent the average change in federal outlays per household, which is not necessarily equivalent to the average change in the value of the benefits received. Further, these figures are averages over entire income categories, and they include many households that receive no benefits--and therefore, of course, no reductions. Households cannot lose benefits they have never received. Thus, the declining proportion of households receiving benefits in the higher-income groups at least partially explains the fall in average and total benefit reductions as income rises. Average reductions for recipient households only would generally be much larger, but such averages cannot be computed because of the lack of data on the extent to which the households participate in more than one of the programs affected.