

ing recruiting for federal training programs and certifying eligibility for certain other federal programs.

Effects of Current Programs. Although there is as yet no experience under the JTPA, evidence from previous programs under CETA and WIN indicates that training and other employment services can be effective at improving the employment prospects of disadvantaged workers and increasing their future earnings. Low-cost intensive job search programs have been shown to increase employment rates substantially for new entrants or reentrants to the labor market who have adequate work skills. For those for whom job search assistance is not enough, the results of various more costly alternatives vary. Disadvantaged youth apparently require intensive programs combining remedial education, training, and work experience. Women entering the labor force for the first time, or reentering after a number of years, benefit equally from work experience, classroom instruction, or on-the-job training. None of these approaches appears to enhance the employability or wage rates of men with a history of low-wage or unstable employment, although more intensive remedial programs--which have not been available for adults--might be more successful. Some programs for the disadvantaged--especially for women in WIN--appear to be cost-effective, in that future savings in federal welfare costs due to increased earnings by participants exceed federal program costs. 11/

For dislocated workers, evidence from pilot projects offering re-employment services to workers in Michigan indicates that program participants were reemployed faster, and at higher wage rates, than similar workers who did not receive services. Further, it appears that training plus job search assistance had no greater impact on reemployment than intensive job search alone, so that programs for dislocated workers might be very cost-effective by emphasizing low-cost job search assistance.

The Employment Service is an important placement resource for disadvantaged workers. Youth, women, minorities, the physically handicapped, and other disadvantaged groups are all served in numbers disproportionate to their representation in the labor force. This is partly the result of a deliberate emphasis begun during the 1960s, but it is also the result of a natural selection process in that workers with more experience and specialized work skills often have good job search alternatives--through personal contacts, labor organizations, and professional associations. Complaints have been made that the various ancillary responsibilities given to the Employment Service have reduced the resources available for its basic labor exchange functions--counseling and placement services. The adverse

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11. Congressional Budget Office estimates.

effects of this conflict between its labor exchange and supplementary responsibilities may be lessened, however, by provisions contained in the JTPA, which establish separate funding for the two kinds of activities.

### Social Service Programs

Federal funding for social services in 1983 was \$6.6 billion. About 95 percent of this--or \$6.3 billion--funded grants to state and local governments, with more than 40 percent channeled through the Social Services Block Grant (SSBG). This grant supports a broad set of services, including day care for children and dependent adults, homemaker and other in-home services, and child welfare services. Other more restrictive categorical programs support Head Start (a compensatory program for pre-school children), community services, child welfare services, social and nutrition programs for the elderly, rehabilitation programs for the disabled, services for individuals with developmental disabilities, and volunteer activities in low-income areas. Most of these grants are allocated by formulas based on population, or some subset of population, and sometimes state per capita income.

Effects of Current Programs. Federal social service programs have sometimes induced new activities by nonfederal governments that subsequently continued to grow independently of federal support--for example, public child welfare services initiated by the Social Security Act of 1935, and services for the elderly initiated by the Older Americans Act of 1965. Currently, however, most federal spending for social service programs is very close to revenue sharing earmarked for social services. Although funding is provided through a number of separate categorical programs, recipient governments have substantial flexibility in allocating the total dollars available to them for social services. This is because spending by state and local governments is so much in excess of what is required under most current grants, and because such a large proportion of federal aid is through the very loosely targeted Social Services Block Grant.

Federal matching requirements are generally binding only for Head Start, vocational rehabilitation services, and perhaps for developmental disabilities programs. These services might be reduced substantially in the absence of earmarked federal funding, despite the evidence that Head Start and vocational rehabilitation programs are successful. Head Start provides social, educational, and health services to disadvantaged pre-school children. It is generally effective at increasing the cognitive skills, social development, and health of participants, enabling them to begin their regular school careers on a more equal footing with other children. According to estimates by the Rehabilitation Services Administration,

vocational rehabilitation services create savings for both federal and state governments because the future earnings of rehabilitated persons generate enough tax collections and reduce public assistance sufficiently to more than cover program costs.

### OPTIONS FOR CHANGE

Federal support for education, employment, and social service programs has dropped in the last few years, and the Administration has proposed that many of these programs be terminated or "turned back" to the states. Whether or not it is important to continue a federal role in these human service programs, and what dimensions and forms that role should take, are value-laden questions whose resolution can ultimately be determined only by the Congress. The purpose of this section is to outline the advantages and disadvantages of modifying some current programs, either by eliminating federal program responsibility, changing the funding provisions, or changing the program rules. The options discussed here are illustrative, and include only a sampling of the modifications that might be made.

Programs that do not effectively address concerns about the distribution of resources, and for which there are no significant external effects and no need for centralized coordination, are candidates for termination. Other options discussed here include changing the funding allocation process to address local needs more effectively, modifying cost-sharing provisions that may be inappropriate, consolidating related programs when that would not defeat Congressional intent, and altering program rules to provide the greatest possible flexibility to recipient governments without sacrificing Congressional goals.

#### Eliminate Federal Support

This approach is most frequently suggested in connection with general education programs, but may be applicable to some employment programs and to social services as well.

Education Programs. Federal aid for general education--through Chapter II of the ECIA and basic vocational programs under the VEA--has no strong rationale, since these programs do not target resources very effectively on special needs nor are they likely to generate significant external benefits. Termination of Chapter II of the ECIA would have little impact on most school districts since the grant is such a small proportion of total school expenditures, although the impact would be relatively greater in

school districts with large numbers of high-cost students with special needs--since this factor is considered in addition to the total number of students for allocation of grant funds within (but not among) states.

Termination of federal funding for basic vocational education programs could be a little more disruptive, since it amounts to nearly 10 percent of total public spending for vocational education. Further, school districts with relatively high concentrations of disadvantaged and handicapped students might be affected more adversely than other school districts, because the requirement that 30 percent of funds for basic programs be targeted on disadvantaged or handicapped students tends to result in somewhat higher VEA expenditures in districts with high concentrations of disadvantaged and handicapped students. <sup>12/</sup> An alternative to eliminating VEA programs would be to target all funds, as discussed later.

Federal support for library services has also been criticized. Both past and present Administrations have sought to eliminate federal support for library services by arguing that this is a low-priority item for scarce federal dollars, since there is little indication that the public (as distinct from the providers of the services) perceives any serious inadequacy in the availability of library services.

Employment Programs. The federal role is dominant in the funding of public training and employment programs, and is probably necessary to their continuation in most geographic areas. Reduction or termination of federal support for training, especially for disadvantaged workers, would weaken the federal commitment to improving equality of opportunity and might increase welfare costs as well. Since federal programs have just been substantially modified by the Job Training Partnership Act in an attempt to improve the effectiveness both of public training programs and of the Employment Service, it would probably be counterproductive to suggest revisions at this time. It is generally believed that one of the major problems with CETA--the predecessor of JTPA--was that requirements under the act were modified so frequently that programs never had an opportunity to become effective.

One change proposed by the Administration, however, is elimination of the separately authorized WIN program and its replacement with a mandatory workfare program for employable welfare recipients. <sup>13/</sup> While WIN

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12. National Institute of Education, The Vocational Education Study: The Final Report (September 1981), p. III-34.
  13. Workfare programs are optional in states now, either as replacements for or in addition to WIN. The federal government reimburses states

provides job search assistance, training, and work experience, workfare would provide only work experience, by requiring that unemployed recipients work off the value of their welfare benefits in public service agencies. Since evidence from WIN programs indicates that work experience is as effective at improving employability as more costly training programs for women without severe disadvantages, workfare might not only provide public service benefits to the community but also improve some participants' prospects of finding paid employment.<sup>14/</sup> Women who are less job-ready, however, require training or remedial education to improve their employment prospects, and may have such poor job skills that there would be no public benefit from placing them in workfare. Further, even women who are job-ready could benefit from job search assistance to help them find paid employment. These employment services would still be available to welfare recipients under the JTPA if WIN was eliminated, and employment-related support services currently available through WIN could be provided through the SSBG. It would probably be more difficult, however, to obtain a well-coordinated package of services through these separate programs than through WIN.

Social Service Programs. Federal support is not essential to the continuation of most social services, but it is nevertheless important to state and local governments because it is a large proportion of aggregate public funding for them. In the absence of federal funding, overall service levels would decline and some services--Head Start, for example--might not be provided at all. There is evidence that nonfederal governments are more likely to step in to cushion federal funding losses for social services than for some other human service programs--such as education or training for the disadvantaged--but full replacement would be unlikely.<sup>15/</sup> If so, the needs of disadvantaged groups would be addressed less adequately, and welfare costs might increase as well.

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13. (Continued)  
for expenses under workfare programs on the same basis as for AFDC expenses. See Appendix C.
  14. Severe disadvantages include the lack of a high school degree, poor health, and poor English, among others. In evaluation studies of WIN programs, the sample size for men is too small to yield reliable results.
  15. John L. Palmer and Isabel V. Sawhill, ed, The Reagan Experiment (The Urban Institute, 1982), p. 179. Also, Richard P. Nathan and Fred C. Doolittle, The Consequences of Cuts: The Effects of the Reagan Domestic Program on State and Local Governments (Princeton Urban and Regional Research Center, 1983).

Some separately funded programs might be eliminated by consolidation with the comprehensive Social Services Block Grant, however, without much consequence except to simplify administration for both federal and recipient governments. Candidates for elimination through consolidation might include the Community Services Block Grant, some child welfare programs, and programs for the elderly. The advantages and disadvantages of this approach are discussed in a later option.

#### Change Funding Provisions by Using a Full Cost Formula

In some education programs, it might be appropriate for the federal government to assume the full costs that are imposed on local school districts because of federal laws, regulations, or installations. This would better address local needs, but would also increase federal spending substantially.

Special Education. Contradictory views exist about federal funding for special education. Some argue that the federal government should fund all the extra costs of educating handicapped children, since special services are required as the result of federal law. Others contend that the federal government has no special responsibility in this area, since public education is a basic right for which state and local governments are responsible and since no activity of the federal government affects the incidence of handicaps in the local school population. Acceptance of the first view would increase federal spending in 1984 tenfold, to perhaps \$12 or \$13 billion, while acceptance of the second view would lead to elimination of federal programs for education of the handicapped thereby reducing federal spending by about \$1.3 billion. An alternative that need not involve any change in overall federal spending would be to revise the formula used to allocate grant dollars to include a measure of fiscal capacity as well as the number of handicapped students, so that federal funds would be concentrated where assistance was most needed. The use of fiscal capacity as a factor in allocation formulas is discussed in the following option.

Bilingual Education. Federal funds for bilingual education could be allocated by a formula based on the number of school children with limited proficiency in English and the average additional costs of serving such children. Full federal funding for bilingual education would be a way of distributing the costs of national immigration policy across the nation as a whole, rather than concentrating them on the localities where immigrants choose to settle. It could also enhance the opportunities and potential productivity of the students served. Currently, federal funds for bilingual education are allocated on a project basis and serve only 10 to 20 percent of

all school children who require services. <sup>16/</sup> Full federal funding would increase federal spending for bilingual education by five to ten times the current level, however, to as much as \$1.5 billion in 1984. Further, it would represent a redirection in purpose for federal bilingual programs, from capacity-building to continuing support.

Impact Aid. The current impact aid program (and other aid programs to federally affected localities) could be replaced by a uniform system of payments in lieu of taxes (PILOT) based on full tax equivalency. Currently, payments to compensate localities that are adversely affected by federal installations are based on a variety of ad hoc criteria, rarely related to the value of property removed from the local tax base because of federal ownership. The result is a system of sometimes overlapping payments to federally affected localities that is not consistently related to, and is generally far below, the lost property tax revenues. A PILOT program would improve tax equity, in that all local "residents" (including the federal government) would be treated equally; it would discourage the wasteful use of property by the federal government; and it would eliminate a subsidy--with uneven incidence--of the federal sector by the (mostly) local sector. <sup>17/</sup> These benefits would not be costless, however. Estimates for 1978 indicate that the gross property tax liability of the federal government on its non-open-use land would have been about \$3.7 billion, and that payments in that year under current compensation programs were approximately \$1.0 billion. <sup>18/</sup> Hence, the cost of replacing current programs with PILOT in 1978 might have been as high as \$2.7 billion, although this is probably an overestimate for 1978 because local tax rates in affected areas would presumably have fallen in consequence of the expanded tax base. <sup>19/</sup>

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16. Congressional Research Service, "Impact of Budget Changes on Major Education Programs, Both Enacted and Proposed, During the 97th Congress," February 25, 1982, p. 15.
  17. Advisory Commission on Intergovernmental Relations, Payments in Lieu of Taxes on Federal Real Property: In Brief (October 1981), p. 29.
  18. Federal installations on non-open-space areas appear to require the same level of local services as private enterprises would on average. A nationwide payment system for federal open-space areas is already in effect and is not subject to the same criticisms as are being given here.
  19. Advisory Commission on Intergovernmental Relations, Payments in Lieu of Taxes, p. 15.

It is uncertain whether the cost in 1984 would be higher or lower than the estimate given for 1978, since federal property holdings, property values, and tax rates have all changed.

An alternative that would not require additional federal spending at this time would be to redistribute current payments to federally affected localities in proportion to what PILOT payments based on full tax equivalency would have been. At current funding levels, PILOT payments might cover only 25 percent of the implicit federal tax liability, but the proportion paid might be increased in future years as federal revenues increased. This change in the allocation of current payment levels could be temporarily disruptive for localities that would receive less aid, however. In addition, once payments were linked clearly to federal property values there would likely be pressure from affected localities to move rapidly to 100 percent funding, thereby hampering attempts to reduce the size of future federal deficits.

#### Change Funding Provisions by Including Fiscal Capacity in the Allocation Formula

Allocation formulas for service grants all use measures of service need, but some education and social service grants use per capita income--as a measure of fiscal capacity--to modify need factors so that areas with low fiscal capacity receive more per need unit than richer areas. <sup>20/</sup> There are both advantages and disadvantages to the continuation or expansion of this practice.

Using fiscal capacity as a formula factor can help to ensure that federal subsidies for designated state or local services are concentrated in areas least able to support them from their own revenues, thereby addressing hardship and spillovers more effectively than if funds were more uniformly distributed. In addition, since general revenue sharing payments are currently made only to local governments, the use of fiscal capacity in the allocation of service grants to states is an alternative way to achieve some fiscal equalization among state governments.

On the other hand, the accumulation of a number of service grants allocated in part on the basis of fiscal capacity could have arbitrary and

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20. Current human service programs that use per capita income to modify need factors in their allocation formulas include vocational education, child welfare services, rehabilitation services, and developmental disabilities programs.

unintended distributional effects in the aggregate, unless the various grants were carefully coordinated. For one thing, some nonfederal governments could receive more federal funding overall than full equalization would require. For another, the commonly used criterion of per capita income is a poor indicator of fiscal capacity because income is only one of several important tax bases used by nonfederal governments. More comprehensive measures--such as the Representative Tax System discussed in Chapter VII--could measure fiscal capacity more accurately, but would also be more difficult to construct, especially for local governments.

An alternative way in which to achieve better targeting in the allocation of service grants might be to use more narrowly defined measures of service need. The measures used in current grants are sometimes very broad--general population for social services, or age-weighted population for vocational education, for example. More restrictive needs measures based on groups that would likely require more, or more costly, services than the average population might be used instead. In particular, the low-income or elderly population, or a weighted combination of the two, might be used to allocate social service grants.<sup>21/</sup> The distribution of vocational education funds might be based on age-weighted counts of low-income, handicapped, and non-English-speaking populations. Agreement on the appropriate weight to give various high-cost population groups in the needs measure might be difficult to achieve, however.

#### Change Funding Provisions by Altering Cost-Sharing Requirements

Cost-sharing requirements can be used to induce a higher level of spending by state or local governments from their own sources than they would otherwise choose. Cost-sharing might also promote more efficient use of federal funds in grant programs supporting services not usually provided by recipient governments, since recipient governments would have more incentive to monitor program activities if some of their own resources were involved. In activities funded on a project basis--such as Head Start--cost-sharing requirements may also help to eliminate less committed applicants.

In current education and social service programs, however, there are instances in which cost-sharing requirements may be serving no useful purpose, while in some employment programs higher cost-sharing by recip-

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21. Elderly population is the needs measure currently used in grants under the Older Americans Act. The allocation of employment assistance grants is also already based on narrowly defined needs measures.

ient governments might be appropriate based on measurable local benefits resulting from program activities.

Education and Social Service Programs. Current cost-sharing requirements could be eliminated in formula grant programs where recipient governments generally spend more than their required match, including grants for adult education, vocational education, child welfare services under Title IV-B of the Social Security Act, and services for the elderly under the Older Americans Act. Although the matching requirements in these programs may once have been effective in inducing greater nonfederal support for these activities, now most states voluntarily choose to spend more than is required. Eliminating the matching requirements would simplify program administration somewhat, with no other effect in most states. In a few states, however, the matching requirements may be binding for some programs, so that their elimination would reduce own-source spending for activities under those programs. For example, some states might set aside less for supplementary services to disadvantaged and handicapped students in basic vocational education programs in the absence of current matching requirements. 22/

Employment Programs. Cost-sharing requirements in WIN--currently 10 percent--could be increased to equal the (variable) state share of AFDC payments. Under this option, states would share in WIN program costs to the same extent they share in the primary measurable benefit from WIN, which is the reduction in welfare costs due to the increased earnings of participants. More registrants could be served under WIN, without additional federal spending. Further, states would pay the same share of costs for WIN as they do for the optional workfare programs they may provide as an alternative. As a result, decisions about which program to assign registrants to could be based on which set of services would be most effective for each registrant, with no distortion arising from the different cost-sharing requirements under the two alternatives, at least up to the limit of funding provided for WIN. 23/ This would impose additional costs on states, however.

Cost-sharing requirements in other training programs for the disadvantaged--under the JTPA--might also be imposed. This could increase

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22. U.S. Department of Education, Annual Evaluation Report, Volume II, Fiscal Year 1981, p. 313.
  23. Federal funding for WIN is limited to the amount appropriated, while federal funding for workfare programs is open-ended reimbursement for a portion of virtually all expenses.

total funding for training the disadvantaged, and induce recipient governments to use federal training funds more efficiently. To reflect the extent of benefits that accrue locally, primarily through reductions in public assistance payments and increased tax collections, the cost-sharing requirement could be variable. It would be difficult to get a reasonable measure for benefits that accrue locally, however, since--unlike the WIN program--not all JTPA participants would be AFDC recipients. A large proportion of participants would be youth, for whom immediate program benefits might take the form of improved school performance rather than increased earnings that would reduce welfare costs. If the share was set higher than perceived local benefits, however, federal grants would not be accepted and there might be no training programs provided for the disadvantaged.

### Change Program Rules

The flexibility allowed grant recipients in some education programs might be reduced for some programs--compensatory education, for example--and increased for others, such as bilingual programs, in order to ensure that federal funds are used effectively.

Compensatory Education. The requirements for targeting funds for compensatory education under Chapter I of the ECIA might be tightened, perhaps reinstating the requirements of the antecedent Title I legislation. Preliminary indications are that the more relaxed targeting requirements of Chapter I will result in a reduction or dilution of services to current program participants in favor of more general educational services, thereby probably reducing the efficacy of compensatory education programs. On the other hand, it may be better to wait for clearer evidence that compensatory services have been adversely affected by revisions under the ECIA, since frequent revisions are disruptive and can, in themselves, threaten program effectiveness.

Bilingual Education. Allowable activities under federal bilingual programs could be expanded to include alternatives to bilingual education, as proposed by the Administration. Currently, federal funding under the Bilingual Education Act is provided only for bilingual programs--where some instruction must be in the students' native language--and not for English-only alternatives. Civil rights enforcement has also emphasized bilingual education as the only acceptable way in which to guarantee the educational rights of non-English-speaking students. There is no evidence, however, that bilingual education is always superior to certain alternatives. Further, bilingual education is impractical in schools where instruction in many foreign languages would have to be provided. Allowing local educational agencies greater discretion in how they choose to address the needs of their non-

English-speaking students might enable them to serve these students more effectively, although some schools might take advantage of this flexibility to provide less adequate services.

### Change Both Funding Provisions and Program Rules by Grant Consolidation

Consolidation of related programs may be applicable to vocational education and to some social service programs. Allowable activities under a single grant would be increased by consolidation, and provisions for allocating grant funds and for targeting services could be changed as well.

Vocational Education. All federal funds for vocational education--currently channeled through ten separate programs--could be consolidated and concentrated on students with special needs. Targeting could be accomplished by allocating funds, both among and within states, by formula based on the low-income, handicapped, and non-English-speaking population, weighted by age as in the current formula. Increased resources in districts with high concentrations of special needs students would likely result in improved services for them in any case, but special services for them might also be required by grant regulations. Although some school districts might receive substantially less federal funding than they do under current programs, districts with relatively large numbers of high-cost students would receive more. Even in districts that lost funding, basic programs might not be seriously affected since vocational education is strongly supported at the local level.

Social Service Programs. Some social service programs--the Community Services Block Grant, child welfare services (under Title IV-B), and services for the aging (under the Older Americans Act)--might be consolidated with the Social Services Block Grant (SSBG). The SSBG allocation formula might also be modified to target funds more on areas with concentrations of poor and elderly populations, or on areas with low fiscal capacity, as discussed in an earlier option. Currently, the SSBG is allocated on the basis of population.

Consolidation of these programs would reduce administrative costs for both federal and recipient governments without having much effect on the way spending is allocated among allowable activities, since states already have substantial flexibility under the current grants. This is because spending by state and local governments is so much in excess of what is required under current grants for child welfare and elderly services, and because such a large proportion of federal aid (nearly 50 percent) is through the very unrestrictive Social Services and Community Services block grants.

On the other hand, while substantial support for child welfare services and for services to the elderly would likely continue in the absence of separate programs, folding current programs into the SSBG could weaken the ability of the Congress to influence the way in which these services are provided. In particular, incentives to local agencies to find permanent placements for children in foster care, introduced in 1980 by modifications to federal child welfare programs, might be reduced or eliminated. In addition, Congressional discretion in the allocation of resources among nutrition and other services provided under the Older Americans Act would be eliminated by consolidation with the SSBG. Further, it might be even more difficult to induce recipient governments to seek out the most needy among the aged population who because of disability, poverty, or lack of education might not be aware of the services available to them.

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## CHAPTER VI. INCOME SECURITY AND HEALTH PROGRAMS

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This chapter discusses the federal role in providing income security and health benefits for individuals, and outlines some options that have been proposed to realign responsibilities between the federal government and the states in these areas. Although the chapter briefly summarizes the current federal role in all areas of federal individual-benefit provision, its emphasis is on programs providing cash assistance and health-care benefits for low-income persons and families. <sup>1/</sup> The public assistance programs include most of the individual benefit programs in which responsibilities are now shared between different levels of government, although some, such as food stamps, are currently funded directly by the federal government rather than through grants to states and localities. <sup>2/</sup>

These programs differ from those discussed in the last two chapters in that in most instances they provide benefits to all qualified persons or families that apply, so that spending levels depend on the number of qualifying individuals, rather than on Congressional appropriations. Although many of these programs are classified as grants to states, almost all of them actually provide benefits directly to persons who qualify; in effect, federal spending is simply passed through by the states to those individuals entitled to benefits. Details on the operation of the specific programs covered in this chapter are given in Appendix C.

Because these programs are effectively transfers of resources that go directly to individuals, questions of effectiveness do not arise in the same way as for most other programs discussed in this paper. Transfers clearly increase the resources of their recipients by approximately the amount

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1. Only programs providing benefit payments directly to individuals--as opposed to programs that provide indirect benefits such as access to services--are considered in this chapter. Most income security and health programs fall into this category, but a few health programs, such as the Occupational Safety and Health Administration (OSHA) programs, do not and have therefore been excluded.
  2. A small grant is made to states to cover part of the administrative costs for food stamps.

spent for benefits. <sup>3/</sup> The arguments for and against the provision of such transfers, and the characteristics of the groups that should be allowed to receive them, have been much debated, and many proposals have been advanced to reform the goals and operation of the welfare system as a whole. This chapter, however, focuses on only the small part of this debate that relates directly to the federalism issue--that is, questions concerning the jurisdiction best able and most appropriate to control and to pay for public assistance programs.

### THE CURRENT FEDERAL ROLE

Programs providing income security and health benefits may be divided into two general categories: social insurance programs like Social Security, Unemployment Insurance, and Medicare, that provide benefits contingent upon previous contributions or premium payments; and public assistance programs like Aid to Families with Dependent Children (AFDC) and Supplemental Security Income (SSI), that provide means-tested benefits to qualifying low-income families. In addition, a small proportion of benefits for individuals (about 2 percent) are provided through programs that are not really in either category. These programs provide benefits that are neither insurance-related nor restricted to low-income households, although benefits for those with higher incomes are generally limited.

Of these three groups, the first is by far the largest: social insurance programs account for about four-fifths of total benefit payments for individuals, and Social Security and Medicare alone account for almost three-fourths. Most social insurance programs, including both Social Security and Medicare, are funded entirely through the federal budget, and responsibility for determining eligibility and administering them is for the most part exclusively federal. <sup>4/</sup> Contributions from individuals and

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3. Because some transfers, such as food stamps and Medicaid, take the form of payments for goods and services provided to individuals rather than cash, their value to recipients may not exactly equal their cost of provision. For further discussion of this point see Timothy M. Smeeding, Alternative Methods for Valuing Selected In-Kind Transfer Benefits and Measuring Their Impact on Poverty, U.S. Bureau of the Census, Technical Paper 50 (1982).
  4. One exception is the Unemployment Insurance (UI) system which, while it is funded by both state and federal taxes, is financed primarily by state taxes on employers. Unemployment Insurance is a joint federal-state responsibility: the federal government provides general

employers are generally collected by the federal government, which maintains the records needed to determine benefits. Most social insurance programs are partially or entirely financed on a pay-as-you-go basis, in the sense that current benefits are largely funded through revenues from current contributions. Because responsibility for these programs is not now shared among levels of government, and because there are clear efficiency gains from a centralized system of record-keeping and benefit calculation in many of these programs, there have been few proposals to realign responsibilities in these areas. These programs, therefore, are not discussed further in this chapter.

Funds for most public assistance programs, on the other hand, are provided both by the federal government and by state and local governments; depending on the program, the rules that determine benefit levels and eligibility may be set at either level (see Table 9). These programs provide benefits, either in cash or in the form of goods and services, to families and individuals who meet some defined standard of need. Unlike social insurance programs, no contribution record is necessary in order to establish eligibility for benefits. Instead, public assistance programs are means-tested--that is, eligibility for benefits is limited to households with resources below some defined level. In addition, other household characteristics are generally considered in determining eligibility for benefits; most of these programs are targeted on groups that are believed to face special risks, such as children, the elderly, and the disabled.

Public assistance programs vary considerably, both in the groups served and in the way responsibilities are divided between the federal government and the states. The federal share of funding for programs such as AFDC and Medicaid is provided through grants to states, while other public assistance programs, such as food stamps and SSI, are funded directly

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4. (Continued)

guidelines and some restrictions in the operation of the state programs; it also funds benefits to certain unemployed workers and has financial responsibility for administration of the entire system. Within the constraints of federal law, states operate their own programs, establishing eligibility requirements and the duration and amount of benefits. Most proposals for change in this program have not involved a major realignment of federal and state responsibilities, but have concentrated on changes within the present structure of the program. For a description of the UI system and possible modifications, see CBO, Unemployment Insurance: Financial Condition and Options for Change (June 1983).

TABLE 9. FEDERAL EXPENDITURES FOR INCOME SECURITY AND HEALTH PROGRAMS THAT PROVIDE BENEFITS FOR INDIVIDUALS (In billions of dollars)

	1982 Actual	1983 Estimated	Percent of Total Federal Budget in 1982	Percent of Total Expenditures for This Purpose in 1982 <u>a/</u>
<b>Social Insurance Programs</b>				
Social Security Cash Benefits and Other Retirement and Disability Programs <u>b/</u>	181	196	25	100
Medicare <u>c/</u>	50	57	7	100
Unemployment Insurance <u>d/</u>	<u>24</u>	<u>33</u>	<u>3</u>	<u>100</u>
Subtotal	255	286	35	100
<b>Public Assistance Programs</b>				
Aid to Families with Dependent Children	8	8	1	54
Supplemental Security Income	8	9	1	77
Food Stamps	11	13	2	95
Medicaid	17	19	2	54
Housing Assistance	8	9	1	90
Other <u>e/</u>	<u>4</u>	<u>4</u>	<u>1</u>	<u>100</u>
Subtotal	56	62	8	70
<b>Other Benefits for Individuals</b>				
Child Nutrition Programs <u>f/</u>	4	4	1	60
Health Block Grants and Other Health Care Services <u>g/</u>	<u>1</u>	<u>2</u>	<u>--</u>	<u>N/A</u>
Subtotal	5	6	1	60 <u>h/</u>
<hr style="border-top: 1px dashed black;"/>				
Total, All Benefits for Individuals	316	354	43	90 <u>h/</u>

SOURCE: Congressional Budget Office. Components may not add to totals because of rounding.