Ronald Reagan Presidential Library
Digital Library Collections

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

Collection: Blackwell, Morton: Files

Folder Title: Fairness II, An Executive Briefing Book (2 of 7)

Box: 8

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/

0

4. **But in a recession, shouldn't we pay special attention to the needs of the poor?**

- **We have paid special attention to the needs of the poor.**

  -- The truly needy have been protected. Benefits to households that participate in a single program and have no other sources of support are largely unaffected.

  -- Targeting benefits more carefully to the needy has helped poor beneficiaries. In spite of the difficult economic situation, 22 states increased their AFDC payment in 1982.

  -- The unemployed have been protected. President Reagan has three times supported extension of unemployment benefits during this recession.

  -- The working poor have not been discouraged from working. Studies on AFDC in several states show that the number of working recipients who have quit their jobs to retain their benefits is very small -- about 10% (which itself may be overstated, since many of those "quitting" actually lost their jobs).

- **The FY 1984 budget, even under the domestic freeze, reflects this concern for the poor.**

  -- 2.1 million people will be served in 1984 under the Women, Infants, and Children (WIC) program, or 12% more than in the Carter 1980 budget -- and 82% more than in 1978.

  -- Head Start funding is up 6%, with 29,000 more slots than in 1983.

  -- SSI benefits for 3.4 million elderly, blind and disabled will be increased by a total of $341 million as a result of the Administration's proposed legislation.

  -- Nearly 4 million families will live in assisted housing units supported by the 1984 budget; this is 250,000 more families than in 1983, 650,000 more than in 1981, and 3 million more than in 1970.

  -- In the food stamps program (excluding Puerto Rico), 22 million persons will receive average assistance of $462 per year, compared to 21.1 million recipients in 1980 and only 15.3 million beneficiaries in the 1975 recession.

#

P

5. **Doesn't the recession prove that Reaganomics has failed?**

- **The recession statistically began in July 1981 -- three months before the President's Economic Recovery Plan had taken effect.**

- **The recession, in practical if not strictly economic terms, was with us since 1979:**

  -- The unemployment rate had been trending steadily higher, and averaged 7.1% from mid-1979 to the beginning of 1982.

  -- The monthly prime rate had not fallen below 10% since 1978, and between January 1979 and December 1981 it averaged 15.6%.

  -- Real output increased at only a 0.1% annual rate from the first quarter of 1979 to the first quarter of 1982.

  -- The level of industrial production declined 7.4% between January 1979 and January 1982.

  -- Real after-tax corporate profits declined 43% from the first quarter of 1979 to the first quarter of 1982.

- **In fact, this recession was an inevitable result of past inflationary policies.**

  -- Sharp rises in unemployment have followed each burst of inflation.

    * From 1967 to 1970, the inflation rate more than doubled, rising from below 3% to 5.9%; by 1971, the unemployment rate had climbed to nearly 6%, rising from about 3-1/2% in both 1968 and 1969.

    * From 1972 to 1974, the inflation rate more than tripled, from 3.3% to 11.0%, and the unemployment rate rose the next year to 8.5%, rising from a pre-recession low of 4.9% in 1973.

    * From 1976 to 1979, the inflation rate doubled, rising from 5.8% to 11.3%, and the unemployment rate climbed the next year to a high of 7.1%, rising from a 1978-79 average of 6%.

  -- The present situation is no different.

    * From 1976 to 1980, the inflation rate more than doubled from 5.8% to 13.5%.

* The subsequent rise in unemployment by one-half from 7.2% to a peak of 10.8%, is, in fact, somewhat less than the average proportional rise for previous postwar recessions.

o **Only way to permanently pull us out of recession: keep tax rate cuts in place and work to further reduce spending growth.**

-- Higher tax rates would only depress economy and slow the recovery.

-- Failing to control spending growth would let the federal government absorb more of scarce capital, thus preventing business from expanding and the economy from rebounding.

#

Q

6. **What is Reagan doing to help the unemployed?**

o **Promoting a policy of long-term economic growth -- the key to getting Americans back to work.**

-- Underlying strength of economy, even in recession, is great enough to provide work for more than 99 million Americans.

* This, despite fact that economy has been virtually stagnant since 1979.

-- The President's forecast of moderate, sustained growth (4.3% in 1983, 4% each year in 1984-1988) will raise employment by more than 15 million by the end of 1988 -- and by 5.2 million just by the end of next year.

o **For the short-term: a bipartisan bill with three major provisions signed into law by the President.**

-- $4.4 billion in accelerated funding of construction projects already in the budget.

* 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.

* These will not be make-work jobs, but jobs in projects previously determined to be necessary.

-- $2.8 billion for funding of supplementary unemployment insurance benefits through the end of FY 1983.

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

o **For the long-term: the President's Employment Act of 1983 and other employment initiatives.**

-- Employment Act of 1983.

* Employment vouchers for long-term unemployed, granting employers a tax credit for each new hire of previously long-term unemployed workers. This proposal could help up to 700,000 unemployed persons get jobs.

* Youth employment opportunity wage ($2.50) for summer work -- could open up additional 150,000 to 640,000 jobs.

-- Initiatives to help young persons:

* Continued funding of the federal summer jobs program, expected to provide more than 800,000 jobs in 1983.

* Continued funding of the Job Corps, with good record of training disadvantaged young people, will serve another 80,000.

-- Training: The block grant for training under the President's Job Training Partnership Act will provide real skills for real jobs for at least one million young and poor people each year.

-- Displaced workers: President has asked for a doubling of amounts for training and relocation assistance, to help almost 100,000 workers.

-- Enterprise zones: To stimulate economic activity and create jobs in depressed urban and rural areas.

-- In all, more than 3 million people will be helped by these current and proposed programs.

o **Key steps already taken.**

-- Passage, with the President's active support, of Job Training Partnership Act last year.

-- Three extensions of unemployment benefits.

-- Passage of Export Trading Company Act, expected to help create 300,000 new private sector jobs.

#

R

7. **But why does the President oppose real jobs bills?**

o **The federal government cannot create jobs.**

-- The federal government has no resources of its own; it must take the money from the private sector through either borrowing or taxes.

-- Thus the government destroys private jobs in its process of "creating" public jobs; since federal jobs are far more costly, the number of jobs lost is greater than those generated.

-- Make-work jobs are especially wasteful, since they produce little of value to society.

o **History proves the federal government cannot create jobs.**

-- The Works Progress Administration employed a total of 8 million people between 1935 and 1943, but put many to "work" putting on plays and painting murals. In the end, it took World War II to end the Great Depression.

-- The $6 billion Local Public Works program, intended to ease the 1974-75 recession, did not peak until 1978, three years after the bottom of the recession.

* A 1979 OMB study found that only 12% of the jobs "created," and only 2% of the funding, went to persons previously unemployed.

-- CETA program spent $57 billion over eight years, yet only 30% of participants were ever placed in unsubsidized jobs, and only half of these in private sector jobs.

o **Economic growth is far more effective.**

-- Growth will create 5.2 million new jobs by the end of next year.

-- By contrast, the "jobs bill" considered last December would have "created" a mere 300,000 public jobs, while destroying an even greater number of private sector jobs.

#

S

8. **Hasn't Reaganomics increased infant mortality?**

- **The assertion is absolutely, totally, and completely false.**

- **The infant mortality rate continues to decline.**

  -- The rate dropped from 20 per thousand in 1970 to 12.6 per thousand in 1980 -- major, welcome, sound progress.

  -- In 1981, it dropped further -- to 11.8.

  -- And in 1982, it dropped once again -- to 11.2 -- a decline of 4%.

  -- For decades, infant mortality has been declining for a number of reasons, such as better health care, improved nutrition and higher living standards. Only recently have federal programs like the Women, Infants and Children (WIC) program contributed to this long-standing trend.

- **Charges that the infant mortality rate (IMR) is increasing are based on a misinterpretation of the data.**

  -- It is true that a popular survey reported that 7 states experienced increases in IMR in 1981.

    * But from 1970-1980, when the national IMR fell 38%, an average of 12 states each year showed an increase.

    * And they were different states each year -- every state showed a decline over the decade.

    * Increases in some states in 1981 therefore reflect normal statistical variation.

  -- It is true that some cities experienced increases in IMR in 1981.

    * The "Food Research and Action Center" survey is based on data from 34 cities and rural counties out of total of 3800 U.S. cities and counties -- far too small a sample to be reliable.

    * Percentage increases are wildly distorted.

      - Lackawanna, New York's, 50% increase in IMR represented a rise of just 3 infant deaths.

- In Youngstown, Ohio and Galveston, Texas, the numbers of infant deaths was constant, but there were fewer births, so the mortality rate rose.

-- There is no evidence that these statistically insignificant changes were correlated with poverty or any other cause.

  * Of the 10 metropolitan areas with the highest unemployment rates, six reported declines or no change in infant mortality rates from 1980 to 1981.

#

T

9. **Shouldn't we eliminate the third year of the 1981 tax rate cut, as well as indexing, in order to add a measure of fairness to the President's economic policies.**

o **Even with the President's tax reduction proposal in place, taxes will rise an average of $36 per year (from 1980 to 1988) for a family earning $10,000 per year. (Note: the average tax increase for a $40,000 family will be $340, or nine times as great.)**

o **The third year and indexing are the only real hope for the lower- and middle-income families.**

-- More than 40% of these families' tax cuts come in the third year, compared to 5% for the wealthy.

-- Indexing keeps low- and middle-income families from being pushed into higher tax brackets because of inflation; because the wealthy are already in the top tax bracket, indexing is of no real consequence to them.

o **Eliminating both the third year of the tax rate cut and indexing would boost taxes even more on low- and middle-income families.**

-- The annual increase in taxes would be $316 in 1988 for a $10,000 per year family, and $2423 in 1988 for a middle-income ($40,000) family.

-- The only families who would not be affected very much by repealing the third year of the tax cut would be those with six-figure incomes, who already received their major tax benefits from the reduction of the top bracket from 70 to 50 percent.

* For instance, 78% of the tax increase from repealing indexing would fall on those earning less than $50,000.

o **Eliminating the third year of the tax rate cut and/or indexing would also increase the economy's tax burden.**

-- This would slow down the economy, as tax increases have done in the past, and thus:

-- Make it more difficult for unemployed low- and middle-income Americans to find a job, or for those who are underemployed to move up the income ladder and escape poverty.

* Example: From 1959-1969, the number of families living in poverty dropped nearly 50%; from 1969-79, when the economy was growing more slowly, the number of poor families dropped only 6%.

#

U

10. **But indexing is such an enormous raid on the Treasury. Shouldn't it be repealed in order to preserve the tax base, or at least be postponed until the budget is balanced?**

o **The notion that indexing is a "raid on the Treasury" rests on two false premises:**

-- That all income produced belongs to the government, and the people are entitled to only what the government lets them keep.

-- That the government should raise revenue by any means possible.

o **In fact, raising taxes through inflation, which indexing will prevent, is a dishonest means of raising taxes.**

-- At present, when taxpayers receive cost-of-living increases that just keep them even with inflation, they are forced into higher tax brackets, and pay higher tax rates on the same real income.

-- Government thus profits from inflation; for every 10% increase in income, government gets 17% more in receipts.

-- In this way, politicians receive increased taxes to spend, year-after-year, without ever having to explicitly vote for those tax increases -- politicians are not held accountable.

-- Politicians can also win voter favor by voting so-called "tax cuts" that are actually only reductions in the growth of taxes, and fail to offset inflation-induced tax increases.

o **The repeal or postponement of indexing would have several harmful economic consequences.**

-- It would greatly increase the economy's tax burden -- by $44 billion in 1988 at presently projected inflation rates, by more than $100 billion with double-digit inflation -- and thus push the economy back toward recession.

-- It would encourage inflation. Since inflation-induced revenues are greater with higher inflation, politicians would be less inclined to maintain strict anti-inflation policies if they knew higher inflation would bring them political benefits, including more revenues to spend and to use for periodic "tax cuts."

-- It would encourage increased federal spending. With the revenue reins once again loosened, Congress could easily return to its free-spending policies of the past.

-- It would undermine the economic recovery. Repeal or delay of indexing would send a clear signal to the financial markets that inflation and unchecked spending were coming back. With that, interest rates would rise, investment and production would sag, and the recovery would be aborted.

-- It would make it impossible to balance the budget. The higher spending and sluggish economy would guarantee that deficits would increase.

-- These are some of the reasons why President Reagan has pledged to veto any attempt to repeal indexing or postpone its starting date.

#

V

11. **Why is the defense budget exempt from budget cuts?**

o **Defense has not been exempt from cuts.**

-- Since last year, the President's defense program has been reduced by more than $74 billion:

* Congress cut $19.1 billion in 1983.

* The President trimmed $55 billion in his revised 1984-88 defense program.

-- The originally planned increase in defense spending above the last Carter five-year plan (1982-86), judged inadequate by all, has been reduced by $66 billion, or by more than one-half (57%).

-- Real defense growth will average only 6.6% for 1984-88.

o **What increases remain merely compensate for a decade of neglect.**

-- From 1970 to 1981, national defense spending declined 15.2% in real terms, while non-defense spending almost doubled in real terms.

-- By 1988, national defense will rise to only 7.9% of GNP, still below the pre-Vietnam 1964 level of 8.3%, but substantially above the 1978-79 low of 5% of GNP.

-- By 1988, national defense will comprise 34.2% of total budget outlays, still below the pre-Vietnam 1964 level of 43.5%, but substantially above the 1980 low of 23.6% of outlays.

o **These increases are necessary.**

-- From 1970 to 1981, the Soviets out-invested the U.S. in defense by about half a trillion dollars in constant 1984 dollars.

-- In 1981, the Soviets out-invested the U.S. by about two-thirds.

-- Even with the President's new 1984-88 Five-Year Defense Plan, the Soviets will continue to out-invest the U.S. by a substantial margin.

* U.S. tank production will equal less than 40% of estimated Soviet production.

* U.S. combat aircraft production will equal less than 50% of estimated Soviet production.

* U.S. major surface ship construction will equal about one-third of Soviet construction.

#

W

12. **Isn't the Democratic budget a more compassionate alternative for achieving the President's objective of economic recovery and budget control?**

o **The Democratic House Budget Committee voted out a budget plan for fiscal 1984 and beyond that would undo the gains made by President Reagan in the last two years.**

-- From 1984-88, this plan would:

* Raise taxes by $315 billion;

* Raise non-defense spending $192 billion (excluding interest);

* Cut defense spending $160 billion ($208 billion in spending authority).

-- Passage of such a budget would reverse the progress President Reagan has made in restraining the growth of government spending and taxing.

-- It would undermine economic recovery just as it gets underway by raising taxes and starting a new round of virtually uncontrolled federal domestic spending.

-- It would send all the wrong signals to allies and potential adversaries about the strength of American resolve to rebuild its military capacity.

-- It is what the Washington Post called an "old-fashioned Democratic budget." It would raise taxes and cut needed defense modernization funds and use most of the money to pay for a new surge in domestic social spending.

o **The Democratic budget is a bad tax plan.**

-- It would require cancellation of the third year of the tax rate cut and of indexing -- raising taxes for families earning under $50,000 by about $200 billion by 1988.

-- It would cost the typical family an average of $3550 in higher taxes through 1988.

-- It would repeal 42 percent of the tax savings secured by President Reagan.

-- It is nothing more than an effort to take and spend more of people's money -- just the opposite of what the President has been trying to do.

o **The Democratic budget is a bad social spending plan.**

-- Non-defense spending next year would be $40 billion more than the bloated levels of the Carter Administration's 1981 budget.

-- This liberal Democratic budget plan would eliminate most of the gains made in the last two years in bringing spending under control.

* Hard-won reforms in social programs have made it possible to limit their budget growth without hurting those who really need the benefits.

* The Democratic budget ignores those reforms and returns to throwing dollars at problems.

* For example: it would repeal nearly $5 billion in food stamp and welfare reforms and refuses even to consider Administration initiatives to reduce food stamp error rates despite documented evidence that food stamp fraud and abuse costs nearly $1 billion per year.

o **The Democratic budget is a bad defense plan.**

-- The budget would gut the President's program to rebuild U.S. defenses and, according to the Congressional Budget Office, allow only about 3 percent real growth in the defense program over the next five years -- far from enough to make up for a decade and more of past neglect.

-- Because much defense spending is already locked in place -- for pay and retirement operations and maintenance, and the like (including critical readiness programs) -- the effect of the Democratic leaders' proposed cuts would be a one-third reduction in weapons modernization.

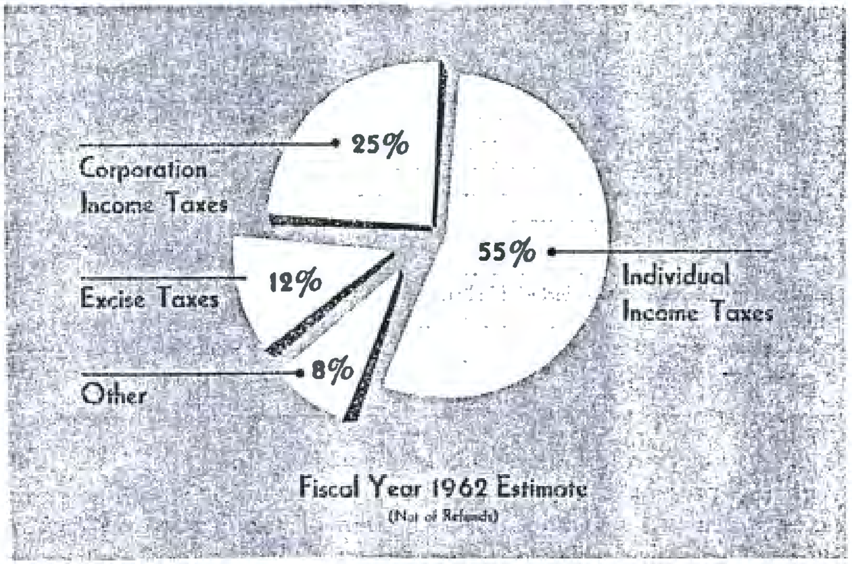
* An average $40 billion a year reduction in defense programs would cut into the bone of some of the United States' most important defense initiatives.

#

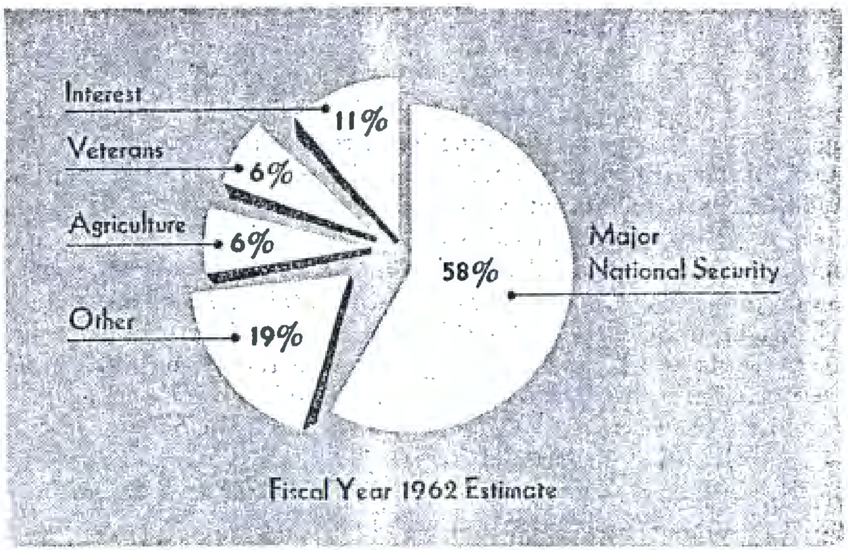
XYZ

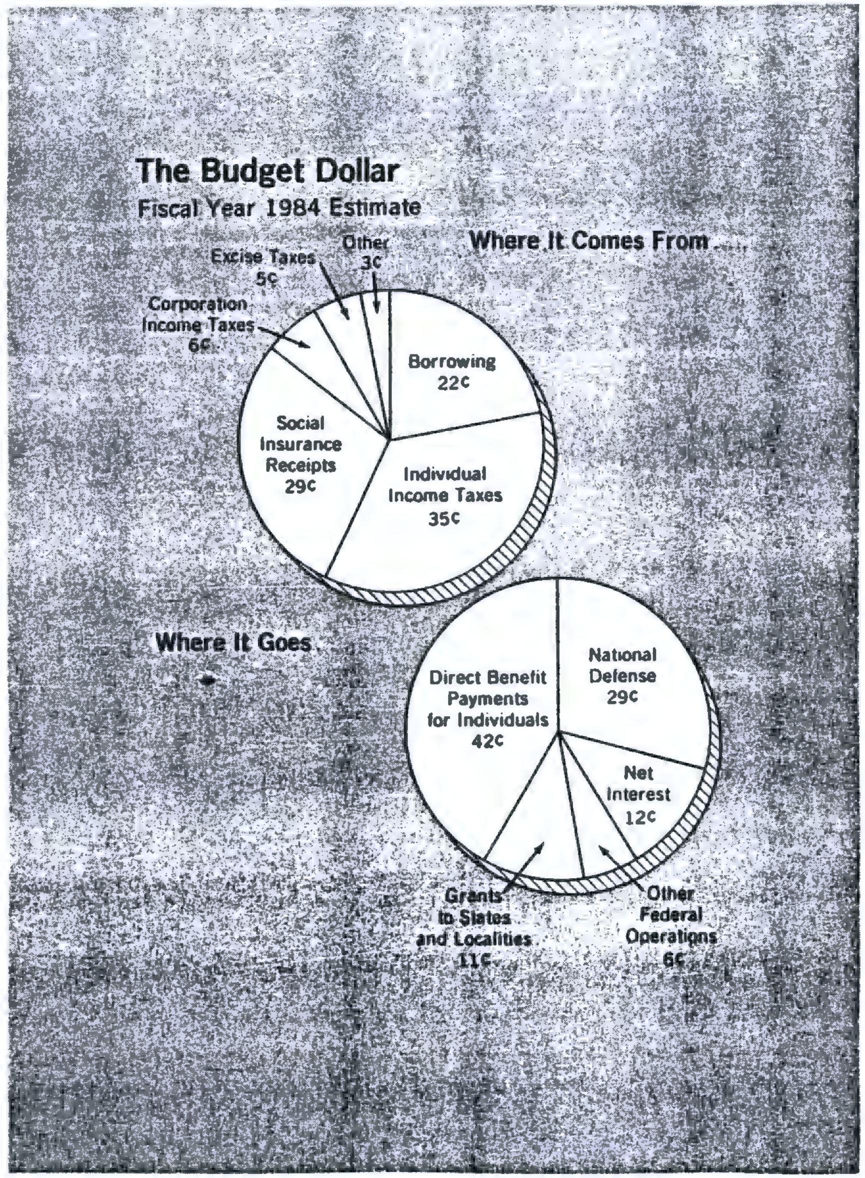
BUDGET TOTALS--1962

SOURCES OF BUDGET RECEIPTS



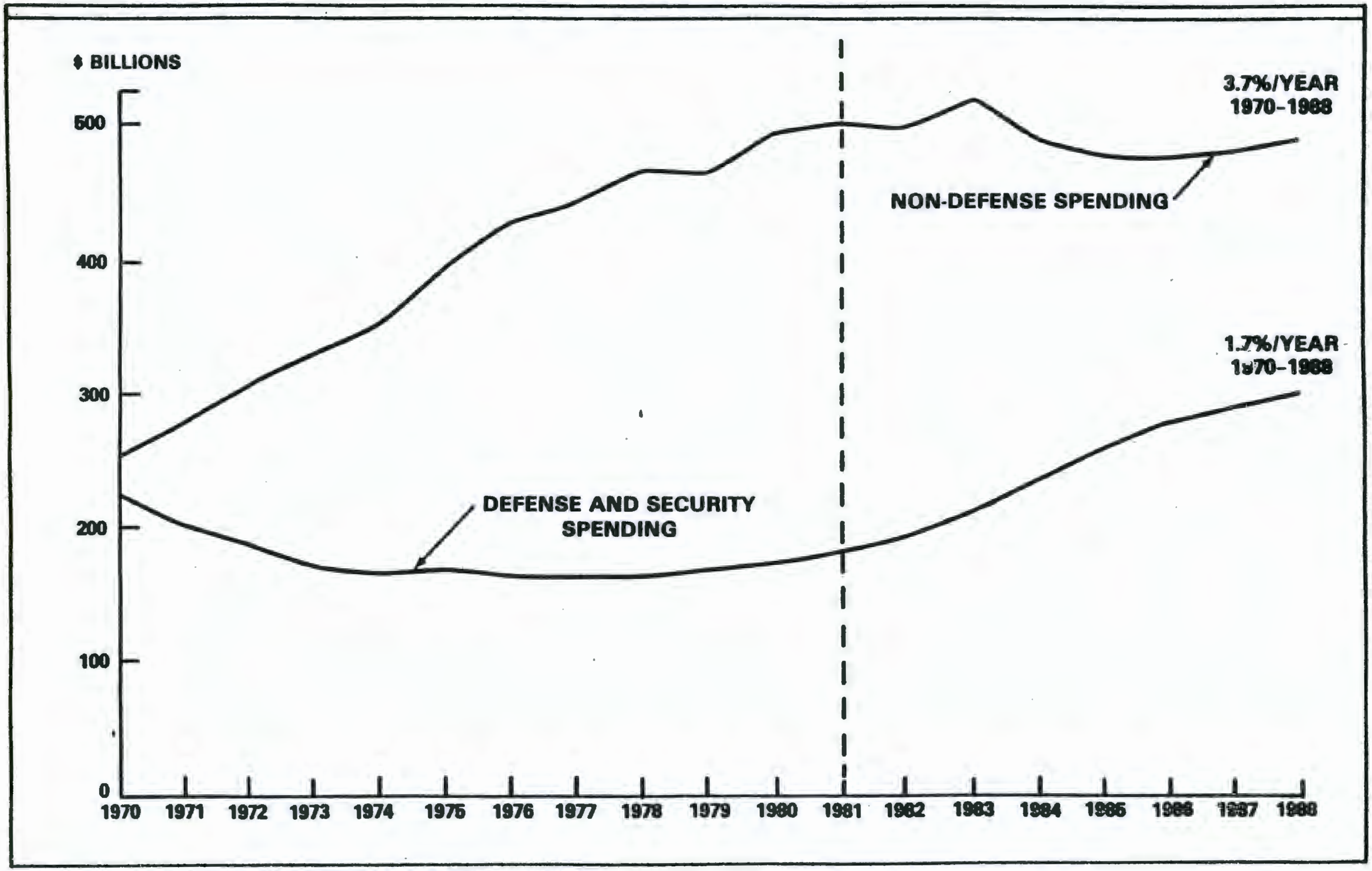
PURPOSES OF BUDGET EXPENDITURES





BUDGET PRIORITIES SHIFT IN HISTORICAL PERSPECTIVE

(CONSTANT FY 1983 DOLLARS)



MILITARY RETIRED PAY INCLUDED IN NON-DEFENSE SPENDING
NONDEFENSE SPENDING EXCLUDES NET INTEREST

1

AID TO FAMILIES WITH DEPENDENT CHILDREN

History.

Aid to Dependent Children (ADC) was first authorized under the Social Security Act of 1935. It made federal funds available to states to help support needy children deprived of normal parental support because of the parent's death, incapacity or absence from the home. Payments were made for the support of the child, not for the person caring for the child.

In 1950, Congress authorized ADC payments not only to needy children but also to the adult caring for the child. In 1962, congress authorized payments even if both parents were present but were unemployed, and the program was renamed Aid to Families with Dependent Children (AFDC).

- **The program.**
  - -- In order to qualify for AFDC, some adult recipients must enroll in a job-training program. While in the program, participants have the option of placing their small children in day care centers or leaving them in the care of friends, relatives, or neighbors.
  - -- Benefit levels are determined by each state, with the federal government paying 50 to 77% of the costs of benefits and 50% of the cost of state and local administration. With the exception of California, benefit levels are not indexed to the inflation rate.
- **Coverage.**
  - -- In 1950, 651,000 families received ADC benefits. By 1980, 3,642,000 families were receiving AFDC benefits, representing a nearly six-fold increase in the number of recipients in just thirty years.
  - -- In 1960, the average monthly benefit was $115 per family; in 1980 it was $276.
  - -- In 1980, benefits ranged from $140 for a family of four in Texas to $569 in Oregon.
- **Costs.**
  - -- It took 25 years -- from 1935 to 1960 -- for AFDC to reach the billion-dollar expenditure level.
  - -- By 1967 -- only seven years later -- the cost of the program had doubled to $2.3 billion, and in 1968 alone, benefit costs rose by another half-billion.

-- By 1980, the program had reached $11.3 billion in combined state and federal costs for benefits, and in FY 1982 it cost $11.9 billion.

o **Administration Action to Date.**

-- For FY 1982:

* President Carter had proposed:

  - $7.7 billion in outlays, including $0.5 billion in net savings.

  - Standardized disregards and monthly retrospective accounting to improve program administration.

* President Reagan proposed:

  - $6.8 billion in outlays, including $1.2 billion in savings.

  - Comprehensive program to restore AFDC to original purpose as temporary safety net. Included Carter proposals plus time limits on earnings disregards, more comprehensive and effective work requirements, and many other overdue changes.

  - More equitable balancing of federal state child support financing arrangements, and related reforms to increase collections from absent parents.

* Congress approved:

  - $8.0 billion in outlays (increase due to change in economic conditions).

  - 90% of President Reagan's AFDC/CSE reform package, totalling nearly $2 billion in annual federal/state savings.

-- For FY 1983:

* President Reagan proposed:

  - $6.8 billion in outlays, including $1.4 billion in savings.

  - Further reforms designed to more fully count income and resources available to the AFDC family, tougher work requirements, phase-in of state liability for erroneous payments, and consolidation of administrative costs for AFDC, Food Stamps, and Medicaid.

- Comprehensive restructuring of child support enforcement financing arrangements, designed to strengthen family responsibility and reduce welfare dependency.

* Congress approved:

  - $8.2 billion in outlays (increase due to rejection of legislative proposals and change in economic conditions).

  - Modest changes in AFDC eligibility rules, increased state liability for erroneous payments, and selected child support improvements.

-- Specific reforms.

* Over the past two years, the President has proposed, and Congress enacted, a variety of long-overdue changes in AFDC. These changes were designed to help ease severe budget constraints facing all levels of government, and to restore AFDC as a program of last resort for those who must rely on it for limited time periods.

* Among the key changes:

  - Including income and resources available to a family but not previously counted by AFDC. For example, the income of step-parents living in the same household as the AFDC family is now counted.

  - Targeting assistance on those in greatest need. Gross income eligibility limits and other benefit caps have been enacted.

  - Strengthening work requirements and enhancing the employability of AFDC recipients. States may now establish Community Work Experience programs, in which recipients receive training and work experience while performing useful public tasks.

  - Improving program administration. Stricter accounting procedures have been introduced, and recovery of all overpayments has been made mandatory.

* These changes have resulted in more than $2 billion in annual federal and state AFDC savings, and have substantially restored AFDC to its originally intended purpose.

The President's Proposals for FY 1984.

- Require the states to establish workfare programs to assure that the AFDC recipients perform useful tasks in the public sector when private sector jobs are unavailable, and to provide recipients with work experience that can help them ultimately find jobs in the private sector.

- End employable parent's benefit when youngest child reaches 16.

- Correspondingly reduce estimated shelter and utility costs in calculation of assistance needs for AFDC families to the extent that these costs are shared with other people who live in the same household as the AFDC family.

- Include all sources of income (such as that of parents and minor children), available to AFDC recipients when determining the amount of benefits to be paid.

- Eliminate AFDC support for those families who are receiving help solely because the breadwinner's occupation requires that he or she live and work away from the home for certain periods of time.

- Permit states to require AFDC recipients whose youngest child is age 3 to 6 to register for work if child care is available.

- Require states to adopt and enforce better child support laws and procedures, including mandatory wage assignments, state income tax refund offsets, and use of quasi-judicial and administrative procedures for establishing paternity and support orders.

- Restructure federal matching payments for child support enforcement collections to provide incentives for improved state and local collection performance.

- Seek no further funding of the work incentives program, (WIN).

Justification (General).

- These changes would ensure that federal resources are targeted on the neediest, and that individuals and families who are able to support themselves do not continue to rely on public assistance.

- These changes would save federal taxpayers an estimated $732 million in FY 1984, and $4.5 billion over the next five years.

o The states will save an additional amount equal to about 85% of the federal savings, or $600 million in FY 1984, and $3.8 billion over the next five years.

Justification (Specific).

o Requiring workfare.

-- Those who are able to work should be required to do so, and should not expect to receive aid if they refuse to help themselves by accepting work.

-- Workfare better enables welfare recipients to eventually find work in the private sector by giving them actual work experience, a chance to develop good work habits, and useful training.

-- States now have the option to establish Community Work Experience programs (CWEP) and mandatory job search requirements, but only half the states have done so, even on a limited basis.

o Ending employable parent's benefits when the youngest child reaches age 16.

-- Since the parent's presence in the home is no longer essential once the child reaches age 16, the employable adult should be expected to seed work rather than relying on public assistance.

-- The child's benefits would not be affected.

o Prorate shelter and utility costs among all persons living together in housing unit.

-- Resources of all persons living together in a housing unit are available to meet the household's living expenses, and should be taken into account in calculating assistance needs.

-- For example, an unemployed mother with small children may live in her parents' home -- in which case she does not have the same need for housing assistance as a woman in similar circumstances who must rent an apartment.

o Include all resources available to recipients.

-- At present, the AFDC recipient family has the option of excluding certain of its resources (the earnings of a minor child for example) when calculating its income for the purposes of determining AFDC eligibility.

-- These resources are available to help defray living expenses, and should be used toward that end.

-- Counting the resources of all family members would ensure equitable treatment for families with similar needs.

-- Individuals with separate supplemental security income (SSI) would continue to be excluded from the family, for purposes of eligibility determination.

o Absence from home.

-- Welfare benefits should be focused on families that are unable to provide for themselves.

-- Currently, some families qualify solely because a parent is away from home due to job search or work-related activities, even though family ties and financial support continue.

-- Benefits in these cases are inappropriate, and should be discontinued.

o Mothers with small children.

-- AFDC recipients should seek employment as soon as possible to help avoid long-term welfare dependency.

-- Available evidence indicates that mothers of small children can register for work if child-care services are available.

o Child support.

-- Nine out of ten AFDC recipients have an absent parent who ought to be providing support. Yet only one-third of AFDC recipients are covered by court orders for support, and in half these cases few or no payments are actually made.

-- The taxpayer unfairly bears the cost when these parents abandon financial responsibility for their children.

-- The child support enforcement system is now less effective than it should be.

* Many states have lax enforcement procedures.

* Marginal state performance is currently rewarded. States need only collect 48¢ for each $1 of administrative costs to "break even" from their perspective because, under current law, states pay only about 30% of child support enforcement costs, but retain more than 60% of collections.

-- By requiring states to adopt effective child-support laws, and promoting active state collection efforts, support for children will be increased.

o Terminate funding for the <u>work incentives program</u> (WIN).

-- <u>New work opportunities</u> for welfare recipients created in the Omnibus Budget Reconciliation Act of 1981, including Community Work Experience Programs and Work Supplementation programs, combined with similar reforms proposed in the FY 1984 budget, <u>make WIN unnecessary</u>.

-- <u>WIN has not proven to be successful</u> in quickly moving AFDC recipients to permanent, private sector jobs.

Question & Answers.

o Denying assistance to the truly needy. Won't the truly needy be discouraged from seeking assistance as a result of the Reagan proposals?

-- The truly needy would still be able to collect their AFDC benefits under the Reagan proposals.

-- What the Administration's proposals would do is encourage recipients to look for work before applying for welfare benefits by requiring them to seek out private job prospects before becoming a recipient.

-- This should not be seen as an effort to dissuade truly needy individuals from seeking assistance, but rather as an incentive toward their becoming part of the workforce.

-- In fact, targeting benefits to reduce excessive costs seems to have positive results for poor beneficiaries. In spite of recent economic difficulties, 22 states increased their AFDC payment standards in 1982.

o Driving the working poor onto the welfare rolls. Won't these budget savings be cancelled out if the working poor quit their jobs in order to keep the benefits they have been receiving?

-- Almost all the evidence to date shows that the number of recipients who have quit their jobs is very low.

* Studies in Massachusetts, New Jersey, Vermont, Illinois, Michigan, New Mexico, and Los Angeles County all suggest that only about 10% of all families who left the rolls have returned, often because they had lost their jobs or had their hours of work reduced involuntarily.

* Only a negligible number of recipients have voluntarily quit their jobs.

-- In almost all cases, the poor are financially better off -- from 60% to 150% better off -- by working than they would be if they quit their jobs.

-- Besides, the Reagan proposal requires employable adults to seek work in order to continue receiving their benefits; quitting work merely to receive benefits would not be an allowable option under the proposal.

o Working for benefits. Isn't it unfair to force AFDC recipients to work for their benefits?

-- If they are able to work, then it is only fair that they do so in order to receive benefits.

-- It is particularly unfair to tax low-income Americans to support beneficiaries able to work but refusing to do so.

- Families living together. If economic conditions force two families to share an apartment, why should AFDC benefits be reduced?

  -- It two families are sharing an apartment, both should be required to contribute to their combined living expenses.

  -- Their living expenses are also proportionately less, because of economies in sharing quarters.

  -- AFDC benefits should be provided only to the extent of need; it is better to target aid to those who are unable to meet their living expenses through any arrangement.

2

CHILD HEALTH CARE

History

Federal efforts to provide for the health and well-being of children extend back to the New Deal period. Current efforts in this area are concentrated in two programs: Child Immunization, established in 1963 and Women, Infants and Children, established in 1974.

o **Programs.**

-- Women, Infants and Children (WIC) nutrition program.

* This program provides supplemental nutrition assistance to pregnant women, nursing mothers, their babies and young children.

* From a cost of about $14 million in 1974, the program has grown to a cost of nearly $930 million in FY 1982 -- an increase of nearly seven times.

* WIC presently serves 2.2 million women and their infants and children.

* To be eligible, family's income must be below 185% of the poverty line.

-- Child Immunization program.

* This program began in 1963 to immunize children against childhood diseases.

* In 1981, 6.3 million children were vaccinated under this program.

o **Administration Action to Date (WIC).**

-- For FY 1982:

* President Carter had proposed budget authority of $1.1 billion.

* President Reagan proposed budget authority of $725 million.

* Congress approved budget authority of $934 million.

-- For FY 1983:

* President Reagan proposed:

- Budget authority of $730 million (implicit share for WIC in a proposed block grant). WIC budget amendment was transmitted in August for $1.1 billion.

- Programmatic reforms: Consolidating WIC into an expanded HHS Maternal and Child Health Block Grant.

* Congress approved:

  - Budget authority of $1.1 billion.

  - No programmatic reforms.

o **Administration Action to Date (Child Immunization program).**

-- For FY 1982:

* President Carter had proposed:

  - $37 million.

  - Request designed to sustain childhood immunization program.

* President Reagan proposed:

  - $18 million.

  - Request designed to enable states to maintain their high immunization levels for most childhood diseases and control the spread of measles.

* Congress approved:

  - $28 million.

-- For FY 1983:

* President Reagan proposed:

  - $29 million.

  - Request reflected success of efforts since 1977 to achieve a nationwide catch-up in raising immunization levels. Successful completion of federal/state/local catch-up efforts -- which had targeted a 90% immunization goal -- allowed federal support to level off in 1983 and focus on supplementing state efforts to cover the approximately 3.5 - 4.0 million children born each year, as well as boosters for the existing population.

* Congress approved:

  - $39 million.

  - Final FY 1983 level primarily relected the need to offset 40% vaccine price increase during FY 1982, in order to maintain current immunization levels.

The President's Proposals for FY 1984.

o For WIC:

-- Fund WIC in FY 1984 at the FY 1983 level of $1.1 billion.

o For Child Immunization:

-- Increase funding levels for FY 1984 to $41.8 million.

Justification.

o For WIC:

-- WIC has grown explosively since its inception. As a result, the program has suffered from poor management and abuse. A stabilization period would encourage greater economy and administrative reforms.

o For Child Immunization:

-- The major catch up vaccination effort begun in 1977 has now largely succeeded and been completed; 96% of all children at school entry are now vaccinated.

-- The remaining task is to vaccinate children for the first time. The number of children reaching school age each year is approximately 3.5 to 4.0 million; the budget provides for this many.

Questions and Answers.

o Is the WIC budget adequate? When inflation is taken into account, funding WIC at last year's level is the same as cutting the program. How can this be justified when unemployment is high and the number of eligible needy persons is bound to be greater?

-- The proposed level of budget authority would support a WIC caseload of more than 2.1 million recipients -- a level 12% higher than the caseload in the last year of the Carter Administration (when the unemployment rate was only about 3% lower than it presently is), and a level 82% higher than in 1978.

-- WIC unit costs can be reduced through program efficiencies. For example, states could substitute less expensive but equally nutritious foods in the WIC food package.

o Infant mortality. How can present efforts in this area be considered sufficient when infant mortaility is once more on the rise in this country?

-- The infant mortality rate (IMR) is not on the rise. On the contrary it is continuing to decline.

* The IMR dropped from 20 per thousand in 1979 to 12.5 per thousand in 1980.

* In 1981 it dropped further -- to 11.7.

* And in 1982 it dropped again -- to 11.2.

-- News reports contending that the IMR is on the rise are incorrect.

* These reports were based on press release by a group called the Food Research and Action Center (FRAC).

* The FRAC analysis is flawed in several respects.

- FRAC cited seven states that experienced increases in IMR in 1981. But in the 1970s, when the national rate dropped every year, the rate rose in an average of twelve states each year. Thus, the FRAC "evidence" is nothing but a normal statistical fluctuation.

- FRAC also conducted a telephone poll in which it established that IMR had risen in 34 cities. But there are at least 3,800 cities and counties equivalent to the FRAC list in the U.S., so 34 -- or eight-tenths of one percent -- is hardly a reliable sample.

- FRAC failed to establish the alleged link between IMR and the recession; of the ten metropolitan areas with the highest unemployment rates, six reported declines or no change in IMR from 1980 to 1981.

o Hospitalization savings. It has been documented that $1 spent on the prenatal component of WIC saves $3 in hospitalization costs due to decreased need to hospitalize infants after birth. Using the guide, couldn't any proposed "savings" from keeping spending level actually end up costing far more in hospital costs?

-- Services rendered, not just dollars spent, determines future hospitalization cost savings.

-- The proposed budget would serve 12% more women than in FY 1980.

o Childhood diseases. Why is the Administration proposing to reduce the number of children being vaccinated from 1981 to 1984? Won't this increase the spread of childhood diseases, especially among the poor?

-- The child immunization program has succeeded in vaccinating 96% of the children at school entry in America from disease.

-- The remaining task is to vaccinate the 3.5 to 4.0 million children who come into the population next year, and the proposed budget fully provides for that.

#

3

CHILD NUTRITION

History.

The federal government began donating surplus food for use in elementary and secondary school lunch programs in 1936. Since that time, child nutrition programs have evolved to the point where these are now five federally supported programs. In addition, children receive nutrition assistance through the Food Stamp and WIC programs, with estimated benefits of $5.2 billion and $706 million, respectively.

o **Programs.**

-- School Lunch.

* By far the most significant and extensive child nutrition program. Schools participating in the program are required to operate it on a non-profit basis, and serve free or "reduced price" lunches to needy children. In return, the federal government makes cash payments and provides commodity assistance to the schools.

* In 1950, 7.8 million school children participated in the program. That number rose to 22 million in 1970, and to 27 million in 1980.

* Currently there is a three-tier price system for lunches:

  - Paid lunches are available to children from families whose incomes are 185% of poverty and above (50% of all participants), who must pay 82% of the cost of the meals.

  - Reduced price meals are available to children from families with incomes between 130% and 185% of poverty (about 7% of the participants), with the government paying approximately two-thirds of the cost of the meals.

  - Free (totally subsidized) lunches are available to children from families with incomes below 130% of poverty (about 43% of participants).

-- School Breakfast.

* In 1966 Congress established a pilot school breakfast program for schools with a high percentage of needy students who traveled long distances to school.

* In 1975 the program was made permanent and now provides paid, reduced price and free breakfasts to 3.4 million students.

-- Special Milk Program.

* This program was established in 1954 to help clear surplus milk from the market through government purchase and donation to schools.

* The program now subsidizes the cost of milk to schools that do not participate in other federally subsidized meal programs.

* Currently, more than 1 million students receive milk subsidies under this program.

-- Summer Food Service Program.

* Established in 1969 for summer school students attending public schools, this program fully subsidizes meals and supplements for students in program areas where 50% or more of the children qualify for free or reduced price lunches.

-- Child Care Feeding Program (CCFP).

* Established in 1975, this program subsidizes the feeding costs of children at day care centers, family day care homes, and outside school hours centers.

* The program currently serves more than 1 million children.

o **Costs**.

-- School Lunch Program:

* In 1950, the school lunch program cost the federal government $120 million. By 1970, the program cost had more than doubled to $300 million and by 1980 it had increased almost eight times to $2.3 billion.

* Average federal meal costs in constant dollars rose from 31¢ in 1970 to 60¢ in 1981. During the same period, average student payments dropped from 60¢ to 34¢.

-- Other Programs:

	Cost 1965	Cost 1975	Cost 1980
School Breakfast	-0-	$ 86 m.	$288 m.
Special Milk Program ...	$98 m.	124 m.	157 m.
Summer Feeding Program .	-0-	50 m.	121 m.
CCFP	-0-	46 m.	216 m.
Total	$98 m.	$306 m.	$782 m.

o **Administration Action to Date.**

-- For FY 1982:

* President Carter had proposed:

- Budget authority of $3.9 billion.

- Programmatic reforms: Reducing the income eligibility standard for reduced-price meals; eliminating for-profit Title XX child care centers from the Child Care Feeding program.

* President Reagan proposed:

- Budget authority of $2.8 billion.

- Programmatic reforms: Eliminating meal subsidies to non-needy children (above 185% of poverty); discontinuing non-essential nutrition education programs, non-essential equipment assistance, and the Summer Feeding program; limiting the Special Milk program to schools not participating in any other nutrition assistance program; and lowering income eligibility standards for reduced-price meals.

* Congress approved:

- Budget authority of $2.8 billion.

- Programmatic reforms: Reducing subsidies to non-needy children; Administration proposals for equipment assistance, income eligibility standards and the Special Milk program; limiting the Summer Feeding program to government sponsors in low-income areas; and verifying the eligibility of those receiving special meal subsidies.

-- For FY 1983:

* President Reagan proposed:

- Budget authority of $2.9 billion.

- Programmatic reforms: Consolidating the School Breakfast and Child Care Feeding programs into a general nutrition assistance grant to states; discontinuing Summer Feeding and Special Milk programs.

* Congress approved:

- Budget authority of $3.2 billion.

- No programmatic reforms.

The President's Proposals for FY 1984.

o Consolidate the school breakfast, child care feeding, and summer feeding programs into a nutrition assistance grant to the states.

o Determine eligibility for free and reduced price school meals at food stamp offices instead of schools.

o Freeze cost-of-living adjustments (COLAs) to meal reimbursement rates (i.e. the rates at which the federal government compensates the schools for providing subsidized lunches) for six months.

o Adjust reimbursement rates for all types of meals by the same COLA.

o Discontinue federal mini-grants for nutrition education programs.

Justification (General).

o These reforms will enable the Admnistration to save an estimated $297 million in FY 1984, while preserving benefits to the truly needy.

Justification (Specific).

o Program consolidation.

-- The nutrition assistance grant would give the states more flexibility to design assistance programs for meals served to children outside a school lunch setting.

* States would no longer have to apply a complex set of reimbursement rates or comply with 100 pages of federal regulations.

* They would therefore be free to establish programs targeted to particular local needs.

o Eligibility determination.

-- Schools would no longer have to determine which children were eligible for free or reduced-price meals.

* Determining eligibility is an unfamiliar task to most school administrators.

* It is also one for which they receive no compensation.

-- On the other hand, food stamp offices already have trained staff people, and would be paid for any expenses incurred.

-- As a result:

* Eligibility would be determined quickly and fairly.

* School administrators would be free to devote more time to education, and less to federal paperwork.

* Benefits would be assured of going to those who need them most.

  - This is not a minor concern, since the USDA Inspector General has estimated that nearly $500 million may have been overclaimed in the school lunch program in 1980 due to (1) invalid applications, (2) inflated meal counts, and (3) lack of income verification.

  - Better efforts to verify the incomes of parents applying for free or reduced-price meals for their children would be an important step in curbing fraud and abuse.

o COLA freeze.

-- The proposal is part of a government-wide effort to contain escalating costs in entitlement programs.

-- Benefit levels would be preserved; the only difference would be that schools would receive higher reimbursement rates in January instead of in July.

-- Additional subsidies to schools in needy areas would be maintained.

o Adjust reimbursement rates.

-- At the present time, cost-of-living adjustments to reduced-price meal rates substantially overcompensate for inflation.

-- This proposal would adjust all meal rates, including those for reduced-priced meals, by the same inflation factor.

o Discontinue nutrition education program assistance.

-- The Nutrition Education and Training Program was designed to help the states develop nutrition education programs for local school districts.

-- Because of past federal assistance, these programs are now well-established, and federal start-up aid is no longer needed.

Questions and Answers.

- Program cuts under the guise of consolidation. Why is the funding level for the nutrition assistance grant reduced?

  -- The grant is funded at 85% of FY 1984 current services for the three programs it would replace, minus funding for family day-care homes.

  -- Savings can be achieved by addressing problems in current programs.

    * For example, family day-care homes receive generous meal reimbursement regardless of the income level of children served.

  -- Savings would also result from the elimination of federal red tape.

- Loss of benefits. How many recipients will lose benefits if the Administration's proposals are put into effect?

  -- No one who is entitled to these benefits will lose any.

  -- The only ones who will lose anything under these proposals are those who are presently collecting benefits to which they are not entitled under the federal law.

- Will the states do the job? How can you assume that the states would provide the needed nutritional assistance under a grant system?

  -- There is no good reason to suppose that they would not.

  -- The funding will come from the federal government, and the states will get the funding only if they actually provide the assistance.

  -- States and localities are closer to education-related problems, and historically have been more responsive than the federal government to local needs.

  -- States and localities can more effectively target these resources according to individual needs.

  -- Use of grants would reduce administrative burdens by eliminating 100 pages of federal regulations, thereby leaving more money for genuine nutritional assistance.

  -- Furthermore, school administrators would no longer be forced to double as caseworkers.

- Eligibility determination at food stamp offices. Wouldn't shifting the job of determining eligibility for school meals overburden the food stamp offices?

  -- Food stamp offices would not be heavily burdened.

  -- 60% of those applying for free and reduced-price lunches also receive food stamps.

  -- Since the income limits for free lunches and food stamps are identical, these applicants can demonstrate eligibility simply by producing evidence of current participation in the food stamp program.

- COLA freeze. Won't the six-month freeze in cost-of-living adjustments for meal reimbursement rates cause unnecessary administrative complexity?

  -- Schools would receive two reimbursement rates over the course of the school year.

  -- Formerly (until 1981), two reimbursement rates (in January and July) were standard policy, and did not cause any difficulty for local food service operations.

#