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Background Data and Materials on Fiscal Year 1984 Spending Reduction Proposals

PENDING BEFORE THE

Senate Finance Committee

Prepared by the Staff for the Use of the

COMMITTEE ON FINANCE
UNITED STATES SENATE

ROBERT J. DOLE, *Chairman*

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The revised current services baseline projects outlays of $854.8 billion and revenues of $661.2 billion for fiscal year 1984, leaving a baseline deficit of $193.6 billion. Table 1 shows that the deficit will rise to $215.3 billion in fiscal year 1986 if no policy changes are made.

TABLE 1.—REVISED BASELINE BUDGET ESTIMATES

	Fiscal year—		
	1984	1985	1986
Revenues	661.2	729.4	784.9
Outlays	854.8	928.4	1,000.2
Deficit	193.6	199.0	215.3

Table 2 displays the revenue and spending changes proposed by the Senate budget resolution. Outlay savings of $56.9 billion, and additional revenues of $74.6 billion are assumed. Of the total deficit reduction of $131.5 billion, revenue increases represent 57 percent. By fiscal year 1986, the deficit is estimated to decline to $130.1 billion.

TABLE 2.—FIRST CONTINUING BUDGET RESOLUTION, SENATE VERSION

	Fiscal year—			Total
	1984	1985	1986	
Baseline deficit	193.6	199.0	215.3	607.9
Outlays	−5.1	−17.6	−34.2	−56.9
Revenues	+9.9	+13.7	+51.0	+74.6
Deficit reduction	15.0	31.3	85.2	131.5
Remaining deficits	178.6	167.7	130.1	476.4

INSTRUCTIONS FOR THE FINANCE COMMITTEE

The Senate resolution instructs the Committee on Finance to reduce expenditures below the baseline by $5.4 billion and raise revenues by $73.0 billion over fiscal years 1984-1986, as shown by Table 3. In all, the Committee on Finance is responsible for $78.4 billion in deficit reduction over the next three years—59.6 percent of the total deficit reduction.

TABLE 3.—3-YEAR TOTALS FOR THE FINANCE COMMITTEE

[Dollars in billions]

	Senate
Outlay reductions	$5.4
Revenue increases	$73.0
Total deficit reduction, Finance	$78.4
Percent of total budget deficit reduction	59.6

Table 4 lists the program changes that were assumed by the Budget Committee in arriving at our totals. As with specific revenue measures, however, the Finance Committee is not bound to any of these marks. Only total spending reductions and revenue increases are contained in the reconciliation instructions. The committee retains full flexibility over where savings are to be achieved and revenues increased.

TABLE 4.—ASSUMPTIONS UNDERLYING SENATE BUDGET RESOLUTION INSTRUCTIONS FOR THE COMMITTEE ON FINANCE

[In millions of dollars]

	Fiscal year—			Total
	1984	1985	1986	
Expenditure cuts:				
Medicare	−809	−995	−1,572	−3,376
Medicaid	−7	−543	−407	−957
Child support program				
Unemployment	−40	−116	−139	−295
compensation		−370	−366	−736
Subtotal, spending	−856	−2,024	−2,484	−5,364
Revenues	+9,000	+13,000	+51,000	+73,000
Total deficit reduction	9,856	15,024	−53,484	78,364

Health Programs

ADMINISTRATION PROPOSALS FOR HEALTH PROGRAMS UNDER JURISDICTION OF THE FINANCE COMMITTEE

[CBO estimates; outlays in millions]

	Fiscal year—			Total
	1984	1985	1986	
Medicare:				
1. Cost-sharing and catastrophic coverage	−$900	−$1,450	−$1,750	−$4,100
2. Voluntary voucher	0	+50	+50	+100
3. Freeze physician reimbursement	−900	−1,050	−1,200	−3,150
4. Reduce target rate of hospital cost increase	−80	−170	−200	−450
5. Part B premium	0	−432	−1,527	−1,959
6. Index part B deductible	−50	−115	−180	−345
7. Initial eligibility	−200	−265	−305	−770
8. Eliminate mandatory utilization review, eliminate PRO's	0	0	0	0
9. Lower reimbursement to home health agencies	−15	−20	−20	−55
10. Authorize competitive bidding	−9	−14	−20	−43
11. Eliminate waiver of provider liability	0	0	0	0
12. Authorize processing part A bills on flow basis	−3	−3	−4	−10
13. Modify medicare contracting	0	−3	−9	−11
14. Eliminate renal networks	−5	−5	−5	−14
15. Eliminate railroad retirement carrier contract	−2	−2	−2	−5
Total, medicare	−2,163	−3,478	−5,172	−10,812
Medicaid:				
1. Cost-sharing by recipients	−140	−155	−175	−470
2. Assignment of rights	−6	−7	−7	−20
3. Cross over claims	−1	−1	−2	−4
4. Extension of Federal reductions	0	−535	−397	−932

ADMINISTRATION PROPOSALS FOR HEALTH PROGRAMS UNDER JURISDICTION OF THE FINANCE COMMITTEE—Continued

[CBO estimates; outlays in millions]

	Fiscal year—			Total
	1984	1985	1986	
5. Impact of other proposals on medicaid:				
Medicare	+56	+129	+209	+394
AFDC impact	−93	−184	−202	−479
SSI impact	0	0	0	0
Total, medicaid	−184	−753	−574	−1,511

I. MEDICARE

Legislative Initiatives

1. Restructure Beneficiary Cost-Sharing and Provide Coverage for Unlimited Hospital Days (Catastrophic Coverage)

Current law.—Under present law, Medicare beneficiaries share in the costs of inpatient hospital and skilled nursing facility services. During each benefit period, the beneficiary must pay an inpatient hospital deductible (currently $304). If the beneficiary is hospitalized beyond 60 days during such period, he or she must pay an additional daily coinsurance amount equal to 25 percent of the inpatient hospital deductible (currently $76) for the 61st through 90th day of care. For the 60 lifetime reserve days, beneficiaries are required to pay a daily coinsurance amount equal to 50 percent of the inpatient hospital deductible (currently $152). In addition, beneficiaries are required to pay a daily coinsurance amount equal to 12.5 percent of the inpatient hospital deductible (currently $38) for care provided from the 21st through the 100th day in a skilled nursing facility.

Proposal.—The administration proposal would restructure the current inpatient hospital and skilled nursing facility cost-sharing requirements. Specifically, the administration proposes to:

(1) Eliminate patient cost sharing for any hospital days of care after 60 days during any calendar year.

(2) Impose new cost-sharing requirements on the first 60 days of inpatient care: a daily copayment equal to 8 percent of the inpatient deductible (estimated to be $28/day during calendar year 1984) from day 2 through day 15, and a daily copayment amount equal to 5 percent of the inpatient hospital deductible (estimated to be $17.50/day during calendar year 1984) for each day of care from the 16th through the 60th day of hospitalization in any benefit period.

(3) Limit the number of times a beneficiary must pay an inpatient hospital deductible to two in each year.

(4) Reduce the present copayment amount applicable to care in skilled nursing facilities from its present level (12.5 percent of the inpatient hospital deductible amount) to 5 percent of the deductible (estimated to be $17.50/day during calendar year 1984).

The estimated annual increase in costs to medicare beneficiaries using hospital services, as a result of such a change in cost sharing is approximately $250.

Effective date.—January 1, 1984.

[In millions of dollars]

	Fiscal year—			Total
	1984	1985	1986	
Outlay savings	−900	−1,450	−1,750	−4,100

2. Voluntary Medicare Voucher Program

Current law.—Under present law, medicare payments are made on behalf of beneficiaries to hospitals and other institutions who participate in the Government-sponsored program and through payment arrangements to beneficiaries or to providers on behalf of beneficiaries in the case of physician and other medical services.

In addition, under a provision contained in Public Law 97-248, the medicare program is permitted to pay certain health maintenance organizations at a prepaid rate, equal to 95 percent of the average per person costs of medicare coverage provided in the fee-for-service sector. The provision has not yet been implemented by the Department of Health and Human Services.

Proposal.—The administration proposal would establish a voluntary medicare voucher program under which beneficiaries could elect to receive services through a private health benefits plan, including certain health maintenance organizations, rather than through participation in the present Government-sponsored medicare program. Where beneficiaries opted for such alternative coverage, the Government would contribute an amount equal to 95 percent of the average per-person costs of medicare coverage toward the purchase of such private protection.

Effective date.—January 1, 1985.

[In millions of dollars]

	Fiscal year—			Total
	1984	1985	1986	
Outlay increases	0	+50	+50	+100

3. Freeze "Reasonable Charges" for Physician Services

Current law.—Under present law, medicare pays for physician services on the basis of medicare-determined "reasonable charges." "Reasonable charges" are the lesser of: a physician's actual charges, the customary charges made by an individual physician for specific services, or the prevailing level of charges made by other physicians for specific services in a geographic area. The amounts recognized by medicare as customary and prevailing

charges are updated annually (on July 1) to reflect changes in physician charging practices. Increases in prevailing charge levels are limited by an economic index which reflects changes in the operating expenses of physicians and in general earnings levels.

Proposal.—The administration proposal would postpone the annual updating of both the customary and prevailing charge limits that would otherwise occur on July 1, 1983 for one year, until July 1, 1984. During this period, charge limits would remain at the levels now applicable during the current fee screen year.

Effective date.—July 1, 1983.

[In millions of dollars]

	Fiscal year—			Total
	1984	1985	1986	
Outlay savings	−900	−1,050	−1,200	−3,150

4. Reduce Hospital Cost Target Rate by One Percentage Point

Current law.—Currently medicare pays hospitals on the basis of reasonable costs, subject to certain limits. The "Tax Equity and Fiscal Responsibility Act of 1982" (Public Law 97-248, commonly referred to as TEFRA) expanded previously existing limits on medicare costs effective October 1, 1982. Among other things, it established a 3-year target rate reimbursement system which in effect limited allowable rates of increase in medicare payments over the fiscal year 1983-1985 period. The target rate is equal to the previous years allowable operating costs per case (or after the first year, the previous year's target amount) increased by the percentage increase in the hospital wage and price index plus one percentage point. Penalties and bonuses are established for hospitals, with costs above and below the target.

The "Social Security Admendments of 1983" (Public Law 98-21) provides for the establishment of a prospective reimbursement system for hospitals to be phased-in over a three year period. During the transitional period a portion of a hospital's payments will be based on prospective rates and a portion on the hospitals' cost base. The cost-based portion of the payment will be calculated on the basis of reasonable costs, subject to the existing rate of increase limits, without the penalties and bonuses established under TEFRA.

Proposal.—The administration proposal would no longer include the additional percentage point in the calculation of the target rate.

Effective date.—October 1, 1983.

[In millions of dollars]

	Fiscal year—			Total
	1984	1985	1986	
Outlay savings	—80	—170	—200	—450

5. Modify Timing and Rate of Increase in Part B Premium

Current law.—By law, the Secretary of Health and Human Services has been required to calculate each December the increase in premiums of those who elect to enroll in the Supplementary Medical Insurance (or Part B) portion of the Medicare program. The new premium rates have been effective on July 1 of the year following the year in which the calculation was made. Ordinarily, the new premium rate is the lower of: (1) an amount sufficient to cover one-half of the costs of the program for the aged or (2) the current premium amount increased by the percentage by which cash benefits are increased under the cost-of-living (COLA) provisions of the social security programs. Premium income, which originally financed half of the costs of Part B, has declined—as the result of this formula—to less than 25 percent of total program income. The "Tax Equity and Fiscal Responsibility Act of 1982" (TEFRA) temporarily suspended the limitation for two one-year periods, beginning on July 1, 1983. During these periods, enrollee premiums would be allowed to increase to amounts necessary to produce premium income equal to 25 percent of program costs for elderly enrollees. The limitation would again apply with respect to periods beginning July 1, 1985 and thereafter.

The "Social Security Amendments of 1983" (Public Law 98-21) postponed the scheduled July 1, 1983 increase to January 1, 1984 to coincide with the delay in the cost-of-living increase in social security cash benefit payments. Future increases will occur in January of each year based on calculations made the previous September. Public Law 98-21 further provided that the suspension of limitations as authorized by TEFRA are to apply for the two-year period beginning January 1, 1984.

Proposal.—The proposal had recommended the six-month deferral which was incorporated in Public Law 98-21. The proposal would also provide that beginning in 1985 the premium would be allowed to increase so that the proportion of costs borne by premiums would rise by no more than 2½ percentage points per year. By calendar year 1988, the premium would be set at a rate equal to 35 percent of the costs of the program for the aged.

Effective date.—January 1, 1985 for phase-in of premium percentage increase.

[In millions of dollars]

	Fiscal year—			Total
	1984	1985	1986	
Outlay savings	0	−432	−1,527	−1,959

6. Index Part B Deductible

Current law.—Under present law, enrollees in the Supplementary Medical Insurance (or Part B) portion of Medicare must pay the first $75 of covered expenses (known as the deductible) each year before any benefits are paid. The amount of this deductible is fixed by law.

Proposal.—The administration proposal would index the amount of the part B deductible, beginning in calendar year 1984, by the percentage by which the medicare economic index increases each year. The Medicare economic index is the index used to limit increases in the prevailing level of physician fees reimbursable under the Part B program. Under the proposal, the administration estimates that the part B deductible would increase to $80 in calendar year 1984, $85 in calendar year 1985, and $90 in calendar year 1986.

Effective date.—January 1, 1984.

[In millions of dollars]

	Fiscal year—			Total
	1984	1985	1986	
Outlay savings	−50	−115	−180	−345

7. Delay in Initial Eligibility Date for Medicare Entitlement

Current law.—Under present law, eligibility for Medicare begins on the first day of the month in which an individual reaches age 65.

Proposal.—The administration proposal would delay eligibility for both Parts A and B of medicare to the first day of the month following the individual's 65th birthday.

Effective date.—October 1, 1983.

[In millions of dollars]

	Fiscal year—			Total
	1984	1985	1986	
Outlay savings	−200	−265	−305	−770

8. a. Eliminate Mandatory Utilization Review

Current law.—Under present law, hospitals and skilled nursing facilities are required to conduct utilization review of services provided except where such function is performed by another review organization.

Proposal.—The administration proposal would eliminate the requirement for utilization review in hospitals and skilled nursing facilities.

Effective date.—Enactment.

[In millions of dollars]

	Fiscal year—			Total
	1984	1985	1986	
Outlay savings	0	0	0	0

8. b. Elimination of the Peer Review Program

Current law.—TEFRA required the Secretary to enter into contracts for utilization and quality control peer review with Professional Review Organizations (PRO's) throughout the country. These entities will replace existing Professional Standards Review Organizations (PSRO's).

The "Social Security Amendments of 1983" (Public Law 98-21) provides that until September 30, 1984, hospitals are required to contract with a PRO if there is one serving the geographic area; after that date they are required to contract with such an organization as a condition of receiving program payments.

Proposal.—The administration proposal would repeal the PRO provision.

Effective date.—Enactment.

[In millions of dollars]

	Fiscal year—			Total
	1984	1985	1986	
Outlay savings	0	0	0	0

9. Reduce Reimbursement to Home Health Agencies for Durable Medical Equipment

Current law.—Under present law, when covered durable medical equipment is furnished by a supplier of services, rather than by an institutional provider, payment is made under the Part B program on the basis of 80 percent of the reasonable charges (after the deductible is satisfied). If the equipment is furnished by a provider, such as a home health agency, payment is made on the basis of 100 percent of the reasonable cost of the rental or purchase of such equipment.

Proposal.—The administration proposal would reimburse home health agencies for durable medical equipment at 80 percent of reasonable cost and permit the agencies to bill beneficiaries for the remaining 20 percent.

Effective date.—October 1, 1983.

[In millions of dollars]

	Fiscal year—			Total
	1984	1985	1986	
Outlay savings	−15	−20	−20	−55

10. Competitive Procurement of Laboratory Services, Durable Medical Equipment and Other Medical Supplies

Current law.—Under present law, physicians and beneficiaries are free to select the sources of laboratory services, durable medical equipment and certain other medical supplies.

Proposal.—The administration proposal would permit the Secretary to enter into exclusive agreements and negotiate rates for laboratory services, durable medical equipment and certain other items furnished under Part B. The Secretary could take such action only if he determined that the agreement would not deny access to beneficiaries for the specified items. The amounts payable under the agreement could not exceed, in the aggregate, the amounts which would otherwise be payable under the program. The Secretary could waive the deductible and coinsurance provisions if the resulting payments would not exceed amounts other-

wise payable. The supplier could not charge the beneficiary any more than the applicable deductible and coinsurance amounts.

Effective date.—Enactment.

[In millions of dollars]

	Fiscal year—			Total
	1984	1985	1986	
Outlay savings	−9	−14	−20	−43

11. Eliminate Waiver of Provider Liability for Uncovered Services

Current law.—Under present law, Medicare pays hospitals and skilled nursing homes for certain uncovered or medically unnecessary care furnished beneficiaries, if the hospitals or skilled nursing facilities could not have known that payment would be disallowed. The institutions are not held liable for the costs of these services, if their total denial rate on Medicare claims remains below certain prescribed levels.

Proposal.—The administration proposal would eliminate this waiver of liability provision for providers. The proposal would not affect current statutory provisions which protect beneficiaries from financial liability for expenses for uncovered services.

Effective date.—October 1, 1983.

[In millions of dollars]

	Fiscal year—			Total
	1984	1985	1986	
Outlay savings	0	0	0	0

12. Assignment of Inpatient Hospital Benefit Period, Deductible, and Coinsurance in the Order of Filing of Payment Requests (Authorize Processing Part A Bills on a Flow Basis)

Current law.—Under current law, the responsibility for collecting deductible and coinsurance amounts from beneficiaries in connection with stays in two or more hospitals is currently assigned in the chronological order in which services are furnished.

Proposal.—The administration proposal would assign the responsibility in the order in which hospitals submitted requests for medicare payments. A hospital that provided services after another hospital but submitted its payment request first would be responsible

for collecting the deductible and be credited with the first 60 days of coverage (for which no coinsurance is required).

Effective date.—October 1, 1983.

[In millions of dollars]

	Fiscal year—			Total
	1984	1985	1986	
Outlay savings	−3	−3.3	−3.6	−9.9

13. Modify Medicare Contracting

Current law.—Under current law, medicare contracts with intermediaries and carriers to perform the day-to-day operational work of the program including reviewing claims and making program payments.

Proposal.—The administration proposal would increase the Secretary's discretion in entering into agreements for medicare claims processing by (1) eliminating the right of providers of services to nominate intermediaries, (2) permitting the Secretary to enter into various kinds of agreements, not solely those based on cost, and (3) broadening the Secretary's authority to experiment with different kinds of contracts by including contracts other than fixed price or performance incentive contracts and by permitting waiver of competitive bidding requirements. The section would also require new intermediaries, as well as carriers, to be health insurance organizations. The Secretary's authority to deal directly with any provider of services or to assign any provider of services to an intermediary would be clarified.

Effective date.—October 1, 1983.

[In millions of dollars]

	Fiscal year—			Total
	1984	1985	1986	
Outlay savings	0	−2.8	−8.5	−11.3

14. Eliminate Funding for End-Stage Renal Disease (ESRD) Networks

Current law.—Under current law, a system of end-stage renal disease networks has been designated to perform a variety of functions in connection with the end-stage renal disease program under

medicare (e.g., developing criteria and standards for quality patient care).

Proposal.—The administration proposal would eliminate funding for end-stage renal disease networks and make the national ESRD medical information system discretionary with the Secretary.

Effective date.—October 1, 1983.

[In millions of dollars]

	Fiscal year—			Total
	1984	1985	1986	
Outlay savings	—4.5	—4.5	—4.5	—13.5

15. Elimination of Requirements for a Railroad Retirement Board Carrier Contract

Current Law.—Current law requires the Railroad Retirement Board to contract with a carrier or carriers to handle medicare part B payments with respect to railroad retirement beneficiaries. The Board has contracted with Travelers Insurance Company to serve as a carrier nationwide.

Proposal.—The administration's proposal would eliminate the requirement for a separate Railroad Retirement Board carrier contract. Part B claims of railroad retirees would be processed by the same organizations that process other Part B claims.

Effective date.—One year after enactment or at such earlier time as agreed upon by the Secretary and the Railroad Retirement Board.

[In millions of dollars]

	Fiscal year—			Total
	1984	1985	1986	
Outlay savings	—1.5	—1.5	—1.5	—4.5

II. MEDICAID

Legislative Initiatives

1. Require Nominal Cost-Sharing by Medicaid Recipients

Current law.—Prior to the enactment of Public Law 97-248 (TEFRA), States were prohibited from imposing cost-sharing charges on mandatory services for the categorically needy. They were permitted, but not required to impose such charges on optional services for the categorically needy and all services for the medically needy.

Public Law 97-248 revised prior law by permitting, but not requiring States to impose nominal cost-sharing on all persons for all services with certain major exceptions. States may not impose such charges on children under age 18; persons institutionalized in long-term care facilities; pregnancy-related services; family planning services and supplies; emergency services; and services furnished to the categorically needy in health maintenance organizations (HMO's). In addition, States may elect to exempt reasonable categories of children age 19-21, all services to pregnant women, and/or services furnished to medically needy in HMO's. States, under an approved waiver, may charge up to twice the "nominal" amount for non-emergency services furnished in an emergency room if other less costly forms of care are available and accessible.

Proposal.—The administration proposal would mandate States to impose the following cost-sharing charges:

—For the categorically needy, $1 per visit for physician, clinic, and hospital outpatient services;

—For the medically needy, $1.50 per visit for physician, clinic, and hospital outpatient department services;

—For the categorically needy, $1 per day for inpatient hospital services;

—For the medically needy, $2 per day for inpatient hospital services.

States would be prohibited from imposing copayments on services furnished to long term care inpatients or services furnished by HMO's to the categorically needy. States would be permitted certain exemptions with respect to medically needy HMO enrollees, pregnant women, and emergency services.

Effective Date.—October 1, 1983 except delay permitted where State legislation required.

[In millions of dollars]

	Fiscal year—			Total
	1984	1985	1986	
Outlay savings	−140	−155	−175	−470

2. Improve Third Party Collections

Current law.—Present law permits the State agency and Federal Government to retain from third-party recoveries only the amount equal to medical assistance payments on behalf of the individual concerned.

A State medicaid plan may provide that, as a condition of eligibility, each legally able applicant and recipient must assign his or her rights to medical support or other third party payments to the State agency and cooperate with the agency in obtaining support or payments.

Proposal.—The administration proposal would provide for retention of administrative costs associated with third party recoveries. The proposal would also require as a condition of medicaid eligibility that an applicant assign his or her health insurance rights to the State medicaid agency.

Effective date.—October 1, 1983.

[In millions of dollars]

	Fiscal year—			Total
	1984	1985	1986	
Outlay savings	−6	−7	−7	−20

3. One Hundred Percent Federal Payment for Processing of Combined Medicaid and Medicare Claims

Current law.—Under current law, claims for dual medicaid/medicare eligibles are processed both by the medicaid fiscal agent and the medicare carrier.

Proposal.—The proposal would provide 100 percent Federal reimbursement for the combined processing of medicare/medicaid claims by medicare contractors.

Effective date.—Enactment.

[In millions of dollars]

	Fiscal year—			Total
	1984	1985	1986	
Outlay savings	−1	−1	−2	−4

4. Extend Reduction in Federal Payments

Current law.—Public Law 97-35 provided that whatever Federal matching payments a State is otherwise entitled to is to be reduced by 3 percent in fiscal year 1982, 4 percent in fiscal year 1983, and 4.5 percent in fiscal year 1984. A State may qualify for a percentage point offset to these reductions if it has a qualified hospital cost review program, an unemployment rate which exceeds 150 percent of the national average, or fraud and abuse recoveries greater than one percent of Federal expenditures. In addition States may earn back part or all of the reductions if expenditures remain below specific target amounts.

Proposal.—The Administration proposal would extend the existing reduction and offset provisions indefinitely. The reduction rate would be 3 percent for fiscal year 1985 and beyond.

Effective date.—October 1, 1985.

[In millions of dollars]

	Fiscal year—			Total
	1984	1985	1986	
Outlay savings	0	−535	−397	−932

5. Impact of Changes in Other Programs

The Administration is proposing changes in the SSI, AFDC and medicare programs which will affect medicaid outlays.

[In millions of dollars]

	Fiscal year			Total
	1984	1985	1986	
Outlay effects				
Medicare changes	+56	+129	+209	+394
AFDC changes	−93	−184	−202	−479
SSI changes	0	0	0	0

Regulatory Initiative

1. Third Party Liability Collections

Current law.—The Child Support Enforcement (CSE) program is a Federal-State partnership under which States are required to have a program which locates absent parents, establishes family responsibility and sets forth and enforces support orders.

Proposal.—The administration budget reflects a regulatory initiative which would require State CSE agencies to petition the court to include medical support as part of the child support order whenever health care coverage is available to the absent parent at a reasonable cost. In addition, the regulation would provide for improved information exchange between the CSE and medicaid agencies on the availability of health insurance coverage.

Effective Date.—October 1, 1983.

[In millions of dollars]

	Fiscal year—			Total
	1984	1985	1986	
Medicaid outlay savings	−89.5	−99.9	−111.7	−301.1

III. MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT

Legislative Initiatives

Current law.—Under current law, the Maternal and Child Health (MCH) Services Block Grant provides health services to mothers and children, particularly those with low income or limited access to health services. Block grant services may be provided free of charge to mothers and children whose incomes fall below the poverty level (currently $9,300 for a family of four).

In fiscal year 1983, 85 percent of the block grant appropriation is allotted among States, which determine the services to be provided under the block. Each State's individual allotment is based on the proportion of funds allotted to all States in fiscal year 1981 for certain programs now included in the block. These programs are MCH and crippled children's (CC) services, supplemental security income services for disabled children, lead-based paint poisoning prevention, sudden infant death syndrome, and adolescent pregnancy.

For every $4 in Federal funds States receive, they must spend $3 of their own funds. Federal law requires that, at the State level, the State health agency administer the block grant except that the CC program may be administered by another State agency if that agency has administered the program since July 1, 1967.

A portion of the block's appropriation is reserved under a Federal set-aside. In fiscal year 1983, 15 percent of this appropriation is reserved for MCH special projects of regional and national significance, research and training, and genetic disease and hemophilia programs. These programs are federally administered.

Under the block grant, States are required to prepare annual reports describing the intended use of payments including data the State intends to collect on program activities. States must also transmit a statement to the Secretary of Health and Human Services which, among other things provides assurances that the State will spend a substantial proportion of its allotment on health services to mothers and children and will give consideration to the continuation of special projects previously funded under the old title V program; and the State agency administering the block grant will participate in the coordination of activities between the block grant and other MCH-related programs. States must also prepare annual reports on block grant activities, and conduct biennial audits on program expenditures.

Proposal.—The Administration proposal would:

—Eliminate the Federal set-aside of 10 to 15 percent;

—eliminate the requirement for State matching funds;

—repeal prohibition against States using Federal funds for research or training by a for-profit entity;

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—permit States to transfer up to 10 percent of Federal funds to other block grants administered by the Secretary of Health and Human Services (and permit use of funds transferred from other block grants);
—delete requirement for State description of data they intend to collect; require States to describe the criteria and method to be used to distribute funds;
—remove requirements for: State assurances pertaining to application of guidelines with respect to health care assessments and services; use of a portion of block grant funds for specific activities; imposition of charges on others tied to ability to pay, and appropriate coordination with other related programs;
—remove prohibition on imposition of charges for services furnished to low income beneficiaries;
—require States, rather than the Secretary, to determine the form and content of their annual activities reports; but would require States to explain how their previously stated goals and objectives had been met; and
—eliminate requirement that a specific State agency in each State be required to be responsible for the administration of the block grant funds.

Effective date.—October 1, 1983.

Income Security Programs

ADMINISTRATION PROPOSALS FOR INCOME SECURITY PROGRAMS UNDER JURISDICTION OF THE FINANCE COMMITTEE

[CBO estimates; outlays in millions of dollars]

	Fiscal year—			Total
	1984	1985	1986	
Aid to families with dependent children (AFDC):				
1. End benefits of parent when youngest child reaches age 16	−20	−25	−25	−70
2. Include all adults and children in AFDC assistance unit	−125	−135	−140	−400
3. Adjust shelter and utilities grant	−75	−145	−150	−370
4. Treatment of lump-sum payments	(*)	(*)	(*)	(*)
5. Work requirements:				
a. job search and CWEP	+15	−40	−55	−80
b. repeal WIN	−257	−298	−312	−867
6. Households headed by minor parent	−20	−20	−20	−60
7. Repayment from periodic benefits	(1)	(1)	(1)	(1)
8. Treatment of public benefits withheld	(*)	(*)	(*)	(*)
9. Absence by reason of employment	−5	−5	−5	−15
10. Essential persons	(*)	(*)	(*)	(*)
11. Effect of strike participation	(*)	(*)	(*)	(*)
12. Access to AFDC information	0	0	0	0
13. Eligibility of alien	(*)	(*)	(*)	(*)
14. CWEP work for Federal agencies	0	0	0	0
15. Refusal to repay overpayments	(*)	(*)	(*)	(*)
16. Gross amount of earned income	(1)	(1)	(1)	(1)
Total, AFDC	−487	−668	−707	−1,862
Child support enforcement (CSE):				
1. Phase in restructuring of CSE financing	−10	−51	−69	−130
2. AFDC effect of CSE proposal to mandate changes in State law	−30	−65	−70	−165
3. Effect of AFDC changes on CSE collections	+15	+20	+25	+60
Total, CSE	−25	−96	−114	−235
Social services (Title XX):				
Reduction in 1984 authorization level	−60	0	0	−60

ADMINISTRATION PROPOSALS FOR INCOME SECURITY PROGRAMS UNDER JURISDICTION OF THE FINANCE COMMITTEE—Continued

[CBO estimates; outlays in millions of dollars]

	Fiscal year—			Total
	1984	1985	1986	
Supplemental security income (SSI):				
1. Eligibility of aliens	(*)	(*)	(*)	(*)
2. Windfall benefits	−15	−16	−17	−48
Total, SSI	−15	−16	−17	−48
Foster care and adoption assistance	0	−40	−86	−126

* Savings under $1 million.

[1] Savings estimate not available.

IV. INCOME SECURITY AND SOCIAL SERVICES PROGRAMS

A. Aid to Families With Dependent Children

(Title IV-A) (AFDC)

Legislative Initiatives

1. Exclusion of Needs and Income of Caretaker Relative When Youngest Child Reaches Age 16

Current Law.—Present law continues the eligibility of a parent/caretaker as long as the youngest child is eligible for benefits, i.e., until the child reaches 18, or, at the option of the State, age 19 if the child is in school and is expected to complete his course of study before his 19th birthday.

Proposal.—Under the administration's proposal, when the youngest child reaches age 16, an employable parent/caretaker relative would no longer be eligible for AFDC benefits. An individual would be determined to be employable if he is required to register for the State's AFDC work-related programs. Benefits to the child would continue. However, the income of a parent or stepparent who is living with the child would be considered in determining the amount of the child's benefit. The amount of income to be considered in determining the child's benefit would be the amount calculated as available after application of the "disregard" provisions which are currently applied to stepparents. This proposal was agreed to by the committee last year, but was deleted in conference with the House.

Effective date.—October 1, 1983.

Estimated savings.—

[In millions of dollars]

	Fiscal year—			Total
	1984	1985	1986	
Outlay effect	−20	−25	−25	−70

2. Inclusion of Parents and Siblings in the AFDC Unit; Treatment of Income of Parents of a Minor Who is Claiming Aid as the Parent of a Needy Child

Current law.—There is no requirement in present law that parents and all siblings be included in the AFDC filing unit. Families applying for assistance may exclude from the filing unit certain family members who have income which might reduce the family benefit. For example, a family might choose to exclude a child who is receiving social security or child support payments, if the payments would reduce the family's benefits by an amount greater than the amount payable on behalf of the child. In addition, a mother who is a minor is excluded if she is supported by her parents. However, if she has no income of her own which may be attributed to her child, the child may qualify for assistance as a one-person unit, and receive proportionately more in assistance than it would receive as part of a two-person unit. The income of the grandparents is not considered in determining the eligibility of the child.

Proposal.—(a) The administration's proposal would require States to include in the assistance unit the parents and all minor siblings (except SSI recipients and any stepbrothers and stepsisters) living with a child who applies for or receives AFDC. A similar proposal was agreed to by the committee last year, but was dropped in conference with the House.

(b) In addition, if a minor who is living in the same home as his parents applies for aid as the parent of a needy child, the income of his parents (the grandparents) would be counted as available to the assistance unit. The rules that would be used in determining the amount of available income would be the same as are currently used in counting the income of stepparents. A similar provision was approved by the committee last year, but was dropped in conference with the House.

Effective date.—October 1, 1983.

Estimated savings.—

[In millions of dollars]

	Fiscal year—			Total
	1984	1985	1986	
Outlay effect	−125	−135	−140	−400

3. Mandatory Adjustment of Shelter and Utilities Allowance

Current law.—An amendment in the Tax Equity and Fiscal Responsibility Act of 1982 gave States the option of prorating or otherwise adjusting the portion of the AFDC benefit which is paid for shelter and utilities to take into account economies of scale which may result when the AFDC family shares a household with other

individuals. States were given flexibility in determining the method of adjustment they wished to use.

Proposal.—The administration proposes to *require* States to adjust the portion of the grant paid for shelter and utilities when the family shares a household. The State would either have to prorate (using the ratio of AFDC recipients to total household members) the shelter and utilities components of both the standard of need and the payment standard, or, at its option, develop an alternative method. The alternative method adopted by the State must result in average reductions comparable to those that would be achieved by using the proration method described above, and must have the prior approval of the Secretary. No adjustment would be made with respect to SSI recipients who are living with the AFDC family and whose SSI benefits are reduced by one-third because of the special rule for counting in-kind support and maintenance.

Effective date.—October 1, 1983.

Estimated savings.—

[In millions of dollars]

	Fiscal year—			Total
	1984	1985	1986	
Outlay effect	−75	−145	−150	−370

4. Treatment of Lump-Sum Payments to Individuals Outside the AFDC Family

Current law.—The Omnibus Budget Reconciliation Act of 1981 (P. L. 97-35) included an amendment requiring that any nonrecurring income received in a month by an individual claiming assistance must be considered available as income to the family in the month it is received and also in future months. Thus, if such income exceeds the standard of need in the month of receipt, the family is ineligible for that month. In addition, the income that exceeds the initial month's needs standard is divided by the monthly needs standard. The family is then ineligible for assistance for the number of months resulting from that calculation.

Proposal.—The present rule for treatment of nonrecurring lump-sum income applies only to income of individuals who are claiming assistance on their own behalf. The administration proposes applying the same rule to income received by any person whose income the State considers in determining the family's AFDC benefit, but who is not himself a recipient, e.g., stepparents and sponsors of aliens. In cases involving these nonrecipients, the standard of need which would be applied to the family would be the standard that would be applicable if the nonrecipient and his dependents were included in the AFDC grant.

Effective date.—October 1, 1983.

Estimated savings.—Negligible.

5. Work Requirements for Applicants and Recipients of AFDC

Current law.—(a) General description of programs.—The work incentive (WIN) program was enacted by Congress in 1967 with the purpose of reducing welfare dependency through the provision of manpower training and job placement services. In 1971 the Congress adopted amendments aimed at strengthening the administrative framework of the program and at placing greater emphasis on immediate employment instead of institutional training, thus specifically directing the program to assist individuals in the transition from welfare to work. In the same year, Congress also provided for a tax credit to employers who hire WIN participants.

The Omnibus Budget Reconciliation Act of 1981 included a provision authorizing States to operate 3-year demonstration programs as alternatives to the current WIN program. The demonstration is aimed at testing single-agency administration and must be operated under the direction of the welfare agency. The legislation includes broad waiver authority.

The 1981 Reconciliation Act also authorized States to operate community work experience (CWEP) programs which serve a useful public purpose, and to require AFDC recipients to participate in these programs as a condition of eligibility. Participants may not be required to work in excess of the number of hours which, when multiplied by the greater of the Federal or the applicable State minimum wage, equals the sum of the amount of aid payable to the family.

In addition, the 1981 Reconciliation Act included a provision under which States are permitted to use any savings from reduced AFDC grant levels to make jobs available on a voluntary basis. Under this approach (work supplementation), recipients may be given a choice between taking a job or depending upon a lower AFDC grant. States may use the savings from the reduced AFDC grant levels to provide or underwrite job opportunities for AFDC eligibles.

Another work-related provision was enacted in the Tax Equity and Fiscal Responsibility Act of 1982, which authorized States to require applicants and recipients to participate in job search programs operated by the welfare agency.

(b) Eligibility.—As a condition of AFDC eligibility, all applicants and recipients must register for WIN unless they are: children under age 16 or in school full time; ill, incapacitated, or elderly; too far from a project to participate; needed at home to care for a person who is ill; a caretaker relative providing care on a substantially full-time basis for a child under age 6; employed at least 30 hours a week; or the parent of a child if the other parent is required to register (unless that parent has refused). Persons who are not required to register may volunteer to do so.

Under the community work experience program, States may require caretaker relatives who are caring for a child under 3 (rather than 6) to participate, provided child care is available. They may also require persons who are not required to register for WIN because they live too far from a WIN project to participate in CWEP. Individuals who are employed 80 hours a month and earning at least the applicable minimum wage may not be required to partici-

pate in a CWEP project. Otherwise, all registrants of WIN may be required to participate in a CWEP project.

The work supplementation legislation gives States complete flexibility in determining who may be included in the program, provided they meet the State's May 1981 AFDC eligiblity requirements.

With respect to the employment search program, any applicant or recipient who is required to register for WIN (or who would be required to register except for remoteness from a WIN site) may be required by the State to participate. However, the State has the option of limiting participation to certain groups or classes of individuals who are required to register for WIN.

(c) Jobs and other services.—WIN participants may receive employment or training services. They may also be given supportive services, including child care, which are needed to enable them to take a job or participate in training.

Community work experience programs must be designed to improve the employability of participants through actual work experience and training, and to enable individuals to move into regular employment.

The work supplementation legislation defines a supplemented job as one which is provided by: the State or local agency administering the program; a public or nonprofit entity for which all or part of the wages are paid by the administering agency; or a proprietary child care provider for which all or part of the wages are paid by the administering agency.

States have authority to design their own employment search programs, which may include job search clubs or individual job search activities.

(d) Financing.—The Federal Government provides 90 percent matching funds for WIN. States must contribute 10 percent matching in cash or kind. Half the funds are allocated to the States on the basis of the State's percentage of WIN registrants during the preceding January; half are distributed under a formula developed by the Secretary to take into consideration each State's performance. Special funding provisions apply to States with WIN demonstration programs.

Regular AFDC matching provisions prevail in the case of individuals who are receiving AFDC benefits and are participating in CWEP. State expenditures for administration of CWEP are eligible for Federal matching of 50 percent. However, such expenditures may not include the cost of making or acquiring materials or equipment or the cost of supervision of work, and may include only such other costs as are permitted by the Secretary.

Federal matching (as determined by the regular AFDC matching provisions) is available to a State for the costs of a work supplementation program to the extent that those expenditures do not exceed the amount of Federal savings resulting from the reductions in assistance payments made to eligible participants. To the extent that program costs are less than the savings generated through the reduction in assistance payments, both State and Federal governments derive a saving. No Federal matching is available to a State for expenditures which exceed the savings in Federal matching. Program costs which a State may claim within this matching limi-

tation include wage subsidies, necessary employment related services, and administrative overhead.

Federal matching of 50 percent is available to the States for the cost of administering the employment search program. This may include transportation and other necessary services.

(e) Administration.—WIN is administered jointly at the Federal level by the Department of Health and Human Services and the Department of Labor. At the State level it is administered jointly by the welfare (or social services) agency and the State employment service. The new WIN demonstration authority requires single-agency administration of the program under the direction of the welfare agency.

The community work experience, the work supplementation, and the employment search programs are administered at the Federal level by the Department of Health and Human Services. Regulations require that these programs be administered through the welfare agency.

Proposal.—The administration is proposing amendments which would substantially restructure the work-related activities and requirements for AFDC applicants and recipients. All activities would be operated by or under the direction of the State welfare agency. The work incentive program would be repealed. The work supplementation program, authorized by the Omnibus Budget Reconciliation Act of 1981, would also be repealed and replaced with a new optional subsidized employment program. The State welfare agency would thus have three employment programs to which to refer AFDC applicants and recipients: the community work experience program, employment search, and, at its option, subsidized employment.

(*a*) *Requirements for participation.*—The present law requirements for participation in work-related activities would be somewhat modified. Under present law, if the principal earner in a family which is eligible on the basis of unemployment of the parent is participating in work-related activities, the second parent is exempt. Under the proposed change, both parents would be required to participate, (unless the second parent is otherwise exempt—for example, on the basis of illness, or needed to care for a young child).

Under current law, the parent or other caretaker relative of a child is required to register for work if the youngest child is age 6 or older. In addition, States have the option of requiring AFDC mothers whose youngest child is between 3 and 6 to participate in the community work experience program if day care is available. The administration is proposing to permit States to require the parent or caretaker relative to participate in other work activities in addition to CWEP, if the youngest child is between 3 and 6 and if day care is available.

Current regulations provide sanctions for AFDC recipients if they voluntarily quit work, reduce earnings, refuse employment, or refuse a CWEP assignment. However, this penalty does not apply to those who are not required to register because they are employed 30 hours or more a week, or live in an area so remote from a WIN program that their participation is precluded. The administration proposes to extend the sanctions to these nonregistrants.

The administration is also proposing to modify the present law exemption for an individual of "advanced age" to refer instead to an individual who is age 60 or above.

(*b*) *Modification in number of required hours.*—Under the administration's proposed amendments, there would also be modifications in the number of hours that individuals could be required to participate in work programs. Present law permits only the consideration of the amount of the AFDC benefit in establishing the work participation requirement for CWEP. Under the proposed change, the number of hours that members of one family could be required to participate in CWEP in a month would equal the amount of its AFDC benefit plus its food stamp allotment for the month, divided by the higher of the State or Federal minimum wage. The Secretary would prescribe regulations for determining the amount of the family's allotment which must be counted for this purpose when the food stamp household includes the AFDC family and other individuals. The maximum monthly number of hours that the family could be required to participate in CWEP would be 120, reduced by hours spent in any other employment. The maximum number of hours that a family could be required to participate in employment search would be 160, reduced by hours spent in all other employment-related activities.

(c) Rules for referrals to particular programs.—The proposed new law would establish rules for referring all non-exempt applicants and recipients to particular programs. Parents in a family receiving benefits on the basis of the unemployment of the principal earner must be referred to the employment search program and the community work experience program. All other recipients must be referred to CWEP and to employment search, or, to the extent the State finds appropriate, to subsidized employment. Applicants must be referred to employment search.

(d) Sanctions for failure to participate.—Current law sanction provisions for AFDC recipients would be retained. Under present law, sanctions may be imposed if the recipient refuses to participate without good cause. In the case of the principal earner in an unemployed parent family, the sanction is denial of benefits for the entire family. In other cases, the individual who refuses is removed from the grant and the family's benefit is reduced. The sanction period is 3 months in the case of a first refusal and 6 months in the case of any subsequent refusals. Applicants may also be sanctioned for refusing to participate in employment search. Under current rules, the period for which the sanction applies is only for as long as the applicant fails without good cause to satisfy the State's requirements for participation in employment search. The administration is proposing to extend to applicants the same sanctions as are applied to recipients.

(e) Employment search program.—The administration's amendments would also make changes in the optional employment search program, as established by the Tax Equity and Fiscal Responsibility Act of 1982. Under the administration's proposal, that program would become mandatory with the State welfare agencies. In addition, the present law provision which limits States to requiring an initial 8-week search period, and additional 8-week periods each year, would be repealed.

The proposed amendment provides for requiring non-exempt AFDC applicants to participate until the application is acted upon. Recipients who are participating in CWEP could be required to participate in job search at intervals and for periods set by the State, but at least on a monthly basis. Other recipients could be required to participate in job search on such basis as the State finds appropriate. The present law requirement that employment search participants may not be referred to employment opportunities which do not meet the WIN criteria for appropriate work and training to which an individual may be assigned, would be repealed.

(f) Community work experience program.—Currently, States have the option of implementing the community work experience program. The administration is proposing to require all States to implement CWEP.

(g) New subsidized employment program.—The administration is proposing to repeal the work supplementation program and to replace it with a new subsidized employment program. States would no longer have the authority to reduce AFDC grants and to use savings to make jobs available to AFDC recipients on a voluntary basis.

States would be authorized to establish a subsidized employment program in such parts of the State as they wish. The stated purpose of the program would be to make jobs available to AFDC recipients, under agreements between the State agency and the employer, in such a manner as will aid in moving people from welfare to unsubsidized employment, and assist them in becoming financially self-sufficient. Agreements could be made with both public and private (including profit-making) employers.

Acceptance of a subsidized job would be voluntary. (However, participation in subsidized employment would meet the requirement for participation in work-related activities only to the extent the individual is actually engaged in subsidized employment.)

Only recipients who are not principal earners in an unemployed parent family would be eligible to participate. Employers would be required to treat participants the same as other employees in similar positions, and State laws and regulations applicable to employment would be equally applicable to program participants. Earnings of participants would not be eligible for the $30 plus one-third disregard of earnings provisions. However, this disregard would be applicable in months immediately after the recipient moves from subsidized employment to regular employment. Wages paid to an individual could not be fully subsidized by the welfare agency. At least past of the wages would have to be provided by the employer. Wages would be considered as earned income under other provisions of law.

The amount which the State could pay to an employer with respect to an individual who is being paid a subsidized wage would be limited for any month to the amount the individual's family would be eligible to receive as AFDC if it had no income, reduced by the amount of any AFDC benefit actually received in the first month of subsidized employment. The payments could be made for no more than 6 months.

(h) Error rate provision made applicable to employment activities.—Under the quality control program, States with error rates in excess of a specified percentage may be sanctioned by being required to repay the Federal Government the Federal cost of improperly paid benefits. The administration is proposing to add a new kind of payments to the definition of erroneous excess payments. Payments would be erroneous when made to families with a member subject to the work requirements if the member is not actually participating in employment-related activities, to the extent that such families exceed 25 percent of all families with a member subject to the work requirements. The percentage of participation would be measured over a period selected by the Secretary to correspond to the relevant quality control reviews.

Effective date.—October 1, 1983.

(1) Job search and CWEP components.—

[In millions of dollars]

	Fiscal year—			Total
	1984	1985	1986	
Outlay effect	+15	−40	−55	−80

(2) Repeal work incentive (WIN) program.—

[In millions of dollars]

	Fiscal year—			Total
	1984	1985	1986	
Outlay effect	−257	−298	−312	−867

6. Households Headed by Minor Parents

Current law.—A minor parent who has a child, and who leaves home, may establish her own household and claim AFDC as a separate family unit. The income of the grandparents is not automatically counted as available to the minor parent, because they are not sharing the household.

Proposal—The administration is proposing that in the case of a minor parent who is not and has never been married, AFDC may be provided only if the minor parent resides with her parent or legal guardian, unless the State agency determines that (1) the minor parent has no parent or legal guardian who is living and whose whereabouts are known, (2) the health and safety of the minor parent or the dependent child would be seriously jeopardized

if she lived in the same residence with the parent or legal guardian, or (3) the minor parent has lived apart from the parent or legal guardian for a period of at least one year prior to the birth of the child, or before claiming aid, whichever is later. The State agency would be given authority to make payments to a protective payee with respect to a minor parent affected by the provision, until the individual is no longer considered a minor by the State.

The committee approved a similar provision last year, but it was dropped in conference with the House.

Effective date.—October 1, 1983.

Estimated savings.—

[In millions of dollars]

	Fiscal year—			Total
	1984	1985	1986	
Outlay effect	—20	—20	—20	—60

7. Repayment of AFDC From Retroactive Payment of Periodic Benefits

Current law.—Under current law, if an AFDC recipient receives a retroactive benefit under another program, the amount of that benefit will be considered a nonrecurring (lump-sum) payment, and the recipient's future AFDC benefits may be reduced or temporarily terminated under the special rules for counting nonrecurring income. In many cases, however, when a person receives a retroactive payment, for example, a retroactive social security payment, he will also be eligible for future payments which will cause him to lose eligibility for AFDC so long as his social security eligibility continues. In such cases, there can be no recovery from future AFDC payments because none are payable. There is no other provision in the AFDC statute which establishes rules by which the States may recover AFDC amounts which would not have been paid if the social security benefit had been paid when due.

Proposal.—The administration is proposing that, whenever an individual or family who received AFDC (within such prior period as prescribed by regulation) receives a payment of retroactive periodic benefits under any other public program (excluding SSI), which, if the benefits had been paid when they were regularly due rather than retroactively, would have resulted in a reduction in the AFDC payment, the State agency must treat the amount of the reduction as if it were an overpayment. The amount would then be subject to the same rules for recovery of overpayments as are applied under current law. Amounts that are considered as overpayments for purposes of this provision would not be counted as income in the month received or in future months for purposes of the provision relating to the treatment of nonrecurring (lump-sum) income, the provision limiting eligibility when income exceeds 150 percent of

the standard of need, and special provisions relating to stepparent disregards and treatment of the income of sponsors or aliens.

Effective date.—With respect to AFDC and other public benefits paid for months after September 1983.

Estimated savings.—Not available; savings are anticipated.

8. Treatment of Amounts Withheld From Other Public Benefits as a Penalty

Current law.—Generally, only income which is actually available to a family may be counted as income for purposes of determining AFDC benefits.

Proposal.—The administration is proposing to require States to count as income amounts being withheld from public benefit payments because of the imposition of a penalty or other such sanction if such amounts would otherwise have been counted as income.

Effective date.—October 1, 1983.

Estimated savings.—Negligible.

9. Absence From Home Solely by Reason of Employment

Current law.—Under present law, if a parent leaves the home in order to maintain employment elsewhere, the remaining members of that parent's family may be eligible for AFDC assistance on the basis that the parent is "absent from the home."

Proposal.—The change proposed by the administration would prohibit AFDC payments in any case in which the sole reason for a parent's absence is an employment-related activity. This provision is similar to a change made in the Tax Equity and Fiscal Responsibility Act of 1982 which prohibits assistance to families when the sole reason for such assistance is the absence of a parent due to performance of duty in one of the uniformed services.

Effective date.—October 1, 1983.

Estimated savings.—

[In millions of dollars]

	Fiscal year—			Total
	1984	1985	1986	
Outlay effect	−5	−5	−5	−15

10. Limitation on Individuals Who May Be Considered Essential Persons

Current law.—Regulations allow States to treat an individual as an "essential person" for purposes of determining a family's AFDC grant. The States are free to define the term as they wish. If an individual is considered an essential person, his needs are considered together with the family's in determining the benefit amount. His income and resources are also added to those of the family.

Proposal.—The administration is proposing to amend the statute to limit the inclusion of an individual as an "essential person" to an individual who is living in the same home as the child and furnishing personal services required (1) because of the relative's physical or mental inability to provide necessary care for himself or for the dependent child, or (2) in order to permit the relative to engage in full-time employment.

Effective date.—October 1, 1983.

Estimated savings.—Negligible.

11. Effect of Participation in Strike on Eligibility for AFDC

Current law.—An amendment in the Omnibus Budget Reconciliation Act of 1981 prohibited payment of AFDC to a family if a caretaker relative (mother, father, or other relative who is designated as the caretaker) is, on the last day of the month, participating in a strike. If an individual in the family other than a caretaker relative is on strike, that individual's needs may not be included in determining the amount of the AFDC payment.

Proposal.—The administration is proposing to limit the prohibition on payment of AFDC to cases in which the parent who is employable (rather than any caretaker relative) is on strike. It is also proposing to change the date for which the finding is made from the last day of the month to the last day of the preceding month (or, at State option, the second preceding month), in order to take account of the procedures used by the State for retrospective accounting and monthly reporting. A provision would also be added to deny assistance to the family if the employable parent is participating in a strike on the day the application is filed, and to exclude from the family's grant determination the needs of any other individual who is on strike on the day of application.

Effective date.—October 1, 1983.

Estimated savings.—Negligible.

12. Access to AFDC Information

Current law.—The AFDC statute restricts the disclosure of information concerning applicants and recipients to purposes directly related to the administration of Federal or federally-assisted programs which provide assistance to individuals based on need.

Proposal.—The administration is proposing to allow disclosure to law enforcement officials of AFDC information for use in connection with any criminal proceeding.

Effective date.—Upon enactment.

Estimated savings.—No budget effect.

13. Eligibility of Alien for AFDC When Sponsor Is an Agency or Other Organization

Current law.—The AFDC program provides that for purposes of eligibility for benefits, legally admitted aliens who apply for benefits after September 30, 1981 are deemed to have the income and resources of their immigration sponsors available for their support for a period of 3 years after their entry into the United States. The provision does not apply with respect to sponsors of aliens who

are agencies or organizations; it applies only to individuals. (A similar amendment was made to the SSI statute in 1980.)

Proposal.—The administration is proposing to amend the present statute to make ineligible for benefits an alien with respect to whom an agency or organization has executed an affidavit of support as a sponsor of the alien's entry into the United States, unless the State agency determines that the sponsoring agency or organization is no longer in existence, or that it does not have the financial ability to meet the alien's needs. The determinations would be made by the State agency based upon such criteria as it may specify and upon such documentary evidence as it may require. A similar change is being proposed with respect to agency sponsors of SSI recipients.

Effective date.—Effective with respect to applications for benefits filed after September 30, 1983.

Estimated savings.—Negligible.

14. CWEP Work for Federal Agencies Permitted

Current law.—The Omnibus Budget Reconciliation Act of 1981 authorized States to conduct community work experience programs "which serve a useful public purpose." Employable recipients may be required to participate in these programs as a condition of eligibility for AFDC.

Proposal.—The administration is proposing to amend the statute to make clear that participation in a CWEP program may include work performed for a Federal office or agency. Such work would not be considered to constitute Federal employment, and the State agency would be required to provide appropriate workers' compensation and tort claims protection to each participant.

Effective date.—Date of enactment.

Estimated savings.—No budget effect.

15. Sanction for Refusal To Repay Overpayments of AFDC

Current law.—A provision in the Omnibus Budget Reconciliation Act of 1981 required State welfare agencies to adopt procedures to collect overpayments and underpayments of AFDC. With respect to overpayments, the State may make recovery by repayment by the individual, or by reduction of future payments of AFDC. The AFDC payment may be reduced only to the extent that the family's income and liquid resources (including AFDC income) exceed 90 percent of the payment that a family would receive if it had no other income.

Proposal.—The administration is proposing to amend the overpayment provision to impose a sanction in cases in which the caretaker relative in a family that continues to receive AFDC refuses to repay an earlier overpayment. The sanction would be the exclusion of the needs of the relative in determining the family's grant. The sanction would apply only in months in which the family's income and liquid resources are in excess of 90 percent of the payment that a family would receive if it had no other income. It would continue until the individual has agreed to make repayment of the full amount of the overpayment and has paid the agency, for one month or such greater number of months as the State may

specify, the monthly amount agreed to by the individual and the State agency.

Effective date.—October 1, 1983.

Estimated savings.—Negligible.

16. Gross Amount of Earned Income

Current law.—The AFDC statute requires the States to disregard the following amounts of a family's earned income—

Eligibility Determination: (1) the first $75 of monthly earnings for full time employment, and (2) the cost of care for a child or incapacitated adult, up to $160 per child per month.

Benefit Calculation: (1) the first $75 of monthly earnings for full time employment; (2) child care costs up to $160 per child per month; and (3) $30 plus one-third of earnings not previously disregarded.

The $30 plus one-third disregard is allowed only during the first 4 consecutive months in which a recipient has earnings in excess of the standard work expense and child care disregards.

Courts in several States have been asked to interpret whether the term "earned income" refers to the gross amount earned by an individual before deductions are taken (for income taxes, insurance, FICA, support payments, or other items, regardless of whether the deduction is voluntary or involuntary), or whether the term refers to net income, after such deductions are taken. Regulations issued by the Department of Health and Human Services require that the term be interpreted as referring to gross income. However, courts in two States have ruled that the term must be interpreted as referring to net income.

Proposal.—The administration is proposing to amend the disregard provisions to make clear that the term "earned income" means the gross amount of earnings, prior to the taking of payroll or other deductions.

Effective date.—Date of enactment.

Estimated savings.—None, since baseline projections assume continuation of current HHS interpretations. Failure to enact this change, however, could involve significant costs if the courts uphold a contrary interpretation.

B. Child Support Enforcement (CSE) (Title IV-D)

Legislative Initiatives

NOTE.—The administration has not submitted its legislation for the child support enforcement program. The following descriptions are taken from the President's fiscal year 1984 Budget. Modifications to the budget proposal are reportedly under consideration.

1. Restructure Federal Matching Provisions

Current law.—The Federal Government pays 70 percent of State and local administrative costs for child support services to both AFDC and non-AFDC families. (The matching rate was reduced from 75 percent beginning in fiscal year 1983 by the Tax Equity and Fiscal Responsibility Act of 1982.) Where the absent parent's family is receiving AFDC, any child support that is collected is used to offset AFDC benefit costs. An additional 15 percent incentive payment financed solely out of the Federal share of collections is also made to States and localities which make collections on behalf of an AFDC family. (The incentive payment is reduced to 12 percent starting in 1984 by that same Act.)

Proposal.—The administration proposes that funding for the program be provided by AFDC child support collections. States would apply their administrative expenses for services to AFDC families against child support collections on behalf of AFDC recipients. The residual net collections, whether positive or negative, would then be divided between the State and Federal governments according to the State AFDC matching rate. Bonus payments would be allotted according to standards determined by the Secretary in the following three areas: (1) child support collections for AFDC families; (2) program cost effectiveness; and (3) cost avoidance program savings. The standards for measuring performance in these three categories would be reviewed at least once every two years.

Funding for automated data processing systems would be authorized through project grants, rather than by the 90 percent Federal matching formula in present law.

The new financing mechanism would be phased in over three years. During the first 2 years, States would have the option of receiving funding under the new proposal, or of receiving a level of funding equivalent to 75 percent of what they could have received under the prior law in fiscal year 1984 or 50 percent of their prior law funding in fiscal year 1985.

This financial restructuring proposal without a phase-in was submitted to Congress in 1983, but was not agreed to by the committee.

Effective date.—October 1, 1983.
Estimated savings.—

[In millions of dollars]

	Fiscal year—			Total
	1984	1985	1986	
Outlay effect	−10	−51	−69	−130

2. Require States To Enact Laws Requiring the Use of Certain Child Support Enforcement Practices

Current law.—Many States have adopted certain procedures which have been found to be cost-effective in operating the child support enforcement program. These include use of mandatory wage assignments, administrative hearing processes to supplement court processes, and State income tax offsets for overdue support payments. These procedures are not currently included as part of the child support State plan requirements.

Proposal.—The administration is recommending that States be mandated to enact laws under which they would be required to use these specified child support procedures. States would also have to have as part of their State plans a requirement that medical support will be sought for AFDC children when it is available at a reasonable cost through employer-subsidized health insurance.

Effective date.—October 1, 1983.
Estimated savings.—

[In millions of dollars]

	Fiscal year—			Total
	1984	1985	1986	
Outlay effect	−30	−65	−70	−165

C. Child Welfare Services (Title IV-B)

Legislative Initiatives

1. Repeal Separate Authority for Child Welfare Training Grants

Current law.—Title IV-B of the Social Security Act authorizes grants to the States for the purpose of providing child welfare services. The amount of the permanent authorization is $266 million annually. Allocations to the States reflect State per capita income and the size of the population under age 21. The Adoption Assistance and Child Welfare Act of 1980 restructured the child welfare services program to encourage States to place greater emphasis on those services which are designed to prevent or remedy the need for long-term foster care. The 1982 and 1983 continuing appropriations resolutions provided a spending level of $156 million for child welfare services.

Funds for child welfare training are currently appropriated under sec. 426 of the Social Security Act, which authorizes the Secretary of Health and Human Services to make grants to public or other nonprofit institutions of higher learning for special projects for training personnel for work in the field of child welfare, including traineeships with such stipends and allowances as the Secretary may determine. The amount authorized to be appropriated is not specified in the statute. The 1982 and 1983 continuing appropriations resolutions provided $4 million for training for each of those years.

Proposal.—The administration is proposing legislation to repeal the separate authority for child welfare training grants, and to make training an activity for which child welfare services program funds may be used, at the option of the State. (The administration's budget request for fiscal year 1984 includes $156 million for child welfare services and child welfare training combined. As noted above, the 1982 and 1983 continuing appropriations resolutions provided $156 million for child welfare services, and an additional $4 million for child welfare training grants.)

Effective aate.—Upon enactment.
Estimated savings.—

[In millions of dollars]

	Fiscal year—			Total
	1984	1985	1986	
Outlay effect	—4	—4	—4	—12

2. Repeal of Reference to Title XX Administering Agency

Current law.—The child welfare services statute includes a provision which requires that each State plan provide for administration of the child welfare services program by the same agency that administers the title XX social services program (with exception to take account of certain historical arrangements). The specific statutory reference to title XX is now obsolete because of changes in the law pursuant to the social services block grant legislation, enacted as part of the Omnibus Budget Reconciliation Act of 1981.

Proposal.—The administration is proposing that the reference to the title XX statute be repealed, and that the child welfare services requirement be amended to provide for administration of the program by a single State agency established or designated by the State to administer or supervise the administration of the plan.

Effective date.—Upon enactment.

Estimated savings.—No budget impact.

D. Foster Care and Adoption Assistance (Title IV-E)

Legislative Initiatives

1. Make the Foster Care Program a Closed-end Entitlement

Current law.—The Adoption Assistance and Child Welfare Act of 1980 (P.L. 96-272) involved a major restructuring of Social Security Act programs for the care of children who must be removed from their own homes. In particular, prior law was modified to lessen the emphasis on foster care placement and to encourage efforts to find permanent homes for children either by making it possible for them to return to their own families or by placing them in adoptive homes. The foster care and adoption assistance program is embodied in title IV-E of the Social Security Act.

Before fiscal year 1981, open-ended Federal matching was provided for foster care payments under the AFDC program for children who met certain specified conditions. Under the new title IV-E program, States may continue to receive Federal funding on an open-ended entitlement basis. However, there are two major provisions in effect through fiscal year 1984 which affect the amount which a State may actually claim under this entitlement authority:

(a) Mandatory cap.—In any year in which the title IV-B (child welfare services) appropriation reaches a specified level ($266 million in fiscal years 1983 and 1984), a State may claim for foster care maintenance payments only up to a "capped" amount, determined under one of three formulas in the law. For most States this means an allowable annual increase in their allotment (determined by the percentage increase in the Consumer Price Index) of no more than 10 percent. If this foster care cap is triggered by the child welfare appropriation, a State may transfer any amount of its allotment which it does not use for foster care maintenance payments for use in funding child welfare services, so long as it is certified as meeting certain foster care protection requirements. This authority to transfer funds from maintenance payments to services was designed to encourage States to decrease reliance on foster care placements, and to provide instead for services to prevent the need for placing children in foster care. The mandatory cap has been in effect only one year, 1981, because the designated level of appropriations has not been reached in the following years.

(b) Optional cap.—In any year in which the title IV-B (child welfare services) appropriation is below the specified level, a State may opt to have a cap imposed on its funding. This allows the State, so long as it meets the foster care protection requirements, to transfer funds from foster care to child welfare services even though the specified appropriation level is not reached. In this case, however, the State is limited in the amount which it may transfer. The amount may not exceed an amount which, together

with the child welfare services funding it receives, is more than the amount of such funds it would have received if the child welfare services appropriation for the year were high enough to trigger the mandatory cap.

In addition to the foster care program, title IV-E authorizes an adoption assistance program under which a State is responsible for determining which children in foster care are eligible for adoption assistance because of special needs which may have discouraged their adoption. In the case of any child meeting the special requirements set forth in the law, the State may offer adoption assistance to parents who adopt the child. The amount of assistance is agreed upon between the parents and the agency.

As in the case of foster care, States may receive Federal matching on an open-ended entitlement basis, but without any provision for a cap.

Matching for both programs is at the medicaid matching rate. Budget authority for foster care was $300 million in fiscal year 1982, increased to $395 million in fiscal year 1983. Budget authority for adoption assistance was $5 million in each of those fiscal years.

Proposal.—Under the administration's proposed legislation, the foster care program would become a closed-end entitlement program, and the current law "cap" provisions would be repealed. Funding for foster care for fiscal year 1984 and future years would be limited to $440,170,000, which the administration states would represent a $45 million increase over the estimated requirements for fiscal year 1983. Each State's share for foster care for fiscal year 1984 and each succeeding fiscal year would equal its proportion of the total Federal share of all States' foster care programs for fiscal year 1982, as determined on the basis of claims allowed before October 1, 1983 (and submitted to the Secretary on or before June 1, 1983). States would be allowed to use any funds which they do not need for foster care for providing services under the child welfare services program, subject to certain current law requirements that they have implemented specified foster care protection provisions.

There would be no change in the funding provisions for adoption assistance.

Effective date.—Upon enactment.

Estimated savings.—

[In millions of dollars]

	Fiscal year—			Total
	1984	1985	1986	
Outlay effect		−40	−86	−126

2. Permanent Authority to Fund Voluntary Foster Care Placements

Current law.—The Adoption Assistance and Child Welfare Act of 1980 included a provision authorizing Federal matching on a temporary basis for payments made on behalf of children voluntarily placed in foster care. The statute provides that, in those States that have implemented specified foster care protections and procedures, Federal foster care matching funds are available until September 30, 1983, for children who have been voluntarily removed from their home (without a judicial determination), if such removal is pursuant to a voluntary placement agreement. The voluntary placement agreement must be revokable on the part of the parent unless the child welfare agency objects and obtains a judicial determination that the return of the child to the home would be contrary to the child's best interests. There must be a judicial determination of a voluntary placement within six months to the effect that such placement is in the best interests of the child. The Secretary of HHS must report annually to the Congress on the number of children placed under this provision.

Proposal.—The administration is proposing to make permanent the authority in present law to fund payments on behalf of certain children placed voluntarily in foster care.

Effective date.—The amendment may not become effective before the effective date of the provision which places a limit on States' entitlement for foster care funds.

Estimated cost.—Negligible.

E. Social Services Block Grant (Title XX)

Legislative Initiatives

1. Expand the Purpose Section

Current law.—The Social Services Block Grant authorizes grants to the States, on an entitlement basis, to encourage them to furnish services aimed at five goals: (1) achieving or maintaining economic self-support to prevent, reduce, or eliminate dependency; (2) achieving or maintaining self-sufficiency, including reduction or prevention of dependency; (3) preventing or remedying neglect, abuse, or exploitation of children and adults unable to protect their own interests, or preserving, rehabilitating or reuniting families; (4) preventing or reducing inappropriate institutional care by providing for community-based care, home-based care, or other forms of less intensive care; and (5) securing referral or admission for institutional care when other forms of care are not appropriate, or providing services to individuals in institutions.

The Community Services Block Grant (under the jurisdiction of the Committee on Labor and Human Resources) provides authority for grants to States "to ameliorate the causes of poverty in communities within the State."

Proposal.—The administration is proposing the repeal of the Community Services Block Grant. The purposes of the Social Services Block Grant would be expanded to make clear that funds may be used for activities now authorized under the Community Services Block Grant. This would be accomplished by adding as a sixth purpose "alleviating poverty."

Effective date.—October 1, 1983.

Estimated savings.—No budget effect for the Social Services Block Grant. The Community Services Block Grant was funded at $343 million in fiscal year 1983.

2. Reduction in 1984 Authorized Spending Level

Current law.—The statute entitles States to receive their share of $2,450,000,000 in FY 1983, $2,500,000,000 in FY 1984, $2,600,000,000 in FY 1985, and $2,700,000,000 in FY 1986 and any succeeding fiscal year. In addition, Public Law 98-8, the Emergency Supplemental Appropriations for Jobs bill, included an additional $225 million for social services which may be used for expenditures in fiscal year 1983 or fiscal year 1984.

Proposal.—The administration is proposing to reduce the authorized spending level for fiscal year 1984 from $2,500,000,000 to $2,440,000,000, to offset in part the increased appropriations made available by Public Law 98-8.

Effective date.—October 1, 1983.

Estimated savings.—$60 million for FY 1984.

3. Additional Information to be Included in Pre-Expenditure Reports

Current law.—Prior to expenditure by a State of any social services funds, the State must report on the intended use of the payments, including information on the types of activities to be supported and the categories or characteristics of individuals to be served.

Proposal.—The administration proposes to require that the pre-expenditure reports made by the States include, in addition to the above information, information on the geographic areas to be served and the criteria and method to be used for disbursement of funds.

Effective date.—October 1, 1983.

Estimated savings.—No budget effect.

4. Additional Requirements for Post-Expenditure Reports and Audits

Current law.—The Social Services Block Grant statute includes a provision requiring each State to prepare reports on its activities carried out with block grant funds. These reports must be "of such frequency (but not less often than every two years) as the State finds necessary to provide an accurate description of such activities, to secure a complete record of the purposes for which funds were spent, and to determine the extent to which funds were spent in a manner consistent with the reports required by section 2004." (Reports required by section 2004 are the pre-expenditure reports referred to above.)

Present law also requires that each State audit its expenditures under the Social Services Block Grant at least every two years, "in accordance with generally accepted auditing principles." The audit must be submitted to the legislature of the State and to the Secretary within 30 days of completion.

Proposal.—The administration is proposing that the post-expenditure reports of each State be prepared no less often than annually, rather than every two years, as provided under current law.

In addition, the administration is proposing that the current requirement that audits be conducted according to "generally accepted auditing principles" be replaced with a requirement that the audits be in accordance with the Comptroller General's "Standards for Audit of Governmental Organizations Programs, Activities, and Functions." A requirement would also be added that each State's audits be made public within the State on a timely basis, replacing the current requirement that they be submitted to the legislature of the State and to the Secretary within 30 days of completion.

Effective date.—October 1, 1983.

Estimated savings.—No budget effect.

5. Require Direct Grants to Indian Tribes

Current law.—Social Services Block Grant funds are allotted to each State, which has the authority to distribute funds within the State according to such procedures as it may establish. There is no provision for direct allotment to Indian tribes.

Proposal.—The administration is proposing to amend title XX to require the Secretary of Health and Human Services to make grants directly to any Indian tribe which undertakes to operate a social services program. An Indian tribe which undertakes to operate a program would be paid a share of the State's allotment equal to the proportion that the population in Indian households in the service area bears to the total population of the State. Each State's allotment would be reduced by an amount equal to the amount of any allotment made to an Indian tribe within the State. The term "Indian tribe" is defined to mean any Indian tribe, band, nation, or other organized group or community, including any Alaska Native village, consortium of villages, or regional corporation recognized by the Secretary of the Interior as having special rights and responsibilities, and as eligible for the unique services provided by the United States to Indians, because of their status as Indians, or any organized group or consortium of such Indian tribes.

Effective date.—October 1, 1983.

Estimated savings.—No budget effect.

6. Addition of Requirements Relating to Nondiscrimination

Current law.—Title XX does not include any specific language relating to nondiscrimination in activities receiving title XX funding.

Proposal.—The administration is proposing the addition of language which is modeled after the nondiscrimination provisions in the health-related block grants (including the Maternal and Child Health Block Grant). The proposed addition would make applicable to title XX activities the prohibitions against discrimination on the basis of age under the Age Discrimination Act of 1975, on the basis of handicap under section 504 of the Rehabilitation Act of 1973, on the basis of sex under title IX of the Education Amendments of 1972, or on the basis of race, color, or national origin under title VI of the Civil Rights Act of 1964. The amendment also includes a general prohibition against discrimination on the basis of sex, except that the provision shall not be construed to prohibit any conduct or activities permitted under title IX of the Education Amendments of 1972.

If the Secretary finds that a State has failed to comply with the nondiscrimination provisions, he must notify the chief executive officer of the State and request him to secure compliance. If within a reasonable period of time, not to exceed 60 days, the chief executive officer refuses to secure compliance, the Secretary may (1) refer the matter to the Attorney General with a recommendation that an appropriate civil action be instituted, (2) exercise the powers provided by the applicable provisions of the above-mentioned statutes, or (3) take such other action as may be provided by law.

Effective date.—October 1, 1983.

Estimated savings.—No budget effect.

7. Consolidated Funding for Indian Tribes

Current law.—As noted in item (5) above, the administration is proposing that the Social Services Block Grant legislation be amended to require that social services funds be allotted directly to

Indian tribes rather than to the State, as is required under present law. The Low-Income Home Energy Assistance statute already includes language expressly authorizing direct funding to Indian tribes for activities covered by that law.

Proposal.—The administration is proposing the enactment of a new "Indian Tribes Consolidated Funding Act" which would require the Secretary of HHS to consolidate the grants made to an Indian tribe under the Social Services and Low-Income Home Energy programs, upon request of the Indian tribe. The Indian tribe would be given full discretion to determine the proportion of the funds granted which are to be allocated to either program. The tribe would be allowed to submit a single application and single pre- and post-expenditure reports with respect to each consolidated grant received for any fiscal year. The Secretary would have the authority to provide procedures for accounting, auditing, evaluating, and reviewing any program or activities receiving funding under any consolidated grant.

Effective date.—With respect to fiscal year 1984 and succeeding fiscal years.

Estimated savings.—No budget effect.

F. Supplemental Security Income (SSI)

Legislative Initiatives

1. Eligibility of Alien for SSI When Sponsor Is an Agency or Organization

Current law.—Under the SSI statute as amended in 1980 (P.L. 96-265), in determining eligibility for benefits, legally admitted aliens (applying for benefits after September 30, 1980) are deemed to have the income and resources of their immigration sponsors available for their support for a period of 3 years after their entry into the United States. The provision does not apply with respect to sponsors of aliens who are agencies or organizations; it applies only to individuals.

Proposal.—The administration's proposal would make ineligible for benefits an alien sponsored by an agency or organization which has executed an affidavit of support, unless the Secretary determines that the sponsoring agency or organization is no longer in existence, or does not have the financial ability to meet the alien's needs. The determinations would be made by the Secretary based upon such criteria as he may specify and upon such documentary evidence as he may require. As under present law, the provision would not apply to aliens who are (1) admitted to the United States as a result of the application, prior to April 1, 1980, of the provisions of section 203(a)(7) of the Immigration and Nationality Act; (2) admitted to the United States as a result of the application, after March 31, 1980, of the provisions of section 207(c)(1) of such Act; (3) paroled into the United States as a refugee under section 212(d)(5) of such Act; or (4) granted political asylum by the Attorney General. A similar provision is being proposed to apply to agency sponsors of AFDC recipients.

Effective date.—Effective with respect to applications for benefits filed after September 30, 1983.

Estimated savings.—Negligible.

2. Adjustment on Account of Retroactive Benefits Under Title II

Current law.—Legislation was enacted in 1980 (P.L. 96-265) aimed at ensuring that an individual's entitlement under the OASDI and SSI programs would not result in windfall benefits. Under this legislation, OASDI benefits that are paid retroactively, following the initial determination of eligibility, are reduced by the amount of any excess SSI benefits that are paid because the OASDI benefits have been received in a lump sum rather than in the months when regularly payable.

Proposal.—The administration's proposal would amend the present requirement to allow the adjustment of benefits in additional situations. First, in the case where retroactive OASDI bene-

fits are paid before the SSI benefits, but for the same period, the retroactive SSI amount otherwise payable would be reduced by the amount of SSI that would not be paid had OASDI been paid when regularly due. Second, OASDI benefits that are paid retroactively, following a period of suspension of benefits, would be reduced by the amount of SSI benefits that would not have been paid had the OASDI benefits been received in the months when regularly payable.

Finally, present law would be amended to coordinate the benefit adjustment provision with the SSI retrospective accounting system. Under present law, it is possible that the two-month lag in counting OASDI income for purposes of determining the SSI benefit amount can result in adjustment for less than the full retroactive period. The proposed change would make it possible to adjust benefits paid for the entire retroactive period.

Effective date.—Applicable to retroactive benefits (either OASDI or SSI) payable after September 30, 1983.

Estimated savings.—

[In millions of dollars]

	Fiscal year—			Total
	1984	1985	1986	
Outlay effect	−15	−16	−17	−48

G. Unemployment Compensation

The administration did not include savings proposals dealing with the Unemployment Insurance System in its fiscal year 1984 budget.