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PUBLIC INCOME TRANSFER PROGRAMS: THE INCIDENCE OF MULTIPLE BENEFITS AND THE ISSUES RAISED BY THEIR RECEIPT

A STUDY

PREPARED FOR THE USE OF THE

SUBCOMMITTEE ON FISCAL POLICY

OF THE

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

BY

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LETTERS OF TRANSMITTAL

APRIL 3, 1972.

To the Members of the Joint Economic Committee:

Transmitted herewith is a study of welfare programs entitled "Public Income Transfer Programs: The Incidence of Multiple Benefits and the Issues Raised by Their Receipt," by James R. Storey. This is the first in a series of studies being prepared for the use of the Subcommittee on Fiscal Policy in connection with a comprehensive study of this Nation's welfare-related programs under the general title of Studies in Public Welfare. This study undertakes to analyze the issues raised by the fact that many persons receiving welfare benefits are aided by more than one such program, whether in the form of cash benefits or benefits in kind.

The views expressed in this paper are exclusively those of the author and do not necessarily represent the views of the Subcommittee on Fiscal Policy, the Joint Economic Committee, individual members thereof, or its staff.

WILLIAM PROXMIRE,
Chairman, Joint Economic Committee.

MARCH 29, 1972.

Hon. WILLIAM PROXMIRE,
Chairman, Joint Economic Committee,
U.S. Congress, Washington, D.C.

DEAR MR. CHAIRMAN: Transmitted herewith is a study entitled "Public Income Transfer Programs: The Incidence of Multiple Benefits and the Issues Raised by Their Receipt," prepared by James R. Storey of the subcommittee staff. This is the first of a number of such study papers being prepared to forward the work of the Subcommittee on Fiscal Policy in its objective and nonpartisan review of all phases of the Nation's system of welfare-related programs. The studies will be published in a series under the general title of Studies in Public Welfare.

This study analyzes the issues raised by the fact that many persons receiving welfare benefits under public programs are aided by cash or in-kind benefits under more than one such program and estimates the extent of such overlaps. It is estimated that the 119 million beneficiaries expected to be aided in fiscal year 1972 by the income transfer programs covered in this analysis are actually comprised of no more than 60 million different individuals. Multiple benefits do not imply wrongdoing on the part of recipients nor do they imply that all persons in need are adequately provided for; but these program overlaps may produce results quite different from those intended by policymakers when each program was enacted individually. There are potential effects on the following: work incentives, family stability, fraud, administrative error, inequities, and effectiveness in carrying out legislative intent. This first view of problems associated with the multiple program structure of our welfare system emphasizes the great importance of further investigation into program interrelations.

The views expressed in this paper are exclusively those of the author and do not necessarily represent the views of the Subcommittee on Fiscal Policy, the Joint Economic Committee, individual members thereof, or its staff.

MARTHA W. GRIFFITHS,
Chairman, Subcommittee on Fiscal Policy.

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SUMMARY

This report presents data on the numbers of persons receiving benefits from various public income transfer programs.[1] Included in the scope of the study are social insurance programs, income-in-kind [2] programs, public assistance, and other income supplement programs. The report focuses particularly on cases in which persons receive benefits under more than one program and examines the issues which are raised by receipt of multiple benefits.

Many persons receiving benefits from public income transfer programs are aided by more than one such program in the form of cash, medical care, subsidized housing, and free or reduced-price food. In fact, it is estimated that 26 of the largest federally-funded income transfer programs and the major non-Federal programs, which are expected to have a gross total of 119 million beneficiaries in fiscal year 1972, will actually be aiding no more than 60 million different individuals. The gross number of 64 million recipients in the 10 Federal programs and the non-Federal programs basing assistance on need criteria is probably about 25 to 30 million different individuals. This figure reflects the true size of the "welfare rolls" today.

Although there are many assistance programs available with benefits reaching large numbers of people, many of these recipients are still living under poverty conditions. Still other low-income people receive no assistance at all. When cash incomes were last measured by the Bureau of the Census, it was found that 25.5 million Americans, 13 percent of the population, had incomes below the poverty threshold.

The generally inadequate benefits under the basic cash assistance programs for the poor have led to a proliferation of programs aimed at improving the lot of poor people. Often the politics of welfare legislation dictated that the supplementary aids be provided in a form other than cash and to specific sectors of the low-income population. Unfortunately, the ways in which each new modification of the welfare system would later interact with existing programs were not always well understood, resulting in what must seem to the average taxpayer to be random effects in terms of income adequacy and equity among different groups of people.

The fact that some persons receive benefits under several programs generally results from their availing themselves of benefits to which they are entitled, and it does not imply wrongdoing. However, the consequences of combined benefits, in some instances, may not be those that policymakers desired in establishing the programs individually; that

[1] The term "public income transfer programs" is used in this report to refer to public programs which have as their aim the maintenance or supplementation of current personal living standards through assistance in cash or in kind. The term "public assistance" is used to refer to one type of such programs, and it will include the programs of aid to families with dependent children, aid to the blind, aid to the permanently and totally disabled, and old age assistance.

[2] The programs offering aid in the form of food, medical care, and housing rather than cash will be called "aid-in-kind" programs throughout this report.

is, the combined impact on recipients and nonrecipients alike may be quite different from the effects anticipated for individual programs.

Because of the high degree of overlap of beneficiaries among the various programs, the policy implications of the interactions of these programs deserve greater scrutiny. Chief among the issues raised are the following:

(1) *Work incentives.*—Any disincentives for recipients to work which are caused by the design of one program are almost always worsened when additional benefits are available to those same recipients under other programs;

(2) *Family stability.*—Other financial incentives, which may prompt such behavior as family splitting and which grow out of program design, are sometimes magnified by benefit combinations available to only certain types of families;

(3) *Administrative error.*—The costs of inefficiency and error in one program may be multiplied through the link in eligibility rules and other administrative procedures among different programs;

(4) *Differential treatment based on personal characteristics.*—The differential provisions of individual programs with respect to such eligibility factors as age, sex of family head, place and type of employment, and family size may be intensified by other programs with similar provisions;

(5) *Program inefficiency.*—Program interrelationships often serve to undo the intent of Congress in passing legislation for a single program; for example, benefits of one program may be increased only to result in a dollar-for-dollar substitution for other benefits, thus resulting in no net gain for some of the intended beneficiaries; and

(6) *Administrative complexity.*—Multiple benefit eligibility requires the maintenance of similar beneficiary records by many different agencies, increases the workload involved in agency auditing procedures, and often causes recipients to have to deal regularly with several physically separate bureaucracies.

This report's findings suggest that these issues are critical and real. In terms of *work incentives* later sections of the report will show that one-tenth of all families with children on public assistance potentially could have total benefits reduced by 85 cents or more for every additional dollar the family breadwinner can earn. In addition, many of these families face strong economic barriers to their departure from the public assistance rolls because of benefits such as free medical care and free commodities that many families get automatically while on public assistance but lose as soon as their cash public assistance grant is reduced to zero. Benefits can be combined to produce high totals without work—as high as $5,900 per year in New York including medical benefits. A high total income from a combination of programs, coupled with a large reduction in that income as earnings rise, can discourage work efforts.

Differential treatment of low-income families exists on the basis of residence. While some programs operate relatively uniformly in all States, these benefits in combination with variable benefits lead to situations in which a family with total benefits of $5,900 in New York City could qualify for only half that amount in Atlanta.

Disparities in benefits available to male- and female-headed families may provide financial incentives to alter the *family structure.* For instance, an unemployed male family head in Atlanta can command at most two-thirds of the income available to a female family head. Even in New York, which offers State benefits to groups not covered by Federal public assistance programs, a family headed by a man working full time for low wages can be worse off than a family headed by a woman with the same earnings. These disparities in income support available from Government sources constitute an incentive for low-income fathers to desert their families. Similarly, preferential treatment for families with children may set up large financial incentives for the childless to bear children. In four cities examined in this study, benefits available to a family of four are generally at least $2,000 higher than those for a childless couple.

The efficiency of programs as tools to alleviate poverty can be undermined by the ways in which programs interact with each other. For example, a low-income aged person who is eligible for old age assistance may not be much better off for having entitlement to a veteran's pension or social security and may be worse off if he is eligible for both. Benefit increases for either of these two programs can also cause the public assistance recipient to suffer a loss in real income. A nonaged unemployed male covered by unemployment insurance may have a total income which is less than the benefits he would have received from the unemployed father segment of the program of aid to families with dependent children, but he is not eligible under the latter program while he is eligible for unemployment insurance benefits.

Administrative complexity is apparent from the numbers of programs and persons involved. Benefits of $100 billion are being paid to 60 million individuals, who on the average receive two benefits each. Benefits flow from 11 Federal agencies and a great many non-Federal agencies, all of which have their own complex procedures for eligibility determination, payment method, recordkeeping, adjudication, and investigation.

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INTRODUCTION

Total Number of Recipients

The 26 major federally-funded income transfer programs [1] and the non-Federal programs [1] shown in table 1 include public assistance, social insurance, and veterans' cash benefit programs, and the major programs offering assistance in kind. They are expected to pay benefits of almost $100 billion during fiscal year 1972. If one simply totals the numbers of recipients of each of these benefits, ignoring the fact that some program beneficiaries receive supplemental benefits from other programs as well, one might conclude that about 119 million people are being helped by these programs. That would be over half the entire population of the United States. However, allowing for the fact that some persons receive benefits under a number of different programs, the number of unique beneficiaries for all of these programs is probably no greater than 60 million.[2]

Of the programs shown in table 1, ten Federal programs and the local general assistance programs are related to "need"; that is, benefits and/or eligibility are based on the current cash incomes of recipients.[3] These programs will pay out $24 billion in fiscal year 1972, $16 billion from Federal funds, to a gross total of about 64 million beneficiaries. Removing the multiple-counting of recipients getting more than one benefit reduces the figure to an unduplicated count of from 25 to 30 million persons.[2] This latter figure is a good measure of the true size of the "welfare rolls" nationwide, and it includes intact families headed by working males, in addition to the bulk of the recipients who are aged, blind, disabled, or in female-headed families.

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[1] These and other related programs are described in Supplementary Materials, Part A.

[2] The number of unique beneficiaries for this group of programs is not known exactly because there are numerous program overlaps for which no statistics exist. The esimates shown here were made by combining what is known with order of magnitude estimates for the unknown overlaps. Since there is much information about the overlaps of social security, public assistance, veterans' pensions, and public housing with each other and with other programs, the extent of error for this estimate should not exceed 10 percent.

[3] Most of these programs also take the value of assets into account. In the remainder of this report these programs are referred to simply as income- or needs-tested programs.

TABLE 1.—BENEFIT OUTLAYS UNDER PUBLIC INCOME TRANSFER PROGRAMS, FISCAL YEAR 1972

[In billions of dollars]

Program	Benefit outlays, fiscal year 1972: Total	Federal	State and local
Income-tested programs: [1]			
Aid to families with dependent children	6.7	3.7	3.0
Old age assistance	2.5	1.7	.8
Aid to the blind	.1	.06	.04
Aid to the permanently and totally disabled	1.5	.8	.7
General assistance	[2] .7		[2] .7
Veterans' pensions	2.5	2.5	
National school lunch program (free or reduced-price lunches)	.5	.5	
Food stamps	2.0	2.0	
Food distribution (to individuals and families)	.3	.3	
Public housing	.8	.8	
Medicaid	7.0	3.9	3.1
Total, income-tested programs	24.6	16.3	8.3
Other income transfer programs:			
Old age and survivors insurance	34.5	34.5	
Disability insurance	4.0	4.0	
Railroad retirement	2.1	2.1	
Civil service retirement	3.4	3.4	
Other Federal employee retirement [3]	4.0	4.0	
State and local retirement	[4] 3.3		[4] 3.3
Unemployment insurance	6.4	6.4	
Workmen's compensation	[5] 3.0	.2	[5] 2.8
Veterans' medical care [6]	2.2	2.2	
Veterans' compensation [7]	3.6	3.6	
Medicare	8.5	8.5	
Total, other programs	75.0	68.9	6.1
Total, all programs	99.6	85.2	14.4

[1] These programs base benefits on the current needs of recipients.
[2] Data on general assistance payments are for calendar year 1970.
[3] Military retirement and six other retirement programs.
[4] Data on benefits paid by State and local retirement systems are for calendar year 1970.
[5] Data on workmen's compensation benefits under State programs are for calendar year 1970 and include both cash benefits and reimbursements for medical expenses.
[6] The Veterans Administration's medical care program is, in part, an income-tested program since any veteran who signs a "pauper's oath" can get free care in VA hospitals. However, many VA patients are entitled to treatment for reasons related to military service and receive care without regard to their financial resources.
[7] Benefits are income tested for a small number of parents who are survivors of deceased veterans.

Source: Budget of the United States Government, 1973, "Special Analysis L: Federal Income Security Programs."

The other 16 Federal programs and the non-Federal retirement and workmen's compensation programs do not base benefits on current cash income. However, they have been included in this report because they have significant impact on the current disposable incomes of a great many persons—including millions of persons receiving income-conditioned benefits—and they prevent additional millions from requiring income supplementation based on need. Hence, understanding the relationship of the social insurance, retirement, and veterans' programs to public assistance and other income-tested programs is crucial to rational public welfare policymaking.

BENEFITS NOT INCLUDED IN THIS REPORT

Three classes of income transfers have not been incorporated into this report. However, they are analyzed in a study of subsidy programs recently completed by the Joint Economic Committee staff.[4]

First, there are "tax transfers" or indirect income transfers through special rules for tax reductions, such as the extra income tax exemptions for aged and blind taxpayers. These transfers are indirect in the sense that beneficiaries actually receive Government checks only if taxes have been overwithheld. Nonetheless, for those millions of persons who would otherwise pay higher income taxes, the benefits result in higher disposable personal incomes for those benefited and produce a direct loss to the treasury. The same results could be achieved if general cash transfers in like amounts were paid directly to aged and blind taxpayers from general revenues provided by other taxpayers. Because of these special exemptions and others classified as Federal income security benefits by the Office of Management and Budget, it is estimated that $6 billion of Federal revenues will be lost in fiscal year 1972.[5]

There are also private income transfers, such as private pension systems, which are particularly important because of their relationship to the social security system. These plans are supported in part by Federal taxpayers through $3 billion in tax reductions to individuals for pension fund contributions and earnings.[6]

And finally, there is a set of public activities which most people would term subsidies, a good example of which is the farm price support program. Many subsidies are primarily targeted on industries rather than individuals. In those instances, benefits to individuals in terms of impact on current disposable incomes are frequently not explicitly identifiable or measurable. Subsidies, which include some of the aid-in-kind programs analyzed in this report, currently cost the taxpayers about $63 billion annually.

The above-mentioned transfers and subsidies have been omitted from this report in order to keep the topic of manageable scope and to maintain a clear focus on those programs of most direct relevance to income support for low-income persons. However, the magnitude of these omitted governmental activities, and in particular the sizable benefits the nonpoor derive from them, must be kept in mind if the problems of welfare are to be seen in their proper perspective. For example, in fiscal year 1971 the income tax deductions granted to homeowners for mortgage interest payments totalled $2.8 billion. This cost to the Federal treasury is more than the Federal budgetary costs of all of the housing subsidy programs specifically earmarked for aid to low-income groups.

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[4] "The Economics of Federal Subsidy Programs—A Staff Study," Joint Economic Committee Print, 70–378, January 11, 1972.

[5] *Budget of the United States Government, 1973,* "Special Analysis L (Federal Income Security Programs)."

[6] This figure and subsequent figures on subsidies and tax transfers come from "The Economics of Federal Subsidy Programs—A Staff Study," Joint Economic Committee Print, 70–378, January 11, 1972.

WHY MULTIPLE BENEFITS OCCUR

In general, many persons receive more than one benefit because multiple programs have been established in an attempt to meet a variety of needs for income assistance. These circumstances range from the support of those with chronically low incomes to the temporary or permanent replacement of earning power unavoidably lost through old age, disability, death, or unemployment. The Nation has chosen to cope with the need for the day-to-day provision of food, shelter, and clothing as well as the aperiodic, unpredictable, and sometimes costly need for health care for some persons. We have chosen to meet these various needs through separate programs in a step-by-step attempt to cover each problem as it became apparent. However, these many specific programs often tend to affect the same individuals, and to date little attempt has been made to take into account program interactions in designing each new program.

Overlaps among beneficiaries of specific programs occur essentially for three reasons. Where benefit entitlement depends upon a set of *prior conditions* having been met (for example, social security entitlement), an individual may also meet the conditions for eligibility under other programs (such as for Federal employee retirement). This situation arises for many people who retire from the civil service but also worked in private employment long enough to gain social security coverage as well.

For benefits based on *current income*, a person's income including a benefit under one program may be less than the income limitation imposed by one or more needs-based programs. Thus, persons receiving social security benefits or veterans' compensation, for example, may have total incomes low enough to qualify them for public assistance, food stamps, or public housing. Furthermore, persons eligible under one income-tested program frequently will qualify for other income-tested benefits. For instance, if a family's income is low enough to qualify for public assistance, it generally will qualify for public housing.

Finally, benefit entitlement for a program may be explicitly tied to *eligibility under another program*. A good example is offered by the public assistance programs. In most States public assistance recipients are automatically eligible for medicaid, food stamps or food distribution, and free school lunches for the children.

Where no significant overlap between two programs occurs, the reason may lie in the contrasting objectives of the two programs; for instance, no one would expect old age assistance recipients to receive aid from the school lunch program. Likely overlaps, however, are sometimes specifically denied by statute. This situation exists for families with children headed by unemployed fathers, who cannot receive payments under the aid to families with dependent children (AFDC) program during any week in which they are entitled to receive unemployment insurance benefits.

Much information about the extent of multiple benefits is still not available, but a considerable amount of useful data can be found in existing surveys and agency publications. This report pulls the information together and discusses combined benefits in the context of the problems of incentives, equity, adequacy, program efficiency, and administration which are posed by certain types of overlaps.

THE POLICY SIGNIFICANCE OF BENEFIT OVERLAPS

Benefit overlaps have considerable policy significance. Problems arising in one program may be magnified by the combination of the first program with one or more additional programs. Efforts to improve benefits for recipients of one program or to reform the structure of one program may be thwarted by its interaction with other programs not under the control of the agency or the congressional committee making the changes. The 26 Federal programs discussed in this report are administered by 11 Federal agencies; some of these 26 programs and the many non-Federal programs involve numerous State and local agencies and authorities in all of the States and territories. The Federal programs come under the jurisdiction of ten House and nine Senate legislative committees.

The following paragraphs highlight problems raised by the different benefit overlaps. The first three sections deal with problems of incentives, equity, and adequacy. These three dimensions of the analysis are closely related; that is, introducing either better incentives, greater equity, or more adequate benefits may impair one or both of the other two program objectives. No attempt is made in this paper to weave these three elements together, nor is there any comment on the definitional problems posed by the concepts of equity and adequacy. Instead, the purpose of this discussion is to focus on problems of incentives, equity, and adequacy already generally recognized in specific programs and discuss those problems as they exist for programs considered in combination. In general, the term equity in this context refers to differential treatment of persons with similar incomes but different family structures or personal characteristics.

Incentive Effects

Two types of situations arise which may undermine the economic incentives[1] for benefit recipients to go to work or to increase their work efforts. We do not know the extent to which such situations actually do lead people to reduce work efforts. But the structure of programs should be analyzed so that policymakers may know the economic advantages for working which programs offer as they operate singly and in combination.

The first of the situations undermining incentives is caused by combinations of benefits that are related to income. A person may be eligible for several programs (for example, AFDC, food stamps, and public housing), each of which reduces benefits as income increases. As a person's income rises, a higher price will have to be paid for the same food stamp allotment, rent for the public housing unit will increase, and the AFDC grant will be reduced.

[1] The incentives discussed in this section are incentives in the sense that financial gain is readily available from public programs if persons adapt to the rules. Rational recipient behavior in a solely financial sense would produce the effect, but we have no data on the numbers of persons responding to the financial incentives.

Each program's benefit reduction rate per dollar of increase in income (or marginal "tax rate" [2] on income) may be sufficiently low to keep work quite profitable when each is considered separately. However, in combination such programs can result in rather high reduction rates. For instance, if the three programs mentioned above operate in combination as they do individually, a marginal benefit reduction rate of 85 cents for each additional dollar of earnings will result. As table 9 shows, about one-tenth of all AFDC families (almost 300,000 families with more than 1 million members) receive this particular combination of benefits. The rate can be higher than 85 percent if the family is subject to social security taxes and Federal, State, or local income taxes, and these taxes are not fully deducted from income prior to computing benefits. This combined reduction rate problem is relevant to all programs which relate benefits to earnings, including all public assistance categories, social security because of the "retirement test," unemployment compensation, veterans' pensions, food stamps, public housing, rent supplements, medicaid (for those persons subject to deductibles),[3] and the smaller programs such as assistance for Indians and for Cuban refugees.

Some program administrators and policymakers have attempted to lower combined benefit reduction rates and lessen the possible adverse impact on work incentives. For example, local public assistance and public housing agencies have developed special rent schedules for AFDC families which maintain a constant level of rent as long as families receive AFDC. Also, the food stamp program maintains a small benefit for those public assistance recipients whose incomes are above the usual food stamp eligibility level.[4] These special arrangements serve to reduce the combined marginal reduction rate over some range of income by eliminating the marginal rates for food stamps and public housing over that range. However, since the benefits are completely lost when families lose their eligibility for public assistance, the positive work incentive effects of the arrangement may be lost as well at the point where public assistance terminates. Such measures are simple, *ad hoc* attempts to deal with complex problems and may result in the second disincentive situation, the "income notch".

An income notch occurs when benefits lost as income increases exceed the amount of the increase at some point on the income scale. To illustrate, family earnings might increase by only $100, but pro-

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[2] Considerable confusion has surrounded the term "marginal tax rate." This unfortunate choice of words has sometimes been misconstrued as meaning a special tax on recipients which serves to finance the benefits for others. However, it does not refer to a tax in the usual sense of payments made to the government, but rather to the amount by which benefits from the government are reduced for each additional dollar of income. From the viewpoint of the recipient this reduction rate is, effectively, a tax rate. It is the rate at which his total unearned income declines as earnings rise.

[3] About half the States extend medicaid coverage to poor persons not eligible for public assistance payments. For this group, as income rises over a certain level set by the State, an increasing amount of medical expenditures are deducted from total medical costs before the recipient is reimbursed.

[4] For example, the general annual income limit for a family of four under the food stamp program is $4,680, net of certain deductions. Male-headed and female-headed families not receiving AFDC are no longer eligible for food stamps at this point. But the AFDC family with an income of $4,680 or more may continue to purchase food stamps with a constant bonus value of $288 even though its total income may rise to $6,000 or $7,000. The only requirement is that the family retain AFDC eligibility.

gram rules could cause a loss of benefits in excess of $300. In this example total family income would decline by over $200, or more than twice the increase in earned income. Sometimes such income-loss situations result when work is increased from part-time to full-time. Table 5 shows that in New York City, a man working half time at the minimum wage has a total of $5,420 in earnings, AFDC–UF, and food benefits for his family of four. If he works full time at the same wage, his earnings, general assistance, and food benefits total to only $4,952.

Notches are built into a number of individual programs including the AFDC, unemployment insurance, medicaid, and food distribution programs. When benefits are received from these programs in combination, the notch effects are larger and tend to occur at higher levels of total income.

Notches are introduced into *any* income-tested program when the income-tested benefit is supplemented by programs for which eligibility is tied to receipt of the first benefit. Good examples of this situation are afforded by AFDC families also participating in the medicaid, food distribution (surplus commodities), and school lunch programs. These latter three programs all generally provide constant levels of benefits to public assistance recipients regardless of income. The amount or type of medical bills paid or the amount of food stuffs received does not vary with the income of the AFDC family. When AFDC eligibility is lost (which may occur because earnings increase to a level higher than the standard used to define eligibility for the AFDC program), all other benefits may be lost. Such benefits may be sizable, especially in the case of medicaid, so the earnings increase may have to be very large to make the move above the notch advantageous to the recipient.

Benefit combinations may have important effects on work incentives in yet another way. The higher the level of a transfer payment, the more attractive it may become for a recipient to substitute leisure for work. As will be seen later in this report, benefits for working-age adults in some States can reach rather high levels through the combination of several programs. Thus, work incentives may be weakened not only by high benefit reduction rates and income notch problems but also by benefit combinations which produce total incomes that are high in comparison to potential earnings. This conclusion may be reflected in the recent emphasis on building "work requirement" provisions into the AFDC and food stamp programs and the proposed family assistance plan.

It should be mentioned here that multiple eligibility for related programs serves to accentuate other potential incentives which the existence of only one of the programs may have already established. A program such as AFDC may offer a woman a large financial incentive to have her first child. Other programs such as medicaid, which are automatically available to AFDC families, serve to increase further this childbearing incentive for women with low earning potential in many localities. For instance, in Atlanta (see table 2) an unemployed mother of three children would receive a cash grant of $1,788 a year plus free food. A childless couple or a single person under age 65 could get only the free food. The availability of free medical care to the AFDC family serves to widen this gap further, so that the family of four winds up with benefits of $2,710, compared to only $174 for the couple or $87 for a single individual.

Another type of incentive is created by the unequal benefits for male- versus female-headed families. It is often economically disadvantageous to a woman who is potentially eligible for AFDC to marry the low-income father of her child if this would disqualify her for such aid. Or, if she is married, the family unit may have a significantly higher total income if the husband and wife separate. The extent of the differences in benefits available to male- and female-headed families varies greatly from place to place. In Atlanta the gap is large; an unemployed mother of three children has total benefits of $2,710, compared to only $474 for the unemployed male head of a four-person family (or to $1,722 if the father has unemployment insurance benefits). Although unemployed male and female family heads draw the same benefit amounts in New York City, a female family head in New York working full time at the minimum wage has a total income that is $1,300 higher than that of the comparable male family head. This difference is not due to unequal benefit levels or coverage but rather to different benefit reduction rates applied under AFDC (to the female family head's income) and under general assistance (to the male's income).

Equity Problems

The effects of eligibility for multiple benefits discussed above in relation to incentives are also important in considering the treatment of families with the same income but different family structures. Many cash assistance programs are offered specifically for the aged, for the disabled, for the unemployed, and for families with children (often only for female-headed families), on the grounds that such groups are less able to support themselves than others in the population. There is not, however, a perfect correlation between membership in these categories and the lack of income. Many persons outside these groups have limited earnings or employment opportunities, and many persons within the groups are capable of supporting themselves and do so. Eligibility for medical benefits for the groups eligible for cash assistance usually intensifies the differential treatment already experienced by the nonaged, the childless, those who work for low wages, and male-headed families. Food and housing benefits, which are available on a more equal basis to all people with low incomes, often tend to reduce income differentials.

The income and benefit differences resulting from the present arrangement of programs are illustrated in tables 2 through 5. These tables show the widely varying benefits available in four cities—Atlanta, Chicago, Detroit, and New York City—for different types of families at various levels of employment.

The data arrayed below show total benefits in each of the cities for four-person families headed by (1) unemployed fathers, and (2) unemployed mothers. These benefits—which include cash public assistance grants, food stamp bonus or free food values, the value of free school lunches, and average medicaid costs—are contrasted with equivalent taxable incomes and with estimated mean earnings of year-round workers:

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City	Male heads: Total benefits while unemployed	Male heads: Equivalent amount of taxable income[1]	Male heads: Estimated average earnings for men working all year[2]	Female heads: Total benefits while unemployed	Female heads: Equivalent amount of taxable income[1]	Female heads: Estimated average earnings for women working all year[2]
	Annual incomes for families of 4 with—					
Atlanta	$474	$500	$9,600	$2,710	$2,860	$5,300
Chicago	4,819	5,280	11,300	4,819	5,283	5,500
Detroit	4,894	5,370	12,000	4,894	5,373	6,000
New York	5,312	5,880	12,000	5,312	5,890	6,100

[1] Allows for Federal income tax and social security tax.
[2] These are 1967 social security earnings data, increased by 30 percent to allow for growth in wages from 1967 to 1972. The average earning figures are high because they are based only on year-round workers. Thus, they overstate the ncome potentially available to the average worker from employment.

This array of numbers provides several examples of differential treatment of families depending on where they live, how they are structured, and whether or not they work. They show the following:

(1) Benefits in New York for the female-headed family are twice the amount the same family could get in Atlanta;

(2) In Atlanta, the female-headed family is five times better off than is the male-headed family; and

(3) In Chicago, Detroit, and New York City, the average working woman, who earns from $5,500 to $6,100 a year and does not qualify for any public assistance, is not much better off economically than she would be if she stayed at home with her children.

The geographic disparities in benefits persist when benefits for wage earners are compared. For a family of four headed by an adult woman working full time at the minimum wage of $1.60 per hour, total annual income, including earnings, cash assistance, and noncash benefits of food and medical services, varies from $3,326 in Atlanta up to $7,429 in New York City.

Atlanta is representative of a city where benefits are relatively low; the other three cities are typical of high-benefit areas. Persons in many cities not specifically discussed in this report, such as Los Angeles, Kansas City, or Denver, would receive benefits somewhere between the two extremes illustrated above.

Besides place of residence and sex of family head, other important factors in determining relative benefit levels are (1) age, and (2) number of children. With respect to age, the four tables show that cash aid for the aged couple is consistently higher than that for the nonaged couple, reflecting the limited opportunities the low-income aged have for obtaining income from private sources. The benefit differential is heightened by the generally better health care coverage provided the aged through medicaid and medicare to meet their greater health needs.

Another common differential is found by comparing childless couples and families with children. Assistance levels are lower for the childless poor, less earned income is disregarded in computing benefits, and free medical care is less likely to be available. In all of the cities but Atlanta, the mother of three working full time has a total income almost twice that of the couple with the same earnings. This comparison holds up for the unemployed cases as well in the three cities; in Atlanta, the unemployed couple receives almost no benefit (only $174 in free food).

TABLE 2.—COMPARISON OF BENEFITS THEORETICALLY AVAILABLE TO DIFFERENT TYPES OF FAMILIES IN ATLANTA, GA.[1]

Family type	Basic annual family income (in dollars)									Net added income if family also benefits from: [8 9 10]			Net added income if couple also benefits from: [8 9 11]						
	Total incl. noncash benefits	Before-tax equivalent [2]	Total cash income	Sources of basic family income															
				Earnings [3]	Public assistance grant [4]	Noncash benefits													
						Total	Food distribution [5]	School lunches [6]	Medical [7]	Public housing and UI	Public housing only	UI only	VA pension, public housing, & OASI	VA pension and public housing	VA pension and OASI	VA pension only	Public housing and OASI	Public housing only	OASI only
Aged couple	3,212	3,390	2,052	—	2,052	1,160	174	—	986				+587	+720	+19	+60	+768	+660	+108
Family with nonaged head:																			
Childless couple:																			
Unemployed	174	184	—	—	—	174	174	—	—	+2,150	—	+1,248							
Part-time work	1,774	1,786	1,600	1,600	—	174	174	—	—	+973	+835	+221							
Full-time work	3,200	3,340	3,200	3,200	—	—	—	—	—	+456	+456	—							
Mother and 3 children:																			
Unemployed	2,710	2,860	1,788	—	1,788	922	348	126	448	+896	+896	—							
Part-time work	3,993	4,170	3,071	1,600	1,471	922	348	126	448	+864	+864	—							
Full-time work	3,326	3,340	3,200	3,200	—	126	—	126	—	+840	+840	—							
Father, mother, and 2 children:																			
Unemployed	474	500	—	—	—	474	348	126	—	+2,387	—	+1,248							
Part-time work	2,074	2,100	1,600	1,600	—	474	348	126	—	+1,373	+1,105	+351							
Full-time work	3,326	3,340	3,200	3,200	—	126	—	126	—	+725	+725	—							

See footnotes end of table 5.

TABLE 3.—COMPARISON OF BENEFITS THEORETICALLY AVAILABLE TO DIFFERENT TYPES OF FAMILIES IN CHICAGO, ILL.[1]

Family type	Basic annual family income (in dollars)									Net added income if family also benefits from:[8 9 10]			Net added income if couple also benefits from:[8 9 11]						
	Total incl. noncash benefits	Before-tax equivalent[2]	Total cash income	Sources of basic family income															
				Earnings[3]	Public assistance grant[4]	Noncash benefits													
						Total	Food stamps[5]	School lunches[6]	Medical[7]	Public housing and UI	Public housing only	UI only	VA pension, public housing & OASI	VA pension and public housing	VA pension and OASI	VA pension only	Public housing and OASI	Public housing only	OASI only
Aged couple	4,523	4,910	2,559	--------	2,559	1,964	324	--------	1,640				+773	+396	−171	--------	+444	+396	+48
Family with nonaged head:																			
Childless couple:																			
Unemployed	3,058	3,341	2,304	--------	2,304	754	300	--------	454	+732	+360	+21							
Part-time work	3,466	3,752	2,712	1,600	1,112	754	300	--------	454	+327	+360	---------							
Full-time work	3,200	3,340	3,200	3,200	--------	--------	--------	--------	--------	+875	+875	---------							
Mother and 3 children:																			
Unemployed	4,819	5,283	3,314	--------	3,314	1,505	480	118	907	+897	+756	---------							
Part-time work	5,892	6,540	4,387	1,600	2,787	1,505	480	118	907	+756	+756	---------							
Full-time work	6,725	7,520	5,220	3,200	2,020	1,505	480	118	907	+756	+756	---------							
Father, mother, and 2 children:																			
Unemployed	4,819	5,280	3,314	--------	3,314	1,505	480	118	907	+897	+756	+47							
Part-time work	5,892	6,520	4,387	1,600	2,787	1,505	480	118	907	+490	+756	−239							
Full-time work	5,573	6,030	4,058	3,200	868	1,505	480	118	907	+720	+720	---------							

See footnotes end of table 5.

TABLE 4.—COMPARISON OF BENEFITS THEORETICALLY AVAILABLE TO DIFFERENT TYPES OF FAMILIES IN DETROIT, MICH.[1]

Family type	Basic annual family income (in dollars)									Net added income if family also benefits from:[8 9 10]			Net added income if couple also benefits from:[8 9 11]						
	Total incl. noncash benefits	Before-tax equivalent[2]	Total cash income	Sources of basic family income															
				Earnings[3]	Public assistance grant[4]	Noncash benefits													
						Total	Food stamps[5]	School lunches[6]	Medical[7]	Public housing and UI	Public housing only	UI only	VA pension, public housing & OASI	VA pension and public housing	VA pension and OASI	VA pension only	Public housing and OASI	Public housing only	OASI only
Aged couple	5,152	5,681	2,892	--------	2,892	2,260	288	--------	1,972				+698	+540	+48	--------	+588	+540	+48
Family with nonaged head:																			
Childless couple:																			
Unemployed	2,510	2,648	2,076	--------	2,076	434	288	--------	[12] 146	+968	+540	--------							
Part-time work	3,811	4,186	3,377	1,600	1,777	434	288	--------	[12] 146	+540	+540	--------							
Full-time work	4,765	5,288	4,331	3,200	1,131	434	288	--------	[12] 146	+540	+540	--------							
Mother and 3 children:																			
Unemployed	4,894	5,373	3,660	--------	3,660	1,234	396	118	720	+540	+720	--------							
Part-time work	6,087	6,800	4,853	1,600	3,253	1,234	396	118	720	+720	+720	--------							
Full-time work	7,041	7,930	5,807	3,200	2,607	1,234	396	118	720	+720	+720	--------							
Father, mother, and 2 children:																			
Unemployed	4,894	5,370	3,660	--------	3,660	1,234	396	118	720	−132	+720	−852							
Part-time work	6,087	6,770	4,843	1,600	3,253	1,234	396	118	720	+29	+720	−691							
Full-time work	6,121	6,718	5,315	3,200	2,115	806	396	118	[12] 292	+720	+720	--------							

See footnotes end of table 5.

TABLE 5.—COMPARISON OF BENEFITS THEORETICALLY AVAILABLE TO DIFFERENT TYPES OF FAMILIES IN NEW YORK, N.Y.[1]

Family type	Basic annual family income (in dollars)									Net added income if family also benefits from:[8 9 10]			Net added income if couple also benefits from:[8 9 11]						
	Total incl. noncash benefits	Before-tax equivalent[2]	Total cash income	Sources of basic family income															
				Earnings[3]	Public assistance grant[4]	Noncash benefits													
						Total	Food stamps[5]	School lunches[6]	Medical[7]	Public housing and UI	Public housing only	UI only	VA pension, public housing and OASI	VA pension and public housing	VA pension and OASI	VA pension only	Public housing and OASI	Public housing only	OASI only
Aged couple	5,392	5,980	2,628	....	2,628	2,764	240	....	2,524				+916	+666	+187	+90	+714	+576	+138
Family with nonaged head:																			
Childless couple:																			
Unemployed	3,247	3,570	2,472	....	2,472	775	240	....	535	+996	+576	+265							
Part-time work	3,652	3,990	2,877	1,600	1,277	775	240	....	535	+1,261	+576	+580							
Full-time work	4,057	4,400	3,282	3,200	82	775	240	....	535	+639	+639	....							
Mother and 3 children:																			
Unemployed	5,312	5,890	3,756	....	3,756	1,556	360	126	1,070	+600	+600	....							
Part-time work	6,490	7,320	4,934	1,600	3,334	1,556	360	126	1,070	+600	+600	....							
Full-time work	7,429	8,440	5,873	3,200	2,673	1,556	360	126	1,070	+600	+600	....							
Father, mother, and 2 children:																			
Unemployed	5,312	5,880	3,756	....	3,756	1,556	360	126	1,070	+600	+600	....							
Part-time work	6,490	7,290	4,934	1,600	3,334	1,556	360	126	1,070	+510	+600	−417							
Full-time work	6,122	6,720	4,566	3,200	1,366	1,556	360	126	1,070	+600	+600	....							

NOTES

[1] A detailed discussion of tables 2 through 5 may be found in Supplementary Materials, pt. C.

[2] These amounts are taxable incomes required to have the same net incomes as the various cases in tables 2 through 5 have. The tax differentials are based only on the Federal income tax and the social security tax. No allowance has been made for State and local taxes.

[3] For the employed cases earnings are based on 20 hours of work at the minimum wage ($1.60) for 50 weeks (part-time work) and on 40 hours at $1.60 for 50 weeks (full-time work).

[7] Medical benefits for the aged cases consist of the sum of average medicare and medicaid costs for each of the 4 States represented. The figures for the AFDC families are based on the average medicaid cost per AFDC family in the 4 States. Where a family's income was over the eligibility level, the excess income was subtracted from the total medical benefit to reflect the impact of the deductible, or "spend down," provision of medicaid. The average annual cost figures used were the following:

[4] The public assistance grants are either OAA, AFDC, or general assistance (GA) grants and are based on the following annual payment standards for the 4 cities:

	OAA (couple)	AFDC (family of 4)	GA (couple)	GA (family of 4)
Atlanta	$2,052	$1,788	(*)	(*)
Chicago	2,559	3,314	$2,304	$3,252
Detroit	2,892	3,660	2,076	2,952
New York	2,628	3,756	2,472	3,756

* No cash benefit provided except on an emergency basis.

In addition to the $4 a month disregard of OASI benefits by OAA programs and the AFDC earnings disregard of $30 a month plus ⅓ of any additional earnings, the following income disregards were used in computing benefits:

	OAA	AFDC	GA
Atlanta	$5 per month of any income.	Work expenses of $55 per month ($27.50 for part-time work).	Not applicable.
Chicago	None	Work expenses of $50 per month ($25 for part-time work).	Work expenses.
Detroit	do	Work expenses of $70 per month ($35 for part-time work).	Work expenses plus "30+⅓" earnings disregard.
New York	$7.50 per month of any income.	Work expenses of $67.50 per month ($33.75 for part-time work).	Work expenses.

[5] In Atlanta the food benefit is the market value of the surplus commodities distributed based on an average of $87 per person per year. In the other cities the food benefit is the food stamp bonus value (face value of stamps less required purchase price). Stamp values and purchase prices for the nonpublic assistance cases were computed using the schedule issued by the Department of Agriculture on Jan. 26, 1972. The public assistance cases have their stamp purchase requirements computed based on the welfare agency's food allowance. Bonuses for these cases were determined by the Department of Agriculture using the rules each State now applies.

[6] The value of the school lunch is based on the prices charged those children paying the full price in each city. Each family of 4 is assumed to have 2 school-age children.

	Medicare		Medicaid	
	HI	SMI	OAA recipient	AFDC family
Atlanta	$162	$70	$261	$448
Chicago	265	71	484	907
Detroit	268	83	635	720
New York	290	108	864	1,070

Persons on general assistance receive medical care in each of the 4 cities except Atlanta. In Chicago and New York, GA recipients get the same medical benefits as provided by Medicaid. For GA medical care in Detroit, see footnote 12.

[8] Each of these marginal additions to income allows for the impact which the program being introduced has on every other benefit the family is receiving. For more detail on how the various benefits are related, see Supplementary Materials, pt. C.

[9] Public housing rents were provided by the Department of Housing and Urban Development for each family in tables 2 through 5. Housing subsidies were computed by deducting rents paid from HUD figures for market rental values. These annual market value rentals are as follows:

	1-bedroom unit	2-bedroom unit
Atlanta	$1,140	$1,260
Chicago	1,560	1,920
Detroit	1,740	1,920
New York	1,596	1,860

[10] Unemployment insurance benefits were computed based on each family head's having full coverage, entitling him to benefits for 26 weeks of regular and 13 weeks of extended benefits. It was assumed that all prior employment was at the minimum wage. For computing partial unemployment benefits, the following earnings disregards were used: Atlanta, $8 a week disregarded; Chicago, $7 a week disregarded; Detroit, half the full benefit is paid when earnings exceed that amount; New York, all earnings disregarded (New York law permits this if part-time work is concentrated in 3 or fewer days per week).

[11] The OASI benefit used is the minimum benefit for a married couple ($1,267 per year).

[12] General assistance recipients in Detroit receive some medical care at a free clinic and receive other care through vendor payments made by the county welfare agency. This medical care program varies widely from county to county in Michigan, and within a single county the program operates rather informally on a fixed budget. The value attributed to these benefits of $73 per person is based on the statewide average cost for GA medical payments in 1970. Since Detroit's program may be broader than those operated by other counties, the State average probably understates the value of this benefit in Detroit.

The right-hand columns of tables 2 through 5 show the incremental improvements in total income each family could realize by living in public housing or by having coverage under social security, unemployment insurance, or the veterans' pension program. These columns show the following:

(1) Receipt of the OASI minimum benefit or a VA pension has only a minor effect on the total income of an aged public assistance recipient;

(2) Receiving both benefits, by removing the aged person from public assistance and thus from the medicaid program, can actually lower total income [5];

(3) Public housing subsidies tend to help the employed more than the unemployed;

(4) Unemployment insurance (UI) benefits greatly aid childless couples, and in Atlanta, male-headed families;

(5) UI coverage does not increase the income of the unemployed female head, since the AFDC grant dominates the UI benefit; and

(6) In Chicago, Detroit, and New York, where unemployed fathers may receive AFDC grants, but not concurrently with UI, coverage by the latter program can actually decrease total income.

This last point is an example of how the simple prohibition of program overlaps can lead to different benefits for similar groups of people—namely, unemployed men. A family headed by an unemployed male cannot receive AFDC payments if the father is also entitled to unemployment insurance compensation even though in many cases, especially for large families, the AFDC payment would be larger than the unemployment benefit. This provision of the law treats the unemployed male less favorably than the unemployed female, and it also treats men losing insured employment less favorably than men losing uninsured employment. This situation, of course, does not result in States with no AFDC–UF program or in States where that program has low payment levels.

Adequacy of Income

Another issue raised by benefit combinations is the extent to which these combinations produce inadequate, adequate, or excessive incomes for the recipients. This subject cannot be discussed comprehensively and in terms of adequacy for individual recipients at this point because data on the distribution of all the cash and in-kind benefits by individuals are not available. However, tables 2 through 5 provide hypothetical examples to illustrate the different possible outcomes.

These tables indicate that income adequacy for the poor is mainly a function of where they live, how old they are, whether husband and wife live together, and how many children they have. Table 2 shows that incomes can be inadequate in Atlanta for childless families or those headed by males and are well below the official poverty index for female-headed families.[6] In New York City, on the other hand,

[5] Entitlement to a VA pension would be accompanied by eligibility for VA medical care. However, such care is available only to the veteran, whereas medicaid assists both husband and wife.

[6] Adequacy is defined intuitively here for purposes of exposition. For a detailed discussion of the difficulties involved in attempting a rigorous definition see *Poverty Amid Plenty*, Report of the President's Commission on Income Maintenance Programs, U.S. Government Printing Office, 1969, ch. 1.

table 5 provides illustrations of reasonably adequate incomes for all family types compared to poverty standards, with some cases deriving rather high total incomes. For instance, the New York mother of three working full time at the minimum wage would have a total income of $6,359, including cash and food benefits, and $7,429 if medical benefits are counted. The unemployed mother of three in New York would receive benefits about $250 in excess of the poverty standard of about $4,000, or $1,300 above the line if medical benefits are included. Not all AFDC recipients in any of these cities receive these combinations of benefits, of course. The extent of such overlaps is estimated in a subsequent section.

For the aged couples the cash and food benefits are in excess of the poverty standards in all the cities except Atlanta, where they total about $400 less than the $2,600 poverty standard.

National survey data have been studied to determine the adequacy of incomes of cash benefit recipients. One analysis [7] uses the data from the 1967 Survey of Economic Opportunity and focuses on the impact of cash transfers on poverty. If the official poverty index is taken as a measure of income adequacy, then the following conclusions may be drawn about the combined impact of cash transfer payments for 1966:

(1) Thirty-eight percent of all pretransfer poor families were removed from poverty by transfer payments;

(2) Over half of that group (21 percent) were removed from poverty status by social security alone;

(3) Cash transfer payments were most effective in providing adequate incomes for small families, whites, male-headed families, the aged, the unemployed, and urban residents; and

(4) They were least effective for large families, nonwhites, female-headed families, young adults, chronic low-wage earners, and rural residents.

Male-headed families experience sharper reductions in their poverty deficits through receipt of transfers than do families headed by females primarily because the poor male-headed family tends to have a higher pretransfer income than does the corresponding female-headed family.

To analyze fully the adequacy of benefits, aid in the form of food, medical care, and housing should be taken into account. Neither the paper cited nor any other published statistics on poverty include the value of in-kind benefits such as medicaid, medicare, food stamps, food distribution, public housing, rent supplements, or subsidized homeownership in calculating personal income. Indeed, questions relating to receipt of these benefits are not generally included in official surveys such as the Census Bureau's annual current population survey, and measures of the extent of poverty always exclude in-kind benefits in summing the incomes available to the poor. The rationale for excluding in-kind benefits in poverty counts is clear—the focus is on money income gaps. But such programs have some income value to recipients; two people with the same cash income, only one of whom receives food stamps, have different levels of economic welfare. The

[7] Ben Gillingham, *Cash Transfers: How Much Do They Help the Poor?* (Madison: Institute for Research on Poverty, 1971).

valuation of noncash assistance has become increasingly important as the food, medical, and housing programs have become major components of the Federal welfare effort.

Program Efficiency

Efficient use of program funds can become a problem when the intended results of changes in one program are countered by features of an overlapping program. Examples of this situation are offered by the interaction between social security (OASI) on the one hand and old age assistance (OAA) and veterans' pensions on the other. The interactions among these programs are particularly significant since 6 percent of all persons age 65 and over receive both OASI and OAA. This proportion is much higher in some States, ranging up to 24 percent in Louisiana.

Retirees with low levels of covered earnings receive a minimum social security benefit which is in excess of the benefit which would be computed on a strictly earnings-related basis. The reason for such a minimum is to assist those living in retirement on very low incomes. However, improvement of the minimum benefit is not of much help to a large number of the low-income aged. About 4 million low-income individuals over 65 are aided by either an old age assistance program, which reduces its benefits dollar for dollar for social security except for small disregards, or the veterans' pension program, which generally reduces benefits paid to a single veteran by more than 50 cents for a dollar increase in his social security income. The minimum social security benefit is therefore not of much consequence for these recipients since a large part of the benefit is simply deducted from other benefits. While it does aid those aged and near-aged poor not participating in either of the two assistance programs, it also constitutes a "windfall" for persons retired under other personnel systems who earned the minimum coverage under social security. In fact, 14 percent of civil service retirees receive the social security minimum. Of all married men who are newly retired OASI beneficiaries receiving the minimum, 52 percent also have public pension income. 6 percent receive private pensions, and 4 percent receive veterans' cash benefits. Only 3 percent receive public assistance.

The second example of this interaction problem has to do with the OASI retirement test, which permits a retiree to earn a modest amount of income before social security benefits are reduced. The earnings disregard provision of the retirement test is vitiated for many of the poorest beneficiaries receiving OAA, since some State OAA programs reduce payments dollar for dollar for earnings and no State has a reduction rate as generous as that under OASI. Thus, the earnings disregard feature of the retirement test and the liberalization of it now under consideration in the Congress, benefits mostly those persons with total incomes in excess of the OAA eligibility standards. The inefficiency of this proposed liberalization in aiding the poor does not necessarily mean that such a change is without merit, of course.

Another inefficiency resulting from benefit combinations, and one which has received considerable congressional attention, concerns the problem of general benefit increases. If social security benefits are increased across the board, those beneficiaries also receiving payments from income-tested programs will receive little or no increase in total income unless special "pass-along" provisions are made. Consequently, the neediest often benefit least from such increases. In fact, those people who lose eligibility for public assistance benefits because of the social security increase may lose additional benefits—for which eligibility was contingent upon receipt of public assistance—resulting in losses in current real disposable income. Cases have been reported in which social security benefit increases led to losses not only of program benefits such as old age assistance, medicaid, and food stamps, but also of special local advantages for the aged poor such as free garbage collection and property tax credits. This problem is not caused by social security increases per se, but arises from the linking of eligibility for one program to eligibility for other programs. However, increases in social security have unintended consequences for some low- and moderate-income beneficiaries when such increases are evaluated in terms of their poverty effectiveness and efficiency.

Another illustration of this problem is provided by public assistance and the food programs. If a State raises assistance payments, recipients in counties having the food distribution program (surplus commodities) will receive the full increase. However, in counties operating food stamp programs, recently issued regulations will require that recipients of both public assistance and food stamps pay out 30 percent of the cash grant increase on average in higher purchase prices for the same amount of stamps.

Program Administration

The administration of income transfer programs has been strongly criticized over the last few years. Individual programs have been brought under fire because of the incidence of fraud, administrative errors resulting in overpayments and underpayments, and general inefficiency and unresponsiveness. However, it has gone largely unnoticed that problems with administering one program may affect the management of other programs as well. One reason why this spillover effect occurs is that some programs, like medicaid and the food programs, are open to anyone on public assistance. If the assistance eligibility determination was in error, the error may be transmitted into the administrative machinery of the other programs without detection. A second reason is that a public assistance agency may have to rely on other public agencies for such vital information on recipients as income, identification, and age. If incorrect or fraudulent information is contained in the records of the Social Security Administration or the Veterans' Administration for example, this information may then be used by an applicant for public assistance to obtain an incorrect or fraudulent assistance payment.

In addition to the problems of error and fraud, there is also sheer inefficiency in having so many Federal, State, and local agencies maintaining similar sets of records on largely overlapping beneficiary populations and employing personnel to interview applicants and process papers in physically separate offices. Not only is this situation probably a financially inefficient way to manage these programs, but it also works a hardship on the recipient, who must often travel considerable distances to several offices and provide several sets of claims documentation in order to get the benefits to which he is entitled.

Policy Significance of Local Benefit Calculations

The information in tables 2 through 5 was developed in consultation with Federal, State, and local program officials. Procedures relating to eligibility and benefit determination were verified for each separate program and each program operating in conjunction with one or more of the others. Going through the exercise of table construction revealed several factors of importance in considering program changes. It was found that:

(1) Current procedures may be unintelligible to many recipients, and their caseworkers may have considerable difficulty in determining eligibility and calculating benefits as well.

(2) It may be virtually impossible for the Federal agencies with administrative responsibility to monitor continually the ways in which their policies are implemented at the local level.

(3) The variety of local options with respect to eligibility conditions, benefit amounts, and treatment of income permitted under many programs has considerable impact on cumulative benefit levels, cumulative benefit reduction rates, and the equity of benefit distribution at the local level. What may appear from a national perspective to be a universally high benefit reduction rate under combined programs may not be the actual case in some localities.

(4) No simulation model yet developed can take account of all the variations in local practices. Thus, the true impact of program changes on benefit levels, eligibility conditions, caseloads, costs, cumulative benefit reduction rates, and the incomes of individuals cannot yet be determined accurately and comprehensively.

THE EXTENT OF PROGRAM OVERLAPS

There are no recent tabulated data on the incidence of cash benefit programs and their combinations for the entire U.S. population. Data from the 1967 Survey of Economic Opportunity (SEO) have been prepared, however. A summary of that information is shown in table 6.

The SEO data indicate that 40 percent of all households were in receipt of at least one public or private cash transfer payment, with 12 percent benefited by two or more payments. A tiny proportion received four different payments. The proportion of households receiving transfers was much higher for the aged (83 percent of male aged individuals, 92 percent of females) and for female-headed households (65 percent compared to only 35 percent for all male-headed households). Over half of the female-headed families with children were receiving transfers, with one-fifth getting two or more different cash payments. The proportion of female-headed families receiving transfer income is probably much higher now because of the rapid growth in the AFDC caseload since the 1967 survey was taken.

The cumulative transfer payments received by the aged have gone far toward eliminating below-poverty incomes for this group. However, as noted earlier in this report, transfer payments were much less effective in providing adequate incomes for female-headed families, even though such families are more likely than others to receive cash transfers. This result stems from the fact that the aged receive transfers that are primarily aimed at replacing earnings lost due to retirement, whereas female-headed families in most cases are being maintained at subsistence levels for short periods until the family regains its earnings potential.

TABLE 6.—DISTRIBUTION OF HOUSEHOLDS BY NUMBER OF PUBLIC OR PRIVATE CASH TRANSFER PAYMENTS RECEIVED FROM DIFFERENT SOURCES, 1966

	Percents of households by number of cash transfer payments from different sources				
	None	1	2	3	4
All households	60	29	11	1	(1)
Households with male heads	66	25	9	1	(1)
Families with children	79	18	3	(1)	(1)
Families with no children	49	33	16	2	(1)
Individuals over age 65	17	50	33	(1)	
Individuals under age 65	75	22	3	(1)	(1)
Households with female heads	37	45	18	2	(1)
Families with children	42	42	16	3	(1)
Families with no children	10	60	30	(1)	(1)
Individuals over age 65	8	61	28	3	
Individuals under age 65	71	24	5	(1)	

[1] Less than 0.5 percent.

Note: Rows may not add to 100 percent because of rounding.

Source: 1967 Survey of Economic Opportunity, tabulations prepared for the President's Commission on Income Maintenance Programs, on file at the Urban Institute.

The subcommittee staff has compiled more recent and more detailed information on the degree of overlap among specific transfer programs, including in-kind programs. The data sources from which this information has been drawn and the methods used in deriving estimates are discussed in Supplementary Materials, part B.[1]

Table 7 shows the proportions of each program's beneficiaries that receive (1) other cash benefits and (2) any other benefits, including assistance in kind as well as in cash.

The former proportions, where known, range from 9 percent of unemployment insurance beneficiaries who get other public cash transfer payments up to 64 percent of old age assistance recipients and 82 percent of VA pensioners.

TABLE 7.—PROPORTION OF INCOME TRANSFER RECIPIENTS WHO RECEIVE BENEFITS FROM OTHER PROGRAMS [1]

Program	Number of recipients fiscal year 1972 [2] (thousands)	Percentage of recipients who receive— Other cash benefits [3]	Other benefits, including aid in kind [3]
Aid to families with dependent children	11,073	12	[4] 99
Old age assistance	2,241	64	[4] 99
Aid to the blind	83	34	[4] 99
Aid to the permanently and totally disabled	1,103	31	[4] 99
General assistance	[5] 969	(6)	(6)
Old age and survivors insurance	24,355	22–25	[4] 93–95
Disability insurance	2,925	16–20	(6)
Railroad retirement	994	50	[4] 85–92
Civil service retirement	1,058	(6)	(6)
Other Federal employee retirement	[7] 889	(6)	(6)
State and local retirement	[8] 1,272	(6)	(6)
Unemployment insurance	[9] 1,564	9	(6)
Workmen's compensation	[10] 1,500	(6)	(6)
Veterans' pensions	2,297	82	[4] 91–93
Veterans' compensation	2,549	(6)	(6)
National school lunch program (free or reduced-price lunches)	[11] 7,900	(6)	(6)
Food stamps	[7] 11,000	(6)	(6)
Food distribution	[12] 3,513	(6)	(6)
Public housing	[7] 3,453	61	(6)
Veterans' medical care	[13 14] 89	(6)	(6)
Medicare	[14] 17,300	92–95	(6)
Medicaid	[14] 20,600	(6)	(6)

[1] Estimates were derived from the data in table 8. Data sources and estimating methods are discussed in Supplementary Materials, pt. B. A range is shown where no specific percentage can be estimated.

[2] Except as otherwise indicated, these numbers are estimates of either average monthly or end-of-year beneficiaries for fiscal year 1972, as reported in the 1973 Budget of the United States Government, "Special Analysis L (Federal Income Security Programs)." They are generally not cumulative totals of all persons who received benefits at some time during the year.

[3] Proportion who received benefits from the other programs listed in this table. Some may have benefited from unlisted programs, however.

[4] Counts as in-kind beneficiaries persons who are eligible for medicaid or medicare, whether or not they utilize either program during a specific time period, on the grounds that these programs constitute health insurance programs and thus have some value to all eligible persons.

[5] July 1971 caseload.

[6] Not available.

[7] Estimate is from the 1972 Budget of the United States Government, "Special Analysis L (Federal Income Security Programs)."

[8] Numbers of beneficiaries on June 30, 1970.

[9] Average weekly number in July 1971; includes railroad unemployment and temporary disability beneficiaries. Since these beneficiaries receive payments for less than a year, the total number of beneficiaries during a 12-month period would be much higher.

[10] Estimate of money claimants in 1968 based on fragmentary data tabulated by the National Council on Compensation Insurance. This figure is higher than an average weekly caseload figure would be.

[11] Estimated average daily number of children served free and reduced-price lunches in fiscal year 1972.

[12] Number of participants in the family food distribution program in August 1971.

[13] Number of in-patients at the end of fiscal year 1970.

[14] Number of actual beneficiaries; a larger number of individuals are eligible for health benefits under these programs.

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[1] While some of the data are published, many estimates had to be derived by the author based on incomplete information about program beneficiaries. These estimates are indicated as such in table 8; where information was particularly sketchy, ranges of percentage figures were used. In many cases, no attempt at estimating could be made due to the near total absence of the necessary data on beneficiary characteristics.

The wide variation in cash benefit overlaps reflects differences in program objectives and beneficiary characteristics. Most social insurance beneficiaries fall into only one of the four risk categories (the retired, the disabled, the unemployed, or survivors) and supplement their benefits mostly from private pensions and personal savings with little reliance on other public transfers. On the other hand, many recipients of benefits based on need are also social insurance beneficiaries for whom the combination of social insurance benefits and private pensions fails to supply an adequate income. For example, many old age assistance recipients are retired workers or aged widows for whom social security benefits and other sources of income are low enough to qualify them for supplementation. AFDC families are an exception to this rule, since very few family members qualify for a social insurance risk group; hence only 12 percent of AFDC families receive cash transfer income other than AFDC benefits.

The lack of variation (from 85 percent to 99 percent) shown in table 7 for the proportions receiving any other assistance including aid in kind is somewhat misleading. The true variation would be greater, but the data on beneficiaries who are eligible for or receive in-kind assistance tend to be very poor for the beneficiary groups for whom such aid is not specifically targeted. Thus, good data are available on the participation of public assistance recipients in food programs, but nothing is known about the receipt of food assistance by unemployment insurance beneficiaries. Hence, those groups who tend to receive less coverage under in-kind programs have "not available" entries in the second column of table 7.

Table 8 shows the degree to which each program's beneficiary group also benefits from each of the other programs. The data are discussed in the following pages.

Aid to families with dependent children.—Only 12 percent of AFDC families benefit from other cash assistance programs; half of that 12 percent receive social security benefits. However, many AFDC families participate in aid-in-kind programs. The medicaid program covers 99 percent of the AFDC population, since such families are automatically eligible for medicaid in all but two States (Alaska and Arizona). The two major food programs—food stamps and food distribution—cover 98 percent of AFDC cases, although only 68 percent actually participate in one of the two programs. In addition, it is estimated that about 59 percent of AFDC families have one or more children who benefit from the Federal program of free or reduced-price school lunches. Public housing units provide subsidized shelter for 13 percent of AFDC families.

TABLE 8.—PROPORTIONS OF PROGRAM BENEFICIARY GROUPS RECEIVING BENEFITS FROM EACH OF THE OTHER PROGRAMS

Percent of program beneficiaries also receiving benefits from—

Income transfer programs [a]	AFDC	OAA	AB	APTD	General assistance	OASI	Disability insurance	Railroad retirement	Public employee retirement	Unemployment insurance or workmen's compensation	VA pensions	VA compensation	School lunch	Food stamps	Food distribution	Public housing	VA medical care [e]	Medicare [e]	Medicaid [e]
Aid to families with dependent children [b]	100	—	—	—	2	4	2	([o])	([o])	1	([o])	([o])	[q] 59	53	15	13	NA	[q] 1	[f] 99
Old age assistance	—	100	—	—	1	61	—	1	(*)	(*)	([g])	([g])	—	[h q] 28	[h q] 18	6	NA	[q] 98	[f] 99
Aid to the blind	—	—	100	—	[q] 1	[q] 21	[d q] 9	([g q])	([g q])	([g q])	([g q])	([g q])	—	[h q] 28	[h q] 18	[h q] 6	NA	[q] 36	[f] 99
Aid to the permanently and totally disabled	—	—	—	100	1	([i])	[i] 24	(*)	(*)	(*)	([g])	([g])	—	[h q] 28	[h q] 18	6	NA	[q] 3	[f] 99
General assistance [j]	[d] 10	[d] 4	(* d)	[d] 2	100	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Old-age and survivors insurance	[d] 2	[d] 5	(* d)	([i])	NA	100	—	[d] 1	[n] 6	[d] 1	[d n] 7	NA	NA	NA	NA	[d n] 2	NA	74	NA
Disability insurance	[d] 4	—	(* d)	[d i] 8	NA	—	100	[d] 1	([n])	3	([n])	NA	NA	NA	NA	([n])	NA	—	NA
Railroad retirement	([o])	[d] 2	(* d)	(* d)	NA	33	2	100	2	1	[u] 10	([u])	NA	NA	NA	([o])	NA	[q] 85	NA
Civil service retirement	([o])	(* d)	(* d)	(* d)	NA	[n] 40	([n])	[d] 1	100	([p])	NA	NA	NA	NA	NA	([o])	NA	NA	NA
Unemployment insurance	[d] 1	(* d)	(* d)	(* d)	NA	7	(*)	([p])	([p])	100	([p])	([p])	NA	NA	NA	([o])	NA	[q] 6	NA
VA pensions	([o,t])	[d, u] 2	(* d)	[d, u] 1	([t])	[n] 74	([n])	[d, u] 4	([e])	([p, t])	100	—	[q] 13	NA	NA	([o])	[e] 46	[r] 62	NA
VA compensation	([o])	(* d, u)	(* d, u)	(* d, u)	NA	NA	NA	(* d, u)	NA	([p])	—	100	NA	NA	NA	([o])	[e] 85	[r] 7	NA
National school lunch program (free or reduced price)	[d] 56	—	—	—	NA	NA	NA	NA	NA	NA	[d] 14	NA	100	NA	NA	[d] 14	NA	—	[d, k] 21
Food stamps	[d] 51	(d, v)	(d, v)	(d, v)	NA	NA	NA	NA	NA	NA	NA	NA	33	100	—	NA	NA	NA	NA
Food distribution	[d] 39	(d, v)	(d, v)	(d, v)	NA	NA	NA	NA	NA	NA	NA	NA	33	—	100	NA	NA	NA	NA
Public housing [m]	[d] 25	[d] 8	(* d)	[d] 5	NA	[n] 29	([n])	([o])	([o])	([o])	([o])	([o])	[q] 42	NA	NA	100	NA	[q] 25	NA
VA medical care [l]	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	32	36	NA	NA	NA	NA	100	[q] 26	NA
Medicare [e]	(* d)	[d] 10	(* d)	(* d)	NA	[d] 80	—	[d] 4	NA	[d] 1	[d, r] 8	[d, r] 1	—	NA	NA	[d] 1	NA	100	[d, k] 18
Medicaid [k]	60	14	1	7	NA	NA	NA	NA	NA	NA	NA	NA	[q] 28	NA	NA	NA	NA	[q] 18	100

NOTES

NA—Information is not available.

* Less than 0.5 percent.

[a] Unless otherwise indicated, the base to which the percentages on a row apply is the total number of beneficiaries for the program associated with that row. For example, to determine what proportion of AFDC families benefit from another specific program, read down the left hand column to locate AFDC; then read across to the column for the other program. Thus, the proportion of AFDC families living in public housing is 13 percent. The proportion of public housing units occupied by AFDC families, however, is 25 percent, as the table indicates. The primary sources of data for each program are as follows (numbers in parentheses refer to the data sources listed in Supplementary Materials, pt. B):

Aid to families with dependent children (6, 9).
Old age assistance (5, 7, 9).
Aid to the blind (5, 9).
Aid to the permanently and totally disabled (5, 9).
General assistance (9).
Old age and survivors insurance (7, 10, 11, 12, 13, 14).
Disability insurance (14, 15).
Railroad retirement (11, 18, 19).
Civil service retirement (10).
Unemployment insurance (24).
Veterans' pensions (22).
Veterans' compensation (23).
National school lunch program (3).
Food stamps (2).
Food distribution (1).
Public housing (16).
Veterans' medical care (23).
Medicare (14).
Medicaid (4, 8).

[b] Data are based on families rather than recipients.

[c] Less than 4 percent of AFDC families benefit from public employee retirement, railroad retirement, and veterans' compensation and pension programs (6).

[d] Reciprocal estimate made by subcommittee staff. (See Supplementary Materials, pt. B.)

[e] Figures are percentages eligible for medical benefits. Utilization rates, where known, are shown in footnotes.

[f] The monthly medicaid utilization rate for AFDC families is 28 percent; for aged, blind, and disabled recipients it is 49 percent, 49 percent, and 57 percent respectively.

[g] Veterans' cash benefits are received by 2 percent of OAA recipients and 3 percent of APTD recipients; cash benefits other than public assistance and OASDI are received by 3 percent of AB recipients (5).

[h] Based on combined data for the aged, blind, and disabled; separate figures for each program are not available.

[i] The DI percentage may include a small number of OASI beneficiaries.

[j] Based on general assistance cases reported to HEW by the States; reporting may be incomplete, resulting in these percentages being overstated (9).

[k] Data based on persons utilizing medicaid program.

[l] Data based on inpatient census (23).

[m] Data based on residents moving in and residents reexamined during year. Percents are based on number of housing units rather than number of residents (16).

[n] Figure may include a small percentage who received DI rather than OASI benefits.

[o] Retirement, social insurance (excluding OASDI), or veterans' benefits are received by 8 percent of families in public housing (16).

[p] Pensions other than OASDI were received by 3 percent of UI claimants. (24)

[q] Inferen'ial estimate made by subcommittee staff. (See Supplementary Materials, pt. B.)

[r] Based on age of veteran beneficiaries only.

[s] Retirement benefits (excluding OASDI) are received by 18 percent of VA pension beneficiaries (22).

[t] Income other than retirement, social insurance, earned or investment income is received by 13 percent of VA pension beneficiaries (22).

[u] Figure may include a small percentage who received VA compensation rather than pension.

[v] OAA, AB, and APTD recipients make up 8 percent of food stamp and 15 percent of food distribution recipients.

Table 9 shows the estimated proportions of AFDC families receiving two or more benefits in addition to AFDC payments and medicaid eligibility. Almost two-thirds of these families benefit from two additional public income transfer programs other than medicaid, about one-tenth from three programs, and 1 percent draw benefits from four programs.

TABLE 9.—*AFDC families benefiting from two or more other programs*

Benefit combinations received [1]	*Percent of AFDC families benefited* [3]
From 2 programs (in addition to AFDC and medicaid): [2]	
Two or more cash benefits [4]	1
Cash benefit [4] and food stamps or food distribution [5]	5 to 8
Cash benefit [4] and school lunch	5 to 8
Cash benefit [4] and public housing	1 to 2
Food stamps or food distribution [5] and school lunch	44
Food stamps or food distribution [5] and public housing	9 to 12
School lunch and public housing	8 to 12
From 3 programs (in addition to AFDC and medicaid): [2]	
Cash benefit,[4] food stamps or food distribution,[5] and school lunch	4 to 5
Cash benefit,[4] food stamps or food distribution,[5] and public housing	1
Cash benefit,[4] school lunch, and public housing	1
Food stamps or food distribution,[5] school lunch, and public housing	5 to 7
From 4 programs (in addition to AFDC and medicaid): [2] Cash benefit,[4] food stamps or food distribution,[5] school lunch, and public housing	1

[1] Benefit combinations received by less than 0.5 percent of the AFDC caseload are not shown.

[2] Almost all AFDC families are eligible for medicaid; utilization rates are only known for specific months. For the purpose of this table, it is assumed that all eligible families utilize the program over a longer period. Medicaid serves as a health insurance program for those families in any case, whether or not each family actually makes use of the services.

[3] To add percentages within one section of this table, the percentages in the following sections must be netted out. For example, to determine the percentage of AFDC-medicaid recipients receiving aid from exactly 2 additional programs, add to the figures in the "2 programs" section and then subtract the percentages getting benefits from 3 and from 4 additional programs.

[4] The cash benefit(s) are those paid by any Federal, State or local public assistance, social insurance, retirement, or veterans' program.

[5] Food stamp participants make up 53 percent of all AFDC families; 15 percent of AFDC families benefit from the food distribution program. Therefore, to estimate percentages in table 9 that pertain to only 1 of the 2 food programs, simply multiply the percentages shown in the table by the ratio of 53 over 68 for the food stamp program; or by 15 over 68 for the food distribution program.

Aid to the aged, blind, and disabled.—As table 7 indicates, nearly two-thirds of all aged public assistance recipients receive cash benefits from other programs as well, while only 31 percent of the disabled recipients and 34 percent of the blind recipients receive other cash transfer payments. Social security benefits make up the great bulk of these public transfer payments; 61 percent of the aged, 24 percent of the disabled, and 30 percent of the blind recipients derive income from social security.

Many of these recipients receive in-kind assistance. As was the case with AFDC families, 99 percent of aged, blind, and disabled recipients are eligible for care under medicaid. In addition, almost all the aged and a sizable number of the blind are eligible for health benefits under medicare. Most of these recipients are also eligible for food stamps or surplus commodities, but participation rates are quite low. Of the recipients in the three categories, only 18 percent receive commodities and only 28 percent participate in the food stamp program. Public housing units provide shelter for 6 percent of the aged, blind, and disabled recipients.

The extent to which these recipients get more than one benefit is shown in table 10. This table shows that, in addition to receiving public assistance payments and medicaid, virtually all of the aged, one-fourth of the disabled, and about half the blind get two other benefits. Three other benefits are received by more than one-third of the aged, about one-tenth of the blind, and 2 percent of the disabled. Four other benefits are received by 2 percent of the aged, 1 percent of the blind, and a negligible number of the disabled.

Although a recipient of aid under one of the four public assistance categories cannot qualify concurrently under any of the other three, a significant number of recipients have members of their households who are helped under other categories. The latest available data show that 10 percent of AFDC households had an aged, blind, or disabled member being aided by one of those programs. Similarly, 5 percent of the aged and 14 percent of the disabled on public assistance had household members receiving benefits under other categories. The largest of these overlaps was between AFDC and aid to the disabled. Nine percent of the disabled recipients are members of AFDC families; these families constitute 5 percent of all AFDC families. No recent data are available on other public assistance benefits paid to the households of blind recipients, but in 1962, 20 percent of these households were receiving such additional aid.

Social security (OASDI).—About one-fourth of OASI and one-fifth of disability insurance (DI) beneficiaries receive some other cash benefit from a public program. Most of these dual beneficiaries are persons with low incomes who are aided by either public assistance or the VA pension program. The others are mainly retirees from public employment, the military, or the railroad industry and consequently receive annuities for that service. A small number (1 percent of OASI and 3 percent of DI beneficiaries) receive unemployment insurance or workmen's compensation benefits.

TABLE 10.—AGED, BLIND, AND DISABLED PUBLIC ASSISTANCE RECIPIENTS BENEFITING FROM TWO OR MORE OTHER PROGRAMS

Benefit combinations received [1]	Percent of public assistance recipients benefited [2]		
	Aged	Blind [3]	Disabled
From 2 programs (in addition to public assistance and medicaid): [4]			
Two or more cash benefits [5]	2	2	2
Cash benefit [5] and food stamps or food distribution [6]	29–36	15–20	14–18
Cash benefit [5] and public housing	4–5	2–3	2–3
Cash benefit [5] and medicare [7]	64	14–21	1–2
Food stamps or food distribution [6] and public housing	3–4	3–4	3–4
Food stamps or food distribution [6] and medicare [7]	46	15–20	1–2
Public housing and medicare [7]	6	2–3	([8])
From 3 programs (in addition to public assistance and medicaid): [4]			
Cash benefit, [5] food stamps or food distribution, [6] and public housing	2	1	1
Cash benefit, [5] food stamps or food distribution, [6] and medicare [7]	29–36	7–10	1
Cash benefit, [5] public housing, and medicare [7]	4–5	1–2	([8])
Food stamps or food distribution, [6] public housing, and medicare [7]	3–4	1–2	([8])
From 4 programs (in addition to public assistance and medicaid): [4] Cash benefit, [5] food stamps or food distribution, [6] public housing, and medicare [7]	2	1	([8])

[1] Benefit combinations received by less than 0.5 percent of recipients in each category are not shown.

[2] To add percentages within one section of this table, the percentages in the following sections must be netted out. For example, to determine the percentage of aged medicaid recipients receiving aid from exactly 2 additional programs, add the figures in the "2 programs" section and then subtract the percentages getting benefits from 3 and from 4 additional programs.

[3] Data for the blind recipients were updated to 1970 from a 1962 survey based on known changes in the aged and disabled recipients over a similar time period.

[4] Almost all aged, blind, and disabled assistance recipients are eligible for medicaid; utilization rates are known only for specific months. For the purpose of this table, it is assumed that all eligible recipients utilize the program over a longer period. Medicaid serves as a health insurance program for those recipients anyway, whether or not each person actually makes use of the services.

[5] The cash benefit(s) are those paid by any Federal, State, or local public assistance, social insurance, retirement, or veterans' program.

[6] The overlap of the adult public assistance programs with the food programs is only known in the aggregate; separate figures for the aged, the blind, and the disabled are not available. Combining the three categories, 28 percent of the recipients participate in the food stamp program, and another 18 percent receive commodities through the food distribution program. To find a percentage in table 10 that pertains to only one of the two food programs, simply multiply the percentages shown in the table by the ratio of 28 to 46 to get the figure for food stamps alone, or by the ratio of 18 to 46 to get the food distribution figures.

[7] This table assumes that virtually all aged welfare recipients are eligible for medicare.

[8] Less than 0.5 percent.

Almost three-fourths of OASI beneficiaries are age 65 and over and are eligible for health benefits under medicare. Such coverage has been proposed for, but not yet extended to, the disabled worker; however, a small number of DI beneficiaries do obtain health benefits under either medicaid or the VA hospital system. About 2 percent of OASDI beneficiaries live in public housing units.

No information is available on the extent of participation of social security beneficiaries in food programs. Because of this gap in information, the detailed benefit combination tables shown for public assistance recipients (tables 9 and 10) are not included for social security or any other program to be discussed.

Although up to 25 percent of OASI and as many as 20 percent of DI beneficiaries receive other cash benefits, it is estimated that less than 1 percent receive more than one such benefit.

Unemployment insurance.—Most unemployment insurance beneficiaries (91 percent) are not assisted by other cash benefit programs. Only 6 percent are eligible for medicare, and an even smaller proportion live in public housing units. An unknown but possibly large and growing proportion of UI beneficiaries utilize the food programs.

Of the 9 percent of beneficiaries receiving other cash assistance. most (about 7 percent of total UI beneficiaries) benefit from social security. Another 3 percent receive other public pensions, but only 1 percent are supplemented by public assistance payments (mainly from AFDC). About 2 percent receive both social security and another public pension.

VA pensions.—The pension program for veterans and their survivors reaches mainly persons of age 65 and over. Therefore, many VA pension recipients are also served by social security (74 percent) and medicare (62 percent are eligible). Pension recipients are also eligible for medical care in VA hospitals, but their dependents and survivors generally are not. About 18 percent of all pensioners are receiving other retirement income. Probably less than 10 percent are supplemented by public assistance, and a much smaller proportion live in public housing. Of the VA pensioners having some additional cash benefits (82 percent), about one-fourth (24 percent) receive more than one such benefit.

Public housing.—Cash benefits are paid to 61 percent of the households residing in public housing units. Public assistance payments go to 37 percent, social security benefits to 29 percent, and other cash assistance (veterans' benefits, retirement benefits, unemployment insurance) goes to 8 percent. The overlap among these three groups is as follows:

Both public assistance and social security benefits: 8 percent.

Both public assistance and other cash benefits: 1 percent.

Both social security and other cash benefits: 4 percent.

It is estimated that 42 percent of public housing households have children who are served free or reduced-price school lunches, and 25 percent have a member who is eligible for medicare.

Other income transfer programs.—The other programs listed in table 8 are not discussed in detail because of major gaps in the information available on their beneficiaries. The most important facts that are known about these beneficiary groups follow:

General assistance.—Sixteen percent of GA cases also receive aid under a Federal public assistance category, mostly from AFDC, reflecting the fact that some local agencies are supplementing the benefit levels paid statewide under the federally-matched programs.

Railroad retirement.—One-third of these beneficiaries also receive social security cash benefits, and 85 percent are eligible for medicare.

Civil service retirement.—Forty percent of these annuitants also enjoy social security benefits, with 14 percent receiving the minimum benefit.

Free and reduced-price school lunches.—Probably over half of the children participating in this program are from AFDC families.

Food stamps and food distribution.—Fifty-nine percent of food stamp recipients and 56 percent of food distribution recipients also receive public assistance payments.

VA medical care.—Over two-thirds of the VA hospital system's inpatients are beneficiaries of either the compensation or the pension programs for veterans.

Medicare.—Eighty percent of medicare eligibles are social security beneficiaries.[2]

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[2] The remaining 20 percent of medicare eligibles are persons who either have no retirement credits, are retired under a system other than social security, or have social security entitlement but fail to meet the retirement test on current earnings.

Medicaid.—Of those persons actually utilizing the medicaid program, 82 percent are public assistance recipients (60 percent are members of AFDC families).

Income transfer programs not analyzed in table 8.—Virtually no data are available at this time on program overlaps for beneficiaries of several programs, particularly workmen's compensation, VA compensation, and the retirement programs for public employees. Information is also lacking on a number of smaller programs such as aid to Indians, Cuban refugee assistance, and OEO emergency food and health care. Very little is known about beneficiaries of the new "black lung" program for coal miners and their survivors, but it is known that 75 percent of the miner beneficiaries are also receiving social security benefits.[3]

Although this paper deals solely with overlaps among public transfer programs, it should be mentioned that many recipients of private pensions also receive benefits from public programs. At the end of 1965, for example, about 90 percent of persons drawing private pensions also received either social security or railroad retirement benefits.

Social and manpower services.—All of the data on program beneficiaries presented in this report are for programs which provide assistance either in cash or in the goods necessary for the maintenance of life (food, shelter, and medical care).

However, many beneficiaries of these programs also receive social, rehabilitative, manpower, and educational services from a variety of other programs not mentioned in this report. These programs have been excluded for three reasons: (1) There is much less information on characteristics of service program beneficiaries than there is for income maintenance programs; (2) it is impossible in some cases to determine what cash value, if any, some services convey to recipients (for example, consumer education services); and (3) for the manpower, rehabilitative, and educational services, the benefit to many of the recipients is in the form of an investment which may improve future income streams but generally has little impact on current incomes.

Because these service programs usually have very little effect on current disposable income, they are somewhat independent of the central theme of this report, which is the set of problems created by interactions among the many programs directly affecting current incomes. Services should properly be studied in terms of their impact on the future economic well-being of recipients and the equity of the distribution of services among all groups within the society.

In spite of the above reasons for excluding services in this analysis of welfare issues and programs, a brief discussion of service programs is required because past efforts to illustrate the problems raised by benefit combinations have often incorporated services in what could be a misleading way; that is, the costs of the services available to the potential beneficiary have been used to measure their income value to

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[3] Benefits paid by income transfer programs not included in table 1 will total $1.6 billion in fiscal year 1972. These other benefits are for aid to coal miners ($0.5 billion), homeownership and rental subsidies for low-income groups ($0.4 billion), aid to Cubans and Indians ($0.2 billion), maternal and child health services ($0.3 billion), and several types of food assistance ($0.2 billion).

that eligible person. One such widely circulated compilation of available benefits was prepared by the Congressional Research Service and appeared in the *Congressional Record* on December 3, 1969. That compilation and an analysis of it are shown in table 11. As submitted to the *Record*, the benefits have a total value of $13,799 (the before-tax equivalent of this amount would be about $16,500 of taxable income). The frequency with which families actually draw all of these benefits is not known, but it is probably extremely low. Of all AFDC families, about 10 percent benefit concurrently from public housing, food stamps, and medicaid. However, the small enrollments in some of the manpower programs would lower the percentage receiving all of these benefits. For example, enrollments in the neighborhood youth corps, operation mainstream, and concentrated employment programs amount to only two percent, one percent, and one percent respectively, of total AFDC families. Thus, the proportion of families who could benefit from all of these programs has to be much less than one percent. When the chance that the same families could benefit from legal aid and other programs listed in table 11 is allowed for, the percentage of families that could receive all of these benefits concurrently becomes minuscule.

TABLE 11.—HYPOTHETICAL BENEFIT COMBINATIONS, INCLUDING SOCIAL SERVICES, FOR A MOTHER AND FOUR CHILDREN IN PORTLAND, OREG.

		ANALYSIS OF BENEFITS FROM INCOME MAINTENANCE VIEWPOINT			
		Improvements in current disposable income			
Program	Annual benefits as printed in the Congressional Record [1]	Cash income	Direct cash substitutes	No effect on current disposable income	Should not have been included
AFDC	$2,808	$2,808			
Medicaid	618		[2] $618		
Food stamps	336	[3] −912	1,248		
OEO legal services	75			$75	
OEO comprehensive health services	125				[4] $125
Headstart	1,050			[5] 1,050	
Public housing	406	[6] −400	[6] 806		
Rent supplements	636				[7] 636
Upward bound	1,400			[5] 1,400	
Educational opportunity grants	500			[5] 500	
NDEA loans	520			[5] 520	
Work study program	475	475			
JOBS	3,000			[5] 3,000	
Concentrated employment program	1,400			[5] 1,400	
Neighborhood youth corps	450	450			
Total	[8] 13,799	2,421	2,672	7,945	761

[1] As printed in the Congressional Record on Dec. 3, 1969. Data pertain to a family of 5 in Portland, Oreg.

[2] This figure was the average cost of medical assistance in Oregon.

[3] The purchase price for $1,248 worth of food stamps was $912, yielding a net benefit of $336.

[4] Utilization of OEO health services by this family would probably result in medicaid vendor payments being made to the OEO-funded clinic. Thus, the entry duplicates the benefits already shown under medicaid.

[5] All of the figures shown for these service programs are average unit costs. These cost figures are not good measures of the impacts these programs might have on future income. Any effect on current real income is likely to be negligible; such efforts would serve to reduce AFDC, food stamps, and public housing benefits in any event.

[6] The public housing subsidy of $406 has been converted into an estimate of the housing unit's market rental value ($806) and the rent actually paid in cash by the family ($400).

[7] The family could not benefit from both the public housing and rent supplement programs. Since the public housing program funds many more units, it has been used for this illustration.

[8] The gross total of $13,799 was reduced to $11,513 in the Record, presumably to delete unspecified duplications in benefits. The before-tax income required to have a dollar value of cash and services of almost $14,000 would be about $16,500.

However, if a family with no income from private sources did participate in all of these programs, cash income would amount to only $2,421, with direct cash substitutes adding $2,672 to real income (thus, current real income would total $5,093, the before-tax equivalent of which is about $5,200). Services having no particular value in terms of current disposable income account for $7,945. Services costing $761 are duplications of other items in the list. The submission for the *Record* is a good indication of the amount of public funds that could be spent on aid to a particular family. It is not useful as an analysis of the maximum personal income that can be obtained from public programs, however.

CONCLUSION

The extent of benefit overlaps and the seriousness of the issues they raise suggest that, should further investigations verify the tentative conclusions of this report, better coordination of legislative and administrative changes in these programs seems essential. Such coordination might require different working arrangements than now exist among Federal agencies as well as congressional committees, and could require that various units of Government share their technical expertise and reach agreement on basic policy goals in order to move toward a more effective public welfare system.

This report also makes obvious the fact that much of the information needed to evaluate the performance of our public welfare system has yet to be collected. More data must be gathered and put to better use if income transfer programs are to be forged into a true "system" that is efficient and rational, rather than a piecemeal collection of uncoordinated programs. And, data collection in different programs must be coordinated. The Joint Economic Committee study of public welfare programs now in progress may help in closing the information gap with regard to program recipients—who they are, what benefits they receive, and how much total income they have—through detailed local area studies and analyses of national survey data. However, only great improvements in both program information systems and national surveys of personal income can do the job that needs to be done on a regular basis. These improvements will have some difficult obstacles to overcome, including the lack of uniform methods of beneficiary identification across programs, the multiplicity of governmental agencies and levels involved in administration, and the questionable reliability of information now obtained from beneficiaries or survey respondents.

SUPPLEMENTARY MATERIALS

Part A. DESCRIPTION OF PROGRAMS

This part provides a brief description of the various programs discussed in the body of the report. For detailed descriptions of both the laws and program operations see *President's Commission on Income Maintenance Programs: Background Papers*, U.S. Government Printing Office, 1970 and *Social Security Programs in the United States*, prepared in 1971 by the Social Security Administration and available from the Department of Health, Education, and Welfare or the U.S. Government Printing Office.

Aid to families with dependent children (AFDC).—Assistance is provided to needy families with dependent children where the father is absent, incapacitated, or in 25 States, unemployed. Benefit amounts vary by family size, and are decreased as the family's other income rises. The program is administered and partially funded by State and/or local governments. Non-Federal costs are matched with Federal funds, the Federal percentage ranging from 50 percent of total costs in New York to 83 percent in Mississippi. AFDC programs operate in 54 jurisdictions (all 50 States, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands).

Aid to the aged, blind, and disabled (AABD).—States may combine public assistance for three categories of low-income persons—those who are aged, blind, or disabled—into one AABD program. (For details on the program see the paragraphs on "aid to the blind," "aid to the permanently and totally disabled," and "old age assistance.")

Aid to the blind (AB).—Assistance is provided to needy individuals who are blind, with benefit amounts varying by income. (For administration, financing, and jurisdictions covered, see "aid to families with dependent children.")

Aid to the permanently and totally disabled (APTD).—Assistance is provided to needy individuals who are permanently and totally disabled. Disability is determined by the States, operating within Federal guidelines. Benefit amounts are reduced when the individual's other income increases. All 54 jurisdictions except Nevada operate APTD programs. (For administration and financing, see "aid to families with dependent children.")

Assistance to Cuban refugees.—State and local governments are reimbursed 100 percent from Federal funds for cash assistance to needy Cuban refugees. This program also provides for health care facilities for refugees from Dade County, Florida, for the costs of resettling refugees from Dade County to other parts of the Nation and for special aid to school districts impacted by large refugee populations.

Civil service retirement.—Benefits are paid to Federal civil servants retired because of age and length of service or disability and to the eligible survivors of deceased civil servants. Benefits are paid from a trust fund financed by a contribution of 14 percent of current civil service pay (7 percent from employees, 7 percent from the Federal Government). Benefit amounts are calculated as a percentage of the retiree's salary averaged over the highest 3 years with the percentage rising with length of service. Benefits increase automatically with increases in the Consumer Price Index.

Concentrated employment program (CEP).—Local agencies in areas of high unemployment coordinate available training, employment, and related services to assist the disadvantaged in gaining employment. CEP projects are funded by the Department of Labor.

Disability insurance (DI).—Social security benefits are paid to insured workers who become permanently disabled and unable to continue working and to their dependents. When a disabled beneficiary reaches age 65, he is transferred to the old age insurance program. DI benefits are paid from a trust fund, which is financed by a 10.4 percent payroll tax on individual earnings up to $9,000 per year (employer and employee each pay 5.2 percent). This payroll tax also finances the old age and survivors insurance and the hospital insurance programs. Most nongovernment jobs are covered by the social security system. Benefit amounts are based on average covered wages, with benefit amounts being relatively higher for low wages than for high wages.

Educational opportunity grants.—Grants are made by the Office of Education to enable students in exceptional financial need to acquire a college education. Grants are for educational expenses only, not to exceed $1,000 per academic year, and may be made for up to four years of undergraduate education.

Food distribution.—The Department of Agriculture, through local welfare agencies, provides surplus commodities for needy families and individuals in the 1,094 counties electing to operate the program. Income limits for eligibility are set by States and vary with family size. All eligible persons get the same package of commodities without regard to income. State and local governments bear most of the administrative costs.

Food stamps.—The Department of Agriculture, through local welfare agencies, provides food coupons for needy families and individuals in the 2,027 counties electing to operate the program. A county cannot operate both the food stamp and food distribution programs except in emergency situations. Eligible persons may purchase the coupons, the purchase price increasing as other income increases. Coupon allotments vary with family size. The coupons are redeemed at face value by grocery stores for food items purchased by recipients. State and local governments bear most of the administrative costs.

General assistance (GA).—Welfare payments made in cash or in kind by States and localities to low-income persons ineligible for assistance under one of the four Federal categories (families with dependent children, the aged, the blind, and the disabled) are termed general assistance. These programs are authorized, administered, and financed solely by State and local governments. Rules of eligibility and benefit levels vary widely from place to place, with some localities having virtually no general assistance at all.

Headstart.—Federal project grants fund 80 percent of the total costs of providing educational, nutritional, and social services to preschool children from low-income families. Headstart projects are run locally by an Office of Economic Opportunity (OEO) Community Action Agency or by other public or private nonprofit agencies.

Indian assistance.—The Bureau of Indian Affairs runs a program of assistance for needy Indians living on reservations for whom no welfare assistance is available from the State or local agencies. All costs are borne by the Federal Government.

Job opportunities in the business sector (JOBS).—The Department of Labor makes grants to private businesses to encourage them to hire, train, and retain disadvantaged persons. Grants may be used to offset the added costs of counseling, related education, job training, transportation, and any necessary supportive services.

Legal services.—Grants are made by the Office of Economic Opportunity (OEO) to legal aid societies and other nonprofit organizations to provide legal services to indigent clients. Legal representation is limited to civil cases. The determination of indigency is made by the local project.

Medicaid.—State and local governments make vendor payments for medical care on behalf of needy families and individuals, with expenditures matched by Federal formula grants. Most of those persons eligible for medicaid are recipients of cash assistance under the four Federal categories (families with dependent children, the aged, the blind, and the disabled), but in some States additional persons defined to be medically indigent are also eligible. In two States—Alaska and Arizona—there is no medicaid program. (For administration and financing see "aid to families with dependent children.")

Medicare.—Vendor payments are made by the Social Security Administration on behalf of eligible elderly individuals for covered medical expenses. Payments are made from two trust funds, the Hospital Insurance (HI) trust fund and the Supplementary Medical Insurance (SMI) trust fund. Virtually all of the aged are enrolled in the HI program. The HI fund is financed by the employer-employee payroll tax. The SMI fund is financed by general revenue contributions and by individuals' premium payments, now set at $5.60 per month per insured individual. The SMI program protects the insured against most medical costs but does not extend to the costs of prescription drugs.

National Defense Education Act loans.—Loans are made by institutions of higher education to students in need of financial assistance. The Federal share of the funding is 90 percent, with the other 10 percent coming from the institutions.

National school lunch program.—The Department of Agriculture makes cash and commodity grants to participating schools for their use in making lunches available to students. Grants are made through State educational agencies in some States and directly to schools in the others. Participating schools must agree to provide free or reduced-price lunches for those students determined to be from needy families. The determination of need is based on minimum income standards set by the Department of Agriculture, but States are allowed the option of setting income standards at higher levels.

Neighborhood Youth Corps (NYC).—The Department of Labor funds up to 90 percent of the costs of local NYC projects, which are administered by public or private nonprofit sponsors. The NYC program helps high-school-age youth from low-income families in one of three ways: (1) By providing part-time work for students while in school; (2) by providing students with job opportunities during summer vacations; and (3) by providing work, training, or other services to school dropouts to help them either return to school or acquire needed job skills.

OEO comprehensive health services.—Office of Economic Opportunity (OEO) grants have helped start and maintain 83 neighborhood health centers for low-income neighborhoods. These centers are established by local health groups or institutions and coordinate the delivery of health care to the target population. Either State medicaid eligibility standards or the OEO poverty index is used to determine the eligibility of individuals for care in the neighborhood health centers.

OEO emergency food and medical services.—Grants are made to community action agencies, State economic opportunity offices, and other local public and private nonprofit agencies to provide needy individuals with emergency medical care and to assist them in attaining a nutritiously adequate diet. The latter objective is pursued in a variety of ways, including the development of food assistance programs where none exist, the transportation of individuals to food stamp offices or food distribution centers, and the provision of consumer and nutrition education.

Old age and survivors insurance (OASI).—Social security benefits are paid to insured workers who are 65 years of age and retired and to their dependents. Reduced benefits are available at age 62. Benefits are also paid to survivors of deceased workers who had social security insured status at the time of death. (For financing, covered occupations, and benefit determination, see "disability insurance.")

Old age assistance (OAA)—Assistance is provided to needy individuals who are age 65 or over. Benefits decrease for increases in other income. (For administration, financing, and jurisdictions covered, see "aid to families with dependent children.")

Public housing.—Housing units are made available to needy families and individuals at below-market rents by 2.286 local housing authorities. The rents charged are related to household income, and continued occupancy is contingent upon income being less than limits set by the authority. Local housing authorities receive funds from the Department of Housing and Urban Development to help them meet debt service and maintain rents at levels not in excess of 25 percent of residents' incomes.

Railroad employee benefits.—The Railroad Retirement Board runs programs for retirement, disability, survivors, unemployment, and sickness insurance for covered railroad workers and their dependents. Benefits are financed by an employer-employee tax of 18.7 percent on individual wages up to $9,000 per year (employees and employers each pay 9.35 percent). Retirement, disability, and survivors benefits are paid from the Railroad Retirement trust fund; unemployment and sickness benefits are paid out of the Unemployment trust fund. Benefits are related to covered wages earned by the worker in the railroad industry; retirement benefits are coordinated with those paid under social security.

Rent supplements.—The Department of Housing and Urban Development makes payments to the owners of the approximately 500 approved multifamily rental housing projects in order to permit their charging below-market rents to needy families and individuals. Need is determined locally on the same basis as that used by the public housing authority. Rents charged must be at least 25 percent of income after certain deductions.

Retirement (other programs).—In addition to the retirement programs described individually above (OASI, railroad retirement, civil service retirement), the Federal Government also administers several other retirement programs for employee groups. Some of them (for example. Foreign Service retirement) require contributions to trust funds by employees and the Federal Government. Others (the military, Coast Guard, and Public Health Service retirement programs, for example) are noncontributory and are financed from general revenues. State and local governments also operate retirement programs for their employees.

Special benefits for disabled coal miners.—As a part of the Coal Mine Health and Safety Act of 1969, the Congress authorized the Social Security Administration to pay benefits to coal miners disabled by pneumoconiosis (black lung disease) and to the survivors of miners whose deaths are attributable to the disease. Benefits are paid out of general revenues and are related to the wage level for a GS–2 Federal civil servant rather than to the miner's wage. The legislation calls for the States to assume the administration of the program in 1973, with benefits to be financed primarily by a payroll tax levied on mining companies.

Unemployment insurance.—Benefits are paid to persons currently unemployed who meet minimum requirements for prior employment in covered jobs. Benefits are related to prior wages; the duration over which benefits can be paid depends on total earnings and time employed while previously in the work force. Specific benefit amounts and eligibility rules are set by the States, which administer the program through the State employment offices. Benefits are financed by employer taxes on the first $4,200 of each covered employee's annual wages. The taxes are paid into the Federal Unemployment trust fund; the trust fund reimburses the States for benefit payments. Unemployed civil servants and ex-servicemen are also covered by the State programs, but benefits are paid through the trust fund by contributions from general Federal revenues.

Upward bound.—The Office of Education makes grants to institutions of higher education and to a few secondary schools for the operation of precollege preparatory courses for disadvantaged youth. The students are selected based on family income and lack of educational preparation for college. The program attempts to prepare and motivate them for undertaking a college-level education.

Veterans' compensation.—The Veterans' Administration makes payments to veterans with service-connected disabilities, the amount of the payment varying with the degree of disability. Payment levels are set at rates intended to replace the income an average man would lose if suffering from the different levels of disability. There is also a dependents' indemnity compensation (DIC) program to compensate the survivors of veterans whose deaths were attributable to service-connected causes. DIC benefits for widows and children are related to the military pay grade of the veteran. DIC benefits for dependent parents are related to the parents' income.

Veterans' medical care.—The Veterans' Administration, through direct operation of a national hospital system and through grants to various types of State facilities, provides free hospitalization and other types of institutional and medical services to veterans. All veterans whose medical problems are service-connected receive these services. Veterans needing care for reasons not connected to military service may also receive care from VA if they are VA pensioners or if they declare themselves financially unable to purchase the necessary care from private institutions.

Veterans' pensions.—The Veterans' Administration pays benefits to disabled veterans in need and to the needy survivors of deceased veterans. The disability or death need not be service connected. Income eligibility levels and benefit amounts vary with family size and are higher for veterans than for survivors. Benefits decrease with increases in other income. A person cannot receive both compensation and pension concurrently.

Workmen's compensation.—Workmen's compensation programs pay cash benefits and medical expenses to persons out of work due to work-related injury or disease. Federal employees are covered by a Federal compensation program, but there is no Federal financial or administrative role in the programs protecting other employee groups. Consequently, they vary greatly from place to place. Financing is generally by employer contributions to insurors of the covered work force. In some States a State insurance fund is designated to operate the program. In other States many commercial insurance companies share the operation on a competitive basis. Cash benefits paid are related to the worker's prior wage level.

Work study.—The Office of Education makes grants to institutions of higher education for the aid of students in financial need. The funds must be used to pay 80 percent of wages for part-time employment of the students. The part-time jobs may be in the institution itself or in any approved public or private nonprofit organization.

Part B. ESTIMATING METHODS AND DATA SOURCES

Data sources used are listed at the end of this section. Table B–1 shows the extent to which income source data are available on each program's beneficiaries. The data used are the latest available, but the relevant time periods differ from program to program. However, the relative sizes of these overlap groups do not change very rapidly over short periods of time in most cases. Since data for some programs are monthly, overlaps that may occur over a longer period of time are underestimated.

As tables 7 and 8 indicate, much information is still not available and cannot be estimated with any degree of confidence. In fact, of the 361 cells in table 8 representing the overlaps of 19 programs with each other, only 225 cells could be estimated, and of those 225, about half are solid estimates from program or survey data. This information gap is not restricted to small, minor programs but extends to food stamps and food distribution, retirement programs, and State-financed programs such as general assistance and workmen's compensation.

TABLE B-1.—TYPES OF DATA AVAILABLE ON BENEFICIARY INCOME SOURCES, BY PROGRAM

Programs	Administrative data on—				Sample surveys of—			
	All beneficiaries—		Beneficiary subgroups—		All beneficiaries—		Beneficiary subgroups—	
	For all income sources	For selected income sources	For all income sources	For selected income sources	For all income sources	For selected income sources	For all income sources	For selected income sources
Aid to families with dependent children					X			
Old age assistance		X			X			
Aid to the blind					X			
Aid to the permanently and totally disabled					X			
General assistance								
Old age and survivors insurance		X						X
Disability insurance		X						X
Railroad retirement		X						X
Civil service retirement						X		X
Unemployment insurance								X
Workmen's compensation								
Veterans' pensions						X		
Veterans' compensation								
National school lunch program								
Food stamps		X						
Food distribution		X						
Public housing				X				
Veterans' medical care		X						
Medicare								
Medicaid		X						

The overlap data shown in the various tables represent four types of estimates. In descending order of reliability, they are:

(1) *Program estimates.*—Estimates from data on actual operations;

(2) *Survey estimates.*—Data from surveys of program or target populations;

(3) *Reciprocal estimates.*—Estimates of program A's overlap with program B based on evidence of B's overlap with A; and

(4) *Inferential estimates.*—Measurements of overlaps derived from data on nonincome characteristics relevant to program eligibility, such as age, sex, or veteran status.

The program and survey estimates used in this paper were taken directly from data tabulated by the administering agencies. After all available data were arrayed in table 8, as many blank entries as possible were filled through reciprocal estimating. For example, it was known from a January 1971 survey of AFDC families that 53 percent were participating in the food stamp program. A reciprocal estimate of the proportion of food stamp recipients also receiving an AFDC grant was developed by taking 53 percent of January 1971 AFDC recipients and dividing that figure by the total food stamp caseload in the same month. This operation resulted in an estimate that 51 percent of food stamp recipients were in AFDC families in January 1971.

Where there was no information which could be used as in the above illustration, inferential estimates were sometimes made from nonincome data on recipients. A good example of this technique is provided by the estimate of the percentage of AFDC families having a child receiving a free or reduced-price lunch under the national school lunch program. The school lunch program is available to 84.5 percent of the Nation's school children (or to 76.1 percent on an average day, allowing for absenteeism). If one assumes that (1) AFDC children are just as likely as other children to attend schools having the program, and (2) all AFDC children would be eligible for subsidized lunches, then 76.1 percent of the 77 percent of AFDC families with school-age children should be aided by the school lunch program. The product of the two percentages produces an estimate of 59 percent for the AFDC-school lunch overlap group as a proportion of AFDC families.

For health care programs, where utilization of services by the eligible population is not likely to be on a periodic basis, data are usually presented in terms of eligibility for such services rather than actual utilization of them. In some instances, where only factors relating to utilization are known, data on numbers utilizing health care programs were used. These situations are indicated by footnotes.

DATA SOURCES

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3. ———: Fiscal year 1971 School Lunch Program Data (unpublished: September 20, 1971).
4. Department of Health, Education and Welfare, Social and Rehabilitation Service, Medical Services Administration: Fiscal year 1971 Medicaid Program Data (unpublished).
5. Department of Health, Education and Welfare, Social and Rehabilitation Service, National Center for Social Statistics: 1970 Adult Category Survey (unpublished tabulations).
6. ———: 1971 AFDC Survey.

7. ———: *Concurrent Receipt of Public Assistance Money Payments and Old-Age, Survivors, and Disability Insurance Cash Benefits by Persons Aged 65 or Over, 1948–1971 and February 1971* (NCSS Report G–2; February 1971).
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Part C. RULES FOR DETERMINING BENEFIT PAYMENTS IN FOUR CITIES

Illustrative data on benefits available in Atlanta, Chicago, Detroit, and New York are presented in the main body of the report (see tables 2 through 5). The calculation of these various benefits is complicated and involved. In addition to the complex workings of benefit formulas for single programs such as public assistance, the interdependency of eligibility and benefit amounts among many of these programs introduces computational intricacy. A family receiving several benefits can have the amount of each drastically changed by the introduction of one additional benefit program.

Tables 2 through 5 are set up so that each type of family is presumed to have the basic benefits to which most such families are entitled in each of the four cities. These benefits are cash public assistance payments, food stamps or free commodities, free school lunches, and medical assistance (medicaid and/or medicare). The right sides of the tables show the marginal additions and subtractions to total family income and benefits that would result if each family were entitled to several combinations of other benefits which are less universally available. These other benefits include social security and veterans' pensions (for the aged couple only), public housing, and unemployment insurance (for the nonaged families only). While other programs could have been included, these were chosen as being the most typical sources of income for families likely to find themselves in need of public aid.

This supplementary section to the report describes how each benefit is determined and how it is affected by the introduction of other benefits. Programs are discussed in the order in which they appear in the four tables. The less significant eligibility and payment rules have been omitted in the interest of brevity. The information shown in tables 2 through 5 assumes that the households meeting the major requirements for program eligibility such as age, income, and family composition also meet any other requirements the programs may impose, like limitations on assets or registration for work.

Public assistance.—The public assistance grants shown in the tables come from three programs: old age assistance for those age 65 and over; aid to families with dependent children, for female-headed and certain male-headed families; and general assistance, for the childless couples and a few of the male-headed families of four. These three programs all base eligibility and payments on the same general factors.

If an applicant's cash income is below the local "standard of need," he is eligible for assistance. These need standards are detailed in footnote 4 to the tables. However, these standards are not simply fixed amounts applicable to all similar families, since each standard includes an amount earmarked for rent as paid up to a maximum amount. Thus, when the rent a family pays is higher than that paid by another family, the first family will also have a higher eligibility standard.

Two additional eligibility rules are important with respect to male-headed families. In three of the cities (all but Atlanta), AFDC coverage is extended to families headed by unemployed fathers (AFDC–UF). In order for the family to be eligible for AFDC–UF benefits, the father must meet three tests in addition to the income requirement:

(1) He must have a work history that fulfills minimum requirements with respect to amount of work over some prior time period;

(2) He must not be working currently for more than 100 hours per month; and

(3) He must not be eligible to receive unemployment insurance benefits concurrently.

Failure to pass any of these three tests would make the family ineligible for AFDC–UF. However, in the three cities the family could still obtain general assistance if it meets the income test. Atlanta has no general assistance program except for emergency situations.

Once eligibility is determined, payments are computed by deducting "countable income" from the need standard. Countable income is simply gross income less certain specified amounts of income to be disregarded. These "disregards" are detailed in footnote 4 to the tables. Since the AFDC disregards for earned income can be quite sizable, it is possible for AFDC eligibles with earnings to wind up with larger total cash incomes than those for persons whose earnings put them just above the AFDC need standard.

Food distribution (surplus commodities).—Atlanta distributes free food to qualifying low-income households. To be eligible, the family must either be in receipt of money payments under public assistance or meet an eligibility standard applied to gross cash income. The standards relevant to table 2 are as follows:

Household of size two, $160 per month; and
Household of size four, $265 per month.

All eligible households receive the same quantities of food per person at no cost.

Food stamps.—The other three cities operate the food stamp program. Eligibility is determined on a basis similar to that used for the food distribution program. All public assistance money recipients are eligible, and any other household is eligible if its gross cash income is below the food stamp program's eligibility standards. The standards applicable to tables 3 through 5 are shown below:

Household of size two, $222 per month; and
Household of size four, $360 per month.

Each eligible household may receive coupons in amounts set by Federal regulations. The amounts used in the tables are the following:

Household of size two, $60 per month; and
Household of size four, $108 per month.

For persons not on public assistance, the costs to the households to purchase these coupons are also set by Federal regulation. A schedule of prices has been established by household size. The higher the household's countable income, the higher the purchase price required. Countable income is defined as gross income less deductions for certain work-related expenses, medical costs in excess of $10 a month, rental payments in excess of 30 percent of gross income, and other items.

The new regulations of the Department of Agriculture will also apply to public assistance recipients. Currently however, each of the three cities sets stamp purchase prices based on the food allowance components of the public assistance need standards for such recipients. Thus, so long as a family is on assistance and is subject to the same need standard, its food coupon allotment and purchase requirement will not change even though countable income may change.

Of course, when a family leaves the public assistance program, its food stamp purchase price is computed by the Federal rules. This change in the basis of computation can cause the price to go either up or down, the direction depending on the level of the household's countable income at the time of departure from the assistance caseload. These three cities may have to comply with the Federal rules for all food stamp cases, including public assistance recipients, in the near future.

Free school lunches.—Lunches are provided free of charge to schoolchildren whose families meet certain conditions. In the four cities, if the household receives public assistance or food stamps, the children qualify for free lunches. They can also qualify if the family's gross cash income is below the city's eligibility standard. The current standards for a family of four are as follows:

Atlanta, $3,940 per year;
Chicago, $3,940 per year;
Detroit, $4,280 per year; and
New York, $4,500 per year.

Medical assistance programs.—The medicare program pays certain hospital (part A) and other medical (part B) bills for enrollees. Most of the population age 65 and over is enrolled for at least part A entitlement, with many having part B entitlement as well. Enrollment in part A is a matter of right for those who are statutorily eligible. Enrollment in part B, on the other hand, is contingent upon payment of a monthly premium ($5.60).

Vendor payments for medical care are made on behalf of low-income groups by the medicaid program and by programs authorized and funded locally. Medicaid eligibility is extended to all public assistance money recipients and, in all of the cities except Atlanta, to the "medically needy" as well. This latter group includes persons who are categorically related to a public assistance program (they are elderly, blind, disabled, or in AFDC-type families) and also covers:

(1) In Chicago, families headed by unemployed fathers who are ineligible for AFDC due to inadequate work histories or concurrent entitlement to unemployment insurance benefits;

(2) In Detroit, all children; and

(3) In New York, all children, and all adults eligible for general assistance.

Health care under medicaid is free to the money payment recipient. However, a person covered under the "medically-needy" provision may have to pay for a part of his medical expenditures if his cash income exceeds a medically-needy income standard. If his income is excessive, he must "spend down" to that standard before medicaid vendor payments will be made on his behalf; that is, he must provide for his own medical costs in an amount equal to the excess of his income over the program standard. These standards on an annual basis are shown below:

	Household of size two	Household of size four
Chicago	$2,400	$3,600
Detroit	2,700	3,540
New York	3,300	5,100

Chicago and Detroit operate their own medical assistance programs for persons receiving general assistance payments. Chicago's program is identical to medicaid, except that there is no "spend-down" provision. Detroit's program is a medical emergency assistance program.

Many of the aged poor qualify for both medicare and medicaid and can receive benefits under both over the same time period, although not for the same expenditures. If the same expenditure is reimbursable under both programs, the medicare program would pay first.

Public housing.—Local public housing authorities apply a mixture of Federal and non-Federal rules to determine residents' eligibility and rental amounts. In general, an applicant's cash income must be above a minimum level but below a maximum allowable amount. Once a person is admitted into a public housing unit, his income is periodically tested against a higher ceiling level to determine his eligibility for continued occupancy. The rent he pays will increase if his income increases, except where he is on public assistance and special rent schedules have been agreed upon by the public assistance and public housing authorities for assistance recipients.

When one of the households in tables 2 through 5 is assumed to live in a public housing unit, a housing subsidy is added to its total income. The subsidy is the market rental value of the unit less the rent charged. If the household is not participating in any other income-tested program, then this subsidy would be the net change in household income associated with a move into public housing. However, if the family also receives a public assistance grant, that grant will usually be reduced to reflect the family's lowered rent, if it pays a lesser rent than it did previously in the private market. This reduction will offset a part of the subsidy. If such a reduction should make the family ineligible for assistance (by reducing its standard of need to a point below its cash income level), it then may lose additional benefits that are automatically tied to public assistance. A family that was receiving only food stamps might find the bonus value reduced by public housing occupancy, since any income disregard for excess rent allowed under the food stamp program would be eliminated, thereby driving up the purchase price of the stamps.

Veterans' pensions.—For the aged cases in the four tables, a veteran's pension is shown as an optional benefit. If the aged husband is a qualifying veteran, he would receive the maximum amount stipulated by law for a veteran with one dependent ($140 per month).

The couple's pension would then be supplemented by old age assistance, which is higher than $140 in all four cities. The OAA payment is reduced dollar for dollar for the pension amount, except for a small disregard in Atlanta and New York (see footnote 4 to the tables). Thus, having veteran status is of very little advantage to the low-income aged in these four cities in terms of current income.[1] However, there are other advantages to eligibility for a veteran's pension, since the rules relating to assets, liens, and outside income tend to be less stringent than the OAA rules. Also, in some communities access to VA medical care may be preferable to coverage under medicaid.

Social security (OASI).—Another optional benefit shown for the aged cases is social security (old age benefits). It was assumed that each aged couple would draw the minimum benefit of $105.60 a month.

The OASI benefit would be supplemented by OAA in the manner described above with respect to the veterans' pension program; that is, OASI benefits are deducted dollar for dollar from OAA payments, except that a special $4 a month disregard of OASI is also applied by the OAA program when deducting social security income in addition to the other disregards cited above.

Unemployment insurance (UI).—Unemployment benefits are paid for a maximum of 39 weeks[2] to persons meeting tests of prior work history, current availability, and current degree of unemployment. These tests and rules for determining benefit amounts are all set by State agencies and vary among the four cities.

The UI benefit amounts used for the tables are based on a person who became fully insured while working full time at the minimum wage. These amounts are as follows:

WEEKLY UI BENEFITS

	Childless couple		Family of 4	
	Unemployed	Working 20 hours	Unemployed	Working 20 hours
Atlanta	$32	$9	$32	$9
Chicago	40	16	40	16
Detroit	34	17	37	19
New York	41	41	41	41

The UI benefits shown in the tables assume receipt of benefits for 39 weeks out of a year.

Receipt of UI has three different kinds of impacts on total household income. First, the UI benefit may exceed public assistance benefits for the 39-week period, thereby removing the family from the assistance program, and possibly from related programs, for that time period. Second, UI may simply be substituted dollar for dollar for a part of the assistance payment if UI is less than assistance, resulting in no change in total income. Third, a male-headed family receiving AFDC-UF payments becomes ineligible for that program if he is entitled to UI. He could receive general assistance as a supplement to UI,

[1] In only four States are OAA payments for an aged couple with no other income less than $140 per month.

[2] This period includes a 13-week extension of benefits during periods of high unemployment. The benefits may be further extended during emergency periods of extremely high unemployment.

but GA payments are usually lower than AFDC. In Detroit medical benefits for GA cases are also more restrictive than are those for AFDC cases.

Combinations of optional benefits.—The preceding paragraphs have described what may happen when the optional programs of tables 2 through 5 are considered singly. When these programs are combined, however, very different results can be obtained.

Consider the family receiving UI benefits and living in public housing. The combined effect of the two programs on total income is frequently the same as the sum of their individual effects, but in some cases it is larger than that sum. The latter situation develops where the UI benefit is large enough to remove the beneficiary from the assistance caseload. That beneficiary would then receive the full subsidy value associated with residency in public housing, whereas without UI the housing subsidy would have been partially offset by reductions in assistance payments.

The aged couple which qualifies for both the minimum social security benefit and a VA pension fares differently depending on where the couple lives. If the two benefits in combination are less than the old age assistance standard, as is the case in Detroit, then the net effect of the two combined is equal to the sum of each benefit's effect individually. If the two benefits add to more than the assistance standard as they do in the other three cities, then their combined effect on total income will be less than the sum of the two individual effects. In fact, the couple would experience a net loss of income in Chicago, where the increase in cash income would be more than offset by the loss of food and medical benefits associated with the receipt of public assistance payments.

If the aged couple receiving both social security and a VA pension should move into a public housing unit, the housing subsidy will be worth more to those couples removed from OAA by the combination of benefits than to those remaining on OAA. This result derives from the fact that the VA and social security benefits remain constant regardless of the couple's rent, while the OAA payment declines if rent is subsidized.

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