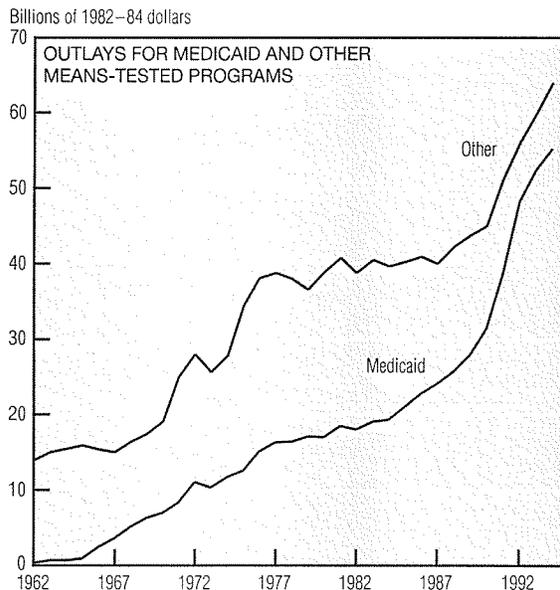
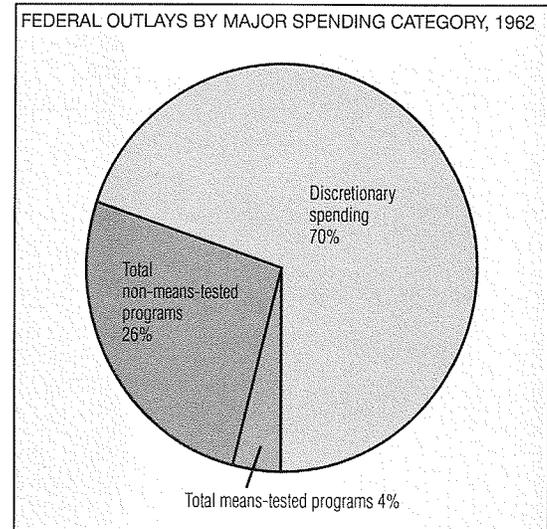
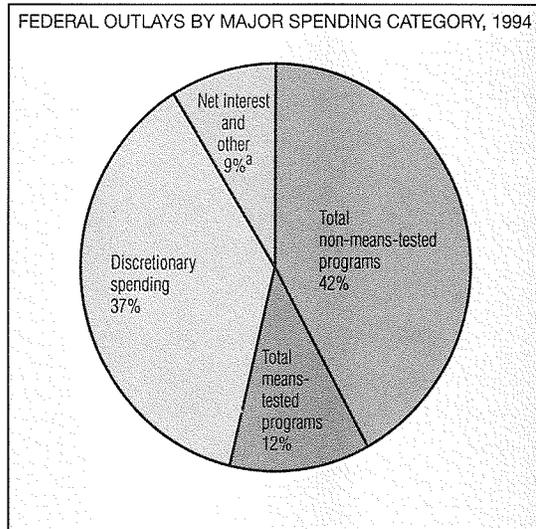


## Regional Aspects of Welfare Spending



a. "Other" includes deposit insurance and offsetting receipts.

NOTE: All budget data pertain to fiscal years.

SOURCES: Congressional Budget Office; and Jeffrey L. Katz, "Provisions of Welfare Bill," *Congressional Quarterly*, vol. 53, no. 45 (November 18, 1995), pp. 3542-544.

### Highlights of Congressional Welfare Proposals

- AFDC replaced with block grants for Temporary Assistance to Needy Families.
- Federal funding conditioned on states devoting at least 75% of 1994 expenditures to AFDC.
- Maximum five-year assistance for adults.
- States can deny payments to unwed mothers under the age of 18 and can reduce payments in cases of unknown paternity (except when rape or incest is involved).
- Adult recipients are required to work within two years of receiving benefits. Exemptions are allowed for parents with children under one year of age.

Any attempt to balance the federal budget must confront the problem of burgeoning welfare payments. Means-tested entitlements, which include Medicaid and other welfare-type programs, have grown at a 12% average annual clip since 1962, increasing from 4% to 12% of total outlays. Non-means-tested entitlements, which cover Social Security, Medicare, and unemployment compensation, have grown at a 10% annual rate over the same period, rising from 26% to 42% of government outlays. Discretionary spending, on

the other hand, is up only 6.4%, shrinking from 70% to 37% of total federal outlays. The current congressional proposal for limiting welfare payments would give states more control over welfare programs, require recipients to work, and limit the duration of benefits.

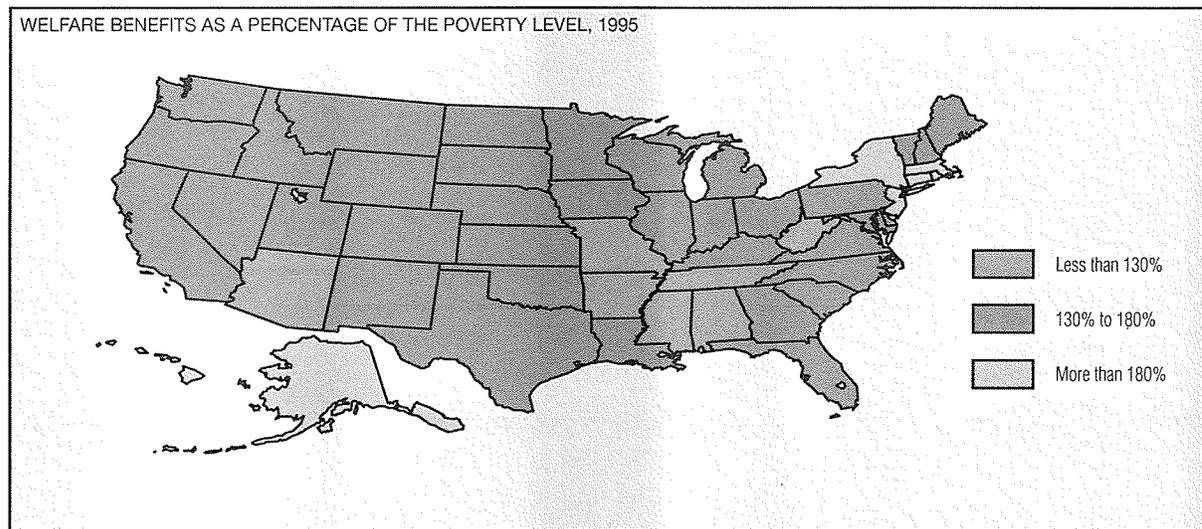
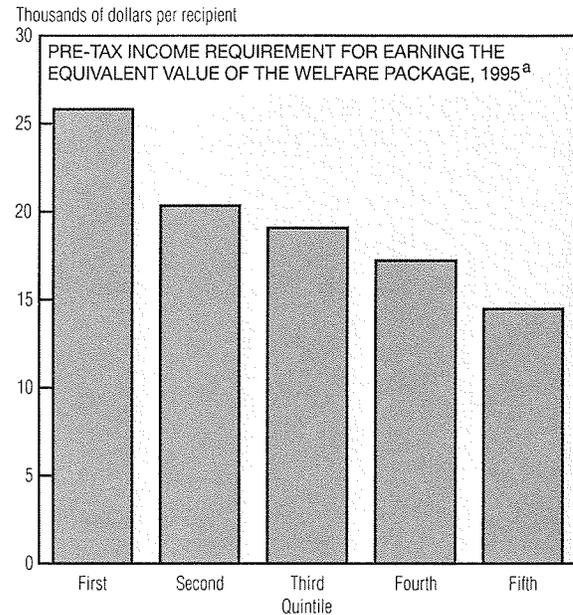
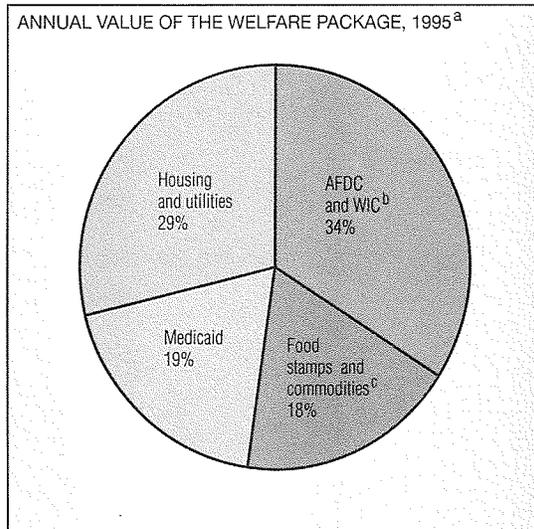
Welfare attempts to furnish a minimum standard of living for those unable to provide for themselves, typically young single mothers with children. The concern of many policymakers, however, is that an otherwise worthy cause creates disincen-

tives for work and promotes long-term welfare dependency. The problem may arise not from any single program, but from a combination of in-kind and cash programs.

Welfare benefits vary from state to state and among recipients. One study estimates that the total value of a standard package of benefits for a typical recipient in the Aid to Families with Dependent Children (AFDC) program ranges from \$27,736 in Hawaii to \$13,033 in Mississippi. (The standard package in

*(continued on next page)*

## Regional Aspects of Welfare Spending (cont.)



a. Totals are calculated on the basis of state benefit levels weighted by the corresponding number of recipients in 1992.

b. Aid to Families with Dependent Children plus supplemental food program for Women, Infants, and Children.

c. Calculated using number of recipients in 1993.

SOURCES: *Statistical Abstract of the United States: 1994*; and Michael Tanner, Stephen Moore, and David Hartman, "The Work vs. Welfare Trade-off: An Analysis of the Total Level of Welfare Benefits by State," *Cato Institute, Policy Analysis*, No. 240, September 19, 1995.

the study includes AFDC benefits, food stamps and other supplemental nutrition assistance, Medicaid, and housing and utility assistance.) All of the states making up the Fourth Federal Reserve District—Ohio, Pennsylvania, West Virginia, and Kentucky—fell below the national average. The top left chart indicates the average percentage contribution of various components of this standard package.

The typical welfare recipient receives benefits for only a short time, and many receive only a fraction of

the entire set of cash and noncash payments that are potentially available. But as many as 65% remain on public assistance for eight years or longer. Statistics such as this have led many economists and policymakers to question whether the system is constructed to facilitate the transition of persons receiving welfare benefits into full labor-force participation.

Most welfare recipients express a desire to work, and employment can usually enhance their long-term economic benefits relative to remaining on welfare. In many in-

stances, however, fulfilling this desire means taking an entry-level job that pays less than staying on welfare. Concern about the potentially perverse incentives created by public assistance programs motivates at least some of the provisions in the welfare proposals designed by Congress. For instance, caps on the number of years that participants are eligible for benefits and work requirements for adult recipients are as much reform measures as they are budget-cutting measures.