Residential and Regional Distribution of Benefits Under the Allowance for Basic Living Expenses (ABLE) Welfare Reform Proposal

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RESIDENTIAL AND REGIONAL DISTRIBUTION OF BENEFITS UNDER THE ALLOWANCE FOR BASIC LIVING EXPENSES (ABLE) WELFARE REFORM PROPOSAL, Thomas A. Carlin, Gary Hendricks, and Faye F. Christian. Economic Research Service, U.S. Department of Agriculture, cooperating with the Urban Institute. Agricultural Economic Report No. 374.

ABSTRACT

A broad-based welfare reform program, proposed in 1974 by the Joint Economic Committee of the U.S. Congress, is compared to the current Aid to Families with Dependent Children (AFDC) and Food Stamp programs. The proposal is termed ABLE (Allowance for Basic Living Expenses). The study finds that the primary impact of ABLE would be to increase substantially the number of welfare-eligible families without changing the distribution of eligible families among regions or urban and rural areas. However, there would be a substantial reduction in benefits to eligible families in the Northeast and to a lesser extent in the North Central region and the West. Eligible southern families would gain substantially. Metropolitan areas would lose benefits under ABLE, but rural areas, except in the Northeast, would gain.

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OTHER RELATED REPORTS

Thomas A. Carlin, Impact of Earned Income Tax Credit: A Simulation of Tax Year 1976. AER-336, Econ. Res. Serv., U.S. Dept. of Agr., June 1976.

Fred Hines and Max Jordan, Welfare Reform: Benefits and Incentives in Rural Areas. ERS-470, Econ. Res. Serv., U.S. Dept. of Agr., June 1971.

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SUMMARY AND CONCLUSIONS

In 1974, the Joint Economic Committee, U.S. Congress, developed a broad-based welfare reform proposal to replace the existing Aid to Families with Dependent Children (AFDC) and Food Stamp programs. This study is a simulation analysis which compares these welfare programs to the program proposed by the Congressional committee.

The Food Stamp program is a limited universal income maintenance program directed only at food consumption. It is fully financed by the Federal Government. AFDC is a cash grant program which serves primarily one category of poor, single, or estranged women with dependent children. AFDC is jointly financed by Federal, State, and local governments.

The Committee's program, commonly referred to as ABLE (Allowance for Basic Living Expenses), is a universal income maintenance program with national eligibility and payment standards. Hence, ABLE differs from the current AFDC/Food Stamp income maintenance package in two important respects. First, benefits under ABLE, based only on need, would be available to all poor families. While benefits would be scaled by type of family and number of members in the unit, there would be no categorical criteria for eligibility other than need. Second, regardless of State or place of residence, families would be subjected to the same standards of eligibility and need. Under the current system, recipients of AFDC benefits are subject to income tests and standards of need which vary greatly among States.

The program would be composed of two parts. A modest cash grant related to income would provide direct cash payments to poor families and individuals. A system of refundable tax credits would provide further direct cash payments to the poor and reduce Federal income tax liabilities for middle-income families. Under the Committee's proposal, the current Supplemental Security Income (SSI) program would also be modified. Dependents of SSI recipients would be included in the SSI filing unit and would receive benefits comparable to those received by dependents in units receiving direct cash grants under ABLE.

This study focuses on families eligible to participate in the current AFDC, Food Stamp, and SSI programs and with those families who would be eligible to receive cash payments under ABLE. The regional and residential distribution of eligible families and direct cash benefits under each program are analyzed using calendar year 1976 data provided by a computer simulation model.

Compared to the present AFDC/Food Stamp system of income maintenance, a program such as ABLE with universal coverage and national eligibility standards would lead to a substantial increase in the number of eligible families. Based on the simulation analysis, approximately 14.7 million families were eligible for AFDC and Food Stamp benefits in 1976. This represented 19 percent of all U.S. families. Under ABLE, about 20.9 million families would have been eligible for direct cash payments in 1976. This represented 27 percent of all U.S. families. Thus, the number of eligible families under ABLE would be 42 percent higher than under the AFDC and Food Stamp programs.

This study found no indication that ABLE would significantly shift the distribution of eligibles among regions or between urban and rural areas despite the large increase in eligible families. Over half of the additional eligible families under ABLE would be in the Northeast and North Central States. Over 25 percent would be in the South, and less than 20 percent in the West. Most of the additional eligible families under ABLE resided in urban areas.

Estimated total direct cash payments to AFDC and food stamp recipients in 1976 were $16.7 billion, based on the simulation analysis. There was almost no simulated increase in total direct cash payments under ABLE, despite the increase in the number of eligible families. However, the regional and residential distribution of benefits would have changed substantially. The South would have experienced a 35-percent increase in total benefits; all other regions would have experienced decreases in the simulation analysis. In addition, total benefits to rural areas would have increased while total benefits going to urban areas would have been reduced, except in the South. In the South, total benefits would have increased for both rural and urban residents.

The simulated change in the regional distribution of total benefits was due to the national eligibility and payments standards imposed under ABLE. The Food Stamp program has such national standards. But, under the current AFDC program, each State establishes its own needs and payment standard. AFDC payments are generally lower in the South than in other regions. Thus, the South would benefit most from uniform national standards.

While total direct cash payments would not have changed substantially under ABLE, the Federal Government would assume complete responsibility for welfare expenditures, thus relieving the States of their share of AFDC program costs. This study does not provide a net cost to the Federal Government of adopting ABLE.

Because the number of eligible families under ABLE would increase while total direct cash benefits would remain about the same, average payment per family would be considerably lower than for the AFDC and Food Stamp programs. This was true for all cases except farm families outside the Northeast and southern families outside larger cities. States in those areas which would experience benefit losses could supplement the Federal ABLE program payments, but this option was not explored in this study. However, the regional and residential disparities in average payment noted in the AFDC and Food Stamp programs would be reduced under ABLE. ABLE would improve horizontal equity; families of the same size, composition, and income level would be treated more equally.

The simulation analysis showed an estimated 5.4 million families eligible to participate in the current SSI program in 1976. Modifying the SSI program under ABLE would have caused an additional 664,000 families to be eligible for SSI benefits, an increase of 12 percent. The additional eligible families were primarily urban residents. However, one group appeared to be adversely affected by the modifications to SSI. About 12 percent fewer farm families would have been eligible for SSI benefits under ABLE. Income-producing assets

such as the farm business are not considered under the eligibility criteria for the current SSI program but would be under ABLE. Under ABLE, income is imputed to these income-producing assets. Thus, under certain circumstances, this imputed income made some farm families ineligible for SSI benefits under ABLE, although they are eligible to participate in the current SSI program.

Direct cash benefits under the current SSI program were estimated at $5.9 billion in 1976. Estimated direct cash benefits under the modified SSI program were $6.7 billion, an increase of about 14 percent. Urban residents, particularly outside the South, had the greater share of increased benefits.

The estimated regional and residential distribution of current SSI benefits appear to be more consistent with the distribution of eligible families than was true for the AFDC and Food Stamp programs. Thus, there was less disparity in average payment among the regions and by residence. Modification of SSI under ABLE would not greatly affect the overall horizontal equity of the SSI program.

The gains and losses by region and residence shown in this study were, of course, the result of the guarantee levels selected. If low enough guarantee levels had been specified, all areas would be net losers of benefits. Similarly, if high enough guarantees were chosen, all areas would be gainers. However, we would not expect the relative gains and losses to be changed greatly by adopting standards which differ from those used in this study.

Welfare reform is often viewed as one way to provide fiscal relief for large cities. Such fiscal relief would be unlikely at the guarantee levels utilized in this study. Large cities in the Northeast, North Central, and West would need to supplement benefits to current AFDC recipients to maintain benefit levels for families currently on the rolls. It is in these areas where potential fiscal relief offered by major welfare reform would be least realized. However, fiscal relief provided by any Federal welfare reform would be substantial for rural areas and the South, and the burden of supplementation on these States and localities would be small.

GLOSSARY OF KEY TERMS

Family: All members of a household related by blood, marriage, or adoption. Unrelated individuals are treated as one-person families.

Regions: The four major regions, Northeast, North Central, South, and West, as defined by the Bureau of Census and delineated in table 7.

Residence: Where the family lives within a region, either urban areas (large cities or small cities and towns) or rural areas (farms or nonfarm, open areas).

Benefits: Direct cash payments made to families.

Horizontal equity: The degree to which all families of the same size, composition, and income level are treated equally under program rules. Special emphasis of this study is horizontal equity by place of residence.

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RESIDENTIAL AND REGIONAL DISTRIBUTION OF BENEFITS UNDER THE ALLOWANCE FOR BASIC LIVING EXPENSES (ABLE) WELFARE REFORM PROPOSAL

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This study explores a proposal for a new welfare program, a limited negative income tax approach called Allowance for Basic Living Expenses or ABLE, developed by the Joint Economic Committee of the U.S. Congress [6]. 1/ It is designed to replace the existing Aid to Families with Dependent Children (AFDC) and Food Stamp programs and calls for several modifications of the Supplemental Security Income program (SSI). Recent studies of similar proposals show substantial impacts on the geographic and residential distribution of welfare benefits [10, 4]. This paper explores the residential and regional distribution of benefits of ABLE, compared to the above existing welfare programs.

CURRENT WELFARE PROGRAMS

AFDC was established in 1935 to encourage care of dependent children in their own homes or homes of relatives. States were enabled to furnish federally-subsidized financial assistance. The program has been extended several times. Until 1961, Federal assistance for the program was limited to single-parent families, mostly mothers with dependent children, or to orphaned or deserted children living with relatives. In 1961, Congress passed legislation which lends partial Federal support to States which offer assistance to families in which both parents are present, but the father is either incapacitated or unemployed. Currently, 27 States offer assistance to families with unemployed fathers. A Work Incentives Program (WIN) was added in 1967 to provide training and employment services. In 1971, the Talmadge Amendment strengthened WIN by stipulating that all AFDC mothers register for work once their youngest child reaches the age of 6 years [5].

1/ Underscored, bracketed numbers refer to items in References.

In order to receive benefits under AFDC, an eligible family must pass a means test which is specified by the individual States and consists of two parts. First, a potentially eligible family must demonstrate that it does not have assets in excess of a specified maximum amount. This amount varies by State. Families who pass the asset test are eligible for the program if their income is below some standard. The income standards, also set by each State, vary widely.

Each State establishes its own needs standard as a basis for determining payments. The needs standard covers basic clothing, food, and shelter costs; it varies by family size and other factors. States are not required to pay up to full needs standard. The proportion paid varies by State. For example, as of July 1974, Alabama established a needs standard of $133 per month for a family consisting of two recipients with the largest payment set at 55 percent of needs, or $73 [5, p. 164]. New York, on the other hand, established a needs standard of $268 per month for a family of two recipients with the largest payment set at 100 percent of needs.

The AFDC program is jointly financed by the Federal, State, and local governments. All States are required by Federal law to participate in financing. Local participation is optional. The Federal share of the basic payment varies by State, depending upon formulas which take the State's per capita income into consideration. States with low per capita income pay a smaller proportion of the total AFDC payments to families. Currently, the Federal share varies from 50 to 83 percent. However, on average, the Federal Government pays 55 percent of total program expenditures, including administration. State and local governments pay the remaining 45 percent.

In 1970, AFDC serviced approximately 9.7 million recipients each month. Total money payments, including State payments, were $4.8 billion. By 1975, the program was servicing almost 11.4 million recipients each month, an increase of 17.5 percent. Total payments increased to $9.2 billion, or 91.7 percent [24].

The SSI program, established by Congress in 1974, replaced the State-operated and federally-subsidized adult public assistance programs--Old Age Assistance, Aid to the Blind, and Aid to the Permanently and Totally Disabled. SSI is administered by the Social Security Administration and, like the Food Stamp program, is totally funded by the Federal Government. It is a categorical program which assists only the aged (65 and older), the blind, and the permanently and totally disabled. Under the program's means test as of July 1976, aged, disabled, or blind couples were eligible for a maximum monthly benefit of $251.80 if they had (1) less than $2,250 in liquid assets, (2) a house whose value did not exceed $25,000, and (3) no more than one automobile. A single person was eligible for a maximum monthly benefit of $167.80 if that person had (1) less than $1,500 in liquid assets, (2) a house valued at not more than $25,000, and (3) only one automobile. In determining countable income, the first $20 of earned and unearned income per month is excluded. The next $65 of earned income plus half the remaining earned income is also excluded. Additional unearned income is offset dollar for dollar [5]. Benefits are also reduced by a third if the eligible person or couple is living in the household of another person.

In 1974, the Federal Government paid benefits of slightly under $3.9 billion to a monthly caseload of 3.6 million SSI recipients [21]. By late 1975, the monthly caseload had grown to 4.3 million recipients. Benefits paid by the Federal Government in 1975 totalled over $4.3 billion [22]. Under the current SSI legislation, States may opt to supplement Federal SSI benefits. By the end of 1975, except for Texas, all 50 States provided some supplementation. In 1975, States paid over $1.5 billion in supplementary benefits [22, 23].

The Food Stamp program is the second major federally-supported program which ABLE would replace. Designed to supplement the food purchasing power of low-income households, the Food Stamp program began in 1962 as a pilot project [5]. In 1964, it was expanded to all counties wishing to participate; in 1974, participation in the program by all counties was made mandatory.

Eligible families may purchase food stamps with a face value which depends upon family size. The cost of the stamps to participants cannot exceed 30 percent of family net income. The difference between the monthly coupon allotment and the cost of the stamps is the bonus value or net addition to food purchasing power. The stamps may be used like cash in participating stores for most food items. The coupons may also be used by certain elderly persons to pay for delivered meals or to purchase meals in establishments providing communal dining.

Although locally administered, the Food Stamp program, unlike AFDC, is fully federally funded. Also unlike AFDC, there are no categorical eligibility restrictions for food stamps. The program is available to any household which can pass the federally-set income and asset tests. In 1976, families with assets of less than $1,500 were eligible. 2/ A family of four with no other household members was eligible for the program if its net monthly income after excluding certain allowable deductions was less than $553. Households in which all members participated in the AFDC program were automatically eligible for food stamps [13].

In 1970, the Food Stamp program serviced 4.3 million persons each month. The program's benefits 3/ totaled $0.549 billion [12]. By 1975, monthly participation had grown to over 17 million persons (an increase of 295 percent) and total benefits to $4.395 billion (an increase of 700 percent) [9]. Two-thirds of the households receiving food stamps are recipients of benefits of other public assistance programs, and 42 percent of the program's participants in 1975 were AFDC families [11].

2/ Households of 2 or more persons with a member or members age 60 or over may have assets that do not exceed $3,000 and still be eligible for food stamps providing they pass the income criteria.

3/ Benefits include only the bonus value of food stamps. Administrative costs are excluded.

In addition to the AFDC, SSI, and Food Stamp programs, the ABLE program would modify or replace a number of smaller programs (e.g., Indian assistance and day care). These smaller programs are not considered in this analysis.

THE WELFARE SYSTEM UNDER ABLE

ABLE was designed to replace the many public programs offering support based on family and individual income [6]. The program would have two parts. For the poorest families and individuals, there would be modest cash grants related to income. This aspect of the program can be termed "negative income tax." For poor, lower-middle, and middle-income families, there would be a system of tax credits and deductions to provide income through tax relief.

There would be several changes to the Federal income tax system under ABLE. The low-income allowance, child care and household expense deduction, and the current personal exemptions would be replaced by a standard employment expense deduction and a tax credit of $225 per person. Any portion of the tax credit which could not be used to offset a tax liability would be rebated to the tax filing unit [7, p. 11]. Thus, a penniless family of four would be eligible for a $900 tax refund even though they paid no taxes.

The proposed standard employment expense deduction, unlike the current deduction for certain household and dependent care expenses, would be standardized by family type and would not relate to actual expenses. Specific deductions proposed were [7, p. 13]:

Type of filer	Amount deducted from gross earnings
Head of household filer with a dependent child under age 15 or a disabled dependent	20 percent up to $1,500 maximum
Other head of household filers with dependent children	10 percent up to $1,000 maximum
Second earner (spouse with lowest earnings) in a joint filing unit with a dependent child under age 15 or a disabled dependent	10 percent up to $1,000 maximum
Other second earners	10 percent up to $500 maximum
All other filers	Nothing

In addition to tax relief, ABLE would provide modest income-tested cash grants, replacing the AFDC, food stamps, and the programs for cash aid to Cuban refugees and to Indians on reservations.

All persons age 18 or over could file for an ABLE grant if they were not claimed as dependents by another adult. Members of the filing unit would be the filer, the filer's spouse, and any persons dependent on the filer, including children and related adults. A person under age 18 could file if there were a spouse or a dependent child and the person was not claimed as a dependent by any other filer. Persons receiving SSI payments would not be eligible for ABLE grants, and their income would not be counted as part of the resources of any ABLE unit of which they might be a part.

The maximum allowance would depend upon family type and family composition [7, p. 15]:

Member of unit	Maximum annual allowance
Filing unit:	
Married couple filing jointly	$2,050
Head-of-household filer 4/	$1,225
Single filer	$825
Add on:	
Dependent age 18 or over	$825
First dependent child in filing unit	$325
Second dependent child	$325
Third dependent child	$225
Fourth dependent child	$225
Fifth dependent child	$225
Sixth dependent child	$225
Seventh and successive dependent child	$0

According to this schedule, a penniless couple with two children would receive an annual allowance (in monthly or semimonthly payments) of $2,700. In addition, the couple would receive $900 in rebatable tax credits, for a total annual income of $3,600.

The maximum annual allowance would be reduced by a system of offsets designed to produce a smoothly functioning income maintenance system without excessive work disincentives. The offset provisions would also be used to achieve integration with the set of existing tax and transfer programs which would not be abolished under the new program.

4/ A head-of-household filer would have to meet the same criteria as presently used in determining this status under the Federal income tax. A head-of-household filer must be (1) separated, divorced, widowed, or single; (2) supporting a child or a dependent relative; (3) sharing the same household with the dependent(s); and (4) paying at least half the cost of the entire household.

The amount of the ABLE grant would be reduced by 50 cents for each dollar of earned income (net of social security taxes) and for each dollar of any Commodity Credit Corporation loans received by the potential ABLE filing unit. Each dollar of property income (including rent, interest dividends, and capital gains), annuity income, or income from public or private pensions, including Social Security OASDI (Old Age Survivors Disability Insurance) benefits, would lead to a 67-cent reduction in benefits.

Unlike the current set of federally-supported, income-conditioned programs, ABLE would not have an asset test. Rather, income would be imputed to assets based on appraised value. The proposed schedule for converting the value of assets to annual income is shown below.

Appraised value of capital owned or controlled by the qualified unit	Annual income to be imputed with respect to such capital
Less than $10,000	$0
At least $10,000 but less than $20,000	$100
At least $20,000 but less than $30,000	$200
At least $30,000 but less than $40,000	$300
At least $40,000 but less than $50,000	$800
At least $50,000 but less than $60,000	$1,300
At least $60,000 but less than $70,000	$1,800
At least $70,000	$2,800 plus 10 percent of value of capital in excess $70,000

Capital assets would be appraised without regard to any mortgages or indebtedness associated with the capital. Income from assets would be offset against imputed income to avoid double counting.

According to the report of the Subcommittee on Fiscal Policy (Joint Economic Committee), "in order to provide greater equity between low-income persons living in subsidized housing and those unable to obtain such housing, and to keep a high financial return from work for persons living in subsidized housing and receiving income supplements, the cash program will count as income 80 percent of the subsidy received by public housing tenants or home-purchasers" [7, p. 7]. Furthermore, to avoid duplication, basic educational

opportunity grants to students would be offset dollar for dollar against any cash supplements students receive under the ABLE program. Each dollar of veteran pension benefits and of certain other payments from government programs, such as farm subsidy payments, would lead to a $1 reduction in benefits under ABLE. A detailed list of income sources and offset rates appears in the Subcommittee report [7, p. 16].

As a final modification of the existing welfare system to insure program integration, the Subcommittee's proposal calls for several changes in the SSI program. The current SSI program would be modified to include dependents (spouse and children). The maximum payment for the spouse of an SSI-eligible individual would be $1,025 or half of the ABLE married couple's benefit. The maximum SSI family allowance would be increased for dependent children, just as the maximum ABLE grant would be increased by $325 annually for the first and second child and $225 annually for the third through sixth child. The maximum annual benefit for the individual in the family eligible for SSI would remain the same as under the current, unmodified SSI program. The current SSI asset test would be dropped and replaced with the income imputation to assets used for ABLE as described above.

DATA AND PROCEDURES

The Urban Institute's Transfer Income Model (TRIM) was the primary analytic tool used to estimate the residential impact of the current welfare system and the proposed ABLE program. 5/ TRIM is a simulation model designed to estimate on a case-by-case basis the benefits families and households are eligible for under existing and alternative tax and transfer programs. The model operates on any of a number of large household survey data files. For this study, the March 1973 Current Population Survey (CPS) conducted by the Bureau of Census was used. By reweighting the sample and extrapolating individual incomes, the initial sample was restructured to be representative of a cross-section of the population as it was expected to be in 1976.

Making projections for a sample of the population requires a number of assumptions. It was assumed that prices would increase by 9.21 percent in 1975 and 6.14 percent in 1976. The rate of inflation in 1974 was known at the time the simulations were run. In addition, it was assumed that the average monthly unemployment rate would be 7.2 percent in 1976. The actual increase in prices in 1976 was about 4.8 percent, and the final annual average seasonably adjusted unemployment rate was around 7.7 percent.

Growth rates for the income of individuals by source were in large part derived from aggregate projections of income by sources published by Data Resources, Inc. [8]. The growth factors were originally prepared in the fall of 1975 for a consortium of government users of TRIM. They coincide closely

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5/ A description of TRIM is included in the introduction to "The User's Guide," Urban Institute Working Paper 718:3, The Urban Institute, 2100 M Street, N.W., Washington, D.C. 20037, March 1973.

with the realized rates of growth, subsequently observed in 1975 and 1976. Shifts in the composition of the population by age, race, and sex were derived from Bureau of Census estimates which were also used to derive independent estimates of the growth of households by type of household (married couple, female-headed family, male primary individual, female primary individual, etc.) [17, 19, 20].

The projections are imperfect in many respects. Changing any of the above assumptions would likely change the aggregate estimates for the individual tax and transfer programs. However, when the same data base, even if imperfect, is used to estimate alternative programs, the differences in the estimates are frequently more accurate than the aggregate estimates themselves. The primary emphasis in this study is the difference between alternative programs.

Results of the simulations were tabulated using the family as the unit of analysis. A family is defined as all members of a household related by blood, marriage, or adoption. Thus, in households with subfamilies, both the subfamily and any benefits they derive from each program were included with the primary family and its benefits. Unrelated individuals are treated as one-person families.

The estimates of eligibles and benefits for 1976 shown in this report were prepared by first calculating case-by-case eligibility and potential benefits for the AFDC, Food Stamp, and SSI programs as they currently exist. Then, case-by-case eligibility and benefits were calculated for the proposed welfare system.

In the following analysis, only direct payments to families were considered as benefits. Certain provisions of the ABLE program would affect taxes paid by many middle-income and higher income families. These provisions would not result in direct cash payments to families. The tax provisions of the ABLE program may alter the regional and residential distribution of tax burdens. However, the primary concern in this study is with low-income families and their treatment under alternative income maintenance systems. Hence, that part of the ABLE program which primarily affects the distribution of tax burdens among middle-income and higher income families has been ignored. Thus, this study does not provide a net cost to the Federal Government of adopting the ABLE program.

Participation in all programs was assumed to be 100 percent of eligible units. In AFDC, about 78 percent of eligible families actually participated in 1970 [3]. Participation was 91 percent for eligible female-headed families, the largest segment of the program. About 60 to 70 percent of eligible families actually participate in the Food Stamp program [28]. But, there is little information on how participation varies by region and residence. In addition, there would be family units eligible under ABLE which are not eligible for current welfare benefits, particularly AFDC. And there would be no participation experience for this group of new eligibles. Varying participation, given the current information, would not greatly affect the regional and residential distribution of benefits presented in this study.

Recent experiments suggest a possible slight reduction in labor supply under a negative income tax [25, 26]. Results vary by residence and ethnic group. For example, in a New Jersey experiment, there was some reduction in hours worked by white husbands and a substantial reduction in the proportion of white working wives [25]. This was not true for blacks. No adjustment was made for possible reduction in labor supply in the present study.

Maximum needs standards and maximum payments for AFDC and AFDC-Unemployed Fathers were assumed to be 7.5 percent higher than those in force in July 1974. Maximum annual average 1976 payments for SSI were assumed to be $2,959 for an eligible couple and $1,972 for an eligible individual. Projected 1976 food stamp purchase requirements and bonuses were based on data published in May 1975. These were increased from 8.4 to 11.2 percent, depending on household size. Benefit calculations were based on full-year income and maximums computed on an annual rather than a monthly basis. This procedure leads to systematic understatements of full-year costs, since some families who would be eligible and participate only part of the year would not be eligible for benefits if income over the full year is used to determine eligibility. This simplification will only affect the basic conclusions of this study if there are large systematic differences between regions and types of residential locations in the proportion of families who are eligible on a part-year basis but not on a full-year basis.

Because of insufficient data on the CPS, some aspects of individual programs and the total welfare environment were not taken into account. In particular, some components of income are missing or cannot be specifically identified on the CPS data file. Missing income components were generally ignored. These included Commodity Credit Corporation loans, public subsidies for rent or mortgage costs, farm subsidy payments unless reported as farm income by the respondent, and refunds on Federal income taxes overwithheld. Certain types of income may also be missing from the analysis because they are frequently misreported or not reported at all by CPS respondents. Income here might include scholarships, large gifts, life insurance proceeds, and nontaxable military pay. Income from capital gains, while not reported on the CPS, is imputed in TRIM because it is needed to compute Federal income tax liabilities.

Special procedures were added to TRIM to derive the imputed income to assets for estimating eligibility for ABLE grants. The value of farm assets for families reporting farm income and losses were imputed using data from the 1969 Census of Agriculture (see app. A) [18]. 6/ Homeownership and house value were also imputed. These imputations used data from the 1970 Census of Housing (see app. B) [15]. The value of other assets was imputed by assuming

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6/ In this analysis, all farm self-employment income was assumed to accrue to labor. Since no procedure was established by the Committee to partition self-employment income into that portion derived from labor and that portion derived from capital, no attempt to do so was made in this study. This assumption would provide a lower estimate of eligible farm families than if some portion of farm income was considered as asset income.

an average 6-percent rate of return and dividing reported rent, interest, and dividend income by .06. The various imputations of asset values were summed to get a crude estimate of appraised value of assets for family head, spouse, and dependents.

The regional delineation used in this analysis is that defined by the Bureau of the Census (see table 7). The residential classifications were developed specifically for this study. Urban areas are divided into two groups: those within Standard Metropolitan Statistical Areas (SMSA), considered urban, metro centers, and those outside SMSA's (urban, nonmetro). An SMSA is a county or group of contiguous counties which contain at least one city of 50,000 inhabitants or more, or twin cities with a combined population of at least 50,000. Rural residents reside outside urban areas. Rural farm residents reside on farms outside urban areas.

SIMULATION RESULTS: AFDC AND FOOD STAMPS VS. ABLE

The simulation analysis showed approximately 14.7 million families, or 19 percent of all U.S. families, eligible to participate in the AFDC and Food Stamp programs annually (table 1). 7/ When ABLE was substituted for the AFDC and Food Stamp programs, an additional 6 million families became eligible, an increase of 42 percent. These additional families were primarily male-headed families with children, childless couples, and unrelated individuals. Half of the additional families had before-tax and transfer incomes of less than $4,000; more than 86 percent had such incomes of less than $6,000.

Despite the relatively large increase in eligible families under ABLE, the simulation analysis showed almost no increase in estimated total direct payments to all eligible families. Direct payments under ABLE would be approximately $16.8 billion, only slightly larger than with AFDC and the Food Stamp program. ABLE grants would constitute half the total direct payment to families.

Regional Impact

Under ABLE, all regions would have experienced substantial increases in the number of families eligible for direct payments from the government (table 1). In the Northeast and North Central regions, the number of eligible families would have increased by about 1.7 million, a 56 and 50 percent increase, respectively. In the West, eligibles would have increased by a little over 1 million families, or by 40 percent. The South had the largest increase in eligibles, over 1.7 million, but smallest percentage increase, 30 percent.

7/ Because eligibility for participation is determined on a monthly basis, the actual number of families participating annually in the programs generally exceeds the estimates made from annual data.

Table 1--Estimated distribution of eligible families and benefits under the AFDC, Food Stamp (FS), and ABLE programs, by region, 1976

Region 1/	Families				Benefits		
	Total U.S. families	Eligible for AFDC and FS	Eligible for ABLE	Change in eligible families	AFDC and FS	ABLE	Change in benefits
	1,000 families				Million dollars		
Northeast	18,517	2,930	4,585	1,655	4,718	3,571	-1,147
North Central	21,084	3,408	5,114	1,706	3,928	3,764	-164
South	24,101	5,703	7,417	1,714	4,837	6,539	1,702
West	14,588	2,681	3,757	1,076	3,257	2,882	-375
Total	78,290	14,722	20,873	6,151	16,740	16,756	16
	Percent						
Northeast	23.7	19.9	22.0		28.2	21.3	
North Central	26.9	23.1	24.5		23.5	22.5	
South	30.8	38.8	35.5		28.9	39.0	
West	18.6	18.2	18.0		19.4	17.2	
Total	100.0	100.0	100.0		100.0	100.0	

1/ See table 7 for delineation of regions.

Source: Special tabulations from the Urban Institute's TRIM simulation.

Despite the substantially smaller percentage increase in eligibles in the South and West, the overall distribution of eligible families among regions would have changed very little. The largest changes would have been in the Northeast, where the share of total eligibles would have increased from 19.9 to 22.0 percent, and in the South, where the share of total eligibles would have dropped from 38.8 to 35.5 percent.

The small shifts in the distribution of eligible families among regions might suggest that, in the absence of other factors, the distribution of total benefits among regions would not be changed much by the introduction of ABLE. If anything, the slightly greater proportion of eligibles living in the Northeast would suggest that the proportion of potential benefits going to the Northeast would increase. Similarly, the small decline in the proportion of eligibles living in the South suggests that the proportion of total benefits going to southern families might fall slightly. In fact, the antithesis was true under the simulation.

Under ABLE, the South would have experienced a substantial increase in benefits with all other regions losing benefits. The greatest loss of benefits would have been in the Northeast where the pre-ABLE benefits of $4.7 billion would have dropped by 24 percent to $3.6 billion. The West and North Central regions would have experienced smaller losses, 11 and 4 percent of pre-ABLE benefits. The overall simulated gain to the South was $1.7 billion, an increase of 35 percent. Thus, prior to ABLE, southern families were eligible for 29 percent of the total of $16 billion in AFDC and Food Stamp program benefits. After the simulated introduction of ABLE, families in the South would have received 39 percent of total benefits.

These data may be viewed another way. Under the AFDC and Food Stamp programs, the amount of benefits accruing to families in the Northeast and South was about the same. However, under the ABLE program, benefits to southern families would have been 83 percent higher than those to Northeast families. Thus, under the ABLE program, there would have been a general redistribution of benefits, primarily from the Northeast to the South.

Residential Impact

The number of eligible urban families would have increased by about 44 percent under ABLE (table 2). Although most of this simulated increase occurred in metro areas, nonmetro urban areas had a slightly higher relative increase in eligibles. The increase in eligible rural families would have been about 36 percent. Although most of this simulated increase occurred among nonfarm families, farm families had the highest relative increase in eligibility.

Despite the increase in urban eligible families under ABLE, benefits to urban residents, primarily in metro areas, would have been reduced by about 8 percent. Rural residents, on the other hand, would have experienced a 25-percent increase in benefits, with farm families having the highest relative increase. Thus, while the residential distribution of eligible families was similar under the AFDC, Food Stamp, and ABLE programs, the benefit distribution was considerably different. In general, benefits would have been redistributed from urban to rural areas.

The simulated residential impact of ABLE, noted above, was not the same for all regions. The simulated increase in eligibles under ABLE was larger in the North (Northeast and North Central) for both urban and rural residents relative to similar groups in the South (table 3). And, the increase in urban eligibles would have been greater than among rural residents in all regions. Considerable differences would have occurred, however, in the distribution of benefits by residence among regions (table 4).

Urban areas would have generally experienced a benefit loss under ABLE, except in the South. There, benefits would have increased by over 30 percent. Moreover, the simulated increase in benefits to nonmetro urban areas shown in table 2 was due entirely to the redistribution which would have occurred to the South. Nonmetro urban areas in all other regions would have had benefit reductions. Although most rural areas would have had more total benefits,

Table 2--Estimated distribution of eligible families and benefits under the AFDC, Food Stamp (FS), and ABLE programs, by residence, 1976

Residence 1/	Families				Benefits		
	Total U.S. families	Eligible for AFDC and FS	Eligible for ABLE	Change in eligible families	AFDC and FS	ABLE	Change in benefits
	1,000 families				Million dollars		
Urban	58,277	10,251	14,805	4,554	12,721	11,723	-998
Metro	48,207	8,177	11,789	3,612	10,957	9,657	-1,300
Nonmetro	10,070	2,074	3,016	942	1,764	2,066	302
Rural	20,013	4,471	6,068	1,597	4,019	5,033	1,014
Nonfarm	16,896	3,731	5,027	1,296	3,426	4,035	609
Farm	3,117	740	1,041	301	593	998	405
Total	78,290	14,722	20,873	6,151	16,740	16,756	16
	Percent						
Urban	74.4	69.6	70.9		76.0	69.9	
Metro	61.6	55.5	56.5		65.5	57.6	
Nonmetro	12.8	14.1	14.4		10.5	12.3	
Rural	25.6	30.4	29.1		24.0	30.1	
Nonfarm	21.6	25.4	24.1		20.5	24.1	
Farm	4.0	5.0	5.0		3.5	6.0	

1/ These residence classifications were developed specifically for this study. Urban areas are incorporated places with more than 2,500 population. Urban areas are divided into two groups (see explanation on p. 10).

Source: Special tabulations from the Urban Institute's TRIM simulation.

this would not have been true for rural nonfarm families in the Northeast. These families would have experienced a reduction in total benefits. Overall, it appears that the ABLE program would have altered the distribution of welfare benefits away from urban areas in the North and West to southern urbanites and away from urban areas generally to rural residents.

Table 3--Estimated distribution of families eligible to participate in AFDC, Food Stamp (FS), and ABLE programs, 1976

Type of program and residence 1/	Region 2/				
	Northeast	North Central	South	West	Total
			Thousands		
AFDC and FS:					
Urban	2,430	2,347	3,282	2,192	10,251
Metro	2,212	1,795	2,272	1,899	8,178
Nonmetro	218	552	1,010	293	2,073
Rural	500	1,061	2,421	489	4,471
Nonfarm	479	806	2,016	430	3,731
Farm	21	255	405	59	740
ABLE:					
Urban	3,756	3,544	4,413	3,092	14,805
Metro	3,373	2,736	3,027	2,652	11,788
Nonmetro	383	808	1,386	440	3,017
Rural	829	1,570	3,004	665	6,068
Nonfarm	786	1,198	2,455	588	5,027
Farm	43	372	549	77	1,041
Change in eligible families under ABLE:					
Urban	1,326	1,197	1,131	900	4,554
Metro	1,161	941	755	753	3,610
Nonmetro	165	256	376	147	944
Rural	329	509	583	176	1,597
Nonfarm	307	392	439	158	1,396
Farm	22	117	144	18	301

1/ See p. 10 for definition of residence.
2/ See table 7 for delineation of regions.

Source: Special tabulations from the Urban Institute's TRIM simulation.

Table 4--Estimated distribution of benefits from AFDC, Food Stamp (FS), and ABLE programs, 1976

Type of program and residence 1/	Region 2/				
	Northeast	North Central	South	West	Total
	Million dollars				
AFDC and FS:					
Urban	4,087	3,004	2,878	2,752	12,721
Metro	3,867	2,533	2,157	2,400	10,957
Nonmetro	220	471	721	352	1,764
Rural	631	924	1,959	505	4,019
Nonfarm	609	716	1,634	467	3,426
Farm	22	208	325	38	593
ABLE:					
Urban	3,002	2,624	3,771	2,326	11,723
Metro	2,789	2,172	2,713	1,982	9,657
Nonmetro	213	452	1,058	344	2,066
Rural	569	1,140	2,768	556	5,033
Nonfarm	532	795	2,202	505	4,035
Farm	37	345	566	51	998
Change in benefits under ABLE:					
Urban	-1,085	-380	893	-426	-997
Metro	-1,078	-361	556	-418	-1,300
Nonmetro	-7	-19	337	-8	303
Rural	-62	216	809	51	1,014
Nonfarm	-77	79	568	38	609
Farm	15	137	241	13	405

1/ See p. 10 for definition of residence.
2/ See table 7 for delineation of regions.

Source: Special tabulations from the Urban Institute's TRIM simulation.

Impact on Horizontal Equity

In our concept of horizontal equity, the substantial increase in eligible families under ABLE coupled with little or no increase in total benefits would have reduced the average payment per eligible family, with the exception of the South and most farm families (table 5). However, the substantial disparity in average payments between regions noted in the AFDC and Food Stamp programs would have been reduced under ABLE.

Table 5--Average payment per family for AFDC and Food Stamp (FS) programs and ABLE, 1976

Type of program and region 1/	Residence 2/				All residences
	Urban		Rural		
	Metro areas	Nonmetro areas	Nonfarm	Farm	
	Dollars				
AFDC-FS:					
Northeast	1,750	1,010	1,270	1,010	1,610
North Central	1,410	850	890	820	1,150
South	950	710	810	800	850
West	1,260	1,200	1,080	640	1,210
All regions	1,340	850	920	800	1,140
ABLE:					
Northeast	830	560	680	850	780
North Central	790	560	660	930	740
South	900	760	900	1,030	880
West	750	780	860	660	770
All regions	820	690	810	960	800

1/ See table 7 for delineation of regions.
2/ See p. 10 for definition of residence.

Source: Special tabulations from the Urban Institute's TRIM simulation.

The share ratio indicates that eligible rural residents outside the Northeast received a lower proportion of AFDC and Food Stamp program benefits than their eligible population distribution would suggest (table 6). 8/ Nonmetro urban residents outside the West also received lower total benefits relative to the distribution of eligible families. The share of benefits going to metro-urban eligible families in the Northeast and North Central

Table 6--Share ratio for the AFDC and Food Stamp (FS) programs and ABLE, 1976 1/

Type of program and region 2/	Residence 3/				All residences
	Urban		Rural		
	Metro areas	Nonmetro areas	Nonfarm	Farm	
	Ratio				
AFDC-FS:					
Northeast	1.53	.89	1.12	.93	1.42
North Central	1.24	.75	.78	.72	1.02
South	.83	.63	.71	.71	.74
West	1.11	1.06	.96	.58	1.07
All regions	1.18	.74	.81	.70	--
ABLE:					
Northeast	1.03	.69	.84	.91	.97
North Central	.99	.70	.83	1.16	.92
South	1.12	.95	1.12	1.29	1.10
West	.93	.97	1.07	.83	.96
All regions	1.02	.85	1.00	1.20	--

1/ See text, footnote 8, for definition of share ratio.
2/ See table 7 for delineation of regions.
3/ See p. 10 for definition of residence.

Source: Special tabulations from the Urban Institute's TRIM simulation.

8/ The share ratio is the percent of aggregate benefits received by the group divided by the percent that group represents of the total eligible population.

greatly exceeds their proportion of the eligible population. Residence in the South appeared to be the strongest factor of those considered in this study affecting the distribution of benefits. Not only did southern rural residents receive relatively less in benefits, but southern urbanites also received less in benefits than their population distribution would suggest.

Under ABLE, unlike the AFDC and Food Stamp programs, each region would have received a proportion of benefits more comparable to their proportion of the eligible population (table 6). The South's ratio would have increased from .74 under the AFDC and Food Stamp programs to 1.10 under ABLE. The share ratio for the Northeast would have declined from 1.42 to .97. Similarly, rural areas would have received benefits more in line with their share of eligible families. Extreme differences noted in the share ratio (0.58 to 1.53) under the AFDC and Food Stamp programs would have been reduced (0.69 to 1.29) under ABLE. Thus, the share ratio suggests that horizontal equity would have been improved.

The remaining regional and residential variation observed in the simulated share ratio for ABLE results primarily from two factors. First, variations in incomes among regions and residences can affect benefit levels. Thus, lower income areas, such as the South or rural areas, could receive a large proportion of total benefits. Second, differences in the distribution of families by family size among regions and residences can also affect benefit levels. Larger families could receive more in benefits than smaller families with the same income. Thus, areas with a higher proportion of larger families could receive more in total benefits.

Much of the regional variation between ABLE and AFDC is directly related to the joint Federal, State, and local government financing of the AFDC program. The implications of the financing arrangement of the AFDC program on the regional benefits distribution can be derived by observing the average State payment per recipient (table 7). Average payment per recipient was lower in the South than in any other region with Mississippi making the lowest payment. In general, average payment per recipient in the Northeast was higher than any other region with New York making the highest payment. Thus, the distribution of AFDC-Food Stamp benefits from this simulation analysis is consistent with the distribution of average payments per recipient.

The substantial potential increase in eligible families under ABLE is essentially due to the inclusion of three family types not totally covered under the AFDC and Food Stamp programs simulation: (1) unrelated individuals, (2) male-headed families (with the exception of those under AFDC-Unemployed Father), and (3) childless couples. The inclusion of unrelated individuals in ABLE would have a greater impact on metro areas, particularly in the North and West. About 64 percent of all unrelated individuals in 1974 resided outside the South (table 8). And most of these lived in metro areas. A higher proportion of male-headed families reside in nonmetro areas, particularly in the South (e.g., male-headed families constitute over 68 percent of the nonmetro poor compared to slightly over 44 percent of the metro poor) [16, table 8]. Approximately 852,000 childless families lived in poverty in 1974 [16, table 24]. There is little information on how this group is distributed by residence.

Table 7--Average monthly payment per recipient from AFDC, May 1976

Region and state	Average monthly payment	Region and state	Average monthly payment
	Dollars		Dollars
Northeast	98.38	California	85.04
		Colorado	65.29
Connecticut	85.54	Hawaii	103.80
Maine	59.01	Idaho	82.92
Massachusetts	92.19	Montana	58.11
New Hampshire	73.81	Nevada	56.37
New Jersey	83.36	New Mexico	43.96
New York	116.98	Oregon	85.70
Pennsylvania	86.98	Utah	77.57
Rhode Island	76.23	Washington	83.91
Vermont	77.39	Wyoming	71.74
North Central	75.21	South	41.37
Illinois	77.77	Alabama	31.59
Indiana	55.41	Arkansas	37.71
Iowa	85.25	Delaware	64.83
Kansas	75.25	Florida	40.66
Michigan	88.77	Georgia	32.40
Minnesota	88.74	Kentucky	56.47
Missouri	44.98	Louisiana	35.64
Nebraska	66.43	Maryland	58.61
North Dakota	83.57	Mississippi	14.35
Ohio	62.84	North Carolina	55.95
South Dakota	68.20	Oklahoma	64.44
Wisconsin	104.47	South Carolina	27.84
		Tennessee	34.21
West	81.58	Texas	32.16
		Virginia	65.06
Alaska	105.90	West Virginia	54.45
Arizona	43.49		

Source: U.S. Department of Health, Education, and Welfare, Social Security Bulletin, Vol. 39, No. 1, Social Security Adm., Nov. 1976.

Table 8--Male-headed families and unrelated individuals in poverty, 1974

Region and family status 1/	Residence 2/		Total
	Metro areas	Nonmetro areas	
	Thousands		
North and West:			
Male-headed families	857	531	1,388
Unrelated individuals	2,185	886	3,071
South:			
Male-headed families	506	863	1,369
Unrelated individuals	912	837	1,749
Total:			
Male-headed families	1,363	1,394	2,757
Unrelated individuals	3,097	1,723	4,820

1/ See table 7 for delineation of regions.
2/ See p. 10 for definition of residence.

Source: U.S. Bureau of the Census, "Characteristics of the Population Below the Poverty Level: 1974," Current Population Reports, Series P-60, No. 102, U.S. Govt. Print. Off., Washington, D.C., 1976.

Impact on Target Efficiency

Almost half the benefits from the AFDC and Food Stamp programs went to families with money incomes under $2,000, although they comprised about 36 percent of all eligible families (table 9). About 10 percent of the payments went to families with incomes exceeding $10,000. Two factors account for such relatively high-income participation. First, some families are eligible for food stamps primarily because of large family size or high deductions. Merck and Schroffel recently reported that about 1.4 percent of households certified as eligible to participate in the Food Stamp program in September 1975 had a gross monthly income exceeding $833 ($10,000 per year) [11]. Second, some

Table 9--Estimated distribution of families and AFDC-Food Stamp (FS) benefits, by size of money income, residence, and region, 1976

Item	Income (dollars)					Number of families	Amount of AFDC-FS benefits
	Less than 2,000	2,000-3,999	4,000-5,999	6,000-9,999	10,000 and over		
	Percent					Thous.	Million dollars
Region 1/							
Northeast:							
Eligible families	38.6	22.6	9.4	17.2	12.2	2,930	
AFDC-FS benefits	56.3	13.9	8.2	11.6	9.0		4,718
North Central:							
Eligible families	36.5	22.7	10.2	18.6	12.0	3,408	
AFDC-FS benefits	50.0	15.2	10.0	12.6	12.2		3,928
South:							
Eligible families	34.0	25.6	14.2	19.3	6.9	5,703	
AFDC-FS benefits	43.2	21.2	13.2	15.3	7.1		4,837
West:							
Eligible families	35.9	21.9	10.7	20.8	10.7	2,681	
AFDC-FS benefits	50.0	16.0	9.6	14.7	9.7		3,257
Residence 2/							
Metro urban:							
Eligible families	38.7	22.2	10.7	17.8	10.6	8,177	
AFDC-FS benefits	55.6	14.1	8.9	12.4	9.0		10,957
Nonmetro urban:							
Eligible families	35.6	29.3	12.2	16.0	6.9	2,074	
AFDC-FS benefits	41.0	23.1	12.6	14.1	9.2		1,764
Rural nonfarm:							
Eligible families	31.3	23.6	12.8	22.0	10.3	3,731	
AFDC-FS benefits	39.0	20.6	12.9	15.0	11.9		3,426
Rural farm:							
Eligible families	27.3	24.1	15.1	25.4	8.1	740	
AFDC-FS benefits	32.6	24.4	14.8	19.9	8.3		593
All areas:							
Eligible families	35.8	23.7	11.6	19.0	9.9	14,772	
AFDC-FS benefits	49.8	16.8	10.3	13.5	9.6		16,740

1/ See table 7 for delineation of regions.
2/ See p. 10 for definition of residence.

Source: Special tabulations from the Urban Institute's TRIM simulation.

subfamilies 9/ participate in the AFDC and Food Stamp programs even though the income of the whole family exceeds eligibility levels. For example, a young woman (not a minor) can receive AFDC payments for herself and child and still remain in the home of parent(s) or relatives.

The simulation analysis showed a reduction in both the proportion of eligible families and benefits accruing to families with incomes in excess of $10,000 under ABLE (table 10). Since there is a smaller proportion of high-income families receiving ABLE benefits, target efficiency is improved.

SIMULATION RESULTS: CURRENT SSI VS. SSI UNDER ABLE

The simulation analysis showed 5.4 million or 7 percent of all U.S. families eligible to participate in the current SSI program on an annual basis (table 11). Modification of SSI under ABLE would make an additional 664,000 families eligible for benefits, an increase of about 12 percent. The increase in eligibility would be due to increasing the guarantee level for previously noneligible family members. Estimated benefits to families were $6.7 billion under modified SSI, up about 14 percent from the current SSI program.

Regional Impact

Modification of the SSI program would have only minor impact on the regional distribution of eligible families and benefits (table 11). A slightly higher proportion of the new eligibles resided in the North Central and West under the modified SSI program than those eligible for current SSI benefits. However, eligibility would continue to be highest in the South with 42 percent of all eligible families residing there. The South also would receive slightly more in additional benefits than of additional eligibles.

9/ A subfamily is a married couple or a parent with one or more own children living in a household and related to, but not including, the household head. Tabulations from the March 1974 CPS show that, in March 1974, 1,272,000 primary families contained at least one subfamily. This represented about 2.2 percent of all primary U.S. families. There were 1,349,000 subfamilies; thus, the bulk of multiple families contained only one subfamily. Almost 58 percent of the subfamilies contained a child of the primary head; 42 percent of the subfamilies contained parents, siblings, or some other relative of the primary head. The bulk of subfamilies, 82 percent, were married couples with subfamily heads over 18 years old. The remainder were mostly single persons with a dependent child (Source: Urban Institute).

Table 10--Estimated distribution of families and total ABLE benefits, by size of money income, residence, and region, 1976

Item	Income (dollars)					Number of families	Amount of ABLE benefits
	Less than 2,000	2,000-3,999	4,000-5,999	6,000-9,999	10,000 and over		
	Percent					Thous.	Million dollars
Region 1/							
Northeast:							
Eligible families	30.0	27.2	19.9	17.6	5.3	4,585	
ABLE benefits	52.3	17.7	12.1	10.6	7.3		3,571
North Central:							
Eligible families	28.9	27.1	18.6	19.5	5.9	5,114	
ABLE benefits	47.0	19.3	13.4	11.6	8.7		3,764
South:							
Eligible families	29.6	27.1	18.8	18.5	6.1	7,417	
ABLE benefits	38.2	24.2	15.9	14.5	7.2		6,539
West:							
Eligible families	33.3	24.9	17.8	18.1	5.9	3,757	
ABLE benefits	51.5	18.9	11.8	10.6	7.2		2,882
Residence 2/							
Metro urban:							
Eligible families	32.8	25.7	17.8	18.0	5.7	11,789	
ABLE benefits	52.1	17.5	11.8	11.3	7.3		9,657
Nonmetro urban:							
Eligible families	28.5	31.2	18.8	16.5	5.0	3,016	
ABLE benefits	40.6	25.4	15.6	11.7	6.7		2,066
Rural nonfarm:							
Eligible families	26.0	26.5	20.4	20.3	6.8	5,027	
ABLE benefits	34.0	24.9	17.4	14.5	9.2		4,034
Rural farm:							
Eligible families	25.3	25.8	23.0	21.4	4.5	1,041	
ABLE benefits	38.2	26.1	15.5	14.8	5.4		998
All areas:							
Eligible families	30.2	26.7	18.8	18.5	5.8	20,873	
ABLE benefits	45.5	20.8	13.8	12.3	7.6		16,756

1/ See table 7 for delineation of regions.
2/ See p. 10 for definition of residence.

Source: Special tabulations from the Urban Institute's TRIM simulation.

Table 11--Estimated distribution of eligible families and benefits under the current SSI program and SSI under ABLE, by region, 1976

Region 1/	Families				Benefits		
	Total U.S. families	Eligible for current SSI	Eligible for SSI under ABLE	Change in eligible families	SSI	SSI under ABLE	Change in benefits
	1,000 families				Million dollars		
Northeast	18,517	1,189	1,338	149	1,237	1,378	141
North Central	21,084	1,120	1,288	168	1,194	1,359	165
South	24,101	2,311	2,535	244	2,562	2,947	385
West	14,588	759	882	123	887	1,005	118
Total	78,290	5,379	6,043	664	5,880	6,689	809
	Percent						
Northeast	23.7	22.1	22.1		21.0	20.6	
North Central	26.9	20.8	21.3		20.3	20.3	
South	30.8	43.0	42.0		43.6	44.1	
West	18.6	14.1	14.6		15.1	15.0	
Total	100.0	100.0	100.0		100.0	100.0	

1/ See table 7 for delineation of regions.

Source: Special tabulations from the Urban Institute's TRIM simulation.

Residential Impact

In general, the eligibility rate for the current SSI program was highest among rural, nonfarm families (table 12). However, most of the increase in eligible families, as a result of SSI modifications under ABLE, would accrue to urban areas. The number of eligible rural, nonfarm families would also increase, but eligible farm families would decline by approximately 8 percent. The reduction in the number of eligible farm families was the result of introducing an asset income imputation procedure into SSI under the ABLE proposal. Farm operators were assumed to have farm business assets ranging from $74,773, at a minimum, to $711,116 (see app. A). In this study, elderly farm operators with little or no farm income would be credited with the minimum amount of assets. Thus, they would have an imputed income of at least $3,277 for purposes of determining SSI benefits under ABLE ($2,800 plus 10 percent of [$74,774-70,000], see formula on p. 9). This minimum imputed value would be large enough to substantially reduce SSI benefits under ABLE to some and make others ineligible to participate in the SSI program under ABLE. In 1972, at

Table 12--Estimated distribution of eligible families and benefits under the current SSI program and SSI under ABLE, by residence, 1976 1/

Region 2/	Families				Benefits		
	Total U.S. families	Eligible for current SSI	Eligible for SSI under ABLE	Change in eligible families	Current SSI	SSI under ABLE	Change in benefits
	1,000 families				Million dollars		
Urban	58,277	3,672	4,156	484	4,017	4,567	550
Metro	48,207	2,871	3,253	382	3,193	3,592	399
Nonmetro	10,070	801	903	102	824	975	151
Rural	20,013	1,707	1,887	180	1,863	2,122	259
Nonfarm	16,896	1,445	1,645	200	1,575	1,869	294
Farm	3,117	262	242	-20	288	253	-35
Total	78,290	5,379	6,043	664	5,880	6,689	809
	Percent						
Urban	74.4	68.2	68.8		68.3	68.3	
Metro	61.6	53.3	53.8		54.3	53.7	
Nonmetro	12.8	14.9	15.0		14.0	14.6	
Rural	25.6	31.8	31.2		31.7	31.7	
Nonfarm	21.6	26.9	27.2		26.8	27.9	
Farm	4.0	4.9	4.0		4.9	3.8	

1/ See p. 10 for definition of residence.
2/ See table 7 for delineation of regions.

Source: Special tabulations from the Urban Institute's TRIM simulation.

least one-third of those individuals over 65 years old reporting farm net profits on their Federal income tax returns had an adjusted gross income of less than $3,000 [27]. Thus, a substantial number of elderly operators have low incomes.

The increased benefits under the modified SSI program would be distributed by residence similar to that of additional eligibles (table 12). Farm families would lose 12 percent of their benefits, a proportion somewhat larger than that of lost eligibles. Aside from the impact on farm families, the residential distribution of total benefits under the modified SSI program

would not be very different from that under the current SSI program. The residential impact of the ABLE modifications on SSI, discussed above, would be consistent in all regions (tables 13 and 14).

Impact on Horizontal Equity

The share ratio suggests less inequality in the regional and residential distribution of current SSI benefits than was observed for the AFDC and Food Stamp programs (tables 15 and 6). This is due to the uniform national eligibility and payment standards for the SSI program. The ABLE modifications to SSI would have little effect on the degree of horizontal equity. Although some areas would be slightly worse off and others slightly better off, the range observed in the share ratio (.65 to 1.09 and .67 to 1.11) was unchanged.

The average SSI benefit per eligible family changed only slightly with the ABLE modifications (table 16). This result was considerably different from that observed for the AFDC and Food Stamp programs. In most cases, the change in average SSI benefit would be less than 5 percent. In only one case, rural, farm families in the North Central region, did the change in average payment exceed 10 percent.

Impact on Target Efficiency

The simulation analysis indicates that well over 60 percent of SSI benefits would go to families with annual incomes under $2,000. This distribution is not surprising since the program is geared to supplement those persons with little or no income. But data (table 17) also reveal a sizable proportion of families with incomes of $10,000 or more that would receive over 16 percent of the total benefits. This phenomena can be attributed to subfamilies within families. For example, an eligible elderly couple residing in the same household with an offspring could receive SSI even if the offspring's annual income exceeds that for eligibility.

Modifications of the SSI program, as a result of ABLE, would change slightly the distribution of eligible families by level of money income (table 18). A slightly smaller proportion of eligible families had incomes of less than $2,000. With the exception of farm families, fewer also had incomes in excess of $10,000. Thus, there would be a slight increase in the concentration of middle-income eligibles.

Table 13--Estimated distribution of families eligible to participate in the current SSI program and SSI under ABLE, 1976

Residence 1/	Region 2/				
	Northeast	North Central	South	West	Total
			Thousands		
Current SSI:					
Urban	989	782	1,279	622	3,672
Metro	888	603	815	565	2,871
Nonmetro	101	179	464	57	801
Rural	200	338	1,032	137	1,707
Nonfarm	186	284	855	120	1,445
Farm	14	54	177	17	262
SSI under ABLE:					
Urban	1,103	892	1,438	723	4,156
Metro	987	701	910	655	3,253
Nonmetro	116	191	528	68	903
Rural	235	396	1,097	159	1,887
Nonfarm	224	346	936	139	1,645
Farm	11	50	161	20	242
Change in SSI eligibility under ABLE:					
Urban	114	110	159	101	484
Metro	99	98	95	90	382
Nonmetro	15	12	64	11	102
Rural	35	58	65	22	180
Nonfarm	38	62	81	19	200
Farm	-3	-4	-16	3	-20

1/ See p. 10 for definition of residence.
2/ See table 7 delineation of regions.

Source: Special tabulations from the Urban Institute's TRIM simulation.

Table 14--Estimated distribution of benefits from the current SSI program and SSI under ABLE, 1976

Residence 1/	Region 2/				
	Northeast	North Central	South	West	Total
	Million dollars				
Current SSI:					
Urban	1,066	837	1,375	739	4,017
Metro	981	678	862	672	3,193
Nonmetro	85	159	513	67	824
Rural	171	357	1,187	148	1,863
Nonfarm	161	297	989	128	1,575
Farm	10	60	198	20	288
SSI under ABLE:					
Urban	1,178	950	1,617	822	4,567
Metro	1,074	768	1,008	742	3,592
Nonmetro	104	182	609	80	975
Rural	200	409	1,330	183	2,122
Nonfarm	192	363	1,153	161	1,869
Farm	8	46	177	22	253
Change in SSI benefits under ABLE:					
Urban	112	113	242	83	550
Metro	93	90	146	70	399
Nonmetro	19	23	96	13	151
Rural	29	52	143	35	259
Nonfarm	31	66	164	33	294
Farm	-2	-14	-21	2	-35

1/ See p. 10 for definition of residence.
2/ See table 7 for delineation of regions.

Source: Special tabulations from the Urban Institute's TRIM simulation.

Table 15--Share ratio for the current SSI program and the SSI program under ABLE, 1976 1/

Region 2/	Residence 3/				All residences
	Urban		Rural		
	Metro areas	Nonmetro areas	Nonfarm	Farm	
			Ratio		
Current SSI:					
Northeast	1.01	.77	.79	.65	.95
North Central	1.03	.81	.96	1.02	.98
South	.97	1.01	1.06	1.02	1.01
West	1.09	1.08	.98	1.06	1.07
All regions	1.02	.93	1.00	1.00	--
SSI under ABLE:					
Northeast	.98	.81	.77	.67	.93
North Central	.99	.86	.95	.83	.95
South	1.00	1.04	1.11	1.00	1.05
West	1.02	1.06	1.05	1.00	1.03
All regions	1.00	.98	1.03	.95	--

1/ See text, footnote 8, for definition of share ratio.
2/ See table 7 for delineation of regions.
3/ See p. 10 for definition of residence.

Source: Special tabulations from the Urban Institute's TRIM simulation.

Table 16--Average payment per family for the current SSI program and SSI under ABLE, 1976

Residence 1/	Region 2/				
	Northeast	North Central	South	West	Total
			Dollars		
Current SSI:					
Metro urban	1,105	1,124	1,058	1,191	1,113
Nonmetro urban	837	884	1,107	1,174	1,028
Rural nonfarm	867	1,047	1,157	1,066	1,090
Rural farm	696	1,099	1,118	1,181	1,095
All	1,040	1,065	1,109	1,170	1,093
Modified SSI under ABLE:					
Metro urban	1,088	1,095	1,108	1,132	1,104
Nonmetro urban	901	952	1,154	1,176	1,080
Rural nonfarm	859	1,049	1,232	1,160	1,136
Rural farm	757	919	1,101	1,111	1,049
All	1,031	1,055	1,163	1,140	1,107

1/ See p. 10 for definition of residence.
2/ See table 7 for delineation of regions.

Source: Special tabulations from the Urban Institute's TRIM simulation.

Table 17--Estimated distribution of families and benefits under current SSI program, 1976

Item	Income (dollars)					Number of families	Amount of SSI benefits
	Less than 2,000	2,000-3,999	4,000-5,999	6,000-9,999	10,000 and over		
	Percent					Thous.	Million dollars
Region 1/							
Northeast:							
Eligible families	42.0	13.3	7.1	7.5	30.1	1,189	
SSI benefits	56.2	6.9	5.7	7.4	23.8		1,237
North Central:							
Eligible families	51.9	16.0	5.6	8.2	18.3	1,120	
SSI benefits	63.2	9.0	4.8	7.6	15.4		1,194
South:							
Eligible families	48.3	19.6	7.8	9.1	15.2	2,311	
SSI benefits	59.4	13.4	6.0	8.0	13.2		2,562
West:							
Eligible families	60.2	10.8	3.7	6.5	18.8	759	
SSI benefits	70.7	5.1	2.3	6.2	15.7		887
Residence 2/							
Metro urban:							
Eligible families	49.3	13.6	6.2	7.9	23.0	2,871	
SSI benefits	61.7	7.1	4.7	7.3	19.2		3,193
Nonmetro urban:							
Eligible families	50.9	18.3	6.9	7.4	16.5	801	
SSI benefits	62.6	11.7	5.0	6.9	13.7		824
Rural nonfarm:							
Eligible families	50.9	18.5	7.0	8.2	15.4	1,445	
SSI benefits	62.3	12.3	5.6	7.3	12.5		1,575
Rural farm:							
Eligible families	36.6	26.3	8.0	13.4	15.7	262	
SSI benefits	45.6	23.0	7.0	12.9	11.5		288
All areas:							
Eligible families	49.3	16.2	6.6	8.2	19.7	5,379	
SSI benefits	61.2	9.9	5.1	7.5	16.3		5,880

1/ See table 7 for delineation of regions.
2/ See p. 10 for definition of residence.

Source: Special tabulations from the Urban Institute's TRIM simulation.

Table 18--Estimated distribution of families and SSI benefits under ABLE, 1976

Item	Income (dollars)					Number of families	Amount of benefits
	Less than 2,000	2,000-3,999	4,000-5,999	6,000-9,999	10,000 and over		
	Percent					Thous.	Million dollars
Region 1/							
Northeast:							
Eligible families	40.1	15.4	8.5	7.4	28.5	1,338	
(ABLE) SSI benefits	54.3	9.9	6.4	7.2	22.1		1,378
North Central:							
Eligible families	47.7	18.6	7.1	8.9	17.7	1,288	
(ABLE) SSI benefits	58.9	13.5	4.8	8.2	14.7		1,359
South:							
Eligible families	45.8	21.8	9.6	8.6	14.2	2,535	
(ABLE) SSI benefits	55.4	18.4	6.7	7.8	11.8		2,947
West:							
Eligible families	55.8	13.7	6.3	6.7	17.4	882	
(ABLE) SSI benefits	66.5	9.2	3.6	6.6	14.1		1,005
Residence 2/							
Metro urban:							
Eligible families	47.1	15.6	7.4	8.2	21.7	3,253	
(ABLE) SSI benefits	58.8	10.5	5.3	7.6	17.6		3,592
Nonmetro urban:							
Eligible families	47.8	21.2	9.2	6.9	14.9	903	
(ABLE) SSI benefits	57.4	18.3	5.6	6.7	12.0		975
Rural nonfarm:							
Eligible families	46.0	22.2	9.6	7.9	14.3	1,645	
(ABLE) SSI benefits	57.0	18.3	6.7	6.9	11.1		1,869
Rural farm:							
Eligible families	35.0	23.1	10.3	13.2	18.4	242	
(ABLE) SSI benefits	44.0	22.3	6.0	14.5	13.2		253
All areas:							
Eligible families	46.4	18.5	8.4	8.1	18.6	6,043	
(ABLE) SSI benefits	57.6	14.3	5.8	7.6	14.7		6,689

1/ See table 7 for delineation of regions.
2/ See p. 10 for definition of residence.

Source: Special tabulations from the Urban Institute's TRIM simulation.

Assigning Values to Farm Assets

All families reporting self-employment farm income on the March 1973 Current Population Survey (CPS) were assigned a value for total farm assets. 10/ Separate procedures were applied to those with positive amounts of self-employment farm income and those who reported negative amounts of farm income.

For families reporting positive amounts of farm income, the estimated value of total farm assets by net cash farm income from the 1969 Census of Agriculture was used to assign total farm assets [18]. These figures are shown in app. A, table 1. In using self-employed farm income, as reported on the March 1973 CPS, it was first reduced by .627, the difference between average net income per farm in income year 1968 and income year 1972. 11/ The reduced value of CPS-reported self-employment farm income was used to locate the correct income cell in app. A, table 1. The total farm asset value for that cell was then recorded on the record of the family head after adjusting the value for changes in total farm assets since 1969. The updating procedure is discussed below.

Separate procedures were used for those reporting farm losses to take account of tax loss farming. 12/ Individuals who report negative self-employment farm income were divided into three groups--those who report losses of $10,000 or more, those with losses of under $10,000 who have reported nonfarm, nontransfer income which was less than or equal to their farm losses, and those with losses of under $10,000 whose nonfarm, nontransfer income exceeded their farm losses. Those with losses of $10,000 or more were presumed to have permanent net farm incomes of at least $7,500 and were assigned a value of total assets of $95,137. Those with losses of under $10,000 and with nonfarm, nontransfer income which was less than or equal to their farm losses were assumed to be smaller family farmers with low permanent income and were assigned assets of $33,247. Those with nonfarm, nontransfer income which exceeded their farm losses were assigned total farm assets of $75,823, the average value of total farm assets of those reporting negative net cash farm income in 1969. These farm income reporters were assumed to be primarily tax loss farmers.

The initial assignment of farm asset values was for 1969 and was updated for changes in farm asset values between that date and 1976, the income year of the simulation. Between January 1969 and January 1975, the value of assets per farm (excluding financial assets and household equipment) rose by 91

10/ Families are defined as the Census family with unrelated individuals counted as separate family units of size one.

11/ Economic Report of the President, 1975, table C-83.

12/ For a discussion of tax loss farming, see Tax Loss Farming, ERS-546, Econ. Res. Serv., U.S. Dept. Agr., Apr. 1974, which analyzes 1970 farm income tax returns.

Appendix A, table 1--Estimated total farm assets by net cash farm income in 1969 and estimates for 1976

Net cash farm income (dollars)	Total farm assets 1/	
	1969	1976
	Dollars	
$1-999	33,247	74,773
1,000-2,999	49,271	110,810
3,000-4,999	63,695	143,250
5,000-7,499	80,670	181,426
7,500-9,999	95,137	213,963
10,000-14,999	103,025	231,703
15,000-24,999	147,834	332,479
25,000 or more	316,192	711,116

1/ Includes household equipment.

Source: U.S. Bureau of Census, Census of Agriculture, 1969, Vol. V, Special Reports Part II, Farm Finance.

percent from $91,067 to $173,938. 13/ The compounded rate of increase of 11.4 percent per year between 1969 and 1975 was applied one and one-half times to the 1975 value of farm assets to derive an estimate for July 1976. Thus, the 1969 value of total farm assets assigned using the above procedures were multiplied by 2.2490, to derive the projected value for July 1976.

13/ These figures are derived from Balance Sheet of the Farming Sector, 1975, AIB-389, Sept. 1975, table 2. The omissions from assets are because liquid asset balances are estimated separately based on CPS-reported dividend and interest income.

APPENDIX B

Imputing Values to Owner-Occupied Houses for Nonfarm Families

Imputing house values for nonfarm families on the March CPS was done in two steps. First, nonfarm families were assigned a status as owners or nonowners using probabilities of homeownership derived from the 1970 Census of Housing [15]. The probabilities of owning a home are shown in app. B, table 1, within household income, region, and place of residence.

In applying the probabilities in app. B, table 1, to the March 1973 CPS, we assumed that there was no shift in the relation of homeownership to real income between income years 1969 and 1972. Thus, prior to assigning homeownership, the income of the primary family was multiplied by .876 to adjust to constant 1969 dollars.

The final assignment of homeownership status was determined by drawing a random number between 0 and 1 from a uniform distribution. If the number drawn was less than or equal to the appropriate probability of ownership for the household in app. B, table 1, the household was assigned the status of homeowner. Otherwise, the household was assumed to either rent or have housing provided to it in some other way. 14/ Homeownership status was recorded on the record of the household head.

All households determined to be homeowners were assigned a house value based upon median house value within income class by region and residence. The medians are shown in app. B, table 2. Here again, income was multiplied by .876 prior to determining the appropriate median house value.

In an effort to approximate the appropriate distribution of house values around the median value within each group shown in app. B, table 2, a set of rules was derived for stochastically distributing house values. These rules were based on the dispersion of house values around the median value within income groups in the North Central region. The final adjusted house value was inflated to represent a 1976 value by multiplying it by 1.5766.

For farm families, house value was included in the value of total farm assets provided the family reported having farm income. For families living on farms reporting no farm income, the procedure described above to assign home ownership was used to assign farm ownership. The basic value of the farm was set using the same procedures as for nonfarm families. However, the assigned value was multiplied by 2 to take account of the value of the land

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14/ The probabilities shown in app. B, table 1, were derived from statistics on the number of households in rented units. They were adjusted to reflect the proportion of families who neither owned nor rented at the time of the 1971 Survey of Consumer Finances of the University of Michigan's Survey Research Center.

Appendix B, table 1--Probability of nonfarm households owning a house by income, region, and place of residence, 1970

Region 1/ and household income	Residence 1/		
	SMSA, central city	SMSA, noncentral city	NonSMSA
	Probability		
Northeast:			
Under $5,000 2/	.12	.44	.50
5,000-6,999	.17	.49	.55
7,000-9,999	.27	.62	.66
10,000-14,999	.38	.75	.77
15,000-24,999	.46	.84	.85
25,000 or more	.47	.90	.90
North Central:			
Under $5,000 2/	.28	.54	.60
5,000-6,999	.44	.44	.62
7,000-9,999	.46	.67	.71
10,000-14,999	.62	.80	.74
15,000-24,999	.74	.87	.87
25,000 or more	.77	.91	.91
South:			
Under $5,000 2/	.33	.50	.54
5,000-6,999	.42	.53	.60
7,000-9,999	.54	.64	.69
10,000-14,999	.68	.75	.78
15,000-24,999	.78	.82	.85
25,000 or more	.82	.87	.88
West:			
Under $5,000 2/	.25	.36	.48
5,000-6,999	.32	.40	.51
7,000-9,999	.45	.53	.60
10,000-14,999	.62	.70	.72
15,000-24,999	.75	.81	.80
25,000 or more	.80	.86	.86

1/ See table 7 and p. 10 for definitions of region and residence.
2/ The probabilities have been reduced by .02 to .0375 in order to account for households which neither own nor rent.

Source: U.S. Bureau of Census, Census of Housing: 1970, Metropolitan Housing Characteristics, HC(2)-1.

Appendix B, table 2--Median value of owner-occupied housing units by income, region, and place of residence, 1970

Region 1/ and income	Residence 1/		
	SMSA, central city	SMSA, noncentral city	Outside SMSA
	Dollars		
Northeast:			
Under $2,000	11,100	15,200	10,500
2,000-2,999	11,600	15,200	11,100
3,000-3,999	11,700	15,400	11,500
4,000-4,999	12,000	16,200	11,700
5,000-5,999	12,400	16,600	11,900
6,000-6,999	12,700	16,700	12,300
7,000-9,999	14,100	18,000	14,500
10,000-14,999	17,000	21,400	18,300
15,000-24,999	20,700	27,100	23,600
25,000 or more	31,100	42,600	34,400
North Central:			
Under $2,000	11,600	13,400	7,300
2,000-2,999	12,100	13,900	8,400
3,000-3,999	12,500	14,700	9,000
4,000-4,999	13,100	15,300	9,500
5,000-5,999	13,300	15,700	9,700
6,000-6,999	13,600	15,800	10,200
7,000-9,999	14,600	17,200	11,900
10,000-14,999	17,000	20,500	15,100
15,000-24,999	19,900	25,100	19,000
25,000 or more	29,300	39,700	27,100
South:			
Under $2,000	9,600	9,700	6,200
2,000-2,999	9,900	10,500	7,000
3,000-3,999	10,400	11,200	7,500
4,000-4,999	10,800	11,900	8,100
5,000-5,999	11,200	12,500	8,800
6,000-6,999	11,600	13,200	9,700
7,000-9,999	12,600	14,900	11,200
10,000-14,999	15,400	18,400	14,600
15,000-24,999	20,800	24,600	19,600
25,000 or more	35,500	37,800	29,100
West:			
Under $2,000	15,400	17,200	8,900
2,000-2,999	15,300	16,700	9,800
3,000-3,999	15,800	17,300	10,500
4,000-4,999	16,300	18,100	10,900
5,000-5,999	16,900	18,400	11,500
6,000-6,999	17,100	18,700	11,900
7,000-9,999	18,000	19,400	13,500
10,000-14,999	21,000	22,500	16,700
15,000-24,999	26,000	27,900	21,100
25,000 or more	40,900	41,800	29,200

1/ See table 7 and p. 10 for definitions of region and residence.

Source: U.S. Bureau of Census, Census of Housing: 1970 Metropolitan Housing Characteristics, HC(2)-1.

and any buildings other than a house which may occupy it. 15/ Here again, the 1970 value was multiplied by 1.5766 to represent the expected value in mid-1976.

APPENDIX C

ABLE Grant and Tax Credit

The welfare reform program proposed by the Joint Economic Committee was composed of two parts [6, 7]. The first was a refundable personal tax credit of $225 per person. The second part, ABLE, involved cash grants which would vary depending on family composition and which would be reduced by some proportion of income from other sources. The analysis presented in the text includes both components of the proposal. In this appendix, separate information for each component of the welfare reform proposal is presented.

The simulation analysis shows that approximately 27 percent of U.S. families, about 21 million families, would receive a direct payment under the refundable personal tax credit component of ABLE (app. C, table 1). Thirty-eight percent of those families, or about 8 million families, were also eligible for either the full or reduced ABLE allowance (app. C, table 2). The ABLE grant constituted approximately half the total direct payments to families.

Over half the ABLE grants go to families with money incomes under $2,000 (app. C, table 3). This is consistent with the Committee's plan that the ABLE grant become a small component of the total welfare payment as money income increases. However, a much smaller proportion of rural residents eligible for the ABLE grant have incomes of less than $2,000. More of the benefits from the refundable personal tax credit accrue to higher income eligibles (app. C, table 4).

15/ The factor 2 is based on a comparison of the net worth of farm and nonfarm families made using data from the early 1960's. See: Thomas A. Carlin, "Economic Position of Farm Families When Money Income and Net Worth Are Combined," Agr. Econ. Res., July 1973, Vol. 25, No. 3, p. 70, footnote 6.

Appendix C, table 1--Estimated distribution of eligible families and benefits from ABLE personal tax credit, 1976

Region 1/	Residence 2/				Total
	Urban		Rural		
	Metro areas	Nonmetro areas	Nonfarm	Farm	
	Thousands				
Families:					
Northeast	3,373	383	786	43	4,585
North Central	2,736	808	1,198	372	5,114
South	3,027	1,386	2,455	549	7,417
West	2,652	440	588	77	3,757
Total	11,788	3,017	5,027	1,041	20,873
	Million dollars				
Amount:					
Northeast	1,323	121	293	15	1,752
North Central	1,080	233	433	137	1,882
South	1,321	566	1,203	255	3,345
West	953	164	257	25	1,400
Total	4,677	1,084	2,186	432	8,379

1/ See table 7 for delineation of regions.
2/ See p. 10 for definition of residence.

Source: Special tabulations from the Urban Institute's TRIM simulation.

Appendix C, table 2--Estimated distribution of eligible families and benefits from ABLE allowance, 1976

Region 1/	Residence 2/				Total
	Urban		Rural		
	Metro areas	Nonmetro areas	Nonfarm	Farm	
	Thousands				
Families:					
Northeast	1,235	106	249	17	1,607
North Central	993	247	382	196	1,817
South	1,253	502	961	276	2,992
West	1,007	163	230	26	1,426
Total	4,488	1,017	1,822	515	7,842
	Million dollars				
Amount:					
Northeast	1,466	92	239	22	1,819
North Central	1,093	219	362	209	1,883
South	1,392	492	999	311	3,194
West	1,029	179	248	25	1,481
Total	4,980	982	1,8478	567	8,377

1/ See table 7 for delineation of regions.
2/ See p. 10 for definition of residence.

Source: Special tabulations from the Urban Institute's TRIM simulation.

Appendix C, table 3--Estimated distribution of families and ABLE grant benefits, by size of money income, residence, and region, 1976

Item	Income (dollars)					Number of families	Amount of ABLE grant
	Less than 2,000	2,000-3,999	4,000-5,999	6,000-9,999	10,000 and over		
	Percent					Thous.	Million dollars
Region 1/							
Northeast:							
Eligible families	50.2	16.6	12.3	7.1	13.9	1,607	
ABLE grant	65.1	13.7	7.3	5.3	8.5		1,819
North Central:							
Eligible families	44.4	18.9	13.9	7.7	15.1	1,818	
ABLE grant	58.9	16.6	9.3	5.5	9.8		1,883
South:							
Eligible families	33.6	23.9	19.7	12.5	10.4	2,992	
ABLE grant	46.1	23.6	13.5	10.0	6.8		3,194
West:							
Eligible families	49.4	18.8	12.8	7.9	11.2	1,426	
ABLE grant	63.1	16.9	7.6	4.9	7.5		1,481
Residence 2/							
Metro urban:							
Eligible families	50.4	17.0	12.3	7.8	12.5	4,488	
ABLE grant	63.9	14.6	7.9	5.8	7.8		4,980
Nonmetro urban:							
Eligible families	40.5	22.9	16.6	8.0	12.1	1,017	
ABLE grant	52.2	22.7	11.2	6.0	7.7		982
Rural nonfarm:							
Eligible families	28.4	25.5	21.2	12.1	12.8	1,823	
ABLE grant	40.6	25.5	14.9	9.6	9.4		1,848
Rural farm:							
Eligible families	25.8	25.6	21.9	16.9	9.5	515	
ABLE grant	45.0	25.0	13.4	11.5	5.1		567
All areas:							
Eligible families	42.4	20.3	15.6	9.4	12.3	7,843	
ABLE grant	56.1	18.7	10.2	7.1	8.0		8,377

1/ See table 7 for delineation of regions.
2/ See p. 10 for definition of residence.

Source: Special tabulations from the Urban Institute's TRIM simulation.

Appendix C, table 4--Estimated distribution of families and ABLE personal tax credit benefits, by size of money income, residence, and region, 1976

Item	Income (dollars)					Number of families	Amount of tax credit
	Less than 2,000	2,000-3,999	4,000-5,999	6,000-9,999	10,000 and over		
	Percent					Thous.	Million dollars
Region 1/							
Northeast:							
Eligible families	30.0	27.1	19.9	17.6	5.3	4,585	
ABLE tax credit	38.8	21.9	17.1	16.0	6.1		1,752
North Central:							
Eligible families	28.9	27.1	18.6	19.6	5.9	5,114	
ABLE tax credit	35.1	21.9	17.6	17.7	7.7		1,882
South:							
Eligible families	29.6	27.1	18.8	18.5	6.1	7,417	
ABLE tax credit	30.8	24.7	18.2	18.7	7.6		3,345
West:							
Eligible families	33.3	24.9	17.8	18.2	5.9	3,757	
ABLE tax credit	39.2	21.0	16.2	16.6	7.0		1,400
Residence 2/							
Metro urban:							
Eligible families	32.8	25.7	17.8	18.0	5.7	11,789	
ABLE tax credit	39.5	20.6	16.0	17.1	6.8		4,677
Nonmetro urban:							
Eligible families	28.5	31.2	18.8	16.5	5.0	3,016	
ABLE tax credit	30.0	27.8	19.6	16.8	5.8		1,084
Rural nonfarm:							
Eligible families	26.0	26.5	20.4	20.3	6.8	5,027	
ABLE tax credit	28.4	24.5	19.4	18.7	9.0		2,186
Rural farm:							
Eligible families	25.3	25.8	23.0	21.4	4.5	1,041	
ABLE tax credit	29.4	27.5	18.3	19.2	5.8		432
All areas:							
Eligible families	30.2	26.7	18.8	18.5	5.8	20,873	
ABLE tax credit	34.9	22.9	17.5	17.6	7.2		8,379

1/ See table 7 for delineation of regions.
2/ See p. 10 for definition of residence.

Source: Special tabulations from the Urban Institute's TRIM simulation.

Reliability of the Estimates

Estimated expenditures based on the TRIM simulator for AFDC and the Food Stamp program for calendar year (CY) 1976 were $16.74 billion. Similar estimates for the SSI program were $5.88 billion. Actual expenditures will not be available for some time, but projected expenditures for these programs are made each year by the Office of Management and Budget. Total payments for the AFDC program were estimated at $9.499 billion for fiscal year (FY) 1976, $2.523 billion for the transition quarter 1976, and $9.882 billion for FY 1977 [9, p. 360]. Simple linear interpolation suggests an AFDC estimated expenditure of $9.744 billion for CY 1976. Similarly, the bonus value of food stamps was estimated at $5.283 billion for FY 1976, $1.077 billion for the transition quarter 1976, and $4.390 billion for FY 1977 [9, p. 176]. Simple linear interpolation suggests the bonus value of food stamps would be $4.817 billion for CY 1976. Thus, total expenditures for both programs would be approximately $14.561 billion for CY 1976, 13 percent less than the estimated TRIM expenditure. 16/

Federal benefit payments for SSI were estimated at $4.545 billion in FY 1976, $1.255 billion for the transition quarter 1976, and $5.245 billion for FY 1977 [9, p. 367]. Simple linear interpolation suggests a Federal benefit payment of $4.839 billion for CY 1976. In addition, the Federal Government will disperse in State-financed, State-supplementation payments an estimated $1.275 billion for FY 1976, $302 million for the transition quarter 1976, and $1.240 billion for FY 1977 [9, p. 367]. Simple linear interpolation would suggest federally-administered State supplements of $1.250 billion for calendar year 1976. Thus, total federally-administered payments were estimated at $6.089 billion for CY 1976 or about 4 percent above the TRIM estimate. However, the budget estimate does not include self-administered State supplements.

The TRIM simulation assumed 100-percent participation of all eligible families for the three programs, but such high participation rates seldom occur. Thus, the estimates from the TRIM simulator would be expected to be higher than budget estimates where adjustments are made for participation rates.

The TRIM simulations showed 14.7 million families eligible for AFDC-Food Stamp participation and 5.4 million families eligible for SSI on a CY 1976 basis. As of May 1976, there were 3.6 million families enrolled in AFDC [7, p. 77]. In July 1976, 4.3 million persons were receiving SSI benefits [7, p. 70]. Approximately 18.4 million persons are expected to participate in the

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16/ Economic assumptions underlying budget estimates can affect the magnitude of such estimates. The Federal budget [9] was constructed assuming an increase in the Consumer Price Index of 9.1 percent for 1975 and 6.3 percent for 1976. Similarly, unemployment was assumed to be 8.5 percent in 1975 and 7.7 percent in 1976.

Food Stamp program during FY 1976 [7, p. 176]. Assuming an average size household of approximately 2.9 persons, 17/ this implies approximately 6.3 million households. Thus, total estimated households actually participating in AFDC-Food Stamp programs might approach 8 to 10 million families. Assuming 1.7 persons per household with head of 65 years or more, the number of households participating in SSI would be approximately 2.5 million.

Comparison of TRIM results assuming 100-percent participation and budget data which take into account actual past program participation suggests that the TRIM simulation underestimates, somewhat, program costs. This is particularly true of the SSI program where estimated budget outlays exceed the TRIM estimate even assuming 100-percent participation.

17/ Average size of U.S. households in March 1975 was 2.94 persons. See U.S. Bureau of Census, "Household Money Income in 1974 and Selected Social and Economic Characteristics of Households," Current Population Reports, Series P-60, No. 100, 1975.

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