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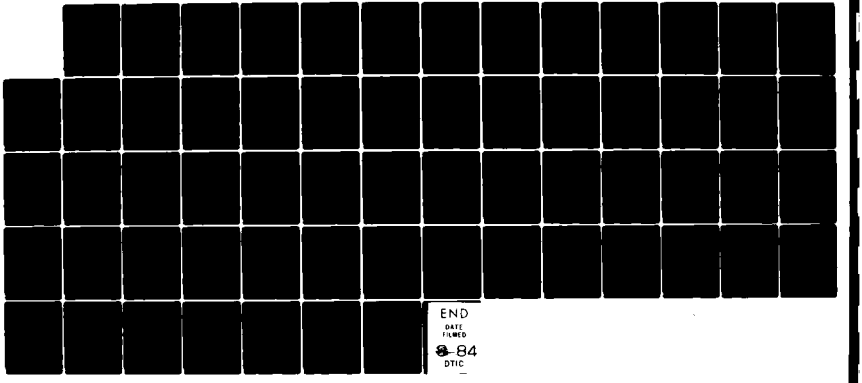

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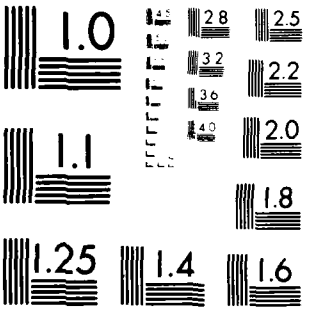

REPORT BY THE U.S.

General Accounting Office

An Evaluation Of The 1981 AFDC Changes: Initial Analyses

The Omnibus Budget Reconciliation Act of 1981 (OBRA) made major changes in the Aid to Families with Dependent Children (AFDC) program, particularly with regard to AFDC recipients' earnings. These changes resulted in the loss of AFDC benefits for many working recipients, and they reduced benefits for many others.

From its survey of state public assistance agencies and an analysis of 10 years of HHS program data, GAO estimates that when the declines in caseload and outlays stabilized, OBRA had decreased the national AFDC-Basic monthly caseload by 493,000 cases and monthly outlays by $93 million. However, because the caseload rose faster than predicted after this point, long-term effects are less certain.

GAO conducted in-depth evaluations of OBRA's effects on individual AFDC families in Boston, Dallas, Memphis, Milwaukee, and Syracuse, using case records and interviews. These evaluations indicate that by fall 1983, most working recipients who lost benefits because of OBRA had not quit their jobs and returned to AFDC.

In interviews with former working recipients more than a year after their termination from AFDC because of OBRA, GAO found that OBRA changes to the food stamp program appear to have resulted in a simultaneous loss of AFDC and food stamps for many families in Boston, Milwaukee, and Syracuse. Although earnings increased for many who remained in the labor force, the respondents as a whole (including those no longer working) experienced significant income losses in all five sites. Apparently they did not make up the loss of income from AFDC and food stamps by working. Additionally, in Dallas and Memphis, about half of these families remained without health insurance coverage after having lost Medicaid.

GAO/PEMD-84-6
APRIL 2, 1984

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

PROGRAM EVALUATION
AND
METHODOLOGY DIVISION

B-214752

The Honorable Dan Rostenkowski
Chairman
Committee on Ways and Means
House of Representatives

The Honorable Barber Conable
Ranking Minority Member
Committee on Ways and Means
House of Representatives

Subject: An Evaluation of the 1981 AFDC Changes: Initial Analyses (GAO/PEMD-84-6)

As you requested on June 15, 1982, the Program Evaluation and Methodology Division of the U.S. General Accounting Office (GAO) has evaluated the effect of changes in the Omnibus Budget Reconciliation Act of 1981 (OBRA) to the Aid to Families with Dependent Children (AFDC) program. In your letter and in subsequent discussions, you asked us to

1. estimate how OBRA's changes to AFDC affected national caseloads and outlays;

2. provide data on the percentages of AFDC earners (that is, working recipients) and nonearners affected by the various OBRA changes;

3. determine what happened to earnings patterns and welfare use patterns among individuals who were removed from the AFDC rolls;

4. provide data on demographic and income and other resource characteristics of AFDC families before and after the implementation of OBRA's changes to AFDC and provide information on how often AFDC recipients moved on and off the AFDC rolls;

5. examine the effect of OBRA's changes to AFDC on the composition of AFDC households;

6. ascertain the economic well-being and general circumstances of the individuals and households who were removed from the AFDC rolls and, to a lesser extent, of those who received reduced benefits.

The purpose of this letter and its enclosure is to report our initial findings.

We understand that this list of requests for information stems from three needs. First, there is a general need to know what has occurred nationally with respect to AFDC caseloads and outlays as a result of the OBRA changes. Second, there is a more specific need to know whether the new limits on gross income for determining eligibility for AFDC and the changes in the treatment of earned income led to more or to less dependence on welfare. Concern had been expressed in the request letter that OBRA's changes to AFDC and the associated loss of Medicaid for cases that closed might discourage AFDC recipients from working and lead them to increase their reliance on welfare. Third, there is a need to know whether the economic well-being and general circumstances of families who lost eligibility for AFDC because of OBRA have been affected, regardless of any effects on their employment and use of welfare.

We formed an evaluation advisory committee, composed of representatives from the Congressional Budget Office, the Congressional Research Service, and the welfare research community, to guide us in designing our evaluation. The design we selected has two major components: a national component, which includes a survey of the states' implementation of the OBRA changes to AFDC and an analysis of OBRA's effects on national AFDC-Basic caseloads and outlays, and an in-depth component, which consists of five separate evaluations of the effects of the OBRA changes on individual AFDC-Basic families in Boston, Massachusetts; Dallas, Texas; Memphis, Tennessee; Milwaukee, Wisconsin; and Syracuse, New York. These sites differ substantially in how they have structured the AFDC program and AFDC benefit levels. The in-depth evaluations involved reviewing large numbers (almost 12,000 overall) of case records of both working and nonworking AFDC families in a "base period" before OBRA, in an "OBRA period" during which the AFDC changes were implemented, and in a period after OBRA's implementation. We conducted interviews also with between 127 and 147 persons in each site who were working and receiving AFDC benefits before OBRA's implementation but who lost eligibility for AFDC because of the changes OBRA made to the program.

The presentation of our findings with this letter includes detailed information on the evaluation design, how we conducted it, and our specific analyses. Some of the information we present raises additional questions that cannot yet be answered: the present analyses are only the first among many that we plan to perform on several very comprehensive data sets.

We have used our data in these initial analyses to meet the Committee's needs in the following manner. We use data from the national component to estimate OBRA's effect on national caseloads and outlays. We use case record data from the in-depth evaluations to provide information on cases affected, changes in earnings and AFDC use patterns, and the characteristics of the AFDC caseload before and after OBRA. Finally, to address changes in the economic well-being and general circumstances of the working families who lost AFDC in our five sites, we use the information garnered from in-person interviews. We plan more detailed analyses to investigate many of these topics further and to examine whether OBRA has had an effect on the composition of households. Information is also forthcoming on reasons for movement on and off the AFDC rolls and changes in housing and child-care arrangements for cases that lost AFDC eligibility.

To obtain a comprehensive picture of the effects of OBRA's changes to AFDC, it is necessary to consider findings from both the national and in-depth components of the study. Here, we first present the results from the national component regarding OBRA's effects on AFDC-Basic caseloads and outlays. Having ascertained that caseloads and outlays declined after OBRA's implementation, we then summarize the highlights of our in-depth evaluations in the five sites in order to provide information on the rate at which cases cut from the AFDC rolls by the 1981 changes returned to AFDC and on the different ways in which AFDC use and earnings patterns changed.

The most challenging part of our study was in providing information on the economic well-being and general circumstances of the families who had been working but lost AFDC eligibility because of OBRA. We used intensive tracking procedures that enabled us to obtain interviews from 73-88 percent of our samples. To our knowledge, these interview completion rates are higher than those of any similar studies to date. This portion of our study probably brings the greatest amount of new information to bear on the results of the OBRA changes to AFDC. As requested by the Committee, we did not obtain comments from the U.S. Department of Health and Human Services on the results of our initial analyses. Our review was performed in accordance with generally accepted government auditing standards.

HIGHLIGHTS OF OUR FINDINGS FROM THE NATIONAL COMPONENT

Several months after the OBRA changes to AFDC, national AFDC-Basic caseloads had decreased and so had outlays, compared to what they would have been without OBRA:

--We estimate that 493,000 fewer cases were open in an average month. This is in the context of approximately 3.6 million cases active in the month prior to OBRA.

--We estimate that outlays were $93 million less in an average month. This is in the context of a monthly outlay exceeding $1 billion prior to OBRA.

--There is some indication that both of these effects are not permanent but eroding over time. More data are needed for a longer time period after OBRA's implementation to determine whether the effects are lessening. We plan to examine this question in the future.

HIGHLIGHTS OF THE FINDINGS FROM THE IN-DEPTH EVALUATIONS

We analyzed the data from each of the five sites separately, so that we could identify any patterns they share. Differences between the sites may reflect state program variations, such as need standards and payment levels. For example, Boston, Milwaukee, and Syracuse pay relatively high AFDC benefits while in comparison Dallas and Memphis pay low AFDC benefits.

--Overall, the OBRA changes affected working AFDC recipients disproportionately. Large percentages of AFDC earner cases (that is, cases that included workers) were either closed or had their AFDC grants reduced: 39-60 percent of the cases were closed and an additional 8-48 percent of the cases were given reduced grants. The comparable figures for nonearner cases are 1-12 percent closed and an additional 1-6 percent reduced. Because earners make up only a small proportion of the entire AFDC caseload, OBRA's overall effect on the total caseload is only 7-14 percent cases closed and 1-11 percent cases reduced.

--The average monthly AFDC dollar losses for closed earner cases were substantial: $71 to $74 in Dallas and Memphis and $156 to $198 in Boston, Milwaukee, and Syracuse. For reduced cases, the average monthly AFDC dollar losses were $46 to $52 in Dallas and Memphis and $110 to $137 in Milwaukee and Syracuse. (Data were not available for Boston.)

--Many earners who lost AFDC in the sites paying higher benefits reported that they simultaneously lost food stamp benefits, probably because OBRA also tightened eligibility rules for the food stamp program. For example, in Syracuse 79 percent of the closed cases containing earners reported that they had been receiving food stamps prior to OBRA, with an average grant of $81, and 72 percent of these lost food stamps when they lost AFDC.

These findings show large losses for AFDC earners. The substantial number of earner cases affected by the changes that OBRA made to AFDC and the food stamp program confirms the need for more information on whether changes occurred also in dependence on welfare and in work effort and on whether the general circumstances and economic well-being of these families were affected.

--In general, our data indicate that most earners who lost AFDC benefits did not quit their jobs and return to AFDC. Twelve months after OBRA's implementation, only 7-18 percent of these cases were back on the AFDC rolls. It is also true that most of those who returned were no longer working. If return rates are calculated for those who returned at any time in the year after OBRA, the rates are somewhat higher, at 11-30 percent across the five sites.

--In looking at patterns of AFDC use for all cases in our base-period and OBRA-period samples, we found that a significantly larger proportion of the OBRA-period earner cases than base-period earner cases were closed a year later. Yet there was only one significant difference between these samples in the percentage of earner cases on the rolls and without earnings a year later. This suggests that working AFDC recipients were no more likely to stop working and increase their reliance on AFDC after OBRA's implementation than they were in the prior year. Further analyses suggest that the differences in the use of AFDC for the OBRA-period and base-period earner cases stem directly from the eligibility and benefit calculation changes in OBRA rather than from behavioral responses among the recipients. For nonearners, the pattern of AFDC use was generally the same for the base-period and OBRA-period samples, although in the OBRA period there were slightly fewer open cases that had earnings a year later.

The following information on the general circumstances and economic well-being of workers who lost AFDC is drawn from interviews conducted in August-December 1983, in which they reported their current situation and their circumstances before losing AFDC.

--All these families were categorically eligible for Medicaid while they were receiving AFDC, but few were receiving Medicaid or any other form of government-subsidized health care at the time of the interview. The differences in private health insurance coverage are pronounced: in Dallas and Memphis, about 25 percent of the respondents had private coverage for themselves or their children, while in Boston, Milwaukee, and Syracuse the figure was 57-61 percent. Approximately 60 percent of the respondents in Dallas and Memphis had no coverage at all for themselves; a comparable number in Dallas had no coverage for their children. In Memphis, children in 50 percent of the families lacked health insurance coverage.

--The respondents in four sites, particularly in Milwaukee, reported the occurrence of various hardships significantly more often after OBRA than in the 2 years before. For example, they more frequently reported having to borrow $50 or more from friends or relatives. In three sites, they more frequently reported having to get food from a

charity and running out of food and having no money to buy more. The three sites where respondents ran out of food more often were the sites where the greatest percentages lost food stamp benefits when they lost AFDC benefits--Boston, Milwaukee, and Syracuse.

--As for employment, 77-88 percent of the respondents were employed when we interviewed them in Boston, Milwaukee, and Syracuse, but in Dallas and Memphis the figures were lower, at 63 and 69 percent. Many of those who were in the labor force had increased their average monthly earnings (even after an adjustment for inflation), but 11-32 percent reported decreases in earnings, compared to their situation before OBRA. Only in Boston was there evidence of a significant increase in the number of hours being worked.

--All sites show a similar pattern of loss when the monthly income of the respondent is compared for the period before the loss of AFDC and the time of the interview. The respondents' income from any earnings and AFDC and food stamp grants was significantly lower--$115 to $229 a month less, in constant dollars. Thus, even though earnings increased for many who remained in the labor force, the respondents as a whole (including those no longer working) apparently did not make up the entire loss of income from AFDC and food stamps by working.

--Our comparisons of the respondents' income before and after OBRA do not include the resources of household members other than the respondents, and there is some possibility that additional resources may have been available to them. However, at the time of the interview, the average reported monthly household income (including the earned and unearned income of all household members) was lower than the 1983 OMB poverty level for 28-41 percent of the families in Boston, Milwaukee, and Syracuse; in Dallas and Memphis, it was 75-86 percent.

We hope that you find our more detailed breakdowns useful and interesting. We plan to continue with our analyses, and we hope to provide you with additional information in the future.

Sincerely,

Eleanor Chelimsky
Director

Enclosure

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EVALUATION OF THE 1981 AFDC CHANGES:

INITIAL ANALYSES

A-1

Contents

ABBREVIATIONS

AFDC	Aid to Families with Dependent Children
ARIMA	Auto-regressive integrated moving average
GAO	U.S. General Accounting Office
HHS	U.S. Department of Health and Human Services
OBRA	Omnibus Budget Reconciliation Act of 1981
OMB	Office of Management and Budget
RTI	Research Triangle Institute
SMSA	Standard metropolitan statistical area

On June 15, 1982, the House Committee on Ways and Means requested that the U.S. General Accounting Office evaluate the effect of changes the Omnibus Budget Reconciliation Act of 1981 (OBRA) made to the Aid to Families with Dependent Children (AFDC) program. This document is a factual summary of the initial findings of the evaluation. In this statement, we outline the evaluation design, describe how the evaluation was conducted, and provide tables showing the results of the initial analyses. A more comprehensive report is forthcoming.

THE OBJECTIVES OF THE EVALUATION

The AFDC program includes AFDC-Basic, a program that provides assistance throughout the states to needy children without able-bodied fathers at home, and AFDC-UP, a program that provides assistance in 23 states to needy children in two-parent families in which the principal wage earner is unemployed. Because the two programs have different rules and because AFDC-UP makes up only a small proportion of the national caseload, we limited our evaluation to AFDC-Basic. We also excluded foster-care cases. All further references to AFDC in this document are to the AFDC-Basic program, unless otherwise noted.

The 1981 OBRA legislation made substantial changes in the AFDC program, particularly regarding the earned income of working welfare recipients. These changes were aimed at reducing costs and creating disincentives to "welfare dependency." For example, OBRA imposed a 4-month limit on eligibility for an existing provision in which the first $30 of earned-income and one-third of the remainder were disregarded. This "$30+1/3 earned-income disregard" was viewed when it was implemented in 1969 as an incentive for welfare recipients to work, because it reduced the "welfare tax" on earnings from 100 percent to 67 percent, but proponents of the 1981 OBRA changes viewed the $30+1/3 provision as a failure. In 1981, this provision and other rules of the AFDC program were seen as fostering rather than discouraging dependence on welfare. Therefore, to reduce federal costs and to direct resources to the most needy, the rules were generally tightened.

Of the 22 provisions in OBRA on the AFDC program, the 6 that are most relevant to our evaluation are

--the limitation of gross income to 150 percent of the state need standard,

--the calculation of the $30+1/3 earned-income disregard on net rather than gross income and its restriction to 4 consecutive months of employment,

--the placement of a $75-ceiling on work-expense deductions for full-time employment,

--the placement of a $160-ceiling on the child-care expense deduction for each child,

--the inclusion of the income of stepparents, and

--the limitation of assets to $1,000.

The Committee on Ways and Means asked us to provide information on the following:

1. the effect of OBRA changes to AFDC on national caseloads and outlays;

2. the percentages of AFDC "earner" and "nonearner" cases affected by the various changes OBRA made to AFDC;

3. changes in the earnings patterns and the use of welfare among individuals who were removed from the AFDC rolls;

4. the demographic and income and other resource characteristics of AFDC families before and after OBRA and their movement on and off the AFDC rolls;

5. OBRA's effect on the composition of families and households; and

6. the economic well-being and general circumstances of the individuals and households who were removed from the AFDC rolls and, to a lesser extent, of those whose benefits were reduced.

These issues were generated from three concerns the Committee expressed about the changes OBRA made to the program. The first is what has occurred nationally as a result of OBRA with respect to AFDC caseloads and outlays. The second is whether changes such as the time limit on the $30+1/3 earned-income disregard and the 150-percent limit on gross income, and the potential loss of Medicaid with the loss of AFDC, cause families to decide not to work and to rely totally on AFDC. The third is whether the changes in OBRA have affected the well-being of families who lost AFDC or received reduced AFDC benefits, regardless of OBRA's effect on their dependence on welfare.

THE EVALUATION DESIGN, SCOPE, AND METHODOLOGY

The design of our evaluation of OBRA's effect on AFDC has two major components: (1) a national component that has two data sources--a survey of all state welfare agencies and AFDC program data from the U.S. Department of Health and Human Services (HHS) --and (2) an in-depth component, in which we conducted separate in-depth evaluations of OBRA's effect on individuals and families

at five sites: Boston, Massachusetts; Dallas, Texas; Memphis, Tennessee; Milwaukee, Wisconsin; and Syracuse, New York.

The national component

We surveyed all state and territorial welfare agencies, asking for information on the timing of the implementation of the OBRA changes, the implementation procedures that were used, official views of which provisions had the greatest effect on caseloads and outlays, and the legal challenges that were encountered. We requested further information on changes in the state AFDC program to such elements as need standards, payment standards, liquid-asset limits, and practices regarding child-care expenses. We received responses from all 50 states, the District of Columbia, Puerto Rico, and Guam. To this information we added monthly data on the national AFDC-Basic caseload and outlays from January 1973 to June 1983, which we obtained from archival sources published by HHS and from the Office of Research and Statistics in the Social Security Administration. From the survey and the program data, we reviewed the implementation of OBRA and estimated its effect on AFDC-Basic caseloads and outlays nationwide.

The in-depth evaluations

To ascertain OBRA's effects on AFDC families, we conducted separate in-depth evaluations at five sites rather than execute a national evaluation. There were four factors in this decision. (1) We anticipated that the effects of the OBRA changes would vary geographically because of differences in state AFDC programs, such as their payment levels. (2) The states differed in when and how they implemented the OBRA changes. For example, some terminated AFDC eligibility for recipients but then faced legal challenges that required them first to reinstate cases and then repeat the termination process. (3) Confining our data collection to discrete geographic areas made gathering detailed data from case records and interviews more feasible. (4) Constructing representative samples of earner and nonearner AFDC cases required monthly caseload listings that indicate the presence or absence of earned income, and these were not available in every state.

The sites

In selecting sites, we made an effort to choose areas that differed in AFDC payment levels, implemented the changes with relatively little difficulty, and did not have large increases in unemployment over the study period. We avoided states where the AFDC need standard was greatly increased close to the time of the implementation of OBRA. Increasing the need standard could partially offset the effects of the 150-percent gross-income limit, and we wanted to look only at sites where the full effects of the major changes would be manifested. Table 1 on the next page contains descriptive information on the five sites we selected. Our data on AFDC recipients in Dallas, Memphis, Milwaukee, and

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Syracuse are from county AFDC caseloads. Since special monthly reporting demonstrations were under way in some Boston welfare offices, we confined the Boston evaluation to three city welfare offices--Church Street, Grove Hall, and East Boston.

Table 1

Description of Sites

Characteristic	Site				
	Boston[a]	Dallas	Memphis	Milwaukee	Syracuse
OBRA implementation window[b]	10/81-3/82	10/81-2/82	10/81-2/82	1/82-2/82	1/82-5/82
AFDC payment standard (3-person household September 1980)	$379	$116	$122	$444	$351
AFDC need standard (3-person household September 1980)	$379	$155	$179	$522	$351
AFDC administration	State	State	State	County	County
Medically needy program	Yes	No	Yes	Yes	Yes
AFDC-UP program	Yes	No	No	Yes	Yes
Unemployment rates SMSA					
1980	5.1%	4.4%	6.1%	6.2%	7.3%
1981	5.9	4.6	8.2	7.4	6.9
1982	6.7	5.7	9.7	10.5	8.0

[a]Boston is the only site where the samples are not representative of the county. To avoid overlapping special demonstration projects, we drew the Boston sample from three city welfare offices --Church Street, Grove Hall, and East Boston.

[b]The months during which the major OBRA 1981 AFDC changes were initially applied to the caseload. In general, this is a 5- or 6-month period encompassing the limit on gross income to 150 percent of the state need standard and the loss of the $30+1/3 earned-income disregard after 4 continuous months. In Wisconsin, the implementation window is only 2 months because in January 1982 Wisconsin began terminating cases because of OBRA. However, the 4-month period for the $30+1/3 disregard provision was started in October 1981; thus, cases losing AFDC eligibility for this provision came off the rolls in February 1982. In Boston, the window was lengthened to reflect large numbers of cases for which the first month off the rolls was March 1982.

The data collection

At the five sites, we reviewed case records and interviewed persons who lost AFDC because of OBRA. We formed six study groups at each site by sampling the case records of earner and nonearner AFDC recipients at three points in time: 13 months prior to OBRA's implementation, called "base-period" groups; 1 month prior to OBRA's implementation, called "OBRA-period" groups; and 11 months after OBRA's implementation, called "post-OBRA" groups. We designated cases recorded as having had earnings on the first of the sample month as "earners" and called all other cases "nonearners."

Because working AFDC recipients constitute only a small proportion of the entire AFDC-Basic caseload, we oversampled earners at all three time points. For the base-period and OBRA-period groups, we recorded 13-month-long AFDC histories, beginning with the sampling month, in order to compare welfare participation patterns. For the post-OBRA group, we collected 1 month of data on types of assistance and demographic characteristics in order to address questions of differences in caseloads before and after OBRA's implementation.

For all sites, we wanted samples of 400 earners and 250 nonearners for the base and OBRA periods and 150 earners and 150 nonearners for the post-OBRA period. Computerized records made

Table 2

Sample and Estimated Universe Sizes for Case Record Reviews by Site[a]

Case review	Boston	Dallas	Memphis	Milwaukee	Syracuse
Base period					
Earners	992	387	371	778	437
	(992)	(606)	(1,160)	(5,448)	(754)
Nonearners	507	250	238	501	263
	(7,129)	(8,848)	(18,456)	(22,569)	(4,494)
OBRA period					
Earners	1,171	394	385	817	425
	(1,171)	(495)	(1,061)	(4,904)	(660)
Nonearners	507	256	241	509	267
	(7,147)	(9,478)	(18,824)	(24,421)	(4,835)
Post-OBRA period					
Earners	321	73	141	333	143
	(321)	(250)	(283)	(1,664)	(319)
Nonearners	304	148	148	300	158
	(6,721)	(8,741)	(17,738)	(25,203)	(5,050)

[a]Numbers in parentheses are estimated universe sizes.

it possible to increase the sample sizes in Boston and Milwaukee. Table 2 lists the final sample sizes and their respective universes.

Our interviews at the five sites were conducted with a random sample of individuals who had been working and receiving AFDC benefits when the OBRA changes occurred and who lost AFDC eligibility during the "implementation window" indicated in table 1. The implementation window is a period of 2 to 6 months, depending on the site, during which the major changes OBRA made to earned-income rules were applied to the local caseload. Our interview samples were drawn from cases in the OBRA-period earner group that were identified by the case-record review as having lost eligibility because of OBRA. We attempted to complete at least 130 interviews at each site. A contractor, Market Facts, Inc., conducted the interviews, paying respondents $10 each as an incentive to participate. The response rates were 73-88 percent and are explained in table 3.

Table 3

Interview Completion Rates by Site

	Boston	Dallas	Memphis	Milwaukee	Syracuse
Original sample	175	158	165	165	168
Unable to locate	17	14	13	9	7
Refusal	25	6	20	17	12
Deceased	--	1	--	--	--
Incarcerated	--	--	--	--	1
Not qualified	--	2	--	1	--
Moved away, could not interview	5	2	5	5	1
Completed interviews	128	133	127	133	147
Response rate	73%	84%	77%	81%	88%

SOURCE: Market Facts, Inc.

The design's limitations

Our design strategy for the in-depth evaluations reflects the priorities of the issues we were asked to address and the practical considerations of data availability and time. We will discuss the design's strengths and weaknesses in detail in the forthcoming report, meanwhile noting the following limitations.

1. Although the consistency of our findings across five sites gives us confidence in their general applicability, we cannot generalize from five areas to the nation.

2. Our base-period case dynamics provide an essential perspective on the case dynamics in the OBRA period, but the utility of comparisons between them depends on how accurately the 1-year base-period represents the dynamics for several years before OBRA. We found it infeasible to construct additional base-period samples to investigate this question.

3. The utility of comparisons between the base-period and OBRA-period samples depends further on how well we excluded factors other than OBRA that might have influenced case dynamics in the OBRA period. We chose sites carefully to avoid or minimize the influence of changes in state AFDC need standards and deteriorating economic conditions. However, our design does not permit a separation of these and other factors from the results of our initial analyses.

4. Our study is confined to the effects of OBRA on AFDC cases that were active when OBRA was implemented and, therefore, eligible for benefits under the earlier program rules. We made no effort to investigate OBRA's effects on case dynamics in the post-OBRA period.

5. Our interview data are from the reports of individuals, and statements about AFDC grants, food stamp grants, earnings, and so on were not verified against program records, pay stubs, or other documentation. However, we did check for inconsistencies within each interview and coded questionable items as "missing."

THE RESULTS OF THE INITIAL ANALYSES

The information we present here represents only the initial round of analyses of three very comprehensive data sets. We have analyzed the national component of the study to provide information about the states' implementation of OBRA's changes to AFDC and the national effect on caseloads and outlays. We have analyzed case records and interview data from our in-depth evaluations to address the questions about the percentages of cases that have been affected, earnings and welfare use patterns, characteristics of the AFDC caseload before and after OBRA, and the general circumstances and economic well-being of working families terminated from AFDC. We plan further and more detailed analyses to investigate these and other issues in greater depth, including whether the OBRA changes to AFDC were followed by changes in the composition of households, the reasons that have been recorded for movement on and off the AFDC rolls, and changes in housing and child-care arrangements for the cases that lost AFDC eligibility.

The national component

In table 4 on the next page, we list the 22 OBRA provisions on AFDC and the months the states report having implemented

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Table 4

Number of States That Reported Implementing OBRA by Month[a]

Provision	1981			1982												1983	[b]
	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12		
150% gross-income limit	31	10	5	5	1	1											
4-month limit on earned-income disregard	3			2	39	5	2	1	1								
Disregard calculation on net income	28	10	6	4	1	3								1			
$75 work-expense limit	28	11	5	5	1	1										1	1
$160 child-care limit	25	10	6	6	1	2	1										2
Stepparent income	21	7	3	4	3	3	1			1		1					9
$1,000 asset limit	18	9	6	5	3	2	1	1	1	2					1		4
$10 minimum payment	26	7	5	6	2	1	2			1					1		2
18-21-yr-old dependents	14	5	4	5	2		1	1		1						1	19
3rd-trimester pregnancy limit	11	6	4	4	1	1	1			1			1			1	22
Earned-income tax credit	19	9	4	5	3	3	1			1		1			2	2	3
Lump-sum averaging	22	9	4	6	2	3	1			1					2		3
Striker exclusion	23	8	3	5	3	2	1			1	1				2		4
Alien-sponsors income	22	8	6	3	1	1	2			1	1	2			1	2	3
UP principal earner	7	7	1	3	1	1				2						1	30
Vendor restrictions removed	15	4	2	3		2				1		1	1		1	1	22
Monthly reporting	8	3	1	3		2	2	1	2	6	3	5	2	2	1	5	7
Retrospective accounting	8	2	1	2		2	2	1	2	6	3	4	1	2	1	6	10
Under- or over-payments	13	6	2	4	5	1	1	1		3		1	1	1	1	3	10
Work Incentive Program	2			3		2	3		1	1		3	2			1	35
Community Work Experience Program				3			1	1		1	2	2	1		1	6	35
Work Supplementation																	53

[a]Fifty states, the District of Columbia, Puerto Rico, and Guam.

[b]States implementing before OBRA, not implementing, and responding "not applicable."

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them. For 70 percent of the states, implementation of the provisions on gross income, earned income, dependents, and pregnancy was completed between October 1981 and February 1982. However, the states began implementation at different times throughout a 6-month period, and 13 percent did not begin implementation before January 1982. The monthly reporting and retrospective budgeting provisions also tended to be implemented relatively late. Fifteen states reported having had to contend with legal challenges to their implementation of the OBRA provisions.

Some states reported that they compensated for the anticipated effects of the OBRA provisions. For example, 6 states reported having raised their need standards in direct response to OBRA. Raising the need standard partially negates the provision that limits eligibility to cases that have gross incomes of less than 150 percent of the standard. Some states reported that they used state funds to cover cases rendered ineligible for AFDC under the provisions on third-trimester pregnancy and dependents 18-21 years old.

We asked the states to name and rank the five OBRA provisions that have had the greatest effect on the size of their AFDC caseloads and total payments. For caseloads, the states cited the provisions on income--the 150-percent gross-income limit, earned income, and stepparent income--most frequently. The 150-percent gross-income limit was usually ranked first for both caseloads and total payments. We summarize these rankings in appendix I.

We obtained HHS monthly time series data on the national AFDC-Basic caseload and total federal and state dollar outlays (that is, payments) for January 1973 through June 1983 in order to estimate OBRA's effect on them. We used auto-regressive integrated moving average (ARIMA) modeling techniques, which predict recent or future observations from earlier time points. In this statistical procedure, when some intervention is known to have occurred, such as the OBRA changes to AFDC, the size of the estimated effect is the difference between actual observations after the intervention and observations forecast by the ARIMA model of what would have happened in the absence of the intervention. The ARIMA procedure allows the incorporation of additional time series when they would improve its forecasting ability. Figures 1 and 2 on pages 16 and 17 show the results of these analyses.

Figure 1 shows the actual national AFDC-Basic caseload from January 1973 through June 1983. Following a period of steady increase through 1975, the caseload leveled off and even declined slightly through mid-1979. Then it began again to rise steadily and continued to increase until 6 months prior to OBRA. Immediately after the states began implementing the OBRA AFDC provisions, the caseload dropped dramatically, reaching a level in June 1982 that was 337,000 cases less than the level in September 1981.

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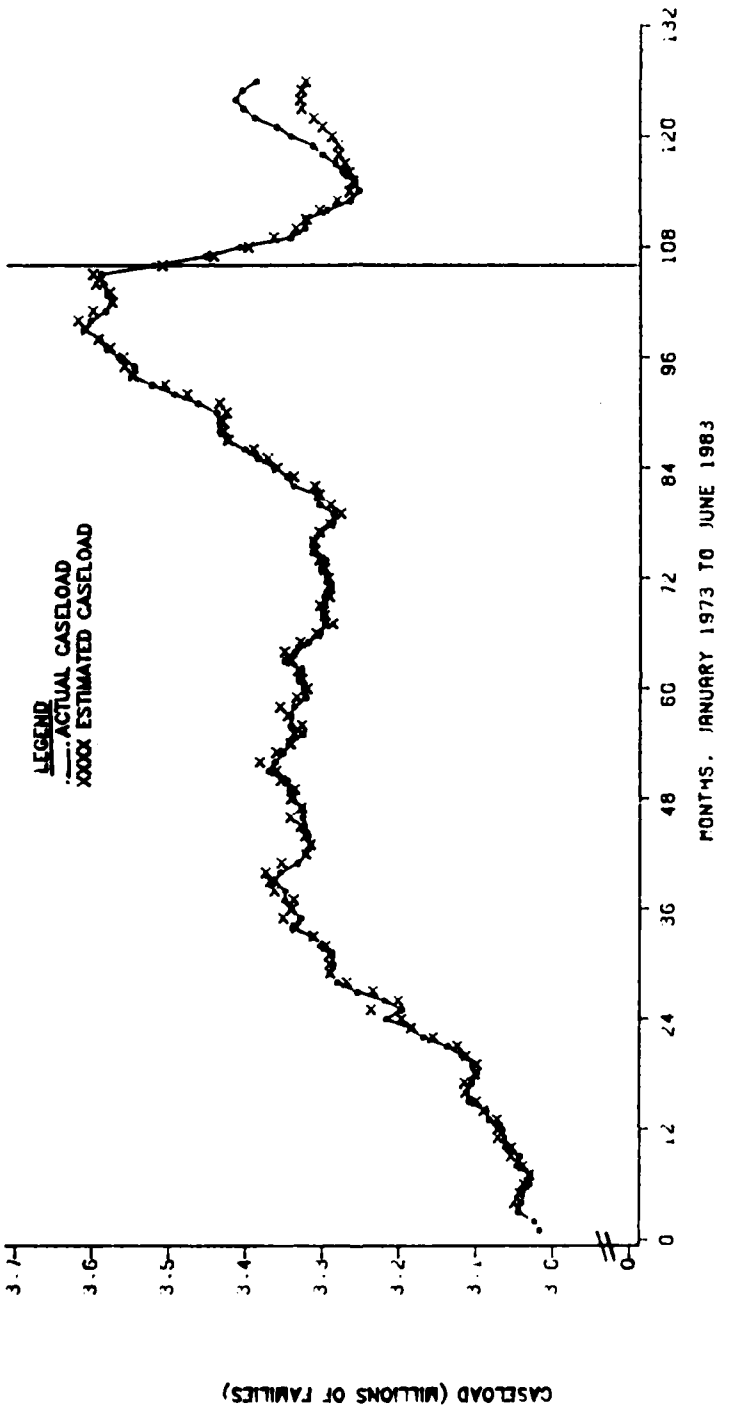
Figure 1

NATIONAL AFDC–BASIC CASELOAD Δ/

FROM JANUARY 1973 TO JUNE 1983



Δ/ THE SOLID VERTICAL LINE IS THE EFFECTIVE DATE OF OBRA.

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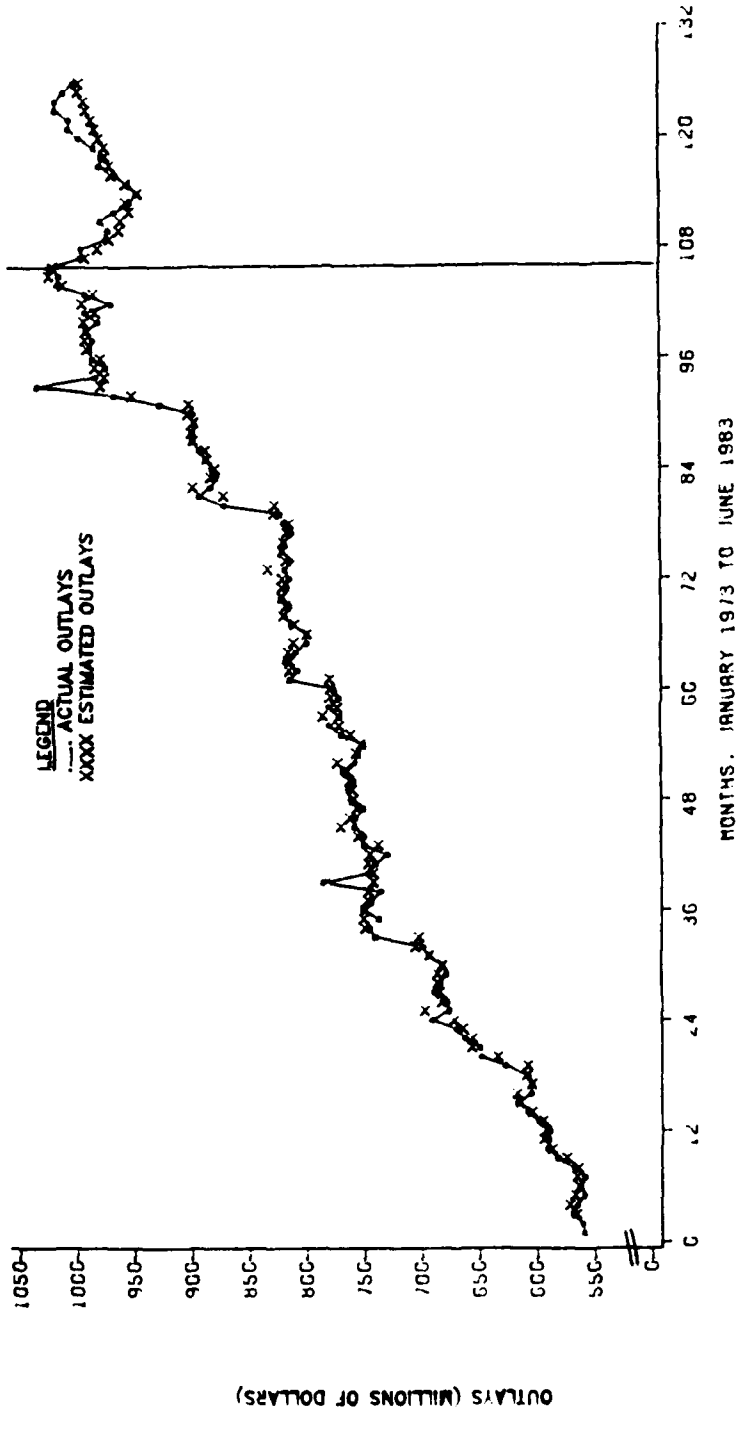
Figure 2

NATIONAL AFDC—BASIC OUTLAYS[A]

FROM JANUARY 1973 TO JUNE 1983



A/THE SOLID VERTICAL LINE IS THE EFFECTIVE DATE OF OBRA.
MONTHLY OUTLAYS REFER TO CURRENT DOLLARS, NOT ADJUSTED FOR INFLATION.

We developed an ARIMA model of caseload size that was based on the assumption that, because of OBRA, the caseload would gradually decline and then level off. The model took into account the number of women reported by the Bureau of Labor Statistics as unemployed and maintaining families. (In appendix II, we give a more detailed explanation of our modeling strategy and statistical analyses.) The forecasts of the AFDC-Basic caseload from this model are also plotted in figure 1. Given this analysis, we estimate that in the short term OBRA decreased the monthly AFDC-Basic caseload by 493,000 cases, compared to what the caseload would have been in the absence of OBRA.

We are less certain about the long term. Figure 1 shows that, in later months, the time series data indicate the actual caseload as somewhat higher than what the model predicted. This suggests that OBRA's effect on the caseload may be eroding. This interpretation assumes that the model operates equally well in the post-OBRA period.

Figure 2 shows the actual national AFDC-Basic outlays (in current dollars) from January 1973 through June 1983. Unlike the caseload, outlays rose fairly steadily during the entire period preceding OBRA, with some marked increases at yearly intervals beginning in mid-1979. The implementation of OBRA was clearly followed by a decrease in AFDC outlays, although the decrease was not as dramatic as that for the caseload. Average monthly outlays decreased $75.7 million from October 1981 to June 1982.

The general tendency of AFDC outlays to increase over time must be considered in estimating OBRA's effect. The ARIMA model we used (described in appendix II) gave us an estimate of a monthly average decrease of $92.8 million. Again, however, there is a divergence in the later months between actual outlays and the model's prediction, which suggests that OBRA's effect on costs may also be eroding. More definitive conclusions on OBRA's long-term effects on both caseloads and outlays would require at least 12 additional months of data.

The in-depth evaluations

In analyzing the data from the five sites, we treated each site as an independent evaluation. We have displayed our findings from the initial analyses in parallel. This helps reveal any patterns among the sites. The patterns may reflect state variation in the AFDC program, such as ways in which different state AFDC need standards and payment levels shape the characteristics of local AFDC caseloads. For example, Tennessee and Texas pay lower AFDC benefits than most of the other states, while benefits in Massachusetts, New York, and Wisconsin are relatively high. In the remaining sections of this document, we present our initial findings from the in-depth evaluations. We first concentrate on our analyses of the case record data and then summarize what we know about AFDC earners who lost AFDC eligibility because of OBRA.

Table 5

Percentage of Cases Closed or Reduced Because of OBRA During the Implementation Window by Site[a]

Cases	Boston[b]	Dallas	Memphis	Milwaukee	Syracuse
Earner					
Closed	60.0	56.8	54.9	38.6	40.2
Reduced	--	7.8	16.7	48.0	35.4
Nonearner					
Closed	2.8	11.6	9.9	0.8	2.2
Reduced	--	0.8	5.8	3.5	1.2
Total caseload					
Closed	10.8	13.9	12.3	7.1	6.9
Reduced	--	1.1	6.4	10.9	5.4

[a]These figures do not reflect all case terminations: in four of the five sites, some provision was not implemented during the implementation window. Cases that initially had their AFDC grants reduced and that were subsequently closed within the implementation window appear throughout the analyses as terminations.

[b]Because there are no special OBRA termination codes for the Boston data, the number of OBRA terminations is based on the comparison of frequencies of closing codes in the prior year with those in the OBRA period. A small number of the Boston case closings may stem from normal attrition. It was not possible to estimate the number of Boston OBRA grant reductions.

Closings and reductions of AFDC cases because of OBRA

The case record data from the five sites reveal that, as expected, the OBRA changes affected working AFDC recipients disproportionately in relation to recipients who were not working. Table 5 shows that 39 to 60 percent of the OBRA-period earner cases--those with earnings in the sample month--were closed because of OBRA during the implementation window while only 1 to 12 percent of the nonearner cases were closed.[1] Similarly, AFDC

[1]In determining the percentages of closed and reduced cases, we counted cases as closed if they were closed because of OBRA at any time during the OBRA implementation window, regardless of whether they were previously reduced by OBRA. Thus, the categories of "closed cases" and "reduced grants" are mutually exclusive. It was not possible to determine the percentage of cases in Boston receiving reduced grants because of OBRA.

grants were reduced for 8 to 48 percent of the earner cases because of OBRA, while grants were reduced for 1 to 6 percent of the nonearner cases. Earners are a small proportion of the AFDC caseload; consequently, the combined percentages in all the sites ranged between 7 and 14 percent of the caseload closed and between 1 and 11 percent reduced.

Differences among the sites reflect, to a degree, differences in state need and payment standards. In a state with a high need standard, the OBRA gross-income limit of 150 percent of the state need standard may not affect cases with relatively high income. In the sites with lower need and payment standards, earners are much more likely to have their grants discontinued than simply reduced. For example, a three-person household with a monthly income of $560 would pass the 150-percent test in Boston, Milwaukee, or Syracuse but would fail it in Dallas or Memphis. In Syracuse and Milwaukee, the sites with the highest benefits in our study, the percentages of earner cases given reduced grants were 35 and 48 percent, respectively. In Dallas and Memphis, with the lowest benefits in our study, 8 and 17 percent of the earner cases were reduced.

Because of the relatively small percentages of case closings and reductions for nonearners in the caseload--and, therefore, our small sample sizes for nonearner cases--we display the specific reasons for OBRA's closings and reductions only for the earner cases. Provisions on the treatment of income account for most of the closings and reductions of earner cases in our study, as tables 6 and 7 show (table 7 is on page 22). Percentages do not add to 100 in all sites because a few cases could not be placed in specific classifications.

More than 90 percent of the earner cases were closed in each site because of three OBRA changes: (1) the 150-percent gross-income limit, which closed most of the cases, (2) the 4-month limit on the $30+1/3 earned-income disregard, and (3) the other earned-income provisions--the work-expense limit, the child-care expense limit, and the application of the $30+1/3 calculation to net rather than gross income. The $1,000-asset limit, the third-trimester pregnancy limit, and the counting of stepparent income had relatively little effect. However, not all these other provisions were implemented during the implementation window.

More than 85 percent of the OBRA reductions to earner cases in each site were caused by the 4-month limit on the $30+1/3 earned-income disregard and the other earned-income provisions. Cases that were first reduced and later closed because of OBRA during the implementation window are classified here as closed cases.

Firm conclusions on the effect of each provision on closings and reductions cannot be made confidently from the data for several reasons, including the order and timing of the implementation

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Table 6

Percentage of AFDC-Basic Earner Cases Closed by OBRA Provision and Site

Provision	Boston (n=703)	Dallas (n=223)	Memphis (n=207)	Milwaukee (n=315)	Syracuse (n=170)
4-month limit on earned-income disregard	13.4	8.5	14.0	46.2	11.2
150% gross-income limit	84.1[a]	88.8	75.8	9.3	83.5
Earned-income provisions		0.9	3.4	39.7	3.5
Calculation on net					
$75 work-expense limit					
$160 child-care limit					
3rd-trimester pregnancy limit	b	b	0	1.0	0
Earned-income tax credit	b	0.4	0	0	b
Lump-sum averaging	b	0	0	0	0.6
$1,000 asset limit	c	0	0	3.8	0
18-21-yr-old dependents	2.5	0.9	4.3	c	1.2
Stepparent income	b	0.4	1.4	b	0
Striker exclusion	b	0	0	0	0
% of sample	60.0	56.8	54.9	38.6	40.2

[a]Data were not available for determining which of the OBRA income provisions were responsible for these case closings; therefore, all these case closings have been recorded in a category combining the 150-percent gross-income limit and earned-income provisions.

[b]The provision was not in effect during the implementation window.

[c]The provision was part of state AFDC practice prior to OBRA.

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Table 7

Percentage of AFDC-Basic Earner Cases Reduced by OBRA Provision and Site

Provision	Boston[a]	Dallas (n=30)	Memphis (n=64)	Milwaukee (n=392)	Syracuse (n=148)
4-month limit on earned-income disregard	--	30.0	42.2	22.8	45.3
Earned-income provisions	--	56.6	46.8	76.1	52.0
Calculation on net					
$75 work-expense limit					
$160 child-care limit					
3rd-trimester pregnancy limit	--	[b]	3.1	1.0[c]	0
Earned-income tax credit	--	0	0	0	[b]
Lump-sum averaging	--	0	0	0	0
$10 minimum payment	--	0	0	[d]	0.7
18-21-yr-old dependents	--	13.3	6.3	[e]	0
Stepparent income	--	0	0	[b]	0
% of sample	--	7.8	16.7	48.0	35.4

[a]It was not possible to estimate the number of Boston OBRA grant reductions.

[b]The provision was not in effect during the implementation window.

[c]All cases include reductions because of changes in the earned-income disregard.

[d]The state did not implement this provision.

[e]The provision was part of state AFDC practice prior to OBRA.

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of the 22 provisions, interactions among the earned-income provisions, and our attribution of closings and reductions to specific classifications of provisions. For example, the interaction of the change in the $30+1/3 grant calculation on net income and the limits on work expenses and child-care expenses led us to consolidate these provisions into the single category "earned-income provisions." The change in grant calculation affects all recipients with work expenses and child-care expenses because these expenses are deducted from gross income in order to determine the net income from which the $30+1/3 disregard is calculated. The limits on work expenses and child-care expenses may be insufficient to close some cases, but when these limits are combined with the smaller $30+1/3 disregard (smaller because it is calculated on net rather than gross income), a case may still be earning more than the state payment standard and therefore be closed. These provisions interact for reductions also, making it difficult to determine how much of a reduction should be attributed to a particular OBRA provision.

It is easier to ascribe closings to the end of the $30+1/3 disregard or to the 150-percent gross-income provision, but the timing of the implementation of these provisions affects conclusions about their separate effects. For example, the time limit on the $30+1/3 disregard was not reached until after most of the other provisions relevant to our study had been implemented, so that cases closed or reduced because of the 4-month limit are relatively easy to identify. However, the percentages representing the frequencies with which cases were either closed or reduced because of the 4-month limit on the earned-income disregard reflect the fact that, in order to face this provision's test, a case would have to have survived the other income provisions first. In addition, because we classified reduced cases by the first reduction in them after OBRA, the reported percentages of reductions from this provision exclude the cases that were previously reduced by other OBRA provisions.

The reasons we report for the closing of cases differ by site, partly because of differences in the order in which the provisions were applied. In sites where the 150-percent gross-income limit was applied before all the other earned-income provisions, including Dallas, Memphis, and Syracuse, cases are clearly identified as closed because of this provision. (Indeed, a welfare agency would not seek further reasons for closing such cases.) In Milwaukee, however, cases were not subjected to the 150-percent income test unless they remained eligible after the other earned-income provisions had been applied. Therefore, many more Milwaukee cases were closed because of the earned-income provisions, and many fewer were closed because of the 150-percent gross-income test, than in the other sites. Moreover, Milwaukee's relatively high need standard--$556 for a three-person household when OBRA was implemented--means that fewer cases failed the 150-percent test. To fail, a three-person household had to have had a monthly income in excess of $834.

llar losses for earner
closed and reduced

The AFDC "dollar loss" for each case is the amount by which its monthly grant was reduced either because the case was closed or because its grant was reduced during the implementation window. Dollar losses for earner cases were large, both absolutely and relative to state payment standards. The finding confirms the importance of the Committee's question about whether the economic well-being of these families was affected by OBRA.

As table 8 shows, the average AFDC dollar loss for closed cases ranged from $71 and $74 in Dallas and Memphis to $156 in Boston, $169 in Syracuse, and $198 in Milwaukee. At the time of OBRA's implementation, the payment standard in Memphis for a three-person household was $122, and 21 percent of the closed earner cases had losses of $100 or more. In Dallas, the payment standard was $118, and 28 percent had such losses. In the other sites, the comparable figures are, in Boston, a $379 payment standard and 69 percent of the cases; in Syracuse, a $381 payment standard and 69 percent of the cases; in Milwaukee, a $473 payment standard and 80 percent of the cases.

Table 8

Monthly Dollar Losses of AFDC-Basic Earner Cases by Site[a]

Cases	Boston	Dallas	Memphis	Milwaukee	Syracuse
Closed					
Average loss	$156	$71	$74	$198	$169
% with loss < $25	5.2	17.4	12.4	2.2	3.6
% with loss ≥ $100	68.5	28.3	20.7	80.4	69.0
% of sample	60.0	56.8	54.9	38.6	40.2
Reduced					
Average loss	[b]	$46	$52	$137	$110
% with loss < $25	[b]	30.0	17.5	6.7	10.7
% with loss ≥ $100	[b]	6.7	9.5	59.3	50.0
% of sample	--	7.8	16.7	48.0	35.4
Closed and reduced					
Average loss	[b]	$68	$69	$164	$142
% with loss < $25	[b]	18.9	13.7	4.7	6.8
% with loss ≥ $100	[b]	25.7	18.0	68.8	60.4

[a]The dollar losses represent a summation of the reductions ascribed to OBRA in AFDC-Basic grant amounts during the implementation window.

[b]It was not possible to estimate the number of Boston OBRA grant reductions.

For reduced cases, average AFDC dollar losses tended to be much smaller in the sites with lower payment standards than where payment standards were higher. Reduced cases had average losses of $46 and $52 in Dallas and Memphis but $110 and $137 in Syracuse and Milwaukee. Losses of less than $25 were more frequent in sites with lower than with higher payment standards. That is, in Dallas, 30 percent of the reduced cases lost less than $25, in Memphis 18 percent. In contrast, only 11 percent of the Syracuse reductions and 7 percent of the Milwaukee reductions were less than $25. Many more cases had large dollar losses, of $100 or more, in the sites with higher payment standards--59 percent in Milwaukee and 50 percent in Syracuse compared to 7 percent in Dallas and 10 percent in Memphis.

When dollar losses for closed and reduced cases are combined, the amounts are substantial. The average AFDC monthly loss for earner cases affected by OBRA ranged from $68 and $69 in Dallas and Memphis to $142 and $164 in Syracuse and Milwaukee. While the sites with lower payment standards had more cases that lost less than $25 than the sites with higher payment standards had, the number of earner cases that lost $100 or more in the lower-payment sites was also not small--18 percent of cases affected in Memphis, 26 percent in Dallas.

Caseload characteristics before and after OBRA

Comparisons of selected caseload characteristics in the sampling months before and after OBRA highlight the changes that OBRA brought about in caseload composition. For example, in four sites there was a slight decline in the proportion of cases with earned income between the base-period and OBRA-period months but a sharp decline between the OBRA and post-OBRA months. The sharp decline was expected, since several OBRA provisions were designed to remove earners with higher incomes from the AFDC rolls. The largest decrease was in Memphis, where 70 percent fewer cases had earned income in the post-OBRA month (1.6 percent of the caseload) than in the OBRA month (5.3 percent of the caseload). The smallest decrease in earners was the 44-percent decrease in Dallas; in Syracuse, Milwaukee, and Boston, decreases were 52 percent, 63 percent, and 67 percent, respectively.

An increase in the average AFDC grant between the OBRA and post-OBRA sampling months was also expected. The smaller proportions of earners in the caseload after OBRA's implementation mean larger proportions of nonearners and, thus, more cases that receive higher grants on average. Changes in payment standards also contributed to this increase. For example, in July 1982, Wisconsin applied a cost-of-living adjustment to its need and payment standards: for three-person households in Milwaukee, the maximum AFDC payment rose 6.3 percent, from $473 to $503.

These data, which we have summarized in table 9 on the next page, also show that caseload size decreased after OBRA, a

Table 9

Percentage of Caseload with Earned Income and AFDC-Basic Average Grant and Caseload Size in Base, OBRA, and Post-OBRA Months by Site

Month[a]	Boston	Dallas	Memphis	Milwaukee	Syracuse
Earned-income cases					
Base	12.2%	6.4%	5.9%	19.4%	14.4%
OBRA	14.1	5.0	5.3	16.7	12.3
Post-OBRA	4.6	2.8	1.6	6.2	5.9
Average AFDC grant					
Base	$300	$106	$111	$368	$289
OBRA	326	106	110	399	311
Post-OBRA	338	108	120	453	330
Caseload size					
Base	8,121	9,454	19,616	28,017	5,248
OBRA	8,318	9,973	19,885	29,325	5,495
Post-OBRA	7,042	8,991	18,021	26,867	5,369

[a]Base month = 1 year and 1 month prior to state implementation of OBRA; OBRA month = 1 month prior to state implementation of OBRA; post-OBRA month = 11 months after state implementation of OBRA. For an implementation date of October 1981, these dates correspond to September 1, 1980 (base), September 1, 1981 (OBRA), and September 1, 1982 (post-OBRA).

pattern that is consistent with the caseload nationally. In all five sites, the caseload increased slightly between the base-period month and the OBRA month, but the caseload was lower in all sites in the post-OBRA month than in the OBRA month--15 percent in the three Boston offices, 10 percent in Dallas, 9 percent in Memphis, 8 percent in Milwaukee, and 2 percent in Syracuse. In all sites but Syracuse, the caseload size in the post-OBRA month was actually below what it had been in the base period month.

Rates of return to AFDC and patterns of welfare use

In this section, we provide data on the extent to which families who were removed from the AFDC rolls because of OBRA ("OBRA terminees") returned to the rolls and on changes in patterns of welfare use after the implementation of OBRA. To address these issues, we calculated return rates for OBRA-period earner cases closed because of OBRA, compared return rates for base-period and OBRA-period earner terminees (regardless of the reason for closing), and compared the longevity of AFDC participation for all base-period and OBRA-period earners and nonearners. We restricted our analyses of return rates to earners

because of the very small number of nonearners in our samples whose cases were closed because of OBRA.

In all five sites, most of the earner cases identified as OBRA terminees did not return to the AFDC rolls during the 13 months through which we tracked them. When we looked at the rate at which people returned from the perspective of a single point in time, we found that between 7 and 18 percent of the earner cases that had been closed by OBRA were active again one year after our OBRA-period sampling month (see table 10 on page 28). The majority of these open cases were recorded as not having earnings. Looking at the status of cases at a later point, 12-22 months after their termination, we found that in four sites only slightly more, or 8 to 20 percent, were open. In Dallas, slightly fewer cases were open than had been open 1 year after our sampling month.

However, when we looked at how many cases returned throughout the 13-month tracking period, we found that a larger percentage of cases returned at some time within it, at a rate of 11 to 30 percent, even if they were not on the rolls in the last month of the tracking period. The difference at each site between the number of cases that were open in the last month of the tracking period and the number that were reopened some time during the period represents cases that were closed, returned to AFDC, and then were closed again. Looking at very short episodes of return --2 months or less--we found little evidence of substantial numbers. In Boston and Milwaukee, which had the largest proportions of short stays, roughly one in four of the cases that returned in the first 11 months of the tracking period stayed on the rolls for 2 months or less before leaving again.

To get a sense of whether these return rates differed from those that were typical for AFDC participants before the OBRA changes, we compared the figures from the two perspectives for all the OBRA-period earner cases closed during the months of the implementation window, whether they were OBRA terminees or not, with the figures for the base-period earner cases closed during the corresponding months of the base period (see table 11 on page 29). In four of the five sites, the point-in-time return rate for earner cases closed for any reason was substantially lower in the OBRA period than in the base period; in Memphis, the rates were similar. The results for Milwaukee differ from those for the other sites only in the magnitude of the difference, not in its direction.

Our figures can be directly compared with the figures in a national study by the Research Triangle Institute (RTI) for HHS. As the far right column of table 11 shows, RTI's data are parallel to ours for the status of terminees a year after the sampling month.

Using the more dynamic perspective on return rates yields similar results for the five sites. In four sites, earner cases

Table 10

The Rate of Return to AFDC Among AFDC-Basic Earners Terminated Because of OBRA by Site

Perspective on return rate	Boston (n=733)	Dallas (n=223)	Memphis (n=207)	Milwaukee (n=312)	Syracuse (n=170)
Returned at a specific point 12 months after sampling month					
With earnings	1.1%	2.2%	1.4%	5.1%	1.8%
Without earnings	7.2	13.0	12.1	12.5	5.3
	8.3	15.2	13.5	17.6	7.1
At case record review 12-22 months after termination	9.0[a]	13.9	18.4	19.9[a]	8.2
Returned during the 13-month tracking period at any time	11.0	22.4	18.8	29.8	12.9
Of those returning within the first 11 months, stayed 2 months or less	25.8 (n=66)	9.8 (n=41)	10.8 (n=37)	25.0 (n=80)	5.3 (n=19)

[a]Case record review was in May 1983, or 15-19 months after termination.

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Table 11

The Rate of Return to AFDC Among Base-Period and OBRA-Period AFDC-Basic Earners Terminated for Any Reason by Site[a]

Perspective on return rate	Boston	Dallas	Memphis	Milwaukee	Syracuse	RTI[b]
Returned at a specific point 12 months after sampling month						
Base	17.7% (n=147)	24.8% (n=113)	14.5% (n=76)	50.0% (n=38)	17.6% (n=91)	24.6%
OBRA	9.2** (n=856)	18.5 (n=276)	15.0 (n=267)	17.6** (n=352)	7.8* (n=217)	15.4
Returned during the 13-month tracking period at any time						
Base	21.1	30.1	17.1	55.3	20.9	25.7
OBRA	12.1*	24.3	19.9	29.6**	12.4	28.7
Of those returning within the first 11 months, stayed 2 months or less						
Base	17.9 (n=31)	3.4 (n=29)	0 (n=11)	9.5 (n=21)	6.7 (n=15)	--
OBRA	26.7 (n=104)	7.1 (n=56)	8.2 (n=49)	25.3 (n=91)	4.5 (n=22)	--

[a]Base-period terminees are all cases in the base-period earner sample that terminated eligibility during the comparable months of the year prior to the OBRA implementation window; OBRA-period terminees are all cases in the OBRA-period earner sample that terminated eligibility during the OBRA implementation window.

[b]Some breakdowns comparable to data in RTI, or the Research Triangle Institute's Final Report: Evaluation of the 1981 AFDC Amendments (Chapel Hill, N.C.: April 15, 1983); this column is drawn from pages 3-39 and 3-48. RTI's analyses of short stays are not comparable to those reported here.

*Difference significant at the .05 level.
**Difference significant at the .01 level.

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that were closed in the OBRA period were less likely to return during the 13-month tracking period than earner cases that were closed in the base period. The difference between the base-period and OBRA-period return rates was statistically significant only in Boston and Milwaukee, partly because of the small numbers of base-period terminees in other sites. Although our figures bracket RTI's, RTI did not find a lower rate in the OBRA period nationally. This difference may result from the adjustment of our study periods for each state to match the date when it implemented OBRA and the particular restrictions that we placed on our selection of sites. Unlike RTI, we considered only sites in states where the implementation of the major OBRA provisions was relatively immediate and direct and where changes in unemployment were moderate during the study period.

By comparing the percentages of cases that returned only for short stays in the base and OBRA periods, one can see that in four sites short stays were more common in the OBRA period. However, none of these differences were statistically significant, since the sample sizes for this analysis were even smaller than the sample sizes for the previous one.

In table 12, we present data on changes in the patterns of the use of AFDC. We give figures on the status 12 months after the sampling point for all cases in our base-period and OBRA-period earner and nonearner samples. Here, of course, we are no longer referring to return rates, because only some of these cases were closed during our 13-month tracking period.

Generally, differences between base-period and OBRA-period samples in percentages of cases on the rolls a year later reflect the variations in closing rates that we discussed above. RTI's base-period figures, also displayed in table 12, generally stand somewhere between our figures. That we found greater contrasts in some sites between the percentages of earner cases closed and the percentages open and with earnings for the base and OBRA periods may stem at least partly from our study design.

In all the sites, a substantially larger proportion of OBRA-period earner cases than base-period earner cases were closed 1 year after the sample was drawn. However, in four sites, the percentages of earner cases that were open and without earnings a year later were not significantly different between the base and OBRA periods. In Boston, a significantly smaller percentage of earner cases were open and without earnings in the OBRA than in the base period. For nonearners, there were significant differences a year later between the base and OBRA periods in three sites: in Boston, Memphis, and Milwaukee, a significantly smaller proportion of OBRA-period nonearners were receiving AFDC with earnings a year later.

In the base period, earners could have been expected to be receiving AFDC a year later, but in the OBRA period they could not. The probability that earner cases that were open a year

Table 12

Percentage of AFDC-Basic Cases Closed and Open 12 Months After the Sample Month by Site

Case status	Group	Boston	Dallas	Memphis	Milwaukee	Syracuse	RTI[a]
Earner							
Closed	Base	24.1	40.6	37.9	19.8	32.3	27.6
	OBRA	74.8**	70.6**	65.6**	56.7**	60.0**	55.2
Open							
With earnings	Base	57.6	31.8	40.7	54.2	50.6	54.2
	OBRA	10.5**	6.6**	12.5**	16.6**	21.4**	27.0
Without earnings	Base	18.4	27.6	21.4	26.0	17.1	18.2
	OBRA	14.7*	22.8	21.9	26.7	18.6	17.8
Nonearner							
Closed	Base	17.4	32.9	21.9	17.0	26.2	16.6
	OBRA	21.5	38.7	27.4	22.0*	22.8	23.7
Open							
With earnings	Base	5.7	2.0	4.2	5.6	4.2	3.7
	OBRA	3.0*	0.4	0.4**	1.8**	2.6	3.2
Without earnings	Base	76.9	65.1	73.8	77.4	69.6	79.8
	OBRA	75.5	60.9	72.2	76.2	74.5	73.1

[a]Breakdowns in this table are comparable to data in RTI, or the Research Triangle Institute's Final Report: Evaluation of the 1981 AFDC Amendments (Chapel Hill, N.C.: April 15, 1983); this column is drawn from page 3-8.

*Difference significant at the .05 level.
**Difference significant at the .01 level.

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later had earnings a year later varies, but it is significantly lower after OBRA. In contrast, base-period and OBRA-period non-earners were equally likely to be receiving AFDC without earnings a year later.

The figures in table 12 reflect both direct administrative and indirect behavioral effects of OBRA. Administratively, OBRA's rules mean that some proportion of the pre-OBRA AFDC caseload no longer qualified for benefits, most frequently because the families were earning too much to remain eligible. Behaviorally, OBRA's implementation means that AFDC recipients, whether their cases were closed or still active, could respond to the new rules by increasing or decreasing their participation in the labor force. For example, some AFDC recipients who lost their eligibility for welfare because of OBRA might have quit their jobs or cut back on the hours they worked in order to qualify once again for AFDC benefits. Similarly, some AFDC recipients who might have sought work or worked more over a period of time under the old rules might have been dissuaded from doing so under OBRA by the increased likelihood that they would lose eligibility.

Therefore, it seemed important to determine how much of the difference in the longevity of cases that we observed between the base and OBRA periods resulted from the behavioral, as distinct from the administrative, effects of OBRA. The administrative effect is reflected in the proportion of the base-period AFDC recipients who were on the rolls 12 months after the sampling point (1 month before OBRA was actually implemented) and ineligible under OBRA's rules. The behavioral effect can be estimated as the difference between the proportion of the base-period cases on the rolls, adjusted for the administrative effect, and the proportion of OBRA-period cases on the rolls.

To estimate the administrative effect of the OBRA changes, we simulated their application in the base period. We tested each base-period case that was open in the last month of the tracking period against several of the new rules. We classified open cases as closed if they would have been ineligible had OBRA been in effect in that month. In the simulation, we included the gross-income ceiling of 150 percent of the state need standard, the limitations on child-care expenses and work expenses, the exhaustion of the $30+1/3 earnings disregard, the loss of eligibility for children 18-21, and the counting of stepparent income.[2] Table 13 shows the results of this simulation, displaying both

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[2]The data used in the simulation were drawn from the last month of the base period and consisted of amounts of earned and unearned income, amounts of child-care and work-expense deductions, case size, age of the youngest child, and the presence of stepparents. The information available from Boston's computerized files was not sufficient to simulate OBRA's administrative effect.

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Table 13

Percentage of AFDC-Basic Cases Closed and Open 12 Months After the Sample Month, Adjusted for Eligibility Changes by Site[a]

Case status	Group	Boston[b]	Dallas	Memphis	Milwaukee	Syracuse
Earner						
Closed	Base actual	--	40.6%	37.9%	19.8%	32.3%
	" adjusted	--	59.9	65.6	50.8	51.5
	OBRA	--	70.6	65.6	56.7	60.0
Open						
With earnings	Base actual	--	31.8	40.7	54.2	50.6
	" adjusted	--	12.4	14.1	25.2	31.6
	OBRA	--	6.6	12.5	16.6	21.4
Without earnings	Base actual	--	27.6	21.4	26.0	17.1
	" adjusted	--	27.6	20.3	24.0	16.9
	OBRA	--	22.8	21.9	26.7	18.6
Nonearner						
Closed	Base actual	--	32.9	21.9	17.0	26.2
	" adjusted	--	35.7	28.3	24.2	29.7
	OBRA	--	38.7	27.4	22.0	22.8
Open						
With earnings	Base actual	--	2.0	4.2	5.6	4.2
	" adjusted	--	0.8	0.4	3.2	2.7
	OBRA	--	0.4	0.4	1.8	2.6
Without earnings	Base actual	--	65.1	73.8	77.4	69.6
	" adjusted	--	63.5	71.3	72.7	67.7
	OBRA	--	60.9	72.2	76.2	74.5

[a]Base-period 12-month dependency rates adjusted by applying the 150-percent limit on gross income, the 18-21-year-old rule, the stepparent income rule, and the OBRA limits on child care and work expenses (where information was available). In the simulation, it was assumed that cases were no longer eligible for the $30+1/3 earned-income disregard.

[b]Information for performing the simulation on the base-period sample was unavailable from Boston computerized files.

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actual and adjusted base-period figures in comparison with the OBRA-period figures.

A comparison of the actual and adjusted base-period figures in table 13 shows that the simulation of OBRA's administrative changes removed most of the difference between the status of base-period and OBRA-period groups where the difference is greatest--in earner cases "closed" and earner cases "open with earnings." The percentage of base-period earner cases closed comes, after the adjustment, within 11 points of the percentage closed in the OBRA period in Dallas, within 9 points in Syracuse, and within 6 points in Milwaukee. The percentages are equal in Memphis. The percentage of base-period cases open with earnings comes, after the adjustment, within 2 to 10 points of the cases open with earnings in the OBRA period (which is not statistically significant at the .05 level).

Since the initial implementation of the OBRA AFDC rules had a disproportionate effect on earners, it is perhaps to be expected that the simulation shows a much smaller effect on base-period nonearners. Even though the additional percentages of nonearner cases closed in the simulation are small, the adjusted base-period closings exceed the OBRA-period closings in three of the four sites for which we had data. However, the adjusted base-period percentage of nonearner cases closed never exceeds the OBRA-period percentage by a statistically significant amount.

The comparisons in table 13 provide scant evidence of any behavioral effect from OBRA. If earners terminated from AFDC in the OBRA period had quit their jobs to return to AFDC, the percentages of cases closed would have been higher in the adjusted base period than in the OBRA period, but in three sites the proportion was lower in the base-period (significant at the .05 level). Among nonearners, a behavioral response to OBRA would be revealed most clearly in a difference in the percentages of cases remaining open without earnings in the adjusted and OBRA periods. That is, if the new rules deterred nonearning recipients from looking for jobs, one would expect a higher proportion of cases in the nonearning open category in the OBRA period than in the adjusted base period. In three of the four sites for which we had data, the percentage of cases open without earnings is slightly higher for the OBRA period than for the adjusted base period, but none of the differences are statistically significant (at the .05 level). In short, if OBRA had any of the behavioral effects that have been anticipated, they are not large enough to be evident from the results of this simulation.

As we noted above, the simulation reduces much of the difference between base-period and OBRA-period patterns for earner cases, but some difference remains. It is not known whether, or how much of, the remaining difference stems from using a single base period to represent case dynamics before OBRA or from the limitations of the simulation. The data that we obtained from

the case files and used for the simulation were not complete enough for a definitive test of OBRA's effects.

For example, in New York a variety of procedures were used before OBRA to reimburse AFDC recipients for child-care expenses. Child-care expenses were recorded in some cases as an earned-income disregard and in others as part of the grant. Where expenses were included in the grant, we lack the information we need on actual child-care expenses in order to apply the OBRA provisions accurately to the case. For another example, since our application of the stepparent provision closes cases when a stepparent is known to be present in the household, it probably closed some base-period cases inappropriately. This is because including stepparent income is likely to make most, but not all, cases ineligible. Problems like these mean that the simulation may slightly overestimate or underestimate the number of additional cases that would have closed if the OBRA rules had been applied before OBRA.

Caution is warranted also in drawing conclusions about OBRA's effect on "work effort" because our simulation looks only at the presence or absence of earnings for active cases. We have no data about the proportions of base-period closed cases with and without earnings. Nor does the simulation attempt to measure change in hours worked, even for cases that remained on the rolls. Thus, the data that were available to us permit only a partial examination of the patterns of work behavior that OBRA might have been expected to alter.

Demographic characteristics and types of assistance among AFDC earners

We draw primarily on interview data to address the Committee's questions about the economic well-being and general circumstances of families OBRA removed from the AFDC rolls. Because OBRA was intended to--and, in our five sites, did--have its greatest effect on working AFDC recipients, we drew our interview samples exclusively from OBRA-period earner cases that OBRA closed. Our comparisons between these OBRA-period closed earner cases and other earner cases use information in the case-record reviews, but with a few exceptions the rest of the discussion is based on the interview data.

Earners who lost AFDC benefits because of OBRA were significantly different in several respects from those who did not. In Boston, Milwaukee, and Syracuse, they were more likely to be nonwhite and to be in cases of smaller sizes (see table 14 on the next page). In Boston, Dallas, and Memphis, they were significantly younger than in the other cases.

In all sites, earners in more than half of the terminated cases had at least a high school diploma; in Boston, almost 30 percent had at least some college education. Although we present

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Table 14

Demographic Characteristics of AFDC-Basic Earners Who Lost AFDC Because of OBRA Compared to Other Earners by Site

Characteristic	Earners	Boston	Dallas	Memphis	Milwaukee	Syracuse
From case records						
% nonwhite	Terminees	85.7	81.2	93.2	72.7	44.7
	Other	72.2*	86.0	91.5	56.3*	31.4*
Average case size	Terminees	2.8	3.4	3.3	2.8	3.1
	Other	3.1*	3.6	3.3	3.0*	3.5*
Average age	Terminees	33.6	28.9	30.6	31.4	33.1
	Other	34.7*	33.3*	32.3*	31.5	33.5
% single and never married	Terminees	[a]	45.2	52.9	47.9	36.5
	Other	[a]	41.5	46.3	35.5*	28.0
% cases with children < 6 yrs	Terminees	37.4	71.7	51.0	37.2	37.1
	Other	32.9	52.0*	46.0	44.2	40.7
From interviews						
% completed education	Terminees					
6th grade or less		1.7	0.8	2.5	0	2.1
Grades 7-11		23.3	39.2	43.3	28.7	36.4
High school graduate		45.8	50.8	42.5	50.0	45.7
Some college		22.5	8.5	10.0	13.9	9.3
Associate degree		2.5	0.8	0.8	0	5.7
B.A. or B.S.		2.5	0	0	4.1	0
Graduate degree		1.7	0	0.8	0.8	0
Other		0	0	0	2.5	0.7
Average no. of yrs with employer	Terminees	3.4	1.7	2.8	3.4	3.1

[a]Not available from Boston's computerized files.

*Difference between "terminees" and "other" significant at the .05 level.

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Table 15

Types of Assistance That AFDC-Basic Earners Had Been Receiving When They Lost AFDC Because of OBPA by Site

Assistance	Boston	Dallas	Memphis	Milwaukee	Syracuse
AFDC	(n=120)	(n=130)	(n=120)	(n=122)	(n=140)
Average grant[a]	$164	$71	$76	$197	$172
Average no. of years Since receiving first grant	8.5	6.1	8.5	7.6	8.2
Between birth of 1st child and receipt of grant	4.6	5.3	4.3	5.1	5.6
Received AFDC as a child	19.2%	15.5%	20.0%	19.7%	19.3%
Public housing or government housing subsidy	60.8%	43.8%	48.3%	15.6%	32.9%
Food stamps	50.8%	90.7%	96.7%	42.6%	79.3%
Average grant	$83	$170	$150	$96	$81
Lost food stamps with AFDC	85.2% (n=61)	42.4% (n=118)	11.2% (n=116)	67.3% (n=52)	72.1% (n=111)

[a]In the month in which the sample was drawn. Since AFDC cases may have had their grants reduced before termination, using the sample month gives a more accurate overall dollar decrease for AFDC earners than using any other month.

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data on employment and earnings characteristics in another section below, we have included in table 14 information on the average time earners had been with their employers before losing AFDC. The data show substantial evidence of employment stability. In four sites, AFDC recipients had been with the same employer an average of 2.8 to 3.4 years; in Dallas, it was 1.7 years.

In table 15, we present information on the types of assistance that earners who lost AFDC benefits had been receiving. The average AFDC grant in terminated cases was sizable--$71 in Dallas, $76 in Memphis, and between $164 and $197 in Boston, Milwaukee, and Syracuse, the three sites with the higher payment standards. On the average, these OBRA terminations occurred 6 to 8-1/2 years after the respondents and their children had first received AFDC; 4.3 to 5.6 years separated the birth of a first child and the first receipt of AFDC. However, 16 to 20 percent of the persons who were interviewed reported that they had received AFDC as children.

The differences between the sites in the percentages of individuals reporting that they had been receiving food stamps before losing AFDC reflect, in part, differences in state AFDC need and payment standards. The food stamp program uses the national poverty level for determining eligibility. If a state's AFDC payment standard is sufficiently high, cases can be eligible for AFDC but ineligible for food stamps. Thus, the sites with the lowest AFDC payment standards, Dallas and Memphis, have the highest proportions of food stamp recipients--91 and 97 percent. Additionally, because AFDC benefits are included in the food stamp program's calculations of income, families in states with low AFDC payment standards can receive larger food stamp grants, as we see in Dallas and Memphis, where the average food stamp grants were $170 and $150. In the three other sites, they ranged from $81 to $96.

Some analysts predicted that AFDC households would find their benefit losses partially compensated for by increases in food stamp grants, but OBRA contains provisions that tighten the rules on eligibility for food stamps. In states with high AFDC payment standards, these rules could have affected AFDC earners with higher incomes. Before OBRA, food stamp eligibility and benefits were based on a comparison of a household's net income with the poverty level, but OBRA instituted a gross-income test of 130 percent of the poverty level.[3] The food-stamp earned-income disregard was reduced from 20 to 18 percent. Our respondents who had received food stamps before OBRA in Boston,

[3]Except for households containing a member 60 years old or older or a member who receives disability, blindness, or Supplemental Security Income payments under titles I, II, X, XIV, or XVI of the Social Security Act.

Milwaukee, and Syracuse reported losing food stamp benefits when they lost AFDC at rates of 67 to 85 percent; the rates in Memphis and Dallas were 11 and 42 percent.

The percentages of respondents reporting that they lived in public housing or had some portion of their rent paid by a government agency ranged from 16 percent in Milwaukee to 61 percent in Boston.

Types of assistance and health insurance coverage in August-December 1983 among AFDC earners who lost benefits because of OBRA

We looked at the types of assistance that AFDC earners who lost benefits under OBRA reported that they were receiving when we interviewed them in August-December 1983 and the types of health insurance that they were then covered by. Between 19 and 27 percent were again receiving AFDC benefits in Dallas, Memphis, and Milwaukee, between 7 and 8 percent in Boston and Syracuse. These rates are comparable to those we found in our case-record reviews of all OBRA earner terminees for an earlier time point (see table 10). However, the average AFDC grant amounts reported at the time of the interview are substantially higher than those that were received by the entire terminee group before OBRA's implementation.

The percentages of families who reported that they were receiving food stamps at the time of the interview were lower than the percentages who reported receiving food stamps before they lost AFDC, which probably reflects changes in eligibility that OBRA made in the food stamp program. However, the average food stamp grants that were reported do not differ substantially. Few respondents reported receiving unemployment insurance.

Since all AFDC recipients are categorically eligible for Medicaid, all had health-care coverage before losing AFDC. Because some states have "medically needy" programs for low-income persons, we expected that some of the families losing AFDC because of OBRA would have retained subsidized health care. We asked a series of questions to determine how many had health insurance coverage at the time of the interview, the nature of that insurance (public or private), and who was covered in the family. We did not gather data on the scope of insurance services being provided or on the proportion of health expenses being covered privately and by government programs.

Between 13 and 31 percent reported that either they or their children were being covered by Medicaid. Some were eligible for Medicaid because they had returned to AFDC. Others may have been eligible for medically needy programs (all our sites but Dallas have medically needy programs). Except in Memphis, the great majority who were enrolled in Medicaid were covered for both

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Table 16

Types of Assistance That AFDC-Basic Earners Who Had Lost AFDC Because of OBRA Were Receiving and the Health Insurance Coverage They Had in Fall 1983 by Site

	Boston	Dallas	Memphis	Milwaukee	Syracuse
Assistance					
AFDC	8.3%	18.5%	20.8%	27.0%	7.1%
Average grant	$313	$138	$147	$368	$293
Food stamps	18.3%	55.4%	78.3%	34.4%	37.1%
Average grant	$94	$188	$178	$100	$121
Public housing or government housing subsidy	55.8%	43.1%	48.3%	12.3%	30.0%
Unemployment insurance	4.2	4.6	1.7	4.9	2.9
Health insurance					
Coverage					
Medicaid					
Self only	0%	0%	0%	1.6%	1.4%
Children only	1.7	0.8	11.7	3.3	5.0
Self and children	11.7	16.2	17.5	26.2	23.6
Other government					
Self only	0.8	0	0	0	0.7
Children only	2.5	0.8	2.5	0	2.9
Self and children	3.3	0	0	1.6	0
Private policy					
Self only	6.7	3.8	5.0	7.4	10.0
Children only	0.8	3.1	5.0	2.5	5.0
Self and children	49.2	16.2	18.3	50.8	46.4
No coverage					
Self	30.0	63.8	60.0	16.4	25.0
Children	32.5	63.1	50.0	20.5	25.7
Self nor children	27.5	59.2	45.0	13.9	17.1

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themselves and their children. Only a small percentage of the terminees whom we interviewed indicated that they or their children currently had any other kind of government health coverage.

The differences in the sites are particularly marked with respect to coverage by private health insurance. In Memphis and Dallas, only a quarter of those we surveyed had any such insurance for either themselves or their children at the time they were interviewed, while for families in Boston, Milwaukee, and Syracuse the comparable figure was more than half. Most of these families had policies that covered both the respondent and at least some of the children, but a number of the policies were limited to one or the other. In some of these cases, children were covered by another parent's health insurance.

A number of respondents indicated that they had no health insurance coverage at all at the time they were interviewed, whether for themselves or for their children. Approximately 60 percent had no health insurance for themselves in Dallas and Memphis; a similar number in Dallas also had no coverage for their children. In Memphis, children lacked health insurance in 50 percent of the families. In Boston, Milwaukee, and Syracuse, by contrast, the proportion of respondents with no health coverage for themselves ranged from 16 to 30 percent, and the proportion with no health insurance for their children ranged from 21 to 33 percent. (Table 16 summarizes these data.)

The general circumstances of AFDC earners who lost AFDC under OBRA

In this section, we present information on the general circumstances of AFDC earners terminated from AFDC because of OBRA, including the reported incidence of forgone health care, steps taken to produce cash or reduce assets, and the frequency of various hardships before and after the loss of AFDC.

The lack of health insurance could result in decisions to forgo the treatment of health problems. Several questions in the interview examined the extent to which the respondents had not sought care, being unable to pay, or had sought care but had been refused for financial reasons. Between 14 and 24 percent of the persons who were interviewed indicated that at least once since their termination from AFDC, they had not sought the treatment of a medical problem for either themselves or their children. The comparable range of responses for a similar question concerning dental problems was higher--between 29 and 48 percent. Finally, 8 to 13 percent reported that they had been refused either medical or dental treatment because they could not pay for it or did not have insurance. We did not obtain information on the frequency with which the respondents had forgone health care before losing AFDC, so that we do not know whether the incidence has changed. (See table 17 on the next page.)

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Table 17

Health Care Forgone and Assets Reduced Among AFDC-Basic Earners After Losing AFDC Because of OBRA by Site

	Boston	Dallas	Memphis	Milwaukee	Syracuse
Health care					
Did not seek treatment for a medical problem because of expense	21.7%	23.8%	17.5%	21.3%	13.6%
Did not seek treatment for a dental problem because of expense	48.3	40.0	32.5	30.3	28.6
Were refused medical or dental care because unable to pay or had no insurance	13.3	12.3	13.3	8.2	7.9
Assets					
Depleted savings	55.9	10.8	6.7	52.5	26.4
Sold a car and did not buy a better one	1.7	13.1	1.7	8.2	7.1
Pawned or sold belongings	15.8	18.5	7.5	13.9	10.7
Borrowed on a life insurance policy	6.7	3.1	1.7	4.9	0.7
Cashed a life insurance policy	7.5	5.4	2.5	5.7	2.1
Acquired a financial loan	22.5	10.0	10.8	25.4	17.1
Took other steps to obtain cash	10.8	13.8	12.5	18.9	20.3

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We also looked at the steps the respondents had taken to raise cash since being dropped from AFDC. The disparity among the sites is striking: between 53 and 56 percent of the respondents in Boston and Milwaukee withdrew funds from savings accounts, compared to 7 percent in Memphis, 11 percent in Dallas, and 26 percent in Syracuse. Terminees in Boston and Milwaukee were also somewhat more likely to have borrowed money from a bank or finance company. Respondents in Dallas were slightly more likely to have pawned or sold belongings or to have sold a car without replacing it with a better one.

Table 18 on pages 44-45 presents the percentages of respondents who reported 11 specific hardships in the 2 years before losing AFDC and after losing AFDC. Except in Memphis, a number of these items (17 of 55 comparisons overall) show significant shifts. The two events that were reported as having happened most frequently, both before and after OBRA, and that increased significantly after OBRA in most of the sites were having to borrow $50 or more from a friend or relative and running out of food and having no money to buy more. The three sites where respondents reported a statistically significant increase in running out of food after OBRA were the sites with high AFDC payment standards--Boston, Milwaukee, and Syracuse. These sites also have the lowest percentages of AFDC terminees receiving food stamps and the greatest percentages losing food stamps simultaneously with the loss of AFDC. Smaller but statistically significant increases after OBRA were also found for families reporting in Dallas, Milwaukee, and Syracuse that they had obtained food from charities.

We asked the respondents whether they believed that they were eating better or worse at the time of the interview than they had been eating before they were terminated from AFDC. Generally, about 50 to 60 percent said that there was no difference in how well they ate. Of those that indicated a change, significantly more respondents in Boston, Memphis, Milwaukee, and Syracuse reported that they were worse off now than before.

	Boston	Dallas	Memphis	Milwaukee	Syracuse
Eat better or worse now?					
About the same	50.0%	52.3%	60.0%	55.7%	50.7%
Much better	7.5	6.2	5.8	7.4	8.6
Somewhat better	8.3	20.8	7.5	9.0	7.1
Somewhat worse	26.7	18.5	22.5	18.9	26.4
Much worse	7.5	2.3	4.2	9.0	7.1
If worse, why?	(n=41)	(n=27)	(n=32)	(n=34)	(n=47)
Less to eat	41.5	25.9	56.3	52.9	46.7
Eat less meat	36.6	14.8	15.6	52.9	42.6
Eat cheaper food	26.8	29.6	25.0	55.9	51.1
Run out of food	31.7	40.7	62.5	50.0	31.9
Other	43.9	22.2	6.3	26.5	17.0

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Table 18

Problems AFDC-Basic Earner OBRA Terminees Experienced During the 2 Years Before Losing AFDC and After Losing AFDC

Problem	Before and after OBRA	Boston	Dallas	Memphis	Milwaukee	Syracuse
Clothes: none for children to wear outside home	Before	15.0%	13.8%	17.5%	9.0%	3.6%
	After	19.2	15.4	14.2	16.4*	7.1
Utilities						
Phone shut off	Before	23.3	31.5	23.3	20.5	17.9
	After	25.0	35.4	24.2	30.3*	29.3*
Gas shut off	Before	7.5	19.2	22.5	23.0	15.0
	After	13.3	20.8	20.0	32.0*	17.9
Electricity shut off	Before	3.3	18.5	24.2	14.8	15.0
	After	8.3	15.4	20.0	16.4	20.0
1+ months late in paying	Before	20.0	30.8	38.3	45.9	44.3
	After	34.2**	33.1	34.2	59.8*	51.4
Rent or mortgage						
Evicted or forced to move because not paid	Before	1.7	7.7	5.0	3.3	2.1
	After	0.8	6.9	4.2	3.3	3.6
1+ months late in paying	Before	40.0	20.8	20.0	14.8	24.3
	After	47.5	28.5	25.0	31.1**	32.1

*Difference significant at the .05 level.
**Difference significant at the .01 level.

ENCLOSURE

(Table 18 continued)

Problem	Before and after OBRA	Boston	Dallas	Memphis	Milwaukee	Syracuse
Food						
Ran out and had no money to buy more	Before	40.8%	55.4%	45.8%	37.7%	30.0%
	After	60.0**	58.5	37.5	54.9**	50.7**
Had to get food from a church or other charity	Before	10.0	15.4	18.3	17.2	16.4
	After	15.0	23.8*	20.0	27.9*	25.7*
Cash						
Borrowed $50+ from a friend or relative	Before	45.8	48.5	36.7	45.1	31.4
	After	60.0*	60.8*	43.3	61.5**	52.9**
Had something repossessed	Before	0.8	7.7	6.7	0.8	2.9
	After	0.8	13.1	5.0	2.5	2.1

*Difference significant at the .05 level.
**Difference significant at the .01 level.

ENCLOSURE

Changes in the employment and income circumstances of AFDC earners who lost AFDC under OBRA

Table 19 displays information on reported changes in the employment and income circumstances of AFDC earners terminated by OBRA. According to the case records, all respondents had earned income the month before OBRA's implementation, but a few of the respondents reported that they had not been employed when they lost AFDC. The discrepancy may result from faulty recollection, inaccurate case record information, or changes in employment status between the sampling date and the AFDC loss. Except in Dallas, these cases were fewer than 5 percent.

In general, AFDC terminees were employed at the time of the interview, although in Dallas, Memphis, and Milwaukee some 23 to 38 percent were unemployed. Since we have no information on the normal rate of movement in and out of the labor force at these sites, we cannot determine whether this represents a change in their work patterns because of OBRA.

Among those who were working when they lost AFDC and when we interviewed them, the average number of hours worked each week in four sites tended to be greater at the time of the interview (statistically significant only in Boston) than at the time of the AFDC loss, although 45 to 68 percent of the respondents reported no change (that is, no change greater than 3 hours).

Average wage rates (adjusted by using the local consumer price index) increased significantly in three sites, as did average monthly earnings.[4] Even after adjustments for inflation, approximately 38 to 71 percent of the AFDC terminees who were still working at the time of the interview had managed to increase their earnings by more than $25 a month. However, reported monthly earnings in Boston, Dallas, Memphis, and Milwaukee had decreased by more than $25 for 22 to 32 percent of the terminees still working.

For the question of economic well-being, the issue is more complicated. It involves not just whether earnings increased for persons still working but whether total income changed for the group as a whole. In table 19, we present information on the respondents' monthly income and changes in income--that is, income from sources in addition to earnings--adjusted to September 1981 dollars (see appendix III for comparisons of unadjusted figures). Income in table 19 includes any earnings, AFDC grant, and food stamp grant that the respondents received. It does not include the earnings of other members of the household or other sources of unearned income.

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[4]Wage rates were calculated as total compensation (including bonuses) per hour worked.

ENCLOSURE

Table 19

Employment and Income Characteristics of AFDC-Basic Earner OBRA Terminees 1 Month Before Losing AFDC and at Time of Interview

Characteristic	Before and after OBRA	Boston	Dallas	Memphis	Milwaukee	Syracuse
Working[a]		(n=120)	(n=130)	(n=120)	(n=122)	(n=140)
	Before	100.0%	90.0%	96.7%	95.9%	97.1%
	After	87.5	68.5	62.5	77.0	85.0
Change						
Increased hours		15.8	12.3	10.9	11.5	15.7
Decreased hours		4.2	7.7	5.0	5.7	4.3
Stopped working		12.5	25.4	35.3	19.7	13.6
Started working		0	3.8	0.8	0.8	1.4
Not working		0	6.2	2.5	3.3	1.4
No change (± 3 hrs)		67.5	44.6	45.4	59.0	63.6
Average weekly hours worked[b]		(n=105)	(n=84)	(n=73)	(n=93)	(n=117)
	Before	35.3	34.4	27.9	37.8	37.2
	After	37.5**	34.4	29.3	38.9	38.4
Average wage[b]		(n=96)	(n=80)	(n=67)	(n=91)	(n=112)
	Before	$4.62	$3.96	$4.23	$4.83	$4.19
	After	5.47**	4.23	4.23	5.51*	4.70**

[a]No significance tests were performed on "working" and "change" in working.

[b]For those working before and after; wages and earnings in September 1981 dollars, adjusted against the local consumer price index.

*Difference significant at the .05 level.
**Difference significant at the .01 level.

ENCLOSURE

(Table 19 continued)

Characteristic	Before and after OBRA	Boston	Dallas	Memphis	Milwaukee	Syracuse
Average monthly earnings[a]		(n=96)	(n=80)	(n=68)	(n=91)	(n=112)
	Before	$699	$562	$456	$781	$675
	After	875**	598	494	918**	793**
Change						
Increased		67.7%	50.0%	38.2%	57.1%	70.5%
Decreased		21.9	30.0	27.9	31.9	10.7
No change (± $25)		10.4	20.0	33.8	11.0	18.8
Average monthly respondent income[b]		(n=102)	(n=105)	(n=87)	(n=116)	(n=129)
	Before	$923	$744	$649	$998	$871
	After	808**	515**	463**	818**	720**
Change						
Increased		35.3%	21.0%	17.2%	25.0%	24.0%
Decreased		56.9	76.2	77.0	73.3	70.5
No change (± $25)		7.8	2.9	5.7	1.7	5.4
For households that did not change composition		(n=67)	(n=46)	(n=42)	(n=70)	(n=72)
	Before	$913	$792	$706	$1,009	$854
	After	810*	528**	460**	810**	747**

[a]For those working before and after; wages and earnings in September 1981 dollars, adjusted against the local consumer price index.

[b]Income source = the sum of earnings + AFDC grant + food stamps (in September 1981 dollars, adjusted against the local consumer price index).

*Difference significant at the .05 level.
**Difference significant at the .01 level.

ENCLOSURE

On average, respondents in all sites had significantly less income at the time of the interview than they had before they lost AFDC because of OBRA; differences are as much as $115 to $229 less a month (in constant dollars). Thus, even though earnings increased for many who remained in the labor force, the respondents as a whole (including those no longer working) apparently did not make up the entire loss of income from AFDC and food stamps by working.

Whether a decrease in a respondent's income is a "real" decrease depends to some degree on whether there is also a change in the composition of the household. To investigate whether income decreases persisted when households did not change, we analyzed income changes for the households in our interview samples that did not change composition during the study period. In all the sites, the respondents' average income was significantly lower at the time of the interview than before the AFDC loss.[5]

Finally, we analyzed average monthly household income. The figures we present here include all earned and unearned income

	Boston	Dallas	Memphis	Milwaukee	Syracuse
Average monthly household income	$932 (n=116)	$681 (n=126)	$586 (n=117)	$985 (n=118)	$874 (n=140)
In relation to 1983 OMB poverty level, households					
Below	29.3%	75.4%	85.5%	28.0%	40.7%
Above 100%	65.5	18.3	10.3	66.1	49.3
Below 90%	20.7	67.5	79.5	18.6	30.0
Below 75%	12.9	51.6	65.0	12.7	19.3

except housing subsidies (in current dollars) reported for all household members at the time of the interview. The comparisons in table 19 do not include the resources of other household members, so that there is some possibility that the persons we interviewed and report in that table had additional resources after their AFDC loss. Income information on all household members was available only for the time of the interview.

The sites differ dramatically in the distribution of these households around the 1983 poverty level (as defined by the

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[5]Changes in household size may result from others entering one's household or from moving into the household of others, such as parents, relatives, or friends. The percentages of respondents reporting that their households increased by at least one adult were 5.0 percent in Boston, 21.5 percent in Dallas, 12.5 percent in Memphis, 13.1 percent in Milwaukee, and 18.6 percent in Syracuse. We expect to discuss household changes in greater detail in a forthcoming report.

Office of Management and Budget). In Boston, Milwaukee, and Syracuse, households below the poverty line range from 28 to 41 percent, but in Dallas and Memphis they are 75 and 86 percent. While the sites in the states with higher AFDC payment standards show 49 to 66 percent of these households above 110 percent of the poverty level, in Dallas and Memphis 52 and 65 percent are below 75 percent of the poverty level.

OBRA PROVISIONS RANKED BY THE STATES AS AFFECTING AFDC CASELOADS AND PAYMENTS[a]

Provision	Mean[b]	Number of states ranking the provisions 1st	2nd	3rd	4th	5th	No[c]
Caseload							
150% gross-income limit	1.3	26	9	5	1	1	4
Stepparent income	2.2	8	12	6	2	1	17
Monthly reporting	2.6	2	4	2	2	1	35
Earned income[d]	3.0	6	11	11	9	6	3
18-21-yr-old dependents	3.0	2	5	5	5	2	27
$1,000 asset limit	3.5	0	2	4	4	2	34
3rd-trimester pregnancy limit	3.7	0	1	4	6	2	33
Payments							
150% gross-income limit	1.7	14	9	3	1	0	13
Earned income[d]	2.1	17	4	6	3	3	7
Stepparent income	2.4	4	10	9	2	0	15
18-21-yr-old dependents	3.1	1	6	5	6	2	20
3rd-trimester pregnancy limit	3.3	1	3	5	4	3	24
$1,000 asset limit	3.5	0	1	5	6	1	27

[a]Includes only provisions ranked by at least 20 percent of the states.

[b]The mean rank for each provision is calculated for all states that ranked that provision; 7 states did not respond to the question on caseloads, and 13 did not respond to the question on payments.

[c]The number of states providing some information but not specifically ranking the provision.

[d]Includes the work-expense and child-care limits, earned-income tax credit, the 4-month limit on earned-income disregard, the disregard calculation on net income, and combinations of these provisions as reported by individual states.

APPENDIX II

ANALYSIS OF THE EFFECT OF OBRA ON AFDC-BASIC CASELOADS AND OUTLAYS

The statistical approach to estimating changes in AFDC-Basic caseloads and outlays resulting from OBRA that we used is known as "ARIMA," or "auto-regressive integrated moving average," impact assessment (McCleary and Hay, 1980). We used it as an alternative to classical regression approaches. ARIMA refers to a class of stochastic process models (Box and Jenkins, 1976; Box and Tiao, 1975) that empirically describe changes in a variable over time as a function of the past behavior of that variable, rather than as a function of other variables, as in the regression approach. However,

> "The reader who is familiar with the more widely used regression approaches to time series analysis (structural equation or econometric models) should not assume that ARIMA models are substantially different than regression models. While ARIMA models require the novel input-output explanation, the two approaches are in fact identical. The only real difference between ARIMA and regression approaches to time series analysis is a practical one. Whereas regression models can be built on the bases of prior research and/or theory, ARIMA models must be built empirically from the data. Because ARIMA models must be identified from the data to be modeled, relatively long time series are required . . . . The reader may use [no fewer than 50 observations as a] rule of thumb when deciding whether to analyze time series data from an ARIMA or regression approach. When relatively long time series are available, an empirical ARIMA approach will ordinarily give the best results. But when relatively short series are available, regression approaches informed by prior research and/or theory will give the best results." (McCleary and Hay, 1980, p. 20)

In addition, the ARIMA approach is often conceptually more appropriate to the analysis of an interrupted time series quasi-experiment.

In general, the intervention studied in an interrupted time series analysis should be a discrete event that occurs at a well-defined point in time and that can be expected to be observable as a reasonably immediate change in the outcome measure. In regression terms, the intervention is represented as a dummy variable that changes from 0 to 1 at the time that the event occurs. For example, in our analysis of OBRA's effect (the intervention) on the AFDC-Basic national caseload (the outcome), the dummy variable changed from 0 to 1 on the date on which OBRA became effective, in October 1981. However, since we know that some states did not fully implement the OBRA provisions until several months after October 1981, our analysis incorporates an additional assumption that OBRA's effect increased gradually over several

months until it reached a new and stable level. It is possible to use continuous variables (that is, another time series) in the analysis if certain conditions are met.

The actual statistical analysis of an interrupted time series is an iterative process in which alternative models are identified and tested until a model is found that is both statistically adequate and parsimonious. The details of the iterative process of identification, estimation, and diagnosis are in McCleary and Hay (1980). We used the ARIMA program in the SAS/ETS program library for our statistical analyses (SAS, 1982).

CASELOADS

The first step in building a statistical model of the caseload data was to find an ARIMA model that adequately described the month-to-month fluctuations in the caseload before the implementation of OBRA. It was not possible to define such a model from the caseload series alone, because the slope of the time series changed drastically during the pre-OBRA period (see figure 3 on the next page). Such shifts are typically related to some change in economic conditions or program administration. After examining many possible variables, we found that the number of unemployed women maintaining families was related to the caseload shifts, and we incorporated this into the ARIMA model. This makes sense substantively and statistically, since we found that unemployment leads the caseload by 2 months.

The model we selected incorporates unemployment as an independent variable time series, represents the intervention as a gradual and permanent change in level, and uses an ARIMA $(2,1,0)(2,0,0)_{12}$ model without a constant. The parameter estimates for the model are as follows:

ARIMA

ϕ_1 = 0.25 with t = 3.08
ϕ_2 = 0.18 with t = 2.22
Φ_1 = 0.28 with t = 3.07
Φ_2 = 0.30 with t = 2.92

unemployment

= 0.0538 with t = 1.74

intervention

= -91.67 with t = 8.81
= 0.814 with t = 20.17

residuals

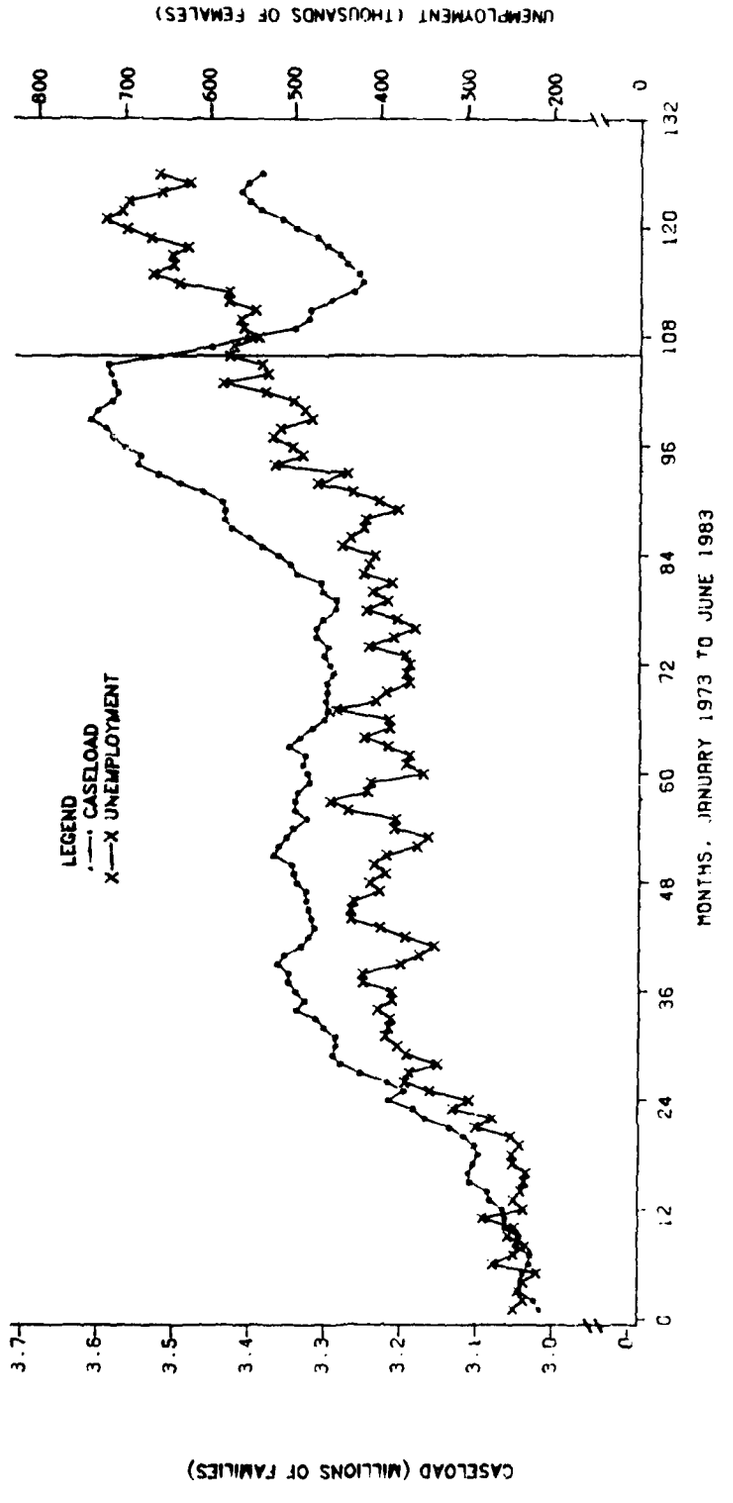
28.41 (df = 20), p = 0.10

APPENDIX II

Figure 3

NATIONAL AFDC—BASIC CASELOAD AND UNEMPLOYMENT OF FEMALES WHO MAINTAIN FAMILIES A/

FROM JANUARY 1973 TO JUNE 1983



A/THE SOLID VERTICAL LINE IS THE EFFECTIVE DATE OF OBRA.

The estimate of the asymptotic change in level is calculated as $\omega_0/(1-\delta_1)$. Based on the AFDC-Basic caseload model, the caseload decrease from its expected level in the absence of OBRA is estimated to be 492,849 cases where the gradual decline in the caseload stabilized. Forecasts of the post-OBRA caseload based on the model conform to the actual caseload only for the months immediately after OBRA. After the first 8 to 10 months, the actual caseload shows a trend back toward the pre-OBRA level.

OUTLAYS

The model for estimating OBRA's effect on outlays does not require the incorporation of a second time series of economic events. An ARIMA $(0,1,0)(1,0,0)_{12}$ model fits the pre-OBRA outlays time series quite well. This model accounts for the general upward trend in costs and for a seasonal pattern in which the observation at time t is closely related to the observation at time t-12 (a relatively common occurrence in monthly data). The intervention is modeled as a gradual and permanent change. The parameter estimates are as follows:

ARIMA

$\phi_0 = 0.004$ with $t = 2.72$
$\phi_{12} = 0.44$ with $t = 5.24$

intervention

$\omega_0 = -0.0257$ with $t = -3.13$
$\delta_1 = 0.723$ with $t = 5.59$

residuals

$\chi^2 = 24.94$ (df = 22), $p = 0.30$

Based on this model, the monthly change in AFDC-Basic outlays after the initial decline stabilized is $92.78 million. However, as with the caseload analysis, a divergence between the actual outlays data and forecasts based on the ARIMA model suggests that OBRA's effects may be lessening over time.

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APPENDIX III

CHANGES IN UNADJUSTED WAGE RATES, EARNINGS, AND INCOME FOR AFDC-BASIC OBRA EARNER TERMINEES

	Before and after OBRA	Boston	Dallas	Memphis	Milwaukee	Syracuse
Average wage[a]		(n=96)	(n=80)	(n=67)	(n=91)	(n=112)
	Before	$4.62	$3.97	$4.26	$4.88	$4.20
	After	5.83**	4.60**	4.52	6.00**	5.01**
Average monthly earnings[a]		(n=96)	(n=80)	(n=68)	(n=91)	(n=112)
	Before	$700	$563	$458	$ 789	$678
	After	933**	650**	529*	1,000**	846**
Change						
Increased		78.1%	65.0%	44.1%	67.0%	89.3%
Decreased		6.3	17.5	10.3	6.6	3.6
No change (± $25)		15.6	17.5	45.6	26.4	7.1
Average monthly respondent income[b]		(n=102)	(n=105)	(n=87)	(n=116)	(n=129)
	Before	$924	$745	$653	$1,008	$874
	After	861	560**	495**	891*	767**
Change						
Increased		46.1%	23.8%	19.5%	30.2%	29.3%
Decreased		52.0	68.6	67.8	63.8	59.7
No change (± $25)		2.0	7.6	12.6	6.0	10.9
For households that did not change composition		(n=67)	(n=46)	(n=42)	(n=70)	(n=72)
	Before	$914	$794	$710	$1,019	$857
	After	863	573**	492**	882*	796

[a]For those working before and after.

[b]Income source = the sum of earnings + AFDC grant + food stamps (in current dollars).

*Difference significant at the .05 level.
**Difference significant at the .01 level.


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